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Final Report
On

A Framework on the Elaboration of an Agricultural Development Strategy for Syria

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- Opinions and judgments expressed are the authors' only. FAO proposes the text as basis for starting the discussion among scholars and policy makers on the issues related to the subject of the study.

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Introduction

Within the framework of objectives and activities of Project GCP/SYR/006/ITA “Assistance in Institutional Strengthening and Agricultural Policy”, the present report contains the results of the preparatory work for the elaboration of a development strategy for Syrian agriculture.

In this connection, two missions have been undertaken to Damascus, Syria. The first mission took place from December 6, 1999 to December 17, 1999 and included a one-day stopover in Cairo for briefing with PNEP/RNER officers at FAO Regional Headquarters (see Annex 2). The mission included also a field trip, from December 8 to 11, aimed at acquiring information and analytical material in Hama’s and Lattakia’s Departments, plus visits in Aleppo to the Cotton Bureau, to the General Organization for Seed Multiplication and to the University of Aleppo.

The second mission took place from January 10 to February 7, 2000. At the beginning of this mission, a field trip was also undertaken, with the purpose of obtaining information and discussing technical issues relevant to the preparation of the strategy, in the Departments of El Hassakeh, Al Raqqa, Deir Ezzor and Al Badia.

In Damascus, thanks to the effective collaboration of the Project staff and of the National Project Director, in particular, a series of encounters with high ranking officers in the various branches of Government (see Annex 2), not only facilitated the collection of information but also gave the author of the present report the opportunity to exchange views on a host of technical and organizational issues relevant to the preparatory work for the strategy.

The contents of this report cover all the tasks foreseen by TOR (Annex 1). For expository reasons, it has seemed preferable to rearrange the sequence and content of the various tasks in four chapters.

In the first chapter, some general conceptual notions about the technical and political nature of a development strategy are presented and discussed.

The second chapter contains a concise analytical assessment of Syrian agriculture. An interpretation of past strategies and policies is preliminarily put forward, followed by a brief assessment of the performance of Syrian agriculture, by a discussion of factors and forces inducing changes in the present strategy and, finally, by a review of Government desired changes in the policy environment and of factors constraining their achievements.

The third chapter is devoted to the definition of a road map for the completion of the agricultural development strategy. To this purpose, recommendations are put forward with regard to a) studies to be undertaken; b) identification of national institutions to be involved in the preparation of the strategy; and c) timetable and signpost for the completion of the strategy.

In the fourth chapter a preliminary proposal of the outline of the strategy report is presented and briefly discussed.

The content of the report, with particular attention to the main features of the road map for the completion of the strategy, was discussed in a meeting with Mr. Asa'd Mustapha, Minister of Agriculture and Agrarian Reform, the two Deputy Ministers, Mr. Irfan Alloush and Mr. Hassan El Hamed, and a group of Departmental Directors of MAAR (Annex 2).

The main analytical features of the report have been presented and discussed at the end of the second mission in a seminar with the participation of senior Government officers from MAAR and other branches of Government (Annex 3).

I – Agricultural development strategies: some general conceptual notions

Recently, international organizations have been devoting increasing attention to the production of guidelines for agricultural sectorial analysis; guidelines that, in many cases, are specifically aimed at generating articulated and coherent development strategies. So, without pretense of originality, it may be appropriate, both for the following discussion and certainly for the future work needed for the elaboration of a development strategy for Syrian agriculture, to review, with reference to this kind of literature, some essential basic concepts about the technical and political nature of a development strategy.

With reference to a specific agricultural sector, which is operating in a given economic, social and institutional context, a **strategy** essentially embodies both a vision of what the sector should look like in the future and a road map showing how to fulfill that vision. Conceptually, a strategy has two main essential points of departure:

1. An assessment of the current situation of the sector, grounded on
 - i) the historical evolution of the sector,
 - ii) the historical evolution of the sectorial objectives pursued in the past and the set of policies implemented for their promotion, and
 - iii) a critical evaluation of the sector's opportunities and constraints.
2. The politically determined weight given to the **general socio-economic objectives** (growth, equity, stability, poverty alleviation and sustainability).

Within a general policy framework that has previously defined the nature and ranking of the general socio-economic objectives, there are three steps to establish a development strategy for the agricultural sector:

- 1) Specify, for Government intervention **the social and economic sectorial objectives** which should contribute to the pursuit of the overall global objectives.
- 2) Identify and assess the main sectorial structural features, highlighting the factors representing both development opportunities and constraints.
- 3) Set **broad priorities** among alternative sets of policies and institutions consistent with objectives and structure. In this perspective, it may be useful to remember that a strategy is not expected to specify a detailed blueprint of policies to be pursued and institutions to be built, but rather to set, in terms of alternative options, priorities among sets of policies and institutions.

It may also be appropriate to emphasize that the success of a sectorial strategy will depend, *inter alia*, on three fundamental pre-requirements: 1) the Government's capacity to ensure a stable **macroeconomic environment** for decision-makers, both public and private; 2) the Government strategic decision on market and state instruments to achieve **the coordination of resource allocation** to produce growth; and 3) similarly, the Government strategic decision on market and state instruments to achieve the objective of **distributive equity**.

With regard to the last two pre-requirements, as political and technical recognition grows of the efficacy of markets in allocating resources (and, to some extent, in distributing the output of this allocation), governments increasingly strive to use **indirect instruments of policy** rather than direct control and command.

Accordingly, regarding the issue of resource allocation in agriculture, the type of vision expressed in strategies will gradually be shifting away from centrally established future cropping patterns and production levels in favor of more indirect and articulated forms of intervention, such as the desired evolution of the rural financial system, of agricultural marketing channels, of the land tenure system, of the system for development and transfer of farming technology, of the state of rural infrastructure, and of other factors that enable a farmer to live and produce in a sustainable environment. In other words, the issues raised and analyzed in a strategy have, increasingly, to do with institutions, laws, markets and resource endowments, including farmers' managerial capacity.

There is no need to stress how great a relevance the above pre-requirements and their strategic implications acquire in the present and future Syrian economic and institutional context. To this crucial issue, which inevitably will constitute the analytical core of the strategy, a few preliminary considerations will be devoted later on.

In this schematic review of the fundamental methodological issues for the elaboration of a strategy, a final but crucial dimension is **by whom** and **for whom** the strategy is developed. An obviously relevant point is that the most successful strategies are those whose development is the result of a collaborative effort among different institutions and groups in the society. Equally relevant is that the strategy should represent a commitment by the sector's authorities to carry out specified reforms, and hence the participation of the government is a *sine qua non* in its elaboration. With specific reference to the problem of the elaboration of a development strategy for Syrian agriculture, this does not necessarily imply that the government should write the document, but its early involvement in all phases may facilitate endorsement. More specific considerations and proposals, on this issue, will be developed later on.

II – A concise analytical assessment of Syrian agriculture

2.1 A preliminary interpretation of past strategies and policies

As it is widely known, the economy of the Syrian Arab Republic (SAR) has been operating under a system of centralized planning, for the last three decades. While the earlier five year plans were formally issued, later, starting from the sixth one (1986-90), the plans have gradually shifted toward an indicative status. In the mean time, annual plans, which became the reference document, have been prepared adopting a more participatory and decentralized approach. Within this general orientation, while the State retained a central role in the direct coordination of resource allocation, space was gradually opened for private activities in agricultural production and trade.

Within the analytical framework of this report, it may be appropriate to start from a schematic description of the overall strategy conceived and implemented in agriculture, in the last decade.

The analytical interpretation of the logic and of the means employed to implement the strategy may be a suitable starting point for a) discovering the elements of success and weaknesses of the strategy pursued, and thus arriving at a synthetic assessment of the

performance of Syrian agriculture; and b) identifying the external and internal forces that may induce changes in the strategy.

In very schematic terms, we will distinguish two components within the strategy a) sectorial objectives; and b) instruments used to pursue the objectives.

A – Sectorial objectives

A comparative analysis of the five-year plans, as well as information obtained in personal exchanges with Government officers, suggest the following articulation of long term sectorial objectives for agriculture:

- Securing a very high degree of food self-sufficiency for staples.
- Utilizing fully and improving productivity of natural agricultural resources.
- Achieving equitable levels of income distribution, of satisfactory targets of poverty alleviation in rural areas, and of containment of rural-urban migration.
- Securing adequate levels of employment to the agricultural labor force.
- Guaranteeing adequate and affordable levels of food consumption to urban and rural populations.
- Providing adequate supply to domestic processing plants.
- Increasing agricultural exports.
- Promoting investments as a major instrument for achieving development.

B – Instruments

The choice of instruments, with which to pursue the above objectives, has been conditioned by the decision to assign a central role to the State in guiding both the allocation of resources and the distribution of the agricultural output. In a situation in which private ownership of factors of production is largely dominant, it is important to note that the guidance role by the State was exerted, not only by assigning precise quantitative targets from the farm level upwards, but also through a direct and pervasive control of farming technology.

It is analytically convenient (also for further discussion) to identify three **categories of instruments** for the pursuit of the above objectives

1 – The institutional framework

The institutional framework, with which the State has carried out its role during the last decade, preserves to a large extent the original features of the framework established in the 1960s and 1970s. Though its description falls outside the purpose of this report, a few general considerations about its complex nature and *modus operandi* help us to understand the logic of the strategy and to assess its level of performance. From an analytical point of view, the framework appears essentially characterized by two main organizational and functional features:

- i) *A high fragmentation of the decision making process and of policy implementation.* With regard to agriculture, the Ministry of Agriculture and Agrarian Reform (MAAR) retains a central, but not exclusive role, in deliberating and implementing public actions related to the production and distribution of agricultural goods. Quite a few

economic and social interventions come in fact under the technical and operational domains of other Ministries or Government agencies. The simple list, by no means exhaustive, comprising the Ministries of Irrigation, of Industry, of Supply and Internal Trade, of the Economy and Foreign Trade, of Finance, and the State Planning Commission, represents by itself an illuminating example of this fragmentation of responsibilities.

- ii) *The central and crucial role of a certain number of governing bodies (the Supreme Councils) in which the decision making process occurs through a participatory reaggregation of responsibilities and interests.* The highly articulated internal composition of the Councils provides the institutional guarantee of the possibility of both recombining, in a unified framework, the previously fragmented responsibilities and reconciling conflicting views and interests.

It is important to notice that, through time, the original institutional framework has acquired elements of further articulation (such as the relatively recent establishment of the Federation of Agricultural Chambers), and elements established also with the purpose of extending to other sectors of the economy the involvement in the participatory decision making process.

2 – The planning mechanism

The second and fundamental instrument for pursuing the objectives of the strategy has been the early and widespread adoption of the central planning mechanism for the allocation of resources in the agricultural sector. The rationale for this adoption can be essentially identified in the economic and political conviction that central planning could be, in a closed economy, the appropriate coordinating mechanism for mobilizing available resources and modernizing the production system. This rationale was strengthened by the technical conviction of assigning a central and dynamic role to the centrally controlled adoption and diffusion of farming technology. In other words, the adopted mode of central planning was seen as the appropriate policy decision making-framework for securing simultaneously a large set of objectives; namely:

- the achievement of self-sufficiency in staples;
- the control and the promotion of technological change;
- the control of a rational use of natural resources;
- the achievement and conservation of adequate levels of employment and income in rural areas; and
- the sustainable internal coherence of the economic and social systems.

3 - The set of agricultural policies

The third instrument employed for implementing the strategy is a set of strongly integrated policy measures, meant to provide operational strength to the planning mechanism. First of all, when we look today at their nature and operational modes, it should not be forgotten that their conception and application has taken place in a closed and highly protected context. If one were then to search for a central guiding principle of this policy set, this could perhaps be found in the notion of basically identifying the modernization of agriculture with an efficient process of diffusion and incorporation of technological change.

