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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

64p.

PROJECT PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

SYRIA: Damascus to Deraa Highway Construction

AID-DLC/P-2182

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

UNCLASSIFIED
AID-DLC/P-2182
June 18, 1976

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: SYRIA- Damascus to Deraa Road Construction

Attached for your review is the recommendation for authorization of a loan of not to exceed Forty-Five Million Nine Hundred Thousand United States Dollars (\$45,900,000) to the Government of the Syrian Arab Republic ("Borrower") to assist in financing the foreign exchange costs of goods and services needed for the construction of a highway from Damascus to Deraa and the Jordanian border.

No meeting has been scheduled for this project; however, if any member wishes to have a meeting, please advise us immediately and one will be scheduled.

Please note that your views are requested by close of business on Thursday, June 24, 1976. If you are a voting member a poll sheet has been enclosed for your response.

Development Loan Committee
Office of Development Program Review
and Evaluation

Attachment:
Summary and Recommendations
Project Analysis
Annexes

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT PAPER 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		PP DOCUMENT CODE 3				
2. COUNTRY/ENTITY Syria Near East				3. DOCUMENT REVISION NUMBER						
4. PROJECT NUMBER		5. BUREAU a. Symbol b. Code 4 SA		6. ESTIMATED FY OF PROJECT COMPLETION FY 8 1						
7. PROJECT TITLE - SHORT (stay within brackets) [Damascus-Deraa Highway Construction]				8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION a. INITIAL ^{mo. yr.} 6 76 b. FINAL FY 7 6						
9. ESTIMATED TOTAL COST (\$000 or equivalent, \$1 =)										
a. FUNDING SOURCE		FIRST YEAR FY			ALL YEARS					
		b. FX	c. L/C	d. Total	e. FX	f. L/C	g. Total			
AID APPROPRIATED TOTAL		45,900	---	45,900	45,900	---	45,900			
(Grant)		(---)	(---)	(---)	(---)	(---)	(---)			
(Loan)		45,900	(---)	(---)	45,900	(---)	45,900			
Other	1.	---	---	---	---	---	---			
U.S.	2.	---	---	---	---	---	---			
HOST GOVERNMENT		6,881	41,668	48,549	6,881	41,668	48,549			
OTHER DONOR(S)		---	---	---	---	---	---			
TOTALS		52,781	41,668	94,449	52,781	41,668	94,449			
10. ESTIMATED COSTS/AID APPROPRIATED FUNDS (\$000)										
a. Approp- riation (Alpha Code)	b. Primary Purpose Code	c. Primary Tech. Code	FY		FY		FY		ALL YEARS	
			d. Grant	e. Loan	f. Grant	g. Loan	h. Grant	i. Loan	j. Grant	k. Loan
SA	701	821		45,900						45,900
TOTALS				45,900						45,900
11. ESTIMATED EXPENDITURES								45,900		
12. PROJECT PURPOSE(S) (stay within brackets)								<input type="checkbox"/> Check if different from PID/PRP		
[To provide SARG with part of the FX required to finance engineering services and the construction of 104 Km of surfaced 4-lane divided highway extending from the south fringe of Damascus southerly to the Jordan border east of Deraa.]										
13. WERE CHANGES MADE IN BLOCKS 12, 13, 14, or 15 OF THE PID FACESHEET? IF YES, ATTACH CHANGED PID FACESHEET.										
N/A (No PID or PRP) <input type="checkbox"/> Yes <input type="checkbox"/> No										
14. ORIGINATING OFFICE CLEARANCE								15. Date Received in AID/W, or For AID/W Documents, Date of Distribution		
Signature <i>Sally G. Taylor</i>								mo. day yr. 6		
Title <i>Deputy Director</i>										
Date Signed mo. day yr. 6 17 76								mo. day yr. 6		

DAMASCUS TO DERA A HIGHWAY CONSTRUCTION

Table of Contents

	Page	
I.	SUMMARY AND RECOMMENDATIONS	1
II.	PROJECT BACKGROUND	3
III.	PROJECT ANALYSES	
	A. Technical Analysis	10
	B. Financial Analysis	16
	C. Economic Analysis	17
	D. Environmental Analysis	19
IV.	IMPLEMENTATION PLANNING	20
 <u>ANNEXES</u>		 No. of Pages
A.	Face Sheet	1
B.	Project Location Maps	
	1. Syria	1
	2. Project	1
C.	Economic Analysis	7
D.	Technical Analysis	
	1. Location of Interchanges	1
	2. Typical Cross Section	1
E.	Project Performance Tracking Network	2
F.	Statutory Checklist	17
G.	AID Representatives 611(e) Certification	1
H.	Borrower's Application for Assistance	2
I.	Draft Loan Authorization Documents	2

PROJECT COMMITTEE

Chairperson: R. Fedel, NE/CD
Engineer: C. Groceman, ENGR/OPNS
 J. Zedalis, ENGR/OPNS
Economist: L. Rosenberg, NE/CD
Counsel: C. Costello, GC/NE
Desk: K. Teil, NE/ME
 C. Gordon, NE/ME

DAMASCUS TO DERA'A HIGHWAY CONSTRUCTION

I. SUMMARY AND RECOMMENDATIONS

A. Borrower: The Government of the Syrian Arab Republic (SARG).

B. The Loan: Not to exceed 45.9 million dollars (\$45.9 million) to assist in financing the foreign exchange costs of the project.

	FX	LC	TOTAL
AID LOAN	45.9 (87%)	0	45.9 (48.6%)
SARG	6.881(13%)	41.668	48.549 (51.4%)
TOTAL	52.781 (100%)	41.668	94.449 (100%)

C. Terms: Repayable in U.S. dollars over a period of forty (40) years including a 10 year grace period with interest payments only. Interest is payable on the unpaid balance at an annual rate of two percent (2%) during the grace period and at an annual rate of three percent (3%) thereafter.

D. Disbursements: Proceeds of the loan will be disbursed through letters of commitment issued to US banks and letters of credit established by SARG thereunder or by AID directly to beneficiaries under direct letters of commitment.

E. Description of Project: Engineering, supervision, and construction services for a new 104 km four-lane divided highway, extending south from Damascus to the Jordanian border at a point east of Dera'a.

F. Summary Findings: A technical and economic feasibility study of the proposed project was completed in March, 1976, by the French firm S.C.E.T. International/B.C.E.O.M. On the basis of user savings only, the 104 km project has an economic rate of return of 12.4%. The engineering and supervision will be carried out by a U.S. firm based on design work done by S.C.E.T. Construction work will be accomplished by a U.S. contractor. The project is a segment of the highway network planned by the SARG, and will connect with a similarly designed facility now under study in Jordan. A detailed technical and economic analysis is found in Part III of this paper. The completed road will be maintained by the newly (1974) reorganized Road Maintenance Division of the Directorate of Roads and Bridges within the Ministry of Communications.

G. Statutory Checklist: The project meets all applicable statutory criteria and certifications (see Annex F and G).

H. AID's Funding Source: Supporting Assistance.

I. Mission Views: The Embassy and AID Representative strongly support the Project.

J. Issues: None.

K. Recommendation: That a Loan in the amount of \$45.9 million be authorized on the terms listed in paragraph C, above.

II. PROJECT BACKGROUND

A. Syrian Economy ^{1/}: Since independence in 1946, Syria has passed from a laissez-faire economic system to one characterized by public ownership and regulation accompanied by a rising social class of officers, technicians and civil servants. Agrarian reforms have been carried out by the redistribution of land to former landless peasants. Under the present government a concerted search has been made for a better defined role for the private sector in a centrally regulated economy.

Although agriculture is one of the largest sectors in the Syrian economy and Syria's economic future appears highly dependent on agricultural production, there has been little change in agriculture's 21-22% of GDP between 1970 and 1974. Drought in late 1972 and the 1973 war had a severe impact on agricultural growth. (The IBRD found that provisional national accounts estimates show a 40% 1974 growth in agriculture compared to a 1973 30% decline.) Favorable weather in recent years, however, has led to increases in agricultural production. In recent years, however, the growth of the industrial sector, particularly mining and construction, has tended to level off agricultural production fluctuations to maintain steady economic growth.

By 1974, the Syrian economy had almost completely recovered from the effects of the war and droughts. The GDP in 1974 increased by nearly 13% in real terms, compared to almost 2% growth in 1973. In 1975, GDP increased by 12% and is expected to increase by 8-10% in 1976. Real per capita income has generally increased by 5% per year from 1970 to 1974, \$352 in 1973 to \$370 in 1974 to about \$400 in 1975. The major reason for the steady growth in per capita income, as well as Syria's currency reserves position, can be attributed to increases in agricultural production, increased oil revenues, financial transfers from Arab donors and diversification of industry and the overall SARG efforts to improve development planning.

In 1974, the GDP distribution by sector (at 1974 prices) was: 22.1% agriculture; 30.0% industry and 47.9% for services. However, at 1970 prices both agriculture (22%) and industry (21%) accounted for about the same percentage. Private investment has also increased from LS 373 mil. ^{2/} in 1970 to an estimated LS 1 bil. in 1974.

^{1/} Statistical/Economic Data Source IBRD Current Economic Position and Prospects - Syria, October 1975.

^{2/} \$1 US = LS 3.70 is the conversion rate used in economic statistics stated in Part II. The conversion rate as used in project cost calculations is \$1 US = LS 4.0.

However, in 1974, two-thirds of the gross fixed investment was by the public sector. The larger part of investment went into industry and construction.

Growing inflationary pressures (estimated to be 37% in 1974 and 30% in 1975) may pose serious problems for the future economy of Syria and, if allowed to continue unchecked, may reflect adversely on future growth prospects of the economy. Syria's balance of payments had been in deficit since 1968. However, in 1972 a LS 7 million surplus was registered with greater surpluses in 1973 and 1974 (LS 1,279 million and LS 842 million). This surplus position in spite of a widening trade deficit principally reflects increased dues from oil transit, transfers from Syrians abroad and the inflow of capital from the Arab countries.

In 1974, crude oil was the principal Syrian export and accounted for 55 percent of total exports. Raw cotton and textiles accounted for 33 percent while industrial exports (chemicals, glass and metals) only accounted for 4 percent but has potential as a significant exportable item.

The countries of Western Europe are Syria's principal trading partners (almost $\frac{1}{2}$ of the 1974 exports) followed by trade with the socialist eastern European countries. Almost two-thirds of the Western European trade went to the European Common Market which in turn was the source of 36 percent of Syrian imports. The value of Syrian trade has improved substantially since 1974 due to the increased price of crude oil, phosphate and favorable cotton prices, however, large importations of machinery and equipment (which are indicative of the reconstruction needs of the economy) have also undergone price increases and results in a greater widening of the trade deficit. 1/

B. Foreign Debts and Repayment Prospects: The total foreign debt (exclusive of military) has increased from \$204 million in 1970 to \$441 in 1973 and up to \$702 million in 1974. Foreign government loans as of December 1974 (the most recent data available) amounted to 43 percent (\$301 million) of the outstanding debt, suppliers credits 34 percent (\$236 million) and international organizations 20 percent (\$137 million). Foreign private bank debts amounted to 4 percent (\$28 million). The larger foreign loan indebtedness were: USSR (\$144 million); East Germany (\$53 million); People's Republic of China (\$28 million); and Kuwait (\$24 million). The highest suppliers credits were from France

1/ 1973 imports--LS 2345 million; exports--LS 1363.
1974 imports--LS 4571 million; exports--LS 2914.

