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**Report No. P-2200-SYR**

REPORT AND RECOMMENDATION  
OF THE  
PRESIDENT OF THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
TO THE  
EXECUTIVE DIRECTORS  
ON A  
PROPOSED LOAN TO THE  
SYRIAN ARAB REPUBLIC  
FOR A  
THIRD HIGHWAY PROJECT

March 23, 1978

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CURRENCY EQUIVALENTS  
(as of February 1, 1978)

Currency Unit	=	Syrian Pound (LS)
Syrian Piaster (ps)	=	LS 0.01
LS 3.95	=	US\$1.00
LS 1.00	=	US\$0.253
LS 1,000,000	=	US\$253,000
US\$1,000,000	=	LS 3,950,000
Fiscal Year	=	Calendar Year

GLOSSARY OF ABBREVIATIONS

MOC	-	Ministry of Communications
MOT	-	Ministry of Transportation
SPC	-	State Planning Commission
UNDP	-	United Nations Development Programme
USAID	-	United States Agency for International Development

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SYRIAN ARAB REPUBLIC

THIRD HIGHWAY PROJECT

LOAN AND PROJECT SUMMARY

Borrower: Syrian Arab Republic

Amount: US\$58 million in various currencies

Terms: Amortization in 17 years, including a 3.5 year grace period, with interest at 7.45 percent per annum.

Project Description: The project would comprise:

- (i) Civil works consisting of pavement strengthening on sections totaling 250 km of the Damascus-Aleppo Highway, construction of a 25.6 km bypass for the city of Homs, and of the 103 km Qantary-Tall Tamir section of the Aleppo-Tall Kojak Highway;
- (ii) Consultant services for construction supervision, and technical assistance for the Ministry of Communications; and
- (iii) Equipment for highway inventory and traffic counting.

Project Cost Estimates:

		<u>US\$ Million</u>		
		<u>Local</u>	<u>Foreign</u>	<u>Total</u>
	(i) Civil works	39.0	44.7	83.7
	(ii) Consultant services	1.2	1.8	3.0
	(iii) Equipment	0.0	0.2	0.2
	Physical contingencies	4.0	4.6	8.6
	Price escalation	7.7	6.7	14.4
	Right-of-way acquisition	<u>3.7</u>	<u>0.0</u>	<u>3.7</u>
	<u>Total project cost</u>	<u>55.6</u>	<u>58.0</u>	<u>113.6</u>

Financing Plan:

		<u>US\$ Million</u>		
		<u>Local</u>	<u>Foreign</u>	<u>Total</u>
	IBRD loan	0.0	58.0	58.0
	Government	<u>55.6</u>	<u>0.0</u>	<u>55.6</u>
		<u>55.6</u>	<u>58.0</u>	<u>113.6</u>

Estimated  
Disbursements:

	<u>US\$ Million</u>			
	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>
Annual	8.0	16.0	16.0	18.0
Cumulative	8.0	24.0	40.0	58.0

Estimated  
Completion Date: June 30, 1982

Rate of Return: 52 percent

Staff Appraisal  
Report: No. 1829a-SYR of March 16, 1978

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT  
TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN  
TO THE SYRIAN ARAB REPUBLIC FOR A THIRD HIGHWAY PROJECT

1. I submit the following report and recommendation on a proposed Bank loan of US\$58 million equivalent to the Syrian Arab Republic to help finance a Third Highway project. The loan would have a term of 17 years, including 3.5 years of grace, with interest at 7.45 percent per annum.

PART I - THE ECONOMY 1/

2. A report entitled "Current Economic Position and Prospects for Syria" (no. 806-SYR, dated October 31, 1975) was distributed to the Executive Directors on November 12, 1975. This section is based on the findings of a Basic Economic Mission which visited Syria in April 1977, and whose report is in the final stage of preparation. Country data sheets are attached as Annex I.

3. Since attaining independence in 1946, Syria has had several changes in regime which resulted in a shift of power from groups of landowners, traders, and industrialists to a rising class of officers, technicians, and civil servants, as well as a shift of the economy from an essentially laissez-faire system to a largely publicly-owned and centrally regulated one. The Ba'ath Socialist Party, the ruling party since 1963, provided substantial continuity of emphasis on economic and social development policies which have, by and large, prevailed in spite of internal Government changes and tensions within the Middle East. During the 1960s an agrarian reform was carried out, with redistribution of land to a large number of formerly landless peasants; also large segments of the industrial, finance and trade sectors were nationalized. In November 1970 General Assad became President of the Republic; his regime has been characterized by a balance of firmness and conciliation in domestic policies, economic pragmatism, a concerted search for a better defined role for the private sector in a centrally regulated economy, as well as diversification of foreign economic relations. These aims have been pursued gradually and, in spite of continued political uncertainty in the Middle East, substantial reorientation of economic policies and diversification of production have been achieved.

4. The Government's attention to economic and financial matters has led to a sustained on-going effort in conceptualizing objectives, identifying constraints, and formulating alternative strategies. As a result, an increasingly pragmatic assessment of economic policies has been taking place within the Government (and the ruling Ba'ath Party). The cabinet formed in August 1976 has as one of its key tasks the implementation of new economic policy directives,

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1/ This part is identical to paragraph 2-15 of the Preesident's Report No. 2160 on a Loan to the Syrian Arab Republic for a Regional Electrification Project, dated March 2, 1978.

strengthening of economic management, and tightening of controls over investment decisions in the public sector. The Prime Minister, General Khleifawi, a former head of the Economic Committee of the Ba'ath Party, and Prime Minister in the first cabinet formed after President Assad's accession to power, defined shortly after the change in cabinet the principles which henceforth are to guide Syrian economic policies. The Prime Minister's program, while re-affirming the Ba'ath Party's commitment to general socialist principles and the dominant role to be played by the public sector, called for improvements in management of the public sector and attempted to define a role for the private sector (including the specification of activities open to private investment, exclusively or jointly with the public sector, and the provision of the necessary safeguards and incentives to stimulate private investment). The program also called for the formulation of a wages and price policy, review of the economic planning system, transformation of the existing Industrial Bank into a genuine industrial development finance institution, and changes in interest rate policies to promote greater consistency with interest rates charged in neighbouring countries and to stimulate domestic savings.

5. The 1973 petroleum price increase, which boosted Syria's own petroleum export earnings, and the sharp rise in Arab grants following the October 1974 Rabat agreement, augmented financial resource availability in the short run, leading to revisions of the Third Plan (1971-75) and sharp increases in public investments. However, adverse financial developments, rooted in the high investment rates of 1974-75 and external developments, including the discontinuation of oil transit by Iraq, a decline in Arab aid and the impact of the Lebanese civil war, put unexpected financial constraints on investment and growth, and delayed the finalization of the Fourth (1976-80) Plan to early 1977. For 1976-80, the Plan called for: real growth of 12 percent yearly in GDP; increases in real terms of 7 percent per annum in exports; and a domestic savings/GDP ratio of about 23 percent. With the constraints on resource availability that have emerged, the Government however has decided not to implement the Plan fully and in fact to limit its investment program for 1977-80 mainly to ongoing projects. Further revisions of the public investment program for 1978-80 are underway with a view to taking account more appropriately of financial and other constraints.

6. The strategy underlying the current investment program places particular emphasis on industrialization, with investment in agriculture remaining substantial. The industrial development strategy stresses import-substitution in consumer goods, and a substantial expansion of resource-based industries, such as cotton textiles, cement and fertilizers. Significant exports of manufactured goods by 1980 -- particularly textiles and fertilizers -- is a primary objective of the Government's investment program in the manufacturing sector. In agriculture, the Government's overall objectives are the same as those in the previous Plan: self-sufficiency in major domestic food needs, meeting the raw material requirements of industry, and provision of a production surplus for export. Rational land and water use, the stabilization of annual fluctuations in output and the improvement in consumer diets through an increase in protein supply are further objectives. The strategy to achieve these objectives includes expansion of irrigated agriculture, intensification of crop production and achievement of a better balance and complementarity between crop and livestock production.

7. Economic growth during 1971-75 is estimated at close to the 8 percent target level, and growth in 1976 was also around 8 percent. Public investment during 1971-75 reached about 70 percent of the original Plan target, with about 55 percent of the total outlays being made in the last two years of the Plan period, largely as a result of greater availability of financial resources. The elasticity of savings with respect to GDP fell to 1.0, compared to a target of 1.8, reflecting a shortfall in the public savings effort, particularly in recent years. A substantial number of manufacturing projects, including those in fertilizers and steel rolling, came on stream during the Plan period, thus diversifying the structure of industrial output. Particularly heavy expenditures were made in industry, energy and fuel in 1974 and 1975, as a large number of projects were commenced. Investments in irrigation and agriculture appear to have remained stagnant in real terms during the Plan period and fell substantially short of the target and the Plan's overall achievement rate. Nonetheless, the Euphrates basin investments were substantial and if the serious technical problems faced so far are overcome, may lead to higher growth and stability in the production of the agricultural sector in the future. Progress in the fields of transport and communications kept pace with the overall implementation rate of the Plan. Investments in social services reached a high proportion of planned allocations, although substantial needs remain in education, health and urban services.

8. In response to the several economic and political factors which came into play in the last few years (temporary slow-down in Arab aid, loss of transit revenues and concessionary crude oil supplies from Iraq, military expenditures in Lebanon, and the inflow of refugees from Lebanon), the rate of economic growth slowed down from 11 percent in 1975 to almost 8 percent in 1976. The budget deficit continued to increase from SL 3.1 billion in 1975 to SL 4.5 billion in 1976, and is expected to amount to SL 6.0 billion in 1977 implying government savings of zero. The balance of payments, reflecting similar trends, moved from a current account surplus of SL 280 million in 1975 to a deficit of over SL 3.1 billion in 1976, and external reserves fell in 1976 by SL 1.4 billion. Data for 1977 are not available, but economic growth is thought to have been around 6 percent (agriculture, 4 percent; industry, 10 percent).

