

United Nations Development Programme

POVERTY IN SYRIA: 1996-2004

DIAGNOSIS AND PRO-POOR POLICY CONSIDERATIONS

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Abbreviations and Acronyms

BMR	-	Basal Metabolic Rate
CBS	-	Central Bureau of Statistics
CBN	-	Cost of Basic Needs
CPI	-	Consumer Price Index
CSO	-	Central Statistical Office
EU	-	European Union
FDI	-	Foreign Direct Investment
FHH	-	Female-Headed Household(s)
FY	-	Fiscal Year
GDP	-	Gross Domestic Product
GNI	-	Gross National Income
HDR	-	Human Development Report
H.E.	-	His Excellency
HIES	-	Household Income and Expenditures Survey
HH	-	Household
IFAD	-	International Fund for Agricultural Development
INP	-	Institute of National Planning
MHH	-	Male-Headed Household(s)
NFD	-	Net Foreign Demand
NGO	-	Non-Governmental Organisation
ODA	-	Official Development Assistance
P0	-	Measure of Incidence of Poverty
P1	-	Measure of Depth of Poverty
P2	-	Measure of Severity of Poverty
PPP	-	Purchasing Power Parity
SL	-	Syrian Lira
SME	-	Small and Micro Enterprise
SURF	-	Sub-Regional Resource Facility for Arab States
TFP	-	Total Factor Productivity
UN	-	United Nations
UNDP	-	United Nations Development Programme
WHO	-	World Health Organisation

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PREFACE

This report is the first output from an ongoing process of collaboration between the Government of Syria, UNDP, and other national and international stakeholders to devise a poverty reduction strategy for Syria. The targeted audience is policymakers and advisors in the government, civil society at large and partners in Syria's development process. The report presents a diagnostic analysis of the extent and determinants of poverty in Syria since the latter half of the 1990s. It also proposes broad socio-economic measures that could be considered by Syrian decision makers in formulating the national five-year plan and any macroeconomic framework for poverty reduction. Still, it is merely a first analytical step in a complex process that devises a more detailed set of local and sectoral strategies required to tackle poverty alleviation.

The findings of this study are based primarily on data from two surveys: the Household Income and Expenditure Survey (HIES) conducted by the Central Bureau of Statistics (CBS) in 1996-1997 and 2003-2004. In addition, national accounts data, as well as other secondary data available from government sources, were used.

The main investigators of this report were Heba El-Laithy (Principal Investigator) and Khalid Abu-Ismaïl (UNDP Regional Adviser on Macroeconomics and Poverty, Sub-Regional Resource Facility for Arab States). The latter also acted as the task coordinator for this report in close collaboration with Terry Mckinley, UNDP (HQ) Macroeconomics Policy Adviser.

From the UNDP Syria Country Office, all discussions held with the Syrian Government and other stakeholders, in the process of formulating this report, were led by Ali Al-Za'tari, Resident Representative. Shaza Al Jondi, Environment and Energy Team Leader and MDG Focal Point was the principal Country Office focal point for this study. Giovanni Valensisi, UNV Economist, contributed with valuable comments to the final revision.

The UNDP SURF-AS team comprised of Ghada Khoury (Researcher), Nora Khalaf (Office Manager), Sonya Knox and Rhonda Brown (Editor).

For the Government of the Syria, the report was written under the general guidance of Abdallah Al-Dardari, Deputy Prime Minister for Economic Affairs (then Head of the State Planning Commission).

Initial results from the study, and its methodology, were discussed by Their Excellencies, the Ministers of Labour and Social Affairs, Agriculture and Agrarian Reform, and Culture at a workshop, hosted by the State Planning Commission in Syria on 18 February 2005. Throughout the process of preparation of this report, valuable inputs and suggestions were also received from H.E. The Minister of Local Administration and Environment.

The report benefited from the substantive guidance of Mahmoud Abdel Fadel (team leader of the case-study on macroeconomic policies for poverty reduction in Syria), valuable contributions of Jan Vandemoortele (UNDP HQ, Poverty Group Team Leader) and Adib Nehmeh (UNDP SURF-AS, Regional Adviser on Poverty).

Last, but by no means least, the team would like to express its thanks to the many officials and institutions in the Syrian Government, as well as those from Syrian civil

society, whose cooperation made this report possible. In this regard, special thanks are due to Ibrahim Ali, Director of the CBS and his team for their excellent cooperation with the data, and particularly Sa'eed Al Safadi for technical support.

EXECUTIVE SUMMARY

Main Findings

The report's principal finding is that, in 2003-2004, almost 2 million individuals in Syria (11.4 per cent of the population) could not obtain their basic food and non-food needs. Using the higher expenditure poverty line, overall poverty in Syria rises to 30.1 per cent, representing almost 5.3 million individuals (see Appendix for details on the methodology for estimating the poverty line). In addition, the report identifies seven other major trends and characteristics related to changes in the scope and distribution of poverty in Syria over the period from 1996 to 2004:

1. While poverty was generally more prevalent in rural than in urban areas of Syria (62 per cent in rural areas), the greatest differences were geographic. The North-Eastern region (Idleb, Aleppo, Al Raqqa, Deir Ezzor and Hassakeh), both rural and urban, have the greatest incidence, depth and severity of poverty; the Southern urban region has very low levels of poverty; and the Middle and Coastal regions have intermediate levels of poverty.
2. Poverty decreased between 1996-1997 and 2003-2004 for Syria as a whole, but again regional patterns were different. The incidence of poverty declined rapidly in the Middle and Southern regions, especially in rural areas. The decline was moderate in urban areas of the North-Eastern and Coastal regions, and poverty actually rose in the rural parts of these regions.
3. At the national level, growth was not pro-poor. Non-poor individuals (above the third decile in the expenditure distribution) benefited proportionally, more than the poor from economic growth. Between the years 1997-2004, inequality in Syria, as a whole, rose (the Gini index rising from 0.33 to 0.37). In 2003-4, the bottom 20 per cent of the population consumed only 7 per cent of all expenditure in Syria, and the richest 20 per cent consumed 45 per cent. Once again, regional variations were significant: in the rural areas of the Southern region, inequality improved whereas it worsened in the rural areas of the North Eastern region. However, the rural-urban variations were equally noticeable as inequality in urban areas increased significantly, but it did not change in rural areas.
4. Poverty in Syria is shallow, with most people clustered just below the poverty line. The annual poverty deficit per capita is estimated at about SL 30.6. This means that if there were perfect targeting of poverty-alleviating transfers, it would have required only about SL 597 million per year to fill the gap between the actual poverty severity index, P2, was 0.6, which is also relatively low by the standard of middle-income countries.
5. Education was the single characteristic with the strongest correlation to poverty risk in Syria. More than 18 per cent of the poor population was illiterate, and poverty was highest, deepest and most severe for these individuals. Poverty was inversely correlated with educational attainment, so that even a moderate

- improvement in education could reduce the ranks of the poor. Differences in poverty headcount with respect to educational status were wide. In urban areas, it ranged from 11.7 per cent among illiterate persons to only 1.5 per cent among university graduates. The corresponding rates in rural areas were 16.5 per cent and 5.0 per cent. Poverty perpetuated the lack of education, leading to a vicious cycle of poverty and low education.
6. Poverty interacted with gender to produce large gaps in educational enrolment among the poor. As a consequence, there was a disturbingly low rate of enrolment for poor girls. Female children in poor households living in rural areas had the highest probability of being illiterate, regardless of the sex of the head of the household.
 7. Occupationally, the highest poverty rates were among those self-employed in marginal and unskilled activities, or those who were unpaid workers. Agriculture and construction were over-represented (compared to their population share) within poor groups. Moreover, the poor were more likely to work in the informal sector, which employed 48 per cent of them. Unemployment rates were correlated with poverty, as poverty incidence for the unemployed was higher than average in urban areas.
 8. Widows as heads of household, with children, are very likely to be poor, and thus can be a targeted vulnerable group.

The Poverty-Growth Nexus

As mentioned above, during the 1996-2004 period, inequality in Syria as a whole rose, but large increases in per capita expenditure outweighed the effect of this worsening distribution. Thus, the fall in income poverty seems to have been driven by a growth of per capita real expenditure of 2.0 per cent per annum between 1996-1997 and 2003-2004. Yet, data from national accounts reviewed in chapter 1 suggest that per capita GDP growth between 1996 and 2002 was less than 1 per cent per annum. The increase in average salaries, after adjusting for inflation, was also a rather moderate 0.8 per cent per annum between 1997 and 2001. Moreover, a breakdown of GDP by expenditure reveals private (real) consumption grew at only 0.3 per cent per annum between 1996 and 2002. Hence, per capita real private expenditure should have declined by at least 2.0 per cent annually throughout that period.

The inconsistency between the growth rates of the Household Budget Survey and the national accounts is quite striking, but not uncommon. It needs further examination with reference to various informal income generation mechanisms such as informal sector activities and workers remittances¹. However, the decrease in income poverty due to an increase in per capita expenditure is corroborated by the fact that human development indicators also showed an improvement over the period from 1996 to 2004.

¹ Estimates in UNDP case study on pro-poor policies (UNDP, 2005) indicate their magnitude is significant.

The macroeconomic review highlights two main concerns:

1. Over and above the low growth rate and its dependence on unsustainable net foreign demand (oil exports are expected to decline significantly over the coming decade), the contribution of investment to GDP growth remains very low; a sign of its poor productivity.
2. Lack of growth has taken its toll on the labour market. Employment opportunities have simply not expanded sufficiently to absorb new entrants to the labour force. The labour market is caught in a 'double squeeze'. On the supply side, high population growth rates have fuelled rapid labour force growth. On the demand side, insufficient growth has led to extremely modest job growth.

Poverty in 2003-2004

During the period from 1996-1997 to 2003-2004, all regions saw a slight increase in their GDP per capita and the average per capita expenditure grew from 3,085 to 3,541 SP per month, representing an annual growth rate of 1.9 per cent.

There are, however, major differences in expenditure per capita at the sub-national level – with GDP per capita expenditure being higher in the Southern part of Syria, totalling 4,110 SP per month (with an annual growth rate of 2.1 percent). Per capita expenditure for the North-Eastern region on the other hand has remained at 3,487 SP per month in 2003-2004. The Middle region recorded the highest rate of growth of all four regions (3.9 per cent annually), while the Coastal region recorded the second highest per capita GDP in Syria at 4,023 SP per month. Its annual growth rate however was the lowest, 0.56 per cent, per year.

When using the lower poverty line, only 38.8 per cent of the poor were found living in urban areas (which have over 50 per cent of the population). By contrast, 58.1 per cent of the poor in Syria live in just the North-Eastern region, which has 44.8 percent of the total population. Moreover, the North-Eastern rural region's poverty share increases with the distribution sensitive measures P1 and P2, reflecting the significant depth and severity of poverty in this region when compared with the others.

The results are similar when using the upper poverty line. The North-Eastern rural region has the greatest incidence, depth and severity of poverty, where 35.8 per cent of the individuals are poor. This region also exhibits the highest amount of inequality for the poor, as it has the highest poverty gap and severity indices.

Growth and Distribution: 1996-2004

Poverty decreased for Syria as a whole between 1996-97 and 2003-04, driven by large increases in per capita expenditures, especially in the Middle region. At a national level,

the average per capita expenditure in 2003-04 was SL 3,541 per month, compared to SL 3,085 in 1996-97 (evaluated at 2003-2004 prices) – an annual increase in real average per capita expenditure of 1.99 per cent. However, as in the case of poverty reduction, growth was not uniform among various regions. Average per capita expenditures declined slightly in rural areas of North-Eastern and Coastal regions (-0.7 per cent and -0.12 per cent, respectively). The annual rate of change in the Middle region: both urban and rural was significant, as average per capita expenditure grew by 4.2 and 3.7 per cent, respectively.

At the national level, growth was not pro-poor. Gini coefficients, as summary measures of inequality, indicate inequality in per capita expenditure between 1996-97 and 2003-2004 increased by 11 per cent during the period (an annual increase of 1.5 per cent) leading to a more skewed Lorenz Curve. Thus, with the observed rate of growth, poverty could have dropped by 5.9 percentage points if the distribution of income had been unchanged.

There were three distinctly different regional patterns of changes in income distribution, which brought about the large differences in poverty outcomes among the regions:

1. In all urban regions, except the Coastal region, per capita expenditure of those in the lower deciles of the expenditure distribution grew at a lower rate than the mean.
2. The rural Southern and urban Coastal regions had very different patterns of growth, with increases in per capita expenditures going hand in hand with better income distribution, ultimately leading to a decrease in poverty.
3. The third pattern, found in the rural North-Eastern region, combined a decrease in per capita expenditures with a worsening of the income distribution – both factors contributing to a worsening of poverty levels.

As mentioned earlier, poverty is relatively shallow in Syria, which implies that even small changes in growth and/or distribution may have important effects on poverty numbers. An increase in growth would pull a large number of people above the poverty line. Likewise, a reduction in growth risks would push a significant share of the population below the poverty line, leading to significant swings in the poverty headcount index. Thus, with a comparatively high elasticity of poverty to growth, the fall in economic growth could adversely affect poverty.

The elasticity of poverty to the mean expenditure and to the inequality index were less (in absolute terms) for the rural North-Eastern region followed by the urban Coastal region, where poverty was highest. As a result, even if the rural North-Eastern region could have achieved the same growth rates as the Middle region, poverty would not have been reduced to the same degree. Moreover, the rural North-Eastern and urban Coastal regions had the lowest poverty elasticity, not only for changes in mean expenditure, but also for changes in inequality. This implies that the impact of growth in expenditure or a more equitable distribution was smaller compared to other regions.

Implications for Poverty Reduction Strategies

These poverty characteristics must be considered by Syrian decision makers in their endeavour to formulate a poverty reduction strategy. The question is: how?

Policies that fall under the umbrella of an economic approach were discussed in depth in the UNDP (2005) case study on pro-poor macro-economic policies. The policy recommendations in that study generally favor more expansionary, investment-focused fiscal policies and more flexible monetary policies. They place a premium on boosting domestic savings and investment (instead of adopting the old orthodox focus on allocative efficiency and price stabilization), and they emphasize using public investment as a stimulus to private investment. The study also casts doubt on the value of imposing a restrictive inflation target of 0-5%, which hampers growth, rather than stimulates it. Such fiscal and monetary policies imply a larger revenue base, with which it can finance capital expenditures and direct them to poverty-reduction purposes.

Generating enough employment opportunities is a major challenge. Although micro programmes are invaluable in helping to raise incomes of targeted recipients, they cannot guarantee secure and remunerative employment for all. For such an objective, the emphasis has shifted to promotion of small and medium enterprises – as well as to some strategically important large enterprises, which are both employment intensive and skill enhancing.

As far as other complementary policy interventions are concerned, there is a need to increase the effectiveness of public expenditures and increase opportunities for human capital formation for the poor. Support for the eradication of illiteracy and drop-out rates among the poor is probably the single most important development objective. The commendable policies designed to encourage girls to join and stay in schools, taking into account the cultural and traditional barriers, should be fully and quickly implemented. In addition, given the enormous return that lowering illiteracy has on reducing poverty in Syria, there should be an effort to continue the expansion of universal primary education, especially in rural areas, and among girls.

Also recommended is the reallocation of public health expenditure toward preventive health care programs. Insurance coverage should be extended in addition with this reform. Health insurance plans for widows and dependents should be revised. Extended coverage would require the health insurance organisation to establish new contracts with hospitals and physicians to provide the needed additional medical care.

A well-designed programme to improve the nutrition of vulnerable groups should be designed and implemented. Emphasis should be put on the protection of children in particular. Some recommended strategies include: (a) providing daily meals for primary public school children. School feeding, as a way of targeting the poor, has the advantage of improving nutrition for children and indirectly encouraging children to enrol at schools; and (b) distribution of small quotas of necessary food items to participants in literacy classes would help the poor to cope with food expenses. It would also provide an incentive for them to attend regularly.

Acute poverty is usually related to old age, disability and unemployment. Formal social security systems should be developed, or their coverage widened. Such systems, which provide old age pensions and unemployment, disability, health and spousal benefits, are feasible in many urban areas and should be extended to all those who are unable to work in both urban and rural areas.

The report also emphasizes the need to ensure that growing regional disparities in incomes, opportunities, and services are re-evaluated: The North-Eastern region needs a continued push in terms of effective development investments. This could include increasing entrepreneurial and employment options, improving educational opportunities, mitigating the health effects associated with poverty, and improving the coverage of sanitation and water supply systems. Poverty reduction strategies and associated policy instruments thus need to be developed incorporating the particular poverty profile of the region, governorate or district, using the analysis from household surveys, in addition to other non-income indicators.

Two final policy recommendations should be highlighted:

1. The success of the poverty reduction strategy will require a systematic approach to monitor and evaluate progress in the implementation strategy. To ensure that targets are met, a comprehensive poverty monitoring system should be established to help policy makers monitor progress and adjust the actions to make them more effective and efficient.
2. In formulating an area-based anti-poverty intervention strategy, Syrian decision makers are also advised to direct social services and public investment to urban slums and squatter settlements. Large visible tracts of squatter and informal housing have become, in many parts of Syria, intimately connected with the perception of poverty, a lack of access to basic services and income insecurity.

Introduction

This report is the first of a series to provide analytical input into the devising of a poverty reduction strategy for Syria. By design, it is descriptive rather than prescriptive, in order to supply a sound understanding of the nature and dynamics of income or expenditure-based poverty in Syria in the early 2000's. The next stage of the work will proceed to detailed sectoral studies that will build on the aggregate results from this report, thus evaluate past and future policies that can help to reduce poverty in Syria through multi-sectoral interventions. This report is also a component of, and a valuable input into, a broader study that aims to examine the relationship between macroeconomic policies and poverty reduction in Syria.

The report presents the results of a statistical analysis of household-level data for 1996-1997 and 2003-2004, as a contribution to the preparation of a comprehensive poverty reduction strategy for Syria. Before designing the strategy, it is essential to understand the many dimensions of poverty, in as much detail and analytical rigor as possible. The work in this report is just one analytical tool in the array of investigation that is needed to develop a viable, comprehensive and flexible plan to reduce poverty. It is to be accompanied by evaluations of other (that is, non-monetary) dimensions of poverty, and followed by detailed analytical investigations and discussions at the sectoral levels to evaluate the efficacy of existing programs and economic policies in reducing poverty and the feasibility of new ones.

The report:

- Identifies the overall scope and distribution of the problem of poverty, and thus indicates the direction and magnitude of the work needed to reduce it;
- Isolates key correlates to poverty, and some of the ways in which they determine and affect the dimensions of poverty – thus providing guidance and testable hypotheses for the detailed sector-level work that needs to follow it;
- Provides the analytical base for the evaluation of some of the public programs existing in Syria today, and can be used to simulate the effects on poverty of introducing many new programs, and;
- Questions the link between macroeconomic policies and poverty reduction and identifies sector- (trade, industrial, agricultural, employment) and macro-based (monetary and fiscal) interventions for poverty reduction.

Chapter one begins by providing some background on the recent economic **developments and sources of economic growth**. The chapter covers the period from 1996 to 2002, which was a watershed in terms of Syria's economic performance. After an era of high growth in the early 1990s, the Syrian economy fell into a recession. This resulted in a growth pattern that was driven mainly by foreign demand. However, growth based on oil exports may prove to be unsustainable. Therefore, a flexible poverty reduction strategy will have to devise a more sustainable growth path to lift more Syrians out of poverty.

Chapter two briefly explains the methodology used to estimate poverty in this study. A ‘poverty map’ for Syria follows; identifying the poor and where they live. The chapter attempts to show the dynamics of poverty reduction by explaining the results in terms of growth and distribution changes. Constructing a poverty profile to show how poverty varies across sub-groups of a population, regions and governorates is typically the first step in designing an anti-poverty policy. Consistent poverty comparisons will be applied, such that two people at the same real consumption level are deemed to be either ‘poor’ or ‘not poor’ irrespective of the time or place under consideration, or the presence or absence of policy change within the relevant domain. The *causal* factors underlying the changes in poverty will be considered. Thus, we will be able to understand how much of any observed change in poverty could be attributed to changes in the *redistribution* of living standards, as distinct from *growth* in average living standards.

Chapter three provides a profile of the poor, in terms of age and household composition, employment characteristics, educational attainment, housing conditions, ownership of durable goods and food consumption patterns (and income sources) of the poor. It also provides the poverty correlates – the characteristics of the poor and whether they are related to education, employment, gender, age or asset characteristics. There are two sets of major socio-economic variables directly correlated to poverty: status and process variables. Status indicators reflect the income earning and survival opportunities of the poor. Typically, these relate to the socio-demographic profile of the poor, such as age and household composition, educational attainment and employment status, and are referred to as the characteristics of the poor. Input and process indicators, on the other hand, are used to identify the major factors contributing to poverty, or its sources.

Chapter four attempts to identify factors affecting poverty by means of multivariate analysis. Empirical poverty assessments in recent years have seen a number of attempts to go beyond the poverty profile tabulations to engage in a multivariate analysis of living standards and poverty. One of the benefits of such analysis is the ability to assess the impact of a change a particular factor would have on the probability of an individual being poor, if all other factors were kept constant. Thus, poverty effects of proposed policy interventions can be predicted. The modelling of the determinants of poverty will be performed in two steps. First, we will model the determinants of the individual welfare indicator, using consumption per person as a poverty measures. Afterwards, individual welfare indicators will be estimated when certain factors change, keeping other factors constant. We will be able, therefore, to assess the impact of change a particular factor would have on the probability of an individual being poor, if all other factors are kept constant. Thus, poverty effects of proposed policy interventions can be predicted.

Poverty alleviation could be approached from a welfare, economic or human capital viewpoint. An economic approach would focus on interventions designed to improve income earnings for the poor. A welfare approach would consist of making direct income transfers to the most needy, either through cash transfers or through subsidised goods and services. Finally, a human capital approach would aim at increasing the earning potential of the poor by raising their productivity through nutrition, health, education and training programs. **Chapter five focuses on the economic approach,** suggesting pro-poor

macroeconomic policies derived mainly from UNDP's case study on macroeconomic policies for poverty reduction in Syria. (UNDP, 2005)

Chapter six outlines the elements for a welfare- and human capital-based approach to poverty reduction.

The Appendix will address the main conceptual issues of measuring poverty including the methodology used to draw the poverty lines.

Chapter One

The Syrian Economy in the Early 2000's

The results of this study indicate that the incidence of poverty in Syria has decreased from 14.3 per cent in 1996-97, to 11.3 per cent in 2003-2004. On the whole, the poverty rate in Syria appears to be in line with more affluent countries such as Lebanon, Jordan and Tunisia. Nonetheless, there are conspicuous regional disparities within Syria in the distribution and growth of household expenditure. During the 1997-2004 period, inequality in Syria as a whole rose slightly (the Gini index rose from 33 to 37), but large increases in per capita expenditure outweighed the effect of this worsening distribution. Thus, the fall in income poverty seems to have been driven by a growth of per capita real expenditure of 2.0 per cent per annum between 1996-1997 and 2003-2004. Yet any explanation of poverty reduction in Syria over the period from 1996 to 2004 must acknowledge that average GDP growth from the national accounts between 1996-2002 was a mere 3.6 per cent per annum. The increase in average salaries, after adjusting for inflation, was also a rather moderate 0.8 per cent per annum between 1997 and 2001. Moreover, a demand-side analysis of the sources of economic growth, using national accounts data, indicates that private consumption for the period from 1996-2002 increased by only 0.3 per cent annually. The analysis of the sources of growth also indicates that the contribution of investment to GDP growth remains very low by comparison with other developing countries, and is cause for concern. On the supply side, growth during the period from 1996-1998 was driven mainly by mining and manufacturing, with a contribution of 4.1 per cent (a share of 56.7 per cent) due mainly to the increase in oil exports, then by agriculture, which contributed 2.6 per cent. This trend was discontinued as the average growth rate of mining and manufacturing fell sharply from 13.9 to -3 per cent from 1996 to 1998 and 1999 to 2002, respectively. Consequently its contribution to growth declined to an average of -1 per cent during the latter period. Trends in unemployment, monetary and fiscal policy and the foreign trade sectors also indicate that Syria needs to revise its macroeconomic policies of the last decade.

1.1 Overview

The Syrian economy is typically characterised as highly centralised and under full public sector control. This was no doubt the case prior to 1980, when Syria tried to achieve 'economic independence' through an extensive import-substitution industrialisation (ISI) program. Foreign trade was exclusive to public sector enterprises, foreign investments were restricted and, with the exception of a small number of public enterprises, most of the production was geared towards satisfying local demand. Unlike East Asian countries, however, Syria failed to take ISI to the level of an export-oriented program. A segment of the Syrian industry managed to break out and successfully penetrate East European and former USSR markets, thanks to the special relations Syria had with those countries during the 1980s and to their highly protected markets. Many of those exports were manufactured goods with significant growth potential. However, the dismantling of the former USSR broke this peculiar economic relation.

The political and economic ramifications of the collapse of the Soviet Union, coupled by globalization pressures, provided a strong rationale for opening the Syrian economy, but

stronger pressures for economic liberalisation grew out of a domestic balance of payments constraint during the mid-1980s.

In Syria, as elsewhere, ISI tended to foster mass consumption over capital accumulation, establishing the building of a national market as its main *raison d'être*. This created dependency on imported capital goods, without fostering the export capacity needed to earn foreign exchange, thereby precipitating balance of payments difficulties.² When aid from Arab countries and oil revenues declined along with the fall of global oil prices in the 1980s, Syria's trade imbalance deteriorated sharply. The resulting fiscal and foreign exchange crises forced austerity cutbacks in public spending, and a consequent declining ability of the state to finance investment, new jobs and contracts. As a result foreign exchange dried up and these shortages fuelled a recession. Debt mounted, while per capita income fell 4.5 per cent from 1980 to 1988. The state began to turn to the private sector to reverse the economic decline. In return, private business was awarded concessions: thus the further opening of the economy in the early 1990s, with legislation that allowed and encouraged private investment. The fiscal situation eased considerably as oil exports grew to replace these traditional sources of foreign exchange.

Thus, on the regulatory front, the reforms allowed private sector companies to import goods previously included in the restricted list (conditional upon their ability to obtain foreign balances from their own export activities). The number of restricted goods has decreased since then and foreign currency requirements for imports were eased. This can be seen as a gradual switch from a quota-based system to a one based on tariff. Furthermore, tariffs were reduced for a large number of products. Bilateral trade agreements are expected to force further reductions. The Arab Free Trade Area (AFTA), in force since 1998, envisages significant reduction in tariffs between Arab countries over a ten-year period. The association agreement with the European Union would imply the extension of a Most Favoured Nation status, and the accession to the World Trade Organisation (WTO) would lock in a series of agreements that would reduce red tape, and facilitate trade.

Currently, the Syrian economy has two key strengths: First it has maintained macroeconomic and exchange rate stability for almost a decade. Second, its debt (external and internal) to GDP ratio is low and it has accumulated a large reserve of foreign currencies. A remarkable feature of the Syrian economy is that it managed to achieve macroeconomic stability without the adoption of a full-fledged 'neo-liberal' policy package, which typically also includes privatization of public enterprises, liberalization of labor and financial markets, and the reduction of government activity in the field of social policy. However, macroeconomic stability masks several critical weaknesses and challenges. Paramount among which are the low rate of economic growth since the mid 1990s, rapid depletion in oil reserves, a poorly performing public sector, and political turmoil in the region. Hence, although Syria has significantly

² On the relative success of ISI strategies in the Middle East despite all the criticism see Rodrik (1999). According to him "contrary to received wisdom, ISI-driven growth did not produce tremendous inefficiencies on an economy wide scale. The inescapable conclusion is that most countries in Latin America and the Middle East had productivity growth records prior to 1973 that look quite favourable in comparison with those in East Asia."

improved human development during the 1990s, poverty reduction in the future will not be an easy task. Still, the prospects for pro-poor growth are not entirely dim. Trade liberalization presents both enormous challenges and opportunities. Syria's tourism sector also offers a wide spectrum of potential opportunities for employment generation and private sector development.

This chapter focuses on the macroeconomic challenges facing poverty reduction in Syria. Section 1.2 examines the sources of GDP growth since the early 1990s. The nexus between poverty and economic growth is discussed in Section 1.3. Section 1.4 gives a brief description of the unemployment situation in Syria. Public finance and monetary sector developments are examined in Section 1.5. Finally, section 1.6 is concerned with issues related to foreign trade.

1.2 Growth and its Sources

Achieving high and sustainable rates of economic growth is the primary challenge for Syria. In this regard, decision makers face two major problems. The first is a sustainability problem. The growth of the Syrian economy has been bound to oil revenues and the change in oil prices. This implies non-oil exports should increase dramatically to offset the expected loss in foreign exchange resources. The second problem is the low rate of growth itself.

Figure 1.1: Average GDP Growth Rate (%)

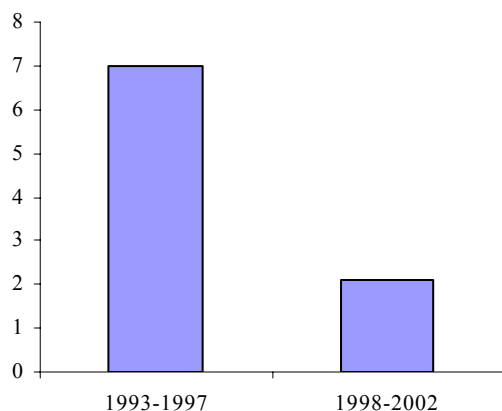
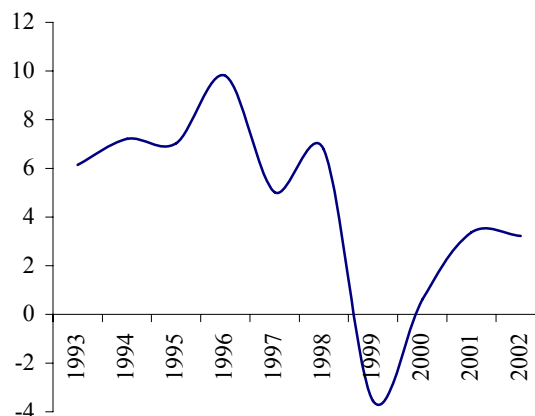


Figure 1.2: GDP Growth (%): 1993-2002



The economy grew by an average of 7% a year in the first half of the 1990s, with a peak of 13.5% in 1992. Growth in the second half of the 1990s and early 2000s, however, was far less favourable so that, from 1999 to 2003, it plummeted to 1 per cent, reaching a low of -3.6 per cent in 1999 (Figure 1.1 and 1.2). Consequently, GDP per capita is declining due to the fact that growth rates are declining faster than those of population growth (GDP per capita growth averaged roughly 5 per cent from 1991 to 1996 and 0 per cent from 1997 to 2002). In fact, GDP per capita in 2002 was less than that of 1996.

Table 1.1 breaks down GDP by expenditure for the period from 1996 to 2002, during which shares of exports grew from 30.9 per cent to 42.8 per cent while the share of imports private consumption declined from 69.5 per cent to 57.4 per cent. (Table 1.1 and Figure 1.3)

Table 1.1: Contribution to GDP Growth by Expenditure (1996-2002)

		(%)									
		1996	1997	1998	1999	2000	2001	2002	1996-1999-	1999-2002	1996-2002
		1998	2002	2002							
Total GDP	Growth rates	9.8	5.0	6.8	-3.6	0.6	3.4	3.2	7.2	0.9	3.6
Exports	Growth rates	13.5	15.1	0.5	9.6	0.5	13.0	11.8	9.7	8.7	9.1
	Share in GDP	30.9	33.8	31.8	36.2	36.1	39.5	42.8	32.2	38.6	35.9
	Contribution	4.0	4.7	0.2	3.1	0.2	4.7	4.6	3.0	3.1	3.1
	Share	40.9	93.0	2.5	-86.2	28.6	139.0	143.9	40.9	344.7	84.7
Imports	Growth rates	-4.1	-1.6	-6.3	11.5	-2.4	10.4	7.7	-4.0	6.8	2.2
	Share in GDP	31.7	29.7	26.0	30.1	29.2	31.2	32.5	29.1	30.7	30.0
	Contribution	1.5	0.5	1.9	-3.0	0.7	-3.0	-2.4	1.3	-1.9	-0.5
	Share	15.0	10.3	27.7	84.4	120.5	-89.7	-74.1	17.9	-211	-15.1
NFD	Contribution	5.5	5.2	2.1	0.1	0.9	1.7	2.3	4.2	1.2	2.5
Public Consumption	Growth rates	0.2	1.2	2.0	-1.6	19.1	2.3	0.1	1.2	5.0	3.3
	Share in GDP	11.2	10.8	10.3	10.5	12.4	12.3	11.9	10.7	11.8	11.3
	Contribution	0.0	0.1	0.2	-0.2	2.0	0.3	0.0	0.1	0.5	0.4
	Share	0.3	2.8	3.1	4.7	334.2	8.3	0.3	1.8	58.4	9.9
Private Consumption	Growth rates	6.1	1.0	5.9	-4.5	-2.9	-5.1	2.0	4.3	-2.6	0.3
	Share in GDP	69.5	66.9	66.3	65.6	63.4	58.1	57.4	67.6	61.1	63.9
	Contribution	4.4	0.7	3.9	-3.0	-1.9	-3.3	1.1	3.0	-1.7	0.3
	Share	44.5	14.2	58.0	84.2	-314.7	-96.7	35.6	41.7	-191	8.0
Public Investment	Growth rates	8.6	15.6	4.5	-1.2	4.4	-13.1	5.8	9.5	-1.1	3.5
	Share in GDP	9.6	10.6	10.3	10.6	11.0	9.2	9.5	10.2	10.1	10.1
	Contribution	0.8	1.5	0.5	-0.1	0.5	-1.4	0.5	0.9	-0.1	0.3
	Share	8.5	29.7	7.0	3.6	78.0	-42.9	16.4	12.9	-15.7	8.8
Private Investment	Growth rates	-7.2	-23.8	1.5	-4.5	-12.2	97.7	-6.0	-9.8	18.7	6.5
	Share in GDP	10.5	7.7	7.3	7.2	6.3	12.0	10.9	8.5	9.1	8.8
	Contribution	-0.9	-2.5	0.1	-0.3	-0.9	6.1	-0.7	-1.1	1.1	0.1
	Share	-9.1	-49.9	1.7	9.3	-146.6	181.9	-22.1	-15.2	115.4	3.6

Source: Authors calculations based on data from the Central Bank of Syria

Figure 1.4 shows the contribution to growth of GDP expenditure components. Evidently, private consumption contributed the most to growth, averaging 3.0 per cent of the 7.2 per cent growth rate over the period from 1996-1998. However, private consumption decreased over the subsequent period (-1.7 per cent). This was not the case for public consumption, which contributed 0.1 per cent and 0.5 per cent to overall growth during the 1996-1998 and 1999-2002 periods, respectively. The contribution of net foreign demand (NFD) declined from 4.2 per cent to 1.2 per cent, due to an increase in leakages (imports) from aggregate demand. Nonetheless, NFD remained the single largest source of growth over the entire period, highlighting the significant role of oil exports.

As argued in the UNDP Syria case study (2005), in this context, the growth-poverty response of an increase in import-substitution would be highly pro-poor for Syria, given the high share of imports in GDP, the structure of imports and the demand spillovers from an increase in employment, productivity and real wages.

The overall contribution of investment to GDP growth remains low in comparison with other developing countries, and is cause for concern. The contribution of gross investment to GDP was -0.2 per cent for 1996-1998 and 1 per cent for 1999-2002, which yields an overall contribution of only 0.4 percent to the 3.6 per cent total average growth during the entire period. Public investment contribution to growth declined from 0.9 per cent to -0.1 per cent over the periods 1996-1998 and 1999-2002, respectively. This reflects the overall poor performance of public sector in Syria. Private investment had a

Figure 1.3: GDP by Expenditure: Share of Components (1995-2002)

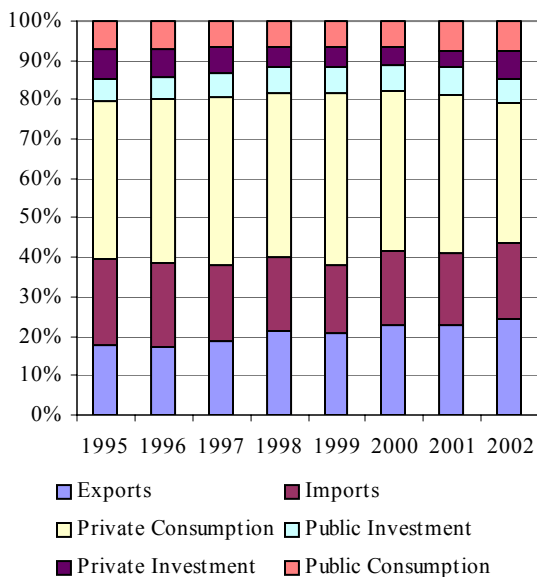
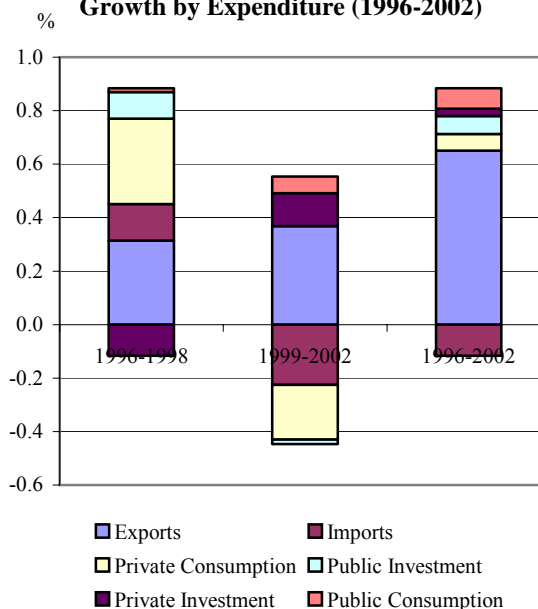


Figure 1.4: Contribution to GDP Growth by Expenditure (1996-2002)

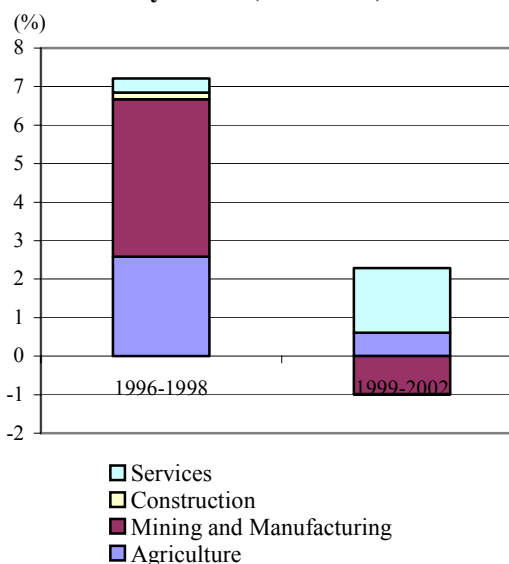


negative (-1.1 per cent) contribution during 1996-1998. However, its contribution improved somewhat for the 1999-2002 period, to reach 1.1 per cent.

The period from 1996 to 2002 was therefore a watershed in Syria's economic performance. After a period of high growth in the early 1990's, the Syrian economy fell into a recession. This resulted in a growth pattern that was driven by foreign demand. However, growth based on oil exports may prove to be unsustainable. Therefore, a flexible poverty reduction strategy will have to devise a more sustainable growth path to lift more Syrians out of poverty.

On the supply side, growth during the 1996-1998 period was driven mainly by

Figure 1.5: Contribution to Growth by Sector (1996-2002)



mining and manufacturing, with a contribution of 4.1 per cent (a share of 56.7 per cent) due mainly to the increase in oil exports, then by agriculture, which contributed 2.6 per cent, (Table 1.2). Thus, productive sectors contributed over 75 per cent to economic growth during that period. This trend was discontinued as the average growth rate of the industrial sector fell sharply from 13.9 to -3 per cent over both periods (from 1996 to 1998 and 1999 to 2002), respectively. Consequently, its contribution to growth declined to an average of -1 per cent during the latter period.

The average rate of growth of agriculture also declined (from 11.3 to 2.7 per cent), which reduced its contribution to growth to reach 0.6 per cent, but it was still the second largest source of growth due to the poor overall rate of growth. Services (trade, transport and communications, finance and insurance and social and other services) contributed the most to growth from 1999-2002 with an average of 1.7 per cent, (Figure 1.5).

