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REPORT BY THE
Comptroller General
OF THE UNITED STATES

9/15

**The U.S.- Saudi Arabian Joint
Commission On Economic Cooperation**

The Commission, established in June 1974, provides U.S. technical expertise and assistance to the Saudi Government on a fully reimbursable basis. As of September 1978, 16 major project agreements valued at about \$800 million were being carried out.

These projects emphasize Saudi infrastructure development through technology transfer. Private U.S. businesses have received about \$140 million in contracts from these projects and are expected to play an increasingly important role in them.

GAO recommends that the Secretary of the Treasury take action to further advise the U.S. business community of commercial opportunities in Commission projects.



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Report - Restrict

ID-79-7

MARCH 22, 1979





COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-16740

The Honorable Lee H. Hamilton, Chairman
Subcommittee on Europe and the Middle East
Committee on Foreign Affairs
House of Representatives

HSE01116

Dear Mr. Chairman:

In response to your request of March 30, 1978, we studied the United States-Saudi Arabian Joint Commission on Economic Cooperation's mandate, composition, operations, scope of activities, and achievements. We discussed with Saudi Government officials their views of the Commission's work and accomplishments. We explored possible methods for improving congressional oversight of the Commission and for strengthening its performance.

Based on our review, we are recommending that the Secretary of the Treasury have the Office of Saudi Arabian Affairs and the U.S. Representation in Riyadh develop and make available to U.S. businessmen sufficient information on Commission projects to identify commercial opportunities.

Concerning the improvement of congressional oversight, Public Law 95-612, enacted November 8, 1978, requires Treasury to seek appropriations for its international affairs functions, including the U.S.-funded personnel and administrative costs related to Commission activities. The Assistant Secretary of Treasury for International Affairs also has indicated his willingness to provide periodic briefings or testimony on Commission activities. Officials of AID's Office of Reimbursable Development Programs will be providing periodic reports to the Congress. In view of these developments, we are not recommending additional actions at this time.

We have discussed the report with officials of the Departments of Treasury and State and the Agency for International Development and incorporated their informal comments where appropriate. These officials were in general agreement with the report and our recommendation.

B-167420

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from the date of the report. At that time we will send copies to interested parties and will make copies available to others upon request.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James B. Stucke". The signature is written in dark ink and is positioned above the typed name and title.

Comptroller General
of the United States

DL60697

D I G E S T

The United States-Saudi Arabian Joint Commission on Economic Cooperation, established on the heels of the Arab oil embargo and price increases,

- fosters closer political ties between the two countries through economic cooperation;
- assists Saudi industrialization and development while recycling petrodollars; and
- facilitates the flow to Saudi Arabia of American goods, services, and technology.

The Commission has a system of parallel command in which the U.S. Secretary of the Treasury and the Saudi Minister of Finance and Economy serve as co-chairmen and the U.S. Assistant Secretary of Treasury for International Affairs and the Saudi Deputy of Finance serve as coordinators./

U.S. technical assistance is funded almost entirely from the Saudi Arabian Trust Account in the U.S. Treasury. An amount equal to the estimated annual costs of formalized projects is deposited in the Trust Account in advance by the Saudi Government.

U.S. management and support of the Commission were financed through the Treasury's Exchange Stabilization Fund. However, since passage of Public Law 95-612 in November 1978, the Treasury is prohibited from paying salaries and other administrative expenses associated with its international affairs function with the Fund's money; in the future, such expenses will be paid from appropriations.

ID-79-7

The Commission has received high praise from all sectors for the quality of its work and personnel. Saudi Government officials described it as an effective mechanism for transferring technology and promoting Saudi development.

/The U.S. Treasury presently views the Commission's function as one of providing technical assistance and advice to the Saudis. / It sees Commission projects as generating commercial opportunities for U.S. firms, but does not see the Commission as a primary vehicle for directly promoting U.S. exports.

CONCLUSIONS

The Commission's current programs emphasize the development of Saudi infrastructure through technology transfer. It is essentially a reactive rather than initiating organization, but this is harmonious with Saudi desires at the present stage of the country's development. / Saudi officials told us that, in the future, the Commission will be expected to expand into non-infrastructure areas.

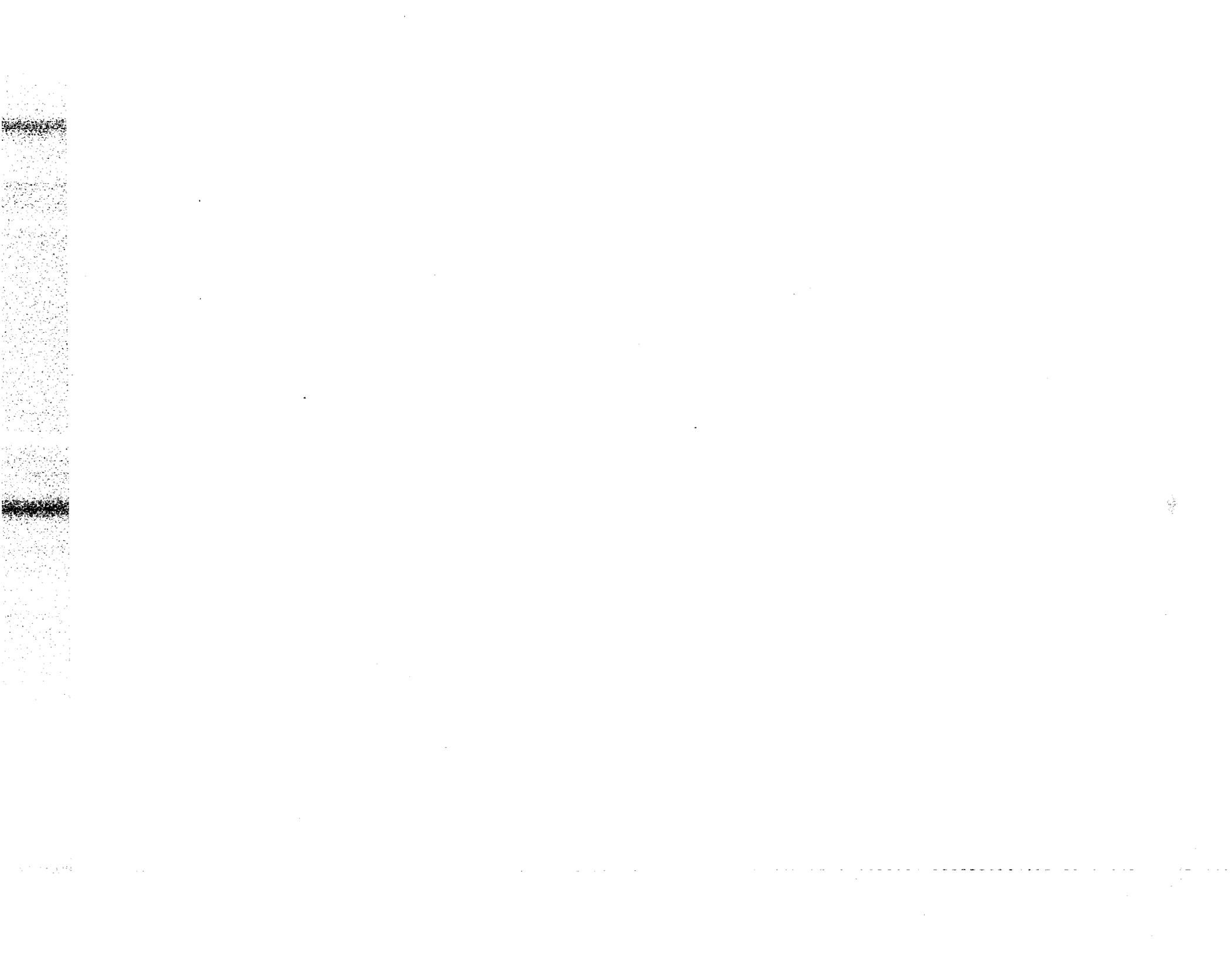
As of September 30, 1978, /the Commission had 16 formalized projects in various stages of completion and several projects in the negotiation stage. / Formal agreements were signed November 19, 1978, for three of these projects. There are about 133 U.S. technicians in Saudi Arabia. GAO believes the Commission's scope of activities can continue to expand, providing the United States and Saudi Governments are willing to use more commercial U.S. firms to conduct projects.

U.S. commercial interest could be appropriately served if the Offices of Saudi Arabian Affairs and Representation made information available which would fully apprise the U.S. business community of the opportunities available from Commission activities. Such information could help to increase U.S. business involvement.

RECOMMENDATION

To highlight Commission activities and their inherent commercial opportunities, the Secretary of Treasury should have developed and made available to interested U.S. businessmen, the U.S. Embassy, and the Department of Commerce the information on Commission projects, both ongoing and planned, in sufficient detail to permit suppliers to identify possible commercial opportunities.

