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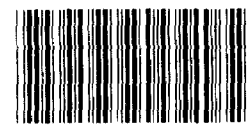
BY THE COMPTROLLER GENERAL RELEASED
Report To The Chairman, Subcommittee
On Europe And The Middle East
Committee On Foreign Affairs
House Of Representatives
OF THE UNITED STATES

Status Of U.S.-Saudi Arabian Joint Commission On Economic Cooperation

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The U.S. Government has been assisting the Saudi Arabian Government in implementing a broad range of development projects since inception of the Joint Commission in 1974. These projects involve such areas as industrialization, manpower training, agriculture, and trade. Significant accomplishments have resulted, but there is a need to establish more specific project goals and milestones, and to increase the number of Saudi nationals trained and retained.

GAO recommends that the Secretary of the Treasury establish these goals and milestones for each project. This should improve project implementation. Also, it will bring greater attention to a goal common to all projects--training Saudi nationals to fully assume operations of the projects.



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

B-205154

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

Dear Mr. Chairman:

In response to your request, this report provides our current assessment of the organization, operations, and activities of the U.S.-Saudi Arabian Joint Commission on Economic Cooperation.

This report contains recommendations for improving project implementation and the flow of business opportunities to U.S. firms. 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 the Chairmen, House Committee on Government Operations, Senate Committee on Governmental Affairs, and House and Senate Committees on Appropriations; the Director, Office of Management and Budget; the Secretaries of State, Treasury, and Commerce; and other interested parties.

Sincerely yours,

A handwritten signature in cursive script, reading "Charles A. Bowsher".

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CHAIRMAN,
SUBCOMMITTEE ON EUROPE AND
THE MIDDLE EAST
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

STATUS OF U.S.-SAUDI
ARABIAN JOINT COMMISSION
ON ECONOMIC COOPERATION

D I G E S T

The United States-Saudi Arabian Joint Commission on Economic Cooperation is assisting the internal development of Saudi Arabia through cooperative programs in a broad range of fields including industrialization, trade, manpower training, agriculture, and science and technology. The program was initiated in 1974, and under the Technical Cooperation Agreement signed the following year 24 project agreements have been entered into. Four have been completed, 18 are active, and 2 are awaiting funding. There are 11 U.S. departments and agencies and over 300 full-time Federal employees involved in implementing the programs of the Joint Commission, supplemented by contractor and temporary duty Federal personnel. Costs reimbursed to U.S. entities under the auspices of Joint Commission projects by the Saudi Government amounted to about \$700 million as of November 1, 1982. GAO reviewed (1) overall U.S. management of the Joint Commission, (2) how effectively projects are being carried out and, (3) problems that exist and what is being done to resolve them.

ADMINISTRATION, COORDINATION,
MONITORING, AND EVALUATIONS

The Joint Commission is chaired jointly by the U.S. Secretary of the Treasury and the Saudi Arabian Minister of Finance and National Economy. The U.S. Assistant Secretary of the Treasury for International Affairs and the Deputy Director of the Saudi Fund for Development serve as Coordinators. The Deputy Assistant Secretary of the Treasury for Arabian Peninsula Affairs is responsible to the U.S. Coordinator for managing U.S. involvement in the Joint Commission, including supervision of the U.S. Directorate.

The U.S. Directorate, through its offices in Washington and Riyadh, is responsible for overall policy guidance as well as administrative support, monitoring project performance, and coordinating project activities. The activities of the U.S. Directorate are intended to improve project implementation by U.S. departments and agencies and help keep the U.S. Coordinator apprised of project accomplishments. GAO found that, although activities of the U.S. Directorate were being carried out without major problems, projects were not being independently evaluated on an ongoing basis. U.S. and Saudi officials recognized the need for independent evaluations and started to develop appropriate policies and procedures for conducting project reviews. (See ch. 2.)

PROJECT IMPLEMENTATION

Through project implementation U.S. Government employees and contractors have assisted the Saudi Arabian Government in institutional, human resource, and in infrastructure development. There have been significant accomplishments, but projects can be improved in several areas. GAO has identified the following changes which it believes would speed progress toward achieving project goals.

1. Establish more specific objectives and milestones against which progress can be measured and decisions made to phase out projects when no longer needed. Projects have overall goals and objectives stated in their agreements, but most of their agreements do not state when and how they will be accomplished, or when they will be terminated.

2. Increase the number of Saudi nationals trained, and place and retain them in key management and operational positions so that know-how and technology can be institutionalized within the Saudi ministries. Factors hindering training of Saudi nationals in the United States have been the lack of English language comprehension and the difficulty some have in adjusting to a different culture. Retention of trained individuals in the Saudi Government is a problem because of higher monetary rewards offered in the private sector.

3. Establish milestones for phasing out U.S. Federal employees performing operational-type functions. When U.S. project advisors are used to do operational work, transfer of know-how to Saudi personnel is minimized and the need for U.S. involvement continues. The need to more quickly phase in Saudi nationals has been recognized by U.S. and Saudi officials and some efforts are underway to achieve this. Establishing milestones should help focus attention on this desired transition. (See ch. 3.)

TRADE OPPORTUNITIES

The Joint Commission provides the United States with a mechanism to facilitate the flow of American goods and services to Saudi Arabia. As a result of U.S. involvement in the Joint Commission, about \$350 million in direct contracts and an indeterminable amount of related but indirect procurements have been awarded to the U.S. private sector. In 1979 GAO reported that there was a need to expand the flow of information on business opportunities in Saudi Arabia to the U.S. business community. Treasury took measures to increase the flow of information to U.S. businesses, but it was not until the fall of 1982 that the last of the procedures were established. Other initiatives in the latter part of 1982 were undertaken to increase trade between the two countries. A Sub-Committee was established in the Joint Commission to promote joint ventures between American and Saudi firms.

A basic reason for U.S. participation in the Joint Commission is to promote trade. Project team leaders are one of the most direct channels for obtaining information on trade opportunities because of their knowledge of near term and future project plans and directions. GAO found, however, that not all team leaders regard dissemination of information on trade opportunities to be within the scope of their responsibilities. GAO believes project team leaders should help in achieving this objective since they are in an excellent position to do so. (See ch. 2.)

RECOMMENDATIONS

GAO recommends that the Secretary of the Treasury direct the U.S. Coordinator to:

--Work with the Saudi Coordinator to establish specific goals, objectives, and milestones for each project including when U.S. Federal employees in operational-type positions can be phased out, and when project goals and objectives will be met and projects terminated.

--Request that the U.S. coordinating group determine whether increased incentives, primarily increased compensation, would improve the availability of Saudi trainees and their subsequent retention. (See p. 20.)

GAO recommends that to further aid ongoing efforts to identify and disseminate trade opportunities to U.S. firms that the Secretary of the Treasury emphasize, to implementing agencies, the importance of project team leaders being fully aware of the Joint Commission trade objective. (See p. 25.)

AGENCY COMMENTS

GAO requested comments from the Departments of Treasury, State, and Commerce.

The Treasury Department called the report a well-balanced helpful review of the U.S.-Saudi Arabian Joint Commission program, including some sound recommendations for improving the overall effectiveness of the program. The Department stated that continuing attention will be given to GAO's recommendations.

The State Department described the report as a rigorous, fair analysis of the Commission's extensive operations in Saudi Arabia and categorized some of the recommendations to Treasury as being dependent upon the Saudi Government sharing the U.S. viewpoint because of the bilateral arrangement of the Joint Commission.

The Department of Commerce stated their efforts to encourage joint ventures became operational in March 1983 with the publication of an announcement soliciting joint venture proposals from both U.S. and Saudi firms. The Department also said they are continuing to work with Saudi officials to try to obtain timely issuance of Saudi visas for contractor personnel and that they support the effort to

disseminate trade information to U.S. firms in Saudi Arabia. (See p. 5.)

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GAO made its review at the request of the Chairman, Subcommittee on Europe and the Middle East, House Committee on Foreign Affairs.

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ABBREVIATIONS

GAO	General Accounting Office
PDO	Program Development Officer
USREP	U.S. Representation Office

CHAPTER 1

INTRODUCTION

In June 1974, a United States-Saudi Arabian Joint Commission on Economic Cooperation¹ was established, primarily to assist in the internal development of Saudi Arabia through cooperative programs in a broad range of fields including industrialization, trade, manpower training, agriculture, and science and technology. In February 1975, the two Governments signed the Technical Cooperation Agreement providing a framework for the Joint Commission, a mechanism for furthering U.S.-Saudi economic, trade, and political relationships, to begin operations. The Agreement was extended in November 1979 for a second 5-year period to February 1985. Terms of the cooperative program arrangement require the Government of Saudi Arabia to reimburse the United States for all costs incurred.

NATURE AND EXTENT OF U.S. INVOLVEMENT

Projects are the primary instruments through which Joint Commission objectives are intended to be accomplished and are directed to the above cooperative program areas. They focus on a full range of developmental needs such as water resources, highway and rail systems, vocational training, agriculture research, financial information and analysis, consumer protection, and computer technology--among many others.

Since inception of the Joint Commission, 11 U.S. departments and agencies have been involved in 24 projects, 4 of which have been completed.

As of October 1, 1982, 308 full-time reimbursable Federal employees--237 in Saudi Arabia and 71 in Washington--were engaged in project implementation and administrative activities. Since inception of the Joint Commission programs, through October 1982, the reimbursable expenditures for project activities, including salaries, benefits, housing and administrative costs, and procurements of goods and services, amounted to about \$700 million. Assistance is also provided by contractor and temporary duty personnel. (See app. IV.)

Compared to U.S. reimbursable assistance programs in other countries, Saudi Arabia is by far the largest in scope, costs, and number of U.S. personnel involved. A listing prepared by the International Developmental Cooperation Agency for fiscal year 1982 showed that about 20 other countries were receiving civilian reimbursable assistance which ranged from a few thousand dollars to \$7 million, with a total of about 35 U.S. employees involved in the programs. Reimbursable personnel assigned ranged from none to seven employees.

¹Hereafter referred to as the Joint Commission.

About \$350 million in procurements has been awarded to U.S. firms as a direct outgrowth of U.S. involvement in the Joint Commission. Expansion of trade opportunities between the two countries was reinforced in October 1982, when the Joint Commission announced the establishment of a Sub-Committee on Joint Ventures to promote a wide range of joint venture² cooperation between the U.S. and Saudi Arabian private sectors.

