

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



ANNUAL BUDGET SUBMISSION

FY 1978

SYRIA

BEST AVAILABLE

**DEPARTMENT
OF
STATE**

AUGUST 1976



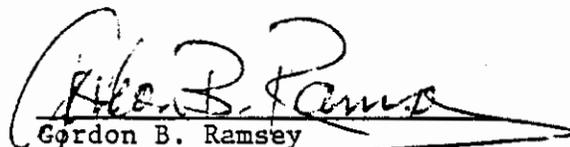
PREFACE

Forwarded herewith is the FY 1978 Annual Budget Submission (ABS) covering the A.I.D. Program in Syria. This document contains a fuller treatment than in the past of Syria's economic situation vis-a-vis development, sectoral discussions, a statement of U.S. interests in Syria, a refinement of our plans for A.I.D. projects in FY 1977, and detailed proposals for the FY 1978 A.I.D. program in Syria.

In the study and appraisal of this ABS, reviewing offices should keep in perspective the hierarchy of U.S. interests and objectives in Syria within which the A.I.D. program must fit. The A.I.D. program is an integral part of overall U.S. interests in Syria, particularly with regard to Syria's role in the Middle East. Within this context, the A.I.D. program is viewed as a tangible expression of U.S. efforts to improve the relationships between the U.S. and Syria and to further the progress toward peace in the area. To the maximum extent possible within this policy framework, USAID/Damascus is attempting to plan and implement sound projects that will contribute to the Government of the Syrian Arab Republic's (SARG) own efforts to increase its production or build the infra-structure for future production increases as well as to assist the SARG to improve its services to its people, particularly in rural areas and to the poorer people in urban centers.

Our ongoing projects and those proposed in this Submission include activities in the fields of agriculture, rural development, nutrition, health, human resources development, population and other productive areas which will contribute to the improvement of socio-economic conditions in Syria.

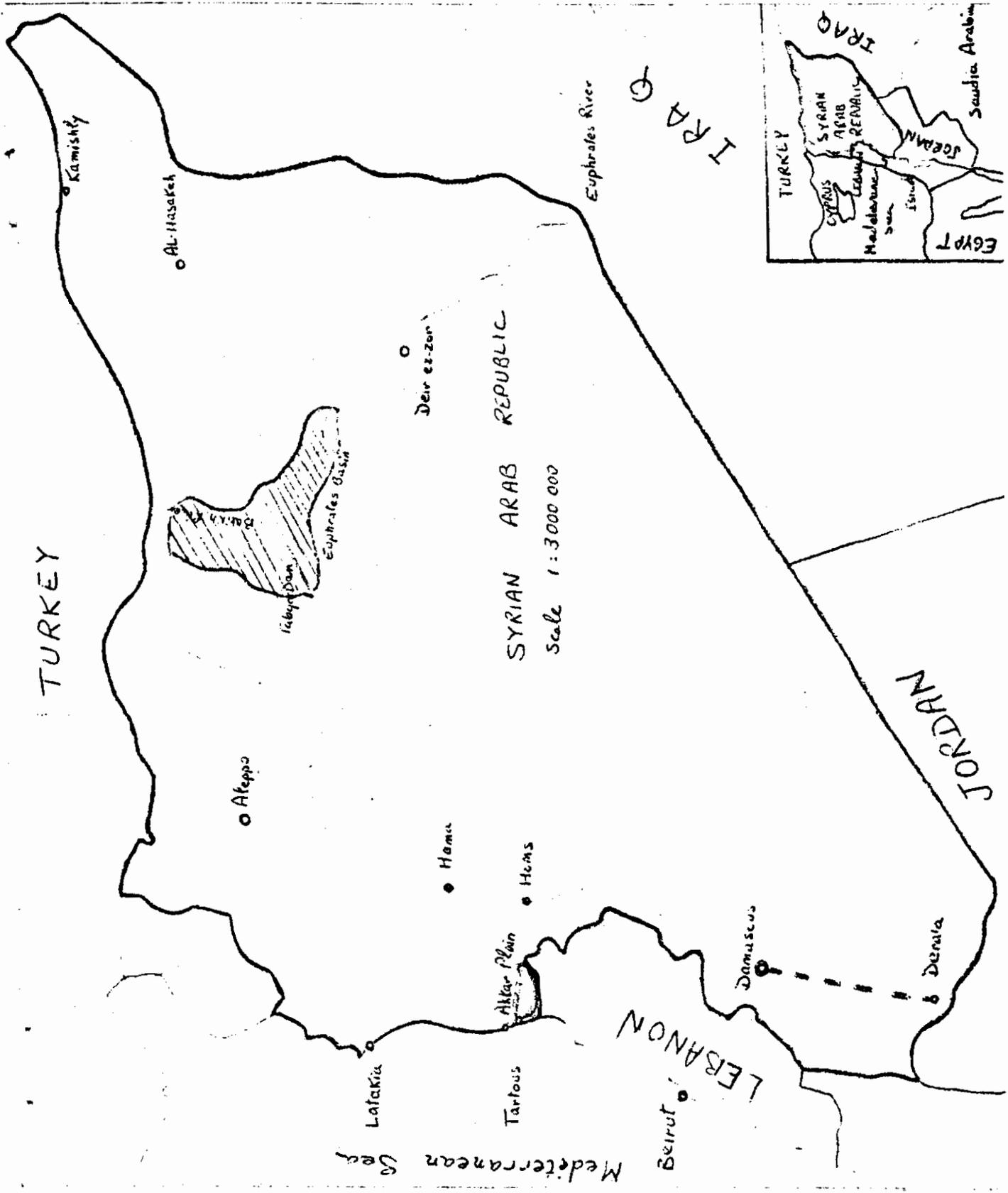
In this ABS, we have treated more fully than in the past the economic situation in Syria. Much of the information in the broader economic discussion has not in the past been available for analysis. The more detailed economic analysis is provided to help place in development context the U.S. economic activities underway or planned in support of Syria's development program.


Gordon B. Ramsey
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ANNUAL BUDGET SUBMISSION

FY 1978 - SYRIA

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SYRIA: BASIC DATA SHEET

Area: 185,408 km² (71,000 sq. mi.)

Population: 7.8 million (1975)

GNP per capita - 1975: \$400 (1973 prices)

Labour Force: 1,700,000 (1972)

% employed in -	agriculture	50.5	(1973)
	industry	4.2	
	services	35.3	
	other	3.0	

Value added per worker in U.S.\$ (1973)

agriculture	505
industry	2,650
services	2,180
economy-wide average	1,320

Government expenditure as % of GDP (1974)

current	27.1
capital	<u>23.7</u>
Total	50.8

Trade Balance

exports	882.3 (1975) Millions U.S.\$
imports	<u>1460.8</u>

Trade Deficit 578.5

Current Account Balance U.S. \$ + 199 million (1975)

Population per physician	3,850 (1970)
Per capita calories supply	102% of requirements
Adjusted primary school enrollment ratio	88% (1970)
Adjusted secondary school enrollment ratio	39% (1970)
Literacy rate	41% (1971)

I. GENERAL

The Syrian Arab Republic covers an area of 71,000 square miles (185,000 sq. km.) stretching from the Mediterranean and Lebanon in the west to Iraq in the east, and from Turkey in the north to Jordan in the south. Syria is about four-fifths mountainous, semi-arid, or desert. The population, which totals 7.8 million and is increasing at approximately 3.3% per year, is about half rural and half urban. More than fifty percent of the population derives its income directly or indirectly from agriculture. Per capita income in 1975 was about \$400. The literacy rate is 41% and about half the children 5 to 19 years old are enrolled in school.

Because there has been little information available about Syria's economic development situation, in the absence of a Development Assistance Program (DAP) and in response to the Near East Bureau's specific request, USAID/Damascus has provided a detailed background report on the state of Syria's economy. This data will be used as a basis for planning future A.I.D. assistance programs within the context of U.S. objectives in Syria.

II. ECONOMIC AND POLITICAL SETTING

A. Introduction

The Syrian economy has undergone rapid changes in the last fifteen years. Until the mid-sixties it was largely a laissez-faire economy, dominated by commerce and large-scale agriculture. In 1963, the Baath Party came to power and began a land reform, taking from the land-owning group, the source of their power, and redistributing the land among state farms and cooperatives. In 1964 there were widespread nationalizations of medium and large-scale industries, particularly oil and textiles, and the private sector was severely limited in its range of activities. The revolution was primarily one of the rural non-elite against the urban elite, rather than one of socialism against capitalism. This rural emphasis of the initial revolution has continued throughout the Baath Party's rule, while the strength of commitment to a centrally-regulated, publicly-owned economy has varied.

GNP real growth rates in the first half of the sixties averaged 8.5%, but fell to 5.5% in the second half as a result of the difficulties of such a rapid transition, and as a result of political instability internally, and in the mid-east region. Expansion of the government marked a major structural shift in the economy as did heavy military expenditures, so that the overall growth rates conceal larger sectoral changes.

In late 1970, a faction of the Baath Party led by the current President, Hafiz Al Assad, took control of the government. The faction,

called the Corrective Movement, initiated some liberalizing changes in economic policy which, with other substantial contributing factors, have resulted in significant economic growth. In 1974, real growth was 12.7%, and in 1975 approximately equal growth occurred. Since 1970 real per capita income has increased at over 5% per annum.

Syria's rapid growth has resulted from a confluence of factors: large foreign aid receipts since 1973 increased public sector investments, and relaxation of controls on the private sector allowed greater private sector investment. Increases in production and prices in the agriculture and extractive industries (oil and phosphates) sectors have also caused revenues to rise rapidly.

The economic situation in Syria at this moment is very much in flux. The recent high level of donor aid has prompted a rapid escalation of development expenditures, which requires ongoing funding for completion of projects. However, for numerous political reasons, since January 1976 the large inflow of assistance from the Arab oil-producing countries has experienced serious delays. The Syrian-Iraqi agreement covering oil transit fees and sale of high-quality Iraqi crude to Syria at \$3.05/barrel, expired in December, 1975, and since April has resulted in a stoppage of oil supplies. Resolution of the dispute is complicated by political rivalries, and disputes over Syrian consumption of the water of the Euphrates River. A third factor adversely affecting the current situation is the stationing of Syrian troops in Lebanon. Over recent months this has represented a very substantial expenditure. These problems, none of which are insoluble, but which critically strain the Syrian economy and the Syrian Government at this time, temper the optimism widely expressed only some months ago when the results of these disputes were not yet apparent, and the bright picture of rapid improvement over the last five years was still current.

Because of these prevailing uncertainties, whether Syria's recent growth will continue is not easily predicted. Syrian efforts to develop a modern agricultural and industrial economy have relied on very substantial foreign aid and high export prices since 1973. Whether such investments in agriculture and industry as well as its complement, infrastructure, will result in self-sustained growth before transfers and possibly prices decline is a critical element in predicting Syria's medium-term economic prospects. In this period of a high level of receipts, effective use must be made of the funds to develop profitable industries yielding surpluses for continued investment and substituting for imported goods or earning foreign exchange. Such effective use depends on improved planning and implementation, and the availability of the specific manpower required.

B. Development During the Third Five-Year Plan (1971-1975)

The GNP growth rate increased significantly during this period over that of the preceding Plan, particularly during the last two years of the Third Plan. In 1970-73, real growth was 7.3% p.a. as compared with the 1965-1970 average of 5.5%. Comparable real growth rates in 1974 and 1975 have been about 12%. At the same time, however, the cost of living index for Damascus increased at an average rate of 8.2% 1970-73, but at 30-35% in 1974 and 1975. Government expenditures increased an average of 18.0% p.a. during 1970-73, but by 42.9% in 1974 and 61.1% in 1975. The rate of increase of the money supply rose from 17.7% to 45.8% and 38.0% in the latter two years, respectively.

Investments: 1971-75

The increased revenues, primarily foreign transfers from Arab oil states and increased crude oil, phosphates, and cotton earnings, have been allocated chiefly to the development budget, as the official figures show. In 1971, budget expenditures were S.L. 2,320 million, of which S.L. 850 million, or 37% formed the development budget. In 1975, 56% of the budget of S.L. 10,442 million was allocated to the development budget. However, while final 1975 figures are not available, the SARG's implementation and expenditure rate fell below the budget estimates (See Table I).

Public sector investment doubled (in constant 1963 prices) during 1973-75 from S.L. 570 million to S.L. 1,185 million. Private sector investment increased from S.L. 237 million in 1970 to S.L. 412 million in 1972, but declined to S.L. 282 million in 1975. The initial increase probably reflects the special measures taken in 1970 to facilitate repatriation of capital, and the decline thereafter probably reflects a saturation of private participation in areas open to it, political uncertainty, and a falling off in repatriated capital.

In 1971, 14.4% of GDP was devoted to investment; in 1975, it was 15.5%. However, whereas 33% of investment in 1971 was private, only 29% was private in 1975. Consequently, with few exceptions, discussion of public investment indicates the future growth of the economy. Only in office and housing construction and retail trade is the private sector dominant.

The Third Five-Year Plan allocated 35% of development expenditures to agriculture, 34% to industry (manufacturing and extractive), 12% to transportation and communications, and 18% to other sectors, comprising public utilities, housing, services and internal trade. Table I shows Plan allocations by sector, and actual expenditures in 1963 prices, as well as implementation rates.

The agricultural sector expenditures largely consist of investment in the Euphrates Basin. With the completion of Tabqa Dam in 1973, expenditures have declined, while expenditures in the industry sector have increased, especially in energy and fuels responding to the post 1973 oil price increases. Transportation and communications investment has shown no clear pattern.

Investment in population/health/nutrition and education is drawn from the ordinary budget. The former continues at a lower priority for the SARG, except that there are now some expressions of interest in nutrition problems. While the government is now showing increasing awareness of the importance of education to Syria's development, past expenditures have been low and in real terms only slightly increasing.

More detailed discussion of these investments follow with a view to assessing their impact on Syria's medium-term growth prospects.

C. Sectoral Background

Agriculture

About 6 million ha. are cultivable in Syria, of which 3.4 million ha. are under crops (1973), but of which only one-tenth of the former is irrigated. Uncultivable and much of the uncultivated land is used for grazing. With irregular rainfall and such limited irrigation, production is subject to severe fluctuations. Cereals and cotton are the principal crops, but fruits and vegetables production is also significant. Cattle, sheep and poultry production accounted for 35% of agricultural production in 1975. The total sector contributed 16% of GDP in 1975, but accounted, directly or indirectly, for over one-half of employment. While industry's share of GDP is greater, agriculture still dominates the economy because it is the livelihood of the majority of the population. The predominant position of agriculture is also a result of its contribution to export earnings: until the rise in oil prices in 1973 agriculture accounted for two-thirds of Syria's export earnings (1970-72) and 31% in 1974. In 1974, oil exports accounted for 55% of export earnings, and other industrial products 12%, so that agriculture which accounted for 33% of exports remains a leading foreign exchange earner. The level and composition of agricultural imports is variable, depending on domestic production which varies greatly with the quantity and timing of rainfall. The principal imports are sugar, meat, fruits and vegetables, and, in drought years, cereals. From 1966 to 1970, agricultural imports accounted for 40% of total imports, but this has declined with good crop yields in 1974 and 1975, and with increased non-agricultural imports.

The SARG sets prices for all major crops through its specialized agencies. The prices are posted before planting, and remain valid for the entire harvest. For cotton and high-yield wheat, acreage permits must be

obtained which in turn allow farmers to obtain fertilizer and credit on favorable terms. The SARG also subsidizes production by providing cheap credit for the purchase of seeds, pesticides, and machinery.

The government-controlled purchase price is generally considerably below the world price, as the following table indicates:

<u>Commodity</u>	<u>Domestic Price (1974)</u> (\$/ton)	<u>World Price (1974)</u> (\$/ton)
Cotton	315	602
Wheat	126	210
Barley	96	135

The following indices of agricultural production reflect good weather conditions in 1972 and 1974, and the 1973 drought:

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Index of plant production (including cotton, wheat, barley, fruits and vegetables)	100	126	197	101	209
Index of animal production	100	83	75	108	99
Total agricultural index	100	111	156	103	171

By contrast, cotton is grown almost exclusively on irrigated land. Consequently, its production has not been subject to the same fluctuations. In the five crop years 1970-74, total cotton production ranged from 389,000 to 419,000 metric tons, small changes relative to agricultural production in general. Therefore, cotton yields have increased steadily, while those of other crops have shown no trend due to their reliance on rainfall.

