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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

(Item 6 of the provisional agenda)

Highlights of Overall Review of Growth Performance

and

Sectoral Trends and Development Issues

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A. HIGHLIGHTS OF OVERALL REVIEW OF GROWTH PERFORMANCE

1. Growth of production

1. Between 1970 and 1973, gross national product (GNP) in real terms grew by 14 per cent per annum in Saudi Arabia, 6.5 per cent in the Syrian Arab Republic and by less than 2 per cent in Jordan. Over the same period, real GNP growth probably averaged around 30 per cent a year in each of Qatar and the United Arab Emirates, and, valued in monetary terms, was about 16 per cent in Oman. Bahrain, Kuwait and Lebanon experienced real growth rates, in the period 1970 - 1972, estimated at 3 per cent in the first country and at about 10 per cent in each of the remaining two countries. In Iraq, on account of the sharp reduction in oil production during 1972, growth in real GNP averaged about 6 per cent in the first two years of the present decade. Yemen's GNP in monetary terms grew at an average rate of about 19 per cent in 1970 - 1972; in Democratic Yemen the annual growth in real GNP is estimated to have averaged 3 per cent during the same period.

2. Many of the factors that were responsible for holding down growth in the Region below potential during the 1960's continued to exert their influence into the present decade.<sup>1/</sup> Notable among these remains the Arab-Israeli conflict which culminated in another open confrontation in 1973, with particularly

<sup>1/</sup> Among the factors affecting several countries at a time, special mention should be made of the Arab-Israeli conflict and the impact of unfavourable weather conditions on agricultural output. In both Iraq and the Syrian Arab Republic, the last decade was a period of transition from one political and socio-economic system to another. Growth was hampered by a relatively weak external position, necessitating the imposition of import restrictions in both countries. An important inhibiting factor affecting the growth of the Iraqi economy is also to be found in the low rate of growth of the oil sector relative to the situation in neighbouring oil-producing countries. Internal strife, which sometimes took the form of civil disturbances, as in the case of Iraq, Jordan and Yemen, was also responsible for depressing growth below its feasible potential. In certain cases, inadequate planning and implementation of public projects tended to dissipate part of the limited resources available for development purposes. In other cases, notably in some of the oil-producing countries, as well as the less developed countries of the Region, growth was below potential on account of the relatively low absorptive capacity of these economies for productive investment, reflecting mainly institutional and manpower constraints.

damaging consequences for the Syrian economy. In addition, the Region was not spared the consequences of rapidly growing world wide inflationary pressure and the disturbances affecting the international monetary system. However, growth in the Region during the first half of the 1970's has been particularly marked by developments in the oil sector, the implications of which extend beyond the Region and the present decade. These developments, by shifting the balance of power from the international oil companies to the producing countries with respect to the setting of prices, and in the direction of increased government control over the exploitation of oil resources and ancillary operations, have resulted in a sharp rise in the countries' take per barrel of crude oil produced and, consequently, in total oil revenues, which could not have been contemplated a few years back. The sharp increase in the price of oil revenues, since the last quarter of 1973, has had a substantial impact on growth prospects in the Region and on the Region's role in the world economy.

3. With the exception of Saudi Arabia, the two Yemens, Lebanon and Oman, where annual average growth rates of population during the last decade are estimated to have been in the neighbourhood of the rate (2.5 per cent) recommended for developing countries as a whole under the International Development Strategy for the Second Development Decade, the remaining countries of the Region are believed to have experienced significantly higher rates of population growth. This rapid increase in population, during the 1960s, has implied for certain countries growth rates of per head national products that are lower than the DD2 average annual target rate of 3.5 per cent. Thus, the GNP per head of Democratic Yemen is estimated to have declined by 5 per cent per annum over the past decade, while that of Yemen hardly recorded any growth during the period. Moreover, the initial years of the present decade have witnessed a further widening of the already very large gap between the high and low per head income countries in the Region.

