

UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



Distr.
GENERAL
E/ECWA/13
Annex
Original: ENGLISH

ECONOMIC COMMISSION FOR WESTERN ASIA

Second Session
Beirut, 21 - 25 April 1975

MID-TERM
REVIEW AND APPRAISAL OF PROGRESS
IN THE IMPLEMENTATION OF THE
INTERNATIONAL DEVELOPMENT STRATEGY
FOR THE SECOND DEVELOPMENT DECADE
IN COUNTRIES OF WESTERN ASIA

Background Document^{1/}

^{1/} This document treats mainly sectoral developments, development plans and policies, plan formulation and implementation, development of human resources, problems of the least developed countries, and regional economic co-operation efforts.

- i -
CONTENTS

| | <u>Page</u> |
|---|-------------|
| I. OVERALL GROWTH PERFORMANCE AND DEVELOPMENT POLICIES | |
| A. <u>Growth Performance</u> | |
| 1. Growth of aggregate product | 1 |
| 2. Structural change | 5 |
| 3. Mobilization of financial resources | 7 |
| 4. Financing of gross domestic fixed capital formation | 9 |
| 5. Investment in fixed capital formation | 11 |
| 6. Structure and composition of investment in fixed capital formation | 12 |
| B. <u>Development Plans and Policies</u> | |
| 1. Introduction | 13 |
| 2. Planned investments and their financing | 15 |
| 3. Targets and policies for savings | 18 |
| 4. Policies and measures for channelling financial resources | 21 |
| 5. Patterns of resource allocation and output targets | 23 |
| 6. Employment targets and policies | 25 |
| 7. Sectoral targets and policies | 29 |
| II. ASSESSMENT OF PERFORMANCE AT THE SECTORAL LEVEL | |
| A. <u>The Agricultural Sector</u> | |
| 1. The agricultural sector in the Region | 40 |
| 2. Factors affecting agricultural production and productivity | 46 |
| 3. Elements of the infrastructure for agricultural growth .. | 52 |
| 4. Agricultural development planning | 56 |
| B. <u>The Industrial (Manufacturing) Sector</u> | |
| 1. Industrial development in Iraq | 59 |
| 2. Industrial development in Lebanon | 67 |
| 3. Industrial development in the Syrian Arab Republic | 74 |
| C. <u>The External Sector</u> | |
| 1. Major trends in trade and payments | 81 |
| 2. Trade problems and policies | 94 |

/...

III. DEVELOPMENT OF HUMAN RESOURCES

A. Progress in Social Development

| | |
|--|-----|
| 1. Recent social trends and programmes | 100 |
| 2. Structural changes | 111 |
| 3. Rural development | 115 |
| 4. Effect of conflicts on social development | 120 |

B. Progress in Housing, Building and Urban Planning

| | |
|--|-----|
| 1. The structure of urban settlement | 121 |
| 2. The construction industry | 137 |
| 3. Urban planning | 141 |

IV. THE LEAST DEVELOPED COUNTRIES

A. Identification of the Least Developed Countries in the ECWA Region

| | |
|---|-----|
| 1. Qualifiers introduced into the identification criteria set by the Committee for Development Planning | 147 |
| 2. Identification and basic characteristics | 149 |

B. Special Measures in Favour of the Least Developed Countries in the Region

| | |
|--|-----|
| 1. Special measures taken at the international level | 154 |
| 2. Special measures taken at the regional level | 155 |

V. REGIONAL ECONOMIC COOPERATION

A. Economic Cooperation and Integration Efforts

| | |
|---|-----|
| 1. The cooperation effort in perspective | 158 |
| 2. Economic integration efforts and intra-regional trade .. | 162 |
| 3. Future prospects | 163 |

B. Regional Finance Availabilities and the Capital Needs of Various Countries in Western Asia (1971-1975)

| | |
|---------------------------------|-----|
| 1. Finance availabilities | 165 |
| 2. Capital needs | 174 |

/...

VI. PLANNING MACHINERY, PLAN FORMULATION AND IMPLEMENTATION

A. Planning Machinery: its Structure and Functions

1. Central planning organizations and their functions 181
2. Planning organs in operating agencies 188
3. Planning agencies at regional and local levels 191

B. Plan Formulation 193

C. Plan Implementation 196

D. Development Planning and Administrative Reform 202

/...

LIST OF TEXT TABLES

| | <u>Page</u> |
|--|-------------|
| 1. Population (mid-1970), gross national product at market prices (1970), and average annual growth rates (1960-1970), in ECWA countries | 4 |
| 2. National savings rates relative to gross national product, in various countries of Western Asia, three year averages, 1964-1966 and 1968-1970 | 8 |
| 3. Structure of financial resources in various countries of Western Asia, five year average, 1965-1969 | 10 |
| 4. Past and planned average shares of gross investment in gross national product in various countries of Western Asia | 15 |
| 5. Planned distribution of expenditure on gross national product in various countries of Western Asia | 16 |
| 6. Sectoral distribution of planned public investment in various countries of Western Asia | 24 |
| 7. Planned rates of growth in various countries of Western Asia, with reference to the targets of IDS | 26 |
| 8. Planned sectoral distribution of new jobs in Iraq, Jordan and Saudi Arabia | 27 |
| 9. Distribution of planned public expenditure for agricultural development in various countries of Western Asia | 30 |
| 10. Past and planned annual rates of growth in the value of exports and imports in various countries of Western Asia | 37 |
| 11. Iraq: Implementation of planned expenditure in major industries, 1965-1969 | 60 |
| 12. Iraq: Growth targets for the manufacturing sector in the national development plan 1970-1974 | 64 |
| 13. Identification of the "least developed countries" in the ECWA Region | 150 |
| 14. Kuwait, Saudi Arabia and United Arab Emirates: surplus on current account, 1970, 1975 and 1971-1975 | 169 |
| 15. Democratic Yemen, Jordan, Lebanon, Oman, Syrian Arab Republic and Yemen: deficit on current account, 1970, 1975 and 1971-1975..... | 170 |

I. OVERALL GROWTH PERFORMANCE AND DEVELOPMENT POLICIES

The International Development Strategy for the Second United Nations Development Decade (the IDS, for short) requires that appropriate arrangements be made "to keep under systematic scrutiny the progress towards achieving the goals and objectives of the Decade - to identify shortcomings in their achievement and the factors which account for them".^{1/} For this purpose, the General Assembly resolved that "review and appraisal at all levels should be informed by the common purpose of assessing the manner in which the operation of the IDS has contributed to economic growth and social progress".^{2/}

One of the main purposes of the review and appraisal exercise is to establish baselines from which future progress could most usefully be measured, to take stock of recent achievements, and to assemble the most up-to-date information on economic and social progress.^{3/}

In establishing these baselines at the overall level, this chapter presents an assessment not only of past performance, but also of the objectives and policies laid down in the development plans of countries that have issued formal planning documents in the nineteen seventies.

A. Growth Performance

1. Growth of aggregate product

The IDS establishes as minimum growth targets for the developing world in the Decade average growth rates of 6 per cent and 3.5 per cent in total and per head gross product, respectively. These targets and those derived from them are conceived by the IDS as "a broad indication of the scope of convergent efforts to be made during the Decade at the national and international levels", while entrusting each developing country with setting its own targets

^{1/} General Assembly resolution 2626 (XXV).

^{2/} General Assembly resolution 2801 (XXVI).

^{3/} See United Nations Department of Economic and Social Affairs, "Guidelines for Respondents to the Inquiry Regarding the Progress of Countries Carrying out the International Development Strategy".

for growth in the light of its own circumstances. Accordingly, the relevance of the global targets for any one country or region is connected with the effort that each country is expected to make in the Decade in relation to its development potential and recent performance.

National accounting time-series, which are basic to the measurement of economic growth, are available in a statistically acceptable form for only six out of the twelve countries in the ECWA region, namely, Iraq, Jordan, Kuwait, Lebanon, Saudi Arabia and the Syrian Arab Republic. Only for three countries, namely, Iraq, Jordan and the Syrian Arab Republic, do these series extend for a full decade. Besides being short in time-coverage, these series are also deficient in reflecting output changes in real terms (at constant prices), as against changes in monetary terms (at current prices).

However, with proper adjustments to extend the time coverage of national accounting series, and taking into account price changes, it is possible to obtain estimates of average annual growth rates, total and per head, in the six countries mentioned above. For the other six countries, namely, Bahrain, Democratic Yemen, Oman, Qatar, the United Arab Emirates and Yemen, the state of statistics is such that only very rough orders of magnitude of the rates of their economic growth could be obtained, based on partial information and some production indicators for the major sectors, particularly oil.

It would appear that the highest average annual growth rates in the past decade (1960-1970) have been realized in the United Arab Emirates (29.5 per cent) and Oman (19.4 per cent), countries which recently and very rapidly became important oil producers. Next in rank come some of the older oil producers, namely, Saudi Arabia (10.5 per cent), Qatar (9.6 per cent), and Kuwait (7.9 per cent). Growth rates of the remaining two oil countries, namely, Bahrain and Iraq, stood at 6.4 per cent per annum. Of the non-oil countries, only Jordan achieved a rate higher than the IDS global target rate (6.6 per cent). Growth in the Syrian Arab Republic and in Lebanon averaged around 5.9 and 4.7 per cent per annum, respectively. The rate of economic growth in Yemen has been somewhere between zero and 3 per cent. Democratic Yemen seems to have suffered a negative growth rate, due mainly to the closure of the Suez Canal and political disturbances (see table 1).

/...

While the growth in national product achieved in most countries of the region over the last decade is higher than the global average of developing countries, and indeed, higher than the global target for developing countries set in the IDS, the significance of these rates for economic welfare has been adversely affected by the relatively high rates of population growth in most countries of the Region, implying rates of per head national product that are lower than the IDS average annual target of 3.5 per cent, except for the United Arab Emirates, Oman and Saudi Arabia. With the exception of Saudi Arabia, the two Yemens, Lebanon and Oman, where annual average growth rates of population are estimated to have been in the neighbourhood of the rate recommended by the IDS, i.e. 2.5 per cent, the rest of the countries in the region are believed to have experienced rates that vary from 3.4 in Jordan and the Syrian Arab Republic and 3.5 in Bahrain and Iraq, to 9.3 in Kuwait. In the extreme case of Kuwait, due mainly to immigration, this resulted in an actually negative growth rate of per head national product, despite the very high growth rate of total national product in that country. Furthermore, it is believed that past growth rates of most countries of the region, even those which were relatively high, did not by any means, express their full development potential. Quite aside from the fact that the rapid growth of oil production accounts, in most cases, for the exceptionally high performance observed, a number of factors contributed to depress economic growth in several of the countries under consideration.

In Iraq as well as in the Syrian Arab Republic, the last decade was a period of transition from one political and socio-economic set up to another. The implementation of the agrarian reform laws and the nationalization laws, affected key activities in industry and commerce and had unsettling effects, leading, in the first case, to poor performance in agriculture, and, in the second case, to a relative retardation of industrial growth during the transitional period. Internal political strike, which sometimes took the form of civil war, as in the cases of Iraq and Yemen, was also responsible for depressing growth below its feasible potential.

/...

Table 1. Population (mid-1970), gross national product at market prices (1970), and average annual growth rates (1960-1970), in ECWA countries.

| | Population (thousands) | GNP | | GNP per head (1970 US dollars) | Average annual growth rate | | |
|----------------------|---------------------------|----------------------------------|----------------------------------|--------------------------------------|----------------------------|------|--------------|
| | | (millions of 1970 US dollars) | (millions of 1970 US dollars) | | Population | GNP | GNP per head |
| Iraq | 9 687 | 3 090 | | 319 | 3.5 | 6.4 | 2.8 |
| Saudi Arabia | 7 740 | 3 220 | | 416 | 2.7 | 10.5 | 7.6 |
| Syrian Arab Republic | 6 259 | 1 750 | | 280 | 3.4 | 5.9 | 2.4 |
| Yemen | 5 731 | 290 | | 51 | 2.5 | 3.0 | 0.5 |
| Jordan | 2 276 | 570 | | 250 | 3.4 | 6.6 | 3.1 |
| Lebanon | 2 126 ^{a/} | 1 610 | | 757 | 2.8 | 4.7 | 1.8 |
| Democratic Yemen | 1 312 | 140 | | 107 | 2.3 | -2.8 | -5.0 |
| Kuwait | 748 | 2 850 | | 3 810 | 9.3 | 7.9 | -1.3 |
| Oman | 657 ^{b/} | 210 | | 320 | 2.0 | 19.4 | 17.1 |
| United Arab Emirates | 243 ^{b/} | 530 | | 2 181 | 5.0 | 29.5 | 23.3 |
| Bahrain | 211 | 120 | | 569 | 3.5 | 6.4 | 2.8 |
| Qatar | 79 ^{b/} | 200 | | 2 532 | 9.1 | 9.6 | 0.5 |

Source: ECWA, based on data compiled from national and international sources.

a/ New estimate based on Sample Survey on Economically Active Population in Lebanon, November 1970, Central Directorate of Statistics, Ministry of Planning, Lebanese Republic (in Arabic and French). Previous estimates, based on a survey conducted in 1964, put the resident population in Lebanon at 2,687 thousand at the end of 1970.

b/ Provisional figures subject to further revision.

Of all the extraneous factors hampering economic development in the Region, the most important has been the Middle East War of 1967 and its aftermath. The most hard hit was Jordan, where the war resulted in the occupation of the West Bank of the Jordan River which, before the War, generated close to 40 per cent of Jordan's gross product. It also resulted in massive population displacements, mainly in the direction of Amman and other urban centres, creating pressures on the budget, labour market and the urban infrastructure; the suspension of some important development projects; and, the loss of agricultural output in the Jordan Valley as a result of the intermittent fighting which continued for years after the ceasefire. Furthermore, the closure of the Suez Canal necessitated the diversion of a large proportion of the seaborne trade of Jordan from the port of Aqaba to the port of Beirut with considerable increases in costs.

Recovery from the war effects became apparent in 1970 and 1971, not only in the oil countries, where the adverse effects of the war were relatively of a passing nature and were more than compensated by the rise in oil prices, but also in the other countries of the Region.

2. Structural change

Much of the real meaning attached to economic growth stems from changes in the structure of production that tell the extent to which the increase in production expresses a durable increase in indigenous productive capacity, and the extent to which the productive capacity is deepened and diversified in a way that reduces the vulnerability of the economy to uncontrollable influences of nature or of the outside world.

The review and appraisal of structural change requires even more detailed statistical series than the indication of global growth rates. For this reason, most of what could be indicated in this sub-section is related to the following six countries: Iraq, Jordan, Kuwait, Lebanon, Saudi Arabia and the Syrian Arab Republic.

The main difference in economic structure among the countries reviewed is that between the oil countries and the non-oil countries. Crude oil production occupies a dominating place, reaching around 60 per cent of gross domestic

/...

product in Kuwait, and more than 60 per cent in Bahrain, Oman and the United Arab Emirates. Saudi Arabia and Iraq are relatively less dependent on oil, which constitutes around 45 and 30 per cent of gross domestic product, respectively. The importance of oil for these economies changed very little during the last decade. Such a change, for example, hardly exceeded 2 percentage points downwards in the case of Iraq, 3 percentage points downwards in the case of Kuwait, and 3 percentage points upwards in the case of Saudi Arabia.

In the non-oil countries, with the exception of Lebanon, agriculture is still by far the most important of the commodity sectors, amounting, in percentage of gross domestic product, to 70 per cent in Yemen, 24 per cent in the Syrian Arab Republic, 20 per cent in Democratic Yemen and 17 per cent in Jordan. In the latter three countries, it declined in importance by 3 to 4 percentage points over the last decade.

Industrial production still occupies a modest place in all the countries under review. In Lebanon and the Syrian Arab Republic, which enjoy the highest proportion of manufacturing and power output relative to gross domestic product, this proportion did not exceed 15 to 16 per cent by the end of the last decade. Iraq and Jordan rank next, having 11 per cent of their gross domestic product originating in manufacturing and power. The same activities occupy 10 per cent of gross domestic product in Saudi Arabia, 8 per cent in Kuwait and Democratic Yemen, and less than 4 per cent in Yemen and Oman.

Significant increases in the importance of industry relative to other sectors is apparent only in Jordan and Kuwait, where the relative position of industrial value added improved by 3 to 4 percentage points over the last decade.

Industrial production in the countries reviewed consists largely of light manufacturing. On the average, around 50 per cent of total value added in manufacturing industry consists of food and clothing products, while capital goods and technologically advanced intermediate goods do not exceed a small fraction of the total. This state of affairs does not seem to have undergone marked change in the last decade.

/...

With the notable exception of oil refining in Kuwait and Saudi Arabia, and, to a lesser degree, the manufacturing sector in Lebanon, industrial development in the Region has remained inward looking, addressing itself to domestic demand with very little spill-over to external markets. Of the four relatively industrialized countries of the Region, namely, Lebanon, Iraq, Jordan and the Syrian Arab Republic, the first is the only country which exports a significant portion of its manufacturing output. In 1970, Lebanon exported around 21 per cent of its output of manufactured goods, as compared to 12 per cent in 1964. In marked contrast, the share of exports in manufacturing output towards the end of the past decade in the remaining three countries was in the 4 to 6 per cent range, with hardly any improvement from levels of earlier years.

3. Mobilization of financial resources

Growth performance depends to a large extent on the ability of the economy to generate resources at a rate higher than the rate it consumes available resources, so that adequate resources are saved to finance the capital formation necessary for the expansion of its productive capacity. If domestic savings are not forthcoming in adequate volume to finance the desired level of capital formation, they can be supplemented by inflow of external finance.

An analysis of savings efforts in the six countries of the Region where the relevant statistics are available, shows that average gross national savings of these countries differed widely, ranging from very high proportions (relative to gross national product) in the oil countries to low proportions in the non-oil countries. Kuwait and Saudi Arabia already achieve savings rates that are considerably higher than the IDS target rate for developing countries (20 per cent of the gross product), representing, on the average, 46 per cent and 33 per cent of their gross national product, respectively, in the periods 1964-1966 and 1968-1970. In contrast, Lebanon, the Syrian Arab Republic and Jordan have savings rates that are still way below the IDS target, not exceeding, on the average, 11 per cent, 13 per cent and (-3) per cent, respectively, in the 1968-1970 period. As for Iraq, savings rates more or less levelled around the IDS target since 1964 (see table 2).

/...

Table 2. National savings rates relative to gross national product, in various countries of Western Asia, three year averages, 1964-1966 and 1968-1970

(Percentage)

| Country | GNP | <u>Total savings</u> | | <u>Private savings</u> | | <u>Public savings</u> | |
|-------------------------|-----|----------------------|---------|------------------------|---------|-----------------------|---------|
| | | 1964-66 | 1968-70 | 1964-66 | 1968-70 | 1964-66 | 1968-70 |
| Iraq | 100 | 19 | 23 | 16 | 18 | 3 | 5 |
| Jordan | 100 | 1 | -3 | 6 | 14 | -5 | -17 |
| Kuwait | 100 | 46 | 46 | 20 | 24 | 26 | 22 |
| Lebanon | 100 | 10 | 11 | 7 | 7 | 3 | 4 |
| Saudi Arabia | 100 | 33 | 33 | 29 | 25 | 4 | 8 |
| Syrian Arab Republic | 100 | 10 | 13 | 8 | 13 | 2 | 1 |

Source: Economic Commission for Western Asia, based on data compiled from national sources.

/...

The private sector has been the larger contributor to national savings in all of the six countries, with the exception of Kuwait, during the period 1965-1969. In Jordan, the private sector contributed all the savings accruing in the economy, while the public sector has been dissaving and heavily dependent on external aid. In the Syrian Arab Republic, Saudi Arabia, Iraq, Lebanon and Kuwait, the private sector accounted for 97 per cent, 81 per cent, 78 per cent, 68 per cent and 48 per cent of total savings, respectively (see table 3).

4. Financing of gross domestic fixed capital formation

In analyzing the relative contribution of internal and external sources of financing to gross domestic fixed capital formation (capital formation, for short) in the countries under consideration during the last decade, it is immediately evident that national savings exceeded, by a substantial margin, capital formation in the oil economies and fell short of it in the non-oil economies. Thus, in Kuwait, Saudi Arabia and Iraq, savings exceeded capital formation by 131 per cent, 46 per cent, and 23 per cent, respectively, during 1965-1969 (see table 3). Whereas, in both Kuwait and Saudi Arabia, the surplus of savings over investment was associated with relatively rapid rates of growth in capital formation, in Iraq there was only a nominal expansion in investment during the period considered.

With respect to the non-oil economies, it is Jordan which exhibits the highest degree of dependence on the inflow of external resources to finance capital formation. In the period 1960-1970, Jordan experienced a negative savings rate which had to be covered by an inflow of resources from the outside world in order to meet the financial requirements of investment, as well as current Government expenditure. In Lebanon and the Syrian Arab Republic, national savings financed 30 per cent (1964-1970) and 77 per cent (1963-1970) of domestic investment, respectively.

/...

Table 3. Structure of financial resources in various countries of Western Asia,
five-year average, 1965-1969.
(Millions of 1970 US dollars; percentage)

| | Gross domestic fixed capital formation | Private fixed capital formation | Government fixed capital formation | National savings | | Resources inflow (+) or outflow (-) | |
|----------------------|--|---------------------------------------|--|------------------|---------|--|---------|
| | | | | Total | Private | Total | Private |
| Iraq | 405 | 192 | 213 | 498 | 386 | -93 | -194 |
| Per cent | 100 | 47 | 53 | 123 | 95 | -23 | -48 |
| Jordan | 83 | 43 | 40 | 100 | 78 | 22 | 25 |
| Per cent | 100 | 52 | 48 | -5 | 55 | -60 | 88 |
| Kuwait | 407 | 231 | 176 | 940 | 451 | 489 | -12 |
| Per cent | 100 | 57 | 43 | 231 | 111 | 120 | -14 |
| Lebanon | 252 | 208 | 44 | 100 | 48 | 52 | 100 |
| Per cent | 100 | 83 | 17 | 132 | 90 | 42 | 120 |
| Saudi Arabia | 515 | 279 | 236 | 756 | 610 | 146 | -313 |
| Per cent | 100 | 54 | 46 | 146 | 118 | 28 | -220 |
| Syrian Arab Republic | 169 | 61 | 108 | 100 | 81 | 19 | -54 |
| Per cent | 100 | 36 | 64 | 141 | 137 | 4 | 118 |
| | | | | 83 | 81 | 2 | 47 |
| | | | | 100 | 97 | 3 | 120 |
| | | | | | | | -331 |
| | | | | | | | -64 |
| | | | | | | | -241 |
| | | | | | | | -47 |
| | | | | | | | -76 |
| | | | | | | | -45 |

Source: ECWA, based on data compiled from national sources.

5. Investment in fixed capital formation

Investment performance, in the sense of adding to the capital stock of a country, may be measured in terms of changes in the investment rate, i.e., the share of capital formation in total output and/or the growth of investment over time. The appraisal of investment performance in the six countries of the Region where statistical information permits such an analysis, namely, Iraq, Jordan, Kuwait, Lebanon, Saudi Arabia and the Syrian Arab Republic, will be made with reference to gross fixed investment. The investment/GNP ratio,^{1/} however, will be used for appraising investment performance, since it relates the volume of investment to the total output of goods and services accruing to a country's citizens and available for allocation among the different end uses, including additions to capital stock. It should be noted, however, that inter-country comparisons of investment performance are hampered by the lack of uniformity with respect to the valuation of the basic data and time coverage.

With the exception of the Syrian Arab Republic, where the investment rate rose from an average of 12 per cent in 1963-1965 to 15 per cent in 1968-1970, the other five countries experienced either a decline or a stagnation in the investment rate over the last decade. In Iraq, the investment rate dropped from 22 per cent in 1960-1962 to 18 per cent in 1964-1966 and to 16 per cent in 1967-1969. In Lebanon, it fell from 22 per cent in 1964-1966 to 18 per cent in 1968-1970. In Jordan, Kuwait and Saudi Arabia, it fluctuated around 15 per cent, 19 per cent and 21 per cent over 1960-1970, 1965-1970 and 1963-1969, respectively.

Expressed as average annual rates of increase, investment trends in the six countries were 10.8 per cent in Saudi Arabia (1963-1969), 10.7 per cent in Kuwait (1965-1970), 10 per cent in the Syrian Arab Republic (1963-1970), 7 per cent in Jordan (1960-1970), 2.4 per cent in Lebanon (1964-1970), and 1.1 per cent in Iraq (1960-1969).

^{1/} Except in the Syrian Arab Republic, where national accounts are reported on a domestic production basis and where, relative to the country's total output, factor income transactions are of minor importance.

It is worth mentioning that investment expenditure by the public sector increased at much higher rates than private investment, not only in the countries where the system gives the public sector a predominant role, namely, Iraq and the Syrian Arab Republic, but also, and by no means to a lesser extent, in the private enterprise-oriented countries, namely, Jordan, Lebanon and Saudi Arabia. In these five countries, where statistics on the structure and composition of investment are available, there has been a significant increase in the proportion of total investment undertaken by the public sector and, correspondingly, a decrease in that of the private sector.

6. Structure and composition of investment in fixed capital formation

A common factor underlying the shift in favour of public investment is to be found in the desire of the countries in question to provide the infrastructure necessary for accelerating their rate of economic and social development. In Iraq and the Syrian Arab Republic, however, the shift has been influenced, to a large extent, by determined governmental effort to extend control over the economy and the means of production, which culminated in the nationalization measures of the mid-sixties. These measures, together with political uncertainties, have had a depressing effect on private investment, causing it to decline in both countries.

The most dramatic increase in the relative importance of public investment occurred in the Syrian Arab Republic, where the contribution of the public sector to total fixed investment rose from an average of 38 per cent in 1963-1965 to 66 per cent in 1968-1970. The increase in the share of public investment was much less important in Iraq, rising from 45 per cent of the total in 1960-1962, to 53 per cent in 1968-1970. In Jordan, public investment increased from an average of 32 per cent of the total to 41 per cent in 1960-1965 and to 44 per cent by the end of the decade. In Saudi Arabia, the share of fixed investment attributed to the public sector rose from 37 per cent in 1963 to 49 per cent in 1969. A small increase has also been achieved in the share of public investment in Lebanon, bringing it to around 19 per cent of the total in 1968-1970. In Kuwait, available statistics, which refer only to the 1965-1967 period, show that the relative shares in fixed investment of the private and semi-private (mixed) sector, on the one hand, and the public sector, on the other, are 72 and 28 per cent, respectively.

/...

Information on the sectoral distribution of fixed capital formation is available only for Iraq and the Syrian Arab Republic. This shows that in Iraq the share of agriculture in the total tended to decline in the first half of the last decade, but that subsequent improvement raised it to 13 per cent in 1968-1970, as compared to 10 per cent in 1960-1962. Investment in mining and quarrying, which accounted for about 13 per cent of total fixed investment in the early sixties, declined to 2 per cent by the end of the decade. Similarly, the share of investment in the transport, storage and communication sector fell from 23 to 13 per cent in the same period. In marked contrast, the share of the manufacturing sector increased from 12 to 25 per cent over the decade, reflecting a combination of a rapid growth in this sector and a retarded rate in most of the other sectors.

In the Syrian Arab Republic, investment in agriculture declined slightly, from 17 per cent of the total in 1963-1965 to 16 per cent in 1968-1970. The share of residential construction also declined from 24 to 23 per cent over the same period, while investment in transport and communication remained virtually unchanged at around one-fifth of the total. The combined share of investment in manufacturing, mining and quarrying, and power, showed a significant improvement, rising from an average of 22 per cent in 1963-1965 to 27 per cent in 1968-1970.

B. Development Plans and Policies

1. Introduction

In the present section, the targets and policies contained in the current development plans of five countries in the Region are reviewed in the light of the objectives and policies embodied in the IDS. The plans in question are the "National Development Plan, 1970-1974" of Iraq; the "Jordan Development Plan, 1973-1975"; the "six-Year Development Plan, 1972-1977" of Lebanon; the "Development Plan 1390 A.H." of Saudi Arabia; and, "The Third Five-Year Plan (1971-1975) of Economic and Social Development in the Syrian Arab Republic". Many of these countries have already experienced several planning cycles.

/...

While the plans of Iraq and the Syrian Arab Republic have been enacted into law and are binding on all executing agencies, the plans of Lebanon, Jordan and Saudi Arabia have been approved by the legislative bodies as general statements of government intentions which would be subsequently translated into specific legislative acts or administrative instructions. The present review is confined to examining the plan documents without attempting to assess implementation or performance under these plans.

All of the countries under consideration have planned to achieve annual rates of growth of 7 per cent or more in their total output. Expressed in per head terms, these rates range from 3.4 per cent in Iraq to over 5.0 per cent in Jordan and the Syrian Arab Republic. While these rates are higher than the global rate envisaged as a target for developing countries in the IDS, they do not in themselves constitute marked acceleration of past trends.

Targets for output of the main sectors are set out in all the plans, but these sectoral targets differ in the degree of their disaggregation. Iraq, Saudi Arabia and the Syrian Arab Republic, where direct public investment in commodity producing sectors is important, some of the programmes have been partially translated into specific projects, giving estimates of the consequent increase in output likely to result from the implementation of these projects. But more often than not, and especially whenever the productive activity is subject to private decisions, output targets have remained at a fairly aggregative level. In general, they have not included disaggregated output objectives that are closely linked with the investments designed to achieve them.

The large element of estimation which has entered into the setting of growth targets does not detract from the value of the plans under consideration, as it is not so much the accuracy of the estimated rates of growth which constitutes the measure of planning efforts, but the efficacy of the policies proposed for their realization. Quantitative targets in the plans reflect the strategies and policies proposed for the achievement of national economic and social objectives. It is these strategies which are of central interest and which are examined in the present section.

/...

Since most of the plans reviewed have been initiated in the first two years of the present decade, available information on their progress is scanty and does not permit an adequate evaluation of achievements. In appraising planning efforts in the Region, the present review is therefore confined to an examination of the various targets and policies for investment, savings, output and foreign trade, as envisaged in the various plans.

2. Planned investments and their financing

All countries under review plan to attain, by the mid-seventies, a ratio of gross savings to gross income close to or higher than the target of 20 per cent set for 1980 in the IDS. In Iraq, Jordan and Lebanon, past levels of investment in the years immediately preceding the plans were, on the average, relatively high, the share of investment in gross national product having reached or exceeded 18 per cent. In their plans, these countries envisaged no change or a decline in the proportion of resources allocated to investment. In the case of Saudi Arabia and the Syrian Arab Republic, however, the objective of the plans was to raise investment to a level substantially above that prevailing in the past, as can be seen in table 4 below.

Table 4. Past and planned average shares of gross investment in gross national product in various countries of Western Asia.

(Percentage)

| | Past | | Planned | |
|----------------------|----------------|---------------|----------------|---------------|
| | Period covered | Average Share | Period covered | Average share |
| Iraq | 1960-1966 | 19.4 | 1969-1974 | 19.4 |
| | 1967-1969 | 17.2 | | |
| Jordan | 1969-1971 | 22.1 | 1969/71-1975 | 20.0 |
| Lebanon | 1964-1966 | 22.2 | 1969-1977 | 18.3 |
| | 1969-1970 | 18.3 | | |
| Saudi Arabia | 1963-1966 | 18.1 | 1970-1975 | 27.4 |
| | 1968-1970 | 25.7 | | |
| Syrian Arab Republic | 1963-1966 | 13.8 | 1970-1975 | 23.7 |
| | 1969-1970 | 17.7 | | |

Source: ECWA, based on data compiled from national sources.

/...

On examining these planned increases in the share of investment, the question that arises is how the resources necessary for their realization are to be obtained. Such resources may come from a reduction in the proportion of domestic resources absorbed by consumption and/or from an increase in the proportion of total resource inflow from abroad.

The changes envisaged in the various plans with regard to the roles of domestic and external resources are presented in table 5 below.

Table 5. Planned distribution of expenditure on gross national product in various countries of Western Asia.
(Percentage)

| | Base and final year of plan | Gross national product ^{a/} | Consumption | | | Gross investment | External balance |
|----------------------|-----------------------------|--------------------------------------|-------------|--------|---------|------------------|------------------|
| | | | Total | Public | Private | | |
| Iraq | 1969 | 100 | 79.3 | 26.1 | 53.2 | 16.5 | 4.2 |
| | 1974 | 100 | 75.1 | 23.9 | 51.2 | 22.5 | 2.4 |
| Jordan | 1969/71 | 100 | 101.4 | 27.1 | 74.3 | 22.2 | -23.6 |
| | 1975 | 100 | 100.6 | 26.8 | 73.8 | 18.8 | -19.4 |
| Lebanon | 1969 | 100 | 86.8 | 10.3 | 76.5 | 19.0 | -5.8 |
| | 1977 | 100 | 82.5 | 10.5 | 72.0 | 18.4 | -0.9 |
| Saudi Arabia | 1970 | 100 | 65.0 | 26.6 | 38.4 | 25.7 | 9.3 |
| | 1975 | 100 | 72.5 | 32.1 | 40.4 | 28.5 | -1.0 |
| Syrian Arab Republic | 1970 | 100 | 89.2 | 19.4 | 69.8 | 14.0 | -3.2 |
| | 1975 | 100 | 85.8 | 19.2 | 66.6 | 15.7 | -1.5 |

Source: ECWA, based on data compiled from national sources.

a/ Gross domestic product for Syria.

With the exception of Saudi Arabia, where the proportion of resources to be absorbed by consumption has been planned to increase, all other countries have proposed in their plans an increase in the share of additional resources to be released from consumption for investment. In the case of Jordan, Lebanon and the Syrian Arab Republic, this has been translated into a reduction in the relative

/...

dependence on foreign capital, whereas Iraq and Saudi Arabia have assumed that the external balance, when related to gross national product, would be less favourable at the end of the plan period than it was at the beginning. It is worth mentioning in this connexion that Iraq is the only country where it has been envisaged that the share of investment in total output would be increased substantially not through a corresponding reduction in consumption, but through an increase in the country's dependence on external resources. Therefore, it is not surprising that its planned increase in the share of investment in total output renders this share among the highest of all the countries in the Region.

While the aims with regard to the change in dependence on external resources have differed, a common feature in the countries under consideration has been to realize a substantial increase in the level of domestic savings. Jordan, however, has been expected to finance planned investment entirely from external resources.

In some countries, expectations regarding the trend in total domestic savings have been dominated by assumptions about export prospects. However, even where the export sector is relatively large and prospective trends for export have not been optimistic, as was the case in Iraq, this has not depressed expectations concerning the growth of savings.

The increase in the level of domestic savings, which has been called for in the development plans, does not imply any absolute reduction in the level of total consumption. The intention is to set aside as savings a substantial proportion of the planned increase in total income. In other words, the objective of the plans is to achieve an average rate of domestic savings which is significantly above the past average rate.

In three of the five countries reviewed, the planned rates of savings would, if realized, signify decided improvement in their domestic resource mobilization efforts. In Iraq, Lebanon and the Syrian Arab Republic, average savings rates, relative to gross national product, are planned to rise from base year levels of 19 per cent, 13 per cent and 13 per cent, to target year levels of 25 per cent, 18 per cent and 17 per cent, respectively. These increases imply an annual average growth rate which is higher than 1.0 per cent in each case, i.e., double the rate recommended in the IDS.

/...

In Jordan, where political-military problems are compelling, planned average savings, relative to the gross product, remain negative, with a moderate improvement in average dissaving from (-1.4) per cent, in the base year, to (-0.6) per cent in the terminal year of the plan.

In Saudi Arabia, where average savings have been exceedingly high, they are planned to decline from 35 per cent of the gross product in 1970 to 28 per cent in 1975.

3. Targets and policies for savings

Only the Iraqi and the Syrian plans have indicated the sources from which the increase in total savings are expected to come. However, it could be reasonably expected that, in Jordan, and, to a lesser extent, in Saudi Arabia, the dominant role would be assumed by private, rather than public, savings. The sources of financing of private investment have not been indicated in the plans under review.

With regard to public savings, the general objective of achieving a substantial improvement in their accrual has been generally sought through restraints on the increase in current government expenditure. When the planned increase in current government expenditure is related to the planned increase in gross national product, it is found that, in Iraq and Jordan, such expenditure has been assumed to expand at a lower rate than that of the gross product. On the other hand, the planned growth of current government revenue in relation to the planned increase in gross national product is expected to be somewhat less buoyant than it was in recent years. It must be noted, however, that while the plans of these two countries seek to increase public savings mainly through setting modest targets for current expenditure, they do not suggest specific lines of action for restraining the rate of increase in such expenditure. As a matter of fact, none of the countries reviewed appears to have undertaken detailed studies of future trends in current expenditure, neither have they made explicit the implications of overall expenditure targets for the various aspects of governmental activity. The instruments through which such targets are to be realized have thus been left to later decisions. In contrast, the plans under review have generally accorded considerably greater attention to the problem of expending current revenues; they have contained recommendations intended to bring about improvements in fiscal policy as well as to increase revenues from non-tax sources.

/...

All the five plans have emphasized that revenues from both direct and indirect taxes shall be increased. In Jordan, the tax increases are to be realized through more efficient collection, as well as through effecting higher taxation rates. The direct tax burden will be increased by (a) re-assessing the value of buildings and lands; (b) imposing an inheritance tax; and, (c) imposing a capital gains tax. The indirect tax burden will be increased by raising the rates of import duties and excise taxes. In doing so, the Jordanian plan seems to aim at offsetting the loss in taxation in the West Bank by imposing a tax burden which is high enough to generate the same level of taxation, relative to gross national product, as that of the period preceding the Middle East war of 1967. This, however, seems to adversely affect private savings. Accordingly, the country's propensity to save is assumed to decline from 16.1 per cent to 12.8 per cent of private disposable income between the base period (1969/1971) and the terminal year of the plan (1975).

In Iraq, direct taxes will be increased by imposing a variety of development taxes on public enterprises. Thus, the plan stipulates that all state-owned organizations and enterprises shall make the following contribution to the central plan budget: (a) 10 per cent of their net profits before distribution; (b) enterprises which operate plants that have been financed wholly or partly from development programmes or plans in the past will have to pay back these amounts through annual payments equal to 20 per cent of their net profits inclusive of reserves (this also applies to projects financed under the current plan after their completion); and, (c) 50 per cent of the allocations for annual depreciation of projects which are under the State Organization for Industry and the National Electricity Administration.

It is worth noting that the above taxes are imposed over and above the already existing ones, namely, the income tax which ranges from 40 to 60 per cent of profits and the appropriation of 25 per cent of profits for distribution to the workers. In addition, the nationalized industries are under obligation to transfer 60 per cent of their remaining profits to the Ministry of Finance which is their sole shareholder.

/...

Taxing public enterprises as a means of raising funds to finance projects of the plan amounts to shifting available savings from these enterprises to the Government without increasing the total amount of savings available for investment. The question that arises is whether, as a result of the imposition of these new taxes, enough will be left to the enterprises for expansion and investment purposes as contemplated in the plan.

In Lebanon, although an increase in some minor fees is envisaged, the planned increase in revenues calls neither for an increase in present tax rates nor for the imposition of new taxes.

Improvement in the efficiency of tax collection is among the measures which have been especially stressed in the plans of Jordan and Lebanon. Simultaneously with the measures for broadening the tax base, some of the plans have called for steps to enlarge non-tax revenues.

The plan of the Syrian Arab Republic, in particular, has envisaged that a significant contribution to the financing of economic development will be forthcoming from the operating surpluses of public enterprises. The planned contribution of these enterprises account for over 80 per cent of the resources which are expected to become available for financing development. Past experience, however, shows that the actual surpluses of such enterprises, over the period 1966-1970, were 27 per cent below the original estimates. It is, therefore, believed that, contrary to the plan's expectations, foreign loans and credit facilities, as well as borrowing from the banking system, will have to play an increasing role in financing the country's planned investment.

In general, it is clear that the plans reviewed give considerable attention to measures designed to accelerate growth in government revenues. It is nonetheless apparent that, in most countries, these measures are not expected to effect radical changes in the tax structure. Thus, the feasibility of the targets for increased public savings depends on the ability to exercise the proposed restraints on the growth of current expenditure and on the realization of the planned surpluses in public enterprises.

/...

In Jordan, Lebanon and Saudi Arabia, where the bulk of savings have been expected to come from the private sector, the respective plans have generally proposed to apply or reinforce the measures designed to stimulate private savings, such as improving banking services and promoting savings institutions. These measures, however, are often stated in the plans in terms which are too general to be of real operational significance.

4. Policies and measures for channelling financial resources

In addition to the measures designed to increase the supply of resources for investment, the plans generally recognize the importance of channelling savings to productive uses and measures to facilitate this transfer have been proposed. Thus, in order to finance the excess of the public sector investment over its savings, the Jordanian and the Syrian plans have expected that their governments would be obliged to undertake extensive internal borrowing.

The Jordanian plan specifies the following set of policy measures to ensure the channelling of resources from less productive to more productive fields: (a) putting an end to the payment of interest on commercial bank deposits at the Central Bank in order to reduce government expenditure and induce banks to find alternative avenues of investing funds; (b) imposing qualitative controls over commercial bank credit, with a view to channelling a larger part of banks' credit to the plan's projects; (c) examining the possibility of establishing a stock market; and, (d) controlling the uses of funds available to insurance companies operating in Jordan.

A more extensive use of government bond issues have also received specific mention in the plans of Iraq, Jordan, Lebanon and the Syrian Arab Republic.

Although most current plans expect that the private sector, unlike the public sector, will be able to finance its own investment, it has been emphasized that specialized financial institutions will be needed in order to fill certain gaps in the financial structure. To meet this need for long-term industrial finance, the plans have proposed the establishment or expansion of specialized public or semi-public institutions to serve as industrial banks. In Iraq and the Syrian Arab Republic, where these institutions have already been in operation for some time,

/...

the current plans have looked forward to the further strengthening and expansion of this activity. However, the exact role of, and the magnitude of contribution expected from, these institutions are not spelled out in the plans.

In Saudi Arabia, where such an institution is lacking, the plan has stressed the need for establishing one. Thus, the Saudi Government has allocated the sum of SR 55 million for the establishment of an Industrial Bank. This Bank is proposed to be a joint venture, with the Government contributing SR 30 million, and with a minority of foreign participation. Government support will also be extended in the form of interest-free deposits repayable over a reasonable period of time. The Industrial Bank will extend credit to large and medium-scale industry, on a normal commercial basis, and will make subsidized credit available to small-scale and cottage industry, amounting to SR 5 million annually over the entire period of the plan.

In Lebanon, where such a specialized institution has been supplying finance to industrial as well as to non-industrial enterprises (in agriculture and real estate), the plan has proposed the establishment of a Development Bank. This Bank will have a capital of about LL 60 million of which LL 32 million will be subscribed by the Government and the remainder will be financed by the banking system. In addition to extending medium and long-term loans to industry and tourism, the Bank will participate in the capital of projects and will discount short and long-term industrial papers.

Generally speaking, most plans have stressed the need for expanding and strengthening all existing credit institutions, particularly the specialized ones. However, with the exception of Saudi Arabia, where the plan indicates the exact increase in the lending capacity of the Agricultural Bank over the plan period and highlights the credit programme to be followed, none of the other countries reviewed has spelled out, in any details, the measures which will have to be undertaken to support the existing specialized institutions.

/...

5. Patterns of resource allocation and output targets

In analyzing the pattern of resource allocation in the development plans of the countries reviewed, a distinction should be made between two groups of countries: those with a large private sector relative to the public sector (such as Lebanon, Jordan and Saudi Arabia) and those where the bulk of economic activity is run by the State or under its direct control. In the latter, the public investment programme occupied the larger and central part of the development plan, due to the fact that the larger part of investment expenditure is directly controlled by the State.

