Y4
F76/1
M58/
13

GOVERNMENT
Storage

96th 1st

COMMITTEE PRINT

ECONOMIC SUPPORT FUND PROGRAMS IN THE MIDDLE EAST

REPORT

OF A

STAFF STUDY MISSION TO EGYPT, SYRIA, JORDAN, THE WEST BANK, AND GAZA

NOVEMBER 24 TO DECEMBER 15, 1978

TO THE

COMMITTEE ON FOREIGN AFFAIRS

U.S. HOUSE OF REPRESENTATIVES

DOCUMENTS

JUN 19 1979

FARRELL LIBRARY
KANSAS STATE UNIVERSITY

APRIL 1979

KSU LIBRARIES
A11900 911217

Printed for the use of the Committee on Foreign Affairs

U.S. GOVERNMENT PRINTING OFFICE

42-012 WASHINGTON : 1979

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

COMMITTEE ON FOREIGN AFFAIRS

CLEMENT J. ZABLOCKI, Wisconsin, *Chairman*

L. H. FOUNTAIN, North Carolina
DANTE B. FASCELL, Florida
CHARLES C. DIGGS, JR., Michigan
BENJAMIN S. ROSENTHAL, New York
LEE H. HAMILTON, Indiana
LESTER L. WOLFF, New York
JONATHAN B. BINGHAM, New York
GUS YATRON, Pennsylvania
CARDISS COLLINS, Illinois
STEPHEN J. SOLARZ, New York
DON BONKER, Washington
GERRY E. STUDDS, Massachusetts
ANDY IRELAND, Florida
DONALD J. PEASE, Ohio
DAN MICA, Florida
MICHAEL D. BARNES, Maryland
WILLIAM H. GRAY III, Pennsylvania
TONY P. HALL, Ohio
HOWARD WOLPE, Michigan
DAVID R. BOWEN, Mississippi
FLOYD J. FITHIAN, Indiana

WILLIAM S. BROOMFIELD, Michigan
EDWARD J. DERWINSKI, Illinois
PAUL FINDLEY, Illinois
JOHN H. BUCHANAN, JR., Alabama
LARRY WINN, JR., Kansas
BENJAMIN A. GILMAN, New York
TENNYSON GUYER, Ohio
ROBERT J. LAGOMARSINO, California
WILLIAM F. GOODLING, Pennsylvania
JOEL PRITCHARD, Washington
MILLICENT FENWICK, New Jersey
DAN QUAYLE, Indiana

JOHN J. BRADY, JR., *Chief of Staff*
LEWIS GULICK, *Senior Staff Consultant*
MICHAEL H. VAN DUSEN, *Staff Director, Subcommittee on Europe and the Middle East*

FOREWORD

This report has been submitted to the Committee on Foreign Affairs by Lewis Gulick, senior staff consultant, and Michael H. Van Dusen, staff director, Subcommittee on Europe and the Middle East, who undertook a staff study mission to the Middle East from November 24 to December 15, 1978. The findings in this report are those of the staff study mission and do not necessarily reflect the views of the Committee on Foreign Affairs or any of its members.

CLEMENT J. ZABLOCKI, *Chairman,*
Committee on Foreign Affairs.

LETTER OF TRANSMITTAL

FEBRUARY 1979.

Hon. CLEMENT J. ZABLOCKI,
Chairman, Committee on Foreign Affairs, U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a report of a staff study mission which went to the Middle East November 24 to December 15, 1978, to gather information on the Economic Support Fund and other U.S. economic aid programs being administered under legislation within the purview of the Committee on Foreign Affairs. The study mission examined U.S. aid programs in Egypt, Syria, Jordan, the West Bank, and Gaza. The scope of the study is outlined in the introduction to the report.

LEWIS GULICK,
Senior Staff Consultant.
MICHAEL H. VAN DUSEN,
Staff Director, Subcommittee on Europe and the Middle East.

CONTENTS

	Page
FOREWORD	III
LETTER OF TRANSMITTAL	V
INTRODUCTION	1
EGYPT	2
Observations and conclusions	2
Overview	3
Present U.S. aid programs	4
Level of U.S. aid	6
Other donors to Egypt	8
Egypt's economic situation	8
Issues involving U.S. assistance	12
Level of aid	12
Composition of U.S. aid	13
CIP level	13
Capital development projects	15
"New Directions" aid to Egypt	18
Aid as an economic reform lever	20
A comprehensive development assistance strategy	21
Post-treaty assistance	22
Personnel	23
Population programs	23
Agricultural and rural development	25
Public Law 480	28
Title III of Public Law 480	30
Annex A: Comparison of aid levels to Egypt with postwar relief and Marshall plan aid levels	34
Annex B: Summary of obligations—expenditures	35
SYRIA	36
Observations and conclusions	36
Overview	37
Level of U.S. aid	37
Composition of the U.S. aid program	39
"New Directions" focus in Syria	41
Implementation of U.S. aid programs in Syria	42
Public Law 480	45
JORDAN	47
Observations and conclusions	47
Overview	48
Budget support	53
Jordan valley development	54
Irrigation	54
Transportation	56
Social services	56
Public utilities	57
Agriculture	57
Maqarin Dam	59
Arab potash project	62
Jordanian priorities and trends in American AID programing	63
AID mission	66
Public Law 480 programs	67
WEST BANK AND GAZA	68
Observations and conclusions	68
U.S. aid-sponsored programs	69
Public Law 480	76
APPENDIX: ITINERARY	77

INTRODUCTION

The purpose of the staff study mission was to gather information on U.S. Economic Support Fund and other U.S. economic aid programs being administered in the Middle East. The Economic Support Fund (ESF), formerly known as security supporting assistance, is economic assistance provided because of special economic, political, or security interests of the United States.

The Middle East area has been the prime recipient of Economic Support Fund aid. Of the $1.9 billion authorized for ESF assistance globally in fiscal 1979, approximately $1.8 billion was for the Middle East. The Middle East recipients were Egypt, Israel, Jordan, and Syria.

The study mission visited Egypt November 25–December 4, Syria December 4–9, Jordan December 9–13, and Israel December 13–15, 1978. Because ESF for Israel is supplied through a cash transfer and no in-country programs are associated with it, the study mission did not undertake an investigation of ESF assistance to Israel. The study mission did, however, examine U.S. economic assistance programs which are being administered in the West Bank and Gaza.

The mission was completed, and the report written, prior to the conclusion of the peace treaty between Egypt and Israel. The report therefore does not address the situation subsequent to the treaty.

The study mission conferred with U.S. Agency for International Development, State Department, and other officials in Washington both before and after its trip. The mission was graciously and cooperatively received by Government officials and private citizens, both of the host country and of the United States, in all the countries visited

42–012—79——2

EGYPT

Observations and Conclusions

—The level of U.S. economic assistance to Egypt, at around $1 billion a year, is determined by special political considerations. From an economic standpoint, *this is a very high level. Without the political considerations, U.S. aid to Egypt would be far lower.*

—Senior American officials in Cairo say Egypt can appropriately use this level of assistance. After an extended period in which the backlog of unused aid funds was growing in the pipeline, the rate of expenditures on U.S. aid programs is now coming close to exceeding the level of new commitments.

—However it is apparent that *the USAID mission has its hands full with implementing the current and immediately prospective high levels of U.S. aid*, and that *additional projects worthy of expanded U.S. assistance are not readily at hand.* U.S. officials responsible for administering aid to Egypt were not seeking any large increase.

—*If there is a peace treaty* and demands arise for a "peace dividend" or a post-treaty "Marshall Plan" for the Middle East, senior U.S. officials in Cairo see room for *a relatively modest increase*, perhaps $250 to $500 million a year, or up to $1½ billion over 3 years, *in aid to Egypt.* Presumably, such added assistance would begin with picking up more Egyptian foreign exchange costs through quick-spending programs such as the commodity import program (CIP) and Public Law 480. Presumably, there would be a drop off in Arab aid to Egypt in event of a peace treaty between Egypt and Israel. The increase would be far less than the $15 billion, 5-year outlay spoken of by President Sadat.[1]

—The American Ambassador in Cairo believes that within the current AID program, there should be flexibility to increase the CIP from the $250 million presently proposed for fiscal 1979, to $300 million. He sees the current political benefits from CIP—cash payments for raw materials and manufactured products which Egypt needs to import for her economy—as higher than from equal aid expenditures for capital development projects within Egypt which take years to complete. However the study mission was not told what specific additional items might be proposed for CIP financing. The study mission believes that *funding in the fiscal 1979 program should be shifted toward more CIP only in those instances where it is clearly demonstrable that the direct and immediate benefit to the United States from the CIP outlay outweighs the potential longer term benefit from the projects removed from financing.*

—The Egyptian economy is not now in as critical a situation as it was after the 1973 war, before massive foreign assistance saved it from probable collapse, but it still suffers from severe inadequacies. *It will need basic reforms if it is ever to become self-sustaining.* Its pervasive subsidy system should be curtailed sharply, its unwieldy, dead-handed bureaucracy streamlined, and domestic skills and enterprise encouraged to take hold.

---

[1] See "Sadat Has a Dream: $15 Billion 'Carter Plan' in Aid," New York Times, Feb. 16, 1979.

—Egyptian officials and those from donor countries alike agree on the need for such reforms. However there are differences over how fast they should be implemented. Those who are political incumbents or supportive of the incumbents in Egypt are very sensitive to expected domestic opposition to economic belt-tightening measures.

—*U.S. officials must use and continue to use the leverage of U.S. aid to provide momentum for reforms to the maximum extent possible. The United States also should appear to be supportive of the International Monetary Fund (IMF) recommendations for reforms in Egypt*, notwithstanding the fact that there are differences within the official U.S. family over how hard to push for the IMF reforms.

—U.S. aid to Egypt originally was applied on an ad hoc basis, to projects which seemed most readily available for American assistance. More recently USAID Cairo has attempted to formulate a comprehensive "development strategy" for aid to Egypt. Our impression is that there still is a considerable use of "targets of opportunity" in applying American aid; also, that maybe this is not entirely undesirable, considering the high level of funding forced on USAID Cairo and that good targets of opportunity may be a better expenditure of funds than not-so-good long-term development projects which happen to fit a preconceived plan.

—*By and large, USAID Cairo has made a good effort to develop "basic human needs" and "New Directions" projects. It is hoped this emphasis will be continued and strengthened.*

—Development project assistance is under criticism—much of it justified—because of its slow implementation. *There may be some justification for shifting to more turnkey projects, but the study mission is of the opinion that this should be done only on a selective basis, not wholesale;* for there is likely to be an added, though hard-to-measure benefit, from involving the Egyptians themselves to the maximum extent possible in capital development projects, even if in-country contracting means slower implementation.

—An increase in Public Law 480 might be a short term way of providing more aid to Egypt. The American Ambassador in Cairo is requesting an aditional 500,000 tons in title I wheat this year. However, *the request is hard to justify*, even though Egypt's food import needs are large, *in view of the fact that Egypt already receives about one-third of the total volume of title I assistance which the United States sends to all countries of the world.*

—The proposed $15 million-a-year, 5-year Public Law 480 title III program for Egypt should be implemented, now that it has been agreed on. However, in retrospect, *it is questionable whether the lengthy effort to undertake such aid through the relatively cumbersome title III process was preferable to a straight-out $75 million AID grant for the same purpose.*

OVERVIEW

The United States extended economic assistance to Egypt in modest amounts in the years following World War II. The flow reflected the ups and downs of United States-Egyptian political relationships over the years. All U.S. aid to Egypt, mainly food aid, was terminated following the 1967 Arab-Israeli war. U.S. assistance resumed when

relations between the two nations entered a new phase after the 1973 war.

The United States supported the January 1974 Sinai accord between Israel and Egypt, and followed through with an $85 million initial program to help clear the canal of war debris and assist in reconstruction of damage to the canal area. The executive branch in March 1974 decided to ask Congress for $250 million for Egypt in fiscal year 1975. Further Egyptian-Israeli negotiations, supported by the United States, led to the Sinai II agreement in September 1975. After the 1975 Sinai accord, U.S. assistance was stepped up sharply to around the $1 billion level and was broadened to include aid for a wide range of economic activities in Egypt.

American loans and grants are being used to finance imports of food and other commodities, and a variety of manufactured goods, and for capital projects which are designed to raise the level of Egypt's economy.

The level of U.S. aid to Egypt is determined by U.S. foreign policy considerations. In essence, the program has been extended for the political objective of promoting peace in the Middle East and helping the moderate Sadat government. At the time of our visit to Cairo, the U.S. political emphasis was on concluding negotiations on a peace treaty pursuant to the agreement reached at Camp David. The possibility of additional American assistance being provided to Egypt, as a booster for the Sadat government following the signing of a treaty with Israel, was discussed. U.S. officials, however, said they had no specific plans along these lines at that time.

PRESENT U.S. AID PROGRAMS

U.S. economic assistance to Egypt currently totals about $1 billion a year. The fiscal year 1979 program consists of $750 million in Economic Support Fund assistance, of which $250 million is in loans for a commodity import program (CIP) and $500 million is in grants for technical and capital assistance projects; and $232 million in Public Law 480, of which $199 million is in title I loans, $18 million is in title II grants, and $15 million is under the title III food-for-development program.

The CIP program which involves U.S. payments for import of U.S. goods is deemed helpful to Egypt's economy. Currently, approximately 45 percent of the CIP is used for financing capital goods, and 55 percent is for consumable raw materials and foods. Capital equipment financed under CIP has included such items as trucks, buses, construction equipment, industrial machinery, electrical equipment, and communication hardware. The consumables have included tallow, woodpulp, paper, plastics, tobacco, herbicides, corn, and edible oil. The following table shows items financed under CIP for Egypt through fiscal 1978:

U.S. ECONOMIC ASSISTANCE TO EGYPT, ACTUAL CIP UTILIZATION (LETTERS OF CREDIT ISSUED) CIP PROCUREMENT (AS OF SEPT. 30, 1978)

Summary	Amount (millions)	Percentage
Capital equipment	$266.9	35
Raw material	334.8	43
Food item	171.2	22
Total	772.9	100

Capital equipment	*In millions*
Remote sensing	$1.2
Electronic spares	1.8
Marine diesel engines	3.7
Spare parts	.1
Trucks, trailers	25.0
Tractors	17.2
Buses	52.3
Bus spare parts	17.3
Construction equipment	4.4
Grain unloaders	3.0
Micro-wave system	14.0
Medical/dental equipment/ambulances	5.8
Railroad spare parts	5.0
Broadcasting equipment	10.0
Food machinery	1.6
Tools, machinery	6.0
Dredger, crane	2.5
Cranes	1.3
Textile equipment	.2
Transformers, generators, power cable and other related equipment (minimum/electricity)	51.9
Mining, welding, tire plant equipment	5.5
Water pumps, spares	1.4
Micro buses, sedans	.6
Pickup trucks	2.7
Printing equipment	.5
Other vehicles	2.2
Refuse collection trucks/equipment	5.9
Air-conditioning components	.9
Telecommunications system	2.5
Salt harvesters	.4
Elevated dry dock	1.2
Rail wagons	.4
Furnaces	5.7
Match making machinery	1.1
Refrigerated rail cars	2.6
Street lighting equipment	2.2
Elevated dry docks	1.1
Total	266.9
Raw material	
Tallow	155.8
Cotton	9.7
Kraft paper	9.0
Tinplate	25.0
Coking coal	29.2
Graphite electrode	9.3
Wood pulp	18.6
Tobacco	53.9
Acetate tow	12.0
Cigarette paper	2.0
Rubber/plastics	6.1
Herbicides	1.6
Match board	1.0
Others	2.6
Total	334.8
Food items	
Edible oil	87.2
Corn	60.5
Frozen poultry	11.3
Soybean meal (for chicken)	11.0
Soybean seed/inocculant (for planting)	1.2
Total	171.2

Source: USAID Cairo.

Technical assistance projects involve transfer of knowhow. The projects in Egypt have focused on improvement in quality of life for the population. Projects approved to date include assistance in the areas of rural health delivery, family planning, urban health, water use and management, rice research and training, poultry improvements, aquaculture development, social work training centers, development decentralization, and low-income housing and community upgrading.

Capital assistance projects in Egypt currently involve obligations of around $400 million a year. They are the largest single component of U.S. aid to Egypt. They are designed to stimulate economic production and improve the quality of life of the Egyptian populace. They are in both the public and private sectors. An early project, signed in May 1975, was a $30 million grant for electric distribution equipment needed to reconstruct power distribution systems destroyed in the Suez Canal cities of Suez, Ismailia, and Port Said during the 1973 war. Another is a $90 million grant project signed in July 1976 for the design and construction of a cement plant near Suez that will operate in the private sector. Other examples are a $96 million project signed in June 1976 to expand the textile plant of the Misr Spinning & Weaving Co. at Mehalla, a $15 million project signed in September 1977 to develop a sewage system in Alexandria's lower class neighborhoods, $31 million for a July 1976 port equipment project in that port, $25 million for a sewage project in Cairo begun in September 1978 and $40 million for a Cairo telecommunications modernization project signed in August 1978, and $42 million for a September 1977 project for storage and distribution of food grains, tallow, vegetable oil, and fat.

Finally, Egypt receives sizeable quantities of U.S. food aid under the food-for-peace program, which is authorized under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). The $232 million of such assistance programed in fiscal 1979 included 1.5 million tons of wheat/flour under titles I and III, worth about $214 million; and about $15 million in title II grants provided through voluntary agencies and $3 million through the world food program.

LEVEL OF U.S. AID

The level of U.S. aid to Egypt has been politically determined in the context of U.S. efforts to promote a lasting peace in the Middle East. In essence, the Economic Support Fund (formerly known as Security Supporting Assistance) level is currently pegged at $750 million a year because that is approximately the same as the $785 million in ESF allotted to Israel. The amount has in effect been "straight-lined"—extended from one year to the next with minimal alteration—since fiscal 1976.[2] Additionally, substantial amounts of

---

[2] $795 million was allotted to Egypt in fiscal 1976 including transition quarter, $700 million in fiscal 1977, $750 million in fiscal 1978, $750 million in fiscal 1979, $750 million proposed for fiscal 1980. ESF for Israel was $775 million in fiscal 1976 and transition quarter; $735 million in fiscal 1977; $785 million in fiscal 1978; $785 million in fiscal 1979; and $785 million proposed for fiscal year 1980.

General Accounting Office report ID–77–33, "Egypt's Capacity to Absorb and Use Economic Assistance Effectively," issued Sept. 15, 1977, gives this account of how the present level was reached: the State Department decided in March 1974 after the resumption of United States-Egyptian relations to ask Congress for $250 million for Egypt in fiscal 1975. In July 1974 AID began preparing a fiscal 1976 program for Egypt on the assumption that $300 million, a $50 million increase over the 1975 amount, would be appropriate to signify U.S. support in helping to meet Egypt's foreign currency needs and development plans. However, Egypt reacted negatively to the $300 million level on grounds that it failed to symbolize U.S. evenhandedness in the Middle East because it was not comparable to U.S. assistance to Israel. By March 1975 the Secretary of State believed that the

Continued

Public Law 480 commodities—approximately $200 million worth a year—have been shipped to Egypt in the belief that this food aid is important in promoting political stability in Egypt and is supportive of the Sadat government. The volume of Public Law 480 title I flowing to Egypt is more than one-third of the title I global total.

The approximately $1 billion annual U.S. economic support for Egypt—an amount now approaching a total of $5 billion since the 1973 war—is far greater than the amount of foreign assistance which the United States might be providing to Egypt were it not for special political considerations. The $750 million ESF economic aid which the Agency for International Development (AID) administers in Egypt is about 10 times the amount AID provides to Indonesia, a poor country ($220 per capita GNP) with a population of 135 million, 3 times as large as Egypt's. It is many times larger than the AID program for any other country in the world, outside of the amount for Israel which also reflects special political considerations.[3] The flow of U.S. aid to Egypt is currently larger, on a per capita basis, than American assistance to Western Europe under the Marshall plan, and it appears to be headed for a far higher total than that large-scale economic recovery program which was provided by the United States after World War II.[4]

At the same time, it should be noted that Egypt might be eligible for some U.S. developmental assistance without the present political considerations, albeit on a far lesser scale. Egypt is a poor country with a GNP per capita of $260 in 1975, more than 50 percent illiteracy, and an average life expectancy of 52 years. Indeed, the United States provided a total of about $600 million in various forms of aid to Egypt from the end of World War II until diplomatic relations between the two countries were broken in 1967, including about $100 million in developmental assistance and $500 million in Public Law 480.

The political justification for the current very high level of U.S. assistance to Egypt has been given to the Congress in AID's fiscal 1979 congressional presentation document along the following lines: Egypt is critical to achieving peace in the Middle East because of her strategic location, size, and historical importance. President Sadat has shown a determination to bring about an end to hostilities. It is imperative that the Egyptian population's living standards be maintained and improved in order to preserve Egypt's attitude of moderation which now supports Sadat's efforts to reach a settlement with Israel. Over the longer run, improvements in Egyptian living standards are necessary to buttress a lasting peace in the Middle East.

Because the concern of the staff study mission was directed to the economic aspects of the U.S. assistance program in Egypt, not the political justification therefore, this report does not attempt to offer judgments as to the political validity of the high level of U.S. aid to Egypt or what political impact the aid program may have in terms of Egyptian foreign policy or domestic politics in the future.

Continued
fiscal year 1976 aid level to Egypt should be $500 million. After another round of Middle East shuttle diplomacy and a U.S. Middle East policy review, the amount for fiscal 1976 was raised to $750 million, which is approximately the level of annual Economic Support Fund assistance which has been maintained since.

[3] The $750 million for Egypt in fiscal 1979 exceeds the total fiscal 1979 AID programs for all countries in Asia ($449 million) and Latin America ($245 million) combined. The largest regular AID programs being undertaken in fiscal 1979 are for India ($90 million; population 634 million, annual per capita income (PCI) $140), Bangladesh ($87 million, pop. 83 million, PCI $90), Pakistan ($69 million, pop. 75 million, PCI $160), and Indonesia.

[4] See annex A.

OTHER DONORS TO EGYPT

Egypt is a large recipient of economic assistance from the international community. Arab donors, mainly Saudi Arabia, Kuwait, the United Arab Emirates, and Qatar, were financing about two-thirds of Egypt's foreign purchases through 1977, and in 1978, about 35 to 40 percent. The World Bank group, the International Monetary Fund (IMF), the United Nations, and various Western nations also have been providing balance of payments and capital projects financing. From 1974 to 1977 total external (including military) assistance to Egypt came to an estimated $12 billion, of which more than $7 billion came from the Arab countries. All told, some 21 countries and institutions are involved in aid to Egypt.

In 1977, the World Bank established a Consultative Group to bring Egypt's major donors together. The Group met again in 1978. Additionally, the IMF has extended credit for the purpose of stabilizing the Egyptian currency in the international market, and has attached conditions for Egyptian economic reform and performance as part of the stabilization undertaking.

Just what the prospective level of Arab aid to Egypt will be was not clear at the time of the study mission's visit to Egypt. Our visit took place shortly after the announcement of the Camp David accords between Egypt and Israel. It was believed then that some of the factors which would lead to strengthened U.S. determination to support Egypt in seeking a peace settlement would at the same time cause a weakening of Arab support for Egypt. However, it was also generally assumed that some Arab assistance would continue to Egypt in the event a treaty with Israel was concluded.

EGYPT'S ECONOMIC SITUATION

Egypt is a nation of 40 million people with an overall territory as large as France and Spain combined. However the country's population and economic life is crammed into the ribbon of fertile soil along the Nile, the river which flows through desert land from the Sudan north to the Mediterranean Sea. In a narrow green strip along the banks of the Nile and in its delta as it empties into the Mediterranean, lives 98 percent of Egypt's rapidly growing population. In this habitable area which is 4 percent of the nation's total land area, the density is 2,500 persons per square mile. One-half of Egypt's population lives in cities.

Egypt in recent years has provided a striking example of a deteriorating economy. The country first went through a decade of economic growth following the "revolution" in which Gamal Abdel-Nasser and other army officers seized power in 1952. However, this was also a period in which the government undertook a transition from a free private enterprise system to a Socialist-type system under which the state took over ownership of most business enterprises, introduced state planning, instituted many subsidies, moved toward a centralized planned economy and brought in a wide range of administrative control over and policy interference with the economy. The following decade, beginning by about the mid-1960's, was marked by stagnation in the Egyptian economy; it was reaching critical proportions by the time of the 1973 war. Compounding the country's basic economic

problems were heavy military expenditures for supporting a war in the Yemen, the 1967 and 1973 wars with Israel and the interim war of attrition along the Suez Canal, and a population growth rate of some 2.5 percent a year.

One of the obvious deficiencies in the Egyptian economy is the deterioration or lack of many basic elements of infrastructure. For example, there are telephones in Cairo but it is difficult to complete a telephone call within the city. The connections and switching system have become obsolete and overloaded over the years, the mission was told, because the Government-run operation failed to invest in needed new equipment and was not allowed to charge user rates which would cover the costs of such investment. Vehicles for the transportation system are old and inadequate, for similar reasons. Sewage disposal is insufficient or nonexistent in many urban areas. Housing needs are great; the Housing Minister estimated to us that in Cairo alone, some 90,000 homes are in danger of collapsing and 30,000 persons are homeless, living in tents and outdoors. He spoke of a 20-year program to deal with a countrywide housing shortage which he estimated currently at about 1.5 million units. Water and power systems are inadequate, both for the residential population and for industry. Much of Egypt's industrial capacity is idle or under-used because of a lack of such basic services. Many billions of dollars worth of investment will be needed to provide sufficient infrastructure throughout Egypt's economy to give the country, and especially Cairo, a modern base. Considerable foreign assistance is now being devoted to this purpose.