Statutory basis and funding requirements

Section 607 of the Foreign Assistance Act (22 U.S.C. 2357) is the statutory basis for U.S. Government involvement in Joint Commission activities.

Reimbursable assistance is funded from the Saudi Arabian dollar deposit account in the U.S. Treasury. An amount equal to the estimated annual costs of each project is required to be deposited in the account in advance by the Saudi Government. The funds in the dollar account are used to reimburse the participating agencies for expenses incurred or to be incurred. There is one exception--a solar energy project is jointly funded by the U.S. and Saudi Governments with the Department of Energy providing the U.S. share.

U.S. MANAGEMENT AND STRUCTURE OF THE JOINT COMMISSION

The Joint Commission is chaired jointly by the U.S. Secretary of the Treasury and the Saudi Arabian Minister of Finance and National Economy. The U.S. Assistant Secretary of the Treasury for International Affairs and the Deputy Director of the Saudi Fund for Development serve as Coordinators.

The Deputy Assistant Secretary of the Treasury for Arabian Peninsula Affairs reports to the U.S. Coordinator and is directly responsible for U.S. involvement in the Joint Commission and supervising Treasury's U.S. Directorate of the Joint Commission. (See app. II.)

The Director of the U.S. Directorate (1) provides policy and operational guidance to participating agencies, (2) coordinates the development of projects, and (3) monitors project progress and is assisted, in Washington, by support staffs in Treasury's Office of Procurement and Office of Telecommunications. (See app. III.) The Procurement Support Staff is responsible for the development, preparation, award, and administration of contracts, primarily for professional

²Joint venture is a business term broadly meaning investment by two or more parties in a for-profit enterprise.

services, and procurement obligations in support of Treasury's responsibilities under the Joint Commission. The Saudi Arabian Support Staff of Treasury's Office of Telecommunications operates a sophisticated communications system linking Joint Commission operations in Saudi Arabia with Washington and other places in the United States.

In Riyadh, Saudi Arabia, the U.S. Directorate is assisted by the U.S. Representation Office (USREP). The USREP supervises the Joint Commission's U.S. operations in-country, provides administrative support to the project teams, and works with the Saudi Arabian Government to develop ideas for new projects.

U.S. Government departments and agencies responsible for implementing Joint Commission projects (hereafter referred to as implementing agencies) in conjunction with their counterpart Saudi Arabian ministries and departments are: Treasury, Agriculture, Energy, Commerce, Labor, Interior, Transportation, Farm Credit Administration, General Services Administration and the National Science Foundation. In addition, the Food and Drug Administration provides support to Treasury (the implementing agency) on one of the projects. The implementing agencies recruit and assign personnel to the projects in Saudi Arabia. In Washington, several full-time and part-time reimbursable employees provide administrative and technical direction.

UNITED STATES-SAUDI ARABIAN ANNUAL JOINT COMMISSION MEETING

Annually, U.S. and Saudi Arabian officials of the Joint Commission and their working groups meet alternately in Washington or in Riyadh to discuss overall policy issues, problems, and tentative solutions and to consider new project agreements.

In October 1982, these officials met in Washington to discuss five major issues including: (1) project reviews, (2) increased training of Saudi personnel, (3) recruitment and personnel, (4) the role of U.S. experts in Saudi Arabia, and (5) future directions including the formation of a Sub-Committee on Joint Ventures.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our review was made at the request of the Chairman, Subcommittee on Europe and the Middle East, House Committee on Foreign Affairs. The Chairman, in his letter of February 2, 1982, (see app. I) requested that we follow up on the suggestions in our report entitled "The U.S. Saudi-Arabian Joint Commission on

Economic Cooperation" (ID-79-7, Mar. 22, 1979), to determine whether they have been implemented.

In regard to the United States' role in providing expertise and technology to promote Saudi Arabia's development through Joint Commission projects, the Chairman asked that we determine:

--What has been accomplished?

--How quickly and effectively projects are proceeding?

--What problems exist and what is being done to resolve them?

The Chairman also noted that the organization, procedures, and operations of the Joint Commission continue to be of interest to the Committee.

In this review, we used information obtained in developing a prior report, "Reimbursement of Federal Employees' Salaries and Benefits by Saudi Arabia" (GAO/ID-83-4, Oct. 21, 1982), done at the request of the Chairman, Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations.

Our work was performed in Washington and Riyadh. In Washington, we held discussions with Treasury's Joint Commission personnel regarding their overall management of the program, including their responsibilities in setting policies and administering, monitoring, coordinating, and evaluating programs. We spoke to agency officials and project managers in Washington responsible for directing the implementation of the projects, and reviewed pertinent records starting from 1979 to 1982, such as trip reports, progress reports, financial information, and related correspondence. We also spoke to several in-country team leaders during their visits to Washington. We discussed with State Department officials their views on and involvement in Joint Commission activities and obtained Commerce Department officials' views on the trade opportunities resulting from Joint Commission activities.

Our work in Riyadh was done in early 1982 in conjunction with work for the report issued in October 1982. We discussed project accomplishments and problems and trade opportunities with team leaders and members of USREP, the U.S. Ambassador and staff, and the U.S. Commercial Officer. In addition, we discussed the projects with several Saudi officials and the Saudi Coordinator of the Joint Commission.

Our review was performed in accordance with generally accepted Government auditing standards.

AGENCY COMMENTS

The Department of Treasury called the report a well balanced, helpful review of the U.S.-Saudi Arabian Joint Commission program, including some sound recommendations for improving the overall effectiveness of the program. The Department stated continuing attention will be given to our recommendations.

The State Department described the report as a rigorous fair analysis of the Commission's extensive operations in Saudi Arabia and categorized some of the recommendations to Treasury as being dependent upon the Saudi Government sharing the U.S. view point because of the bilateral arrangement for the Joint Commission.

The Department of Commerce stated their efforts to encourage joint ventures became operational in March 1983 with the publication of an announcement soliciting joint venture proposals from both U.S. and Saudi firms. The Department also said they are continuing to work with Saudi officials to try to obtain timely issuance of Saudi visas for contractor personnel and that they support the effort to disseminate trade information to U.S. firms in Saudi Arabia.

The comments of the Departments of Treasury, State, and Commerce are included in appendices V, VI, and VII, respectively.

CHAPTER 2

ADMINISTRATION, COORDINATION, MONITORING, AND EVALUATION OF JOINT COMMISSION PROJECTS

In addition to providing policy guidance, the U.S. Directorate is responsible for providing administrative support, monitoring project performance, and coordinating project activities. The participating agencies are responsible for providing technical expertise, advising on day-to-day activities, and assisting the U.S. Directorate in carrying out its responsibilities.

The U.S. Directorate carries out project activities through its offices in Riyadh and Washington. These activities are intended to enhance project implementation and help keep Joint Commission officials apprised of project accomplishments. However, project reviews and evaluations performed were limited in scope and conducted by personnel directly involved in the projects. In October 1982, U.S. and Saudi officials endorsed the need for evaluations and directed that procedures for performing them be developed.

ADMINISTRATION, COORDINATION, AND MONITORING

The language in project agreements varies to some extent, but all agreements call for Treasury to provide administrative support, to monitor implementation, and to coordinate project activities. In addition, the Saudi Coordinator stated in early 1981 that he relies on the Department of Treasury (the U.S. Directorate) to see that Joint Commission activities are being properly carried out.

Administrative support

The USREP provides administrative support to U.S. and contractor personnel which includes arranging for housing, automobiles, medical care, schooling, recreational activities, and other support. In addition, it provides communication facilities to support the project activities.

In Washington, the U.S. Directorate and its support staff: (1) assists in recruiting, (2) provides communication facilities, (3) reviews project budgets and maintains the dollar deposit account, (4) awards contracts, and (5) standardizes administrative policies for all personnel working under the auspices of the Joint Commission and its projects. In early 1982, the Director of the U.S. Directorate started issuing a formalized set of written standardized procedures to participating agencies to ensure uniformity in the treatment of employees in such areas as premium pay and travel, and in certain project areas such as budget preparation and use of

communication facilities. Before finalizing standardized policies and procedures, discussions are usually held with participating agencies to obtain their views.

Coordination and monitoring

Coordination and monitoring are ongoing and closely related, and principally carried out through the following activities.

In Saudi Arabia, project activities are coordinated through weekly meetings at the USREP. The meetings are attended by the Director of USREP, the deputy director, Program Development Officers (PDOs), project leaders, and embassy and commercial officers. Administrative matters of general interest, and to some extent, project problems and accomplishments are discussed.

In Washington, the Interagency Action Group, composed principally of representatives from the U.S. Directorate, the implementing agencies, and the State Department meet several times a year to discuss overall aspects of the Joint Commission and/or to consider problems being experienced with a number of projects. The Group does not make policy. Solutions to some problems are sought through sub-groups. Sub-groups have been established to look into recruitment and training problems.

Monitoring in Saudi Arabia and Washington is carried out by several PDOs assigned in each location. The PDOs, in-country, monitor the progress of the projects through discussions with team leaders, reviews of progress reports, visits to projects and occasional discussions with Saudi officials. In Washington, the PDOs monitor the projects through reviews of in-country reports, project progress reports, telephone discussions with in-country PDOs, discussions with implementing agency personnel, and in-country visits once or twice a year. The PDOs essentially act in an advisory capacity and have no authority to direct changes in project implementation.

Views on effectiveness of administration, coordination, and monitoring

In our discussions with in-country team leaders and some project personnel, we were informed that they were generally satisfied with the administrative support provided by the U.S. Directorate's offices in Riyadh and Washington. However, there have been times when some dissatisfaction has been voiced. While important, the problems generally were limited to specific individuals or situations. The U.S. Directorate took action to correct or alleviate these problems in instances when it was feasible or practical to do so. For instance, where some in-country personnel sought access to better medical facilities, USREP arranged with the Saudi military for use of a major military hospital.

With respect to the coordination of project activities, there is evidence that it is taking place. For example, (1) the Bureau of Customs in their customs, administration and training project is working with the consumer protection project to ensure the reliability of food samples, and (2) the General Services Administration has started to implement a central procurement program with the agriculture and water development project which is being implemented by the Departments of Agriculture and Interior.