GAO did not obtain formal comments but did discuss the report with key officials of the Departments of Treasury and State and with the Office of Reimbursable Development Programs of the Agency for International Development and incorporated their comments where appropriate. These officials were in general agreement with the report and the recommendation.



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ABBREVIATIONS

AID	Agency for International Development	<i>AGC 00097</i>
ESF	Exchange Stabilization Fund	✓
GSA	General Services Administration	
GAO	General Accounting Office	
OSAA	Office of Saudi Arabian Affairs	✓
USREP	United States Representation	



CHAPTER 1

INTRODUCTION

The United States-Saudi Arabian Joint Commission on Economic Cooperation was formally established on June 8, 1974, by a Joint Statement issued by the U.S. Secretary of State and the Crown Prince and Deputy Prime Minister of Saudi Arabia. The Joint Statement expressed the countries' desires to work together to promote Saudi programs of industrialization, trade, manpower training, agriculture, and science and technology. Also, the U.S. Treasury Department and the Saudi Arabian Ministry of Finance and National Economy agreed to consider cooperation in the field of finance.

Representatives of the two countries signed a Technical Cooperation Agreement on February 13, 1975, which provided for technical and advisory services to implement the goals of the Commission. Basically, the countries agreed that:

- The U.S. Government would make available professional and technical services advisors for the purpose of Saudi economic and human resources development.
- The two governments would adopt mutually agreeable organizational arrangements to facilitate the implementation of the Agreement.
- The U.S. Government, as requested by Saudi Arabia, would prepare technical or economic studies of specific development projects and provide technical and professional services to these projects in accordance with mutually agreed cost estimates; the Saudi Government would establish a dollar trust account in the U.S. Treasury and provide in advance the full amount of funds necessary to cover the costs of the studies and services.
- The U.S. Government would assign adequate administrative and staff support to Saudi Arabia to carry out the purposes of the Agreement and the Saudi Government would defray all support costs.
- The Agreement would remain in effect for 5 years from the date of signature, subject to revision or extension as mutually agreed, and could be terminated at any time by either government with 180 days advance notice in writing.

U.S. EXPECTATIONS

The U.S. involvement in the Commission is the first of its kind between the United States and a Middle Eastern country.

The Commission was established on the heels of the Arab oil embargo and price increases. The embargo emphasized that closer U.S.-Arab ties were needed. The oil price increases gave Saudi Arabia a substantial amount of petrodollars which could be used for development purposes.

The Commission was perceived as an important mechanism for (1) fostering closer political ties between the two countries through economic cooperation, (2) assisting Saudi industrialization and development while recycling petrodollars, and (3) facilitating the flow to Saudi Arabia of American goods, services, and technology.

In a statement before the Subcommittee on the Near East and South Asia, House Committee on Foreign Affairs, on August 7, 1974, the Assistant Secretary of State for Near Eastern and South Asian Affairs noted another benefit.

"In helping the Saudis to find a way to invest their large and growing financial reserves, we will give them added incentive to continue to produce oil in the quantities needed to meet world demands at stable, and hopefully lower, price levels."

U.S. MANAGEMENT RESPONSIBILITY

The Secretary of the Treasury is responsible for U.S. participation in the Joint Commission on Economic Cooperation. We understand Treasury was given this responsibility in recognition of the importance of financial and investment matters in the U.S.-Saudi relationship. Moreover, we were told that this was in line with the Saudi preference, especially since Saudi participation in the Commission was to be headed by its Minister of Finance and National Economy.

STATUTORY BASIS AND CONGRESSIONAL INTEREST

The statutory basis for U.S. Government involvement in Commission activities is Section 607 of the Foreign Assistance Act (22 U.S.C. 2357), which states that:

"Whenever the President determines it to be consistent with and in furtherance of the purposes of part I and within the limitations of this Act, any agency of the United States Government is authorized to furnish services and commodities on an advance-of-funds or reimbursement basis to friendly countries * * *."

This required determination was delegated to the Agency for International Development (AID).

On June 6, 1975, AID made a determination under Section 607 to permit Treasury to carry out its responsibilities under the Commission. In the determination, AID approved the transfer of a portion of its Section 607 authority for activities of other U.S. agencies in Saudi Arabia to Treasury, thus authorizing Treasury to use other U.S. Government agencies in Commission-reimbursable activities.

AID asked Treasury on June 6 and again on September 24, 1975, to make periodic reports of activities under the Section 607 determination so that, among other uses, AID could include the information in its reports to the Congress. Treasury has been making these reports and we reviewed its June 1978 quarterly report. Officials of AID's Office of Reimbursable Development Programs, which has overall responsibility for Section 607 activities, told us that AID policy calls for periodic reports to the Congress. However, no reports had been sent to the Congress at the time of our visit, but one is expected to be sent in the next 6 months. AID officials could not identify a statutory reporting requirement specifically on Section 607 activities.

The Case Act (1 U.S.C. 112(b)) requires the Secretary of State to transmit to Congress all international agreements, other than treaties, to which the United States is a party within 60 days of their entry into force. The Technical Cooperation Agreement and the project agreements now in force have been submitted to the Senate Foreign Relations and House International Relations Committees in accordance with the Case Act.

U.S. management and support of the Commission were financed through the Treasury's Exchange Stabilization Fund (ESF). However, the passage of Public Law 95-612 on November 8, 1978 (92 Stat. 3091), prohibited Treasury from paying salaries and other administrative expenses associated with its international affairs function with ESF moneys; in the future, such expenses will be paid from appropriations.

We met with the Assistant Secretary of Treasury for International Affairs (who is also U.S. Coordinator of the Commission) in mid-November 1978 to discuss our review incountry, and he expressed a strong interest in keeping the Congress informed on U.S. involvement in the Commission. He said that he welcomed public discussion on the Commission's status and accomplishments to date and that he would be pleased to provide periodic briefings or formal testimony for appropriate legislative committees of the Congress.

SCOPE OF REVIEW

We made our review in Washington, D.C., and in Jidda and Riyadh, Saudi Arabia.

In Washington, we talked with representatives of Treasury's Office of Saudi Arabian Affairs about their functions, operations, funding, and interrelationship with the United States-Saudi Arabian Joint Commission on Economic Cooperation (we did not audit the Saudi Arabian Trust Account or the Exchange Stabilization Fund). At State and Commerce, we discussed their perceptions of the Commission's mandate and accomplishments. We also interviewed the two previous Directors of the U.S. Representation Office in Riyadh and the newly designated Director. At the Agency for International Development, we discussed reporting requirements under Section 607 of the Foreign Assistance Act.

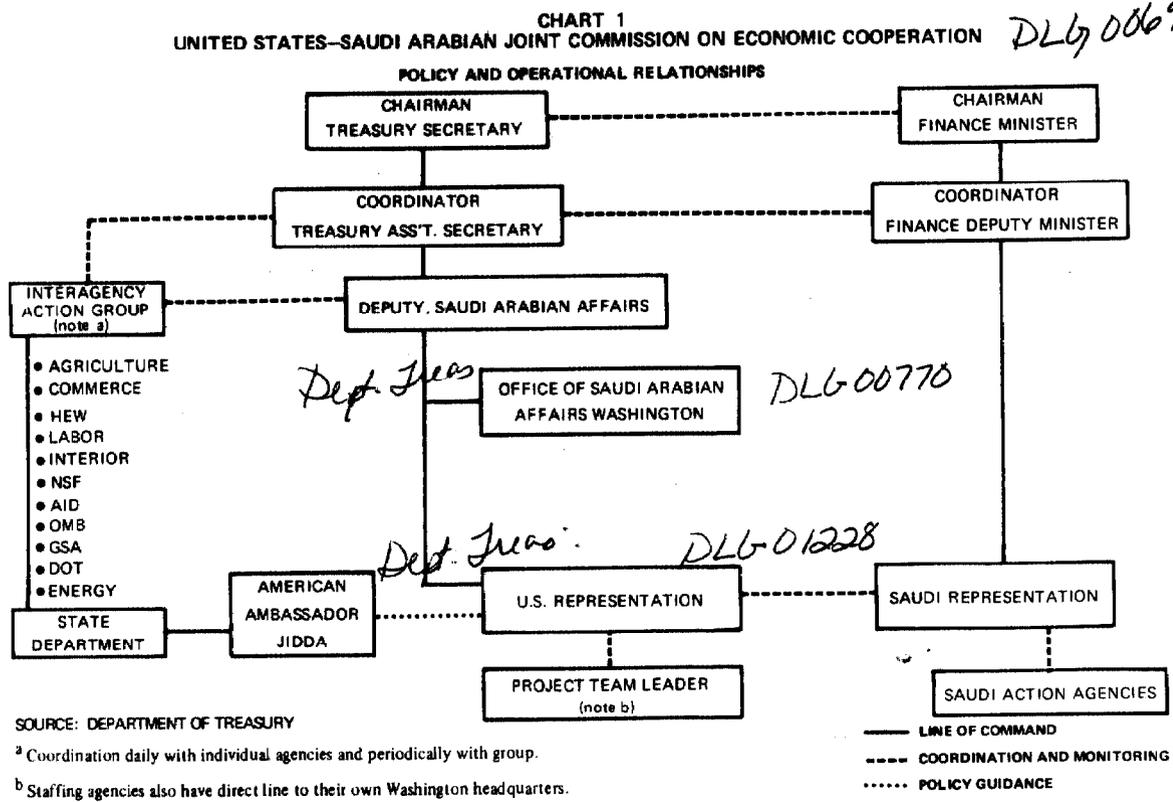
In Jidda, we explored the Commission's interrelationship with the U.S. Embassy and its Liaison Office. In Riyadh, we examined the U.S. Representation Office functions and accomplishments in Commission projects' development and in promoting U.S. commercial interests. We also discussed with Saudi Government officials their perceptions of the Commission's mandate, operational efficiency, effectiveness in transferring technology, and overall achievements and shortfalls.

