Thirty-fifth session
6 June-1 July 1988, Geneva
Item 5 (d) of the provisional agenda

PROGRAMME PLANNING

Country and intercountry programmes and projects
FOURTH COUNTRY PROGRAMME FOR THE STATE OF BAHRAIN*

<table>
<thead>
<tr>
<th>Programme period</th>
<th>Actual resources programmed</th>
<th>$</th>
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<tbody>
<tr>
<td></td>
<td>Third-cycle balance</td>
<td>282,000</td>
</tr>
<tr>
<td></td>
<td>Other resources programmed</td>
<td>2,858,000</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>3,999,000</td>
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* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) planned activities of operational funds and programmes under the authority of the Administrator; and (e) distribution of new country programme by sector.
I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. The economic situation of Bahrain must be viewed within the context of the special conditions inherent to a small developing island country with limited land capacity for agricultural production (about 6,000 ha out of a total land area of 62,500 ha) and a native population of 280,000. The fragility of an economy such as that of Bahrain is highlighted by the United Nations 1987 World Economic Survey, which argues that large and diversified economies are much less affected by changes in international markets than countries whose economies are based mainly on the export of energy and whose small land size and limited manpower narrow the scope for expansion and diversification.

2. Out of a total of 30 islands, the three main ones, namely Bahrain (which gives its name to the country), Muharraq and Sitra account for virtually all demographic and economic activities. Most of the available agricultural land - the northern green belt - lies on the largest of the three islands, Bahrain. The capital, Manama, is also located here, as are the sole onshore oil field, the country's main seaport, the financial centre and the principal industrial areas. The island of Muharraq harbours the Arab Shipyard and its dry dock for super tankers, the Arab Iron and Steel joint venture and Bahrain International Airport. The island of Sitra and its adjacent area houses the oil refinery, the Gulf Petrochemical complex, oil and aluminium export facilities and a new heavy industry area.

3. In the pre-oil period, trade, pearling, fishing, traditional agriculture and handicrafts generated most of the country's income. However, the discovery of oil in 1932, the first in the region, signalled the start of a new and more promising era of economic and social development. Although oil production peaked in 1970, with an output of 76,640 barrels daily, the impact of the oil sector on the economy was strongest in the years that followed the unprecedented oil price increases of 1973 and 1974. The subsequent fall in prices and the limited oil reserves of the country have led the Government to adopt a policy of diversification of the economic base and a number of concrete steps have been taken in this direction.

4. Most prominent amongst the more recently developed endeavours are those in the financial services sector, notably commercial and off-shore banking. The increased revenues of earlier years allowed the country to provide itself with the necessary infrastructure (highways, commercial buildings, industrial parks, hotels, etc.). The 24 km causeway, linking Bahrain to Saudi Arabia, which was opened in late 1986, has significantly increased the flow of people and goods to and from the other Gulf States.

5. Tourism, along with the conservation of the national heritage and the possible establishment of free port facilities, represents another important revenue earning sector in line with the diversification policy.

6. An important feature of the economy is its subregional, regional and global character. Bahrain is one of the founding and active members of the Gulf Co-operation Council (GCC). In recent years, Bahrain has developed into an
important regional and international financial centre, which has facilitated the recycling of petrodollar resources. Bahrain also provides convenient air transit facilities to the rest of the world.

7. Because of its limited and declining oil reserves, Bahrain has accelerated its efforts to diversify its economic base by promoting the establishment of more manufacturing and service industries. Economic diversification, which continues to be one of the principal development objectives, was facilitated, inter alia, by the country's geographical location, by the reasonably developed entrepreneurship and by the approach to industrial development through offers of incentives and technical support. Oil and gas generate two-thirds of public revenues, yet they account for only 20 to 25 per cent of the gross domestic product (GDP). This share is likely to decline in the future.

B. National development strategies

8. Having gained valuable experience in development activities on the one hand and sensing the early signs of economic slowdown early in this decade on the other, the Government felt the need to exercise a degree of development planning. Thus, a four-year economic and social development programme (1982-1985) was launched. The main objectives were to expand the base of the economy and diversify its activities; optimize the use of available resources; promote the productive sectors and increase the degree of self-sufficiency in food production; expand further and strengthen public services; rationalize consumption and encourage savings; and achieve complementarity and balance among the various economic sectors.

