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COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

Consideration and approval of country programmes

THIRD COUNTRY PROGRAMME FOR

SAUDI ARABIA

UNDP assistance requested by the Government of Saudi Arabia
for the third IPF cycle

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* The previous country programmes for Saudi Arabia were issued under the document symbols DP/GC/SAU/R.1 and DP/GC/SAU/R.2.

INTRODUCTION

1. The third country programme for Saudi Arabia, which covers the period 1983-1986, has been prepared on the basis of the developmental goals, objectives and priorities of the Third National Development Plan, which covers the period 15 May 1980-21 March 1985. For the purpose of the country programme exercise, an overall analysis of the Third Five-Year Development Plan was undertaken and sectoral studies prepared by the relevant ministries and some United Nations agencies were reviewed. In addition, the reports of evaluation missions of UNDP large-scale projects as well as other UNDP documents were taken into consideration.
2. Following the above-mentioned analysis and review, discussions were held between the Government and UNDP at both the over-all and sectoral levels. In the light of those discussions and taking note of the various technical co-operation activities taking place on a bilateral basis, the Agency for Technical Co-operation Administration (ATC), Presidency of the Council of Ministers, prepared this document in close collaboration with the office of the UNDP Resident Representative. Useful inputs, particularly for the identification of emerging needs for technical co-operation, were made by concerned national and international agencies.
3. The technical assistance activities chosen for inclusion in the third country programme are those which are expected to provide a stimulus towards the attainment of national objectives, particularly in developing indigenous administrative, managerial and technical know-how capabilities. At the same time, they are designed to pursue ongoing development activities and projects with such adaptations as may be necessary to meet the requirements of the Third Development Plan.
4. The indicative planning figure (IPF) for Saudi Arabia for the third programming cycle (1982-1986), as for the second cycle (1977-1981), amounts to US\$ 10 million. This figure being quite inadequate to cover the country's UNDP technical cooperation needs, the IPF will be supplemented by sizeable Government contributions in the form of cost-sharing and funds-in-trust arrangements. About 77 per cent of the funds-in-trust programme, which is more than six times the size of the combined IPF and cost sharing programme, consists of projects which are complementary to and organically linked with IPF and cost sharing projects; these projects constitute for all practical purposes an inseparable part of a unified programme and are subject to the same coordination and implementation procedures as the regular IPF and cost sharing funded projects.

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5. The resource base for the present country programme and related multilateral technical co-operation activities for the period 1982-1986 was established during the preparation of the country programme in 1981, and the necessary budgetary appropriations were made by the Government in May 1982. These appropriations covered funds to be disbursed under cost-sharing and agency funds-in-trust arrangements for the entire period 1982-1986. The Administrator, in the light of the Government's decision to submit the third country programme to the Governing Council in February 1983, approved an extension of the country programme for 1977-1981 through the year 1982. Consequent to the approval, the new country programme will commence in January 1983 and run through 1986.

Table 1. Resources in 1982

Resources taken into account for programming in 1982

Resources available	\$
(a) IPF resources available for programming in 1982	1 440 000
(b) Other resources: Government cost-sharing	7 026 000
Linked funds-in-trust	<u>49 267 000</u>
Total resources taken into account for programming in 1982	<u><u>57 733 000</u></u>

Use of Resources in 1982

Programmed (all sectors)	<u><u>57 733 000</u></u>
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Funds-in-trust projects not linked to IPF and Government cost-sharing resources

	\$
Sector	
Agriculture, forestry and fisheries	8 556 000
Industry	302 000
Transport and communications	3 113 000
Health	1 150 000
Education	519 000
Science and technology	<u>2 728 000</u>
Total	<u><u>16 368 000</u></u>

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6. The time frame of this programme does not fully correspond to that of the Third Development Plan, but it must be stated that in this particular case the launching of the Plan prior to the formulation of the country programme had certain advantages. First, the Third Plan provided an evaluation of the planning process during the Second Development Plan period. Moreover, the development goals and objectives as well as national and local priorities as approved by the Council of Ministers for accelerating the pace of development in the Kingdom provided a necessary input to the formulation of the country programme. Second, it offered an occasion for adapting or modifying ongoing technical assistance projects in line with the development objectives and priorities of the Third Plan.

7. The illustrative IPF for the third cycle is \$10 million, of which 80 per cent is available for programming. The Government cost-sharing contribution is estimated at US\$ 43.8 million. During the third cycle, other projects amounting to \$319 million will also be executed under funds-in-trust arrangements. Out of this, a total of \$246.3 million is expected to cover projects which are complementary to and organically linked with regular IPF and cost-sharing financed projects. For all practical purposes, these projects are considered components of the related IPF and cost-sharing financed projects and are therefore subject to the usual monitoring, evaluation and reporting. Thus, adding the funds-in-trust projects which are linked with IPF and cost-sharing projects to IPF and cost-sharing financed projects, a programme in the size of \$298.1 million emerges.

8. Apart from the above dollar resources, Government contribution in local currency will also be available. A total Government cash counterpart contribution (GCCC) in the order of 210.3 million Saudi Arabia riyals (SRls) (equivalent to \$61.7 million) is expected during the third cycle. Due to slippages in delivery during the second cycle, an estimated amount of SRls 8.4 million (equivalent to \$2.5 million) is expected to be carried-over from the second to the third cycle. This will bring the total GCCC to SRls 218.6 million (equivalent to \$64.2 million).

I. NATIONAL DEVELOPMENT OBJECTIVES AND PROGRAMMES
TO BE SUPPORTED BY UNDP

A. National development objectives

9. Saudi Arabia is a developing country at a stage of rapid economic and social development. It has adopted planning as a tool for such development and has already formulated and implemented two five-year plans and is in the process of implementing the third.

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10. The over-all growth of the economy has been very impressive during the period covered by the Second Plan. The average annual growth rate of gross domestic product (GDP) was 8.4 per cent. During this period the implementation rate in the health, education, transport and communications sectors exceeded the planned targets, thus indicating a marked increase in the absorptive capacity of the economy. However, the problem of skilled manpower availability became equivalent in magnitude to the earlier serious issues of absorptive capacity and inflation. The thrust of economic and social development planning covered almost every aspect of the public and private sectors. The economy continued to be dominated by the oil sector with crude oil production averaging 8.5 million barrels per day, while the contribution of non-oil manufacturing GDP in constant prices increased at an average rate of 15 per cent per year.

