PD-AAY-616

AN EVALUATION OF THE UNITED STATES GOVERNMENT'S TITLE I FOOD AID PROGRAM TO SOMALIA

USAID MISSION TO SOMALIA
MOGADISHU, SOMALIA
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Forward/Acknowledgements

This report is based on the findings of a series of consultantcies conducted between September 1983 and March of 1984. In September 1983 REDSO's Nancy Metcalf drafted the evaluation Scope of Work, and later that fall Jon O'Rourke, also of REDSO, completed a study of the impact of the Title I program on Somalia's food marketing systems. Susan Buchanan of USDA's Economic Research Service reviewed Somalia's agricultural sector, and in January 1984, James Mudge of AID/W's Africa Bureau examined Somalia's overall Balance of Payments with particular reference to Somalia's ability to finance food imports on a commercial basis in the absence of Title I food aid. Later Jon O'Rourke returned to Mogadishu to (a) assess the GSDR's and USAID Missions' management of the operational aspects of the program, (b) review the development impact of the program, and (c) assemble the attached report for the Mission.

Those in the USAID/Mission who provided direction to the evaluation and/or made significant contributions to the final report include:

- Mr. Louis Cohen, Mission Director
- Mr. Gary Nelson, Deputy Mission Director
- Mr. Akim Martinez-Reboyas, Program Officer
- Mr. Fred Witthans, Program Economist
- Mr. Gerald Neptune, Agriculture Development Officer
- Mr. Frank Pavich, Refugee Officer
- Mr. Girard LaBombard, Supply Management Officer
- Mr. Paul Daley, Economic Counselor, U.S. Embassy

Lack of data or conflicting data plagues any evalution, but it was a particular problem for this one. Somalia has no national income accounts, for example, and there is very little written on Somalia's food marketing systems. Agriculture production data is very weak and not disaggregated. Many observations in this report, therefore, have little empirical base, and caution was used in making generalizations and drawing conclusions.

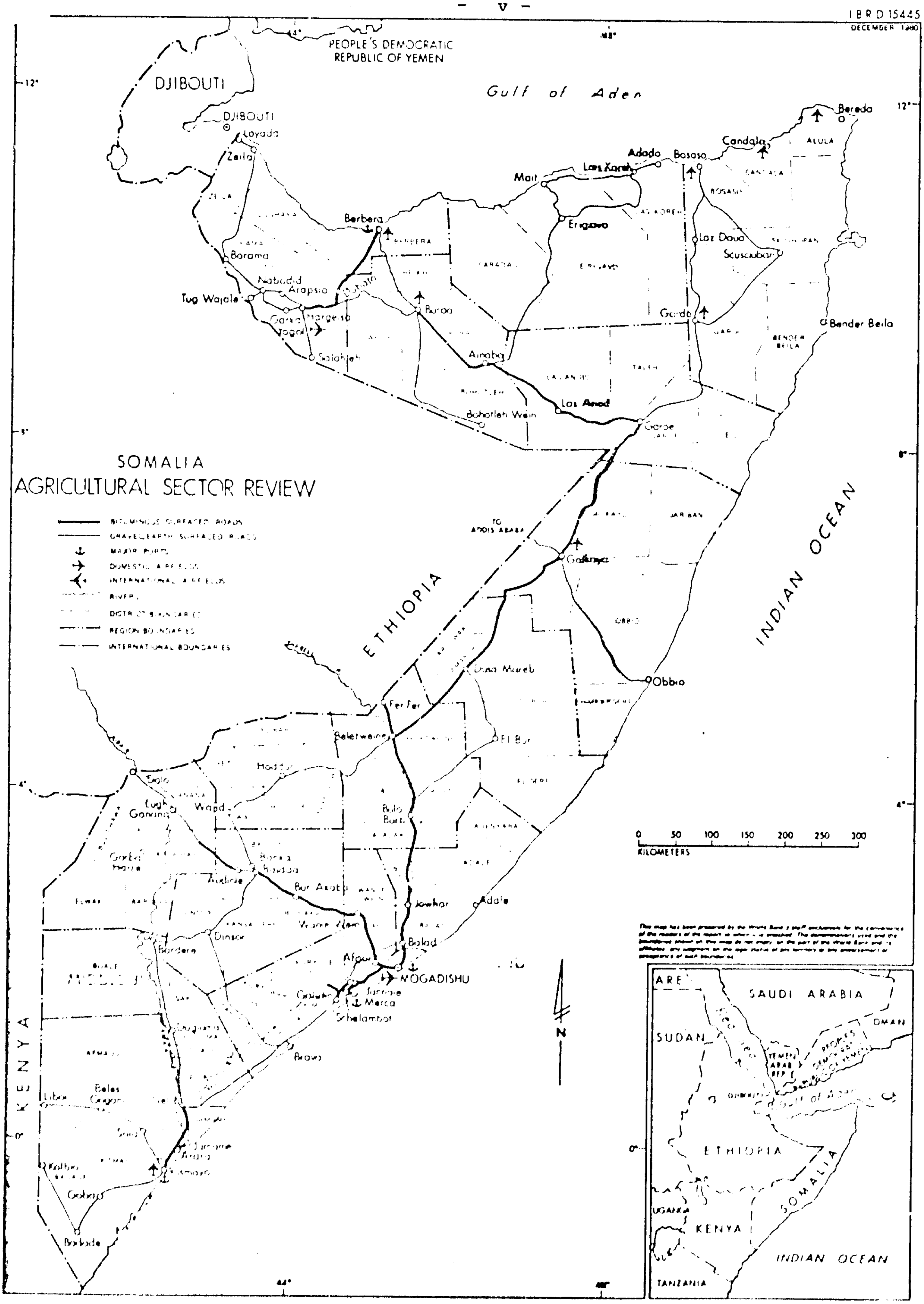
As noted, above, the evaluation was conducted by several AID/W, USDA, REDSO, and USAID persons, but these officers never met in one place at one time. The report therefore does not reflect all the nuances of views of each team member let alone their stylistic preferences, but it does fairly represent a synthesis of the contributors' major findings, conclusions and recommendations. This report, therefore, will serve as a reference point for future PL-480 loan programs in Somalia.

Finally the report would never have reached its present form without the typing assistance of USAID/Somalia's Rural Development/Refugee staff and REDSO's Betty Kagai, Sarah Okoth and Alice Aduol. Their hard work, patience, and good humor are gratefully acknowledged.

GLOSSARY

ABS	-	Annual Budget Submission
ADC	-	Agricultural Development Corporation
Ambullah	-	Local preparation of sorghum and maize
Anjello	-	Local preparation of sorghum
Bakkar	-	Village underground foodgrain storage depot
B/L	-	Bill of Lading
CDSS	-	Country Development Strategy Statement
CFF	-	Compensatory Financing Facility
CIPL Unit	-	CIF and PL-480 Local Currency Management Unit
DA	-	Development Assistance
EFF	-	Extended Fund Facility
ESF	-	Economic Support Fund
ENC	-	National Trading Agency
FFPO	-	Food for Peace Officer
Garowo	-	Local preparation of sorghum
GDP	-	Gross Domestic Product
GSDR	-	Government of the Somali Democratic Republic
GSP Account	-	General Shillings Proceeds Account
IMF	-	International Monetary Fund
Jididi	-	Local preparation of sorghum
L/C	-	Letter of Credit

PL-480	-	Public Law 480
PSC	-	Personal Services Contract
PVO	-	Private Voluntary Organization
Sabaayad	-	Local preparation of maize
SRSP	-	Somali Revolutionary Socialist Party
Soor	-	Local preparation of maize
SDR	-	Special Drawing Rights
WB	-	World Bank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AGRICULTURAL SECTOR REVIEW
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PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN
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Gulf of Aden
ETHIOPIA
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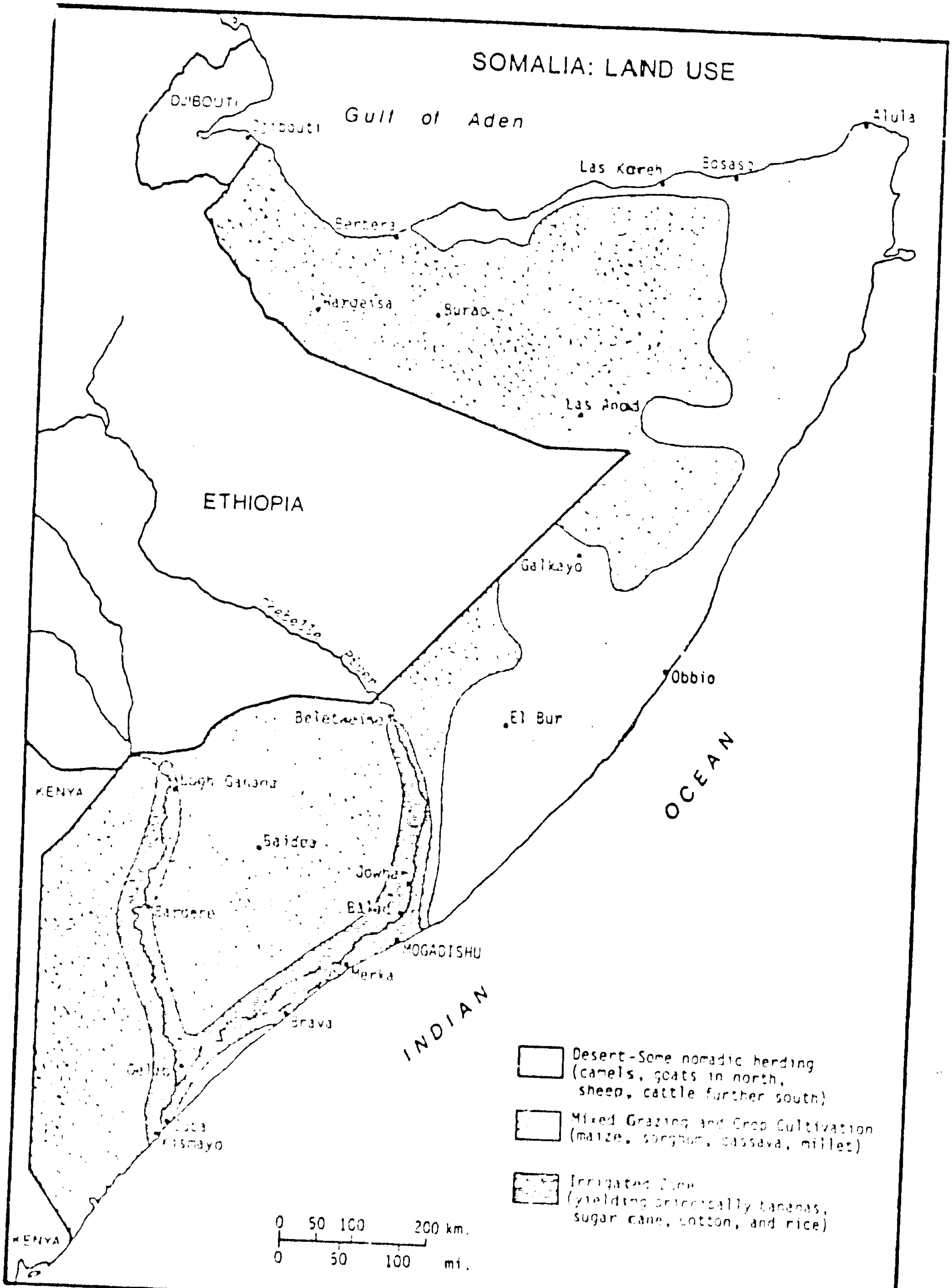
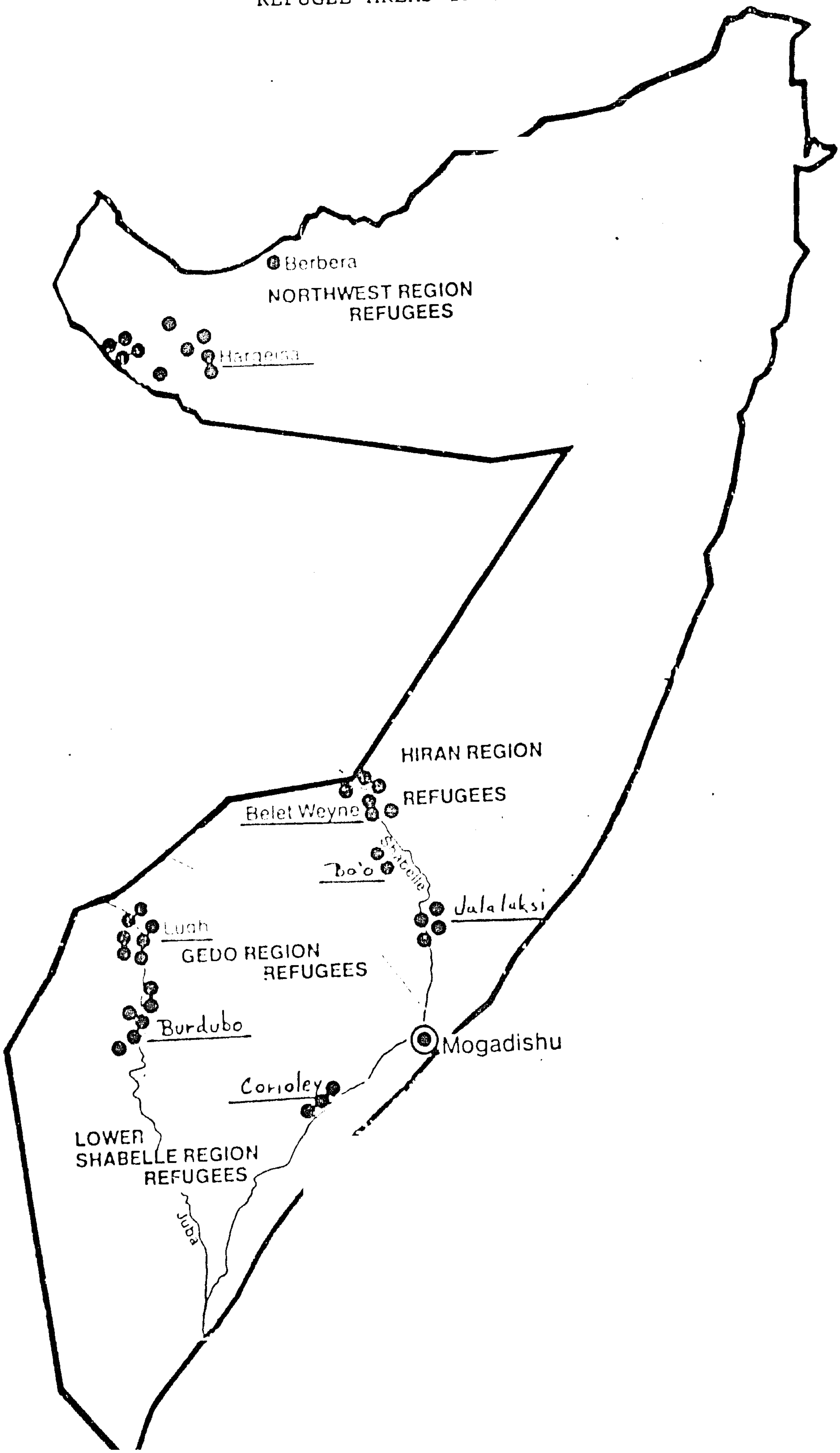


SOURCE: Murray 1982

REFUGEE AREAS IN SOMALIA



I. Introduction

Public Law 480 legislation mandates four major objectives for Title I food aid loans;

- "to develop and expand export markets for United States agricultural commodities;

- to use... (the food aid)... to combat hunger and mulnutrition;

- to encourage economic development...

- to promote in other ways the foreign policy of the United States."

Because of these multiple objectives and because Title I programs interact in several ways with the recipient country's overall economy, an evaluation of any Title I program presents special problems of methodology, analysis and scope in addition to the usual constraints of time, resources and insufficient data. This evaluation was no exception. To limit the scope of the evaluation it was decided to focus primarily on the extent to which the $96 million of Title I food aid loans between 1978 and 1983 contributed to economic development, particularly its impact on Somalia's food and agricultural sector

The evaluation does not ignore altogether the market development, surplus disposal and foreign policy objectives of the PL-480 agreements, but examines only the extent to which these objectives either contributed to, or detracted from success in achieving PL-480's economic development objective.

The report begins with an overview of Somalia's physical, social, political and economic setting with special reference to economic trends since 1975, the foodgrain marketing system and Somalia's development potential in the agriculture sector. This is followed by a brief history of the Title I program in Somalia since 1978 and an assessment of USAID and GSDR operational management of the program. Section IV summarizes the Mission's assessment of the development impact of the program on selected aspects of Somalia's economy. This section focuses on the influence which Title I has had on:

- GSDR Macro-Economy Policies

- Balance of Payments

- Food Prices and Production

- Food Marketing, Processing and Consumption Patterns

- GSDR Budget (through Local Currency programming)

The report ends with a summary of the evaluation's principal findings and conclusions and a summary of recommended steps to improve the loans in the future.

Despite the Title I program's unqualified success in fostering USG-GSDR diplomatic relations and relieving pressure on Somalia's Balance of Payments, the evaluation is, on the whole, very critical of the past PL-480 loans to Somalia and raises more issues than it resolves. This study points out, however, that in 1983 the Mission embarked on a process to restructure and improve the Title I program by tightening control of local currency proceeds and by utilizing the Title I negotiations to enhance the USG-GSDR dialogue on critical economic development policies. The evaluation concludes by calling for further improvements in the program, especially with regard to the commodity mix and internal USAID management, and prescribes other specific measures which the USG should take to enhance the overall development impact of future PL-480 Title I loan programs in Somalia.

II. Background on Somalia

A. Physical Characteristics; Social and Political Setting

1. The Somali Democratic Republic is located on the East coast of Africa north of the Equator, and, with Ethiopia and Djibouti, is often referred to as the Hor. of Africa. It comprises Italy's former Trust Territory of Somalia and the former British Protectorate of Somaliland. It has 1,700 miles coastline, and is bounded on the north by the Gulf of Aden, on the east and south by the Indian Ocean, and on the west by Djibouti, Ethiopia and Kenya.

The Northern part of the country is hilly, and in many places the altitude ranges between 3,000 - 7,000 ft. above sea level. The central and southern portions are flat, with an average altitude of less than 600 ft. The Juba and Shebelli Rivers rise in Ethiopia and flow south across the country toward the Indian Ocean. The Shebelli, however, does not reach the sea. The dominant physical aspect of Somalia is the desert, which, except for the riverine areas, extends throughout the countryside.

The prevailing climatic factors are monsoon winds, a hot, arid climate, and scarce, irregular rainfall with recurring droughts. The southwest monsoon, (a cool sea breeze), makes the period from about May to October a pleasant season at Mogadishu. The periods intervening between the two monsoons (Oct. - Nov. and March - May) are hot and humid, the latter period being especially oppressive.

2. Social Setting

The population of 5.14 million Somalis (growing at 2.7%) is remarkably homogenous in contrast to most African nations. Over 99% are Muslims, there is a single language (Somali), and less than 2% of the population is not of the Somali ethnic group (i.e., Arabs, Asian, or Italians). About 60% of all Somalis are nomadic or semi-nomadic pastoralists dependent for their livelihood on raising camels, sheep, goats and cattle. There are more camels in Somalia than Somalis (6 million camels as compared to the human population of 5.14 million) and the national herd of livestock is estimated at 35 million head.

At present, the Somali people have one of the poorest standards of living in the world. Per capita income is less than $300, and life expectancy at birth is 41 years for males and 45 years for females. Infant mortality is 177 per thousand births, and nutritional levels are deficient particularly among rural inhabitants and nomads. Somalia's Physical Quality of Life Index is 19 and among the poorest in the world.

The anthropologist, I.M. Lewis notes that "it connot be emphasized too strongly that the pastoral nomads constitute the (vast) bulk of the Somali population. In contrast to nomadic minorities in other countries, the Somali nomads are not cut off from urban centers or culturally separated from the majority of urban residents, civil servants and other government employees (e.g., the armed services). From the President downwards, those living with a modern life style in urban conditions have brothers and cousins living as nomads in the interior and have shares in joint livestock herds. It is equally important to stress that nomads have been for centuries part of a vast, monetized, (national and international) trading network. Commercial attitudes are consequently strongly developed. Northern Somalis have a long tradition of labor migration and overseas employment, traditionally mainly crewing on ships. However, recently the disparity between local wages and those obtainable in Saudi Arabia and the Gulf States has led to a large exodus of able-bodied men (which has led to) a large influx (into Somalia) of remittance earnings in cash and kind..."

3. Political Setting

The present day state of Somalia became independent in 1960 when British Somaliland and Italian Somaliland were joined together to form the Somali Republic. Many Somalis also live in Ethiopia, Kenya and Djibouti, and it is a cherished national goal to eventually incorporate these areas into the Somali nation-state. This attitude has understandably created tension along Somalia's borders.

In 1969 a coup led by Major General Siad Barre overthrew the government (a parliamentary democracy) and introduced the new Democratic Republic of Somalia. The Government of the Democratic Republic of Somalia (GSDR) soon nationalized all foreign businesses, signed a treaty of friendship with the Soviet Union and received a considerable amount of Soviet military assistance betweem 1969 and 1977. The GSDR even allowed the USSR to build a missle storage base in Berbera. When Haile Selassie fell from power and the Soviet Union strengthened ties to Ethiopia, Somalia's enemy, Soviet - Somali relations deteriorated and relations were severed in 1977. The Soviet invasion of Afganistan and the revolution in Iran increased the importance of Somalia's strategic position at the Horn of Africa, and the U.S. was soon granted the right to use the base in Berbera in return for military and economic aid.

B. Major Economic Characteristics and Trends

1. Characteristics

Somalia's economy can be characterized as a small, open and predominately agrarian/nomadic economy exhibiting the main attributes generally associated with least developed countries. Somalia has a relatively simple economic structure which is dominated by the agriculture sector. The livestock sector (cattle, sheep, goats and camels) which alone produces 35% of national income, employs about 60% of the population and earns 80% of total exchange receipts. Crop farming produces 10% of national income, including banana exports, which constitute 10 to 20% of the foreign exchange earnings, and employs 20% of the population. Livestock products (such as hides and skins), fish and other primary products make up the balance of 10% of goods exports. The manufacturing sector produces only about 7% of national product and is predominately import substitution in nature, split between manufacture of simple consumer goods and agroprocessing, such as cotton textiles, sugar, edible oil and grain. Manufactured exports are insignificant.

Per capita economic growth in real terms has stagnated for the last two decades. The World Bank's "World Development Indicators, 1983" lists Somalia's GDP in 1981 as $1.23 million and per capita income as $280. These figures tend to overstate GDP because they are based on GDP current market prices converted into U.S. dollars at the official exchange rate. Compensation for inflation and exchange rate overvaluation yields estimates of $532 million for 1983 GDP and $107 per capita income.1/ The $532 million GDP is expressed in 1981 prices, converted at a rate about 50% higher than the 1981 official rate. These estimates are more representative of Somalia's actual income although they are by no means definitive.

1/ The 1983 GDP is estimated by converting constant price, 1981 GDP--3,305 million So.Sh.--at the 1981 official exchange rate of 9,443:$, times a "real foreign exchange index" of 1.5 to yield a $227 million 1981 GDP in 1970 prices. This is converted to 1981 prices by multiplying the 227 figure by the cummulative world inflation rate over the period--225%--to yield $511 million in 1981 prices. It is assumed 1981 GDP grows at 2% annually to reach $532 million in 1983. Population in 1983 is estimated at 5 million per annum. The real foreign exchange index used here is 150--1.5--, which is arbitrary, although not frivolous. Stuart Callison estimates the 1981 index to be 255.7. However, the value of Somalian GDP is not a singular function of the exchange rate, therefore the full value of the index is not applied.

The Somalian economy is unique relative to many African economies because of the size of hard currency remittances earned by overseas workers and hard currency bank balances held overseas by Somalian traders. These stocks of foreign exchange are important sources for financing for private sector imports, and their presence creates major policy dilemmas for those Somalian authorities who are attached to an overvalued exchange rate but who also want overseas foreign exchange balances to flow through the official system, thus tempting them to offer exchange rate incentives.

The exchange balances are created by savings from Somalis who emigrated to the Gulf States and by Somali traders who hold overseas deposits. Part of the balances are remitted by overseas workers who wish to transfer funds to their families in Somalia. Foreign exchange traders purchase hard currencies outside Somalia with Somali Shillings which are paid in Somalia. Traders may also use their balances to finance imports.

The annual value of inflows from overseas workers and of balances held overseas by traders can only be guessed at, but it is probably the single largest foreign exchange source for Somalia. The Social and Institutional Profile for Somalia (Boston University, March 1983) speculates that a conservative estimate of workers' remittances could be $165 million annually. If livestock exporters underreport their earnings by 33%[1/], they could accumulate an additional $50 million annually in overseas bank accounts. Between 1978 and 1981 franco valuta imports (i.e., a system whereby imports purchased with foreign exchange held outside of Somalia are not subject to exchange or import controls) averaged $56 million annually and private capital inflows averaged $51 million. Although it is difficult to produce a reliable estimate, it is clear that overseas balances held by Somalis --both workers and traders-- are a major foreign exchange source, and that the balances constitute a major element in policy consideration.

1/ "Guesstimates" range between 25% and 50% depending on the season and particular circumstances.

The number of emmigrant workers and their remittances grew rapidly in the late 1970's and 1980's. In 1970 there were an estimated 46,000 Somali workers overseas. By 1980 this figure had grown to 70,000, and present estimates put the figure at 100-120,000 workers. Although at present these remittances are a significant contribution of foreign exchange to the economy, given the inherent instability of any situation involving large numbers of emmigrant workers, it is conceivable that this foreign exchange flow could decline rapidly at anytime in the future.

2. Trends

To facilitate description of the major trends in Somalia's economic policy and performance, the record can be divided into three periods: 1979 to 1980, 1981 to 1982, and 1983 to the present.

(a) 1972 - 1981

The government initiated an economically disastrous program in the early 1970s to expand government control of the economy. Through 1970s the public sector absorbed virtually all development investment and most of the skilled manpower and managerial resources which did not emigrate to the Gulf States. The government moved to control manufacturing and financial activities while controlling prices and regulating or taking over marketing and distribution systems.

In the early and mid 1970s the resource gap generated by the expansion of government spending and the stagnating productive sector was effectively covered by an increase in donor flows. Foreign grants and loans increased from $57 million in 1972 to $200 million by 1977. Because of the influx of donor assistance, the overall balance of payments position was managable, and resort to foreign borrowing was minor. Because aid inflows were equivalent to 150% of the overall budgetary deficit, the government's budget was sustainable.

During the second half of the 1970s, however, a series of internal and external developments (including a severe drought in 1974-75, the war in the Ogaden, the ensuing inflow of refugees, diplomatic differences with the Soviet Union and the sharp decline in Soviet aid) adversely affected the economy. The 1977/78 conflict with Ethiopia over the Ogaden region caused government expenditure to increase sharply and the balance of payments position to deteriorate as donor flows dropped by 40% after the cessation of Soviet aid. The collective deficit of the state-owned enterprises had become sufficiently large to exert considerable inflationary pressure on prices as bank credit was used to create money to cover deficits. Inflation stood at 10% in 1978, rose to 24% in 1977 and reached 59% in 1980. Concommitantly, the effect of rapid domestic inflation combined with a fixed official exchange rate caused the Shilling to become increasingly overvalued, further discouraging exporters and causing a surge in imports.

By the late 1970s, in spite of government efforts, the largest sector of the Somalian economy remained under private ownership and responsive to competitive market influences. Whereas the public sector control or ownership dominated the manufacturing sector, agriculture - (livestock and crops) - remained a predominately private sector activity. At the same time, significant, adverse trends had been set in motion as productive output stagnated or declined while expenditure on services and imports increased. The data shows a pattern of increasing absorption of resources by the public sector and a stagnating productive sector.

On the external side there was a severe deterioration in trade with the trade deficit trippling as a proportion of GDP and reserves dropping from a high of $120 million (seven months of imports in 1977) to about $15 million (two weeks of imports) in December 1980. The debt service ratio also increased rapidly and Somalia accumulated $28 million in debt arrears by the end of 1980.