## 2. Structural change and imbalance

4. Under the impact of the recent developments in the oil industry and a sharp rise in production, the contribution of crude oil to total output in Saudi Arabia rose from an average of about 47 per cent in 1968-1970 to 68 per cent in 1973; notwithstanding the lack of national accounts statistics, it is reasonable to assume that the dependence of both Qatar and the United Arab Emirates on oil

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also deepened. Available information shows an increase of 6 percentage points in the share of crude oil production in the GDP of Iraq, raising its share to 37 per cent in 1971. With the sharp recovery in Iraq's crude oil production in 1973, its share could have gained further in relative importance. Owing to a declining or slowly growing level of production, the share of crude oil in total output was only about 2 and 5 percentage points higher in Bahrain and Kuwait, respectively, in 1972 compared to the situation prevailing at the end of the last decade, whereas in Oman, the corresponding share fell from 71 per cent to 55 per cent in 1973.

5. In the non-oil countries, with the exception of Lebanon, agriculture constitutes the most important of the commodity sectors, albeit experiencing a generally declining role. In the oil economies, it is only in Iraq that agriculture makes a significant contribution to output; this contribution, however, seems to have remained virtually unchanged during the 1960s, averaging around 17 per cent of total output.

6. Industrial production still occupies a modest place in all countries of the Region. In Lebanon and the Syrian Arab Republic, for example, which enjoy the highest proportion of manufacturing and power output relative to GDP (with the exception of Bahrain and Democratic Yemen where, on account of petroleum refining, the share of manufacturing and power in GDP is significantly higher), this proportion did not exceed 15 to 16 per cent by the end of the last decade. The same activities accounted for about 2 per cent in Yemen and were of negligible importance in Oman and the United Arab Emirates. Significant increases in the relative importance of these activities over the past decade are apparent only in Jordan and Kuwait; in both countries, however, expansion has been achieved from an initially small industrial base. Information on the opening years of the current decade does not reveal any significant change in the relative importance of manufacturing and power except in the case of Bahrain and Saudi Arabia where declines amounting to 8 and 2 percentage points, respectively, can be noted by 1972.

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7. Aside from Kuwait and Saudi Arabia, where oil refining dominates manufacturing activity, industrial production in the relatively more industrialized countries of the Region consists largely of light manufacturing. This state of affairs does not seem to have undergone a marked change over the last decade. In recent years, however, several countries in the Region have been giving increasing attention to more capital intensive and/or export-oriented industries notably in the field of petrochemicals and other energy intensive industries, fertilizers, steel and cement.

8. It is evident that there is an urgent need to diversify the structure of output in both oil and non-oil countries. In the former group, heavy dependence on crude oil carries with it an element of risk far greater than could be implied by a similar degree of dependence on another commodity, given the exhaustable character and the strategic importance of oil for the world economy. Similarly, while heavy reliance on services has not prevented Lebanon and Jordan from developing at relatively high rates, the argument for diversification in the direction of production of material goods remains very strong. This is because the continued satisfactory performance of the services sector largely depends on external factors which are beyond the control of the two countries in question and make their economies highly vulnerable to economic and political decisions taken abroad.

9. As to the utilization of resources, consumption generally absorbs a significantly lower proportion of output in the oil economies, compared with the situation in the non-oil economies. Available information for the beginning years of the 1970s reflects significant decline in the consumption/GNP ratio in each of Kuwait, Saudi Arabia and the Syrian Arab Republic. Private consumption remains considerably more important than public consumption in the non-oil economies, relative to the situation in the oil economies. The share of the public sector in total consumption, however, has shown a marked tendency to increase in each of the Syrian Arab Republic, Kuwait and Jordan, with little change reported in the case of Iraq, Lebanon and Saudi Arabia. External demand generally assumes a much greater role, relative to internal demand, as a generator of income in the oil economies than it does in the non-oil economies. Information relating to the early part of the 1970s points to a strong upward tendency in the relative importance of exports in many countries in the Region, notably Saudi Arabia and Lebanon.