It also is obvious that Egypt's extensive pattern of subsidies has placed severe distortions on her economic system. Subsidies are extended directly by the Government in some instances, but more often are effected through price controls and exchange rates. Subsidies in many cases were introduced by the Government for political and social reasons. For instance, the mission was told that the price of bread in Egypt is kept low as a subsidy for the poor (a move to raise prices in 1977 set off riots). Wheat sells for only one-third or one-fourth of its real cost; but the low price for the grain, for example, encourages people to use wheat for poultry raising which otherwise would be uneconomic. We were told that the price of another staple, salt, has not been increased since the 1890's. Residual fuel oil sells for $10 a ton, compared with the international market price of $60–$70 a ton, encouraging uneconomic use of fuel oil. Electricity was selling for 1 cent a kilowatt-hour compared with about 5 cents in the United States. We were advised that the transportation industry was allowed to charge fares sufficient to cover only about one-third of operating costs; nothing was allotted to cover the expense of needed new equipment. In the cement industry, we were told that a fair rate of return to the producer which would be necessary to cover costs and allow for a profit sufficient to finance new investment would be about 35 Egyptian pounds per ton. However, the Government-fixed price, we were told, was 18 pounds per ton of which only 10 pounds went to the producer and 8 pounds was tax; and one effect was that some builders would overstate the amount of cement needed for a project, so they could sell the excess cement they received at the going black market rate of about 50 pounds a ton.

42-012—79——3

A major price disadvantage against farmers was said to involve cotton: Farmers were forced to sell cotton, Egypt's major foreign exchange earning crop, at less than two-thirds of the price which the cotton brings on the international market, with the Government pocketing the difference. They have had to sell their rice at one-half the export price.

Farmers at the same time are beneficiaries of various subsidies; for instance, the price of fertilizer is artificially low; however, we were given an authoritative estimate that price controls and subsidies affecting the agricultural sector in Egypt had, on balance, the net effect of a 30 percent loss to the agricultural system, meaning the Government was taking that much from the farmers to help other sectors of the economy. Other laws and regulations causing distortions and loss to the economy included, for instance, a former Government commitment guaranteeing jobs for all college graduates in Egypt. Government departments and companies had no choice but to carry on their payrolls tens of thousands of graduates who had degrees and could not get jobs elsewhere.

Another pervasive constraint in Egypt, we were informed, is the dead hand of bureaucracy. We heard many complaints about the time needed to obtain decisions from the Government, about the inability of middle-level bureaucrats to make decisions, and about a preference of officials to stay at home offices in Cairo rather than to spend time in the field where the activities within their purview are being undertaken. Another bureaucratic difficulty lies with the large number of ministries and other Government offices and the inadequacy of coordination among them, we were told.

The tendency of each ministry is, not unnaturally, to push specific projects in which it is interested including talking to prospective donors about its proposals. The Egyptian Government in late 1976 appointed a Deputy Prime Minister for Economic Affairs to coordinate the major cabinet departments implementing development programs and to perform the task of sorting out Egypt's development priorities. The planning ministry has developed a statement of Egypt's medium term development strategy and has listed projects which will be given priority for foreign donor financing and local support by the Egyptian Government.

One of the difficulties reported to us in a wide range of economic activities was a dearth of adequately trained manpower. Arab States, especially, the Persian Gulf oil states, are responsible for a heavy "brain drain" of nearly 1 million Egyptians in professional, technical, and lesser skilled ranks, because pay scales in those states far exceed the pay for such personnel in Egypt.

To cite these severe difficulties with Egypt's economy is not to say that Egypt's situation is hopeless. To the contrary, there is good potential over the long term. AID's Special Interagency Task Force [5] points to such potentials as Egypt's large domestic market, the talent of its people, its key geographic location, and for the 10-year period 1976–86 the prospective increase of annual revenues from the Suez Canal from $312 million to as much as $1.2 billion, a rise in oil revenues from $269 million to $5.5 billion, an increase in income from tourism from $465 million to $2.8 billion, and a growth in remittances from workers in the Gulf states from $750 million to $4 billion a year.

---

[5] "U.S. Economic Assistance to Egypt," a report of a Special Interagency Task Force, Agency for International Development, Feb. 15, 1978.

The World Bank has summarized the basic dilemma of Egypt's economic policy as follows:

> There are major issues of economic policymaking and coordination. Because of the long and extensive involvement of the Government in the economy, the issues are not limited to improving or modifying this or that policy measure. A complete overhaul of the whole system of policy intervention is called for. The dilemma is that such an overhaul may be ineffective if attempted piecemeal, but perhaps impossible to implement in a swift and radical manner. The fundamental principle is that tinkering with prices, exchange rates, fiscal and monetary measures, however necessary, would rarely be sufficient in the present Egyptian context. Any realistic program of reform, moreover, will have to take into account the limitations on implementation imposed by the cumbersome workings of the bureaucracy.[6]

Egyptian officials and foreign analysts alike agree on the need for basic reforms in the Egyptian economy. The area of disagreement appears to be over how fast to proceed. Obviously, government incumbents are more sensitive to the real or perceived political consequences of economic reforms; i.e., belt tightening, than are outsiders whose political future is not at stake.

President Sadat instituted a new "Open Door" policy which was approved by national referendum in 1974. The move was taken in recognition of the constraints in the existing economic system and represented a major effort to embark on a new era of economic progress. The policy calls for greater decentralization of public sector enterprises and economic decisionmaking, for more scope for private enterprises, and for expanded economic cooperation with Arab and Western countries. The "Open Door" policy has had an initially beneficial effect in stimulating the economy, even though little private foreign investment has been generated to date. The large scale of foreign aid has had an even more stimulative effect. However, the external stimulus obviously cannot be expected to continue indefinitely; nor is it desirable that it should.

The Egyptian Government has taken or intends to take a number of steps to reform and rationalize the country's economic system in line with recommendations made by Egyptian and foreign analysts. The Prime Minister in a June 1978 letter to the IMF outlined the following economic policy reforms to be undertaken over the 3-year period 1979–81:

—The government has removed 30 groups of commodities from centralized price control; the decontrolling of industrial prices will continue until the items under price control are the minimum necessary for social reasons; once removed from centralized price control, a commodity will not be subject to such control again.

—A thorough study is being made of pricing policies in the agriculture sector, to be completed in time for enactment of a new farm pricing policy for the crop year beginning in November 1979.

—Government companies are now allowed to hire workers as they choose, instead of being forced to take on employees because of the government's guarantee of jobs for college graduates.

---

[6] Arab Republic of Egypt: Economic Management in a Period of Transition. Volume I: The Main Report. May 8, 1978.

—Egypt is rapidly moving the bulk of its foreign trade into a realistic exchange rate status; by January 1979 the official rate of exchange will be unified with the "parallel," or approximately free market, rate.
—Interest rates have been raised and a 40-percent withholding tax on interest earnings, which was discouraging remittances from Egyptian workers abroad, has been removed.
—Egypt's complicated tariff and sales tax systems will be simplified.
—Beginning with the 1979 budget, the Egyptian Government will institute a more effective procedure for control of expenditures.
—A serious effort is underway to decentralize the economy and the government decision-making process so that benefits reach the people quicker and regional problems are addressed.

It is clear, however, that improving Egypt's economy, reforming the massive Egyptian bureaucracy and upgrading Egypt's outmoded and crumbling infrastructure, especially in Cairo, will take many years and several difficult policy choices.

ISSUES INVOLVING U.S. ASSISTANCE

Level of U.S. aid

The level of U.S. aid to Egypt is determined for political reasons which, as noted earlier, are outside the scope of this study mission. However, the question of whether the flow of U.S. assistance at this very high level could be properly used was raised in the course of our discussions.

One indicator of the ability of the Egyptian economy to absorb external assistance at this rate lies in the rate of expenditures as against the rate at which commitments of new aid are made. Following are figures on new U.S. aid obligations and the levels of expenditures from fiscal year 1975 onward:

	Obligations	Expenditures
Fiscal year:		
1975	$370.5	$109.4
1976	984.6	269.6
1977	892.35	356.6
1978	956.35	728.1
1979 (est.)	982.0	881.0
1980 (est.)	969.6	1,086.2
Total	5,155.40	3,430.90

The above table indicates that considerably more has been committed to the Egyptian aid program than has been spent to date. However, it also shows that the rate of expenditures has been rising, so that outlays will soon be exceeding the inputs into the pipeline.

Both the American Ambassador and the Chief of the U.S. Aid Mission in Cairo indicated that they believe the Egyptian economy is presently able to absorb usefully the level of assistance now being provided by the United States. Both were of the opinion that even somewhat larger amounts could be used, perhaps in the order of $250 million to $500 million worth a year, presuming a peace treaty is signed and the political call comes for a "peace dividend" in additional U.S. aid. They indicated such additional amounts initially would be in quick-helping assistance to offset expected aid reductions by Arab donors in event of a peace treaty, such as with expanded food and

commodity aid, and that an increase in development projects requiring longer leadtime would follow. They also believed the increase would probably fall short of the Sadat government's expectations of a peace dividend.

One important consideration affecting the appropriateness of U.S. aid levels is the size of the assistance flow from other donors. The largest amount of aid to Egypt since the 1973 war has come from Arab states. The preponderance of Arab assistance has been for balance of payments of support, rather than project development. If the flow of Arab funding drops sharply, presumably a case could be made for an increase in U.S. assistance on foreign exchange items to help make up the difference.

Political considerations would, of course, be paramount in any decision to raise, or lower, the level of U.S. aid. If it were not for such special considerations, the amount properly allocable to Egypt out of the total U.S. resource flow to developing countries would be far smaller.

Composition of U.S. aid

U.S. economic assistance is extended to Egypt through a Commodity Import Program (CIP), which is foreign exchange payments for raw materials for immediate consumption, for currently needed capital goods, and for spare parts; through technical assistance, which brings in specialized information and know-how to help build up the Egyptian economy; through assistance for capital projects desired for economic development in Egypt; and through Public Law 480, the financing of U.S. agricultural surpluses.[7] CIP for Egypt hit a high of $440 million in fiscal year 1977. In fiscal year 1978 it was reduced to $300 million. For fiscal year 1979 it is programed at $250 million, and for fiscal year 1980 at $200 million. Conversely, as the amount aliotted to CIP has gone down, the amount for technical assistance and capital development projects has gone up, from $260 million in fiscal year 1977 to $450 million in fiscal year 1978, $500 million proposed in fiscal year 1979, and $550 million proposed in fiscal year 1980. Meanwhile Public Law 480 has remained at around the $200 million level each year.[8]

Each form of assistance has its advantages and disadvantages. Each has its proponents and detractors. There are differences of view as to the appropriate composition of the U.S. assistance for Egypt, and doubtless these differences will continue. The staff mission has no recommendations at this time for major changes in the proportion of any particular category of asssistance.

CIP level

Although the CIP has been programed at roughly one-third of the Egypt ESF account over the last few years, substantially more funds were actually obligated for CIP purposes by the end of the fiscal year in 1976, 1977, and 1978. In recent years, less money has been reprogramed to CIP as more specific projects and programs have been developed for U.S. economic assistance to Egypt. The obvious rationale for putting more of U.S. aid into project assistance, and less into CIP, is that projects are supposed to be fine tuned to achieve

---

[7] Sec. 401(a) of Public Law 480 stipulates that commodities may be supplied for the program only when this would not take amounts needed for domestic U.S. requirements and commercial exports.

[8] See annex B for table on U.S. obligations and expenditures in Egypt by type of program.

maximum long term benefit for the particular segment of the economy or society on which they are targeted, and therefore a larger developmental gain is achieved for the amount of assistance rendered; whereas CIP provides only a temporary economic boost, by picking up foreign exchange on products that are going to be imported anyway, and in many cases the commodities financed are quickly consumed.

On the other hand, CIP has the advantage of providing a faster transfusion, generally speaking, of aid onto the economy, compared with project assistance; it is less taxing on the internal resources of a country than are development projects which require participation and contributions from that country; and it can be applied rather quickly to items on which the donor perceives there will be political benefit to the donor or to the element in the receiving country whom the donor wishes to support.

There are, of course, variations in the application of CIP and of project assistance which tend to blur the above distinctions. For example, some CIP involves equipment selected as part of a project which could itself be handled as an AID capital development project if it had been originally formulated that way. Also, some CIP procurement has a rather long lead time, so the favorable impact on foreign exchange does not appear quickly as does the financing of consumables. For example, of the $1.2 billion in CIP obligated from fiscal year 1975 through fiscal year 1978, nearly half was still unexpended by the end of that period, while of the $700 million in Public Law 480 over that span, all but $58 million was spent.

In the opinion of the U.S. Ambassador to Egypt, a larger proportion of U.S. aid to that country should be available for CIP than the $250 million, or one-third of the ESF account, currently allotted. He wants the flexibility to use up to $300 million for CIP in fiscal year 1979. In the view of the Ambassador, the value of the appearance of U.S. support for the Sadat government and the favorable domestic public opinion generated for the Sadat government is significantly greater from CIP than from capital development. The Ambassador points out that not a single capital development project programed since the resumption of U.S. assistance to Egypt in 1974 has yet been completed. In terms of expenditures, only $60 million of $1.13 billion obligated to capital development projects in Egypt since fiscal year 1975 has been expended (see annex B, p. 35). The Ambassador expressed full awareness of the longer term benefits of capital development projects. However, he saw no immediate or even near-term political benefit from allocating large sums for such projects, except for a fleeting moment of publicity at the time of signing of a project agreement. He further stated that the additional $50 million flexibility to use CIP would be both politically and economically beneficial in being able to pick up targets of opportunity, and that such use would cause only minimal delay for any capital assistance projects. The position of AID is that the $250 million is the more appropriate level for fiscal year 1979 under current economic circumstances and given other priority uses for U.S. aid funds.

The study mission is sympathetic to the desire of the Ambassador to gain maximum political mileage out of U.S. aid for Egypt at this important stage in the effort to achieve a Middle East peace. The Ambassador's judgment as to what is politically advantageous must

be respected; and, of course, the entire foundation of the U.S. assistance program for Egypt lies on a political base. However, if any of the amount allotted for fiscal year 1979 is shifted from project assistance to CIP, it should be clearly demonstrable that more immediate and direct benefit will be gained from the additional CIP-financed items than from the projects removed from financing. During our visit to Cairo, we were not told of any particular items for CIP which would be financed with the additional $50 million.

Capital development projects

Currently, the largest single component of U.S. economic assistance to Egypt in terms of new commitments—and the slowest in terms of disbursement—is in capital development projects. Capital development projects essentially are projects devoted to building up the economy, for infrastructure or for production of goods. They normally involve investment in the project by the Government or other entity receiving the assistance, as well as by the United States as donor. Capital development projects in the Egyptian aid program include projects for powerplants, cement plants, urban water and sewage, irrigation pumps, canal maintenance, grain storage, telecommunications, and textiles.

Of about $1.13 billion which had been obligated for some 25 capital development projects since the inception of the present U.S. aid program for Egypt in fiscal year 1975, only about $60 million had been expended as of the end of fiscal year 1978 (see annex B, page 35). None of the projects has yet been completed, and only a handful have progressed well into the implementation cycle. Most are in their earlier stages and are behind their original schedules. A number of them have not, to date, shown any evidence of physical progress onsite.

The AID mission wishes it to be noted that the normal completion time for projects of this nature is 4 to 5 years, that none of the projects in Egypt were originally scheduled to be completed by this time, and that while many projects were originally delayed in starting up, most are on schedule now. The mission states that the causes for initial delays such as lack of familiarity by Egyptians with U.S. procurement and contracting procedures have now been largely overcome, and it does not expect similar delays in the future.

The initial capital development projects placed in the U.S. aid portfolio for Egypt involved supplying electric distribution equipment in reconstructing war-destroyed power distribution systems in the Suez Canal cities of Suez, Ismailia, and Port Said. The agreement for this $30 million grant project, No. 263–001, was signed May 28, 1975. The implementing agency on this project is the Egyptian Electricity Authority (EEA). The original scheduled completion date for the project was the end of 1978. Now the scheduled completion date is December 1979; however, a review of EEA's implementation plans performed by a consulting engineer firm has indicated that some of the low voltage cable and transformers in the project still will not be installed by that time because the housing which the equipment is intended to serve has not been completed by the Egyptian Government.

An agreement to build a $141 million, 300 megawatt thermal powerplant near Ismailia in the Suez Canal area was signed May 30, 1976, with the Egyptian Electricity Authority as the implementing entity. The completion date originally was scheduled for May 1981. That date currently has slipped to November 1982. The contract for powerplant equipment has yet to be awarded. A problem which developed earlier concerning possible silt contamination of cooling water for the plant apparently has been remedied. The 1½-year delay in progress so far has been attributed to overoptimism by AID, EEA, and contract engineers, and an unfamiliarity with AID procedures, contractor selection, and procurement on the part of the Egyptian Government, local banks, and EEA. EEA took 7 months longer than expected in choosing an American consulting engineer firm and contracting with it. The invitation for bids for powerplant equipment, as prepared by EEA, required major modifications, causing more delay. The original plan for a construction management contract on a cost-plus basis was changed to a turnkey contract arrangement, which in turn forced revision of the entire document for invitation for bids.

A $90 million project for a cement plant south of Suez City, capable of producing 1 million tons of cement a year, apparently is progressing fairly close to schedule. The plant is due to go into operation in mid-1980. The agreement for the project was signed July 29, 1976. At the time of our visit, an administration building and warehousing had been partially completed, and foundation work was underway for major parts of the plant. The project involves creating a new company, the Suez Cement Co. (SCC), which is to be a private company, as distinguished from other cement companies in Egypt which are Government owned. Public stock for the SCC was issued in 1976 and was quickly oversubscribed. The SCC is the implementing entity on the project, and is contributing LE25 million (about $35 million) to the project. We were favorably impressed by the interest and enthusiasm of SCC officials and of their management firm who showed us the project.

Among problems they are seeking to overcome are delays and lack of competence by the Egyptian construction company engaged in the first phase of civil works for the project, uncertainty that the electrical and water authorities will complete their hookups to the plant by the time it is ready to operate, and agreement with the Government on a selling price for cement.

The present Government price ceiling of LE18 per ton on cement does not cover production costs. The 1976 AID project agreement stipulates that the Egyptian Government must allow SCC to set its prices high enough to assure a reasonable return to stockholders, which SCC authorities estimate ought to be nearly double the LE18 price.

A $44 million project to construct two grain silo complexes of 100,000 tons capacity each, one in Alexandria and one in Cairo, now has a scheduled completion date of April 1981, compared with the original date of October 1979. The loan agreement was signed June 29, 1975, with the Supply Ministry, the implementing entity, and with the Egyptian contribution to be LE13 million (about $18 million). An initial delay was encountered when it took a year and a half to finalize an architectural and engineering contract with the preferred U.S. engineering firm; thus there were 2 years of paperwork following the

signing of a loan agreement before the arrival on the scene of the consultant engaged to prepare a preliminary design report.[9] A further complication was difficulty encountered within the Egyptian Government in transferring budgets within the supply ministry to provide for the Egyptian financial contribution to the project. Also, an omission or mistranslation from the English language loan agreement document, dealing with customs exemptions for equipment for the project, caused equipment and material to be held up in customs until that issue was resolved. At the time of the study mission's visit to the Alexandria site, construction appeared to be progressing apace and we were advised that schedules are now being met. The past delays were attributed to overoptimistic AID schedules, lack of experience by Egyptian agencies with contracts and U.S. procurement requirements and regulations, and initial AID unfamiliarity with Egyptian procedures.

In contrast is the impression we received from a visit to the plant operated by the Misr Spinning & Weaving Co. at Mehalla al-Kubra, in the Nile Delta abour 75 miles north of Cairo. A $96 million loan agreement was signed by AID on June 29, 1976, for machinery, parts, and technical assistance to modernize and expand the textile plant. The company is putting LE26.7 million ($38 million) into the project. The original scheduled completion date of October 1979 still stands. We were impressed by the amount of progress on the project, by the apparent efficiency of the plant, and by the businesslike manner displayed by the company management.

Among the issues posed by the history of capital development projects in Egypt is whether a larger proportion of U.S. economic assistance should be devoted to quicker payoff, less cumbersome aid programs and less to capital development projects. The study mission does not conclude from its inquiry that such a change in emphasis is needed at this time; presumably, the capital projects were selected on the basis of merit in the first instance, and the contribution to Egypt's economy and the quality of life of its population should continue to be the guiding factor in future aid program selection. However, the slow pace of implementation and the large backup in the pipeline on capital development aid is evidence that the capacity of Egypt's economy for absorbing such assistance is now rather fully taxed, and that any significant increase in the rate of this type of aid is likely to be an overload.

Another issue is whether the preferred method of implementing capital development projects should be switched to "turnkey," instead of having the Egyptian entities—in most cases government ministries or government-owned concerns—handle the implementation. Under "turnkey," a single contractor undertakes the entire project. The argument for "turnkey" is that the job is handed to a contractor who is responsible for the project from start to finish, who loses profit to himself if he allows delay or incompetence, who is not subject to the same bureaucratic and political constraints as is a government entity, and who therefore will get the work done on time and with acceptable quality. Under "turnkey", the contractor usually

---

[9] Sept. 9, 1975, notice for A. & E. services was published; Mar. 18, 1976, preferred engineering firm invited to negotiate contract; Oct. 27, 1976, negotiation concluded; Feb. 10, 1977, AID informed that contract approved by Council of State; Feb. 14, 1977, contract signed; Mar. 25, 1977, AID issues dollar letter of commitment; June 19, 1977, A. & E. contractor arrived in Egypt.

brings in his own middle-level management. The argument against "turnkey" is that an important aspect of development is the how-to-do-it learning imparted to the developing country in the course of undertaking a project, that this know-how is best imparted by having the aid-receiving country implement as much of the project as possible, that "turnkey" does not provide such recipient-country involvement, and that the project delays from trial and error in recipient-country implementation are worth the sacrifice in order to impart the greater knowledge to the recipient country. The study mission is of the view that, on balance, weight should be given to those means which will best enable the aid-receiving country to become self-sufficient, which in most cases is likely to weigh toward local implementation rather than "turnkey." We also anticipate that the rate of capital development implementation and expenditures will increase substantially in the months ahead.[10] However, we also recognize that there may be specific projects in which timeliness of completion is of primary importance and the additional experience gained through host country implementation would not outweigh the advantages of a "turnkey" operation.[11]

"New Directions" aid to Egypt

While most AID country programs around the world are funded under that part of the Foreign Assistance Act (FAA) which provides development assistance, a small number of programs including that for Egypt are authorized under the Economic Support Fund, a category of economic assistance under the FAA under which the United States provides assistance to selected countries "in order to support or promote economic or political stability." [12] Because of the political purpose of this form of assistance, it is not governed by the "new directions" mandate which Congress has established for development assistance to poor countries. New Directions emphasizes aid for "undertakings submitted by host governments which directly improve the lives of the poorest of their people and their capacity to participate in the development of their countries." [13] The Congress has, however, made clear its intent that economic support funds be used as much as possible to promote economic development and, to the extent possible, along new directions lines.[14]

---

[10] AID expenditures for capital development projects in Egypt were $6.8 million in fiscal 1976, $20.4 million in fiscal 1977, and $33 million in fiscal 1978.

[11] The AID mission in Cairo states as follows: "We do not believe that a turnkey approach significantly lessens the learning experience gained by the host country in project implementation. In the case of turnkey contracting the host country entity deals with only one major contractor to implement the project as opposed to a variety of contractors. The turnkey contractor may implement all of the contract himself or may subcontract out part of the implementation; i.e., construction, procurement, specialized engineering services, etc. The host government entity still monitors implementation through its A. & E. contractor which would be the case whether the project were implemented on a turnkey basis or not.. It should be noted that in a number of instances the request to move toward a turnkey approach has come from the Government of Egypt entities themselves. Generally, the decision to go turnkey has been based on the scope and complexity of the project, the relative ability of the Government of Egypt entity to oversee project implementation, and the availability of experienced Egyptian construction contractors."

[12] In authorizing the Economic Support Fund, the FAA states "The Congress recognizes that under special economic, political, or security conditions the national interests of the United States may require economic support for countries or in amounts which could not be justified solely under chapter 1 of part I (development assistance). In such cases, the President is authorized to furnish assistance to countries and organizations, on such terms and conditions as he may determine, in order to promote economic or political stability." (Sec. 531(a)(1).)

[13] Sec. 102(b)(3).

[14] The Economic Support Fund authorization, in sec. 531(a)(1), states that in planning ESF assistance "the President shall take into account, to the maximum extent feasible, the policy directions of section 102." Sec. 102 of the FAA is that section setting forth the "New Directions" policies for development assistance.