Table 1.2: Contribution to GDP Growth by Sector (1996-2002)

	(%)	1996	1997	1998	1999	2000	2001	2002	1996-1998	1999-2002	1996-2002
Total GDP Growth (1)		9.8	5.0	6.8	-3.6	0.6	3.8	4.2	7.2	1.3	3.8
Agriculture	Growth rates	14.6	-2.9	22.3	-15.1	9.2	8.6	8.2	11.3	2.7	6.4
	Share in GDP	24.4	22.6	25.9	22.8	24.7	25.9	26.8	24.3	25.0	24.7
	Contribution	3.4	-0.7	5.0	-3.9	2.1	2.1	2.1	2.6	0.6	1.5
	Share in (1)	34.8	-14.1	74.2	109.6	337.6	55.4	49.7	35.8	47.4	38.0
Mining & Manufacturing	Growth rates	22.1	15.8	3.9	-3.4	-8.1	1.8	-2.4	13.9	-3.0	4.2
	Share in GDP	30.7	33.9	33.0	33.0	30.1	29.6	27.7	32.5	30.1	31.1
	Contribution	6.1	4.8	1.3	-1.1	-2.7	0.6	-0.7	4.1	-1.0	1.2
	Share in (1)	62.1	96.4	19.5	31.5	-428.6	14.5	-16.9	56.7	-76.9	31.0
Building and Construction	Growth rates	9.8	5.2	0.5	-5.1	1.9	1.4	1.2	5.2	-0.1	2.1
	Share in GDP	3.4	3.4	3.2	3.2	3.2	3.1	3.0	3.3	3.1	3.2
	Contribution	0.3	0.2	0.0	-0.2	0.1	0.0	0.0	0.2	0.0	0.1
	Share in (1)	3.4	3.5	0.3	4.6	9.6	1.1	0.9	2.4	-0.4	1.9
Wholesale & Retail Trade	Growth rates	-4.4	-5.1	0.9	1.4	-7.9	0.3	5.3	-2.9	-0.2	-1.3
	Share in GDP	18.1	16.3	15.4	16.2	14.9	14.4	14.5	16.6	15.0	15.7
	Contribution	-0.9	-0.9	0.2	0.2	-1.3	0.0	0.8	-0.6	-0.1	-0.3
	Share in (1)	-9.2	-18.5	2.2	-6.1	-205.7	1.3	17.9	-7.8	-5.0	-7.2
Transport & Communication	Growth rates	7.2	10.6	-0.5	8.6	5.4	5.2	6.2	5.8	6.4	6.1
	Share in GDP	10.9	11.4	10.7	12.0	12.6	12.8	13.0	10.9	11.5	11.9
	Contribution	0.8	1.2	-0.1	0.9	0.6	0.7	0.8	0.6	0.8	0.7
	Share in (1)	8.2	23.0	-0.9	-25.9	104.0	17.0	18.6	8.8	58.5	18.3
Finance & Insurance	Growth rates	-5.1	7.6	2.0	18.5	-7.4	-2.0	5.4	1.5	3.6	2.7
	Share in GDP	3.2	3.3	3.2	3.9	3.6	3.4	3.4	3.2	3.5	3.4
	Contribution	-0.2	0.2	0.1	0.6	-0.3	-0.1	0.2	0.0	0.1	0.1
	Share in (1)	-1.9	4.9	1.0	-16.5	-46.2	-1.8	4.3	0.6	8.0	2.0
Social Services	Growth rates	0.2	18.9	8.3	7.5	26.5	8.4	20.0	9.1	15.6	12.8
	Share in GDP	1.5	1.7	1.7	1.9	2.4	2.5	2.9	1.6	2.4	2.1
	Contribution	0.0	0.3	0.1	0.1	0.5	0.2	0.5	0.1	0.3	0.3
	Share in (1)	0.0	5.6	2.1	-3.6	80.8	5.2	11.8	2.0	25.9	6.6
Other Services	Growth rates	3.2	-0.5	1.5	-3.3	22.1	3.3	6.9	1.4	7.3	4.7
	Share in GDP	7.8	7.3	7.0	7.0	8.5	8.5	8.7	7.3	8.1	7.8
	Contribution	0.3	0.0	0.1	-0.2	1.5	0.3	0.6	0.1	0.5	0.4
	Share in (1)	2.7	-0.8	1.6	6.4	248.4	7.3	13.8	1.5	42.5	9.4

Source: Authors calculations based on data from the Central Bank of Syria

1.3 The Poverty-Growth Nexus

Comprehensive analyses of the household expenditure surveys (1996-97 and 2003-04) in this study suggest that poverty fell moderately over that time period, although inequality increased. The fall in income poverty seems to have been driven by a growth of per capita real expenditure of 2.0 per cent per annum between 1996-1997 and 2003-2004. Yet, per capita GDP growth between 1996 and 2002 was a mere 1 per cent per annum. The increase in average salaries, after adjusting for inflation, was also a rather moderate 0.8 per cent per annum between 1997 and 2001.³ Furthermore, the national accounts reviewed suggest that private real expenditure grew at only 0.3 per cent per annum between 1996 and 2002, and was negative (-2.6 per cent) during the latter half of that period. This implies that there is a major inconsistency between the results of the survey and the national accounts.

Figure 1.6: Poverty Rates for Syria and Other Arab Countries

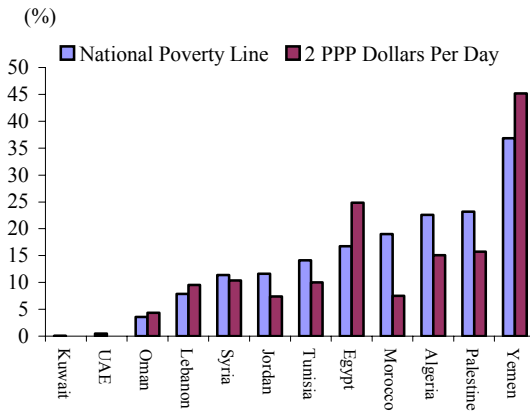


Figure 1.7: Real GDP per capita per region in SP per month

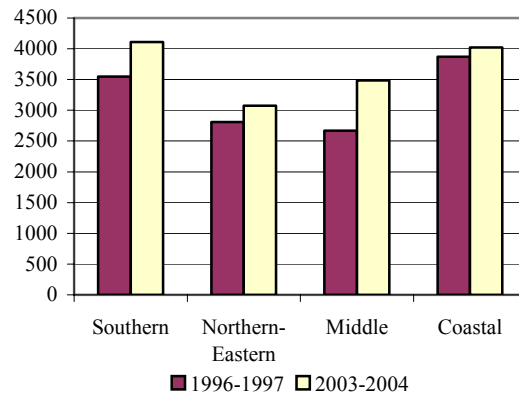


Figure 1.8: Poverty Rates (%) One dollar per person per day

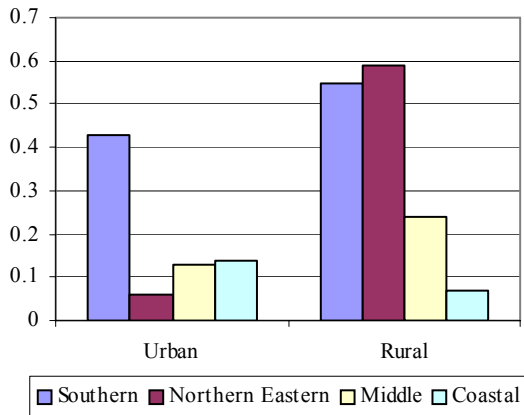
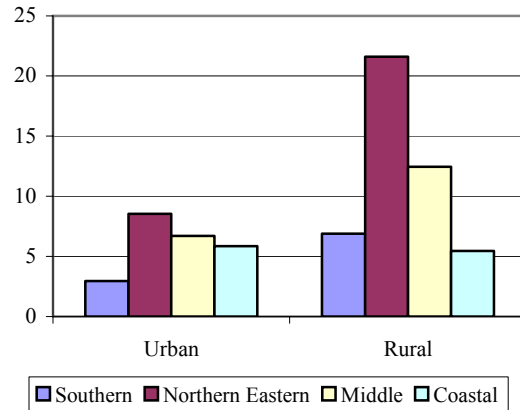


Figure 1.9: Poverty Rates (%) Two dollars per person per day



³ Calculated from data in the Millennium Development Report [2003, chapter 2].

However, it is by no means obvious that estimates of private consumption derived from the national accounts are more robust than household survey-based estimates, as the former are calculated as a ‘residual’.⁴ It is therefore entirely possible that the national accounts for Syrian have been unable to adequately reflect economic transactions mediated through the informal economy.

For example, estimates provided in the UNDP case study indicate a significant level of private transfers. Official balance of payment (BOP) data do not record private capital flows. However, BOP data shows a large increase in errors and omissions of the private sector BOP in 2000–02 (errors and omissions increased from about \$0.6 billion in 1997–98, to about \$1.0 billion in 1999, \$1.1 billion in 2000, \$1.5 billion in 2001 and \$1.3 billion in 2001). Notwithstanding unrecorded current account inflows, and assuming that the authorities did not intervene massively in the parallel market, this mainly captures private capital inflows. (UNDP, 2005)

On the whole, Figure 1.6 shows the poverty rate in Syria to be in line with more affluent countries such as Lebanon, Jordan and Tunisia. Figure 1.7 shows regional disparities within Syria in distribution and growth of household expenditure. During the period from 1996-1997 to 2003-2004, all regions saw a slight increase in their GDP per capita, and the average per capita expenditure grew from SL3,085 to 3,541 per month, representing an annual growth rate of 1.9 per cent. There are, however, major differences in expenditure per capita at the sub-national level – with GDP per capita expenditure being higher in the Southern region. The highest per capita expenditure levels were recorded for the Southern region, totalling SL4,110 per month (with an annual growth rate of 2.13 percent). Per capita expenditure for the North-Eastern region, however, remained at SL3,487 per month in 2003-2004. The Middle region recorded the highest rate of growth of all four regions (3.9 per cent annually), while the Coastal region recorded the second highest per capita GDP in Syria at SL4,023 per month. Its annual growth rate however was the lowest, 0.56 per cent, per year.

Disparities in the incidence of poverty are also evident across regions in Syria. For example, in the rural North-Eastern region, the percentage of people living under one dollar per day is more than tenfold that in the urban area. Likewise, extreme poverty in the North-Eastern region is more than quadruple that of the Coastal region, (Figure 1.8). In addition, the percentage of people living under two dollars per day in Syria is approximately 10.3 per cent, with poverty rates in rural areas reaching almost triple those in urban areas. Again the North-Eastern region scores the highest (8.53 and 21.59 per cent for the urban and rural areas, respectively). Rural-urban disparities are also evident in all other regions, (Figure 1.9).

⁴ See Deaton [2002, 2003] for a persuasive attempt to resolve this debate.

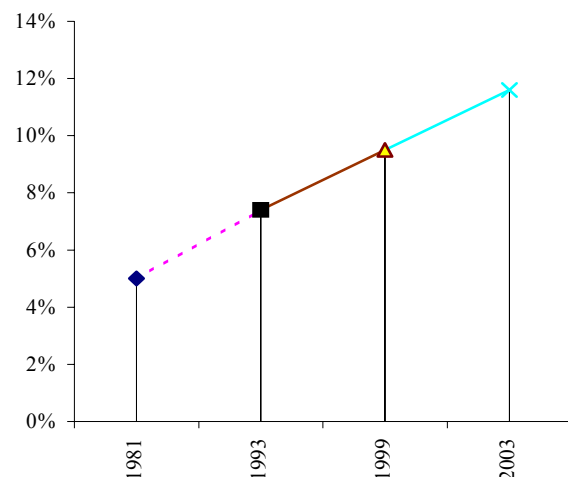
1.4 Unemployment

Unemployment rates increased from 5 per cent in 1981 to 11.6 per cent in 2002, (Figure 1.10). Furthermore, the percentage of people working less than two days per week reached around 812,000 in April 2003 – 16.2 per cent of the labour force. According to the 2003 unemployment survey, unemployment is concentrated mainly among the youth, particularly in the 20-24 year age group, which represents 24 per cent of the unemployed. In addition, 57 per cent of the unemployed belonged to the lower educational categories. Middle educational categories (mainly vocational and technical) represented 40 per cent of the unemployed. The remaining 3.2 per cent belonged to higher educational categories, (university degree holders).

The case study makes a strong case that lack of growth has taken its toll on the labour market. Employment opportunities have simply not expanded sufficiently to absorb new entrants into the labour force. The labour market is caught in a ‘double squeeze’. On the supply side, high population growth rates have fuelled rapid labour force growth. On the demand side, insufficient growth has led to extremely modest job growth. Recent surveys suggest that both open unemployment and underemployment are high. Youth unemployment is rife. There seems to be a mismatch between the skills produced by the education and training system and the skills required by employers in the private sector. The public sector appears to have become a repository for skilled graduates. Many Syrians have sought to adapt to these austere conditions by holding multiple jobs, and by participating in the informal economy. Employment insecurity is a major challenge confronting millions of Syrians.

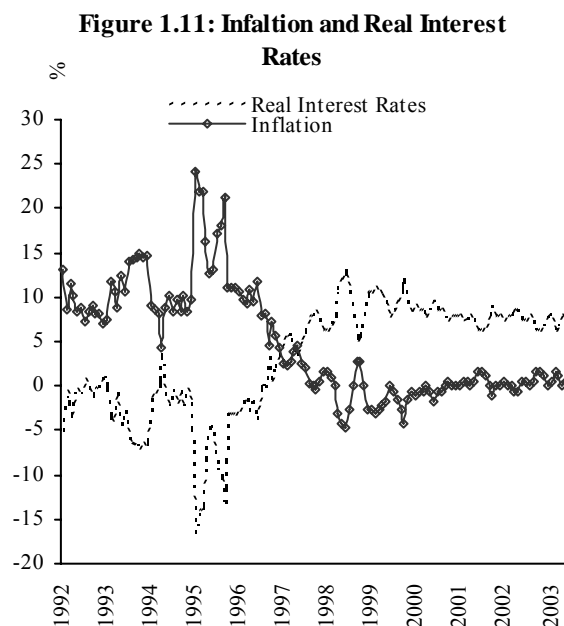
Estimates in this study also suggest that approximately 19.0 per cent of Syrians are vulnerable – at risk of falling into at least a transient spell of poverty. This incidence of vulnerability has remained largely unchanged even as current poverty declined moderately between 1996-97 and 2003-04. Finally, this study will also reveal that incidence of child labour seems to be significant and is used as a way of supplementing meagre family incomes. The dual issues of employment security and child labour are contentious and are often seen as part of the broader debate on labour market flexibility versus labour rights.

Figure 1.10: Unemployment in Syria (1981-2003)



1.5 Inflation and Fiscal Policy

As shown in Figure 1.11, the deceleration in inflation took place after 1995 as the result of the curtailment of the large fiscal deficits prevailing in the early 1990s. Thus inflation averaged 8.2 per cent from 1992-1998. It then dropped significantly to a low of -3.7 per cent in 1999. The tight monetary stance contributed later on to push the economy into a deflationary zone but was not what caused the disinflation. The decline in world interest rates (in the years 2001-2002) and the lack of nominal flexibility on the interest rates led the premium paid against the dollar and the real interest rates on the Syrian pound to reach a historical high. In this respect, the evolution of the real interest rates ran counter-cyclically, as the increase in real interest rates occurred when inflation was decelerating and growth was slowing down (UNDP, 2005).



On the fiscal front, a rudimentary summary of fiscal operations is shown in Table 1.3. The first conclusion is that Syria has a fairly healthy current surplus (total revenue minus current expenditure) and is, in fact, able to finance all its development expenditures from total revenues. In other words, there is no immediate or looming fiscal crisis, and hence there is room for focusing on the growth and distribution aspects of fiscal policy.

Table 1.3: Syria's Basic Macro-Fiscal Picture (1994-2002)

Per cent of GDP	1994	1995	1996	1997	1998	1999	2000	2001	2002
(1) Total revenue	24.06	25.35	24.57	26.45	25.88	26.47	27.17	31.99	30.18
(2) Total expenditure	27.34	26.75	27.00	25.02	25.99	25.07	26.54	28.16	30.73
(3) Current expenditure	14.49	14.87	12.97	12.89	14.05	14.19	16.04	16.62	17.15
(4) Development Expenditure	12.84	11.88	11.48	12.13	11.93	10.87	10.50	11.54	13.58

Source: Data provided by the Ministry of Finance

As shown in Table 1.4, Syria was able to meet its current revenue needs with non-oil revenues during the mid 1990's. In this sense, it could be argued that the fiscal position was stable and healthy as oil revenues were being used exclusively for investment purposes. The picture has worsened significantly since then, and it is clear that oil revenues increasingly have had to cover current expenditures, thereby leaving very limited room for enhancing fiscal space. In addition it appears that oil revenues are increasingly being used for public consumption, implying a squeeze on resources available for public investment (UNDP, 2005). Furthermore, the overall share of development expenditure in the budget (Table 1.3) is lower than observed in other fast-growing Asian economies.

Table 1.4: Non-oil surplus/ deficit as a percentage of GDP 1992-2002

Year	Current expenditures/GDP	Non oil revenues/GDP	Current non oil surplus/deficit/GDP
1994	14.49	14.56	(-) 0.07
1995	14.87	16.14	1.27
1996	12.97	13.95	0.98
1997	12.89	15.0	2.11
1998	14.1	15.12	1.02
1999	14.2	15.72	1.52
2000	16.0	14.84	(-)1.16
2001	16.6	13.47	(-)3.13
2002	17.2	16.11	(-) 1.09
2003 (est)	18.6	15.0	(-)3.6

Data provided by the Ministry of Finance (2003 preliminary data.)

Other basic features of public finance in Syria are summarized in the following stylized facts:

1. The oil share in the Budget revenues kept increasing during the last few years.
2. Tax revenue is low in Syria in comparison with neighboring countries despite the higher tax rates.
3. The public sector pays an overwhelmingly large proportion of corporate direct taxes (within this the Syrian Oil Company accounts for approximately two-thirds of the public sector share).
4. Syria depends much more on income tax than on taxes on commodities and services.
5. Public debt does not constitute a burden on the budget or on the balance of payments.
6. Subsidies constitute almost 13% of GDP in 2003 and the cost of services subsidies is increasing.

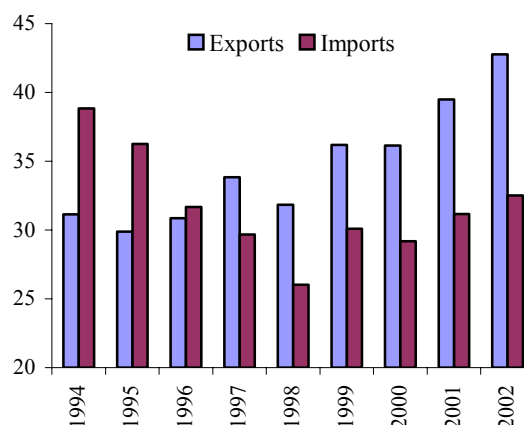
1.6 Trade and Foreign Direct Investment

On the trade front, the late 1990's witnessed a dramatic increase in oil exports, which converted a persistently wide trade deficit into a small trade surplus (Figure 1.12). Thus, the share of exports in GDP increased from an average of 31.6 to 38.6 per cent over the periods 1994-1997 and 1998-2002, respectively, reaching 42,77 per cent of GDP in 2002. The average share of imports in GDP decreased from 31.1 to 29.8 per cent over the same periods.

Like many other developing countries, Syrian exports are highly concentrated in primary products, such as crude petroleum, agricultural products, crude fertilisers, etc, equalling 79 per cent of total exports in 2002. In 2002, manufactured and semi-manufactured goods made up only 16 per cent and 4 per cent of exports, respectively, and were mostly composed of textile yarn, apparel, food and leather products. This renders the export share of manufactured goods among the lowest worldwide. Imports, on the other hand, are more diversified and mainly composed of manufactured goods.

Geographical distribution of exports shows the European Union (EU) as Syria's main trading destination (52 per cent of exports in 2002). Arab countries represented the second largest market for Syrian exports (21 per cent of total exports in 2002). Imports, on the other hand, have a more stable structure and are comprised mainly of manufactured goods. Attempts to foster private and foreign investment in Syria through, for example, the issuance of Law No.10 of 1991 did not result in any significant change in the level of foreign direct investment, which reached a peak of 1.42 per cent of GDP in 1999.

**Figure 1.12: Exports & Imports
(% of GDP)**



1.7 Conclusion

To sum, GDP growth indicates Syria has a problem of a declining contribution of investment to growth and a significant reliance on oil exports. On the supply side, growth in agriculture and mining sectors was the driving force behind the episode of high growth (1996-1998). Subsequently, both sectors were hit hard by unfavorable external factors (oil prices and rainfall), which caused the overall rate of growth to decline despite a conspicuous rise in the contribution of services in the later period. Thus, there are three main challenges facing the Syrian economy over the coming decade, which directly and indirectly influence the prospects for poverty reduction.

First there is the challenge of accelerating and establishing a sustainable foundation for economic growth: As argued earlier, economic growth in Syria faces a sustainability problem. The growth of the Syrian economy has been bound to oil revenues and the change in oil prices. This implies non-oil exports should increase dramatically to offset the expected loss in foreign exchange resources.

Second, there is the problem of growing unemployment. In this respect, Syria faces a serious challenge. Unemployment has been steadily increasing in Syria (from 5 percent in 1981 to between 11.6-16.2 percent in 2002). Each year about 382,000 people, with varying degrees of education and skills, enter the labor market, which does not offer sufficient job opportunities. This is coupled with a considerable increase in the size of the labor force particularly of the young age group who also constitutes a bulk of the new job seekers in the labor market. Considerable investments will be required in order to accommodate the growing demand for jobs and to improve the quality and skills of the labor force to meet the challenges of globalization.

Third, the Syrian public sector requires major financial and operational restructuring. The government's main challenge is to find viable and cost-effective measures to tackle the fundamental problems of technology, labor and debt in the public sector companies so as to increase their productivity and reduce their fiscal burden. This

will significantly improve the public sector's contribution to growth. Judging from other country experiences, the rehabilitation of public sector enterprises can be a very costly process since a large proportion of firms may need both financial and operational restructuring, i.e. those with large debts, poor market prospects, technological weaknesses, and excess labor. One of the greatest challenges to the economic reform program in the future will be to tidy up the more troubled segments of its public sector portfolio, without incurring excessive costs in the process.

Chapter 2

A Poverty Map for Syria

In 2003-2004, almost 2.02 million individuals in Syria (11.4 per cent of the population) could not obtain their basic food and non-food needs. When using the higher, 'household-specific' expenditure poverty lines, overall poverty in Syria rises to 30.12 per cent, representing almost 5.3 million individuals. By the \$2 a day international measure, 10.36 per cent of Syrians are poor. While poverty is generally more prevalent in rural Syria than in urban areas, the greatest differences are geographic. In the North-Eastern region (Idleb, Aleppo, Al Raqqa, Deir Ezzor and Hassakeh), both rural and urban areas show the greatest incidence, depth and severity of poverty; the Southern urban region has very low levels of poverty; and the Middle and Coastal regions have intermediate levels of poverty.

Poverty decreased between 1996-1997 and 2003-2004 for Syria as a whole, but regional patterns differ. Incidences of poverty declined rapidly in the Middle and Southern regions, especially in rural areas. Poverty declined moderately in urban areas of the North-Eastern and Coastal regions. However, poverty actually rose in the rural parts of these regions. Between the years 1997-2004, inequality in Syria as a whole rose slightly (the Gini index rose from 33 to 37, and the coefficient of variation also increased from 82 to 88 per cent), however, large increases in per capita expenditure outweighed the effects of this increased disparity. Once again, the regional variation was significant and the growth was not 'pro-poor'. In the rural Southern region, the size and the distribution of expenditures were improved, lowering poverty. However, in the rural North-Eastern the size and distribution of expenditures worsened, raising poverty levels.

2.1 Constructing a Poverty Line for Syria: 1996-1997 and 2003-2004

The 'money metric' measures of poverty used in international comparisons (one dollar or two dollars a day per person) suffer from the following problems: (i) they ignore the 'economies of scale' within households – non-food items can be shared among household members; (ii) they are calculated for Syria as a whole, and thus ignore the significant differences in consumption patterns and prices that exist between different regions in Syria; and (iii) they do not account for the differing 'basic needs' requirements of different household members – young versus old, and male versus female.

The 'household-specific' methodology used for this report attempts to correct these problems. For each household in the sample, the report uses the data from the 1996-1997 and 2003-2004 Household Income Expenditure Survey (HIES – Appendix 1) to construct its own food poverty line. This poverty line meets the particular household's minimum nutritional requirements, depending on the household members' ages, gender composition and location. The estimated poverty lines account for regional differences in relative prices, expenditure patterns, activity levels, as well as the size and age composition of poor households. This leads to a variation in the appropriate poverty line, depending upon the location and composition of a particular household (Table 2.1).

 **Technical Box 2.3: Data and Sampling Design for the Report**

This report was based on data from the Household Income and Expenditure Surveys (HIES) conducted by the Central Bureau for Statistics (CBS – the official statistical agency in Syria) for the periods 1996-1997 and 2003-2004. Information was collected from October 1996 to September 1997 for the first survey, and from July 2003 to June 2004 for the second survey. Due to the large sample sizes, poverty comparisons can be made for both of these surveys.

The study has a strong regional focus. Geographically, Syria is divided into four regions: Southern, North-Eastern, Middle and Coastal regions; and further into urban and rural areas (the governorates comprising each region are listed in the Box Table). Details of the questionnaire and other design elements of the surveys are found in Annex 1.

Box Table: Sample Characteristics

Region		Governorates	Sample size (1996-97)	Sample size (2003-2004)
<i>Syria</i>			28789	29790
South	Urban	Damascus, Rural Damascus, Deraa, El Suaida and El Quneitra	6238	6336
	Rural		2878	3284
North-East	Urban	Idleb, Aleppo, Al Raqqa, Deir Ezzor and Hassakeh	7678	6261
	Rural		2880	6161
Middle	Urban	Homs and Hama	4318	2275
	Rural		1440	2448
Coastal	Urban	Tartous and Latakia	2397	1314
	Rural		960	1711

The estimate of household and region-specific poverty lines results in classifying smaller households as non-poor. In general, urban areas in Syria have smaller household sizes than rural areas. Moreover, the prices of most non-food commodities and services (and of some food items) are generally higher in Southern areas. As a result, this set of poverty lines yields wider differences in poverty levels between urban and rural areas than the traditional methods of poverty line calculations.

To illustrate the effect of household composition and location, consider a household that spends SL 1,800 per individual, per month. If the household consisted *solely* of an elderly person, this household would not be poor, however, were the single person in this household an adult male, it would be. Moreover, this level of expenditure means that a household of two adults and two children (with total expenditures of SL 5,000) would be poor if they lived in an urban Northern region, but not if they lived in a rural area of the Northern or Middle regions.

The ‘lower household-specific poverty line’, calculating essential food and non-food requirements, is used as a basis for the analysis of the report, although two other distinct poverty lines were also calculated using the household-specific methodology. The analysis constructed a food poverty line – the cost in SL of a minimum food basket – often considered to be the ‘ultra’ poverty line. In addition, an ‘upper’ poverty line reflects the actual consumption expenditure of the poor – not just expenditures on essential needs – and thus reflects the standard for satisfying a *reasonable* level of basic needs. Finally, the ‘lower’ poverty line falls between these two extremes, and reflects a basket of basic food and non-food needs. Households’ consumption at this line would satisfy the *essential* food and non-food requirements (Appendix 1).

Table 2.1: Estimated Poverty Lines for 2003-2004 (SL per month)

	Southern		North-Eastern		Middle		Coastal		Total
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	
1 Elderly adult	1483	1470	1433	1334	1302	1282	1352	1362	1403
1 Adult male	2021	2052	1919	1846	1838	1739	1939	1918	1939
2 Adults, male and female	3813	3694	3471	3285	3392	3132	3566	3603	3501
2 Adults - 2 children	5913	5515	5265	4666	5254	4634	5621	5444	5328
2 Adults - 3 children	7375	6678	6491	5655	6565	5648	7021	6675	6562
1 Adult female - 3 children	4912	4573	4071	3959	5051	4057	4633	4495	4554
2 adults - 5 children	10023	9176	8718	7654	8872	7677	9346	8981	8505
Lower Household Specific:									
Average per capita Upper Household Specific:	1664	1500	1454	1279	1482	1304	1591	1584	1458
Average per capita Lower Per Capita Poverty Line	2441	1978	2144	1694	2047	1748	2412	2303	2052
One dollar at *PPP a day	1664	1507	1454	1278	1480	1305	1591	1582	1459
Two dollars at PPP a day	667.7	667.7	667.7	667.7	667.7	667.7	667.7	667.7	667.7
	1335	1335	1335	1335	1335	1335	1335	1335	1335

*PPP = Purchasing Power Parity

2.2 Overall Poverty and Inequality in 2003-2004

In 2003-2004, the poor in Syria – those who could not meet their basic food and non-food needs – consisted of approximately 2.02 million individuals. This measure (P0 – Appendix 1) uses the ‘lower’ household-specific poverty line. Thus, almost 11.4 per cent of the population in Syria could not obtain their basic food and non-food needs. Using the internationally comparable \$2 per day measure, poverty incidence was 10.36 per cent, which is relatively low by international standards (Adams 2000).

Though expenditure distribution among the population was relatively unequal, with a Gini index of 37.4, this is comparable to, or better than, the distribution in other countries at similar levels of development (Table 2.3). The bottom 20 per cent of the population consumed only 7.24 per cent of all expenditure in Syria, and the richest 20 per cent consumed 45.25 per cent (Table 2.2).

Table 2.2: Distribution of Expenditures, 2003-2004

Population deciles (poorest to richest)	Cumulative percentage of total expenditures	Percentage of total expenditures
1	3.02	3.02
2	7.24	4.22
3	12.36	5.12
4	18.36	6.00
5	25.30	6.94
6	33.40	8.10
7	42.98	9.58
8	54.75	11.77
9	70.10	15.35
10	100	29.90
Expenditure classes	Cumulative percentage of total expenditures	Percentage of total expenditures
Bottom 50%	25.30	25.30
Middle 30%	54.75	29.45
Top 20%	100	45.25

Poverty in Syria is shallow, with relatively low values for the distribution-sensitive measures of P1 and P2. The poverty gap index (P1) was 2.13 per cent, implying an annual poverty deficit per capita of just about SL 30.6 – most poor people were clustered just below the poverty line. Had there existed a perfect targeting of poverty-alleviating transfers, it would have required only about SL 597 million per year to fill the gap between the actual spending of poor households and the poverty line – thus lifting everyone out of poverty. The severity index, P2, was 0.62, which is also relatively low by the standard of middle-income countries. Using the upper poverty line, overall poverty in Syria rises to 30.12 per cent, representing almost 5.3 million individuals. Using other international poverty lines yields consistent results. The \$2 a day international measure also gives a headcount figure in the same range. Finally, there were only about 60,000 people (0.34 per cent) in Syria in 2003-2004 who were poor by the \$1 a day standard.

Table 2.3: Poverty Rates and Inequality Measures for Various Countries

Rank according to Human Development Index	Country	Year of survey	Income of richest 20% to poorest 20%	Gini index	Human Poverty Index	Population below income poverty line of \$2 per day	Population below national income poverty line
90	Jordan	1997	5.9	36.4	7.5	7.4	11.7
91	Tunisia	1995	8.5	41.7	19.9	10.0	7.6
106	Iran	1998	9.7	43.0	16.4	7.3	..
107	Algeria	1995	6.1	35.3	22.6	15.1	22.6
120	Egypt	1999	5.1	37.4	30.5	24.4	16.7

2.3 Regional Distribution of Poverty in 2003-2004

Poverty in Syria is concentrated in the North-Eastern region. Overall poverty masks differences in welfare among regions and among governorates in regions. The poverty is the highest in the North-Eastern region (Idleb, Aleppo, Al Raqqa, Deir Ezzor and Hassakeh governorates). Using the lower poverty line, poverty incidence is highest in the North-Eastern rural region (17.9 per cent), followed by North-Eastern urban region (11.2 per cent). The incidence of poverty is less in the Southern urban region (Damascus, Rural Damascus, Daraa, El Suaida and Al Qunaitra governorates) at 5.8 per cent, (Figures 2.1 and 2.2). Differences in poverty measures across regions are statistically significant. The ranking of regions remains unchanged for other measures of poverty, indicating that not only do poor households in the North-Eastern rural region represent large proportions of their population, but that their expenditure level is far below the poverty line. In general, rural areas in all regions have higher poverty measures than their urban counterparts, with poverty incidence in rural areas between 1.55 to 1.96 times higher than in urban areas.

Table 2.4a: Poverty Measurements (per cent) by Region, using the Lower Poverty Line for 2003-2004

	Poverty Measures			Percentage Shares		
	P0	P1	P2	Poor	Non Poor	All Individuals
Urban						
Southern	5.82	1.23	0.45	9.90	20.62	19.40
North-Eastern	11.16	1.79	0.44	20.33	20.80	20.75
Middle	9.02	1.64	0.46	5.46	7.08	6.89
Coastal	9.34	1.95	0.60	3.07	3.84	3.75
Rural						
Southern	10.67	2.03	0.64	10.38	11.18	11.09
North-Eastern	17.91	3.51	1.01	37.78	22.28	24.04
Middle	11.10	1.81	0.49	8.59	8.84	8.81
Coastal	9.70	1.92	0.57	4.49	5.37	5.27
All Syria	11.39	2.13	0.62	100.00	100.00	100.00

Poverty is still concentrated in rural areas, with extreme poverty relatively low in urban areas (Figure 2.2 and Table 2.4a). Urban areas, with more than 50 per cent of the population share, were found to have only 38.8 per cent of the poor. The regional distribution of poverty is more conspicuous, as 58.1 per cent of the poor in Syria (using the same poverty line) live in one region; the North-Eastern region, which has 44.8 per cent of the total population (Figure 2.1). Moreover, the North-Eastern rural region's poverty share increases with the distribution sensitive measures P1 and P2, reflecting the significant depth and severity of poverty in this region when compared with the others. The results are similar when using the upper poverty line (Table 2.4b). The North-Eastern rural region has the greatest incidence, depth and severity of poverty, where 35.8 per cent of the individuals are poor. This region also exhibits the highest amount of inequality for the poor, as it has the highest poverty gap and severity indices.

Figure 2.1: Distribution of Poor and Non-Poor by Region: (2003-2004) Using the Lower Poverty Line

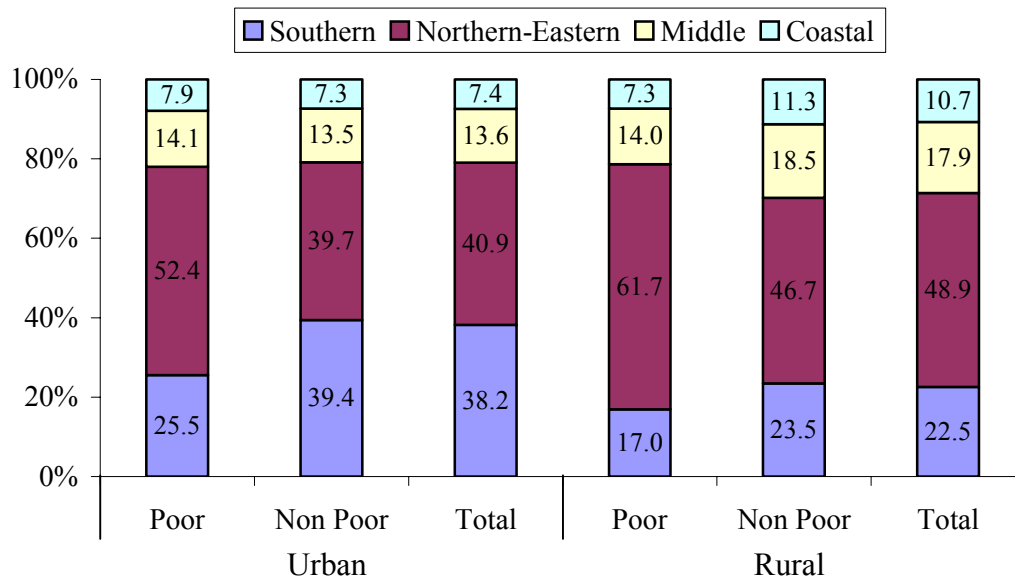


Figure 2.2: Poverty Incidence (%) by Region: (2003-2004) Using the Lower Poverty Line

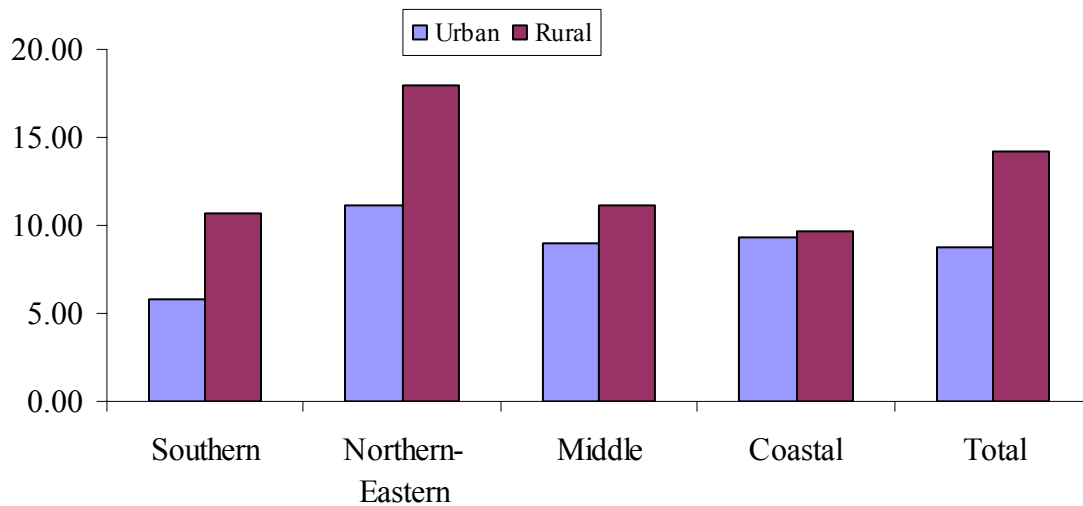
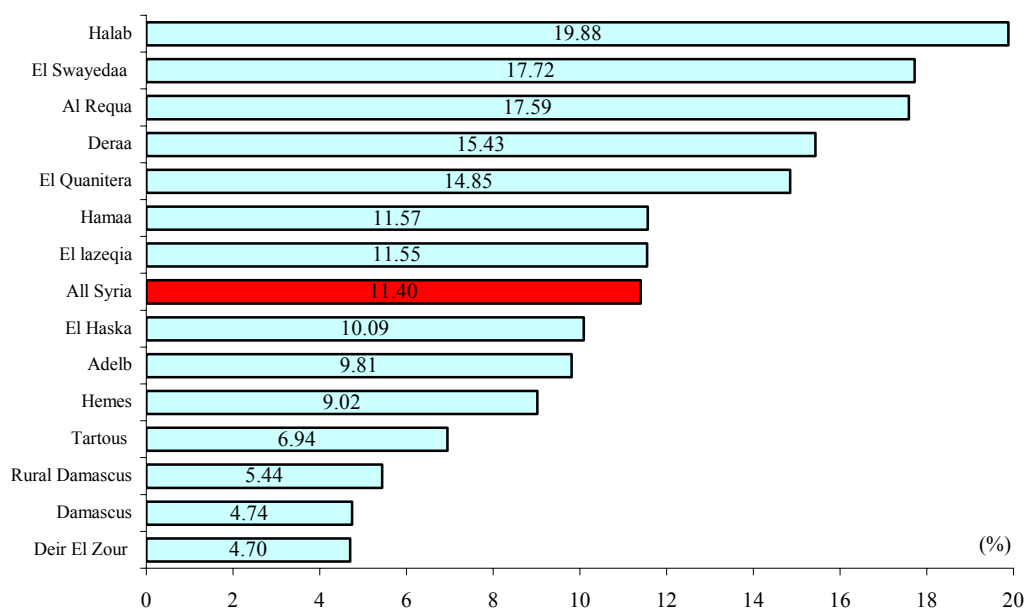


Table 2.4b: Poverty Measurements (per cent) by Region Using the Upper Poverty Line for 2003-2004

	Poverty Measures			Percentage Shares		
	P0	P1	P2	Poor	Non Poor	All Individuals
Urban						
Southern	24.10	5.60	1.98	15.52	21.07	19.40
North-Eastern	33.20	8.35	2.89	22.86	19.84	20.75
Middle	27.68	6.38	2.14	6.33	7.13	6.89
Coastal	26.67	7.53	2.94	3.32	3.93	3.75
Rural						
Southern	26.54	5.95	2.02	9.77	11.66	11.09
North-Eastern	35.75	9.18	3.30	28.53	22.11	24.04
Middle	28.90	6.51	2.11	8.45	8.97	8.81
Coastal	29.88	7.71	2.91	5.23	5.29	5.27
All Syria	30.13	7.39	2.60	100	100	100

While regional differences dominated the poverty map for Syria, there were some differences in poverty between specific governorates within each region. For example, although two governorates in the North-Eastern region had overall the highest incidence of poverty, one governorate in this region, Deir Ezzor, had an incidence of 4.7 per cent, lower than Damascus (Figure 2.3 and Annex Table A.2.1). The governorate of Aleppo is by far the poorest, especially in rural areas, where the poverty level is more than twice the national rural average, and nearly three times the poverty level in urban areas.