(b) <u>1981 - 1982</u>

The second phase began in mid-1981 (after an aborted effort in 1980) with an agreement between Somalia and the IMF to undertake an economic stabilization program. The July 1981 stabilization program introduced a new phase in Somalian economic policy because it initiated a process whereby Somalia--in concert with the IMF, the World Bank and bilateral donors--undertook both a stabilization program and a program to initiate significant changes in the basic structure of the Somalian economic policy framework. The economic crisis symptoms continued between 1981 and 1983 (e.g., external payments problems; reserves dropped to $7 million or one week of imports in August 1982), but at the same time stabilization measures were taken such as a devaluation, a reduction in budget deficits, a slowing in money supply growth and an increase in official producer prices. Important systematic changes were also introduced including, inter alia:

- replacement of the fixed exchange rate system with a system pegging the Shilling to the SDR with monthly adjustments;

- liberalization of import controls for private importers;

- liberalization of marketing and pricing policies;

- redirecting credit from the public to the private sector;

- restriction of public sector employment growth.

The second period was also marked by an increase in output and a decline in the inflation rate. Although favorable weather was a major influence on agriculture output levels, improved producer prices were also instrumental. For example, banana production, which relies on irrigation, had been falling each year since 1973. In 1981 production increased 14% to 69,000 metric tons. Foreign exchange earnings from banana exports increased by 48% in 1982. Increases in agriculture production led a 10% expansion of the economy in 1982, and the inflation rate was halved from the preceding year to 24%. There were also changes in the investment pattern and the allocation of credit. The share of public investment in agriculture increased from 22% (average annual rate 1975 - 1979) to 36% for 1980 and 1981. The average annual share of public investment in manufacturing decreased from a steady 27% average share which prevailed between 1975 and 1980 to 10.5% in 1981. Net domestic credit expansion was reduced about one-half to 11% in 1981 and 1982, while growth in credit to government dropped from 20% in 1981 to a negative 5% in 1982 and a negative 10% in 1983 respectively. Credit growth to the private sector was maintained, however, at an annual rate of 18% in 1983. (Sources: GSDR, Development Strategy and Public Investment Program, revised Dec. 1983 and IMF, "Review of Standby Agreement, July, 1983).

(c) <u>Economic Performance in 1983 and 1984</u>

(i) <u>1983</u>

Sufficient data are not yet available to provide a systematic review of economic trends in 1983 and 1984. There are, however, some events and certain policy problems which suggest that growth expectations in some sectors are not being achieved.

Poor rainfall in the spring and fall of 1983 resulted in lower harvests of sorghum, maize and oil seeds despite producer price increases and expanded acreage. More serious than this setback was the 1983 Saudi Arabian embargo on Somali livestock imports because of fears of Rinderpest. The ban on sheep and goat exports was lifted in February 1984, but as of the date of this report (August, 1984) the ban on cattle export continues. It is estimated that this embargo reduced official foreign exchange receipts in 1983 by $31 million. Because official prices of livestock exports are 25 to 50% less than prices actually received by traders, the total foreign exchange loss is estimated to be more on the order of $50 million. Despite the overall reduction in foreign exchange earnings in 1983, other sectors performed relatively well. Banana export earnings increased another 52%, and exports of hides, skins, fish, frankincense and myrrh rose 20% from $15 million to $18 million.

The economic policy event of 1983 was the unification of the dual exchange rate (established under the IMF Standby Agreement of July 1981) and the change to a managed float with the Somali Shilling pegged to the SDR. The new rate was established at SDR 1 = So.Sh.16.5 ($ 1 = So.Sh.16.85) which, by January 1984, had depreciated to $1 - So.Sh.17.4. In an effort to attract a greater portion of exporters' and overseas workers' foreign exchange holdings into the banking system, a So.Sh.5 per dollar premium above the official rate was introduced in January 1983, Holders of foreign exchange accounts were also accorded priority in acquiring import licenses. The measurers, however, have not been as successful in attracting foreign exchange deposits as the _franco valuta_ system, presumably because of depositors' concern about risk. The perceived risk factor is probably reinforced by the Central Bank's practice of delaying crediting deposits for periods up to three months. Imports financed by overseas balances ("external accounts" in the balance of payments) were estimated to be $24 million in 1983 (Central Bank/IMF, Dec ., 1983) compared to $60 million remitted in 1981, the last full year of the _franco valuta_ system.

The move to flexible rate (although not freely flexible) in July 1983 was certainly a significant policy move designed to generate export growth, but the system was abandoned only a few months after it was instituted. As a result the Shilling remained substantially overvalued after the 1983 devaluation, and the GSDR required import licenses, thereby discouraging holders of offshore accounts from using their balances and encouraging exporters to underreport earnings.

(ii) _1984_

Although the Saudi Arabian embargo on sheep and goats was lifted in February of 1984, exports of these animals will be far below normal levels. The total ban on cattle has continued, however, and foreign exchange earnings from the livestock sector are estimated to be less than half of foreign exchange earnings in 1982, the last normal year before the embargo. Since livestock accounts for 80% of the nation's foreign exchange earnings, the embargo will reduce the total earnings by roughly 40% this year.

The drought, which had lasted through two crop seasons, was finally broken in June of 1984. Very favorable market prices and the absence of ADC intervention has resulted in greatly expanded planted acreage (estimated by GSDR authorities at a 50% increase), and this should result in a significant increase in total output.

The most disturbing development in 1984 has been the resumption of a rapid inflation rate. Between November 1983 and August 1984, prices in general increased by 87%, and food prices increased by 114%. This is compared below with previous inflation rates

1980	-	59%
1981	-	44%
1982	-	24%
1983	-	35% (estimated)
1984	-	100% (projected)

The principle culprits seem to be the severe foreign exchange shortage resulting from the lower livestock export earnings, the GSDR's relaxation of credit ceilings to cover budget deficits, the drought reduced crops of 1983 and early 1984, and late (July-August) arrivals of donor food aid after critical "lean" periods. It is noteworthy that the GSDR has released no data on the money supply since September of 1983 leading many observers to believe that the government has expanded credit much too quickly to cover the government's budget deficit.

The major policy event of 1984 was the collapse of the IMF negotiations for a three-year, Extended Financing Facility (EFF) for 80 million SDR's. As a result of the "frozen" EFF negotiations, discussions also terminated on a 20 million SDR Compensatory Financing Facility (CFF) which was to be in response to a drop in livestock export earnings.

The three year EFF would have been a strong impetus to the effort begun in 1981 to liberalize the Somalian economy and to put it almost entirely on a market basis. A partial listing of the proposed EFF policy measures follows:

1984 EFF Conditions

- Foreign Trade and Exchange Rates

  (i) Cessation of export and import licensing
  (ii) Initiation of a dual exchange rate system

  - An official exchange rate which would be roughly 50% higher than the present rate for use by the government for debt payments and other gernment obligations;

  - A free floating rate for all non-official imports.

- Money and Credit

  (i) Net credit to the Government to decline by 45% in 1984 and 70% over the three-year program;

  (ii) Credit to the private sector to increase by 35% in 1984 and 80% over the three years;

  (iii) Net domestic credit (up 5% in 1983) to increase 8% in 1984 and 29% during the three-year program;

  (iv) Private commercial bank branches are to be opended.

- Taxes

  (i) Imposition of a 5% sales tax (previously agreed);

  (ii) Implementation of a revision of the national income tax.

- Regulation and Public Enterprise

  (i) Complete deregulation of prices and markets;

  (ii) The Ministry of Commerce's Price Commission to be abolished;

  (iii) All export, import, trading and service monopolies in both the public and private sectors to be abolished;

(iv) Public institutions supporting monopolies to be abolished, merged or set in competition with private traders;

(v) Remaining state-owned enterprises to be operated on a commercial basis, with decision making power regarding wages, prices, and employment vested in the enterprise.

Whether or not the GSDR eventually concludes an IMF-EFF agreement with these rather comprehensive conditions, Somalia has several formidable economic tasks for the remainder of 1984 and the second half of this decade. To reduce inflation and stabilize the economy export earnings must return to previous levels, credit to government must be drastically reduced, and the Shilling must be devalued (currently the free market rate is So.Sh.90 per dollar, or 5 times the official rate of So.Sh. 17.5 per dollar).

C. Description of the Agriculture Sector

1. Overview

As noted above, over 80% of the Somali population depend directly on agriculture for their income, and agriculture generates 60% of the nation's total output (GDP) of goods and services. Within the agricultural sector the livestock subsector clearly dominates generating an estimated 50% of GDP (versus 60% for agriculture as a whole), 80% of the nation's foreign exchange earnings and 60% of the nation's employment. Livestock is the principal economic activity and principal source of income for the two-thirds of the population who are predominatly nomads. Livestock raising and all livestock marketing is conducted exclusively by private sector traders. Commercial attitudes are consequently strongly developed, relative to most African nations. Crop agriculture, by contrast, is estimated to employ only 20% of the population, and it accounts for only 8% of GDP and exports. It should be stressed that the data on which these estimates are based is complicated by the fact that many Somalis engage in both crop and pastoral activities, as well as in other activities such as government service and entrepreneurship, including the foodgrain trade. Nevertheless, livestock clearly dominates the economy, business activity, the agriculture sector and Somali in general.

Aside from the overwhelming importance of the livestock sector, the other dominant characteristic of the agricultural sector is the drought-prone ecology of the land. A USAID study[1/] noted that "four out of ten crops (there are two crops per calendar year) in Somalia are partial or total failures. For the other six growing seasons, the rains will usually produce a very good crop in one season and adequate crops in five seasons."

Importantly, rain in Somalia usually does not fall as a general rain covering a widespread areas, but rather falls from individual clouds moving rapidly across the countryside resulting in what are known as "strip rains." Thus, not only is the country's rainfall <u>average</u> highly variable from year to year (rainfall averages 400-700 mm), but there are sizeable differences in rainfalls between villages within the same district. It is not unusual to find "drought" in one village (i.e., crop failure) and perfectly adequate rainfall and crops in an adjacent village. The fragility and vulnerability of the nation's food systems are in large measure a direct result of the generally inadequate and highly erratic patterns of rainfall.

1/ Somalia Agriculture Sector Strategy, 1981 E. Hogan, L. Abel C. Nissly.

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2. Crop Production

Sorghum is Somalia's principle foodgrain staple follwed closely by maize. Other principle food crops include sesame seed (for vegetable cooking oil), vegetables, rice, beans, groundnuts and sugar cane. Bananas are Somalia's principle cash crop and second largest export commodity after livestock. (Appendices 3 and 4 provide estimates of the volume of production of agricultural crops since 1976).

The map on page vi illustrates the areas where the principle crops are grown. The light coloured desert area have virtually no crop production and only limited nomadic herding. In the darkened areas along the Juba and Shabelli Rivers, there is ample water for irrigation. In these areas, the principle crops are maize, bananas (another large foreign exchange earner), sugar cane, rice, cowpeas, groundnuts, cotton and vegetables. The medium shaded areas indicate areas where rainfed crops of sorghum and maize predominate. On the basis of soil quality and rainfall, there are an estimated 8,000,000 cultivalable hectares of land. At present less than 10% are being farmed.

In the Juba and Shabelli Rivers irrigated areas, and in the dryland farming area between the two rivers, there is a long tradition of crop cultivation going back several hundred years. The area along the Shabelli River is more highly developed than along the Juba River. The Ministry of Agriculture recently estimated that the Shabelli Valley alone accounted for roughly 50% of the crop production in 1983. The adjacent area, called the Bay Region, has the greatest potential for expanded dryland crop production.

The chief crop in the dry-farming (i.e., rainfed) region of Bay is sorghum. The sorghum is usually first planted after the first "Gu" season rains (April to August) and a second crop is sown during the first "Dayr" season rains (October to January). In the irrigated areas the main crop is maize which is planted primarily in the Gu season, with a subsidiary crop often attempted in the Dayr season. Cowpeas are often intercropped with sorghum, and both cowpeas and sesame seeds are intercropped with maize. During one full year (or two rainy seasons) roughly 70% of the maize and sorghum is produced in the "Gu" season and 30% in the "Dayr" season. Rice is grown in roughly equal amounts in both seasons. Crops yields are low and estimated as follows:

Maize	600	-	1,000 Kg/Ha
Sorghum	300	-	1,000 Kg/Ha
Sesame	500	-	800 Kg/Ha

Of the 20% of the Somali population said to be engaged in crop production, it has been estimated that roughly "6% are along the Shabelli and Juba Rivers and grow at least some of their crops (mainly maize and sesame) with river water. The remining 14% are mainly dry-land farmers growing primarily sorghum under rainfed, high risk, low input/output conditions."1/ The large interriverine area between the Shabelli and Juba Rivers, or the Bay Region, contains the largest number of dryland farmers and also is the area with the greatest potential for expanding agricultural production.

Although crop production accounts for only 8% of GDP and exports, there is great potential for expanding output to replace imports and to earn foreign exchange.

During the 1970's the government of Somalia intervened heavily in food production and marketing systems, and there was a steady decline or stagnation in total domestic production of staples (sorghum, maize, rice, beans and sesame). At the same time there was a steady increase in the population (estimated growth rate: 2.8% per year). In more recent year's the performance of the agriculture sector has been better. Good weather in 1981 and 1982, coupled with a general and rather dramatic liberalization of government agricultural policies, seem to have resulted in increased output in both years. Maize production jumped from 110,500 MT in 1980 to 142,000 MT in 1981 and 150, 000 MT in 1982. Because of poor rains 1983 production is not expected to exceed the 1982 level. Preliminary estimates for 1984 indicate a doubling of sorghum and maize acreage plant because of the deregulation of grain prices and consequent increase in producer prices. Similarly in 1981 sorghum recorded a 58% increase over 1981 and an additional 9% increase in 1983. Estimates for 1983 indicate a drop back to 156,000 MT, but this is still about 10% above 1976 - 1980 levels. Sesame also recorded significant increases in 1982 and 1983, and vegetable output increased by an estimated 500% !! Vegetable seeds imported under the CIP program are no doubt as responsible for the increased output as the good 1982 rains. Production and exports of bananas, the major food crop foreign exchange earner, declined during the 1970's because of poor producer prices, but in 1982 banana production increased by 33% and banana exports increased by nearly 50%. These increases were the result of increased financial incentives, improved marketing and shipping facilities and good weather. Producer prices for bananas were increased in 1981, and two devaluations took place in 1981 and 1982. Provisional figures indicate a 50% increase in banana production and 40% increase in exports in 1983.

1/ Somalia Agriculture Sector Strategy, 1981 E. Hogan, L. Abel, C. Nissly.

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In summary, although climatic and soil conditions are difficult, there is still a great deal of potential in Somalia's agriculture sector. The recent dramatic increase in production appears to prove the point. There seems to be little doubt that maize, sorghum, banana, sesame and vegetable production have increased in recent years because of a liberalization of government controls on prices and marketing systems. Additional dramatic increases in agricultural output are considered very feasible. Somalia has large areas of formerly cultivated land which has been left fallow for years, and there are large areas of land which have yet to be brought under cultivation. Somalia also has fisheries potential that is virtually unexploited. It has a homogenous ethnic population and a favorable location in relation to affluent markets of the Middle East. Though not endowed with abundant natural resources, Somalia clearly has the natural resources and potential to provide its population with basic needs and a standard of living much higher than that which they now enjoy.

D. Foodgrain Marketing System

This section of the report describes Somalia's foodgrain and vegetable oil marketing system defined as any foodgrain activity taking place between harvest and final consumption. Thus, handling, storage, sales prices and trade, processing and final preparation of foodgrain are all considered. Since any marketed food aid becomes part of this system and influences any changes in the system, an understanding of how that system works is essential to rational food aid programming. The following is by no means complete, and a great deal of additional research needs to be carried out in this area.

The section begins with an examination of the supply of foodgrain including (1) total domestic production of Somalia's principle foodgrains, (2) imports of foodgrains during recent years, and (3) food aid imports as percentage of total foodgrains consumed in Somalia. Trends in production, imports and food aid are noted, and some inferences drawn about those trends. Supply projections are followed by demand estimates, a review of foodgrain storage, trading and processing practices and finally food preparation and consumption habits.

1. Estimates of the Supply of Foodgrain

(a) Total Foodgrain Production

As with much of the available data in Somalia, estimates of total food production are considered misleading at worst and, at best, mere indicators of trends. The data presented in Appendices 3 and 4 were compiled by the Ministry of Agriculture and are the most often cited and accepted data. As seen from the table below, sorghum is produced in the largest quantities with an average 179,000 MT per year during the latest five year period. Sorghum is closely followed by maize with an average 147,000 MT produced per year between 1979 and 1983. Rice production, primarily in the riverine areas, is a very distant third priority with only an average 12,600 MT per year produced. The table notes the importance of sesame seed oil in the diet of the population. An average 44,000 MT per year is produced annually. Beans are also an important foodcrop with an average 9,000 MT produced annually. Miniscule quantities of wheat are produced in the north western regions of the country, and, therefore, wheat production figures are not usually included in official figures.

Table 1

Local Production of Principal Food Crops -- 5 Year Average, 1979 to 1983

Commodity	Average Production
Sorghum	179,000 MT
Maize	147,000 MT
Rice	12,600 MT
Sesame	44,000 MT
Total (Average)	382,600 MT

(b) Foodgrain Imports

Foodgrain import data is similarly weak, primarily because various ministries and parastatals keep parts of the data, and there is not a reliable and consistent central repository for commercial or food aid data. Although USDA may have better data, the best cereal import data that could be found during the evaluation for the last five years is presented in Appendix 5. The World Food Program in Mogadishu gathered this data from several sources. Maize, wheat, wheat flour, sorghum and rice are included in this data, but vegetable oil imports, which averaged roughly 14,000 MT per year between 1975 and 1982 were excluded. Based on the WFP table, commercially purchased cereals averaged about 60,000 MT per year during the last five years. Cereal food aid added another 211,802 MT per year.

Table II

Cereal Imports to Somalia - Five Year Average, 1979 - 1983

Commercial Imports	60,000 MT
Bilateral Food Aid	136,000 MT
Refugee Food Aid	76,000 MT
Average Annual Foodgrain Imports	272,000 MT

(c) Total Foodgrain Supply

Although it must be stressed again that this data is very weak, and any one estimate could be off 10 - 15% either way, the aggregates do suggest some crude generalizations about the foodgrain supply situation in Somalia during recent years. Appendix 12 adds the estimated domestic cereal production (maize, sorghum, rice and wheat) and the estimated cereal imports during the same period to arrive at the estimated total amount of cereals available for consumption during the past five years. It is noteworthy that imports constituted roughly 45% of the cereals consumed in Somalia. Total cereal food aid during this period averaged 35% of total availability. Excluding the cereal food aid to the refugees (i.e., assuming that they will not remain in Somalia and assuming that the average 76,000 MT per year provided to the camps does not leak into, or affect foodgrain markets - an optimistic and even heroic assumption) food aid has constituted roughly 25% of the cereals consumed in Somalia during the past five years. It seems reasonable, therefore, to conclude from this data alone that the quantities of food aid are large enough to have a significant impact on food marketing systems and consumption patterns. The types of food aid imported, the manner in which they are distributed and the prices at which they are exchanged affect the extent of the food aid's impact. Since these levels of food aid are not likely to diminish drastically in the near future, it seems evident that the manner in which food aid resources are managed is, and will continue to be an important development issue.

2. Demand for Foodgrain

Estimates of demand for foodgrains are not included in this report because none were found that seemed reliable. The disparity in the various estimates is reason enough for caution. For example, the World Bank's 1981 Agriculture Sector Review estimated demand for sorghum, maize and rice in 1980 at 377,000 MT. The Ministry of Agriculture's Early Warning Department estimated demand in 1985 for the same cereal products at 645,000 MT. Thus, between these two studies there is a difference in their estimates of total food demand of 268,000 MT, or approximately 70%.

Since demand for food is a function of several variables (e.g., availability and distribution of income, availability of food, taste preferences, population strata, consumption habits, etc.) any reliable estimate must be based on a very sophisticated model. To our knowledge there has been no systematic analysis of these variables, and, therefore, no real empirical base to any demand projection.

Even estimates of *per capita* cereal consumption are difficult. Rural, settled inhabitants consume primarily sorghum, but urban dwellers consume very little sorghum. Estimates of the percentage of population in each category, however, are not reliable. The current accepted estimate is that 60% of the population is nomad, however, recently gathered, unpublished population census data suggest that only 46% of the population is nomad, 29% rural (versus the accepted 20%) and 25% are urban.

In short, food demand estimates are so shaky that until better census data and data on consumption patterns becomes available, it is probably wiser to devote analytical attention to the supply side which is a formidable task in its own right.

3. Foodgrain Storage

(a) Public Sector

In the public sector Somalia has enough upright warehouse space to store more than 300,000 MT of bagged cereals. This is roughly 75% of the total domestic production in one year. (Total estimated production of maize, sorghum and rice in 1983 was 405,000 MT). ADC has approximately 167,000 MT of storage in 35 of the country's 78 districts. This storage includes 98 separate buildings. (See Appendix 15 for the location and sizes of each). Although ENC was unable to provide a similar breakdown for their storage, the Deputy General Manager did tell us that ENC has 61 separate warehouses, each of which hold about 5,100 tons, and 52 of which can store 2,500 MT each. Thus, according to this individual, ENC has storage space which is roughly equivalent to that of ADC's. In addition to ADC and ENC storage, the Ministry of Local Government and Rural Development, which is still involved to a limited extent in the public food distribution system, also retains a considerable amount of upright storage throughout the country. It was not possible to obtain a listing of this available space during the consultation, and this might be an area of further investigation.

As far as we could determine the only silo storage space in Somalia is at the pasta factory/wheat mill which has ten small silos with a total capacity of 25,000 MT.

In addition to the above "official" storage space, there are many idle mills and factories as well as privately held warehouses where grain could be stored in a crunch. Such a crunch (i.e., glut of foodgrain) is unlikely to happen in the near future. In early 1983 foodgrain stocks at ADC warehouses were below 50,000 MT (versus storage capacity of 167,000 MT) and ENC warehouses hold less than 20,000 MT compared to a capacity of over 150,000 MT. All the ENC, ADC and Local Government warehouses visited were nearly empty. In Baidoa for example, ADC has approximately 400 bags of grain in a warehouse complex whose capacity was 250,000 bags, and the ENC warehouses in the same town were similarly bare.

It seems safe to say, therefore, that Somalia's public sector has a considerable excess of modern, upright storage capacity. Unless the government changes its policy once again and resusitates public sector handling of foodgrains, the excess is likely to continue until the warehouses are sold or leased to the private sector or to other government organizations.

(b) Private Sector

(i) The Bakkar

All foodgrain farmers in Somalia store grain primarily as a hedge against drought, which occurs regularly, and famine. This survival storage is underground and is called the "bakkar." A typical bakkar is a hole in the ground, three meters deep and one meter wide. The maize or sorghum is stored in the hole, and the top is covered with tightly jointed wood covered with earth. Occasionally bakkars are jointly held by family groups. Grain stored in this fashion can be kept for several years, and there are reported cases of eatable grain being used after 12 years in a bakkar. It is normal, however, for stocks to be rotated every year or so rather than retained for long periods. We could find no estimates of the amount of insect infestation or damaged commodity, but it is reported to be low. During evaluation field trips small quantities of bakkar maize and sorghum were spotted being sold in every market. (They are evident from their darker color). Bakkar maize is traditionally held primarily for consumption, however, since market prices were very high at the time of our visits, it is possible that the farmers were using bakkar cereals to take advantage of favorable market conditions.

Estimates of the amount of maize and sorghum stored in bakkars are difficult. If one accepts that 29% of the Somalis, or 1 million persons, are in the rural crop farming category, and then assumes average per capita consumption at 175 Kg of maize or sorghum per year, and further assumes that bakkars hold no less than one year (i.e., two growing seasons) and probably not more than two years of consumption needs, then one could roughly estimate that anywhere from 200,000 to 300,000 MT are stored underground in private storage. Even if one felt intuitively that these estimates were high, there seems to be little doubt that at least 100,000 MT of maize and sorghum are stored on the farm after a good to normal rainy season.

It is important to learn more about the method and amounts of on-farm storage. One key question is the extent to which farmers are willing to use the bakkar not only to store "survival food," but also to store grain which will be marketed later after the harvest when prices begin rising. If they are able and willing to do so, a privately held national foodgrain reserve could be established in the bakkars. Such decentralized storage would be cost efficient, provide a reserve against drought, and also mitigate fluctuations in market prices.

Often the temptation for donors and central government authorities who feel compelled to 'do something' about food security is to focus on food storage and grain reserves. One key donor head-of-office suggested that what the country needed was experts and government extension agents to "go out to the villages and teach them modern food storage practices." Given Somalia Government track records, it seems unlikely that such an effort would actually improve on-farm storage. In all likelihood the government agents would disrupt village life and confiscate grain. The amount of resentment in the villages toward the government cannot be overstated. The World Bank team has proposed a food security scheme involving the establishment of a large parastatal "National Grain Agency" to manage a food reserve. Given the apparently efficient Somalia's on-farm storage practices, such proposals deserve serious scrutiny before scarce economic and human resources are devoted to them.

(ii) Small Business Storage

Based on observations during the consultancy, there is apparently very little foodgrain stored by small, private wholesalers and retailers probably because of fears that government would accuse the traders of hoarding and confiscate the grain. To our knowledge there are no recognized "big-name" domestic grain traders with large stores of maize, sorghum or rice. (There are big businessmen who have recently begun importing food into Somalia - see paragraph 5 below). Typically near the grain markets there are small retail grain shops which have adjoining storage space with anywhere from 1 to 100 bags of grain.

The lack of off-farm, private-sector storage space is further evidence of an underdeveloped private foodgrain marketing system. Until 1984 the laws and regulations regarding what the private sector could or could not trade or store retarded further development.

4. Marketing of Domestic Production

(a) Marketed Production as a % of Total Production

There are no firm estimates of the percentage of locally produced foodgrain which is marketed in Somalia rather than consumed on the farm. The conventional and most often quoted estimate is 25%, but the evaluation could find no evidence to support this figure which has apparently been used in lieu of better data. Nevertheless, if one also uses the latest estimate that 29% of the population engages in crop farming, the 25% marketed production estimate does not hold up since this would mean that imports (averaging 195,000 MT during the five year 1979 - 1983 period) plus 25% of the local production (or 85,000 MT) fed 71% of the population which are non-crop farmers. Put another way, it would mean that during the 1979 - 1983 period an average of 280,000 MT of foodgrains per year fed 71% of the population, and the remainder, or 331,500 MT fed 29%. If the estimate of marketed domestic production were increased to 50%, then imports (195,000 MT) plus marketed production (170,000 MT), or a total of 365,000 MT per year fed 71% of the population, and the remainder of domestic production (169,330 MT) fed the 29% who crop. This seems to be a more realistic projection.

Clearly this analysis is extremely crude, but it does support the argument that possibly a great deal more than 25% of foodgrain production is marketed. Since estimates of marketed production are typically low because they are often based on statistics only available in the modern marketing sector, it seems likely that marketed production as a percentage of total domestic production is much closer to 50% than to 25%.

This aspect of the food marketing system needs more study because the implications are important. If the amount of foodgrain moving through the various marketing systems (including, for example, in-kind payments of grain to agricultural laborers) is actually double what was previously thought, disruptions to those marketing systems (either through government regulation or government imposed foodgrain prices) will have a much greater effect on farmer cash income, rural employment, and rural welfare in general.

(b) Public Sector Marketing Interventions

Throughout the 1970's the government through the Agriculture Development Corporation (ADC) was the sole legal purchaser of domestically produced maize and sorghum. It also purchased rice, oil seeds (sesame, groundnuts and sunflower) and cotton. Appendices 14, 16 and 17 illustrate the extent of this intervention. From 1971 to 1979 roughly 25% of Somalia's estimated sorghum production was purchased, stored and distributed for wholesale and retail by ADC. In two years 40% or more of total production was handled by ADC.

