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SUPPORT

PROGRAMME PLANNING

COUNTRY AND REGIONAL PROGRAMMES

Reports on mid-term reviews

MID-TERM REVIEW OF THE FOURTH COUNTRY PROGRAMME FOR SAUDI ARABIA

Report of the Administrator

SUMMARY

The present report is submitted in accordance with Governing Council decision 89/11 of 24 February 1989, requesting the Administrator to report on a representative selection of mid-term reviews of country and intercountry programmes.

This report highlights significant conclusions and decisions of the mid-term review of the fourth country programme for Saudi Arabia (1987-1991).

I. SUMMARY OF THE FOURTH COUNTRY PROGRAMME

1. The four main themes of the fourth country programme for Saudi Arabia (1987-1991) are derived from the macro-economic development objectives of the Government's Fourth Five-Year Development Plan and include: (a) Saudization and human resources development; (b) enhancement of the planning and management capacity of public institutions; (c) orientation towards high priority production areas; and (d) enhancement of scientific research capabilities.

II. METHODOLOGY OF THE MID-TERM REVIEW

2. The mid-term review was conducted over a period of four months during which time a number of United Nations executing agencies fielded programming missions upon the invitation of the Government. The largest of these was from the United Nations Industrial Development Organization (UNIDO), while the International Telecommunication Union (ITU), the Department of Technical Co-operation for Development (DTCD) of the United Nations Secretariat, the International Trade Centre (ITC), the World Intellectual Property Organization (WIPO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO) also sent missions.

3. In addition to these missions, there were a number of in-depth evaluation missions and tripartite reviews in the months immediately before the review that represented important sources of information for the review itself. In particular, the comments on the implementation of the projects made by the various government departments as well as the Ministry of Planning contributed greatly to the data available for analysis during the review.

4. Finally, extensive and continuous discussions were held between the field office of the United Nations Development Programme (UNDP) and the Technical Co-operation Administration, the major government co-ordinating body, as well as with all the technical ministries. UNDP headquarters staff from both the Regional Bureau for Arab States and European Programmes (RBASEP) and the Bureau for Programme Policy and Evaluation (BPPE) also participated at the end of the review.

III. MAJOR FINDINGS OF THE REVIEW

5. The fourth country programme is almost wholly financed by government cost sharing with the government/cost-sharing ratio approximately 10:1 (the indicative planning figure (IPF) entitlement as of the review was \$US 4.94 million). Financing by the Government is not provided on a programme cost-sharing basis through the central authority but by the individual ministries concerned, with several of them providing 100 per cent of the total cost of the project. As a result of the nature of the cost sharing, the total resources available for programming can be very difficult to forecast and they depend on actual project approvals. Apart from cost sharing, the Government also provides large amounts of project financing through government cash counterpart contribution (GCCC), the

total of which represented 54 per cent of the cost-sharing contribution for 1988 and 1989.

6. The review highlighted the fact that programme implementation in the first two years has been very smooth with relatively few problems. In 1987, the rate of implementation for IPF/cost sharing was 71 per cent and for GCCC 75 per cent, while in 1988 the estimated rates are 63 per cent and 71 per cent, respectively.

7. A major reason for the smooth implementation of the projects has been the GCCC modality. Several important project inputs, such as nationally recruited project professional personnel (NPPP), local consultants, local training and local procurement of equipment, are provided through the GCCC budget; greater flexibility in programme implementation is thereby instilled as the assistance is administered locally once authorization is received from the executing agency. Another advantage of the GCCC budget is its low agency support cost of 3.5 per cent as compared with the rate of 13 per cent that is charged for standard cost sharing.

8. By the time of the review 21 projects had been approved and the major thrusts of the programme - direct support services, training of national personnel and advice on the establishment of organizational structures - were well under way. The second objective of the fourth country programme, strengthening of the planning and management capabilities of the government institutions, absorbed 78 per cent of total resources allocated, followed by the first objective, Saudization and human resources development, which absorbed 11 per cent. The other two objectives, orientation towards high priority production areas and development of scientific research capabilities, absorbed 8 per cent and 3 per cent, respectively.

9. The review indicated that a considerable share of the programme falls under direct support services rather than institution-building. Although training of national counterparts has been an element in this type of project, the main emphasis in direct support projects has been to fulfil the Government's need for high-level independent and unbiased advisory services for large-scale development projects.

10. With the relatively recent decrease in oil revenues due to the drop in oil prices, the Government has had to make both administrative and fiscal adjustments to maximize the efficiency of its development expenditures. These measures have included: (a) restricting expenditures to approved budgets; (b) limiting new agreements with sizeable financial repercussions to those activities within individual Ministries' ongoing activities; and (c) limiting expansion of government departments and infrastructure.

11. The review concluded that the objectives of the country programme are still very relevant to the country's development strategy. Based squarely on the Government's Fourth Development Plan that emphasized the completion of remaining projects as well as the efficient operation and maintenance of the existing infrastructure, the current situation of financial stringency does not adversely affect the objectives of the country programme. The identified project areas that fall within each objective are also still relevant and it is clear that the objectives of the country programme were well conceived.

12. The thrust of the programme, particularly its emphasis on Saudization, provision of direct support and training of government personnel, is tailored to the specific characteristics of Saudi Arabia as an oil-producing country introducing sophisticated technology at the same time as it experiences serious constraints in terms of availability of manpower.

