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McNamara Papers



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Contacts with member countries: Syrian Arab Republic - Correspondence 01

Contracts  
Syrian Arab Republic (1975-1979)

Folder 193

**DECLASSIFIED**

WBG Archives



SYRIAN ARAB REPUBLIC

SYRIA

- 5/3-5/72 Abdul Razzak Kaddoura  
(Bellagio) University of Damascus
- 8/2/72 Prof. Fuad Dahman, Head, Department of Economics, Faculty of Law,  
University of Damascus -- at reception for professors attending  
Middle Eastern Seminar
1. 11/10-13/74 RMcN Notes on Visit to Syria *(Filed in RMcN office).*
2. 11/10-13/74 Hafiz Al-Assad, President of the Republic  
(Damascus) M. Mahmoud El Ayoubi, Prime Minister  
Mohamed Haidar, Deputy Prime Minister for Economic Affairs  
Mohamed Imadi, Minister of Economy and Foreign Trade  
Mohamed Cherif, Minister of Finance  
Sobhi Kahale, Minister of the Euphrates Dam  
Omar Sibai, Minister of Communications  
Hani Sawaf, Minister of Electricity  
Abdallah Khani, Minister of Tourism  
Madana Khiyami, Minister of Health  
Abdel Razzak Abdel Baki, Minister of Housing  
Adib Melhem, Minister of Local Administration  
Chetoui Seifo, Minister of Industry  
Mahmoud Toujar, Deputy Minister of the Euphrates Dam  
Yassim Oustah, Governor of Damascus  
Rida Mourtada, Director General, Damascus Water Supply  
  
Dr. Afif Bahlasi, Director, National Museum
- 9/5/75 Muhammad Imady, Minister of Economy and Foreign Trade
- 6/30/76 Muhammad Imady, Minister of Economy and Foreign Trade
3. 2/28/79 Minister Sobhi Kahale (Euphrates Basin)  
Michel Abdullah, Dir.Gen. (GADEB) Gen.Adm. for Dev. of  
Euphrates Basin









## OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Maurice P. Bart, Director, CPD II, EMENA *WAB*

SUBJECT: SYRIA: Mr. McNamara's Meeting with President Assad

DATE: January 31, 1975

1. Mr. McNamara was received by President Assad for one and a half hours on November 13th. Mr. Benjenk, myself and an official interpreter were present.
2. President Assad welcomed Mr. McNamara and said that he had closely followed his career during the seven years he was Secretary of Defense of the U.S.; Mr. McNamara responded that he hoped that the President had also been kept abreast of his seven years in the World Bank. The President said that it was indeed the case especially since relations between Syria and the Bank had taken a turn for the better after long years where little Bank assistance had been received by Syria. He was glad that the Bank had found it possible to go ahead with two large power and irrigation projects and was actively considering further assistance. He knew that discussions were under way for Bank loans in a number of sectors including power, irrigation, water supply, schools and hospitals. Mr. McNamara said that the Bank was determined to be active in all those sectors except hospitals for which it had no competence. In any event the Bank was prepared to lend to Syria as much funds as it could use. The main constraint was project preparation which needed special attention in order to keep the pipeline of projects adequately stocked.
3. Mr. McNamara said that he had been very much impressed by the performance of the Syrian economy under adverse conditions. The most striking example of Syria's achievement was the Euphrates project which he had visited the day before. This project raised in his mind a few questions which required additional studies if development was to be speeded up. The first question was the period contemplated for the development of the total area to be irrigated, i.e. 600,000 hectares; various officials had mentioned 10, 20 or 30 years to reach ultimate development; the pace of the development would hinge very much on the number of technicians which Syria could mobilize for the project. The second question related to the Government's choice as regards the basic technologic options, essentially extensive mechanization or labor intensive methods (the latter entailing considerable employment creation). This choice would determine for decades employment opportunities for rural people who could not find jobs in other sectors, as well as the level of individual incomes in the project area which would be substantially higher if extensive mechanization was the chosen solution. The third problem was the form of organization on which the Government had not yet decided upon. Whether the project would be run as a state enterprise or through cooperatives or through independent farmers made no difference to the Bank as long as the efficiency of the system was ensured. Technical problems were easy to solve in comparison with the choice between these basic options, let alone in comparison with the problem of settling one million people as the Government contemplated for the ultimate development of the project. He concluded that the Euphrates project reflected a magnificent vision on the part of Syria and that it was essential that the Government should make sure that the correct solutions were chosen. The Bank would be glad to help if needed.



