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Report No. P-2369-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 AN

OILSEED PROCESSING PROJECT

November 2, 1978

CURRENCY EQUIVALENTS
(as of January 31, 1978)

Currency Unit	=	Syrian Pound (LS)
LS 3.95	=	US$1.00
LS 1.00	=	US$0.253
LS 1,000,000	=	US$253,165
US$1,000,000	=	LS 3,950,000

Fiscal Year

January 1 - December 31

LIST OF ABBREVIATIONS

CMO	=	Cotton Marketing Organization
FAO/CP	=	Food and Agriculture Organization of the United Nations - Cooperative Programme
GOC	=	General Organization for Consumers
GOF	=	General Organization for Feed
GOFI	=	General Organization for Food Industry
MAAR	=	Ministry of Agriculture and Agrarian Reform
SICVO	=	Syrian Industrial Company for Vegetable Oils
UN	=	United Nations
UNDP	=	United Nations Development Program
USAID	=	United States Agency for International Development

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SYRIAN ARAB REPUBLIC

OILSEED PROCESSING PROJECT

LOAN AND PROJECT SUMMARY

Borrower: Syrian Arab Republic.

Beneficiary: Syrian Industrial Company for Vegetable Oils (SICVO).

Amount: US$21 million.

Terms: Amortization in 17 years, including 4 years grace at 7.35 percent per annum.

Relending Terms: The Government would relend the equivalent of $21 million to SICVO for 17 years, including 4 years of grace, at 9 percent per annum.

Project Description: The Project aims at rationalizing Syria's state-owned oilseed processing industry by improving the technical efficiency of existing plants and increasing total processing capacity. A factory with a daily capacity to process 300 m tons of cottonseed equivalent would be constructed and equipped at Deir ez Zor; two existing factories in Aleppo would be modernized by the provision of solvent extraction process equipment and a third factory modified; and technical assistance for engineering and design, supervision of construction, test runs and initial operation, training Syrian technicians and a study of the vegetable oil subsector would be provided. At full development vegetable oil processing efficiency and capacity would be increased resulting in an annual gross incremental value of production of $17.4 million and net foreign exchange savings of $5.6 million. The financial benefits would accrue to the Government; the incremental oil production would benefit Syrian consumers who would be able to purchase larger quantities of vegetable oil, while increased by-products would benefit some 500,000 livestock farmers by providing a relatively inexpensive supply of feed for the dry season. A failure to increase the availability of oilseeds is the principal risk faced. Technical risks are negligible since processes are tested and proven.

Estimated Costs:

	(US$ millions) Local	Foreign	Total
Civil Works	4.0	1.8	5.8
Equipment and Machinery	1.9	12.9	14.8
Installation and Equipment	2.2	-	2.2
Engineering and Supervision	-	1.2	1.2
Technical Assistance and Training	0.1	0.4	0.5
Working Capital	3.1	-	3.1
Contingencies			
Physical	1.0	1.9	2.9
Price	5.5	2.8	8.3
Interest During Construction	1.5	3.5	5.0
Total Project Cost	19.3	24.5	43.8

Financing Plan:

	Local	Foreign	(US$ millions) Total	Percent
Government Equity in GOFI/SYCVO	8.8	-	8.8	20
SICVO Contribution	1.5	3.5	5.0	11
Loan from Public Debt Fund	9.0	-	9.0	21
IBRD Loan	-	21.0	21.0	48
Total	19.3	24.5	43.8	100

Estimated Disbursements:

	FY79	FY80	(US$ millions) FY81	FY82	FY83
Annual	0.2	7.5	8.9	3.1	1.3
Cumulative	0.2	7.7	16.6	19.7	21.0

Estimated Completion Date: December 31, 1982

Rate of Return: 33 percent

Staff Appraisal Report: No. 2139-SYR of November 2, 1978

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT OF THE IBRD TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN TO THE SYRIAN ARAB REPUBLIC FOR AN OILSEED PROCESSING PROJECT

1. I submit the following report and recommendation on a proposed Bank loan of US$21 million equivalent to the Syrian Arab Republic to help finance an Oilseed Processing Project. The loan would have a term of 17 years, including 4 years of grace, with interest at 7.35 percent per annum. The proceeds of the loan would be relent to the Syrian Industrial Company for Vegetable Oils (SICVO) for 17 years including 4 years of grace, with interest at 9.0 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, whose report will be discussed with the Government in December 1978, and on a brief updating mission which visited Syria in July 1978. Country data sheets based on macroeconomic projections made in March 1978, 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.

1/ This part is essentially identical, except for updated statistics, to paragraphs 2-15 of the President's Report No. 2200-SYR on a Loan to the Syrian Arab Republic for a Third Highway Project, dated March 23, 1978.

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). Recent Governments have attempted to implement new economic policy directives, strengthen economic management, and tighten controls over investment decisions in the public sector. The Government'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, calls for improvements in management of the public sector and attempts 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 calls 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 temporary decline in Arab aid (in 1976) 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. With the constraints on resource availability that emerged, however, the Government decided not to implement the Plan fully and to limit its investment program for 1977-80 mainly to ongoing projects. Further revisions of the public investment program for 1979-80 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 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 diet 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 the Third Plan period, 1971-75, is estimated at close to the 8 percent target level. 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 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, and to about 1.1 percent in 1977, as agricultural output declined in 1977 due to unfavorable weather. The budget deficit continued to increase from LS 3.0 billion in 1975 to LS 4.3 billion in 1976, and to about LS 6.0 billion in 1977, and is expected to amount to LS 7.0 billion in 1978 implying no government savings. The balance of payments, reflecting similar trends, moved from a current account surplus of $76 million in 1975 to a deficit of about $800 million in 1976, and external reserves fell in 1976 by $353 million. In 1977, however, an increase in official transfers from abroad (from $400 million in 1976 to $570 million in 1977), served to reduce the current deficit to $456 million, and permitted an increase in reserves of almost $200 million. In 1978, domestic and external financial pressures are likely to be aggravated.

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 and 1978 budgets have been held essentially to 1976 levels, and public investment has temporarily

been restricted 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 fruit 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 is being implemented during the 1977-80 period. This new level of investment is 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 $675 million in 1976 to about $1 billion 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 $1,830 million ($3,366 including undisbursed) of which around 80 percent was held by Governments (37 percent, OPEC; and 43 percent, centrally planned economies), and about 9 percent by multilateral organizations. 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 11.5 percent in 1977 to 16 percent by 1980, and then to 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 $47.3 million and twelve loans totalling $417.1 million (including one loan of $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 September 30, 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 highways originally included in the project. Disbursements of Bank loans had reached, as of June 30, 1978, 62 percent of appraisal estimates and 77 percent of revised estimates. The Bank has agreed with the Government to hold semi-annual reviews to define steps for improving project implementation.

18. Lending for infrastructure has accounted for over two-thirds of Bank Group lending to Syria. 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 (see para. 30 below).

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 also envisaged 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 and sewerage). A Regional Electrification Project and a Third Highway Project were approved by the Board in March 1978. A Lower Euphrates Drainage project providing for

drainage and rehabilitation of salt-affected lands in the Lower Euphrates has already been appraised and is awaiting negotiations. Projects under preparation include education, rainfed agriculture, water supply and sewerage, and telecommunications facilities. A finished products pipeline project is also under consideration.

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 AGRICULTURAL SECTOR

21. Syria has a land area totalling 18.5 million ha of which about 6 million are cultivated. It is considered to have one of the best agricultural potential in the Middle East. About 530,000 ha are presently under irrigation and the potential exists for doubling this area with the availability of irrigation water from the Euphrates Dam. Cotton and wheat are major crops in irrigated areas. Annual agricultural production from rainfed lands varies greatly as a result of the highly erratic distribution of rainfall. The main rainfed crops are cereals, and secondary crops include olives, fruits and oilseeds. Livestock is an important subsector.