11. The long-term goals of development for Saudi Arabia, which maintain the basic continuity of balanced development through the sequence of five-year plans as stated in the Third Development Plan, are:

"To maintain the religious values of Islam by applying, propagating and fostering God's Sharia;

To assure the defence of the religion and the country, and maintain the internal security and social stability of the Kingdom;

To continue balanced economic growth by developing the country's resources, by increasing the income from oil over the long-term and by conserving depletable resources, thereby improving the social well-being of all citizens and providing the economic strength to attain all the other fundamental goals of development;

To reduce dependence on the production of crude oil as the primary source of national income;

To develop human resources through education, training and the raising of health standards;

To complete the basic infrastructure which is required for the attainment of other goals".

Recognizing the need to diversify the economic base by expanding the agricultural, industrial and mining sectors, with particular emphasis on industries providing forward and backward linkages, such as petrochemical and mining, and having eliminated physical constraints to a considerable extent by expanding infrastructure facilities, the

Government has introduced a framework of policy measures designed to bring about a structural change of the economy, increase participation in economic development and social welfare, and achieve economic and administrative efficiency.

12. The Third Development Plan has been formulated, within the framework of the fundamental values and principles set forth in the First and Second Plans, with the following strategy of development:

(a) Diversification of the economic base; development of productive sectors of the economy, such as agriculture, industry and mining; and development of physical infrastructure;

(b) Increasing participation in social welfare development through public information programmes, religious and social guidance and adoption of direct methods to involve citizens in benevolent societies; community development; and literacy campaigns;

(c) Increasing economic and administrative efficiency, emphasizing administrative development; manpower development through education, training and planning; Saudization of the labour force; and fiscal management;

(d) Development of a balanced pattern of economic growth through an appropriate development strategy aimed at assisting regions and rural areas to promote productive activities in order to retain their inhabitants, extending the distribution of services, avoiding over-concentration of resources in urban areas and encouraging the establishment of "growth poles";

(e) Development of the Kingdom's manpower resources, in order to reduce dependence on expatriate labour, by improving both efficiency and intersectoral mobility;

(f) Economic co-operation in the Arabian Gulf region in order to make best use of natural resources, accelerate development, change economic structures and transform societies into producer, rather than consumer, societies.

13. With a very comfortable financial resource position, the Kingdom has set about to improve the prosperity, security, health, education and welfare of present and future generations. The total government allocation for civilian development, administration, emergency reserves and subsidies during the Third Plan is set at about SR1s 783 billion at current prices. The breakdown by development sectors is given below. The structure of the percentage allocation is also compared with that of actual government expenditure in the Second Plan period. The major emphasis in the Third Plan is on the producing sectors of the economy in order to diversify the economic base of Saudi Arabian economy.

Table 2. Total government expenditure on development 1980-1985 ^{a/}

<u>Function of expenditure</u>	<u>SR billion current prices</u>	<u>2nd Plan percentage</u>	<u>3rd Plan ^{b/} percentage</u>
Economic resources			
development	261.8	25.1	37.3
Human resources			
development	129.6	15.9	18.5
Social development	61.2	9.4	8.7
Physical infrastructure	<u>249.1</u>	<u>49.6</u>	<u>35.5</u>
Subtotal development:	701.7	100.0	100.0
Administration ^{c/}	31.4	6.7	4.5
Emergency reserves, subsidies	<u>49.6</u>	<u>15.9</u>	<u>7.1</u>
Total civilian expenditure:	<u>782.7</u>	<u>122.6</u>	<u>111.6</u>

Source: Third Development Plan, Kingdom of Saudi Arabia, page 88.

^{a/} The total excludes: i) transfer payments; ii) non-civilian sectors; iii) foreign aid.

^{b/} Based on actual and estimated values converted into 1979/80 prices.

^{c/} Administration includes: i) ministries and agencies with primarily administrative functions; ii) judicial and religious agencies.

14. In terms of development priorities, the Third Plan allocates a larger share of resources than its predecessor to the economic sectors (37.3 per cent from 25.1 per cent). Less goes to physical infrastructure (35.5 per cent from 49.6 per cent), i.e. transport and communications, and municipal and residential development. Human resources, education and training also take a slightly larger share (18.5 per cent from 15.9 per cent). Social development falls slightly (from 9.4 per cent to 8.7 per cent). The Plan aims at structural change in the economy; increased Saudi participation in development and social welfare; and increased economic and administrative efficiency. It lays major emphasis on administrative development and on increasing the size of available manpower; on Saudization of the labour force at all levels; and on deployment of manpower to those sectors that have the greatest potential for growth and the highest productivity levels.

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15. The manpower requirements for the implementation of the Plan as given in the plan text are estimated as follows:

Table 3. Civilian employment

<u>Nationality/sex</u>	<u>1979-1980</u> (thousands)	<u>1984-1985</u>	<u>Net change</u>	<u>Annual growth rate</u> <u>1979-80 to 1984-85</u> (percentage)
Saudi men	1308.4	1437.4	129.0	1.9
Non-Saudi men	<u>1014.9</u>	<u>1023.9</u>	<u>9.0</u>	<u>0.2</u>
Subtotal men	<u>2323.3</u>	<u>2461.3</u>	<u>138.0</u>	<u>1.2</u>
Saudi women	103.0	120.0	17.0	3.1
Non-Saudi women	<u>44.9</u>	<u>44.9</u>	-	-
Subtotal women	<u>147.9</u>	<u>164.9</u>	<u>17.0</u>	<u>2.2</u>
Subtotal Saudis	1411.4	1557.4	146.0	1.9
Subtotal non-Saudis	<u>1059.8</u>	<u>1068.8</u>	<u>9.0</u>	<u>0.2</u>
	<u>2471.2</u>	<u>2626.2</u>	<u>155.0</u>	<u>1.2</u>

The projected increase in the size of the 155,000 civilian labour force during the Third Plan period corresponds to the difference between new civilian employment opportunities of about 310,000 and the estimated number of people expected to leave agriculture (70,000) and construction (85,000).

