

Country Development Strategy Statement  
Somalia

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COUNTRY DEVELOPMENT STRATEGY STATEMENT  
USAID-MOGADISCIO, SOMALIA

STRATEGY STATEMENT SUMMARY

Somalia is included in the UN register of 29 least-developed countries. Its estimated per capita income is less than US \$80. Nearly 35% of its 3.2 million people gain their livelihood through subsistence agriculture or pastoral pursuits. There is widespread undernourishment and malnutrition, particularly severe among the rural populations. Most of this group are illiterate and receive little or no health care. As a consequence the Physical Quality of Life Index (PQLI) for Somalia is among the lowest of the least-developed countries.

Somalia has inadequate natural and financial resources at this time to sustain a viable development program and must seek external resources for its budgetary, foreign exchange and development expenditures. On the other hand, its principal natural resource lies in its people, which unlike many other countries is composed of a single ethnic group with a common language. The basic development strategy of the CSDR is to effectively mobilize these human resources in its overall economic development effort. Government inability to mount a sustained development program by capitalizing on its extensive human resources is due to an inadequate trained manpower base at nearly all levels. The trained manpower constraint is the single most important impediment to providing minimal essential services, creating the necessary institutional/infrastructure base and to developing the public/private financial resource structure for needed development. The U.S. assistance strategy will therefore be directed toward expanding Somalia's trained

manpower base in several critical sectors to assist GSDR plans and to carry out a country-wide development program. The main beneficiaries of this joint effort will be the rural poor of Somalia which make up 85% of the country's total population. These benefits will include increased rural incomes, improved health services, greater numbers of dependable water supply points for people and livestock, an initial minimum shelter program, merchantable skills training for youth and adults and corollary returns in the form of the enhancement of a currently harsh physical environment, and the establishment of a more viable economic financial structure. As a minor donor, the AID program will take fullest advantage of proven U.S. technical expertise and will be designed and implemented in close collaboration with the programs of the major donor countries and institutions. The U.S. program will give primary emphasis on technical assistance and manpower development, augmented by PL 480 for budgetary and balance of payment support. Subject to further analysis and policy decisions a C.I.P. program would provide an additional option to assist GSDR to overcome shorter-term fiscal and foreign exchange impediments.

## SOMALIA: CDSS

### PART A - Profile of the Poor Majority

More than 80% of the population of Somalia is engaged in agriculture. Half of these, some 40% of the entire population, are nomads; one-quarter of these in agriculture (20% of the population) are semi-nomads, i.e., they engage in herding livestock but also cultivate crops part of the time at some fixed location. The remainder of the 80% are engaged in sedentary agriculture. Since the per capita income in Somalia is among the lowest in the world it is something of a travesty to pick out a majority or a very large group and identify it as the "poorest of the poor". One is inclined to lump the entire population of Somalia into a category labelled "the poorest of the poor".

Income distributions are helpful in identifying the poorest of the poor; however, aggregate-economic performance data is not available, nor is it even estimated on a scientific basis regularly.<sup>1</sup> As a result the needed data for determining the personal distribution of income can be made, though, based upon data which can reasonably be assumed to reflect income distribution. It is reasonable to assume that annual expenditures of households are functions of household income. Accepting this assumption, the International Labor Organization (ILO) reports

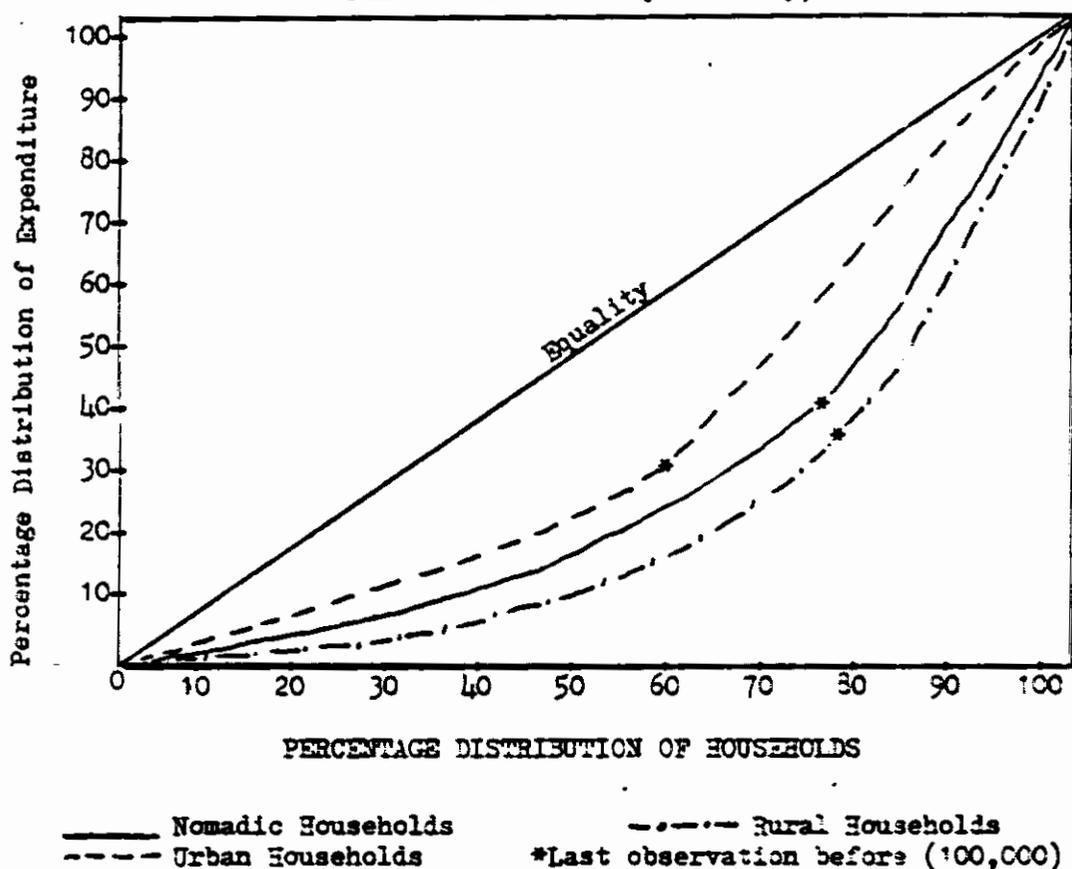
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<sup>1</sup>See Annex I for GDP estimates.

the results of a pilot sample survey conducted in the middle Shabelle region during October and November of 1975<sup>2</sup>. The results are indicated in the following table. When the household expenditure data is plotted as a Lorenze diagram the results are as follows:

LORENZ CURVE OF HOUSEHOLD EXPENDITURES  
1975  
SOMALIA

(Source: ILO Technical Paper #5  
Pilot Household Sample Survey)



<sup>2</sup> Economic Transformation in a Socialist Framework, International Labor Office, Geneva, Switzerland 1977, p. 331. Note: Referred to hereafter as "ILO 77".

TABLE 1  
DISTRIBUTION OF HOUSEHOLDS BY SIZE  
OF ANNUAL EXPENDITURE (1975)

Size/Class Shs/Yr	Nomadic Sector		Rural Sector <sup>1</sup>		Urban Sector	
	Number of Households	o/o	Number of Households	o/o	Number of Households	o/o
0 - 519	44	17.7	36	34.6	1	1.9
520 - 1039	20	8.1	11	10.6	2	3.8
1040 - 1559	32	12.9	9	8.6	2	3.8
1560 - 2079	25	10.1	5	4.8	7	13.8
2080 - 2599	19	7.7	7	6.7	4	7.7
2600 - 3119	16	6.5	2	1.9	3	5.8
3120 - 3639	17	6.8	3	2.9	3	5.8
3640 - 4159	8	3.2	1	0.9	3	5.8
4160 - 4679	9	3.6	6	5.8	5	9.6
4680 - 5199	6	2.4	3	2.9	1	1.9
5200 & Over	52	21.0	21	20.3	21	40.4
TOTAL	248	100.0	104	100.0	52	100.0

<sup>1</sup>Households in rural villages in Middle Shabelle are mainly agricultural.  
Source: Findings Pilot Household Sample Survey, Reported in ILO 1977.

Since the area between the line representing complete equality of household expenditure and the line of actual household expenditure reflects the degree of inequality in expenditures, it can be said that the distribution of expenditure is more unequal among rural households than among other households. If it is accepted that expenditures are a direct function of income, then the degree of poverty is greatest among the rural households. The Lorenz diagram suggests that some 80% of rural households have less than one-third the total rural income. The inference that this group, the lower 80% of the rural households, constitutes the "poorest of the poor" is not completely unwarranted. The inference does need to be tempered, however, by the ILO's observation that it is quite likely that rural households underreported expenditures because of an underestimation of the subsistence (income in kind) component of their income (expenditure). In any case, the table and the Lorenz diagram tend to support the contention that there is an extremely poor majority in Somalia and that it is composed primarily of non-urban people engaged in subsistence agriculture, i.e., crop or livestock production, or in combinations of the two as in the case of the semi-nomads.

It is at times contended that the urban poor--though escaping the harsh uncertain life of nomadism and the vagaries of rainfall which affect the farmer--are worse off

than the rural population. The data concerning household expenditures does not seem to support that contention; moreover, the urban poor seem to be a group the composition of which is in constant flux.

Many go to urban areas for limited periods of time only during severe drought or in times of comparable adversity. When conditions improve they return to rural pursuits — nomadism in some cases. Others seem to migrate to urban areas during the dry season each year and then return to their customary rural areas. Because of this seasonal rural-urban urban-rural migration, some urban areas experience a 25% to 30% population change over the year.

It is estimated that at least 70% of the population of Somalia live at the subsistence level. For all of the population, however, diets tend to be inadequate, unbalanced or both<sup>3</sup>. In Technical Paper #9 of ILO 77 the results of a mid-1960 food consumption survey of FAO are reported. The following table is presented from that report.

Though the survey suggests that undernourishment and malnutrition is widespread in Somalia, it reveals that these conditions are particularly severe among the nomads and the rural population. Additionally diets of the Somali generally tend to be quite deficient with respect to important vitamins.

No life expectancy figure unique to the rural population is available, however, the estimated life expectancy at birth for the population

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<sup>3</sup>See Annex III dealing with health and related matters.

TABLE 2  
ACTUAL AND REQUIRED NUTRITIONAL LEVELS  
(1964)

Location	Calories				Protein (Grams)			
	Re- quired	Actual Consum.	Def. %	Def. as % of Req.	Req.	Actual Consum.	Def. %	Def. as % of Req.
<u>URBAN:</u>								
Hargeisa	2169	1736	413	20.0	62.8	51.0	11.8	18.8
Burao	2225	2010	215	9.7	64.0	61.0	3.0	4.7
Berbera	2212	1746	466	21.1	65.0	45.0	20.0	30.8
Eriqare	2200	1969	231	10.5	65.0	54.0	11.0	16.9
Laskoray	2200	2206	(-)	—	65.0	52.0	13.0	20.0
<u>RURAL:</u>								
Balad	2209	2267	(-)	—	64.7	55.0	9.7	15.0
Warseck	2347	2104	244	10.4	67.0	50.0	17.0	25.4
<u>NOMADIC AREAS:</u>								
	2160	1065 <sup>1</sup>	1095	50.7	64.8	32.5 <sup>1</sup>	32.3	49.8

<sup>1</sup> Survey was conducted during dry season. Nomads affected more adversely than others.

Source: FAO: Food Consumption Survey. Reported in "ILO 77" Technical Paper #9.

at large is about 40 to 41 years. It seems reasonable to suppose that the environmental rigors to which the nomads and cultivators are subject would translate to a life expectancy on the low side of the estimate for the entire population.<sup>4</sup>

As in the case of life expectancy estimates, no infant mortality estimates for the rural population as distinct from the population at large are readily available. For the population generally the infant mortality rate is estimated at 177 per 1000 births.

Whereas in 1972 the literacy rate in Somalia was estimated to be no higher than 5%, by mid-1976 it was believed that nearly 60% of the overall population had some degree of literacy.<sup>5</sup> The mass literacy program commenced in 1973 and conducted through 1975 was not confined to urban areas. Indeed, special preparations were included to extend the effort among rural groups including nomads. Though the mass literacy program involved the new Somali script (Latin orthography adopted in 1972) some education is still conducted in Arabic in Quranic schools. As of mid-1976 Quranic teachers still travelled with nomadic groups and some nomadic children have received no other education.

A pilot survey of nomadic households conducted in Northern Somalia in the area around Burao in 1973 indicated an average size household of 5.75 persons. The average household owned 110 sheep and goats, 20 camels and 8 head of cattle. It is estimated that the average household requires

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<sup>4</sup>See Annex I Section "A" dealing with population of Somalia.

<sup>5</sup>See Annex VI dealing with education in Somalia.

at least seventy sheep and goats to provide a minimum subsistence level of living since no more than half the animals are providing milk at any one time. Some 50% of the population was less than fifteen years of age. The ratio of males to females among the nomadic population surveyed was 106 to 100. For the population at large the ratio is believed to be slightly higher. According to the estimates made in connection with the survey, a birth rate of 3.9% and a death rate of 2.1% were indicated; thus a 1.8% annual rate of natural increase is implied. As noted in Annex I, the annual population growth rate for the entire country is estimated at between 2.3% and 2.8%.

The Physical Quality of Life Index (PQLI) for Somalia has been computed at 19<sup>6</sup> which is among the lowest on the United Nations' list of the 29 least-developed countries. It is reasonably certain that for the rural portion of the Somali population the PQLI is even less than 19.

As noted earlier in this section since national income accounts are not maintained for Somalia precise estimates concerning income distribution are not possible. As a consequence, therefore, statements concerning matters of equity must be based largely upon inferences drawn from related matters such as household expenditures. Since salary ranges of government employees are available and a consensus seems to exist concerning the income status of government employees relative to others, certain inferences concerning income distribution seem warranted based on this data. Of some 237,000 non-agricultural workers in 1975 approximately one-half were

<sup>6</sup>See: The United States and World Development: Agenda 1977, New York: Overseas Development Council, Annex "A".

public sector employees. The bulk of these employees earned less than So.Shs. 400 per month with the highest salary being approximately six times the lowest salary. Though some of the non-agricultural workers in private sector employment are self-employed as traders, artisans and the like, it is generally agreed that government employees are better off than others. The exact salary range for agricultural workers is not known. It seems reasonable to suppose, however, that on the plantations (banana plantations in particular) which have been nationalized, the salary range for government employees generally applies. On the private estates and plantations employee salaries are most likely comparable to the lower range for government workers or below. The average income for the rural population generally is no doubt inferior to that of any other group.

Another indication of the relative economic status of the rural population is provided by the project composition of the current (1974-1978) development plan. Whereas 80% of the population is engaged in agricultural pursuits and some 70% of the GDP is generated in the agriculture sector, only one-third of the initial planned expenditures of So.Sh. 3,863.4 million<sup>7</sup> is for agricultural development. In addition the strategy adopted in the 1974-78 development plan provides funds and manpower on large scale irrigation projects and government controlled production which may not insure any immediate alleviation of the condition of the rural poor. A more realistic ordering of development priorities, an

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<sup>7</sup>The revised plan calls for expenditure of SoSh. 4,913.8 million. The percentage allocation to agriculture was reduced from 33.3% of total expenditure in the initial plan to but 25.9% in the revised plan. See Table 3 in Part "C" of this CDSS.

equity consideration, recommends a reallocation of economic development effort in future plans. A new three-year 1979-1981 plan is under preparation and expected to be completed in CY 1978. A larger percentage of GSDR development expenditures are expected to be allocated to the overall rural development sector. This decision will help ensure greater development benefits for rural poor.

PART B. KEY FACTORS CONTRIBUTING TO THE POVERTY OF THE POOR MAJORITY.