ADC's grain procurement effort operated in the following manner. ADC local officials at the district level would attempt to estimate yields before the harvest to project amounts to be purchased. Based on these estimates, temporary collection points were established in conjunction with the authorities. At an appointed time the ADC truck with officials would arrive to collect the surplus grain from the farmer. If the amount of grain offered by the farmers to ADC were significantly below the ADC projected output, pressure would be brought on the farmers and the village authorities to sell more grain. The grain was then taken to the ADC District warehouse and from there to ADC Region or ADC Central (Mogadishu) warehouses. The ADC Central office would then decide how much grain was to be kept at the district, regional or central warehouses and how much was to be moved to deficit areas of the country for distribution. One farmgate procurement price was used throughout the country, and therefore, the farmers in the more remote districts received higher real prices than those producers closer to main roads. Theoretically ADC costs were to be covered by its receipts from the resale of the grain consumers, but, in fact, all ADC salaries (and probably some other costs as well) were hidden in separate budgets.

Once local governments received their allocation of food from ADC, various "Food Committees" decided in which areas specified amounts of food would be resold at official subsidized prices. ADC would transport the grain to these areas then resell it to government organizations and to private wholesalers and retailers.

It appears that the major shortcoming of the system was not so much the logistical one, but pricing. As ADC producer prices slipped further from incentive prices, farmers became less willing to part with their grain, and ADC had to exert greater pressure to meet their quotas.

(c) State vs. Private Sector Marketing

As noted above a major constraint to development of the private foodgrain marketing system were recent (1971 - 1981) government policies which discouraged such activity. In July of 1971 a law was issued which made the Ministry of Agriculture, through ADC, the "sole organ authorized to purchase, sell and distribute maize and sorghum" throughout Somalia. ADC was to "exercise the power to trade, store, import and export maize and sorghum." Further the Ministry of Agriculture was to "fix producer, wholesale and retail prices for sorghum and maize for every season" (i.e., Gu and Dayr seasons, or twice a year). Producers were authorized to store for domestic use only one hundred kilos of maize or sorghum per season for each member of his family.

This law was supposedly modified by government announcement in 1982 because it was seen to be a major constraint to agricultural production. Farmers were permitted to store as much grain as they wanted, and they were allowed to market at will. Although this was accepted as official policy among government officials, and, although there was a dramatic defacto reduction in ADC and ENC marketing activity, until 1984 there was no central government document which clearly and unambigously reversed the law. For example, on August 1982 Presidential Circular encouraged government and party officials to "conduct a comprehensive national campaign to gather agricultural crops", a task "that ADC alone cannot administer". The only word of caution in the circular was that "crops should not be taken by force from farmers", and the farmers should be "paid promptly in cash" if the sale did not exceed one bag (!!).

The confusion over the rules of the game resulted in restrictions in transport and storage of grain and forced procurement by government officials, but the situation was finally cleared up in May of 1984 when the Central Committee of the Somali Revolutionary Socialist Part (SRSP) issued its final party congress communique which announced that farmers would henceforth be allowed to sell 95% of their production in the free market.

In fact ADC's and the National Trading Agency's (ENC) role in foodgrain marketing and storage had declined rapidly well before the May 1984 edict. In 1977, about 30% of the total maize and sorghum produced domestically was purchsed by ADC. By 1983 this share had declined to less than 3%. In 1984, free market prices for both maize and sorghum so far exceeds ADC's procurement pric , but only negligible quantities will be procured by the government intervention in grain procurement, and storage has been effectively halted. But it remains to be seen (a) how the private sector grain dealers will respond, or (b) whether in a food shortage situation the government will reserve itself once again and reintroduce forced procurement to feed the military, the government officials and the politically volatile urban consumers. ADC still has 35 offices, 800 employees and a considerable number of trucks and resources at its disposal.

5. Marketing of Food IMports

(a) Public Sector

During the 1970's and up to June 1981, ADC was the sole importer of maize and sorghum, and the parastatal ENC, under the Ministry of Commerce, was Somalia's monopoly importer of rice, wheat flour, edible oil, pasta, sugar and tea. Coffee and dates were also imported by ENC, but were less important in terms of volume and value. In 1976/77 when the Pasta Factory/ Wheat Mill came on stream, it began to import whole grain wheat. When ADC's and ENC's status as monopoly importers was discontinued altogether, the government began granting letters of credit to private importers. According to the Deputy General Manager of ENC, the last "L/C import" by ENC was in 1981, and after that ENC has received only non-project, non-refugee food aid. These quantities of food aid received were significant, however, averaging 120,000 MT per year during the last five years. Appendices 6 and 7 list the quantities of ENC's main food imports between 1979 and 1985 by type (i.e., commercial, food aid, and franco valuta).

After receiving the commodities at port ENC would transport the commodities to its warehouses in each regional headquarters and sell at official set prices to government organizations (e.g., the armed forces, militia, police, schools, hospitals, and selected civil servants), and private sector wholesalers and retailers. Prices were almost always below market prices. Until 1984 when USAID negotiated a Title I agreement in which one third of the commodities is to be auctioned by ENC to the private sector, almost all of the food aid received by ENC, including PL-480 Title I, was distributed to the public sector. ENC officials in Mogadishu told us that roughly 75% of their food aid, including Title I, was distributed in this manner, but they did not have the data to support this estimate. By contrast, the Bidoa Regional ENC General Manager told us that because of low stock levels he was unable to sell any to the private wholesalers; all went to public institutions, primarily the military. However, with free market prices in 1983 and 1984 several times higher than the ENC selling price, it is likely that if food was sold by ENC to the public sector it was probably resold to the private sector at higher prices.

Who actually eats the Title I food in the end is an important evaluation issue that could not be answered with great precision during this consultation. Based on rough ENC data, conversations with ENC authorities and a limited number of field checks, it seems, however, that a majority of the Title I food is consumed by the Somali armed forces, and that a minimum of 80% and maximum of 100% is distributed to the public sector. More precise estimates of the quantities involved were not possible since ENC was unable to provide detailed sales records (e.g., X amount to the army, X amount to hospitals, X amount to wholesalers, etc.) or estimates of the amount. USAID's Food for Peace Office has begun to compile this data from ENC records.

(b) Private Sector

As noted above, throughout the 1970's ENC dominated food import activity and still handles all non-project, non-refugee food aid to Somalia. There were important exceptions, however, to this monopoly. In 1975, the northern part of the country experienced food shortages, and (just as in 1983) the government invited private importers in that region to help close the gap by using the _franco valuta_ system to import food. Then in 1977/78, the government permitted the private sector to import food items as long as the items were delivered to ENC upon arrival in Somalia. When the _franco valuta_ system was terminated in 1981, the government finally permitted commercial imports under Letters of Credit, and these imports circumvented ENC altogether.

Somalia's external trade system underwent significant changes in 1981 when licenses for imports ceased to be issued under the _franco valuta_ system, and private importers were authorized to open letters of credit for items not specifically controlled by specified public enterprises. ENC's food import monopoly was rescinded, and private importers were allowed to import commercially foodgrains as long as they opened letters of credit through Somali banks at official exchange rates. In late 1983, when commercial imports of food dropped to low levels because of the overvalued exchange rate and fears of a food shortage, the government allowed food grain importers to again use _franco valuta_ to import food grains. _Franco valuta_ is still allowed for food imports as of the date of this report (August 1984).

Private commercial import data is exremely difficult to obtain, and the Ministry of Commerce was unable to provide reliable estimates of the types, volumes or sources, of these imports. At present a local USAID employee is tallying the Somali Shipping Agency cargo manifest sheets for the past year to determine commercial imports in 1984 in Mogadishu. Other offices which have some commercial import data include WFP, the Ministry of Commerce, the pasta factory (for wheat imports), ENC, the Port Authority and the Central Statistical Department.

(c) _Food Import Logistics_

Roughly one third of Somalia's food imports arrive at the port of Berbera, and two thirds come through Mogadishu. Berbera has two berths and Mogadishu five. Neither has bulk off-loading facilities for either whole grain wheat or vegetable oil. In January of 1984, however, 10,000 MT of bulk WFP wheat arrived in Mogadishu as a trial. Two bagging machines and a generator were shipped with the grain and the results of this pilot effort were said to be satisfactory. A visit to the Mogadishu port revealed a clean, spacious port with excess storage capacity. Port stevedors, however, are said to be inexperienced and relatively unproductive, off-loading rates are far below normal, and there have been times in the recent past when more than 10 vessels were waiting for a berth.

Upon arrival at the port, the consignee (ENC on behalf of the Ministry of Finance in the case of the Title I foods) forwards to the Somali Shipping Agency, which is the sole parastatal shipping agent in Somalia, an original Bill of Lading issued by the owner of the vessel. The Somali Shipping Agency[1] forwards the B/L to the Port Authority in order to obtain a release of the commodity. Tallying is done by the Somali Shipping Agency. The Port Authority provides three services until the commodity is delivered physically to the consignee: (1) berthing and mooring, (2) stevedoring (loading, unloading and handling) and (3) port storage. There is only one independent surveyor (a Lloyds Agent). Customs tax for foodgrains is 25%, and another 5% charge is levied for port charges (e.g., clearing agent, steverdoring, port warehouses).

6. Foodgrain Processing

Sorghum, the primary staple, is processed solely by wooden motar and pestal. The pounding removes part or all of the husk, depending on the dish that will be prepared.

Maize is milled primarily in the hundreds of small diesel or electric driven, cast-iron, made-in Somalia maize mills that are usually located near the markets. The evaluation could find no survey of the numbers of these foodgrain mills nor approximate amount of grain processed by them. It appears, however, that the vast majority of the maize which is milled by machine is milled in these mills.

During the evaluation consultants located five large modern maize mills owned by the goverment. As the list below notes, most are in good condition but are shut down because of government pricing policies which force the mills to buy and sell at below-market low prices.

Rice can be hulled by mortar and pestal, but almost all of the approximately 12,000 MT produced annually is milled at the three small, modern rice mills owned by ADC.

Most sesame oil is expressed at small hand-cranked, or electric motor driven expressing units located in shops near the markets. Very limited quantities of sesame seed and cotton seed are expressed at the Ministry of Industry's Oil Factory in Mogadishu. Some sesame is also expressed using the traditional hand-operated grinding apparatus.

1/ The Somali Shipping Agency has about 200 employees and offices in Mogadishu, Berbera, Kismayo and Marka. They own two large banana boats and two coaster vessels.

A short summary of the Title I food processing plants located during the visit follws:

Maize Mill/Baidoa: This mill is owned by ADC, and it is convertible to a wheat millwithout additional equipment. The capacity is 7 tons of maize per 7 hour shift, and the equipment is Italian made. At the time of an evaluation field visit (12/10/84) the mill was milling WFP PL-480 Title II maize borrowed from WFP by ADC. The mill operator said that during the previous two months, the mill was shut down because no maize was available, and because of this shortage of raw materials the plant milled 5,000 quintals of wheat instead. The other major problem noted was a shortage of spare parts, although the plant was fully operational when we visited.

Maize Mill/Kismayo: This mill is owned by ADC and is convertible to a wheat mill. The equipment is Italian made with same capacity as Baidoa mill. On December 1983 the $3m plant was shut down because neither maize nor wheat was available from ADC for milling.

Maize Mill/Hargeisa: This mill is owned by ADC and is also convertible to a wheat mill. The equipment is Italian made with same capacity (7 tons per 7 hour shift) as the Baidoa and Kismayo mills. The mill was also shut down in December 1983 because ADC was unable to supply either maize or wheat.

Maize Mill/Burao: This mill is owned by ADC and is convertible to a wheat mill. Unlike the above three, this mill is German made with a capacity double that of the above mills, (i.e., 14 tons per 7 hoiur shift). This plant is also shut down because ADC is unable to supply any maize or wheat. (All of the ADC mills were originally financed by the Somali Development Bank who turned ownership over to the Local Governments which later turned them over to ADC).

Pasta Factory/Wheat Mill: The Pasta Factory cum Wheat Mill was constructed in 1976 with Somali Development Bank financing to make spaghetti and macaroni. The purpose of the project was to save the country foreign exchange used to import pasta. Initially the factory had two lines of Italian made equipment: one to make spaghetti and one to make macaroni. The plant turned a profit very soon after it began operations. In 1982 another spaghetti line was added. The mill, which is part of the plant, draws on wheat stocks from ten small silos (25,000 MT storage capacity total) located next to the plant. At present the plant makes small quantities of whole wheat flour (15% bran) for sale to the public, but it devotes most of its attention to the production of pasta. The plant is still turning a profit, and the managers are anxious to expand capacity.

Edible Oil Factory: The edible oil factory was built in 1976. It is designed to crush/express cotton seed, copra, rape seed and sesame seed. It is also capable of refining crude, degummed vegetable oil such as that supplied under PL-480. In 1979 the factory received 20,000 barrels of crude vegetable oil as food aid from Canada and refined it. Like the maize mills the oil factory's major problem is lack of raw materials for processing i.e., oilseeds and crude vegetable oil. The plant is currently operating at less than 1% capacity and uses only hand operated presses. Although the sesame crops have been good in recent years, the oil factory is required to purchase sesame from the State Farms at the government prices of So.Sh.800 per quintal. Since the market price has recently been between So.Sh.1,000 to 2,800 no one wants to sell to the factory. The factory's other source of seed is ADC which has not been able to purchase any from farmers for the same reasons. The factory cannot purchase the seed at the market price because it is required by law to sell/wholesale at only a slight mark-up from the So.Sh.800. The plant manager has advised his Minister (the Ministry of Industries owns the plant) to sell the factory to the private sector.

Rice Mills: There are three small mills in Somalia. Two are in Scialambod and a third is in Jilib. Both are owned and operated by ADC. The two in Scialambod mill 100 quintals, or ten (10) tons per day, and the mill in Jilib can manage a little less than five tons per day. The paddy rice is obtained from government state farms or private farmers. The purchase price at the mill is So.Sh.400 for 100 kg, or So.Sh.4,000 per ton, and after hulling the rice is sold by ADC for So.Sho750 usually to other government organizations such as the military. A small amount is sold to private traders. A farmer can pay a fee to the mill to have his rice milled. The evaluation team found no small-scale, village-level rice mills.

Small Oil Expressors: Throughout the country, usually in small, dark shops near a market, there are hand operated sesame seed expressors and refiners. One man turns the crank while another pours the sesame into a funnel. The dark oil drops into a bucket, and the cake flakes off into another. The cake is sold to farmers as livestock feed. The dark, unrefined oil is then placed into another funnel and pressed through cloth filters leaving more residue (sold for livestock feed) and a clearer yellowish cooking oil for retail or home use. Small buckets of sesame seed are often expressed for individual marketers for a cash fee or a share of the oil.

Village-Level/Traditional Oil Expressors: The traditional method for expressing sesame oil is with a hand-operated millstone. Larger mill stones are turned by oxen or camels. There was not enough time to determine the extent to which these mills are still used.

7. Percentage of Income Spent on Food

Although estimates of the percentage of rural income spent on food were not found during the evaluation, a "Mogadishu Family Budget Survey" was carried out by the State Planning Commission in 1979. This survey estimated that 60% of monthly household expenditure in the capital is used for food. (By contrast roughly 18% of U.S. family income is spent on food). The following summarizes the results of this urban survey.

	Percentage of Monthly Expenditure
Food	60.0
Beverage, Tobacco and Qat	2.2
Clothing and Footwear	5.6
Housing and Water	15.3
Fuel and Lighting	4.7
Miscellaneous	12.1

According to the survey the following represents the top twenty food items in the Mogadishu diet in 1977. Relative values refer to the number of So.Sh. spent each month on these items from an average total monthly expenditure of So.Sh.706 per household. Commodities for which these are Title I substitutes are underlined.

Ranking	Item	Value (So.Sh.)
1.	Sugar (Sookor)	60.29
2.	Vegetable Oil (Saliid Caddey)	44.31
3.	Cow's Milk (Caano Lo)	40.92
4.	Maize (Gelay)	32.77
5.	Camel Meat	29.84
6.	Rice	26.55
7.	Bread	20.48
8.	Flour	18.13
9.	Spaghetti/Macaroni	16.90
10.	Banana	11.68
11.	Tomatoes	9.63
12.	Camel's Milk	8.38
13.	Sesame Oil	7.94
14.	Tea (Shaah)	6.70
15.	Maize Meal (Gelay Shiidan)	6.39
16.	Onions (Basal)	5.77
17.	Goat Meat (Hilib Riyo)	4.85
18.	Pawpaw (Babaay)	4.79
19.	Fish Meat (Hilib Kallum)	4.68
20.	Potatoes	4.52

Note that most food money was spent on sugar followed by vegetable oil, a Title I commodity. The value of sorghum was only 2.05 indicating its low preference among city dwellers. Twenty three percent of urban family income was spent on maize, rice, wheat, vegetable oil (all of which are Title I commodities) and sorghum. It seems safe to say, therefore, that the availability and prices of these Title I commodities can have significant impact on family income and family well being. The composition of the Title I food basket and the prices at which those items are sold are perhaps the two most developmentally significant aspects of the Title I program in Somalia.

As noted above, very little seems to be published about the percentage of rural family income used for food in general or for individual food items in particular. It is known that sorghum followed by maize and cooking oil are the primary staples, and, based on experience in other countries it is probable that a greater percentage of family income (in cash and in kind) is used for food in the rural areas than in he urban areas.

8. Foodgrain Pricing System

There are two foodgrain price regimes in Somalia: (a) the official government-imposed, buying and selling prices of parastatals (ADC and ENC), and (b) free market prices.

Prior to 1970, there was little government intervention in foodgrain prices, and free market pricing throughout Somalia was the norm. From 1971 until 1981, the government undertook agressive steps to intervene and establish procurement and consumer prices. The Ministry of Agriculture, through ADC, would be the monopsony sole buyer of foodgrains except for rice which was all to be sold to ENC. ADC was to purchase any and all foodgrains at an official price, and then resell to wholesalers and retailers at fixed official prices. The government was to adjust the procurement price, the margins and the resale prices periodically as appropriate to cover costs. Setting fair prices, however, was more difficult to achieve in practice than in theory. Although ADC and ENC clearly dominated foodgrain markets in the decade of the 1970's their producer prices were generally below farmer's real costs of production. A World Bank team estimated that during this period, actual farmer production costs were anywhere from 20% to 150% above ADC producer prices. These low official prices, coupled with an official policy and a law which forced farmers to sell certain portions of their crop output to ADC, was undoubtedly a strong disincentive to agricultural production and responsible for the decline in production. If Somalia farmers fear, distrust, and recent government intervention in the market now, (as found during evaluation field trips), it is understandable given the government's recent record. Appendix 18 lists government procurement and selling prices. Appendix 20 illustrates the difference between present ADC official prices, C.I.F. prices and free market prices. As this Appendix illustrates, despite the recent increase in prices, ADC official prices in December 1983 were still slightly below C.I.F. prices at the official exchange rate and less than one half the C.I.F. prices at the free market exchange rate. Free market retail prices were roughly 300% higher than the ADC prices.

The evaluation also compared government's CPI series for 1981, 1982 and 1983, and compared it with official ADC selling prices during the same period. The analysis demonstrated that free market retail maize prices were on average more than double the official ADC selling prices during the three years. At present (i.e., August 1983) the ADC selling prices is So.Sh.7,000 per metric ton, and the free-market retail price in Mogadishu is about So.Sh..46,000 MT for white maize or 6-7 times the official price. In the case of white sorghum, the free market price was very roughly triple the ADC price throughout the three year period, and in August of 1984 the ADC selling price for white sorghum was So.Sh.5,000 MT compared to the free market retail price of So.Sh.36,000 MT; or 7 time the official price.

Below is a table which lists official and free market prices for Title I commodities prevailing in August, 1984. The list illustrates the difficulties the Government has had in establishing realistic prices and keeping up with the rate of inflation. The data also suggests that Title I commodities which are provided to ENC (2/3's of the FY 84 Title I Agreement will go to ENC; in previous agreements all went to ENC or ADC) will be either (a) sold by ENC at below market prices thus depressing foodgrain prices and providing a disincentive to production or (b) resold illegally outside of official ENC channels at free market prices. Either way the results are not particularly appealing.

ENC/ADC Official Selling Prices
vs.
Free Market Retail Prices
of Title I Commodities in August 1984

	Official Selling Prices	Free Market Retail Prices	% Above Official Prices
White Maize	So.Sh. 7,000/MT	46,000/MT	550%
White Sorghum	So.Sh. 5,000/MT	36,000/MT	620%
Wheat Flour	So.Sh.11,800/MT	30,000/MT	154%
Rice	So.Sh.16,950/MT	34,000/MT	100%
Veg. Oil	So.Sh. 6,510/55 gal. drum	27,000/55 gal. drum	315%

In sum, it seems fair to say that throughout the 1970's GSDR intervention in the agricultural market has distorted the pricing mechanism, depressed agricultural prices, and created a strong disincentive for farmers to produce and businessmen to engage in the food marketing business. It should be noted, however, that because of the substantial differences between official foodgrain prices and free market prices, it is likely that the disincentive aspects of the low, uneconomic, official prices were mitigated somewhat by the undoubtedly large amount of unofficial grain sales and trade in the private sector. This has been especially true since 1982 when the GSDR reduced substantially ADC's intervention in the market.

9. Preparation/Use of Title I Commodities in the Somali Home

The following describes briefly the common preparations and uses of sorghum, the Somali staple, and the Title I commodities maize, rice, wheat flour and vegetable oil.

Maize:

Soor: The maize is half ground into a lumpy meal, and the hull is discarded. The maize is boiled in water adding salt, sour milk and other condiments as desired. Eat plain or with meat, fish, or vegetable soup. Eaten with oil or ghee.

Mil Mil or Mealy Meal: Very similar to Soor, but the maize is ground into a finer meal.

Angello:: The maize or sorghum is ground into fine flour. Some white wheat flour and water is added, then the mixture is fermented for 8 hours. More water is added to make a very thing batter, then poured into frying pan to fry like pancakes.

Mufoo: Maize meal or sorghum meal is ground into a finer flour, water is added and then the batter baked flat (pancake-paratha-like) in an oven.

What/Wheat Flour:

Bread: Various types shapes of leavened and unleavened bread.

Pasta: Wheat is ground to semolina, then spaghetti or macaroni is prepared. This is usually only done in the pasta factory.

Sabaayad: Wheat flour is mixed with water, rolled into flat unleavened pancake for frying in vegetable oil or ghee (rectified butter). In India it is called a chapati.

Porridge: Flour and sugar are mixed in cold water, poured into a glass. A breakfast drink eaten with oil or ghee.

Sorghum:

Garowe: Pound sorghum with pestal in a wooden mortar to remove hard outside shell/hull. Winnow (hulls used for animal feed). Cook the cleaned sorghum by boiling in water. Eat with oil or ghee.

Jididi: Pound sorghum in a wooden mortar to remove hard outside shell/hull Winnow. Pound again to crush sorghum into a sorghum flour. Boil in water to make a meal similar to mealy meal. Eaten with oil or ghee.

Ambullah: Pound red beans in mortar and mix with rice, sorghum or maize meal. Cook by boiling in water. Eaten with meat, fish or vegetable soup, oil or ghee.

Rice:

Boil with water until cooked. Serve plain or with a vegetable fish or meat soup over top.

III. The Title I Food Aid Program

A. AID's Program of Assistance to Somalia

1. Background

The history of the USG's assistance to Somalia has been divided into three distinct phases: 1953 to 1971 when approximately $90 million in assistance was disbursed; 1971 to 1978 when no assistance at all was offered because of strained diplomatic relations; and the current period, 1978 to the present, when over $400 million has been provided.

During the first phase British Somaliland and Italian Somaliland both became independent in 1960 and in the same year formed a union called the Somali Republic. Nine years later, in 1969, Said Barre's military coup ended the Somali Republic (a parliamentary democracy) and introduced the new Democratic Republic of Somalia. The new government became increasingly radical, and in 1970 nationalized all foreign businesses and formed close ties with the Soviet Union. In 1971 US assistance to Somalia ceased.

During the period 1953 to 1971 U.S. economic assistance to Somalia amounted to $90 million - $70 million were used to finance development projects; $14.5 million (16%) for food aid and $5.4 million to support a Peace Corps program. The principal development projects funded by USAID during this period included the construction of the Kismayo port, ($2.2 million); improvement of Mogadishu's water supply, ($8.1 million); and, establishment of the National Teacher's Education Center at Afgoi, ($500,000).

During the 1971 - 1977 period Somalia received considerable quantities of military assistance from the Soviet Union. However, with the fall of Haile Selassie in Ethiopia, Soviet interests in Ethiopia increased at the same time as tensions between Ethiopia and Somalia heated up over disputed territory. Russia sided with Ethiopia, and in 1977 Soviet-Somalia relations were ruptured. U.S. relations with Somalia and economic assistance resumed in 1978.

Since 1978 U.S. has provided over $400 million in economic assistance to Somalia. Of this total, approximately 60% has been used to finance food imports. The commodities have been used to fill the food shortage gap in urban centers and to bring relief to the Ogaden refugees. The balance - 150 million was allocated to finace development projects. Approximately 86% of the funds allocated for development projects is for the agricultural sector. The health, transport, and private sectors received 14% of development projects funds.

Appendix 39 provides a statistical summary of US assistance between 1978 and 1984.

2. Current USAID Program

The USAID program is designed to provide short-term stabilization assistance and development assistance.

(a) Short-Term Stabilization

The short-term stabilization program focuses on improving Somalia's balance of payments position and decreasing the government's budget deficit. PL-480 food aid and Economic Support Fund (ESF) Commodity Import Program (CIP) are the primary mechnisms for supporting the Balance of Payments. 85% of commodities imported under the CIP program are targeted for use in agriculture, agro-industry and small manufacturing enterprises.

The local currency generations from both programs is used as government revenue to decrease the budget deficit and support selected development projects during the period of fiscal restraint. In addition, negotiated "conditions" of each CIP and PL-480 agreement reinforce economic policy reforms conducive to development.

(b) Development Assistance (DA)

USAID's development assistance concentrates on agriculture and livestock, health and human resource development. In the agriculture and livestock sector USAID projects are designed to:

- establish a national water resource plan
- improve rangeland and livestock production
- revitalize the national agricultural extension service
- improve the water supply, road system and agricultural support services in the Bay Region
- accumulate baseline data on soils, irrigation, environment and social behavior in the potentially rich Juba Valley
- increase livestock artificial insemination
- improve poultry development
- rehabilitate the Kismayo Port facilities
- expand forestry and fuelwood plantings

In the health sector a Rural Health Delivery project is helping the government to delivery preventative and curative health services to an estimated 800,000 rural and nomadic people. Rehabilitation and construction of health centers as well as training of health workers are included in this project. USAID also finances a small family planning effort that began operation in 1984.

Assistance to Somalia's sizeable refugee population is provided through Private Voluntary Organizations (PVOS) to agriculture production, infrastructure and training activities in and around the refugee camps.

Finally, on the policy front, USAID is undertaking several studies of key macro-economic policies which should lead to policy reform and an increased role in the economy for the private sector.

B. The Title I Program - 1978 to 1984

1. Commodity Levels

Since the resumption of AID's program in Somalia in 1978 the USG has provided \$96.6 million in Title I credits plus about \$8 million in ESF/CIP funds for ocean freight. The USG plans to provide another \$40 million of Title I assistance in FY 85 and FY 86. The following amounts and value of commodities were shipped between 1978 and 1984 under Title I.

	(Millions $)		(000 MT)	
Wheat	13.9	(14%)	72.5	(25%)
Wheat Flour	19.1	(20%)	64.5	(22%)
Rice	31.0	(32%)	91.8	(32%)
Vegetable Oil	29.7	(31%)	41.9	(14%)
Corn	2.9	(3%)	20.0	(7%)
Total	$96.6	(100%)	290.7	(100%)

As noted above, PL-480 Title I is intended primarily as a stabilization program which saves foreign exchange and reduces the government's overall budget deficit. The net effect of these two aspects of the aid is to reduce inflationary pressures and stabilize the economy. It is worth pointing out that strict compliance with the PL-480 law and guidance subverts these two goals, at least theoretically.

For example, if the Usual Marketing Requirements (UMR) are adhered to, Somalia's Title I imports would not represent a net savings of foreign exchange through a reduction in commercial food imports, but instead would be an addition to normal levels of commercial imports. UMRs attempt to avoid any "market displacement" effects of Title I programs, but if strictly observed they also dilute the foreign exchange benefit. In the case of Somalia, which is both poverty stricken and strategically important to the US, non-compliance with UMR is usually not cause for termination of the program.