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### 3. Capital formation

10. With the exception of the Syrian Arab Republic and Jordan, where the investment (fixed) rate relative to the gross product rose by 3 and 1.5 percentage points, respectively, over the second half of the last decade, available information shows that in several countries of the Region the investment rate either declined or stagnated over that period. Significant changes in the investment rate since the beginning of this decade can be observed for Oman, Jordan, Kuwait and Saudi Arabia. By 1973, the investment/GNP ratio has risen by some 20 percentage points, to 35 per cent, in Oman, and by 3 percentage points, to 18 per cent, in Jordan, compared to its average level in the period 1968-70. On the other hand, the investment rate dropped by about 3.5 percentage points, to 16.5 per cent, during the first two years of the decade, in Saudi Arabia, and by 7 percentage points, to 11.7 per cent, in 1972, in Kuwait.
11. Investment expenditure by the public sector has generally 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 private enterprise-oriented countries as Jordan, Kuwait, Lebanon and Saudi Arabia. A common factor underlying the shift in favour of public investment is to be found in the desire of governments to provide the infrastructure necessary for accelerating economic and social development. In Iraq and the Syrian Arab Republic, however, the shift has been largely influenced by determined Government effort to gain control over the economy and means of production. Available information, however, reflects faster growth in private fixed investment outlays, relative to public investment expenditures in Saudi Arabia, Lebanon and the Syrian Arab Republic, since 1970, and the opposite trend in the case of Kuwait.
12. Information on the sectoral distribution of fixed capital formation shows that in Iraq agriculture received 15 per cent of total investment in 1971, compared to 10 per cent in 1960-1962. On the other hand, investment in mining and quarrying, mostly in the oil sector, fell from about 13 per cent to 5 per cent of the total in 1971. 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 branches; in 1971, it constituted 21 per cent of the total.

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13. In the Syrian Arab Republic, agriculture received one-fifth of all fixed investment in the first three years of the current decade, compared to 16 per cent in 1968-70. The combined share of investment in manufacturing, mining and quarrying and basic utilities showed a significant improvement, rising from an average of 22 per cent in 1963-1965 to around 27 per cent in 1968-1970; investments attributed to these sectors have continued to rise sharply, reaching 40 per cent of all fixed investment outlays in 1972.

4. Mobilization of financial resources and financing of gross domestic capital formation

14. An analysis of savings efforts in the Region shows wide inter-country differences in average savings rates. In the last two to three years of the preceding decade, Iraq, Kuwait, Oman and Saudi Arabia were already realizing savings rates that were higher than the Second Development Decade (DD2) target rate for developing countries, i.e., 20 per cent of the gross product, having saved, on the average the equivalent of 21 per cent, 46 per cent, 62 per cent and 34 per cent of their respective gross national products. In contrast, savings rates were still way below the DD2 target in the Syrian Arab Republic (12 per cent) and Lebanon (14 per cent) and were negative (-3 per cent) in the case of Jordan, during the same period. By 1972, the savings rates in Saudi Arabia and Kuwait rose further to 46 and 52 per cent of GNP, respectively. In contrast, in Oman the savings rate was reduced to more than half by 1973, mainly under the impact of rising defence expenditures as well as recurrent outlays on education, health and housing. The steady rise in the Syrian Arab Republic's savings rate, to 16 per cent in 1973, and in that of Lebanon, to 15-16 per cent in the period 1971-1972, are also worth noting.

15. Generally, the private sector has been, by far, the larger contributor to national savings. In Jordan, this sector contributed all the savings generated in the economy, while the public sector was dissaving and heavily dependent on external aid. In the Syrian Arab Republic, Lebanon, Saudi Arabia, Iraq and Kuwait, the private sector accounted for 90 per cent, 74 per cent, 68 per cent, 64 per cent and 50 per cent of total savings generated in the economy, respectively, by the end of the last decade. In Iraq and the Syrian Arab Republic,

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however, close to 50 and 60 per cent, respectively, of the savings generated in the private sector were used to finance capital formation, the rest being offset by a net outflow of private capital. In contrast, in Lebanon, the inflow of private capital financed about 30 per cent of private fixed capital formation in the period 1968-1970. The relative contribution of the private sector to total savings generated in the economy in the first two years of the present decade remained stable in Lebanon and increased appreciably in both the Syrian Arab Republic and Saudi Arabia.