9. The Government, faced with the reduced availability of economic resources, has been making efforts at austerity, and has introduced a number of policies designed to meet the financial stringency, and to redress the structural disequilibrium which has evolved in the balance of payments, as a result of the changed pattern of resource availability and usage in the last four or five years. With slow but increasing effectiveness, the Government has reassessed the economic situation; as a result, the Fourth Five-Year Plan, which was approved in April 1977, was severely curtailed (para. 5). More formal development planning has been temporarily suspended, wisely, for immediate efforts at rational investment decision-making. To meet the financial stringencies, current expenditures under the 1977 budget have been held to 1976 levels, and public investment has temporarily been restricted only to on-going projects. Simultaneously, the Government has been conducting a wide-scale review of economic profitability of the various on-going projects, as well as of the new projects that had been proposed in the Five-Year Plan.

10. Increasingly aware of the needs to improve the economy's performance, the Government has begun to take measures to relieve constraints on the country's development. Following the years of financial ease (up to early 1976), fiscal performance needs to be improved, if development is to proceed without interruption and without entailing potentially serious inflationary and public debt management problems. This will require continuation of the efforts begun in 1977 to improve domestic resource mobilization and tighten control of expenditures. Efforts which are underway in the Ministry of Finance to reform the tax system and to improve the Ministry's budgetary and control functions need to be increased. In addition, action must be taken to increase the efficiency of economic enterprises and their contribution to the budget through improved management, including introduction of sound accounting practices (for which a law was passed in 1974) and control, as well as improved efficiency in production and introduction of cost-related pricing. The State Planning Commission is presently studying capacity utilization in agriculture, industry and transport with a view towards finding means of increasing growth through improved utilization of existing capacity rather than new investments. The Government has also sought UNDP assistance in planning, and the Bank is considering how best to respond to a Government request for assistance in project identification, preparation and implementation. While these efforts are expected to have only a small impact in the years immediately ahead, they are likely to yield considerable fruits in the long run.

11. The shortage of skilled manpower may cause bottlenecks in project implementation. The uneven spatial distribution of employment is also likely to pose problems as a large proportion of public investment in agriculture and industry is to take place in the Northeast, where the population density is much lower than in the Western Coastal belt. Measures will be required to attract population and to provide sufficient skilled manpower to the Northeast region. The overall manpower situation and the difficulties currently encountered in fostering an efficient public administration and public economic sector are exacerbated by emigration of trained technicians and skilled labor abroad and the outflow of trained manpower from the public sector to the private sector as a result of wide wage differentials. To alleviate the shortages the Government will provide extensive training facilities for augmenting the supply of skilled manpower. It may however have to revamp the structure of incentives so as to enable the public sector to attract and retain an efficient cadre of administrators, technicians and other skilled workers. In the past emigration to neighboring labor-deficit countries and to some extent low labor force participation rates among females have contributed to reduced requirement for employment creation through public investment. While the Government is fully committed to increasing productive employment opportunities, there is an urgent need to formulate a coherent employment strategy consistent with the current and future investment strategy.

12. Perhaps the most significant obstacle to long-run economic and social progress in Syria is the absence of effective planning and administrative institutions. Administrative problems are too complex and deep-rooted to be amenable to even medium-term solutions. There is, nevertheless, an urgent need to implement a wide-ranging administrative reform to tackle the wide variety of existing administrative problems so as to develop administrative



capacities and capabilities, particularly in the formulation and execution of development plans, programs and projects.

13. Syria's economic prospects depend heavily on the availability of financial resources and also on absorptive capacity in the various sectors. Considering these constraints, a reduced investment program will be implemented during the 1977-80 period. This new level of investment would be consonant with the Government's concern for improving the quality of investments. Tentative Bank projections indicate that such investment would be sufficient to generate real GDP growth in the neighborhood of 6 to 7 percent per year in the early 1980's. The sources of growth in the late 1970's are likely to be the manufacturing and construction sectors, with agricultural production stabilized at higher levels, rather than mining and commerce which were the leading growth sectors during the Third Plan.

14. On Bank assumptions, the requirements of a growing aggregate demand would entail an increase in the current account deficit from \$800 million in 1976 to \$1,030 million in 1980. The Government is expected to implement measures to improve domestic resource mobilization, following the studies currently underway, so as to narrow the savings-investment gap, and thereby the resource gap.

15. At the end of 1977, external public debt outstanding and disbursed, excluding military debt, was estimated to be around \$1,776 million (31 percent of GDP) of which 80 percent was held by Governments (28 percent, OPEC; and 47 percent, centrally planned economies), and only 4 percent by multilateral organizations (exclusively the World Bank Group). On Bank assumptions, gross external capital requirements during 1978-80 will be \$3.2 billion. As a result, Syria's debt service ratio is expected to rise from 9.6 percent in 1976 to 16 percent by 1980, and 23 percent by 1985. If assumptions for 1980-85 are simply extrapolated beyond, the debt service ratio is expected to be 26 percent by 1990. The Bank Group's share in total public debt outstanding and disbursed is projected to increase to 8.5 percent and in total debt service payments to 6.9 percent in 1980. Subject to continued prudent debt management, to which the Government started giving priority in 1977, Syria remains creditworthy for Bank lending.

#### PART II - BANK GROUP OPERATIONS IN SYRIA

16. Syria has to date received four IDA credits totalling US\$47.3 million and ten loans totalling US\$319.1 million (including one loan of US\$12.5 million on Third Window terms), net of cancellations. Although Syria is a member of the Corporation, IFC has made no investments. At the end of 1977, the Bank Group accounted for 5 percent of Syria's total outstanding public debt; by 1980 it is expected to account for 9 percent of total outstanding public debt and 7 percent of public debt service obligations. Annex II contains a summary statement of IDA credits and Bank loans as of March 20, 1978.

17. Project implementation has generally suffered substantial delays due largely to circumstances beyond Syria's control. The 1973 hostilities brought works to a standstill and diverted the country's resources first to military, then to reconstruction tasks; the unsettled conditions in the region and weaknesses in the administrative system caused project implementation to slow down. The above developments were compounded by the high rate of world inflation and generated considerable cost overruns in most projects. As a result, the scope of the Damascus Water Supply and Mehardeh Power Projects had to be revised and additional financing secured. In the case of the Balikh Project, the Government obtained a \$50 million loan from Iran and has undertaken to provide the Bank with a new financing plan for the project as soon as the current reassessment of the development program of the Euphrates Valley is completed. In the case of the Second Highway Project, the war-related delays and the economic upturn after 1973 made it necessary to redesign the project roads to four lanes instead of two. To cover the additional cost, the Government obtained a \$45.9 million loan from USAID and an \$11.3 million loan from Saudi Arabia to help finance certain of the highways originally included in the project. Disbursements of Bank loans had reached, as of September 1977, 60 percent of appraisal estimates and 95 percent of revised estimates. The Government has however been requested by the Bank to deal with problems of project implementation, which will call for improvement.

18. Lending for infrastructure accounted for over two-thirds of Bank Group lending to Syria thus far. It aimed at fostering well designed sector policies and strengthening various public institutions in charge of power, water supply, highways and telecommunications. The objective of lending for irrigation development (Balikh Project) was to help increase and stabilize agricultural production and farmers' incomes which are subject to wide fluctuations under rainfed conditions. The livestock development project for which a loan was approved in FY77 provides for fundamental improvements in feed and flock management policy as well as credit to sheep farmers, most of whom are among Syria's poor nomadic population, with the objective of increasing and stabilizing incomes in the sheep subsector throughout Syria. This loan was declared effective in March 1978, after delays in selecting and appointing consultants. After initial delays due to implementation of tariff increases, the Aleppo Water Supply project was declared effective in early March.

19. A diversification of lending operations in Syria is envisaged through a gradual shift of emphasis away from infrastructure projects, toward quicker yielding projects in the directly productive (agricultural and industrial) sectors. However, project preparation according to Bank standards, remains a serious constraint in these sectors. Bank lending in coming years is therefore bound to apply for a number of infrastructure projects with a high economic and social priority (e.g. transportation, education and the provision of basic urban services, such as water supply). A Regional Electrification Project was approved by the Board in March 1978. The project includes about 5,000 km transmission and distribution lines to provide electricity services to 1,200 villages. A recently appraised irrigation/drainage project providing for the rehabilitation of salt-affected lands in the

lower Euphrates area is also expected to be ready for Board consideration by the end of the current fiscal year. Projects under preparation, include agro-industry (cotton seed processing), rainfed agriculture, water supply and sewerage facilities, and natural gas utilization.

20. The lending activities described above would help to improve project preparation and implementation, especially in those sectors in which the Bank has not been previously involved, and strengthen sector policies and institutions. The proposed operations will include significant technical assistance and training components to achieve the above objectives.

### PART III - THE TRANSPORTATION SECTOR AND HIGHWAY SUBSECTOR

21. The Syrian transportation system consists of 15,700 km of highways, 1,672 km of railways, three major ports, two international and two secondary airports, and 2,700 km of pipelines. The rapid economic growth since the beginning of the 1970's, has led Syria to initiate a major reorganization of its transportation system and to undertake large-scale construction projects to restructure its network and meet the new demands placed on it (see Map IBRD 13262). Of its transportation system, 25 percent of the highway network, 32 percent of the railway network and 40 percent of the port capacity has been built since 1970. Inland transportation of both passengers and freight is dominated by highways, which carry about 98 percent of all intercity passenger-traffic and 96 percent of freight. The role of the railways is expected to expand appreciably in the early 1980's, if the present serious bottlenecks in their exploitation are overcome, but highway transportation will remain dominant. International transit traffic of freight has grown rapidly in recent years, reaching a peak of 3 million tons in 1975, of which over 80 percent moved by highway.

