



Scuola di Amministrazione Aziendale

Università degli Studi di Torino



“Micro Finance at the University” Project

The Agency for Combating Unemployment (ACU): a Case about a State-Owned Institution.

Marco Elia – Reem Ramadan

The Agency for Combating Unemployment (ACU): a Case about a State-Owned Institution.

Marco Elia – Reem Ramadan

In 2001 the Syrian Government established the Agency for Combating Unemployment (ACU) as part of its overall reform program of the financial system and in 2002 the Agency started the *Family Loans Project*, the most important microfinance program in the country. Under this program the Agency provides micro and small loans to poor people through the Agricultural Bank, the largest provider of rural credit, which acts as an Intermediary Agency (IA).

This study does not claim to be comprehensive. The starting point for this study are not guidelines and policies, but the daily practise of the ACU. It heavily relies on formal and informal interviews conducted with the Managing Director, staff members at different levels (Financial Analysts, Society Development Experts, Branch Directors and Branch Officers) and ordinary clients. Despite its limitations, this case is in our view detailed enough to draw a general picture of the financial technology, the procedures and the products the Agency offers.

General information

Name: Agency for Combating Unemployment – ACU

Address: Mazzeh – P.O. Box 34379 – Damascus – Syria

Website: <http://www.acu-sy.org>

E-mail: acu-md@mail.sy

Year of establishment: 2001

Legal status: Government organization under the Prime Minister office

Office numbers: Headquarters (in Damascus) and 14 branches

Number of staff: 250 (60 in the headquarters)

Main funding sources: The Syrian Government (the largest funder), UNDP and AGFUND

Products offered: Family (micro), Small and Expansion (medium) loans. They also implement two other projects: the Public Works project and the Training & Community Development project.

Number of active borrowers: 31,631 (23,000 for micro loans alone)

Women borrowers: 52% for Family (micro) loans, 20% for Small and Expansion (medium) loans

Rural clients: 98%

Average loan size: SP 75,000 (1,500 US\$) for Family (micro) loans

Average loan term: 4 years

Institution's mission: ACU's main goal is to promote job creation in the private sector, mainly for unemployed individuals. The job creation and investment plan is intended to create up to 100,000 jobs per year by 2006 through the expenditure of one billion US dollars. Its operations focus on providing easy credits to small, medium and micro enterprises in the private sector, in addition to public investment in basic rural utilities

1. Brief background of the ACU

The ACU has been established in 2001 by the Law No. 71 (Annex 1). The Law created the National Program for Combating Unemployment and the Agency as part of this program. It fixed the objectives, the composition of the Board of Directors and other details related to the Agency. According to the Law the duration of the program and thus of the Agency is of 5 years, subject for renewal by decision of the Prime Minister at a proposal by the Minister of the State for Planning Affairs.

2. Organizational structure

The Law No. 71 states that the Agency must be administered by the *Board of Directors* and the *Managing Director* and fixes the composition of the former and the powers of the latter.

The *Board*, chaired by the Minister of State for Planning Affairs, is composed by 21 members and meets at least once every month. Half of it is composed of deputy ministers and the other half represents the private sector, civil organizations and trade unions. The Board approves the final annual balance sheet after having being audited by the Government Accounting Office.

The *Managing Director* manages the Agency and is responsible before the Minister concerning the implementation of the operational plan prepared by the Board of Directors. He is nominated by a decision of the Prime Minister according to minister proposal.