16. The Third Plan projects a growth of 6.2 per cent per annum in the non-oil sectors of the economy as compared to 15.2 per cent under the Second Plan, although the non-oil sectors' share of total GDP is expected to increase, as shown by the following table:

Table 4. Relative contributions to GDP of the oil and non-oil sectors (percentage)

	<u>1979-1980</u>	<u>1984-1985</u>
Non-oil sectors	37.78	43.40
Oil sector(including refined products)	<u>62.22</u>	<u>56.60</u>
Total	<u>100.00</u>	<u>100.00</u>

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B. UNDP co-operation

17. Essentially, the economic objectives of the Third Plan are to diversify the economy and develop human resources. While calling for greater effort for the development of agriculture, mining and manufacturing (non-oil) industries, and reflecting the relative abundance of capital and the scarcity of labour, the Plan lays special emphasis on capital intensive technology, which would help in reducing the size of the foreign manpower as well as providing the basis for training the domestic labour force. In planning the future course of industrial development and technological advance, the dispersal of industrial activities is envisaged. With a view to accelerating participatory development, reliance is placed on developing a system of development centres, rural development and increased social welfare and community development services. Aside from the continuing expansion and development of physical infrastructure and social services, the Plan visualizes rapid improvement in administrative and organization methods to utilize manpower more productively and to implement development programmes and projects with reasonable speed and efficiency.

18. The major thrust of the ongoing UNDP technical co-operation activities under the second country programme has been on developing the institutional capability of various sectoral agencies through manpower development and advisory services. Co-operation has also been extended to infrastructure development, creating demonstration effects of several technical activities, guiding planned spatial development of metropolitan areas, community development and environmental health programmes. All of these efforts have been contributing towards the strengthening of the productive sectors, particularly agriculture. Other major UNDP involvement has included manpower training, introduction of new technological methods which have contributed towards enhancing local skills and organizational efficiency. It should be observed that the introduction of comprehensive regional spatial planning will contribute towards a balanced pattern of social welfare and economic development in both urban and rural areas. UNDP technical co-operation in the formulation, implementation, monitoring and evaluation of projects and in the provision of advisory services in several important aspects of development have been very conducive to the attainment of the country's development. Moreover, most of UNDP activities are in line with the Third Development Plan objectives and will therefore have to be carried over into the third country programme.

19. The Saudi Arabian Government, in deciding on the selection of UNDP technical assistance projects for the third country programme, has used the following criteria:

(a) Continuation of projects of the second country programme with such modifications as may be necessary to fulfil the enlarged objectives of the Third Development Plan;

(b) Formulation of new projects designed to assist in attaining national development objectives and priorities;

(c) Emphasis on projects which are of regional significance;

(d) Emphasis on projects which contribute towards the development of local institutions and improve manpower capabilities through training;

(e) Emphasis on projects which contribute towards the spreading of the benefits of development among all areas of the Kingdom through comprehensive socio-economic development.

C. Sectoral coverage

20. The Government's proposals for the utilization of all available resources during the third programming cycle (1982-1986), including IPF, cost sharing and funds-in-trust, are contained in the sectoral sections below.

1. General development issues, policy and planning

21. From the early 1960s, the Government of Saudi Arabia decided to adopt development planning as a tool for the rational allocation of its development resources, both material and human. It has also used planning as a means of providing an appropriate conceptual and organizational framework for determining the objectives of development in the economic, social, physical and institutional areas and for designing the most effective methods of achieving them. Having already implemented two five-year plans and being in the process of implementing a third, the Government decided to extend the use of the planning tool at the regional level to ensure a more balanced geographical development among the various regions and to contain rural to urban migration. The two projects programmed for the third cycle are described below.

Regional Development Planning (SAU/80/013)

22. This new project became operational in January 1981 as a preparatory assistance phase for regional development planning and is expected to continue through 1982. The activities during this phase include the initial study for the preparation of long range regional development plans for selected regions; the elaboration of master directive plans for integrated, social, economic and physical development of the main urban and village cluster centres; and the preparation of detailed plans for guiding development corresponding to national five-year plan periods. A full-scale project is expected to follow the preparatory phase, aiming at, *inter alia*, assisting the Ministry of Municipal and Rural Affairs in the preparation of regional development plans, including master directive and execution plans; developing an institutional set-up for training; and advising on the institutional and administrative framework for the co-ordination of development activities. The estimated UNDP and Government cost-sharing contributions for the full-scale phase

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are \$745,000 and \$1,553,000, respectively. However, the bulk of the financing, approximately \$34 million, is expected to be contributed by the Government under a funds-in-trust arrangement which will supplement the project.

Integrated Rural Development (SAU/81/005)

23. This is a new project. Its objectives are to institutionalize the management of integrated rural development (IRD) activities undertaken by the Ministry of Municipal and Rural Affairs, assist in developing and implementing policies and strategies for IRD, and strengthen the substantive and administrative capabilities of the Deputy Ministry. The estimated UNDP and Government cost-sharing contributions are \$75,000 and \$425,000, respectively. In addition, the Government is expected to contribute \$3.5 million under a funds-in-trust arrangement which will supplement the project.

24. In this area of technical co-operation, a funds-in-trust project not linked to the above-mentioned IPF and cost-sharing financed projects is expected to be implemented during the third cycle. The project is entitled "National Accounts"; its estimated cost is \$680,000.

2. Natural resources

25. Notwithstanding the potentialities of programming in this vast area for a country like Saudi Arabia, there is only one related project in this field.

Strengthening the Mapping Production Capability of the Ministry of Municipal and Rural Affairs (SAU/81/004)

26. This is a new project. Its objective is to strengthen the Survey Department of the Ministry of Municipal and Rural Affairs by the assignment of experts in the fields of contracts management, cartography, geodesy, photogrammetry of cadastral surveys, to ensure the training of national staff and to advise on the procurement of modern equipment as is necessary to discharge the Department's responsibilities. The UNDP and Government cost-sharing contributions are expected to be \$75,000 and \$425,000, respectively. In addition, the Government is expected to allocate \$12,566,000 under a funds-in-trust arrangement which will supplement the project.