In practically all the plans reviewed, the targets set for private investment in the various sectors of the economy have been mainly in the nature of estimates of the likely or desired performance of such investments. While governmental policies to promote and channel private investment towards the desired activities can influence the level of investments in those particular activities, such investment primarily depends on private decisions.

It is in the public investment programme that differences among plans regarding policies for resource allocation emerge most clearly. The sectoral distribution of planned public investments is shown in table 6.

An examination of these programmes reveals that the principal source of difference clearly lies in the proportion of resources allocated to commodity production, as against the proportion allocated to basic infrastructure and services. In Iraq and the Syrian Arab Republic, the two public enterprises dominated countries, public investment programmes tend to emphasize commodity production, particularly in agriculture, while keeping the share of services relatively low. In contrast, in the Jordanian and Lebanese plans, relative emphasis has been placed on basic infrastructure, mainly transportation. With regard to investment in services, the Lebanese plan and, to a lesser extent, the Jordanian and Saudi plans allocate high proportions of public expenditure to the development of health and education.

/...

Table 6. Sectoral distribution of planned public investment in various countries of Western Asia/

(Millions of 1970 US dollars; percentage)

| Percentage composition | | | | | | | | | | | | | |
|----------------------------------|-----------------------------|----------------------|-----------------------------|--------|---------------|------------------|---------------------|---------------------------|----------|---------|----------------------|----------------|--------|
| Plan period | Value of planned investment | Commodity production | | | | Basic facilities | | | Services | | | | |
| | | Total | Agri-culture and irrigation | Mining | Manufacturing | Total | Electricity & water | Transport & communication | Total | Housing | Health and education | Other services | Others |
| | | | | | | | | | | | | | |
| 1970-1974 | 3 568 | 56 | 27 | 12 | 17 | 20 | 5 | 15 | 17 | 2 | 4 | 11 | 8 |
| Jordan (1975-1975) | 279 | 30 | 24 | 6 | | 55 | 11 | 44 | 16 | 1 | 9 | 6 | - |
| Lebanon (1972-1977) | 535 | 15 | 15 | b/ | | 55 | 16 | 39c/ | 25 | 1 | 19 | 5 | 5 |
| Saudi Arabia (1970-1975) | 4 085 | 7 | 3 | 4 | | 39 | 8 | 31 | 54 | - | 9 | 45 | - |
| Syrian Arab Republic (1971-1975) | 1 688 | 53 | 35 | 18 | | 28 | 16 | 12 | 19 | 1 | 5 | 13 | - |

Source: ECOWA, based on data compiled from national sources.

Planned public investments account for 82 per cent, 56 per cent, 24 per cent and 80 per cent of total planned investments in Iraq, Jordan, Lebanon and the Syrian Arab Republic, respectively.

Accounted for less than 1 per cent of public planned investment.

Includes construction.

While it was instructive to study differences among countries in the allocation of investment, it is also useful to consider the diversity among countries with regard to the planned rates of increase of the different productive sectors and activities. With the exception of Lebanon, where these rates come very closely to those suggested by the IDS, all other countries seem to have planned to achieve much higher rates of growth (see table 7).

The factors influencing the targets set for agricultural and industrial output have varied with the circumstances of each country, such as the relative size of their directly productive sectors, and their level of development, as well as differences in natural endowment, climatic conditions and other circumstances. However, the factors which appear to have been of first importance in accounting for this diversity are the role assigned to exports in the plans and the emphasis placed on domestic production of food and manufactured products to replace imports. Thus, in deciding upon the pattern of investment and output, the countries under review seem to have given much weight to the role to be played by the foreign trade sector. The targets set for foreign trade have been conditioned by the targets for domestic expenditure and output and, at the same time, have contributed to the determination of these targets.

6. Employment targets and policies

Iraq and Saudi Arabia are the two countries for which estimates of the possible increase in the labour force over the plan period are made. The annual rate of increase in the labour force is projected at 4.4 per cent in Iraq and 3.4 per cent in Saudi Arabia, against population growth rates of 3.5 and 2.0 per cent, respectively.

It should be noted that in the case of Iraq, the planned increase in the number of additional jobs to be created is expected to absorb the number of persons joining the labour force over the plan period, whereas in Jordan employment targets aim at reducing the rate of unemployment to the minimum. Only Saudi Arabia has indicated that the demand for manpower is likely to exceed the supply that would be arising from the natural increase of the labour force during the plan period.

/...

Table 7. Planned rates of growth in various countries of Western Asia, with reference to the targets of IDS.
(Percentage)

| Country | Period | Gross product ^{a/} | Population | Per head gross product | Agriculture | Industry | Exports | Imports |
|----------------------|-----------|-----------------------------|------------|------------------------|-------------|----------|----------------|----------------|
| Iraq | 1970-1974 | 6.9 | 3.4 | 3.6 | 7.0 | 12.0 | 2.8 | 5.2 |
| Jordan | 1973-1975 | 8.0 | 3.0 | 5.0 | 6.4 | 14.0 | 16.2 | 8.2 |
| Lebanon | 1972-1977 | 7.0 | 2.2 | 4.8 | 4.7 | 8.3 | 7.3 | 6.7 |
| Saudi Arabia | 1971-1975 | 10.4 | ... | ... | 4.6 | 14.0 | 7.8 | 13.4 |
| Syrian Arab Republic | 1971-1975 | 8.0 | ... | ... | 5.1 | 15.8 | 6.5 | 5.0 |
| IDS targets | 1970-1980 | 6 | 2.5 | 3.5 | 4 | 8 | 7c/ | 7d/ |

Source: ECWA, based on data compiled from national sources.

a/ With the exception of the Syrian Arab Republic, where net domestic product is used, all figures on gross income refer to gross national product.

b/ At least 6 per cent.

c/ Higher than 7 per cent.

d/ Lower than 7 per cent.

It is worth mentioning that, while most developing countries look up to the industrial sector as a principal source of additional employment opportunities, employment creation in Iraq and Jordan appears to depend relatively more on the expansion of agriculture, services and construction, than on industrial development. In the case of Saudi Arabia, however, because of the limited opportunities for employment in agriculture, additional jobs are expected to be mainly provided by the construction, transportation and services sectors (see table 8).

Table 8. Planned sectoral distribution of new jobs in Iraq, Jordan and Saudi Arabia.

(Percentage)

| Sector | Iraq | Jordan | Saudi Arabia |
|------------------------|------|--------|--------------|
| Agriculture | 52 | 26 | - |
| Industry ^{a/} | 10 | 16 | 12 |
| Services | 23 | 23 | 17 |
| Construction | 5 | 19 | 26 |
| Other | 10 | 17 | 45 |
| Total | 100 | 100 | 100 |

Source: ECWA, based on data compiled from national development plans.

^{a/} Includes mining, electricity, water and gas.

Despite the fact that the industrial sectors in Iraq and Jordan account for some 18 to 20 per cent of total planned investment and are expected to contribute 18 per cent and 23 per cent to the planned increase in the gross product of these two countries, respectively, their contribution to employment, as indicated in the preceding table, is not expected to exceed 10 per cent of total new jobs in Iraq and 16 per cent in Jordan.

/...

In the plans of Jordan and Saudi Arabia, the job opportunities expected to be created have been classified according to the main occupational categories, reflecting targets for various levels of skills. However, the relationship between these targets and the job requirements of the different sectors, whether public or private, are not spelled out in detail in any of the plans reviewed, except in the Saudi plan.

On the basis of the estimated manpower requirements, the Jordanian and Saudi plans propose sets of general organizational and policy measures intended to improve on the professional, educational and training levels of the labour force. In Jordan, where no overall shortage in university graduates is anticipated during the plan, these measures mainly consist of establishing some fifteen technical institutions which would operate within the framework of an overall national vocational training scheme. In Saudi Arabia, however, where a serious shortage of manpower is likely to develop during the plan period, a restructuring of the whole educational system is suggested. In both plans, reference is made to the necessity of promoting traditional handicrafts and small-scale industries as an additional measure for expanding employment opportunities. It is worth noting in this context that the mobilization of professional skills likely to be needed for implementing the various measures and schemes proposed in the plans of these two countries constitutes a formidable task which might be extremely difficult to attain within the time horizon envisaged.

The Iraqi, Lebanese and Syrian plans reflect, in various degrees, awareness of the scarcities of trained manpower from which the countries suffer. Thus, in the Syrian Arab Republic, reference is made to a science plan which will provide the number of technicians and specialists required during the plan period. The Lebanese plan proposes to revise the technical and vocational training system and orient university students to specialize in professions that are more in line with the country's development requirements. Expansion of education at all levels, as well as the establishment of new agricultural and industrial schools, are also referred to in the Iraqi plan. These measures, however, are rarely stated in specific and operational terms. They look more like a set of recommendations, with no connexion with the programmes of the various sectors. In fact, with the exception of Saudi Arabia, and to a much lesser extent, Jordan where educational

/...

plans expressly relate the supply of manpower of various skills and levels of education to the demand by the various economic activities, the other plans have confined themselves to the capital aspects of human investment, with little analysis of the human resource needs of the economy or of future employment policies.

7. Sectoral targets and policies

a) Agriculture

The plans under review assume that governments, through their programmes for public expenditure, will play a substantial role in the development of agriculture. While targets have been set in the agricultural programmes for a range of specific commodities, provisions for the inputs necessary to achieve these targets have not been worked out in any detail, leaving it for later decision in the process of plan implementation.

Agricultural output targets projected in the plans are somewhat high, based as they are on average annual rates of increase in output which range between 5 to 7 per cent, as compared with the IDS global target for developing countries of 4 per cent. These targets generally imply a substantial acceleration in the growth of output over past performance. It is apparent, therefore, that, if these planned rates are to be realized, they will represent a significant departure from prevailing levels and patterns of agricultural production. However, in view of the poor performance in the past of the agricultural sector in most of the countries reviewed, and in view of the strong indications that, where measured in real terms, agricultural output in these countries have failed to keep pace with the growth of population, the reasons for the planned acceleration in the rate of growth of agricultural output can be readily understood.

In formulating policies for the implementation of their agricultural plans, the various governments have concerned themselves not only with the problem of increasing the level of investment in agriculture, but also, in various degrees, with measures to improve land and water-use, to reform the institutional structure and to strengthen the incentives of farmers and peasants to utilize modern production methods.

/...

(i) Investment policy

Both the total and the composition of investment allocations to the agricultural sector vary widely among the countries reviewed. This accounts, to a large extent, for the wide divergences in their investment-output ratios. With the exception of Iraq, it is noted that large proportions of planned expenditure for major irrigation works and for the establishment of new organizational forms needed for servicing modern agriculture have been associated with relatively low rates of planned increase in output over the current plan periods. Although the benefits of such investments may extend over many decades, their gestation periods tend to be relatively long. The high growth rate in the Iraqi plan (7 per cent per annum) seems to be a very ambitious target, particularly since most of the investments are in slow-maturing projects. Rapid increases in output might be expected more immediately in Jordan (6.4 per cent per annum), because the plan puts substantial emphasis on investments aiming at increasing yields (see table 9).

Table 9. Distribution of planned public expenditure for agricultural development in various countries of Western Asia.

(Percentage)

| | Irrigation, drainage, land reclamation and improvement, and social conservation | Crop production, animal husbandry, forestry and fisheries | Organization, services and other |
|------------------------------------|--|--|--|
| Iraq | 44.0 | 13.0 | 43.0 |
| Jordan | 65.7 | 21.2 | 13.1 |
| Lebanon | 77.0 | 5.5 | 17.5 |
| Saudi Arabia | 33.7 | 13.6 | 52.8 |
| Syrian Arab Republic ^{a/} | 81.0 | 6.2 | 12.8 |

Source: ECWA, based on data compiled from national and international sources.

a/ Includes estimates for private investment.

/...

In assessing the feasibility of the targets set for agriculture, one should bear in mind the relative emphasis in the Iraqi and Saudi plans on domestic food production, as against production for export in the plans of the other countries.

(ii) Policy measures for institutional reform

While land and water development activities have been in the past, and remain, the most important investment components of most of the plans, of no less significance is the increased attention given to the strengthening of supporting services and the organization of a strong institutional framework for agricultural development.

In the plans under review, the need for improving the living and working conditions of the farmers has been emphasized through the establishment and expansion of agricultural extension services and the strengthening of co-operation in production, marketing and financing. An encouraging fact is the increasing attention which is being paid to the decentralization of investment decisions to the farm level.

The Syrian and Iraqi plans provide for measures to accelerate the implementation of their agrarian reform. The Jordanian plan also provides for some reform measures, aiming mainly at organizing the relationship between landlords and tenants and specifying the rights of the agricultural labour force.

(iii) Price and credit policy measures

The importance of an effective price policy for promoting agricultural development has not been duly recognized in most of the plans. The plans of Iraq, Jordan and the Syrian Arab Republic provide for some general measures aimed at improving marketing efficiency and stimulating investment and production, such as the establishment of marketing boards, storage facilities, grading and standardization services; lower input prices; co-operative marketing; and, state trading (in Iraq and the Syrian Arab Republic). Only the Saudi plan makes explicit reference to price support and subsidies as a direct measure for enhancing agricultural production, thus marking complete departure from past policies which consisted of subsidizing certain imported agricultural commodities, mainly wheat and live animals. According to the Saudi plan, price support will initially be given to

/...

new wheat varieties and later possibly to vegetables and meat. A subsidy amounting to 50 per cent of the cost of fertilizers will be paid to stimulate more intensive fertilizer application to crops, such as wheat and vegetables. Subsidies will also be extended to all investments aiming at modernizing the agricultural sector, such as agricultural mechanization, water storage structures, irrigation systems and storage facilities.

With respect to credit policies, the plans under review have indicated the strengthening of existing agricultural banks and the extension of credit through co-operatives.

(iv) Other measures

Various other measures have been envisaged in the agricultural plans. The expansion of agricultural education and training are indicated in all the plans. The Iraqi and Jordanian plans provide for the establishment of agricultural stations to provide various services to farmers in the newly settled areas. Other measures recommended relate to agricultural mechanization, employment generation, animal health and the improvement of the administrative and management aspects of agricultural development.

b) Industry

Manufacturing industry has received considerable attention in practically all of the countries reviewed. However, the extent to which details of industrial plans are discussed vary considerably between the different plans, as well as between the different industrial branches.

The degree of details in the plans has been partly related to the role assumed by the public sector in the manufacturing sector. In Lebanon and Saudi Arabia, where the development of the manufacturing industry is largely regarded as a matter of private initiative, industrial development targets have not been set in great details. The plans of these countries focus instead on governmental policies which affect private investment, such as fiscal measures, tariffs and import controls, without attempting to support these policies by reference to specific targets.

/...

There are wide variations among the countries reviewed in the average annual rates of growth planned for the manufacturing industry. While in Lebanon the planned rate amounts to 8 per cent, the other countries set higher rates of increase, ranging between 12 and 16 per cent. For practically all the countries reviewed, the planned rates of industrial growth represent substantial acceleration of the pace of expansion attained in the past, and exceed by far the 8 per cent average annual growth rate proposed in the IDS.

Thus the plans of Iraq, Jordan and the Syrian Arab Republic refer to a fuller utilization of existing industrial capacity as a means of accelerating the growth of output. The high rates of industrial growth stipulated in the Iraqi and Syrian plans also reflect the expectation that a number of major projects that had been initiated and were under construction from the previous period would enter into production during the current plan period. In the case of the Syrian Arab Republic, production is expected to increase substantially, as a result of a drive to modernize equipment and improve methods of production. The Jordanian plans proposes the merger of existing small enterprises into larger units as one way of achieving greater productivity. In practically all the countries reviewed, the expected high rates of industrial growth imply that investment would yield relatively large increases in output per unit of capital, as a result of a multiplicity of measures aiming at productivity increase.

(i) Public investment policies

Governments differ considerably in the positions they take regarding the role of the public sector in industrial development. In Iraq and the Syrian Arab Republic, for instance, where by virtue of nationalization, most of the large and medium-size industrial establishments are in government hands, planned public investments account for 76 per cent and 89 per cent of total planned investments in manufacturing in the two countries, respectively.

In Saudi Arabia, although the system strongly favours private ownership and control of manufacturing industry, this has not prevented the Government from undertaking large projects in order to supplement private initiative. Government initiative has been exercised mainly in the area of petrochemicals and the metallurgical industry, which, by virtue of the magnitude of risks and the

/...

huge investment required for such industries, have not been considered sufficiently attractive to the private sector. In the plans of Lebanon and Jordan, the development of the manufacturing industry is largely regarded as a matter of private initiative. The role of the public sector is confined to the provision of basic facilities and the creation of a favourable climate for private investment in manufacturing.

(ii) Measures to influence private investment

Most of the plans reviewed recognized the need for appropriate measures to stimulate private investment in manufacturing, yet such measures are dealt with only briefly and in general terms, and no radically new policies are proposed. The measures envisaged are practically a continuation or formalization of policies already being pursued.

Among the practical measures proposed in the plans, fiscal incentives for investment in the manufacturing industry are strongly suggested. Thus, the plans of Jordan, Lebanon and Saudi Arabia point to tax holidays and exemptions from income taxes. The provision of capital at comparatively low cost and operating subsidies are referred to in the Saudi plan. The Lebanese plan calls for subsidizing specific industries which are either producing for exports or are engaged in the processing of fruits, vegetables and dairy products. However, the most frequently cited instrument for the encouragement of industry remains tariff protection. In this connexion, the plans of Jordan and Saudi Arabia strongly emphasize tariff protection rather than administrative restrictions as a means for protecting local industries. These plans have also commonly provided for exemption from duties on imports of machinery and materials required by new industries.

Import controls through administrative restrictions have been employed in the past in at least two countries, namely, Iraq and the Syrian Arab Republic. They have often served the same purpose as tariffs in stimulating domestic investment. Quite often they have been employed in conjunction with other licensing measures to allocate scarce capital equipment and other materials in accordance with the priorities laid down in the plan. While there is no reference in the Iraqi and Syrian plans to the application of such measures, the expectation is that these past measures will continue to be applicable.

/...

The plans reviewed refer also to measures designed to stimulate foreign private investment. The plan of Jordan, for example, permits foreign participation to have equity in the capital of approved development projects. It also provides for adequate guarantees for capital against all non-commercial risks.

Most of the plans reviewed have recognized the need to strengthen institutions which specialize in the provision of credit and equity capital to industry. The Lebanese and Saudi plans propose to establish such institutions and allocate funds for that purpose, while the plans of Iraq, Jordan and the Syrian Arab Republic refer to strengthening and enlarging the lending activity of their existing specialized institutions.

Jordan, Lebanon and Saudi Arabia propose the creation of industrial estates. These estates typically provide, at reduced prices, overhead facilities, including power and water, as well as land at nominal rents. It should be noted in this connexion that, while in Jordan and Saudi Arabia the establishment of such estates is mainly intended as a means of providing an additional incentive for investment in industry, in Lebanon this has been combined with the objective of reducing rural-urban migration.

The Jordanian and Lebanese plans point to the importance of setting and enforcing quality standards, particularly for exportable manufacturing products.

Various references to the importance of research, training and the dissemination of information on potential production opportunities, and on marketing possibilities at home and abroad, appear in the plans under review. Thus, the Jordanian plan, for example, attaches importance to the establishment of a Bureau for investment promotion, while the Saudi plan refers to the Industrial Studies and Development Centre for carrying out research and feasibility studies related to industrial development and the provision of training through an industrial extension service.

Most countries have emphasized the necessity for revising and re-examining the various existing laws, regulations and instructions regarding industrial promotion, with the objective of bringing them more in line with the requirements of the industrial plans.

/...

c) Foreign trade

With the exception of Saudi Arabia, where foreign trade is barely touched upon in the plan, all other countries have set forth targets for their total merchandise exports and imports, but in most cases these overall targets have not been spelled out in any detail. Only Lebanon has specified growth targets for some of its major export commodity groups.

On the import side, Iraq and Lebanon are the two countries where targets have been broken down into major commodity groups, namely, capital, consumer and intermediate goods.

With regard to the services item in the balance of payments, only Jordan and Lebanon have made separate estimates of both receipts and payments, whereas Iraqi and Syrian exports and imports of services have been assumed to grow at the same rates as exports and imports of merchandise. Estimates of investment income payments have been made in Iraq, Jordan and Lebanon - three countries where the magnitudes of such payments are considerable.

Export prospects, as anticipated by the planners, are ambitious in Jordan, promising in Lebanon and the Syrian Arab Republic, and unfavourable in Iraq (see table 10).

Jordan and Lebanon are the two countries which have planned to attain rates of growth in their overall exports higher than the 7 per cent growth rate suggested in the IDS. The rate of growth of exports set in the Iraqi plan (2.8 per cent) is, however, substantially lower than the 6.2 per cent growth rate of exports achieved over the 1960-1969 period. This marked disparity between planned export growth and past trends is attributable to the low rate of growth assumed for oil,¹ which is the country's major export commodity.

¹/ This assumption was made at a time when relations between the Government and the foreign oil companies were deteriorating. However, as a result of the nationalization of IPC in 1972, exports are expected to grow at an annual compound rate of 8.4 per cent during the 1971-1974 period.

/...

Table 10. Past and planned annual rates of growth in the value of exports and imports in various countries of Western Asia.

(Percentage)

| Country | Exports | | Imports | |
|----------------------|---------------------|---------|--------------------|---------|
| | Past ^{a/} | Planned | Past ^{a/} | Planned |
| Iraq | (1960-1969) 6.2 | 2.8 | (1960-1969) 3.4 | 4.8 |
| Jordan | (1960-1966) 15.5 | 16.2 | (1960-1966) 8.1 | 8.2 |
| Lebanon | (1964-1970) 11.5 | 7.3 | (1964-1970) 6.0 | 6.7 |
| Syrian Arab Republic | (1963-1970) 4.6 | 6.5 | (1963-1970) 6.1 | 5.0 |

Source: ECWA, based on data compiled from national sources.

a/ Past rates of growth are computed on the basis of exponential trend regressions from series at current prices.

When compared with the expected increase in the gross product, export targets are relatively higher in Jordan and Lebanon than in the Syrian Arab Republic and Iraq; in the latter two countries, the implication being an intensification of the import substitution process and/or a faster development of the other determinants of the capacity to import.

The policies proposed to promote and diversify exports have, to a large extent, been concerned with the provision of incentives to encourage the production of exportable products. As such, they have covered the whole range of measures relating to production, including fiscal and monetary policies, direct participation of government in productive enterprise, physical control of resources and the allocation of foreign exchange. These various policies have been touched upon earlier and brief mention need only be made here of those concerned directly with the export sector.

/...

To promote exports, the Iraqi plan has stressed the importance of trade expansion with the Arab countries. The plans of Jordan and the Syrian Arab Republic have pointed to the necessity of industrial co-ordination and economic integration between the countries of the Arab Common Market. In the case of the Syrian Arab Republic, the conclusion of long-term trade agreements with Arab and Socialist countries was also emphasized as an important tool of planning the external trade sector. Developing transport and communications, especially port facilities, has been stressed in the Lebanese and Syrian plans, which also mention the setting-up of public establishments to support and promote exports, and the need to encourage tourism. The plans of Jordan and Lebanon have proposed the establishment and expansion of free-market zones and storage facilities. In addition, various plans have referred to a number of measures designed to promote exports, such as the establishment of standards for exportable products and the participation in, and holding of, industrial and agricultural fairs.

It is worth mentioning in this connexion that, in practically all the plans reviewed, the various measures proposed are too general to be operationally useful.

As far as imports are concerned, planned targets, as compared to past trends have been modest in the cases of Jordan and the Syrian Arab Republic, somewhat ambitious in the case of Lebanon, and relatively high in the case of Iraq.

Available information on Iraq and Lebanon shows that planned import targets are expected to be accompanied by sharp changes in the composition of imports. Thus, in Lebanon, imports of capital goods are expected to increase faster than total imports. In Iraq, imports of capital and intermediate goods are also expected to increase more rapidly than total imports, while the rate of increase of imports of consumer goods is assumed to decline.

The feasibility of the planned import targets can be better appreciated if they are considered in relation to the planned increases in total income and output. In Iraq, Lebanon and the Syrian Arab Republic, the rate of growth of imports has generally been at least as high as the rate of growth of the gross pro

/...

This past experience has clearly not been reflected in the import targets set in the plans, with the implication that increasing proportions of commodity requirements are planned to be satisfied from domestic output. It must be noted, however, that none of these countries appears to have thoroughly explored the implications for imports of planned increases in production. Generally speaking, import targets have tended to be treated flexibly as a means of reconciling overall growth targets with estimates of foreign exchange receipts.

With the exception of Iraq, targets set in the other plans call for rates of growth of exports which exceed the corresponding rates of imports, with the consequence that the deficits on external balances in Jordan, Lebanon and the Syrian Arab Republic are projected to decline. Moreover, and regardless of the balance of payments position projected for their terminal years, the plans have been drawn with the assumption that there would be a net inflow of foreign capital over the course of the plan period. In Jordan, withdrawals from reserves have also been planned as a means of financing the deficit on current account.

Generally speaking, the larger deficits on current account appear to derive primarily from expected increases in the size of the deficits in merchandise trade. In the case of Jordan, however, a decline in net factor income from abroad has also been an important factor affecting the expected deficit on current account.

In estimating the inflow of external finance required to attain planned targets, the Iraqi and Jordanian plans take account of the requirements for servicing the external debt. This has considerably affected the magnitude of total foreign exchange requirements envisaged over the plan period. Thus, in Jordan, the expected repayment of loans amounted to some 28 per cent of the size of the foreign exchange gap over the plan period. As a result, dependence on foreign loans to finance the gap is expected to increase up to 70 per cent in the plan period, as compared to some 19 per cent during the 1964-1966 period.

In summary, it appears that although most of the plans reviewed have frequently made very conservative estimates of import requirements and have sought to accelerate growth in exports earnings, nevertheless certain amounts of foreign capital inflow had to be assumed.

/...

II. ASSESSMENT OF PERFORMANCE AT THE SECTORAL LEVEL

A. The Agricultural Sector

1. The agricultural sector in the Region^{a/}

In recent years, agricultural production in the Region was largely dominated by Iraq and the Syrian Arab Republic, contributing together, in more or less equal shares, 64 per cent of the Region's agricultural production. Consequently, the agricultural performance of the Region was greatly influenced by developments in Iraq and the Syrian Arab Republic. Yemen and Lebanon contributed each around 10 per cent, Saudi Arabia 8 per cent, Jordan 5 per cent and Democratic Yemen 2 per cent to total agricultural production. During the past decade, the relative importance of the livestock sector increased gradually, from 35 per cent of total agricultural production in 1961-1963 to 37.5 per cent in 1969-1971. It remains, however, a characteristic of the Region that the livestock sector is secondary in importance to the crop sector, which continues to be the dominant sector of agriculture. Moreover, livestock raising is substantially divorced from the crop sector, as integrated farming practically does not exist in the Region.

In line with the general trend in the world, the growth rate of value added in agriculture was lower than the growth rate of total GDP in the countries of the Region - except for Iraq - which means that the relative importance of agriculture in the various economies gradually decreased during the past few years. Although in many countries of the Region the agricultural sector is no longer the most important sector of the economy, in terms of value added, it remains a vital sector for development. It is estimated that, in recent years, agriculture contributed, on the average, around 20 per cent to GDP in the Region. In the non-oil producing

^{a/} Bahrain, Kuwait, Qatar, Oman and the United Arab Emirates are not included due to the limited importance of agriculture in these countries and/or lack of data on agricultural development.

/...

countries, the agricultural sector remains the main source of foreign exchange and in all countries it remains an important if not the most important outlet for employment. Consequently, the greater part of the population of the Region remains dependent on agriculture as a source of livelihood. Hence, better nutrition and improved living conditions for the population at large are closely associated with rapid progress in agricultural development.

Because of the arid and semi-arid conditions in the Region, agricultural production in individual countries tends to fluctuate widely from one year to the other as a consequence of variations in rainfall. In 1968 and 1969 the small increases in total regional output were the composite result of changes in individual countries, which enjoyed average to good weather conditions. The drought of the 1969/1970 winter and the unseasonable distribution of rains led to a significant drop in the output of cereals and rainfed crops in general, and was only partially offset by the larger output in irrigated areas. The 1970 regional output fell by 8.9 per cent over the 1969 level. In spite of the efforts that the countries of the Region have been making to ensure a steady development of the agricultural sector, the year 1970 showed once more the vulnerability of the Region's agricultural production to weather conditions. With the exception of Iraq, which had inadequate rainfall, all countries enjoyed fair to good harvests in 1971 and partly recovered from the setback of the previous year. Apart from favourable weather, Jordan benefited from a general recovery of the disruptive conditions of 1970. In 1971 gross agricultural production in the Region increased by 3.9 per cent over the 1970 level. In 1972, agriculture in the Region benefited from excellent weather conditions and very good crops were harvested. The increase in total output was over 25 per cent, varying widely in individual countries. In Yemen and Lebanon production increased only slightly. Agricultural production in the Region in 1973 was hindered by dry weather and an unseasonable distribution of rain, although the conditions were not as serious as in some years nor were they equally damaging to all countries. Regional agricultural production fell in 1973 by more than 15 per cent, but not all of the exceptionally large increase in 1972 was lost as production was still higher, by about 7 per cent than the 1971 level. This poor showing was caused mainly by the reduced output of cereals. The fair to good performance of agriculture in the Region in recent years is encouraging, but it would be unwise and misleading to take the figures of any single or a two good harvest years of the recurring agricultural cycle as evidence of a general trend. /...

The FAO Indicative World Plan for Agricultural Development (IWP) provides a framework for measuring agricultural progress. The principal target for the agricultural sector of the Region to attain during the seventies is a proposed growth rate of agricultural production of 3.7 per cent per annum, based on an analysis of FAO's IWP for the Near East Region. The proposed IWP target up to 1975 is 3.4 per cent, but the IDS target has been adjusted slightly upwards because the performance of agriculture in DD1 did not reach the IWP targets.

For various and well-known reasons, progress in agriculture has to be calculated over reasonably long periods. Therefore, it has been attempted here to measure the progress in agricultural production and review the factors determining agricultural production for the period covering DD1 and the first year of the current decade.

The historical growth rate^{1/} of gross agricultural production in the Region during the 1961-1971 period was a meager 1.3 per cent per annum. Most of the progress was achieved in the first part of DD1; the second part witnessed virtual stagnation of agricultural production in the Region.

Particularly disappointing was the performance of Jordan and Yemen where the level of agricultural production decreased during the past decade at a rate of 2.0 and 0.2 per cent per annum, respectively. The 1967 War and the dependence of agriculture on rainfall in Jordan resulted in large fluctuations in agricultural production. In Yemen, the long civil war and the complex problems facing the agricultural sector resulted in stagnation and even in decreasing production. Syria's agriculture also suffered from excessive dependence on rainfall and, hence, wide fluctuations in agricultural production. The agricultural growth performance of the Syrian Arab Republic during DD1 was disappointing (0.1 per cent per annum),

^{1/} Growth rates have been obtained from fitted trendlines on the FAO indices of gross agricultural production, crop production and livestock production in the Region, and the countries of the Region for the 1961-1971 period.

and was well below the average long-term growth performance estimated to have been 2.4 per cent per annum. The evolution of agricultural production in Democratic Yemen, Saudi Arabia and Iraq during the past decade was somewhat better, but nevertheless growth rates of 1.6 per cent, 2.1 per cent and 2.8 per cent per annum, respectively, are still alarming when viewed against the proposed international targets. Lebanese agriculture grew at a rate of 4.3 per cent per annum during the period under review and achieved the proposed international target. However, less encouraging is the fact that the growth rate dropped to 0.5 per cent per annum during the second half of the period under review.

It is disquieting that the growth rate of gross agricultural production in all countries of the Region, except Lebanon, failed to reach the DD2 target or even to match the countries' respective population growth rates. In other words, agricultural production did not grow fast enough, particularly when viewed against the target of an average growth rate of 3.7 per cent per annum.

Per caput agricultural production in the Region decreased at an annual rate of 1.6 per cent during the 1961-1971 period. The downward trend in per caput agricultural production stopped for the first time in five years in 1971. This is attributed to a general improvement in agricultural production, rather than a decrease in the annual rate of population growth. Continuation of the present trend - of a high population growth rate and a slow growth of agricultural production would ultimately lead to serious social strains. The already poor nutritional conditions will further deteriorate, and it would become increasingly difficult to meet the rapidly growth needs for imports of agricultural commodities with the scarce foreign exchange resources available to the non-oil producing countries.

The growth rate of the crop sector was only 0.8 per cent per annum during the 1961-1971 period. This was partly due to the excessive dependence on rainfall and weather conditions and partly to the fact that no little improvement took place in agricultural production conditions and that the greater part of the Region did not benefit at all from the "Green Revolution". Crop production actually decreased in Jordan, YAR and the Syrian Arab Republic, and only Iraq showed good performance.

/...

During the period under review, more than two-thirds of the Region's cropped land was annually sown to cereals - mainly wheat and barley. The average cereals yields remained low and fluctuated widely around a slightly downward trend. The output of wheat, barley, millet and sorghum decreased at rates ranging between 1.5 and 2.5 per cent per annum during the 1961-1971 period, and only the output of rice increased at an acceptable rate. The variability in output and the pronounced downward trend in feed grains production harmed stable livestock feeding operations considerably.

As to the horticultural crops, they progressed at a moderate rate during the past ten years, due to the introduction of better cultural practices and more intensive cultivation. The present fair yields of tomatoes, onions, melons and potatoes - the important vegetable crops - could be greatly increased. The intensification of vegetables production, particularly production of high-value and out-of-season vegetables, offers promising prospects for rapid increases in production and exports. This development should also lead towards better seasonal availability of various vegetables and reduce large seasonal price fluctuations. The output of the traditional fruit crops of the Region - grapes, olives, dates - declined in the past ten years, partly on account of low productivity and of their labour requirements which made cultivation and harvesting an almost uneconomical venture in certain areas. Ways and means to boost the production of these crops have finally received some attention in recent years, but research on and improvement of production conditions require still greater attention. The output of the newer tree crops in the Region - mainly citrus and apples - progressed at a high rate as a result of both larger planted areas and higher yields.

In recent years, the Governments of the countries of the Region have attached a particular importance to the development of industrial crops, namely, sugarbeet, oilseeds, cotton, tobacco, etc., because these provide the inputs for various agro-industries which it has been planned to establish in the Region. After stagnating and declining in the early and mid-sixties, cotton production in the Syrian Arab Republic and Democratic Yemen picked up again in the past few years due to the continued efforts made by the governments to increase and improve the cotton output. In recent years, the production of oilseeds was at a standstill, while the production of tobacco and sugarbeets increased very fast.

/...

Livestock production developed at an annual rate of 2.3 per cent during the 1961-1971 period. Much of the growth is attributed to the successful efforts of various countries to develop the poultry industry, which grew at a rate of more than 10 per cent per annum. Lebanon and also to some extent Jordan experienced a phenomenal development in this sector in the first half of the sixties. More recently, the poultry sector has started to develop rapidly in Iraq, Saudi Arabia, the Syrian Arab Republic and Kuwait. Increased supplies of poultry meat could raise, in a relatively short period, the present low levels of animal protein intake.

The red meat and milk sectors encountered complex problems in all countries of the Region. Production of mutton, accounting for two-thirds of red meat production, as well as production of goat and sheep milk were disappointing and grew only fractionally. In some countries (e.g. the Syrian Arab Republic) some progress was made during the past decade in beef production and cow milk production, which grew at a rate of more than 3 per cent per annum in the 1961-1971 period. The improvement in meat and milk production per head of cattle during the past decade may be due to the reduction in the number of draft animals, the import of substantial numbers of pure-bred animals, successful efforts in upgrading the quality of local breeds and the breakthrough of intensive fattening programmes. On the average, the productivity of livestock was very low, because during periodic droughts large numbers of stock fought for survival at a submaintenance level. Moreover, in general, environmental conditions for livestock in the Region are harsh and severe.

In recent years, the governments of the countries of the Region recognized the urgent need for increasing animal production and initiated livestock development programmes to provide larger quantities of adequate locally produced feed, to improve animal production conditions and to meet the needs for trained personnel. Under the present circumstances an increased feed supply and a reduction in stock numbers should be the objectives in the short-run, while rational exploitation of rangelands should be a long-run objective in the development of the animal husbandry sector. In addition, the marketing system should be improved to provide adequate returns to livestock owners. In the future years, transition from the traditional pattern to a modern type farming could probably be achieved through the encouragement of integrated farming and specialized livestock production, and through the development of a marketing structure capable of handling, amongst other things, the distribution of milk and milk products.

/...

During the past decade, only limited progress was made in remedying the critical situation with respect to food and agricultural production in the Region. The productivity of agriculture in the Region remained very low during DD1. Large amounts of inputs were used in the 1960's, and particularly in recent years, but the degree to which farmers relied on purchased inputs was still low at the end of the decade; it was estimated to have been 10 to 35 per cent of the value of output in the 1965-1970 period. On the average, farmers in the region spend little but also produce little and it is ultimately the absolute difference between the two which sets their living conditions.

Value added per hectare of cultivated/cropped land increased moderately during the past ten years. During DD1, only limited areas of land could be made available either rapidly or inexpensively, for agricultural production. Contrary to the situation in the past, measures to increase output per unit of land provided the most ready means to increase production to keep pace with demand. Growing scarcity of land in the late 1950's and the 1960's and greater adoption of modern technology are reflected in the fact that the contribution made by higher yields to increased production appears to have risen, mainly for high-value crops. Value added per hectare of cropped land during the 1965-1970 period was highest in Lebanon - around 600 US dollars per hectare. This reflected relatively intensive cultivation and the use of high amounts of purchased inputs. During the same period, the value added per hectare of cropped land ranged between 450 and 550 US dollars in Saudi Arabia and Democratic Yemen, mainly because of the small cropped area and the importance of irrigated agriculture. Extensive cultivation, the small proportion of irrigated cultivated land and/or small quantities of purchased inputs used resulted in a very low value added per hectare in Jordan, Iraq and the Syrian Arab Republic. Although the value added per hectare of cropped area in these countries increased substantially during DD1, it remained low, ranging between 70 US dollars in Syria and 160 US dollars in Jordan and Iraq.

2. Factors affecting agricultural production and productivity

a) Land and water use

Land and water development activities are the most important factors for increasing agricultural production through intensification as well as expansion of the cultivated area. In the past decade, only 45 to 55 per cent of the cultivated area in the Region was cropped annually. In 1970, irrigated land constituted less than 30 per cent of total cultivated area, while more than 70 per cent of the cultivated area in the Region was under dryland farming. During DD1, no major changes took place in the land use pattern in the Region. Land reclamation took place on a limited scale in certain countries only. A serious obstacle to land reclamation programmes in the Region was the high cost per hectare of land

/...

reclamation. The rapid expansion of cultivated area came to an end in the early sixties as the annual cropped area pushed against the margins of aridity. Cultivation became very risky as it spread into lands in arid and semi-arid regions where rainfall is not dependable. As a consequence, livestock grazing was pushed to submarginal grazing grounds and the adverse effects of overgrazing became even more accentuated. However, in recent years, some efforts have been made in the Syrian Arab Republic, Iraq and Jordan to confine cultivation to the better and medium rainfall areas and to intensify the cultivation of these rainfed lands through the introduction of legumes in rotation with wheat. This would also mean that marginal rainfall areas became grazing grounds anew.

Aridity severely limits a better and more efficient exploitation of the agricultural potential of the Region, hence increasing the importance of irrigated agriculture and the irrigation potential. In Democratic Yemen and Saudi Arabia, agricultural production is nearly exclusively based on irrigation, but on the whole only a small part of the cultivated land in the Region is irrigated. In the past decade, several water development projects have been initiated or completed, particularly in Iraq, the Syrian Arab Republic and Saudi Arabia. Investments have been concentrated on large and slow gestation projects. At present, there seems to be some thought to put more emphasis on medium and small-scale works, which would yield a quicker pay-off (e.g. in Yemen, Jordan, Iraq, the Syrian Arab Republic, etc.). Although scanty information is available on the actual operation of projects completed during the past decades, there is a general consensus that significant improvements in irrigation efficiency are necessary for the expensive irrigation works to pay off. There is evidence of inefficient water use and considerable water waste, of water legislation which is not adapted or up to the requirements of irrigated agriculture, and of serious problems of water management. In all countries of the Region, local organizations experience problems of operation and maintenance of irrigation projects.

It is regrettable that, in many cases, the execution of projects has been limited to the main irrigation and drainage system and that the post construction services and on-farm development have been largely neglected. Concentration of efforts on the completion of projects is badly needed. The failure to provide drainage systems resulted in one of the most acute problems of eliminating salinity through costly structures for control and special care in management, e.g. in Yemen

/...

Iraq and in parts of Jordan and Saudi Arabia. Problems of salinity, alkalinity and water logging became more acute during the past decade to the extent that, for instance, in Iraq more than half of the irrigated area was left idle every year. The reaction of the governments to commit large investments out of already scarce resources for development has been slow and difficult in the second half of the sixties. However, only through huge efforts will intensive cultivation of these affected lands and the use of these water resources again become possible.

In the past, strong emphasis was put on the expansion of cultivated land and irrigation development; the latter being of top priority for long-term agricultural development. The essential precondition for accelerated agricultural development in the Region, which is economically feasible in the immediate future, is to take measures aiming at vertical expansion of the agricultural sector. Intensification of agriculture through raising cropping intensity, increased and more efficient water-use and a variety of other measures relating to cultural practices and modern inputs would result in growing more valuable crops, in higher economic output per unit of land and reduced costs through greater spreading of fixed and overhead costs, increased revenues for farmers, more full time employment in agriculture, and better opportunities for developing agro-allied industries.

b) High-yielding varieties and improved animal species

In the past decade, improved seeds and animal species proved to be a moving force in agricultural development. The "Green Revolution" has made only a modest start, but the impact programmes of increased wheat, rice and maize production through the release of some high-yielding varieties (HYV) and distribution of fertilizers have shown encouraging results. Large-scale adoption of HYV in some or all countries of the Region has not yet taken place; in 1971 only a mere 11 per cent of the total wheat area was under HYV. The released HYV had to be grown under conditions of high rainfall or irrigation and this limited their applicability because of the scarcity of such land in the Region. The introduction of HYV of wheat has passed the initial experimental stage in Iraq, Syria and Lebanon, while testing and small-scale programmes are underway in the other countries. In Iraq, good progress has also been made in rice production, partly because of the introduction of a tested HYV. Attention has to be drawn to the fact that, with the spread of the HYV of cereals, the initially high average yield is going down, as for example is the case in Iraq. This phenomenon - common to all countries that adopt large-scale growing of HYV - is probably due to the fact that the lands being put under HYV are not all suitable, and/or to the fact that farmers lack the knowledge to exploit the full potential of the HYV or are not using proper cultural practices. /...

At present - and only a few years after the introduction of HYV of wheat - some problems have cropped up for which it is important to find an early solution if the apparent opportunities for agricultural development are to be realized and the full benefits of the "Green Revolution" are to be conserved. In all these countries, research efforts have to be intensified to find improved and disease-resistant varieties; provisions have to be made to ensure that inputs, especially fertilizers, are available when needed and in sufficient quantities; measures have to be taken to step up the training of scientists; and, plans have to be made to establish a programme of systematic production, certification and distribution of HYV seeds.