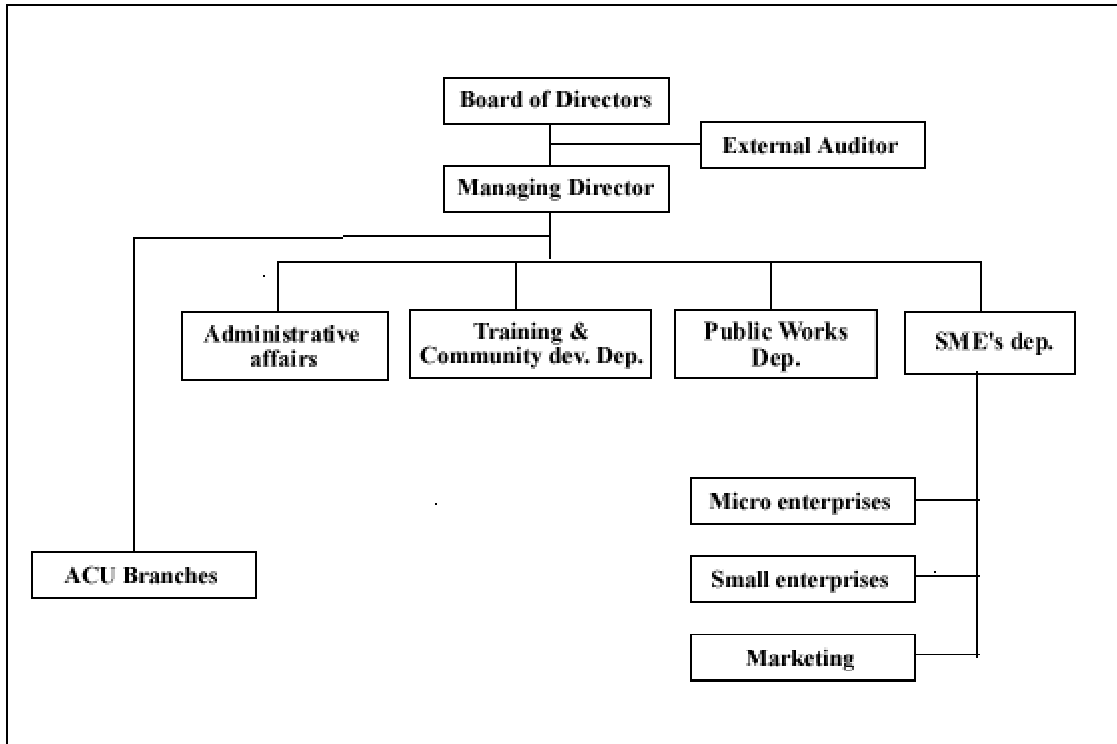
Four departments are directly responsible to the Managing Director: the *Small and Medium enterprises Department*, the *Public Works Department*, the *Training and Community Development Department* and the *Administrative Affairs Department* (Figure 1).

The ACU has its headquarters in Damascus and implements its programs through 14 *branches* (one in each governorate): the Branch Director represents the Agency in the governorate and leads the branch work team, the analysts and the engineers follow up the investment activities in different fields and the Guidance Officer oversees the project/loan evaluation and provides consulting to the beneficiaries. In most governorates are then established a number of special committees to solve specific problems related to the relationship between the beneficiaries and the local communities.

At the Head Office level, has also been created the *Scientific Advisory Council*. It comprises national and international experts in economic and development issues and it aims at providing advice for a better guidance of the Agency. Other units and personnel under the Managing Director's control are the IT unit, the Auditing Unit, the Resource Planning and International Cooperation Unit and the Legal Advisor.

All the staff is recruited mainly via delegation from Public Departments, in addition to subcontracting some national experts.

Figure 1. Organizational Chart



3. Products offered

The ACU implements three main kinds of programmes: the *Loan Programme*, the *Public Works Project* and the *Training & Community Development Programme*. They are not directly executed by the Agency: it acts as an umbrella agency selecting existing Intermediary/guarantor Agencies (IAs) that are assigned to execute the projects and reach the unemployed in rural areas. The Agricultural Bank is most important of these Intermediary Agencies and in the loan program it becomes the guarantor vs the ACU and charge half of the interests paid by the beneficiaries. The rules regulating the relationship between the ACU and the Intermediary Agencies have been fixed by Law.

In detail, the *Loan programme* finances small individual projects through Intermediary Agencies (the banks). The ACU lends to the IAs and they onlend to the clients. The Agency is entitled to recover all its funds while the banks bear the credit risks in return for a commission equal to half of the interests charged to the beneficiaries. The programme consists of three kinds of loans and every kind has been created to satisfy different needs of different kinds of beneficiaries. The ceiling for the *Family (micro) loans* is SP 100,000 (2,000 US\$), while the loan amount for the *Small loans* ranges between 100,000 SP and 3 M SP(60,000 US\$). This ceiling may go up to 5 million SP (100,000 US\$) for the *Expansion loans* (Table 1). The first two kinds of loans are for start-up activities while the Expansion loans target existing businesses that need assistance to increase their production. All the loans are individual; the ACU is planning to introduce group-based loans but they didn't implement them jet due to legal problems.

Table 1: Loan types, amounts and interest rates

Loan type	Loan amount	Interest rate
1. Family (micro) loans	< 100,000 SP (2,000 US\$)	4%
2. Small loans	100,000 SP – 3 M SP (60,000 US\$)	5%
3. Expansion loans	3-5 million SP (100,000 US\$)	7%

The *Public works project* has been established to set up the necessary infrastructure in rural and desert areas through loans and grants while the *Training programme* delivers several training courses. In addition to basic training programs, ACU developed programs to help the youth, with no guarantees, establishes their own small business and social projects aimed at boosting women’s empowerment. In this study we will focus on Family (micro) loans; when not specified we will refer to this kind of loans tailored on the needs of the poorer unemployed clients.

