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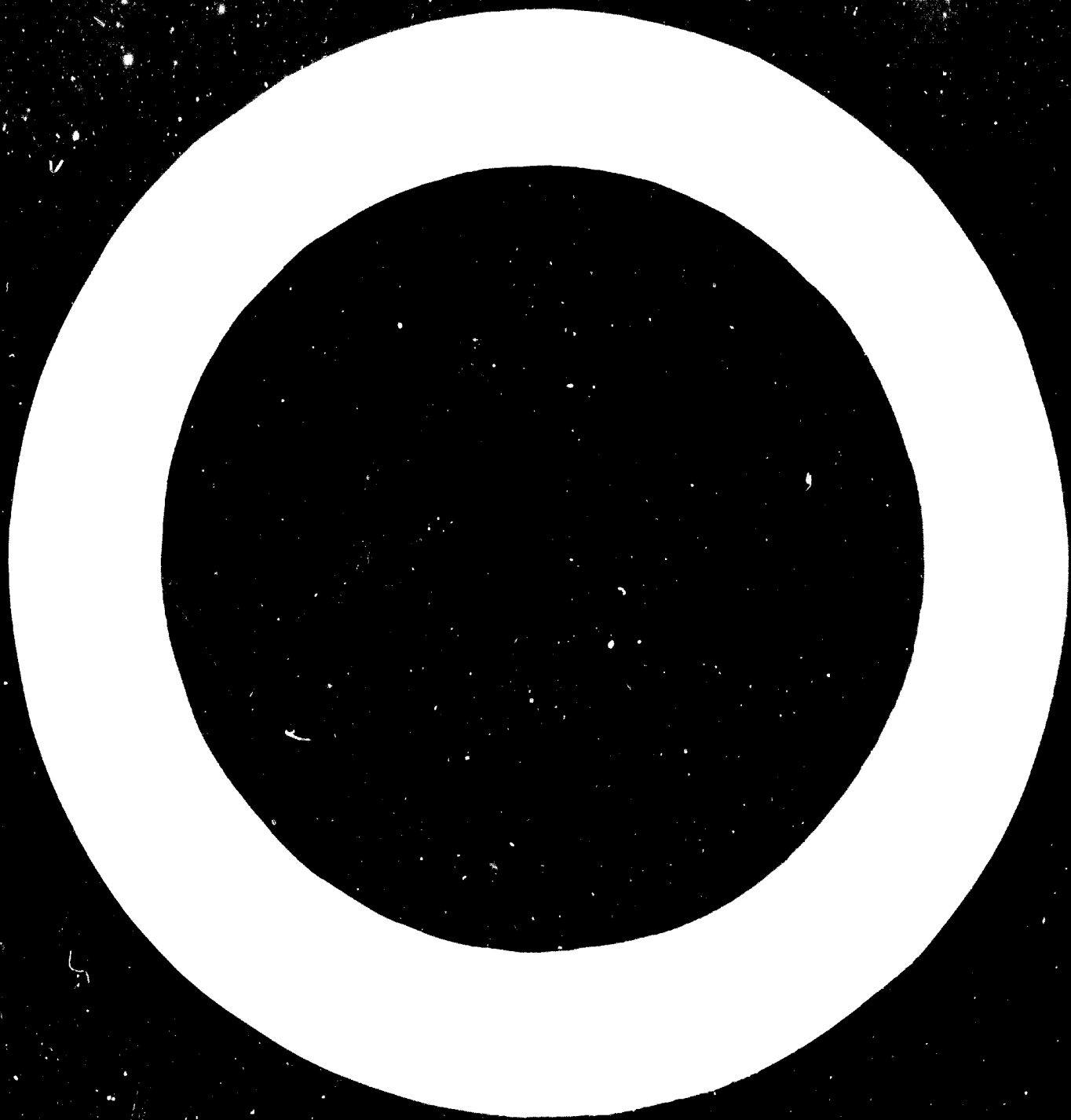
SMALL-SCALE INDUSTRY IN SAUDI ARABIA ^{1/}