Some concern has been voiced that coordination could be improved. The former Director of USREP said, during our field visit, that all agencies did not always keep the office and staff fully informed of project activities. He noted that the situation had been improving. Also, some personnel expressed dissatisfaction about the Interagency Action Group. This mostly centered on the fact that some personnel believe the group attending the meetings (20 to 25 people) is too large to be effective. This view, however, is not shared by all participants, and as previously discussed, sub-groups are established to deal with significant issues. To further improve coordination, the U.S. Coordinator stated, in December 1982, that a preliminary list of areas requiring coordination, together with appropriate mechanisms, will be prepared for review by U.S. and Saudi implementing agencies.

Monitoring of project activities varies according to the individual PDOs. At times some PDOs believe they do not receive full cooperation from agency personnel and some agency personnel believe the PDOs get too involved in technical matters for which they lack sufficient training or experience. In the main, however, we believe while conflicts occasionally do occur, the PDOs have obtained the necessary information and cooperation to monitor project activities and to develop suggestions they believe will improve the effectiveness of the projects.

EVALUATION OF JOINT COMMISSION PROJECTS AND OPERATIONS

There have been no systematic, independent evaluations of Joint Commission projects and, to date, there has been only one audit of the U.S. Directorate--a review of financial and property controls by Treasury's auditors in 1981. We found that there were no policies and procedures for conducting independent, ongoing evaluations.

Recently, however, the need for establishing such policies and procedures has been recognized by Treasury and Saudi officials. The subject was included as one of the main agenda items for discussion at the annual top-level review of the Joint Commission by U.S. and Saudi officials held in October 1982.

Limited evaluations conducted

The evaluations conducted by the project implementing agencies generally consisted of short visits by Washington supervisory personnel to the projects in Saudi Arabia. During these visits they attempted to learn about and resolve problems that existed by holding discussions with U.S. and Saudi personnel. On a few occasions, consultants have been hired by the implementing agencies to review the direction and progress of projects. These type evaluations, while useful, generally are limited in scope, and not conducted by disinterested parties.

There is also a need for an ongoing independent review of Joint Commission operations in Washington and Saudi Arabia. This was demonstrated in 1981 when Treasury's Inspector General arranged for an extensive Internal Revenue Service audit of the financial and property controls at the U.S. Directorate in Washington and in Riyadh. A report issued in 1982 disclosed several significant deficiencies in these areas, such as an almost complete lack of control over local purchases. In March 1983, we were informed by the U.S. Directorate that the USREP had taken a number of measures to strengthen purchasing and inventory controls.

Recent awareness of the need for comprehensive evaluations

During our in-country visit in early 1982, and our work in Washington, we discussed the need for independent evaluations, on an ongoing basis, with U.S. and Saudi officials. At that time, we found that there was general agreement among U.S. officials and the Saudi Coordinator on the need for them.

The Saudi Coordinator favored an annual, impartial, and technical review of the projects.

Recognizing the need for project and program evaluation, the annual U.S.-Saudi Joint Commission meeting in October 1982, produced a proposal for consideration that stated:

1. The Joint Commission endorses the concept of project reviews and establishes the policy of periodic reviews for each Joint Commission project.
2. The Treasury will coordinate the development of a Joint Commission project review procedure.

At the conclusion of the meeting, it was stated that Treasury will develop a policy and procedure for project evaluations subject to approval by U.S. and Saudi Arabian implementing ministries and agencies prior to final publication.

CONCLUSIONS

In reviewing the administration, coordination, and monitoring of the activities under the Joint Commission by the U.S. Directorate in cooperation with the implementing agencies, we did not find any major problems that needed attention. We did find, however, that there is a need for comprehensive ongoing evaluations to ensure effective implementation of projects. This need has been recognized by both Saudi and U.S. officials and policy and procedures are to be established. Project evaluations are becoming increasingly important since the Joint Commission has been in operation for a number of years and many projects are expanding their activities as shown by the acceleration of project costs and increasing number of Federal workers. (See app. IV.) Comprehensive evaluations should help bring project problems to the attention of Joint Commission officials where they can be properly addressed.

CHAPTER 3

PROJECT IMPLEMENTATION HAS RESULTED IN ACCOMPLISHMENTS BUT SOME PROBLEMS REMAIN

The Joint Commission, in over 8 years of operation, has helped the Saudi Arabian Government move forward in meeting its national development goals. Through 22 projects implemented in this period, U.S. Government employees and contractors have assisted in institutional and human resource development, and in infrastructure development. There have been significant accomplishments but certain problems have slowed progress and continue to act as a constraint in achieving Joint Commission goals and objectives. If these goals and objectives are to be realized, new approaches to solving these longstanding problems are needed.

PROJECT ACCOMPLISHMENTS

The primary emphasis of Joint Commission projects is twofold: (1) institutional development, defined as the establishment of organizations, structure and processes to plan and manage government operations, and (2) human resource development, directed to providing a sufficient number of citizens with the perspective, technical competence, and management experience to run the nation effectively. Infrastructure development includes the modernization and construction of facilities, hardware, and operations and maintenance necessary to support a nation. During our review we noted that there have been accomplishments in all of the projects although at times progress has been slow. In addition, U.S. and Saudi officials stated programs under the Commission have contributed to increased understanding and strengthened relationships between the two countries.

Institutional and human resource development

Institutional development is taking place on most projects, but progress varies and generally, efforts are far from completion. Examples of progress follow.

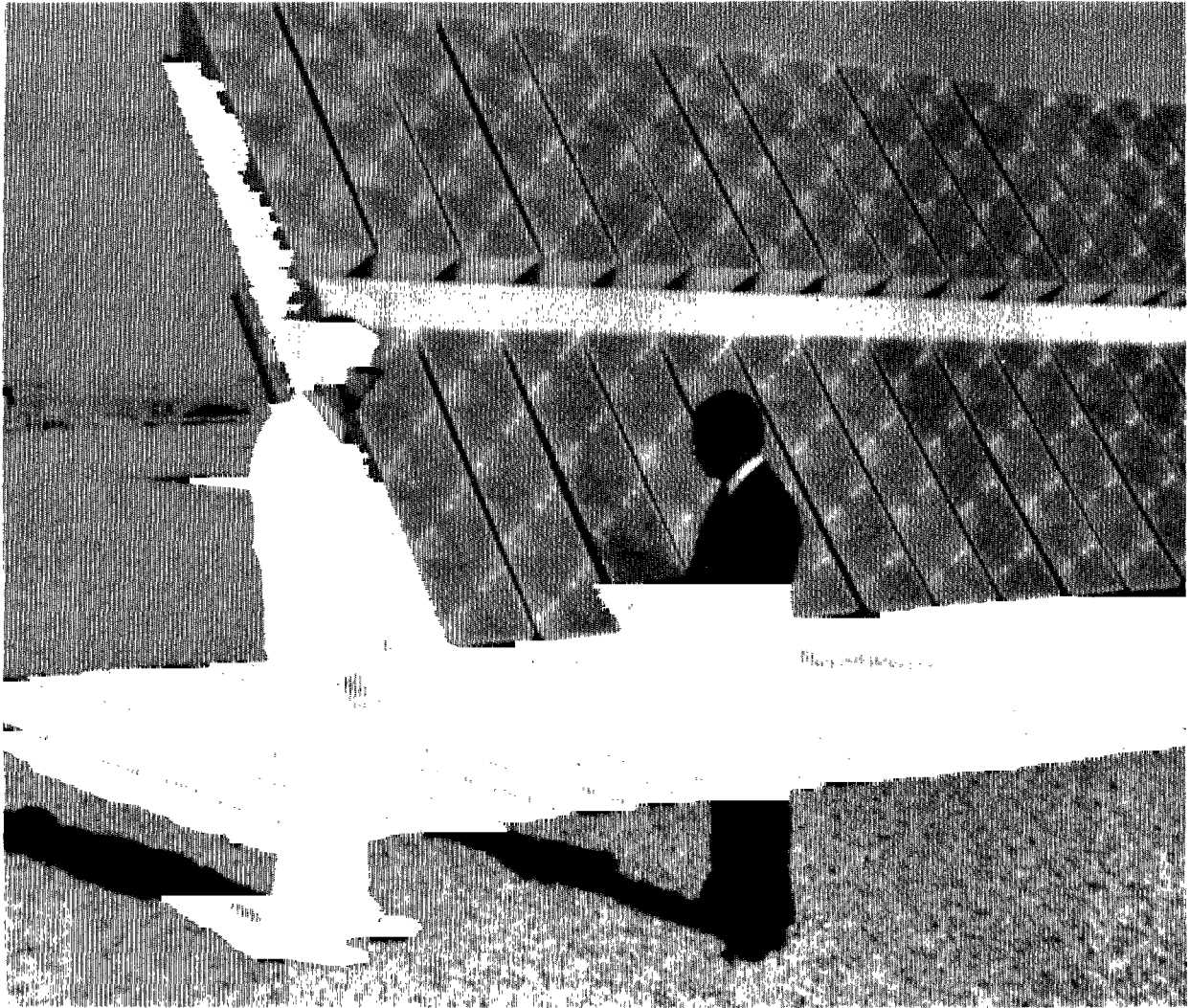
The consumer protection project is helping to set up a network of research and inspection laboratories to ensure food protection for consumers. The audit project is developing audit guidelines and standards for the establishment of an effective audit department. The labor vocational training project is nearing completion of vocational training manuals and a teaching curriculum--instructional materials for eight trades have been designed and several are being field-tested. The central procurement project has just completed its first phase of developing and publishing a catalog of standard items to be used by

the Saudi Government agencies and departments. Operational manuals standardizing highway design, construction, and maintenance have been prepared. A team of U.S. highway and safety engineers, together with Saudi engineers, performed a Kingdom-wide inventory and inspection of over 3,500 bridges to establish future maintenance needs and schedules.

The development of human resources is proceeding more slowly because of the limited number of Saudi personnel to advise and train. There is, however, an effort underway to expand the training effort by sending more Saudis to educational institutions in the United States, and by the Joint Commission focusing greater efforts on the selection, monitoring, and retention of trainees. In the spring of 1982 there were about 400 Saudis enrolled in graduate degree programs and non-degree training courses in the United States, in a wide variety of fields.