3.1 The Family (Micro) Loans

Although the services provided by the Agency do not fit the traditional definition of microfinance but can be classified as unemployment lending programs, the Family Loans program while targeting unemployed people owns most of the characteristics of the programs implemented by the traditional microfinance institutions. The program has nearly 23,000 borrowers, with an average outstanding balance per borrower of 75,000 SP (1,500 US\$) and an average loan term of 4 years.

The Family loans target unemployed people whose families live on the poverty line in rural and desert areas. With a ceiling of 100,000 SP (2,000 US\$) these loans finance individual income-generating activities within the family area and the main activities financed are animal husbandry and agricultural production.

As previously mentioned the activities financed are only start-ups. This last requirement is intended in the belief that start-ups have a better impact in job creation than the increase of existing activities. This can be true but it should be considered that, given the interest rate structure, serious problems of financial sustainability and risk management should be underlined when dealing with brand-new microenterprises (the issue is reported in the discussion points at the end of the case). In 2003 the ACU disbursed 21,197 Family loans creating 26,496 new jobs.

3.1.1 Target clients

The ACU focuses on underdeveloped communities (and mostly on women), especially in the desert and the countryside, where the population suffers more from a lack of basic services. As already mentioned, even if the overall main task of the Agency is to reduce unemployment, this kind of loan is designed to meet the needs of individuals and families living in impoverished areas, especially in the desert and the countryside.

The main criteria to be satisfied to become a new client of the ACU are the following:

1. The applicant must be between 20 and 50 years old;
2. The applicant's permanent residence must be in the governorate of the project;
3. The applicant should have completed or be exempted from his military service;
4. The applicant should be a non-governmental worker and/or not receive social security benefits;
5. The applicant or his/her partners should have sufficient experience in the area of the project or their qualifications should be relevant to the nature of the project;
6. The applicant must present a feasibility study.

To obtain a loan all these conditions are required; the ACU provides technical assistance for different issues and for the writing of the feasibility studies in particular.

The percentage of women borrowers is 52%, in line with the average of the Middle Eastern and North African region microfinance industry, and more than the double compared to the women percentage in the Small and Expansion loans. Furthermore 5 out of 7 borrowers interviewed run their business from their homes while the others rent bigger buildings; sometimes this happens if the business becomes successful.

Hanan Abdul Rahman, a 32 years old woman living in rural Damascus, applied for a Family loan 3 months before, after having been aware of the ACU programs from a television advertisement. She received 75,000 SP (1,500 US\$) and adding some savings to the amount received she bought a cow and a calf. She took the loan in her name because her husband, who is the person that administers it, is a government employee.

The interest rate is 4% and, according to the ACU rules, she benefits from a 1 year grace period. During the grace Hanan doesn't pay any instalment but the bank deducted all the interests due in all the duration of the loan from the nominal amount of the loan disbursed to her. It is against the rules but it is very common and generally accepted among the clients. The collaterals are the salaries of her husband and of two of his friends.

3.1.2 Credit delivery process

The Family Loan program, like all the other ACU programmes, is implemented through intermediaries such as governmental administrations, vocational institutes, local branch offices or other public organizations but a key role is played by the *Governorate of Agriculture Extension Offices* and the *Agricultural Bank*.

Through this program the ACU aims at addressing the credit needs of small borrowers that without the assistance of the Agency couldn't be able to obtain a loan directly from the bank. The banking procedures are very complicated and without the ACU program they would represent an insurmountable obstacle for this kind of borrowers.

The *Governorate of Agriculture Extension Offices* represents the link between the farmers and the ACU, besides being the first of three main filters that the future clients must overcome to obtain the loan. The second filter is represented by the ACU itself while the last one is represented by the *Agricultural Bank* which has the branch networks needed to reach the target population. Every Governorate of Agriculture Extension Office gives the ACU 25 names (plus 10 extra) of farmers every year that, according to them, are eligible for a loan. This represents the first step to receive a loan from the ACU. These offices are very small local institutions and know very well who is in need, which kind of business can be successful and who are the people that are supposed to be bad in term of repayment. It is important to remember that the applicants can go to these offices to ask for a loan but if in the area there isn't an Extension Office (this is the case of Damascus and Homs) they can go directly to the local ACU branch.

The ACU randomly choose 6 names and check if the Extension office followed all the criteria correctly. If no mistakes occur all the 25 applicants are accepted and the procedure goes on. Otherwise, even if there is something wrong with only one application, all the 25 are rejected. The Extension units make the first selection because they have all the property documents of all the farmers but situations where some officer lies about some farmers in order to let him/her get the money without being entitled want to be avoided. The 10 extra names are used to adjust the numbers of the projects financed which, according to a new rule, must be exactly half agricultural and half industrial.

The *bank*, the third and last filter, is entitled of the final approval of the loan. Various documents are sent to the local bank branch which is different according to the type of the project financed (Table 2).