Approximately 85% of investment in agriculture during 1971-1975 was for development of the Euphrates Basin. This massive effort, for which a separate ministry has been formed, involves the construction of a 4.5 km. long, 60 meter high dam across the Euphrates River at Tabqa (now renamed Thawra), creation of a 7.4 billion m³, approximately 640 km², storage lake (named Lake Assad), development of a 19,600 ha. pilot farm, and eventually studies and construction of irrigation and drainage works, roads, schools, resettlement of farmers into new villages, etc. on an additional 620,000 ha. So far, the dam and the pilot farm have been completed, including one of the main canals. Work has begun on about 200,000 ha. and designs are underway for an additional 200,000 ha. This ambitious undertaking is falling behind the original schedule and construction costs are increasing

very rapidly with rising wages, domestic inflation, and a deteriorating exchange rate for importing the required commodities and construction equipment.

The seriousness of these delays in implementation of the overall Euphrates program has been recognized by the SARG, and measures to strengthen project preparation and follow-up procedures are being attempted in all sectors. Consequently, the prospects for accelerating the expansion of irrigated land are good. Much foreign donor support has been committed to the Euphrates including a \$17.6 million AID loan in FY 1976 for the maintenance of canals and roads. With the completion by about 1980 of sections being developed by the USSR, Japan, Romania, Hungary, the World Bank, and perhaps the U.S. under a proposed new loan from AID, some 200,000 ha. will be added to the approximately 600,000 ha. now under irrigation in Syria. Extrapolating from the World Bank appraisal (312a - SYR) of the Balikh section of the Euphrates Basin, incremental production per year from this area will be as follows:

	<u>Incremental Production</u>	<u>% of 1975 National Production</u>
Cotton	175,000 (tons)	45%
Wheat	195,000	13%
Barley	-24,000	-34%
Maize	175,000	70%
Berseem	135,000	NA
Alfalfa	180,000	NA
Vegetables	165,000	20%

Therefore, prospects for growth of Syria's agricultural output and improvement of the trade balance are very good if improved execution of the Euphrates program continues, and if projected yields are obtained. However, the anticipated increases may be obtained at uneconomical costs. While the value of incremental production in the Euphrates-Balikh Basin has remained roughly the same, construction costs are now double those of 1973, thereby affecting the cost-benefit ratio. Therefore, new proposals for expansion of irrigated areas in themselves should not be assumed by the SARG to be desirable because the additional expenditures and especially foreign debt burden may not be economically justifiable. In summary, prospects for agriculture are excellent if investment is selective.

Industry

Syria is striving to increase industrial production as part of its overall economic development. The share of industrial output in national income has increased to 20.3% in 1970-74 from 16.8% in 1963-69.

The Index of Industrial Production increased at an average rate of 11.3% 1971-1974, and by about 7.4% in 1975. Because the weight assigned to extractive industries in this calculation is based on a 1970 industrial census, it does not adequately reflect the large increases in petroleum and phosphates production. Thus, the index understates actual progress. The manufacturing index increased 32% 1971-75, or at a 7% annual rate. Based on large Third Development Plan expenditures, especially projects contracted in 1974 and 1975, the Index is expected to rise rapidly in the next five years.

As Table I shows, industrial investment has been concentrated heavily in energy and fuels. Other industrial investment has suffered from a low (50%) implementation rate. Although agreements to construct plants are well publicized, information on the actual execution of specific projects is sparse. Details are available only for the largest investments, those in phosphate, fertilizer, and cement production, while in most other instances only the product is known. Agreements have been reached to construct paper, flour milling, glass, iron and steel bar and pipe factories in 1974 and 1975, in addition to four sugar factories, and those for phosphates, fertilizers, and cement. Investment generally has been in heavy, large-scale industry with a view toward import-substitution and production for a regional market.

The investments of the Third Five Year Plan are now beginning to come on stream, while the projects contracted during the years of heaviest expenditure, 1974-75, will be completed soon. These investments will not necessarily be beneficial in the short-run. While the exact state of affairs is concealed, it is probably true that many of the state-owned industries are losing money. At least some of the new plants will require a subsidy also, a further strain on the SARG local currency budget, although, in the case of an import-substitute activity, foreign exchange may be saved. Additions to Syria's cement production capacity will double 1974 production by 1978 eliminating imports which cost \$23 million in 1974. The fertilizer plant will produce three times the quantity of 1974 imports, which also amounted to \$23 million. Mining of phosphate rock began in 1971, has increased steadily to 900,000 tons in 1975, and is projected to reach 1,600,000 tons in 1978. The rock so far has all been exported. A \$180 million contract with Romania for a triple super phosphate plant was concluded in 1975 for completion in 1978. Phosphate revenues increased sharply through 1975 with both rising prices and production, but the market has weakened, so the large foreign exchange profits have declined.

Assessing the impact of these investments is very risky, especially as their profitability is unknown. However, heavy foreign debts have been assumed, repayable in foreign currencies, but the contribution of these investments to import substitution, and, more generally, to transfers to the budget for future investment is not yet known.

TABLE I

Public Investment during the Third Five-Year Plan (1971-75)
(S.L. millions, constant 1963 prices)

	Plan Allocation/ 1971-75	1971	1972 (actuals)	1973	1974	Total 1971-74	1975 Assump- tion ^{3/}	Implementation Rate
Agriculture	1908 35%	209	199	189	157	754	181	49%
(of which Euphrates)	(1593)	(174)	(167)	(150)	(108)	(599)	(150)	(47%)
Industry	999 18%		53	63	170	396	104	50%
Energy & Fuels	864 34%	206 ^{2/}	154	150	413	813	203	118%
Transport	667 12%	130	91	62	114	397	99	74%
Other	968 18%	97	97	105	156	455	113	58%
TOTAL	5406	642	594	569	1010	2815	700	65%

1/ Divided by public investment deflator

2/ Allocated between sectors in same ratio as plan allocation

3/ Assumed 1975 expenditure for purposes of calculating the implementation rate. The assumption equals the 1971-74 average real expenditure

Petroleum

Syria obtains revenue from crude production and refining, and from transit charges on oil flowing to East Mediterranean ports from Iraq and Saudi Arabia. These sources contributed about \$750 million in 1975 to GNP (15%) which is equivalent to 30% of the SARG budget.

Production began in 1968 with 1 million metric tons, rising to 6.2 million in 1971, and 9.5 million in 1975. The 1976 production target is 11 million metric tons, but declining reserves at the end of 1975 indicate this may be difficult. Existing wells will produce about 10 million metric tons per year until 1980.

The Government places very high priority on exploration, and is keenly interested in obtaining foreign, and especially American, expertise in this work. The USSR, Romania, Hungary, and an American consortium have signed contracts for exploration or provided assistance. The latter (TRIPCO), however, has ceased its explorations along the Mediterranean coast because of poor findings. There are considerable areas of Syria in which crude deposits may be found, but generally it has been of low-quality and highly sulphurous, while the Homs refinery requires 80% light crude such as comes from Iraq. With expansion of the refining capacity at Homs to 5 million tons in early 1976, and completion of a new 6 million ton per year refinery at Baniyas, Syrian imports of refined petroleum products should be limited to special items. Both the Homs and Baniyas refineries are geared to a 80-20 mixture of Iraqi light and Syrian heavy oil.

Prospects for crude production and export at the 10 million ton per year level through 1980 seem good. However, the likelihood of preventing a decline in reserves through new finds is difficult to judge. The utility of the costly additions to refining capacity is open to question as the Syrian-Iraqi oil agreement has expired, and numerous disagreements have resulted in a complete stoppage of Iraqi crude sent to Homs and Baniyas. To keep the refineries operating, Syria has had to import light crude from the United Arab Emirates and Saudi Arabia. As the crude received from Iraq was priced at \$3.05/barrel, and the crude has been purchased on the market, Syria's profits have been reduced some \$300 million per year from the earlier level. The present dispute is one of the recurring political squabbles between Syria and Iraq, so that estimates of returns from the refinery investments are risky. Similarly, oil transit revenues from the Iraqi (INOC) pipeline, and from TAPLINE transporting Saudi crude, are variable. Since Iraqi shipments have been suspended since March 1976, and TAPLINE has been dry since before the beginning of the year, the annual loss of revenue from the pipelines is about \$150 million. Therefore, the prospects for a high level of Syrian oil transshipments in the future depend on a large number of factors, political disagreements aside. In the sector as a whole, revenues cannot be expected to increase except with a rise in oil prices or possible new discoveries. If Syria is able to purchase Iraqi oil for her refineries at cartel prices, and perhaps preferential prices, the refineries will save foreign exchange, although the loans for the refineries must be repaid in foreign exchange also.

Transportation and Communications

Syria has embarked on improvements in transportation and communications systems to complement its development of agriculture and industry. Because economic activity in Syria is widely dispersed and because Syria aspires to participate in a regional market, her transportation and communications systems are especially critical.

Transportation

Highways dominate transportation in Syria. Of 1.5 million passenger-km. in 1973, highways carried 94%, railways 5%, and air 1%. Of 45 million tons-km., excluding crude oil, highways carried 97% and railways 3%. There are two main ports, Lattakia and Tartous, handling Syrian trade and a rapidly increasing transit trade to Iraq and the Arabian Peninsula. The principal highways are north-south from the Turkish to Jordanian borders, through Aleppo, Homs and Damascus; from Lattakia and Tartous to Homs; from Lattakia east to Aleppo and further along the Euphrates; and from Beirut to Damascus. Improvement of many sections of these highways has begun, while studies for the remainder are underway. A.I.D. has loaned \$45.9 million in FY 1976 for construction on a four-lane highway from the Jordan border to Damascus, and the SARG is adding two lanes to sections where the Damascus-Aleppo road is not already four lanes. Contractors are now at work on expansion of the Tartous-Homs road to four lanes. These additions to the system will result in completion of the North-South Aleppo-Damascus axis as a four-lane highway, and the connection of Tartous to the system.

USAID and the SARG have begun discussions on AID's possibly financing the Lattakia-Tartous section of the coast road, to connect Lattakia with the highways to the domestic market and with the transit routes to Iraq and the Gulf. Two lane roads are also being planned from Aleppo to Tal Kojak in the northeast, and along the Euphrates to the Iraqi border.

Although there are no highway tolls or transit charges, revenues derived from import duties on vehicles, taxes on fuel, and vehicle registration fees, are estimated to more than cover expenditures on the roads system. Continued increases in traffic, which is already very heavy on the north-south axis and coastal roads, particularly with the expansion of the ports and the closing of Beirut harbor, is expected. Road improvement and extension is expected both to facilitate commerce and to be revenue-producing.

There are two old railway systems in Syria, constructed in Ottoman times, and consequently in poor condition and which cross international borders. The USSR has recently completed a 745 km. railway

from Lattakia to Qamishly in the northeast, via Raqqa on the Euphrates. The main function of this line is to transport the area's agricultural production to distribution and export points at Aleppo and Lattakia. The government also intends to construct a railroad from Tartous and from the phosphate mines near Palmyra to Homs, connecting these with a new line planned between Damascus and Aleppo. The present railway system, with its only modernized section from Lattakia to Qamishly, is not in substantial competition with the highway network. However, fulfillment of all the plans would place the railway in competition and, perhaps, redundancy with road transport on all routes except Lattakia-Tartous. The prospect of under-utilization somewhat clouds the future of both the highways and railroads if all plans are accomplished, especially the latter as road transport will be established before the railways.

Syria has substantially developed the ports of Lattakia and Tartous, especially since the Lebanese civil war has deprived Syria of the use of Beirut. With the rapid increase in Syrian imports, as well as those of Iraq and the states of the Arabian Peninsula, followed by the closing of Beirut, the volume handled by Syria's ports has risen quickly and dramatically. Lattakia has been required to handle double the tonnage for which it was built, but planned additional equipment and quay space will help relieve this congestion. Tartous similarly has been overburdened, and earlier plans to expand the port are being expedited. With a continuation of the now heavy transit trade and low port charges, Syrian ports will continue to be heavily used and profitable when the current congestion problem is relieved.

Communications

Syria's telephone service is concentrated in urban areas and has not expanded to meet the demands of the recent economic growth. While the present service is profitable, and surveys indicate that the service is overwhelmingly used for business purposes, the SARG until recently has not placed priority on its improvement, allocating only \$35 million during the Third Five Year Plan. By contrast, the Fourth Five Year Plan allocates \$333 million to this sector, emphasizing improvement of existing services and furnishing connections to rural areas. The new emphasis on this sector, coupled with an IBRD study and \$28 million loan, hold out hopes of substantial improvement to the currently very poor service.

Population/Health/Nutrition

Population

Syria's salient demographic characteristics are a recent increase in the population growth rate from 2.2% to 3.3%, rapid migration to urban areas, and an extremely young population. While many still consider Syria

underpopulated, the recent increase has aggravated regional population surpluses, especially in some rural areas, taxing severely housing, education and other facilities. The increase has also contributed to the rapid expansion of the cities, as has the very substantial rural-urban migration. Furthermore, approximately 500,000 Lebanese and an equal number of Syrians who had been living in Lebanon have recently fled to Syria, primarily the larger cities. The increased population growth rate results in about half the population being under fourteen. With 4.5% of the population over 65, about 55% of the population is dependent on the other 45% for its principal source of income. The rising ratio of population under 14 or over 65 to the labor force of between 14 and 65 creates a relatively smaller income base and larger demands for investment in education, housing and health care. Consequently, investments in commodity-producing sectors are in increasing competition with the services sectors.

In 1960, 37% of Syria's population was urban. In 1970, it was 44%, following the expansion of government and industry without increases in cultivated area and agricultural incomes. Although more recent figures are not available, migration has proceeded even more quickly since 1970 as a result of the economic boom being concentrated in urban areas, especially Damascus. In 1970, the population of Damascus was about 1.4 million; now it is about 1.9 to 2.1 million, representing a 6.5% annual rate of growth.

Because of cultural, religious, and even military objections to limiting population growth through family planning, and because of the historically prevalent view that Syria is underpopulated, the likelihood of a decrease in the population growth rate in the near term is minimal. In urban areas contraceptives are cheap and readily available through pharmacies, but their use is relatively low, and somewhat expensive for ordinary wage-earners. It is expected that demand will increase with Syria's overall socio-economic development, particularly in the cities. In rural areas where development is slower, contraceptives are not generally available.

The SARG submitted a proposal in 1974 to UNFPA/WHO for assistance in establishing a pilot project for integrated maternal and child health and family planning services. An affiliate of the International Planned Parenthood Federation, the Syrian Family Planning Association, was also established in 1974. Both the UNFPA and IPPF programs have been directed toward family health in general, with family planning as one of several components. It is hoped both by the SARG and USAID that the UNFPA and IPPF activities will continue in Syria, specifically to develop the former's pilot project into a full program, and possibly expand activities in other areas as well.

By contrast, the SARG considers slowing rural-urban migration to be of high priority, and relies on its projects in the rural sector to sufficiently improve living conditions to stem the tide. However, with unemployment in urban areas still low, a government employment program, and demand for labor still high, the immediate prospects for slowing migration are not good. Only when it has reached the level of depressing urban earnings in the services sector, and inflation has eroded government wages, can migration be expected to decrease.

Health

Endemic diseases include amoebic and bacillary dysentery, intestinal worms, tuberculosis, paratyphoid and typhoid. Infectious hepatitis occurs in epidemics periodically. Occasional epidemics of childhood diseases, such as measles, mumps and polio, occur due to lack of adequate immunizations. Yellow fever, malaria, smallpox and cholera are rare. Life expectancy in Syria is about 55 years and the crude death rate is at least fourteen per thousand. Infant mortality is approximately 123 per thousand.

Much progress has been made in Damascus and other urban centers in combatting these health hazards. There are now several modern hospitals and clinics in operation or planned and large numbers of well trained doctors, many of the latter having been educated in the U.S. However, health conditions in the rural areas are inadequate due to limited health facilities and poorly qualified medical personnel. As a result, disease and mortality rates are much higher in the rural areas where about half the population lives.

One of the major constraints to providing improved health services to the poorer people in Syria is the inadequacy of trained medical staff below the doctor level. There are simply insufficient numbers of well-qualified registered nurses, practical nurses, laboratory technicians, anesthetists, X-ray technicians and others. Training facilities in Syria are presently not capable of producing well-trained personnel to support the doctors and to staff positions in the clinics where doctors may not be needed on a full-time basis. Another constraint is the lack of hard data on incidence of diseases and related factors, complicating adequate planning.

The Syrian Government is attempting to rectify this situation. The Ministry of Health now has underway a program to establish large numbers of integrated health centers in the rural areas as well as the poorer sections of the cities to provide improved health services and to supplement or, in some cases, replace existing inadequate Maternal and Child Health (MCH) clinics. There are now approximately 240 of these new centers planned or in

the process of being set up. The equipment for these centers is supplied in part by the World Health Organization. The medical staff is supplied by the government, largely from the graduates of the National Technical Health Institute and the thirteen nursing schools. The SARG and AID signed a grant agreement in FY 1976 (\$400,000) for improving hospital maintenance and improving health surveys and Ministry planning.