22. Agriculture accounts on average for a quarter of GDP, varying between 19 percent and 36 percent in recent years. It provides over one half of total employment. Despite a relative decline in agriculture's share of GDP following the rapid increase in the value of petroleum exports, it is still a key sector in the economy, although its development has been neglected. Its sluggish growth, averaging about 2 percent annually, has become a constraint to overall national development. Agricultural exports which account for about 60 percent of the value of exports excluding petroleum have stagnated with cotton lint, the single most important agricultural export accounting for three quarters of the total by value. Agricultural imports have shown some tendency to increase. Syria has now become a consistent net importer of wheat and sugar. Very high population pressure (3.3 percent annual increase) will place increasing demands on the agricultural sector, and production will have to increase rapidly during the next decade to provide self-sufficiency in food, notably cereals and sugar, raw materials for industry (cotton), and possibly an export surplus.

Agricultural Policy and Planning

23. Agricultural policy is carried out through a system of laws and controlled prices with the overall objective of self-sufficiency in food production. Three key policy issues limit the growth of agricultural production: (i) the relationship between physical production targets and pricing policy; (ii) lack of institutional capability; and (iii) poor allocation of investments. To meet specified annual production targets, Law 14 of 1975

obliges farmers to follow specific cropping patterns set by the Government. Prices are controlled for most agricultural commodities including cereals, sugar beet and cotton. The controlled price system is regarded principally as a tool of social policy for income distribution and subsidy purposes rather than as a means of adjusting agricultural production. In the recent past, farmgate prices paid by the State Monopoly agencies for most crops, with the notable exception of seed cotton, have been well below the equivalent border price in international trade, while the increased cost of inputs has reduced the financial incentive for farmers to produce more.

24. More and better agricultural data and trained manpower are needed by the Government to prepare the detailed operational production plans of a successful centrally-controlled production system. The research and extension activities of the Ministry of Agriculture also require reinforcement to increase their effectiveness in helping farmers raise production. The same applies to the Agricultural Cooperative Bank, the sole institutional source of farm credit and of physical supply of farm inputs. Investments within the agriculture sector have not always been sufficiently responsive to policy objectives resulting in some misallocations. For instance, there has been too great an emphasis on major infrastructure in the Euphrates Valley and too little on the complementary investments needed to obtain full production from new and existing infrastructure. The policies described above have resulted in an outflow of capital from the agricultural sector and have caused the Government to initiate a major review of its agricultural policy and planning mechanism. A dialogue has been opened with farmers which is likely to result in the introduction of incentives and some liberalization of the private sector.

The Oilseed Subsector

25. The main sources of raw materials for vegetable oil in Syria are olives and cottonseed. Moderate amounts of sesame are produced and the potential exists for the development of sunflower, soya, and oilseed rape. Olive oil is a quality product sold at premium prices mostly for salads and uncooked vegetables. It can be considered largely independent of other vegetable oils in Syria. Its production and processing operate within a free market system. Other vegetable oils, principally cottonseed oil, are directly used for frying and baking or are transformed into shortening and margarine.

26. The production of cotton and hence, cottonseed, expanded rapidly in the late 1950's and early 1960's. Hasakeh, Deir ez Zor, and Raqqa in the east and north account for 60 percent of the national harvest. Other major producing centers are Hama and Aleppo. Since the mid 1960's, cotton production has levelled off with increases in yield being offset by decreases in area under cultivation (30 perèent during 1970-76), due to increases in wheat acreage and salinity problems in the Euphrates basin. However, the reduction in area planted is now believed to have been arrested and at present production costs and prices, remains attractive to farmers giving somewhat higher returns than wheat or sugar beet. Given future irrigation plans and anticipated yield increases, the prospects are for cotton production to increase

at about 3 percent per annum over the next decade yielding an annual cottonseed production of about 250,000 m tons in 1983.

27. There is presently a mismatch between the main cotton producing and processing capacities. The latter is heavily concentrated in Aleppo (about 60 percent), necessitating the transportation of a large part of the cotton production from the Northeast to Aleppo for processing. Plans are underway to correct this imbalance through the construction of two new ginneries in Hasakeh and increasing the capacity of an existing plant in Deir ez Zor. This would increase the availability of cottonseed by about 75,000 m tons per annum. Cottonseed processing facilities are mostly located in the vicinity of the ginnery plants. About 90 percent of cottonseed oil processing capacity is part of the General Organization for Food Industry (GOFI) group controlled by the Ministry of the Industry. Most of the plant equipment is old and often suffers from poor maintenance. As a result efficiency is low.

28. Cottonseed oil is classified as a vital food commodity. It is distributed to the public by the General Organization for Consumers (GOC), which is controlled by the Ministry of Supply, in rationed quantities and at controlled prices ranging from LS 1.60/kg unpacked to LS 1.89/kg in 900 gms plastic bottles, about one half the economic price. The per capita ration allowance is 250 gm per month, equivalent to 3 kg per year. Recently the Government increased from about LS 2.75/kg to LS 4.50/kg the price at which cottonseed oil not distributed under the ration scheme is sold to private, commercial and industrial users. This decision, which prices non-rationed cottonseed oil at the same level as imported soybean oil, may have far-reaching positive effects on producers' revenues, as such sales typically account for 40 percent of total sales.

29. Per capita oil consumption in Syria has remained at about 5 kg of olive oil and 4.1 kg of other vegetable oils due to supply constraints on both production and imports. This compares with an average per capita consumption of vegetable oils and fats of about 28 kg per annum for the EEC countries. Projections call for increased per capita consumption of vegetable oils, other than olive oil, of about 6 kg per annum by 1990. This would bring total annual demand for such vegetable oils from about 33,000 m tons in 1973 to 69,000 m tons in 1990.

Performance Under Previous Projects

30. The Bank has financed two projects in the agricultural sector, the Balikh Irrigation and Rural Development Project (Loan No. 975-SYR, Credit No. 469-SYR) and the First Livestock Development Project (Loan Nos. 1311/1312T-SYR) (para. 18 above). Despite delays in the appointment of consultants and procurement problems of the Balikh Project, works are now progressing on the first 10,000 ha section and the construction of a factory for prefabricated flumes. However, difficulties remain and the Government has halted work on the remainder of the Project to review the general planning of canals in the gypsiferous soils of the Balikh area. Execution of the Livestock Project was initially held up by delays in recruiting consultants, who have now been recruited. The Government has also been slow in funding the National Feed

Revolving Fund which is the critical element in stabilizing and increasing sheep production, especially in the more arid regions of Syria.

31. Future agricultural projects in the lending program include both rainfed and irrigated projects. Within the irrigation subsector, the proposed Lower Euphrates Drainage Project and a subsequent irrigation rehabilitation project in the Lower Euphrates Valley, would concentrate on reclaiming land for irrigation, and on increasing farm level production through agricultural research, extension and the provision of inputs. A proposed irrigation development project in the Northeast would provide low cost supplementary irrigation from groundwater, which would increase farm incomes in a traditionally rainfed farming area.

PART IV - THE PROJECT

Background

32. The proposed Project, the first Bank involvement in the agro-industry sector in Syria, was identified in June 1976 by an IBRD/FAO Cooperative Programme (FAO/CP) mission. An FAO/CP preparation mission visited Syria in January 1977. Its report was discussed with the Government in May 1977, during which it was agreed that the Bank would undertake a study of the vegetable oil subsector in order to improve its long-run economic efficiency. Complementary technical studies were completed late in 1977. The Project was appraised in February/March 1978. Negotiations were held in Washington from September 21 to 29, 1978. The Syrian delegation was headed by Dr. Ismail, Director at the State Planning Commission. A Staff Appraisal Report No. 2139-SYR dated November 2, 1978 is being distributed separately.