13. While the UNDP country programme fulfils an important role in technical co-operation by virtue of its comparative advantage in providing independent, unbiased technical advisory services, the review concluded that it has not been maximized as a frame of reference for other development assistance to the country, whether by bilateral sources or agency trust funds, in part due to its cost sharing on a project rather than programme basis.

14. Although the implementation of the country programme in the first two years of the fourth programming cycle has been relatively smooth, there have been a few problems or constraints faced during project implementation. One of the most salient and frequently encountered problems which in several cases contributed adversely to the delivery rate was the lengthy procedures for recruitment of experts. It has become increasingly more difficult to attract high-level experts with the conditions of service that are offered. Highly qualified and highly remunerated short-term consultancies have been employed in Saudi Arabia as an immediate solution in several cases. The review concluded that the UNDP field office will have to work very closely with the United Nations executing agencies to facilitate faster recruitment while the central government authorities simultaneously speed up official clearance of candidates proposed.

15. Another reason for delays in the implementation of the selected projects and the programme as a whole is the processing of fellowships. Although fellowships constitute only 7 per cent of the programme, the processing has been slow as all fellows proposed must be approved by the Civil Service Bureau in addition to the normal United Nations procedures for selection and placement of fellows.

16. Finally, in some cases project activities such as training courses have been delayed owing to the lack of counterpart funds, a result not of delays in government cost-sharing payments, which have been very punctual, but of delays caused by the specific budgetary procedures within each ministry.

IV. PROPOSED ADJUSTMENTS TO THE COUNTRY PROGRAMME

17. With the increased emphasis on a policy of Saudization and the greater availability of qualified nationals, technical co-operation activities in Saudi Arabia are evolving into a new era that may require certain adjustments, most notably the utilization of new modalities.

18. Emphasis will continue to be placed on the training and transfer of technology through the increasing use of highly qualified short-term consultants. The usage of national project professional personnel and local consultants will continue to be stressed and both are expected to be increased further. In its quest to maximize cost effectiveness, the Government has shown interest in expanding the

number of United Nations Volunteers in areas of the programme where their skills and experience would be most appropriate.

19. Simultaneous with the review was the holding of a meeting for co-operation with the private sector at the Council of Saudi Chambers of Commerce and Industry. It was emphasized during the review that a number of new projects in the realm of the private sector, most notably the strengthening of the industrial unit of the Chambers of Commerce and Industry and increasing the capacity of the National Industrialization Unit, are to be priority areas for possible assistance in the remaining period of the fourth cycle.

20. Similarly, agreement was reached with the Government to hold a national environment workshop in the second quarter of 1989 with concerned government departments, the private sector, the United Nations Environment Programme (UNEP), the World Bank and other relevant agencies of the United Nations system in order to identify priority areas for technical co-operation activities in environment for the remainder of the cycle.

21. Further, it was agreed that apart from the government development objectives, UNDP technical co-operation activities will be linked to the economic conditions and policies reflected in the Government's annual budget. For example, as a result of the phenomenal 45.8 per cent growth rate of non-oil exports in 1988, the Government has identified export promotion of non-oil products as one of its priority areas and decided during the review to allocate UNDP assistance to a full-scale project in this area. The fielding of a number of missions from United Nations executing agencies as an integral part of the review itself led to the identification of other areas for technical co-operation. There was agreement that these areas - technical education, social welfare, operation and maintenance of telecommunications, scientific and technological research - along with proposals relating to both the private sector as well as the environment and the reorientation of three ongoing projects in road network development, integrated rural development and regional development planning would constitute the pipeline for utilization of the remaining resources of the fourth cycle.

Annex

FINANCIAL SUMMARY

FOURTH COUNTRY PROGRAMME FOR SAUDI ARABIA (1987-1991)

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

	\$	\$
A. <u>Total resources taken into account for programming at time of approval of country programme</u>		41 806 000
B. <u>Resources taken into account for programming at time of mid-term review</u>		38 690 000
IPF allocations	4 938 000 a/	
Programme cost-sharing	-	
Government project cost-sharing	23 597 000	
Third-party cost-sharing	-	
Other sources (GCCC)	10 155 000	
C. <u>Net change in resources</u>		(3 116 000) b/

II. USE OF RESOURCES

	<u>Start of</u> <u>country programme</u> (1987)	<u>Mid-term</u> (1988/89) \$
Committed resources		26 111 000
Project proposals		17 131 000
Unprogrammed reserve		-
TOTAL USE OF RESOURCES		<u>43 242 000</u>

III. DISTRIBUTION OF RESOURCES BY SECTOR

<u>Administrative Committee on Co-ordination or other</u>	<u>In accordance with country programme</u>	<u>Actual at mid-term</u>	<u>Revised plan as result of mid-term review</u>
	(Percentage)		
02 General development issues, policies, planning	38	42	38
03 Natural resources	2	0	0
04 Agriculture	9	5	3
05 Industry	8	17	13
06 Transport and communications	37	33	37
07 International trade	0	0.4	3
11 Education	4	2	2
14 Social conditions and equity	1	0	1
16 Science and technology	<u>1</u>	<u>0.6</u>	<u>3</u>
	<u>100</u>	<u>100.0</u>	<u>100</u>

a/ The original indicative planning figure (IPF) allocation of \$4,400,000 has increased to \$4,938,000 with the approved July 1988 increase of \$328,000 and the carry-over of \$210,000 from the previous cycle.

b/ As cost sharing is on a project rather than programme basis, the exact level of resources available for programming could not be stated definitively at the time of country programme approval, hence a decrease of \$3,116,000 for net change in resources.