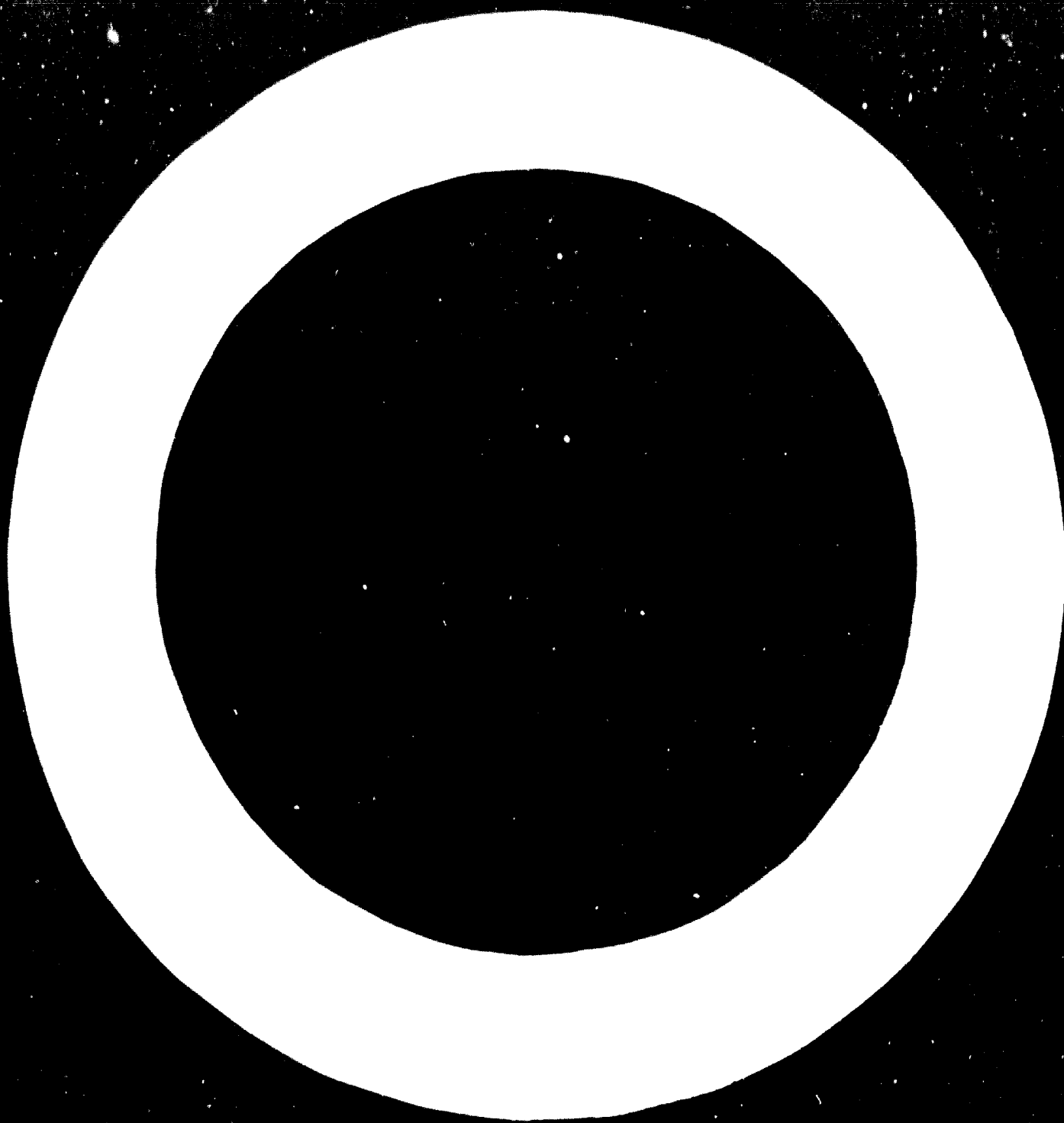
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SMALL SCALE INDUSTRIES IN SAUDI ARABIA

Apart from the oil industry, industrial development in Saudi Arabia started only about ten years ago and has naturally concentrated in the larger towns where infrastructure was readily available. With the exception of a small number of fairly large industries recently established, practically the whole of existing industry is small and medium scale, left entirely to the private sector.

