ENCOURAGING THE PRIVATE SECTOR IN SOMALIA

A Report Prepared for the
U.S. Agency for International Development

Elliot Berg Associates
September 1982

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U.S. Agency for International Development
Washington, D.C.

by
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Alexandria, Virginia

September 1982

Contract Number: AFR-0135-C-00-2045-00
Project Number : 698-0135
Project Title : Private Sector in Somalia
Fixed Price : $38,200.00

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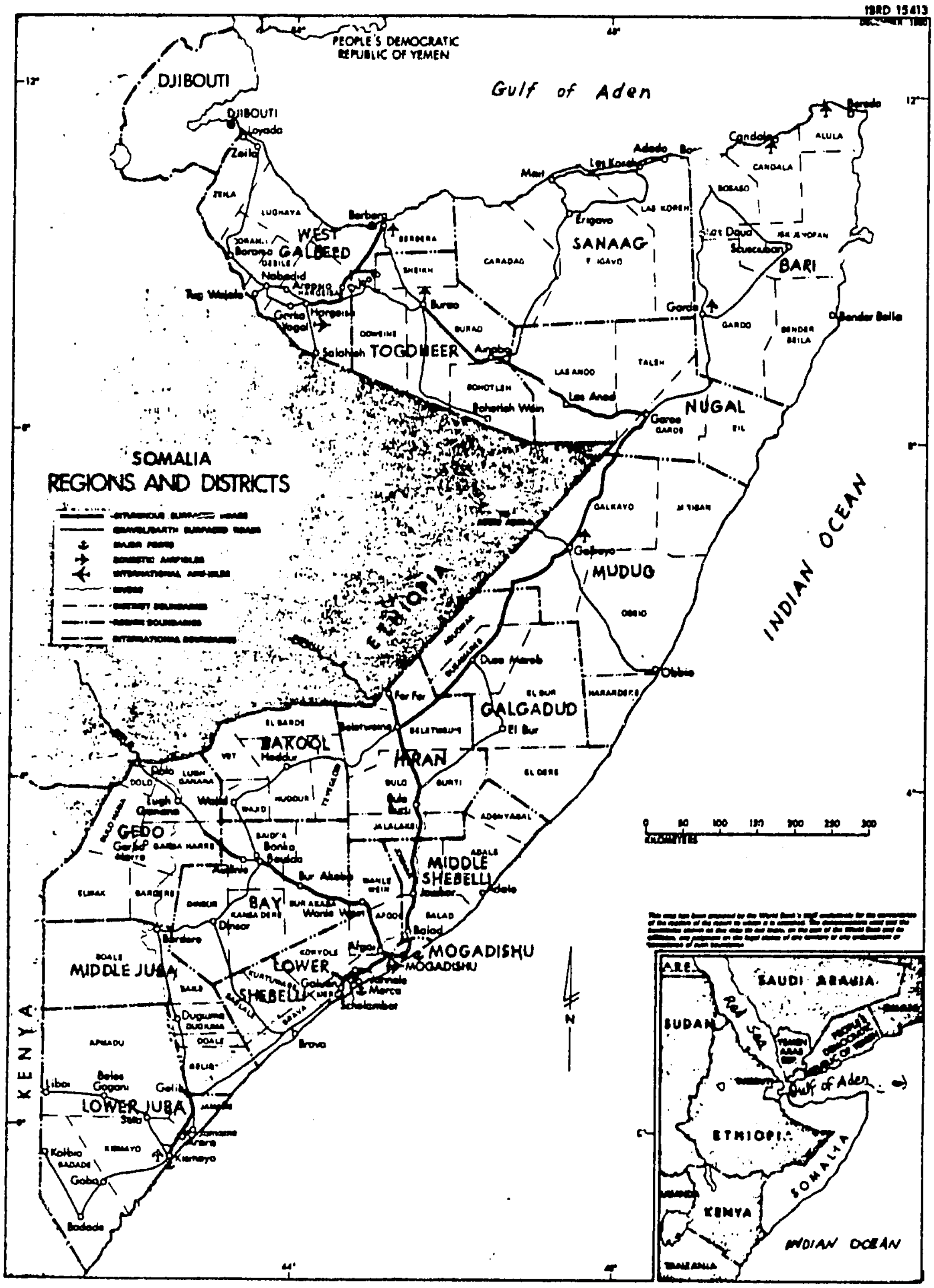

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PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN
Gulf of Aden
DJIBOUTI
SOMALIA
REGIONS AND DISTRICTS
WEST GALBEED
SANAAG
BARI
TOGDHEER
NUGAL
MUDUG
GALGADUD
BAKOOL
HIRAN
GEDO
BAY
MIDDLE SHEBELLI
LOWER SHEBELLI
MIDDLE JUBA
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MOGADISHU
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KILOMETERS
0 50 100 150 200 250 300
SAUDI ARABIA
SUDAN
Red Sea
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SOMALIA
KENYA
INDIAN OCEAN

SUMMARY AND CONCLUSIONS

1. In the 1970's the Somali Government tried to bring about economic transformation by "scientific socialism." In practice, the policies pursued were similar in many ways to those adopted in numerous other developing countries - priority to industrial investment, development of state enterprises, state control over key sectors, and a general preference for collective organization over private. The experiment did not fare well. Economic growth was slow. Commodity production stagnated or fell. Export earnings declined by over 30% during the decade. By the late 1970's, the capacity to import was severely impaired, fiscal pressures mounted and the government budget recorded large deficits. The inflation rate soared, reaching 60% in 1980.

2. Many factors enter in explaining Somalia's faltering economic performance in the 1970's: drought, war, refugee inflows, altered political relationships, the oil shocks - all played a part. But much of the slow economic development was due to the adoption of inappropriate strategies and policies - experiments that failed. In particular, the Somali public sector found itself overwhelmed by the many economic tasks put on it. It lacked trained people. Its main economic decision-making institutions were weak. The Somali economy proved

unamenable to command from the center; its key sectors and actors (livestock, crop production, skilled workers) could only be mobilized by positive economic incentives. The livestock sector - the most important in terms of employment, output and welfare - was largely left alone and maintained its level of production. Crop producers and skilled workers were renumerated poorly and as a result, the former produced little for the market and many of the latter sought better paying jobs across the Gulf.

3. The slow growth of the 1970's ended in crisis in the late 1970's and early 1980's. This crisis led Somali leadership to reconsider its strategy for development and to look for new and more hopeful sources of growth and change, including mobilization of private sector energies. In making this turn to the private sector, Somalia is not alone. Many other countries in recent months have evidenced similar tendencies -- e.g. Hungary, China, and many less developed countries in various parts of the world. Moreover, this direction of policy should have special political appeal in Somalia's present circumstances. An excessive burden is one reason for the deteriorating performance of the bureaucracy and the state-owned enterprises, which, in turn, has led to disappointment and dissatisfaction. Shifting some of the economic management burden to private parties can reduce political grievance and help in the task of political unification.

4. Somalia has many advantages from the point of view of private sector development.

a. It has remained largely a private economy even now, after a decade of "scientific socialism." The livestock industry (60% of the population, 50% of GDP, and 80-95% of export earnings) is virtually all private. Of the 7-8% of GDP in crop production, almost all is privately organized. of 700,000 ha. producing crops in 1980, only about 20,000 were in state farms and another 12,000 in Crash Programme farms. In transportation, only 10% of the country's vehicle park is public. It is only in modern sector manufacturing and services that the public sector presence is strong. In 1978, of 12,500 employees in enterprises with more than five people, 9,700 (80%) were in the public sector. Out of an adult population of around 2.5 million people, some 75,000 worked in the public sector, although this 75,000 represented half of domestic employment outside of traditional agriculture. In aggregate terms, at the end of the 1970's about 30% of GDP was generated in the public sector - 25% in general administration, 5% in public enterprises.

b. Somalia has a diverse, mobile, and energetic population, many of whom have shown entrepreneural potential:

livestock producers and traders, displaced nomads, recent immigrants from Yemen, Italy, and elsewhere. There is a general disaffection with government employment among older people because of extreme shrinkage of wages, frequent lack of orderly working arrangements and lack of supplies and equipment. Young people are for the same reasons losing interest in government careers. At the same time, opportunities are plentiful for entry into activities which are not demanding in terms of capital or technology: trade, construction, transport, and especially agriculture. A supply of Somali savings and Somali people with training and experience exists across the Gulf. Finally, there is underway a decided shift in the intangible economic climate; a feeling that government is now much more encouraging to private activity.

c. On the negative side, there have been problems derived from an overvalued exchange rate, regulations which restrict entry to some industries or exact tolls on firms, and a lack of knowledge abroad that things have changed in Somalia.

5. In the past three years, and especially in the past 18

months, the old policy of neglect and/or active discouragement to the private sector has changed. The movement is fitful and uneven, but unmistakable. The largely informal character of this new liberalization may explain why it's not better appreciated for foreigners or by many Somalis. The following are concrete indications of the shift.

a. Government policies toward private farming have softened. Land is freely available for sale (50 year leases). Since 1975 (and mainly after 1978) almost 150,000 ha. have been leased to 4000 individuals, 148 groups of individuals formed into "companies" and 70 corporations. The Ministry of Agriculture has given irrigation pumps to progressive farmers, and has helped in maintenance of irrigation canals serving private farms. The Ministry sold to private farmers half of the 660 tractors given by the Iraqi government to Somalia in 1980. And the government has reduced the role of the Agricultural Development Corporation, the government marketing monopoly. Farmers now have greater freedom to sell crops to private traders at open market prices which are 2-3 times higher than ADC ("official") prices. These policy changes, coupled with good weather, have led to rapid expansion of areas planted and production in the last two years. Estimated maize acreage and production doubled in 1981/82.

b. The state trading monopoly, ENC, has also seen its mandate cut back. Previously, ENC had a monopoly of import of many basic goods. In recent months, government has shifted to a new policy, granting to private importers letters of credit - the equivalent of import licenses. This has removed the *raison d'être* of ENC. It now imports goods only for the public sector - the military, hospitals, schools, etc.

c. The artisanal fishing industry is being privatized. The cooperatives have sold to individual fishermen 110 boats out of the existing fleet of about 300 boats.

d. The Settlement Agency has made some small steps toward individualizing land tenure in the settlement areas - notably by allowing settlers in Kurten Waare to have private rights over 1/2 hectare.

e. Government has closed down four state enterprises or autonomous agencies - the Livestock Development Agency, the Agency for Building Materials, the Agency for Textiles, and SOMALFISH.

f. The Somali government has adhered to its 1981 agreement with the IMF. It has cut its budget deficit and its borrowing from the banking system, and is has twice devalued since June 1981. Not many LDC's can match the Somali committment to a stabilization program, and its willingness to rely on liberal instruments of reform - notably, exchange rate changes.

g. There is evidence of genuine receptivity to foreign private investment: agreements with five international oil companies on exploration and drilling rights, a new investment agreement with the German government; negotiations on joint ventures in fishing, in hotels, and in livestock production.

6. The process of change, of more effective utilization of private resources, can be facilitated by improvements in the macroeconomic policy environment. The most important element in this environment is the attainment of an open exchange rate regime. An overvalued exchange rate and a heavily controlled system of foreign exchange allocation will slow down the liberalization process or stop it altogether. In addition, some deregulation of domestic industries is appropriate. The so-called "cooperatives" in transport and construction deserve particular attention. These organizations do little to serve their members but raise costs and obstruct fuller development of these sectors.

7. The legislative framework for private investment is sketchy and imperfect; the major law (#7 of 1977) dates from the preliberalization period. Nonetheless, the general provisions on investment incentives do not depart much from those found in the incentive legislation of other African countries. Basic rules, such as those on tax holidays,

import duties, and repatriation of profits, are open to negotiation. In any event, experience elsewhere during the past two decades suggests that these formal rules are not of great importance; investors know that suitable arrangements can usually be negotiated. In fact, the present danger is not that Somalia's government will be unreceptive to potential foreign investment, but that in its eagerness to attract foreign investment, too-generous concessions may be made, or investment decisions that are not appropriate.

8. Macroeconomic changes are the responsibility of the Somali government though they are discussed by donors in policy dialogue, such as occurs in the framework of the IMF program or the U.S. ESF allocations. But much assistance to Somalia will continue to be in project form, and here experience with private sector approaches is limited. We start from the proposition that "conventional" project approaches, which rely on public sector institutions for direct output increases or delivery of services, have an extremely poor record in terms of durable economic impacts, and are not likely to give better results in the near future. Modifications are therefore in order - notably, the design of projects which draw more widely on private sector energies.

9. The poor performance of livestock projects in Somalia, as in Africa generally, illustrate the basic proposition. For at least 20 years donors and the Somali government have

tried to create effective institutions serving herders and traders, the backbone of the country's major industry. But except for the anti-rinderpest campaign of the 1960's, the results have been dismal. In one recent report the present state of affairs is summarized as follows:

> The animal health and marketing infrastructure in assembly areas in the hinterland, along stock routes, at staging areas near the principal ports, and at the ports is poor and deteriorating. Water reservoirs are punctured or inoperative, crushes and ecto-parasite treatment facilities (dips, spray pumps) do not exist or are not used, holding grounds are badly maintained or reserved for other uses, and quarantine facilities are in a hopeless state of disrepair. Yet traders are required to pay local government and port taxes, veterinary inspection fees, and customs duties with little or nothing in the way of services in return...

10. It should be possible to devise a means of service delivery organized and managed by the participants themselves - the livestock owners and their associations. Somalia's herders and traders have a long commercial tradition, and they already provide for themselves many services in animal health and marketing. In response to the deficiencies in public sector service delivery, livestock traders and producer-

traders have organized marshalling yards near ports, set up facilities for forage delivery, enclosed land for forage production, organized the loading of ships, and devised quarantine and vaccination for export animals. These proven capacities and evident potentials can be tapped in new livestock projects. The Livestock Traders Association, for example, could be assisted to develop and administer marshalling yards, quarantine pens, and even veterinary services.

11. One way to begin a reorganization of livestock programs toward greater private participation would be for USAID to encourage the creation of a formal sectoral group for discussion of strategies, programs, and policies. Also, the USAID's upcoming project identification exercise in animal health and marketing should be required to explore in depth the feasibility of projects along the lines indicated.

12. Project possibilities along the same line can be found in other sectors.

a. As noted earlier, the changes in agricultural policy of the past few years have led to extraordinary developments in the Upper Shebelli region. The new farmers of this region could be assisted to form a citrus growers council or a regional farmers organization, to handle their own input supply, including seedlings, have their own technical assistance, and possibly organize their own tractor services and road maintenance arrangements. A project identification mission should explore the extent and pattern of agricultural transformation in the region and investigate in detail the feasibility of this approach, as well as the organizational alternatives available for its implementation.

b. AID and other donors should make much more explicit and elaborate efforts to use local contractors, even at the price of higher costs and longer delays. This would mean nursing the local contracting industry along - slicing project construction components, helping with bid preparation, bid bonds, supervision, and possibly training.

c. Some of the problems of state-owned manufacturing enterprises might be reduced by wider use of expatriate management. One special advantage of managing agency arrangements is the link created between the enterprises and sources of official aid (ODA).

d. Several opportunities may exist for private investment by U.S. and other firms. The most promising is citrus production in the Upper Shebelli. Local grapefruit varieties are of excellent quality. Markets are close and the timing of harvests is flexible. Grapefruit has a clear future in Somalia, probably an export future. It could be helped along in various ways. A U.S. citrus producer might find export prospects sufficiently attractive to begin production there. Or some creative financing might be worked out, with private financing of a core plantation and USAID financing of infrastructure and outgrower schemes.

e. Given the apparent recent approval of a large-scale ($83 mn.) ranching and dairying joint venture between the GIZA Corporation (Italy) and the Government of Somalia, the possibility of further export-oriented livestock projects should be investigated.

13. State-owned enterprises are a major preoccupation of economic reformers, foreign and local. An analysis of the place of SOE's in a private sector oriented strategy for Somalia yields the following main conclusions:

a. Divestiture - selling of SOE's to private buyers - should not be a major thrust of policy. The potential benefits are small, the potential risks and costs high.

b. The SOE's offer special opportunities for attracting public aid and as training vehicles and these should be more fully exploited. At the same time the negative effects of poor past investment decisions should be contained and ventures designed to "validate" them by new investments. Policy changes should be entered into only after very carefully assessing their costs and benefits.

c. While joint ventures provide some potential for privatizing SOE's, they also frequently require incremental investment or dubious new policies, and so similarly require careful evaluation.

d. Less attention should be given to the commodity-producing SOE's and more to those in marketing and other service sectors.

e. Indirect privatization is likely to be most effective; for example, leasing of SOE's and the elimination of their monopoly/monopsony rights.

I. INTRODUCTION

A. Origin and Purpose of the Report

This report is based on a review of published and unpublished literature, discussions with knowledgeable people in Washington, especially with AID, IBRD, and IMF staff, and inquiry on the ground by a team composed of Elliot Berg and Robert Pogson. The field mission was in Somalia between June 3 and 24, 1982. We concentrated on private actors - farmers, cattle exporters, large and small merchants, budding industrialists, and representatives of multinational firms. But we also talked with many government officials and managers of public enterprises. With logistical help from USAID and the Somali government, the mission travelled widely to many of the farming regions of the Shebelli and the Juba River Valleys, to the "export triangle" of Berbera - Hargeisa - Burao, to the southern coastal areas around Kismayo. We were everywhere cordially received. Special thanks are due the Ministry of Agriculture officials who sacrificed week-ends for travel with the mission.

The purpose of the report is to help the Government of Somalia and USAID/Somalia define an appropriate strategy for stimulating private sector growth in Somalia. The scope of work for the mission and for this study indicates the main questions requiring attention: the nature and size of Somalia's private sector; how the macroeconomic environment can be made more conducive to the growth of private economic activity; the effect of the existing investment legislation on potential investors; the potential for growth of the small-scale indigenous private sector; the potential for new private-public mixes in the state enterprise sector. The full terms of reference are attached as Annex I.

The request for this mission came out of discussions between USAID and various representatives of the Government of The Somali Democratic Republic (SDR). The Ministry of Industry is the formal sponsor of the study, though officials there recognized from the beginning that it was not to be restricted to the industrial sector. The general objective is to examine how Somalia's economic stability and growth might be accelerated via better utilization of private sector resources.