(\$88 million) followed by the Federal Republic of Germany, Sweden, Italy and Spain. Debt service payments on existing debts amounted to \$52 million at the end of 1974 and were the equivalent of 5 percent of exports of goods and non-factor services at the 1974 level. In view of this low debt service ratio and goods export prospects, Syria can service substantial additional debt provided the trade deficit can be reduced and stabilized which can be expected by greater agricultural production and export as a result of increased irrigated lands. Without the capital transfers from the Arab countries the current surplus would disappear and the trade deficit prevail.

C. Transport Sector: The coastal plain and mountains in the west, the narrow north-south fertile plain in the center and the eastern desert, have determined the location of Syria's urban centers, ports and, consequently, the orientation of Syrian transport routes.

The railroad system uses different gauge systems north and south from Damascus. A new 750 km line was built with USSR assistance which connects the main Northeast petroleum center of QAMICHLIYE to the port of LATAKIA. The principal revenue on this line will be derived from the transport of cotton and cereal to the coastal region.

A single track railroad also connects Damascus with the Jordanian border and continues to Amman and to thence Aqaba. The section of the railroad within the Syria boundary is 134 kms, with eight railroad stations. The state-owned railway operates six passenger trains and two freight trains per day. The passenger trains stop at all eight stations. Average passenger train speed is about 45 kms. per hour.

The principal ports of LATAKIA and TARTOUS are to expand their general cargo handling capacity over the next three years. The third Syrian port of Baniyas is primarily for handling petroleum exports of about 30 million tons annually. Once the ports of LATAKIA and TARTOUS are expanded it is expected they will serve mainly the domestic market. SARG is making a serious attempt to capture more of this anticipated trade by improving the road connections to these ports and providing improved connections with the National Highway System and its linkage to Iraq and Jordan. The port of Beirut, prior to the current political unrest, was dominant in handling goods for the Middle Eastern countries and depended heavily on the highway links through Syria to serve the region. At the present time the Syrian ports are excessively overcrowded and a 75% surcharge has been levied. This situation has resulted in considerable increase in European truck traffic through Syria.

Two international pipelines cross Syria. One serves the Iraq Petroleum Company from Iraq via Homs to Tripoli in Lebanon and Baniyas; the other, the Trans Arabian Oil Company from Saudi Arabia to Lebanon. These lines have a capacity of about 55 and 25 million tons of crude oil a year, respectively. In addition, there are two domestic pipelines; one from Tartous to the northeast fields near Karachok, the other is three lines out of Homs.

Three Ministries of the SARG are concerned with transport. The Ministry of Defense is in charge of aviation, generally limited to the activities of Syrian Arab Airline and the operations of the international airport at Damascus. The Ministry of Economy is concerned with port operations and the Ministry of Communications controls road and rail transport.

D. Highway Sector: In 1975, there were an estimated 67,300 motor vehicles in use in Syria of which 41,000 were passenger cars, 3,200 buses, the rest trucks. Syria's 1975 highway network consists of about 11,000 km of international and national asphalt surfaced routes, 1,700 km of gravel surfaced provincial routes and about 2,400 km of earth feeder and rural roads. About 5,000 km of the asphalt roads are the responsibility of the Ministry of Communications. The rest are the responsibility of the local administrations. The main routes of the system extend from Damascus: 1) west to Lebanon; north to Homs, Aleppo and Raqqa, which serves the agricultural and industrial area of the north and northeast; 2) south to the Jordan border; and 3) the route extending west from Homs serving the ports and connecting with the Turkish border. A map of the Syrian Highway System is shown in Annex B.

The heaviest traffic occurs on the north-south routes connecting the population centers of Deraa, Damascus, Homs, Aleppo, Raqqa and the Euphrates agricultural region around Dier ez Zor.

The SARG is currently widening several two lane roads to four lanes to serve Aleppo and the ports. Syria has justified such improvements on the basis of improving the Syrian economy and its development through vital road links to facilitate international transport and interregional trade with Jordan, Iraq and the Gulf States to the south. International traffic from Europe has increased substantially due to delays and backlog at the ports. It is not possible to predict when port relief will occur or when Beirut will open to ships. The proposed project provides a critical link in the route from LATAKIA and TARTOUS ports via HOMS and DAMASCUS to the Jordan Border.

A joint Syrian/Jordanian committee exists to coordinate construction of the road on both sides of the border and the border crossing. Jordan is currently carrying out a feasibility study of a road from MAFRAQ to the Syrian border to link up with the proposed

project. The study is being financed by the GOJ and started in April, 1976, with expected completion in 6 to 8 months. Syria is also studying a proposed combined "free" and industrial zone to be located on the border between the two countries in the general vicinity of the road near the border. This development and the Jordan Road Study will be taken into account when engineering design and plans are prepared for the proposed Damascus/Deraa project.

E. The Project: The proposed project will provide for the construction of a four lane divided highway extending from the southern fringe of Damascus for a distance of 104 km on new location to the Jordanian border at a point east and south of Deraa.

Increased values of domestic and heavy international truck traffic have caused the existing two lane road to become (1) inadequate as far as capacity is concerned; (2) substandard as far as structural design is concerned and (3) unsafe due to accidents caused by poor surface conditions and the movement of traffic through populated centers.

The SARG began studies in 1968 to replace the existing road with a new facility considering several alternate alignments. Proposals for a new two lane facility were considered but the extent of redesign required and the increased traffic volumes and deterioration of the existing route prompted the SARG in late 1975 to contract with the French consulting firm Societe Centrale pour l'Equipment du Territoire International (SCEP) and Bureau Central d' Etudes pour les Equipment d'Outre-Mer (BCEOM) to conduct a technical and economic feasibility study of a modern four-lane divided highway. This report and its findings support the technical and economic analysis for the project.

The new highway will provide sufficient capacity to accommodate existing and future traffic to the year 2000 and will reduce the cost of highway transportation below costs incurred on the present road. In addition to reductions in vehicle operating costs, which are quantified in the economic evaluation, the project road will greatly reduce transit time and reduce the incidence of traffic accidents. These benefits have not been quantified and are not used in the economic analysis.

The existing traffic corridor connects the capital with the towns of Kiswe, Sanamain, Sheik Meskin and Deraa. Industrial development on the southern fringe of Damascus includes agro-industries, chemical works and cement works. Further south, the road traverses the provinces of Suweida and Deraa which are mainly agricultural and in early stages of development. The effect of proposed irrigation in this area with a resulting increase in agricultural production and the generation of traffic on the new road is, however, not specifically included in the traffic projection.

In Deraa, all border bound traffic must pass through the steep grades and heavily congests the urban street system. Several past efforts have been made to completely by pass the city but the hilly terrain would necessitate extensive, costly bridges and large earthworks.

A more detailed description of the existing and the proposed routes is in Technical Analysis, Part III A. Existing and future traffic on the project road are discussed in Part 3C and Annex C.

F. Logical Framework:

1. Project Goal. Contribute to the improvement of the road network in Syria in order to provide a primary system of adequate highways linking urban centers, ports, agricultural regions, industrial zones, sites of natural resources pertinent to the domestic interregional movement of produce, commodities and passengers, and to provide for increased export and import of goods by the neighboring countries and Gulf States.

a. Assumptions for Achieving the Goal.

i. Continuing SARG financial resources to fund the coordinated expansion of its highway network, and to maintain it.

ii. Continued growth of the production sectors to support the commercial use of highway facilities.

2. Project Purpose. To facilitate the flow of goods and services to rural areas in south central Syria and to Jordan and points south; to reduce vehicular operating and maintenance costs and transportation charges to shippers using the project road and to reduce SARG road maintenance costs and road deterioration caused by overloaded trucks.

a. Assumptions for Achieving the Purpose.

i. Continued availability of motor vehicles, spare parts and POL products for their operation and maintenance.

ii. Continued relative stable political situation in Syria and neighboring countries.

iii. Adequate, sustained SARG capability to maintain the highway system.

iv. Continued progress in development of the agricultural and industrial sectors and an increased demand for high volume movement of vehicular traffic on the road.

v. A secondary and tertiary road network gradually developing along the route.

vi. Successful timely completion of the connecting Jordanian road link in the vicinity of Deraa.

vii. SARG enforcement of laws controlling truck loadings.

b. Means of Verifying Purpose Achievement:

i. Motor vehicle traffic counts.

ii. Customs records of border traffic.

iii. Weigh station records.

iv. Spot check of truck freight rates.

v. Evaluation of before and after economic base data concerning the degree of development of the economy in the project road corridor related to the project.

3. Project Output. Construction of 104 km of 4-lane divided highway from the southern outskirts of Damascus to the Syrian/Jordanian border in the vicinity of Deraa.

a. Assumptions for Achieving the Output.

i. Timely availability of SARG financial resources to cover all local and part of the FX costs of construction needed in addition to those provided under the loan.

ii. Availability of qualified U.S. contractors for the provision of engineering and construction services.

iii. Availability of suitably qualified Syrian sub-contractors to assist in construction services.

iv. Continued political stability in the area.

b. Means of Verification of the Output.

i. Consultant periodic reports.

ii. SARG reports.

iii. AID inspection of the works.

4. Project Inputs.

a. AID FX funds.

b. SARG financing (local currency & FX).

c. Engineering consulting services

d. Construction services.

e. Materials

f. Labor

III. PROJECT ANALYSES

A. TECHNICAL ANALYSIS

1. Description of the Project

The project consists of (1) completion of engineering studies, design modification, and preparation of tender documents to U.S. standards; (2) construction of 104 km of 4-lane divided asphaltic concrete highway from the outskirts of Damascus to the Jordanian border; and (3) engineering services for supervision of construction.

AID has reviewed the SCET-BCEOM technical and economic feasibility study and its estimate of construction quantities and costs and considers the data reasonable and adequate to meet section 611 (a) requirements.

The SCET technical feasibility study, conducted in the spring 1976 recommended that the alignment of the proposed new highway generally parallel an existing deteriorated two-lane road (See Annex B). The northern terminus of the proposed new road is located 1.5 km west of the existing road. The roads cross about 3 km north of Kiswe. From that point south to the Jordanian border, the new alignment is a few kilometers east of the existing road. At the Jordanian border, the new road is expected to connect with the Jordanian highway network although this link has yet to be built. A joint Syrian/Jordanian Committee has been established to determine the exact location of the border crossing. The Jordanian Ministry of Public Works is currently financing a feasibility study by US engineers DeLeuw Cather, Inc. of a proposed road between Mafraq and the border. The study will be completed in the fall 1976. The GOJ expects to have the project designed and ready for construction bidding in early 1977.

The firm SCET was additionally retained by SARG to perform final engineering studies and design, and to prepare tender documents for construction by international contractors. Progress on the SCET design work was reviewed by an AID engineer in May 1976 who concluded that the services of a U.S. engineering consultant will be required to render plans and specifications suitable for bidding by U.S. construction contractors.

2. Existing Road Network and Topography

a. Physical Features

The project area is currently served by Route EM-5, the only direct route to the Jordanian border from Damascus. Heavy international traffic uses the road which is presently structurally inadequate

to carry such traffic. It is generally in poor condition for most of its length.

Between Damascus and Kiswe, the existing highway surface is badly deteriorated. Shoulders are narrow, unstabilized, and are un-serviceable and dangerous. Between Kiswe and Shaykh Miskin, a distance of about 61 km, the surface of the road is in extremely poor condition. Shoulders and lateral drainage are almost non-existent making the pavement extremely vulnerable to further damage from heavy equipment and traffic. Between Shaykh Miskin and Deraa, the condition of the road is slightly better than the two previous sections. Travel through Deraa on the present road is hazardous and slow since the road winds through the city streets. From Deraa to the Jordan border there are several sharp curves.

b. Topographical Description

Generally, the terrain is flat for most of the route. From Damascus to Kiswe, the proposed alignment extends through a region of emerging urbanization and industrialization. From Kiswe to the Jordanian border, the route traverses an uncultivated area characterized by extensive outcroppings of volcanic rock. There is very little brush or tree vegetation along the length of the proposed highway with the exception of some cultivated wooded areas outside of Damascus and Kiswe.