Figure 2.3: Incidence of Poverty by Governorate, 2003-2004



2.4 Poverty and Inequality: 1996-2004

Poverty decreased for Syria as a whole between 1996-97 and 2003-04, driven by large increases in per capita expenditures, especially in the Middle region (Table 2.5). At a national level, the average per capita expenditure in 2003-04 was SL 3,541 per month, compared to SL 3,085 in 1996-97 (evaluated at 2003-2004 prices). This represents an annual increase in *real* average per capita expenditure of 1.99 per cent (Figure 2.5). However, growth was not uniform among various regions. Average per capita expenditures declined slightly in rural areas of North-Eastern and Coastal regions (-0.79 per cent and -0.12 per cent, respectively). The annual rate of change in the Middle region for both urban and rural areas was significant, as average per capita expenditure grew by 4.15 per cent and 3.76 per cent, respectively.

Table 2.5: Average and Annual Percentage Change in Per Capita Expenditure by Region, between 1996 and 2004 in 2003-04 Prices

Region	Average expenditure (SL) per capita in 2003-04			Gini coefficient		
	1996/97	2003/04	Annual % growth	1996/97	2003/04	Actual change
Urban						
Southern	3796	4646	2.926	0.334	0.368	0.034
North-Eastern	3036	3775	3.160	0.328	0.383	0.055
Middle	3022	4016	4.147	0.324	0.394	0.070
Coastal	3857	4274	1.480	0.359	0.346	-0.012
Rural						
Southern	3085	3174	0.406	0.332	0.309	-0.023
North-Eastern	2613	2472	-0.788	0.325	0.326	0.000
Middle	2375	3074	3.755	0.327	0.357	0.029
Coastal	3876	3844	-0.118	0.333	0.333	-0.000
Total	3085	3541	1.988	0.337	0.374	0.037

Moreover, within each region, and at the national level, the pace of change in per capita expenditure was not unfairly distributed among the population. However, at the national level, per capita expenditure at the lower percentiles of the expenditure distribution grew at a lower annual rate than the average rate, indicating that growth was not pro-poor. The non-poor benefited more than the poor did from economic growth.

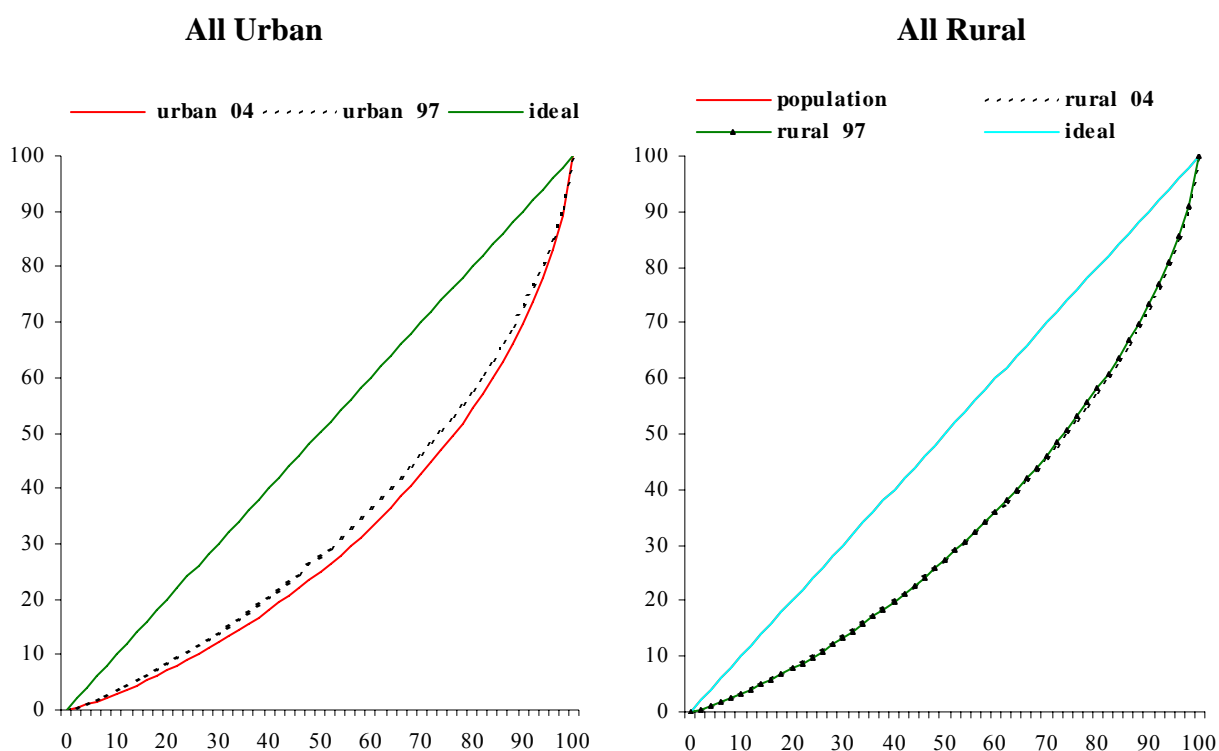
As indicated by Figure 2.5, per capita expenditure of lower percentiles of the expenditure distribution grew at a higher rate than average in the rural Southern region and rural Coastal region, whereas the growth of per capita expenditure of lower percentiles in all other regions was below the regional average. This resulted in a reduction in expenditure inequality in the rural Southern and Coastal regions and in an increase in inequality in all other regions.

Gini coefficients⁵, as summary measures of inequality, in Table 2.5 indicate increases in an inequality per capita expenditure between 1996-97 and 2003-2004: from 0.337 in 1996-97 to 0.374 in 2003-04 (an increase of 11 per cent during the whole period and an annual increase of 1.5 per cent). This pattern of change of distribution occurred in all regions except the urban Coastal and rural Southern regions, which experienced a decrease in their inequality measures (e.g. the Gini index increased from 0.33 to 0.38 in the urban North-Eastern region).

Other measures of inequality, such as coefficients of variation and relative percentage shares of expenditure of the richest to the poorest quintile, indicate similar trends (Annex Tables A.2.5 and A.2.6). Lorenz curves below show that 2003-04 curves are below those of 1996-97 in Urban Areas as well as in All Syria, while curves are almost identical for the two time periods in Rural Syria (Figure 2.4).

Changes in poverty measures can be tracked quite closely by the changes in mean expenditure and the poverty line, together with changes in the Gini index or any other measure of inequality. Typically, when the mean declines and the Gini index rises, poverty increases, and vice versa.

Figure 2.4: Lorenz Curves for 1996-97 and 2003-2004



⁵ It should be noted that the Gini coefficient does not reflect changes in income shares among the upper and lower ends of income distribution.

All Syria

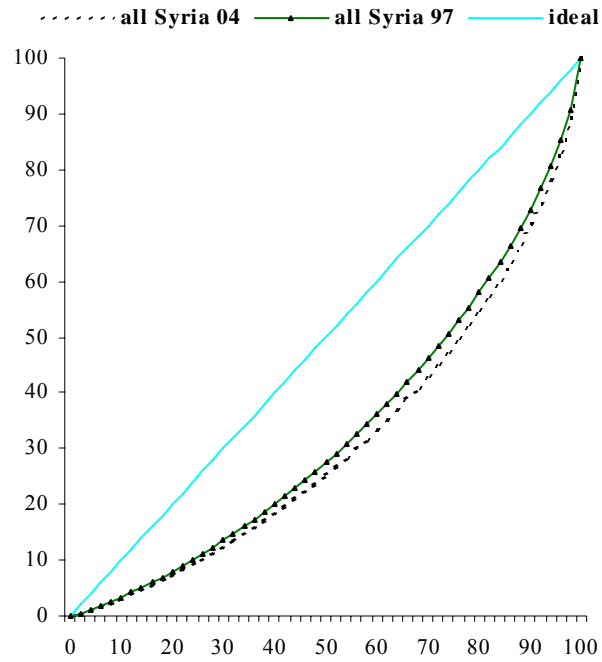
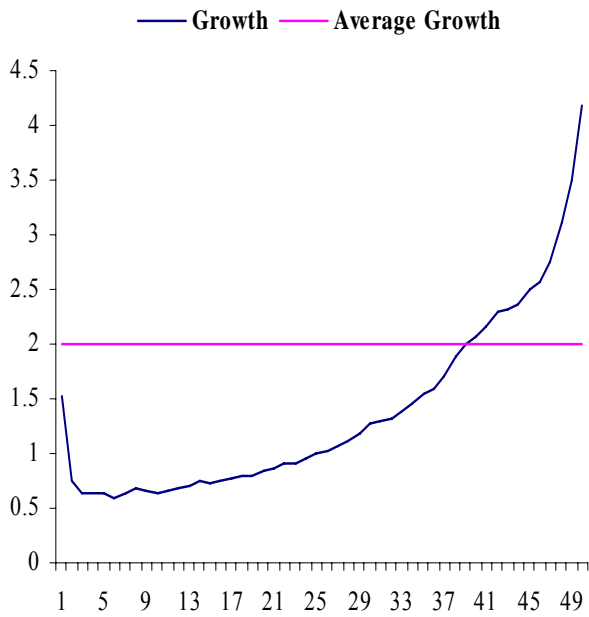
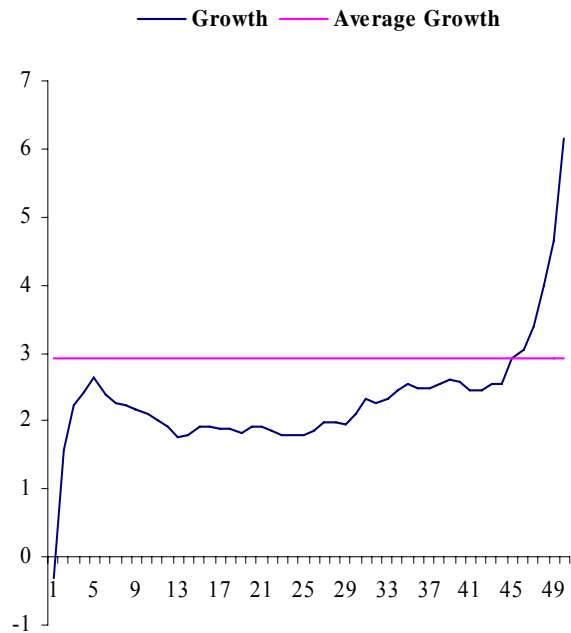


Figure 2.5: Growth in Expenditures According to Expenditure Distribution: 1996-1997 to 2003-2004

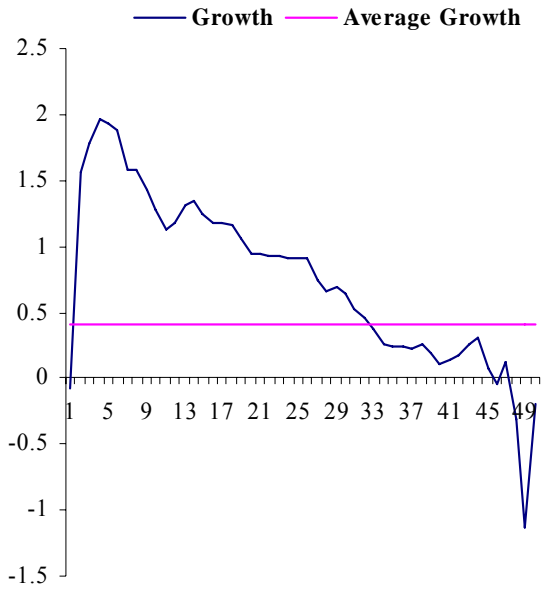
All Syria



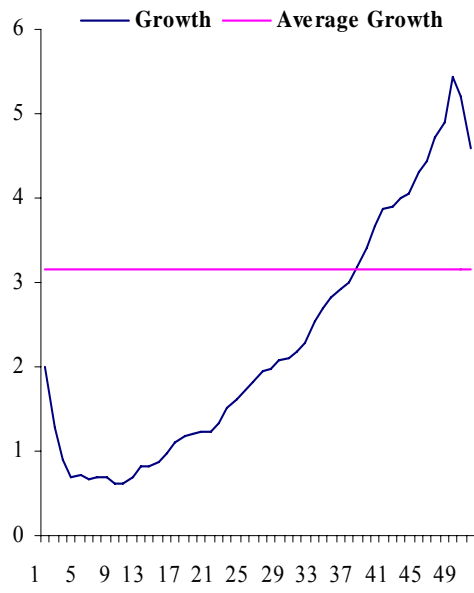
Urban Southern



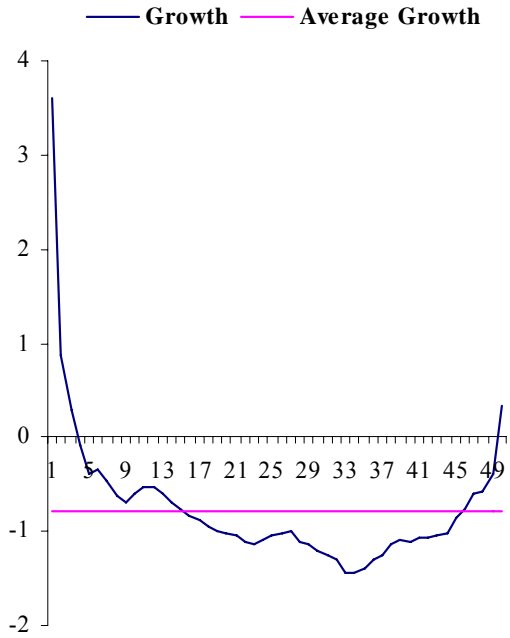
Rural Southern



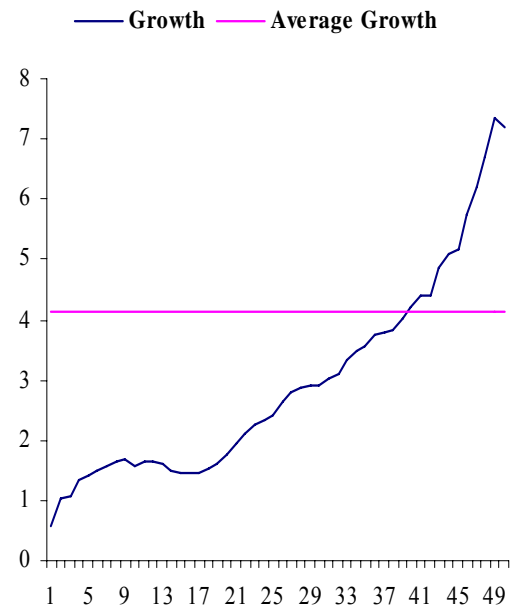
Urban North-Eastern



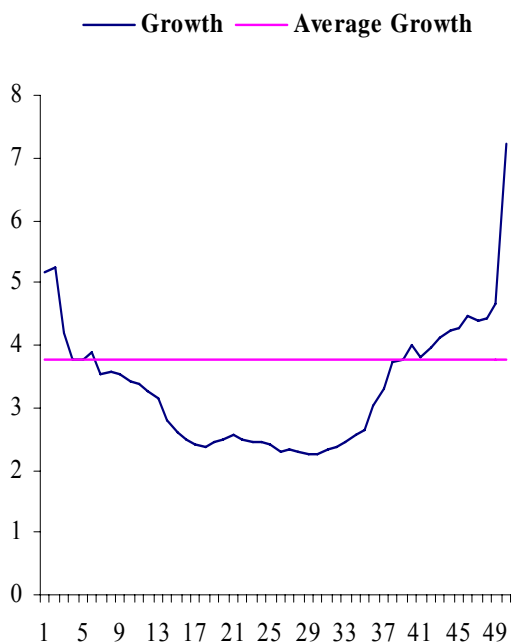
Rural North-Eastern



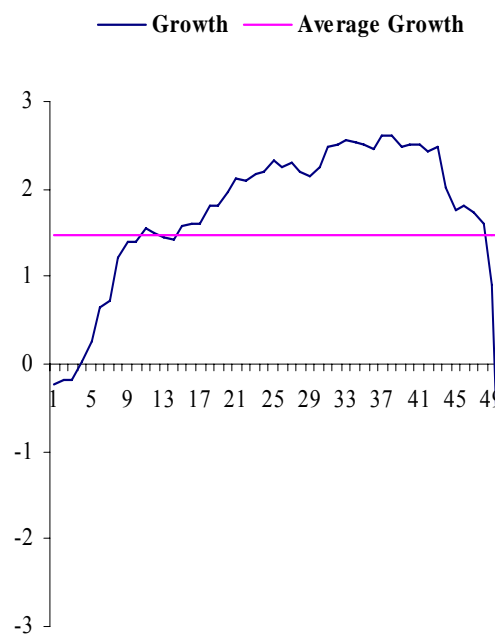
Middle Urban



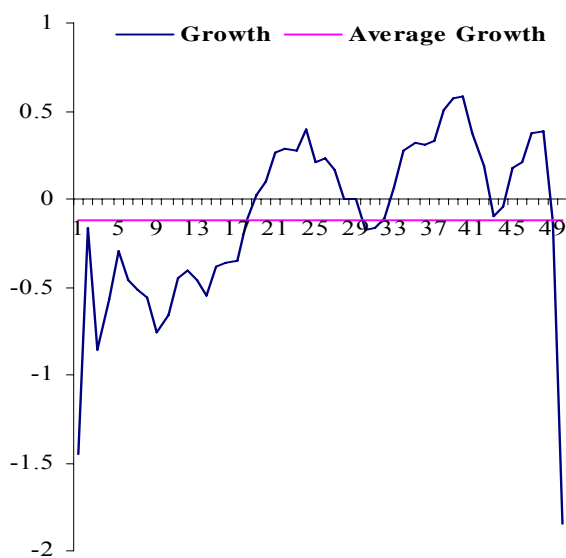
Rural Middle



Urban Coastal



Rural Coastal



Notes: The **horizontal axis** shows the expenditure group arranged in 2 percentile increments from poorest to richest: 1 was the poorest 2 per cent of the region's population; 49 was the second richest group, with expenditures between the 96th and 98th percentiles.

The **vertical axis** shows growth in expenditures for the particular expenditure group between 1996-1997 and 2003-2004, in per cent.

The **pink line** shows the mean growth in expenditures between 1996-97 and 2003-2004 for the region.

2.5 Changes in Poverty 1996-2004

Tables 2.6.a-b below illustrate poverty measurements at the national and regional levels using lower and upper poverty lines, respectively, for the years under investigation. At the national level, all three measurements showed declines during the period 1996-97 and 2003-04. The incidence of poverty decreased from 14.3 per cent in 1996-97 to 11.3 per cent in 2003-04. Reduction in urban areas is more than twice the observed decline in rural areas (-3.9 and -1.8 percentage points, in urban and rural areas, respectively). The poverty gap and severity indices also declined over the period 1996-97 to 2003-2004, indicating improvements in the expenditure inequality of the poor.

Table 2.6.a: Poverty Measurements (per cent) by Region for 1996-97 and 2003-04, Using the Lower Poverty Line.

	1996-1997			2003-2004		
<i>Regions</i>	P0	P1	P2	P0	P1	P2
Urban						
Southern	10.69	2.06	0.61	5.82	1.23	0.45
North-Eastern	13.94	2.55	0.74	11.16	1.79	0.44
Middle	14.80	2.53	0.67	9.02	1.64	0.46
Coastal	11.34	2.17	0.65	9.34	1.95	0.60
Rural						
Southern	15.19	2.89	0.85	10.67	2.03	0.64
North-Eastern	15.24	3.36	1.19	17.91	3.51	1.01
Middle	22.58	5.43	1.91	11.10	1.81	0.49
Coastal	9.52	1.77	0.48	9.70	1.92	0.57
All Syria	14.26	2.88	0.92	11.39	2.13	0.62

Table 2.6.b: Poverty Measurements (per cent) by Region for 1996-97 and 2003-04, Using the Upper Poverty Line.

	1996-1997			2003-2004		
<i>Regions</i>	P0	P1	P2	P0	P1	P2
Urban						
Southern	29.27	7.12	2.51	24.10	5.60	1.98
North-Eastern	33.57	8.13	2.84	33.20	8.35	2.89
Middle	33.05	7.95	2.68	27.68	6.38	2.14
Coastal	29.66	7.29	2.64	26.67	7.53	2.94
Rural						
Southern	35.95	9.19	3.33	26.54	5.95	2.02
North-Eastern	31.64	8.28	3.18	35.75	9.18	3.30
Middle	41.57	12.95	5.49	28.90	6.51	2.11
Coastal	36.49	9.29	3.36	29.88	7.71	2.91
All Syria	33.22	8.53	3.16	30.13	7.39	2.60

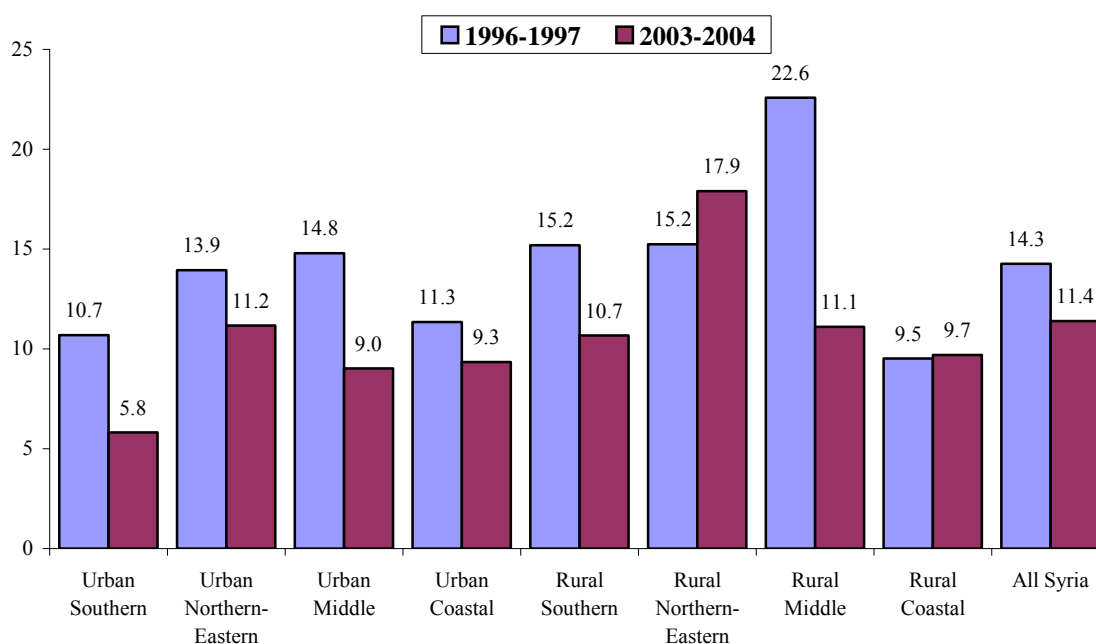
Changes in poverty varied greatly among the regions. Two consistent patterns of poverty evolution in 1996-2004 emerge when the lower poverty line is considered. First, the incidence of poverty increased in the rural areas of the North-Eastern and Coastal regions, especially in the North-Eastern region, (from 15.2 to 18 per cent in the North-Eastern region). The poverty gap and severity indices followed a similar pattern. Second, all other regions experienced declines in their poverty measurements during the 1996-

2004 period, with substantial decreases in poverty measures in the urban and rural areas of the Middle region (from 14.8 to 9.02 per cent, for p0 in urban areas and from 22.6 to 11.1 per cent, in rural areas).

Similar trends in the evolution of poverty can be observed for all regions, as well as at the national level, when using the upper poverty line measurement. In the rural Coastal region there was a slight increase in poverty, when the lower poverty line is measured – however, poverty substantially declined, if the upper poverty line is used. In this region, it seems that the 35th-60th percentile of expenditure distribution experienced a higher change in their expenditure than in the poverty line.

Within regions, change in poverty among governorates generally followed the same patterns as the overall region, with a few notable exceptions. Two governorates in urban Syria saw a worsening in poverty during this period: Daraa (1.3. percentage points) and Latakia (0.11 percentage points). Most governorates in the rural North-Eastern region had a worsening of their poverty measures; the increase in Latakia was significant. (Annex Tables A.2.1 and A.2.3). Finally, in the rural Coastal region, Tartous saw an improvement in its poverty level, but this was outweighed by an almost similar increase in poverty in Latakia. This resulted in an insignificant increase in the incidence of poverty for the rural Coastal region.

Figure 2.6: Poverty Incidence by Region in 1996-97 and 2003-2004



2.6 Growth and Distribution

Poverty measures depend on the level of per capita expenditure and on the distribution of expenditure. Poverty declines when per capita expenditure grows, and it increases when the distribution of expenditure worsens (as marked by when the Gini coefficient or any measure of inequality increases).

It is important to decompose poverty outcomes into changes in the distribution and *growth* of income. By evaluating the impact of growth on poverty, changes can be assessed according to the difference between the two poverty indices of the two periods, if the parameters of the Lorenz curve⁶ have not changed – and the change can be attributed to shifts in the mean per capita expenditure. Conversely, the impact of redistribution of expenditure on poverty levels is the difference between the poverty indices of the two periods. If the mean did not change, then changes would be due to shifts in the parameters of the Lorenz curve.

Table 2.7 presents the results of the breakdown of poverty changes in Syria from 1996-2004, and divides them into growth and redistribution components at both the national and regional levels. There were three distinctly different regional patterns in terms of the distribution of this change in expenditures, causing the large differences in poverty outcomes among the regions (Figures 2.6 and 2.7). First, an increase in per capita expenditures outweighed a worsening of the income distribution. At the national level, for instance, growth was not pro-poor. Non-poor individuals (above the third decile in the expenditure distribution) benefited proportionally more than the poor from economic growth (Figures 2.4 and 2.5). Correspondingly, the Gini coefficient increased quite significantly from 33.7 to 37.4. Thus, with the observed rate of growth, poverty could have dropped by 5.9 percentage points had the distribution of income remained unchanged. However, the reduction in poverty resulting from growth was hampered by an increase in inequality (3.06 percentage points). This was the pattern in all urban regions, except the Coastal region. In the urban Middle region, for instance, an increase in per capita expenditure led to a reduction in poverty level by 15 percentage points, but as the Gini coefficient increased (from 32.4 to 39.4), the net impact of these two opposite directions was a decline by only 5.8 percentage points.

Secondly, the rural Southern and urban Coastal regions had very different patterns of growth, with increases in per capita expenditures occurring with better income distribution, ultimately leading to a decrease in poverty. This pro-poor growth pattern was especially marked in the rural Southern region, where the poorest 10 per cent of the population had an annual increase of 2 per cent in their per capita expenditures, while the richest 10 per cent experienced a decline in their per capita expenditure. The Gini coefficient, correspondingly, fell from 33.2 to 30.9.

⁶ Lorenz curve indicates the relation between cumulative population percentiles and their shares in total expenditure. The horizontal axis represents cumulative population shares, and the vertical axis line represents cumulative expenditure shares. Ideally, if there were perfect equality among population percentiles, then the Lorenz curve would be 45-degree line. The lower the curve deviates from the ideal curve, the more inequality there is in expenditure distribution.

The third pattern, found in the rural North-Eastern region, combined a decrease in per capita expenditures with a worsening of the income distribution – both factors contributing to a worsening of poverty levels.

In summary, the overall decrease in poverty between 1996-1997 and 2003-2004 was driven by growth in per capita expenditure. Although the growth was not pro-poor, it was large enough to outweigh the adverse effect of the worsening distribution of income.

Figure 2.7: Changes in the Gini Coefficient by Region

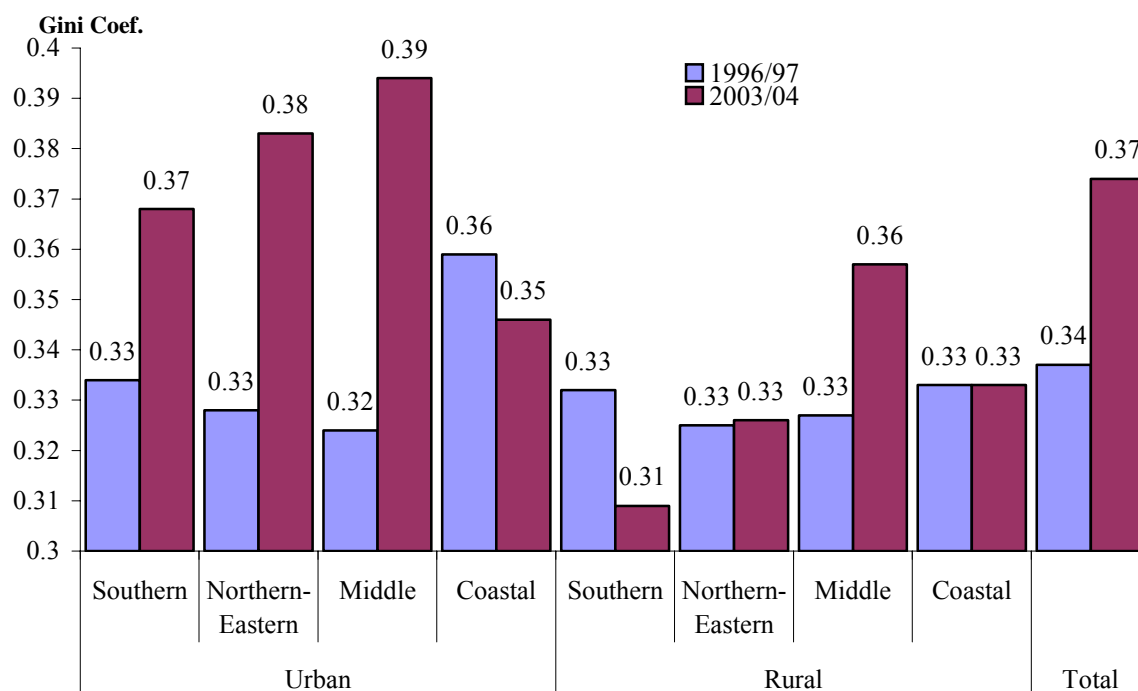


Table 2.7: Growth and Redistribution Decomposition for Poverty Changes by Region, Between 1996-97 and 2003-2004, Using the Lower Poverty Line.

	Growth	Redistribution	Actual (combined effect)
Urban			
Southern	-7.63	2.75	-4.87
North-Eastern	-11.79	9.02	-2.78
Middle	-15.80	10.03	-5.78
Coastal	-1.57	-0.43	-2.00
Rural			
Southern	-1.01	-3.51	-4.52
North-Eastern	2.65	0.02	2.67
Middle	-15.42	3.95	-11.48
Coastal	0.19	-0.02	0.18
All Syria	-5.93	3.06	-2.87

2.7 Growth-Distribution Elasticities

Poverty is relatively shallow in Syria, which implies that even small changes in growth may have important effects on poverty numbers. An increase in growth would pull a large number of people above the poverty line. Likewise, a reduction in growth risks pushing a significant share of the population below the poverty line, leading to potential significant variations in the poverty headcount index. Thus, with a comparatively high elasticity of poverty to growth, a fall in economic growth would adversely affect poverty.

Regions differ not only in their levels of growth, but also in how much a given growth rate can reduce poverty levels. Calculations of the elasticity of poverty to growth – i.e., the percentage change in the poverty rate given a percentage change in mean regional consumption levels – show that poverty in the rural North-Eastern region and the rural Coastal region are considerably less sensitive to growth (Table 2.8). This is consistent with the finding that poverty is deeper in this area.

The relationship of elasticity of poverty measures to changes in the mean expenditure and inequality were estimated. The elasticity of poverty rates to the mean expenditure and to the inequality index were less (in absolute terms) for the rural North-Eastern region, followed by the urban Coastal region, where poverty was highest. As a result, *even if* the rural North-Eastern region could have achieved the same growth rates as the Middle region, poverty would not have been reduced to the same degree (Table 2.8).

Table 2.8 Growth and Distribution Elasticity

	Growth Elasticity	Distribution Elasticity
Urban		
Southern	-5.923	10.625
North-Eastern	-3.498	5.583
Middle	-4.033	6.896
Coastal	-3.089	5.209
Rural		
Southern	-3.543	3.953
North-Eastern	-2.761	2.579
Middle	-3.996	5.424
Coastal	-3.547	5.061
All Syria	-2.956	4.223

The rural North-Eastern and urban Coastal regions had the lowest poverty elasticity, not only in terms of changes in mean expenditure, but also for changes in inequality. This implies that the impact of growth in expenditure or in improvement in inequality was smaller compared to other regions. This means that for every one percentage point of growth in mean expenditure, the headcount index would decline by only -2.76 per cent in the rural North-East, as opposed to 5.9 per cent in the urban South. Improvements in inequality have had the smallest impact in the rural North-East, and the highest impact in the urban South. To illustrate this point: poverty would decline by -10.6 in the urban Southern region if inequality were improved by one percentage point. If the same degree

of improvement in inequality occurred in the rural North-Eastern region, poverty would have declined by only -2.58 per cent. This could explain the change in poverty between 1996-97 and 2003-2004, as previously described.

Chapter Three

Poverty Profile

Education is the single characteristic with the strongest correlation to poverty risk in Syria. More than 18 per cent of the poor population was illiterate, and poverty was highest, deepest and most severe for these individuals. Poverty was inversely correlated with educational attainment, so that even a moderate improvement in education could reduce the ranks of the poor. Differences in the poverty headcount with respect to educational status were wide. In urban areas, the poverty headcount ranged from 11.7 per cent among illiterate persons to only 1.5 per cent among university graduates. The corresponding rates in rural areas were 16.5 per cent and 5.0 per cent. Poverty perpetuated the lack of education, leading to a vicious cycle of poverty and low education. The proportion of illiterate individuals with an illiterate head of household was 52 per cent for the poor and 49 per cent for the non-poor. Poverty interacted with gender to produce large gaps in educational enrolment among the poor, with poor girls less likely to be in school.

Occupationally, the highest poverty rates were among those self-employed in marginal and unskilled activities, or those who were unpaid workers. Agriculture and construction were over-represented (compared to their population share) within poor groups. Moreover, the poor were more likely to work in the informal sector, which employed 48 per cent of the poor. Unemployment rates correlated with poverty, as poverty incidences for the unemployed was higher than average in urban areas.

Heads of households who were widowed with children were very likely to be poor, and thus could be a targeted vulnerable group.

In Syria, as in other countries, larger families were more likely to be poorer than smaller ones. Child labour was more prevalent in poor households, and thus in poorer regions. For urban areas, 2.52 per cent of children aged 6-15 years were working.

Poverty status did not greatly affect access to most urban public services. For example, the main source of drinking water for the poor in all urban regions was the public water grid. Access to sanitation, however, was very low for poor households – only 29.4 per cent of the poor lived in houses that were connected to the sewer system.

3.1 Scope of Analysis

Defining the characteristics of the poor in Syria is an essential first step toward an appropriate poverty reduction strategy. Low income is not the only feature of poverty. Poverty is often associated with malnutrition, higher incidence of child mortality and morbidity, lower education levels, poor housing conditions and/or limited access to basic services of water and sanitation. The distribution of welfare in Syria should therefore focus on the actual numbers of the poor, in addition to the characteristics of those populations that fall below a given poverty line. This analysis is of particular value to policy makers entrusted with the design and targeting of poverty alleviation strategies.

This chapter will provide a profile of the poor in terms of educational attainment, employment characteristics, demographic characteristics, housing conditions and their income sources.

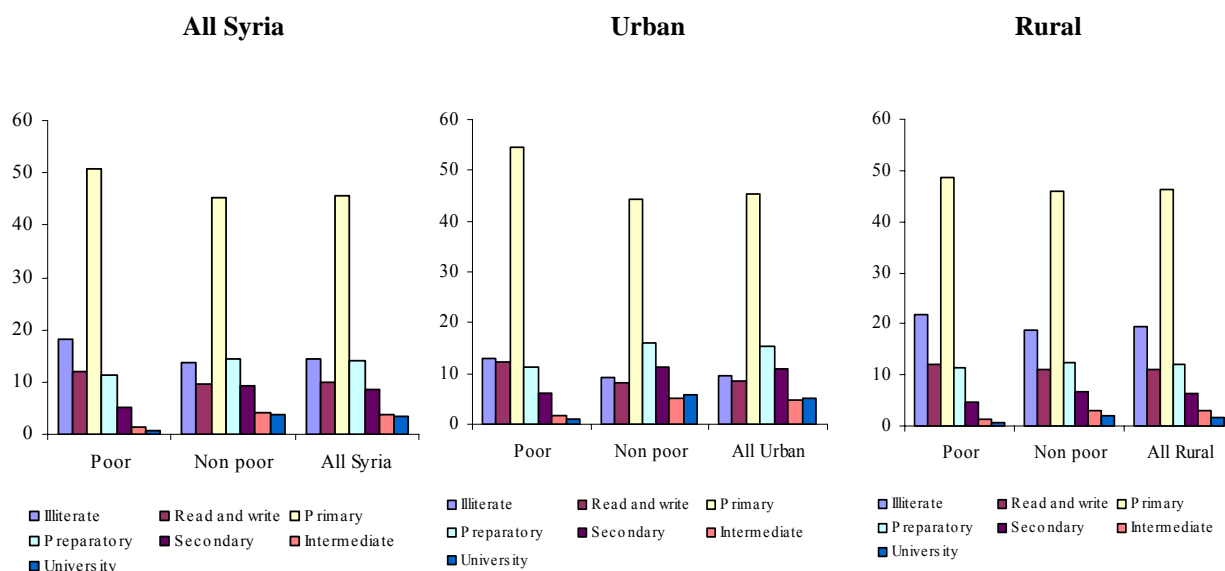
3.2 Education and Poverty

The correlation between education and welfare has important implications for policy, particularly for the distributional impact. This sub-section discusses the educational characteristics of the poor in terms of their educational attainment.

3.2.1 Educational Attainment

In 2003-2004, two-thirds of the population in Syria had a basic education or lower (grades K-9). The proportion of illiterate individuals (aged ten years and above) in the total population of Syria was 14 per cent. Moreover, 55.7 per cent were able to read or had a primary education, 8.7 per cent had completed a secondary level of education (grades 9-12) and only 3.5 percent were university graduates (See ‘All Syria’ in the first panel of Figure 3.1, Annex Tables A.3.1 and A.3.2). This pattern was more pronounced for the educational levels of the heads of households (Tables 3.1.a and 3.1.b).

Fig 3.1: Individual Educational Profile, 2003-2004



Significant variations appear between urban and rural areas, with a larger proportion of illiteracy in the poor rural areas, and a lower proportion in the relatively better-off urban areas. Specifically, the incidence of illiteracy among individuals reached 19.3 per cent in the rural areas, while the rate was only 9.7 per cent in urban areas. How is this educational pattern reflected in the households’ standards of living?

It is clear that poverty is inversely correlated with educational attainment, so that even a moderate improvement in education could reduce the ranks of the poor. The great

majority of the poor had only a primary level education or no education at all – 81.3 per cent of the poor had a basic education or less, while less than one per cent had a university education. In Figure 3.1, the panel ‘All Syria’ shows that while the profile of the non-poor was similar to that of the entire population, there was a remarkable difference in the profile of the poor.