Despite the fact that the greater part of the area is rainfed, and has less favourable conditions for using purchased inputs, suitable varieties are still lacking for application by small farmers in low rainfall areas. Very little has been done at the national and international levels to make these unfavourable environments more productive, to stabilize and increase crop yields and to reduce the cost of production. Concerted efforts should be made to develop varieties suitable to the conditions of the arid areas of the Region. Furthermore, the inter-disciplinary effort in breeding science and technology should not remain limited to a few cereals crops grown under certain conditions. Research on HYV of maize, barley, sorghum and fodder crops should be intensified so as to satisfy the rapidly increasing needs for feed for the poultry industry and the livestock industry. Research on HYV of pulses, oilseeds, vegetables and fruits should be initiated.

Research efforts have also neglected the livestock sector too long. Efforts in future years should, to some extent, concentrate on the improvement of animal species, though there is perhaps a more urgent need for improving the standards of animal husbandry in the Region. Although the import of exotic breeds will most probably continue on an increasing scale and present a variety of problems under the present adverse conditions for raising livestock, the selection and improvement of indigenous breed types could make a valuable impact on livestock improvement, which, however, may have only a limited effect in the medium-term.

/...

c) Fertilizer consumption

The most significant development in the use of crop production inputs in the Region during the past decade has been the increased consumption of organic and inorganic fertilizers. Increased fertilizer application was directed to industrial crops (cotton and sugarbeets), various horticultural crops, irrigated wheat and HYV of cereals in the late sixties and early seventies. Total fertilizer consumption in the Region, excluding Democratic Yemen and Yemen, in elements of N, P_2O_5 and K_2O increased from 47,600 tons in the 1961/62-1965/66 period to 76,700 tons in the 1966/67-1970/71 period. Fertilizer consumption has been increasing steadily in all countries. In certain countries, great strides could be made in areas with adequate soil moisture to raise yields of traditional seeds by means of increasing the present meager use of fertilizers along with improving cultural practices.

Total consumption per hectare of arable land in kilograms of elements of N, P_2O_5 and K_2O ranged from 0.5, 2.7, 4.5 in Iraq, the Syrian Arab Republic and Jordan, respectively, to 17.5 in Saudi Arabia and 49.8 in Lebanon in 1965/66. In 1970/71 total fertilizer consumption per hectare of arable land in kilograms of elements of N, P_2O_5 and K_2O was 2.1 and 3.1 in Jordan and Iraq, respectively; 6.7 and 7.4 in the Syrian Arab Republic and Saudi Arabia, respectively; and, 129.8 in Lebanon. The high rate of fertilizer application in Lebanon might be explained by the heavy doses of fertilizer applied to various horticultural crops, sugarbeets and irrigated wheat. Low per hectare applications of fertilizers in the Syrian Arab Republic and Iraq might be due to the extensive cereals cultivation over large areas and the relatively high prices for fertilizers in these two countries. To achieve a high level of efficiency of fertilizer use, it is very important to expand the extension and demonstration work. It also seems of basic importance that more efficient price policies and marketing systems be worked out to help farmers decide in favour of using fertilizers to increase crop production.

d) Crop protection

Crop protection in the Region, during the past decade, was confined to selected crops, although application has proven to be highly rewarding in terms of higher output. The use of pesticides, insecticides, fungicides and herbicides is still very low in all countries, except for Lebanon where a somewhat higher use is reported. Obstacles to a wider use of pesticides were high cost, sophisticated equipment and the necessary technical knowledge.

/...

e) Agricultural mechanization

Undoubtedly high levels of production require adequate farm power and implements. From inadequate information available, it can be concluded that the use of tractors, waterpumps and other machinery and equipment used in the Region, large numbers are of obsolete models and a considerable proportion is not in working order. Throughout the Region, there is a pressing need for building a strong infrastructure to cope with problems of repair and maintenance of agricultural machinery. Aside from widespread use of tractors for various operations, heavy investments have been made by farmers to purchase pumps which served for irrigation, mainly from groundwater sources, e.g. in Lebanon, Saudi Arabia, Iraq, Jordan and the Syrian Arab Republic. In the past decade, wider use was also made of harvester-threshers, but to a more limited extent. Lebanon and, to some degree, Jordan had a favourable ratio of cropped area per tractor, namely, 83 and 192 hectares, respectively, in 1970. In 1970, the cropped area per tractor was around 350 hectares in Iraq and the Syrian Arab Republic and 600 hectares in Saudi Arabia. At present, a first stage of mechanization has been reached in most countries, as ploughing, harvesting and threshing of the main crops have been mechanized to a large extent. Mechanization has been largely restricted to rainfed areas, because of the smaller holdings in irrigated areas and the prevalence of small irrigated plots which are more difficult to mechanize. In recent years, efforts have been deployed to step up mechanization in irrigated areas through the introduction of small tractors and ancillary equipment. Farm mechanization should be given high priority as it plays a basic role in raising productivity and as it is a key factor in transforming the structure of rural society. Prerequisites for accelerated mechanization are repair and maintenance facilities and a supply credit system.

f) Agricultural employment

It is unfortunate that not much is known about the dimension of agricultural employment in the countries of the Region. Except for Lebanon, where only 19 per cent of the economically active population is working in agriculture, the countries of the Region are characterized by a large proportion of the economically active population working in agriculture. It is estimated that, of the total economically active population in the Region, between 50 and 55 per cent worked in agriculture in 1970, as against an estimated 60 per cent in 1960. Although the proportion of active persons engaged in agriculture is expected to decline during the course of DD2, the absolute number will continue to increase. Agriculture will continue to be the main outlet for employment to the labour force of the Region.

/...

Apart from the pressing need for creating new jobs, the agricultural sector suffers from severe underemployment. In all countries, the present levels of output could be achieved with much less manpower. There is no doubt that in Iraq and the Syrian Arab Republic the spread of the seed-fertilizer revolution and the agrarian reform had a favourable impact on productive employment in agriculture. But both intensification of production and rural work programmes require more attention in all countries, as they could have a positive impact on the employment situation in the rural areas of the Region.

Rural-urban migration is another major and difficult problem which became considerably more acute during the past decade and caused accentuated labour shortages and labour problems at peak seasons in rural areas, particularly at harvest time, e.g. in Lebanon, Iraq and Jordan. Increased attention should be given to this problem and remedial action intensified.

In the national development plans, agricultural employment is poorly integrated within the framework of planning. Employment, in this case, agricultural employment has been a secondary objective of planning. It should be stressed that the implications of the expected acceleration in the growth of labour force during this decade - following the high population growth rates of the fifties and the sixties should be given the highest priority in designing an agricultural development strategy for the coming decades.

3. Elements of the infrastructure for agricultural growth

In the past decade and more particularly in recent years a range of programmes has been initiated which attempts to modernize agriculture and change the environment in which farmers live and work. Measures have been taken to improve living conditions in rural areas, to alter the agricultural production systems and farming conditions and to organize in a better fashion the agricultural institutions and supporting services. The success of this venture has been limited so far due to the fact that the separate institutions and services were not generally strong enough to be effective and the attempts at an integrated approach were not always successful.

/...

An encouraging fact is that the idea of integrated intensive development projects has recently gained strong support in the Region. Concentration of efforts in selected regions through the provision of a proper institutional package might give a powerful push to agricultural development and gradually remove poverty from the Region in the years ahead. This can only be achieved by combining an integrated approach which looks at all the economic and social factors involved with a selective approach and which evaluates the needs of the individual areas and sets of circumstances. Iraq, the Syrian Arab Republic and Yemen have initiated pilot development projects on this basis, and there is evidence that the other countries consider implementation of projects along the same lines.

a) Land tenure and land tenancy

An important feature of the past decade was the fact that countries of the Region initiated or enforced agrarian reform programmes, with a view to altering the systems of land tenure and tenancy which hampered production. The experience of the sixties resulted in an important conclusion: well-conceived programmes for redistribution of holdings were only a first step in a scheme of agrarian reform. It is necessary that this first step be synchronized with a variety of measures to help the new landowners increase their production. The timing of building investment requirements and market orientation into the land reform programme is crucial in the achievement of its economic aims.

In the Syrian Arab Republic, the final distribution of the expropriated and state domain lands was completed by the end of 1969 and, since then, the Government has concentrated on strengthening and improving the provision of supporting services and encouraging production. In Iraq land distribution has been slow and by the end of 1972 only 34 per cent of all expropriated land had been distributed, nearly half of which was government land. During the past decade, the situation in many rural areas remained uncertain for temporary allottees, holders and landlords. It is important that the Government take decisive measures to complete land distribution as soon as possible. In Democratic Yemen, the agrarian reform (initiated in 1968) did not yet fully meet its aims. Improved land tenancy relations and land tenure systems did not yet emerge.

/...

Apart from the need to build up the institutional framework for co-operatives, supporting services and marketing facilities in the years ahead, considerable attention is required to solve the delicate problems of the landless farmers and the transformation of the tribal sector in agriculture. The latter problem has left some of the governments puzzled with the choice of the system to operate a few already completed settlement projects.

b) Agricultural credit and agricultural credit structure

During the past decade, the needs for agricultural credit have increased rapidly due to the fact that production has become more dependent on the use of purchased inputs and due to the enforcement of the agrarian reform programmes. The credit supplied from institutional sources increased during the sixties, but it did not match the large needs of the farmers. On the average, less than 20 per cent of the agricultural credit needs were met from institutional sources. Non-institutional sources of credit still predominate heavily due to the fact that speed, lack of formalities, personal contact and additional services outweighed low interest charged. In recent years, 80 to 90 per cent of the institutional credit was of a short term nature. Lack of liquidity did not allow credit institutions to invest a major part of their funds in medium or long-term operations. These operations remained heavily concentrated on a few crops and the livestock sector was left practically untouched by the credit systems of the Region. The distribution of loans was not made according to the relative importance of the crop. The share of credit supplied to co-operatives has increased since 1965, but on the whole the larger part of the loans are still granted to individual farmers. Only a fraction of all farmers benefitted from institutional credit. Although there has been some improvement in recent years, institutional credit has been poorly supervised with the result of increased indebtedness, reduced credit worthiness and erosion of the working capital of the agricultural institutions.

With a few exceptions, links between farm planning and credit provision and between credit, extension and marketing have been either weak or non-existent. The absence of these links, as well as the lack of a strong institutional network, should be of chief concern to the governments of the Region. Appropriate action has been taken in the past decade to strengthen the institutional framework at the national level, but an effective organization at the village level with the active participation of the farmers is still lacking. It is precisely this structure which conditions the operation of institutional credit systems and which provides the supporting services which are essential if the application of capital to agriculture is to be successful.

/...

c) Agricultural research and its organization

The experience of the sixties highlighted the need to rapidly shift from a resource-based to a science-based agriculture and, accordingly, this brought about considerable interest in the Region to look into the need for adaptive research and the organization of research. Amongst other things, this means that in each country administrative mechanisms to promote more effective national research programmes have to be established or improved, and that the research capacity, has to be expanded and upgraded to supply new biological inputs and to furnish the farmers with guidance and know-how.

Regional and national research programmes have emphasized in the past decade applied and adaptive research on crop improvement - mainly basic staple cereals - with a view to solving the immediate problem of providing the population with a sufficient calorie intake. In the future years, efforts should be diversified and should aim at the improvement of the quality of the diet through concentration of research on high protein food legumes and animal resources, with a priority for poultry production, improved feed supplies and better use of by-products. In the past decade, research on fisheries, nutrition, food technology and socio-economic problems was particularly neglected in the Region.

The governments of the FAO Near East Region agreed upon the immediate research needs and priorities for action at the regional level during the 11th FAO Regional Conference for the Near East (Kuwait, September 1972), in the following order of priority: land and water development; promotion of animal production, including fisheries, for narrowing and ultimately eliminating the protein gap; integrated rural development, with emphasis on employment and marketing; and, crop improvement, including HYV of field and horticultural crops under irrigated and dryland farming.

Socio-economic research applied to agricultural development has been very weak and has not been generally appreciated in the Region. During the past decade, in no country did socio-economic research have any real impact on general planning for agricultural development. Only very few studies exist and even the accumulation of agricultural statistics leaves much to be desired. This situation has put agriculture at a disadvantage and has led to misallocation and wastage of financial and physical resources. Policy-makers should give socio-economic research equal

/...

status with "technical" research, and should preferably locate it physically as a strong centralized division and an integral part of the national agricultural research organization. The latter structure is non-existent throughout the Region. Its realization can only increase the efficiency of agricultural research and speed up agricultural development.

The increasing importance of agricultural research activities in the Region has raised questions of organization, administration and co-ordination of research efforts. In the past few years, there has been a tendency to create specialized institutions responsible for agricultural research within the public agricultural sector. To utilize available resources efficiently and to gear research to the needs of the country, co-ordination at the national level is necessary. In some countries, e.g. Iraq and Lebanon, co-ordination in research has been realized in the past decade, while in other countries it is still lacking. In the overall effort to encourage agricultural research, important contributions have been made by private institutions in many of these countries.

4. Agricultural development planning

One of the salient features of the late sixties and the early seventies was the recognition by the governments of the Region of the crucial role played by agriculture in sustaining the development of the other sectors and in diversifying the economy. This is evident from the fact that current development plans, compared with the plans of the past, put more emphasis on agricultural development. However, there remains an urgent need for greater investments in agriculture. The share of planned investment in agriculture to total public investment in the current plans ranges from 15 to 35 per cent, except for Saudi Arabia where it is only 3.6 per cent. The plans of the past decade did not allocate an adequate share of the investments to the agricultural sector. The present complex problems of agricultural development are partly a consequence of the development policy followed in the past.

The medium-term type development plans in the Region are characterized by the absence of a sectoral planning methodology. In most of the countries, plans consist of a mere listing of a number of projects, often not integrated in a general programme. The agricultural projects in the current plans still do not fit well into a plan for the development of the agricultural sector. Clearly lacking is an assessment of the long-term perspectives for agricultural development over 15 to 20 years and the various policy options available. Under these circumstances, it is difficult to spell out a recommended pattern of development and public expenditure as well as developmental measures that are to have

/.

strategic importance during the plan period. Furthermore, in all the countries under consideration there is room for the introduction of a close link between annual and medium-term planning.

Despite a general improvement in planning agricultural development, the ratio of actual expenditures to planned investment has been much below the average for all sectors in the development plans of the past decade. For instance, in the plans of the second half of the sixties, implementation in the agricultural sector was 32 per cent in Iraq and 35 per cent in the Syrian Arab Republic as compared to 67 per cent in Iraq and 77 per cent in the Syrian Arab Republic for all sectors. The impediments to the achievement of the set targets in the past decade are well-known and common to most of the developing countries which have introduced planning. To cite a few only: the large gap between sectoral planning and the formulation of individual projects; the setting of ambitious targets which seldom end up being translated into viable projects (these two causes are closely linked to the need for trained personnel); the successful implementation of projects was seriously hampered due to the lack of appropriate accompanying policies and measures in extension, credit, marketing and pricing; etc.. To achieve the objectives of the current agricultural plans a great improvement in investment performance will be required.

The first agricultural development plans put great stress on the development of infrastructure, as some 70 to 90 per cent of the planned investments were allocated to it. The agricultural plans of the late sixties and the current plans show evidence that some shift has taken place from capital-intensive projects to less capital-intensive but quicker-maturing projects. In the current plans of Iraq and Saudi Arabia, only 44 and 33 per cent, respectively, of planned investment is allocated to irrigation and land development, while in the other countries the ratio varies between 63 per cent in Democratic Yemen and 81 per cent in the Syrian Arab Republic. The continued stress on irrigation and land reclamation projects in the past and current plans can hardly be overemphasized. Under the arid and semi-arid conditions of the Region, they have contributed to the expansion of agricultural production capacity and to the reduction of excessive fluctuations in agricultural output. The development of the sub-sectors of agriculture, in particular the livestock sector, have been given relatively little emphasis and

/...

have been largely left to the initiative of the private sector. Investment in agricultural services and the improvement of the agricultural institutions appears to have been more or less adequate in most countries, and even more resources have been allocated under current plans in comparison to the plans of the past decade. In general, agricultural plans have largely neglected investment in transport, agricultural road construction and agricultural processing industries, although the latter's potential to contribute to agricultural and economic development is considerable. Furthermore, all plans are characterized by a conspicuous weakness in linking agricultural development with the development of the other sectors of the economy.

/...

B. The Industrial (Manufacturing) Sector

Owing to the non-availability of reliable statistical information on manufacturing industry in the Region, the discussion in this section is limited to Iraq, Lebanon and the Syrian Arab Republic.

1. Industrial development in Iraq

As a result of the basic changes which took place in the economic structure of Iraq in 1964, due to the nationalization of the leading manufacturing industries in the country, efforts were made to accelerate the promotion of industrial progress, but with more emphasis on the public sector's participation.

a) Industrial development during the 1965-1969 period

The 1965-1969 national development plan aimed at maximizing productive employment and geographical distribution of investment, and anticipated an overall annual compound rate of growth of 8 per cent. The industrial sector was to grow at 12 per cent per annum. Investment allocations for the industrial sector, e.g., manufacturing, electricity, mining and water amounted to about ID 215 million, or to 28.4 per cent of the overall allocations of the plan.

Estimated expenditure for industry undertaken by the central Government between the beginning of the plan period and March 1969 was ID 99.5 million, representing about 53 per cent of the allocated investment.

For the same period, implementation, in terms of expenditure, of major industries may be summarized as follows:

/...

Table 11. Iraq: Implementation of planned expenditure in major industries, 1965-1969

| Industry | Actual investment (ID million) | Achievement (per cent) | Main projects |
|---------------------------|-----------------------------------|---------------------------|--|
| Metal products | 4.388 | 69.2 | Farm machinery |
| | 0.630 | 67.2 | Electrical implements |
| Textiles | 11.529 | 65.3 | Cotton textile fine synthetics textile, knitting |
| Chemicals | 2.641 | 68.6 | Pharmaceuticals |
| | 22.890 | 57.0 | Sulfur recovery, paper mills, fertilizers |
| | 7.029 | 38.7 | Petroleum products and gas |
| Construction materials | 2.004 | 60.5 | Glass factory |

Source: ECWA, based on data compiled from national sources.

In addition to these achievements, expansion programmes were undertaken by a number of other public agencies responsible for the development of various industries the most important of which were food products (vegetable oil and sugar), construction materials (cement), textiles (weaving) and petroleum refining.

During this period, the chemical and food industries led all other manufacturing industries in terms of output development. These two branches, which may be considered as the main contributors to gross national product in the manufacturing sector, grew at an annual rate of 29 and 11.8 per cent, respectively.

The share of manufacturing in total exports rose from 1.4 per cent in 1964 to 2.3 per cent in 1969. Non-mineral products, whose exports have been increasing at the rate of 9.6 per cent per annum, contributed most to the rise in manufacturing exports, with cement being the main commodity exported to the Gulf area, Egypt and Sudan. Food products were next in importance, in terms of their export value, despite the fact that they have been developing at an annual rate of 46 per cent. The most important food items exported were packed processed dates, date syrup and margarine. These were mainly exported to the Arab countries, except for the packed dates, whose marketing outlets were considerably larger. Chemical products, which developed at the rate of 33 per cent per annum, occupied third place in terms of exports, with soap, plastics bitumen and gas oil as the most important export commodities.

(i) Productivity

Most branches of industry failed to utilize their full potential. Employment, in general, exceeded the volume that was assumed in the plan and total wages were estimated to have risen by 53 per cent, an increase which may be attributed in part to the profit sharing system which was adopted after 1964. The increase in employment, however, may have been the result of investment which took place during the preceding years and may not, therefore, be directly related to the volume of investment undertaken in the plan period. During the last decade, the average wages of all technical workers had risen, but the increase in the average wages of skilled and non-skilled labour was less pronounced. At the same time, the recorded number of technicians had increased at a rate higher than that of non-skilled labourers. The annual wage increments are automatically applied at a rate proportional to the daily wages and these may have affected productivity. One of the major problems that may have reflected itself on productivity was the low rate of utilization of equipment. Surplus labour in manufacturing plants was also one of the factors responsible for the lowering of productivity levels.

(ii) Performance of specific branches of manufacturing

Within the food industries, productivity and the development of output were highest in the vegetable oil and sugar branches, although both of these depend mainly on imported intermediates. In general, it appears that the food industry has been developed for two specific purposes: to achieve a higher degree of import substitution and to raise the value of exports. In the textile industry, the general development trend appears to have remained unchanged, compared to other branches of manufacturing, despite the significant increase in productivity in certain sub-branches, particularly in fine textiles, synthetic fibers and knitting. The best performance in terms of development has been observed in fine textiles and cotton weaving and, to a lesser extent, in knitting products. In the early stages of development, the cotton weaving industry (and wool textiles) failed to grow at an accelerated pace, mainly because of the high cost of raw materials which were mostly imported. The development of knitting products, synthetics and fine textiles and wearing apparels (including footwear) is expected to proceed at a faster rate due to the commissioning of new plants and the increased demand of the export market.

/...

The chemical industry, with petroleum refining as one of the principal activities, ranked third in terms of industrial progress. Employment in this branch increased at a higher rate than in other branches and this may be due mainly to the commissioning of new chemical plants. Among the most dynamic industries in this branch was the plastics industry which has been progressing very distinctly despite the fact that this industry, as well as most other chemical industries, depends on imported intermediates, including petroleum derivatives.

Other industries that have been progressing at a fast rate are basic chemicals, cosmetics and drugs and, to a much lesser extent, soap. With the exception of soap and detergents, petroleum products, sulfur and some basic reagents and some medical drugs and cosmetics, the local market may still have to depend on the imports of chemicals for industrial purposes. At present, the only commodities which are exported are plastics, cosmetics and some medical drugs. However, since pharmaceuticals, fertilizers, viscous (rayon) and sulfur are now all produced on a large scale, the potential for future exports may improve.

Although the contribution of the non-metallic mineral industry to the national economy was appreciable, its recent progress has been slow and may have been lower than that in other industries. Most of the products of this industry have been of the import substitute type. Cement, which is a leading manufacturing commodity in terms of export, productivity and dependence on local raw materials, failed to register an appreciable growth during the preceding planning period. However, with the new plants and expansion underway, the cement industry should be able to achieve a better performance in the future.

In this branch, the only other important activity which had achieved a high degree of industrialization is the construction group, clay products. The progress achieved by this industry, which depends mainly on the local market, has been mainly due to the availability of local raw materials at low cost. The glass industry may achieve a higher rate of development during this decade, because the planned projects have already been implemented.

It was difficult to assess the performance of the metal products industries because of the lack of sufficiently dependable information. In general, it appears, however, that the degree of industrialization in this sector has been declining at a time when employment was rising. Construction products, which were mainly produced by the private sector, were the most important industry in this branch during the past decade.

/...

A few modern plants were established and commissioned in the sixties by the private sector (or through joint ventures) for the production of household items and vehicles. Plants producing electric equipment, motors, vehicles and farm machinery were constructed during the past decade, but their production did not reach the point of allowing for a reasonable assessment of performance.

There was some progress in the development of the paper and printing materials industry during the preceding decade, but the prospects for the achievement of a higher rate of growth in the future appear to be promising, particularly since the large paper and pulp projects were implemented and a number of these plants commissioned recently.

As for the wood industry, little progress was achieved except for the furniture industry which has experienced some development, mainly for the local market.

b) The 1970-1974 industrial development plan

In the 1970-1974 plan, the growth target for the industrial sector was set at 12 per cent per annum. The plan assumes that the share of manufacturing, excluding oil refining, in GDP will increase from 7.4 to 9.6 per cent. If oil refining is included, it will increase from 9.1 to 11.4 per cent. Investment for the manufacturing industries is estimated to be ID 212.5 million, or 19.8 per cent of the plan's overall expenditure.

/...

Table 12. Iraq: Growth targets for the manufacturing sector
in the national development plan 1970-1974
(Millions of Iraqi Dinars)

| | <u>1969</u> | <u>1974</u> | <u>Percentage increase</u> |
|------------------------------|----------------|----------------|--------------------------------|
| <u>GDP</u> | | | |
| Total | <u>94.420</u> | <u>160.345</u> | <u>69.8</u> |
| Oil refining | 17.720 | 25.145 | 41.9 |
| Others | 76.700 | 135.200 | 76.3 |
| <u>Gross value of output</u> | | | |
| Total | <u>233.529</u> | <u>401.323</u> | <u>71.9</u> |
| Oil refining | 23.133 | 36.633 | 58.4 |
| Others | 210.396 | 364.690 | 73.3 |
| <u>Employment</u> | | | |
| Number of workers | <u>148.000</u> | <u>208.000</u> | <u>40.5</u> |
| <u>Wages</u> | 31.16 | 46.39 | 48.9 |

Source: ECWA, based on data compiled from national sources.

The public industrial sector's share, i.e., the share of the Central Government and other public agencies, amounts to ID 162.5 million, which represents 20.7 per cent total public expenditure. These estimates were later revised upwards. Investment by the Central Government during the plan period will be devoted mainly to the completion of previously started projects. The major industries on the Government's list of priority investment are chemicals (17.7 per cent), petroleum products (17.4 per cent), food products (7.7 per cent), textiles (5.5 per cent) and power and electricity projects. New manufacturing projects, including petrochemicals, will receive 18.9 per cent of the total investment.

/...

c) Industrial policies and incentive measures

(i) Industrial policies

Industrial enterprises fall into three categories, namely, the public sector, the private sector and the joint sector. The joint sector is owned partly by the Government, through the Industrial Bank, which forms stock companies jointly with the private sector. Medium and small industries are left for the private sector or the joint sector's enterprises. The public sector is concerned mainly with heavy industries and those which are identified as strategic industries.

Industrial policies in Iraq consisted of a number of measures which did not follow a consistent line of action which could allow them to pursue well-defined objectives logically integrated with realistic targets. These policies were not closely followed-up or linked to the plan targets.

The public structure's character of the Iraqi economy rendered industrial activities somewhat sensitive to the budget position of the Government and of other public financing institutions. Despite this, the financing of public sector projects did not constitute a major problem, although some difficulties were encountered in the provision of working capital for newly commissioned projects, particularly when underestimation of the capital requirements were magnified by delays in implementation.

Financing of private industries is provided from private savings and industrial loans. Long and medium-term industrial loans, in the form of fixed assets and working capital, are usually granted by the Industrial Bank. However, loans granted by the Industrial Bank are subject to detailed evaluation of projects for which the maximum may not exceed 50 per cent of the value of the fixed assets of the project. At the same time, the Bank imposes a ceiling on loans granted, which varies according to ownership of the project and is subjected to preferential lending procedures.

Commercial bank loans are limited to certain ceilings that are observed by all branches of the same bank. Nevertheless, the private sector sometimes makes use of the credit facilities granted by the commercial banking system and also those provided by foreign suppliers of imported raw materials and machinery.

/...

Foreign industrial investments in Iraq have not been appreciable, presumably because only joint ventures undertaken with Iraqi citizens are allowed, but with no special privileges granted. Furthermore, inflow and outflow of foreign capital is regulated by the Central Bank, which permits the repatriation of only up to 20 per cent of the paid-up capital annually in the form of dividends while requiring the reinvestment of surplus earnings.

(ii) Incentive measures

Licensing of private industrial projects is usually granted by the Directorate of Industrial Promotion, Ministry of Industry, on the basis of an evaluation of the proposed projects. Licensing is required for all projects whose equipment value exceeds ID 3,000 and these projects become, in turn, eligible for protection. The process of licensing developed into a discouraging element for the private sector, mainly because of delayed action on the part of the licensing authorities and, in many cases, because of the presentation of incomplete studies for the projects proposed, which are usually prepared by foreign manufacturers whose main interest may be confined to the sale of their own machinery and equipment.

The factors which adversely affected the process of industrialization during the last decade were (a) absence of general guidelines and policies regarding the status of the private sector and the degree of its permissible involvement in the process of industrialization; (b) the lack of sufficient data and technical and marketing information which are essential for the evaluation of projects; and, (c) the shortage of technical staff needed for the assessment of projects.

During the preparation of the 1970-1974 plan, efforts were made to define the role of the private sector with respect to new projects. In addition, a list of projects, based on a general survey, was prepared for the involvement of the private sector. The other important step adopted by the Government for reducing time lags in the implementation of private projects was the simplification of procedures for the importation of raw materials.

/...

(iii) Tax exemptions

In Iraq, there are two types of taxes affecting industrial enterprises, namely, the income tax on profits and the real estate tax. Exemptions from either or both types of taxes were granted to industrial enterprises under certain conditions. Duties imposed on the imports of machinery and equipment for industrial purposes and of raw materials are waived in part or in full. At the same time, higher duties or restrictive import measures are applied to foreign competitive industrial commodities.

(iv) Promotion of exports

The Iraqi Government, through the Ministry of Economy, has concluded a number of bilateral agreements with other countries for the promotion of exports. Other policies adopted for the same purpose include (a) the provision of import privileges to Iraqi exporters equal to the value of their exported products; (b) subsidizing certain export commodities; and, (c) the provision of rebates of duties levied on imported raw materials used for export purposes.

Implementation of these policies was not sufficiently effective during the last decade. However, measures were taken recently to draft rules that would simplify the procedures related to the application of these incentives during the plan. At the same time, other incentives and policies were adopted for the promotion of industrial development. These included the leasing of state land under favourable conditions, the provision of power for industrial use at a reduced cost, and the introduction of training facilities for industrial labour in the public sector as well as in the private sector.

2. Industrial development in Lebanon

a) Recent achievements in the industrial sector

The main objective of the 1965-1969 plan of Lebanon was to achieve a balanced economy that would bring about a higher level of per head income and a better distribution of the domestic product in the various geographical areas of the country. In Lebanon, achievements in the industrial sector rely on the individual initiative of the private sector. Government participation is limited to supervising the establishment and development of industrial projects in order to ensure the highest possible contribution to the national economy. This task is performed through certain incentive measures and control policies which aim at promoting industrial development in a market economy system.

/...

In the 1965-1969 plan, no targets were set for the industrial sector in terms of investment or output, except for a government allocation of LL 10 million for industrial research, technical training and promotion of industrial exports.

During the second half of the last decade, the annual growth rate of the overall gross domestic product was estimated at 7 per cent. GDP at current prices had risen during this period from LL 3,200 million in 1964 to LL 4,565 million in 1969. During the same period, industry developed at 8 per cent per annum, and its share in GDP rose from 12.8 per cent in 1964 to 13.3 per cent in 1969. Exports of industrial products, which formed 12 per cent of the industrial output in 1964, had risen to 18 per cent in 1969.

Available data indicate that the gross value of industrial output rose between 1964 and 1970 from LL 1,059 million to LL 1,697 million (at current prices), or at an annual rate of 8.2 per cent. During the same period, the value added in the industrial sector went up from LL 411 million to LL 661 million. One of the important factors responsible for this achievement was the increase in industrial exports, namely, from LL 125 million in 1964 to LL 311 million in 1970, or at an annual rate of 17 per cent.

In the manufacturing sector, the value of average output per worker had increased by 4.7 per cent per annum in the 1965-1969 period. This may not, however, be due to a rise in productivity, but rather to an increase in the cost of input, mainly because of the dependence of Lebanese manufactures on imported intermediates whose cost has been rising. Labour productivity has, nevertheless, risen significantly in such industries as metals, chemicals and textiles and fallen sharply in the petroleum, tobacco and food industries. In the non-metallic minerals industry, labour productivity remained unchanged. Increased mechanization in the first three branches made it possible to achieve a high degree of development.

The leading industry, in terms of the degree of industrialization, remained to be the non-metallic minerals industry, followed by tobacco and textiles. In the first two industries, dependence on imports of intermediates was not as high as in textiles. The chemical industry, which came next in terms of development, was followed by food, metals and petroleum. The food industry depends partly on local raw materials, such as sugarbeet, milk, wheat, fruits and vegetables and partly on imported raw materials and intermediates, such as oil seeds, wheat, dried milk, crude sugar and edible oils. Most of these industries contributed appreciably to exports.

/...

(i) Assessment of developments in certain branches of industry

Food

Utilization of production capacities has ranged between 11 and 60 per cent for various products, except for sugar and salt refining. Idle capacities were mainly due to limited local demand and to export difficulties resulting from high cost of production. The major products that were mainly directed toward the local market were cereals and flour, vegetable oils, dairy products, beverages, salt and sugar. With the exception of salt, all manufacturing industries depend almost completely on imported inputs. Leading among the export products are canned preservatives (fruits and vegetables and juices), confectioneries and animal fodder. Although the latter industry has been developing at a faster rate than the others, it still has considerable idle capacity.

Textiles

On the average, 20 to 25 per cent of textile production has been for export. Most of Lebanon's products are faced with strong foreign competition, not only in the external market but also in the local market. At the same time, imports of textiles into Lebanon has been increasing at a higher rate than domestic output. The rate of capacity utilization has ranged between 20 and 60 per cent, with the lowest being experienced in the wool and synthetic weaving industry and the highest in cotton spinning and weaving. Development of the ready made apparels industry has been satisfactory and its market possibilities are improving. On the average, the rate of capacity utilization in these industries has ranged between 40 and 50 per cent.

Chemicals

The chemical industry, which enjoyed the highest rate of development during the last decade, has also contributed considerably to exports. Its major export-oriented products are fertilizers, pharmaceuticals, and, to a lesser extent, plastics and paints. Only a small fraction of the output of fertilizers and pharmaceuticals was marketed domestically. Despite these successes, the chemical industry was faced with difficulties, mainly due to high costs of production resulting in severe competition. Consequently, a number of industries have declined, particularly soap and nitrogenous fertilizers. It should be noted, however, that the phosphatic fertilizers industry has been growing. Industries that were devoted mainly for the local market were soap, detergents, rubber products and industrial gases.

/...

These are hardly considered as having an export potential. Refined petroleum products are also among those that are destined mainly for local consumption. While exports are limited to excess secondary products, imports of certain products, such as LPG, gasoline and ATK, are still needed.

In the chemical industry, as a whole, the rate of capacity utilization ranges from 10 per cent (for matches) to 84 per cent (for certain petroleum refining units). However, the potential for development is growing for certain chemical industries through regional co-operation.

Non-metallic minerals

One of the major industries which has occupied a leading role in the industrial development of Lebanon is the cement industry. The rate of capacity utilization in various cement plants appears to be high. Though the local demand for cement is high, full utilization of capacity could not have been achieved without access to the export market. The development of this industry has been growing steadily at a modest rate because of the growth in the construction sector.

Metals

There has been significant developments in this branch, particularly in iron casting and forging, iron and steel bars and tubes and fittings. In this industry, the export market was an important factor in the utilization of existing capacity, but the future may not be as promising because of its dependence on imported raw materials which may reduce its competitive position.

(ii) Other manufacturing industries

A number of other important industries developed during the sixties. These are furniture, paper products, leather and leather products, and electrical and household appliances. With the exception of the furniture industry, which needed higher protection measures in the form of high duties imposed on imports, the other industries have been supplying the local market as well as exporting some of their products.

/...

b) The Six-Year Plan (1972-1977)

The present development plan of Lebanon assumes a growth rate of 9 to 10 per cent for the industrial sector. One of the major factors which supported this assumption is the potential for industrial exports which are expected to develop at an annual rate of 11 to 13 per cent. The plan specifies allocations for the public sectors only. For achieving these targets, the Government has allocated LL 46 million for indirect investment in industry. Out of this sum, LL 32 million is to constitute Government participation in the equity of the industrial development bank. The Government also plans to provide, at lower costs, industrial project sites which are well-fitted with essential utilities and services, particularly in the remote, under-developed parts of the country. The sum allocated for such contribution is LL 4 million. Aside from these activities, the plan contains no details on the ways and means through which industrial progress can be achieved. Government participation in industrial promotion is limited to providing the guidelines for the development of private projects through various incentives and protection measures.

Lack of adequate statistical information renders the task of assessing the plan's targets for the industrial sector difficult. Although the private sector in Lebanon assumes a dominant economic role, its participation in the formulation of the plan has been minimal. Thus, in the absence of effective Government planning, the expected performance of the industrial sector is vaguely envisaged in the plan which, in any case, includes no projections for growth. The plan contains no specific measures which can be utilized for the implementation of planned objectives; and since the document does not specify the means of controlling investment or of inducing the private sector to act in a manner consistent with industrial targets, it will be difficult to analyse the problems that may be confronted in the implementation and realization of planned targets. Future performance of the industrial sector is planned on the basis of past indicators established by the industrial census of 1964, which has not been updated since that year. Therefore, planned performance of the manufacturing sector may not even be indicative of actual future performance. Nonetheless, the future achievements of planned targets may be qualitatively analyzed in the light of the following proposed policies.

/...

c) Industrial policies and incentive measures

(i) Research and exploration of investment

The main research instrument which has been in existence in the country for a number of years is the Bureau of Industrial Development at the Ministry of National Economy. This Bureau has been understaffed and, consequently, has not been able to influence the development policy of the Government with respect to the industrial sector. However, with the recent establishment of the Ministry of Industry and Petroleum, the research, planning and policy formulation capabilities of the country are likely to improve. The Plan contains a total allocation of LL 9.8 million for technological development and applied research, including LL 2.1 million for scientific research.

The Department of Industry at the Ministry of National Economy is the main Government department concerned with the protection, encouragement and licensing of industrial projects. With the limited staff available to this department for the evaluation of industrial projects, and with the absence of strong links with research institutions in the country, it is difficult for it to develop into an effective instrument for the promotion of industrial planning and development. The department's activities may, however, improve once it has been transferred to the recently established Ministry of Industry and Petroleum.

(ii) Industrial financing

The activities of the Development Bank (BCAIF) are still confined to financing. If these activities were extended to include participation in the preparation of pre-investment and feasibility studies, the Bank would achieve better results in promoting industrial progress, particularly if its functions are expanded to include also the granting of long-term loans for industrial purposes. In the past, long and medium term credit facilities were lacking and industrial investments were heavy burdens on entrepreneurs, while participation of foreign capital in industry has been encouraged, most of the industrial capital remains of domestic origin.

/...

(iii) Export promotion

Government involvement in the promotion of industrial exports has been confined to some incentives and to bilateral and multilateral trade agreements concluded with certain Arab States. These agreements granted reciprocal tariff reductions on certain manufactured products which ranged from 25 to 100 per cent of the normal duties. Certain other steps were taken for the promotion of exports of industrial products, the major one being the creation of an export promotion fund for subsidizing certain export products of the textile industry. The fund is financed from taxes levied on imported substitute textile products. Despite these measures, it is believed that, without the active role of the Government in opening new markets abroad or in controlling better quality products, at competitive prices, the export of industrial products may not reach a desired goal. For this reason, the Bureau of Standards and Measurements should be given greater attention and financing and a productivity studies programme should be introduced so that local production can become more competitive without having to depend permanently on protection policies.

(iv) Geographical distribution

Government policy for the establishment of industrial zones in various parts of the country is a step in the right direction for encouraging geographical development. The usefulness of such a step will be enhanced if a thorough study of the suitability of various sites is detailed to include techno-economic aspects at project levels. Certain other incentive measures have been adopted by the Government to promote industrial development. These are: (a) exempting industrial capital goods and certain raw materials from customs duties; (b) exempting certain industries from income tax levied on projects for a period of up to five years; (c) granting financial help to certain new industries in the form of loans through the Development Bank; (d) imposing customs taxes on certain imported industrial products which compete with local production; (e) exempting certain export products (such as cement) from certain local taxes; (f) developing certain areas that have access to transportation and industrial utilities, at a reasonable cost, for purposes of industrial development; (g) extending assistance in the form of tax exemptions or subsidies to industries established in certain underdeveloped areas; (h) adopting a rebate system which waves customs duties on raw materials used in the processing of export commodities; (i) imposing a dumping duty on

/...

imported commodities which are sold in Lebanon at lower prices than those prevailing in the country of origin; (j) subsidizing certain agricultural products which are used for industrial processing, such as tobacco, sugarbeets, oil seeds, wheat and silk; (k) collecting and distributing fresh milk to various plants in certain areas for further processing, in addition to guiding the general development of the country's animal resources; and, (l) co-ordinating the imports of flour milling raw materials and the distribution and pricing of finished products.

3. Industrial development in the Syrian Arab Republic

The 1964-1965 nationalization measures covered manufacturing plants which had thirty labourers or more. Since that date, the public sector has taken a dominant role in industrial investment and output. However, during the whole period of the sixties, the relative importance of the manufacturing sector in terms of its contribution to net national product did not change appreciably.

a) Industrial development during the 1966-1970 period

The 1966-1970 industrial plan aimed at achieving a growth rate of 12 per cent per annum and at contributing about 31 per cent to the total increase in national income. The aggregate plan allocated 20.4 per cent of total investment, which amounted to LS 4,955 million, to the industrial sector, i.e., manufacturing, electricity, mining, etc.. Out of this amount, about 5 per cent was to be invested by the private sector. During the second part of the decade, the public sector's share in investment increased from 47 to 95 per cent. With this emphasis on the public sector, the plan implementation of manufacturing activities was estimated at about 56.7 per cent. The plan contained goals which are common to most developing countries, namely, utilization of locally produced mineral resources, the establishment of complementarity with the agricultural sector and the raising of the level of exports and of production of goods of the import substitution type.

Although the plan had allocated LS 398.5 million for manufacturing and mining (the rest was allocated for power and electricity), implementation covered mainly the production of consumer goods and the development of the petroleum industry. The important projects which were included in the plan were petroleum refining, production and processing of phosphates, steel bars, sugar, fine textiles flour milling and ceramics.

/...

Value of gross industrial output in Syria rose during the plan period by 15 per cent and per head industrial output rose from LS 311 to LS 416. At the same time, the value of gross industrial output in the public sector developed at the annual rate of 15 per cent, while that of the private sector developed, in the early stage of nationalization, at less than 6 per cent. At a later date, however, the growth gap between the two sectors narrowed down. Despite these figures, a closer assessment of growth in the various manufacturing branches indicated an overall rise of 44.6 per cent during the plan period. The highest growth rate was achieved by the engineering industry (146 per cent for the whole period), followed by the food industry (94 per cent) and chemical industry (67 per cent). The least developed in terms of output was the textiles industry, which grew at only 11 per cent during the plan period.

In general, two main characteristics were common to most Syrian industries, namely, under-utilization of production capacities and low productivity. Indeed, both of these problems contributed to the existence of a high cost structure which, in turn, hindered the export trade. In addition, the export sector was faced with three other major problems involving quality and standards, competitiveness in the international market and export procedures and formalities.

Limitations of the domestic market resulted in reduced production in certain industries, such as food canning. Dependency on imported raw materials and intermediates was another factor which added to the slowness in the growth of production, and although priority in implementation was given to industries which utilized local raw materials and/or introduced substitutes for imports little was accomplished. It was concluded, therefore, that new major projects which depend mainly on the export market were in need of more intensive techno-economic studies, higher efficiency, especially during the implementation stage, and a large volume of capital. As a result, a selected number of projects in the following industries were given first priority on the basis of available resources.

(i) Food (including tobacco)

This industry has grown at the rate of 18 per cent per annum, which makes it second only to the non-metallic minerals industry, mainly cement. As they stood at the end of plan period, the major food industries in terms of production values were flour, sugar, vegetable oils, beverages and tobacco.

(ii) Textiles

Textiles have always been a major industry in the Syrian Arab Republic, with their traditional export markets. Cotton ginning is the most important

/...

industry in terms of output. However, its development depends mainly on agricultural development since all the raw materials are locally produced. Next in importance is cotton spinning and weaving, followed by similar activities in the wool and silk industry.

(iii) Chemicals and non-metallic minerals

The significant growth of this industry has been mainly due to the development of petroleum refining and the full utilization of the cement plants capacities. Export is not a major factor for the development of these industries since output of the cement plants in the country is hardly sufficient for satisfying local demand. The same is true for the principal petroleum refining products, with the exception of a few petroleum by-products, which are in excess of local market demand. Glass products are the only commodity exported on a limited scale.

