# NATIONAL DEVELOPMENT PLANNING AND DEVELOPMENT STABILITY
## A Review of the Bahrain Experience

by

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# INTRODUCTION

Since the late summer of 1976 the State of Bahrain was my home.[1] For three and a half years the islands of this once secluded region of the world held me within the mysteries of another land and peoples most distinctively different from that of Western society. A distant region where the mysteries of the past are embodied in a history that pre-dates the Bronze Age and where culture is distinguished by beckoning calls to prayer five times daily, faceless women clad in black, and men robed in white.[2] Today, though, at least from a Western perspective, the enigmatic nature of this bleached land can be found within the mutual interdependence among developed and developing regions of the world.

In 1960 the Organization of Petroleum Exporting Countries (OPEC) was established.[3] Sixteen years later in 1976, with major oil holdings and refinery operations nationalized, the more obvious physical manifestations of the petrol dollar funded modernization process were transforming the face of Arabia from desolate sands and wadis to paved highways and grandiose structures. Such realities represented not only the hopeful acquisition of modernity but also the edification of a newly discovered strength. A strength founded upon resource dominance and the vulnerability of other oil based economies.[4] It was a time when the fruits of the 1973/74 Arab Oil Embargo were being harvested by the Islamic nations of the Middle East.

Gradually awakening from years of dormancy the nearly two hundred

year old desert sheikdom of Bahrain, once reminiscent of Thesiger's bedouin tribal lands, began to accelerate its race with time. As the bonds of antiquity waned under the omnipresent reality of tomorrow's promise Bahrain sought a new era in it's long development history. For the historian as participant all the tenents of historical composition were in evidence: a plethora of regional conflicts, new trade linkages, rapid urbanization, key political personalities, world recognition, and new national aspirations.[5] For the planner of development policy Bahrain was no longer an underdeveloped nation of the ever emerging Third World.[6] It was, as it remains today, a society in transition and a growing nation of the New Arab World.

Although Bahrain was the first sheikdom on the western littoral of the Arabian/Persian Gulf to establish an oil based economy, she remains comparatively poor in relation to her natural resource endowed neighbors. Table one indicates Bahrain's position in relation to her regional neighbors as regards average daily oil production and estimated proven oil reserves.

Even though Bahrain is not a member of OPEC she is a regional member in the Organization of Arab Petroleum Exporting Countries (OAPEC) and is considered to be the most progressive nation-state in the Gulf region. According to the World Bank,

> the quadrupling of international oil prices in 1974, and the consequent expansion of economic activity in the Gulf area resulted in an unprecedented increase in Bahrain's foreign exchange earnings from oil revenue and service activities. Net earnings from oil rose from $68 million in 1972 to an estimated $528 in 1977 while exports and re-exports increased from $105 million to $399 million, respectively.[7]

Today Bahrain is the financial/service center for the Arabian/Persian Gulf region and a regionally recognized entrepot of oligopolized mercan-

Table 1

Average Daily Production and Estimated Recoverable Oil Reserves in Bahrain and Her Regional Neighbors [7]

| Country | Average Daily Production- 1977 (In 000 barrels) | Estimated Proven Reserves As of Jan.1, 1978 (In million barrels) |
|---|---|---|
| Bahrain | 56 | 280 |
| Qatar | 438 | 5,600 |
| Oman | 340 | 5,650 |
| United Arab Emirates | 2,013 | 32,425 |
| Abu Dhabi | (1,667) | (31,000) |
| Dubai | (318) | (1,400) |
| Sharjah | (28) | (25) |
| Iraq | 2,265 | 34,500 |
| Iran | 5,700 | 62,000 |
| Kuwait | 1,684 | 67,000 |
| Saudi Arabia | 9,016 | 150,000 |
| Total | 21,512 | 357,455 |

tile ingenuity and plutocratic stability.

With the exception of the OPEC and other OAPEC nations, the impact of modernization associated with this phenomenal growth in income is unprecedented in the development history of the Third World. In the period 1972-80 total public sector spending to buttress physical infrastructure, expand governmental services, and subsidize high demand commodities grew from $88 million to $883 million.[9] Even in other underdeveloped or developing nations where such a surge in income poses no such convenient problem to national development prospects, Hla Myint contends that difficult decisions have to be made.

> There is the problem of choice between higher income and economic security. . .There is the problem of choice between a higher level of consumption at present and a higher rate of growth in income in the future. . .There is the problem of choice between economic equality and economic growth. . .Finally, there is the problem in the underdeveloped countries between having higher material incomes and a faster rate of growth and preserving their traditional social, cultural, and religious values and ways of life.[10]

Inherent in Myint's contention is the relationship between rapid economic growth and development stability. The impact of these two variables on political stability,

> . . .received its classic statement in de Tocqueville's interpretation of the French Revolution. The revolution, he said, was preceded by, "an advance as rapid as it was unprecedented in the prosperity of the nation." This, "steadily increasing prosperity, far from tranquilizing the population, everywhere promoted a spirit of unrest," and, "it was precisely in those parts of France where there had been most improvement that popular discontent ran highest."[11]

As Bahrain enters the 1980's on the nearly uncontrollable international currents of change that pronounced her ascendancy to the twentieth century in the 1970's, she is not only confronted with the dichotomy between traditional and modern development forces, but also with a rapidly depleting natural resource base, inflation, the inefficient

usage of available resources, increasing regional financial assistance, and negative environmental cross-impacts. For Bahrain the 1970's represent ten years of rapid modernization. The impact of the modernization process on prospects for national development stability is direct. Huntington notes this correlation in his landmark study, Political Order In Changing Societies.

> Modernity goes with stability. From this fact it is an easy step to the, "poverty thesis," and the conclusions that economic and social backwardness is responsible for instability and hence that modernization is the road to stability. "There can, then, be no question," as Secretary McNamara said, "but that there is an irrefutable relationship between violence and economic backwardness." Or in the words of one academic analyst, "all-pervasive poverty undermines government-of any kind. . .It is a persistent cause of instability and makes democracy well-nigh impossible to practice." If these relationships are accepted, then obviously the promotion of education, literacy, mass communications, industrialization, economic growth, urbanization, should produce greater political stability. These seemingly clear deductions from the correlation between modernity and stability are, however, invalid. In fact, modernity breeds stability, but modernization breeds instability. . .It is not the absence of modernity but the efforts to achieve it which produce political disorder. If poor countries appear to be unstable, it is not because they are poor, but because they are trying to become rich.[12]

If the 1980's are to be more fruitful than the 1970's and development stability maintained three critical development issues must be resolved: manpower development, demand management, and formalized development planning.[13] Alexis de Tocqueville further reminds us that,

> it is not always when things are going from bad to worse that revolutions break out. Patiently endured so long as it seemed beyond redress, a grievance comes to appear intolerable once the possibility of removing it crosses men's minds.[14]

More recently though, and considering the possible ramifications of the present Iranian crisis on Gulf regional stability, Kissinger states that,

> in retrospect, it probably would have been wiser for us, in the period 1972-75, not to rely on the conviction that rapid

> economic progress in Iran would produce greater stability of the Shah's government. It would have been wiser to recognize that in a society like that, economic development produces new classes and new groups that somehow have to be fitted into the political process.[16]

Oddly enough, nearly twenty years prior to Kissinger's lingering retrospection, John F. Kennedy, with reference to the Alliance for Progress, notes that the traditions of centuries must, "undergo the agonizing process of reshaping institutions. . . ,"to meet the demands of the modernization process.

Considering Bahrain's prevailing problems with manpower development, demand management, formalized development planning, and the impacts such issues pose to national stability in light of ever-growing political instability in the Gulf region, what then is the present direction of government wide development policy and how effective are such policies in resolving the aforementioned development issues?[17] Aristotle reminds us that, "true policy. . .for democracy and oligarchy alike, is not one which ensures the greatest possible amount of either, but one which will ensure the longest possible life for both."[18] As such, this study of Bahrain is concerned with three complex but interrelated ideas: institutional and/or political development, development planning, and development stability.

The position will be held that present development policies are reactive and fall short of resolving consumption, manpower, and planning problems because institutional development has had low priority, politically or otherwise, in government development activities and that a formalized development planning process would act as a common denominator for problem resolution and institutional development within the political realities of an Arab autocracy. Implicit in this position is the following

contention: if an underdeveloped or developing nation adopts modernization policies that enhance physical, economic, and social development, then it must also develop existing institutions or create new institutions that can effectively assimilate the forces of change so as to limit uncertainty and produce a stable development climate. See Appendix A for supporting definitions and assumptions.

The intent of this study is two fold. First, such a study will hopefully act as a new reference point for planning officials and policy analysts involved in the field of development planning in countries of the Gulf region and other nations in the developing world of the Middle East. Zuvekas notes that one of the major problems in the relatively young field of development planning, even after the foreign aid boom of the 1960's, is the, "limited experience with institutional environments and practical policy issues in a wide range of developing countries."[19] An attempt will be made to provide the reader with an in-depth review of Bahrain's status as a developing nation in the Arabian/Persian Gulf and seek to clarify the prevailing and future critical development issues that impact on her volatile development climate.

Secondly, it is hoped that this study will contribute new insights into the methods and means utilized by developing nations to integrate micro and macro scale development planning activities into existing systems of governance and how such planning processes may or may not be a contributing factor in the formulation of development policy in light of weak institutional development and rapid economic growth. Thusly, this review will endeavor to explore and define the efficacy, applicability, form, and function of national development planning

in Bahrain given her political and cultural traditions and the idiosyncrasies of her growth experience since 1970.

The first chapter of this study, simply entitled, "Historical Antecedents," will present an overview of the geo-political and socio-economic forces that were the cornerstone of Bahrain's eventual arrival into twentieth century civilization. Chapter two, "Critical Development Issues and Development Policy Analysis," will define the major critical development issues that presently confront the Government of Bahrain and evaluate the Government's policy response to the delineated development issues. The third chapter, "Development Planning, Institutional Legitimacy, and Development Stability," will address the various opportunities available to the Government of Bahrain as concerns the efficacy and implementation of a politically soluble development planning process and the ramifications of such a decision on future development stability. Upon completion of the information, evaluation, and resolution stages of this study observations and recommendations will be forwarded in the conclusion.

# Chapter 1

## HISTORICAL ANTECEDENTS

Until recently the development history of Bahrain, as well as the entire Arabian/Persian Gulf region, has not been unlike many Third World nations who have sought an equalization of political power, economic wealth, and social progress through the modernization process.[1] From a Western perspective though, the Middle East has been for many years a geographically isolated region that, with the exception of Portugal, France, the Netherlands, and Great Britain, received little early international attention. The American view changed with the advent of World War II and the creation of the State of Israel, but still the Arabian/Persian Gulf region remained relatively insignificant to American political interests. Those interests altered drastically with the advent of the 1973/74 Arab Oil Embargo and the Iranian Revolution. Both events directly affected the political and economic interests of an over-consumptive society inextricably aligned with one resource, black gold, and as a result a distant region which controls nearly 65% of the world's proven oil reserves.[2] Still, like many Third World societies prior to twentieth century colonial adventurism, Bahraini society and the Gulf region remained relatively conservative, slow to change, and early hardened into conformities.[3]

The small desert island community of the State of Bahrain is a hot, humid, and arid archipelago consisting of thirty-three low lying islands located approximately fifteen miles off the Hasa Coast of Saudi

Arabia in the western extreme of the Arabian/Persian Gulf. Longitudinally, Bahrain is situated between Kuwait to the northwest and the Qatar peninsula to the southeast. From a development perspective, three of the thirty-three islands are of major importance: Awal, Muharraq, and Sitra. The land area of these three islands, which I will refer to as Bahrain, is approximately 260 square miles. The largest island in the archipelago is Awal, which is thirty-one miles long on a north/south axis and ten miles wide on a east/west axis with elevations ranging from below sea level to 445 feet above sea level at its near geographic center, the Jebal Ad-Dukan. Located on Awal is the capital city of Manama, the main port- Mina Sulman, the oil fields and refinery operations- the Bahrain Petroleum Company (BAPCO), an aluminum smelter- Aluminum Bahrain (ALBA), a new gas liquefacation plant- Bahrain National Gas (BANAGAS), the banking community, and other major population centers like Awali, East and West Rifa'a, and Isa Town. Just to the northeast of Awal and connected by a one and a half mile causeway is the island of Muharraq. Muharraq accomodates the first international airport in the Gulf region, Muharraq Old Town, Hidd Town, and a new dry dock and ship repair facility- the Arab Shipbuilding and Repair Yard (ASRY), which is also connected to Muharraq from the south by a five mile causeway. To the southeast of Muharraq and east of Awal lies the island of Sitra which is the location of major oil storage installations. Like Muharraq, Sitra is connected to Awal from the southwest by a bridge and from the northwest by a two mile causeway. See Appendix B for regional and national maps and Appendix C for general fact sheet.

Throughout history Bahrain's key central location in the Gulf region allowed her to dominate trade and, more recently, take advantage

of positive economic externalities emanating from her more wealthy neighbors. Prevailing archeological explorations indicate Bahrain was once a part of the thriving ancient civilization of Dilmun, predating the birth of Christ by some three thousand years, and conducted a vibrant trade with Mesopotamia, Oman, and India before the rise of the Roman Empire.[4] "Thus, thousands of years before Bahrain became an oil exporting state, a series of trading cities on the south side of the Gulf integrated significant sea based commerce between West, Central, and East Asia."[5] Such traditions not only represent the prevalence of a developing sedentary tribal society in the then recognized world but also the importance of the Gulf region in relation to the development of other surrounding regions and ancient civilizations. As such Bahrain, like other Middle Eastern nations situated on the East/West caravan routes and sea linkages and whose common heritages originate with the dawn of Man, was also influenced and ruled by a diverse tidal flow of peoples and cultures.

During her long trek through history, Bahrain was alternatively ruled by the Kassites, Assyrians, Persians, Portuguese, the Persians again, the Omanis, and once again the Persians.[6]

> In the time of Alboquerque the island fell into the hands of the Portuguese, and appears to have been retained by them until 1622, when they were expelled by the Persians.....After the final eviction of the Portuguese the defenceless islanders continued to be subject to an interminable succession of purposeless tyrannies, which has no counterpart elsewhere in the Gulf.[7]

In 1766 the Al-Khalifa branch of the Saudi Arabian based Utub tribe, who originally settled in present day Kuwait, emigrated to Zubarrah on the western shore of the Qatar peninsula and established an autonomous state.[8] Sixteen years later, in 1782, the Al-Khalifas, under the leadership of Sheikh Ahmed bin Mohammed Al-Khalifa, launched an attack on

the islands of Bahrain from Zubarrah and, having successfully conquered them, expelled the then dominate Persians. "The dynasty of the Al-Khalifas has, since that date, continued to rule Bahrain which outlived unsuccessful attempts by the Sultanate of Muscat, the Persians, the Turks, and the Wahhabis to extend their soveriegnity over her."[10] (See Appendix D for Al-Khalifa geneology).

Although the Portuguese had penetrated the Gulf region some hundred and forty years prior to other substantial Western influence, established relations between Bahrain and the West were not, at least partially, secured until 1820.[11] According to Dr. Al-Baharna, in his painstakingly detailed volume The Arabian Gulf States,

> In the beginning, British interest in the Gulf was of a commercial character. It started in 1763, when the British East India Company opened a Residency at Bushire, on the Persian side of the Gulf. After eliminating the influence of its rivals.....the British Government managed, during the eighteenth century, to consolidate its political influence in the Gulf. In the beginning of the nineteenth century, the British Government assumed the task of suppressing piracy in the Gulf which had exposed British trade with India to danger. British expeditions against the Pirate Coast (now called the Federation of United Arab Emirates) resulted in the conclusion of the Treaty of Peace of 1820 with the Arab Shaikhs of the coast, as well as with the Shaikh of Bahrain. Subsequently the British Government established its influence in the Gulf by means of treaties and engagements concluded with the Shaikhdoms between 1853 and 1916.[12]

Such treaties and agreements virtually made Bahrain and her neighbors British Protectorates. The concept of a "protected state" was a status whereby,

> the Sheikdoms have independent control over their internal affairs, but the British Government ordinarily only exercises control on matters involving negotiations on the possibility of complications with foriegn powers, such as civil aviation, posts and telegraphs. However, constant advice and encouragement are offered to the various Rulers regarding the improvement of their administrations and the development of their resources, mostly in an informal manner.[13]

Emile Nakhleh states that, "these treaties and agreements resulted in two corollary benefits: Great Britain cemented her position in Bahrain and throughout the Gulf; the Al-Khalifa consolidated their rule over Bahrain."[14] Bahrain's status as a "protected state" was resolved in 1971 when, in 1970, Iran referred its claim of sovereignty over Bahrain to the United Nations. In the following year the United Nations ruled for Bahrain's independence which was formally declared on December 16, 1971.

The system of government in Bahrain was, as it remains today, established along autocratic lines with the Ruler of Amir possessing legislative, executive, and judicial powers. Succession to rulership is handed down from father to son on the death of the former or on his abdication. Political/institutional development was limited until 1956 when an organization known as the Council of Administration was created to supervise the affairs of a fragmented government structure as well as consider, "topics of general interest."[15] The ten member council was comprised of three government officials and seven members of the ruling family, all chosen by the Ruler.[16] Administrative departments included customs, immigration, finance, health and education, electricity and public works, and police. In addition to the Council of Administration were four Municipal Councils which were established to oversee urban and rural problems in Manama and the villages, respectively. The effectiveness of this system of governance was minimal since, according to one author, none of the councils could be considered representative in the democratic sense and moreover, "judged by their performance during the period of the 1960's, the contribution of such councils toward the welfare and progressive development of the country

has been neglibible."[17]

With the advent of the 1970's and the United Nations mandate of independence, Bahrain attempted a more formalized representative system of government by establishing a National Constitutional Assembly in December 1973. A constitution was created and adopted which further legitimized the authority of the Al-Khalifas and provided broad statements of the Government's responsibilities.[18] Considering the forces of change that were upon Bahrain at this time, especially with regards to oil income, Schon's analysis of change and the resulting impact of change on institutional development is revealing. He states that,

> What had appeared to be an instrument capable of realizing human goals turns out to set its own conditions and to impose its own values.....Not only do we regard our established institutions as inadequate to the challenges they face; we find it increasingly difficult to believe in the feasibility of developing new institutions which will be stable.[19]

The elected assembly lasted only two years when, in 1975, the present Amir, His Highness Sheikh Isa bin Sulman Al-Khalifa, decreed that it be dissolved upon recommendations of his brother and Prime Mininster, according to press reports, felt the National Constitutional Assembly had hindered progress in the country by sheer inaction and that a leftist block had impeded mutual cooperation between the assembly and the Government.[20]

Today the Government of Bahrain, which now spends nearly four times as much on recurrent government expenditures as it did in 1974, remains an autocratic ruling elite with an executive cabinet system chaired by the Prime Minister and is comprised of sixteen ministers who oversee the operations of their individual ministries.[21] See Appendix E for existing structure of the Bahrain Government. While major portions

of the Constitution remain intact and administrative procedures over a highly fragmented governmental structure are improving, decision making remains highly centralized and reactive at the national level and uncoordinated at the ministerial level.[22]

The economic and social histories of Bahrain have always been inextricably meshed with capitalism and Islam, respectively.[23] Traditional economic activity was based on agriculture, fishing, pearling, shipbuilding, and trade. According to George Rentz

> The most important occupation in Bahrain is pearl fishing. Sea fisheries are also extensive.....500 pounds of fish a day were supplied without difficulty to the Indian Expeditionary Force in 1914. Agriculture is carried on by irrigation.....and with about 200 carpenters Bahrain builders can turn out an excellent forty ton boat in less than a month.[24]

