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PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-447

1. PROJECT TITLE Policy Initiatives and Privatization			2. PROJECT NUMBER 649-0132	3. MISSION/AID/W OFFICE USAID/Somalia
4. KEY PROJECT IMPLEMENTATION DATES			4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY)	
A. First PRC-AG or Equivalent FY 83	B. Final Obligation Expected FY 83	C. Final Input Delivery FY 83	<input type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	
5. ESTIMATED PROJECT FUNDING			7. PERIOD COVERED BY EVALUATION	
A. Total \$ 3,500,000			From (month/yr.) October 1983	
B. U.S. \$ 2,500,000			To (month/yr.) December 1985	
8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR				

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., program, SPAR, PIC, which will present detailed request.)

B. NAME OF OFFICER RESPONSIBLE FOR ACTION

C. DATE ACTION TO BE COMPLETED

1. USAID/Somalia, should prepare a "privatization/economy liberalization policy and action scenario".	Waggoner/ Scovill Martinez	5/86
2. A tentative plan for the use of TIPCO & ISTI contracts should be completed.	Waggoner	completed
3. All studies done under the PIP's project should be distributed as soon as possible to the concerned GSDR Ministries.	Waggoner	4/86
4. For the remainder of the PIP project, the USAID/Somalia Program Office should Identify seminar needs and future study tours and set a tentative schedule for them as soon as possible.	Martinez/ Waggoner	5/86
5. The Mission Program Office should evaluate the relative need in the various departments of the Ministry of Industry and Commerce and the Chamber of Commerce for consultant services and prepare more precise scopes of work and assign advisors to the appropriate office(s) as soon as possible.	Martinez/ Waggoner	4/86
6. One or two Somalis to monitor the day to day operations related to project implementation should be hired.	Waggoner Management Office	6/86

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

<input checked="" type="checkbox"/> Project Paper	<input checked="" type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify)
<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIC/T	_____
<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIC/C	<input type="checkbox"/> Other (Specify)
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIC/P	_____

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

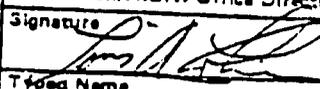
A.  Continue Project Without Change

B.  Change Project Design and/or  
 Change Implementation Plan

C.  Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

12. Mission/AID/W Office Director Approval

Signature: 

Typed Name: Louis A. Cohen

Date: MAR 13 1985

- |  |                                 |            |
|--|---------------------------------|------------|
| 7. The present workload of the Program Office and its staff needs to be reviewed and adjustments should be made to ensure that adequate time is available within the office for the management of the PIP project. | Waggoner<br>Martinez<br>Scovill | 4/86       |
| 8. The Project Manager should review the Controller's quarterly financial report to correct the assignment of expenditures in project budget categories.   | Waggoner                        | *completed |
| 9. New PID should be prepared and sent to Washington   | Project<br>Committee            | 3/86       |
| 10. Upon approval of the PID by AID/W project paper amendment should be prepared.  | Project<br>Committee            | 5/86       |

\* The Project Manager reviewed the Controller's quarterly report with the Controller's staff and has corrected the assignment of expenditures as outlined in the budget categories. Long-term technical advisors expenditures which were being charged to short-term expenditure categories were transferred to the appropriate long-term category. In addition expenditures reflected in short-term technical advisors which should have been charged to study tours and logistic and support costs were appropriately transferred to those categories. The GSDR counterpart to the project has just returned from Ethiopia, and the appropriate PILS reflecting these changes are being prepared for GSDR signature.

This Evaluation was prepared as a special evaluation for the Policy Initiatives and Privatization Project, 649-0132 which is entering its last year of operation.

According to AID Handbook 3, Part II Chapter 8, a Project Evaluation Summary (PES) is divided into 2 parts as follows.

PART I REQUIRED: Form AID 1330-15 contains identifying information about the project and evaluation (Items 1-7), action decisions about the projects future (Items 8-10), and signatures (Items 11-12). Since the PES reports decisions, it is signed by the Director of the Mission or the AID/W office responsible for the project. Space is also provided for signatures of the project officer, host country and other ranking participants in the evaluation, to the extent appropriate.

PART II, OPTION 1: For regular evaluations, use continuation sheets to respond to Items 13-23 as outlined in Form AID 1330-15A.

PART II, OPTION 2: For a special evaluation, the reporting unit may opt for a somewhat varied format, with a different sequence or greater detail in some areas, however, Items 13-23 should all be addressed.

Since the PIPS project is still ongoing and the major purpose of the evaluation was to review the project and based upon that review, request additional funding for 1986 and an extension of the project for an additional 3 years, the PES Part II Option 2 was selected. Therefore a different format was utilized by the REDSO/Evaluation unit to evaluate the project. All items in Part II of the PES have been adequately addressed and the Missions comments on the evaluation are attached as Annex A to the evaluation.

**POLICY INITIATIVES AND PRIVATIZATION PROJECT EVALUATION**

**January, 1986**

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- I. ISTI Tentative Implementation Plan

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I      SUMMARY AND RECOMMENDATIONS

A.    Executive Summary

The Policy Initiative and Privatization (PIP) Project was authorized in late September, 1983, just prior to the end of the fiscal year. Funding for the entire project, \$2,500,000, was obligated at the same time. The PIP project was designed as a flexible mechanism to respond to "targets of opportunity" in policy reforms and private sector development. Both areas were in a state of flux at the time of project authorization and there was a felt need for a funding source, easily accessible, that could be used to help the Mission and the GSDR sort out various options and opportunities.

Project funds have been used to support three main areas: studies and short term assistance, long term technical assistance, and study tours and seminars. Identified below are the specific activities associated with each area.

The influence and impact of the of the sixteen reports/studies completed to date has been less than what was planned. The original project concept of selecting studies based on targets of opportunity has, in fact, resulted in a "grab bag" of assessments and reviews that generally have made little contributions to either policy reform or private sector development. Because of the unfocused, scattering of studies, no body of knowledge has been assembled which can be used to establish an agenda for future policy reform. Although the process of study selection is informal and open to GSDR input, the decisions to fund the studies has been USAID's. GSDR participation has been minimal. Further, once the studies are complete, there is little evidence that they have had an influence on GSDR decision makers. Dissemination of the report results has been poor.

In addition to the private sector advisor, whose assistance was discussed in the PP, three other long term advisors have been funded by the Project to the Somali Government: an Industrial Advisor and a Librarian both within the Ministry of Industries and a Financial Analyst as advisor to the CIPL (Commodity Import and PL 480 local currency) Unit in the Ministry of Finance. The decision to use PIP funds to finance the librarian and financial analyst are clear examples of using PIP funds to respond to targets of opportunity.

In spite of the lack of receptivity of some staff at the recipient Ministries to the advisors, the overall impact of the technical assistance component of this project has been, for the level of effort expended to date, positive. The areas of influence have been on the decision markers in both USAID/Somalia and the Ministry of Finance as a result of the efforts of the Private Sector Advisor and Financial Analyst, respectively. In addition, the training and

manuals components of the Financial Analyst's activities will help develop the capacity of the future Domestic Development Division to undertake policy analyses and planning activities related to budgetary concerns. The most important contributions of the librarian has been the in the dissemination of information of private sector development to entrepreneurs.

Seven of the planned 22 study tours have been completed to date. The evaluation team believes that they have not been used effectively to either enhance Mission policy dialogue with the Government of Somalia or hasten the pace of privatization within the Somali economy. The reasons for this rest with the limited number of study tours conducted and the lack of planning and monitoring attendant to each tour. This is not to say that study tours could not be used effectively, only that they have not been so far.

Project experience with seminars has been more limited than with study tours. Only one seminar (compared to the LOP target of nine) has been conducted, but it was well planned and organized. Its mode of contact and information exchange are useful both for the dissemination of information and for supporting the development of Somalia's newly emergent private sector.

PIP project implementation activities have suffered from design and implementation problems resulting from: first, the lack of a clear project design and agenda, and second, the lack of a project manager with sufficient time available to properly implement such a diverse and demanding project.

In addition to the routine operational aspects of project implementation, management of the PIP project contains an inherent and continuing design element. The Mission has found this characteristic useful since it enables Mission personnel to develop a relatively quick response to a perceived opportunity for improving policy dialogue, generating data, studying the private sector, or providing technical assistance. It is clear that the lack of specificity in the original project design compounds the project's management burden and necessitates more active project management than has occurred to date.

With active project management, the flexibility engendered by the lack of a specific project design can result in an effective solutions to the problems identified by the project. However, by not devoting the time necessary to manage the project, the flexibility has resulted in some confusion of purpose and action as well as weakness in addressing policy and private sector problems.

## B. Recommendations

Summarized here and presented in more detail in the body of the evaluation document are the team's recommendations. Following each recommendation are the name of the office or entity responsible for action on the recommendation and a target date for completion of the action.

- 1 USAID/Somalia, in line with the Mission Assessment Team's Recommendation, should prepare a "privatization/economy liberalization policy and action scenario" to include a strategy and plan to use PIP study funds to achieve the project purpose of policy reform and private sector development. USAID/Mogadishu should complete this plan prior to authorization of PIP Phase II. For the funds available under the TIPCO and ISTI contracts for private sector studies and short term assistance, the Project Manager should complete a tentative plan for their use by March 31, 1986.
2. The Mission can improve the chances of policy reform by disseminating the results and engaging the GSDR decision makers in discussions of the studies that support the AID policy position. Multiple copies of the reports that have broad interest need to be kept on hand by the project manager. All the studies, or summaries of them, if the report contains information that must remain confidential, should be distributed to relevant ministries, donors and libraries. The Project Manager should distribute all studies or summaries as soon as possible.
3. Short seminars are an effective means of disseminating report results and there is a clear need to increase their use. Careful attention to timing and to meeting structure should enable key decision-makers to participate. A meeting of two to three hours in most cases would be sufficient to discuss the major points. For the remainder of the PIP project, the USAID/S Program Office should identify seminar needs and set out a tentative schedule for them as soon as possible.
4. The Private Sector Advisor should be moved from the Program Office to the Ministry of Industry and Commerce or the Chamber of Commerce. The Mission Program Office should evaluate the relative need in the various departments of the Ministry and the Chamber of Commerce for the consultant services and reassign the advisor to the appropriate office(s) as soon as possible.

5. After deciding on the best place for the Private Sector Advisor and before the Industrial Advisor arrives, the Project Manager should prepare for both consultants more precise scopes of work that reflect their actual responsibilities, in order to make the best use of their services.
6. The Project Manager should establish an agenda for future study tours and seminars before March 31, 1986. This agenda should be developed in conjunction with Mission personnel and the advisors active in project activities.
7. Within the next three months, the Program Office should hire a Somali on local contract to monitor the day to day operations related to project implementation. This person should be trained by USAID/Somalia in the various components of project implementation and be made responsible for completing project PIO documents, drafting scopes of work relevant to project activities, following up on report submissions and distribution, disseminating other information, and generally coordinating the various components of the project.
8. The Program Office should review the present workload of its staff and make adjustments to ensure the adequate time is available within the office for the management of the PIF project. Clearly there is a need to assign overall management control responsibility for the project to an officer with sufficient time to address the design components of the project. Such an adjustment would help ensure that the project is responsive both to the project design component and the opportunities presented for policy reform.
9. The Project Manager should review the Controller's quarterly financial report to correct the assignment of expenditures in project budget categories.

## II GENERAL BACKGROUND

### A. Project Background

The Policy Initiative and Privatization (PIP) Project was authorized in late September, 1983, just prior to the end of the fiscal year. Funding for the entire project, \$2,500,000, was obligated at the same time. The purpose of the project is to (1) reform macroeconomic policy and (2) increase opportunities for the private sector.

The PIP project was designed to meet two important program needs. First, the project provides some of the information and analyses needed by the Mission and the Government of Somalia (GSDR) to engage in policy dialogue and reform. From AID's stand point, the CIP conditions, PL 480 self-help measures and, to some extent, other project covenants provide the leverage for policy change as part of the reform process. The PIP analyses and studies were intended to contribute directly to the selection of these grant conditions. Additionally, the PIP studies are providing background and reviews that help set the direction of the reform programs in the less formal dialogue process. Clearly, reviews that identify and describe reform areas are necessary if the GSDR and the Mission are to develop mutually acceptable and informed policy agenda.

The second area to be assisted by the project is private sector development. Toward this end, advisory assistance, training through study tours, industry reviews and feasibility studies are being funded. After 10-12 years of "scientific socialism", the GSDR policy initiated with the change of government in 1969, the private sector has contracted. Although much has improved since project authorization in 1983, much remains to be done. A strong mutual distrust still exists between the government and the private sector. Many government policies and regulations continue to be burdensome disincentives to the entrepreneur.

Within USAID/Somalia there are differing perceptions about the relative importance of the two aspects of the project purpose. Those involved in the policy dialogue see PIP's prime objective to be providing the necessary information and analysis to shape strong reform measures. Project managers and operational personnel, involved with private sector initiatives, view PIP as primarily a means of promoting the private sector. However, in the implementation of the project, these differing perceptions have not caused problems. The key reforms made in the past two years have been those that liberalize market forces and improve the environment for the private sector. To date, adequate project funds have been available to move forward on both fronts. However, now that nearly all funds have been committed, the obligation and use of new money is an issue. This evaluation is timely in that it can help in the decisions related to the funding and nature of PIP - Phase II. In line with the scope of work presented by the Mission (Annex A), Section VI of this evaluation presents recommendations for PIP - Phase II.

## B. Project Context: Government Reforms

To help place the project and this evaluation in context, a short history of the policy reforms and changes in the private sector environment is useful. First and most importantly, pricing policies have been liberalized, a process begun before the authorization of this project but greatly accelerated during the last two years. Farmers may now sell their produce at market determined prices. Fixed prices for fish have been abolished, and a percentage of PL 480 food imports are sold at auctions to private traders. Although the value of the Somali shilling is still controlled, there have been a series of major devaluations over the past few years. Similarly, interest rates have been moved upward by the GSDR and are now in the range of 12-18 percent. The GSDR has also set out a strategy to restructure public enterprise and has undertaken studies of several firms to begin the process.

For the promotion of the private sector, the major policy break-through is the GSDR pronouncement supporting the private sector's role in the economy. Industrial and investment policy is being oriented to assist and promote private sector enterprises. The commodity import programs of the United States, Germany and Italy earmark large percentage of financing for essential spares and raw materials for private sector industries. The Government has permitted the start-up of a number of joint ventures. Finally, the GSDR has begun exploring a number of changes in fiscal and budget policy as well as government operations. The most relevant to PIP are the civil service and budgetary reforms.