3. Design Standards

The road is designed to French highway standards modified to conform to the standards of the Syrian Directorate of Highways and Bridges (DHB). The basic design criteria employed are acceptable to AID. The final design will be reviewed by the U.S. consultant and tender documents will be approved by AID prior to issuance to U.S. contractors for bidding.

The recommended design criteria for the new road provide for an uninterrupted traffic flow at design speeds of 120-140 km/hr. A typical proposed cross-section of the road is shown in Annex D-2.

Five traffic interchanges will be constructed to provide access to and from primary routes servicing major urban centers along the route. Overpasses will be constructed to carry secondary and feeder road traffic over the highway. Guard rails, signs, and other traffic control appurtenances will be installed at appropriate locations to increase safety.

There are 15 major structures along the proposed route (See Annex D-1). Including those at the interchanges, the number and type of structures are as follows:

- 8 bridges (at road overpasses and underpasses)
- 3 bridges (combined road and bridge underpass)
- 4 bridges (over railways).

4. Estimated Construction Costs

The construction costs shown in TABLE I were extracted from the SCET feasibility report. They are based upon early 1976 prices and include a 10% contingency factor but no allowance for escalation.

TABLE I

Estimated Construction Costs Based on Early 1976 Prices

	SCET Estimate <u>LS (thousands)</u>	US\$ <u>Equivalent (\$1=LS4.00)</u>
Clearing	2,273	568,000
Earthwork and Embankment	93,364	23,341,000
Concrete Structures and Drainage	19,790	4,948,000
Structure Protection for Drainage	3,182	796,000
Paving	109,364	27,341,000
Signs, marking, etc.	<u>9,364</u>	<u>2,341,000</u>
SUB TOTALS	237,337	59,335,000 = \$570.5/Km
Contingency 10%	<u>23,733</u>	<u>5,933,500</u>
	261,070	65,268,500 = \$627.6/Km
		SAY 65,500,000 (w/o inflation)

Escalation of construction costs, due to inflation, has been estimated at 10% annually in Syria and at 6% per year for the foreign exchange portion.

Table II shows the estimated value of construction work, with escalation as performed during each of the four years of the construction schedule. FX and LC components of construction were analyzed by SCET in their study. This analysis has been reviewed by AID and it appears reasonable.

In the table, the same inflation factor for construction year 4 as for year 3 is applied as virtually all equipment and material will have been purchased by the end of the third year.

TABLE II
YEARLY ESTIMATED COST OF CONSTRUCTION

ALL FIGURES IN US\$

Years	% Work Accomplished	Value of Work Accomplished w/o Escalation			Escalation		Value of Accomplished Work w/Escalation		
		FX-62.5%	LC-37.5%	TOTAL	FX 6%/Year	LC 10%/Year	FX	LC	TOTAL
1977-78	30	12,281,250	7,368,750	19,650,000	1,517,962	1,547,438	13,799,212	8,916,188	22,715,400
1978-79	20	8,187,500	4,912,500	13,100,000	1,563,944	1,626,038	9,751,444	6,538,538	16,289,982
1979-80	25	10,234,375	6,140,625	16,375,000	2,686,288	2,849,864	12,920,663	8,990,489	21,911,152
1980-81	25	10,234,375	6,140,625	16,375,000	2,686,288	2,849,864	12,920,663	8,990,489	21,911,152
Total	100	40,937,500	24,562,500	65,500,000	8,454,482	8,873,204	49,391,982	33,435,704	82,827,686
					20.65%	36.12%	59.6%	40.4%	

5. Estimated Engineering Cost

The design and the supervision cost have been estimated by AID engineers. The costs were based on estimates of the man-month efforts of various engineering requirements, both U.S. and Syrian and includes salaries, travel, housing, utilities, vehicles, overhead, etc.

a. Design

This phase of engineering work will consist of translation of plans and documents from French to English, review of the SCET design and modification as necessary to conform to U.S. practice. The firm will also prepare cost estimates, tender documents and assist SARG in prequalifying and evaluating bids of U.S. construction contractors. The estimated cost for this phase of engineering work is US \$670,000 for FX and US \$80,000 equivalent LC.

b. Supervision

These engineering services will entail supervision and inspection of the construction work. Costs for these services are estimated to be US \$2,719,000 for FX and US \$3,213,000 equivalent for LC, assuming the construction is completed on schedule.

6. Estimated Total Project Cost

The estimated cost for the right-of-way was extracted from the SCET report. Two million dollars has been included as a SARG LC expenditure for the additional SCET contract covering the preparation of design and tender documents.

TABLE III

TOTAL ESTIMATED PROJECT COST

	FX	LC	TOTAL
Feasibility	--	439,000	439,000
Right-of-Way	--	2,500,000	2,500,000
Design by SCET		2,000,000	2,000,000
Design - Prepare bid			
Documents - U.S. Firm	670,000	80,000	750,000
Construction	49,392,000	33,436,000	82,828,000
Supervision of Construction	<u>2,719,000</u>	<u>3,213,000</u>	<u>5,932,000</u>
TOTAL	52,781,000	41,668,000	94,449,000

7. Highway Administration

The Ministry of Communications is responsible, through its Directorate of Highways and Bridges (DHB) for the design, construction and maintenance of primary and secondary highways. Except for major construction work which is carried out directly by DHB, operations are handled by 13 district offices. Some secondary roads are built by other agencies in connection with major irrigation and power projects, and then transferred to DHB for maintenance. The district offices also construct and maintain feeder and rural roads.

8. Engineering and Construction Plans for Execution of Project

a. Engineering

Following the review of SCET's current design the final plans, specifications and tender documents will be prepared by a U.S. engineering firm under a host country contract with the Directorate of Highways and Bridges (DHB), Ministry of Communications. Selection of the Consulting firm will be made in accordance with AID guidelines.

It is estimated that the time required for selection of a consultant, final design modifications and preparation of tender documents, construction contract award, and AID approvals, will take approximately 12 months from loan authorization.

Services for the supervision of construction work will be performed by a U.S. consulting firm. Subject to successful negotiations, it is intended that the firm performing the final design modification and preparation of tender documents will also perform the construction supervision.

b. Construction

The construction work will be bid competitively and restricted to prequalified U.S. contractors. As with the consultant's contract for engineering, the construction contract will be a host country contract. Selection of the construction contractor will be made in accordance with the normal AID procedures.

It is contemplated that the contract award will be on the basis of a single contract for the entire works. A four year construction schedule was recommended by SCET and considered realistic. Construction would start September 1, 1977, and be completed in June 1981.

Unskilled labor is in adequate supply in Syria, but recruiting of local skilled labor, such as carpenters, cement masons, mechanics, and equipment operators to augment the basic U.S. contractor's staff is difficult due to the construction boom in the Middle East.

9. Maintenance

In the early 1970s, the DHB made a concerted effort to improve their maintenance capability by agreeing^{1/} to an organizational structure which called for the creation of a Central Maintenance Department (CMD) to maintain the primary networks only. Secondary and tertiary road maintenance was to be assigned to District Shops under the control of the provincial governments. Unfortunately, the late 1973 hostilities set back the development of an improved maintenance capability and delayed creation of the CMD. Only recently has the situation begun to improve. The DHB is well aware of their deficiencies and are taking steps to acquire more maintenance equipment and provide more funds in their annual budget for maintenance.

[During the inspection/supervision phase, the engineering consultant will prepare a detailed plan and schedule for the maintenance of the project road by MinComm following its completion.]

10. Weight Control

During the past several years, the Arab governments in the Middle East have become increasingly aware of the need to control overloading of trucks. Although the SARG has not stringently enforced weight limits in the past, it is considered that they are now well aware of the need for stricter enforcement. The loan agreement will identify the need for SARG to establish and enforce weight control measures.

^{1/} A 1963 IDA credit provided for consulting services to prepare a program for the reorganization of the DHB. The formal establishment of a Central Maintenance Department was a condition of credit effectiveness for a 1972 IDA credit.

B. Financial Analysis

1. Financing Highways: Most highway construction is financed through budgetary allocations, however, as noted below, some financing comes from foreign donors. Expenditures for highways has continued to grow since 1965. The third Five-Year Plan 1971-75 (FYP) provided SL 215 million (\$53.8 million at \$1 = LS 4.00) for improving and constructing roads and SL 18 (\$4.5 million) for studies, training and the purchase of maintenance and laboratory equipment. The third FYP accent on highway expansion was based upon a "Development of the Highway System" prepared by SCET with IDA financing. The fourth FYP (1976-80) includes a proposed investment of LS 1.6 billion in new road construction with a total length of 1926 km.

Taxes are imposed on road users through (a) duties on vehicles and spare parts; (b) taxes on gasoline and diesel oil and (c) vehicle registration fees. These revenues go into general reserve fund and are not earmarked specifically for highway purposes.

2. Other Donor Activities in the Highway Sector

The IBRD has authorized two IDA credit loans to SARG for development of the highway network. A 1963 loan for \$9.9 million provided funds for both road construction and road studies. A second loan in 1973 provided \$13.8 million for additional road construction and studies.

3. Financial Plan: The total estimated project costs and sources of financing are as follows:

ITEM	IN 1000's DOLLARS				TOTAL
	SARG FINANCING		AID FINANCING		
	LC	FX	LO	FX	
Feasibility Study	439	0	0	0	439
Right of Way	2500	0	0	0	2500
Design & Prepare IFB	80	0	0	670	750
Design by SCET	2000	0	0	0	2000
Supervision	3213	0	0	2719	5932
Construction	23952	4,929	0	30454	59335
Construction	611	774	0	4780	6165
Contingencies (10%)					
Construction In- flation of Prices	8873	1,178	0	7277	17328
Sub Totals	41668	6,881	0	45900	94449
Totals SARG	48,549 (51.4%)		AID \$45900 (48.6%)		94,449 (100%)

As noted in above plan the AID loan will finance 48.6 percent of the total \$94,449 million project cost and 87 percent of the estimated foreign exchange costs. The loan funds will be used to finance all the FX costs of engineering services and 97 percent of the FX cost of US construction services. Those items within the construction contract which

are expected to be of U.S. source and origin are: U.S. contractors' employee salaries, company profit and overhead, vehicle and equipment purchases and depreciation, spare parts, appliances and similar elements of contractor's logistical support and camp. In Syria local currency procurement from local sources of the following materials (as possible): steel piling and reinforcing, asphalt, POL, cement and wood for form work. The origin of these items and the quantities to be used for the Project cannot be determined now; the country of origin could be a code 941 country, a code 935 country or a non-code 935 country. A substantial portion of Syria's overall requirements is usually imported into Syria from countries not included in code 935. The origin of the commodities listed above will not be identifiable after their incorporation into the project. We propose to consider all items purchased by the contractor on the Syrian market as being of Syrian source and not to attempt verification of their origin.

4. Disbursement Schedule: It is expected that loan funds will be disbursed over a five year period with estimated disbursements in 1000's of dollars as follows:

		<u>Engr. Design</u>	<u>Construction</u>	<u>Engr. Supervision</u>
1976/77	FY 77	100% \$670		
1977/78	FY 78		30% 12,753	25% 680
1978/79	FY 79		20% 8,502	25% 580
1979/80	FY 80		25% 10,628	25% 680
1980/81	FY 81		25% <u>10,628</u>	25% <u>679</u>
TOTAL		\$670	\$42,511	\$2,719

C. Economic Analysis

1. Methodology: The economic benefits of the proposed project were prepared by SCET. Calculations were reviewed by AID and adjusted to eliminate taxes from the cost data. Since SCET did not consider inflation the construction costs were increased to compensate for inflation between 1976 and the period of actual construction, 1977-81.