(iv) Metallic products and machinery

This industry, which has a potential for producing goods for the export market, as well as for the domestic market, failed to grow at a significant rate mainly because of the limitations of the local market and the slow rate of development of exports. The main products in this branch were refrigerators, washing machines, television sets and other household appliances.

(v) Wood and furniture

The high rate of development of the wood and furniture industry was mainly due to the natural growth of the local market which was a natural result of the growth of the construction sector and the rise in the standard of living.

(vi) Industrial imports

During the last decade, imports grew at the rate of approximately 7.7 per cent per annum. The highest growth of imports was observed in capital and intermediate goods (14.3 and 7.7 per cent, respectively). The import value of intermediate products constituted between 55 and 60 per cent of total imports. This indicates that industrialization has been making progress, but dependence on imported raw materials has not decreased. The fact that consumers goods imports have also been rising at rates ranging between 4 and 8 per cent may lead to conclude that the Syrian industry has not been able to substitute effectively for imports. During the plan period, the value of imported consumers goods constituted between 23 and 25 per cent of total imports. It is encouraging, however, to know that during the same period, a decline in the growth rate of total imports, particularly of consumer goods, has been observed.

/...

(vii) Industrial exports

Although the value of industrial exports increased between 1966 and 1970 at an annual rate of 4 per cent, their relative share in total exports remained unchanged. In terms of value, the leading industrial export industries were textiles, followed by metallic and food products. The metallic products, mainly household appliances, were developed for the export market although the bulk of this production is still marketed locally.

Most of the food products were of the import substitute type. A few of these products, e.g., dehydrated onions and some fruit conservatives, were developed for export purposes. A few other industries showed minor increases in export, while others experienced significant decreases, as was the case with wood products. In the case of basic metals, exports were rising although production was decreasing.

(viii) Industrial employment

The textile, food, metal and chemical industries absorbed the bulk of industrial employment. The highest rate of increase in employment was noted in the chemical industries which is matched satisfactorily by increases in output. The main factor responsible for this development was the emergence of petroleum refining as an important industry. The textile industry also scored a high rate of increase in employment, but this was not matched by increases in output. For social reasons, the post-nationalization era witnessed higher employment rates which did not appreciably affect industrial production. In some cases, productivity had decreased.

b) The industrial development plan 1971-1975

This plan anticipates an annual growth rate of 8.2 per cent in net national product. To achieve this goal, the industrial sector is assumed to grow at 15.8 per cent annually. Out of an overall national investment of LS 8,000 million, 29.2 per cent is allocated to mining, power and manufacturing activities. The public industrial sector's share was estimated at LS 2,186 million, while that of the private sector was only LS 150 million. Manufacturing and mining activities of the public sector (excluding petroleum) will obtain LS 1,173 million out of the total allocations of this sector. Priority has been given to new manufacturing and mining projects whose capital requirements amounts to LS 557 million. In the field of fuel and power, the volume of investment envisaged amounts to an allocation of LS 715 million.

/...

The targets for the manufacturing sector are expected to be achieved through (a) increasing industrial production in order to meet the demand which is progressively rising in the local market and to substitute for imported goods; (b) developing certain industries which utilize local raw materials for exports; (c) utilizing excess capacities in existing plants and improving productivity; and, (d) developing existing industries through improvements in the quality and cost of products.

The plan aims at increasing the gross value of industrial output, i.e., manufacturing, power and fuel, from LS 1,200 million in 1970 to LS 2,500 million in 1975. Total public industrial expenditure in the plan is distributed as follows:

| | <u>LS million</u> |
|--|-------------------|
| Expenditure on projects previously initiated | 914.6 |
| Expenditure on new projects | 1,271.4 |
| Reserves for additional projects | <u>1,083.9</u> |
| Total | <u>3,269.9</u> |

The plan targets and strategies indicate the following:

- The major projects which are under implementation and which will have the highest share in terms of investment and output are the chemical and the non-metallic minerals industries. These include cement, glassware, nitrogenous and phosphatic fertilizers and petroleum refining.
- The engineering industries, particularly the production of motors and tractors, are also given priority in terms of expenditure.
- Priority is also given to the development of new textile projects, with emphasis on cotton ginning and synthetic and fine textiles.
- The food industry is given the lowest share in terms of investment allocations. The industries which will receive allocations for new projects are tobacco, flour milling citric acid and fruit conservatives.

/...

(i) Industrial planning

For the purpose of preparing the third five-year plan 1971-1975, a central preparatory committee was formed for evaluating the previous plan. This committee was assisted by another sectoral committee which was also established for the same purpose. The major obstacles that were faced during the preparatory work were the lack of reliable data and the limited number of experts capable of analysing and determining project priorities. As a result, coordination of projects and formulation of an integrated programme consistent with the plan targets became difficult. In detailing the plan, the following difficulties were encountered:

- Lack of adequate and reliable data on commercial and national profitabilities, technical information and inter-industry effects and financial requirements.
- Confinement of the activities of industrial development institutions to preliminary project evaluation, resulting in incomplete assessment of project priorities and realism in implementation procedures.
- Absence of adequate analysis of linkage effects, particularly with respect to the time factor, and to requirements involving the commissioning stage.

(ii) Assessment of the industrial plan

The targets proposed by the present industrial plan seem ambitious, especially in the light of previous performance. Financing, technical efficiencies, contracting procedures and continuity of implementation make up the major factors that adversely affected full implementation of projects in the past. Delays in arranging the conclusion of contracts, for example, was followed by delays in the commissioning of projects, due mainly to unpredictable problems affecting production programmes. In addition, incomplete co-ordination between closely related projects may have had adverse effects on expected achievements.

Evaluation of the previous plan indicated that shortages of funds made it necessary to readjust expenditure and to reallocate investment. In the previous plan, it was forecast that 72 per cent of the financial requirements will come from domestic resources, while 28 per cent were to be obtained from foreign credit facilities. In practice, however, it was not feasible to obtain the required funds and, as a result, expenditures had to be reduced. Underestimation of

/...

implementation costs during the planning stage may also cause delays and readjustment which may prove to be harmful in so far as the timing of the expected output is concerned, particularly when production linkages are involved. At present, there are no indications that contracting procedures have changed and, therefore, the possibility exists that future delays in project implementation remain high, especially since the Syrian Arab Republic still lacks the required number of qualified technical personnel to handle all projects. This shortage in technical staff and in skilled labour may pose serious problems and bottlenecks.

Despite these factors, the country's major problem remains to be in the area of marketing. The domestic market is limited and, therefore, the export market will remain to be the main factor influencing industrial development. The principal problems which face the export industry in the Syrian Arab Republic:

- High manufacturing costs which may be the result of low productivity, high costs of raw materials, high industrial wastes due to inefficient process control, underutilization of production capacities and over employment.
- Low quality of products.
- Inadequate export promotion and marketing efforts.

c) Industrial policies and incentive measures

Aside from the usual incentives which apply to both the public and private sectors, the main initiative adopted by the planning authority for involving the private sector in the process of industrial planning was to co-ordinate the production targets of the private sector with those of the public sector. The other major policies which are adopted for the promotion of industrialization are:

- The lowering of customs duties imposed on industrial machinery and chemicals, the exemption of new projects from real estate taxes and the exemption of funds reinvested in further expansion from income taxes.
- The lowering of tariff rates imposed on imported raw materials and semi-finished products and the imposition of high tariffs on imports competing with locally produced products.
- The provision of land and power, training and industrial research facilities, quality control, industrial loans, etc.

/...

C. The External Sector

Attaining the overall growth target of at least 6 per cent per annum in the gross product of developing countries during the decade implies, among many other things, an average annual expansion of somewhat less than 7 per cent in their imports and somewhat more than 7 per cent in their exports. In order to achieve this broad quantitative objective, the IDS sets out a series of policy measures which governments in developing and in developed countries are expected to implement in a constructive partnership.

The high degree of trade dependence characteristic of most countries of the Region emphasizes the importance for these countries of the objectives of the IDS in the field of international trade. Progress towards these objectives is reviewed below by looking at the overall trends in exports and imports, at the commodity composition and geographical distribution of trade flows, and at the balance of payments situation.

1. Major trends in trade and payments

a) The level, structure and geographical distribution of trade

The overall picture which emerges from the review of recent trends in the trade of the Region is one which is relatively consistent with the quantitative framework suggested in the IDS. Further disaggregation of the data reveals, however, important inter-country variations around the regional average.

The level of exports in the oil economies is generally very much higher in absolute terms than is in the non-oil economies; it also varies widely among countries within each group. The differences are less marked in the case of imports and do not show as consistent a pattern with respect to their spread among the oil and the non-oil economies. This mainly reflects, on the one hand, the heavy reliance on and the ability of the non-oil economies to mobilize other sources of import financing besides merchandise exports and, on the other hand, the fact that the oil economies have to meet substantial claims (mainly payments to oil companies) from their export proceeds along with imports.

/...

Rates of growth of exports and imports also differed significantly both between the oil and non-oil group of economies, and among countries within each group, in the period 1960-1970. Lebanon and Jordan - with average annual rates of export growth of 17.4 per cent and 12.9 per cent, respectively - experienced the fastest growth. Saudi Arabia followed with an average growth rate of 10.8 per cent per annum. In marked contrast, Iraq, Kuwait and the Syrian Arab Republic recorded growth rates varying between 5 and 6 per cent. In absolute terms, however, the increment in Saudi Arabia's exports amounted to \$ 1,204 million and was by far larger than that in any of the other countries considered, making this country the leading exporter in the Region. Kuwait and Iraq also recorded substantial increments in their exports, i.e., \$490 and \$387 million, respectively. Much more modest were the export increments realized by Lebanon (\$118 million) and the Syrian Arab Republic (\$68 million). The increase in Jordanian exports amounted to \$19 million only.

With respect to imports, Saudi Arabia recorded an average yearly growth rate of 13.5 per cent in the period 1960-1970, followed by Kuwait with 11.7 per cent. The growth in Iraq's imports, in contrast, averaged 2 per cent. Among the non-oil economies, Lebanon experienced the fastest average annual expansion of imports (6.8 per cent), followed by the Syrian Arab Republic (5.7 per cent) and Jordan (4.9 per cent). These developments tended, in varying degrees, to reinforce the positive trade balances in the oil economies and to accentuate the trade deficits in the non-oil economies.

As for the structure of trade flows, the IDS puts considerable emphasis on the objective of diversifying the export trade of developing countries, both in terms of commodity composition as well as geographical concentration. Some encouraging trends emerge on both scores in most countries of the Region, but on the whole there is still a long way to go particularly in order to change the traditional pattern of over-reliance on the export of a few primary commodities and the almost complete dependence on imports for the supply of basic equipment.

/...

The striking feature of the commodity composition of exports of Iraq, Kuwait and Saudi Arabia is the extreme dependence on fuels (SITC 3) and the very little that has been achieved over the past decade by way of export diversification. On the average, fuel exports accounted for 94.3 per cent of total Iraqi exports in 1968-1970 and for 95.8 and 99.8 per cent in Kuwait and Saudi Arabia, respectively. But whereas fuel exports from the first two countries consisted almost entirely of crude oil, Saudi Arabia's exports included substantial amounts of oil products, averaging 13.9 per cent of that country's exports in 1968-1970.

The share of food (SITC 0 + 1) in Iraqi exports declined from 4.2 per cent in 1960-1962 to 2.8 per cent in 1968-1970. The share of manufactures (SITC 5 - 8) rose from 0.3 to 1.2 per cent, and that of raw materials (SITC 2 + 4) from 1.3 to 1.7 per cent. Kuwait's exports of chemicals (SITC 5), which were insignificant until 1968 and consisted mainly of re-exports, became relatively important with the beginning of exports on a commercial scale by the Kuwait Chemical Fertilizers Company.

The export structures of the non-oil economies show considerably more heterogeneity among and within themselves, compared with the oil economies. Jordan's exports are dominated by food and raw materials which accounted for 49.7 and 38.3 per cent of the total in 1967-1969, respectively. Over the decade, however, the share of manufactures in exports increased from 4.4 to 11.9 per cent.

The share of raw materials in Syrian exports dropped from 55.8 per cent in 1960-1962 to 46.4 per cent in 1968-1970, while that of food exports rose from 25.7 to 30.6 per cent. Two other features relating to the commodity structure of Syrian exports are worth noting. The first is the decline in the share of manufactures from 17.7 to 11.5 per cent over the period considered. This decline reflected mainly unfavourable trends in exports of "other manufactures" since, to begin with, exports of chemicals and machinery were not important. The second feature concerns the emergence towards the end of the decade of crude oil as an important export item, accounting for 10.8 per cent of all exports in 1968-1970.

/...

Lebanon presents a unique case among the countries considered, in that manufactures became, by the end of the last decade, more important than primary commodities in exports. The share of manufactures increased from 38.6 per cent in 1960-1962 to 54 per cent in 1967-1969. The share increases were from 2.0 to 5.7 per cent for chemicals, from 10.2 to 15.9 per cent in machinery and transport equipment, and from 26.4 to 32.4 per cent for "other manufactures". The shift in favour of exports of manufactures has been achieved mainly at the expense of food exports, the share of which declined from 47.1 to 36.0 per cent. The share of raw materials also fell from 13.9 to 9.8 per cent over the same period.

In all of the countries considered, imports of manufactures have, in varying degrees, been gaining in relative importance at the expense of primary commodities during the preceding decade. By the end of this period, the share of manufactures in imports of the oil economies varied from two-thirds in Saudi Arabia to over 78 per cent in Kuwait. For the non-oil economies, the level and range of variation was significantly lower, ranging between 59 and 63 per cent. The oil economies, however, not only have a higher share of their imports consisting of manufactures, but also a higher proportion of imports of machinery and transport equipment within this category, compared with the non-oil economies.

The rise in the share of manufactures (SITC 5 - 8) in the imports of Kuwait and Saudi Arabia was concentrated in machinery and transport equipment which also gained at the expense of "other manufactures" (SITC 6 + 8). Kuwait's imports of machinery and transport equipment increased from 30.5 per cent of the total in 1960-1962 to 36 per cent in 1968-1970; the corresponding increase for Saudi Arabia was from 23.7 to 33 per cent. It is also worth mentioning that in these two countries raw materials (SITC 2 + 4) are relatively much less important than in the other countries.

The increase in the share of manufactures in Iraq's imports from 71.6 per cent in 1960-1962 to 77.1 per cent in 1968-1970 was distributed between chemicals (SITC 5) and machinery and transport equipment, the shares of which rose from 6.7 to 9.2 per cent, and from 26.7 to 30.7 per cent, respectively. "Other manufactures" declined slightly to 37.2 per cent of total imports. The shift in the composition of imports in favour of manufactures has been achieved at the expense of food

/...

imports; the share of raw materials showing a slight increase to 6.4 per cent.

The existence in Jordan of a large item of "unclassified" imports in 1960-1962, amounting to 8.1 per cent of the total, makes it difficult to trace with accuracy changes in the structure of imports which have occurred since then. Notwithstanding this limitation, the share of primary commodities has only declined a little, to 34.2 per cent of the total, whereas the share of manufactures rose from 50.2 to 59.9 per cent. Imports of machinery and transport equipment increased from 16.1 to 20.1 per cent.

The structure of Lebanese imports has remained relatively stable during the past decade. The rise in the share of manufactures, from 55.5 per cent of total imports in 1960-1962 to 59.1 per cent in 1967-1969, was concentrated in chemicals, the share of which increased from 5.3 to 8.3 per cent. Machinery and transport equipment continued to make up around one-fifth of imports, and "other manufactures" another 31 per cent. Another feature of the Lebanese import structure which is also worth noting is that imports of raw materials assume a much greater importance (10.1 per cent of the total in 1967-1969) than in the remaining countries.

The overall distribution of imports in the Syrian Arab Republic also showed relatively little change, with the share of manufactures rising only marginally from 60.4 per cent in 1960-1962 to 63 per cent in 1968-1970. Within manufactures, however, some redistribution occurred with a decline in the category "other manufactures" in favour of both chemicals and machinery and transport equipment, the share of which rose, respectively, from 8.3 to 10.1 per cent, and from 17.5 to 21.2 per cent. The share of food and raw materials in total imports declined by more than two percentage points each, to 21 and 6 per cent, respectively, while the proportion of fuels in the total increased from 7.7 to 9.8 per cent.

As for the geographical distribution of trade flows, and considering exports first, it is evident that the ECWA Region provides only a marginal outlet for the oil economies, reflecting the overwhelming importance in their exports of oil - all of which is virtually consumed outside the Region. On the other hand, this

/...

Region has been the major outlet for the exports of the non-oil economies. In 1970, close to three quarters of all Jordanian exports, and 47 and 21 per cent of those of Lebanon and the Syrian Arab Republic, respectively, went to countries in the ECWA Region. But whereas Jordan's export dependence on this market has deepened substantially over the preceding decade, the opposite has been true for Lebanon and the Syrian Arab Republic.

As an export outlet, the European Economic Community (EEC) is of special importance for the oil economies and the Syrian Arab Republic. In 1970, this market absorbed 56 per cent of all Iraqi exports, and its share in the exports of Kuwait and Saudi Arabia exceeded 30 per cent. Some 30 per cent of Syrian exports also went to the EEC, compared with 18 per cent in 1960. About 7 per cent of Lebanese exports were directed to this market in 1970, but none from Jordan. The share of the European Free Trade Area (EFTA) in Kuwait's exports fell from about 29 per cent in 1960 to 20 per cent in 1970. Over the same period, the share of this market in Iraq's exports dropped from about 22 to 7 per cent of the total, and increased from 3.7 to 9 per cent in Saudi Arabia. Jordanian exports to EFTA have remained insignificant, and those of Lebanon and the Syrian Arab Republic declined over the period in question from 6.2 to 4.5 per cent, and from 5.1 to 2.4 per cent, respectively.

The North American market lost its earlier importance for Kuwait and Saudi Arabia, with its share in the two countries' exports falling below two per cent in 1970. This market is of some significance for Iraq and Lebanon, absorbing 3 and 4.2 per cent of their respective exports in 1970. In 1970, Japan took some 15 per cent of Kuwait's exports, as in 1960, and increased its share in those of Saudi Arabia from about 11 to 21 per cent. In contrast, Iraq recorded no exports in the direction of this market which took over 8 per cent of exports in 1960. Syrian exports to Japan, usually small, increased sharply to 7 per cent of the total in 1970.

The two countries which have significant exports to the Council of Mutual Economic Assistance (CMEA) market are the Syrian Arab Republic and Lebanon.

/...

The CMEA countries absorbed 18 per cent of all Syrian exports in 1970 - the same proportion as in 1960 - and took 4.9 per cent of Lebanese exports, compared with 3.1 per cent ten years before. Over the same period, Jordan's exports to this market fell from 10.3 to 2.3 per cent.

Finally, China's importance as an export outlet for Syrian products increased from 3.1 per cent in 1960 to 7.8 per cent in 1970. China also took 2.1 per cent of Jordanian exports in 1970.

The ECWA Region has, in varying degrees, gained in importance as a source of imports in all its countries except Lebanon, where its share in total Lebanese imports dropped from 17.1 per cent in 1960 to 11.2 per cent in 1970. The gain was most tangible in the Syrian Arab Republic and Jordan, which increased their import dependence on this source from 9.9 to 14.2 per cent, and from 12.8 to 16 per cent, respectively.^{1/} Saudi Arabia's imports from ECWA countries increased from 16.2 to 18.4 per cent over the same interval. For both Iraq and Kuwait, the Region remains a relatively minor source of imports, supplying in 1970 only 5.1 and 7.8 per cent of imports, respectively.

Between 1960 and 1970, a significant shift occurred in the sources of Iraqi imports away from the major developed market economies and in favour of the socialist countries, particularly those of Eastern Europe; CMEA countries' share rose from 7.9 to 21 per cent. Only the EEC maintained its relative position with an import share of about one-fifth.

The share of Japan in Kuwait's imports increased from 8.8 per cent in 1960 to 15.2 per cent in 1970; those of CMEA countries and China rose over the same period from 2.9 to 4.7 per cent, and from 1.3 to 3.3 per cent, respectively. This has been achieved at the expense mainly of EFTA and North America. The EEC share declined by 2.5 percentage points, to 21.6 per cent.

^{1/} It is worth noting that, in 1970, the share of ECWA countries in Jordan's imports was the same as in 1965, while in the Syrian Arab Republic it was slightly lower.

/...

Saudi Arabia also stepped up its imports from Japan, the share of which in the total rose from 6.3 per cent in 1960 to 10.1 per cent in 1970. Both the EEC and EFTA maintained their relative positions in the Saudi market, supplying 23 and 9 per cent of imports in 1970, respectively. Imports from North America accounted for 18.6 per cent of the total in 1970, compared with 21.6 per cent in 1960. Imports from CMEA countries remained of marginal importance, and there were no imports from China in the period considered.

Jordanian imports from the EEC fell from 25.2 per cent of the total in 1960 to 19.3 per cent in 1970. Over the same period, the shares of EFTA and North America declined slightly to 17.2 and 11.6 per cent, respectively. In contrast, the share of CMEA countries doubled to about 10 per cent, and that of Japan increased from 3.6 to 5.9 per cent.

Lebanese imports from outside the Region have been characterized by the high (about one-third) and relatively stable share originating in the EEC. But the relative positions of both EFTA and North America also was not significantly different in 1970 from what it was ten years earlier, with the former providing 13.8 per cent and the latter 13 per cent of all Lebanese imports. Both Japan and CMEA countries, however, gained considerable ground in the Lebanese market, with the share of the former rising from 1.6 to 4.8 per cent, and that of the latter increasing from 5.1 to 10.4 per cent.

As in Iraq, the geographical pattern of Syrian imports shifted in favour of the socialist countries, mainly those of Eastern Europe. Syrian imports from CMEA countries, which accounted for 7.5 per cent of the total in 1960, rose to 21.3 per cent in 1970. Over the same period, imports from China increased from 0.5 to 2.8 per cent. This shift has been to a certain extent at the expense of EFTA and North America, the shares of which fell from 13.6 to 9.7 per cent, and from 14.1 to 10.6 per cent, respectively.

b) The balance of payments and international liquidity situation

A distinctive feature of the payments situation of the oil economies is the existence of a large and persistent trade surplus. This surplus is offset,

/...

to an important degree, by net payments on account of services, mainly in the form of investment income payments to the oil companies.^{1/} With the exception of Iraq - where the amounts involved are relatively small - net transfer payments tend to reduce further the trade surplus; such transfers have assumed an increasingly important role since 1967, with the commitment of both Kuwait and Saudi Arabia to extend financial aid to Egypt and Jordan. The net effect of these transactions, however, has generally been to leave a considerable surplus on current account. In part, these surpluses have gone in the past to build up international reserves; but equally or more importantly, they have helped to finance large and unrecorded capital outflows, and possibly imports, as implied in the unproportionately large and negative magnitude of the balance of payments entry on "net errors and omissions".

In contrast, the payments situation in the non-oil economies is characterized by the existence of a large and persistent trade deficit, which is largely offset by net earnings from services and transfers from abroad. The small deficit generally left on the current account is usually more than covered by capital inflows, resulting in net additions to international reserves.

Iraq's trade surplus increased from an annual average of \$367 million in 1960-1966 to \$544 million in 1967-1969. This apparently significant improvement in the trade surplus was achieved at considerable cost in terms of imports, which, by 1969 were still some \$52 million below their 1966 level. Allowing for the large payments on account of services, mostly to the oil companies, and some net receipts from transfers, Iraq's balance on current account showed an average surplus of \$147 million during the three years in question, as compared with \$22 million in the earlier period.

^{1/} Kuwait differs in this respect from both Iraq and Saudi Arabia, by the substantial amounts earned on foreign assets held by the Central Government, the Kuwait Fund for Arab Economic Development (KFAED), the Central Bank, the commercial banks and private investors. These earnings help considerably to offset part of the country's large deficit incurred with respect to other transactions in the services account.

/...

In 1970, Iraq's trade balance dropped somewhat from the high levels attained in the preceding two years, on account of the substantial recovery in imports, but remained high at \$584 million. Allowing for net service payments and a small amount of net transfer receipts, the surplus on current account amounted to \$101 million. This surplus was matched by an equivalent net outflow of capital, the bulk of which represented transactions by the oil sector. Official reserves recorded a \$14 million decline.

In Kuwait, despite a sharp rise in net Government transfer payments - from an average of \$45 million in 1965-1966 to \$154 million in 1967-1969 - on account of Kuwait's commitment for the support of Egypt and Jordan, Kuwait's surplus on current transactions remained substantial, averaging \$366 million in the period 1966-1969. About one-fourth of this surplus, on the average, went to official reserves.

In 1970, Kuwait's current account surplus reached \$498 million, as a result of rising exports and reduced imports and transfer payment. This enabled the financing of \$87 million of net recorded capital outflows, mostly reductions in commercial banks' assets, a negative "errors and omissions" item of \$166 million and a net addition of \$246 million to reserves. The current account surplus attained the recorded level of \$1,073 million in 1971, as oil export prices rose sharply following the Teheran agreement. Imports were virtually the same as in the preceding year, and transfer payments showed a further decline. This huge surplus enabled Kuwait to add \$608 million to its reserves and to offset \$368 million of unidentified transactions recorded as "net errors and omissions".

The slackening in Saudi Arabia's exports in the period 1967-1969, and the rising payments on services, reduced the surplus on goods and services to a yearly average of \$160 million, from \$218 million in the period 1960-1966. At the same time, net transfer payments rose sharply, from an average of \$39 million to \$188 million, turning the large surplus on current account of \$179 million into a deficit of \$28 million. The higher level of transfer payments since 1967 reflects Saudi Arabia's contribution for the support of Egypt and Jordan; but the average level of private transfers was also considerably higher. Despite

/...

a substantial increase in recorded capital inflows between 1967 and 1969, reserve losses were incurred at an average annual rate of \$41 million, in order to finance the deficit on current account and a large entry of "net errors and omissions", believed to reflect mainly capital movements of the private non-monetary sector.

The recovery of exports in 1970, coupled with a decline in imports, produced a surplus on goods and services in Saudi Arabia of \$341 million. But the rise in net private transfers, from \$134 million in 1969 to \$188 million in 1970, together with the continued support of Egypt and Jordan, at the annual rate of \$147 million, left a current account surplus of \$67 million only. This, and a net recorded capital inflow of \$91 million, allowed an addition to reserves amounting to \$87 million and the offsetting of an important negative "net errors and omissions" entry. Available data indicate that Saudi Arabia's payments position improved considerably in 1971, in response to the sharp increase in crude oil prices and production. This has been reflected in a record increase in reserves close to \$800 million.

Mainly by holding down the level of its imports, Jordan managed to reduce its trade deficit, from \$159 million in 1966 to an average of \$129 million in the period 1967-1969. But a sharp reduction in average receipts from services, from \$39 million to less than \$3 million,^{1/} resulted in a considerable widening in the deficit on goods and services, which rose from \$82 million to \$127 million. These unfavourable trends were offset by the sharp increase in net transfer receipts, from an average of \$78 million to \$145 million, mainly on account of payments by Arab governments after the 1967 war. Consequently, the current account showed a surplus of about \$19 million. With net capital inflows, mainly loans received by the Government, amounting to \$12 million, Jordan managed in the period 1967-1969, to balance its accounts and add to its reserves at an average annual rate of about \$37 million, compared with \$18 million in the earlier period.

^{1/} This is in part a reflection of the fall in tourists expenditures and increased Government spending abroad.

In 1970, Jordan's trade deficit stood at \$148 million, only \$2 million above that of the year before. The services account, however, recovered and showed a surplus of \$17 million. But due to a decline in net transfer receipts (mainly from Arab governments), the current account showed a deficit of \$18 million. This deficit, together with a small net capital outflow (\$3 million), was financed about equally by a decrease of \$10 million in reserves and an increase in the entry on "net errors and omissions", which is believed to represent mainly changes in the amounts of Jordanian dinar notes and coins held outside Jordan. Provisional figures for 1971 show a sharp rise in the trade deficit, some decline in net receipts from services and transfers and, consequently, a considerable widening in the current account deficit to \$65 million. The sharp revival in capital inflows - again mostly loans received by the Government - was not sufficient to prevent a further depletion of reserves.

Lebanon's deficit on current account declined from an average of \$102 million in 1965-1966 to \$27 million in 1967-1969. This improvement was due to the acceleration in the rate of export growth, a slackening in the growth of imports, and improved receipts from services. Net receipts from transfers showed a relatively minor improvement. The large current account deficit in 1965-1966 was more than offset with the help of net recorded capital inflows, averaging \$38 million; mainly private short-term capital in 1966, and a large, \$89 million, positive entry on "errors and omissions",^{1/} making possible a significant addition to reserves. A large increase in average net recorded capital inflows, to \$56 million, in 1967-1969, again made it possible to finance an already reduced current account deficit and make a further addition to reserves. In 1970, reserves showed a \$38 million increase, despite a deficit of \$43 million in the capital account - caused mainly by a sharp decline in commercial bank's holdings of foreign assets - with the offsetting coming from a \$96 million positive "net errors and omissions" entry.

^{1/} Includes unrecorded private non-monetary short-term capital inflows.

The Syrian trade deficit widened in recent years, rising from an average of \$75 million in 1960-1966 to \$135 million in 1967-1969. Despite a substantial increase in net receipts from services over the same period,^{1/} the deficit on goods and services more than doubled, rising to \$50 million. As in the earlier period, this deficit was offset to a large extent by net transfer receipts, leaving a current account deficit of \$23 million. Increased borrowing mainly by the Government, was sufficient to offset this deficit and permit a small addition to reserves. While, in 1970, the country's trade deficit recorded a small decline from the previous year, the decrease in net receipts from services^{2/} and smaller receipts from transfers widened the current account deficit to \$70 million. Despite a substantial increase in net capital inflows, the Syrian Arab Republic had to cede part (\$10 million) of its small reserves to finance this deficit.

All countries, with the exception of the Syrian Arab Republic and, to a relative extent, Kuwait, recorded substantial increases in the absolute level of their international reserves over the last decade. Saudi Arabia continued to have the highest reserves among the six countries considered, rising from an average of \$231 million, in 1960-1962, to \$644 million in 1968-1970. A spectacular improvement brought Saudi Arabia's reserves to \$1,456 million by the end of 1971.

Since 1966, Iraq has made significant additions to its reserves, which rose to an average of \$463 million in 1968-1970, or more than twice their level at the beginning of the decade. Reserves rose sharply to \$600 million in 1971.

Kuwait's reserves have shown a moderate increase over the last decade, reaching \$186 million in 1968-1970. Like the other two oil economies, an important addition to reserves was made in 1971, bringing their level to \$288 million.

^{1/} Mainly from payments of royalties by foreign oil companies for transporting crude oil across Syrian territory.

^{2/} Receipts from services were adversely affected in 1970 by the failure of oil royalties to increase, because of the interruption of crude oil flows through the Trans Arabian Pipeline (TAPLINE) for 3 months.

/...

The reserve position of both Jordan and Lebanon improved significantly over the sixties, despite a large and generally widening trade deficit. At the end of 1971, reserves in Jordan stood at \$253 million. The trend in Lebanon's reserves has been even more favourable, rising from a level of \$168 million in 1960-1962, to \$355 million in 1968-1970 and to \$547 million in 1971.

In contrast, the Syrian reserve position has shown only a small improvement over the period considered; both additions to, and withdrawals from, reserves being small and generally offsetting. By the end of 1971, reserves amounted to \$38 million, having risen from \$27 million in the early sixties.

Measured by the ratio of reserves to merchandise imports, the Syrian Arab Republic continued to have the least adequate reserve position among the countries considered, sufficient only to cover about two months imports at prevailing rates. In Kuwait, reserves were equivalent to about $3\frac{1}{2}$ months of imports in 1968-1970 but improved in 1971 to over 5 months imports at current rates. In Saudi Arabia, reserves varied from the equivalent of over 11 months imports in 1960-1962 to 19 months in 1964-1966, and further to about two years imports at prevailing rates in 1971. Despite a seemingly precarious payments position, Jordan has nonetheless succeeded in raising its reserves; from a level equivalent to 5 months imports, at the beginning of the decade, these reserves reached by 1970 a level equivalent to around 18 months imports. Some decline occurred, however, in 1971, but reserves were still sufficient to cover 14 months of imports at current rates. Similarly in Lebanon, the level of reserves rose over the past decade to reach by 1971 an amount equivalent to around $9\frac{1}{2}$ months imports.

2. Trade problems and policies

The IDS deals at considerable length with a large group of policy measures relating to problems of trade and development. Not all of these issues and policies are of direct relevance to the countries of this Region. In what follows, therefore, an attempt will be made to review and appraise the extent of any progress achieved in implementing policies advocated by the IDS in connection with a number of major issues of particular interest to the ECWA countries.

/...

a) Trade liberalization measures

The elimination or reduction of trade barriers affecting exports of particular interest to developing countries constitutes an important element of the IDS. In this connexion, the forthcoming multilateral trade negotiations, which will be carried out under the auspices of GATT, certainly represent an important development of great potential significance for developing countries. This is particularly so, since these negotiations will be open to all developing countries whether members of GATT or not, will cover primary commodities as well as manufactured goods, and will deal with both tariff and non-tariff barriers to trade. Moreover, the special problems of developing countries will be given special attention.

Such special attention as can be devoted to the particular needs and problems of developing countries will, however, depend largely on the negotiating capacity of these countries and on proper preparation for these negotiations. In this connexion, the UNDP assisted project of Advisory Services for Multilateral Trade Negotiations is an important positive element, and it can only be hoped that countries in the ECWA Region will fully avail themselves of the services rendered in the context of this project.

On the other hand, there are a number of negative elements relating to these negotiations which should be borne in mind in assessing the potential benefits that developing countries could derive:

- i. The preferential tariff reductions in favour of developing countries granted in the context of the Generalized System of Preferences (GSP) are based on the tariff levels prevailing at the end of the Kennedy Round. Consequently, any reduction or abolition of the most-favoured-nation duties agreed upon in the context of the forthcoming negotiations will lead to a corresponding reduction or abolition of the margins of preference established under the GSP;
- ii. During the period between the preparation and initiation of the negotiations and their completion, a kind of "freeze" is very likely to be imposed in respect of any new trade liberalization initiatives in favour of developing countries. Since it is anticipated that the

/...

negotiations will not end before the end of 1975, this could mean that the first half of the decade would pass without any of the IDS trade liberalization measures in favour of developing countries being put into practice.

b) Measures relating to exports of manufactured goods

The IDS pays special attention to the expansion and diversification of the developing countries' export trade in manufactures and semi-manufactures, so as to enable them to attain a level of participation in the growth of international trade which would be commensurate with the needs of development.

The establishment of a general, non-reciprocal scheme of preferences (GSP) represents one of the most important measures designed to promote the exports of manufactures and semi-manufactures from developing countries. It also constitutes an important landmark in the economic relationship between developed and developing countries, and underscores the limitations of a world trading system based on the application of the most-favoured-nation clause to all countries, irrespective of their level of development.

A review of progress in implementing this important element of the IDS can be approached in two basic ways. The first approach would seek to determine the extent to which the various schemes of the preference-giving countries have been formulated and put into practice. In this respect there is no doubt that the achievements have been most impressive; by the end of 1972, practically all the schemes proposed by the developed countries were in force.

The second approach, however, would seek to determine the extent of the benefits actually derived by the developing countries from the operation of these schemes. There is as yet no adequate information available to make possible such an assessment. Nonetheless, it could be argued that as far as ECWA countries are concerned, the extent of the benefits to be derived from the GSP might well be disappointing in the short-run.

/...

This somewhat pessimistic outlook is based on a number of observations. First, the characteristic structure of exports from ECWA countries, where manufactured goods typically represent a small share of the total, is not conducive to their being able to benefit greatly from preferential tariff reductions affecting mainly manufactured goods, at least for some time to come. Secondly, although, in principle, preferential treatment is accorded to manufactures and semi-manufactures in BTN chapters 25-99, nearly all the schemes of the preference-giving countries effectively exclude, in one way or another, a number of items, including, in particular, textile products, footwear and leather articles, all of which are of special export interest to ECWA countries. Finally, the GSP relates only to customs tariffs and does not, in any way, affect the existing non-tariff barriers. This is important, not only because of the existence of non-tariff barriers for products of importance in the trade of ECWA countries, but also because, at the same time as the reduction or abolition of customs tariffs has progressed, the importance of non-tariff barriers has increased, so that in many cases they constitute the binding constraint on the ability of developing countries to expand their exports of certain manufactured goods in the direction of the markets of the major industrialized countries.

c) External financing and international monetary issues

One of the issues dealt with in the IDS, and which has turned out to be particularly timely, concerns the question of external finance and the related issue of the reform of the international monetary system. In this area, there are as yet no concrete results or significant achievements to point out, although it should be pointed out that serious efforts are currently being made to find solutions to these problems.

As far as the ECWA Region is concerned, questions of external financing and the related international monetary issues, affect individual countries differently, depending on whether they belong to what might be termed the capital-deficit group or, by contrast, to the group of capital-surplus oil producing countries. For the former, one issue of potential significance is that of linking the allocation of Special Drawing Rights (SDRs) with the provision

/...

of additional development finance. This particular aspect of the problem has increased in importance lately as a result of the recent crisis of the international monetary system, and the related trend to increase the relative importance of SDRs as the base currency of the system. This matter has been the subject of wide-ranging negotiations, notably during UNCTAD III and at the recent meeting of the Board of Governors of the IMF. It is clear, however, that there is still a long way to go before the "link" becomes a reality, irrespective of the formula that is eventually adopted.

A related but quite distinct issue is that of the procedure used for the allocation of SDRs. So far, allocations have been based on the size of each country's IMF quota, the result being a pattern of proportional distribution which does not take into account the relative liquidity positions of the various countries. Consequently, comparatively more SDRs have been allocated to countries that probably had least need for them, and vice versa. This situation is considered by many to be inequitable for the developing countries, and pending the establishment of the "link" - which might help in counteracting this situation - greater efforts are required to find other methods of allocation which would take into account, more than hitherto, the needs of the developing countries.

As for the other group of countries, namely, the capital-surplus oil producers in the Region, the issue is quite different since in this case the problem is one of excess liquidity.

The recent increases in "posted" prices of crude oil and the consequent increase in the foreign exchange earnings of these countries has resulted in a large accumulation of liquid assets and official reserves. Moreover, all indications are that this trend will continue so that, by the end of the decade, the magnitude of these liquid assets and reserves will be quite substantial.

This phenomenon is not all together without problems for the countries concerned. First, considerable losses have already been incurred on account of the recent devaluations and monetary instability, and, at the same time, these countries have to face up to the longer-term problem of inflation and its impact

/...

the real value of these assets. Secondly, the presence of such huge liquid reserves over-hanging the foreign exchange markets creates a delicate situation, requiring these countries to exercise considerable constraint and ensure that these liquid assets are managed in a manner conducive to the maintenance of an orderly and stable international monetary system.

It is in this latter connexion that the question of the reform of the international monetary system acquires considerable importance for these countries, and it is for this reason that some of the countries concerned need to become much more actively as well as more directly involved in the current efforts that are being undertaken to define a new international monetary order.

/...

III. DEVELOPMENT OF HUMAN RESOURCES

A. Progress in Social Development

1. Recent social trends and programmes

a) Population

In all countries of the ECWA Region, the momentum of population growth is and will continue to be among the most important factors of economic and social progress, with a strong impact on attitudes of governments and behaviour of individuals. With their current rate of population growth - varying in the region from 8.1 per cent and 7.5 per cent annually in Qatar and Kuwait (mainly because of immigration) to 3.5 per cent, 3.1 per cent, 3 per cent and 2.2 per cent in Bahrain, Jordan, the Syrian Arab Republic and Democratic Yemen, respectively - all the countries in the Region are expected to double their populations within 30 years. The population of the Region as a whole is expected to reach 40 million in 1975 and 47 million in 1980.

Accelerated population growth will particularly have an impact on the already high population densities recorded in the northern tier countries, where it ranges from 257 persons per square kilometer in Lebanon to 33, 24 and 21 in the Syrian Arab Republic, Jordan and Iraq, respectively; while in the southern tier countries it stands only at 2.6, 4.5 and 2.3 in Oman, Democratic Yemen and Saudi Arabia, respectively. The ratio of arable land per person will, of course, specifically be affected in spite of land reclamation and agricultural development.

In addition to high growth rates, the population in northern as well as southern tier countries is characterized by a remarkably high youth ratio (percentage of population below 15 years of age) which, with the exception of Kuwait (immigration), reaches throughout the Region some 44 per cent. Consequently, the proportion of the potentially active population in all countries of the Region is low and does not exceed 55 per cent. Hence, the active population in ECWA countries has to bear a heavy load of inactive persons (high dependency ratios).

/...

The populations in question are thus bound to grow fast because of the youth of their youth. Therefore, youth presents an immediate problem as well as an asset and should be taken into account in the current economic and social policies of the countries in the Region.

Apart from population growth, vast dislocations of population have taken place throughout the Region, either in the form of rural-urban migration (Iraq, Jordan, Lebanon and the Syrian Arab Republic), emigration from northern tier countries to Bahrain, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates, or population movements resulting from armed conflicts (refugee problems in Jordan, Lebanon and the Syrian Arab Republic).

The foreseeable population changes will, no doubt, complicate the development process in the Region. Limitations and restraints to progress must be overcome to provide the basic requirements for the growing millions and for necessary improvements. The issues related to the achievement of a satisfactory dynamic balance between growing populations, their productive capacity and available resources are thus of utmost importance.

b) Education

Trends in educational development within the Region are marked by a rapid expansion of the educational systems in all countries and are reflected in higher enrolment ratios at all levels of education, increased number of teachers, greater differentiation in types of education and a beginning of educational planning. Caused by such factors as population growth, socio-political demands and technological change, access to education for the populations in the various countries has improved considerably over the last decade. Wide variations are persisting within the Region in this regard, with the primary enrolment ratio (percentage of primary school age population enrolled) varying from 0.96 in Lebanon to 0.90, 0.75 and 0.68 in Kuwait, the Syrian Arab Republic and Iraq, to 0.49, 0.50 and 0.084 in Saudi Arabia, Democratic Yemen and Yemen, respectively. Similar contrasts between northern and southern tier countries exist with respect to enrolment ratio for the secondary level of education.

/...

In all ECWA countries, there is still a wide gap between primary and secondary enrolment ratios reflecting, among others, the low proportion of graduating students at the primary level, the high dropout rates and the early absorption in the labour market. The Syrian Arab Republic, for example, with a total of 845,000 pupils registered in 1970 in primary schools, graduated only 85,717 during that year.

Despite the very impressive gains in the number of young people enrolled in schools during the sixties, ratios remain low, particularly in the southern tier countries as well as in some of the northern tier countries. Schools have barely managed to match population growth, and, although many more children are in schools than ten years ago, the percentage of school-age children inside classrooms has not increased fast enough to make large advances over growth in school-age population. Moreover, the composition of school enrolment remains seriously unfavourable from the point of view of economic development since only a small percentage of students, at the secondary level, are studying vocational courses, while only 33.3 per cent of the students in institutions of higher education are enrolled in engineering, medicine, science and agriculture faculties.

The major educational problems facing practically all countries of the region is the qualitative inadequacy of their educational systems. This mainly reflects the social and cultural values, which are not always related, and are often antithetic, to the needs of modern economic and social development. Thus, irrelevant education is commonly sustained and supported by systems of examinations and tests which fail to give proper credit to personality features. Not only is education in the Region often not sufficiently relevant, its quality is continuously depressed by the preoccupation with increasing demands for more schools and training. This exploding demand has led to overcrowded schools, too large classes, hasty teacher-training, inadequate equipment and materials, etc. Furthermore, the formal education system, is, in view of the methods and means used, ill-adapted for advancement of science and technology and hardly creates the required mentality and attitudes. In general, the problem in relation to the quality of education is not a lack of resources (particularly in the more developed countries of the region) but a reorientation and restructuring of existing resources.