A summary of reforms and program actions taken by the GSDR between the first Consultative Group (CG) Meeting in October 1983 and the second CG in September 1985 is presented in Annex B. This time period is essentially the same as that of the PIP project.

## C. Nature of Project

The PIP project was designed as a flexible mechanism to respond to "targets of opportunity" in policy reforms and private sector development. Both areas were in a state of flux at the time of project authorization and there was a felt need for a funding source, easily accessible, that could be used to help the Mission and the GSDR sort out various options and opportunities. The PP is a very short document, eleven pages only, that is more illustrative than definitive in its planning of what is to be financed. A review of PIP financed activities since authorization reveals a range of studies and other activities that are scattered into many areas or subsectors. In fact, the record of what has happened has been hard to reconstruct and the evaluation team had difficulty identifying all activities. Copies of the studies were not kept in a central project file and several studies had to be obtained from the contractor (Hides and Skins Study and a Development Bank Loan Review).

On the positive side in relation to technical assistance requirements, the project, in responding to a need not identified in the PP, hired a financial analyst to work with the Ministry of Finance to help control the AID CIP and PL 480 contributions to the development budget. The recent work of the Private Sector/Ministry of Commerce Advisor with the Chamber of Commerce is another example of the project's capability to respond to emerging opportunities.

Given the flexible approach and a rather open ended PP and logical framework, the normal AID evaluation procedure of comparing accomplishments to planned outputs and logical framework benchmarks is less useful than a qualitative review of what has been accomplished. This evaluation presents the project accomplishment in relation to planned outputs, but also presents a review of the PIP activities in relation to the policy dialogue and private sector development. This broader evaluation is in line with the scope of work presented by the Mission (attached as Annex A).

### III PROJECT ACTIVITIES

Project funds have been used to support three main areas: studies and short term assistance, long term technical assistance, and study tours and seminars. Identified below are the specific activities associated with each area.

#### A. Listing and Description of Studies

The Project to date has financed part or all of sixteen studies which include sector or subsector reviews, feasibility studies, parastatal assessments, and evaluations to help formulate policy reforms. In relation to several of the private sector activities, the preparation of reports were completed as summaries of the actions and recommendations of a short term advisor. As such, they represent reports an advisory assistance rather than studies. All, however, include recommendations to improve the industry or subsector.

Presented in the remainder of this section is a listing of the studies by title, author, cost or project contribution to cost, date of completion and study objective. Comments are presented to clarify or explain the results or special circumstances of the studies in question.

1. Somali Civil Service Study (September, 1984): The objective of the study was to help the GSDR undertake its own review of the constraints upon, and opportunities for, improvement of the civil service system and its productivity. PIP financing was earmarked for consultants from Improved Efficiency for Educational Systems (IEES) to help in the assessment. The attractiveness of the study lead AID's S & T Bureau to finance the consultants from centrally funded sources. Thus, although no PIP funds were used, it clearly was a PIP initiative.

2. Achieving Self-Sufficiency in Edible Oils (April, 1985): A project contribution of \$4092 supported the consultants from the Industry Council for Development. The studies identified the gap between local production of edible oil and national consumption and then set out a strategy to achieve edible oil self-sufficiency.
3. Market Study on Vegetable Oils (April, 1985): Somconsult, a local consulting firm, completed this background study on oil marketing under a Ministry of Planning contract using CIP generated local currency. The report provides basic background information on edible oil production, processing and consumption. The data collected for the report was important for the analysis and strategy presented in the previously listed study.
4. Quantitative Analysis of Incentives and Disincentive for Expansion of Industrial Output and Employment in Somalia (July 1985): The Harvard Institute for International Development prepared this report to provide the GSDR a framework for quantitative analysis of the impact of its system of incentive and disincentives, explicit and implicit, for growth and employment. The study's recommendations fall under three main headings: (a) application of economic efficiency criteria in designing incentives for industrial development, (b) implementation of appropriate incentives and (c) directions for further study. The HIID contract to prepare the report cost \$77,840.
5. Foreign Exchange Market in Somalia (March-April, 1984): Somconsult at a cost of \$6,400 prepared this background report on the regulation and operation of the foreign exchange markets. Attached to the report are the important laws and regulations governing foreign exchange transactions.
6. Inflow of Remittances of Somali Workers Abroad (January, 1985): The study's main objective is to formulate and evaluate alternative proposals for the GSDR to attract the remittances of Somali workers in the Middle East through official banking channels. Somconsult was awarded a \$17,600 contract to complete this review by the Ministry of National Planning but financed by the PIP project.
7. Survey of the Somali Food Industry and Its Ability to Improve Utilization of Local Foods (November, 1984): The title of this \$21,000 study explains its main purpose. Production and processing data were collected and recommendation on food processing and preservation were made.

8. An Assessment of Small Enterprise Prospects in Somalia (April, 1984): Partnership for Productivity/International assessed the small enterprise development requirements, including those of refugees, through a sample taken in the Lower Shebelle Region. The assessment cost \$25,000.
9. The Somalia Foundry and Mechanical Workshop (October, 1985): Under the umbrella contract to the International Science and Technology Institute (ISTI), the parastatal, Foundry and Mechanical Workshop, was evaluated to determine if it might be a suitable candidate for privatization or restructuring to increase profitability. Although the report does not recommend privatization at this time, it does recommend leasing the plant to a private operator to test if it can be operated profitably.
10. Som Ag Ltd. - Commercial Farm and Feed Lot Feasibility Study (November 1985): This is a study to determine the feasibility of a commercial farm and feed lot operation with 37,000 head of cattle and 9,000 acres, primarily in maize. The PIP project financed only in-country support (\$25,000) of this study. Som Ag is a new company formed as a joint venture between Agricultural Technologies of America, Inc. (ATA) and the Somali firm of Arab International Livestock and Agricultural Company Ltd.(AILACO).
11. An Evaluation of the Kismayo Meat Factory (October, 1985): The objective of this investigation, prepared by ISTI under its umbrella contract, is to assess the potential contribution of the Somali Kismayo Meat Factory to the marketing of Somali livestock or livestock products, if the factory were operated as a private enterprise.
12. Fisheries Development with the Coastal Development Agency (July, 1985): The scope of the advisory study undertaken by ISTI is to provide plans for the development of fisheries in coastal settlements. Advisory assistance was to be an important component of this review.
13. Study of Small Scale Industries (November 1984 and March 1985): The purpose of this study, presented in two reports, is to provide Somali businessmen with basic data on 100 small scale industries which can utilize locally available raw material. The cost of the reports was \$29,240.
14. Hides and Skins Production and Use Study: A copy of this International Executive Service Corps (IESC) study was not available in USAID/Mogadishu. IESC/Nairobi provided a copy of the consultants report. The objective of the consultancy was to advise and make recommendations for improvement in the quality control of hides and skins and to assist in the improvement of leather products to attain the international standards required for export markets. The advisor worked primarily with the public sector tanneries and pickling factories, shoe manufacturers, and slaughter houses.

15. Report On The Development Bank Agricultural Loan Program: A copy of this IESC consultancy report was sent from the Corps' Nairobi office. The objective of the advisory assistance was to review the existing loan procedures at the Somali Development Bank and then to suggest modifications for improvements that could streamline the process and strengthen accounting controls. Training would be provided as appropriate.
16. Documents and Plan for a Private Chamber of Commerce; The long term private sector advisor prepared a draft charter and work plan for the move of the Chamber into the private sector. Strictly speaking these documents are not studies but they are important contributions to privatization process.

Although not studies, the project did fund a booklet on USAID assistance and successes in Somalia to help promote the role and activities, including policy dialogue, of the Mission. Similarly, project funds were used to publish a calendar/brochure to promote the country and the USAID program.

#### B. Long Term Technical Assistance

The second major area of project activity has been long term technical assistance. According to the Policy Initiatives and Privatization project paper, long term technical assistance to the Government of Somalia is planned to (1) assist in assessments of policy problems and in directing research studies funded under the project, and (2) advise the government and private sector entrepreneurs on the potential for, and process of, privatization.

The PP logframe identified the services of macroeconomists for 74 months and of management consultants for 60 months as project components to provide long or short term consultancies. As an annex to the project paper, the need for a private sector advisor was identified and a scope of work developed. Subsequent to the project paper, and in addition to the private sector advisor, three other long term advisors have been supplied to the Somali Government: an Industrial Advisor and a Librarian both within the Ministry of Industries and a Financial Analyst as advisor to the CIPL (Commodity Import and PL 480 local currency) Unit in the Ministry of Finance. The roles and responsibilities of each of these advisors are discussed below.

### 1. Industrial Promotion Advisor

The first advisor to the Ministry of Industries arrived in Mogadishu in October, 1984, and remained at post only until February, 1985. Personal reasons necessitated his early departure. The scope of work to be met by an advisor to that Ministry remains valid, however, and a second long term advisor is due to take up responsibilities at the Ministry in February, 1986.

As the Industrial Promotion Advisor to the Ministry of Industries, this advisor has responsibilities relevant to the policy, legal, and regulatory issues necessary to promote a favorable investment climate and to facilitate entry of local and foreign firms into the Somali industrial sector. The duties of this officer include: providing advice and guidance to the Ministry of Industries on techniques of privatizing state-owned enterprises, maintaining continuous review of the private industrial sector and advising on appropriate policies, plans, and regulations; encouraging and assisting national and foreign investors, especially through promoting joint ventures between foreign and Somali partners; and developing specific proposals which identify potential investment opportunities and all forms of incentives and promotion of activities for the development and encouragement of entrepreneurial activity.

### 2. Librarian

The second long term advisor to the Ministry of Industries is the Librarian who began working under this contract in June, 1985. As head librarian at the Ministry of Industries, the consultant's tasks include: establishing, developing, and maintaining arrangements to procure information and materials related to the industrial sector; classifying, cataloging, and indexing materials for retrieval by library users; providing reference materials; and training library staff in the technical procedures of the library.

### 3. Private Sector Advisor

A Private Sector Advisor started a two-year contract in November, 1984, with USAID/Somalia under the PIP project. In accordance with his scope of work, the advisor began working directly with the Foreign Trade Department of the Ministry of Commerce, the Chamber of Commerce, and the Somali business community. However, after five and one-half months with little Ministerial support, compounded by an increasing need on the part of the USAID/Somalia Mission for PIP project management support, the advisor began working part-time directly with the USAID/Somalia Mission.

Tasks of this advisor now include promotion of, and research concerning, the private sector in Somalia. As such, the advisor provides support and advisory services to the private sector, Somali businessmen, the Chamber of Commerce, and the Ministry of Commerce. At USAID/Somalia, the advisor has been utilized to assist the Mission in PIP project management, including day to day monitoring of the ISTI and the TIPCO contracts as well as the participation of the Mission's in-house evaluation of the PIP project. In addition, the advisor acts as the Mission's de facto private sector advisor, assisting the Mission to develop and support private sector activities in other projects as well as policy dialogue associated with the PIP project.

#### 4. Program Analyst Senior Advisor

The fourth advisor, a Program Analyst, began working with the Commodity Import Program - PL 480 Program (CIPL) Unit of the Ministry of Finance in July, 1985. This advisor filled the position which was vacant for nearly one year and had previously been funded from the Operating Expense (OE) budget. The OE funds were no longer available for this position and it was moved to the PIP project. The advisor's tasks are to help control and monitor the use of CIP and PL 480 generated counterpart funds as an Advisor to, and member of, the CIPL Unit (soon to be renamed the Domestic Development Division, DDD). It is the advisor's responsibility to develop and apply a system to budget and control GSDR expenditures of USAID/Somalia generated local currencies. The value of these funds amounted to approximately 1.6 billion Somali Shillings (So.Sh.) in 1985 and 2.1 billion So.Sh. in 1986 (\$19.3M and \$25.3M, at \$1 equals 83 So.Sh., respectively). Related to the budgeting task, the CIPL Unit has become engaged in the reprogramming of funds which remain unspent on their original allocation.

As a component of the project, the project manager has set up training course for members of the CIPL Unit. The course, arranged as an 8 hour per week, eight week course, will provide instruction in accountancy. In addition to the course, the project manager is preparing two manuals, one for operational and one for auditing procedures, to strengthen the skill and efficiency of individuals working in the Unit. These actions have the benefit of strengthening the institutional presence, usefulness, and permanence of a budget and auditing office within the Ministry of Finance in addition to facilitating the control and monitoring of USAID's counterpart funds.

#### C. Seminars and Study Tours

Seminars and study tours constitute the third major component of the PIPs project. Originally the project was estimated to include 22 study tours during the life of project and three workshops or seminars per year, according to the project paper's logframe. To date, seven study tours have been undertaken: two tours to the Gulf States and five tours to the U.S.. In addition, one seminar has been held.

PIP's first study tour provided to the General Manager of Somalia's only textile firm the opportunity to attend a Workshop on Policy for Public Enterprises in Developing Countries held at the Harvard Institute for International Development between July 9 and August 17, 1984. The next study tour funded the visit of two Somali businessmen to the Gulf States and Saudi Arabia to explore the market potential for Somali grown fruits and vegetables. This tour lasted several weeks in mid-1985. Another tour sponsored a visit to the U.S. for the editor and graphics artist from the GSDR's industrial promotion magazine, The Somali Industrial Management Review, in order to learn about production methods and information dissemination techniques. The most recent tour enabled a member of the GSDR to visit the U.S. and talk to U.S. counterparts on private sector activities and a colleague from the livestock sector to look at range and livestock operations.

A Seminar on Private Sector Development was presented by Stanford Research Institute during mid January, 1986 in Mogadishu. The Seminar was attended by approximately 75 Somali businessmen and government officials and provided oral and written information regarding the development of an active private sector in Somalia.

#### IV PROJECT IMPACTS

The analysis of project impacts begins with the comparison of current achievements to the original logframe. As mentioned earlier and in line with the Mission prepared scope for evaluation, the document then proceeds to a qualitative assessment of the impacts associated with each of the three main project areas. Each section concludes with a summary of the components influence on policy reform and/or private sector development. Recommendations are made.

##### A. Comparison with PP Logical Framework.

Given the special flexible nature of the project and the broad objectives in the log frame, a comparison of project accomplishments with planned outputs underestimates the impact and contribution of the project. However, to give the reader an idea of the project achievements to date, the summary Tables A and B are presented comparing planned and actual achievements.