In its original version, fully operational until the mid 1980s, the set consisted of the integrated application of the following forms of intervention:

- Compulsive production targets and allocation of areas at the farm level for strategic crops.
- Grant of subsidies for farm inputs.
- Measures to facilitate access to land and water through legislative action (distribution of public land), price measures (subsidized rental of public land), investment programs (collection of water resources and public irrigation schemes).
- Favorable fiscal regime for agricultural production.
- Institutional and financial measures to secure short-term credit to farmers.
- Legislative regulation of land and agricultural labor markets.
- Public systems of agricultural research and extension, particularly strengthened in the 1990's

Within the ongoing process of domestic liberalization started in the second half of the 1980s, the above policy regime has undergone a certain number of non marginal modifications; namely, the adoption of a strong price support for crops considered strategic from the point of view of food security and export potentiality, the partial but consistent elimination of input subsidies and the evolution of the planning mechanism from the rigid pursuit of quantitative targets to a vision of indicative planning, allowing, for instance, freedom to farmers to market their output of most strategic products either to public agencies or in the private market.

However, in spite of this evolution, it should be noted that the long established interlinked processes of exogenous land allocation among crops, and of equally exogenous determination of the inputs required with the strictly related grant of short term credit, and its repayment procedure through the selling of output to public agencies, is still today widely and strongly entrenched in farmers behavior and expectations. One can, therefore, conclude that the functioning and implementation of the original planning scheme, at least for the so-called strategic crops, remain largely unaltered.

2.2 A synthetic assessment of the performance of Syrian agriculture

As a first step toward the identification of the factors which should stimulate and condition the definition of a future strategy for agricultural development in Syria, it may be useful, without going into a detailed analysis – for which, both qualitatively and quantitatively, one can refer to the Country Profile – to attempt a synthetic assessment both of the key elements of success and of some of the weaknesses of the past strategy.

First of all, there should be no doubt about the significant results obtained with regard to the set of objectives pursued by the previous strategy and policy measures. For instance, when we consider the primary objective of food security and food self-sufficiency, a couple of indicators describe the progress accomplished: the per capita dietary energy supply has increased from 2330 kcal/day in 1969-71 to 3300 in 1993-95, and in terms of production of the basic staple, wheat, in a decade Syria has moved from a consistent negative trade balance (-592.7/ 000 MT in 1988) to an equally consistent positive balance ten years later (+885/ 000MT in 1997). The achievement of these targets appears even more remarkable when placed in the context of the very high annual rate of population growth that has characterized

Syria over the last decades (3.3 in the 1970s, 3.6 in the 1980s, and 2.7 in the first half of the 1990s).

Price support for staples has certainly stimulated these results, but equally important has been the role played by the supply of technological innovations and their adoption by farmers.

Equally significant accomplishments have been obtained in the alleviation of poverty and in the improvement of living conditions in rural areas, with a clearly noticeable quantitative and qualitative increase in infrastructures and essential services in these areas. It is plausible to assume that this improvement in the economic and social environments may have contributed to the slowing-down of the flow of rural urban migration, thus avoiding, to a certain extent, the insurgence of the chaotic urbanization registered by other countries over the same years.

Finally, one should not forget the substantial contribution made by agriculture to the balance of payments, with a substantial growth of export flows, though the exported products consist mainly of raw materials rather than processed ones.

A word of caution seems to be in order. In recognizing these strong points of the past strategy, there should be also awareness of a crucial analytical issue: the fact that this specific set of policies has been conceived and implemented in a context of a closed and deficit economy. Especially, when we look into the future, there should be similar awareness of the increasing evidence of the problematic sustainability of the past strategy and related policies when they are applied in a context of a more open and surplus agriculture.

Always, with the intent of drawing useful lessons from the past, three problematic issues associated with the past strategy and policies are worth mentioning. First of all, the substantial increases in land productivity should not be read as evidence of having achieved a satisfactory and sustainable level of efficiency in the use of all inputs and natural resources. In particular, the problem appears particularly relevant to water: the massive effort, public and private, for capturing and devoting water to agricultural production has yet to be accompanied by a parallel effort in adopting more efficient irrigation methods.

A second problematic area concerns the unexploited potentialities in improving the marketing and processing of both strategic and non-strategic crops, mainly fruits and vegetables and livestock products. The scant attention devoted so far to this issue should certainly become a matter of concern, especially when the frame of reference tends to shift from the approach of strict self-sufficiency to a broader one of self-reliance. The modest quota of marketing detained by the private firms may be read as a symptom of persisting rigidities in the overall system, though with substantial variability among products.

Thirdly, a fairly neglected point that deserves some consideration in assessing the past strategy, and particularly the economic and social impacts of the planning mechanism, is the evidence of a substantial trade-off, at the farm level, between stability of prices (and, weather allowing, of income) and the development of managerial capacity. The structural removal of marketing and institutional risks, implicit in the planning procedures, in the long run, inevitably engenders the establishment of a static context and the diffusion of rooted expectations of permanent protection in substantial components of the rural economy. In perspective, these pervasive elements of rigidity will, unavoidably, engender global negative

impacts on the possibility that the production system could evolve into an economic and institutional context of higher flexibility and adaptability and, consequently, operating with a higher level of dynamic efficiency.

2.3 Hypotheses about factors and forces inducing changes in the past strategy

An obvious, but crucial premise, seems to be in order: the eventual impacts of the following variables on the whole economy and, more specifically, on the general vision with which to build a future strategy for the development of agriculture will ultimately depend on the overall political climate prevailing in the country. In a climate showing clear intention in proceeding along the road of further reforms focused on the expansion of the private sector, on trade reforms and exchange rate adjustment, and on a move towards an export-oriented development strategy, not only will become easier to deal with the following variables, but the formulation of the strategy for agriculture will be substantially facilitated by the possibility of referring to a clearly defined macroeconomic environment.

It seems appropriate to discuss factors and forces that operate within the **external economic environment** separately from those internal variables that, because of their nature, we could define as **sustainability dimensions**.

Within the overall ongoing process of globalization and liberalization, two main trends, affecting the agricultural markets, appear particularly relevant from the perspective of formulating a domestic strategy of agricultural development:

- the increasing structural supply of staples in the world market and the consequent long term declining trend of their prices, and
- the increasing competition in agricultural and agro-food products from developing countries, with the growing shares of processed products in their exports representing a recent significant change with respect to the traditional configuration of world market exchanges.

On the positive side of the globalization process, one should not neglect, also from a sectorial point of view, the new opportunities offered on several fronts:

- the opportunities offered by regional markets as an intermediate strategy for strengthening the position in other markets,
- the broadening of market opportunities for processed agricultural products whose standards satisfy the requirements of the international markets,
- the accelerated spillover of know-how with the associated processes of enhancing the technological level and the accumulation of human capital, and
- the opportunity of securing external financial resources especially through flows of direct investments.

There is no doubt that these opportunities could be enhanced further if and when they occur in a modified institutional context that facilitates inter-country exchanges and cooperation (e.g. Regional and Multilateral trade agreements, association agreements with the EU).

Regarding the general internal factors for defining the objectives and policies in the future strategy, four different variables should be recognized. All of them fundamentally raise the crucial issue of sustainability. It seems then appropriate to speak of four “sustainability dimensions” that should necessarily be considered in formulating a strategy. In this sense,

acquiring full awareness of their relevance becomes an essential pre-condition for finding satisfactory answer to the constraints that they pose.

The primary issue that any future strategy should realize is its **demographic sustainability**. It is well known that the very high growth rate of population in Syria is creating a scenario characterized, among other things, by a substantial modification in the age profile of the population and an equally substantial increase in its total labor force. In this connection and within the framework of defining a strategy of agricultural development, a few basic questions seem in order: Will the present configuration and performance levels of Syrian agriculture or, more correctly, a future configuration, reflecting actual trends, have the capacity to secure employment and income to the future agricultural labor force *in a sustainable natural environment*? Or, in a more global context, will agriculture be able to retain a quota of employment of such a magnitude to give a substantial contribution toward a sustainable equilibrium between urban and rural areas? Or, from a normative angle, in which ways and through what kind of policies can agriculture contribute to the overall employment in terms of job creation outside agriculture in rural areas as well as in the wider economy?

The second sustainability dimension is of **financial** nature, and is related to the type and size of the governmental budgetary expenditures going to agriculture and the budgetary receipts coming from agriculture. Just to give an explicit example, for how long the budgetary outlays, associated with the support granted to wheat producers and consumers, are going to be sustainable in a context of a structural production surplus? (and a similar question could be raised for cotton, another major export crop). On the inlays side, the public budget benefits from the revenue coming from the rental of public land, from taxes on certain inputs (e.g. urea), and from the fees that farmers in public irrigation schemes pay for their maintenance and operation. But one should also recognize, at least in principle, the existence in agriculture of untapped potential sources of government revenue (to attach a price to irrigation water, to introduce a tax on land).

In other words, if we consider the implications of these issues within the framework of a future strategy, a preliminary step should consist in a global and articulated assessment of the financial implications of the present set of agricultural policies and their future sustainability, before considering the financial sustainability of alternative policy sets. But, in the light of the existing institutional fragmentation, this may turn out to be too ambitious goal; however, full awareness of the existence and relevance of the financial constraint may be considered a premise for setting the agricultural strategy within the overall economic context.

The third sustainability dimension is the **environmental** one. The possibility of negative interactions between agricultural activities and stock of natural resources as well as the overall quality of the natural environment is increasingly becoming evident in Syria. Looking into the future, two examples are sufficient to illustrate the dimension and the seriousness of the problem.

A very macroscopic problem of environmental sustainability is represented by the present trends of resource utilization in the nomadic pastoral region of Al Badia. The substantial growth of human and animal population in the last decade represent a serious threat to the very existence of the traditional nomadic system of resource utilization, with potential catastrophic irreversible consequences in terms of quality of the natural environment and of

massive rural urban migration. A careful scrutiny of present and alternative policies and options to alter these trends should hopefully constitute a component of a future agricultural strategy.

A second area, in which the sustainability issue is equally macroscopic, is represented by the utilization of water in farming. Fortunately, there seems to be increasing awareness of the problem, but one has the impression that up to the very recent past, public and private attitude toward technical and economic water management in agriculture seems to have been guided by the general belief that this resource is not scarce. Widespread empirical evidence (depletion of water tables, soil salination) shows, instead, the urgent need for a comprehensive policy aimed at sustainable and efficient management of the water resource in agriculture.

Even more worrying are the prospects of water supply for urban consumption, a problem that could eventually imply a hard trade-off between agricultural and urban allocation of the water supply.

The fourth dimension of sustainability is the **institutional** one. On this front, the central question to be raised is to what extent the present complex and fragmented institutional structure and its related decision-making mechanism can be considered adequate for handling a gradual modification in strategy and policy? In other words, what kind of reforms of the institutional structure are needed for adjusting the, still essential, role of the State in the development of Syrian agriculture in a world market oriented environment?

2.4. Government desired changes in the policy environment and factors constraining their achievements

The ascertainment of Government desired changes in the current strategy for the development of agriculture is certainly not an easy task. There is a general scarcity of documentation on which to rely for assessing the present strategy, and from which one could implicitly attempt to deduct some orientation about the desired changes. The situation should improve, to a limited extent, in the coming months, since, in the process of elaboration of the next five year plan, an evaluation of the 1995-99 plan is currently under preparation by the State Planning Commission.

The limited and tentative considerations about the desired and feasible changes in agricultural policy objectives and instruments that can be advanced at this stage are, therefore, exclusively based on a certain number of personal interviews. The information and general reactions provided through encounters at the Ministerial and Deputy Ministerial levels in the Ministry of Agriculture and Agrarian Reform, the Ministry of Irrigation, the Ministry of Economics and Trade, as well as the numerous interviews with high ranking officers in the various branches of Government, have certainly been extremely useful, but, of course, they retain all the limitations of exchanges of this nature; foremost, the subjective interpretation by the author of the present report, who, therefore, remains entirely responsible for all the following considerations.