Infrastructure development

Examples of infrastructure development include the modernization and expansion of electrical facilities; planning and construction of new energy facilities; classrooms to support vocational training; research laboratories to support desalination efforts; the construction of Saudi Arabia's first national park; and other construction in support of project goals and objectives. Construction is the more visible effect of U.S. assistance. One project clearly showing this is the solar energy village outside Riyadh, completed with both U.S. and Saudi funds. The prototype facility is a showcase project demonstrating U.S. and Saudi cooperation and the feasibility of obtaining energy from the sun. It has been visited by a number of heads of state.



GAO and contractor personnel examining the solar collectors at the Solar Village, near Riyadh, Saudi Arabia.

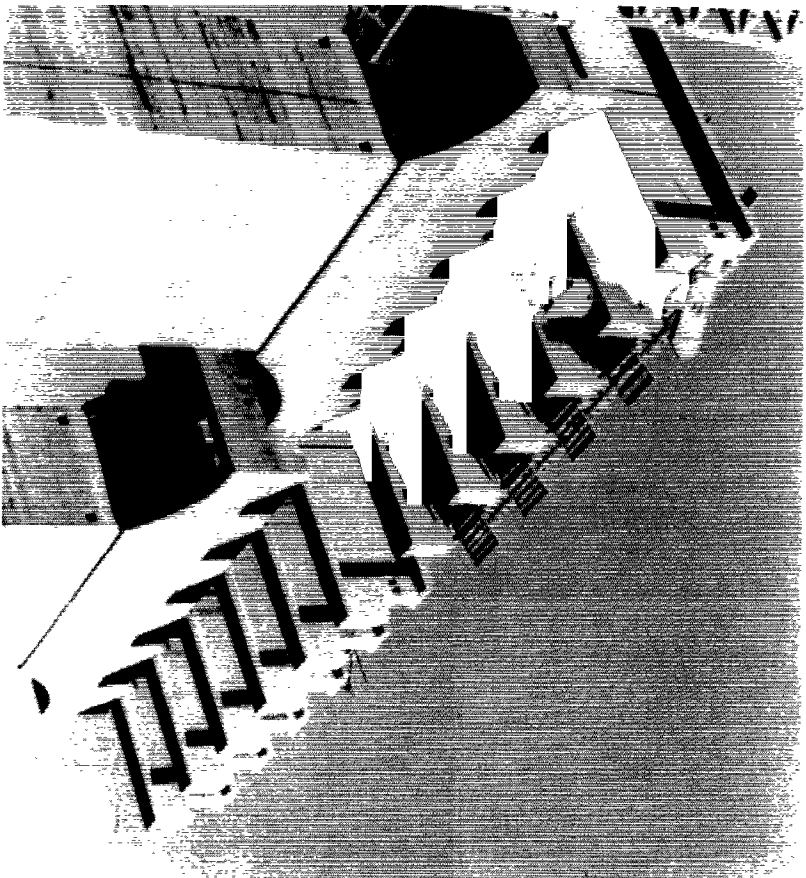


Photo Source: Joint Commission
Bridge under construction near West Hanifa, west of Riyadh, Saudi Arabia--one of the many inspected and cataloged under the HIGHWAY Project.

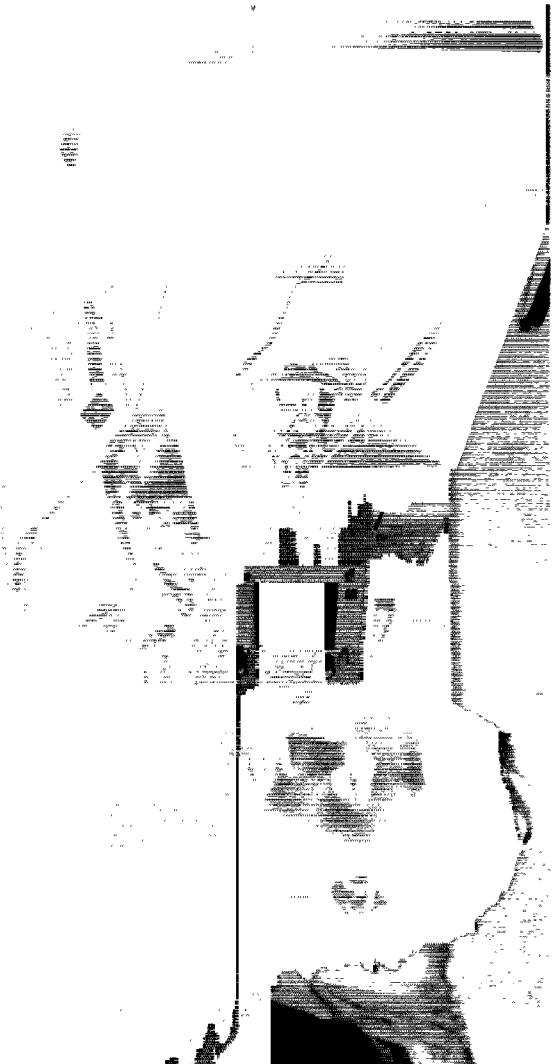


Photo Source: Joint Commission

Vocational training in television repair in Saudi Arabia, VOTRAKON Project.

Other accomplishments

In our 1979 report, we made several suggestions for improving administration, recruitment, staffing, and communication within the Joint Commission and between the Joint Commission and the Embassy. We also suggested that ideas for new projects be developed and that there be greater Saudi involvement in projects.

In response the USREP stated that immediate consideration would be given to our suggestions. In our current review we found that action has been taken which has contributed to improved administration and operation of the Joint Commission. This included the hiring of additional support staff, establishment of a communication facility, close liaison between USREP and the Embassy's Liaison Office, Saudi involvement in the budget process, and the discussion of possible new projects between PDOs and Saudi personnel.

FACTORS INHIBITING PROJECT PROGRESS

During our review, we found several common problems occurring in a majority of Joint Commission projects. Although U.S. and Saudi officials are aware of these problems and have acted to resolve them, some still persist. A lack of specific project goals and objectives, training and retention difficulties of Saudi personnel, performance of operational assignments by U.S. experts, and some difficulties in recruiting and processing American advisors have been identified, at one time or another, as problems affecting not only the progress of projects but also the overall efficiency and effectiveness of Joint Commission operations. There have been improvements in terms of corrective action taken since our 1979 report which are recognized in the discussion of each problem area below.

Project planning should be more specific

Projects have overall goals and objectives stated in their agreements, but most project agreements do not state when and how they will be accomplished. The few project agreements with expiration dates have been routinely extended; most are without completion dates.

In recent years, as project participants and the Joint Commission Directorate gained experience, a need for more specific project objectives, goals, and milestones has been increasingly recognized. For instance, in November 1981, the U.S. Directorate issued a Joint Economic Commission Budget Policy to establish a uniform annual budget preparation and submission. In doing so, the Joint Commission required the projects to tie funding requirements directly to project goals and objectives by stating that: "The project budget should clearly show, first,

what a project expects to accomplish, and secondly, with what." These budget submissions are considered by the Joint Commission to be the initial detailed plan for project efforts during the year and are designed to more clearly define the goals and objectives of project efforts to project staff needs.

Most projects did not establish when the project goals and objectives would be met and when U.S. assistance could be expected to phase down. We believe milestones for phasing out U.S. assistance and the termination of the individual projects are necessary to ensure effective transfer of knowledge to the Saudi departments and ministries and to prevent U.S. personnel and agencies from having a vested interest in continuing U.S. efforts when no longer needed.

We believe the budget cycle is an effective way to reassess, annually, where a project is going and what lessons were learned during the year. However, the projects are generally long-term and goals and objectives have to be set for the duration of a project, with a focus on expected results within specified time-frames. The current focus is on short-term staff needs.

Improved recruitment
and processing procedures
have not solved all problems

We found that the Joint Commission and participating agencies have generally been successful in filling vacancies and have increased the number of employees working under the auspices of the Joint Commission. In addition, participating agencies have reduced the processing time between employee selections and departure for Saudi Arabia.

However, problems exist, such as recruiting highly specialized individuals for some projects, delays by Saudi officials in granting employment approvals and delays by the Saudi Government in issuing long term visas (over 3 months) for contractor personnel.

Recruitment

The Joint Commission and the participating agencies apparently are not having any overall problems in recruiting personnel. For the 6 months--January to June 1982--the number of reimbursable employees working under the auspices of the Joint Commission increased from 257 to 290.

The recruitment process was aided in 1981 when a contract was awarded to a private firm to supply prospective candidates to fill Joint Commission vacancies. Although not all of the participating agencies have used the firm's services, we noted

that several key positions, including the position of the current Director of USREP have been filled as a result of the firm's efforts.

While there are no systemic recruiting problems, some exist on an individual project level. A review of project records and discussions with Joint Commission and agency personnel disclosed that, primarily, they relate to the need to recruit persons with highly-specialized and qualified skills not normally found in Government. Persons in the private sector are reluctant to leave for temporary Government jobs that often pay less.

Processing procedures

In our 1979 report we found that too much time elapsed between the date employees were accepted and their departure for overseas. Reasons advanced were the length of time it took to complete security investigations and medical clearances.

During our in-country visit we discussed the processing and waiting time with project employees. They said improvements have been made, and while processing time previously took about 6 months, it is now being completed in about 3 to 4 months. They attributed the reduction to the use, by some agencies, of a private security investigation firm which performed background checks on employees more expeditiously than the Government. However, speedy medical clearances are apparently still a problem. The U.S. Coordinator said in December 1982, that he will give increased attention to this problem.

Our review of implementing agencies' records and statements made by Joint Commission officials disclosed that delays are being experienced on a few projects in processing employees for overseas assignments because some Saudi officials are not processing approval requests promptly, and because of rejection of some potential employees. Also, the Saudi Government has been taking up to 6 months to grant authorization for long term visas for U.S. contractor personnel. According to Joint Commission and contractor personnel, a 6-month time lag affects project efficiency.

In August 1982, an Interagency Action Sub-group proposed to speed up Saudi approvals by having implementing agencies submit only one candidate for each position and ensure that the potential employee's experience and qualifications are more in line with Saudi expectations. In December 1982, the U.S. Coordinator stated the question of authorizations for long term visas for non-government project personnel will be addressed by the Joint Commission, and that USREP will prepare a report to the Saudi Coordinator describing the magnitude of the problems.