Obviously, a substantial portion of U.S. assistance to Egypt would not meet New Directions criteria. The CIP program basically involves paying for certain foreign exchange costs. Public Law 480 title I provides wheat which is consumed by the poor at subsidized prices, but this is more a type of welfare than it is self-help opportunity for the poor as envisioned by New Directions. Capital development projects such as the Mehalla plant expansion, which will increase Egypt's textile exports, or the electric power and cement plants, which will strengthen Egypt's basic economic capacity, may in due course have beneficial effects for the poor but they do not directly improve the lives of the poor within the meaning of New Directions.

However, there is a lengthening list of projects targeted on meeting basic human needs, which the AID mission in Cairo generally equates with New Directions—and a rising proportion of the U.S. program in Egypt is focused in this direction. From negligible amounts in fiscal years 1975 and 1976, we were told that the funding for basic human needs projects has climbed from about $92 million in fiscal year 1977, to $158 million in fiscal year 1978 and $179 million and $278 million projected in 1979 and 1980, respectively.

Projects listed in this category include those for population planning and health, for basic shelter and services, for social and human resources, and for food and nutrition. Following is the itemized list supplied by the AID mission:

EGYPT—AID PROJECTS RESPONDING TO BASIC HUMAN NEEDS

[Fiscal years; millions of dollars]

	Funding				
				Projected	
	Prior years	1977	1978	1979	1980
A. Population planning and health:					
1. Strengthening of rural health delivery	1.8	----	1.8	4.2	----
2. Family planning		4.0	6.0	6.5	7.0
3. Urban low-cost health delivery				5.0	20.3
Subtotal	1.8	4.0	7.8	15.7	27.3
B. Basic shelter and services:					
1. Low-income housing and community upgrading			50.0	----	30.0
2. Water and sewage:					
(a) Cairo water supply		30.0			
(b) Cairo sewage			25.0	----	75.0
(c) Alexandria sewage		15.0	----	50.0	34.0
(d) Canal cities water and sewage			60.0	36.0	----
(e) Provincial water					36.0
Subtotal		45.0	135.0	86.0	175.0
C. Social and human resources:					
1. Integrated social work training centers		1.0	1.5	1.5	----
2. Development decentralization			1.4	2.5	2.7
3. Vocational industrial education				5.0	----
4. Vehicle maintenance training					4.0
5. Development information systems				2.5	----
6. Rural employment generation					2.0
7. Basic village services					6.3
Subtotal		1.0	2.9	11.5	15.0

EGYPT—AID PROJECTS RESPONDING TO BASIC HUMAN NEEDS—Continued

[Fiscal years; millions of dollars]

	Funding				
				Projected	
	Prior years	1977	1978	1979	1980
D. Food and nutrition:					
1. Water use and management	1.5	.8	1.5	3.2	--------
2. Rice research and training		2.4	1.5	4.3	--------
3. Agricultural mechanization				18.5	25.5
4. Agricultural development systems		1.2	3.8	6.0	--------
5. Poultry improvement		.5	3.5	.6	--------
6. Aquaculture development			.9	11.8	12.2
7. Major cereals			1.5	8.5	2.5
8. Small farmer production				7.0	5.5
9. Agricultural cooperative development				4.0	--------
10. Small scale agricultural activities				1.5	--------
11. Irrigation pumps		11.0			15.0
12. Pipe drainage (PVC)	31.0				
13. Canal dredging equipment		26.0			
Subtotal	32.5	41.9	12.7	65.4	60.7
Total	34.3	91.9	158.4	178.6	278.0

Note.—For fiscal year 1980, 2 additional food production-related projects are planned, with small farmers and the poor as targeted beneficiaries: (1) New lands development at $50,000,000; (2) Fertilizer production and distribution at $20,000,000.

The definition of what meets basic human needs within the New Directions formula struck us as being more broadly interpreted in the AID mission in Cairo than in other AID posts we have visited overseas which are subject to the New Directions mandate. Perhaps this is to be expected in Egypt, where the New Directions legislative restrictions do not apply and where the supply of funds appears to be more ample than the availability of good New Directions projects. For example, we have doubts as to the direct benefit for Egypt's poorest people from the $26 million allotted in 1977 for canal dredging equipment; nor do the heavy allocations for urban infrastructure fit well with the New Directions emphasis on rural development.

However, we were pleased with the thought and attention manifested by USAID personnel in Cairo on increasing the emphasis in the U.S. program on meeting basic human needs. We believe that this trend in the Egypt aid program is in accord with congressional intent. We hope also that in relation to the political effect of U.S. aid to Egypt, the emphasis given to meeting basic human needs will be recognized by Egyptian officials as an important contribution to domestic stability and support of the Government by the populace. U.S. assistance in basic human needs programs also should have a favorable impact on Egyptian opinion toward the United States.

Aid as an economic reform lever

U.S. aid for Egypt is earmarked in the Economic Support Fund authorizing legislation and is designated in appropriations legislation in such fashion that it is clear that the amount specified—for fiscal year 1979, $750 million—is to go to that country. This rather high degree of certainty on the aid level for Egypt, which reflects both executive branch and congressional intent, reduces the range of leverage which can be exerted by that amount of aid. Those administering the aid know they cannot condition the level of assistance to Egypt on specific undertakings by Egypt in order to receive the aid and the Egyptians know what amount they are supposed to receive, just as do the U.S. officials administering the programs.

Within these constraints, however, we were assured by the Ambassador and by AID officers that aid is being used in such a way as to help influence the Egyptian Government to take various actions which U.S. specialists deem necessary to improve Egypt's economy. We were told that numerous quiet representations are made to appropriate Egyptian officials in the course of implementation of aid programs and that such representations have been influential. Aid is one matter that comes up from time to time in discussions with President Sadat. In specific aid projects, there often are conditions which require certain government actions or changes in policy. For example, the agreement for the Suez Cement Co. loan includes a provision requiring the Government to allow an increase in the cement price sufficient to cover the company's costs and provide a fair return to its stockholders. In the agreement for Public Law 480, title I, Egypt has agreed to a wide range of self-help activities in the agricultural field.[15]

The degree to which donors should put pressure on Egypt to adopt economic reforms is a matter of discussion and some dispute. For example, those most responsible for U.S. political relations with Egypt, who are sensitive to the political ramifications of belt-tightening measures on the Egyptian populace, appeared to be less enthusiastic about pushing for the economic measures recommended for Egypt by the International Monetary Fund (IMF) than were those Americans, especially in the AID mission, whose focus was more on economics than politics. Advocates of go-slow on economic reform point to the riots which erupted in Egypt when the price of bread was raised in January 1977.

The study mission claims no expertise in the intricacies of how far and how fast one should proceed in urging particular reforms. We do feel that it is extremely important to keep up momentum toward self-sufficiency for Egypt's economy, because Egypt must be prepared for the day which will come when external assistance is not available in the amounts currently provided.

A comprehensive development assistance strategy

American economic assistance to Egypt began in 1974 as a quick helping hand for an economy verging on collapse. The United States helped in clearing the Suez Canal of war debris, in reconstructing the war-damaged canal area, and in reviving economic activity. It financed urgently needed imports. It raised the level and broadened the scope of its assistance after the Sinai II agreement.

Political considerations have been foremost from the start in determining the level and composition of U.S. aid. More recently, increasing thought and attention have been given to devising a long-term strategy for U.S. development assistance to Egypt. A document for such a strategy is now in preparation at the AID mission. We were informed that one element of it stresses improving productivity. A second element emphasizes family planning, while a third deals with rehabilitation and modernization of infrastructure needed to meet industrial and agricultural goals. A fourth element focuses on basic human needs such as housing and sewage facilities in urban areas, and agricultural development, decentralization, and health services in the countryside.

---

[15] For text of these self-help provisions, see footnote 18, p. 30.

The proposed comprehensive strategy apparently has not been refined to the point of hardened detail. In the meantime, the study mission is of the impression that the USAID mission in Cairo is continuing to be on the lookout for "targets of opportunity" for U.S. assistance. We expect that with the continuing large amount of U.S. funding available, and the need for worthy programs, a project that seems to have merit in its own right will still become part of AID's portfolio even though it was not envisioned in a master plan.

Post-treaty assistance

During our stay in Cairo we noted discussion in the media about what U.S. assistance might be extended following an Israeli-Egyptian peace treaty. Our visit came during a period when it was widely assumed that the Camp David accords of September 1978 would soon culminate in a treaty. There was talk by some enthusiasts of "a Marshall plan for the Middle East," which presumably envisioned a sizable stepup in American aid to the area, although the specifics were not set forth.

In response to our inquiries at the American Embassy and at the USAID mission in Cairo, officials said they had no particular post-treaty aid program detailed nor had Washington requested one, although obviously they had given the matter some thought. In Washington, a rather extensive study was underway for post-treaty development and possibilities but it was some time away from completion.

The American officials in Cairo were of the opinion that Egypt could usefully absorb U.S. aid at the current high level—Egypt is now receiving about $1 billion a year—but not a great deal more. There was a reluctance to build up any further backlog in the pipeline of U.S. aid which could ensue from starting many new projects, and an apprehension that Egypt would again become overdependent on external assistance, as she has tended to do in the past. One senior U.S. official suggested that Egypt could possibly use another $250 million annually from the United States. Another envisioned perhaps $1½ billion additional over 3 years. The assumption was that Arab aid to Egypt would probably drop in event of a treaty, and that an increase in U.S. assistance could start initially by picking up part of Egypt's foreign exchange costs through fast-spending programs such as the commodity import program and Public Law 480.

The study mission assumes that the fact of a peace treaty in itself should spur the economies of both Egypt and Israel. Presumably, the need for defense expenditures would be somewhat reduced. Confidence by investors in both countries in avoidance of another war would be increased. Trade between the two countries would benefit both. Technical assistance and mutually beneficial scientific and technological exchanges between the two would be possible for the first time.

Presumably, the United States would stand ready to help finance some promising regional and transnational ventures that would further the cause of peace and economic development. The Congress authorized $5 million for such purposes in fiscal 1979.[16] However, the

---

[16] Sec. 531(b)(5) of the Foreign Assistance Act states: "It is the sense of the Congress that programs which stress regional development or regional scientific and technical cooperation between Israel and its Arab neighbors can contribute in an important way to the mutual understanding that must serve as the basis for permanent peace in the Middle East. Of the amount authorized to be appropriated to carry out this chapter for the fiscal year 1979, not less than $5,000,000 shall be available only to fund regional programs which stress development of scientific and technical cooperation between Israel and its Arab neighbors or programs which would be used for Arab-Israeli cooperation once normalization of relations between Israel and the Arab nations occurs."

study mission was not apprised of any circumstances under which further massive infusions of U.S. economic aid would be beneficial.

Personnel

The U.S. AID mission in Egypt is now the largest AID mission in the world. In only about 3 years, it has multiplied from a slim staff of about a dozen people to nearly 100. The increases reflect the burgeoning size of the U.S. aid program in Egypt, the largest in any single country, and the massive tasks involved in programing and committing the U.S. assistance and in trying to assure that it is properly implemented. The manpower burden has increased not only with the size of programs, but also with the necessity for developing a more coherent and coordinated development strategy for Egypt. Furthermore, as more U.S. aid arrives in Egypt, more followthrough is needed for evaluating projects and checking on end-use.

We were advised by the USAID mission chief that he believes the present AID ceiling of 102 positions in Cairo is adequate for the job the mission now has, although there might be a need for some marginal increase in staff as implementation activities increase. At the time of our visit, 87 of the 102 positions were filled, allowing for another 15 to be brought in. He stated that if the level of U.S. economic assistance to Egypt were increased by, for example, a quarter billion dollars or so a year, this could be handled by a relatively small increase in mission staff of perhaps 6 to 10 persons, in addition to the 102. He said the staff increase would only need to be marginal for the larger program because most personnel performing the needed functions are already in place.

The chief auditor at USAID Cairo informed us that he needed three more persons to carry out the responsibilities of his office adequately, in addition to the six who were then on duty there. We understood from conversations with the Ambassador and the mission chief that they had no objection to adding personnel for this purpose. We regard it as highly important that adequate staff be assigned to Cairo for aid auditing and investigations, both to insure the best use of U.S. assistance and to promote public confidence in the program. We believe both the Ambassador and the mission chief support this view. In the past, several large aid programs, especially those with a large CIP component, have had bad publicity, in part because of inadequacy of oversight and investigations. It has been Congress' keen interest to have a strong auditing system in the foreign assistance field.

We were advised by the AID mission chief that a reorganization of staff is likely to be undertaken in the coming months. Priorities are changing in AID programing, and greater attention will have to be given to implementation as more projects come on stream over the next couple of years. There will also be a need for thorough project evaluations and end-use inspections. Clearly, a restructuring of the existing staff or of its use of time will be necessary. At the same time we doubt that an increase in the size of the mission will be required.

Population programs

Egypt's population of about 40 million lives almost entirely in the Nile strip and delta comprising about 4 percent of the country's land area. Thus the population density in the habitable portion of Egypt is among the highest in the world today; and Egypt's population

is growing annually by about 2.3 to 2.5 percent. Unless there is a slowdown in population growth, her population will have doubled soon after the turn of the century.

Family planning has not been a high priority with the Egyptian Government. We were told that religious sensitivities on this subject are very strong in Egypt, as they are in a number of other Arab countries. Nonetheless various Egyptian officials spoke to us freely of their concern about an excessive population growth rate.

AID regards a reduction in the rate of population increase as a key to whether economic development in Egypt succeeds over the long run. It thus assigns high importance to assistance in the area of family planning. It also seeks to revitalize the urban and rural health services systems in Egypt, which exist but have not been functioning well. It is through the health systems that family planning services are carried out.

A $23.5 million, 5-year AID project begun in fiscal year 1978 is designed to strengthen family planning services and contraceptive supply services throughout Egypt. The project seeks to improve administration by the Ministry of Health, train medical and paramedical personnel, supply contraceptives, test new approaches in family planning services, expand information and education in this field, and modernize an obstetrics and gynecology training center. AID officials said that the project has full support from the Egyptian Government to date and that the Ministry of Health, under new administration, has now stated that family planning is to be a high priority.

A high Ministry of Health official stated to us that the priorities of his ministry were to combat endemic diseases, malnutrition, and the population "explosion." He noted that population growth was a problem in the eyes of other ministries also. In his opinion, the need for spreading knowledge about family planning and the development of health services in which the people have confidence is greatest in Egypt's rural areas. Perhaps as many as a quarter of reproductive-age couples are estimated to be practicing family planning in urban areas.

American Embassy officials in Cairo including the Ambassador have raised the population growth question at high levels within the Egyptian Government. They strongly hope, as does the staff study mission, that the Egyptian Government will begin to move with greator vigor in this important matter.

In regard to a relatively new requirement in the Foreign Assistance Act requiring an assessment of the impact of other development programs on population growth,[17] the AID mission chief said he has instructed the mission's Health and Family Planning Office to devise a form somewhat like that used for an environmental impact statement. The new legal requirement, in section 104(d) of the act, stipulates that development assistance shall be administered so as to give particular attention to the relationship between population growth

---

[17] Sec. 104(d) of the Foreign Assistance Act states: "(1) Assistance under this chapter shall be administered so as to give particular attention to the interrelationship between (A) population growth, and (B) development and overall improvement in living standards in developing countries, and to the impact of all programs, projects, and activities on population growth. All appropriate activities proposed for financing under this chapter shall be designed to build motivation for smaller families in programs such as education in and out of school, nutrition, disease control, maternal and child health services, agricultural production, rural development and assistance to the urban poor. (2) The President is authorized to study the complex factors affecting population growth in developing countries and to identify factors which might motivate people to plan family size or space their children."

and development and overall improvement in living standards in developing countries, and to the impact of all assistance activities on population growth. The intent at USAID Cairo is to use the new form in the design and implementation of projects where the impact may take place, such as in programs to assist in the development of "new lands" in the Egyptian desert.

Agricultural and rural development

The lifeline of agriculture in Egypt is the Nile River. All but about 3 percent of the country is desert. There is almost no rain. But where the Nile reaches out, there is more than enough water for present uses. This vital strip of agricultural productivity in Egypt stretches along the 600-mile length of the Nile Valley, running from 2 to 10 miles wide until the river's waters fan out in the delta reaching from Cairo to the Mediterranean Sea.

The main crops in Egypt are corn, wheat, rice, and coarse grains; clover (berseem), the principal food source for animals, which provide most of the power and transportation for Egypt's farms; cotton, the country's major agricultural export, and vegetables, fruit, and sugarcane. The average farmer owns less than 3 acres, but he can grow two crops a year.

The High Dam at Aswan, built by the Soviets after the United States pulled out of a proposed dam-financing arrangement in 1956, has had a major impact on Egypt's agriculture. For thousands of years, Egyptian farmers have used irrigation, but annual flooding of the Nile had been an important source of water and fertilization for crops. Now, with the High Dam, there is no flooding; there is water for irrigation around the year, and all farming in Egypt has shifted to perennial irrigation. The High Dam has thus brought great benefits to Egyptian agriculture. It also has caused problems, particularly from overuse of water and inadequate drainage by farmers which has raised water tables and caused excessive salinity in the soil. Irrigation Ministry officials outlined to us a number of projects and proposals for improvement, ranging from irrigation water measurement studies and tile drainage projects to strengthening extension services in the water management area. They said charging for water use was being considered as a means of control.

It is apparent that Egypt is unlikely ever to become self-sufficient in food. She is now a substantial food importer. Her population of 40 million is growing by about 2.3 percent a year. Her total farmland is only about 6 million acres, along the Nile, and is difficult to expand. Substantial efforts will be needed just to avert widening food deficits.

A start has been made on long-range efforts to bring substantial areas of the desert under cultivation, using irrigation extended from the Nile. About 1 million acres are now in various stages of reclamation from the desert. Perhaps as much as another 2 million acres of these "new lands" could be reclaimed over the next quarter century. However, the "new lands" require years of soil-building, and even then do not become as productive as the "old lands." Also, the amount of investment needed to put the "new lands" into production is very high.

We were advised that past Egyptian Government priorities emphasizing industrialization and price structures favoring the urban populace had impacted adversely on Egyptian agriculture. An AID economist estimated that price controls on the agricultural sector in

Egypt were the equivalent of a tax of 40 to 50 percent, as against subsidies to the farm sector worth about 20 percent, and therefore that the agricultural sector was losing about 30 percent in resources which were being used for the benefit of other sectors.

The transfer of resources from agriculture to other sectors has come about through keeping prices on major exported crops, chiefly cotton and rice, at levels below international prices, and by maintaining artificially low prices for basic consumer foods, particularly wheat. It has been estimated that in recent years farmers received less than two-thirds of the export price for cotton, around half the export price for rice, about 70 to 80 percent of the import price for wheat, and about 40 to 50 percent of the international price for sugar. The result, unsurprisingly, has been to reduce farmer incentives for growing these products, while fostering the incentives for production of products not under price control at the farm, mainly livestock, clover, vegetables, and fruits, on which prices have risen rapidly over the past decade.

The Egyptian Government has now given high priority to increasing food production in its new 5-year plan, although planned capital investment in agriculture would remain rather limited. To provide production incentives to farmers, the Government is undertaking a thorough review of pricing policy which is scheduled to be completed in time for enactment of a new agricultural pricing policy for the crop year beginning in November 1979.

The Minister of Agriculture told us that the Government has shifted away from its past focus on industry and now is giving priority to agriculture. He said the first priority in agriculture is to decide what crops should be grown in the limited area available. In the past, a high priority in agriculture has been the development of new lands. U.S. officials said that a shift to reinvesting in the old lands reflects new requirements to refurbish the lands affected adversely by the rising water table in recent years.

Improving on a farming system which has been developed over thousands of years obviously is no easy task. The Agriculture Minister stated that despite other constraints operating against agriculture in Egypt, yields there are already rather favorable for a developing country, Egypt being nearly in first place in rice, and better than most in wheat. We were impressed by the hard work and painstaking care which the peasants we saw were applying to their fields.

The possibilities for projects to improve agricultural production and the quality of life in rural Egypt are manifold. We were pleased to find that the USAID mission in Cairo had recruited a strong team in its agriculture office of about a dozen specialists, and that its portfolio included a substantial number of programs in agriculture and rural development. Those underway included projects in water use and management, rice research and training, agricultural development systems, poultry improvement, aquaculture development, and on increasing the capacity of local village councils to carry out social service projects for their communities. Work is also planned in the areas of agricultural mechanization, credit sources, and operation and financing for agriculture equipment. The AID mission estimates that presently Egypt can only absorb about $50 million of aid annually in its agricultural sector, roughly the amount now being provided.

The AID agriculture program in Egypt is heavily oriented toward activities directed to improving productivity from the "old lands" areas where the greatest gains can be realized in the near term. However, in view of the strong Egyptian Government interest and efforts directed to land reclamation, the mission is now undertaking a pilot effort in this direction. The pilot effort will focus on helping to complete existing reclamation projects so they can accomplish a self-sustaining agricultural system, and to demonstrate methods which can be used for new lands development in the future.

We visited a segment of a water use and management project at Kafr el Sheikh in the delta. This $7 million, 6-year project is targeted on a high priority problem brought on, or exacerbated, by the advent of the Aswan High Dam. An American specialist working for the Consortium for International Development (Colorado State University), the principal contractor on the AID project, which was being conducted with the Egyptian Ministries of Irrigation and Agriculture, described the work being done onsite. We were told that local farmers still believed that the more water applied to their crops the better; so excessive amounts of irrigation, now available year around, were being given to fields, causing rising water tables, waterlogging, and increased surface salinity. Measurements apparently confirmed the excessive use of water by farmers at this location. The project personnel also reported that the function of small drains, leveling, and improved irrigation management were being explained to farmers, that the farmers were very receptive to innovation, that there was a farm labor shortage in the area, that certain fertilizers showed promise for plant stands, and that there was a lack of knowledge among project staff on the process of group decisionmaking among the farmers.

On the desert road between Alexandria and Cairo we visited the Nubaria reclamation project where sandy acres were being converted to "new lands" by water pumped from the Nile. AID at the time was developing a project to provide assistance to the Egyptian Government in designing and planning for the "new lands." Under the Egyptians' 5-year plan, there is to be further investment in "new lands" coupled with increased mechanization of farm operations to reduce the need for draft animals; also, foreign investments are to be encouraged to bring partially reclaimed lands into production. The AID project is to develop a pilot area, which is supposed to serve as a demonstration and provide data needed for policy and investment decisions for "new lands" programs.

We were impressed with what we saw of the expanding effort "to make the desert bloom" in Egypt. However, after hearing considerable discussion of the relative cost and other benefits of investment in "new lands" and in "old lands," we are inclined to agree with U.S. AID officials that the higher priority at this time should be on further developing "old lands" where the payoff is more immediate and tangible.

In Faiyum, we got a brief look at an operation of ORDEV—the Organization for Reconstruction and Development of the Egyptian Village. ORDEV is part of an Egyptian Government effort to decentralize governmental administration and have greater governmental initiative and responsiveness at the local level. An AID project to assist ORDEV is a $7.5 million, 6-year undertaking for planning and

implementing locally financed development projects. AID will capitalize a Local Development Fund (LDF) which will lend money to village councils for income-producing business enterprises. Also, ORDEV will establish a training academy to train some 500 Egyptians a year for local enterprises.

Public Law 480

The provision of U.S. agricultural commodities, mainly wheat and wheat flour, under Public Law 480, the food-for-peace program, has been a major feature of U.S. assistance to Egypt since the aid resumed after the 1973 war. Most of the Public Law 480 has been extended under title I concessional sales. A relatively small portion has been provided as grants under title II, the humanitarian assistance extended through voluntary agencies and the world food program (WFP).

The level of Public Law 480 aid to Egypt has continued at around $200 million a year starting in fiscal year 1976 (see annex B, page 35). In terms of volume, the main portion has been approximately 1.5 million tons of wheat/flour a year. As is the case with the Economic Support Fund economic assistance to Egypt, the level of Public Law 480 was politically determined and has in effect been "straight lined"—maintained at approximately the same rate—from one year to the next.

The Public Law 480 shipments are politically as well as economically important to Egypt. The price of wheat to consumers in Egypt is heavily subsidized. The retail customer pays less than one-third the cost to the Ministry of Supply. One of every three loaves of bread eaten by Egyptian city dwellers is the product of Public Law 480 wheat. The U.S. assistance allows the Egyptian Government to keep prices low. In January 1977, when the Government tried to raise the prices of basic foodstuffs to cover more of their costs, the result was rioting in the cities, which forced the Government to suspend its reforms.

Egypt's wheat import needs are large and rising. Her annual domestic wheat production has remained below 2 million tons during most of the 1970's. Meanwhile, her consumption has climbed from around 5 million tons in 1974 to a projected 7 million tons in 1979. She was expected to import some 4.5 million tons in 1978. The U.S. supply of 1.5 million tons under Public Law 480 under highly concessional terms—2 to 3 percent interest, 40 years to repay—is a significant foreign exchange saving for Egypt, who otherwise would be paying hard cash for much or all of the 1.5 million tons. The Public Law 480 has also helped vault Egypt as a market for U.S. farm products. U.S. agricultural sales to Egypt, a mere $43.6 million in 1972, passed the half billion dollar level in 1977 and were estimated at $650 million in 1978.