If one had to make, with all the necessary caution, a general statement about the “economic mood” prevailing in official circles, several signs seem to confirm both the intention to proceed with the process of domestic liberalization and a growing interest in the potential

opportunities offered by more open attitude toward world markets and by a strengthening of external relations. A positive conclusion of the negotiation process of association to the European Union will certainly represent, politically and economically, a relevant step forward in this direction. However, movements in both directions will undoubtedly occur within an approach of gradual and partial adjustment of the current economic and institutional regime, through a process of revision and amendments of the major instruments of public interventions so far implemented to favor initiatives in line with the objective of domestic liberalization and increased international integration.

From the perspective of the extent and pace of the reform process, one should register the widespread opinion that a positive conclusion of the peace process could become a relevant impulse in this direction. There is no doubt about the potential economic and social relevance of this variable, but it is important to keep in mind, with regard to the speed and depth of the reform process, that the persistent approach of “conjunctural gradualism” in conceiving and implementing specific reform measures is, to a certain extent, an unavoidable consequence of the general institutional framework and its inherent decision process sketchily described in paragraph 2.1.

Also, when we shift our attention to changes in agricultural policy objectives and measures that are likely to be taken into consideration within the logic of the reform process, it is important to keep in mind, as a pervasive general constraint, the decisional inertia inherent in the configuration of the institutional and procedural framework.

As already mentioned, it is not possible, at this point, to draw a plausible and articulated scenario of Government general orientation with regard to a) changes in sectorial objectives and policy measures; and b) perceived factors constraining their pursuit.

With full awareness of the limitations and crudeness of this operation, we will attempt to identify some key elements that fall within the above two categories and that could hopefully implicitly give some indication about the intended evolution of the current scenario.

A - Sectorial objectives

From the point of view of the intended evolution of the configuration and ranking of sectorial objectives, it seems plausible to hypothesize a scenario characterized by the following two elements:

- A declared intention of
 - moving from the previous objective of strict food self-sufficiency to a broader objective of self-reliance, and
 - developing marketing and processing activities.
- Confirmation of the objectives pursued so far, with particular emphasis on
 - full utilization and increase of productivity of natural agricultural resources,
 - alleviation of rural poverty and containment of rural urban migration,
 - adequate levels of employment to the agricultural labor force,
 - adequate supply to domestic processing plants,
 - investments as a major instrument in achieving development, and
 - increasing agricultural export.

B - Instruments

Undoubtedly, much more complex is the ascertainment of the intended changes in the set of economic and institutional instruments with which to pursue the above objectives. The following nodal points may concur to give an idea of the general orientation in terms of instrument and policy measures adjustments:

- It is certainly indicative that the declaration about the relevance of the self-reliance objective is, apparently, not accompanied by an overall and explicit reconsideration of the complex set of instruments needed to pursue this kind of objective and to assure its sustainability. In this perspective, it seems plausible to hypothesize that this apparent void is associated with what could be defined a *weak* conception of self-reliance, basically identified with a structural production of an exportable surplus, which, indeed, is still perceived and announced as an objective by itself.
- Within this vision, there is indeed a wide recognition that a policy of self-reliance will necessitate substantial and structural improvements in the competitiveness of the agricultural sector. However, from an instrumental viewpoint, this acknowledgement seems to be accompanied by the conviction that the needed gains in competitiveness may be basically pursued and obtained through further efforts along the technological road. The strict identification of the modernization of agriculture with technological change, that has certainly represented an instrumental pillar of the current strategy and its achievements, apparently is destined to maintain its high ranking also in the future. In fact, a reduction of production costs through adoption and diffusion of innovation is seen as the necessary, and sufficient, precondition for an eventual and gradual lowering of domestic product prices.
- A reiterated, and certainly non-marginal, point is the assertion of the extreme caution and gradualism with which further actions in the domestic liberalization process should be conceived and implemented. For example, a frequently cited area is that of the input markets, whose liberalization is seen as a potential source of risks on several fronts: the capacity of supplying farmers with the needed inputs at the proper time, the insurgence of private monopolistic positions, etc.
- The above-mentioned approach of proceeding by partial adjustments of the existing measures certainly applies also to regulations and incentives concerning the overall agricultural context. In a self-reliance perspective, the proposal, currently under consideration, of revising the current export regime appears to be worth mentioning. The modifications that are being contemplated are a) the exemption of the agricultural production tax for exporters of fruit and vegetables; b) the elimination of the tax on export revenues; c) the strengthening of the

comparative advantage of certain products, such as textiles, by assuring to domestic processors prices of raw materials consistent with the international market; d) the establishment of a market information system; and e) the streamlining of bureaucratic procedures. The official assumption is that this revision of the current regulation, when approved and implemented, will contribute significantly to the modification of the export structure, with an increasing quota of processed and semi processed products, with sizeable positive repercussions on the value of exports and on employment.

C - Constraints

The pursuit and achievement of the above objectives are obviously constrained by several factors. It seems useful to distinguish two groups of constraints; namely, factors that are officially recognized and relevant, and variables of which, in a public perspective, there seems to be no perception, or variables whose potential impacts are considered of such a magnitude that can be adequately coped with by the current policy setting and its possible adjustments.

The first group comprises three main constraints:

1. The *post-harvest* constraint, referring generically to the problems related to all the operations incurring from the selling of output at the farm level and its final destination, in a raw or processed form, to a domestic or international market. There seem to be full public recognition of the numerous and relevant economic and social costs stemming from the low level of efficiency with which the post-harvest chain, for most if not all products, is currently operating. This constraint is, obviously, of increasing relevance in a self-reliance perspective, but, at present, no public policy actions specifically aimed at its alleviation are apparently under consideration, nor the economic space, potentially covered by private activities in the present regulatory regime, can become of such a magnitude to bring about sizeable improvements in efficiency.
2. There seems to be a growing awareness of the constraints raised by *environmental issues* associated with the current status of agricultural activities. But, once again, the remedial approach to establish an environmentally sustainable use of natural resources in agriculture is basically being searched on the technological front. There are no indications about the recognition of the need of a more complex and integrated approach to resource conservation, with a deep reconsideration of the present regulatory regime and system of incentives.
3. There seems to be a growing awareness of the existence and the relevance of an *institutional* constraint. It is not possible to specify the real nature and the extent of this awareness, but the recognition of the negative impacts on the decision making process and policy implementation mechanism exerted by the present institutional setting, with its high fragmentation of responsibilities on agricultural matters, is certainly a pre-condition for an institutional reform, to be eventually put in the agenda.

A few words on the second group of constraints are called for. On the *demographic* front, the widespread opinion appears to be that the employment and other issues associated with the

evolution of the demographic variable can substantially find adequate solutions within the current strategy.

As to the perception of the existence and relevance, in perspective, of a *financial* constraint for the prosecution of the present strategy and the intended modifications, it is not possible, at this point, to formulate any hypothesis. What is sure is that specific consideration will have to be given to this dimension in the preparation of the strategy.

III – A road map for the completion of the agricultural development strategy for Syria

3.1 Recommendations about the studies to be undertaken

The following recommendations are the final outcome of an overall review of the problematic issues whose analysis is considered essential, or at least relevant, to the preparation of the strategy. This review has, of course, taken into account the nature and the objectives of the studies already completed and of those in progress, assessing their potential contribution to background documentation and elements of analysis for the elaboration of the strategy.

The recommendations are formulated with regard to the following three groups of studies:

1. *Studies for which TOR are already available*
2. *Other planned studies*
3. *New studies*

It is relevant to point out that the recommendations have been formulated having in mind a common criterion: in order to serve as background documentation and analysis for the preparation of the strategy, all studies should fulfil the following requirements:

- Provide a description of the present structural, institutional and policy setting.
- Assess past performance and expected future trends without policy changes.
- Assess potentialities and constraints with special reference to the sustainability of the present structural, institutional and policy setting.
- Identify policy reforms needed and desirable in order to ensure sustainable development of Syrian agriculture in a world market oriented scenario. This policy measures are clearly of a wider scope than the practical policy recommendation already included in the studies, which are certainly useful for improving performance and efficiency within the existing policy setting, but cannot be considered exhaustive in terms of information provided for the preparation of the strategy.
- Assess the expected impacts of the suggested policy reforms, and point out the implications for policies timing and sequencing, taking into account the trade-off between maximization of benefits and speed of the reforms and minimization of adjustment costs derived from the reform.

A - Studies for which TOR are already available

A detailed and careful reformulation of the rationale, justification and main objectives, as well as the specific content of the studies for which TOR are already available, has been conducted having in mind the general criterion specified above.

1. Implication for the agricultural sector of the current credit system and policies to be pursued in order to mobilize savings and enhance self dependence and create viable and sustainable rural credit institutions

Rational, justification and main objectives

Formal credit to agriculture is presently provided exclusively through the Agricultural Cooperative Bank (ACB), a specialized state bank working under the supervision of the Ministry of Economy and Foreign Trade. The ACB finances the implementation of the annual agricultural production plan providing long, medium and short-term credit, in kind and in cash, to state, cooperative and private sectors. The ACB does not provide credit for agro-industrial and marketing activities, which fall in the domain of other specialized state banks such as the Commercial Bank and the Industrial Bank.

The proposed study will provide a systematic description of the present organization and functioning of the rural credit system, pointing out the existence of informal rural credit arrangements, if any, and the existing inter links with inputs' delivery and product marketing mechanisms. The study will also assess the effectiveness and efficiency of the prevailing system, in general, and the ACB, in particular. The assessment will be conducted with respect to (a) the objective presently assigned to the ACB, and (b) the emerging credit needs of the agro-food system and the rural economy in a world market oriented environment.

Based on this assessment, the study will point out the needs for policy interventions, distinguishing between (a) interventions needed in order to improve the functioning of the existing institutional setting, and (b) interventions capable of modernizing the credit system in line with the emerging needs. With special reference to point (b), the study will also assess risks involved in the adoption and implementation of the suggested policies, and will provide alternative option on policy reform timing and sequencing, taking into account the trade-off between potential benefits and risks of the reform process.

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- Review recent and relevant macro policies and on going policy reforms, with special reference to monetary policies and their effects on structure and performance of the financial sector, in general, and the rural financial system, in particular.
- Review setting and mode of operation of rural financial system (including formal and, if any, informal financial institutions) and their linkages with economy-wide financial system.
- Assess possibilities and modalities of access to various types of credit (e.g., in cash and in kind; short, medium and long term, etc.) for different categories of agricultural producers and related impacts on equity, food security, and productive performance.
- Review objectives, instruments, and decision making procedures of existing agricultural credit policies and interrelations with other main agricultural policies (e.g., price, marketing, trade, investment, and technology policies).
- Provide an assessment of the impacts of the current credit policy and institutional setting on structure, conduct, and performance of the agricultural and

agro-industrial sector.

- Advance practical policy recommendations to enhance the performance of the credit system for agricultural and agro-industrial activities, within the presently prevailing institutional financial setting.
- Identify broader policy and institutional changes to be introduced in the credit and financial system in order to allow the agro-food system to be competitive in a world market oriented scenario.
- Provide an assessment of the expected impacts of the proposed policy actions, and an evaluation of benefits, risks and adjustment costs, under alternative scenarios in terms of timing, sequencing and comprehensiveness of the policy reform process.

2. Environmental impacts of agricultural production practices in terms of soil erosion, desertification, aquifer depletion and salination, contamination of water resources and the regulatory framework protecting common resources.

Rational, justification and main objectives

The sustained growth of agricultural production, achieved during the last decades, has put Syrian natural resource base under increasing pressure. This is particularly the case for soil and water. Soil productivity has been affected by the expansion of the cultivated land as well as by the growth of herds' size. Intensification of farming practices has had negative impacts on both soil and water quality. Increasing use of water resulted in aquifer depletion, while inappropriate irrigation practices could have contributed to soil quality deterioration.