Nutrition

There are no comprehensive surveys to indicate the incidence of malnutrition in Syria as the SARG until recently has not acknowledged that deficiencies may exist. However, there is ample information to indicate that especially during winter months or drought years when food supplies are short and uncontrolled prices rise, malnutrition, in particular protein and iron deficiencies, is a serious problem. It appears that the segment of the population that suffers most from malnutrition is that of pre-school age children and pregnant and nursing mothers, especially those in rural areas.

The SARG is attempting to alleviate this problem through increasing and diversifying food production, especially of wheat, fruits and vegetables, and beef, mutton and poultry meat. The SARG is also providing assistance through maternal and child health clinics and general health centers dispersed about the country. Furthermore, recent discussions indicate a stronger general interest in nutrition, holding out hopes of greater SARG funding and attention.

Manpower and Education

Heavy development efforts throughout the Middle East have caused a shortage of all types of labor. In Syria, semi-skilled and skilled workers, and competent technical and managerial staff are often in short supply. Many of the workers have emigrated to other parts of the Middle East in search of higher wages, and those having a higher education have emigrated to other parts of the Middle East, Europe, and the United States. In the case of those with professional qualifications, the relatively low wages are the result of deliberate government policy to equalize incomes. An estimated one million skilled persons emigrated between 1964-74.

These shortages persist despite unemployment and underemployment in some parts of the country and in some sectors. The SARG until recently has devoted little attention to vocational and technical training, or to manpower planning. The result has been surpluses in various specializations, and complete absence of training in others, e.g. agricultural economics. The lack of a manpower plan also allowed the current pay scales, with its meager incentives for investment in higher education, to remain in force

despite rapid loss of needed manpower. An example of the effects of this situation has been the delay in completion of numerous investment projects, owing to a shortage of construction workers.

The SARG is in a difficult position to improve the availability of necessary manpower. The expansion of technical and vocational training is limited by the literacy rate, which is 41% nationally (1971), and about 50% among those currently employed (1974). Establishing incentives through higher incomes for highly educated manpower is contrary to its principles. Finally, raising incomes for all types of skilled workers would be very expensive for the government--a major employer of such labor. Due to these difficulties, in the short-run the SARG has been obliged to resort to denying exit visas for trained personnel. In the longer run, an increasing literacy rate and the current expansion of technical and vocational training, both being assisted by the SARG, should help alleviate the manpower problems. However, migration will continue until the inter-regional income disparities decrease, or unless the SARG resorts to more stringent measures with respect to obligatory government service and international migration.

With regard to increasing the numbers of specialists, university admissions have been vastly increased. The number of students in medicine rose by 70% between 1971-73, while the number studying dentistry and pharmacy doubled. The number studying engineering tripled, and agriculture quadrupled. Intermediate institutions have been established in a number of disciplines to train assistants. However, because the expansion of such training does not follow a manpower plan geared to development plans and needs, in some instances entire faculties are lacking and others appear excessive.

To relieve current shortages of specialist manpower, migration of such persons have been restricted. In addition, Syria has contracted considerable expatriate expertise in connection with her development projects, a major source of demand for trained persons. The fighting in Lebanon has caused an influx of skilled workers, some of whom have obtained employment in Syria, while on the other hand, the large standing army requires much of Syria's most productive manpower. With increasing literacy and vocational and technical training, the manpower shortages should improve gradually. However, shortages of trained managers and expertise in specific disciplines may be expected to continue. AID training grants are helping in this area.

C. Prospects for growth over the next five years

Prospects for growth over the next five years depend on the profitability of investments during the last five years, the availability of funds from foreign donors, and Syria's ability to borrow abroad. The sum of these sources of funds must be sufficient to meet payments of a large foreign debt recently assumed, as well as to provide funds for continued investment in both the commodity-producing and services sectors.

In the agricultural, industrial, and transportation and communications sectors great progress has been made in the last five years, and the prospects for increased production in the two former sectors are very good. However, among the projects contracted there will be a number which may prove uneconomical. For example, in agriculture, rising costs for construction of irrigation, drainage, and related works without corresponding increases in the value of incremental production may render the execution of some irrigation projects uneconomical. Therefore, the SARG must be selective in contracting projects.

In the past many industrial investments have been unprofitable for lengthy trial periods, while others have simply continued to be unprofitable. While measures have been taken to ensure that selection of industrial investments is done in a more economically rational manner, and recent directives require public enterprises to obtain certain minimum rates of return, it is very likely that subsidies will be required by some new enterprises. The extent to which new and established industries, except petroleum, contribute to the SARG development budget is not known. Crude production is expected to contribute at approximately the same level as in the past, while the surplus from refining operations will diminish with the use of more expensive crude.

With the transit trade flourishing, the ports and highways should generate increasing profits, while, as indicated, the financial future of the transport network with the railways is uncertain. The prospects of this sector would be clarified by a transport sector study identifying cargoes, and their origins and destinations, in order to determine the most economical transport system. Improvement of the transport and communications systems will facilitate economical development of industry and transport, in addition to being financially viable in themselves.

Increasing quantities of cotton and wheat exports from the Euphrates and other areas, development of import-substitute industries, continuation of oil production, and an expanding transit trade augur well for Syria's foreign exchange position. However, the loss of large profits from refining preferentially priced crude oil (about \$300 million per year), and the large foreign debt quickly assumed offset these gains. The loss in refining profits equals about one-quarter of 1975 oil revenues, or one-third of exports. Repayments on external public debt, excluding defense-related expenditures, rose from \$33.0 million in 1970 to \$104.0 million in 1975, and are projected to be \$246.8 million in 1976. During the 1976-80 period, the debt is anticipated to hover about the \$250 million level. In 1975, the debt service ratio was 8.6%. If, between 1976 and 1980, export earnings of goods and services continue at the same level as in 1976, there is a distinct possibility that the ratio will be 20.4%. While 8.6% in 1975 is low for a developing country, a 1976 debt service of 20.4% would be among the higher.

Future investment will depend as much on availability of local currency as foreign exchange. The local currency resources will mostly be derived from government savings in the same way as foreign exchange. The level of those savings depends on returns from the recent investments, and is therefore difficult to predict. It is possible to borrow from the banking system to finance local currency costs of investment, as the SARG has done in the past, but this is only a short-term possibility as a high level of such borrowing is likely to induce increased inflation.

Increasing government revenues is another possible source of funds, and is, in fact, an objective of the Fourth Five Year Plan. The present tax system is deficient. This is demonstrated by the unresponsiveness of certain taxes to increased trading in, or income from, the items being taxed. For example, while the value of imports increased by 81% in 1974, and shifted into the higher-tariff consumption goods, taxes on imports rose only 51%. Revenues from taxes on private consumption and agricultural production were constant despite large increases in both areas. Improving the tax system would clearly yield additional revenues, but it is difficult for any government to rapidly increase major revenues.

Another factor affecting the medium-term growth prospects are the dislocations caused by uncertainties over future inflation rates. Between 1970 and 1973 inflation averaged about 8%, while in 1974 and 1975 it is estimated to have increased to between 30 and 40%. By all indications, price increases in 1976 will not be less than in 1974 and 1975. A wide range of inflation rates are quoted, depending on what is included in the analysis and whether elements are valued at official or parallel market prices. The recent upsurge is attributable to the sudden and large increase in demand from government spending, as well as the similarly rapid increase in the money supply that accompanied the increase in demand because of the need for transactions balances.

Since late 1973, receipt of large transfers from Arab oil-producers has allowed the SARG to increase its budget deficit. In 1969-72, the deficit averaged L.S. 650 million, or 20-25% of expenditures, but it doubled in 1974, and more than doubled in 1975. The expanding deficit, 65% financed by external sources in 1974 and 78% in 1975, has put increasing pressure on domestic production capacity. The increased demand has in part been satisfied by rising imports. However, idle domestic capacity was exhausted by the economic recovery in early 1974 while domestic demand has continued to rise, so that excess demand intensified inflationary pressures.

Inflationary pressures have also been generated by increases in the money supply far in excess of increases in real GNP. Money and quasi-money increased at a 20% annual rate in 1973, 46% in 1974, and 38% in 1975. Real

GDP increased, however, at an annual rate of about 12% in 1974 and 1975. This rapid expansion has resulted from the financing requirements of the large public capital inflows and increased export revenues. Consequently, most of the credit was extended to the SARG and to public sector enterprises to facilitate expansion of their operations and in 1975, 90% of the credit extended to public sector enterprises was to those engaged in foreign trade.

Continued sharp increases in the budget deficit occasioned by greater spending without commensurate increases in revenue can be expected to continue to strain Syria's domestic production capacity, inducing inflation to the extent that the demand is not satisfied by imports. For the moment, liberalizing imports remains a possibility as reserves are still believed to be adequate. A rapidly increasing money supply would also fuel inflation as it has done in the past.

Because of the widespread system of price controls, inflation is often hidden. In the case of subsidized goods, this causes larger government subsidies. In other cases, inflation without adjustment in official prices can give rise to a substantial, and often volatile, black-market. Official prices for most commodities follow the world price, but only at infrequent intervals, so that changes in official prices can be quite large. Because of the potential dislocations of this two-tier system of prices, and the variable rate of inflation, investment prospects would be bettered by a lower and more predictable rate of inflation.

The "absorptive capacity" of the SARG has been improved by the necessity of administering the recent large increases in the development budget. Planning units have been established in many ministries, and the real value of resources administered has increased rapidly. This increase reflects the greater experience government officials and contractors have gained with the burgeoning development projects. The planning sections have shown themselves capable of absorbing increased funding.

The increased expenditures have caused many categories of skilled labor to be fully employed, regardless of the "absorptive capacity" of the project planners. The shortage of skilled labor especially affects the construction industry. Consequently, the SARG may be able to effectively administer overall increased funding, but may not be able to implement specific projects requiring scarce types of labor. Therefore, Syria's absorptive capacity is a question that must be answered on a project-by-project basis. The present demand for the scarce types of labor will in part be alleviated by training programs operated as a part of earlier projects using similar labor, as in the case of many construction workers, or as a result of the expanded technical or vocational training now being implemented by the SARG.

D. Objectives of the Fourth Five-Year Plan (1976-1980)

There is substantial continuity in the objectives of the Third and Fourth Five-Year Plans. Development of a balanced and self-sufficient agricultural and industrial economy, with particular emphasis on the rural sector, is the basic objective. However, a few changes may be discerned from the earlier Plan. Nutrition and the transportation network appear to have been given higher priority. Most significant is the addition of two objectives relating to public administration and domestic revenues:

- improving government services while economizing on their cost, and
- increasing domestic revenues through improving the efficiency of the tax system.

Investment funds allocated to each sector in the Third and Fourth Plans are as follows:

<u>Sector</u>	<u>Third Plan</u>	<u>Fourth Plan</u>
	(%)	(%)
Agriculture	35	23
(Euphrates)	(25)	(17)
Industry)	18	22
))	34	40
Energy and Fuels)	16	18
Transport	12	12
Other	18	25

Agriculture's share has declined with the completion of Tabqa Dam, which had rapidly inflated the sector's expenditures. The decline has been distributed to industry and "other", including public utilities and housing, internal trade, and services. As a result, industry's share relative to agriculture has advanced from being approximately equal in the Third Plan to nearly double in the Fourth.

As noted, the development budget does not include expenditures for education and population/health/nutrition, which are included in the ordinary budget. The 1976 budget shows a 67% increase in education expenditures over 1975, or \$125 million. The notable increase does not include substantial technical and administrative training funded by individual ministries which have similarly increased. The 1976 budget does not, however, seem to reflect the emphasis on nutrition in the objectives of the Fourth Five-Year Plan: the Ministry of Health budget share falls, and even decreases in real terms.

III. U.S. ECONOMIC ASSISTANCE

A. Background

United States economic assistance to Syria resumed in late 1974, several months following the restoration of diplomatic relations, which had been broken in 1967. The objective of U.S. assistance is to help Syria pursue its economic development program and to further improve U.S.-Syrian relations. As such, the U.S. assistance program is essential to promoting the prospects of peace in the Middle East. The U.S. seeks to cooperate with all countries in the area to find a just and lasting solution to the problems which have periodically resulted in a series of armed conflicts over the last three decades, and which have continually impeded the region's development. Syria is a key factor in the achievement of Middle East peace and improved U.S.-Syrian understanding will further the cause of peace. U.S. assistance provides tangible support for Syria's development goals and demonstrates the U.S. desire for closer relations between the two countries.

B. U.S. Assistance Program - FY 1975 - Present

The FY 1975 program had to be planned very rapidly following the resumption of U.S.-Syrian diplomatic relations and the decision to re-establish a U.S. economic cooperation program in Syria. The first U.S.-Syrian economic agreement in eleven years was signed November 20, 1974. This \$21.4 million PL 480, Title I sales agreement provided for the supply of 75,000 MT of wheat and 25,000 MT of rice to Syria from the U.S. The FY 75 A.I.D. program totalled \$83.0 million, of which \$78.0 million were loans and \$5.0 million grants. The Damascus Water Supply Loan (\$48.0 million) funds the extension and improvement of the Damascus water supply system, greatly decreasing the number of dwellings not served by potable water. The project will also help avert seasonal water shortages and purify the supply by replacing old components, reducing the incidence of water-related disease. The Agricultural Inputs and Production Loan (\$30.0 million) provides for the purchase of agricultural machinery and construction equipment required for numerous development projects.

The Technical Services and Feasibility Studies grant (\$4.0 million) finances short-term advisory services and consultants for the preparation of feasibility and sector studies. The grant has generally been used to develop projects for AID-financing, such as preparation of cost estimates for the Euphrates-Balikh, Section 2, project, design of an English language project and a Health project, and a pre-feasibility study of the Akkar Plain. The grant is also being used to finance assistance in urban planning, equipment identification, meteorology, vocational training and forage and fodder

production. The General Participant Training grant (\$1.0 million) provided for on-the-job and specialized technical training in the U.S. of eighty-six SARG officials, principally from the Ministries of Agriculture, Industry, Petroleum, and Public Works, in such areas as water resources development, health planning, oil exploration, food processing, range management, irrigation, tourism and road construction.

The FY 1976 program totalled \$80 million, of which \$2.0 million were grant. The \$78.0 million loan component was allocated to the Damascus-Dera'a highway project (\$45.9 million), to the Euphrates Basin Irrigation Maintenance project (\$17.6 million), and a second loan for the Damascus water supply system (\$14.5 million). The highway loan finances U.S. construction of an essential highway linking Syria with Jordan, facilitating the considerable regional transit trade. The Euphrates Basin Irrigation Maintenance project, as the name suggests, provides equipment, advisory services, and training for the maintenance of the vast irrigation system now under construction. The second water supply loan finances further improvements in the capital's water system.

The grant portion of the FY 1976 program continued the General Participant Training project of FY 1975, and introduced the English Language Training and Developments of Health Services grants. The latter provides for assistance in three areas: preparing an initial implementation of a health survey, assistance in health manpower planning, and assistance in maintaining and repairing hospital equipment. The former helps the SARG establish an English language training program for AID participant candidates and other Syrians.

In FY 1976, there was also another PL 480 Title I sales agreement, amounting to \$19.4 million, for the purchase from the U.S. of rice, tobacco and vegetable oil. The \$15.0 million Transition Quarter funding has been earmarked for a second program loan, under which primarily heavy construction machinery, agricultural equipment and vehicles will be imported from the U.S.

In summary, U.S. economic assistance to Syria, in the short span of about twenty months, totals about \$219 million. These funds have been provided rapidly to help meet Syria's development needs.

The FY 1977 and FY 1978 programs are presented in detail in Summary Table I and other sections of this ABS. The loan projects scheduled for development and funding are the Euphrates-Balikh, Section 2, irrigation project, a rural electrification project, and development of the Akkar Plain through technical services and expansion of the irrigation system. In addition, two shelf projects are listed, a poultry production project, and construction of a highway between Lattakia and Tartous on Syria's Mediterranean coast. Project Identification Documents (PID's) for these projects are submitted as appendices to this ABS, with the exception of

the poultry shelf project which is pending a technical study in September 1976.

The FY 1977 and FY 1978 grant programs include extension of the General Participant Training, Development of Health Services, and English Language Training grants. Funding for the Training project is expected to decrease as participant costs are increasingly included within other projects. An Agricultural Research and Production grant will start in FY 1977 to help the SARG adopt new production methods, particularly for forage and fodder related to the nation's priority livestock development program. A second Technical Services and Feasibility Studies grant is proposed in FY 1978 to supplement that of FY 1975. The Nutrition project proposed for FY 1978 will establish an organization within the SARG responsible for nutrition research, policy and operations.

