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1. **INTRODUCTION**

The *Country Strategy Paper (CSP) for Syria*\(^1\) was approved by the European Commission on 7 March 2007. Based on Syria’s own national agenda for reform – the 10th Five-Year Plan that will guide the transition from centrally planned to “social market economy”, it identifies three priorities for action for the period 2007-2013:

(i) **Support for political and administrative reform**, including modernisation of the administration, decentralisation, rule of law and respect for fundamental human rights.

(ii) **Support for economic reform**, including implementation of the Five-Year Plan, preparation for the implementation of the Association Agreement and preparation for WTO accession.

(iii) **Support for social reform**, including human resources development and measures to accompany the economic transition process.

This strategy document was accompanied by a *National Indicative Programme* (NIP), which defines the framework of cooperation agreed between the European Commission and the Government of Syria for the period 2007-2010. The NIP puts emphasis on the implementation of the economic reform agenda. It also includes a substantial social package as well as measures to improve institutional governance and the defence of human rights.

Contrary to other NIPs approved with Mediterranean partner countries, this document detailed the specific operations planned for 2007 and their expected results, but **only outlined priorities for EC action in 2008-2010** – including their budget and sequencing. This is because the Government of Syria adopted the landmark 10th Five-Year Plan at a late stage in the programming exercise (May 2006) and was still in the process of adopting strategies and executive programmes for its implementation at the end of 2006. These could not be reflected in the NIP.

It was therefore suggested that a *revised National Indicative Programme* be presented in 2007 **detailing the contents of operations for 2008-2010**, according to the three priorities of the CSP and taking into account new approaches in the government’s sectoral policies.

The present document is the **output of a consultation process** with the Government of Syria, Member States and donors that took place in Damascus, including an inter-ministerial seminar held on 20 June 2007 by the Syrian State Planning Commission. Conclusions of this seminar and subsequent discussions with line Ministries allowed for an adaptation of the budget and sequencing of the projects planned for approval in 2008, 2009 and 2010 as well as for an agreement on the scope of the future projects.

The **global allocation for Syria under the ENPI remains unchanged**. It totals €130 million for the period 2007-2010. However, **yearly allocations have been adapted** to take into account absorption capacity and priorities in the reform agenda: €20 million in 2007, €20 million in 2008, €40 million in 2009, and €50 million in 2010.

\(^1\) [http://ec.europa.eu/world/cnp/documents_en.htm#4](http://ec.europa.eu/world/cnp/documents_en.htm#4).
2. **SUPPORT FOR POLITICAL AND ADMINISTRATIVE REFORM**

Under the previous programming period, EC financial assistance in this area has focused on accompanying the government’s efforts towards the deconcentration of powers to the local level. The Municipal Administration Modernisation Programme (started in December 2004 and ending at the end of 2008) is strengthening the capacities of the Ministry of Local Administration and Environment and six pilot municipalities in urban planning and management.

During the period 2008-2010, the main thrust of our assistance will be to further support the decentralisation process and pilot-test new approaches to community-based local development with the municipalities. We will also provide assistance in two new areas: modernisation of the judiciary and, possibly, better defence of human rights.

**Human Rights Capacity Building Programme**

In 2005-2006, the Government of Syria had started developing ideas with the UNDP to create a national commission for human rights. The mandate of this commission should be to act as a mediator between the government and human rights defenders. For the time being, the government has put this plan on hold, because it is judged less of a priority than security matters and other aspects of the reform agenda.

Human rights are an integral part of the cooperation between the EU and Syria. The EC has therefore indicated that support for the future national institution for human rights will be available, when this institution is created. It could build upon the experience gathered in other countries of the region in this area (in particular, Egypt with the National Council for Human Rights).

We have agreed with the Ministry for Foreign Affairs that we will review the situation on a regular basis and have tentatively planned support for the national institution in 2009. Assistance in this area will only be provided upon explicit request from the Government of Syria. No budget has been earmarked for this activity. Additional resources will be mobilised if/when the project materialises.

**Decentralisation and Local Development Programme**

*(a) Justification*

Decentralisation is closely tied to Syria’s reform agenda. **Syria’s Five-Year Plan 2006-2010** devotes wide-ranging responsibilities to local authorities for the transition to a “social market economy”:

“Implementation of national strategic projects and vital infrastructure; implementation of national programmes (e.g. for employment, poverty alleviation, women empowerment, and elimination of illiteracy); local participation in formulating and implementing local development plans; involvement of representatives of the private sector, banking sector and civil society in local development projects; improvement of inter-governorate cooperation in the context of regional plans”.
Syria is currently preparing the necessary legal framework to accelerate the decentralisation process and transfer political, fiscal and administrative responsibilities to the regional and local governments. The new legal framework will enter into force in 2008.

The ongoing MEDA-funded Municipal Administration Modernisation (MAM) Programme is laying down the basis for the next phase of Syria’s decentralisation process. The programme aims to strengthen the capacities in urban planning of the Ministry of Local Administration and Environment and the cities of Damascus, Aleppo, Homs, Tartous, Lattakia and Deir Azzor. It includes a series of pilot projects such as the regularisation and upgrading of informal settlements, which could be replicated in other municipalities. A centre for local sustainable development (Al-Jazaeri) is also being set up under the programme.

A long-term perspective is needed in the area of decentralisation. The results of the MAM should be built upon and the lessons learnt as well as the methodology developed during its implementation should be extended to other areas/governorates of Syria.

(b) Specific objectives and brief description of the programme

The future programme should take a step forward with respect to the MAM, while relying on a simpler structure (limited number of action plans). Key objectives should be:

- To continue strengthening the capacity of regional and local authorities, so as to allow them to exercise their newly acquired powers in an accountable manner and to cope with their additional economic and social responsibilities.
- To support further the decentralisation process and promote local development dynamics in response to the social, economic, and cultural needs of the Syrian population.

The programme could include three main components:

- **Support for the decentralisation process**
  Activities should relate to improving the institutional and legal framework, building the capacity of actors involved in the process, reorganising the tasks of local authorities, increasing the quality of services provided to the population, enhancing coordination with other ministries and donors, and extending the MAM institutional experience to other pilot areas.