There were significant regional variations in educational attainment and its correlation with poverty. The ‘Urban’ panel of Figure 3.1 shows that the similarity between the general profiles of the non-poor and the entire population are quite similar – with the profile of the poor significantly biased toward the lower levels of education. Gaps in educational attainment between the poor and non-poor are larger in urban areas than rural areas. As indicated by the ‘Urban’ panel of Figure 3.1, the proportion of poor individuals with a primary education or less is 80 per cent, while the corresponding figure for the non-poor is 62 per cent. The ‘Rural’ panel in Figure 3.1 shows an interesting contrast for rural Syria – while there was a higher proportion of illiteracy among the poor, the general profiles of the poor and non-poor do not differ very much. Perhaps the most striking feature, however, is the magnitude of the differences between poverty groups, relative to the magnitude of the regional gaps: urban/rural gaps are in general much larger. Essentially, education seems to be a weaker cause of poverty in rural Syria.

Table 3.1.a: Educational Attainment by Poverty Status for All Syria, 2003-2004

	Read and						No. of	
	Illiterate	write	Primary	Preparatory	Secondary	Intermediate	University	Individuals
(a) Individuals								
Poor	18.31	12.10	50.86	11.44	5.11	1.46	0.72	14377
Non-poor	13.75	9.61	45.10	14.25	9.11	4.24	3.94	110148
All	14.28	9.90	45.76	13.92	8.65	3.92	3.57	124525
(b) Household Heads								
Poor	26.40	12.26	44.18	8.45	3.90	2.86	1.95	19753
Non-poor	15.17	9.40	42.34	11.61	7.72	5.92	7.83	153577
All	16.45	9.73	42.55	11.25	7.29	5.57	7.16	173330

Source: Annex Tables A.3.1 and A.3.3

Table 3.1.b: Poverty Measurements by Educational Attainment for All Syria, 2003-2004

	Illiterate	Read and write	Primary	Preparatory	Secondary	Intermediate	University
(c) Individuals							
P0	14.80	14.11	12.83	9.49	6.82	4.31	2.34
P1	2.91	2.65	2.37	1.89	1.30	0.76	0.38
P2	0.87	0.76	0.67	0.61	0.43	0.22	0.10
(d) Household Heads							
P0	18.29	14.36	11.83	8.56	6.10	5.85	3.10
P1	3.80	2.64	2.13	1.56	0.91	1.00	0.58
P2	1.24	0.72	0.60	0.46	0.22	0.28	0.17

Source: Annex Tables A.3.2 and A.3.4

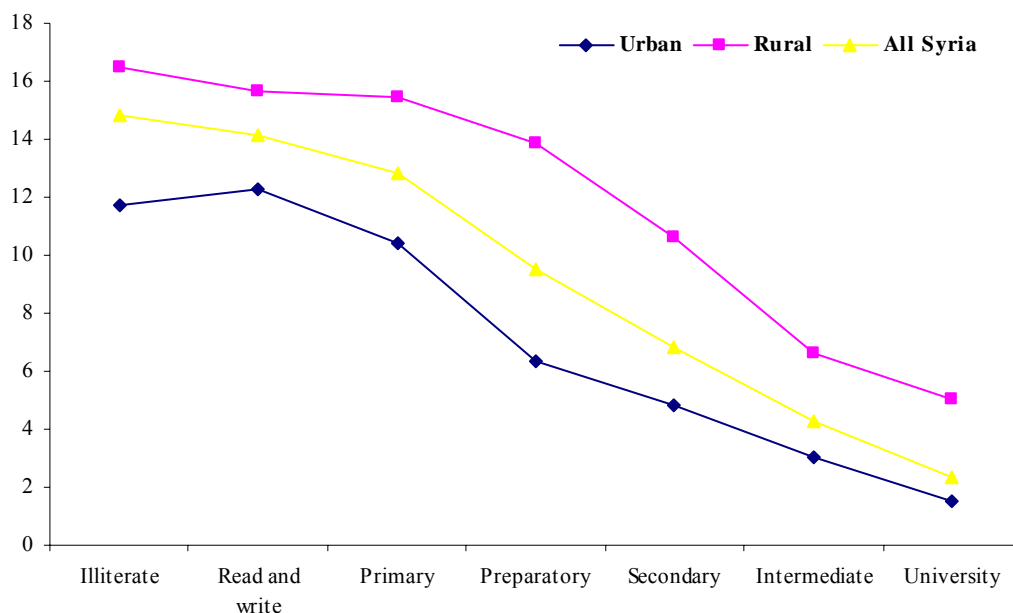
Education played a more important role in urban areas for obtaining an adequate income and thus averting poverty. Poverty was highest, deepest and most severe for illiterate individuals and for those with illiterate household heads (Figure 3.2, Annex Table A.3.2) at every regional level. Poverty measures for the illiterate exceeded the national average by one third in all urban regions, although they are higher by only 10 per cent in rural regions. This pattern between education and poverty is more pronounced for the education levels of the head of household, where poverty incidence for illiterate household heads was almost double average poverty rates in urban regions. In rural regions, it was higher by nearly five percentage points than average (Annex Table A.3.4).

There was considerable progress in reducing illiteracy, with a 4 per cent decline in illiteracy rates between 1996-97 and 2003-2004; however, the decline was neither uniform across regions, nor between the poor nor non-poor within urban and rural regions. Urban Syria experienced the largest decline, where illiteracy rates decreased by 36 per cent. But in rural Syria, the drop was only 18 per cent. Moreover even in rural areas, the improvements in the educational level of the non-poor were larger than average. In the urban areas, the illiteracy rate dropped by 32 per cent within poor groups, while the corresponding figure for the non-poor was 35 per cent. Poor individuals in rural areas, who have the highest illiteracy rates, experienced the lowest percentage change, with a decrease in illiteracy of only 7 per cent, representing only 1.6 percentage points (Annex Table B.3.1).

The strength of the effect of education on poverty changed during the observed time periods, with significant regional variation. While the general relationship between poverty measures and education levels for 1996-97 was similar to that of 2003-2004, the effect of education on reducing poverty in urban areas was weaker in the earlier time period. In these regions, therefore, better-educated individuals were relatively 'more rewarded' in 2003 than in 1996-97. In rural areas, weaker rewards from education were partly responsible for the relatively worse performance in poverty reduction over the time period.

There was a strong relationship between the educational status of the head of household and that of household members. The effect was slightly larger for the poor. At the national level, 42 per cent of illiterate individuals (and 36 per cent of illiterate poor individuals) belonged to households whose head was illiterate. Individuals at every other level of education, (except basic), lived in households whose heads had the same educational attainment (Annex Tables A.3.5.1 and A.3.5.2). There were significant differences in the percentages of matched educational status between the poor and non-poor (with a higher percentage in the illiterate category for the poor when compared to the non-poor, and lower percentages in every other category).

Figure 3.2: Poverty Incidence by Individual Education Levels, 2003-2004



3.2.2 Causal Nexus and the Poverty Trap

Poverty perpetuated the lack of education, leading to a vicious cycle of poverty and low education. Such relationships help explain how poverty is transferred from one generation to the next. A typical scenario can be described as follows: Starting with a household whose head is illiterate and has no productive assets, the path can be traced through to his children. The children are very likely to be malnourished – more a consequence of the parents’ ignorance than the unavailability of adequate food, as well as the result from their poor sanitary conditions. These children are more prone to disease, which further diminishes their physical capabilities. They also have no place in formal schools. Even if they enter the public school system, due to the constrained economic conditions of their households, they will soon drop out to join the labour market. Under these circumstances, many of them will likely be illiterate and, in the absence of adequate vocational training facilities, these children will possess limited or very poor skills. The cycle is completed when children marry spouses with the same characteristics. Thus the poverty level is perpetuated across different generations. Given this scenario, it is clear that education is a very powerful, though not the only, instrument which can enable individuals to break the cycle of poverty.

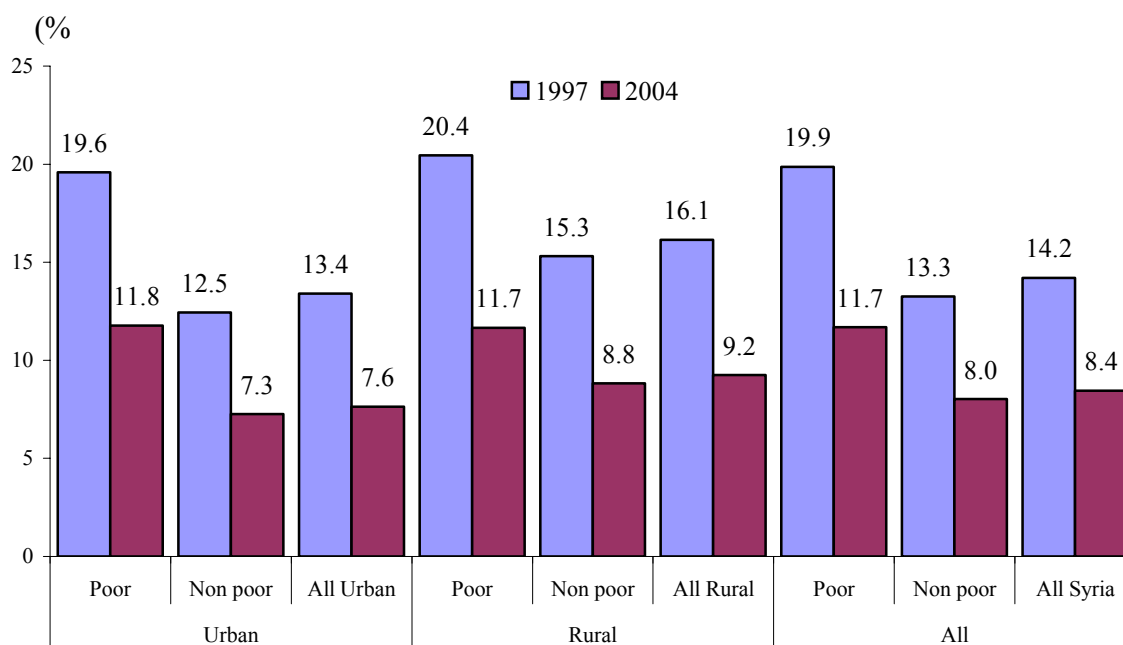
In Syria, the proportion of individuals with primary education or less, living with illiterate household heads, was 92 per cent for the poor and 89 per cent for the non-poor – indicating that even if a non-poor head of household was illiterate, household members would have a greater chance of being educated than were they poor. Moreover, the proportion of those with a secondary education was 19 per cent in poor households whose heads had a secondary education, and 29 per cent for non-poor ones. The differences in proportions were even larger when looking at university education, with 14 and 27 per cent respectively. This shows that poverty inhibits the transmission of education. This is likely partially due to children dropping out of school early to join the labour market.

3.3 Employment and Poverty⁷

The poor had lower labour participation rates than did the non-poor overall. In urban areas, the labour participation rates were 37.5 per cent and 39.5 per cent for the poor and non-poor respectively. In rural areas there was no difference in labour participation rates between the poor and non-poor (44 per cent). The lack of ability of household members to participate in income-generating activities partly provides an explanation for poverty. However, the fact that the poor have similar participation rates as the rest of the population implies that it is not the lack of work opportunities, per se, that causes households to be poor, but rather the amount of income generated by the occupations of the poor. This could be due to the lower remuneration per unit time of work of the poor, as well as the seasonal or occasional nature of work. As illustrated by Annex Table A.3.19, on average, the poor work more hours per week and more days per week, yet receive lower wages, (average wage for the poor represents about 80 per cent of the average wages received by the non-poor).

Unemployment rates correlated with poverty for Syria as a whole. The poor in both urban and rural areas experienced higher unemployment rates. The unemployment rate for the poor reached 12 per cent in both urban and rural areas in 2003-2004, while the corresponding rates for the non-poor ranged from 7.4 per cent in urban areas to 9 per cent in rural areas, (Figure 3.3 and Annex Tables A.3.9 and A.3.10).

Figure 3.3: Unemployment Rate by Poverty Group, 1996-97, 2003-2004

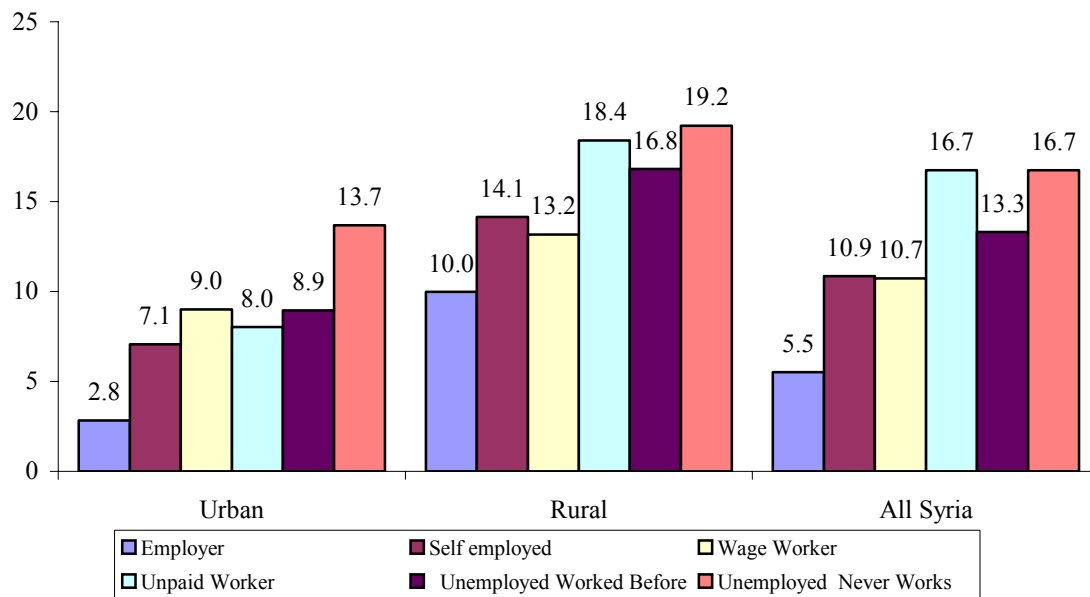


⁷ This section is based on results detailed in Annex Tables A.3.6 through A.3.18 for 2003-2004, and Annex Tables B.3.1 through B.3.9 for 1996-97.

The wage earners category dominates other employment categories for both poor and non-poor groups. The majority of employed individuals in 2003-2004 were wage earners (49.3 per cent for all of Syria). The incidence of wage employment is higher in urban regions than in rural regions (58.4 per cent in urban areas versus 40 per cent in rural areas, Annex Table A.3.9). Conversely, the categories of self-employed – hiring or not hiring other persons – and unpaid workers are more common in rural areas. This may be the result of rural residents engaging primarily in agriculture. In rural areas, unpaid labour represented about one-fifth of the rural population in 2003-2004, and more than a quarter of the rural poor. Unpaid workers and the unemployed groups are the categories most stricken by poverty.

In 2003-2004, the incidence of poverty was the highest among unemployed persons in urban areas, and among unemployed individuals and unpaid workers in rural areas. Specifically, the incidence of poverty among unemployed persons is more than one and a half times the incidence among all of the urban population. By contrast, those self-employed who did hire others (and thus, by implication, were successful enough to run larger operations) were among the least poor in both urban and rural areas – with only 3 per cent of them being poor in urban areas, and 10 per cent in rural areas.

Figure 3.4: Incidence of Poverty (%) by Employment Status, 2003-2004



In general, wage earners were less poor. For Syria as a whole, 10.7 per cent of wage workers were poor, compared to 11.4 per cent of the population. Moderate improvements can be observed when comparing the participation rates of 2003-2004 with those of 1996-1997: the overall participation rate increased by three percentage points for the poor and by only one percentage point for the non-poor.

Though the participation rates for both the poor and the non-poor remained unchanged during the period 1996-2004 in urban areas, there were large increases in participation rates for the same period in rural areas – 6.6 percentage points for the poor and 4.4 percentage points for the non-poor.

Unemployment rates fell between 1996-97 and 2003-2004 for Syria as a whole, in both urban and rural areas. Overall, the unemployment rate was about 8.6 per cent in 2003-2004⁸, down from 13.4 per cent in 1996-97. But the pace of rate change was not homogeneous across poverty groups. At the national level, the poor experienced the largest drop, in terms of percentage points (unemployment rate among the poor declined by eight percentage points compared to only five percentage points for the non-poor). A similar pattern of change was observed in urban and rural areas, (Annex Table B.3.3).

The ‘wage earner’ category among the poor declined during the period 1997-2004, with the category of ‘self employed and working alone’ absorbing most of the increase in the participation of the labour force. However, changes in the shares of the category of ‘self-employed working alone’ are larger among the poor than the non-poor, and among the poor in urban regions than in rural regions.

Considering the relationship between poverty and employment status of the head of household (Annex Tables A.3.11 and A.3.12), a similar pattern can be observed. The wage earner category is the most common employment category, followed by the self-employed category, in both urban and rural areas. Individuals living in households with working heads represented 90.43 per cent of the total population, with the percentage being higher in urban than in rural areas, and higher for the poor than with the non-poor. Households with the head of household in the self-employed (without hiring others) category contributed to 44 per cent of the poor, with smaller shares in urban regions than in rural regions. Since this category is much less lucrative than formal employment, it is not surprising that this percentage negatively correlates with welfare levels. It implies that income from self-employment is relatively small, even with another household member’s labour.

3.3.1 Poverty Distribution by Sector of Employment

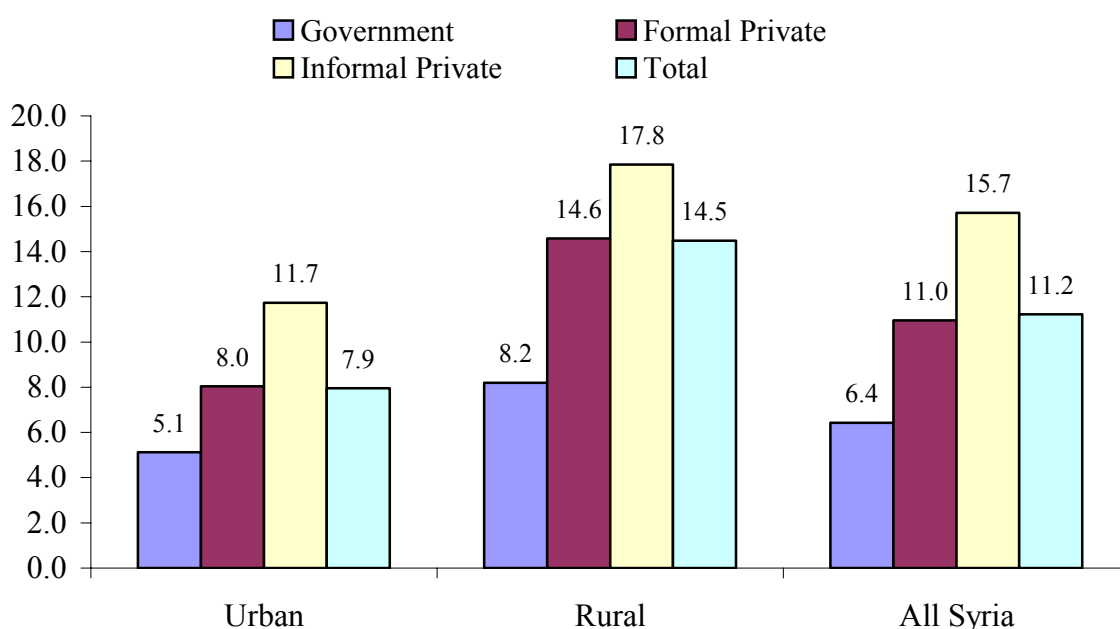
Although employment was dominated by the private sector in 2003-2004, especially in the rural areas, private sector workers were also more likely to be poorer than public workers (Figure 3.5). At the national level, 44.4 per cent of employed individuals worked in the formal private sector, 30 per cent in the informal private sector and 25.5 per cent worked for the government. Private sector employment was more prevalent in the rural areas: 78 per cent of all employment, and only 70 per cent in the urban areas. In contrast, the urban areas had the highest share of government and public sector work: 29.5 per cent

⁸ Although the data on participation rate, economic activities and type of employment derived from HIES 2003-2004 agrees to a large extent with data from the Employment Survey 2003, the unemployment rate derived from HIES is much smaller than that of the Employment Survey. This may be due to different sampling procedures, different survey duration (data of HIES was collected for one year while the data of the Employment Survey was collected during a three month period of 2003), and most importantly, to different definitions of employment.

of all employment. Since most government and public sector jobs were in urban areas, government employment was not relevant in determining (or reducing) the extent of rural poverty (Annex Table A.3.17).

Employment in the government or in a government-owned corporation (public sector) exhibits a clear correlation with welfare level. Only 6.4 per cent of individuals employed in the government are found in poor households, and their contribution to national poverty is far less than their representation in the sample; they contributed to 14 per cent of the poor, while representing 25.5 per cent of all employed persons. Individuals employed in the formal private sector were equally distributed between the two poverty groups (poor and non-poor). Conversely, the informal private sector seems to be the only sector of employment for the poor, as it provides jobs to the uneducated and unskilled – the main characteristics of the poor. Thus, 48 per cent of the poor in rural areas and 31 per cent of the urban poor work in the informal sector.

Figure 3.5: Incidence of Poverty by Sector of Employment



At the regional level, government employment is shown to be more remunerative than private sector employment, and hence poverty levels among government employees were the lowest. Private sector employment is particularly important in all rural regions, where large agricultural operations employ local residents. Within each region, whether urban or rural, all poverty measures are highest for persons employed in the informal private sector, than in all other sectors of employment.

Between 1996-1997 and 2003-2004, the share of government employees fell by about two percentage points, (Annex Table B.3.7). This was mostly due to a decline of government employees in rural areas, although the share of government employees in

urban areas declined slightly as well. The poor in both areas experienced the largest decline (by three and seven percentage points, in urban and rural areas, respectively). Agricultural activities are dominant in rural areas (46.2 per cent), while services, manufacturing, and trade activities represent 71 per cent of the labour force in urban regions. However, a non-negligible fraction of the population in urban areas (4 per cent) is engaged in agricultural activities.

At the national level, the poor were over-represented in agriculture and construction. To some extent, they were also over-represented in manufacturing activities. About 38.3 per cent of the working poor were engaged in agriculture activities (compared to 25.3 per cent for the entire population) and poverty incidence was by far the highest, at 17 per cent, in agriculture. Agriculture and construction were over-represented within poor groups, while individuals with social service activities and bankers had larger shares in the non-poor group than their shares in the general population. Moreover, poverty measures were also high for individuals in construction activities.

Additionally, regional disaggregation shows that in both urban and rural areas, the poor were primarily engaged in agricultural and construction activities. In urban regions, the largest contribution to overall poverty was for manufacturing and construction activities. Together, these activities accounted for 50 per cent of the working poor, and were the most eligible activities for poverty alleviation in the urban areas. Agricultural activities were also over-represented among the poor in urban regions. In rural regions, agricultural activities accounted for 56 per cent of the poor. Agricultural activities, followed by construction activities, showed the highest incidence, depth and severity of poverty (Annex Tables A.3.13 and A.3.14).

Poverty indices for different activities of household heads, presented in Annex Tables A.3.15 and A.3.16 showed a similar pattern as those observed for individuals, at the national and regional levels. However, employed heads were more represented in construction and trade activity and less represented in agriculture and manufacturing activities, compared to employed persons at large.

3.3.2 Regularity of Income

Although we cannot offer evidence about invisible underemployment, or low-productivity, we can offer some evidence regarding the prevalence of visible underemployment among the poor, compared to the non-poor. Underemployment is defined as working in temporary, seasonal or casual work, for lower wages. As shown in Annex Tables A.3.39.a and A.3.39.b, at the national level 75.7 per cent of employed individuals have permanent work, 11.7 per cent have temporary work, 2.6 per cent have seasonal work and 10 per cent have casual work. Individuals with permanent jobs are less represented among the poor compared to non-poor (by 15 percentage points in urban areas and 12 percentage points in rural areas). Casual workers constitute 22 per cent of poor employed persons in urban areas and 14 per cent in rural areas. Characteristically, they are more likely to be represented in the poor groups, especially in urban areas. Seasonal work is more common in rural areas, and among the poor compared to the non-poor, where one-fifth of the labour force is seasonal workers. The risk of poverty of a

person engaged in irregular work is almost double the risk for the population as a whole, and double as well of regularly employed individuals.

The poor work more hours and days per week, on average, especially in urban areas, and face a lower return from their labour. They obtain a lower income, per unit time for their labour, as wages of a poor person represent about 80 per cent percent of the wages of a non-poor person, (Annex Table A.3.19). This confirms the above observation that problem of the poor is under-employment.

Income security is one of the main concerns of people in general and of the poor in particular. One way of distinguishing the levels of well being, as expressed by the poor, is the 'type of job', with a special emphasis on regularity/irregularity of income as a distinguishing parameter for placing people in well being categories. Again this latter factor is an important attribute to people's perception of security, which determines who is rich and who is poor. In Syria, only 27.7 per cent of employed individuals participated in a system of social security or pension plans (Annex Table A.3.19). Since the participation in those programs is closely related to working in the formal sector, the percentage of participants among the poor in Syria is lower than among the non-poor. The rate of participation for the non-poor is twice as high as for the poor, reflecting the vulnerability of the poor against any economic shock. This is also true for both urban and rural areas, with a higher percentage in urban areas.

As most of the poor were self-employed in the agricultural sector, wage policies enacted by the government and public enterprise sectors may have little impact on poverty. Likewise, legislation regarding minimum wages paid by private employers would affect only a fraction of the poor. Still, policies to reduce poverty must be aimed at self-employed workers in agriculture, particularly in rural areas.

3.4 Households Size, Composition, and Poverty

In Syria, as in other countries, larger families are more likely to be poorer than smaller ones. Even though some goods may be shared among household members, larger families have fewer resources per capita in absolute terms. The poor also tend to support a proportionally higher number of the young population than the non-poor.

Poverty measures correlate strongly with household size. Practically no one in a household of only one person is poor. Poverty rates increase as the household size increases, reaching about one quarter of individuals living in households of more than 10 persons (Annex Table A.3.21). The majority of the poor live in households with seven to nine people, (44 per cent). The non-poor live in smaller households, with 43 per cent of them in households with four to six persons. Since households in rural areas are larger, it is not surprising that poverty is higher in rural areas.

Annex Table A.3.22 provides basic information on household size by poverty status, and for the population as a whole. It is evident that a poor person typically lives in a bigger household than the overall average. The differences account for 2.45 persons per

household. Rural areas have the largest household size for both the poor and non-poor, and the poverty gap is wider than the urban/rural gap.

Moreover, poor households have a relatively larger number of children and fewer members in the working age than the national average (the average number of children in poor households living in urban areas is 3.25, versus 1.9 for non-poor households). Households with more than three children are at greater risk of being poor. About 53 per cent of the poor live in households with more than three children. This risk is more apparent in rural areas.

Finally, the average Syrian household has become slightly smaller, declining from 6.79 members in 1996-97 to 5.82 members in 2003-2004, (Annex Tables A.3.20 and B.3.9).

3.5 Gender and Poverty

It is difficult to distinguish between gender influences on poverty at the individual level; therefore, the analysis here is carried out at the level of heads of household. Analysis at the level of male and female-headed households can provide some, though partial, insights to differences across gender.

For Syria, female-headed households (FHH) represent a small proportion of total households: 8.4 percent of households were headed by females in 2003-2004, (with 5.82 per cent of individuals). They have lower poverty incidences and poverty gaps than male-headed households (MHH). The difference was about two percentage points in both urban and rural areas. This rather surprising result may partly be due to the fact that female-headed households were relatively rare in Syria. The majority, (68 per cent) by far, were widows, many of whom may have been older and thus had a greater command over assets than the general population.

The incidence of poverty was smaller among female-headed households in both urban and rural areas, where the incidence in rural areas was twice as large as in urban areas. The poverty gap and severity of poverty indices were slightly lower among FHH than MHH (Annex Tables A.3.23 and A.3.24).

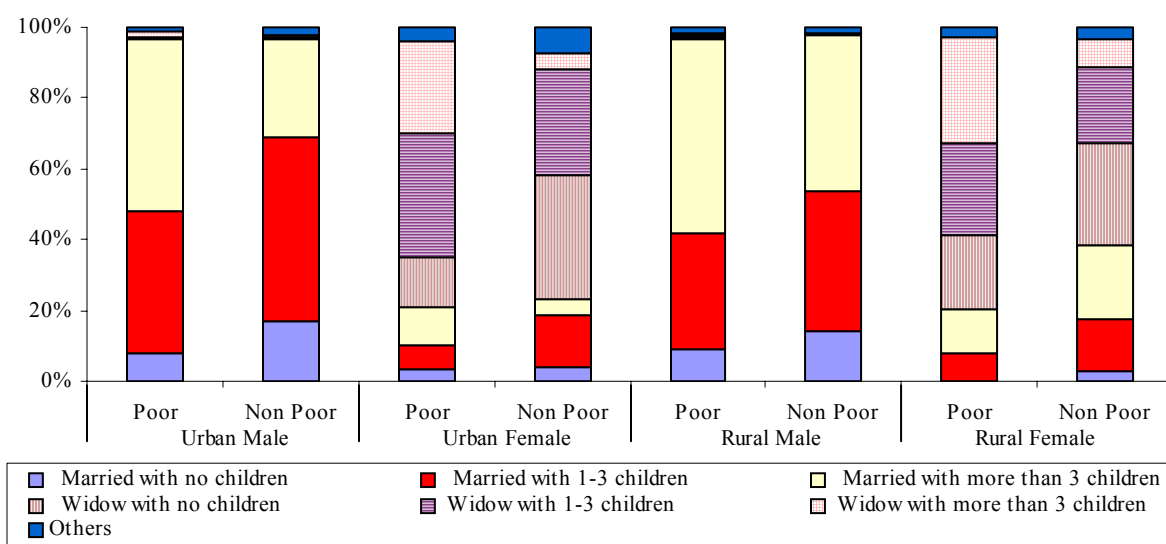
Female-headed households were vulnerable to economic shocks, as their income sources were often irregular or insecure. Wages, the most important income source for FHH, was less important for them in 2003-2004 than for MHH. Instead, for female-headed households, income from transfers was as high as 48.8 per cent of income, which accounted for half of all income of FHH. Overall, about 2 per cent of income of poor female-headed households came from government pensions, 6 per cent from remittances and 3 per cent from private domestic transfers. (The proportion of transfers was even greater for non-poor female-headed households – 3 per cent from government pensions, 6 per cent from domestic transfers and 38 per cent of their income was from remittances.) However, for poor male-headed households, income from transfers represented only 3.5 per cent of income. Overall, the data seems to suggest that many female-headed

households receive irregular private transfers from a husband or family member who lives in urban areas, or charity transfers from another relative.

As the gender of head of household alone does not yield many differences in the poverty level, does the marital status of FHH effect poverty of the household? If so, it would be an easily observable way of targeting assistance to the poor.

Widowhood for heads of household is a possible targeting mechanism, especially in rural areas. Most females who headed families were widows, both among the poor and non-poor. Most male heads of household, however, were married (Figure 3.6). There were no differences in marital status of male heads of household between urban and rural areas, but widows constituted 70.1 per cent of female heads of household in urban areas and 60.5 per cent in rural areas. While there were no differences in the marital status (regardless of the number of children) between poor and non-poor male household heads, the poor were over-represented among widows by six percentage points in urban areas and by 18 percentage points in rural areas.

Figure 3.6: Household Structure by Poverty Status, 2003-2004



Moreover widows, as heads of household, with children, were even more likely to be poor. A larger number of children, regardless of the gender of household head, increased the likelihood of poverty for the household by increasing the number of non-earning dependents. For example, married males with more than three children represented nearly 50 per cent of the poor (twice the corresponding representation among the non-poor in rural areas). For households headed by widows with more than three children, the likelihood of being poor was more than four times the average level in urban areas, and about three times the rate in rural areas. Even households headed by widows with one to three children were over-represented among the poor, by 26 percentage points in both urban and rural areas.

3.6 Children in Poverty

3.6.1 Illiteracy among Poor Children

There was a strong relationship between poverty and the educational attainment of children in Syria, but with large gender and sectoral (urban/rural) gaps, (Annex Table A.3.26). For children aged 10 to 15 years, the illiteracy rate for rural females was more than two times that of rural males (3.91 to 1.32 per cent), regardless of their poverty status. This high illiteracy rate of female children in rural areas may be due either to cultural behaviours, and/or to the unavailability of schools in their neighbourhoods. In urban areas, male illiteracy rates are lower than female rates within each poverty group. Yet still, in urban areas, illiteracy rates of poor males were twice that of the non-poor. The overall result of illiteracy of female children was driven largely by the situation in rural Syria.

However, the gap between the poor and non-poor was larger than the gender gap among children in urban areas. Among poor individuals, 1.97 per cent of males of age 10-15 years and 2.54 per cent of females were illiterate, while the corresponding proportions for non-poor children were half these rates. Conversely, in rural areas, the male to female gap was larger than the poverty gap, indicating again that illiteracy among girls in rural areas is due to culture and not economic difficulties.

Poverty interacted with gender to produce large gaps in educational enrolment among the poor. As a consequence, there was a disturbingly low enrolment rate for poor girls. Female children in poor households living in rural areas had the highest probability of being illiterate, regardless of the sex of the head of the household. These children, deprived of even a basic education in childhood, will have very poor labour market prospects for the future and thus they, and their children, may easily be doomed to a life of poverty.

3.6.2 Child Labour and School Enrolment

The link between poverty and child labour has traditionally been regarded as a well-established fact. School drop-out and child labour always conflict with the human capital accumulation of the child, and are hence used to identify the most vulnerable groups, enabling policy makers to take appropriate action. However, child labour in and of itself is not harmful as long as the child stays at school.

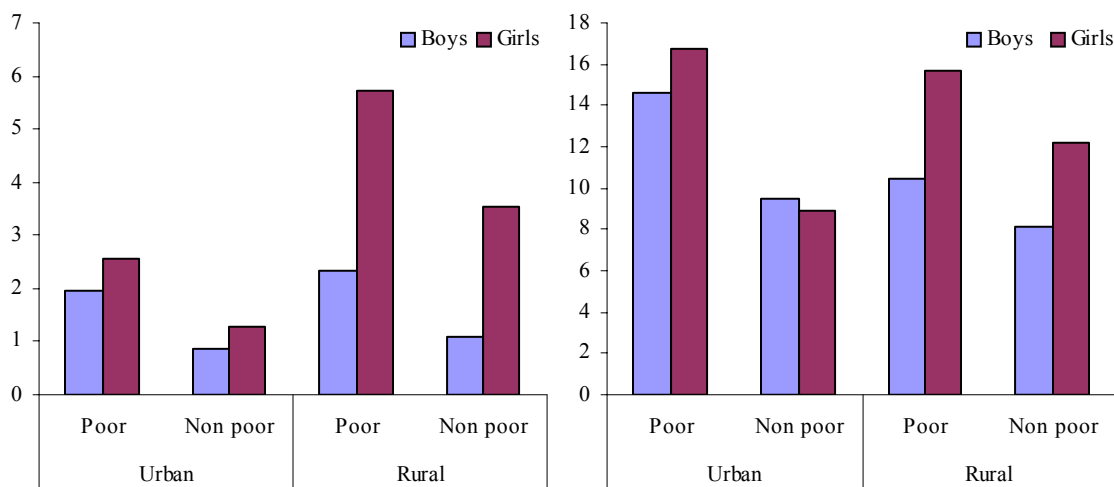
School enrolment can be thought of as an interaction of two factors: supply and demand. In other words, low school attendance is in part due to family decisions based on the opportunity cost of schooling (demand for schooling) and in part on the availability and quality of school facilities (supply of schooling). Neither side should be neglected when analysing school attendance patterns. The main causes contributing to child labour are either educational or economic in nature. Child labour could be a consequence of low quality and the high cost of education.

The information collected in the 2003-2004 HIES provides some insight into the considerations that underlie decisions made at the household level, particularly at different levels of welfare. One of the most important questions concerning the nature of poverty in any country is whether the poor constitute the same group of people over long periods of time, or whether there are large numbers that enter in and exit from the ranks of the poor over the years. An equally important aspect of this issue is whether children who come from poor families are likely to be poor when they become adults and have their own families. Given the strong positive correlation between education and levels of welfare proven in the previous sub-section, the relationship between welfare levels and school attendance of children is given special attention.

In Syria, a household's poverty level was strongly correlated with the proportion of working children in the household. Percentages of working children are higher in rural regions than in urban regions, especially within the 15-17 year age group. Child labour is higher among boys in poor households in urban areas (9.6 per cent among poor boys aged 6-14 years) than among poor children in urban areas (5.5 per cent are working). This percentage is always higher for males than for females. The percentage of working male children in poor households is almost double that of non-poor households, especially in rural areas. Obviously, poor households depend partly on their children's earnings on the one hand, and cannot afford the cost of education on the other hand (Annex Tables A.3.28 and A.3.29).

Figure 3.7.a: Illiteracy Rate Among Children 10-14 (%)

3.7.b: Non-Enrolment Among Children 6-14 (%)



The difference between poor and non-poor households in the proportion of un-enrolled children, in both urban and rural areas, was more than two percentage points. Children and youth in poor households were more likely to work. As shown by Figures 3.7a and 3.7b, 15 per cent of poor male children, aged 6-14 years were not enrolled in school, compared to less than 10 per cent in non-poor households. The corresponding percentages for female children were slightly higher.

Gender influenced child labour, as more children in female-headed households dropped out of school to work. However, overall, fewer girls worked. In urban areas, the share of working children in households with female heads was twice as high as in those with male heads of household; in rural areas, it was 1.5 times higher. Within female-headed households, one poor child (aged 6-14 years) out of twelve was likely to work. Children in male-headed households are less disadvantaged, as only one child out of twenty was likely to work. However, regardless of the sex of the head of household and the poverty status, there was a lower share of working children among girls than boys. Given that the illiteracy rate among children aged 10-15 years was higher for girls than boys (Annex Tables A.3.25 and A.3.29), it would seem that girls who did not go to school in poor households were kept at home, often helping with domestic work, while boys went to work to help their poor families. This behaviour was more pronounced within FHH than within MHH.

3.7 Housing Conditions, Access to Public Water and Public Facilities

Housing conditions and access to public amenities are an important measure of welfare, both directly through increased utility, and indirectly through their impact on health. The health status of individuals is positively related to access to potable water, housing conditions and to the availability of neighbourhood health facilities. Since the survey did not collect information directly pertinent to the health status of individuals in the sample, access to basic services of water, housing conditions and the availability of neighbourhood health facilities in the sample will be proxy indicators for the health conditions of the poor.

As the survey shows, the poor had worse housing and living conditions than did the non-poor. Annex Table A.3.32 gives the distribution of access to potable water and other housing characteristics by poverty status. Access to clean water is achieved either through a connection to public service, well water or purchased water. Indoor sources of drinking water were more common among the less poor, while the other water sources were more predominant among the poor.

Almost 91 per cent of the urban and 70 per cent of the rural population was connected to the public water system. There were marked differences between the access for the poor and for the non-poor, (Annex Table A.3.32), and the gap was wider in rural areas. In rural areas, 71 per cent of the non-poor had access, while only 62 per cent of the poor did – a gap of nine percentage points. The corresponding gap in urban areas was only three percentage points. For sewerage, the gap was larger: 28 percentage points.