Table 2: Projects types and banks

Type of the project	Bank to deal with
Agricultural	The Agricultural Bank
Industrial	The Industrial Bank
Commercial	The National Savings Bank
Service	The Public Credit Bank

All the banks belongs to the government. According to the type of the project the clients must deal with a different bank but in case in the region there isn't a branch of the relevant bank, the client will deal with the Agricultural Bank which is the biggest and the most rooted bank in the country. If all the criteria are satisfied the loan is disbursed.

All the clients interviewed except one complained about the relationship with the bank. They underlined the difficulties to deal with the local branch, too complicated procedures and delays for the final approval. This is probably due to the fact that while the ACU gives the money to be disbursed but doesn't bear the credit risk, the bank takes this risk and it probably operates following the classical banking approach.

After the disbursement of the loan, the client is visited on average 3 or 4 times: two times by the bank and once from the ACU and the Extension Office. The ACU is also entitled to make random visits at every stage of the process and, if everything is wrong, stop the disbursement of the loan or enforce the early repayment.

Abir Kassem Labis is a 29 years old housewife who applied for the Small Loans project and received 200,000 SP (4,000 US\$). The amount is higher than in Family loans where the ceiling is 100,000 SP. The loan had been disbursed in 3 instalments, the first of 100,000 SP, the second of 60,000 SP and the last of 40,000 SP. The interest rate is 5% and the bank deducted all the interests due from the first 100,000 SP disbursed. She received the last 40,000 SP after the completion of all the administrative issues. She used the money to open her own store: she bought goods, shelves and now she is willing to buy a refrigerator for cold drinks. The collaterals are the salary of her husband and two of his friends who are all public sector employees.

The most important factors in the loan appraisal process are the satisfaction of the criteria, the economic viability of the enterprise and the integrity of the borrower. The feasibility study presented before the disbursement of the loan is a key point of the chain.

3.1.3 Collaterals

The main collateral used for the Family Loans are the salaries of government employees. They are usually the salaries of other members of the family or friends and in case of default, after all the legal papers have been issued, the money still due is automatically deducted from the salary of the guarantor.

The collaterals are an essential element of the loan and those who do not have someone who guarantees for them will not be able to obtain the money.

Another difficulty and constraint is that the number of Public Sector employees in impoverished areas are limited, and when two or three have to vouch for someone, the number of employees will reduce and eventually finish in that area, which means no more funding for people of a certain town. This problem has been reported from several clients and became an insurmountable obstacle in the Khabour region, where the Family Loans projects had not been implemented at all due to a lack of guarantors. This is a clear example of a failure of the collateral system used by the ACU and it is even more important if we also take into account that 30 M SP (600,000 US\$) of donations were already available for that region. To solve this problem the ACU is now studying a new scheme which will be based on group collateral to overcome this obstacle. Assets like houses are not taken as collaterals because the whole procedure should be too expensive compared to the small amount of the loan. In addition to that illegal houses are very common in rural areas and as a consequence the client doesn't have the property papers to use as collateral.

ACU Branch Quneitra

Region: QUNEITRA

Year of establishment: 2002 July

Staff: 10

Clients: 526 (for Family Loans)

Quneitra is one of the poorest region in the country situated on the Israeli border. The unemployment rate is 23% (Annex 2), the highest in the country where the average is 11.7% (according to the ACU figures). In the region there are 10 Governorate of Agriculture Extension Offices and the Agricultural and the Industrial Bank have 1 branch each.

The assessment of the conditions of the clients is made mainly looking at their assets, the conditions of the houses and the number of people living inside it. They work in a very small society and so they know which project could work and which will probably be unsuccessful. Once a loan is approved they visit the clients an average of 2-3 times before the disbursement of the money in order to double-check all the requirements are satisfied. These controls aim at stopping all the procedure at any stage if something is found to be wrong.

The major problem that the ACU is starting to face also in this region is the lack of guarantors (government employees) and some problems concerning the relationship between the clients and the local branches of the Agricultural Bank have been reported by most of the clients interviewed.

3.1.4 Interest rate structure and repayment schedule

The ACU lends the loan funds to the Agricultural Bank (or to the other public sector banks) while these banks onlend at 4% and take the credit risk. The instalments are due every 6 months and the standard duration is 4 years with a grace period of one year where no principal but only the interests are due.

The timely repayment is an essential condition. If a client does not repay the instalments the bank, after a first warning, waits for 10 days and then gives the papers to the local legal authority. After 10 more days they start to recover the money from the people who guaranteed for the client. This is a situation that sometimes happens but clients in arrears are usually helped by the other community members or relatives.