January 31, 1975

4. The President thanked Mr. McNamara for his very perceptive questions which suggested that, despite the shortness of his visit to the Euphrates, he had understood many of the basic problems still to be resolved. He stressed that the overall planning for the project had not been completed and that the Government was still undecided between several alternatives which would determine the pace of development. The Government's final decision would hinge on two key factors: first, financing had been easier in recent years but was not yet fully secured; second, the question of "cadres" was crucial. The Government was trying to accelerate technical training and had decided that all secondary graduates would go into universities. He had initially thought that 20 years would be an adequate period for the development of the 640,000 hectares; 15 years appeared now possible but he hoped for an even shorter period although he could not say what would be the time span which he would finally decide on. He had also wanted to have as many settlers as possible, with a certain degree of mechanization, but re-settlement of the population which lives in the area submerged by the reservoir as close to Hassaka had raised strong objections on their part.<sup>1/</sup> It would prove even more difficult to move people to the Euphrates from the coastal or more remote areas and the Government had already recognized the need to provide incentives in the form of high wages, housing and credit. More importantly, the President believed that individual ownership of the land would be necessary to attract settlers although a final decision had not been taken yet; this could be combined with cooperatives for the use of agricultural machinery.

5. Mr. McNamara thanked the President for his frank and detailed reply which showed that he was fully informed of the problems and conscious of the difficulties for resolving them. He reiterated the willingness of the Bank to help in all fields where he could provide both financing and know how. The President concluded that such help was very valuable and that he hoped very much that Mr. McNamara's visit would contribute to even closer relations between Syria and the Bank.

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<sup>1/</sup> This population was supposed to be resettled on the Bank financed Balikh project.

cc to Mr. McNamara's office (2) ✓  
cc to Messrs. Benjenk, Wapenhans, Haynes and Siebeck  
MPBart:rpo



## OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: January 30, 1975

FROM: <sup>ly</sup>  
Elio Gonella, Senior Loan Officer, CPD II-C, EMENASUBJECT: SYRIA - Visit of Mr. McNamara

1. Mr. and Mrs. McNamara visited Syria on November 11-13, 1974. They were accompanied by Mr. Benjenk, Mr. William Clark, Mr. Bart, Mr. Ljungh and Mr. Gonella. Mr. McNamara held meetings with Ministers and other officials on November 11 and 13; he also had a long audience with President Assad on the 13th. The Presidential plane was put at his disposal on November 12 to visit the Euphrates valley, between the Thawra dam and Raqqa, and Palmyra. He visited Bosra on his way to the Jordanian Border on November 14. Official functions were held in his honor by Deputy Prime Minister Haidar, Minister Imady and Minister Cherif.

2. The Syrian authorities -- including the President of the Republic and the Prime Minister -- appeared to be well briefed on the relations between Syria and the Bank, and on the ongoing operations and the meetings (see Annex I) resulted in frank, cordial and substantive discussions. The following main points emerged from the discussions.

Relations between the Bank Group and Syria

3. All Ministers expressed their satisfaction for the intensified relations with the Bank Group and the substantial financial assistance received by Syria during the last two years, but also recalled that the amount of assistance received before 1973 had been small. They indicated appreciation for the quality of the Bank Group's work. The Prime Minister, in particular, stressed the Government's appreciation - shared by other Arab countries - of the high professional quality and objectivity of Bank reports; he was confident that this would pave the way for further joint financing by the Bank and Arab institutions in Syria. He added that a peace settlement in the area would permit a reduction in defense expenditures and an intensification of Syria's development effort which would increase Syria's requirements of external assistance. He, and others, felt however that Bank procedures were not sufficiently rapid in some cases where the Government wanted to proceed speedily with their plans.