We did not obtain formal agency comments but did discuss the report with key officials of the Departments of Treasury and State and AID's Office of Reimbursable Development Programs; their comments have been incorporated where appropriate. These officials were in general agreement with the report and our recommendation.

CHAPTER 2
ORGANIZATION,
FUNDING, AND OPERATIONS

ORGANIZATION

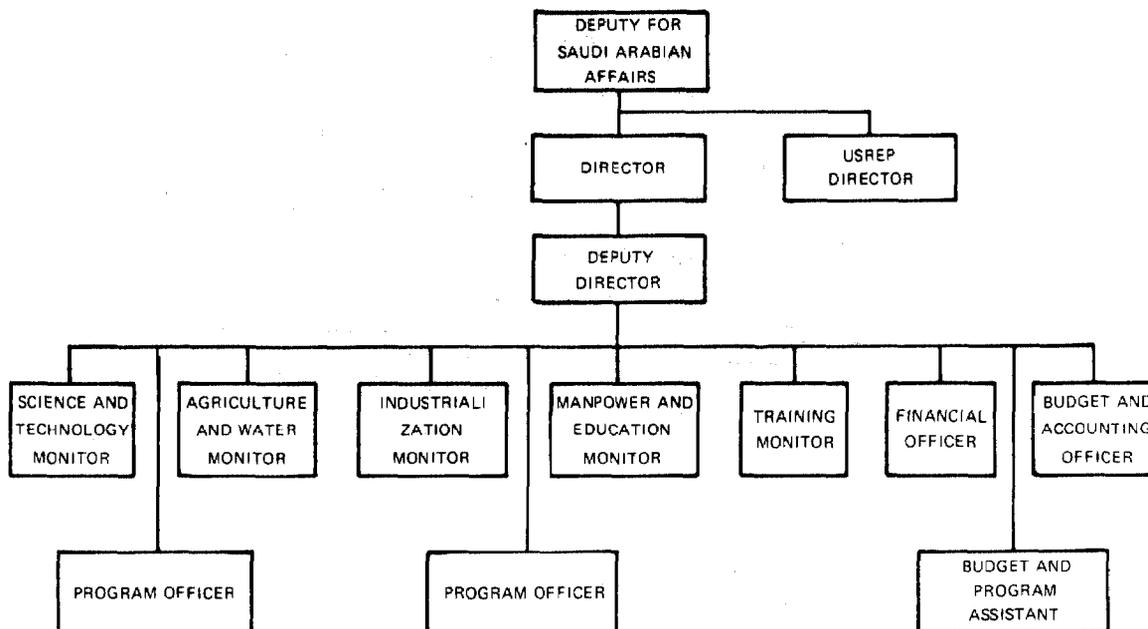
The Joint Commission on Economic Cooperation has a system of parallel command in which the U.S. Secretary of the Treasury and the Saudi Minister of Finance and Economy serve as co-chairmen and the U.S. Assistant Secretary of Treasury for International Affairs and the Saudi Deputy Minister of Finance serve as coordinators, as shown in chart 1.



The Treasury Department has given responsibility for U.S. participation in the Commission to the Deputy for Saudi Arabian Affairs. To assist the Deputy, an Office of Saudi Arabian Affairs (OSAA) was created in Treasury and a U.S. Representation Office (USREP) was created in Riyadh.

OSAA has 13 professional and 6 administrative employees and is primarily responsible for (1) disseminating policy and operational guidelines to other Federal agencies involved in technical cooperation projects, (2) coordinating the conceptualization and development of projects with the Saudi and U.S. Governments, (3) monitoring the disbursement of Saudi Trust Account funds to the Federal agencies and private sector for project expenses, (4) monitoring project progress, and (5) providing a wide range of economic analyses and policy recommendations. (See chart 2.)

CHART 2
OFFICE OF SAUDI ARABIAN AFFAIRS

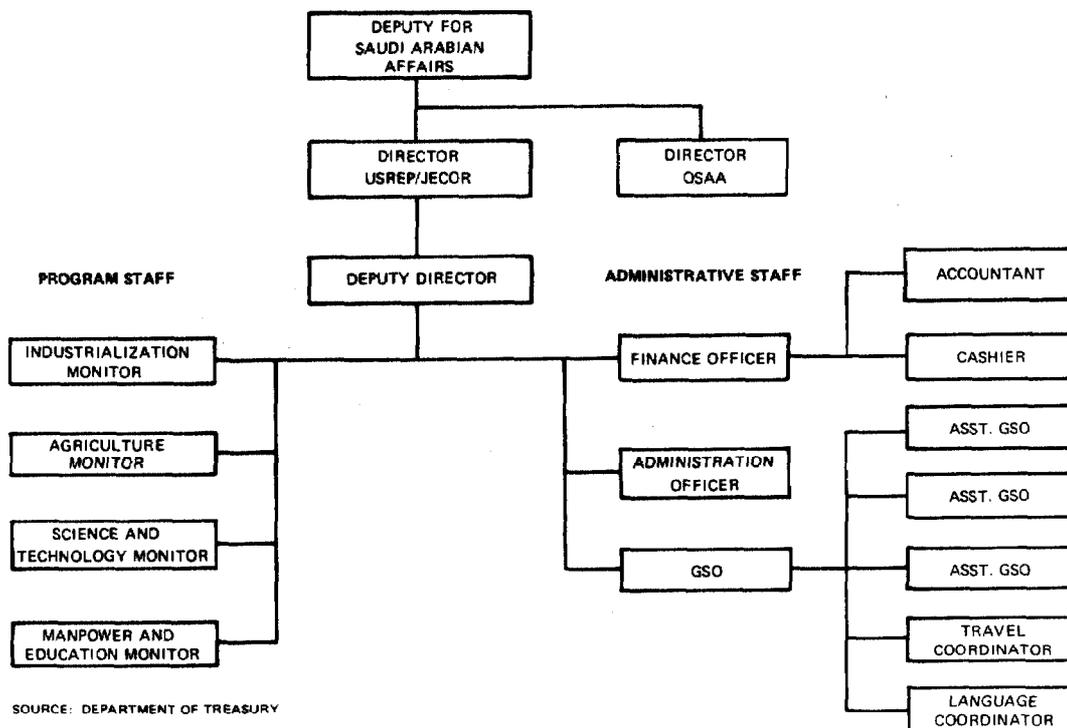


SOURCE: DEPARTMENT OF TREASURY

USREP has 14 professional and 2 administrative employees responsible for supervising U.S. operations in the field, providing administrative support to the project teams, and working with the Saudi Government to develop ideas for new projects. The Director, who is appointed for a 2-year period, develops Commission programs and serves as the communications link between the Saudis and Americans in carrying out the programs. Since its inception, USREP has had three directors; the most recent, appointed on October 10, 1978, reported to Riyadh on October 23.

USREP also has a deputy director, support staff, and four program monitors (industrialization; agriculture, water affairs, and land management; manpower and education; and science and technology). The monitors serve as communication links in their respective areas and help to define and develop potential technical assistance projects. (See chart 3.) The USREP program monitors have counterparts in the OSAA.

CHART 3
 UNITED STATES REPRESENTATION TO THE JOINT ECONOMIC COMMISSION



At the time of our review, the USREP industrialization monitor position had been filled after several months of vacancy. The Saudis have no Commission representation below the level of Deputy Coordinator.

A large number of U.S. personnel in Saudi Arabia also work on technical cooperation projects under the auspices of the Commission, and many Government and private-sector personnel have visited Saudi Arabia to provide technical expertise requested by the Saudi Government.

Treasury, for the most part, relies on other Federal agencies (see chart 1) and private contractors for the technical expertise required on projects. Project personnel usually work directly in the Ministries.