Another situation where the bank can ask the client to repay all the loan before the settled schedule is the misuse of the money received. If they discover that the money has not been properly used the client is enforced to repay all the loan within 1 month at the interest rate of 9%. This last condition has been introduced to reduce the cases where the money is used for consumption and not for production. To avoid the same problem other successful experiments like the provision of assets like cows or seeds instead of money have been tried in different branches.

Nasra al-Baida, a widow from Quneitra region who has 2 sons and 2 daughters, received her first Family loan in September 2003. She used the money to buy 3 sewing machines but she had to add more money to the amount received of 90,000 SP (1,800 US\$). Following the common practise of the Agricultural Bank of deducting all the interests due before the disbursement of the loan, she received only 84,000 SP. The duration of the loan is 5 years.

She is the only client interviewed who reported a good service provided by the bank. Moreover she participated in a fair organized by the ACU in Damascus and she found a lot of new customers there: this service has been highly appreciated by her.

She is planning to expand her business because the demand for her products has increased and she intends to apply for a new loan.

4. Training

The ACU has three different training levels where the first is reserved to its own staff and focuses on internal regulation, projects and administrative approach. The second level is for intermediary and

sponsoring agencies while the third concerns new beneficiaries of the ACU and aims at assisting them in choosing the appropriate project and conducting feasibility studies if necessary.

Training sessions for the clients of the small and medium loans are delivered through 32 training centers from the private sector. The Family Loans clients receive a 3-day training session at the Agricultural Extension Offices level mainly about the procedures adopted by the ACU and the banks. Technical support in the form of special training courses for applicants in specific domains as well as for those who are facing operational or repayment difficulties are also provided.

The lack of basic training structures at the Agricultural Extension Offices level could mean that this training procedure is probably just a formality even if the management is really committed to further develop this key field. The interviews conducted with the clients confirmed in most of the cases this impression.

The ACU also started a new program to help beneficiaries in facilitating marketing through the participation in trade fairs.

5. Financial resources and allocation

The financial resources of the Agency come from two main sources: the Syrian Government and foreign donations or credits from Arab and International Development Institutions and organizations such as the AGFund and the UN Development Program.

In its establishment decree, the government authorized the ACU to mobilize up to SP 50 billion (1 billion US\$) to finance all the projects in the period 2002-2006. The plan of annual spending has then been ratified by the Prime Minister in 2002 and it shows, after an initial spending of about 4 billion SP in 2002, an average of 11 billion per year for the period 2003-2006.

The biggest ACU programme, as for allocated financial resources, is the Small Loan Programme (which also includes the Family-micro loans) with 70% of the total resources while the Public Works Project is implemented using 20% of the ACU total investments. The Training Programme absorbs the remaining 10% (Table 3).

Table 3: Financing scheme years 2002-2006

Program	Small projects	Public Works	Training	Total
Total	35,000 M SP (700 M US\$)	10,000 M SP (200 M US\$)	5,000 M SP (100 M US\$)	50,000 M SP (1,000 M US\$)
% of total investments	70%	20%	10%	100%

6. Outreach

The ACU does not have a priority of reach the poor, or the very poor. The level of poverty is not the main criterion used to choose the clients eligible for the loans, because the Agency does not fight poverty, but unemployment. Therefore it does not have the tools, methods or studies to locate the poor. Priority is then given to women who are the main source of support for their families, and to the handicapped who are capable of doing business. We have also faced serious problems to get any kind of data about the income level of the clients: the ACU officers reported that officially the Government states that there is not poverty in Syria. Another important information that we couldn't collect has been the illiteracy rate among the clients.

Although these limitations crucial outreach data are available. The percentage of women borrowers is equal, for the Family Loans, to 52% while 98% of the clients live in rural areas and all of them started a new microenterprise. The percentage of women borrowers is higher than in the other kinds of loans (small and medium) where it drops to 20%. In Family Loans the projects financed are smaller and the most financed activity is animal husbandry, a typical women occupation. In addition to that in many cases the husband is a government employee and he takes the loan in the name of his wife to overcome the ACU rule that does not allow him to be the beneficiary of the program that fights unemployment.

Conclusion

We strongly believe that Case Studies are an important vehicle for better understanding real-world example of MFIs management and organizational issues. This case, while analysing the structure of a state-owned institution, tried to underline the feelings that we perceived from our field work, especially from the institution's clients. The difficult relations between them and the banks, the women that are often the formal clients but cannot control the loan money and the real implementation of the program are just some examples of data collected directly from the final beneficiaries.

The ACU Family Loans program is the most important microfinance program in Syria. The sector is still young but despite its short experience it is growing rapidly and the main challenge it has to face for the future is the relationship between these government-subsidized programmes and sustainable market-driven projects. There is a wide potential market and the unmet demand for financial services among poor households represents the main shortfall in the country's industry. The experience gained by the leading institution will be crucial to better deal with this financial and market gap issues.