Project Objectives

33. The Project aims at rationalizing the state-owned oilseed processing industry by improving its technical efficiency and increasing its capacity. It would address basic issues in the oilseed processing subsector where additional investments are a high ranking priority in view of an increasing deficit in edible oils and of the importance of cotton as a major agricultural commodity. The Project would also include a study to set out the basis for further expansion of the subsector after 1983.

34. The Project includes investments to modernize and rationalize three factories in Aleppo in the northwest and to construct a new factory in Deir ez Zor in the northeast, two cities that are to become the major poles of development for the oilseed processing industry because of their location close to cotton producing and ginning areas. Continuous flow solvent extraction process equipment would be installed at two of the Aleppo factories and at Deir ez Zor, which would permit the rate of oil extraction to be increased from about 14 to over 17 percent without decreasing the value of the cotton cake by-product as a high protein livestock feed. The additional processing capacity would allow obsolete factories in Damascus, Homs and Lattakia to be

closed down so that about 94 percent of the remaining oilseed processing capacity would be operating with the more efficient solvent extraction process.

35. Under the Project, Syria's net oilseed processing capacity would be increased by about 50,000 metric tons p.a. cottonseed equivalent to a total of 261,000 metric tons. The location and dimensioning of the new oil factory (see para. 37) are designed to process all the cottonseed produced by the ginneries in Deir ez Zor and Hassakeh which would otherwise have to be transported 250 to 600 km to Aleppo with the risk of some deterioration of the raw material. Also since part of the vegetable oil, and most of cottonseed cake and hulls would be consumed in these cotton production areas, the Project would result in considerable transportation cost savings for these by-products.

Project Description

36. The main components of the Project are as follows:

(i) construction and equipment of an oil mill in Deir ez Zor with a capacity of 300 metric tons of cottonseed equivalent per day;

(ii) modernization of the existing Neirab and Ain el Tal oil mills in Aleppo by provision of solvent extraction process equipment, and modification of the Liramoun factory for preparing cottonseed kernels only; the processing capacity for these factories would total 600 metric tons of cottonseed equivalent per day;

(iii) provision of consultancy services for engineering and design works; and

(iv) technical assistance for training Syrian technicians and for carrying out a study of the vegetable oil subsector.

The Project would be carried out by the Syrian Industrial Company for Vegetable Oils (SICVO) to which the proceeds of the Bank loan would be relent.

37. The new factory in Deir ez Zor would be constructed with a total annual input capacity of 87,000 metric tons cottonseed equivalent. It could also process other oilseeds, such as soybeans and sunflower seed. At full development it is expected to produce annually about 14,100 metric tons of vegetable oil and 38,500 metric tons of cottonseed and soybean meal pellets. The proposed site is located in an industrial area about 5 km from the city along the road to Hasakeh and offers proximity to an important consumption center and easy access to (i) an all-weather road and the railway network; (ii) electrical power from the national high tension grid; (iii) water supply from the Euphrates River; and (iv) connection to a sewerage network. The Syrian Government also intends to relocate the cotton ginnery to an adjacent site which would permit direct conveyance of the cottonseed to the mill. The availability to SICVO of title to the construction site is a condition of effectiveness (Loan Agreement, Section 6.01(c)).

38. In Aleppo, the Project would provide for the modification of the three existing oil mills to process a total of about 162,000 metric tons of cottonseed and 10,000 metric tons of sunflower seed annually, with a yield of about 32,000 metric tons of vegetable oil and 76,500 metric tons of cottonseed meal and sunflower meal pellets. Continuous solvent extraction plants identical to that installed in Deir ez Zor would be installed in the Neirab and Ain el Tal plants, thus reducing the need for storage of spare parts. In addition, in Neirab, the capacity of the cleaning, delinting and decortication lines would be increased from 250 to 300 metric tons per day by transferring existing machinery and modifying the pre-pressing lines. In Ain el Tal, the equipment for preparing cottonseed including cleaning, delinting and decortication, with a capacity of 150 metric tons per day would be modernized. The Liramoun plant would be modified to supply 150 metric tons daily of decorticated cottonseed kernels to the Ain el Tal plant for further processing. The existing pressing machinery of the Liramoun plant which is still in good condition would be transferred to the Deir ez Zor plant.

39. The Project would also finance the necessary engineering and design works to be executed by a qualified consulting firm acceptable to the Bank. These consultants would also be responsible for assisting SICVO in training and the start-up of operations (see para. 44). The hiring of such a consultant by SICVO is a condition of Loan effectiveness (Loan Agreement, Section 6.01(d)). A cost accountant would be recruited by SICVO to review existing bookkeeping and accounting procedures and to make recommendations for their improvement. The Project would provide for overseas training for Syrian personnel in key positions in oil processing plants. It would also finance a study of the oilseed processing industry to assess the need for and location of additional vegetable oil processing facilities and the feasibility of producing high protein edible cottonseed flours. Total expatriate consultant services amounting to approximately 231 man-months for engineering, supervision and technical assistance would be provided at an average cost of $7,000 per man-month.

Cost Estimates

40. The total cost of the Project (including taxes and custom duties estimated at $0.9 million) is estimated at $43.8 million; the foreign exchange component of $24.5 million representing 56 percent of total Project cost includes $3.5 million in interest during construction. Cost estimates for civil works are based on the actual cost of similar works in Syria at the beginning of 1978, while those for equipment and machinery are based on informal bids from equipment suppliers obtained in the same year. Physical contingencies amounting to an average of 12 percent have been included for all components except technical assistance and working capital. Price contingencies for local costs, including civil works, were compounded, at annual rates of 16 percent for 1979, 15 percent for 1980, 13 percent for 1981 and 10 percent for 1982. These rates, although substantially above international inflation rates, are based on recent experience in Syria; they are also substantially above the projected increase in the wholesale prices, reflecting the trend of construction prices which, since the early 1970's, have consistently been

rising about 50 percent faster than the wholesale price index. Price contingencies on foreign costs, mostly for equipment, were compounded at annual rates of 6.5 percent for 1979, 6.1 percent for 1980, and 6 percent thereafter. Total contingencies amount to 41 percent of total Project base costs. Interest during construction would be capitalized and borne directly by SICVO. Summary cost estimates are as follows:

PROJECT COST ESTIMATES
(US$ millions)

	Local	Foreign	Total
Civil Works	4.0	1.8	5.8
Equipment and Machinery	1.9	12.9	14.8
Installation of Equipment	2.2	-	2.2
Engineering and Supervision	-	1.2	1.2
Technical Assistance and Training	0.1	0.4	0.5
Working Capital	3.1	-	3.1
Contingencies			
Physical	1.0	1.9	2.9
Price	5.5	2.8	8.3
Interest During Construction	1.5	3.5	5.0
Total Project Cost	19.3	24.5	43.8

Financing Plan

41. The proposed Bank loan of $21 million would finance the foreign exchange cost of the project excluding interest during construction. The local currency costs of the Project totalling $19.3 million would be financed by SICVO and Government contributions to GOFI/SICVO through a long-term loan of $9.0 million equivalent from the Government's Public Debt Fund, and infusion of $8.8 million equivalent in Government equity in GOFI/SICVO (Loan Agreement, Section 3.01). The financing plan, which is based on SICVO's ability to mobilize funds and service its debt without incurring excessive risks, is as follows:

	(in US$ millions)			
	Local	Foreign	Total	Percent
Government Equity in GOFI/SYCVO	8.8	-	8.8	20
SICVO Contribution	1.5	3.5	5.0	11
Loan from Public Debt Fund	9.0	-	9.0	21
IBRD Loan	-	21.0	21.0	48
Total	19.3	24.5	43.8	100

42. The Bank loan would be made to the Syrian Arab Republic at the request of the Government and would have a duration of 17 years including a 4-year grace period at an interest rate of 7.35 percent. The Bank funds would

be relent to SICVO with the same repayment and grace periods but at the 9 percent interest rate set by Syrian legislation for all Government loans to state-owned companies. The Government would thus have an interest rate spread of 1.65 percent to meet the foreign exchange risk and commitment charge. The relending rate of the proceeds of the Bank Loan to SICVO would be higher than the past and projected rates of inflation as measured through the wholesale price index (1976: 12.4 percent; 1977: 8.9 percent; 1978 (estimated): 8.5 percent; 1979 (projected): 8.5 percent; 1980 and 1981 (projected): 8.0 percent).