The proposed study will identify and assess the main direct sources of damage to, and depletion of, natural resources, with special reference to those resources directly involved in agricultural production. This assessment should take into consideration both (a) the negative impacts of farming practices on the natural resource, and (b) the potential negative impacts of further resource deterioration, due to agricultural and other economic activities, on the resource base needed for sustaining agricultural development. The study will also point out the main causal relationships between unsustainable farming and the prevailing agricultural policy setting. Special attention will be devoted to policies regulating access to natural resources, with special reference to common resources. The study will also describe and assess environmental impact of government investment policies and projects in the areas of land reclamation, combating desertification, tree planting and reforestation. Based on the assessment carried out, the study will provide recommendations on policy reforms and new policies required for ensuring sustainable agricultural development.

Content

- Identify the main environmental impacts resulting, directly or indirectly, from the economic, institutional and technological context prevailing in Syrian agriculture and their present and potential threats to natural resources.
- With reference to the same multidimensional context, review specifically the environmental problems associated with the use of water for agriculture, such as aquifer depletion, contamination of water resources and soil salination, and estimate their present and potential impacts on productivity and performance of the agricultural sector.
- Review and assess relevant and recent technical, economic and institutional policy measures aimed at controlling the negative impacts associated with the use of water in agriculture and at inverting present trends.

- Advance policy recommendations to be possibly taken, in the technological, economic and institutional dimensions, to alleviate the environmental impacts associated with the use of water for agriculture so as to create a sustainable equilibrium between agriculture and water use.
- With reference to the same multidimensional context, review specifically the environmental problems associated with the use of land resources for agricultural production (soil erosion, desertification, etc), and estimate their present and potential impacts on productivity and performance of the agricultural sector.
- Review and assess relevant and recent technical, economic and institutional policy measures aimed at controlling the negative impacts of agricultural practices on land resources and at inverting the present trends.
- Advance policy recommendations to be possibly taken, in the technological, economic and institutional dimensions, to alleviate the environmental impacts of agricultural practices on land resources to create a sustainable equilibrium between agriculture and land utilization.
- With reference to the same multidimensional context, review specifically the environmental problems associated with the use of rangelands by the nomadic pastoral system, and estimate their present and potential impacts on productivity and performance of that specific agro-animal production system, with particular attention to the Al Badia region.
- Review and assess relevant and recent technical, economic and institutional policy measures aimed at controlling the negative impacts of livestock activities on rangelands and at inverting the present trends, with particular attention to the Al Badia region.
- Advance policy recommendations to be possibly taken, in the technological, economic and institutional dimensions, to alleviate the environmental impacts of livestock activities on rangelands and eventually to achieve a sustainable equilibrium between livestock activities and rangeland carrying capacity, with particular attention to the Al Badia region.
- Describe and assess environmental impact of government investment policies and projects in the areas of land reclamation, combating desertification, tree planting and reforestation.

3. Implication for the agricultural sector of the liberalization of input markets

Rational, justification and main objectives

During the last 10 years, agricultural input markets have been gradually liberalized by (a) allowing the entrance of the private sector in input production, importation and marketing, and (b) progressively adjusting prices to domestic production and/or import costs, the main exception being kerosene and irrigation water.

The proposed study is expected to provide a systematic description of the present structure, conduct and performance of the agricultural input production and distribution system. The performance of the system will be assessed in terms of both economic efficiency and effectiveness in fulfilling agricultural production needs. Based on this assessment, the study will point out policy actions required for improving the input delivery system in terms of cost efficiency and ability to serve a more market oriented agriculture able to compete on

international markets. The study will highlight the potential risks involved in the suggested policy actions, with special reference to the impacts on stability and levels of domestic production, prices and farmers' income. The study will also provide insights desirable timing and sequencing for the suggested policy actions, under the alternative assumptions of benefit maximization and risk minimization.

Content

- Review the present structure, conduct and performance of the agricultural input production and delivery system, pointing out roles played by the main public and private agents.
- Estimate current and projected demand, supply and balances for agricultural inputs, and assess the competitiveness and potential of the domestic agricultural requisites *vis-à-vis* international markets.
- Review recent and relevant input policies with special reference to input production, price setting, international trade, delivery systems, and information dissemination, and their linkages with other agricultural policies such as credit, and technology policies.
- Assess the impacts of the present input policies on the structure and performance of the public system of enterprises for input production, international trade, and delivery.
- Estimate implications for government budget of the present policy and institutional setting and, specifically, of the implicit and explicit input subsidies/taxes presently in place.
- Assess the impacts of present input policies on the aggregate performance of the agricultural sector, particularly in terms of production growth and profitability, efficiency and sustainability of complementary primary resource use and farming practices.
- Summarize the assessment of the impacts of the present input policies in terms of sustainability, effectiveness, and consistency with the present agricultural policy setting.
- Identify and advance practical policy recommendations for improving the input production, trade and delivery system in terms of cost efficiency and effectiveness, within the presently prevailing institutional setting.
- Identify broader policy and institutional measures to be introduced in the input production, trade and delivery system in order to allow the agro-food system to be competitive in a world market oriented scenario.
- Provide an assessment of the expected impacts of the proposed policy actions, and an evaluation of benefits, risks and adjustment costs, under alternative scenarios in terms of timing, sequencing and comprehensiveness of the policy reform process.

B - Other planned studies

With regard to this second group of five studies, whose titles appear in the Revised Work Plan, it is deemed necessary to reconsider their thematic content and their objectives with two purposes in mind: a) making them more congruous with the informative and analytical needs of the strategy; and b) aiming at the overall result of a satisfactory coverage, jointly with the previous and the following group of studies, of the analytical terrain considered relevant to the elaboration of the strategy. In this perspective, the selection of the thematic and analytical content and the objectives to be pursued has been made also, taking into account the framework of the issues discussed in paragraph 2.3 (Hypothesis about factors and forces inducing changes in the past strategy), both with regard to the external economic environment

and the internal sustainability dimensions –demographic, financial, environmental, and institutional.

For each study, the following will be specified: a) the previous title; b) the proposed new title; c) the rationale, justification and objectives; and d) the content and its articulation.

1. Old title: The structure, constraints and imperfections, opportunities, and possible policy options for improving wheat industry

New title: Constraints, opportunities and policy options for improving the main strategic crops production and distribution system

Land allocation for all field and tree crops except vegetables, but including tomato, potato, and onions, is determined by the agricultural plan. Prices are centrally determined and announced in advance for wheat, barley, cotton, chick pea, lentils, sugar beet, and tobacco (herein referred to as the main strategic crops). For all products, private traders have been progressively allowed to participate in domestic marketing. The main exceptions are cotton, sugar beet and tobacco, for which State companies maintain the monopoly on foreign trade and domestic marketing. Another important exception is wheat, for which the State maintains only the monopoly on foreign trade. It should also be noted that for the main strategic products for which the private sector has been allowed to enter marketing and processing (such as wheat), State companies still keep the overwhelming market share.

It is of utmost importance for preparing the agricultural strategy to count on systematic information on the planning mechanism and its implications for the structure, conduct and performance of the main strategic crop commodity chains, with special reference to the roles played by the public and private enterprises. Equally important is the assessment of the efficiency of the existing arrangement, its ability to serve the objective of ensuring competitiveness and international projection of Syrian agriculture. The study is also expected to evaluate the need for, and provide recommendation on, policy intervention needed within the existing policy framework and in a world market oriented policy scenario.

With specific reference to the strategic crops whose price is centrally determined, the proposed study will deal with the following:

- Describe present policy setting and regulatory environment for the strategic products, providing a systematic account of the agricultural planning system and highlighting the policy functions of public and private institutions involved in definition, implementation and monitoring of the plan.
- Describe the present structure of the main strategic crops' commodity chains, pointing out relative contributions and economic roles of private and public enterprises in production, marketing, processing, and foreign trade of strategic crops.
- Describe and assess conduct and performance of the major public enterprises involved in marketing and processing of the main strategic products, providing an assessment of their financial profitability and viability.
- Assess the impact of the prevailing policy setting on the overall performance of the relevant commodity chains, with special reference to ensuring international projection and competitiveness of the national agriculture.
- Identify and advance practical policy recommendations to improve efficiency and competitiveness of the main strategic products' commodity chain within the existing

structural and institutional framework.

- Identify and advance recommendations on structural and institutional reforms needed to ensure efficiency and sustainability in a world market oriented policy environment, pointing out needed changes in the distribution of functions and roles between public and private agents.
- Provide an assessment of the expected impacts of the proposed policy actions, and an evaluation of benefits, risks and adjustment costs, under alternative scenarios in terms of timing, sequencing and comprehensiveness of the policy reform process.

2. Old title: Implications for the agricultural sector of the current exchange rate regime and foreign trade restrictions

New title: Implications for the agricultural sector of the existing regulatory system of external transactions (exchange rate regime, currency regulations, tariff and non-tariff measures, taxes and subsidies on import and export)

The Syrian trade in agricultural products is characterized by complex and segmented regulatory and institutional system: product specific tariff and non-tariff measures, product heterogeneous currency regulations linking import and export operations, a system of specialized state trading enterprises acting, in some cases, as legal monopolies.

The definition of an agricultural strategy, aiming at ensuring self-reliance and international projection of Syrian agriculture, should count on a systematic description of the prevailing agricultural trade regime and on an adequate understanding of the interactions between the trade regime and the domestic prices' determination mechanism. This background should serve as a starting point for assessing the present performance of the current trade regime and its compatibility with, and effectiveness in, promoting a wider integration in regional and global agricultural markets. Based on this assessment, the study is expected to advance policy suggestions on the required adjustment to the agricultural trade regime, including institutional adjustment needed for strengthening policy instruments required for conducting effective agricultural trade and price policy. The proposed study will carry out the following:

- Provide a systematic account of all the regulatory and institutional elements defining the present setting for agro-food trade, with special reference to exchange rate regime, currency regulations, tariff and non-tariff measures, taxes and subsidies on import and export, and their interdependence and role in defining the present trade environment.
- Identify, describe and analyze the interrelations of the existing regulatory system of external transactions with domestic prices' determination mechanisms.
- Assess consistency and compatibility of the present regulatory system with a world market oriented policy scenario, especially in terms of constraints for participating in regional and global trade agreements.
- Make changes needed for trade regulation and institutional setting and for capturing opportunities derived from participation in regional (Arab Free Trade Area, Free Trade Agreement with Lebanon, MEDA) and global trade agreements (GATT/WTO)
- Analyze expected impacts on domestic prices' determination mechanism of the suggested policy changes, and identify policy and institutional changes needed to allow the government to adopt appropriate instruments for implementing agricultural policies in a world market oriented scenario.

3. **Old title:** *Implications for the agricultural sector of the current regime to encourage private investments in agricultural production, processing and marketing*

New title: *Opportunities, constraints and possible policy options for encouraging private investments in agricultural production, processing and marketing*

Whatever the final configuration of the strategy for the development of Syrian agriculture, it is quite likely that the promotion of private investments will constitute a key element of the analytical framework of the strategy. It is in fact plausible to expect that a sustained and diffused process of private investment in the various phases of the commodity chains of the main sub-sectors would exert, directly and indirectly, positive impacts towards the enhancement of efficiency and the increase of competitiveness. More specifically, a sustained flow of private investments is a necessary condition for achieving two major policy objectives: a) sustain, in depth and pace, the process of adoption of new technologies in agriculture and agri-business; and b) remove the main post-harvest constraints through the creation of an articulated system of private enterprises in marketing and processing activities.

This recognition of the pivotal role of private investments has a major implication for the objectives to be pursued by the proposed study: in addition to the account and the assessment of the existing regulations specifically aimed at promoting private investments through various incentives, it appears necessary to extend the analysis to an overall account and assessment of the various components of the prevailing economic environment, because of their conditioning effects on the prospects for private economic activities.