22. Four ministries are responsible for administration of the transportation sector: the Ministry of Transportation (MOT), established in 1974 and responsible for highway transportation services as well as construction and services of rail, ports and civil aviation; the Ministry of Communications (MOC) for highway infrastructure; the Ministry of Petroleum for pipelines; and the State Planning Commission (SPC) through its transportation department, for reviewing the investment programs and integrating them into the national economic planning mechanism. While a comprehensive transportation policy has not been formulated so far, the Government has emphasized the importance attached to modernizing and expanding the transportation system in response to the burgeoning demand, with particular stress on the enlarged role the railway is to play. The current development program for 1976-80 allocates 18 percent of the total funding or about \$1 billion equivalent to the transportation sector, which is double its share in the previous development plan. The distribution among modes reflects their relative needs by allocating 33 percent to highways, 28 percent to railways, 24 percent to ports, 7 percent to civil aviation and 8 percent to pipelines. Planning suffers, however from insufficient data and lack of coordination between agencies as well as a shortage of qualified staff. The MOT is currently preparing an overall transportation study, which

will make a comprehensive review of the transportation system to assess the appropriateness of current regulations and their enforcement, to forecast demands for new infrastructure and identify routes and services requiring priority attention.

23. The transportation sector has increasingly become a bottleneck to the development of the Syrian economy. The density of the highway network and the level of vehicle ownership are both low compared with countries with similar GNP per capita. The rapid growth in transportation demand in the 1970s has been met largely by intensive use of existing roads and vehicles at a level that cannot be sustained without detriment to both. The toll in terms of delays, vehicle wear and tear and accidents is particularly severe on the main highways linking Damascus, Homs, Aleppo and the ports, where industrial development has been concentrated and transportation demand has grown most rapidly, hence the need for large-scale investments in new highways and railways in these corridors. At the same time, in an effort to promote a geographically and sectorally more balanced pattern of development, the Government is now vigorously pursuing new agricultural and mining projects in the northeast, an area that has hitherto received relatively little investment in productive industry or the infrastructure to serve it.

#### Planned Transportation Investments

24. The main objectives of Syria's current highway development program are the completion of the primary four-lane highway system, construction or improvement of some 700 km of two-lane primary highways, and paving of approximately 3,400 km of secondary highways and feeder roads. The total effect of this program would be to increase the paved network by about 35 percent between 1976 and 1980 at a cost of SL1,207 million (\$309.0 million). In the railway sector, the investment program provides for construction of the Homs-Damascus line and rehabilitation of the existing lines from Aleppo and Homs to Tartous. With the opening of these new lines in the early to mid-1980's, the railways should be able to carry 10-15 percent of freight traffic and should relieve the Damascus-Aleppo and Homs-Tartous highways of some of the excessively heavy truck traffic that is now contributing to their rapid deterioration. As part of the port expansion program under the current investment program works are being carried out in the port of Lattakia to raise its capacity from 1.6 million to 3.0 million tons annually by 1980, and at Tartous to raise its capacity to 4.5 million tons by 1980, with emphasis on container-type freight movements and roll-on roll-off traffic. Baniyas is being expanded for importing crude oil for the planned new refinery. While the role of civil aviation in internal transportation is small and likely to remain modest, the national airline is rapidly expanding its services internationally. The investment program provides for improvement of existing services and construction of a new international airport in Lattakia. Improvements to domestic crude oil pipelines and related facilities are being provided under the Plan.

#### The Highway Subsector

25. Of the total length of Syria's highway network (Map IBRD 13262) 11,700 km or only 75 percent are asphalted and four-lane highways are about

1 percent. The rapid expansion and development of the paved network began in the late 1960's and the length of paved highways has doubled since 1965. The average density is still low by international standards for countries with about the same per capita GNP. The main elements of the network carrying about 80 percent of all traffic are (i) the 800 km of major arteries, namely the north-south axis serving the main towns of Damascus, Homs, Hama and Aleppo, and its links to Jordan, Lebanon and Turkey and the ports of Tartous and Lattakia, all of which are being upgraded to four lanes or are planned as such; (ii) the two-lane highways connecting the producing centers in the northeastern and eastern regions with the four-lane system and (iii) the two-lane highways connecting with Iraq and the other Gulf states. In 1976 there were about 125,600 motor vehicles in Syria, an average of 16 vehicles per thousand inhabitants, low by international standards for Syria's level of per capita income.

26. Traffic is particularly heavy on the north-south axis connecting the major cities in the central region, on the coastal highway and on the three main east-west highways. Truck traffic is generally very heavy and represents 30 to 50 percent of total traffic. International transit truck traffic is substantial on the main highways from Lattakia and Tartous and from Beirut to Damascus and thence on the Damascus-Amman and Damascus-Baghdad highways, though it now appears to be falling off. Syrian trucks account for about a quarter of transit traffic. Broad-scale data on highway traffic is still lacking. Several individual counts and surveys were carried out by MOC personnel and foreign consultants between 1972 and 1976, but no regular counting program exists. Technical assistance to be provided under the project will address this problem.

27. The MOC has overall responsibility for the highway network infrastructure, while specific responsibility for construction supervision and maintenance is delegated to regional and district offices. The reorganization took place in 1972 based on recommendations under the First Highway Project. The present organization is adequate to respond to the needs of the present network and its planned expansion. Highway construction works are financed from the general budget. In recent years Syria has drawn on several external sources for financing the foreign exchange cost of improving its network, with loans totaling \$69 million from the Saudi Fund, the Kuwait Fund, and US-AID, as well as two IDA Credits totaling \$22.3 million.

28. The Syrian contracting industry consists of state-owned construction companies, private domestic firms and resident foreign firms. They each have a roughly equal share of the total construction program at present, though the state-owned companies are gradually increasing their share. Their expansion, however, has been afflicted by management inefficiencies and low cost-effectiveness. Technical assistance in cost accounting, equipment repair and warehousing is therefore being provided under Loan 1458-SYR for the Aleppo water supply; this assistance will go to the State Planning Commission and to the state-owned construction companies.

29. Highway pavement design is based on a maximum single axle load of 13 tons in accordance with existing regulations. However, a survey carried

out by the MOC on the Damascus-Homs highway in 1976 and 1977 showed that some 25 percent of all trucks had axle loads in excess of 13 tons, with some in excess of 20 tons, while no system is in effect to enforce the regulations. The damaging effect was the equivalent of an average axle load for all trucks close to 15 tons. The Government is keenly aware of the situation, and in August 1977, delegations from Syria, Iraq and Jordan, all of which are faced with the same problem of overloading, agreed to recommend that the Arab League adopt an international legal limit of 12 tons per single axle and 18 tons per tandem, together with appropriate enforcement procedures (see para. 38).

30. The incentive to overload has come from the rapid growth of freight transportation demand since 1974, which has outstripped the ability of the truck fleet to grow commensurately. During negotiations it was discussed and confirmed that (a) existing regulations governing truck ownership and licensing will be reviewed to assess whether they may be acting as a brake to the needed expansion of the fleet; (b) user charges affecting trucks will be reviewed to relate them more closely to usage and if possible to discourage overloading. No weigh stations have been included under the proposed project since loading can be effectively policed at the origin of the shipments where weigh scales exist. Greater importance is attached to the organizational steps required to make the enforcement system operational.

#### Highway and Railway Competition

31. Users are free to select the mode that best suits their requirements and there is no systematic allocation between modes. At present, railway freight rates and passenger fares are barely competitive with highway transportation. The tariff governing truck shipments for government customers set by the Government provides rates per ton-km that decline with distance, whereas railway freight rates per km are fixed. The need for a review of road and rail tariffs in relation to the respective costs of transportation was discussed during negotiations, and agreement was reached that the Government will undertake as part of a planned overall transportation survey (para 22), (a) an analysis of the transportation market in terms of each main commodity category and haul distance, (b) a study of the costs of competing road and rail services, and (c) a structuring of the respective tariffs, such as to ensure an economically sound division of the transportation market and avoid wasteful duplication of investment.

#### Previous Transportation Projects

32. The proposed project would be the third project for the highway subsector (Map IBRD 13262). Two IDA credits totaling \$22.3 million were allocated for construction of major arteries of the highway system, technical assistance to improve maintenance operations, supply of equipment and studies for the development of the highway network. Implementation on both projects has been slow, due primarily to revision of the design standards and alignments after signing of the loan agreements.

33. The first project was approved in 1963 and not completed until 1975. The Project Performance Audit Report of this project was distributed to the

Executive Directors on August 11, 1976. Despite the complete redesigning of the initial project (which involved only resurfacing) and increased costs, economic benefits have exceeded appraised forecast. The second project approved in 1972 is expected to be completed in 1981. Its implementation was seriously delayed, first by the 1973 war and then by the need to upgrade the designs of the project highways to take account of the changed economic circumstances. This led to substantial increases in costs. However, supplementary feasibility studies confirmed the economic justification of the upgraded highways. Other external donors provided most of the additional foreign exchange required, and the credit agreements have been amended accordingly. Implementation has however been complicated by the desire of the Government to use state-owned contractors, who have recently been established. On one section a state-owned company, who was awarded a contract after international competitive bidding, performed poorly when the scope of the work was enlarged from two-lane to four-lane highway. The Government, in agreement with the Association, gave the contractor permission to subcontract part of the works and strengthened the supervision to ensure proper quality of work. To prevent the recurrence of such problems, the Government agreed that all bidders for civil works will be pre-qualified (Section A.3 of Schedule 4 of Loan Agreement).

34. The proposed project is expected to provide further institutional improvement in the highways subsector, which has been considerable under the previous two projects. Implementation problems, which occurred mainly because of insufficient project preparation, have been dealt with by careful preparation of the project components and full involvement of the Borrower's staff in the preparation process.