PL-480 law and policy guidance also encourages host government's to use local currency generations on development activities which are "in addition" to planned government expenditures. The intention of "additionality" is to achieve more development "bang for the buck" in AID parlance. Adding to the GSDR's development budget, however, would only worsen the GSDR's budget deficit and fuel inflation, which, as noted above, is currently one of the most deleterious aspects of Somalia's economy.

2. Self-Help Measures

Public Law 480 Title I states that each agreement should include (a) a description of what the recipient country is doing to increase "its production storage and distribution of agricultural commodities", and (b) a provision for the termination of the agreement if such a "Self-Help"[1/] program is not being adequately developed. To the evaluators' knowledge no Title I Agreement was ever terminated for non-compliance with Self-Help provisions, but future Title I budget allocations have been affected in cases where countries clearly showed a lack of interest.

Whether or not Self-Help Measures are meaningful or meaningless depends a great deal upon the diplomatic relations between the USG and the recipient nation, the status of the US Embassy - host government relationship, and the level of USAID - host government policy dialogue. It is the judgement of this evaluation that both extremes have been hit in Somalia.

In 1978 the USA and Somalia reopened their bilateral relationship. There was immediate pressure to get programs started and aid flowing while the USAID Mission was establishing its presence. Balance of Payments support was of prime importance. Rationalization of the AID's development program was made all the more difficult by the sudden influx of hundreds of thousands of refugees from the Ogaden. It is likely that "crisis management" prevailed during the earlier (FY 78 - FY 81) years of USAID's presence in Somalia. It is therefore understandable, but nonetheless regretable that little emphasis was placed on enhancing the development aspects of the Title I program through carefully formulated and negotated Self-Help Measures.

From FY 78 through FY 82 the Self-Help provisions were too general and comprehensive to have much impact at all. For example, in the FY 78 measures the GSDR agreed to "improve management of marketing systems", "expand use of fertilizer" and "expand irrigation facilities". It was not explained how this would be accomplished. In the FY 79 Agreement the GSDR agreed to "increase agriculture research and extension work", "continue the development of the transport infrastructure", and "implement manpower management and planning programs ....". The FY 80 Agreement called on the GSDR to "continue .... to upgrade the livestock sector", "give priority ...... to programs having goal of attaining self-sufficiency in the production of basic food crops .....", "increase the agriculture research and extension work". Three quarters of the FY 80 Self-Help Measures were copied verbatim from the FY 79 Agreement, and the entire FY 81 Self-Help Measure section was copied word-for-word from the FY 80 Agreement. Only one Self-Help report was ever submitted during

1/ The term "Self-Help" strikes many as paternalistic and patronizing. A better term might be "Development Policy Measures", "Support Measures", or "Special Covenants".

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these four (4) years, although five were required according to the terms of the Agreements. One gets the definite impression from a review of the files that the Self-Help provisions were slapped together under pressure from various quarters to simply get the Agreement signed and food on its way. The provisions are not specific enough to be measurable, and unless the provisions were discussed at length during the negotiations[1/] it is doubtful the measures had any impact at all except perhaps to notify the Somalis that USAID's interest and priorities lay in the agriculture sector.

The FY 83 Agreement represented an improvement over the previous five Agreements, and the FY 84 Measures are clearly in the "policy reform" arena calling for specific GSDR sections which would have widespread implications on Somalia's food and agriculture sector. These measures are also specific and measurable, and the minutes of the negotiating session do refer to the measures. Pricing heads the list of reforms, and although "getting your prices right" is certainly not the only precondition for development, it is perhaps the most important. The FY 84 Self-Help Measures also call for the elimination of the GSDR monopoly of the grain trade. This represents a dramatic change from the previous GSDR policy (heavily influenced by Russian advisor's throughout the 1970's) which granted ADC a monopsony in Somalia's grain trade. Divestiture of non-profit making, state-owned enterprises and a revamping of the GSDR civil service system are two other sweeping, but measurable reforms called for in the FY 84 Agreement. It should be noted that these reforms were also included on other donors' policy agenda during the past year, and this dialogue received particularly strong reinforcement during the October 1983 Consultative Group meetings.

Reporting on the Self-Help Measures has also improved during the last year and a half. The FY 83 report in particular was quite well done; it was a single-spaced 5 1/2 page report which provides detail on progress made on specific accomplishments vis-a-vis the agreed-to measures. Even though the report was drafted in its entirely by USAID, the GSDR submitted it over the signature of the Director-General of the Ministry of Finance.

1/ The Minutes of the negotiating sessions in most cases do not even refer to the Self-Help Measures, let alone document an exchange of ideas on the proposed measures.

Although the Self-Help Measures have swung from "meaningless" during the FY 78 - FY 81 period, to "highly significant" in FY 84, it should be stressed that it is unlikely that even in the best of circumstances macro policy reform will be possible by using Title I leverage alone. However, in conjunction with a CIP grant, a concommittant World Bank Structural Adjustment Loan (SAL), or an IMF facility with similar provisions, such reforms are within reach. In short, PL-480 Title I alone can only play a reinforcing role in macro-policy dialogue but together with other assistance represents significant leverage. Aside from Self-Help Measures there are other ways in which Title I can influence and direct policy reform at the sector level, and these will be reviewed later in this report.

3. Local Currency Use

(a) Management

Local Currency (Somali Shillings) proceeds from the sale of the Title I commodities are deposited into a special "Generated Shillings Proceeds (GSP) Account[1] in accordance with a 1983 Memorandum of Understanding between the Ministry of Finance and USAID. (See Appendix 37 for the text of this key local currency proceeds agreement). These proceeds are to be disbursed and used for development activities which are mutually agreed upon by the GSDR and USAID and included in the GSDR's "Development Budget". Activities which are funded are therefore consistent with USAID's development strategy as well as GSDR priorities. The Director General's Office in the Ministry of Finance, in conjunction with USAID, is responsible for managing the account, and two entities have been established to ensure compliance with the provisions of the local currency agreement.

The 'Generated Shillings Proceeds (GSP) Committee", which consists of two Ministry of Finance officials and two USAID officials, meets twice a year to review and establish GSP account policy and to prepare the GSP account's annual program budget plan. (See Appendix 34 for an organizational chart of the GSP Committee and Appendix 36 for the approved 1984 annual GSP budget). The GSP committee also reviews proposed projects for possible funding with GSP funds. If the GSP Committee gives a green light to the initial project proposal, the organizer of the project (usually a branch of the government)

1/ FY 85 CIP is scheduled to be $35 million. Title I budgeted for the same year is $20 million. Together the total of $55 million is close to the $80 million SDR EFF loan offered to Somalia in 1984.

will prepare a more detailed proposal which includes economic, social and financial aspects of the activity. If this detailed proposal is accepted, the GSP Committee will recommend that it be finally approved for funding by the Minister of Finance and the Director of USAID.

The second entity involved in local currency programming is the "CIPL Unit" (CI for CIP and PL for PL-480), and it concerns itself primarily with the operational matters in managing and accounting for CIP and PL-480 local currency proceeds. (See Appendix 35 for an organizational chart of the CIPL Unit). Its office is located within the Ministry of Finance and it reports directly to the Director General of Finance. It is staffed with six Ministry of Finance officials and one USAID Personal Services Contractor (PSC), and its primary function is to ensure that the proceeds from the CIP and PL-480 programs are used in accordance with the agreements reached by the GSP Committee. It disburses the funds to the projects and controls the use of the funds by enforcing projects accounting and reporting requirements. In addition to regular financial reporting, each GSP funded project or activity is required to provide detailed reports on the physical achievements. CIPL Unit also has audit authority over its funded projects, but to date full-scale audits have been conducted on only 4 projects. More are planned.

In mid-1984 the CIPL Unit compiled a statistical review of PL-480 Title I local currency use since the first Title I Agreement was signed in 1978. It noted that a total of So.Sh.616 million were deposited into the Special Account between 1978 and 1983, but an additional So.Sh.185 million is overdue for deposit. (See Appendix 30 for a summary of the deposits to the Special Account). To clarify and streamline local currency accounting, and in accordance with the Title I agreement, local currency generations due for deposit were calculated on the basis of (a) the F.O.B.-U.S-port value of the commodity at the time of the particular shipment, (b) times the official So.Shilling/U.S. Dollar exchange rate prevailing at the time of export.

Of the So.Shillings 616 million deposited as of mid-1984, So.Sh.467 million had been disbursed for 52 projects or activities. In accordance with AID strategy the agriculture sector received the major share of the budget allocations. The records demonstrate that once deposits were made to the Special Account, disbursements to agreed development activities followed quickly thereafter. Since 1979 disbursements in any one year closely match, and in one case, exceed the amount of deposits made the same year. (See Appendices 31 and 33 for a summaries of actual disbursements). However, based on the evaluation's review of CIPL's files, there are several areas where improvements are needed.

(b) Problem Areas

(i) Late Deposits

Deposits of Title I local currency generations into the Special Account are frequently late, primarily because the parastatals which received the food (ENC and the Past Factory) had serious cash flow problems and were not forced by the GSDR to pay their bills on time. Deposits occured at least one year, and often two years after the signing of the agreement. There is simply no excuse for this. If the parastatals sold the Title I commodities then used the proceeds to repay other outstanding bills, the PL-480 agreement is being violated. If, on the other hand, the Title I food passed from ENC or the Pasta Factory to the army or other parastatals on credit terms, then such activity also violates the agreement and only serves to further subsidize the cost of the food, which in turn, further distorts the food pricing system at the expense of the private sector and the farmer. Given Somalia's high inflation rates, late payments to the GSP account also serves to diminish the real value of the shillings deposited.

The problem can only be solved by (a) persistent dunning of the defaulting parastatals by CIPL and the Ministry of Finance (one ploy to use might be a threaten to reduce the amount of Title I food going to that parastatal the following year), and (b) including in future Title I Agreements a provision that the recipient agencies, private or otherwise, deposit the proceeds "upon receipt" of the commodities. If, as recommended by USAID, private sector individuals become more involved in internal distribution, thru open market auctions of the Title I food, timely deposits of both local currency and hard currency for ocean freight should become less of a problem.

(ii) Unauthorized Disbrusements

In a few instances the GSDR made disbursements from the Special Account for activities that were not mutually agreed upon in violation of the local currency Memorandum of Understanding. Fortunately these amounts were relatively small, and the GSDR has agreed to redeposit the funds. Closer monitoring of the Special Account disbursements by the CIPL Unit is needed to prevent such misunderstandings in the future.

(iii) Limited Project Monitoring and Reporting

USAID, the GSDR and the CIPL Unit know very little about what happens to the proceeds once they are "disbursed" to the activities. Until 1984 there were few project expenditure reports. Almost none were submitted between 1978 and 1981. Although the number of these reports has incresed recently, additional work is needed in this area. The first in-depth CIPL audit of an activity funded with PL-480 proceeds (a USAID Health Project) revealed substantial shortcomings in accountability at the project level. Although three more similar audits were conducted in 1984, more such audits are needed, and project financial reporting systems should be implemented to ensure compliance with the approved accounting and reporting procedures. Without adequate accountability opportunities for diversion increase.

(iv) Other Problems

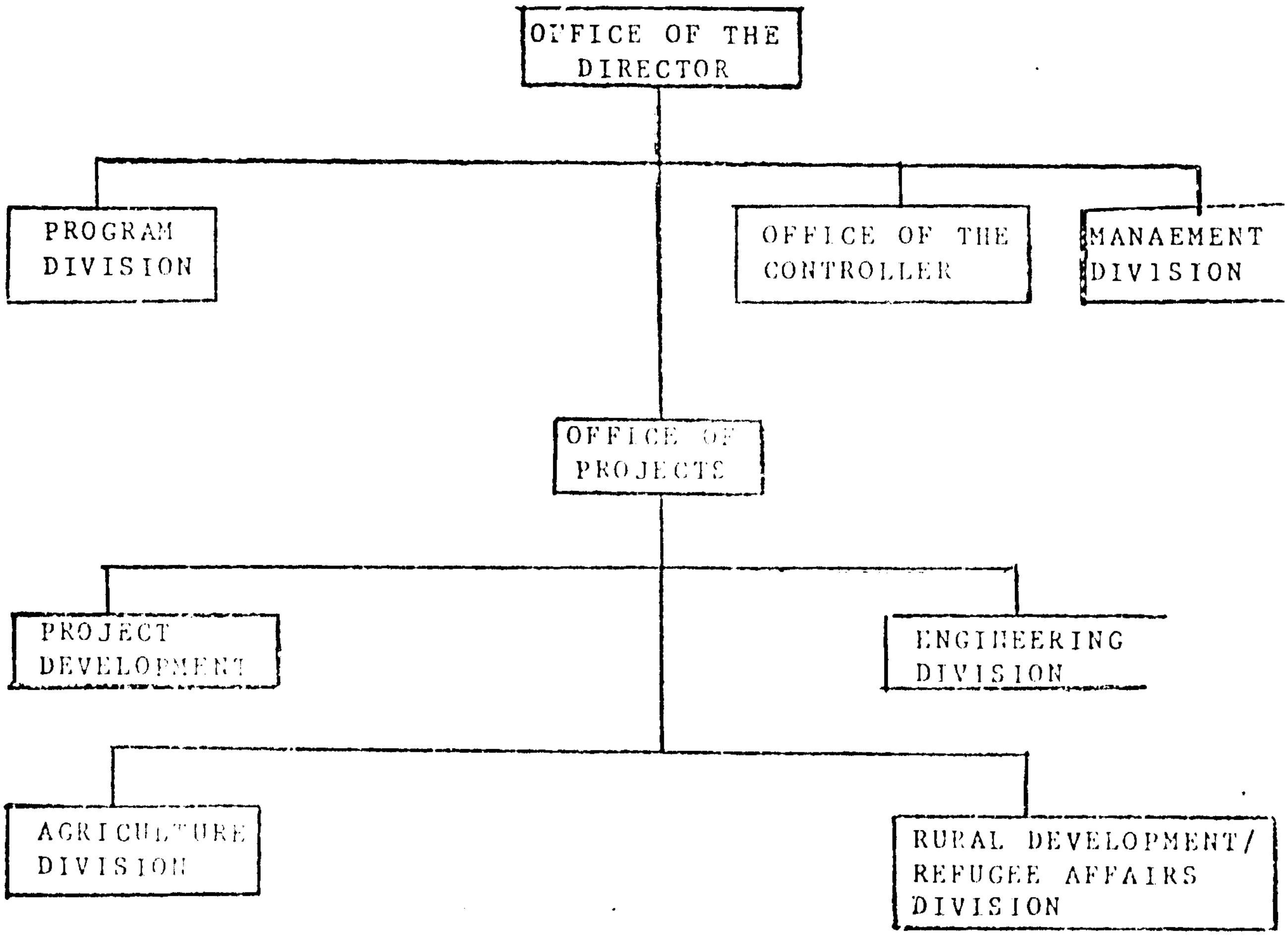
When Title I proceeds generated in FY 84 are combined with FY 84 CIP proceeds the total amount generated represents a significant amount of development resources. One USAID PSC works full-time managing the proceeds under the supervision of the USAID Program Officer. Although implementation of the proceeds agreement clearly rests with the Ministry of Finance, USAID needs to continue to provide overall direction to counterpart fund use, monitor their use and provide as much technical assistance to the GSP Committee and CIPL Unit as appropriate for good management. For example, periodic review of the intended macro impact of the funds would be helpful. Is the fund intended primarily to help stabilize the economy by reducing the GSDR's budget deficit? Would project expenditures which are "additional" to GSDR planned budget activities add to budget deficits, money supply and inflation? What effects would allocation of the proceeds to the private sector through commercial banks have on inflation and the budget deficit? These, as well as other local currency macro issues deserve continued attention as the GSP amounts accumulate.

C. Operational Aspects of the Title I Program

1. USAID Management System

USAID/Somalia has 27 US Direct Hire positions and is composed of 3 offices and 2 divisions. On the following page there is a simple wire diagram of the USAID/Somalia organization. Several USAID/Somalia offices and divisions are involved in planning, negotiating and implementing PL-480 Title I loan agreements.

The Office of the Director (i.e., the Mission Director and the Deputy Mission Director) is responsible for overall coordination and management of the Title I program.


OFFICE OF THE DIRECTOR
PROGRAM DIVISION
OFFICE OF THE CONTROLLER
MANAEMENT DIVISION
OFFICE OF PROJECTS
PROJECT DEVELOPMENT
ENGINEERING DIVISION
AGRICULTURE DIVISION
RURAL DEVELOPMENT/ REFUGEE AFFAIRS DIVISION

The Program Division which is supervised directly by the Deputy Mission Director is responsible for macro-economic analysis, policy dialogre, formulation of Self-Help and Local Currency Use provisions and management of the local currency. The Program Division prepares major Title I proposal cables to AID/W, the negotiating agenda, the draft agreements and the minutes of the negotations, and, in general, acts as the principal assistant to the Mission Director during the negotiation and signing of the agreement. This division is also principly responsible for GSDR compliance with, and reporting on the Self-Help and Local Currency provisions of the Title I agreements. With regard to local currency use the Program Division supervises a PSC "USAID-CIPL Liaison Officer" who has two offices, (one in the Ministry of Finance and one in USAID's Program Division) to ensure that the Government uses and reports on Title I local currency in accordance with local currency use agreements.

The Rural Development and Refugee Affairs Division is composed of four (4) U.S. Direct Hire employees and is headed by a Rural Development/Refugee Affairs Officer, who has two deputies, one of which is a Deputy for Food and Refugees. This position is currently occupied by a Food for Peace officer whose responsibility with regard to Title I is to monitor food arrivals, ensure that shipping and arrival, compliance and UMR reports are completed and submitted on time. He also monitors in-country distribution of the Title I commodities. In 1984 the FFPO hired 3 Somali assistants, one of which is located in Hargesia in the north of the country. These three individuals assist the FFPO carry out his assigned tasks.

Other USAID offices and divisions (e.g., the Controller's Office or the Agriculture Office) are involved in the PL-480 program only to the extent that they are called on as Mission team members to address specific, unforeseen problems or issues.

2. Effectiveness in Managing the Program

Although the above represents the present organizational structure and assigned PL-480 duties and responsibilities, it is not clear what USAID's management arrangements were prior to 1983. Based on a review of the files, however, it appears that USAID management of the Title I program from 1978 until late 1982 (an audit was conducted in mid-1982) was less than satisfactory. The Self-Help Measures appear to have been casually formulated, and so ambiguous and comprehensive in nature that it is doubtful if the government took them seriously. As noted above the FY 81 Self-Help Measures were taken verbatim from the text of the FY 80 Agreement, suggesting that little planning or thought was taken on the part of USAID. Little monitoring of local currency use was carried out, and although each agreement since 1978 called on the Government to submit an annual report on GSDR progress toward achieving the Self-Help Measures, from 1978 through December 1983 only one such report was received, and, according to a USAID audit, it lacked specificity.

To some extent inattention to the Self-Help Measures is understandable. The renewed bilateral relationship between the USG and the GSDR was not yet sufficiently developed to allow for meaningful policy dialogue. However, this does not exc use the absence of compliance reporting, the poor state of the Title I files, inadequate monitoring of local currency use, and the absence of key records such as negotiating minutes. The July 1982 audit report report noted that since 1978 the GSDR has submitted only one local currency report (two per year were normally required), and Quarterly Compliance Reports were "entirely missing". In short, many of the rather routine provisions of the agreements were simply not adhered to, and it appears that USAID was primarily at fault for this non-compliance. In addition, it appears that the Mission did not at least attempt to adjust the inappropriate commodity mix to enhance the development benefits of the program.

Since the July, 1982 audit report was completed, however, management of the Title I program improved somewhat, and considerable progress was mde during 1983 and 1984. Two thorough Self-Help reports have been submitted since December of 1983, local currency reporting has improved, and other compliance reports were submitted, albeit late. In addition, there was a marked improvement in the FY 83 and FY 84 Self-Help provisions which are more focused, measurable and policy oriented. However, more remains to be done by USAID to attain compliance with each provision of the agreements and to enhance the economic development potential of the program.

Although the present distribution of PL-480 responsibilities within the USAID Mission appear adequate to meet basic PL-480 management and reporting requirements, the following are some suggested improvements that might be made if resources are available.

- Upon the signing of each Title I Agreement the Mission should formulate a Title I Agreement implementation plan which lists (a) each specific implementation action, (e.g., UMR report, compliance report, local currency agreement, repayment schedule etc.), (b) the due date and (c) the USAID office responsible for that particular action. The plan should be signed by the Mission Director and used as a guide for Title I program implementors.

- A central respository of Title I files should be organized and located in the FFPO office.

- The FFPO should be given a seperate office with a telephone. At present the FFPO office has no phone and he shares a 9' x 15' office with two Somalis, only one of whom has a desk.

- Local currency use is discussed above and below at length. Here it is useful to point out that the amount of resources handled by the Special Account is significant; nearly half a billion So.Sh. have been disbursed through the account since 1979. Local currency poroceeds could, however, become unmanageable and unproductive if the management controls presently in place do not operate efficiently. Given the sizeable amounts of money managed by this unit, the complexities of the GSDR budget process, and difficulties in certifying that the proceeds were indeed used for the intended purposes, it is believed that more USAID management resources should be applied to this unit than in the past. The work of one full-time U.S. liaison officer will soon be complemented with the first of several auditing/management training visits from a professional company, Coopers and Lybrand of Nairobi. This type of auditing will be necessary in the future to ensure compliance.

- Finally, local currency proceeds might be used to hire an additional auditor and to purchase one audit vehicle for the CIPL unit from the government fleet. CIPL's first four, in-depth audits indicate a need for more such audits on a regular basis in the future.

2. <u>GSDR Management Systems</u>

The Ministry of Finance is the primary GSDR agency involved in implementing the Title I program. The Ministry of Finance normally makes the formal request for a Title I loan, leads the GSDR during the negotiating process, signs the loan agreement and manages the Special Account. In addition, the GSDR Ministry of Finance, along with the Ministry of Planning, is responsible for implementing the economic policy measures included in recent PL-480 Self-Help provisions. Although the Minister of Finance is clearly in charge of this process, he is assisted in these matters by his Director General (highest civil servant in the Ministry), the Director of Treasury, who is responsible for GSDR bilateral loans (e.g., his division orders the Central Bank to repay bilateral loans), the Director of Economic Research, who is the principal advisor to the Director General in IMF negotiations, and the Director of the

Budget, who advises on local currency use. The Generated Shillings Proceeds (GSP) Committee, which is composed of two Ministry of Finance officials and two USAID officials, sets overall counterpart funds policy and approves local currency budget allocations. The CIPL Unit which is composed of six Ministry of Finance officials and a USAID PSC, reports directly to the Director General of the Ministry of Finance and is responsible for management of the CIP and PL-480 local currency proceeds.

The Ministry of Finance coordinates the request for Title I food with the Ministry of Commerce, which controls the parastatals ENC and the Pasta Factory, as well as with the Somali Shipping Agency which receives and clears the food at the ports. These two parastatals take possession of the Title I food aid and sell it at official prices to other government-related organizations as well as to private sector wholesalers and retailers.1/

The Ministry of Commerce is also directly responsible for managing the auction of Title I commodities to the private sector. The first auction of 1/3 of the Title I commodities is to be held in 1984, and, in line with USAID's objective of increasing private sector involvement in the Title I program, more auctions are planned for the future.

With the advice of USAID, the Ministry of Commerce recommends the commodity mix for each agreement and is responsible for insuring that the food is auctioned or distributed through its parastatals in accordance with the Title I Agreement and GSDR plans. Commerce prepares and submits to USAID through the Ministry of Finance all Quarterly Compliance Reports, UMR reports, Shipping and Arrival Reports, and other reports requested by USAID regarding the distribution of the commodity received under the loan.

The Ministry of National Planning is kept informed of Title I program status especially during the planning and negotiating stages of an Agreement. As noted above, Planning coordinates closely with the Ministry of Finance on matters pertaining to Self-Help and Local currency provisions. The Ministry of Foreign Affairs is informed as the signing date approaches since a Title I Agreement a bilateral accord with a foreign government.

1/ In FY 80 and FY 81 corn was shipped under Title I. In these cases the parastatal Agricultural Development Corporation (ADC), which comes under the Ministry of Agricultures portfolio, received and distributed the corn.

Based on conversations with USAID personnel and a review of the PL-480 files, it appears that the Ministry of Finance has been responsive and cooperative on most aspects of PL-480 programming, negotations, implementation and repayments. The only exception might be with regard to disagreements over the use of local currency. In two cases, the Ministry of Finance disbursed funds from the CIPL account on unauthorized items without USAID concurrence. The Ministry of Finacne has redeposited a portion of these funds, and close monitoring of the account should minimize these misunderstandings in the future.

The Ministry of Commerce, on the other hand, has consistently been unable to deliver in a timely matter much of the data needed to support and justify a PL-480 request or to comply with GSDR reporting requirements. It is not clear whether this shortcoming is due to USAID's apparent previous inattention to these reports, the Ministry of Commerce's difficulty in understanding Title I reporting requirements, or a real inability on the part of the Ministry and its parastatals to come up with the numbers.

IV. Development Impact

A. Impact on Foreign Exchange Availability

1. Amount of Foreign Exchange Saved

As illustrated in Appendix 21, over the seven-year FY 78 - FY 84 period the USG provided $96.6 million of PL-480 Title I credits to Somalia to import wheat, what flour, rice, corn and vegetable oil. The repayment terms of these loans were in general very soft; 40 years to repay, a ten year grace period, 2% interest during the grace period and 3% thereafter, and Currency Use Payments of 5 to 10% on principal. After interest is added and after 40 years, the GSDR will have repaid to the USG Treasury roughly $158 million for the $96.6 million in loans. However, after discounting for inflation and using present value calculations, one can estimate that in constant dollars, these loans represent roughly a 70% grant element. In other words, after repaying the loans fully, Somalia will have gained roughly $70 million of hard currency against their Balance of Payments as a result of seven years and $96.6 million in Title I Agreements. Put another way, on an average annual basis, the real <u>eventual</u> foreign exchange savings to Somalia will amount to very roughly $10 million. This represented, however, only about 2% of Somalia's officially recorded import bill, which averaged $463 million per year during the FY 78 - 83 period. The impact of this foreign exchange support by <u>itself</u> cannot be considered significant in macro-terms, but when considered in conjunction with other USG food aid and CIP support, as well as other foreign assistance, it does represent critical savings during a period when Somalia experienced severe balance of payments problems.

2. The Effect on Somalia's Ability to Import Food

Related to Balance of Payments support is the question of whether the Title I imports represented actual savings of foreign exchange in the form of replacements of commercial food imports or were Title I food imports <u>additional</u> to that which Somalia would have imported commercially? Notwithstanding the Usual Marketing Requirement (MR), it seems that on the whole, the former is the case for Somalia.

Food importing ability, which determines to a great extent Somalia's food security, is influenced by the level of Somalia's foreign exchange receipts, net foreign exchange reserves, debt servicing capability and other competing demands for foreign exchange. Somalia's principal sources of earned foreign exchange are exports of goods (e.g., livestock, bananas, hides and skins) and remittances from overseas workers. Somalia's foreign exchange reserves are modest relative to concessional food import levels, and therefore they are not a significant factor. Since Somalia is already constrained by a debt rescheduling regimen, additional borrowing is not feasible. Competing demands for foreign exchange are debt service and essential imports such as petroleum. In 1982, for example, 88% of "imports made against foreign exchange" consisted of food (23%), petroleum (41%), construction materials (8.4%), machinery and parts (9.1%), and transportation equipment and parts (6.5%). Given the hypothetical question .... "If concessional food assistance were to be curtailed could Somalia finance food imports from its own external resources? .... the simple response is no. Since 1980 Somalia has recorded annual deficits on its overall balance averaging $33 million, and, as noted earlier, the country does not have the options of borrowing from commercial banks or of using official reserves. The increase in imports could only be covered by extraordinary borrowing. As it is, in recent years the deficits on overall balance have been covered by resort to IMF credits.

The data in the table below provides some perspective on the issue starting in 1980 and extending to 1985. The export and import data are from IMF and Central Bank/IMF estimates which assume normal levels of livestock exports and continuation of the Saudi oil grant. In the event livestock exports are not resumed and the oil grant is not renewed, the 1984 and 1985 trade balances could be over-estimated by something in the range of $75 million. It is assumed there is virtually no possiblity to compress non-food imports and reallocate in favor of food imports without causing serious economic dislocation including a reduction in export production. It is emphasized that these data should be interpreted as illustrative and not as systematic estimates. Also the second-round effects of the change from concessional to commercial food imports are not incorporated into the variables in following years. Each year is independent of the preceding year. Thus, the export projections in 1984 and 1985, for example, do not reflect the decreased availability of imported inputs resulting from greater competition for imports in 1983 and 1984, respectively.