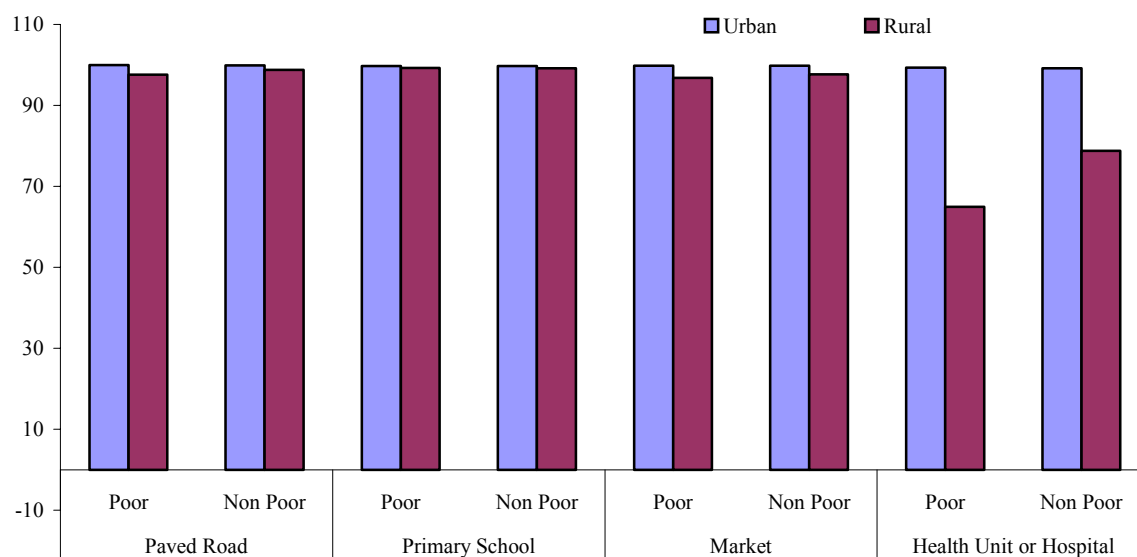
The HIES 2003-2004 provides information on public amenities, including: the distance to the nearest paved road, primary school, market and health unit (Annex Table A.3.30 and Figure 3.8). All of these facilities are almost universal in urban areas, as more than 99 per cent of the urban population, poor or non-poor, could reach them within a 5 km distance. This is also true for roads and primary schools in rural areas, and to some extent market facilities. However, health units or hospitals are available within a 5 km distance to only

75 per cent of the rural population. The rural poor were more disadvantaged, as 35 per cent of them did not have a health unit within a 5 km distance.

Public schools are available for all Syrians. Over all, only 3.7 per cent of households have one member in a private school. In urban areas, 6 per cent of non-poor households have at least one member in private education, versus less than half a percent for the poor.

Over half of the urban population in 2003-2004 lived in an apartment (50.2 per cent); however, only one in three among the poor were able to afford one (Annex Table A.3.32). The other two-thirds of the poor lived in an Arabic style house. Arabic houses were the choice of about 90 per cent of the rural population, with a higher prevalence among the poor, (the gap between the poor and non-poor was about five percentage points).

Figure 3.8: Percentage of Individuals with Access to Public Amenities



The poor, especially the rural poor, were less likely to have a separate kitchen or a bathroom. Owned houses were predominant in rural areas, regardless of poverty status, but in urban areas, 12 per cent of the poor rented a house, compared to 7 per cent for the non-poor. Most of the urban poor and non-poor lived in houses with cement walls, while in rural areas, the poor are seven percentage points less likely to live in such a house than the non-poor.

3.8 Ownership of Productive Assets

Annex Table A.3.43 shows the distribution of households according to size of farm. It shows that only 17 per cent of households own agricultural land, 7.6 per cent own less

than or equal to 10 dunem, another 7 per cent have farms from 11 to 50 dunem and only 2 per cent have farms with more than 50 dunem.⁹

In order to examine the relationship between land and other productive assets and poverty, households were differentiated by their access to or use of agricultural land and their poverty status. Ownership of productive assets, especially land, is strongly correlated to poverty in rural areas. About 27 per cent of the households in the rural sector reported land ownership for cultivation (23 per cent of rural poor and 28 per cent of non-poor, in rural areas). A small number of households in the urban sector also owned land for agricultural purposes, representing 5.4 per cent. As Annex Table A.3.40 shows, the poor in rural areas are less likely to own agricultural land, though 50 per cent of them work in agricultural activities, indicating that 27 per cent of the poor are landless farmers. Moreover, land ownership is more prevalent in governorates with the lowest poverty indices. For instance, rural areas of Deir Ezzour have the lowest poverty rate and the largest percentage of land owners. On the other hand, only 3 per cent of households in the El Suaida governorate own agricultural land, yet poverty prevalence is the second highest there.

3.9 Income Sources of the Poor

The main source of income of Syrian society is labour. Annex Tables A.3.33 and A.3.34 present sources of income by poverty status, percentage shares of different income sources to total income and monthly average per earner of each source. Wages are clearly the most important source of income, accounting for 49.17 per cent of total income in the sample. The next most important source of income is income from self-employment and properties with a share of 39.8 per cent of total income.

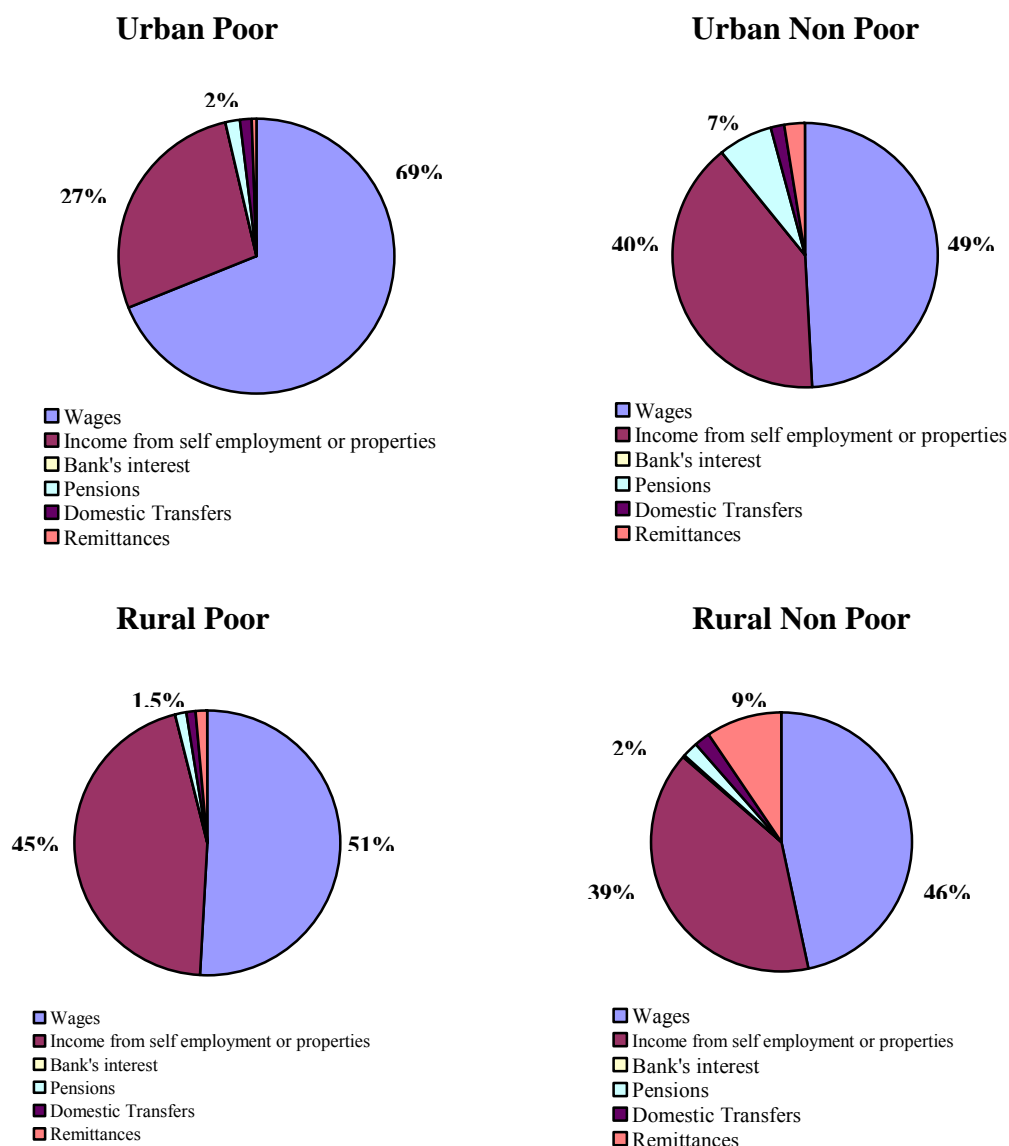
As there are large differences in human capital assets (education and skills) between the poor and the non-poor, it is not surprising that there is a large discrepancy between the labour incomes of the poor and the non-poor. Focusing on sources of income of the poor, it appears that, although poor individuals represent 11.4 per cent of individuals in the sample, they receive only 4.8 per cent of the total income. Wages are the main source of income, accounting for 60.3 per cent of the total income of poor individuals, while the corresponding figure for the non-poor is 48.6 per cent. On the other hand, income from transfers provides 3.7 per cent of the income of the poor (as compared to 11.4 per cent for the non-poor), yet it accounts for 3 per cent of this income category at the national level.

Large differences in sources of income across regions are observed. Although income from wages represent the most important income for both poor and non-poor in both urban and rural areas, wages seem to be more important for the poor than the non-poor and more in urban regions than in rural regions. On the other hand, self-employment and property income represents 45 per cent of the income of the poor in rural regions. Income from non-contributory transfers constitutes a very small percentage that does not exceed 4 per cent of the income of the poor in either urban or rural areas.

⁹ One dunem is equivalent to 2.8 hectares and 6.916 acres.

Another way of distinguishing between different income sources of the poor and non-poor is the Gender Dimension. Large differences are observed in sources of income between MHH and FHH, and between the poor and non-poor within each gender. Although income from wages represents the most important income for both poor and non-poor among MHH, wages seem to be more important for the poor than non-poor. Wages also represent the most important source of income for poor FHH, (representing 73 per cent of total income), a larger percent than in MHH. Equally important for non-poor FHH is the income from transfers, which can be as high as 48 per cent of the income of the non-poor FHH. Non-poor FHH depend to a greater extent on income transfers, compared to their male counterparts. Income from transfers represents only 3.3 per cent of poor MHH and 8 per cent for the non-poor. This observation points to the vulnerability of the FHH, since a significant share of income depends largely on insecure sources and is very vulnerable to economic shocks, (Annex Tables A.3.35 and A.3.36).

Figure 3.9: Income Shares by Poverty Status, 2003-2004



Furthermore, in 2003-2004 per capita income reached SL 4,729 per month at the national level, with the non-poor receiving a larger share, as per capita income of the poor accounted for only 39 per cent of the per capita income of the non-poor. As indicated in Annex Table A.3.34, large disparities are observed in the average income per earner of various income sources, received by the poor compared to the non-poor. Average income per earner reached SL 18,363. Average wages amounted to SL 13,712, with a ratio of 0.52 between the poor and non-poor wages. Moreover, income from transfers per earner for the poor accounted for 45 per cent of the income from transfers per earner for the non-poor. Transfers are composed of government and social insurance pensions (which are postponed savings), private transfers, remittances and other types of transfers. In general, and for each income source, gaps in per earner income, between the poor and

non-poor, are wider in urban regions than in rural regions. The ratio between incomes of the poor and non-poor ranged from 3.9 times for remittances to 1.92 for wages.

3.10 Wage Patterns

Wages were disaggregated into agriculture, non-agriculture wages in government, non-agriculture wages in the formal private sector, non-agriculture wages in the informal private sector and non-agriculture wages in the joint sector. Among different types of wages, most wages of the *urban poor* came from the formal private sector, followed by wages from the government. Average per earner wages for the poor were almost half the corresponding wages for the non-poor, even in the government sector. Average wages in the informal sector was the smallest among different sectors (apart from agriculture).

Low wages for the poor reflects their low skills and educational status. Thus, any poverty reduction strategy should focus on building human assets for the poor. The private sector seems to be the main provider of salaried jobs for the urban poor: wages from the formal and informal private sector contributed 50 per cent of the total income of the urban poor, compared to only 26 per cent for the non-poor. On the other hand, only 5.5 per cent of non-poor income comes from informal wage jobs (Annex Tables A.3.37, A.3.38).

The wage pattern in rural areas is somewhat different, where agriculture plays an important role in providing waged jobs for both the poor and non-poor, but its role for the poor is more effective. For the rural poor, the informal private sector plays an equal role, as does the agricultural sector. Agricultural wages and wage rates in the formal private sector have the lowest average of wages for the poor. The government sector provides the highest wage rate for both the poor and non-poor.

3.11 Income Transfers

A closer look at income from transfers reveals large differences between the poor and non-poor in general, and in every region. The most important component of state transfers is pensions. These are extremely unequally distributed, with the non-poor, representing 88.6 per cent of the population, receiving almost 98 per cent of the pensions. Out of total pensions, the poor receive only 1.4 per cent. This is not surprising, as most of the poor do not work in the regulated sector and hence are not covered by any type of insurance. Other types of transfers are similarly very unequally distributed.

The large reliance of FHH on different types of transfers reflects their vulnerability. Large differences in the share of different transfer types are observed between poor male and female-headed households. About 2 per cent of the income of poor FHH comes from pensions, 5.4 per cent from remittances and 2.9 per cent from private domestic transfers. A similar pattern is observed among MHH, but with relatively lower shares: 1.6, .64 and 1.14 per cent, respectively. It is worth noting that remittances are the most important income transfers for both the poor and non-poor female-head of households, especially

for the latter as they represent 38 per cent of their total income in rural areas. This again reflects the vulnerability of FHH, as a large proportion of their income is derived from irregular and insecure sources.

Chapter Four

Correlates of Poverty

Poverty profiles are a useful way of summarizing information on the levels of poverty and the characteristics of the poor in a society. They also provide us with important clues on the underlying determinants of poverty (Ravallion, 1996). Empirical poverty assessments in recent years have seen a number of attempts to go beyond poverty profile tabulations to engage in a multivariate analysis of living standards and poverty. One of the benefits of such analyses is the ability to assess the impact of a change that a particular factor would have on the probability of an individual being poor, were all other factors constant. Policy makers try to design interventions that protect populations from future poverty. Such interventions are based on a ‘snap shot’ assessment of vulnerability. Multivariate analysis is used here to evaluate poverty effects of proposed policy interventions.

4.1 Vulnerability to poverty

The concept of vulnerability emphasises the uncertainty a household faces about its future well-being. While poverty and vulnerability are closely related, they represent two distinct dimensions of welfare. Poor households are often vulnerable to increased poverty. However, these groups are usually not identical (Baulch and Hoddinott, 2000). In the analysis below, we use a simple definition of vulnerability: the probability that a household’s level of consumption will fall below the poverty line.

To assess the vulnerability of households in Syria we rely on a two-step approach: Let total household consumption C_i be a function of household characteristics X_i , and assume that C_i is log-normally distributed. In the log form:

$$\ln(C_i) = X_i\beta + \varepsilon_i, \quad (1)$$

ε_i is a normally distributed error term. Then the probability of household i to be poor, or, in our definition, the vulnerability of household i is:

$$V_i = \text{prob}(\ln(C_i) < \ln(z_i)) = \Phi((\ln(z_i) - X_i\beta)/\sigma), \quad (2)$$

In this equation, z_i is the household-specific poverty line, σ is the standard deviation of the regression and Φ is a standard normal distribution function. Thus, in the first stage we model the determinants of household consumption in the form of equation (1). In the second stage, we simulate the effect of the covariates from the consumption regression on the probability that a household will be poor. The poverty profile presented in the previous section provides guidelines for the selection of the potential variables to be included in this regression.

The availability of unit-record data from the HIES allows us to conduct a household-level multivariate analysis of living standards. The previous chapter on poverty profiles

suggests that poverty affects mostly specific groups of the population, whose ability to participate in economic progress is limited. Education, employment and earnings opportunities are key determinants of poverty risks. It shows that education is the single characteristic with the strongest correlation to poverty risk. The highest poverty rates were found among the self-employed in marginal and unskilled activities, and among unpaid workers. The poor do not necessarily suffer from unemployment, as they cannot afford being without jobs or income. Rather, their main problem is underemployment, low wage rates, bad working conditions in both formal and informal sectors and a lack of insurance and security. Finally, poor individuals in Syria tend to have specific demographic characteristics.

Thus, correlates to poverty can be grouped into three areas: education, employment and demography. Policy implications of educational investments, employment patterns and investment in family planning can then be evaluated.

As a dependent variable in the consumption regression we use a log of the total per capita household consumption. The set of explanatory variables includes household size, household demographic variables, shares of individuals with university degrees and illiterate household members, shares of the unemployed, characteristics of the household head (including gender, age and age squared) and a set of dummies for the head's educational level, working status and sector of employment and, finally, regional dummies that capture local characteristics, (the degree of infrastructure development, geographic location, land fertility, etc.). We run separate regressions for urban and three rural areas.

4.2 Estimation of Household Expenditure

Table 4.1 shows the estimation results of the consumption regression for urban and rural areas in Syria. We presented variables that were statistically significant.

4.2.1 Household Size and Composition

A common finding often noted in the literature (Lipton and Ravallion, 1995 and Lanjouw and Ravallion, 1995) is that household size has a significant negative effect on the living standards of the household. The elasticity of total household consumption to household size varies from 0.58 in urban areas and 0.42 in rural Syria.

Household composition also matters. For example, controlling for household size, the share of children less than six years, and between six and fourteen, has a significant negative effect on household consumption. One percentage change in these shares will reduce household consumption proportionally by 4 and 8 per cent of the observed rate, respectively, in both urban and rural areas.

Consistent with the descriptive results in the previous section, characteristics of the head of household are important determinants of household consumption. The age and gender

of the head of household has a significant positive effect on living standards in urban areas, but they do not have a significant effect on household living standards in rural areas. In urban areas, if the age of the head of household increases by five years, poverty will decline by 5 per cent. Similarly, a household headed by a female is likely to increase household consumption by 13.5 per cent in urban areas, but the impact of the gender of household is insignificant in rural areas.

4.2.2 Education

Educational variables are the strongest determinants of living standards. We find that if household size is kept constant, the share of literate persons and the share of university graduates has a significant positive effect on consumption level. The implied rate of return for larger shares of educated individuals on expenditure (elasticities) are -0.14 and 0.39 per cent, in urban areas, respectively. The impact of education in rural areas is smaller, (-.02 and .004 per cent). We also allowed for additional education variables: binary variables for educational level of the head of household. It was found that the education of an individual has a significant effect on household living standards. This implies a positive effect of education on household living standards, as expenditure levels increase when the education of the head of household rises. In urban areas, the biggest disadvantage is an illiterate head of household. On average, an increase by one percent of illiterate head of households will decrease expenditure by 1.2 per cent. The return on education of a single head of household is insignificant in rural areas. Education variables for the head of household capture additional educational effects not already explained by variables of the share of educated people. They also indicate the effects of educational attainment for other income earners in the household, and are indicative of the importance of inter-generational human capital effects on living standards.

Moreover, enrolment rate is positively and significantly associated with household expenditure in urban areas, where a one percentage change in enrolment rate of household members indicates a change in household expenditure by 10 per cent.

4.2.3 Employment

Economic activity and employment also are important to household welfare. In part, this reflects wage and productivity differentials across the sectors. We combined economic activity with employment status, and investigated employment characteristics of household members by assessing the association between household expenditure and shares of household members with certain employment characteristics. The following variables have a significant negative impact on household expenditure: the shares of the unemployed, the share of those out of the labour force and the share of self-employed in urban areas. The corresponding expenditure elasticities are 1, 2, and 0.1 per cent, respectively, in urban areas and 1, 4, and 0 per cent (insignificant) in rural areas.

However, the share of employers in agricultural and non-agricultural activity has a positive impact on expenditure. The largest impact on expenditure level is for employers in non-agricultural activities, where expenditure elasticity for an employer in a non-agricultural activity is 0.4 per cent and 0.2 per cent in urban and rural areas, respectively.

Employment status and sector of employment of the head of household also affects expenditure levels, where working in the government and in white collar occupations has a significant positive impact on expenditure levels; the effects in urban areas are larger than in rural areas.

4.2.4 Housing Conditions and Location

As expected, relative to the Southern region, all regions have a negative effect on expenditure, implying lower standards of living compared to the Southern region. House ownership, as well as the type of house, is associated with expenditure levels. Specifically, expenditure levels would increase by 7 per cent in urban areas, were the percentage of household owners increased by 1 per cent. Also, expenditure levels would increase by 4 per cent in urban areas, if the percentage of families who live in a villa or a flat were increased by 1 per cent. However, the impact of house ownership is insignificant in rural areas. Availability of piped water is significantly and positively associated with household expenditure in urban areas, where a one percentage change in the percentage of availability of piped water in any region indicates an increase of household expenditure by 3 per cent. If the crowdedness indicator (the number of persons per room) is increased by 1 per cent, expenditure will decrease by 10 per cent in urban areas and by 9 per cent in rural areas.

It should be noted that housing and location variables can be easily evaluated, and hence can be used to identify the poorest segment of population and for fine-tuning targeting mechanisms.

4.3 Simulation Results

The estimates of the consumption regression make it possible to simulate the impact of various parameters on the probability that a household will be poor. We present the results of the poverty simulation separately for both urban and rural areas in Syria in Table 4.2. Although the data allows us to simulate various scenarios, we chose those that, from our perspective, have the most relevance for policies aimed directly at reducing poverty.

We find that a newborn child increases the risk of poverty in both urban and rural areas. The effect of childbirth on the probability of being poor is larger in rural areas, however. Families with a newly born child are 8.1 per cent more likely to be poor in an urban area, and 9.6 per cent more likely to be so in rural areas.

Female-headed households¹⁰, which constitute about 8.4 per cent percent of total households in Syria, are at a lower risk of poverty than households with a male head of

¹⁰ To assess the impact of a categorical variable such as gender, education status or employment status on the poverty level, we assumed the universal spread of each category, holding other variables constant, and observing changes in poverty.

household in urban areas. Female-headed households are 9 per cent less likely to be poor than male-headed households in urban areas. There are no gender differences in risk of poverty in rural areas.

When a family member loses a job, the household risk of poverty increased substantially. The impact of a 10 per cent increase in the unemployment rate on the probability of being poor is 0.28 per cent in urban areas and 0.23 per cent in rural areas. Moreover, the impact of working status on poverty depends on the sector of employment. When the percentage of self-employed in agriculture increased by 10 per cent, the risk of falling into poverty also increased by 0.1 per cent. The risk of poverty declined as the share of employers in non-agricultural activities increased.

Households with the principal earner in a blue-collar occupation are more likely to be poor than households with a white-collar earner. The risk of poverty for households with principal earners in a blue-collar occupation increases by 3 per cent and by 1.7 per cent in urban and rural areas, respectively (for blue-collar occupations compared to white-collar occupations).

Employment in the formal private sector substantially reduces the risk of poverty compared to employment in the informal private sector. In urban areas, if a head of household changes his employment from the private informal sector to the private formal sector, household risk of poverty will decline by 2.6 per cent. However, a change in the employment status of the head of household from employer to wage worker increases the probability of being poor by 3.2 per cent in urban areas, but it has no impact in rural areas.

To estimate the impact of education on the probability of being poor, we vary the percentage share of illiterate and university graduates among household members, as well as the level of education a head of household possesses. All other variables are kept at sample mean levels. Consistent with the descriptive results of the previous chapter, a head of household's educational level strongly determines the degree to which a household is vulnerable to poverty. A household head's education level has a greater impact on household poverty vulnerability in urban areas. Relative to households with illiterate heads, the probability of being poor is about 7.3 per cent lower for households with literate heads.

Finally, the probability of being poor declines as the crowdedness indicator declines, as houses are connected to piped water and as houses are owned and not of an Arabian type.

Table 4.1: Regression of Log Per Capita Expenditure on Household Characteristics

	Urban		Rural	
	B	Std. Error	B	Std. Error
(Constant)	9.057	0.126	8.945	0.084
Household Characteristics				
Share of Children 0-6	-0.233	0.041	-0.247	0.039
Share of Children 7-15	-0.242	0.030	-0.148	0.037
Share of Employed Members	-0.049	0.022	-0.086	0.024
Share of Unemployed	-0.139	0.032	-0.101	0.038
Share of Out of Labour Force Members	-0.058	0.026	-0.102	0.028
Share of Employer in Agriculture	0.134	0.058	0.201	0.026
Share of Self-Employed in Agriculture	-0.159	0.039		
Share of Unpaid Worker in Agriculture	-0.220	0.087	-0.077	0.023
Share of Employer in Non-Agriculture	0.058	0.026	0.166	0.035
Share of Illiterate	-0.143	0.023	-0.089	0.020
Share of University	0.392	0.039	0.345	0.061
Enrolment Rate	0.100	0.017		
Log Household Size	-0.574	0.013	-0.422	0.014
Share of Adult Males	-0.049	0.029	0.138	0.036
Share of Adult Females			0.060	0.034
Gender of Head (male=1)	-0.040	0.017		
House Ownership (owned=1)	0.085	0.012	0.080	0.018
Wall Material (cement=1)	-0.102	0.011		
Crowdedness	-0.064	0.005	-0.042	0.005
Water Source (connected to piped water=1)	0.034	0.015		
Distance to Market (less than 5km=1)	-0.240	0.086		
Distance to Health Clinic (less than 5km=1)	0.251	0.108		
Distance to Primary School (less than 5km=1)	0.202	0.045	-0.029	0.011
House Type (villa or apartment=1)	0.084	0.009	0.071	0.014
Bathroom (have a bathroom=1)			0.058	0.013
Marital Status of the Head (married=1)			0.062	0.016
North-Eastern Region	-0.107	0.010	-0.064	0.016
Middle	-0.123	0.012	-0.166	0.016
Coastal	-0.117	0.015	-0.062	0.017
Characteristics of the Head of Household				
Illiterate	-0.102	0.015		
University Graduate	0.072	0.018		
Self-Employed in Non-Agriculture	-0.072	0.021		
Wage Worker in Non-Agriculture	-0.117	0.022		
Work in Government Sector	0.112	0.026	0.039	0.012
Work in Formal Private Sector	0.061	0.023		
Work in Informal Private Sector	0.065	0.023		
Age	0.010	0.002		
White Collar Activities	0.041	0.010	0.039	0.013

Table 4.2: Impact of Changes in Household Characteristics and Characteristics of the Head of Household on Poverty (percent change)

	Urban	Rural	All Syria
Household Characteristics			
Share of Children 0-6	0.81	0.96	0.90
Share of Children 7-15	1.75	1.09	1.37
Share of Employed Members	1.19	2.04	1.67
Share of Unemployed	0.28	0.23	0.25
Share of Out of Labour Force Members	0.72	1.13	0.95
Share of Employer in Agriculture	-0.02	-0.19	-0.12
Share of Self-Employed in Agriculture	0.10	0.00	0.04
Share of Unpaid Worker in Agriculture	0.04	0.29	0.18
Share of Employer in Non-Agriculture	-0.06	-0.05	-0.06
Share of Illiterate	0.61	0.54	0.57
Share of University	-0.10	-0.06	-0.08
Enrolment Rate	-2.22	0.00	-0.96
Household Size	10.35	13.84	12.33
Share of Adult Males	0.39	-0.99	-0.39
Share of Adult Females	0.00	-0.42	-0.24
Crowdedness	4.65	3.24	3.85
Head of Household Characteristics			
Age	-3.98	0.00	-1.72
Change from Illiterate to Literate	-7.31	0.00	-3.16
Change from Employer to Wage Labour	3.15	0.00	1.36
Change from Employed in Informal Private to Formal	-2.60	0.00	-2.60
Change from White Collar to Blue Collar	2.98	1.73	2.27
Change to Female-Headed Households	-9.87	0.00	-4.27
All Heads of Household Own Their Houses	-2.76	-1.00	-1.76
All Heads of Household Live in Villas or in Apartments	-13.42	-16.37	-15.09
All Heads of Household Live in Houses Connected to Piped Water	-0.91	0.00	-0.40

Chapter Five

Pro-Poor Macroeconomic Policies

This chapter will present some preliminary policy recommendations for Syria, drawing on the case study on macroeconomic policies for poverty reduction in Syria (UNDP, 2005) and McKinley's (2003) synthesis of the results of eight other UNDP-led case studies in the Asia-Pacific region. The conclusions here chart out elements of a macroeconomic policy framework that is distinctly different from the Neo-Liberal policy matrix that dominated economic prescriptions for the last two decades. These elements include a more pro-active fiscal stance, focused on public investment as basis not only to foster more rapid growth, but also as a mechanism to focus resources on poverty. In this framework, monetary policies play a complementary accommodating role to expansionary fiscal policies and eschew restrictive inflation targeting. In order to finance additional public investment, a more concerted effort would need to be mounted to mobilise domestic public resources, which are deemed too low in many countries to support a pro-poor growth strategy. Also included in the macroeconomic framework are recommendations for a cautious policy stance towards trade liberalisation, with a preference for backing trade policies with pro-active industrial policies, allowing medium-term protection of vital domestic sectors and focusing development on sectors such as agriculture, where poor workers are concentrated. To heighten the pro-poor impact of growth, this alternative policy stance also places priority on some sectoral measures – such as employment generation and agricultural and rural development – as critical complements to macroeconomic and adjustment policies. For job creation, the emphasis is placed not only on fostering a more employment-intensive pattern of growth, but also on taking explicit public measures to boost the productivity of poor workers. For agricultural and rural development, the emphasis is on deploying public investment for critical public goods (such as rural roads and irrigation).

5.1 Overall Framework

Does equity matter for the poor? After reviewing the growth literature, Temple [1999] concluded, “it has become extremely difficult to build a case that inequality is good for growth.” Persson & Tabellini [1994] stated, “inequality is harmful for growth.” Ravallion [2000] wrote, “On balance, the existing evidence [...] appears to offer more support for the view that inequality is harmful to growth”. Williamson [2003] recently admitted that if anything was omitted from his original ten reforms that made up the ‘Washington Consensus’, it was the need for “correcting the appallingly unequal income distributions that afflict the region [Latin America].”

As argued by Vandemoortele (2003), generalisations about the relationship between growth and poverty reduction are not helpful. The assumption that growth is *a priori* good for the poor, irrespective of what happens to equity, must be questioned. We see it

as a prime case of ‘misplaced concreteness’. It is incorrect to assume that higher ‘average’ income will automatically lead to less poverty. Not everybody shares the faith some analysts have in the power of growth for reducing poverty. High inequality is not only harmful for the poor; it also inhibits economic growth and often delays overdue policy reforms. Thus, equity is good for the poor because it is good for growth. In many cases, however, growth has been accompanied by deepening inequality, frequently keeping the poor in stagnation and sometimes making them worse off. Growth alone is not the answer. Only when the poor participate in, contribute to and benefit from economic growth will it make a measurable and lasting dent on human poverty.

UNDP’s basic approach to Pro-Poor Growth Strategies stems from its 2002 Policy Note, “The Role of Economic Policies in Poverty Reduction” (UNDP 2002). This policy note concentrates on how growth is generated and whether this process is equitable. Its focus is on the economic opportunities of the poor, namely, their access to those assets, resources and employment that enable them to secure a decent material standard of living, thereby significantly widening their options for human development.

The policy note takes the position that if countries are to reach the target of halving income poverty (the primary poverty goal of the Millennium Declaration), rapid growth is certainly essential. However, if growth is more equitable – so that the incomes of the poor grow faster than average – countries have a much better chance of reaching the target.

Hence, a strategy of such ‘equity-based’ growth will need to be rapid enough to significantly improve the ‘absolute’ condition of the poor, and equitable enough to improve their ‘relative’ position – preferably by achieving equity at the start of the growth process (such as through land reform or universalising basic education), or by decreasing high inequality over time (such as raising wages by generating widespread employment among low-skilled workers).

‘Equity-based’ growth can be achieved through a variety of strategies, which obviously depend in part on each country’s initial conditions. In general, if growth is to immediately reduce poverty, it should have a pattern that directs resources disproportionately to the sectors in which the poor work (like small-scale agriculture), the areas in which they live (such as underdeveloped regions) or the factors of production that they possess (such as unskilled labour or land). (Mckinley 2003)

A strategy that posed such an immediate objective would be strongly equity-driven in its early stages, and would tend to be bottom-up in its impact – directly reaching the poor where they are to be found. Although employment might be generated, the rise of real incomes might, however, be slower than optimal. Nevertheless, the character of whatever growth is achieved would decidedly improve the relative position of poor households.

The longer-term objective of all development is to move the workforce, and poor workers in particular, out of low-productivity sectors, poorly resourced regions and low-skilled employment. In most cases, this would imply moving poor workers out of agriculture and into industry and a more modern service sector.

If industry is able to grow rapidly enough and generate employment broadly enough, poverty will be reduced as a result of the movement of poor workers into higher-productivity, higher-paid jobs. In the past, import-substitution strategies have succeeded in achieving this effect in some countries. Currently, some strategies based on emphasising the exports of manufactures have been successful. In the short run, however, inequality is not likely to be reduced – and may even rise. If inequality is indeed reduced, it is more likely to be due to initial prosperity in agriculture, or an initially equitable distribution of endowments, such as land or human capital.

In examining the impact of macroeconomic and adjustment policies, the UNDP-supported case study in Syria is directly concerned with these vital issues of growth and inequality, and their interaction. Generally, its policy recommendations favour more expansionary, investment-focused fiscal policies and more accommodating monetary policies. The Pro-Poor Growth Strategies that it often advocates put focus on boosting domestic savings and investment (instead of the orthodox focus on allocative efficiency and price stabilisation), and on using public investment as a stimulus to private investment.

This implies a more activist policy role for the state and a larger revenue base, with which it can finance capital expenditures and direct them to poverty-reduction purposes. The case study is critical of the impact of conservative policies of financial liberalisation, particularly external, and favours some scope for directed credit, especially for poverty-reduction purposes.

The case study gives trade liberalisation a mixed review. Compared to financial liberalisation, greater trade openness may have a more positive impact on growth and poverty reduction. However, for this to occur, it should be combined with import substitution policies. If trade liberalisation is not complemented with other more pro-active measures, (especially poverty-focused interventions) – such as the building of rural infrastructure, financing of agricultural development or the provision of adequate credit to small and medium enterprises – it can exacerbate inequality and bypass the poor, especially the rural poor. To be most effective, liberalisation of trade should be designed carefully and coordinate with a pro-active industrial strategy.

In trying to link growth to poverty reduction, the case study invariably has to address the importance of generating widespread employment. But such employment must be remunerated with decent wages to be poverty reducing. This implies that self-employment and micro-enterprises (and the micro-finance services supporting them) cannot serve as the foundation for a Pro-Poor Employment Strategy. Although such micro programmes can help raise incomes, secure and remunerative employment cannot be sustained by these interventions alone. The emphasis must shift to small and medium enterprises, and large enterprises that are employment-intensive and skill-enhancing.

The following sections examine in greater detail proposed reforms in macroeconomic and sectoral policies identified in the Syria case-study and compares them with the findings and policy recommendations in similar UNDP case-studies on the Asia Pacific Region.

5.2 Expanding Public Investment and Mobilizing Domestic Resources

A major initial finding of the UNDP Asia-Pacific case studies is the need to use fiscal policy more pro-actively to expand pro-growth and pro-poor public investment. In several countries, UNDP's Asia case studies found that capital expenditures are a small percentage of total government expenditures. In South Asia, for instance, this percentage is only 9 per cent. By contrast, in East and Southeast Asia, it is 24 per cent. In Vietnam, in particular, it is 32 per cent. Though higher than many other countries in the Arab region, at approximately 11 per cent of total government expenditure, Syria's development expenditures are significantly lower than fast growing Asian economies.

Underlying the recommendation for an increase in public investment is the understanding that it can, when reasonably growth-oriented, have a 'crowding-in' effect on private investment. Boosting aggregate demand through public investment can not only spark recovery in a stagnant economy, but can also loosen the supply constraints on long-term growth. However, 'crowding-in' cannot be automatically assumed. Public capital expenditures must be carefully designed as part of a well conceived pro-growth, and pro-poor, strategy.

The multipliers for expenditures on public investment can be substantial if such investment helps boost the productivity of labour and capital. The higher marginal propensity to consume in developing countries – compared to industrial countries – is an additional factor that can increase these multipliers (Hemming, Kell and Mahfouz 2002). Moreover, the multiplier impact of public investment can be powerful when there is excess capacity in an economy and households are liquidity constrained – as in many developing countries.

The common concern of Washington-Consensus economists is that increasing public investment will enlarge public deficits and these, in turn, will lead to higher inflation, depreciation of the exchange rate and higher real interest rates. There is little evidence in the literature that public investment crowds-out private investment, through changes in the interest rate or exchange rate (Ibid.). Moreover, multipliers remain large, and crowding-out is minimised, when a moderate monetary expansion accompanies an increase in public investment. As long as deficits are used to finance public investment that expands aggregate supply, the aggregate demand effects should not be unduly inflationary.

Public investment can also be a powerful instrument for the re-allocation of public resources to poverty reduction. As part of its National Poverty Alleviation Strategy, for example, China used public investment to channel funds to the poorer western regions of the country, which were left behind by the economic boom centred in the richer coastal provinces.

In Cambodia, the UNDP case study argued that increased public investment is not likely to trigger high inflation, as much of the capacity of the economy is under-utilised and

adequate resources can be mobilised through domestic borrowing to finance the investment. Moreover, inflation was not an immediate problem, as it was a negative 0.6 per cent in 2000-2001. The overall picture is very similar in Syria, where GDP growth was sluggish and inflation relatively low in recent years.

As shown in the case-study, as a the share of GDP, gross capital formation is not very low in Syria (20 per cent in 2002), however, it decreased significantly from a high of 30 per cent in 1994. Moreover, the main problem is that, until recently, this investment was not reaching rural areas, where most of the poor are located. China and Vietnam have achieved high rates of economic growth, largely due to high rates of investment. In 2001, the share of gross capital formation in GDP was 39 per cent in China and 31 per cent in Vietnam. Both countries were able to finance most of this investment with domestic savings. In 2001, gross domestic savings were 40 per cent of GDP in China and 29 per cent in Vietnam. In China, Official Development Assistance (ODA) has played virtually no role in financing domestic investment, while foreign direct investment (FDI) has financed about one tenth of it. In Vietnam ODA and FDI together accounted for over one fourth of domestic investment.

A priority for Syria is to raise additional public revenue to finance investment. But it is also necessary to raise this revenue in a way that will not adversely affect the poor. In the case of Syria, the non-oil revenue to GDP ratio, (important to consider given the expected decline in future oil revenues), is much lower than needed to finance an investment-led growth strategy. Raising additional revenue is therefore critical to financing a boost in public investment, which can generate accelerated growth. An investment-led pro-poor growth strategy hinges on three financial conditions: 1) mobilizing sufficient revenue for public investment; 2) mobilizing sufficient private savings to finance private investment; and 3) complementing domestic resources with stable inflows of public and private capital. Domestic borrowing can contribute to financing public investment but only as a complement to revenue mobilisation.

As argued in the Syria case study, the macro fiscal challenge that Syria faces is of a medium-term nature. Syria's ability to maintain a credible investment programme that raises growth in the medium term relies critically on its being able to deploy existing oil revenues entirely for productive public investment, and in ensuring that non-oil revenues fully finance current expenditure. In this sense, there exists considerable fiscal space for Syria to use its oil wealth to expand capital investments in growth and human development, promoting activities without recourse to IMF type short run stabilisation policies. The next question, then, is: What are the potential sources of non-oil revenue growth to enable Syria to deploy its oil revenue for pro-poor and growth enhancing public investment, and for economic diversification?

The revenue/GDP ratio in Syria fluctuates between 25 and 30 per cent of GDP, with a discernible increase in this ratio observed in the 2000-02 period. This is a relatively high figure, but even if the lower of both estimates is taken to be the existing trend mean, then the Syrian government commands a reasonable proportion of GDP as revenue. Oil revenues accounted for between 10 and 11 per cent of GDP over the 1994-2002 period, and between 40 and 46 per cent of total revenue in the same period, excluding 2001,

which appears to be an outlier year. Following the macro fiscal logic referred to above, the key focus is therefore on the sources of non-oil revenue growth – specifically, those that could be reasonably raised with a minimal incidence on the poor and vulnerable and which, at the same time, afford adequate revenue buoyancy potential for Syria. The case study argues Syria can considerably expand fiscal space through three avenues:

1. Lowering tax expenditures to raise direct and indirect tax revenues.
2. Raising taxes on international trade chiefly by enhancing the tax base – by widening the coverage of import taxation.
3. Exploring ways of expanding the indirect tax base including, (but not confined to), the introduction of a Value-Added Tax. Other ways of enhancing domestic indirect taxation could include excises on luxury goods, like cigarettes and tobacco ‘Tobin’ taxes on foreign exchange-related transactions, and low-rated but broad-based taxation of key expenditures associated with increased private sector accumulation, such as private construction activities.