Some of the more serious problems and constraints that make it difficult to improve the lot of the target group are environmental in nature and thus not easily addressed. In this context lands tend to provide inadequate nutrition for livestock and the production of agricultural crops is low since, on the average, drought conditions prevail two years<sup>1</sup> out of every five. Since the soils as well tend to be inferior the problem of adequate provision of nutrition for livestock and the problem of maintenance of crop yields are both compounded. In the case of the nomads (pure nomads) both the poor distribution and the unreliability of watering facilities for both humans and livestock means that many areas are overgrazed thereby diminishing still further the available nutrition for livestock. The lack of dependable water supplies for humans and animals is also a major constraint in the development of un-utilized arable agricultural lands. It is largely for this reason that only 8% of the agricultural land suitable for agricultural production is cultivated.

Quite apart from the largely environmental and natural resource constraints which hinder economic improvement of the poor majority there are technological constraints, infrastructure weaknesses and social service inadequacies which

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<sup>1</sup>

See Annex I Part B dealing with natural resource availability and Annex II Part A dealing with the farming and livestock subsectors of the agriculture sector.

contribute to the social and economic deprivation of the rural portion of the population. Although information about cultivation practices and flock and herd management practices pursued are rather primitive \_\_\_\_\_ utilization of somewhat more advanced agricultural techniques could improve both crop and livestock production.<sup>2</sup> A recent IBRD appraisal mission reported that easily introduced changes in agricultural practices could result in significant increases in production. While some effort has been made with respect to providing training, drugs and vaccines for livestock they have had limited effect on improving animal health. Nearly all livestock exported are live animals in poor condition, as a result the market value of these exports are low and the income derived minimal, thus further contributing to rural poverty. An important contributing factor to rural poverty stems from a poorly developed or entirely lacking infrastructure and institutions needed to provide basic technical and social services. This is particularly true in Agriculture. The agricultural extension service needs much improvement and expansion to insure maximum benefit from the economy's principal form of income producing wealth, namely Somalia's flocks and herds and to raise the level of agricultural crop production necessary to feed the nation. It is therefore essential that the GSDR make

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<sup>2</sup>

See Annex II concerning agriculture.

a major effort to improve and expand its extension service through training of extension personnel and applying proven technology and research results. An improved country-wide extension services could help ensure self sufficiency in cereals and edible oils, raise farmer incomes, promote proper soil and water conservation practices and expand government's revenue base.

The system of transport and communication in Somalia is at best inadequately developed. As a result crop production and marketing is restricted and both the quantity and quality of livestock available for export is curtailed. When livestock is trekked to export points, some animals fail to survive the trek and those that do are in relatively poor condition.<sup>3</sup> Thus the current state of development of the transport and communication system constitutes a constraint upon earnings from agriculture and so contributes to the poverty of the rural poor.

As noted throughout Annex II which examines the major economic sectors of the Somalia economy, a lack of properly trained manpower and an inadequate supply of needed skilled technicians is a rather pervasive constraint to economic development and thus a contributing factor to inadequate

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See Annex II "Transport and Communication" with the completion of the Belet Ven-Burao Highway this problem should be alleviated to some extent. At the moment (May 1978) sections of the highway and several bridges are washed out or damaged from recent rains. It is reported that the PRC, the initial builder of the highway, is currently engaged in repairing it.

incomes. This manpower constraint affects the rural poor since appropriate personnel are not available to provide the extension services needed for the improvement of crop yields and increased livestock production and earnings nor is it available for compiling needed technical and statistical information and data required for systematic development planning. Inadequate precise data concerning the performance of the economy, the inconsistencies in data which exist is a major handicap in analyzing the economy of Somalia and makes development of proposals to assist the expansion of the economy even more difficult. Since trained personnel and a reliable and thorough economic information and statistical gathering system are lacking, economic planning is thus seriously hindered and project preparation generally weak. Improvement in crop production, livestock off-take rates and agricultural output generally, necessitates careful planning and careful project preparation and implementation. The absence of such planning and project preparation are constraints to orderly development and contributes to poverty of the target groups.

There are at least two other factors which both contribute to and manifest the relative degree of deprivation of the poor majority. These factors concern health services and the provision of education and training. As noted in Annex II the general health of the poor in Somalia is significantly affected

by their diet. In general the diet provides inadequate nutrition generally and is markedly deficient with respect to protein and certain vitamins essential to good health such as Vitamins "A" and "C". The inadequacy of protein, as well as general malnutrition, lowers resistance to disease significantly. This condition coupled with Vitamin "A" deficiencies leads to severe complications in the case of eye diseases and measles, sometimes causing permanent blindness. Infections generally and respiratory difficulties in particular tend to be severe because of general malnutrition and a deficiency of Vitamin "C". The movement from place to place and frequent change of habitation exposes the nomads to different immunological experiences and pathological patterns of disease. Thus, given their general health status, nomads tend to contract all sorts of illnesses and to carry them elsewhere as well. Since the problem of providing health services for the rural poor, the nomads in particular, is a difficult one, it is not surprising that, relative to urban groups, very little in the way of health services is available for the rural poor. What is provided is seldom available when and where it is needed.

Similar problems exist with respect to providing education and training for both the children and the adults of the rural poor.<sup>4</sup> Though the mass literacy program (1973-74) involved

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<sup>4</sup>

See Annex VI "Education and Manpower."

major effort among the rural peoples including the nomads, little follow-up has been attempted. So long as the approach to education continues to stress providing instruction at fixed urban locations, the children of rural parents will have little educational opportunities and nomadic children will have only those limited educational experiences provided by the Quranic teachers who travel with the nomadic groups from place to place. Needed adult education and training for the rural population will also continue to languish so long as principal education programs are largely confined to urban centers. An equally critical problem emerging is the increasing numbers of school leavers inadequately trained and not easily absorbed in the work force. The result is a growing and potentially volatile group who are unemployed, resentful, and a source of instability. A fuller discussion of this problem is found in Part D.

The Government of Somalia has demonstrated a rather determined and courageous attempt to promote economic development from its own resources.<sup>5</sup> It has, among other things, reduced salaries of Government employees, revised and modified the tax structure, and, as noted in Annex II, collects in tax revenues an amount per capita which the World Bank considers quite high by comparison with developing economies generally. To the extent tax and non-tax revenues have exceeded ordinary

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<sup>5</sup> See Annex IV "Public Sector Budget".

expenditures the GOS has utilized the surplus for development purposes.<sup>6</sup>

Development plans and activities of the Government of Somalia from independence through 1970-71 devoted little attention to the nomadic population. Relatively small allocations for settlement were made and practically no allocation for land development projects particularly benefitting the nomads were made.<sup>7</sup> In the midst of the severe drought of 1973-1975 however the GOS undertook a vast resettlement task. Some 268,000 nomads who had lost their means of subsistence were moved to 21 temporary relief camps established by the Government. Some 15,000 of these nomads died in the relief camps because of their general poor condition of health. With the return of favorable weather conditions 133,000 persons resumed their former nomadic life. In May of 1975 however, 120,000 nomads were relocated or resettled by the GOS. At three locations in the inter-river area some 105,000 nomads were resettled in agricultural areas. At Dujumma 48,000 were settled, 30,000 at Sablaale and 27,000 at Kurtunwaarey. An additional 15,000 were settled in three different fishing villages along the Indian Ocean Coast; 7,000 at Brava, 5,000 at Garacad and 3,000 at Eyl. The fishing settlements while reasonably

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During the years of severe drought extraordinary expenditures for relief and resettlement made inroads on the ordinary budget surplus.

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See: "Effectiveness of Foreign Aid -"The Case of Somalia" by Ozay Mehmet, in the Journal of Modern African Studies 9/1/1971 pp 31-47.

successful in transforming nomads to become fishermen continue to need substantial government support. They were largely established with USSR assistance and GSDR are seeking external donor aid to assist the settlements to become permanent and self-supporting.

Progress in the agricultural settlements has been slow but a great deal has been done in providing needed infra-structure with external assistance. However substantial additional inputs are required to provide essential services, minimum shelter and agricultural extension services and skills. It should be clear that nomads deprived of their former means of livelihood, resettled on agricultural lands and lacking in needed agricultural skills are among the poorest of the poor. Nevertheless this unique approach seems to be taking hold and could contribute to the solution of fundamental Somalia development problem, settlement of the country's nomadic population.

It is possible to quarrel with the credit extension policies of both the development bank and the commercial banks. Since the banking system was nationalized in 1970,<sup>9</sup> it follows that the practices of the banks must reflect government policy. For the years 1969-1976 the development bank extended total credit amounting to So.Sh. 180 million, however, only 18.8% of this was extended for agricultural purposes. During the

<sup>8</sup>

"Somalia: Recent Economic Development" IMF 16 Feb 1973.

<sup>9</sup>

See Annex VIII on Money, Banking and Credit.

1973-76 period the commercial banks extended credits to agriculture totalling So. Sh. 3,354 mill; less than 14% of which was for agricultural (crops and livestock) purposes.<sup>10</sup> With more than 80% of the population engaged in agriculture and about 70% of the GDP generated in the agriculture section<sup>11</sup>, it appears that the banking system and thus the GOS has given inadequate attention to the problem of providing effective credit for the development of the agriculture sector. Upon further examination it may prove that conventional forms of agricultural credit may not be appropriate in an environment where the average farm holding is three acres or less, savings are minimal and discretionary incomes are non-existent.

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<sup>10</sup>

Ibid for data on credit extension of the banking system.

<sup>11</sup>

See GDP estimates in Annex I.

PART C. ACTION CONSTRAINTS TO AN IMPROVEMENT IN THE WELFARE OF THE POOR MAJORITY.

Somalia has an especially vulnerable economy subject to fluctuating external influences, depended to a large extent on one main export, live animals, and handicapped by a fragile revenue base. The GSDR financial operations have deteriorated sharply over the past several years with expenditures exceeding revenues by substantial amounts. Total government expenditures in 1976 amounted to 1738.5 million So. Sh. and total revenues including grants came to 933.4 million So. Sh. or approximately 128 million U.S. In effect, the deficit represented approximately 45% of GSDR consolidated budget, current account and development expenditures. Although there was some improvement in financial operations in 1977, it has been estimated that the overall deficit is expected to be also substantial, around 622 million So.Sh. or approximately 120 million U.S.

The 1976 budget deficit was financed primarily by external transfers 53% and 47% central bank financing. The GSDR is looking to external sources for nearly 98% of the financing for the 1977 deficit. Although GSDR has been successful in the past in obtaining large external cash flows, this degree of dependence represents a fairly precarious financial situation.

The main cause of GSDR budgetary and fiscal problems lies in its narrow and generally weak revenue base. The three main sources of government revenue are direct taxes on individuals, property, goods and services, international trade and transactions, import customs, export levies, non-tax revenue mostly from public enterprises. International trade and transactions are the most important source of tax revenue. For 1976 this source contributed more than 48% of the total, and it was estimated that this source would provide 55% of the revenue for 1977. Since the availability of foreign exchange has a direct relationship to amount of revenue obtained from international trade and transactions, heavy dependence on this source of revenue must be viewed with some alarm by the GSDR.

Regretably, government prospects for expanding its revenue base are not particularly promising. There appears to be some inelasticity in revenue gained from direct tax sources, and even small increases in revenues from public enterprises are doubtful unless they become more efficient than they are at present. Therefore, it seems evident that current revenue has been and will continue to be inadequate to finance all the local currency expenditures that are needed for development.

Understandably, Somalia's balance of payment position can not be considered any more buoyant than its budgetary prospects. It continues to suffer from chronic current account balance of payment difficulties of varying degrees of severity. In 1973 the current account balance came to a negative 243.4

million S. Sh. (U.S. 40 million) and four years later in 1977 it had gotten significantly more severe, rising to an estimated negative balance of 563.2 million So. Sh. (U.S. 90.8 million). The root cause of these continuing negative balances is the disproportionate large gap between export earnings and imports. Negative trade balances ranged from 253.9 million So. Sh. in 1973 to an estimated 708.5 million So. Sh. in 1977. In addition, there continues to be negative balances registered for Services. Here again, deficits range from 169.2 million So. Sh. in 1973 to 262.0 million So. Sh. in 1977. These adverse balances can only have serious braking consequences for planners attempting to determine resource availabilities for development purposes.

These balance of payment deficits were made up almost entirely by very large official capital movements, and in 1977 it amounted to 610 million So. Sh. (nearly 100 million U.S.) Due to these substantial transfers, Somalia was surprisingly able to register overall balance of payment surpluses for 1975, 1976, and 1977 (est.) These surpluses however, cloud the potential difficulties that could arise over time for an economy relying so heavily on external transfers to meet foreign exchange requirements for budgetary and development purposes.

At the close of 1977 the estimated foreign exchange (FX) reserve of So. Sh. 609.1 million (98.4 million U.S.) amounted

to but five months of imports at CIF rates.<sup>1</sup> Though Somalia's balance of payments shows an addition to FX reserves for the past three years, these additions have been declining in magnitude each year and are attributable as noted above to very favorable unilateral external transfers and capital flows. However, as could be expected GSDR debt is becoming significantly larger and debt service payments are steadily increasing. Total disbursed debt by 1976 was So. Sh. 1,458.2 million (235.2 million U.S.) and service payments for the same year were So. Sh. 19.1 million (3.08 million U.S.) or approximately 2.7% of exports. However, debt payments in 1977 increased substantially to So. Sh. 67.8 million (10.93 million U.S.) creating a service ratio of 9.6%. Debt payments based on 1981 estimates of So. Sh. 224.0 million (36.12 million U.S.) in 1981 will probably be difficult for GSDR to service. Under these circumstances GSDR will not only be dependent on external support, particularly grant transfers, it will also have to make a major effort to expand its internal revenue base primarily through increases in agriculture crop and livestock production and the promotion of exports. How successful this effort is will determine the degree Somalia's poor majority will receive in assistance.

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1

Estimate of IMF in its "Somalia: Recent Economic Developments" February 16, 1978 prepared in connection with the Article XIV consultation. Referred to hereafter as "IMF 1978". See: Annex V for recent record of foreign exchange holdings and balance of payments data.

To the extent economic assistance emphasizes the improvement and expansion of agricultural extension activities and education and training, additions to recurrent costs tend to be held to a minimum. Improvement and expansion of health services, both desperately needed for Somalia's rural poor in particular<sup>2</sup>, are likely to occasion some addition to recurrent costs and seems unavoidable.

It was noted in Part "A" of this CDSS that a reordering of priorities as allocated in the 1974-78 Development Plan seems warranted. Since agriculture constitutes the major resource of the country it can be argued that the bulk of development expenditures should therefore be allocated to this sector. Table 3 provides information concerning the allocation of planned expenditure in both the original and the revised 1974-78 Development Program. (It should be noted again that a new three year 1979-81 plan is nearing completion).

The reduction of development expenditures allocated to agriculture (livestock plus agriculture) from 33.3% of total expenditures in the initial plan to 25.9% in the revised plan needs some amplification. It would appear that Somalia's extremely low revenue base and its myriad of needs have influenced the actual allocation of expenditures on a basis that may not be justified on purely development grounds. In

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See Annex III "Health and Related Matters"

TABLE 3  
SOMALIA  
1974-78 DEVELOPMENT PROGRAM - PLANNED EXPENDITURES  
(So. Shs Millions)

Sector or Purpose	Planned Expenditure		Percent of Total	
	Original	Revised	Original	Revised
Livestock	162.1	184.1	4.2	3.7
Agriculture (Cultivation)	1,124.5	1,088.5	29.1	22.2
Forestry and Range	51.2	183.6	1.3	3.7
Fisheries	78.0	297.0	2.0	6.0
Mining	45.7	45.7	1.2	0.9
Industry	588.3	1,078.8	15.2	22.0
Water Resources	139.5	139.5	3.6	2.8
Electricity	136.5	277.3	3.5	5.6
Transport and Communication	944.7	1,050.1	24.5	21.4
Education	191.1	208.8	4.9	4.2
Health	77.7	111.9	2.0	2.3
Housing	157.0	157.0	4.1	3.2
Labor and Sports	11.3	4.7	0.3	0.1
Statistics and Planning	106.1	1.1	2.7	Neg.
Tourism	12.6	48.6	0.3	1.0
Information	37.1	37.1	1.0	0.8
<b>TOTAL</b>	<b>3,863.4</b>	<b>4,913.8</b>	<b>100.0</b>	<b>100.0</b>

Source: State Planning Commission - reported in DPF 1978.