Ability of Somalia to Finance Concessional
Food Imports From Its Own Resource
($ Million)

	1980	1981	1982	1983	1984	1985
- Supply of FX (exports, pvt, trnsfrs, pvt. cap. net serv.)	182	197	161	124	177	218
- Demand for FX ("fx imports less off. trnsfrs & off. cap.)	-176	-141	-192	-144	-178	-182
- Balance	6	56	-31	-20	-1	36
- Import of concessional food on commercial terms	-6.7	-46.1	-27.8	-28.0	-28.4	-29.2
Balance	-0.7	9.9	-58.8	-48.0	-29.4	6.8
Gross reserves	25	42	14	29	39	38

Sources 1. Balance of payments and reserves data for 1980-1982: IMF, Somalia Review of Stand-By Agreement, Table III, p.32.

2. Payments data 1983-1985: Central Bank of Somalia and IMF estimates, Dec., 1983, Mogadishu.

3. Value of concessional food imports: GSDR Ministry of National Planning, Development Strategy and Public Investment Programme 1984-1986, revised December, 1983, Mogadishu.

The first row in the above table shows the total supply of foreign exchange earned by Somalia. The second row is the demand for imports excluding imports financed by donors. The first balance shows the amount of foreign exchange Somalia has available to purchase additional imports and the fourth row is the value of concessional food imports received or expected for each year. The second balance shows the result if concessional food were imported on a commercial basis in any given year.

By comparing the results from the second balance with foreign exchange reserves it appears that Somalia could have covered concessional food imports in 1980, and depending on the net reserve position and reserve requirements, perhaps partially food imports in 1981 and 1985. Coverage of concessional food imports out of earnings is not possible in 1982, 1983 or 1984. The results in 1982 and 1983 are obvious, but 1984 is not substantially better because actual reserves are less than indicated and Somalia must retain a minimum reserve level. Also Saudi Arabia's livestock embargo has continued and, therefore, 1984 export earnings are surely be overestimated in the above table.

The outcome does not change substantially if only PL-480 Title I assistance is considered, because Title I assistance is such a large proportion of total concessional food aid to Somalia. The approximate commercial value of Title I imports in 1983 was $21 million in 1983 and will be about $20 million in 1984.1/ Freight costs are assumed to be 40% of the commodity value.2/ It is possible some portion of the annual food payment could be deferred if financing could be found but, as noted in the text, it is highly unlikely that Somalia could obtain sufficient commercial loans. Thus, the second balance in 1983 would have been - $41 million and the balance could be expected to be - $23.4 million in 1984. Somalia would not be able to import the amounts of food provided by the Title I program in either year using its own resources.

Since the Title I imports essentially replaced what would have had to be imported commercially in order to meet Somalia's basic food needs, the program saved the country foreign exchange and provided food security. Without PL-480, other non-food imports would have had to be curtailed in order to pay for the more essential food imports or food would not have been imported at all thus negatively affecting the nutritional status of Somalis.

1/ The value of PL-480 Title I commodities are $15 million for 1983 and $21 million for 1984 including CIP used for ocean freight.

2/ USAID Food for Peace Office, Feb. 1984.

3. The GSDR's Dollar Repayment Obligations

Appendix 22 presents the repayment schedule for the six Title I loans made between 1978 and 1983. Repayment obligations for the FY 84 $16 million agreement and Title I loans prior to 1971 are not included, and the total annual repayment obligations are therefore considerably underestimated. The table does illustrate, however, that the Title I repayment obligations are mounting. In 1984 the GSDR is due to pay to the U.S. Treasury $1.6 million. When pre-1971 agreement principle payments are added, the amount due is probably close to or exceeds $2 million. In a few years annual repaymnent obligations will exceed $3 million, and in less than ten years, assuming a continuation of the Title I program, the Somali government will owe the USG about $10 million per year for Title I loans. Not only do these repayment obligations raise concerns about Somali's ability to pay, but they also serve to remind that Title I food aid is not free and should therefore be used in the most cost effective manner possible. By itself Somalia's doubtful ability to repay these loans argues for serious Title III consideration.

B. Impact on Economic Policy Dialogue

1. The Effect of Past Agreements

As noted above, one positive effect that Title I has had on Somalia's economy is the foreign exchange savings during the seven years. However, a more important question might be not "How much foreign exchange was saved?", but rather "Was the saved foreign exchange used effectively to promote economic development?" The answer to the latter question depends on the economic policy framework. In short, are the economic policies and the structure of the economy conducive to efficient uses of the freed-up foreign exchange?

As stated earlier, it is doubtful that the Self-Help Measures carried out in conjunction with the FY 78 through FY 82 Agreements had any effect on Somalia's economic policies. The measures were too general and ambiguous to generate any real additional effort on the part of GSDR, and it would be difficult to establish any association between the measures and positive policy developments. However, the FY 83 and FY 84 Agreements, which were closely aligned with other donor efforts, included measures which were designed to improve GSDR economic policies and promote structural adjustment. The Self-Help Measures, as well as the CIP Special Covenants, were part of a larger response which has been a significant factor in adjusting GSDR policies and priorities. For example, FY 83 and FY 84 Self-Help policy measures included adjustments to the exchange rate, budget controls, and the establishment of policies favorable to the expansion of the private sector such as eliminating government monopolies and diversting parastatals. Each of these policy reforms was supported by the IMF and World Bank, and the government made many of these reforms. The GSDR made marginal adjustments to the exchange rates, opened the economy to the IMF's stabilization program, convened a Consultative Group meeting, and were very close to concluding an IMF EFF agreement which included many of the policy reforms included in these recent PL-480 Agreements. Unfortunately, agreement was not ultimately reached, but instead negotiations were frozen, and key issues, such as the exchange rate and credit ceilings, remain to be resolved. So, although it is not possible to claim that the GSDR's recent liberalization reforms were a direct result of PL-480 Agreements, it is certainly fair to say that through these Agreements USAID was part of a significant policy dialogue that resulted in several much needed macro-economic reforms which will enhance the efficient use of the freed-up foreign exchange.

2. Expanding the Policy Dialogue

The Mission used the PL-480 negotiations in FY 84 to advance the policy dialogue on key development issues: Agriculture pricing policy, public employment policy, public enterprise policy and public sector intervention in the food marketing system. Each of these policies are important to economic stabilization and growth, each directly affects food production, and each was successfully negotiated to some degree. Future negotiations should continue to focus the dialogue on these critical issues, especially pricing of Title I commodities, and if possible, the dialogue should be broadened to include those macro policies which directly affect food security. The following is an illustrative list of macro-policy reform areas which USAID might consider including in future Title I Self-Help Measures:

Foreign Exchange Rate

Food prices can be kept low domestically by importing food valued at an overvalued exchange rate making these imports appear cheaper than they really are. Since food imports constitute such a large component of total food intake in Somalia, the exchange rate assumes great importance for the farmer and the economy in general. A devaluation will increase sharply the terms of trade for the rural farmer and reflect more accurately long-run scarcity.

MAcro Prices for Labor and Capital

High minimum wages and excess GSDR hiring force wages higher in the informal rural sector. Low interest rates depress savings and consequently force informal credit rates in the rural areas to higher levels. The interest rate structure should enable savers to receive a positive rate of return (i.e., above inflat ion rates). Together these labor and capital prices signal relative scarcity to participants in the economy. The state should insure that these prices do not actively discriminate against the rural sector where food is produced, but instead provide incentives for agricultural production. The consequenses of inefficient pricing in these areas are almost uniformly bad, and Somalia's performance in this area clearly needs adjustment.

Fiscal and Monetary Policies

In the past the GSDR has overspent, especially on subsidies to state-owned enterprises, then used monetary policy as an instrument to accomodate the tax shortfall of budgetary expenditures. (Preliminary 1983/1984 money supply estimates show an increase of nearly 100% in one year alone). The inevitable result is chronic and rapid inflation which disturbs the domestic pricing regime and lowers the value of the currency against other currencies. Current GSDR monetary policy has shown a startling lack of restraint in this regard. What is required is a reasonably balanced budget with restrained monetary growth leading to stable prices by the standards of Somalia's international trading partners. However, monetary target choices and results are different for developing economies than for developed economies, and careful study is required before firm, measurable policy reform conditions are suggested in this area.

3. Negotiating Strategy

PL-480 negotiating leverage is limited, and it is rare when a government agrees to a macro-policy shift solely on the basis of a PL-480 Self-Help measure. What is more important in most cases is sincere dialogue with key authorities on issues of critical importance to the economy in general and the food sector in particular. To successfully organize nogotiations which are conducive to such dialogue several ingredients are necessary:

(1) Correct (a) analysis of the economy, (b) identification of key constraints and (c) formulation of attainable Self-Help Measures;

(2) Good relations between USAID, the Embassy and the economic leadership of the host country;

(3) Time to negotiate the measures in a deliberate and rational manner.

Too often the first two elements are present, only to be subverted by the missing third ingredient. Because of pressure to sign the agreement and ship the commodities before the end of the fiscal year, informal and hasty negotiations take the place of formal negotiations thus diluting the effect of the dialogue. (Informal negotiations should supplement, not replace the formal meetings). To avoid this situation the Mission should submit its request early enough in the fiscal year (i.e. by November) in order to receive the negotiating instructions from Washington D.C. no later than January of each year. In recent years the Mission has an excellent record in this regard.

C. Development Impact of Local Currencies

It would be double counting "impact" to claim that in addition to the $70 million in saved foreign exchange noted above, the $96 million of Title I loans also contributed an equivalent amount of local currency generations to the Somali economy. In a macro-economic sense, it would be more accurate to state that the flip-side of the foreign exchange contribution is the generation of the local currency proceeds. Since 1978 over So.Sh.460 million of Special Accounts funds have disbursed to GSDR financed projects. These proceeds no doubt have had a positive impact on the ability of the GSDR to fund development activities, to reduce the deficit and to mitigate inflationary pressures. It is beyond the scope of this evaluation, however, to measure more precisely or to quantify these macro effects. Further, there is not enough evidence to conclude that these disbursements were an efficient use of scarce economic resources and had a positive impact on development in Somalia. Evaluations and audits of the funded projects are scarce, but based on this scarce evidence there is a feeling that accountability at the project level are too lax to encourage efficiency.

Certainly, the amount of local currencies generated in significant. Somalia's 1984 budget is estimated at So.Sh.6.4 billion, and PL-480 local currency generations from the FY 84 program are estimated at roughly So.Sh.300 million, or 5% of planned GSDR expenditures. In conjunction with CIP local currency, this percentage jumps to roughly 13%. When other donor aid is added, the percentage contribution to public sector investment would be greater still. Whether or not these funds are wisely spent, however, depends on the efficiency of the public sector. As noted above, there is a sense that because of inadequate controls and accountability at the project level, many of these individual expenditures were misdirected, and, if this is true, this would negatively affect the economic return. If diversions are as high as some suggest, the disbursements could actually be detrimental to Somalia's development process. For this reason USAID initiated the CIPL unit and has begun to improve the monitoring and auditing of project expenditures.

A final note on local currency generations. Past experience with food aid programs suggest that PL-480 proceeds may cause the host country to be complacent about developing appropriate fiscal measures (i.e., taxes and spending restraint) for mobilizing its own domestic resources. In short, local currency is often seen as "easy money", and it is used to support bloated, inefficient bureaucracies. If the GSDR becomes dependent on such proceeds for domestic development programs, these programs become subject to the vagaries of aid flows.

D. Effect on Food Prices and Food Production

The Balance of Payments aspects of the Title I program contributes to foreign exchange availability only to the extent that it does not also contribute to increased imports of food. If the food aid is a disincentive to agricultural production, for example, more foreign exchange will be needed to cover the food deficit with imports.

Since almost all of the Title I food aid to Somalia since 1978 was distributed through the public sector distribution system at subsidized prices, it appears that Title I food probably did assist the GSDR to implement its cheap food policy. At times the subsidy was substantial (such as in 1983 and 1984), but the price series data is weak, and a precise measure of the effect this had on market prices is not possible. It is very likely that a good deal of the food was leaked from the public distribution system back into the market system, thus mitigating somewhat any price depressing effect of the low official prices. There seems to be little disagreement, however, that the Title I food was sold at below (one half to one seventh) market prices, and this helped to reduce food prices which, in turn, worsened the terms of trade for farmers.

On the other hand one could also argue that lower food prices dampened inflation, and cheaper food to urban consumers contributed to a more stable social and political environment which is a precondition fo. development.

E. Effect on Marketing, Processing and Consumption Patterns

The type and form of Title I commodities delivered to a recipient country has an immediate impact on marketing system, the food processing industry and consumption patterns.

In the case of Somalia all of the food was received by and distributed initially through the government-owned parastatals or public enterprises of ENC, ADC or the Pasta Factory. Since these entities did not pay for these imports with hard currency or even the real Somali Shilling equivalent of C.I.F. prices, the Title I commodities represented a subsidy to them. In this sense, then Title I commodities supported the GSDR's public food distribution system. Had the commodities been provided at the port to private sector wholesalers, the Title I commodities would have lent support to the private sector instead.

Although Somalia grows insignificant quantities of wheat in the northern part of the country (the Ministry of Agriculture has no data on domestic production), agriculturalists agree that there is little potential for wheat production in Somalia. Between 1978 and 1983 47% of the Title I commodities by volume and 35% of the dollar value were wheat or wheat flour. The question is whether these wheat product imports encourage taste preference which could not be maintained were the subsidized Title I food aid to stop. As noted above, Somalia would probably <u>not</u> be able to sustain this level of wheat imports on its own, although almost certainly some commercial imports of wheat products would occur at least initially to meet the demand created by the Title I commodities. Assuming that Somalia could not sustain wheat imports on its own, was it bad for development that Title I did? The logical answer seems to be that it is not harmful as long as substitute products, such as sorghum, sesame or maize flour, can be found and used quickly after the withdrawal of the Title I. However, given a choice, it would seem more conducive to encouraging sustained economic development to deliver under Title I commodities which can either be produced locally, such as maize, sorghum, sesame and vegetable oil, or are absolutely essential to the Somali diet but cannot be produced domestically.

During the 1978 - 1983 period $19.1 million and 64,500 tons of wheat flour were delivered. As noted earlier in the report there is considerable excess of maize and wheat milling capacity in Somalia. Had the USG supplied wheat instead of wheat flour, Somalia would have (a) received more commodity per Title I dollar credit, and (b) put into production Somalia's unutilized wheat milling capacity. The 72,500 MT of wholegrain wheat delivered under Title I during the 5-year period served to support the wheat milling industry, while the 64,500 tons of flour circumvented the processing industry altogether, and, to this extent, weakened it.

Similarly all of the $30 million and 42,000 tons of refined vegetable oil delivered to Somalia during the 5-year period circumvented the vegetable oil processing industry. Had the $30 million been used to purchase crude degummed cotton/soyabeen oil instead of refined, value would have been added in Somalia, jobs created and the vegetable oil processing industry strengthened.

Small quantities of rice are grown in Somalia. The largest ever recorded crop amounted to only about 20,000 tons in 1982. During the past eight years, production has averaged only 11,000 tons. During the 5-year, FY 78 - FY 83 period, however, the Title I program delivered an average of 18,400 tons of rice per year to Somalia. Although there seems to be some scope for increased rice production, the cost effectiveness is questionable. It is clear that the surplus disposal and market development objectives of PL-480 took precedence over economic and agricultural development objectives when it was decided to include rice in the program. It appears that if Title I rice deliveries had been excluded altogether from the Title I program and the funds used instead to purchase, say, the staple maize, more than double the volume of food and nutrients would have been delivered using the same amount of Title I credits, and development of an unhealthy dependence on unsustainable rice imports would have been avoided.

		(Million $)	(000 MT)
-	Actual Purchase of Title I Rice, FY 78 thru FY 83	31.0	91.8
-	Hypothetical Purchase of Title I Maize FY 78 thru FY 83	31.0	231.0

The USAID Mission has recognized that if the prices at which the Title I food is sold are below effective market prices it will put downward pressure on food prices and eventually hurt producers. Thus, as part of the 1984 Title I Agreement the Mission negotiated an open-market sales agreement with the GSDR (See Appendix 38) in which 1/3 of the Title I commodities will be sold at an auction to private grain traders at what will hopefully be near-market prices (market prices of foodgrains are currently well above would market prices). The eventual goal is to sell all of the Title I commodities imported under future agreements at market prices to the private sector.

F. Other Effects

1. Political/Diplomatic Impact

By providing assistance to Somalia, particularly of a quick disbursing nature such as CIP and PL-480, the U.S. sought to shore up its new relationship with the GSDR through a visible show of support. It is believed that PL-480 did play a significant reinforcement role in advancing USG-GSDR relations which became much closer than in 1978 when the program began. The foreign exchange and local currency benefits of the program clearly helped the new nation to stabilize the economy by helping to meet its food import needs and cover budget deficits, and the food aid enabled Siad Barre and his government to feed the public-sector and politically important urban areas with subsidized food.

2. Market Development

The program has had limited usefulness in achieving the legislated objective of supporting market development, specifically for U.S. commodities. No commercial sales of U.S. corn, wheat flour, rice or vegetable oil occured during the period under review primarily because of non-competitive prices and lack of foreign exchange.

3. Surplus Disposal

The program was modestly successful in supporting the objective of relieving U.S. grain surpluses, particularly rice, although the small size of the program limited this impact.

V. Summary of Major Findings, Conclusion and Recommendations

1. Marketed Production

Although the conventional wisdom is that 25% of Somalia's cereal production is marketed, this study found that the figure is probably closer to 50%. Thus, of the total amount of cereals available for consumption in Somalia (i.e., domestic production plus imports), roughly 73% (or 446,000 MT per year) moves through some marketing channel while the remainder, or roughly 165,00 MT is consumed on the farm. These "order-of-magnitude" estimates demonstrate the importance of the food marketing system to agricultural development in Somalia.

2. Reduced State Intervention in Food Marketing

Somalia's Agricultural Development Corporation (ADC) exercised monopoly power over Somalia's cereal trade during the 1970's, and it was primarily responsible for a decline in agricultural productivity. Its role has diminished considerably during the past three years, however, and in 1983 ADC purchased from farmers less than 4% of the total sorghum and maize produced in Somalia. The remainder was either consumed directly by producers or marketed through private channels. Since 1982 the private sector has dominated the food grain marketing system in Somalia, and this development has resulted in greatly improved terms of trade for the farmers. Planted crop acreage and crop output has increased dramatically as a result. The private sector marketing systems, however, are still seriously underdeveloped, and it will require several more years of non-intervention by the state before the private grain trade is to be able to develop to its full potential.

3. Excess Food Storage Space

At present there is an excess of foodstorage space in Somalia. The capacity of Somalia's government-owned, "modern", upright food storage warehouses is over 300,000 MT. The current (i.e., August, 1985) stock level in these warehouses is well below 30,000 MT. On-farm, private sector underground storage is unlimited in capacity. Probably between 200,000 MT and 300,000 MT of maize and sorghum are stored in underground "bakkars", the traditional cereal storage bin in Somalia.

4. Improving Terms of Trade for Farmers

During the past four years, free-market retail prices of cereals were on average more than double the official, subsidized prices at which Title I and other food aid was sold. In the past year (i.e., September 1983 to August 1984) this gap has widened even further as free market food prices increased about 30% faster than other prices in response to government deregulation of prices. In August of 1984 free market price of Title I commodities were 2 to 6 times the GSDR official selling prices.

5. Food Aid as a % of Somalia's Imports and Food Supply

During the five-year, 1979-1983 period which this evaluation covers, an average of 339,00 MT of cereals (sorghum, maize and rice) were produced annually in Somalia. During the same period an average 273,000 MT per year were imported. Imported cereals, therefore, were an estimated 45% of total cereals availability in Somalia. Food aid constituted roughly 75% of the foodgrain imports during the period and about 34% of total foodgrain supply. If all food aid to refugees is excluded, food aid still constituted approximately 25% of the total amount of cereals in Somalia available for consumption. It is very likely, therefore, that food aid in general has had, and will continue to have a significant impact on the economy, the food marketing system, agriculture prices and national food consumption patterns.

6. Title I Balance of Payments Support

Between 1978 and 1983 the PL-480 Title I program provided $96.6 million of commodities. In 1985 and 1986 another $42 million in Title I food aid will be provided to Somalia. After discounting for inflation these Title I loans represent roughly a 70% grant element. In other words, between 1978 and 1986 after repaying the loans, the Somalia economy will have gained nearly $100 million in Balance of Payments support from the Title I program.[5] Between 1978 and the present, the Title I Program provided Somalia with significant amounts of foreign exchange savings during a period when the country was experiencing severe balance of payments problems and critical food shortages. It is clear that Somalia could not have financed these critical food imports with its own resources.

7. Title I Repayment Obligations are Mounting

Title I repayment obligations are increasing. In 1984 the GSDR is due to pay to the U.S. Treasury $1,620,000 for PL-480 loans signed since 1978. In addition principle payments are due for pre-1971 Title I Agreements. In a few years Somalia's annual repayment obligations will exceed $ 3 million, and in less than 10 years they will approach $ 10 million per year. Not only do these repayment obligations raise concerns about Somalia's ability to pay, but they also serve to remind that Title I food aid is not free and should therefore be used in the most cost effective manner possible. A Title III Program should be given serious considerations in order to offset these potentially troubling GSDR obligations.

8. Measures to Enhance the Balance of Payments Support Element of Title I Loans

To enhance the Balance of Payments aspects of the Title I program the following steps should be taken:

(i) Continue to provide the softest terms available for Title I;

(ii) Reduce and eventually eliminate the amount of rice, wheat flour and refined vegetable oil in the Title I agreements, and increase correspondingly the amount of maize and crude vegetable oil;

(iii) Whenever possible import bulk wheat and/or corn rather than bagged commodity;

(iv) Sell all Title I food aid to the private sector through open market auction, and require bidders to pay for the ocean freight in hard currency which might otherwise be stranded in overseas Somali bank accounts;

(v) If possible develop and implement a Title III Food for Development Program.

9. Underutilized Food Processing Industry

There is a considerable amount of underutilized maize and wheat milling capacity and vegetable oil expressing capacity throughout Somalia.

10. Title I Commodity Mix is Inappropriate from a Development Point of View

Although there is demand for the commodities delivered, the Title I commodity mix was in general inappropriate from development point of view over the life of the program. Corn, sorghum and vegetable oil are staples in the Somalia diet, but over 50% of the value of the commodities shipped during the 1978-84 period were rice, wheat and wheat flour. Almost no wheat and only small quantities of rice are produced in Somalia. The following steps should be taken (a) to ensure that the itle I p rogram does not encourage taste preferences which cannot be met with Somalia resources (i.e. domestic production or imports) once the Title I shipments cease, and (b) to allow value to be added to the Title I commodities in Somalia rather than in the U.S:

(i) To the extent possible reduce the amount of rice and wheat flour in each succeeding Title I Agreement;

(ii) Wheat should represent (after eliminating rice and flour) no more than 25% of the total food aid value under any one agreement.

(iii) Reintroduce corn into the commodity mix. Lower income groups consume it, and value will be added by using underutilized milling facilities.

(iv) Increase the vegetable oil component and include increasing amounts of crude degummed vegetable oil for refining in Somalia.

11. Title I Food Aid Depressed Food Prices

While Title I food shored up USG-GSDR diplomatic relations and contributed to short term food security and a more stable politcal environment, it also assisted the host government to supply highly subsidized food through state-owned enterprises primarily to public sector, urban consumers. This helped lower food prices and put negative pressure on the urban rural terms of trade, thus providing a disincentive to agricultural production. Measures of this disincentive effect are not possible, however, because of a lack of data.

12. Most Title I Food Went to the Public Sector and Military

It appears that during the evaluation period (1978-1983) about 80% of the Title I commodities were distributed at highly subsidized prices to public sector institutions, primarily the military and government employees. Title I therefore supported the continued existence of the parastatals which distributed the food. Also, by allowing the parastatals to deposit only the equivalent of the F.O.B. export market value of the Title I commodities, Title I helped subsidized the parastatals as well. USAID should more carefully monitor the end use of the Title I commodities to determine who actually benefits from the food aid.

13. Offsetting Potential Disincentive Effects

The most effective way to offset the potential price depressing effect of Title I commodities and to develop an economically more efficient food marketing system is to encourage the GSDR to sell the Title I commodities at market prices directly to private sector grain and vegetable oil wholesalers in an open market auction. In 1984 USAID and the GSDR initiated such an auction for one third of the Title I commodities. The results should be monitored carefully with a view toward eventually selling all Title I commodities in this manner. The private sector wholesaler should also pay ocean freight in hard currency through the auction systems.

14. Local Currency Generations Provided Budget Support

The local currency generated by the sale of the Title I commodities between 1978 and 1983 in Somalia amounted to over 600 million Somalia Shillings, and these funds were used to fund development activities/project in the GSDR's budget. Although a considerable number of projects were funded, the development impact of these projects is less clear primarily because of lack of data regarding accountability of the funds and the effectiveness of the projects themselves. There is little doubt, however, that the funds did help to reduce considerably GSDR budget deficits and thereby stabilized the economy.

15. Sophisticated Local Currency Use Monitoring

USAID/Somalia, in conjunction with the GSDR's Ministry of Finance, has developed a local currency use system which is as sopnisticated as those normally associated with the best managed Title III programs. A joint USAID - Ministry of Finance General Shillings Proceeds (GSP) Committee meets regularly throughout the year to plan the PI-480 Title I local currency budget. A special unit, called the "CIPL Unit", consists of 6 Ministry of Finance officials and one USAID Personnel Services Contractor and works full time monitoring the local currency deposits to and disbursement from the GSP Special Account. In addition, USAID is funding quarterly/audit management training visits to the CIPL Unit by an internationally recognized accounting firm (Coopers and Lybrand) to further refine CIPL local currency management techniques.

Local currency program management, however, has not been without its problems. Parastatals have been late in depositing local currency in the special account, the Ministry of Finance has occassionally made unauthorized disbursements, and few project accounting reports have been submitted. Continued attention is needed to ensure that the local currency monitoring system works as planned and to ensure effective use of the considerable amounts of counterpart funds generated by PL-480 and CIP.

16. Local Currency Generations and the Macro-Economy

FY 84 CIP and PL-480 local currency generations represent roughly 10% of the supply of money and quasi money as calculated by the IMF for 1983. If there is a major devaluation, or if the proposed 100% auction is approved, the amounts of local currency generations will increase dramatically. Delaying use of these funds (to slow "velocity"), or complete "sterilization" could have a powerful restraining influence on inflation, and this would be a welcome development. This and related macro-economic dimensions of local currency generations should be taken into account in local currency use planning and the USAID - GSDR policy dialogue.

17. Recent Improvements in USAID and GSDR Management of Operational Aspects

AID's management of the Title I program from FY 78 to FY 82 was less than satisfactory with respect to compliance reporting, monitoring the end use of Title I food aid and the development of Self Help Measures. Since FY 83, however, there has been a marked improvement in all respects. PL-480 program responsibilities within the Mission are currently distributed in a manner conducive to good management, but the role of the Food for Peace Officer in Title I should be more clearly defined.

GSDR management of the program reflects AID's attention to it. Although Self-Help and Local Currency reporting has improved in recent years, further improvements are needed with regard to the timelines and substance of compliance reporting, shipping and arrival reports, and data on the end use of the Title I commodities.

18. Mission Title I Implementation Plan

Upon the signing of each Title I Agreement the Mission should formulate a detailed "Title I Agreement Implementation Plan" which will include (a) each specific implementation action required, (b) the due date of each action, (c) GSDR action agents, and (d) USAID action agents. This plan will serve as a management tool to ensure compliance with all aspects of future agreements. The first such plan should be formulated for the FY 84 Title I Agreement.