#### PART IV - THE PROJECT

##### Background

35. The proposed project was appraised in September 1977. Negotiations were held in Washington in March 1978. The Syrian delegation was led by Mr. Nayal, Director at the State Planning Commission. The project is described in detail in the "Staff Appraisal Report of a Third Highway Project in the Syrian Arab Republic" (No. 1829a-SYR dated March 16, 1978), which is being circulated separately to the Executive Directors. Main features of project preparation and implementation are summarized in Annex III.

##### Project Objectives and Description

36. The proposed project supports the Government's objectives for the highway network's development in line with the current investment program, which gives emphasis on the completion of the main transportation axes, maintenance and improvement of the existing infrastructure to increase efficiency of the economy, and further development of the potentially most productive

sectors of the economy. It will help stimulate the development of agriculture and industry in the fertile and rapidly developing but thinly populated north-eastern region, and aims the further strengthening the Government's long-term planning capabilities.

37. The project comprises: (i) civil works consisting of pavement strengthening on sections totaling 250 km of the Damascus-Aleppo highway, construction of a 25.6 km bypass for the city of Homs, and of the 103 km Qantary-Tall Tamir section of the Aleppo-Tall Kojak highway; (ii) consultant services for construction supervision, and technical assistance for MOC; and (iii) equipment for highway inventory and traffic counting.

#### Civil Works

38. The pavement strengthening on sections totaling 250 km of the Damascus-Aleppo highway would provide the existing highway with a new asphalt concrete overlay, designed to accommodate traffic for the next decade. The existing pavement has deteriorated because of unexpectedly heavy traffic since opening, and overloading of trucks, which have greatly contributed to reducing the expected lifetime of the existing pavement (see para. 29). Initial steps have been taken to ensure enforcement of the existing regulations and the Government confirmed and assured that a system for enforcing these regulations will be set up and will be duly enforced within two years from signing of the loan (Section 4.03 of Loan Agreement).

39. The proposed bypass for the city of Homs consists of a 25.6 km four-lane highway with grade-separated interchanges on the western side of the city. It would connect with the four-lane highway to the port of Tartous now under construction, as well as provide a high standard link between the industrial plants west of Homs.

40. Construction of the 103 km Qantary-Tall Tamir highway section would provide a link where no road exists at present, as part of the Aleppo-Tall Kojak highway (500 km) that is designed to provide northeastern Syria potentially rich in agricultural and mineral resources with a high standard paved highway over the coming decade. The Government is contemplating building the entire highway in stages along with economic development of the region with financing from several sources. The proposed alignment was selected by the Government as the southern of the two alternatives studied, on the grounds that it makes maximum use of the existing network in the interim years and gives better access to the agricultural areas of the Balikh valley.

#### Consultant Services

41. The project also provides for consultant services of about 500 man-months for highway construction supervision of the Homs bypass and the Qantary-Tall Tamir section.



### Technical Assistance

42. The planning and programming capabilities of MOC would be further strengthened through the provision under the project of about 60 man-months of individual consultant services by a transportation economist and a traffic analyst, to assist the MOC in establishing an effective traffic and transportation economics unit in the Ministry. The Government agreed to allocate funds from UNDP sufficient to carry out this technical assistance. This will be implemented as a part of the current project.

### Project Cost and Financing

43. The total estimated cost of the project is \$113.6 million equivalent with a foreign exchange cost of \$58.0 million.

	US\$ Millions		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
Civil works	39.0	44.7	83.7
Consultant services	1.2	1.8	3.0
Equipment	0.0	0.2	0.2
Right-of-way acquisition	<u>3.7</u>	<u>0.0</u>	<u>3.7</u>
Subtotal	43.9	46.7	90.6
Physical contingencies	4.0	4.6	8.6
Expected price increases	<u>7.7</u>	<u>6.7</u>	<u>14.4</u>
Total	<u>55.6</u>	<u>58.0</u>	<u>113.6</u>

The cost estimates are based on quantities from detailed engineering, unit rates for similar works currently being carried out, and prevailing rates for consultant services. The foreign exchange cost for civil works is based on the assumption that two thirds of the contracts will be awarded to the domestic contracting industry after international competitive bidding, in which foreign contractors are expected to participate. The foreign exchange cost of consultant services is based on the assumption that the contracts will be awarded to foreign consultants at rates of about \$6,000 per man-month including overhead. Appropriate physical and price contingencies have been included.

44. The proposed loan will finance the full foreign exchange cost of the project and cover 51 percent of total costs. The Government will finance the local cost of \$55.6 million.

### Project Implementation

45. MOC will be responsible for project implementation. Its Department for Construction and Maintenance of Highways and Bridges will be in charge of all civil work construction. Civil works are expected to be implemented over

a period of 3-1/2 years starting early 1979, and the technical assistance in 1979-80. The Government has agreed to acquire all lands and right-of-way as needed for the timely implementation of the project (Section 3.07 of Loan Agreement).

#### Procurement

46. Civil works will be procured through international competitive bidding in accordance with the Bank's Guidelines for Procurement. Because of the complexity of works, bidders for the Homs Bypass and the Qantary-Tall Tamir highway section will be prequalified, while bidders for the pavement strengthening will be qualified at bidding by separate envelopes. Syrian state-owned companies are expected to participate in the bidding together with private domestic and foreign contractors. State-owned contractors are exempt from normal supervision by the employer. The Government agreed that all bidders, including state-owned companies, are required to accept normal supervision for the purpose of the project (Section A.4 of Schedule 4 of Loan Agreement). Consultants acceptable to the Bank will be engaged for construction supervision, and technical assistance, according to terms of reference and conditions satisfactory to the Bank.

#### Disbursements

47. Disbursements of the proposed loan would be made over a period of four years on the basis of:

- (i) 54 percent of total expenditures for civil works representing the estimated foreign exchange cost; and
- (ii) 100 percent of foreign expenditures on consultant services, technical assistance and supply of equipment.

Disbursements are expected to commence in early 1979 and extend through mid-1982.

#### Benefits and Risks

48. Road transportation will remain the principal means of inland transportation, and improvements to the highway network command a major share of transportation investments. Within the highway subsector, it is the primary network that is most in need of investment to keep it in balance with the demands placed on it. The proposed highways will meet the growing transportation demand in the main corridors which will remain the central area for Syria's future development. The Damascus-Aleppo highway is the backbone of the national highway network and its deterioration will hamper efficient transportation and hence economic development. Improvement of the road is urgent, or the cost of delaying it will become extremely high in terms of future investment cost and lost economic activities due to the deterioration. At the crossroads of the north-south and east-west axes, the roads surrounding Homs have been increasingly congested and are hampering smooth flow of goods

and services along the axes. The future development of the area to the east of Homs will add further to this traffic. The proposed Homs bypass would reduce the congestion in the city center, thereby increasing efficiency of transportation on the two highways and reducing adverse environmental effects on the city center. The Qantary-Tall Tamir section is the part of the highway which serves a region potentially rich in agriculture and mineral (oil) resources of northeastern Syria. Although it is a primary highway, it will partly improve the access to the agricultural areas and will stimulate agricultural output. It will be vital to the future development of the area since at present there is no effective means of connecting the area with the outside. It will also have an indirect impact on the development of the Euphrates Basin with which the Bank has been associated.

49. Direct benefits are measured in terms of avoided additional vehicle maintenance and tire wear cost resulting from the surface strengthening on the Damascus-Aleppo Highway and in terms of reduced vehicle operating costs, saved labor costs, and accidents on the Homs bypass and Qantary-Tall Tamir highway. Most of the vehicle-related benefits from the proposed civil works would accrue in the first instance to owners of trucks, private cars and buses, while the community would benefit from a substantially reduced accident toll. Since rates and fares are set in a generally competitive environment, it is expected that benefits from reduced costs will gradually be passed on to the customers of highway transportation services. Benefits from the civil works (93 percent of project costs) are estimated to yield a 52 percent economic return, with pavement strengthening yielding 76 percent, construction of the Homs Bypass 35 percent and of the Qantary-Tall Tamir road section 27 percent. Sensitivity analysis shows that even under the most pessimistic assumptions, the project would still yield a 32 percent of economic return. Benefits from the technical assistance have not been quantified, but they are expected to improve the overall planning and design capabilities of MOC.

50. The economic justification of the Qantary-Tall Tamir highway section, which would provide one of the missing links of the Aleppo-Tall Kojak highway, is based on the assumption that the Government will not build any other new highway serving the same origins and destinations that would nullify its economic justification. The Government agreed that no highway investments that would conflict with the economic justification of the project will be undertaken (Section 3.04 of Loan Agreement). No unusual risks are foreseen, although the risk of problems occurring in project implementation cannot be ignored.

#### PART V - LEGAL INSTRUMENTS AND AUTHORITY

51. The draft Loan Agreement between the Syrian Arab Republic and the Bank, and the draft Report of the Committee provided for in Article III, Section 4 (iii) of the Articles of Agreement of the Bank are being distributed separately. Features of the Agreement of special interest are described in Annex III.

52. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATION

53. I recommend that the Executive Directors approve the proposed loan.

Robert S. McNamara  
President

Attachments  
March 23, 1978  
Washington, D.C.