These tax measures should not be implemented in a piecemeal way. Syria should design a medium-term tax policy master plan, based on a careful analytical study of the incidence buoyancy and elasticity of existing and proposed taxes, and implement such a master plan over a ten-year period to maximise the potential of its existing tax base. The most positive policy feature of the existing tax structure is that the tax base will grow automatically as Syria diversifies into non-oil based economic activities and accelerates its participation in non-oil international trade. This, combined with increased private sector activity, will automatically provide both an enhanced tax base and increased handles for the allocation of taxes on domestic production and consumption, as well as on international trade. The Tax Policy Master Plan, therefore, should detail proposed tax enhancement measures with the envisaged changes in economic structure, and should ensure that the incidence of taxation on poorer and vulnerable groups is minimised.

5.3 Complementing Fiscal Policy with Less Restrictive Inflation Targets and Financial Sector Reforms

In developing countries as a whole, the average inflation rate has declined over the past decade to its lowest level since the 1960s. In many of them, there is little protection left against the onset of deflation. This is also evident in Syrian, where inflation dropped 8.2 per cent from 1992-1998, reaching a low of -3.7 per cent in 1999 (Figure 1.11).

The fixation with low inflation is not only confined to Syria. Even in relatively successful countries like China and Vietnam, targeting low inflation stems partly from a concern about the potentially destabilising effects of financial liberalisation. Obviously, supply-side factors are also involved. In China, trade liberalisation contributes to low prices, as is the associated excess capacity in some state-owned enterprises and a large pool of surplus labour in rural areas.

However, the danger of deflation, should it persist, is that it can lead to a self-reinforcing downward spiral of prices, profits and incomes, from which it is difficult for policy makers to extricate an economy. Monetary policy is rendered ineffectual because the economy has sunk into a 'liquidity trap' (a term coined by Keynes). Thus, it is better to prevent deflation than to try to combat it once it becomes persistent. Once it is entrenched, fiscal policies are more reliable in turning the tide (IMF, 2003).

The Neo-Liberal recommendation to national policy makers argue they should insist on maintaining inflation rates of 0-5 per cent, although there is little empirical evidence to suggest that inflation rates above that level, or even above 10 per cent, have an adverse effect on growth. For example, the fastest period of growth for the Indonesian economy was in the 1970s, when the average annual growth rate of real GDP was 7.7 per cent. During that time, the average annual inflation rate was over 17 per cent. During the period 1990-2001, China had an average inflation rate of almost 8 per cent but still grew at almost 9 per cent. In Sri Lanka, inflation – especially an increase in food prices – has been highest during periods of growth and poverty reduction. An increase in food prices is likely to have a pro-poor impact on food producers in rural areas.

Although relaxing inflation targeting too greatly is not recommended – due to the danger of jeopardising macroeconomic stability – some degree of inflation must be expected to accompany a growing economy. This would facilitate the adjustment of relative prices to reallocate resources from unprofitable to profitable sectors. Moreover, if monetary policies are excessively restrictive, they can nullify the potential growth stimulus of expansionary fiscal policies. Low inflation is more likely after a sustainable rate of economic growth has been achieved; trying to maintain low inflation before growth has a chance to take off is likely to throttle any economic expansion.

Country experiences in Asia indicate that where reforms are properly managed, they contribute to strong improvements in economic growth and poverty levels. However, poorly managed reforms that are manifest in financial crises can damage economic growth, with negative implications on poverty levels. This is particularly true for financial sector reforms where poorly managed external liberalisation can be potentially devastating. It is therefore essential for the reform of the financial sector to be well designed and properly sequenced.

In Syria, the case study argues macroeconomic stability (low inflation, stable exchange rate and high international reserves), low indebtedness of both the public and the private sectors and a balanced budget (resulting from high international oil prices) contribute to create a unique window of opportunity for implementing fundamental financial sector reforms.

Such a strategy should, however, anticipate and avoid the risks that poorly sequenced financial sector reforms pose for macroeconomic stability and banking soundness. As the study points out, there are several weaknesses in the reform approach that are already apparent, and which could undermine the success of the reform effort, if not addressed.

- The critical mass of reforms in prudential regulations and supervision, needed before proceeding with the adoption of market-based arrangements, has not yet been implemented. In particular, the adoption of proper accounting rules, a strong loan classification system and associated provisioning rules, capital adequacy guidelines and limits on loan concentration are all urgently needed.
- A minimal program for public banks restructuring should be introduced as soon as possible. The task of restructuring problem banks is an extended process that requires considerable resources, as well as technical preparations. Therefore, only key elements could be implemented upfront. However these elements – including the recapitalisation of weak banks, early changes in prudential norms and credit extension policies – are essential if the reform is to proceed without major problems.
- Reforms in the exchange rate and trade systems are needed to remove major bottlenecks for the development and normal functioning of the banking sector. Moreover these reforms can perform a critical catalytic function, and help to provide momentum to the broader financial sector reform process.
- New indirect monetary instruments should be introduced. The transition to full reliance on indirect monetary controls may take time, because experience and confidence in the new system has to be gained by the Central Bank and the private sector, and new institutional arrangements and competitive market mechanisms need to be in place. This calls therefore for an early introduction of the new instruments, which could be phased in gradually.
- The organisation and functioning of the Central Bank would need significant strengthening to facilitate implementation of financial sector reforms.

Finally, if the expected benefits of the reform are to materialise and if the restructuring of the banking sector is to be sustainable there must be an accompanying process of restructuring for public enterprises and further investment deregulation. (UNDP, 2005)

5.4 Agricultural and Rural Development

In Syria, as in many of the countries of Asia-Pacific, agriculture remains a large and important economic sector, particularly for employment. Most of the livelihoods of the poor are tied to it. Thus, agricultural development, and rural development more generally, remain crucial for poverty reduction.

In most countries it would be difficult to achieve a more pro-poor pattern of growth without increased agricultural prosperity. Countries like China, Indonesia and Vietnam, which have been the most successful during certain periods in reducing poverty, have emphasised agricultural and rural development. The economic transitions in China and Vietnam started with agricultural reforms. The early success of Indonesia in dramatically reducing poverty was greatly related with channelling resources into rural areas, such as for basic infrastructure and social services. In addition, Bangladesh achieved its most

rapid rate of poverty reduction in the 1990s largely through the impetus provided by increases in agricultural incomes.

The countries that have made the most progress against poverty concentrated efforts on agricultural and rural development. For example, Vietnam, one of the countries with the strongest poverty reduction records, started economic reforms in agriculture through replacing collectivised farming with family-based farming. This was based on equitably distributing land use rights according to family size, and guaranteeing these rights for reasonably long periods of time. Systems of land-use rights have worked as powerful mechanisms to avert rural poverty in countries such as China and Vietnam.

China also boosted production incentives in agriculture, as state procurement at low prices was abolished and farmers were allowed to sell their marketable surplus to private traders. Controls on external trade were also relaxed, and farmers helped produce an export boom in agricultural commodities, principally in rice but also in other commodities such as coffee, cashew nuts and marine products.

When economic reforms in China started in agriculture in 1979, the period of the most dramatic declines in poverty occurred – well before the country's National Poverty Alleviation Programme began. Poverty reduction was more rapid and comprehensive from 1979 to 1984 than in any period since. The rate of poverty reduction began to slow thereafter, as the development strategy adopted an export orientation and shifted resources to the rich coastal regions. However, during 1993-1996 poverty also dropped dramatically, as real income per person rose 21 per cent in rural areas. The main explanation is that in both 1979-1984 and 1993-96 the terms of trade of agriculture notably improved, as farm purchase prices were raised and farm incomes increased correspondingly.

The experiences of both China and Vietnam point clearly to at least one major successful strategy that many poor developing countries can adopt to achieve a rapid and pro-poor pattern of growth in the early stages of development. In contrast, the development experiences of Cambodia and Nepal show that the rate of poverty reduction will be slow if growth is not stimulated in agriculture. In both countries, a large majority of the poor are located in rural areas, with livelihoods tied directly to agriculture. During 1990-2001, the rate of growth of agricultural GDP was 1.8 per cent in Cambodia and 2.6 per cent in Nepal. Growth in industry in both countries was faster, but it was narrowly based – mostly in a small export sector producing garments and textiles.

In the case of Syria, the development process has, over the last two decades, left agriculture to accommodate an increasing labour force (especially the landless poor), the growing labour density on cultivated land is not in itself responsible for the declining per capita productivity / income in agriculture, nor the widening gap within and between agriculture and other sectors of the economy. The analysis in the case study suggests that the responsibility is shared by: (a) Inadequate investment in the capital-hungry agriculture, that contributes 36 per cent of national income; and (b) the widespread use of labour-displacing technology that was facilitated by trade liberalisation, combined with the limited labour-absorption capacity of other formal sectors. Hence, the strategic

importance of expanding non-farm labour-intensive activities *within* rural areas should be prioritised – not as a residue, but as a determinant of job-creation and an income stabiliser against sudden climatic shocks.¹¹

5.5 Generating Widespread Employment for Poverty Reduction

While much of the rhetoric of the latest generation of national poverty reduction strategies supports the importance of pro-poor growth, most of them overlook a critical set of public policies that can help achieve such an objective, namely, feasible policies to generate widespread employment at decent wages. In Syria, as in the Asia-Pacific, this has had a lot to do with the lack of development of agriculture and non-farm rural enterprises. It also relates to the lack of development of small and medium enterprises generally, and the failure to move labour out of agriculture and into higher-productivity industry.

As in Syria, half of the countries studied by the regional programme – Bangladesh, Cambodia, Nepal and Vietnam – have the majority of their employed in agriculture. In Nepal and Cambodia, those employed in agriculture account for over three-quarters of all employed. The share of the employed in manufacturing is relatively small in most of these countries and there are few opportunities for employment outside agriculture and services, most of which are low paying.

Generating widespread employment depends principally on the character of growth – namely, whether it is reaching the sectors and regions where the poor are concentrated, and employing the factors of production that they possess. Generally, this implies that growth should have an employment-intensive character. But this is obviously not enough, as the most labour-intensive sectors are often the lowest paying.

Another essential condition is to raise the income of the poor through boosting their productivity – either by raising it in sectors like agriculture, where the poor are located, or moving them to higher-productivity sectors, like manufacturing. Thus, as a complement to macroeconomic and adjustment policies, sectoral public policies have a role to play in allocating resources to these certain sectors in order to increase their productivity and growth.

The experience of Bangladesh is illustrative in this regard. In the 1990s, it was able to accelerate the rate of poverty reduction: the proportion of the population in poverty dropped from 50 per cent in 1991/92 to about 40 per cent in 2000 – a significant improvement over very slow progress in earlier decades. This was largely due to

¹¹ In El-Ghonemy (1993: p. 362) the analysis of data on land concentration (size distribution of landholdings), agricultural output growth and estimates of rural poverty levels in 21 developing countries, including Egypt, shows that at 3 per cent annual growth of agricultural GDP and without changing land distribution, it would take 60 years to reduce poverty level by half while agrarian reforms – reducing land concentration by one-third this 50% poverty reduction could be realised in 12 years only. Thus, the relationship between land concentration (the Gini index) and the variation in poverty level is highly significant ($R^2=0.70$).

employment generation in the non-tradable sectors – mainly construction, small-scale industry and services – not the tradable sectors. A boom in crop production in the late 1980s shifted agricultural labour into non-farm employment in these sectors.

In Sri Lanka, although GDP increased by 4.8 per cent from 1990 to 2001, employment increased by only 2.3 per cent (Seth and Deb 2003). The slow growth of employment was due to the shedding of labour in agriculture, and the inability of industry and services to fully compensate for this loss. Low value-added manufacturing and services absorbed about half of this labour. Within manufacturing, much of this displaced labour took up work in the informal sector, in sub-contracting and casual jobs. The ‘level-playing-field’ policies of trade liberalisation undercut much of the dynamism of the industrial sector and its ability to increase remunerative employment. Syria is vulnerable to fall prey to this ‘jobless growth’ scenario. Decision makers in Syria are advised to follow China’s early model in transition, which, as emphasised by McKinley, had remarkable success in generating rural employment. In the early 1980s, the economic reforms in agricultural institutions and incentives led to a boom in rural prosperity, which sparked the rise of non-farm Village Enterprises, which absorbed a significant share of surplus agricultural labour.

There is little doubt that managing the Syrian labour market with little or no growth is going to be increasingly difficult in the future. In the past, concessionary external finance from friendly Arab states, buoyant revenues from the oil price boom and a lucrative bilateral trade with Iraq worth US\$ 1–2 billion annually enabled the Syrian government to sustain vital social expenditures in a fiscally affordable fashion. At current rates of extraction, oil resources will run out in about ten years. The government has sought to counter the actual and prospective reduction in access to external markets by signing an association agreement with the EU, and by seeking a deeper integration with the Arab world through a free trade agreement. These developments will create fresh opportunities and challenges. On the one hand, these external initiatives in the foreign policy domain will provide access to new markets for domestic firms and bring in new investments. This in turn will aid the process of growth and contribute to employment creation. On the other hand, competitive pressures will build up on domestic institutions and firms, which may lead to a reallocation of resources and the shedding of labour. Hence, the management of the Syrian labour market will have to be more astute in this new environment than it has been in the past.

The government has responded to these concerns by adopting a number of policy initiatives. The most notable institutional innovation was the setting up of a special Agency to Combat Unemployment [ACU]. A new package was enacted in which US\$ 1 billion was to be disbursed over a period of five years (2001-2005) to mitigate unemployment and underemployment. In addition, it was committed to funding public works in rural areas and targeting impoverished individuals, families and regional communities. However, as pointed out in the UNDP Syria study, for general Small and Micro Enterprise development (SME), the Syrian government needs a comprehensive and integrated programme. There is a myriad of small enterprises in Syria, many in the informal sector, but few can obtain the access to resources and business services to graduate into medium-sized enterprises that can provide Syrian workers with decent work

– i.e., work based on skills and paying a poverty-eliminating level of wages. Self-employment and micro-enterprise development, albeit employment-intensive, are not the solution to widespread poverty. Hence, public policy needs to concentrate on small enterprises and enable them to grow into medium-sized enterprises. Again, this points out to the crucial role that the monetary and financial sector can play in the Syrian context. In essence, enhancing the ‘employment elasticity’ of growth – rather than the growth rate per se – should become a policy goal in Syria.

Several other interesting features of the Syrian labor market that emerge from their chapter in the UNDP case study are important to note. Perhaps the most notable feature is the public sector-private sector divide. This does not necessarily stem from the distribution of the work force between the two sectors, but from the imbalance that emerges from the gender composition and educational qualifications of workers – and associated wage disparities – between the public sector and the private sector. Statistics presented in their chapter also show the public sector acts as a repository for skilled graduates. This confers both benefits and costs. It enables the public sector to foster and sustain its capacity to provide managerial and administrative leadership. At the same time, by acting as a primary venue for graduates with a tertiary education, the public sector may unwittingly nurture groups who have a stake in maintaining the status quo and who may be ambivalent towards a reform agenda of private sector.

Evidence from the 2003 employment survey also shows that the poverty-labour market nexus is such that the typical person in the Syria is likely to be poor if he/she is employed in the private sector, is a paid worker and is employed in either agriculture or services. Moreover, the striking feature of the Syrian labour market is that the average public sector employee is relatively well off vis-à-vis the private sector counterparts. This is due to the significant human capital endowment [as measured by educational qualifications] of the average public sector employee. This is also verified by the strong correlation between poverty and educational status. Poverty rates vary between 18 per cent and 12 per cent for those with primary education and less, while the corresponding rates range between 6 and 3 per cent for those with secondary education and more.

From a regional perspective, four governorates [Homs, Deir Ezzor, Idleb, Hassakeh] account for 56 per cent of the total stock of unemployment in Syria. However, these are not the governorates with the highest poverty rates. In fact, all of them have poverty rates below the national norm (11.6 per cent). On the other hand, governorates with very high poverty rates (18 per cent), like Al Raqqa and El Suweida, account for only 5 per cent of the total unemployed. This suggests that the unemployment-poverty linkage at the regional level is quite nebulous. Areas with particularly high poverty rates do not necessarily complement the regional concentration of unemployment in Syria. The correlation coefficient is a statistically significant -0.63, suggesting that *higher unemployment* in regional communities is associated with *lower poverty* incidence. When the data draws on rural and urban unemployment rates in selected governorates (not shown here) is correlated with poverty rates, the relationship becomes positive, but is statistically insignificant (0.16). Thus, geographic interventions using a regional unemployment map will not be able to target impoverished communities in a reliable manner.

5.6 Implementing a Pro-Poor Trade and Industrial Strategy

In the countries covered by the Asia-Pacific regional programme, the impact of trade liberalization on poverty has been mixed. Generally, the studies recommend that such liberalization should be approached cautiously, with some protection of domestic industry being combined with export promotion. Also, several of the studies urge that trade policies be linked with a pro-active industrial strategy in order to maximize the benefits for development.

In some countries, such as Vietnam, a process of liberalizing trade has contributed initially to an export boom, which has imparted benefits across the economy, including the farming sector. But liberalization has also been accompanied in many of these countries by a surge in imports, so that trade deficits remain large. For example, in Mongolia—a small economy that strove to open up rapidly—the share of exports shot up from 24 per cent in 1990 to 64 per cent in 2001 but imports rose from 53 to 80 per cent in the same period.

Simultaneously with export promotion, Vietnam has pursued a policy of fostering domestic substitutes for imports and thus its trade account remains roughly in balance. China and Indonesia are running trade surpluses (the latter in order to pay off a large external debt) but the rest, like Mongolia, are running substantial trade deficits. With the slowdown in the global economy, even successful countries such as China and Vietnam face the prospect that their exports will no longer be able to function as the engine of growth for their economy.

In many of the countries studied by the regional programme, the reputed benefits of trade liberalization have not reached the poor, especially those in rural areas. While there is some evidence that export promotion initially benefited farmers in Vietnam, for example, the impact was most pronounced in the more developed rural regions, which produced most of the exportable commodities.

In general, the benefits of trade liberalization have been unequally distributed. Therefore, the case studies call for pro-poor interventions that can compensate, at least, for the adverse effects of liberalization. These could run the gamut from the less controversial, such as improved social security (as advocated by the China case study), to the conventional responses, such as the provision of public goods and agricultural development, to the most controversial, industrial policies (as advocated by the Indonesia case study).

Part of the explanation for the unequal distribution of the benefits of trade is the lack of a supply response from poorer farmers and small enterprises when increased trade has broadened economic opportunities. This is a particular problem in rural areas, where there is a lack of infrastructure, credit, marketing channels and public services. Poverty reduction strategies should be geared to address these shortcomings.

Another part of the problem is the unequal distribution of benefits across countries. Some countries remain wary of completely opening up their economies because of the potentially devastating effects on their industrial and agricultural sectors, especially if industrial-country markets for exports of agricultural commodities and labor-intensive manufactures from developing countries remain protected.

Some countries, such as Cambodia, Mongolia and Nepal, have banked heavily on garment and textile exports but international competition is intense in these sub-sectors and foreign direct investment is footloose. The Sri Lanka case study warns that too many developing countries are specializing in the same low-value-added products such as garments and have not diversified their manufactured exports. Instead, they should be concentrating on relatively income elastic and price inelastic export products.

The Syria case study makes a similar argument for Syria. It assesses the medium-term growth potential for specific non-oil commodity exports on the basis of commodity Comparative Advantage. The exercise indicates that a pattern of specialization based on primary commodity production implies that growth would be directly connected to the capacity restrictions and movements of the terms of trade for commodities, a prospect that is less than reassuring. Furthermore, estimates of future export performance assuming that current comparative advantage would influence the patterns of trade in the post-liberalization environment, seem dim. Even if we follow, conventional economic wisdom by purporting a positive causal relation between liberalization and growth, estimates suggest, *ceteris paribus*, an annual growth rate in non-oil commodity exports of about 15 percent is needed to replace oil exports.

This seems to be a highly unlikely scenario given three sets of constraints that affect non-traditional exports. First, there are the domestic constraints posed by restrictive macroeconomic policies, an export unfriendly regulatory framework, low productivity and the lack of financing or support-services provided to exporters. Second there is the combination of high protection in Europe (Syria's main trading partner) and fierce competition from other developing countries. Third, there is the increasingly binding environmental constraint posed by the level of water scarcity in Syria. Of those three major constraints, only the first is under the direct influence of Syrian policy makers. However, even if such a leap in primary product and low value-added exports occurs, it will still be insufficient to sustain the capital good import requirements for a fast growing industrial program.

Consequently, trade liberalization highlights a major dilemma for Syrian decision makers. On the one hand, in the ideal case, Syria should adopt a mix of import substitution cum export promotion, a strategy that would emulate to a great extent the one pursued by the successful Asian countries. On the other hand this path is more difficult for developing countries, including Syria, under present circumstances. But Syria has little choice but to follow suit. It is a well-known fact in economics that increasing returns can lead to cumulative growth processes and different patterns of specialization. The argument here is that industrial policy can guide these changes. Along Kaldor-Verdoon lines, Amsden (1989) showed that output growth via import-substitution then export-led industrialization could have a positive feedback on productivity as already observed in

the Korean case. All successful transitions utilized economies of scale and productivity growth. In smaller countries the limits of internal demand was overcome by exports. Syria must find a 'policy room' that allows it to pursue an industrial policy based on a private-public partnership.

Chapter Six

Implications for Poverty Reduction Strategies

Poverty alleviation can be approached from a welfare, an economic or a human capital approach. A welfare approach would consist of making direct income transfers to the most needy, either through cash transfers or through subsidised goods and services. An economic approach would focus on interventions designed to improve income earnings for the poor. Finally, a human capital approach would aim at increasing the poor's earning potential by raising their productivity through nutrition, health, education and training programs. The last two sets of strategies entail making changes in the characteristics of the poor – and there are several advantages to policies aimed at changing the characteristics of the poor. First, policies that succeed in changing these characteristics are, in large part, removing the causes of poverty, not just reducing its effects. Secondly, many of these policies could be less costly in the long run, as they aim to raise the productivity of poor households. Policies that fall under the umbrella of an economic approach were discussed in Chapter 5. In this chapter we focus on complementary welfare- and human capital-based interventions for poverty reduction in Syria.

6.1 An Agenda for Poverty Reduction

Syria has thus far been successful in reducing poverty, however, several concerns remain:

- The prospects for medium-term GDP growth are adversely affected by high instability in the region, which could hamper workers' remittances and foreign direct investment (FDI). These are vulnerable to external shocks.
- The outlook for job creation is unclear in the medium term.
- The high fertility rate and high dependency ratio are affected by and affect poverty rates. The association between fertility and poverty is more prevalent among FHH.
- Illiteracy, low school enrolment rates, and child labour are especially high among the poor, and reflect how poverty is perpetuated from one generation to another.

Analyses of previous chapters also indicates that poverty is more prevalent in the North-Eastern region among: self-employed workers who have no hired employees, and among workers without wages, especially those who work in agriculture. Poverty is more likely to be found among occasional and seasonal workers and individuals outside the labour force. Larger household sizes are also observed among the poor. FHH with more than three children are at great risk of being poor. Education is the strongest correlate of poverty, insofar as it determines the command of individuals over income earning opportunities through access to employment. The correlation between education and welfare has important implications for policy, particularly in terms of the distributional impact. The gender gap is substantial in terms of all educational variables and in most cases it outweighs the wealth as well as the urban/rural gap.

Moreover, although measured poverty risks for men and women appear to look the same, evidence from this study suggest that women in general, and female-headed households in particular, are at a systematic disadvantage over a wide range of welfare indicators. They are less educated, they are often either unpaid workers or work outside of labour force categories, the illiteracy rate among their children is very high and their children are more likely to drop out of school and/or work. Average wages per earner living in the poor household is about 82 per cent of the non-poor in urban areas and 85 per cent in rural areas. Female-headed households depend largely on income transfers (representing 22 per cent), pointing to their vulnerability to external economic shocks. Results of the multivariate analysis conclude that individuals classified as poor are more likely to: have a higher dependency ratio, be illiterate and unemployed, or work in construction, services or in agriculture. They are likely to live in more crowded houses. They are also less likely to have older heads of household and to have secondary and university levels of education.

These characteristics must be considered by Syrian decision makers in their endeavour to formulate a poverty reduction strategy. For a future agenda for poverty reduction in Syria, it is also useful to use Sen's (Sen, 1993) classification of poverty:

- **Opportunity** – lack of access to labour markets and employment opportunities, and to productive resources; constraints on mobility; and, particularly in the case of women, time burdens resulting from the need to combine domestic duties, productive activities and management of community resources;
- **Capability** – lack of access to public services such as education and health;
- **Security** – vulnerability to economic risks and to civil and domestic violence; and
- **Empowerment** – being without voice and without power at the household, community and national levels.

Any poverty reduction strategy should involve policies and program interventions to help the poor to overcome each of these dimensions. Pro-poor economic policies to that end were outlined in the previous chapter. In this chapter we focus on human capital and welfare based strategies:

6.1.1 Human Capital Strategies

In the short run, the ability of the current generation of poor to earn more and to contribute more to their children's future earning capacity can be improved by creating measures to increase their access to resources, including information and credit. This can be accomplished by: providing easier access to productive employment or assets and by promoting a better remuneration of their productive activities. In the long run, the greatest effect is likely to come from investment in human capital – education and health.

The principle assets of the poor are labour and time. Education increases the productivity of these assets. A healthy, educated and well-fed labour force is more physically and mentally energetic than one which is sick and hungry. Hence the following measures are recommended for human capital accumulation:

- Improve the effectiveness of public expenditures to increase opportunities for human capital formation for the poor. Support for the eradication of illiteracy and drop-out rates among the poor is probably the single most important development objective. The commendable policies designed to encourage girls to join and stay in schools, taking into account the cultural and traditional barriers, should be fully and quickly implemented.
- Given the enormous return that lowering illiteracy has on reducing poverty in Syria, there should be an effort to continue the expansion of universal primary education, especially in rural areas, and among girls.
- Lower child labour (and thus school drop-outs) through direct interventions – for example, a school lunch program in poor areas could both increase attendance and lower nutrition deprivation.
- Provide high-quality and market-relevant secondary education to the youth. Secondary education also increases earning power, but only if the skills imparted by the school are demanded by the job market.
- Reallocation of public health expenditure toward preventive health care programs.
- Insurance coverage should be extended in addition with this reform. Health insurance plans for widows and dependents should be revised. Extended coverage would require the health insurance organisation to establish new contracts with hospitals and physicians, to provide the needed additional medical care.
- A well-designed programme to improve the nutrition of vulnerable groups should be designed and implemented. Emphasis should be put on the protection of children in particular. Some recommended strategies include: (a) providing daily meals for primary public schools children. School feeding, as a way of targeting the poor, has the advantage of improving nutrition for children and indirectly encouraging children to enrol at schools; and (b) distribution of small quotas of necessary food items to participants in literacy classes would help the poor to cope with food expenses. It would also provide an incentive for them to attend regularly.
- Extending infrastructure, such as safe water and improved sanitation, to regions in which poverty is prevalent provides a reasonably efficient method for improving individual health status and hence reducing poverty.
- Interventions are needed to avoid high fertility rates experienced by the poor, not only by providing subsidised contraceptive methods, but also by providing better access to sound health services, and offering poor households incentives to send their children to school.

6.1.2 Social Welfare Strategies

Two broad groups are in need of special attention: those who are unable to work and those who may temporarily be in danger of losing their livelihood. The first group needs a system of transfers that ensures them an adequate standard of living. The second group

is best served by a variety of safety nets. The central government is preferable to NGO's for providing regular payments on a statutory basis.

A significant part of the income of the poor comes from transfers. Acute poverty is usually related to old age, disability and unemployment. Formal social security systems should be developed, or their coverage widened. Such systems, which provide old age pensions and unemployment, disability, health and spousal benefits, are feasible in many urban areas and should be extended to all those who are unable to work in both urban and rural areas.

6.1.3 Regional Balance

Ensure that growing regional disparities in incomes, opportunities, and services are re-evaluated:

- The North-Eastern region needs a continued push in terms of effective development investments. This could include increasing entrepreneurial and employment options, improving educational opportunities, mitigating the health effects associated with poverty, and improving the coverage of sanitation and water supply systems.
- Poverty reduction strategies and associated policy instruments need to be developed incorporating the particular poverty profile of the region, governorate or district, using the analysis from household surveys, in addition to other non-income indicators.

6.1.4 Monitoring and Evaluation

The success of the poverty reduction strategy will require a systematic approach to monitor and evaluate progress in the implementation strategy. To ensure that targets are met, a comprehensive poverty monitoring system should be established to help policy makers monitor progress and adjust the actions to make them more effective and efficient.

- Consider introducing annual household surveys with a smaller sample size (e.g., an annual HIES with a randomly selected sample of 5,000 households – which would be statistically representative and valid – rather than a 30,000 household survey every 5 years).
- Continue to ensure that the sample is regionally representative.
- Initiate a small panel survey to better track changes in living conditions.
- Revise the questionnaire to add questions in under-represented analytical areas like: healthcare use and outcomes, anthropological measures and time use by family members.
- Improve the quality and regional coverage of labour, agricultural, industrial and macroeconomic data.

6.2 Targeting Mechanisms

Successful and financially feasible interventions to reduce poverty must be based on a mechanism for targeting assistance to the poor. Although the explicit goal of all types of strategies is to reduce poverty, they are likely to benefit some non-poor as well. Given that funding for such programs is limited, steps must be taken to target benefits toward the poor. It is useful to distinguish between two types of targeting: direct targeting and characteristic targeting.

Direct targeting explicitly identifies individual households as poor or non-poor and directly provides benefits to the former group and/or withholds them from the latter. The targeting form depends on the ability of governments to identify the vulnerable poor. If the poor can be identified on a household or individual level, transfer payments or some other form of direct assistance can reduce their vulnerability. For example, the provision of food or medical care to elderly and disabled individuals, to households who display clear signs of malnutrition or to individuals who have special needs, such as pregnant and lactating women are all direct targeted assistance. However, a serious problem with direct targeting is that the ‘screen’ needed to identify the poor is expensive to construct.

If providing assistance directly to the vulnerable poor is not feasible, intervening on the basis of the characteristics of the poor may be required. This we refer to as characteristic targeting. For instance, if the poor are concentrated in certain regions or districts, the provision of public services to those areas could be increased. However, characteristic targeting has two potential drawbacks. First, some non-poor households may possess the same characteristics as the poor; and hence receive benefits (leakage). Second, not all poor households may possess the characteristics necessary to benefit from the intervention, and consequently are not reached (under-coverage). The success of characteristic targeting depends on the ability of program designers to minimise these leakages. Of course, some inefficiencies may have to be accepted to achieve distributional objectives during the period of adjustment, but these should be temporary and must be kept to a minimum. Accurate identification of the key characteristics of the poor, and feasible policies that could change them, require competent and timely research.

A thorough examination of Syria’s data for the purpose of constructing a comprehensive set of policies to reduce poverty is beyond the scope of this study. However, the poverty profile for Syria, discussed in Chapter Three, describes the characteristics of the poor in Syria, and their main sources of income. These could be used to describe the most efficient targeting mechanisms to implement strategies for poverty alleviation. A few examples that demonstrate the use of household survey data for policy formulation are presented below.

6.2.1 Targeting by Geographic area

Perhaps the most basic characteristic of the poor is where they live. The data in Table 2.3 shows that 11 per cent of the urban population and 18 per cent of the rural population in the North-Eastern region are poor. This constitutes 58 per cent of the poor. Clearly, any policy to reduce poverty in Syria must focus on this region. While there is some geographic separation of the poor from the non-poor, most of the poor live in rural areas. A geographic-based intervention would mean that 61 per cent of the poor would benefit from any interventions in rural areas, and leakage would go to about 47 per cent of the non-poor. However, the leakage of any such intervention can be reduced by prohibiting benefits to people whose incomes are known to be high, such as employers (the self-employed employing others). At the governorate level, poverty alleviation programs should target the poor in Aleppo, Al Raqqa, and El Suaida governorates.

In formulating an area-based anti-poverty intervention strategy, Syrian decision makers are also advised to direct social services and public investment to urban slums and squatter settlements. Large visible tracts of squatter and informal housing have become, in many parts of Syria, intimately connected with the perception of poverty, a lack of access to basic services and income insecurity. Income and capability poverty is largely seen as the central characteristic of slum and informal housing areas. In some definitions, such areas are associated with certain vulnerable groups of the population, such as recent immigrants, internally displaced people and marginally employed persons. Such areas may be perceived as the space of social exclusion in urban areas in some metropolitan towns.

Table 6.1 indicates the degree of infrastructure coverage in ‘informal housing areas’. Evidently, access to potable water and electricity connections tended to advance more rapidly than sewerage and telephone connections. While a phone connection may be seen as something of a luxury item in these areas, sewerage connections are crucial, especially for environmental management – which relates to problems of disposal of solid and liquid wastes from people living at high densities in such areas. However, the quality of life of dwellers of ‘informal housing areas’ does not depend solely on the provision of physical infrastructural services, but also, and most crucially, on the availability of health, educational and other recreational services. Table 6.2 shows coverage of informal housing areas in Syria by basic social services is severely lacking in some governorates, particularly in Al-Hassakeh and Tartous.

Table 6.1: Infrastructure Coverage in Informal Housing Areas (%)

Province	Sewerage	Potable Water	Electricity	Telephone Connection
Damascus	88.0	86.8	94.6	75.0
Allepo	61.3	51.4	78.0	25.0
Homs	76.3	90.0	93.8	76.3
Hama	61.8	100.0	100.0	36.2
Latakia	86.0	54.8	65.8	57.5
Edlib	20.0	100.0	100.0	100.0
Al-Hassakeh	64.0	77.0	95.0	64.0
Deir-Ezzor	17.9	100.0	100.0	50.2
Tartous	67.5	100.0	100.0	76.5
Regqa	32.7	67.3	85.3	49.3
Daria	29.2	31.7	30.8	46.7
Suweyda	18.3	76.8	76.8	40.5

Source: Ministry of Local Administration

Table 6.2: Education and Health Services in Informal Housing Areas, by Governorate (2003) (per 10 thousands pop.)

Province	Primary Schools	Secondary Schools	Health Centers
Damascus	1.9	0.23	0.30
Allepo	1.3	0.25	0.22
Homs	2.5	2.06	1.06
Hama	2.0	0.33	0.33
Latakia	1.3	0.54	0.60
Edlib	n.a.	n.a	n.a.
Al-Hassakeh	1.1	0.07	0.07
Deir-Ezzor	1.4	0.36	0.36
Tartous	1.5	0.00	0.25
Regqa	2.1	0.44	0.50
Daria	18.8	3.76	2.50
Suweyda	9.4	0.55	1.10

Source: Ministry of Local Administration.

Finally, as argued in the UNDP case study on pro-poor macro-economic policies, the livelihood of most ‘informal housing area’ dwellers depends on informal (casual) employment and informal businesses, with insecure prospects. This segment of the population may be seen as the most socially and economically vulnerable, and with a high proportion of unemployed and frustrated youth. In the light of these facts, physical solutions (i.e., upgrading of the quality of housing and infrastructure networking) are not sufficient to address the depth of poverty in these areas. New strategies of socio-economic integration need to be devised to provide these dwellers with more secure and sustainable sources of livelihood, as well as greater social protection. (UNDP, 2005)

6.2.2 Characteristic Targeting

The incomes of poor households depend heavily on characteristics like: physical assets owned, the educational level of household members, their professional skills and access to credit. The household characteristics most significant in identifying the poorest families in Syria are education levels, economic activity and employment category. Economic activity can be used to identify poor individuals. Individuals who are agricultural workers or worked in construction were the poorest in terms of their consumption levels in 2003-2004. As agricultural and construction workers, (casual and unskilled labour) represent 55.9 per cent of the poor, one must focus on prices, particularly those of marketed crops and agricultural inputs. But a general price scheme to raise agricultural incomes could entail some leakages, as 23 per cent of non-poor individuals also work in agriculture.

This breakdown of households by characteristics of the head of the household reveals that education is the single best indicator of poverty in Syria today. It suggests that the poorest households may be identified by the education level of the head of the household, and that programmes to improve educational facilities – particularly those providing technical training and to keep children in school – represent social investment programmes with potentially very high to long run returns.

6.2.3 Targeting by Housing Condition

Housing characteristics in Syria are useful in terms of determining the general orientation of social investment programs. However, they are of little use in identifying households who are eligible for specific program benefits. Several housing characteristics are common among the general population (poor or non-poor) residing in certain regions. Thus attempting to locate the poor according to the characteristics of their dwelling is not a highly effective strategy.

However, housing characteristics can be used to identify priorities for social investment programs, both in terms of the type of programs to be implemented and the geographic areas in which they ought to be concentrated. Improvements in the provision of water will benefit 61 per cent of the poor population in rural areas, (Table A.3.32).

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ANNEX 1

CONCEPTUAL ISSUES IN MEASURING POVERTY

Poverty analysis and assessment in Syria have been driven by the concern to design appropriate poverty reduction strategies. There are no poverty estimates in Syria; however, debates about methods of poverty measurement are common because poverty is an elusive concept and no single measurement can properly or adequately reflect its magnitude and features. Views differ on how individual welfare should be measured, how poverty lines should be set and what poverty measures should be used. The raw household data, for 1996-97 and 2003-2004, provide a unique opportunity to evaluate the evolution of living standards for these time periods.

What follows here is a brief discussion of some of the conceptual issues underlying the practice of poverty measurements and comparisons. This will help to form the basis for our subsequent analysis on the size, evolution and profile of poverty in Syria.

Poverty has traditionally been defined as a discrete characteristic – either one is poor or one is not poor. Given a particular indicator of welfare, a certain line or standard is drawn, and an individual or household falls either on one side, or the other. Analysis of poverty takes place at two different levels. Defining poverty consists of classifying the population into poor and non-poor. Measuring poverty seeks to aggregate the ‘amount’ of poverty into a single statistic.

Constructing a poverty profile to show how poverty varies across sub-groups of a population is typically the first step in designing an anti-poverty policy. Thus, how should a poverty profile be constructed? One guiding rule is that poverty, within a given standard of living, should not depend on which sub-group in the poverty profile an individual with a certain standard of living happens to belong. Following Ravallion 1991, a poverty profile would be ‘consistent’ if it respects this principle. Consistency requires that the poverty line be fixed in terms of the indicator of living standards used. Consistent poverty comparisons imply that two persons at the same real level of consumption are deemed to be either ‘poor’ or ‘not poor’ irrespective of the time or place under consideration, or the presence or absence of policy change within the relevant domain.

1.1 Measuring Welfare

1.1.1 Welfare Indicator

There are different approaches to measuring welfare or well-being (Ravallion, 1994). For a given society, poverty exists if an individual (or household) is unable to attain a certain standard of living, or well-being, at the minimum level accepted by the standards of that society. However, which factors or indicators constitute well-being or welfare? The approach we have adopted is to measure welfare in terms of a money metric indicator,

defined as the amount of money required – given a set of prices and the assumption of utility maximisation – to attain a particular level of utility. This allows us to compare household welfare levels, which cannot be observed, by comparing their observable consumption levels. Thus, the consumption-based approach becomes particularly suited for measuring poverty in developing countries, as it bases poverty comparisons in terms of deprivation from certain commodities and resources (both food and non-food) considered essential for a minimum level of well-being within a given society. However, there are other factors that determine the standard of living and affect welfare that cannot be readily reduced to a single monetary measure. Examples of such factors are: access to education, basic health services, safe potable water and basic housing amenities. Strictly interpreted, poverty means the inability of individuals to attain adequate or minimum nutrition, clothing or shelter. More broadly, it encompasses those factors that *enable* an individuals’ command over resources, such as being healthy and literate. Poverty in this latter sense would constitute a deprivation in capabilities, as measured by the UNDP Human Poverty Index. To measure poverty in this sense, the money metric welfare indicator should therefore be supplemented by other social indicators of well-being, such as infant mortality, school enrolment, life expectancy at birth, etc.

1.1.2 Income versus Expenditure

There are several conceptual and empirical considerations favouring the use of expenditure, rather than income, as the basis for the welfare indicator in developing countries (Hentschel and Lanjouw, 1996). One consideration is that since all income is not consumed, nor is all consumption financed out of income, consumption is arguably a more appropriate indicator, if the concern is realised welfare. Expenditures better reflect what households can command in terms of current income. They also reflect their access to credit markets or past savings when incomes are low or negative. A second consideration relates to the consumption options and income sources of the poor. Whereas poor households are likely to be purchasing and consuming only a narrow range of goods and services, their incomes may well be derived from a variety of sources, many of which are seasonal in nature. Expenditures, therefore, are a better indicator of long-term living standards than current income, since consumption tends to smooth variability and fluctuations in income streams. Thirdly, the practical problem of using income to indicate welfare lies in the measurement of incomes of individuals who operate their own business, where records of family businesses are often not kept. Lastly, survey respondents may be more willing to reveal their consumption patterns rather than their income.