Annex VIII it is noted that the proportion of credit extended by the banking system to trade and industry has been significantly greater than that extended to agriculture. This is the case despite the dominance of agriculture compared to the other sectors. In view of the fact that the banking system in Somalia has been nationalized since 1970, it seems reasonable to suppose that banking activities reflect Government policy as an approach to address to developmental constraints.

As is true with developing economies generally, Somalia too is confronted with mutually contradictory price objectives. On the one hand in the interests of equity and perhaps political stability, there is a desire to keep consumer prices from rising excessively. The underlying social objective of the Government's approach to scientific socialism tends to underscore this objective also. At the same time and despite the commitment to socialism there is a substantially important amount of agricultural output which is generated in the private sector. For example, maize and sorghum production is accounted for in the main by the output of many widely scattered small holders.<sup>3</sup> To the extent the GDP calculations in Annex I are valid, it will be noted that the value of maize and sorghum amount to about 64% of the total value of dry-land and irrigated farming output combined. Now, if small holders

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<sup>3</sup> See Annex II Farming subsector section.

are to be encouraged to produce amounts of maize and sorghum in excess of their own requirements clearly a price incentive is one answer. A high price to producers conflicts, obviously, with the objective of a low or moderate price to consumers generally. A satisfactory solution taking into account interests of both groups will have to be developed as sorghum is a staple in the diet of the Somalis as is maize to a lesser extent.

It is noted in Annex VIII that despite large increases in the money supply, price increases have been held to substantially less than money supply increases would lead one to anticipate. An important explanation for this fact is the maintenance by the GOS of an extensive system of price controls, which covers most of the items included in Table XVII of Annex VIII. In the case of some goods the retail price is subsidized which, of course, contributes to shortfalls in needed government budget expenditures in other areas. In IMF 78 it is reported that for many of the items the subsidy has been reduced in recent years. According to this report subsidized petroleum prices were eliminated early in 1977 and as of the first quarter of 1978 subsidies are largely confined to certain imported foodstuffs, presumably the more essential ones. The National Trading Agency and the Agricultural Development Corporation handle most commercial imports for the Government to maintain uniform prices on agricultural commodities throughout Somalia. About the only

retail prices determined by relatively free market forces. IMF 78 reports, are poultry, fruit, vegetables and milk. In January 1977 retail prices for sorghum, maize and sesame were permitted by the government to rise. IMF 78 observes that the resulting increase in supply of maize, sorghum and sesame helped to reduce the rate of increase in the overall food price index. Thus, though the pricing record is mixed, it does not appear to be determined and implemented capriciously. Rather, it seems to reflect awareness of the incentives needed for boosting private output while at the same time endeavoring to protect consumers.

The discussion of interest rate policy in Annex VIII indicates appropriate recent modifications designed to encourage savings and to create loanable funds on the one hand and a reduction in lending rates designed to encourage borrowing for investment expenditures on the other hand. On the whole, the interest rate policy seems to be appropriately enlightened. As noted in Annex V, the Somali shilling is pegged to the U.S. dollar and fluctuated within quite narrow limits throughout the period 1973 through October 1977.

It would appear that the policies pursued by the GOS and, presumably, those likely to be pursued, with respect to prices interest rates and exchange rates will not hinder AID and host country efforts to alleviate the poverty of the rural poor and, indeed, should assist those efforts. In Annex II it is noted that the long-term agricultural objective of

the 1974-78 development plan is "maximization of production with distributive justice". The drought relief efforts of 1973-75 and the nomad resettlement program beginning in May 1975 was discussed in some detail in Part "B" and seems to manifest both a concern for equity and for increased output or economic growth. On the other hand, the major expenditures for the settlement lands clearly demonstrates GSDR emphasis on equity at the expense of increases in GDP in the short term. This is true since new skills must be developed, needed agricultural infrastructure established, and other inputs provided without any immediate return. Yet, if successful, the long-run impact should contribute significantly to an increase in the GDP for Somalia, as well as provide tangible benefits for the rural poor established in these settlements. The mass literacy program which extended to the rural poor including the nomads also clearly reflects the government's concern with equity and distributive justice. Another indication of the concern of the GOS with equity and with employment considerations as well, is provided by the Agricultural Crash Program (ACP) launched early in 1970.<sup>4</sup> The major objective was to provide 5,000 jobs on farms, to be organized and conducted by the Ministry of Agriculture. Although the scheme has not come up to expectations, many employment opportunities were created and agricultural pro-

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\*See "Somalia: Recent Economic Developments and Current Prospects". IBRD Vol.II August 20, 1975 for a brief account of the ACP.

duction increased and at the same time demonstrated government's concern with equity and with the problem of rural unemployment.

As indicated in Table 3 of this Part (C) of the CDSS, the revised 1974-78 development plan increased the planned expenditures for both health and education. Long-term impact of such expenditures should have spin-offs which will benefit the rural poor in the form of improved education and health services. U.S. assistance is proposed for both sectors to assist GSDR create an effective rural primary health care delivery system and establish vocational technical training programs designed to provide the merchantable skills necessary for viable employment. The shortage of adequately trained manpower has been identified as a main constraint to a sustained developed program and has a bearing on the country's absorptive capacity.<sup>5,6</sup> The USAID program will include a major effort to address this problem.

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<sup>5</sup> See Annex II and Annex VI in particular.

<sup>6</sup> See Annex IX which is concerned with external assistance and absorptive capacity.

## SOMALIA CDSS

### PART D - AID ASSISTANCE STRATEGY

Considerations presented in Parts "A" through "C" of this submission recommend that USAID assistance strategy, over the next five years, include a mix of technical and commodity assistance directed toward addressing the principal constraint to economic development in Somalia - an inadequately trained manpower base which impinges on development efforts in virtually every sector of the economy.

Lack of trained manpower is a major contributing factor for low agricultural productivity, depressed rural incomes, marginal returns from the country's principal exporting sectors, government's weak revenue base and fragile monetary operations, inadequate essential social services, insufficient water supplies for village use and widespread poverty, particularly in the rural areas, which all combine to register for Somalia one of the lowest Physical Quality of Life Indices (PQLI) among the least developed countries (LDCs).

U.S. assistance will emphasize the strengthening of institutions particularly those attempting to provide services for the rural poor. The principal objectives of USAID programs in agriculture will be to raise the incomes of rural subsistence farmers and herdsmen and to increase cereal and edible oil production to enable the country to be self-sufficient in these commodities. This will require a major training effort to establish a viable country-wide agricultural extension service which can pass on to small subsistence farmers the appropriate technology, cultural practices and research findings needed by this disadvantaged group to improve their incomes and economic well being.

In the area of livestock production AID assistance will be geared to assisting this vital exporting sector to expand foreign exchange earnings, modernize marketing and processing and to improve animal health and livestock quality. USAID will collaborate with other donor countries and external institutions in developing and implementing primarily technical assistance programs to directly benefit the small herdsmen and to strengthen the GSDR institutions concerned with providing essential services for this group.

Related to the assistance proposed for the livestock sector, in particular animal health, AID plans to assist the Ministry of Livestock's Tsetse Fly Eradication Program. Eradication of the Tsetse fly will not only improve animal health and quality, but will extend range lands currently not grazed because of Trypanosomiasis. This program will be undertaken in collaboration with ODA and the Arab Fund.

In the health sector USAID will be concerned in assisting the Ministry of Health establish a country-wide primary health care delivery system. Project emphasis will focus on the rural areas where little or no health services reach the poor rural population. The Project will be designed to train rural, village and nomadic workers to provide primary health services. The Project will address the need for strengthening the Ministry of Health's training institutions for health professionals and supervisors. A further objective of the Project is to improve the effectiveness of the Ministry's health management and medical supplies distribution system.

We propose also to assist the GSDR develop and implement a minimum shelter program for rural settled population beginning with a principal Agricultural Settlement area, Kurtunwaare. The program will be designed to make maximum use of self-help labor and local materials to provide a structurally sound minimum shelter unit that can become the model for future minimum shelter housing programs in both rural and urbanized rural areas. The program is expected to contribute to the development of rural minimum shelter construction industry that would provide employment for artisans, craftsmen and semi-skilled/unskilled rural people.

The scarcity of dependable water supplies for the rural agriculture population and their stock is a serious constraint to bringing into production the potentially productive agricultural lands of Somalia. A main cause why only 3% of the land suitable for agricultural production is cultivated stems from the lack of water for domestic use. We propose, with the assistance of other donors, to expand rural water supplies to make maximum use of agricultural lands for production purposes, to raise rural incomes and to help foster, over time, the establishment of a more viable economy less dependent on external resources for support.

AID assistance proposals in the sectors identified Agriculture, defined in terms of overall rural development, and health sectors, will be structured to provide manpower training in its broadest sense. We have identified the lack of trained manpower as a principal cause for the low

level of economic development in Somalia. The linch pin of our assistance therefore is to provide technical assistance directly to individuals - small farmers, herdsmen, health workers and to provide technical assistance required to strengthen GSDF institutions tasked to serve the needs of the mostly rural population of Somalia. A vital area of concern in this assistance is an effort to adequately address the problem of inadequate skills training at the primary and secondary school levels. AID proposes to assist Ministry of Education's institutions to develop the curriculum and indigenous expertise needed to equip school leavers and adults with the saleable skills necessary to become productive citizens and contribute to overall economic development. We propose to provide assistance to appropriate educational institutions to provide technical and vocational training. At the higher level we plan similar assistance for the National University with the aim of strengthening the institution training capabilities to improve the quality of instruction.

We believe educational and skills training essential if the GSDF is to be successful in addressing the problem involving school leavers unable to obtain employment and, to some extent also, dropouts who likewise find themselves unemployed. It was noted in Part "A" of this submission that there are those who feel the urban poor must also be considered among the most seriously disadvantaged persons in Somalia. Though it has been pointed out that the urban population constitutes no more than 15% to 20% of the total population and tends to be subject to seasonal changes of considerable magnitude, the fact remains that a hard core of urban unemployed with some formal education does exist. To the

extent these unemployed groups grow in numbers and their expectations eroded due to a deterioration in economic status, they possess the potential for political instability. Though it is believed that AID's proposed program for the next five years will ultimately provide increased employment opportunities not only in the agriculture sector directly but in the industrial processing of agricultural and livestock products in urban areas as well, the fact remains that the proposed program will provide only limited employment opportunities in the short term for those currently unemployed. The GSDR's recent activities in the recruitment of "young pioneers", to assist in the mass literacy program and aspects of the crash program in agriculture, provides a clue as to what might be done additionally to take the edge off the problem. Clearly the long term solution to unemployment and underemployment will come as a result of a more vigorous and self-sufficient economy.

Part "C" provides a discussion on the heavy dependence of the Somalia economy on external factors and resources to meet both budgetary and balance of payments needs. It was argued that continuing dependence of the present magnitude would tend to postpone for some time the day when GSDR could successfully create a viable and largely self-supporting economy able to finance the country's development programs and provide essential services. In the short term therefore the GSDR will have to receive substantial amounts of external monetary assistance. The majority of the required capital flows have come from the Arab Countries and to a lesser extent the West and Eastern blocs. Because of debt

servicing considerations these transfers will need to continue to be mostly grants. To assist GSER secure the needed resources and meet funding gaps in the near future, we have proposed resource transfers in the form of PL 480 grants and sales combined possibly with a commodity import program.

We propose to continue some Title II assistance, although gradually decreasing, through 1983 to help meet short falls in production and support displaced persons programs which may well continue until a satisfactory solution to the Ogden question evolves. We are recommending a Title I and III programs for the same period, with an especial effort to shift to Title III as soon as possible. Title I and III assistance will provide essential commodities to meet internal market demands for cereals and edible oils. It will also extend GSDR foreign exchange availabilities for other essential commodities in addition to providing added local currency for development budget purposes. Title I local currency will also help reduce the pressure on GSER to use Central Bank financing to meet continuing deficits in its development expenditures.

As has been noted, Somalia is expected to have a largely external economy for some time although hopefully less and less so into the future. However, over the short term it will continue to be necessary for GSDR to receive capital transfers to balance off trade deficits and provide the additional foreign exchange required to finance essential imports. GSER

has informally registered an interest in receiving U.S. assistance in meeting these requirements.

Somalia is dependent on a wide range of commodities, machinery, equipment, transport, and spare parts to keep the economy functioning. A great deal of plant and machinery needs replacing particularly those supplied by the U.S.S.R. In addition to loans to finance imports for development purposes of the East bloc origin, Somalia imports from the U.S.S.R. alone amounted to a sizeable So.Sh. 74.3 million in 1975, approximately U.S. \$12.0 million. Bloc sources of imports are now no longer available. It is not likely either that increased export earnings from livestock and bananas will materialize over the near term which would provide the foreign exchange needed to replace Bloc imports from other sources. We are considering, subject to policy and other considerations, the possibility of assisting Somalia's main trading partners and suppliers of capital flows to assist GSDR meet its balance of payment deficits through a Commodity Import Program (C.I.P.).

In Part "A" of the CDSS, it was noted that Somalia's Physical Quality of Life Index (PQLI) was among the lowest in the world. Inadequate nourishment, poor health, insufficient and frequently poor quality water, poor housing, inadequate educational opportunities and low rural incomes, all of these are contributing factors to a very low PQLI. It can be expected that a rural health program, increased food production, agricultural extension services and accompanying training, improved housing and other rural development programs should contribute to an increase

in the PQLI. Since the PQLI for the rural poor is undoubtedly lower than for the population at large, AID's program directed at the rural poor should have a wholesome impact on the quality of life of the target group.

One group, the nomads, are likely to benefit less immediately than the rural poor who are settled or semi-settled agriculturalists. The main reason being that we know less about this group and how we can most effectively reach them. However, the nomads can be expected to benefit directly, over time, from improved social services, education and health, and from increased income from improved livestock rearing and management practices. Many will benefit also as settled agriculture workers with increased incomes and improved shelter conditions. Increased availabilities of water supplies will provide additional benefits for nomads and semi-nomads. In the implementation of US assistance activities, particular emphasis will be placed on ensuring that the majority of the nomadic population are served and not neglected over too long a period of time.

The problems contributing to poverty in Somalia are discussed in earlier parts of this CDSS. The USAID strategy is to attack the principal problems directly through project assistance initially confined to specific geographic areas and implemented in the form of pilot activities. We anticipate however, that benefits and experience gained will be transferable and expanded as a nationwide effort, particularly in minimum shelter, agricultural extension, health delivery systems and ground water development programs. We do not at this time propose to help address problems which would require major infrastructure development such as

irrigation and transportation projects unless it can be fully demonstrated that U.S. financial participation would be critical to the success of a donor consortium effort.

Though at various points in this CDS submission the Government of Somalia's percentage allocation of development expenditure to particular sectors has been criticized, nevertheless, the Government's continued dedication to economic development with "distributive justice" is exemplary. As noted elsewhere in this submission, government salaries have been reduced and salary divergences narrowed, taxes have been increased, and surpluses in the ordinary budget, when they have existed, have been allocated in their entirety to planned development expenditures. Additionally it has been noted that both producer and consumer pricing policies have tended to be consistent both with encouraging output and development as well as with promotion of equity. Thus, it is felt that the policies and institutions of the GSDR are consistent and should contribute rather than retard AID's proposed program for Somalia. The GSDR also has demonstrated its interest both in promoting economic development and ensuring distributive justice and equity in its current development efforts.