4. Mr. McNamara recalled his personal decision, in 1969, to step up relations between Bank Group and Middle East countries and expressed his satisfaction for the recent streamlining of relations with Syria. He said the Bank fully concurred with the Government's emphasis on rural development, irrigation and agricultural production. The Bank hoped to assist the Government in this field, particularly the large programs in the Euphrates Valley, and was looking forward to a continued flow of financial resources to Syria. Since, however, financing requirements were higher than what the Bank could give, cofinancing with development organizations of OPEC countries would provide an appropriate solution. The Bank would be prepared to assist in making arrangements with such development institutions, should the Government wish so. It was important, however, to establish in advance which projects the Government intended to carry on with Bank assistance (see below para. 11). Delays in



the Bank Group's action in Syria had been the consequence, probably, of insufficiently close relations and lack of familiarity with the country's requirements. Also, the Bank Group had to seek a high quality of the investments it financed, to assure, in the interest of the borrowers themselves, that the projects were likely to yield adequate economic returns. In any event, he would appreciate being informed by the Government whenever they felt that the Bank approach was too slow or inappropriate.

5. During the round-up meeting with the Minister of Economy and Finance, it was agreed that the Ministry of Economy would be the focal point of the relations between the Bank and Syria, and that the Ministries of Finance and Planning would be kept informed by sending them copies of the main correspondence.

6. At his meeting with the Minister of Communications, who had raised the question, Mr. McNamara confirmed that, given the favorable prospects of Syria's balance of payments, IDA lending was no longer contemplated for Syria. This subject was not raised by other officials.

#### Euphrates Valley Development

7. During the meetings with the Deputy Prime Minister for Economic Affairs, and the Ministers of the Economy, Euphrates Dam and Finance, Mr. McNamara called their attention on the importance of an agreement among the riparians for an orderly development of the Euphrates basin. Mr. McNamara said that the Bank was pleased by the interest of the Syrian Government on Bank assistance in this field and would be happy to provide technical background for a fruitful discussion among riparians. The eventual agreement, however, would have to be the sole responsibility of the Governments of the riparian states.

8. The Minister of the Euphrates Dam, Mr. Kahalé, gave a comprehensive picture of the projects which Syria had started in the Euphrates valley: (a) in the Balikh area, apart from the Bank financed project of 41,000 ha, the Government had contracted with Romania for 21,000 ha on the left bank of the Balikh river and for 18,000 ha on the right bank; 11,000 ha had not been contracted for yet; (b) in the Maskane area the USSR was studying 120,000 ha in the northern part and financing 71,000 ha whereas Japan was studying 50,000 ha in the southern and eastern parts and financing 14,000 ha; (c) Bulgaria was involved in the Russafa area; the Lower Euphrates, especially for drainage, was earmarked for the Bank; (d) a feasibility study had been completed for 70,000 ha on the Khabour river and might interest the Bank.

9. In the course of the meetings with the President of the Republic and the Ministers of Economy, Euphrates Dam and Finance, Mr. McNamara expressed his appreciation for the accomplishments of the Government with the construction of the dam at Thawra and the installation of the first three turbines, within schedule and at a reasonable cost. Nonetheless, he felt that an even more intensive effort was required now, on the Government part, to carry on the planned agricultural development.



January 30, 1975

During his visit to the Valley he had been unable to get a real feeling on the financial and economic aspects of the planned agricultural development. Though he recognized that it might be still early in the life of the scheme for a thorough analysis, he emphasized the importance of a tight control on the cost of production of the various crops, especially in terms of water required. He also pointed out that such a complex development scheme also required effective planning of rural development, crop rotations, farmers settlement and incentives. This, in turn, required a prompt Government decision on: (i) the envisaged time span for the development, somewhere between the 30 year and the 10 year periods mentioned by different authorities; (ii) the degree of mechanization, considering that labor-intensive cultivation would provide job opportunities and avoid income disparities, but also that it might be difficult for Syria to find the million settlers (including services and industry) the Government estimated needed for the full development of the Valley; and (iii) basic land tenure arrangements, such as cultivation by state farms, cooperatives or private farmers, all types of organization which are represented in projects assisted by the Bank in other countries. The Bank would be prepared to help in the overall planning if the Government desired. (This matter was also raised by Mr. McNamara in a letter to the Prime Minister; see Annex II).