2. Summary: Based on the estimated construction cost, maintenance cost, and the road users savings (exclusive of taxes). The economic rate of return was found to be 12.4%. A sensitivity analysis was made for a possible 10% increase in construction and engineering costs which when combined with 10% less benefits would yield a rate of return of 9.9%.

3. Benefit Calculations: The benefits of the project are calculated in terms of savings to road users. These savings are calculated for normal and generated traffic for a 25-year period (1976-2000).

Road users are grouped as follows:

- a. Public transport companies (trucks, buses).
- b. Private persons driving passenger cars and trucks.

With regard to public transport companies, the assumption is made that the cost of vehicle operation on existing roads plus reasonable overhead and profits is reflected in the tariffs charged to shippers. Moreover, it is assumed that the reductions in vehicle operating costs from road improvement will be passed on to the shippers in the form of lower tariffs. These SCET assumptions appeared reasonable and were accepted.

Private users of automobiles are assumed to be cognizant of the actual cost of vehicle operation, i.e., savings in operating costs will be taken into account by the users. Savings in vehicle operating costs from the proposed road improvement project are calculated both with and without time savings.

In the calculation of the economic rate of return, however, road user benefits are conservatively estimated excluding time benefits. In estimating user savings, vehicle operating costs are calculated for typical types of trucks, buses and passenger cars. The influence of vehicle speed, terrain and road surface as well as traffic conditions on operating costs is noted.

The above methodology of calculating road user benefits conforms to accepted professional standards in the U.S. Unlike U.S. practices, however, the French consultant firm included taxes in the calculation of road user savings. Because the incidence of taxation is noted, a recalculation of road user savings exclusive of taxes could be carried out on the basis of the data in the consultant report. Consequently, the economic rate of return was recalculated at 12.4% for the entire Damascus-Jordan border road project.

4. Sensitivity Analysis: The consultants tested the results of the economic analysis by a sensitivity analysis of the traffic projections with different traffic demand elasticities and consequent different road user savings.

In lieu of the sensitivity analysis conducted by the consultant (which includes taxes in the calculation of road user benefits), a sensitivity analysis was conducted to test the consequences of a 10% decrease in overall benefits coupled with a 10% increase in construction and engineering costs. The rate of return is 9.9%.

5. Economic Evaluation of the Project Road by Section
The consultant report also calculated the internal rate of return by road section, resulting in high returns for the Damascus-Kiswe section (9 kms) and the Kiswe-Sheik Meskin section (59 km) and decreasing rates of return reflecting decreasing traffic volumes approaching the Jordan border. On the basis of the low rate of return of the last section, the consultant

noted that the last 11 kms could be constructed to the same geometric standards as the present connection in Jordan that is, two traffic lanes only. However, the consultant report does not estimate the savings from a reduction from four lanes to two lanes on the ultimate 11 kms of the project road nor does he comment on the Jordan highway connection study now underway. The SCET economic evaluation is based on the cost of a four-lane highway all the way to the border (104 kms). The Jordan connection study will provide an economic analysis in support of recommended road capacity. The study will be completed for review by the engineering firm who will prepare designs for US bidders.

In view of the trend of rising construction costs and ongoing plans in Jordan to reconstruct the road from Amman to the Syrian border with four lanes the project committee in this paper has considered construction costs for four lanes of traffic along the entire route.

The results of the economic analysis with traffic and benefit calculations are found in Annex C.

D. Environmental Analysis

The entire route will be on new location traversing relatively flat semi-arid terrain of potential agricultural development. The northern end of the route will require clearing a path through a cultivated grove of trees (non fruit). There are no major navigable waterways, streams or lakes crossed in the vicinity of the proposed route. Wild life appears to be practically non-existent. The proposed route by-passes all population centers. In addition to road drainage structures, the project will provide for grading and/or structures required to maintain and/or improve existing natural surface drainage patterns in order to mitigate land erosion problems in or contiguous to the road right-of-way. Since the route is a completely new alignment there will be no disturbance to existing traffic patterns of pedestrian and vehicle movements. Although detailed investigations have not been made as to the source of borrow materials for construction, they are expected to be available from established existing sources. The construction plans will require that measures be taken to control dust and silt pollutants in the establishment and use of borrow pits. Pits will be restored to conform to natural surroundings following their use. Project plans and specifications will also provide for the proper disposal of any excess construction materials such as cement, chemicals, petroleum products or excess excavation earthwork so as to avoid adverse aesthetic and/or environmental consequences.

The project will have a positive effect on the environment by removing through traffic from the population settlements bisected by the present route. This will reduce traffic congestion and improve pedestrian safety. The route will provide easier access to and open up new areas

for agricultural development and is expected to encourage beneficial settlement of farming families to these areas.

Possible temporary environmental problems created by the project will include: dust pollution from construction activities; heavier than normal traffic from construction vehicles using new or existing feeder roads connecting construction camp to the work site; and exhaust emission pollution from construction equipment. As part of design responsibilities, the U.S. engineering firm will be requested to identify, and resolve--to the extent possible--any adverse environmental effect that the project might encourage or create.

In summary, based on the foregoing analysis, the proposed project will have a minimal adverse effect on the environment. The Project Committee believes a comprehensive environmental analysis and assessment will not be required.

IV. IMPLEMENTATION PLANNING

A. Administrative Arrangements: The following paragraphs set forth the implementation tasks assigned to those agencies or consultants upon whom project success depends.

1. Role of Ministry of Communications: The MIN COM through its Directorate of Roads and Bridges shall, in cooperation with USAID/Syria, prepare Commerce Business Daily (CBD) advertisements soliciting interest and prequalification separately for engineering services and construction services. As set forth in Handbook 3 procedures, the MIN COM will document evaluations of interested U.S. engineering and construction firms and prequalify and short list those engineering firms from whom detailed proposals shall be requested. Construction contractor interest will be similarly solicited through the CBD and firms with overseas experience on projects of similar magnitude shall be prequalified to bid.

Contracts for engineering and construction shall be prepared by MIN COM with the assistance of the selected engineering firm.

Other responsibilities of the MIN COM include certification of work performed and initiating project progress disbursements and reporting.

2. Role of AID: As noted above, USAID/Syria will coordinate and cooperate with the MIN COM in CBD advertisements. Together with MIN COM representatives, the USAID representative will monitor project progress and insure reporting responsibilities are carried out. Implementation letters will be issued by USAID/Syria and SARG financing requests acted upon. In view of the magnitude and character of the project, the most appropriate member of the USAID to carry out such monitoring should be a direct hire engineer.

3. Role of Engineering Consultant: As set forth in greater detail in the Technical Analysis, a U.S. engineering firm will be needed to modify the SCET construction plans and specifications to conform with U.S. accepted practice and prepare the Invitation for Bids (IFB) to carry out construction services. The selected firm will have overseas experience on projects of similar magnitude and character and have a facility for transposing and translating that technical work already carried out by the French consultant, SCET. The two types of engineering services proposed for this project should be carried out by the same firm, preferably under a single contract. The firm shall act on behalf of the MIN COM and assist in bid analysis and advise SARG officials as necessary in the implementation of the project.

4. Role of Construction Contractor: A U.S. construction firm prequalified for bidding on the project will be competitively selected as lowest lump sum/unit price bidder for the provision of construction services to carry out the project. By contract with the SARG and under the supervision of the U.S. engineering consultant he shall carry out the construction work in accordance with the technical and contractual conditions of performance set forth in the IFB which will be consistent with AID Handbook 11 guidelines and procedures.

B. General Implementation Schedule: The following is a schedule for :

1. Loan Implementation Actions:

Authorization, Loan Agreement signed, and Implementation Letter No. 1 Issued	30 Jun 1976
Loan Ratified by SARG	Oct 1976
Conditions Precedent met to 1st ^{1/} Disbursement (A&E Contract)	Jan 1977
Request for 1st Disbursement	Jan 1977
Conditions Precedent to 2nd Disbursement (Construction Contract)	31 Aug 1977
Terminal Date for Disbursement(TDD)	30 Jun 1981

^{1/} The extended time required to meet initial CPs is based upon the CP which requires a signed engineering contract to review and "Americanize" design work done by the French firm SCET. Clearly, implementation cannot proceed without such a contract. Recent experience in Syria has shown that a six to nine month period might be required between CBD advertisement and execution of a contract.

2. Project Implementation Actions

Advertise for A/E Expressions of Interest in CBD	1 Jul 1976
Submissions Due	1 Aug 1976
Analyze Expressions, Issue Requests for Proposal (RFP), Prepare Short List	1 Sep 1976
Receive Proposals	1 Oct 1976
Analyze Proposals, Select A&E Design Firm, Request Contract Negotiation	1 Nov 1976
Negotiate A/E Contract	15 Dec 1976
Formal AID Approval and Execution A/E Contract	1 Jan 1977
Advertise in CBD for Prequalification of Construction Contractors	15 Feb 1977
Receive Prequalification Construction Contractors	1 Apr 1977
Prequalify Construction Contractors, AID Approval	1 May 1977
AID Approval of IFB, and Issue IFB to Prequalified Contractors	15 May 1977
Receive Construction Bids	31 Jul 1977
Negotiate and Award Construction Contract	31 Aug 1977
Contractor Mobilizes	30 Sep 1977
Complete Construction	30 Jun 1981

C. Evaluation Plan: As discussed in the Logical Framework (Part II F) the project is expected to improve the travel between Damascus and Jordan both in terms of quantity and quality. These objectives can be confirmed following project completion by taking traffic counts, measuring transit times, surveying and interviewing truck drivers as to the extent of produce and commodities carried and the origin and destination of those vehicles crossing the border. Much of these data are regularly gathered by the SARG DHB.

D. Planned Performance Tracking of Project: A Planned Performance Tracking (PPT) Network Chart is found in Annex E. A four year construction period and an estimated one year design effort and start up period result in a five year project. Except for the critical project indicator (CPI) which ends construction the remaining CPI's deal with implementation actions. Particularly critical are those involving SARG and the process of negotiating and executing contracts. Past experience with Syria's projects has prompted the Project Committee to maximize the period for satisfaction of Initial CP's, one of which requires an executed contract with a U.S. engineering firm to review and upgrade the SCET designs and prepare the IFB. Once construction has started with an executed contract in August, 1977, there are regular monitoring and reporting requirements which will result in a monthly assessment of construction schedule and achievement of completion objective in June, 1981.

E. Conditions and Covenants

1. Conditions Precedent: In addition to standard conditions precedent relating to a legal opinion and a statement of borrower's representatives additional conditions precedent will be included in the loan agreement as follows:

a. CP to Initial Disbursement: An executed contract with a U.S. engineering firm providing for the preparation of bid documents and such design work as required to adapt the project for construction by U.S. contractors and to assist SARG in the bid analysis.

b. CP to Disbursement for Construction Services:

(1) An executed contract with a U.S. engineering firm for the provision of services for supervision of construction.

(2) An executed contract with U.S. construction contractor for the construction of the project.