B. Sources of Poor Economic Performance in the 1970's

The Somali economy did poorly in the 1970's. The overall GDP figures do not look so bad; output rose by about 2.5 percent a year - roughly in line with population increases. But much of this growth came from government hiring of new employees, many of whom made doubtful real contributions to the production of goods or services [1].

The productive sectors and commodity production grew slowly - by less than one percent a year. Official estimates of crop production show a fall of five percent between the early and late 1970's. Though these figures can't be taken too literally, they certainly suggest stagnation of production overall, and decline of marketed production. This is indicated more unambiguously in the export data. The value of exports during this period fell by some 30 percent; in volume terms, livestock stagnated and bananas fell sharply[2].

This uninspiring output performance occurred despite substantial investment. Somalia has been since 1960 one of the most aided countries in the world, and inflows of development assistance provided most of its investment, which averaged about 15 percent of GDP in the 1970's. Thus, investment resources were being pumped into the economy at a healthy rate. But the stream of output was not growing.

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[1] Thus, between 1971 and 1978 public sector employment rose from 35,000 to 73,00, according to a 1979 manpower survey: (see Annex VI Table 12). Estimates based on budget data indicate larger increases- for example central government employees increased from 26,000 in 1974 to 54,000 in 1980. (The manpower survey estimate for 1978 central government employees was 33,300). See Annex VI, Tables 13 and 15.

[2] See Annex VI, Tables 4 and 7.

Drought, war, shifts in political relationships, the refugee burden and the two oil shocks explain some of the poor economic record. But many of its roots lie in the economic policies and approaches that were tried in the 1970's and proved unsuitable.

The basic strategy of the 1970's was "scientific socialism". This involved efforts to extend public sector control over the "commanding heights" of the economy, wide resort to direct economic controls, and a preference for cooperative organization over individual ownership. The government eliminated or tried to eliminate the private sector in banking, insurance, wholesale trade and agricultural marketing (excluding livestock). Much attention was given to the development of the state enterprise sector which became a major instrument for economic control and resource mobilization.

Despite its achievements in mass education and in self-help activities, the "scientific socialism" experiment proved unworkable, for several fundamental reasons.

a. Somalia had too few trained people to do the job demanded of the public sector. The stock of university trained people was small and the flow of graduates probably did not exceed a few hundred a year through most of the past two decades.

b. The country's economic decision-making institutions were too underdeveloped to assure productive use of resources. Project-generating capacities were sparse, the project screening institutions and procedures of the administration very weak and economic policy analysis was not adequately brought to bear on many important decisions. Given the lack of basic information, difficulties of coordination and communication, the complications of an open economy and the presence of a multiplicity of donors who provide most investment resources, the embryonic Somalian planning and decision-making institutions could not cope with the demands put on them. Many wasteful investment decisions slipped through and important economic policies were adopted without adequate analysis or debate. Agencies responsible for controlling expenditures, for ordering national priorities and for husbanding national resources (the Planning and Finance ministries) were unable to impose themselves on undisciplined government spending units, or on the donor agencies with whom the spending agencies work.

c. Finally, the approach of the 1970's ignored the basic fact that the Somali economy cannot be ruled by command because its major sectors and players are beyond effective central control. For the livestock sector - the major part of the economy - this is so apparent that except for some attempts by the Livestock Development Agency (as in the Trans-Juba project) government did not even try to impose itself on the trade in livestock. This remained entirely in private hands, as did animal production. Crop producers proved similarly intractable. Like peasants everywhere, when the

Somali farmers became dissatisfied with price or other policies imposed by government, they tended simply to withdraw effort and/or retreat from the market. On top of this, a special complicating factor entered in Somalia; its trained people had a ready market abroad. They could, and did, find jobs in Saudi Arabia or other Gulf States, at pay levels far above those available in Somalia. And finally, Somalia's uncontrollable frontiers made the smuggling constraint particularly severe [1].

All this meant that the major sources of foreign exchange, of food production, and of needed skills had to be persuaded to contribute to the national economy, induced to produce by positive economic incentives. They could not be otherwise mobilized. It's no surprise that the livestock sector, which was more or less left alone, generally maintained its production and exports through the period, drought effects aside. But crop producers and skilled workers found available rewards unattractive and cut back effort or went abroad. On the wage labor side there was an especially glaring contradiction in policy. Government employees were given the chief managerial role; the main responsibility for leading the modernization process. But they were given little economic incentive to perform this role efficiently. Indeed, their wages fell steadily and sharply during

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[1] For example, in 1977 the Finance Ministry raised the price of locally-produced (UBAX) cigarettes from 3 sh. to 4 sh. This quickly unloosed a flood of smuggled cigarettes; stocks of UBAX reached 30% of annual production. The UBAX price was then cut back to 3 sh. The inventories soon disappeared. Industrial Sector Review, Ministry of Industry, 1980, cited in Possible Courses for Internal Management Action in the Cigarette and Match Factory, a Report by Vladimir Kreacic, prepared for the National Workshop on Public Enterprises, held in Mogadishu, August 9-13, 1981, mimeo pp. 10.

the decade: average real earnings in the public sector fell by 50 percent between 1970 and 1978. (See Annex VI, Table 15).

For all these reasons, the economy faltered. Production stagnated or fell. Dependence on external sources for investment resources deepened, as did dependence for food. Food imports (including food for refugees) soared - wheat by six times in value between 1974 and 1980, rice by twelve times, edible oils by ten times[1]. By the end of the decade slow decline was ripening into crisis. In 1979, the budget deficit was 40 percent of total expenditures, the balance of payments deficit reached record levels (almost $100 million in an economy of about $1 billion GNP), and reserves would pay for only a few weeks of imports[2]. Government was resorting increasingly to the banking system to finance its deficits, fueling inflation. Consumer prices rose by 60 percent in 1980. Major sectors of the money economy - manufacturing industry and export agriculture (both of which are highly import-dependent) - were by 1979 operating far below capacity for want of inputs and also because of the low producer price for bananas. The productivity of existing capital stock thus declined and all social capital was menaced for lack of maintenance and spare parts at the same time that wage decline in the public sector (and other factors) eroded commitment among public employees. The state seemed to be withering away, but not quite as envisaged in revolutionary texts.

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[1] See Annex VI, Table 6.
[2] See Annex VI, Table 3.

The last 18 months have seem something of a turn-around. With IMF support, credit and budget deficits have been held down, the shilling has been devalued twice, producer prices have been raised, and the budget and current account deficits shaved. The rate of inflation slowed in 1981; Mogadishu consumer prices rose by 45%, down 15 percentage points from 1980. But the economy remains in trouble. Many manufacturing firms are operating at no more than 25 percent of capacity. Development projects are slowed for lack of trained people and money. The State institutions, which retain so central a role in Somalia's development strategy, continue to show disarray. Many of them are paralyzed by the flight of skilled workers and trained managers, low commitment of the ill-paid staff still on the job, lack of supplies and equipment, lack in general of access to budget and foreign exchange resources, and in many cases - uncertainty about what their goals and mandates are.

C. The Turn to the Private Sector

These are the conditions that have led the Somali government to look for fresh sources of economic growth and change - in particular, a better mobilization of individual energies. Signs of greater government openness to private activities appeared as early as 1978. But the trend has accelerated in the past year and seems to be gaining momentum.

It is worth noting, in this respect, that Somalia is not alone in this new receptivity to the private sector. To the contrary, the private sector has recently become widely fashionable - and not only in Mr. Reagan's America or Mrs. Thatcher's England. In many less developed countries, private investment is being given new encouragement, and "divestiture", the sale or closing down of unprofitable public enterprises, is a matter of immediate policy discussion in many counties - Senegal, Brazil, Pakistan, and Peru, to name only a few.

Striking evidence of the same trend can be seen in the centrally-planned economies. In January 1982, the Hungarian government legalized the formation of private corporations employing up to 150 people. The new policy "is partly an attempt to force moonlighting workers, who account for nearly one-fourth of the hours worked in Hungary, to come out in the open...."[1]. Similar changes are underway in China. In November 1981 the Chinese government openly abandoned its previous policy of assuring state jobs to everyone, apparently because of the negative effect of this practice on incentives and hence productivity, and because the budget could not absorb all the people coming onto the job market anyway. The government told people to "get organized on a voluntary basis and find work

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[1] The New York Times, December 3, 1982.

for themselves..."[1]. As in Hungary, private corporations are now legal. So Somalia, in its own new concern with mobilizing the private sector, is reflecting a broad and non-ideological tendency, one that represents a common reaction to a widespread set of problems.

In Somalia's present circumstances, moreover, this direction of policy should have special political appeal. The heavy burden put on the state is one reason for the deterioratory performance of the state's instruments - the bureaucracy and the state enterprises. This, in turn, has led to unmet expectations and the spread of political cynicism. It has also led to resentment about the burden of taxes and the unevenness of the distribution of benefits - investment, jobs, etc. - between regions and among various groups of people. Shifting more economic responsibility to private parties can reduce these political grievances and help in the ongoing task of political unification.

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1 The Washington Post, February 5, 1982.

II. THE GENERAL ENVIRONMENT FOR THE PRIVATE SECTOR

Somalia has many advantages from the point of view of private sector development: the foundations of the existing economy remain private; entrepreneurship is present; government employment has lost attractiveness for able people; opportunities exist; and government is now giving more encouragement to private activity. There are also obstacles: exchange rate overvaluation (at least until recently) and consequent scarcities of imported inputs; regulations which restrict entry or exact unnecessary tolls on firms; and perhaps a lack of knowledge abroad that things have changed in Somalia.

The Somali economy has always been overwhelmingly private and the policies of the 1970's did not radically reduce its importance; the commanding heights remain in private hands.

A. Livestock

The livestock industry is, of course, the biggest in Somalia, and, with the exception of a small amount of processing, is entirely in private hands. About 60 percent of the population (approximately 2.5 million people) are nomadic or semi-nomadic pastoralists, and a further 800,000 (20 percent of the population) are crop farmers who keep livestock. Some 50 percent of GDP is generated in this sector, and, in recent years, 80-90 percent of export earnings [1].

B. Crop Production

Few data exist showing a breakdown of public and private farm holdings, employment, or output in agriculture. But there is little doubt that the public share is small. Of the 7-8 percent of GDP originating in agriculture, extremely little is from state farms or other public sector agricultural units, as Tables I-III suggest.

Government-run agricultural enterprises comprise state farms under various auspices, as shown in Table I, and the Crash Programme farms. Together these involve some 40,000 ha., a little over 5% of the 700,000 ha. estimated to be under cultivation in Somalia

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[1] World Bank, Livestock Marketing Project Identification Mission, 1978, Main Report. Also, Annex VI, Tables 1 and 2.

Table I

STATE FARMS IN SOMALIA (1982)

Name or Responsible Agency	Hectares
Jowhar Sugar Plantation	6,000
Juba Sugar Project	4,000
Balad Irrigation Project (Rice)	1,000
Libsoma	1,300
Banana Plantations (Coops and Banana Agency)	4,000
Fanole Irrigation	1,000
Mugambo	2,000
Custodial Police	1,000
Police	300
Military	1,000
TOTAL	21,600

Source: Ministry of Agriculture

Table II

AGRICULTURAL COOPERATIVES 1978 and 1982

	Number		Membership		Total Area (ha.)		Irrigable (ha.)		Rainfed (ha.)	
	1978	1982	1978	1982	1978	1982	1978	1982	1978	1982
Multi-Purpose Cooperatives	47	113	13,651	-	31,452	-	20,491	-	10,961	-
Group Farms	224	283	13,939	-	31,576	-	17,191	-	14,385	
TOTAL	271	396	27,590	42,355	63,028	73,058	37,682	-	25,346	

Source: Ministry of Agriculture, Department of Agricultural Cooperatives for 1978 data; Party Bureau of Cooperatives, Activities Report, May 1982 for 1982 data. See Annex III for definitions.

Table III

CRASH PROGRAMME FARMS IN OPERATION IN 1979

No.	Farm	Region	Cultivated Area (ha.)	Main Crops
1	Tugwajale	Hargeisa	8,000 [a/]	wheat, sorghum
2	Belet-uen	Hiran	700	sorghum, cotton, sesame, wheat, banana
3	Johwar	Central Shebelli	340	paddy rice, maize sesame, onion
4	Janale	Lower Shebelli	650	upland rice, maize banana
5	Shalambod [b/]	Lower Shebelli	1,500	upland rice, m^ize, sesame, banana
6	Haway	Lower Shebelli	600	paddy rice
7	Jilib	Central Juba	300	upland rice, maize nesame, banana
		Total Cultivated Area	12,090	
		Uncultivated areas in farms #3, 6 & 7 about	8,000	
		Total Farm Area about	20,000	

a/ Rainfed; all other farms irrigated

b/ Includes a rice-polishing factory

Source: Crash Programme Agency, "A Brief Resume on the Activity of the Agricultural Crash Programme Agency," World Bank, Agricultural Sector Review, 1981, pp. 315.

in 1980[1]. They employ a smaller proportion of the agricultural work force - the state farms probably no more than 10,000 people [2], the Crash Programme farms 7,200 (in 1979)[3] - out of perhaps 800,000 crop farmers. And they contribute much less - hardly at all, in fact - to agricultural production other than sugar.

As for agricultural cooperatives, Table II suggests that 73,000 ha. are "cooperatively cultivated". (See Annex III for definitions). But the significance of this number is not clear. First of all, there may be overlap between hectarage included in Crash Programme farms and in cooperatives. Secondly, and more important, most of the cooperatives are basically private in character; their "cooperative" element is minimal. So it is inappropriate to include them in the "public sector" category.

C. Other Sectors

The predominance of the private sector is comparable in most other sectors. In poultry production, for example, the new draft

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1 Divided between 540,000 ha. in rainfed cultivation and 160,000 ha. under irrigation.

2 Some 80% are employed on the two sugar estates.

3 The Agricultural Crash Programme was initially created as a training scheme for unemployed youth and eventually came to include political-social goals as well. It was put under party control in 1972. Its headquarters are in Mogadishu, from which it directs seven large-scale farms. The main production is food crops, grown with mechanized methods. Yields are low, despite use of many modern inputs; in maize for example, 280 to 450 kg. a ha. in the late 1970's. IBRD, Agricultural Sector Review, 1981, pp. 316.

Development Plan estimates that five mn. chickens are kept on a scavenging basis by settled farmers, while only about 30,000 are in modern government units. And in fishing, in the late 1970's, the number of full-time "artisanal fishermen" was 4,000; 8,000 were employed part-time. Many of the full-time fishermen were in state-organized "cooperatives" or were employees of the Coastal Development Agency. So, perhaps 3,000 fishermen were publicly employed. (See Annex VI, Table 9).

The same dominance of the private sphere can be seen in transportation, as Table IV shows.

Modern manufacturing and services are the only parts of the economy where the public sector presence is strong. Table V shows that 12,500 workers were employed in registered enterprises with more than five workers. Of these, about 80 percent (9700) were in the public sector. If the non-agricultural labor force as a whole is considered - i.e., the "modern" plus the "informal", "unorganized" or "intermediate" sector - the public sector occupies a somewhat less preponderant position. The Ministry of Labour's 1979 manpower survey found 55,000 at work in the private sector, and 74,000 in the public sector, divided by industry and occupation as shown in text Tables VI and VII. The survey clearly missed many of those in the private sector, and to adjust, added 20,000 privately-employed to those recorded in the survey. It may also have underestimated public employment. (See Annex VI, Tables 13, 14 and 15). The adjusted private sector estimate is shown in

Table IV

NUMBER AND TYPE OF VEHICLES IN SOMALIA BY OWNERSHIP
(May 1980)

	Public	Private	Total	Percent Public
Large Vehicles (Trucks and Buses)	954	5,415	6,369	15%
Middle-Sized (Toyota Pick-ups, Vans, Minibuses)	1,505	4,671	6,176	25%
Small Vehicles (Autos, Taxis)	440	15,589	16,029	0.03%
TOTAL	2,899	25,675	28,574	10%

Source: Jamhuuriyadda Dimograadiga Soomalya, Wasaarada Gaadiidka Dhulka & Cirka, Buuga 3aad, *Tirakoobka Baabuurth Dawladda ee 1980*, Yamar, Nofeembar 1980.

Ministry of Land and Air Transport, 3rd book, *Statistical Survey of Public Transport in 1980*, Mogadishu, November 1980.

This report describes the condition of the public sector vehicles as follows:

	Old but working	Need parts	Good
Trucks and Buses	291	118	545
Mid-sized Vehicles	543	164	798
Autos	136	64	246

Table V

SOMALIA: INDUSTRIAL ESTABLISHMENTS ENGAGING 5 OR MORE PERSONS

Public and Private Sector Performance 1968-1978
(So. Sh. millions)

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Number of Establishments	95	134	190	195	221	271	390	299	265	272	277
Public			14	18	22	30	46	46	47	48	53
Private			176	177	199	241	344	253	218	224	224
Public Share			7%	9%	10%	11%	12%	15%	18%	18%	19%
Employment	3344	4676	5966	6614	5755	6859	10344	11445	11542	12324	12482
Public			3453	3735	3221	4482	5842	7401	8265	9557	9735
Private			2503	2879	2534	2377	4502	4044	3277	2767	2747
Public Share			58%	57%	56%	65%	56%	65%	72%	78%	78%
Gross Output	82	121	178	220	228	246	350	405	490	575	536
Public	36	68	135	165	172	182	248	313	396	482	414
Private	26	54	43	55	57	64	102	92	94	93	122
Public Share	68%	56%	76%	75%	75%	74%	71%	77%	81%	84%	77%
Value Added	51	72	105	122	127	126	119	138	210	281	268
Public			93	108	113	107	85	110	179	250	216
Private			12	14	14	19	34	28	31	31	52
Public Share			88%	88%	89%	85%	71%	79%	85%	89%	80%
Wages/Salaries	17	22	32	32	25	32	54	32	62	72	85
Public			26	24	17	25	33	42	53	64	74
Private			6	8	7	7	11	10	10	8	12
Public Share			80%	75%	71%	78%	62%	81%	84%	89%	86%
Gross Fixed Capital Formation	25	9	5	13	21	23	30	67	128	103	92
Public	21	5	3	8	18	19	23	64	127	97	88
Private	4	4	3	5	3	5	7	4	1	6	4
Public Share	83%	57%	50%	61%	87%	80%	77%	94%	99%	95%	96%
Gross Output per Employee (So.Sh. '000)											
Public			39	44	53	41	43	42	48	50	43
Private			17	19	22	27	23	23	29	34	45
Wages and Salaries as % of Value Added											
Public			28	22	15	23	40	39	29	13	34
Private			52	55	30	34	31	35	31	25	23
Value Added as % of Gross Output											
Public			69	65	66	39	34	35	45	32	32
Private			29	26	25	29	34	31	33	34	43

Source: World Bank

Table VI

PRIVATE AND PUBLIC SECTOR EMPLOYMENT BY INDUSTRY GROUP, 1978

Industry Group		Private Sector	Public Sector	Total	Percent
Agric, Animal Husbandry, Fishing and Related Services		81	10,780	10,861	8
Mining and Quarrying		424	173	597	0.5
Manufacturing		8,558	7,135	15,693	12
Electricity, Gas and Water		-	2,429	2,429	2
Construction		646	3,683	4,329	3
Commerce, Restaurant and Hotels		35,011	5,873	40,884	32
Transportation Storage and Communication		4,867	7,202	12,069	9
Finance, Insurance and Business Services		1,136	1,200	2,336	2
Public Administration, Community and Personal Services		4,823	35,228	40,051	31
TOTAL	(Number)	35,546	73,703	129,249	100.0
	(Percent)	43.0	57.0	100.0	

Source: Ministry of Labour, Manpower Survey, 1978.