TABLE 3A  
SYRIAN ARAB REP. - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOU KM2)	SYRIA			REFERENCE COUNTRIES (1970)			
	TOTAL	1960	1970	MOST RECENT ESTIMATE	TUNISIA	TURKEY	ALGERIA**
TOTAL	185.2						
AGRIC.	124.2						
GNP PER CAPITA (US\$)		250.0*	450.0*	780.0*/a	370.0*	500.0*	530.0*
<b>POPULATION AND VITAL STATISTICS</b>							
POPULATION (MID-YR, MILLION)		4.6	6.3	7.7/a	5.0	35.6	13.4
POPULATION DENSITY PER SQUARE KM.		25.0	34.0	42.0/a	30.0	46.0	6.0
PER SQ. KM. AGRICULTURAL LAND		37.0	56.0	62.0/a	67.0	65.0	30.0
<b>VITAL STATISTICS</b>							
CRUDE BIRTH RATE (/THOU, AV)		46.6	47.6	45.4	44.7	40.6	50.0
CRUDE DEATH RATE (/THOU, AV)		20.1	16.2	15.4	16.9	14.4	18.4
INFANT MORTALITY RATE (/THOU)		145.8	123.1	112.5	125.0	153.0/a	50.7
LIFE EXPECTANCY AT BIRTH (YRS)		46.3	53.0	56.0	51.6	54.4/b,c	50.7
GROSS REPRODUCTION RATE		1.4	3.5	3.5	3.4	2.6/b,c	3.5
<b>POPULATION GROWTH RATE (%)</b>							
TOTAL		3.5	3.3	3.3	2.3/a	2.5	2.9
URBAN		4.2	5.0	4.5	3.0/b	4.9/d	4.4
URBAN POPULATION (% OF TOTAL)		37.0	43.5	46.2	40.1/c	38.7	35.6
<b>AGE STRUCTURE (PERCENT)</b>							
0 TO 14 YEARS		46.3	49.3	49.3	46.3	41.7	47.2/a
15 TO 64 YEARS		48.9	46.3	46.3	50.2	54.0	48.4/a
65 YEARS AND OVER		4.8	4.4	4.4	3.5	4.3	4.4/a
<b>AGE DEPENDENCY RATIO</b>							
ECONOMIC DEPENDENCY RATIO		1.0	1.2	1.2	1.0	0.9	1.1/a
<b>FAMILY PLANNING</b>							
ACCEPTORS (CUMULATIVE, THOU)		..	..	..	112.2	..	..
USERS (% OF MARRIED WOMEN)		..	..	..	12.0	8.2	..
<b>EMPLOYMENT</b>							
TOTAL LABOR FORCE (THOUSAND)		1100.0/ab	1600.0	1800.0	1300.0/c	1450.0/ef	2600.0/a,b
LABOR FORCE IN AGRICULTURE (%)		47.0/ab	47.8	49.9	57.0/c	67.0	50.0/a,b
UNEMPLOYED (% OF LABOR FORCE)		8.5	6.4	4.8	12.0/c	4.0/g	15.0/a
<b>INCOME DISTRIBUTION</b>							
<b>% OF PRIVATE INCOME REC'D BY-</b>							
HIGHEST 5% OF HOUSEHOLDS		..	..	..	..	32.8/h	..
HIGHEST 20% OF HOUSEHOLDS		..	..	..	..	60.8/h	..
LOWEST 20% OF HOUSEHOLDS		..	..	..	..	2.9/h	..
LOWEST 40% OF HOUSEHOLDS		..	..	..	..	9.4/h	..
<b>DISTRIBUTION OF LAND OWNERSHIP</b>							
% OWNED BY TOP 10% OF OWNERS		..	..	..	53.0	53.0	..
% OWNED BY SMALLEST 10% OWNERS		..	..	..	0.5	0.9	..
<b>HEALTH AND NUTRITION</b>							
POPULATION PER PHYSICIAN		4600.0	3860.0	3070.0	5950.0	2250.0	7860.0
POPULATION PER NURSING PERSON		6660.0	4500.0	5810.0	730.0/ef	1770.0/i	2730.0
POPULATION PER HOSPITAL BED		900.0	1010.0	980.0	410.0/g	500.0	340.0
<b>PER CAPITA SUPPLY OF -</b>							
CALORIES (% OF REQUIREMENTS)		102.0	98.0	104.0	94.0/h	110.0	78.0
PROTEIN (GRAMS PER DAY)		74.0	70.0	75.0/c	63.0/h	78.0	45.0
-OF WHICH ANIMAL AND PULSE		28.0	18.0/b	..	14.0/h	22.0/i	9.0/c
DEATH RATE (/THOU) AGES 1-4		..	4.1	..	1.5/c,j	14.7/k	12.0/a
<b>EDUCATION</b>							
<b>ADJUSTED ENROLLMENT RATIO</b>							
PRIMARY SCHOOL		65.0	89.0	101.0	100.0	109.0	75.0
SECONDARY SCHOOL		16.0	39.0	47.0	23.0	28.0	11.0
YEARS OF SCHOOLING PROVIDED (FIRST AND SECOND LEVEL)		12.0	12.0	12.0	13.0	11.0	15.0
<b>VOCATIONAL ENROLLMENT (% OF SECONDARY)</b>							
ADULT LITERACY RATE (%)		36.0/c	40.0	4.4/d	12.0/i	55.0/l	26.0
<b>HOUSING</b>							
PERSONS PER ROOM (URBAN)		2.1/c	..	..	2.7/c	1.9	2.8/a,b
OCCUPIED DWELLINGS WITHOUT PIPED WATER (%)		58.0/c	..	..	60.0/c	64.0	77.0/a
ACCESS TO ELECTRICITY (% OF ALL DWELLINGS)		38.0/c	41.7	..	24.0/c	41.0	34.0/a
RURAL DWELLINGS CONNECTED TO ELECTRICITY (%)		11.0/c	10.2	..	..	18.0	12.0/a
<b>CONSUMPTION</b>							
RADIO RECEIVERS (PER THOU POP)		57.0	224.0	374.0	77.0	89.0	52.0
PASSENGER CARS (PER THOU POP)		4.0	5.0	7.0	13.0	4.0	11.0
ELECTRICITY (KWH/YR PER CAP)		81.0	151.0	227.0	155.0	247.0	138.0
NEWSPRINT (KG/YR PER CAP)		0.2	0.2	0.1	0.1	0.7	..

SEE NOTES AND DEFINITIONS ON REVERSE

NOTES

(Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961, for 1970 between 1968 and 1970, and for Most Recent Estimate between 1973 and 1975.)

\* GNP per capita data are based on the World Bank Atlas methodology (1974-76 basis).

\*\* Algeria has been selected as an objective country on the basis of the similarity in the economic organizations of the two countries, with the leading role in capital formation assigned to the public sectors, and the similarity in the gross reproduction rate and age structure of the two populations, (as well as the distribution of population in urban areas, and the labor forces in agricultural employment).

SYRIA	1960	/a	6 years of age and over; /b Syrian population only; /c 1961-62.
	1970	/a	Ratio of population under 15 and 65 and over to total labor force; /b 1964-66; /c Including UNRWA schools.
	MOST RECENT ESTIMATE:	/a	1976; /b Ratio of population under 15 and 65 and over to total labor force; /c 1969-71 average; /d Including UNRWA schools.
TUNISIA	1970	/a	Due to emigration population growth rate is lower than the rate of natural increase; /b 1956-66; /c 1966; /d Ratio of population under 15 and 65 and over to total labor force; /e Covering 4.3 million hectares of private land, excluding 0.8 million hectares in public ownership, and 2.1 million hectares of collective land; /f Personnel in government services only; /g Government hospital establishments only; /h 1964-66; /i Excluding technical economy and technical industry; /j Registered only.
TURKEY	1970	/a	1967; /b Excludes 17 eastern provinces; /c 1965-67; /d 1965-70; /e Ratio of population under 15 and 65 and over to labor force age 15 and over; /f 15 years and over, excludes unemployed; /g Registered only; /h Disposable income; /i Including assistant nurses and midwives; /j 1964-66; /k 1967-68; /l Persons six years and over who tell the census takers that they can read and write.
ALGERIA	1970	/a	1966; /b Excluding military personnel in barracks, and 274,663 nationals abroad of whom 229,020 are economically active, also excluding 1,200,000 females mainly occupied in agriculture; /c 1964-66; /d Total, urban and rural.

R6, January 9, 1978

DEFINITIONS OF SOCIAL INDICATORS

Land Area (thou km<sup>2</sup>)

Total - Total surface area comprising land area and inland waters.

Arable - Most recent estimate of agricultural area used temporarily or permanently for crops, pastures, market & kitchen gardens or to lie fallow.

GNP per capita (US\$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1973-75 basis); 1960; 1970 and 1975 data.

Population and vital statistics:

Population (mid-year million) - As of July first; if not available, average of two end-year estimates; 1960, 1970 and 1975 data.

Population density - per square km - Mid-year population per square kilometer (100 hectares) of total area.

Population density - per square km of agric. land - Computed as above for agricultural land only.

Vital statistics

Crude birth rate per thousand, average - Annual live births per thousand of mid-year population; ten-year arithmetic average ending in 1960 and 1970, and five-year average ending in 1975 for most recent estimates.

Crude death rate per thousand, average - Annual deaths per thousand of mid-year population; ten-year arithmetic average ending in 1960 and 1970 and five-year average ending in 1975 for most recent estimates.

Infant mortality rate (/thou) - Annual deaths of infants under one year of age per thousand live births.

Life expectancy at birth (yrs) - Average number of years of life remaining at birth; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.

Gross reproduction rate - Average number of live daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.

Population growth rate (%) - total - Compound annual growth rates of mid-year population for 1950-60, 1960-70 and 1970-75.

Population growth rate (%) - urban - Computed like growth rate of total population; different definitions of urban areas may affect comparability of data among countries.

Urban population (% of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries.

Age structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population.

Age dependency ratio - Ratio of population under 15 and 65 and over to those of ages 15 through 64.

Economic dependency ratio - Ratio of population under 15 and 65 and over to the labor force in age group of 15-64 years.

Family planning - acceptors (cumulative, thou) - Cumulative number of acceptors of birth-control devices under auspices of national family planning program since inception.