C. AID Development Strategy in Syria

The AID program in Syria reflects the U.S. objectives stated earlier: to assist Syria in pursuing its economic development program and to strengthen the renewed U.S.-Syrian relations through which the goal of a peaceful solution to the Middle East problems is being sought. Within this overall objective, the AID program is designed to assist Syria in priority development areas, especially those in the important fields of agriculture, transportation, rural development, health, nutrition and manpower training. Within these U.S. goals and AID strategy, and in view of Syria's development needs discussed earlier, USAID/Damascus is trying to emphasize in the FY 1978 ABS projects which will directly or indirectly contribute to Syria's foreign exchange position, provide employment in rural areas, and assist in the growth of productive capacity as a resource base. These particular emphases flow from the earlier discussion of Syria's rural development, balance of payments, population, manpower, and health situations.

In attempting to meet all of these various purposes, USAID has related its actual and planned projects to the SARG's development priorities. This can be summarized in the following table:

RELATION OF THE AID PROGRAM TO SARG
DEVELOPMENT OBJECTIVES

<u>Sector</u>	<u>Objective</u>	<u>AID Program</u>	
1. Agriculture and Rural Development	- Expand irrigated area and increase agricultural production	- Construction of Euphrates-Balikh Basin Section Two project - Integrated development of the Akkar Plain - Euphrates Basin Irrigation Maintenance Project	
	- Improve land utilization by adopting more productive techniques	- Increase forage and fodder production through equipment under Agricultural Inputs and Production Loan and technical services and training under Agricultural Research and Production Grant.	
	- Increase cattle, sheep, and poultry production	- Development of poultry production project	
	- Extend the services in rural areas	- Rural electrification project	
	- Increase production of cement, sugar, flour, other basic manufactured goods	- Participant training for Ministry of Industry officials	
	- Improve asphalt and salt mining operations	- Vocational training advice - Study of salt mining	
	- Pursue petroleum production and refining	- Study of asphalt production - Participant training and technical advice for Petroleum Ministry officials	
	2. Industry		

3. Transportation and Communications

- Completion of highway network
- Expansion of railways
- Increasing port capacity
- Improving telecommunications network

4. Manpower and Education

- Expanding education at all levels, especially primary vocational, and graduate technical

5. Population/Health/ Nutrition

- Improving information base for policy and planning
- Improved health facilities and infrastructure
- Improving maternal and child health in particular

- Damascus-Dera'a highway construction
- Development of Lattakia-Tartous highway loan
- Training for railways
- Vocational training study
- General Participant Training project
- English language training
- Health Services project
- Proposed Nutrition project
- Damascus Water Supply Loans I and II for improved water supply
- Technical assistance for water supply operations
- Proposed research/studies in family planning

The FY 1977-78 Euphrates-Balikh Section Two project is of the highest priority to the SARG, and as it benefits primarily the small farmer, it also falls within AID's and U.S. Congressional areas of emphasis. The project will irrigate areas not now farmed or only cultivated with one crop every year, and will produce export crops. Development of the Akkar Plain is similarly a SARG priority, and benefits the small farmer. The region produces primarily import-substitute crops.

Distributing electricity to rural areas was a priority of the Third Five-Year Plan, and continues to be in the Fourth. The proposed FY 1977 project will contribute to the objective of improving the living conditions of the rural poor, and is expected to contribute to slowing rural-urban migration and to create employment in rural areas.

The AID grant projects for agricultural research and production, technical services and feasibility studies, general participant training, health, nutrition and English training all respond to SARG requests for assistance, and support the specific development goals of the SARG and AID.

While rapid population growth is a principal factor in selecting the above goals, the AID program has not addressed this problem on a bilateral basis because the SARG has not indicated any interest in and has rejected informal AID proposals for work in this area. As stated in the section on population, the SARG is reluctant to officially initiate family planning programs for a number of reasons, and AID must be particularly sensitive to these concerns. Nevertheless, USAID intends to explore what it can do itself or through other donor agencies to respond to the situation, and will initiate discussion of two demographic studies to lay the groundwork for possible future activities. The first would be a study of population density and of the possibilities of reallocation and employment of manpower. Such a study is much needed since causes of over and underpopulation are much disputed. The second is a proposed study of factors affecting fertility in Syria in order to inform AID's own efforts and those of other organizations, including as UNFPA, IPPF, and the SARG. The availability of such studies may persuade the SARG to begin the first official program. Finally, USAID strongly encourages UNFPA, IPPF and other organizations to expand their efforts and will consult with them on AID's possible funding of extensions of their programs.

Syria: Summary Table I

Funding Levels for FY 1976, TQ, FY 1977, FY 1978
('000s \$)

<u>Project</u>	<u>FY 76</u>	<u>TQ</u>	<u>FY 77</u>	<u>FY 78</u>
<u>Loans by Sector:</u>				
<u>Agriculture and Rural Development</u>	<u>17,600</u>	<u>-</u>	<u>78,000</u>	<u>88,000</u>
Euphrates Basin Maintenance	17,600	-	-	-
Euphrates-Balikh Basin, Sect ^{1/}	-	-	58,000	60,000
Rural Electrification ^{2/}	-	-	20,000	-
Akkar Plain ^{3/}	-	-	-	28,000
Poultry (shelf, non-add)	-	-	-	x
<u>Population/Health/Nutrition.</u>	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Damascus Water Supply II	14,500	-	-	-
Local Currency Loan (LS 20.98 million) ^{4/}				-
<u>Manpower and Education:</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
<u>Transport:</u>	<u>45,900</u>	<u>-</u>	<u>-</u>	<u>x</u>
Damascus-Dera'a Highway	45,900	-	-	-
Lattakia-Tartous Highway (Shelf, non-add)	-	-	-	x
<u>Other:</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Basic Commodity Imports & Produc.	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>
<u>Total Loans:</u>	<u>78,000</u>	<u>15,000</u>	<u>78,000</u>	<u>88,000</u>
HIGs	-	-	-	-
PL 480, Title I	19,200	-	20,000	20,000

Syria: Summary Table I

Funding Levels for FY 1976, TQ, FY 1977, FY 1978
('000s \$)

<u>Project</u>	<u>FY 76</u>	<u>TQ</u>	<u>FY 77</u>	<u>FY 78</u>
<u>Grants by Sector:</u>				
<u>Agriculture & Rural Development</u>	-	-	150	200
Agriculture Research & Produc.	-	-	150	200
<u>Population/Health/Nutrition:</u>	400	-	400	200
Health	400	-	400	50
Nutrition	-	-	-	150
<u>Manpower and Education:</u>	1,600	-	1,450	1,200
English Language Training	350	-	350	300
General Participant Training	1,250	-	1,100	900
<u>Transport:</u>	-	-	-	-
<u>Other:</u>	-	-	-	400
Tech. Services & Feasibility Studies II	-	-	-	400
Total Grants	2,000	-	2,000	2,000
PL 480, Title II ^{5/}	200	-	200	200
Total Loans and Grants	80,000	15,000	80,000	90,000
Total PL 480	19,400	-	20,200	20,200
HIGs	-	-	-	-

1/ Estimated project total of \$118 million over two years.

2/ Estimated: Project development pending completion of IBRD-financed study now underway.

3/ Estimated project amount pending refinement as results of feasibility study known.

4/ Generated from earlier PL 480, Title I sales to be loan for local currency support for Damascus Water Supply Project.

5/ World Food Program contributions (not part of bilateral program).

AGENCY FOR INTERNATIONAL DEVELOPMENT				1. TRANSACTION CODE			2. ABS/CP						
ABS/CP SUMMARY				A A = ADD C = CHANGE D = DELETE			DOCUMENT CODE 6						
3. COUNTRY/ENTITY			4. DOCUMENT REVISION NO.	5. OPERATIONAL YEAR FY		6. BUREAU/OFFICE		7. GEOGRAPHIC CODE					
SYRIA			□	77		A. SYMBOL NE		B. CODE [4]		[276]			
8. TYPE DATA						9. TYPE ASSISTANCE							
1 1 = ABS 2 = ABS REVISION 3 = CP 4 = CP NOTIFICATION						2 1 = PROJECT 2 = PROGRAM							
10. PROJECT SEQUENCE NO.	11. PROJECT TITLE (40 CHARACTERS MAXIMUM)			12. QTR. FOR OBLI.	13. EST. FY AUTH. OBLI. FINAL	14. APPROPRIATION	15. PRIMARY PURPOSE CODE	16. LOAN BRAND INBL. BATCH	17. BUDGETS (IN \$000)				
									AY	TQ	OY	BY	LDP
016	Basic Inputs & Production			TQ	TQ	SA	700	L	-	15,000	-	-	15,000
									18. DATE DOCUMENT RECEIVED IN AID/W				
									MM	DD	YY		

*Explanations of Deviations in Funding for FY 1977 Projects

Euphrates-Balikh Section Two. The FY 1976 CP proposed \$65 million for this project, while the FY 1978 ABS proposes \$58 million in FY 1977 and \$60 million in FY 1978. These revised figures reflect rising construction costs as well as the revised costs for the overall project as determined by U.S. engineering consultants.

Rural Electrification. The FY 1977 CP estimated \$65 million, while the FY 1978 ABS indicates \$20 million. The new figure results mainly from two factors: one, the actual authorized assistance level for Syria is \$80 million, not \$90 million as proposed; and two, the \$58 million Euphrates-Balikh Section Two irrigation project has been substituted for the \$27 million Agricultural Machinery and Production Inputs III Loan proposed in the FY 1977 CP. As a result, funds for the rural electrification project have had to be cut, resulting in a smaller area planned for rural electrification development.

PROJECT DEVELOPMENT SCHEDULE

PROJECT TITLE - MONTH OF ACTION/OBLIGATION

Dev. of Health Services Grant (006)

1. PP approved in AID/W in May 1976
2. Obligations - \$400,000 February 1977
3. No TDY assistance needed to conclude obligations

Agricultural Research and Production (003)

1. PP to be submitted in October 1976
2. Obligations - \$150,000 to be obligated in March 1977
3. Approximately one month TDY services of agricultural economist about September to complete PP for submission in October 1976. No TDY help needed for obligation process

Nutrition Grant (015)

1. PID approved in AID/W in August 1975. PRP to be submitted in October 1976 and PP to be finalized by March 1977
2. Obligations - None in FY 1977; \$150,000 in October 1977
3. Two weeks TDY services of nutrition/health specialist in August 1976 to help prepare PRP. No TDY help needed for preparation of PP in March 1977 or obligation in October 1978

English Language Training Grant (002)

1. PP approved AID/W June 1976
2. Obligations - \$350,000 February 1977
3. No TDY assistance needed to conclude obligations

General Participant Training Grant (004)

1. PP approved in AID/W February 1975
2. Obligations - \$1,100,000 January 1977
3. No TDY assistance needed to conclude obligations

Tech. Services and Feasibility Studies Grant II (005)

1. PID received AID/W July 1976; PRP to be submitted October, 1976; PP May, 1977
2. Obligations - \$400,000 June 1978
3. No TDY assistance needed for PP preparation or obligation

Euphrates-Balikh Section Two Loan (009)

1. Revised PID submitted to AID/W July 1976; PP to be submitted December, 1976
2. Obligations - \$58 million March 1977 and \$60 million in October 1977
3. One month's TDY services of D.H. engineer/loan specialist to prepare PP in November-December 1976 and two weeks General Counsel TDY assistance in each of March 1977 and October 1977 to conclude negotiations/obligations

Rural Electrification Loan (017)

1. Revised PID submitted to AID/W July, 1976; PP to be submitted June, 1977
2. Obligations - \$20 million August, 1977
3. No TDY help needed for PP submission in March, 1977, but two weeks TDY help of General Counsel in August, 1977 for obligations/negotiations

Akkar Plain Loan (013)

1. PID submitted to AID/W in July, 1976; PRP to be submitted March, 1977; PP September, 1977
2. Obligations - \$28 million April, 1978.
3. Three weeks TDY service of agricultural specialist and engineer needed in March, 1977 and in September, 1977 to help prepare PRP and PP, respectively. Two weeks TDY of General Counsel in April, 1978 to conclude obligations/negotiations

Shelf non-add

Poultry Loan

1. PID to be submitted in December, 1976; PRP in June, 1977, and PP December, 1977
2. Obligations - Amount to be estimated following contract study planned to begin in September, 1976. Obligation schedule will be determined following receipt of that technical report
3. While project details are not yet known, it is anticipated that TDY assistance of an agricultural specialist will be needed to help complete the documentation requirements and finalize obligations

Lattakia-Tartous Highway Loan

1. PID submitted with FY 1978 ABS in July, 1976; PRP planned for May, 1977, and PP for July, 1977
2. Obligations - \$30 million currently estimated for late FY 1978 or early FY 1979, depending on the development of this project and funding availabilities
3. Approximately two weeks TDY services of an engineer or transportation economist may be needed in May, 1977 to complete PRP and two weeks General Counsel services will be required to finalize negotiations and obligations in late FY 1978 or early FY 1979

Ongoing Grants

The ongoing grants in Syria are General Participant Training (276-11-690-004), English Language Training (276-11-690-002) and Development of Health Services (276-11-570-006). The FY 1977 Congressional Presentation and FY 1978 ABS funding levels for these grant activities in FY 1977 are as follows:

	<u>FY 77 CP</u>	<u>FY 78 ABS</u>
	(¹ 000 \$)	
General Participant Training	1,250	1,100
English Language Training	175	350
Development of Health Services	175	400

A more detailed summary of costs is included in the discussion below.

General Participant Training

Under this continuing grant project, which began in FY 1975, A.I.D. is providing needed technical and management training to help Syria overcome its shortage of skills in key development areas. Emphasis is being given to the study of practical and technical skills and methods of application rather than to basic academic disciplines or degree-type training.

The Syrian Government has identified the development of technical skills as a high priority during both the Third Five-Year Plan (1971-1975) and the Fourth Plan (1976-1980). Syria needs to acquire the knowledge and use of modern techniques and technology in order to further spur the growth of the economy and to provide the greatest benefits possible to the Syrian people. Accordingly, the government is sending to the U.S. groups of technical, scientific, professional and governmental managers in order to enable them to learn the latest professional and technical achievements which can be applied to Syria.

This priority project is on schedule. Under the first General Participant Training Agreement (\$1 million) signed in FY 1975, eighty-six Syrians are being provided technical training in the U.S., the largest numbers from the Ministries of Agriculture, Industry, Petroleum, and Public Works. In FY 1976, an additional \$1.25 million was committed to enable approximately 110 more SARG officials to be trained in the U.S. Based on Syrian Government manpower development plans, the FY 1976 participants are now being selected and processed. About \$600,000 in training programs were developed and sub-obligated in implementing documents (PIO/P's) as of June 30, 1976, and the remainder will be finalized by the end of CY 1976.

There have been no changes in this continuing project except in the level of financing. The decrease in FY 1977 from \$1.25 million to \$1.10 million, with a further decrease anticipated in FY 1978, reflects the intent of the SARG and USAID/Damascus to include project-related participant training costs as much as possible in the new AID projects. In addition, after an initial surge in this priority area of technical training, it is expected that the level and numbers of training requests will level off. Finally, it is anticipated that much of the English language training costs funded under the FY 75 and 76 General Participant Training project will be funded, beginning in FY 1977, under the separate English Language Training project.

English Language Training

This activity, which began in FY 1976, is designed to help the Syrian Government establish an English Language Training Program in order to improve the proficiency in English of potential A.I.D. participant trainees and of selected Syrian Government officials who have need of English in their jobs. This objective will be accomplished through the provision of U.S. teachers and a director, training in Teaching of English as a Foreign Language methods, and commodities to outfit a language laboratory and to supply classes with needed texts and tapes.

This five-year project is on schedule. The funding requirements have been revised in light of more technical details provided in a U.S. contractor's report. The proposed funding of \$175,000 was increased to \$350,000 in FY 1977 and \$300,000 for FY 1978 to take into account actual project costs in terms of an institutional contract, training and commodities. There have been no other changes in the project. Early implementation activities are now underway.

Development of Health Services

This project, which began in FY 1976, is designed to improve the SARG's ability to provide effective health services for those Syrians unable to afford private health care and to plan and operate general public health programs. U.S. technical advisors, commodity assistance and training will be supplied to help the SARG specifically improve its health planning, health survey and hospital equipment maintenance.

The three-year Health project is on schedule. It has, however, undergone major changes since the estimates in the FY 1977 CP were prepared. For this reason, a Project Paper was submitted in May 1976, superseding all previous documentation and submitting new funding levels.