Note: These are "unadjusted" for informal sector private employment; the adjusted private sector total is 20,000 higher, as in Table VII.

Table VII

EMPLOYMENT BY OCCUPATION GROUP, 1978

Occupation Group	Private Sector	Public Sector	Total	Percent
Professional Workers	45	2296	2341	2
Sub-professional Technical Workers	503	18493	18996	15
Administrative and Executive Workers	260	2428	2688	2
Clerical Workers	1652	10993	12645	10
Sales Workers	26598	1034	27632	21
Service Workers	9728	8715	18443	14
Agric. and Fishing Workers	123	1662	1785	1
Skilled and Semi-skilled Workers	13822	17031	30853	24
Labourers	2815	11051	13866	11
T O T A L	55,546	73,703	129,249	100.0

Source: Ministry of Labour, Manpower Survey, 1979.

Table VII.

In summary, by the end of the 1970's, the Somali economy remained largely private in nature. About 30 percent of GDP was public sector generated - 25 percent in government administration, 5 percent in state-owned enterprises. (See Annex VI, Tables 1 and 2). While half of recorded paid employment was in the public sector (some 75,000 out of estimated recorded employment of 150,000), this was still a small share of the adult population (2.0-2.5 million) which was mostly self-employed in crop and livestock production[1].

D. Human Factors

Somalia has an abundance of energetic, mobile, adaptable people, with strong entrepreneurial potential. The events of the past decade have sorely tried the Somali people, but many of them have shown extraordinary capacity to adapt, to do new things, and to take on new risks. The ethnic sources of entrepreneurship are diverse. Livestock producers and traders have a long commercial tradition in Somalia; evidence of their creativity and economic competence will be demonstrated later. Many ex-nomads, people displaced by drought or war, have adopted new styles of living in this decade, often with extraordinary speed and effectiveness. Recent (relatively) immigrants from

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1 The public sector share of the paid labor force is smaller still if the total Somali labor force, wherever employed, is considered. Thus, if the 70,000 emigrant workers are added, the public sector share falls from one-half to one-third.

Yemen have become leading farmers, and Italian farmers have played an innovative role in many areas.

Sources of supply of Somali entrepreneurs also exist across the Gulf. It has long been the practice for educated young Somalis to work in the Gulf states. Many skilled building tradesmen and engineers have learned their craft abroad. It is the same with transport; the Somalis are present everywhere in East Africa, as truck and bus owners and drivers.

As noted earlier, real wages in the public sector fell dramatically during the 1970's. The figures are shown in various forms in Annex VI, Tables 15 and 16. The decline was general; it affected workers in state-owned enterprises and in central government, unskilled as well as skilled. But skilled people were particularly hurt. Thus, for example, real earnings of skilled workers and managers at the Jowhar Sugar Factory declined by 15% a year between 1972 and 1981. In addition, income of higher level employees was also heavily taxed during the 1970's. In 1970 a special "Development Levy" was introduced. Everybody with a base salary of over 200 sh. a month was affected. The lowest-paid were taxed 5%, the highest-paid much more. Those earning 900-1000 sh. paid 20%, for example, and those earning over 2000 sh. paid 40%. Income tax was calculated net of the Development Levy, but also at quite high rates for upper-income wage earners: at 600-700 sh. a month the tax was 12%; over 700 sh., 18%.

Effective tax rates on senior civil servants and/or managerial staff in state owned enterprises (SOE's) could easily reach 30-40% of gross income under this tax regime. The fact that allowances were raised during the 1970's did not prevent the erosion of real income, nor did it make government jobs attractive. For example, a Department Director received in 1979 a salary of about 10,000 sh.; he might also receive a responsibility allowance of 5,000 sh. and housing allowance of 4,000 sh. People below Director level received few or no allowances of this kind.

The decline in public sector wage levels made alternative income-earning options more desirable. It has, by itself, begun to reduce the problem of generalized over-manning in the public sector. The point has been reached where it is less attractive for new graduates to take government employment than to look elsewhere. And there are opportunities elsewhere - not only in Saudi Arabia or other Gulf states, but in new enterprises at home - in farming, in construction, in transport and in trade. The willingness and ability to undertake new lines of private work has been stimulated by very recent changes in government policies; a shift in the economic climate due to the fact that government is now more positive about the private sector, more disposed to help it along.

III. LIBERALIZATION SINCE 1979: A QUIET REVOLUTION

While economic activity remained principally in private hands during the 1970's, it is also true that the general thrust of public policy was not favorable to its expansion or even to its continuation. The effort to push cooperative ownership of the means of production in agriculture and fishing, the nationalization of trade, the generally unfriendly attitude toward foreign private investment, and the imposition of low producer prices in agriculture coupled with arbitrary procurement policies - all of this was calculated to contain private initiative, if not suppress it.

What has happened in the past three years, and especially the past 18 months, is the transformation of this old policy in favor of greater liberalization of the economy [1]. The movement is fitful and uneven. It is not always consistent. It often involves changes in administrative practice rather than formal or legal revisions.

The largely informal character of this new opening up of the economy may explain why it is not more widely appreciated. Many observers in Mogadishu (and in Washington) say that there is a lot of talk in Somalia about the utilization of the private sector, but not much action. It's obviously a matter of judgement

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1 President Siad told foreign journalists as early as 1976 that he planned no further nationalizations and that, in fact, Somalia encouraged private initiative in agriculture and industry. (See Phillipe Decraene, "Notes sur la voie socialiste somalienne", in Revue Française d'etudes politiques africaines, No. 137, Mai 1977, pp. 54-78.

whether a given set of actions represent "real" or "adequate" evidence of change. But it's had to ignore the many pieces of evidence now accumulating which show a pattern, suggesting an important shift in economic orientation.

A. Boom in Private Agriculture

First of all, recent months have witnessed a strong surge in private agricultural activity. This is observable clearly in the Upper Shebelli region and probably is happening in crop-producing zones elsewhere. Many factors explain this new dynamism, as will be shown later. But a pronounced softening of government policy toward private farming has played a major and indispensable role.

The area from Afgoi northeast to Balad and southwest to Audegle is typical of the Upper Shebelli valley, which is, in turn, representative of Somalia's river valleys in general. Until recently these have not been intensively cultivated despite their acknowledged fertility and suitability for crop production. But this situation is changing fast. If the picture in the Upper Shebelli is any indication, a profound agricultural transformation is underway or poised to begin. A few days of travel through this region (on roads that are little more than tracks) and discussions with farmers there, is convincing in this regard. It reveals unmistakable signs of unleashed energies, of new hopes and of fundamental changes that cannot fail to spread and will surely have large consequences on agriculture, on the economy as a whole, and on the structure of Somali society.

One can see in this region new departures in many directions. Various new crops and cropping patterns are being tried - grapefruit interplanted with bananas, and especially with papaya [1]; pure stands of grapefruit; intensive cultivation of irrigated vegetables; large scale mango plantations; irrigated and dryland production of maize intercropped with cowpeas, and in much of the region, maize and cowpeas rotated with sesame. In the latter case, annual flooding of the fields serves the two crops and gives yields twice as high as the average for Somalia - e.g., two tons per ha. of maize and one-half ton of sesame seeds with two crops a year.

The agents of this agricultural transformation are an unusual collection of new farmers: ex-nomads, immigrants, city people, foreigners, and some traditional farmers who have seen opportunity and seized it. There are some absentee owners, but not many. Most of the hundred or so progressive farmers in the Afgoi region are traditional in background and have levels and styles of living not much different than those around them. One example is a 60 year old ex-veterinary assistant who left government service in 1977 after 24 years and now farms some 600 hectares with 5 partners.

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1 Grapefruit trees begin to yield after five years, papaya and banana in less than a year.

Another is a traditional chief in the village of Barriri who grows grapefruit and maize on hundreds of hectares. There are also other kinds of new farmers in the region: an ambassador from a nearby country[1], a former high official in another friendly country, several Indian immigrants with great skill as vegetable growers, a Somali woman trader and hotel owner, ex-civil servants, and some who are still civil servants. Among the most important and most impressive leaders are "Yemenites" - Somalis of Yemenite origin who are widely admired for their inventiveness and skill in farming. There are also "companies". Some of these are groupings of religious men, six to ten forming a kind of agricultural brotherhood; others are groupings of ex-nomads or educated townsmen - lawyers, engineers, etc. In all cases they have put money and energy together to clear these lands and work them. For the most part, holdings are small; the average size is said to be close to 30 ha. But many are between 150 and 300 ha. and a few are larger still.

As indicators of the speed and scale of change, two stories are worth telling. One concerns the ex-veterinary assistant mentioned above. He quit government employment in 1977 and obtained his first land lease in the Shebelli in 1978, as part of a "company" of ex-nomads and civil servants. The company now owns 600 ha. of which 350 are in maize and 84 in sesame. Gross income from sesame production alone was about 1.3 mn. So. sh. in

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[1] The brother of the Emir of Kuwait recently bought a 200 ha. banana farm in the region.

1981/82, net income about 900,000 sh. ($60,000). And this is less than four years after his "company" began farming [1].

The second story involves the village of Barriri. Only a short time ago, in the mid-1970's, villagers here were planting moderate-sized fields using traditional hoes. Now this busy town of 2,600 has 6,000 ha. of splendid-looking maize, cowpeas, and sesame. They now do broadcast sowing, and they have four tractors for land clearing and plowing and for building irrigation canals and bunds. Some villagers are taking up land closer to the river for planting grapefruit and other new crops. Basin flooding is commonly used for irrigation of maize and sesame fields.

Another indication of the level of activity and the pace of change in this region is the frequent complaint of labor shortage and too-high wages. Agricultural laborers who weed or harvest by contract earn three to four times more than unskilled workers in town [2]. Contract agricultural labor is not new in this region.

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1 He has used some of his share of the earnings to contribute to purchase of a "company" tractor. (They are now looking for another). He pays for his childrens' schooling and has extended his warehouses, which are already congested. His cup runs over. He has three wives and is looking for another, 18 children and 224 head of cattle in addition to the maize and sesame fields. He is considering grapefruit and wants to plant more maize fields. Asked why a 60 year old man is running so hard, he replied: "I want to die with honor!"

2 The minimum wage rate in Mogadishu is 450 sh. per month; roughly 15 sh. a day. Weeding labor in the Upper Shebelli is paid a minimum of 20 sh. a contract (weeding a 25 x 25 meter area, for example) and I was assured that two contracts are an easily attainable day's work. Some farmers say they have paid up to 200 sh. a day for labor, though it is hard to believe that this happens more than occasionally. It does indicate the intensity of seasonal demand for labor, however.

But there is much more of it now, and according to one knowledgeable observer, the average cost of a contract has risen six times since 1972, most of the rise coming in the past several years[1].

The official statistics on production and areas cultivated show what has been happening - though they must, as always, be used cautiously. Area planted in maize doubled in 1981 - to 222,000 ha., and output is estimated to have risen from 109,000 tons in 1980 to 197,000 tons in 1981. Sorghum acreage is reported as unchanged (around 140,000 ha.) though a production rise of over 10% is recorded. Output of cowpeas is estimated to be up by over a third in 1981 and sesame seed by 40% (Annex VI, Table 7).

How did all this happen?

First, and most important, there is money to be made in the Upper Shebelli - and, presumably, in other agricultural regions as well.

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1 The potential tightness of labor supply is perhaps not adequately recognized in Somalia. The numbers in paid employment are relatively large: 53,000 civil servants; 20,000 police; 100-120,000 military; 75,000 in private employment in Somalia and 70,000 outside - about 330,000 in all. The adult population numbers no more than 2.5 million, and males (who provide most wage labor) 1.25 million. Probably, then, one-quarter of the adult male population is employed for wages - a high percentage for Africa.

For grapefruit, the yield per ha. of mature trees averages (according to local farmers) one and one-half quintals (300 kg.) per tree. There are usually around 200 trees per ha. and the ex-farm selling price is now about 300 sh. a quintal. Gross returns are thus 75,000 shillings a ha. or about $5,000. We could not determine labor and other costs, though everybody says that net returns are very attractive.

Bananas, however, are probably still the most profitable crop if sold to local consumers. They can now be sold for around 200 shillings a quintal on local markets, and this involves no packing costs. The fruit is just thrown on the market, almost literally. (The export price to producers is 170 sh. a quintal and export involves quality fruit and substantial additional marketing costs).

Food grains are also profitable. Maize sells (June 1982) for 300 sh. a quintal on the free market. (The official price is 180 Sh.). With yields of four tons a year in areas with access to some irrigation water, gross receipts per ha. for maize alone were about $1,000 in 1981 [1]. Money outlays are probably no more than $350 a ha., so profitability seems high. Since relatively large hectarage is involved, gross profits can be appreciable. The experience of the farmer who was described earlier provides a good example of this. His 84 ha. in sesame last year (1981/82) yielded 110 tons of sesame seed which he sold for 1000-1500 sh. per quintal (the official price is 450 sh. per quintal). His total return was probably between one million and 1.3 million shillings. He estimated his costs to be about 350,000 sh., so this farm's annual net income on sesame was 650,000-900,000 sh. Although this sum was divided among six owners, this is still a profit of well over $6,000 per person at the very least - and this without counting maize or livestock [2].

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[1] This doesn't include the value of cowpeas output. Generally cowpeas are intercropped with maize. They also have relatively high yields in these regions.

[2] Sesame profits were probably even larger. The free market price for sesame was as high as 1500 sh. a quintal during some part of the year, so, realized producer price probably averaged more than 1200 sh. The farmer probably also overstated his costs in order not to appear <u>too</u> profitable.

B. The Sources of Agricultural Change

1. A Group of Progressive Farmers

There existed a nucleus of progressive farmers in the region. The Yemenites played, and are playing, a strategic role, as do the Italian banana planters who are usually diversified farm operators, immigrant vegetable growers (notably a few Indians), some energetic traditional farmers (like the chief of the village of Barriri), some "companies" of new farmers (ex-nomads, city professionals, religious groups, etc.) with access to knowledge about technology and markets and who are open to experimentation. These progressive farmers have provided not only an example to others, but offered technical advice, helped maintain irrigation pumps and canals, and sold inputs - e.g., grapefruit seedlings and vegetable seeds to newer entrants.

2. Changes in Policy

The change in the policy atmosphere was critical. After 1977, there began a gradual relaxation of state controls in rural areas. The most important elements in the new policy environment were three.

a. Private Purchase of Land

After 1977, government became more permissive regarding private purchase (leasing) of land. Table VIII shows that almost 150,000 ha. have been given (leased for 50 years) to over 70 corporations, 148 groups of individuals formed into "private companies", and over 4,000 private individuals. What the table does not show, but Ministry officials assert, is that most of these leases have, in fact, been granted since 1978.

b. Ministry of Agriculture Aid

The process of agricultural transformation in the Upper Shebelli was helped along by the Ministry of Agriculture. The Ministry distributed some 38 pumps, which had been lying idle, to willing farmers and helped clear major canals [1]. Also, in 1980, the Government of Iraq gave a grant of 660 wheeled tractors, half of which were sold to the private sector, including farmers in the Upper Shebelli. In addition, the Ministry distributed grapefruit seedlings and newer maize varieties to farmers who wanted them.

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[1] In 1974, the East German government gave 400-odd diesel pumps to the Somali government. Until 1980, most of them remained crated for want of good ideas on their use. In the Shebelli valley there were already some better farmers who dug canals and used gravity irrigation. The Ministry of Agriculture decided to distribute the pumps in areas where private farmers could use them. They raised money from PL 480 sources (2 mn. sh.) to pay for installing the pumps and for cleaning up main canals. They distributed 38 pumps in this region and more elsewhere. Most of these are maintained now by the farmers themselves. The Ministry helps by occasional clearing up of sediment-ridden main canals. Some farmers, however, do this themselves if they have access to equipment.

Table VIII

LAND LEASES TO PRIVATE SECTOR BETWEEN 1975 AND MAY 1982

No. of Leases	Type of Leases	Under Irrigation	Rainfed	Total
43	Cooperatives	39,242	28,319	67,561
148	Private Companies	19,453	3,820	23,273
4683	Individuals	35,908	21,241	57,149
	TOTAL	94,603	53,380	147,983

N.B. Figures for distribution of individual leases between irrigated and rainfed must be treated with caution.

Source: Ministry of Agriculture

c. Freer Marketing

The third element in the new agricultural orientation was a reduction in the role of the marketing monopoly, the Agricultural Development Corporation (ADC, Until 1981 farmers couldn't legally sell foodgrains, except to ADC. Moreover, ADC for some years prevented farmers from storing more than one-third of their crop, as a way to force sales [1]. In fact, it discouraged grain production and farmers either grew non-grain outputs (e.g., watermelons) or reduced their efforts. In May 1981 this retrograde policy was abandoned. Since then, farmers no longer are required to sell their marketed grain to ADC and they can store as much as they want to. Free trade is not yet legally enshrined. Any sales "in bulk" are still supposed to be made to ADC. But non-bulk sales (one quintal or less) can be sold to consumers. A free grain market now exists, in fact: trader purchases in bulk are openly tolerated. At the same time that these changes were taking place, the official 1981 producer price of maize was raised by 50 percent, and sorghums by 33%, though the significance of this move was probably more symbolic than anything else, except perhaps in the case of sorghums, which were sold to ADC in significant amounts in 1981-82. (Annex VI, Table 8)[2].