#### Proposed Project List

10. In individual meetings with Ministers, a number of requests were made for Bank assistance in specific sectors.
11. At the round-up meeting with the Ministers of Economy and Finance, Mr. McNamara was given the attached list of projects for Bank consideration (Annex III).
12. The salient points regarding each sector and Mr. McNamara's position regarding Bank assistance are summarized below.
  - (i) As regards cost overruns under Highways II and Damascus Water Supply, Mr. McNamara indicated that the Bank Group financed overruns only in special circumstances which were unlikely to apply in the case of Syria, though he did not know sufficiently the details of the two projects in question to give a final answer.
  - (ii) Financing of hospitals and the medical research institute was outside the range of competence and expertise of the Bank Group; the same would apply to housing in slum areas and removal of squatters around Damascus since this seemed to be outside the Bank Group concept of "site and services" financing; the Bank would be prepared to help prepare Terms of Reference for the study of housing infrastructure.

January 30, 1975

(iii) Financing of the Lattakia University expansion could be considered only if it was closely related to the technical skills required to support the country's economic development.

(iv) The Bank was prepared to consider the other projects included in the list, and was particularly pleased with the opportunity of assisting in technical education, integral rural development and rural electrification (as well as in the study of the integrated power grid which Mr. Haidar had mentioned).

(v) The Bank could consider assisting rainfed agriculture (though it was not mentioned in the list) either as a specific project or as part of the "Rif" (rural development) project, including crop production, livestock and animal feed, mechanization, water supply and electrification to which Deputy Prime Minister Haidar assigned high priority.

(vi) He had expected that the list would include also a tourism project along the lines he had discussed with the Minister of Tourism (with Bank assistance for infrastructure and possible IFC assistance for superstructure); the Minister of Economy confirmed that a Tourism project should be part of the list.

(vii) He also queried the absence of the Second Balikh Irrigation project which the Bank had been contemplating. (After Mr. McNamara's departure, the Vice Minister of the Euphrates Dam indicated that the Government had decided to complete irrigation of the Balikh area with technical and financial assistance from Romania, except for 11,000 ha for which consultants were preparing a feasibility study with UNDP assistance. Should the Bank be interested in the 11,000 ha project, the Vice Minister suggested that the Bank raise this matter again with the Minister of Economy).

(viii) The Bank would also be interested in assisting the super-phosphate project which the Minister of Industry mentioned, should the Government so wish.

1 / The Minister had enumerated a long list of projects for which financing was needed but singled out super-phosphate as a possibility for Bank lending with the proviso that this depended on the expansion plan for phosphate mining under study in the Ministry of Oil and Natural Resources. A TSP plan in Homs had been studied by Romania and might be financed by Iran.

cleared with and cc to Mr. Bart

cc to Messrs. Benjenk, W. Clark, Karaosmanoglu, Siebeck, Wapenhans, Wyatt, El Darwish, Haynes, Pollan, Kreuter, Ljungh, Finzi, Asfour, Atabani, Al Bustany

Attachments

EGonella/MPBart:st

cc to Mr. McNamara's office(2)



ANNEX I

Authorities met by Mr. McNamara  
during His Meeting in Syria

|                         |   |
|-------------------------|---|
| Hafiz Al-Assad          | President of the Republic                     |
| M. Mahmoud El Ayoubi    | Prime Minister                                |
| Mohamed Haidar          | Deputy Prime Minister<br>for Economic Affairs |
| Mohamed Imadi           | Minister of Economy<br>and Foreign Trade      |
| Mohamed Cherif          | Minister of Finance                           |
| Sobhi Kahalé            | Minister of the Euphrates Dam                 |
| Omar Sibai              | Minister of Communications                    |
| Hani Sawaf              | Minister of Electricity                       |
| Abdallah Khani          | Minister of Tourism                           |
| Madana Khiyami          | Minister of Health                            |
| Abdel Razzak Abdel Baki | Minister of Housing                           |
| Adib Melhem             | Minister of Local Administration              |
| Chetoui Seifo           | Minister of Industry                          |
| Mahmoud Toujar          | Deputy Minister of Euphrates Dam              |
| Yassin Oustah           | Governor of Damascus                          |
| Rida Mourtada           | Director General, Damascus Water Supply       |

DEC 9 1974

Dear Mr. Prime Minister:

It was indeed a pleasure to visit Syria and to meet with you and members of your Government. I appreciated very much our discussions and I am glad to have had the opportunity to learn at first hand how your Government plans to contribute further to the already impressive economic and social achievements of Syria and how the World Bank can assist your efforts.