9. The sharp decline in world oil prices in 1983 obliged the Government to extend the 4-year development programme by two years, to the end of 1987, thereby easing the pressure on expenditure.

10. The future development trends are currently the object of studies and recommendations by the Strategic Options Committee, composed of senior Government officials.

11. In keeping with the priorities retained earlier, the Government strongly calls on the private sector to play a greater role in the economic sector, particularly in the development of medium- and small-size industry, thus ensuring balanced growth and the achievement of a greater degree of self-sufficiency in the use of human and material resources.

12. So far, most activities aimed at increasing the economic growth rate have been initiated by the Government. The current negative factors affecting the economies of the Arab Gulf States have curtailed the availability of funds for public expenditure, thus making it all the more imperative for the private sector to play an increasing role in the development effort.

13. The private sector will benefit from the positive achievements at hand, such as the already available physical infrastructure and the stability and security prevailing in the country, which create a favourable environment for the further development of private enterprise.

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14. On the question of employment, it should be noted that a large portion of the labour force is made up of skilled and semi-skilled expatriate workers and, although there are no short-term plans to drastically change the situation, the Government encourages the increased employment of nationals and, towards this end, recognizes the need to improve and expand technical education.

C. Technical co-operation priorities

15. The technical co-operation priorities of the Government are dictated by the present objective of achieving diversification of the economic development base, by encouraging increased activities in traditional sectors such as commerce, agriculture and fishing and in the newer sectors such as industry, banking and tourism.

16. The development of technical and managerial skills in the various disciplines linked to the policy of diversification now becomes imperative. Reduced reliance on imported manpower and indigenous control of the country's economic development can be achieved through training and the marshalling of the economic and human resources of the country.

17. The United Nations system can play a significant role in the attainment of these objectives by providing the necessary high-level advisory services and training and by placing its accumulated wealth of experience at the disposal of the Government.

18. The impact of the assistance that can be provided through the United Nations system should not be measured in terms of the financial magnitude of inputs, but rather in terms of their timeliness and quality. The proper identification of the needs and the adequacy of the response of the United Nations system to these needs will determine the usefulness of the co-operation programmes of the system.

19. The fourth country programme for Bahrain has been formulated with these considerations and imperatives in mind.

D. Aid co-ordination arrangements

20. The Directorate of Economic Affairs of the Ministry of Foreign Affairs assumes the responsibility for aid co-ordination.

21. As far as activities of the United Nations Development Programme (UNDP) are concerned, a close working relationship has been established between the Directorate and the UNDP office. In addition to contacts, regular monthly meetings are held in order to review outstanding issues and to deal with all programming matters from their substantial and financial aspects.

22. It is understood that the UNDP office is responsible for co-ordination within the United Nations system. On matters related to its activities, the UNDP office maintains contact with donors outside the United Nations system on possible areas
of co-operation and keeps the Government fully informed. In this context, it is worth mentioning that UNDP, together with other agencies of the United Nations system, plays an important role in Bahrain in the field of technical co-operation, although it is a minor partner in terms of overall development efforts.

II. THE COUNTRY PROGRAMME

A. Assessment of previous country programme

23. The third programme was extended for one year up to the end of 1987. The approved indicative planning figure (IPF) for the period 1982-1986 was $2.5 million, subsequently reduced to $1.375 million. The one-year extension of the programme resulted in an additional allocation for the third country programme of $241,000 from the Fourth Cycle IPF.

24. Total expenditure for the third country programme is expected to amount to $1.38 million; an unspent balance of $282,000 is to be carried over into the fourth programming period.

25. The curtailment in IPF resources prevented the implementation of some of the more ambitious project ideas conceived at the beginning of the 1982-1986 programming exercise. However, most of the objectives finally retained were achieved.

26. Agriculture, especially livestock, and fisheries were the objects of successfully completed projects. In the field of human settlements, the Ministry of Housing capacity in urban development and renewal was reinforced through three successful projects. In health, UNDP was active in the training component of a United Nations Environment Programme/Arab Gulf Programme for United Nations Development Organization (UNEP/AGFUND) project in Food and Water Quality Control.