/...

Limited qualitative progress is reflected in teacher-student ratios, which remained constant throughout the region - 4.5 teachers per 100 students in Kuwait and Saudi Arabia, and 2.5 in Jordan and the Syrian Arab Republic - the last five years of the sixties, while, similarly, the number of schools per 100 students at both the primary and secondary levels have remained the same.

Although efforts to improve educational facilities have continued during the sixties, it seems that a plateau has been reached in this regard, if this can be concluded from the decreasing percentage of public expenditure in education as a part of the total government budget in the majority of ECWA countries (Bahrain, Democratic Yemen, Iraq, Jordan, Saudi Arabia, the Syrian Arab Republic and Yemen). Kuwait and Lebanon have witnessed an increasing trend over the past five years.

Inadequate facilities, teaching and instruction have resulted in a great number of students who graduate with inadequate standards of knowledge and skills, leading to disappointment and frustration when they are unable to obtain employment at the level for which they believe themselves to have been educated and trained. This is particularly apparent at the level of higher education, which has experienced rates of growth in a number of countries (Iraq, Jordan, Lebanon and the Syrian Arab Republic), to such an extent that they have not been able to absorb the total output in their economies. This has led to a substantial emigration of talents to other countries ("brain drain").

In the area of adult illiteracy, it is estimated that, in 1970, the percentages of male and female illiterates in the age group 15 and above were 10.0 and 86.4 in Iraq, 49.9 and 84.8 in Jordan, 47.7 and 85.6 in the Syrian Arab Republic and 46.4 and 76.1 in Bahrain. Moreover, 50 per cent of the children of primary school age in the region are condemned, no matter what happens, to grow up without the benefit of elementary education. It is imperative therefore that the countries of the Region, during the Second Development Decade, attach greater priority to the organization and financing of adult literacy programmes, which are at present only an exceptional feature in some countries of the region (Iraq, Lebanon and the Syrian Arab Republic).

/...

The amount of problems facing the countries of the region in the educational sector, which can be summarized as the building-up of the institutions in the southern tier countries (quantity) and the reorientation of educational structures in the northern tier countries (quality), emphasizes the importance and urgency of educational planning. The national development plans now under way in most of the ECWA countries attempt to deal with some of the problems, but are mainly tackling problems related to quantity rather than quality, and focus for example on universal primary education (envisaged in Iraq and Jordan by 1980); expanding intermediate and secondary education (85 per cent of primary school leavers to enter intermediate schools in Saudi Arabia at the end of the current development plan); improving teacher-training facilities (5,300 unqualified teachers to be trained by the end of 1975 in Jordan); and, the establishment of vocational training in a number of ECWA countries.

c) Health

During the sixties, the Region witnessed a generally steady trend towards improvement of health in terms of falling morbidity and infant mortality rates and rising life expectancy. Wide-ranging variations do exist, however, in this regard. Infant mortality rates (1965), for example, vary from 210 in Saudi Arabia to 156, 114, 81 and 59 in Iraq, the Syrian Arab Republic, Kuwait and Lebanon, respectively.

Although more effective control over communicable disease has been developed during the sixties, control of major infectious diseases like malaria, smallpox, tuberculosis and cholera remains a high priority in many countries of the Region. As life expectancy increases in the countries of the Region - for both sexes during 1965-1970, respectively, 51.6, 52.3, 64.4, 42.3, 52.8 and 42.3 in Iraq, Jordan, Kuwait, Saudi Arabia, the Syrian Arab Republic and Yemen - chronic degenerative diseases, such as cancer, diabetes, respiratory diseases and mental disorders, are beginning to call for attention, while increasing urbanization (northern tier countries) and the degradation of the environment aggravates existing health hazards arising from communicable diseases. Over-frequent and unplanned pregnancies (very limited family planning programmes throughout the Region), which are inimical to the quality of family life and, ultimately, of community life, also pose a major health problem in a number of ECWA countries.

/...

Systematic planning of health programmes, often in relation to national development, is being practised in most of the countries of the Region and in some cases, formal health plans - consisting of curative and preventive components - have been formulated in the northern tier countries (Iraq and the Syrian Arab Republic).

The region is, throughout, characterized by the predominance of curative related services like hospitals, out-patient units, laboratories and production plants for pharmaceutical preparations. In contrast, only limited progress has been made in the field of preventive medicine. In many countries, however, there is a growing awareness that the strengthening of public health institutes and public health training courses is required to make further progress in this field.

The situation with regard to training of physicians and other professional categories has greatly improved in the Region during the last two decades. Medical, pharmacy and dentistry schools have been established in a number of countries, particularly in the northern tier of the Region. Thus, in spite of the swift population growth experienced in all countries, the doctor/population ratio has been increased considerably in many ECWA countries, and ranges from 0.04 physicians per 10,000 inhabitants in Kuwait to 5.89 in Lebanon, 4.21 in Jordan and 2.54 in the Syrian Arab Republic. This progress, however, does not warrant any lessening of efforts in human development, since the wide-ranging differences between the northern and southern sub-region (e.g. the doctor/population ratio in Democratic Yemen is 0.38), and the inequitable concentration of doctors in urban areas in all countries of the Region, demand a continued emphasis on this type of medical training.

The shortage of professional staff and the unattractiveness of the rural areas, where the majority of the population lives, makes it inevitable, in the foreseeable future, that services will have to be delivered increasingly by trained auxiliary personnel, particularly in countries with low doctor/population ratios like Democratic Yemen, Oman and Yemen. Hence, the training, guidance, and supervision of these "grass root" categories of medical personnel should be a major preoccupation of health planners, who need to operate with a new sense of realism and fresh approaches to these shortages. In many countries of the Region,

/...

and, specifically, in those of the southern sub-region, there is little possibility, for at least a generation, of producing enough physicians to carry out their traditional functions, let alone add new ones. A reallocation of functions should thus be the most important factor ahead in many of the ECWA countries. Thus, many activities, regarded as the sole responsibility of the physicians, can well be performed by auxiliary workers (nurses, midwives, sanitarians, community nurses and health educators, etc.) if they are suitably trained and adequately supervised. Some countries, like Democratic Yemen and Yemen, have already made use of para-medical personnel. The development of comprehensive programmes for the training of medical auxiliaries necessitates the founding of institutes in the Region. The establishment of the Health and Manpower Development Institute in Democratic Yemen, and the Technical Health Institute in the Syrian Arab Republic, are important steps toward the development of para-medical training programmes.

Consolidation of existing public health services and their further development have been in the foreground of interest in many countries of the region. The aim is, in general, to develop gradually networks of health centres and subcentres in selected provinces, as backbones of an infrastructure of health services.

The rapid economic development which is taking place in large areas of the region is changing the picture in rural areas tremendously. Education and health facilities, social and agricultural extension services and potable water are being extended to a large number of villages, which have long suffered from deprivation as well as geographical and cultural isolation. National projects in the field of basic health centres, are, and have been, carried out in the region. Notwithstanding commendable developments, the majority of the rural population in the region still suffers from serious problems and is exposed to health hazards, which, though basically similar, are related, to a large extent, to environmental conditions, defective sanitation and lack of personal hygiene. Low-educational standards, poor housing conditions and limited income aggravate these problems. Infant morbidity and mortality in rural areas are still high. Parasitic infection, gastro-intestinal diseases, typhoid, communicable eye diseases, tuberculosis and zoonoses are endemic in rural areas. With the development of rural life and economy, new problems are arising and a change in the pattern of diseases is becoming apparent.

/...

Improved irrigation and land reclamation have led, in several countries, the extension of schistosomiasis and malaria (Iraq and the Syrian Arab Republic), adaption syndromes associated with sedentarization. Many irrigation and settlement projects, as well as community development and literacy programmes, have important health implications. Ministries of Health need to be more aware and more active in the matter of health components of the programmes of other agencies.

d) Social welfare

Although still heavily humanitarian-oriented, social welfare is increasingly being interpreted as a body of activities and an organized function designed to enable individuals, families and groups or communities to cope with changing conditions as well as to ensure their effective utilization and participation in the development process. Hence, the social welfare sector in all ECWA countries is characterized by a dichotomy between non-developmental and developmental programmes.

Although nowhere has the sector been strictly demarcated into specific programme components, three distinct social welfare components can be distinguished: social welfare programmes to vulnerable and marginal groups (orphans, physically handicapped, mentally retarded, delinquents, the aged, destitutes, etc.); social welfare programmes designed to maintain satisfactory standards of living (public assistance, social security and health insurance schemes, vocational rehabilitation, school social work, health guidance, etc.); and, social welfare programmes aiming at the participation and involvement of groups and communities for the sake of their own development (community development). In all countries of the region, the social welfare sector is a mixture of these programmes - although, in most countries, services to vulnerable groups still rally most of the resources, while the nature of social welfare in general is still remedial (non-developmental) in outlook.

The changes taking place within the social welfare sector are largely a reflection of the total change process all countries in the Region are experiencing. With increasing industrialization and urbanization, social welfare is increasingly being considered as a fundamental development component requiring planning, policies, programming and special manpower resources within the framework of national development.

/...

In this regard, social welfare planning in the Region is most comprehensively conceived in Jordan, where the current development plan contains specific objectives and targets backed up by a set of policy measures needed to be taken to achieve these objectives. In none of the countries with adopted development plans are specific quantitative social welfare targets as yet pursued, while in the countries without the benefit of national plans like Bahrain, Oman, Qatar, and the United Arab Emirates, social welfare is a more recent activity and plans, policies and programmes have still to be formulated. Within the broad objectives stated in the various development plans, priorities are seldom delineated. In as far as planning is interpreted as the translation of categorized aims into specific targets, the delineation of priorities and the provision of means (finance, manpower), social welfare planning does not exist in the ECWA countries.

Policies are generally confined to social security benefits covering small sections of the population, social assistance regulations for individuals and government subsidies to non-governmental organizations. In none of the countries is a particular segment of the population (like children, youth, widows, the aged or the unemployed) the subject of specific all-around social policies. Growing attention, however, is being paid, throughout the Region, to children and youth.

The social welfare sector throughout the region is further characterized by a progressively increasing role of governments in the provision of social welfare services. As an organized function, social welfare has become the subject of national planning. The role of governments as agents of change is particularly pursued through the introduction of new programmes and pilot projects, while private sponsorship of social welfare activities and popular participation in social development is being encouraged throughout the Region. In some cases, even the stimulation of the private sector is considered a main objective of social welfare planning (Jordan, Lebanon).

Although a growing realization exists in the Region that social welfare should fulfil the three tier function of remedy, prevention and development, in relation to services to vulnerable or marginal groups, programmes for the maintenance of satisfactory standards of living for all residents and programmes for the involvement of local groups, in none of the countries are social welfare

/...

programmes conceived or formulated consciously along those lines. In all countries, however, these three types of social welfare activities do exist in one form or another, differing in degree and intensity from one country to another.

Out of the three components, social welfare services to vulnerable groups, have received throughout the Region most of the attention both from public and private sectors. Thus, institutional care for orphans, physically handicapped, mentally retarded and delinquents form the bulk of social welfare programmes. Public assistance, largely of a remedial nature, is common throughout the Region and exhausts in many cases a great part of resources and manpower. Other social welfare programmes, preventive or developmental in nature, aiming at the improvement and maintenance of satisfactory standards - other than social security programmes - like vocational training, community education and health and nutrition programmes, school social work, and prison social work, are rare, but are surfacing in some countries of the Region, like the socio-medical centres in Lebanon, the planned vocational preparation centres in Jordan, guidance units for women and girls in the Syrian Arab Republic, and school social work in Kuwait.

An important feature of development in terms of national development are the so-called social security schemes which have been introduced in Iraq, Jordan, Kuwait and Saudi Arabia. Such schemes cover, in general, illness, maternity, death, accidents and termination indemnities, and are largely confined to industrial workers or government employees. In Lebanon, during 1972, a total of 133,073 workers benefited from the 1965-instituted retirement schemes to which only employers contribute, while a further 184,000 employees are beneficiaries of health insurance plans introduced in 1971.

While rural community development programmes have been adopted in some ECWA countries in the early fifties, and have seen a slow progress but renewed interest during the sixties (Democratic Yemen, Lebanon, Saudi Arabia and the Syrian Arab Republic), the use of community development concepts, techniques and programmes in urban areas has not gone beyond the stage of experimentation and demonstration. Present trends, however, indicate an emerging community development movement in some countries, within the context of greater participation of groups and individuals, an increased role of the private sector, and the need for reliance on domestic resources (Democratic Yemen, Iraq, Jordan and the Syrian Arab Republic).

/...

Wide variations exist with respect to the situation of social welfare personnel in ECWA countries, but, on the whole, it is characterized by deficiencies both in qualifications and in output. Increasingly, however, interest in the social welfare sector is manifested in the establishment of permanent training institutions (Iraq, Jordan and Lebanon).

The effective development of the social welfare sector in the countries of the region is hampered particularly by the still restricted interpretation of social welfare, the inadequacies in the planning machinery, the narrow base of human resources in the social field and the scarcity of financial resources for social welfare. These problems are particularly serious in countries like Democratic Yemen, Oman, the United Arab Emirates and Yemen, because of the more recent origin of governmental and popular concern with social welfare in these countries.

While greater understanding is gradually being gained of the positive role which social welfare services could play in generating popular participation in national development, in mobilizing youth for development, in enhancing the effectiveness of investments in education and health services, and in improving the productive efficiency of workers, the outmoded concepts of social welfare associated with the idea of charity and relief are still prevalent in the minds of responsible officials and the public at large. This has led to insufficient allocation of resources to the social welfare sector and, in many cases, to allocation of funds to programmes which are of little value to national development.

Thus, in most of the ECWA countries, the social welfare allocations as a percentage of the total budget have remained static. No major improvements in this situation are foreseeable in the near future, because of the increasingly pressing demands from other sectors of development. The solution, therefore, has to be sought in a reallocation of the resources available for social welfare services to programmes more conducive to overall development and to programmes which stimulate the use of energies and resources of local communities and, of course, ultimately in the increase in total resources available, which in turn depends on increasing productivity, a process which social welfare programmes should facilitate rather than obstruct.

/...

2. Structural changes

a) Urbanization and industrialization

The pace of urbanization and the redistribution of population between rural and urban areas constitute a problem with grave social and economic implications for several countries in the Region, especially the northern tier countries. Average annual growth rates of large cities (over 100,000) in the countries of the Region differ considerably. For example, growth rates under 5 per cent per annum are experienced in the major cities of Lebanon and the Syrian Arab Republic, with the largest proportion of their growth derived from high natural increases. Higher rates of growth (5 to 8 per cent) characterize the urban explosion in Iraq and Jordan, with migration and natural increase contributing equal shares, while only in the oil states of the Gulf and in Saudi Arabia, and in post-1967 Amman, growth rates of 9 per cent or higher are recorded, for which inter-regional migration is largely accountable. There is further a marked tendency in the Region for urban populations to be concentrated in capital cities, and for private cities within countries to contain three to six times the number of inhabitants found in their second-rank cities (Beirut-Tripoli, Damascus-Homs and Amman-Zarqa).

The urban growth patterns are thus mainly the result of high rates of population growth, excessive rural-urban migration, inter-regional migration, along with imbalances between urbanization and industrial development and the modernization of agriculture. As a consequence, the major cities have developed more severe housing shortages, problems of public health and sanitation, more widespread unemployment and underemployment, and a generally overburdened infrastructure, while small towns and rural areas stagnate.

Even though urbanization is not necessarily a prerequisite for industrialization, often industries are located in urban areas. Thus, in spite of the obvious benefits of such agglomeration, it has created several problems in many central cities throughout the Region. Among these are overcrowding and congestion, resulting in the creation of urban slums (Amman, Baghdad, Beirut and Damascus), industrial pollution, and the high cost of land and other services, resulting in diseconomies for the industries presently situated in the urban centres. Proper location of

/...

industries, therefore, require planning efforts not only at the national level but also at the regional (sub-national) level. In addition, the creation of regulatory agencies is needed to enforce planned development of industries. Furthermore, locating industries in rural areas or outside the main population concentrations should be encouraged, in order to facilitate the development of new modern settlements in such areas, stimulate rural development, stem rural-urban migration and, if undertaken in an appropriate fashion, uplift the quality of rural life.

In order for industries to be encouraged to locate outside the urban agglomerations they have to be assured of the basic needs for their production, such as electricity, water supply, transport systems, etc. The countries of the Region, therefore, should give adequate attention to the proper distribution of industries, through planned decentralization wherever possible.

In spite of the fact that the Region is still in the early stages of industrialization, the various kinds of pollution (air, water, etc.) are substantial. Moreover, the various forms of contamination cannot be overlooked, since they also lead to various health problems in the Region. Inadequate housing, insufficiently protected water supply, and outdated and inadequate waste disposal facilities resulting from rapid urbanization, have also added to major environmental health concerns in the Region.

b) Women

In the area of popular participation of women in development, the Region has not witnessed their effective mobilization, although a start has been made in that direction. The status of women in the Region varies greatly from one country to another. Women in Iraq, Jordan, Kuwait, Lebanon and the Syrian Arab Republic seem to enjoy many rights. Only a small percentage of them, however, who tend to come mainly from the middle and upper classes, have actually participated in government and entered in professions; 22 per cent and 9 per cent, respectively, of the total female population in the Syrian Arab Republic and Lebanon. In the southern tier countries, women play a very minimal role outside the family. In Saudi Arabia, where oil was discovered much earlier than in most of the countries of the area, women still maintain their traditional role.

/...

There is a growing recognition, especially by various governments of the Region, that confinement and lack of education for girls and women have restricted their participation in national development. Strong measures, therefore, have been taken to advocate women's education during the second half of the sixties, and female enrolment has increased considerably throughout the Region, and runs for the elementary level between 40 and 45 per cent for many of the countries, with the exception of Iraq (28.7 per cent), Democratic Yemen (20.7), Saudi Arabia (27.7), and Yemen (8.3).

In traditional rural areas throughout the Region, women share agricultural tasks with men. But when these agricultural areas become modernized, women's share of work outside the home declines as the community programmes are often provided for men alone. In urban areas, and especially when there is unemployment, men are given preference over women. Furthermore, women are offered an opportunity to occupy only special types of jobs and, in many instances, the wages which they receive are much below those of men.

c) Youth

Youth participation in development in all countries of the Region is not any greater than that of women. Job opportunities and proper facilities and programmes for youth are still lacking. In Iraq and the Syrian Arab Republic, the political parties in power have tried to mobilize youth through certain party programmes, but these attempts have not yet been fully adequate.

Young people in the countries of the Region generally suffer from under-employment. There are three or four times as many young under-employed as adults without work. Those who pass through a full primary course often fail to meet the economic and social needs of their communities, because only a very small percentage have any form of vocational training and skills. Educational expenditure is still devoted to the expansion of traditional schooling and this has the effect of alienating the illiterate youth. While there is a trend in the Region towards popularization and democratization of higher education, many students still cannot enter the universities. "Universalism" of social policy does not in itself guarantee equal participation and equality for all, since those who are very poor cannot join schools or universities, simply because they may not

/...

be able to afford books or transportation expenses. Furthermore, many of these students never join the university because they need to work in order to help their families economically. In addition to the above areas of discontent, private universities, in Lebanon, do not always meet the needs of the society; while public universities in the Region still have poor standards of education and lack many of the vital facilities a university should have.

In spite of the importance of youth, national youth policies do not exist in practically all countries of the Region; thus, formulation of such policies by the countries concerned is deemed necessary. A national youth policy, if formulated, must recognize that only the state has the power and authority to plan wholly for youth. At present, in the countries of the Region, a multiplicity of usually unconnected private and public institutions oversee youth affairs. These agencies are neither in a position to formulate a national youth policy, nor are they able to co-ordinate youth work among themselves. In the majority of ECWA countries, most youth services are not considered a function of the state. National planning for youth is thus largely reduced to planning for formal education. Further, since there generally is no national youth policy beyond the programmes established by both government and non-government agencies, such programmes cannot be linked with a comprehensive social policy. This dispersal of responsibility and lack of co-ordination among non-governmental programmes, governmental programmes and national development policies result in duplicative and at times contradictory programmes for youth.

For all the reasons mentioned above, dissatisfaction of youth (especially in the northern tier countries) is becoming increasingly felt. In Lebanon, for example, there have been continuous student strikes and demonstrations since 1970 which called, inter alia, for more effective handling of their problems. This can only be accomplished through proper and careful planning for this vital segment of the region's population.

Participation of religious institutions in the development of the Region is still limited, but there is a growing concern on the part of religious institutions about the need for more involvement if the aims of accomplishing social justice, self-support and economic development are to be achieved.

/...

2. Rural development

In all countries of the Region, a big gap exists between rural and urban standards of living, and poverty is rampant throughout the rural areas. Almost everywhere in the Region, the share of agriculture in national income is far below the rural percentage of national population, and varies from 20 per cent in the Syrian Arab Republic to 19, 16, 9 and 5 per cent in Iraq, Jordan, Lebanon and Saudi Arabia, respectively; while its share in investment is even lower than the share in income. Most often, the higher the percentage of population engaged in agriculture, the poorer is the agricultural output, and the higher is the rural population spillover into urban settings. Consequently, countries of the region have been increasingly compelled to import foodstuffs for the urban population and even for the rural population itself.

Rural misery has many of its roots, in fact, in certain social, cultural and psychological traits, which are reflected on the institutional as well as on the individual level. The change machine has not been able to fully liberate itself from communal, clannish, familial, confessional and regional ties and interests. The farmer, on the other hand, is bound by family, religion, factionalism and vested interests. He is still absorbed in his "culture of silence" and preoccupied by his fatalistic surrender and his traditional loyalties. The village is his world, and outsiders, including civil servants and change agents, are suspects and intruders into his world. Besides, he is submerged most of the time in misery and poverty, and exploited by an unjust tenure system. Most often, therefore, he cannot afford innovating.

a) Extension

The incentive system, on the other side, has faced many shortcomings. Extension services cover only a small portion of the farmers; while in most countries, community development programmes are being frozen. The extension services, on the one hand, have been very limited in scope and have not been able to cover effectively even a small segment of the rural populations in the countries. For example, in Lebanon, the service covers only 25 per cent of the rural area, while the Syrian Arab Republic has only 85 extension agents at its disposal to serve about 5,000 villages. On the other hand, in some countries of the Region, community development programmes have been frozen (Iraq and Saudi Arabia) while in others reorganization is envisaged (Democratic Yemen, Jordan, the Syrian Arab Republic and Yemen).

/...

Both extension and community development activities have failed to secure the voluntary participation of local groups. Programmes have often been dictated from above, rather than based on the felt needs of the local communities. Generally, the programmes developed have focused on services, rather than on activities of a developmental and educational nature. As a result, local communities have not been generally motivated and mobilized to participate in the development process; rather, they have probably reinforced their attitudes of resignation and dependency.

b) Land tenure

In the area of land tenure and distribution of agricultural holdings, a laissez-faire system is being followed in most countries of the Region. Large holdings are still concentrated in a few hands, while most farm operators retain small parcels of land. For the most part, fragmentation and small size of agricultural holdings, along with unfair tenancy arrangements and absentee landlordism, have created inefficient land tenure structures. Only in Iraq and the Syrian Arab Republic, and more recently in Democratic Yemen, has there been a conscious effort at altering the ownership patterns and reforming the land tenancy system. A partial attempt in this direction has taken place in Jordan.

Land reform has benefited the peasants by giving them opportunities of becoming real land owners, and thus engendering among them a sense of security. Moreover, instances of income increase in agrarian reform areas have been registered though no notable increase in production is noticed. On the other hand, and in most cases, an unequal distribution of benefits has taken place in some villages, thus leading to an understandable degree of friction within the community. Moreover, reform started in the absence of reliable information needed for its effective implementation, and before the necessary supporting institutions were either created or ready to take part. In fact, the tenure structure at present, in practically all countries of the region, does not provide sufficient incentives for higher investment in agriculture and for increased production. However, in the long run, when the effects of land reform are realized and when favourable changes in institutions dealing with agricultural development are induced, many countries in the Region will probably witness a real progressive rural structure.

/...

c) Co-operatives

With respect to co-operatives, the movement, in almost all countries of the Region, has been growing steadily (particularly in Iraq and the Syrian Arab Republic), and, in most countries, co-operatives are being viewed as the cornerstone of rural development. However, this emphasis on the expansion of co-operatives has led, in the case of agrarian reform countries, to a high speed in meeting the expectations of top politicians without, in fact, actual realization of those institutions. While co-operatives in those countries are being formed by the hundreds every year, their viability is questioned. In fact, beneficiaries of agrarian reform in Democratic Yemen, Iraq and the Syrian Arab Republic, must join co-operatives which are highly controlled by administrative measures. While such a policy may be wise at the beginning of the reform, when marketing problems occur and credit and capital are scarce, it might be detrimental in the long run to the development of viable co-operatives, self-sustained managers of owned farms, and responsible citizenry.

In conjunction with the development of co-operatives, a gradual increase in the supply of formal agricultural credit is being realized in almost all countries of the region, and financial institutions have been established. A large amount of available credit is, in fact, being channelled through co-operative societies. Therefore, the success of co-operation will have a great impact on the efficient flow of agricultural credit, which has been available so far in rather small amounts, and which has not actually benefited a large number of farmers. However, in most countries, credit is not reaching the small farmer, because of heavy collateral and other security requirements. Moreover, credit supervision seems to be inefficient since a great deal of the loans are being spent on consumption rather than production, and since problems of collecting these loans are being faced. In fact, repayment of loans is rather low in most countries, and that may be hindering the flow of more credit into agriculture.

d) Land reclamation

In order to increase agricultural production and decrease the population pressure on arable land, most countries in the Region are emphasizing land reclamation and conservation. In fact, almost all current agricultural plans in the Region give first priority to irrigation and drainage projects. Among the objectives of land reclamation and conservation in some countries is the protection and development

/...

of animal wealth. In this context, policies related to the role of the bedouin, and how best he can be integrated into the mainstream of national development, are not yet clear. Experiments in settling nomads are proving costly, and a number of socio-economic problems have been faced. Other less radical measures aim at the gradual sedentarization of the nomads through extending integrated services around certain watering points, and may prove to be the most practical approach. In this respect, the Syrian experience should be noted.

e) Obstacles to rural development

A number of administrative, financial and social problems cut across the various institutions concerned with rural development. The administrative machinery, for example, is plagued with lack of co-ordination, repeated transfers, conflicting duties, putting post-graduates in different departments without consideration of specialization, and, above all, "politicization" of the administration. Moreover, routine, red tape and complicated procedures, along with a shortage in the number and quality of personnel, unduly delay the implementation of rural developmental programmes. The situation is further aggravated by the shortage of funds allocated to different departments and programmes. In addition, more expenditure on administrative than on field staff, and on buildings and physical structures than on developmental activities, has contributed little to rural development throughout the countries of the Region.

f) General assessment

While the various measures taken to develop the rural areas have certainly contributed to rural as well as national development, it is questionable whether the welfare of the majority of farmers has substantially improved. Total and per capita real incomes do not themselves reflect improvements in the quality of life of individual farmers. In fact, evidence in many ECWA countries shows that, to the extent that the rural development measures have worked, they have most often benefited the minority, particularly in the absence of land reform. Even in these countries which have introduced reform measures, the local traditional power structure could not be totally adapted. In addition, old landlords, tribal sheikhs and other influentials have kept many farmers from their rights. The implementation of major irrigation schemes and the introduction of high-yielding varieties and other agricultural innovations, without effecting fundamental changes in the agrarian structure, would probably lead to an increase in land values and rents and make the rich farmer richer and the small landless farmer poorer.

/...

The benefits of rural development must be reaped by the whole population. Development basically requires not only a transformation of the system of production but also of man. Therefore, the need calls for better income distribution and for increased production. Development, in fact, should ultimately lead to human welfare. To achieve such a goal, reform has to permeate the three components of the agrarian structure namely, the land tenure system, the production system and the supporting services system. In this respect, an integrated approach to rural development is necessary. Such an approach aims basically at increased agricultural production and employment, improving income distribution and the incentive system, development of human resources and finally a more equitable spatial development of the countries' economies.

g) Spatial distribution of development

A glance at the map of the ECWA Region confirms the concentrated growth which has taken place in all countries, reflected in such phenomena as an intense rural-urban disequilibrium, the growth of metropolitan areas and primate cities, rural-urban population movements, the existence of undeveloped, potentially rich, outlying areas and non-economically integrated zones like steppes.

Before the days of formal state planning - now practiced in nearly all ECWA countries - the private sector was easily enticed by the external economies accrued to the original gravity centres like ports and capitals, while later on public authorities have followed the pattern reflected in early development plans capitalizing on existing nuclei and polarization. Governments, however, have become increasingly aware that the spatial development of their economies cannot be left unchecked. Hence, countries in the region are gradually incorporating a spatial component into their planning, aiming at a smoothening of regional imbalances and inducing national growth patterns away from the traditional structures of wealth.

This current preoccupation with spatial aspects of development, although in its infant stage, is particularly manifested in various rural developments within the Region, ranging from the introduction of formal regional planning in Iraq, the introduction of large-scale integrated development schemes under the wings of semi-autonomous government agencies like the Euphrates and Ghab projects in the Syrian Arab Republic, the establishment of intensive rural development "package" schemes planned in Iraq (e.g. Al-Ishaqi project), the formulation of

/...

development programmes for stagnating rural areas in Lebanon (South Lebanon, Litani, Akkar), to programmes for the integration of steppe areas in the Syrian Arab Republic. Interest in the spatial development of national economies of the countries of the region has accentuated the need for comprehensive planning and manpower formation to this end.

4. Effect of conflicts on social development

International, national and local political conflicts, such as the Arab Israeli war, the conflict between the two Yemens, and the conflict in Northern Iraq between the Kurdish tribes and the Iraqi Government, have, no doubt, retarded social and economic developmental efforts in the Region. Military expenditure for Jordan and the Syrian Arab Republic constituted in 1970 50.4 and 24.4 per cent of total government expenditures, respectively. In addition, many countries of the region are burdened by conflict-caused refugee problems.

/...

B. Progress in Housing, Building and Urban Planning

1. The structure of urban settlement

The population of the countries in the Region is increasing at a fast rate, and urban populations are multiplying at even faster rates. The new demand for housing and urban services created by this growth aggravates the problem of inadequate supply of housing and communal facilities. In many areas of the Region, this problem is rapidly assuming the proportions of a full-fledged crisis.

Even though the general level of living has risen in all countries of the Region during the past decade, the supply of housing at costs that the lowest income families can afford remains far too small. With few exceptions in some of the oil-producing countries, while the rate of building has been high enough to reduce the long-range shortages, it has not been sufficient to overcome them. The high rates of internal migration and urban growth continue unabated, and the new city-dwellers are finding it more and more difficult to afford the rising cost of housing. They must crowd together in the slums of the capital cities or in shanty town settlements on their fringes. As a result, entire satellite towns have sprung up around major cities in Baghdad, Beirut, Amman, Abu-Dhabi and Riyadh. The shanty towns ring the capitals because the population drawn to the city is from the most depressed part of the country (Baghdad and Basrah in Iraq), from areas where there have been political troubles (refugee camps in Jordan, Lebanon and Syrian Arab Republic), or from population in search for work in the capitals of the oil-producing countries. The densely crowded innercity slums to which migrants, in many ECWA countries, initially go in their search for work, are usually quite distinct from the shanty towns of the urban periphery mentioned above. The shanty towns themselves are widely dissimilar in density, income level, and type of location. Of particular note, many shanty towns of some years' standing show evidence of self-generated upgrading. Dwellings of more permanent materials appear along with a proliferation of small enterprises. commercial and occasional social organization improves. Rudimentary urban facilities are improvised.

/...

Populations of squatters settlement and shanty towns in the countries of the Region often appear to place more emphasis among their wants on the provision of minimal utilities and services, particularly water supply, electricity and health facilities, than the provision of more adequate dwellings as such.

In most of the countries of the Region, the settlements being affected by urbanization are generally very old cities, planned for the needs of a different style of life. With the exception of some of the capitals which were already altered, the cities presented one or two decades ago an appearance very different from their present state. All facilities were on the scale of existing needs. The cities were well-balanced and well-structured. Now these same cities present an entirely different picture: they are congested and disorganized. They are commonly held to be unsuitable for a new mode of life, yet for economic and other reasons they remain the nuclei for the incompatible new development. Settlements receiving this flow of population demonstrate all the characteristics of rapid growth. Increase in very high living density, as well as expansion of the settlements far beyond its original, that is its pre-urbanization, area are the two symptoms observed. The results are best understood by examining the principal functions of the city thus affected, its housing facilities and amenities.

a) Housing conditions

Urbanization is most closely related to housing problems, since the population movement means the abandonment of dwellings in one sector and overcrowding in another. To meet the demand, which is found at all income levels, but particularly at the low and very low ones, the cities only have available old residential areas and vacant land. Thus, to accommodate more people, the residential area must either increase in density, or expand in area, or both. Because the majority of residential areas are old, they usually lack electricity, sewage and water supply. The existing houses were not constructed for the population density they must contain and are roughly altered to serve a new pattern of life. At the same time, urban housing in the Region must satisfy not only a larger population but also one with non-traditional requirements. There is a demand for smaller rooms because of the disintegration of the family group and the corresponding shift of emphasis from communal to individual living.

/...

The lack of facilities and amenities in the expanding city is directly connected with the housing problem, for housing does not mean houses alone; this is a common misinterpretation. The larger population needs not only to be sheltered, but also to have the use of places of recreation, schools, cultural and commercial facilities and public utilities. There is no organized development of community where there is no longer a true residential area with facilities on the scale of the neighbourhood, and in harmony with tradition. If educational, health, cultural and religious facilities exist, they are grouped in a way which is convenient for the mass of residents and potential users.

Water supply is an obvious example of inadequate facility. In Beirut, the extension of the system requires the destruction of roads and property already used and needed by its dense population, but its non-extension causes hardship for the people, and the few points of supply which exist cease to function because of overstrain. In the case of sewage, municipal budgets and the lack of proper sewage master plans often do not permit the establishment of complete disposal plants, which are indispensable as the city grows. Temporary and piecemeal solutions are resorted to for a limited duration and with a limited capacity. They become semi-permanent and completely inefficient. The same thing could be said for electric supply and the telephone network. Furthermore, whereas high income areas can sometimes provide themselves with facilities by private initiative, low income areas that are dependent on the municipality cannot, and they consequently do without.

b) Housing needs and policy

Despite the large measure of progress achieved so far - particularly over the past decade - the efforts of governments with respect to housing have been impeded by the characteristic features of under development, and by the fact that action has not been sufficiently national or coherent. High rates of population growth have constantly and progressively increased the number of families requiring housing, while, at the same time, migration to the urban areas has further increased the housing deficit in the cities. Rising land prices, the increasing pressure on urban land, lack of proper finance, high building cost and continuous shortage of basic building materials are all contributing to the increase in the gap between the demand for and the supply of houses.

/...

The countries reviewed are largely homogeneous in terms of culture, language and religion. On the other hand, these countries are of different sizes, have many contrasting resources, and are at different stages of development. In all countries, however, average standards of living are low, and unemployment and under-employment is widespread, although, in some oil-rich countries, the hardships of unemployment are tempered by extremely generous social welfare benefits and services.

Shortages of housing at the middle and lower income levels are acute, and community facilities and amenities are generally inadequate. Every country in the Region has a housing deficit (the size of the deficit being related to the standards applied to its stock of housing), which in part is a reflection of the very high rates of population increase, particularly in the urban areas. Most urban areas have experienced within the last twenty years a phenomenal increase in population, resulting from a combination of natural increase and large scale migration from the rural areas. This increase has produced gross overcrowding in existing housing units, particularly around the old and dilapidated city cores, as well as shanty settlements on the peripheries of the cities and on unoccupied land within them.

The steady deterioration in the housing situation has not gone unnoticed, and all ECWA countries have adopted within the last decade some kind of plan for the construction of houses and have established appropriate housing agencies. The housing plans are considered part of the national development plan, and the governments are responsible for their implementation. The plans appear to be, however, simply quantitative attempts to meet very roughly estimated needs by direct construction or by stimulation of construction in the private sector. National planning, in the sense of integrated proposals to meet the requirements of short, medium and long-term objectives at various income levels, and in the context of demographic and urbanization trends, does not exist in any of the countries reviewed.

/...

Prior to 1960, the countries in the Region paid little or no attention to housing problems, although the housing deficit began to grow rapidly after the end of the Second World War when, with newly acquired independence, most urban areas, and the capital cities in particular, became the beneficiaries of accelerated migration from the rural countryside. The reasons for this apparent neglect were many, and included lack of financial resources, preoccupation with post-independence management problems, inadequacy of personnel, and a general feeling that housing was primarily a concern of the private sector.

During the sixties, however, there was some government response occasioned by accelerated urbanization, and this response became less unsystematized with the acceptance of planning as a technique of achieving economic development. The response to housing needs was, however, selective and crude; targets were presented as very rough approximations, and action was limited to individual ad hoc projects, which were implemented under the initiatives of many agencies.

In the current development plan of Iraq (1970-1974), for instance, provision is only made for the construction of industrial housing projects. To solve the housing problem in Iraq, it would be necessary to build over 300,000 new houses during the planning period, and, in addition, to tackle the problem of replacing the 500,000 sub-standard units.

During 1968-1971, construction permits issued to the private sector in Iraq numbered 86,172. To offset this backlog by a Government programme of building is most unlikely, and other methods must be looked for in tackling the housing problem in the country.

Similar conditions prevail in Jordan. The 1966 Social Survey of Amman, conducted by ECWA in co-operation with the Jordanian Government, indicated that more than one half of the population lived in one or two room dwellings, 27 per cent of the households with 5-7 persons were living in one-room dwellings, and 25 per cent in two-room housing. About 55 per cent of the households had no bedroom or only one bedroom.

/...

As for current construction activities in Jordan, statistics available for the municipalities could be taken as an example of building activities in the country.

The housing situation in Jordan is further complicated by over one million refugees who entered the country as a result of the wars in 1948 and 1967. Prior to 1967, investments in housing were undertaken exclusively by the private sector. Investments in this field increased from JD 4.1 million in 1967 to JD 10.1 million in 1970, and building licenses were issued for an area of 186,400 m² in 1967, increasing to 329,000 m² in 1970.

In Jordan, the housing requirements are estimated, according to the sectoral housing plan, presented in 1972 by the Housing Corporation to the Jordan Development Board, at about 19,000 units annually. These requirements arise from the increase in population, the backlog and the obsolescence.

During the period 1966-1972, the Housing Corporation invested JD 2 million in housing and implemented 1,062 dwelling units, of which 766 units were for the lower-income groups.

The housing target of Jordan's development plan (1973-1975) is for the construction of about 21,000 housing units during the plan period, out of which the Housing Corporation will construct 450 units in pilot schemes, with the assistance of a UNDP Special Fund Project which is already in operation in Jordan, and also 5,000 units for middle and lower-income groups. In addition, 5,400 units will be constructed through the Rehabilitation and Development Plan of the Jordan Valley. The balance will be constructed by the private sector. It is also anticipated that the public sector will invest more than JD 8 million against JD 24 million by the private sector.

Many factors have led Kuwait, to pay special attention to solving the housing problem during the past two decades. These factors may be summarized as follows:

/...

- i. the rapid rise in oil production in Kuwait, after the Second World War, resulted in major physical planning and housing improvements. The majority of old mud-brick houses and shops in Kuwait City and in the villages have been demolished. Occupants of these houses had to look for new ones to live in;
- ii. Many nationals owned no houses and had to rent dwelling units at high rentals, which most of them could not afford;
- iii. The rise of social and educational consciousness;
- iv. the breakdown of the extended family system due to urbanization and modernization; and,
- v. the desire to change tents and huts which comprised forty per cent of the total dwelling units in 1965, and to provide decent houses to the nationals.

The above-mentioned factors made the housing crisis particularly acute, and were consequently a prelude to the adoption of the low-income housing programme, which is the major undertaking by the authorities.

In fact, the low-income housing programme in Kuwait has accelerated its pace, particularly during the last two years: while the number of houses constructed during the period 1962-1970 were only 9,460 units, in the period 1970-1972, a total of 8,150 low and limited income dwellings were constructed and distributed and another 5,000 units were scheduled to be completed by early 1974. It is also interesting to note that the number of construction permits issued for residential buildings have almost doubled during the period 1969-1971. The number of permits issued in 1969 were only 2,897, against 5,934 permits for 1971.

/...

The economy of Kuwait must be able to assure adequate housing for each family. Along with the right of children to free education, and the right of adults to a chance for gainful employment, the Government recognizes access to adequate housing as one of the fundamental privileges of the people of Kuwait. Such are the reasons which have led, under the First Five-Year Development Plan 1967/1968-1971/1972, to the high investment in housing and public building which amounted to KD 177 million, more than 19 per cent of the total national investment of KD 912 million.

The best statistics for housing available are those of Bahrain, which conducted its latest census in 1971. The total number of households in 1971 amounted to 33,783, giving an average of 6.1 persons to a household. Of the 31,045 dwelling units, 29,521 units were classified as "sound" buildings constructed of stone and only 656 dwellings were barasti (small huts constructed of palm leaves). The census also shows that the population prefers single villa houses which totalled 26,858 dwelling units. Of the total number of dwellings in the country, 20,471 units were owner-occupied and 11,345 were rented. Considering the total population of the non-Bahrainis in the country, which was 38,000 in 1971, who are not allowed by law to own property in the country, it can be stated that more than 80 per cent of the population of the country own their own house. It is also remarkable to note that public utility services of one kind or another were available for slightly more than 85 per cent of all houses in 1971, but of these only 30 per cent had connexions to mainsewers, whereas over 90 per cent were connected to main electricity supplies and 80 per cent had supplies of main water.

Housing and building are viewed more in Bahrain as a social welfare activity than an economic activity of the Government. Owing to the lack of any economic and social development plan, housing, building and planning programmes are, like all other sectors, largely unattended.

/...

Building activities have been, by and large, the domain of private enterprise. Measured both by the size of actual investment and the number of units constructed, the role of the Government appears to be marginal.

Although, within the Ministry of Labour and Social Affairs there is a Directorate of Housing, its main concern is the administration and rent collection of the public housing projects, prior to handing them over to the municipalities. The Directorate of Housing occasionally carries out social surveys of certain crowded and slum areas of the urban and rural settlements. There is no centralized and clear cut policy regarding the housing policy programme in the country, and there is no budgetary allocation for future housing. Whatever allocations are made, they come directly from the Ruler.

There is no defined policy relating to supply, development and allocation of land for housing and community facilities in Bahrain. However, since most of the land, particularly lands in and around the urban centre, belongs to the Ruler of Bahrain, he grants it to the public free of charge. In fact, all the public housing schemes that are carried out in the country are built on the Ruler's land. Individual Bahraini citizens make appeals and petition for a particular piece of plot, and, in most cases, their demands are granted.

The only public housing programme for low-income groups that is of interest is in Isa Town. Situated 4.5 miles from Manama, the capital of Bahrain, this town covers an area of 2.5 square miles, and its first phase has cost about BD 7 million. Houses are designed for low, average and high income groups. The scheme is designed to enable the beneficiaries eventually to own their houses. The Government, having financed the whole project, seeks to recover from householders only the construction costs, since the land on which this town is built has been donated by the Ruler.

/...

Bahrain is one of the few countries in the Region that has taken measures to combat uncontrolled human settlements. In fact, the number of these has decreased from 2,770 dwelling units in 1965 to 1,524 dwelling units in 1971. Once a makeshift building is pulled down, it is not allowed to be reconstructed again and new construction of this type of structure is not allowed by the municipal authorities. It must be noted also that the occupants of these dwellings are non-Bahrainis who are entitled to the public housing programmes.