With the exception of trade, which generates national income second only to oil exports, the aforementioned traditional economic activities have disappeared.[25] The pearling industry vanished with the world introduction in the 1920's of Japanese cultured pearls.[26] Lacking sufficient conservation management policies fishing productivity dropped considerably in 1979 resulting in the closure of Bahrain's national fishing fleet.[27] What existed of an agricultural green belt along Bahrain's northern shore now accomodates high income suburban development- a result of the 1974/76 construction boom to house Western employees.[28] Boat building and maintenance has been all but replaced by the new Arab Shipbuilding and Repair Yard which services today's giant oil vessels. With the demise of the pearling industry came the rise of a new industry that would, fifty years later, alter significantly the balance of economic power in the international monetary system and reinvigorate the traditionally strong merchant oligopoly.[29] Izzard notes that,

> there are ten or a dozen leading merchant families in Bahrain but the Big Five, as they are irreverently known, are generally conceded to be the Kanoos, the al-Moayyeds, the Yateems, the Zayanis, the Fakhroos. Between them they control the main agencies, and own a great deal of property both in Manama and Muharraq, as well as their country estates. They are all Sunni Muslims, descendants of that mercantile aristocracy of pearl merchants and dhow (traditionally built ship) owners which formed the elite of traditional society.[30]

Bahrain became a developing nation with her first discovery of oil in 1932 by "a Canadian company, the Bahrain Petroleum Company, as a subsidiary of the Standard of California" and the construction of the first major oil refinery on the western littoral of Arabia.[31] With oil came modernization and with modernization came change. Although social and economic order was concretized in Islamic religious thought centuries ago and economic progress is not anti-Islamic, the old value systems of an underdeveloped society soon gave way to increasing urbanization, advanced telecommunications, improved health facilities, and greater educational participation.[32]

> Social and technological systems interlock. An apparently innocuous change in technology may emerge as a serious threat to an organization because it would force it to transform its theory and structure. Technological, theoretical, and social systems exist as aspects of one another; change in one provokes change in others.[33]

In 1941 the population of Bahrain totalled 90,000 people (82% Bahraini/18% non-Bahraini) with an urban to rural ratio of 56% and 44% respectively.[34] Today Bahrain's total population is estimated at 343,000 people (67% Bahraini/33% non-Bahraini) with an urban to rural ratio of 78% and 22%, respectively.[35] Bahrain leads all other Gulf states in population density with approximately 1,512 person per square mile.[36] Recent population growth rates have been estimated at between 2.5% and 3.5% per annum.[37] It is believed, at least by some demographic experts, that fertility rates are now falling as urbanization continues and

higher levels of education are attained, still,

> the majority of women in the rural areas appear to believe that one of their main goals is to produce children. Although the Ministry of Health encouraged family planning, the people in rural areas tend to resist the idea, believing it is anti-Islamic.[38]

Extended family relationships that were predominate even up into the 1960's are now slowly diminishing as higher individual aspirations are realized through increased mobility and as decentralized low-income housing projects are constructed to relieve housing shortages.[39] According to Hudson,

> The society and culture of Bahrain are not just extensions of the ruling family as in some other patriarchies where one can almost say that system and family are coterminous...there has always been an underlying population somewhat culturally alien from the ruling clan. Thus, kinship does not have the fortifying value in Bahrain that it does elsewhere in the Gulf.[40]

Still many lifestyles remain ingrained in Islamic religious thought as expressed in the Holy Qur-an and the Hadith, teachings of the Prophet Mohammed. Although somewhat dogmatic and open to wide interpretation, particularly under the influence of rapid modernization, Islam remains an integral element in social, economic, and political life.[41] Mosques have, in most instances, remained as growth poles in neighborhood organization and community development.[42] Religious leaders, immans, have in most instances, maintained their status as leaders of the community, but their role at the national level is today somewhat obscure.[43] In past centuries Islam was a unifying force in Arab nationalism but with the advent of new national aspirations Islam is far less influential with regards to the development process.[44] In Bahrain the local call to prayer (ethan) can still be heard five times a day but modernization has yet to be reconciled by Islam.

> As for religion, its legitimizing power in Bahrain is diluted by the division between Sunni and Shi'a. Furthermore, Bahrain's relatively long and thorough modernization and its need for a modern legal order has reduced Islam as a legitimizing element..... Only matters of personal status, for Bahrainis, were left exclusively in the hands of the Muslim religious authorities and the shari'a. Shaykh Issa ibn Salman al-Khalifa's proclamation of independence in 1971 did not speak of Islam as the source of rule but instead declared fidelity to more modern and immediate causes: Arabism and Palestine.[45]

If Bahrain seeks to avoid recent events in Iran, Islamic interpretation of modernization must be made a viable element in the development process. Furthermore and possibly more precarious is the relationship between Barhrain's Muslim population which is equally divided between the ruling Sunni sect and the historical dominance of the Shi'ite sect.[46] Once again Kissinger's perspective of the Shah's rule is elucidating.

> He was progressive in the sense that he sought to industrialize his society; one of the prime causes of his disaster, in fact, was that he modernized too rapidly and that he did not adapt his political institutions sufficiently to the economic and social changes he had brought about...Wise is the ruler who understands that economic development carries with it the imperative of building new institutions to accomodate the growing complexity of his society.[47]

The axiom that development stability was to follow economic development, as found in literature of the West, proved to be disastrous for Iran. For all developing nations this may not be the case but in all domains of change experience, particularly rapid, transforming any system means passing through zones of uncertainty while confronting more information flows and development prospects than can be adequately managed by single individuals or the traditional organizations of an underdeveloped society.[48]

> Every society faces not merely a succession of probable futures, but an array of possible futures, and a conflict over preferable futures. The management of change is the effort to convert certain possibilities into probables, in pursuit of agreed on preferables.[49]

## Chapter 2

## CRITICAL DEVELOPMENT ISSUES AND DEVELOPMENT POLICY ANALYSIS

As we have seen, Bahrain's experience with modernization has been particularly long, extending back into the 1930's, and more importantly gradual. For nearly forty years the slow evolution of modernization in Bahrain created a reasonably stable development climate that allowed her vested economic interests and traditional political authority to incrementally maintain absolute control over external, as well as internal, forces of change. However, given the turmoil throughout the Levant since 1948 and the subsequent fall of Beirut as a major money market in the Middle East, rapid economic growth following the Arab Oil Embargo of 1973/74, and Bahrain's already acquired facade as a stable and progressive nation-state in the Gulf region, by 1978 those same traditional institutions of political and economic power that maintained development stability no longer had the administrative expertise or the prerequisite e'lan in decision mechanisms to effectively define and address the adverse impacts of Myint's "painful choices."[1]

> In many ways the oil economies of the Gulf states resemble those of the mining settlements of North America and Australia in the days of the gold rushes in the nineteenth century, with the dramatic in-flow of migrant labour, the lavish consumer spending, the outflow of profits and surplus revenue, and the construction boom. Admittedly, the new high-rise buildings of the Gulf look more permanent than those of the frontier mining communities, but the authorities fear that in the long-run they could end up as ghost towns like their predecessors of a century ago. It is difficult to find examples anywhere of communities whose prosperity was based on the exploitation of one mineral resource that have managed a satisfactory economic transition once that resource

> became depleted, or was no longer in demand. In the light of this experience the future of the Gulf must be extremely uncertain, especially as the environment is so unfavourable in every respect, apart from the availability of energy supplies.[2]

Even though the magnitude of Bahrain's economic growth was not as overwhelming as that of her more wealthy regional neighbors, the intensity of that growth during the eight year period from 1972 to 1980 nearly developed into what one scholar defines as the "preconditions for take-off into self-sustained growth."[3] By 1980 Bahrain's indigenous population of nearly 230 thousand people, assuming an equitable distribution of national income, was reaping the economic and social benefits of a national government experiencing an average compound growth rate in revenues and expenditures of 33% over the eight year period since 1972.[4] In terms of total government spending, growth in non-recurrent expenditures, that is capital and/or construction, in the period 1972-80 increased by an average compound growth rate of 43% annually.[5] Accompanying such growth in public sector spending was a rapidly burgeoning private sector that had to keep abreast of new demand in national and regional markets. As such, "foreign and domestic trade, off-shore banking, hotel services, manufacturing and above all, construction, were major growth sectors," of the economy.[6] From 1974 to 1980 growth in gross domestic product (GDP) increased at an average compounded growth rate of 18.5% per annum.[7]

The direction of government spending has been towards the development of a strengthened physical and social infrastructure, that is roads, sanitation and water delivery systems, electrification, housing, schools, and expanded medical facilities.[8]

Today Bahrain is the financial service center for the entire Gulf

region and a regionally recognized intrepot of commercial prosperity and social progress. "Bahrain's advanced level of modernization has been a source of pride to Bahrainis."[9] Still the ancient land was not without her newly acquired development problems.[10] Various scenarios of Bahrain's development prospects over the next twenty years essentially reveal a nation already testing the limits to growth.[11] Prevailing statistical data reveals an ever depleting natural resource base, i.e. oil, gas, and water, continued heavy reliance on the petro-chemical industry for national income, higher imports of consumer goods to meet inflationary demand, increasing financial assistance in the form of soft loans (interest free to 5%) from regional development funds, a cost prohibitive dependency on blue and white collar foreign expertise, and higher recurrent spending by government to meet the costs of employing educated Bahrainis into public sector employment. According to Bauer and Yamey,

> The productivity of resources depends upon the availability of complementary resources and a market for the output. This is as true of capital as it is of natural resources. These are..... countries which cannot use all the capital to which they have access on easy terms; there is an insufficiency of suitable opportunities for the profitable employment of available funds and personnel with the required experience and skill.[12]

A further complicating, if not confusing, element of Bahrain's dilemma with managing change is the conspicuous lack of formalized micro and macro-scale planning mechanisms. In his administrative analysis of the Bahrain Government Frederick Bent, of the Ford Foundation states that,

> the absence of coordinated planning between and within ministries has been noted.....and with an anticipated reduction in oil revenues makes it essential that the Government establish national goals and objectives and marshall its financial resources carefully and prudently.[13]

By not allowing for the natural maturation of an efficient and effective public administration, institutional capability remains tradition bound to reactive and allocative development policies.[14] Because of the fragmented structure of Government administration, the uncoordinated nature of national information processing systems, and the adverse impacts associated with rapid economic growth on these two vital elements of government operation decision, authorities can no longer afford to less than adequately respond to the aforementioned highlighted critical development issues of economic stabilization and diversification, the management of demand, and manpower development. Given the assumptions and definitions outlined in Appendix A the imperative link between the Government's ability to promote development stability and effectively diagnose and resolve prevailing development issues, i.e. manage change, is national development planning. As the World Bank notes,

> Another crucial area is development planning. There is a general consensus among government departments and the business community regarding the need for some form of planning so that the private sector would know well in advance, the investment program of the public sector. At the present time, there is insufficient coordination between the ministries and agencies concerned with the same sector or project.[15]

Interestingly enough, the above quotation by the World Bank envisions development planning as a weakly defined process of mutual reinforcement between Bahrain's autocratic institutions and it's oligopolized private sector. In other words, there is no definitive statement of development planning's contribution to social progress or a commitment to the general public by government to promote effective and efficient operations in government and maintain development stability.

Considering these four above mentioned critical development issues and the prevailing ambiguity of government policy towards any form

of development planning and its role as a formalized process for managing change, the legitimacy of a traditional governing structure based on principles of elitism and oligopoly must be thoroughly reviewed if any effective role is to be defined for political and planning processes or if a stable development climate is to be maintained in the 1980's. Since the 1950's the levels of education and political awareness of Bahrainis has contributed to the Government's legitimacy problem.[16] During the mid-1950's, "when Nasir was challenging the British at Suez, Bahrainis took to the streets in demonstrations of support, which the British suppressed."[17] Violent labor unrest with political overtones at the BAPCO petroleum refinery broke to the surface in 1965, while in 1972, "another labor dispute involving Gulf Aviation's hiring of Indians and Pakistanis rather than Bahrainis provoked disturbances which, although minor, indicated once again the demand for broader political participation."[18] Further prolonged labor unrest in Bahrain's major factory, the ALBA aluminum plant, occurred in 1975.[19] As Hudson notes, the response of the Al-Khalifa family, even under the benevolency of the present Amir, "has been to ignore or play down such demands."[20]

> To some, the family's alleged religious laxity, the unseemly social deportment of some of its members, and its close past relationship with the British have tarnished its authority. Above all its unwillingness to share authority and its repression of some opposition elements (Ba'thists and Arab nationalists) has created discontent.....Bahrain lacks the superaffluence of Kuwait and its population is more divided and more attuned to modern political ideologies than that of Kuwait; so the future struggle for legitimacy is not likely to be easy.[21]

Even though Bahrain is plagued with the natural consequences of such an unprecedented acquisition of economic power and has yet to fully translate the quantitative aspects of economic growth into the qualitative forces of development, the World Bank considers Bahrain's

potential for continued viable growth to be good, still,

> major structural changes are required as the oil sector loses its predominance. Other sectors will have to be developed further, especially services and manufacturing. This in turn requires a significant upgrading of local labor skills. Supported by some restraint on consumption and effective long-term planning of public sector investment and operations these changes should provide the employment opportunities and incomes for a growing Bahraini population.[22]

As such, if Bahrain's development stability is to be enhanced in the future, government development policy will need to pay particular attention to stabilizing and diversifying the national economy, managing demand, developing manpower resources, and establishing a formalized process of development planning. Prior to addressing the main topic of this paper, that is the association of development planning to development stability and political/institutional development, we should first examine the effectiveness of prevailing government development policy with regards to the other defined critical development issues.[23]

Economic Stabilization and Diversification

The responsibilities of the Government to assure a viable economic climate are found in broad policy statements issued by the Bahrain Monetary Agency, the Ministry of Finance and National Economy, and the Ministry of Development and Industry. Following the radical changes in Bahrain's economy during the 1970's these policies include a general stabilization of the national economy and the diversification of the oil based economy into services and manufacturing for enhanced revenue generation capability.[24]

For Bahrain, economic stabilization is a multi-faceted problem. First, as Bahrain's economy is particularly dependent on the exploitation of one resource and their currency, like the Saudi Riyal, has been aligned with a faltering U.S. dollar, hyper-inflation has been a con-

sequence of the oil embargo years.[25] While gross domestic product grew at 18.5% annually during the period 1974-80 prices increased 12.5% annually.[26] Secondly, as indicated by Table 2.1 on the next page, further macro economic indicators reveal not only ever increasing growth in GDP and prices, but also high growth in money supply and bank credit, a 23% annual growth rate in imports, and the prohibitive costs of a labor force that today is comprised of a 60/40 ratio of non-nationals to nationals.[27] Wilson notes that,

> Unlike other developing countries the Gulf states have no problem in finding the funds to finance diversification. Instead, their main problem is to discover suitable projects to back, as the prospects for import substitution are uncompromising given the limited extent of the local market for most consumer items. In addition, as a result of the new affluence, local tastes have become so sophisticated that only the advanced industrial countries of the West can provide the consumer goods in popular demand, which require complex technology and considerable expertise. Prospects for export promotion appear equally unfavourable in most fields, for there are few lines of production in which the Gulf enjoys a comparative advantage, due to its harsh desert climate, shortages of labour and unfavourable location in relation to most of the world's major markets.[28]

The government of Bahrain can utilize two principle tools to reduce inflation and stabilize the economy- fiscal policies and monetary policies. As such, the government, "can raise taxes, reduce its expenditures, or limit the expansion of the money supply by selling government bonds and/or raising reserve requirements."[30] While Bahrain has no real tax structure but does collect tariffs on certain services and petrol she can increase those tariffs if need be. As indicated by Table 2.2 (see page 27 ), revenues from other sources has basically remained static, contributing the same percentage to total revenues in 1980 as it did in 1972.[31] A review of Table 2.2 further indicates the 7% drop in the oil sectors contribution to total revenues is not made up by other revenue sources but by foreign assistance which increased

TABLE 2.1: MACRO-ECONOMIC INDICATORS 1974-80 ($MIL)[29]

| VARIABLE | YEAR | | | | | | | AVG. ANNUAL COMP. GROWTH RATE |
|---|---|---|---|---|---|---|---|---|
| | 74 | 75 | 76 | 77 | 78 | 79 | 80 | |
| TE | 202.5 | 316.7 | 528.6 | 674.4 | 741.7 | 792.5 | 842.9 | 26.83 |
| BC | 317.2 | 421.5 | 706.0 | 819.8 | 887.6 | 894.0 | 1,037.4 | 21.83 |
| M1 | 159.4 | 201.0 | 330.0 | 390.7 | 445.4 | 434.2 | 501.8 | 21.06 |
| M2 | 379.3 | 477.9 | 787.3 | 918.6 | 1,046.0 | 1,024.4 | 1,183.0 | 20.87 |
| IMP | 327.1 | 468.0 | 767.8 | 875.4 | 940.2 | 959.4 | 1,107.6 | 22.54 |
| GDP | 762.3 | 882.2 | 1,303.4 | 1,701.4 | 1,903.2 | 1,830.4 | 2,106.0 | 18.45 |
| EXEMP | 28,639.0 | 35,000.0 | 46,282.0 | 71,090.0 | 75,770.0 | 73,296.0 | 84,954.0 | 19.86 |
| EMP | 71,639.0 | 80,000.0 | 93,062.0 | 120,090.0 | 127,270.0 | 126,856.0 | 140,656.0 | 11.90 |
| P | | 260.0 | 324.7 | 368.9 | 448.2 | 418.6 | 468.0 | 12.47 |
| M1/P | | 77.3 | 101.6 | 105.9 | 99.4 | 104.0 | 107.0 | 6.71 |
| GDP/P | | 341.6 | 401.4 | 461.1 | 424.6 | 437.3 | 459.0 | 6.08 |

TE - Total Gov. Expentitures
BC - Bank Credit
M1 - Private Demand Deposits in Commercial Banks Plus Cash in The Hands of The Public
M2 - M1 Plus Time And Savings Deposits in Commercial Banks
IMP - Value of Non-Oil And Non-Transit Imports
GDP - Gross Domestic Product
EXEMP - Expatriate Employment
EMP - Employed Labor Force
P - Gov. Price Index (1975 = 100)
DPT/P - Real Output

TABLE 2.2: GOVERNMENT REVENUES BY SOURCE & SELECTED YEARS ($ MIL.)[33]

| REVENUE SOURCE | YEAR & % OF REVENUE CATEGORY | | | | | | AVG. ANNUAL COMP. GROWTH RATE |
|---|---|---|---|---|---|---|---|
| | 72 | % of | 76 | % of | 80 | % of | |
| OIL REVENUES (O.R.) | 67.6 | 76% (T.R.) | 406.4 | 78% (T.R.) | 607.3 | 69% (T.R.) | 31.6 |
| BAHRAIN FIELDS | 43.2 | 64% (O.R.) | 228.9 | 56% (O.R.) | 272.7 | 45% (O.R.) | 25.9 |
| ABU SAFFA FIELDS | 24.4 | 36% (O.R.) | 177.5 | 44% (O.R.) | 334.6 | 55% (O.R.) | 38.7 |
| OTHER REVENUES | 18.2 | 21% (T.R.) | 84.2 | 16% (T.R.) | 185.7 | 21% (T.R.) | 33.7 |
| LOANS, BONDS & GRANTS | 2.6 | .03%(T.R.) | 28.3 | 6% (T.R.) | 89.5 | 10% (T.R.) | 55.6 |
| TOTAL REVENUES (T.R.) | 88.4 | | 518.9 | | 882.5 | | 33.3 |

| AVG. ANNUAL COMP. GROWTH RATES FOR | 1972-76 | 1976-80 |
|---|---|---|
| OIL REVENUES | 66.45 | 10.56 |
| ALL OTHER REVENUES | 52.50 | 25.06 |
| TOTAL REVENUES | 55.65 | 14.19 |

from three hundreths of a percent in 1972 to 10% in 1980.[32]