16. In analyzing the relative contribution of internal and external sources of financing to gross domestic fixed capital formation, it is immediately evident that national savings tend to exceed, by a substantial margin, capital formation in the oil economies and fall short of it in the non-oil economies. Thus, in Kuwait, Oman, Saudi Arabia and Iraq, savings exceeded capital formation by 150 per cent, 300 per cent, 70 per cent and 27 per cent during 1968-1970 in the four countries, respectively. In Iraq, however, this was associated with only nominal expansion in investment. With the exception of Oman, where the positive saving-investment gap narrowed rapidly between 1970 and 1972 and turned negative by 1973, these positions have been further accentuated since the start of the current decade. Moreover, the prospects of higher savings rates in the oil economies, resulting from higher oil revenues during the rest of the 1970s, can be expected to accentuate the positive savings-investment gap, notably in Kuwait, Saudi Arabia and the United Arab Emirates, and to bring to the forefront of development issues the need for finding new investment opportunities and improving the absorptive capacity of the economies concerned, and the questions relating to the composition and geographic distribution of their foreign assets holdings.

17. Among the non-oil economies, however, Jordan exhibits the highest degree of dependence on the inflow of external resources to finance capital formation. This country has been persistently experiencing a negative savings rate which has had to be covered by an inflow of resources from the outside world in order to meet the financial requirements of investment and support current government expenditures. In both Lebanon and the Syrian Arab Republic, national savings financed around 80 per cent of capital formation during 1968-1970; since then the savings/investment ratio has risen sharply in the latter country.

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## B. HIGHLIGHTS OF SECTORAL TRENDS AND DEVELOPMENT ISSUES

### 1. Food and agriculture

18. Agricultural production in the ECWA region increased during 1961-1973 at an average annual rate of only 2.3 per cent, thus, not only falling considerably short of the annual rate of increase in food demand, estimated at 4 to 5 per cent per annum, but also failing to match the Region's population growth rate, estimated at an average of nearly 3 per cent per annum. This has sharply widened the gap between regional supply of and demand for food and largely contributed to making the Region the highest per capita food importer in the developing world. While continuing attention needs to be devoted to horizontal expansion, mainly under irrigated conditions, major emphasis in the coming years will have to be given to vertical expansion and intensification of agricultural production, especially through a wider diffusion and application of basic agricultural knowledge and production techniques readily available at the national and regional levels. This necessitates a more efficient and intensive use of agricultural inputs, improved crop rotation patterns on irrigated and drylands, and better water management and use. In the long run, a scientific and effective solution to these requirements lies in strengthening agricultural research capabilities along with the necessary institutional arrangements needed to facilitate the dissemination of results to the farming community.

19. In addition to accelerating production growth rate, there is a growing need to also diversify output within and among different sub-sectors in agriculture, i.e., crop, livestock and fisheries. Increased attention needs to be devoted to integrated farming and fisheries development programmes.

20. The slow growth in agricultural production has resulted in further widening of the gap between rural-urban levels of living. In recent years per capita income in the agricultural sector was, on the average, only 25 per cent of per capita income in the non-agricultural sector in the Region. The reversal of the present unfavourable trend to a position which would result in achieving a ratio of 40 per cent of per capita agricultural to non agricultural income in the ECWA region by 1980, is no doubt a formidable task. This would not only imply very substantial increases in agricultural production and its translation into improvements of the farmers' level of income, living conditions and the

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strengthening of the rural infrastructure, but also a more intensive utilization of the agricultural labour force.