Though it is not believed that AID's assistance strategy will unduly increase recurrent costs and intensify budgetary problems, there will, of course, be some increase in recurrent costs associated with such projects as the nationwide rural health program and the improvement and expansion of the agricultural extension services. However, some savings may accrue to the Ministry of Health budget through better patient care

and improved health services with a corresponding reduction in costs. Similarly increased agricultural production can be expected to offset expenditures aimed at establishing an effective extension service. However, in view of the difficult budgetary picture highlighted in earlier parts and in Annex IV, the somewhat precarious position with respect to foreign asset holdings (FX) apparent in the data also presented in Annex V, it is evident that any additional financing requirements imposed upon the GSDR will need to be examined closely to ensure benefits which accrue outweigh the additional investment expenditures. Unless this is done systematically the effectiveness of AID's proposed program and those of others will be impaired adversely affecting Somalia's economic development program generally. It is because of the GSDR's domestic financial resource limitations and its uncertain FX position that AID's proposed strategy includes a C.I.P. program option. Additional GSDR policies and institutions that USAID believes could be an impediment to sound economic development is the reliance on public sector enterprises both in the agricultural and manufacturing sectors. These entities need to become more efficient than they are and thus more productive or a disproportionate amount of scarce resource allocated for development will be disbursed without achieving returns anticipated. USAID assistance particularly in the agricultural sector, could demonstrate a possibly more efficient production system. Our encouragement of the slowly developing cooperative movement which is being encouraged by the GSDR could also be an instrument of the gradual shifting from State operations to

greater involvement of private initiatives in the development effort. Already private farmers account for 84% of the area under cultivation of bananas. Further, the main staples of Somalia, corn and sorghum, are produced almost entirely by small subsistence farmers.

Annex IX considers in some detail the activity of other donors in Somalia. Somalia, it is observed in that annex, is in a position to obtain assistance from a wide variety of International and bilateral sources. Moreover it is in fact receiving substantial amounts from many of these sources. More specifically the International Development Association (IDA) and the Arab Fund have projects in the Kurtunwaare area amounting in total to \$30 million to finance the infrastructure requirements of this settlement area. These projects involve the development of rain-fed and irrigated farming. In the area of health services, UNDP WHO and UNICEF have conducted a wide variety of pilot health activities and programs in Somalia which AID's proposed rural health program can help strengthen. Coordination of AID's health project as in other fields with the World Bank, WHO, UNDP and certain Arab and European bilateral donors, is taking place and will be given continued attention.

The AID's proposed Tsetse fly control project as noted will provide the biological control system in support of chemical eradication efforts of the project to be financed by the Arab Bank and the British Overseas Development Ministry. The World Bank, in particular, is interested in a collaborative approach with respect to an improved and expanded agricultural extension service, farmer training, and rangeland development. AID feels that a mutually acceptable collaborative effort may well be possible.

AID's personnel resources in Somalia are currently (May 1978) woefully inadequate to permit proper administration, supervision, monitoring, planning and implementing the assistance strategy proposed for the next five years. Adequate and appropriate staff augmentation is imperative if an effective assistance strategy is to be pursued successfully. In addition to additions to the permanent staff, specialized expertise provided by qualified consultants will be needed from time to time. Specific requirements on staffing will be covered in the ABS.

PART 3. FIVE YEAR PROJECTION OF LOW, MEDIUM AND HIGH FUNDING LEVELS

USAID SOMALIA (\$000)

Levels	FY78 <sup>1</sup>	FY79	FY80	FY81	FY82
<u>Low</u>					
Food/Nutrition	4,000	3,000	4,000	5,000	5,000
Health	4,000	4,000	5,000	5,000	6,000
Education	—	3,000	6,000	5,000	8,000
SDA	1,000	680	2,000	1,000	1,000
Project Total	(9,000)	(10,680)	(17,000)	(16,000)	(20,000)
Title I	7,000	6,000	5,000	5,000	7,000
Title II	6,300	—	—	—	—
Title III	—	—	—	—	—
Total DA & PL 480	22,300	16,680	22,000	21,000	27,000
CIP SA	—	—	—	—	—
<u>Medium</u>					
Food/Nutrition	4,000	4,260	5,075	6,500	6,500
Health	4,000	5,300	7,600	8,000	8,000
Education	—	5,650	9,080	6,700	10,800
SDA	1,000	680	4,000	1,500	1,500
Project Total	(9,000)	(15,890)	(25,755)	(22,700)	(26,300)
Title I	7,000	8,200	6,800	6,800	9,400
Title II	6,300	2,600	2,600	2,600	2,600
Title III	—	2,900	5,500	4,900	2,400
Total DA & PL480	22,300	29,590	40,655	37,000	41,200
CIP SA	—	10,000	15,000	10,000	10,000
<u>High</u>					
Food/Nutrition	4,000	5,000	6,000	7,000	7,000
Health	4,000	6,000	8,000	9,000	8,000
Education	—	6,000	10,000	7,000	12,000
SDA	1,000	1,000	5,000	2,000	2,000
Project Total	(9,000)	(18,000)	(29,000)	(25,000)	(29,000)
Title I	10,000	10,000	10,000	10,000	12,000
Title II	6,300	4,000	4,000	4,000	3,000
Title III	—	4,000	6,000	6,000	3,000
Total DA & PL480	25,300	36,000	49,000	45,000	47,000
CIP SA	—	15,800	20,000	15,000	15,000

<sup>1</sup> FY78 project funding requirements are same for all three levels reflect mission's intent to obligate funds in three sectors in FY78 and figures for PL480 are actual for low and medium levels and high figure reflects possible increase in edible oils for Title I.

The Table above provides USAID's best estimate of the funding levels required to implement the proposed USAID program over the next five years. USAID has been re-established in Somalia now for a little over four months, and our estimated funding requirements even for the budget year can only be considered illustrative at this stage and subject to considerable refinement we expect later on. This refinement will take place as permanent USAID staff arrive at post and as we are able to more fully engage our GSDR colleagues in evolving a comprehensive development strategy based not only on a fuller understanding of needs and constraints, but also on an analytical analysis of greater depth.

Time and staff constraints in attempting to meet the due date for the CDSS has forced USAID in the main to zero in on targets of opportunity for AID's assistance particularly those likely to address the more obvious problem areas. For the most part our sectors of concentration will be in the Rural Development (Agriculture/Livestock), Health and Education, with some assistance for the Women In Development area due to government's long standing interest in advancing the cause of women and involving them in the development process.

We anticipate that U.S. assistance will be generally concentrated in the interriverine areas of the country with possible

exceptions of the central range land zone and country-wide projects in health and rural water development. Major IBRD/Arab financed projects are being planned and in the implementation phase in the northern regions of the country. This is equally true for the area south of the Juba where Arab/IBRD funding has been earmarked for the major trans-Juba livestock project. There have, however, been some informal GSDR inquiries of possible USAID interest in participating in a financial consortium for water control programs in the upper and lower Juba.

The funding options reflect a minimum to a large scale financial effort needed to address immediate problems or expanding to provide assistance to the widest possible beneficiaries and to tackling country-wide problems. For example, the minimum level funding provides for the establishment of a limited health delivery system for two or three discreet areas of the country and not a nationwide program that is reflected in the high funding options. This is true for other programs as well, such as the creation of a viable country-wide extension service instead of concentrating in the interriverine area or expanding a nomadic minimum shelter program from a pilot project in Kurtunwaare to encompass other settlements and rural villages. Again funding inputs for the education sector could be restricted to modest

assistance for primary level vocational/technical training rather than higher level funding needed for similar programs in the secondary and post secondary areas. Funding levels for livestock development could be an element of our assistance to the agricultural extension program, or it could be a major activity on its own with a higher level financial requirement. A higher funding level is also directly associated with the option of providing budgetary and balance of payment assistance through both PL 480 and C.I.P.

However, the low funding option would probably not satisfy larger GSDR expectation of renewed U.S. assistance to Somalia or fully serve overall U.S. interests. The higher option would probably be beyond our anticipated funding allocations for Somalia and exceed USAID's current projected manpower resources to plan, implement, and manage. A further consideration is the absorptive capacity of Somalia to adequately utilize the higher level financial option in view of expected large external capital flows from other sources without an accompanying expansion of GSDR currently inadequate trained manpower base.

As in the case of funding estimates for the budget and subsequent years it is still too early to predict the number of potential beneficiaries with any degree of accuracy. We have indicated that the target group roughly represents 85%

of the total Somalia population or approximately 2.6 million. The less easily reached nomadic population could add 50% or more of the 2.6 million. Therefore, as a rough guess, 1.3 million Somali could possibly receive some direct or indirect benefits over the five year program. Our success in efficiently reaching the nomads could swell the number of beneficiaries over the same period. On the other hand, the 1.3 million beneficiaries may be too large a benchmark given the probable delays in delivering program benefits. However, it can be safely assumed that up to 75% of all beneficiaries will be women and children.

## ANNEX I

### SOMALIA: The Economy

#### I. General Description of the Economy

##### A. Population

Population estimates for Somalia are, in general, based upon manpower surveys which were conducted in 1963, 1968, and most recently, in 1971. The results of the 1971 survey were published in 1972. Though a nationwide census of both people and live-stock was undertaken in 1975, the data generated by the census are considered highly suspect and most unreliable. <sup>1/</sup> On the basis of the manpower surveys a population estimate of 3.17 million people as of mid-1975 emerges. Since the estimate for 1963 was 2.3 million, the average annual population growth rate from 1963 through 1975 amounts to 2.6%. Assuming that the estimated annual growth rate of 2.6% is accurate, this implies a doubling of population in less than 28 years, or approximately doubling of population each generation.

Population density is quite low, only 13 per square mile. In terms of available arable land, however, the density rises to 105 persons per square mile.

Ethnic homogeneity is a major feature of the population in Somalia. Some 95% of the population is believed to consist of ethnic Somali.

The manpower survey in 1971 arrived at the following age structure of the population:

45% under 15 years of age  
53% aged 15-64 years inclusively  
2% aged 65 years and over

In strictly nomadic households, the "under 15 years of age" group is estimated to be as high as 50%. For nomadic peoples the male to female ratio is 106 to 100. For the population at large the ratio is believed to be slightly higher.

In the mid-1960's, about sixty populated places were designated municipal centers; however, less than twenty-five had a population of 5,000 or more and only nine had a population in excess of 10,000. As of 1975 Mogadiscio's population was estimated at 400,000.

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<sup>1/</sup> In an interview with a World Bank official it was learned that GSDR officials themselves admit that population estimates are quite overstated. The reason, it was learned, had to do with GSDR general budgetary allocations based upon population estimates.

A rural urban drift exists in Somalia as in most other developing economies. The drift in Somalia in recent years was accentuated by severe drought conditions. The U.S. census bureau in 1970 estimated the birth rate at between 47 and 49 per 1000 and the death rate at between 21 and 24 per 1000. These estimates imply a net annual increase of between 2.3% and 2.8%.

#### B. Natural Resource Availability

Of Somalia's 637,000 square kilometers of 245,946 square miles of area, most of it is unsuitable for cultivation. Land distribution is estimated as follows:

Cultivable	12.5%	or	30,743	square miles
Suitable for grazing	54.9%	or	135,024	square miles
Forest and scrub	13.8%	or	33,941	square miles
Other	<u>18.8%</u>	or	<u>46,238</u>	square miles
TOTALS	100.0%	or	245,946	square miles.

Some estimates of woodland areas are as high as 25% of the total land area. Most of this however is really bush or scrub with only a small percentage of the land area, perhaps 3% or 4% in accasia and other thorn trees, primarily. It is reported that there are also a few small areas of cedars of Lebanon in the northern mountains. As of mid-1975 the country had one small sawmill in the Al-Madow area (far north) exploiting, to some extent, the cedar stands.

Mineral resources once thought to be varied, plentiful, and capable of contributing significantly to economic development have proved disappointing. Though commercially exploitable concentrations of uranium exist, problems of extraction and transportation minimize their economic significance.

Some iron ore deposits exist but the quality is such that it does not appear to be marketable. Tin deposits have also been located and these being exploited on a pilot basis in 1976.

Large deposits of high grade gypsum are found near Berbera and were also being exploited on a pilot basis in 1976. Oil exploration, both onshore and offshore, was being conducted by at least four companies in 1976. There were no reports of oil production, however, as of year end 1977.

Somalia's extensive sea coast, approximately 2000 miles, affords ample opportunity for the development of fisheries. Cultural factors involving a preference for meat over fish have been a retardant to the development of fisheries. To the extent the fishing industry operates, nearly all of the product is exported.

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The brief review of natural resources presented above indicates that agricultural resources constitute the foundation upon which economic development must be based. In view of the distribution of land categories it is equally evident that grazing lands constitute the major agricultural resource and thus livestock production must be a major subsector of agricultural activity.

Much of the potentially cultivable area of some 30,000 square miles experiences a low annual average rainfall and periodic severe drought. In the Northern part of Somalia, except for the highlands, rainfall does not exceed 400 mm (approximately 16 inches) per year. The central region and the north sea coast averages no more than 50 to 150 mm (2 to 6 inches) of rainfall annually.

Rainfall in the south, especially in the area between the Juba and Shebelli rivers, is the highest within the country. Even here the annual average is less than 600 mm (24 inches) per annum. Agricultural experts say that if the average yearly rainfall is much below 400 mm conditions are both too uncertain and unsatisfactory to support dryland farming on a regular basis. It is in the south particularly therefore that dryland farming is most successful.

Since the only perennial rivers (the Juba and the Shebelli) are in the south, this means that the area of highest rainfall is also best adapted to irrigated farming. Not surprisingly, therefore, most of the 10,000 hectares (approximately 247,000 acres) of irrigated cropland is in the south along the valleys of the Juba and Shebelli rivers. There is however some irrigated farming north and west of Hargeisa in the northern part of Somalia.

### C. Manufacturing

Though the available data indicates that manufacturing activity has grown during the last decade, the limited size of the national market and low per capita incomes impose severe constraints upon economic growth in this section. In addition the scarcity of skilled manpower is also a major constraint. The manufacturing enterprises that do exist consist of a few rather large publicly owned firms and many small-scale private enterprises. Most manufacturing activity involves the processing of agricultural products of one kind or another.

### D. Aggregate Economic Performance

No system of national income accounting has been adapted by the GOS thus no national income accounts are available. An attempt is made below to construct a gross domestic product account for Somali. The GDP and resource origin and use estimates are based upon data and information from various sources. The sources are indicated in the bibliography.

No claim for precision can be made for any of the estimates and thus great reliance should not be placed upon any of the magnitudes. It should be noted however, that in the case of the farming and livestock sectors, informed observers have made estimates of crop areas and yields, livestock population and yearly offtake, and related matters. Since export data on crops and livestock are available, estimates of internal (domestic) consumption can be made. This is not to say that the sectoral estimates of resource origin are precise but rather that the calculations stem from estimates and inferences of those who are reasonably well informed. Considerably less validity can be claimed for the items listed in the "Commerce and Services" category of resource origin. The estimates are simply based upon inferences drawn from the reported budgetary data for the government of Somalia.

