INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

BRITISH DEVELOPMENT PROPOSALS FOR THE MIDDLE EAST

A Summary and Comments

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Economic Department

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BRITISH DEVELOPMENT PROPOSALS FOR

THE MIDDLE EAST

A Summary and Comments

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Joint Memorandum on Conversations between
the IBRD and Representatives of the British
Foreign Office
I. INTRODUCTION

1. Towards the end of November 1949, representatives of the British Foreign Office visited the IBRD headquarters for a series of talks on the economic development of the Middle East. A memorandum on the "Economic and Social Development in the Middle East" was presented for the Bank's information and discussed in some detail. The memorandum presents a list of proposed development projects based on studies and experiences of British authorities and experts associated with the Middle East, which in some cases have been gathered over a considerable period of time.

2. The following report contains a preliminary evaluation of the proposals in this memorandum, especially those which seem of particular importance to member countries in the Middle East or of special interest because they indicate possible approaches for IBRD financing. A brief summary of the individual projects is given in Appendix A and a memorandum of the discussion between the British representatives and the Bank's officers is attached as Appendix B.

3. The British representatives expressed the wish that the existence of the overall memorandum should not be revealed to the Middle Eastern countries at the present stage; they had no objections, however, with regard to the discussion of plans for individual countries between the IBRD and the member governments concerned.
II. THE SCOPE AND PURPOSE OF THE PROPOSALS

4. The proposals, at their present stage, do not include the whole of the Middle East, being limited to Egypt (with some projects concerning the entire Nile Basin), Iraq, Lebanon, Syria and Jordan. Most of the projects concerning the first named three countries have been known in the Bank and some of them have been reviewed by Bank experts.

5. In setting up their proposals, the authors state that they took into account the limitations of finance, labour and materials in the Middle East as well as the reasonable expectations of outside assistance. In selecting projects they adopted the following objectives and criteria:

"Objectives"

(i) To promote those types of economic activity, whether primary or industrial, in which the countries concerned are best fitted to engage, having regard to the balance of their economies and the advantage of external trade;

(ii) To raise living standards as rapidly as levels of productivity permit;

(iii) To build up the capital equipment of the Middle East countries so as to provide a firm basis for future development.

"Criteria"

(i) The proposed development should be one that is likely to be and to remain an economic proposition but unlikely to be carried out without official assistance or impulsion.

(ii) In present circumstances those projects which promise early results are to be preferred, in particular those which assist in providing an early settlement to the problem of refugee resettlement.

6. The carrying out of the selected projects is expected to bring the following general benefits:
(i) General strengthening of the economies of the countries concerned.

(ii) Control of disastrous river floods

(iii) Increased production of food

7. The following table summarizes the total expenditures contemplated in the proposals.

<table>
<thead>
<tr>
<th>Country</th>
<th>First Priority Projects</th>
<th>Second Priority Projects</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>£49,750,000</td>
<td>£2,500,000</td>
<td>£124,350,000</td>
</tr>
<tr>
<td></td>
<td>£88,600,000</td>
<td>3,500,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>118,350,000</td>
<td>6,000,000</td>
</tr>
<tr>
<td>Iraq</td>
<td>7,500,000</td>
<td>12,500,000</td>
<td>15,900,000</td>
</tr>
<tr>
<td></td>
<td>8,400,000</td>
<td>14,200,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>15,900,000</td>
<td>26,700,000</td>
<td></td>
</tr>
<tr>
<td>Jordan</td>
<td>700,000</td>
<td>7,500,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>300,000</td>
<td>7,500,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,000,000</td>
<td>15,000,000</td>
<td></td>
</tr>
<tr>
<td>Syria</td>
<td>9,600,000</td>
<td>14,800,000</td>
<td>£53,000,000</td>
</tr>
<tr>
<td></td>
<td>6,400,000</td>
<td>22,200,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>16,000,000</td>
<td>37,000,000</td>
<td></td>
</tr>
<tr>
<td>Lebanon</td>
<td>6,000,000</td>
<td>5,000,000</td>
<td>£20,000,000</td>
</tr>
<tr>
<td></td>
<td>5,000,000</td>
<td>4,000,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>11,000,000</td>
<td>9,000,000</td>
<td></td>
</tr>
</tbody>
</table>

Grand Total £255,950,000

1/ In the British proposals, the expenditure listed under "Egypt" includes apparently some, though not all, of those costs of the Nile Basin projects which are to be borne by the Sudan; excluded is the amount of £7.5 million to be spent by Uganda on the Owen Falls power station.
8. First priority projects are described as follows:

"(i) Projects which detailed examination has shown to be of intrinsic merit and which in certain cases offer good prospects of early return.

(ii) Projects which are of doubtful economic value but on which work has already progressed so far that it would be wasteful to stop at this stage. It is recommended that where practicable these projects should be revised.

(iii) Projects which would provide for the resettlement of Palestinian refugees".

Second priority projects are those which are deemed to require further technical examination but which according to preliminary surveys 'are likely to be economically sound'.