From a fiscal perspective, budgeting practices have improved dramatically over the past three years with the establishment of a two-year budgetary cycle and the introduction of the evaluation, planning, and budgeting system. Still, budgetary practices lack government wide cohesiveness and, according to one experienced economist in reference to the creation of an advisory committee on economic growth and stabilization, both these improvements,

> will not greatly affect Bahrain's fundamental approach to budgeting, an approach that has striven to achieve balance between Ministerial expenditure demands on the one hand and estimates of forthcoming revenues on the other. Balancing the budget is, of course, sound fiscal policy; but experience has shown that such a practice, when pursued year-in and year-out, can also contribute to cyclic instability- even in Bahrain whose economy is sensitive to the cyclical swings of an energy-dependent world. What appears to be required, therefore, is a budgetary system that is not exclusively a revenue-determined accounting exercise, but one that actively promotes a measure of stable economic growth. Put differently, what seems to be required is a system whose timetable of expenditures is conditioned by an appraisal of the economic outlook- regardless of accounting imbalances which may occur in the short-run.[34]

The national budget remains unbalanced, foreign assistance is increasing, and the establishment of an advisory committee on economic growth and stabilization has yetto be realized. Furthermore, as indicated by Table 2.3, on the next page, and Table 2.1, the government has had little restraint on spending practices, even though the growth rate of expenditures was 12% in the period 1976-80 as compared with 58% in the period 1972-76.[35] Like government spending the growth in money supply, i.e. monetary policies, in the period 1977-80 increased at only 9% per annum as compared with 34% in the 1974-77 period.[37] Although public expenditures and money supply growth rates have recently fallen, either because of direct monetary actions which induced deflation in 1979 or because

TABLE 2.3: GOVERNMENT EXPENDITURES BY SOURCE & SELECTED YEARS ($ MIL.)[36]

| EXP. SOURCE | YEAR & % OF EXP. CATEGORY | | | | | | AVG. ANNUAL COMP. GROWTH RATE |
|---|---|---|---|---|---|---|---|
| | 72 | % of T.E. | 76 | % of T.E. | 80 | % of T.E. | |
| RECURRENT EXP. | 63.4 | 45.0 | 230.1 | 44.0 | 455.8 | 54.0 | 28.0 |
| NON-RECURRENT EXP. | 21.6 | 25.0 | 298.5 | 56.0 | 387.1 | 46.0 | 43.4 |
| TOTAL EXP. | 85.0 | | 528.6 | | 842.9 | | 33.2 |

| AVG. ANNUAL COMP. GROWTH RATES FOR | 1972-76 | 1976-80 |
|---|---|---|
| RECURRENT EXP. | 38.02 | 18.64 |
| NON-RECURRENT EXP. | 92.81 | 6.71 |
| TOTAL EXP. | 57.92 | 12.37 |

of the general fall off in revenues, other information and events, like the 1980-81 national budget and the tendering of the Saudi/Bahrain causeway, indicate a pro-growth government stance during the early 1980's to further appease the pressures and interests of an active private sector, keep unemployment down, and satisfy excessive demand.

Unlike austerity policies that have yet to be taken by the government, policies to diversify the economy have been singularly successful in the service sector, i.e. banking, insurance, and hotels. Over the past two years Bahrain's status as a major money market has been secured as she now rivals Singapore in the financial world. The most dramatic indicator of this growth in services is the increase in off-shore banking units (OBU'S) from two in 1975 with assets totalling $2 billion to fifty-one units in 1979 with total assets estimated at $23 billion.[38] If trade and other services, i.e. re-exports and hotel services, are added to banking and insurance these four components of the services sector provided only 17% of the GDP in 1974 versus 26% in 1978.[39] Further policies to diversify the economy into manufacturing have been moderately successful as manufacturing has raised its contribution to the GDP by one percent in the period 1974-78, from 9% to 10%.[40] While manufacturings contribution to the GDP is less than significant when compared with the mining sector the Government is in the midst of completing three new industrial areas in hope of furthering manufacturing as a substantial element in the base economy.[41] Still, external funding for such projects has been slow in coming and the response from prospective clients has been less than overwhelming.[42] If the realistic parameters of manufacturings limitations are defined by Government and proper incentives are designed to attract investment from

wealthier regional neighbors, the possibilities of altering the negative externalities associated with manufacturing in the Gulf seem reasonable for Bahrain when considering such projects as the Saudi/Bahrain causeway, or prevailing small scale development projects, and increased availability of reclaimed lands along her coast.

Demand Management

Contributing further to the problem of economic stabilization is the lack of any restraint on demand and Bahrain's new reliance on imports. Considering Bahrain's oligopolized private sector and the newly accustomed levels of consumption by certain segments of the population, it is easy to understand the complete void in government policy to restrict consumption. To meet such demands, imports over the six year period 1974-80, increased at a rate of 22.5% per annum.[43] Refer to Table 2.1 and Appendix F for facts relating to Bahrain's import/export climate. Given Bahrain's diminishing resource base, e.g. oil, gas, water, and arable lands, her recently acquired reliance on Western technologies to meet immediate infrastructure needs, and little government understanding of economizing trends in passive technologies to more efficiently meet future needs, resource optimization policies are negligible.[44] The following examples should help to clarify the government's policies towards the management of demand.

(1) WATER: Considering prevailing demographic projections, increasing rates of per capita consumption of water, and the quantity and quality of the present water supply, one study has concluded that, "by the end of the century the salinity of the available ground water for public supplies will have increased to such a level as to render the water unsuitable for both domestic and agricultural purposes."[45]

As the quality of present day water supplies is diminishing rapidly the Government has already begun a desalination program which should be a substantial source of water in the next decade, but no decision has been made as concerns the demand for water. The Water Supply Directorate has recommended that a "firm decision" be made as concerns regulations to prevent waste and excessive consumption and that a metering program be initiated with the introduction of a two or three part tariff structure.[46] In the period 1980-81 the Government will devote 5% of all capital spending to water.[47] No decision has been reached as concerns pricing while total consumption, i.e. domestic, has increased at an average annual rate of 620 million imperial gallons from 1974 to 1978.[48] The difference in total yearly consumption was only 50 thousand imperial gallons between 1973 and 1974 as compared with 1 million imperial gallons between 1976 and 1977.[49]

(2) ELECTRICITY: Prior to 1979 the demand for electricity grew from 72 mega watts (MW) in 1972 to 310MW in 1979, a compound growth rate in loading of 23% per annum.[50] Accompanying such high demand for electricity is the problem of peak summer loading that can grow to 269MW in the summer months and only 85MW in the winter months.[51] As such, demand and the patterns of demand create the misuse of traditional generation and transmission technologies and idle capital in the winter months.[52] The Bahrain State Electricity Directorate (BSED), along with other consultants, has recently forecasted future loads to reach 600MW by 1985 requiring an additional need for generating capacity of some 331MW with a planned reserve of 30%.[53] As a result of loading patterns and future demand the Government's committment to new capital projects supporting electricity for the period 1980-81 is $607 million

or 67% of all spending.[54] Estimated total costs of new projects in the 1980 National Budget is $387 million or 46% of the national budget.[55] Of this amount 42% is allocated for new capital projects while 58% is budgeted for on-going capital projects, such as sewerage and electricity.[56] In 1980 electricity will receive 28% of all monies allocated for non-recurrent expenditures.[57] This expenditure is justified by a 12% per annum increase in loading from 1980 to 1984 and forecasts of new consumers increasing at 4,000 per annum during the same time period.[58] There is no planned cost for the gas utilized in generating turbines and present tariff rates below 1,000 kilo watt hour (KWH) are 5 fils or 1.3 cents/KWH, the lowest in the Gulf region.[59] To enhance revenue generation, consideration has been made to shadow cost the use of gas, raise tariffs on a differential basis between domestic and commercial users, and introduce seasonal pricing rates.[60] In 1976 the KWH rate under 1,000KWH was raised to ten fils or 2.6 cents and removed a year later. There has yet to be any initiative taken with regards to pricing policies by the Government and to date no consideration of establishing alternative technologies to relieve the consumption of natural gas or remove long-term budgetary pressures has been confronted.[61]

Manpower Development

As alluded to at the beginning of this chapter the development of manpower resources poses a real challenge to the leadership of Bahrain. Bahrainis have tended to be upwardly mobile with regards to education and consider educational pursuits a natural consequence of economic growth in the Gulf region. Bahrain established its first school for primary male education in 1919 and was later chosen as the location

of the first higher education facility in the Gulf region- The Gulf Technical College. Furthermore, Bahrain's School of Nursing, located at the Sulmaniya Medical Center, is considered the best of its kind in the Gulf and recently the regional education association has decided to locate a new regional university in Bahrain. Considering the Government of Bahrain's liberal attitude towards both male and female education, literacy rates for Bahrainis are high when compared with her regional neighbors. Still, as reflected in Table 2.1, Bahrain's labor force is presently comprised of 60% non-nationals. The Government introduced a program of Bahrainization in 1977, but, as indicated by a 1979 manpower survey conducted by the Ministry of Labor and Social Affairs covering more than 3,000 of the 5,528 private sector businesses listed on the commercial register, reveals that 73% of the sampled 69,000 employees were of non-national origin.[62] Of a presently estimated total labor force of some 140,656 people, 80% are employed in the private sector with the remaining 20%, including armed forces, employed in the public sector.[63] During the eight year period 1972-80 growth in government recurrent spending increased at a compounded rate of 28% per annum.[64] Even though growth in recurrent spending fell to 18.6% in the 1976-80 period, as compared with a 38% increase during the 1972-76 period, recurrent government spending now comprises 54% of total expenditures.[65]

The staff paper which accompanied the aforementioned manpower survey notes that,

> while Bahrain's new economy is still in the transition period the major components of this second generation economy are very clear in the areas of transportation, communications, finance, industry, and supporting services. Bahrain's industrial and commercial growth has raced far ahead of Bahrain's social and educa-

> tional development, both quantitatively and qualitatively, with the gap filled by expatriates from both developed and developing nations.[66]
>
> Secondly, an analysis has been made of the outputs of the formal educational system, which will graduate an estimated 4,000 students/year in a few years, and when this data is compared with labor force needs to support Bahrain's present and future development goals, it indicates an incredible mismatch. There are presently more than 65,000 students in the school system today, below the university level, which will increase to approximately 79,500 by 1983 with approximately 50,000 new workers in the labor force.[67]

The Government, with the aid of regional neighbors, built twenty-one new schools in the 1976-80 period and has had a committment to education since 1919. Still, as reflected in the 1980 National Budget, direct spending by the Government for education over the next two years will only amount to 2% of all new capital projects.[68] As such, the Ministry of Labor and Social Affairs, as well as the Civil Service Bureau and consultants, have called for and attempted to get formal adoption of a manpower plan. While the Council of Ministers has expressed positive inclinations towards such a plan, none has been adopted. The authors contend that, "at present there are separate plans operating for the public sector, private sector, and the educational system without linkage and without goals relating to economic development."[69]

Considering prevailing government policy towards the development issues of economic stabilization and diversification, demand management, and manpower development, and assuming development stability is the primary goal of any nation, what then is the Government's present policy stance as concerns development planning activities and what, if any, would be the contribution of such a planning process to the resolution of the aforementioned development issues, institutional and political development, and the enhancement of development stability.

## Chapter 3

## DEVELOPMENT PLANNING, INSTITUTIONAL LEGITIMACY, AND DEVELOPMENT STABILITY

Even though the Government of Bahrain faces economic, consumption, and manpower problems, such development issues are not insurmountable. In fact, it is doubtful these critical development issues could have been avoided given Bahrain's economic dependence on the mining sector and the profound inflationary impacts of the Arab Oil Embargo of 1973/74 on the international monetary system. Still, the confusing interrelatedness of these issues, particularly the management of demand and manpower development, could have been minimized if long term development stability and institutional development had not been sacrificed to the short term interests of Bahrain's ruling elite and oligopoly.[1] Ironically, during the 1970's, the development direction of these two entrenched power interests may have been considered a positive, if not benevolent, step towards the betterment of Bahraini society, but one must retrospectively question such an attitude towards "development" in light of more recent stability issues throughout the Gulf region. In other words, the combined effects of traditional institutions relying on archaic and questionable information systems to cope with rapid modernization and the limited vision of both public and private sectors of the role of "development" in a newly developing nation has resulted in a fragmented public administration, a breakdown in the linkages of policy analysis (see Appendix A), continued legitimacy problems of governing institutions, and development instability.

Considering the prevailing dichotomy between the Governments policy of rapid economic and physical growth on the one hand and a blind neglect for institutional development on the other, and given the outlined definitions and assumptions in Appendix A regarding institutional development and development stability, a formalized process of national development planning must be the political imperative of the 1980's. What then has the Government done to resolve the fourth critical development issue of development planning and what should be development planning's role at this stage in Bahrain's development?

The Problem of Planning in Bahrain

The concept of public planning was first introduced into the governing structure of Bahrain in 1968 as a means for expanding and locating new infrastructure requirements.[2] During the early and mid-1970's planning was oriented towards physical and project planning. The effectiveness of this form of planning is best exemplified by the experience of the Physical Planning Directorate in the Ministry of Housing. As the approach of this directorate was based on the British "master plan" concept, emphasis was, as it remains today, placed on the "laying-out" of physical development on maps of what "should be".[3] Prior to 1979 such master planning activities relied on out-of-date land surveys which less than adequately represented actual physical development to that date. Joined together with little progress in land tenure, no coordination among ministries and directorates involved in land use, and the absence of any formally adopted implementation mechanics required for "master plan" realization, such planning resulted in an endless stream of complaintants possessing two or three differing map documents requesting a sitting with the Minister of Housing.[4]

The Government's reliance on project or micro-scale planning activities encouraged at least seven ministries to establish in-house planning work and nearly all ministries to seek the services of various international planning consultants whose product, with few exceptions, rarely took into account the political realities of planning in Bahrain. The collective effects of such a disjointed planning effort served only to reinforce the "empire mentality" of each ministry, their Cabinet accountability for project funding, and created an array of unadopted plans that were at cross-purposes with other ministries and within ministerial directorates. Hirschman notes that,

> problems and conflicts arise when projects disturb by design or inadvertantly, the political, social, or-most frequently-the bureaucratic status quo. Many projects are set up in such a way that they inevitably antagonize established agencies that have, or used to have, responsibilities in that activity which the new project, or rather the agency administering it, now claims is its preserve.[5]

Major improvements in micro-scale planning activities were recently realized when a formal project funding request process was implemented for the 1980-81 Budget Cycle by the Ministry of Finance and National Economy.[6] Such an attempt to sieze greater control over budgetary expenditures represented a conscious effort on the part of finance officials to make allowances for future demands on spending. Still, from a planning perspective,

> we know by experience, and now by survey, that only a few Ministries or Directorates prepare 5-year development plans--and even then at sporadic intervals and at marginal professional standards. This means that most capital project requests submitted for funding are unrelated to specific programs, unrelated to time-oriented development goals and unrelated to precise development standards. As the projects are basically unrelated to needs, therefore, one must frequently question whether or not Bahrain is financing the right projects, in the right amount, at the right time.[7]

While this "project-by-project approach" is considered a necessary,

if not natural, stage towards the evolution of development planning in developing nations with mixed economies, such micro-scale planning activities have their disadvantages.[8]

> In the mixed economies, development planning almost always starts on a piecemeal basis with the formulation of public investment projects little related to each other or to a unifying concept. Except for being listed in the budget, often with omissions, these projects may never appear in a single document; or they may be combined to form ad hoc development plans or programs for the public sector which makes little or no mention to the private sector. They are, nonetheless, little more than collections of unrelated projects.[9]

Although such planning generates a substantial number of problems, Waterston notes that this piecemeal approach, "has nevertheless provided many countries at the beginning of their development with means for laying a foundation for their development."[10]

> Thus, although Iran's Second Seven-Year plan was little more than a list of projects, whose execution was attended by waste and duplication, a great deal was accomplished. A high level of investment was maintained, several thousand miles of roads were built, the railroad and port systems were greatly expanded, airports and dams were constructed, and the basis was laid through preinvestment studies and the preparation of projects for further development.[11]

Waterston further notes that once "the project-by-project approach" and the "integrated public investment planning" approach are achieved the developing nation is ready for "comprehensive" or what I similarly refer to as macro-scale development planning.[12] While the experience of various nations and the literature favors this staged approach to the establishment of a macro-scale development planning process, in countries of the Arabian peninsula, where modernization has raced far ahead of institutional development and stability issues have not been planned for, the need for such a planning process is obvious.[13] A recent United Nations population mission headed by Professor Kingsley Davis notes that,

> There is no central planning organization in Bahrain. Some of the ministries (for example, Housing and Finance and National Economy) have their own planning groups. Development projects are considered individually on their own merits.[14]

Crane further states that,

> The problem of Arab countries, some experts say, is lack of planning. This is not true. The real problem is too much of one kind, not enough of another, and too few people who know the difference.....There is far too much planning for individual projects without any reference to higher national and regional goals.....The real challenge to the political leaders in Bahrain, as well as in every other state in the Gulf region, is to recognize the difference between the two types of planning and to assure that national goals planning will drive the project planning and not, by default, be driven by it.[15]

The timing and type of planning a developing nation adopts, especially in countries built on traditional ruling elites, does not necessarily have to follow a specific pattern of evolution. As such, planning in elite oriented political systems is generally only operational on a short term basis emphasizing projects for progress instead of long term development stability.[16] In Bahrain, where economic growth has required investment in physical and social development for sustained growth, little attention has been paid to institutional development. The debate in the developing nations over balanced and un-balanced growth remains more a question of timing and environmental forces than a goal within and of itself. Un-balanced growth reflects the problems developing nations have in generating national income, while in rapidly modernizing nations the question of balanced and un-balanced growth centers on the qualitative rather than the quantitative aspects of growth.[17] With regard to the Arab world in general and Bahrain more specifically, the impact of rapid economic and physical growth on institutional development and political legitimacy, or un-balanced development, has led to a continued reliance by the ruling elites on traditional

methods of buttressing their authority. As such,

> the basic problems of identity, authority, and equality remain unresolved. Because they are unresolved, Arab politics appear to be going neither forward nor backward: the radical future seems unreachable and the traditional past unrecoverable. Politics thus is largely the art of manipulating appealing ideological symbols and trying to generate personal popularity.[18]

Enlightened national leadership, if for no other reason other than to, "institute reforms to preserve the system and their place in it," will inevitably have to address not only development planning's role in economic, physical, and social development, but also the conceptual role of development planning in educational and administrative development.[19] Hudson concludes that,

> social mobilization is politicizing the Arabs: elites are becoming larger and more complex; masses are increasingly sensitized to twentieth-century ideas of nationalism, democracy and government responsibility for welfare and development. While these developments have enhanced the sense of Arabism and local nationalism too, they have also exacerbated latent class conflicts and, to a lesser extent, identity problems. Thus, Arab political culture is both more aware and more fragmented. But government has been slower to develop its capabilities. The first generation of new states has been distinguished by inefficiency and a lack of political wisdom. They have been slow to respond effectively to the new policy and administrative demands and even slower to develop the political structures which might generate a sense of system legitimacy. The result has been widespread instability.[20]

Given Bahrain's experience with planning during the past twelve years, the un-balanced nature of growth during the 1970's and the resulting critical development issues presently confronting the Government, the traditional attitudes of the ruling elite and oligopoly towards growth, policy voids encouraging political and institutional instability, Islam's relatively mild political influence as concerns the development process, substantial social mobilization and political awareness among Bahrain's equally divided Sunni and Shi'ite populations, and assuming a stable development climate is the ultimate goal and primary policy

emphasis of the State of Bahrain, what then would planning's role and structure be during the 1980's?