With respect to estimates of resource use the probability of reasonable accuracy is believed to be considerably greater for the estimate of private consumption than for public sector consumption and capital formation. The residual, i.e., the resource gap estimate, is approximately equal to the annual external financing requirement as found in the 1974-1978 Economic Development Plan for Somalia. It should be observed also that it is not unreasonable to assume that the resource gap can be measured by the deficit on current account in the international balance of payments for Somalia. The Somalia National Bank preliminary estimate for 1974 indicates an adverse trade balance of So. Shs. 643 million, very close to the resource gap estimated below, plus a negative services balance of So. Shs. 73 million for an overall deficit on current account of So. Shs. 716 million.

It is of some interest to compare the GDP estimate calculated below with GDP estimates which have been made by others. Among the GDP estimates for the mid-70's the lowest estimate found was U.S. \$155,000,000 and the highest estimate U.S. \$263,500,000.<sup>2/</sup> Assuming a population in 1974 of 3.1 million, the low GDP estimate means a per capita GDP of U.S. \$50 and the high estimate a per capita GDP of U.S. \$85. Assuming the exchange rate to be Somali Shs. 6.295 = U.S. \$1, the So. Shs. 1,617,500,000 GDP calculated below amounts to U.S. \$256,950,000 or a per capita GDP of \$83. In its August 20, 1975 economic report on Somalia, the World Bank lists the per capita GDP as follows: "U.S. \$80.00 (Approx.)". All that can really be said for the GDP and resource origin and use estimates calculated below is that they seem to be within what others have estimated the "ballpark" to be.

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<sup>2/</sup> Variations in GDP estimates arise from variations in population estimates and/or variations in estimates of areas cultivated and numbers of livestock. In some cases it seems that an estimate of per capita increase is made and the aggregate GDP figure then derived based upon population estimates.

TABLE I  
Agricultural Sector  
Estimates of Contribution to GDP  
1974

A. Farming Subsector

<u>Crop</u>	<u>Area (ha.)</u>	<u>Production</u>	<u>Price</u>	<u>So.Shs. (mill.)</u>
Maize	70,000	700 Kg/Ha	So.Shs.500/Tcn	24.5
Sorghum	900,000	700 Kg/Ha	450/Tcn	283.5
Oilseeds	--	20,000 Tons	1,500/Tcn	30.0
Cotton	1,000	300 Kg/Ha	1,000/Tcn	0.3
Rice	800	4 tons(Milled)/ha	2,500/Tcn	8.0
Sugar(refined)	--	27,593 tons	1,000/Tcn	27.59
Bananas	8,000	20.2 Tons/Ha	600/Tcn	101.72
Citrus, vegetables, dates, groundnuts, etc				10.00
<b>Total Dryland and Irrigated Farming</b>				<b>485.61</b>

B. Livestock Subsector

<u>Kind</u>	<u>Estimated Pop.</u>	<u>Offtake/yr.</u>	<u>Price</u> <u>So.Shs.</u>	<u>So.Shs.(Mill.)</u>
Cattle	3 mill.	255,000	290/head	124.95
Sheep & goats	14 mill.	4,000,000	103/head	412.00
Camels	2.5 mill.	125,000	836/head	104.50
<b>Total livestock subsector</b>				<b>641.45</b>

TABLE II

1974

Domestic Consumption of Livestock  
(Somalia Shillings)

<u>Kind</u>	<u>Total Prod.</u>	<u>Export</u>	<u>Domestic consumption</u>
Cattle	124,950,000	35,057,000	89,893,000
Sheep & Goats	412,000,000	138,282,000	273,718,000
Camels	104,500,000	23,335,000	31,165,000
TOTAL	641,450,000	196,674,000	444,776,000
Milk (Cattle, sheep and goats, camels) estimate			10,000,000
			<u>Estimated Domestic Consumption Livestock 454,776,000</u>

TABLE III

1974

Private Domestic Consumption (Estimates)

	(So. Shs.)	(So. Shs.)
Farm output (Dry and Irrigated)	485,610,000	
Less: Export of Bananas	<u>74,000,000</u>	
Priv. Dom. Cons. Farm output		411,610,000
Private Domestic Consumption Livestock and milk		454,776,000
Importation of:		
Food	212,100,000	
Consumer goods	<u>118,100,000</u>	
Private Cons. Imports		<u>330,200,000</u>
Total Private Domestic Consumption		<u><u>1,196,586,000</u></u>

TABLE IV

1974

GDP Origin and Use of Resources  
Estimates - (So.Shs.)

Origin of Resources		
Agriculture:		
Farming (Dry land & Irrigated)	485,610,000	<sup>1/</sup>
Livestock	<u>641,450,000</u>	
Total Agriculture		1,127,060,000
Fisheries (5000 tons @ So.Shs.6924/Ton)		34,620,000
Forestry <sup>2/</sup>		Negligible
Industry (Manufacturing & Food processing)		149,520,000
Mining <sup>2/</sup>		Negligible
Commerce & Services: <sup>3/</sup>		
Distribution and Finance	16,500,000	
Transport & communication	21,500,000	
Administration, Police & Defence	211,500,000	
Education and Health	<u>56,800,000</u>	
Total Commerce and Services		<u>306,300,000</u>
Gross Domestic Product (current price estimate)		1,617,500,000
Resource gap (Net Imports of goods and services)		<u>665,495,000</u> <sup>4/</sup>
Aggregate Resources		<u><u>2,282,995,000</u></u>
Use of Resources:		
Private consumption		1,196,586,000
Government consumption		535,160,000
Capital formation (Development Plans)		<u>551,249,000</u>
Aggregate Resources		<u><u>2,282,995,000</u></u>

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- <sup>1/</sup> Probably understated since groundnuts and wheat, for example, have not been included.
- <sup>2/</sup> Understated since, though negligible, some contribution to GDP from these sectors does in fact occur.
- <sup>3/</sup> Based on Central Government Budget Accounts only. Private sector considered negligible.
- <sup>4/</sup> Figure coincides closely with the estimated annual external financing requirements of the 1974-78 Development Programme amounting to So.Shs. 634,500,000.

## ANNEX II

### Principal Economic Sectors: Description, Constraints and Development Plans<sup>1</sup>

#### A. Agriculture

##### 1. Farming Sub-Sector

Approximately 80% of the population of Somalia is engaged in agricultural pursuits of one kind or another. However, no more than 20% of these at the most (about 16% of the total population) are engaged in sedentary cultivation.

As indicated in Part I above, there are two major agricultural subsectors: cropping or farming and grazing or livestock raising. Within the farming subsector, as noted previously, both dryland and irrigated crops are cultivated. The major crops grown under dryland conditions are maize, sorghum and the oil seed sesame. Small amounts of maize and sesame are also grown with irrigation. In non-drought years Somalia is self-sufficient with respect to maize and sorghum. Major problems with respect to dryland farming include:

- (1) Inferior soils and unfavorable climate;
- (2) Declining soil fertility because of natural conditions and poor cultural practices;
- (3) Uneven rainfall and periodic droughts;
- (4) Applied agricultural and livestock technology is quite primitive, thus crop yields and livestock off-take are very low;

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<sup>1</sup>This section is based upon the World Bank's report "Somalia Recent Economic Developments and Current Prospects" Vols. I and II, August 20, 1975, and the Area Handbook for Somalia, 1977.

- (5) As a consequence of the above factors the rural economy which amounts to about 80% of the total population fluctuates between subsistence and periodic famine in some areas from time to time and from subsistence to subsistence plus in other areas at other times.

It has been estimated that even in the area of highest rainfall, i.e., the valleys, the Juba and Shebelli rivers and the interriver area, over an average five-year period dryland cultivation would produce but two years of good crops, one year of poor crops and two years of no crops. About 550,000 hectares are utilized in some form of dryland farming.

The major crops grown under irrigated conditions on approximately 100,000 hectares are bananas, sugar, citrus and other fruits, and some vegetables. About one-third of the irrigated area is subjected to controlled irrigation while the remainder is subjected to flood. In the Juba valley, bananas are grown on most of the controlled irrigation area. As noted earlier, some maize and sesame are grown under irrigated conditions. In addition some rice, cotton and groundnuts are also grown with the aid of irrigation.

Land tenure in the SDR is now governed by statutory provisions enacted in 1975. This legislation limits both the size and the transfer of arable land holdings. Arable land may be held under ten-year concessions granted by the Ministry of Agriculture. Concessions for plantations must not exceed 100 hectares (247 acres). Family land holdings are limited to 60 hectares (148 acres) in the case of rain-fed land and to 30 hectares (74 acres) for irrigated land. A family may be given one concession

renewable for a second ten-year period. Mortgage, sale, lease or transfer of land is prohibited except in the event the initial concession holder becomes disabled. Even then the physically disabled farmer can sublet to another only if official permission to do so is granted.

Maize and sorghum are grown by widely scattered small land holders. Rice is grown primarily by cooperatives and private plantations. Though plans exist to expand rice production to 6000 hectares, apparently not more than 1000 hectares are now devoted to rice production. Sugarcane has been grown in the Shebelli valley near Jowhar since 1926. Since 1970 the operation has been conducted by a parastatal organization known as Societa Nazionale Agricola Industriale (SNAI). No more than 5000 hectares seem to be devoted to sugarcane production though it is planned to expand this to 7000 hectares. For a variety of reasons both sugarcane yields per hectare and refinery extraction rates declined from 1969 to at least mid-1976. With respect to sugarcane yields per hectare, part of the problem involves a gradual salinization of the areas being irrigated.

As noted previously, with the exception of bananas, Somalia is self-sufficient in food crops only with respect to maize and sorghum and even then only under appropriate rainfall conditions. Sugar, rice, wheat products and tobacco loom importantly among the food and consumer goods imports of Somalia.

The major constraints to agricultural development involve natural factors such as undependable rainfall, and limited natural resources generally. These constraints are compounded by poor communication,

inadequate technical information, a shortage of skilled manpower which in turn means deficiencies in agricultural planning and project preparation.

The 1974-78 Development Plan states that the long-term agricultural objective is the "maximization of production with distributive justice". Thus the emphasis on agriculture is upon production with increases in rural income and regional equity. Next, domestic self-sufficiency in food production is stressed as is increased output to provide exportable surpluses wherever possible.

The total agricultural expenditure in the 1974-78 Development Plan comes to So.Shs. 1,124,506,000. Two-thirds of the total requires foreign financing.

## 2. Livestock Sub-Sector

Approximately half of those engaged in agriculture, or about 40% of the entire population, are strictly nomads, i.e. a wandering, transient pastoral people. Some 20% of the population raise livestock and, upon occasion, engage in seasonal cultivation. Since approximately two-thirds of the population is engaged in pastoral pursuits it is not surprising that livestock production constitutes the largest single contribution to the GDP and provides the bulk of Somalia's exports.<sup>2</sup>

### (A) Livestock Population

Though a census of livestock was undertaken in 1975, as noted earlier, the results are suspect. It seems, therefore, that the most

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<sup>2</sup>Of estimated total exports in 1974 amounting to So.Shs. 402 million, over half, So.Shs. 249 million, was represented by livestock.

reliable livestock population estimates may be those for the year 1974. According to the 1974 estimates, the following numbers are indicated:

TABLE V  
1974  
Number and Distribution of Livestock (Est.)  
(Millions)

<u>Type</u>	<u>North</u>	<u>South</u>	<u>Total</u>
Cattle	0.5	2.5	3.0
Sheep and Goats	11.0	3.0	14.0
Camels	1.3	1.2	2.5

(B) Cattle

The main varieties of cattle are derived from the Zebu type. To some extent cattle of the Boran variety are also grown. Some breeds are utilized primarily for milk production while others serve a dual purpose, that is, milk and/or meat. It is reported that Somali cattle are quite hardy and well adapted to the harsh environmental conditions of the range lands on which they graze.

Since those who grow livestock are interested in numbers, utilization of cattle for meat consumption is confined to young male calves, older males and aged cows. The combined off-take of cattle for both export and domestic consumption is estimated at 7 to 10% per year.

(C) Sheep and Goats

Of the estimated 14 million sheep and goats, approximately 5.5 million are sheep and the remainder goats. The sheep are not wool producers but are quite useful for milk and meat. The goats are valuable primarily for meat and skins and are a part of the livestock export total. The estimated off-take is about 30% per year or about 4 million animals. World Bank estimates are that about 15 kg. of sheep and goat meat are consumed annually per person in Somalia.

(D) Camels

Camels constitute an accepted measure of individual wealth among the pastoral Somali. Because of this, camels are afforded first priority, with respect to water, grazing and general livestock management. Camels are used as beasts of burden, the major source of subsistence milk requirements and some are slaughtered or exported live for meat. The annual off-take is estimated at about 5% for all purposes at which rate increases in herd population should occur.

(E) Nomadic Families and Herd Utilization

Specifics concerning herd ownership patterns among nomadic families and herd utilization are either little known or essentially unknown. It is, of course, known that cattle, sheep and goats require water every few days while camels can go without water for an extended period of days.<sup>3</sup> As a result, cattle, sheep and goats are herded separately from camels.

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<sup>3</sup>Camels may do without water for at least two weeks.

A 1973 survey of nomadic families in the Burao region (north) of Somalia revealed an average family size of 5.75 persons. The average family owned 110 sheep and goats, 20 camels and 8 head of cattle. Some 94% of all families owned sheep and goats, two-thirds owned camels, but only 6% of the households had cattle.

Over 50% of the nomads fall in the "under 15 years of age" category. The birth rate is estimated at 3.9%, the death rate at 2.1%, thus the natural rate of increase among nomadic families seems to be about 1.8% per year.

Little meat and much milk constitute the principal items in the nomad's diet.<sup>4</sup> Trade, when possible, may permit the diet to be supplemented with rice, other grains, tea and sugar. Rainfall conditions permitting and when in season, the nomad may also be able to gather edible wild berries and fruit. At best, the life is difficult and necessarily Spartan.

#### (F) Marketing: Transport and Processing

A well-established traditional livestock marketing system exists in Somalia. For example, almost every town and village has a daily cattle market auction. Similar arrangements for marketing other livestock exist. There does not exist, however, a system for market analysis or market forecasting.

Sheep and goats tend to be transported to market and/or to export points, while cattle tend to be trekked. Sheep and goats are transported

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<sup>4</sup>The results of a diet survey in mid-1960, reported in Part "A" of CDSS.

both by land (trucks) and by sea (coastal shipping). The Somalia Livestock Development Agency (LDA) with assistance from the International Development Agency (IDA) have added to and expanded the existing marketing infrastructure. These additions and expansions have taken the form of new or enlarged holding areas for livestock being marketed.

The processing of livestock products is a major industry in Somalia and is one of the few industries which does not rely on imported raw materials. Meat, hides and skins are all a part of the livestock processing industry. It is generally believed that there is considerable scope for expansion and improvement of the processing of hides and skins, that is to say, the development of a viable leather industry.

#### (G) Constraints to Increased Livestock Production

The major constraints to improved and increased livestock production are environmental in nature. For example, range lands provide inadequate nutrition since drought conditions obtain two years out of every five. Moreover, the poor distribution of watering facilities for both humans and livestock means that many areas are over-grazed. Overgrazing, in turn means poor range management and poor or non-existent soil and water conservation practices. Though an improving and expanding extension service involving the introduction and utilization of livestock vaccines and drugs is causing disease and parasite infestations to become a diminishing constraint, disease and parasite

infestations still figure prominently as a check to improved livestock production.

Primitive to poor transport and communication facilities also constrain livestock production. The fact that a statistical gathering and reporting system concerning livestock development is non-existent makes planning very difficult and unsatisfactory.

In the livestock sub-sector as in virtually all sectors of the economy, the lack of trained manpower constitutes a major constraint upon improved and expanded output. In 1975 there were only thirty trained veterinarians in all of Somalia and only ten graduates in animal husbandry. A College of Veterinary Science was established in 1973 but the first graduates will not be available until this year (1978).<sup>5</sup>

#### (H) The Development Plan and Livestock

The Five-Year Development Plan (1974-78) enumerates the following general objectives so far as livestock production is concerned:

- (1) Increase production to meet local demand for meat and meat products and to expand the exportation of livestock products especially frozen, chilled and canned meats.
- (2) Strengthen disease control and research facilities
- (3) Improve livestock marketing facilities.