- **Local and regional development**
  Activities should relate to promoting the social and economic development of the target cities, spatial and regional planning, and public-private partnerships.
  This should involve implementing pilot initiatives aimed at fostering an integrated local development dynamic, through the involvement of local communities e.g. in the preservation and exploitation of cultural heritage sites. A grant scheme for community-based activities similar to the one adopted under the MAM could be used.

- **Urban management**
  Activities should relate to promoting twinning arrangements between local authorities from the EU and Syria in urban development as well as visits to other countries confronted with comparable urbanisation challenges, and using the Al-Jazaeri Centre as a focal point for municipalities and governorates throughout Syria, including for training in best practice of regional and local planning.
As was the case for the MAM, the gender and environment (local Agenda 21) dimensions should also be fully integrated into the design of the programme.

(c) Expected results

- Institutional framework for decentralisation is improved (including the setting-up of a decentralisation policy unit in the Ministry for Local Administration and Environment), and new legislation for effective decentralisation is promoted.
- Capacity-building is provided to stakeholders in the Ministry of Local Administration and Environment, governorates, local authorities and state services at governorate level, including in urban and regional planning.
- Human resources at the level of local authorities are used in a more efficient way, and the institutional experience gained in Homs, Tartous and the old city of Damascus under the MAM is disseminated and extended to other cities/pilot areas.
- Participative local development planning is promoted in rural areas and smaller cities.
- Local development activities around cultural sites are promoted.
- An integrated urban development control and enforcement system is introduced in a major city.
- Twinning agreements are concluded with the EU and Southern Neighbourhood cities to address urban management and planning issues.
- The Al-Jazaeri Centre of Sustainable Local Development is transformed into the focal point for municipalities and a Centre of Excellence in regional and local planning, project development, funding and implementation.

(d) Performance indicators

- Records of the Ministry of Local Administration and Environment and of the cities and governorates involved in the programme as well as surveys among stakeholders.
- Operational policies, strategies, legislation and regulation on decentralisation and local development.
- Increased transparency and public participation and confidence in local administration.
- Gender dimension measured by a specific performance indicator.

(e) Indicative budget and timing

A budget of €20 million is earmarked for this programme, which is scheduled for approval under the 2009 Annual Action Programme (to avoid disruption with the implementation of the MAM).

Judiciary Modernisation Programme

(a) Justification

Modernisation of the judicial administration is necessary to achieve long-term economic and social development. This is another cross-cutting issue under Syria’s Five-Year Plan 2006-2010:
"Establish the status of institutions and rule of law, and respect the people and country’s rights; Make available the economic, legislative, and procedural environment adequate to organise the market activities”.

The priority of modernising the judiciary was one of the issues addressed by the President in his oath-taking speech on 17 July 2007 that established the programme for his mandate 2007-2014, mentioning that it should include improving the calibre of judges by giving them first-class training and protecting their independence. It should also include the restructuring of judicial work and management in a manner that achieves effectiveness and transparency, and reduces red tape and the backlog of cases.

More specific objectives for the reform are set by the Ministry of Justice, which includes among the goals to be reached by the Five-Year Plan: the need to restore the citizen’s confidence in justice by ensuring fair and speedy justice, to tackle the discrepancy between the number of lawsuits and that of judges and staff, and to address the need for modern equipment and automation of the laws in force.

Among other things, the plan puts emphasis on:

- **Training of judges and other judicial personnel** (the shortage of judges is currently estimated at 20%), including life-long learning for judges in office.
- **Financial security** for judges as a means to fight corruption.
- **Simplification of judicial procedures, in particular through the amendment of relevant legislation**, so as to reduce the long delays in dealing with cases and prevent potential influences by litigating parties.
- **Progressive automation of courts and their networking** with the central administration.

In parallel, the UNDP has started providing assistance to the Ministry of Justice with the introduction of ICT in the ministry and in the courts, including the creation of a database to facilitate access to laws, by-laws and case law, and proposals for the simplification of the different phases of legal proceedings. The tribunal of Dara in South Syria is a pilot site for the project.

**Further assistance is needed** to build the capacity of judges (including through strengthening of the Higher Institute of Justice), court clerks, and other human resources including staff in the Ministry of Justice and lawyers; to increase the capacity to communicate and exchange information on judicial matters through the computerisation of the courts and central administration; and to modernise case management methods notably through the simplification of legal procedures.

By the time the programme starts a first step will have been taken towards a simplified and more efficient judiciary system in the commercial area, through the EU-funded programme on **Business Environment Simplification**. This programme will contain a component on Commercial Courts mainly concentrating on the training of judges and other judicial personnel.

(b) **Specific objectives and brief description of the programme**

The main thrust of the programme will be to assist the Government of Syria in establishing an efficient and reliable judiciary system, improving the quality of judicial services and making access to justice easy.
The programme will focus on capacity building for judges and judicial personnel and the introduction of legislative principles allowing for simplification of procedures, better management of deadlines when dealing with cases, and strengthening of the capacities of judges to manage the cases carefully.

It will target the Syrian courts of general jurisdiction, not the exceptional jurisdictions and not the separate system of religious courts.

The programme could include the two following components, based on the current key needs of the Ministry of Justice:

- **Capacity building**

  Activities should relate to the development and modernisation of the curricula of the Higher Institute of Justice (including the introduction of new specialised modules on international conventions); the development of continuing education programmes for judges in office and other judicial personnel and training of trainers; and the training of judges and court clerks in the use of ICT.

- **Administrative procedures**

  Hardware and software should be provided to a selected number of courts, which should then be organised in a network with the Ministry of Justice (building upon the UNDP project).

Programme formulation will be closely coordinated with the Ministry of Justice and a series of preparatory activities will be organised in order to further identify the needs of the Government of Syria and the key elements in the modernisation and reform of the judiciary system. Due account will be taken of the experience of other Mediterranean partners in this area and the lessons learnt through the MEDA regional programmes on justice and home affairs. Coordination with other donors will also be ensured.