## 2. Industrialization

21. In spite of increased efforts made towards industrialization in the Region, numerous problems still remain to be adequately dealt with, particularly in such crucial areas as the adoption of integrated planning, the proper channelling of growing financial resources, the adequacy of supply of skilled manpower, and the adaptation of technology to the specific needs in the various branches of industry.

22. Bottlenecks and rigidities existing in other sectors have a direct bearing on the pace and state of industrial development in the Region. Thus the low level of and uncertainties in agricultural production, coupled with the small size of the existing plants and old production processes, are mainly responsible for the low level of output in the food processing industries. Inadequacies in physical and institutional infrastructures in a number of ECWA countries have weakened the competitiveness of manufactured products.

23. The most promising industrial activities, particularly in the oil-producing countries of the Region, would be the development of petrochemicals (plastics, pharmaceuticals, nitrogenous fertilizers) and basic metal industries requiring substantial inputs of energy in their production processes. However, improvements in the more traditional industrial activities such as, textiles and light consumption goods could play an important role in minimizing the Region's heavy dependence on imports.

## 3. Oil and mineral resources in the development of the Region

24. Since the beginning of the 1970s, major developments in the oil industry have brought about a radical shift in two important parameters, namely, greater control and sovereignty over natural resources and the terms of trade of the oil-producing countries in the ECWA region. Efforts towards achieving total sovereignty have succeeded in increasing the controlling share of the oil-producing countries from a 25 per cent interest to 60 per cent and aiming at a 100 per cent takeover in the near future. In addition, these countries have been successful also in achieving substantial improvement in their terms of

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trade as a result of the new developments in oil prices. Both these factors have resulted in rapid increases in oil revenues and in an accumulation of foreign exchange reserves and other assets.

25. While efforts are being made by the oil-producing countries to concentrate on the effective use of these resources, with a view to accelerating the process of development, present limitations on absorptive capacity in many cases have led these countries to also look into the possibility of investing part of these resources in capital and financial markets abroad, and of extending loans to international financial organizations and to governments in both developed and developing countries on favourable terms. The issue at hand concerns the manner in which the flow of financial resources from this sector is invested so as to achieve the development objectives and to ensure a sustained growth of the economies of the oil-producing countries, especially considering the exhaustable nature of this resource. The countries concerned must, therefore, succeed in making full use of these depleting resources for the rapid transformation and sustained growth and development of their economies.

26. The Region's endowment with natural resources, aside from petroleum and natural gas, is still not fully explored. Although some piecemeal efforts are made in certain countries, the Region still suffers from the lack of adequate facts and knowledge on the availability of non-oil mineral deposits and their economic potentialities. Growing awareness of the importance of mineral resources and their effective exploitation are likely to be instrumental in the development of the countries of the Region and in introducing a degree of diversification and structural transformation of their economies which would ultimately lessen the Region's dependence on oil.

27. Scientific surveying and exploration of natural resources need to go hand in hand with judicious exploitation and utilization of available resources. For instance, the flaring of the bulk of natural gas, which is extracted simultaneously with oil, is a significant loss to the Region, the magnitude of which should at least be minimized.

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#### 4. Trade and development

28. Although some encouraging trends are discernable with respect to the commodity composition and geographical distribution of the foreign trade of a number of countries, the Region in general is still characterized by an almost complete dependence on imports of food and basic equipments and a high reliance on oil exports. Given the exhaustable nature and the strategic importance of oil, such a dependence, carries with it an element of risk and vulnerability far greater than implied by a similar degree of dependence on any other commodity.

29. However, efforts towards expanding export-oriented industries in the Region are confronted with two main obstacles, namely, the narrowness of the domestic production base and the problems of access to world markets, particularly in the developed countries.

30. On the whole, intra-regional trade has occupied a very modest place in the trade of the Region. By the end of the nineteen sixties, less than 7 per cent of member countries' exports was marketed within the Region. This share fell to 4 per cent in the period 1971-1973. Similarly, imports from within the Region lost substantial ground in the first three years of the present decade, dropping to less than 10 per cent of the total.