19. Expanding the PL-480 Policy Dialogue

In FY 85 and FY 86 $ 42 million in Title I loans are to be offered to Somalia. In addition $65 million in CIP grants will be provided for a total of $105 million in USG Balance of Payments support, commodity assistance. This represents considerable economic leverage in foreign exchange-short Somalia. (The recently "frozen" three year IMF EFF package represented only 80 million SDRs.) With this amount of USAID leverage it is not unreasonable to suggest broadening the Title I policy dialogue to include additional macro-policies which directly affect Somalia's food security. Future negotiations should include more intense focus on the (1) foreign exchange rate regime, (2) macro prices for labor, (3) the interest rate regime, (4) monetary policy, (5) inflation, and (6) deficit spending.

21. Title III Program

The most effective mechanism for accomplishing many o[illegible]ne above recommendations would be through a Title III Fo[illegible] for Development program. After seven years of Title I USAID/Somalia now has the management experience (especially with regard to local currency programming) and analytical capability to move smoothly into a Title III Food for Development Agreement. The policy reform potential of PL-480 would be enhanced considerably, the GSDR might be persuaded to move entirely to open market distributions of the Title I commodities, and Title III would relieve considerably the GSDR's mounting Title I repayment obligations which could became a diplomatic sore point in the near future. In the past, however, the Title III approval process has been plagued by red tape, inter-agency differences and plain confusion within the US Government. To avoid "Title III frustration", it is advisable to obtain Department of State, AID, USDA AND OMB concurrence to try to proceed down this path before a formal, detailed proposal (PID) is developed so that the Mission and the GSDR are not subjected to fruitless endeavour.

SOMALI - KEY ECONOMIC INDICATORS

	1980	1981	1982 1/	1983 1/	% Change 1982 - 1983
Income and Production 2/					
GDP at current factor cost (U.S. dollar million)	1336	1365	1410	1545	11.9
GDP per capita(U.S. dollars	280	280	282	300	6.4
Population (Millions)	4.75	4.87	5.00	5.14	2.7
Labour Force (Millions)	2.15	2.20	2.25	2.30	2.7
Money and Prices 2/ -(In Millions of Somali Shillings)					
Money Supply (Money Plus Quasi-Money)	3381	4421	5123	4458	13.0
Mogadishu CPI (at year end)	258	323	424	631	48.8
Interest Rates:					
Discount Rate	4.0	6.0	8.0	-	-
Commercial Loans	6.0-12.5	10.0.12.5	12.0.14.5	-	-
Government Finance 3/					
Revenue	1421	2251	2588	3933	52.0
Grants	463	435	1056	901	14.7
Expenditures	3073	3720	5366	5770	7.5
Overall Surplus/Deficit	-1183	-1022	-1550	-936	39.7
Financing:					
Foreign (net)	504	681	1724	1217	29.4
Domestic (net)	684	341	-174	-281	61.5

Appendix 1

Balance of Payments 4/ (in millions of U.S. Dollars)

Exports	133	114	131	90	-31.5
To U.S.	.2	.2	.9	.6	-33.3
Imports	348	442	478	416	-13.0
From U.S.	32	59	39	45	13.4
Private Transfers (net)	57	64	11	19	72.7
Current Account Balance	-136	-95	-131	-150	14.5
Overall Balance	-28	-13	-49	-69	40.8
Gross Banking System Reserves	25	42	14	N/A	-
Net Foreign Assets of the Banking System	23	10	-39	-108	276.9
External Debt	720	902	1070	1230	15.0
Debt Service Payments	9.2	27.6	23.8	29.5	23.9
Exchange Rate 5/	6.295	6.295/ 12.590	5.227	17.38	14.1

1/ All 1983 figures are estimates.
2/ From "1984 Annual Development Plan " the Ministry of National Planning, 1984.
3/ From "Somalia - Staff Report for Article IV Consultations" The International Monetary Fund, April, 1984.
4/ From the Central Bank of Somalia
5/ Year End Figures; Slit into 2 in 1981.

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Government Budget: Current Revenue and Expenditure
(Millions of So.Sh. Current Prices)

	1975	1976	1977	1978	1979	1980	1981	1982
Current Revenue - Total	628.4	670.7	890.0	1419.6	1526.0	1421.4	2347.3	2558.3
Tax Revenue	491.3	529.1	647.2	1154.2	1314.8	1192.6	2068.6	222.3
11. Indirect Taxes	435.6	462.8	572.3	1034.8	1163.5	1030.8	1780.6	2052.4.
On Goods and Services 1/	148.1	164.8	179.6	227.1	71.0		379.2	
112. On Internal Trade	246.7	254.2	341.5	704.4	944.0	765.2	1206.4	533.0
Imports 2/	230.7	241.0	329.4	687.1	927.9	746.8	1156.1	1189.4
112.2 Exports	16.0	13.2	12.1	17.3	16.1	18.4	50.3	123.2
113. Stamp Taxes	40.8	43.8	51.0	103.3	148.5	126.6	195.0	123.2
Direct Taxes 3/	55.7	66.3	75.1	119.4	151.3	161.8	288.0	169.9
2. Non-Tax Revenue	137.1	141.6	242.8	265.4	211.2	228.8	278.7	336.0
II. Current Expenditure-Total	559.3	649.3	801.8	1361.5	1573.1	1618.2	2795.2	3634.8
3. General Service 4/	337.6	371.3	463.4	978.0	1140.8	1132.0	2232.6	2913.0
4. Social Services	127.2	160.3	198.6	233.6	257.7	288.0	359.4	446.9
5. Economic Services	94.5	117.7	139.8	149.7	174.6	198.2	203.2	274.9
III. Current Budget Balance	69.1	21.4	88.2	58.1	-47.1	196.8	-447.9	-1076.5

Source: Ministry of Finance

1/ Excise tax on sugar and spirits, fiscal monopolies (tobacca matches, motor vehicle tax, other soft drinks and soap).
2/ Custom duties plus administrative and statistical tax.
3/ Tax on net income land profits, tax on property, (registration tax).
4/ Includes general and other public services.

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Appendix 2

ESTIMATED AGRICULTURAL PRODUCTION
(000 METRIC TONS)

	1976	1977	1978	1979	1980	1981	1982	19831/
Maize	107.6	111.3	107.7	108.2	110.5	142.0	150.0	226.0
Sorghum	139.3	145.1	141.1	140.1	140.5	222.0	235.0	156.0
Sesame	33.8	40.6	40.0	40.6	38.4	37.1	57.0	55.0
Beans	9.3	10.2	10.1	8.2	9.3	2.5	5.9	20.3
Groundnuts	2.7	2.8	2.8	2.8	2.9	0.8	3.2	3.6
Vegetable	25.7	16.9	26.5	26.6	27.2	20.3	102.2	N/A
Cotton	3.1	3.3	3.2	3.3	3.3	1.6	-	N/A
Sugar Cane	333.2	320.0	311.5	265.0	419.5	373.2	483.2	N/A
Rice	5.4	8.4	12.1	13.4	16.7	7.7	20.0	5.0

1/ 1983 Projection provided by Early Warning System Unit in Ministry of Agriculture.

Source: Central Bank Annual Report, 1982

Appendix 3

SOMALIA GRAIN PRODUCTION, 1979-1983
(000 Metric Tons and Percentage of Total)

Year	Maize		Sorghum		Rice		Grain Total
	Tons	% of Total	Tons	% of Total	Tons	% of Total	Tons
1979	108	41	140	53	14	5	262
1980	110	41	140	52	17	6	267
1981	142	37	222	58	19	5	353
1982	150	37	235	58	20	5	405
1983 1/	235	62	141	37	3	1	379

1/ Forecasts.

Source: Ministry of Agriculture.

Appendix 5

Cereal1/ Imports into Somalia
(metric tons)

	1979	1980	1981	1982	1983
A. Non-Commercial					
(1) Bilateral Aid (both grant and concessional)	84,836	156,253	168,450	87,166	100,000 2/
(2) Refugees (WFP and other donors) 3/	30,000	112,000	85,204	77,178	76,486
(3) WFP Assisted Development Projects	17,441	17,786	24,204	14,260	7,752
SubTotal Non-Commercial	132,277	286,039	277,855	178,604	184,238
B. Commercial	47,630	66,670	77,260	53,799	60,000 2/
C. Grand Total	179.907	352,609	355.115	232,403	244,238

Five Year Average...........272,854 MT Imported per year into Somalia

1/ Maize, Wheat Flour, Sorghum, Rice

2/ Estimated

3/ See Appendix 9 - for further breakdown of refugee food aid.

Source: World Food Program/Mogadishu.

IMPORTS OF SELECTED COMMODITIES BY NATIONAL TRADING AGENCY (ENC)
1972 to 1982
(000 MT)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Wheat Flour	30	14	10	27	43	24	34	54	53	55.	16	13.0
Rice	39	25	17	22	19	23	33	76	62	43	41	18
Vegetable Oil	4	3	3	9	10	12	15	25	10	15	9	10
Tea	3	2	1	2	3	2	5		-	-	-	-
Sugar (Domestic)	15	34	31	30	33	[illegible]	24	15	28	25	20	N/A
Sugar (Imported)	--	23	12	13	25	23	95	22	15	1	2	-
Spaghetti	10	6	--	0	4	3	3	4	--	--	--	N/A
	101	107	74	112	135	126	208	200	178	139	87	41

Source: ENC

Appendix 6

Quantity and Type of the Main Food Imports by the ENC, 1979-83 1/
(Metric Tons)

	Commercial Imports	Concessional Imports	Franco Valuta Imports 2/	Total ENC Imports
<u>Wheat Flour</u>				
1979	26,677	20,929	6,573	54,179
1980	24,935	25,525	2,100	52,560
1981	22,400	32,921	-	55,321
1982	-	15,760	-	15,760
1983	-	12,994	-	12,994
<u>Rice</u>				
1979	37,965	12,056	26,248	76,269
1980	19,300	41,311	1,714	62,325
1981	15,185	26,059	1,224	42,468
1982	5,800	35,019	-	40,819
1983	-	18,261	-	18,261
<u>Sugar</u>				
1979	14,863	814	6,655	22,332
1980	13,800	1,140	-	15,040
1981	-	1,000	-	1,000
1982	-	2,175	-	2,175
1983	-	-	-	-
Tea				
1979	-	3,582	226	3,808
1980	-	-	610	610
1981	-	-	-	-
1982	-	-	-	-
1983	-	-	-	-

Appendix 7

Edible Oil

1979	18,337	4,874	1,403	24,614
1980	8,500	10,778	-	19.278
1981	8,000	4,382	2,719	15,101
1982	-	8.586	-	8,586
1983	-	9,446	-	9,446

Sources: Data provided by the ENC and the Somali authorities to IMF

1/ This table does not include food imported directly by the private sector.

2/ Franco Valuta imports of food prior to 1981 were provided to ENC, and ENC then sold/distributed through the public distribution system.

Imports by ADC
(000 MT)

Year	Commercial Maize	Commercial Sorghum	Food Aid Maize	Food Aid Sorghum
1974	11.0	--	--	
1975	49.3	6.8	40.2	5.9
1976	37.3	9.2	41.7	--
1977	27.9	--	5.7	--
1978	--	--	--	--
1979	--	--	21.9	--
1980	16.1	--	32.0	--
1981	22.0	--	68.8	--
1982	1.9	--	56.0	--

Source: ADC

Appendix 9

Donor Cereal Imports to Refugees
(000 MT)

Type of Commodity	1979	1980	1981	1982	1983
Maize	NA	76	35	27	25
Rice	NA	9	9	5	7
Wheat	NA	2	14	33	26
Wheat Flour	NA	25	16	13	18
Sorghum	NA	- 0 -	11	- 0 -	- 0 -
TOTAL	30	112	85	77	77

Source: WFP/Mogadishu

Appendix 9

FOOD AID TO SOMALIA BY DONOR FOR THE TWO-YEAR PERIOD JULY 1981 THROUGH JUNE 30, 1983 1/

Donor	Wheat	Wheat Flour	Rice	Coarse Grains	Edible Oil	Dried Skimmed Milk
Australia	--	8,900	2,000	--	--	--
Belgium	--	3,305	--	--	--	--
Canada	6,500	--	--	--	--	--
EEC	40,000	17,371	9,139	--	1.313	10,238
FRG	--	5,100	--	--	1,575	--
Italy	--	4,000	21,000	--	--	--
Japan	--	--	8,187	--	--	--
Kuwait	--	1,000	878	--	--	189
MCC/NGO	--	--	--	5,000	159	91
Dutch	--	3,600	--	--	--	--
Saudi Arabia	4,000	4,000	--	3,570	984	--
Turkey	--	--	--	--	--	5
UK	--	3,100	--	--	--	--
USA	5.090	20,153	16,970	34.732	14,241	5,097
Sweden	--	--	--	--	0.466	--
WFP 2/	3,000	21,147	--	33,593	10,875	13,219
France	3,000	2,000	--	--	--	--
TOTAL	61,590	93,676	58,174	76,895	29,709	28,839

1/ Does not include food aid such as blended foods, meat, sugar, tea, dried fruit, etc.

2/ Most of the WFP food is USA PL 480 Title II.

Source: WFP/Mogadishu

ESTIMATED FOOD AID TO SOMALIA BY DONOR, 1980-1985
(000 MT)

	1980	1981	1982	1983	1984	1985 (Est)	1986 (Est)	Annual Average 1980-1986
WFP	30.	77	70	65	60	60	60	60
USA	[illegible]	62	37	33	30	30	30	41
EEC	21	28	46	40	36	35	35	34
FRG	1	5	5	4	5	5	5	4
ITALY	[illegible]	10	10	10	10	10	10	9
OTHER	[illegible]	31	7	4	-	-	-	9
Total Food Aid 158		140	216	173	156	140	140	140

1/ Primarily PL 480

Source: WFP and Ministry of National Planning.

Appendix 11

CEREALS IMPORTS AS A PERCENTAGE OF TOTAL
CEREALS AVAILABLE FOR CONSUMPTION
(000 metric tons)

Year	Estimated Cereal[1] Production (Domestic)	Estimated Cereal[2] Imports	Total Amt. of Cereals Available for Consumption	Estimated Imports as a % of Total Availability
1979	262	180	442	41%
1980	268	353	620	57%
1981	372	355	727	49%
1982	405	232	637	36%
1983 (est)	387	244	631	39%
Five Year Total	1,693	1,364	3,058	45%

1/ Source: Central Bank and Ministry of Agriculture.

2/ Source: World Food Program

FOOD AID CEREAL IMPORTS AS A PERCENTAGE OF TOTAL CEREALS AVAILABLE FOR CONSUMPTION 1

(000 MT)

Year	TOTAL AMOUNT OF CEREALS AVAILABLE FOR CONSUMPTION (DOMESTIC PRODUCTION PLUS IMPORTS.)1/	FOOD AID CEREAL IMPORTS1/	FOOD AID CEREAL IMPORTS AS A % OF TOTAL AVAILABILITY (EXCLUDING FOOD AID TO REFUGEES.)
1979	412	102	25%
1980	508	174	34%
1981	642	193	30%
1982	560	101	18%
1983 (est)	555	108	19%
	2,577	678	25%

1/ Table excludes all food aid to refugees.

Domestic Procurement by ADC
(000 metric tons)

Year	Maize	Sorghum	Sesame	Rice
1971	54.5	29.4	--	N/A
1972	60.4	37.5	--	N/A
1973	37.3	14.8	18.7	N/A
1974	33.2	17.3	9.6	N/A
1975	20.0	13.1	11.1	N/A
1976	30.0	20.0	8.0	N/A
1977	21.4	51.6	9.0	N/A
1978	31.2	61.5	8.0	1.2
1979	10.9	56.2	3.4	1.0
1980	3.8	12.3	6.4	0.7
1981	5.9	22.9	0.08	0.4
1982	2.2	7.9	0.08	5.0
1983 1/	0.3	9.8	0.05	1.3

1/ First six months of 1983

Source: ADC

Capacity of ADC Warehouses

District		Numbers of Buildings: Flat Storage	Numbers of Buildings: Underground Storage	TOTAL (000 MT)
Xamar	(-)	11	1 (1,400)	48.0
Kismayo	(-)	5	2	12.0
Jamaame	(-)	4	-	10.0
Jilib	(-)	1	1	1.2
Bualle	(-)	1	-	--
Saakoow	(+)	3	-	1.5
B/Dheere	(+)	2	-	4.0
Diinsoor	(+)	3	2	4.0
Ufurw	(+)	2	2	1.8
Q/Dheere	(+)	2	1	1.5
Baydhabo	(+)	4	2	12.0
L/Hakabo	(+)	1	3	3.5
Xudur	(-)	1	-	1.0
Waajid	(-)	1	-	.3
K/Waarey	(-)	2	-	3.0
W/Weyn	(+)	2	3	2.5
Afgooye	(+)	4	-	4.0
Awdheegle	(+)	2	-	1.0
Qoryoolay	(+)	7	-	6.0
Shalambood	(+)	5	1	13.5
Sablaale	(-)	2	-	3.0
Baraawe	(-)	2	-	5.0
Balcad	(+)	3	-	3.0
Jowhar	(+)	3	-	5.0
Mahaday	(+)	2	-	3.0
B/Burte	(-)	1	-	.8
Jalaqsi	(-)	1	-	.8
B/Weyne	(-)	1	-	.8
DH/Marreb	(-)	1	-	.8
Gaalkacyo	(-)	1	-	.8
Garoowe	(-)	1	-	.8
Qardho	(-)	1	-	.3
Ceerigaabo	(-)	1	-	.5
Burco	(-)	1	-	1.0
Hargeysa	(-)	3	-	5.5
		82	16*	166.9

*About 250-300 tons each, except in Mogadishu.

(+) Net surplus areas
(-) Net deficit areas.

Source: ADC

MAIZE

ADC PURCHASES, CONCESSIONAL INTAKE, AND SALES - 1971-83

(Thousands of Tons)

Calender Year	Purchases: From Farms, Tons	Purchases: From Farms, % of Estimated Production	Purchases: From Abroad	Food Aid Intake	Sales	Estimated Year-End Stock 1/
1971	55	N/A	N/A	N/A	40	15
1972	60	N/A	N/A	N/A	50	25
1973	37	N/A	N/A	N/A	52	10
1974	33	N/A	11	N/A	54	0
1975	20	N/A	49	40	110	-1 2/
1976	30	28	37	42	93	15
1977	21	19	28	6	47	23
1978	31	29	0	-0-	43	11
1979	11	10	0	22	35	9
1980	4	4	16	32	54	7
1981	6	4	22	69	59	45
1982	2	1	0	-0-	35	12
1983	0.4	0	0	0	0	0
	307.4	0	163	211	671	14.5 (Average Carry over stock)

Source: The Agricultural Development Corporation Data provided to Dr. Alan Batchelder, WB Consultant.

1/ These numbers make no allowance for wastage.
2/ The result of error in the data.

Appendix 16

Appendix 17

SORGHUM
ADC PURCHASES, CONCESSIONAL INTAKE AND SALES - 1970-1983
(Thousands of Tons)

YEAR	ESTIMATED DOMESTIC PRODUCTION	ADC PURCHASES TONS	ADC PURCHASES % OF PRODUCTION	SALES
1970	158			
1971	129	29	22	24
1972	149	38	25	25
1973	128	15	12	32
1974	126	17	13	17
1975	135	13	9	26
1976	140	20	14	26
1977	145	52	35	27
1978	141	61	43	50
1979	140	56	40	73
1980	141	12	8	32
1981	207	23	11	4
1982	235	8	3	13
1983	216	9	4	N/A
Average	156	25	16%	27

Source: ADC data provided to Dr. Alan Batchelder, WB Consultant

ADC PURCHASE AND SELLING PRICES

1971 - 1983

(Shillings per 100 kilograms)

Calendar Year	Maize		Sorghum			
			Reds		White	
	Purchase	Selling	Purchase	Selling	Purchase	Selling
1971	35	55	40	60	40	60
1972	35	55	40	60	40	60
1973	45	65	45	65	45	65
1974	50	70	60	80	60	80
1975	50	70	90	110	90	110
1976	50	70	90	110	90	110
1977	90	150	90	150	90	150
1978	90	150	90	150	90	150
1979	90	150	90	150	90	150
1980	120	180	120	180	120	180
1981	180	250	150	220	160	230
1982	180	250	150	220	160	230
20 Jul 83	220	325	160	265	180	285

Source: Agricultural Development Corporation data provided to World Bank team.

Appendix 19

COST OF LIVING INDEX

Month	Year	General Index	Food
July	1984	1,104	1,254 1/
April	1984	914	1,061
January	1984	749	804
October	1983	586	585
July	1983	536	544
March	1983	469	445
January	1983	417	379
October	1982	418	397
July	1982	387	371
March	1982	357	338

1 Price index for food indicated an increase of 130% between July of 1983 and July 1984.

Source: Central Statistical Department, Ministry of National Planning

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OFFICIAL, GOVERNMENT-IMPOSED FOODGRAIN PRICES
COMPARED WITH
C.I.F. PRICES AND FREE MARKET PRICES
IN DECEMBER OF 1983
(So. Sh. per 100 Kg.)

ADC OFFICIAL PRICES

	Procurement Price in July 1983	Procurement Prices after July, 1983	Selling Prices in December 1983	C.I.F Prices at Official Exchange Rate 2/	C.I.F Prices Using Black Market Exchange Rate 3/	Free Market Retail Prices in Mogadishu in Dec. 1983
Maize	180	220	325	330	855	900-1,100 4/
White Sorghum	160	180	285	290	756	950
Red Sorghum	150	160	265	290	756	650
Rice (Hulled)	560	560	961 1/	650	1,670	1,200

1/ FNC selling price. U.S. PL-480 rice was such poor quality that a special price of 798 was established to get rid of it.

2/ To arrive at C.I.F. prices the following values were used. FOB prices of $325/MT for rice, $130/MT for sorghum, and $140/MT for maize. Ocean transport from U.S. port to Mogadishu was calculated at a conservative $50/MT. No bulk offloading facilities are available in Somalia.

3/ So. Shillings 45 to the U.S. dollar.

4/ So. Shillings 900 for U.S. Title II yellow maize and So. Shillings 1,100 for domestically produced white maize.

Appendix 20

PL 480 TITLE I FOOD AID TO SOMALIA-1978 TO 1984

(Dollars in Millions, Tonnage in Thousands)1/

Commodities	1978		1979		1980		1981	
	$	MT	$	MT	$	MT	$	MT
Wheat	3.2	25.0	2.0	12.0	-4.8	15.0	1.0	5.0
Wheat flour	-0-	-0-	1.3	5.7	-0-	-0	3.3	10.0
Rice	1.7	5.0	3.1	10.0	4.8	12.8	4.6	10.3
Vegetable Oil	2.1	2.75	4.3	5.3	5.2	7.4	3.1	4.3
Corn	-0-	-0-	-0-	-0-	2.9	20.0	3.0	15.3
Total	7.0	32.75	10.7	33.0	17.7	59.1	15.0	44.9

1.) All figures are approximate since they are not from records of actual of actual purchase or actual deliveries.

2/ In addition, another $5.0 million in ESF funds were granted in 1980 to Somalia
to pay for ocean freight of Title I commodities.

Appendix 21

PL 480 TITLE I FOOD AID TO SOMALIA-1978 to 1984 (Continued)
(Dollars in Millions, Tonnage in Thousands

Commodities	1982		1983		1984		1985	
	$	MT	$	MT	$	MT	$	MT
Wheat	0.9	5.5	1.0	5.0	1.0	5.0	1.0	5.0
Wheat Flour	3.2	11.6	3.3	13.3	4.0	23.9	4.0	23.9
Rice	6.3	21.0	5.3	16.0	5.5	16.7	5.5	16.7
Vegetable Oil	4.1	6.5	5.4	8.4	5.5	7.2	5.5	7.2
Corn	-	-	-	-	-	-	4.0	-
TOTAL	14.5	44.6	15.0	42.7	16.0	52.8	20.0	77.86

PL - 480 TITLE I AGREEMENT REPAYMENT SCHEDULE 1/

SOMALIA

(000 US Dollars)

Calendar Year	FY 78 Agreement	FY 79 Agreement	FY 80 Agreement	FY 81 Agreement	FY 82 Agreement	FY 1983 Agreement	TOTAL
1978	-	-	-	-	-	-	-
1979	138.9	-	-	-	-	-	138.9
1980	138.3	-	-	-	-	-	138.3
1981	138.3	211.5	358.0	-	-	-	707.8
1982	138.3	211.5	353.2	402.4	-	-	1,105.4
1983	138.3	211.5	353.2	299.9	309.5	-	1.312.4
1984	138.3	211.5	353.2	299.9	289.9	327.1	1,619.9
1985	138.3	211.5	353.2	299.9	289.9	299.7	1,592.5
1986	138.3	211.5	353.2	299.9	289.9	299.7	1,592.5
1987	138.3	211.5	353.2	299.9	289.9	299.7	1,592.5
1988	361.4	211.5	353.2	299.9	289.9	299.7	1,815.6
1989	423.9	552.6	353.2	299.9	289.9	299.7	2,219.2
1990	417.2	648.1	922.8	299.9	289.9	299.7	2,877.6
1991	410.5	637.8	1,082.3	783.6	289.9	299.7	3,503.8
1992	403.8	627.6	1,065.2	919.1	757.4	299.7	4,072.8
1993	397.1	617.4	1,031.1	904.6	888.4	783.1	4,621.7
1994	390.4	607.1	1,031.1	890.0	874.3	918.4	4,711.3
1995	383.7	596.9	1,014.0	875.5	860.3	903.9	4,634.3
1996	377.0	586.7	996.0	861.0	846.3	889.4	4,557.3
1997	370.4	576.4	979.3	846.5	832.3	874.9	4,480.3
1998	363.7	566.2	962.7	832.0	818.2	860.4	4,403.2
1999	357.0	556.0	945.6	817.5	804.2	845.9	4,326.2
2000	350.3	545.7	928.5	803.0	790.2	831.4	4,249.1
2001	343.6	535.5	911.4	788.5	776.1	816.9	4,172.0
2002	336.9	525.3	894.5	774.0	762.1	802.4	4,095.0
2003	330.2	515.0	877.3	759.4	748.1	787.9	4,017.9

Appendix 22

PL 480 TITLE I AGREEMENT REPAYMENT SCHEDULE 11/

SOMALIA (CONT.)

(000 U.S. DOLLARS)

2004	323.5	504.8	860.2	744.9	734.1	773.4	3,940.9
2005	316.8	494.6	843.1	730.1	720.0	758.9	3,863.8
2006	310.1	484.3	826.0	715.9	706.0	744.4	3,786.7
2007	303.4	474.1	808.9	701.4	692.0	729.9	3,709.7
2008	296.7	463.9	791.8	686.9	678.0	715.4	3,632.7
2009	290.0	453.6	774.7	672.4	663.9	700.0	3,555.5
2010	290.0	443.0	757.6	657.9	649.1	686.4	3,484.4
2011	276.7	433.2	740.5	643.4	635.9	671.9	3,401.6
2012	270.0	422.9	72[illegible]	628.8	621.9	657.4	3,324.5
2013	263.2	412.7	706.4	614.3	607.8	642.9	3,247.3
2014	256.6	402.5	689.3	599.8	593.8	628.4	3,170.4
2015	249.9	392.2	672.2	585.3	579.8	613.9	3,093.3
2016	243.2	382.0	655.1	570.8	565.7	599.4	3,016.2
2017	236.5	371.8	638.0	556.3	551.7	584.9	2,939.2
2018	229.8	361.5	620.9	541.7	537.7	570.4	2,862 0
2019	-	351.3	603.8	527.3	523.7	555.9	2,562.0
2020	-	-	586.7	512.7	509.6	541.4	2,150.4
2021	-	-	-	498.2	495.6	526.9	1,520.7
2022	-	-	-	-	481.6	512.4	994 0
2023	-	-	-	-	-	497.9	497.9
TOTAL	11,412.3	17,441.7	29,142.4	24,844.7	23,935.0	24,752.3	

II This table does <u>not</u> include repayment obligations for Title I agreements concluded prior to 1978, nor does it include the FY 84 Title I Agreement repayment schedule.