3. Agriculture, forestry and fisheries

27. The Third Development Plan strategy lays principal emphasis on agriculture. It provides for the continuation of successful projects in the sector which have been initiated under the Second Development Plan.

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These projects are concerned with the development of a strong and viable agricultural sector with a view to establishing a prudent level of self-sufficiency in food production, providing opportunities for reasonable agricultural incomes, optimizing the use of water and land resources, improving the skill level and protecting the agricultural environment. The various agricultural projects to be implemented under the Third Development Plan are incorporated in seven broad programmes covering construction, production, agricultural land development, agricultural services, economic studies, support, and agricultural research. The construction programme provides for 10 new buildings for directorates and 25 branches, 7 animal quarantine stations and 25 storage depots. The production programme is aimed at increasing farm output. Its activities are to distribute improved seed varieties to farmers, help organize poultry and dairy producers who would use common processing facilities and to produce animal vaccine locally. The agricultural research programme includes major projects dealing with problems of crop and livestock production, fish and locust research, sand stabilization and land classification. The economic studies programme is intended to guide public and private investment through the improvement of its data base and policy analysis for subsidies, pricing, marketing, agro-industry and data processing. The support programme deals with training, including manpower development through the establishment of three new training centres, in addition to training via the extension services and demonstration. Specialized institutional training will be provided for 3,731 trainees during the Plan period. The land development programme aims at expanding the irrigated areas by developing new land and reclaiming existing irrigated areas and at collecting basic data on the production potential of forest and range areas. The agricultural services programme aims at providing off-farm services that farmers cannot obtain themselves such as plant protection, locust control, agriculture extension, etc.

28. The continuous outflow of rural labour to urban centres has resulted in the labour component of agricultural production becoming expensive and in short supply. The situation is expected to deteriorate further due to the projected fall in agricultural labour, which by 1985 is expected to constitute 20 per cent of the total labour force as compared to 40 per cent in 1970. Even now, a substantial percentage of agricultural labour consists of expatriates. The lack of adequately trained manpower is felt at all levels of the production cycle. In general, there is need to build up a corps of trained national personnel to staff the newly established agricultural institutions and to meet the expanding needs of the sector. Research has to be undertaken in various agricultural subjects, such as the development of drought resistant crop varieties and the availability of new agricultural land and of farm development techniques. Based on these and other emerging requirements, the Government envisages the continuation of four ongoing projects and the launching of a new one in the agricultural sector.

Agricultural Development in Wadi Jizan (Phase III) (SAU/81/003)

29. The current Phase II project (SAU/76/005) is due to be completed in December 1982. It will be followed by Phase III (SAU/81/003). The project has conducted experimental plantation of crops; introduced modern equipment for land levelling; established demonstration fields and completed training buildings. Phase III aims at an extension of the cultivable area and an improvement of the production in spate-irrigated areas through, *inter alia*, land levelling. Furthermore, it is to develop an adaptive research programme for the Hakma station and improve agricultural production in the tube-well irrigated areas. Efforts will be made to achieve maximum integration between water collection (from the Wadi), water storage (Malaki Dam), water distribution (canal systems) and the above-mentioned agricultural development and extension programme. Available resources for the remainder of the present Phase II project from Government cost-sharing and GCCC are estimated at \$389,000 and SRls 8,368,140, respectively. Under the new phase, the UNDP contribution is estimated at \$500,000; Government cost-sharing at \$9,618,000 and GCCC at SRls 197,048,700.

Advisory Services in General and Agricultural Planning (Phase II) (SAU/81/009)

30. The current project (SAU/79/008) has been operational since April 1980. It consists of one expert who has been advising the Government in agricultural planning and in drawing up long-term plans for developing agriculture, strengthening the decision-making capacity of the Ministry of Planning and providing general advisory services. The project, which is due to be completed in March 1982, is to be followed by a Phase II project (SAU/81/009), which will pursue in general the same objectives as the present project. The UNDP contribution for the ongoing project is estimated at \$25,000. For the new phase, Government cost-sharing is estimated to be \$981,000.

National Agricultural Training Centres (SAU/79/010)

31. This project commenced operations on 1 January 1980 and until recently was operating as a preparatory assistance project. The full project has recently been approved. It will continue through the middle of 1985. The project's objectives are to formulate a national agricultural training programme based on surveys leading to an assessment of agricultural manpower requirements at all levels for the next 20 years. The project will also assist in the development and expansion of the existing National Agricultural Training Centres in Riyadh, Qassim, Al-Hofuf and Jizan. The UNDP contribution under this project is estimated at \$923,000 and Government cost-sharing at \$2,611,000 in addition to SRls 13,220,570 in GCCC.

Animal Production and Health Institute (Phase II) (SAU/80/010)

32. The current project (SAU/75/003) is due to be completed in July 1982. It will be followed by a new phase (SAU/80/010), the objective of which will be to strengthen and expand the Veterinary Centre to graduate animal health assistants at the intermediate level. The requirement for such personnel is on the increase due to the accelerated development of the agricultural sector. The UNDP contribution for the ongoing project is estimated at \$45,000. In the new phase, the Government's estimated contribution towards the trust fund project is estimated at \$6,152,000.

Production of Audio Visual Aids (SAU/80/014)

33. This is a new project, the objectives of which are to put at the disposal of the Ministry of Agriculture and Water available audio-visual materials for public information, motivation and training purposes and for use in extension programmes for farmers. The project also aims at training Saudi nationals at producing audio-visual materials in order to build up the capacity of the Ministry of Agriculture and Water so as to enable it to continue production of similar work without further outside assistance. The project is to be financed wholly through Government cost-sharing which is estimated at \$700,000.