With increasing attention given to industry the Ministry of Commerce was given responsibility for industry and became the Ministry of Commerce and Industry in 1962, with a directorate for industry and electricity.

In 1962 Regulations were passed for encouragement and protection of national industries. By virtue of these regulations, industrial projects approved by the Government are given the following privileges:

1. Exemption from custom duties on machines, equipment and spares.
2. Exemption from custom duties on raw materials, semi-finished products and packaging containers not obtainable locally.

3. Provision of land at nominal rent for the factories and for living quarters for employees.

In addition, the regulations provide for the following:

1. Protection of national industries by limiting or prohibiting the importation of foreign products similar to local products and/or raising custom duties on such foreign products.
2. Granting financial aid to industrial establishments.
3. Exemption of products exported from export-fees and all other taxes.

An additional encouragement to local industries was given later by virtue of the Statute regulating Government purchases which stipulates that local products shall be purchased in preference to similar foreign products even if the price of the former was 10% higher.

Industrial Estates.

About four years ago the Government decided to embark on a programme of establishing industrial estates, starting with one at Riyadh and the other at Jeddah. A combined industrial estate/industrial area approach is being adopted in both cases, so that general purpose factory buildings, units in nursery factory buildings

as well as land plots are available for hire at nominal rents. The estates will be provided with roads, water, electricity, and sewage systems and telephone exchanges. The following facilities will be provided on each estate:

1. Administration building.
2. Nursery factory buildings.
3. General purpose factory buildings.
4. Workshop.
5. Mosque.
6. Medical Centre.
7. Fire Station.
8. Police Centre.
9. Post Office.
10. Bank.
11. Canteen.

Jeddah will have the pilot industrial estate, the initial cost of which will be about SR.12,000,000 (US \$2.7 million). The area which is being developed in the first phase is 480,000 square metres, allocated as follows:

	<u>Area in Square Meters.</u>	<u>Percentage.</u>
Plots	287,000	59.8%
Roads	94,000	19.6%
Green Area	70,000	14.6%
Administration Area	<u>29,000</u>	<u>6.0%</u>
Total:	480,000	100.0%

There are five plot sizes ranging from 1,000 to 4,600 square meters, with 109 plots in all. The estate will start with one nursery factory building with twelve units each 6 x 10 meters and two general purpose factory buildings each 12 x 30 meters with room for extension. Construction work on the buildings and facilities is about to start and is due for completion early in 1970.

To begin with, the workshop will be equipped for metal working and heat treatment and will have a tool room. This equipment is being provided by the UNDP Special Fund under the ~~their~~ Industrial Studies and Development Centre Project covered below:

Industrial Studies and Development Centre.

With the assistance of the UNDP Special Fund the Industrial Studies and Development Centre was established in March 1967 as an autonomous body attached administratively to the Ministry of Commerce and Industry. Its functions include:

1. Studies and researches relating to industrial policy and programming.
2. Studies and researches relating to the establishment of new industries.
3. Provision of technical assistance to existing industrial establishments.

4. Supervision of the planning, construction and management of industrial estates.

The programme of the Centre includes assistance to and promotion of small and medium scale industries.

Survey of Industrial Establishments.

A survey of existing industrial establishments in the Kingdom was launched in the last quarter of 1967 starting with Riyadh in which field work has been completed. The survey has shown that there are 52 industrial establishments in the city. The fields covered are:

Manufacture of Cement.

Manufacture of Gypsum.

Gas filling and distribution.

Beverages.

Dairy products, bakeries and sweets.

Aluminium and plastic wares.

Machine shops and foundries.

Metal and wooden furniture and fixtures.

Barrels and tanks.

Tiles and cement blocks.

Windows and doors.

Neon signs.

The contribution to capital investment and employment of the 42 reporting establishments is shown

below:

	Number	Percent of Total	Total Capital		Employment	
			Million S.R.	%	Number	%
Establishments with Capital below SR 500,000 (US \$111,000)	33	79	4.6	8	579	39
Establishments with capital SR 500,000 and over	9	21	55.4	92	908	61
Total	42	100	60.0	100	1,487	100

The table shows that with only 8% of the total capital investment the smaller establishments have contributed 39% of total employment, i.e. they are relatively more labour intensive.