Table A

<u>Planned Outputs (for 3 yrs)</u>	<u>Achievements to Date (2 yrs)</u>
- Nine Macroeconomic Studies of National Policy Issues	-Six Policy Reform Studies
- Nine Workshops/Seminars to Discuss Issues & Recommendations of the Studies Financed by the Project	- One Seminar
- Technical and Financial Analyses of Parastatal Operations	-2 Analyses of Parastatals
- TA for 18 Firms	-Two IESC consultancies
- Untargeted Outputs	-7 Private Sector Development Studies
	-Chamber of Commerce charter and objectives
	CIPL Unit development
	-Ministry of Industry library development

A similar picture emerges from a comparison of planned project inputs and the inputs financed to date:

Table B

<u>Input</u>	<u>Planned Levels</u>	<u>Inputs Used to Date</u>
Technical Assistance	24 PM of Long Term Macroeconomist-	- None
	24 PM of Long Term of Pri. Sect. Advisor	- 14 PM
	50 PM of Short Term Studies Consultants	- 30 Person Months
Management Consultancies	36 PM	- 3 PM of Short Term TA
Study Tours	22 Tours	- 7 Study Tours
Dissemination	\$100,000*	\$88,000*
Inputs Added During Implementation		Ministry of Finance TA (8 PM) Ministry of Industry TA Librarian (6 PM) Ministry of Industry TA (4 PM)

\*There were no physical targets established for Dissemination Inputs

in examining the divergence of both the inputs used and outputs achieved to date from the plans contained in the Project Paper, a great deal can be explained by the fact that approximately a third of the earmarked funds for short term technical assistance, primarily targeted for direct assistance to the private firms, was delayed by contracting problems until October 1985, the time of the award to TIPCO.

#### B. Qualitative Assessment of Studies

The studies have contributed to the process of policy dialogue and reform in several ways. The PP planned "collaboration among the GSDR, USAID, and other members of the international donor community" in identifying the major economic policy issues requiring analysis. For AID, priority rankings of the PIP studies were to be set primarily by considering key policy issue likely to arise in relation to CIP covenants, PL 480 self-help measures and other projects having important policy implications. From AID's standpoint, direct contributions to the selection of the grant and loan conditions are the most beneficial output of the studies. The studies have contributed in this area, but clearly the provision of background information is also necessary to understand the policy context and reform implications. Although not an important contribution to the policy dialogue, these background studies are helpful.

For private sector development, the studies were to review and recommend actions for privatization of parastatals, new investment and specific industry or plant feasibilities. Some studies have contributed to these objectives, but because the private sector is just beginning to re-establish itself, information on its composition and operation has also proven to be necessary.

To help understand the nature of the impacts of the studies, four categories are set out to classify the various reviews and assessments. These categories, the studies that fit within the categories, and comments on the impacts of the study follow.

- (1) Studies that have directly contributed to conditions (CP's or covenants) contained in AID/GSDR agreements.
  - (a) Civil Service Study: The 1985 CIP and PL 480 loan as well as the SOMTAD Project and planned 1986 PL 480 agreements include conditions related to the study recommendations. The need for Civil Service Reform was identified as a potential study area in the PP. The Civil Service Study was useful and has contributed to the GSDR and AID's understanding of the problems and approach to civil service reform.

- (b) **Edible Oils Self Sufficiency:** The recommendation to provide credit to oilseed producers and processors will be included in the FY 1986 PL 480 agreement. It is difficult to predict the study's impact on the GSDR and which changes may result.
  - (c) **Industry Incentive and Disincentive Study:** The 1985 and 1986 PL 480 agreements call for custom duty and fee reviews. The Mission's understanding of the need for a review of this area comes in part from the study. The influence of this study may be more closely align to an increased understanding of the policy area rather than actual contribution to conditionality, but it remains an important report.
- (2) **Studies that have contributed to an understanding of policy issues.**
- (a) **Foreign Exchange Markets Study:** This review of the GSDR rules, regulations and operations for the foreign exchange markets provided useful information to AID, but its helpfulness to the GSDR is marginal.
  - (b) **Overseas Remittances:** This is the only study that provides some basic data on the amount of money earned by Somalis overseas, potentially available for remittance to Somali. Neither AID or the GSDR has taken any policy or program initiative in this area.
  - (c) **Edible Oils Marketing Survey:** This survey provides production, processing and market information that is useful for policy development as well as private sector promotion in the subsector. It was useful background to the Edible Oils Self-Sufficiency Study.
3. **Studies that have contributed to an understanding of the private sector.**
- (a) **Food Industry Survey**
  - (b) **Assessment of Small Enterprise Prospects (by PFP)**
  - (c) **Edible Oils Marketing Survey (Also listed in Category 2 above)**

The studies in this category are explained by their titles. All provide some information on a particular private subsector, and are useful to AID's understanding of the private sector. However, the benefit of these studies to private sector development is only marginal. Their usefulness to an entrepreneur does not appear to be great.

However, the PFP Assessment of Small Enterprise Prospects did help the Partnership to develop a proposal which was funded by AID to help refugees achieve economic self-reliance through the development of small scale enterprises.

4. Studies that have contributed to private sector development, including privatization of parastatals.
  - (a) Foundry and Mechanical Workshop Study: Although the study is not optimistic about profitable operation of this parastatal, it does offer a possible path to make the operations profitable and, over time, an attractive candidate for divestiture. No action have yet been taken in relation to the recommendations of the study. ✓
  - (b) The Commercial Farm and Feed Lot Study: This feasibility study projects that the proposed farm and feed lot will have an attractive financial return. Som Ag is presently looking for project financing.
  - (c) Kismayo Meat Factory Study: This assessment of the factory shows little potential to make the factory profitable. It recommends that any private investors interested in meat export consider opening a new factory to produce frozen meat. The Ministry of Commerce is apparently reviewing this report.
  - (d) Chamber of Commerce Documents: Although not a study per se, these incorporating documents and the general outline of operations have provided the legal and organization structure needed to make the Chamber of Commerce a potentially private operation. The services provided by the Chamber of Commerce at this time have little impact on the expansion or strengthening of the private sector.
  - (e) Hides and Skins/Leather Consultancy Report: The hides and skin market is controlled by the government and AID included in the 1985 CIP a covenant on the liberalization of exports, including hides and skins. The policy issue was understood before this consultancy was undertaken, but the work of the IESC advisor clearly identified the inefficiency of the public sector operations in this sector. Only one of the eight publicly owned firms in the sector was judged to be operating efficiently. Recommendations were made, but were generally stop-gap measures to address the most serious immediate problems. The consultant judged the private sector to be operating efficiently.

## 5. Other Studies

- (a) Coastal Development Authority (CDA) Fishing Study: The study was to review and suggest changes in the fishing operations in CDA supported areas. The team changed the scope of work of the study and its main activity became a discussion of the Coastal Development Authority's role in strengthening the traditional fisherman's operations. The most important outcome of the study was CDA's determination that its role is to help the traditional fishermen as well as the migrant fishermen, resettled under various migration programs.
- (b) Somali Development Bank Consultant's Report: The IESC consultant was able to identify serious procedural and control problems at this publicly owned bank. A number of suggestions were made, but the extent of the needed reforms was so great that little headway could be made in bringing about the required changes. The objective of improving the operations of the Bank was unrealistic, but clearly a better understanding of the problems has resulted from the IESC visit.

## 3. Conclusion on Studies

### a. Policy Reform

In reviewing the above categorization of the studies, only three studies (those in category 1) can be shown to have had a direct contribution to the selection of CIP and/or PL480 agreement conditions. Although these conditions are only part of the policy dialogue, they are difficult to formulate and require extensive study, review and deliberation. In this evaluation and in the Project Paper, contribution to the formulation of agreement conditions are considered a priority of the PIP studies. Both in relation to the many conditions in the AID program and project agreements since PIP authorization and in the context of the GSDR reform program, the contributions made by the three studies seem relatively small.

The six studies in categories 1 and 2 also provide background information to the policy dialogue process. A judgement on how useful this information has been is difficult to evaluate since the process, much of which is informal, is still on-going. The team did find that other donor representatives cited several of the studies as being useful to their understanding of policy questions. However, it is clear that the contribution of the background information contained in these studies to the formal policy dialogue has been minimal since few policy changes have resulted in the study areas.

b. Private sector

The ten studies/assessments in categories 3 and 4 have yet to influence on private sector development. Unfortunately, the project/factory feasibility studies have either not recommended investment or, where an attractive opportunity was identified, financing has not yet been secured. The background studies have had little impact on the development of the subsector or industry which was studied. The development of an independent and privately supported Chamber of Commerce appears to offer potential to help the private sector, but to date the Chamber has had little impact on private entrepreneurs or the business climate. Before the Chamber becomes functionally independent and self-financing, several serious problems have to be overcome.

c. Study Selection

The original project concept of selecting studies based on targets of opportunity has, in fact, resulted in a "grab bag" of assessments and reviews that generally have made little contributions to either policy reform or private sector development. Because of the unfocused, scattering of studies, no body of knowledge has been assembled which can be used to establish an agenda for future policy reform. The USAID project committee that reviews the study proposals has not developed a set of criteria nor a strategy to use PIP study funds to achieve the project purpose of policy reform and private sector development.

Some of the studies that have been completed appear to have resulted more from contractor interest and proposals than AID needs. In several project quarterly reports, long lists of planned studies were presented that reflected the plans of the contractor, ISTI. The Project Manager has since eliminated the listings with only a transportation and a regulation study presently in the planning stage.

d. Impact on GSDR Decision Makers and Dissemination of Study Results

Although the process of study selection is informal and open to GSDR input, the decisions to fund the studies has been USAID's. GSDR participation has been minimal. Further, once the studies are complete, there is little evidence that they have had an influence on GSDR decision makers. From the Mission's viewpoint, the purpose of the project is to help AID in policy dialogue and private sector development. The PP takes a broader view. AID's success in a policy dialogue is enhanced by providing decision makers with the information and analyses that have led AID to its policy position. The Mission can improve the chances of policy reform by engaging the GSDR in the studies and disseminating the results, especially to decision makers, that support the AID policy position. The studies, themselves, should be part of the policy dialogue, not just input to the AID side.

The Civil Service Study is a good example of what can be done to disseminate the results of a study and influence the GSDR decision makers. First, the government itself was the coordinator of the study with the AID funded team supporting GSDR personnel. The report was published by the GSDR and several seminars/meetings were held by the GSDR to discuss the findings and recommendations. The level of interest was unusually high and President Siad, himself, became involved in the discussions. Civil Service reform is a complicated issue and changes in the system are just now beginning to be implemented, but the study, the level of participation and interest within the GSDR, and the follow-up meetings have been crucial to the initiative. To expect this level of GSDR interest and participation from all studies is unrealistic, but the approach and the techniques used demonstrate some ways of expanding the usefulness of the studies in policy dialogue.

The present practice of requesting Ministry of Planning working level review and comments on study proposals strengthens GSDR's understanding of policy problems and commitment to, and support of, the studies. Short seminars are an effective means of disseminating report results and there is a clear need to increase their use. Careful attention to timing and to meeting structure should enable key decision-makers to participate. A meeting of two to three hours in most cases would be sufficient to discuss the major points.

Dissemination of the report results has been poor. The fact that all of the reports are not kept in the central office files or single location where they can be found and sent out easily attests to this situation. Multiple copies of the better reports that have broad interest need to be kept by the project manager. All the studies, or summaries of them if the report contains information that should remain confidential, should be distributed to all donors and relevant libraries. It was found that the Ministry of Industry Library that is receiving assistance from the project had only two of the project reports financed under the studies component of the project. Short summaries of the reports, translated into Somali and Italian, and distributed widely, would also help broaden the impact of the study recommendations.

### C. Qualitative Assessment of Advisory Assistance

Long term technical assistance, too, has influenced both policy dialogue and the establishment of a supportive environment for private sector activities. The objectives of this assistance are oriented more to process changes rather than to a discrete set of results. Performance and influence in the short run may be, therefore, more subtle than in other project areas.

1. Ministry of Commerce - Private Sector Advisor

Due to the poor environment for reform and private sector initiatives encountered by the advisor at the Ministry of Commerce, it is fair to say that his policy impact in relation to private sector development has not met original expectations. However, the advisor has been instrumental in maintaining an awareness of private sector activities and policy reform within that Ministry and the Mission, as well as managing certain PIP project activities (eg the successful SRI seminar). The advisor has also provided technical services in conjunction with establishing the Chamber of Commerce as an independent organization. His presence has had, therefore, some policy implications, though not necessarily in areas originally planned.

2. Ministry of Industries - Librarian

The librarian funded under the PIP project has made notable achievements relative to both the specific task of establishing the Ministry of Industries library and the more general objective of the PIP project of creating an environment supportive of private sector activities. The library itself has become an important resource to the Ministry and private sector individuals who use it each day. It is one of few resources available to Somali citizens which provides information and instruction on the full range of activities critical to establishing a private enterprise. Another activity, a newsletter which keeps library users up to date on library acquisitions and resources, helps disseminate information on the existence and usefulness of the library.

The library and the librarian have had some influence on Somali private entrepreneurs. In addition, library activities have had a limited impact on ministerial capacity in that Ministry officers have been instructed in certain day-to-day tasks operating the library. The self-sustaining operation of the Library once the librarian leaves, however, remains in question. The chances of continued Library operation will improve in early 1986 when the librarian's counterpart begins working with the library.

The success of this project component results from a combination of a well defined task, a talented and persistent advisor (who has worked with the library for an extended period), and a ministerial willingness to support the project activity. The impact of this component has out-weighed the project investment in this activity.

### 3. Ministry of Industries - Industrial Advisor

Given standard contracting delays and the difficulty of recruiting people to live and work in Somalia, the contractor responsible for filling this position has only recently secured the services of an individual for this position. The new advisor is due to arrive at post in February, 1986. These various difficulties have combined to produce the result that there has been negligible positive, but no negative, impact caused by the initial advisor (who left for personal reasons) and the fact that the position has been vacant for over a year. The Ministry remains anxious to receive its advisor, however, and the counterpart awaits the assistance.