9. The priority classification bears no particular relation to the time required for the completion of projects. In Egypt almost the entire program is given first priority but much of it will require 10 or even 20 years. In Iraq and in Syria second priority schemes will require the greater expenditure and some of them represent long term developments, while none of the first priority projects requires more than 6 years. In Lebanon the first and second priority schemes are evenly divided and no project is expected to require more than five years. In Jordan most of the projects are second priority and will have to await political pacification. In general, the classification of priorities seems to have been made somewhat hurriedly and will presumably have to be revised in several cases.
III. GENERAL COMMENTS ON THE PROPOSED INVESTMENTS

a) Volume of the Investment

10. Since the total estimated cost of the projects is about £256 million ($717 million) in an area inhabited by some 30 million people, the total investment would represent about $24 per head of population. Considering that this expenditure is to be spread over a period of 20 years, the average annual amount of investment would be slightly above $1 per inhabitant. About one-third of the investment would be concentrated in the first five years, but even then the rate of investment would be less than $2 per head annually.

11. In comparison, the total expenditure in Iran, as anticipated by the Seven Year Plan, amounts to $650 million which corresponds to an investment of $39 per head of the population of Iran and to an average annual amount of almost $6 per capita. The Turkish investment program for the years 1948-1953 anticipates a total investment of $729 million, which would represent a total investment of $36 per head of the population of Turkey and an annual average of $7 per capita.

12. Out of the total of £256 million, some £140 million ($392 million) is earmarked as external expenditure on services and materials, or an average annual requirement of slightly less than $20 million. Again, this figure would be higher in the first few years, but probably not more than $30 million per year, or $1 per capita. It may be of interest to note that Turkey's investment financed from ECA aid and an

1/ Egypt 19.6 million, Iraq 4.8 million, Lebanon 1.1 million, Syria 2.9 million, Jordan and Arab Palestine 1 million, refugees in camps 0.6 million.
2/ In view of the lack of basic statistical data, estimates of the national income of the area involved are not more than guesses, but if it were assumed to be around $100 per capita (possibly a little more in Lebanon and a little less in Jordan) the proposed investment would represent 1% of the national income.
3/ The British memorandum estimates that approximately $40 million would be required for materials at present available only in the U.S.
Eximbank loan during the years 1948/49 and 1949/50 amounted to some $112 million, which would make an annual average of $56 million or $3 per capita.

13. It appears from this brief analysis that the proposed investment is of rather modest volume, even in relation to the limited wealth and income of the area. However, as will be seen from the nature of the contemplated projects, it must be expected that other types of investment would take place simultaneously.

b) Nature of the Investment

14. The purpose of some of the proposed projects is described only in a very general way; some others are intended to serve several purposes simultaneously, but no breakdown of the construction cost is given. Such cases make a more detailed analysis of the nature of the proposed investment difficult. The following percentages, therefore, give only a very approximate picture of the proposed utilization of the development funds.

<table>
<thead>
<tr>
<th>Utilization of Funds</th>
<th>(Per Cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture (irrigation, drainage, etc.)</td>
<td>50</td>
</tr>
<tr>
<td>Multipurpose reservoirs</td>
<td>12</td>
</tr>
<tr>
<td>Power Production</td>
<td>7</td>
</tr>
<tr>
<td>Water supplied</td>
<td>2</td>
</tr>
<tr>
<td>Transportation:</td>
<td>20</td>
</tr>
<tr>
<td>Fertilizer plants</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

1/ Cost of reservoirs included, whenever or as far as the latter will serve primarily irrigation needs.

2/ Cost of reservoirs serving more than one purpose (storage for irrigation, flood control, power) whenever no breakdown of cost estimates was given.

3/ Cost of installations and reservoirs intended to serve primarily the production of power.

4/ Projects for supplies of potable water, whenever separated from other costs.
15. More than half of the total investment is in agriculture and the only industrial investment proposed is also intended primarily to serve the needs of crop cultivation in the area. Almost two thirds of the total program is connected with a fuller utilization of soil and water. The emphasis on these two most important, lasting resources of the area is a sound feature of the program. Although the area unmistakably has need for transportation development, projects in this group are in general more open to doubt than the others.

16. The absence of industrial projects is not surprising. The increased production and purchasing power of the agricultural population, which is expected to result from the program, as well as the expected supply of cheap power and the improved transportation system, would create conditions under which the development of local industries might well be left to private initiative. In fact it must be hoped that in industrial development, as well as in housing, these basic resources projects will be substantially supplemented by private investment. Unless they release energies and create conditions conducive to the growth of supplementary production, they can scarcely be expected to lead to a large increase of income and standard of living levels. An effort must therefore be made at once to coordinate plans for the production of hydro-electric power with the development of enterprises which would assure their full utilization without wasteful delays.

c) Distribution by Area

17. The British proposals in their present form are limited to the Nile Basin and to parts of the so-called Fertile Crescent. The omission of such outlying areas of the Middle East as Libya, Eritrea,
Ethiopia, Yemen and Iran and of Arabian deserts does not impair the plan's coherence and value. The exclusion of Israel, however, leaves a serious gap, which will have to be filled as soon as the frontiers and the economic organisation of the new state become more clearly defined.

18. Owing to the lack of sufficient data, it is impossible to relate the proposed volume of investment to the national wealth or to the rate of capital accumulation in the countries concerned. Some idea of its impact on the economy of the individual countries can be derived, however, from comparing its magnitude with the available data on public finance and foreign trade. The following figures suggest that the impact of the proposed projects would be particularly heavy in Jordan and somewhat greater in Syria and Lebanon than in Egypt or Iraq.