(c) **Expected results**

- The efficiency and the reliability of the judicial system are improved through adequate professional training provided to the judicial actors.

- The automation of administrative judicial procedures renders the sequences more rapid, transparent and accessible to all.

(d) **Performance indicators**

- Performance indicators will be defined at a later stage.

(e) **Indicative budget**

A budget of €10 million is earmarked for this programme, which is scheduled for approval under the 2010 Annual Action Programme.
3. **SUPPORT FOR ECONOMIC REFORM**

Under the previous programming period, the EC has already provided substantial financial assistance to Syria to support economic reform. This reflects our strategic objective to accompany the efforts of the Government of Syria towards the progressive liberalisation of the economy and trade. Our programmes cover wide-ranging areas including private sector/SME development, institutional support aimed at strengthening the policy-making and implementation capacity of the ministries involved in the economic reform process (including the preparation of the 10th Five-Year Plan), modernisation of the customs administration, improvement of the budgetary and accountancy management system of the Ministry of Finance, and initial steps towards the reform of public utilities (telecoms and electricity).

Two additional programmes included in the 2007 Annual Action Programme are aimed at improving significantly the business climate in Syria: (i) the Trade Enhancement Programme, which has a strong component on customs facilitation and streamlining of trade-related legislation, and (ii) the Business Environment Simplification Programme, which aims to achieve a drastic simplification of the regulatory and administrative procedures for doing business.

During the period 2008-2010, we will provide support in two additional areas that are critical for the success of the transition to a social market economy, i.e. public finance reform and industrial restructuring and upgrading, including state-owned enterprises. The latter is one of the major challenges facing the government in the transition period, in the light of the existing high pressures on the labour market. Strong correlation between activities in this area and programmes on employment and social assistance, and education and training will have to be ensured.

**Public Finance Reform Programme**

(a) **Justification**

This is a priority under *Syria’s Five-Year Plan 2006-2010* as part of the cross-cutting issues on good governance and competent management development:

> ‘Introduce transparency and accountability to the public administration and activate the regulations that eliminate the financial and managerial corruption, and implement transparent accounting systems that are subject to impartial and periodical audit, and informing the people about the items of public spending and balance sheet;  
> Set up a new system for public budget and spending coping with the macro-economic policies of the plan;  
> Increase the government revenues, set up a new taxation policy, and strengthen the collection activities.’

The discussion and control of public finances is a key and central government act, involving all parts of the government. Developing efficient, transparent and accountable budget management systems and institutions is one of the priorities for reform in the Euro-Mediterranean region (*ref. 2003-2007 Euro-Mediterranean ECOFIN ministerial meetings*).
Syria's public finances are over-reliant on oil revenues, which are decreasing due to depletion of oil resources and are vulnerable to price fluctuations on the world market. Consolidation of public finance and identification of alternative revenues are necessary. The non-oil balance has steadily improved in recent years and a constant monitoring of this balance is necessary. The bulk of non-oil revenue is derived from public enterprises, for which uncertainties remain regarding long-term financial viability.

Sustainable public finances are dependent on the successful development and diversification of the economy and on the progress in implementing the planned structural reforms. Public expenditure management should be improved, although reforms in this area are currently on hold due to strong political opposition to subsidy cutting.

The development of efficient, transparent and accountable budget management systems and institutions is also as a key priority for achieving good fiscal outcomes. Reforms are needed in the following inter-related areas: (i) increasing budget coverage and transparency, (ii) developing medium-term budget formulation and planning, (iii) improving treasury management and budget execution, (iv) ensuring high quality reporting and public accounting, and (v) strengthening accountability through internal control and external audit and oversight.

The Government of Syria has demonstrated a commitment to comprehensive fiscal reform. Planned reform aims at fiscal consolidation by attempting to increase revenues primarily by introducing VAT (introduction has been postponed since 2005 and will not take place before 2009), simplifying the income tax regime, a gradual increase in tax revenues from 10% to 16%, and reducing expenditure mainly through lowering subsidies and reducing payments to loss-making state-owned enterprises. The government envisages also a reform of its public finance management to reduce waste and increase transparency.

The improvement of the quality of existing data as well as the capacity to analyse this data will be necessary to monitor and evaluate the progress in the implementation of reforms, building upon the work carried out under the MEDSTAT programme funded under MEDA.

The ongoing MEDA-funded Ministry of Finance Modernisation Programme is a targeted technical assistance operation, which aims to support revenue reform, to strengthen tax administration capacity and services, and to modernize the public finance systems, accounting and budgeting.

(b) Specific objectives and short description of the programme

The future programme should take a step beyond the objectives of the on-going programme to modernize the Ministry of Finance and provide assistance on both fiscal policy and public finance management aspects. The main aim would be to modernize the Syrian institutional framework in the field of public finance, to contribute to fiscal consolidation, and to promote tax reform in line with the principles of good governance in the tax area. This could be achieved through an improvement in the allocation of government resources, diversification of revenues, and increase the transparency and accountability of the public finance management system, so as to ensure future fiscal sustainability.
The programme could include the following elements:

- **Reform of tax administration and efficiency of revenue collection**
  The on-going Ministry of Finance Modernisation programme, which is due to finish in 2008, supports the revenue reform and the strengthening of the tax administration. A full evaluation of the viability of produced outputs and the assessment of new potential target areas, such as the creation of the Large Taxpayer Unit and measures to combat fraud, should be carried out.

- **Modernisation of the public finance management system**
  Another objective of the Ministry of Finance Modernisation Programme is to modernize the public finance management system. Follow-up activities could be envisaged in this field and include technical assistance and capacity building covering areas related to budget planning, execution, reporting, control and auditing.

  Elaboration of a road-map for a comprehensive reform of public finance management could be one of the main components of the EC support in the field of public finances. The PEFA assessment, recently conducted by the IMF and the WB, could be used as a starting point for the elaboration of the road-map. IT support to some Treasury processes could also be envisaged.

- **Improvement of debt management**
  Activities could include technical assistance and training for the management of debt both at the Central Bank of Syria and the Ministry of Finance and for the smooth introduction of government bonds.