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<sup>5</sup>See Annex VI for enrollment and outputs of the National University.

In the livestock area, the Development Plan itself focuses upon:

- (1) Improving the off-take rate.
- (2) Developing facilities to fatten cattle.
- (3) Experimenting with cross-breeding to improve meat, milk and wool production.
- (4) Continuing animal health programs and creating disease-free areas especially around major points of livestock export.
- (5) Improving existing and creating additional training facilities for personnel dealing with livestock.
- (6) Improving the marketing system to promote increased export returns from livestock and livestock products.

Some twenty livestock projects are included in the 1974-78 Development Plan. The projects involve some SoShs. 190 million; So.Shs. 48 million to be financed within the SDR budget and the remainder from external sources.

#### B. Industry

Since national income accounting has not yet been instituted in Somalia, an accurate measure of the contribution of industry (manufacturing) to GDP does not exist. Estimates of value added to GDP by manufacturing vary from 6% for 1968 to about 10% for 1972. In the GDP account constructed and presented above as Table IV, the assumption was that value added by manufacturing in 1975 amounted to about 9 $\frac{1}{2}$ % of GDP.

Three-quarters, or perhaps more, of the total value added by manufacturing is derived from food processing using locally produced raw materials such as farm crops, livestock and the output of fisheries. The remaining one-quarter or so of value added is represented by such activities as private production, clay products, some metal products and production and distribution of utilities such as electric light and power, water, etc.

As noted earlier, the industrial sector is dominated by a few large scale publicly-owned enterprises. In fact some 90% of the value added by this sector originates in the public sector despite the existence of many small scale private enterprises.

The major constraints to economically viable industrial growth are the small size of the consumer market and the low per capita income. These checks to industrial growth are made more severe because of the limited natural resource availabilities, a serious lack of skilled manpower including entrepreneurial skills and a generally inadequate infrastructure such as transport and communication facilities, energy and the like.

The 1974-78 Development Plan lists nine major projects in the industrial sector totalling So.Shs. 513,870,000. The Plan calls for financing So.Shs. 155,700,000 or about 30% of the total internally and the remainder from external sources.

### C. Fishing

With the longest coastline of any African country, almost 2,000 miles, bordering both the Gulf of Aden and the Indian Ocean, Somalia is quite favorably situated to exploit fishing resources. The fishing sector has remained largely undeveloped, however, because of cultural factors. Since the bulk of the population is comprised of pastoralists a strong preference for meat rather than fish exists. Moreover, historically, the pursuit of fishing has been looked down upon as being an endeavor inferior to herding. Additional factors militating against the development of the fishing industry involve the seasonal nature of fishing opportunities attributable to the weather, the substantial fluctuations in catch availabilities which seem to exist off the coast of Somalia, the sparse population along most of the sea coast and its adjoining hinterland and the dearth of good harbours and fresh water at most of the landing sites.

Estimates of the potential annual catch off the Somalia coast vary from a low of 200,000 tons to 2 million tons. In 1974, the annual catch was about 5,000 tons. It is hoped that this can be boosted to 125,000 tons per year perhaps by the completion of the 1974-78 Development Plan period. At least 80% of the landed catch is exported, mostly in the form of canned fish.<sup>6</sup>

Apart from the cultural constraints and environmental constraints to expansion of the fishing industry noted above, the lack of trained

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<sup>6</sup>ILO 1977 takes a rather dim view of fishing prospects.

manpower to organize, administer and conduct the industry is a major constraint. Indeed this constraint frequently results in an inadequate supply of fish to permit utilization of the fish processing plants at an optimum level.

The 1974-78 Development Plan allocates So.Shs. 106 million to the fishing sector. About a third of the allocated amount is earmarked for organizing and training fishermen and the development of fishing specialists. Approximately half the plan allocation to the sector is for the improvement of the fishing boats, harbours, and fishing gear. The remainder is to be devoted to improvement of the fish processing plants. The two major projects in this sector involve a planned outlay of So.Shs. 53 million over 86% of which is to be financed externally.

#### D. Forestry and Mining

In Section I above (General Description of the Economy) it was noted that though some forest and mineral resources do exist both the quantity and/or quality of these resources renders the contribution to GDP from these sectors negligible.

The typical drift of population from rural to urban areas and the increasing destruction of scrub forest for charcoal, the principal fuel, threatens to destroy the scrub forest areas. Clearly some appropriate conservation measures are needed.

To the extent uranium is found in commercially exploitable concentrations, problems of extraction and transportation act as major constraints to output.

With the exception of a project involving a mining (geological) survey, all of which is to be financed by the Government of Somalia, it appears that the 1974-78 Development Plan makes no allocations to the forestry and mining sectors.

### ANNEX III. HEALTH AND RELATED MATTERS.

As is noted in other Annexes to the CDSS, Somalia's harsh climate and dearth of natural resources makes for a very rugged and difficult life. When these conditions are coupled with a woefully inadequate system of medical services and the prevalence of such diseases as pulmonary tuberculosis and malaria one can readily understand such statistics for Somalia as (1) an estimated life expectancy at birth of 41 years and (2) an estimated infant mortality rate of 177 per 1000 births.

In addition to tuberculosis and malaria, the incidence of poliomyelitis is high, some 75% of the population is affected with some type of intestinal parasite and in the marshy areas of the south and in the valleys of the Juba and Shebelli rivers the incidence of schistosomiasis is very high. Among the nomads and the urban population, venereal diseases are quite common. Skin and eye diseases are quite prevalent also. Malnutrition and poor diets generally, both attributable, in the main, to environmental conditions, increase the susceptibility to disease, and tend to accentuate the severity of diseases once contracted.

Because of scant resources and adverse climatic conditions

food production in Somalia is inadequate.<sup>1</sup> Periodic droughts crop disease and locust infestations all tend to intensify food shortages. During the dry season food intake, especially among the nomads, is drastically reduced. It has been estimated that during the dry season caloric intake of nomads is barely 50% of accepted standards.

Northern pastoralists herding camels may consume little else than milk. At times the basic milk diet may be supplemented with some sorghum and, perhaps occasionally, with some meat if a sickly or old camel has to be slaughtered.

The sedentary rural population has a diet which is quite deficient with respect to protein. Maize, sorghum, beans and a few vegetables and fruits constitute almost the only items of food intake.

Even in the urban areas diets tend to be deficient in protein though the Food and Agriculture Organization feels the caloric intake, on the average, is adequate. Almost without exception, however, diets throughout Somalia are deficient in vitamins. In the urban areas diets tend to be deficient in calcium as well as vitamins and to contain too much fat and sugar. If the efforts of the GOS to popularize fish as a dietary item meets with success, protein deficiencies can be alleviated to a large extent.

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See result of a mid-1960s survey of diets presented in Part "A" of the CDSS.

Somalia's Ministry of Health is charged with the organization and administration of health seminars. As of 1973 there were 63 hospitals with a total of about 5400 beds, 164 physicians, 22 dentists, 164 midwives, 868 medical assistants, 56 technical assistants and 22 pharmacists in Somalia.<sup>2</sup> To the extent the majority of the population receive any medical care at all, it is obtained at small dispensaries staffed by medical assistants trained in first aid and able to recognize and perhaps treat a few diseases.

International organizations such as WHO, UNICEF and the World Food Program have all assisted in providing medical care and in conducting training programs. The USSR and the Peoples Republic of China (PRC) have also provided medical care. In 1976 the PRC had started construction of a modern maternity and pediatric hospital in Mogadishu.

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Technical Paper No. 9 in Econ Transformation in a Socialist Framework, I.L.O. Geneva, Switzerland 1977, presents information for 1976 which shows no change for comparable items. "Synthesis: The Dynamics of Health-Somalia" division of program Analysis Office of International Health, U.S. Dept. of Health, Education and Welfare contains a detailed Analysis of Health facilities and needs in Somalia.

ANNEX IV

PUBLIC SECTOR BUDGET

After the revolution of 1969 and the formation of the new government, attention was directed to a higher degree of self-reliance. Thus, after two years, annual budget deficits which had persisted since independence were eliminated and surpluses began to appear. This budget transformation is the result of a number of measures undertaken by the GSDR. These measures have involved a combination of austerity moves and increases in direct taxation. Salaries of Government employees have been reduced, a graduated tax called a "Development Levy" was imposed on non-government sector employment income, a turnover tax on public entities was instituted as was a modification in profit shares accruing to the Government from these enterprises. Additionally import duties on selected items were increased, the excise tax on sugar was doubled and a stamp tax was inaugurated during the period 1969-1977. The impact of these measures upon the budget is reflected in Table VI below.

It will be noted that expenditures in 1974 relative to 1973 increased by almost 49%. A variety of factors combined to produce the increase. Among those factors were costs for the mass literacy program considerably in excess of the initial estimates, a cost of living adjustment for Government employees and greater than expected expenditures for education, agriculture and drought relief.

The largest single item in the GOS budget for 1977 is SoShs. 200 million for defense. Defense expenditures plus police expenditures throughout the period 1973 through 1977 amount to between 35% and 40% of total budgetary expenditures. The major budgetary categories are: (1) general public services, (2) Defence, (3) Economic Services and (4) Social

TABLE VI  
Financial Operations of Central Government  
 (So.Shs. Millions)

Item	1973	1974	1975	Prelim. Actual 1976	Budget Est. 1977	Revised Est. 1977
Total Rev. and Grants	602.5	859.2	1,255.2	939.4	1,317.0	1,277.5
Total Revenue	440.0	557.7	623.9	689.4	917.0	877.5
Tax	378.2	461.9	491.3	515.3	690.0	666.3
Non-Tax	61.8	93.8	132.6	174.1	227.0	211.2
Grants (External)	162.5	303.5	631.6	250.0	400.0	400.0
Total Expenditures	786.1	1,169.1	1,332.7	1,738.5	—	1,899.5
Ordinary	382.0	508.4	566.6	656.1	793.2	782.8
Development <sup>1</sup>	327.0	353.3	362.1	634.1	1,288.3	—
Extra Budgetary <sup>3</sup>	77.1	307.4	404.0	448.3	—	1,116.7 <sup>2</sup>
Ordinary Surplus or Deficit (-)	58.0	47.3	57.3	33.3	123.8	94.7
Overall Deficit (-)	-183.6	-309.9	-77.5	-799.1	—	-622.0
Financing	183.6	309.9	77.5	799.1	—	622.0
Foreign (Net)	169.9	255.1	269.2	424.9	600.0	600.0
Domestic (Net)	13.7	54.8	-191.7	374.2	—	22.0 <sup>2</sup>

<sup>1</sup>Total development expenditures as published by State Planning Commission. Only development expenditures financed from domestic sources recorded in budget. For example, in 1976 domestic budget development expenditures were So.Shs. 255.2 million and foreign So.Shs. 378.9 (see Table 7, IMF 1978, p. 17).

<sup>2</sup>Estimates (IMF).

<sup>3</sup>Residual item. In 1975 and 1976 included drought rehabilitation expenditures financed by proceeds of commodity aid.

Source: IMF 1978 (Ministry of Finance, State Planning Commission and Central Bank).

Services. In 1977, approximately 34.6% of budgeted outlays were for general services, 25.5% for defense, 14.5% for economic services and 25.4% for social services.

Estimated revenues for 1977 were derived from direct tax sources, indirect taxes and from non-tax sources. Direct tax revenue in the main was derived from income taxes, the development levy and the turn-over tax. Indirect taxes included import and export duties, excise taxes, the stamp tax and what amounts to a profits tax on certain government monopoly enterprises. Non-tax revenues are derived primarily from the profits of government enterprises and from government service charges and fees. For 1977 taxes are estimated to constitute 75.9% of total revenues and non-tax revenue 25.1%.

Assuming a population for 1977 of 3.4 million, the total estimated tax revenues for 1977 amounting to So.Shs. 666.3 million, means a per capita tax amounting to about \$30 (given an exchange rate of So.Shs 6.29 to the dollar). According to the World Bank, the tax burden in Somalia is quite high by international comparisons.

Some 70% of Somalia's development expenditures have in the past been financed with foreign assistance and the current 1974-78 development plan calls for two-thirds of the expenditures to be financed with external assistance. Though much of the foreign aid has been, and presumably will be, in the form of grants and loans, on very soft terms, the magnitude of external debt has risen and will continue to rise. Barring unforeseen increases in exports, the debt service ratio<sup>1</sup> is

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<sup>1</sup>The ratio of debt service (principal plus interest payments) to total exports.

expected to rise substantially during the 1974-78 Plan period. In 1970 the debt service ratio was only 2%; by 1974 this had risen to 5.3% and for 1977 the ratio was 9.6%. For the remainder of the Plan period it is expected to be 10% or so.<sup>2</sup> Somalia's external debt for the period 1974 through 1977 is found in Table 2 below:

TABLE VII  
Somalia: External Debt  
(So.Shs. Million)

<u>Year</u>	<u>Amount</u>
1974	1,150.0
1975	1,384.5
1976	1,744.8
1977	2,255.0 (est.)

Source: IMF 1978

Of the 1976 debt total, 83.6% was owed to other Governments, 14.9% to international organizations, mostly IDA, and 1.5% was owed to the private lenders. The bulk of the debt as of 1976 was owed to the U.S.S.R., IRC, Arabia, Federal Republic of Germany and the U.S.A. in that order.

Projected debt service costs for the period 1976 through 1981 are presented in Table 3 which follows:

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<sup>2</sup> A general rule of thumb is that the debt service ratio should not exceed 10%.

TABLE VIII  
Projected Debt Service Costs  
(So.Shs. Millions)

	1976	1977	1978	1979	1980	1981
Amortization	13.6	55.0	54.5	73.3	92.9	184.6
Interest	5.5	12.8	17.2	17.2	21.1	39.4
Total Payment	19.1	67.8	71.7	90.5	114.0	224.0
Ratio: $\frac{\text{Service Cost}}{\text{Exports}}$	2.7%	9.6%	--	--	--	--

Source: IMF 1978.

It will behoove the GSDR to press for grants or very soft term loans if its rather ambitious development plans are not to impair the GSDR's creditworthiness. The alternative would seem to be a scaling down of development plans. This conclusion seems justified in terms of the currently quite high tax burdens and thus forced savings levels being experienced by the Somali.

ANNEX V

FOREIGN TRADE AND BALANCE OF PAYMENTS

Table IX indicates that for the period 1972 through 1975 almost 72% of Somalia's total exports consisted of livestock and livestock products. About 19% of the export total was accounted for by bananas. The remainder includes, among other things, wood products and charcoal, fish and fish products, frankincense, myrrh, aromatic gums, gum arabic, tortoiseshell, ambergris and leopard skins.

TABLE IX

Somalia Exports by Commodity  
(So.Shs. Million)

<u>Year</u>	<u>Livestock and<sup>1</sup> Livestock Products</u>	<u>Bananas</u>	<u>Others</u>	<u>Total</u>
1972	201.7	78.2	20.0	299.9
1973	210.8	67.6	52.0	340.4
1974	272.3 <sup>2</sup>	79.8	38.5	390.6
1975	452.4	64.4	40.8	557.6
TOTAL	1,137.2	290.0	161.3	1,588.5
Percentage of Grand Total	71.6	18.3	10.1	100

<sup>1</sup> Live animals, meat and meat products, hides and skins.

<sup>2</sup> Differs from estimates in Table II and reflects inconsistencies in data noted earlier. Customs Data and Somalia Animal Bank data differ.

Source: IMF 1978 as provided by Somali Authorities.