<table>
<thead>
<tr>
<th>Country</th>
<th>of annual government expenditure</th>
<th>of value of annual export</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egypt</td>
<td>113</td>
<td>114.2/</td>
</tr>
<tr>
<td>Iraq</td>
<td>112</td>
<td>373.2/</td>
</tr>
<tr>
<td>Lebanon</td>
<td>250</td>
<td>666.2/</td>
</tr>
<tr>
<td>Syria</td>
<td>380</td>
<td>116</td>
</tr>
<tr>
<td>Jordan</td>
<td>470</td>
<td>700</td>
</tr>
</tbody>
</table>

1/ 1947/48 average  
2/ Exports do not include oil  
3/ Lebanon exports are very small and the country meets most of its external payments with receipts from invisibles.  
4/ Data extremely uncertain
19. Concern over the problem of providing the fullest possible employment for Palestine Arab refugees is strongly reflected in the British list of projects, which includes a number of those proposed in the Clapp Mission's report. While the latter source, for obvious political reasons, refrains from mentioning resettlement of refugees, the British proposals give frank consideration to the resettlement capacity of some of the newly reclaimed land.

IV. ELIGIBILITY FOR BANK FINANCING

20. While decisions on the eligibility of given projects can obviously be made only on the basis of a thorough technical and economic analysis of the individual project and after an extensive study of the economy and creditworthiness of the country concerned, the following general comments may be made on some aspects of the British proposals in the light of the basic policies of the Bank.

21. In the first place, as long as Jordan and Israel do not join the Bank, projects located in their territories would not be eligible for financing by the Bank.

22. Secondly, while the general objectives and criteria of the British study seem reasonable enough (see pars. 5 above), the actual tests applied even to first priority projects seem to fall somewhat short of the principles of eligibility applied by the Bank (see pars. 8 above, especially sub-heads (ii) and (iii)).

23. Some of the projects are located in one member country but affect the economies of other member countries as well, either directly by drawing on common water resources (Nile, Euphrates, Tigris, Orontes,
Kebir, Jordan), or indirectly by creating new competition as in the case of some of the transportation projects (port of Latakia in Syria, airfield of Khalde in the Lebanon, new railway lines of international importance) and to a certain extent in the case of some of the large scale power projects. While in some of these instances the Bank might have to insist upon the conclusion of appropriate international agreements prior to the financing of projects, it might also be able to assist in bringing about the required cooperation. An international board with the possible participation of the Bank is specifically suggested in a separate British memorandum with regard to the exploitation of the Nile waters; the creation of similar bodies might be advisable in other cases as well.

24. Apart from the necessity of agreement and cooperation on an international level, in some cases a better coordination of the investment programs within individual countries would also be necessary to establish their economic soundness. This need is demonstrated by problems in connection with the various power projects in the Lebanon and by inconsistencies in the time-tables for the completion of the Aswan power station and the Naga Hammadi fertilizer plant, and for the termination of the Euphrates reservoir and the corresponding irrigation canals. It will probably be found that the creation of Development Boards on a national level, which in some individual cases have already been recommended by the Bank for a number of reasons, might facilitate the solution of these problems.

25. Most of the investments considered by the British memorandum are not of the type that could easily be financed by private capital. A few of the contemplated projects, especially in the transportation group
come clearly under the heading of works undertaken in the broad public interest, representing a continuation of the Clapp Mission's program, which consists largely of field works (terracing, afforestation, irrigation and drainage canals) and roads designed to provide maximum employment opportunities. Although most of the British projects would provide more clearly defined and measurable economic gains within a reasonably short time, the benefits from most of these investments would be of such a general character and long term nature as to discourage private investors. It therefore seems unlikely that the countries concerned would be able to obtain the required capital from private sources.

V. PROSPECTS OF INTERNAL FINANCING

26. The general conclusion has been reached above that the total volume of investment proposed in the British memorandum would impose only a moderate burden upon the resources of the area. It may be useful, however, to review briefly the budgetary impact of expenditures on the proposed projects, based upon the assumption that the local budget will have to bear at least the amount of internal expenditures (of course, to the extent that external expenditures are not covered by foreign grants or loans, there will be an additional internal budgetary problem). It is necessary to make this review country by country in view of the great disparities within the area of local financial practices and resources.

27. In Egypt, less than one half (£52 million out of £124 million) of the total expenditure would be internal. During the first 6 years of the operation of the program Egypt's internal expenditure on its realization will amount to the equivalent of £20.4 million which corresponds...
to an annual average of £3.4 million. According to the available
information, similar amounts have been spent by the government on invest-
ment in recent years without affecting unfavorably the budgetary balance
or the price level. The financing of the Aswan power plant and of
irrigation works within the country (the former to be covered from an
internal loan, the latter from the Reserve Fund) are both included in the
so-called Egyptian Five Year Plan. An appropriation of ££ 4.5 million
for the Egyptian contribution to the creation of the Lake Victoria
reservoir has already been voted by the Egyptian Parliament; however,
this expenditure is outside the Five Year Plan. All Egyptian expenditure
on the equatorial Nile projects has been classified in the British
Program as internal, presumably in view of the common currency between
Egypt and the Sudan and of the close relations between Egypt and the
Sterling Area; however, it must be remembered that part of the funds
involved will actually be spent outside Egypt.