- **Study on the impact of the comprehensive reform process on the public finance sector** (trade liberalisation, removal of non-targeted subsidies, corporatisation of state-owned enterprises, reform of social protection)

- **Reinforcement of reliability of data**
  Following up the MEDSTAT programme, further support could be provided to the Central Bureau of Statistics including in the form of technical expertise, exchange of best practises with other Mediterranean countries, provision of equipment, translation of reference documents into Arabic and English language training.

(c) **Expected results**
- Tax administration efficiency, transparency and accountability are increased.
- A road-map for reforming the public finance management is elaborated and a timeframe for implementation attached.
- The strategic priorities of the government are better reflected in the budget.
- Cash and debt management are improved.
- The reliability of statistical data is strengthened.

(d) **Indicative budget**
A budget of €10 million is earmarked for this programme, which is scheduled for approval under the 2008 Annual Action Programme (to follow up on the implementation of the Ministry of Finance Modernisation Programme).
Industrial Upgrading and Restructuring Programme (including corporatisation of state-owned enterprises)

(a) Justification

Syria’s Five-Year Plan 2006-2010 establishes the objective to ensure increased efficiency of state-owned public companies and industrial upgrading by setting as priorities:

“Restructuring production and public service firms, developing the state-owned manufacturing industries sector in order to increase productivity of the sector and make it operate according to the market and fair probability standards, reform and development of the above firms.

Setting up a scheme to modernise service and production firms for both private and public sectors, in order to enhance their competitiveness, and working on upgrading Syrian products, whether for local markets or exportation, to the level of world standards”.

Decades of planned economy implementing an import substitution strategy have led Syria to develop a significant public industrial sector with a high level of protection. The state-owned enterprises (SOEs) are often characterised by inappropriate design, lack of investment in machinery and automation, poor management skills, high labour intensity, low profitability and high levels of bureaucracy. The restructuring of SOEs will be one of the major challenges that the government will be facing in the transition to a social market economy and integration into international trade. This is also one of the most politically sensitive challenges in the light of the existing high pressure on the labour market. The EC can bring real value added and assist Syria in its transition process thanks to the extensive experience gained in this area during the enlargement of the EU to the countries of Central and Eastern Europe.

The main challenge for the SOEs is to move from a production-oriented to a market-oriented approach. Companies can now sell their production directly to the market. However, production, investment and human resource management are still centrally planned. Efforts have also been made towards redirecting them towards export, but progress is slow.

A major challenge for the Government of Syria is to facilitate the needed changes for the SOEs at as little a social cost as possible. As in all transitional economies, it is likely that the SOEs, and especially their employees, will have to go through a degree of hardship before the situation can be turned into a truly positive development in the form of increased profitability and employment capacity. Innovative solutions such as strengthening human resources adaptability, promoting self-employment and micro-enterprise as well as appropriate financing schemes will need to be developed.

A draft law on the reform of public sector enterprises was presented to the Prime Minister in June 2007 and is expected to be approved soon. All the planned activities should take into account the progress and direction established by this law.

A pilot project is currently being implemented under the MEDA-funded Institutional and Sector Modernisation Facility (ISMF) aimed at restructuring SOEs in the food sector. This pilot initiative could serve as a basis to help the government devise a fully-fledged strategy for restructuring and corporatisation by setting up a Restructuring Agency and a Manpower Agency and changing the legal status of the General Organisation controlling SOEs.
UNIDO, with support from Italian bilateral cooperation, is proposing a more general (and radical) approach to restructure the whole SOEs sector, based on a global restructuring of corporate architecture and governance, supported by the promotion of a competitive macroeconomic environment and the development of an industrial support system (including an Industrial Modernisation Centre under the Ministry of Industry).

(b) Specific objectives and brief description of the programme

The main thrust of the programme will be to increase the profitability of state-owned enterprises in the industrial sector. This objective is funneling towards ensuring higher revenues for the Syrian state.

The programme will have an effect on the priority assigned to support for social reform. It will have a responsibility to – directly or indirectly – assist in making the restructuring process as acceptable as possible. Efforts should be made to ensure better integration of workers into the labour market, in order to alleviate the social consequences of the reform.

The programme will have to build on the experiences of the Pilot Project in the Food Industry Sector under the ISMF and the current UNIDO Industrial Modernisation Programme. The output of these initiatives is expected at the end of 2008. It will also build upon the lessons learnt under other programmes, including the Syrian-European Business Centre and the SME support programme.

The programme could include the following components:

- **Assistance to Syrian policy-makers with the identification of options for industrial modernisation**, including the restructuring of state-owned enterprises, and development of an appropriate institutional mechanism for this. Energy sector should also be addressed as appropriate.

- **Support for the Ministry of Industry and the planned Industrial Modernisation Centre** (follow-up to UNIDO project).

- **Overall assessment of the competitiveness of Syria’s industrial sectors** and identification of priority sectors including energy – assessment of investment needs and scope for future EIB financing support to upgrade Syria’s industrial sectors.

- **Provision of technical assistance to enterprises in the rationalisation process** (e.g. training of managers; establishment of business plans; upgrading of financial and accounting procedures; modernisation of production methods; human resources management planning, including incentives to work efficiently), when the Government of Syria has adopted the necessary legislation and structures leading to the corporatisation of state-owned enterprise.

The EIB could complement EC technical assistance by loan financing for production line modernisation, joint ventures and private-sector undertakings. A series of preparatory activities will be organised to review progress in developing a strategy for the reform of the public sector.

During project formulation, due account will be taken of the experience of EU Member States from Central and Eastern Europe in managing the transition from centrally planned to market economy as well as the experience of industrial upgrading programmes in other Mediterranean partner countries.
(c) *Expected results*

- SOEs are turned into profitable enterprises in their own right that can provide employment, and quality and exportable products.

(d) *Indicative budget*

A budget of **€20 million** is earmarked for this programme, which is scheduled for approval under the **2010 Annual Action Programme**.

4. **SUPPORT FOR SOCIAL REFORM**

Under the previous programming period, EC financial assistance in this area has **focused on health and higher education**. In both sectors, the EC has gained extensive experience as the lead donor, paving the way for assisting the Government of Syria in the development and implementation of sector-wide approaches to health and education policies, in cooperation with other donors.