The changes relate primarily to concentration on health, without any particular activities under this project in support of nutrition or family planning. This was done based on a realistic assessment of conditions in Syria and in order to achieve the greatest possible impact on this health project. In addition, following a contractor's report, specific health areas have been selected for assistance beginning in FY 1976 (health planning, health survey and hospital maintenance) with another particular area planned for assistance in FY 1977 (National Technical Health Institute). Some modifications have already been included in the attached fiscal data, but a PP revision will be submitted within the next few months, following a WHO Consultant's report, with corresponding changes in inputs, outputs, purpose and levels of funding for the assistance to the National Technical Health Institute. Implementation activities are now beginning for the activities currently covered under this project.

Agricultural Research and Production

This new grant, beginning in FY 1977, was originally presented in the FY 1977 ABS to start in FY 1976. The PID was approved by AID/W, but the project did not begin as scheduled because the SARG offices concerned were not ready.

The purpose of this project is to provide the technical basis for sustained growth in agricultural production by strengthening Syria's institutional framework for agricultural research and development. The major area of emphasis will be fodder and forage production and it is planned that this project will help to implement the recommendations made by a team of experts from Washington State University who visited Syria under the Technical Services and Feasibility Studies Grant (001). Attention will be given to rain-fed agriculture, and soil treatment and farming methods, research on improved crop varieties, such as lentils, and test cropping. Under this project, AID will provide advisory services, training and limited commodities to achieve this purpose. As indicated elsewhere in the ABS, the PP for this project will be submitted in October 1976.

Country/Program: Syria

FISCAL DATA
ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT NAME: English Language Training INITIAL OBLIGATION FY 1976 DATE PROP June 1976
 PROJECT NUMBER: 276-11-690-002 FINAL OBLIGATION FY 1980 DATE LAST PAR -
 APPROPRIATION: Security Supporting Assistance TOTAL COST \$1,400,000 DATE NEXT PAR October 1977

U.S. DOLLAR COST (IN THOUSANDS)

	FY 1977 and FY 1978		Obligations by Cost Component/AOI		Total
	FY	FY	Direct Aid	Contract	
Actual FY 1976	350	-	77	77	78
Estimated	-	-	-	275	245
Interim qtr.	-	-	72	52	-
Estimated FY 1977	350	300	3	3	3
Proposed FY 1978	300	325	-	-	-
			75	55	275
					245
					350
					300

Contract/PASA Funding Period (\$ 000's)

Name of Contractor	FY 1976		Int. qtr.		FY 1977		FY 1978	
	From	To	From	To	From	To	From	To
To be determined	12/76	9/77			9/77	8/78	8/78	7/79
Amounts								
Director		40						50
Instructors		200						190
Lab. Maintenance (Short-Term)		10						5

	On Board Personnel	
	6/30 : 1976	9/30 : 1977
Direct Hire	-	-
PASA	-	-
Contract	-	6
Participants	-	4

COUNTRY: Syria

PROPOSED NEW PROJECTS - FY 1978 ALTERNATIVE FUNDING LEVELS

<u>Project</u>	(Alternative A)		(Alternative B)		(Alternative C)	
	<u>Dollars</u> (000's)	<u>Full Funding Level</u> Months From Date of Obligations	<u>Forward Funding</u> According to A-368 Dollars (000's)	<u>Forward Funding</u> According to A-368 Dollars (000's)	<u>Mission Alternative</u> if Grant Resources Curtailed	<u>Months from</u> date of Obligation
1. Nutrition	300	36	300	300	200	24
2. Technical Services and Feasibility Studies II	<u>400</u>	18	<u>385</u>	<u>385</u>	<u>250</u>	12
Total Funding Level	700		685	685	450	

The narrative explanation to the preceding table, stating costs and benefits associated with each alternative, is as follows:

1. Nutrition - This project is not yet developed far enough to assess the marginal loss of decreased funding. However, it appears that under-funding an institutional project would result in important losses because there may not be enough foreign assistance input to make possible the achievement of project outputs.

2. Technical Services and Feasibility Studies II. This project provides for a variety of short term consultants' services and technical studies. It is, therefore, a desirable project and reduction in funding will result in proportional losses in services provided.

Attachment 3b, per State 131814, or the worksheets to substantiate the alternative funding levels analysis of the previous attachment 3a, is omitted as any figures presented would be arbitrary and consequently misleading. Not enough is known at this point to present reliable figures. USAID/Damascus also did not find very useful the attachment 3 a and 3 b exercises because of the very preliminary nature of the projects planned to begin in FY 1978.

COUNTRY: Syria

PERIOD COVERED: 2/75-9/78

Mission Evaluation Schedule for FY 1977 and FY 1978

(1)	(2)	(3)	(4)	(5)	(6)
Project Title & Number/Subject	Last Evaluation Submission Date	Number of Last PAR (if Applicable)	Date of Submission FY 77 &/or FY 78	Period Covered By This Evaluation (months)	Remarks

Loans:

Agriculture and Rural Development
Euphrates River Basin Maintenance
(276-K-011)

Population/Health/Nutrition
Damascus Water Supply I (276-J-008)
Damascus Water Supply II (276-K-010)

Transportation
Damascus-Dera'a Highway (276-K-012)

Other
Agricultural Inputs and Production
(276-J-007)
Basic Imports and Production

-	9/78	-	24	-	-
-	12/77	-	24	-	The water supply loans will be evaluated jointly
-	7/78	-	24	-	-

As commodity import loans, these funds are disbursed for commodities and equipment to be employed in several sectors; thus, an evaluation of the impact of these loans is not possible as a definable activity or focus.

(1) Project Title & Number/Subject	(2) Last Evalua- tion Submission Date	(3) Number of Last PAR (if Applicable)	(4) Date of Submission FY 77 &/or FY 78	(5) Period Covered By This Evaluation (Months)	(6) Remarks
<u>Grants:</u>					
Agriculture & Rural Development Agricultural Research & Produc. (276-11-110-003)	-	-	1/78	12	-
Population/Health/Nutrition Development of Health Services (276-11-570-006)	-	-	1/78	18	-
Manpower and Education English Language Training (276-11-690-002)	-	-	10/77	15	-
General Participant Training (276-11-690-004)	-	-	1/78	18	-
<u>Other</u> Technical Services & Feasibility Studies (276-11-995-001)	-	-	3/77	20	-

PL 480

Title I

The PL 480 Title I Program in Syria is intended to serve as part of the U.S. effort to establish and maintain a constructive relationship with the Government of the Syrian Arab Republic (SARG). Because Syria is a key to U.S. efforts to achieve a just and lasting peace in the Middle East, a program for concessional sales of agricultural commodities constitutes a tangible demonstration of U.S. Government support for Syria's role. At the same time, because of Syria's continuing deficiency in selected agricultural commodities, particularly food grains, the Title I sales serve to provide additional imports to supplement usual foreign purchases of commodities, although on concessional terms.

While Syria is certainly a developing country intent on accelerating the pace of the nation's growth and improving the socio-economic conditions of its people, the discussion above indicates that PL 480 resources are not programmed entirely for development purposes as outlined in the FY 1978 ABS guidance messages. For example, while the U.S. Mission is reasonably confident regarding the appropriate uses of the proceeds of the sales of Title I commodities as being consistent with the precepts of Public Law 480, the Mission does not believe that the PL 480 program can yet be used to influence significantly the SARG's development policies.

Even while continuing to request further PL 480 assistance, the SARG has given agricultural production high priority in its development plans, with emphasis on food grains, poultry, livestock and fruits and vegetables. The area planted with high-yielding wheat has increased from 38,000 ha. in 1971 to 284,000 ha. in 1975, with further increases planned depending mainly on extending the irrigated area. This is to be accomplished chiefly by the Euphrates River Basin program, which will reclaim and irrigate some 640,000 ha. over the next 15-20 years. Increased land utilization and improved practices are also being applied for livestock and fruits and vegetables as well.

The SARG has pursued a Grain Silos Project since 1972 which includes the construction of eleven silos with a storage capacity of about 810,000 metric tons. Distribution of the most important food crops is handled by a government agency. Given the high priority that self-sufficiency in agricultural production has in Syria, and the substantial efforts that are underway in this sector, significant improvements in many phases of agricultural production and distribution may be anticipated.

Syria has a continuing need for agricultural commodity credits at this time, although the balance of payments has been positive since 1973. However, heavy development expenditures and ongoing obligations are depleting the

reserves built up over 1973-75, and Arab donors have slowed their flow of funds. The continuation of this situation is unclear and changing, but will be watched closely for its impact on Title I needs.

Recent trade statistics serve to show the import requirements which can be met by PL 480. Imports of about 80,000 metric tons per year of milled rice are anticipated for 1976-1978, compared to production of about 5,000 MT per year. The PL 480 Title I program would provide about one-half of these import needs.

In 1975, Syria imported 5,044 tons of tobacco valued at \$20.6 million. In that year, it exported 3,794 MT of Syrian oriental tobacco valued at \$7.8 million. Imports of vegetable and animal oils and fats have increased rapidly, from S.L. 5.3 million (\$1.4 million) in 1970 to S.L. 31.9 million (\$8.2 million) in 1974. This increase, which is expected to continue, can be partially covered by the PL 480 credits. This again will contribute to Syria's development program in meeting agricultural import needs.

The FY 1977 and FY 1978 Title I proposals are detailed in the attachment to this discussion. The request is not based on specific uses for the commodities but on anticipated supply and distribution data, within the overall purposes of the Title I program in Syria. As such, inclusion in the core program is requested for Syria in the context of U.S. interests in Syria and the Middle East rather than strictly for development purposes.

COUNTRY/PROGRAM: SYRIA

PL 480 TITLE I AGREEMENTS AND SHIPMENTS

Commodity	FY 1976 and Transition Quarter Estimate			FY 1977 Request		
	Agreements (\$ million) (MT)	Shipments (\$ million) (MT)	Carryover to FY '77 (MT)	Agreements (\$ million) (MT)	Shipments (\$ million) (MT)	Carryover to FY '78 (\$ million) (MT)
Rice	11.9	50.0(max) 11.9	38.0*	11.5	35.0	35.0
Tobacco	4.3	1.2	4.3	4.5	1.2	4.5
Soybean/Cottonseed Oil	3.0	5.0	3.0	4.0	10.0	4.0
	19.2	19.2	19.2	20.0	20.0	20.0

FY 1978 Request

Commodity	FY 1978 Request			Carryover to FY '79		
	Agreements (\$ million) (MT)	Shipments (\$ million) (MT)	Carryover to FY '77 (MT)	Agreements (\$ million) (MT)	Shipments (\$ million) (MT)	Carryover to FY '78 (\$ million) (MT)
Rice	11.5	35.0	11.5	35.0	-	-
Tobacco	4.5	1.2	4.5	1.2	-	-
Soybean/Cottonseed Oil	4.0	10.0	4.0	10.0	-	-
	20.0	20.0	20.0	20.0	-	-

All estimates are in thousands of metric tons of the raw commodity. Dollar amounts are shown in millions, using USDA prices for FY 1977 and 1978 projections.

*Shipment tonnage is less than the agreement amount because of the increased unit price of higher quality rice requested by the Syrian Government.

TITLE II

While Syria is still a food deficit country, and many of Syria's poor are unable to maintain an adequate diet, there are no plans for Title II commodities at this time. Syria's continuing strong balance of payments position and eligibility for Title I commodities indicate that Title II requests will only occur in special circumstances, except under the continuing World Food Program. Consequently, no further information regarding Title II is provided in this FY 1978 ABS for Syria.

Assistance to PVOs and Cooperatives

Because of the extremely limited number of private voluntary organizations in Syria, none of which are American-related, as well as the minimal information now available about cooperatives, USAID/Damascus does not currently have or plan in the immediate future any assistance to PVOs or cooperatives.

Table 1.1/
Program Analysis for Orals and Condoms to Achieve Replacement Level of Population Growth

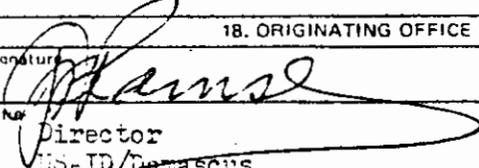
	1975	1976	1977	1978	1979	1980
A. "Full Supply" Analysis						
1. Women (15-49)	1,489	1,499	1,550	1,603	1,657	1,713
2. 65% of line A1 (Contracepting women required to achieve replacement level)	968	974	1,007	1,042	1,077	1,113
3. 50% of line A1 (Contracepting women utilizing orals and condoms)	744	750	775	801	828	856
4. Annual stock requirements for "Full Supply"						
a. Orals - 1/2 of line A3 x 13 monthly cycles	4,836	4,875	5,038	5,200	5,512	5,564
b. Condoms - 1/2 of line A3 x 100 units	37,200	37,500	38,760	40,500	42,400	42,800
B. Annual New Supply From Non-AID Bilateral Sources						
1. Private Commercial Sector ^{2/}						
a. Orals	1,300	1,365	1,430	1,500	1,580	1,660
b. Condoms	6,000	6,300	6,615	6,945	7,295	7,660
2. Other Donors ^{3/}						
a. Orals	140	140	140	0	0	0
b. Condoms	0	0	0	0	0	0
3. Host Country Government Procurement ^{4/}						
a. Orals	0	0	0	0	0	0
b. Condoms	0	0	0	0	0	0
4. Total In-Country Stock						
a. Orals	1,440	1,505	1,570	1,500	1,580	1,660
b. Condoms	6,000	6,300	6,665	6,945	7,295	7,660
C. Gap to be filled to Achieve "Full Supply"						
1. Orals (line A4a less line B4a)	3,396	3,370	3,468	3,700	3,932	3,904
2. Condoms (line A4b less line B4b)	31,200	31,200	32,095	3,355	35,105	35,140
D. AID Bilateral Supply Objectives ^{5/}						
1. Orals	0	0	0	0	0	0
2. Condoms	0	0	0	0	0	0
E. Total New Supply						
1. Orals (line B4a plus D1)	1,440	1,505	1,570	1,500	1,580	1,660
2. Condoms (line B4b plus D2)	6,000	6,300	6,665	6,945	7,295	7,660
F. Remaining Supply Gap						
1. Orals (line A4a less line E1)	3,396	3,370	3,468	3,700	3,932	3,904
2. Condoms (line B4b less line E2)	31,200	31,200	32,095	3,355	35,105	35,140
G. People Gap						
1. Orals (line F1 divided by 13)	261	259	267	285	302	300
2. Condoms (line F2 divided by 100)	312	312	321	334	351	351
3. Total (line G1 plus G2)	573	571	588	619	653	651

Footnotes to contraceptive table

- 1/ Tables 2 and 3 ("AID Bilateral Logistic and Financial Analysis of Orals" and that of condoms) are omitted as no bilateral AID assistance is anticipated at this time.
- 2/ The commercial supply of orals and condoms is assumed to increase at the same rate as the urban population growth rate (5% p.a.) as this is the area in which most contraceptives are sold.
- 3/ The 140,000 cycles included in the table are part of an International Planned Parenthood Federation pilot family health project. Whether IPPF will increase supplies at the conclusion of its project in 1977 or abandon the project is not now known, although USAID/Damascus requests AID/W to encourage IPPF to at least continue its assistance.
- 4/ The SARG refuses to import contraceptives except as "pharmaceuticals". This supply is sold commercially through pharmacies, and is reflected in line B1.
- 5/ Contraceptive use is an extremely sensitive issue in Syria. There is no agreement among responsible official and unofficial Syrians (medical professionals) on whether the country is under- or over-populated. Religious scruples inhibit use as in other Muslim countries. U.S. bilateral assistance to an officially stated family planning program is especially sensitive as some Syrians would construe such assistance as an effort to limit future military manpower. AID has not received any requests for such assistance, and tentative suggestions have been fruitless. Consequently, AID intends to encourage multilateral or private organizations continue to pursue and augment such programs in Syria.

MANPOWER OPERATIONS BUDGET

The manpower requirements for development, implementation and evaluation of the program proposed in this FY 1978 Annual Budget Submission are adequately reflected in the Manpower Operations Budget Submission provided to AID/Washington in June 1976. USAID/Damascus shall continue to monitor, however, any possible changes in needed staffing, such as in agriculture and capital development, as projects develop and advise AID/Washington accordingly.