Training and retention of Saudi personnel

Training of Saudi Government personnel and their retention are key elements of the Saudi development program and individual development projects. The overall training goal is to provide Saudi nationals with skills necessary to assume responsibilities now being carried out by U.S. citizens on Joint Commission projects and by nationals of other countries.

Constraints on attaining this goal are long-standing and not easily resolved. Factors identified by our review of project records and discussions with Joint Commission and agency personnel are: the limited number of available Saudis for training, the lack of adequate English comprehension for training in the United States, the inability of some Saudi students to live and study in a different culture and environment, and ultimately the inability to retain those placed into positions for which they were trained because of greater monetary incentives in the private sector. According to Joint Commission officials and implementing agency personnel, the result has been a shortage of Saudi nationals in management and operational roles of projects. This has precluded U.S. employees from transferring know-how and results in them performing operational functions (see the following section for a more detailed discussion).

The Joint Commission has looked for solutions to the problem. Efforts were concentrated on closer monitoring of the special needs of training candidates by the U.S. Directorate's training officer, and the formation of an Interagency Action Sub-group to examine the area and suggest solutions.

The Sub-group's suggestions for consideration at the annual Joint Commission meeting included increased emphasis on English language competency prior to the students departure for training in the United States and the establishment of a unified approach to training problems throughout the Joint Commission. In December 1982, the U.S. Coordinator said there will be an evaluation of ongoing Joint Commission training programs. In addition, a training coordination group will be established in Riyadh, with representatives from individual projects and Saudi ministries to identify Joint Commission training issues and, where appropriate, to develop coordinated approaches.

We believe the greater focus being directed towards improving the training of individuals should help the situation. However, to ensure availability and retention of trained individuals, the Saudis may have to consider increased incentives to those successfully completing training programs.

American personnel
performing operational
tasks

The Technical Cooperation Agreement of 1975 and the implementing project agreements call for the United States to provide professional and technical advisory services. The agreements do not provide for U.S. personnel to carry out day-to-day operational-type tasks.

However, we found that some employees were doing more operational-type work on Saudi projects than advising.

On most projects U.S. advisors perform operational or doer type work in varying degrees. However, in some projects many of the U.S. personnel are involved largely in the operational aspects. This essentially results from the fact these projects have a high need for technical-manual type skills which are in short supply in Saudi Arabia.

When U.S. project advisors are doing operational-type work there is little transfer of know-how to Saudi personnel and, thus, the need for U.S. involvement continues. Additionally, we noted that friction tends to develop between Saudi and U.S. personnel when Saudi management becomes dependent on U.S. advisors for operational-type work and expects them to continue doing so.

The Joint Commission is aware of the long-term undesirable aspects of U.S. advisors performing operational-type work and the problem has been discussed during meetings of the Inter-agency Action Sub-groups and at the annual Joint Commission meetings. They concluded that placing American advisors in operational-type positions should be discouraged, and that more emphasis should be placed on institutional and capability development rather than meeting the operational requirements of the Saudi ministries.

High-level attention on this problem should help alleviate the situation. However we believe that direct management action can be taken; specifically each project should establish realistic milestones for the phasing-in of Saudi personnel to perform the operational-type work now done by American advisors.

CONCLUSIONS AND RECOMMENDATIONS

We believe that assistance being provided by the United States, under the auspices of the Joint Commission, is helping the Saudi Arabian Government in its national development program. Many of the Joint Commission projects have now been in existence for several years and accomplishments are becoming more apparent. Problems, however, have slowed progress. There is a need to (1) establish more specific project goals,

objectives, and milestones to measure progress and to help in deciding when to phase out projects, (2) increase the number of trained Saudi nationals for key management and operational positions and improve their retention so that U.S. know-how and technology can be institutionalized within the Saudi ministries, and (3) establish milestones for phasing out the operational-type functions now being performed by Federal employees.

These problems as well as difficulties in recruiting and processing employees on some projects, have been recognized by U.S. and Saudi Joint Commission officials and some efforts have been made to solve or alleviate them. However, all efforts have not been successful and new initiatives are necessary.

We recommend that the Secretary of the Treasury direct the U.S. Coordinator to:

1. Work with the Saudi Coordinator and to establish specific goals, objectives, and milestones for each project including when U.S. Federal employees in operational-type positions can be phased out, and when project goals and objectives will be met and projects terminated.
2. Request that the training coordination group determine whether increased incentives, primarily increased compensation, would improve the availability of Saudi trainees and their subsequent retention.

CHAPTER 4

CONTINUED ATTENTION NEEDED TO COMMUNICATE TRADE OPPORTUNITIES

In 1974 when the U.S. and Saudi Arabia agreed to enter into programs of cooperation between the two countries, the United States was experiencing an unfavorable balance of trade with Saudi Arabia because of significant price increases in petroleum imports. The Joint Commission provided the United States with a mechanism to facilitate the flow of American goods and services to Saudi Arabia, while contributing to the economic development of that country through technical assistance. The Treasury Department delineated the promotion of trade between the two countries as a Joint Commission objective in a policy statement which declared that cooperative project procurements be awarded either to U.S. or Saudi Arabian firms. Since 1975, about \$350 million in direct contracts have been awarded to U.S. firms. A U.S. Directorate official told us that an additional but indeterminable amount of related but indirect procurements have been awarded to the U.S. private sector.

In our 1979 report, we noted that despite Joint Commission support of increased trade between the two countries, more could be done to provide information to U.S. firms concerning project procurements. Treasury Department officials agreed and took some immediate action but a structured system to inform U.S. businesses operating in Saudi Arabia of prospective contract opportunities was not implemented until the end of 1982. Another recent initiative, a Sub-Committee to promote joint venture projects between American and Saudi Arabian firms, was organized in October 1982 under the Joint Commission.

We point out the delay in completing such efforts at this time to reemphasize that promotion of trade opportunities is a basic objective of U.S. participation in the Joint Commission and to ensure that ongoing efforts are sustained.

U.S. AWARDED AND ASSISTED PROCUREMENTS

Funds to support project budgets--reimbursing U.S. employees and contractors, and financing project procurements--are deposited by the Saudi Arabian Government in a dollar account in the U.S. Treasury and maintained by the U.S. Directorate. As of October 1982, about \$350 million in awards have been made from the dollar account to U.S. firms. According to a U.S. Directorate official, an indeterminable number of awards were generated by initial contacts between U.S. and Saudi firms conducting Joint Commission business.

In addition to financing project procurements out of the dollar account, Joint Commission contracts are awarded directly by Saudi ministries. In a few projects, Joint Commission personnel assisted in establishing requirements, writing procurement specifications, and soliciting bids. Since the awards in these instances can go to firms from any country, it is important that the potential business opportunities be brought to the attention of U.S. firms.

ACTIONS TAKEN TO DISSEMINATE
INFORMATION ON BUSINESS OPPORTUNITIES

In our 1979 report, we found that more could be done to make U.S. firms aware of potential business opportunities in Saudi Arabia and stated:

"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 Treasury have OSAA [formerly the Office of Saudi Arabian Affairs, now the U.S. Directorate] and USREP develop and make available to interested businessmen, the U.S. Embassy, and the Department of Commerce, information on Commission projects, both ongoing and planned, in sufficient detail to permit suppliers to identify possible commercial opportunities."

A May 1979 Department of Treasury response wholly endorsed the recommendation and noted that the following actions were to be taken:

- Broaden the scope of the Quarterly Activities Report sent to members of the U.S. business community, including information on business and commercial opportunities.
- Structure a system whereby commercial officers in both Riyadh and Jidda are informed, on a regular basis, of Joint Commission business opportunities.

The inclusion of potential business opportunities in the quarterly report was initiated immediately and well received. For example, in June 1979, a U.S. Embassy official commended USREP on the reports' utility and stated that he "****will make sure our economic/commercial officers make full use of it in dealings***with business visitors." However, during our work in Saudi Arabia in March 1982, a Commerce Department official told us that there was no system for obtaining information on potential business opportunities from project leaders and disseminating it to local U.S. firms. This shortcoming was again addressed by USREP at an April 1982 staff meeting, but a

system was not in place at USREP until November 1982. We were informed by a U.S. Directorate official that information on business opportunities is now disseminated by way of a procurement fact sheet prepared periodically by project leaders and made available to USREP and to the Embassy's U.S. Liaison Office.

We discussed trade opportunities with the then director of the USREP during our in-country visit. He believed it was important for his office to be aware of trade opportunities. However, he felt that the Saudis could be offended if team leaders were too active in supplying U.S. firms information on opportunities that the Saudi Arabian ministries are solely responsible for.

In speaking to 11 team leaders in-country we found varying views, but essentially, 2 leaders felt it was not their responsibility to pass on trade opportunities, 6 said they attempted to help U.S. businesses, and 3 stated they had no experience or were non committal.

We believe that team leaders who do not promote U.S. business opportunities lack understanding that this is one of the basic reasons for establishing the Joint Commission and an objective which must be continuously pursued. Team leaders are in one of the best positions to know about near-term and future project plans and directions, thus, it is essential that they are clear on broader-based Joint Commission objectives.

The U.S. Director agreed that team leaders are responsible for notifying responsible in-country officials of possible trade opportunities in Joint Commission projects including those that are to be awarded by the Saudi ministries.

According to the U.S. Director, several other efforts are being made to attract U.S. private concerns. They include:

- Advertisement in the "Commerce Business Daily" in order to stimulate industry's interest in bidding on Saudi-funded procurement actions.
- Representation by U.S. Directorate officials at business conferences and round tables on Saudi Arabia where opportunities for U.S. private sector involvement in Joint Commission projects are outlined.
- Establishment of a U.S.-Saudi Arabian Businessmen's Dialogue to broaden cooperative relationships directly through the private sector.

JOINT VENTURE PROJECTS COULD ALSO
INCREASE BUSINESS OPPORTUNITIES

During the Seventh Session of the Joint Commission, held in Washington on October 7-8, 1982, a Sub-Committee to promote the establishment of joint venture projects between American and Saudi Arabian firms was formed. The Group consists of representatives from the Departments of Commerce and Treasury and the Saudi Arabian Ministries of Commerce, Industry and Electricity, and Finance and National Economy. The objective of the Sub-Committee is to foster a wide range of joint ventures between firms of the two countries in areas of industry, agriculture, and services.