The New Decade and The New Nation

During the decade of the 1980's the role and structure of formalized development planning in Bahrain can proceed in three distinctively different directions. Such development planning directions can be classified as follows:

Future I. - The Static Approach

Future II. - The Centralized Approach

Future III. - The Innovative Approach

Each of the above mentioned planning futures provides opportunities to the Government of Bahrain that directly effects, through timing and implementation, its ability to manage change, strengthen political/institutional development, and enhance development stability. More will be said of each planning futures adaptability in the concluding remarks of this study, but now we should review each approach on a more discreet basis.

Future I. - The Static Approach. The first direction, which reflects the Government's present perspective towards planning, can be considered the static or no-change approach. This approach, as has been previously mentioned in Chapter Two, is distinguished by reactive and allocative growth policies that are mired in options of the past and serve only to maintain prevailing decision mechanisms. Both Waterston and Friedmann envision such an approach to planning as a necessary stage in the quest by public authorities to establish a rational development planning process, but not an end-state in and of itself.[21] According to Gant, in his recent volume Development Administration,

> planning for development involves not only the identification of the policies, programs, and projects proposed to accomplish the desired purposes. It also involves the identification of the agents or agencies which will carry out those policies, programs, and projects and a prescription for their being carried out. A development plan is more than a description of what it is hoped will be done to achieve established goals. The plan, if it is to be operational, if it is to be realistic as a guide to policy and action, must also include a finding that the proposed policies, programs, and projects are feasible and that they will be implemented by specified agencies in specified ways. Development policies, projects, and programs should pass the test of management feasibility.[22]

The positive factors emmanating from this stage of development planning contribute to the introduction of micro-scale planning activities on a ministerial basis and aid government officials in generating much needed information on a sectoral basis. For Bahrain these positive factors are evident. Seven ministries have established operational planning functions and the Government is presently in the process of establishing a ten-year data base extending from 1970 to 1980. Still there are negative factors that are directly attributable to this approach which have yet to be recognized by the Government. The negative factors stemming from this stage of development planning rest with its emphasis on physical development, i.e. projects for progress, and fragmented administrative structures that, while increasing information inputs on a micro-scale basis, restricts information dissemination both horizontally and vertically on the premise of ministerial self-preservation.

> Effective administration for development depends upon new management systems as well as the establishment of new or the reorientation of old agencies and organizations. If the work habits and methods of the new agencies are no different from those of their predecessors, not much improvement in capability will be made. If the processes and systems by which such agencies conduct their affairs are not adapted to their new purposes, the agencies will be hampered and frustrated in their performance and accomplishment. If the reconstituted agencies are not related harmoniously and productively with their sister agencies and with their public clients-that is, if they are not well institutionalized in a

> revitalized bureaucracy-their impact will be blunted and limited. The systems and processes as well as the agencies of development administration are of crucial importance.[23]

From an administrative perspective, such planning serves only the short term needs of any developing nation, minimally serves the short term needs of developing nations experiencing rapid modernization, and contributes to national instability by emphasizing an "as is" policy towards growth. That is, from a policy perspective, such planning inhibits the necessary flow of information to decision makers who formulate development policy. As such, Bahraini officials must realize, at some point in the development process, that the transitory nature of this planning approach only propagates continued reliance on reactive growth policies that result in the inefficient usage of all national resources, subserviance to the developed world for the pre-supposed necessity to acquire new technology, limited vision by government that sacrifices cultural identity and long term development stability to short term economic growth, and reinforces the growth syndrome that is presently ushering in the "consciousness of austerity" in the over-developed West.[24]

However, if the theoretical constructs contained in Appendix A are assumed to be valid and if the forces of growth are to be constructively channelled into development by a government realizing its future leadership responsibility to both public and private interests, two alternative approaches to planning can be considered conceptually appropriate and reasonably implementable in the Bahrain Government within the next two years.

Future II. - The Centralized Approach. As Bahrain's political system is presently structured along oligarchial lines and decision

making rests with competing elites this second planning future, the centralized approach, would seem most applicable to the immediate needs of a government acknowledging minimal public participation in the political process. Already the governments of Kuwait, Saudi Arabia, Qatar, and the United Arab Emirates of Abu Dhabi and Dubai have established planning functions in accordance with this centralized approach. As has been previously noted, Bahrain's present form of planning best fits Friedmann's allocative style based on a fragmented corporate structure with Cabinet committees comprised of various ministers overseeing specific sectoral development policy.

The centralized allocative approach can significantly reduce reactive development policies but to do so would require an explicit development plan with accompanying goals, objectives, and programs. A further requirement associated with this directive approach would be an organized administrative machinery to implement two main sets of tasks:

> 1) the procedures by which a plan's goals are approved and realized. This involves the making of decisions about the level of the development effort (e.g., through the choice of investment, production and other targets to be included in a plan), policies to be followed to achieve development goals, and provision for appropriate action to attain planning ends (e.g., by the issuance of administrative orders or the adoption of other measures).
>
> 2) the process by which a plan is prepared on the basis of approved goals. This involves an examination of alternative ways in which available real and financial resources may be allocated to achieve development objectives and plan targets; detailing the measures and instruments of policy required to attain them; advising on the advantages and disadvantages of alternative courses of action; framing multiannual and annual development plans; keeping their implementation under review; and, through a system of progress reporting, advising on the need for appropriate action to achieve plan targets or to revise them.[25]

These two sets of tasks, as Frederick Bent and the World Bank mission have noted, are rather sophisticated for the Governments poorly developed administrative structure but are not insurmountable in the short run.

The University of Southern California is presently conducting executive management and administrative training seminars on a government wide basis that are further reinforced by more stringent civil service regulations. By the end of 1982 the Government of Bahrain could reasonably expect the administrative machinery to be in place for the operation of this centralized approach.

Another point of resolution, as Crane has noted in his efforts to superimpose the Western planning process over existing systems of governance, is the creation of a detailed national development plan accompanied by explicit goals, objectives, and programs. Bahrain has in place a two year budget cycle represented by a listing of various development projects based on fragmented micro-scale or ministerial project plans, but as has been noted by Burton, the budget document lacks a substantive program element. Finance officials are presently considering an expansion of the budget program element similar to that of Singapores, but such discreet budgetary programming would still require a definitive statement by government leadership of national development goals and objectives. To overcome this lack of a defined national direction individual ministers, responsible for their specific development sectors, need to recognize and define basic human needs, relate such needs to future stability issues, and transmit such needs to the already established Cabinet.

> A planning committee of a cabinet comprised of ministers who are most concerned with development and headed by a country's chief executive is in a strong position to make decisions which the Cabinet will accept and to facilitate co-ordination of the most important sector programs in a development plan.[26]

Since the skeletal administrative framework for such a two tier centralized approach already exists, i.e. cabinet committees or the

political tier and the ministers or the technocratic tier, Bahraini leadership needs only to refine existing planning machinery under the auspices of the Ministry of Finance and National Economy, improve existing administrative weaknesses and institutional linkages in certain ministries, and provide each ministry with an explicit statement of national goals and objectives. The need for an additional agency or ministry is unnecessary, but the planning function in the Finance Ministry would require a degree of retrofitting before it could perform an adequate technical function and would need government wide recognition of its responsibilities.

Even though this centralized planning approach appears most feasible given the Government of Bahrains present level of political and administrative development serious drawbacks are inherent in this form of planning. Such problems include the following:

1) First, the establishment of such a formalized central approach to planning in previous experiences reveals that,

> some countries believe it is undesirable to have the most important claimants for development resources become judges of the way these resources are distributed. They feel that a committee of ministers with the greatest stake in development has a serious weakness because it places undue stress on compromise and because it is likely to have difficulties dealing with issues which are not questions with single answers but complicated alternatives.[27]

This problem is already evident in Bahraini Government as the allocative process has yet to resolve the critical development issues of manpower development and demand management to say nothing of income distribution and land reform.

2) Secondly, the prospects for development stability are not reinforced by such a planning approach as there exists a pervasive lack of understanding by government of the differences, qualitatively and quantitatively, between growth and development. In other words, the educational influence of planning on decision authorities is nonexistent. As such, the centralized approach will inevitably lead to another cycle of the static approach. Although more formalized, non-reactive, and efficient, such an approach, in the final analysis, will once again entrap

decision authorities in limited scope and vision.

Summarizing, the centralized approach to planning could, if implemented within the next two years, be considered as yet another intermediate stage in the evolution of a more enlightened development process. The implementation of such an approach would be a positive, politically compatible, step towards the formalization of planning and would, to a certain degree, improve the institutional relationship among politicians, technocrates, and the oligopoly. Furthermore, the Government would reduce its reliance on reactive development policies, gain management flexibility over the forces of change that impact on her immediate future, and enhance development stability in the short run. Still hard choices have to be addressed as regards specific macro-scale development issues and the impact of such a planning approach on prevailing and future development issues. Even if this planning future is implemented it is doubtful that such hard choices will be addressed as the centralized approach is primarily concerned with status quo development policies discouraging innovative development and the creative use of government. The centralized approach to planning does not promote the educational experience required of government leadership to encourage development stability in the long run.

> Planning has for so long been identified with central resource allocation that its innovative thrust has, for the most part, gone unnoticed. Yet innovative is undoubtedly the more prevalent form of planning. Imagine a country where nothing ever happens. From year to year, public resources are allocated in roughly the same proportion to the same users. Small adjustments may be made from time to time, correcting random errors in the system, but these do not produce significant changes in the country's economy. In such a country, planning is clearly superfluous; its planners-if they existed-would simply copy last year's plan. Admittedly, this is an extreme example. But it serves to underscore the point that allocative planning is needed only when important changes are occurring and balance must be artificially restored.

> Imagine now the opposite extreme, a country so overwhelmed by change that the whole system becomes wildly unbalanced. Clearly, one would argue it is precisely under these conditions that some form of central guidance is needed. Yet it is, in fact, unlikely that allocative planning would be used in such a situation, for the government would lack both the knowledge and the power necessary to make its decisions effective. The only possibility of salvaging the country by means of planning would be to carry out a large-scale program of institutional innovation.[28]

Future III. - The Innovative Approach.

> By structural growth, I simply mean the expansion of a system in one or more of its dimensions. Since, under conditions of growth, a system will change in the strengths and proportions of its components, its continued expansion eventually leads to a state of crisis. Unless changes are brought about that will re-establish a balance among its parts, growth will be contained, and the system in question will either stagnate or experience a prolonged series of structural crises or collapse to a lower level of equilibrium.
>
> In contrast to growth, a structural, system-wide change that is positively evaluated I will call development. Development is produced through innovative planning that is successfully applied to the critical points of intervention in a crisis-ridden system. Such planning will bring about a structural transformation of the relevant guidance systems. To understand the tasks of innovative planning this way, the relations between societal problems and specific deficiencies in guidance systems must be established.[29]

The criteria upon which a governing or guidance system should be judged include the systems, "autonomy, responsiveness, innovative ability, effectiveness, efficiency, and legitimacy."[30] The particular problems Bahrain's government has encountered in seeking a viable resolution to the conceptual schism between structural growth and development, as well as structural change, have already been documented.[31] As the past ten years of structural growth in Bahrain reveal a modification in leadership attitudes towards modernization, i.e. change, a clear opportunity exists in the 1980's for Bahrain to ideally become the combined Singapore/Switzerland of the Arabian/Persian Gulf.[32] To accomplish such a task and transform leadership dreams into realities the definitions and assumptions outlined in Appendix A would need

recognition and adoption by government. Little alteration of the prevailing power structure would be necessary and growth in government administration would be unnecessary since the innovative approach envisages qualitative improvements in government operations based on the creative use and mutual learning process of all available human resources instead of bigger government and imported labor.

The innovative approach to development planning offers to the Government of Bahrain a tool for seeking long term development stability while encouraging political/institutional development at a rate of change comparable to other growth sectors. According to Friedmann the tasks of innovative development planning include:

1) Identify and describe the problem situation as a collective phenomenon.
2) Identify and analyze the relevant forms and patterns of collective behavior.
3) Identify the institutions of the guidance system that are thought to be primarily responsible for this behavior.
4) Analyze the specific performance characteristics of these institutions as they relate to the collective behavior identified in (2) above in terms of their degree of autonomy, responsiveness, innovativeness, effectiveness, efficiency, and legitimacy.
5) Relate these performance characteristics to particular organizational features of the guidance system, such as hierarchy, centralization, participation, information processing, and organizational linkages.
6) On the basis of this analysis, formulate specific proposals for structural innovation in the guidance system that are expected, if carried out, to change the relevant performance, produce a different outcome in terms of collective behavior, and result in significant improvements in the initial problem situation; and propose a strategy for innovative action.
7) Take part in the realization of this strategy, making the adjustments that are necessary in the course of the action.[33]

Organizationally, the administrative operation of such tasks would need to have a nucleus within the present governing structure. Logically

such a nucleus could be established in the Civil Service Bureau of the Ministry of State and Cabinet Affairs responding directly to the Cabinet. For more political reasons the innovative nucleus could become an advisory component of the Prime Minister's office, but as the ritualistic burdens of this office are overwhelming such an administrative location would suffer from a lack of attention. As the Ministry of Finance and National Economy presently conducts a form of policies planning and controls public revenues and expenditures the location of the innovative nuclei is most compatible with this ministry.[34] Although this is an organizational judgement that should, in the end, be left to traditional decision authorities, the point should be emphasized that no matter the original location of such a planning process eventually the terms of reference for innovative development planning should coalesce in all administrative units unifying micro and macro-scale development processes on a government wide basis.

Unlike the static and centralized approaches to planning, the innovative approach to planning, "may be regarded as an approach to institutional development that is expected to produce a limited, but significant change in the structural relations of an existing system of societal guidance."[35] The concepts of plan and action become coterminous in the innovative approach to planning.[36] Innovative planning, as opposed to allocative models, emphasizes, "a predominate concern with institutional change, a basic orientation towards action, and a special emphasis on the mobilization of needed resources."[37]

## Conclusion

Throughout the scope of this paper an attempt has been made to introduce the reader to the development history of the State of Bahrain,

analyze prevailing government development policy and the impacts of such policy on national stability, and review the interrelationships between institutional/political development, development planning, and development stability. With the advent of the Arab Oil Embargo of 1973/74 and the positive regional economic externalities emmanating from the embargo leadership values towards modernization and the hopeful acquisition of modernity have experienced a significant re-orientation towards a policy of benevolent appeasement. While in the short run such a development policy can be considered the obvious response of traditional decision institutions to maintain the economic momentum of the 1970's such a development policy in the long run can only be viewed as a further complicating factor in the Government's attempt to reconcile the critical development issues of manpower development, demand management, economic diversification, and development planning.

To accomplish the primary development goal of national development stability and the maintenance of cultural identity the policy imperative of the early 1980's is the institutionalization of a formalized planning process that not only is compatible with prevailing governing processes but also emphasizes issue resolution through government innovation. At this juncture in Bahrain's development history and if government leadership desires to avoid the stability problems that have plagued some of her neighbors during the 1970's Bahrain has little alternative but to seek development policies that will encourage qualitative improvements in institutional and political development rather than the projects for progress mentality that merely seeks the quantitative improvements associated with economic and physical growth.

While the methods utilized by the Bahrain Government to implement

a formalized national development planning process are not restricted to the three approaches described in this paper, the innovative approach is considered to be the most viable form of planning at this stage in Bahrain's development history. The innovative approach would not only provide government leadership with a greater depth of decision as regards long term issue resolution and the management of change but would further enhance positive interaction among the competing interests of oligarchy, oligopoly, religious interests, and the public. Furthermore, the innovative approach to national development planning, as indicated by the literature, offers to the government a high degree of compatibility between traditional governing institutions and the process of planning while constructing the intergovernmental linkages necessary for responsive, effective, efficient, and legitimate government.

From an efficacy perspective, planning may not be the sole panacea for Bahrain's development problems but planning can go a long way in instructing government officials on the ways and means to better make the decisions it has to make. According to Miller, "planning need not mean that the government will have to make more decisions than necessary; that is, government need not make those decisions which can be made without its help."[38] As such, a process of national development planning based on the innovative approach and as applied to the prevailing governing structure of Bahrain would serve a dual role that addresses the two pivotal problems impacting on Bahrain's continued viable development in the 1980's- institution building and political legitimacy and the management of change. Without such a perspective towards development during the 1980's Bahrain's development stability

and autonomy will, in the end, become dependent on external interests.

# APPENDIX

THIS BOOK
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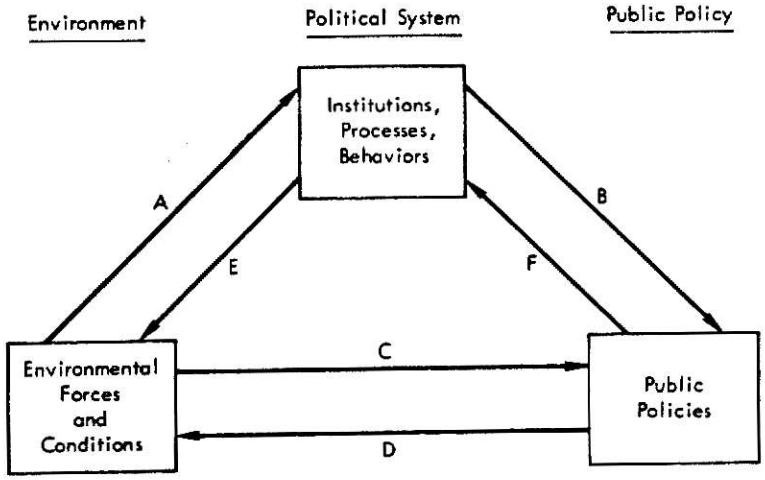
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APPENDIX A: Definitions and Assumptions

Development stability is a national sense of being where the forces of change, whether modernizing or otherwise, are integrated into the national development climate so as to promote national well-being, e.g. physically, economically, socially, or politically, and limit uncertainty. A stable development climate is the ultimate goal of any nation be it underdeveloped, developing, or developed.

Development goals and public policies are, "whatever governments choose to do or not to do."[1] In this study of Bahrain development goals and public policies affecting physical, economic, social, and institutional development will be assumed to reflect the Government of Bahrain's stance on development stability. As such, policy analysis linkages utilized in this study are as follows.

Figure 1: Linkages in Policy Analysis[2]




Linkage A: The effect of environmental forces and conditions on political and governmental institutions, processes, and behaviors.
Linkage B: The effect of political and governmental institutions, processes, and behaviors on public policies.
Linkage C: The effect of environmental forces and conditions on public policies.
Linkage D: The effect (feedback) of public policies on environmental forces and conditions.
Linkage E: The effect (feedback) of political and governmental institutions, processes, and behaviors on environmental forces and conditions.
Linkage F: The effect (feedback) of public policies on political and governmental institutions, processes, and behaviors.

APPENDIX A: (continued)

The development process is defined as the positive assimilation of internal and external forces of change and the articulation of supporting goals and implementing development policies by government to maintain development stability in all development sectors, i.e. physical, economic social, and institutional/political. While policies for each of these four development sectors will be reviewed major emphasis will be placed on the association between institutional/political development and development planning.

Development planning is a macro scale planning process which confronts a broad spectrum of physical, economic, social, and institutional/political development issues and establishes a coordinated set of alternative policy instruments for the management of internal and external forces of change to promote and/or maintain development stability. Development planning involves the establishment of an information base and the optimization of scarce resources. Development planning is assumed to be an integral part of the governing body politic of any nation.