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[1] Farmers in Somalia traditionally store large quantities of grain in pit graineries. A four to five year supply is common.

[2] This may be related to price policies. The ADC, after 1977, paid a uniform price for all sorghums. This may have made brown sorghums worth selling to ADC; in any event, according to some reports, brown sorghums account for 80% of farmer sorghum sales to ADC.

Considerable confusion and uncertainty continues to surround this liberalization policy in agriculture. In the ADC central office at Mogadishu, senior officials waver under insistent questioning; sometimes they say that no basic change has occurred, other times they say farmers can sell to anyone, even in bulk, and at the free market price. Visits to a dozen or so villages around Kismayo and in the Upper Shebelli region suggest, however, that the market is effectively free now, though there is no law in the matter nor any clear administrative ruling. One ADC regional director, for example, says he now sees his job as the storage and distribution of food aid, selling to institutions, and serving as passive buyer of last resort at official prices. He no longer buys in local markets. Since maize prices in the open market are about 65 percent higher than the official producer price (and sesame prices are 100-150 percent higher), few farmers are selling to ADC. Where marketable surplus is substantial (e.g. the Afgoi region) many traders are said to be present in the market, buying at free market prices. This change occurred decisively last year, and while farmers stored much of last year's bumper crop to restock their granaries, this year will probably be more open to market selling. For the most part, then, despite continuing ambiguities, rural grain markets are effectively free and sales at much higher than official prices have become the rule. This, with an accompanying feeling among farmers that the old constraints no longer bind, has spurred farmers to new efforts.

C. Reduction of ENC Monopoly

Just as ADC is on the way out, so too is the other major state trading company, ENC. Previously, ENC had an import monopoly on many basic goods. Under the Franco-Valuta system, which prevailed until the devaluation of June 1981, private trade went on around ENC (and its sister state monopolies) because private traders had access to Franco-Valuta-financed imports. After June 1981, government shifted to a new policy of granting letters of credit to private importers. This takes away from ENC its principal *raison d'être*.

ENC managers, in effect, admit this. They say that since June 1981, ENC imports only for the state sector - the military, police, health institutions, boarding schools, and government laborers. Their job now is to import food and distribute it to collective consuming units.

ENC still exists. It retains a work force of 1200. But it has no real mandate, and very few justifiable functions. The ambiguity of the present transitional situation permits it to make occasional interventions - e.g., confiscating goods imported with letters of credit. On some occasions ENC has confiscated rice and pasta that came in under "legitimate" LCs, on the grounds that not to do so would permit the private importer to enjoy the scarcity rent attached to these (like all) imports. But the official position of ENC management is that they no longer handle imports other than food aid, which has given them plenty to do since last year [1]. Private traders, at least large ones, say that ENC is dead and that it only remains to get rid of the corpse. This may be so, but despite several attempts during the past year, the body refuses to admit that it is dead, and it has so far proved impossible to marshall the necessary consensus to put it away.

D. Privatization in Fishing

Fishing in Somalia traditionally had two forms: deep sea trawler operations, mainly involving lobster, and artisanal fishing. Until a generation ago, the traditional fishermen, gathered in small isolated communities along the coast, were served by the so-called dhow trade, boats from India and the Gulf States which moved north and south with the monsoons, picking up dried fish in the Somalia coastal communities and in return supplying the non-subsistence needs of these communities. For various reasons, the dhow trade disappeared by the late 1960's, and after the revolution, government created new forms of fishing organization: "cooperatives" and state fishing units working under the Coastal Development Agency.

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[1] They handle all food other than millet and maize which are the responsibility of ADC. See Annex VI, Table 4 for food imports.

In the early phase of this experiment, outboard motors were introduced. (Previously, traditional fishermen had used sailboats). These motors proved too fragile, or, more accurately, the supporting institutions for provision of maintenance and parts proved too thin. The 20 outboards were soon useless.

The government then (in 1975) introduced a fleet of about 700 motorized boats of various descriptions - wooden ones from Russia and Kenya, fiberglass from Sweden and Sri Lanka and others. These boats were the property of the 25-odd cooperatives which had by that time been formed along the coast, as well as of a few settlement fishing villages composed of displaced nomads, and working under the sponsorship of the Coastal Development Agency.

In the cooperatives, problems quickly arose - most notably, lack of economic incentive among fishermen which led to careless use and poor maintenance of boats. By 1980, almost 400 of the fleet of 685 motorized boats were no longer operable - and this despite the presence of an experienced FAO team which provided management, extensive maintenance facilities, and money for spares and salaries. (See Table IX) [1]. In late 1980, the Ministry of

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[1] A 1980 report on the cooperative movement indicated larger numbers of boats than in Table IX, and in some cases, even fewer operating: for example, 15 out of 77 in Brava and 17 out of 60 in Badey. (Union of Somali Cooperative Movement, Planning Department, Five Year Cooperative Development Plan, 1982-86, Mogadishu, Sept. 1980, mimeo, pp. 31).

Table IX

SUMMARY OF STATISTICS ON THE SMALL SCALE TRADITIONAL FISHING SECTOR (December 1981)

NAME OF COOPERATIVE	MOTOR BOATS WORKING	ORIGINAL BOATS ISSUED	SAIL BOATS	HOURIS	ACTIVE FISHERMEN	POTENTIAL FISHERMEN	ESTIMATED 1981 FISH CATCH (Tns)	ESTIMATED 1981 LOBSTER CATCH (Tns)
Ras Kiambone	30		27	5	130	150	250	16
Kulmis	15	105	49	5	400	400	80	14
Kismaayu	20		40	9	135	135	188	23
Brava*	22	68			132	150	96	
El Ahmed*	22	33			132	150	179	
Marka*	10	13			30	50	48	
Xamar (Mogadishu)*	41	116		12	190	220	234	4
Adale*	13	75		25	78	160	136	
Mereeg	2	4			21	30	75	
Ceel Hur	1	4			32	40	18	
Hobyo	3	5			56	70	174	
Garacad	1	2			55	70	104	
Badey*	12	42	-	-	96	180	428	15
Bender Beila	8	8			200	300	330	
Ras Xafuun	4	4			95	130	-	
Hordiya	4	4			80	120	756	
Bargaal	7	7			160	200	237	
Caluula/Habo	34*	6		163	378	600	300	
Kandala	3	7		75	62	174	50	
Bossaaso	8*	15		120	88	100	79	
Las Quoray Cannery#	40	110		-	-	-	285	
Maydh	8*	14		8	10	36	21	
Berbera	7	27		6	35	63	30	
Lughya	0	2		3	0	10	5	
Saylac	4	13		3	24	35	15	3
Total	319	685	n.a.	n.a.	2619	3573	4118	75

* Not all working boats are Government issued. This number includes privately owned Somali/Arabian type wooden boats.

Las Qoray is not a cooperative and draws on fishermen from Bossaaso.

Source: Ministry of Fisheries

Fisheries issued a report which was eloquent in its diagnosis and forthright in its recommendations [1]. The central problems it noted were: lack of prompt payment by the Fish Factory to fishermen, and a government price policy which paid the fishermen far below the parallel market price; ambiguity about which agency was responsible for transport of the product; lack of coordination between transport boats, fishermen and fish factory; fishermen unwillingness to do routine maintenance; encouragement of neglect and irresponsibility by providing all inputs free (boat replacement, fuel, technical services, and coastal marine transportation); absence of financial penalties for mishandling of equipment. (Most of this was financed by the FAO project working with the cooperatives).

The authors of the report recommended selling the boats to the fishermen: "... the crews (must) be made responsible, and the only way to achieve this is by <u>ownership</u>. Only in this way will proper care be taken of them..."

Early in 1981, this recommendation was accepted by the government. The important southern cooperatives (Kismayo, Kiambone, and Kulins) were first to act, followed by the Mogadishu coop. By early 1982, 110 motorized boats had been sold to fishing crews [2]. The experience is regarded as a

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1 Ministry of Fisheries, <u>Report on the Fisheries Institutions in the Lower Juba region</u>, (n.d., mimeo) 1980.

2 The financing terms were easy - between 15,000 and 40,000 shillings were charged for the boats, 10 percent down, the rest payable in five years, payments in a percentage of the monthly catch. A boat manufacturing plant has been in operation in Mogadishu since 1979. Government has agreed to buy 100 boats from this Somali-Swedish government joint venture. The boats are to be sold to private fishermen.

smashing success thus far. Ministry officials say that 85 percent of the motorized boats were usually out of service under the old arrangements, and now 85 percent are usually working. (Table IX shows some transitional situations, before the privatization measures took full effect). The Ministry will probably extend the privatization move to the other cooperatives in coming months.

Trawler operations have also become private, though with less happy results. SOMALFISH, a joint venture of the Somali government and the USSR, was disbanded in 1981. When the Russians left in 1977 they took their trawlers with them. The Somali government tried to revitalize activity. It formed, for example, a substitute joint venture with an Italian group (SOMITFISH) involving two trawlers. But for various reasons this has not worked satisfactorily, and SOMALFISH has evolved mainly into a licensing authority, dealing with foreign trawlers doing lobster fishing [1]. The particular arrangements presently in force are unfavorable to Somalia. Trawler operators and the government agree on a price at the beginning of the year, and on an estimate of the catch; 20 percent of this resulting estimated aggregate yield is the Somali share. The deep sea catch never touches shore under this system (lobster is transferred to a carrier ship at sea) and the opportunities for undervaluing the catch are obviously great.

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1 See the discussion of joint ventures in the later section on state owned enterprises.

However, opportunities for higher profits than elsewhere do not seem to have attracted many foreign trawlers to Somali waters. The number of trawlers is now smaller than the 20 that were active at the beginning of 1981.

To make deep sea fishing more advantageous to Somalia, a new project is presently being elaborated. This joint venture would be financed by the IBRD, the IFC, some Saudi private money, and a commercial fishing company. It will involve trawlers plus on-shore processing facilities.

E. Privatization in Settlement Areas

A comparable, though smaller and more hesitant step has been taken in one of the nomad resettlement areas - Kurten Waare. Here land was formally worked on a cooperative basis with no recognition of individual claims to ownership. Lack of incentives thus added to a large number of other difficulties and slowed achievement in this area [1]. In 1981 the government decided to allocate land on a private tenure basis. Settlers now have rights of ownership. The areas involved are small; one-half ha. per person. But the effects have been encouraging, and, most significant, it represents the first departure of its kind in the settlements. Moreover, the Coastal Development Agency, which is responsible for managing the

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1 In 1976 the government closed down 90-odd relief centers that had been set up to care for nomad victims of the 1974/75 drought. Some 105,000 nomads from these centers were relocated in three agricultural settlements between the Juba and Shebelli Rivers. (An additional 15,000 went to coastal fishing

(continued next page)

Footnote 1 (continued)

communities). Some 4,000 ha. were cleared in two years. The Settlement Development Agency runs the program, which forms (with the Crash Programme Agency) part of a Party Bureau.

The resettlement program went badly, for various reasons. All three settlement sites were badly chosen. In one of them (Dujuma) poor soils forced the relocation of 24,000 people. The two other settlements were put in areas of marginal rainfall with no history of rainfed agriculture. Staff shortages were also a problem.

All of this led to rapid decline in settlement populations. By 1976 about half had left, though the numbers registered remained high.

In 1982, four fishing settlements run by the Coastal Development Project still had 14,000 people registered, of which 3,000 were actually fishermen. Food, clothing and other supplies are provided by the World Food Program and other donors.

A "welfare dependency" situation has developed in all of the settlements and is most clearly illustrated in the fishing settlements. The theory at the beginning was that the donors (Russians in this case) would give people boats and they would be self-sufficient by 1980. This hasn't happened. Many nomad men left their families in the settlements and returned to their home areas. This way the families would maximize incomes, since the women and children continued to receive food. As a result, only 4,500 of the 14,000 people in these settlements are members of full households headed by an able-bodied male. The rest are "orphans" and "abandoned" families. Moreover, only about a third of the fishing boats are still usable, so even the "real" fishermen in these settlements have difficulty in generating adequate income.

fishing settlements, is also proposing to sell off boats to individual settlers[1].

F. Divestiture

The government has closed and handed to private agents four public enterprises and autonomous agencies: the Livestock Development Agency, the Agency for Building Materials, the Agency for Textiles and Household Appliances, and Somalfish. It is also actively considering the abolition of other agencies, such as the Coastal Development Agency.

G. Adherance to IMF Program

The government has adopted the collection of measures associated with the IMF stabilization proposals (June 1981) - devaluation, fiscal and monetary restraint, sharp increases in producer prices - and announced its intention to close non-viable public enterprises. The second devaluation (June 1982) gave further indication of willingness to try market solutions.

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1 At the end of 1981, the fishing settlements (starred in Table IX) were operating only 120 out of their original 347 boats. Only 45 of the boats not being used are salvageable. The privatization proposal is part of a wider set of proposals put forward by the management of the Coastal Development Project. Examples are: shutting down the Project, sending the orphans to institutions, and sending families to join fathers who are no longer present in the settlements.

H. New Receptivity to Foreign Investment

The government has shown greater receptivity to new foreign investment. It has been sufficiently flexible in its negotiations to attract five international oil companies. Four of these are now doing seismic work and one is drilling [1]. The first large-scale private agricultural investment agreement has been signed and financing approved - the $83 million Gisoma livestock and meat products project. Whatever the technical and economic questions that might be raised about some aspects of this project, it is certainly a new departure; a large-scale joint venture between the Somali government and a private Italian company (Giza).

None of these developments, taken by itself, is unshakeable evidence that Somalia is firmly on the path of liberalizing its economy and allowing greater scope for private energies. Nor would it be true to say that contrary tendencies are not also present. As recently as May 1982, for example, the Agency for Vehicles and Spare Parts (Wadag) had its monopoly import power reinforced by the government. No letters of credit (import licenses) are henceforth to be issued for spare parts or vehicles;

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[1] According to some reports, The Government offerred a 70-30 split on future oil revenues, significantly better than the 80-20 arrangement common elsewhere.

only Wadag will sell them. But the thrust of events is such that counter moves of this kind are few, and are in any case out of harmony with surrounding events. How long can a monopoly import privilege for vehicles and parts be justified, when almost everything else is subject to decentralized importation via letters of credit or otherwise?

The trend and pattern of events, then, is strongly in the direction of liberalization. We turn now to see how the Somali Government and USAID can encourage these propensities and mobilize the power of private initiative in even more productive ways.

IV. WHAT CAN BE DONE TO FACILITATE THESE CHANGES?

A. Macroeconomic Policies

The main requirement for a fuller mobilization of private resources is a supportive economic policy environment. The system of incentives should be positive, access to basic inputs as open as possible and the regulatory system even-handed and as permissive of individual initiative and the free play of market forces as social objectives allow. The most pervasive aspect of the incentive system, and the macraeconomic environment generally, is the exchange rate, which will be considered first. Two other major aspects of the economic environment will then be discussed - deregulation of marketing and of construction activity and the role of foreign investment legislation.

1. The Exchange Rate

Somalia devalued in June 1981 and ended at the same time the Franco-Valuta system under which important shares of imports were financed from foreign exchange earnings of livestock exports and Somalis working abroad. The 1981 devaluation did not have all the results hoped for. In particular, Somali exporters continued to hold foreign exchange balances abroad; they did not take advantage of the new provisions for hard currency non-resident accounts. Consumer goods, spare parts and other imported inputs were even more scarce than before the devaluation and the abolition of Franco-Valuta transactions. The Somali shilling remained overvalued; in the parallel market in May 1982 a dollar was worth 17-20 shillings. In addition, the dual rate still permitted cheap imports, of food especially.

The generalized scarcity of foreign exchange was harmful to private sector initiative and was moreover unstable. The government's June 1982 steps have a better chance of success. The dual exchange rate system was abandoned, and the shilling was further devalued from 12.6 to 15.2 to the US dollar.

This cut, and appropriate fiscal and monetary policies may be enough to induce cautious and skeptical Somali exporters and other traders to reduce their foreign exchange balances in Jeddah and elsewhere. If so, this would give new vigor to the private economy. The Government of Somalia's willingness to adjust its exchange rate makes it a stand-out among LDC's, and continued reliance on such adjustments, if events make them necessary, is clearly the preferred path[1]. The Franco-Valuta system is much less satisfactory than an open trading system based on an appropriate exchange rate.

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[1] A modified Franco-Valuta system could be a second-best arrangement, better than what existed after June 1981. It allows export incentives to prevail and also encourages a competitive domestic wholesale trade. It appears to be more flexible, and more conducive to freeing private traders than a "normal" disequilibrium system characterized by an overvalued exchange rate and import licensing via state monopolies. Most important, if other exporters, particularly the banana industry, could be given export incentives such as the livestock exporters enjoyed under the pre-June 1981 arrangements, price constraints and export supply problems could be eased. So, while keeping the exchange rate right is best, a modified Franco-Valuta system might not be bad as second-best. It is certainly more conducive to continued liberalization of the economy than the kind of arrangements that prevailed between July 1981 and June 1982.

2. Deregulation

a. Trading Monopolies

The main state trading companies, ADC and ENC, are shrinking in significance. One possible line of evolution would be for ENC to continue along its present path, focusing on food aid and distribution to collective consuming units (schools, police, military, etc...), while ADC becomes manager of food reserves and engages in grain price stabilization programs. According to many officials, this is more or less the present direction of policy. To move further, all that would be necessary is for ADC to relinquish to ENC its role as millet and maize importer and to specialize itself in managing food reserves and open market domestic grain buying and selling. Meanwhile, the ambiguities and inconsistencies in present policies should be removed. Private trade in foodgrains should be completely freed - across regional boundaries and in bulk - and encouraged by provision of credit for crop purchase, warehousing, and transport facilities, by greater provision of information and by more expansionary road building efforts designed to ease physical access to crop producing regions.