The concept of joint ventures originated in mid-1981 when the Saudi Minister of Finance and National Economy identified a need for an organization that would assist young Saudi businessmen to become acquainted with U.S. companies working in the United States and Saudi Arabia. The Departments of Treasury and Commerce responded positively to the Minister's request. Treasury has been working on a proposal for an institutional structure to promote joint ventures, through the Joint Commission, on a more systematic basis. Commerce saw joint venture opportunities in Saudi Arabia as a way of overcoming the lack of information in the U.S. business community previously discussed, and believed that a joint venture program would attract a wider range of capable U.S. firms to assist the Saudi Arabian Government in its industrialization.

As presently envisioned by Treasury and Commerce officials, the two governments would perform the role of broker or facilitator under the auspices of the Joint Commission and the private sector would have the responsibility for making decisions as to a project's merits and details of implementation. According to a Commerce Department official, a Saudi businessman would theoretically draw up a joint venture proposal and ask the Saudi Government for assistance. The information would be passed to the Commerce Department which would disseminate the idea to U.S. firms capable of and interested in that kind of business venture. U.S. firms also could initiate joint venture proposals and receive Commerce Department support in facilitating discussion between interested parties if the Department is convinced that there is potential for a successful joint venture.

With the establishment of a Sub-Committee during the Seventh Session of the Joint Commission in October 1982, a proposed operational plan was established for the United States and the Saudis to proceed with the joint venture program.

CONCLUSIONS AND RECOMMENDATION

Treasury agreed with our 1979 recommendation and phased in corrective measures over a 3-year period to assure a systematic flow of information to the business community in the United States on business opportunities in Saudi Arabia. The most recent, in late 1982, implemented a procedure established to inform U.S. firms in Saudi Arabia of potential business opportunities. This latest measure filled a long-standing need and the overall system now should improve the flow of information to American business and industry in Saudi Arabia and the United States.

The Saudi Arabian Government is emphasizing closer ties between Saudi firms and foreign companies. Joint ventures of all sizes are being encouraged. Consequently, the newly-formed Sub-Committee should assist in providing the U.S. business community greater access to Saudi Arabian markets.

To further aid ongoing efforts to identify and disseminate information on trade opportunities to U.S. firms we recommend that the Secretary of the Treasury emphasize to implementing agencies the importance of project team leaders being fully aware of the Joint Commission trade objective.

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CHIEF OF STAFF

Congress of the United States
Committee on Foreign Affairs

House of Representatives
Washington, D.C. 20515

February 2, 1982

Honorable Charles A. Bowsher
Comptroller General of the
United States
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Bowsher:

I would like the General Accounting Office to undertake a further investigation of the activities of the United States-Saudi Arabian Joint Commission and update your work which was completed for this subcommittee in early 1979.

It is clear that the Commission is meant to play a critical role in providing expertise and technology to promote Saudi Arabia's development. I am anxious to know what has been accomplished, how quickly and effectively projects are proceeding, what problems exist, what is being done about resolving them and whether your suggestions of 1979 have been implemented. The organization, procedures and operation of the joint commission and the thorough overview of the work by the United States Government also continue to be matters of interest.

I appreciate your consideration of this matter and look forward to working with you on it. Mike Van Dusen of the subcommittee staff, who has already been in touch with your staff about the project, remains available at 225-3345 to discuss it further.

With best regards,

Sincerely yours,



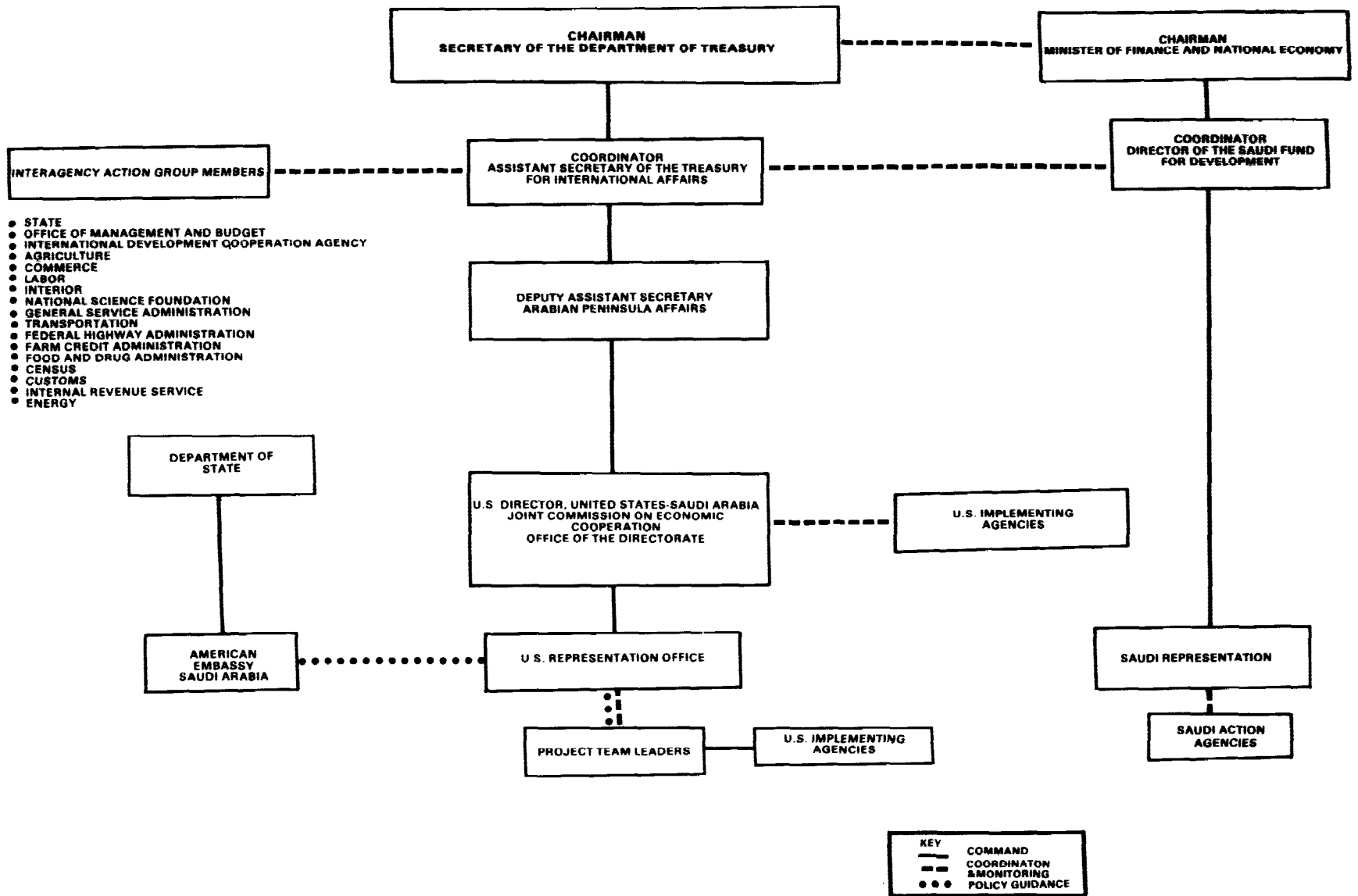
Lee H. Hamilton
Chairman
Subcommittee on Europe
and the Middle East

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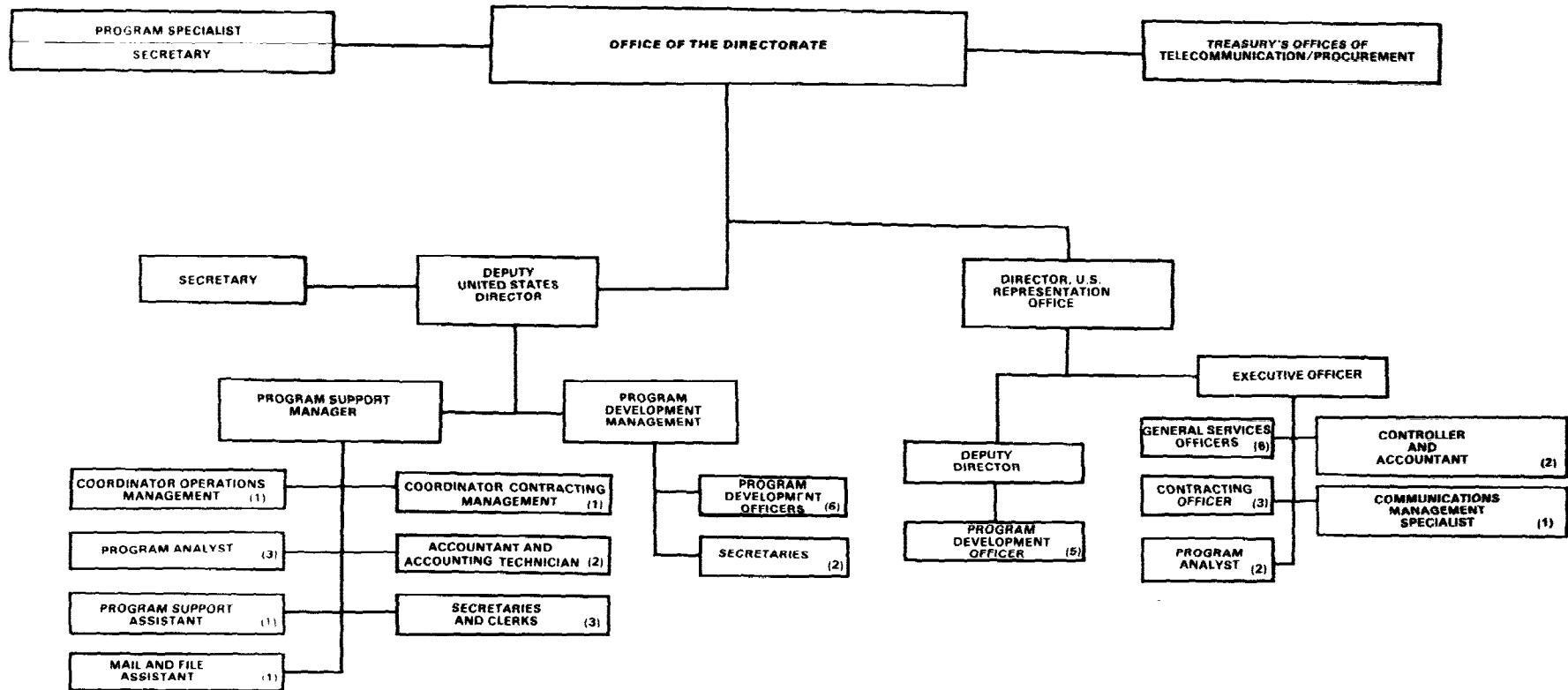
UNITED STATES - SAUDI ARABIAN JOINT COMMISSION ON ECONOMIC COOPERATION POLICY AND OPERATIONAL RELATIONSHIPS