### 4. Ministry of Finance - Financial Analyst

The Financial Analyst at the CIPL Unit in the Ministry of Finance is equipped with a well defined scope of work which includes the development and application of a system to budget and control GSDR expenditure of USAID/Somalia generated local currencies. In addition to the definition of the work program, component tasks consist of the application of routine procedures to the Somali situation. While the procedures themselves may be routine, their application in a country like Somalia, which has little tradition of formal budgeting and accounting procedures, is not. The combination of a clear task and a persistent individual has resulted in a revamped reporting system of budget allocations and expenditures which has allowed both cash flow analyses and reprogramming activities to be undertaken by the Unit. Success is also visible in the ongoing series of project audits which verify expenditures and delineate the problems and achievements of various projects.

In addition to budget and control procedures established, the advisor has also been engaged in activities which will strengthen the Unit's capacity to continue its budgetary, analytical, and monitoring responsibilities. These activities include training in accountancy (8 hours per week for 8 weeks) for Ministry of Finance officers seconded to the Unit, and the production of two instructional manuals (operations and auditing) relevant to the tasks of the Unit. These activities will strengthen the Unit itself as well as the Ministry.

To date, the scope of work, in terms of budgeting and control over expenditures, extends only as far as the programming of USAID/Somalia counterpart funds. However, the establishment of a Unit like CIPL within the Ministry of Finance has visibility and informational advantages. In the fourth quarter of CY 1985, the CIPL Unit became involved in a reprogramming activity for those

funds not yet expended during the budget cycle. This was, perhaps, the first time that information regarding the mid-year availability of funds became known to senior officials in the Ministry of Finance and they became actively involved in the reprogramming effort. The supply of this information in one year is likely to create demand for its reappearance in subsequent years. This process is most likely to result in the strengthening of a Unit like CIPL to do its work, as well as the integration of the Unit into the day-to-day operations of the Ministry of Finance.

The impact of this long term technical advisor is, therefore, seen to be quite strong both in her ability to carry out assigned budgeting tasks and to establish a functional and useful budget and control office in the Ministry. These tasks were not planned to be included in the PIP project. The need for sustained support to the CIPL Unit, funding for which was not available from other sources, is a clear example of using PIP funds to respond to a target of opportunity.

#### 5. Conclusions - Technical Assistance

In Somalia, more so than in other countries, the impact of long term technical assistance is a function of the personality of the individual advisor, the receptivity of the recipient Ministry to the advisor, and the relationship that develops between the advisor and the staff of the Ministry. In spite of problems that exist in these areas, the overall impact of the technical assistance component of this project has been, for the level of effort expended to date, positive. Prime areas of influence have been on the decision makers in both USAID/Somalia and the Ministry of Finance as a result of the efforts of the Private Sector Advisor and Financial Analyst, respectively. In addition, the training and manuals components of the Financial Analyst's activities will help develop the capacity of the future Domestic Development Division to undertake policy analyses and planning activities related to budgetary concerns. The positive contributions of the librarian were discussed previously.

The following recommendations are made with respect to improving the overall policy impact of the long term technical assistance component of the PIP project:

- The Private Sector Advisor should be moved from the Program Office to the Ministry of Industry and Commerce or the Chamber of Commerce. The Mission Program Office should evaluate the relative need in the various departments of the Ministry and the Chamber of Commerce for the consultant services and reassign the advisor to the appropriate office(s) as soon as possible. This advisor represents nearly one-half of the available management consultant services of this project and his talents are not well used as an assistant project officer.

- After deciding on the best place for the Private Sector Advisor and before the Industrial Advisor arrives, the Project Manager should prepare for both consultants more precise scopes of work that reflect their actual responsibilities, in order to make the best use of their services.
- An agenda for the remaining technical services available under the contract needs to be determined. This is especially true given Mission concerns over maintaining control over future activities related to the ISTI and TIFCO contracts.

#### D. Study Tours and Seminars

To date, study tours have not been used effectively to either enhance Mission policy dialogue with the Government of Somalia or hasten the pace of privatization within the Somali economy. The reasons for this rest with the limited number of study tours conducted and the lack of planning and monitoring attendant to each tour. This is not to say that study tours could not be used effectively, only that they have not been so far.

Project experience with seminars has been more limited than with study tours. The seminar that was conducted, however, was well planned and organized. In addition, the seminar format, convening a meeting of concerned individuals for the purpose of learning and sharing information and meeting people, is one which appears to fit well into Somali culture. As such, its impact is expected to exceed the level of effort required to produce the two-day seminar. This mode of contact is useful both for the dissemination of information and for supporting the development of Somalia's newly emergent private sector.

The following recommendation is designed to substantively enhance the policy impact of the study tours and seminars.

- The primary task before the Mission with respect to this area of activity involves establishing an agenda for future study tours and seminars. This agenda should be developed by Mission personnel in conjunction with the advisors active in project activities.

## V. PROJECT MANAGEMENT

### A. Program Office Management

#### 1. Management Issues

With the exception of AID internal financial management of the project, PIP project implementation activities have suffered from design and implementation problems resulting from: first, the lack of a clear project design and agenda, and second, the lack of a project manager with sufficient time available to properly implement such a diverse and demanding project.

The first management problem of the project results from the ambiguous definition of the project and its component tasks in the original project design. Thus, in addition to the routine operational aspects of project implementation, management of the PIP project contains an inherent and continuing design element. The Mission has found this characteristic useful since it enables Mission personnel to develop a relatively quick response to a perceived opportunity for improving policy dialogue, generating data, studying the private sector, or providing technical assistance. Although there is little evidence as yet to support this perception in relation to the studies, from the stand point of technical assistance, the target of opportunity approach has been useful. However, it is clear that the lack of specificity in the original project design compounds the project's management burden and necessitates more active project management than has occurred to date.

The second main management problem affecting PIP corresponds to the time available within the Mission to manage the project. With active project management, the flexibility engendered by the lack of a specific project design can result in an effective solution to the problems identified by the project. However, without this active management, the flexibility can result in confusion of purpose and action.

Two implications of these problems are the proliferation of contracts associated with the project and the lapses in coordination among various project components. Each adds to the management burden of the project.

PIP is a \$2.5 M dollar, 71 million So.Sh. project. It is not especially large project by comparison with other AID projects, yet it has a set of relatively complex implementation arrangements. There have so far been four long term advisors, with a fifth en route. Three of these have direct personal services contracts with the fourth and fifth supplied through an institutional contract

which has, despite its institutional aspect, involved the USAID/Somalia Mission to a considerable extent. Also, two major contracts, those with ISTI and TIPCO require, by the Mission's own assessment, tight management to ensure that project goals are met. In addition, there have been 16 studies funded under the project involving 13 separate contracting arrangements. Finally, the seven study tours and the seminar have required separate contracting arrangements. In total, then, this project has generated at least 20 separate contracts plus additional procurements, each with its own negotiation and implementation burdens.

A second problem has been actual coordination among the component parts of the project. It is, therefore, surprising to learn that the Librarian who is producing a newsletter on library materials available on establishing small scale businesses is not aware of the Chamber of Commerce's mailing list of Somali businessmen, or of the Chamber's interest in producing a similar newsletter. In addition, the Director of the Private Enterprise Department of the Ministry of Industries, the man who is the past and future counterpart to a USAID sponsored advisor, remains unaware of the Private Sector Seminars or of the pending arrival of the new advisor.

How the management problems affect the implementation of the PIP project and manifest themselves with respect to its components is discussed below.

Advisors Several management problems are exhibited with respect to the advisorial component of this project. One example of this is the shortfall in macroeconomic services provided by the project. Neither the TIPCO nor ISTI contracts will remedy this situation adequately. Thus, the level of effort specified in the project paper will not be met, and no evidence exists that this is of concern to the Mission or that this situation follows from a deliberate change of position or policy by the Mission.

Second, the project has been marred by weak or invalid scopes of work for the advisors. This has not been a severe disadvantage in those cases where the advisor has, actual SOW notwithstanding, a clear agenda for the activities to be conducted under the project. Weak scopes of work have resulted in part and from a lack of communication between USAID/Somalia and the recipient ministry regarding the advisor's tasks and in part on a lack of time available for the project's continuing design components.

Related to this is the example of moving the Private Sector Advisor into the Mission on a part time basis to help manage the day to day affairs of the project. It now appears that the appropriate move at that time would have been to move the Private Sector Advisor into the the position vacated by the Industrial Promotion Advisor.

Instead, the Private Sector Advisor moved into the USAID/Somalia Mission while the Ministry of Industries, active and keen to utilize an advisor, has waited a year for a replacement. Closer contact with the Ministry of Industries may have suggested the transfer of the advisor as an option which would have resolved two problems. The move of the Private Sector Advisor into the Program Office, on at least a part-time basis for the last nine months, has substantially altered the substance and intent of his original scope of work. While there may be compelling reasons for this advisor's move in the minds, if not the files, of the Mission, there is no reason why that advisor's scope of work has not been rewritten to reflect the changed circumstances and responsibilities.

Studies Management problems are also seen in the area of studies undertaken by the project. This issue is discussed at length elsewhere in this report, but it must be reiterated here that there appears to be little planning or coordination of studies to produce a body of information that will have a discernable impact on either policy initiatives or privatization.

The second problem area addresses the reports themselves in their collection and distribution. Several project sponsored studies are not to be found at the Mission and others have not been distributed to those ministries or organizations active within the project and interested in the study topic. Distribution and dissemination problems are indicative of a lack of sufficient time available to monitor project activities.

Study tours and seminars Although a total of 22 study tours and three annual seminars or workshops were originally seen as part of this project, only seven tours and one seminar have materialized. For the study tours, only one report is in the office files. Again, there is no evidence regarding a change in policy, pursuit of missing documents, or efforts to meet the PP objectives in the official files. Continuous omissions of this type point to a breakdown in project management.

A second issue related to the study tours themselves is the seeming lack of control over tour scheduling by USAID/Somalia. Thus, by one participant's own admission, the interests of the second participant, livestock and range management, were poorly addressed by a prolonged stay in Washington, D.C. The Mission admits to this problem but appears unable to respond with a solution to correct the problem for future tours.

## 2. Conclusions

The management problems experienced by this project are the result of time constraints imposed, perhaps, by the current distribution of responsibilities. Thus, the Project Manager is unable to respond to the management demands of the project. The flexible approach which the Mission is taking in this project may well be the most appropriate to the rapidly changing Somali policy environment. The current degree of management omissions coupled with a flexible approach borders on confusion, however, for most people involved with the project.

At this point it is important to stress that there are a variety of management problems attending the current implementation of this project and that they must be addressed or resolved to ensure a successful completion of project. The most positive step the Mission can take in this regard is to encourage officer work plans so that one officer has both complete responsibility and sufficient time to manage the project properly. Specific recommendations regarding the project management problems are identified below:

- The Program Office should hire a Somali on local contract to monitor the day to day operations related to project implementation. This person should be trained by USAID/Somalia in the various components of project implementation and be made responsible for completing project PIO documents, drafting scopes of work relevant to project activities, following up on report submissions and distribution, disseminating other information, and generally coordinate among the various components of the project. It is expected that this individual will be a Somali so as to facilitate a closer relationship between the Mission and Ministry activities related to this project. In addition, a Somali so trained would become a valuable asset to the Mission for future project management and local residence would help insure the person's continued availability.
  
- The Program Office should review the present workload of its staff and make adjustments to ensure the adequate time is available within the office for the management of the PIP project. Clearly there is a need to assign overall management control responsibility for the project to an officer with sufficient time to address the design components of the project. Such an adjustment would help ensure that the project is responsive both to the project design component and the opportunities presented for policy reform. It will also be the responsibility of this person to develop, in conjunction with the recurring design aspect of the project, a project agenda identifying the priority areas for project studies, study tours and seminars, and long and short term technical assistance.

#### Financial Management

##### 1. AID Contributions

The financial status of the project as of December 31, 1985 is presented in the latest quarterly financial report of the USAID/Somalia Controller (Annex C). Of the \$2,500,000 obligated, \$2,496,037 has been earmarked and \$2,393,609 committed. Disbursements, however, total to only \$573,240. The difference

between disbursements and commitments rests primarily on the fact that the private sector support contract award to TIPCO has been in the negotiation process for nearly a year. This delay in contracting held the \$1,000,000 earmarked for the contract in abeyance until the contract was signed (November 1985). The contract award was negotiated at \$858,310, and, through the end of 1985, no funds have been disbursed to the contractor. The second area where there is a large pipeline is long term technical assistance. In the case of the CIPL Financial Analyst and the Ministry of Industry Advisor, much money remains unexpended under their contracts.

Even though there have been many implementation orders issued for the various studies under the project, the USAID/Somalia controller quarterly reports have provided accurate and timely financial summaries to project management. These reports are the best summary of project activity and, except for some minor expenditure classification problems, are easily used tools.

Given the need for continued policy dialogue and reform and the fact that nearly all funds are committed, project and Mission management have determined that additional funds are required. The Mission is proceeding with the process of approval and authorization of PIP II.

With the availability of the support and services under the recently signed TIPCO contract, the requirement for additional funds for private sector development is low. However, for policy studies and any related technical assistance, there is clearly a need for additional resources. Also the desirability of continuing the CIPL Advisor and possibly the Industry and Private Sector Advisors indicate the desirability of added funding.

In summary the financial management of the project has been good. The complex contracting and other implementation actions have been recorded best in the financial summaries. Timely financial monitoring had identified the need to begin planning for additional financial report.

## 2. Local Contributions

In accordance with the PP, local expenses for the project are to be contributed by the GSDR drawing from the local currency generations from the CIP. The allocation of AID generated local currency to the project has been SoSh 10,000,000 for CY 1984 and 1985 (SoSh 5,000,000 in each year), which is the equivalent of approximately \$325,000 (1984: 25 SoSh/Dollar; 1985: 40 SoSh/Dollar). This represents 36% of total project expenditures. Additionally, local contributions have been made to the completion of several studies. Counterpart and support staff salaries and the related operational expenses at the Ministry of Industry and Commerce, the Ministry of Planning, the Ministry of Finance and the Chamber of Commerce can also be added to the local contribution.

For CY 1986, AID and the GSDR are planning an allocation of SoSh 61 million (\$735,000 at SoSh 83/US Dollar) to the PIP project. The planned uses of this allocation are summarized in the budget attached as Annex D.