A role for ADC in food price stabilization is a second best recommendation, put forward with considerable hesitation. The operation of a buffer stock and price floors and ceilings is an extremely difficult, and in Somali conditions especially, a potentially costly activity. An interannual price stabilization scheme is only feasible if the intervention bands around market prices are wide - i.e., if official prices are set close to actual market prices. Otherwise the buffer stock will become very big in good harvest years, and it may lead to surplus grain production and substitution of public for private storage [1]. But if official prices can't depart much from market prices, the benefits of the stabilization effort are small.

The buffer stock proposal is nontheless suggested here because consensus is said to be insufficient among Somalian authorities to permit a complete suppression of ADC's market interventions. Were such consensus present, ADC could be restricted to management of food security reserve stocks and intervention only in times of crisis.

b. "Cooperatives"

The cooperative system in Somalia is complicated by the existence of organizations which look like cooperatives and call themselves cooperative but are functionless bureaucracies. They obstruct the flow of trade and reduce the incomes of those they pretend to represent.

A brief description of the relevant cooperative institutions is given in Annex I. The most immediate problems, from a

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[1] For detailed analysis, see Club du Sahel/CILSS Foodgrain Marketing and Price Policy in the Sahel, Vol. I. CRED, University of Michigan, 1977.

privatization perspective, arise in the construction industry and in transportation.

When a contractor or a person building a house wants building materials (stone, lime, bricks, etc.), he must go to the relevant cooperative and pay a fee which, supposedly, entitles him to his load without further charge. A purchaser of stones, for example, pays 74 sh. to the stone quarry cooperative for a 5 ton truckload. That fee is supposed to be all he pays. Once at the quarry, however, he finds that the owner demands <u>his</u> payment - an additional 200 sh., let us say. The original idea may have been that the cooperative would "organize" and "allocate" work among the quarry operators in the main towns (20-odd in Mogadishu, for example). Or the origin of the arrangement may have been that the quarries were assumed to be <u>owned</u> by the state and simply managed by the individual operators. In any case, all quarry owner/operators are required to be members of the coop and all buyers must go through the coop office to buy a ticket allowing them to buy stone. (Check points on the main road enforce these regulations). The coop charges the official government price, which is far below the market price. So, the quarry operators make buyers pay a supplement equal to the market price. The cooperatives thus serve no useful economic function. They tax quarry owners and the contruction industry and slow up work.

Other cooperatives have similar characteristics. For example, one unit of the trucking cooperative has the exclusive right to haul goods from the Port of Mogadishu. And all taxis have to pay five sh. a day to the taxi coop, which offers no observable services for the industry or the drivers [1].

In price matters, the cooperatives represent government. They try to impose "official" prices in the face of rising costs and general inflation. More than anything else, these "cooperatives" are like productionist trade unions in Soviet-type systems, though they don't give welfare benefits. Eliminating these organizations, or narrowing their jurisdiction, would bring significant gains in income, welfare and productivity to workers in the building and transport industries, and lower costs to consumers.

There exist other regulations which hold back productivity and/or extract revenues from producers without providing protection or services. Businessmen say, for example, that the government insurance monopoly charges high prices and is extremely inefficient. If insured goods are lost, the company rarely pays. Consumers have no alternative sources of insurance, however. Also, the Freight Forwarding and Clearing Agency has a legal monopoly. But all they do now, it is said, is collect a 300 sh. fee on all bills of lading, while private forwarding agents do the work.

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[1] The fee is enforced by requiring all taxi drivers to take fuel only at one gas station, where a representative of the coop checks the membership book to see that the day's 5 sh. fee has been paid. Also, each driver is restricted in the amount of gas he can get. The present limit is 20 litres every other day. This forces drivers into the black market where they pay a 10% premium (11 sh. per litre instead of 10). See Annex III.

There may be no easy or quick way that the Somali government can rid itself of useless or oppressive agencies, institutions and rules. But in donor policy dialogue with the Somali government, these are centainly relevant matters for discussion; the opening up of markets and the introduction of more competitive conditions are achievable targets.

With respect to "cooperatives", the best approach would be to reduce the element of compulsion in their presence. If these institutions truly serve their members, they should not have to depend on the power of the state to enforce their regulations. Thus, if government were to do no more than eliminate the road checks that inspect for building industry "tickets", the cooperatives would be compelled to rely more on voluntary adherence to their rules - an obviously more democratic situation than presently prevails. As instruments of price control, the building coops do not achieve their purpose. Prices to consumers are, in fact, higher with the coops than they would be without them. The suppliers of stone charge a market-determined price; the coop's "fee" is just added on.

3. The Formal Investment Environment

Somalia has very little recent experience with private investors and investment legislation, especially foreign investment. A new investment code was issued in 1977. The code is vague in some key areas and its procedures seem unduly cumbersome. A detailed analysis, as seen in Annex II, contains a recent German Government analysis of legal aspects of foreign investment. The annex also compares the main provisions of Somali law with similar legislation in a number of other African countries.

Experience suggests that the formal legislation regarding foreign investment is rarely a serious obstacle or a decisive inducement to investor action. LDC governments anxious for foreign investment are usually flexible in their negotiations and if anything, small countries hungry for new foreign investment tend to be too generous in terms of investment incentives. The fact that the international oil companies have come to Somalia implies the presence of a certain confidence that, whatever legal ambiguities or inconveniences exist, suitable arrangements can be worked out. Similar conclusions can be drawn from the Gisoma project negotiations and the creation of recent joint ventures with public and private foreign investors (e.g. the trawler enterprise which replaced Somalfish, the shipping line agreement, and the agro-pastoral project with the Romanians). Nonetheless, there remain ambiguities and gaps in Somalia's incentive legislation, and in its corporation law generally that should be addressed. The UNIDO project in the Ministry of Industries has some responsibility for dealing with this problem, though some supplementary efforts may be needed.

B. Modified Approaches to Projects

Changes in the macroeconomic policy environment are, of course, the responsibility of the Somali Government. To the extent that Somalia's partners have any voice in these policies, it is through opportunity for dialogue arising in the context of non-project assistance, such as the IMF program or U.S. Economic Support Fund aid.

But much assistance to Somalia will continue to be in project form. And here experience in and instruments for larger private sector participation are limited. There is, in fact, little experience other than the use of local financial institutions (notably the Somali Development Bank) for on-lending operations to private borrowers. This can certainly be expanded, but the principal instrument will have to be a modified, more privately-oriented approach to projects.

1. General Observations on Project Design

Aid practitioners and local technicians have evolved in the past twenty years a conventional style in development programming. We first of all diagnose problems and constraints. Usually, the list includes lack of money, knowledge, trained people. We then propose solutions that over the years have assumed a comfortable familiarity. Where physical infrastructure lacks, build roads, buildings, ports. Where agriculture lags, finance more research, extension, feeder roads, sometimes literacy programs, and dispensaries. If trained people are scarce, provide technical assistance, help build schools , and send local people to foreign schools. In health we respond to the sparsity of rural health care by helping local governments extend primary health care networks. In animal husbandry, we recommend more and better veterinary services, laboratories, perhaps controlled grazing schemes.

Now all of these orthodox responses take the form of projects that have several common features. First, they almost always are restricted to public sector activities; they are things governments build or operate. Secondly, they almost all involve the establishment of institutions which are far better staffed and financed than the general run of organizations in the aided country. Third, in most of the aided countries, the supporting institutions required to make such organizations work rarely exist, i.e., a well-paid, committed staff, whose rewards depend at least substantially on performance; a politically neutral managerial environment; plentiful support staff; a good budget system - an assured flow of budget money with the flexibility to use it right, among other things. Yet project designers tend to assume - in the project papers if not in their hearts - first that this project will succeed, even though those like it in the past did not, and secondly that these new institutions will somehow survive when the aid presence is over. We assume, for example, that by a five or ten year agricultural extension project, involving mainly technical assistance on the ground and training abroad for local staff, a viable ongoing extension program can be created. Where this expectation comes from is unclear, since with one or two exceptions, such efforts in the past - in Africa at least - have been "disappointing" and "inadequate" - to use the diplomatic terms. And the reasons are well known: robust messages are rare, so agents have too little to extend; agricultural policies are too frequently hostile to growth; budgetary and staff inadequacies drastically limit the capacity of the extension organization to deliver even good messages. The people sent abroad for agricultural extension training will mostly take other jobs on their return.

None of this prevents the birth and renewal of extension-focused projects. Just why this happens is not altogether clear, and is, in any case, complicated. Partly, it is due to the fact that reality is never unambiguous and our visions of it, filtered by biases and preconceptions of various kinds, are even less uniform. Thus, extension projects do <u>some</u> good, there are always <u>some</u> messages to extend, etc. Related to this are the ambiguities of evaluation. Formal evaluations mostly stress the silver linings and let the clouds pass by.

For these reasons, and others, we seem to be able to dress up the past, to overlook the modest yield of previous efforts and cheerfully propose more of the same.

The private sector focus of the new U. S. aid strategy presumably rests on these kinds of observations and the conclusions that follow: 1) that amelioration in the effectiveness and efficiency of public institutions will be slow - in LDC's generally and Somalia in particular; 2) that we should not therefore continue the old and familiar ways of throwing public sector institutions at problems; that we should not simply try harder with the same tools, or put another way, we should not continue repeating with minor variations approaches to programming which have poor records of achievement.

The problem, of course, is to find better alternatives, or at least supplements, to the "conventional" programs. The list below represents a small effort, in the Somali context, to move in different directions. The central idea on which it is based - using decentralized agencies, and, particularly, individuals and organizations of interested individuals - is not entirely novel. Nor is there here a very extensive set of proposals. It is rather more an illustration of how and where a privately-oriented approach could begin.

The new approaches sketched below reflect the general themes outlined earlier. We concentrate in this discussion on the livestock sector. It is of overwhelming importance in the Somali economy - a major source of livelihood of two out of every three Somalis, the generator of over half of GDP and 90% of export earnings. So even a small improvement in sectoral productivity will have large effects on income, growth and welfare. We stress three points: a) Virtually all livestock projects - past or present - are public sector projects - i.e., they involve the establishment or strenthening of public sector agencies for the delivery of services to producers, or the production and processing of meat or milk. b) With very few exceptions, these projects have been failures by even charitable standards; they have had few durable positive effects. c) There may be ways to utilize alternative, decentralized channels for providing needed services, notably the nascent organization of livestock traders.

In addition to livestock sector proposals, we suggest possible new AID initiatives or, more accurately, project identification efforts for new programs in other directions: a) Encouraging the formation of a citrus growers council, or a regional farmers' organization, in the Upper Shebelli; b) Explicit donor and Government of Somali efforts to encourage the local construction industry by wider use of local contractors; c) Encouragement of managing agency arrangements in state-owned enterprises, particularly in the more important manufacturing enterprises;

d) Further investigation of possible U.S. investment opportunities in citrus and perhaps in export-oriented livestock production.

2. Livestock

a. The Record of Livestock Projects

The earlier general observations on the meager results of conventional rural development programs are nowhere more relevant than in the livestock sector. This is true, not only in Somalia, but in Africa generally. A great deal of money has been spent on livestock projects in Africa in the past 15 years [1]. Except for some vaccination campaigns, the record is dismal. A recent assessment of World Bank African livestock projects concluded [2]:.

> The Bank's African Livestock projects - and also those financed by other international agencies and national governments - have a bad reputation outside and inside the Bank on environmental, economic and social grounds. Rates of return estimated in [livestock] Project Completion Reports have been very low, and supervision missions award [them] poor status scores...

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1 For example, the World Bank between 1967 and 1980 was involved in 34 "livestock only" projects in Africa, to which the Bank's contribution was about $300 mn. On top of this, the Bank provided $500 mn. to 37 mixed livestock- crop projects whose total cost was over $1 bn. Stephen Sandford, (IBRD consultant), <u>Review of World Bank Livestock Activities in Dry Tropical Africa</u>, Jan. 1981 (draft).

2 <u>Ibid</u>., pp. ii.

An American anthropologist, reviewing development efforts in livestock, says:

> "The picture that emerges from [a] review [of African livestock programs] is one of almost unrelieved failure... Nothing seems to work..."[1]

The livestock project record in Somalia is certainly no better than the general record in Africa, aside from the anti-rinderpest campaign of the 1960's, which was a resounding success. This is unfortunate since Somalia is the most livestock-dependent economy in the continent. A recent Ministry of Planning assessment provides a useful starting point for a look at the Somali experience [2].

Under the heading "Development Achievements", the report states [3]:

> Despite the disappointing lack of major overall achievement in sector performance during the 1970's, there were some significant achievements...the development of veterinary laboratory services...[establishment of] three holding grounds related to export trade...[an] artificial insemination center at Afgoi ... [and] the improvement of water supplies. ...The main achievements in this respect were construction of 38 small dams with related stock watering facilities ... under EEC Pilot Project, and the drilling of 465 boreholes by the Water Development Agency and contractors in various rural areas.

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1 Walter Goldschmidt, "The Failure of Pastoral Economic Development Programs", background paper for a conference; The Future of Pastoral People: Research Priorities for the 1980's, Nairobi, August 1980, pp. 39. At another recent international workshop, 90% of the participants agreed that "Livestock development projects in Africa have poor performance records". (Workshop on Pastoralism and African Livestock Development, AID Program Evaluation Report #4, June 1980, Annex III).

2 SDR, Ministry of National Planning, Livestock and Range Sector Study, Mogadishu, 1981.

3 Ibid., pp. 2, paragraphs 6 and 7.

b. "Achievements": An Assessment

Let's briefly consider the reality of some of these "achievements."

1) Increased Access to Water

The Planning Ministry Report raises some doubt about the impact of the 465 boreholes, since it notes immediately after mentioning them that "it is not known if the boreholes were successful". As far as the small dam program goes, all observers agree that not much of it endures. One experienced expatriate told the mission that "many" of these dams are no longer operative: plastic liners are torn, many are dry or half-filled with silt, the walls of some reservoirs have collapsed, many fences are torn, watering troughs are frequently dry and animals are using the reservoir itself, and many pumps have broken down. This is confirmed by a May 1982 visitor to seven of the reservoirs built by the EEC who observed the same state of disrepair [1]. Because of the factors mentioned, the dams require complete overhaul, in his view.

Another survey says of the Inter-Riverine Development Project that the primary objective was to increase the number of cattle available for marketing through construction of surface

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[1] Holtzman, John, The Economics of Improving Animal Health and Livestock Marketing in Somalia, USAID/Mogadishu, May 1982.

water facilities, roads, a holding ground, and veterinary centers. (Four centers were completed at Boale, Lac Brava, Afmadu, and Coriolei, but at the time of the survey [Sept. 1981] only the Coriolei was operating). Most of the water storage reservoirs require repair and/or improvement. The UN Capital Development Fund will give help for these purposes, starting sometime in 1982.[1]

2) Veterinary Services

The Central Veterinary Laboratory (Animal Serum and Vaccine Institute) survives, and now produces vaccines for the major animal diseases. But "...production capacity far exceeds demand, due in large part to difficulties in distribution of vaccine to rural centers and problems at that level to get the vaccine out to livestock" [2]. The lack of outreach is a severe problem, but is not the only one. In the Trans-Juba Project (started in 1974) four district veterinary centers were constructed at Gelib, Gimama, Almado and Brava with equipment

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[1] Procella, Pamela, Analysis of Animal Health Projects in Somalia, USAID/Mogadishu, Sept. 1981, pp. 11.

[2] Ibid, pp. 1. Procella notes that the problem of lack of outreach is general, affecting all the veterinary laboratories in Somalia. In Kismayo, for example, there is a well-equipped and well-staffed laboratory (German-financed) that offers clinical services, "However, they have reported poor cooperation from the Regional Animal Health Service and livestock owners in the area, and as a result the laboratory is under-utilized and the majority of the samples were collected by the German Field Veterinary Officers..." (p.3).

and drugs. "...But structural defects delayed their full operation. Smaller stations, known as dispensaries, were established (in five locations)...but some of these were not well-planned or constructed and are not now being used"[1].

Nor is the Hargeisa veterinary laboratory functioning. Built by a British team between 1969-1972, it has been down for many years "due to insufficient funding, shortage of trained staff, and the fact that there is no electricity during the day and no generator for the laboratory..."[2].

The Northern Range Development Project started in 1976. It financed "a comprehensive program to strengthen... veterinary services..." in the northern regions. Some $4 mn. was spent, most of it on constructing staff housing and veterinary centers. The planned expatriate management of the project never materialized. Some expatriate veterinarians quit; the Government decided not to hire others.

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1 Ibid., pp.4. This is polite language that probably means none of these stations are operating.

2 Ibid., pp.10.

Procella assesses results, with admirable sangfroid:

> Difficulties in obtaining supplies and delays in construction caused the project to fall behird schedule and prevented full realization of the original goals. Many of the vehicles and drugs imported for the project were diverted for use outside the project area, and problems were encountered in moving drugs, supplies and equipment from Mogadishu to the project area ... much of the equipment and vehicles were imported at an early stage of the project, and much of this is now in need of repairs or replacement. About 30 vehicles for veterinary use were received by the project, most of them in 1977/78, but 2/3 of them were transferred outside the project area. Laboratory and field and camping equipment were also received, and while some of it was distributed to the project area, some of it is still in the NRDP storeroom in Mogadishu ... The main benefit... of the veterinary component of this project has been the importation and distribution of .... approximately $1 mn. worth of drugs ... but problems have occurred in converting the fund (proceeds from drug sales) into foreign exchange...

The veterinarian field service consists of about 40 veterinarians and 450 animal health assistants. There is some uncertainty about the training of the veterinarians; some observers say that because their training is so bookish and their field experience so limited, they are often less skilled than herders in diagnosing and treating disease [1]. One observer comments as follows[2]:

> ...the expertise of livestock producers in Somalia remains a largely untapped resource. Producers are very knowledgeable about the causes and symptoms of animal diseases and have devised clever though rudimentary means of treatment. Isolation of diseased stock from healthy animals is a widely practiced form of disease control. Holding livestock exposed to or showing symptoms of contagious disease down wind of healthy stock is also standard practice.

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1 Kreisel, Herbert, Jansen, Doris and Lederer, Thomas, Economic Overview of Somalia with Implications for Feasibility of a P.L. 480 Title III Program, USAID/Mogadishu, 1981.