According to a sample survey carried out by the housing department of the Ministry of Social Affairs in one of the areas where these makeshift arrangements exist, of the 52 dwellings accounted for in 1971 only 20 dwellings were used by Bahraini citizens, the remainder being for foreign expatriates. The rents paid by the inhabitants of these dwellers for the occupation of the land range between BD 1 to BD 1,600 per month. All the dwellings surveyed were lacking sanitary services and electricity, but about 40 per cent had water supplies provided by the Municipality.

Rural housing programmes have also received some attention in Bahrain. By 1971, about 60 rural dwellings had been constructed, which were considered essential by the authorities when linked with comprehensive community development schemes and in order to help stabilize the rural population, which is engaged in fisheries.

As far as provision of community facilities and environmental sanitation in the rural areas are concerned, according to the 1971 census, of the total number of dwelling units in the country (31,000 units) more than 29,000 units were supplied with electricity, 28,797 with water and 9,000 with sewers.

/...

Prior to discovery of oil in Qatar, its population was estimated to be between 25 to 30 thousand. The results of the first census of population taken in April 1970 have not yet become available officially. Various estimates of the total population are being assumed, ranging from 80,000 to over 130,000. Until a valid census is available, it would perhaps be safer to assume a tentatively estimated population of 120,000 people in 1972. This phenomenal growth is equivalent to an annual growth rate of about 8 per cent. In Doha, the capital of Qatar, about 80 per cent of the country's population resides. Like other oil producing countries of the Gulf States, there is a large influx of expatriates causing this heavy growth rate of population. The Qatari nationals in 1972 were estimated to account for less than 40 per cent of the total population. Moreover, the economic activity of the country is overwhelmingly dependent upon expatriates who compose 83 per cent of the economically active population. The Government carried out in 1972 a survey of the existing housing conditions in the country.

The estimates used for present and future housing requirements are only for the Qatari population. According to a 1972 survey of the housing situation, there were 10,000 dwelling units occupied by Qatari nationals, divided as follows:

| <u>Location</u> | <u>Reinforced concrete roofing</u> | <u>Wood roofing</u> | <u>Tents & Shacks</u> |
|------------------|--|---------------------|---------------------------|
| Doha and suburbs | 3,000 | 3,000 | -- |
| Other areas | 1,500 | 2,000 | 500 |

The survey further indicates that one-third of the dwellings that have wood roofing in Doha and the vicinity are "satisfactory" for occupation, and their owners are not entitled to the low-cost housing programmes carried out by the Government. But it is necessary to replace 2,000 dwellings of the wood roof type in Doha and the vicinity with better

/...

housing. In the rest of the country, the survey recommends construction of 1,000 new dwellings to replace the existing obsolete housing. The total requirements are about 3,000 dwelling units.

From a rural economy, small-scale and tribal in character, the United Arab Emirates has been moving ahead towards greater urbanization. Harbor, power installations, new communications and projects for the development of the country are planned or completed. Already in the period 1968-1972, electrical production has increased by more than 200 per cent, telephone capacity has risen six-fold, and hundreds of kilometers of roads and highways have been opened to the distant villages and oasis in the desert. As people move out of the tribal environment to the urban areas, housing needs are making themselves felt. Overcrowding, uncontrolled human settlements and high rents, are in evidence in the areas. Building costs have also spiralled with the growing demand for shelter. The Government has controlled the situation regarding its own nationals, but the living conditions of the unskilled or semi-skilled foreign labour force are deplorable, where the majority lives in one room shacks in shanty towns adjacent to the urban centres. Except for the supply of water and electricity, the Government has not taken any steps regarding provision of housing for them.

Improvement of housing, community facilities and environmental sanitation in rural areas are very much the concern of the Government. More than a dozen villages, complete with all facilities, have been constructed during the last five years. These villages, located on the major highways connecting the urban centres, ranging in size from 50 to 250 dwelling units, are designed for **bedouin** settlements.

Like other oil-rich Gulf States in the Region, supply, development and allocation of land for housing and community facilities for the citizens of the United Arab Emirates are taken care of freely by the Government. All under-developed urban and rural land belongs to the Government.

/...

In Lebanon, the construction of low and medium cost houses has not kept pace with the demand, and the cost of houses, including land prices, has risen beyond the capacity of the majority of the population. This ever-widening gap between the demand and the supply of houses - and also between the cost of housing and the capacity of the masses to pay - has resulted in over-crowding and congestion in the old centres and in the spread of squatters settlement and shanty towns, lacking in water supply, sanitation, open spaces, schools and other community facilities.

For the first time, comprehensive information on the quantity and quality of housing in Lebanon became available in 1972 in a report prepared by the Ministry of Planning in May 1972. Judging from the data shown in the report, a marked difference appears in the housing situation of Lebanon and the rest of the countries of the Region. Of the 396,000 dwelling units in Lebanon, about 183,000 units are located in the city of Beirut, i.e. roughly half of the total housing stock. The percentage of owner occupied dwelling in Beirut is one of the lowest in the Region. In Beirut and its suburbs, only about 10 per cent of the total dwellings are occupied by the owners and about 7 per cent are occupied by joint owners, while 76.5 per cent of the dwelling units are classified as occupied by renters. In Iraq and Jordan, the situation is the opposite according to data available. The total housing shortage in Lebanon is estimated to be 20,000 dwelling units annually, distributed as follows:

| | <u>Dwelling units</u> |
|---|-----------------------|
| Dwellings needed to house population increase | 12,000 |
| Dwellings needed to replace obsolete housing stock | 6,000 |
| Dwellings needed to remedy existing housing shortages | <u>2,000</u> |
| Total | <u>20,000</u> |

/...

The impact of the Housing Authority established more than 8 years ago has been limited, perhaps because of the lack of experience, staff, facilities and, above all, the seriousness of the Government in tackling the housing problem. Thus, implementation of the development programme 1965-1969, which aimed at the construction of about 19,000 low-cost dwelling units over the period, and for which an investment of LL 105 million was planned, has not been achieved. At present, greater public involvement and interest in the housing problem in Lebanon is indicated by the establishment in mid-1972 of the Ministry of Housing and Co-operatives, and, also, during the same year, a modest programme of about 600 dwelling units for low-income groups has been started by the Housing Authority. The current five-year development plan 1972-1977 provides for the building of low and limited income housing at a total investment of LL 20 million (about 1.6 per cent of the total planned investment), in addition to a similar amount that the Housing Authority possesses for the construction of houses.

In Saudi Arabia, statistical information regarding housing problems is virtually non-existent. Prior to the current development plan 1971-1975, housing as a sector of the plan was left totally for the private sector, and there was no mention of it in the previous plan. For the first time, housing is dealt with in the new plan, with specific objectives and targets to be reached. The general objective of the plan for the housing sector is "the improvement of housing conditions where these fall below required social and health standards; and, in particular, raising the standard of housing of the low-income groups, so that improvements in housing will go hand in hand with the Government efforts for the improvement of health services, water supply and urban development throughout the Kingdom".^{1/}

^{1/} Central Planning Organization, Development Plan 1390 A.H., Saudi Arabia.

Although only a little more than SR 30 million is allocated for housing in the plan (about 0.07 per cent of total investment), the following targets are set:

- i. establishment of an institution to finance housing and real estate development projects during the second year of the plan;
- ii. design of model residential communities in the second year of the plan; and,
- iii. implementation of a comprehensive programme for the development of the housing sector, integrated with a plan for urban development, in the third year of the plan.

In the Syrian Arab Republic, the creation in 1961 of the General Housing Agency, which was later in 1971 called the Centre for Housing and Construction, gave impetus to several projects for the design and construction of new community and housing areas. In rural villages, housing conditions are often better than in the towns, in part because of the maintenance of effective traditional building techniques with more spacious standards. The major problems, therefore, are in the urban areas. In Damascus, for example, it is estimated that unauthorized construction of dwellings is spread over an area of 6,000 hectares, and about 120,000 persons live in overcrowded dwellings. Density in one of the old centres surveyed was 610 inhabitants per hectare, with 92 families comprising 492 persons living in 32 dwelling units.

Projections for housing in the third five-year plan period (1971-1975) are difficult to make, because of the lack of proper information on the present density of occupation, and the lack of statistics on actual migration, including population shifts as a result of the June war of 1967. Knowledge of the current habits and customs of Syrian families, such as the tendency of newly-married couples to reside with

/...

parents, and the disbursement of family income on rent or purchase of homes, are also lacking. Of the total planned investment (LS 8,120 million) only LS 50 million are allocated for housing, i.e., about 0.6 per cent of total investment. However, if three major factors, namely, population increase, rural-urban migration and obsolescence, are taken into consideration, it is estimated that a total of 119,000 dwelling units are required for the planning period. Assuming that an average of LS 17,000 is required for the construction of each dwelling unit, including cost of the land, a total sum of over LS 2 billion will be required to meet the need during the planning period.

The magnitude of the expenditure required to meet the new needs, leaving aside, for the moment, the backlog of unsatisfied needs at the end of the previous plan, makes it clear that the problem of urban housing in the Syrian Arab Republic will be critical during the coming decade, and this will probably continue for many years thereafter.

The problems of housing in countries like Democratic Yemen, Oman and Yemen arise from causes deeply rooted in the economic conditions, the social structure, and the customs and values of the populations concerned. A solution to this may have to take into account the many diverse factors which have created the situation.

Prevailing housing conditions in these countries are too poor, even by modest standards. There are no systematic data available regarding housing conditions. However, observation reveals that the majority of dwellings - urban and rural - are structurally unsound, unsanitary, overcrowded, poorly ventilated and, in general, completely inadequate for meeting the essential physical and social requirements for shelter. In most cases, the walls are either mud or stone with mud mortars. The roofs are thatch. The floors are earthen, the water supply is impure,

/...

and the toilet accommodation, if available, consists merely of an outside open pit latrine, often shared with a neighbour and subject to contamination. Windows are lacking or are boarded up, and there is no outlet for the smoke from the stove. Household equipment is virtually nonexistent.

It is generally recognized that the problem cannot be solved by tackling it from one specific angle but that, on the contrary, any programme of amelioration must not only be based on improvement of building techniques, but must also take into account existing economic, social and cultural conditions, as well as the particular requirements of geography and climate.

2. The construction industry

The building materials industry constitutes a basic segment of the industrial sector of the economy of the ECWA countries, by virtue of its contribution to capital formation and to employment opportunities, and because of its direct effect on many other industries, such as furniture and domestic appliance manufacturing, which are complementary to it. Several factors have contributed to the growth of the building materials and component industry, chief among which have been the development of physical infrastructure in transport and communications, and investment in huge construction projects in agriculture and industry.

A few decades ago, in the countries of this Region, which were characterized by a comparatively limited, simple and highly scattered building demand, as well as by the lack of, or insufficient, transport facilities, the building material and components needed necessarily had to be found locally and delivered to the building site in a crude or simple processed state. Most of the material used was cheap, and the labour required was also cheap or was obtained through aided self-help effort. It is important to note, however, that even at these early stages

/...

of economic development, considerable construction activities were going on, since they were required to satisfy some of the basic needs of human society. In these early stages of economic development, one could hardly speak about a building materials industry, but construction was mainly a question of labour input, in terms of quarrying, transport of materials and their processing and assembling on the construction site. Since both materials and labour were normally abundant and cheap, construction costs were not particularly high as compared with other essentials. From the social and health points of view, therefore, the living conditions at this stage of development could be said to be at least acceptable.

The process of industrial, economic and social development, which is characterized by a gradual concentration of population in urban areas and rising incomes, creates a completely new situation with regard to building, production, living conditions and standards in general. At this stage of economic development, the building materials and construction industries are faced with a demand for highly sophisticated and elaborate civil engineering works and industrialized buildings, combined with demands for more and better housing, schools, office buildings, hospitals, etc.. These requirements - since they are indispensable and rapidly increasing - are difficult or impossible to meet, using the building methods, materials, labour and managerial skills traditionally employed in construction. A serious mistake is made by neglecting this mounting building crisis or by seeking a temporary, expedient way out of it, through extensive imports of building materials and components, and through the insufficiently considered application of building methods and material used in the more industrially advanced countries.

Material sources for building construction are available in the Region, and are even abundant in certain locations. However, the building materials industries, except for Lebanon, are still at an early stage of development,

/...

and are usually centred in the more densely populated urban areas, where facilities for operations, skilled labour and a ready consumer market are assured. In the smaller localities and in the rural areas, the utilization of materials originating from craftsmanship and primitive manufacturing is encouraged for obvious economic reasons, and because eventual adequate production would contribute to the elimination of expensive imports, which apparently are necessary in order to satisfy the demands from the building industry. In certain countries of the Region, like Oman and the United Arab Emirates, except for gravel and aggregates, all building materials are imported.

The efforts of maintaining two types of manufacturing are also related to the distribution problem, which is hindered by topographic extremes and inadequate transportation systems. This situation has promoted the development of the small craftsmanship-type manufactures whose product, made from local raw materials by cheap labour, can reach the local consumer at considerably lower cost than materials imported from industrialized centres and from abroad. There is also a tendency to decentralize some of the major material industries, e.g. cement. Iraq, Saudi Arabia and the Syrian Arab Republic have established new plants at strategic locations for both local consumption and exporting purposes, which will tend to increase not only domestic production, but also make industrially manufactured products available in areas which previously suffered from meager supply at high costs.

The major industrial products, whether they are locally produced or imported, are cement and cement-based products, asbestos-cement (sheets and pipes), concrete blocks, bricks, tiles, steel and steel products, timber and wood products and finally clay products.

/...

Cement is one of the basic building materials in the Region. It has been gradually replacing stone, burnt-brick, mud and other indigenous building materials traditionally used throughout the Region. The growth of industry has been helped by the ever-increasing demands of industrial, commercial, residential and infrastructural projects, on the one hand, and the availability in great quantity of the raw material (limestone) and the source of fuel, on the other. Another important factor that has encouraged the production of the material has been the comparatively little technical knowledge and skill required for its manufacturing. Thus, by the end of 1972, seven countries of the Region had established their own cement plants and all have anticipated further expansion to meet the anticipated and planned requirement of the material. Feasibility studies have been carried out by Abu Dhabi to build a cement plant with a capacity of 400,000 tons per year, and the Government of Oman is anticipating the establishment of a plant during the years 1973-1974, with a capacity of 100,000 tons per year. From 1966 to 1970, cement production had increased by about 24 per cent.

Normal portland cement is the main type produced; sulfate-resisting cement and low-heat used for foundations construction in salty soils and dam construction are also produced in most ECWA countries. White cement is only produced in Lebanon.

In conclusion, the inadequate production of building materials represents one of the most serious obstacles for the efficient development of construction activities in most countries of the Region, imposing, at the same time, a heavy burden on the whole national economy. Although considerable progress has been already achieved by certain countries like Iraq, Jordan, Kuwait, Lebanon and the Syrian Arab Republic in establishing and modernizing production capacities of the building materials plants, in other countries of the Region, particularly, Bahrain, Oman and the United Arab Emirates, the import of building materials are

/...

sizeable, reaching, in some instances, up to 90 per cent or even more of the total consumption, which often means about 25 per cent of the total value of imports. Most of the imported material comes from outside the Region. The interregional trade in building materials, consisting mostly of cement, is being hampered by the lack of production capacities and inadequate transport networks, or due to competition with overseas commodities in terms of price and quality.

3. Urban planning

Urban planning in the countries of the Region, up to the past decade or so, was mostly at the local level. The basis of all town planning procedures in the Region was the law of "alignments", and, sometimes, laws providing for expropriation. Subdivision regulations have been attempted only since after the Second World War to regulate planning of residential areas in cities.

Over the past few years, the rate of construction in several urban areas has been extraordinarily high. The favourite private investment in most of the urban areas is in buildings. Governmental action to deal with physical problems of urbanization has been restricted in many countries, to separate programmes of public housing, slum clearance and rural development programmes. But such programmes, particularly industrial employment, are often entirely unrelated to the rate at which employment must be created as an economic base for the higher urban population. Also, they tend to be conceived in a haphazard manner. They have, therefore, helped little to solve the problem of urbanization and are often found to be wasteful. At the same time, among the rural development programmes, community development is perhaps the most effective approach. However, in the absence of an overall policy of urbanization in most of the countries, these rural improvement programmes have not been effective in checking the flow of migrants to cities. Most countries of the world

/...

are faced today with problems of rapid urban growth, and, in most developing countries, rural and urban environments are deteriorating under the impact of the population movement. Physical congestions and blight affect vast areas and often appear to defy efforts towards improvement. It is notable that, in all countries of the Region, there tends to be at least one relatively large metropolitan area whose growth rate exceeds both general urban and total population growth rates. Sometimes, as in the case of Bahrain, Kuwait, Qatar and the United Arab Emirates, its population accounts for more than 90 per cent of the total population of the country.

The countries of the Region now face a great challenge. During the coming years, there will be an urban explosion unprecedented in their history. The distribution of population will shift radically from rural to urban areas. This will bring far-reaching changes in the national picture. Heavy capital investment will be required to meet this challenge, and new policies will need to be forged. A new system of planning and planning control at the national, regional and local level must be established to deal with the heavy tasks facing these countries.

a) Master plans

In all the countries of the Region, policies have not been worked out for the controlled and orderly growth of the urban population. The long-term scale of investment for the progressive clearance of slums and overcrowding, the provision of public utilities, and other improvements in the physical and social environment have not been established. The idea of a development plan, as a document which will show how these improvements can be carried out in relation to the resources that are made available, has not made much progress.

/...

As it stands today, physical planning in the Region is mostly at the local level, despite the fact that it has been accepted as natural and that there are only a few big towns that do not have a "master plan" at some level or another. But this apparent advantage actually marks serious disadvantages. Since physical planning is a novelty, it will be found that, either a country has no policy in this field and those responsible have to be convinced of the need for elaborating one, or those who do realize its importance start at once at the most advanced and modern level.

Unfortunately, physical planning in the Region is dominated by conventions and lack of imagination. In fact, with some laudable exceptions, town planning does not exist; it is too often a badly brought-up and maladjusted child of European town planning systems, and, in any event, the reflection of the dreams of European town planners of a certain epoch.

In general, most of the plans in the Region have been inspired too much by transport requirements and too little by the objective of improving the conditions of urban-living. In practice, it has also been found that many major details of development are either not shown in master plans, or contrary to the plans as prepared and filed. Often, there are also insufficient facts available on such matters as the type, location and volume of employment today and in the future, to formulate detailed planning proposals for location of industry and housing. As a result, most of the master plans prepared for the major urban centres have been shelved by the municipal authorities, despite the fact that large sums of money have been spent for the fees of the consultants engaged in these preparations.

/...

b) Development control

Another aspect of physical planning may conveniently be described as the process of development control. In many ways, this is more important than the process of plan-making, because what matters, to the end, is not what the plan **says** but what happens on the ground. The final test is the quality of the physical environment, and bad development can bring a good plan to ruin. Apart from execution of planned projects, direct control of land use patterns is a critical aspect of plan implementation in urban areas. Containment of real estate inflation, control of land use relationships, and acquisition of land for public use, are considered severe problems in all the fast-growing urban areas of the Region. Rapid filling up of open land is a direct manifestation of urban growth and, in most cases, allocation of land in an uncontrolled open market in the dense urban environment creates problems not encountered in rural and small urban settlement patterns. Land becomes scarce and costly in the densest portions which require the most public use of land.

The costs and slow legal procedures of acquisition and clearance in Jordan and Lebanon limit the capabilities of their governments to develop public housing, transportation and community facilities. Moreover, certain patterns of private use, often encouraged by specific government policies, create requirements for higher public expenditures and reduce human satisfaction with urban life. Horizontal residential expansion into the Baghdad suburbs recently, stimulated by existing transportation routes and distribution of land to co-operative societies at nominal fees, has put an enormous demand on the municipal services rendered. In Lebanon, recreational land has been eaten away to the distant fringes. The most severe problem in the oil producing countries is the settlement of migrant squatters blanketing most areas at the fringes of the urban centres.

/...

The lack of proper development control measures, and the weaknesses of its enforcement, can destroy, for the sake of immediacy or short-term gain, the long-term aim of order and efficiency in the structure of the plan. It can result in private gains, but heavy social costs. It can demonstrate the disregard of the public good, whether by unneighbourliness, generation of excessive traffic, or the pollution of rivers, seas and atmosphere. Because of the lack of or weaknesses of zoning laws and subdivision regulations in the countries of the Region, inadequate solutions have been found to land use problems, and municipal authorities are unable to control the situation. Therefore, there is speculation on land, vacant plots within the cities, mushrooming growth of housing estates, which are too distant from the centres of the town, or outside the city limits and thus deprived of services, and the erection of shanty towns built by squatters without any night occupancy. In Beirut, it is practically impossible to demolish these improvised dwellings because of the excessive cost of providing other housing.

IV. THE LEAST DEVELOPED COUNTRIES

The existence of a number of countries which are not fully capable of benefiting adequately from a set of general measures taken in favour of developing countries has led the United Nations System to adopt resolutions and recommendations stressing the need for devising special measures in favour of these countries. Thus, while it is the objective of the IDS to achieve rapid economic and social progress of all developing countries, it, nonetheless, calls for special measures in favour of the least developed among these countries in order to enable them to overcome their particular disabilities. The IDS, therefore, calls for every effort to ensure the sustained economic and social progress of these countries and to enhance their capacity to benefit fully and equitably from the policy measures for the Decade. Moreover, it is recommended that, wherever necessary, supplementary measures will be devised and implemented at the national, sub-regional, regional and international levels. Organizations and bodies of the United Nations are, therefore, asked to consider initiating, early in the Decade, special programmes to alleviate the critical development problems of the least developed among developing countries; while the developed countries are in turn required to assist in the implementation of these programmes.

Concerted action to implement the special measures referred to above requires, as basic prerequisites, first, the identification of the countries which can be considered as least-developed and, second, keeping under systematic scrutiny developments in these countries and the progress made in achieving the goals and objectives of the Decade, with a view to identifying the critical bottlenecks in the process of development in these countries and devising appropriate special measures to alleviate them.

A. Identification of the Least Developed Countries in the ECWA Region

It will be recalled that the Committee for Development Planning^{1/} (hereafter the Committee) selected three basic criteria for the identification of the least developed countries, namely:

^{1/} Identification of the least developed countries has been attempted by the Committee for Development Planning (CDP) in pursuance to General Assembly

/...

- (1) a per-capita GDP of US \$ 100 or less in 1968, but could still be considered within the U.S. \$ 120 range;
- (2) a share of manufacturing in GDP around 10 per cent or less (for the latest figures available); and,
- (3) a literacy rate of 20 per cent or less, around 1960.

On the basis of these criteria the Committee arrived at a list of 25 countries which have come to be known as the "hard-core" group of the least developed countries. From among the countries served by ECWA, the Committee has included the Yemen only in the hard-core category, while ECWA's findings would lead to the additional inclusion of the Democratic Yemen in this category.

1. Qualifiers introduced into the identification criteria set by the Committee for Development Planning

The application of the Committee's identification criteria to the countries served by ECWA shows that at least two of the three main criteria namely, the share of manufacturing in GDP and the per capita GDP, require certain definitional adjustments in order to render them more indicative of the levels of development of the countries in question.

a) Qualifier introduced to the share of manufacturing in GDP

The essence of the position of the Committee concerning the share of manufacturing in total output is that, while it provides some idea of the extent of structural transformation of the economy, this criterion may be a less significant indicator of development than would appear at first glance if the manufacturing sector is based on a single industry which has a limited impact on the rest of the economy. This is precisely the case in Democratic Yemen (and to a lesser extent in Saudi Arabia) where the manufacturing sector consists almost entirely of oil refining, an activity that has a limited structural impact on the rest of the economy. One obvious adjustment called for would be the exclusion of oil refining from both manufacturing and GDP in such countries. In other words,

1/ (suite).. Resolution 2564 (XXIV) of December 13th 1969. A working Group of the above-mentioned Committee submitted a report which dealt with the problem of identification of the least developed countries and the special measures that need to be taken in favour of these countries. The Report was adopted by the Committee and subsequently by the General Assembly on the 18th of November 1971. (see G.A. Resolution 2768 (XXVI)). /...

whenever the manufacturing sector is found to be based on a single industry which has a limited impact on the rest of the economy, the contribution of that industry could, for the purpose of this exercise, be deleted from total value added of both manufacturing and GDP. In the case of the ECWA countries, oil refining seems to be the kind of industry that has to be deleted from the ratio of manufacturing to GDP in order to arrive at a better developmental criterion.

b) Qualifier introduced to per capita GDP

The Committee, in selecting the per capita GDP, as an identification criterion, considered it as providing "a rough and ready indicator of the productive capacity of an economy and of its ability to provide needed services" and as a "general indicator of the dimensions of poverty and overall development". However, this criterion, when applied to the countries of the ECWA region, is misleading if not incorrect, since according to present conventions of national accounting, income derived from current "production" of oil is considered on equal footing with that derived from recurrent activities.

Current national income estimates pertaining to oil countries (and countries "producers" of minerals in general) include the sales of crude petroleum under the heading "mining and quarrying", while the position adopted in this section vis-a-vis oil revenue is that the sale of petroleum is a simple transformation of one form of wealth for another; a transaction which, per se, does not reflect the overall level of economic development of the countries involved. It is here proposed that the sale of "petroleum", which is the transformation of a tangible asset into a financial asset, be excluded from the measurement of national income (flow of value added), and be included as a stock value in assessing the net wealth of an economy. This procedure is applicable to all countries drawing on wasting resources.^{1/}

^{1/} According to the new United Nations System of National Accounts, accounting of national income should start, when data permit, with the assessment of opening assets - financial and net tangible assets - and should end with the assessment of closing assets. Except for mere revaluations, stocks change only through flows. However, the transformation of a stock from one form to another, which necessitates some sort of a transaction, need not appear entirely in national income as a value added item. See United Nations A System of National Accounts Rev. 3 (Series F. No.2) (United Nations Publications, Sales No. E.69.XVII.3) Table 2.1.

/...

This financial stock, it should be remembered, is mostly spent by Governments on public investments, public administration, defence, development budgets not to mention all sorts of subsidy and welfare outlays. These expenditures have the undeniable effect of raising consumption, investments and imports to levels that could not have been attained were it not for the liquidation of tangible assets such as petroleum.

When Government expenditures are paid in the form of wages, salaries, rents and profits, they are, by definition, elements of the GDP, while Government disbursements used to accumulate, say, portfolios of foreign investments should rather be considered as translating changes in the structure of the stock of wealth.

Thus in order to utilize the per-capita GDP as an indicator of the level of development, it is imperative to exclude, as a first adjustment at least, the sales of crude oil (or mining and quarrying in general) from the GDP estimates of the oil-producing countries served by ECWA.

2. Identification and Basic Characteristics

a) Identification of the "Least Developed" countries in the Region

Applying the adjusted identification criteria - an adjustment that has made it possible to exclude the oil sector (crude and refining) - has led to the distinction of three categories or group of countries among the twelve countries reviewed. The countries that are relatively developed (group I) and share none of the characteristics of the "least developed" countries are Lebanon, Syria, Iraq and Jordan. Although Iraq, and to a lesser extent Syria are "producers" of crude oil, they, nonetheless, share with Lebanon and Jordan an economic structure that is more diversified. They have an established agricultural sector and the manufacturing sector has started to have some impact on the economy.

The second group of countries comprises all the oil producing countries (with the exception of Iraq and Syria which are in group I). These countries have all achieved a literacy rate of more than 20 percent (except for Saudi Arabia and Oman), but, however, do share with the least developed countries one of their basic characteristics, namely, a low level of structural transformation. Given the lack of non-oil natural resources, these countries find it particularly difficult to diversify the production structure of their economies.

/...

Table 13. Identification of the "least developed countries" in the ECWA Region

| | | Per capita GDP ^{a/} (in U.S. dollars) | Share of manu- ^{b/} facturing in GDP (percentage) | Literacy rate ^{c/} in 1970 (percentage) |
|----------------------------|--|---|--|--|
| Group I: Countries with: | | > 1000 | > 10% | > 20% |
| Lebanon av. 1968-70 | | 523 | 13.3 | () |
| 1971 | | 593 | 13.9 | (69) |
| 1972 | | 712 | 13.9 | () |
| Syria 1970 | | 259 | 15.9 | () |
| 1971 | | 288 | 14.5 | (47) |
| 1972 | | 332 | 14.9 | () |
| Iraq 1970 | | 235 | 12.9 | (26) |
| 1971 | | 266 | 14.0 | () |
| Jordan av. 1968-70 | | 232 | 8.3 ^{d/} | (45) |
| Group II: Countries with: | | > 1000 | < 10% | > 20% |
| Kuwait av. 1968-70 | | 1,667 | 3 | () |
| 1971 | | 1,824 | 3 | (51) |
| 1972 | | 1,882 | 3 | () |
| Qatar | | ... | ... | (25) |
| U.A. Emirates | | ... | ... | (25) |
| Bahrain 1970 | | 833 | 1.2 | () |
| 1971 | | 838 | 3.4 | (39) |
| 1972 | | 950 | 6.6 | () |
| S. Arabia av. 1968-70 | | 248 | 3.5 | () |
| 1971 | | 301 | 3.7 | (5 ^d) |
| 1972 | | 323 | 3.9 | () |
| | | I II | | |
| Oman av. 1968-70 | | 111 51 | 0.4 | () |
| 1971 | | 191 88 | 0.4 | (15 ^d) |
| 1972 | | 240 111 | 0.3 | () |
| Group III: Countries with: | | < 1000 | < 10% | < 20% |
| Democratic Yemen 1969 | | 105 | 5 | (15) |
| 1970 | | 107 | 5 | () |
| Yemen av. 1969-70 | | 81 | 2.6 | () |
| 1971 | | 93 | 3.0 | (15) |
| 1972 | | 112 | 3.0 | () |

Source: Compiled by ECWA from national sources.

a/ Per capita GDP at current prices (excluding crude oil for oil countries).

b/ Manufacturing excluding refining, and GDP as defined in (a).

c/ Population at 10 or 15 years of age and above.

d/ Jordan, and Saudi Arabia and Oman were included in Group I and Group II respectively because it was felt that their general characteristics are similar to the countries in their respective groups.

e/ Different population estimates. Alternative I for a population ranging from 0.62 million in 1968 to 0.717 in 1972, while alternative II assumes a population ranging from 1.372 million in 1968 to 1.554 in 1972.

/...

The third group includes Democratic Yemen and Yemen. These countries are identified as "hard-core least developed" countries. In the case of Democratic Yemen, an application of the unadjusted identification criteria reveals a degree of structural transformation (share of manufacturing in GDP around 20 per cent) that is much above the ceiling set by the Committee (10 per cent or less) for the hard-core countries. However, the degree of structural transformation of Democratic Yemen is more accurately reflected once oil refining is excluded from the picture. The B.P. - owned oil refinery in Democratic Yemen has been established to cater for oil bunkering at the Aden port and for the export of oil refined products. The rest of the economy is little affected structurally by this activity. There is no denying of the fact that the impact of the refinery on the level of income in the economy is considerable. There is no doubt, however, that the exclusion of oil refining does provide a better indication of the level of structural transformation.

Thus, once the criteria pertaining to the share of manufacturing to GDP and the per capita income are adjusted in a manner to reflect more adequately the degree of structural transformation and the level of general economic development in the countries of the Middle East, these criteria, combined with the literacy rate^{1/} indicate that the "hard-core least developed" countries in the ECWA Region are: Democratic Yemen, and Yemen.

^{1/} The Committee's literacy rate, or the percentage of literates to total population of 15 years of age and above is one indicator of the level of development of human resources. However, in the absence of clear-cut definitions of the ability to read and write, and of the means to test this ability, the literacy rate becomes somewhat ambiguous. ECWA has done some preliminary research designated to replace the literacy rate criterion by a set of social indicators pertaining to health, education, employment and women participation. This attempt has tentatively led to the identification of Democratic Yemen, Yemen, Saudi Arabia and Oman as the "least developed" countries in the region when only social development is considered.

b) Basic Characteristics of the Least Developed Countries in the Region

(i) Yemen

The Yemen was identified by the Committee for Development Planning as one of the 25 hard-core least developed countries. Its economy is largely based on agriculture, an activity which is mostly carried on at a subsistence level and which is characterized by wide fluctuations in output as a result of its heavy dependence on water availability. So far, no major survey of the country's water resources has been carried out. Productivity is impaired by a low level of technology. The use of fertilizers, while increasing, is still very limited. On the average, the agricultural sector accounts for over two-thirds of GDP and almost all exports.

The industrial sector, still embryonic, employed less than one per cent of the labour force and contributed around three per cent of GDP in 1969-1972. Agricultural processing and light manufacturing for consumption and construction are the main branches of this sector.

During the period 1970-1973, various institutional changes took place. In September 1971, with the assistance of the IMF, a Central Bank was established, and legislation was enacted regulating Government borrowing from it. The Government undertook the preparation of its first budget for the fiscal year starting 1 July 1973. In January 1972, the Central Planning Organization replaced the Technical Office and recently prepared its first Three-Year Investment Programme (1973/74-1975/76)^{1/}. This programme calls for a total outlay of some YRL's 1,600 million, of which about YRL's 855 million is to be invested by the public sector.

In the absence of the basic resources for development, the country depends almost entirely on foreign technical and financial assistance. The country prior to 1972 never had a development budget. Financing development projects (mainly road construction) has been exclusively provided for through multilateral and bilateral aid organizations and agencies. So far the Government have had a rather limited control over these external resources.

^{1/} The three-year investment programme was prepared with the assistance of the IBRD and the Kuwait Fund for Arab Economic Development (KFAED).

However, it is felt that, with the preparation of the first investment programme, national needs will be more adequately served. The main priorities of the programme fall within the following four areas:

(i) improvement of institutional structures, specially administrative; (ii) continuation of the efforts for building an adequate physical infrastructure; (iii) surveying in depth and development of natural resources, with emphasis on agriculture; and, (iv) acceleration of the improvement in health, education and training.

(ii) Democratic Yemen

Following independence on 30 November 1967, the economy of the Democratic Yemen was subjected to severe recessionary forces, mainly as a result of the shut-down of the British military base and the discontinuation of British budget support in 1968, which were preceded by the closure of the Suez Canal in 1967. The recessionary forces found expression in a drastic fall in per capita GNP, from around US \$ 150 in 1965 and 1966 to around US \$ 100 in 1969-1972, and increased unemployment.

The heavy dependence, prior to 1968, of the economy on activities directly and/or indirectly connected with the British military base was deeply felt after independence. In a sense, the Democratic Yemen lost, over-night, an important "sector" around which other sectors of the economy pulsed. The much diminished importance of the Aden Port (as a major bundering port and trade distribution centre), due to the closure of the Suez Canal, but due also to the establishment of other modern ports in the area, led to a further withering away of the services and trade sectors which characterized the economy of the Democratic Yemen.

The sharply curtailed traffic at the port of Aden, and the urgent need of the Government for extra budgetary revenue, led to the imposition of new tariffs on imported goods. However, in order to protect the entrepôt trade of the country within the new set-up, the Government also created a free-zone at the Port.

In addition to the changes in the economic structure of the country that came about as a result of the developments referred to above, further radical changes in the institutional framework governing economic activity and policy in the Democratic Yemen were introduced. Thus, Law No. 37 of 1969 nationalized all foreign banks, insurance companies, port servicing companies, and entrusted them to the Economic Organization of the Public Sector which was created by the same law.

/...

All these changes deeply marked the options of the first Three-Year development Plan (1971/72-1973/74) where priority was given to transforming the economy to one where production is to assume an increasingly more important place. Aside from raising income and employment, the main objective of the Plan was to restructure and diversify the economy. The plan called for investments, both public and private, reaching Y.D. 40.3 million over the planned period. Emphasis was given to three sectors, namely: transport and communications (32 per cent), agriculture and fisheries (26 per cent) and industry (24 per cent).

From the above brief review of the major characteristics of the "least developed" countries in the Middle East emanates a set of features that would seem to be common to all three countries. These features include: (i) extreme paucity of managerial and technical skills; and low level of education; (ii) rudimentary physical infrastructure; and (iii) inadequate knowledge of the country's endowment in natural resources. This general picture coincides with the characteristics of the least developed countries as visualized by the Committee (CPD) and the Trade and Development Board.

B. Special Measures in Favour of the Least Developed Countries in the Region

1. Special measures taken at the international level

The awareness of the United Nations System of the need to provide special measures in favour of the least developed among developing countries, as reflected by the various resolutions and recommendation emanating from the United Nations General Assembly and the governing bodies of the Specialized Agencies, is gradually shaping up into specific measures of direct impact on these countries. Thus from a newly created fund of US \$ 1.5 million made available for the "least developed" countries exclusively under the United Nations Regular Programme, in accordance with General Assembly Resolution 2803 (XXVI), the United Nations has been able to launch a project, especially tailored for the needs of the least developed countries in the Middle East.

/...

Due to the fact that building the basis of Government financial operations is a slow process that must be given a continuous and adequate support under a well organized and comprehensive training programme over a number of years, ECWA has already established a Training and Advisory Services Programme in Public Finance and Administration which is specially tailored for the needs of the Yemen, the Democratic Yemen and Oman.

The project consists of a team of experts covering the fields of budgeting, public revenue, public accounting, and tax administration and makes allowance for the recruitment of consultants. This project has been operative since the beginning of 1973. Training programmes were implemented, so far, in Beirut, Aden, Muscat and Sana'a. The team of experts provides field training in each country, while conducting multi-country workshops whenever common problems have to be tackled.

Other technical assistance projects with the same multi-country and yet individualistic approach are being considered by ECWA covering other fields of activity.

2. Special measures taken at the regional level

The call for the adoption of special measures was not limited to the international organizations, and specifically invited the regional organizations to participate in the general effort in favour of the least developed countries. So far the Kuwait Fund for Arab Economic Development (KFAED), and the Arab Institute for Economic and Social Planning - Kuwait, have adopted certain measures that could be considered as examples of the type of special measures that similar institutions could adopt in favour of the least developed countries in general and more specifically in favour of the least developed countries in the Middle East.

Financial assistance granted by the Kuwait Fund mainly takes the form of loans on concessionary terms determined in the light of the needs of each individual application. Grants have also been authorized to the "least developed" among Arab countries. The Fund has approved total grants of US \$ 508 thousand to the Yemen for a geological survey of salt rock (US \$ 238,000), for a resident technical assistance mission (US \$ 200,000) and for the appraisal of the local textile industry (US \$ 70,000). The Democratic Yemen has received a grant of US \$ 140,000 for a fisheries development study. The only other Arab State receiving grants from the Fund is the Sudan (US \$ 420,000).

/...

As to loans, the Kuwait Fund has assisted the two Yemens on concessionary terms that were not made available to other Arab countries. Thus, the two Yemens are charged an interest rate, ranging between 0.5 and two per cent, with an average maturity of 49 years and a grace period of 9 years, while the other Arab States are charged an interest rate between 3 and 4 per cent, with an average maturity of 11 to 20 years, and a grace period of 3 to 6 years. However, the relative importance of loans accorded to the two Yemens combined did not exceed 1.3 per cent of the Fund's total loans granted during the period 1962-1972.

The Board of Trustees of the UNDP-assisted Arab Institute for Economic and Social Planning - Kuwait, has decided, during its first session late in 1972, to consider the Yemen a full-fledged member participating in the Institute without, however, any counterpart obligations whatsoever. The training facilities of the Institute are available to Yemeni nationals who will receive stipends from the funds of the Institute.

The generalization of such arrangements to other regional institutes in the area is worth considering. The idea would be to make it possible for nationals of the two least developed countries in the Region to avail themselves, without any counterpart contribution, of the existing training facilities, whenever these facilities are pertinent to their specific needs.

/...

V. REGIONAL ECONOMIC CO-OPERATION

A. Economic Co-operation and

Integration Efforts

In resolution 23(II), the second session of UNCTAD adopted a Concerted Declaration on trade expansion, economic co-operation and regional integration among developing countries, a Statement of Intent by the developing countries, and a Declaration of Support by the developed market economy countries and socialist countries. In the Concerted Declaration, the Conference reaffirmed that regional integration and economic co-operation among developing countries would make an essential contribution towards their economic development. The Conference recognized, among other things, that the responsibility for instituting schemes for regional integration or measures of trade expansion rests, in the first instance, with the developing countries themselves. It further recognized that the availability of appropriate external finance and technical assistance from developed countries and international institutions would enable developing countries to overcome more easily the difficulties inherent in the process of integration.

In the Statement of Intent, the developing countries stated their determination to make all efforts between the second and third session of the Conference and to negotiate or put into effect further meaningful commitments among themselves within the framework of their choice. These commitments will be adapted to different circumstances existing in the various parts of the developing world. In the Declaration of Support, the developed market economy countries declared their general readiness to support initiatives of the developing countries to increase their trade and strengthen their economic co-operation, and specifically to consider what help they can give to any concrete proposals that may be put forward. Such help can take the form of action in the field of commercial policy as well as financial aid and technical assistance. The Socialist countries of Eastern Europe similarly declared their readiness to extend their support, within the framework of the principles by which they are guided, to the efforts of developing countries towards regional co-operation and economic integration.

These commitments on the part of both developing and developed countries were endorsed by the Preparatory Committee and form part of the IDS.

/...

1. The co-operation effort in perspective

Multilateral efforts towards regional co-operation and economic integration among various countries of the region have been undertaken mainly within the framework of the League of Arab States. These efforts culminated in the Treaty of Economic Unity as approved in its final form in 1957 by the Economic Committee of the League. But it was only eight years later that the Treaty entered into force on 30 May 1964, after ratification by Kuwait in 1962, Egypt in 1963 and, finally, by Iraq, Jordan and the Syrian Arab Republic in 1964. Only two other countries have signed the Treaty since then, namely, Yemen in 1967 and the Sudan in 1969. Thus, only seven of the eighteen country membership of the League of Arab States are signatories of the Treaty.

To a great extent, the reason for this apparent reticence on the part of the other member states lies in the Treaty's ambitious and far reaching objectives, which include the complete removal of barriers to trade as well as to factor movements. The treaty also provides for the co-ordination of various national economic policies, with a view to achieving the ultimate goal of total economic unity: a goal which presupposes a unity of views extending to social and political fields.

The Treaty established a permanent and autonomous inter-governmental body, the Council of Arab Economic Unity (CAEU), to which was entrusted the task of elaborating the successive stages towards economic union and of follow-up on their implementation. The decisions of the Council, while requiring a two-thirds majority vote, are not binding on the member states and need ratification by their competent national authorities.

Since its establishment, the strategy of the CAEU in implementing the provisions of the Treaty has, in the first instance, been that of creating a free trade area. As to the second stage, the Council aimed at the establishment of a Customs Union between its member states.

a) The creation of a free trade area

By its Decision No. 17, the Council, during its session of August 1964, established the Arab Common Market (ACM), and adopted a schedule of cuts in customs duties and in quantitative restrictions on trade between its member states. The Decision set the first of January 1965 as the starting date for this process.

/...

Subsequently, the original time-table of liberalization was accelerated by Decision 372 in 1968. As of 1 January 1971, a free trade area was to have been achieved. Only four countries, namely, Egypt, Iraq, Jordan and the Syrian Arab Republic, ratified this Decision, and have since then been engaged in the consolidation of a free trade area between them.