APPENDIX I I

APPENDIX I I



**UNITED STATES DIRECTORATE, UNITED STATES-SAUDI ARABIAN JOINT COMMISSION
ON ECONOMIC COOPERATION**



NOTE: NUMBERS IN PARENTHESES INDICATE NUMBERS OF APPROVED POSITIONS

**DESCRIPTION OF JOINT COMMISSION PROJECTS
OBJECTIVES, STATUS, COSTS, (note a) AND PERSONNEL (note b)**

ACTIVE PROJECTS

1. Project Title: **Audit Services (AUDIT)**

Date Agreement Signed: **May 15, 1978**

Agreement Termination Date: **None stated**

Cost: **\$4,289,000**

Personnel:

In United States:	-
In Saudi Arabia:	7

Implementing Agency: **Department of Treasury**

Specialists in auditing and accounting are assisting the Saudi General Auditing Bureau in a broad program encompassing organizational, managerial, and technical aspects as well as training and education. A draft of comprehensive auditing standards, when finalized, will provide criteria against which the quality and effectiveness of auditing can be measured, and will serve as the cornerstone for a higher level of professionalism in the Bureau. The project is involved in a number of diversified training and educational activities and a long-range plan is being developed which will comprise training and educational elements for all Bureau auditors.

2. Project Title: **Desalination Research and Training (HYDROS)**

Date Agreement Signed: **May 3, 1977**

Agreement Termination Date: **None stated**

Cost: **\$34,642,000**

Personnel:

In United States:	1
In Saudi Arabia:	3

Implementing Agency: **Department of Interior**

Saudi Arabia's Saline Water Conversion Corporation continues extensive seawater desalination plant construction and operation. In this context the Department of Interior is providing assistance relating to research, development and training. A major part of the program involves the establishment of a Research, Development and Training Center.

3. **Project Title:** Highway Administration (HIGHWAY)
Date Agreement Signed: August 26, 1977
Agreement Termination Date: August 1983
Cost: \$11,690,000
Personnel:
 In United States: 2
 In Saudi Arabia: 16
Implementing Agency: Department of Transportation
(Federal Highway Administration)

The Federal Highway Administration is working with the Saudi Arabian Ministry of Communications in the area of highway transportation. The team's function is to assist in the strengthening of the Ministry of Communication's highway transportation management capabilities and in the upgrading and modernizing of the country's existing highway system. Technical expertise is provided in a wide range of highway engineering specialities. The team is assisting in the upgrading and expanding of the central materials laboratory and the contract administration system, and it is helping to organize and develop a traffic safety department as well as a management information system. Operational manuals are being developed for the Ministry which will standardize all aspects of highway design, construction and maintenance.

4. **Project Title:** National Center for Financial and Economic Information (NCFEI)
Date Agreement Signed: May 3, 1977
Agreement Termination Date: None stated
Cost: \$56,906,000
Personnel:
 In United States: -
 In Saudi Arabia: 26
Implementing Agency: Department of Treasury

The National Center was constructed to provide the Ministry of Finance and National Economy with a facility to provide timely information, analysis and reports, and to make effective presentations of information to Saudi officials and their guests. U.S. advisors are assisting the Saudi's in the areas of economic analyses; information, reference and research; assembling media production equipment and providing non-print media services.

5. **Project Title:** Agricultural Bank Management and Training (AGRIBANK)

Date Agreement Signed: November 18, 1978

Agreement Termination Date: November 1983

Cost: \$6,736,000

Personnel:

In United States:	1
In Saudi Arabia:	11

Implementing Agency: Farm Credit Administration

Specialists are assisting the Saudi Arabian Agricultural Bank to improve its administration and operations. Areas of assistance include advisory cooperation, manpower development, and technology transfer. U.S. experts are assisting all Bank departments to streamline banking operations and provide faster and sounder credit to farmers and agricultural developers. A study of the feasibility and cost of using computers for selected Bank operations is presently being made. A large training program currently involving 175 Saudi bank personnel is being conducted with U.S. universities supplemented by on-the-job experience in U.S. banking institutions.

6. **Project Title:** Agriculture and Water Development (AGWAT)

Date Agreement Signed: November 23, 1975

Agreement Termination Date: None stated

Cost: \$88,066,000

Personnel:

In United States:	8
In Saudi Arabia:	59

Implementing Agency: Departments of Agriculture and Interior

The U.S. experts are working with the Saudi Ministry of Agriculture and Water to provide technical assistance in the fields of (1) water resources, (2) technical support in planning, design, preparation and evaluation of contracts including construction monitoring, (3) agricultural research and development support including land records, management classification and mapping, (4) information and data processing support for technical and administrative functions, including the development of a Ministry library.

7. Project Title: Solar Energy Research and Development (SOLERAS) (note c)

Date Agreement Signed: October 30, 1977

Agreement Termination Date: originally January 1983
extended to January 1986

Cost: \$79,646,000 (note c)

Personnel:

In United States: -

In Saudi Arabia: 3 (note f)

Implementing Agency: Department of Energy
(with Midwest Research Institute)

This project is a jointly funded solar energy research and development program of the United States and Saudi Arabia consisting of four major program areas: rural/agricultural, industrial application, urban application, and resource development. In the rural/agricultural program the Saudi Solar Village is a functioning photovoltaic power system and work has started in the area of a phototype solar powered controlled environment agricultural system. Three design studies including the proposal for construction and operation of these systems are under review. In the resource development area, a Solar Desalination workshop was held during which Saudi and U.S. experts and representatives from foreign nations exchanged ideas. In the urban application area, four solar active cooling systems were tested and evaluated. Contracts were awarded to four universities in Saudi Arabia for detailed design of cooling laboratories as part of the Saudi's University Solar Cooling Laboratories. In the industrial area, a solar energy water desalination project was started.

8. Project Title: Supply Management Development (CENPRO)

Date Agreement Signed: July 13, 1978

Agreement Termination Date: None stated

Cost: \$6,988,000

Personnel:

In United States: 3

In Saudi Arabia: 12

Implementing Agency: General Services Administration

The U.S. is assisting the Saudi Ministry of Finance and National Economy in developing a centrally controlled procurement supply management system for Saudi Arabia. Work is ongoing to develop (1) a supply classification and catalog system; (2) a catalog of common use items; (3) a specification and standards system; and (4) training programs for Saudi Arabian managers and staff.

9. **Project Title:** Consumer Protection (CONPROT)

Date Agreement Signed: May 3, 1977

Agreement Termination Date: None stated

Cost: \$19,213,000

Personnel:

In United States: -

In Saudi Arabia: 27 (note f)

Implementing Agency: Department of Treasury and Food and Drug Administration (with Midwest Research Institute)

The U.S. is assisting the Saudi Ministry of Commerce Consumer Protection Department and Quality Control Directorate in establishing a system of food quality controls in its four major laboratories. Specific programs to improve operations are being undertaken. They include the introduction of standard methods of analysis; modern and practical equipment for all laboratories; computerized data collection system; library facilities, ordering system; and repair and maintenance programs. In addition to the above, a regulatory inspection program of commercial weighing and measuring devices has been established and is operating in the Riyadh area. A Food and Drug Administration senior advisor is providing assistance to the Ministry in developing its legislative compliance and inspection program.

10. **Project Title:** Customs Administration and Training (CUSTOMAT)

Date Agreement Signed: June 22, 1978

Agreement Termination Date: None stated

Cost: \$36,319,000

Personnel:

In United States: 9

In Saudi Arabia: 6

Implementing Agency: Department of Treasury (Customs)

The project is focusing on training Saudi Customs officers, computerizing Saudi Customs operations, and using dogs for the detection of contraband coming into Saudi Arabia. The training program is centered at Arkansas State University and includes a four month program, a computer/micrographics vocational program, and both graduate and undergraduate degree programs. A contract for the computerization of Saudi Customs operations and procedures was awarded to a U.S. firm and work is underway to construct a new computer center. A program is underway to use dogs for the detection of contraband in cargo and passenger baggage coming into Saudi Arabia.

11. **Project Title:** Cooperation with King Faisal University (JAMIAH)

Date Agreement Signed: April 15, 1980

Agreement Termination Date: April 1984

Cost: \$2,685,000

Personnel:

In United States: -

In Saudi Arabia: -

Implementing Agency: Department of Treasury (with Academy for Educational Development)

The objective of this project is to provide a range of assistance activities to King Faisal University. These include technical assistance in higher education process and operations, and exchange of university personnel in academic administrative and other professional areas.

12. **Project Title:** Arid Lands, Meteorology, and Environmental Education (ARMETED)

Date Agreement Signed: November 25, 1979

Agreement Termination Date: None stated

Cost: \$7,373,000

Personnel:

In United States: -

In Saudi Arabia: 6 (note f)

Implementing Agency: Department of Treasury (with Consortium for International Development)

This project uses the multi-disciplinary capabilities of 11 universities to assist the faculty of Meteorology and Environment Studies at King Abdulaziz University in Jidda. Teaching, research, and educational curriculum development programs are being conducted in each of the departments of Arid Lands Studies, Meteorology, Hydrology, and Water Resources Management, and Environment Sciences. Currently over 20 research projects are being conducted within Saudi Arabia.

13. Project Title: Support for the Saudi Arabian National Center for Science and Technology (SANCST)

Date Agreement Signed: February 29, 1976

Agreement Termination Date: None stated

Cost: \$5,264,000

Personnel:

In United States:	2
In Saudi Arabia:	-

Implementing Agency: National Science Foundation

The project is assisting in the development of Saudi Arabia's science capabilities. Current emphasis is being placed on applied research and coordination of activities at Saudi scientific centers.