As a consequence of favorable external capital account and unilateral flows, Somalia's net foreign asset and foreign exchange holdings which had been declining from 1972 through 1974 have shown a steady increase since then through 1977. This is reflected in Table IX below:

TABLE IX

Somalia: Net Foreign Assets

Where Held	1972	1973	1974	1975	1976	1977	
						June	Oct.
Central Bank (Net)	218.7	217.2	90.9	273.4	380.3	431.5	515.7
Foreign Exchange	(167.1)	(154.9)	(201.2)	(367.0)	(453.4)	(496.1)	(698.2)
Commercial Banks (Net)	82.0	31.9	93.3	227.7	134.6	164.4	—
Total Net For. Assets	300.7	249.1	184.2	501.1	514.9	595.9	

Source: Based upon data presented in IMF 1978.

At year's end 1977 gross foreign assets were estimated at 82 million SDRs (Special Drawing Rights). At 7.428 So.Shs. per 1 SDR the gross foreign assets at the end of 1977 amounted to So.Shs. 609.1 million. At CIF rates a reserve of So.Shs. 609.1 million amounts to five month's estimated imports. Assuming the same level of imports the actual FX reserves at the end of 1976 amounted to slightly more than four month's imports.

The Somali shilling is pegged to the U.S. dollar with the official selling rate being So.Sh. 6.3573 to U.S. \$1 and the buying rate being So.Sh. 6.2327 to U.S. \$1. The representative rate is considered to be So.Sh. 6.295 to U.S. \$1 and is the rate used in the CDSS when expressing So.Sh amounts in U.S. dollars. During the period 1972 through October

1977 the value of the Somali Shilling in terms of Special Drawing Rights (SDRs) varied from a low of So.Sh. 7.7073 per 1 SDR to a high of So.Sh. 7.3137 per 1 SDR.

As Table X below reveals, food items and consumer goods tend to account for about one-third of Somalia's total imports. Petroleum products and metals and machinery constitute the bulk of the remaining imports. Other imports consist chiefly of paper manufactures, chemicals and timber.

TABLE X  
Somalia Imports: Major Categories  
(So.Shs. Millions)

Category	1971	1972	1973	1974	1975 <sup>1</sup>
Food	173.7	134.6	151.2	212.1	215.5
Consumer goods	90.2	87.2	142.9	118.1	105.8
Petroleum products	20.3	24.8	35.3	120.3	60.0
Metals and machinery	116.6	179.7	238.4	419.6	425.8
Others	69.9	98.5	72.2	130.1	319.3 <sup>2</sup>
TOTAL	470.7	524.8	640.0	1000.2	1126.4

<sup>1</sup> Adapted from estimates by IMF on basis of customs data.

<sup>2</sup> No explanation for the large 1975 figure.

Source: GOS Customs Data (as presented in IBRD Main Report "SOMALIA: Recent Economic Development and Current Prospects", Aug. 25, 1975.

Between 1973 and 1977, Somalia's estimated trade deficit has increased markedly as revealed in Table XI. Table XI also indicates however, that Central Bank foreign exchange reserves which declined each year during 1973 and 1974 are estimated to have increased in 1975, 1976 and 1977. The increase, it will be noted, is attributable to substantial increases in capital movements favorable to Somalia as well as the fact that unilateral transfers remained essentially stable. It will be noted, however, that the magnitude of the yearly increase has declined significantly since 1975.

TABLE XI

Somalia: Balance of Payments (1973-1977)  
(So.Shs. Millions)

Items	1973	1974	1975	1976 <sup>1</sup>	1977 <sup>1</sup>
A. Goods and Services (Net)	-423.1	-651.0	-643.5	692.6	-970.5
Exports FOB Net	358.7	402.7	558.0	510.2	509.5
Imports FOB Net <sup>2</sup>	-612.6	-841.7	-888.1	-963.7	-1,218.0
Trade Balance	-253.9	-439.0	-330.1	-453.5	-708.5
Services Net	-169.2	-212.0	-313.4	-239.1	-262.0
B. Unilateral Transfers (Net)	179.7	325.5	643.5	257.3	407.3
Private	17.2	22.0	12.2	7.3	7.3
Official	162.5	303.5	631.3	250.0	400.0
C. Capital	248.5	202.3	193.9	539.4	610.0
Private	28.4	8.5	58.7	21.8	10.0
Official	169.9	255.1	269.2	424.9	600.0
Commercial Banks	50.2	-61.3	-134.0	92.7	—
D. Errors and Omissions	-7.0	-2.6	-12.0	3.0	—
E. Overall Balance	-1.9	-125.8	182.1	107.4	46.8
F. Changes in Central Bank Foreign Assets Increase (-)	1.9	125.8	-182.1	-107.4	-46.8

<sup>1</sup>Provisional

<sup>2</sup>Data from exchange transactions records adjusted for Franco Valuta imports using customs data. Franco Valuta imports are remittances in kind which do not require any foreign exchange approval by the Somali Authorities and are thus not subject to control.

Source: IMF 1978 (Data supplied by Somali Authorities).

## ANNEX VI

### EDUCATION AND MANPOWER

The usefulness of Western education did not become apparent to the Somali until after World War II. During the decade prior to independence in 1960, Western education tended to become acceptable and was introduced. Prior to the decade of the 1950's, education tended to be confined to the Quranic schools where the language of instruction was Arabic and the level of instruction proceeded little beyond what was needed for the study of the <sup>^</sup>oran.

For years a troublesome problem involved the orthography appropriate to the Somali language. Arabic was by no means satisfactory yet the Muslim influence tended to reject use of the "Christian" latin script even though it was much more appropriate in terms of the technical aspects of the Somali language. The problem of how best to write Somali was not resolved until the revolutionary government which assumed power in October 1969 announced that effective January 1, 1973, the official Somali script would employ the Latin orthography. Despite some opposition, the Revolutionary Government was sufficiently strong to overcome and lay to rest the objections.

Under the post-October 1969 Government, educational policy was given specific direction and certain positive goals were set reflecting the educational philosophy of the revolutionary government. Goals established included a marked increase in the proportion of girls enrolled in the schools, an overall increase in number of students generally, and the use of programs of instruction geared to Somalia's

particular social and economic needs. Technical education (vocational, etc.) was to be emphasized so that even a primary school graduate would have acquired a useful (presumably saleable) skill. Higher education was also to be redirected so as to take full cognizance of environmental factors peculiar to Somalia.

Private institutions, which in 1969 accounted for 23% of the total student enrollment in schools, were nationalized and brought under the direction and control of the Ministry of Education. Ostensibly nationalization was to insure uniformity of objectives and curriculum and the promotion of the principles and purposes of Somalian scientific socialism among all students.

As the educational system is currently organized, beginning education consisted of four years of primary school, four years of intermediate school, and four years of secondary education. Primary school enrollments increased from 25,000 in 1968-69 to over 72,000 in the 1973-74 school year. If planned annual increases of 10% in enrollment in first grade occur, it is believed that about 50% of the age group will be in the four-year primary program in the early 1980's.

During the 1968-69 school year, intermediate school enrollments were around 10,000 and by the 1973-74 school year, had increased to around 27,500. The proportion of females in intermediate school enrollments increased from 20% in 1968-69 to 25% in 1973-74. In the mid-1970's it was estimated that 90% of those entering primary schools completed the four-year program and the completion percentage for intermediate school enrollments was also estimated to be 90% as well.

Though the precise curriculum in intermediate school is not known, it is believed to emphasize the development of better farmers, herders or workers at other occupations. Increases in enrollment and the high completion rates in both primary and intermediate schools were attributable in large part to the elimination of all tuition charges by the revolutionary government.

Secondary education unlike primary and intermediate instruction tends to concentrate on purely academic subjects rather than technical and vocational topics. Secondary school enrollments increased from around 3,000 in 1968-69 to about 10,500 for the 1973-74 school year. It was believed in 1976 that no employment problems would confront the secondary school graduates throughout the 1970's.

The major institution providing education beyond the secondary level is the Somali National University established in December 1970 and located in Mogadishu. The 1974-78 development plan anticipated an enrollment of 3,600 by 1978. Both Italian and English are employed as the language of instruction.

Data provided the ILO by the Ministry of Culture and Higher Education in 1976 provides input (enrollment) and output data for the years 1972-73 through 1975-76 for the Somali National University as indicated in Table XII.

TABLE XII  
Somali National University  
Enrollments and Outputs

Faculty	1972-1973		1973-1974		1974-1975		1975-1976	
	Enroll	Out	Enroll	Out	Enroll	Out	Enroll	Out
Law	309	17	326	24	392	27	280	15
Economics	229	11	337	19	394	14	396	26
Education	392	42	612	53	643	55	535	393
Medicine	—	—	62	—	142	—	232	—
Veterinary	—	—	30	—	90	—	152	—
Agriculture	30	—	60	—	120	—	163	21
Engineering	—	—	37	—	97	—	143	—
Geology	—	—	30	—	60	—	86	—
Chemistry	30	—	48	—	78	—	106	12
All Faculties	990	70	1542	96	2016	96	2093	467

Source: ILO 1977 as provided by Ministry of Culture and Higher Education 1976.

Purely technical training was provided in three institutes in 1976. These institutes were located at Mogadishu, Burao and Hargeysa. There was also a specialized facility in fisheries and marine matters located near Mogadishu and an agricultural institute at Afgoi. A post-secondary technical college for 800-900 students was under construction in 1975 financed by the Democratic Republic of Korea.

The ILO<sup>1</sup> feels that technical and vocational training in Somalia has been largely directed toward industrial employment which the ILO considers a mistake. Since, according to the ILO, there is little scope for industrial development, it follows that employment prospects are not good for those trained for industrial employment. Technical and vocational training, the ILO insists, should be directed to agriculture, farming and livestock raising.

Teacher training is provided by the National Teachers Education Center located at Afgoi. Though the emphasis is upon training secondary school teachers, a two-year program for a limited number of students is provided for training primary school teachers. An IDA financed project involving construction of a training college for primary school teachers is expected to meet requirements for primary school teachers through the mid-1980's. Part of the training is supposed to involve practical aspects of simple agriculture, local handicrafts and home economics.

Though the nomadic population seems favorably disposed to western type education and training the nature of their activities makes attendance of primary and secondary schools by the children of nomads almost an impossibility. It is not surprising therefore that many nomadic children receive no instruction other than that provided by Quranic teachers who still travel with nomadic groups. The crash mass literacy program undertaken by the revolutionary government during the period 1973-1974 involved a major effort among the nomads. It has been estimated that as many as 30,000 teachers, trained in the Latin script,

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<sup>1</sup> See ILO 1977, Technical Paper #7 dealing with Technical Education and Vocational Training.

participated in the program designed to extend literacy in the Somali language to the rural and nomadic populations. It is said that by mid-1976 at least 60% of the entire population of Somalia possessed some degree of literacy.

The ILO's estimates of the supply of educated manpower for Somalia through 1980 are presented in the following table:

TABLE XIII  
Estimated Supply of Educated Manpower

<u>Level of Education</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Primary School	8450	1400	2200	3160	6810
Secondary School	840	1160	410	1500	1400
Post-Primary and Technical and Vocational	545	630	650	830	770
Post-Secondary Technical	—	—	—	100	100
University	285	386	497	600	600
Returns from Abroad After Studies	86	103	61	100	100
<b>TOTAL</b>	<b>10206</b>	<b>3679</b>	<b>3813</b>	<b>6290</b>	<b>9980</b>

Source: ILO 1977.

It is the ILO's contention that rangelands are currently utilized to the maximum and that the natural increase in population of nomads and semi-nomads must be resettled at agricultural sites primarily, and, to a lesser extent, in fishing villages. The ILO's suggested distribution by sector of the natural increase in population during the period 1976-1981 is presented in Table XIV on the following page.

TABLE XIV

Sector Distribution of Population, Natural Increase in  
Population and Suggested Allocation of the  
Natural Increase in Population

<u>Sector</u>	<u>Percentage<sup>1</sup> of 1976 Population</u>	<u>1976<sup>1</sup> Pop. (000's)</u>	<u>Annual<sup>1</sup> Growth Rate</u>	<u>1977-1981 Pop. Increase No Reallocation</u>	<u>1977-1981 Pop. After Reallocation</u>
Nomads and Semi- Nomads	65	2,120	1.7	187	-
Agriculture	15	489	2.2	56	216
Fisheries	1	33	2.2	4	30
Urban Industrial and Services	19	620	4.9	168	168
<b>TOTAL</b>	<b>100</b>	<b>3,262</b>	<b>2.41</b>	<b>414</b>	<b>414</b>

<sup>1</sup> Assumed estimated percentages, amounts and rates.

Source: ILO 1977

Assuming that the ILO assumptions are roughly correct and that the natural increase in nomads and semi-nomads must be resettled along the suggested lines, it will be noted that the problem of the rural poor becomes increasingly difficult and accentuates the need to provide housing, health services, education, training, and agricultural extension services for the rural poor.

## ANNEX VII. TRANSPORT AND COMMUNICATION

Though the transport system has been greatly improved since independence, it is still inadequate and, to an extent, somewhat primitive. There is no railway in Somalia and major reliance is placed upon roads for internal transportation. As of 1975 about 9,990 miles of roads and tracks constituted the primary internal transport network. Of the total mileage, 630 miles were all-weather (asphalt-surfaced) first-class highways and roads. The remaining mileage, some 8700 miles, consisted of dirt roads and tracks. The 1974-78 development plan calls for a total expenditure of S.Shs. 635.9 million for road development. Less than 5% of the total will be defrayed through internal (domestic) financing. One section of all-weather road included in the plan and financed engineered and built by the Peoples Republic of China (PRC) almost doubles the first-class highway mileage. The PRC constructed a 649-mile highway between Belet Weyn in the South to Burao in the North. Construction of the highway was completed in 1977 though recent rains damaged sections of the road and some bridges. The PRC is now (May 1978) repairing the highway. Completion of the Belet-Weyn-Burao highway and paving of the road from Burao to Berbera, also part of the 1974-78 development plan, will greatly facilitate the marketing and export of livestock and will minimize the

need to trek livestock. Needless to say, trekking involves not only substantial weight loss in animals that survive the trek, but occasions actual losses of animals as well.

It is estimated that there are 10,400 motor vehicles in all of Somalia, 75% of which are privately owned. It is not clear from the available import data whether or not the physical volume of imported petroleum and petroleum products is distinct from the monetary value of these imports has risen. It seems likely however, that the utilization of motor vehicles in Somalia is increasing in any case.

Though it is reported that Somalia's coastline has twenty-seven harbors, nearly all foreign trade, at least 95% of it, is accounted for at four ports. The ports are Berbera, Kismayo, Mogadishu and Marka; all except Berbera are located in the South.

The export of live animals is mainly (90%) through the port at Berbera. Some animals are trekked in to the port at Berbera from as far away as 600 miles. With the completion of deep-water berths and other extensions and improvements to the port at Mogadishu, reportedly completed in October of 1977,<sup>1</sup> it is hoped that exports from Mogadishu can be

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<sup>1</sup> Reported in Quarterly Economic Review: Uganda, Ethiopia, Somalia. 4th Qrtr. 1977, Economist Intelligence Unit Ltd.

increased from 5% of total exports to one-third of all exports. Additionally, it is believed that live animal exports from the Mogadishu port can be encouraged with a consequent improvement in both the quality and quantity of live animal exports since trekking would be reduced to a considerable extent. Less than 9% of the So. Shs. 134.25 million of expenditure for seaport improvements and extensions found in the 1974-78 development plan is scheduled for domestic financing. In 1974 a national shipping line was created on a joint venture basis, with Libya. The national shipping line operates two banana carriers, one livestock carrier and one general cargo vessel for coastal trade. As of mid-1975 there were plans for the acquisition of another banana carrier and another general cargo vessel for the coastal trade.