The trade liberalization programme referred to above comprised annual percentage reductions in the tariffs relating to broad groups of merchandise. The abolition of quantitative restrictions, on the other hand, was supposed to have been executed at agreed annual percentages, but the choice each year of the specific goods to be liberalized was left to each member state. This approach had the following consequences:

- i. Tariff liberalization coincided rarely with the removal of quantitative restrictions; products free of duty in intra-ACM trade often remained subject to non-tariff barriers. This fact explains why the application of the scheduled tariff reductions is not reflected unambiguously in the level of intra-ACM trade during the years 1965 to 1971; and,
- ii. Each of the member states deferred to the very final stage of the liberalization time-table the elimination of quantitative restrictions on "sensitive" domestic goods competing with similar products in other ACM countries. Indeed, had the last stage of liberalization been implemented fully as of 1 January 1971, protection of member countries' industrial sectors would have had to be withdrawn very abruptly. This would have been all the more difficult since the period 1965 to 1971, envisaged by Decision No. 17 as one of transition, was not used by the member states for adjusting their domestic industries to new competitive circumstances, which were to have resulted from the gradual elimination of trade barriers within a regional context.

These practices explain the relative ease with which the member states implemented the first six stages of tariff and quota liberalization, covering the years 1965 to 1970. Surprisingly, few complaints were voiced by industries encountering hardships from the competition of partner countries during this period. Little attention was consequently paid to the design of compensatory

/...

measures within the ACM, or adjustment assistance at the national level. Balancing the gains and losses from trade liberalization between the ACM countries did not arise as a practical issue.

Moreover, the problem was further complicated by another issue relating to the use of administration controls, and, more generally, to the increasing importance of state trading. All four ACM countries practiced some form of administrative controls, and three of them, namely, Egypt, Iraq and the Syrian Arab Republic engaged in detailed allocation and budgeting of foreign exchange, in the context of a comprehensive plan for the direct control of their foreign trade.

These measures, of course, did serve to provide protection to domestic producers, but nonetheless they were not considered by these countries as falling within the meaning of trade restrictions. For this very reason, the Council, at its seventeenth session (Cairo, May 1971), established a committee of experts to consider the Jordanian reservations in respect of the implementation of the final stage of liberalization, and resolved that the year 1971 should be used for consolidating the free trade area that was to have been instituted. Before instituting any new integrative measures, the Council decided to concentrate on helping members to eliminate the remaining controls and administrative restrictions.

With tariff liberalization being offset by the unwillingness of the member states to abolish simultaneously restrictions and controls on trade and payments, their economies remained insulated from each other. Their development plans pay lip service to the need for intensifying intra-Arab trade, and for harmonizing production and investment, within a multinational context.

In justifying these developments, the member states concerned point to the fact that the Council was supposed to undertake, according to the provisions of the Treaty and related Decisions, studies concerning the co-ordination of the various development plans. They further elaborate that it is only possible to arrive at a stage of complete free trade among partners if the trade liberalization schedule constitutes a part of such an overall programme of long-term co-ordination, which also takes into account the short-term transitional difficulties likely to result from the process of reallocation of production. Moreover, they also point to the non-implementation of the project for an Arab Payments Union as another factor preventing them from implementing the last stages of the trade liberalization programme.

/...

b) Steps towards a customs union

Upon the realization of a free trade areas, the next stage envisaged by the CAEU on the road to complete economic integration involves the establishment of a customs union. Preparatory work in this regard todate includes the approval by the CAEU of a common customs code, the elaboration of a unified customs administration, and an approach to the problem of establishing a common external tariff. Issues relating to the operation of a unified customs administration, and to the fair distribution of customs revenue among the member states, remain items for future consideration by the Council.

Little, if any, progress has in fact been made so far in harmonizing external tariffs; nor is the prospect of so doing in the near future any brighter. Considerable structural differences characterize ACM countries, and their levels of nominal tariffs vary widely. The simple averaging formula proposed by the CAEU Secretariat did not win the support of national administrations. The protective effects of quantitative restrictions and other barriers to trade have not yet been considered with a view to their harmonization.

Given that the free trade area, which was supposed to have come into being as of January 1971, has still to become effective, and that member states are finding it increasingly difficult to implement that first stage, it can be expected that the issue of harmonizing external tariffs will subside into the background for some time to come.

It should be pointed out, however, that it was the inclusion of this ultimate objective of unifying external tariffs in the Treaty of Economic Unity which prevented a number of Arab countries from joining the movement, although these very countries were and probably still are interested in joining a free trade area. This unfortunate situation demonstrates once again the importance of adopting a flexible approach towards economic integration in the region, and the need to avoid the "all or nothing" approach, which has proved to be a serious handicap. There are indications, however, that a more realistic and "gradualist" approach is in the offing.

/...

c) Payments arrangements

Although a Payments Union has been agreed upon within the CAEU, the project remains in abeyance for want of sufficient endorsement. As it stands, however, there seems to be a great doubt that such an endorsement would be forthcoming from the member states. The basic problem is that the main feature of the projected Arab Payments Union is the operation of a clearing system of regional accounts. In contrast, the existing bilateral payments agreements between the member countries, emphasize the far more important aspect of providing credit for the financing of short-term imbalances. A detailed comparison of the various provisions of the Arab Payments Union, on the one hand, and the set of bilateral payments agreements, on the other hand, make it very clear that the latter serve the external payments needs of these countries much more than the proposed Payments Union.

The situation in this respect is similar to developments in the trade field where, again because of the greater flexibility and lesser degree of commitments involved, bilateral trade agreements continued to be used by ACM countries to regulate and promote trade between themselves. That the partner countries concerned continued to resort to such bilateral agreements, in the context of their membership of a free trade area, is a phenomenon which does not require much elaboration or comment.

2. Economic integration efforts and intra-regional trade

It is, as a general rule, extremely difficult to isolate the impact of a preferential trading arrangement on the level and structure of intra-regional trade flows. There are numerous variables, all of which operate simultaneously, and the observed trade flows are the net outcome of these forces.

After more than twenty years of various forms of preferential trading arrangements among a number of countries in the Region, intra-regional trade of the seven countries of the CAEU still occupies only a minor place in their total trade, accounting for no more than 9 per cent during the period 1968-1971. The relative importance of the regional market is not, however, the same for all the countries. Jordan, Lebanon and the Syrian Arab Republic, for instance, channel into the regional market a good proportion of their exports, and depend on it for a relatively high proportion of their imports.

/...

For the four ACM countries, intra-regional trade did not amount to more than 4 per cent of their total trade during the period 1969-1971. This average again conceals important inter-country differences, varying from a low degree of dependence in the case of Egypt, where intra-regional exports were only 2.7 per cent of the total, to a high of 24.7 per cent in Jordan.

Another striking characteristic of intra-regional trade flows is the extreme instability in the year-to-year values of bilateral trade flows, in the wake of changing political relationships between the ACM countries. As an illustration, Egyptian imports from the Syrian Arab Republic, which attained in 1965 the value of \$1.8 million, dropped to a mere \$104 thousand in the following year. On the other hand, while the value of Syrian imports from Egypt doubled between 1969 and 1970, Syrian imports from Iraq during the same year stagnated. Jordanian imports from Iraq between 1965 and 1969 diminished in absolute terms by about 60 per cent, and Iraq's imports from Jordan in 1970 represented only 56 per cent of their value two years earlier. Iraqi imports from Egypt, which grew strongly in each of the five preceding years, shrank in absolute terms in 1970.

Nonetheless, in recent years, intra-ACM trade increased at a faster rate than their total trade, such that the share of the former increased from around 2.3 per cent in the period 1962-1964 to slightly more than 4 per cent during 1969-1971. Even this must be qualified, however, since a much closer scrutiny of the figures demonstrates that, in many cases, the expansion of trade between pairs of countries took place in the years immediately following the conclusion of bilateral agreements between them.

3. Future prospects

In the light of critical appraisals of the workings of the ACM, many appeals have been made in favour of radically new approaches to integration. There appears to be growing recognition that trade liberalization based on Western European experience is not a dependable vehicle for regional economic integration.

Attention is now focusing on forms of regional cooperation which are less ambitious in their objectives, at least in the short-run; more flexible in their operation to allow for the differences between the

/...

socio-economic systems as well as the levels of development of the various countries of the Region; and, more selective in coverage, aiming only at the identification of selected areas where cooperation is seen to be beneficial.

It is not surprising, therefore, that there is a growing enthusiasm for the idea of joint ventures being undertaken through the creation of multi-national regional companies. There are already definite plans which are being considered for such ventures in the iron and steel industry, and in connexion with joint shipping lines. Even the old project of a joint Arab airline company is now being revived again.

What is most encouraging, however, is that this new line of thinking gained momentum at the moment when the first regional development bank in the area was set up. The newly created Arab Fund for Economic and Social Development is in fact ideally placed to play a positive and an influential role in implementing this new strategy. By identifying viable regional projects, and by providing the necessary finance, this institution could well set in motion a new movement towards greater cooperation which, it is hoped, would gather momentum over time, and, perhaps, after a few successful ventures of this kind, lead to a greater enthusiasm for, and a greater confidence in, the idea of regional economic integration.

B. Regional Finance Availabilities and the
Capital Needs of Various Countries in Western
Asia (1971-1975)

An attempt is made in this section to present, for the first half of the seventies, the foreign capital surpluses that are likely to be generated in the main oil-producing countries of the ECWA Region, and the foreign exchange requirements for development in other countries of this Region which are likely to incur deficits in their transactions with the rest of the world. The projections are carried out at current prices and are presented in 1970 US dollars^{1/}. The results are presented in tables 14 and

^{1/} For the 12 countries in the Region, the exchange rates in 1970 were the following: Bahrain (Bahraini dinar): BD 1 = \$ 2.10; Democratic Yemen (Yemeni dinar): YD 1 = \$ 2.40; Iraq (Iraqi dinar): ID 1 = \$ 2.80; Jordan (Jordanian dinar): JD 1 = \$ 2.80; Kuwait (Kuwaiti dinar): KD 1 = \$2.80; Lebanon (Lebanese pound): LL 1 = \$ 0.3077; Oman (Riyal Saidi): RS 1 = \$ 2.40; Qatar (Qatar-Dubai riyal): QDR 1 = \$ 0.2100; Saudi Arabia (Saudi riyal): SR 1 = \$ 0.2222; Syrian Arab Republic (Syrian pound): LS 1 = \$ 0.2618 (official rate) and LS 1 = \$ 0.2315 (free market rate); United Arab Emirates: Bahraini dinar and Qatar-Dubai riyal; and, Yemen (Yemeni riyal): YR 1 = \$ 0.1780. /...

15 for the year 1975 and for the 1971-1975 period as a whole, together with the actual figures of 1970 for reference. Table 14 indicates financial surpluses in the main "surplus" countries of the Region, namely, Kuwait, Saudi Arabia and the United Arab Emirates. Table 15 gives details of the external position of the main "deficit" countries, namely, Jordan, Lebanon, Oman, the Syrian Arab Republic and the two Yemens. As for the remaining countries in the Region, namely, Bahrain, Iraq and Qatar, it is assumed that, during the period in question, they are not likely to be developing significant gaps in their capital requirements, and that they are equally unlikely to be generating surpluses significantly above what they would be normally accumulating as reserves.

Table 14 indicates that the surpluses expected to be generated on the current account of their balance of payments by Kuwait, Saudi Arabia and the United Arab Emirates would amount to nearly 20 billion dollars during the first half of the current decade. Saudi Arabia emerges as the main potential capital-exporting country, accounting for well over half of the surplus, followed by Kuwait with one-third. Table 15 indicates that total foreign capital needs of the six "deficit" countries in the Region, during the period 1971-1975 are likely to remain below 2 billion dollars, even including anticipated public debt net servicing. Jordan and the Syrian Arab Republic account for the larger part of this deficit, since their capital needs during this period are expected to be about \$0.8 and \$0.5 billion, respectively.^{1/}

1. Finance availabilities

The major oil-producing countries in Western Asia concluded between February 1971 and June 1973, a series of agreements with the international oil companies on "posted" prices, tax rates and other financial aspects relating to the exploitation of petroleum resources. The first of these agreements was signed in Teheran in February 1971 by six Gulf oil exporting

^{1/} It may be noted, for comparative purposes, that the foreign capital needs of Algeria and Egypt during the first half of the current decade are projected to be \$ 1.5 and \$ 2 billion, respectively.

/...

countries (Abu Dhabi, Iran, Iraq, Kuwait, Qatar and Saudi Arabia) and a group of international companies for a period of five years ending 31 December 1975. The main points of the Teheran Agreement were an immediate substantial rise in the posted price of crude oil, the introduction of annual increments in "posted" prices to compensate for world inflation and for future rises in the prices of refined products, and the stabilization at 55 per cent of income tax rates.

The Teheran Agreement was followed, in April 1971, by the Tripoli Agreement between the oil companies and Libya. This agreement contained "posted" price increases for Mediterranean crudes similar to those in the Teheran Agreement, and, in addition, included an allowance for the closure of the Suez Canal and an adjustable premium for the freight advantage enjoyed by Mediterranean oil. Shortly thereafter, in June 1971, the two other countries with company oil terminal facilities on the Mediterranean, namely, Iraq and Saudi Arabia, signed with the Iraq Petroleum Company group (IPC) and the Arabian American Oil Company (ARAMCO), respectively, agreements embodying the same terms.

Negotiations on the General Agreement on Participation were initiated in 1972 and completed early in 1973, when the agreement was signed by Abu Dhabi, Kuwait, Qatar and Saudi Arabia. This agreement provides for the governments of the producing countries to acquire a majority interest in the concessions operating within their territories, in return for negotiated compensation. The governments which have so far signed the agreement receive an immediate 25 per cent share in the companies, as of 1 January 1973, escalating to 51 per cent in 1982 by the acquisition of a further 5 per cent share on 1 January of every year from 1978 to 1981, and a final 6 per cent increment on 1 January 1982.

In Iraq, the decade-long dispute between the Government and the IPC group - IPC itself, the Basra Petroleum Company (BPC) and the Mosul Petroleum Company (MPC) - resulted, in June 1972, in the nationalization of IPC. The Iraqi nationalization was followed almost immediately by the nationalization by the Syrian Arab Republic of the IPC pipeline running across its territory, and, in March 1973, by the acquisition by Lebanon of the IPC pipeline and terminal installations in the country. Iraq and the IPC group entered negotiations to settle their disputes, which resulted, in

/...

February 1973, in an agreement under which Iraq took full control of IPC and MPC in return for compensation, and the legal difficulties surrounding the North Rumaila field were cleared. Future Iraqi participation in BPC was left to subsequent negotiations.

Agreements on compensation for the two devaluations of the US dollar were also signed by the Organization of Petroleum Exporting Countries (OPEC) and the oil companies, in January 1972 and in June 1973, resulting in increases in posted prices by 8.5 per cent and 11.9 per cent, respectively.^{1/}

The series of agreements mentioned above ensured to the oil producing countries substantial increases in their revenues. As a result of the 1971 agreements, the overall government "take" of the oil producing countries in the Region (Bahrain, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, the Syrian Arab Republic and the United Arab Emirates) increased by 57 per cent between 1970 and 1971, as compared to a 16 per cent increase in oil production, implying an average rise of about 35 per cent in government "take" per barrel in 1971. As a result of the participation agreement, the year 1973 was expected to witness a 33 per cent increase over 1972 in the total government "take" of the eight countries mentioned above, as compared to a 15 per cent growth in oil production.

In the light of actual figures for 1971 and 1972, official production programmes, proven reserves and the agreements mentioned above, annual estimates of oil production and government "take" in the eight countries were developed for 1971-1975. It appears from these estimates

^{1/} The reader is reminded that the currency unit used here is the 1970 US dollar, so that the provisions of the January 1972 and June 1973 agreements on compensation for the two devaluations of the dollar are not taken into account in the estimation of oil revenues.

that oil production will expand, between 1970 and 1975, at an average annual rate of 29 per cent in the United Arab Emirates, 26 per cent in the Syrian Arab Republic, 19 per cent in Saudi Arabia, and 14 per cent in Iraq, while it will level off at imposed ceilings in Kuwait, Oman and Qatar, and decline in Bahrain. This will result in an overall average annual growth of more than 14 per cent for the Region as a whole. Regional output will reach 20 million barrels per day in 1975, as against 10 million in 1970, and will add up to 76 million barrels a day during the five-year period 1971-1975. Saudi Arabia is expected to increase its already substantial share in regional output, to reach 47 per cent of the total in 1975, as compared to 38 per cent in 1970. Kuwait's declining share (less than 18 per cent in 1975, as against 30 per cent in 1970) would not prevent it from maintaining its rank as the second most important producer in the ECWA Region, to be closely followed by Iraq (more than 15 per cent) and the United Arab Emirates; the latter accounting for more than 14 per cent of the total in 1975 as compared to less than 8 per cent in 1970.

As for government oil revenues in the eight countries of the Region, they are expected to expand, on the average, by 30 per cent a year between 1970 and 1975, reaching \$ 12 billion in 1975, as against \$ 3 billion in 1970, and adding up to \$ 40 billion during the five-year period 1971-1975. Saudi Arabia will be responsible for 45 per cent of this global amount, followed by Kuwait (21 per cent), Iraq (16 per cent) and the United Arab Emirates (12 per cent). As for the remaining countries, they will together account for only 6 per cent of the regional "take".

Out of the eight oil-producing countries in the Region, only Kuwait, Saudi Arabia and the United Arab Emirates are considered to be capable of generating, during the first half of the current decade, surpluses significantly above what they will normally be accumulating as reserves. As for the remaining oil-producing States, they are considered to be either "deficit" countries (Oman and the Syrian Arab Republic), or countries which are assumed to develop neither significant deficits (Bahrain) nor substantial disposable surpluses (Iraq and Qatar), during the period in question.

/...

Table 14. Kuwait, Saudi Arabia and United Arab Emirates:
Surplus on current account, 1970, 1975 and 1971-1975
(Billions of 1970 US dollars, at current prices)

| | K u w a i t | | | Saudi Arabia | | | United Arab Emirates | | |
|---------------------------------------|-----------------|-------|---------|-------------------|-------|---------|----------------------|-------|---------|
| | 1970 | 1975 | 1971-75 | 1970 | 1975 | 1971-75 | 1970 | 1975 | 1971-75 |
| Current receipts | 1.4 | 2.8 | 11.9 | 1.5 | 6.0 | 20.3 | 0.3 | 1.8 | 5.1 |
| of which: net Government oil revenues | (0.9) | (1.9) | (8.3) | (1.2) | (5.4) | (17.9) | (0.3) | (1.7) | (4.9) |
| Current payments | -0.7 | -1.4 | -5.6 | -1.3 | -2.2 | -8.6 | -0.2 | -1.2 | -3.0 |
| Surplus on current account | 0.7 | 1.4 | 6.3 | 0.2 | 3.8 | 11.7 | 0.1 | 0.6 | 2.1 |
| Net foreign assets ^{a/} | March 1972: 3.2 | | | January 1973: 2.7 | | | ... | | |
| International reserves ^{b/} | May 1973: 0.5 | | | May 1973: 2.7 | | | ... | | |

Source: ECWA; I.M.F. Balance of Payments Yearbook, Vol. 24; I.M.F. International Financial Statistics, July 1973; and, other national and international sources.

a/ Net foreign assets of government, monetary authorities and commercial banks at the end of the month indicated.

b/ Reserves of monetary authorities (gold, SDRs, reserve position in the I.M.F., convertible foreign exchange) at the end of the month indicated.

Notes: 1) Figures for 1970 are actual figures in the case of Kuwait and Saudi Arabia, and estimates in the case of the United Arab Emirates.

2) Government oil revenues are included in current receipts on a net basis, so that current payments exclude factor payments to abroad originating in the oil sector.

3) Current payments exclude, in Saudi Arabia, official grants to foreign governments, and, in Kuwait, official and private unrequited transfers.

4) (...) means not available.

/...

Table 15: Democratic Yemen, Jordan, Lebanon, Oman, Syrian Arab Republic and Yemen:
Deficit on current account, 1970, 1975 and 1971-1975
(Millions of 1970 US dollars, at current prices)

| | Democratic Yemen | | | Jordan | | | Lebanon | | | Oman ^{a/} | | | Syrian Arab Republic | | | Y |
|--------------------------------------|-------------------|------------------|---------|--------|--------|---------|--------------------|--------------------|---------|--------------------|--------------------|---------|----------------------|----------------|----------------|----------------|
| | 1970 | 1975 | 1971-75 | 1970 | 1975 | 1971-75 | 1970 | 1975 | 1971-75 | 1970 | 1975 | 1971-75 | 1970 | 1975 | 1971-75 | 1970 |
| Merchandise trade balance | -44 | -65 | -236 | -149 | -219 | -980 | -370 | -592 | -2555 | 70 | -60 | -57 | -163 | -260 | -1109 | -77 |
| Exports | (165) | (228) | (865) | (34) | (67) | (247) | (103) | (251) | (1053) | (107) | (162) | (706) | (197) | (340) | (1351) | (6) |
| Imports | (-209) | (-293) | (-1101) | (-183) | (-286) | (-1227) | (-533) | (-843) | (-3608) | (-37) | (-222) | (-763) | (-360) | (-600) | (-2400) | (-83) |
| Non-factor services (net) | 5 | 12 | 40 | -9 | 11 | -5 | 245 | 421 | 1767 | 11 | 23 | 92 | 66 | 143 | 668 | - |
| Factor services (net) | -22 | -25 | -104 | 32 | 32 | 144 | 51 | 78 | 336 | -3 | -68 | -183 | 20 | 33 | 145 | 39 |
| Unrequited private transfers (net) | 52 | 38 | 196 | 10 | 11 | 48 | 63 | 92 | 407 | - | - | - | 7 | 8 | 40 | - |
| Balance on current account | -8 | -40 | -104 | -116 | -105 | -793 | -11 | -1 | -45 | 78 | -105 | -148 | -70 | -76 | -256 | -38 |
| Public debt ^{b/} | | | | | | | | | | | | | | | | |
| Total | End 1971: 129 | End 1971: 178 | | | | | End 1971: 66 | End 1971: 66 | | End 1971: 2 | End 1971: 2 | | End 1971: 325 | End 1971: 230 | Mid-1972: 230 | Mid-1972: 230 |
| Disbursed | End 1971: 45 | End 1971: 130 | | | | | End 1971: 66 | End 1971: 66 | | End 1971: 2 | End 1971: 2 | | End 1971: 230 | End 1971: 230 | Mid-1972: 230 | Mid-1972: 230 |
| Disbursements | 14 | 18 ^{c/} | ... | 6 | 2 | 62 | 12 | - | 55 | -- | ... | ... | 42 | ... | ... | ... |
| Repayments | 2 | ... | ... | 4 | 12 | 45 | 10 | 10 | 44 | -- | ... | ... | 30 | 35 | 222 | ... |
| Net foreign assets ^{d/} | December 1972: 64 | June 1972: 220 | | | | | January 1973: 1257 | December 1971: 228 | | December 1971: 228 | December 1971: 228 | | December 1972: -33 | June 1973: 120 | June 1973: 120 | June 1973: 120 |
| International reserves ^{e/} | December 1972: 62 | May 1973: 214 | | | | | May 1973: 602 | December 1971: 23 | | December 1971: 23 | December 1971: 23 | | January 1973: 120 | June 1973: 120 | June 1973: 120 | June 1973: 120 |

Source: ECWA; I.M.F. International Financial Statistics,
July 1973; and, other national and international sources.

a/ Merchandise exports consist of Government "take" from the oil sector of non-oil exports; non-factor services mainly consist of expenditures by the oil companies, and, factor services exclude oil factor payments to abroad.

b/ External public debt outstanding. Total reported debt, including undisbursed, is shown first (lines of credit for Democratic Yemen), followed by the amount actually disbursed. Disbursements and repayments (principal and interest) on public debt are then presented for 1970, 1975 and 1971-75.

c/ Disbursed in 1971.

d/ Net foreign assets of government, monetary authorities and commercial banks, at the end of the month indicated.

e/ reserves of monetary authorities (gold, SDRs, reserve position in the I.M.F., foreign exchange), at the end of the month indicated.

Note: (-) means nil or negligible.

(...) means not available.

Projections of the current transactions of the three "surplus" countries with the rest of the world were attempted for the 1971-1975 period, and the results were summarized in table 14 above. According to this table, these countries will, between them, generate in 1975 a surplus of \$ 5.8 billion, nearly six times as much as in 1970 (\$ 1 billion), which will add up to more than 20 billion dollars during the five-year period 1971-1975.

Saudi Arabia emerges as the major potential capital-exporting country in the Region. Government "take" from the oil sector is expected to reach \$ 5.4 billion by 1975, implying an average growth of about 35 per cent a year over 1970, and representing nearly 90 per cent of total current receipts (\$ 6.0 billion). As for current payments, excluding official grants to other Arab countries, they will not exceed 37 per cent of current receipts in 1975, notwithstanding an annual increase of 15 per cent after 1971. The surplus on current account will therefore reach \$ 3.8 billion in 1975, as against only \$ 168 million in 1970. For the 1971-1975 period taken as a whole, the estimated magnitudes are quite impressive. Total current receipts will amount to as much as \$ 20.3 billion, of which not less than 88 per cent will be accounted for by Government oil revenues. Current payments will reach \$ 8.6 billion (42 per cent of current receipts), 72 per cent of which will consist of merchandise imports. The resulting surplus on current account for the five-year period 1971-1975 will, therefore, amount to \$ 11.7 billion, representing 22 times the surplus achieved during the previous five-year period 1966-1970 (\$ 535 million).

Kuwait has been known for years as a country with sizeable reserves and substantial capital exports. At the end of 1970, even before the spectacular increases in oil revenues had taken place, net official foreign

/...

assets amounted to \$ 1.4 billion, and those of commercial banks to \$ 1.2 billion. Government unrequited transfers to other Arab States, mainly under the Khartoum Agreement, added up to more than \$ 800 million in less than five years (from late 1967 to early 1972), while outstanding loans to foreign (mostly Arab) governments amounted to more than \$ 300 million by March 1971. Although the country imposed in 1972 a ceiling on its future oil production of 3 million barrels a day, it is expected to continue in the coming years to generate growing surpluses on the current account of its balance of payments. As shown in table 14, net Government receipts from the oil sector will amount to \$ 1.9 billion in 1975, as compared to \$ 0.9 billion in 1970. Total current receipts in 1975 are estimated at \$ 2.8 billion, as against \$ 1.4 billion in 1970. As for current payments (excluding official and private unrequited transfers to abroad), they will reach \$ 1.4 billion in 1975, representing less than half of total receipts, in spite of a substantial growth of more than 14 per cent over 1970. These figures, therefore, suggest a surplus of \$ 1.4 billion, more than twice the level of 1970. For the 1971-1975 period taken as a whole, total current receipts will amount to \$ 11.9 billion, 70 per cent of which would be accounted for by Government oil revenues. Current payments will reach \$ 5.6 billion, thus representing 47 per cent of total receipts and leaving a surplus on current account of \$ 6.3 billion during the 1971-1975 period, as compared with less than \$ 2.8 billion during the previous five-year period (1966-1970).

The United Arab Emirates (UAE), with the highest expected increase in oil production in Western Asia between 1970 and 1975, emerges as the third and the upcoming capital-exporting country. As shown in table 14, total current receipts of the UAE will rise from less than \$ 300 million in 1970 to \$ 1.8 billion in 1975, adding up to \$ 5.1 billion during the 1971-1975 period. About 96 per cent of current receipts will be accounted

/...

for by Government "take" from the oil sector; the latter is expected to increase by 46 per cent a year between 1970 (around \$ 260 million) and 1975 (about \$ 1,700 million). As for current payments, they will represent a gradually increasing share of total current receipts, from 50 per cent in 1971 to 65 per cent in 1975, averaging about 59 per cent during the 1971-1975 period, as compared with 42 per cent in Saudi Arabia and 47 per cent in Kuwait. The resulting surplus on current account will amount to \$ 615 million in 1975, as compared with less than \$ 100 million in 1970, and will add up to \$ 2.1 billion during the first half of the current decade.

2. Capital needs

Projections of the current transactions with the rest of the world of the six "deficit" countries in the region were attempted for the 1971-1975 period, and the results were summarized in table 15 above. According to this table, it is expected that Democratic Yemen, Jordan Lebanon, Oman, the Syrian Arab Republic and Yemen would, between them, need approximately \$ 1.50 billion to finance their cumulative current account deficit, during the first half of this decade (\$ 0.43 billion in 1975, as compared to \$ 0.17 million in 1970). Adding to this amount estimates of net payments for servicing the public debt - available only for Jordan and Lebanon, and, partly, for the Syrian Arab Republic and Yemen - brings up the global figure of foreign capital needs during the period to some \$ 1.8 billion (\$ 0.5 billion in 1975).^{1/}

Jordan's capital needs during 1971-1975 are projected to represent three-fourths of those of the five remaining countries combined. At the origin of the country's large resource needs is a continued widening of the merchandise trade gap, which is expected to reach up to \$ 980 million, on a cumulative basis, during the period (about \$ 220 million in 1975, as against about \$ 150 million in 1970). This deficit would rise despite a much faster

^{1/} Foreign capital needs are defined here as the sum of the current account deficit (excluding interest payments to abroad on official loans, and net current public transfers from abroad) and the net servicing of reported external public debt outstanding (principal repayments plus interest payments less disbursements). This definition of the capital needs is obviously not perfect, since it does not take into account interest payments on such needs and future repayments on them (in case such repayments take place within the period in question), not to mention transactions on unreported public debt (military, for instance) and predictable or desirable changes in reserves.

growth of exports, relative to imports, reflecting the initial large discrepancy between the two components of the trade balance. Net receipts on services and current private transfers would reduce this gap by about \$ 140 and \$ 50 million, respectively, leaving a cumulative current account deficit of more than \$ 790 million (nearly \$ 170 million in 1975, as compared to nearly \$ 120 million in 1970). Net transactions on the external public debt outstanding at the end of 1971 (\$ 178 million, including undisbursed) are expected to be in favour of Jordan during the period, leading to a further reduction in capital needs to about \$ 780 million (nearly \$ 180 million in 1975). In the past, Jordan relied mainly on unrequited governmental transfers and, to a much lesser extent, on capital inflows, to finance its deficit on current account and to build up its international reserves. However, net foreign assets, which amounted to \$ 275 million at the end of 1970, stood at \$ 220 million eighteen months later.

The Syrian Arab Republic is projected to incur the second largest resource gap during the period. The cumulative deficit on current account of nearly \$ 260 million, which the country is projected to undergo in 1971-1975, is a reflection of the persistence of a situation in which merchandise export proceeds would continue to finance no more than 55 per cent of the import bill, despite the anticipated sharp acceleration in the value of crude oil exports, leading to an important trade gap of some \$ 1,110 million (\$ 260 million in 1975, as against about \$ 160 million in 1970). It is important to emphasize, however, that the projected current account deficit would have had to be significantly revised upwards, had net receipts from services been estimated to increase less rapidly, when retaining the 7 per cent annual growth rate of income in real terms underlying the projections. Unlike Jordan, rapidly increasing receipts from non-factor services, mainly on account of a sharp rise in pipeline royalties, are projected to finance 60 per cent of the trade gap during the period. Net receipts from factor services and private current transfers would further reduce the trade gap by another 17 per cent, so that the current account deficit during 1971-1975 would represent no more than 23 per cent of the merchandise trade deficit. Reflecting this situation, the Syrian Arab Republic is not expected to incur in 1975 a current account deficit

/...

significantly larger than that of 1970. Repayments on external public debt outstanding at the end of 1971 (\$ 325 million, including undisbursed) are projected to amount to some \$ 220 million during the period (\$ 35 million in 1975), which represents 87 per cent of the current account deficit, as compared to less than 6 per cent in the case of Jordan. As for disbursements on that outstanding debt during the period, no estimates are available. However, the fact that \$ 95 million of that debt were still undisbursed as of the end of 1971, tends to indicate that such disbursements will probably take place within the period. These considerations lead to estimate at some \$ 480 million the upper limit of the foreign capital needs of the Syrian Arab Republic during the first half of the current decade (more than \$ 110 million in 1975). In view of its relatively meager international reserves and of its net foreign liabilities, the country would have to rely mainly on unrequited governmental transfers and, to a lesser extent, on soft-term capital inflows to meet these needs and to build up some minimum disposable reserves.

Yemen is expected to undergo a cumulative deficit on current account of about \$ 150 million during the first half of this decade, of which about \$ 40 million (more than one-fourth) would be incurred in 1975. At the origin of this relatively large deficit is the considerable discrepancy between the two components of the trade balance. Export proceeds are projected to finance less than 12 per cent of the import bill, leaving a trade gap over \$ 320 million for the five-year period 1971-1975. Workers' remittances from abroad are projected to offset more than half the gap, so that the deficit on current account would not represent more than 40 per cent of the total import bill. Compared to 1970, the external position of Yemen in 1975 would remain practically unchanged, which is apparently promising, considering the 6 per cent annual growth rate in real income underlying the projections. This comparison, however, is somewhat misleading, since 1970 was an exceptional year which witnessed substantial food grants due to famine conditions, reflected in the unusually high level of imports. As for repayments on external public debt outstanding at the end of June 1972 (\$ 248 million, including undisbursed), they would not exceed \$ 50 million during the period (about \$ 15 million in 1975), owing to recently negotiated rescheduling operations, thus representing one-third of the current account deficit, as compared to 80 per cent for

/...

the Syrian Arab Republic and 6 per cent for Jordan. As in the case of the Syrian Arab Republic, no estimates are available on disbursements on that debt during the period, except that \$ 94 million of it were still undisbursed as of mid-1972, which tends to indicate that such disbursements will probably occur before the end of 1975. It follows that the foreign capital needs of Yemen during the first half of the current decade would be under \$ 200 million (under \$ 50 million in 1975). In view of its meager disposable reserves, the country would have to rely mainly on unrequited governmental transfers, interest-free or very soft-term foreign loans, and more debt service reschedulings, in order to meet its capital needs and step up the pace of development.

Oman, whose balance of current payments showed a surplus of nearly \$ 80 million in 1970, is expected to become a "deficit" country by 1972 and to incur a current account gap over \$ 100 million in 1975. For the first half of this decade, a cumulative deficit equal to that of Yemen (about \$ 150 million) is anticipated. This deterioration in Oman's external position reflects the expectation of very sharp rises in imports and payments for factor services, which would exceed by far the anticipated increases in exports and receipts from non-factor services. More precisely, current payments are expected to represent in 1975 seven times their level of 1970, mainly on account of spectacular increases in imports for development purposes and in transfers to abroad by contractors carrying out public development projects and by expatriate Government personnel; while current receipts would expand at a much slower pace, increasing by less than 60 per cent in five years, mainly because of the anticipated stagnation in oil production during the period. Unlike the other "deficit" countries of the region, Oman's outstanding public debt at the end of 1971 was still negligible. On the other hand, the country's net reserves stood at about \$ 220 million at the end of 1972, amount to be compared with a projected \$ 180 million for the deficit on current account during the three years 1973 to 1975. The Omani authorities might wish to finance the deficit from their reserves, instead of seeking external capital, thus leaving the country's credit worthiness on the international market intact for after 1975 when Oman's needs for foreign assistance become more obvious.

/...

Democratic Yemen is projected to experience during the period growing deficits on the current account of its balance of payments, reaching \$ 40 million in 1975 and adding up to more than \$ 100 million for the entire five-year period. This deterioration in the country's external position reflects the expectation that proceeds from non-petroleum exports and re-exports, together with net receipts from oil refining and bunkering activities and from non-oil services, would continue to finance no more than half the rapidly growing non-petroleum imports. The resulting deficit in goods and services, which is anticipated to reach \$ 300 million during the five-year period 1971-1975 (about \$ 80 million in 1975), would be further reduced by emigrant's remittances from abroad amounting to nearly \$ 200 million (nearly \$ 40 million in 1975). As for transactions on external public debt, no estimates are available. At the end of 1971, lines of credit amounted to \$ 129 million, of which \$ 45 million were utilized. International reserves stood at \$ 62 million at the end of 1972, an amount to be compared with a projected cumulative current account deficit of about \$ 80 million for the three-year period 1973-1975. In view of the necessity of maintaining a minimum level of reserves, Democratic Yemen may have to rely mainly on unrequited or soft-term foreign assistance to meet its capital needs.

Lebanon's capital needs during the first half of the current decade are expected to be the smallest among those of the six "deficit" countries in the ECWA region. Lebanon is projected to achieve balance on its current account by 1975, but an overall deficit slightly above \$ 40 million would have accumulated over the period 1971-1975, to be compared with more than \$ 140 million during the previous five-year period 1966-1970. As in the past, the country's huge trade gap would continue to be financed mainly by net receipts on services and, to a much lesser extent, by unrequited private transfers. Net receipts from non-factor services, mainly on account of revenues from transit and tourism, are expected to offset 70 per cent of the merchandise trade deficit, the latter

/...

amounting to \$ 590 million in 1975 and adding up to \$ 2,560 million over the period (almost as much as the trade gap of the five other countries combined). Net proceeds from factor services and current transfers would further reduce the deficit (by \$ 740 million during the period), leaving relatively negligible and consistently decreasing annual gaps on current account. Transactions on the external public debt outstanding at the end of 1971 (\$66 million, all disbursed) would result in net repayments estimated at about \$ 40 million during the period (\$ 10 million in 1975), bringing the foreign capital needs of Lebanon to some \$ 80 million for the five years (about \$ 10 million in 1975). Against this, the country had accumulated, at the end of 1970, substantial foreign assets amounting to some \$ 750 million, on a net basis. Even if Lebanon were to pursue the policy of enlarging these reserves, the country is unlikely to be facing any shortage of capital. In the past, capital inflows, mainly private, have been sufficient to offset the deficit on current account and to permit sizeable additions to reserves.

/...

VI. PLANNING MACHINERY, PLAN FORMULATION AND IMPLEMENTATION

A. Planning Machinery: its Structure and Functions

The ECWA region comprises countries that are characterized by different economic, political and social systems and which are passing through different stages of economic and social development. On the one end of the spectrum are those countries which, for long, have been exercising political sovereignty and that their socio-political institutions have, relatively, achieved a certain degree of sophistication. On the other end, are the newly independent, least developed and small states which have inherited political and administrative set-ups geared to serving the limited requirements of the pre-independence era. Finding themselves in a unique situation, these countries are confronted with unusual difficulties in dealing with their public administration problems. Development requirements have further intensified the need for building up the necessary political institutions and adequate administrative capabilities. The creation and strengthening of the machinery needed for planning and programming, as an instrument for development in both cases is, undoubtedly, a product of this historical phenomenon.

An increasing number of countries in the region (viz, Democratic Yemen, Iraq, Jordan, Kuwait, Lebanon, Saudi Arabia, the Syrian Arab Republic and Yemen) have made a headway in adopting planning and programming techniques as an instrument of socio-economic development. The scope of planning in these countries ranges from partial programming of government projects, mainly in irrigation or infrastructural facilities necessary for the growth of the private sector - as seen mainly in Jordan, Kuwait, Lebanon, Saudi Arabia and Yemen - to a so-called comprehensive economic and social planning, involving all sectors, as in Iraq and the Syrian Arab Republic, followed by Democratic Yemen, where government intervention dominates economic and social activities. Planning machinery has been established at various levels of government, depending on the scope and nature of plans and programmes undertaken. Although some of the agencies created in this connexion are institutionally sound, many of them embody weaknesses in their technical capabilities, structure and relation with the relevant organs in the government.

/...

A review of the development of the planning techniques and machinery in the countries of the Region indicates that planning machinery has been going through different phases in the course of its evolution in each country. At the outset, government ministries and agencies have, in most cases (e.g. Iraq, Jordan, Saudi Arabia and the Syrian Arab Republic), been charged with the responsibility for carrying out programmes of capital expenditures. The purpose was to build up the infrastructure and to increase the rate of capital formation within the framework of the country's overall development objectives. The traditional administrative system was expected to adapt to and serve the increasing requirements of these additional functions of the government. The general supervision of these operations, charged with the coordination function, was, in certain cases, entrusted to a body usually referred to as a ministry, a committee, a board or a council. As a result of the increased oil revenues in a number of countries, coupled with the desire of the Government to accelerate growth, this body later acquired the right to plan and execute projects, thus grouping the planning, execution and supervisory functions in one organization. The "development" or "planning" organization thus enjoyed an autonomous character, with an independent budget for programmes of capital outlays and with a status higher than other government agencies, based on the assumption that attaching the planning organ to the highest centre of political authority would make planning and its execution a more successful exercise. In the majority of cases, it is made subordinate only to the chief executive.

1. Central planning organizations and their functions

The increasing complexity, comprehensiveness, and interdependencies of factors involved in the process of development and the dynamic character of programming and planning along with long-term perspectives have made it difficult for the development or planning boards and commissions to effectively handle the three-horned problem in planning, i.e. formulation, implementation and supervision of plans and programmes. Furthermore, it was considered necessary that the planning function should enjoy greater technical independence

/...

and continuity without being too vulnerable to political changes. This led to a new thinking in the area of planning and the organization of its machinery, which culminated in certain cases in the separation of planning from the management of the economy. It also emphasized the need for strengthening, both technically and administratively, the executing agencies and making them development oriented. An indication of this way of thinking, particularly in Iraq, the Syrian Arab Republic and Jordan followed by Kuwait, Saudi Arabia and Democratic Yemen, was the creation of central planning agencies charged with short and long-term planning; thus leaving the execution function to operational agencies of the Government. A number of boards, councils and committees have been subsequently created, particularly in Iraq, the Syrian Arab Republic and Jordan, to assist the technical and functional agencies in co-ordinating their objectives and in adopting the policies needed for an effective formulation and implementation of the development plans. Under this re-organization, the central planning agencies follow, in general, the two-tiered body pattern, whereby a higher body deals with the political aspects of planning, and a subordinate body, attached to the former, takes care of the technical aspects.

The central planning machinery, in a large number of these countries, has continued to develop and undergo changes in this direction. Changes in political regimes and in governments, accompanied by development needs have manifested themselves in structural revisions aimed at strengthening the institutional framework of planning. However, the nature, scope and frequency of these revisions vary from one country to another. They have been particularly pronounced in such countries as Iraq and the Syrian Arab Republic where a comprehensive system of planning has been in operation for some time now.

In Iraq, the central planning machinery at present consists of a Planning Board, the Ministry of Planning and a number of Councils, Committees and Centres. The Planning Board, which is the highest planning and decision-making body, has experienced a number of changes since its inception in 1964,

/...

amounting to additions in and/or removal of its members and sections, with a view to allowing its structure and functions to accommodate the newly created administrative and technical bodies. In 1968, the Government increased the membership of the Board and replaced the full-time (expert) members by part-time members, having voting powers on the same footing as the Minister member, and who are also subject to civil service laws. This should give the expert members the full right to actively participate in the deliberations of the Planning Board. Their recommendations would enjoy the same status as the minister-members and are expected to be taken seriously by the executing departments concerned. The changes also provided the heads of the technical departments of the Ministry of Planning with membership in the Steering Committee. In 1969, the Governor of the Central Bank of Iraq and more ministers became members of the Planning Board. The Planning Board is now presided over by the President of the Republic, who at the same time is also President of the Revolutionary Command Council (RCC) - the highest political authority in the country. In 1970, a number of high level councils and committees were created in order to assist the Planning Board to ensure sectoral coordination in the formulation of plans and policies.^{1/} Their membership consisted of representatives from the public and private sectors.^{2/} Although these committees and councils may assist in establishing sectoral coordination in planning, it is important not to proliferate and engage far too many of them

^{1/} Some of these important councils are: The Higher Agricultural Council, the Higher Council for Educational Planning, the Higher Council for Tourism and Resorts, the Higher Council for Services, the Higher Council for Popular Participation and the Higher Council for Youth.