I came back with two impressions which I conveyed, in the course of our discussions, to Their Excellencies the President of the Republic and the Ministers of Economy, of the Euphrates Dam and of Finance, and which I should like to share with Your Excellency. On the one hand, I was deeply impressed by the accomplishments of Syria with the completion of the Lake Assad dam and power facilities in a comparatively short time, by the scope of the planned irrigation development in the Euphrates valley and by its expected impact on Syria's economy. On the other, I felt that an even more intensive effort is required now on the Government's part to choose between the different basic options open to it as regards the large population needed for the settlement of the Euphrates valley, the land tenure arrangements, the crop rotations and the extent of mechanization or of labor intensive cultivation. I am sure that the Syrian authorities realize the urgency of the decisions required on these crucial points and will take soon the measures which are essential to ensure that planning for the social, land development and production aspects is brought to the same level of efficiency as that demonstrated for the impressive engineering works.

On the basis of the warm and solid relations which exist between Syria and the World Bank, I look forward confidently to increasing cooperation and, in particular, to bringing to fruition Bank financing of the projects which I discussed with yourself and with members of your Government.

With warm personal regards,

Sincerely,

Robert S. McNamara

His Excellency  
Mohamed Al Ayoubi  
Prime Minister  
Damascus, Syria

EGonella:MPBart/rpo  
cc to Mr. McNamara's file (2)

Projects Included in the List Presented  
to Mr. McNamara by the Minister of  
Economy on November 13, 1974

1. Unforeseen additional foreign-exchange requirements for:
  - (a) Second Highways project
  - (b) Damascus water supply
  
2. Construction of:
  - (a) 1/ Third Highways project
  - (b) Second phase of Mehardeh thermal power project
  - (c) Land reclamation in the Lower Euphrates basin
  - (d) Livestock/feed development, including veterinary services
  - (e) Pollution control and sewerage network in Damascus, Homs and Hama
  
3. Studies and construction for:
  - (a) 1/ Fourth Highways Project
  - (b) Extension of telephone network in rural and urban areas
  - (c) Rural electrification
  - (d) Al-Khabour River Dam Project
  - (e) Damascus University hospital (600 beds)
  - (f) A hospital in Damascus (1000 beds)
  - (g) Lattakia University expansion
  - (h) Technical and other schools
  - (i) Integrated rural development
  - (j) Pollution control and sewerage in nine cities
  - (k) Housing development in slum areas
  - (l) Damascus out of town transit road
  - (m) Medical Research Institute

1/ See list on following page



Highways for Bank Considerations, as  
indicated by the Minister of Communications,  
Omar Sibai on November 18, 1974

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- (i) By passes for the town of Aleppo, Homs and Deraa (about 70 km in total; feasibility studies and detailed engineering financed under Credit 298-SYR).
- (ii) Highway Aleppo-Karakosak-Tall Tamir-Tall Kojak (about 470 km; feasibility studies financed under Credit 298-SYR).
- (iii) Highway Palmyra - Deir ez Zor (about 230 km; feasibility study and detailed engineering available) and completion of the link between Palmyra and the Damascus-Baghdad highway at Sabaa Biar (about 60 km).
- (iv) Improvement of the highway Raqqa-Deir ez Zor-Abou Kemal in the lower Euphrates Valley (about 270 km).
- (v) Highway Saraqeb-Jisr Esh Shugur (about 60 km) and improvement of Jisr Esh Shugur-Lattakia (about 100 km).
- (vi) Improvement of the coastal highway Tartous-Banias-Lattakia-Kessab (about 160 km).