34. The following funds-in-trust projects in the agricultural sector, which are not linked to IPF and cost-sharing funded projects, are expected to be implemented during the third cycle:

<u>Project</u>	<u>Estimated cost</u>
	\$
Assistance in agricultural development	25 000 000
National horticultural centre	6 945 000
Research in range and animal development	9 845 000
Fish farming centre	990 000

4. Industry

35. In line with the Government's basic policy of diversification of the economy, the Third Plan aims at bringing about structural changes in the economy by emphasizing the establishment of industrial units, both hydrocarbon and non-hydrocarbon based. This will be facilitated by the availability of the essential physical infrastructure, which was completed during the Second Plan. A large number of specific projects relating to this objective have been identified in the Third Plan and a number of promotional measures have been introduced.

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36. The Kingdom's petroleum refinery output has so far been for fuel markets only, with no production of petrochemicals based on refinery feed stocks. The Third Plan programme for hydrocarbon-based industries consists of (a) the conversion of separated associated gas into industrial petrochemicals for export and domestic use and (b) the conversion and utilization of gas feed stocks and fuel on a project-by-project basis according to technical feasibility and priorities. Specific programmes to be implemented include general studies and research on product marketing, feed stocks process evaluation, and prefeasibility studies. Methane utilization projects consisting of methanol plants and urea plants and ethane utilization projects consisting of ethylene complexes, which are the basic requirement for downstream petrochemical products, such as plastic and other ethylene derivatives, are to be started.

37. Non-hydrocarbon-based manufacturing has generally been left to the private sector with guidance, supervision, and encouragement from the Government. The contribution of non-hydrocarbon-based manufacturing to GDP remained fairly constant during the Second Plan at around 5.5 per cent of non-oil GDP at constant prices. The sector's annual growth rate was 15.4 per cent during the Second Plan (1975-1980) and during the Third Plan it is expected to exceed the growth rate of non-oil GDP. Between 1974 and 1978 the number of licensed companies in non-hydrocarbon-based industries in operation rose from 285 to 687. In 1978 282 companies with plants were under construction and a further 319 companies were in the planning stage.

38. All industries have shown expansion, particularly those serving the construction sector, such as non-metallic mineral products, fabricated metal products, chemicals, plastics and rubber, besides wood and wood products and food and beverages.

39. Under the Second Plan, the Industrial Estate programme was expanded substantially by enlarging the three existing estates and setting up three new ones. During the Third Development Plan, two more industrial estates are to be set up.

40. UNDP technical co-operation projects in industry envisaged for the third cycle are described below.

Industrial Advisory Services (Phase II) (SAU/81/008)

41. The first phase project (SAU/79/005) was approved for two years and was completed in May 1982. In the meantime, a phase II project was prepared (SAU/81/008). The project (SAU/79/005) was engaged in preparing substantive recommendations for updating the country's present industrial development policy and strategy and for achieving more effective implementation of the country's industrial development plan. It also aimed at building up the Government's capability in identifying and preparing industrial

projects for the public, mixed and private sectors and in evaluating industrial projects submitted to the Ministry of Industry and Electricity for licensing. The Phase II project will follow the objectives of the ongoing project but with a larger scope. The UNDP contribution to the first phase project is estimated at \$283,000. The UNDP and Government cost-sharing contributions under the new phase are expected to be \$323,000 and \$1,121,000 respectively.

Technical Advisory Services to SASO (Phase II) (SAU/81/010)

42. The first phase project (SAU/80/008), a preparatory project, will be followed by a full-scale project (SAU/81/010). Both the ongoing and the new phase aim at strengthening the Saudi Arabian Standards Organization (SASO) in its role of maintaining high industrial standards and quality control. The UNDP and Government cost-sharing contributions to the new phase are expected to be \$75,000 and \$1.2 million, respectively. The new phase will be supplemented by a funds-in-trust project, the total cost of which is expected to be \$2,975,000.

43. The following funds-in-trust projects in the industrial sector, which are not linked to IPF and cost-sharing funded projects, are expected to be implemented during the third cycle:

<u>Project</u>	<u>Estimated cost</u>
	\$
Industrial management training	566 000
Assistance to Southern Cement Company	445 000
Assistance to the Saudi Consulting House	500 000

5. Transport and communications

44. The demand placed on the transportation sector as a consequence of the rapid growth of the economy was most intense during the Second Plan and difficulties were encountered in coping with this demand, notwithstanding the remarkable growth registered by the sector. The difficulties continued into the Third Plan, under which the main objectives of the sector are to support the continued development of the industrial, agricultural and mining sectors, to provide services accessible to the population, and foster an equitable distribution of public services.

45. The present satisfactory situation in the road sector is credited to the accomplishments of the Second Plan, one of the specific objectives of which was the construction of 13,066 kilometres of paved roads and 10,250 km of earth surface rural roads. As regards the paving of roads, the implementation rate was 75 per cent, while the target for rural roads was exceeded by 40 per cent. Towards the end of the Second

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Plan, the road system consisted of 11,393 km of main roads, 10,053 km of secondary roads and 23,180 km of rural roads connecting 6,954 villages. During the Third Plan construction of 4,048 km of new main roads, 1,421 km of secondary roads (paved two-lane) and 17,445 km of rural roads connecting an additional 4,579 villages will be undertaken.

46. The severe congestion in the seaports experienced during the first years of the Second Plan eased significantly by the end of the Plan period. The number of births grew from 24 in 1975 to 130 in 1980 and a further expansion to 145 by 1985 is planned. The objectives of the port expansion programmes are to expand berthing, cargo and storage facilities at the ports sufficiently enough to handle a 50 per cent increase in imports, which is expected to take place during the Third Plan period, to improve efficiency and safety in the ports system and to provide a 25 per cent reserve capacity.

47. The Kingdom's only rail line between Dammam and Riyadh, covering a distance of 562 km, is an important cargo line into the interior of the country. This Third Plan envisages the improvement of the rail line to accommodate the expected increase in traffic.