Family planning - users (% of married women) - Percentages of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

Employment

Total labor force (thousand) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc.; definitions in various countries are not comparable.

Labor force in agriculture (%) - Agricultural labor force (in farming, forestry, hunting and fishing) as percentage of total labor force.

Unemployed (% of labor force) - Unemployed are usually defined as persons who are able and willing to take a job, out of a job on a given day, remained out of a job, and seeking work for a specified minimum period not exceeding one week; may not be comparable between countries due to different definitions of unemployed and source of data; e.g., employment office statistics, sample surveys, compulsory unemployment insurance.

Income distribution - Percentage of private income (both in cash and kind) received by richest 5%, richest 20%, poorest 20%, and poorest 40% of households.

Distribution of land ownership - Percentages of land owned by wealthiest 10% and poorest 10% of land owners.

Health and Nutrition

Population per physician - Population divided by number of practicing physicians qualified from a medical school at university level.

Population per nursing person - Population divided by number of practicing male and female graduate nurses, "trained" or "certified" nurses, and auxiliary personnel with training or experience.

Population per hospital bed - Population divided by number of hospital beds available in public and private general and specialized hospital and rehabilitation centers; excludes nursing homes and establishments for custodial and preventive care.

Per capita supply of calories (% of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day; available supplies comprise domestic production, imports less exports, and changes in stock; net supplies exclude animal feed, seeds, quantities used in food processing and losses in distribution; requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distributions of population, and allowing 10% for waste at household level.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day; net supply of food is defined as above; requirements for all countries established by USDA Economic Research Service provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein; these standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.

Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day.

Death rate (/thou) ages 1-4 - Annual deaths per thousand in age group 1-4 years, to children in this age group; suggested as an indicator of malnutrition.

Education

Adjusted enrollment ratio - primary school - Enrollment of all ages as percentage of primary school-age population; includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education, enrollment may exceed 100% since some pupils are below or above the official school age.

Adjusted enrollment ratio - secondary school - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational or teacher training instructions for pupils aged 12 to 17 years of age; correspondence courses are generally excluded.

Years of schooling provided (first and second levels) - Total years of schooling; at secondary level, vocational instruction may be partially or completely excluded.

Vocational enrollment (% of secondary) - Vocational institutions include technical, industrial or other programs which operate independently or as departments of secondary institutions.

Adult literacy rate (%) - Literate adults (able to read and write) as percentage of total adult population aged 15 years and over.

Housing

Persons per room (urban) - Average number of persons per room in occupied conventional dwellings in urban areas; dwellings exclude non-permanent structures and unoccupied parts.

Occupied dwellings without piped water (%) - Occupied conventional dwellings in urban and rural areas without inside or outside piped water facilities as percentage of all occupied dwellings.

Access to electricity (% of all dwellings) - Conventional dwellings with electricity in living quarters as percent of total dwellings in urban and rural areas.

Rural dwellings connected to electricity (%) - Computed as above for rural dwellings only.

Consumption

Radio receivers (per thou pop) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

Passenger cars (per thou pop) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearse and military vehicles.

Electricity (kwh/yr per cap) - Annual consumption of industrial, commercial, public and private electricity in kilowatt hours per capita, generally based on production data, without allowance for losses in grids but allowing for imports and exports of electricity.

Newspaper (kg/yr per cap) - Per capita annual consumption in kilograms estimated from domestic production plus net imports of newspaper.

SYRIA: ECONOMIC DEVELOPMENT DATA SHEET

	Actuals					Estimated		Projected		Annual Growth Rate					Percent of GDP	
	1966	1972	1973	1974	1975	1976	1977	1978	1980	1985	1966-72	1972-75	1975-76	1976-80		1980-85
<b>A. NATIONAL ACCOUNTS</b>																
(S1 million, 1975 prices)																
1. GDP	11985.0	17587.4	17613.5	18708.5	18855.1	20927.0	22303.8	23869.3	27330.4	36916.1	5.7	7.3	10.5	6.9	6.1	100.0
2. TT Adjustment (gains ->)	-1398.5	-1757.1	-969.4	-168.2	-	-	286.6	222.9	394.4	376.0	-	-	-	-	-	-
3. GDI	10586.5	15830.3	16651.1	18776.7	18855.1	20927.0	22392.2	24092.2	27434.8	37292.0	6.0	11.2	10.9	7.2	6.2	100.0
4. Imports	1965.2	3946.0	4485.3	5625.8	6994.1	9829.8	8672.6	9093.4	10630.7	12968.4	11.7	21.0	41.9	1.7	4.1	47.4
5. Exports	-2991.3	-4765.9	-5122.6	-4121.8	-4629.2	-4969.3	-4779.2	-4843.8	-5679.7	-8592.9	6.9	-1.0	7.3	3.4	8.7	-23.7
6. Exports, TT adjusted	-1592.8	-3008.8	-4160.2	-4290.0	-4629.2	-4969.3	-5067.9	-5066.6	-5984.2	-8968.8	9.5	15.4	7.3	4.8	8.4	-23.7
7. Resource gap, TT adjusted	352.4	937.2	296.1	1335.8	2364.9	4960.5	3604.6	4026.8	6466.5	3979.6	-	-	-	-	-	-
8. Total consumption	9298.4	12156.2	15000.2	15910.6	15099.0	19715.3	19506.0	21196.8	24628.8	32780.9	4.0	12.8	25.4	5.7	5.9	69.5
9. Private consumption	7515.4	9162.2	11469.3	11501.6	10955.0	14492.3	13930.0	15229.5	17796.2	23551.9	2.9	15.1	30.5	5.1	4.7	49.2
10. Government consumption	1783.0	2994.0	3531.9	4395.0	4144.0	5223.0	5575.9	5967.3	6832.6	9229.0	8.1	11.7	32.2	6.9	6.1	16.9
11. Gross fixed investment	1151.5	3037.3	2489.0	3307.9	3686.0	6297.0	6691.0	6922.1	7652.5	8090.7	14.8	23.0	10.7	5.9	5.7	30.0
12. Change in stocks	499.0	1574.0	-545.0	994.0	435.0	-125.0	-	-	-	-	17.8	-14.6	-	-	-	-0.5
13. Domestic savings, TT adj	1296.1	3675.0	1650.9	2966.1	3756.1	1211.7	3086.5	2895.3	3006.0	4511.1	16.1	5.4	-309.9	25.5	8.5	5.7
14. National savings, TT adj (incl. NCT)	1549.0	4441.9	4365.0	4730.8	6403.2	2849.3	5292.6	4937.5	4675.6	5573.2	16.3	0.4	-224.7	13.2	3.6	13.6
15. GDP	12012.3	18111.3	17962.4	18477.6	19046.6	20971.0	22245.3	23815.7	27177.0	36466.2	6.0	6.6	5.6	6.7	6.0	100.2
16. GDP (\$ million current prices)	1243.5	2360.4	2541.4	4197.3	5261.3	6323.3	7133.2	8568.2	11463.1	22710.8	9.6	36.0	20.1	15.8	14.6	-
17. GWP (\$ million current prices)	1283.3	2416.8	2587.6	4214.3	5308.7	6336.0	7391.0	8542.5	11374.4	22392.8	9.8	38.0	19.3	15.7	14.5	-
<b>B. SECTOR OUTPUT</b>																
(Share of GDP at constant prices)																
1. Agriculture	27.0	20.8	14.7	18.8	17.3	18.3	17.9	17.6	16.9	14.7	2.2	1.8	5.0	3.0	3.0	3.0
2. Industry	23.7	31.9	31.5	35.2	34.2	36.4	37.1	37.8	42.2	49.4	10.7	10.8	9.0	10.0	9.0	9.0
of which mining	0.2	11.4	11.4	12.8	16.0	15.0	14.2	13.6	12.0	9.7	87.0	21.0	-0.5	1.0	1.0	1.0
3. Other services	49.3	47.3	53.8	48.0	48.5	46.3	46.0	44.6	40.9	35.9	5.5	9.1	4.2	3.0	3.5	3.5
<b>C. PRICES</b>																
1. Export price index	21.6	31.5	41.6	88.5	100.0	105.9	115.4	122.6	143.0	198.6	-	-	-	-	-	-
2. Import price index	40.7	58.0	58.9	93.2	100.0	101.0	108.8	117.3	135.7	190.3	-	-	-	-	-	-
3. Terms of trade index	53.1	54.3	70.7	106.7	100.0	104.8	106.0	104.6	105.4	104.4	-	-	-	-	-	-
4. GDP deflator	39.8	51.2	55.1	83.5	100.0	117.8	129.6	140.0	163.3	227.6	-	-	-	-	-	-
5. Exchange rate (S1 per US\$)		3.820	3.820	3.722	3.700	3.900	3.950	3.950	3.950	3.950	-	-	-	-	-	-
<b>D. SELECTED INDICATORS</b>																
	1968-72	1972-75	1975-76	1976-80	1980-85	<b>E. LABOR FORCE (Thousand)</b>					1966	1970	1975			
1. ICOR	3.1	2.8	4.2	4.4	4.3	1. Agriculture (%)					51	51	51			
2. Import elasticity <sup>1/</sup>	1.37	1.44	3.8	0.3	0.6	2. Industry (%)					21	20	20			
3. Average national saving rate	17.4	24.7	23.6	20.6	17.4	3. Services (%)					28	28	29			
4. Marginal national saving rate	50.4	44.9	180.6	30.2	11.4	4. Total employment					1321	1471	1750			
5. Imports/GDI	24.0	28.8	42.5	38.2	36.7	5. Unemployment rate (%)					6.4	6.4	4.8			
6. Gross Fixed Invest./GDP	14.3	19.2	30.1	29.7	25.5	6. Total labor force					1424	1571	1839			
7. Resource gap/GDI	6.0	6.8	18.3	16.9	13.2											
<b>F. CENTRAL GOVERNMENT FINANCES</b>																
(Percent of GDP at current prices)																
1. Current revenues	17.8	21.5	27.6	27.5	33.8	27.5	23.0									
1.1 Tax revenue	10.7	10.8	11.1	9.6	14.4	11.2	10.9									
2. Current expenditures	15.1	19.3	23.1	20.5	26.5	24.4	22.9									
2.1 Defense expenditures	6.6	8.8	15.3	10.8	16.0	14.7	14.0									
3. Government savings	2.7	2.3	4.5	7.0	7.3	3.1	0.1									
4. Public investment	7.5	10.4	11.3	15.2	23.1	21.1	20.7									

<sup>1/</sup> The 1968-72 and 1972-75 import elasticities were derived from the constant National Accounts series in 1963 prices to make historical and projected import elasticities comparable.