Discussion Points

With this Case Study we tried to draw a detailed overview of the Agency for Combating Unemployment, a state-owned institution that implements the most important microcredit programme in Syria.

This section underlines several matters that we consider as crucial in the organization: some are “weak points” that should be improved, others are meant to stimulate discussions. It is also possible to compare them with similar problems in other MFIs. They are all drawn from all our research and field work, but the most interesting issues came up from the clients’ interviews.

The Family Loans finance only start-ups. They are probably more risky and imply more operational costs for the bank than existing activities. The interest rate charged (4%) seems to be not sufficient to cover cost of funds, operational costs and loan losses. Do you think that this scenario, in addition to the government subsidized nature of the program, could endanger the development of other microfinance institutions in Syria?

Assets instead of money. There have been examples of provision of assets or raw materials required by the activity instead of money in order to prevent misuse of funds, often diverted to consumption needs. Which are the possible shortfalls and advantages of this option?

Failures of the system. There are some issues that could be considered as failures of the system and two of them are the relationship between the clients and the bank, which has been reported by almost all of the clients interviewed to be very difficult, and the system of collateral. In Khabour region a lack of public sector employees and the inability to use the houses as collaterals due to the lack of legal papers led to the under-usage of the funds allocated. Discuss.

Role of the Agricultural Extension Offices. Since the Agricultural Extension Offices are the ones who choose the clients, a problem related to personal connections, and bias, could lead to choosing unsuitable clients where more reliable ones do not have a chance. Discuss the best trade-off of using institutions very well rooted locally, with huge advantages in term of efficiency, and the management of the problems mentioned above.

Gender-based impact. The clients are often women but the “real” clients are their husbands that are not eligible for the loan as they are public sector employees. Discuss.

Training. Training seems to be only a formality and in some cases an additional financial burden for the institution (ACU has contracts with 32 training centers). The main training centres are located in the main cities and the courses delivered through the Agriculture Extension Offices seem to be inadequate. Many MFIs stopped to provide training together with credit for sustainability problems of the programs. Discuss the pros and cons of providing training together with financial services.

Acknowledgements

The authors gratefully acknowledge all the ACU staff and particularly its Managing Director Dr. Hussein M. Amach who accepted to cooperate with us and made this work possible, Dr. Friederike Stolleis, society development expert and Mr. Ahmad Khalil, financial analyst. Special thanks also go to all the clients that accepted to welcome us in their workplace and gave us crucial information to better understand the products and other important issues connected with them.

Annex 1: LAW No 71 COMBATING UNEMPLOYMENT

Then President of the Syrian Arab Republic In compliance with the provisions of the constitution And in accordance with the People Assembly resolution passed at his meeting on 10 /9/1422 H and 25 / 11 / 2001 Issues the following law

Section One

Definitions

Article 1

the terms and expression appearing in this law shall have the meanings given to them here under.

- Program: The National Program for Combating Unemployment.
- Agency: the Public Agency for Implementing National Program for Combating the Unemployment.
- Board: The Board of Directors of the Agency.
- Minister : The Minister of the State for Planning Affairs
- Managing Director : The Managing Director of the Agency

Section Two

Establishing the Agency

Article 2 The Public Agency for Combating Unemployment is here by created. The Agency shall have juristic personality and financial and administrative autonomous status, and shall be attached to the Minister of the State for Planning Affairs. The head office the agency shall be in Damascus, and the Agency has the right to open branch offices in the governorates (al – mohafazat)

Article 3

The period of this Program is five years subject for renewal by decision of the Prime Minister at a proposal by the Minister

Section three

Objectives and Activities

Article 4

The Program aims at fulfilling the following objectives within the scope of the general plan of the state.

- a) Studying, financing and implementing a group of productive and services activities which generate income and employment opportunities, finding out new fields of work and production, diversifying the structures of the economy and absorbing existed unemployed labor force and the new entrants into the labor market for the first time .
- b) The Program activities include productive and services projects implemented at the level of governorates in general, and rural and remote areas, in particular as following :
 - 1) Small and medium agricultural and industrial productive projects
 - 2) Handmade and mechanical industries, especially the traditional industries prevailing in rural areas.
 - 3) Tourist services projects especially those located around archeological areas and highways roads.
 - 4) Projects which meet the specific requirements of each governorates.
 - 5) Projects of reorganization and buildings related cooperative housing and developing the random housing areas.
 - 6) Projects which improve the environmental conditions.
 - 7) Training qualifying and rehabilitation programs for individuals may be affected by modern techniques, the technology of information and telecom actions.
 - 8) Projects in favor of young woman and men.
 - 9) Contribution in combating unemployment, especially in rural and desert areas by allocating 20% of the program revenues as grants to be given to the project fulfilling that objective
 - 10) Encouraging sectors which have been financed or subsidized to raise its competitive and exporting capacities.
 - 11) Contributing in financing training and transforming training programs.
 - 12) Any other project (within the scope of the programs objectives deem necessary to the agency

Section Four

Article 5

5-1 Funding of the Program is composed of the following sources:

- a) Syrian government grants to be allocated yearly in the state budget for specific projects.
- b) Grants and loans and other from Arab, international, and regional organizations. These funds shall be deposited in special account under the name of the Agency.
- c) Soft loans in favor of the beneficiaries of the program may be obtained from the banks.