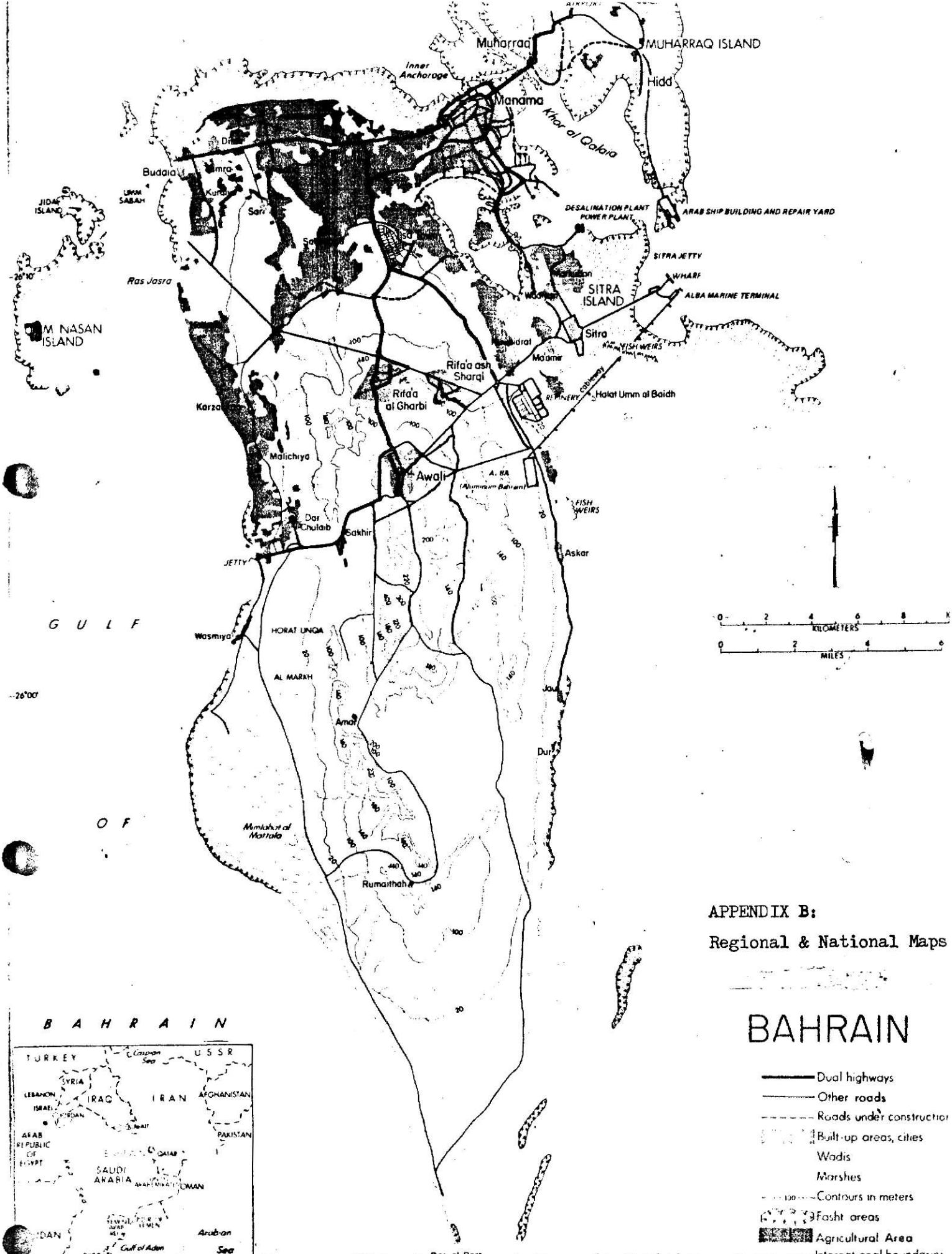
Institutional/Political development is the governmental ability of a nation to effectively adopt its decision making processes to internal and external forces of change and implement government-wide policies in support of a stable development climate. As such, a direct correlation will be assumed to exist between institutional/political development and development planning. Obviously, decision making rests with political authorities, rationally or incrementally, but the political process is directly affected by the prevailing status of supporting institutions and planning processes within the national development process. It will further be assumed that the greater the governmental ability to control the forces of change the greater will be that governments ability to promote or maintain development stability. This does not necessarily mean bigger bureaucracy, greater regulation, or more planning will result in better development planning or a more efficient development process. What it does mean though is creative enlightened leadership that seeks rational decision making in view of more complex information and political or tribal partisanships, for the collective national benefit, i.e. development stability.

For this study the concepts of change and growth will be viewed differently. Waterston notes that the primary goal of development planning is, "change plus growth."[3] He further states that, "Some nations which profess to plan their development seem to concentrate only on the element of change, while others seem largely to ignore it. But the need for change is widely accepted as important to, if not the very essence of, development planning."[4] Change will be treated as an environmental constant while growth will be assumed to be the qualitative, as well as quantitative, manifestations of a governments ability to effectively assimilate the forces of change. In other words, to promote or maintain a stable development climate one government may have to implement non-growth policies while another government may deem pro-growth policies as essential to development stability. For Bahrain, as well as other developing nations that experience un-balanced growth, it is assumed that un-balanced growth leads to greater development instability while balanced growth enhances development stability.[5]

# ILLEGIBLE DOCUMENT

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APPENDIX B:

Regional & National Maps

# BAHRAIN

- Dual highways
- Other roads
- Roads under construction
- Built-up areas, cities
- Wadis
- Marshes
- Contours in meters
- Fasht areas
- Agricultural Area
- International boundaries

B A H R A I N




Source: "Bahrain: Current Economic Position and Prospects," The World Bank, (Report No. 2058-BH), 6/28/78.

# APPENDIX C: General Fact Sheet

Currency Unit
Bahrain Dinar (BD)
1 BD equals 1,000 fils

Denominations
Paper:
½ Dinar or 500 fils
1 Dinar
5 Dinar
10 Dinar
20 Dinar

Coin:
5 fils
10 fils
25 fils
50 fils
100 fils

Exchange Rate History

1970: BD 1 equals US$2.10
US$1 equals BD 0.48

1971-72: BD 1 equals US$2.28
US$1 equals BD 0.44

1973-77: BD 1 equals US$2.53
US$1 equals BD 0.395

1978-79: BD 1 equals US$2.579
US$1 equals BD 0.388

1980: BD 1 equals US$2.60
US$1 equals BD 0.384

Land Measure

1 dunum equals 1,000 square meters or 10,750 square feet

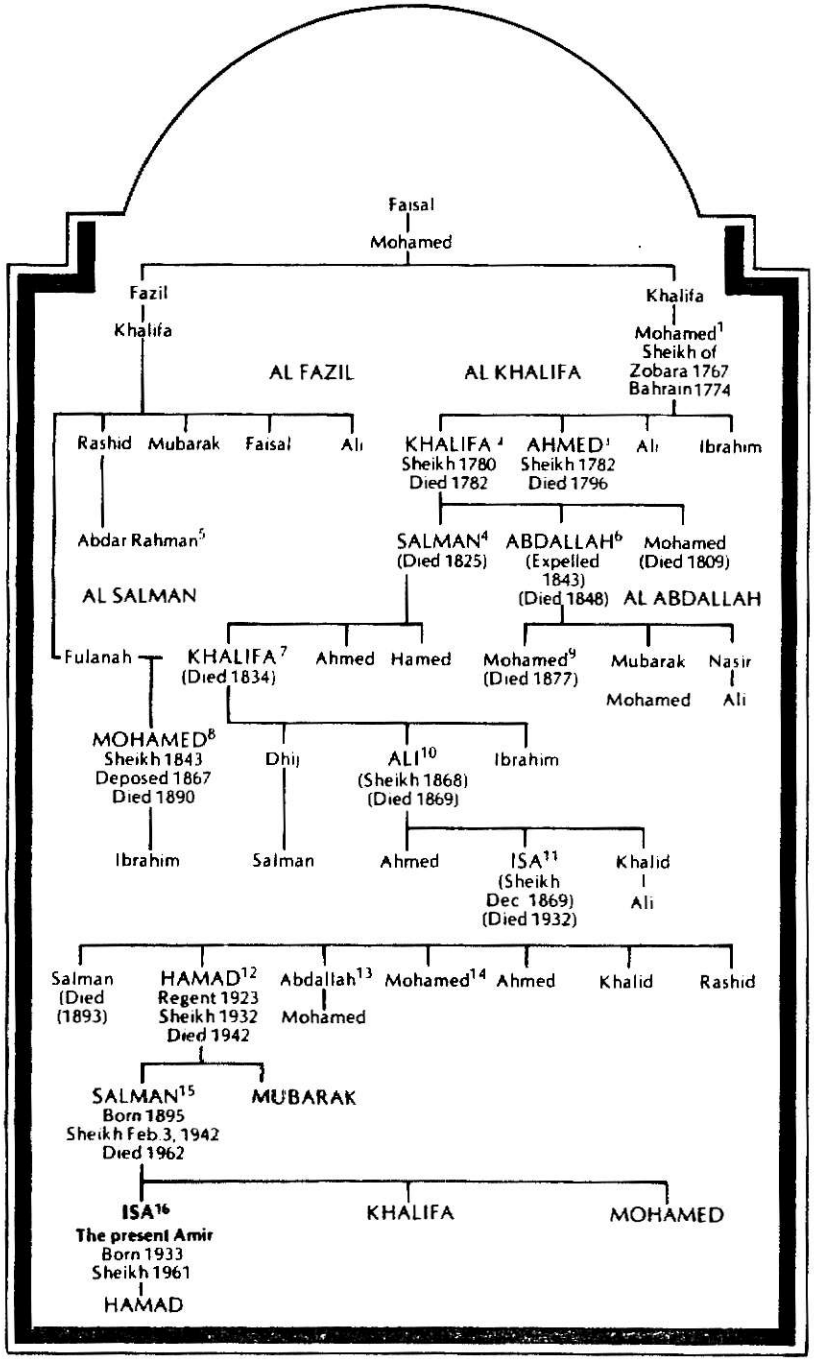
Fiscal Year
Same as the calendar year

Abbreviations (will expand if necessary)

ALBA - Aluminum Bahrain
ASRY - Arab Shipbuilding and Repair Yard
BANAGAS - Bahrain National Gas Company
BANOCO - Bahrain National Oil Company
BAPCO - Bahrain Petroleum Company
BASREC - Bahrain Ship Repairing and Engineering Company
BMA - Bahrain Monetary Agency
OAPEC - Organization of Arab Petroleum Exporting Countries
OBUs - Offshore Banking Units
OPEC - Organization of Petroleum Exporting Countries

Structure of State Budget (national)
Line item budget containing one major division between revenues and expenditures. Revenues are further subdivided into: oil revenues, non-oil revenues, and loans. Expenditures are further subdivided into: recurrent expenditures, i.e. government operations and administration, and non-recurrent expenditures, i.e. capital expenditures and works in progress.

APPENDIX D: Al-Khalifa Geneology




Source: Jerry L. Curtis, Bahrain: Language, Customs, and People (Singapore: Tien Wah Press, 1977.

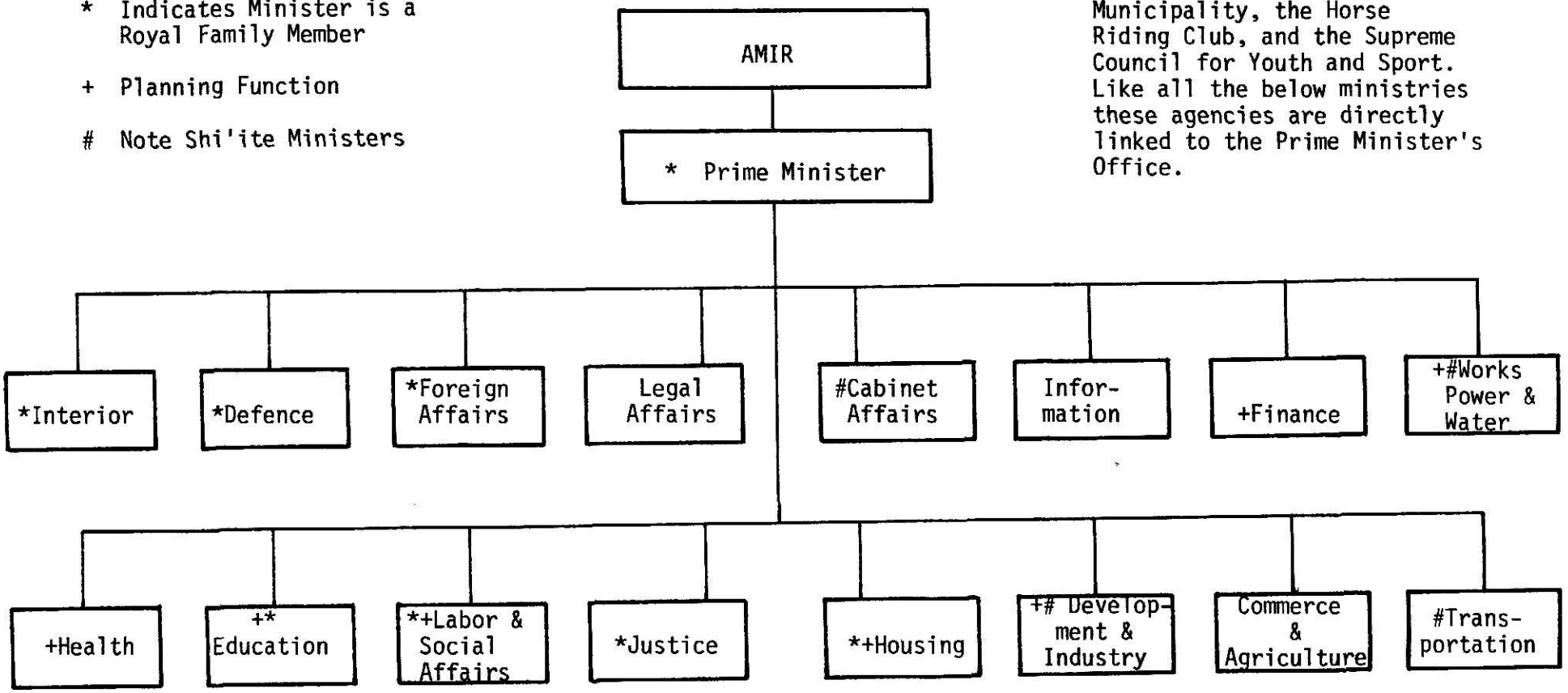
APPENDIX E: Existing Structure of Government

* Indicates Minister is a Royal Family Member

\+ Planning Function

\# Note Shi'ite Ministers

NOTE:
Autonomous agencies include Municipality, the Horse Riding Club, and the Supreme Council for Youth and Sport. Like all the below ministries these agencies are directly linked to the Prime Minister's Office.



# FOOTNOTES

# FOOTNOTES

## Introduction

[1]I travelled to Bahrain on August 31, 1976 upon completion of language and cross-cultural studies in Washington, D.C.. I was originally assigned to the Ministry of Housing as a volunteer regional planner with the Peace Corps for a twenty-two month tour of service. For a review of my responsibilities see, "Bahrain Summer/Fall Omnibus Program," Peace Corps Project Number: 380-76-01 (Manama, Bahrain: Peace Corps Bahrain, 1976), p. 23. (Mimeographed.) Because of professional and ethical differences I resigned my position after eighteen months of service. See memorandum dated January 17, 1978 to His Excellency Sheikh Khalid bin Abdulla Al-Khalifa, the Minister of Housing, for resignation details. (Mimeographed.)

A month later and on the brink of returning home Mr. Isa Al-Thawadi, Director of Housing Ownership and Loans and the brother-in-law to the Minister of Finance and National Economy, His Excellency Ibrahim Abdul Karim, arranged a meeting with the then Director of Planning and Economic Affairs (DPEA), Mr. Isa Abdulla Borshaid. As I wished to complete my Peace Corps commitment in Bahrain the necessary formalities were taken care of and I began employment in the DPEA on February 1, 1978. See letter to Mr. Keith Simmons, Director of Peace Corps Bahrain, from Mr. Dhafer Al-Umran, Planning Supervisor, concerning new responsibilities, dated March 5, 1978. (Mimeographed.) My tour of service was successfully completed on July 1, 1978. See letter from Mr. Simmons to me entitled, "Description of Peace Corps Volunteer Service," dated June 30, 1978. (Mimeographed.)

Because of Limited government wide success but generally positive internal reaction to the, "Strategic Growth Policy Planning and Budgetary Process," I was offered an eighteen month contract as a policy planning advisor to Mr. Borshaid. See, "Contract Employment Agreement," dated June 19, 1978. (Mimeographed.) I successfully completed my professional responsibilities and formally resigned my position. See letter dated October 31, 1979 to His Excellency Ibrahim Abdul Karim. (Mimeographed.)

[2]William W. Hallo and William K. Simpson, The Ancient Near East-A History (New York: Harcourt Brace Jovanovich, 1971), pp. 20-68.

[3]Anthony Sampson, The Seven Sisters (London: Hodder and Stoughton, 1975), pp. 170-196.

[4]Robert Stobaugh and Daniel Yergin, Energy Future-Report Of The Energy Project At The Harvard Business School (New York: Random House, 1979).

"The interests of the (U.S.) government and the American oil companies were so intertwined that it was hard to tell who was leading whom. It appears, however, that in the very early days, the government's

desire for an American presence in the Eastern Hemisphere, especially in the Middle East, was at least as strong as the companies'.....The biggest prize of all, of course, was the Middle East.....The Middle East nations themselves (at the time, some were scarcely nations) were often little more than spectators to Great Power competition."(p. 20)

"The historic turning point came in 1970, when U.S. spare capacity vanished and U.S. production reached what proved to be its peak.....as demand continued to increase, cheap imported oil took a larger and larger share of the U.S. market as ever-larger cracks began to appear in the oil import barrier.....In response to sporadic shortages that began to develop around the country, the Nixon Administration abandoned import quotas in 1973, and imported oil poured in.....foreign oil now accounts for nearly half of American consumption (and represents)..... a degree of dependence that is novel in American history, which means that the United States has now become vulnerable to a wide range of economic and political threats. The high cost of oil, the resulting effects on the dollar and the international payments system-and supply interruptions-can and have hurt the American economy.....On top of that are political dangers that would result from changes in the regimes in the key oil-producing countries. Thus, American imports are not a subject that can be understood in terms of conventional economic analysis alone."(p. 18)

Herman Kahn, World Economic Development-1979 and Beyond (New York: Morrow Quill Paperbacks, 1979), pp. 285 & 288. Also see map on page 18 in MIT's Energy: Global Prospects 1985-2000, Report of the Workshop on Alternative Energy Strategies, (New York: McGraw-Hill Book Company, 1977).

[5]Staughton Lynd, "The Historian as Participant," The Historian and the Climate of Opinion, ed. Robert Allen Skotheim (Reading, Massachusetts: Addison-Wesley, 1969), pp. 105-119. An excellent example of Lynd's thesis that historians not only document past events but are also concerned with, "things in the process of development," (p. 117) is Theodore H. White's In Search Of History (New York: Harper and Row, 1978). Additional readings should include, "Chapter 17-The Uses of History," in Oscar Handlin's Truth in History (Cambridge, Massachusetts: The Belknap Press, 1979).

[6]The association of policy-making and development planning is, in many instances, reflective of the prevailing political system and decision-making process. For a discussion of the relationship between policy and planning refer to Rober A. Levine's Public Planning-Failure and Redirection (New York: Basic Books, 1972), pp. 163-167. Further readings should include:

Robert Lekachman, "The Inevitability of Planning," Planning, Politics, and the Public Interest, ed. Walter Goldstein (New York: Columbia University Press, 1978), pp. 155-160.

John Friedmann, Retracking America-A Theory of Transactive Planning (Garden City, New York: Anchor Press/Doubleday, 1973), pp. 72-74

Zoltan Kenessey, The Process of Economic Planning (New York: Columbia University Press, 1978), pp. 373-375.