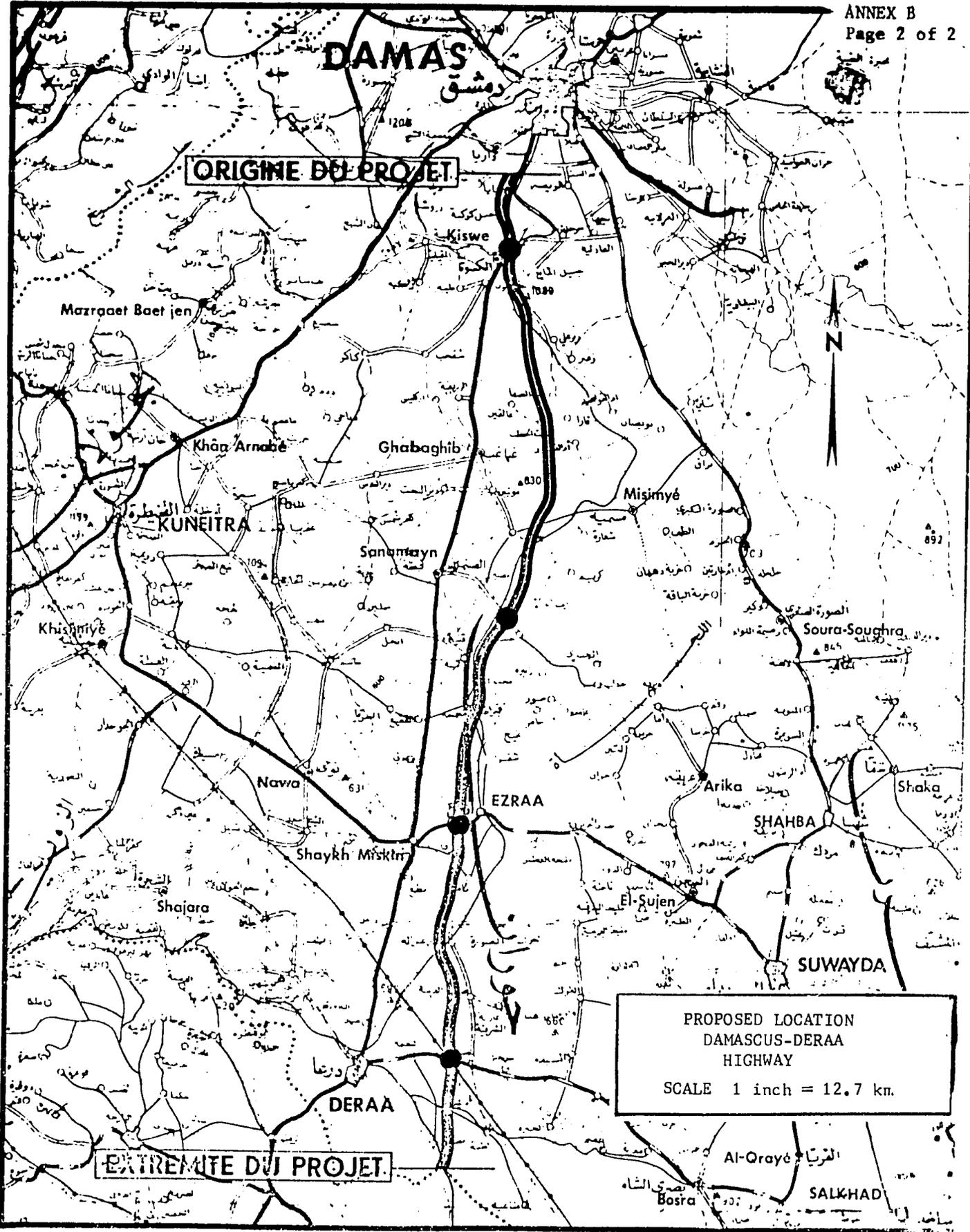
(3) Evidence of satisfactory arrangements for the acquisition of all necessary rights-of-way for the highway.

2. Covenants

a. The borrower will provide promptly, all required financial resources to fund the local cost portions of the engineering and construction services contracts and such additional FX required to finance the construction.

b. The borrower will assure, through regularly appropriated funds, that the project highway will be maintained.

c. The borrower will undertake enforcement weight restrictions on trucks using the project road.



ECONOMIC ANALYSIS

A. Traffic

1. Existing Traffic: The Ministry of Communications conducts regular traffic counts. On the Damascus-Jordanian border road (EM-5), traffic counts date back to 1967. Additional counts and origin and destination studies were carried out by the SCET for the purpose of project appraisal. Average daily traffic volume (1975) between Damascus and Deraa was found to be 7,621 on the first section between Damascus and Kiswe, 3,787 on the Kiswe-Sheik Meskin section and 2,007 on the Sheik Meskin-Deraa section. Trucks constituted about 45% of the traffic on the first two sections of the road from Damascus, declining to 32% of the traffic on the section before entering the town of Deraa. The relative importance of bus traffic varied from about 20% in the middle sections of the road to 4% in the section close to Deraa. Passenger cars and other light vehicles made up 45% of the traffic on the section adjacent to Damascus, about 40% on the middle section and 64% of traffic on the section approaching Deraa.

The results of the origin and destination survey were tabulated in a network matrix with 11 domestic nodes and 4 foreign nodes. The foreign nodes include Lebanon, Jordan, Iraq and points north (Turkey and Europe). A matrix for 1976 was constructed assuming normalization of traffic with Lebanon and the resumption of Syrian and Jordanian transit trade through Beirut.^{1/} This matrix shows that an average 490 trucks per day originating in Damascus are destined for Deraa; 413 trucks for Jordan, and 822 trucks for the adjacent industrial area of Kiswe. Destination Suweida applies to 177 trucks originating in Damascus. Suweida is reached by turning east from the project road at Ezraa on route number 110.

An average daily traffic of 1,481 light vehicles (private cars and taxis) is shown in the matrix as originating in Damascus with destination Kiswe, 540 cars with destination Jordan.

2. Future Traffic: Traffic is projected by road section and by type of vehicle. Separate projections are made for through traffic and local traffic, normal traffic and generated traffic.

Basic considerations for the traffic projections:

^{1/} Although the resumption of "normalization" of traffic with Lebanon has not yet occurred, nor can its date be predicted, the diversion of cargo previously destined for Beirut, thence inland to and through Syria, can be assumed to be unloaded at Syrian ports or travel overland, for those commodities originating in Europe. Therefore, traffic on the project road will not be affected regardless of whether the trucks leave Damascus after arriving from Beirut or Tartous or Latakia or Turkey.

- Historic traffic growth: rate of growth on existing road between Damascus and the Jordanian border 1967 to 1971 was 11% per year.
- Origin and destination studies.
- Composition of traffic as between domestic and international traffic.
- Review of the growth of Syrian vehicle fleet by type of vehicle - average growth rate from 1970 to 1974 was found to be 6.4%.
- Review of the relationship between ownership of vehicles and population and income trends.

Based on the above considerations, the traffic growth rates assumed in the projections are:

- Truck Traffic: 8% per year 1974-1991
4.6% per year 1991-2001
- International Truck Traffic - 5.7%
- Bus Traffic: Average annual rate of 4.5%
- Passenger Traffic: Average annual rate of growth between 7.5% and 7.8% depending on the section of road

Traffic projections (1976-2001) by road section show an increase from 7,621 ADT to 37,500 ADT on the most heavily used section close to Damascus and an increase from 2,423 ADT to 11,900 ADT on the section with the least traffic close to the Jordanian border, as follows:

TRAFFIC FORECASTESTIMATED TRAFFIC ON PROJECT ROAD
SECTION 1

Year	From Route EM5			From Route RN 110			TOTAL		
	Normal	Generated	Total	Normal	Generated	Total	Normal	Generated	Total
1981	7801	1833	9634	841	29	870	8642	1862	10504
1986	11130	3914	15944	1318	88	1406	12448	4002	16450
1991	15441	4046	19487	1922	154	2076	17363	6122	24485
1996	20419	4325	24745	2547	232	2779	22966	7104	30070
2001	25627	5526	31153	3031	323	3354	28658	8880	37538

SECTION 2

Year	Derived from Route EM5			Derived from Route RN 110			Normal	Generated	Total
	Normal	Generated	Total	Normal	Generated	Total			
1981	4581	1290	5871	841	29	870	5422	1319	6741
1986	6814	2067	8881	1318	88	1406	8132	2155	10287
1991	9612	3665	13277	1922	154	2076	11534	3819	15353
1996	12496	6421	18917	2547	232	2779	15043	6653	21696
2001	14778	7740	22518	3031	323	3354	17809	8063	25872

SECTION 3

Year	Derived from Route EM5		
	Normal	Generated	Total
1981	4362	528	4890
1986	6541	997	7538
1991	9293	1994	11287
1996	12072	3724	15796
2001	14283	5028	19311

SECTION 4

Year	Derived from Route EM5		
	Normal	Generated	Total
1981	2978	337	3315
1986	4475	689	5164
1991	6256	1158	7414
1996	8059	1847	9906
2001	9446	2492	11938

Note: Traffic for 1976: Section 1 - 7,621
 Section 2 - 3,317
 Section 3 - 3,297
 Section 4 - 2,423

B. Cost Data

1. The total project cost includes feasibility study engineering, right-of-way and construction. These elements are discussed in the Technical Analysis (Part III, A).

2. Maintenance costs on the project road are estimated to start in 1981 and to increase gradually as follows:

Estimated Incremental Maintenance Costs

(Millions of Syrian Pounds)

<u>Selected Years</u>	<u>Cost</u>
1981	0.145
1986	3.057
1991	3.785
1996	4.513
2000	5.096

3. Vehicle operating costs on the existing road are estimated for trucks, passenger vehicles and buses.

A typical truck is amortized over 8 years.

At an average speed of 50 km/hr a heavy Mercedes truck cost 1.03 Syrian pounds per vehicle/km to operate, exclusive of taxes. Average economic operating cost per vehicle/km is as follows:

Average Operating Cost

<u>Mercedes Truck</u>	<u>L.S. per Vehicle/Km.</u>
Amortization	0.47
Salaries	0.24
Insurance	0.02
Fuel	0.05
Tires	0.22
Maintenance & Repairs	<u>0.23</u>
Total	1.03

Similarly, vehicle costs are estimated for typical passenger vehicles and buses.

For a Peugeot 504 the average cost per vehicle/km is LS 0.19 (excluding taxes) with 6-year amortization period and at a speed of 64 km/hr. A Mercedes bus, amortized in 8 years and at an average operating speed of 50 km/hr is estimated to cost LS 0.94 per bus/hr to operate exclusive of taxes.

4. Road User Trip Savings: The project road is scheduled for completion by 1981. Average trip cost for the various classes of vehicles was calculated via the existing road and compared to average trip cost on the project road.

5. Summary Tables were prepared using foregoing benefits and costs. The economic internal rate of return was calculated to be 12.4%. Calculations are found in Table following.

Sensitivity analyses were also made for + 10% change in cost with a 10% decrease in benefits. The rate of return is 9.9%.