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT IDENTIFICATION DOCUMENT FACESHEET TO BE COMPLETED BY ORIGINATING OFFICE				1. TRANSACTION CODE ("X" appropriate box) <input checked="" type="checkbox"/> Original <input type="checkbox"/> Change <input type="checkbox"/> Add <input type="checkbox"/> Delete		PID DOCUMENT CODE 1				
2. COUNTRY/ENTITY Syria				3. DOCUMENT REVISION NUMBER						
4. PROJECT NUMBER 276-0-005		5. BUREAU a. Symbol: NE b. Code: 4		6. PROPOSED NEXT DOCUMENT a. <input checked="" type="checkbox"/> PRP <input type="checkbox"/> PP b. DATE: 11/07/61						
7. PROJECT TITLE - SHORT (stay within brackets) Technical Services and Feasibility Studies II				9. ESTIMATED COST (life of project) (\$000 or equivalent, \$1 = SL 3.9)						
8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION a. INITIAL FY: 7/8 b. FINAL FY: 7/8				FUNDING SOURCE		AMOUNT				
				a. AID APPROPRIATED		400				
				b. OTHER U.S.		---				
				c. HOST GOVERNMENT		125				
				d. OTHER DONOR(S)		---				
				TOTAL		525				
10. ESTIMATED COSTS/AID APPROPRIATED FUNDS (\$000)						11. OTHER U.S. (\$000)				
a. Appropria- tion (Alpha Code)	b. Primary Purpose Code	c. Primary Tech. Code	FIRST YEAR FY			ALL YEARS				
			d. Grant	e. Loan	f. Grant	g. Loan	a. FUNDING SOURCE	b. FIRST YEAR	c. ALL YEARS	
3A	995	790	400	---	400	---	---	---	---	---
TOTAL			400	---	400	---	TOTAL	---	---	---
12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each) 966										
13. SPECIAL CONCERNS CODE (maximum six codes of four positions each)								14. SECONDARY PURPOSE CODE		
15. PROJECT GOAL (stay within brackets) To improve project identification, selection, design and evaluation of development activities in Syria										
16. PROJECT PURPOSE(S) (stay within brackets) To provide short-term consultant services for preparation of sector assessments and pre-feasibility and feasibility studies. The project will also fund other project development-related work, as well as short-term advisory services.										
17. PLANNING RESOURCE REQUIREMENTS (staff/funds) None										
18. ORIGINATING OFFICE CLEARANCE						19. Date Received in AID/W, or For AID/W Documents, Date of Distribution				
Signature: 										
Title: Director, USAID/Damascus										
Date Signed: 7/27/61						mo. day yr.				

PROJECT IDENTIFICATION DOCUMENT

Project Title: Technical Services and Feasibility Studies II

Project Number: (276-11-995-005)

The Problem:

The recent surge in Syrian development projects and expenditures has required specialized manpower in excess of Syria's capacity to provide qualified personnel to plan, design and implement programs in key development fields. In addition, Syria's development program emphasizes diversification into new areas. In many instances, Syrian specialists are not available in these new areas.

Syria has been unable to train an adequate number and variety of technicians for its development plans in the short time since the rapid increase in expenditures began. Consequently, the Syrian Government has an acute need for expatriate assistance in a wide range of fields and has requested AID to provide short-term experts and consultants to perform technical studies, feasibility studies and other specialized tasks related to the nation's development program.

The Response:

AID proposes to establish a fund to finance short-term consultancies in Syria in the fields in which Syrian experts are unavailable. The short-term consultancies will further SARG and AID project identification, selection, design, and evaluation through preparation of sector assessments and project pre-feasibility and feasibility studies. The project will provide for more specialized studies, such as review of previous consultant's work in order to verify their accuracy and suitability as a basis for AID financing, and also for short-term advisory services.

The project is expected to contribute significantly to alleviating Syria's manpower shortages in the fields in which the fund is used. Obtaining expatriate technical expertise is often indispensable in the face of its absence in Syria. For example, Syria entirely lacks experts in some areas, and does not yet have senior experienced personnel in others. The shortage cannot be remedied by short-term training, and obtaining experience requires time. The project, however, fills this gap by providing U.S. consultants with long experience. The project will directly benefit the Syrian economy through improved project identification and development. It will indirectly benefit the beneficiaries of the various projects prepared under its funding. The project will have a spread effect through introducing new knowledge and methods to Syrian counterparts to U.S. consultants.

AID and other donors have financed technical services of a similar nature in Syria. USAID experience indicates that the existence of a fund such as this is essential to proper project identification and development.

This project will also continue the very useful work funded under an FY 1975 grant for similar purposes. The earlier grant financed studies and activities in such fields as forage, irrigation, English language, health, vocational training, meteorology, water supply operations and other priority areas. It is expected that this initial \$4 million grant will have been fully sub-obligated by FY 1978, requiring a replenishment in the form of this project proposal. The new project is expected to continue the emphasis on technical studies, many of which are preparatory to AID-funded projects, and will further develop studies and activities in rural development, family planning, and other key development fields.

Financial Requirements and Plans:

Consultant services will be financed by a grant of \$400,000. This fund will cover consultant transportation and salaries. The SARG will ordinarily contribute counterpart personnel, office space and equipment, and transportation in Syria.

Project Development:

The PRP will be submitted by October 30, 1976, and the PP by May, 1977. No TDY or consultant services are necessary for PRP or PP preparation.

Policy or Program Issues:

There are no program or policy issues.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT FACESHEET
 TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE ("X" appropriate box)
 Original Change
 Add Delete

PID DOCUMENT CODE
 1

2. COUNTRY/ENTITY
 Syria

3. DOCUMENT REVISION NUMBER

4. PROJECT NUMBER
 276-K-017

5. BUREAU
 a. Symbol NE b. Code 4

6. PROPOSED NEXT DOCUMENT
 a. PRP PP b. DATE mo. yr. 16 | 77

7. PROJECT TITLE - SHORT (stay within brackets)
 Rural Electrification

8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
 a. INITIAL FY 77 b. FINAL FY 77

9. ESTIMATED COST (life of project)
 (\$000 or equivalent, \$1 = LS 3.09)

FUNDING SOURCE	AMOUNT
a. AID APPROPRIATED	20,000
b. OTHER U.S.	---
c. HOST GOVERNMENT	54,135
d. OTHER DONOR(S)	---
TOTAL	74,135

10. ESTIMATED COSTS/AID APPROPRIATED FUNDS (\$000)							11. OTHER U.S. (\$000)		
a. Appropria- tion (Alpha Code)	b. Primary Purpose Code	c. Primary Tech. Code	FIRST YEAR FY		ALL YEARS		a. FUNDING SOURCE	b. FIRST YEAR	c. ALL YEARS
			d. Grant	e. Loan	f. Grant	g. Loan			
SA	200	062	---	20,000	---	20,000	---	---	---
TOTAL			---	20,000	---	20,000	TOTAL	---	---

12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each)

13. SPECIAL CONCERNS CODE (maximum six codes of four positions each)
 BR

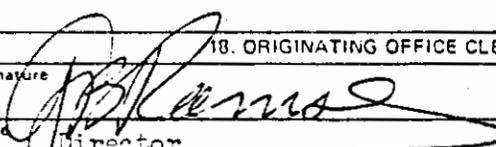
14. SECONDARY PURPOSE CODE

15. PROJECT GOAL (stay within brackets)
 Improve rural living conditions through creating new employment and income-earning possibilities and providing basic services as well as contributing to increased rural production.

16. PROJECT PURPOSE(S) (stay within brackets)
 Provide an electricity transmission and distribution network in a specified rural area to make economic, or more economical, rural production and services, and to make electric light available.

17. PLANNING RESOURCE REQUIREMENTS (staff/funds)
 Two weeks TDY General Counsel in August 1977 for negotiation/obligations

18. ORIGINATING OFFICE CLEARANCE

Signature: 
 Title: Director
 USAID/Damascus

Date Signed: mo. day yr. 7 | 27 | 76

19. Date Received in AID/W, or For AID/W Documents, Date of Distribution
 mo. day yr.

PROJECT IDENTIFICATION DOCUMENT

AMENDMENT

Project Title: Rural Electrification

Project Number: 276-K-017

This Project Identification Document (PID) for the proposed FY 1977 Rural Electrification Loan (276-K-017) amends the PID submitted to AID/Washington on July 1, 1975 as part of the FY 1977 Annual Budget Submission. That earlier PID was subsequently approved by AID/W, but is now being revised to take note of the substantially reduced project amount and the postponed start-up date, which resulted from delays in the completion of the IBRD-financed study of Syria's rural electrification program needs and feasibility.

The Problem:

Living conditions in rural Syria have improved little as Syria's recent economic expansion has been concentrated in the cities, and Damascus especially. The rural population of about 4 million, virtually all of whom are dependent on agriculture directly or indirectly, is poorly provided with services, suffers from irregular incomes, and has not shared greatly in the benefits of the nation's overall development. Agriculture production is for the most part dependent on rainfall, while prices to the farmer are government-controlled and in many cases kept low to generate funds for other government expenditures, or to benefit the urban dweller. Jobs are usually unskilled, education and health facilities inadequate, and life generally austere and substandard. The bleakness of life in these villages, especially in the northeast of Syria, is attested to by the rapid migration which has occurred over the last five years to Damascus and provincial capitals, where services are available, wages higher, and opportunities greater. To help ameliorate some of these problems, the Syrian Government has committed itself to providing increased electric power service to rural areas during the new Five Year Development Plan (1976-1980).

AID Response:

This project would finance \$20 million of the foreign exchange costs of the SARG's rural electrification program as a means of increasing rural amenities and incomes, thereby helping to decrease the gap in the standard of living between rural and urban areas. Expansion of the electricity distribution network will provide light, an end in itself as an amenity, but in many cases allow increased production through longer hours in better working conditions, and will allow small-scale mechanization of simple

manufacturing operations, such as food processing, to help increase labor productivity and income. Rural electrification, therefore complements the SARG's stated goal of dispersing industry around the country and helping to increase rural production.

Experience in 1971-1974 indicates that, at rates then prevailing, 65% of all households in newly electrified villages subscribed to the system, according to SARG records. Householders judged that the benefits of electricity outweighed the costs charged. Therefore, consumer demand appears to be strong. The relationship between electrification and increases in employment and incomes has not been fully established for Syria. However, a major World Bank study (\$500,000) to be completed in March 1977 will address this issue, as well as the technical and financial feasibility of a greatly expanded rural electrification program in Syria. Consequently, this AID project is proposed for late FY 1977 obligation, after review of the IBRD study, and is contingent on there being adequate financial, economic, and social returns from the Project.

Past experience with a high rate of subscription for electricity and the clear possibilities for increases in employment and production, indicate that the rural electrification program should make a major contribution to improving rural conditions in Syria. The specific contribution of the electrification program, and the AID project in particular, to the goal of improving rural life cannot be realistically quantified at this stage. The value of providing lighting as an amenity cannot be estimated, and until completion of the World Bank study, no precise estimates of economic effects can be made. AID funds will not be obligated until after the study has been reviewed and the project specifically delimited and designed.

Description of project inputs and outputs:

The 1976-80 electrification expansion program (the outputs necessary to reach nearly 1,000,000 rural inhabitants) includes about 2,000 km of new 20 kv transmission lines, 1,200 km of low-tension distribution lines, 1,200 transformer posts, replacement of 500 transformers, and 900 km of other improved transmission lines. The total cost is estimated in the Plan at about \$180 million, of which \$114 million is estimated to be foreign exchange costs. The AID loan would finance about one-sixth of the expansion program's foreign exchange costs, or, if costs are similar in different areas, the cost of providing electricity to some 175,000 persons. AID expects to concentrate its financing in a specified geographical area to avoid excessive dependence on other donors and to minimize potential commingling of aid.

While the IBRD study now under way will develop a certain amount of standard designs for the rural electrification grid, based on the determined least-cost-method of implementation, the final design of specific grid sections will have to be done. It seems likely that the Etablissement Public de l'Electricite (EPE) will require U.S. engineering consulting services for

this task, as well as for construction supervision, during the implementation of this project. However, at present there is no other apparent need for AID technical assistance to EPE in implementing the project. EPE has already contracted with its own funds for management advice from a U.S. firm (Arthur Young). EPE has also been active in rural electrification for five years, so that the AID project will be part of an ongoing program, and one which is so far being competently executed.

The expected disbursement period is five years.

Assumptions pertinent to project success:

Major assumptions pertinent to project success are that rural electrification continues to be a development priority of the SARG so that the project will receive high-level political and administrative support, and will receive adequate and timely funding. Either of these conditions for a successful project would be disrupted by worsened political/military conditions, diverting attention and funding from development efforts in general. Specifically, it must be assumed that funds will be available for construction of program elements pre-requisite to the AID-financed project. For example, if AID undertakes distribution in a given area, transmission lines to that area provided by the SARG or other donors must be in place. Although other donors have indicated interest in the project, none except the German Democratic Republic have made firm commitments. Consequently, the SARG may be called on for significant foreign exchange expenditures. Since rural electrification continues to be a development priority, it is reasonable to assume sufficient resources will be found and applied to this sector.

Other donor activity:

There is, or is expected to be, considerable other donor involvement in Syria's rural electrification program. Firm commitments by other donors to the expansion and improvement program at this time are a \$25 million program loan from the German Democratic Republic, and \$500,000 from the IBRD for a technical study of the overall program. In addition, the Dutch government briefly expressed interest, and it is very likely the Bank may wish to follow up its study with a loan. The Syrian Government itself in 1971-74 brought electricity to about 100,000 villagers.

Alternatives to the project:

For provision of light to households there is no practical alternative to electricity. There are other uses of electricity for which there are substitutes, such as for irrigation pumps, corn grinding, and refrigeration. The substitutes such as diesel engines or autogenerators are often too expensive or unreliable. If lighting is considered imperative, then use of alternatives for other purposes becomes less attractive. The project

has been selected for AID funding because USAID/Damascus believes that SARG interest is strong, that the project falls within the AID areas of emphasis in development programs, and adequate preparations for project financing will have been made by FY 1977. This last reason is an important consideration in a relatively new program in which the lead time for preparation of projects has so far been very short.

Beneficiaries:

If experience in 1971-1974 is relevant, about 65% of the rural population in the project area will benefit directly by the provision of electricity to their households. The manufacturing and service activities that will become economical, or that will become cheaper, are not yet known. New production creates jobs and usually lower prices for the local consumers of the new products, while decreased operating costs resulting from electrification should result in lower prices to the consumer. Definition of these beneficiaries awaits the completion of the ongoing IBRD study. Therefore, the beneficiaries of this AID project are the rural population in Syria, which is with few exceptions the poorest element of the country's population.

Project Extension:

The project itself is not replicable in the usual sense: only the SARG can expand it to other areas. The project's benefits are, however, replicable. To the extent that rural electrification facilitates establishment of small scale industry and more use of irrigation pumps, the benefits may be spread through the rural population by imitation. The ubiquity of small workshops in Syria, and the experiences of East Asia and Central America with expansion of such workshops following electrification, indicate that the economic benefits of the project may diffuse rapidly.

Financial Requirements and Plans

The proposed AID contribution to the rural electrification program is \$20 million, all of which would be in the form of a loan to finance the foreign exchange costs of a given and limited project area. No other types of AID financing are expected. The local currency component of the program is about 37%, so that the SARG contribution to this project would be on the order of about \$7.4 million, or S.L. 28.9 million equivalent.

Project Development:

Preparation of the project relies considerably on the ongoing IBRD study, which should meet AID's needs. While the SARG and USAID have discussed the proposed project in general, the precise work to be considered constituting the AID project has not yet been discussed in detail. The

SARG and AID must, therefore, reach preliminary agreement on a project defined geographically. While the technical feasibility of an electrification program has been established, the degree to which the project will be economically attractive is not yet known. The SARG may wish to charge rates which bring the rate of return to a low but acceptable level for a utilities project. This issue will be addressed as the project is developed further.

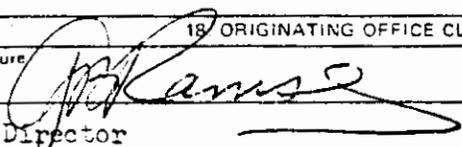
USAID proposes to move directly to the project paper (PP), based on the IBRD study and negotiations with the SARG on the scope of the project. If the IBRD report is submitted as now scheduled in March 1977, the PP would be prepared by August 1977 and the funds obligated in late FY 77. It is not anticipated at this time that any AID/W TDY or contract assistance will be required for PP preparation.

Policy Issues:

FAA Section 620(h) requires that "the President shall adopt regulations... to ensure that... foreign AID is not used in a manner which, contrary to the best interests of the U.S., promotes or assists the foreign aid projects or activities of the Communist-bloc countries." (underlining provided).

The overall electrification expansion program in Syria is supported in part (22 percent of foreign exchange cost) by bilateral aid to Syria from the GDR, in the form of a program loan. Thus, there is a potential commingling issue here. The GDR has, for example, erected substations which will feed the 20 kv transmission circuits for most of this project. In addition, some rural districts have been electrified entirely with GDR assistance, and it is conceivable that AID-assisted districts could border these. The electricity itself is generated by a variety of plants of different origin, transmitted over circuits of similarly varying origin, financed with "free world" as well as communist bloc assistance.