Clarence Zuvekas, Jr., Economic Development (New York: St. Martin's Press, 1979), p. 184.

[7]Mehdi Ali, Orville J. McDiarmid, Jack Derrick, and Vasilis Panoutsopoulos, "Bahrain: Current Economic Position and Prospects," The World Bank, (Report No. 2058-BH), June 28, 1978, in Statistical Appendix no page given. Their source was the Oil and Gas Journal (December, 1977) and Petroleum Economics Ltd. (January-February, 1978).

[8]Ibid., p. 1.

[9]The 1972 figure of $88 million (at current market exchange rates of $2.60) represents actual government spending, i.e. recurrent expenditures, capital expenditures, and works in progress, and is cited from, Table 5.3: Government Expenditures," of the Statistical Appendix in Ali, McDiarmid, Derrick, and Panoutsopoulos, Ibid.(no page number indicated). The 1980 figure of $883 million represents total projected spending in the above mentioned categories. This figure was jointly obtained from, Directorate of State Budget, "1980-81 New and On-going Capital Projects," Ministry of Finance and National Economy (Manama, Bahrain: State of Bahrain, September 22,1979), p. 1. (Mimeographed.), and from an unpublished report to Mr. Isa Abdulla Borshaid entitled, "A Quantitative History of Government Wide Expenditures," by Mr. Hameed Al-Arady and this author, Directorate of Planning and Economic Affairs (Manama, Bahrain: State of Bahrain, January 30, 1980).

[10]Hla Myint, The Economics of the Developing Countries (New York: Praeger, 1964), pp. 167-168.

[11]Samuel P. Huntington, Political Order in Changing Societies (New Haven: Yale University Press, 1968), pp. 50-51. Huntington's source is Alexis de Tocqueville, The Old Regime and The French Revolution (Garden City, New York: Doubleday, 1955), pp. 173, 175-176.

[12]Huntington, op. cit., pp. 40-41. Huntington's citations include:
Michael Brecher, The New States of Asia (London: Oxford University Press, 1963), pp. 62-63.
Speech by Robert S. McNamara, presently the president of the World Bank, in Montreal, Quebec, May 18, 1966, New York Times (May 19, 1966), p. 11.

[13]Ali, McDiarmid, Derrick, and Panoutsopoulos, op. cit., pp. 48-50.

[14]Arthur M. Schlesinger, Jr., Robert Kennedy and His Times (Boston: Houghton Mifflin Co., 1978), p. 317. Schlesinger's citation was extracted from chapter two in de Tocqueville's The Old Regime and The French Revolution.

[15]Strobe Talbott interview with Henry Kissinger entitled, "The Dilemma of Dealing with Dictators," Time, No. 13, Vol. 144 (September 24, 1979), p. 27. Other readings should include:
Fred Halliday, Iran-Dictatorship and Development (Middlesex, England: Penguin Books, 1979), pp. 9-19.
William H. Forbis, Fall of the Peacock Throne: The Story of Iran (New York: Harper & Row Publishers, 1980). Even though Forbis's volume

reflects the latest trends in fictionalized history his interpretations of the causes of revolution in Iran are interesting from both social and economic perspectives. For instance: "Finally, and most dramatically, the Shah fell because of the Hidden Imam. No one believes (yet) that Ayatollah Khomeini is the authentic twelfth imam, lost since the year 874, even though many Iranians now address him with the honorific 'Imam.' But Khomeini represents a deep current of belief in Shi'ite Islam, a current that was to many, including the Shah, hidden during the materialistic 1960's and 1970's. In particular Khomeini stood for Islam's belief that temporal leaders like the Shah were illegal under the Koran. When Khomeini's preachings finally began to be heard, he turned out to have a following of millions who found, inside themselves, that his beliefs were theirs. And so they rose up in mass revolution the like of which the world has rarely seen." (pp. 289-290)

[16]Schlesinger, op. cit., p. 579. The full context of John F. Kennedy's speech, as noted by Schlesinger, follows: "He (Kennedy) ended in 1963, as he had begun in 1961, by saying that this no miracle to be passed in Washington (reference to the Alliance for Progress); it depended in the end on the people of Latin America. 'They and they alone,' he had said at the start, 'can mobilize their resources, enlist the energies of their people, and modify their social patterns so that all, and not just a privileged few, share in the fruits of growth.' (John F. Kennedy, Public Papers--1961: Washington, 1962, p. 172.). It was the Latin Americans, he said on November 18, 1962, who must, 'modify the traditions of centuries,' and undergo, 'the agonizing process of reshaping institutions.....Privilege is not easily yielded up. But until the interests of the few yield to the needs of the Nation, the promise and modernization of our society will remain a mockery.' (John F. Kennedy, Public Papers-1963: Washington, 1964, pp. 873-875.)."

[17]For one account of growing political instability in the Gulf region see Neville De Silva "Alarms Around the Gulf" World Press Review (May 1980), pp. 39-40.

[18]Aristotle, Politics (tans, Ernest Barker: Oxford-Clarendon Press, 1946), p. 267. Citation originally reviewed in Huntington, op. cit., p. 25. See also page 172 in Rodney Wilson, The Economies of the Middle East (London: MacMillan Press, 1979, for an interesting comment concerning Third World attitudes towards the transfer of technology and its association with internal development policies. To quote: "In the Middle East, as in other parts of the Third World, frequent acusations are made that the advanced industrial countries of the West are using their economic power to prevent the region from becoming more self-reliant..... As all the countries of the Middle East have enjoyed at least two decades of political independence, there is little point in blaming the outside world for the region's economic ills. The cure lies within, yet governments appear to lack the political will to take economic decisions which act against powerful vested interests, even if they are in the interests of the majority."

[19]Clarence Zuvekas, Jr., Economic Development (New York: St. Martin's Press, 1979), p. vii.

Chapter 1: Historical Antecedents

[1]W.W. Rostow, The Process of Economic Growth (2d ed.; New York: W.W. Norton & Company, 1962), Chapter 13, "The Stages of Economic Growth," pp. 307-331. Also refer to Albert O. Hirschman, The Strategy of Economic Development (2d ed.; New York: W.W. Norton & Company, 1978). Quoting from Whitehead's Process and Reality (New York: MacMillan, 1930, p. 6.), Hirschman's justification for the contribution of his volume seems particularly appropriate for this study. "The elucidation of immediate experience is the sole justification of any thought; and the starting point for thought is the analytic observation of components of this experience." (p. v.)

[2]MIT, Energy: Global Prospects 1985-2000, Report of the Workshop on Alternative Energy Strategies, (New York: McGraw-Hill Book Company, 1977), pp. 132 & 136. MIT's figures are referenced to the Oil and Gas Journal (29 December, 1975) and are as follows:

| SOURCE | CUMULATIVE PRODUCTION TO DATE (billions of barrels) | REMAINING PROVEN RESERVES (billions of barrels) |
|---|---|---|
| non-OPEC | 152 | 105 |
| OPEC | 139 | 450 |
| TOTAL | 291 | 555 |

OPEC now controls over 80% of the world's remaining proven reserves. Within OPEC, Middle Eastern members control 65% of the remaining proven reserves. Also see Associated Press dispatch, "U.S. Olympic Panel Back Boycott," St. Louis Post-Dispatch, April 13, 1980, vol. 102, No. 103, p. 1, col. 5. Vice-President Mondale states that, "Today, virtually every industrial nation on Earth is dangerously dependent on Persian Gulf oil." For the financial communities perspective of the energy crisis and the repercussions of such a crisis on the international monetary system see Carl Gewirtz, "Morgan Guaranty Warns on Massive OPEC Revenues-Surpluses Too Large for Banks to Handle," International Herald Tribune (Paris), December 10, 1979, No. 30, 116, pp. 1 & 2. Karl Marx and Frederick Engels The Communist Manifesto (100th ed.; New York: International Publishers, 1948). "The bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and thereby the relations of production, and with them the whole solutions of society." (p. 12) "The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere." (p. 12.) "The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all nations, even the most barbarian, into civilization."(p. 13.)

[3]Crane Brinton, John B. Christopher, and Robert Lee Wolf, A History of Civilization, I. (3d ed.; Englewood Cliffs, N.j.: Prentice Hall, 1967), p. 20. While this contention holds true for the whole spectrum of Arab

history in terms of a generally recognized inherent conservatism a certain degree of recognition should be given to the Arab civilization extending from the 8th century to 12th century. According to Norman F. Cantor in Medieval History-The Life and Death of a Civilization (New York: The Macmillan Company, 1963), "From the eighth century the term 'Arabic' identifies a great civilization on the eastern and southern shores of the Mediterranean to which many peoples-Greek, Persian, Syrian, Egyptian, Jewish, Berber, as well as Arab-have contributed."(p. 172). For a geographic perspective of the extent of Arab dominance see map of the Abbasid Empire in the 9th century on page 173.

[4]For a detailed investigation of Dilmun see Geoffrey Bibby's Looking for Dilmun (New York: Knopf, 1969). Bahrain has been the location of a large archaeological concentration of Dilmun Seals, a form of barter coinage, and theorized to be the ancestral home of the deified Sumerian hero of the Deluge, Ziusudra. Further readings should include: William W. Hallo and William K. Simpson, The Ancient Near East (New York: Harcourt Brace Jovanovich, 1971), pp. 20-68, and The Epic of Gilgamesh. All references to Gilgamesh are based on N.K. Sandars's edition (Middlesex, England: Penguin Books, 1972), p. 39.

[5]Directorate of Statistics, The Population Of Bahrain-Trends and Prospects (State of Bahrain: The Ministry of State for Cabinet Affairs, 1979), p. 77.

[6]Jerry L. Curtis, Bahrain: Language, Customs, and Peoples (Singapore: Tien Wah Press Ltd., 1977), p. 31.

[7]Arnold T. Wilson, The Persian Gulf-An Historical Sketch from the Earliest Times to the Beginning of the Twentieth Century (London: George Allen and Unwin Ltd., 1959), p. 245.

[8]Husain M. Al-Baharna, The Arabian Gulf States: Their Legal and Political Status and their International Problems (2d ed.; Beirut: Librairie Du Liban, 1975), pp. 3-4.

[9] Ibid., p. 4.

[10]Ibid., Also refer to James H. D. Belgrave, Welcome To Bahrain (8th ed.; Manama, Bahrain: The Augustan Press Ltd., 1973.), and Sir Charles Belgrave, Personal Column (2d ed.; Beirut: Librairie Du Liban, 1972).

[11]Wilson, op. cit., p. 246. Also Al-Baharna, op. cit., p. 5.

[12]Al-Baharna, op. cit., pp. 5-6. Also refer to Sir Charles Belgrave's lucid account of the Pirate Coastbased on the diaries of Francis Erskine Loch in The Pirate Coast (Beirut: Librairie Du Liban, 1972), p. 37 and Chapter 13.

[13]Al-Baharna, op. cit., p. 9, as quoted from The Persian Gulf States (1959) by Sir Rupert Hay, pp. 18-19.

[14]Emile A. Nakhleh, Bahrain-Political Development in a Modernizing Society (Lexington, Massachusetts: D.C. Heath & Company, 1976), p. 9.

[15]Al-Baharna, op. cit., p. 13.

[16]Ibid.

[17]Ibid., p. 14.

[18]State of Bahrain, Constitution of the State of Bahrain, Article I Sec. B, (May 26, 1973), p. 2.

[19]Donald A. Schon, Beyond the Stable State (New York: W.W. Norton & Company, 1976), p. 22.

[20]Nakhleh, op. cit., p. 169.

[21]Hameed Al-Arady and Richard C. Thayer, "A Quantitative History of Government Wide Expenditures," Directorate of Planning and Economic Affairs (Manama, Bahrain: State of Bahrain, 1980), 1-17. Actual recurrent government expenditures in 1974 was $115,182,907. The 1980 figure is projected to be $432,289,000.

[22]Robert D. Crane, National Goals Management in Bahrain: Developing a Management System for the Bahrain Five Year Plan-Vol. 1 (Awali, Bahrain: National Goals Management Inc., NGM/R/2/1977), pp. 2-11. Also refer to Frederick T. Bent, Administrative Analysis, Vol. 3 of Analysis of Ministerial Projects for 1976-80 and Revised Projections for 1977-81 (State of Bahrain: Ministry of Finance and National Economy, 1976), pp. 1-5. Supporting readings should also include Chandler Morse (et al.), Modernization by Design (Ithaca: Cornell University Press, 1969).

[23]United Nations, "Report of Mission on Needs Assessment for Population Assistance-State of Bahrain," United Nations Fund for Population Activities (New York: United Nations, May, 1979), p. 6. For a Marxist perspective see Brian Pearce (trans.), Islam and Capitalism by Maxime Rodinson (Middlesex, England: Penguin Books Ltd., 1974), Chapter 5.

[24]George Rentz, "Pearling in the Persian Gulf," in W.J. Fischel (ed.), Semitic & Oriental Studies Presented to William Popper University of Southern California Publications in Semitic Philology, XI, 397-402.

[25]Ali, McDiarmid, Derrick, and Panoutsopoulos, op. cit., p. 22. For comparative purposes also refer to Jared E. Hazelton, Public Finance Prospects and Policies for Bahrain 1975-85 (Beirut: The Ford Foundation, 1975), pp. 16-21, and Ebrahim Al-Khalifa, Khalid Al-Naser and Bruce Hageny, "Revenue Projection 1979-1983," Directorate of Planning and Economic Affairs (State of Bahrain: Ministry of Finance and National Economy, June, 1979), pp. 4-8.

[26]Ali Khalifa Al-Kuwari, Oil Revenues in the Gulf Emirates-Patterns of Allocation and Impact on Economic Development (Boulder, Colorado: Westview Press, Inc., 1978), pp. 7-9.

[27]Ibid., pp. 19-20. Also see "Bahrain's fishing fleet up for sale," Gulf Mirror, October, 1979, p. 1. and "Bahrain takes a different line after liquidation of state fishing company," Gulf Daily News, November 20, 1979, p. 5. Related articles include: "Hopes are high for fish farm go-ahead," Gulf Daily News, November 25, 1979, p. 5, and "Minister in water alert," Gulf Daily News, December 22, 1979, p. 1.

[28]See Memorandum from Richard C. Thayer to Mohammed Nur-un-Nabi, "Budaiya Growth Corridor," March 5, 1977; Memordandum from R.C. Thayer to Mr. Nur-un-Nabi, "Expatriot Housing Analysis-Budaiya Growth Corridor," March 23, 1977: R.C. Thayer, "Critique of North Sanabis Development Proposal," October 13, 1977 and Dar Al-Handasah Consultants, "Bahrain Green Belt Study", Ministry of Housing (Manama: State of Bahrain, 1976).

[29]Carl Gewirtz, "Morgan Guaranty Warns on Massive OPEC Revenues-Surpluses Too Large for Banks to Handle," International Herald Tribune (Paris), December 10, 1979, No. 30, 116, pp. 1 & 2.

[30]Molly Izzard, The Gulf: Arabia's Western Approaches (London: John Murray Ltd., 1979), p. 106.

[31]Stephen H. Longrigg, Oil in the Middle East-Its Discovery and Development (London: Oxford University Press, 1968), P. 102. For further inquiries see John Marlowe, The Persian Gulf in the Twentieth Century (London: The Crescent Press, 1962), pp. 72-73, pp. 82-89, and pp. 114-115, and George W. Stocking, Middle East Oil-A Study in Political and Economic Controversy (London: The Penguin Press, 1971), pp. 94-97.

[32]Shaykh Muhammed Qutb, "The Islamic Basis of Development," Islam and Development, ed. Ilyas Ba-Yunus (Plainfield, Indiana: The Association of Muslim Social Scientists, 1977), pp. 1-11. The author states that, "The creative and necessary role of Islamic development in the life of man is that of promoting his growth in all directions, to the maximum extent possible whether for the individual or for society. Islam takes man as it finds him in creation, and raises him to the highest possible apex of growth of which he is capable. It imposes upon him the fulfillment of a basic minimum below which life itself would be impossible; and it prompts him to grow, or "develop," through education and good breeding, to the end of reaching the higher realms of achievement in all fields." (p. 1.)

[33]Schon, op. cit., p. 12.

[34]Total population in 1941 and nationality percentages are cited from United Nations, op. cit., p. 47. For urban/rural ratio see Directorate of Statistics, op. cit., p. 80.

[35]Figures are for 1977 and are comparatively accurate with other estimates. See Ali, McDiarmid, Derrick, and Panoutsopoulos, op. cit., p. 7.

[36]United Nations, op. cit., p. 8.

[37]Ali, McDiarmid, Derrick, and Panoutsopoulos, op. cit., p. 7, and Directorate of Statistics, op. cit., p. 26.

[38]United Nations, op. cit., p. 37.

[39]Ali, McDiarmid, Derrick, and Panoutsopoulos, op. cit., pp. 30-31. Also refer to Llewelyn-Davies, Weeks, Forestier-Walker and Bor, "Bahrain National Housing Policy Study," (Vols. 8) Ministry of Housing (Manama: State of Bahrain, 1976).

[40]Michael C. Hudson, Arab Politics-The Search for Legitimacy (New Haven: Yale University Press, 1977), pp. 192-193.

[41]Shaykh Muhammed Qutb, op. cit., pp. 2-3. The author states that tazkiyat al-nafs is, "the ultimate base on which Islam founds development in all its aspects and meanings, the individual as well as the social: the political and economic as well as the philosophical and artistic.....This does not mean that Islam arrests all political, economic and social activities of man, until the process of social-ennoblement itself has reached this very high level. Individuals and groups may and may not ever reach that level; and if they do, they may well lapse, rise again, and lapse again, once achieving one aspect, once another, of this distinctive moral excellence. The drive towards the top which Islamic development represents is continuous.....This base of Islamic development, namely social-ennoblement, defines the relation of all other kinds of development to Islam, its laws, its system and institutions."

[42]Dar Al-Handasah Consultants, "Re-Development of Al-Muharraq Town," Ministry of Housing (Manama: State of Bahrain, 1976). Also see Llewelyn-Davies, Weeks, Forestier-Walker and Bor, "Ras Rumman-An Inner Area Case Study," Ministry of Housing (Manama: State of Bahrain, 1977) and Physical Planning Directorate, "Manama Old Town-The Manama Inner-City Market Area: Investigation and Understanding of a Mixed Use District," Ministry of Housing (Manama: State of Bahrain, October, 1977.)

[43]G.H. Jansen, Militant Islam (New York: Harper & Row, 1979), p. 25 & pp. 172-187. Also refer to Alfred Guillaume, Islam (Middlesex, England: Penguin Books Ltd., 1956), pp. 155-193.

[44]Norman F. Cantor, Medieval History-The Life and Death of a Civilization (New York: The Macmillan Company, 1963), p. 171. Actually one hundred years after the death of the Prophet Mohammed divisions began to occur between religious and secular leaders. Cantor notes this: "There was actually no overriding central authority in the Moslem religious fellowship; there was no pope in Islam. In each Moslem country the orthodox teachers banded together to proclaim the truths of revelation and religious law, and the extent of their power and influence depended largely on whether they could obtain the support of the state. Until the eleventh century the Arabic princes were frequently much more liberal and secular in their attitudes than the leaders of orthodoxy, and hence the latter, while they had great influence, generally lacked the power

to persecute those who dissented from their doctrines and legal precepts." (P. 174) Further readings should include Fazlur Rahman, Islam (2d ed.; Chicago: The University of Chicago Press, 1979), pp. 43-67, pp. 85-99, and pp. 117-127. Also see Joseph Schacht, The Origins of Muhammadan Jurisprudence (London: Oxford University Press, 1967), and An Introduction to Islamic Law (London: Oxford University Press, 1964) by the same author p. 206. According to Schacht, "One important criterion of the sociology of law is the degree to which the legal subject-matters are distinguished and differentiated from one another. There is no such distinction in Islamic law. This is why rules of procedure are invariably intertwined with rules of substantive law, and rules of constitutional and administrative law are scattered over the most diverse chapters of the original treatises. Public powers are, as a rule, reduced to private rights and duties.....the essential institutions of the Islamic state are construed not as functions of community of believers as such, but as duties the fulfillment of which by a sufficient number of individuals excuses the other individuals from fulfilling them; in fact, the whole concept of an institution is missing."