To increase U.S. interagency coordination and information, a formal U.S. Interagency Action Group was established on February 27, 1975, for "monitoring progress being made on a regular basis so as to insure that program goals are being met and to review and implement new proposals that may be agreed upon." This group is chaired by Treasury's Assistant Secretary for International Affairs or his Deputy for Saudi Arabian Affairs and has representatives from all Federal agencies involved in the programs. It plays a role in both the development of Commission-related policy and the project approval process.

FUNDING

Saudi Arabian Trust Account

U.S. technical assistance is funded almost entirely from the Saudi Arabian Trust Account, an interest-bearing account, in the U.S. Treasury. An amount equal to the estimated annual costs of formalized projects is deposited in the trust account in advance by the Saudi Government, and additional deposits are required for all anticipated cost overruns. Interest accrued in the account may be allocated for program uses, when specifically authorized by the Saudis, on the understanding that such authorized amounts will be reimbursed by an appropriate project deposit. As of September 30, 1978, a total of \$250 million had been deposited in the trust account and a total of \$12 million in interest had accrued. (See table 1.)

Table 1

Saudi Arabian Trust Account Deposit and Obligations
as of September 30, 1978 (note a)

		----- (millions) -----
Total cumulative deposit		\$250
Obligated funds:		
U.S. private sector:		\$140
Value of goods	\$69	
Value of services	71	
U.S. Government agencies		<u>55</u>
Total obligated funds		<u>-195</u>
Unobligated balance		\$ 55

a/Does not include \$12 million in interest.

Source: Department of the Treasury

Logistical support provided prior to a project deposit is funded from a revolving project advance account, which is replenished from the trust account once the deposit is received. In late 1975, the Saudi Coordinator authorized \$2.5 million for the acquisition of housing, vehicles, and other necessary items prior to the deposit of funds called for by the project agreement. This amount constitutes the revolving fund.

The annual USREP budget is submitted to the Saudi Government prior to the beginning of its new fiscal year. When approved, the budget amount is deposited in the trust account to finance that year's operations.

Saudi-funded Commission operating expenses are summarized for fiscal years 1975-78 in table 2.

Exchange Stabilization Fund

Until fiscal year 1979, U.S. management and support of the Commission were financed through the Exchange Stabilization Fund (See table 3.) The Fund was initially used to support 18 positions in the Office of the Deputy for Saudi Arabian Affairs and OSAA, but in June 1977, 10 of these positions were shifted to the Saudi Government budget. As a matter of policy, it was determined that the three senior U.S. managerial positions of USREP (Director, Deputy Director, and

Table 2

Saudi-funded Commission Operating ExpensesFiscal Years 1975-78

OSAA-Washington:	Fiscal year ending		Total
	9/30/77 (note a)	9/30/78	
Personnel compensation	\$99,297	\$318,276	\$417,573
Benefits	8,284	26,545	34,829
Travel	6,631	41,966	48,597
	<u>\$114,212</u>	<u>\$386,787</u>	<u>\$500,999</u>

	Fiscal year ending				7/1/78 to 9/30/78	Total
	6/30/75 (note b)	6/30/76	6/30/77	6/30/78		
USREP-Riyadh:						
Compensation and benefits	\$ 0	\$380,407	\$ 654,488	\$ 681,940	\$203,019	\$1,919,854
Transportation and travel	0	81,679	116,665	132,534	51,524	382,402
Office rent and maintenance	87,553	506,604	212,426	146,907	124,352	1,077,842
Communications	0	21,565	39,026	33,926	17,389	111,906
Vehicle expense	15,382	142,645	117,177	253,148	33,589	561,941
Housing and related expense-- staff	0	835,199	874,241	499,092	124,425	2,332,957
Housing and related expense-- transient	0	303,790	94,824	71,533	11,303	458,844
Recreation facilities and operation	0	29,066	180,393	1,100,996	165,792	1,476,247
Medical support	0	1,245	477	14,057	6,778	22,557
	<u>\$102,935</u>	<u>\$2,302,200</u>	<u>\$2,289,717</u>	<u>2,934,133</u>	<u>715,565</u>	<u>\$8,344,550</u>
Total	<u>\$102,935</u>	<u>\$2,302,200</u>	<u>\$2,289,717</u>	<u>\$2,934,133</u>	<u>\$715,565</u>	<u>\$8,845,550</u>

a/Saudi Government funding commenced on June 7, 1977.

b/Start-up costs for April and May 1975.

Source: Department of Treasury (Statement not audited by GAO.)

Comptroller) and the secretary to the Director also should be ESF-financed.

The ESF was also used as a clearing account to pay, on a reimbursable basis from the Saudi Trust Account, the compensation, allowances, travel, and related personnel benefits for nonmanagerial U.S. Treasury employees assigned to USREP and for selected Washington-based Treasury employees.

Table 3
ESF-funded Commission Operating Expenses
Fiscal Years 1976-78

	<u>Fiscal year</u>				<u>Total</u>
	<u>1976</u>	<u>Transition quarter 1976</u>	<u>1977</u>	<u>1978</u>	
OSAA-Washington:					
Personnel compensation and benefits	\$ 391,896	\$ 97,974	\$326,636	\$ 172,907	\$ 989,413
Travel and transportation	49,581	12,395	27,680	21,798	111,454
Rents, communications and utilities	42,300	10,575	11,528	2,604	67,007
Printing and supplies	4,839	1,202	2,858	620	9,519
Equipment	9,312	2,328	3,418	955	16,013
Other	10,804	2,701	2,235	1,451	17,191
	<u>\$ 508,732</u>	<u>\$127,175</u>	<u>\$374,355</u>	<u>\$ 200,335</u>	<u>\$1,210,597</u>
USREP-Riyadh:					
Personnel compensation and benefits	\$ 129,574	\$ 32,394	\$149,089	\$ 162,154	\$ 473,211
Travel	33,834	8,458	34,600	68,660	145,552
Transportation	35,352	8,838	-	3,000	47,190
Rents and communication	214,902	-	-	-	214,902
Other services	1,426	356	82,346	80,502	164,630
Supplies	356	89	36	-	481
Equipment	102,964	-	1,110	-	104,074
	<u>\$ 518,408</u>	<u>\$ 50,135</u>	<u>\$267,181</u>	<u>\$a/314,316</u>	<u>\$1,150,040</u>
Total	<u>\$1,027,140</u>	<u>\$177,310</u>	<u>\$641,536</u>	<u>\$ 514,651</u>	<u>\$2,360,637</u>

a/Included 9 months actual and 3 months estimated.

Source: Department of Treasury (Statement not audited by GAO.)

House Report 91-1792, the conference report on the bill that became Public Law 91-599, states that the administrative expenses of the Fund:

"cover the expenses of carrying out of stabilization operations and other related international economic activities of the Office of the Assistant Secretary for International Affairs of the Treasury, as well as legal and administrative support services."

Under these criteria, Treasury has determined that ESF funding is available for exchange stabilization and related activities, including personnel support.

In a report issued November 6, 1975, 1/ we viewed Treasury's criteria as generally providing that ESF resources could be used to pay personnel involved in international economic and trade matters. We agreed that the criteria were within the discretion of the Secretary to adopt and that ESF resources could be used for this purpose.

As discussed on page 3, Public Law 95-612 prohibits Treasury from paying salaries and other administrative expenses associated with its international affairs functions with ESF moneys; in the future, these expenses will be paid from appropriations.

OPERATIONS

Administrative

U.S. administrative tasks for the Commission are divided between the OSAA, USREP, and Federal agencies.

OSAA has four senior program monitors, two program officers, a training officer, and administrative personnel. The monitors and program officers draft project agreements and coordinate projects with U.S. Federal agencies. A great deal of their time is spent monitoring 4 of the 16 major projects that are under Treasury. Other essential tasks include following up requests, processing visas, briefing personnel going to Saudi Arabia, and assisting agencies to recruit and select personnel for project work in Saudi Arabia.

1/Exchange Stabilization Fund Expenditures For Personnel Support (ID-76-25).

USREP's administrative tasks include recording and disbursing expenditures in Saudi Riyals; providing housing, motor vehicle transportation, and currency exchange services; providing for security; obtaining Saudi Government accreditation; and preparing financial statements.

Federal agencies, in conjunction with the Treasury Department, help to define projects. The agencies make feasibility studies and determine personnel resources required for projects, project costs, and level of involvement of the U.S. business community. Each agency assigns a project leader and team members to Saudi Arabia and retains its normal personnel and administrative responsibility for these personnel.

Project development and implementation

Projects are initiated by both Saudi Arabia and the United States. No clear attribution can be made, because there is no standard method by which projects are initiated; moreover the specific interim developmental steps between the germ of an idea to the signing of a project agreement differ from one project to the next. Despite these variations, projects generally follow similar developmental paths.