28. In Iraq, the amounts scheduled for internal and external
expenditure are roughly equal. The former average around the equivalent
of £1.5 million per year. Part of this expenditure would presumably be
an addition to the existing Capital Works Program budget, which during
recent years has averaged around £3 million annually and has been
financed mainly from oil revenue\footnote{This source of revenue will increase automatically when the pipeline
to Haifa is reopened. Prospects for substantially higher oil income are very favorable and depend mainly on the completion of additional pipelines.}. Although the Iraqi budgetary position
at present is somewhat critical, the additional burden which would result
from the British proposals does not seem excessive.

29. Lebanon, like Egypt, has a balanced budget and a considerable
Reserve Fund accumulated from budgetary surpluses in former years. The
total internal expenditure in Lebanon would be the equivalent of £11 million over a period of 20 years, or an annual average of £550,000. During the early years the annual internal expenditure would be £1.2 million. This would represent some 13% of the total Lebanese budgetary expenditure, but part of the proposed cost would be for projects which have already been started with government funds.

30. In Syria, a little less than half of the proposed expenditure is internal and an equivalent of £2.15 million would have to be spent annually during the first four years; as in the case of the Lebanon, this would represent some 13% of the state budget. The situation of Syrian public finance, however, is much weaker; largely as a result of the recent political developments (two forcible overthrows of government within half a year), a budgetary deficit has developed. As the existing investment program of the government is not known, it is difficult to say to what extent the financing of the British proposals would constitute a new burden on the government's resources.

31. In Jordan external and internal expenditure on the proposed development projects is about equal; the latter is expected to average £140,000 during the first five years. Very little is known about the financial position of the Kingdom of Jordan. In 1945/46 local revenue was equivalent to £1.2 million. The major source of external revenue seems to be the British subsidy to the Arab Legion, which has hitherto run at the rate of £2 million per annum but will be £3 million in 1949/50. The £1 million interest-free loan granted recently by Britain for development purposes should be sufficient to cover both the internal and external expenditures during the early years. It is not clear, however, what claims will be made upon this fund by the work relief program recommended by the Clapp Mission for Jordan and Arab Palestine.
VI. CONCLUSIONS

32. The proposals contained in the British memorandum include most of the major projects which have been under active consideration for some time in the five countries involved. While some of the projects can properly be considered independently, some others require a measure of further coordination on international or national levels; in these cases further preparatory work will be required to transform the list of projects into a more integrated development program.

33. Several of the projects have been previously suggested for Bank financing and have been surveyed by Bank Missions. Except for minor details, there is a close conformity in these cases between the findings which have been made by the Bank and the recommendations of the British technicians. It would seem therefore that the remaining projects proposed in the British memorandum deserve serious consideration by the Bank, except of course those located outside a member country.

34. Some of the projects overlap with the recommendations of the U.N. Economic Survey (Clapp) Mission or represent a continuation of the short term relief works program which that Mission hopes to initiate. In general, the projects proposed in the British memorandum would not appear to conflict either with the latter program or with any other of the known major development plans of the area.

35. The total investment involved in the British proposals appears relatively modest; this impression is confirmed by comparisons with the more ambitious programs set up for neighboring countries like Turkey and Iran. The same applied to the portion of the projects which would require external expenditure.
36. Most of the proposed investment has been rightly concentrated on a fuller utilization of water and soil for agriculture and power production; transportation facilities are the other large item. If the program is to raise substantially the income and living standards of the population, this improvement of the basic resources of the area should be followed by some industrial development, which presumably could be financed largely through private capital.

37. In spite of the limited financial resources of the countries concerned, the requirements of internal financing are not in general of a magnitude which would lead to inflationary financing or to such burdensome taxation as would threaten to reduce incentives. This may be less true in the case of Syria and Iraq than in Egypt or Lebanon. None of the countries concerned, however, could reasonably be expected to bear the full burden of external financing out of their own resources; at least part of the program, therefore, would require financial assistance from outside.

38. Apart from financing the foreign exchange components of selected projects the Bank could probably render valuable services by assisting the member countries concerned both with regard to the technical aspects of the projects and the coordination of the development plans on national and international levels.
APPENDIX A

Brief Review of the Individual Projects by Areas

(1) Nile Basin

39. The Equatorial Nile Projects\(^1\) include the Owen Falls Dam on Lake Victoria, the Lake Kyoga Regulator, the Lake Albert Dam and the Jonglei Canal Scheme. The three first named projects are located in Uganda, but the raising of the level of Lake Victoria and of Lake Albert would also affect Tanganyika and the Belgian Congo respectively. While according to the British project the dam for the Lake Albert reservoir should be at Mutir in Uganda, an alternative proposition would place this dam further downstream at Nimule, just across the border of the Anglo Egyptian Sudan. These projects are expected to be completed within 4 to 5 years and construction work on the Owen Falls Dam has just started. The Jonglei by-pass canal is located in the Sudan. It would require about 20 years. Alternative solutions, put forward by an Egyptian expert\(^2\), which consisted of pumping water from the Sudd marshes, have apparently been discarded.