31. Recent developments in the export and import trade of the Region have reinforced the positive trade balances in the oil-producing countries while accentuating trade deficits in the non-oil economies. However, a sizeable part of the trade surplus of oil-producing countries seeps into the non-oil economies in the form of transfers made by expatriate skills and labour, financial aid, and capital flows, thus reducing the current account surplus or deficit of individual countries.

#### 5. Social development and human settlement

32. Expansion of the education system, as reflected in the steady rise in the amount of public expenditures on education, continued to take place in the countries of the Region. However, enrolment ratios at the primary and secondary levels of education remained relatively low throughout the Region. Enrolment at the secondary level of education lagged far behind that at the primary level.

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This has been further aggravated by a high rate of drop-outs. Adequate vocational training programmes need to be developed in order to absorb this increasing segment of potential manpower and keep pace with growing needs in the Region for technical skills at various operational levels. Although higher education has expanded in a number of countries, there is an imbalance between the relatively low number of graduates in science, medicine and technological fields (the type of manpower most needed in the Region) and the large number of graduates in law, arts, and humanities. There is, therefore, a need to introduce structural changes in higher education in order to match educational growth with employment opportunities and development objectives and priorities.

33. In the field of health services, although steady trends in improvement are evident, the countries of the Region in general suffer from limited health facilities, particularly in rural areas, and from nutritional problems at various age groups.

34. Recent trends in most countries of the Region reveal increased attention being given to social welfare development programmes. However, poor co-ordination among social welfare services, duplication or deficiency of programmes in different areas and above all lack of a clearly defined social welfare policies within the context of development objectives are factors which reduce the effectiveness of much of the existing social welfare services.

35. The countries of Western Asia have recently experienced rapid urban growth. The rapid rural-urban migration of labour, speeded up by increasing mechanization of agriculture coupled with growing inducements in other sectors, efficient transport system, and other factors, has added to high urban growth rates. Urban growth has been particularly striking in capital cities which dominate the scene and are growing at rates of 5 to 15 per cent per annum. Rapid economic development and large scale investment projects have multiplied and augmented the numerous urban problems. The pace in urban growth has thus overtaken the ability of governments at various levels to make cities and towns effective contributors to national development.

36. Although increasing attention has been given to housing programmes, these efforts have seldom been envisaged as an integral component of overall development plans and programmes.

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37. The successful accomplishment of any housing programme depends on the availability of material, manpower and financial resources. The inadequate supply of one or a combination of these requisites coupled, in many cases, with poor institutional arrangements and shortage of land in certain areas have added to housing problems in the Region. It is, therefore, necessary to draw up long-term housing programmes aimed at eliminating housing shortages and achieving satisfactory housing standards.

38. The state of building industry, and such related aspects as standards, models, type, design and building specifications need to be scientifically developed bearing in mind the social and cultural values, climatic conditions and other pertinent factors. Increased research in all these areas is necessary with a view to help in meeting the rapidly growing needs in housing, building, urban development and other human settlement programmes.

#### 6. Population

39. The Region's lack of basic demographic and related data coupled with shortages of qualified personnel and appropriate institutions to undertake the basic task of demographic data collection, processing and analysis, renders any meaningful assessment of the population situation in the Region almost an impossible task. Although a number of countries have recently launched population censuses, and have brought improvements in this respect, there are still a number of population parameters such as, profession, size of family and family planning, literacy level, urbanization and migration, etc., that need to be further investigated.

#### 7. Manpower and employment

40. The manpower and employment situation in the Region is essentially characterized by an imbalance between the growth of employment opportunities and manpower supply coupled with structural, sectoral and regional (sub-national) disparities. The ratio of labour force to total population (crude activity rate) in countries of Western Asia is among the lowest in the world.

41. Extreme under-utilization of population at working age, very low levels of labour force utilization, acute shortages of skilled and highly qualified manpower against surpluses of unskilled labour at different levels are some major manifestations of these imbalances.