48. The programme to provide modern telecommunications and postal services to facilitate the Kingdom's social and economic development received great impetus during the Second Plan period. Projects undertaken during the middle of the Plan augmented the telephone capacity from 126,000 lines in 1975 to 452,000 in 1980. The total exchange line capacity at the end of the ongoing expansion will be 687,000 lines, which is expected to rise to 1,177,000 by the end of the Third Development Plan. Long distance service facilities at the end of 1979 and 1980 were at a ratio of 98 long distance circuits per 1,000 telephone exchange capacity. The development of the communications sector during the Third Plan will, *inter alia*, include the installation of sufficient telecommunications capability to meet the expanding demand, improve and extend postal services to all parts of the Kingdom so that all mail will be delivered within 24 hours in major cities and 48 hours elsewhere. The Third Development Plan also provides for a programme to expand the microwave long distance links with Egypt, Jordan, Kuwait, Qatar, the United Arab Emirates and the Yemen Arab Republic and to expand the long-distance coaxial cable system to link other cities in the Kingdom and Bahrain. Particular attention will be given to the manpower development programme with a view to increasing productivity through greater mechanization.

49. The technical co-operation projects in the transport and communications sector programmed for the third cycle are described below.

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Presidency of Civil Aviation (PHASE II) (SAU/81/002)

50. The first phase project (SAU/72/002) became operational in 1972 with the objective of improving the planning and co-ordination of the Government's training activities in the field of civil aviation and upgrading the air traffic services and radio maintenance training. The project was completed at the end of 1981 and was followed by the Phase II project (SAU/81/002). The new phase aims at assisting the Presidency of Civil Aviation (PCA), Ministry of Defence, in developing a competent and properly staffed government organization for the PCA, and at ensuring the establishment and reinforcement of appropriate national codes and standards commensurate with international requirements in all fields of civil aviation. The estimated UNDP contribution is \$1,114,000. This will be supplemented by a sizeable funds-in-trust project expected to cost \$147 million.

Telecommunications and Broadcasting Training Institutes, Jeddah and Riyadh (Phase III) (SAU/81/001)

51. The Phase II project (SAU/76/002) became operational in 1977. Its objectives are to assist the Government in expanding and improving telecommunications and radio broadcasting facilities in the Kingdom through the training of managerial, engineering, operational and administrative personnel of various categories and service grade levels. This phase will terminate in December 1982 and is to be followed by the Phase III (SAU/81/001). The new phase aims at consolidating the activities of training and helping the Government to meet the manpower needs of the Ministry of Post and Telegraph and Telephone (PTT), the Ministry of Information as well as other ministries. The estimated Government cost-sharing contribution is \$1.3 million towards the ongoing project. Under the new phase, the UNDP and Government cost-sharing contributions will be \$559,000 and \$11,752,000, respectively. It will be supplemented by a funds-in-trust component which is expected to cost \$40,144,000.

Advisory Services to the Ministry of Foreign Affairs to Plan and Implement a Special Communication Network for the Ministry's Needs (SAU/80/003)

52. The project became operational in July 1980. Its objectives are to assist the Ministry of Foreign Affairs in developing a special telecommunications network to meet its growing needs to establish efficient and reliable telecommunication contact with its embassies and missions all over the world. The project is expected to continue into a second phase when the present project terminates at the end of 1982. The UNDP contribution to the ongoing project is estimated at \$205,000, while the estimated UNDP and Government cost-sharing contributions under the new phase will be \$257,000 and \$606,000, respectively.

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Telecommunication Maintenance Assistance to the Ministry of Foreign Affairs (SAU/80/007)

53. The project became operational in March 1982 in the form of a preparatory assistance phase; a full-scale project will be developed during the third cycle. Its objectives are to ensure the maintenance of the existing and new high frequency equipment and telegraph and telex equipment of the Ministry of Foreign Affairs; to carry out job training of national counterpart staff on operational and maintenance aspects of the equipment; and to assist in the installation of new equipment. The estimated UNDP contribution for the ongoing project is \$54,000 while the UNDP and Government cost-sharing contributions for the full-scale project are expected to be \$272,000 and \$2,455,000, respectively.

Road Network (SAU/79/004)

54. The objectives of this project are to provide the Ministry of Transport and Communications with technical advice to enable it to prepare and implement sectoral plans relating to its enormous road network programme. The project will be financed completely by Government cost-sharing which is expected to amount to \$2,760,000 during the third cycle.

55. The following funds-in-trust projects in the transport and communications sector, which are not linked to IPF and cost-sharing funded projects, are expected to be implemented during the third cycle:

<u>Project</u>	<u>Estimated cost</u>
	\$
Ports and highways	2 500 000
Assistance to the Ministry of PTT	6 175 000
Satellite for TV broadcasting	3 240 000
Assistance to the telegraph of the Ministry of PTT	3 650 000

6. Health

56. The Kingdom's policy in this sector is to provide the best possible health care services free to all inhabitants. The objectives of the health development programme incorporated in the Third Development Plan can be summarized as follows:

(a) To improve health conditions and provide every region of the country with a fully integrated system of medical care free of charge;

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(b) To increase, improve and, as far as possible, Saudisize medical manpower;

(c) To establish a National Health Council and introduce greater emphasis on environmental health, preventive medicine and primary health care;

(d) To operate and complete uncompleted projects of the Second Plan and encourage the private sector to expand medical services.

57. No UNDP projects are programmed in this sector for the third cycle, but the World Health Organization (WHO) is expected to execute various funds-in-trust projects of an estimated total cost of \$5,750,000.

7. Education

58. The Second Development Plan witnessed a very considerable expansion of the physical facilities of the education and training system in the Kingdom. Several targets of the Second Plan were exceeded and by 1979 3,419 elementary schools, 825 intermediate schools, 246 secondary schools and 2,047 literacy programmes were established. The teacher training, technical and special education targets were also largely met. Technical education saw a significant development of physical facilities. A total capacity of 6,120 places was created in the industrial education programme with enrolments lagging behind capacity, largely as a result of greater flows from intermediate to general secondary education. Enrolments in the commercial courses reached 3,927 attendants.