40. The Lake Tana Reservoir in Ethiopia would serve three purposes: to prevent floods; to cover seasonal or periodical water shortage of the Blue Nile; to cover shortage on the Main Nile resulting from low discharge years on the White Nile. The necessary construction work would take four years. Power production on the Blue Nile, some distance below Lake Tana would be comparatively easy but would either clash with storage requirements or be limited to the months between November and June.

41. The Main Nile Reservoir would be located in the Sudan but no decision with regard to its exact location\(^3\) seems to have been made yet. The construction work is estimated to take four years.

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1/ These projects have been already brought to the attention of the Bank and were described in more detail in the Report on the Economy of Egypt of July 26, 1949 (E55) and in a Memorandum on the Equatorial Nile Scheme, prepared for the Staff Loan Committee (SLC/0/144). The following remarks are, therefore, limited to such new information on these projects as emerged from the conversations with the British representatives.

2/ Abdel Aziz Ahmed, Chairman of the Hydro Electric Power Commission under the Egyptian Ministry of Public Works.

3/ Merowe and the Del Cataract have hitherto been considered as possible sites.
42. The construction and operation of the Nile water projects affects a great number of countries and territories\(^1\) and therefore has to be preceded by international agreements. It seems that a measure of agreement has been reached between British, Egyptian and Sudanese technicians but the only agreement between governments actually signed is the one concerning the Owen Falls Dam on 31 May 1949. Nothing is known about negotiations with Belgium; talks between the U.K., Egypt and Ethiopia are scheduled for January 1950.

43. In connection with the above mentioned international complications and also in view of the undeveloped character of the area and the large size of the proposed investment, the idea of an International Development Agency for the Nile Regulation Projects\(^2\) has been mentioned informally in previous conversations between IBRD and British as well as Egyptian representatives. The British program includes the concept of an International Nile Waters Advisory Board. This concept, not yet cleared with Egypt or the Sudan, envisages a body of international experts from the countries concerned, seated in Cairo, responsible for the operation of the Nile waters agreements and for further research work. Negotiations between the countries concerned, however, would take place through diplomatic channels. The IBRD might be represented at the meetings of the Board by an observer.

44. The Aswan Dam Electrification Scheme is included in the British program for Egypt, but is supposed to require 10 years and LE 10 million for its completion. According to the findings of the technical expert who took part in the Bank's Mission to Egypt, the Aswan power station could be ready for full production by the end of 1954, although it might not start full production by that date for the want of consumers. Estimates of construction costs have recently increased considerably, which caused some criticism in Egyptian governmental and parliamentary circles.

45. Construction of a fertilizer factory at Aswan at the cost of LE 6 million is proposed by the British plan, but only as a second priority project; it "will necessarily have to be delayed until the Aswan Dam Electrification Scheme has been completed". The Bank's expert had evaluated favorably the business prospects of this plant, whose construction cost he estimated at between LE 10.5 and LE 13 million. He also recommended starting construction early enough to synchronize the beginning of production with the availability of Aswan power.

46. The Nitrogenous Fertilizer Factory at Suez is supposed to require LE 21 million and be ready in 10 years. This project is in the hands of a private society (Abbud Pasha) and is partly financed by a

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1/ Egypt, Anglo-Egyptian Sudan, Uganda, Kenya, Tanganyika, Belgian Congo, Ethiopia. The Sudan is to participate in the cost of the schemes involving the equatorial lakes and Lake Tana, and Uganda is to participate in the construction cost of the Owen Falls Dam and build a power station on it.

2/ Some more detailed thoughts on this subject are contained in the Staff Loan Committee Memorandum SLC/0/133.
million loan from the Eximbank. According to our information the anticipated production of this factory amounting to 200,000 tons of nitro-limestone a year would correspond to some 25 or 30 per cent of Egypt's fertilizer imports and, therefore, leave a wide margin for the Aswan plant, the production capacity of which could rise to 435,000 tons of nitro chalk annually. The construction cost of the Suez plant as given by the British plan seems disproportionately high in comparison with the estimated cost of the Aswan plant.

47. The Qena Irrigation Project which had been studied by the Bank's Mission appears in the British program as a first priority project involving an expense of £E 6 million (£E 8 million according to our data).

48. The Supply of Water for Rural Areas in Egypt is generally mentioned as one of the projects leading to improved health standards. No data are given with regard to cost estimates and types of pumps to be used or availabilities of power.

11) Iraq

First priority schemes:

49. The Completion of the Habbaniyah Flood Control and Water Storage Projects is supposed to require two years and ID 2 million. It would prevent flood damages to crops, which in some years amount to several million Iraqi dinars and would store water sufficient for the irrigation of 1.2 million acres. The technical expert on the Bank Mission to Iraq regarded the proposed expenditure as both necessary and amply justified. Neither this, nor any other projects on the Euphrates river, however, are being considered by the Bank for immediate financing.

50. The Hillah Canal Irrigation Project would require 9 years and an expenditure of ID 1.4 million. This project represents the first use of the Habbaniyah storage water for irrigation of an additional 300,000 acres. In the opinion of the Bank's technical expert the work on the first stages of this project should be completed at the same time as the first stage of the Habbaniyah project.