The proposed study will carry out the following tasks:

- Provide a systematic account of private investment trends in the agribusiness sub-sectors, distinguishing between national and foreign investments, and pointing out the impacts of Decree 10 of 1986 and Law 10 of 1991.
- Identify key factors of the economic and business environment constraining market conduciveness to domestic and foreign investments, such as a) price policy, trade regulation and price determination mechanism; b) credit availability and access; c) access to foreign currency and international fund transferring regulations; d) fiscal regime; e) licensing and other administrative procedures constraining business operation; f) availability and access to market information, etc.
- Provide a systematic account of present regulatory regime, its impacts on organization and functioning of the markets, and implications for business operations of existing and incumbent enterprises, for each of the key factors identified. For example, in the case of prices and trade, provide a systematic account of existing regulations, analyze how do they influence domestic price determination mechanisms, and assess the implications of pricing strategies and investments' profitability for private companies.
- Ascertain the weight of public and private enterprises by agricultural commodity chains and by vertical articulation of the overall agribusiness system, and assess the effects of public presence on the degree of competitiveness of the sector and on entrance possibilities for private initiatives, pointing out activities characterized by potentially higher opportunities for private entrants.
- Assess the desirable extent of the State's direct involvement in production activities and identify, in an articulate way, the new functions to be assumed by the State in

order to ensure an economic environment characterized by lower transaction costs, market failures correction, competitiveness and equitable economic opportunities.

- Identify and suggest practical policy recommendations for increasing opportunities for private investments in the various stages of the agricultural commodity chains within the existing economic and institutional framework. In particular, identify and suggest policy recommendations for improving the regulatory framework for new investments, with special reference to Law 10 of 1991, so as to enhance the ability to attract direct foreign investments *vis-a-vis* competing countries in the region.
- Identify and suggest recommendations for structural and institutional policy reforms, intervening in the key factors of the business environment identified and analyzed above, needed for enlarging and strengthening opportunities for private investments, and for enhancing ability to attract foreign investments in a world market oriented economic and policy scenario.
- Provide a preliminary assessment of the expected impacts of the proposed policy actions, and an evaluation of benefits, risks and adjustment costs under alternative scenarios in terms of timing, sequencing and comprehensiveness of the policy reform process.

4. Title: Implications for the Syrian agricultural sector of a possible cooperation and trade agreement with the European Union

From the general institutional angle of searching for an overall framework within which to define the nature and the extent of the economic relations between Syria and the European Union, (EU) it should be preliminarily recognized that if a Mediterranean country today wishes to reinforce its economic strength in a difficult regional environment, mobilize national savings and attract foreign investments and technology, then it must prepare itself for tough competition from southern EU countries, Eastern European countries, other Mediterranean countries and even Asian countries, since all are aiming at a better share of the dynamic European market.

In this perspective, the eventual achievement of an agreement between Syria and the EU in the areas of cooperation and trade would certainly exert noticeable effects throughout the overall economy and, specifically, engender significant implications for the Syrian agricultural sector and its development strategy. Considering the relevance of the issue, the study is, therefore, expected to investigate its two major analytical dimensions; namely, the potential opportunities offered by the agreement and the internal implications, with particular attention to the constraints to be faced and overcome.

Taking into consideration that the Association Agreement is likely to enhance the degree of openness and integration not only with the EU, but also with all other MEDA countries, the proposed study will carry out the following:

- Identify raw and processed agricultural products for which a) specific *windows* (in terms of timing, level of processing, price, quality standards etc) for Syrian exports are already available, and b) Syria may desire to obtain preferential access to EU markets, assessing likely impacts on composition and consistency of agricultural export flows of full exploitation of such possibilities.
- Identify the nature and extent of the unavoidable openness to raw and processed agricultural products from EU and MEDA partners deriving from the Association

Agreement, assessing the likely impacts on composition and dimension of agro-food import flows.

- Identify relevant areas in agriculture and agri-business in which transfer of technology and know-how could fruitfully occur through direct foreign investment, and identify domestic accompanying measures needed to realize these potentialities.
- Ideally, the analysis, which is expected to be of a quantitative nature to the extent allowed by the data availability, could provide an assessment of the likely impacts on the structure of Syrian agribusiness of the required and desirable policy changes identified above.
- Provide an assessment of a) likely impacts on the structure of Syrian agribusiness of the required and desirable policy changes identified above, and b) impacts on welfare of the expected changes in composition and consistency of agricultural trade flows. The analysis which is expected to be of a quantitative nature, to the extent allowed by data availability, will consider benefits, risks and adjustment costs under alternative external conditions and internal scenarios in terms of timing, sequencing and comprehensiveness of the policy changes
- Identify the economic and institutional areas – finance, technology, investment, public administration, market information – in which direct public assistance could significantly contribute to agriculture and agri-business development and to enhance Syrian ability to face successfully the required adjustment process and the increased competitive pressure. This will be based on the analysis developed above.

5. Old title: Short, medium and long run implications of the current water use regime and utilization of water resources

New title: The utilization of water resources for agriculture: analysis of the current regime and policy recommendations

The study has two main objectives: a) to provide a critical assessment of the current water use regime and utilization of water resources for agriculture, both in its macroeconomic and microeconomic dimensions; and b) to advance practical and broader policy recommendations to improve, in a sustainable and equitable environment, policies with regard to water use and conservation. The execution of the present study is expected to start when the study on environment is concluded, or at least, well advanced. Ideally, the sequence between the two studies should have been inverted for taking full advantage of their complementarity. Hereunder are the points to be addressed by the study:

- Review the structure and performance of the irrigation and drainage networks in the country, pointing out present technological configuration and the expected trends in irrigation technology innovation at the micro level.
- Estimate current and projected demand, supply, and balance of water, with specific attention to their agricultural use pointing out the complementarity and competitiveness between agricultural and non-agricultural uses of water resources.
- Review objectives and instruments of present policies for water conservation and efficient usage, including irrigation advisory services to farmers, highlighting possible interrelations with other agricultural policies.
- Assess the impact of the present water policies on agricultural production and its implication for government budget, devoting special attention to current and future

programs for maintenance of irrigation and drainage systems, and identifying government and farmers financial contributions.

- Estimate financial and economic viability of adopting new irrigation techniques, especially by small farmers, and assess the present and potential role of farmers' professional organizations in promoting technological innovation.
- Advance practical policy recommendations to improve efficiency of water use, both in the public irrigation schemes and at the farm level.
- Identify broader policy and institutional changes to be introduced in water use and conservation in order to ensure long run sustainability of water use.
- Provide an assessment of the expected impacts of the proposed policy actions, and an evaluation of benefits, risks, and adjustment costs under alternative scenarios in terms of timing, sequencing and comprehensiveness of the policy reform process.

C - New studies

This last group of three studies has been identified through a comparison of the overall analytical subjects considered essential for the elaboration of the strategy with the material already covered by the previous two groups.

1. Land tenure systems: structural features and policies

It should be recognized that on a host of important features of Syrian agriculture, such as distribution of land ownership, land and labor contracts, and structure and performance of the agricultural labor market, there is scanty information concerning their present structural, institutional and policy context. As far as private land is concerned, though, in general, in the first four agro-climatic zones small farms are certainly dominant, there seems to be a certain degree of heterogeneity in the size of holdings and in farm sizes, with enlargement normally achieved through the widespread use of rental contracts. Also the contracts between landowners and laborers appear quite heterogeneous, frequently taking the form of sharecropping for single crops or even single operations. There is, therefore, a need for arriving at a clearer picture of these structural features and their confluence on a typology of farm households, including the category, quite numerous in certain Departments, of landless workers. Equally important is the issue of ascertainment and security of property rights and, in this perspective, the assessment of the cadastral system. With regard to public land, its quantitative relevance also apparently varies considerably in the different Departments, as well as its utilization.

Similarly the information is scanty on the structure and function of the agricultural labor market, on wage determination and control, and on wages variability and trends.

A clearer and articulated knowledge of the above structural features and of related present policy framework – basically the Agricultural Relation Law – represents an essential information to assess the viability of the present tenure system and labor market when confronted with substantial changes in the policy framework.

The proposed study will provide a systematic description of the current land tenure systems in the first four agro-climatic zones. The study will systematically analyze the present policy setting related to land property rights, land market, land-labor contracts, and regulation of the agricultural labor market, and assessing their likely impacts in terms of resource efficiency.

and equity of agricultural income distribution. The study will also provide recommendation on possible institutional, economic and social policy measures aimed at improving the efficiency and equity dimensions related to the land tenure system and to the agricultural labor market.

In particular, the proposed study will attempt to carry out the following:

- Ascertain the overall structure of private land distribution by size classes, and conduct a comparative analysis, at the Departmental level, of the land tenure structure. Review the various types of land-labor contracts and assess their implications in terms of efficiency of resource use, and incentive to innovate and to invest.
- Ascertain, at the Departmental level, the consistency of landless workers, the formal and informal procedures to secure employment, the mechanism of wage determination, and the standard profile of seasonal employment.
- On the basis of the above elements, identify the different typologies of farm households, and assess their relative importance in terms of land utilization, and their potential capacity to attain efficiency of resource use, to innovate and to invest.
- Review the structure and performance of the land market, the recent trend in prices, and the tax regime for land transactions and for hereditary transmission.
- Ascertain, at the Departmental level, the consistency of public land and its utilization. Review the procedures for land rental to farmers and for rent determination, the existence of procedures for monitoring the land use and its conservation, and the extent and impact of land use without formal rights.
- Review the current institutional, economic and policy setting of regulating land distribution, and land-labor contracts. Also, review the structure and function of the agricultural labor market and assess its effectiveness in the evolution of the present land tenure regime and labor market toward equitable structures more receptive to innovation and investment.
- Advance policy recommendations, in the institutional, economic and social dimensions, aimed at improving, in an equitable context, the efficiency of the present land tenure system and of the labor market and their evolution toward sustainable and equitable structures more receptive to innovation and investment.

2. Financial and fiscal sustainability of the agricultural policy regime

Identification and assessment, of the multiple financial implications for the Government's budget of the current agricultural policies constitute essential pre-requisites not only for arriving at a deeper and more complete understanding of the overall impacts of the various policy measures, but also for evaluating the long term financial sustainability of the current and alternative strategy scenarios. The proposed study should, therefore, be structured in such a way as to collect and assess the information needed for the pursuit of the above two objectives.

With specific reference to the agriculture and agribusiness sectors, the proposed study will endeavor to carry out the following:

- a) Assess the present amount and evolution over time of public financial outflows, with special attention to
 - the implicit and explicit food consumption subsidies,
 - implicit agricultural export subsidies,
 - public investment projects,

- private and public enterprises' funding through alternative channels,
 - agricultural credit administrative system governing the agro-food sector,
 - agricultural taxes, fees and other fiscal revenues from domestic activities,
 - custom proceedings and other revenues from agricultural trade, and
 - net transfer from public enterprise.
- b) Estimate the overall net financial cost of the present agro-food policy regime as well as the trend of the net financial cost overtime.
- c) Identify the key variables which are a) presently used as instruments of fiscal policy, b) potentially usable as instruments of fiscal policy, and c) constitute exogenous parameters contributing to the determination of the fiscal balance in the agriculture and agribusiness sub-sectors.
- d) Build an easily accessible accounting model for the financial balance of the agricultural and agribusiness Government policy, allowing the conduction of policy simulation (changes in instrumental variables) under alternative scenarios (change in parameters).
- e) Assess long-term financial cost and sustainability of the current agro-food policy setting under the present economic and institutional scenario.
- f) Estimate under alternative scenarios the impact on government budget and hard currency revenues of alternative agricultural policy setting, with special reference to
- the agricultural taxation regime,
 - the level of support to private and to public enterprises,
 - price policy for agricultural inputs and exported products, and
 - other public expenditures, including administrative costs of agricultural products

3. Inter-sectorial relations and macroeconomic sustainability of Syrian agricultural development: past performance and future prospects

The definition of the agricultural strategy should count on an appropriate background of past experience and future prospects of the role of agriculture in the overall economy.