VISIT TO SYRIA, NOV. 10-13, 1974

| <u>Date</u>     | <u>Time</u>            | <u>Remarks</u>   |
|-----------------|------------------------|--|
| Sun.<br>Nov. 10 | 17.20                  | Arrive Damascus Airport  |
|                 |                        | Received by H.E.<br>Dr. Imady and Mrs.<br>Imady  |
|                 | 18.00                  | Leave Airport by car   |
|                 | 18.45                  | Arrive Hotel New Omayad  |
|                 | <del>20.30-23.00</del> | <del>Dinner hosted by<br/>Deputy Prime Minister<br/>of Economic Affairs.</del>   |
| Man.<br>Nov. 11 | <del>8.30</del>        | <del>Meeting Minister of Electri<br/>city</del>  |
|                 | <del>9.30</del>        | <del>Meeting Minister of Transport</del>   |
|                 | 10.15                  | Meet Dr. Imady   |
|                 | 10.30                  | Meeting Prime Minister (accompanied by Minister of<br>Economy)   |
|                 | 11.00                  | Meeting Deputy Prime Minister of Economic Affairs<br>(accompanied by Ministers of Economy, <i>Finance &amp; Planning</i> )     |
|                 | <del>11.30</del>       | <del>Meeting Minister of Finance (with participation of<br/>Governor Cent. Bank)</del>   |
|                 | <del>13.00</del>       | <del>Meeting Minister of Planning</del>  |
|                 | 14.00                  | Official lunch hosted by <del>Minister</del> <i>Deputy Prime Minister</i><br><del>of Planning</del> <i>of Economic Affairs</i> |
|                 | 15.30                  | Leave hotel. Visit of Damascus:<br>the old town, New Damascus,<br>Housing developments   |
|                 | 17.00                  | Visit of Mosque, Azem Palace   |
|                 | 18.00                  | Visit Museum   |
|                 | 19.00                  | Return to Hotel.   |

to learn - for by 1800  
to participate - will show  
of 60,000 in increasing to  
by 1800 + generating  
of the  
with a present pop  
65,000.

education for primary age children  
universal + free - even in  
lages in the desert schools +  
then with books and visible  
evidence.

stair wheel: Digging up the Past - Perjan  
HITI "Story of the Arabs"

on long abandoned routes, a road  
the water + a series of domes  
the decorated buildings extending  
Desert oasis +  
- a caravan city with a history dating  
60,000 BC, mentioned in history 4000 BC,  
temple built + BEC by the Persians, in  
with style in 1st century AD, with a  
in the habit of ranging from nomads  
to the Roman Empire, changed +  
period - the temple was built by the Persians  
+ the temple was built by the Persians  
+ the temple was built by the Persians  
+ the temple was built by the Persians

period (705) mosque + court -  
civil scale + glass beam  
- brass + silk handicraft

\*ASPA  
SS/A

the deal of complexities here are  
of highest priority but has not yet  
decided whether the 600,000 will be:  
1. Developed over 10, 15, 20, or 30 yrs  
2. Capital intensive or labor intensive  
to don't seem to realize that 10%  
the million people change to  
settled in the land will not  
fit with the "lance" style  
week. They speak of  
3. Organized on collective,  
cooperative, or other farm  
bases.

They are approaching the problem  
as though it were analogous  
to building a dam -  
and we are involved in comparison  
business, job, revenues

Man of Qwig - under 700 - fluent eng.  
Man of Tomin - fluent eng - sophisticated  
USAN + MALKI - 115 trained men  
+ 8 technicians - taught at Babson -  
excellent interpreter



Tues.  
Nov. 12

- 7.00 Leave Hotel, by car.
- 7.45 Arrive Airport
- 8.00 Leave by official airplane
- 9.00 Arrive at Tabqa. Briefing on dam.
- 9.30 Leave for visit of the dam
- 10.30 Leave Tabqa by car to visit rural development areas and villages
- 13.30 Lunch at Tabqa
- 14.00 Leave Tabqa, by plane
- 14.30 Arrive Palmyra - Visit of the ruins.
- 17.00 Leave Palmyra, by plane.
- 17.45 Arrive Airport Damascus
- 18.30 Arrive Hotel New Omayad

~~21.30-22.30~~ Dinner hosted by H.E. the Minister of Economy.