During the period 2008-2010, the main aim of our assistance will be to help the country put in place the social safety nets of a “social market economy”. This means assisting the government to implement a **coherent approach to poverty reduction** and to promote **active labour market and human resources policies** aimed at increasing the employability and earning potential of the active population in the critical period of economic transition, as well as to further **improve the health delivery system**.

**Four complementary programmes** are planned in the field of upper secondary education, continuing training, employment and social assistance and health (the latter two created as separate programmes to take account of different institutional, structural and methodological conditions). This social package fully complements the economic reform package; both reform packages should be mutually supportive.

If appropriate, these programmes could be adapted and expanded to help the authorities cope with the **additional pressure on the national delivery system caused by the presence of a large number of Iraqi refugees** in Syria.

**Social Protection Programme**

(a) **Justification**

The principle of “*Human development first*” is enshrined in Syria’s *Five-Year Plan 2006-2010*, meaning that the achievement of high growth rates at the expense of social welfare and the environment must not be tolerated. More specific objectives in the field of social protection include:

*Formulate policies and national programmes to provide social protection, safety nets and expand coverage areas through application of social insurance law;*

*Identify and emphasise social welfare projects and programmes for the benefit of under privileged families;*

*Focus on the process of reviewing the subsidy and productivity procedures, enabling it to reach the targeted groups, which are in dire need of such supplementary assistance. This includes conducting a poverty mapping survey to tackle social justice issues and setting up a national poverty observation centre*.
While Syria has many elements of a system of social protection (producer/consumer subsidies, assistance to disadvantaged groups, private charities, ad hoc microfinance initiatives), these may no longer be adequate or sustainable to support Syria’s poor. Recognising that prevailing economic conditions may increase the fiscal burden on households and bring about increasingly difficult socio-economic circumstances, the Five-Year Plan has committed to develop a needs-based system of social protection, including a focus on upgrading existing mechanisms for social assistance, social insurance and labour market initiatives.

The Government of Syria has recently started two new programmes aimed at supporting poor and disadvantaged groups. In collaboration with the UNDP and UNFPA, a Social Welfare Fund is being established to provide cash transfers to ultra-poor vulnerable groups. It will initially be piloted as a transitional emergency fund without conditional arrangements. To complement this work, the World Bank is helping the government to develop a targeting mechanism for the poor. It is anticipated that the initial support phase will be evaluated one year after the first universal cash transfers are made.

To secure access to basic services and enhance income generating opportunities for poor households, the Government of Syria is also establishing with the UNDP the Poverty Alleviation and Women Empowerment Programme. This programme will focus on: (i) improving infrastructure and increasing access to safe drinking water, sanitation, roads, health services, schools, etc.; (ii) providing access to financial services for small income generating activities, job creation and entrepreneurial training and assistance for businesswomen, gender awareness, reproductive health, women’s participation in community life and decision-making for development projects.

The ILO is also supporting the Syrian authorities with analytical work concerning the restructuring of the labour market and developing national strategies and programmes for the creation of new job opportunities for youth. In particular, it is developing a Decent Work Country Programme which will focus on capacity building (labour inspection, labour administration, employment offices) and social protection (analysis of ongoing pensions and unemployment work, the informal economy and child labour). A situation analysis will be followed by a social budgeting exercise. It is expected that a complete implementation plan for this programme will be in the region of USD 9 million.

There are also ongoing efforts to address other aspects of social insurance. In the health sector in particular, the Government of Syria is seeking to implement the 10th Five-Year-Plan with EC support by piloting an alternative system of health financing that recognises the needs of the poor.

It is expected that further donor assistance may be requested to support the above social protection initiatives. Any new EC programme should aim to support the Government of Syria’s efforts to implement the Five-Year Plan 2006-2010 by developing a package of benefits that will enable the poorest to graduate from social assistance recipients to active labour market participants with access to financial and welfare services. If deemed appropriate, this support could be implemented in partnership with, or channelled through, UN agencies.
(b) Specific objectives and brief description of the programme

The main thrust of the programme will be to support the Government of Syria’s efforts to develop and implement equitable, efficient and targeted social protection programmes to support the poor with a package of benefits and services.

Building upon the results of activities initiated by UN agencies and the needs identified by the Government of Syria, the programme could focus on:

- Supporting efforts to establish/expand the Social Welfare Fund. The nature of our assistance will depend on the evaluation of the pilot phase carried out with the UNDP support. This could include investment in IT equipment and Management Information Systems to assist the management and delivery of social assistance benefits, in addition to workflow design and business process engineering for the relevant governmental agencies.

- Supporting the Poverty Alleviation and Women Empowerment Programme with technical assistance to analyse the obstacles to, and requirements for, better access to social and financial services for the poor.

- Supporting ILO with the implementation of the Decent Work Country Programme.

- Contributing to the implementation of new mechanisms of health financing, setting targets and monitoring access of the poor, through technical assistance and capacity building.

(c) Expected results

Specific expected results will be agreed in discussion with the Government of Syria after the selection of focal areas for EC programme support, which may relate to the:

- Establishment and expansion of the Social Welfare Fund, with increased access to social assistance benefits package by the ultra poor.
- Support for the establishment of the Poverty Alleviation and Women Empowerment Programme, with increased access to improved social and financial services for the poor.
- Enhanced institutional and analytical capacity related to social insurance and labour market administration through support to concerned ministries and agency.

(d) Performance indicators

Performance indicators will be agreed in discussion with the Government of Syria after the selection of focal areas for EC programme support. These may include:

- Attainment of pre-defined targets for access to employment, financial and welfare services by the ultra poor.
- Public confidence in the social assistance system.

In addition, a selection of output indicators will be defined based on the targets formulated in the 10th FYP and the specific focal areas of EC programme support.