## VI RECOMMENDATIONS FOR PIP PHASE II

### A. Justification and Need for Phase II

Since the authorization of the PIP project in September 1983, the GSDR has strongly pursued a policy reform program that has included changes not only in the macroeconomic area, but also reforms that have improved the environment for private sector development. USAID has been involved in a continuing policy dialogue with the GSDR. This dialogue has helped to promote the liberalization of the pricing structure and better control over the budget. Foreign exchange and foreign trade policies were modified to ensure the availability of imported inputs for production. New policies relating to the management and operation of public enterprises, combined with measures to stimulate private sector activity, are being pursued to increase productivity in manufacturing and processing enterprises.

However, it is apparent that, as the easier and more obvious policy changes are implemented, better analyses of the macroeconomic problems, the possible solutions, and likely outcomes of policy changes are required in order to refine the policies of the government. Further, as the private sector environment improves, there is an increasing need for technical advice and institutional strengthening to take full advantage of the growing private sector opportunities. The proposed PIP Phase II would permit the analyses needed by AID and the GSDR to continue the policy reforms necessary to sustain growth as well as provide the advisory assistance and feasibility studies to help private sector development. The justification for the original PIP project remains valid today and the policy and private sector improvements argue even more strongly for a PIP Phase II. AID must continue to play an important role in policy change and private sector development and needs a flexible funding source to respond the evolving opportunities.

Despite certain problems in the direction and implementation of the project, the net effect of PIP interventions has been positive. With modification in the design of a Phase II to incorporate the changes recommended in this review, the evaluation team believes that a continuation of the Policy Initiative and Privatization Project would be highly beneficial to the Mission and the development of Somalia.

## B. Nature and Structure of Phase II

The project should continue to be flexible in nature, and although a better idea of how project funds will be used in Phase II is possible, part of the budgeted funds should remain illustrative in nature. However, the PP should identify priorities at the onset of implementation. First, percentage guidelines should be established for the relative balance of funding between policy studies and private sector development. These should not be seen as fixed percentages, but rather targets that need to be reviewed on perhaps a semi-annual basis taking into account implementation experience and relative success in the two areas. Secondly, a plan for policy dialogue needs to be set out to include strategies and priority reform areas. Given the many fronts of policy reform on which the GSDR is moving, prioritization is necessary, but clearly one aspect of the strategy is to make sure AID remains in a position to withdraw from one policy area to another if limits to reform are reached in a particular area. Additionally, the private sector PIP component has also to be tightened by setting priorities and strategies. The target of opportunity strategy used in Phase I has shown little success in promoting private sector development.

PIP Phase II should start with the the very design process itself to involve GSDR decision makers in the project. Delays in some implementation activities will surely result from increased government participation, but the benefit of GSDR commitment resulting from their involvement outweigh the cost of delay.

## C. Studies

For the studies component of Phase II, the following recommendations are made. Some of these recommendations are also relevant to the PIP Phase I and, as appropriate, are repeated in the summary recommendation in Section I.

1. The AID Study Review Committee should select studies and assessments based on the strategy and priorities set out by the Mission Policy Dialogue Plan which is required as a recommendation of the recently completed Mission Assessment.
2. The Phase II PP should set aside money for dissemination of the study results and identify and plan the mechanisms for distribution. The study contractors should be required to make sufficient copies of the report for wide distribution and inclusions in appropriate libraries. Summaries in English, Italian and Somali for each study should be prepared for even wider distribution. As a matter of course, follow-on seminars should be conducted to review the results and to discuss potential problems with the GSDR and the private sector.

3. Private sector studies should have objectives that can lead to tangible developments. Thus, feasibility studies and recommendations on regulation change have priority over general reviews of an industry or subsector.

#### D. Technical Assistance

Several recommendations have already been made with respect to the technical assistance component of PIP Phase I. Additional recommendations are made here for the project's second phase.

1. Priorities for the use of both long and short term technical assistance should be set during the design phase of PIP II. The Mission should decide whether or not existing technical assistance activities remain appropriate in the current reform environment in the respective Ministries.
2. The Mission may also wish to make more use of short term technical assistance during Phase II in both the private sector (e.g. assistance in modifying or expanding a firm's activities) and the public sector (e.g. revenue measures and export promotion).

#### E. Study Tours and Seminars

Study tours and seminars provide useful means of raising new ideas, disseminating information, and stimulating discussions. As such, these activities should be continued during Phase II, but they should be used more effectively.

1. There should be more study tours conducted and they should be more carefully planned in order to support other project activities. For example:
  - (a) study tours could be conducted to countries which have recently and successfully cut their civil service staff (e.g. Mali) in order to facilitate civil service reform in Somalia;
  - (b) study tours to look at the successful divestiture of parastatals in other African countries (e.g. Mali) may also be useful;
  - (c) study tours for members of the private sector to visit other countries with an export mix similar to Somalia's (e.g. Botswana and livestock) may be useful in providing examples for expansion of Somalia's exports; and

- (d) members of the Chamber of Commerce should make study tours to their sister city's Chamber of Commerce in the U.S. in order to better appreciate the range of activities with which such an organization becomes involved.
2. Seminars, as stated before, are an appropriate and effective method of generating discussions. They should be conducted not only in conjunction with the studies funded by the project, but also on related issues and the dissemination of study results.

#### F. Project Management

Several recommendations have already been made with respect to improving the management of the the first phase of the PIP project. These remain valid recommendations for the project's second phase as well. Specifically:

1. Design will remain a component of Phase II, therefore it will be necessary to ensure that the person designated as project manager have sufficient time to effective design and monitor the project.
2. Related to the design aspects of the project, the project manager, in conjunction with Mission management, must develop at the outset a strategy to utilize various project components in conjunction to meet the project's overall goals.
3. The local project assistant, who will be hired to assist in the implementation of Phase I, should be retained to assist in the implementation of Phase II.

USAID/Somalia Mission Comments on the REDSO/ESA  
Policy Initiatives and Privatization Project 649-0132

Para 3 page 7 In a number of LDC's in Africa and elsewhere, there is a clear political commitment to broad based economic development goals. In this situation, the usual USAID model of project design and implementation makes good sense. What exists in Somalia is a Government making a slow uncertain transition from a rigidly socialized structure on the Russian model to a more open economy and society. Every move in this direction, however, results in a loss of power to an important vested interest.

Para 1 page 8 Policy dialogue and promoting the private sector are inextricably linked. The implied perception by the evaluation team as an either/or situation is incorrect. Without policy dialogue development of Somalia's private sector cannot take place. When policy changes are announced by the GSDR it is important that actions which encourage the private sector take place. Those actions by and for private businessmen must be positive for the GSDR and the private sector. A situation which to the outsider viewing the project, may seem as an unwarranted concentration on private sector assistance.

Para 2 page 8 GSDR has also agreed to allow private banking and independent business associations, private schools and is also currently working toward allowing private insurance agencies.

Para 3 page 9 All reports had been sent to USAID's Library and 2 documents were unable to be located. (Tannery Factory Assistance and a Development Bank Loan Review, both by the International Executive Service Corp. have now been located and replaced in the Library.)

Para 1 page 11 This study was only the beginning of what the Mission hoped would be a dialogue between GSDR and the Somali private sector involved in edible oil production. A follow-on activity has not been undertaken due to lack of funds.

Para 2 page 13 (This document has been received from IESC/Nairobi and is in the Library).

Para 5 page 13 Two other studies well underway at the time of the evaluation were (a) A Sectorial Business Regulation Study, and (b) SRI Policy Study on the Environment Conducive for the Private Sector.

Para 1 page 14 The Private Sector Advisor is assisting in directing research studies only on a part time basis, under the present PIP agreement he cannot carry out this function while at the Ministry of Industry and Commerce.

Para 3, page 16 (and five Technical seminars - One on Investment Promotion, Oilseeds Production, one related to the Harvard Incentive/Disincentive (HIID) study, one on Rural Urban Development linkages and one was held in Merka on Administration for Development. The first three were dollar funded as well as Somali Shilling funded. The latter were almost completely funded by Somali Shillings.

Para 1 page 18 (plus two near completion)

Para 1 page 19 (Previous Project Manager was macroeconomist and Private Sector Advisor is macroeconomist)

Para 1 page 21 Stating that the Civil Service Study "was useful is an understatement! The Study is leading to a major policy initiative which is strongly supported by the donor community, especially the IMF.

Para 4 page 24 Mission believes that policy changes, when viewed where the GSDR was 4 years ago, have been more than average when dealing with a system which has demonstrated rigid socialist and traditional tendencies.

Para 2 page 25 Mission disagrees with the term "grab bag". The first Regulatory Study conducted in 1984 resulted in the contractor being asked to leave the country. In August 1985, 22 leading Somali businessmen were arrested for working too closely with USAID's private sector activities. Only now is the climate in Somalia giving some signals it will allow formal research with two major regulatory studies near completion. The Mission is developing a set of criteria and a strategy to use PIP study funds.

Para 3 page 25 Mission does not agree with this statement. In several project quarterly reports, long lists of planned studies (suggestions for proposals) (near completion) stage (neither undertaken by ISTI).

nb

Para 3 page 26 One should remember that the GSDR reviewers often are strong adherents to State Planning Procedures (not private enterprise) and they have rigid guidelines they must get around in order to (a) approve a study or (b) disseminate what may be impallative truths.

Para 1 page 27 USAID agrees with the above. Present procedure for distribution however rests with the Ministry of Planning, the GSDR implementing Ministry for PIP's. Their dissemination of published study documents is not out of clear choice. The Mission and other donors are presently working on this problem.

Para 3 page 28 The library component to the PIP's project was not originally envisioned in the project. The Mission was requested by the Ministry of Industry and Commerce to provide the services of a Librarian and saw an opportunity to provide special directed services for private sector information dissemination.

Para 3 page 30 Mission agrees with this recommendation. Mission believes that the Private Sector Advisor Scope of Work (SOW) should be reviewed and changed to reflect any changes in duties. These revisions will be incorporated in the PP amendment.

- Para 4 page 30 Mission agrees with this recommendation and now that the Industrial Advisor has arrived in-country a review of both SOW's reflecting changed conditions is being carried out.
- Para 5 page 30 Mission agrees.

Para 1 page 31 Study tours and seminars are planned to be undertaken through contractual arrangements with TIPCO. Almost \$1 million of the project funding was tied up for almost 1 year during contract negotiations in Washington.

Para 1 page 33 The Chamber of Commerce is being formed anew as a privatized organization. The list of Somali businessmen registered with the Chamber of Commerce is not up-to-date and includes individuals who left the country during the socialist experiment. In addition the Minister of Industry and Commerce has instructed his expatriate advisors to communicate matters on seminars to the Permanent Secretary, Vice Minister or the Minister himself and they will designate who is to be involved in the private sector seminars.

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Para 1 page 34 Mission agrees with this comment and now that both advisors are on duty, appropriate and coordinate scopes of work will developed

Para 3 page 34 Ministries do not have a comprehensive system of distributing the studies and reports to interested parties especially if the report seems to be negative in its findings. USAID has also had a continuing problem of reports disappearing from its library.

Para 4 page 34 USAID is attempting to meet PP objectives as shown in the official files and improvement in administrative support activities will produce better results.

Para 1 page 35 We disagree with this comment. The tour arranged for this participant was contracted thru a Washington based contractor. The participant's wishes and desires were taken into account prior to his departure for the U.S. His prolonged stay in the U.S. was not consistent with USAID's wishes and a report is still awaited by the Project Manager.

Para 2 page 35 The Project Manager could respond more effectively to the demands of the project if additional staff (either expert or Somali) could be assigned to the Project Manager in order to handle day to day operations such as writing of PIO's, review of contract specifications and monitoring contractors and activities within the different components of the project. In addition, for the long term T.A.'s, assistance is also required. The long term T.A. at the Ministry of Finance is in dire need of a competent auditing manager/training expert, personnel supposedly to be provided by the Ministry of Finance but as yet unassigned. In lieu of continuing this situation, it would be helpful to assign project employed personnel to assist the advisor. While the Ministry of Industry and Commerce has assigned 2 part-time individuals to assist the advisor at the Ministry of Commerce, the Ministry of Planning has yet to approve their assignment or their salaries.

- Para 1 page 36 It is highly unlikely that the Somalis hired and trained under this project would remain with the project. It is equally unlikely that Somalis so inclined would accept the jobs at the entry level wages offered by USAID.
- Para 2 page 36 Mission does not agree totally with this recommendation. The Program Office has overall coordinating responsibility for this project. The hiring of a PSC to assist both the program officer and economist to manage the project would be of great benefit.

Para 1 page 37 CIPL Advisor's contract ends in July 1986.  
Industry Advisor's contract began January 1986

Para 4 page 37 Most of the funding for private sector assistance  
will come through the GSDR's increased local currency contribution.

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ANNEX A  
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AID-3 ECON CHRQ-5

*Carahan* **Radio File**

VZCZCNA0714  
PP RUEHNR  
DE RUEEMG #3529 3490929  
ZNR UUSUU ZZH  
P 150929Z DEC 85  
FM AMEMBASSY MOGADISHU  
TO RUEHNR/AMEMBASSY NAIROBI PRIORITY 4209  
INFO RUEHC/SECSTATE WASHDC 8204  
BT  
UNCLAS MOGADISHU 13529

LOC: 338 339  
15 DEC 85 0942  
CN: 52595  
CHRG: AID  
DIST: AID

RECEIVED  
16 DEC 1985

AIDAC

NAIROBI FOR REDSO/ESA

E. O. 12355: N/A

SUBJ: POLICY INITIATIVES AND PRIVATIZATION STUDIES  
PROJECT - 649-0132 EVALUATION

12/16/85	
EMPLX DUE	
12/17	
ACTION TO	
Radio	
DIR	
D/DIR	
REDO	
REDO	
RI/A	
RI/II	
RFVC	
PROG	
BRD	
PRJ	
PH	
AGR	
EXO	
PER	
GRQ	
RF	
CHRSN	
CSL	

1. ONE OF THE SIGNIFICANT RESULTS OF BILL JEFFERS EXCELLENT EFFORTS ON DRAFT PP FOR SUBJECT PROJECT WAS IDENTIFICATION OF NEED FOR DETAILED EXTERNAL EVALUATION OF THE PROJECT TO COMPLIMENT MISSION'S QUICK AND DIRTY PES.

2. SCOPE OF EVALUATION AS FOLLOWS:

GENERAL - EVALUATE THE PIPS PROJECT TO DETERMINE EFFECTIVENESS OF PROJECT IN AFFECTING POLICY REFORM AND SUPPORTING THE PRIVATE SECTOR.