1.2 Units of Measurement

Household budget surveys provide the most important source of data for poverty comparisons. These surveys record information on household income and consumption expenditures on various goods and services. They are, therefore, a good source of information on the distribution of welfare within society. In measuring poverty, a few issues must be considered when deploying household budget surveys.

After a comprehensive measure of household consumption is constructed, the critical issue of adjustment of household welfare for differences in household composition must be discussed.

Household surveys typically record aggregate outlays made by the household on various commodities. Poverty comparisons have thus tended to use the household – as opposed to the individual – as a unit of measurement. Total household consumption is likely to overstate the welfare level of persons in large households, since the goods and services consumed must be divided among more people. The most common adjustment made is to use per capita consumption. This may under-estimate welfare levels because households have very different compositions, and small children have smaller needs for food and other items, relative to adults. Furthermore, there may be economies of scale in consumption for certain commodities. To correct for this, one can estimate household equivalence scales. Adult equivalence scales are therefore used to adjust the welfare measure for individuals to take into account differences in the age and gender structure of the household. Applying an adult equivalence scale means that household members are assigned a weight between zero and unity, depending on their age and gender. Adult equivalence scales typically assign a value of one to adult males, and less than one to adult females and children (Ravallion, 1992).

However, calculating such scales is controversial. In this report, this controversy is overcome by controlling for difference in household composition and estimating the household specific poverty line, as will be discussed in the following section.

1.3 Poverty Lines

Syria does not generally suffer lack of food for its population. Average calorie supply in 2003-2004 was 2,780 calories per day, which is about 119 per cent of the recommended requirements. Poverty lines define the consumption standards that must be reached if a person is not to be considered poor. Poverty lines can be absolute, relative or subjective. Much of the literature on poverty has been concerned with the respective merits of absolute and relative measures of poverty.

The choice of poverty lines is very critical as different methods can produce different rates of poverty and can sometimes cause a reverse in ranking, either between sub-groups or between different dates. When the purpose is to monitor progress in reducing absolute consumption poverty – defined in terms of command over basic consumption needs – one should not consider a person who chooses to buy fewer and more expensive calories as poorer than another person who lives, for example, in a village, if both can afford exactly the same standard of living. (Ravallion, 1996).

One of the most common approaches is the Basic Needs Approach. With this approach, the poverty line is set as the cost in each sector and at each date (year) of a normative ‘basic needs’ bundle of goods. The difficulty is in identifying what constitutes ‘basic needs’. For developing countries, the most important component of a basic needs poverty line is generally the food expenditure necessary to attain some recommended food energy

intake. Thus, the food bundle is typically chosen to be sufficient to reach the pre-determined caloric requirement, with a composition that is consistent with the consumption behaviour of the poor. This bundle is then evaluated using prices prevailing in each sub-group (region) and at each date. Poverty lines can be then interpreted as Laspeyres cost-of-living numbers. Ravallion (1996) explained that the most compelling argument in favour of the cost of basic needs (CBN) method for making poverty comparisons, is that it explicitly aims to control for differences in purchasing power over basic consumption needs. The CBN method can at least claim to provide a first order approximation of what we are trying to measure. The cost of a bundle is known as the food poverty line.

One could argue, however, that sufficient caloric intake does not ensure that basic food needs are met. However, Lipton (1986) argued that shortfalls in nutrients other than calories are almost always due to inadequate caloric intake or are not related to income increases. Protein deficiency is almost always cured once caloric needs are met. Deficiencies of vitamin, iron, magnesium iodine and other micronutrients occur on a large scale even without caloric shortage. However, cost-effective cures are likely to be achieved, not by measures to raise income, intake nor unit requirements of some or all foods, but by public action.

Another alternative is to set an ideal cheap diet to attain basic nutrition requirements and find its cost. However, attaining adequate nutrition is not the sole motive for human behaviour (not even for most of the poor), nor is it the sole motive of food consumption.

The food poverty line is augmented by an allowance for expenditure on essential non-food goods. Following Engel's law, the non-food allowance can be estimated in two ways: (i) regression of the food share against total expenditures and identifying the non-food share in the expenditure distribution of households in which expenditure on *food* is equivalent to the food poverty line; or (ii) identifying the share of non-food expenditure for households in which *total* expenditure is equivalent to the food poverty line. The former approach yields an 'upper' boundary for the poverty line, while the latter yields a 'lower' boundary or the 'ultra' poverty line, since it defines the total poverty line in terms of those households which had to displace food consumption to allow for non-food expenditures (considered to be the minimum indispensable level of non-food requirements). Absolute poverty lines have been widely used in developing countries because poverty research is dominated by the concern for the attainment of basic needs and the achievement of well-being in absolute terms.

An alternative to this method is to first find the minimum cost of a food bundle, which achieves the stipulated energy intake level, then divide it by the share of food in total expenditure of some group of households deemed likely to be poor. This is known as the Orshansky method, named for Orshansky (1965), who used it to measure poverty in the USA. However, this method is unlikely to generate poverty lines that are constant in terms of real consumption or income, and hence may not create a consistent poverty profile. Using the Orshansky method can give rise to such inconsistencies simply because of differences in average real consumption or income across groups or dates. Those with

a higher mean will tend to have a lower food share which will lead to using a higher poverty line.

Relative poverty lines have been more widely used in developed countries. These define poverty in terms of a proportion of the national mean. For instance, the poverty line can be set at 50 per cent of the national mean. The poverty line in this sense would be sensitive solely to changes in the relative distribution of welfare, i.e.: on the parameters of the Lorenz curve (Ravallion, 1994).

Subjective poverty lines, on the other hand, define poverty in terms of individual judgments about what constitutes a socially acceptable minimum standard of living in a given society. This approach is usually based on survey responses to a typical question such as: “*What income level do you personally consider to be absolutely minimal?*” (Kapten, et al., 1988, Ravallion, 1992). Poverty measures based on the subjective approach tend to be an increasing function of income. That is, the higher the income of the individual surveyed, the higher the standard of living he or she considers as minimum.

1.4 Poverty Measurements

It has become standard practice in poverty comparisons to use the Foster-Greer-Thorbecke class of decomposable poverty measurements. These include three indices: the head count, the poverty gap and the poverty severity indices.

The head count index (P0) is a measure of the prevalence of poverty. It denotes the percentage of households that are poor – as defined by the poverty line – as a proportion of total population. This measure; however, is insensitive to the distribution of the poor below the poverty line. This is captured by the following two indices, P1 and P2. The **poverty gap index** (P1) is a measure of the depth of poverty and denotes the gap between the observed expenditure levels of poor households and the poverty line. Assuming perfect targeting, the poverty gap index indicates the amount of resources (transfers) needed to bring all poor households up to the poverty line. The **poverty severity index** (P2) measures the degree of inequality in distribution below the poverty line and gives greater weight to households at the bottom of the income (or expenditure) distribution.

To illustrate, suppose that as a result of a policy change, 10 per cent of income is redistributed from a poor household, whose income level places it at 30 per cent below the poverty line, to another household placed at 50 per cent below the poverty line. The head count index in this case would not change, since the size of the redistribution does not enable either household to move up to the poverty line. The poverty gap index would not change either, as the redistribution occurred at levels below the poverty line. The effect of this redistribution policy will be captured by the P2 index, as the position of the lower level household in the distribution would improve.

1.5 Estimation of Poverty Lines in Syria

The choice of the welfare indicator used in the estimation of the poverty line is a critical factor in making poverty assessments. Adjustments to spatial and time differentials can significantly influence the conclusions derived. Given the importance of correctly targeting poverty alleviation interventions at the regional level, this study adopted a strong regional focus. Geographically, Syria is divided into four regions: Southern, North-Eastern, Middle and Coastal. Each region is further disaggregated into urban and rural regions; so our analysis is based on eight different regions.¹ Estimated poverty lines ensure that regional differences in factors such as relative prices, tastes, activity levels, as well as size and age composition of poor households, are accounted for. This results in a rank distribution that is consistent with the chosen indicator of household welfare. Several poverty lines have been estimated to obtain a wide range of poverty comparisons among regions between 1996-97 and 2003-2004. Below, methodologies are presented which are used to estimate these poverty lines.

1.5.1 Data and sampling design

The data for the poverty analysis upon which this report comes from two Household Income and Expenditure Surveys (HIES) for the years 1996-1997 and 2003-2004, conducted by the Central Bureau for Statistics (CBS), Syria's official statistical agency.

Household budget surveys present the single most important source of information for poverty analysis. Information is recorded for household income and consumption expenditures for more than 550 goods and services. This is a good source of information on the welfare distribution of this society. The sampling, questionnaire design, and the administration of the two surveys were similar. These surveys are particularly important because of their comparability for the period between 1996 and 2004. There are three differences; however, between the two surveys. These can be adjusted for and do not affect the comparability of the two surveys.

First and most importantly, the survey was administered over a month period for the selected households in the 1996-97 Survey. Selected households in the 2003-04 survey, however, were asked to report their daily expenditure during a ten-day period only. But other regular expenditures were reported using the same procedure; i.e. at the last visit, households reported their regular expenditures with different recall periods. Secondly, the imputed rent of an owned house was reported in the 2003-2004 survey, whereas no information was available, in this respect, in the 1996-97 survey. Thus, imputed rent should be estimated before further analysis can take place. Third, some characteristics of household members were reported in the 2003-04 survey, but they were not included in the earlier one (1996-97). Also the more recent survey includes reporting on the

¹ The Southern region is composed of Damascus, rural Damascus, El Suaida, Daraa and El Qunaitra governorates; The North-Eastern region consists of Idleb, Aleppo, Al Raqqa, Deir Ezzor and Hassakeh governorates; The Middle region consists of Homs and Hama; and the Coastal region is composed of Tartous and Latakia governorates.

ownership of assets, which is very important in the course of poverty assessment. Unfortunately, this information was not available in the earlier survey.

1.5.2 Household-Specific Poverty Lines

The report follows the cost of basic needs methodology to construct household region-specific poverty lines. The food poverty line varies for each household and for each of the seven regions. Differences in poverty lines reflect variations in food and non-food prices across the seven regions. They also incorporate household differences in size and age composition, and food and non-food consumption preferences. Procedures for estimating household specific poverty lines can be explained by the following stages:

Stage 1: An initial step in defining the food poverty line is the construction of a minimum food basket, which can be anchored to normative nutritional requirements. We first estimate minimum caloric requirements for different types of individuals. Using tables from the World Health Organisation (WHO), caloric needs are separately specified by sex and 13 age categories for urban and rural individuals. For individuals over 18 years of age, WHO's recommended daily allowances are differentiated by weight and activity levels. The estimates used in this paper assume the average weight of men over 18 years of age to be 70 kg and to be 60 kg for women. Urban individuals are assumed to need 1.8 times the average basal metabolic rate (BMR) and rural individuals are assumed to need 2.0 times the average BMR. Thus, each household has its own caloric requirements depending on its location, age of its members and their gender composition.

Stage 2: Once the minimum caloric needs have been estimated, the cost of obtaining the minimum level of calories is determined. Cost is determined by how the calories are obtained on average by the second quintile, rather than by pricing out the cheapest way of obtaining the calories or following a recommended diet. For the second quintile of households ranked by nominal per capita consumption, average quantities of all food items are constructed. Total calories generated by this bundle are calculated using the caloric content in every food item. These quantities represent the bundle used to estimate the food poverty lines, which reflect consumption preferences of the poor. This bundle was augmented and/or deflated to meet food requirements for each household, then priced using prevailing cost in each region to obtain a household specific poverty line.

This stage can be explained mathematically as follows: let Z_r denote the actual food consumption vector of the reference group of households initially considered poor. The corresponding caloric values are represented by the vector k , and the food energy intake of the reference group is then $k_z = k \cdot Z_r'$. The recommended food energy intake for household h is k_h . The reference food consumption bundle used in constructing the food poverty line for household h is then given by z_h , where z_h is obtained by multiplying every element of Z_r by the constant k_h/k_z . Thus the relative quantities in the diet of the poor are preserved in setting the poverty line.

Having selected the bundle of goods, we then value it at local prices in each region. Here, average unit values revealed by the households in the second quintile for each region are used as estimates for local prices. Unit values are obtained by dividing the reported value by its corresponding quantity.

Table 1.1: Quantities and Calories Generated by the Reference Food Bundle

	Urban			Rural		
	Daily caloric intake	Quantity in KG	% of total calories	Daily caloric intake	Quantity in KG	% of total calories
Cereals and Starches	1041.01	0.6060	49.57	1094.07	0.6972	47.36
Pulses	47.33	0.0182	2.25	40.15	0.0170	1.74
Meat and Poultry	87.19	0.0571	4.15	89.90	0.0666	3.89
Fish	8.72	0.0121	0.42	6.78	0.0134	0.29
Eggs	26.11	0.3512	1.24	23.62	0.3516	1.02
Milk & Milk products	139.83	0.1485	6.66	147.54	0.1888	6.39
Oil & Butter	257.04	0.0416	12.24	335.94	0.0600	14.54
Vegetables	170.29	0.6375	8.11	171.37	0.6829	7.42
Fruits	52.95	0.1468	2.52	47.27	0.1451	2.05
Sugar	176.72	0.0674	8.42	296.22	0.1208	12.82
Others	85.86	0.0230	4.09	50.87	0.0291	2.20
Drinks	6.94	0.0259	0.33	6.27	0.0276	0.27
Total	2100.00			2310.00		

The reference food bundle is given in Table 1.1. The food bundle includes 177 foods, allowing for more than 606 grams in urban areas and 697 grams in rural areas of food-grains per person, per day, plus small amounts of fresh fish, meat, eggs and a range of local vegetables, fruits, etc. The average cost of 1,000 calories generated by the reference food bundle ranged from SL15.95 in the Southern urban region, to SL12.37 in the Middle rural region.

Table 1.2: Cost of 1000 Calories by Region

Region	Cost of 1000 calories	
	Urban	Rural
Southern	15.926	13.244
North-Eastern	13.806	12.53
Middle	14.296	12.366
Coastal	14.701	13.42

Stage 3: While the cost of the minimum food bundle is derived from estimated physiological needs, there is no equivalent methodology for determining the minimum non-food bundle. Following Engel's law, food shares are regressed against a logarithm of total household expenditure, a logarithm of household size, share of small and older children, share of adult males and females and share of elderly. The non-food allowance

for each household can be estimated in two ways; (i) regressing the food share against total expenditures and identifying the non-food share in the expenditure distribution of households in which expenditure on *food* is equivalent to the food poverty line; or (ii) by identifying the share of non-food expenditure for households in which *total* expenditure is equivalent to the food poverty line. The former approach yields an ‘upper’ boundary of the poverty line, while the latter yields a ‘lower’ boundary or the ‘ultra’ poverty line, since it defines the total poverty line in terms of those households which had to displace food consumption to allow for non-food expenditures, considered to be a minimum indispensable level of non-food requirements. Absolute poverty lines have been widely used in developing countries since poverty research is dominated by the concern for the attainment of basic needs and the achievement of well-being in absolute terms. Using this approach, household regional specific poverty lines are estimated (households with the same gender and age composition in each region have the same poverty lines). Obviously, this approach takes into account location, age and gender composition, as well as economies of scale, and food shares. As a result, non-food estimates vary according to household size, age and gender composition. Therefore, differences in food shares result from the addition of members of a specific age and gender. The sharing behaviours among household members are also reflected.

To illustrate this, let us look at different lower poverty lines in the region. For example, the poverty line for a single male household is SL2,021 in the Southern urban region. If this man marries, the poverty line increases to SL3,813. As the latter poverty line is less than twice the former line, economies of scale and gender differences have been taken into account.

Stage 4: For consistent poverty comparisons, food and total poverty lines were deflated. When deflating food poverty lines, the set of prices, revealed in the 1996-97 HIES survey, was used. Ravallion argued that the use of the Consumer Price Index (CPI) for updating the base year poverty line may generate errors in the poverty trends, as the construction of the CPI (based on goods) includes many items that clearly fall outside the typical consumption bundle of the poor in Syria. An alternative source of price information is the set of implicit unit-values for food in the HIES. The implicit prices are derived by dividing reported expenditures by quantities for each food item. These give the actual expenditures on a unit of consumption paid in each sector and date, and so reflect the underlying differences in prices. The implicit food prices in the HIECS surveys were used to determine the cost of the normative minimum diet in each sector and year and to obtain the food consumption of the poverty line. As the unit value for non-food items could not be obtained, official CPIs were used to deflate the non-food poverty line.

Table1.3: Estimated Poverty Lines for 2003-2004 using Different Approaches

	Southern		North-Eastern		Middle		Coastal		Total
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	
1 elderly	1483	1470	1433	1334	1302	1282	1352	1362	1403
1 adult male	2021	2052	1919	1846	1838	1739	1939	1918	1939
2 adults, male and female	3813	3694	3471	3285	3392	3132	3566	3603	3501
2 adults-2 children	5913	5515	5265	4666	5254	4634	5621	5444	5328
2 adults-3 children	7375	6678	6491	5655	6565	5648	7021	6675	6562
adult female-3 children	4912	4573	4071	3959	5051	4057	4633	4495	4554
2 adults-5 children	10023	9176	8718	7654	8872	7677	9346	8981	8505
Lower Household Specific: Average Per capita	1664	1500	1454	1279	1482	1304	1591	1584	1458
Upper Household Specific: Average per capita	2441	1978	2144	1694	2047	1748	2412	2303	2052
A dollar at PPP a day	667.7	667.7	667.7	667.7	667.7	667.7	667.7	667.7	667.7
Two dollars at PPP a day	1335	1335	1335	1335	1335	1335	1335	1335	1335

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	Urban			Rural			All Syria		
	P0	P1	P2	P0	P1	P2	P0	P1	P2
Damascus	4.74	1.24	0.53				4.74	1.24	0.53
Rural Damascus	4.87	0.62	0.13	5.99	0.81	0.19	5.44	0.71	0.16
Homs	7.92	1.32	0.34	10.30	1.45	0.35	9.02	1.38	0.35
Hama	11.20	2.28	0.72	11.74	2.09	0.60	11.57	2.15	0.64
Tartous	5.79	1.18	0.38	7.46	1.61	0.52	6.94	1.48	0.48
Latakia	11.04	2.32	0.71	12.06	2.24	0.63	11.55	2.28	0.67
Idleb	7.34	1.59	0.48	10.65	1.72	0.41	9.81	1.69	0.43
Aleppo	13.05	2.02	0.47	31.48	6.42	1.85	19.88	3.65	0.98
Al Raqqa	14.92	2.70	0.72	19.13	4.60	1.64	17.59	3.91	1.30
Deir Ezzour	3.40	0.49	0.11	5.29	0.77	0.17	4.70	0.68	0.15
El Hassakeh	6.37	0.98	0.29	11.93	2.07	0.56	10.09	1.71	0.47
El Suaida	12.60	3.02	1.05	20.00	4.68	1.70	17.72	4.17	1.50
Daraa	13.99	2.91	0.95	16.26	3.40	1.12	15.43	3.22	1.06
El Qunaitra				14.85	3.00	1.07	14.85	3.00	1.07
Total	8.70	1.57	0.46	14.18	2.70	0.79	11.39	2.13	0.62

Table A.2.2: Poverty Measurements by Governorate 2003-2004, Using the Upper Poverty Line (per cent)

	Urban			Rural			All Syria		
	P0	P1	P2	P0	P1	P2	P0	P1	P2
Damascus	20.34	4.73	1.76				20.34	4.73	1.76
Rural Damascus	27.71	5.70	1.67	21.62	3.77	1.02	24.63	4.73	1.34
Homs	26.12	5.76	1.84	29.96	6.34	1.90	27.89	6.03	1.87
Hama	30.77	7.62	2.75	28.05	6.65	2.27	28.92	6.96	2.42
Tartous	18.66	4.78	1.82	26.88	6.72	2.50	24.33	6.12	2.29
Latakia	30.51	8.85	3.48	33.04	8.76	3.34	31.78	8.80	3.41
Idelb	24.30	6.05	2.18	26.65	5.69	1.80	26.05	5.78	1.90
Aleppo	37.76	9.69	3.34	54.79	15.45	5.78	44.07	11.83	4.25
Al Raqqa	38.84	9.89	3.65	33.20	9.90	4.05	35.27	9.89	3.90
Deir Ezzor	12.03	2.78	0.89	22.41	3.73	0.98	19.17	3.44	0.95
Hassakeh	24.97	5.40	1.77	25.50	6.18	2.12	25.33	5.92	2.01
El Suaida	28.67	8.47	3.64	35.88	10.26	4.13	33.66	9.71	3.98
Daraa	33.34	9.94	3.99	32.70	8.59	3.19	32.93	9.08	3.48
El Qunaitra				30.52	7.77	2.87	30.52	7.77	2.87
Total	28.49	6.97	2.44	31.82	7.82	2.76	30.13	7.39	2.60

Table A.2.3: Poverty Measurements by Governorates 1996-97, Using the Lower Poverty Line (per cent)

	P0	P1	P2	P0	P1	P2	P0	P1	P2
Damascus	10.51	2.04	0.64				10.51	2.04	0.64
Rural Damascus	9.98	1.87	0.49	12.21	2.45	0.76	11.02	2.15	0.62
Homs	14.39	2.33	0.59	25.89	6.13	2.02	19.37	3.98	1.21
Hama	15.57	2.91	0.82	20.22	4.93	1.83	18.69	4.27	1.50
Tartous	12.34	2.09	0.55	11.16	2.23	0.63	11.49	2.19	0.61
Latakia	10.93	2.20	0.69	7.69	1.24	0.32	9.34	1.73	0.51
Idelb	13.61	2.94	0.95	13.53	2.22	0.52	13.55	2.41	0.64
Aleppo	14.96	2.64	0.76	23.02	6.04	2.48	17.94	3.90	1.40
Al Raqqa	15.81	2.85	0.76	16.66	2.84	0.85	16.28	2.84	0.81
Deir Ezzor	11.34	2.27	0.65	8.26	1.47	0.36	9.12	1.69	0.44
Hassakeh	8.29	1.64	0.52	9.05	1.80	0.52	8.81	1.75	0.52
El Suaida	15.92	3.35	1.04	20.04	3.77	1.13	18.77	3.64	1.10
Daraa	12.61	2.45	0.70	18.80	3.23	0.85	16.33	2.92	0.79
El Qunaitra				18.99	4.28	1.50	18.99	4.28	1.50
Total	12.64	2.33	0.67	15.98	3.47	1.17	14.26	2.88	0.92

Table A.2.4: Poverty Measurements by Governorates 1996-97, Using the Upper Poverty Line (per cent)

	P0	P1	P2	P0	P1	P2	P0	P1	P2
Damascus	28.06	6.83	2.43				28.06	6.83	2.43
Rural Damascus	28.80	6.78	2.34	33.07	8.14	2.92	30.80	7.42	2.61
Homs	31.53	7.57	2.51	47.98	15.11	6.26	38.66	10.84	4.13
Hama	35.95	8.66	3.00	37.00	11.41	4.94	36.66	10.50	4.30
Tartous	30.31	7.42	2.62	40.51	10.59	3.98	37.69	9.71	3.60
Latakia	29.39	7.24	2.65	31.99	7.84	2.66	30.67	7.53	2.66
Idelb	32.93	8.18	3.06	29.13	6.92	2.24	30.15	7.26	2.46
Aleppo	35.07	8.53	2.97	43.22	12.64	5.43	38.08	10.05	3.88
Al Raqqa	39.82	9.61	3.27	35.88	8.52	2.95	37.64	9.00	3.10
Deir Ezzor	25.77	6.64	2.43	26.42	5.57	1.75	26.24	5.87	1.94
Hassakeh	25.22	5.49	1.89	17.76	4.55	1.65	20.07	4.84	1.73
El Suaida	36.62	9.86	3.65	41.03	11.13	4.19	39.67	10.74	4.02
Daraa	35.20	9.03	3.20	39.18	10.27	3.65	37.59	9.77	3.47
El Qunaitra				40.50	11.30	4.52	40.50	11.30	4.52
Total	31.57	7.66	2.68	34.98	9.47	3.67	33.22	8.53	3.16

Table A.2.5: Deciles' Shares by Region, 2003-2004 (per cent)

	Southern		North-Eastern		Middle		Coastal		All Syria
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	
1	3.22	3.69	3.07	3.60	3.00	3.42	2.88	3.37	3.29
2	4.50	5.09	4.05	4.78	4.10	4.57	4.35	4.67	4.47
3	5.24	5.98	4.85	5.70	4.87	5.33	5.40	5.56	5.27
4	6.03	6.85	5.73	6.60	5.61	6.15	6.39	6.46	6.17
5	6.90	7.70	6.73	7.54	6.59	7.04	7.54	7.52	7.09
6	7.95	8.67	7.89	8.59	7.74	8.03	8.66	8.65	8.22
7	9.64	10.11	9.64	10.00	9.30	9.54	10.41	10.13	9.71
8	11.45	11.83	12.00	11.84	11.48	11.67	12.28	12.14	11.77
9	14.38	14.48	15.68	14.66	15.16	14.85	15.15	14.76	15.11
10	30.69	25.59	30.36	26.70	32.16	29.41	26.93	26.76	28.90
Total	100	100	100	100	100	100	100	100	100
Share of richest quintile to the poorest	5.84	4.56	6.47	4.93	6.66	5.54	5.82	5.17	5.67
Gini Coefficient	0.37	0.31	0.38	0.33	0.39	0.36	0.35	0.33	0.37
Coefficient of Variation	0.94	0.74	0.88	0.77	0.99	1.20	0.78	0.73	0.88

Table A.2.6: Deciles' Shares by Region, 1996-1997 (per cent)

	Southern		North-Eastern		Middle		Coastal		All Syria
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	
1	3.45	3.41	3.55	3.26	3.67	3.32	3.21	3.47	3.28
2	4.72	4.71	4.81	4.72	4.88	4.62	4.45	4.89	4.63
3	5.63	5.63	5.69	5.63	5.81	5.58	5.41	5.64	5.60
4	6.48	6.55	6.55	6.68	6.69	6.73	6.26	6.48	6.52
5	7.43	7.43	7.49	7.67	7.49	7.69	7.18	7.32	7.46
6	8.56	8.51	8.57	8.84	8.53	8.95	8.29	8.62	8.59
7	9.92	10.11	9.92	10.34	9.80	10.34	9.65	9.94	9.98
8	11.76	11.99	11.78	12.20	11.65	11.70	11.40	11.65	11.87
9	15.04	14.87	14.91	15.10	14.73	14.76	14.66	14.84	15.00
10	27.00	26.80	26.74	25.56	26.74	26.31	29.49	27.17	27.07
Total	100	100	100	100	100	100	100	100	100
Share of richest quintile to the poorest	5.15	5.13	4.98	5.09	4.85	5.17	5.76	5.03	5.32
Gini Coefficient	0.334	0.332	0.328	0.325	0.324	0.327	0.359	0.333	0.337
Coefficient of Variation	0.77	0.78	0.78	0.70	0.81	0.74	1.13	0.87	0.82

A.3. POVERTY PROFILE 2003-2004

Table A.3.1: Educational Attainment of Individuals by Region and by Poverty Status, 2003-2004 (per cent)

	Illiterate	Read and write	Primary	Preparatory	Secondary	Intermediate	University	Total
Urban								
Poor	13.10	12.39	54.49	11.36	6.01	1.72	0.94	5627
Non-poor	9.35	8.34	44.34	15.87	11.25	5.18	5.67	59521
All Urban	9.67	8.69	45.22	15.48	10.80	4.88	5.26	65148
Rural								
Poor	21.66	11.92	48.53	11.50	4.53	1.29	0.58	8750
Non-poor	18.93	11.11	45.99	12.34	6.59	3.13	1.91	50627
All Rural	19.33	11.23	46.36	12.22	6.29	2.86	1.71	59377
All Syria								
Poor	18.31	12.10	50.86	11.44	5.11	1.46	0.72	14377
Non-poor	13.75	9.61	45.10	14.25	9.11	4.24	3.94	110148
All Syria	14.28	9.90	45.76	13.92	8.65	3.92	3.57	124525

Table A.3.2: Poverty Measurements by Educational Attainment of Individuals, 2003-2004 (per cent)

	Illiterate	Read and write	Primary	Preparatory	Secondary	Intermediate	University	Total
Urban								
P0	11.70	12.31	10.41	6.34	4.80	3.05	1.55	8.64
P1	2.26	2.28	1.79	1.33	0.92	0.54	0.22	1.57
P2	0.70	0.65	0.48	0.46	0.33	0.16	0.05	0.46
Number of Individuals	6300	5663	29457	10085	7036	3180	3425	65146
Rural								
P0	16.51	15.65	15.42	13.87	10.61	6.65	5.02	14.74
P1	3.27	2.97	2.98	2.68	2.03	1.16	0.91	2.85
P2	0.97	0.85	0.88	0.81	0.61	0.32	0.24	0.84
Number of Individuals	11478	6666	27530	7253	3734	1698	1016	59375
All Syria								
P0	14.80	14.11	12.83	9.49	6.82	4.31	2.34	11.55
P1	2.91	2.65	2.37	1.89	1.30	0.76	0.38	2.18
P2	0.87	0.76	0.67	0.61	0.43	0.22	0.10	0.64
Number of Individuals	17778	12329	56987	17338	10770	4878	4441	124521

Table A.3.3: Educational Attainment of Heads of Household by Region and by Poverty Status, 2003-2004 (per cent)

	Illiterate	Read and write	Primary	Preparatory	Secondary	Intermediate	University	Total
Urban								
Poor	21.68	9.68	49.01	8.19	4.96	3.59	2.89	7657
Non-poor	10.75	7.35	42.36	13.45	8.83	6.19	11.08	80359
All Urban	11.70	7.55	42.94	13.00	8.49	5.96	10.36	88016
Rural								
Poor	29.38	13.90	41.12	8.62	3.22	2.40	1.36	12096
Non-poor	20.03	11.66	42.33	9.59	6.51	5.63	4.27	73218
All Rural	21.35	11.98	42.16	9.45	6.04	5.17	3.85	85314
All Syria								
Poor	26.40	12.26	44.18	8.45	3.90	2.86	1.95	19753
Non-poor	15.17	9.40	42.34	11.61	7.72	5.92	7.83	153577
All Syria	16.45	9.73	42.55	11.25	7.29	5.57	7.16	173330

Table A.3.4: Poverty Measurements by Educational Attainment of Heads of Household, 2003-2004 (per cent)

	Illiterate	Read and write	Primary	Preparatory	Secondary	Intermediate	University	Total
Urban								
P0	16.12	11.15	9.93	5.48	5.08	5.24	2.42	8.70
P1	3.57	2.05	1.61	1.08	0.79	0.85	0.46	1.57
P2	1.33	0.52	0.41	0.30	0.21	0.26	0.13	0.46
Number of Individuals	10299	6644	37791	11439	7475	5247	9121	88016
Rural								
P0	19.51	16.45	13.83	12.94	7.56	6.58	4.99	14.18
P1	3.93	3.02	2.68	2.24	1.09	1.19	0.92	2.70
P2	1.19	0.84	0.79	0.68	0.23	0.30	0.27	0.79
Number of Individuals	18216	10218	35965	8062	5156	4410	3287	85314
All Syria								
P0	18.29	14.36	11.83	8.56	6.10	5.85	3.10	11.40
P1	3.80	2.64	2.13	1.56	0.91	1.00	0.58	2.13
P2	1.24	0.72	0.60	0.46	0.22	0.28	0.17	0.62
Number of Individuals	28515	16862	73756	19501	12631	9657	12408	173330

Table A.3.5.1: Distribution of Heads of Household by their Education, versus Education of Household Members: All Syria, 2003-2004 (per cent)

Education Status of Head of Household									
Education Status of Individuals		Illiterate	Read and write	Primary	Preparatory	Secondary	Intermediate	University	Total
Illiterate	Poor	35.69	18.74	15.43	11.32	8.96	12.39	9.61	20.39
	Non-poor	41.68	18.31	14.33	11.06	9.95	10.22	6.22	17.26
	Total	40.58	18.37	14.46	11.09	9.89	10.34	6.33	17.61
Read and Write	Poor	22.19	36.42	28.93	28.32	31.56	23.19	22.34	27.83
	Non-poor	18.09	39.90	23.38	24.78	22.18	24.63	21.00	24.09
	Total	18.84	39.40	24.03	25.08	22.75	24.54	21.04	24.51
Primary	Poor	34.10	35.01	45.24	30.24	24.03	27.26	22.60	37.99
	Non-poor	29.99	28.19	49.60	23.27	19.58	19.08	14.39	34.67
	Total	30.74	29.17	49.08	23.87	19.85	19.56	14.65	35.05
Preparatory	Poor	5.41	6.32	6.70	24.91	12.73	13.27	15.84	8.45
	Non-poor	5.31	7.24	7.42	30.30	13.45	11.74	11.76	10.80
	Total	5.33	7.10	7.34	29.83	13.40	11.83	11.88	10.53
Secondary	Poor	2.15	2.68	2.96	4.07	19.87	7.96	10.13	3.75
	Non-poor	3.03	3.90	3.44	7.15	29.06	9.15	13.17	6.93
	Total	2.87	3.72	3.38	6.89	28.50	9.08	13.08	6.57
Intermediate	Poor	0.31	0.58	0.52	0.96	1.95	14.87	5.19	1.06
	Non-poor	1.18	1.47	1.28	2.27	3.90	23.44	6.49	3.32
	Total	1.02	1.34	1.19	2.16	3.78	22.94	6.45	3.06
University	Poor	0.15	0.25	0.22	0.18	0.91	1.06	14.29	0.53
	Non-poor	0.73	1.00	0.56	1.17	1.88	1.75	26.97	2.93
	Total	0.62	0.89	0.52	1.08	1.82	1.71	26.57	2.66
Total	Poor	100	100	100	100	100	100	100	100
	Non-poor	100	100	100	100	100	100	100	100
	Total	100	100	100	100	100	100	100	100

Table A.3.5.2: Distribution of individuals by their own education, versus education of household head: All Syria, 2003-2004 (per cent)

Education Status of Household Head									
Education Status of Individual		Illiterate	Read And write	Primary	Preparatory	Secondary	Intermediate	University	Total
Illiterate	Poor	46.21	11.27	33.45	4.69	1.71	1.74	0.92	100
	Non-poor	36.64	9.98	35.15	7.45	4.45	3.51	2.82	100
	Total	37.90	10.15	34.93	7.08	4.09	3.27	2.57	100
Read and write	Poor	21.05	16.05	45.93	8.60	4.42	2.38	1.56	100
	Non-poor	11.39	15.57	41.10	11.94	7.11	6.05	6.82	100
	Total	12.64	15.64	41.72	11.51	6.76	5.58	6.14	100
Primary	Poor	23.69	11.30	52.60	6.73	2.47	2.05	1.16	100
	Non-poor	13.12	7.65	60.57	7.79	4.36	3.26	3.25	100
	Total	14.43	8.10	59.59	7.66	4.13	3.11	2.99	100
Preparatory	Poor	16.89	9.16	35.03	24.91	5.87	4.49	3.65	100
	Non-poor	7.46	6.30	29.10	32.57	9.62	6.43	8.52	100
	Total	8.32	6.56	29.65	31.87	9.27	6.26	8.07	100
Secondary	Poor	15.14	8.78	34.86	9.19	20.68	6.08	5.27	100
	Non-poor	6.64	5.29	20.99	11.98	32.39	7.82	14.88	100
	Total	7.20	5.52	21.90	11.80	31.63	7.71	14.25	100
Intermediate	Poor	7.62	6.67	21.43	7.62	7.14	40.00	9.52	100
	Non-poor	5.39	4.16	16.35	7.94	9.08	41.78	15.29	100
	Total	5.48	4.26	16.55	7.93	9.00	41.71	15.07	100
University	Poor	7.69	5.77	18.27	2.88	6.73	5.77	52.88	100
	Non-poor	3.75	3.20	8.03	4.62	4.95	3.53	71.93	100
	Total	3.84	3.25	8.26	4.58	4.99	3.58	71.50	100
Total	Poor	26.40	12.26	44.18	8.45	3.90	2.86	1.95	100
	Non-poor	15.17	9.40	42.34	11.61	7.72	5.92	7.83	100
	Total	16.45	9.73	42.55	11.25	7.29	5.57	7.16	100

Table A.3.7: Working Status of Individuals by Region and by Poverty Status, 2003-2004 (per cent)

	Employed	Employed Working at Home	Contracted	Unemployed Worked Before	Unemployed Never Worked	Out of Labour Force	No. of Individuals
Urban							
Poor	32.79	0.08	0.12	0.56	3.92	62.53	5898
Non-Poor	36.10	0.23	0.19	0.54	2.36	60.58	61831
Total	35.82	0.21	0.18	0.54	2.49	60.75	67729
Rural							
Poor	37.65	0.72	0.33	0.84	4.38	56.09	9199
Non-Poor	38.92	0.65	0.32	0.72	3.21	56.19	52867
Total	38.73	0.66	0.32	0.74	3.38	56.17	62066
All Syria							
Poor	35.75	0.47	0.25	0.73	4.20	58.61	15097
Non-Poor	37.40	0.42	0.25	0.63	2.75	58.56	114698
Total	37.21	0.43	0.25	0.64	2.92	58.56	129795

Table A.3.8: Poverty Measurements by Working Status of Individuals and Region, 2003-2004 (per cent)

	Employed	Employed Working at Home	Contracted	Unemployed Worked Before	Unemployed Never Worked	Out of Labour Force	Number of Individuals
P0	7.97	3.45	5.65	8.94	13.68	8.96	8.71
P1	1.38	1.07	1.50	1.40	3.86	1.60	1.58
P2	0.38	0.46	0.50	0.40	1.77	0.46	0.46
Number of Individuals	24258	145	124	369	1688	41145	67729
P0	14.41	16.22	15.00	16.81	19.21	14.80	14.82
P1	2.75	2.89	2.73	3.37	4.03	2.87	2.86
P2	0.80	0.85	0.72	1.04	1.27	0.85	0.84
Number of Individuals	24038	407	200	458	2098	34865	62066
P0	11.17	12.86	11.42	13.30	16.75	11.64	11.63
P1	2.06	2.41	2.26	2.49	3.96	2.18	2.19
P2	0.59	0.75	0.63	0.75	1.49	0.64	0.64
Number of Individuals	48296	552	324	827	3786	76010	129795

Table A.3.9: Employment Status of the Labour Force by Region by Poverty Status, 2003-2004 (per cent)

	Employer	Self-Employed	Wage Worker	Unpaid Worker	Unemployed Worked Before	Unemployed Never Worked	Total Number of Individuals
Urban							
Poor	2.81	18.32	63.13	3.97	1.47	10.30	2243
Non-Poor	8.77	21.88	57.97	4.13	1.36	5.90	24710
Total	8.27	21.58	58.40	4.12	1.37	6.26	26953
Rural							
Poor	3.26	23.10	35.76	26.21	1.87	9.79	4116
Non-Poor	5.13	24.51	41.21	20.33	1.62	7.20	23543
Total	4.85	24.30	40.40	21.20	1.66	7.59	27659
All Syria							
Poor	3.10	21.42	45.42	18.37	1.73	9.97	6359
Non-Poor	6.99	23.16	49.79	12.03	1.49	6.53	48253
Total	6.54	22.96	49.28	12.77	1.51	6.93	54612

Table A.3.10: Poverty Measurements by Employment Status 2003-2004 (per cent)

	Employer	Self-Employed	Wage Worker	Unpaid Worker	Unemployed Worked Before	Unemployed Never Worked	Total
Urban							
P0	2.83	7.07	9.00	8.02	8.94	13.68	8.31
P1	0.42	1.18	1.61	1.06	1.40	3.86	1.54
P2	0.10	0.29	0.46	0.26	0.40	1.77	0.47
Number of Individuals	2229	5817	15740	1110	369	1688	26584
Rural							
P0	9.99	14.15	13.17	18.40	16.81	19.21	14.85
P1	1.95	2.67	2.46	3.62	3.37	4.03	2.86
P2	0.61	0.79	0.70	1.06	1.04	1.27	0.84
Number of Individuals	1342	6721	11175	5865	458	2098	27201
All Syria							
P0	5.52	10.86	10.73	16.75	13.30	16.75	11.62
P1	1.00	1.98	1.96	3.21	2.49	3.96	2.21
P2	0.29	0.56	0.56	0.93	0.75	1.49	0.65
Number of Individuals	3571	12538	26915	6975	827	3786	53785