^{2/} Law No. 116, 1970.

in such a function. Much of the responsibility for the task rests with the individual functional agencies involved, which need to be assisted in their efforts by their planning units, with the central planning organization acting as the coordinating body.

The Planning Board is assisted by the Planning Ministry as its technical Secretariat. It is so organized as to correspond to the functional distribution of Government services, with a department responsible for every major function. Like the Planning Board, the organizational structure and functions of the Ministry of Planning also have been undergoing changes. To oversee and supervise the progress in plan implementation at the project level, a Central Follow-up and Inspection Agency was established within the Ministry in 1970.^{1/} In view of the need to coordinate government services at the local level, under the system of local administration, a Regional Planning Unit was established in 1971.^{2/} Similarly, in view of the long-term needs and implications of development planning objectives, a Long-Term Planning Unit was created within the Ministry of Planning in 1971. It is charged with the responsibility for the preparation of "perspective planning" and, particularly, with developing guidelines for manpower, employment and educational planning for the period 1971-1990.^{3/} In addition, a number of high level technical centres are attached to the Planning Board and the Ministry of Planning, to assist government agencies, and the private sector, in their respective fields. The National Centre for Consultancy and Management Development^{4/} is one of these centres. It has, inter alia, developed and is conducting separate training programmes in the management of public enterprises to assist in the implementation of industrial projects, and in public administration to help build up the administrative capabilities of government organizations.

1/ Planning Council Resolution No. 28, 1970.

2/ Planning Council Resolution No. 10, 1971. See also Republic of Iraq, Ministry of Planning, Progress in the Shadow of Planning, (Arabic) Baghdad, 1972.

3/ Ibid.

4/ Law No. 186, 1970.

In the Syrian Arab Republic the reform of the Planning machinery in 1968 resulted in the creation of the Supreme Planning Council as the highest planning authority in the country. However, policy making is shared by other major organs, namely, the Council of Ministers, three Inter-Ministerial Committees (for Culture, Economy and Services) and the Supreme Planning Council.

The State Planning Commission, established in 1968,^{1/} acts as the secretariat and technical organ of the Supreme Planning Council. It is responsible, inter alia, for the elaboration and preparation of the final draft of the socio-economic development plans, based on the broad guidelines developed by the Supreme Planning Council, and the supervision of the implementation of plans and the follow-up of the progress achieved. The Commission is composed of departments corresponding to major functional agencies of the Government. An Annual Planning Department has also been recently created. The Commission is headed by the Minister of State for Planning and is directly attached to the Prime Minister. However, it is felt that the Commission still needs to improve its capabilities and establish its effective role regarding plan formulation, implementation and follow-up - a common feature of planning organization in almost every country of the region. Adequate and effective channels of communication, between the Commission and the executing agencies, needs to be established at all levels, allowing for contacts, and facilitating an easy flow of information in both directions, thus leading to the institutionalization of the planning process. This appears to be long overdue in countries like Iraq and the Syrian Arab Republic, where national planning has had a relatively longer history. Since the availability of statistical information is one of the prerequisites for adequate planning, a Central Statistics Office was created in 1968 to help the Supreme Planning Council, the State Planning Commission and other

^{1/} Legislative Decree No. 86, 1968. The Commission is, in fact, a revised version of the ex-Planning Ministry created in 1958.

/...

government agencies engaged in the planning exercise. In order to give this Office a certain degree of freedom, and prevent the influence of planners in the nature and quality of its work, the Office, as in Jordan and Saudi Arabia, is created outside the Planning Organization and operates independently of the State Planning Commission.

In both Iraq and the Syrian Arab Republic, where a system of so called comprehensive planning is in operation, the development plans include over all indicative aggregates in so far as private investment is concerned. No adequate institutional arrangement, at the central level or otherwise, is in full operation in order to ensure full participation of this sector in the formulation and implementation of investment programmes. However, in both cases, the Government has resorted to the adoption of certain measures to encourage greater contribution from the private sector. It goes without saying that the effectiveness of these measures will depend on political stability, clarity in the definition of the limits of the private and public sector involvement, and above all on an undertaking by the Government to assure the private sector of its freedom within the clarified limits.

In Jordan, following the hostilities of the 1967 June War and the internal disturbances of 1970, the National Planning Council (NPC) was established in 1971. It replaces the Jordan Development Board and acts, through a Board of Directors, as a technical secretariat to the Council of Ministers. The Board of Directors is presided by the Prime Minister and its members comprise the president of NPC, some cabinet ministers, the Governor of the Central Bank, the President of Jordan University and four other members, two from outside the civil service. To ensure the active participation of government agencies in the process of planning, and to coordinate their efforts to this effect, a Steering Committee, and a number of general, permanent and sectoral committees ^{1/} have been set up in accordance with the stipulations made for the follow-up

^{1/} The follow-up Regulations provide for the setting up of nine Sectoral Committees covering agriculture and irrigation, industry, tourism and antiquities, transport, public works and government buildings, communication of Information, education, university and youth welfare, social development and regional development and housing.

/...

of the Three Year Development Plan, 1973-1975. Although the various committees cooperate with NPC and a Steering Committee studies their reports and prepares the necessary recommendations and proposals to the Council of Ministers, the NPC remains wholly responsible for the convening of meetings and securing of coordination among these committees. This signifies the fact that, in addition to its technical competence, the Central Planning Organization must also possess managerial capabilities in order to discharge the complex of functions, both technical and supervisory, entrusted to it for effective planning. The experience of Jordan, and other countries in this Region committed to planning, indicates that such capabilities are required regardless of whether a Plan is comprehensive or partial, imperative or indicative in nature. It goes without saying that, in order to ensure an effective discharge of these and other technical responsibilities, the Central Planning Organization needs to be assured of the availability, among its staff, of a corps of competent planners, technicians and managers.

In 1970, Kuwait reorganized the Planning Board. It is now headed by the Prime Minister, with the government ministers and the presidents of municipalities as members. One of the most important changes under the 1970 reorganizations is the appointment, on the Board, of ten representatives from the private sector, for a period of four years. As planning for the private sector generally remains indicative and its share in planned investment is of an aggregate nature, a close association and cooperation between the public and private sectors is considered essential for the achievement of development objectives.^{1/} Since the success of planning and the activities of the Board are primarily dependent on the cooperation of public administration, as it

1/ Kuwait Development Plan 1967/68-1971/72, December 1968. pp., 11-14. See also pp.124-128 and 176-182 for further justification of this vital association between the private and the public sectors.

/...

involves every government agency, the formation of inter-ministerial planning committees has been stipulated. In addition to establishing the necessary cooperation among the various agencies, and between them and the Planning Board, these committees will also be responsible for the follow-up of the implementation of projects within the framework of the development programme of each agency.

While the foregoing countries have been engaged, during the last few years, in improving and adapting their central planning machinery to the dynamics of development, a number of other countries in the Region comprising the least developed, newly independent and small states (viz. the Democratic Yemen, Bahrain, Oman, Qatar, United Arab Emirates and Yemen) have only recently begun to adopt development planning as an effective tool of achieving social and economic progress. Efforts are being made to create an appropriate organizational framework for its effective operation. In some, only a nucleus of a planning machinery is created. Greater efforts are needed to develop this nucleus at all levels and turn it into an adequate and effective machinery in order to meet the growing requirements of development planning.

2. Planning organs in operating agencies

The separation of plan formulation and implementation at the central level of administration has brought with it the need for greater coordination between the central planning authority and the operating functional agencies. It invites operating agencies to actively participate, from the outset in the preparation of projects, programmes and plans in their respective fields of interest, to assume responsibility for the implementation of such plans and projects and to recommend alternative instruments of social and economic policies and measures required for their effective implementation. It necessitates a continuous supervision and evaluation of progress in project execution, and calls for the establishment of an adequate and efficient channel of communication between the central planning organisation and the

/...

operating agencies. In a move to meet the above requirements, the traditional administrative machinery has been adjusted at the agency level both structurally and by functions. Planning and programming units have been established in certain ministries and other government agencies. These units, which form the main channel of communication between the operating agencies and the Central Planning Organization, are responsible for receiving directives from the CPO for sectoral planning, compiling the necessary data and assisting the operating agencies in the preparation of projects and programmes by establishing norms and standards for feasibility and engineering studies and cost determination, and communicating these projects and programmes to the Central Planning Organization for inclusion in the overall national development plan. The units are also responsible for recommending policy measures, preparing progress reports and handling other matters pertaining to the preparation of plans. To assist the operating agencies in these tasks, the development plans, planning directives and legislation in several countries of the Region have provided for the creation of such units in each operating agency at an early stage of the planning exercise. This is particularly observed in countries with a relatively longer experience in planning, especially in Iraq, the Syrian Arab Republic and Jordan.

In Iraq, the need for the establishment of planning units in various ministries and other government agencies was specified, when the concept of planning became more comprehensive in terms of targets and areas of activities. Consequently, it was promulgated in February 1965, to establish a planning and follow-up unit in government ministries and agencies concerned with planning. The implementation of the respective law^{1/} encountered difficulties due to conflicting voiced by some of the implementing agencies. Along with the initiation of the 1970-1974 Development Plan, a fresh drive was made to provide each operating agency, i.e. ministry, local administration and state organization, with a Planning and Follow-up Directorate^{2/} in order to ensure the implementation of the Plan. Although some of the ministries, at present, have their own planning and follow-up units, they are not fully operational in terms of the duties assigned to them.

^{1/} Law No. 29, 1965.

^{2/} Law No. 70, 1970, The National Development Plan, 1970-1975, p.10, Article 12.

One of the difficulties is the shortage of personnel, qualified in economics, accounting and project evaluation, to be able to carry out a cost-benefit analysis of projects, evaluate and combine them into a sound sectoral programme.^{1/} Another difficulty lies in integrating the planning and follow-up directorates in the operating agencies and establishing their links with the technical departments of these agencies. In addition, the question of "Centralization" of planning, being interpreted as holding the Central Planning Organization as the sole body for the formulation of the plan, has further contributed to the weakness of planning at the operating functional agency level. In view of these difficulties, much of the planning and follow-up functions, which need to be carried out at the sectoral level, fall back on the Central Planning Organization. This practice, which started as a temporary expedient when the country embarked on and committed itself to planned development, still seems to be continuing. Undoubtedly, this practice tends to keep the operating agencies outside the planning exercise.

In the Syrian Arab Republic, the Government attempted in 1968 to establish a network of planning units at various levels of the administration, extending vertically from the central ministries down to their administrative sub-divisions and public enterprises, and horizontally to cover different geographical areas and economic regions of the country. However, such planning units have not yet been established at all these levels, even though the principal responsibility for plan/project formulation lies with the operating functional agencies.

^{1/} In order to help meet this shortage, the plan of operation of the UNDP (Special Fund) project, "Assistance in Development Planning and Execution", which was launched late in 1965, stipulated that in-service training would be provided for officials of the Planning Board and to those from various ministries seconded to it. Accordingly, training courses were developed and are being organized for the staff of the Planning Ministry, the Central Statistics Office and other government agencies. It may be noted, however, that these efforts can only supplement the formal and pre-service training programmes carried out by various educational institutions. The training and educational programmes of these institutions need to become development oriented, as well as developed in sectoral programming and project preparation, so as to fill in the shortage of personnel in these specific areas.

Furthermore, the planning units which exist are inadequately staffed^{1/}. As such, the lack of adequate feasibility studies and project/plan preparation is considered a weak link in the Syrian Arab Republic's planning efforts.

The 1971 Provisional law in Jordan, the Emiri Decree of 1962 in Kuwait and a Ministerial Resolution in Saudi Arabia, all provide for the creation of a planning unit in every ministry and other government agencies. However, such units are neither fully created in all agencies nor adequately staffed where they exist.

3. Planning agencies at regional^{2/} and local levels

One of the objectives sought under national development strategy is the alleviation of the differences in the levels of social and economic conditions between regions, the promotion of the development of a particular region in order to make the best use of productive resources, and the mobilization of the will and efforts of the people at these levels with a view to securing greater participation in areas where the majority of the population carries its economic pursuit. This necessitates the process of decision-making to be geographically decentralized, whether the planning exercise is based on an overall comprehensive or problem-oriented and problem-solving approach. Thus, while broad policy guidelines and strategies are determined at the centre, particularly under the centralized unitary system of governments, the authority for the detailed programmes at regional and local levels needs to be delegated to those whose lives are being directly affected by such measures. On the whole, the concept of

^{1/} The Planning Institute, created under Legislative Decree No.5 in 1966, is continuing to provide extensive training courses in development planning, and other related subjects, to the employees of the State Planning Commission and other government agencies.

^{2/} Planning at this level is to be distinguished from multinational regional planning. Such a concept of planning, the need for which is recognized in a number of development plans of ECWA Member States, still needs to be crystallized.

/...

sub-national regional planning as conceived above is at present more of an ideal than a reality in the ECWA region. Many Member governments have recognized the importance of regional planning in disaggregating national plans, in promoting popular participation in development, in combining social and economic and physical objectives of planning, in linking local needs and national targets, and in promoting balanced urban-rural development. However, such attempts at regional planning as have been made are limited in scope, involving mainly resettlement and river valley development projects. Planned regional activities generally fall under the jurisdiction of the functional agencies of Central Government and are mainly confined to individual projects not related to an integrated regional plan or programme where the physical, economic and social elements of development are synthesized within a wider content. Comprehensive plans for development regions have seldom been drawn up and the spatial aspects of national planning have not been fully considered. Finally attempts at regional planning have suffered a setback from the lack of clarity of the concept, the lack of resources, the lack of trained staff, i.e. "regional planners", the real or imagined fears of "regionalism", the unitary system of government and reluctance to decentralize and, most importantly, from public administration factors, particularly the lack of coincidence between "development region" and administrative districts with no clearcut agencies for the former with authority going beyond sectoral agencies of the government at the local and regional levels.

Nevertheless, efforts are underway in a number of countries in the region, e.g. Iraq, Lebanon, Saudi Arabia, Syrian Arab Republic and others, to bring about a reform of local government administration, with a view to providing greater autonomy in the management of local affairs, and increasing local participation in the process of development and decision-making. Regional planning units have recently been established at the Central Planning Organization in a number of countries (viz., Iraq, Jordan and the Syrian Arab Republic), to prepare plans for development regions and co-ordinate regional activities of government ministries and development programmes of other operating agencies at national, regional (sub-national) and local levels.

/...

B. Plan Formulation

The concept of comprehensive planning and the organizational separation of plan preparation and execution have resulted in diffusion in the process of plan formulation at the sectoral and departmental levels. Operating agencies, at different levels, are getting increasingly involved not only in the execution of plans and programmes but also in their actual formulation. However, the extent to which the operating agencies have effectively and actively participated in plan formulation has been largely determined by: the aim of planning and its type, whether long, medium and/or short, the availability of statistical material, the organizational base and its system of communication, and, above all, the availability of a competently adequate technical and managerial cadre. It is recognized that planning as a continuous process, representing an integrated set of objectives and policies, needs to be spelled out within a time horizon comprising long, medium and short-term periods. As an integrated whole, the plans for each one of these periods need to be co-ordinated with each other. The planning experience in the countries of the Region indicates that plans formulated are generally of a medium-term nature, ranging from three to six years. Long-term or perspective planning, indicating the pattern and direction of future development, and short-term annual or operational planning, the aim of which is to facilitate, inter alia, financial arrangements and implementation, are lacking in almost all cases. Although the duration of plans adopted in the majority of cases is long enough to allow the completion of many projects and programmes, the lack of an overall long-term strategy, within the context of a perspective plan, has often made these medium-term plans costly, inadequate and, at times, even uncertain due to the frequent shifts in priorities and allocations. Long-term planning units have been only recently established at the Central Planning Organization in Iraq and the Syrian Arab Republic. These units have now started with the compilation of the necessary data to conduct long-term planning studies on such issues as population, manpower, education, employment, income distribution and income elasticities of demand, savings and consumption rates at both public and private sector levels, capital needs, rates of growth, inter-regional and

/...

inter-national integration of the national economy and others. All these issues and their inter-relationships, need to be examined against a background of uncertainties and the rapid pace of scientific and technological advance. The extent to which this will be satisfactorily carried out and the linkages established between short, medium and long-term objectives and trends will undoubtedly depend, inter alia, on the availability of adequate and credible facts and highly qualified planning and technical staff - factors which have confronted the countries of the Region with major difficulties all along their experience with planning.

Similarly, in view of the lack of annual operational plans, which is of a more definite nature, annual programmes under the medium-term plans are not properly and concretely phased out in terms of activities, projects and physical targets. The necessary policies and measures taken for the execution of the annual programmes are, therefore, general and not adopted in an integrated setting. This becomes especially critical when these programmes need to be broken down into components, translated into financial terms and incorporated into the annual budget which, in fact, is a part of the annual physical and financial plan and the only effective instrument for the elaborate programming and implementation of planned developmental activities. A second institutional weakness in the formulation of annual programmes is the lack of an effective harmonization between the plan and the annual State budget, not only for reasons of inadequacies in planning itself, but also because the budget still needs to be recognized and made to serve as an effective tool of development planning and management control. In a number of countries in the Region, and the least developed and newly independent among them in particular, government budgeting is not comprehensive in its coverage, failing to include all government transactions, whether on the expenditure or on the revenue side of the budget. It also excludes the investments of public enterprises and other so-called autonomous agencies within the public sector. There still exists the practice of earmarking of receipts for various purposes which is not practical in the context of development planning establishing its own system of priorities.

/...

Planning and budgeting are carried out, in almost all cases, by two separate organizations, each with a different outlook. Lack of co-ordination in certain cases has resulted in the creation of a dual system of budgeting: one for development outlays formulated and administered by the planning authority, along with development plans and programmes, and the other for ordinary or recurrent expenditures prepared by the Bureau of the Budget, not to mention the independent budgets of departments and enterprises. Co-ordinating committees are established in a number of countries in the Region, namely, Iraq, Jordan, the Syrian Arab Republic and Saudi Arabia, to ensure co-operation between the Planning Organization and the Budget Department. While this type of arrangement may satisfy the institutional requirements, in practice there remains a great deal to be accomplished.

Another shortcoming of government budgeting in the countries of the region, which creates difficulties in the process of plan formulation and implementation, emanates from the conventional character and procedures of the system of budgeting and accounting^{1/}. The system in almost all the countries of the Region is mainly geared to meeting accountability and serving as an instrument of legislative control. The emphasis lies on the financial aspect of the budget, with almost total neglect of physical and real accomplishments. It does not provide a definite criterion for the selection and phasing of activities, as well as the measurement of physical accomplishments. It also does not allow for an estimation of the impact of present capital outlays on future recurrent expenditures. In some countries of the Region, such as Lebanon, Jordan and the Syrian Arab Republic measures are being taken to introduce a new classification system of government budgetary transactions along functional lines and by economic character. While such an attempt is a significant step forward towards the reform of the conventional budgetary system, the budget still needs a long way to go through this exercise and to satisfy the requirements of plan formulation, programming, selection of activities and measurement of accomplishments.

1/ The budgeting system, in a number of the countries of the Region, is based on the object-cum-organization classification of government transactions. Little effort has been made so far to adopt the Functional-Economic Classification scheme. As for the accounting system, it is largely based on

In view of the importance of these steps in planning, it may be suggested that, while the economic-functional classification of government transactions needs to be developed in all the countries of the Region, efforts should also be concentrated on developing, wherever feasible, programme budgeting techniques.

In view of the shortage of standards, technical personnel and lack of knowledge of the industry, project preparation is very poor and inadequately assessed at the agency level in terms of costs and benefits, institutional and managerial requirements and limitations. Very often, central planning organizations find themselves obliged to get into a cost/benefit analysis and the preparation of feasibility and engineering studies on the project(s), the lack of which has been responsible for the low and poor implementation rate of development plans in the past. There is a growing realization of the importance of this issue. Measures have been taken as recently as 1972, by the Central Planning Organizations in both Iraq and the Syrian Arab Republic to bring about a uniformity in project evaluation and to indirectly assist the operating agencies and their planning units in the preparation of viable projects. In addition to the provision of training services indicated above, the Central Planning Organization has laid down the mechanics of feasibility studies and project appraisal and preparation, in the form of a manual of instructions, and distributed these to the operating agencies for their comments and ultimate use.

C. Plan Implementation

While the overall formulation of development plans remains the task of a central "staff" organization,^{1/} the preparation and execution of its various components comprising programmes, activities, and projects remain the function of the operating agencies within the private and the public sectors.^{2/} The Central Planning Organization is charged with the supervision of implementation,

a "cash" basis geared to meet the accountability function of the conventional budgetary system. For the budget to represent a true picture, it is necessary that a certain form of an "Obligation" or "Accrual" method of accounting be put to use.

^{1/} As indicated earlier, the theory of separating planning (staff) from its execution (line) functions has led to the creation of planning units in all government organizations.

^{2/} It may be noted that development plans in almost all the countries of the Region still represent an integrated set of programmes and projects to be carried out by various agencies within the public sector. At the private sector level, the provisions of these plans remain highly indicative.

/...

the establishment of an intra-agency liaison network, and the coordination of policies needed for this purpose. The apparent proliferation in the number of executing agencies, whether under comprehensive or partial planning, have added to the coordinating task of the Central Planning Organization, particularly where several functional and/or sectoral operating agencies have been involved in the execution of one or more projects. The task has been rendered more difficult when the limits of scattered responsibilities for programme/project implementation have not been properly defined, which has often resulted in the lack of co-ordination between ministries, and even within a ministry among various departments at central, regional and local levels. The unitary system of government, accompanied by centralization of authority, which prevails in all the countries of the Region, renders the establishment of such co-ordination at the lower levels of hierarchy even more difficult. The ambitious targets, over estimation of resources, insufficiently prepared and phased-out projects, lack of sufficient standards and systems of performance measurement, inadequate and unreliable data on plan implementation, and above all the shortage of skilled and competent personnel, together with the conventional administrative system and its procedures that beset plan formulation have accentuated the institutional problems of co-ordination and successful implementation of plans and programmes. The question of personnel has been particularly important in view of its very limited number and its dilution among various agencies, despite the fact that the Central Planning Organization might have had to undertake the task of project preparation along with the supervision of its implementation. To all these problems should be added the uncertainties arising from both internal and external factors, over which the planners may have little or no control. Consequently, plan implementation, with its follow-up system and procedures in many cases has been weak and mainly confined to financial control. Insufficient attention has been paid to physical and real progress, and to relating such a progress to the social and economic objectives of the Plan. Achievements have, in many cases, fallen short of plan targets. To overcome these problems, and to render the supervisory and coordinating function of the Central Planning Organization effective in the process of plan implementation, certain additional institutional, administrative and technical improvements have been recently introduced, in varying degrees in some of the countries of the Region.

/...

Attempts are primarily made to develop and improve on the progress reporting system, where every operating agency is made responsible to submit periodic reports on the state of programme and project execution. To assist the operating agencies in this task, efforts are being intensified to render the existing planning and programming units truly operational at the agency level, and to establish such units in all other operating agencies where such units are lacking, with a view to participating in the formulation of plans and supervise their execution. As noted above, special training programmes are being organized in some countries with the financial and technical support of international organizations, and carried out under the supervision of and in co-operation with the Central Planning Organization and the academic institutions. This is being supplemented by the establishment of a number of permanent, general and sectoral committees, as well as advisory boards, consisting, in certain cases, of representatives from both the public and private sectors. The number of such committees has especially increased in Iraq, the Syrian Arab Republic and Jordan during the last two years. The aim is to establish inter-departmental co-operation within agencies, to secure co-ordination in the process of plan formulation and implementation and to streamline policy measures involving several agencies. At the central level, the follow-up work on plan implementation in these countries is normally carried out by a follow-up department, created either within or outside the Central Planning Organization and made responsible to the Head of the Planning Agency, and/or through him to the Chief Executive who, in many cases, also serves as Chairman of the Planning Organization. The department is responsible for the management, monitoring and control of the execution of the Plan. It works closely with the planning and follow-up units existing within some of the operating agencies. It receives progress reports prepared on specific forms, and sets them against targets, analyses and evaluates the progress achieved, reports to higher authorities and recommends such action, if any, as may be considered appropriate to the achievement of the development objectives. In this task, the follow-up department, both in Iraq and Jordan,

/...

is being assisted by the services of a Management Information Centre (MIC) called "Operation Room" or "Projects Operation Status Information Centre" (POSIC), which provides accessible current information on the status of project and plan implementation.

Needless to say that, while a move in this direction is welcome, effective plan implementation leaves much to be desired on various technical and administrative fronts. Much remains to be done in order to develop the staff and the information base required for the effective functioning of the institutional requisite. The information supplied along with other factual data should, in addition to measuring the rate of progress and project implementation, also lend itself to working out the balancing operations for the commodity and service, transfers, income and financial flows within the economy. It should provide the basis for an analysis and evaluation of progress made towards achieving the socio-economic objectives specified in the development plans. The successful implementation of project(s) within the context of a plan is not an end in itself, but should be considered as a means to achieving a particular end. Development plans may succeed in achieving a high rate of implementation associated with a high rate of growth of the economy. However, this does not necessarily guarantee the simultaneous achievement of certain socio-economic objectives envisaged under the development strategy. It may be noted that governments in all ECWA Member countries, like those in many other developing countries, have assumed the responsibility to achieve a certain rate of growth (both aggregate and sectoral) maintain full employment, raise per capita income, create effective demand and achieve a fair distribution of income, with a view to improving the overall welfare of their people. This is a significant task and responsibility that governments in these countries have taken upon themselves. To be able to at least assess the rate of progress in these areas, a necessary and appropriate system of information gathering and retrieving must be made available. This is particularly important in those countries of the region where planning is comprehensive, and where the share of the public sector is large, and the scope of its operation has expanded at an unprecedented pace over the last decade.

/...

As a first step towards building up such a system, emphasis needs to be placed on the adoption and preparation, within the framework of long and/or medium-term strategy, of detailed annual operational plans which is one of the weakest links in planning in the countries of the Region. Under its physical, i.e. human and material, and financial components, such a plan should in a consistent manner specify the programmes, activities and projects, as well as the level of employment, output, financial and other balances, along with the appropriate guidelines and policy measures to be adopted. The integration of policy measures, while reflecting upon the development objectives, is especially necessary in order to ensure the optimum allocation of resources within the context of annual planning, its objectives and priorities. It is equally essential to the implementation of overall the plan, especially in areas which generally remain outside the scope of public domain. The inclusion of policy measures aimed at inducing or deterring the pattern of private sector activities, in such areas as pertaining to income distribution, consumption, savings and investments, is crucial to the implementation of plan and achievement of its objectives. This is of vital importance in those countries of the Region where planning is generally partial and is confined to public sector projects, leaving the private sector to carry out, in accordance with indicative guidelines, the bulk of investment for capital formation in the productive sectors of the economy. Whereas the indicative planning technique gives the private sector greater latitude in its activities, the integration of detailed policy measures, in the context of annual plans, becomes imperative in order to ensure that the pattern of the activities of this sector conforms to plan objectives. Such an integrated and consistent annual plan should, inter alia, give a comprehensive view of the existing trend in development. Its periodic reports and their analyses must also allow for the evaluation of policies and achievements against the targets envisaged during both short and medium-term plans, where provision should be made for adjustments. This is often needed in view of the rapidly changing

/...

economic and social conditions. It provides for the flexibility needed in the medium and longer term plans. An involvement in such an exercise at all levels will certainly help develop plan consciousness among all those concerned, introduce a sound basis for the pragmatic approach to the "rolling plan" concept, and ensure continuity in the planning exercise. As such, the countries of the region need to concentrate greater efforts on developing the annual planning techniques and methods, as well as the tools required for its formulation and implementation. The budget, as an important part of the financial plan serving the allocation, distribution and stabilization branches of public policy, is normally considered as one of the necessary tools used in this context. As noted earlier, the present budgetary system, in almost all the countries of the Region, falls short of providing the type of information needed for this purpose. Its cumbersome procedures often tend to cause delays in allotting funds within the time period required. Budgetary allotment is rarely related through a proper and prompt reporting system to the work performed. No use has yet been made of the programme and performance budgeting technique. Due to the lack of a proper system of budgeting, not only is project and programme implementation handicapped, but that the economic analysis of the impact of budgetary transactions and of progress achieved during the year is inadequately and unsatisfactorily dealt with.

In general, both the budget and the annual planning exercises in all the countries of the Region suffer from a number of shortcomings that are outlined in the previous section. A great deal needs to be done in these areas, a task which is within the capacity of a number of these countries. Supported, as it is, by the strong political will prevailing in these countries, the reform required in these areas cannot afford to be postponed for much longer. Unless the challenge is met through adopting a systematic approach to planning, it is likely that plans will, in many cases, remain no more than an exercise into a loosely formulated and broad statement of intent and aspirations.

/...

D. Development Planning and Administrative Reform

Notwithstanding efforts made to build up and develop the institutional framework for planning at the central, departmental and regional levels and the degree of progress achieved in a number of countries, the fact remains that planning, at whatever degree of sophistication, has been superimposed on the traditional administrative setup which has been mostly concerned with the day-to-day management of the economy, and which is not suitable for the formulation and implementation of development programmes and policies in an integrated fashion and within a certain time horizon. Deficiencies in public administration (viz., over-centralization, inadequate organization, procedures and methods, lack of co-ordination between planning and decision-making at the operational level, poor staffing and other factors) have been largely responsible for the inadequate formulation and implementation of development programmes and projects in a number of countries during the past decade.

Following some of the better experiences in plan formulation and implementation in the past, and the recognition of the growing challenge in the future, it is increasingly being recognized that administrative capabilities, like financial resources and technical capabilities, form an integral part of planning and need to be developed along with other requisites. Attempts are being made, in virtually all the countries of the Region, to either incorporate measures in development plans and programmes or to adopt independent action to increase administrative capabilities for development.

In Iraq, the Third Five-Year Development Plan 1970-1974, like the preceding two plans, has not taken into consideration the possibility of devising and integrating an administrative development programme with a view to assisting planning in all its stages. However, in view of difficulties in the implementation of previous plans, administrative provisions made in the current plan and the measures adopted have been largely oriented to effective plan implementation. The plan also recognized the fact that, "the government

/...

agencies play a highly important role in the implementation of the Development Plan" ... and that "... the public administration sector cannot undertake its tasks in the current phase of economic and social development unless the administrative organization therein is established on modern scientific principles...". Although, in both instances, the pronouncements aim at developing the administrative system and establishing the co-ordination needed at different stages of planning, they remain highly general in nature. It was only recently that some of the objectives regarding developing the public administration element were defined and measures stipulated in accordance with the priorities of development programmes and projects. These were to be further elaborated on within the context of a medium-term administrative reform and development programme to be prepared by the National Centre for Consultancy and Management Development. The Centre, in effect, is considered to act as the central agency for administrative reform and development in the country. As an initial step, the Centre has established O and M (Organization and Management) units in a number of government agencies and organized special training programmes to assist in their administrative reorganization.

In Jordan, the reform of government administration is given prominence in the recently instituted Three Year Development Plan 1973-1975. As part of the development strategy outlined, the Plan recognizes that the development process requires the existence of a governmental system that can plan, execute and follow-up development projects. This necessitates legal, structural and administrative changes in the existing system as well as supplying it with technical and administrative skills to improve its performance and meet the expansion of the services to be provided. As such the Plan stipulates a number of priority measures to be adopted to this effect. Included among the provisions are: the formation of a committee of experts to streamline government organization and procedures; provision of pre-entry and in-service training programmes for government employees; the establishment of a pension fund for government employees; the creation of a planning unit in every department to be headed by

/...

a specialized official subordinate to the under-secretary or department heads and the formation of a planning committee chaired by the minister; the establishment of an "Operations Room" to collect information pertaining to plan projects; and the appointment of managers for projects specified within the Plan. Action has already been taken as regards the formation of the administrative committee, the creation of planning units in some operating agencies, the appointment of managers for projects specified in the plan, the establishment of projects monitoring centre and the development of administrative and managerial capabilities through training programmes. With regard to training, the Jordan Institute of Public Administration conducted a field study in 1969-1970 to ascertain the number, grade, age, educational qualifications, experience and other pertinent information on all government employees below the level of under-secretaries and directors of departments. The study also made an assessment of training needs at various levels and the number of employees to be trained in different government agencies. This formed the basis of organizing training courses in various disciplines as of 1971. However, a great deal still needs to be done to develop, in the light of manpower needs in the public administration of Jordan and as part of a comprehensive and integrated administrative reform programme, both an effective job as well as development oriented pre-entry and in-service training programmes to meet the growing long-term administrative requirements of development efforts.

In the Syrian Arab Republic, the Third Five Year Development Plan 1971-1975 makes brief and general references to certain aspects of public administration in connexion with policies, procedures and measures required for the implementation of the Plan. Among the general provisions, the Plan stipulates the adoption of certain measures aimed at reorganizing the administrative system in the State in conformity with the requirements of socio-economic development by removing the unnecessary formalities and overcoming the partial idleness in State organizations. It also calls for a review of the salary scales and promotion system in the State, and their connexion with production and accomplished work; the support of planning and statistics organs in operating

/...

agencies; the preparation of financial plans; the simplification of legal procedures concerning accounting and financial matters; and a review of the cadres responsible for the supervision of the execution of development projects. Apart from such general stipulations, the plan is not accompanied by an elaborate and well studied programme of administrative reform specifying, in detail, the individual measures to be adopted within a specified time span. The necessary institutional framework has, yet, to be created to further develop these broad stipulations into programmes of action and facilitate their effective implementation.

However, as far as public enterprises are concerned, the Management Development and Productivity Centre (MDPC) is engaged in developing and organizing training programmes with a view to developing management capabilities of these enterprises.

In Kuwait , the First Five Year Development Plan 1967/1968-1971/1972 recognizes the need for administrative planning in view of the inevitable inadequacies of the traditional administrative machinery to undertake the responsibilities necessary in order to execute the comprehensive economic and social development plans. It calls, in general terms, for a reorganization of the government administrative machinery, redistribution of various duties among different agencies, definition of activities and functions position and job classification within each ministry and an assessment of the number of employees as well as the skills, qualifications, and experience which the different types of personnel possess. Accordingly, work has recently begun on the reorganization and staffing of some government ministries on a priority basis. Similarly, in view of the rapid expansion in government organizations and its financial implications, a programme in supply management is currently underway in some of the key ministries and government agencies.

In Lebanon, the Six Year Development Plan 1972-1977 also recognizes the need to increase administrative efficiency through more modern, simple administrative procedures, and backed by a more highly qualified cadre of civil servants,

/...

However, no specific measures are outlined to this effect in the Plan and it was not until late in October, 1972, when the Council of Ministers, in what was called the "Administrative Conclave", reviewed the administrative situation and some of its shortcomings with a view to developing and efficient administrative system capable of serving the citizens and of executing the projects and plans of the State in various fields. The "Conclave" adopted a number of resolutions for administrative reform. They include the creation of an autonomous central agency for research and administrative reorganization whose purpose is to establish institutions with high standards and qualifications capable of introducing, to government agencies, modern management techniques already in use in the private sector. Other measures adopted include the revision of laws and regulations of the Civil Service Board, the creation of units within agencies to attend to the grievances of citizens, the reorganization of personnel administration, strengthening the cadre of the Central Inspection Agency, widening the scope of authority of municipalities and local agencies in order to consolidate local rule, effecting a greater degree of decentralization through a devolution of authority and responsibility to governorates and regional units and a number of other measures. All this requires a more elaborate and integrated plan of action to be worked out with its scale of priorities spread over a certain time span and integrated to the objectives of the National Development Plan. The appointment in 1973 of the Minister of State with responsibilities for administrative reform is an important step in this direction. Present attempts at desectorianization of high-level Civil Service posts with the preservation of confessional balance will facilitate further the functioning of the Lebanese administrative machinery.

In Saudi Arabia, the government has implemented, during recent years, a number of measures to improve administrative capability to the level required for a rapid socio-economic development. These efforts were lately brought within the scope of planning and incorporated, in 1971, in the country's First Five Year Development Plan 1971-1975. The general objectives for administrative

/...

reform, outlined in the Plan, include an improvement in the effectiveness of the agencies established to undertake the centralized functions of the government; achievement of a greater delegation of authority and responsibility for other functions to the specialized agencies of the government; and the achievement of a clearer definition, within all agencies, of functions of divisions, sections, and individuals, hence greater delegation of authority and responsibility at all levels. Achievements to-date cover most of the targets specified for the first year of the Plan which include the enactment of personnel laws, defining structure and conditions of employment in the public service, revision of salaries' structure for Saudi Arabian employees, classification of functions and posts in the Ministry of Labour and Social Affairs and the Ministry of Agriculture, revision of customs duties and tariff exemptions carried out by the O and M (Organization and Management) section of the Institute of Public Administration, and the development of local government. Both general and special in-service training programmes are being conducted by the Institute of Public Administration to meet the increasing training requirements of the above measures.

In Democratic Yemen, the Three Year Plan of National Economic Development 1971/1972-1973/1974, highlights the importance of management and the need for training in view of the acute shortage of managers in public enterprises following the takeover in 1969, of a number of economic enterprises by the government. The reform of the public administration has been no less pressing on the resources of the young nation, particularly following the abrupt termination of the services of expatriates. The need for the expansion of the civil service and the requirements of the Development Plan have intensified the gravity of the issue. Measures aimed at administrative improvements have been taken on a case by case basis as the need arises. The rapidly growing requirements of an expanding public sector and the achievement of the objectives of the Development Plan necessitate the development of a more systematic and concerted programme of administrative reform.

/...

In Yemen, which represents the 'hard core' of the least developed countries in the Region, poor structural inter-relationships among the power branches of the State, the lack of clarity in the distribution of authority among the functional and territorial agencies of the government, the lack of a proper co-ordinating machinery and uniformity of procedures, the shortage of qualified personnel at all levels and the virtual absence of a system of developing employees' capabilities, all characterized the administrative system upon the emergence of the new Republic in 1962. The ultimate effects of the seven-year civil war aggravated the situation and confronted the government with more difficult administrative problems. The continuity of such a state of affairs, under the strains and demands of the expanding scope of the public sector called for urgent and special measures to be adopted, on both national and international levels. It prompted the government to take a serious look at the administrative system and devise measures aimed at increasing its capabilities. The reform programme envisaged proposed to tackle the problem from two angles; (i) to improve the capabilities of the existing system on a priority basis and, (ii) to restructure the system to meet long term development requirements. The UN assisted National Institute of Public Administration was entrusted with the major task of developing and implementing appropriate programmes in these areas. As an immediate measure, a comprehensive training programme has been designed to enable employees within the public sector to manage and service the socio-economic development efforts. Efforts are underway to also develop necessary training programmes in various disciplines with a view to serving the pressing needs of middle level public servants who are involved in the day-to-day task of decision-making which affect the bulk of work at the operational levels. The long-term programme, however, deals with a definition of the organizational structure of various government ministries, departments, divisions, sub-divisions and their functions as well as position classification, including job descriptions and re-allocation of employees to suitable jobs in accordance with their field of competence. However, institutional arrangements in the form of a central reform agency are needed to ensure the effectiveness of these tasks in a concerted manner.

/...

In Oman, measures have been taken, since 1970, to establish a modern government capable of initiating and carrying out development projects and programmes, and of effectively servicing the society in various areas. The nucleus of a new and modern government was set up to this effect; however, it still needs to go a long way towards creating an adequate and efficient administration, since the structural and administrative inter-relationships of government agencies, at the central, local and provincial levels, their terms of reference and operating procedures, still remain rudimentary. The shortage of qualified personnel, and the lack of a system to develop personnel capabilities further intensified the scope and magnitude of the problems arising from this area. The organizational structure, its pertinent procedural elements, the administrative and managerial cadre and the need for continued development in their capabilities all need to be rationalized under an integrated programme of administrative reform. Realizing the significance of such an approach, as a prerequisite for the development planning exercise, the government, through the newly created Centre for Economic Planning and Development, has issued a 'programme guide' to overall planning. It is an attempt at co-ordinating governmental action for desired development objectives. The programme gives special prominence to the assessment of administrative capabilities and needs as a vital component in development planning. At the outset the government intends, under this programme, to develop a clear picture of the existing organizational, personnel and administrative capacities of government machinery in order to serve as a base for immediate action in plan formulation and later in steps leading to the fulfilment of needs.

In Bahrain, Qatar and the United Arab Emirates, like the other small and newly independent countries of the Region, the reform and development of administrative infrastructure has received serious attention, particularly since independence was declared around three years ago. Whereas the newly emerging States ordinarily suffer from an inadequate organizational capacity to cope with the enlarged activities and duties of the State, attention was focused on the creation of a nucleus of modern government machinery. The structural inter-relationships, the terms of reference and the means of co-ordination among them, however, still need to be adequately defined

and developed. The shortage of adequate and qualified personnel poses additional and more serious problems with regard to efficiency and co-ordination within and among the agencies concerned. Government administrators, at most levels, are in serious need of training in various areas of management and public administration. Apart from a few isolated courses in executive development, adequate training in various areas of public administration is lacking at the operational level. Arrangements for pre-entry and/or serious in-service training to civil servants are yet to be developed. There is an urgent need to develop such training programmes geared to serve the needs of employees at all levels. Special emphasis needs to be placed on the executive development training programme to develop leadership and strengthen the decision-making process. In-service training at middle and lower levels is perhaps one of the indispensable tools of developing personnel capabilities and providing them with the knowledge and skills they need in their jobs. To be able to effectively and satisfactorily meet the growing requirements in this area, training programmes need to be developed and resources strengthened through national endeavour as well as through subregional, regional and international assistance and co-operation programmes. The long experience of some of the Institutes of Public Administration in the Region, along with the assistance of the Arab Organization for Administrative Sciences, may be of great benefit to governments in the newly independent States of the Region in their administrative reform programme in general and in personnel administration in particular. This is an avenue that the countries of the Region can explore on a bilateral basis or through the auspices of the specialized agencies of the League of Arab States and international organizations.

The brief review of measures taken in the countries of the ECWA Region during the past few years reflects upon a general sense of urgency to build up and develop an adequate and effective administrative infrastructure. It is recognized that although the responsibility for overall plan formulation rests with the planning authority, its entire process is dependent upon the administrative machinery for statistics, project formulation, implementation and follow-up. Therefore, where a planned course of development is followed,

/...

efforts are being made to adopt these administrative requisites to the needs of planning and programming. Development plans in the majority of countries have recognized the need for administrative reform with a view to providing the necessary institutional basis for plan implementation. They have invariably included certain provisions and guidelines, and made general statements to the effect. However, like the aggregative character of plans, these administrative provisions remain of a general nature. In the majority of cases there has been no substantial institutional arrangement in the form of a central reform agency, charged with the responsibility to plan and carry out administrative reform programmes. The establishment of certain administrative reform committees, along with an elaboration in the duties of civil service agencies, centres and institutes of public administration in some of the countries, indicate a movement towards the institutionalization of the reform programme. In the newly independent States of the Region, however, efforts are primarily directed towards creating the nucleus of a modern and adequate administrative machinery capable of effectively coping with the growth in public services.

In both cases, however, it is apparent that structure has changed in certain areas while jurisdiction, procedures and staff capabilities have remained as obstacles. There is an acute shortage of qualified personnel. The majority of civil servants lack adequate training and education in their respective fields. There is seldom a job description and a manual of operation available to assist employees in their respective jobs. A large number of the countries in the Region have established institutions and developed programmes to upgrade the employees' knowledge and skills required in their jobs. Certain pre-entry and in-service training programmes are organized, but they need to be made both job and development-oriented. On the other hand, there is not, as yet, detailed manpower planning for the public administration of many countries. As a result, the information that should constitute the basis for recruitment and training, whether formal or informal, is not available. A great deal needs to be planned and accomplished in all these areas if administrative reform programmes are expected to make any contribution to the process of economic and social development.

- - - - -