SPECIFIC -

- A) REVIEW MACRO POLICY CHANGES OF PAST TWO YEARS AND DEFINE LINKAGES BETWEEN PIPS STUDIES, PL-480/CIP RESOURCES AND THE POLICY CHANGES.

- B) REVIEW OUTPUTS OF PIPS STUDIES AND APPRAISE UTILITY IN CONTRIBUTING TO THE DYNAMIC POLICY DIALOGUE PROCESS.

- C) ANALYZE THE ABOVE RELATIONSHIPS UNDER WITH PROJECT/WITHOUT PROJECT HYPOTHESES TO PROVIDE A SENSE OF SPECIFIC PROJECT CONTRIBUTIONS.

- D) EVALUATE PERFORMANCE, CONTRIBUTIONS AND EFFECTIVENESS OF PIPS FUNDED LONG-TERM ADVISORS.

- E) EVALUATE EFFECTIVENESS OF PIPS FUNDED SHORT-TERM CONSULTANTS.

- F) EVALUATE THE SEVERAL IMPLEMENTATION MECHANISMS UTILIZED IN THE PROJECT TO PROVIDE TECHNICAL SERVICES FOR TECHNICAL ADEQUACY, RESPONSIVENESS AND COST EFFECTIVENESS.

- G) PREPARE RECOMMENDATIONS FOR INCORPORATION OF EVALUATION FINDINGS INTO PHASE II OF PIPS PROJECT.

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MOGADISHU 213529

WOULD APPRECIATE REDSO PROVIDING TWO PERSON TEAM  
CONSISTING OF ECONOMIST AND PROJECT OFFICER FOR UP TO  
THREE WEEKS TO UNDERTAKE OBJECTIVE EVALUATION. WE  
REALIZE THIS IS AD HOC REQUEST, SO--WHILE WANTING THE  
ASSISTANCE ASAP--WILL ACCEPT TIMING AS YOU CAN SCHEDULE  
IT. BRIDGES

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## ANNEX B

## EXPANDED SUMMARY PRESENTATION OF THE POLICY ACTION PROGRAMME

Policy issues	Action already taken	Action to be taken	Date of action
<b>ECONOMIC MANAGEMENT</b>			
MNP to be strengthened	MNP is receiving technical assistance. Experts advise national staff and provide on-the-job training.	Further measures will be taken to build MNP's capabilities for financial and economic analysis.	1985 on
	The Ministry has organized training in the Development Training Institute with special emphasis on national income accounting and project analysis. Courses are geared to the development needs of Somalia and the educational background and experience of the participants.	The Development Planning Institute will train staff in national income accounting, project analysis and programme evaluation.	1986 on
	In July-August 1984 the Ministry also organized training for the senior staff of the executing ministries on plan and programme evaluation. In this connection sectoral working groups have been constituted. Managers of the major projects were trained in project analysis.		
	The National Monitoring and Evaluation Facility has developed methodologies and mechanisms for physical monitoring of project implementation.	Financial and physical monitoring of project implementation will be improved.	1983 on
	The statistical data base for planning has been improved with the updating of data on economic statistics and employment.	Priority will be given to the collection and analysis of agricultural and trade data.	1983 on
	Statistical publications such as national accounts and industrial and trade statistics have been updated.	National accounts data and trade statistics will be updated periodically.	1985 on
Forward budgeting and annually updated P to be prepared.	MNP has produced annual plans for 1984 and 1985 and reviews of the performance of the economy in 1983 and 1984.	The coverage of the national budget will be extended to development expenditures including those financed by external loans and grants.	1985
	Co-ordination has been achieved between the development plan and the national budget.	Co-ordination will be further improved.	1985 on
	PL480 and CIP funds were incorporated in the 1984 development budget.		
	Recommendations of the IIF report on budgeting have been taken into consideration.	Measures to implement agreed recommendations will be taken.	1985 on

	Credit, monetary, foreign exchange and fiscal policies agreed with IIF have been adapted to macro-economic management based on national development planning.		
	A financing plan for the public investment programme has been prepared.	The process will be further improved.	1981
Ministry of Finance to be strengthened.	Steps have been taken to improve financial planning with technical assistance provided to the Ministry of Finance and the Central Bank. Advisers on taxation, loans, commodity imports and budgetary matters joined the Ministry in 1984.	Further measures will be taken to improve financial planning.	
	Advisers from the University and other local organizations work part time to improve fiscal policy formulation and project evaluation.		
Debt Management Unit to be improved.	The unit has been strengthened with the posting of an expert on debt management procedures. A consultancy firm of merchant bankers has also assisted. A system has been set up to monitor developments on public and publicly guaranteed debts. Reporting procedures have been improved to enable compilation of comprehensive and timely data.	Debt service data will be computerized. Procedures will be developed to monitor disbursements, and debt servicing and to ensure timely debt service payments.	1982
Mechanism to be set up to ensure timely debt service payments.	A special meeting of donors was held for the purpose of a gap-filling exercise to deal with the debt service crisis.	Verbal agreements on debt relief will be formalized.	1983
	The Paris Club met and members made commitments of debt relief for Somalia.	Negotiations on debt rescheduling will be opened with Arab countries.	1983
	Debts to special bilateral creditors have been frozen.	Rescheduling will be sought of all other bilateral debt and debts to commercial creditors.	1985
		Arrears in external debt service payments will be eliminated.	As soon as possible
		Government will refrain from contracting or guaranteeing any short or mid-term non-concessional loans (except IIF credits) and will not accumulate any new short-term debt other than normal trade-related credits.	1983 on

Resources Committee to be set up for financial analysis of development projects.	An interministerial committee on plan implementation is charged with monitoring the PIP. While executing ministries and agencies promote and formulate projects, the projects must be approved by the Ministries of National Planning and Finance before negotiations can be finalized on external loans and grants. The Ministry of Finance closely examines the recurrent cost and debt burden implications.	The procedures for project selection will be further improved.	1985 on
A study of recurrent expenditure to be carried out.	A methodology has been devised for forecasting the recurrent costs arising from new projects.  Task forces have been set up to examine recurrent costs arising from projects in agriculture, livestock and fisheries.  Government is seeking to transfer the responsibility for recurrent cost financing of completed production-oriented projects from the development budget to the executing ministries who may oblige these projects to look for funds from their own resources or from the banking system.	Recurring costs will be estimated and provided for in the budget.  Recovery of investment and operating costs through user fees, etc., will be gradually introduced.  The share of budget allocations for economic and social services will be increased and gradually restored to 40 per cent.	1985 on  1985 on
<b>REFORM OF PUBLIC ENTERPRISES</b>			
The Public Investment Evaluation Unit to recommend solutions for public enterprises' problems.	The Unit is receiving technical assistance. It has issued a report identifying public enterprises to be phased out of operation, privatized or retained.	Implementation of the recommendations on divestiture and reform of public enterprises will proceed.	1986 on
The recommendations of the Unit to be implemented.	Boards of Directors were appointed for several public enterprises.  The National Banana Board has entered into a joint venture with a foreign private company.  The agency set up to promote the collection and export of myrrh has been abolished. Its functions are now performed by the co-operatives concerned.  Licensing in the retail pharmaceutical trade has been liberalized.  The distribution trade in petroleum products has been entrusted to a co-operative of transport owners.	Boards of Directors will continue to be appointed for public enterprises.	1985 on

A co-operative union has taken over the management of the ITOP fruit canning factory.

The Afgoi brick plant has been transferred to the private sector.

A management team has been provided on contract for the Kiswayo fish factory.

Uranium and petroleum exploration have been passed on to private companies on the basis of sharing profits with Government.

Lands administered by Government agencies were passed on to participating farmers.

Operational efficiency of state farms to be improved through management contracts.

Management contracts have been awarded for the Fanole, Afgoi-Mordinle, Mogaambo and Genale-Bulo Marerta irrigation projects.

The state farm crash programme and the state Settlement Agency have been transferred to the private sector.

ADC's function and structure to be revised.

The ADC functions now as a price stabilization board.

ADC will also handle the national grain reserve and buffer stocks as well as storage and distribution of agricultural inputs.

Enterprises that show no promise of profitability to be sold to the private sector.

Government invites private sector participation in industries on a joint venture basis.

Unified accounting procedures to be introduced.

A programme to improve financial accountability and unify accounting procedures is under way.

The programme will continue.

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PROMOTION OF PRIVATE SECTOR ACTIVITIES

Private initiative to invest and share in joint ventures to be encouraged.	Industrial and investment policy has been oriented to assist and promote private sector enterprise.  Private sector enterprises are allowed to improve their capacity utilization. Imports of machinery and spares are being assured.	Further encouragement will be provided to the private sector.	1965 on
	The commodity import programmes of the United States, Germany and Italy earmark large amounts for the purchase of essential spares and raw materials for private sector industries.	These measures will be continued.	1966 on
	An investment promotion unit has been set up in the Ministry of National Planning. It is receiving technical assistance.	Private entrepreneurs both national and foreign will be encouraged to enter into joint ventures with Government or other private enterprises in productive sectors.	
	A unit has been established in the Ministry of Industry to promote private investment in manufacturing.		
	A guide for the foreign investor is being prepared.		
concrete framework to be prepared.	Social Development Bank allocates over 50 per cent of its loans to the private sector.	This policy to be continued.	1966 on
	Agro-based and import substitution industries are especially encouraged.		
	Incentives for foreign investors include tax holidays, tax exemption on imports of equipment, and, in appropriate cases, protection of local industry by means of tariff barriers.	Investment licensing requests will be quickly processed.	1966 on
	Agricultural development policy favours private farmers.		
	State farms lease land for cultivation to farmers.		
	Government measures to stimulate livestock production include range improvement, provision of infrastructure, and provision of animal health services to pastoral producers.		

Government is undertaking to improve domestic and export marketing of livestock by providing infrastructure and services.

To encourage small-farm production the availability of inputs and credit has been improved.

New dryfarming methods are being taught to farmers through the extension service.

In irrigated farming areas drainage networks are being installed to stimulate production.

Trade in fish products has been liberalized. Only minimum prices are fixed.

A number of joint industrial fishing ventures have been started.

For artisanal fishing, a subsidy scheme supports private ownership of vessels and gear.

The subsidy will be phased out but loans for equipment purchases will be available through the Development Bank.

✓ CREDIT AND MONETARY POLICIES

Appropriate adjustments to be made in interest rates according to movements in domestic inflation and international interest rates.

The interest rate structure has been revised upwards several times. Interest rates on savings and time deposits are now in a range of 12-10 per cent.

The interest rate structure will be kept under review and adjusted as needed. Positive real interest rates will be achieved.

Measures will be taken to control inflation.

Guidelines to be prepared for credit allocation.

Guidelines have been established giving credit preference to productive and export activities, especially to industries producing food and other essential goods, and industries that save or earn foreign exchange.

The expansion in domestic credit will be held to a reasonable level. money stock.

Increased credit to be made available for agriculture and industry.

Agriculture and industry were favoured in the allocation of credit, but credit to private sector livestock producers was not increased because of the ban on exports.

The allocation of credit to the non-government sector, especially for productive activities, will be increased further. Credit allocation guidelines will be prepared.

Quarterly goals to be specified for credit to the private sector.

Quarterly goals will be specified for credit to productive private and public enterprises and monthly targets for the Government.

The bonus scheme for Somali workers' savings to be maintained.	It has been terminated. A bonus scheme for exports is under study.		
Study to be done on means of increasing the inflow of Somali workers' remittances.	A consultant has been appointed to conduct this study.	Among other measures to increase the inflow of Somali workers abroad, Government is considering modifications in deposit and withdrawal procedures and interest rates in external accounts with a view to attracting deposits from Somali workers abroad.	1985
Banking services to be improved and expanded.	An examination of the banking system is being undertaken with a view to mobilizing savings, improving resource allocation, and generally creating a flexible and responsive financial system.	The study will be completed and implementation of agreed recommendations will begin.	1986
Changes to be made in methods of operation and accounting systems of the Development Bank and the Commercial and Savings Bank.	A consultancy firm is drawing up an advisory report on improvements in banking services.		
Measures to be taken to attract reputable international banks to Somalia.	Foreign banks are welcome to establish branches in Somalia.		1986
Assistance to migrant workers for housing construction to be expanded.	Assistance to migrant workers for housing construction has been increased.		
<b>FISCAL POLICY: a. TAX SYSTEM AND ADMINISTRATION</b>			
Taxation of properties and incomes to be improved. Reform of the income tax system to be undertaken.	Taxation on properties and incomes has been improved significantly. A door-to-door examination of the houses has been carried out. Implementation of income tax reform began. Tax officials are being trained.	Further structural and administrative reforms will be introduced to improve tax collection.	1985

Salaries of staff in the Ministry of Finance have been raised to bring them in line with bank salaries.

A general sales tax to be introduced on all domestic transactions except trade in essential commodities.	A 5 per cent sales tax has been enacted and is being selectively implemented. The tax on imports is collected at the customs zone before goods are released.	The tax will be extended to the wholesale level.	1965
Specific excises to be converted to ad valorem basis.	All specific taxes have been converted to ad valorem taxes.	Government will study means of rationalizing the structure of taxes on international transactions.	1965
Tariff exemptions on imports to be reviewed and appropriate revisions made.	A study has been done on incentives and disincentives for industrial development, including tariffs. The report is awaited.  Tariff exemptions for Government departments and agencies have been eliminated.	Some import duty exemptions will be eliminated.	1965
Existing turnover tax and depreciation charges on public enterprises to be discontinued; a 35 per cent profit tax to be applied.	A fixed profit tax of 35 per cent has been imposed on public enterprises in lieu of the turnover tax and depreciation charges formerly levied.		
Tax administration to be further improved.	Ministries and departments are required to submit quarterly actual revenue statements to facilitate analysis of the pace and level of revenue receipts.	Government will take action to strengthen assessment techniques and procedures.	1965
	Rate structures for electricity and water are under scrutiny.	Steps will be taken to update, classify and standardize ordinary and development revenue and expenditure statements.	1965
Penalties to be imposed for tax evasion and discretionary assessment of liability.	Penalties on evasion of property taxes have been increased. The 'concordato' system of negotiating tax liability has been abolished.		