Project Implementation and Management

43. Plant operations in Deir ez Zor and Aleppo are expected to start by November 1981. During the first year of operation, the Deir ez Zor factory is expected to operate at about 50 percent capacity and the Aleppo factories, where the solvent extraction process is the only new feature of operation, at about 80 percent capacity. Project implementation would be the responsibility of SICVO, the largest of the operating subsidiaries of GOFI. As is presently the case for the three plants in Aleppo, SICVO would own and operate the new facilities to be constructed in Deir ez Zor. Existing organization arrangements would be maintained in view of the wide experience and competence of the SICVO management and staff in the operation of oil mills; also, such an arrangement offers the possibility of transferring experienced personnel temporarily from Aleppo to Deir ez Zor to assist in starting up operations. The Technical Directorate of SICVO, together with the engineering consultants, would be responsible for the construction of the industrial facilities at all three sites. During the construction period, and before the commencement of civil works, it would be strengthened by the recruitment of two technical directors, four chief electricians and twelve shift supervisors (Project Agreement, Section 2.01(b)). A branch office to be headed by one of the technical directors would be created in Deir ez Zor and staffed with the necessary supervisory personnel before the start of construction.

44. The engineering consultants would be responsible for engineering and design for the new and existing plants, including preparation of detailed designs and specifications for civil works and equipment and tender documents and award of contracts by SICVO. For the supervision of construction and installation they would provide four engineers to be attached to the Technical Directorate of SICVO. A civil engineer responsible for supervision of construction would be permanently located at Deir ez Zor until provisional acceptance of civil works. He would make periodic visits to Aleppo and would be assigned as counterparts the Technical Directors for Aleppo and Deir ez Zor. An installation, an equipment testing, and an electrical engineer would be responsible until provisional acceptance of all equipment and electrical installations prior to factory testing.

45. A training program for the Deir ez Zor and Aleppo personnel would be established by SICVO with the assistance of the equipment suppliers and the engineering consultants. Key personnel would be designated at least one year before start up of operations and undergo a systematic on-the-job training in

the existing factories in Aleppo. About 10 fellowships for plant and administrative personnel to oilseed processing plants abroad would also be offered to complete this training.

46. During an initial period after testing, operations of the factories would be supervised by a production engineer (for six months) and five shift supervisors (for ten months) to be provided by the consultants (Project Agreement, Section 2.02). In addition, SICVO will appoint one maintenance engineer each for Aleppo and Deir ez Zor and one chief electrician for each of the four Project factories not later than the commencement of civil works to allow sufficient time for training before the scheduled start of operations (Project Agreement, Section 2.01(b) and (c)).

Management and Staffing of SICVO

47. SICVO, the largest subsidiary of GOFI, is set up according to the Syrian Decree 18 of 1974 on General Organizations. It is headed by a general manager who is the chairman of the Board of Directors. Reporting to him are directors responsible for Commercial Affairs, Planning, Technical Affairs, Finance and Work, and Personnel Administration. SICVO has over 1400 employees, of whom 1100 are working in three production plants, including about 150 seasonal workers. SICVO has a well developed bookkeeping system which follows the plan of accounts established by the Ministry of Finance. It is also the only GOFI subsidiary to have introduced a cost accounting system which, however, would require strengthening to meet international standards. The Project would finance a consultant acceptable to the Bank who would be hired not later than two years after effectiveness for a period of at least three months to this effect (see Project Agreement, Section 3.02). The accounts of both GOFI and SICVO are audited annually by the Ministry of Finance with main emphasis on the correct statement of taxable income. Since this is essentially a tax audit, assurances were obtained that SICVO's financial statements would be audited and certified by an independent auditor acceptable to the Bank within six months of the end of each fiscal year (Project Agreement, Section 4.02).

48. For monitoring Project implementation, quarterly progress reports would be prepared by SICVO with the assistance of the consultants. Not later than six months after the completion of the Project, a Project Completion Report (Project Agreement, Section 2.05(c)) would be submitted to the Bank.

Financial Position of SICVO

49. In view of the system of centrally administered prices, the financial analysis of the Project as a whole is of limited value. However, an analysis of SICVO's present financial situation provides an indication of the company's financial viability and profitability. During the period 1974 to 1977, the current ratio has deteriorated from 2.9 in 1974 to 1.9 which may, however, still be considered sufficient. The debt:equity ratio in 1977 stood at 57:43. Since most of SICVO's non-current debt consists of net operation surpluses due to GOFI, SICVO has substantial leverage left for borrowing. During the 1975 to 1977 period, return on sales has averaged 17 percent which

is very satisfactory considering that about 60 percent of the oil produced had to be sold at "ration prices" (subsidized fixed price, see para. 28 above). The return on equity decreased from 11.4 percent in 1976 to about 3.9 percent in 1977 as a result of a capital increase from LS 11.8 million to LS 41.7 million ($10.5 million). An analysis for the future shows that if the products of SICVO were sold at prices close to their "economic price," SICVO would have sufficient funds to cover debt servicing requirements even in 1983 when the drain of its financial resources is expected to be the heaviest. In this respect, while the "ration prices" are kept at their current level, the "free prices" have already been set starting last May at the average level assumed to be reached by 1982 for the final product mix of SICVO, in line with the Government's policy of pricing goods produced by state-owned enterprises at levels close to their economic prices so as to encourage more efficient management. However, in order to safeguard the financial viability of the Project, which is highly dependent on the sales prices fixed by Government, assurances were obtained that these prices would be reviewed and adjusted so as to yield a return on sales before taxes and after depreciation and interest, of at least 15 percent (Loan Agreement, Section 4.02 and Project Agreement, Section 4.03). Finally, the Government equity contribution (para. 41 above) has been calculated under the assumption that SICVO's debt:equity ratio should be held within reasonable limits.

Financial Rate of Return

50. For the purposes of financial forecasts, the assumption was made that the current price or the economic price, whichever was higher, would be charged for outputs by 1982. This is in line with the pricing policy the Government is proposing to adopt to encourage more efficient management to state-owned enterprises. On this basis, the financial rate of return for the Project as a whole was 13 percent; for the Aleppo plants, a financial return of 20 percent was calculated, while for the Deir ez Zor plant, the corresponding figure was 10 percent. The financial rate of return is much lower than the economic rate of return (para. 55) because of taxes on operational surpluses of about 60 percent. Because of this taxation the Project's financial rate of return is not very sensitive to changes in operational surpluses. If net surpluses decreased by 10 percent or 20 percent because of lower capacity utilization, taxes would decrease by about the same percentage rates and the resulting financial rates of return would be 12 percent and 10 percent respectively. If the operating cost increased by 10 percent the rate of return would decrease to 12 percent, and with sales revenue lowered by 10 percent, the rate of return would decrease to 11 percent.

Marketing

51. There should be no difficulties in marketing the incremental production of the Project as most items are in short supply. The incremental production of 15,000 metric tons of vegetable oil would raise total supply from Syrian mills to 48,000 metric tons against a forecast demand of 55,000 metric tons in 1985 and 69,000 metric tons in 1990. About three quarters of this oil would be sold to the General Organization for Consumers (GOC) for distribution

to consumers and the remainder retained within the GOFI group for further processing. Oilseed meal pellets would be sold to the General Organization for Feed (GOF) for sale to farmers and cooperatives as animal feed. Demand is currently estimated to exceed supply by 30 percent. Cottonseed and sunflower hulls would also be sold to GOF for sale as livestock feed, particularly for sheep. Soapstocks would be sold to soap manufacturers in Aleppo, and any excess mixed back into the cottonseed meal.