2 Holtzman, op. cit.

Quote (continued)

A crude form of vaccination against contagious bovine pleuropneumonia, practiced by traders in Southern Somalia in the 1950's and 1960's, involved applying infectious tissue to slits made on the animals' noses. When anthrax outbreaks occur in an area, pastoralists will typically burn the surrounding pasture and browse to destroy the bacterial agent. When foot and mouth infects several of the nomadic producers' cattle, he often will spread the disease using the infected animals' saliva. Local strains of foot and mouth, which debilitate cattle but rarely cause mortality, generally run their course in 18 to 20 days. By afflicting all his animals at the same time, the producer minimizes the period over which his herd suffers from disease. This practice eliminates the need to separate and provide special treatment for individual animals over an extended period while the herd is on the move. The pastoral producer therefore minimizes labor inputs and simplifies herd management under difficult circumstances. Further examples of the skill and ingenuity of Somali livestock producers could also be cited.

Unlike the veterinary service, the pastoralists rarely misdiagnose animal disease. Although the veterinary service does not usually misdiagnose animal diseases, there are isolated instances of misdiagnosis which are nonetheless disturbing. Indeed, it is the pastoral producers who usually bring disease outbreaks to the attention of town-based veterinary staff, describing the symptoms accurately and identifying the diseases correctly by their Somali name. Unfortunately, the rapport between livestock owners and the veterinary service is not particularly good at the present time. Producers complain of the unavailability of drugs when they are needed and instances of misdiagnosis of disease and unwanted vaccination imposed by force. Moreover, nomads deplore the abortions induced by vaccinating female stock late in Jilaal, shortly before most of the calf, kid and lamb drop takes place, while the environment is harshest and animal nutrition and overall condition is poorest. On the other hand, pastoral producers do appreciate curative treatment and vaccination when disease outbreaks occur. Drugs for treating ecto and endo-parasites, though in short supply, are in high demand. Nomads' readiness to pay for these drugs reflects no unwillingness to combat parasites...

There's little dispute that the district and village level staff... often do not have sufficient training or practical experience. Poor motivation is also a problem due to ... low salaries, poor supervision and communication, lack of adequate drugs, equipment and transportation...and the fact that a per diem is usually not paid for field work... Vehicles are scarce and old...breakdowns are frequent, repairs are difficult to effect ... Fuel is often very limited...[1].

Relations between the veterinary service staff and those they presumably serve, the herders and traders, are almost everywhere said to be poor. Some of the reasons why this is so were mentioned earlier, and are made evident in a story told the mission, a story that also illustrates the inadequacy of the basic vaccination service for export animals. One traveler in the north came upon what seemed to be an ambush. A group of soldiers were holding an accumulated herd of about 750 animals, so that a vaccination team could do its job. Herders trying to slip away were forced back at gunpoint. The vaccination team had no crushes and wrestled with one animal at time, taking over four minutes for each vaccination in some cases. After an hour of thrashing about, some 25-30 animals were innoculated. The team and the soldiers, tiring of the exercise, packed up and left.

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[1] Procella, op. cit.

The present state of affairs at Berbera is graphically described in John Holtzman's recent report:[1]

> The quarantine facilities at Berbera are in a deplorable state of disrepair, especially after the recent flash floods washed away fences and walls. The roofs above the cement surfaced quarantine grounds are falling down, and the watering system has not functioned for years. There is currently no means of separating diseased animals from healthy stock. Little has been done to maintain the facilities since they were constructed by the LDA during the late 1960's... Livestock traders prefer to keep their animals in temporary shaded structures built with local materials, which stand adjacent to the facilities constructed by the LDA. Not only are these structures cooler, but they are closer to the piles of fodder that traders must truck from the inland plateau in order to feed livestock awaiting shipment...

Holtzman's summary is worth citing.

> The animal health and marketing infrastructure in assembly areas in the hinterland, along stock routes, at staging areas near the principal ports, and at the ports is poor and deteriorating. Water reservoirs are punctured or inoperative, crushes and ecto-parasite treatment facilities (dips, spray pumps) do not exist or are not used, holding grounds are badly maintained or reserved for other uses, and quarantine facilities are in a hopeless state of disrepair. Yet traders are required to pay local government and port taxes, verterinary inspection fees, and customs duties with little or nothing in the way of services in return...

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[1] _Op. Cit._, 1982.

So, after 20 years of hard work by dedicated Somalis and foreigners, and despite millions of dollars of aid money, the most basic animal health and marketing services remain grossly under-provided, and mistrust is most often the prevailing sentiment of the main clients of public livestock agencies.

c. Common Prescriptions: More of the Same

Most observers of Somalia's livestock industry are in agreement with the main lines of the preceeding discussion, which is, in fact, only a distillation of what is found in available written reports and what can be heard from the lips of technicians in the field. It's unsettling, therefore, to see how frequently these compelling diagnoses are followed by program recommendations which consist mainly of urging more of the same. This is not invariably the case. Some technicians recognized long ago that services to the livestock industry should be organized, run and paid for by livestock owners and their associations. And the World Bank's recent (1981) Agricultural Sector Review explicitly notes the limits of public sector capacities and cautions against government involvement in milk production, poultry production, feedlots and meat processing. But more of the same nonetheless seem not unfair as a characterization of most new project proposals. Thus, the World Bank's 1981 Sector Review recommendations on livestock are almost exclusively public sector in character and propose a vast agenda for governmen action: improvement of the veterinary field service by staff training and better-defined work programs; vaccination campaigns; monitoring of drug supplies ("persuading farmers not to obtain drugs illegally"); and provision of more vehicles and drugs. In livestock marketing it called for control of disease by controlling movement of livestock; improved water supply; better management of quarantine and handling facilities at export sites and "reorganization" of feed supply for market stock during the voyage. It calls also for research, dairy extension, training, institution-building via creation of experimental units for studying intensive annual production, fodder, mixed farming, range management, a land use planning unit, and an animal production extension service[1].

The recent survey by John Holtzman for USAID also proposes (after a shattering description of the fate of past projects) a large array of new public sector programs - rehabilitation of marshalling yards in the ports, help to the veterinary services, rehabilitation of watering points along trekking routes, etc.

It's no surprise that one can see a peculiar kind of musical chairs game on the project side. Each donor picks up the wreckage of his own or some other donor's past projects: the UN Capital Fund rehabilitates the EEC dams, the US or IBRD

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[1] World Bank, Somalia: Agricultural Sector Review, Volume I, Main Report, pp. 23-30.

rehabilitates the quarantine pens first built by the British in 1969, and so on.

This dreary recital leads to 3 main conclusions.

1) The substantial efforts of the past two decades do not seem to have contributed significantly to the income or welfare of herders, except for the rinderpest vaccination campaign. Most of such progress as has occurred has been in spite of uncongenial policies and ineffective programs.

2) The conditions of under-development that contributed to poor project performance still exist and will persist for some time. So there is extremely little reason to expect better results from new variants of the old programs.

3) Government should concentrate its resources on activities that only it can do, or that it can do best. This in no way means a small role for the public sector; there is more than enough to strain all the money, skilled people, and organizational resources that government can muster. Examples of activities in need of direction are: training, research, specific vaccination campaigns, land use planning and regulation, and monitoring drug use in cases where misuse can have severe negative social effects. For other services, private or mixed private-public delivery systems should be sought.

d. Different Approaches

What we propose is to capitalize on the existence in Somalia of the large body of skill and energy available among the main participants in the sector. Herders and traders in Somalia - unlike many other regions - have a long commercial tradition and a well-developed market orientation, as well as great technical skill. A noted anthropologist observes[1]:

> "...the nomads have been for centuries part of a vast, monetized trading network connecting Ethiopia and the Arabian Peninsula. Commercial attitudes are consequently strongly developed".

In addition, livestock markets function effectively in delivering large numbers of animals from distant grazing points to ports for export (over a million and a half animals are exported each year). Although not everybody agrees, the testimony of most students of the industry is that there is reasonable competition in the livestock trade; a conclusion

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[1] I.M. Lewis, Somali Culture, History, and Social Institutions: An Introductory Guide to the Somali Democratic Republic, London, 1981, pp. 25.

that is also strongly suggested by the structure of the industry[1].

Finally, members of the industry have shown unusual capacity for self-organization, for solving problems, and for defending their interests. This is true particularly of the traders. In response to the inadequacies of government-provided services and facilities, the 200-odd major traders, in the export triangle particularly, have introduced various measures of self-defense, profitable to them and to producers. One observer comments[2]:

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[1] On the competition issue, see John Holtzman, The Economics of Improving Animal Health and Livestock Marketing in Somalia, USAID Mogadishu, May 1982, Chapter II, C. The competitive nature of the market is stressed more explicitly by Hunting Technical Services Ltd., Livestock Sector Review and Project Identification, Marketing chapter, (1976) and Frank Mahoney. "Livestock Marketing in the Somali Republic", December 1963. One dissenter is Jeremy Swift, in "The Development of Livestock Trading in the Nomad Pastoral Economy: the Somali Case", in Pastoral Production and Society, Cambridge and Paris, 1979. He argues that the terms of trade of livestock producers have declined historically, that this has forced herders to increase sales, and that these increased marketings have enriched livestock traders and exporters. Swift's data are old and sketchy; Holtzman's brief analysis of prices in the 1970's shows an improvement in terms of trade for herders over the decade. In any case, Swift provides no support for the argument that higher export prices are not transmitted to producers, i.e., that relevant markets are not reasonably competitive.

[2] Dan R. Aronson, "Kinsmen and Comrades: Towards a Class Analysis of the Somali Pastoral Sector", in Nomadic Peoples, No. 7, November 1980, pp. 18.

"Until recently loading was first come, first on board, with the result that more animals than could be sent were rushed down the scarp, and the small supplies of feed and water in Berbera were pressed unnecessarily. Realizing the magnitude of the costs in weight loss and confusion involved, the exporters organized their own committee early in 1978 to regulate boarding according to the serial order of the letter of credit. It should be noted that this committee is <u>not</u> a government entity nor a sanctioned cooperative in any official senses,but rather a privately-motivated dealers' association.

...some traders direct low-technology livestock feeding enterprises by buying immature animals... holding them in their trade herds, and eventually (six months for sheep and goats) moving them to market. Second, since the exporters must also provide feed (but not water) for the four-day voyage, they have enclosed many small areas in the best pastures in a wide hinterland in the highlands, and they harvest the indigenous forage. A further task of the land transport fleet involves moving these many tons of feed to Berbera, where it is stored (for use by waiting herds or on board the ships) in large walled open-roofed compounds that are also built and owned by the landlords. Fourth, wranglers are hired by the Somali government to handle the animals on board, but are paid for (and privately paid extra) by the exporters. By mid-1979 the senior exporters were beginning to talk of financing a ship to carry their control of the trade one step farther ..."

Livestock traders have acted also to protect animal heath. Traders separate unhealthy and weak animals from healthy stock, hold them for rest, strengthening, and later shipment, and sometimes treat them with drugs bought on the black market[1].

The Livestock Traders Association, finally, persuaded government to reconsider its price-tax policy by organizing, in effect, a strike in 1981. The LTA is reported to have held back shipments of livestock for 10 days while discussions took place with government representatives regarding the proposed new tax on livestock exports. Government made major concessions that

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[1] Holtzman, <u>Op. Cit.</u>

reduced the impact of the tax. The economics of this event aside, what makes it unusual is that it is one of the rare instances in LDC's where government price policies for an export industry have been effectively challenged by organized protest of industry spokesmen.

Since aid to the livestock sector has been exclusively public sector in focus and has had such modest results, the government of Somalia may now be willing to open new lines of help. This would allow some transfer of activities now done exclusively (and imperfectly) in the public sector to the livestock trader's organizations and to individual producers and traders. The general idea is to encourage traders and producers in the organization and management of their own services, helping them do more fully the things they often do already (e.g., the establishment and management of marshalling yards and quarantine pens near Berbera and other ports). Traders might organize their own veterinarian services, even hire their own veterinarians. These functions might be done by associations of traders and/or producers, or by individuals - e.g., veterinary assistants-or-veterinarians could be encouraged to sell animal care services privately.

The holding grounds problem provides a nice illustration of the differences between public and private approaches. The establishment (or rehabilitation) of public sector holding grounds - in the export triangle, for example - requires substantial capital investment (for buildings, fencing, boreholes, water reservoirs, troughs and dips), large staffs (among them, armed guards), and heavy recurrent expenditures for maintaining wells, fences and dips. The managerial problems are also severe: they have indeed defied solution in the past. Moreover, problems of equity are inherent in the public sector provision of holding areas: producers and traders are denied access to significant areas of good rangeland. And political risks are involved: pastoral producers have always opposed forced enclosure of rangeland. Holtzman observes:

> Given the highly mobile nature of livestock production, the location of livestock markets vis-a-vis the holding grounds, the increasing investment by farmers and traders in enclosures for forage production and in water reservoirs, there is no prima facie justification for further investment in government holding grounds. Somali pastoralists need to be able to move their livestock in response to the highly variable pattern of rainfall in order to make best use of the rangeland. Livestock traders are quite capable of providing forage and water for their livestock as long as there are no restrictions on enclosure and reservoir contstruction.

Private holding grounds - such as now exist in some places - avoid most of these problems. Investments are (or can be) privately financed, the technology is better adapted to local capacities, the budget problems are avoided and the management problems are transformed, broken into decentralized and "manageable" pieces.

A private sector approach to the provision of holding grounds is not free of problems, and government would retain an important regulatory role [1]. But it seems to hold greater promise than its main alternative, and its feasibility certainly merits further exploration.

In terms of next steps, one way to begin would be for USAID to encourage the creation of a formal sectoral group as a framework for discussion of strategy, programs and policies. This Livestock Sector Working Party should include representatives of the Livestock Traders Association, livestock producers, government representatives, and donors interested in the sector, as well as related private interests (transporters, forage producers, etc.). The group would consider new initiatives in the sector and it would be understood that donor support would probably be forthcoming for recommended new programs.

It is, of course, impossible to set out detailed proposals here. Project ideas would presumably be developed for submission to the Working Group. The ideas mentioned earlier are simply illustrative: for private individuals or associations, a credit window to finance investment in facilities related to production, trekking, holding or exporting is an example; improvements in the holding yards

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1 Among other issues, government will have to deal with the problem of enclosure. In the export triangle, exporter demands for cut forage have led to enclosure of fertile areas by farmers. Some livestock exporters are also enclosing areas for forage production. Enclosure is illegal, but difficult to stop. For example, farmers petition for leases to enclose crops, then grow forage. Government will have to adjust the interests of agriculturalists, pastoral producers and traders.

near Berbera and well-digging for water supply to meet dry season needs of marketed stock are other examples. Competitive provision of such facilities by individuals or associations could be encouraged. Also, experimental private programs are necessary to meet needs that are now inadequately met by public sector providers. For example, the LTA might be encouraged to manage its own veterinary facilities or run the quarantine system. Private individuals (pharmacists ?) might be allowed to sell vaccines and other drugs. At the same time, parallel public sector-organized experiments might be performed on a small scale. An example would be the "Barefoot Vets" idea [1].

The USAID Mission can make an impact by exploring the feasiblility of projects along these lines in the course of its upcoming exercise in project identification in animal health and marketing. Indeed, even if the Working Party idea proves unacceptable, or unworkable, USAID has a responsibility for trying to infuse more private content into future livestock projects - assuming, of course, a Somali government readiness to experiment along these lines.

The principle of nurturing decentralized organizations to be vehicles for provision of services is as applicable to the progressive farmers now appearing in significant numbers in the Upper Shebelli region as it is to livestock producers and traders. These farmers could be helped to form a citrus

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[1] CF. Brenda Halpin, "Vets Barefoot and Otherwise", Pastoral Network Paper, #110, Overseas Development Institute, London, January 1981.

growers' council or a broader regional farmers' organization to manage their own input supply, including seedling distribution, fertilizers, tractor services and maintenance of pumps, irrigation canals and roads. The farmers' organization could conceivably hire its own technical assistance staff to service its members. The farmers' organization could subcontract some - conceivably most - of these functions to individual farmer-traders, road contractors, tractor owners. As citrus develops its export potential, new marketing functions could be given to the growers.

It may also be possible to capitalize on the individual initiatives already manifested in the region. For example, a number of individual farmers are raising grapefruit seedlings for sale to other farmers. Encouragement via credit and other assistance could be made available to such farmer-nursery owners. Private road construction and/or maintenance may also be feasible in this region. The farmers have already contributed 2 mn. shillings for construction of a road and for bridge repair. Similarly, private provision of tractor services would expand if more tractors could be bought by private farmers. More complex schemes are conceivable - for example, government subsidy of tractor services for poorer, smaller and/or newer farmers.

The first step in the Upper Shebelli would be to have a project identification mission investigate much more intensively than the present mission could, the scope and pattern of agricultural transformation occuring in the region. At the same time, it should explore in detail the feasibility of the program ideas mentioned above and the organizational alternatives available to implement them.

3. Developing the Local Constuction Industry via Contracting

The indigenous construction industry is highly underdeveloped, as noted earlier. There are in the whole of Somalia only a few dozen contractors, all relatively small.

AID, other donors, and the Government of Somalia can and should make more explicit and elaborate attempts to use local contractors in road and building construction and maintenance, even at a cost in terms of higher prices and longer delays. This is no new idea, of course. The UNDP has had projects focused on training local contractors, and the Bank has done it with some success - in Ghana for example[1].

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[1] See World Bank, Accelerated Development in Sub-Saharan Africa, An Agenda for Action, Washington, 1981, p. 107.

Kenya has gone furthest. Its national construction company helps local African contractors with bidding and contracting procedures, planning of civil works, and logistics. This means nursing local contractors - slicing up project construction components into smaller pieces; helping with bid preparations, bid bonds, supervision, possibly training. It also should include a program for the strengthening of the government's contract-letting capacity. USAID should study the Ghana and Kenya examples for possible application of their on-lending and training aspects to Somalia.

4. Managing Agency Contracts

The problems of public enterprises in manufacturing, including sugar production and refining, might be eased by wider resort to expatriate management. This is not so much because poor management is the main part to the state-owned enterprises problem; it isn't. But expatriate management has many uses, not least the vehicle its presence provides for increased access to official development assistance. This notion is explained and developed in a later section, on state-owned enterprises.