ECONOMIC RATE OF RETURN

(Millions of Syrian Pounds)

<u>Year</u>	<u>Total Costs</u>	<u>Gross Benefits</u>	<u>Net Benefits</u>
1	9.756	-	(9.756)
2	49.097	-	(49.097)
3	72.193	-	(72.193)
4	72.196	-	(72.196)
5	88.760	-	(88.760)
6	85.939 ^{1/}	25.375 ^{2/}	(60.564)
7	0.436	30.252	29.816
8	0.874	33.368	32.494
9	2.038	36.571	34.533
10	2.912	41.362	38.450
11	3.057	47.637	44.580
12	3.203	51.829	48.626
13	3.348	57.997	54.649
14	3.495	65.130	61.635
15	3.640	73.076	69.436
16	3.785	84.394	80.609
17	3.932	87.939	84.007
18	4.076	103.856	99.780
19	4.222	115.799	111.579
20	4.367	127.958	123.591
21	4.513	141.204	136.691
22	4.695	151.653	146.994
23	4.804	161.965	157.161
24	4.950	170.063	165.113
25	5.096	176.355	171.259

Rate of Return 12.4%

^{1/} Includes LS 85,794,000 construction costs plus LS 145,000 maintenance costs

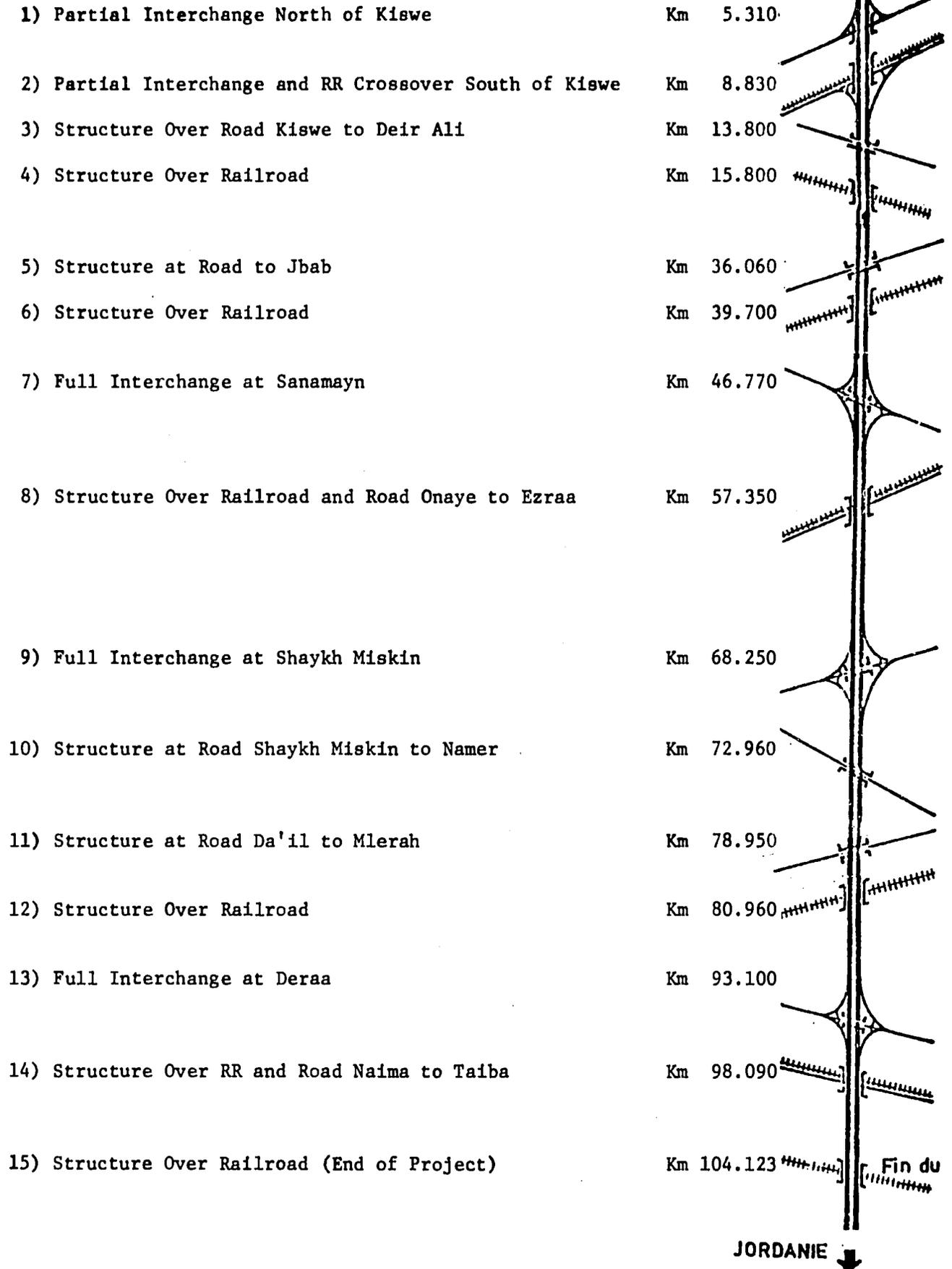
^{2/} Benefits reduced by 10% to reflect completion of last road segment to Jordan border by middle of year 6.

Sensitivity Analysis
Benefits Reduced by 10% Costs
Increased by 10% (in Millions of Syrian Pounds)

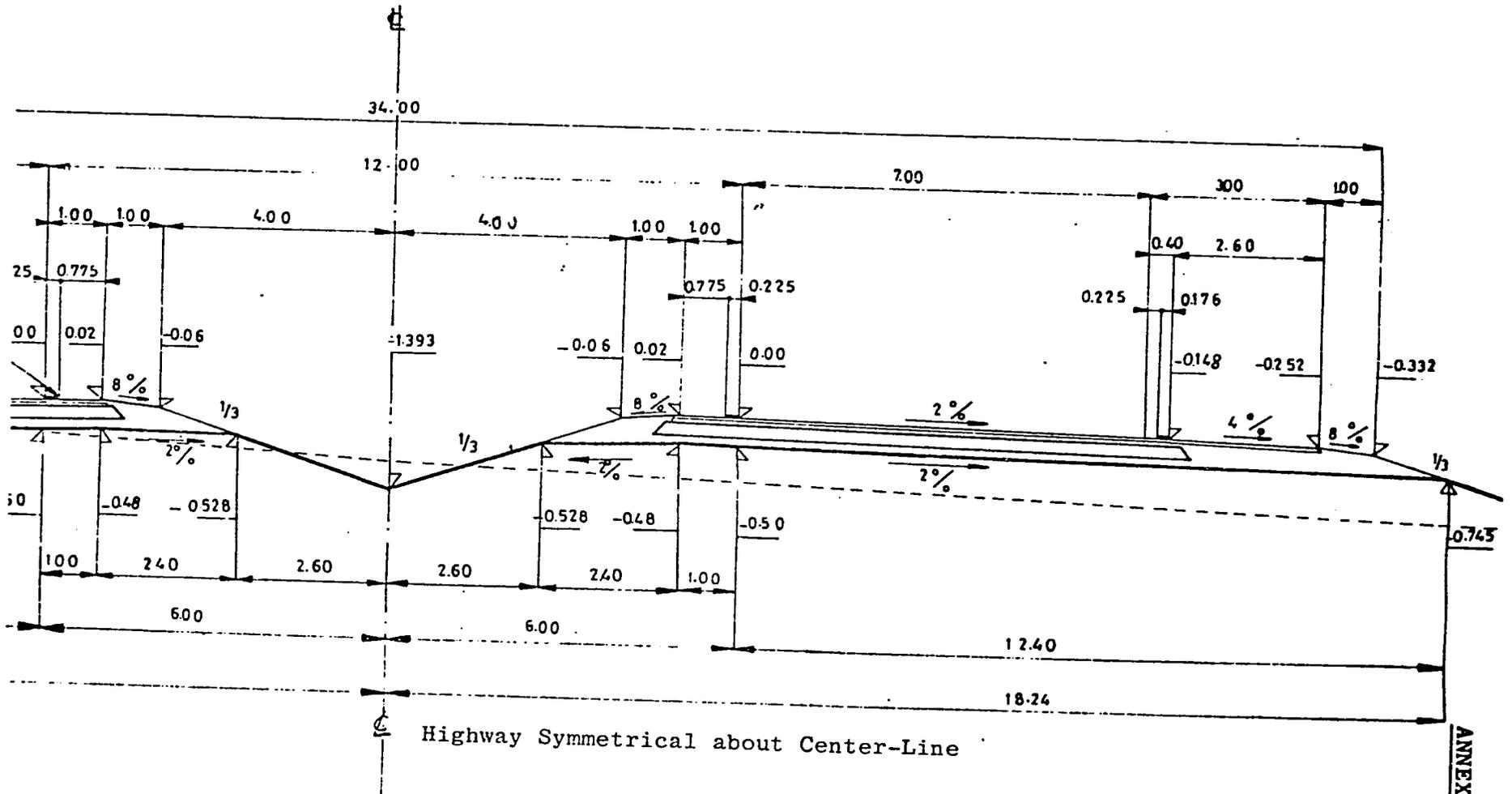
Year	Net Benefits <u>/Benefits -10%/</u> <u>/Costs +10%/</u>	Discount Rate	
		10%	11%
1	(9756)	(8869)	(8791)
2	(54007)	(44634)	(43833)
3	(79412)	(59663)	(58065)
4	(79416)	(54242)	(52314)
5	(97636)	(60624)	(57942)
6	(71696)	(40471)	(38332)
7	27179	13947	13091
8	29070	13561	12614
9	30672	13008	11990
10	34029	13116	11984
11	39510	13848	12557
12	43123	13740	12326
13	48514	14053	12493
14	54772	14423	12707
15	61764	14786	12909
16	71791	15624	13518
17	74820	14803	12692
18	88986	16005	13599
19	99575	16281	13709
20	110358	16404	13688
21	122120	16502	13646
22	131323	16133	13220
23	140484	15689	12741
24	147612	14986	12061
25	153113	14132	11270
		(188)	(16458)

Rate of Return 9.9%

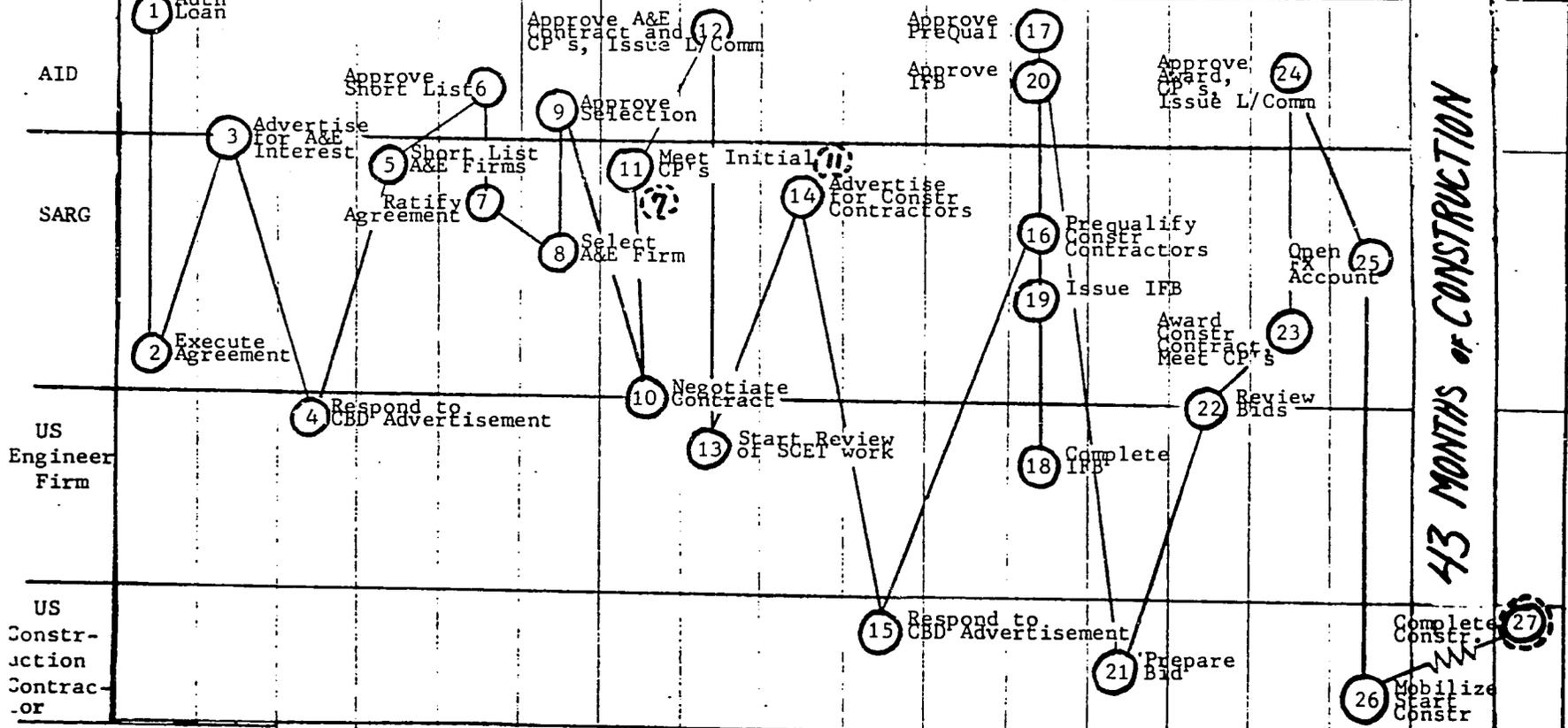
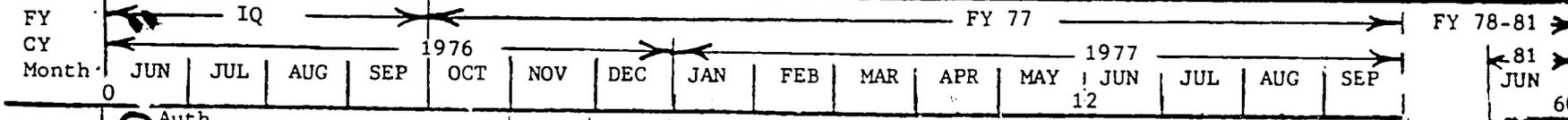
LOCATION OF STRUCTURES AND INTERCHANGES