27. Curriculum development at the higher education level was carried out through assistance to the University College of Bahrain. The development of middle- and lower-level skilled manpower was assisted through a national vocational training project with the Ministry of Labour.

28. The social sector was addressed through three projects concerned with co-operatives, the integration of women in development and the rehabilitation of the handicapped.

29. Small and medium industries were assisted through two successive projects aiming at the identification of new products and providing extension services and training. Tourism and the cultural heritage received attention through the study for the rehabilitation of Qalat-al-Bahrain (the Bahrain Fort) and its surrounding area, which is one of the main archeological sites.

30. In assessing the achievements of the third programme, the main observations could be summarized as follows:
(a) Communication and co-ordination between UNDP and the various Government Departments needs to be improved;

(b) The approach to third-party cost-sharing should be systematized;

(c) More expertise should be in the form of high-level, short-term consultancies rather than longer-term resident experts;

(d) The level of national counterparts should be upgraded;

(e) UNDP fellowships should be for short-term specialized training exclusively.

B. New programme proposal

31. The five priority objectives retained in the formulation of the country programme reflect the close association of UNDP with Bahrain's development effort in that they represent the areas of concentration that the Government has determined as essential in pursuing its policy aimed at placing Bahrain in the most favourable position possible in order to cope with the post-oil era by actively pursuing its policy of diversification of the economic base. These objectives are:

(a) Diversification of the economic base and promotion of the productive sectors;

(b) Development of human resources;

(c) Exploitation of natural resources;

(d) Conservation of the environment;

(e) Institutional development.

32. The areas of activity and the projects where UNDP co-operation is sought have been determined on the basis of two criteria: (a) the unique position of the United Nations system in providing the required assistance in fields such as economic planning, statistical development and demography; and (b) the proven and tested experience and capability of the United Nations system.

33. In most cases, UNDP inputs will consist of high-level, short- to medium-term expertise and the development and upgrading of human resources through training. The equipment component will be kept to a strict minimum and, where required, will be financed through Government or third-party cost-sharing arrangements.
Diversification of the economic base and promotion of the productive sectors
($1,200,000)

Industry

34. In order to achieve economic diversification, the Government has launched a campaign aiming at increasing the pace of industrialization. This will not be limited to oil-based or down-stream industries, but will include any viable undertaking where a reasonable level of value added could be attributed to Bahrain. Attention will be given to both conventional as well as higher technology endeavours. In the case of large projects, the Government will continue to play the central role in co-operation with GCC member countries. For medium and small industry, the private sector is being encouraged to play a more significant role through the provision of generous incentives.

Ongoing activities

Small and medium industries (BAH/85/002)

35. This project provides advisory services in the identification of new products and training in industrial promotion and assists in the establishment of joint ventures. An extension of the project in the first quarter of 1988 will depend on results achieved and the needs of the industrial sector.

Trade and services

Ongoing activities

Trade Centre (BAH/86/001)

36. A study for the establishment of an International Trade Centre in Bahrain is being completed under this project and follow-up activities will depend on the policy decisions to be taken by the Government in the light of the recommendations of the study.

New projects

37. In the services sector, negotiations are under way for possible assistance in the field of off-shore insurance schemes.

38. In the same sector, maritime transport could be the object of a project aiming at consolidating the role of Bahrain as a trading and services centre in the Gulf subregion. This would consist of a review on conditions for the registration of ships of the State of Bahrain in order to make it compatible with the development of maritime transport and the provisions of the United Nations Convention on the Conditions for Registration of Ships.
Tourism

Ongoing projects

Cultural Heritage (BAH/86/006)

39. Tourism is being promoted through this project, which aims at the preservation of the cultural heritage of the country, the emphasis being on the formulation of the rehabilitation plans for Qalat-al-Bahrain (the Bahrain Fort).

Agriculture

Ongoing projects

Farming Systems in Protected Agriculture (BAH/86/009)

Mariculture (BAH/85/001)

40. In keeping with the Government policy of increasing food self-sufficiency these two projects should be cited. The first is a follow-up to a project funded by AGFUND and executed by the Food and Agricultural Organization of the United Nations (FAO), which will now lead to further extension services through additional research and demonstrations in order to make the scheme accessible to small-holders. The second project will help to diversify the cultural systems and to increase the fish-rearing facilities with improved techniques which will contribute to the higher supply of fresh fish to the local market and reduce the import figure. This will encourage both fish farmers and local investors to undertake similar culture techniques. Limited consultancy services are being provided by FAO to the date processing factory under project BAH/85/005.