(e) Indicative budget

A budget of €10 million is earmarked for this programme, which is scheduled for approval under the 2009 Annual Action Programme.
Health Sector Modernisation Programme II

(a) Justification

The health component of Syria’s Five-Year Plan 2006-2010 was prepared with support from the MEDA-funded Health Sector Modernisation Programme, the overall objective of which is to:

"Improve the health status of the Syrian population through improved equity, efficiency and quality of the health system”.

It presents a series of strategic approaches which entail a fundamental restructuring of the sector. This restructuring is justified by the fact that the current structure of the health system, dominated by a large public sector financed by general resources of the state, is no longer adapted to economic and social developments (decreasing revenues and increasing population). Structural indicators show that productivity and utilisation of heavily labour-resourced structure are declining, despite a widespread network of outpatient services.

The Health Sector Modernisation Programme has made good progress in assisting the government to link together the above strategic approaches, as well as laying the foundations for improved health service delivery (piloted in two governorates) and building institutions that will eventually separate the core functions of stewardship, financing and service provision. However, this initial progress has unveiled a very complex sector. For it to become operational, the modernisation agenda requires further support, defined according to clear targets and indicators, and budgeted according to realistic estimates of available resources.

That said, through the programme, the Ministry of Health has improved significantly its capacity to plan for, manage and absorb funds.

In addition to the European Commission, the EIB, the WHO, UNICEF, the UNFPA, JICA and the Aga Khan Foundation are involved to varying degrees in the different aspects of policy development and service provision to the sector. The European Commission also provides grant aid to the Syrian Family Planning Association to create a model for reproductive health services.

A new programme will consolidate earlier operations and sectoral knowledge, as well as building on the EC’s comparative advantage as the lead donor in the sector. Further efforts to improve the health financing and delivery system will contribute to a system of social protection, by alleviating some of the shocks associated with a reorientation of welfare spending.

(b) Specific objectives and brief description of the programme

The main thrust of the programme will be to strengthen the capacity of the Government of Syria to implement the health component of the 10th Five-Year Plan and subsequent policy frameworks with the aim of improving the health status of the Syrian population through increased utilisation, access and quality of health care.

In coordination with other donor activities including those of the World Health Organisation, the programme could focus on the following aspects of government’s modernisation programme for the sector:
• Development of an autonomous national funding agency to manage all government-allocated finances.

This could include equipment upgrading and provision.

• Implementation of a basic benefits package for the whole population and a needs-and contribution-based system of social health insurance

This would include the introduction of public-private partnership in provision of the social health insurance service.

• Organisational development of the Ministry of Health

This would include capacity building for planning, policy and regulation at central/regional levels and support for civil service reform (human resource policy and transition plan) and financial and administrative independence (legal status, contractual relations, etc.) of health care institutions.

• Human resource development for the health sector as a whole

This would include support for the Centre for Strategic Health Studies’ transition to an autonomous centre of excellence in training, research and advice.

• Inter-ministerial utilisation and analysis of statistical and financial data.

The programme may utilise a pilot approach in specific governorates. Focal areas of EC support will be determined during the identification process.

(c) Expected results

- Strengthen the stewardship role of the Ministry of Health.
- Establish and promote health insurance to improve health sector financing and channel public financing through a “National Fund”.
- Raise productivity, among other things through the transformation of primary and secondary health care institutions into financially and administratively independent institutions.
- Improve quality through the transfer of licensing (possibly including infrastructure planning) and accreditation and quality control to an independent “Quality Agency”.
- Set targets and monitor levels of inclusion and access of the poor.
- Organise international support in a way that facilitates coordination, harmonisation and alignment by international partners.

(d) Performance indicators

- New legislation and regulations defining the stewardship role of the Ministry of Health, role of new health financing institutions and increased public-private partnership in service provision.
- Number of strategies endorsed and operationalised.
- Number of hospitals with autonomous management status increased.
- Number of public and private health facilities being contracted and funded according to output-based mechanism.
In addition, a selection of health (output) indicators will be defined based on the targets formulated in the 10th Five-Year Plan and the specific focal areas of EC programme support.

(e) Indicative budget

A budget of €10 million is earmarked for this programme, which is scheduled for approval under the 2009 Annual Action Programme (to avoid disruption with the implementation of the ongoing Health Sector Modernisation Programme).

Secondary Education Reform Programme

(a) Justification

In line with commitments to reaching the UN Millennium Development Goals, Syria’s Five-Year Plan 2006-2010 gives priority to reforms in the education sector:

“One major priority lies in augmenting human resource development and reforming the educational system. Besides, Syria has at the international level committed herself to fulfilling the Millennium Development Objectives on scheduled dates. Syria is also committed to the ‘Education for All Citizens’ responsibility.

...Within that comprehensive framework, woman education will occupy a prominent position”.

Despite the remarkable achievements in the democratisation of education in Syria, important challenges still need to be addressed in order to develop and consolidate an education system that is ready to meet the demands of the knowledge economy.

During the past years, the EC in Syria has become the main donor in the development of human resources, focusing on higher education, as well as vocational and education training. By introducing a new programme aimed at reforming and upgrading secondary education, the EC will consolidate its knowledge of the sector, build on earlier achievements in the development of human resources and increase the quality of education and its relevance to the Syrian economy.

Focusing on the secondary education level, the following specific challenges will have to be addressed:
- Training methods, school equipment, IT use, and evaluation and examination systems need to be stepped up.
- The linkage with higher levels of education and the labour market is currently weak. The private sector has a limited role.
- School is not accessible to all social strata.
- High illiteracy and drop-out rates are registered for social and economic reasons, especially among females.

(b) Specific objectives and brief description of the programme

The main thrust of this programme will be to reform and upgrade Syria’s secondary education, in response to the needs of the Syrian economy.
The programme will target the pre-university education system, addressing a reform and upgrading of secondary education. It will facilitate the development of a comprehensive strategy for the secondary education sector.