TYPICAL CROSS-SECTION OF
DAMASCUS-DERAA HIGHWAY



Country: SYRIA	Project No:	Project Title: DAMASCUS TO DERRAA HIGHWAY CONSTRUCTION	Date: JUN	/ x / Original / / Revision #	PPT appr
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43 MONTHS of CONSTRUCTION

EVALUATION NO EARLIER THAN 2 YEARS AFTER 6/81

Financial Plan:	In 1000's of dollars				170	170	170	60	50	50	5058	58	912/mo. for 44mo
Evaluation Plan:													

⊙ = CRITICAL PROGRESS INDICATOR (CPI)

PPT FORM

Country: SYRIA	Project No:	Project Title: DAMASCUS TO DERA A HIGHWAY CONSTRUCTION	Date: 6/76	/xx/ Original / / Revision #	Apprvd:
<u>CPI DESCRIPTION</u> 1. SARG Ratification of Loan Agreement 12/76 2. SARG Satisfaction of Initial CP s 2/77 3. SARG Satisfaction of 2nd Disbursement CP s 8/77 4. Completion of Construction 6/81					

DAMASCUS-DERA'A HIGHWAY PROJECT

Page 1 of 17

CHECKLIST OF STATUTORY CRITERIA

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended.

FAA, 1973 - Foreign Assistance Act of 1973.

App. - Foreign Assistance and Related Programs Appropriation Act, 1974.

MMA - Merchant Marine Act of 1936, as amended.

BASIC AUTHORITY

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| <p>1. <u>FAA § 103; § 104; § 105;
§ 106; § 107.</u> Is loan being made</p> <p>a. for agriculture, rural development or nutrition;</p> <p>b. for population planning or health;</p> <p>c. for education, public administration, or human resources development;</p> <p>d. to solve economic and social development problems in fields such as transportation, power, industry, urban development, and export development;</p> <p>e. in support of the general economy of the recipient country or for development programs conducted by private or international organizations.</p> | <p>Inapplicable. Loan is being provided from Security Supporting Assistance funds.</p> |
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COUNTRY PERFORMANCEProgress Towards Country Goals

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| <p>2. <u>FAA § 201 (b) (5), (7) & (8); § 208</u></p> <p>A. Describe extent to which country is:</p> <p>(1) Making appropriate efforts to</p> | <p>Inapplicable. Loan is being provided from Security Supporting Assistance funds.</p> |
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increase food production and
improve means for food storage
and distribution.

(2) Creating a favorable climate
for foreign and domestic private
enterprise and investment.

(3) Increasing the public's role in
the developmental process.

- (4) (a) Allocating available budgetary resources to development.
- (b) Diverting such resources for unnecessary military expenditure (See also Item No. 20) and intervention in affairs of other free and independent nations.) (See also Item No. 11)
- (5) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.
- (6) Willing to contribute funds to the project of program.

(7) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.

B. Are above factors taken into account in the furnishing of the subject assistance?

Treatment of U.S. Citizens and firms.

3. FAA § 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?
4. FAA § 620(e) (1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect or nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?
5. FAA § 620(o); Fisherman's Protective Act § 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters,
 - a. has any deduction required by Fishermen's Protective Act been made?
 - b. has complete denial of assistance been considered by A.I.D. Administrator?

There are at present no claims meeting the criteria for termination of assistance pursuant to this Section. However, Syria is now discussing with the U.S.G. and private creditors the status of all remaining outstanding debts of Syria, in order to reach negotiated settlement.

Syria, has taken action in the past, which without appropriate action on Syria's part would call for 620(e) sanction. Syria is now discussing the resolution of these claims with the U.S.G. and private creditors. A determination has been made that Syria is taking appropriate steps to discharge its obligations.

No instance of any such seizure or imposition of such penalty or sanctions is now known.

Relations with U.S. Government and Other Nations

6. FAA § 620(a). Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba. No instance of such conduct is known.
7. FAA § 620(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement? The Secretary of State has determined that Syria is not controlled by the international communist movement.
8. FAA § 620(d). If assistance is for any productive enterprise which will compete in the United States with United States enterprise, is there an agreement by the recipient country to prevent export to the United States of more than 20% of the enterprise's annual production during the life of the loan? The purpose of the contemplated program is not to assist the conduct or operation of a productive enterprise within the meaning of 620(d).
9. FAA § 620(f). Is recipient country a Communist country? The recipient is not a communist country.
10. FAA § 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression? The President has not determined that the recipient country is involved in such conduct.
11. FAA § 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? There is not reason to believe that Syria will fail to take adequate measures to prevent the recurrence of mob action which may result in damage or destruction to U.S. property within Syria. Negotiations pertaining to settlement of old claims pertaining to such damage will take place soon.
12. FAA § 620(l). If the country has failed to institute the investment guaranty program for the specific risks of expropriation, in convertibility or confiscation, has the the A.I.D. administration within the past year considered denying assistance to such government for this reason? The institution of an investment guaranty program is now under review. A.I.D. has not considered denying assistance for this reason.

13. FAA § 620(n). Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam? Syria is not known to be engaged in such a course of conduct.
14. FAA § 620(q). Is the government of the recipient country in default on interest or principal of any A.I.D. loan to the country? The Administrator has determined that assistance to Syria is in the national interest, despite the prohibition contained in Section 620(q). Syria broke diplomatic relations with the U.S. in 1967. Diplomatic relations have now been resumed, and the two governments are actively negotiating an up-dated bilateral assistance agreement to replace the earlier agreement still in effect. Syria is up to date in payment of its U.N. obligations.
15. FAA § 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
16. FAA § 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget?
17. FAA § 481. Has the government of recipient country failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully? The President has made no determination under Section 481 that Syria is in violation of this section.
18. FAA § 659. If (a) military base is located in recipient country, and was constructed or is being maintained or operated with funds furnished by U.S., and (b) U.S. personnel carry out military operations from such base, has the President determined that the government of recipient country has authorized regular access to U.S. correspondents to such base? Inapplicable.

Military Expenditures

19. FAA § 620(s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPC/RC).)

A.I.D. is taking into account each of the listed considerations and has determined that considerations as to current military expenditures by the Syrians do not inhibit economic aid but rather that the projected program contributes to the underlying intent of the FAA which seeks to reduce arms costs and to stimulate economic development.

CONDITIONS OF THE LOAN

General Soundness

20. FAA § 201(d). Information and conclusion on reasonableness and legality (under laws of country and the United States) of lending and relending terms of the loan.

Items 20, 21, 22, and 23 of this section of the checklist are inapplicable because the proposed loan will be provided from Security Supporting Assistance funds.

21. FAA § 201(b)(2); § 201(e). Information and conclusion on activity's economic and technical soundness. If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to A.I.D. an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?

Inapplicable.

49

22. FAA § 201(b)(2). Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects. Inapplicable.
23. FAA § 201(b)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within the United States. Inapplicable.
24. FAA § 611(a)(1). Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the United States of the assistance? (a) These have been completed. (b) This has been completed.
25. FAA § 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the loan? No further legislative action is required to implement the project other than the ratification action pertaining to the signed loan agreement which in past cases requires no more than 90 days and has not delayed project implementation.
26. FAA § 611(e). If loan is for Capital Assistance, and all U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project? Yes. A copy is attached as an exhibit to the Project Paper.

Loan's Relationship to Achievement of Country and Regional Goals

27. EAA § 207; § 113. Extent to which assistance reflects appropriate emphasis on: (a) encouraging development of democratic, economic, political and social institutions; (b) self-help in meeting the country's food needs; (c) improving availability of trained manpower in the country; (d) programs designed to meet the country's health needs; (e) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or (f) integrating women into the recipient country's national economy. Items 27, 28, 29, 30, 31, 32, 33, 34, 35, and 36 of this checklist are not applicable because the proposed loan will be provided from Security Supporting Assistance funds.

28. FAA § 209. Is project susceptible of execution as part of regional project? If so, why is project not so executed? Inapplicable.
29. FAA § 201(b)(4). Information and conclusion on activity's relationship to, and consistency with, other development activities, and its contribution to reliable long-range objectives. Inapplicable.
30. FAA § 201(b)(9). Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth. Inapplicable.
31. FAA § 209. Information and conclusion whether assistance will encourage regional development programs. Inapplicable.
32. FAA § Section 111. Discuss the extent to which the loan will strengthen the participation of the urban and rural poor in their country's development, and will assist in the development of cooperatives which will enable and encourage greater numbers of poor people to help themselves toward a better life. Inapplicable.
33. FAA § 201(f). If this is a project loan, describe how such project will promote the country's economic development taking into account the country's human and material resource requirements and the relationship between ultimate objectives of the project and overall economic development. Inapplicable.

34. FAA § 281(a). Describe extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the country, through the encouragement of democratic, private, and local governmental institutions. Inapplicable.
35. FAA § 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government. Inapplicable.
36. FAA § 201(b)(3). In what ways does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities? Inapplicable.
37. FAA § 601(a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions. The loan should help to increase the flow of international trade by providing an improved national highway system connecting with Jordan and to other countries and should greatly improve efficiency of land transportation in Syria.

38. FAA § 619. If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?

Syria is not a newly independent country.

Loan's Effect on U.S. and A.I.D. Program

39. FAA § 201(b)(6). Information and conclusion on possible effects of loan on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving the U.S. balance of payments position.

Items 39 and 40 are not applicable because the proposed loan will be provided from Security Supporting Assistance funds.

40. FAA § 202(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.

Inapplicable.

41. FAA § 601(b). Information and conclusion on how the loan will encourage U.S. private trade and investment abroad and how it will encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The loan will finance foreign exchange costs of goods and services from the United States.

42. FAA § 601(d). If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest?

Yes.

43. FAA § 602. Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services financed by the loan. The U.S. will be advised of proposed procurements and will notify Small Business of the opportunities.
44. FAA § 620(h). Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries? No.
45. FAA § 621. If Technical Assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs. Technical assistance requires to implement the project will be provided by the U.S. private sector on a contract basis. If such assistance is obtained from other Federal Agencies it will be only on the basis that such services are not competitive with the private sector, are in fact the most suitable, and will not unduly interfere with U.S. domestic programs.

