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SYRIA

Power and water schemes take bulk of investment spending

Investment in power and water schemes is set to increase almost fivefold in the 1987 budget, compared with 1986. The budget as a whole — presented to the people's assembly on 16 March — is in line with the austerity policies forced on the government by foreign exchange shortages. The exception to the general spending squeeze is, as ever, defence.

Total spending is set to fall by nearly 5 per cent in nominal terms. In real terms, this represents a much larger drop because of inflation, estimated at more than 20 per cent.

President Asad recently submitted a draft law to the people's assembly that aims to raise civil service and army salaries by 10-35 per cent, on a sliding scale. Pensions are also to be increased, by 10-20 per cent. A sharp depreciation in the market value of the local currency in early 1986 has led to a sharp increase in the cost of living.

The official exchange rate remains at \$1 = £Syr 3.925, but the incentive rate available to importers and emigrant workers remitting hard currency has been devalued by more than 50 per cent. This rate now stands at \$1 = £Syr 23.

Syria: Expenditure budget, 1986-87 (£Syr million)

	1987*	1986	% change
Current	24,200	24,508	-1.2
Investment	17,500	19,333	-9.5
Total	41,700	43,841	-4.9

*draft

Exchange rate: \$1 = £Syr 3.925

Source: Finance Ministry, Damascus

In his budget speech, Finance Minister Kahtan Sioufi said the current spending allocation — almost the same as in 1986 — took account of national security needs and "Syria's role in steadfastness and liberation." This is taken to indicate that defence spending will continue to take the bulk of the current expenditure budget: in recent years, it has tended to account for about 55 per cent.

The investment budget has been cut by almost 10 per cent, but power and water schemes will take up 43.5 per cent of the allocation Sioufi said. This compares with about 8-10 per cent in recent years. The rise reflects the government's intention to increase electricity generating capacity, and carry out large water supply and wastewater schemes in Damascus, Aleppo, Homs and Hama.

About 20 per cent of investment will be

devoted to agriculture — in line with the government's decision to concentrate on efforts to raise farm output rather than seek industrial growth.

Few details have been disclosed about revenues, which have traditionally relied heavily on Arab aid. The budget has still to be approved by the assembly and endorsed by President Asad.

Thayyem work let

Canada's **Propak Systems** has a contract valued at about \$Can 40 million (\$31 million) to supply an associated gas treatment plant for the Thayyem field, near Deir al-Zor. The order, expected to be ratified soon by the **Syrian Petroleum Company**, was won against competition from Japanese, UK, US and other Canadian companies. Finance for the turnkey order will include a concessionary loan from Canada's Export Development Corporation.

Thayyem lies in the Deir al-Zor concession operated by a locally incorporated affiliate of **Royal Dutch/Shell**. The field is producing about 50,000 barrels a day (b/d) of high-quality crude. The gas treatment plant will process 30 million cubic feet a day.

Bids are being studied for a contract to install oil production facilities for two other fields in the Deir al-Zor area. Low bidder for the estimated \$60 million contract is the US' **Brown & Root**; offers also came from West Germany's **Mannesmann** and a joint venture of Czechoslovakia's **Technoexport** and Japan's **Mitsubishi Heavy Industries** (MEED 14:3:87).

● Syria has been included in the list of eight south mediterranean countries eligible for a \$1,600 million EEC aid package (see page 13).

TUNISIA

Dumez negotiates for port order

A TD 10.2 million (\$12.6 million) contract to build a fishing port at Monastir is being discussed by France's **Dumez**. The company submitted the lowest bid for the project in 1986, and has since been working on a financing package to back the contract (MEED 9:8:86).

Three local banks are putting together a dinar loan to cover the whole contract value. **Societe Tunisienne de Banques, Banque de Tunisie** and **Banque de Tunisie & des Emirats d'Investissement** will advance the money against the government's guarantee.

The fishing port is one of about 20 similar projects planned by the Equipment & Housing Ministry on behalf of Commissariat General de la Peche. The 1987 budget set aside TD 3 million (\$3.7 million) for the project, as well as smaller allocations for

schemes at Gabes, Teboulba, Sidi Youssef and Bekalta.

Banks to study economic reforms

International banks are to receive a briefing on the government's economic reform programme at a 13 April meeting in London. The one-day event, organised by **Credit Lyonnais** and **Citibank**, is the first such meeting since the government turned to the IMF and suspended medium-term borrowing in summer 1986 (MEED 9:8:86, page 24).

The government is expected later in 1987 to return to the market for around \$150 million in medium-term loans, to cover the rest of the country's financing requirements (MEED 28:2:87). The borrowing will not be discussed in detail at the London meeting, but the Tunisian delegation is expected to present an assessment of the government's economic strategy as a prelude to the discussions.

The Tunisian side will be led by Planning & Finance Minister Ismail Khelil and Banque Centrale de Tunisie (central bank) governor Mohamed Skhiri. About 100 international banks are expected to attend.

IN BRIEF

● President Bourguiba met Libyan security chief Kholdi al-Hamidi on 12 March, amid signs of a thaw in relations. Libya has pledged to resolve all disputes between the two countries before the end of April, local newspapers say (see Libya).

TURKEY

Third motorway contract signed

The signing of a \$360 million motorway contract for stretches between Tarsus and Gaziantep, in the southeast, completes the awards the government intends to make in the 1987 toll motorway construction programme.

A partnership of two local companies — **Tekfen** and **Intes** — and Italy's **Impresit** has won the contract (MEED 14:3:87). It was awarded by the General Highways Directorate. Two other awards, for sections of the trans-Anatolian highway to Ankara, were formalised earlier in March.

Commercial funding for the trans-Anatolian highway has been finalised, and arrangements for the Tarsus to Gaziantep contract are expected to be concluded soon. The export credit portions of all three packages are expected to be signed in the next two months.

The successful venture's financial package was put together by **Chase Investment Bank** and **UBAF Bank**. The commercial portion is valued at about \$210 million. The export credit portion, backed by Italy's export credit agency SACE, amounts to about \$150 million.

The government is also negotiating two