The programme could include the following elements:

- **Teacher qualification and rehabilitation** through the development of training programmes.
- **Curricula (including relevance enhancement) and teaching methods improvement** to foster the development of critical and analytical skills.
- **Review of the framework for examination, evaluation, standardisation and educational supervision** for students and teachers.
- **Thorough overhaul of the guidance and counselling system.** More particular attention to each student should be enhanced at this level of education, guiding closely each pupil towards a future career in accordance with their skills, ambitions and potential, as well as labour market opportunities.
- **Development of school management.**
- **Improved linkage between secondary education and the needs of the Syrian society (including labour market needs).**

Operations at the secondary education level will be linked to the programmes already running in higher education and vocational education and training. They will address with particular attention those underdeveloped regions of the country. Gender equity promotion will be sought at all levels.

(c) *Expected results*

- Quality secondary education is developed and expanded.
- Access rates are improved.
- Administration and management of schools are improved.
- Role of private secondary education is enhanced and coordinated with public secondary education.
- Use of information and communication technology is extended among students and teachers.
- Guidance and counselling services are designed and implemented in a selected number of pilot schools.
- Pilot actions are executed in underdeveloped areas of the country.

(d) *Performance indicators*

- Increase of admission and transfer rates from basic education.
- Decrease in dropout rates.
- Enhancement of female participation ratio.
- New curriculum introduced by the end of the programme, in line with national standards and requirements, including inter alia environmental awareness.
(e) Indicative budget

A budget of €10 million is earmarked for this programme, which is scheduled for approval under the 2008 Annual Action Programme.

VET System Upgrading and Continuing Training Promotion Programme

(a) Justification

In line with commitments to reaching the UN Millennium Development Goals, Syria’s Five-Year Plan 2006-2010 gives priority to reforms in the education system, aiming to develop and expand general, vocational and technical public education:

"Underlining the necessity to implement a national policy for technical and vocational training and linking this with job opportunities and the state educational policy for the purpose of creating a consolidating environment that encourages the increase of strategic investment in human resources and skills development".

Providing flexible learning opportunities is important in a country in transition, where some 12% of the population is unemployed and more than 30% underemployed.

The ongoing MEDA-funded Modernisation of Vocational Education and Training Programme (MVET – started in December 2004 and ending at the end of 2008) is focusing on initial training.

A follow-up programme should build on the results of MVET and shift the focus from initial to continuing in-service training, so as to increase the adaptability of the labour force required in the transition process and to help the unemployed to find jobs.

Syria has no organised system of continuing training. Activities are arranged in a fragmented way by ministries or private associations. This problem should be addressed by the creation of single Syrian authority to manage the sector. This would bring secondary, post-secondary and continuing technical vocational education and training together in one efficient and effective system, which will be more responsive to the needs of the labour market.

The current MVET programme is working to design a technical vocational education and training strategy, which is to be validated by Syrian stakeholders. The establishment of a National Technical Vocational Education and Training Council for Syria will provide a tangible achievement in reform and should be a clear starting point for the formation of a National Authority. The aim of the Council will be to create a single body that can provide policy advice on all aspects of technical vocational education and training and establish a coherent approach. It will be composed of government and private sector representatives and have links to relevant ministries and agencies. In short, while the Council will advise the Government of Syria on overall policy and legal issues, the Authority will coordinate technical vocational education and training in Syria. Both the Council and the Authority will be underpinned by the principles of social partnership and dialogue.
(b) **Specific objectives and brief description of the programme**

The main thrust of the programme will be to **increase the employability of the Syrian labour force** and to promote life-long learning.

The programme could include the following elements:

- **VET Council and Authority**
  Activities should relate to the setting-up of both institutions, by completing the necessary legislation, designing governance and management structures, and building capacity.

- **National policy and financing of continuing training**
  Activities should relate to the drafting of policy options (in line with the National Qualifications Framework) for developing continuing training based on a labour market needs analysis, and developing a financing scheme for continuing training that meets the needs of the labour market.

- **Institutional and capacity building of relevant stakeholders**
  The roles and partnerships of the different private, public and social stakeholders in the VET sector should be further explored.

Activities should relate to the strengthening of public and private VET providers to engage in continuing training; the identification of skill needs, based on the model implemented under the previous programme; the development and provision of continuing training opportunities to meet the needs of the existing workforce and potential new entrants; the training of trainers to ensure the effective delivery of training opportunities; and the dissemination of good practice / lessons learnt.

(c) **Expected results**

- National VET Council and Authority are established.
- National strategy and financing scheme for continuing training is available.
- Institutional and capacity building of selected public and private organisations is strengthened to enhance life-long learning for improved functioning of the labour market.

(d) **Performance indicators**

- Competent staff in place in the Council and Authority / internal capacity building system developed / capacity building initiatives available / number of staff trained.
- Employability of continuing training trainees (tracer study).
- Number of training opportunities available and number of unemployed and employed trained.

(e) **Indicative budget**

A budget of **€10 million** is earmarked for this programme, which is scheduled for approval under the **2010 Annual Action Programme** (to follow up on the implementation of the ongoing Vocational Education and Training Programme).
5. **ENVIRONMENT AND SUSTAINABLE ENERGY**

The Country Strategy Paper 2007-2013 for Syria envisages support for investment projects in the field of environment and sustainable energy, through grant contributions aimed at leveraging investments by international financing institutions.

Experience has been gained in this area under the MEDA programme in the field of water and waste water. As part of an ambitious strategy to reform the water sector in Syria, the EC provided a €5 million interest-rate subsidy on a €45 million EIB loan aimed at building two waste water treatment plants in Southern Damascus.

A budget of €10 million is earmarked in 2010 to support and accompany loan operations promoted by financing institutions in accordance with the priorities of the Syrian government. In this context, due account will be taken of the list of priority projects identified under the Horizon 2020 initiative as well as work undertaken under the LIFE programme in Syria.

6. **DONOR COORDINATION**

The European Community and its Member States are by far the largest donors to Syria. Other important donors are Japan and the UNDP. Since major donors are active in the same areas, coordination and harmonisation in sectoral support is essential.

The 2005 Paris Declaration on Aid Effectiveness and the European Consensus on Development provide good basis, on which to develop donor co-ordination in Syria. The Syrian government needs to assume leadership. The State Planning Commission should continue its efforts to ensure synergies between the different activities of foreign donors. This includes the management of the donor matrix (AMIS) developed with the assistance of UNDP and the organisation of donor coordination meetings. The principle of the inter-ministerial seminar held on 20 June 2007 to prepare the revised NIP should be replicated and expanded to participation of EU Member States, and possibly of other donors.