5-2

- a) The Agency will open special account in the Central Bank of Syria in which the agency deposits the yearly government allocations to the benefit of agency projects. The Agency shall open as well another special account in which it deposit proceeds from external loans and grants.
- b) Those two accounts could be operated by signature of the minister, or an officer Authorized by him accordingly, and within the limits of delegation, along with the signature of the financial director or delegated financial officer jointly.

Article 6

The Agency shall prepare yearly budget for its projects in which the estimated revenues and allocations appear. This budget shall be approved by the Cabinet and be issued by order of the Prime Minister.

Article 7

The funds of this Agency are subject to the provisions of this law as well as the provisions of other regulations concerning public funds of this Program and subject to the control of the government Accounting Office of financial control and auditing

Article 8

The agency shall be administered by:

- 1) Board of Directors
- 2) Managing Director

The Board of Directors is composed of the following members:

- 1) Ministries of the State for Planning Affairs chairman
- 2) Deputy Minister of the State for Planning Affairs vice chairman
- 3) Deputy Minister of Finance member
- 4) Deputy Minister of Agriculture and Agrarian Reform member
- 5) Deputy Minister of Local Administration member
- 6) Deputy Minister of Tourism member
- 7) Deputy Minister of Education member
- 8) Deputy Minister of Higher Education member
- 9) Deputy Minister of state for council of ministers affairs member
- 10) Deputy Minister of Labor and Social Affairs member
- 11) Deputy Minister of State for Technological Affairs member
- 12) Deputy Minister of Industry member
- 13) Representative of Engineers Federation member
- 14) Representative of Workers Trade Union member
- 15) Representative of General Federation of Farmers member
- 16) Representative of Syrian Chambers of Commerce member
- 17) Representative of General Federation of Handcrafts member
- 18) Representative of Damascus Chamber of Industry member
- 19) Representative of Aleppo Chamber of Industry member
- 20) Representative of Syrian Youth Federation member
- 21) Managing Director of the Agency member and rapporteur

Appointments of representative of the ministries will be nominated by competent minister, while representative of institutions, federation and chambers shall be nominated by their general directors and presidents.

Article 10

1 - The Board of Directors shall be chaired by the Minister of State for Planning Affairs, the Board shall meet at least once every month, the managing director of the agency shall attend the meeting but without voting right. The meeting will be considered legal if it is attended by at least two third of the members. The Minister shall appoint secretary for the Board

2 - the Board shall discuss the annual operation plan of the program which has to be approved by majority of votes, the Board will study follow up reports, discuss projects annual balance sheets, and approve them. The Board shall approve as well the final annual balance sheet after being audited and checked by government Accounting Office which have the authority to oversee and direct the program following up and accountancy.

Article 11

A) The posts in the agency shall be staffed through transfer from various ministers and public administration without regard the maximum period of the delegation provided for in the main law for state employees.

B) The Agency is authorized to sign work contracts with some experts and specialists whose qualifications and experiences are well considered to fill some positions in the agency for limited period. Salaries, wages and

remuneration shall be specified in the contract without regard to maximum wage ceilings. These contracts have to be approved by the prime minister.

Article 12

- 1- The Managing Director of the Agency shall be appointed by a decision of the Prime Minister according to minister proposal.
- 2- The Deputy Managing Director and the heads of the departments shall be appointed by Minister.
- 3- The Board of Directors shall prepare annual plan of operations to be presented and approved by the Cabinet.
- 4- The authority of the Managing Director and of his deputy and heads of departments shall be specified in the administrative regulations. The Managing Director will manage the Agency affairs and will be responsible before the Minister with regard to the implementation of operation plan.

Article 13

The Board Directors shall work out the following agency systems and regulations without need to comply with any effective government regulations and provisions:

- Financial regulations
- Grants and loans regulations
- Procurement regulations
- Operation systems All the above regulations shall be issued by decree of the Prime Minister.