Procurement and Disbursement

52. Contracts for civil works and installation of machinery exceeding the equivalent of $200,000 and for delivery and installation of equipment exceeding the equivalent of $50,000 would be tendered under international competitive bidding in accordance with the Bank's guidelines for procurement. Contracts not exceeding these amounts would be procured through competitive bidding advertised locally pursuant to procedures acceptable to the Bank or through international or local shopping where appropriate. Procurement for civil works would be broken down into four lots, amounting to $8.6 million equivalent, and for equipment into about ten lots amounting to $19.4 million equivalent. Equipment tenders would include spare parts for the initial two years of operation and supervision of the installation and test runs by the supplier's technicians. Assurances were obtained that the Government would waive the supervision exemption clause in the public sector legislation for Syrian public companies bidding for works or goods under the project (Project Agreement, Schedule A2).

53. The proposed Bank loan of $21 million would be disbursed over the period 1979 to 1982 and would finance: 31 percent of the cost of all civil works contracts representing the estimated foreign exchange component; 100 percent of the cost c.i.f. Syrian port of all imported machinery, equipment and vehicles, or 70 percent of the cost of locally purchased goods; and 100 percent of the foreign exchange cost of engineering, supervision, training and technical assistance.

Environmental Effects

54. The risk of pollution from the oil mills would be very small since the project utilizes closed circuit systems with air coolants so as to avoid contamination arising from the discharge of waste water. The minimal amounts of water that would be discharged into the sewer system would pass through settling tanks to permit separation and removal of foreign matter carried by the water. These settling tanks would be regularly checked and analyzed (Project Agreement, Section 2.01(d)).

Benefits and Risks

55. At full development, the Project would increase vegetable oil processing capacity by about 50,000 metric tons per annum for an incremental output of about: 14,800 metric tons of refined vegetable oil, of which 13,300 metric tons of cottonseed oil; 9,900 metric tons of high protein meal pellets; and 22,400 metric tons of hulls. Total incremental production is valued at

$17.4 million annually (using economic prices). Operating and reinvestment cost savings from the closure of obsolete plants and transportation cost savings are estimated at $2.1 and $0.7 million annually. The increased production of oil and high protein meal is expected to contribute to gross import savings of $12.4 million annually or an annual net foreign exchange savings of $5.6 million after allowance for value of exports foregone and incremental operating costs in foreign exchange. An economic analysis of the Project on the basis of economic prices projected to 1990 yielded a base rate of return of 33 percent. A sensitivity analysis showed a substantial rate of return over a wide range of price, cost and input availability situations: reducing output prices by 20 percent below efficiency prices, increasing investment and operating costs by 10 percent while simultaneously reducing output prices by 10 percent, and maintaining the availability of raw materials at the average level for 1974-78 yielded economic rates of return of 24, 23 and 18 percent respectively.

56. Because the Project's main objectives are to rationalize and improve the technical efficiency of the oilseed processing industry, it has very little effect on employment opportunities. The closure of inefficient plants could lead to the loss of 600-700 jobs, many held by employees approaching the mandatory retirement age. Of the remainder, some are expected to be hired by the plant at Deir ez Zor where 240 new jobs would be created, while the others would be provided with alternative jobs in the public sector. This is not expected to pose serious difficulties as unemployment in manufacturing is low, averaging 2-3 percent, which contrasts with the average unemployment rate of about 5 percent prevailing in Syria.

57. Since the Project operating company is wholly owned by the Government, the primary financial benefits would accrue to the Government as transferred surpluses, depreciation and reserves, or taxes. The increased availability of vegetable oil would have an impact on a large number of consumers who, as a result of the Project, would be able to buy increased amounts of oil, margarine and shortening. The increased availability of meal pellets and hulls would benefit an estimated 500,000 livestock farmers who would be able to purchase relatively inexpensive feed during the dry season.

58. The main risk in the Project will be the availability of adequate supplies of oilseeds to the factories. However, the Project's assumption of a 3 percent per annum growth in cottonseed production is fairly conservative given anticipated increases in irrigated land and yields and farmers' preference for this traditional crop which is sold at attractive prices. But, even if there were no increase in the supply of oilseeds for processing, a satisfactory economic rate of return of 18 percent would be obtained from the rationalization effect of the technology. Technical risks are negligible because all the processes are well proven, and with the envisaged assistance component, operational expertise will be transferred to Syrian personnel.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

59. The draft Loan Agreement between the Syrian Arab Republic and the Bank, the draft Project Agreement between SICVO 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 to the Executive Directors separately. Features of the Agreement of special interest are described in Annex III.

60. Aside from the ratification of the legal documents by the Government, additional conditions of effectiveness are: (i) the availability to SICVO of a legal title to the construction site in Deir ez Zor; and (ii) appointment of engineering consultants acceptable to the Bank (Loan Agreement, Section 6.01(c) and (d)).

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

PART VI - RECOMMENDATION

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

Robert S. McNamara
President

Attachments
November 2, 1978
Washington, D.C.

TABLE 3A
SYRIAN ARAB REPUBLIC - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.) TOTAL 185.2 AGRICULTURAL 124.2	SYRIAN ARAB REPUBLIC			REFERENCE GROUPS (ADJUSTED AVERAGES /a - MOST RECENT ESTIMATE)		
	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	SAME GEOGRAPHIC REGION /c	SAME INCOME GROUP /d	NEXT HIGHER INCOME GROUP /e
GNP PER CAPITA (US$)	260.0	480.0	900.0	1438.5	867.2	1796.4
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	321.0	502.0	477.0	816.7	578.3	1525.0
POPULATION AND VITAL STATISTICS						
TOTAL POPULATION, MID-YEAR (MILLIONS)	4.6	6.3	7.9	.	.	.
URBAN POPULATION (PERCENT OF TOTAL)	37.0	43.5	46.2	45.8	46.2	52.2
POPULATION DENSITY						
PER SQ. KM.	25.0	34.0	43.0	23.2	50.8	27.6
PER SQ. KM. AGRICULTURAL LAND	37.0	56.0	64.0	112.4	93.3	116.4
POPULATION AGE STRUCTURE (PERCENT)						
0-14 YRS.	46.3	49.3	49.3	46.0	42.9	34.8
15-64 YRS.	48.9	46.3	46.3	50.6	53.5	56.0
65 YRS. AND ABOVE	4.8	4.4	4.4	3.3	3.5	5.7
POPULATION GROWTH RATE (PERCENT)						
TOTAL	3.6	3.7	3.3	2.9	2.5	1.6
URBAN	4.2	5.0	4.5	5.0	4.7	3.4
CRUDE BIRTH RATE (PER THOUSAND)	46.6	47.6	45.4	45.0	37.8	27.0
CRUDE DEATH RATE (PER THOUSAND)	20.1	16.2	15.4	13.7	10.8	9.9
GROSS REPRODUCTION RATE	1.4	3.5	3.5	3.4	2.5	1.9
FAMILY PLANNING						
ACCEPTORS, ANNUAL (THOUSANDS)	..	..	..	.	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	..	..	14.7	20.0	19.3
FOOD AND NUTRITION						
INDEX OF FOOD PRODUCTION PER CAPITA (1970=100)	98.4	100.0	160.0	107.1	107.3	103.8
PER CAPITA SUPPLY OF						
CALORIES (PERCENT OF REQUIREMENTS)	102.0	98.0	104.0	99.2	105.3	110.4
PROTEINS (GRAMS PER DAY)	74.0	70.0	66.7	63.4	63.0	77.7
OF WHICH ANIMAL AND PULSE	28.0	16.0 /f	21.4	16.4	21.7	22.2
CHILD (AGES 1-4) MORTALITY RATE	..	4.1	..	..	8.0	1.9
HEALTH						
LIFE EXPECTANCY AT BIRTH (YEARS)	46.3	53.0	56.0	53.7	57.2	63.0
INFANT MORTALITY RATE (PER THOUSAND)	145.8	123.1	112.5	77.7	53.9	38.2
ACCESS TO SAFE WATER (PERCENT OF POPULATION)						
TOTAL	..	71.0	..	59.1	56.8	67.7
URBAN	..	98.0	..	85.9	79.0	83.5
RURAL	..	50.0	..	38.0	31.8	41.5
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)						
TOTAL	..	..	..	64.3	30.9	70.3
URBAN	..	..	..	94.5	45.4	90.7
RURAL	..	..	..	27.7	16.1	38.3
POPULATION PER PHYSICIAN	4600.0	3860.0	3070.0	4271.6	2706.8	1310.8
POPULATION PER NURSING PERSON	6660.0	4500.0	5810.0	2077.4	1462.0	849.2
POPULATION PER HOSPITAL BED						
TOTAL	900.0	1010.0	980.0	580.2	493.9	275.4
URBAN	..	..	..	310.0	229.6	129.9
RURAL	..	..	..	..	2947.9	965.9
ADMISSIONS PER HOSPITAL BED	..	24.0	27.0 /g	22.0	22.1	18.9
HOUSING						
AVERAGE SIZE OF HOUSEHOLD						
TOTAL	5.9 /h	5.9	..	5.4	5.2	3.4
URBAN	6.0 /h	5.9	..	..	5.0	..
RURAL	5.9 /h	5.9	..	..	5.4	..
AVERAGE NUMBER OF PERSONS PER ROOM						
TOTAL	2.9	..	..	..	2.0	0.9
URBAN	2.5	..	..	1.8	1.5	0.8
RURAL	3.2	..	..	..	2.7	1.0
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)						
TOTAL	38.0 /h	41.7	..	40.3	64.1	59.2
URBAN	87.7 /h	84.7	..	..	67.8	78.0
RURAL	10.5 /h	10.2	..	12.2	34.1	12.5