The European Commission will continue holding regular coordination meetings with Member States. Where relevant, it will also facilitate thematic meetings (e.g. on local development, water, health, education) with representatives of the main donors engaged in the same area to discuss planned activities, future strategies and possible areas of joint intervention.

7. **MONITORING AND EVALUATION**

The need for baseline data and accurate statistics is being addressed via the current MEDSTAT II programme, a regional programme funded under MEDA that runs until the end of 2008. Beyond MEDSTAT II, statistical elements will be built into some of the programmes described above.

Priority will be given during project preparation to identifying and developing the indicators needed to provide appropriate analytical information for policy-makers, to monitor implementation of the programmes, and to communicate the results achieved.

In addition, all programmes included in this NIP will have to comply with the adequate procedures for monitoring, reporting and evaluation included in the implementing procedures of the Financial Regulation applicable to the general budget of the European Communities.
8. BUDGET AND PHASING OF THE PROGRAMME

<table>
<thead>
<tr>
<th>Priorities of the Country Strategy Paper</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Budget (in €m)</th>
<th>% of budget</th>
</tr>
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<tbody>
<tr>
<td>Supporting political and administrative reform:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>30</td>
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<tr>
<td>Building capacity for human rights (linked to the creation of a national institution)</td>
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<td>Promoting decentralisation and local development</td>
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<tr>
<td>Reforming and modernising the judiciary</td>
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<tr>
<td>Supporting economic reform:</td>
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<td>38%</td>
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<td>Trade Enhancement Programme</td>
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<td>Business Environment Simplification Programme</td>
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<tr>
<td>Supporting public finance reform</td>
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<td>10</td>
<td></td>
<td>20</td>
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<tr>
<td>Promoting business development (including corporatisation of state-owned enterprises and industrial upgrading – in collaboration with the EIB)</td>
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<tr>
<td>Supporting social reform:</td>
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<td></td>
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<td>40</td>
<td>31%</td>
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<td>Reforming social protection</td>
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<tr>
<td>Modernising the health sector (including health financing)</td>
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<td></td>
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<tr>
<td>Reforming secondary education</td>
<td></td>
<td>10</td>
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<tr>
<td>Upgrading VET system and promoting continuing training</td>
<td></td>
<td></td>
<td></td>
<td>10</td>
<td></td>
<td></td>
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<tr>
<td>Environment/Sustainable energy:</td>
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<td></td>
<td></td>
<td></td>
<td>10</td>
<td>8%</td>
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<tr>
<td>Support for investment projects (including interest-rate subsidies)</td>
<td></td>
<td></td>
<td></td>
<td>10</td>
<td></td>
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<tr>
<td>Total</td>
<td>20</td>
<td>20</td>
<td>40</td>
<td>50</td>
<td>130</td>
<td>100%</td>
</tr>
</tbody>
</table>

(*) Additional resources will be made available for this priority in due time
## LIST OF ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AA</td>
<td>Association Agreement</td>
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<tr>
<td>AMIS</td>
<td>Aid Management Information System</td>
</tr>
<tr>
<td>CGAP</td>
<td>Consultative Group to Assist the Poor <em>(consortium of 33 public and private development agencies working together to expand access to financial services for the poor)</em></td>
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<tr>
<td>CSP</td>
<td>Country Strategy Paper</td>
</tr>
<tr>
<td>EC</td>
<td>European Community</td>
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<tr>
<td>EIB</td>
<td>European Investment Bank</td>
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<tr>
<td>ENP</td>
<td>European Neighbourhood Policy</td>
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<tr>
<td>ENPI</td>
<td>European Neighbourhood and Partnership Instrument</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FEMIP</td>
<td>Facility for Euro-Mediterranean Investment and Partnership <em>(managed by the EIB)</em></td>
</tr>
<tr>
<td>FEMIP- TA Support Fund</td>
<td>Technical assistance funded by MEDA to help prepare and implement EIB investment projects</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>FYP</td>
<td>Five-Year Plan</td>
</tr>
<tr>
<td>GtZ</td>
<td>Gesellschaft für Technische Zusammenarbeit <em>(German cooperation agency)</em></td>
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<tr>
<td>HDI</td>
<td>Human Development Index</td>
</tr>
<tr>
<td>HSMP</td>
<td>Health Sector Modernisation Programme <em>(ongoing MEDA-funded project)</em></td>
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<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
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<tr>
<td>ISMF</td>
<td>Institutional and Sector Modernisation Facility <em>(ongoing MEDA-funded project)</em></td>
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<tr>
<td>ICT</td>
<td>Information and communication technologies</td>
</tr>
<tr>
<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<tr>
<td>KfW</td>
<td>Germany’s development bank</td>
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<tr>
<td>MAM</td>
<td>Municipal Administration Modernisation <em>(ongoing MEDA-funded project)</em></td>
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<tr>
<td>MoSAL</td>
<td>(Syrian) Ministry of Social Affairs and Labour</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
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<td>NIP</td>
<td>National Indicative Programme</td>
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<tr>
<td>PCSPD</td>
<td>Public Commission for Employment and Projects Development</td>
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<tr>
<td>PPP</td>
<td>Public-private partnership</td>
</tr>
<tr>
<td>SEBC</td>
<td>Syrian-European Business Centre <em>(MEDA-funded project)</em> / Syrian Enterprise and Business Centre <em>(new national institution for SMEs)</em></td>
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<tr>
<td>SMEs</td>
<td>Small and medium-sized enterprises</td>
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<tr>
<td>SOEs</td>
<td>State-owned enterprises</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNFPA</td>
<td>United Nations Population Fund</td>
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<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<td>UNIDO</td>
<td>United Nations Industrial Development Organisation</td>
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<tr>
<td>VAT</td>
<td>Value added tax</td>
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<tr>
<td>VET</td>
<td>Vocational Education and Training</td>
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<tr>
<td>WHO</td>
<td>World Health Organisation</td>
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