51. The Wadi Tharthar Flood Control and Water Storage Scheme is estimated by the British plan to require a period of five years and an expenditure of ID 7 million - the Bank's cost estimate is slightly higher, amounting to ID 9 million for the first stage. According to the findings of the Bank's expert, this project, though in its initial stage a flood

1/ Fuller data are contained in the Report by the Consultant to the Bank's Mission to Egypt on the Qena Project. No. C-3.
2/ This and the following Iraqi projects were discussed in detail in the IBRD reports on "Present Economic Position and Creditworthiness of Iraq" No. E-64A, and "Flood Control and Irrigation Projects in Iraq" No. C-5.
control measure, will bring benefits to agricultural lands which are already cultivated. The financing of the foreign exchange component of this project by the Bank up to the amount of $8.4 is under active consideration.

52. **Railway Development** on which work has already begun is recommended and the remaining cost is given as £5.5 million. In the British memorandum the IBRD experts are quoted as considering the railway development program to be of doubtful economic soundness. This, however, does not seem to reflect quite accurately the attitude of the Bank's mission which, as far as Iraqi railways are concerned, was preoccupied mainly with the financial difficulties of the government arising out of this program.1/

**Second priority schemes:**

53. The Diala Dam, also referred to as Gibraltar Dam, is a multi-purpose project intended to provide flood control, storage water for irrigation of 1.2 million acres and a hydroelectric power potential. The total cost is estimated at ID 2.5 million and three years are required for its completion. The Bank's Mission had recommended further studies of the economic and engineering features of this project.

54. **Canalization Schemes** for irrigation (other than the already mentioned Hillah Canal) would provide irrigation for about 850,000 acres. The total expense is given at ID 3.3 million spread over 10 years. The Bank's expert emphasized the necessity to synchronize these new irrigation works with the contemplated water storage projects.

55. **A Land Drainage Program** with a budget of ID 3 million to be spent over a period of 10 years is recommended by the British plan, in agreement with the general findings of the Bank's Mission. This program is expected to increase the productivity of a million acres by 50%.

56. **Mechanization of Agriculture** would require ID 3.4 million and about 10 years to increase the output of land in the rainfed area of Northern Iraq.

57. **A Road Development Program** with a budget of ID 14.5 million to be spent during 10 years includes roads from Baghdad to Basra, Kirkuk and Mosul as well as a network of roads to the Holy Cities. Neither of the last named two projects had been studied by the Bank.

(iii) Lebanon

**First priority schemes:**

58. **Irrigation and Drainage Schemes** (Yammouneh, South Beqaa, Akkar, Qasmiyeh) are estimated to require 4L 31 million and 3 to 5 years

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1/ Fuller data on this problem are contained in the two IBRD reports on Iraq, quoted above, as well as in the Operational Report of the Mission SLC/O/123.
to be terminated. All of these projects are well known to the Bank as they were inspected and reviewed by the Bank's Mission\(^1\). The Mission's expert expressed himself favorably about all of these projects. Further measurements of the available water supply in South Beqaa and a geological study of the Yammouneh site were recommended. With regard to the Plain of Akkar it was pointed out that an agreement with Syria should probably be made before water from the border river Nahr El Kebr is diverted. The total estimates of the Bank (about \(\text{LL}18\) million) were lower than the British figures.

59. Hydroelectric Power Development on Lake Yammouneh and rivers Ibrahim and Bared and the extension of Thermal Power Plants in Beirut and Tripoli are expected to require \(\text{LL}45\) million to be spent over 3 years. These projects are known to the Bank although, unlike the agricultural projects, they have not been investigated in detail. With regard to Yammouneh a geological survey is required to establish whether larger storage in the lake is practicable. It is also believed that in this case irrigation needs should be given precedence, which may affect the amount of firm power that can be developed. Construction on the river Ibrahim has already started; this is regarded as one of the easiest possibilities of hydroelectric development on the Lebanese littoral. The project on the river Bared seems smaller and somewhat more difficult; the Bank recently received an informal enquiry with regard to the possibility of financing this project up to \$1 million. Production of the existing thermal plants in Beirut and Tripoli is known to be unsatisfactory. In view of the numerous projects of hydroelectric development in Lebanon, both on the littoral and in the Beqass and of the possibilities for grid connections between these stations, the need for coordinating power production plans in the Lebanon appears to be urgent.

60. Khalde Airport should be finished in five years (with one of the main runways completed in 1950) at the expense of \(\text{LL}30\) million. This new airport, equipped to accommodate 4 engine airliners, is expected to enhance the role of Beirut as a center of international traffic and tourism. There were many delays in the work program started in 1948. The Bank was never approached for assistance in this matter, but the I.T.T. enquired about the possibility of financing through the Bank the supply of electronic equipment for this project.

**Second Priority Schemes**

61. Completion of the Yammouneh, Akkar and South Beqas irrigation projects is suggested within five years at the further expense of \(\text{LL}50\) million. The comments made under paragraph 58 apply fully to those proposals. In this and the preceding agricultural projects the British Plan refers to the Gibb report which was made previous to the Bank Mission's studies.