5. U.S. Investment Possibilities

Somalia may present genuine attraction for private U.S. and other foreign investors, now that liberalization is moving ahead. Two possibilities stand out. The most promising is in citrus production, in the Upper Shebelli. The quality of Somali grapefruit production is excellent and production is spreading; it's clear that growing conditions are very good. Markets are in easy reach and there is flexibility in timing of harvesting. Most people say that grapefruit has a great future in Somalia. Signs of its potential abound. The seedling multiplication center at Genale, for example, is unable to meet demand, which has grown to an estimated 80,000 a year. Present capacity is 5000 a year. The EEC is helping in a project to raise this to 20,000 a year[1].

The United Fruit Company (a subsidiary of Standard Brands) has expressed some interest in Somalia as a place for new investment. A proposal concerning bananas is under discussion between Somali officials and United Fruit; the International Finance Corporation was involved at an earlier stage. United Fruit representatives say that they are not interested in grapefruit. The Mission and AID/W should make contact with other U.S. citrus interests to encourage exploratory missions to Somalia.

A second area of potential private investment is ranching. The approval of the Gisoma project, which may ultimately utilize

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[1]Growers want grapefruit so much that they would like to replace bananas. But they can't get fertilizers except for bananas.

many thousands of hectares for cattle production for export and dairying for local consumption, suggests that the economics of large-scale ranching should at least be investigated. Large areas of fertile land are avialable for such enterprises and government is encouraging development along these lines. This is another area for exploration by the Mission and by the Private Enterprise Bureau and others in Washington.

V. The Private Sector and State-Owned Enterprises

A. The State Enterprises

Part of the legacy of the 1970's is a sizable collection of state-owned enterprises (SOE's) - some 45 of them with a more or less commercial role. A list of these agencies is shown in Table X; a more complete list of public enterprises and agencies is given in Annex VI, Table 18. The text table groups the SOE's by their major function: commodity production (mainly manufacturing), marketing (outputs and inputs), transport, financial services and other services[1]. The table also shows employment in each of the agencies as estimated in a 1979 manpower survey of the Ministry of Labour.

These state-owned enterprises are a serious preoccupation of most observers - foreign and local - concerned about Somalia's economic stability and growth. With a few exceptions, they are

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[1] Some of the classification decisions are arbitrary. The power and water enterprises, for example, are placed in "other services" though they could be classified as "commodity producing".

Table X

STATE-OWNED ENTERPRISES BY TYPE OF ACTIVITY AND EMPLOYMENT IN 1979

Commodity - Producing	
Enterprise	Number Employed
Los Koren Fish Factory	192
SOMALFISH	164
Cigarette & Match Factory	603
Mogadishu Milk Factory	97
Sugar Factory (SNAI)	4209 1/
Somaltex	1639
Kismayo Meat Factory	430
Oil Mill	104
Incas (Cartons)	206
Itop (Fruit Cannery)	138
Hides & Skin Processing	138
Foundry	104
Flour & Pasta Factory	205
Afgoi Brick & Tile	119
Oil Refinery	170
Somali-Libyan Agriculture Development Co. (Libsoma)	250
National Agency for Construction	1795 2/
Juba Sugar	981
Kismayo Leather Factory	96
Balad Irrigation Project	970 4/
Fanole Irrigation Project	?
TOTAL	12,610

Marketing (+ Input Supply)	
Enterprise	Number Employed
Agricultural Dev. Corp.	883
National Banana Board	482
ONAT	1387
Somali Fish Trading Agency	?
ENC	1010
National Petroleum Agency	971
National Agency for Building Materials	210
Hides and Skins Agency	291
Agency for Textiles and Household Appliances	143
Aspima	286
Trading Agency for Spare Parts	330
Livestock Development Agency	637
National Range Agency	830 3/
TOTAL	7468

Transport	
Enterprise	Number Employed
Somali Shipping Line	199
National Transport Agency	95
Somali Airlines	448
TOTAL	742

Financial Services	
Enterprise	Number Employed
State Insurance Co.	210
Central Bank of Somalia	253
Commercial and Savings Bank of Somalia	602
SDB	127
Social Security Fund (CASS)	191
TOTAL	1383

Other Services	
Enterprise	Number Employed
Somali Port Authority	3191 5/
Somali Forwarding Agency	?
National Shipping Agency	121
State Printing Agency	851
Somali Consulting and Engineering Agency	8
National Agency for Tourism & Hotels	853
National Electric Energy Authority	540
Mogadishu Water Agency	298
TOTAL	5862

1/ Jowhar only; includes 2368 temporary workers
2/ Of which 1671 were temporary workers
3/ Of which 523 were temporary workers
4/ Of which 570 were temporary workers
5/ Of which 2344 were temporary workers

Source: Ministry of Finance and Ministry of Labour and Social Affairs, Classification of Public Sector Employees by Occupation: Manpower Survey, Volume 2, Mogadishu, August 1979.

believed to be highly inefficient[1]. They tend to be short on managerial and technical competence, over-sized in terms of physical plant and employment, and almost always short of other inputs - raw materials, other supplies, spare parts, and maintenance. The almost invariably pay too little for local raw materials and charge too little for outputs. To them is attributed much responsibility for the budget deficits of recent years, and for the growth in bank credit which fueled Somalia's high inflation rate in the late 1970's and early 1980's.

For all of these reasons, Somalia's public enterprises are on all agendas for economic reform or "restructuring". The World Bank and the IMF in particular have concentrated on them - the Bank in a 1976 study, updated in 1978, and in later consultations, the Fund persistently. The prescriptions for Somalia are like those put forward in other countries: improve the management of the state-owned enterprises, make non-commercial objectives explicit, and get rid of non-viable agencies.

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1 World Bank studies show that out of a sample of 8 SOE's for which mid-70's data exist, 4 were consistently unprofitable, and only one (the pasta factory) a significant money-maker. They show also that most industrial SOE's have run at a small percentage of capacity since the mid-70's. Value added per worker in industrial SOE's fell in real terms by 13% a year between 1970 and 1978, while it increased by 6% p.a. in private sector manufacturing. There is much supplemental visual and anecdotal evidence. Two examples of the latter: a) The hotel in Shalambod was once run by its owner and 6 employees. Now, nationalized, it employs 52 people with a lower volume of business. b) According to management of the government's foundry, there is a private foundry in Mogadishu which turns out greater output, profitably, with one-sixth the work force of the ailing government foundry.

B. SOE's and Privatization

How should these SOE's be approached in a private sector-oriented strategy? Five themes are developed below.

. Divestiture - selling of SOE's to private buyers - should not be a major thrust of policy. The potential benefits are small, the potential risks and costs high.

. The SOE's offer special opportunities for attracting public aid and as training vehicles and these should be more fully exploited. At the same time the negative effects of poor past investment decisions should be contained and ventures designed to "validate" them by new investments or policy changes should be entered into only after very carefully assessing their costs and benefits.

. While joint ventures provide some potential for privatizing SOE's, they also frequently require incremental investment or dubious new policies, and so similarly require careful evaluation.

. Less attention should be given to the commodity-producing SOE's and more to those in marketing and other service sectors.

. Indirect privatization is likely to be most effective; for example, leasing of SOE's and the elimination of their monopoly/monopsony rights.

1. Divestiture

There is in Somalia some scope for divestiture - selling off SOE's or shutting them down. Some agencies once regarded as essential are now superfluous. Others never were needed; they are the heritage of decisions that time has shown to have been misguided.

Somalia has already acted in this area. As noted earlier, four agencies have been shut down in the past 18 months[1] and others are candidates for divestiture - e.g. several hotels and the ENC. Even casual observation suggests that this list of divestment possibilities could easily be extended. The foundry, for example, has scarcely functioned for several years; a private foundry exists in Mogadishu and produces greater output than the state foundry with one sixth the number of employees.

It would be a mistake, however, to see in divestiture substantial potential benefits in Somalia.

First of all, some of the SOE's are not, in fact, "commercial" in nature in the sense that they cannot be profitable no matter how well managed and not matter how "right" their prices. Good examples are the regional hotels of the tourism agency. These hotels, like The Waamo in Kismayo, fill socio-political needs; "delegations" of official and unofficial

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[1] The Livestock Development Agency, the Agency for Textiles and Household Appliances, the Agency for Building Materials, and Somalifish.

visitors have to be lodged somewhere and there is no feasible alternative to the hotel. Even if these travelers were billed at (and paid) full costs, the volume of business is so small and other sources of hotel revenues so minor, that the hotel must be subsidized if it is to exist at all. This is clearly no candidate for divestiture.

Secondly, some of the state-owned enterprises are really government departments that have been given autonomous agency status. Why this happens is often unclear; usually the reason can be found in history, in some forgotten political need of the past. For whatever reason, the National Agency for Tourism and Hotels, the State Printing Agency, Aspima (the drug pharmaceuticals importing agency), and the National Range Agency are all autonomous agencies in Somalia but do things government ministries could do, and in fact do, in other countries.

Third, and most important, in manufacturing, where divestiture is usually thought of as most applicable, the scope for privatization is limited by the fact that so few of the SOE's are profitable or indeed can be made profitable even with highly protected markets, privileged access to inputs, little or no provision for depreciation, and no charges for amortization or interest on capital. Many of these are not much more than shells - their equipment down, their skilled workers gone, their input supply too costly: e.g. the edible oil factory, the foundry, Kismayo meat factory, Mogadishu milk factory.

All of this means that the classic problem of divestiture is starkly present in Somalia: nobody in the private sector wants to buy losers, and government is not interested in selling any of the few consistently profitable SOE's, such as the pasta factory.

2. Is Divestiture Worth Pushing?

The question then arises: it is worth it, in formulating reform strategies, to focus so heavily on the manufacturing parastatals in general and on divestiture in particular? And more directly relevant in this report, should stress on divestiture be part of a private sector-focused strategy? In the Somali case the answer to both questions would have to be no. In addition to the poor propects for actually achieveing much divestiture, the gains, even with success, would be small. There's not much savings to be had by cutting back on padded wage bills, and the manufacturing SOE's don't contribute much to the credit expansion problem.

There is in donor circles a great deal of talk about the negative incentive and fiscal effects of overstaffing. But as Table X shows, total employment (1979) in all the commodity-producing SOE's amounted to 10,500 (half of it in the sugar industry) and in manufacturing proper only 4,400 were employed, half in the two "big" factories - textiles and cigarettes. Total paid employment in 1979 numbered about 150,000, so the numbers involved in the industrial SOE's are small, relatively as well as absolutely.

The importance of the SOE sector in credit expansion is also frequently pointed to in discussions of public enterprise reform. There is something to this. In the 1970's (1970-79) the money supply in Somalia grew by 22% a year (520% over the decade) and consumer prices in Magadishu rose by 150%. The main source of monetary growth was expansion of banking system credits (28% p.a. increase, or 850% during the decade). Credit to SOE's rose 700%, accounting for over 40% of the growth in bank credit. Tables 19a and b in Annex VI summarize these figures.

However, the manufacturing public enterprises had relatively little to do with this credit expansion. As Annex VI, Table 19b shows, about 80% of SOE indebtedness derived from the state trading agencies. This is mainly due to government failure to pay for goods and subsidies. The industrial sector's debt grew relatively slowly after 1975 and in 1979 amounted only to about one-seventh of total banking system credits outstanding.

These numbers bring out what most policy-makers already know - that the heart of the public enterprise problem is not in manufacturing or even in commodity production more generally (sugar cane production and refining, other state farms, construction) but in the trade/marketing sector. The input supply agency (ONAT), the crop marketing agency (Agriculture Development Corporation), and the state import monopoly (ENC) employed over 3000 people in 1979, as many as all the manufacturing enterprises other than Somaltex and the sugar operations. They were also the main vehicles of credit expansion in the late 1970's, as noted earlier.

The employment and bank credit data suggest, then, that the benefits of divestiture - at least in the industrial sector, where it is most often considered - are likely to be relatively small in Somalia. And whether significant savings on unnecessary wage payments can, in fact, be realized is not sure, since divestiture usually involves staff transfers more than sackings.

If the benefits are small and uncertain, the risks and potential costs of divestiture policies are substantial. a) Divestiture requires that the Somali authorities take extremely unpleasant and often politically dangerous steps - fire people, destroy symbols of modernization, impose economic hardship on particular regions and groups, admit past error and waste. Any sale of public assets to private parties generates suspicion of corruption, and charges of selling out to capitalists - often foreigners. It is not surprising that the local authorities are lukewarm, to say the least, in their attitudes toward divestiture.

b) Foreign partners of Somalia, in giving high priority to divestiture (especially relevant to manufacturing SOE's), use up political goodwill and intellectual resources needed for more promising reform initiatives.

c) There are real advantages in having SOE's remain in public sector: once privatized they would be excluded from access to most official development assistance. In Somalia's circumstances, where donors are plentiful and anxious to help, while channels for aid are few, this could be a significant cost. Put differently, if appropriate policies were pursued, these costs could be high.

3. What SOE's Shouldn't Do

"Appropriate policies" are those that would minimize the cost of SOE's and maximize their benefits.

Cost minimization for most of the manufacturing SOE's would mean a policy of "containment," of "letting sleeping dogs lie." The survival of the Kismayo meat factory, or the Mogadishu milk factory can be readily tolerated. The problem with these enterprises is not so much that they are useless or wasteful. It is that they are always trying to expand, in their desire to become less useless or wasteful. The policy-maker's problem is to pen them in and redirect them to more socially useful activities, meanwhile fending off attempts to "validate" them by new investment upstream or downstream, or by sympathetic economic policies. The clearest example is the Kismayo Meat Factory. Aside from other problems, this factory labors under a fundamental economic constraint: relative returns (social and private) strongly favor exporting live animals rather than processed meat[1]. The enterprise has never been able to secure a sufficient supply of cattle at market prices. For many years, government tried to deal with this problem by giving the Livestock Development Agency (LDA) a monopoly on cattle purchases in the Juba region around Kismayo. The LDA tried to impose lower-than-market prices on live cattle, in order to provide cheap inputs for the meat factory. Producers and traders resisted, and widespread disruption of cattle

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[1] CF. Booker Agriculture International Ltd., "Pre-feasibility Study For Carcass Meat Production," Arab Investment Company Ltd. and the Somali Democratic Republic, May 1980.

markets ensued. The exercise proved to be a costly failure. It ended with the closing down of the LDA in 1981. Now the meat plant scarcely functions at all; it operated for 3 months in 1980 and one month in 1981. But it only costs about $350,000 a year to keep it going.

The Mogadishu milk factory is another example. In this case the factory was created on the expectation that an annual supply of 20,000 litres of raw milk would be forthcoming from cows in the Mogadishu area. In fact, at the factory's offering prices no more than 3,000 litres have been available in recent years and as output has fallen and maintenance requirments have gone unmet, the condition of the plant has deteriorated [1]. Various efforts have been made to find a way out. One "solution" has been to turn the plant into a milk reconstitution operation, mixing powdered milk, oilfat and fresh milk for local marketing. But other "solutions" have been proposed - for example, the establishment of a state dairy farm - i.e., endowing the milk processing plant with a captive source of milk. And there is a report that

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[1] The factory's present offering price is 3 shillings a liter; the price in the open market is 6 shillings.

the EEC is financing re-equipment of the plant and a doubling of capacity[1].

These stories illustrate what SOE's should not do - attempt to validate themselves by creating economically unjustifiable or at best highly risky, backward linkages. These SOE's have to be fenced in, not extended. There may be cases where one economically irrational investment decision can find salvation by new investments involving expansion or the forcing of new linkages, but these are doubtless rare.

4. What SOE's Should Do

What then should the SOE's do? The general prescriptions urged on SOE's everywhere are relevant in Somalia: improvement of management, greater transparency of operation, reduced politicization in some key respects. Better management is, of course, not only - perhaps not even mainly - a matter of training better managers. Most of the problems of Somalia's SOE's derive not from managerial imcompetence, but from the surrounding environment and from history: weak budget

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[1] A recent study estimates that total milk production from cows owned by Mogadishu households was 30,000 liters a day in 1981, of which about 70% is marketed - perhaps 22,000 liters. Any expansion of milk processing capacity would therefore have to rely on different, more distant and presumably more costly sources of supply. (C.B. Singh, Prospects of Milk Supply to Mogadishu, A Report of the Ministry of Planning, December, 1981.

and accounting systems and disorderly intra-public sector financial relationships, scarcities of trained and motivated staff, uncongenial macroeconomic conditions (e.g., limited and irregular access to foreign exchange and even to domestic raw material inputs, working capital scarcities due in part to tax policies), and the fact that many state enterprises were ill-conceived to begin with.

One way to strengthen SOE management and also allow them to deal more effectively with the problems of the surrounding environment is to bring in foreign management specialists under managing agency arrangements. Three purposes would be served. a) A formal link would be be created between the SOE in question and some donor source. b) Foreign management would probably be more inclined to debate with government such matters as input and output pricing and this would increase transparency. The foreigners might also be able to better withstand political pressures regarding hiring and firing. c) Day-to-day management would probably be improved, and more on-the-job training could take place.

The central notion here is that for the industrial SOE's in particular, what is needed is special access to a foreign source of support - a patron - who could provide money and other help - access to information, including technology, and perhaps political support- and that this special access can be created by the presence of a foreign management team.

The model is the Booker presence in the Juba Sugar Project. This large production and refining project (8,000 ha. in cane targeted, 4,000 now in production; sugar production 16,000 tons in 1981 and 24,000 tons targeted for 1982) is managed by Booker International, under contract to the Ministry of Industry. Booker has brought in 60 expatriates, 30 British and 30 Indian. They have also brought in a British presence and with it a widened access to official British assistance. So, when a vital piece of equipment broke down a few months ago, and there was no hope of squeezing money either from project resources or from the Somali government budget to replace it, the Booker people called on the British aid agency (ODM) for help. A small grant ($50,000) allowed the purchase of the needed new equipment.

Similarly, the Juba project was endowed by the ODM with an excellently-equipped training workshop for key crafts; it's probably the best source of such training in the country. Other training efforts are evident at Juba - middle level management workshops, for example, (very little of which seems to be available elsewhere in Somalia) and casual observation suggests that it is a much more relevant kind of training than is dispensed in the crowded classrooms of the SIDAM.

There is no reason why the training efforts at Juba could not be expanded - with financing either by government subsidy, or, more likely, by foreign assistance. Nor is there any reason why the Juba model could not be replicated, though generally on a smaller scale. The development literature for decades has pictured industrial enterprises as sources of "externalities", notably training and intangible modernizing effects. In fact, in Somalia at least, the industrial sector has provided little training and few intangible benefits; its radiating effects have been mostly negative. But the industrial SOE's can be made to serve these goals more effectively by moving in the direction indicated by the Juba project: bringing in foreign management to help create or ease access to aid, and making special efforts to turn the factories into on-the-job training institutions, which will produce skilled people for the economy as a whole.