Table A.3.11: Employment Status of Household Heads by Region and by Poverty Status, 2003-2004 (per cent)

	Employer	Self-Employed	Wage Worker	Unpaid Worker	Unemployed Worked Before	Unemployed Never Worked	Total Individuals
Urban							
Poor	6.00	29.90	63.05		1.05		6314
Non-Poor	15.97	33.08	49.74		1.15	0.06	66796
Total	15.11	32.81	50.89		1.14	0.05	73110
Rural							
Poor	9.27	52.20	37.88		0.60	0.06	10824
Non-Poor	11.30	41.83	46.34	0.03	0.44	0.07	65128
Total	11.01	43.30	45.13	0.03	0.46	0.07	75952
All Syria							
Poor	8.06	43.98	47.15	0.00	0.76	0.04	17138
Non-Poor	13.66	37.40	48.06	0.02	0.80	0.06	131924
Total	13.02	38.15	47.96	0.01	0.79	0.06	149062

Table A.3.12: Poverty Measurements by Employment Status of Household Heads, 2003-2004 (per cent)

	Employer	Self Employed	Wage Worker	Unpaid Worker	Unemployed Worked Before	Unemployed Never Worked	Total
Urban							
P0	3.43	7.87	10.70		7.94	0.00	8.64
P1	0.48	1.26	2.08		1.75	0.00	1.56
P2	0.12	0.31	0.67		0.49	0.00	0.46
Number of Individuals	11047	23984	37208		831	40	73110
Rural							
P0	12.00	17.18	11.96	0.00	18.41	12.00	14.25
P1	2.36	3.30	2.24	0.00	2.85	2.52	2.71
P2	0.76	0.97	0.63	0.00	0.61	0.53	0.79
Number of Individuals	8360	32890	34278	21	353	50	75952
All Syria							
P0	7.12	13.25	11.30	0.00	11.06	6.67	11.50
P1	1.29	2.44	2.15	0.00	2.08	1.40	2.15
P2	0.39	0.69	0.65	0.00	0.53	0.30	0.63
Number of Individuals	19407	56874	71486	21	1184	90	149062

Table A.3.13: Economic Activity for Individuals by Region and by Poverty Status, 2003-2004 (per cent)

	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade Hotels and Restaurants	Transportation	Financial Services	Social Services	Other Services	Number of Individuals
Urban											
Poor	5.61	0.61	30.92	0.10	18.95	12.38	12.43	0.05	15.41	3.54	1979
Non-poor	4.13	0.24	19.80	0.24	11.29	21.23	11.32	0.51	28.03	3.21	22917
Total	4.25	0.27	20.68	0.22	11.90	20.53	11.41	0.47	27.03	3.23	24896
Rural											
Poor	56.02	0.36	5.91	0.17	16.91	4.68	4.37	0.03	9.82	1.73	3636
Non-poor	44.49	0.70	6.61	0.27	13.30	6.95	6.55	0.11	19.15	1.86	21467
Total	46.16	0.65	6.51	0.25	13.83	6.62	6.23	0.10	17.80	1.84	25103
All Syria											
Poor	38.25	0.45	14.73	0.14	17.63	7.39	7.21	0.04	11.79	2.37	5615
Non-poor	23.65	0.46	13.42	0.25	12.27	14.32	9.01	0.32	23.74	2.56	44384
Total	25.29	0.46	13.57	0.24	12.87	13.54	8.81	0.28	22.40	2.54	49999

Table A.3.14: Poverty Measurements by Economic Activity of Individuals, 2003-2004 (per cent)

	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade Hotels and Restaurants	Transportation	Financial Services	Social Services
Urban									
P0	10.49	17.65	11.89	3.57	12.66	4.79	8.66	0.85	4.53
P1	2.02	2.23	2.11	0.67	2.34	0.78	1.58	0.37	0.69
P2	0.56	0.43	0.56	0.18	0.71	0.20	0.46	0.16	0.18
Number of Individuals	1058	68	5149	56	2963	5110	2841	117	6729
Rural									
P0	17.58	7.98	13.16	9.38	17.72	10.23	10.16	4.00	7.99
P1	3.46	1.51	2.40	1.88	3.41	1.85	1.63	0.13	1.39
P2	1.02	0.37	0.70	0.43	0.99	0.53	0.42	0.00	0.37
Number of Individuals	11588	163	1634	64	3471	1661	1565	25	4469
All Syria									
P0	16.99	10.82	12.19	6.67	15.39	6.13	9.19	1.41	5.91
P1	3.33	1.72	2.18	1.32	2.92	1.04	1.60	0.33	0.97
P2	0.99	0.39	0.59	0.31	0.86	0.28	0.45	0.13	0.26
Number of Individuals	12646	231	6783	120	6434	6771	4406	142	11198

Table A.3.15: Economic Activity for Household Head by Region and by Poverty Status, 2003-2004 (per cent)

	Agriculture	Mining	Manufacturing	Electricity	Construction	Hotels and Restaurants	Transportation	Financial Services	Social Services	Other Services	Number of individuals
Urban											
Poor	5.65	0.44	19.39	0.35	19.51	14.33	16.93	0.16	19.40	3.83	1979
Non-poor	5.22	0.30	16.30	0.26	12.39	23.92	13.51	0.47	24.74	2.89	22917
Total	5.25	0.31	16.57	0.26	13.01	23.09	13.81	0.45	24.28	2.97	24896
Rural											
Poor	50.42	0.43	4.48	0.40	16.37	5.55	6.03	0.08	14.54	1.71	3636
Non-poor	38.22	1.02	5.61	0.35	13.58	7.85	8.94	0.13	22.62	1.68	21467
Total	39.96	0.94	5.45	0.36	13.98	7.52	8.53	0.12	21.47	1.68	25103
All Syria											
Poor	33.92	0.43	9.98	0.38	17.53	8.78	10.05	0.11	16.33	2.49	5615
Non-poor	21.52	0.66	11.02	0.31	12.98	15.98	11.26	0.30	23.69	2.29	44384
Total	22.94	0.63	10.90	0.31	13.50	15.15	11.12	0.28	22.85	2.31	49999

Table A.3.16: Poverty Measurements by Economic Activity of Head of Household 2003-2004 (per cent)

	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade Hotels and Restaurants	Transportation	Financial Services	Social Services
Urban									
P0	9.31	12.23	10.12	11.40	12.97	5.37	10.60	3.08	6.91
P1	1.68	1.37	1.66	2.27	2.88	0.89	2.00	1.33	1.12
P2	0.45	0.21	0.40	0.61	1.10	0.22	0.62	0.58	0.31
Number of Individuals	3836	229	12096	193	9499	16859	10084	325	17729
Rural									
P0	17.98	6.46	11.73	15.69	16.69	10.52	10.07	9.89	9.65
P1	3.52	0.93	2.19	3.11	3.29	1.80	1.81	0.32	1.72
P2	1.06	0.18	0.66	0.71	0.95	0.51	0.50	0.01	0.46
Number of Individuals	30330	712	4136	274	10612	5706	6472	91	16293
All Syria									
P0	17.01	7.86	10.53	13.92	14.93	6.67	10.40	4.57	8.22
P1	3.31	1.04	1.80	2.76	3.10	1.12	1.93	1.11	1.41
P2	0.99	0.19	0.47	0.67	1.02	0.29	0.57	0.45	0.38
Number of Individuals	34166	941	16232	467	20111	22565	16556	416	34022

Table A.3.17: Sector of Employment of Individuals by Region and by Poverty Status, 2003-2004 (per cent)

	Government	Formal private	Informal private	Joint	Total
Urban					
Poor	19.05	49.92	31.03		1979
Non-poor	30.47	49.27	20.15	0.10	22918
Total	29.57	49.32	21.02	0.10	24897
Rural					
Poor	12.18	39.69	48.05	0.08	3636
Non-poor	23.11	39.37	37.46	0.06	21472
Total	21.53	39.42	38.99	0.06	25108
All Syria					
Poor	14.60	43.29	42.05	0.05	5615
Non-poor	26.91	44.48	28.52	0.08	44390
Total	25.53	44.35	30.04	0.08	50005

Table A.3.18: Poverty Measurements by Sector of Employment of Individuals, 2003-2004 (per cent)

	Government	Formal Private	Informal Private	Joint	Total
Urban					
P0	5.12	8.05	11.73	0.00	7.95
P1	0.77	1.45	2.09	0.00	1.38
P2	0.20	0.41	0.56	0.00	0.38
Number of Individuals	7361	12279	5233	24	24897
Rural					
P0	8.20	14.58	17.84	18.75	14.48
P1	1.40	2.92	3.34	5.10	2.76
P2	0.37	0.86	0.97	1.78	0.80
Number of Individuals	5405	9897	9790	16	25108
All Syria					
P0	6.42	10.96	15.72	7.50	11.23
P1	1.04	2.10	2.91	2.04	2.07
P2	0.27	0.61	0.83	0.71	0.59
Number of Individuals	12766	22176	15023	40	50005

Table A.3.19: Average Working Hours, Working Days, and Wages by Poverty Status, 2003-2004

	Urban	Rural	Total
Average Working Hours per Week			
Poor	50.21	44.05	47.07
Non-poor	45.82	43.00	44.68
Total	46.21	43.14	44.94
Average Working Days per Week			
Poor	5.92	5.72	5.82
Non-poor	5.88	5.77	5.84
Total	5.88	5.77	5.83
Average Wage per Month			
Poor	5520.4	5190.6	5352.3
Non-poor	6727.1	6094.9	6471.8
Total	6618.6	5975.8	6351.7
Percentage of Employed Participating in Insurance Schemes			
Poor	20.72	11.96	15.05
Non-poor	34.08	24.25	29.33
Total	33.02	22.47	27.72

Table A.3.20: Average Household Size and Composition, 2003-2004

	Poor	Non-poor	Total
Household Size			
Urban	7.91	5.28	5.44
Rural	8.17	6.04	6.27
Total	8.07	5.62	5.82
Number of Children			
Urban	3.25	1.90	1.98
Rural	3.38	2.52	2.61
Total	3.33	2.17	2.27
Number of Adult Males			
Urban	2.37	1.54	1.59
Rural	2.32	1.58	1.66
Total	2.34	1.56	1.62
Number of Adult Females			
Urban	2.11	1.52	1.55
Rural	2.20	1.61	1.67
Total	2.17	1.56	1.61
Number of Elderly			
Urban	0.18	0.32	0.31
Rural	0.28	0.34	0.33
Total	0.24	0.33	0.32

Table A.3.21: Household Size by Poverty Status, 2003-2004 (per cent)

	1 person	2 persons	3 persons	4-6 persons	7-9 persons	10-15 persons	More than 15 persons	Number of Individuals
Urban								
Poor	0.01	0.13	0.16	19.98	49.08	29.54	1.10	7657
Non-poor	0.47	2.91	6.50	49.63	30.98	9.23	0.29	80393
Total	0.43	2.66	5.95	47.05	32.56	10.99	0.36	88050
Rural								
Poor	0.02	0.30	0.82	16.60	40.88	38.43	2.96	12096
Non-poor	0.34	2.53	4.03	35.47	35.94	20.59	1.10	73218
Total	0.29	2.22	3.57	32.79	36.64	23.12	1.36	85314
All Syria								
Poor	0.02	0.23	0.56	17.91	44.06	34.98	2.24	19753
Non-poor	0.41	2.73	5.32	42.88	33.34	14.64	0.68	153611
Total	0.36	2.44	4.78	40.04	34.56	16.96	0.85	173364

Table A.3.22: Poverty Measures by Household Size, 2003-2004 (per cent)

	1 person	2 persons	3 persons	4-6 persons	7-9 persons	10-15 persons	More than 15 persons	Total
Urban								
P0	0.26	0.43	0.23	3.69	13.11	23.37	26.67	8.70
P1	0.02	0.10	0.06	0.66	2.06	5.11	5.38	1.57
P2	0.00	0.02	0.02	0.19	0.52	1.75	1.41	0.46
Number of Individuals	378	2346	5235	41431	28666	9679	315	88050
Rural								
P0	0.80	1.90	3.25	7.18	15.82	23.56	30.76	14.18
P1	0.08	0.36	0.56	1.15	2.86	5.02	6.61	2.70
P2	0.01	0.09	0.16	0.30	0.80	1.57	1.93	0.79
Number of Individuals	249	1892	3048	27978	31257	19726	1164	85314
All Syria								
P0	0.48	1.09	1.34	5.10	14.52	23.50	29.89	11.39
P1	0.04	0.22	0.24	0.86	2.48	5.05	6.35	2.13
P2	0.01	0.05	0.07	0.24	0.67	1.63	1.82	0.62
Number of Individuals	627	4238	8283	69409	59923	29405	1479	173364

Table A.3.23: Gender of Head of Household by Poverty Status, 2003-2004 (per cent)

	Male Head	Female Head	Number of Individuals
Urban			
Poor	95.93	4.07	7657
Non-poor	93.96	6.04	80393
Total	94.13	5.87	88050
Rural			
Poor	94.88	5.12	12096
Non-poor	94.12	5.88	73218
Total	94.22	5.78	85314
All Syria			
Poor	95.29	4.71	19753
Non-poor	94.04	5.96	153611
Total	94.18	5.82	173364

Table A.3.24: Poverty Measurements by Gender of Household Head, 2003-2004 (per cent)

	Male Head	Female Head	No. of Individuals
Urban			
P0	8.86	6.04	8.70
P1	1.57	1.55	1.57
P2	0.45	0.57	0.46
No. of Individuals	82885	5165	88050
Rural			
P0	14.28	12.56	14.18
P1	2.74	2.15	2.70
P2	0.80	0.60	0.79
No. of Individuals	80387	4927	85314
All Syria			
P0	11.53	9.23	11.39
P1	2.15	1.84	2.13
P2	0.62	0.58	0.62
No. of Individuals	163272	10092	173364

Table A.3.25: Enrolment rate by Gender of Household Head and Poverty Status, 2003-2004 (per cent)

Head	Children aged 6-14 years			Children aged 15-17 years			Children aged 6-17 years		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Urban									
Poor	84.56	80.90	84.41	37.89	33.33	37.63	70.93	62.94	70.58
Non-poor	90.89	88.35	90.79	58.56	43.73	57.60	82.83	72.90	82.36
All Urban	90.18	87.55	90.07	55.75	42.47	54.91	81.42	71.78	80.97
Rural									
Poor	87.49	80.63	87.17	43.65	32.84	43.10	75.31	66.52	74.89
Non-poor	90.09	86.51	89.90	53.07	46.22	52.53	81.42	73.27	80.95
All Rural	89.67	85.63	89.47	51.24	44.49	50.74	80.39	72.31	79.93

Table A.3.26: Illiteracy Rate by Gender of Head of Household and Poverty Status, 2003-2004 (per cent)

	Children aged 10-14 years			Children aged 15-17 years		
	Male head	Female head	Total	Male head	Female head	Total
Urban						
Poor	2.19	3.23	2.23	2.47	3.70	2.54
Non-poor	1.03	1.90	1.07	1.96	2.81	2.01
All Urban	1.17	2.05	1.21	2.03	2.92	2.08
Rural						
Poor	3.76	6.42	3.90	5.37	8.96	5.55
Non-poor	2.26	2.79	2.29	4.48	4.21	4.46
All Rural	2.52	3.37	2.57	4.66	4.83	4.67

Table A.3.27: Illiteracy Rate by Gender and Poverty Status, 2003-2004 (per cent)

	Children aged 10-14 years			Children aged 15-17 years			Children aged 6-17 years		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Urban									
Poor	1.97	2.54	2.23	2.47	3.70	2.54	3.73	5.59	3.81
Non-poor	0.88	1.28	1.07	1.96	2.81	2.01	3.32	3.10	3.31
All Urban	1.02	1.42	1.21	2.03	2.92	2.08	3.37	3.38	3.37
Rural									
Poor	2.32	5.72	3.90	5.37	8.96	5.55	4.96	7.93	5.10
Non-poor	1.11	3.55	2.29	4.48	4.21	4.46	4.74	5.32	4.78
All Rural	1.32	3.91	2.57	4.66	4.83	4.67	4.78	5.69	4.83

Table A.3.28: Percentage of Working Children by Gender and Poverty Status, 2003-2004

	Children aged 6-14 years			Children aged 15-17 years			Children aged 6-17 years		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Urban									
Poor	9.66	0.67	5.46	62.34	3.13	36.36	25.81	1.36	14.60
Non-poor	3.95	0.24	2.15	41.15	3.18	22.62	13.36	0.99	7.34
All Urban	4.61	0.29	2.52	44.25	3.17	24.47	14.90	1.03	8.20
Rural									
Poor	4.99	3.21	4.17	47.69	26.25	37.41	16.59	9.82	13.43
Non-poor	2.74	2.56	2.65	39.26	22.65	30.97	11.28	7.49	9.43
All Rural	3.11	2.66	2.89	40.91	23.31	32.19	12.20	7.87	10.11

Table A.3.29: Percentage of Working Children by Gender of Head of Household and Poverty Status, 2003-2004

	Children aged 6-14 years			Children aged 15-17 years			Children aged 6-17 years		
	Male head	Female head	Total	Male head	Female head	Total	Male head	Female head	Total
Urban									
Poor	5.32	8.99	5.46	35.54	50.00	36.36	14.14	24.48	14.60
Non-poor	2.05	4.34	2.15	22.04	30.95	22.62	7.04	13.55	7.34
All Urban	2.42	4.84	2.52	23.88	33.26	24.47	7.88	14.78	8.20
Rural									
Poor	4.01	7.50	4.17	37.17	41.79	37.41	13.22	17.62	13.43
Non-poor	2.59	3.80	2.65	30.60	35.25	30.97	9.15	14.15	9.43
All Rural	2.82	4.35	2.89	31.88	36.10	32.19	9.84	14.64	10.11

Table A.3.30: Percentage of Individuals by Distance to Facility and Poverty Status, 2003-2004

	Urban		Rural		All Syria	
	5 km or less	More than 5 km	5 km or less	More than 5 km	5 km or less	More than 5 km
Paved Road						
Poor	100.00		97.55	2.45	98.50	1.50
Non-poor	99.89	0.11	98.81	1.19	99.37	0.63
Total	99.90	0.10	98.63	1.37	99.27	0.73
Primary School						
Poor	99.75	0.25	99.26	0.74	99.45	0.55
Non-poor	99.71	0.29	99.15	0.85	99.44	0.56
Total	99.71	0.29	99.17	0.83	99.44	0.56
Market						
Poor	99.78	0.22	96.77	3.23	97.93	2.07
Non-poor	99.82	0.18	97.68	2.32	98.80	1.20
Total	99.82	0.18	97.55	2.45	98.70	1.30
Health Unit or Hospital						
Poor	99.31	0.69	64.98	35.02	78.29	21.71
Non-poor	99.21	0.79	78.74	21.26	89.45	10.55
Total	99.22	0.78	76.79	23.21	88.18	11.82

Table A.3.31: Percentage of Household with Members Joining Private Schools by Poverty Status, 2003-2004

	Urban		Rural		All Syria	
	At least one household member goes to private school	No household member goes to private school	At least one household member goes to private school	No household member goes to private school	At least one household member goes to private school	No household member goes to private school
Poor	0.37	99.63	0.87	99.13	0.67	99.33
Non-poor	6.16	93.84	1.89	98.11	4.12	95.87
Total	5.65	94.34	1.75	98.25	3.73	96.27

Table A.3.32: Housing Characteristics by Poverty Status, 2003-2004 (per cent)

	Urban			Rural		
	Poor	Non- poor	Total	Poor	Non- poor	Total
House Type						
Villa	1.68	1.79	1.78	2.41	2.71	2.67
Apartment	30.98	52.08	50.24	4.50	9.46	8.75
Arabic house	65.64	45.48	47.23	91.05	86.35	87.02
Others	1.70	0.65	0.74	2.04	1.48	1.56
Wall Material						
Cement	83.90	83.68	83.70	68.89	76.00	74.99
Mud	2.93	2.15	2.22	15.91	12.58	13.05
Bricks	11.65	13.85	13.66	13.15	10.14	10.57
Others	1.53	0.32	0.43	2.05	1.28	1.39
Home ownership						
Owned	83.02	88.59	88.11	95.32	94.28	94.43
Rent	12.18	7.40	7.82	2.71	2.96	2.92
Other	4.79	4.01	4.08	1.97	2.77	2.65
Kitchen						
Available	97.75	99.12	99.00	92.24	93.85	93.62
Unavailable	2.25	0.88	1.00	7.76	6.15	6.38
Bathroom						
Available	93.43	97.90	97.51	72.30	83.30	81.74
Unavailable	6.57	2.10	2.49	27.70	16.69	18.25
Water Source						
Public Network	94.78	91.22	91.53	61.63	70.97	69.65
Well inside house	0.82	0.59	0.61	22.38	13.24	14.54
Shared Well	0.34	0.78	0.74	2.72	2.50	2.53
Bought	4.06	7.41	7.12	13.27	13.28	13.28

Table A.3.33: Income shares by Poverty Status, 2003-2004 (per cent)

	Wages	Income from self-employment or properties	Bank's interest	Pensions	Domestic Transfers	Remittances	Total
Urban							
Poor	68.97	27.34	0.04	1.71	1.42	0.52	100
Non-poor	49.10	39.99	0.04	6.61	1.88	2.38	100
Total	49.73	39.58	0.04	6.46	1.87	2.33	100
Rural							
Poor	50.77	45.25	0.03	1.52	1.05	1.38	100
Non-poor	46.75	39.77	0.10	2.11	1.81	9.47	100
Total	47.17	40.34	0.09	2.05	1.73	8.63	100
All Syria							
Poor	60.27	35.90	0.03	1.62	1.24	0.93	100
Non-poor	48.61	39.94	0.05	5.68	1.87	3.86	100
Total	49.17	39.75	0.05	5.48	1.84	3.72	100

Table A.3.34: Average² Income, by Income Source and Poverty Status, 2003-2004 (SL)

	Wages	Income from Self-Employment or Properties	Bank's interest	Pensions	Domestic Transfers	Remittances	Total Income
Urban							
Poor	9880	11435	8000	5012	3872	10600	12899
Non-poor	20771	29547	4922	20512	9702	28810	26206
Total	19802	28547	4989	19986	9359	28461	25213
Rural							
Poor	5545	8743	5100	4194	2169	6329	7297
Non-poor	6515	9000	7015	4397	3171	26831	9858
Total	6391	8969	6932	4380	3082	25460	9531
All Syria							
Poor	7514	9645	6550	4609	2939	7167	9703
Non-poor	14455	20072	5609	15993	6855	27766	19302
Total	13712	19177	5637	15453	6571	26840	18363

Table A.3.35: Income Shares by Gender of Head of Household and Poverty Status, 2003-2004 (per cent)

	Wages	Income from self-employment or properties	Bank's interest	Pensions	Domestic Transfers	Remittances	Total Income
Male-Headed Households							
Poor	59.42	37.17	0.04	1.60	1.14	0.64	100
Non-poor	50.48	41.02	0.05	5.88	1.57	1.00	100
Total	50.92	40.83	0.05	5.67	1.55	0.99	100
Female-Headed Households							
Poor	73.07	16.68	0.00	1.98	2.89	5.38	100
Non-poor	24.77	26.94	0.06	3.23	5.62	39.38	100
Total	26.71	26.53	0.06	3.18	5.51	38.02	100

Table A.3.36: Average Income by Gender of Household Head and Poverty Status, 2003-2004 (SL)

	Wages	Income from self-employment or properties	Bank's interest	Pensions	Domestic Transfers	Remittances	Total Income
Male-Headed Households							
Poor	7186	4495	4	4742	2963	7833	15374
Non-poor	14402	11703	13	17415	7813	14425	13529
Total	13628	10930	13	16801	7383	14053	13635
Female-Headed Households							
Poor	9898	2260	0	3429	2800	6214	4154
Non-poor	8119	8830	19	5620	4807	39273	19279

² Average is calculated per recipient.

Total	8282	8227	18	5532	4736	38121	18681
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Table A.3.37: Shares of Wages in Total Income by Poverty Status, 2003-2004 (per cent)

	Agricultural Wage	Non Agricultural Wage in Public Sector	Non Agricultural Wage in Private Formal Sector	Non-Agricultural Wage in Private Informal Sector	Non Agricultural Wage in Joint Venture Sector
Urban					
Poor	1.23	17.71	39.38	10.63	0.00
Non-poor	0.55	23.57	19.32	5.46	0.03
Total	0.57	23.39	19.97	5.62	0.03
Rural					
Poor	16.01	13.74	5.27	15.56	0.00
Non-poor	10.57	20.69	6.07	8.94	0.02
Total	11.13	19.97	5.99	9.62	0.01
All Syria					
Poor	8.30	15.82	23.07	12.99	0.00
Non-poor	2.63	22.98	16.57	6.18	0.03
Total	2.90	22.63	16.88	6.50	0.03

Table A.3.38: Average Wages by Poverty Status, 2003-2004 (SL)

	Agricultural Wage	Non Agricultural Wage in Public Sector	Non Agricultural Wage in Private Formal Sector	Non Agricultural Wage in Private Informal Sector	Non Agricultural Wage in Joint Sector
Urban					
Poor	5852	9740	11474	7014	
Non-poor	9371	21355	21879	17715	9000
Total	8997	20755	20694	16218	9000
Rural					
Poor	5173	6392	4866	5587	
Non-poor	6246	6995	6070	6265	6675
Total	6059	6948	5936	6140	6675
All Syria					
Poor	5220	7999	9992	6118	
Non-poor	6611	15430	18260	11438	8642
Total	6378	14965	17323	10561	8642

Table A.3.39.a: Employment Duration for Individuals by Region and by Poverty Status, 2003-2004 (per cent)

	Permanent	Seasonal	Temporary	Casual	Total
Urban					
Poor	71.04	4.36	2.87	21.73	1951
Non-poor	86.94	2.79	2.00	8.27	22689
All Urban	85.68	2.91	2.07	9.34	24640
Rural					
Poor	55.70	24.66	5.19	14.44	3795
Non-poor	67.98	19.31	2.75	9.96	21868
All Rural	66.17	20.10	3.11	10.62	25663
All Syria					
Poor	60.91	17.77	4.40	16.92	5746
Non-poor	77.63	10.90	2.37	9.10	44557
All Syria	75.72	11.68	2.60	9.99	50303

Table A.3.39.b: Poverty Measurements by Employment Duration of Individuals, 2003-2004 (per cent)

	Permanent	Seasonal	Temporary	Casual	Total
Urban					
P0	6.57	11.84	10.98	18.43	7.92
P1	1.15	2.02	2.00	3.11	1.38
P2	0.32	0.58	0.58	0.80	0.38
No. of Individuals	21111	718	510	2301	24640
Rural					
P0	12.45	18.14	24.66	20.11	14.79
P1	2.30	3.58	5.87	4.12	2.86
P2	0.65	1.08	1.83	1.26	0.84
No. of Individuals	16980	5159	799	2725	25663
All Syria					
P0	9.19	17.37	19.33	19.34	11.42
P1	1.66	3.39	4.37	3.66	2.13
P2	0.47	1.02	1.35	1.05	0.61
No. of Individuals	38091	5877	1309	5026	50303

Table A.3.40: Percentage of Households Owning Assets by Poverty Status 2003-2004

	Agricultural Land	Livestock	Sheep and Goats	Poultry	Taxi	Trucks
Urban						
Poor	2.09	0.75	0.03	0.77	0.45	0.69
Non-Poor	5.64	0.95	0.47	0.71	1.06	1.44
Total	5.36	0.94	0.44	0.71	1.01	1.38
Rural						
Poor	22.98	18.00	22.67	28.79	0.52	2.24
Non-Poor	27.85	18.60	17.19	22.23	1.29	3.40
Total	27.26	18.53	17.85	23.02	1.20	3.26
All Syria						
Poor	14.64	11.11	13.63	17.61	0.50	1.62
Non-Poor	16.30	9.43	8.50	11.04	1.17	2.38
Total	16.14	9.59	9.01	11.69	1.10	2.31

Table A.3.41: Percentage of Households Owning Agricultural Land by Governorate, 2003-2004

	Urban	Rural	Total
Damascus	4.95		4.95
Rural Damascus	7.96	19.82	13.95
Homs	5.61	21.58	12.96
Hama	8.53	29.34	22.67
Tartous	5.41	30.63	22.82
Latakia	8.88	38.55	23.81
Idelb	3.95	13.66	11.19
Aleppo	2.85	23.51	10.51
Al Raqqa	4.90	59.30	39.35
Deir Ezzour	4.88	65.60	46.67
Hassakeh	9.31	23.74	18.98
El Suaida	1.19	3.01	2.45
Daraa	5.71	9.54	8.15
El Qunaitra		16.35	16.35

Table A.3.42: Percentage of Households Owning Assets by Governorate, 2003-2004

		Livestock	Sheep and Goats	Poultry	Taxi	trucks
Damascus	Urban	0.71	0.23	0.50	0.93	0.83
	Total	0.71	0.23	0.50	0.93	0.83
Rural Damascus	Urban	2.44	1.26	1.97	2.64	3.60
	Rural	7.01	6.88	6.27	1.94	5.64
	Total	4.75	4.10	4.14	2.29	4.63
Homs	Urban	0.59	0.18	0.34	0.57	1.46
	Rural	17.43	3.45	9.00	0.30	3.60
	Total	8.35	1.69	4.33	0.44	2.45
Hama	Urban	0.92	0.22	1.37	0.32	0.00
	Rural	23.20	10.13	21.88	0.67	0.85
	Total	16.06	6.95	15.31	0.56	0.58
Tartous	Urban	0.19	0.00	0.00	1.76	4.46
	Rural	19.85	3.60	26.95	3.37	6.05
	Total	13.76	2.49	18.60	2.87	5.56
Latakia	Urban	2.00	0.00	1.53	2.69	2.37
	Rural	15.27	0.52	15.05	1.82	3.58
	Total	8.68	0.26	8.33	2.25	2.98
Idelb	Urban	0.04	0.00	0.43	0.25	4.31
	Rural	7.02	16.74	16.63	0.44	5.13
	Total	5.24	12.48	12.50	0.39	4.92
Aleppo	Urban	0.21	0.24	0.07	0.41	0.22
	Rural	10.32	37.59	41.23	0.28	1.46
	Total	3.96	14.07	15.31	0.36	0.68
Al Raqqa	Urban	0.15	1.29	0.23	0.34	0.80
	Rural	4.29	44.46	19.79	3.06	5.32
	Total	2.77	28.63	12.61	2.06	3.66
Deir Ezzour	Urban	0.57	0.14	0.46	0.67	0.14
	Rural	59.72	18.03	1.86	0.10	0.00
	Total	41.28	12.45	1.42	0.28	0.04
Hassekeh	Urban	1.27	0.86	1.29	1.11	0.63
	Rural	34.86	33.87	58.42	1.57	1.96
	Total	23.78	22.98	39.58	1.42	1.53
El Suaida	Urban	0.50	0.30	3.08	1.29	2.58
	Rural	20.09	8.76	26.68	0.27	6.90
	Total	14.05	6.15	19.40	0.58	5.57
Dara	Urban	4.05	1.56	1.25	0.66	3.53
	Rural	9.60	4.22	7.52	2.06	3.89
	Total	7.58	3.25	5.23	1.55	3.76
El Qunaitra	Rural	38.83	6.13	37.60	2.45	0.41
	Total	38.83	6.13	37.60	2.45	0.41

Table A.3.43: Distribution of Households with Size of Farm, 2003-2004

Farm Size Brackets in Dunem	Percentage of households
0	83.58
1-5	4.84
6-10	2.81
11-15	1.27
16-20	1.49
21-30	2.19
31-40	0.86
41-50	1.08
51-100	1.27
101-200	0.40
201-1000	0.21

B: POVERTY PROFILE 1996-1997

Table B.3.1: Education Attainment of Individuals by Poverty Status, 1996-1997 (per cent)

	Illiterate	Read and write	Primary	Preparatory	Secondary	Intermediate	University	Total
Urban								
Poor	19.63	21.29	40.30	10.83	5.25	1.75	0.94	9148
Non-poor	14.59	16.40	37.64	14.08	8.86	4.25	4.18	62891
Total	15.23	17.03	37.98	13.67	8.40	3.93	3.77	72039
Rural								
Poor	25.49	20.22	38.59	9.53	4.22	1.22	0.72	10369
Non-poor	25.83	17.57	36.95	9.97	5.11	2.82	1.74	53185
Total	25.78	18.00	37.22	9.90	4.97	2.56	1.57	63554
All Syria								
Poor	22.74	20.73	39.39	10.14	4.70	1.47	0.82	19517
Non-poor	19.74	16.94	37.33	12.20	7.14	3.59	3.06	116076
Total	20.17	17.48	37.62	11.90	6.79	3.29	2.74	135593

Table B.3.2: Poverty Measurements by Educational Attainment of individual, 1996-1997 (per cent)

	Illiterate	Read and write	Primary	Preparatory	Secondary	Intermediate	University	Total
Urban								
P0	16.37	15.88	13.47	10.07	7.94	5.66	3.16	12.70
P1	2.98	2.98	2.53	1.82	1.44	0.93	0.52	2.35
P2	0.85	0.87	0.74	0.52	0.41	0.25	0.14	0.68
Number of Individuals	10970	12265	27361	9848	6049	2831	2715	72039
Rural								
P0	16.13	18.33	16.91	15.71	13.88	7.80	7.49	16.32
P1	3.74	4.08	3.58	3.51	2.80	1.60	1.23	3.58
P2	1.38	1.38	1.16	1.19	0.90	0.53	0.37	1.22
Number of Individuals	16383	11440	23655	6292	3157	1627	1000	63554
All Syria								
P0	16.23	17.06	15.07	12.26	9.97	6.44	4.33	14.39
P1	3.43	3.51	3.02	2.48	1.91	1.18	0.71	2.92
P2	1.17	1.11	0.94	0.78	0.58	0.36	0.20	0.93
Number of Individuals	27353	23705	51016	16140	9206	4458	3715	135593

Table B.3.3: Working Status of Individuals by Poverty Status, 1996-1997 (per cent)

	Employed	Unemployed worked before	Unemployed never worked	Out of Labour Force	Total
Urban					
Poor	31.45	0.99	5.35	62.21	9596
Non-poor	35.81	0.96	3.36	59.87	65490
Total	35.25	0.97	3.61	60.17	75086
Rural					
Poor	31.60	0.62	6.65	61.13	10943
Non-poor	34.43	0.68	5.39	59.50	55651
Total	33.97	0.67	5.60	59.77	66594
All Syria					
Poor	31.53	0.79	6.04	61.63	20539
Non-poor	35.18	0.83	4.29	59.70	121141
Total	34.65	0.83	4.55	59.98	141680

Table B.3.4: Poverty Measurements by Working Status of individual, 1996-1997 (per cent)

	Employed	Unemployed Worked Before	Unemployed Never Worked	Out of Labour Force	Total
Urban					
P0	11.40	13.07	18.92	13.21	12.78
P1	2.05	2.34	3.82	2.46	2.36
P2	0.58	0.69	1.20	0.71	0.69
Number of Individuals	26470	726	2712	45178	75086
Rural					
P0	15.29	15.21	19.52	16.81	16.43
P1	3.48	3.86	3.84	3.64	3.60
P2	1.23	1.35	1.18	1.22	1.22
Number of Individuals	22619	444	3730	39801	66594
All Syria					
P0	13.19	13.88	19.27	14.90	14.50
P1	2.71	2.92	3.83	3.02	2.95
P2	0.88	0.94	1.19	0.95	0.94
Number of Individuals	49089	1170	6442	84979	141680

Table B.3.5: Employment status of Individuals in the Labour Force by Poverty Status, 1996-1997 (per cent)

	Employer	Self-Employed	Wage Worker	Unpaid Worker	Unemployed Worked Before	Unemployed Never Worked	Total Individuals
Poor	2.32	15.91	64.12	3.50	2.62	14.15	3626
Non-poor	5.30	21.75	61.06	3.52	2.40	8.37	26282
Total	4.94	21.04	61.43	3.51	2.43	9.07	29908
Poor	3.79	22.41	39.08	17.61	1.60	17.12	4253
Non-poor	5.83	25.76	38.32	16.77	1.67	13.32	22540
Total	5.50	25.23	38.44	16.91	1.66	13.92	26793
Poor	3.11	19.42	50.60	11.12	2.07	15.75	7879
Non-poor	5.54	23.60	50.56	9.64	2.06	10.65	48822
Total	5.21	23.02	50.57	9.84	2.06	11.36	56701

Table B.3.6: Poverty Measurements by Employment Status of Individuals, 1996-1997 (per cent)

	Employer	Self-Employed	Wage Worker	Unpaid Worker	Unemployed Worked Before	Unemployed Never Worked	Total Individuals
P0	5.66	9.16	12.66	12.09	13.07	18.92	12.12
P1	1.16	1.55	2.32	1.71	2.34	3.82	2.22
P2	0.35	0.41	0.68	0.41	0.69	1.20	0.64
No. of Individuals	1478	6294	18373	1051	726	2712	29908
P0	10.95	14.10	16.14	16.53	15.21	19.52	15.88
P1	2.46	3.23	3.51	4.15	3.86	3.84	3.54
P2	0.85	1.14	1.19	1.60	1.35	1.18	1.23
No. of Individuals	1474	6760	10299	4530	444	3730	26793
P0	8.30	11.72	13.91	15.70	13.88	19.27	13.90
P1	1.81	2.42	2.75	3.69	2.92	3.83	2.84
P2	0.60	0.79	0.86	1.37	0.94	1.19	0.92
No. of Individuals	2952	13054	28672	5581	1170	6442	56701

Table B.3.7: Sector of Employment of Individuals in the Labour Force by Poverty Status, 1996-1997 (per cent)

	Government	Formal Private	Informal Private	Joint	Cooperative	Total Individuals
Urban						
Poor	22.41	3.47	73.96	0.03	0.13	3114
Non-poor	30.35	4.68	64.84	0.10	0.04	24084
All Urban	29.44	4.54	65.88	0.09	0.05	27198
Rural						
Poor	19.86	2.52	74.67	0.31	2.64	3525
Non-poor	26.05	2.60	64.46	0.45	6.44	19538
All Rural	25.10	2.59	66.02	0.43	5.86	23063
All Syria						
Poor	21.06	2.97	74.33	0.18	1.46	6639
Non-poor	28.42	3.75	64.67	0.25	2.91	43622
All Syria	27.45	3.64	65.95	0.24	2.72	50261

Table B.3.8: Poverty Measurements by Sector of Employment of individual, 1996-1997 (per cent)

	Government	Formal Private	Informal Private	Joint	Cooperative	Total Individuals
P0	8.71	8.71	12.85	2.55	25.97	11.45
P1	1.47	1.89	2.33	0.41	5.66	2.06
P2	0.40	0.63	0.66	0.07	1.87	0.59
Number of Individuals	8007	1235	17918	24	14	27198
P0	12.10	14.91	17.29	10.91	6.90	15.29
P1	2.57	3.32	4.08	2.59	0.92	3.49
P2	0.84	1.22	1.48	0.93	0.21	1.23
Number of Individuals	5789	597	15227	99	1351	23063
P0	10.13	10.73	14.89	9.32	7.09	13.21
P1	1.93	2.36	3.13	2.18	0.97	2.71
P2	0.59	0.82	1.04	0.76	0.23	0.88
Number of Individuals	13796	1832	33145	123	1365	50261

Table B.3.9: Demographic Characteristics by Poverty Status, 2003-2004

	Urban	Rural	Total
Average Household Size			
Poor	8.73	9.45	9.11
Non-poor	6.19	6.91	6.51
Total	6.43	7.22	6.79
Average number of Children			
Poor	3.82	4.42	4.13
Non-poor	2.50	3.14	2.79
Total	2.63	3.29	2.93
Average number of Adult Males			
Poor	2.38	2.34	2.36
Non-poor	1.68	1.65	1.67
Total	1.75	1.74	1.74
Average number of Adult Females			
Poor	2.23	2.38	2.31
Non- poor	1.66	1.75	1.70
Total	1.72	1.83	1.77
Average number of Elderly			
Poor	0.30	0.30	0.30
Non-poor	0.34	0.37	0.36
Total	0.34	0.37	0.35