59. Attention under the Third Plan is focused on improving the quality of education and training by undertaking a pre-investment study leading to the establishment of an Education Development Centre (EDC) within the Ministry of Education. EDC will consolidate the present functions of the Ministry and will concentrate on the development, evaluation and extension of new curricula, the standardization of achievement tests and the monitoring of student performance. Moreover, qualitative improvements in admissions, instruction and research will be made, better recruitment and staff development methods will be introduced, a critical skills inventory for technical and vocational training will be prepared and measures strengthening the literacy programmes will be initiated. The second major educational objective is to enhance responsiveness to the needs of the economy by introducing more relevant general education programmes and to establish an inter-ministerial committee on manpower to assess periodically the needs for technical education plans and to develop an adult literacy programme. The third objective is to improve the efficiency of the system by undertaking a review of the management and organization of sectoral agencies and by introducing a data processing information system and

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related management techniques. The fourth objective is to develop the physical infrastructure with a view to enhancing the capacity for applied education research and development. In addition to EDC, regional institutes of education linked to the regional directorates of education will be established, together with a post-secondary polytechnical institute. The pre-vocational and vocational training programmes will also be expanded.

60. The projects in the educational sector which are programmed for the third cycle are described below.

Statistical Data Centre and Educational Documentation
(Phase II) (SAU/81/006)

61. The first phase project (SAU/74/004) commenced operations in 1975 and was completed in June 1982. The Phase II project (SAU/81/006) was approved in January 1982. It aims at objectives similar to those of the first phase project, with basic emphasis on qualitative improvement of existing guidelines for educational libraries and collection of books and periodicals in the Kingdom, training of national staff, further development of the educational statistics systems, up-grading of the technical capabilities of the Ministry of Education in the use of modern data processing equipment, and production of a modern educational documentation and information system. The UNDP and Government cost-sharing contributions under the Phase II project are \$475,000 and \$475,000, respectively.

Strengthening the Directorate General for Development of Higher
Education - The Ministry of Higher Education (SAU/79/002)

62. This is a preparatory assistance project which has been initially approved for a duration of 14 months. It is due to be completed in February 1982 and is to be followed by a full-scale project, as originally planned. The project's objectives are to develop a planning unit in the Directorate General for Development of Higher Education responsible for the promotion and co-ordination of all planning activities relating to higher education and for the follow-up and evaluation of implementation. It also aims at establishing an effective statistical system and a documentation and information centre on higher education, capable of collecting and processing statistical information and documentation concerning university education and undertaking analytical studies on higher education. The UNDP and Government cost-sharing contributions towards the preparatory assistance phase are estimated at \$54,000 and \$185,000, respectively. Under the full-scale project, these contributions are expected to be \$314,000 and \$893,000, respectively.

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63. The following funds-in-trust projects in the education sector, which are not linked to IPF and cost-sharing funded projects, are expected to be implemented during the third cycle:

<u>Project</u>	<u>Estimated cost</u>
	\$
Home economics	500 000
Diplomatic institute	2 095 000

8. Social conditions and equity

64. The social services which are provided by the Government are designed to improve the living standards and quality of life of the population and to stimulate the participation of citizens in development, as well as provide remedial care and assistance for the disabled and deprived. These services comprise social affairs, social care and social security, social insurance and youth welfare. The Government has substantially expanded its programmes of social development during the Second Plan.

65. As to community development, in 1980 there were 24 community development centres compared to 17 in 1975. Six are in urban areas and 18 in rural locations. Seventeen additional community centres will be constructed during the Third Plan. Sixty local community development committees will be established in urban and rural areas which at present lack a community development centre. Institutionally, community development is supervised by an inter-ministerial co-ordinating committee for community development. The number of co-operatives in the country increased to 111 in 1980 with 35,000 members, compared to 89 with 30,000 members in 1975. During the Third Plan, five regional co-operatives and 50 more local co-operatives are to be established.

66. Coverage of pension schemes is to be expanded under the Third Plan to all establishments employing more than 10 employees, increasing the total number of employees enrolled in the pension scheme from 718,000 in 1980 to approximately 1,249,000 in 1985.

67. The over-all financial allocation for social development during the Third Plan is SRls 70,045 million covering, inter alia, social security payments, rehabilitation programme co-operatives, community development, social insurance, youth welfare, and bedouin programmes.

68. The two projects programmed for the third cycle in this sector are described below.

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Community development (SAU/77/001)

69. Training in development personnel who participate in community development programmes has been entrusted to the National Centre for Training and Applied Research in Community Development. The project became operational in 1978. It has served as a national training institution in community development and related fields, including the organization of training programmes for different categories of personnel engaged in social and community development activities, the carrying out of applied research, and the performance of various other activities, such as the preparation of educational materials, activities related to women, health education, literacy and adult education. The project is due for completion by the end of 1982. The estimated Government cost-sharing contribution is \$834,000.

Vocational Rehabilitation of Disabled (SAU/79/006)

70. This is a new project, the objective of which is to establish and develop a comprehensive national vocational rehabilitation programme, including vocational guidance and assessment, training and employment services for all categories of physically and mentally handicapped persons. This two-year project is expected to commence in the middle of 1982 and it is anticipated that it will be extended for a further period of three years. The UNDP and Government cost-sharing contributions for the two-year project are expected to be \$204,000 and \$344,000, respectively.

9. Science and technology

71. The objectives of the national science and technology policy in the Kingdom are two-fold, aiming (a) at the transformation of the society's material conditions through the appropriate selection, transfer and management of advanced technology, while simultaneously preserving cultural values; and (b) at the development of the Kingdom's material and human resources with a view to reducing the economy's dependence on foreign manpower and on non-renewable hydrocarbon resources. In this context, the Saudi Arabian National Centre for Science and Technology (SANCST) was established in 1977 as an autonomous body, administratively attached to the office of the Prime Minister. An important aspect of SANCST responsibility relates to tackling the problem of Saudi manpower shortage through the promotion of labour-saving technology in the Kingdom's commercial and industrial sectors. Work has already begun on establishing a national science and technology information system under which a national science data base is being developed.

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72. The Third Plan provides for a comprehensive survey of the distribution and character of the arid ecosystem and the development of holistic models to analyse alternative land use patterns. In addition, a study of the energy use pattern is being planned with a view to recommending a policy of conservation and evaluating alternative energy sources.

73. The technical co-operation projects programmed for the third cycle are described below.

Establishment of National Office for Transfer of Technology (SAU/81/007)

74. This new project aims at setting up a national office for the transfer of technology to meet the growing demands of the industrial sector. The UNDP and Government cost-sharing contributions are estimated at \$194,000 and \$1,106,000, respectively.