[45]Hudson, op. cit., p. 193.

[46]David E. Long, The Persian Gulf-An Introduction to Its Peoples, Politics, and Economics (Rev. Ed.; Boulder, Colorado: Westview Press, inc., 1978), p. 14. Also see Nakhleh, op. cit., p. 96.

[47]Henry Kissinger, "White House Years: Part 3-Crisis and Confrontation," Time, Vol. 114, No. 16, (October 15, 1979), p. 68.

[48]Schon, op. cit., pp. 51-52

[49]Alvin Toffler, Future Shock (New York: Random House, 1970), p. 415. Also see Karl Marx and Frederick Engels The Communist Manifesto (100th ed.; New York: International Publishers, 1948), p. 28. The authors are insightful of the idea of change. They ask, "Does it require deep intuition to comprehend that man's ideas, views, and conceptions, in one word, man's consciousness, changes with every change in the conditions of his material existence, in his social relations and in his social life?"

[1]Hla Myint, The Economics of the Developing Countries (New York: Praeger, 1964), pp. 167-168. For an analysis of the affects of the Arab/Zionist struggle during the period 1967-74 on the Middle East as well as the Levant, see Walter Laqueur Confrontation: The Middle East and World Politics (New York: Bantam Books, 1974). Refer to pages 228-229 for Laqueur's perspective on instability in the Gulf.

[2]Rodney Wilson, The Economies of the Middle East (London: MacMillan Press, 1979), pp. 73-74.

[3]W.W. Rostow, The Process of Economic Growth (2d ed.; New York: W.W. Norton & Company, 1962), pp. 274-275. Rostow notes that, "the take-off is defined as the interval during which the rate of investment increases in such a way that real output per capita rises and this initial increase carries with it radical changes in production techniques and the disposition of income flows which perpetuate the new scale of investment and perpetuate thereby the rising trend in per capita output. Initial changes in method require that some group in the society have the will and the authority to install and diffuse new production techniques; and a perpetuation of the growth process requires that such a leading group expand in authority and that the society as a whole respond to the impulses set up by the initial changes, including the potentialities for external economies. Initial changes in the scale and direction of finance flows are likely to imply a command over income flows by new groups or institutions; and perpetuation of growth requires that a high proportion of the increment to real income during the take-off period be returned to productive investment. The take-off requires, therefore, a society prepared to respond actively to new possibilities for productive enterprise; and it is likely to require political, social, and institutional changes which will both perpetuate an initial increase in the scale of investment and result in the regular acceptance and absorption of innovations."

[4]All statistics were derived from the following reports: For both revenues and expenditures in the period 1972-74 see Mehdi Ali, Orville J. McDiarmid, Jack Derrick, and Vasilis Panoutsopoulos, "Bahrain: Current Economic Position and Prospects," The World Bank, (Report No. 2058-BH), June 28, 1978, Tables 5.1 and 5.2 of the Statistical Appendix.(no page given)

For an analysis of revenues only refer to pages 12 & 13 and Appendix II in Ebrahim Al-Khalifa, Khalid Al-Naser, and Bruce Hageny, "Revenue Projection 1979-1983," Directorate of Planning and Economic Affairs (State of Bahrain: Ministry of Finance and National Economy, June, 1979).

For a review of expenditures only, see Hameed Al-Arady and Richard C. Thayer, "A Quantitative History of Government Wide Expenditures," Directorate of Planning and Economic Affairs (Manama, Bahrain: State of Bahrain, 1980), all tables.

David G. Edens, "Quarterly Economic Report-Autumn 1979," Directorate of Planning and Economic Affairs (State of Bahrain: Ministry of

Finance and National Economy, 1979), table one. All macro-economic indicators will be based on this source as it is the only one of its kind to include confidence testing.

Any mathematical check of cited statistics should be based on figures contained in Appendices F & G, as the tables in each of these appendices are an update and amalgamation of the statistics cited in the above mentioned works.

[5]Al-Arady and Thayer, Ibid.

[6]Ali, McDiarmid, Derrick, and Panoutsopoulos, op. cit., p. i.

[7]David G. Edens, op. cit., p. 7.

[8]Data collated for Appendix H is based on, Hameed Al-Arady and Richard C. Thayer, "Physical Indicators for Selected Ministries and Sectors 1975-1979," Directorate of Planning and Economic Affairs (State of Bahrain: Ministry of Finance and National Economy, December 13, 1979). Supplementary readings should include the following:

For a pre-embargo summary see Nadim Salim Nahas (ed.), "A closer look at Bahrain," Middle East Sketch, No. 39, Vol. 1, (December 15, 1972).

Peat, Marwick, Mitchell and Company, The Gulf Patterns 1977-1982: trade, ports, and economies (London: Gray MacKenzie and Co., Ltd., 1978).

Bahrain State Electricity Directorate, "Power Development 1981-85 General Report," Ministry of Works, Powers, and Water (Manama: State of Bahrain, June, 1979).

Electricity Supply Board of Ireland, "Transmission Items Required by 1978," (State of Bahrain: Ministry of Works, Power, and Water, June, 1976).

Motor Columbus Consulting Engineers, "Energy Study," (State of Bahrain: Ministry of Works, Power, and Water, May, 1979).

Motor Columbus Consulting Engineers, "Power Station Development 1981-85," (State of Bahrain: Ministry of Works, Power, and Water, September, 1978).

Educational Planning Directorate, "Educational Statistics 1977-78," Ministry of Education (Manama: State of Bahrain, 1979).

Public Health Directorate, "Annual Report on Health Statistics 1978," Ministry of Health (Manama: State of Bahrain, 1979).

Halcrow Fox and Associates, "Study of Public Transport Operations," (State of Bahrain: Ministry of Transportation, June, 1978).

Hoff and Overgaard Planning Consultants, "Bahrain Road and Traffic Study 1976-1995," Vols. 5, (State of Bahrain: Ministry of Works, Power, and Water, December, 1976).

Llewelyn-Davies, Weeks, Forestier-Walker and Bor, "Bahrain National Housing Policy Study," Vols. 8, (State of Bahrain: Ministry of Housing, April, 1976).

State of Bahrain, "Recommendations for the 1980-81 Housing Programme," (Manama: Ministry of Housing, March, 1978).

Water Supply Directorate, "Policy on Water Distribution, Blended Supplies and Capital Investment Requirements," Ministry of Works, Power, and Water (Manama: State of Bahrain, January, 1979).

Water Supply Directorate, "Review of Bahrain Water Distribution Programmes-Report to Assistant Under-Secretary for Power and Water Affairs," Ministry of Works, Power, and Water (Manama: State of Bahrain, May, 1978).

[9]Michael C. Hudson, Arab Politics-The Search for Legitimacy (New Haven: Yale University Press, 1977), p. 193.

[10]The Epic of Gilgamesh, p. 39.

[11]See Ali, McDiarmid, Derrick, and Panoutsopoulos, op. cit., pp. i & ii. Testing the limits to growth not only entails a recognition of resource capability in the future but also an understanding of growth itself. Rostow notes that before the "take-off" can occur certain preconditions must be met. "Technically, the preconditions for sustained industrialization have generally required radical change in three non-industrial sectors. First, a build-up of social overhead capital, notably in transport.....Second, a technological revolution in agriculture.....Third, an expansion in imports financed by the more efficient production and marketing of some natural resources plus, where possible, capital imports." (p. 313) Rostow further states that, "These technical developments required, in turn, prior or concurrent changes in the non-economic dimensions of the traditional society: a willingness of the agricultural community to accept new techniques and to respond to the possibilities of the widened commercial markets; the existence and freedom to operate of a new group of industrial entrepreneurs; and, above all, a national government capable not only of providing a setting of peaceful order which encouraged the new modernizing activities but also capable and willing to take a degree of direct responsibility for the build-up of social overhead capital (including its finance), for an appropriate trade policy, and often, as well, for the diffusion of new agricultural and industrial techniques." (p. 314)

[12]Peter T. Bauer and Basil S. Yamey, The Economics of Under-developed Countries, 1957 cited in Rodney Wilson, op. cit., p. 71.

[13]Frederick T. Bent, "Volume III Administrative Analysis," in Analysis of Ministerial Projects and Programs for 1976-1980, and Revised Projections for 1977-1981 (State of Bahrain: Ministry of Finance and National Economy, November, 1976), p. 4.

[14]John Friedmann, Retracking America-A Theory of Transactive Planning (Garden City, New York: Anchor Press/Doubleday, 1973), p. 71 "Table 1 A Typology of Allocative Planning Styles." From Friedmann's typology Bahrain's style of planning, if there is one, best resembles fragmented corporate planning with the method of implementation primarily based on bargaining by a negotiator or broker. One needs only to deal with merchants to understand this style of interaction among Arabs and the concept of "face saving." While these characteristics are applicable the predominant forms of control more closely resemble that of a strongly centralized power structure with emphasis on sanctions and a predominant orientation towards plans, i.e. micro scale.

[15]Ali, McDiarmid, Derrick, and Panoutsopoulos, op. cit., p. 49.

[16]Michael C. Hudson, op. cit., p. 193.

[17]Ibid. According to Al-Baharna, "The educated and politically conscious class, which has, since 1954, been agitating, both overtly and covertly, for fundamental constitutional reforms in the country, is far from satisfied with the present 'autocratic' institutions which, in its view, do not represent the true will of the people. There was between 1954-6 a mature, reasonable and moderate political movement, the Committee of National Union, which called on the late Ruler, Shaikh Salman Al-Khalifah, to implement certain political and legal reforms in archaic administration of the country. However, in consequence of the riots which infested the city during the Suez war in 1956, the Ruler succeeded, with the assistance of the locally based British troops, in ruthlessly suppressing the C.N.U., whose leaders were brought to trial in December 1956 on charges of treason, before a special tribunal composed of the Ruler's relatives. Although throughout the trial the accused pleaded their innocence and refused to defend themselves against the 'unproven' charges unless they were allowed to be represented by counsel they were convicted on 23 December 1956. Three of the leaders, 'Abd al-Rahman al-Baker and his friends, were five days later transferred, with British assistance, to the British colony of St. Helena to serve their terms of fourteen-year imprisonment. During the four and a half years of their detention in the colony the Bahraini prisoners contested the legality of their imprisonment by applying for a writ of habeas corpus before British courts. After at least one unsuccessful attempt, they finally succeeded in June 1961, in their case before the Supreme Court of St. Helena, when the presiding judge, Mr. Justice Abbott, ruled that the Bahraini prisoners were 'unlawfully detained.' Subsequently, on their release they were issued with special British passports, since their Government had already deprived them of their Bahraini passports." The Arabian Gulf States, p. 14 footnote one.

[18]Ibid.

[19]Ibid.

[20]Ibid.

[21]Ibid. pp. 193-194

[22]Ali, McDiarmid, Derrick, and Panoutsopoulos, op. cit., p. 54.

[23]See Thomas R. Dye Understanding Public Policy (3d ed.; Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1978), pp. 14-17. The author's discourse on the contribution of policy analysis to resolving development problems is summarized as follows: "It is questionable that policy analysis can ever provide 'solutions' to.....problems..... Of course, this is no excuse for failing to work toward a society free of these maladies. But our striving for a better society should be tempered with the realization that 'solutions' to these problems may be very difficult to find. There are many reasons for tempering our

enthusiam for policy analysis.....First of all, it is easy to exaggerate the importance, both for good and for ill, of the policies of governments. It is not clear that government policies, however ingenious, could cure all or even most of society's ills. Governments are constrained by many powerful environmental forces- wealth, technology, population growth, patterns of family life, class structure, child-rearing practices, religious beliefs and so on. These forces are not easily managed by governments, nor could they be controlled even if it seemed desirable to do so.....Second, policy analysis cannot offer 'solutions' to problems when there isn't general agreement on what the problems are.....Third, policy analysis deals with very 'subjective' topics and must rely upon 'interpretation' of results. Professional researchers frequently interpret the results of their analyses differently. Social science research cannot be 'value free.' Even the selection of the topic for research is affected by one's values about what is 'important' in society and worthy of attention.....Another set of problems in systematic policy analysis centers about inherent limitations in the design of social science research.....Finally, it should be noted that the people doing policy research are frequently program administrators who are interested in proving the positive 'results' of their programs. It is important to separate research from policy implementation, but this is a difficult thing to do.. Perhaps the most serious reservation about policy analysis is the fact that social problems are so complex that social scientists are unable to make accurate predictions about the impact of proposed policies. Social scientists simply do not know enough about individual and group behavior to be able to give reliable advice to policy makers.....It is important to recognize these limitations on policy analysis. However, it seems safe to say that reason, knowledge, and analysis are still appropriate tools in the consideration of policy questions. Policy analysis is not likely to provide 'solutions' to.....problems. But we do not need to rely exclusively on 'rules of thumb' or 'muddling through'.....in approaching policy questions. We can try systematically to describe and explain the causes and consequences of public policy in order to advance scientific understanding, to better prescribe for the ills of society, and to improve the quality of public policy."

[24]Ibrahim Abdul Karim, "A message from the Finance Ministry," Gulf Weekly Mirror-National Day Supplement (Manama), December 18, 1977, #358, p. 3.

Mary Fings, "Letting the deeds speak for themselves," Gulf Weekly Mirror-National Day Supplement (Manama), December 18, 1977, #358, p. 7.

Ibrahim Abdul Karim, "Broad goals outline national aspirations," Gulf Weekly Mirror-National Day Supplement (Manama), December 16, 1978, p. 15.

Yousuf Shirawi, "Industry Ministry oversees healthy growth during year," Gulf Weekly Mirror-National Day Supplement (Manama), December 16, 1978, p. 6.

Abdulla Saif, "Bahrain Monetary Agency develops island as world financial market," Gulf Weekly Mirror-National Day Supplement (Manama), December 16, 1978, p. 17.

[25]Staff Reporter, "Two Gulf states revalue currencies against dollar," Gulf Weekly Mirror (Manama), November 10, 1979, #457, p. 33.

[26]Edens, op. cit., p. 7.

[27]Ibid.

[28]Wilson, op. cit., p. 76.

[29]Edens, op. cit., p. 7.

[30]Samuel A. Morley, The Economies of Inflation (Hinsdale, Ill.: The Dryden Press, 1971), p. 132. Also see the following:
Paul Einzig, Inflation (London: Chatte & Windus, 1952), pp. 115-123 and pp. 172-182.
James A. Trevithick and Charles Mulvey, The Economies of Inflation (New York: John Wiley and Sons, 1975), pp. 126-165.
Fred Hirsch and John H. Goldthorpe (ed.), The Political Economy of Inflation (Cambridge, Massachusetts: Harvard University Press, 1978), pp. 73-116 and pp. 217-239.

[31]Al-Khalifa, Al-Naser, and Hageny, op. cit., pp. 12 & 13, and Ali, McDiarmid, Derrick, and Panoutsopoulos, op. cit., Tables 5.1 & 5.2.

[32]Ibid.

[33]Ibid.

[34]"The ADVISORY COMMITTEE ON ECONOMIC GROWTH AND STABILIZATION; Terms of Reference," internal memorandum from Richard P. Burton, Advisor, to Isa A. Borshaid, Assistant Under-Secretary for the Directorate of Planning and Economic Affairs in the Ministry of Finance and National Economy, dated April 23, 1979. Also see internal memorandum entitled, "Recommendations for Improving the Capital Budgeting Function Based on Experience Gained During the 1980-81 Budget Cycle," from Mr. Burton to Mr. Borshaid dated November, 1980.

[35]Al-Arady and Thayer, op. cit., all tables, and Ali, McDiarmid, Derrick, and Panoutsopoulos, op. cit., Table 5.1. Also refer to Gulf Weekly Mirror-Bahrain Extra "Budget aims to keep down cost of living" (Jan. 5, 1979), p. 1. Adjoining this article is another entitled "State to spend BD 300M."

[36]Ibid.

[37]Edens, op. cit., p. 7. See also "BMA chief wants 'free market' policy," Gulf Weekly Mirror (Jan. 26, 1980) No. 468A, p. 41.

[38]Ebrahim Al-Khalifa, Khalid Al-Naser, and Bruce Hageny, "Bahrain Economic Indicators- 1st Quarter," Directorate of Planning and Economic Affairs (State of Bahrain: Ministry of Finance and National Economy, May 19, 1979), p. 18. Also refer to "Tribute to Bahrain 1979," Gulf Daily News (Manama) December, 1979, pp. 49 & 51.

[39]Ibid., pp. 12-13.

[40]Ibid., p. 10.

[41]Dar Al-Handasah Consultants, Industrial Development Areas (State of Bahrain: Ministry of Development and Industry, February 1979), p. 3.

[42]Ibid., pp. 8-13.

[43]Edens, loc. cit. Also Al-Khalifa, Al-Naser, and Hageny, op. cit., p. 21.

[44]Amory B. Lovins, Soft Energy Paths: Toward A Durable Peace (New York: Friends of the Earth International, 1977), pp. 105-131.

[45]Water Supply Directorate, "Policy on Water Distribution, Blended Supplies and Capital Investment Requirements," Ministry of Works, Power and Water (Manama: State of Bahrain, January, 1979), p. 1.

[46]Ibid., p. vi.

[47]Directorate of State Budget, "1980-81 New and On-going Capital Projects," Ministry of Finance and National Economy (Manama: State of Bahrain, September 22, 1979), p. 1.

[48]Al-Khalifa, Al-Naser, and Hageny, op. cit., p. 20.

[49]Ibid.

[50]Bahrain State Electricity Directorate, "Power Development 1981-85 General Report," Ministry of Works, Power, and Water (Manama: State of Bahrain, June 1979), p. 29.

[51]Ibid., p. 30.

[52]Ibid., p. 13. Also see Lovins, op. cit., pp. 85-103.

[53]Bahrain State Electricity Directorate, loc. cit.

[54]Directorate of State Budget, loc. cit.

[55]Ibid.

[56]Ibid.

[57]Ibid.

[58]Bahrain State Electricity Directorate, op. cit., p. 3 & 47.

[59]Richard C. Thayer, "Review of Draft Energy Study-Phase I by Motor Columbus Consulting Engineers, May 1979," Directorate of Planning and Economic Affairs memorandum to Richard P. Burton date June 28,

1979, p. 4.

[60]See Richard C. Thayer, "The 1981-85 Energy Program," Directorate of Planning and Economic Affairs (State of Bahrain; Ministry of Finance and National Economy, July 1, 1979), pp. 1-4.

[61]Ibid., p. 1. Motor Columbus recommended that the Government slow down the load growth, reduce the capital investment program, and increase the revenues of BSED.

[62]R. McGuerty, "Manpower Planning for Bahrain-A Society in Transition," Ministry of Labor and Social Affairs (Manama: State of Bahrain, 1979), p. 59. Also see "Ministry of Labour and Social Affairs-Summary Staff Paper on Human Resource Management," by the same author dated August 28, 1979, p. 2.

[63]Edens, loc. cit.

[64]Al-Arady and Thayer, loc. cit. and Ali, McDiarmid, Derrick, and Panoutsopoulos, loc. cit.

[65]Ibid.

[66]R. McGuerty, "Ministry of Labour and Social Affairs-Summary Staff Paper on Human Resource Management," Ministry of Labor and Social Affairs (Manama: State of Bahrain, August 28, 1979), p. 1.