Ideas for projects are focused and refined by USREP personnel in conjunction with the Saudis. Often, teams of U.S. Government or private-sector specialists are brought in on temporary duty to make studies which outline conclusions and suggestions to meet Saudi needs. If the Saudis are satisfied with the suggestions and are willing to fund the project, a formal project agreement is negotiated. The U.S. Government agency then implements the agreement by providing technical personnel from the agency or by contracting with U.S. firms for equipment or services.

The time lapse between project idea to project agreement can vary from a few months to a few years, depending upon the:

- Scope of work to be performed.
- Availability of U.S. personnel to make the feasibility study. (Considerable time and effort can be spent in locating technically qualified personnel who are willing and able to travel to Saudi Arabia.)
- Saudi receptivity to study results, which are published in English and delivered to the cognizant Saudi agency

for evaluation. (Delays may be encountered in having the results translated into Arabic and in finding technically qualified ministry personnel who can evaluate the proposal.)

--Saudi willingness to fund the project; ministries are required to fund projects they want. (Hence, projects must compete for funds with other ministry programs. We were told that funding is becoming more of a problem as the Saudis seek to cut government spending.)

As of September 30, 1978, there were 16 formalized project agreements, employing a total of about 133 U.S. technicians in Saudi Arabia, as shown in table 4. (Project descriptions and status are discussed in app. I.) Ten U.S. and eight Saudi agencies and eight U.S. firms were actively involved in providing architect/engineer, construction supervision, and other technical services.

From our discussions and our review of available records, we found that the total U.S. commercial benefit from Commission projects is not easily identified because (1) information on sources of equipment and material is not easily extracted from Commission records, (2) contract awards resulting from project activities, but outside the purview of Commission projects, are not readily identifiable, and (3) the full extent of U.S. commercial involvement, from feasibility studies to project implementation, is impossible to predict.

Treasury estimated that Commission goods and services contracts with over 100 U.S. firms total about \$140 million. (See table 1.) For perspective, this cumulative figure may be compared to the total \$3.6 billion in U.S. goods sold to Saudi Arabia in 1977 alone. It is also a relatively small amount compared to the total commercial opportunities expected to result from projects as they progress from the feasibility studies to implementation. For example, the 25-year electrification plan presently being prepared by a U.S. firm on a \$24 million contract has an estimated cost of about \$27 billion.

The degree of U.S. commercial participation could be influenced by:

--Contract specifications. (We were told that U.S. Government and contractor personnel incorporate U.S. specifications and standards into plans and studies, thus giving U.S. equipment suppliers and construction contractors an advantage.)

Table 4
Formal Project Agreements
as of September 30, 1978

<u>Project</u>	<u>Value</u> (millions)	<u>U.S. participant</u>	<u>U.S. staff</u>
1. Statistics and data processing	\$ 18	Commerce	17
2. Agriculture and water	56	Agriculture, Interior, American University of Beirut	35
3. Electric power equipment and installation	69	a/GSA and Overseas Advisory Associates, Inc.	1
4. Electrical services	24	Treasury and C.T. Main, Inc.	17
5. National Center for Science and Technology	15	National Science Foundation	0
6. Vocational training and train- ing center construction	b/250	Labor, GSA, Frank L. Hope, Inc., and CRS Design Asso- ciates	43
7. Asir National Park	37	Interior and Wirth-Berger, Inc.	0
8. Electrical power equipment	11	Treasury and GSA	0
9. Desalinization technology	79	Interior	3
10. Consumer protection	31	Treasury and Midwest Re- search Institute	5
11. Financial Information Center	36	Treasury; CRS Design Assoc- iates; Ford, Powell and Carson; and Boston Univ.	7
12. National highway programs	13	Transportation	5
13. Solar energy research	100	Energy and Solar Energy Re- search Institute	0
14. Auditing assistance	10	Treasury	0
15. Customs assistance	15	Treasury	0
16. Central procurement	<u>12</u>	GSA	<u>0</u>
Total	<u>\$776</u>		<u>133</u>

a/General Services Administration

b/Excludes construction funds

- Preference for U.S. goods and services. (Cognizant U.S. personnel said that the Saudis have a preference for U.S. goods and services; this was largely confirmed during our discussion with Saudi officials.)
- Competitiveness of bids. (We were told that U.S. technical competence in most areas was equal to or greater than that of competitors but that U.S. contractors' bids have often been higher because of (1) the impact of 1976 U.S. personal income tax changes, 1/ (2) government financial subsidies and other assistance received by competitors, (3) competitors' occasional practice of deliberately underbidding on contracts, (4) generally higher compensation levels for U.S. personnel, and (5) the added costs of providing full support services for dependents of U.S. personnel--many non-American personnel go to Saudi Arabia without their families.)

Commission and U.S. Embassy
relationship

Our discussions with personnel at the U.S. Embassy, its Liaison Office in Riyadh, and at Commission headquarters and a review of Commission files revealed that personality conflicts and insufficient information interchange in the past resulted in strained relations between these State and Treasury Department organizational elements. We found that relations were steadily improving to the potential benefit of Commission operations and U.S. commercial interests.

The Embassy and Liaison Office presently assist the Commission in a number of different areas, including foreign policy guidance, commercial support, and project promotion. The Liaison Office is advised of U.S. commercial opportunities through Commission publications, cable traffic, staff

1/Legislation and tax court decisions in 1976 substantially increased the tax burden on many Americans working abroad. Most companies have followed a policy of compensating these employees, thereby increasing company costs. The Foreign-Earned Income Act of 1978 (Title II of Public Law 95-615, 92 Stat. 3098), enacted November 8, 1978, will provide substantial relief for overseas U.S. taxpayers faced with higher costs of living abroad and other special expenses.

meetings, and periodic discussions with project monitors and team leaders. The Embassy and Liaison Office commercial sections, through their Saudi Ministry contacts, also suggest project ideas that could be pursued through the Commission.

We were told that the commercial sections could do more if they were better informed of commercial opportunities available from the projects. Periodic advisory reports on such opportunities would be beneficial to the Embassy commercial staff and, in turn, to U.S. businessmen.

CHAPTER 3

VIEWPOINTS ON COMMISSION

FUNCTION AND OPERATIONS

Generally, the Commission received high praise from all sectors for the quality of its work and personnel. Saudi Government officials described it as an effective mechanism for transferring technology and promoting Saudi development.

Our discussions with Saudi and U.S. Government officials indicated that the Commission's function has changed and that its operations could be improved in several key areas.

FUNCTION

According to the Saudi Arabian Coordinator (Deputy Minister for Finance and National Economy), the Commission was initially contemplated to have been an instrument for discussing foreign policy and promoting trade. However, the Coordinator said that today it more closely represents what the Saudis wanted from the beginning, an instrument to transfer technology from the United States to Saudi Arabia.

Other countries have joint commissions with Saudi Arabia but, according to the Coordinator, these countries have been primarily interested in promoting trade and the commissions have not developed in size or effectiveness as has the U.S.-Saudi Commission. Moreover, it is the U.S.-Saudi Commission's effectiveness in transferring technology which has encouraged its growth.

The Coordinator stated that the Saudi Government wanted not only U.S. goods and services but also the opportunity to select U.S. firms and goods when, and if, warranted.

The U.S. Treasury presently views the Commission's function as one of providing technical assistance and advice to the Saudis. It sees Commission projects as generating commercial opportunities for U.S. firms but does not see the Commission as a primary vehicle for directly promoting U.S. exports.

OPERATIONS

Project initiation

Saudi officials were satisfied, for the most part, with the Commission's role in generating project ideas. The Saudi Coordinator stated that his ministry at present was satisfied to have the Commission primarily respond to Saudi requests, but would look for it to initiate and be involved in more projects in the future. The Minister of Finance and National Economy echoed this viewpoint and added that the Commission's long-range task would be to expand its scope of activities into other areas, such as industrialization. An official in another ministry stated that the Commission continuously provided a wealth of ideas and suggestions which were enriching his project and that the country would need more ideas and project concepts as its society and economy matured.

USREP officials indicated that the Commission's scope of activities was limited by:

- Small number of personnel. (Growth in the U.S. resident workforce is limited by the lack of adequate housing, schools, and other necessities which U.S. citizens normally require.)
- Nonavailability of technical staff. (U.S. agencies are less than eager to relinquish the services of their highly qualified technical personnel, and U.S. personnel are reluctant to bring wives and families into an environment where women's freedom is severely restricted.)
- Shortage of trained Saudis to assume control of completed projects. (This may require that U.S. personnel be kept on projects rather than being transferred to new projects.)
- Limited Saudi receptivity to new ideas and limited funding cause project initiatives to be killed or temporarily delayed.

Transfer of technology

Saudi officials appeared to be genuinely satisfied with Commission efforts to transfer technology. Both the Saudi Government and USREP recognize that the transfer process is hampered by the shortage of adequately trained Saudis to absorb the technology.

The Saudi Government is involved in several programs to have young Saudis educated in the United States and USREP officials have suggested specific educational programs in the United States.