Integrated Information Centre (SAU/80/011)

75. This preparatory assistance project is to start operations early in 1982. Its objectives are to computerize routine procedures of the Ministry of Foreign Affairs and provide for the efficient storage, rapid updating and retrieval of relevant data and to develop the Computer Department of the Ministry of Foreign Affairs to plan and implement the mechanization of successive aspects of the Ministry's operations on the basis of a careful study of user needs. The UNDP contribution to the ongoing project is estimated at \$296,000, while Government cost-sharing is projected at \$294,000. Additional UNDP and Government cost-sharing contributions toward the full project are estimated at \$414,000 and \$1,436,000, respectively.

76. The following projects in the area of science and technology to be financed under funds-in-trust arrangements, which are not linked to IPF and cost-sharing funded projects, are expected to be implemented during the third cycle:

<u>Projects</u>	<u>Estimated cost</u>
	\$
Advisory services to the Ministry of Information	2,160,000
Marine meteorology	500,000
Weather prediction	750 000

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II. REGIONAL PROJECTS

77. The Government of Saudi Arabia is participating in the following regional projects:

- (a) Identification and Preparation of Intercountry Investment Projects and Related Feasibility Studies (RAB/74/011);
- (b) Development of Fisheries in Areas of the Red Sea and the Gulf of Aden (Phase II) (RAB/81/002);
- (c) Arab Institute for Banking and Financial Studies (RAB/78/012);
- (d) Fertilizer Development, Promotion and Distribution (RAB/78/021);
- (e) Arab Institute for Postal Development (RAB/79/005);
- (f) Maritime Transport Academy (RAB/79/008);
- (g) Framework for Financial Institutions (RAB/79/009);
- (h) Implementation of Middle East and Mediterranean Telecommunication Network (RAB/79/014);
- (i) Assistance in Food and Drug Administration (RAB/79/023);
- (j) Regional Centre for Training of Educational Personnel (RAB/79/025);
- (k) Assistance to Arab Organization for Administrative Science (RAB/79/031);
- (l) Fisheries Development in the Gulfs (RAB/81/001);
- (m) Employment Promotion (RAB/80/024);
- (n) Construction Industry Management Training in Arab Countries (RAB/80/027);
- (o) Arabization of Telecommunication Glossary (RAB/81/013).

III. THE PROGRAMME, ITS CONCENTRATION AND ITS RELATIONSHIPS AND CHARACTERISTICS

78. The country programme for the Kingdom of Saudi Arabia for the third UNDP programming cycle has been prepared on the basis of the objectives and priorities reflected in the Third Development Plan 1980-1985. The general strategy and objectives of this Plan are in line

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with the various resolutions of the General Assembly of the United Nations relating to development, such as the resolutions for the establishment of the New International Economic Order, and the resolution on economic and technical co-operation among developing countries.

79. The country programme has been so prepared as to avoid duplicating the services derived by the Kingdom through its participation in the regional projects listed in paragraph 77. It is heavily concentrated in the two economic sectors of transport and agriculture but provides adequate attention to certain intersectoral activities such as regional planning. In all cases, the central theme of the programme is the development of human resources, which is an appropriate reflection of the relative situation pertaining to the factors of production in the country.

80. A characteristic of the programme is that it manages successfully to eliminate the breaking up of the particular projects into different entities to reflect the various sources of financing, thus ensuring a higher level of efficiency and economy and resulting in better implementation and co-ordination. By merging the projects financed from UNDP and Government cost-sharing contributions which amount to \$51,934,000, with the UNDP-linked funds-in-trust projects of \$246,337,000, a unified programme of \$298,271,000 for the period 1982-1986 emerges which is subject to the established tripartite formulation, execution, monitoring and evaluation procedures.

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Annex

FINANCIAL SUMMARY

A.	<u>Resources</u>	\$
(a)	<u>IPF and other resources</u>	
	(i) Illustrative IPF for 1982-1986	10 000 000
	(ii) Less unprogrammed balance <u>a/</u>	(2 000 000)
	(iii) Less authorized budget level for 1982	(1 440 000)
	(iv) Previous IPF cycle balance	179 000
	(v) Other resources: Government cost-sharing	36 729 000
	Linked funds-in-trust <u>b/</u>	197 070 000
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	Total resources available for programming:	240 538 000
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B.	<u>Use of resources</u>	
(a)	<u>Programmed</u>	
	(i) Ongoing projects	42 770 000
	(ii) New projects and new phases of ongoing projects included in the country programme	197 070 000
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	Subtotal:	239 840 000
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	(b) <u>Reserve</u>	698 000
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	Total programmed plus reserve:	<u>240 538 000</u>

C. Financial distribution of programme, by sector

<u>Sector</u> ^{c/}	<u>Ongoing</u> <u>projects</u> \$	<u>New</u> <u>projects</u> \$	<u>Total</u> \$
02 General development issues, policy and planning	1 245 000	30 000 000	31 245 000
03 Natural resources	500 000	10 053 000	10 553 000
04 Agriculture, forestry and fisheries	14 458 000	4 922 000	19 380 000
05 Industry	2 888 000	2 380 000	5 268 000
06 Transport and communications	18 292 000	149 715 000	168 007 000
11 Education	1 727 000	-	1 727 000
14 Social conditions and equity	453 000	-	453 000
16 Science and technology	3 207 000	-	3 207 000
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TOTAL	42 770 000	197 070 000	239 840 000

a/ Representing 20 per cent of the illustrative IPF which has not been taken into account for programming.

b/ These funds-in-trust resources, though linked to UNDP-assisted projects, will be provided by the Government to the executing agencies concerned under funds-in-trust arrangements between the Government and the agencies.

c/ According to ACC classification.

Annex

Other resources: funds-in-trust not linked to IPF and Government cost-sharing resources

<u>Sector</u>	<u>\$</u>
02 General development issues, policies and planning	680 000
04 Agriculture, forestry and fisheries	34 224 000
05 Industry	1 209 000
06 Transport and communications	12 452 000
10 Health	4 600 000
11 Education	2 076 000
16 Science and technology	2 728 000
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Total	<u>57 969 000</u>