**SYRIA: BALANCE OF PAYMENTS AND EXTERNAL ASSISTANCE**  
(Millions of US dollars; current prices)

	Actual		1974	1975	1976	Estimate		Projected						
	1972	1973				1977	1978	1979	1981	1982	1983	1984	1985	
<b>A. SUMMARY OF BALANCE OF PAYMENTS</b>														
1. Exports, incl. NFS	481.4	600.8	1061.4	1281.1	1346.9	1490.4	1608.5	1882.6	2014.0	3838.1	4612.1	4896.6	5896.6	6896.6
2. Imports, incl. NFS	499.1	687.0	1408.7	1890.5	2588.5	2850.5	2891.6	3380.9	4393.5	5431.7	6688.5	11317.3	11317.3	11317.3
3. Resource balance	-117.7	-86.2	-347.4	-609.4	-1221.6	-1060.1	-1276.0	-1508.3	-1579.5	-1893.6	-2046.4	-2778.7	-2778.7	-2778.7
4. Net factor services	59.5	46.3	17.1	51.7	11.3	-16.6	-19.4	-35.9	-102.0	-169.7	-259.1	-487.8	-487.8	-487.8
a. Net interest payments or which interest on public M and LT loans	-9.6	-5.1	-45.1	-3.3	-39.2	-74.7	-86.2	-112.5	-203.7	-304.1	-436.9	-845.4	-845.4	-845.4
b. Net investment income	-6.8	-4.5	-10.4	-16.9	-31.9	-47.7	-68.1	-98.5	-186.9	-289.2	-425.1	-846.7	-846.7	-846.7
c. Workers' remittances (net)	68.1	51.4	62.2	55.0	50.5	58.1	65.8	76.9	101.7	134.4	177.8	357.6	357.6	357.6
d. Other (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Current transfers (net)	58.0	370.6	424.6	663.7	410.7	620.3	620.3	620.3	645.6	696.2	721.5	721.5	721.5	
a. Public	49.2	363.1	415.9	653.1	400.2	569.6	569.6	569.6	569.6	569.6	569.6	569.6	569.6	
b. Private	8.3	7.5	8.9	10.5	10.5	50.6	50.6	50.6	76.0	126.6	151.9	151.9	151.9	
6. Current account balance	-1.3	330.7	94.6	76.0	-799.6	-456.4	-675.1	-923.6	-1035.8	-1367.1	-1584.0	-2545.0	-2545.0	
7. Private direct investment (net)	-	-	-	-	-	20.0	21.6	23.2	26.6	30.4	34.9	48.9	48.9	
Public M and LT Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	
8. Disbursements	76.5	88.5	133.7	262.3	656.9	758.2	868.6	989.1	1349.9	1814.2	2213.2	4025.4	4025.4	
9. Amortization	-35.3	-38.2	-61.5	-86.9	-96.9	-123.2	-134.7	-160.2	-324.7	-482.0	-624.5	-1442.1	-1442.1	
10. Net disbursements	41.2	50.3	72.2	175.4	560.0	635.0	733.9	828.8	1025.2	1362.0	1588.8	2983.0	2983.0	
Other M and LT Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	
11. Disbursements	-	-	-	-	-	18.0	31.4	33.9	38.8	44.5	50.9	71.4	71.4	
12. Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	
13. Net Disbursements	-	-	-	-	-	18.0	31.4	33.9	38.8	44.5	50.9	71.4	71.4	
14. Short-term capital (net)	17.0	-27.0	17.0	18.3	26.6	-	-	-	-	-	-	-	-	
15. Net use of IMF resources	6.5	6.5	-	-	-	-	-	-	-	-	-	-	-	
16. Capital n.e.i.	-56.1	-39.5	-25.0	-33.9	-139.0	-	-	-	-	-	-	-	-	
17. Change in net reserves (-=increase)	-7.2	-314.5	-158.7	-236.0	362.9	-196.5	-111.8	42.0	-41.0	-45.1	-53.0	-105.2	-105.2	
18. Level of net reserves (amount)	-84.6	259.9	418.6	398.0	15.2	211.7	323.5	281.4	364.6	450.8	552.7	839.3	839.3	
19. - month's imports	-	4.8	3.6	2.4	0.1	1.0	1.3	1.0	1.0	1.0	1.0	1.0	1.0	
<b>B. GRANT AND LOAN COMMITMENTS</b>														
1. Official grants	49.2	363.1	415.9	663.1	400.1	569.6	-	-	-	-	-	-	-	
2. Total public M + LT loans	119.1	136.3	494.8	844.6	1091.8	720.5	-	-	-	-	-	-	-	
a. IBRD	-	-	88.0	80.6	80.5	78.5	-	-	-	-	-	-	-	
b. IDA	13.8	15.0	10.0	-	-	-	-	-	-	-	-	-	-	
c. Other multilateral	-	-	-	-	-	13.0	-	-	-	-	-	-	-	
d. Governments	70.0	33.9	299.7	718.6	668.8	525.2	-	-	-	-	-	-	-	
of which:														
- Centrally planned economies	66.6	33.4	233.2	330.7	186.4	162.1	-	-	-	-	-	-	-	
- OECD	-	-	51.6	94.2	-	108.1	-	-	-	-	-	-	-	
- OPEC	2.9	-	12.8	289.7	-	255.1	-	-	-	-	-	-	-	
e. Suppliers' credits	35.3	89.3	68.0	46.5	37.9	96.9	-	-	-	-	-	-	-	
f. Commercial banks	-	-	29.2	-	-	-	-	-	-	-	-	-	-	
g. Commitments n.e.i.	-	-	-	-	241.9	6.9	-	-	-	-	-	-	-	
3. Other M LT Loans (where available)	-	-	-	-	-	30.0	-	-	-	-	-	-	-	
<b>C. MEMO ITEMS</b>														
1. Grant element of total commitments (%)	38.7	28.6	34.9	40.4	79.7	63.7	-	-	-	-	-	-	-	
2. Average interest (%)	3.0	4.0	4.3	2.7	5.0	4.2	-	-	-	-	-	-	-	
3. Average maturity (years)	15.1	13.1	18.7	16.3	10.0	16.7	-	-	-	-	-	-	-	



SYRIA: EXTERNAL DEBT AND CREDITWORTHINESS

	Actual					Estimate	
	1970	1972	1973	1974	1975	1976	1977
<b>A. MEDIUM AND LONG TERM DEBT (DISBURSED ONLY)</b> (in million US dollars)							
1. Total debt outstanding (DOD; end of period)		335.3	411.2	501.8	655.2	1215.2	1776.6
2. Including undisbursed		521.0	652.9	1109.7	1836.8	2768.7	3233.1
3. Public debt service		42.0	46.7	71.9	103.8	128.8	169.9
1. of which interest		6.7	8.5	10.4	16.9	31.9	46.7
4. Other M + LT debt service					0.0	0.0	0.0
5. Total debt service					103.8	128.8	170.0
<b>B. DEBT BURDEN</b>							
1. Debt service ratio <sup>1/</sup>		8.7	7.7	6.7	8.3	9.6	12.1
2. Debt service ratio <sup>2/</sup>		7.6	7.1	6.3	7.9	9.2	11.6
3. Debt service/GDP		1.7	1.8	1.7	2.0	2.0	2.3
<b>C. TERMS</b>							
1. Interest on Total DOD/Total DOD		2.9	2.9	3.1	2.6	2.6	2.6
2. Total debt service/Total DOD		18.1	15.9	21.5	15.8	10.6	9.4
<b>D. DEPENDENCY RATIOS FOR M + LT DEBT</b>							
1. Gross disbursements /imports (incl. NFS)		12.7	12.8	9.5	13.9	25.6	31.3
2. Net transfer/ Imports (incl. NFS)					8.4	20.2	24.2
3. Net transfer/ Gross disbursements					60.4	80.4	77.3
<b>E. EXPOSURE</b>							
1. IBRD disb./Gross total disb.		-	-	-	1.4	3.2	5.5
2. Bank Group Disb./Gross total disb.					1.9	4.7	6.2
3. IBRD DOD/Total DOD		-	-	-	0.5	2.0	3.5
4. Bank Group DOD/Total DOD					2.0	3.6	4.9
5. IBRD Debt service/Total debt service		-	-	-	0.7	0.9	2.1
6. Bank Group Debt Service/total debt service					0.9	1.2	2.2
<b>F. EXTERNAL DEBT (DISBURSED ONLY)</b> (in million US dollars)							
		OUTSTANDING DEC. 31, 1976					
		AMOUNT	PERCENT				
1. IBRD		24.4	2.0				
2. Bank Group		43.5	3.5				
3. Other multilateral		0.0	-				
4. Governments		782.6	64.4				
1. of which centrally planned economies		457.0	37.6				
5. Suppliers		117.6	9.6				
6. Financial institutions		29.6	2.4				
7. Bonds		0.0	-				
8. Public debt NEI		241.9	19.9				
9. Total public M + LT Debt		1215.2	100.0				
10. Other M + LT Debt		-	-				
11. Total Public Debt (incl. undisbursed)		2768.7	227.8				
12. Total M + LT Debt (incl. undisbursed)		2768.7	227.8				
<b>G. DEBT PROFILE</b>							
1. Total debt service 1977-81/Total DOD End of 1977 = 1.25							