With regard to the past, the study is expected to describe and assess the role played by the agricultural sector in the Syrian economic development with reference to the last 30 years, and a focus on the last 15. Using as historical background the paper on “Historical evolution of the agricultural sector performance and policies” (point D.1 below), the study will provide a quantitative description of the overall performance of the agricultural sector in terms of its contribution to the GDP, employment, capital accumulation, and balance of payments, with a focus on inter-sectorial flows. In particular, depending on the results and analytical materials from the study on “Financial and fiscal sustainability of the agricultural policy regime” and the documentation activity on public investment in agriculture, the study will consider trends in public investments, and inter-sectorial terms of trade and their determinants, to analyze their effects on resources allocation and public finance.

Within this framework, future sustainability of the present agricultural strategy will be assessed with special reference to its impact on employment (within and outside the sector), linkages with non-agricultural growth, saving, public spending, balance of payments, equity

and income distribution.

Ideally, the clear quantitative nature of this study should lead to the definition of a computable model either in a simplified version with fixed coefficient or, more ambitiously, if compatible with data availability, in an extended version assuming variable coefficients and technology.

It seems relevant to stress that, with regard to the analytical material needed for the strategy, the model could be usefully employed to assess the quantitative impacts, in an inter-sectorial framework, of alternative strategic scenarios. Equally relevant is the potential usefulness of this exercise for providing the National Agricultural Policy Center (NAPC) with a quantitative tool allowing the conduction of quantitative simulations and assessment of alternative policy scenarios, under alternative assumption on exogenous (policy instruments and constraints) and endogenous variables. This additional potential benefit could be properly realized by planning for one or two trainees to work in close contact with the international consultant and be in future assigned, as staff members of the NAPC, to the maintenance and updating of the model. The same trainees should be included among those expected to be involved in formal post-graduate training in a foreign university, toward the end of the Project life.

D - Other activities

1. Preparation of a paper on “Historical evolution of the agricultural sector performance and policies”

The main purpose of this activity is to provide some essential background information for the strategy, by conducting a comprehensive and analytical review of the agricultural sector performance and the evolution of agricultural policies over the last thirty years, with specific attention to the rational and the effects of the changes introduced during the last fifteen years. With this purpose in mind, it seems relevant to point out that the study, which should take the form of a concise paper, should be conceived as a logical analytical evolution of the Country Profile, and, therefore, should be carried out by the Project management.

2. Syrian comparative advantages for the main agricultural products

A systematic assessment of Syrian comparative advantage for all the main agricultural products is an essential background for the preparation of the strategy. Such a task is quite demanding in terms of data and skills required. But, if produced in a rigorous way and in a computerized version, it could be easily and frequently updated for many different uses. For these reasons, it is expected and recommended that the relevant information for the preparation of the strategy should be produced as a collateral outcome of the database activity.

3. Documentation Activities

i. Background documents for the strategy

In connection with the building process of the Project’s seed library, it seems appropriate to stress the importance for the preparation of the strategy of a systematic collection of national

documentation. The following is a preliminary and by no means exhaustive identification of relevant thematic areas:

- i) A systematic quantitative account, including financial aspects, of the public investments in agriculture, reclamation, forestation, irrigation and rural infrastructure over the last 10 years and plans and projections for the future.
- ii) Documentation on the annual and 5-year plans (the “Agricultural Plan”, as well as the “General Economic and Social Development Plan” including “Agriculture, Forestry and Fisheries Development Strategy”), the “Analysis and Evaluation of Economic and Social Present Situation” prepared at the end of each five year planning period, and other relevant documents related to the planning process.

ii. Data collected for the individual studies

The preparation of the Agricultural Strategy should also count on the availability of a wide range of background documentation. In addition to documents specifically collected for the strategy, initiating a process of filing and systematization of all information, data and documentation collected as part of all the policy studies, can be seen as a cumulative process in which each consultant will be explicitly asked to participate in his/her TOR.

Final comments on the studies to be undertaken:

Summing up, it is plausible to assert that the full implementation of the four sets of studies discussed above (A- studies for which TOR are available; B- other planned studies; C- new studies and D- other activities), if hopefully compatible with Project’s budgetary constraints, should provide an adequate and articulated coverage of the major problematic issues relevant for the preparation of the strategy.

However, recalling the analytical considerations on factors and forces inducing changes in the present strategy (paragraph 2.3), it is the case to underline a remaining weakness in this whole operation of preparatory work for the strategy: the partial coverage of the *institutional dimension*. The on-going study on the reform of the MAAR should provide useful insights in this connection, but, keeping in mind the complex and segmented institutional setting responsible for the design and the implementation of agricultural policies, a more comprehensive assessment and analysis of the institutional dimension is needed. It is certainly true that additional useful insights on the institutional framework and its effectiveness can be derived from most of the studies (**Strategic crops, Credit systems, Private investment, External transactions**, come immediately to mind) but a certain amount of work should be put in the strategy’s agenda. Perhaps this exercise could be profitably carried out if identified as a joint effort by the national consultant and the Strategy task Force (see paragraph 3.2 C).

3.2 Identification of national institutions to be directly involved and indirectly associated with the preparation of the strategy

The following considerations and recommendations about which institutions should be involved directly and which institutions should be associated in the process of the preparation of the strategy are based on four elements of information; namely,

- a review of the allocation of technical and economic responsibilities concerning agriculture among the various institutional components of the governmental structure,
- a review of non-governmental institutions that play significant roles in the management and the development of agriculture,
- a certain number of personal exchanges with high ranking officers within the Ministry of Agriculture and Agrarian Reform, including the Minister and the two deputy Ministers, and in those Ministries that retain major responsibilities in agricultural matters, and
- personal exchanges with the Project management.

The following proposal has certainly benefited from the above exchanges, but remains the exclusive responsibility of the author of this report.

A - Institutions to be directly involved

First of all, it seems appropriate to clarify the notion and the implications of *direct involvement* in the preparation of the strategy. It is expected that any institution directly involved designates a *contact officer* with the following tasks:

- to interact directly with the international consultant on issues related to the preparation of the strategy,
- to collect from his own institution technical and/or statistical information needed for the preparation of the strategy,
- to inform his own institution of the work in progress and, if deemed necessary, to obtain reactions on specific problematic issues,
- to participate regularly and effectively in the *permanent working group* or in the *periodic workshops* (on these procedural alternatives more later on), and
- to participate in the First and the Second National Policy Workshop.

The following institutions are proposed for direct involvement:

i- **The Ministry of Agriculture and Agrarian Reform**, and specifically the following Departments:

4. **Statistics and Planning**
5. **Agricultural Affairs**
6. **Agricultural Economics**
7. **Economic Sector**

This preliminary list may be revised and extended at the moment of establishing the final program of work for the preparation of the strategy.

ii- **The State Planning Commission**, and specifically the *Department of Agriculture and Irrigation*

iii- **The Ministry of Irrigation**

iv- **The Ministry of Economics and Trade**, and specifically the *Department of External Trade*

v- **The Ministry of Industry**, and specifically the *Department of Private Economic Activity*

- vi-**The Ministry of Supply**, and specifically the Department responsible for retail market prices of agricultural goods
- vii- **The Ministry of Finance**

(From the point of view of the preparatory work of the strategy, it may be important to take note that the Department of Agriculture and Irrigation of The State Planning Commission is in the process of drafting a report aimed at assessing the performance of agriculture during the last five-year plan, as preparatory work for the definition of the next plan)

B - Institutions to be associated

From the point of view of the strategy, this second group of institutions is expected to play a less structured role than the previous group but to be available for providing information and discuss specific issues relevant to the strategy.

Within this group, it may be appropriate to distinguish between governmental and non-governmental institutions, because of their different roles in the process of preparation of the strategy.

i- **Governmental institutions:** At this stage, the following governmental institutions may be considered:

- i. **Other Departments of the MAAR**, whose involvement is considered useful during the preparatory work of the strategy,
- ii. **The Ministry of Transportation**, and
- iii. **The Ministry of the Environment**

The above list is not exhaustive, since other governmental institutional bodies may be added if their specific contribution appears to be important during the preparatory work for the strategy.

ii- **Non-governmental institutions:** The criterion for choosing members of this group is that of identifying stakeholders mainly concerned with the technical, economic and social implications of the strategy and of its eventual implementation. It is plausible to hypothesize their involvement taking the forms of a) receiving information on the purpose of the strategy, and b) participating in the debate in the initial and final phases of the work of preparation of the strategy. At this stage, this group should definitively include:

- i) **The General Peasant Federation**,
- ii) **The Federation of Agricultural Chambers**, and
- iii) **The Agricultural Engineering Syndicate**

III.A preliminary hypothesis on the mechanism of interaction between the international consultant, the above institutions and the Project management

The final proposal of the organizational aspects of the mechanism with which to secure an effective and efficient involvement of the above institutions will be the responsibility of the international consultant responsible for the preparation of the strategy. However, at this stage, it may be useful to put forward a couple of alternatives for ensuring efficient participation of the above two groups of institutions in the preparation of the strategy.

1) Establishment of a formal working group.

This alternative foresees the establishment of a permanent Working Group, operating under the coordination of the international consultant, and composed of:

- the contact officers designated by the institutions directly involved,
- a coordinator of the contact officers, designated by the Ministry of Agriculture and Agrarian Reform, whose main function is to facilitate the interaction of the contact officers with the international consultant,
- the Project's National Project Coordinator, the CTA, the NPD, and the Agricultural Economist, to act as secretary of the Working Group, and
- when considered useful, the Group could be integrated with officers of the associated institutions.

Tasks. The general idea is that, throughout the preparatory work for the strategy, the Working Group could facilitate the contributions expected from the contact officers, in particular

- collection of information useful for the preparation of the strategy from the respective institutions,
- discussion of the results and recommendations offered by the studies carried out by the Project, as well as obtaining reactions from the respective institutions,
- if judged useful by the international consultant, provide comments and reactions on preliminary results on specific components of the strategy, and

The Working Group would be convened by the international consultant during his periodic visits at the Project, foreseen by the timetable for the completion of the strategy.

2) Periodic meetings.

This second alternative foresees a less structured mechanism of interaction between the international consultant and the contact officers. However, some formalization of the function and manner of operation of the local focal points may be in order. A possible solution could be the identification of a *Strategy Task Force* with the following composition: the National Project Coordinator, the CTA, the NPD, the Agricultural Economist, and the last member with the function of Secretary of the Task Force.

In this perspective, effective interaction with the international consultant during the process of preparation of the strategy could be assured as follows:

- a Senior Government Officer, perhaps at the level of Deputy Minister, could assume the role of leader and coordinator of the contact officers. In the opinion of the author of the present report, the National Project Coordinator appears as the natural candidate for this role
- as far as the central issue of the discussion of the results and recommendations coming from the studies and the presentation of preliminary results on specific components of the strategy, this moment of interaction would take place in periodic meetings to be held on request of the international consultant and organized and monitored by the Strategy Task Force. Constant participation of the contact officers in

these meetings will ensure more effective interaction and continuity throughout the preparatory process.

Though it is not possible at this stage to put forward specific and detailed suggestions, some attention should be devoted to the possibility of involving the best-qualified trainees in the various analytical and operational phases of the building process of the strategy.

Having had the opportunity to discuss directly with the Minister of Agriculture and the Deputy Ministers the different aspects of the above proposal, their reactions can be summarized in the following three points:

- Substantial agreement on the list of institutions to be directly involved in, and associated with, the preparation of the strategy
- Agreement on how to identify contact officers in the institutions to be directly involved and how to designate the officers from the MAAR and from other governmental institutions
- Preference for the periodic meetings as the most appropriate way of assuring effective interaction between the international consultant and the group of contact officers.

With regard to the two procedural approaches, it is also the opinion of the author of this report that the second one is to be preferred from the point of view of ensuring flexibility and efficacy, both to the work of the international consultant and to the overall process of elaboration of the strategy.

It is the firm opinion of the author of this report that, whatever procedure will be eventually adopted, the amount of preparatory work associated with the strategy is of such a magnitude that a substantial and permanent involvement of the Project becomes an essential prerequisite. Such involvement should satisfy two important needs: a) ensuring consistency and continuity along the process of elaborating the strategy, with special reference to the components of each study and other activities directly providing inputs for the strategy, and b) ensuring adequate human resources, with possible involvement of the best qualified trainees under close supervision of the Project staff and in close contact with the international consultants.