The American Ambassador in Cairo has asked Washington for an additional 500,000 tons of Public Law 480 wheat for Egypt in fiscal year 1979, beyond the 1.5 million tons already allocated, on grounds

that Egypt needs the wheat and the savings in foreign exchange from Public Law 480 financing. He believes that Egypt can readily absorb the additional one-half million tons of Public Law 480 wheat, or even 1 million tons additional, and that this added assistance would be an expeditious and meaningful reward to the Egyptian Government for the risks it is now taking in moving toward a peace settlement. An increase in Public Law 480 would represent a further U.S. demonstration of support for the Sadat government, and presumably would be helpful to that government in terms of domestic political support. We were advised by the agricultural attaché at the American Embassy that an additional 500,000 tons would raise some problems of congestion of Egyptian port facilities, but that these could probably be solved because Public Law 480 shipments get preferential treatment.

We suggest caution by those in Washington who must pass on the Ambassador's request. One important consideration is that the U.S. food-for-peace program is worldwide, and must take into account many countries other than Egypt. Of the total 4.5 million tons of Public Law 480 title I allocated to some 30 countries in fiscal 1979 to date, Egypt already is by far the largest recipient, receiving about one-third of the global total. A number of the countries receiving Public Law 480 are poorer and/or less well nourished than Egypt. Increasing the amount for Egypt would mean that amount not going to some other country, and would risk revival of charges that the food-for-peace program is being used by the U.S. Government excessively for political purposes rather than for humanitarian and developmental needs of poor countries. We ask also if the U.S. Public Law 480 flow is not indirectly encouraging uneconomic use of wheat in Egypt, for Public Law 480 aid enables the Egyptian Government to continue subsidizing wheat domestically at such a low price that, in some cases, wheat is being used for animal or poultry feed. Additionally, the question may be raised as to whether expanding the U.S. Public Law 480 wheat flow would serve as a disincentive to Egyptian wheat farmers. The Minister of Agriculture is now seeking to increase domestic production of wheat, which has been declining in recent times because of Government price fixing.

We would like to see greater attention paid to the "self-help" provisions of Public Law 480. Under the law (sec. 109), in extending Public Law 480 title I assistance, the United States is supposed to take into account the measures the aid-receiving country is undertaking to increase its agricultural development. In the title I agreement with Egypt, the Egyptian Government agrees to undertake a wide range of programs in the agricultural field, running the gamut from "(1) To encourage establishment of self-sufficient private sector agricultural cooperatives" to "(9) To undertake an analysis of the present public and private family planning program with the aim of

identifying key bottlenecks and developing a strategy for overcoming these by September 30, 1979." [18]

Essentially, the list of "self-help" measures in the Public Law 480 agreement appears to be what the Egyptian Government is planning to do anyway, with or without the title I wheat. We gained the impression that with this agreement—as with many other title I agreements—the self-help terms were included as a matter of routine rather than as an important aspect of U.S. development assistance. U.S. officials at Cairo told us that they have not in the past followed up on implementation of the self-help measures, but that they will begin to do so in this year. We suggest that in the negotiation of future Public Law 480 agreements, consideration could be given to a more meaningful application of the leverage to encourage "self-help" which the Congress has provided with section 109.

Title III of Public Law 480

Egypt and the United States were near agreement at the time of our visit on a 5-year, $75 million food for development program to be carried out under title III of Public Law 480. Title III in its present form was enacted by the Congress in 1977 with the intent of promoting the use of U.S. food aid for developmental purposes in poor countries. It seeks to do so by offering forgiveness of the debt that would otherwise ensue from a Public Law 480 sale, provided that the commodities and/or the proceeds from local currency sales therefrom are used for certain agreed developmental purposes.

Under title III,[19] assistance is to be for programs of agricultural development, rural development, nutrition, health services, and popu-

---

[18] Text of the self-help provisions in the Public Law 480 title I agreement with Egypt, signed Nov. 8, 1978, is as follows:

"B. The Government of Egypt agrees to undertake the following programs and to provide adequate financial, technical, and managerial resources for their implementation:

"1. To encourage establishment of self-sufficient private sector agricultural cooperatives and encourage the use of improved technologies. Emphasis should initially be placed on planning, management, and training.

"2. Construct modern storage facilities for agricultural commodities such as grains, tallow, and fats, including specific quantitative targets for port areas, inland terminal locations, market towns and other storage as needed.

"3. Further improvement of the present irrigation system through drainage, rehabilitation, and better management of the existing water supply with special attention devoted to decreasing the salinity of the soils.

"4. To have completed by Sept. 30, 1979, a review and analysis of pricing policies for agricultural inputs—for example, fertilizer—and for agricultural outputs that provide a basis for possible changes in the system of output incentives and in systems for the allocation and the use of inputs.

"5. To develop firm plans by June 30, 1979, for improving the GOE's capacity within the agricultural sector for data collection, analyses, and the use of results in planning developmental programs and in determining production, pricing, and marketing policies.

"6. Within the framework of the 5-year plan to have completed for use in the 1980 budget process, a reassessment of agricultural sector investment levels with particular focus on investment level targets for improvement of existing agricultural lands as well as development of marginal lands. This includes, as part of this process, the study of alternative options for land use in those lands presently under cultivation such as use of improved seeds, fertilizers, or a change in the cropping patterns, at the same time encouraging pilot projects in marginal lands not yet under cultivation.

"7. Utilizing the results of the agricultural mechanization feasibility study, and other relevant information that may be available, to undertake the initial steps for the formulation of a national agricultural mechanization policy which would encourage the identification, development, and application of appropriate small farm machinery.

"8. To undertake a comprehensive review of subsidies on food items with a view toward developing a plan by Sept. 30, 1979, for gradual rationalization of subsidies that will protect lower income groups from harmful price increases on basic food items.

"9. To undertake an analysis of the present public and private family planning program with the aim of identifying key bottlenecks and developing a strategy for overcoming these by Sept. 30, 1979."

For text of sec. 109(a) of Public Law 480, see p. 31 below.

[19] Sec. 301–307 of Public Law 480: The Agricultural Trade Development and Assistance Act of 1954.

lation planning, in countries which are undertaking self-help measures to increase agricultural production, improve storage, transportation, and distribution of commodities and reduction of population growth in accord with the self-help section (section 109) of title I.[20]

A country wishing such assistance is supposed to initiate a multi-year proposal for use of the commodities or of funds from their sale. If the plan meets U.S. approval, it becomes a food for development program and proceeds from the commodity sale are to be set up in a special account, where practicable, for disbursement for the purposes agreed on in the program. The disbursements in turn are recorded as payments against the Public Law 480 debt which otherwise the recipient country would have to be paying to the United States on the commodities received. In order to qualify for this special treatment, the proposed food for development program is supposed to "complement, but not replace" any aid that is being provided by the United States or other foreign donor, or any program under the development program of the recipient country.[21] The congressional intent in this provision, as noted in instructions sent to U.S. missions abroad in explaining title III, is that a title III program is to be "a development effort which would not otherwise be undertaken." [22] This requirement is commonly referred to as "additionality."

The title III program for Egypt involves U.S. provision of $15 million worth of wheat to Egypt each year for 5 years. The Egyptian Government for its part is to spend $15 million a year in local currency in certain ways to promote the rural decentralization program begun by the Government about 3 years ago. The goal of that program is to reduce the traditional high degree of central control and management of rural programs by ministries based in Cairo, by giving more powers and responsibilities to the local entities outside the capital,

---

[20] See page 30 above for sec. 109 measures agreed to in the current U.S.-Egyptian Public Law 480 title I agreement. Sec. 109(a) of Public Law 480 states that:

"Sec. 109(a). Before entering into agreements with developing countries for the sale of United States agricultural commodities on whatever terms, the President shall consider the extent to which the recipient country is undertaking wherever practicable self-help measures to increase per capita production and improve the means for storage and distribution of agricultural commodities, including:

"(1) devoting land resources to the production of needed food rather than to the production of nonfood crops—especially nonfood crops in world surplus;

"(2) development of the agricultural, chemical, farm machinery and equipment, transportation, and other necessary industries through private enterprise;

"(3) training and instructing farmers in agricultural methods and techniques;

"(4) constructing adequate storage facilities;

"(5) improving marketing and distribution systems;

"(6) creating a favorable environment for private enterprise and investment, both domestic and foreign, and utilizing available technical know-how;

"(7) establishing and maintaining Government policies to insure adequate incentives to producers;

"(8) establishing and expanding institutions for adaptive agricultural research;

"(9) allocating for these purposes sufficient national budgetary and foreign exchange resources (including those supplied by bilateral, multilateral and consortium aid programs) and local currency resources (resulting from loans or grants to recipient governments of the proceeds of local currency sales); and

"(10) carrying out voluntary programs to control population growth.

"In taking these selfhelp measures into consideration the President shall take into particular account the extent to which they are being carried out in ways designed to contribute directly to development progress in poor rural areas and to enable the poor to participate actively in increasing agricultural production through small farm agriculture."

[21] Sec. 303(c) states: "In his review of any utilization proposal for a food for development program, the President shall be satisfied that such assistance is intended to complement, but not replace, assistance authorized by the Foreign Assistance Act of 1961, or any other program of bilateral or multilateral assistance, or under the development program of the country desiring to initiate a food for development program."

[22] See Department of State Airgram AIDTO Circular A481, sent Nov. 30, 1978.

with the aim of strengthening the impetus for rural development. AID strongly supports rural decentralization and already is contributing to one project working with village councils in collaboration with the Egyptian Government's Organization for Reconstruction and Development of the Egyptian Village.[23] The food for development program would provide $15 million annually directly to village councils for "Basic Village Services" (BVS)—projects for such basic self-improvement as farm-to-market roads, drinking water systems, draining facilities, and food storage facilities. The village councils would propose improvement projects which, if approved, would receive the title III financing.

The "additionality" requirement of title III is said to be met in two respects: first, the level of Egyptian Government investment in basic village services public infrastructure, which averaged less than $500,000 per governate (state) annually in 1974–77, would jump to $15 million, focused on three governates, the first year of the title III program, and similar funding levels would apply to the remaining governates thereafter; second, the funds would go directly to the local government, which is a policy change from the present method of financing from line items in the budgets of central ministries, and the local entities would implement the projects.

According to U.S. officials whom we interviewed in Cairo and in Washington, the title III proposal was originated by the U.S. AID Mission in Cairo in 1977 amid pressure from Washington to come up with a title III plan. Title III included a provision that title III agreements worldwide must be at least 5 percent of titles I and III combined in fiscal year 1978, at least 10 percent in fiscal year 1979, and at least 15 percent in fiscal year 1980, unless the President determines an insufficient number of projects qualify under title III.[24] Egypt was the largest recipient of Public Law 480 and therefore was regarded as an obvious target for title III. The fact that the Egyptians did not initiate the scheme was not a barrier;[25] the legal authorization was too new for many to be aware of it, and furthermore, many AID projects have their genesis from the U.S. side rather than from the receiving country. Other proposals for title III were being put forward which U.S. officials regarded as not consistent with legislative intent. The Egyptian decentralization policy was deemed worth assisting by AID and in part was already benefitting from U.S. aid.

According to information given the study mission, the initial Egyptian reaction to the United States title III initiative was, "if the Americans want to have a title III program here so much, perhaps we ought to do what we can to accommodate them." As the Egyptians saw it, the financial benefit of a title III program was not great, in terms of easing current money burdens. The title III wheat would come out of the title I total, not be in addition to it. Therefore the only financial benefit would be that on $15 million worth of Public Law 480 a year for 5 years, Egypt would not have to repay the United States the sums that would otherwise be due if the commodity had been provided under a title I loan. However, title I loan terms to Egypt (and to most other countries) are so concessional—2–3 percent

---

[23] See page 27.

[24] Sec. 302(c) (1) and (2). Sec. 302(c) states: "Greatest efforts shall be made by relevant United States agencies to encourage maximum utilization of assistance for food for development projects under this title, even beyond the minimums required by paragraph (1) of this subsection."

[25] Sec. 303(a) states that, "A country designated as eligible and wishing to participate in a food for development program shall formulate, with the assistance (if requested) of the United States Government, a multiyear proposal which shall be submitted to the President * * *."

interest, 40 years to repay—that they are already in large part a gift.[26] It was estimated that in the first year of the title III program, the debt forgiveness on what Egypt would otherwise have to pay that year would amount to only about $300,000. In return for this saving on debt repayment the first year, the Egyptian Government must turn over $15 million in local currency to village councils for handling through a special account closely monitored by a foreign government (the United States), instead of keeping the $15 million for general government expenditures as is normally the case with title I proceeds. Indeed, we were advised that because the Egyptians regard the Public Law 480 local currency proceeds as their own money, they are more inclined to supervise the title III expenditures for basic village services closely than if the funds had been provided by AID.

In winning approval for the project, AID officials in Cairo had to deal with two complexes of bureaucracies—various ministries in Egypt, and those in Washington. In Egypt, an interministerial committee has been formed to carry out the title III policy and planning. The Egyptian interagency committee consists of the Ministry of Local Government (ORDEV), the Ministry of Finance, the Ministry of Economy, the Ministry of Planning, and the Ministry of Agriculture. In Washington, the title III proposal had to pass the scrutiny of relevant AID, Agriculture, and State Department officials, and win approval from the interagency committee that passes on Public Law 480 programs. There were differing viewpoints among the officials of various agencies on whether the title III proposal was justified; there were lengthy cablegrams; and there were additional delays because title III is new and each step in the approval process came in for closer examination than would be expected for a project under a more familiar program.

A General Accounting Office investigator has come to a tentative conclusion that if the $15 million a year project was worth U.S. assistance in the first instance, it could have been accomplished more speedily and less cumbersomely by a direct use of $15 million available from AID instead of employing title III. In Egypt, a problem from the U.S. assistance standpoint has been a shortage of projects which can use quick infusions of U.S. aid, and a lag in implementation of projects, but not a shortage of aid funds. Indeed, the heavy supply of dollars mandated for aid to Egypt raises the question as to whether Egypt is an appropriate country for a title III program in any event, since title III has been envisioned as offering that something extra for development where existing resources were insufficient. The experience in developing a title III program for Egypt also raises the question of cumbersomeness in tying local currency aid projects to imports of a commodity. AID officials originally involved in the title III proposal for Egypt told us that, had they known of the difficulties and delays ahead when they started on the project, they would have funded the project directly from AID money and thus would have been able to get it underway about one year earlier than under title III. The case history of this title III project also reinforces our impression gained from other field trips that AID Washington imposes excessive paperwork on officials charged with carrying out projects abroad and on the foreign recipients of U.S. assistance.

[26] Title I loans on these terms have a grant element estimated at around two-thirds of the loan value.

Annex A—Comparison of Aid Levels to Egypt With Postwar Relief and Marshall Plan (MP) Aid Levels

Following is a comparison of postwar relief and Marshall Plan aid to Europe with the level of assistance now being provided to Egypt.

1. Using annual per capita flows under the Marshall plan as the basis for calculation, a "Marshall plan for Egypt" would cost, at 1976 prices, $3,876,950,000, or $969.24 million per year for 4 years. (The Marshall plan lasted 4 years.) This amount is marginally less than the fiscal year 1979 U.S. bilateral economic aid level for Egypt. If United States transfers to Egypt through the IFI's are considered, the level is significantly higher. If aid from Arab and other donors is also included, per capita aid now being received by Egypt far exceeds that received by Europeans under the Marshall plan.

2. The total cost of U.S. economic assistance to European reconstruction—both postwar relief (1945–47) and Marshall plan (1948–51)—was the equivalent of $31.116 billion in 1976 dollars. Seventeen European countries received postwar relief. The number of countries receiving Marshall Plan aid was also 17, but the two groups were not identical since, inter alia, no Marshall Plan aid went to the Soviet bloc countries who received relief assistance from us. All in all, 21 European countries received either one or both forms of U.S. aid. Factoring in a 249-percent inflation between 1950 and 1976, the average yearly U.S. assistance to Europe during this 7-year period (in 1976 prices) was $23.27 per capita per annum. During postwar relief it was $20.72 per capita per annum and during the Marshall Plan $25.18 per capita per annum.[1] The attached table lists U.S. postwar reconstruction to Europe at 1950 per capita costs and the equivalent cost at 1976 prices.

3. A similar U.S. assistance effort for Egypt to provide $23.27 per capita per annum over a seven year period (the length of time covered by PWR and MP) would cost a total of $6.3 billion. If current U.S. assistance levels are maintained at present levels ($950 million per year, including Public Law 480) through fiscal year 1982, the seven year period starting in fiscal year 1976 would produce a level of resource transfers of $6.7 billion from U.S. aid alone. As Public Law 480 is analogous to PWR, the comparison is valid.

4. For a more comprehensive view of assistance to Egypt, however, one must include aid from non-U.S. donors. During the three year period between 1976 through 1978, Egypt received approximately $9 billion of aid from all sources—i.e. about $75 per capita per annum throughout this period or $225 per capita for the entire period. The latter figure compares with $160 per capita received by Europeans during the entire PWR and MP era. In fiscal year 1979 total worldwide aid to Egypt will be about $2.4 billion (using much lower projections of Arab aid than in the previous 2 years), or $62.34 per capita per annum.

5. Projecting similar levels forward through fiscal year 1982, total aid to Egypt would reach about $20.4 billion yielding per capita transfers for Egypt for the period fiscal year 1976–82 at approximately $550. This is significantly higher than levels to any major PWR/MP recipient, and three to four times higher than the average PWR/MP recipient.

6. Specific per capita levels for major PWR/MP recipients were as follows:

Germany	$200. 20
France	212. 97
Italy	142. 95
United Kingdom	349. 94
Austria	359. 31
Greece	405. 95

It seems evident that the current levels of aid to Egypt compare most favorably with the above. Of course, one must take the comparison for what it is worth. In Egypt we are dealing with a developing society; in the case of PWR/MP, the nations involved were basically modern societies that had had their material and human resource bases destroyed by 6 years of total war.

---

[1] The U.S.S.R. received a small amount of postwar relief. However, it has been excluded from the calculation as the large population and relatively low amount of aid would have resulted in an unrealistically low per capita transfer figure.

Sources:

1. Economic Report of the President, January 1977.
2. U.S. Overseas Loans and Grants and Assistance from International Organizations, July 1, 1945–Sept. 30, 1977.
3. U.N. Demographic Yearbook, 1954.
4. Fiscal year 1979 Congressional Presentation for Egypt.

ANNEX B—SUMMARY OF OBLIGATIONS AND EXPENDITURES

[In millions of dollars]

	Obligations	Expenditures
Fiscal year 1975:		
Commodity import program	150.0	----------
Technical assistance projects	1.9	0.1
Capital development projects	84.3	----------
Other projects (Suez Canal reconstruction)	25.0	----------
Public Law 480 program:		
Title I	98.1	98.1
Title II	11.2	11.2
Total	370.5	109.4
Fiscal year 1976:		
Commodity import program	315.0	72.1
Technical assistance projects	51.3	1.0
Capital assistance projects	426.0	6.8
Other projects (Suez Canal reconstruction)	2.6	----------
Public Law 480 program:		
Title I	186.1	186.1
Title II	3.6	3.6
Total	984.6	269.6
Fiscal year 1977:		
Commodity import program	440.0	114.1
Technical assistance projects	36.24	2.3
Capital development projects	223.01	20.4
Other projects	----------	25.7
Public Law 480 program:		
Title I	180.7	180.7
Title II	12.4	12.4
Total	892.35	355.6
Fiscal year 1978:		
Commodity import program	300.0	476.4
Technical assistance projects	56.35	20.5
Capital development projects	394.10	33.0
Other projects	----------	.7
Public Law 480 program:		
Title I	189.10	189.10
Title II	16.50	16.50
Total	956.35	736.20

Source: USAID, Cairo.

SYRIA

Observation and Conclusions

—The United States provides economic assistance to Syria for political reasons as part of the U.S. effort to promote a lasting Middle East settlement. The level of U.S. aid has been set, on political rather than economic grounds, at around $100 million a year since the current U.S. aid program began in fiscal year 1975.

—Syria is a "middle income" country with an average annual per capita income (pci) above that of most countries receiving U.S. economic aid. *If it were not for the special political considerations, it is doubtful that AID would have any substantial program in Syria.*

—*There appears to be a compatibility between the "New Directions" mandate governing U.S. development assistance, which emphasizes economic growth with equity for the poor majority, and the principles espoused by the Syrian ruling party which emphasizes services and benefits for the poor.* A large number of U.S. aid projects in Syria appear to come within "New Directions" guidelines, although they are not necessarily the largest projects in dollar amounts.

—*The English-language training center and participant training programs are the most successful of the U.S. aid programs in Syria.* Also on the plus side are technical assistance, and the commodity import program (CIP) which has been used to pay the foreign exchange costs of various items of American equipment imported for development activities in Syria.

—*The pace of implementation of U.S. aid to Syria, primarily in capital development projects, is excessively slow.* Not a single capital development project approved since U.S. aid began in 1975 is yet at the point of physical implementation. A major reason appears to be Syrian Government slowness in carrying out such projects, and a lack of familiarity of Syrian and U.S. officials on how to do business with each other.

—*If the implementation problem continues, the program of U.S. assistance to Syria could be substantially reduced by including no new capital projects. If some of the older projects do not move into physical implementation shortly, deobligation of funds for those projects should be considered.* A substantially smaller program could be continued composed of CIP, training programs, and technical projects, which can be implemented more easily and would leave only a small pipeline of unexpended funds.

—Public Law 480 is extended for political reasons, as part of the overall economic assistance program. *Public Law 480 title I concessional sales to Syria should be discontinued, provided the similar Public Law 480 aid now being provided to Syria's neighbors is also terminated.* However a small program of title I sales may be warranted in Syria for the purpose of promoting exports of U.S. agricultural products.

OVERVIEW

Syria is a nation whose political posture is deemed by American policymakers to be extremely important in relation to the effort to achieve a Middle East peace settlement. The United States wants Syria to chose the peaceful political path toward a settlement with its neighbor, Israel. It believes that strengthened United States-Syrian cooperation and mutual trust are essential to continued progress toward peace. The United States also hopes to expand commercial relations between the United States and Syria, though this objective is secondary to its diplomatic and political objective of promoting a Middle East peace.

It was in this context that the United States entered into an economic assistance program with Syria after the 1973 war. The program, begun in 1974 (fiscal year 1975), marked a new and more positive chapter in bilateral relations between Syria and the United States. This continued assistance to Syria is a tangible demonstration of the importance the United States places on Syria's positive role in the Middle East.

Though the visibility of the program in Syria is slight and it has proved difficult to publicize the program, the aid effort has provided a unique, continuing relationship with key Syrians at a time when access at the political level is slight. The aid program is a measure of the new relationship with Syria, and most cabinet members and many political leaders make numerous requests to the AID mission even though a few top Syrian officials care little for the program. In the coming months, the visibility of the U.S. aid program may, in fact, increase as more CIP equipment arrives, participants receiving training in the United States return, and contractors begin construction work.

LEVEL OF U.S. AID

American economic assistance to Syria has been extended to Syria since 1975 at a level of roughly $100 million annually. Table 1 on page 38 shows the level of aid and how more than $500 million has been allotted.

The level of U.S. aid was initiated and has been sustained at around $100 million plus each year. The amounts have been politically determined largely by Middle East peace process considerations. Of the various other political factors considered, an important one was that the U.S. program had to be large enough to appear meaningful to the Syrian leadership in view of the fact that Syria receives nearly $1 billion annually in economic assistance from other sources. Syria receives most of its economic assistance from fellow Arab States, although it continues to receive substantial, but reduced, aid from the Eastern bloc countries. The amount contributed by the United States represents about 10 percent of the outside concessional aid provided to Syria. Another political factor is the comparison between what Syria receives from the United States and what the United

States provides to her Arab neighbor, Jordan. There is greater interrelationship between the level of aid for Syria and the aid extended to Jordan than there is between Syria's aid and levels for the larger recipients in the area, Egypt and Israel. Levels of aid in the region have also become political in the sense that if they are not straightlined from year to year but are reduced, vis-a-vis what happens to other recipients, it is considered a shift in political signals and sentiments.

TABLE 1.—SYRIA AID PROGRAM, FISCAL YEARS 1975–79

[In thousands of dollars]

	Fiscal year—				
	1975	1976 and transition quarter	1977	1978	1979 (estimate)
Loans:					
Euphrates Basin irrigation maintenance		17,600			
Rural electrification			34,700		
Damascus water supply I and II	48,000	14,500			
Provincial water supplies					12,400
Rural schools					16,000
Damascus-Der'a Highway		45,900			
Lattakia-Tartous Highway				60,000	
Rural roads					26,000
Basic imports/production		15,000			
Agricultural machinery production inputs I and II	30,000		40,000		
Development imports				20,000	20,000
Total loans	78,000	93,000	74,000	80,000	74,400
Grants:					
Soils survey/land classification				2,200	
Agricultural education and research					7,200
Development of health services		400	335	340	
Technical health institute				4,050	1,580
English language training		350	482	560	975
General participant	1,000	1,250	983	850	850
Remote sensing					3,495
Technical services/feasibility studies I, II, III, and IV	4,000		3,500	2,000	1,500
Disaster relief (cholera)			25		
Total grants	5,000	2,000	5,325	10,000	15,600
Total AID program	83,000	95,000	80,025	90,000	90,000
Public Law 480:					
Public Law 480 Title I	21,400	19,200	16,000	14,000	12,100
Public Law 480 Title II—World Food program	191	225	3,864	3,224	6,024
Total Public Law 480	21,591	19,425	19,864	17,224	18,124
Total assistance	104,591	114,425	99,889	107,224	108,124

It is doubtful that the Agency for International Development (AID) would have a substantial aid program in Syria were it not for the special political considerations related to U.S. efforts to promote a Middle East peace. Syria is a "middle-income" country with a GNP per capita of some $900 a year, well above the "poverty" criterion set by the World Bank. No country at this income level receives development assistance from AID, although several other countries at this income level do receive Economic Support Fund assistance (aid extended for political and security reasons).