<sup>1/</sup> excluding workers remittances (total debt service)  
<sup>2/</sup> including workers remittances (Public debt service only)

March 2, 1978  
EMENA CP II-C

STATUS OF BANK GROUP OPERATIONS IN SYRIA

A. Statements of Bank Loans and IDA Credits  
(As of March 20, 1978)

<u>Number</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>US\$ Million</u>		
				<u>Bank</u>	<u>IDA</u>	<u>Undis- bursed</u>
46	1963	Syrian Arab Republic	Highways		8.5	-
298	1972	Syrian Arab Republic	Highways		13.8	12.9
401	1973	Syrian Arab Republic	Water Supply		15.0	4.3
469	1974	Syrian Arab Republic	Irrigation		10.0	0.0
975	1974	Syrian Arab Republic	Irrigation	63.0		59.3
986	1974	Etablissement Public d'Electricite	Electricity	25.0		0.0
986-1	1975	Etablissement Public d'Electricite	Electricity	8.6		7.3
1144	1975	Etablissement Public d'Electricite	Electricity	72.0		38.5
1241	1976	Syrian Arab Republic	Water Supply	35.0		22.1
1261	1976	Etablissement Public des Telecommunications	Telecommuni- cations	28.0		27.3
1311	1976	Syrian Arab Republic	Livestock	5.0		5.0
1312T	1976	Syrian Arab Republic	Livestock	12.5		12.5
1458	1977	Syrian Arab Republic	Water Supply	50.0		50.0
1480	1977	Syrian Arab Republic	Education	<u>20.0</u>		<u>20.0</u>
TOTAL				319.1	47.3	259.2
of which has been repaid				<u>0</u>	<u>.4</u>	
Total now outstanding				<u>319.1</u>	<u>46.9</u>	
Amount sold				1.0	0	
of which has been repaid				<u>0</u>	<u>0</u>	
Total now held by Bank and IDA /1				<u>318.1</u>	<u>46.9</u>	
Total undisbursed				<u>242.0</u>	<u>17.2</u>	<u>259.2</u>

B. Statements of IFC Investments: None

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/1 Prior to exchange adjustments.

C. Project In Execution 1/

Credit 298 - Second Highway Project; US\$13.8 million Credit of April 17, 1972; Date of Effectiveness: February 2, 1973; Closing Date: June 30, 1978

Project implementation started in 1975 after an initial delay due to the unfavorable political situation in the region. In July 1975, after several contracts had been awarded, the Government decided to upgrade the project roads to four-lane standards. Economic studies indicated the upgrading to be economically justified. The Association agreed to the upgraded roads after reviewing final cost estimates, based on detailed engineering. Government has called bids for the additional works on the Homs-Tartous road and is presently negotiating addenda to the contracts with the contractors for the construction of the Damascus-Lebanese border road. Agreement for financing of construction of the Damascus-Jordanian border road has been reached between the Government and USAID. This section will, therefore, be deleted from the project. The Government has requested to reallocate IDA funds for the construction of the Damascus-Lebanese border road and Tall Kalakh section of Homs Tartous road, to four-lane standards. The rest of the works will be financed by the Saudi and Kuwait Funds. Amendment to credit agreement is being prepared.

Credit 401 - Damascus Water Supply Project; US\$15 million Credit of June 22, 1973; Date of Effectiveness: February 20, 1974; Closing Date: December 31, 1978

Initial delays in project implementation of about two years were caused by the unfavorable political situation in the region. A revision of the project description was required as a result of considerable cost overruns and was approved by the Board on May 28, 1975. This permitted work to proceed on an urgent phase of distribution. Work is now proceeding in accordance with the contract schedule with about 50 percent of the works completed to date. No further delays are anticipated. Consultants have begun the pollution control studies for Damascus, Homs and Hama.

Credit 469/Loan 975 - Balikh Irrigation Project; US\$10 million Credit and US\$63 million Loan of April 10, 1974; Date of Effectiveness: September 12, 1974; Closing Date: June 30, 1982

After initial delays during the procurement stage, progress on the works being implemented by Syrian Government organizations for the development

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1/ These notes are designed to inform the Executive Directors regarding the progress of projects in execution and, in particular, to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

of the first 10,000 ha has been slow due to technical and managerial difficulties. The Bank agreed with the Ministry of Euphrates request to continue financing the full foreign exchange component of the four contracts so far awarded for the development of the 10,000 ha, provided that the Government will have recruited consultants for supervision of construction of ongoing works and for the review of design of hydraulic structures in gypsiferous soils by February 28, 1978 as stipulated in the Loan Agreement. The Government has decided to postpone implementation of the remaining part of the project until completion of the ongoing revision of the overall Balikh Basin development. The financing plan for the whole project will be submitted after completion of this study. Settlement in the Balikh area is still under study by the Government.

Loan 986 - Mehardeh Power Project; US\$25 million Loan of May 23, 1974 and Supplementary Loan of US\$8.6 million of June 4, 1975; Dates of Effectiveness: January 30, 1975 and January 19, 1976; Closing Date: June 30, 1979

The project consists of the first 150-MW unit of new steam-electric power station at Mehardeh; eight 230-kV substations, consultant services and training. The project is co-financed by a US\$33 million loan from Kuwait Fund, including a second portion of US\$15 million to cover the considerable cost overruns. Although main contracts were awarded about five months late and a further delay of about two months was caused due to a temporary lack of cement, physical progress is satisfactory and the final delay is expected to be minimal. Institutional progress is expected to remain slow due to lack of experienced personnel and the time required to train intermediate executive staff.

Loan 1144 - Second Mehardeh Power Project; US\$72 million Loan of July 18, 1975; Date of Effectiveness: January 19, 1976; Closing Date: June 30, 1980

The project comprises a second 150-MW steam generating unit at Mehardeh, construction of six and extension of two 230-kV substations, a new office building, organization and accounting studies and training. Construction of the power plant is progressing satisfactorily although a delay of about two months occurred due to a temporary lack of cement; the final delay is expected to be minimal. Construction of the new head office building has been delayed by about one year because the Government is reconsidering its size. Institutional progress is expected to remain slow due to lack of experienced personnel and the time required to train intermediate executive staff.

Loan 1241 - Second Damascus Water Supply Project; US\$35 million Loan of June 9, 1976; Date of Effectiveness: January 31, 1977; Closing Date: December 31, 1980

The project, which is co-financed by the Arab Fund and USAID, provides for the supply components of Damascus' water system and for training. Work is proceeding on schedule on the contract for the tunnel, underground

cutoff and supply reservoir, which are financed by the Bank. A close coordination of the works financed by the various donors under this project and of the works financed under the first project will be required to permit the timely link-up of the various components of the supply and distribution system and to minimize expected delays in implementation of the project components financed by other donors.

Loan 1261 - Telecommunications Project, US\$28 million Loan of June 9, 1976;  
Date of Effectiveness: March 15, 1977; Closing Date: June 30, 1979

The project consists of the most urgent works of the telecommunications investment program for the period 1976-78, including the installation of telephone connections, trunk exchanges and teleprinters; and expansion of long distance and international facilities; and a training center. Procurement is well underway on a number of contracts.

Loans 1311/1312T - First Livestock Development Project; US\$5 million Loan and US\$12.5 million Third Window Loan of July 22, 1976; Date of Effectiveness: March 20, 1978; Closing Date: December 31, 1982

The project provides for a strengthening of the organizational framework for feed policies and animal health services as well as credit to sheep farmers and cooperatives.

Loan 1458 - Aleppo Water Supply Project; US\$50 million Loan of June 30, 1977;  
Date of Effectiveness: March 2, 1978; Closing Date: December 31, 1982

The project consists of constructing a 75 Km transmission line and associated pumping facilities from Lake Assad to Aleppo, treatment plant expansion and extension and improvements to existing trunk distribution system. Engineering services for improvements of the sewer systems in Aleppo and Latakia and technical assistance to the State Planning Office and public construction enterprises.

Loan 1480 - First Education Project; US\$20 million Loan of September 14, 1977;  
Date of Effectiveness: February 9, 1978; Closing Date: December 31, 1982

The project provides for the construction, furnishing and equipping of five primary teacher training colleges, an intermediate teacher training institute, three intermediate technical institutes and two vocational training complexes. The project also provides for the preparation of curricula for the technical institutes, the establishment of suitable mechanism for coordinating vocational training and technical education, the development of craft programs and the provision for 33 man-years of fellowships and overseas training. Project implementation is proceeding satisfactorily.

SUPPLEMENTARY PROJECT DATA SHEET

Section I: Timetable of Key Events

- |  |                            |
|--|----------------------------|
| (a) Time taken by the country to prepare the project:  | About two years            |
| (b) The agency which has prepared the project:   | Ministry of Communications |
| (c) Date of first presentation to the Bank and date of the first Bank mission to consider the project: | June 1976, May 1977        |
| (d) Appraisal mission departure:   | September 1977             |
| (e) Negotiations completed:  | March 1978                 |
| (f) Loan effectiveness planned:  | August 1978                |

Section II: Special Bank Implementation Actions

None.

Section III: Special Conditions in the Loan Agreement

The Borrower gave assurances that:

- (i) within two years from signing the loan agreement, a system to ensure loading regulations will be set up and duly enforced (para. 38);
- (ii) bidders to be qualified for award of contracts for civil works will be required to accept normal supervision by the borrower or consultants employed by it (para. 46); and
- (iii) no highway investment will be undertaken that would conflict with the economic justification of the Qantary-Tall Tamir highway section (para. 50).

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