62. First stage of the Litani river hydroelectric project should be completed in three years at the expense of \(\text{LL}25\) million. This is the largest power project in the Lebanon; it was reviewed briefly by the

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\(^1\) More detailed information is available in the "Report on the Economy of the Lebanon" E.45 and in the "Report on Irrigation and Hydroelectric Power Projects in the Lebanon" by H.S. McCrory.
Bank Mission expert who recommended further measurements of river discharge as well as geological surveys of the proposed reservoir sites. Additional data which have become available in the meantime do not yet provide all the answers on technical matters. Before this large and, in general, very promising scheme is undertaken, the existence of sufficient consumers for this additional power should be ascertained. Unless consumption of power in Lebanon itself should develop at an unexpectedly quick rate, some of the Litani power production would have to be exported to neighbouring countries.

63. A Super Phosphate Factory to be erected within three years at the cost of £6 million would treat phosphates mined in Jordan. This seems to be a new project. According to the available information it is to be financed by an Italian group, which hopes to export some of the annual production, estimated at 20,000 tons, to Italy.

(iv) Syria

First Priority Schemes

64. The Jezira Development would consist of extending cultivation to a rain fed area of over 1 million acres. This development would take up to 4 years and require about £5 40 million; it is believed that up to 150,000 refugees could be settled there. This scheme was not mentioned in the list of major projects for the recovery of Syria, submitted tentatively to the IBRD in July 1949 (and hereafter referred to as "Bank's list of Syrian projects").

65. Irrigation on the Khabur river would provide an area of some 83,000 acres for some 60,000 cultivators. The work has been started and would require five more years and £5 20 million to be finished. This project was included in the Bank's list of Syrian projects.

66. Pump Irrigation from the Euphrates River would increase further the area under cultivation (it is estimated that the three projects mentioned in paragraphs 64, 65 and 66 would permit the settlement of up to 300,000 people). It would require from 3 to 6 years and £5 20 to £5 100 million. This scheme was mentioned in the Bank's list of Syrian projects in connection with a dam on the Euphrates (see below paragraph 70).

67. The Aleppo Water Supply project would require four years and £5 35 million for its completion (£5 21.5 million for the first stage). The project would supplement the present, totally unsatisfactory, water supplies for the city and also provide water for the irrigation of 20,000 acres in the Aleppo area. This project was not included in the Bank's list of Syrian projects but was mentioned there as one of the projects already undertaken. It also appears on the list of relief works recommended by the Clapp Mission.

68. A Road development program in the Jezira would be completed in five years, concurrently with the execution of agricultural development of the Jezira and on the Euphrates, and would require £5 23 million.
A road development program was generally recommended by the Clapp Mission, without specification. The Bank's list of Syrian projects mentions only railway developments for the Jezira, which, however, in the British plan are given second priority. A decision obviously will have to be made as to priority between railway and road development in the newly opened up area.

Second Priority Schemes

69. Further irrigation and drainage projects are to be completed within 6 or 8 years at the expense of £S 80 million. These projects would provide more land for cultivation and grazing; some of them are being further studied by French engineers. Among projects of this group, those concerning the Ghab and Roudj basins are included in the Bank's list of Syrian projects, while reclamation of the Maskh swamp was recommended by the Clapp Mission.

70. The Euphrates Barrage Project on the Yusef Pasha site is to cost between £S 82 and £S 102 million (depending on the generation plan installed) in the first stage and up to £S 114 million when completed; the first stage would take 5 to 6 years. The reservoir is expected to supply Aleppo with water and power (power potential estimated at 91,000 kw) and also make possible the irrigation of 300,000 acres (see paragraph 66). It is not clear why the British plan gives second priority to the construction of a reservoir which is to provide water for irrigation financed as first priority.

71. Railway Development, including the lines Aleppo to Raqqa (on the Euphrates) and Aleppo to Latakia, is suggested as a project to be finished in five years at a cost of £S 70 million. (note comment under paragraph 68 concerning priorities between roads and railways).

72. The construction of a port in Latakia or Tartus is to be finished in four years at a cost of £S 28 million (£S 15 million first stage). At present Syria, having no deep water harbour of its own, uses Beirut and Tripoli in the Lebanon. A British governmental study gives the reasons for development of a purely Syrian port as being mainly political. On the other hand, the possible creation of terminals for the new pipelines from Iraq and Iran on the Syrian coast (in Tartous or Banias) may require the construction of an oil port. The Latakia port construction was included in the Bank's list of Syrian projects and was also recommended among work relief projects of the Clapp Mission.

73. Completion of the Road Program (mentioned in paragraph 68) is recommended at the cost of £S 40 million to be spent over 10 years.

(v) Jordan

First Priority Schemes

74. Jordan Valley and Azraq Minor Schemes have already been started. The Hashemite Kingdom of Jordan is not a member of the IBRD; information available on this country is therefore scarce.
Their cost is estimated at £P 325,000 to be spent over 4 years. These projects are expected to provide water for 4,000 acres of land and permit the settlement of 10,000 Palestine refugees. They are to be financed from an interest-free loan from the U.K.

75. **Dry-Farming in the Sheraa** could be developed within 3 years at an expenditure of £P 675,000 to settle a further 7,000 refugees. In this case too, financing would be provided by the interest-free U.K. loan.