Promotion of U.S. commercial interests

According to the Saudi Coordinator, the Commission's short-term goal is to improve technology transfer and a long-term goal is to increase U.S. exports to Saudi Arabia. As stated earlier, Commission-generated feasibility studies are geared to U.S. specifications, so it is only natural that the United States would benefit most from subsequent contracts.

The preference for U.S. goods was indicated several times during our discussions; however, price competitiveness was also considered an important determining factor.

USREP officials said they promote U.S. commercial interests to the extent possible, without causing Saudi dissatisfaction or degrading Commission effectiveness, through contracting to U.S. firms for projects which cannot or should not be staffed by U.S. Government personnel and through providing the names of qualified U.S. contractors when suggestions are solicited by the Saudis.

We were told that the Commission also is a source of information on business opportunities, since (1) requests for proposals are advertised in the Commerce Business Daily and other appropriate U.S. publications, including trade journals, (2) it directs U.S. businessmen in Saudi Arabia to technical staff who can best assist them, and (3) the Embassy Liaison Office in Riyadh has access to all Commission publications and cable traffic, so it is aware of all projects and upcoming contract opportunities.

U.S. Embassy officials believe the Commission could be of further assistance without jeopardizing its relationship with the Saudi Government through expanding the amount of information available to the American business community concerning Commission activities.

Promotion of activities

Some Saudi officials indicated that the Commission could be more effective if its activities were publicized; one person said that, except for the Commission's annual meetings, he heard nothing about the projects.

The Saudi Coordinator believed the Commission had appropriate visibility and that overpublicizing its activities could adversely affect its operations; also, the completed projects themselves would give appropriate visibility and recognition to Commission activities.

USREP officials said that the Commission and its achievements have been publicized in several newspaper and magazine articles and that the Commission's annual meetings and reports receive wide distribution.

Staffing

Concerns expressed by several Saudi officials were that:

- The United States takes 6 to 8 months to fill Commission positions; other countries have been able to provide technical personnel in far less time.
- The frequent change in USREP personnel has affected the Commission's effectiveness; USREP personnel need time to get to know ministry personnel and needs, just as ministry employees need time to get to know and trust USREP personnel. This is especially true for the Director, who manages the organization and in whom the ministers must place their trust; the Director's term should be based upon Saudi satisfaction and not be limited to 2 years.
- The U.S. private sector has considerable technical expertise which should be incorporated into Commission projects to a greater extent.
- Commission personnel would be better received and possibly could accomplish more if they could speak Arabic.

USREP officials stated that:

- U.S. Government requirements for physicals and security clearances add considerable time to the staffing process. Treasury officials confirmed that it may take up to 6 months to complete the full field-security background investigation for Federal personnel which is required prior to overseas assignment. Moreover, getting a technically qualified individual and locating that individual (possibly with family) to Saudi Arabia can take considerable time.

--The Commission had recruited and continues to recruit personnel from the U.S. private sector; the team working on the Desalination Project was recruited from the U.S. private sector.

--Arabic language proficiency would be desirable for technical personnel, but such individuals are difficult to find and can usually command higher salaries in the private sector. Arabic language courses are offered to Commission personnel on a voluntary basis. Lack of proficiency was not regarded as a serious hindrance to Commission effectiveness.

Administrative support

Program monitors and other technical personnel indicated that they spent much of their time in performing administrative tasks which were not project related.

USREP officials stated that the addition of two employees would alleviate most of the administrative problems.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATION

CONCLUSIONS

The Joint Economic Commission was established on the heels of the Arab oil embargo and price increases--actions which emphasized Saudi Arabia's strategic importance to the United States both as a source of energy and a growing market for U.S. goods and services. Its current programs emphasize the development of Saudi infrastructure through technology transfer. It is essentially a reactive rather than initiating organization, but this is harmonious with Saudi desires at the present stage of the country's development. The Commission is generally well regarded by Saudi officials for the quality of its work and personnel and has had a very favorable impact on U.S.-Saudi relations.

The Saudis, for the most part, are genuinely satisfied with the Commission's growth and effectiveness, especially in comparison with other joint commissions operating in Saudi Arabia. They expect that in the future the Commission will expand into non-infrastructure programs, such as industrialization, and become more innovative in developing project ideas, thus continuing its established pattern of contributing to Saudi development.

As of September 30, 1978, the Commission had 16 formalized projects in various stages of completion and several projects in the negotiation stage. 1/ It has about 133 U.S. technicians in Saudi Arabia and has attempted to grow and evolve to meet the needs of its host government. Commission officials, however, see limitations to continued growth, citing inadequate permanent staff support facilities, difficulty in staffing positions, lack of trained Saudis to assume control of existing projects, and limited administrative support capability.

We believe the Commission's scope of activities can continue to expand, providing the United States and Saudi

1/Formal agreements were signed Nov. 19, 1978, for three of these projects.

Governments are willing to use more commercial U.S. firms to conduct projects. This would allow U.S. Government agencies to concentrate their resources on new projects requiring their expertise and on existing projects requiring their continuing support. Certain developmental areas, such as industrialization (a specifically identified priority area) have enormous potential for U.S. private-sector involvement.

Overall, we were impressed with the Commission's accomplishments and with the dedication and capability of its staff. Our limited observations of project sites, review of project files, and discussions with project personnel indicated that the Commission generally is effectively managing and administering its projects.

Opportunities for improving the Commission's overall effectiveness

In our opinion, U.S. commercial interests could be appropriately served if USREP made information available which would fully apprise the U.S. business community of, and commercial opportunities available from, Commission activities, specifically, an orientation kit of material on the Commission, its organizational structure, and its objectives and accomplishments. Moreover, USREP could provide packages describing ongoing projects, planned projects, and types of technology, goods, and services being or to be procured in implementing the projects. Channeling such information through the U.S. Embassy's commercial sections in Jidda and Riyadh could further enhance its effectiveness. By emphasizing information, not promotion, a highly desirable objective could be accomplished without jeopardizing good relationships with the Saudi Government.

These suggestions were discussed at length with USREP personnel and were well received. To further improve the Commission's overall effectiveness and the quality of its responses to Saudi needs, we also suggested that USREP:

- Develop a systematic mechanism to disclose and catalog project needs and opportunities within the Saudi industries as a means of facilitating the flow of new ideas and project proposals from the Commission.
- Seek to identify ways in which the Office of Saudi Arabian Affairs could provide better and more timely support and follow-up services so that USREP could respond more promptly to Saudi requests and inquiries.

- Establish better relations and information flows with the U.S. Embassy--especially the Embassy Liaison Office in Riyadh--so that Embassy resources may assist in further improving the Commission's effectiveness.
- Provide stronger support from the General Services Officer and Administrative Officer to better respond to staff needs. USREP project monitors spend too much time on administrative matters, which detracts from their central mission.
- Seek more Arab-Americans and U.S. personnel with Arabic language skills to staff projects, in order to minimize assimilation time and insure better communication in the field.
- Seek more project personnel who have had experience in the developing countries and exposure to less-comfortable environments, to minimize the adjustment period and insure that staffs begin contributing significantly within a short time.
- Explore ways with OSAA and the Federal agencies in Washington to streamline the recruiting process for U.S. Government employees to work in Saudi Arabia. The present security checks, physicals, position approvals, etc., are too lengthy and a source of dissatisfaction in many Saudi ministries.
- To the extent possible, seek greater Saudi involvement in projects, to insure that the fundamental objective of technology transfer is being attained.
- Explore the possibility of having the USREP Director serve for longer than 2 years, provided his work is satisfactory and he continues to be effective and acceptable to the Saudi Government.

USREP agreed to give these suggestions immediate consideration.

Discussion with U.S.
Treasury officials

In mid-November 1978, we met with the Assistant Secretary of the Treasury for International Affairs and the Deputy Director, Office of Saudi Arabian Affairs, to provide an overview of our work in Saudi Arabia and our findings and recommendations.

We discussed the suggestions we made to USREP in Riyadh. We suggested that Treasury, through its Office of Saudi Arabian Affairs and its Interagency Action Group, could assist the Commission in developing project information packages and that it could establish a mechanism, possibly through the Department of Commerce, to better publicize Commission activities and identify commercial opportunities.

We believe the dissemination of more detailed information concerning Commission activities and commercial opportunities from projects could increase U.S. business involvement in Saudi Arabia. It could serve as a mechanism for generating project ideas from the private sector and for quickly locating manpower resources for staffing projects, improvements specifically mentioned by some Saudi officials.

The Assistant Secretary agreed with the suggestion for providing packages of information to highlight commercial opportunities for the U.S. business community and said he welcomed the idea of more information and public discussion on Commission projects and accomplishments. We also discussed the need for better information flows to interested committees of the Congress to supplement information provided through AID reports under Section 607 of the Foreign Assistance Act or through the appropriation process (beginning in fiscal year 1979) to fund certain positions in OSAA and USREP. The Assistant Secretary said he would be pleased to provide periodic briefings or formal testimony on Commission projects and accomplishments to congressional committees having a strong interest in Saudi Arabian development and progress.