Loan's Compliance with Specific Requirements

46. FAA § 110(a) ; § 208(e). In what manner has or will the recipient country provide assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the loan is to be made? Items 46, 48, 49, 50, and 51 of this checklist are inapplicable because the proposed loan will be provided from Security Supporting Assistance funds.

47. FAA § 660. Will loan be used to finance police training or related program in recipient country? No.
48. IAA § 114. Will loan be used to pay for performance of abortions or to motivate or coerce persons to practice abortions? Inapplicable.
49. FAA § 201(b). Is the country among the 20 countries in which development loan funds may be used to make loans in this fiscal year? Inapplicable.
50. FAA § 201(d). Is interest rate of loan at least 2% per annum during grace period and at least 3% per annum thereafter? Inapplicable. (Loan will in fact provide for such interest rate).
51. FAA § 201(f). If this is a project loan, what provisions have been made for appropriate participation by the recipient country's private enterprise? Inapplicable.
52. FAA § 604(a). Will all commodity procurement financed under the loan be from the United States except as otherwise determined by the President? Yes. The loan authorizes procurement only from the United States.
53. FAA § 604(b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price? Bulk commodity procurement is not contemplated by the project.

54. FAA § 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will the loan agreement require that marine insurance be placed in the United States on commodities financed by the loan? Syria has indicated that there will be no discrimination against U.S. marine insurance companies. This provision will be covered by the loan agreement.
55. FAA § 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? No procurement of agricultural commodities will be undertaken under the Project.
56. FAA § 604(f). If loan finances a commodity import program, will arrangements be made for supplier certification to A.I.D. and A.I.D. approval of commodity as eligible and suitable? Inapplicable.
57. FAA § 608(a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items. Efforts will be made to utilize excess property to the maximum extent possible.
58. FAA § 611(b), App. § 101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962? Inapplicable.
59. FAA § 611(c). If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable? A.I.D. regulations requiring competition will be applicable to the Loan.
60. FAA § 612(b); § 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies Since the loan will finance U.S. foreign exchange costs only, Syria will provide local currencies needed for the project.

owned by the United States are utilized to meet the cost of contractual and other services.

61. Section 30 and 31 of PL 93-189 (FAA of 1973). Will any part of the loan be used to finance directly or indirectly military or paramilitary operations by the U.S. or by foreign forces in or over Laos, Cambodia, North Vietnam, South Vietnam, or Thailand? No.
62. Section 37 of PL 93-189 (FAA of 1973); App. § 111. Will any part of this loan be used to aid or assist generally or in the reconstruction of North Vietnam? No.
63. FAA § 612(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release? Discussions are in progress, as part of an overall settlement of U.S. claims, regarding Syrian currency owned by the U.S. in amounts nearly in excess to U.S. needs.
64. FAA § 620(g). What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property? The scope of the loan project will prohibit use of loan funds for any such purpose.
65. FAA § 620(k). If construction of productive enterprise, will aggregate value of assistance to be furnished by the United States exceed \$100 million? Not applicable.
66. FAA § 636(i). Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction? No, procurement is limited to the United States.
67. App. § 103. Will any loan funds be used to pay pensions, etc., for military personnel? No.
68. App. § 105. If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms? Yes. (If this statutory provision is removed from this year's legislation, this section is to be deleted).

69. App. § 107. Will any loan funds be used to pay UN assessments? No.
70. App. § 108. Compliance with regulations on employment of U.S. and local personnel. (A.I.D. Regulation 7). The loan agreement will require compliance with A.I.D. Regulation 7. (If this statutory provision is removed from this year's legislation, this section is to be deleted).
71. App. § 110. Will any of loan funds be used to carry out provisions of FAA § 209(d)? No.
72. App. § 112. Will any of the funds appropriated or local currencies generated as a result of AID assistance be used for support of police or prison construction and administration in South Vietnam or for support of police training of South Vietnamese? No.
73. App. § 113. Describe how the Committee on Appropriations of the Senate and House have been or will be notified concerning the activity, program, project, country, or other operation to be financed by the Loan. Congressional notification will be made concerning A.I.D. plans to commit these loan funds to this project activity. (If this statutory provision is removed from this year's legislation, this section is to be deleted).
74. App. § 601. Will any loan funds be used for publicity or propaganda purposes within the United States not authorized by Congress? No.
75. App. § 604. Will any of the funds appropriated for this project be used to furnish petroleum fuels produced in the continental United States to Southeast Asia for use by non-U.S. nationals? No.
76. MMA § 901.b; FAA § 640C.
(a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk The loan agreement will so require.

carriers, dry cargo liners, and tankers) financed with funds made available under this loan shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.



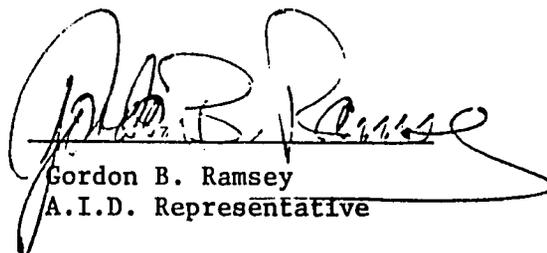
EMBASSY OF THE
UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
DAMASCUS, S.A.R.

DAMASCUS-DERAA HIGHWAY
Loan No.

CERTIFICATION PURSUANT TO SECTION 611 (e) OF THE
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Gordon B. Ramsey, Representative of the Agency for International Development in Syria, having taken into account, among other things, the maintenance and utilization of projects in Syria previously financed or assisted by the United States, do hereby certify that in my judgment Syria has both the financial capability and the human resources capability to effectively maintain and utilize the Damascus-Deraa Highway capital assistance project.

This judgment is based upon general considerations discussed in the capital assistance paper to which this certification is attached.


Gordon B. Ramsey
A.I.D. Representative

SYRIAN ARAB REPUBLIC
PRESIDENCY OF THE COUNCIL
OF MINISTERS
STATE PLANNING COMMISSION

ANNEX H
Page 1 of 2
الجمهورية العربية السورية
رئاسة مجلس الوزراء
هيئة تخطيط الدولة

Ret. : 3066/A.H
Date : May 23, 1976

Mr. Gordon B. Ramsey
AID Representative
Embassy of the United States of America
Damascus, S.A.R.

Dear Mr. Ramsey :

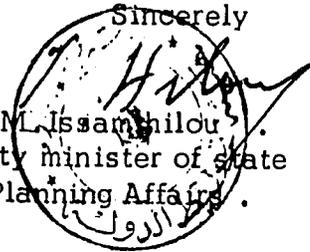
In accordance with various discussions carried out between
AID officials and the officials of the ministry of communications,

The Government of Syrian Arab Republic requests that AID
gives favorable consideration to a \$ 45.9 million loan for financing
the foreign exchange costs of constructing the highway between
Damascus and Dara'a .

We look forward to your prompt reply ,

Sincerely

Eng. M. Issamhilou
Deputy minister of state
For Planning Affairs .





Department of State

TELEGRAM

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ACTION AID-59

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APP

AIDAC

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FOR KINGERGY, C/O NE/CD FROM RAMSEY

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E.O. 11652: N/A
TAGS:
SUBJ: DAMASCUS - DERRA HIGHWAY

CC

REF: STATE 124257

GEN

SCFLP

1. FOLLOWING MY DISCUSSIONS WITH MINISTER COMMUNICATIONS AND VICE MINISTER STATE PLANNING ON POINT RAISED PARA 1 REFTEL, RECEIVED FOLLOWING LETTER SIGNED BY HILOU: "I REFER TO MY LETTER NO. 3066/A.H., DATED MAY 22, 1976, TRANSMITTING THE SYRIAN GOVERNMENT'S REQUEST THAT AID GIVE FAVORABLE CONSIDERATION TO A \$45.9 MILLION LOAN FOR FINANCING THE FOREIGN EXCHANGE COSTS OF CONSTRUCTING THE HIGHWAY BETWEEN DAMASCUS AND DER'AA. IN THIS REGARD, I WISH TO CONFIRM THE SYRIAN GOVERNMENT'S COMMITMENT TO MEET ALL OTHER FINANCING TO COVER THE TOTAL COST OF THIS PROJECT, IN ADDITION TO THE COSTS TO BE MADE AVAILABLE BY AID IN ITS FAVORABLE CONSIDERATION OF THE ABOVE MENTIONED LOAN PROPOSAL."

DT

2. BOTH MINISTER SUBAI AND DEPUTY MINISTER HILOU FULLY UNDERSTAND THIS COMMITMENT COVERS ALL FINANCING, LC OR FX, THAT WILL BE REQUIRED BEYOND THE AID LOAN PROCEEDS THAT MAY BE REQUIRED TO COMPLETE THE PROJECT.

3. TRUST REVIEWS GOING WELL AND EXPECT ABOVE WILL HELP.

MURPHY.

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON

THE ADMINISTRATOR

DRAFT

LOAN AUTHORIZATION

Syria: Damascus - Dera'a Highway Project

Provided from: Foreign Assistance Act, Part II, Chapter 4
("Security Supporting Assistance"), Section 532

Pursuant to the authority vested in the Administrator, Agency for International Development ("A.I.D."), by the Foreign Assistance Act of 1961, as amended (the "Act"), and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan (the "Loan"), pursuant to Part II, Chapter 4 (Security Supporting Assistance), Section 532 of the Act, to the Government of the Syrian Arab Republic ("Borrower") of not to exceed Forty Five Million Nine Hundred Thousand United States Dollars (\$45,900,000) to assist in financing the foreign exchange costs of goods and services needed for the construction of a highway from Damascus to Dera'a and the Jordanian border. The Loan is subject to the following terms and conditions:

1. Interest Rate and Terms of Payment. Borrower shall repay the Loan to A.I.D. in United States dollars within forty (40) years from the first disbursement under the Loan including a grace period of not to exceed ten (10) years. Borrower shall pay to A.I.D. in United States dollars interest on the outstanding disbursed balance of the Loan and any due and unpaid interest at the rate of two percent (2%) per annum during the grace period and three percent (3%) thereafter.
2. Other Terms and Conditions.

In addition to the standard requirements of a legal opinion from Borrower, appointment of representatives and review and approval of specified contracts, the following terms and conditions shall also apply:

- (a) Borrower shall make available the proceeds of the Loan to the Ministry of Communications.

- 2 -

- (b) Prior to initial disbursement:
- (1) Borrower shall enter into a contract with a U.S. engineering firm for services relating to the preparation of bid documents and such design work as required to adapt the project for construction by U.S. contractors and to assist Borrower in bid analysis.
- (c) Prior to disbursement for construction services:
- (1) Borrower shall enter into a contract with a U.S. construction contractor for construction services required for the Project.
 - (2) Borrower shall enter into a contract with a U.S. engineering firm for services relating to supervision of construction.
 - (3) Borrower shall provide evidence of satisfactory arrangements for the acquisition of all necessary rights-of-way for the Project.
 - (4) Borrower shall provide evidence that agreement has been reached between Borrower and the Government of the Hashemite Kingdom of Jordan for connection of the project terminus at the Jordanian border.
- (d) Special Covenants to be included in Loan Agreement:
- (1) Borrower will undertake to enforce weight restrictions on trucks using the project road.
 - (2) Borrower will assume, through regularly appropriated funds, that the project highway will be maintained.
- (e) Conditions precedent to initial disbursement shall be satisfied within 180 days of the date of signing of the Loan Agreement.
- (f) The Loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Daniel Parker

Date