



**Ministry of Finance**

**Outline of the Development In Syria**

**Presented By: Mr Mohammad Issa, Minister's Office. Ministry of  
Finance**

**For : The British Syrian Society Focus On Syria Conference**

**Venue : Haberdasher's Hall, London, United Kingdom**

**Mr Issa will be participating at conference in London along with  
representatives of the Modernisation of the Ministry of Finance,  
EU funded project.**

**Please do not hesitate to contact them should you wish to discuss any  
issues in more detail**

**Reforms Made by Ministry of Finance in the Context  
of Overall Economic Reforms.  
It will Be Presented to the Focus on Syria  
Conference Organized by the British- Syrian Society in London on  
07.11.2007**

During the past few years the Ministry of Finance began implementing a series of reforms in the Banking and Finance Sector as part of an overall and integrated working schedule by which the Ministry seeks to build a better developed and modern banking, financial and taxation system. The Ministry's aim is to achieve improved management of available human and financial resources, not only with the objective of preserving and increasing the Treasury resources – “important though those are” – but also bearing in mind the objective of encouraging investment, energizing the economy, increasing growth rates and opening new job opportunities.

Following is a summary of what the Ministry of Finance has achieved during the past years.

**1. Taxes and Fees Sector**

The outdated tax legislation was one of the most important problems facing the taxation sector during the past period. But all the laws and regulations as well as the work mechanisms in the taxes and fees sector have been updated and developed. In this context some taxes and fees have been cancelled and some tax and fees rates have been reduced. Thus the rates of taxes and fees are now fair and acceptable. Moreover, the procedures have been facilitated, which led to limiting and reducing cases of tax evasion, thereby the outcome of taxes collected has increased despite the fact that the rates were decreased.

The Ministry also focused on building capabilities through providing training to the staff of the taxation department. This training is an ongoing process yielding a positive impact through improving work quality, creating a positive impression with those who deal with the taxation department. Indeed, the Ministry benefited from the experiences of many countries that worked to update and develop the taxation department through collaboration with international organizations including the project of modernizing the Ministry of Finance funded by the European Union, which offered technical assistance in the area of taxation, paving the way to implementing the VAT, as well as in the area of customs and the public finance sector.

In this context, the organizational structure of the taxation department was reviewed and reconsidered. A special division has been established for very important potential taxpayers, a procedure that started in Damascus and will be generalized to other regions. Also, the ministry will concentrate on the small and medium-size potential taxpayers.

It is to be noted in this connection that the Ministry of Finance has adopted a new policy for interacting with the Business Sector and Investors as was represented by holding dialogue with entrepreneurs. This has actually left a positive impression by improving confidence in the Ministry of Finance and in the transparency through presenting interpretations of the new laws and legislation. In fact, the positive factors of the establishment of confidence bridges between the Ministry and the business sector are partly represented by the Ministry's initiation of discussing the draft laws and legislation with those entrepreneurs seeking their opinions in this regard, in addition to the new communication means with those people. Moreover, the Ministry has started the publishing of its own journal "Aalam Al Mal" in which it presents the Ministry's achievements and provides exact information about lots of matters as derived from their own sources. Besides, the Ministry has opened its own website through which it shows copies of the laws and legislations as well the instructions governing the ministry's work and related sectors and at the same time receiving through this site the opinions of citizens and businessmen, their inquiries and gives answers to them.

In the customs sector, the Ministry has updated all relevant laws and legislation. The customs tariff has been re-structured and all customs duties have been substantially reduced, especially the duties on raw materials and production requirements. Work is steadily going on for completing the project of customs automation which is currently underway.

## **2. The Banking Sector**

Due to the importance of banking operations for the business sector and entrepreneurs and for encouraging investment, the Ministry has launched a process for updating and modernizing all the laws related to the government banks as well as the regulations governing their operations and also their bylaws. This has been done in addition to what is being done at present in the context of modernizing their own methods and work procedures as well as benefitting from modern technology for the purpose of automating their operations. In this regard, there is cooperation with the European Union to develop and upgrade operation of public banks through the BSSP II project supporting the banking sector.

On the other hand, the banking activity has been opened to the private sector. Eight private banks have been opened since 2004, whereas three Islamic banks have already been licenced of which two banks have actually started operation in Syria.

There is no denying that this step is highly important for opening new windows to investors in order to put their investments in the same banking sector, motivating the public banking sector to improve own performance and provide more efficient and effective banking services that meet the needs of the business sector and businessmen through the participation of the private sector in the banking industry.

### **3. The Insurance Sector**

Beside the work being done at present to modernize and upgrade the operation of the Syrian Public Establishment for Insurance and the efforts being exerted to improve its efficiency and offer a modern and advanced service to its clients, the insurance sector was made open in 2005 to the private sector as was the case with the banking sector. Indeed, this step has created a kind of

competition between the public and private sectors aiming at providing better services that meet the needs of investors and the business sector. Besides, the insurance sector itself has been made open to investments, which means that new opportunities are now open to investors in Syria.

It is to be noted, moreover, that during the short period of time that has elapsed since the private sector was allowed to enter the insurance sector eight private insurance companies have actually started operation, and licences have already been granted to a number of Islamic-type insurance companies to operate in Syria.

### **4. Public Finance Sector**

Almost all legislations and work mechanisms in the sector of public finance have been updated, the last of which being the Basic Public Finance Law which is the most important in this sector. This new law envisages confining the management of government expenditure in one single entity, namely the Ministry of Finance. The new law includes also some modified texts that aim at upgrading the process of work in the public finance sector. Meanwhile, work is currently underway for developing the accounting system so that it will be consistent with the new finance law and in harmony with international accounting standards.

In cooperation with the European Union work is being done within the framework of the project of Finance Ministry Modernization for the automation of the government spending sector through developing IFMIS (Integrated Information Management System), which will enhance the quantity and quality of finance reports, and improve the competency of financial reports and will help in upgrading the mechanisms of tracking government expenditure.

Besides, a law providing for the establishment of "Damascus Stock Exchange" has been issued recently. The government aims at opening this market in early 2008. So work is now underway for the preparation of the materialist and human

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requirements so that this market should be opened as scheduled in the beginning of next year.

Legislative Decree No. 60 of 01.10.2007 provides for the opening of the government financial bills market (Treasury bonds and bills) which will start operation on 01.01.2008.

Moreover, Legislative Decree No. 61 was issued also on 01.10.2007 providing for re-evaluating fixed assets and transforming family companies and single-owner foundations into joint stock companies or other legal forms. The importance of this decree lies in the fact that it reveals the real financial standing of those companies and foundations and is a response to a need in the Syrian economy, strengthening the competitiveness of national companies as well as increasing the number of joint-stock companies which will be a strong pillar of the Damascus Stock Exchange due to be launched at the beginning of 2008.

What the Ministry wishes to emphasize in this note is her genuine and serious desire, along with her persistence in the process of developing the financial and banking action in service of the national interests, strengthening the economic standing and encouraging investments in Syria. This can be considered a fundamental factor for energizing the economic standing as well as asserting the importance of investments in the building of communication bridges between Syria and the other countries for which Syria has always worked hard to build and strengthen. In the meantime, the Ministry of Finance welcomes all opinions presented by Syrian Arab and foreign investors, as it re-emphasizes her serious consideration of the presented opinions with which it will deal with utmost care and interest because this is part of its efforts to achieve further development and making available all requirements of investment in Syria.

Thank you.

**Mr. Mohammad Issa**  
**Minister's Office, Ministry of Finance**