TABLE 3A
SYRIAN ARAB REPUBLIC - SOCIAL INDICATORS DATA SHEET

	SYRIAN ARAB REPUBLIC			REFERENCE GROUPS (ADJUSTED AVERAGES /a - MOST RECENT ESTIMATE)		
	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	SAME GEOGRAPHIC REGION /c	SAME INCOME GROUP /d	NEXT HIGHER INCOME GROUP /e
EDUCATION						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY: TOTAL	65.0	89.0	102.0	80.8	99.8	97.6
FEMALE	39.0	66.0	81.0	61.8	93.3	87.4
SECONDARY: TOTAL	16.0	39.0	48.0	23.6	33.8	47.8
FEMALE	7.0	21.0	30.0	18.2	29.8	42.6
VOCATIONAL (PERCENT OF SECONDARY)	6.0	3.4	4.6	6.7	12.8	22.7
PUPIL-TEACHER RATIO						
PRIMARY	46.0	37.0	35.0	31.5	34.9	25.4
SECONDARY	21.0	22.0	20.0	22.3	22.2	24.9
ADULT LITERACY RATE (PERCENT)	30.0	40.0	..	50.1	71.8	96.3
CONSUMPTION						
PASSENGER CARS PER THOUSAND POPULATION	4.0	5.0	7.0	14.5	12.4	32.3
RADIO RECEIVERS PER THOUSAND POPULATION	57.0	224.0	374.0 /g	125.8	104.5	201.9
TV RECEIVERS PER THOUSAND POPULATION	0.2	19.0	31.0	34.5	28.1	97.7
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	..	..	9.0	17.4	45.2	70.9
CINEMA ANNUAL ATTENDANCE PER CAPITA	2.0	4.0 /i	..	1.6	4.6	4.4
EMPLOYMENT						
TOTAL LABOR FORCE (THOUSANDS)	1100.0 /j	1600.0	1800.0	.	.	.
FEMALE (PERCENT)	9.4	10.5	11.2	9.3	25.7	17.4
AGRICULTURE (PERCENT)	47.0	47.8	49.9	42.0	46.2	38.4
INDUSTRY (PERCENT)	19.0	20.8	..	..	..	..
PARTICIPATION RATE (PERCENT)						
TOTAL	28.0	26.6	26.0	26.9	33.8	33.7
MALE	49.4	46.3	45.2	46.6	48.1	50.8
FEMALE	5.4	5.7	6.0	5.3	17.3	12.6
ECONOMIC DEPENDENCY RATIO	2.1	2.1	2.2	1.9	1.4	1.4
INCOME DISTRIBUTION						
PERCENT OF PRIVATE INCOME RECEIVED BY						
HIGHEST 5 PERCENT OF HOUSEHOLDS	25.0	..	..	..	23.6	20.2
HIGHEST 20 PERCENT OF HOUSEHOLDS	49.0	..	..	..	52.3	47.9
LOWEST 20 PERCENT OF HOUSEHOLDS	16.0	..	..	..	4.3	3.2
LOWEST 40 PERCENT OF HOUSEHOLDS	6.0	..	..	..	13.1	13.7
POVERTY TARGET GROUPS						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US$ PER CAPITA)						
URBAN	..	..	..	..	191.9	..
RURAL	..	..	249.0	142.0	193.1	157.9
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US$ PER CAPITA)						
URBAN	..	..	257.0	236.1	319.8	448.8
RURAL	..	..	155.0	144.7	197.7	313.1
ESTIMATED POPULATION BELOW POVERTY INCOME LEVEL (PERCENT)						
URBAN	..	..	24.0	21.5	19.8	23.2
RURAL	..	..	40.0	37.4	35.1	54.5

.. Not available
. Not applicable.

NOTES

/a The adjusted group averages for each indicator are population-weighted geometric means, excluding the extreme values of the indicator and the most populated country in each group. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1973 and 1977.

/c North Africa & Middle East; /d Intermediate Middle Income ($551-1135 per capita, 1976); /e Upper Middle Income ($1136-2500 per capita, 1976); /f Av. 1964-66; /g 1972; /h 1962; /i 1966; /j 6 years and over (Syrian population only).