14. Project Title: Statistics and Data Processing (STADAP)

Date Agreement Signed: September 23, 1975

Agreement Termination Date: Originally August 1980
extended to August 1985

Cost: \$29,863,000

Personnel:

In United States:	3
In Saudi Arabia:	30

Implementing Agency: Department of Commerce (Census)

The project is assisting the Central Department of Statistics in the overall improvement of Saudi Arabian statistical and data processing programs and resources. Work is ongoing in the areas of statistical services, computer data processing, and specialized program support. Training of the Saudi staff is being carried out in both Saudi Arabia and the United States.

15. **Project Title:** Manpower Training and Development (VOTRAKON)

Date Agreement Signed: June 12, 1976

Agreement Termination Date: June 1985

Cost: \$105,468,000

Personnel:

In United States:	14
In Saudi Arabia:	37

Implementing Agency: Department of Labor and General Services Administration

U.S. agencies are working with the Saudi General Organization for Technical Education and Vocational Training to assist in developing a strengthened vocational training system in Saudi Arabia. Ongoing activities include the design for construction of 18 new training related facilities; the design, field test and implementation of competency based, mediated, instructional materials for entry level courses in eight trades; developing, testing and implementing a teacher-training curriculum; and the development of a nationwide on-the-job training system.

16. **Project Title:** National Park Development (KINAPARK)

Date Agreement Signed: February 16, 1977

Agreement Termination Date: None stated

Cost: \$5,993,000

Personnel:

In United States:	-
In Saudi Arabia:	2

Implementing Agency: Department of Interior

The Asir National Park construction was completed during 1982 and Ministry of Agriculture and Water acceptance is pending. The U.S. National Park Service is now working with Ministry officials in advising on the management and operation of the park.

17. **Project Title:** Transportation Services
(TRANSNET)

Date Agreement Signed: November 18, 1978

Agreement Termination Date: originally March 1983
extended to March 1984

Cost: \$3,607,000

Personnel:

In United States:	3
In Saudi Arabia:	9

Implementing Agency: Department of Transportation

Specialists are assisting the Ministry of Communications in planning and developing programs to meet present and future transportation responsibilities in Saudi Arabia. Advisory services provided include: review and advice on continuing planning studies; review of public transportation programs and operations and advice on future directions; technical support on international maritime conventions and assistance in and development of Saudi Maritime Regulations; assistance in identifying and developing appropriate in-country and out-of-country training and staff development programs for Ministry personnel; advice and participation in the development of in-country recruitment programs; and advice and assistance in the development of management information systems within the Ministry.

18. **Project Title:** Tax Assistance and Training
(TAXTRAIN)

Date Agreement Signed: May 17, 1981

Agreement Termination Date: May 1984

Cost: \$685,000

Personnel:

In United States:	-
In Saudi Arabia:	2

Implementing Agency: Internal Revenue Service

The project calls for the development of a tax audit training program in the U.S. for examiners from the Zakat and Income Tax Department. Two major programs are underway. The first program is to sort and accumulate import values for each importer. The second program is the development of a computer master file of all taxpayers. Plans are also being completed for Internal Revenue Service instructors to train the Saudi Arabian examiners in a variety of subjects including techniques in audit principals, international bookkeeping, and accounting procedures.

PROJECTS AWAITING IMPLEMENTATION

19. **Project Title:** Executive Management Development (DEVEX)

Date Agreement Signed: November 18, 1978

Agreement Termination Date: None stated

Cost: -

Personnel:

In United States: -

In Saudi Arabia: -

Implementing Agency: Department of Treasury

Under this project selected senior Saudi Government administrators will participate in management development programs in the United States. The project has been awaiting Saudi funding.

20. **Project Title:** Saudi Organization and Studies (SAUDOS)

Date Agreement Signed: October 8, 1982

Agreement Termination Date: None stated

Cost: -

Personnel:

In United States: -

In Saudi Arabia: -

Implementing Agency: Department of Treasury

The objective of this project is to improve the report access capabilities and faculty performance evaluations for King Saud University, Department of Organization and Studies.

	<u>TOTALS</u>	<u>Personnel</u>	
		<u>Costs</u>	<u>U.S.</u>
Active projects	\$505,433,000	46	256
Completed projects, miscellaneous studies, and prepaid expenses (note e)	184,136,000		
U.S. Directorate (including Procurement and Telecommunications Office) (notes d and h)	<u>26,601,000</u>	<u>25</u>	<u>17</u>
	<u>\$716,170,000</u>	<u>71</u>	<u>273 (note g)</u>

a/Project costs as of November 1, 1982.

b/Reimbursable Federal employees as of October 1, 1982.

c/Includes the U.S. share of about \$40.8 million.

d/Costs are for USREP. Washington costs of the U.S. Directorate, and costs for the Procurement Office and Telecommunications Office have been distributed to the projects.

e/The four completed projects consisted of procurement, installation, planning, and modernization of Saudi Arabian power stations.

f/Contractor personnel as of July 1, 1982.

g/Included in the total is 36 contractor personnel.

h/There are eight positions not shown that are U.S. funded.



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

MAR 15 1983

Dear Mr. Conahan:

In your letter of February 18 to Secretary Regan, you asked for our comments on the proposed U.S. General Accounting Office (GAO) report on the U.S.-Saudi Arabian Joint Commission on Economic Cooperation made at the request of the Chairman, Subcommittee on Europe and the Middle East, House Committee on Foreign Affairs.

The GAO has prepared a well-balanced, helpful review of the U.S.-Saudi Arabian Joint Commission program, including some sound recommendations for improving the overall effectiveness of the program.

At the Seventh Annual Meeting of the U.S.-Saudi Arabian Joint Commission, held in Washington last fall, many of the recommendations for improved program effectiveness highlighted in the GAO report were discussed at some length in a working plenary session. A follow-up meeting on these recommendations, chaired by the two Joint Commission Coordinators, will be held later this month.

We continue to support the promotion of business opportunities through the Joint Commission for U.S. and Saudi Arabian firms. In this regard, I am glad your report notes that fully half of the money expended to date under the Joint Commission program has gone to our respective private sectors. Our efforts to promote greater business ties between our two countries has led the Joint Commission to establish the U.S.-Saudi Arabian Businessmen's Dialogue, a forum for the exchange of views between the two private sectors, and, more recently, a Joint Commission Sub-Committee on Joint Ventures.

We are appreciative of the GAO report and will give continuing attention to its recommendations.

Sincerely,

Marc E. Leland
Assistant Secretary
(International Affairs)

Mr. Frank C. Conahan
Director
International Division
U.S. General Accounting Office
Washington, D.C. 20548



DEPARTMENT OF STATE
Comptroller
Washington, D.C. 20520

16 MAR 1983

Dear Frank:

I am replying to your letter of February 18, 1983, which forwarded copies of the draft report: "U.S-Saudi Arabian Joint Commission on Economic Cooperation -- Status of Progress and U.S. Participation."

The enclosed comments on this report were prepared by the Deputy Assistant Secretary in the Bureau of Near Eastern and South Asian Affairs.

We appreciate having had the opportunity to review and comment on the draft report. If I may be of further assistance, I trust you will let me know.

Sincerely,


Roger B. Feldman


Enclosure:
As stated.

Mr. Frank C. Conahan,
Director,
International Division,
U.S. General Accounting Office,
Washington, D.C.

GAO Draft Report: "U.S.-Saudi Arabian Joint Commission on Economic Cooperation -- Status of Progress and U.S. Participation"

The Department believes that the GAO Draft Report on the Joint Commission is a rigorous, fair analysis of the Commission's extensive operations in Saudi Arabia. No recommendations were made to the Department of State.

We note that some of the recommendations made to the Department of the Treasury are designed to address, directly or indirectly, perceived shortcomings in Saudi administration of the Commission's operation. As it is a joint operation, we would point out that those recommendations, such as expediting visas and employment candidate approvals and granting increased pay incentives, could only be successful insofar as the Saudi Government shared our views and was able to resolve the problems.


James A. Placke
Deputy Assistant Secretary
Bureau of Near Eastern and
South Asian Affairs



UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

MAR 29 1983

Mr. J. Dexter Peach
Director, Resources, Community
and Economic Development Division
U.S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Peach:

This is in reply to your letter of February 18, 1983, requesting comments on the draft report entitled "U.S.-Saudi Arabian Joint Commission on Economic Cooperation - Status of Progress and U.S. Participation."

We have reviewed the enclosed comments of the Under Secretary for International Trade and believe they are responsive to the matters discussed in the report.

Sincerely,

A handwritten signature in black ink, appearing to read "Sherman M. Funk".

Sherman M. Funk
Inspector General

Enclosure



UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
 Washington, D. C. 20230

MAR 24 1983

Mr. Val J. Bielecki
 Group Director
 United States General Accounting Office
 Room 4824
 441 G Street, N.W.
 Washington, D.C. 20548

Dear Mr. Bielecki:

Thank you for the letter from Mr. J. Dexter Peach that gives us the opportunity to comment on the draft report, "U.S.-Saudi Arabian Joint Commission on Economic Cooperation - Status of Progress and U.S. Participation."

Two parts of the draft report relate to our activities: the Subcommittee (Working Group) on Joint Ventures and the dissemination of trade opportunities. The Subcommittee program on encouraging joint ventures became operational this month with publication of an announcement in "Business America," (copy attached) 1. We are now soliciting joint venture proposals from both U.S. and Saudi Arabian firms, in Washington and in Riyadh.

Regarding the dissemination of trade opportunities, our Department contributes to Joint Commission project publicity by disseminating to U.S. firms the Progress Report received from Treasury and trade opportunity announcements received from the Foreign Commercial Service in Saudi Arabia. We are pleased that \$350 million in project awards (half of total Joint Commission spending to date) have been won by U.S. firms. While most Joint Commission procurement is done in the United States through well known U.S. Government procurement channels, we support the GAO recommendations for improvements in disseminating to U.S. firms in the Kingdom information on locally-procured goods and services.

The draft report notes that timely issuance of Saudi visas continues to be a problem. This problem is not unique to the Joint Commission but is confronted by all private sector firms sending personnel to Saudi Arabia. We have raised this issue with Saudi officials and will continue to work on a solution to it.

We appreciate this opportunity to comment on your report.

Sincerely,

Lionel H. Olmer
 Under Secretary for
 International Trade

GAO note

1/ Not included in the report.



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