It is USAID/Damascus' judgment that by designing a project with a definite geographical limitation, the proposed A.I.D. loan would not "promote or assist" Bloc country projects or activities. There would inevitably be a relationship between, for example, GDR provided substations for power breakdown and facilities and distribution systems within the AID-financed project. The end product--i.e., availability of electricity to the rural population--could, however, result from inputs of a combination of Bloc and AID resources. This issue should be resolved at an early date.

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT IDENTIFICATION DOCUMENT FACESHEET TO BE COMPLETED BY ORIGINATING OFFICE			1. TRANSACTION CODE ("X" appropriate box) <input type="checkbox"/> Original <input checked="" type="checkbox"/> Change <input type="checkbox"/> Add <input type="checkbox"/> Delete				PID DOCUMENT CODE 1		
2. COUNTRY/ENTITY Syria			3. DOCUMENT REVISION NUMBER						
4. PROJECT NUMBER 276-K-009		5. BUREAU a. Symbol NE b. Code 4		6. PROPOSED NEXT DOCUMENT a. <input type="checkbox"/> PRP <input checked="" type="checkbox"/> PP b. DATE mo. yr. 12 76					
7. PROJECT TITLE - SHORT (stay within brackets) Euphrates - Balikh, Section 2 Irrigation			9. ESTIMATED COST (life of project) (\$000 or equivalent, \$1 = LS 3.9)						
8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION a. INITIAL FY 77 b. FINAL FY 78			FUNDING SOURCE		AMOUNT				
			a. AID APPROPRIATED		118,000				
			b. OTHER U.S.		---				
			c. HOST GOVERNMENT		100,000				
			d. OTHER DONOR(S)		---				
			TOTAL		218,000				
10. ESTIMATED COSTS/AID APPROPRIATED FUNDS (\$000)				11. OTHER U.S. (\$000)					
a. Appropria- tion (Alpha Code)	b. Primary Purpose Code	c. Primary Tech. Code	FIRST YEAR FY		ALL YEARS		a. FUNDING SOURCE	b. FIRST YEAR	c. ALL YEARS
			d. Grant	e. Loan	f. Grant	g. Loan			
SA	200	064	---	58,000	---	118,000	---	---	---
TOTAL			---	58,000	---	118,000	TOTAL	---	---
12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each) 079									
13. SPECIAL CONCERNS CODE (maximum six codes of four positions each) BR								14. SECONDARY PURPOSE CODE	
15. PROJECT GOAL (stay within brackets) Increase agricultural production while diminishing interannual fluctuations									
16. PROJECT PURPOSE(S) (stay within brackets) To allow year-round cultivation of 26,000 ha of the Balikh Basin through extending irrigation and drainage works, and providing roads and ancillary facilities.									
17. PLANNING RESOURCE REQUIREMENTS (staff/funds) One month TDY DE engineer/loan specialist in November-December 1976 Two weeks TDY General Counsel March 1977 and October 1977.									
18. ORIGINATING OFFICE CLEARANCE						19. Date Received in AID/W, or For AID/W Documents, Date of Distribution			
Signature 						mo. day yr. mo. day yr.			
Title Director USAID/Damascus									
						Date Signed mo. day yr. 7 27 76			

PROJECT IDENTIFICATION DOCUMENT

Project Title: Euphrates - Balikh River Basin, Section Two

Project Number: 276-K-009

This Project Identification Document (PID) replaces the PID for a "Euphrates River Irrigation Project" which was submitted with the FY 1977 Annual Budget Submission and later approved by AID/Washington. This new PID reflects more current plans of the Syrian Government and describes a specific project proposal for which the Government has expressed interest in AID's assistance.

The Problem:

Fluctuating agricultural production and low farm incomes have caused problems of increasing food imports and rapid increases in rural-urban migration. With only 16% of Syria's crop area irrigation (0.6 out of 3.5 million cultivated ha.), the remaining 84% is totally dependent on rainfall, which is generally limited and irregular in Syria. Unpredictable rainfall discourages uses of fertilizers and other production increasing inputs because drought may render them valueless, and makes agricultural incomes similarly variable. In poor areas generating little savings to tide the farmer over, this situation can be disastrous. Consequently, many small farmers have left the land, depopulating villages and creating labor shortages in rural areas. Nevertheless, on small plots there are often surplus persons because the non-migrating farmer has been unable to buy adjacent land, even if abandoned.

The Solution:

The Syrian Arab Republic Government (SARG) has undertaken a massive program to expand irrigated land, combined with extensive mechanization and some consolidation of small holdings to remedy this problem. The principal geographic area for this program is the Euphrates River Basin. So far, progress has included the completion in 1973 of Tabqa Dam on the Euphrates River to provide a regular and year-round supply of water, construction of a 19,600 ha. model farm using these waters, and the drawing up of plans for an additional 620,000 ha. of potential irrigated area. Completion of this scheme will more than double Syria's irrigated area, raising and stabilizing farm production and income. During the Fourth Five-Year Plan (1976-1980), the SARG intends to spend about \$2.7 billion on agriculture, 71% of which is planned for allocation to the Euphrates program for continuing design and construction work.

The priority the SARG attaches to this program has caused it to attract considerable donor support. The USSR, Romania, Hungary, Japan, the World Bank, and the UNDP have all signed agreements to help develop parts of the Basin. Each donor has contracted for a specific area. For example, the USSR and Japan have undertaken two parts of Region 6, Meskene, while the UNDP developed a model farm.

USAID/Damascus proposes to develop Section 2 of the basin of the Balikh River, a tributary to the Euphrates. This Section, which follows both the Balikh and Euphrates Rivers, has been designed by consultants to the SARG, whose work has been reviewed and revised by American consultants to insure that the designs are adequate to attract U.S. contractor bids should this project be approved. The Section includes a net irrigable area of 26,000 ha., of which parts lying near the rivers are now surface irrigated, and others are rainfed. The loan would also provide roads and canals in the project area necessary for further extension of irrigation works in the Balikh Basin. The AID loan would cover the foreign exchange costs of developing this area.

The contribution of the project to Syria's agricultural production and balance of payments cannot be accurately estimated without adjusting for terrain and soils. However, extrapolating from the IBRD appraisal of an adjoining section of the Balikh Basin, annual incremental production attributable to the project at full development is as follows:

	<u>Tons</u>
Cotton	22,000
Wheat	25,000
Barley	3,000
Maize	22,000
Berseem	17,000
Alfalfa	22,500
Vegetables	21,000

The cotton increase equals 5.6% of 1975 production, wheat 1.6% and maize 12.5%. The increase in vegetables production represents 2.5% of 1974 production. (Barley production drops as other crops are substituted). While the percentages are small, the cumulative effect, especially on foreign exchange, is significant as cotton will increase export earnings, and wheat and vegetables will decrease imports.

Further description of project outputs awaits the American consultant's report. The outputs will include 100 kilometers of main canals and 400 km. of laterals, 600 km. of drains, and 1000 km. of ditch-bank

roads, and ancillary facilities such as pump stations. Land preparation will be included in the loan. The Euphrates Dam Ministry, the implementing agency, intends to do the work mainly on a force account basis which means that equipment must be procured and maintained, requiring establishment of maintenance and overhaul facilities and training. These maintenance needs are being met under an FY 1976 AID loan project, Euphrates River Basin Maintenance (276-K-011). The physical and technical resources required will be determined by the consultant's report to be submitted in August 1976. Because of the dollar size of the project, it is planned to fund the project in two successive fiscal years. The disbursement period for each loan will be three years.

Major Assumptions:

A major assumption pertinent to project success is that the Euphrates Basin Irrigation Program continues to be high priority to the SARG so that the project will receive high-level political and administrative support and will receive adequate and timely local currency funding. Either of these conditions for a successful project would be disrupted by war diverting attention and funding from development efforts in general. It is also assumed that the project is economically feasible despite rapidly rising construction costs. The consultant team will review costs, but not benefits, which remain to be determined specifically for this Section. Based on available information, these assumptions appear reasonable.

Other donor activity:

As noted above, the USSR, Hungary, Romania, Japan, UNDP and the World Bank are active in the Euphrates Basin, executing work similar or related to that USAID intends to do, but in other areas. The model farm was a UNDP project. The German Democratic Republic and the World Bank are also active in rural electrification, in part distributing electricity from Tabqa dam.

Alternatives:

Assuming the goal of raising and stabilizing agricultural production and income, there is no alternative at this time to an irrigation project. Dry land agriculture in Syria is not sufficiently developed nor consistently productive enough to be an alternative and it simply does not do the job in terms of agricultural production and productivity for a rapidly growing country like Syria. Among projects having different goals, or in different sectors, this project has been selected for AID funding because the SARG's interest is strong, the project falls within the legislative and AID area of emphasis in helping the rural poor and because adequate preparations for project financing will have been made in FY 1977.

Beneficiaries:

The project will have an impact on availability of foreign exchange, domestic availability of agricultural products, rural employment and income and rural/urban distribution of the population. As such, direct and indirect beneficiaries include virtually all Syrians. Greater production should both increase domestic supply, although prices may not fall because of price controls, and either increase exports or decrease imports of agricultural commodities. Extension of irrigation to uncultivated or rainfed areas will also raise employment and incomes. Added agricultural incomes will provide more demand for service industries in the project area, again stimulating incomes in that sector.

Project Extension:

The project is not anticipated to have a spread effect. Elements of the project are not replicable except by further projects. The project will be useful as experience and instruction for future development in the Basin.

Financial Requirements and Plans:

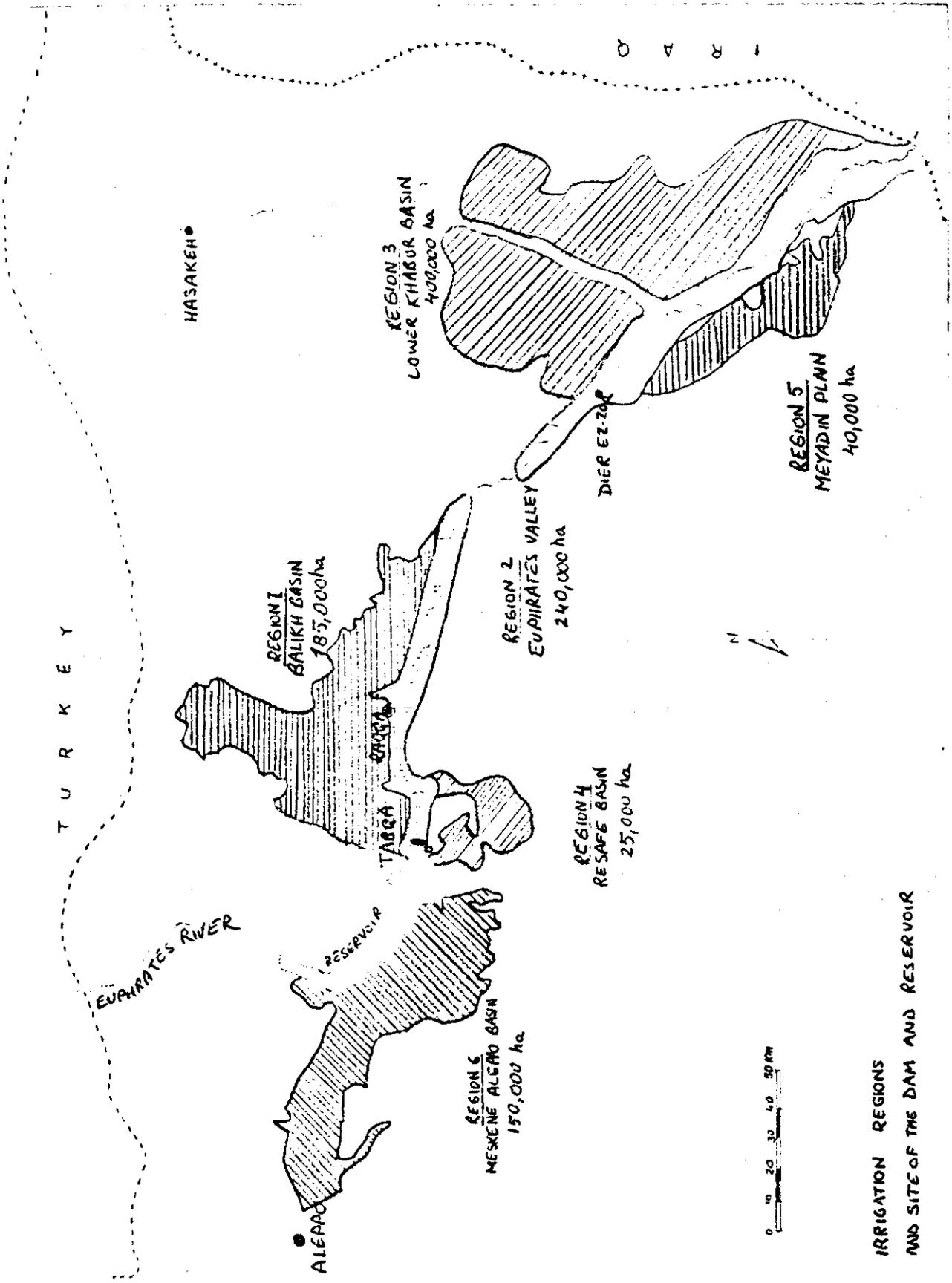
AID financing of this project will consist of two loans, the first for \$58 million to be obligated in FY 1977 and disbursed during the following three years. The second loan, for \$60 million will be obligated in FY 1978, with disbursement completed by the end of 1981. The SARG contribution will be about \$100 million, or around 60 percent. With total project cost roughly estimated at L.S. 872.0 million or \$218.0 million.

Project Development:

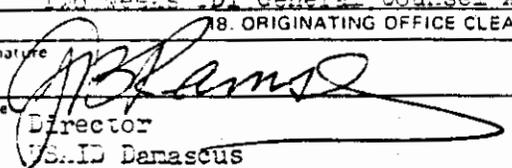
Mission staff is not now adequate to fully develop the project. However, the Mission is proceeding to work with counterpart SARG offices to do as much as possible to lay the groundwork for the Project Paper (PP) which will be completed during the first quarter of FY 77, no later than December 1976. The Bank has done a great deal of study in connection with its loan, which will be applicable to this project. Financial resources are available for consulting services where necessary. To finalize the PP, one man-month of services of a water resources engineer will be necessary.

Policy Issues:

Potential comingling is an issue here, as Russian, Romanian and Hungarian aid are involved in dam construction and land development. The Mission feels that this particular project can be designed in a manner separate and distinct enough so that AID's assistance will be sufficiently independent in the geographic and implementation sense to ameliorate comingling as a problem.



IRRIGATION REGIONS AND SITE OF THE DAM AND RESERVOIR

AGENCY FOR INTERNATIONAL DEVELOPMENT			1. TRANSACTION CODE ("X" appropriate box)		PID					
PROJECT IDENTIFICATION DOCUMENT FACESHEET			<input checked="" type="checkbox"/> Original <input type="checkbox"/> Change <input type="checkbox"/> Add <input type="checkbox"/> Delete		DOCUMENT CODE 1					
TO BE COMPLETED BY ORIGINATING OFFICE			3. DOCUMENT REVISION NUMBER							
2. COUNTRY/ENTITY Syria			6. PROPOSED NEXT DOCUMENT							
4. PROJECT NUMBER 276-K-013		5. BUREAU a. Symbol NE b. Code 4		a. <input checked="" type="checkbox"/> PRP <input type="checkbox"/> PP b. DATE 03/7/76						
7. PROJECT TITLE - SHORT (stay within brackets) Akkar Plain			9. ESTIMATED COST (life of project) (\$000 or equivalent, \$1 = SL 3.0)							
8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION a. INITIAL FY 7/8 b. FINAL FY 7/8			FUNDING SOURCE		AMOUNT					
			a. AID APPROPRIATED		28,000					
			b. OTHER U.S.		---					
			c. HOST GOVERNMENT		28,000					
			d. OTHER DONOR(S)		---					
			TOTAL		56,000					
10. ESTIMATED COSTS/AID APPROPRIATED FUNDS (\$000)										
a. Appropriation (Alpha Code)	b. Primary Purpose Code	c. Primary Tech. Code	FIRST YEAR FY		ALL YEARS		a. FUNDING SOURCE	b. FIRST YEAR	c. ALL YEARS	
			d. Grant	e. Loan	f. Grant	g. Loan				
SA	200	064	---	28,000	---	28,000	---	---	---	
TOTAL			---		28,000		---		28,000	
11. OTHER U.S. (\$000)										
12. SECONDARY TECHNICAL CODES (maximum six codes of three positions each) 075										
13. SPECIAL CONCERNS CODE (maximum six codes of four positions each) BF					14. SECONDARY PURPOSE CODE					
15. PROJECT GOAL (stay within brackets) To increase Syria's agricultural production, especially of import-substitute or export commodities.										
16. PROJECT PURPOSE(S) (stay within brackets) To increase the agricultural production of the Akkar Plain, which is primarily of the import-substitutes fruits and vegetables, through improved techniques and expanding the water supply and the irrigation system.										
17. PLANNING RESOURCE REQUIREMENTS (staff/funds) Three weeks TDY agricultural specialist September 1977 Three weeks TDY engineer September 1977 Two weeks TDY General Counsel April 1978										
18. ORIGINATING OFFICE CLEARANCE				19. Date Received in AID/W, or For AID/W Documents, Date of Distribution						
Signature 				Date Signed						
Title Director USAID Damascus				mo. day yr. 7 27 76						

PROJECT IDENTIFICATION DOCUMENT

Project Title: Akkar Plain

Project Number: 276-K-013

The Problem:

Syria is a food deficit country. Despite a growing, albeit slowly, agricultural sector, where most of the population is employed, and the introduction of modern farm equipment in recent years, Syria is still not able to produce enough food to satisfy its own demand. This problem is aggravated by a rapidly increasing population (3.3% per annum) and a steady migration from rural to urban areas. As a result, Syria has recently begun to import considerably more foodstuffs while trying to expand other agricultural production and exports. Such imports include fruits, vegetables, eggs, poultry and dairy products. This problem is especially disturbing because suitable land and technology are available and have the potential to counteract this lack of adequate food production and the current lack of food production results in a drain on the nation's limited foreign exchange.