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FISCAL POLICY: C. EXPENDITURES

Average growth rate of expenditure on general administration to be limited to 1 per cent per annum.	Expenditure on general services was 32 per cent higher in 1954 than in 1953 in nominal terms, which means a reduction in real terms.	Expenditure on general services will be reduced in real terms.	1955
A study to be undertaken of the structure and magnitude of Government budget	The relationship between recurrent and investment expenditure in the Government budget is being scrutinized.	Steps will be taken to raise provision for recurring costs.	1955
A realistic level of recurrent budget allocations for ongoing and new projects to be determined.	Guidelines have been issued for calculating the recurrent costs arising from new investment.  As a measure to reduce the number of government employees incentives are offered for early retirement.	Productive public enterprises will finance recurrent costs from their own resources.  Total expenditure will grow at about one-third the rate of receipts. Non-wage current expenditures will be cut in real terms through strengthening of expenditure controls.	1955 on  1955

PRICE POLICIES

Price policies to be liberalized further so as to bring prices into closer relationship with market trends.	Price policy has been reoriented taking into account the cost of production and changes in international commodity prices.  Thirty per cent of the food imported under F1480 is sold at auction to private traders.	Consumer price subsidies will be selectively phased out. The price structure for basic and sensitive commodities will be kept under surveillance to ensure that the public is not subjected to undue hardship.	1955 on
An appropriate mechanism to be established to review and adjust agricultural prices on a continuing basis.	Minimum guaranteed prices for agricultural products have been introduced. Farmers may sell their products at market-determined prices.  Fixed prices for fish have been abolished. An auction system has been introduced under which the co-operatives sell their fish catch to the highest bidder.	Government will consider establishing a review mechanism for agricultural prices.	1955
State manufacturing enterprises to be allowed to cover adequate prices for their inputs and sell at market prices.	The managers of state manufacturing enterprises now have greater autonomy regarding prices they pay for inputs and the prices of their products.	Operations will be increasingly on a commercial basis.	

A study to be undertaken of the National Banana Board with a view to reducing export costs.	The Board has entered into a joint venture with a private foreign company, which has also become a shareholder in the factory that makes packaging materials for banana exports.	Strict measures will be taken to ensure that all export revenues are credited to Sonali bank accounts.	1985
---	--	--	------

Banana export markets have been diversified.

Banana producers to receive adequate price incentives.	Banana production has increased as a result of higher producer prices, heavy investment, improved shipping arrangements and better marketing.
--	---

A study of crop-related water charges to be carried out.

The study will be carried out. 1985

Cost recovery measures for irrigation water and other Government services will be introduced. 1985

#### WAGE AND EMPLOYMENT POLICY

A cost-of-living increase of 10 per cent to be granted annually.	The cost-of-living increase was not granted for lack of funds.
--	--

Appropriate increases will be granted. 1985 on

A study to be undertaken of the structure of salaries and wages and other incentives in the public and private sectors.	A detailed report on the civil service has been completed. A study of incentives and disincentives for industrial development has been done; the report is awaited.
---	---

The number of Government employees will be reduced. Those who leave Government service will be absorbed in the productive sectors. 1985 on

Recruitment of Government personnel to be on a selective basis.	The guarantee of public service employment to secondary school leavers was terminated.
---	--

Some civil service posts have been eliminated. Persons whose positions were abolished have been offered farmland. Government is also promoting employment opportunities in the private sector.

The Ministry of Labour has undertaken a survey of the manpower situation in Government and the public enterprises.

A detailed macroeconomic study on employment, emphasizing vocational training needs, has been completed.

TRADE AND FOREIGN EXCHANGE ALLOCATION

- |   |  |   |
|---|--|---|
| High priority to be given to imports of essential commodities and those promoting economic development. | Government accords priority to imports of food, raw materials, spare parts, and equipment for the productive sectors. In 1984 85 per cent of all imports financed from official foreign exchange holdings were in these priority categories. |   |
| A study of livestock marketing to be undertaken.  | An agreement to finance the study has been signed.   | Agreed recommendations of the study will be implemented. 1985   |
| The magnitude of underinvoicing to be examined.   | A surcharge is now levied on the invoiced value of livestock exports to offset underinvoicing.   |   |
| A committee to be established to prepare the annual foreign exchange budget.                            | A committee of foreign exchange management and Government procurement has been established. The Minister of Finance is chairman and members are the Minister of Commerce and the Governor of the Central Bank.                               |   |
| National Trading Agency's monopoly over the imports of certain items to be curtailed.                   | The Agency now deals only with food aid imports.   |   |
| The issuance of letters of credit to be allowed.  | Letters of credit are being issued to private importers.   |   |
|   |  | Import accounts denominated in foreign exchange will be established. 1985   |
|   |  | External accounts will be liberalized. The deposits in these accounts may be used for import purposes or sold at a rate negotiated between buyer and seller. 1985 |

ANNEX C

USAID/SOMALIA  
 QUARTERLY FINANCIAL REPORT  
 AS OF DECEMBER 31, 1985

Project 677-0122 Policy Initiative & Privatization

LDR Funding \$2,500,000  
 Obligated \$2,500,000  
 PAEE 3/31/87

PROJECT OFFICER: MIKE HUSTON

DOCUMENT OBLIGATED UNREMARKED EARNMARKED COMMITTED DISBURSED UNLIQUIDATED ACCRUALS PIPELINE REMARKS

DOCUMENT	OBLIGATED	UNREMARKED	EARNMARKED	COMMITTED	DISBURSED	UNLIQUIDATED	ACCRUALS	PIPELINE	REMARKS
03 PRO/MS 03-7 dtd 9/29/83	2500000								
I LONG TERM TECHNICAL ASSISTANCE									
PIG/T 30021 cont 4029 H.Huston		243950	231491	107928	121565	6000	128022		
PIG/T 30023 cont 4030 ICTI		243950	243950	162444	81506	14400	65106		
PIG/A 30043 Audit cont 4037		34876	20000	18549	1451	0	16327		
PIG/A 30075 TIPCO									
		616327	616327	0	616327	130000	486327		
Contig 30042 cont for physician		3150	3150	0	3150	0	3150		
Various TAS		1623	1623	1623	0	0	0		
TOTAL BY ELEMENT	1143076	0	1143076	1116541	292544	823997	152400	679732	
II SHORT TERM TECHNICAL ASSISTANCE	1050124	1845							
PIG/T 30023 cont 4030 USFI		19063	19063	0	19063	0	19063		
PIG/A 30075 TIPCO		24063	241533	0	241933	0	24063		
PIG/T 30074 Beckwith (102150 + 40000 PDU) + TA		150692	151750	23110	128640	3500	123532		
PILG 12 Pca Consult		17613	17613	0	17613	0	17613		
PIG/T 30057 AIR SURVEY & DEVELOPMENT		16600	16600	0	16600	10000	5600		
POB 06-017 ISPI (STUDY TOUR)		17090	17090	0	17090	17200	690		
MS 04-011013		5034	5034	500	4534	0	4534		
PIG/T 30027 HEP cont 3085		25000	25000	0	25000	25000	0		
PIG/T 15 PDS 05-119 ATA		25000	25000	23600	1400	0	1400		
PIG/T 30039 cont. 4023 J.Scocida		29240	29240	29240	0	0	0		
PIG/T 30057 Kay Rader cont. 3037		48714	48707	15357	33350	3400	24957		
PIG/T 30072 HHD cont. 4070		77840	77840	0	77840	0	77840		
P Order 05-140 RUSD		1925	1925	1558	367	0	367		
PIG/T 30032 Hailstreet Journal		538	538	538	0	0	0		
PIG/T 30061 ERI International		30000	29959	0	29959	0	30000		
Oblig. 30092 H.Cohen POB 05-026		1797	1797	0	1797	0	1797		
PIG/T 30001 Int. Group for Finc. & Consult.		94300	94300	0	94300	88000	26300		
Various PO for IOB Teaa support		4072	4072	4072	0	0	0		
PILG 6 Alan Risinger		13100	13100	3620	9480	0	9480		
Closed TA Contracts & P Orders		34021	34021	34021	0	0	0		
Adjusted Earmarking by PILG 16		4764	0	0	0	0	4764		
TOTAL BY ELEMENT	1050124	1845	1048279	1035252	136436	898816	126900	786788	
III STUDY & OBSERVATION TOURS	51000	962							
TA 05-015 & 015A M.Cedi Mohamed		5314	5314	857	4457	0	4457		
TA 05-014 & 014A Shukri Ahmend		5314	5314	857	4457	0	4457		
PIG/P 30059 Ahmed M. Mumin & Y.Y. Issa		25728	25728	25728	0	0	0		
TA BKD 680-85-050 MonLeza Snyder		2957	2957	1734	1173	0	1173		
PIG/P 30040 Aldin Sh. Mohamed		9920	9920	9620	0	0	0		
TA ken 05-150 Louis Rolle (IESD)		830	830	324	506	0	506		

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FILE 16		75	0	0	0	0	75
TOTAL BY ELEMENT	51000	962	50038	49763	39370	10593	10168
IV LOGISTIC & SUPPORT COST	255000	1156					
PIG/C 30022 (FSU) Consultant by various documents			165090	106121	76003	27318	86197
POB 05-092 Print bills & services ONRA			16984	10934	5908	5076	5076
PO 05-093 Export Trading Co Ltd			11600	11600	9956	1644	1644
FILE 8, 11 & 13 (FSU)			42244	39149	10223	28525	32021
FILE 16 (41,000 T.Fair, \$20,000 LID supplies & 116 adj)			21016	25000	0	24000	20016
TOTAL BY ELEMENT	255000	1156	253844	191033	104890	86763	144754
TOTAL PROJECT 449-0132	2500000	3443	2495037	2393219	573240	1020369	1643450
I TOTAL LT TECH ASSIST	1143076	0	1143076	1116541	292544	823997	152100
II TOTAL ST TECH ASSIST	1050124		1048279	1035282	136436	698216	126000
III TOTAL STAFF & OBSER. TOURS	51000	962	50038	49763	39370	10593	10168
IV TOTAL LOG & SUPPORT	255000	1156	253844	191033	104890	86763	144754

## CY 1986 PIP Local Currency Budget

A. <u>Operating Expenses</u>		(000)
1.	<u>Consultants, evaluation</u> <u>Short term TA local hire</u>	<u>6,500</u>
-	Consultancy and project evaluations	6,000
-	Translations	600
2.	<u>Training &amp; Seminars</u>	<u>3,560</u>
-	instructors (40,000/mo)	1,800
-	office support (10,000/mo)	360
-	supplies/room rental	1,400
3.	<u>Private Association Assistance</u>	<u>3,040</u>
-	Assoc. staff (20,000/mo)	1,440
-	financial/commod. asst.	1,600
4.	<u>Business Outreach</u>	<u>1,580</u>
-	outreach staff (20,000/mo)	1,080
-	supplies/support costs	500
5.	<u>Other Expenses</u>	<u>25,500</u>
-	vehicle fuel	800
-	printing	2,000
-	travel/per diem	10,000
-	FSU support	12,700
	Sub total	<u>40,280</u>

B. <u>Capital Expenses</u>		
-	Chamber of Commerce equip/rms	5,000
-	construction	11,648
-	vehicle - local purchase	<u>4,000</u>
	Grand total	<u>61,128</u>

SOMALIA POLICY INITIATIVE AND PRIVATIZATION  
SCOPE OF WORK FOR  
PRIVATE SECTOR ADVISOR

Nature and Scope of Work:

The Private Sector Advisor provides advice and support in promoting the development and growth of the Somali private sector. The advisor will focus his/her attention on the policy, legal and regulatory constraints which hinder private economic activity. The major program objectives are:

- to promote a favorable investment climate;
- to promote a free trade environment for both local and foreign trade;
- to assist in the organization of the local business community;
- to facilitate the privatization of selected state-owned enterprises, in accordance with decisions taken by the Government of Somalia.

The Private Sector Advisor will operate from a base within the Ministry of Commerce, but the advisor will also work in cooperation with other ministries and private sector associations in order to integrate their independent actions into achieving the overall program objectives. In particular, the advisor will consult with the Chamber of Commerce and other private trade associations.

Duties:

1. Assist the Ministry of Commerce in developing an investment promotion program and make recommendations which will facilitate the entrance of foreign firms into the Somali market.
2. Arrange for the technical expertise to private businessmen provided by the Policy Initiative and Privatization Studies Project.
3. Develop contacts with Somali Government officials, representatives of the private sector, and other advisors from international organizations in order to ensure the coordination of private sector development activities.
4. Identify potential new products, markets and investors.
5. Make proposals concerning all forms of incentives and promotional activities for the development and encouragement of entrepreneurial activity, including the preparation of promotional literature, manuals and guidelines.
6. Help to establish and maintain a suitable register of private companies and a system for the regular collection of data on their operations.
7. Help develop and implement specific proposals for the reorganization of the Chamber of Commerce.
8. In consultation with the GSDR, develop specific proposals for more liberal import and export licensing procedures.
9. Develop specific proposals which identify potential investment opportunities for presentation to foreign firms.

Annex G

PIP Evaluation Interviews

The following people were interviewed during the course of the PIP project evaluation, 12 - 23 January 1986.