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SELF HELP AND LOCAL CURRENCY PROVISIONS
FY 78 TITLE I AGREEMENT

Self-Help Measures:

"1. The Government of Somalia agrees to give top priority in its development programs having the goal of attaining self-sufficiency in the production of basic food crops, particularly grain and oil seeds.
2. Take appropriate measures to guarantee that farmers receive fair and adequate farm-gate prices for their output.
3. Increase funding of farmer credit progrms, particularly for benefit of small farmers and credit cooperatives, for acquisition of equipment, improved seed varieties, fertilizers and other production inputs.
4. Tender fullest possible budgetary and personnel support for expanding agricultural extension service including seed multiplication, particularly for dry land grain and oil seed crops and initiate crop diversification where such practice will improve agricultural productivity.
5. Increase allocations for district-level feeder road construction and maintenance in rural agricultural areas in order to improve farmer access to markets and input supplies.
6. The establishment and expansion of cooperative farms.
7. Expansion of irrigation facilities.
8. Provide assistance to water conservation projects.
9. Expanded use of fertilizer.
10. Improved management of marketing systems.
11. Assist with joint ventures in agro-business which promote agricultural production and facilitate distrbution".

Local Currency Use:

"....the proceeds accruing to the importing country from the sale of such commodities, will be used for the following projects or programs which directly benefit the needy people of the importing country:

The following Self-Help Measures as set forth in Item V of the Agreement:
1. Agricultural Extension
2. Feeder Roads Projects
3. Health Projects
4. Rural Education Projects
5. Rural (Shelter/Water Supplies) Development Projects.
6. Sand Dune Stabilization Projects.

"In addition to the report required by Part I, Article II, F of this Agreement, the importing country agrees to report on the progress of implementation of the projects or programs identified in items VI, A, above. Such reports shall be made by the importing country within six months following the last delivery of commodities in the first calendar year of the agreement and every six months thereafter until all the commodities provided hereunder, or the proceeds from their sale, have been used for the project or program specified in item VI, above."

Appendix 24

SELF HELP AND LOCAL CURRENCY PROVISIONS
FY 79 TITLE I AGREEMENT

Self-Help Measures:

"The Government of the Somali Democratic Republic agrees to:

1. Give top prioity in its development programs having the goal of attaining self-sufficiency in the production of basic food crops, particularly grain and oil seeds
2. Take appropriate measures to guarantee that farmers receive fair and adequate farm-gate prices for their output.
3. Increase credit facilities within the National Development Bank for Small Farmers in order to enable individuals and cooperatives to take advantage of new technologies, equipment and fertilizers.
4. Increase agricultural research and extension work with the Ministry of Agriculture, especially for those projects aimed at attaining self-sufficiency in food crop production. Seed improvement, multiplication and distribution for grains and oil seeds should be emphasized.
5. Continue the development by the Ministry of Public Works of the transport infrastructure, especially the feeder roads between the inter-riverine, bay and northwest farming areas, and the main roads, providing access to the market centers.
6. Increase infrastructural and other services by the WPA and SDA to settlers and cooperative farmers in the established agricultural and fisheries project including activities in irrigation, water conservation and expanded use of fertilizer.
7. Implement manpower-management and planning programs such as vocational-technical training within the agricultural sector.
8. Through State Planning Commision and the Ministry of Agriculture, in cooperation with appropriate national/international organizations, and the U.S. Government (namely USDA/AID), conduct an official review of the current supply distribution and trade data in the agricultural sector to determine completeness and validity for its utilization for economic development and related research analysis and projection for PL 480-type programming. Particular emphasis will be given to updating supply/demand and trade data required for commodities proposed for PL 480 programming."

Local Currency Use:

"...the proceeds accruing to the importing cuntry form the sale of such commodities, will be used for the following projects/programs which directly benefit the needy people of the importing country.

1. The following self-help measures set forth in Item V of the Agreement:
   a. Increase infrastructure and other services to settlers in agriculture and fisheries resettlement.

b. Implement manpower-management and planning programs.

2. The following other projects programs:

   a. Agriculture Production/Extension Projects
   b. Rural Water Projects
   c. Health Projects
   d. Settlement Housing Project
   e. Women-Related Projects
   f. Fisheries Development"

SELF HELP AND LOCAL CURRENCY PROVISIONS
FY 80 TITLE I AGREEMENT

Self-Help Measures:
"The Government of the Somali Democratic Republic agrees to undertake following activities and in doing so to provide adequate financial, technical and managerial resources for their implementation:

1. Continue programs and activities to upgrade the livestock sector in Somalia. As part of these efforts the GSDR will:
a. Upgrade the training facilities and programs for those extension agents who will be detailed to work with livestock herders.
b. Designate an entity within the national government to conduct a detailed study to review and make recommendations to the GSDR on programs needed for overcoming transportation and related marketing constraints in the livestock sector.

2. Give priority in its development activities to programs having goal of attaining self-reliance in the production of basic food crops, particluarly grain and oil seeds. Examples of such efforts to increase production would include installation of irrigation pumps and water storage.
3. Take appropriate measures to guarantee that farmers receive fair and adequate farm-gate prices for their output.
4. Increase agricultural research and extension work within the Ministry of Agriculture, especially for those projects aimed at attaining self-reliance in production of food crops. Seed improvement, multiplicaton and distribution for grains and oils should be emphasized.
5. Increase infrastructural and other services by the Water Development Agency (WDA) and the Settlement Development Agency (SDA) to settlers and cooperative farmers in the established agricultural and fisheries projects including activities in irrigation, water conservation and expanded use of fertilizer.
6. Implement specific manpower-management and planning programs within the Ministry of Agriculture.
7. In collaboration with the State Planning Commission. Ministry of Agriculture, and appropriate Somali University, the GSDR shall review the feasibility of instituting a baseline study aimed at generating data on production, input costs and marketing of foodgrains. The USDA, Title XII Institutions, consulting firms, or international organizations may be approached for technical assistance as required. through the use of PL 480 generated local currency."

Local Currency Generations:

"...the proceeds accruing to the importing country from the sale of such commodities will be used for the following projects/programs which directly benefit the needy people of the importing country.

1. The following self-help measures as set forth in Item V of Agreement:

a. Increase infrastructural and other services to settlers in agricultural and fisheries settlements (i.e., extension services, improved water supply, resettlement housing, health services, development of cooperatives).

b. Implement manpower-management and planning program (i.e. training of extension, resettlement, refugee relief and agricultural development personnel).

c. Increase production of basic food crops, particularly grain and oilseed (i.e. promotion of small-scale production/extension progjects in the interriverine, Bay, Northwest farming areas.)

2. The following specific projects and programs will be undertaken in support of the self-help measures:

a. Agriculutre production/extension projects;
b. Rural water projects;
c. Health Projects;
d. Settlement Housing Projects;
e. Women-related Projects;
f. Fisheries Projects;
g. Range management including animal health and energy resources projects;
h. Refugee related activities;
i. Increase effectiveness of marketing livestock and agricultural projects

SELF-HELP AND LOCAL CURRENCY PROVISIONS
FY 81 TITLE I AGREEMENT

Self-Help Measures:

The FY 81 Self-Help and Local Currency Use Provisions were identical to those used in the FY 80 Agreement.

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Appendix 27

SELF-HELP AND LOCAL CURRENCY PROVISIONS
FY 82 TITLE I AGREEMENT

Self-Help Measures:

"The Government of the Somali Democratic Republic agrees to undertake to Self-Help measures to improve production through: expanding the irrigation system; biannual review of prices paid to farmers; improvement/expansion of the extension service for both crops and livestock; upgrading of agriculture research, and development of an agriculture sector data system.
The Self-Help Measures set forth below shall be implemented to contribute to agriculture/livestock development progress in poor rural areas, and to enable small farmers to more fully participate in increasing agriculture/livestock production.
(B) The Government of the Somali Democratic Republic agress to undertake the following activities and, in doing so, to provide adequate financial, technical and managerial resources for their implementation:
1. Place high priority on the rehabilitation of existing irrigation schemes. As part of these efforts the GSDR will:
a. Rehabilitate certain irrigation systems in the Upper Shebelle area.
b. Turn over the operation and maintenance of wells to users or association of users.
2. Review, at least biannually, farm gate prices of crops produced with the intent to assure that such prices more closely approximate export and import parities at realistic exchange rates.
3. Increase the availability of agricultural inputs at a reasonable cost level.
4. Review the management of public enterprises in the agriculture and agro-industrial sector in order to determine ways to improve efficiency in operations, and investment policy decisions and where indicated by such reviews, phase out inefficient public enterprises in the agriculture sector.
5. Review policy measures in the agricultural sector in order to encourage foreign and domestic private investment in developing the sector.
6. Improve the effectiveness of agricultural research and extension services.

   a. provide adequate material resources for present personnel assigned to research and extension work;
   b. develop a long-term national strategy for expanding agricultural research;
   c. develop, and then demonstrate, extension procedures designed to fit Somalia's needs and resources.

7. Improve management of technical training programs in the agricultural sector and establish economic incentives to encourage the retention of technically qualified personnel in the sector.

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8. Provide health and other social services to rural areas to improve farm population physical well-being and work environment."

Local Currency Use:

"... the proceeds accruing to the importing country from the sale of such commodities, will be used for the following projects.

1. The following self-help measures as set forth in Item V of the Agreement:

a. Implement manpower-management programs (i.e., training of extension research and livestock services personnel).

b. Increase production of basic food crops through rehabilitation of existing irrigation systems; maintaining a realistic price structure for farm outputs and assuring the availability of farm inputs.

c. Provide adequate financinging and logistical support to rural primary health care and social service activities in rural areas.

d. Provide adequate financing and management support to all personnel engaged on projects in food production and allied development activities.

The following specific projects and programs will be undertaken in support of the self-help measures.

a. Establish, staff and operate an agricultural center in Buardhubho to support the extension service in the Godo Region. Activate and staff additional demonstration centers in Luuq, Bardheere, Jamane, Abarian, and Kalabaid.

b. Rehabilitate 15 Uars (water ponds/tanks) in the Bay Region located on main cattle routes.

c. Renovate livestock holding and loading facilities at the Berbera port.

d. Construct 20 wells and allied water distribution systems.

e. Renovate existing irrigation water delivery systems specifically Lower Shebelli - Clearing silt from 82 kilometers (KMs) of canals. 16,400 hectares.
Middle Shebelli- Repairing two major canals from flood damage, 4.5 and 8 KMs, respectively, 2,500 hectares.
Afgoi - Repair of one major canal, 12 KMs. 2,400 hectares.
Upper Shebelli - Clearing silt from 15 KMs of canal. 3,000 hectares.

f. Continue sand dune stabilization program to control encroachment of dunes on farm lands; 2,500 hectares to be stabilized in 1982."

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SELF-HELP AND LOCAL CURRENCY PROVISION
FY 83 TITLE I AGREEMENT

Self-Help Measures

"(A) The Government of Somali Democratic Repbulic agrees to undertake Self-Help Measures to improve the production storage, and distribution of agricultural commodities. The following Self-Help Measures shall be implemented to contribute directly to development in poor rural areas and enable the poor to participate actively in increasing agricultural production through small farm agriculture.

(B) The Government of the Somali Democratic Republic agrees to undertake the following activities and, in doing so, to provide adequate financial, technical and managerial resources for their implementation:

1. Devise a strategy of incentives to encourage production increases in the basic food crops, sorghum and maize, so that importation of these commodities may progressively decrease.
2. Develop programs to assist small farmers by improving basic infrastructure in rural areas and making available essential agricultural inputs -- including credit.
3. Review policy measures in the agricultural sector in order to encourage domestic and foreign private investment in developing the sector.
4. Review the management of public enterprises in the agricultural and agro-industrial sectors in order to determine ways to improve efficiency in operations; and, where indicated by such reviews, make plans to phase out inefficient public enterprises in the agricultural sector.
5. Adopt measures to improve the effectiveness of agricultural research and extension services. As part of these efforts the GSDR will:

a. develop a long-term national strategy for expanding agricultural research; and
b. develop and implement agricultural extension methodologies adapted to Somalia's needs and resources.

6. Accelerate the implementation of the following activities:
a. rehabilitation of existing irrigation schemes in the Upper Shebelli area:
b. establish a seed multiplication center at Afgoi; and
c. establish an urgently needed training and demonstration farm in the Gedo Region."

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Local Currency Use

The local currencies generated from the sale of these commodities will be used to fund:

"1. Those self-help measures set forth in Item V of this agreement.

2. The following USAID-sponsored activities: Agricultural Extension, Training and Research; Rurual Health Delivery; Comprehensive Groundwater Development; Central Rangelands Development; Agricultural Delivery Systems; Bay Region Agricultural Development; CDA Forestry; Refugee Self-Reliance; African Manpower Development; Accerlerated Impact Programs; and other activities approved by the CIPL Management Unit.

3. The GSDR will continue the following projects/programs in support of the self-help measures:

    Establish, staff and operate an agricultural center in Buardhuto to support the extension service in the Gedo Region. Activate and staff additional demonstration centers in Luuq, Bardheere, Jameme, Abrarian, and Kalabaid.

    b. Construct an additional 15 wells and allied water distribution systems.

    c. Renovate existing irrigation and water delivery systems.

    d. Continue sand dune stabilization program to control encroachment of dunes on farm lands with 400 hectates being stablized in 1983.

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Appendix29

SELF-HELP AND LOCAL CURRENCY PROVISIONS FY 84 TITLE I AGREEMENT

Self-Help Measures

"A. The Government of the Somali Democratic Republic agrees to undertake Self-Help Measures to improve the production storage, and distribution of agricultural commodities. The Self-Help Measures shall be implemented to contribute directly to development progress in poor rural areas and enable the poor to participate actively in increasing agricultural production thorugh small farm agriculture.

B. The Government of the Somali Democratic Republic agrees to undertake the following activities and doing so to provide adequate financial, technical, and managerial resources for their implementation.

1. To develop a more realistic price policy -- which entails an upward revision of producer prices, adjustments in the exchange rate, and an improvement of market conditions -- to insure that producers receive sufficient compensation and incentive to maximize output. In 1984 the GSDR will establish a proper mechanism to review and adjust agricultural support prices on a continuous basis. The regional monopoly of purchase and/or transport of grain by ADC will be lifted by the GSDR in public announcement. Quarterly meetings between USAID and GSDR representatives will be held to review the process and progress achieved.

2. In addition to the discontinuation of the policy guaranteeing jobs to school leavers in the Government administration and public enterprises, the GSDR will develop a program to increase incentives -- focused on retention/attraction of qualified personnel -- while holding the line in a total wage bill. Specifically, in 1984 the GSDR will conduct a study of civil servants' salaries and wages as well as other incentives in the public sector and will consider adopting recommendations contained in the study report.

3. In addition to the elimination of the ADC's monopoly over grain purchases and allowing farmers to sell their products in the open market, in 1984 the GSDR will study ADC's role as a mechanism for price stabilization and buyer of last resort. The GSDR will review public enterprises and operate or lease the management contracts those which are economically viable. Manufacturing public enterprises which show no promise of profitability will be considered for sale to the private setor or for dissolution.

The GSDR will review the operational efficiency of state farms and consider establishing management contract, joint ventures or sale to the private sector..

Local Currency Use

"...The proceeds accruing to the importing country from the sale of commodities financed under this Agreement will be used for the following projects/programs:

1. USAID-sponsored activities include: Artificial Inseminations; Central Rangelands Development; Poultry Development; Livestock Marketing and Health; Juba Development Analytical Studies; Production Systems; Bay Region Development; Rural Development Management; Energy Advisor Support; CDA Forestry; Rural Health Delivery; Family Health Initiatives; Expanded Program for Immunization; Family Health Services; Kismayo Port Rehabilitation; Refugee Self Reliance; Comprehensive Groundwater Development; Policy Initiatives and Privatization; Private Sector Advisor Support; Self-Help Trust Fund; USAID Trust Fund; Project Design and Evaluation Trust Fund; English Language Training Program; African Manpower Development; and other activities approved by the CIPL and GSI Committee which directly benefit needy people.

2. The GSDR and USAID will jointly select other development projects from the Public Investment Program to be funded withfrom this Agreement. In the Agricultural Sector the projects selected will be in support of irrigation schemes at Mogambo. Janale-Bulo Marerta-Gorgele, Afgoi-Mordinle and the Northwest Agricultural Project. In livestock, the local currency generated will support the Tse Tse Fly Survey and Control, and the Northern Rangelands Development.

3. Report on the Use of Currency

In addition to the report required by Part I, Article II (F) of the Agreement, the importing country agrees to report on the progress of implementation of the project/programs idenified in Item VI (A) above. Such report shall be made by the GSDR within six (6) months following the last delivery date of commodities in the first calendar year of the agreements and every six months thereafter until all the commodities provided hereunder, or the proceeds from the sale have been used for the projects/programs specified in Item VI (A) above.

PL 480 LOCAL CURRENCY GENERATIONS VS. ACTUAL DEPOSITS TO SPECIAL ACCOUNT 1978 THROUGH MID 1984

Agency Name Name	Minimum So.Sh.to be Deposited by Agency (FY 78 -FY 83)	Actual Deposits By Agency (FY 78 -FY 83)	Outstanding Balance 1/ Due to Special Account
Pasta Factory	48,777,494.43	51,578,083.36	15,211,943.99
ENC	686,099,850.23	528,155,586.50	168,461,899.53
ADC	87,487,627.84	36,373,458.00	1,697,395.71
	763,364,972.50	616,107,127.86	185,371,239.23

Ministry of Finance	(A) Borrowings in violation of the L/C use agreement to cover ocean freight charges (1981, 1983 and 1984).	75,945,835.87
	(B) Letters of Credit and Associated Fees	14,441,022.03
	(C) MOF Repayment as of 7/31/84	41,214,146.90
	So Shilling	226,585,386.13

Source: CIPL Unit

1/ Note that in some cases "Minimum to be Deposited" minus "Actual Deposits" does not equal "Outstanding Balance." This is because the agencies deposited amounts of sales proceeds which were above the minimum amount due in 1979 and 1981. When it was determined that the agencies had to deposit only the local currency equivalent of the dollar value of food delivered, the excess deposits were not returned to the agencies or credited against against future Title I deposits.

Disbursements Made From the PL 480 Title I Special Account 1979-1983
(000 So. Shillings)

A. USAID PROJECTS	1979	1980	1981	1982	1983	TOTAL
1. Agriculture Extension, Training & Research 649-0101	1,670	1,442	1,730	3,417	4,717	12,976
2. Rural Health Delivery 649-0102		1,230	1,500	3,471	5,972	12,173
3. Kurtunwaare Settlement Pilot Project 649-0103	5,350		13,400	6,757	1,967	27,474
4. Comprehensive Groundwater Development 649-0104			3,000	6,684	9,344	17,728
5. Central Rangelands Development 649-0108		300	1,115	3,503	7,898	12,816
6. Agriculture Delivery Systems 649-0112			1,105	4,208	5,052	10,370
7. Bay Region Agriculture Development 649-0113			3,061	6,860	11,000	20,921
8. National Woodstoves Production (VITA) 649-0122					1,994	1,994
9. Southern Somalia Land Use Survey (RMAR) 649-0122					606	606
10. Jalalagsi Refugee Reforestation (Africare) 649-0122					730	730
11. Qorioley Refugee Reforestation (SCT/USA) 649-0122					648	648

Appendix 32

VALUE OF FOOD DELIVERED AND DEPOSITS BY GENERATING AGENT - 1978 - 1983
(000 So. Sh. and 000 $)

Year (000 So.Sh)	Dollar Total Agreement (000 $)	Dollar Value Food So.Sh Equivalent (000 $ and 000 Shs)	Delivered	Somali Shilings	Pasta Factory (000 So. Sh.)	Year (000 So.Sh)	Dollar ENC (000 So.Sh
1978	7,000	6,916	Minimum Due	19,815	24,153	-0-	43,968
		(So.Sh.43,968	Deposited	32,778	30,605	-0-	63,383
			Balance	-0-	-0-		-0-
1980	17,700	17,659	Minimum Due	-0-	93,848	18,417	112,264
		(So.Sh.112,264)	Deposited		90,008	19,000	109,008
			Balance		3,840	-0-	3,840
							1981
	15,000	14,995	Minimum Due	-0-	76,259	19,071	95,330
1981		(So.Sh.95,330)	Deposited		76,992	17,374	94,366
			Balance		- 0 -	1,697	1,697
1982	14,500	14,494	Minimuum Due	13,750	208,870	-0-	222,620
		(So.Sh.222,620	Deposited	18,800	130,000		148,800
			Balance	-0-	78,870		78,870
		14,985	Minimum Due	15,212	215,752	-0-	230,964
1983		(So.Sh.230,964)	Deposited	-0-	-0-	-0-	-0-
			Balance	15,212	215,752		230,964
Total	79,900	79,623	Minimum Due	48,778	686,100	37,488	772,365
		(So.Sh.772,365)	Deposited	51,578	398,156	36,374	486,107
			Balance	15,212	298,462	1,698	315,371

Appendix 32

Disbursements Made From the PL 480 Title I Special Account 1979-1983

	1979	1980	1981	1982	1983	TOTAL
A. USAID PROJECTS						
12. Hiran Refugee Reforestation (CARE) 649-0122					987	987
13. NRC Planning Unit 649-0123					160	160
14. NRC Management Training (EIL) 649-0123					1,259	1,259
15. Refugee Agriculture Unit 649-0123					70	70
16. Qorioley Refugee Agriculture (SCF/USA) 649-0123					1,523	1,523
17. Artificial Insemination 698-0410.20			810	918	3,880	3,880
18. Poultry Development 698-0410.3o			770		1,381	2,151
19. Expanded Program of Immunization 698-0410.23				1,501	3,456	4,957
20. Family Health Initiatives 698-0662.03			470	761	2,775	4,006
21. USAID Trust Fund (Contractor Support)		3,100	5,334	7,000	14,358	29,792
22. CUP (Currency Use Payment)		2,543	7,602	1,609	18,388	30,142
	7,020	8,615	39,897	46,689	98,169	200,388

Disbursements Made From the PL 480 Title I Special Account 1979-1983

B.	GSDR PROJECTS	1979	1980	1981	1982	1983	TOTAL
1.	Afgoi-Awdhegle Road Construction (MOA)					7,000	7,000
2.	Afgoi Yare-Kurtunwaare Road Construction					5,000	5,000
3.	Afgoi Seed Multiplication Farm				1,400	925	2,325
4.	Agricultural Workshop at Jenale					1,778	1,778
5.	Demonstration Training Center at Aburin					1,435	1,435
6.	Farm Management	3,000					3,000
7.	Milo Mareerto Demonstration Farm				3,088	3,000	6,088
8.	Improvement in Irrigation					3,300	3,300
9.	Irrigation Pumps		2,000			2,000	4,000
10.	Mugambo Rice Production				7,000		7,000
11.	NW Region Agriculture Development				2,326	2,326	4,651
12.	Plant Protection					2,000	2,000
13.	Central Afgoi Agricultural Research Station				638	1,503	2,141
14.	Somali Development Bank (MOF)	16,587					16,587
15.	Women's Education Service (MOE)			11,000	120		131
16.	Construction of Health Compounds, Baidoa and Burao (MOH)			11,000	9,000	4,528	24,528
17.	Therapists at Forlanini Hospital					72	72
18.	Environmental Survey (MOJVD)					548	548
19.	SIDAM Hostel Construction (MOLABOR)	2,795	1,000	1,000	1,413	6,983	13,191
20.	SIDAM IDA English Training					3,338	3,338

Disbursement Made From PL 480 Title I Special Account 1979-83

		1979	1980	1981	1982	1983	TOTAL
21.	Fodder Production (MOLIVE)		1,000	2,000			3,000
22.	Northern Rangelands Soil and Water Conservation				5,244		5,244
23.	Shelter Belts		700	1,850			2,550
24.	Tse Tse Fly Eradication		305	6,146	1,257	4,543	12,251
25.	Hamar Water Agency (MNWR)	2,000					2,000
26.	Water Development Agency	4,000					4,000
27.	Somali Construction Agency (MPW)			2,000			2,000
28.	Kurtunwaare Housing Units (SDA)					5,175	5,175
29.	Kurtunwaare School					2,700	2,700
30.	Settlement Development Agency	27,016					27,016
31.	Est. Nucleus Seed Farm					1,186	1,186
32.	Ag. Workshop at C. Afgoi Res. Station					959	959
T O T A L S...		55,399	5,005	24,007	31,486	60,299	176,195

cont..5

Disbursement Made From the PL 480 Title I Special Account 1979-1983

C. OTHERS

Letter of Credits and Associated Fees (MOF)			4,690	9,101	649	14,440
Freight Charges			25,960	47,179	2,807	75,948
Cheque No. 040679				9,304	(9,304)	-0-
Bank Fees	30	30	30	30	100	220
	30	30	30,650	56,290	3,445	90,386
GRAND TOTALS	62,418,758	13,619,621	94,553	134,465	161,914	466.970

Appendix 33

Total So.Sh. Disbursed From PL 480 Title I Special Account by Sector 1979-83

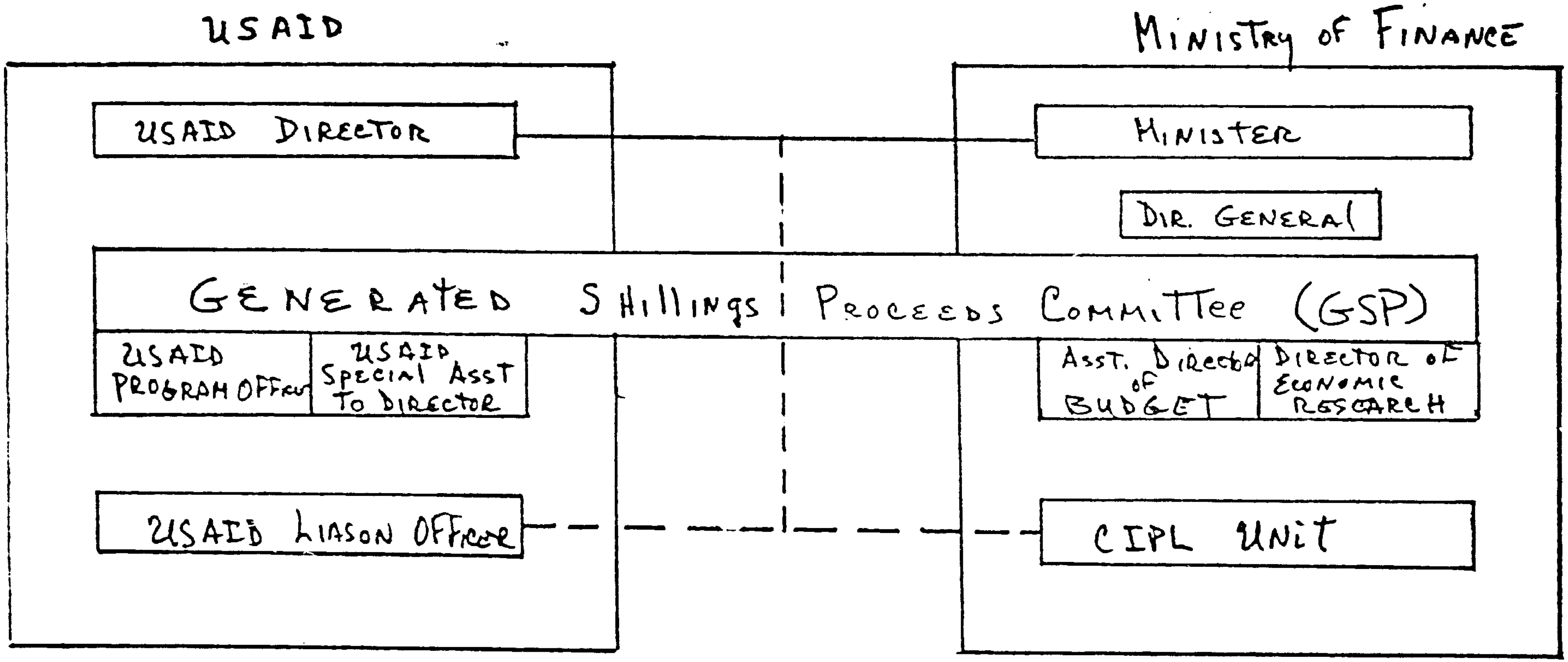
(So. Sh Million)