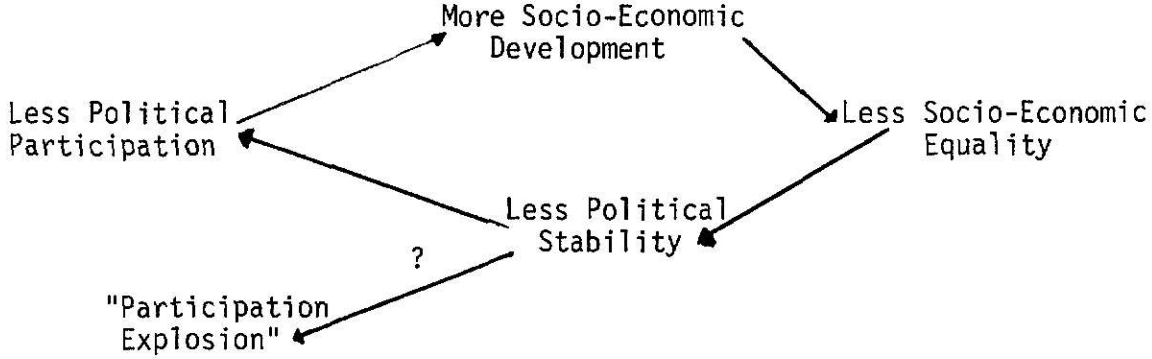
[67]R. McGuerty, op. cit., p. 60.

[68]Directorate of State Budget, loc. cit.

[69]R. McGuerty, "Ministry of Labour and Social Affairs-Summary Staff Paper on Human Resource Management," op. cit., p. 2.

[1]Inherent in this broad conclusion is the argument over balanced versus un-balanced growth. For a review of this argument refer to footnote 17 in this section and Appendix A for the stance this study takes with regards to growth. Further variables impacting on such issues as demand management, manpower development, and the policy emphasis of government towards development stability through enhanced institutional development include political participation and corruption. As regards political participation, Bahrain presently fits what Huntington and Nelson refer to as the "technocratic model", which is, "characterized by low levels of political participation, high levels of investment (particularly foreign investment) and economic growth, and increasing income inequalities." The technocratic model is schematically depicted as follows:

The "Vicious Circle" of the Technocratic Model




See Samuel P. Huntington and Joan M. Nelson, No Easy Choice-Political Participation in Developing Countries (Cambridge, Massachusetts: Harvard University Press, 1976), pp. 17-41. Further readings should include Emile A. Nakhleh, Bahrain-Political Development in a Modernizing Society (Lexington, Massachusetts: D.C. Heath and Company, 1976), pp. 117-125 and Samuel P. Huntington, Political Order in Changing Societies (New Haven: Yale University Press, 1968), pp. 140-191. Regarding Bahrain's futile attempt in establishing a democratic structure, i.e. constitutional monarchy, and citing newspaper interviews conducted in 1972 by Muhammed Qasim al-Shirawi, Nakhleh notes that, "what is particularly significant about these interviews is the fact that in spite of the socioeconomic and ideological cleavages among the interviewees and in spite of their divergent particular interests, a common agreement was expressed on several issues, which formed the core of a common denominator. These issues included: (1) the need for a constitution; (2) a recognition, often overt and sometimes covert, of the need for popular participation; (3) an admission of the existence of a wide gap between the Khalifa government and the people; (4) a corresponding realization that a wall of mistrust and suspicion separates the government from the people." (p. 118) As regards the common man's view of the constitutional process in 1972, see page 129,

footnote M. "One day in the suq (marketplace) and old man was told to go and register to vote in the elections to the Constitutional Assembly. He looked around and asked, "Who owns this building?" "A Kanoo," he was told. "And this one?" "A Mu'ayyad." "And this third one?" "Shaikh Khalifa." Then the old man asked, "Will the elections change any of this?" As has been noted in the context of this study the Constitutional Assembly was abolished two years later. According to Huntington, "To cope successfully with modernization, a political system must be able, first, to innovate policy, that is, to promote social and economic reform by state action. Reform in this context usually means the changing of traditional values and behavior patterns, the expansion of communications and education, the broadening of loyalties from family, village, and tribe to nation, the secularization of public life, the rationalization of authority structures, the promotion of functionally specific organizations, the substitution of achievement criteria for ascriptive ones, and the furthering of a more equitable distribution of material and symbolic resources. A second requirement for a political system is the ability to assimilate successfully into the system the social forces produced by modernization and achieving a new social consciousness as a result of modernization."(p. 140) No conclusions concerning levels of corruption can realistically be made, objectively or subjectively, still, "corruption may be more prevalent in some cultures than in others but in most cultures it seems to be most prevalent during the most intense phases of modernization." Refer to Political Order in Changing Societies, pp. 59-71.

[2]Mohammed Nur-un-Nabi, "Control of Use of Land in Bahrain by Government," Physical Planning Unit (State of Bahrain: Ministry of Housing, November 16, 1974), pp. 1-5.

[3]Mohammed Nur-un-Nabi, "Report on Preparation of Greater Manama Master Plan," Physical Planning Unit (State of Bahrain: Ministry of Housing, December 3, 1972), pp. 1-8.

[4]See "Report of Task Force on Physical Planning," by the University of Southern California for the Government of Bahrain, April 1978, pp. 1-15. Also refer to memorandum dated May 29, 1978 from Richard C. Thayer to Ted Thomas, U.S.C. Bahrain Program Director, entitled "Critique of Report of Task Force on Physical Planning by U.S.C.", pp. 1-4. Also see United Nations, Urban Land Policies and Land-Use Control Measures-Vol. V. Middle East, Report ST/ECA/167/Add. 4 (New York: Department of Economic and Social Affairs, 1973), pp. 1-38.

[5]Albert O. Hirschman, Development Projects Observed (Washington, D.C.: Brookings, 1967), p. 48.

[6]Refer to the following:

Speech given to the Industrial Development and Finance Conference by His Excellency Ibrahim Abdul Karim, the Minister of Finance and National Economy, on October 22, 1978 at the Bahrain Hilton.

Mubarak Al-Fadhel and Richard C. Thayer, "Bahrain Decision and Direction-Prospectus for the Creation of a National Growth Policy Planning Model," Directorate of Planning and Economic Affairs (State

of Bahrain: Ministry of Finance and National Economy, February 1978), pp. 1-28

Memorandum to Ibrahim Abdul Karim from Richard C. Thayer for Cabinet review entitled "The Strategic Growth Policy Planning and Budgeting Process," April 1, 1978.

Memorandum to Isa A. Borshaid from Richard P. Burton entitled, "Proposals for Strengthening the Planning and Evaluation Function," no date provided.

The Directorate of Planning and Economic Affairs, "The Capital Improvement Programming Process-A Guide for Usage by Ministries Requesting Funding for Capital Projects and the Monitoring of Investment," (State of Bahrain: Ministry of Finance and National Economy, February 1979), pp. 1-7, excluding exhibits.

[7]Memorandum to Isa A. Borshaid from Richard P. Burton entitled, "Recommendations for Improving the Capital Budgeting Function Based on Experience Gained During the 1980-81 Budget Cycle," November 1980, p. 2.

[8]Albert Waterston, Development Planning-Lessons of Experience (Baltimore: Johns Hopkins University Press, 1965), pp. 61-67.

[9]Ibid., pp. 61-62. Waterston's comments concerning the negative impacts associated with the "project-by-project approach," are elucidating. "The project-by-project approach has serious shortcomings. Sometimes accompanied by economic policies and measures intended to promote development, the approach is nevertheless characteristic of governments without a clearly defined development philosophy or a long-term outlook.....Nor is an effort made to establish priorities for projects on the basis of uniform economic, technical and administrative criteria, or to evaluate the feasibility of the program as a whole in relation to available funds, raw materials and other supplies, technicians, skilled manpower and management.....The project-by-project approach frequently results in the frittering away of public investment resources on too many small, unrelated projects or on a few unduly large ones. It may lead to over-investment in some sectors, where one ministry, department or agency is more efficient than others in carrying out projects. Since full financing in national and foreign currencies is not assured for each project at the start, completion of projects is frequently delayed when funds run out. Poorly prepared projects also cause great delays. These imbalances may be overcome in time, but in the short run they are wasteful and can create serious inflation, balance of payments and other problems." (p. 62.)

[10]Ibid., p. 63.

[11]Ibid.

[12]Ibid., pp. 63-67.

[13]See Charles R. Blitzer, "The Status of Planning: An Overview," in Charles R. Blitzer, Peter B. Clark, and Lance Taylor (eds.), Economy-Wide Models and Development Planning (Oxford, England: Oxford University Press for the International Bank for Reconstruction and Development,

1975), pp. 1-12. Also refer to Jan Tinbergen, Central Planning (New Haven: Yale University Press, 1964), pp. 65-79.

[14]United Nations, "Report of Mission on Needs Assessment for Population Assistance-State of Bahrain," United Nations Fund for Population Activities (New York: United Nations, May 1979), p. 11.

[15]Robert Dickson Crane, National Goals Management In Bahrain (Awali, Bahrain: National Goals Management, Inc., 1977), pp. 2-3.

[16]Thomas R. Dye, Understanding Public Policy (3d ed.; Englewood Cliffs, New Jersey: Prentice-Hall, 1978), pp. 25-28.

[17]Clarence Zuvekas, Jr., Economic Development (New York: St. Martin's Press, 1979), pp. 7-27 and pp. 388-409. Also refer to the following:

Albert O. Hirschman, The Strategy of Economic Development (2d ed.; New York: W.W. Norton & Company, 1978), pp. 50-75.

W.W. Rostow, The Process of Economic Growth (2d ed.; New York: W.W. Norton & Company, 1962), pp. 80-108.

Zoltan Kenessey, The Process of Economic Planning (New York: Columbia University Press, 1978), pp. 127-145.

[18]Michael C. Hudson, Arab Politics-The Search for Legitimacy (New Haven: Yale University Press, 1977), p. 392.

[19]Dye, Op. Cit., p. 27. Hudson further concluded that, "the monarchies also face the problem that their form of government is not easily compatible with effective administration." Hudson, op. cit., p. 402.

[20]Hudson, Op. Cit., p. 398. Hudson bases his conclusions on what he defines as the "social mobilization model." Refer to pages 390-392. The results of his findings are depicted as follows:

(Subsequent footnotes follow Footnote #20's chart on the next page)

The Arab Politics Classified According
to Alternative Political Orders
(in a situation of rapid social mobilization)

| Government Capabilities (relative to loads) | Political Culture Fragmentation: Low | Political Culture Fragmentation: High |
|---|---|---|
| Low | I. Inert<br>Sa'udi Arabia<br>Qatar<br>UAE<br>Oman | II. Unstable<br>Bahrain, Palestinians<br>Morocco, Libya<br>Egypt, Sudan<br>Lebanon, YAR |
| High | IV. Dynamic<br>Tunisia<br>Kuwait | III. Controlled<br>Jordan, PDRY<br>Syria, Algeria<br>Iraq |

[21]Waterston, Op. Cit., pp. 61-102. Also refer to John Friedmann, Retracking America-A Theory of Transactive Planning (Garden City, New York: Anchor Press/Doubleday, 1973), pp. 51-84.

[22]George F. Gant, Development Administration-Concepts, Goals, Methods (Madison, Wisconsin: The University of Wisconsin Press, 1979), p. 131.

[23]Ibid., pp. 141-142.

[24]Refer to the following:
Robert L. Heilbroner, An Inquiry Into The Human Prospect (New York: W.W. Norton & Company, 1975), pp. 13-27 and 127-144.
Warren Johnson, Muddling Toward Frugality (San Francisco: Sierra Club Books, 1978), pp. 54-100 and 171-228.
Mark A. Lutz and Kenneth Lux, The Challenge of Humanistic Economics (Menlo Park, California: The Benjamin/Cummings Publishing Company, 1979), pp. 271-308.

[25]Waterston, Op. Cit., p. 491.

[26]Ibid., p. 495.

[27]Ibid.

[28]John Friedmann, Retracking America-A Theory of Transactive Planning (Garden City, New York: Anchor Press/Doubleday, 1973), p. 65.

[29]Ibid., p. 142.

[30]Ibid., p. 159. Friedmann states that a guidance system is autonomous, "to the extent that it has the capacity to set its own objectives and pursue them effectively.....responsive to the extent that it is able to take into account the variety of particularized interests, needs, and values of population groups affected by its actions.....innovative to the extent that it is able to respond creatively to new problem situations.....effective to the extent that its actions are both timely and accurate with respect to the problems to which they are addressed.....efficient to the extent that its work is accomplished at a cost that is reasonably low compared to alternative employments of the resources required.....legitimate when it inspires loyalty and is capable of mobilizing popular support for its actions."(pp. 159-162) Furthermore, "where the guidance system performs well on all five of the preceding criteria, it will probably be considered legitimate, since it is likely to satisfy the basic needs and aspirations of the population. But where it fails with respect to some or all of the criteria mentioned, public support for its legitimacy is apt to be withdrawn. In this case, the guidance system must either undergo a major structural change or rely increasingly on coercive force to maintain its authority."(p. 162)

[31]Ibid., p. 166. According to Friedmann, "a term such as structural change can easily become a fashionable slogan. Why, we ask, should we not simply muddle through, adjust in incremental ways that keep the system running at an even keel? But the conflict between structuralists and incrementalists poses the issues involved in a wrong way. The structuralists have in mind a dramatic historical moment in which some cataclysmic transformation is accomplished. Yet, except for rare periods of violent, accelerated change, structural modifications in the guidance systems pertaining to particular collective phenomena succeed one another as partial improvements in the society's guidance system as a whole. In a superficial view, these changes may indeed appear as tinkering, reform-mongering, and muddling through. A more precise term, however, is structural change. It refers to a process that is a necessary condition for the successful, long-term development of social systems.....Societies that are internally expanding-increasing their populations or the volume of their economies-inevitably become subject to severe internal stresses. A successful response to these stresses requires a continuing series of innovative adaptations in the relevant guidance systems. If sustained development implies an ability to generate and absorb such changes indefinitely, the majority of national societies today is confronted with the challenge of development. We are accustomed to think of our country as 'developed,' but this is a conceit that we can ill afford. The growth of our remarkably productive economy, rapid urbanization, and a population that has increased to over two hundred million, have produced a series of inter-

connected crises that pose an issue of development for us no less severe than that of countries only recently embarked on industrialization."

[32]Ibid., pp. 115-119. How the future, "is interpreted will decisively influence the design of a system of societal guidance." "The future appears to us an objective dimension of metric time..... as a projected dimension.....as a dimension of yet unrealized possibilities.....as a dimension of change.....as a dimension of choice .....as a non-homogeneous dimension.....as an unbounded dimension." "These conceptions of the future, and the importance accorded them, are peculiar to the Western mind. In the biblical tradition, they presuppose free choice and center this choice on man. Only one constraint is imposed upon the exercise of freedom: a knowledge of good and evil, and the responsibility we consequently bear for the outcome of our actions." "In Western thought, the future appears as something distinct and separate from us that is to be subdued, managed, and made to serve our needs. Our attitude toward the future is Faustian in its overweening pride and its separation from nature." "This differs radically from the time conceptions of other cultures. Complete belief in predetermination, for example, implies subordination to the Eternal Will of God, forever inaccessible to human reason (Islam).....Yet the Western conception of time is being increasingly accepted by non-Western peoples, and is now predominate."

[33]Ibid., p. 164.

[34]Ibid., pp. 66 & 74. "Policies planning is often the prelude to a concerted effort at innovation." "Innovative planning occurs at a limited number of intersections in a system of structural relations, where the new institutions that are brought into being constitute relatively isolated 'enclaves of modernity.' Impulses of change ripple outwards from these points to other parts of the system. Initially, these innovations are not co-ordinated with one another unless central allocative planners wield, in fact, more power than they normally do. But once a given institutional development reaches a certain level of consolidation, efforts will be made to adjust its transactions with its environment in ways that will allow the institution (and its programs) to operate more smoothly and effectively, on an increasingly routinized basis. New allies and bases of external support will be sought, especially among other recent innovators, until a network of innovative institutions comes into being, establishing a new 'plateau' from which a second generation of innovators may arise."

[35]Ibid., p. 59.

[36]Ibid., p. 60.

[37]Ibid., pp. 60-61.

[38]Roger LeRoy Miller, The Economics of Macro Issues (New York: Harper & Row Publishers, 1976), p. 173.

Appendix A

[1]Thomas R. Dye, Understanding Public Policy (3d ed.; Englewood Cliffs, New Jersey: Prentice Hall, 1978), p. 3.

[2]Ibid., p. 9.

[3]Albert Waterston, Development Planning-Lessons of Experience (6th ed.; Baltimore: The Johns Hopkins University Press, 1979), p. 26.

[4]Ibid., pp. 26-27.

[5]Address to the Board of Governors of the World Bank Group, International Bank for Reconstruction and Development, Washington, D.C., September 25, 1972, p. 19. Cited in Samuel P. Huntington and Joan M. Nelson, No Easy Choice-Political Participation in Developing Countries (Cambridge, Massachusetts: Harvard University Press, 1976), p. 2. World Bank President Robert S. McNamara is quoted as follows: "It is becoming increasingly clear that the critical issue within developing countries is not simply the pace of growth, but the nature of growth. The developing nations achieved an overall average annual GNP growth rate of more than the targeted 5% by the end of the sixties. But the social impact of that growth was so severely skewed, and the numbers of individuals all but passed by so absolutely immense, that the simple statistical achievement of that target was misleading."

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# NATIONAL DEVELOPMENT PLANNING AND DEVELOPMENT STABILITY
## A Review of the Bahrain Experience

by

RICHARD CARSON THAYER

B.S. Ed., Southeast Missouri State University, 1973

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AN ABSTRACT OF A MASTER'S REPORT

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ABSTRACT

Since the foreign aid boom of the 1960's government officials, policy analysts, and academicians involved in the development planning process have sought to broaden their understanding of how rapidly developing nations maintain development stability in light of mounting pressures to meet new societal expectations associated with modernization, e.g. rising levels of education, income distribution, land tenure, and institutional legitimacy. The hopeful acquisition of modernity by rapidly developing countries, according to the literature, is more often than not only realized when the qualitative aspects of development and not the quantitative aspects of growth are addressed by government-wide development policy.

Based on three and a half years of professional planning experience in the Arabian/Persian Gulf and a review of the literature, the case study of the State of Bahrain was concerned with the conceptual correlation between institutional and/or political development, national development planning, and development stability. Through an examination of Bahrain's prevailing development policy as regards her four defined critical development issues, i.e. economic stabilization and diversification, demand management, manpower development, and formalized development planning, a determination was arrived at that indicated such development policies were reactive and fell short of resolving the above mentioned issues because institutional development over the past ten years had low priority in government development activities.

The position held was that a formalized national development planning process would act as a common denominator for issue resolution and institutional development within the political realities of an Arab autocracy. Implicit in this position was the following contention: If a underdeveloped or developing nation adopts modernization policies that enhance physical, economic, and social development, then it must also develop existing institutions or create new institutions that can effectively assimilate the forces of change so as to limit uncertainty and produce a stable development climate. Thusly, this study endeavored to explore and define the efficacy, applicability, form, and function of national development planning in Bahrain given her political and cultural traditions and the idiosyncracies of her growth experience since 1970.

As such, three conceptual planning models, i.e. the static approach, the centralized approach, and the innovative approach, were examined with particular regard to Bahrains' needs. Of the three models the innovative approach, a stage in Friedmann's transactive theory, was found to be the most appropriate and implementable model for institution building and the management of change in Bahrain during the immediate future. Furthermore, the innovative approach offered a high degree of compatibility between traditional governing institutions and the development planning process while enhancing positive interaction among the competing interests of oligarchy, oligopoly, religious interests, and the public.