COMPOSITION OF THE U.S. AID PROGRAM

Activities involved in the more than $500 million aid effort in Syria since 1975 can be categorized in five broad areas:

—Transportation and communications ($105.9 million in loans and $5.6 million in grants);

—agriculture and rural development ($106.7 million in loans including $54.4 million of the proposed fiscal year 1979 program and $13.3 million in grants, including a $7.2 million fiscal year 1979 grant for agriculture research and education);
—health, nutrition and family planning ($62.5 million in loans for the Damascus water project, and $7 million in grants and $5.4 million Syrian pounds in local currency);
—education ($5.6 million in grants in addition to training done within other sectors);
—a general category of $125 million in commodity import loans (including $20 million for fiscal year 1979);
—$3.8 million in grants for technical services and feasibility studies involving sectors other than those mentioned above;
—$3.5 million in grant aid for remote sensing in fiscal year 1979; and
—Public Law 480, title I loans through fiscal year 1979 totaling $82.7 million and title II grants totaling $13.5 million.

In the transportation and communications sector, the United States has obligated over $100 million for two four-lane highways—a 104 kilometer stretch from Damascus to the Jordanian border and an 85-kilometer stretch between the Mediterranean ports of Lattakia and Tartous. Neither of these projects has progressed to the construction phase although bids will be requested for the road to the Jordanian border in March 1979.

In the agricultural and rural development sector, the United States has been involved in a series of disparate studies and projects. Since 1975 the types of programs financed in these sectors have changed. The two major projects for which funds have been obligated are the Euphrates Basin irrigation maintenance scheme and a rural electrification project to bring electricity to 1,200 villages with a population of 900,000 people. Funds for these sectors have also involved studies of two other large projects for which the World Bank and other countries had previously financed feasibility studies. A study of the irrigation scheme for the Balikh Valley in northern Syria led AID to refuse to finance the project because it was not considered economically justified. A study is now underway on a series of possible Akkar Plain projects—an area where AID has sought for several years without success to find a worthy project ready for obligation of funds.

The three loans proposed to be obligated during fiscal year 1979 include projects in rural water supply, roads and schools. These projects represent a new departure in AID programing. While designed to help the rural poor, they have the added advantage of using the partial cost-reimbursable approach and thus may avoid some of the current problems involved in implementing capital projects involving AID contracting procedures and dealing with competitive bids of American firms.

In the health sector, the major project for which funds have been obligated is a multidonor project to improve the Damascus water supply system. Little has been done in the family planning area principally because the Syrian Government has not invited any bilateral aid in this area. The best way to help in this area would be through general health and rural health clinic assistance and training programs.

To date, the aspect of the American aid program which has drawn the most notice among Syrians and which is considered by both the

Syrians and Americans to be the most successful is the English language training center in Damascus and general participant training. These education programs have involved the training, by the end of 1978, of more than 280 Syrians, the financing of 25 masters or doctoral candidates who will eventually be trained in the United States, and the establishment of an English language center and subcenters in Damascus. The language center and its subcenters have taught approximately 500 Syrians the English language at various levels.

The commodity import program in Syria, including four loans already signed and one planned for fiscal year 1979, has helped provide transportation, agriculture, health, and education sector related equipment. Roughly $34 million of this equipment has already been received.

By the end of fiscal year 1979, the United States will have provided Syria close to $100 million in Public Law 480, title I and title II, foodstuffs. Because of population increases, the inability to harness rain-fed lands and the great fluctuations in water supply, Syria's food import requirements will continue to grow. Although the United States was the chief food supplier to Syria in 1976, its role as such has since declined because of increases in Canadian sales and subsidized European commodity sales in Syria.

Senior Syrian officials believe that the entire American assistance program fits in with their own economic priorities. In Syria's current fourth plan, there is an emphasis on agricultural and rural development, on acquiring new technology, and on education and training. Thus, they like the training programs, technical assistance, the commodity import program, and development activities which focus on the rural and agricultural areas.

Recent Syrian experiences reinforce these preferences. Two points are noteworthy. First, there was a massive infusion of Arab aid money and vastly increased remittances of workers employed abroad in 1974 which helped to produce an overheated economy. Much of this money was spent on a series of turnkey industrial projects built by foreigners. The experiences with these turnkey projects were not good and there has developed a strong Syrian aversion to such projects. Second, Syrians are convinced from recent practices that they can execute all projects cheaper than foreigners and that what they need from abroad is technology and sophisticated inputs.

These attitudes have helped shape the Syrian approach toward the American aid program and are, in part, responsible for some of the delays in capital projects. The partial cost reimbursable programs envisaged for fiscal year 1979 seek to circumvent some of these Syrian misgivings. Some Syrians would like to increase the commodity import program and concentrate on acquiring agricultural and construction machinery for their own development efforts. This reflects both these general Syrian persuasions on what they need most and a strong preference for specific American products in some categories of equipment.

At a time when the implementation of already obligated capital assistance projects remains a question mark, it is clear that the three main pluses in this aid program will be the commodity import program, participant training and English language training, and technical assistance. The success of the participant training and English language programs should be stressed. Because they can provide short and long term dividends and increase contacts between Syrians and

Americans at a time when political relations are not close, they represent the successful core of the entire program. If there is nothing else in the program, there should be a continuation of these educational efforts.

NEW DIRECTIONS FOCUS IN SYRIA

The USAID program for Syria is financed under the Economic Support Fund (ESF) and therefore is not subject to the New Directions mandate.[1] However, we found a substantial recognition of the desirability of New Directions in our discussions with officials of the AID mission in Damascus, and believe that significant portions of the U.S. program in Syria can be categorized as falling within the New Directions guidelines.

One reason why there has been little difficulty in gaining Syrian agreement to proposed New Directions-type projects is an apparent compatibility between the Syrian Government's policies and the aims of New Directions. The doctrine of the ruling Ba'th Socialist Party in Syria puts strong emphasis on services and benefits for the poor.

U.S. officials identified for us a sizable number of programs in Syria which they felt came within the New Directions category. These included assistance in agricultural education and research, land classification, health training and extending health services to rural areas, and rural schools, roads, and electrification projects.

However, it should be noted that a number of the largest U.S. aid projects in Syria in terms of dollar amounts are not New Directions. The $106 million for highways is for basic infrastructure, as are, at least in part, the $35 million for rural electrification, the $26 million for rural roads, the $17.6 million for Euphrates basin irrigation maintenance and the $62.5 million for Damascus' water supply (although the Damascus water supply authorities did tell us that their rate structure favored lower-income users). The commodity import financing of some $30 million a year paid mainly for items such as construction and agricultural machinery which benefit the Syrian economy but are not directly targeted on the poor. Like the CIP program, the Public Law 480, title I has provided a means of saving foreign exchange costs for Syria. To some extent, it has also promoted the market in Syria for U.S. farm products.

Hopefully, the trend of future U.S. aid programs in Syria will be increasingly toward New Directions. AID's congressional presentation document for fiscal year 1979 stated that a shift toward programs which address basic human needs of Syria's poor began in fiscal year 1977 and will accelerate in fiscal year 1979. It said the shift "reflects both our desire and Syrian interest in development programs which increase the income and improve the welfare of the poor."

The emphasis on the fiscal year 1979 program is encouraging with its focus on rural water supply, roads and schools. However, in other rural-oriented projects, American experience is mixed: communications can be poor, local organizations tend to be weak at the middle level, too little authority is delegated, areas are remote, and there is the difficulty for American contractors in securing personnel for assignment to such areas.

---

[1] See discussion of ESF and New Directions, p. 18.

IMPLEMENTATION OF U.S. AID PROGRAMS IN SYRIA

The pace of implementation of U.S. aid projects in Syria is a major constraint on American assistance to that country. Some elements of the aid program in Syria are doubtless among the slowest moving of any U.S. economic assistance projects anywhere in the world. Of the total $220.7 million in capital assistance loans obligated since the startup of the U.S. aid program in Syria in fiscal year 1975, only about $750,000 or 0.34 percent had been expended by the end of fiscal year 1978. Table 2 shows the slow rate of these projects.

TABLE 2.—U.S. AID TO SYRIA, OBLIGATIONS AND EXPENDITURES

[In thousand of dollars]

	Fiscal year 1975, cumulative			Fiscal year 1976, cumulative		
	Obligations	Expenditures	Pipeline	Obligations	Expenditures	Pipeline
C.I.P	30,000	0	30,000	45,000	0	45,000
Capital assistance	48,000	0	48,000	126,000	0	126,000
Technical assistance	5,000	8	4,992	7,000	796	6,204
Total	83,000	8	82,992	178,000	796	177,204
	Fiscal year 1977, cumulative			Fiscal year 1978, cumulative		
	Obligations	Expenditures	Pipeline	Obligations	Expenditures	Pipeline
C.I.P	85,000	24,202	60,798	105,000	31,924	73,076
Capital assistance	160,700	98	160,602	220,700	758	219,942
Technical assistance	12,300	1,965	10,335	22,300	5,296	17,004
Total	258,000	26,265	231,735	348,000	37,978	310,022

None of the capital development projects had yet reached the physical implementation stage and no shovels were in the ground at the time of our visit. Nearly all the projects were behind schedule and some had not really begun. Other elements of U.S. aid to Syria are moving along faster, although still not as rapidly as desirable.

Numerous reasons were given as to why various capital assistance projects are making only tortuous progress. Some recent Syrian experiences, as previously mentioned, are part of the answer to this problem. But none of the explanations that can be advanced suggest a deliberate intent by either Syrian or American officials to impede U.S. aid programs. To the contrary, we received a clear impression of a desire by both U.S. and Syrian officials to move ahead with development assistance in a cooperative fashion.

One of the most frequent explanations given for the slow pace on projects was that Syrian laws and customs in doing business—in part because of recent experiences with other donors—are very different from those of the United States, and that Syrian and U.S. officials have had to undergo a considerable learning process on how to do business between Syrian Government entities and AID. In addition, the Syrians have had to learn to deal with Americanized development plans and AID's development approach. For example, we were told by the Syrians of one Government agency that was disposed to reject all bids for an item on grounds that the bids were higher than for a similar item on a non-AID project. They said Syrian regulations required that the award be made at the lowest competitive price. AID officials pointed out that under AID regulations, only American

firms could supply the products for the AID-financed project, and thus the bids could be expected to be higher than if there were international competition. The Syrian officials also appeared to regard price as the key element in determining the acquisition of the item in question. The fact that the money for financing the item was "cheap" money because it is extended by AID under such highly concessional loan terms, did not appear to weigh with the officials. Some Syrians see AID projects as designed to benefit American companies to such an extent that the benefits for the recipient are lost. They would like to have some third country companies able to bid on AID-financed projects.

Another factor appears to be the multiplicity of Syrian Government agencies and a reported inadequacy of coordination and cross-communication between them. For example, we spoke with a contractor who had experienced lengthy delays in getting equipment through customs which was needed for his work for a development project for a Syrian Government agency. The contractor stated that the contract agreement clearly stated that material for the project was to be exempt from customs. However, the written agreement and the fact that the material was for a Government agency notwithstanding, the contractor had to make repeated trips to the customs office at the port of entry before he was able to free from customs the items he needed.

We were told also of difficulties in obtaining decisions from certain Syrian Government ministries and agencies, of a "brain drain" to the Persian Gulf States which had taken many of the good administrators from Syria, of an excess of responsibilities and decisionmaking devolving from a few hard-working and overworked managers in key positions. Adding to the cumbersomeness was the necessity of obtaining approval of all AID contracts by the People's Council (Syrian Parliament), and the necessity of having many other decisions reviewed by the Higher Economic Committee, an interagency ministerial-level group which has difficulty meeting frequently. And from the Syrian standpoint as well as from that of many AID officials overseas, the amount of paperwork and bureaucracy involved in trying to get any project through AID/Washington is, in itself, an excessively time-consuming and arduous task.

From this and previous visits to Syria, we have an impression that many Syrians are good businessmen, and that the private sector is very active notwithstanding the official commitment to socialism. Because U.S. economic assistance to Syria is an official activity, it is extended through bureaucratic channels, with the attendant constraints. It should be noted that these problems are not uniquely American and that other donors, including the World Bank, face many of the same constraints. Three examples from the current AID capital project portfolio illustrate some of these problems.

The $48 million Damascus water supply project, for which a loan agreement was signed June 30, 1975, currently is now approximately 2½ years behind schedule and is likely to encounter further delays. The implementing agency, Figeh (Establishment Public des Eaux de Figeh), at the time of our visit, intended to modify construction bid documents in accord with a consultant's advice and construction bids are expected to be opened in January 1979. A relatively optimistic forecast is that if construction began in June 1979, the scheduled completion date would be January 1982. The project involves engi-

neering and construction of some 370 kilometers of water mains as part of an overall expansion and improvment of the city's water supply system. A companion AID-financed project, for which a $14.5 million loan agreement was signed June 28, 1976, calls for a hydrogeological study and test program to determine the production capacity of the Figeh Spring, which is the principal water source for Damascus, to build four pumping stations, and to set up a dispatching system for control of water storage and distribution. The project was 20 months behind schedule at the time of our visit; negotiations are nearing completion for the hydrogeological study, while a contract for engineering services for the pumping stations and the dispatching system was approved in December 1978. As of the end of 1978, the project had not progressed to the point of issuance of invitations to bid for needed materials.

The $34.7 million loan agreement for engineering consulting services and construction of some 3,000 kilometers of electric powerlines to villages in Syria was signed in September 1977. The implementing agency is the Syrian Ministry of Electricity. Proposals from six engineering consultants were sent to the Ministry by June 26, 1978. The Ministry selected the first-rank consultant and began contract negotiations at the end of December 1978. Assuming the Ministry could execute a contract for engineering consultant services by March 1979, the project might be completed by September 1982, which would only be 9 or 10 months behind schedule.

The $45.9 million AID loan to design and build a 104-kilometer four-lane highway from Damascus to the Jordanian border was signed July 22, 1976. A major factor in its slow pace so far has been a delay of some 22 months in selecting a consultant to provide the engineering services. The implementing agency, the Syrian Ministry of Communications, selected a consultant in May 1977. However, the High Economic Committee rejected the consultant contract in December 1977 on grounds of high costs. A contract with another consulting firm was not negotiated and signed until May 16, 1978. The consulting engineering has since progressed well and construction tenders are now called for in early spring 1979.

The slow rate of implementation of the capital assistance projects in Syria has been a matter of great concern to both Syrian and American officials. But changes in the structure of the fiscal year 1979 program and perhaps future programs, and current Syrian economic measures for belt-tightening and for going easy on new projects until old ones are digested, do not solve the problems of getting existing projects moving toward the implementation cycle quicker.

Syrian and American officials need to concentrate on resolving implementation problems. Given close Jordanian-Syrian ties at this time, Jordanian officials might try to help their counterparts in Syria by indicating to them why programs are implemented quicker in Jordan and how certain obstacles can be overcome. If some of the older projects for which funds have been obligated do not move to the implementation phase in the coming months, more drastic solutions, including perhaps deobligation of funds, should be considered.

If this implementation problem continues and the huge pipeline remains, it would appear that the Syrian program could be reduced to include no new capital projects. This would leave a smaller program, including a commodity import program, training projects, and technical assistance grants. Experiences in the short term in Syria suggests that such a program can be implemented with fewer delays, leaving only a small pipeline.

PUBLIC LAW 480

Public Law 480 has been part of the U.S. aid package for Syria since the U.S. economic assistance program began slightly more than 4 years ago. As with the economic support fund program, the level has been politically determined and has been continued from 1 year to the next without major change. The total has averaged slightly under $20 million a year.[2] However, the composition of Public Law 480 has undergone some change in that the amounts for title I concessional sales have decreased each year since an initial $21.4 million in fiscal year 1975, to $12.1 million for fiscal year 1979, while the amounts for title II grants extended through the world food program (WFP) have increased from $191,000 to $6 million over that period.

While the primary justification for Public Law 480 for Syria has been in the same political context as other forms of U.S. assistance for Syria, there is an economic rationale stemming from Syria's food deficit position. Syria's population has been growing at some 3.3 percent annually, while agricultural production has increased only by about 1.3 percent a year over the past decade. Thus Syria has become an importer of sizable amounts of food. To the extent that Public Law 480 covers some of the import, Syria saves foreign exchange that can be used for other purposes, including development programs. The current title I program provided 35,000 tons of rice in fiscal year 1978, out of Syria's estimated rice imports of 88,000 tons a year.

Under the self-help provisions of the Public Law 480 title I sales, the local currency generated from the sale of the food in Syria is to be used for a range of improvements in the country's agricultural sector. The funds are supposed to be used to strengthen the Agriculture Ministry's information gathering and planning capabilities, to expand and improve grain storage and marketing facilities, to expand the area of irrigated agriculture, to increase livestock and poultry production, to expand and strengthen agricultural education and extension services, and to expand research on food crops and livestock. However, in practice, in Syria as with most other title I recipients, little is done to insure that the self-help provisions are implemented as a condition for continuing the Public Law 480. The U.S. food assistance level for Syria is determined politically in Washington as part of the overall aid package for Syria; and the amount is not sufficiently large to afford much leverage on Syrian activities.

Particularly since Syria is one of the higher income recipients of U.S. food assistance, rather than one of the relatively poor countries which

---

[2] See table 1, p. 38.

Congress has specified as primary title I aid recipients,[3] the study mission recommends that Public Law 480 title I sales to Syria be discontinued insofar as it is part of the economic aid package. However, any such termination should be undertaken only if similar steps are taken with regard to title I currently being provided to Syria's neighbors, so as to avoid an unwanted political implication from the discontinuance.

A small amount of title I may be justified for Syria as a promotion for sales of American farm exports in the growing Syrian market. The U.S. agricultural attaché at Damascus noted that the United States used to sell only a small amount of agricultural products to Syria, but in recent years has become one of her principal suppliers.

---

[3] Sec. 111 of Public Law 480 states: "Not more than 25 per centum of the food aid commodities provided under this title in each fiscal year shall be allocated and agreed to be delivered to countries other than those which meet the poverty criterion established for International Development Association financing and which are affected by inability to secure sufficient food for their immediate requirements through their own production or commercial purchase from abroad, unless the President certifies to the Congress that (1) the use of such food assistance is required for humanitarian food purposes, or (2) the quantity of commodities which would be required to be allocated under this section to countries which meet the International Development Association poverty criterion could not be used effectively to carry out the humanitarian or development purposes of this title. A reduction below 75 per centum in the proportion of food aid allocated and agreed to be delivered to countries which meet the International Development Association poverty criterion and which are affected by inability to secure sufficient food for their immediate requirements through their own production or commercial purchase from abroad which results from significantly changed circumstances occurring after the initial allocation shall not constitute a violation of the requirements of the section. Any reallocation of food aid shall be in accordance with this section so far as practicable. The President shall report promptly any such reduction, and the reasons therefor, to the Congress."

JORDAN

Observations and Conclusions

—*Jordan*, more than either Egypt or Syria, *is able to use U.S. economic assistance at close to the levels authorized.* Annual expenditures of U.S. aid are about equal to appropriations. Levels of U.S. economic assistance to Jordan are determined by the mix of military and economic goals and are deemed essential by the State Department to maintain an appropriate political relationship supportive of the government of King Hussein.

—Design and implementation of some projects in Jordan are slowed by a variety of factors which have included what the mission and the Government of Jordan have deemed to be excessive project documentation requirements emanating from Washington. A recent delegation of authority to the field by AID in Washington may substantially improve this situation. TDY and other assistance from Washington has considerably augmented the efforts of what may have been a disproportionately small aid staff in Amman.

—*The budget support portion of U.S. economic aid has been gradually reduced over the last several years to less than the level of budget support prior to 1967 when such assistance was temporarily stopped.* Such support has no defensible economic justification, but rather is political and therefore should be continued at gradually reduced levels as long as it continues to have a political justification. It should not be replaced by a commodity import program or other aid instrument even though such a program, like budget support, may have immediate financial impact.

—*The fiscal 1980 economic aid program proposed for Jordan has been reduced from the fiscal year 1979 levels by the amount of the potash development project, a one-time $33 million commitment.* A possible further reduction should include consideration of whether further funding for the Maqarin Dam can appropriately be used in fiscal 1980.

—The Maqarin Dam project, for which $50 million already has been appropriated in fiscal year 1979, is an important and large project for the Government of Jordan. However, *the United States may not be able to obligate funds for the project prior to the end of the fiscal year.* There remains a need to resolve several technical, political, and financial issues before proceeding. The financial issues, concerning firm commitments to Jordan for the entire funding of the project, appear to be resolvable once the United States feels the political and technical issues are solved. If the United States commits funds, other donors will follow. Principal among the remaining political and technical issues are matters involving Israel which is one of the riparians of the waters below the dam. Little progress has been made in the last year on resolving Israeli technical and political concerns and interests. *It would appear that the dam project cannot proceed without successful discussions involving the Israelis.*

—The small Public Law 480, title I program in Jordan provides further U.S. support for the Hussein government, but if *similar programs are terminated in Israel and Syria, the Jordan program should likewise be ended.*

—The United States has provided aid for a number of projects in the Jordan Valley's East Bank over the past several years. The success of this comprehensive Jordan Valley development effort will depend on population increases in the Jordan Valley, on whether the Government commits sufficient personnel to man the facilities created there, on whether some serious agricultural production problems related to applied research and extension services are met, and on whether the Government of Jordan can resolve certain jurisdictional disputes among government agencies working in the valley.

—*Future U.S. economic aid programs in Jordan should move away from the focus on the Jordan Valley and toward a broader range of projects which will impact on the 70 percent of Jordan's population which resides in urban areas.* Vocational training, urban job generation and water and sewage projects, which will improve the quality of life in urban settings and affect the majority of citizens, are the types of programs which should receive priority. The AID mission is already moving in this direction.

—*While the major justification for U.S. aid to Jordan is political, there probably is independent economic justification for a development aid program of about $15 million a year.*

—While the AID mission in Jordan incorporates projects in its program that reflect the general intent of Congress that economic aid programs focus on the poor majority and basic human needs, *little attention is now given to other congressional mandates in areas such as family planning, women in development, and fertility impact criteria.* Recognizing these omissions, USAID is now formulating a plan of action in the population sector for discussion with the Jordanian Government and plans to assist the newly activated Jordan Vocational Training Corporation which intends to give particular attention to increasing the number of trained women in the labor force.

OVERVIEW

The U.S. economic aid program for Jordan started in the late 1940's. Its status over the years has rather closely reflected the state of relations between the two countries. On several occasions, since 1952, the political situation has led to the evacuation of all official Americans and, on one occasion, to closing the AID mission. Substantial amounts of assistance have been provided in the 1950's, 1960's, and 1970's as indicated in table 1 which follows:

TABLE 1.—U.S. ECONOMIC ASSISTANCE TO JORDAN—HISTORICAL, BY MAJOR CATEGORIES

[In millions of U.S. dollars; fiscal years]

	1949–52	1953–57	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
I. Economic assistance	4.7	49.2	32.7	49.1	47.8	47.5	42.8	42.0	38.6	39.6	43.5	37.7
(a) Budget support		5.0	27.5	45.4	40.5	40.0	37.0	36.0	34.0	33.0	32.0	32.0
(b) Grants	4.7	44.2	5.2		8.3	6.5	6.8	6.0	4.8	5.0	3.6	3.9
(c) Loans				3.7	−1.0	1.0	−1.0		−0.2	1.6	7.9	1.8
II. Public Law 480	.4	4.3	4.7	14.4	3.2	20.3	1.5	13.3	9.8	2.2	2.1	7.8
(a) Title I—Sales agreement											.6	4.8
(b) Title II—Donations	.4	4.3	4.7	14.4	3.2	20.3	1.5	13.3	9.8	2.2	1.5	3.0
1. Volunteer agencies	.4	4.3	1.2	2.0	1.6	2.9	1.3	1.9	1.0	.9	1.5	0.9
2. Emergency relief and economic development/WFP			3.5	12.4	1.6	17.4	.2	11.4	8.8	1.3	(1)	[2] 2.1
III. Other official development assistance	.1	1.2										
IV. Export-Import Bank loans							1.6					

	1968	1969	1970	1971	1972	1973	1974	1975	1976	Transition quarter [3]	1977 [4]	1978	Total through 1978
I. Economic assistance	12.2	1.5	1.5	6.0	55.6	61.0	53.2	87.5	46.4	82.6	70.0	93.0	1,045.7
(a) Budget support	10.2			5.0	55.0	50.0	45.0	67.5	37.0	66.0	45.0	40.0	783.1
(b) Grants	2.0	1.5	1.5	1.0	.6	1.0	.8	1.4	2.4	1.1	4.5	5.0	121.8
(c) Loans						10.0	7.4	18.6	7.0	15.5	20.5	48.0	140.8
II. Public Law 480	6.8	10.1	2.4	4.2	4.9	8.6	9.3	8.8	12.9	.2	10.9	7.5	170.6
(a) Title I—Sales agreement	1.8	1.3		1.2	1.7	5.9	8.2	6.4	11.2		9.2	5.5	57.8
(b) Title II—Donations	5.0	8.8	2.4	3.0	3.2	2.7	1.1	2.4	1.7	.2	1.7	2.0	112.8
1. Volunteer agencies	1.8	2.2	1.8	[5] 1.8	[5] 1.7	[5] .3	[5] .3	[5] .7	[5] .5		[5] .3	[5] .3	31.8
2. Emergency relief and economic development/WFP	[2] 3.2	[2] 6.6	[2] .6	[6] 1.2	[6] 1.5	[6] 2.2	[6] .8	[6] 1.7	[6] 1.2	.2	[6] 1.4	[6] 1.7	81.0
III. Other official development assistance													1.3
IV. Export-Import Bank loans		.2	8.3			5.9	3.9						19.9

[1] Less than $50,000.
[2] Includes world food program.
[3] Includes several obligations incurred in transition quarter (July) due to late enactment of bill.
[4] Data through fiscal year 1977 actual.
[5] Excluding ocean freight and includes UNRWA and government to government.
[6] WFP only excluding ocean freight costs.