New projects

41. In the area of agro-industry, the fish-processing industry could be the object of a pre-investment study and, in this connection, the experience gained within the context of the Regional UNDP/FAO project INFOSAMAK (RAB/86/013) on fish market information and its proposed new phase would be fully utilized.

Linkages

42. The attainment of this first objective is dependent on activities foreseen and described under the other priority objectives set out below, especially in the field of human resources and the projects envisaged in technical education, employment and manpower. Also, the Land Use Plan project should determine more precisely areas earmarked for industrial development as well as recreational facilities linked to tourism development.
Human resources ($1,257,000)

Education

New projects

43. The Ministry of Education emphasizes the need for meeting future manpower requirements by tackling the problem at its base and ensuring that future generations will possess the cultural, educational and technical baggage required within the context of a modern economy. To this end, due importance is given to pre-school education, where assistance is sought in training the required number of pre-school educators.

44. To ensure the effective integration of media and materials into the school curriculum at all levels, as well as into teacher training, Educational Technology (BAH/86/003) will assist in improving the provision and use of educational materials and equipment in primary, intermediate and secondary schools.

Women's participation in development

Ongoing projects

Expanding Women's Access to Training for Income-Earning and Self-Development (BAH/86/004)

45. In light of the Government's policy aiming at increasing Bahrainization of the labour force, action has to be taken at various levels. One of them is the integration of women in the development process. To this end, this two-year pilot project will involve 300 women in four villages and 20 monitors to be trained in project design and execution. In addition, 40 local leaders will receive training and guidance.

New projects

46. In an effort to introduce youth to technology and science on a practical basis, the General Organization for Youth and Sports will establish a Youth Science Centre, to which the various youth clubs in Bahrain will have access and which will house scientific and technological equipment for demonstration and practical use. UNDP/United Nations Educational, Scientific and Cultural Organization (UNESCO) assistance is sought in making the scheme workable and advising on facility and training requirements.

Employment

New projects

47. Assistance is to be sought in identifying employment opportunities and manpower needs in keeping with the Bahrainization of the work force. This in turn will identify further needs; a project is already being developed for training in small business creation.

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Linkages

48. Mention should be made of the AGFUND-financed Population Education project to promote participation of the targeted groups in the programmes aimed at improving the quality of life at the community level.

49. A recently completed regional UNDP-funded study by the International Civil Aviation Organization (ICAO) on training needs in civil aviation will help in identifying further requirements pertaining to Bahrain. Meanwhile, Bahrain has benefited from the training offered by the Civil Aviation College in Qatar, which receives UNDP assistance under a regional ICAO-executed project. In the field of maritime transport, Bahrain participates in the activities of the UNDP/International Maritime Organization (IMO)-assisted Arab Maritime Transport Academy in Sharjah.

50. The regional project Training and Employment Programme for Arab Women, which is still to be fully developed, should be able to assist Bahrain in its undertakings in this field. Also, an International Labour Organisation (ILO)/AGFUND project which would represent a second phase to BAH/86/004 is under negotiation.

Natural resources ($400,000)

Energy

New projects

51. The only non-renewable energy sources in Bahrain are natural gas and oil. The per capita power consumption ratio is one of the highest in the world (19 kw) although the gross national product (GNP) is comparatively low for such a rate of consumption.

52. Gas accounts for 85 per cent of the total power consumption and oil for the rest. Residential and commercial uses of energy, mainly electricity, account for 24 per cent of the total, industry 61 per cent and transport 15 per cent. The demand for electricity is increasing steadily and the trend shows that it will continue to do so at least during the next decade.

53. It is felt that improved management of energy resources is called for, including appropriate legislation for conservation measures. The thermal insulation of buildings, for example, could become a compulsory element of building codes. In addition, a study on energy-efficient housing models could be proposed for UNDP assistance.

54. It is estimated that the ultimate crude oil recovery will be in the range of 840 million barrels, while that for the associated gas will be 31.2 billion cubic metres. Both resources are expected to be depleted by about 2010.