In this perspective, it is desirable and recommended that throughout the time span foreseen for the preparation of the strategy, the Agricultural Economist should be directly involved in the work for the preparation of the strategy and could allocate a substantial fraction of his time to this task.

3.3 Timetable for the completion of the strategy and signpost for the periodic review of the material produced for the strategy

A – Timetable

For the preparation of a feasible timetable for the elaboration of the strategy, it seems relevant, at this stage, to concentrate on some key elements that will condition the overall timetable and its internal articulation.

- a) *Beginning of work on the strategy*: Considering the amount of work to be done for the elaboration of the strategy, it is advisable that the real work begins as soon as possible, certainly not later than the First Agricultural Policy Workshop, expected to be held in the first half of May, according to the information available at the moment (February 2000). This coincidence, as specified in the signpost, would offer valuable opportunities for interaction between the international consultant and the other persons involved in the preparation of the strategy.
- b) *Sequencing of the studies*: The two crucial elements for designing an effective timetable are a) the sequencing of the studies; and b) the overall time needed for their completion.

Regarding sequencing, the following recommendations are essentially based on an assessment of the thematic interdependence among the studies that fall in three groups discussed in paragraph 3.1: a) studies for which TOR are already available (Hereafter designated as TOR); b) other planned studies (Hereafter designated as PS); and c) new studies (Hereafter designate as NS). It is recommended that:

- A first temporal priority should be given to the following studies: **Strategic crops** (PS1), **Land tenure systems** (NS1), and **Water resources** (PS5), which should start as soon as possible. The PS1 study, because of its content, is expected to provide essential background information for several other studies and specifically for **Private investment** (PS3), **Financial sustainability** (NS2) and **External transactions** (PS2). The PS5 study is certainly propaedeutic to the **Environmental impacts** (TOR2) study.
- A second temporal priority should be given to the following group of studies: **Credit system** (TOR1), **Input markets** (TOR3), and **Private investment** (PS3).
- A third temporal priority should be given to the following group of studies: **Environmental impacts** (TOR2), **Financial sustainability** (NS2), **External transactions** (PS2). It is expected that NS2 provides relevant descriptive and analytical background material for **Macroeconomic sustainability** (NS3) and, similarly, for PS2 with regard to **Trade agreement with the EU** (PS4).
- The last temporal priority group is, therefore, composed of **Macroeconomic sustainability** (NS3) and **Trade agreement with the EU** (PS4).

Timetable of the studies. The above recommendations about sequencing are hopefully useful for the deployment of the studies, but are certainly insufficient for an accurate placement within the overall timetable of the strategy. A strong element of uncertainty is represented by the time of the effective availability of the results of each study for the international consultant. It is here assumed that the international consultant is expected to refer, (for his work on the strategy) to the final and cleared report. The experience gathered so far in this regard, with considerable time spans both in the production of first drafts and in arriving at their version with clearance, calls for careful consideration in order to assure congruence between the schedule foreseen for the studies and the overall timetable for the strategy. Some realistic hypothesis about this crucial element is, therefore, an indispensable pre-requisite for the design of the overall timetable for the strategy.

Final constraint. A final recommendation concerns the time interval between the completion of the studies and the first draft of the strategy. It seems reasonable to suggest that the international consultant receives the report on the last study at least two months before the deadline for the completion of the first draft of the strategy.

B - Signpost

Looking at the tentative design of a signpost for the elaboration of the strategy, a preliminary step is the identification of the tasks to be performed by the international consultant. The tasks can be tentatively identified as follows, distinguishing three phases of activities:

Preliminary phase (up to the First National Agricultural Policy Workshop)

- Finalization and clearance of the present report with its implication for the studies and readjustment of the Project work plan and the working schedule;
- Initiation by the Project of the documentation activities (point 3.1.D);
- Designation by the Government of contact officers from the institutions to be directly involved in the preparation of the strategy.

Intermediate phase (starting from the First National Agricultural Policy Workshop)

- In connection with the First National Agricultural Policy Workshop, the international consultant will hold meetings, both with the contact officers (aimed at programming the work to be done) and with the international consultants present in the workshop, aimed at summing up the implication for the strategy of the policy studies presented in the workshop;
- Promote the establishment of an informal but effective network among the international consultants responsible for the individual policy studies and for the other activities carried out in preparation of the strategy, promoting, whenever possible, discussion meetings (e.g. in connection with policy workshops);
- In the following months and up to the completion of the last policy study, it is foreseen that the international consultant should periodically fulfill the following tasks:
 - ❖ Identification and analysis of additional specific documentation needed for the strategy to be obtained from the Project;
 - ❖ Careful assessment, from the point of view of the strategy, of the material produced by the individual studies: final report and data and information collected and elaborated for its preparation. In this connection, the consultant will point out possible gaps between expected outputs of the studies and inputs needed for preparation of the strategy, suggesting remedial actions to be taken;
 - ❖ Preparation and guidance of periodic meetings with contact officers either in the form of a formal working group or of periodic meetings (see 3.2 above).

This phase foresees, in addition to a substantial work to be done at the consultant home station, a number of missions at the project site, during which the above relevant tasks will be carried out. Such missions (each with 10 days duration) should tentatively take place every two months to allow flexibility as required by Project implementation, with specific reference to the policy studies.

Final phase (starting from the completion of the last policy study)

- Summing up the implications (for the strategy) derived from the entire set of information and analytical material produced by the Project;
- Preparation of the strategy, and follow up on its discussion and revision with the concerned governmental bodies;
- Presentation of the final version in the Second National Agricultural Policy Workshop.

It seems appropriate to point out that even an approximate evaluation of the amount of time requested by all the tasks in the three phases requires a careful reconsideration of the time allocated for the activity of the international consultant, presently foreseen as three months. Such reconsideration should be also conducted in connection with the re-assessment of the timetable for the studies.

In addition to the reconsideration of the consultancy time required for carrying out the above mentioned tasks, the amount of work to be carried out for the preparation of the strategy may also lead to a reconsideration of the choice of assigning the elaboration of the strategy to an individual consultant.

IV – Outline of the strategy report: a preliminary proposal

There is no need to stress the very preliminary nature of the following outline, the structure of which unavoidably reflects the background information available so far and the preparatory work conducted at this stage.

- 1) *Macroeconomic context of Syrian agriculture*
 - i) *Agriculture in the Syrian economy*
 - ii) *Macroeconomic context and policies: impacts on agriculture*

- 2) *Review of past agricultural strategy*
 - i) *Social and economic objectives of agricultural policy (growth, equity, sustainability)*
 - ii) *Broad approach to instruments for securing general objectives (state vs market: planning system)*
 - iii) *Specific sectorial policies: objectives and instruments.*

- 3) *Prospects for sustainable agricultural growth*
 - i) *General economic and social objectives*
 - ii) *World market orientation: opportunities and constraints*
 - iii) *Internal potential sources of growth*
 - iv) *Internal constraints to growth*
 - v) *Key policy issues*

- 4) *Policy and institutional environment*
 - i) *Reconsideration of the role of Government*
 - ii) *Streamlining of public institutions*
 - iii) *Policies for strengthening the private sector*

- 5) *Water and land resources*
 - i) *Land resources*
 - ii) *Water resources*
 - iii) *Environmental sustainability*

- 6) *Production and market prospects and policies*
 - i) *Labour issues*
 - ii) *Inputs production and markets*
 - iii) *Agricultural credit*
 - iv) *Main sub-sectors: production prospects*
 - v) *Main sub-sectors: market prospects*
 - vi) *Food demand and food security*
 - vii) *Agro-industry prospects*

- 7) *A proposal for a long term agricultural strategy*
 - i) *Broad set of sectorial objectives*
 - ii) *Broad approach to instruments for securing sectorial objectives*
 - iii) *Main policies: specific objectives and instruments*
 - iv) *Public investments*

Connections between the proposed outline and the overall program of studies: It seems relevant to point out that the outline's structure has been conceived, among other considerations, as to "maximize" the interconnections between the individual sections of the outline and the overall program of studies. In this perspective, it may be useful to point out schematically which studies, as well as which other activities, are expected to provide relevant informative and analytical material for each chapter and/or paragraph.

I. Macroeconomic context of Syrian agriculture

1. *Agriculture in the Syrian economy:* The **Country Profile** and the paper on "Historical evolution of the agricultural sector performance and policies" constitute the basic material for this section, but, quite likely, additional information and insights can be obtained from the sections devoted to the review of the current situation, present in most of the studies.
2. *Macroeconomic context and policies: impacts on agriculture:* The backbone of this section is going to be provided by the **Macroeconomic sustainability** study, but it is also reasonable to expect relevant analytical material from several other studies, and specifically from **External transactions** and **Private investments**.

II. Review of past agricultural strategy: The paper on "Historical evolution etc." will represent the appropriate departing point for the whole chapter, but relevant material on the three main sections (*Objectives, instruments and specific sectorial policies*) is likely to be found in most of the studies, with a major contribution from the **Strategic crops** study.

III. Prospects for sustainable agricultural growth: This chapter will need special attention and effort from the international consultant. While the individual studies may provide specific useful insights (for example the study on **Trade agreement with the EU** for paragraph III.2), it should be realized that the analytical material for the five paragraphs must be inevitably based on a) interpretation of available official documents, b) interviews with governmental officers; and c) cooperative work with the contact officers and the Strategy Task Force.

IV. Policy and institutional environment: The study on the **Reform of MAAR** will certainly provide relevant material, but there is no doubt that for an accurate drafting of the paragraphs on *Role of the Government* and *streamlining of public institutions*, the considerations advanced for Chapter III about the sources of information and the direct involvement of the international consultant in collecting and assessing relevant material appear equally appropriate. For the paragraph on *Policies for strengthening the private sector*, the study on **private Investments** will be the major source of information and recommendation, but useful insights can also be expected from several other studies, namely **marketing and processing, input markets, and credit system**.

V. *Water and land resources*: There is a direct correspondence between the paragraphs of this chapter and the following specific studies:

1. *Land resources* : **Land tenure systems**
2. *Water resources*: **Water resources**
3. *Environmental sustainability*: **Environmental impacts**

VI. *Production and market prospects and policies*: Also, for this chapter, the correspondence between each paragraph and the following specific studies is straightforward:

1. Labour issues: relevant material will be provided by **Land tenure systems**
2. *Inputs production and markets*: **Input markets**
3. *Agricultural credit*: **Credit system**
4. *Main sub-sectors: production prospects*: **Olive oil, citrus, livestock, strategic crops**
5. *Main sub-sectors: market prospects*: **Olive oil, citrus, livestock, strategic crops**
6. *Food demand and food security*: **Food security**
7. *Agro-industry prospects*: Processing and marketing, olive oil, citrus, credit, private investments

VII. *A proposal for a long term agricultural strategy*: Also, for this chapter, which obviously represents the analytical synthesis of the entire work for the elaboration of the strategy, the same considerations advanced with regard to Chapters *III* and *IV* appear appropriate.

Acknowledgements

I gratefully acknowledge the attention received by Mr. Asa'd Mustapha, Minister, MAAR, by Mr. Irfan Alloush, Deputy Minister, MAAR and by Dr. Nahi Shibani, Director, Planning & Statistics Department, MAAR. Their cordial willingness to discuss at length relevant issues for the preparation of the present report has certainly greatly facilitated my task.

I also gratefully acknowledge the collaboration and support provided by Dr. Emad El Hawary, CTA and by Mr. Atiah El Hindi, the NPD in all phases of preparation of this report, from the arrangement of all contacts with Government officers and representatives of professional organizations to the discussion of some of the key elements of this report. I have greatly benefited from the systematic and stimulating discussions with Mr. Ciro Fiorillo, Agricultural Economist about the analytical content of the various parts of the report, and, with particular depth, about the rational and content of the studies needed for the elaboration of the strategy. I am indebted to the entire Project staff for their full-hearted collaboration and kindness.