NO.	SECTOR	AMOUNT	PERCENTAGE
1.	Agriculture	99.2	21%
2.	Freight, Letters of Credit and Assoc. Fees (Others)	90.4	19%
3.	Drought Relief and Refugees	70.3	15%
4.	Health	45.8	10%
5.	Livestock and Range	41.1	9%
6.	USAID Trust Fund	29.8	6%
7.	Water Resources	25.0	5%
8.	Education	16.7	4%
9.	Fisheries	16.6	4%
10.	Public Works	2.0	0.5%
	Sub-total	436.9	
	Currency Use Payment	30.1	7%
	Total	467.0	100%

COUNTER PART FUND MANAGEMENT

GENERATED SHILLINGS PROCEEDS (GSP) COMMITTEE

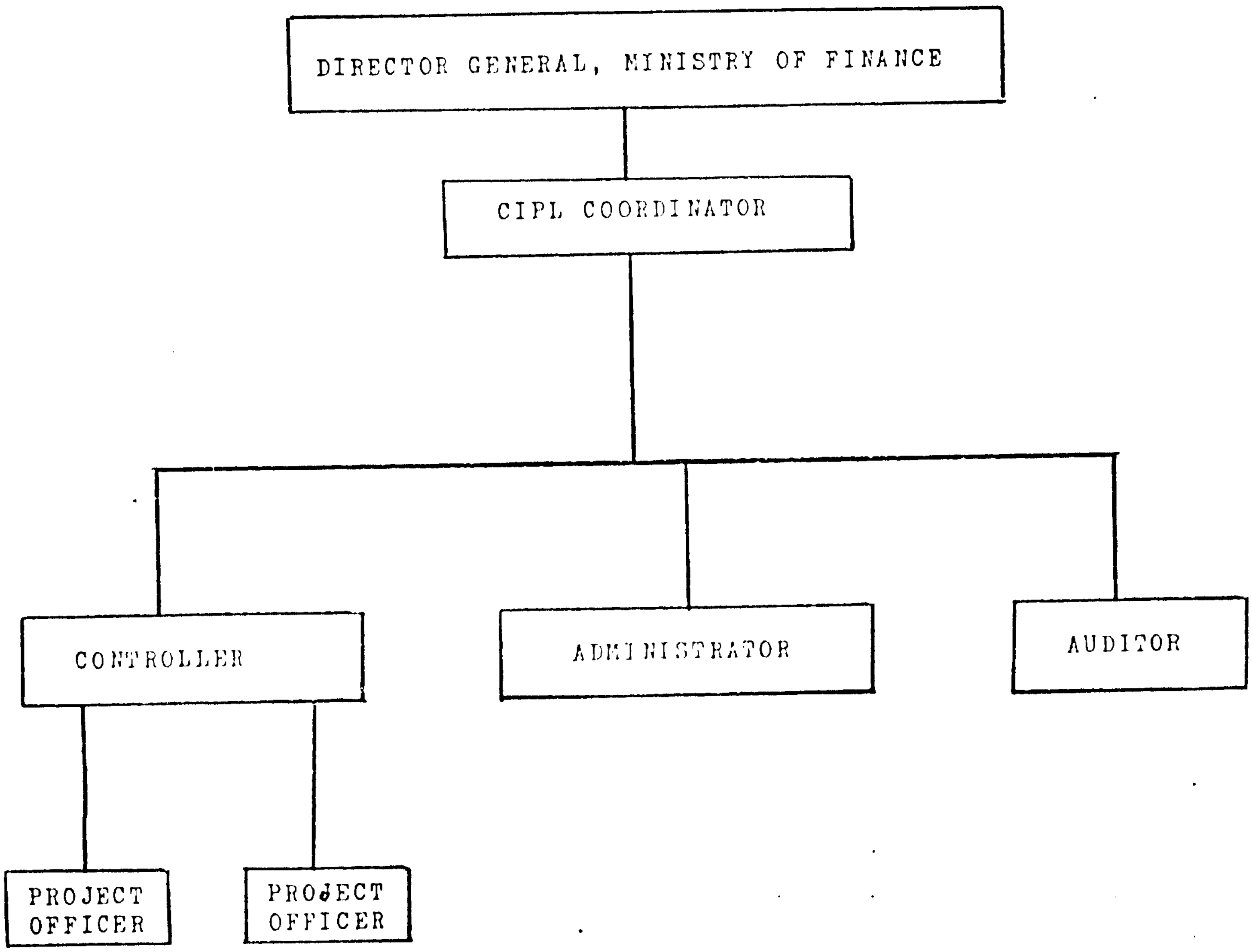
ORGANIZATIONAL CHART



Appendix 34

CIPL UNIT

ORGANIZATIONAL CHART



SOURCE: CIPL UNIT

Appendix 36

ANNUAL CIPL LOCAL CURRENCY BUDGET PLAN FOR 1984

1. USAID-Sponsored Projects and Activities

A. Funded from P.L. 480 proceeds: (000 So.Shs)

LIVESTOCK			
	Artificial Insemination		6,254.0
	Central Rangelands Dev		15,600.0
	Poultry Development		1,000.0
	Livestock Marketing		2,000.0
AGRICULTURE			
	Juba Dev. Analytical St.		4,895.6
	Production Planning and Res		3,000.0
	Ag. Delivery Systems		13,000.0
	Bay Region Dev	13,000.0	
EDUCATION			
	Rural Dev. Management-HRD		-0-
	Faculty of Agriculture		7,886.5
ENERGY			
	Energy Adv. Support		250.0
HEALTH			
	Rural Health Delivery		10,845.6
	Family Health Initiv.		2,700.0
	Exp. Program for Immun.		4,000.0
	Family Health Services		2,500.0
	Family Health Care Assoc		1,600.0
WATER RESOURCES			
	Comp. Groundwater Dev		14,000.0
OTHER			
	USAID Trust Fund	25,000.0	
	Self Help Activities		5,000.0
	Reserve for USAID Projects		25,000.0
B.	Funded from CIP Proceeds		
FORESTRY			
	CDA Forestry	27,667.5	
RURAL DEVELOPMENT			
	Refugee Self Reliance		21,963.0

	(000 So. Sh)
OTHER	
Policy Initiatives & Priv.	4,058.0
Baidoa Electrification	2,000.0
Priv. Sector Adv. Support	-0-
Burao Health Training Facilities	5,000.0
USAID OE	16,000.0
Reserve for USAID Projects	-0-
TOTAL USAID-SPONSORED PROJECTS	234,220.2

II. Public Investment Program Support

A. Funded from PL-480

AGRICULTURE	
Magambo Irrigation	8,000.0
Janale-Buro M-Qoryole	14,000.0
Afgoi-Mordile Project	6,683.4
Extension & Farm Mgt.	5,700.0
Northwest Ag. Project	10,000.0
Central Rangelands Dev	-0-
Bay Region Development	-0-
HEALTH	
Nutrition Program	-0-
LIVESTOCK	
Northern Rangelands	6,000.0
Tse Tse Survey & Control	15,172.8
Quarantine Facilities	18,000.0

B. Funded from CIP Proceeds

EDUCATION	
Technical Education	22,900.0
La Folle Renovation - 50%	14,000.0
Somali National University	4,000.0
ENERGY	
Jesira Power Station	- 0 -
REGIONAL RURAL DEVELOPMENT	
Self Help	10,000.0
Coastal Development	10,000.0

	(000 So. Sh)
TRANSPORT & COMMUNICATIONS	
Dudunble (Jowhar)	57,000.0
Hargeisa-Borama road	1,500.0
Afgoi-Baidoa road	16,000.0
Burdhubo road	23,000.0
Afgoi-Audegle road	3,000.0
Afgoi-Balaad road	-0-
Inter Arab Telecomm	3,500.0
Telecommunications Development	10,000.0
WATER RESOURCES	
Mogadishu Water Supply	15,000.0
Urban Water	5,200.0
Mogadishu Sewage & Drainage	7,350.0
WDA Project (TBA)	4,000.0
OTHER	
Somali Development Bank (loan	-0-
Somali Commercial Bank (Loan)	-0-
Berbera Cement Plant	17,000.0
Frankincense Study	2,800.0
Handicraft Training Centre	1,530.0
CIPL Unit	426.8
Reserve	46,000.0
TOTAL PUBLIC INVESTMENT PROGRAM:	357,762.9
GRAND TOTAL	591.983.1

Appendix 37

Memorandum of Understanding between The Ministry of Finance

and

The U.S. Agency for International Development

for the

Programming of Generated Proceeds under the

CIP and P.L. 480 Title 1 Programs

The purpose of this amendment is to revise certain procedures related to the programming of CIP and P.L. 480 Title 1-generated proceeds; and to establish the program funding p]arameters for 1984. The provisions of this amendment replace those provisions included in the original memorandum of understanding.

1. Purpose:

The purpose of these procedures is to provide guidance to all concerned parties regarding the mechanisms and responsibilities for the use of the local currency generated under the Commodity Import Program (CIP) and P.L. 480 Title 1 Program. Guidance regarding the types of programs which can be financed is found in the various CIP and P.L. 480 Title 1 agreements.

II. Policy:

The funds derived from the issuance of letters of Credit under the CIP program and the sale of food commodities under the P.L. 480 Title 1 program will be used to finance activities which contribute to Somalia's development. The determination as to which specific activities qualify for financing under these provisions will be a joint GSDR-USAID determination based on the provisions of the specific CIP and P.L. 480 Title agreement.

The bulk of the generated local currency proceeds will be used to finance activities designed to increase agricultural, health, manpower and private sector developmental objectives. Local currency proceeds also will be used in support of other development activities within the program parameters spelled out in the GSDR's Public Investment Program (PIP) and the specific CIP and P.L. 480 Title 1 agreements.

III. Procedures and Responsibilities:

A. Collection of Proceeds: For the CIP program, the CIP Special Committee of the Ministry of Finance will be responsible for insuring that the required local currency amounts are deposited in the special Generated Shillings Proceeds account by private and public sector agents prior to the issuance of letters of credit in connection with the importing of CIP financed commodities. For the P.L. 480 Title 1 Program, the Director General's office of the Ministry of Finance will be responsible for insuring that the required local currency amounts are deposited in the special Generated Shillings Proceeds account, in a timely fashion, by those entities (public or private) entrusted by the GSDR with the local sales of P.L. 480 Title 1 food commodities.

B. Programming of Proceeds: The Ministry of Finance and USAID will jointly program the allocation of CIP and P.L. 480 Title 1 proceeds. The 1984 programming scheduled is attached and forms part of this Memorandum of understanding. The Ministry of finance will obtain USAID's concurrence prior to any disbursement of CIP or P.L. 480 Title 1 proceeds for activities not included in the Annual Budget Plan for 1984.

Two special entities have been established to insure that the generated proceeds are managed in conformity with the policy stated in Article 11 above. The first, the Generated Shilling Proceeds (GSP) Committee, will provide general oversight direction and guidance in the enactment of the policy guidelines. The second, the CIPL Unit, will function as the day-to-day guarantor that policy objectives are met.

IV. The GSP Committee:

The GSP Committee serves as the reviewing authority for use of proceeds generated under the Commodity Import and the P.L. 480 Title 1 programs. The Committee consists of two officials of the ministry of Finance and two officials from the USAID Mission.

The Committee will prepare its recommendations for the joint approval of the Minister of Finance and the USAID Director. Normally the Committee will meet twice a year: once at the beginning of the program year to review the Annual Program Budget Plan; and once at mid-year to review the special adjusted schedule to reflect previous approvals which should be deobligated and new urgent requirements which should be considered. The Committee also will meet on an ad hoc basis as required.

Before recommending approval to the Minister of Finance and the USAID Director, the Committee will make certain that the Annual Program Budget Plan will:

- directly contribute to the development of Somalia;

- support GSDR and USAID development priorities as spelled out in the Government's Public Investment Program and USAID's CDSS strategy;

- be programmed in accord with stipulations laid out in the governing P.L.480 and CIP agreements; and

- not duplicate requests already budgeted for under other agreements.

V. The CIPL Unit:

The CIPL Unit is the special office in the Ministry of Finance which serves as the staff arm of the GSP Committee. The CIPL Coordinator is responsible to the Director General of the Ministry of Finance. The CIPL Unit will have a six person staff. The CIPL has the following principal functions:

- to insure that the release of CIP and P.L. 480 Title 1 proceeds is effected in accordance with the Annual Budget Plan;

- to review the budgets and allocations to insure that CIP and P.L. 480 Title 1 proceeds are used for the intended authorized purpose consistent with Article II (Policy) above.

- to monitor the expenditure of generated CIP and P.L. 480 Title 1 proceeds by conducting, on a selective basis, field inspections and audits of activities funded; and to perform formative and terminal evaluations of the activities funded to determine what impact they have had and what lessons should be drawn for use in preparingthe subsequent Annual Budget Plan.

VI. CIP and P.L. 480 Title I proceeds and the GSDR Development Budget:

In consonance with GSDR policy, the allocation of CIP and P.L. 480 Title 1 proceeds will be reflected in the GSDR Development Budget. However, the U.S. Government requires that the use of ICP and P.L. 480 Title 1 proceeds be carefully accounted for and programmed for specific development activities. To meet these requirements, the Ministry of Finance and USAID agree to the following minimum criteria:

- for those activities included in the Annual budget Plan to receive CIP or P.L. 480 Title 1 proceeds, the responsible Ministry or Agency will prepare and submit to the Ministry of Finance (CIPL Unit) a breakdown by line item of the 1984 budget prior to the disbursement of funds;

- the responsible Ministry or Agency will submit to the Ministry of finance (CIPL Unit) monthly account returns and quartely expenditure reports (following the same line item format as the request) for the use of CIP or P.L. 480 Title 1 proceeds;

- the sponsoring Ministry or Agency will maintain a separate bank account for each activity funded by CIP or P.L. 480 Title 1 proceeds; and institute accounting procedures acceptable to the Ministry of Finance (CIPL Unit; and

- the sponsoring Ministry or Agency will make all financial records regarding the use of CIP or P.L. 480 Title 1 proceeds available to the Ministry of Finance (CIPL Unit) upon request.

Once the above criteria has been met and reviewed by the GSP Committee, the Minister for Finance and the director of USAID will approve immediate release of CIP or P.L. 480 Title 1 proceeds to the project. The release of funds will be made on a quartely basis unless the Minister of Finance and the Director of USAID approve a different disbursement schedule.

VII. Audits

Periodic audits of all CIPL Units' functions will be carried out by an independent audit firm selected by the Minister of Finance and the Director of USAID. The audits will not be limited to fiscal and budget entries, but cover all functions of the CIPL Unit including field activity monitoring and evaluation. The audit will be prepared in four copies and circulated to the Minister of finance, the Director of USAID, the GSP Committee and the CIPL Unit.

For the Ministry of Finance:

______________________________ Minister of Finance

For the U.S. Agency for International Development:

______________________________ Director, USAID/Somalia

______________________________ Date

FY 84 TITLE 1 PRIVATE SECTOR SALES/AUCTION AGREEMENT

Memorandum of Understanding between the Ministry of Commerce and the Agency for International Development for the Distribution of Commodities Imported under the P.L.480 Title I and Title II Agreement

I. PURPOSE:

The purpose of this Memorandum of Understanding is to define the procedures to be followed for the distribution of P.L. 480 Title I and Title II commodities. The procedures established herein are intended to facilitate the distribution of P.L. 480 commodities especially those affecting the sale of commodities to the private sector.

II. POLICY:

The commodities imported under the P.L. 480 Title I Agreement signed on February 29, 1984, and the P.L.480 Title 11 Agreement for the distribution of emergency food, are intended to meet the needs of the majority of the Somali population and to support Somalia's macroeconomic stabilization program (through balance of payments and budgetary support) and policy changes (designed to improve the economic conditions).

111. COMMODITIES:

The P.L. 480 Title I and II commodities will be allocated to the public and private sectors as follows:

	TOTAL	PUBLIC	PRIVATE
Rice	18,797	12,431	6,266
Wheat	15,873	15,873	-----
Flour	16,307	5,591	10,716
Vegetable oil	7,316	4,878	2,438

Annex 1 to this Memorandum of Understanding details the P.L.480 commodities between Title I and Title II and identifies the estimated time of their arrival at Mogadishu and Berbera Ports.

IV COMMODITY DISTRIBUTION:

A Public Sector -

The wheat imported under the P.L.480 Titles I and II will be used by the Pasta Factory and processed into pasta products or flour. The pasta products and/or flour will be sold by them to both the public and private sector.

The rice, flour and vegetable oil, to be distributed by the public sector, will be received by the National Trading Agency (ENC).

Both the National Trading Agency (ENC) and the Pasta Factory will take possession on the P.L. 480 commodities at the port immediately after the unloading of the ships.

Payments for the commodities received will be made by ENC and the Pasta Factory directly to the P.L.480 Special Bank Account at the Central Bank of Somalia. All payments must be made in full not later than January 30, 1985.

Deposits into the P.L. 480 Special account for Title I commodities received by ENC and the Pasta Factory must be of at least the FOB value of the commodities. For Title II commodities received by ENC and the Pasta Factory the equivalent of the CIF price of the commodities must be deposited into the P.L. 480 Special Account.

If Title II commodities are to be distributed free of charge, USAID must approve all plans and feeding programs in advance.

Regarding Title II commodities, a report is to be submitted to the USAID once all commodities are distributed and deposits into the Special Account are made.

B. Private Sector -

All P.L.480 commodities to be distributed though the private sector will be sold through an auction system outlined below. Since the intent is to encourage the participation of the Somali private sector in food distribution, the auction system must be advertised through all means available including radio, newspapers, and television. The advertisement will include specific identification of duties and other charges to be borne by the bidder. The Ministry of Commerce also will make available rice samples for inspection by potential bidders.

Separate auctions will be held for each Region of Somalia at Berbera or Mogadishu. The quantity of each commodity allocated to a region will be determined by the Committee which is described in section V below.

FOR THE AUCTION AT MOGADISHU:

Benadir
Mudug
Galgaduud
Hiiraan
Middle Shebelle
Lower Shebelle
Lower Juba
Middle Juba
Bay
Gedo
Bakool

FOR THE AUCTION AT BERBERA:

Northwest
Togther
Sanaag
Bari
Nugal
Owdel
Sol

The auctions will be carried out by sealed bids in Somali Shillings. Each bid will specify a PRICE and a NUMBER OF UNITS the bidder wishes to purchase. The bidder must specify for which region he/she is submitting a bid.

A unit, for purposes of the auction, will equal 50 quintals (5 metric tons). The maximum number of units that any one bidder can purchase varies depending on the commodity. For wheat flour and rice, the maximum is 10 units; for vegetable oil, the maximum is one unit. The minimum number of units that can be bid on is one unit. Damaged commodities will not be included in the auction.

All bids will be delivered to an office designated by the Ministry of Commerce, identified in all advertisements for bids, by 10:00 AM on the day designated for the auction. Bids will not be accepted after the 10:00 AM deadline. Starting at 10:00 AM all the bids will be opened and arranged in descending price order, from highest to lowest.

The top five bids will be averaged and that average price will be the price that all bidders in all regions must pay if they want to take delivery of the commodities. If one of the top five bidders fails to meet the requirements for taking possession of a commodity, then the next highest bid will be used for determining the average price. The minimum acceptable price for a commodity will be the ENC sales price of PL 480 commodities sold to the public sector.

Commodities will be allocated to the highest bidders. A cut off will be made when all commodities available for auction have been depleted. The lowest accepted bidder may be required to accept a quantity less than was bid for if a sufficient number of units are not available.

To insure that bids are valid, bidders will be required to deposit ten percent of the value of their bid in an envelope together with their bid. If the bidder does not make the deposit, the bi then is rejected. The remaining 90 percent of the value of the bid must be deposited within three working days of the acceptance of the bid.

The deposits will be returned immediately upon termination of the bid process if a bidder does not accept the average price or if he/she made an unsuccessful bid.

If a successful bidder is unable to meet the 90 percent deposit within the three working days, the bidder's ten percent deposit is forfeited. In such an event, the next highest bidder or bidders will be given an oportunity to make their payment(s).

After full payment of their bids, a successful bidder will be issued the necessary papers to receive the commodities. Successful bidders will be responsible to pay whatever duties and port charges are normally imposed by the Government of Somalia.

THE FOLLOWING FOOD ITEMS AND QUANTITIES WILLBE AUCTIONED AT MOGADISHU AND BERBERA:

ITEM	TOTAL QUANTITY	MOGADISHU QUANTITY	BERBERA QUANTITY
Rice	6,266 MT	4,177 MT	2,089 MT
Flour	10,716 MT	7,716 MT	3,000 MT
Vegetable Oil	2,438 MT	1,938 MT	500 MT

Based on the limit established and the total food available for auction, the following are estimates of possible number of participants:

ITEM	MOGADISHU		BERBERA	
	Minimum	Maximum	Minimum	Maximum
Rice	83	835	41	417
Flour	154	1,543	60	600
Oil	387	387	100	100

V. MONITORING:

The Ministry of Commerce and USAID agree to form an ad hoc Committee to monitor the sales of food through the private sector channels. The Committee will be composed of the following persons:

Mrs. Amina Ahmed Abukar, Chairperson
Representative from the Ministry of Finance, Cashier
Representative from the Ministry of Interior, Member
Representative from the National Trading Agency, Member
Representative from USAID, Observer.

It is understood that should any business person speculate with the commodities or seek excessive profits, they will be prohibited from particpating in USAID-sponsored programs (such as P.L.480 Title 1 and the Commodity Import Program).

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V1. CONSULTATIONS

The Ministry of Commerce and USAID will meet as necessary to review the distribution of the P.L. 480 Titles I and II commodities. The review will include but will not be limited to, commodity distribution, commodity prices by region, auction system, warehousing facilities (for both public and private sectors), and other elements relevant to the distribution of P.L. 480 commodities.

FOR THE GOVERNMENT OF THE
SOMALI DEMOCRATIC REPUBLIC

Musa Rabileh God
Minister of Commerce

Date____________________

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA

Louis A. Cohen
Mission Director

Date____________________

ANNEX

ESTIMATED TIME OF ARRIVAL OF P.L. 480 TITLE I & II COMMODITIES

VESSEL	PORT	ETA	COMMODITY	QUANTITY	PROGRAM	VALUE
Stonewall J.	Berb	6/29	Veg. Oil	1,000 mt	Title I	1,066,030
			rice	2,600 mt	Title I	996,242
Florisant IV	Mog.	7/8	Veg Oil	2,000 mt	Title I	2,078,874
			Wheat Flour	925 mt	Title I	277,479
			Wheat	5,720 mt	Title I	1,596,775
			rice	4,200 mt	Title I	1,544,706
Shenandoah	Mog	7/11	Wheat	6,667 mt	Title II	1,631,282
	Berg	7/20	Wheat	3,323 mt	Title II	813,044
John Lykes	N/A	7/31	Vet Oil	1,816 mt	Title I	2,935,910
			Wheat Flour	7,384 mt	Title I	2,570,518
Oceanis	Mog	7/31	Veg Oil	1,500 mt	Title II	1,713,221
Robert E. Lee	N/A	7/29	rice	4,500 mt	Title I	1,739,592
			Wheat Flour	5,700 mt	Title I	1,984,284
			Veg Oil	1,000 mt	Title I	1,066,030
Heruvin	N/A	8/14	Wheat Flour	2,934 mt	Title I	1,021,384
			rice	7,457 mt	Title I	2,857,299
			Wheat	152 mt	Title I	42,406

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U.S. ECONOMIC ASSISTANCE TO SOMALI
1978 - 1984
($000)

	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984
A. Project Assistance	3,253	10,804	13,075	12,730	16,100	26,908	17,000
1. Agricultural & Rural Development	-	(10,794)	(10,675)	(10,830)	(14,600)	(10,663)	(13,000)
2. Health	-	-	(2,400)	(1,900)	-	(4,238)	([illegible],000)
3. Forestry/Refugee Self Reliance	-	-	-	-	-	(12,000)	-
4. Other (2)	-	(10)	-	-	(1,500)	(6.5)	-
B. P.L. 480 Title I	7,000	11,700	17,700	15,00	14,000	15,000	16,000
C. P.L. 480 Title II(1)	-	11,505	37,847	44,300	18,100	4,800	7,000
D. Refugee Non-food Aid	-	-	20,900	-	-	-	-
E. Special Grant to Transport Grain	-	-	5,000			-	-
F. Commodity Import Program (2)	-	-	.	-	18,500	16,000(3)	35,000
TOTALS	10,253	44,812	94,522	72,030	67,200	62,708	92,000

[1] Includes U.S. contribution to WFP and transportation costs.

[2] Economic Support Fund

[3] Includes $ 6 million for Title 1 ocean Freight

[4] FY 84 figures are projections.

BRIEF: 8/23/84

DRAFT
SCOPE OF WORK
FOR
SOMALIA TITLE 1 EVALUATION

PURPOSE: To evaluate the implementation and management of the current Title I program in Somalia, including an analysis of policy and programming objectives and impacts of the Title I program as they relate to GSDR and AID strategies and objectives and Somalia's economic development, the impact and appropriateness of the commodities imported under the agreement, the GSDR import and distribution infrastructre, and GSDR/AID management of the program.

TERMS OF REFERENCE: Evaluation team will identify the constraints and key development issues which influence the effective developmental use of Title I resources in Somalia. The team will then present an analytical description of the past impact and influence of the Title I program on the Somalia economic and development situation and make recommendations for strengthening the developmental impact and management efficiency of Title 1 agreements. Team will describe and assess host governments procedures and capabilities for policy formulation, evaluation and implementation and assess the potential of using PL 480 resources to enact recommended programming and policy options to improve the long-term performance of Somalia's agricultural sector and economy. Relevant areas to be examined and anlayzed are:

1. Agricultural Sector

A. Examine the agricultural sector with emphasis on production/consumption patterns prior to and following the provision of U.S. food aid. Include analysis and discussion of changes in producer prices, and consumption patterns, and Somalia's subsidization, agricultural and import policies.

B. Identify constraints and opportunities for increasing agricultural production and how these relate to current GSDR and AID strategies and policies. Identify future areas of opportunity.

II. Economic Situation

A. Analyze and comment on the Somalia balance of payments situation. Include a look at current foreign exchange reserves, non-food imports, export earnings, workers' remittances and debt service borrowings.

B. Discuss Somalia's ability to finance its food import requirements from external resources, including the balance of payments impact if Somalia were to sustain its present level of food imports in the absence of donor assistance.

III. Food Distribution System

A. Examine Somalia's marketing, storage and distribution of principal agricultural commodities (both domestic production and imports). Identify how food import requirement decisions are made and by whom. Discuss the impact of food aid on local production procurement, private trade and import decisions.

B. Analyze the adequacy of the distribution system, including the capability of the principal procurement and food handling parastatals such as ADC and ENC, port and storage facilities and operations and the food transport sector. Comment on Somalia's tax, customs and licensing procedures and the role of the private import sector.

IV. Development Impact of PL 480

A. Examine the effectiveness of the Pl 480 agreement in furthering the AID policy dialogue with the GSDR. Make recommendation for improving this effectivenss.

B. Analyze the validity and implementation of past self-help measures and based on the analyses of Sections I and 111 above, make recommendations on future areas of focus.

C. Analyze the use of local currency proceeds and whether or not project selection has been appropriate in light of GSDR and AID development objectives.

V. Management System

A. Present description or flow chart of GSDR agencies and AID divisions involved in PL 480 programming. Identify the key decisions-makers and comment on the appropriateness/effectiveness of their role. Analyze management capabilities of GSDR institutions to carry out their obligations under the Title 1 program.

B. Examine the in-place reporting and monitoring systems for the PL 480 agreement, identifying weak points, and make recommendations for improved management.

TEAM COMPOSITION

Team will be composed of USAID/Somalia economist and food for Peace Officer with assistance from the Regional Food for Peace Officer in Nairobi. Resource persons will include USAID program office, agriculture and Food for Peace Staff.

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PERSONS CONTACTED

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Mr. Hassan Henery, Director General Ministry of Commerce.

Brig. General Ali Hachi, Chairman of the Port Authority.

Mr. Omar, Director of Planning, Somali Port Authority

Mr. Ragh, Port Manager, Port of Mogadishu

Mr. Mohammud Ali Ahmed, Director of Planning, Union of Somali Cooperatives.

Mr. Mohammud Farah Ashur, General Manager, ADC

Mr. Ali Mohammud Essa, Deputy General Manager, ENC

Mr. Ali Ahmed Mohammud, Director of Administration and Finance, ENC

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Mr. Mohammud Hassan, Secretary to the Vice Mayor

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