55. Complementary and substitute energy sources must therefore be found, such as solar, wind and geothermal energy. The co-operation of the United Nations system
will be sought at two levels: improved management of existing resources and the study of alternative sources of energy.

Water

New projects

56. Bahrain is facing an increasing problem as far as water resources are concerned. The per capita water consumption ratio is inordinately high and water conservation campaigns have been initiated. The lowering of the water table and seawater intrusion into the existing wells exacerbate the problem. In order to remedy the situation in the short and medium terms, the Government is investing heavily in new desalination plants for water for human consumption and in treating plants for used waters for agricultural purposes.

57. UNDP will be called upon to advise on water resources management and the application of geophysical methods in determining the sites of possible new aquifers.

58. Optimum use will be made of the activities foreseen in the regional project Regional and National Energy Planning and Policy (RAP/87/011), executed by the World Bank.

Environment ($477,000)

Ongoing projects

Youth participation in Environmental Preservation (BAH/87/001)

59. In co-operation with the General Organization for Youth and Sports, this project focuses on a five-year tree and shrub planting programme using species best adapted to local soil and climatic conditions.

National Land-Use Plan (BAH/87/002)

60. Bahrain does not presently have a comprehensive land-use plan. In view of the projected increased industrialization and urbanization, together with the need for agricultural production and recreational areas linked with the development of the tourism sector, such a plan has become a necessity. This project aims at filling the gap.

Food and Water Analysis (BAH/84/006)

61. Bahrain relies heavily on imported foodstuffs. An assessment of the food control situation, carried out by FAO in 1984, revealed a number of deficiencies which require serious consideration. The Ministry of Health is intent on establishing an effective water and food quality control system. This project will continue to provide training to laboratory technicians.

New projects

62. The degradation of the environment caused by the pollution of air, water and soil as a result of rapid industrialization should be given increased attention
before it reaches a critical stage. Among the industrial complexes contributing to the pollution problem, which is rendered more acute by the small size of the country, one can cite the refinery, the asphalt plant, the aluminium factory and the petrochemical complex. The objective of increased industrialization on the one hand, and the need to raise the level of food production (agriculture and fisheries) on the other, make it imperative to control pollution. UNDP/UNEP co-operation will be sought in this respect through the provision of expertise and training.

63. The project Youth Participation in Environmental Preservation (BAH/87/001) contains a significant component of human resources development through its training programmes in agricultural skills and the sensitization of youth to the country's development issues. The introduction, under this project, of plant species with low water consumption will contribute to the water conservation measures envisaged under the natural resources objective.

64. In the field of water and food quality control, a UNEP/AGFUND project provides the necessary laboratory equipment thus complementing UNDP inputs for technician training.

65. Organizations of the region have funded two projects (The Poultry Training and Development Centre for the Near East and The Middle and Near East Regional Animal Production and Health Centre) which contribute towards the control and reduction of animal diseases and pollution problems.

Institutional development ($363,000)

New projects

66. The marshalling of the country's human, natural and financial resources in order to achieve harmonious development in the context of the Government policy of diversification of the economic base will require planning at a more intensive level than has been the case so far. On the purely financial side of the required measures, the national accounting system should be brought in line with the needs arising from the new economic development goals. UNDP co-operation will be sought in this respect through a technical assistance project to be executed by one of the United Nations institutions best equipped for this purpose. In connection with the above, assistance to the Centre for Research and Studies will aim at co-operating on specific studies and research programmes linked with the country's priority objectives.

C. Unprogrammed reserve

67. There is an unprogrammed reserve of $302,000.
Annex
FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

A. UNDP-administered sources

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<th>Resource Description</th>
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<td>Third-cycle IPF balance</td>
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<td>Fourth-cycle IPF (1987-1991)</td>
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B. Other sources

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<td>Funds from other United Nations agencies or organizations firmly committed as a</td>
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<td>result of the country programme exercise</td>
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TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING: $3,999,000

II. USE OF RESOURCES

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<td>Subtotal, programmed resources</td>
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<td>Unprogrammed reserve</td>
<td>$302,000</td>
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TOTAL USE OF RESOURCES: $3,999,000