The extent of insufficient fruit and vegetable production can be seen by reviewing the relevant statistics. Between 1964 and 1969, imports of fruits and vegetables hovered around 150,000 tons per year. By 1974, it had increased to 437,000 tons. Fruit production rose from about 350,000 tons per year in 1964 to about 400,000 tons in 1972-74; vegetable production increased rapidly from 1964 to 1972, from about 400,000 to 800,000 tons, but as the import figures show, these increases were not enough to satisfy increasing demand. While the absolute value of Syrian imports of fruits and vegetables in 1974 was significant, it was not large in relation to total imports (\$33 million, or 3% of total). However, if the trends cited above continue, these imports will become an increasing burden on Syria's resources. At the same time, this problem results in an adverse impact on the incomes of the rural inhabitants, most of whom are small farmers, as well as the nutritional quality of available foods.

The Response:

The Akkar Plain, an area of 22,000 arable ha. located on Syria's Mediterranean coast just north of Lebanon, produces cereals, fruits and vegetables. Yields, however, are low in this northern and warmer

district of Syria because of limited irrigation works and use of inefficient technologies. At the same time, on the other side of the border in Lebanon, under similar climatic and soil conditions, production has been plentiful (prior to the recent civil war) because of the use of modern agricultural methods, resulting in a surplus for export to Syria and other areas. In selected, well managed sections of Syria's Akkar Plain, yields are 50 to 400% higher than normal, depending on the crop, with proper soil and water use management. AID proposes to finance the integrated development of the Akkar Plain, through pre-feasibility, feasibility and design studies leading to a construction program eligible for AID funding.

Estimates of the contribution of this project to increasing production and decreasing imports of foodstuffs, particularly fruits and vegetables, are complicated by the fact that numerous other crops, including wheat and barley, are also grown in the Plain. However, extension of irrigated areas is expected to have a strong effect on increasing the share of fruits and vegetables in the Plain's agricultural production. By analogy with all of Tartous Province, in which the Plain lies, the following changes may be anticipated: 12% of the Province's non-irrigated land is planted with fruits and vegetables (annual average), but 32% of its irrigated land is so planted. Ninety percent of irrigated and cropped land (excluding orchards) is planted with vegetables, but only 16% of the non-irrigated land in the area. With only 23% of the area under even partial irrigation, a considerable shift may be expected. The Plain's 22,000 arable ha. compare with the 1972-74 average of 76,000 ha. planted with fruits and vegetables nationally, or 29%.

Description:

The proposed AID project will finance the foreign exchange costs of the construction of irrigation and drainage works, applied research and extension for citrus and horticultural development, and secondary road improvement.

The length of irrigation and drainage works necessary for attainment of project outputs has not yet been estimated precisely. In some areas water would be supplied from wells. Drilling of about 150 such wells is the estimate at this time. Establishment of a field testing station and experimental plots is anticipated. About 30 km. of secondary roads will need improvements in order to facilitate farm-to-market transportation. It is currently estimated that eight U.S. technicians in several fields of work (irrigation, road construction, extension, marketing, etc.) plus numerous Syrian participant trainees will be needed for varying lengths of time over the life of the project in Syria. The expected disbursement period of the project is five years.

Major Assumptions.

1. That the water supply is adequate for year-round irrigation of the Plain as the draft pre-feasibility study shows. About half the Plain is expected to be irrigated by water from several rivers impounded behind dams to be constructed by the Major Projects Administration. About 5,000 ha. are to be irrigated by new wells, and the remaining 5,000 ha. are to be irrigated from the Elkabir Janoubi River, the waters of which are shared by Syria and Lebanon. A joint commission has been constituted to regulate the use of the water, but due to the fighting in Lebanon, its work has been postponed. However, the project can still proceed even if Lebanon is not yet able to discuss this matter at this time because other adequate water resources appear to be available.
2. That the feasibility study is completed within the near future and shows the project to be economically feasible as the pre-feasibility study suggests.
3. That development of the Plain continues to be a SARG priority so that the project will receive appropriate administrative and financial support.
4. That hostilities with Israel do not again resume. A new outbreak of war would disrupt the project by diverting attention and funding from the project.

USAID/Damascus believes that all of these assumptions are reasonable.

Other activity in the agricultural sector.

Analysis, planning and preparation of a UNDP/FAO pilot integrated agricultural development project has been underway since early 1975, and a project proposal for development of the Plain was submitted to the UNDP in September, 1975. At this date, the proposal cannot be released as it is awaiting action by the UNDP. However, the report is understood to deal primarily with increasing citrus production. The SARG, through the Major Projects Administration (MPA), funded a study of potential dams and reservoirs construction, which is to be completed in July 1977 by a French consulting firm. Since early 1975, the MPA has also been engaged in a detailed hydrogeologic investigation of the Plain's groundwater basin with a Russian contractor. A new State dairy station is nearing completion in the Plain with Canadian assistance.

The SARG is also active with numerous other donors (USSR, Romania, Hungary, Japan, and the USA) in developing agriculture in other parts of the country, notably the Euphrates Basin where a projected 640,000 ha. will be brought under irrigation over the next 15-20 years. About 72,000 fruit trees have been planted on the 20,000 ha. model farm in the Euphrates project area.

Alternatives:

This project has been selected for AID consideration because it falls within AID's and the U.S. legislative area of emphasis of increasing food production, and within the SARG development priorities of developing agriculture, and food production in particular. Also important in the selection of this project are its expected satisfactory rate of return and its considerable potential for spread effect. A significant proportion of the expected increases in production will result from technical advances. These developments may well be applicable and replicable in the other fruit and vegetable-producing parts of Syria to the north of the Plain as well as in the Euphrates Basin region.

Beneficiaries:

The people of the Akkar Plain are the direct beneficiaries. This population numbers about 13,000 and consists predominantly of lower income, small farmers. Little specific information is known about these beneficiaries. However, it is reasonable to assume that increased fruits and vegetables production will not result in lower produce prices, which would reduce farmer benefits, because farm prices are government-controlled. The pre-feasibility study indicates that these prices, while "consumer-oriented", i.e. low, appeared to be an adequate incentive to increase production as input costs are also subsidized. Income and production increases should be roughly proportional as input use and efficiencies in their utilization increase. The pre-feasibility study suggests that introduction of improved technology will yield annual production increases of 10-15% when used; in conjunction with the introduction of irrigation, production would increase productivity by a total of 20-30% per annum for a period of ten years. As a result the farmers in the area would experience a substantial income increase.

The beneficial balance-of-payments effects of the project have been discussed briefly above. Although it has not been studied, the project can also be expected to have a positive effect on the nutritional intake of the population.

Project Extension:

The possible spread effects of the project have been mentioned above. The technical changes and experiments conducted for the project area are likely to be applicable in growing areas to the north. The area to which it may spread --some 76,000 ha.-- is considerable, as is the rate of increase or production resulting from new technology, 10 to 15% per year for ten years.

Financial Requirements and Plans:

Project cost and AID Share - Preliminary project costs are as follows according to the draft pre-feasibility study of May, 1976:

Irrigation works on 10,000 ha. @\$2,000/ha.	\$20,000,000
Drainage works on 10,000 ha. @\$250/ha.	2,500,000
Tubewells, 150	2,500,000
Citrus development, 2,000 ha @\$4,000/ha.	8,000,000
Applied Research & Extension	500,000
Road improvement 30 km.	<u>2,500,000</u>
Total	\$36,000,000

The foreign exchange component has not been precisely estimated. It is expected to be about 50% of the total, or \$18.0 million. However, several points should be noted: (1) construction of the dams has been treated as a given cost as it appears that the SARG has already decided on their construction; and (2) the consultant's report has not included a cost estimate for surface irrigation and drainage from tubewells, or from the El Kabir Janoubi River necessary to fully irrigate the Plain's cultivable area. As a rough measure, assuming that 5,000 ha. will be irrigated from tubewells, as is currently the case, and the remaining 5,000 ha. from the El Kabir by diversion works, the additional costs are as follows:

Irrigation and drainage, 5,000 ha. @\$2,250/ha.	\$11,000,000
Surface irrigation from tubewells, 5,000 ha. @\$1,500 ha.	7,500,000
Drainage of tubewell-fed area, 5,000 ha. @\$250/ha.	<u>1,250,000</u>
Total	\$19,750,000

This would raise project costs for the 22,000 ha. area to \$55,750,000, or about \$2,535/ha. total cost, and \$1,268 ha. in foreign exchange. Total AID financed costs would be \$28,000,000. Cost of structures to divert El Kabir waters have been treated as a given cost similar to that of the dams.

All AID funds would be loan funds, made available over one or two years depending on availabilities. The SARG share of the costs is about 50%. Training of Syrian technicians to replace U.S. consultants is included under the research and extension component.

Project Development:

Feasibility and design studies for construction of dams and reservoirs is underway, and is to be completed by July, 1977. Tenders for construction should be issued in January, 1978 for construction between mid-1978 and mid-1981. Several actions are needed, preparatory to construction of irrigation and drainage works: studies for their construction must immediately follow ascertaining an adequate supply of water by the above studies. The groundwater studies referred to above are to be completed by the end of CY 1977. This is a prerequisite to locating irrigation wells and development of an integrated irrigation and drainage plan.

Preparation of an adequate PRP cannot be accomplished before March 1977, and consulting services will be necessary for the PRP writing. The draft pre-feasibility study now provides only limited information in the following areas: (1) Project Description, definition of inputs necessary to obtain project outputs; (2) Feasibility Issues, and justification of anticipated benefits; and (3) Financial Plan, including detailed costs. Continuing discussions with the SARG and FAO officials resident in Syria will provide further information to substantiate the U.S. consultant's general conclusions on the project costs and benefits. TDY services of an experienced agronomist-agricultural economist in about March 1977 and Mission staff work will result in providing the balance of the necessary data.

For the project to receive FY 1978 funding, preparation of the full feasibility study must begin in late 1976 or early 1977 and be completed by mid-1977. The Project Paper (PP) could then be submitted in September 1977. Limited TDY assistance of an agricultural expert will be necessary to move from the PRP to the PP after receipt of the full feasibility study. TDY help by an engineer may also be needed.

Policy or Program Issues:

Development of the entire Plain in one project requires considerable preparation and coordination: the largest area, of some 10-12,000 ha., relies on construction of dams and reservoirs, and completion of a groundwater study currently underway. The remaining area requires agreement with the Lebanese over the use of waters from the El Kabir Janouli river, as well as completion of the groundwater study. Fortunately, development of these sections may be independently accomplished, except for use of the same groundwater study. Consequently, project sequencing is both complex and changeable, and relies on satisfactory completion of studies not handled by AID.

Russian consultants to the SARG are preparing the groundwater study. The proposed U.S. assistance, however, cannot be said to be assisting the Russians' work, although both nations' inputs would contribute to the integrated development of one geographic area in Syria.

PROJECT IDENTIFICATION DOCUMENT

Project Title: Lattakia - Tartous Highway

Project Number: 276-K-014

The Problem:

Syria is trying to develop a balanced agricultural and industrial economy with a wide geographical dispersal of production. This factor, plus Syria's natural location as a crossroads, as well as the vast increase in income of the Arab oil producers have resulted in a much expanded transit trade through Syria to Iraq and the Gulf. This situation has recently been aggravated by the temporary closing of the port of Beirut, which has diverted much traffic to Syria. These circumstances have resulted in heavy congestion of the transit routes, most of which remain two-lanes, in Syria.

The Response:

In view of the above, the SARG attaches very high priority to the construction of the Lattakia-Tartous highway and has expressed interest in AID's helping to build it. The AID project proposes to construct a four-lane highway in place of the two-lane road currently in service on the coast between Lattakia and Tartous. This highway will join Lattakia, a major port and agricultural center, with Banias, an industrial center and Tartous, Syria's other major port. A feasibility study, prepared by a Syrian firm, is now underway for this highway. Another four-lane highway is already under construction connecting Tartous with the city of Homs on the Aleppo-Damascus road. This project would then connect Syria's principal port with the national and international highway system.

Description:

The AID loan project will finance contracts for consultant and construction services, and construction equipment for building a four-lane highway between Lattakia and Tartous, through Jable and Banias, a distance of about 55 miles (90 km.). The estimated disbursement period of the project is five years.

Major Assumptions:

1. That the international transit trade through Lattakia will continue. The transit trade through Lattakia has increased rapidly since 1973.

From 1973-1975, a significant part of the increased transit trade to the Arabian Gulf oil producers was shipped through Lattakia because of its low port charges and short unloading time. During this time the port capacity was expanded and the existing two-lane road came into heavy use, heavily straining the road's capacity. Current projections are for continued increases in the transit trade, even when Beirut reopens, because of the competitive advantages cited.

2. That the feasibility study now under preparation is completed and shows the road to be economically justifiable, as the unusually heavy traffic and experience with other roads in Syria indicate.

3. That construction of the highway continues to be a SARG priority so that the project will receive administrative and financial support. An outbreak of war would disrupt the project by diverting attention and funding from the project.

Other activity in the transportation sector:

As mentioned above, a highway is now being constructed from Tartous to Homs. This road is being constructed in three sections by French, Italian, and Greek contractors. Sections of the Aleppo-Damascus highway not now four-lanes are being upgraded by the SARG, and the Damascus-Dera'a road, to the Jordanian border, is to be funded by AID under a FY 1976 loan. In addition, the SARG has initiated studies for numerous other roads in Syria, reflecting the priority attached to their construction.

The only modern railway in Syria connects Lattakia with Aleppo and Qamishly in the northeast of Syria. The SARG also has tentative plans to build railways from Aleppo to Damascus, Tartous to Homs, and from the phosphate deposits near Palmyra to Homs. None of these railways are competitive with the proposed highway.

Alternatives:

The project has been selected for AID consideration because of the priority that the SARG attaches to the project and the strong likelihood that the project is economical. Construction of a railway is not a realistic alternative to this project as the railway system does not extend to the Gulf states, while it is this trade that generates much of the traffic.

Beneficiaries:

The direct beneficiaries of the project are the road users in the form of decreased vehicle depreciation and repair costs and time savings. The indirect beneficiaries of the project are the SARG and the population along Syria's transit routes. Construction of the highway helps Syria's transit trade remain competitive by decreasing road user costs. Maintaining the transit trade yields the SARG revenues through port charges, gasoline taxes, vehicle registration fees, and import duties on vehicles. An active transit trade raises incomes and employment along the transit route by creating additional demand for services such as vehicle repair and restaurants. In this way, the project will, by yet an undetermined increment, benefit a large number of persons.

Financial Requirements and Plans:

The preliminary project cost of \$60.0 million is the estimate by the Ministry of Communications Planning Section. The foreign exchange component has not been estimated, but based on experience with the Damascus-Dera'a highway, will be nearly 50%. It is expected that AID-funding will be about \$30.0 million, and that the SARG will contribute a similar amount.

Project Development:

A feasibility study of the highway has recently been contracted, and is due to be submitted in February, 1977. Following review of the study, technical design and engineering studies will be prepared and are now expected to be finished in May 1978. A PRP will be submitted in January 1977, and a PP in May, 1978 based on the feasibility study. Approximately two weeks TDY of an engineer may be necessary in December, 1976 to complete the PRP and two weeks General Counsel services will be required to finalize negotiations and obligations in late FY 1978 or early FY 1979.

Program or Policy Issues:

There are no program or policy issues.