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42. The rapid increases in oil revenues and the resulting accumulation of financial resources have not yet significantly affected the employment situation. On the contrary, the full utilization of the recently acquired financial resources is hampered, inter alia, by the shortage of qualified manpower.

#### 8. Transport, communication and tourism

43. Transport and communications are among the most promising activities for development in the Region. Yet, at present the Region has on the one hand, an excess capacity in air-transport which needs to be approached in terms of co-ordination with a view to avoiding duplication and minimizing costs and on the other hand, congestion in some of the major ports (Beirut, Lattakia, Darman) which requires further expansion of port facilities. The need for developing an integrated air/land/sea transport system and telecommunications network has become more acute given the expected significant increase in the flow of goods and persons into and within the Region as a result of its increased financial resources.

44. Tourism has been of real economic significance for only one or two countries in the Region (Lebanon and, to a lesser extent, Jordan); its full potentiality in these two countries, and in the rest of the Region, remains to be further explored and exploited.

#### 9. Development finance

45. The rapidly growing participation of governments in the process of development and the desire to increase public control over real resources for purposes of accelerated growth in the countries of the Region have significantly sharpened the importance of monetary and fiscal policy and the proper choice of the instruments. An effective use of these tools of economic policy in the Region has become more crucial in the light of the recent international monetary and financial developments which have resulted in changes in the pattern of resource distribution at the international level. Monetary and fiscal systems in the Region remain largely undeveloped and inadequate to cope up with rapid developments in these fields. The full and effective utilization of the rapidly increasing oil revenues is largely hampered not only by the prevailing rigidities of the economies concerned but also by inadequacies in the institutional framework

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monetary and fiscal systems. In most countries money supply has increased at unprecedented rates unmatched by real output, thus partially reflecting itself in higher prices. Efforts are needed to strengthen the effectiveness of the tools of monetary policy over money supply, credit, level of prices, interest rates, savings and investment.

46. Fiscal policy in the economies of the Region needs to play its complementary role in strengthening the effectiveness of the short-term stabilization measures and in mobilizing resources for development as well as in serving as an important instrument of allocative efficiency and distributional equity. The role of fiscal instrument with respect to distributional equity is especially significant in view of high rates of income growth coupled with rapid structural transformation of the economies in the Region affecting the level and pattern of income distribution within and among different income groups.

47. The tax and expenditure policies, in particular, will have to be developed to adequately serve these objectives. The revenue system in most countries of the Region is characterized by a predominance of only few sources. In the oil-economies, revenues from oil in most cases constitute up to 95 per cent of total Government revenues, while in the non-oil economies heavy reliance is placed on customs duties and surpluses of public enterprises. Revenues from taxes on income and wealth constitute only a minor percentage of total government finance. In the majority of cases tax effort remains very low and slow-growing. Efforts are needed to embark on the reform and institutionalization of the tax system corresponding to and effecting the necessary structural changes in the economy. At the regional level, efforts should be intensified towards achieving a greater degree of tax harmonization.

48. Government expenditures in general and consumption expenditures in particular in the countries of Western Asia have experienced an unprecedented rate of increase during the past few years. Yet, government budgetary transactions in most cases are based on a traditional "object-cum-organization" scheme which does not allow for an analysis of the impact of these transactions on the economy. It does not provide for a careful scrutiny of public outlays, in general, and consumption expenditures, in particular. The link between budgeting and development planning remains very weak. The budgetary system, therefore, leaves much room for improvements in order to render it as an effective instrument of public policy.

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10. Economic co-operation and regional integration

49. In the light of appraisals of the workings of the Arab Common Market (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 regional experiences elsewhere is not a dependable vehicle for regional economic integration. Attention is now focusing on the forms of regional co-operation which are less ambitious in their plans and 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 co-operation is seen to be beneficial. Within this context, there is a growing enthusiasm for joint venture type of activities to be undertaken through the creation of multi-national regional companies. In the complete absence of attempts at regional planning and harmonization, such a stress on regional co-operation at the micro-level (manufacturing plant, shipping company and the like) may very well play the role of a catalyst for a broader concept of co-operation in the Region.