Levels of assistance to Jordan have traditionally been determined on political grounds. Jordan has played a strategic role in the Middle East. Its moderate, pragmatic approach to many problems of the Middle East has generally supported U.S. aims in the area. Despite differences of opinion between the United States and Jordan over peace negotiations tactics in the aftermath of the Camp David accords, the Government of Jordan maintains its continued support for a peaceful settlement of the Arab-Israeli conflict.

In the coming months, the United States may have to reassess levels of assistance for Jordan if any substantial payments to Jordan are made pursuant to the November 1978 Baghdad Conference which took pledges for aid to confrontation states willing to ignore the peace process generated by the Camp David accords. Over the last 3 years, U.S. economic aid to Jordan has represented roughly 20 percent of foreign aid commitments to Jordan. If there is significant further Arab aid to Jordan, the need for substantial American assistance could be reduced.

As long as there is a political justification for the program in Jordan, levels of economic assistance are likely to be determined as they are now, that is by the overall mix of military and economic aid deemed essential to maintain existing relationships with the Jordanians. Despite an annual per capita income figure of probably well over $600 and improved economic conditions, a modest U.S. development assistance program in Jordan in the range of $15 million a year would be justified even if the political criteria for the program were not present.

In recent years, annual levels of U.S. economic assistance to Jordan have varied not solely because of political factors but due to unique circumstances. A few specifics are noteworthy. First, Jordan received a one-time substantial infusion of over $50 million in additional budget support grant aid in the fiscal year 1976 transition quarter. Second, the levels of assistance for fiscal year 1979 were vastly increased because two large projects—the Maqarin Dam and the Arab potash project, to which the United States is committed in principle to provide part of the financing—were thought to be ready to go forward. An add-on of $50 million for the Maqarin Dam, the first of three such $50 million annual contributions planned, and $33 million for the Arab potash project, raised the fiscal year 1979 program to $143 million, more than double the fiscal 1977 level. Table 2, which follows, details the aid programs of fiscal years 1977–80.

TABLE 2.—U.S. AID TO JORDAN, ECONOMIC ASSISTANCE PROGRAM COMPOSITION, 1977–80

[In thousands of dollars]

	Fiscal year—			
	1977	1978	1979 proposed	1980 proposed
Total	70,000	----------	143,000	110,000
I. Maqarin Dam construction			50,000	50,000
II. Core program		93,000	93,000	60,000
A. Budget support	45,000	40,000	30,000	20,000
B. Loans	20,500	48,000	58,000	22,000
1. Yarmouk/Dead Sea Road (addition)	1,000	----------	----------	----------
2. Maqarin design	5,000	----------	----------	----------
3. Village developmental (addition)	5,500	----------	----------	----------
4. Rural and urban electrification	9,000	----------	----------	----------
5. Potash design		5,000	----------	----------
6. Village development II		8,000	----------	----------
7. Credit for JVFA		1,500	----------	----------
8. Jordan/Rift Valley water resources development		5,000	----------	----------
9. Amman water and sewerage		28,500	10,500	----------
10. Aqaba sewerage			7,500	----------
11. Village development III			7,000	----------
12. Potash production			33,000	----------
13. Zarqa water and sewerage				3,500
14. Irbid water and sewerage				13,000
C. Grants:				
1. Development administration	4,500	5,000	5,000	15,500
Training I	50	510	----------	----------
2. Faculty of agriculture development	639	470	----------	----------
3. Water management technology	520	300	500	----------
4. Jordan Valley Farmers Association I	541	620	----------	----------
5. Technical services and feasibility studies	2,000	1,500	2,500	3,200
6. Health planning and services development	750	500	125	----------
7. Minerals development		250	1,250	----------
8. Community development (CARE)		350	----------	----------
9. Vocational training			225	1,900
10. Development administration training II			400	400
11. Health information systems				500
12. Jordan Valley Farmers Association II				550
13. Jordan Valley agricultural services				750
14. Zarqa water and sewerage				1,500
15. Irbid water and sewerage				2,500
16. School construction II				6,700

Both the Arab potash project, financed with fiscal year 1979 funds, and the Maqarin Dam, to be financed in three or perhaps four tranches, are one-time items. The core of the regular program is about $60 million. Therefore, if the Maqarin Dam encounters further delays, there can be a further reduction in the fiscal year 1980 program without impacting on the core of the program.

Unlike the slow pace of U.S. project assistance in Syria and Egypt, the rate of project implementation in Jordan is relatively quick and annual new obligations are more or less matched by annual expenditures. Table 3, which follows, compares obligations and expenditures over the last few years:

TABLE 3.—U.S. ECONOMIC ASSISTANCE TO JORDAN, FISCAL YEARS 1972 THROUGH 1978

[In thousands of dollars]

	Fiscal year 1972		Fiscal year 1973		Fiscal year 1974		Fiscal year 1974		Fiscal year 1976		Fiscal year 1976 (Transition quarter)		Fiscal year 1977		Fiscal year 1978	
	Obligations	Expenditures	Obligations	Expenditures	Obligations	Expenditures	Obligations	Expenditures	Obligations	Expenditures	Obligations	Expenditures	Obligations	Expenditures	Obligations	Expenditures
1. Budget support (grant)	55,000	55,000	50,000	50,000	45,000	45,000	67,500	67,500	37,000	37,000	66,000	66,000	45,000	45,000	40,000	40,000
2. Technical assistance (grant)	550	1,955	976	432	802	667	1,449	715	2,350	1,001	1,150	409	4,500	2,362	5,000	2,269
3. Capital projects (loan)			10,000	0	7,400	0	18,650	1,772	7,000	4,453	15,500	2,862	20,500	17,220	48,000	27,777
Total	55,550	56,955	60,976	50,432	53,202	45,667	87,599	69,987	46,350	42,454	82,650	69,271	70,000	64,582	93,000	70,046
Public Law 480:																
(a) Title I—Sales agreement	1,700	.....	5,900	.....	8,200	.....	6,400	.....	11,200	.....	.....	.....	9,200	.....	5,500	.....
(b) Title II—Donations:																
(1) Volunteer agencies	1,700	.....	500	.....	300	.....	700	.....	500	.....	.....	.....	300	.....	300	.....
(2) Emergency relief and economic development/WFP	1,500	.....	2,200	.....	800	.....	1,700	.....	1,200	.....	200	.....	1,400	.....	1,700	.....
Total	4,900	.....	8,600	.....	9,300	.....	8,800	.....	12,900	.....	200	.....	10,000	.....	7,500	.....

Several reasons can be advanced for the quicker rate of project implementation in Jordan. First, because close United States-Jordanian relations and experiences of Jordan in dealing with AID have a long history, people in government agencies on both sides know each other's procedures and therefore project and contract processes are facilitated. Second, the private sector is well developed in Jordan, which also facilitates the entire bidding and contract processes. Third, unlike the case in some other countries receiving Economic Support Funds such as Syria, firms from selected third world countries are allowed to bid on AID-financed projects in Jordan. The availability of efficient Taiwanese and Korean construction firms has helped to cut implementation time for some projects.

The three main components of the economic assistance program in Jordan are grant budget support, development loans for projects, and a small grant technical assistance program. In recent years, efforts have been made to restructure the program and move toward increased project, rather than budget support, aid. This shift has not significantly increased the short-term burdens on the Jordanian economy. It is worth noting that the grant proportion has remained close to 30 percent of the entire program.

BUDGET SUPPORT

In years past, the portion of U.S. economic assistance in the form of budget support has been substantial (see table 1, p. 49). In recent years, however, this grant aid has been reduced from $67.5 million, representing 77 percent of the total economic aid program in fiscal year 1975, to $30 million representing 33 percent of the program in fiscal year 1979, and to a proposed $20 million level for fiscal year 1980.

Levels of budget support for Jordan are essentially a political issue and cannot be rationalized in strict economic terms. Although it is possible that a potential $1.2 billion in annual aid subsidies for Jordan proposed at the 1978 Baghdad Conference, if disbursed, could create severe problems for the Jordanian economy unless they are managed properly, it is difficult to demonstrate that reduced levels of U.S. budget support for Jordan could significantly distort or damage the economy.

Whether this portion of U.S. assistance for Jordan continues to be phased down and out will therefore hinge on political decisions. AID's primary concern should not be whether the budget support should be terminated but rather to insure that, if this type of aid is extended, it not be provided at the expense of ongoing programs with a basic human needs and new directions approach.

The Jordanians obviously like budget support—which is a straight cash payment—and prefer that it continue at substantial levels, but they are resigned to its gradual reduction. However, they contend that too rapid reductions in budget support could have adverse effects on the economy despite corresponding increases in U.S. project aid. Also, the Jordanians see U.S. budget support being provided in a timely fashion. Budget support, in their view, helps to generate income and foreign exchange to make their country more independent and better able to pay all its bills and thereby free to maintain its policies.

A precipitous reduction in budget support could, from the Jordanian perspective, have an adverse impact on the debt service ratio, place additional burdens on the small governmental budget, and translate itself into an overall reduction in development moneys spent because it would reduce what is available for essential services. The Jordanians hope for continuing budget support between now and 1983. By that time they expect to have passed through an intermediate state of development and new revenue-generating projects will be coming onstream as the country approaches self-sufficiency.

The United States should continue to explore ways of increasing the grant portion of project aid as a means of lessening the impact of continued reductions in levels of budget support. The possibility of shifting from budget support to another type of quick and easily implemented program to deal with short-term contingencies, such as a commodity import program, does not now have support and is not considered a good alternative by either U.S. or Jordanian authorities. Some U.S. officials in Jordan feel such tactical responses to short-term needs have been difficult to manage elsewhere and that too often the results have been precisely the opposite of what was intended; that is, they have led to more, rather than less, economic and political instability.

The United States, and especially AID, today enjoy tremendous credibility with the Government of Jordan. AID should not jeopardize that relationship by terminating an essentially political budget support program on nonpolitical, economic grounds. Current U.S. policy appears to be to reduce slowly this portion of the program while increasing other programs and maintaining roughly 30 percent of the program in grant form.

JORDAN VALLEY DEVELOPMENT

Over the last several years, development of the Jordan Valley and the east bank of the Jordan River has been a high priority of the Jordanian Government. Most foreign aid donors are participating in this unique regional total development strategy. The Jordanian Government originally created the Jordan Valley Commission in 1972 to handle this enterprise and gave it a mandate to carry out full "economic and social development of the Jordan Valley."

The mandate was coupled in 1977 with more authority and prime responsibility to make and execute plans for the valley and the organization was renamed the Jordan Valley Authority. In effect, the Authority, rather than other agencies and ministries, is meant to be the focal point for all Government activities in the valley. The Authority is endeavoring to increase agricultural production and improve the quality of life in the valley. An impressive list of projects are underway, planned, or just completed in five major sectors and the United States is currently involved in more than a half-dozen aid projects in the valley.

Irrigation

By the beginning of 1976, about 14,000 hectares [1] of valley land were being irrigated by Government projects. Projects currently under construction will raise the figure to almost 24,300 hectares.

---

[1] A hectare equals 2.471 acres.

With the completion of planned projects, including the Maqarin Dam, the total amount of irrigated land in the Jordan Valley will be 36,000 hectares.

The first important project was the construction of the East Ghor Canal, designed to irrigate about 12,000 hectares of land from the unregulated flow of the Yarmouk River and smaller streams. Begun in 1958 and completed in 1966, the project included a tunnel 1 kilometer long and main canal approximately 42 miles in length, plus a distribution system of 400 kilometers (250 miles) of small concrete-lined lateral canals. The United States contributed the equivalent of $9 million to its construction. With the help of the Kuwaiti and Arab League funds, Jordan later extended the canal 8 kilometers (5 miles) and raised the sides of the entire canal to enable it to carry additional quantities of water.

A number of water development projects are currently underway, most of them designed to utilize the second major water source in the Jordan Valley—the Zarqa River—which has a drainage area lying entirely in Jordan. Current projects are:

(1) *King Talal Dam.*—Financed by the Kuwaiti Fund, the Abu Dhabi Fund, and Jordan at a total estimated cost of $36 million, this dam was begun in mid-1971. Construction was often interrupted, but began again in earnest in 1976 and, although all work is not yet finished, the dam is now operational.

(2) *East Ghor Canal extension project.*—This 18-kilometer extension (and its attendent works) is expected to irrigate 3,600 hectares of land with water from the King Talal Dam and from unregulated flows of the Yarmouk River. A $10 million AID loan was extended in 1973. Total cost is about $14 million. Work began in March 1975, and the project was completed and went into operation during the second quarter of fiscal year 1978.

(3) *Zarqa Triangle irrigation project.*—The term "Zarqa Triangle" refers to areas about the main canal in the Zarqa River area, about 1,400 hectares of which will be irrigated through a pressure pipe network with water from the King Talal Dam. A $4.5 million AID loan was extended in 1974; total project cost is about $6.3 million. The project was completed and is in operation.

(4) *North East Ghor irrigation project.*—This project will irrigate nearly 2,700 hectares of land. A $5 million International Development Association (IDA) loan was extended in 1976; total project cost is about $13 million. Work began in August 1974 and was virtually completed by the time of our visit.

(5) *Hisban-Kafrein irrigation scheme.*—About 1,500 hectares in the southern valley will be irrigated with water from Wadi Hisban and the Kafrein Reservoir. Loans from West Germany's Kreditanstalt fur Wiederaufbau was extended in 1976, work began the same year, and is now just about completed.

(6) *Sprinkler supply project.*—This project is designed to supply portable aluminum pipes and sprinklers for use in all four of the irrigation projects currently under construction in the valley. An AID loan extended in August 1976 provides $4.5 million for sprinkler equipment. The first shipment of equipment arrived in September 1977. Procurement currently is essentially completed and equipment is ready for distribution. Delays in surveying and redistribution of land are causing delays in moving sprinklers to the farmers. Farmers will purchase equipment through loans from the Agricultural Credit Corporation.

(7) *Wadi Arab Dam and irrigation project.*—Under this project, a storage dam will be constructed on the Wadi Arab, and a gravity sprinkler system will irrigate 1,250 hectares. The Japan International Cooperation Agency completed a feasibility study in September 1976, has begun work on the design for the dam, and has pledged $25 million for its construction.

(8) *Jordan Valley irrigation project—stage II.*—The second phase of valley development aims to improve, modernize, and increase the irrigated area to a total of 36,999 hectares. It will also develop hydroelectric power and provide storage for municipal and industrial water uses. The project comprises: (1) Maqarin Dam on the Yarmouk River; (2) a water conveyance system from Maqarin Dam to the Jordan Valley; (3) an extensive distribution network; (4) a drainage system; and (5) power generating facilities to be constructed at Maqarin and King Talal Dams, plus electricial transmission lines. Harza Overseas Engineering Co., a U.S. firm, carried out a feasibility study financed with the help of a $1 million AID loan. The final report was submitted in January 1978. Funded by an AID $5 million loan extended in September 1977, Harza has begun final design of the dam, and design of the irrigation network is to be carried out by Dareal-Handasah. Construction of the system is expected to be a multidonor effort costing an estimated U.S. $675 million.

(9) *Equipment for operation and maintenance.*—This project supplies some of the equipment and vehicles required to operate and maintain the irrigation system and farm roads under an IDA loan.

Transportation

The construction of roads in the Jordan Valley has had a large impact on accessibility to the farming areas and has provided market outlets and access to production inputs such as improved seeds, fertilizers, and pesticides. The United States has played a major role in helping Jordanians to develop and improve valley roads. Current projects include:

(1) *Yarmouk-Dead Sea Road.*—This project upgrades the valley's north-south road to a primary thoroughfare. A $2.9 million AID loan was extended in 1974, and an additional $1 million loan was authorized in June 1977. The highway was completed early in 1978.

(2) *Farm roads.*—Improvement of the farm road system in the valley provides ready access to farms and facilitates the transportation of agricultural produce. It also allows for maintenance of the irrigation system in all types of weather. AID assisted Jordan in improvement of farm roads in the 1960's and is now providing funds for upgrading of 53 kilometers of farm roads.

Social services

The United States is also helping to fund a housing mortgage lending program and the construction of streets and public facilities—schools, clinics, administration buildings, and housing for government employees—in the Jordan Valley in order to provide the social infrastructure essential to attract and keep people living and working in the valley.

Public utilities

Projects in this sector, as in the social services center, aim at making the Jordan Valley a better place to live and improving the quality of life of its inhabitants. They have direct impact on the village development project, and vice versa.

(1) *Domestic (potable) water supply.*—The 36 valley villages are to be provided with potable water. The project is divided by areas into three subprojects. Tenders for the northern sector are expected to be out by the end of 1978. In the central section, equipment and pipes have been ordered, and much has already arrived. Contractors are expected to be selected in September 1978 to install the system. Work is underway in the southern section and is expected to be completed by March 1979. AID, the West Germans and IDA are donors in the project, with the Germans the primary contributor. Total project cost is estimated at about $7 million.

(2) *Electrification.*—A north-south high tension line will travel along the valley adjacent to the Yarmouk-Dead Sea Road and connect three feeder lines transmitting current from electrical energy sources in the plateau. Transformers will be set up at an estimated 54 locations to form a low voltage electrical distribution network to serve the villages. Lines in the southern and central sectors have already been energized and work is currently underway on the remainder. Total cost is expected to be $5.5 million. A $3.9 million loan was extended in 1975 in West Germany.

(3) *Telecommunications project.*—The JVA plans to link the valley with major cities in the plateau and from there to the rest of the world. Lahmeyer International has completed a feasibility study. Estimated total cost is $10.5 million, but no financing has yet been made available and no starting date has been set for the project.

Agriculture

A number of agricultural projects underway and planned by the Jordan Valley Authority are important to insure that the benefits promised by the substantial infrastructure development can actually be realized. They are also necessary to promote equity for farmers throughout the valley.

(1) *Agricultural research and extension.*—The Ministry of Agriculture with assistance from IDA and the UNDP/FAO in previous years, is involved in research to increase yields, reduce promotion costs, introduce new crops, improve farming and irrigation techniques, gear production to market demands, and relay results and information to farmers through the extension service. Extension agents were trained, and a farmer training center has been established at the Deir Alla agriculture section in the valley.

(2) *Water management technology.*—To increase agricultural productivity in the valley by improving the use of water resources, the valley authority, the Ministry of Agriculture and the University of Jordan Faculty of Agriculture will carry out a 4-year research and training project. Emphasis will be on modern irrigation methods, particularly sprinkler irrigation. A $520,000 AID grant was extended in September 1977, with a second tranche of $300,000 in August 1978. AID expects to provide a total of $1.32 million.

(3) *Agricultural marketing.*—Four grading and packing centers will be constructed or improved and put into operation in four different sections of the valley at an estimated total cost of $8.3 million. The Government of the Netherlands has provided a $2.1 million grant for a major center at El-Arda, and the construction contract was awarded in August 1977. Discussions are underway with the German and British Governments for additional financial and technical assistance in marketing.

(4) *Jordan Valley Farmers Association.*—This organization, formally established in 1974, is expected to be a farmer-owned and controlled enterprise which will develop agriculture in the valley, enable farmers to participate in formulating and carrying out Government agriculture policies, promote equitable returns for farmers, and increase food production through more efficient utilization of land and water resources in the valley. The association has begun operations in seasonal production credit and input marketing. Eventually, the association plans to provide loans and agricultural inputs, undertake various agricultural operations common to the members (such as pest control, transportation of produce, etc.) and market crops at wholesale markets within the valley. A $541,000 AID grant was extended in September 1977, with a second tranche of $620,000 provided in September 1978, to fund a project of management assistance to the association. Total U.S. financing under the grant is expected to be $1.16 million. A team of consultants will help the association develop its operating policies, procedures, and capabilities in the areas of overall management guidance and information, credit, and supply. A $1.5 million loan was extended by AID in September 1978 to assist the association's credit operations. A major review of this association is planned in 1979 and on the basis of that review, further United States support of the association will be assessed.

This detail of activities indicates the wide scope of projects being undertaken in the Jordan Valley, the large number of donors supporting programs there, and the ambitious endeavors of the Jordanians to plan and execute an integrated development strategy for a key region of their country.

Not all the evidence is yet in on whether this multifaceted effort will succeed. At present, only about 83,000 people live in the valley. While that figure is a definite increase over the few thousand residing there in the early 1970's when the region was the scene of hostilities and guerrilla activity, there is still a question mark whether labor-short Jordan will be able to attract people to the valley and, in accord with the planning on current programs, double the population in the valley over the next few years.

At present, the results look impressive and the valley's infrastructure is being developed rapidly. But the proof of this expensive per capita development scheme will be on the institutional and human sides. Can effective land reform occur? Will people want to move to the valley and work there? Will the agricultural services and inputs be available at reasonable cost? Will a marketing structure exist? Will the Jordan Valley Farmers Association provide an institutional framework for aiding farmers? Will agricultural production problems related to applied research and extension services be solved? And finally, will the Jordan Valley Authority continue to have the mandate, responsibility, and support essential to finish, maintain, and utilize the infrastructure created and thereby realize the agricultural potential of the area?

These are not easy questions in part because when the Jordanians and the United States and other donors embarked on this series of interrelated Jordan Valley projects, little was known about the people, their profile or how the Valley could attract a larger population. But it remains clear that the development of the Jordan Valley has positive implications for peace in the region. Economic development near the Jordan River can only increase the vested interests of all who live there in preserving what has been achieved and, therefore, in Middle East peace.

To date, the focus and concentration on the Jordan Valley has been positive from both a United States and a Jordanian perspective. The Valley Authority is reknowned as one of the most competent and efficient organizations in Jordan. There is no doubt that development of the Jordan Valley will help increase revenues in the country and vastly increase agricultural production, thereby providing an essential step toward self-sufficiency. The United States has supported this goal on the premise that a self-sufficient Jordan is more likely to remain moderate and less subservient to the whims of aid donors. The next few years will be crucial in the transformation of the region. Although the United States will probably start turning the focus of its aid program to other regions of the country, it has a vested interest in seeing that the development in the valley remains as successful as possible.

MAQARIN DAM

The most important single project remaining to be started in the Jordan Valley development scheme is the Maqarin Dam project which seeks to harness the water of the Yarmouk River. The river straddles the Syrian-Jordan border in the north of the country and flows down to the Jordan River Valley, past the Yarmouk Triangle in Israel between the Lake Tiberias and the Jordan River Valley. The Yarmouk's waters are utilized by Syria and Israel, as well as by Jordan and the West Bank.

As indicated above, this project is designed to permit optimal use of the waters in the important agricultural area of the Jordan Valley and will also develop hydroelectric power and provide storage for municipal and industrial water uses. A water conveyance system from the Yarmouk River below the dam to the Jordan Valley, an extensive distribution network, and a drainage system are also part of the scheme.

The projected costs of the project are $675 million. The United States has indicated that it will seek appropriations for $150 million as the United States share, if the project proceeds as planned, and $50 million was authorized and appropriated in fiscal year 1979. The U.S. Government is expected to request Congress to authorize and appropriate more money in fiscal year 1980 and fiscal year 1981.

However, the fundamental question still remains: Is the dam to be built or not? Complicated issues need to be resolved before the project can proceed. These complex and interrelated problems are political, technical, and financial in nature. While many donors look to the World Bank on the resolution of the technical issues, all donors, including the World Bank, look to the United States for resolution of the political problems.

The technical problems involve the exact damsite, its height, and the precise rock and soil contents in the area around the proposed site. The delay in the start of this project over the last year has provided an opportunity for further study of these technical issues, and,

indeed, in the interim the precise proposed location of the dam was changed, its proposed height was increased and more detailed information on rock and soil contents was obtained. The current site is the third proposed site.