September, 1978

SYRIA: ECONOMIC DEVELOPMENT DATA SHEET

	Actuals 1965	Actuals 1972	Actuals 1973	Actuals 1974	Actuals 1975	Actuals 1976	Estimated 2/ 1977	Projected 1978	Projected 1980	Projected 1985	Annual Growth Rate 1965-72	Annual Growth Rate 1972-75	Annual Growth Rate 1975-76	Annual Growth Rate 1976-80	Annual Growth Rate 1980-85	Percent of GDP 1976
A. NATIONAL ACCOUNTS (SL million, 1975 prices)																
1. GDP	11935.0	17587.4	17613.5	18708.5	18855.1	20927.0	22303.8	23869.3	27330.4	36916.1	5.7	7.3	10.9	6.9	6.1	100.0
2. TT Adjustment (gains =+)	-1398.5	-1757.1	-962.4	168.2	-	-	288.7	222.9	304.4	376.0	-	-	-	-	-	-
3. GDY	10536.5	15830.3	16651.1	18876.7	18855.1	20927.0	22592.5	24892.1	27634.8	37292.0	6.0	11.2	10.9	7.2	6.2	100.0
4. Imports	1945.2	3946.0	4455.3	5625.8	6994.1	9929.8	8672.6	9093.4	10630.7	12948.4	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	295.1	1335.8	2364.9	4960.5	3604.6	4026.8	4646.5	3979.6	-	-	-	-	-	23.7
8. Total consumption	9238.4	12156.2	15000.2	15910.6	15099.0	19715.3	19506.0	21196.8	24628.8	32780.9	- 4.0	12.8	30.6	5.7	5.9	94.2
9. Private consumption	7515.4	9182.2	11468.3	11601.6	10955.0	14492.3	13930.0	15229.5	17796.2	23551.9	2.9	13.1	32.3	5.1	4.7	69.3
10. Government consumption	1723.0	2974.0	3531.9	4309.0	4144.0	5223.0	5575.9	5967.3	6832.6	9229.0	8.1	11.7	26.0	6.9	6.1	24.9
11. Gross fixed investment	1151.5	3037.3	2489.0	3307.9	5686.0	6297.0	6691.0	6922.1	7652.5	8490.7	14.8	23.0	10.7	5.9	5.7	30.0
12. Change in stocks	499.0	1574.0	-543.0	994.0	435.0	-125.0	-	-	-	-	17.8	-14.6	-	-	-	-0.5
13. Domestic savings, TT adj	1298.1	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	4355.0	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. GNP	12012.3	18111.3	17962.4	18477.6	19046.6	20971.0	22245.5	23815.7	27177.0	36466.2	6.0	6.6	6.6	6.7	6.0	100.2
16. GDP ($ million current prices)	1243.3	2358.4	2541.4	4197.3	5261.3	6323.3	7413.2	8568.2	11443.1	22710.8	9.6	36.0	20.1	15.8	14.6	-
17. GNP ($ million current prices)	1253.3	2416.8	2587.6	4214.3	5147.7	5667.8	6012.7	6434.6	7338.7	22710.7	9.8	35.0	19.3	15.7	14.5	-
B. SECTOR OUTPUT (Share of GDP at constant prices)																
1. Agriculture	27.0	20.8	14.7	18.8	17.3	13.3	17.9	17.6	16.9	14.7	2.2	1.8	5.0	3.0	3.0	
2. Industry	23.7	31.9	31.5	33.2	34.2	35.4	37.7	39.2	42.2	49.4	10.7	10.8	9.0	10.0	9.0	
of which mining	0.2	11.4	11.4	12.8	16.0	13.0	14.2	13.6	12.0	9.7	87.0	21.0	-0.5	1.0	1.0	
3. Other services	49.3	47.3	53.8	48.0	48.5	45.3	44.3	43.2	40.9	35.9	5.5	9.1	4.2	3.0	3.5	
C. PRICES																
1. Export price index	21.6	31.5	41.6	98.5	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	70.6	105.7	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 (SL per US$)		3.820	3.820	3.722	3.700	3.900	3.950	3.950	3.950	3.950						

D. SELECTED INDICATORS	1965-72	1972-75	1975-76	1976-80	1980-85
1. ICOR	3.1	2.8	4.2	4.4	4.2
2. Import elasticity1/	1.37	1.44	3.8	0.3	0.6
3. Average national saving rate	17.4	24.7	23.1	20.6	16.1
4. Marginal national saving rate	50.4	44.9	-180.6	30.2	9.5
5. Imports/GDY	24.0	28.8	42.5	38.2	36.3
6. Gross Fixed Invest./GDP	14.3	19.2	30.1	29.7	25.0
7. Resource gap/GDY	6.0	6.8	18.3	16.9	13.4

E. LABOR FORCE (Thousand)	1965	1970	1975
1. Agriculture (%)		51	51
2. Industry (%)		21	20
3. Services (%)		28	29
4. Total employment	1321	1471	1750
5. Unemployment rate (%)		6.4	4.[illegible]
6. Total labor force	1424	1571	1839

F. CENTRAL GOVERNMENT FINANCES (Percent of GDP at current prices)	1966	1972	1973	1974	1975	1976	1977
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

1/ The 1965-72 and 1972-75 import elasticities were derived from the constant National Accounts series in 1963 prices to make historical and projected import elasticities comparable.

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

	Actual					Estimate		Projected				
	1972	1973	1974	1975	1976	1977	1978	1979	1981	1983	1985	1990
A. SUMMARY OF BALANCE OF PAYMENTS												
1. Exports, incl. NFS	481.4	600.8	1061.4	1251.1	1346.9	1490.4	1605.5	1882.6	2814.0	3538.1	4612.1	8538.6
2. Imports, incl. NFS	499.1	687.0	1408.7	1890.5	2568.5	2550.5	2881.6	3390.9	4393.5	5431.7	6658.5	11317.3
3. Resource balance	-117.7	-86.2	-347.4	-639.4	-1221.6	-1060.1	-1276.0	-1508.3	-1579.5	-1893.6	-2046.4	-2778.7
4. Net factor services	58.5	46.3	17.1	51.7	11.3	-16.6	-19.4	-35.9	-102.0	-169.7	-259.1	-487.8
a. Net interest payments	-9.6	-5.1	-45.1	-3.3	-39.2	-74.7	-86.2	-112.5	-203.7	-304.1	-436.9	-845.4
or which interest on public M and LT loans	-6.8	-8.5	-10.4	-16.9	-31.9	-47.7	-68.1	-98.5	-186.9	-289.2	-425.1	-846.7
b. Net investment income	-	-	-	-	-	-	-	-	-	-	-	-
c. Workers' remittances (net)	68.1	51.4	62.2	55.0	50.5	58.1	66.8	76.9	101.7	134.4	177.8	357.6
d. Other (net)	-	-	-	-	-	-	-	-	-	-	-	-
5. Current transfers (net)	58.0	370.6	424.8	663.7	410.7	620.3	620.3	620.3	645.6	696.2	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
b. Private	8.3	7.5	8.9	10.	10.5	50.6	50.6	50.6	76.0	126.6	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
7. Private direct investment (net)	-	-	-	-	-	20.0	21.6	23.2	26.6	30.4	34.9	48.9
Public M and LT Loans												
8. Disbursements	76.5	88.5	133.7	262.3	656.9	738.2	868.6	989.1	1349.9	1814.2	2213.2	4025.4
9. Amortization	-35.3	-38.2	-61.5	-86.9	-96.9	-123.2	-134.7	-160.2	-324.7	-452.0	-624.5	-1442.1
10. Net disbursements	41.2	50.3	72.2	175.4	560.0	614.9	733.9	828.8	1025.2	1362.0	1588.8	2583.0
Other M and LT Loans												
11. Disbursements	-	-	-	-	-	18.0	31.4	33.9	38.8	44.5	50.9	71.4
12. Amortization	-	-	-	-	-	-	-	-4.3	-13.9	-24.9	-37.5	-52.8
13. Net Disbursements	-	-	-	-	-	18.0	31.4	29.6	24.9	19.6	13.4	18.6
14. Short-term capital (net)	17.0	-27.0	17.0	18.3	25.6	-	-	-	-	-	-	-
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	352.9	-196.5	-111.8	42.0	-41.0	-45.1	-53.0	-105.9
18. Level of net reserves (amount)	-54.6	259.9	418.6	387.9	15.2	211.7	323.5	281.4	364.6	450.8	552.7	939.3
19. - month's imports	-	4.5	3.6	2.4	0.1	1.0	1.3	1.0	1.0	1.0	1.0	1.0
B. GRANT AND LOAN COMMITMENTS												
1. Official grants	49.2	363.1	415.9	653.1	400.1	569.6						
2. Total public M + LT loans	119.1	138.3	494.8	844.6	1028.8	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	668.5	525.2						
of which:												
- Centrally planned economies	66.6	33.4	233.2	330.7	156.4	162.1						
- OECD	-	-	51.8	94.2	-	108.1						
- OPEC	2.9	-	12.8	289.7	-	255.1						
e. Suppliers' credits	35.3	89.3	68.0	45.5	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						
C. MEMO ITEMS												
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						