11. Science and technology

50. The pace and direction of future progress in the Region will depend, inter alia, on vigorous and prudent application of science and technology within the framework of development objectives. Hence, programmes and projects in the field of science and technology should be closely related to national development plans. Efforts are needed to adapt imported technology to local needs and to develop indigenous technology.

51. Progress in improving the channels for the acquisition and dissemination of information has been marginal in the Region. Effort must be made to remedy this shortcoming and to establish the appropriate channels needed for the transfer and assessment of technology suitable to the requirements of the Region.

52. The creation of national research councils and the strengthening and integration of national science bodies should contribute to limiting the brain-drain problem and absorb scientists in order to meet shortages of high-level manpower. In the long-run, this shortage needs to be met by a restructuring of the education system.

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12. The "least-developed" countries

53. On the occasion of the review of the list of twentyfive "hard-core" least developed countries by the Committee for Development Planning (meeting held in N.Y., April 7 - 18, 1975), ECWA Secretariat has once again participated in the deliberations of the Committee. Following a thorough analysis of the situation, ECWA Secretariat has reached the conclusion that Democratic Yemen should also be included, along with Yemen, in the expected 1975 revised list of the "least-developed" countries; and consequently, the two countries should benefit from the special measures devised at the international and regional levels in favour of this category of countries.

54. Meanwhile, ECWA Secretariat is giving increasing attention to the pressing problems of these less developed countries of the Region. Thus, priority is given to requests made by these countries for regional advisory services in various fields. As part of the special measures in favour of the least-developed countries of the Region, ECWA has established a regional training programme in public finance and administration (PROPFAD) specially tailored to meet the growing needs of these countries in various areas of development finance and administration. Additional measures are needed to meet the rapidly growing requirements of these countries in other fields.

13. Planning machinery, plan formulation and implementation and administrative reform

55. Irrespective of the socio-economic systems and the stages of development prevailing among the countries of the Region, planning and programming at varying degrees of sophistication is recognized, in all cases, as an essential and effective instrument of policy in organizing resources towards meeting development objectives. Attempts are constantly being made to create and develop the type of institutional framework which enjoys a greater degree of technical independence and continuity and which is capable of establishing co-ordination among the myriad of interrelated factors involved in the process of development and of ensuring the effective implementation of development programmes and projects. However, despite these efforts, the institutional framework for planning at the central, departmental and regional or local levels of government remain generally inadequate and characterized by undeveloped systems of communication and co-ordination, lack of statistical requisites and, above all,

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shortage of a competent corps of technical and managerial cadre. As a result, development plans, in a number of cases, comprise a set of loosely interrelated programmes and projects spelled out within a time horizon ranging from three to six years. Long-term or perspective planning, indicating the pattern and direction of future growth and development, and short-term or annual operational planning, which facilitates, inter alia, financial management and programme or project implementation, are generally lacking. Efforts need to be intensified in order to remedy the institutional, technical and administrative shortcomings in development planning in the Region.

56. An analysis of planning experience in the Region indicates that planning, at whatever degree of sophistication has been superimposed on the traditional administrative set up which has been mostly concerned with the day-to-day management of the economy lacking sufficient technical capabilities for the formulation and implementation of development programmes and policies in an integrated fashion and within a conceivable 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, inadequate staffing, etc.) have been largely responsible for inadequacies in plan and programme formulation and implementation. Stipulations made in a number of development plans in the Region, regarding administrative reform, have been mostly of a general nature unaccompanied by elaborate and well studied programmes of administrative reform specifying, in detail, priority areas and individual measures to be adopted within a specified time span. There is, therefore, a general sense of urgency to build up and develop an adequate and effective administrative infrastructure. Substantial institutional requisite in the form of a central reform agency needs to be created and charged with the responsibility to plan and carry out administrative reform programmes.

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