**Second Priority Schemes**

76. A Jordan-Yarmuk Canalisation project would require £15 million and 5 years to be completed. It is estimated that this project would provide for the resettlement of 100,000 refugees. The British memorandum is right in emphasizing that this project cannot be started until an agreement regarding the use of the waters of the Jordan and the Yarmuk is reached with the Government of Israel.
1. Owen Falls Dam
2. Lake Kyoga Regulator
3. Alternative sites for Lake Albert Dam
4. Inlet and Outlet of Jonglei Canal
5. Lake Tana Reservoir
6. Alternative sites of Main Nile Reservoir
7. Aswan Power Station and alternative site of fertilizer plant
8. Suez fertilizer plant
9. Qena Irrigation
10. Alternative site for fertilizer plant (Naga Hammadi)
FLOOD CONTROL AND IRRIGATION PROJECTS IN IRAQ

1. Habbaniyah project
2. Hillah Canal
3. Wadi Tharthar project
4. Diala Dam
APPENDIX B

JOINT MEMORANDUM

November 25, 1949

Subject: Meetings Held on 21st, 22nd, and 23rd of November, 1949 concerning Middle East Development

Mr. Eugene Black, President of the Bank, was present at the meeting on the 21st of November. Mr. Robert Garner, Vice President, attended all meetings as also did Mr. Wright of the Foreign Office. A list showing those who were present at the meetings is attached.

On the basis of the informal discussions which took place, there was general identity of views on the following points.

1. It was recognized that the Middle East represented an important under-developed area and one in which substantial progress might be made at a relatively moderate cost as compared with other comparable under-developed areas.

2. Projects for the development of the economic resources of the area were of interest to the Bank.

3. The projects listed in the Annexes to the British Paper were of the type which merited serious consideration in connection with any programme for the development of the area.

4. The importance of handling the projects in such a way as to make the maximum contribution possible towards the further development of a sense of responsibility and administrative capacity on the part of those in authority throughout the area was recognized.

5. It was recognized that there was need for further evaluation of development projects in the area. The Bank would be prepared to assist interested governments in

(a) the formulation of over-all programmes of economic development,

(b) the establishment of priorities for individual projects,

(c) the improvement of administrative and financial methods in the area.

With regard to (c), it was recognized that member governments of the Bank would more readily accept objective criticism and advice from their own institution than from any other agency, however objective. Moreover, in view of its international character, the Bank might be particularly effective in assisting in formulating and working out practicable arrangements for handling projects involving two or more countries.
6. In order to achieve the continuity and assure the administrative competence required for the successful operation of the projects, it was agreed that the execution of the projects should as far as possible be removed from the atmosphere of politics. Development Boards appropriately constituted appeared to be one of the means of attaining this end.

7. Most of the projects included in the Annexes to the British Paper were of the type which could not readily be undertaken by private enterprise. It was felt, however, that the successful execution of these projects would tend to provide a basis for the more effective development of the area by private enterprise.

8. Particular attention should be paid to the possibility of tapping local sources of capital, notably the exceptional accumulation of wealth which will arise from oil royalties in Kuwait and certain other Persian Gulf Sheikdoms where development possibilities appear limited.

9. The Bank pointed out that their participation in these projects would give rise to the following considerations:

(a) Loans by the Bank must either be made to or guaranteed by a member government. For a project entirely within a country, this requirement should give rise to no special problem. For projects involving more than one country, consideration would be given to an arrangement that would permit each participating government to give a guarantee of its pro rata share. For projects of the latter type, the Bank would favor the establishment of an International Authority, and in view of the consideration outlined in Paragraph 6 above, would favor the delegation to the Authority of the maximum possible administrative independence. It was agreed that an International Water Advisory Board as outlined in the British Paper or on similar lines would be a useful step forward.

(b) The dollar requirements of the projects under consideration appeared to be comparatively small, and it would be inadvisable for the countries concerned to assume larger hard currency obligations than would be necessary in order to finance the projects. The Bank's ability to assist in financing the sterling element would depend on the extent to which the United Kingdom would be prepared to make its 18% capital contribution available for this purpose or to allow loans to be floated on the London market. The other important element of the total cost (the most important element in a number of cases) would be incurred in local currency. The Bank could assist in financing this only in exceptional circumstances.
(c) To the extent that projects could be made self-liquidating on the basis of revenues and receipts obtained other than by budgetary appropriations on the part of the governments concerned, the attractiveness of the projects would be enhanced. Particular attention should be paid to the problem of assuring adequate funds for the maintenance of projects once completed.

11. It was agreed that the exchange of information on Middle East development problems had been of value and that informal contact on them should be maintained through the British Embassy in Washington.

Persons attending meetings held on 21st, 22nd, and 23rd of November, 1949, concerning Middle East Development:

Bank
Eugene R. Black
R. L. Garner
Geoffrey H. Tansley

November 21, 1949

British
Michael Wright
T. E. Evans
D. A. Greenhill
A. Gristelow

Bank
R. L. Garner
R. A. Wheeler
A. S. G. Hoar
Leonard B. Rist
Orvis A. Schmidt
F. Dorsey Stephens
William G. Melk
Alexander Stevenson
Martin H. Rosen
Feliks G. Bochenski

November 22, 1949

British
Michael Wright
T. E. Evans
D. A. Greenhill

Bank
R. L. Garner
A. S. G. Hoar
Leonard B. Rist

November 23, 1949

British
Michael Wright
T. E. Evans
D. A. Greenhill