While the World Bank is unlikely to make its final appraisal and judgment on the technical questions until late in the spring of 1979, it would appear on the basis of preliminary data that the new site has far better abutments and 8,000 meters of drilling and the construction of 8 adits over the last several months have provided a better means of testing and proving the design of the proposed structure. It is now believed that a dam up to 190 meters in crest elevation is possible, but this still has to be reviewed by an international board of consultants.

Naturally, the technical questions and replies which are now being finalized will be of intense interest to both the Syrians and Israelis as well as the Jordanians and all the findings of the technical studies and the World Bank should be made available to all riparians.

The technical questions quickly spill over into the political arena, and it is here that the most work still needs to be done if this project is to proceed. Both Syria and Israel have legitimate interests which have to be taken into account. The Syrian interest, particularly upstream water issues, can be resolved with negotiations without particular difficulty. The Israeli interests may be more complicated to deal with.

The Syrian-Jordanian cooperation on the Yarmouk River dates from a 1953 agreement which was amended in 1977, but still awaiting ratification. Four of the five sources for the Yarmouk River are in Syria and there is some question about the degree to which Syria can, or intends to, try to utilize these sources. In addition, there is the question of whether the Wadi Raqqad, a tributary south of the proposed damsite, will be utilized, thereby affecting downstream supplies of water. The Syrians have already agreed with the Jordanians to renounce all claims to the water below the dam except for a Jordanian agreement to supply Syrian villages located on the heights of the Yarmouk Valley. It is not yet fully clear how much water the Syrians will be taking from the Yarmouk tributaries and their ultimate decision on water uses is still an important imponderable.

While Israel is interested in what Syria does, it is vitally concerned about the dam and its impact on Israel's own water needs. Many issues are involved. First, there is the question of the weir or diversion channel to be constructed downstream from the dam which will regulate water going into the Jordan Valley, the Yarmouk Triangle and the Jordan River. Although it would appear that roughly 25 million cubic meters of water a year for the triangle would be reasonable and is a figure riparians might be able to agree upon, Israeli calculations on water needs in this region include assumptions on both regular flows and added flows during flood seasons which they also seek to tap. A second problem for the future involves the amount of water from the Yarmouk source that might be appropriately allocated for the West Bank area. While this is not technically an issue that relates to the initial construction and design of the Maqarin Dam and weir, which will maximize water storage, it is a matter which has to be considered at some point in discussions relating to this project and its downstream irrigation schemes. It may seem advantageous to examine this aspect of the impact of the dam initially within the context of an overall

study of water uses and needs for the West Bank, but it could become an Israeli-Jordanian issue sooner.

These technical and water use issues may be difficult to resolve because their complicated nature may lead Israelis to insist on resolving them through direct talks, something the Israelis want. The Jordanians, however, have wished to avoid such talks because of the the tense political situation for Jordan in the region and the complicated aftermath of Camp David. Some Israelis apparently are willing ing to discuss technical issues with international contractors and some of the technical issues might be resolved through the good offices of the international contractors. However, we have been advised that the Israeli Government's position is that direct talks with the Jordanians will be necessary. Jordanians, conscious of the needed Arab funding for the project to be financed, feel that such talks, while technical, will inevitably become political in nature. It should be noted that in any such talks that might be essential, several of the lenders will have an interest in insuring that they do not take on a political connotation.

In the year after the United States decided to proceed with this project, and Congress authorized and appropriated $50 million, little progress was made in building greater Israeli-Jordanian understanding on this project because of changing technical factors. Whether it is through direct or indirect, public or secret, formal or informal, written or oral means, it is clear that some form of Israeli concurrence on this project is essential if it is to proceed, particularly since the diversion weir, a key component in the project, is located in Israeli-occupied territory. From the U.S. viewpoint, flexibility will be needed on all sides if the political obstacles are to be overcome. It is clear that the project cannot proceed until all riparians are in essential agreement and their reasonable claims have been met. In the coming weeks and months as technical studies are completed and their results become known, it is imperative that the riparian understandings needed for a start of the project proceed apace. Otherwise, it will be difficult for this important cornerstone to the development of the Jordan Valley to be launched.

Compared to the riparian issues involved, the Jordanians feel the financial aspects of the Maqarin Dam and related downstream ventures will be more easily solved. Although costs for the project continue to escalate and will escalate further if there are more delays, Jordanians feel the funding of the new $675 million project is manageable. It should be noted that the United States, under its own contracting procedures and by law passed by Congress, cannot proceed with the project until firm commitments exist for the entire funding.[2]

---

[2] Sec. 532(b)(6)(B) of the Foreign Assistance Act, in referring to Economic Support Fund authorization for fiscal 1979 which includes funding authority for the Maqarin Dam, states as follows: "Funds appropriated to carry out this chapter for the fiscal year 1979 may not be expended for construction of the proposed Maqarin Dam and Jordan Valley Irrigation System until the President has determined, and has reported his determination to the Congress, that Jordan has obtained firm commitments from other sources for the financing, in addition to the proposed U.S. contribution, which will be required for that project." The report of the Committee on International Relations approving $50 million of ESF funds for the dam in fiscal 1979 (H. Rept. 95–1087) states: "The committee supports the Maqarin Dam project and related downstream development programs despite the sizable costs involved. The United States must be assured however, that the interests of all the riparian states on the question of water sharing downstream have been taken into consideration. This will involve firm understandings with and between Israel and Jordan, as well as the continued cooperation of Syria, which does not object to the Maqarin project at the present time. The committee has provided that U.S. participation in the Maqarin Dam project ($50 million in each of the next 3 years) is conditioned on Jordan's ability to obtain firm commitments from other sources for the balance of financing necessary to complete this project * * *."

It is difficult to imagine that, if the obstacles involving riparian questions are overcome, financial impediments to proceeding cannot be handled, even though in the past Jordan has often found it easier to obtain commitments on projects than to receive actual disbursements. Potential donors—The World Bank, Arab States, and the United States—have already indicated their interest.

The United States will be under considerable time pressure on the Maqarin Dam issue as 1979 progresses. The United States is likely to have to play a role in the effort to resolve outstanding riparian issues. Meanwhile, it will be pressed by Jordan to obligate the initial $50 million U.S. contribution by September 30, 1979, the end of the fiscal year.

From the standpoint of the congressional authorization and appropriations process, it would appear that the United States may have moved into funding for the Maqarin Dam too soon. The Congress was asked for an initial $50 million for the dam in the administration's fiscal year 1979 budget which was presented in early 1978, and the Congress approved. Now, a year later, certain essential questions still must be resolved before the project can go ahead. It is uncertain whether any of the $50 million can be obligated before the start of fiscal year 1980.

Nonetheless there have been favorable developments over the past year, despite delays. Geological problems have been addressed and apparently resolved. The Jordanian Government has improved its ability to implement the project through increased authorities granted to the Jordan Valley Authority. The various potential donors have had an opportunity to become more knowledgeable about the proposal in its many facets. The point may be at hand where further delays will cause serious escalation of costs.

Congress will need better answers on Maqarin than it received last year if further authorizations and appropriations are sought for fiscal year 1980. Both technical and riparian issues remain which will take time to resolve. Further delays can be expected. Under the circumstances, the Congress will not need to furnish the U.S. portion of the project in 3 years of three equal $50 million installments as originally planned. Even if the project were to begin in fiscal year 1979, which appears unlikely, it would be possible to authorize and appropriate a much smaller second tranche than $50 million for fiscal year 1980, with the balance of the U.S. contribution to be made in subsequent years, without slowing the pace of the project.

ARAB POTASH PROJECT

A second large development project in Jordan in which the United States has become involved as one of many donors is the creation of the Arab potash industry on the Dead Sea. When completed, this industry will be similar in size and scope to the existing Dead Sea Works, an Israeli potash industry on the other side of the Dead Sea.

The remaining problems on the Arab potash project are fewer in number and should be more easily resolved than in the case of the Maqarin Dam. The Jordanians have raised nearly all of the roughly $430 million needed to finance the project, 45 percent of the financing being in the form of equity and 55 percent from loans. Arab States and the Arab Mining Company, in addition to the World Bank, are provid-

ing the bulk of the funding. The U.S. Congress authorized and appropriated $33 million for this project in fiscal year 1979, which is expected to be the extent of U.S. involvement in the implementation of the project. The $430 million figure, however, does not include either the power lines needed to provide electricity for the facility or the added port requirements at Aqaba, for which Saudi Arabia has agreed to provide 50 percent of the costs.

The Arab potash facility will involve a series of evaporation and carnellite pans and some 55 kilometers of dikes, and will cover an area of dozens of square kilometers.

Some Israeli questions have been raised about this project. Before any funds for the project are disbursed, Israeli questions will have to be addressed. One Israeli concern relates to the size of the waste flow channel in the middle of the Dead Sea along the Israeli-Jordanian ceasefire line. Based on studies the World Bank has examined and reexamined several times, it is intended that the width of the waste flow channel should be one-half a kilometer. The current distance between the higher Israeli dikes and the cease-fire line is roughly one-quarter of a kilometer. The Israelis fear that their carnellite pans could be contaminated by waste flows on the Jordanian side should annual flood flows from the mountains be sufficiently strong. They would prefer higher dikes and a wider waste flow channel, perhaps 1 kilometer wide.

The World Bank is expected to talk with Israeli experts in the coming months about these matters. Before U.S. funds are disbursed, it is essential that Israeli and World Bank technical concerns be dealt with and remaining financial commitments be made. World Bank officials feel that they are on top of all technical issues involved in this project and that the interests of all parties can be satisfied in a timely fashion. If this is the case and if the Jordanians receive anticipated Iraqi funding, the United States should be able to obligate its $33 million prior to the end of fiscal year 1979 even though disbursement will await a resolution of any technical problems.

JORDANIAN PRIORITIES AND TRENDS IN AMERICAN AID PROGRAMING

AID officials point with considerable pride at what the United States and Jordan have accomplished in the Jordan Valley over the last few years. The officials feel that the focus and concentration of U.S. assistance on the region is paying off handsomely.

The Maqarin Dam and related downstream irrigation projects are likely to be the last large projects to be funded by the United States in the Jordan Valley, and perhaps with good reason. Jordan's own priorities are shifting and new problems have to be addressed, especially in the urban areas where some 70 percent of the Jordanians reside. There are many opportunities for AID to seek to help the Jordanians in self-help programs and to help provide basic human needs in an urban context. Water and sewerage problems, water supply and other needs are expected to be a major primary focus of U.S. aid in Jordan in the coming years. In the urban settings, especially Amman and Irbid, there is a basic lack of water, water quality is bad and sewer systems are vastly inadequate or nonexistent. The inability of the Jordanian Government to deliver in this critical area has had a marked impact on the quality of life in most large towns and cities. The next

Jordanian 5-year plan will concentrate more on some of Jordan's regional problems in urban areas and social aspects of development.

This priority for Jordan represents a shift from current planning which focussed more on agriculture production and mineral development. In the agricultural area, the development of the Jordan Valley, of rain-fed regions above the valley and of livestock were high priorities. The United States was deeply involved in the first area, but not in the others. In the mineral field, the concentration was on increasing phosphate production and developing the potash industry, the latter again representing a U.S. aid priority.

Education has also been a high priority for the Jordanians. Roughly 53 percent of the population is under 16 years of age and it is estimated that 31 percent of the population is in school. Many Jordanians are now troubled that because of university space shortages, some 8,000 students are in schools in Eastern Europe. A new priority of the Jordanians and one in which the United States should seek to provide assistance, is in the area of technical and vocational training. Although many of the trained Jordanians are quickly attracted to lucrative jobs in the Persian Gulf, the domestic requirements for skilled manpower continue to escalate.

There are three other areas where new Jordanian interest is developing. In the field of energy, Jordan is interested in trying to diversify its energy needs and sources. A French survey is being conducted, and although little American involvement in this aspect of Jordanian development has developed, some American consultants have completed a study on the utilization of solar energy to pump and desalt water for village use. This could be a challenging area for AID in the future.

The Jordanians are also talking about the need to develop light industry and create industrial centers in new regions to try to attract some of the population away from the Amman region which is fast making the country resemble more a city-state. Some light industry has been started and high Jordanian officials see dramatic increases in this area. There is American interest in the development of the private sector and industry, but given other priorities AID is addressing and given the strength of the private sector in Jordan which is well proven, AID is probably not the appropriate institution to help Jordan in this area. There may be a greater role for the Overseas Private Investment Corporation or the National Academy of Sciences and other organizations.

The third developing Jordanian priority is in the field of population and family planning. This is to be welcomed. Although the census being planned for 1979 may contain some surprises, it is estimated now that the rate of population increase in Jordan is in excess of 3.4 percent per annum. Family planning used to be a sensitive issue and even today in Jordan, officials feel it must be handled informally, not overtly, and must be voluntary. For political, cultural and social reasons, the Jordanians do not talk about this issue publicly.

Although they feel they will know more about demographic trends after the coming census, the Jordanians are aware of their problem and seem interested in moving into this sector with outside help, albeit at a slow and cautious pace. AID is currently preparing some

preliminary studies as part of a worldwide mandate for population studies from Congress. There may be some role for the United States to help Jordan more in this area in the future. Given the extent of Jordan's problems and overcrowded urban areas, AID should try to give as much attention as the Jordanians are willing to commit to health planning and services development. The AID mission in Jordan has not focused as much on the possibilities of regional Middle East programs as have missions elsewhere because of a Jordanian desire to go slow in this area. They believe that such programs will, in the first instance, involve mainly Egypt and Israel, because those two countries are likely to be the first to reach a settlement.

Two trends of Jordanian thinking expressed to the staff mission in regard to regional programs are worth noting. First, some Jordanians, while indicating that they are not against such programs, hope that they will not be developed at the expense of the bilateral aid program in Jordan which is, in their view, already regional in some respects because so much of what has been development in Jordan over 20 years involves both Jordanians and Palestinians.[3]

Second, they are sensitive to, and critical of, schemes which tend to couple Israeli technology and Arab labor and, in their view, tend to make Arabs second class individuals. Hopefully, if the peace process enlarges the Jordanians will be willing to consider some projects which have specific regional implications.

There are several other congressionally mandated AID priorities which should be commented upon in the Jordanian context. While much of the current and projected aid programing could be said to focus on the poor majority in Jordan, specific congressional interest in such matters as women in development, fertility impact of programs and family planning have, to date, received little attention although the AID mission is now studying these issues and discovering possible ways of helping the Jordanians.[4]

Because Jordan received economic support funds, such mandates do not technically need to be included in the program but it has been the interest of Congress that, to the maximum extent possible, such policies be followed in economic support fund countries. It is unclear why there is an interest in following some aspects of the congressionally mandated focus on the poor majority and yet other similar mandates do not opt equal priority.

One final issue which the staff mission raised during its visit to Jordan related to the possibility of setting up a consultative group for donors to Jordan. Such a group exists for Egypt and for several other states, especially some of the large states in South Asia. Often

---

[3] Section 532(b)(5) of the Foreign Assistance Act states:

"It is the sense of the Congress that programs which stress regional development or regional scientific and technical cooperation between Israel and its Arab neighbors can contribute in an important way to mutual understanding that must serve as the basis for permanent peace in the Middle East. Of the amount authorized to be appropriated to carry out this chapter for the fiscal year 1979, not less than $5,000,000 shall be available only to fund regional programs which stress development or scientific and technical cooperation between Israel and its Arab neighbors or programs which would be used for Arab-Israeli cooperation once normalization of relations between Israel and the Arab nations occurs."

[4] See secs. 113 ("Integrating Women Into National Economies"), 104(d) ("Integration of Assistance Programs"), and 104 ("Population and Health") of the Foreign Assistance Act.

the World Bank chairs these groups. While some Jordanians may feel that such an institutionalized mechanism will give them the feeling that aid donors are ganging up on them, such groups have proved to be constructive elsewhere and are useful agencies for coordinating aid projects and insuring funding of key projects. Since some of the major aid projects in Jordan involve multidonor funding, there appears to be some good justification for considering a consultative group for Jordan.

AID MISSION

The USAID mission in Jordan is currently staffed with 18 Americans and 22 Jordanian local hires. In the last 2 years, the mission has grown from just seven Americans. This is a sizable increase, but not excessive in comparison to other USAID missions with comparable programs. The U.S. economic assistance program in Jordan is AID's sixth largest worldwide.

It would appear that by the end of the next year, an American staff of closer to 23 would be ideal. However, given space constraints and a desire to keep the number of U.S. officials in Amman to a minimum, this figure may be difficult to attain. Nonetheless, with the shift from budget support to project aid, some additional AID staff is essential. It was only recently that the mission acquired a multisector officer. It still does not have a full-time mission economist or a family planning officer. The mission could use another capital development officer and probably two more engineers. To develop capabilities in the technical assistance field, the mission might need to consider a vocational training officer and a trained social scientist on a long-term contract.

Adding significantly to the mission's workload are the large amount of documentation AID requires on projects and the stream of visitors from Washington checking on one aid subject or another or otherwise engaged in activities requiring time and attention from the mission staff. A senior mission official told us that last year there were 104 official visitors from Washington (noncongressional) for whom the AID mission was assigned responsibility while they were in Amman. In his opinion, about 60 of the visitors were on essential business. Because the mission is small, it relies heavily on substantial assistance from the Washington bureau in the form of temporary (TDY) experts and preparation of project papers. However, it was believed that the remaining visitors were not necessary for the conduct of U.S. aid programs in Jordan. A senior mission official estimated that about 75 percent of the time of the mission's 20-man staff was devoted to handling visitors and the project paperwork for Washington consumption, leaving about 25 percent for tending to the aid programs on the scene in Jordan through such activities as meeting with Jordanian officials, visiting sites, evaluating projects, and making end use checks. Too little time is left for implementation, although the mission estimates that it can do three to four project evaluations a year. Naturally the mission could perfor ı its tasks better if it were able to spend more time on project implementation. This should be a primary goal of the mission in the coming months and the mission believes that the decision by the AID administrator to delegate authority to the field to approve project papers under $5 million will be helpful.

PUBLIC LAW 480 PROGRAMS

There has been a modest Public Law 480 program in Jordan since the early 1950's. It includes title I concessional sales beginning in 1966, and title II grants extended through the world food program (WFP) and voluntary agencies. The total was $10.9 million ($9.2 million in title I, $1.7 million in title II) in fiscal year 1977 and $7 million ($5.5 million in title I and $1.5 million in title II) in fiscal year 1978. The projected amount for fiscal year 1979 is $5.4 million for wheat under title I, and $800,000 for humanitarian title II programs administered by the WFP and voluntary agencies.

The amount of Public Law 480 for Jordan is determined by political considerations, as is the level of the entire U.S. aid program there. Recommendations for an amount are sent to Washington by the American Ambassador in Amman in the course of budget formulation each year. Weight is given to the U.S. aim of showing continuing support for the Hussein government, to "straight-lining" (maintaining a level similar to the previous year's), to the amounts of Public Law 480 being provided to Israel and to Syria, and to other noneconomic factors. From a domestic requirements standpoint, justification is available on grounds of Jordan's need for large food imports. The title I shipments of 45,000 tons of wheat in fiscal year 1979 amount to less than one-fifth of Jordan's total wheat imports.

Given the economic situation in Jordan and her ability to pay for food imports commercially, the basic rationale for continuing title I there is political. If the similar programs in Israel and Syria are to be cut, the Jordan program should be also. Jordan's sensitivity to a cut would be reduced if other countries which can also afford to buy their food commercially are likewise removed from title I rolls.

A problem did exist, but is now substantially under control, with regard to title II assistance furnished through WFP. WFP programs are provided to developing countries at the request of the recipient country. Jordanians have stated that WFP food-for-work projects are useful there. However, USAID observations beginning in 1975 showed that title II commodities distributed by WFP were being sold in the open market. After repeated communications by the mission to AID in Washington and to Rome, one project has been terminated; the United States has declined to participate in one new project and one extension, and the WFP itself, expressing concerns about diversions, has recommended the transfer of commodities remaining in one food-for-work project to a separate WFP activity. In Amman, both the AID Mission and AID auditors have questioned whether food-for-work programs are justifiable in a country such as Jordan where there is basically a labor shortage, not high unemployment.

WEST BANK AND GAZA

Observations and Conclusions

—Since 1975, the United States has supported projects in the Israeli Occupied Territories of the West Bank and Gaza that could help provide the socioeconomic underpinnings necessary for the long-term development of these areas. U.S. assistance for this purpose has increased from $1 million in fiscal year 1975 to $3 million annually in fiscal years 1977, 1978, and 1979. These programs are implemented through U.S. private voluntary organizations (PVO's) which had previously been operating in the territories. These programs originally had a social service orientation but in fiscal years 1977 and 1978 there was more emphasis on development projects and working with municipalities and universities. Funds were authorized and appropriated under the Middle East Special Requirements Fund until fiscal year 1979 when they were provided under the Economic Support Fund.

—*The American PVO's designing and implementing these economic aid projects in the West Bank and Gaza are doing a competent job.* They operate in a complicated political, social, and economic environment reflecting the uncertain status of the territories.

—*The PVO's are currently operating close to their maximum limits in terms of being able to absorb and utilize AID funds. Any sizable increase in U.S. economic aid in these areas will probably require the physical presence of one or more AID officials to help implement the programs.*

—*There is currently little examination of selection of projects, evaluation of projects, or program coordination in the field performed by U.S. officials.* The American Consultate in Jerusalem, which is not accredited to either the Government of Israel or Jordan, is responsible for oversight of the U.S. funded programs in the West Bank which is in its consular district while the American Embassy in Tel Aviv is responsible for programmatic oversight in Gaza and the administrative oversight of the programs in the West Bank and in Gaza. The Embassy also administers the entire Public Law 480, title II program in the occupied territories. *No American AID officials are stationed in either the consulate in Jerusalem or the Embassy in Tel Aviv* although the Embassy has a local hired Israeli who keeps the books on a variety of small American economic aid programs maintained in Israel.

—If these programs in the West Bank and Gaza continue and these areas obtain the autonomy status envisaged under the Camp David accords, *consideration should be given to establishing a permanent AID presence in these areas.* At present the program receives only secondary attention from the American Embassy and Consulate in Israel and intermittent visits from AID officials based in Washington.

—The United States identification with these programs was resented by some Palestinians in the West Bank and Gaza initially when the programs started in 1975 but now almost all Palestinians in these territories accept this small American role and many Palestinian community leaders actively seek American assistance.
—There have been fewer problems in implementing these programs and expending funds in a timely fashion than in Egypt and Syria. This perhaps reflects the size of the program, its informal nature, and the considerable freedom in executing projects enjoyed by the PVO's.
—Currently, there is not much data available for a good socio-economic profile of the West Bank and Gaza region which would be necessary for a more integrated and comprehensive development strategy there. *In the coming months, as the general peace environment in the region hopefully improves, AID should try to complete a series of surveys on the education, health, agricultural, natural resources, and human resources of these territories.*

U.S. AID-SPONSORED PROGRAMS

The United States has provided assistance to the West Bank and Gaza for a number of years, beginning well before the 1967 war when the West Bank was part of the Hashemite Kingdom of Jordan and Egypt administered the Gaza Strip. The assistance since the 1967 war has been largely through Public Law 480, title II assistance projects administered by private voluntary agencies (PVO's).

Since 1975, the program has been expanded with a portion of the funds from the Middle East Special Requirements Funds being set aside for development projects in the West Bank and Gaza. These projects were put into a separate account for voluntary agencies in fiscal year 1979.