Section Six Projects

Article 14

- A- The projects to be implemented within the year period will be specified by decree of the Prime Minister, according to the Board of Directors proposal and in regard to the allocations of the budget and in the light of studies effected to these project
- B- The Agency agreement with the concerned banks and in accordance with conditions and provision agreed upon with the banks facilities shall be extended to beneficiaries to enable the banks extending loans to them directly for implementing their own project in compliance with the aims with the program and in order to combat the unemployment problem and increase the income of families and individuals. The priority shall be given to the project which offer substantial employment opportunities or to the projects established in rural and desert areas.
- C- The Agency may grant to some individuals percentage of project value and costs as a grant by approval of the board. The percentage of grant will be specified in the grant decision provided that beneficiary has obtained a loan equals the rest of project value. The loan obtained shall be settled in accordance with the provisions of this law. The grants and loans regulations shall specify the cases and conditions where subsidies and grants to be offered the regulation shall specify as well the cases and conditions of loans granting and the system of loans settlement and interest
- D- The Board may increase the percentage of subsidies and grants to the traditional hand craft projects in rural areas and projects allocated to woman and young men as well .
- E- The board shall work out a system to oversee the following up of the implementation of the project within the period specified to the same .the competent departments have to follow up the progress of implementation for each project and report the results in monthly report presented to managing director .
- F- The Board may cancel and take back the loans as well as the grant and subsidies if any and take all necessary legal measures against the beneficiary incase the delay period of implementation of the project exceed six months , unless the Board decided to extend the period of implementation for additional six month

Section Seven Evaluation and Monitoring

Article 15

The activities of the program shall be evaluated annually on two levels:

- A- Internal evaluation will be effected throw biannual report by the agency and presented to the minister who shall report to the council on the results of evaluations.
- B- External evaluation will be effected by a local team of experts and representatives of financing agencies and subsidy and grants donors' in addition two representatives of UNDP. The results of evaluation will be presented to the Minister who shall after checking and studying, report the council on the results of evaluation, a copy of report shall be delivered to the donor countries and organizations.
- C- The Minister shall deliver as well, yearly report on the results achieved by the program in the light of internal and external evaluation reports

Article 16

At the end of the specified period of the Program, liquidation and final balance sheet shall be effected by the board and

audited accordingly.

Article 17

The ownership of the projects which have been financed by public funds at the account of public institutions shall be assigned to one of those institutions by decision of the Prime Minister.

Article 18

Upon termination of the Agency, the remaining fund shall be transferred to the state budget or to one of public administrations to be specified by a decision of the Prime Minister.

Article 19

Projects have already benefited from subsidies or loans will be left to the ownership of their owners.

General Provisions

Article 20

- a) Each member of the Board shall be allowed remuneration on each session to be specified by decision of the Prime Minister. The remuneration is not subject to effective laws and regulations.
- b) The Minister may award agency staff and the assistants required by the agency monthly remunerations in proportion with extended assistants and efforts paid not exceeding 100 % of the monthly salaries effective at the date of issuance of legislative decree No (1) of 1990. Those remunerations are not subject to maximum ceilings provided for in the effective laws and regulations

Article 21

The Minister is the authorized person of expenditures and settlement of financial matters. He may delegate some of his authorities in this respect to whom he may appoint within the limits and conditions specified by the financial regulations, wholly or partly

Article 22

The Managing Director represents the Agency at the courts of justice and others and he may nominate whom he delegates for this job

Article 23

The fiscal year of the agency is the fiscal year of the state

Article 24

The contracts and transactions effected by the agency are exempted from taxes and fees including stamps duties, meanwhile the contractors and traders trading with the agency shall be subjected to effective taxes and fees provided for in laws and regulations.

Article 25

The Prime Minister shall issue according to proposal of the Minister and within the scope of provisions of this law decision specifying the fields of the activities of the agency and financing system and priority of projects.

Article 26

This law shall be published in the official gazette

Damascus at 22 – 9 – 1422 H and 8-12-2001
President of the Republic
Bashar AL- Assad

Annex 2: Unemployment by governorate

Governorate	Workforce	Indicator	
		No of jobless	Unemployment rate
Damascus	498,119	49,981	10%
Rural Damascus	647,244	45,307	7%
Homs	436,721	67,997	15.6%
Hama	437,255	45,822	10.5%
Tartous	250,848	46,187	18.4%
Latakia	337,078	65,155	19.3%
Idleb	367,189	25,703	7%
Aleppo	977,021	77,117	7.9%
Raqqa	172,980	12,109	7%
Deir-Ezzour	274,715	19,230	7%
Hasaka	351,471	76,437	21.7%
Sweida	94,331	19,855	21%
Daraa	161,094	32,037	19.9%
Quneitra	14,039	3,223	23%
Total	5,060,105	586,160	11,7%

Source: Agency for Combating Unemployment, Annual Report 2003