The list of Government officers, and representatives of the farming profession and of the private sector, who have kindly accepted to respond to my many questions about Syrian agriculture and its development potentialities and constraints, is given in Annex 2. I gratefully acknowledge their patience and kindness.

Finally, the comments and suggestions put forward by the participants to the seminar “In search of a development strategy for Syrian agriculture: some preliminary considerations”, have provided valuable inputs for the revision and the final drafting of the present report.

Annex 1- Terms of reference

GCP/SYR/006/ITA

Assistance in Institutional Strengthening and Agricultural Policy

International Policy Advice Consultant

Agricultural Strategy

Duration: 1st Mission: 2 months

E.O.D.: 1st Mission: 1999/2000

Duty Station: Damascus, Syria

Language: English

Activities:

Under the direct supervision of the Chief RNER Operations Services and the technical supervision of the Chief RNEP and the CTA and in close collaboration with the Director of NAPC/National Project Director, Agricultural Economist, the officials of MAAR and other concerned institutions, the international consultant shall carry out the following tasks:

1. Produce a study, which will identify a road map for the completion of the agricultural development strategy for Syria. The road map is expected to include:
 - a series of studies/investigations as preparatory work for the strategy;
 - identification of the national institutions which will directly be involved, and those which will be indirectly associated, with the preparation of the strategy;
 - a timetable for the completion of the strategy; and
 - a signpost for the periodic review and evaluation of the material produced for the strategy.
2. Undertake preparation of the long-term agricultural development strategy, including proposals for processes by which the policies and actions contained in the strategy can be internalized by MAAR and other concerned institutions.
3. Give a seminar on the agricultural strategy development issues to concerned senior officials.
4. Submit a study, which should cover the results of all activities, described in detail below, for FAO clearance.
5. Participate in the first National Agricultural Policy Workshop to be organized by the Project, and lead discussion on the agricultural development strategy.

To accomplish this task, the RO's consultant shall undertake two missions to Syria in 1999 and in January 2000; the RO's consultant will carry out the following:

- ◀ Review the current forms of government intervention in the agricultural sector, and the direct and indirect effects of major policy interventions in the sector, drawing, *inter alia*, on the available studies and on the country profile.
- ◀ Survey and provide an account of the Government desired changes in the policy environment, the rationale and justification for these desired changes and factors constraining their achievements.
- ◀ Prepare a preliminary brief assessment of the performance of Syrian agriculture over the past three decades and provide a preliminary outline of the major challenges, constraints, and policy loopholes that prevent the Syrian agriculture from realizing its potentials.
- ◀ Propose an outline of the strategy report, and organize a seminar with concerned Government institutions to discuss and agree on the content of the strategy.
- ◀ Prepare for Government consideration a work plan which should include the following:
 - Methodological alternatives which could be followed for completion of the strategy;
 - New investigations and studies needed as inputs to the strategy;
 - Institutions which ought to be involved with Project GCP/SYR/006/ITA in the preparation of the agricultural strategy and/or its review;
 - Identification of informed individuals who can assist in the preparations and review of studies leading to the preparation of the agricultural strategy;
 - Submission of the timetable for the preparation of the agricultural strategy in a phased manner; and
 - Propose a process for the periodic review of the work concerning the strategy.

Qualifications:

Agricultural Economist with extensive knowledge in agricultural development and long and wide working experience (20 years) in agricultural economics and formulation of sustainable development strategies.

Annex 2 – List of persons met and meetings held

1st mission (6/12/99-17/12/99)

Date	Person	Position
Tuesday 7/12/99	Mr. Sinaceur	FAO Rep.
	Dr. Nahi Shibani	Director, Planning & Statistics Dept., MAAR
Wednesday 8/12/99	Haitham Abo-Tok	Director, Agriculture Dept. of Hama
	AbdulKareem Bakeer	President, Agricultural Chamber of Hama
	Dr. Khaled Najar	Professor of Agricultural Economics, University of Aleppo
Thursday 9/12/99	Dr. Fareed Khoury	Director, Cotton Bureau
	Dr. Ali Deebeh	Director, General Organization for Seed Multiplication
	Dr. Khaled Najar	Professor of Agricultural Economics, University of Aleppo
Saturday 11/12/99	Dr. Fairouz Sbaih	Director, Agriculture Dept. of Lattakia
	Mr. Mohammed Ogiel	President, Agricultural Chamber of Lattakia
	Mr. Moén Ismaél	Director, General Establishment for Fish
Monday 13/12/99	Mr. Ahmed Sha'bani	Citrus farmer
	Mr. Saad Al Madani Ahmed	Senior Policy Officer, FAO-Cairo
	Mr. Dia Abdou	Chief, RNEP, FAO – Cairo
	Mr. Pal Hajas	Senior Country Project Officer, FAO – Cairo

2nd mission (10/01/00-7/02/00)

Date	Person	Position
Tuesday Jan. 11, 2000	Mr. Hassan Katana	Director, Agricultural Affairs Dept., MAAR
Wednesday Jan. 12, 2000	Mr. Zuhari Darwish	Director, Agricultural Extension Dept. MAAR
	Mr. Adnan Sharaf	Assistant Director, Agricultural Extension Dept. MAAR
	Mr. Sae'd Sheikh El Shabab	Director, Information Dept., MAAR
	Mr. Mohammed Khazma	Director, Agricultural Economics Dept., MAAR
Thursday Jan. 13, 2000	Mr. Irfan Alloush	Deputy Minister, MAAR
	Dr. Saleem Kabboul	Director, Agriculture and Irrigation Dept. State Planning Commission
Friday Jan. 14, 2000	Mr. Fuad Kaso	Assistant Director, State Farms
Saturday Jan. 15, 2000	Mr. Abdul Aziz Husein	Director, Agriculture Dept. of El Hassakeh
	Mr. Husein Bakkour	Assistant Director, Agriculture Dept. of El Hassakeh
	Mr. Fawzi Sido	Director of Al Khabour and Degla Irrigation Basin
	Mr. Khalaf Jasem	Cooperative Farmer (field visit)
Sunday Jan. 16, 2000	Dr. Nabeel Al Ahmed Beck	Director, Agricultural Dept. of Al Raqqa
	Mr. Rizk Naser	Head, Agricultural Affairs Section
	Mr. Saleh Al Hayek	Head, Planning and Statistics Section
	Mr. Abdul Aziz Al Ali	Executive Office Member, General Peasant Federation
	Mr. Taha Al Hamad	Chairman, General Peasant, Al Raqqa
	Mr. Ibraheem Ali	Al Thawra National Protectorate Euphrates Dam
Monday Jan. 17, 2000	Abdul Muhsen Sayyed Omar	Director, Agriculture Dept. of Deir Ezzor
	Riad Othman Al Abudllah	Chairman, Agricultural Chamber
Tuesday Jan. 18, 2000	Mr. Ghassan Abdullah	Assistant Director, Al Badia, Steppes, and Sheep Department
	Mr. Mohammed Merrieh	CTA, Range Rehabilitation Project Natural Protectorate
Thursday Jan. 20, 2000	Dr. Majd Ayyoub	Director, Agricultural Chamber Federation
	Dr. Shibli Abu Fakhr	Deputy Minister, Ministry of Economy and Foreign Trade
Saturday Jan. 22, 2000	Mr. Barakat Shaheen	Director, Private Industrial Sector Dept., Ministry of Industry
	Mr. Barakat Hadeed	Deputy Minister of Irrigation
Monday Jan. 24, 2000	Dr. Nabil Sukkar	Managing Director, The Syrian Consulting Bureau for Development and investment
Monday Jan. 31, 2000	Mr. Asa'd Mustapha	Minister, MAAR
	Mr. Irfan Alloush	Deputy Minister, MAAR
	Dr. Hassan El Hamed	Deputy Minister, MAAR
	Dr. Nahi Shibani	Director, Planning & Statistics Dept., MAAR
	Dr. Waleed El Taweel	Director, Agricultural Scientific Research Dept., MAAR
	Mr. Fua'd Roumieh	Director, Finance Dept., MAAR
	Mr. Hassan Katana	Director, Agricultural Affairs Dept., MAAR
	Mr. Mohammed Khazma	Director, Agricultural Economics Dept., MAAR
	Mr. Basel Tello	Director, General Relations Dept., MAAR
Monday Jan. 31, 2000	Dr. Nahi Shibani	Director, Planning & Statistics Dept., MAAR
Saturday Feb. 5, 2000	Seminar	Senior Government Officers
Sunday Feb. 6, 2000	Mr. Sinaceur	FAO Rep.

Annex 3 – Seminar outline

In search of a development strategy for Syrian agriculture: some preliminary considerations

by

Michele De Benedictis
(Saturday, February 5th 2000)

I – Agricultural development strategies: a few conceptual notions

- *Definition*: a strategy essentially embodies both a vision of what the sector should look like in the future and a road map showing how to fulfill that vision
- *Two pre-requirements*: 1) a stable macroeconomic environment; and 2) the choice between state and market instruments for resource allocation and for distributive equity
- *Three basic steps*: 1) determine the social and economic objectives for Government intervention; 2) identify the economy and social structure; and 3) set broad priorities among alternative sets of policies and institutions consistent with objectives and structure.
- *By whom and for whom the strategy is developed*: a strategy should represent a commitment by the sector's authorities to carry out specified reforms; participation of the Government in its elaboration becomes an essential condition.
- *Sustainability*: any strategy should satisfy a sustainability test, requiring that the eventual impacts of objectives and policies are compatible with relevant external and internal constraints

II – Some insights from the agricultural development strategy in the European Union

- Objectives and policies of the initial strategy pursued by the Common Agricultural Policy
- The *unsustainable* long term effects of this strategy are 1) financial; 2) environmental; and 3) commercial conflicts
- Some basic lessons from European agricultural growth: crucial relevance of
 - a dynamic economic environment,
 - strong and diversified backward and forward linkages,
 - strong and diversified territorial linkages, and
 - institutional decentralization of policy making and implementation

III – The current agricultural development strategy in Syria: a subjective external view

- The satisfactory achievement of sectorial objectives in a context of a closed and deficit economy: Food self-sufficiency, improvement of living conditions in rural areas, contribution of agriculture to the balance of payments
- The main shortcomings: efficiency of inputs and of natural resources use, unexploited potentialities in marketing and processing, the persistence of a static economic environment
- Factors and forces inducing changes in the strategy:
 - *External economic environment:* a) *constraints:* trends of agricultural markets (increase in supply of staples with a decreasing trend of prices, increase of competition); b) *opportunities:* market opportunities for processed products; transfer of know how; direct investments
 - *The sustainability dimensions:*
 - Demographic
 - Financial
 - Environmental
 - Institutional

IV – A partial and schematic example about a line of reasoning for building a component of the strategy: a subjective view

Main sectorial objective: sustainable self-reliance, to be pursued with much greater emphasis than in the past by a world market oriented agriculture

Rational: substantial achievement of the self-reliance objective should be pursued in such a way to contribute to other sectorial objectives: employment in agriculture and related activities, efficiency in natural resources use, contribution to the balance of payments, etc

Operational objectives: establish a coherent and articulated strategy for export; strengthen the agricultural backward and forward linkages, increase the technological and economic efficiency of the single components of the economic chain; strengthen the agricultural territorial linkages; promote greater diversification of agricultural products, paying particular attention to the quality dimension; invest in human and social capital in rural areas.

Instruments and incentives: Some preliminary issues are

- verification of the suitability of present allocation of economic space between public and private activities in two possible directions: a) increase of private activities in production; b) increase of the role of the State in improving the economic environment;
- verification of the potential effectiveness of the existing institutions and the present system of incentives and constraints, and the possibility of achieving effectiveness through their marginal modification;
- design new forms of public actions (reduction of transaction costs, market information and services, streamlining of bureaucratic procedures), new system of incentives for private initiatives; and
- verify the compatibility of the “new” setting of instruments and incentives with overall institutional and economic environment.

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