From 1975 through fiscal year 1978, grants close to $9 million have been obligated for projects to be implemented by five PVO's. A sixth PVO, CARE, is expected to implement a development project using fiscal year 1979 aid funds. The funds appropriated to date have been obligated in a wide range of activities which reflect the PVO's previous orientation toward social services projects with Palestinian PVO groups and only a more recent development project focus. These funds have been obligated as follows:

TABLE I.—AID VOLUNTARY AGENCY GRANTS FOR WEST BANK AND GAZA PROJECTS, FISCAL YEARS 1975–78

Activity		Grant amount obligated			
		1975	1976	1977	1978
A. VOCATIONAL TRAINING AND EDUCATION ACTIVITIES					
1. ANERA:					
Vocational training for men:					
Al Bir Society, Jericho	Carpentry, painting, blacksmithing, upholstery, tractor repair	$39,760	$30,000	$50,000	
Industrial Islamic Orphanage, Jerusalem	Printing, binding, carpentry, furniture making, upholstery, tailoring, shoemaking.	57,300	30,000		
Salesian Technical School, Bethlehem	Mechanics, electricity, tailoring, carpentry, welding	91,000	50,000	20,000	
East Jerusalem YMCA, Jericho	Blacksmithing, carpentry, plumbing and heating, leatherwork, upholstery, maintenance.	95,768			
Metalwork Training Center, Bethlehem	Metal working (religious articles)			64,000	
Vocational training for women:					
Arab Women's Union, Beit Sahur	Sewing, knitting		25,000		
Arab Women's Union, Jerusalem	Sewing, knitting, embroidery	50,030		37,000	
Arab Women's Union, Ramallah	Weaving, sewing, knitting		43,000		
Kalandia Handicraft Cooperative, Kalandia Refugee Camp	Sewing, embroidery		15,000		
Red Crescent, Jenin	Sewing, knitting, typing		6,400		
Red Crescent, Tulkarem	Sewing, knitting, hairdressing, typing		30,000		
Sisters of Mercy, Bethlehem	Sewing		6,000	5,200	
Women's Charitable Society, Hebron	Sewing, knitting, construction of new building	11,190		100,000	
Women's Charitable Society, Jericho	Sewing, knitting		20,000		
Vocational training for men and women:					
Arab Women's Union, Bethlehem	School of Fine Arts: painting, drawing, sculpturing	15,920		13,000	
Near East Council of Churches, Gaza	Carpentry, furniture making, welding, upholstery, sewing, knitting, secretarial.	23,400	25,000		
Education:					
Institute Effeta, Bethlehem	Audiophonic, laboratory for children with hearing impairments		11,000		
Hebron Union of University Graduates' Polytechnic School	Equipment for development of a post-high school 2-yr polytechnic which will prepare engineering assistants.				$150,000
Al-Najah University science laboratory equipment	Equipment for new university science courses				95,000
2. CRS:					
Salesian Technical School, Bethlehem	Vocational training in electronics, tailoring, carpentry		65,000		
Pontifical Mission Center for the Blind, Gaza	Vocational training, equipment, improvement of premises		65,000		
Pontifical Mission Libraries, Jerusalem and Bethlehem	Adult education, teacher's seminars		25,000		
Rawdat el Zuhur "House of Flowers" School, Jerusalem	Equipment and materials for school		20,000		
Scholarship loan fund	Education in West Bank, Arab countries, and West		35,000		
Bethlehem University	Schools of business administration, hotel management, and nursing and teachers college, scholarships.		110,000		
Do	Construction of science wing			1,100,000	
3. AMID East:					
188,000 for 10 mo	For a pilot scholarship assistance program for students in post-secondary institutions in the West Bank and Gaza, to assist institutions in the occupied territories in faculty development and to provide participant training programs for West Bank and Gaza residents.				188,000
900,000 for an additional 12 mo	For continuation of scholarship, faculty development and participant training programs, preparation of an educational sector assessment of the West Bank and Gaza and, establishment of a Jerusalem office to provide educational services to West Bank students and universities.				900,000

B. HEALTH SECTOR ACTIVITIES					
1. ANERA:					
Arab Women's Union, Nabulus (Ittihad Hospital)	Expansion/upgrading of hospital services			100,000	
Red Crescent Society, Jenin	do			100,000	
Red Crescent Maternity Hospital, Jerusalem	do		50,000	31,000	
Arab Women's Union, Nablus	Training practical nurses		35,000		
Four Homes of Mercy, Bethany	do	75,880		75,000	
St. Luke's Hospital, Nablus	do	39,720		77,000	
St. John's Ophthalmic Hospital, Jerusalem	Specialized ophthalmic nurses training		60,400		
Arab Nursing College of the Red Crescent Societies	Funding of a nursing team of teachers for an 18- to 24-mo. period				150,000
2. CRS:					
Greek Catholic Baby Clinic, Jerusalem	Expansion/upgrading of hospital services		27,500		
St. Joseph Hospital, Jerusalem	do		35,500		
Clinic for the Physically Handicapped, Bethlehem	do		40,000		
Medical and family clinics, Gaza	do		12,000		
Bethlehem University School of Nursing	Nurses training				
Nutrition education grant	Nutrition education	281,450			94,000
3. Holy Land Christian Mission: Mount of David Crippled Children's Hospital	Upgrading of hospital services and establishment of 2 satellite clinics and training of nurses aides.			701,600	250,000
C. COMMUNITY DEVELOPMENT ACTIVITIES					
1. ANERA:					
Gaza municipality	Sewage project			50,000	
Hebron municipality	Construction of municipal library		29,600	50,000	
Ramallah Poultry Cooperative	Poultry feed manufacture			35,000	
Tarqumiya Olive Press cooperative land reclamation	Equipment to assist in reclamation of waste land and improvement of marginally productive land.				120,000
Nazla Sharqiya Agriculture Cooperative, irrigation well	Equipment to improve operation of existing irrigation well system				30,000
Beit Jala Olive Press Cooperative, modern soap factory	Machinery to equip factory for production of soap from oil-pressing by-products.				120,000
Bethlehem Societies Committee for Rehabilitation and Development Metalwork Training Center.	Partial support of operating costs for second and final year				28,000
Deir Sharaf Olive Press Cooperative, grading, quality control, and tinning.	Equipment for establishing a modern olive oil tinning unit and a technically sound grading and quality control unit for the olive oil to be tinned.				150,000
Wadi Al-Fari'a feasibility study	Funding of a full feasibility study of an irrigation project				100,000
Gaza neighborhood self-help sewer pipe laying	Sewer piping for extension of sewer facilities into unserved neighborhoods.				90,000
Agricultural Cooperative Society for Development and Services, Jordan Valley (Fasael).	Farm machinery and irrigation equipment for expansion of drip irrigation project.				71,000
Assistance to the municipality of Halhul (still pending)	To construct a wholesale fruit and vegetable market to centralize wholesaling of local agricultural products.				125,000
2. CRS:					
Pontifical Mission	Loans to small businessmen		35,000		
CRS rural development project	West Bank villages self-help projects in agriculture, health, and education.	142,530	500,871		
3. COMMUNITY DEVELOPMENT FOUNDATION: Gaza community development project.	Self-help projects in health, education, and community services			769,270	
Total obligated		923,868	1,436,771	3,378,070	2,816,000
Total expended			1,199,000	813,000	1,651,000

TABLE 2.—ADMINISTRATIVE COSTS OF PVO PROJECTS, WEST BANK AND GAZA

Organization	Administrative		
	Fiscal year	Costs	Total grant
A. America-Mideast Educational & Training Service, Inc	1978	$134,150	$1,084,600
B. American Near East Refugee Aid, Inc	1975	75,132	576,020
	1976	105,000	571,400
	1977	95,000	902,200
	1978	155,000	1,374,000
C. Catholic Relief Services:			
(1) Nutrition education	1975–78	11,000	375,820
(2) Rural development	1975–77	26,590	643,401
(3) Socioeconomic survey	1976	----------	500,000
(4) Bethlehem University	1977	50,000	1,100,000
D. Community Development Foundation	1977	62,000	712,170
E. Hold Land Christian:			
Mission—Mountain of David	1977	----------	----------
Crippled Children's Hospital	1978	8,000	951,650
Total		721,872	8,791,261

The beneficiaries of these programs are the nearly 1.2 million Palestinians living in the territories of the West Bank and Gaza which have been occupied by Israel since 1967. Despite improving levels of national income associated in part with the large number of Palestinians working in Israel, thousands of Palestinians are attracted outside the territories each year for employment largely because the economic, social, and political environment outside is considered more advantageous.

The economies of the West Bank and Gaza areas are today very closely tied to that of Israel. The three areas really form one big economy. Some 63,000 Palestinians from the West Bank and Gaza are employed in labor-short Israel. Israel's recent construction boom has drawn heavily on Palestinians from the West Bank and Gaza. Because of the dependence of the economies of the West Bank and Gaza on Israel, the economic performance of Israel affects the West Bank and Gaza. For example, Israel's current inflation rate, which was close to 48.1 percent in 1978 and which may climb even higher this year, affects prices in the two areas.[1]

Although there will continue to be a debate over the economic viability of the West Bank and Gaza and the degree to which its agricultural sector can be further extended, it is clear that for the West Bank and Gaza to develop further, continued economic association of these territories with Israel on the one hand, and Jordan on the other, would be economically advantageous.

Until the present uncertain status of the West Bank and Gaza becomes more settled, it will be difficult to meet some of the many organizational and institutional needs of the Palestinians there for better economic services and better marketing. For example, there is a need for local banks. At present, banking facilities in the territories are Israeli. Palestinians prefer not to deal with Israeli banks or with Israeli agents of foreign companies, a situation which curbs some American exports to the West Bank and Gaza and hinders the direct import of foreign equipment needed for economic diversification.

[1] Gaza can use only Israeli currency whereas the West Bank uses both Jordanian dinars and Israeli pounds. Consequently, the West Bank does not reflect as minutely every waver in the Israeli economy.

Further economic development activities which might involve AID or PVO's or might be undertaken by Palestinians themselves in the next few years would include:

A detailed study of the West Bank and Gaza in order to find out more about human and natural resources there and to develop a more comprehensive development strategy;

Development of capital infrastructure and financial institutions that can serve the region;

Peace and security to develop confidence of foreign investors;

Need to retain more highly trained Palestinians to work at home;

Job generation through the development of small-scale industry and service industries;

Development and rationalization of the education system, both vocational training and university education, after completion of a baseline study;

Expansion and intensification of agriculture through more mechanization and irrigation and better extension and marketing services;

Community development projects to provide a better economic and social environment for Palestinians.

Several major projects now being considered by some Palestinian leaders and discussed by the PVO's include:

The development of the Wadi Fa'rah irrigation scheme in the middle Jordan Valley to provide more water to Palestinians farming close to the Jordan River and to enable more intensive farming in the major agricultural area of the West Bank of the river still farmed by Palestinians;

The development of a port facility at Gaza; and

The construction of bigger industrial installations similar to the Hebron cement plant, a roughly $50 million plant now in the planning stage which might be built with private Arab money.

The most promising of these projects is the Wadi Fa'rah irrigation scheme which seeks to transform an old 14-kilometer open canal ditch into a pipeline canal, thereby providing 30 percent more water downstream. Such a project might cost upwards of $6 million after a feasibility study, to be started in early 1979, is completed.

While some municipalities on the West Bank and in Gaza have received aid money from OPEC nations, these funds tend to stay in bank accounts in Jordan. For the foreseeable future, the Palestinians in these areas and the municipalities will continue to look to other sources, including the United States and U.S. private voluntary organizations, for assistance in meeting both basic human needs and improving the quality of life for resident Palestinians.

In 1975, when U.S. funding for this program began, the role of the United States was not publicized and the United States tended to operate almost exclusively through the PVO's. Palestinians were suspicious of strong United States-Israeli ties and compared this small effort to what the United States provided Israel. Over the last few years, it would appear that the U.S. role is now accepted and that Palestinian confidence in the commitment of the United States

to promote development in the area has increased. Although Palestinians continue to dislike specific American policies in the Middle East, they accept and seek practical assistance in self-help programs, where the United States, through the PVO's, is contributing roughly half of the costs of the projects.

This increased confidence in the United States does not necessarily mean a decreased role for the PVO's, especially in the short run, but it does indicate that at some point in the future, the United States could adopt more direct and more open postures toward providing assistance in these areas and encouraging the development of regional programs. There may be a role for the United States as a facilitator in potential joint projects between the Israelis and the Palestinians as the two groups learn to cooperate as equal partners. Today, it is accurate to say that if the Israelis and the Palestinians are to work together, U.S. presence can be essential.

In considering these programs it must be remembered that the United States, Israel, and Jordan all impact on projects in different ways. On the part of the United States, all economic aid programs in Israel and the Israeli-occupied territories are administered through the Economic Section of the American Embassy in Tel Aviv. The programs in the West Bank are monitored by the American Consulate in Jerusalem which has no accredited status in Israel or Jordan. The American Embassy's Economic Section monitors programs in Gaza and the small title II program in the absence of an American AID representative stationed in-country. Semiannual visits to the region by AID officials from Washington provide an essential backup for both the consulate and the Embassy.

The economic section of the Embassy is charged with the administrative oversight of all aid programs in Israel and the territories. These have a total value of approximately $2 billion annually but most of this assistance is provided through a check-writing operation in Washington. The programs of the voluntary agencies comprise only $3 million of this entire aid package. Embassy and consulate work on voluntary agency programs consumes a substantial portion of their overall manpower available for aid matters. It is recognized that because of their value as a tangible sign of American support for the Palestinians, the programs are certainly worth much more than the $3 million budget would indicate. The Embassy and the consulate in Jerusalem recognize that the very sensitive political situation and relationships in the West Bank and Gaza require careful coordination of these programs with the PVO's.

At the Embassy, along with the aid liaison officer, there is one other American officer and one senior national employee who are charged with reviewing aid activities. It is estimated that among these three employees, at least 1 entire man-year is spent on the voluntary agency programs. At the consulate, the deputy principal officer and one other American officer devote at least 50 percent of 1 man-year on these matters. It would appear that there could be closer coordination between the Embassy and the consulate on some of these projects.

Clearly, the importance of the voluntary agency programs is recognized: However, these programs do not receive the degree of oversight that AID gives regular economic development programs elsewhere because it had not been necessary. Until recently, the PVO's had concentrated on traditional social service activities which do not require as much oversight. Since economic information about these

areas is not detailed and there is no aid mission in Israel, both project design and selection and project evaluation are now done in Washington.

If the United States plans at some point in the future to expand its assistance in the West Bank and Gaza, the number of PVO's implementing projects is to increase, or a comprehensive development strategy is to be developed, the present attention given these programs by the U.S. Embassy and American consulate will have to be increased and closer coordination between the consulate and the Embassy will be essential. We would also recommend that if this occurs consideration be given to assigning one, or perhaps two, full-time AID personnel to handle U.S. assistance on the scene.

The Israeli Government also impacts on these programs. Both the military administrations in the occupied territories and the Israeli Ministry for Social Welfare and kept informed and occasionally object to, or seek modification of, proposed projects. In effect, the PVO's, after receiving U.S. approval of the proposed projects make their presentations to the Israelis. It is only when problems or extensive delays arise that the American Embassy in Tel Aviv gets involved. The Embassy sees its role in this relationship as one of assisting the voluntary agencies in obtaining appropriate and useful policy decisions from the Government of Israel. Concerning PVO activities the Embassy does not consider daily involvement appropriate and feels the PVO's must develop their own working relationships with the Government of Israel. There has tended not to be any outright total disapproval of a project by the Israelis to date. However, as programs and agencies increase, as programs are perceived to be political, and as programs may be seen as impacting on Israel's economic interests and military presence in the territories, disapprovals are likely to occur.

Finally, Jordan is well aware of all the projects being undertaken in West Bank. It is involved in some of them through the funds it provides to local groups. Former Jordanian government officials are involved in some projects. Communications are good between the West Bank and the Hussein government and informal Jordanian approval of projects is usually obtained before a program moves to implementation. Such outside interest is not as strong in the Gaza region, where neither Jordan nor Egypt is similarly involved.

It is clear that the U.S. PVO's are in a unique situation in these territories. They must work with Palestinians but also cooperate with the Israelis and avoid contention, in the case of the West Bank, with Jordan. They seek to work directly with the Palestinians and avoid associations with Israeli-sponsored groups or projects which they feel would destroy their credibility with the Palestinians. They also avoid a working association with UNRWA which directly helps Palestinian refugees. It was not intended that PVO programs replace or supplement those programs which are the legal responsibility of UNRWA or its host government. To be effective, the PVO's believe they cannot be perceived by the resident Palestinians as too close to either the Israelis or the Jordanians. They appear to have done a good job under difficult circumstances in focusing on development activity. But, additional programs may need to be capital and personnel intensive in order to be effective and this may be beyond the limit of what the voluntary agencies can handle and beyond their own institutional mandate. Therefore, any substantial increase in assistance might have to be administered through other entities.

In addition to the small development assistance effort of the PVO's in the West Bank and Gaza, there is a modest Public Law 480, title II program which provides supplemental food for many people in the West Bank, in Gaza, and in the Sinai.

To carry out this feeding program, the voluntary agencies must work directly with the Israeli Ministry of Social Welfare which provides the names of people who are to receive supplemental food. The program, which over the last 4 years averaged about $5 to $6 million annually, including ocean freight charges, has been administered by CARE, the Lutheran World Federation and Catholic Relief Services on the West Bank and by CARE in Gaza and Sinai.

The number of beneficiaries under this program is growing. On the West Bank, in 1977, there were 56,000 rations distributed. In 1979, estimated distribution is 88,000 rations. In Gaza, about 7,000 rations are distributed to nonbedouins each year. The rations distributed to the bedouins of Gaza and Sinai fluctuate with 50,000 rations in 1977, 38,000 in 1978, and 46,000 for 1979.

We examined part of the CARE feeding operation in Gaza. CARE's warehouse seemed to be run efficiently. CARE's initial involvement in Gaza dates from 1955. As in Egypt and elsewhere, there is about a 3 percent loss of feedgrains and flour when these items are shipped in paper instead of cloth and hooks are used for unloading. In addition, there have been incidents of food oil cans arriving partially or fully empty. As in Egypt there is an investigation ongoing to determine the reasons for this problem.

APPENDIX

Itinerary

November 24:
1700 Depart Dulles Airport, Washington.

Egypt

November 25:
1630 Arrive Cairo Airport.
1830–2000 Briefing by USAID officers.
November 26:
0630 Leave Cairo Airport for Aswan.
0745–1115 Arrive Aswan—Met by delegation from the High Dam Commission—briefing on construction of dam; tour of dam and generators; visit to city of Aswan.
1200–1430 Working lunch with High Dam officials; discussion of impact of High Dam.
1520 Leave Aswan Airport for Cairo.
1700 Arrive Cairo.
November 27:
0800 AID briefing in AID conference room with AID director, deputy director, and senior AID staff.
1000 Meeting with U.S. Ambassador Hermann Fr. Eilts.
1100 Meeting with Gamal El Nazer, Minister of State for Economic Cooperation.
1230 Meeting with Regional U.S. AID Auditors.
1430 Lunch with Dr. Abd al-Razzaq Abd al-Maquid, Minister of Planning.
1600 Briefing with USAID officials.
November 28:
0730 Breakfast with Richard Pedersen, president, American University in Cairo.
0900–1100 Meeting with Minister of Agriculture, His Excellency Dr. Mahmoud Mohamed Daoud and senior agricultural ministry officials.
1200 USAID briefings on agriculture programs.
1300 Luncheon with Alfred Bisset, USAID.
1400 Meeting with Egyptian Electrical Authority (EEA) to discuss general Egyptian power requirements and EEA programs—Mr. M. Maher Abaza, first undersecretary.
1600 USAID briefing on telecommunications.
1930 Dinner with William Rugh, USICA official.
November 29:
0800 Meeting with UNDP officials.
1100 Meeting with Minister of Housing, His Excellency Dr. Moustafa El Hefnawi.
1200 Meeting with USAID officials on Capital Development projects.
1300 Meeting with Ministry of Health Official Dr. Rameses Adbel Alim Gomaa, Undersecretary of State for Health, to discuss health and family planning priorities.
1430 Meeting with Ministry of Irrigation official Dr. Abu Zied, to discuss water use and management project.
1530 Begin tour of sites for USAID Housing Project.
1930 Dinner with USAID officers and PVO representatives.
November 30:
0700 Leave Cairo by auto for Mehalla El Kubra.
0800 Meeting at Mehalla with Dr. M. S. El Ghoroury, chairman, Mehalla Textile Factory.
1000 Tour of spinning and weaving plant with discussion of AID project.
1200 Lunch with Mehalla officials.
1400 Arrive Kafr El Sheik—tour research center and visit test fields of water use and management project.

1630 Leave Kafr El Sheik.
1830 Arrive Alexandria.
December 1 (Islamic New Year):
0800 Briefing on USAID projects in Alexandria area.
0900 Tour of Alexandria sewerage project, port project and grain silos.
1230 Leave Alexandria via Desert Road for Cairo.
1330 Arrive Nubaria reclamation project—tour of reclamation project.
1630 Leave Nubaria.
1830 Arrive Cairo.
December 2:
0800 Leave Cairo by auto for Faiyum.
0900–1400 Arrive Faiyum; visit rural development, local government and health programs, tour agricultural area, visit private and government poultry hatcheries.
1630 Arrive back in Cairo.
2000 Reception hosted by Ralph J. Edwards, USAID agricultural development officer, for agricultural officials.
December 3:
0730 Depart Cairo by auto for Suez City.
0930 Arrive at site of Suez cement plant. View site, discuss project.
1130 Leave Suez cement site.
1200 Visit Suez powerplant and tour of Suez to see electrical distribution equipment financed by USAID.
1315 Lunch with Egyptian officials in Suez.
1430–1600 Drive North along Canal Road to site of Suez tunnel, briefing and inspection of tunnel conducted by TAM representative.
1800 Return to Cairo.
December 4:
0930 Meeting with U.S. Ambassador Eilts.
1000–1430 Meetings with USAID officials.
1630 Leave for airport.
1900 Leave Cairo for Damascus, Syria.

SYRIA

December 4:
2045 Arrive Damascus from Cairo.
December 5:
0830 Meetings with USAID Director Miles Wedeman and USAID staff.
1000 Meeting with His Excellency George Horaniyeh, minister of state for planning affairs and state planning commission staff.
1200 Visit to English Language Training Center in Mezzah and talk with Georgetown University teachers.
1400 Working Lunch at residence of Dennis Chandler, USAID assistant director, with American and Syrian officials.
1600 Meeting with Ambassador Talcott Seelye and Embassy staff.
1900 Reception at residence of USAID director.
December 6:
0815 Briefings at USAID.
0900 Meeting with His Excellency Mohamad al-'Imadi, minister of economy and foreign trade.
1015–1200 Meeting with Figeh Director General Rida Mourtada and other Figeh officials.
1230 Lunch.
1400 Depart for Damascus airport.
1500 Flight to Aleppo, Syria.
1600 Arrive Aleppo; drive to Raqqa on Euphrates River for overnight at guest house of Louis Berger Associates, AID-contractor.
December 7:
0800 Visit Berger offices with Mr. Malcolm Johnson, team leader.
0900 Meet GADEB Director Michel Abdullah and Deputy Director Ibrahim Mahkul.
0945 View GADEB pilot farm and AID-funded equipment at SARICO site.
1200 Depart Raqqa for Thawra and Tabqa Dam.
1300 Arrive Tabqa, tour dam, see AID-funded equipment near dam site, meet with GOED officials.
1430 Lunch at Thawra hosted by GOED and GADEB officials.
1530 Depart Tabqa for Aleppo.
1930 Meet ICARDA director and staff.
2150 Depart Aleppo airport for Damascus.

December 8:
0900 Meetings with Agricultural and Economic officers of U.S. Embassy.
1130 Meetings with USAID officials.
1300 Lunch hosted by His Excellency George Horaniyeh with senior Syrian development officials and senior American officials in attendance.
1500 Review of AID loan and grant projects; wrap up sessions with USAID Director and staff.
1830–2000 Meetings at Ambassador's residence with senior Embassy staff.
December 9:
0700 Depart Damascus by auto for Jordan border.
0900 Arrive at Ramtha border crossing.

JORDAN

December 9:
0930 Meet at Syrian-Jordanian border (Dr. Munthir Haddadin, senior vice president, Jordan Valley Authority; Christopher Russell, mission director, USAID in Jordan; and Tom Pearson, capital development officer, USAID). Visit Maqarin Dam Site and Jordan Valley projects.
1300 Lunch at Deir Alla joined by Dr. Omar Abdullah Dokhgan, president Jordan Valley Authority (JVA); Mr. Nicholas Veliotes, U.S. Ambassador to Jordan; and Edgar C. Harrell, deputy director, USAID in Jordan.
1500–1800 Continue inspection of Jordan Valley projects, proceeding to Amman.
December 10:
0830 Briefing with Mr. Russell, USAID Director, Amman.
1000 Briefing with U.S. Ambassador.
1100 Meeting with Dr. Hanna Odeh, president, national planning council.
1400–1830 Briefing with USAID senior staff.
1900 Meeting with the Ambassador at the residence.
December 11:
0800 Visit Potash Project. Mr. Ali Khasawneh, president, Arab Potash Co.; Ed Harrell and Tom Pearson, USAID/Jordan to accompany.
2000 Dinner at Mr. Russell's residence with Jordanian officials.
December 12:
0900 Visit Amman water and sewerage projects and schools, both those schools supported by, and rejected for, AID financing.
1100 Meeting with Crown Prince Hassan.
1300 Visit CARE project accompanied by Mr. Ralph Montee, director, CARE/Jordan; Ed Harrell and George Ishaq, USAID/Jordan.
1500 Wrapup with the Ambassador and Mr. Russell.
December 13:
0530 Depart hotel for King Hussein Bridge.
0715 Visit AID-financed schools in Jordan Valley.
0800 Cross Jordanian Border into the West Bank.

WEST BANK AND GAZA

December 13:
0800 Cross Hussein Bridge at Jordan River.
0900 Arrive American Consulate General, Jerusalem.
0910 Briefing on West Bank.
1045 Depart Jerusalem with Consul officer and representatives of private voluntary organizations working on West Bank programs and visit ab-Birah, Ramallah, Nablus, Wadi Far'a, Jordan Valley, and Jericho.
1600 Return to Jerusalem.
1610 Briefing on Education issues on the West Bank and in Gaza.
1900 Working dinner on West Bank economic programs.
December 14:
0800 Depart Jerusalem for Gaza and North Sinai.
1030 Arrive Gaza, meet with CARE representatives, see CARE projects, ongoing and proposed, and visit CARE warehouse for title II material.
1430–1630 Briefings at American Embassy, Tel Aviv.
December 15:
0700 Depart Israel for London and United States.

○