8:30 Min of Econ -

Wed.  
Nov. 13

8.30 Meeting at the Central Bank with Minister and Vice Minister of Economy, Governor of Central Bank, and authorities of Industrial, Agriculture and other Banks

9.30 Minister Euphrates

~~10.30 Minister of Agriculture~~

11.00 Minister of Tourism

10:30  
11.30 Minister of ~~Industry~~ Electricity

11:30 Min of Indus

Local Administration

- 12.00 Minister of Housing and Health ; Governor of  
~~12.30. Minister of Agriculture~~ Damascus; Director  
~~12.30 Minister Education~~ Water Authority  
*Pres.*  
13.00 Minister Communications  
~~13.30 Minister of Public Works~~  
14.00 Lunch hosted by Minister of Finance

Afternoon Audience H.E. the President of the  
evening Republic.

~~16.00 Leave for visit of industries~~  
~~near Damascus.~~

~~17:00~~ *Pres. Com. Fin.*  
18.00 Return to Hotel.

Thur.  
Nov. 14

09.00 Leave Hotel, by car

11.00 Arrive Syro-Jordan border.



Mr. and Mrs. Mc Namara

Mr. Munir Benjenk, Vice President, Europe, Middle East and  
North Africa

Mr. William Clark, Vice President, External Relations.

Mr. Maurice Bart, Director, Programs.

Mr. Anders Ljungh, Personal Assistant to Mr. Mc Namara

Mr. Elio Gonella, Senior Loan Officer

Arriving 17.20 Sunday, Nov. 10.

Leaving 9.00 Thursday Nov. 14.

3



## OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Wolfgang E. Siebeck, Acting Director, EMENA CPII

SUBJECT: SYRIA - Meeting between Mr. McNamara and the  
Syrian Minister of the Euphrates Dam

DATE March 15, 1979

1. Mr. Subhi Kahale, Minister of the Euphrates Dam, accompanied by Mr. Michel Abdullah, Director-General of GADEB, called on Mr. McNamara on February 28. Messrs. Benjenk, Bart, Siebeck and Koch-Weser attended the meeting. The following three points were discussed:

Irrigation Development

2. Mr. McNamara recalled his visit to the Tabqa Dam in fall of 1974 and congratulated the Minister on this personal achievement of his. He added that the dam alone, however, would not provide the full benefits unless extension services, feeder roads and agricultural credits are provided. He pointed out that similarly for the Lower Euphrates Drainage Project which the Minister was negotiating, extension services would be essential to derive the full benefits from that project.

3. The Minister replied that he was fully aware that the completion of the dam was only a beginning. Nonetheless, the dam was presently supplying 90% of Syria's power requirements without yet having reached its full capacity. Also in terms of flood protection the dam was turning out to be an excellent investment. Nonetheless, he agreed that land reclamation was a vital part of the Euphrates basin development, but that it was going to be very expensive in terms of money and human resources.

Power Tariffs

4. Mr. McNamara, in pointing out to the Minister the fact that Syria had been in violation of an agreement with the Bank under which it would have increased power rates on January 1, 1979, explained that the Bank was urging such an increase in the interest of Syria. While he did not want to discuss details, such violation could potentially cause serious problems with the Bank's Board of Directors, particularly when the Management submitted new projects for Board approval. He recalled that the January 1 deadline had been agreed upon after considerable discussion and a personal commitment from Minister Imadeh, and that the Bank had gone out of its way in order to accommodate the general political concerns of the Government with this concession. He urged the Minister to do whatever he could in order to obtain a Government decision on this matter.

5. The Minister replied that in his view his Government had been very meticulous in living up to commitments taken vis-a-vis the Bank. In the case of electricity he personally felt that power was at present produced so cheaply from the Tabqa Dam that no tariff increase was called for. However, he would raise this matter.

Basic Economic Report

6. The Minister reported that he had just been informed by his Government that a decision on the Basic Economic Report would be conveyed to the Bank within the next few weeks.

cc: Mr. McNamara's office  
Mr. Stern's office  
Messrs. Benjenk (o/r), Bart, El Darwish, Howard, Haynes, Fish, Merghoub,  
Zaman, and Moini

WESiebeck/bp



# OFFICE MEMORANDUM

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me 2/26/79  
R. M. W.