Airports of international standards are located in Mogadishu and Hargeysa. Presumably a third airport of international standards was completed and became operational in 1976.

Somali Airlines is a joint venture between the Government of Somalia and Alitalia, the Italian Airline. In mid-1976 Somalia Airlines had eleven aircraft, four of which were used primarily for international flights. Domestic flights connect with some fourteen airports, fields and landing strips other than the international airports. The 1974-78 development plan calls for expenditures of So. Shs. 29 million for

improvement of civil aviation. As is true with the development plan as a whole, at least two thirds of the planned expenditures call for foreign financing.

With the exception of Mogadishu and a few other urban centers, domestic telephone communication in Somalia is inadequate and somewhat primitive. In general, the major means of communication is the radio. Plans existed in the mid-1970's to establish direct international microwave connections with Nairobi and Rome and to install similar facilities providing interconnecting domestic services among certain urban centers.

## ANNEX VIII

## MONEY, BANKING AND PRICES

Table XV presents a record of the major components of the money supply of Somalia for the period December 1972 through September 1977.

Table XV: Somalia: Money Supply Data. (So.Sh. millions)

Components	1972	1973	1974	1975	1976	1977 <sup>2</sup>
Foreign Assets (Net) <sup>1</sup>	301.1	248.8	184.2	500.4	515.2	595.0
Domestic Credit	328.5	627.5	918.1	803.5	1,110.8	1,048.1
Claims on Govt. (Net)	-24.8	-45.7	-48.5	-238.2	124.4	46.4
Claims on Public Enterprises	353.3	673.2	966.6	526.6	640.5	662.3
Claims on Private Sector	—	—	—	515.1	345.9	339.3
Money	440.5	507.1	628.6	825.8	994.9	1,019.9
Currency Outside Banks	221.2	248.0	306.5	389.5	413.9	445.9
Demand Deposits <sup>3</sup>	219.3	259.1	322.1	436.3	581.0	574.0
Quasi Money	77.3	101.1	154.4	179.3	205.1	220.8

<sup>1</sup> Figures differ slightly but not significantly from those presented in Annex V, Table IX. Reflects lack of consistency in reported Somali Data generally.

<sup>2</sup> Data as of June.

<sup>3</sup> Includes private sector deposits with Central Bank.

Source: IMF International Statistics and data supplied IMF by Central Bank of Somalia as reported in IMF 1978.

The monetary data reveals that between December 1972 and June 1977 the money supply increased from So.Sh. 440.5 million to So.Sh. 1,019.9 million which amounts to an annual rate of increase of approximately 18%.

From 1973 through May 1977 58% of credit extended by the banking system was related to trade; 21.9% was granted to industry; 16.1% to agriculture and the remainder for miscellaneous purposes. Table XVI contains the credit extension record of the banking system for the period in question.

Table XVI: Somalia: Banking System Credit Extension by Economic Activity (So.Sh. Million).

Year	Agriculture	Industry and Craft	Trade	Other	Total
1973	64.9	75.9	470.6	54.8	666.2
1974	184.1	159.2	616.5	39.9	999.7
1975	125.8	274.7	609.7	26.2	1,036.4
1976	171.7	273.1	512.0	25.1	981.9
1977 <sup>1</sup>	214.2	249.7	524.8	41.5	1,030.2
Average Yearly %	16.1	21.9	58.0	4.0	100.0

<sup>1</sup> May

Source: Based upon IMF 1978 - Central Bank of Somalia Bulletin 40 September 1976 and data supplied IMF by Somali Authorities.

The large amount of credit granted for trade activity is attributable, in the main, to essential import requirements of nationalized and/or parastatal import agencies and to the impact of inflation upon world prices generally.

It is not surprising that the available consumer price index reflects a steady rise through the period 1973 through 1977 given the not inconsiderable increases in the money supply. The fact that prices did not rise

pari passu with money supply increases is a tribute to the Government's efforts to keep consumer prices at reasonable levels. Table XVII contains the only available price level index for Somalia.

Table XVII: Mogadishu Consumer Price Index (1970=100)

Year <sup>1</sup>	General Index	Food <sub>2</sub> (61) <sup>2</sup>	Clothing (6) <sup>2</sup>	Rent and Water <sub>2</sub> (13) <sup>2</sup>	Fuel and Lighting (4) <sup>2</sup>	Misc. (16) <sup>2</sup>
1972	97.2	100.2	107.3	75.6	66.4	103.6
1973	114.5	122.8	114.6	82.8	80.2	113.5
1974	136.7	150.8	136.7	80.2	83.8	134.8
1975	147.5	159.5	157.6	85.8	79.1	156.8
1976	172.0	190.7	193.8	86.4	79.1	173.4
1977	186.2	212.3	194.6	87.1	98.6	174.0

<sup>1</sup>Year-end data except 1977 which is as of October.

<sup>2</sup>Weights assigned to each category.

Source: IMF 1978 - Data provided by State Planning Commission.

The banking system of Somalia is comprised of a central bank, an investment (development) bank for medium and long-term development lending, and two commercial banks with some twenty branches. The Somali National Bank (SNB) is the Central bank and, as is typical of central banks, acts as fiscal agent for the Government of Somalia, establishes the rediscount rate, sets reserve requirements for commercial banks and also sets bank rates, i.e., lending rates or rates of interest on loans.

In 1970 the Government nationalized the commercial banks and created the Somali Commercial Bank (SCB) which took over the assets and liabilities

of the nationalized banks. The same year the Somali Credit and Savings Bank (SCSB) was established to take over the commercial banking activities which the SNB had conducted since independence.

Medium and long-term development credit is provided through the Somali Development Bank (SDB) which was established in 1968. At the time it was established the SDB took over the loan section of the Credito Somalo, a private bank later nationalized in 1970.

In an effort to attract private sector savings, commercial bank rates on private sector savings deposits were increased substantially effective the beginning of 1975. The interest rate range varies from 2% on ordinary savings deposits to 6.5% on deposits for a period in excess of 24 months. Interest rates charged on short-term loans by commercial banks ranged from 5% to 12% as of October 1977. On medium-term loans the SDB rates ranged from 5.5% to 6.5% and on long-term loans the rate charged ranged from 6% to 7.5%.

## ANNEX IX. EXTERNAL ASSISTANCE AND ABSORPTIVE CAPACITY

Somalia is the recipient of foreign assistance from many sources. As a socialist nation it is in a good position to obtain aid from other socialist countries. Somalia became a member of the Arab League in 1974 so has ready access to assistance from the Arab World. Somalia is on the United Nation's list of the twenty-nine least developed countries and is also on the UN's MSA (most seriously affected by adverse terms of trade) list. Since both bilateral and multilateral donors are pledged to afford the countries on these lists, high priority Somalia qualifies for assistance from many donors.

Major multilateral donors providing aid to Somalia include the World Bank group, the International Development Association (IDA), the African Development Bank and the European Economic Community (EEC) which extends foreign assistance through its European Development Fund (EDF). In the case of the EEC, Somalia is one of the forty-six African, Caribbean, and Pacific (ACP) countries given preferential treatment in accordance with provisions of the Lome Convention of February 1975. In addition, Somalia was one of seventeen ACP countries provided compensation through EEC's Stabex fund for countries experiencing declining earnings from the export

of tropical products.

Seventy percent of Somalia's 1971-73 development plan was financed from external sources. The current (1974-78) development plan calls for an average annual expenditure of So.Shs. 958.4 million. Sixty-eight per cent of the development outlay, calls for financing from foreign sources.<sup>1</sup> It is reported that since November 1977 when the Soviet Union was expelled from Somalia that Saudi Arabia alone has promised an additional \$400 million in aid.<sup>2</sup> It is not known over what time period the assistance is to be given.

Some idea of the magnitude of foreign aid flowing into Somalia is provided by the reported disbursements of aid donors for 1974. Reported disbursements for 1974 amounted to \$77.99 million (So.Shs. 490.95 million).<sup>3</sup> Assuming a population in 1974 of 3.17 million, external assistance amounted to almost \$25 per capita or an amount equal to 30% of the estimated per capita GDP. It seems quite likely that among LDC's per capita external assistance provided Somalia is among the highest.

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<sup>1</sup> All but 3% of the planned external aid had been confirmed by mid-1976..

<sup>2</sup> Reported in "Quarterly Economic Report: Uganda, Ethiopia, Somalia 4th Quarter 1977, Economist Intelligence Unit Ltd. Presumably other conservative Arab countries will also provide additional assistance.

<sup>3</sup> See: Area Handbook for Somalia. Am. University, Washington DC 1977.

In view of the relatively massive inflow of foreign aid to Somalia concern over absorbtive capacity seems warranted. Since national income accounts are not available and other relevant data is either suspect or non-existent, it is not possible to calculate an aggregate incremental capital output ratio (ICOR) for Somalia or ICORs for individual economic sectors. Judgements concerning absorbtive capacity are usually based upon ICORs and their trend. Despite the fact that meaningful ICORs cannot now be calculated for Somalia there are relevant factors upon which judgements about absorbtive capacity can be based.

It is generally agreed that the major obstacles to economic growth include such things as lack of entrepreneurship, inadequate skills for both private and public administration, shortages of technicians and skilled workers, cultural practices which make social and economic change both difficult and slow, etc.<sup>4</sup> In the preceding sections dealing with economic sectors and constraints to development a persistent theme was the shortage of skilled manpower and the need for an adequate pool of trained manpower. Indeed, development planning itself and project preparation require a rather high degree of training and the acquisition of rather so-

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<sup>4</sup>

See Benjamin Higgins, Economic Development, Rev. ed. W.W. Norton Inc. N.Y.1968 chap. 28, pp 579-582 in particular.

phisticated skills. It seems quite likely that the 35% shortfall in actual expenditures compared to planned expenditures for the 1971-73 plan period was attributable in large part to inadequate absorptive capacity in the form, primarily, of needed technical and skilled manpower. To the extent the current (1974-78) development plan is lagging, inadequate absorptive capacity is no doubt the major culprit.

Table XVIII contains the planned and actual expenditures for the first three years of the revised 1974-78 development program. *SEE ANNEX FILE*

For the period 1974 through 1976 planned expenditures totaled So.Sh. 2594.6 million, however, actual expenditures were but 52% of this total, amounting to So.Sh. 1349.3 million. If the estimates for 1976 prove to be correct this will reflect considerable improvement and would presumably indicate an improvement in absorptive capacity. Even if the 1976 estimates are correct it should be noted that the ratio of actual domestic expenditures to planned domestic expenditures is 64.6%.

It seems evident that technical assistance, education and training are urgently needed if absorptive capacity is to be increased. AID's program has been planned with this in mind.

TABLE XVIII  
Planned and Actual Expenditures  
1974-78 Development Program  
(So.Shs. Millions)

<u>Category</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1974-78</u>
Total Planned Expenditures	854.8	918.5	821.3	1,492.5	4,913.8 <sup>1</sup>
Financing: Foreign	—	—	426.5	890.6	—
Financing: Domestic	—	—	394.8	601.9	—
Total Actual Expenditure	353.1	362.1	634.1 <sup>2</sup>	—	—
Financing: Foreign	—	—	378.9	—	—
Financing: Domestic	—	—	255.2	—	—
Actual as Percentage of Total	41.3	39.4	77.2	—	—

<sup>1</sup> Revised figure, initial plan called for So.Shs. 3863.4 million.

<sup>2</sup> Estimated.

Source: State Planning Commission documents. Reported in IMF 78.

## ANNEX X. INSTITUTIONAL FACTORS OF CONCERN TO THE U.S.G.

### A. Status of Women

Under customary Somali Law reinforced by Islamic practices, a woman's status was considered inferior to that of a man. A woman was always under the protection of her father, her husband or, upon the death of the husband, the husband's father or brother. A woman's injury or death was valued at half that of a man. Daughters inherited one-half or, in some cases, only one-third as much as sons. In parts of Somalia women could not inherit either camels or land.

After World War II women's committees were established the purpose of which was to enhance the status of women. In the Italian south women were permitted to vote for the first time in 1958. The specific occasion involved a municipal election. In the north, formerly British, women first voted in 1961 in connection with a national referendum on the constitution. In both areas, however, women's role in public life was minimal.

After the October 1969 revolution, the revolutionary government urged women to take an active part in government, sports, and public life generally. The government created special committees to deal strictly with women's affairs.

President Barre announced on January 12, 1975 a decision of the Supreme Revolutionary Council (SRC) and the Council

of Secretaries of State (CSS) to give women equal rights in certain areas including rights of inheritance. It was later announced that the government would introduce laws governing polygamy and divorce. Under the new law polygamy was prohibited unless in accordance with Islamic tenets the man could show that he could support several wives. Provisions of the new law would no longer permit men to divorce their wives at will.

#### **E. Human rights**

Whereas in the case of women the revolutionary government instituted changes designed to improve the status of women the same was not the case with respect to civil rights generally. The constitution in force from independence (June 26, 1960) until the October 1969 revolution provided strong protection for the civil rights specified in the United Nations Declaration of Human Rights. These rights included:

1. A presumption of innocence before the Courts;
2. Habeas Corpus;
3. Freedom of political association;
4. Freedom of public expression;
5. Freedom of personal liberty;
6. Freedom of personal movement, and
7. The right to form labor unions and to strike.

~~There is private ownership of land as well as State farms and cooperatives.~~

~~In case of privately owned land,~~

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equitable compensation is required in the event of expropriation by the State. Provisions of the constitution empowered the Supreme Court sitting with four additional members to act as a constitutional court. The constitutional court, in turn, reviewed legislation and if, in the opinion of the court, the legislation was incompatible with the constitution the legislation was declared null and void.

The Government established after the October 1969 revolution manifested much less concern for human rights than the Government it superceded. Habeas Corpus was abolished, the right to form even nonpolitical associations is closely controlled, and any attempt to change the order established by the revolution is a crime. The Supreme Revolutionary Council (SRC) has unlimited powers to detain anyone. Similar powers are also vested in the District Regional Councils and the National Security Service (NSS). Since 1969 the provisions for a constitutional court have been abolished and the former High Court of Justice set up to hear impeachment cases was also abolished and replaced with the National Security Court controlled by the SRC. However, much of the repressive nature of the actions identified above are associated with GSDR's close ties with the Soviet Union at that time. Since the Russians were expelled last year 1977,

observers have noted considerable relaxation of the more stringent measures and growing evidence of the development of a more open society.

### C. Irredentism and the Constitution of the SDR.

The concept of Greater Somalia and its ultimate establishment has figured prominently as a national concern since independence was achieved in 1960. Greater Somalia would embrace not only former British Somaliland and Italian Somalia as the Republic of Somalia is now constituted but would also include the Somali populated areas of Ethiopia, Kenya and Djibouti. In the introduction to the Somalia constitution of 1961, it is stated that "the Somali Republic promotes by legal and peaceful means, the union of the Somali territories". Moreover, the fundamental laws of Somalia consider all ethnic Somali, irrespective of where they reside, to be citizens of the Republic of Somalia. Even Somalia's national flag reflects the Greater Somalia concept. The five pointed star featured prominently in the flag represents the union of British Somaliland, Italian Somalia, and the areas of Kenya, Ethiopia and former French Somaliland (Djibouti) where large numbers of ethnic Somali reside.

In general the three governments of the Republic of Somalia since independence have emphasized a peaceful pursuit of pan-Somalism. Moreover the government of Somalia has not insisted that the Somali must be united under one government.

What has been insisted upon is the right of Somali, in the three areas under dispute to determine for themselves via a plebiscite which of three alternatives they prefer. The alternatives to be voted upon are 1) outright independence, 2) continued ties with the countries to which they are now attached, or 3) unification with the Somali Democratic Republic (SDR). The various governments have upon occasion, said they would abide by the results of such elections though they have also expressed confidence that the decision would be for unification with the SDR.

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