Person	Title	Office
Lou Cohen	Director	USAID/Somalia
Gary Nelson	Deputy Director	USAID/Somalia
Loring Waggoner	Program Officer	USAID/Somalia
Meredith Scovill	Program Economist	USAID/Somalia
Ed Birgells	Project Development Officer	USAID/Somalia
Mike Bradley	Controller	USAID/Somalia
Hazel McPherson	Program Sociologist	USAID/Somalia
Hussein Siad	Program Assistant	USAID/Somalia
Mohamed Sherriah	Program Assistant	USAID/Somalia
Judy Beckwith	Advisor	Min Finance
Mike Huston	Advisor	USAID/Somalia
Kay Rader	Advisor	Min Industries
Hussein Alabi	Permanent Secretary	Min Planning
Abdulahi Sheik Mohamed	Director General	Min Planning
Sharif Abubakar Hassan	Dir., Private Enterprise	Min Industries
Abdurahman Mohamed Yusuf	Dir., Foreign Trade	Min Commerce
A.A. Subrie	Dep. Dir., Foreign Trade	Min Commerce
Abdi Ali	Director, CIPL Unit	Min Finance
Mohamed Ibrahim Egal	President	Chamber of Commerce
Salvatore Schiavo-Campo	Resident Representative	MF

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"PROJECT DEVELOPMENT ACTIVITIES"

Activity Number	Planned Activity	Completion Date	Expected Results	Level of Effort
	<b>I. ADMINISTRATIVE SUPPORT AND CONTRACT DIRECTION</b>			
1	TIPCO/ASI will prepare a Project Development Plan		Project Development Plan submitted to USAID/Somalia for review and comment.	
2	USAID/Somalia submits to TIPCO/ASI all suggested Plan modifications or new inclusions.		All USAID/Somalia suggested modifications or new inclusions incorporated into the final Project Development Plan.	
3	TIPCO/ASI to provide office facilities for project support in Washington, D.C. and in Mogadishu, Somalia		All necessary office facilities for project support in Washington, D.C. and in Mogadishu in place.	
4	TIPCO to provide a full time Proj. Director.		Project Director assigned.	
5	ASI to provide an Assistant Director.		Assistant Project Director assigned.	
6	Maintain continuous contact and reporting requirements by: <ul style="list-style-type: none"> <li>o travel to Mogadishu;</li> <li>o utilizing TIPCO/ASI's in-house TELEEX;</li> <li>o international courier services;</li> <li>o international telephone link;</li> </ul>		TIPCO/ASI, Washington to TIPCO/ASI/Somalia to USAID/Somalia maintain contact on-going basis: <ul style="list-style-type: none"> <li>o travel to meet specific projects</li> <li>o TELEEX reports, as needed basis.</li> <li>o TELEEX use to facilitate speed of communication when required.</li> <li>o contractual agreement with international courier established, to be used on an as needed basis.</li> <li>o policy and procedures covering use of international telephone link in place.</li> </ul>	

PROJECT DEVELOPMENT ACTIVITIES

Activity Number	Planned Activity	Completion Date	Expected Results	Level of Effort
7	TIPCO/ASI to provide resident staff in Somalia consisting of: -Project manager -Project Accountant -Project Secretary -Two (2) Drivers -Project Messenger -Housing Director -Housekeeper(s) -Cook(s) Guard(s)  II. CONSULTANTS		Full complement of staff hired.  -Project Manager hired -Project Accountant hired -Project Secretary hired -Two (2) Drivers hired -Messenger hired -Housing Director hired -Housekeeper(s) hired -Cook(s) hired Guard(s) hired	
8	USAID/Somalia will identify and request a variety of macro-economic or policy studies.		USAID/Somalia will submit request to Reg. Project office to be transmitted to TIPCO/ASI Washington which will respond within the contractual required times.	
9	USAID/Somalia may wish to provide specialized training to certain ministries and agencies.		USAID/Somalia submits to TIPCO/ASI a list of preferences as to which ministries and agencies are to receive specialized training.	
10	TIPCO/ASI will coordinate with USAID/Somalia and SOMIAD to avoid duplication in training efforts.		Initial meeting to differentiate level of organizational involvement will have taken place.	
11	TIPCO/ASI will provide consultants to assist privately owned Somali businesses.		TIPCO/ASI's response capability is supported by an authorized consultant roster and will locate, nominate and facilitate consultants assistance to Somali businesses.	

## PROJECT DEVELOPMENT ACTIVITIES

Activity Number	Planned Activity	Complete Date	Expected Results	Level Effort
12	TIPCO/ASI request USAID/Som. Project Officer to provide criteria for determining when the use of the six-day workweek is authorized.	1	USAID/Somalia Project officer provides criteria for authorization of the use of the six-day workweek.	1
	III. DEVELOP A ROSTER OF CONSULTANTS			
13	<p>TIPCO/ASI will develop and maintain a roster of qualified consultants with specializations similar to the following:</p> <ul style="list-style-type: none"> <li>o Economics</li> <li>o Industrial and chemical engineering</li> <li>o Small business management</li> <li>o Trade and investment promotion</li> <li>o debt and equity financing</li> <li>o Agribusiness</li> </ul>		TIPCO/ASI's roster of consultants in place to provide consultants to project in all areas identified in the scope of work.	

PROJECT DEVELOPMENT ACTIVITIES

ANNEX H

Activity Number	Planned Activity	Completion Date	Expected Results	Level of Effort
14	Provide a core of consultants to satisfy the general areas listed in item 13.		Core of possible consultants to respond to areas and activities referred to in item 13 available to the project.	
15	TIPCO/ASI will design a technical assistance request form.		Technical assistance request form submitted to USAID/Somalia for approval.	
16	USAID/Somalia review and approve technical assistance request form and notify TIPCO/ASI.		USAID receives notification of approval of technical assistance request form.	
17	Submit to USAID/Somalia detailed policies and procedures for TIPCO/ASI's response to request for technical assistance and economic studies for the Somali private sector.		Policies and procedures for responding to USAID/Somalia request for consultants for technical assistance and economic studies in place and available for use.	
18	Provide consultant briefing and program orientation in Washington, DC before travel to Mogadishu.		Consultants will be more than adequately briefed as to the overall program activities in Somalia as well as to the consultants' contractual responsibilities.	
IV. PRIVATE SECTOR MINING				
19	Examine the business development seminar as a method of motivating private sector business development.		Present to USAID/Somalia, for review and comment, the concept of the business development seminar as the most appropriate method to be used to provide motivation and understanding to the Somali businessmen and other appropriate parties in the area of sound private sector development.	
20	TIPCO/ASI performs an assessment of Somali private sector training needs.		Report submitted to USAID/Somalia of Somali private sector training needs.	

TIPCO, INC.

## PROJECT DEVELOPMENT ACTIVITIES

ANNEX H

Activity Number	Planned Activity	Complete Date	Expected Results	Level of Effort
21	Develop alternative formats and budgets for training a pilot group of businesses.		Alternative formats and budgets for training a pilot group of Somali businesses submitted to USAID/Somalia.	
	V. GUEST HOUSE FACILITIES AND CONSULTANT SUPPORT			
22	TIPCO/ASI will develop an information briefing packet on Somalia's religious and social customs to be delivered to each consultant before his/her arrival for briefing in Washington, DC.		The information packet will be submitted to USAID/Somalia for review and approval.	
23	Acquire, westernize, furnish and maintain guest quarters for a minimum of six (6) consultants at any period of time in Mogadishu.		Guest house furnished in accordance with USAID standards and available for occupancy.	
24	Arrange for consultants' travel and accommodations when work is outside of Mogadishu.		Travel arrangements will be made for consultants' travel and accommodations when work is outside of Mogadishu.	
25	Arrange meetings with Somali government officials, USAID, PVE's and other agencies for consultants conducting special studies at USAID/Somalia request.		TIPCO/ASI/Somalia will arrange meetings for consultants with Somali government officials, USAID, PVE's and other agencies as requested by USAID/Somalia.	
26	Provide separate office facilities which include telephone, copying, secretarial, messenger service and work space, in Mogadishu, for use by the consultants.		Separate office facilities for use by consultants in place and available for use.	
27	Recruit, conduct reference checks and provide list of potential local consultants to USAID/Somalia.		List of potential local consultants submitted to USAID/Somalia on as-needed basis.	

TIPCO, INC.

PROJECT DEVELOPMENT ACTIVITIES

ANNEX H

Activity Number	Planned Activity	Completion Date	Expected Results	Level of Effort
8	Acquire and ship two(2) new four-wheel drive vehicles of U. S. manufacture, with an adequate supply of spare parts.		Two(2) four-wheel drive vehicles with spare parts acquired and shipped to Mogadishu.	
9	Provide port clearing and vehicle preparation for consultants' use.		Vehicles cleared from port and prepared for consultants' use.	
10	TIPCO/ASI to arrange for fuel supplies for project vehicles at contract expense.		Contractual arrangements, suppliers, storage of fuel supplies for project vehicles for life of project in place.	
VI. REPORTING REQUIREMENTS				
1	TIPCO/ASI will provide USAID/Somalia with quarterly progress reports.		Quarterly reports will be submitted to USAID/Somalia fifteen(15) days after the end of each quarter.	
1a	First Quarter		First Quarterly Report submitted.	
1b	Second Quarter		Second Quarterly Report submitted.	
1c	Third Quarter		Third Quarterly Report submitted.	
1d	Fourth Quarter		Fourth Quarterly Report submitted.	
2	TIPCO/ASI will provide written summary reports for each short-term consultant used under this contract.		Summary reports for each short-term consultant submitted to USAID/Somalia (postmarked) fifteen(15) days after consultants' completion of assignment.	
3	Consultant will provide the USAID/Somalia with weekly oral progress reports.		Consultant reports to USAID/Somalia Project Officer at weekly intervals from date of consultant's arrival in Mogadishu.	

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## PROJECT DEVELOPMENT ACTIVITIES

Activity Number	Planned Activity	Completion Date	Expected Results	Level of Effort
34	Somali business clients will be requested to submit a mid and ending assessment memorandum on consultants' effectiveness.		Somali business clients submit mid and ending assessment memorandum on consultants' effectiveness, due five (5) days after each interval.	
35	TIPCO/ASI will design a Consultant Assessment Effectiveness Form for distribution to Somali business clients.		Consultant Assessment Effectiveness Form ready for distribution.	
IVII. USAID SUPPLIED SUPPORT				
36	USAID will provide use of diplomatic pouch in accordance with State Department regulations.		Procedures for use of diplomatic pouch by TIPCO/ASI staff fully explained to the necessary parties.	
37	USAID/Somalia will provide use of commissary for guest house provisions.		Procedures for access of appropriate TIPCO/ASI staff to commissary privileges completed.	
38	USAID will provide duty free privileges under current US/GSDR agreement.		USAID/Somalia will notify all required GSDR of TIPCO/ASI's duty free status.	
39	USAID/Somalia will pay TIPCO certain in-country contractual costs including shillings.		Procedures on payment of TIPCO for in-country contractual costs submitted and approved by USAID/Somalia.	

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MEMORANDUM

March 11, 1986

TO: Mr. E. Birgells, PROJ  
FROM: Loring A. Waggoner, PROJ *LAW*  
SUBJ: ISTI Work Program for Remaining Funds

Excluding a separate estimate of \$100,000 for Cleveland Thomas, there is about \$124,000 remaining in ISTI's budget for 1986.

For illustrative purposes this might be programmed as follows:

Date	
1986 summer	\$50,000 6 study/observation/seminar tours
ASAP	\$10,000 Word processor (Chamber of Commerce)
ASAP	\$40,000 Banking Study (Chamber of Commerce)
ASAP	\$10,000 Information Services (Chamber of Commerce)
ASAP	\$14,000 Misc. commodities

F  
ANNEX 2

SOMALI MANAGEMENT TRAINING AND DEVELOPMENT PROJECT  
(649-0119)

Scopes of Work for Technical Advisors

1. Long-Term Advisor to the Ministry of Labor and Sports (MLS)
  - A. Major Responsibilities:
    - Serve as advisor/counterpart to the Permanent Secretary.
    - Assist in effective implementation of Civil Service Reform.
    - Develop a computerized data base covering the education, technical skills, compensation, and patterns of career development of all civil service employees.
    - Develop systems whereby other ministries/organizations can use Ministry of Labor and Sports data and program for human resource planning, policy formulation, and policy analysis.
  
2. Long-Term Advisor to the Permanent Secretary of the Ministry of Finance
  - A. Major Responsibilities
    - Serve as advisor/counterpart to the Permanent Secretary
    - Assist in the collection and analysis of statistical data on public finance in Somalia
    - Evaluate the impact of financial policy on the national economy and on consumer prices
    - Recommend improvements in central government budget procedures
    - Assess the accounting systems of the banks, with particular attention to the timing and flow of information, reporting, and inspection
    - Develop operational guidelines for improved bank management systems, with emphasis on simplicity and suitability
    - Identify specific organizational changes which may be required to implement an improved system in both the banks and the ministry

(Note: Subsequent to the signing of the SOMTAD Project Agreement, the GSDR split the former Ministry of Finance into two separate ministries -- a Ministry of Finance, generally responsible for administration of foreign grants and loans, national budgeting and financial resources allocation, and administration of financial institutions; and a Ministry of Treasury, generally responsible for collection of taxes and making financial policy decisions. There has, however, been no public announcement of specific, detailed roles.)

3. Long-Term Advisor to the Ministry of Treasury (MOT)

A. Major Responsibilities

- Serve as advisor/counterpart to the Permanent Secretary
- Assist in GSDR efforts in the collection and monitoring of both direct and indirect taxes. Specifically:
  - (1) Setting rates for taxes on domestic income and properties.
  - (2) Setting taxes on imports.
  - (3) Improving methods of tax collection.
  - (4) Setting a computerized data base to improve the administration and control of tax collection.
- Assist in improvement of the system on fiscal policy decision making.
- Assist in definition of the ministry's role, and in training personnel to function effectively in their new positions.
- Establish the computerized data base necessary to establish an adequate tax system.

4. Long-Term Advisor to the Ministry of Industry and Commerce

A. Major Responsibilities

- Serve as advisor/counterpart to the Permanent Secretary
- Develop a system for reviewing legislation, regulations and policies affecting business and industry
- Identify those business/manufacturing ventures whose further development would generate a positive effect on the national economy
- Establish a system of uniform quality standards and effective measurements of those standards for manufacturing organizations
- Assist the WMTU in determining the special training needs in private industry, and assist in the establishment of in-service training courses to meet those needs
- Develop a system to improve industrial/business organization, especially in information processing and management reporting
- Assist in speeding the process of divestiture of selected parastatal organizations, and preparation of those selected for that process for smooth entry into the private sector.
- Develop, where possible, an understanding of the importance of labor organization, as an independent entity, in the private sector

6. Long-Term Advisor to the Ministry of National Planning (MONP)

A. Major Responsibilities

- Serve as advisor/counterpart to the permanent secretary
- Identify policy and program implications from available human resource development data
- Help integrate manpower-supply and demand data from the Ministry of Labor and Sports into ongoing planning, policy and policy dialogs of the GSDR
- Train ministry staff to perform necessary data analysis and interpretation tasks, policy analysis, and program development tasks
- Develop an appropriate computerized data base of planning information that can be used government-wide in policy formulation

7. Long-Term Advisor to the Ministry of Interior (MOI)

A. Major Responsibilities

- Serve as advisor/counterpart to the Permanent Secretary
- Develop methods for improving regional and municipal administration
- Assist in development and implementation of strategies to improve communications between the central government and other parts of Somalia
- Develop regional and municipal regulations favorable to the development of private enterprises
- Assist in the improvement of policy analysis capabilities, with special emphasis on regional equity in resource allocation
- Develop a comprehensive computer data collection, storage, retrieval and analysis system that will allow the ministry to remain current on all important activities in the regions