RECOMMENDATION TO THE
SECRETARY OF THE TREASURY

To highlight U.S.-Saudi Arabian Joint Commission on Economic Cooperation activities and the commercial opportunities inherent in its projects, we recommend that the Secretary of the Treasury have OSAA and USREP develop and make available to interested businessmen, the U.S. Embassy, and the Department of Commerce, the information on Commission projects, both ongoing and planned, in sufficient detail to permit suppliers to identify possible commercial opportunities.

COMMISSION PROJECTS

The Commission on September 30, 1978, had 16 major projects with formalized agreements. Three new project agreements were signed on November 19, 1978. In addition, there were several projects with agreements in draft form and several completed or ongoing short-term assistance projects.

FORMALIZED PROJECTSStatistics and data processing (STADAP)

An agreement was signed on September 23, 1975, providing for the U.S. Bureau of the Census to assist the Saudi Central Department of Statistics, Ministry of Finance and National Economy, in upgrading and modernizing its statistical system.

Short-term targets include the collection, analysis, and publication of a series of current surveys. Long-term goals are to merge the computer compilation methods and the analytical processes used for the surveys within the department's already existing administrative, logistical, personnel, and budgetary systems.

In September 1978, 17 statistical and data processing experts were on duty at the Central Department of Statistics. To integrate and institutionalize the work of these men into the Saudi system, each technician is placed on a subproject team made up of Saudi and American statistical and data processing personnel.

The project has a duration of 5 years, with an annual budget of \$3.5 million to \$5 million, and a projected total cost of \$18 million to \$20 million.

Project costs to date have consisted primarily of personnel costs, including overhead. U.S. business has benefitted through the sales of computers and related equipment.

Agriculture, water resources, and land management (AGWAT)

This project agreement was signed on November 23, 1975. As of September 30, 1978, 17 specialists from the U.S. Department of Agriculture, 11 from the Department of Interior, and 7 from the American University of Beirut were working at the Ministry of Agriculture and Water and at an Agriculture and Water Research Center located a short distance from Riyadh. Some programs under this project have been completed,

including a Riyadh water assessment study, a wheat seed purchase program, and a study of the Wadi Dawasir's agricultural potential. Ongoing programs include soil surveys, using various satellite remote sensing mapping, natural resources inventories, and range and forestry management studies.

The project has an open-ended agreement, with an estimated 10-year cost of \$56 million.

Electric power equipment
procurement and installation (HOTWIRE)

An agreement was signed on November 23, 1975, for approximately \$57.6 million worth of electrical equipment and related goods and services, including the construction of three warehouses for the Saudi Ministry of Industry and Electricity. The total cost of the project is currently projected at about \$69 million.

The procurement was coordinated by the Treasury Department, and the U.S. General Services Administration purchased most of the equipment from U.S. companies at a cost of about \$41 million.

The Treasury Department retained a U.S. contractor to provide technical assistance on the specifications and to manage the shipping, warehouse erection, and general installation.

Electric power equipment
procurement (EASTNET)

An agreement was signed on March 26, 1977, for some \$11 million worth of electrical equipment for the Saudi Consolidated Electric Company, Eastern Province. This purchase was handled in the same manner as for the HOTWIRE project.

Electrical services (POWERGRID)

An agreement signed on February 29, 1976, provided for the Treasury Department to contract with selected U.S. firms for electrical power planning technicians for the Ministry of Industry and Electricity. The contractors were to prepare a comprehensive 25-year national electrification plan and advise and assist the Ministry on a day-to-day basis regarding current electric utility needs and problems throughout the Kingdom.

The contract is an open-ended agreement, with an estimated 10-year cost of \$24 million. The cost of electrification throughout Saudi Arabia is estimated at about \$27 billion by the year 2000.

The U.S. firm that did the work has since received other contracts in Saudi Arabia outside the purview of the Commission.

Asir National Park (KINAPARK)

The Ministry of Agriculture and Water approved an Activity Implementation Plan for a 2-1/2 year project under the general Agriculture, Water Resources, and Land Management Agreement, on February 16, 1977. Under the guidance of the U.S. National Park Service, seven park sites are being developed in the southwestern Asir province of Saudi Arabia. The Park Service also is providing the Ministry with technical assistance in contracting for architect, engineering, and construction work on the sites.

The Park Service, on behalf of the Ministry, had negotiated with a U.S. company to survey and mark the boundaries of the development sites at a cost of about \$1.8 million. Total project cost was estimated at \$37 million, including about \$34 million for the construction phase. Bids for construction are to be solicited through international tender.

Saudi Arabia National Center for Science and Technology (SANCST)

An agreement was signed on February 29, 1976, calling for the U.S. National Science Foundation to assist in drawing up an overall three-stage plan for Saudi science and technology development. The Saudi Arabia National Center for Science and Technology was designated as the agency through which suggested plans would be reviewed, approved, and authorized for funding. However, the agency was not established until December 1977, which delayed the project considerably.

As of September 1978, work had begun on two of the three stages: (1) the establishment of a Science and Technology Information Center which, via satellite, will provide access to online searching of U.S. science and technology data bases, and (2) an inventory of Saudi scientific resources, which will seek to quantify and evaluate data on science and technology publications, manpower, major research laboratories, information centers, data processing facilities, research institutes, and research projects in

progress. It is projected that the Commission will be responsible for installing the hardware for the information system.

The third stage--design of a research plan by the U.S. National Science Foundation--has barely begun. The plan will identify priority areas of research and establish the strategy and tactics for implementing the plan.

The projected 10-year cost of the project is \$15 million.

Vocational training and training center construction (VOTRAKON)

An agreement was signed on June 12, 1976, for 20 to 30 U.S. Department of Labor training and manpower development specialists to work with the Ministry of Labor and Social Affairs in 11 vocational training-related functions. Labor, under the agreement, will also arrange for architectural and engineering work and follow-on construction related to the establishment of new vocational training facilities and the expansion of existing ones and will assist the Ministry and the Saudi Education Mission in Houston, Texas, in monitoring skill upgrading programs being held in the United States for Saudi vocational training instructors. On March 31, 1977, Labor entered an interagency agreement with the General Services Administration to oversee design and construction work.

In October 1977, a \$4-million construction management contract was let to a U.S. firm to supervise construction in conjunction with GSA. In January 1978, a \$20 million contract for master planning and design services was let to a U.S. company.

GSA and U.S. contractors are presently engaged in planning and designing activities for construction projects. New construction of approximately 25 facilities is expected to increase the capacity of the vocational training system from 2,500 to 9,700 students by August 1982. Construction will include 4 new vocational training centers, 5 pre-vocational centers, and an instructor-training institute which will eventually permit all instructor training to be done in Saudi Arabia. Also, 15 existing facilities will be expanded through adding supporting facilities, such as dormitories, staff housing, mosques, and eating facilities.

At Saudi request, bids for construction went out on international tender and were advertised in the United States and other industrialized countries. Some 279 contractors replied and their bids will be evaluated by a team composed

of GSA and Saudi representatives. Contractors who qualify will be asked to submit bid proposals. We were told that price will be a strong determining factor.

At the time of our review, 43 U.S. Labor Department and GSA employees were working on the project, and some \$38 million had been deposited in the Trust Account to support the project.

The total cost of the project, excluding construction costs, was estimated at \$250 million.

Desalination technology (HYDROS)

An agreement was signed on May 3, 1977, providing for the U.S. Department of the Interior to help the Saudi Saline Water Conversion Corporation establish a desalination research, development, and training center and create a technology development program for producing designs and specifications for a new generation of multi-stage flash desalting plants.

A U.S. firm was awarded the contract to prepare a comprehensive report defining the design requirements for the desalination research, development, and training center. The report was to be completed by December 1, 1978.

Two studies have been completed defining the state-of-the-art of multi-stage flash technology, reviewing the potential innovation and problems associated with a large scale-up of plants, and assessing current conditions of plants operated by the Saline Water Conversion Corporation. These two studies will form the basis for a comprehensive scope of work for the conceptual design of a large multi-stage flash plant. The scope of work will be provided to engineering firms active in desalination and their proposals will be reviewed and evaluated. It was expected that a contractor for this task would be selected by January 1979.

Three Interior Department technicians are working on the project, which has an estimated completion cost of \$79 million.

Consumer protection (CONPROT)

The project agreement, signed on May 3, 1977, includes provisions for long-term advisors and training of Saudi staff in the United States, some of it leading to university degrees in various scientific fields.

The Treasury Department, on April 3, 1978, signed a contract with a U.S. firm to provide overall services under this project.