Detailed analysis of the data is continuing and is throwing considerable light on the problems facing industry in general. Survey work is progressing in other parts of the Kingdom and it is hoped that it will be completed about mid 1969.

Technical Services for Small Scale Industry.

With the assistance of UN Experts, technical counselling has been given to existing industrial establishments most of which are on the small scale side.

Experts and Saudi Counterparts pay preliminary visits to representative establishments to whom the observations and recommendations arising from such visits are passed. The work covers advice on the technical side of the operations as well as factory organisation and management. A number of establishments to which such visits have been made is then chosen for detailed investigation and advice on the various aspects of operation, followed by assistance in implementation of the recommendations over a reasonable period of time. Improvements thereby achieved have a good demonstration effect.

To improve management levels seminars have been held. In 1966 one seminar was held in Riyadh for senior executives on marketing and three seminars were held on inventory control, one in each of Riyadh, Jeddah and Dammam.

Manpower.

Industrial development being very recent in the Kingdom, shortage of manpower at all levels is one of the major problems to be dealt with. For the time being, industry relies in the main on expatriate personnel from the skilled worker level upwards.

In order to meet the need for skilled workers and foremen with little possibility for apprenticeship and

training within industry, the Kingdom is adopting two parallel lines of approach, vocational training centres and industrial education.

Vocational Training Centres.

The first Vocational Training Centre was set up in Riyadh in 1964 with the assistance of the ILO. Vocational Training Centres have also been started at Dammam and Jeddah in 1966 and in Buraidah in 1967. A fifth Centre at Jouf will be opening next year.

Riyadh started with 9 trades, Dammam with 2, Jeddah with 4 and Buraidah with 2. The total number of trades in which training is being imparted at present is 14 and 2 more will be added by 1969. The total available places by 1969 will be 1,550 with 16 trades.⁽¹⁾ Riyadh, Dammam and Jeddah will each have 350 places, and Buraidah and Jouf 250 each.

The duration of courses varies from 12 to 18 months depending on the trade. The courses are mainly practical, designed to produce skilled workers. The Vocational Training Centre in Riyadh is also giving Instructor

(1) Automotive Mechanic - General Machinist - Sheet Metal Worker - Blacksmith/Welder - Electrician - Wireman - Coil and Armature winder - Radio/TV Mechanic - Carpenter - Bricklayer/Blocklayer - Plasterer/Tiler - Stonemason - Plumber - Painter - Printer - Typewriter and Office Machines Mechanic.

Training.

1,263 trainees have joined the Vocational Training Courses since their inception. Of these, 534 have successfully completed the courses and 553 are presently under training.

Industrial Education.

Industrial education started about 10 years ago and has undergone modification from time to time. At first boys were taken after six years of general education and given four years of technical industrial education. Later the duration of industrial education was increased to 5 years.

In 1963 it was decided to raise the level and start with boys who have had 9 years of general education and this has been the practice since. These boys join the Secondary Vocational Schools. At the end of the 2nd year in these schools there is a qualifying examination and unsuccessful candidates leave the school as semi-skilled workers. Of the successful students those who are more prone to practical studies continue a third year in the school and qualify as skilled workers. Those who show good bias towards the theoretical side join the Technical Industrial Institute for a two year course to come out as Supervisor.

At present the Kingdom has set up only the Secondary Vocational Schools. A Technical Industrial School will be started next year.

The total number of students who have completed industrial education since its inception is 1,544. Those in the secondary vocational schools now in existence in the Kingdom amount to 740.

Financing of Industry.

Existing commercial banks in the Kingdom provide financing for industry, mostly for short time and to the larger concerns. Small and medium-scale industry relies mostly on owner financing, which is fortunately abundant in the Kingdom. To assist these industries with financing the Government is establishing an Industrial Bank for which funds are included in the budget.

Prospects of Small-Scale Industry.

The vast size of the Kingdom, its relatively small population mostly concentrated in a few towns with populations ranging from 150,000 to 250,000 separated by long distances suggests that small and medium scale industries have better chance of success for the local market than large scale industry which should be export-oriented. With the Kingdom importing much of its needs, there is considerable scope for import substitution.

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