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SYRIA: EXTERNAL DEBT AND CREDITWORTHINESS

	Actual						Estimate
	1970	1972	1973	1974	1975	1976	1977
A. MEDIUM AND LONG TERM DEBT (DISBURSED ONLY) (in million US dollars)							
1. Total debt outstanding (DOD; end of period)	232.4	335.3	411.2	501.8	655.2	1215.2	1830.1
2. Including undisbursed	342.3	521.0	652.9	1109.7	1836.8	2768.7	3366.0
3. Public debt service	36.0	42.0	46.7	71.9	103.8	128.8	170.9
1. of which interest	6.1	6.7	8.5	10.4	16.9	31.9	47.9
4. Other M + LT debt service					0.0	0.0	0.0
5. Total debt service					103.8	128.8	170.9
B. DEBT BURDEN							
1. Debt service ratio1/	10.6	8.7	7.7	6.7	8.3	9.6	11.5
2. Debt service ratio2/	9.6	7.6	7.1	6.3	7.9	9.2	11.0
3. Debt service/GDP	-	1.7	1.8	1.7	2.0	2.0	2.3
C. TERMS							
1. Interest on Total DOD/Total DOD	3.4	2.9	2.9	3.1	2.6	2.6	2.6
2. Total debt service/Total DOD	19.9	18.1	15.9	21.5	15.8	10.6	9.3
D. DEPENDENCY RATIOS FOR M + LT DEBT							
1. Gross disbursements /imports (incl. NFS)	13.7	12.7	12.8	9.5	13.9	25.6	29.5
2. Net transfer/ Imports (incl. NFS)					8.4	20.2	22.8
3. Net transfer/ Gross disbursements					60.4	80.4	77.2
E. EXPOSURE							
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

F. EXTERNAL DEBT (DISBURSED ONLY) (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

G. DEBT PROFILE

1. Total debt service 1977-81/Total DOD End of 1977 = 1.25

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

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STATUS OF BANK GROUP OPERATIONS IN SYRIA

A. Statements of Bank Loans and IDA Credits
(As of September 30, 1978)

Number	Year	Borrower	Purpose	Bank	IDA	Undis-bursed
				US$ Million		
Three loans and credits fully disbursed				25.0	18.5	
298	1972	Syrian Arab Republic	Highways		13.8	8.4
401	1973	Syrian Arab Rebublic	Water Supply		15.0	1.9
975	1974	Syrian Arab Republic	Irrigation	63.0		56.4
986-1	1975	Etablissement Public d'Electricite	Electricity	8.6		3.7
1144	1975	Etablissement Public d'Electricite	Electricity	72.0		33.6
1241	1976	Syrian Arab Republic	Water Supply	35.0		18.6
1261	1976	Etablissement Public des Telecommunications	Telecommuni-cations	28.0		23.1
1311	1976	Syrian Arab Republic	Livestock	5.0		5.0
1312T	1976	Syrian Arab Republic	Livestock	12.5		12.4
1458	1977	Syrian Arab Republic	Water Supply	50.0		49.9
1480	1977	Syrian Arab Republic	Education	20.0		20.0
1531 /1	1978	Etablissement Public d'Electricite	Electricity	40.0		40.0
1546/1	1978	Syrian Arab Republic	Highways	58.0		58.0
		TOTAL		417.1	47.3	331.0
		of which has been repaid		0.9	.5	
		Total now outstanding		416.2	46.8	
		Amount sold		1.0	0	
		of which has been repaid		0.5	0	
		Total now held by Bank and IDA /2		415.7	46.8	
		Total undisbursed		320.7	10.3	331.0

B. Statements of IFC Investments: None

/1 Not yet effective.
/2 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, 1981

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 which economic studies indicated to be economically justified. The Association agreed to these charges after reviewing final cost estimates. 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 the construction of the Damascus-Jordanian border road has been reached between the Government and USAID. This section has, therefore, been deleted from the project. Upon the Government's request 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, an amendment to the Credit Agreement was prepared and approved by the Executive Directors on March 23, 1978. The rest of the works will be financed by the Saudi and Kuwait Funds. A network development study for the northeast was included in the amended project description.

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 Executive Directors 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 and is almost completed. The pollution control studies for Damascus, Homs and Hama will be completed by consultants in a few months.

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. Since the Government had not recruited consultants for the supervision of construction at the date fixed by the Bank, there had been no disbursements for civil works since February 28, 1978. 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 a 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 and transportation difficulties for major equipment, physical progress is satisfactory and the plant start-up is planned for December 1978. 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 and transportation difficulties for major equipment; 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. As in the First Mehardeh Power Project (Ln. 986) implementation of the training and institutional building components continues to be slow.

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 with a minor delay on 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; expansion of long distance and international facilities; and a training center. Because of late deliveries and installation of equipment and civil works, there is an expected delay of around 18 to 24 months on project works. STE has taken steps to expedite action and further execution of the project is expected to proceed satisfactorily. Although the Government's approval of tariff increases for STE has been delayed, the overall financial position of STE has remained satisfactory due to the delay in the construction program; however, tariff increases will be needed shortly.

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, 1981

The project aims at increasing and stabilizing sheep production and the incomes of nomadic flockowners and sheep fatteners through stabilization of feed availability and improvement of veterinary services. Financing is provided for the purchase of animal feed needs of sheep cooperatives, strengthening of national animal health services, and technical assistance. After initial delays in recruiting consultants, project implementation got underway in April 1978. Government decisions on the funding of the National Feed Revolving Fund and on the interest rates to be applied on project subloans are expected shortly.

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 the 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 are also included in the project. Preparation of detailed engineering and bidding documents for transmission line has been completed and tendering is underway. This should permit construction to commence in early 1979 about 3 months behind schedule.

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 includes 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.

Loan 1531 - Regional Electrification Project; US$40 million Loan of May 3, 1978; Limit Date of Effectiveness: October 30, 1978; Closing Date: December 31, 1981

The project is the first stage of a ten-year National Rural Electrification Program aimed at providing electricity service to all villages with a population of at least 100 by 1987. The project would provide electricity service to 900,000 inhabitants in 11 out of the 14 provinces in Syria, including about 150,000 rural households for whom adequate supply of electricity would be made available for the first time. The project would also serve health care, education and communication centers as well as infrastructure services such as water supply and industries as part of the Government's drive to increase agro-industrial activity and to improve the quality of life in rural Syria.

Loan 1546 - Third Highway Project; US$58 million of May 3, 1978; Limit Date of Effectiveness: November 30, 1978; Closing Date: June 30, 1982

The project supports the Government's objectives for the development of the highway network in line with the current investment program. It would help stimulate the development of agriculture and industry in fertile and rapidly developing but thinly populated northeastern region in Syria and aim at further strengthening the Government's long-term planning capabilities in the sector. Procurement under the project has started and works are expected to begin early in 1979. Receipt of the legal opinion is expected shortly and is the only outstanding condition of effectiveness.

SUPPLEMENTARY PROJECT DATA SHEET

Section I - Timetable of Key Events

(a)	Time taken by the country to prepare the Project:	19 months (June 1976 to January 1978)
(b)	The agency which has prepared the Project:	IBRD/FAO Cooperative Program with the assistance of consultants
(c)	Date of first presentation to the Bank, and date of the first Bank mission to consider the Project:	June 1976 and June 22, 1977
(d)	Date of departure of appraisal mission:	February 1978
(e)	Date of completion of negotiations:	September 1978
(f)	Planned date of effectiveness:	May 31, 1979

Section II - Special Bank Implementation Actions

None

Section III - Special Conditions

(a) Availability to SICVO of title to construction site for the oil processing factory in Deir ez Zor (Condition of Effectiveness, para. 37).

(b) Recruitment of engineering consultants acceptable to the Bank (Condition of Effectiveness, para. 39).

(c) Government financing arrangements for SICVO (para. 41).

(d) Recruitment of supervisory, technical and maintenance staff (paras. 43 and 46).

(e) Recruitment of a cost accounting consultant (para. 47).

(f) Audit of SICVO's accounts by independent auditor (para. 47).

(g) Progress reporting and Project Completion Report to be prepared by SICVO (para. 48).

(h) Review and adjustment of prices for Project outputs to generate a return on sales of at least 15 percent (para. 49).

(i) Periodic checking and analyses of waste waters (para. 54).

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