As of September 1978, four long-term staff members, including the project director, had arrived in Riyadh, laboratory equipment had been purchased, and six students had been sent to the United States for university training.

A total of 40 contractor personnel are scheduled to be in Saudi Arabia at the end of about 3 years to work with and train the Saudis. The ultimate objective is to build a strong Consumer Protection Department with up-to-date equipment, procedures, and regulations and to have a group of 50 highly qualified Saudi scientists to run the operation.

The total cost of the project is estimated at \$31 million.

Financial information center (FININFO)

An agreement was signed on May 3, 1977, between the U.S. Department of the Treasury and the Ministry of Finance and National Economy for the establishment of an information center within the Ministry. The center is to be a repository for information in the areas of economics, finance, statistics, commerce, industrial resources, transportation, marketing, and trade.

The project team is presently engaged in three major activities in the Ministry: (1) overseeing the design, management, and construction of a new financial information center, (2) developing and implementing policies and operational procedures for the print and audio-visual aspects of the new center, and (3) assisting the Ministry in the economic analysis of various domestic and international issues.

The project presents the Saudis with a highly sophisticated system that will require highly qualified individuals to use it. At present, the Saudis do not have qualified personnel to operate the center and U.S. personnel must remain there for several years. About 20 students have been identified for technical training in the United States, which will take several years.

To house the center, new construction costing an estimated \$20 million has been authorized. A U.S. architectural firm is making detailed design drawings and the construction contract was expected to be let by November 1978. Design and construction is managed by a U.S. firm. The Saudis

have reserved the right to advertise the construction contract on international tender. We were advised that price would be a strong determining factor.

A 10-year cost of the open-ended agreement is estimated at \$36 million.

National highway program (HIGHWAY)

An agreement was signed on August 26, 1977, whereby the U.S. Federal Highway Administration would assist the Ministry of Communications in developing highway systems and the capability to manage them.

A permanent team of 12 specialists from the Highway Administration will eventually work with the Ministry; as of September 1978, 5 specialists were in Riyadh.

Accomplishments to date include an assessment of the Ministry's overall needs and capabilities in the highway transportation field and a survey of all bridges in the Kingdom.

A major training program is planned in highway management, administration, and maintenance and in highway safety management.

The total cost is estimated at \$13 million, mostly personnel and administrative expenses.

Solar energy research (SOLERAS)

An agreement was signed on October 30, 1977, requiring the United States and Saudi Arabia to each provide \$50 million for a 5-year cooperative effort in the development and application of solar energy technology. The agencies involved are the U.S. Department of Energy and the Saudi Arabian National Center for Science and Technology.

Preliminary technical and management plans were agreed on at discussions held in June 1978. It was also agreed then that the solar research and development should concentrate on (1) solar energy availability in Saudi Arabia, (2) thermal processes, (3) storage and fuel production, (4) electrical generation, and (5) other alternative solar-related sources of energy, such as wind, geothermal, and ocean-thermal energy. These five areas of research and development will be applied to practical applications in agriculture, industry, and urban use. Both countries agreed that the program will emphasize active and passive solar

cooling, solar desalination, solar-generated electricity for remote regions, and thermal processes. Work was to begin in fiscal year 1979.

Auditing assistance (AUDIT)

An agreement was signed on May 15, 1978, requiring a U.S. Treasury team to assist the Saudi General Control Board with audit management and administration, computerization, data management, and executive development. The team will also work with the Control Board in establishing an Office of Policy Planning and in drafting audit and accounting standards for the Saudi Government.

The project stems from a request by the President of the Saudi General Control Board for assistance to improve the organization and management of the Board's audit operations. A U.S. Treasury team went to Riyadh to assess the organization and functions of the Control Board and to make recommendations; the project was developed based on the recommendations.

At the time of our review, Treasury was recruiting candidates for the team positions.

The 10-year estimated cost of the project is \$10 million.

Customs assistance (CUSTOMAT)

Under an agreement signed June 22, 1978, the U.S. Customs Service will assist the Department of Customs, Ministry of Finance and National Economy, with overall customs administration, technical services, management services, and a variety of training programs.

The goal is for some 15 customs employees a year to be trained in the United States. In addition, 4 long-term advisors are to be stationed in Saudi Arabia, with the first one expected to arrive in Riyadh near the end of 1978.

The 10-year estimated cost of the project is \$15 million.

Central procurement (CENPRO)

An agreement was signed on July 13, 1978, requiring specialists from GSA to help the Ministry of Finance and National Economy improve its procurement and supply system.

AGRICULTURAL BANK

This project provides for technical cooperation in assisting the Saudi Agricultural Bank modernize its administrative and operational functions. Nine American professionals will be assigned to work with Bank officials and a number of bank employees will be sent to the United States for training.

EXECUTIVE DEVELOPMENT

This is a program for selected senior Saudi Government administrators to participate in a management development program in the United States. The program will provide an opportunity for American and Saudi public service administrators to meet and exchange views on professional issues of mutual interest.

PROJECT/ACTIVITIES UNDER CONSIDERATIONTechnical cooperation in meteorology
and environmental protection

Discussions have been held with the General Directorate of Meteorology of the Ministry of Defense and Civil Aviation on a cooperative program in meteorology and environmental protection. The Directorate's priority needs are for specialists in weather forecasting, satellite meteorology, environmental protection (air and water pollution control), and related areas.

In August 1978, the U.S. Environmental Protection Agency and the National Oceanic and Atmospheric Administration of the U.S. Department of Commerce were working out the final details of a project agreement with the General Directorate of Meteorology.

Technical cooperation in education programs
for meteorology, hydrology, arid land studies,
and environmental protection

A project for U.S. educators to assist the King Abdul Aziz University's Institute of Meteorology and Arid Land Studies has been discussed. The goal of the proposed project would be to train students for employment in these disciplines and to undertake mutually beneficial research. The services would be provided by The Consortium for International Development (a consortium of American universities).

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As of August 1978, a proposed project agreement was being negotiated.

Radio and television technical support

Responding to a Ministry of Information request, U.S. experts from the U.S. Office of Telecommunications have proposed ways of improving the Saudi radio and television systems. A high-frequency prediction and computer modeling study was made by the Department of Commerce's Institute of Telecommunications Science in Boulder, Colorado. A continuation of this high-frequency study has been requested by the Ministry of Information and the possible provision of specialists to the Ministry in various media fields is being discussed.

Assistance for King Faisal University

The Rector of King Faisal University has requested a team of four specialists for approximately 3 weeks to assist the university in the areas of medicine, veterinary science, architecture, and agriculture. The team was expected in early October 1978, and funding of \$55,000 was authorized.

Outdoor recreational parks

The Ministry of Municipal and Rural Affairs has expressed interest in a program to provide playgrounds, picnic areas, and other outdoor recreational facilities for the people of Riyadh and other urban areas. A specialist from the Bureau of Outdoor Recreation, U.S. Department of Interior, conducted a study and prepared recommendations for such a program, and the Ministry indicated it hoped to implement it later in the fiscal year.

Technical cooperation in archeological development and training

At the request of the Saudi Department of Antiquities, Ministry of Education, for assistance in developing a central museum laboratory in Riyadh and in training staff in the Department, two specialists from Brookhaven Laboratories in New York provided short-term assistance in early 1978. The assistance resulted in a report containing observations and conclusions and in a draft project agreement for implementing a formalized assistance program. The draft agreement was under consideration by the Ministry of Education.

Health manpower development

The Inter-Ministerial Committee on Health Manpower Development, with representatives from the Ministries of Health, Planning, and Higher Education, has requested assistance. An initial team of U.S. public health specialists is expected to go to Riyadh in the near future for discussions.

U.S.-Saudi business cooperation

During a meeting between the Saudi Minister of Commerce and the U.S. Secretary of the Treasury, it was agreed to expand the already close bilateral trade and business ties through increasing the flow of information on the requirements of the Saudi economy, appropriate U.S. suppliers of goods and services, and mutual trade problems and policies. It was further agreed that the interests of both governments lie in encouraging and facilitating private-sector contacts through expanded trade promotion and the exchange of information and views through their respective trade associations.

SHORT-TERM ASSISTANCE

The Commission has carried out various short-term assistance projects. Some have involved detailed studies by U.S. specialists while others represent suggestions that have been explored only in a preliminary fashion. Some may lead to more formalized projects.

Examples of short-term assistance are as follows.

- Study and recommendations concerning administrative law, food regulations, and computer systems for the Ministry of Commerce.
- Study of marketing of fruits and vegetables grown in Saudi Arabia, including quality and packaging standards and a marketing news service.
- Study of waste management practices in the city of Riyadh.
- Request for assistance in evaluating preliminary results of iron ore mining potential in the Wadi Sawween (in the process of implementation).
- Study of hotel planning and regulations and an educational tour in the United States for the Ministry of Commerce's Director of Hotels Department.





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