TO: Mr. Robert S. McNamara

DATE: February 26, 1979

FROM: M. P. Benjenk, Vice President, EMENA Region *MB*

SUBJECT: SYRIA: Visit of Sobhi Kahale, Minister of the Euphrates Dam

1. Minister Sobhi Kahale is leading the Syrian delegation which is negotiating a \$30 million loan for the Lower Euphrates Drainage project. For reasons which I will explain below, I suggest that you receive him for a brief courtesy call. He may leave town on Thursday.

2. Mr. Kahale speaks English fluently. Prior to taking over the Ministry of the Euphrates Dam in 1974, he was the Syrian chief engineer for the construction of the Euphrates Dam, built with Russian assistance. While he is one of the few Cabinet members who call themselves politically "independent", his political sympathies appear to be more with the East than with the West. It has been habitually difficult to convince him of the merits of some of our procedures and policies, such as international competitive bidding and hiring of expatriate consultants.

3. While Mr. Kahale is not a member of the small group of economic policy makers within the Syrian Cabinet, his influence seems to go beyond the confines of irrigation development in the Euphrates Valley. As you know, decision making at the political level in Syria is a collegiate, somewhat unpredictable process, and it would be desirable if not to turn Mr. Kahale into an ally and staunch supporter of Bank policies, at least to persuade him to soften his sometimes negative views on the Bank's role in development. A short meeting with you may help in this respect.

Questions to be Raised

4. No major issues should threaten the completion of the Lower Euphrates Drainage project now under negotiations. At some time we were concerned about the increased salinity generated by the project for irrigation downstream in Iraq. Since the Syrians finally provided us with current data on the Euphrates flow, we have determined that this risk is minimal (delay in furnishing these data accounted for the postponement of negotiations by almost 10 months). There is one issue which we hope to resolve, and you may want to allude to it briefly: agricultural extension services are undeveloped in all Syria. The Euphrates development has to date been pursued as an engineering problem rather than a challenge to agricultural production. While the Syrians pay lip service to the need for extension services in order to derive the benefits of their infrastructure investments, they have little clue as to how to go about it. You may want to mention that they should draw on the experience the Bank has gained in this field in several developing countries.

*Vertical handwritten notes on right margin:*  
\* have seen  
dam  
just  
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2/26/79  
will  
will  
strengthen  
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\* have seen dam - a great achievement. hope it will be exploited - will require strengthening of extension service

5. There are two major problems in our relationship with the Syrians which you may want to bring to the Minister's attention, the delayed increase in power rates and the outstanding approval of our Basic Economic Report.

6. In February of last year when negotiating the Rural Electrification project, signed on October 30, 1978, we waived with your agreement and after a strong personal intervention from Dr. Imady the rate of return covenant under previous loan agreements under which a tariff increase for power had already been overdue. We agreed that the Government, in the three years 1979, 1980 and 1981, could achieve this rate of return covenant by providing decreasing cash contributions to the power authority. The first adjustment of power tariffs thus was due on January 1, 1979. The matter has been brought to the Prime Minister's attention who has not taken a decision despite almost continuous reminders from the Bank. Suspension of disbursements under the second power loan will be unavoidable unless the Government lives up to its commitments (the Rural Electrification project is not yet effective because of the tariff problem). While we should not present this as an ultimatum, you may want to stress to Mr. Kahale that Syria should honor its written commitment with regard to power rates, possibly with a structure favoring the smaller consumers. The rate increase now required under our agreement would be about 25 percent on average.

7. The Bank's Draft Basic Economic Report, prepared in 1977, was sent to Syria for comments in May 1978. An internal review committee has examined that report and recommended its approval to the Government with some changes. The committee's report has been submitted to the Prime Minister for a decision and for several months we have now been waiting for it.

8. I propose that Messrs. Bart and Siebeck accompany me in your meeting with the Minister.

*mediation  
agrees  
that my  
mediation  
must  
be  
done  
we must be  
able to  
count on  
Syria's  
faithfulness  
to written  
agreements*