C. Indirect Privatization

For non-financial SOE's that are not commodity producers, divestiture in the sense of shutting their doors is conceivable. Some marketing bodies have, in fact, been divested in this sense - the Livestock Development Agency, for example, and the construction materials and home appliances agencies. Many of the employees of closed enterprises can be, and usually are, taken on elsewhere in the public sector, so fears about increasing unemployment need not be constraining. When the Livestock Development Agency was wound up, for example, many of its workers were transferred to the National Range Agency.

Objections to divestiture still remain strong, however, making it unlikely that the burdens of uneconomic SOE's can be much reduced by frontal assault. Indirect means are more promising, and a number of these are at hand: leasing, joint ventures, and competition.

1. Leasing

Leasing is suitable in situations where:

a) profitability is achievable if amortization of capital costs and interest charges can be reduced or completely written off, and b) profits are especially sensitive to management inputs. It has been used in the hotel industry in a number of LDC's[1]. Lease arrangements can be coupled with equity participation. This is likely to be advisable where the property in question needs repair and/or refurbishment. The hotel case again provides a model, and indeed, recent proposals by investors from the United Arab Emirates regarding the Aruuba Hotel appear to follow this model, though details are still sketchy. It is evident, in any case, that for part of the public hotel sector (the Juba and Aruuba hotels) this solution is tailor-made, and the interest in it by foreign businessmen and government officials suggests that it is likely to be adopted[2].

2. Joint Ventures

The joint venture is not likely to be of much value for privatizing existing SOE's. Because profitability

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[1] In Liberia, for example, the hotel built for the 1979 OAU conference has been leased to a Swiss firm. The hotel is well-managed. Though it allows no contribution to repayment of the investment cost, this arrangement removes the danger that the hotel will require current budget subsidies. To the contrary, the rental charge contributes to revenues.

[2] In May, 1982, a businessman from the UAE offered to take over the three main Mogadishu hotels (Aruuba, Juba, Shebelli). He proposed to refurbish them and then split operating profits 50-50 with the government. The government was agreeable and has asked for a concrete proposal.

prospects of most of Somalia's commodity-producing SOE's are so dim, private capital is not likely to be attracted to many of them. Booker International, for example, is clearly not interested in equity participation in the Juba sugar project, which has better profitability prospects than most.

For new projects, the joint venture has greater potential. It is conceivable, in fact, that it may be too readily accepted by the Somali government. Unwise projects or policies may be adopted in the presence of a joint venture arrangement which would otherwise not be adopted. Government may, for example, be induced by its majority ownership share to increase a joint venture's profitability by added protection, subsidies, or other assistance which may involve high costs of the national economy. Or, projects in joint venture form may be accepted with less scrutiny than those that are wholly private.

These dangers are particularly severe in transitional periods, such as presently exist in Somalia, when a government is eager to open up to private foreign investment. Supplier credit-based joint ventures may, for example, saddle the participating government with heavy obligations to pay off loans for imported equipment used in projects lacking technical and/or economic merit.

While the joint venture can entail real dangers, it also, of course, has great appeal, especially as a device for introducing private (particularly foreign) capital into a country like Somalia where it has been previously unwelcome. It is too early to tell whether concern about negative consequences is misplaced. It seems that only one major joint venture has come on the scene in recent months: the Cisoma project, an agricultural-livestock producing scheme, for which the final green light was apparently given very recently. This is a big project - an $83 mn. investment - involving import of highly sophisticated machinery. Its scale, the special features of its financing, and its technical and economic uncertainties indicate that negative effects may be possible[1].

3. Competition

Allowing competition from other agents (traders, cooperatives, etc.) is the best way to induce greater efficiency in SOE's and reduce their economic costs.

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[1] See Annex III. Another, much smaller joint venture also indicates how this vehicle can lead to distorted investment decisions. With the collapse of SOMALFISH after 1977, a joint venture was put together with private capital: SOMITFISH. Two trawlers were purchased. But the private participants represent boat manufacturers in Italy. The Italian government lent the joint venture money on soft terms to finance the purchase. Actual trawler operations, however, appear to be going slowly.

This is what has been happening since 1981 in rural marketing and input supply. The ADC's monopsony rights were taken away, and farmers were allowed to sell to private traders. It is happening in general trade as well, as ENC loses its import monopoly. Letters of credit multiply and other state import agencies (such as WAGED, the vehicle and spare parts importer) must deal with competition from additional importers.

Deregulation in the sense of allowing more competition is relevant in many other sectors. Pharmaceuticals importation and distribution, for example, could easily be liberalized, with the existing import monopoly, ASPIMA, retaining responsibility for servicing public institutions. The National Transport Agency has, in effect, a monopoly over large-volume road traffic, by virtue of its exclusive ownership of heavy (twenty ton) trucks. Given access to imported vehicles, many other trucking firms could compete[1]. The state insurance agency monopoly could be diluted, and its responsiveness enhanced, were other insurers present - either in general insurance or in specific and high priority special areas, such as international

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1 The National Transport Agency was established to deal with drought and other national emergencies in the late 1970's; government found that it was unable to requisition enough trucks. In 1982 it had 291 trucks, 220 of them operable. The nature of its liquidity problems is suggested by the fact that while it did 47 mn. So. sh. business in 1981, it had 10 mn. sh. in unpaid accounts.

trade. The legal monopoly of ONAT on provision of tractor services in rural areas is no longer enforced. It would remove uncertainty if this was acknowledged publicly and private or cooperative provision of these heavy equipment services were encouraged. The Somali-Hellenic Shipping Agency, which has a monopoly on shipping of live animals to Saudi Arabia and other markets, was formerly the source of many livestock trader complaints. They said that service was expensive and inadequate. The performance of the shipping line has apparently improved in recent years, but a question remains whether it is wise to put the country's major export industry in the hands of a single shipper[1].

In summary, the USAID posture with respect to SOE's in Somalia should consist of the following: 1) a lower level of preoccupation with divestiture and with the manufacturing SOE's in general, 2) closer attention to

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[1] In 1979 the Somali government entered into a joint venture with the Somali and Greek Shipping Company to form the Somali-Hellenic Shipping Agency (SHSA). The SHSA operates five livestock carriers for Somali-Saudi Arabia live animal trade and charters others as needed. It has replaced the Somali Shipping Agency. Livestock exporters are not allowed to charter vessels except through SHSA. During the peak export season SHSA charters additional vessels for the exporters. The 1981 accounts of the SHSA indicate that its revenues from ship operations are unprofitable: only 70% of current expenditures on these operations are covered by revenues from them. But SHSA derives most of its revenues from fees and commissions (53 mn. So. sh. out of total SHSA revenues of 75 mn.). It is possible that these represent a large element of monopoly "rent."

reform of the marketing and service parastatals, mainly by opening them up to competitive forces, and 3) encouragement of links between donors and individual commodity-producing SOE's to minimize their negative effects and increase their benefits - notably as training institutions.

Annex I

Statement of Work

1. Objective: To assist the GSDR and USAID/Somalia in preparing an appropriate strategy for stimulating private sector growth in Somalia.

2. Specific elements of the statement of work are as follows:

   a. Assist the government to identify policy reforms to stimulate domestic and foreign private sector investment and growth. The objective is to encourage private sector activity which will be beneficial to economic development, i.e., lead to an increase in agricultural production, economic expansion and job creation.

   b. Identify obstacles to increased private investment and solutions to overcome them. Examples are: Investment Code, access to foreign exchange, profit remittance policies, rules on localization, etc.

   c. Examine ways to improve management in certain key public sector industries: i.e., the sugar industry, the Agricultural Development Corporation (ADC) and hotel management. Options such as gradual "divestment" and/or private sector equity participation should be analyzed.

   d. Contact firms who have industrial management contacts in Somalia to help define the divestment possibilities open to Somalia.

   e. Define a general strategy for stimulating the growth of the manufacturing section - the "informal" sector. This strategy should rest on an analysis of the appropriateness of the present policy environment, and should explore the potential of deregulation as an expansionary device.

   f. Define approaches which will stimulate activities in non-manufacturing sectors - trade, transportation, services such as health care and education, and training.

g. Assess the extent to which present and projected USAID programs are attuned to private sector needs.

h. Review documentation in the U.S. prior to visiting Somalia. Following the visit to Somalia, the consultant is expected to contact American firms and discuss, as appropriate, the findings of the consultancies in Somalia.

Annex II

Somalia's Investment Legislation

1. Foreign investment legislation can be a useful guidepost in an examination of a country's attitude to outside investment. In general, however, these laws tend to be very broadly framed in key provisions, and do not vary greatly between countries.

2. The main features of Somalia's law (Law #7 of Jan. 1977) are as follows:

a. It is silent in important respects, e.g., local content requirements, ownership restrictions, and exchange controls. It has very general provisions on compensation for nationalization, arbitration of disputes, and similar matters.

b. It gives responsibility for administration of the law to a Committee of Foreign Investment composed of the Chairman of the Planning Commission (as Chairman) and 10 Directors-General. This is a cumbersome body and it is not clear where the secretariat work is done, if anywhere.

c. The law doesn't specify pioneer industries, nor does it set down general tax holidays. It provides, however, that the Minister of Finance can grant tax exemptions for up to 5 years.

d. The law puts modest restrictions on domestic and external borrowing by foreign investors, and on repatriation of profits and other factor earnings.

3. In its major provisions, Somalia's law closely resembles the laws of other African governments. In 1981, Price, Waterhouse and Co. issued a survey of the investment policies of 73 countries. The policies of the African countries covered (Egypt, Ivory Coast, Kenya, Liberia, Malawi, Morocco, Nigeria, Zambia, Zimbabwe) are compared with Somalia in Annex II, Table 1.

4. One issue of critical importance to foreign investors involves repatriation of capital: profits, dividends, royalties, etc. Table 1 summarizes repatriation provisions in the investment codes of the countries in question.

Annex II Table 1

REPATRIATION OF CAPITAL

	Capital Gains	Tax Rates: Dividends/ Branch Profits	Interest	Royalties	Allowable Salary Remittances	Other
Egypt 1/	Taxed on remittance	Taxed 3/	Taxed 3/	Taxed 3/	2/	Remittance of profits requires govn't. approval and company currency.
Ivory Coast 1/	Taxed on remittance	12% of 50% of profit	20%	2/	100%	
Kenya 1/	No remittance	20%	30%	20%	2/	
Liberia	2/	2/	2/	2/	100%	No restrictions ("Open door policy")
Malawi 1/	2/	2/	2/	2/	66%	No restrictions on interest, repatriation of capital & profits needs govn't. approval, takes 3-5 years.
Morocco 1/	Not taxed	2/	2/	2/	30-50%	Very rapid, easy.
Nigeria 1/	Taxed 3/	Only 60% can be remitted	Taxed	2/	50%	
Zambia 1/	2/	20%	30%	30%	33% up to $682	All remittances must go into foreign exchange "pipeline". Long, difficult process.
Zimbabwe 1/	2/	20%	2/	10%	100%	If "venture capital", investor may repatriate after 2 years. Otherwise no remittance. Only 50% profits can be repatriated.
Somalia 1/	2/	Taxed 3/	Taxed 3/	Taxed 3/	50-75%	Repatriate after 3-7 yrs., depending on conditions. Only 30% of capital can be repatriated as profits.

Footnotes: 1/ Invested capital, new capital, technology agreements, etc. must be registered with an agency of the government to insure rights of repatriation.

2/ Information inadequate.

3/ Tax rate unknown.

Source: Price, Waterhouse study.

5. While all countries allow invested capital to be repatriated, Zimbabwe seems to prevent repatriation for "non-venture" capital. If capital invested in Zimbabwe acquires "venture" capital status (which appears to mean that the investment is in a "new business"), capital may be repatriated after two years. Zambia makes disinvestment difficult by forcing the proceeds from sale of assets in Zambia into a "pipeline", which is converted into foreign currency as reserves become available. The other countries in the Price Waterhouse sample allow relatively easy repatriation. Liberia has no repatriation restrictions at all, and most Franc zone countries are similarly liberal. The others differ mainly in their treatment of capital gains.

6. Table 1 shows Somalia to be "moderate" on the issue of repatriation of capital. Law #7 requires a five year interval from the date of registration to the time when the capital can be "freely transferred abroad." This interval can be cut to 3 years or extended to 7 years at the discretion of the Committee on Foreign Investment. The Somali law also says that interest and dividends can only be repatriated at a rate of 30% of the registered capital per year. The law allows the investor to carry over and accumulate the unused portion of the 30%. Any transferred profits are subject to withholding taxes.

7. A second major area for comparison is the treatment of tax incentives. Many countries in the sample provide several forms of tax incentives to encourage foreign investment. It is difficult to rank these laws in terms of generosity to investors, but it is safe to say that the Somali code seems to be the most discretionary of those in the sample. Any time it is in the "public interest", the Minister of Finance can grant "total or partial exemption" from the various applicable taxes (See Annex II, Table 2).

8. Other laws relating to foreign investment, including ownership restrictions, exchange controls, and other legal requirements are not spelled out in Law #7 and must thus be assumed to be negotiable. One section of the Somali code requires that no firm "shall employ non-Somalis where suitably qualified Somalis are available." Most LDC's impose a similar employment restriction.

Annex II Table 2

SUBSIDIES AND TAX INCENTIVES

Egypt	5-8 year tax holiday, plus the possibility of exemptions from duties on fixed assets, employee rights, price fixing, etc.
Ivory Coast	25 year income tax exemption from residential construction profits (5 years if factory construction), 5-25 year exemption from real estate taxes, 5 year exemption on business license tax, 10 year exemption on certain import duties, 10 year reduction on export duties (50%), special incentives (25 years) for priority enterprises, special incentives for tourism, no retroactive changes.
Kenya	No subsidies, incentives "exception rather than the rule". However, some exemptions on importation duties on machinery, plant, machines, aid programs, etc.
Liberia	Generally, incentives given to firms that: employ locals, are in "priority sectors", add at least 25% value to product, increase Liberian participation, and use Liberian raw materials. Special exemptions (for 5 years) include: 90% of duty on materials, machinery, etc., no tax on reinvestment in fixed assets, 50% income tax waiver, full refund of duties paid to produce exports, etc. (including Industrial Free Zone).
Malawi	No subsidies, but: good tariff protection, generous depreciation, etc.--"few non-service companies pay tax in their early years" (no formal system).
Morocco	None
Nigeria	3 year tax holiday for "pioneer industries", plus a possible 2 years. Duty relief on re-exported goods. High tariffs on imports.
Zambia	"Priority enterprises" receive: 5 year tax holiday (extendable), accelerated depreciation, 15% investment allowance, some duty relief. Additional agricultural project tax relief exists.
Zimbabwe	Some rural areas: tax incentives for all inventives.
Somalia	Minister of Finance has DISCRETION to remove any or all taxes. (No subsidies/incentives exist in code).

Source: Price, Waterhouse study.

9. However, even though the Somali law is similar to those of other developing countries, there are several components of the law that could worry potential investors. Two articles provide the government with the means to expropriate and nationalize private property during wartime, or when the action is in the "public interest." No real definition is given for "the public interest" and no limitations are provided in the law. In addition, no definitions are given as to what kinds of "equitable compensation" should be paid at the time of expropriation.

10. It should be recalled that Law #7 was drafted in the mid-70's and passed into law in 1977. It thus reflects the 1977 posture toward private foreign investment. Even so, it is not much different than that of other African countries, though it is perhaps less explicit on important subjects. In any case, as noted in the text, most countries tend to be flexible in the presence of a significant foreign investment, so the formal legislation, no matter how forbidding on paper, usually provides no real obstacle to a genuinely interested investor.

The attached study, "Key Juridical Information for Private Investments in Somalia," was prepared by the German government. It summarizes the provisions of a recent German-Somali investment treaty and surveys Somalia's existing laws on foreign investment. (See Annex II, Attachment).

ATTACHMENT TO ANNEX II

KEY JURIDICAL INFORMATION FOR PRIVATE INVESTMENTS IN SOMALIA

A Study Prepared by

The German Economic Cooperation Company[1]

March 1982

(Unofficial Translation)

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1 The German Economic Cooperation Company (Development Company), Inc. - DEG - is the financing institution of the Federal Republic of Germany for the promotion of establishments of enterprises on a partnership basis and expansions of German firms in developing countries.

1. Capital Protection and Legislation on Investment

1.1. Agreements Under International Law

1.1.1. Treaty for Promotion of Investments

A treaty for the promotion and mutual protection of capital investments was concluded between the Federal Republic of Germany and the Somali Democratic Republic on 27 November 1981.

The treaty still needs to be ratified by both parties; it is to come into effect one month after exchange of documents of ratification. According to Article 9 of the treaty capital investments effected before the treaty comes into effect are also to enjoy its protection.

Essentially the treaty provides:

- Capital investments of one treaty party in the sovereign territory of the other party are expressly encouraged (Article 1) and are given equal treatment with domestic capital investments (Article 2).

- Article 4 provides a comprehensive protection of the capital investments of the other treaty party. The concept capital investment also embraces property rights, participation in companies, their earnings, claims to money (repayment of loans), dividends, and interest.

- Article 4 Section 2 regulates the comprehensive property protection. Expropriation and measures similar to expropriation are permissible only in the public interest and in return for adequate compensation. The compensation is interest-bearing and must be actually negotiable and freely transferable. Due course of law is made available.

- Article 5 guarantees free transfer of all payments connected with a capital investment.

1.2. Constitution

The constitution that came into effect in 1979 (thus far there is no translation from the Somali) guarantees in principle the right to private property (Article 28). This right ends where it comes in conflict with the public interest. According to the constitution the government is responsible for determining when that is the case; it also decides how private property expropriated in the public interest is to be adequately compensated for. The repatriation of compensation payments is guaranteed.

1.3. Law No. 7 of 29 January 1977 on Foreign Investments (the Investment Law)

This law is the basis for every investment by foreigners in Somalia. In principle foreigners must get the approval of the State Planning Commission before effecting an investment (Article 1 of the Investment Law).

If the intended investment is accorded the status of a "productive enterprise," special privileges provided in the law become applicable.

According to Article 5 of the law "productive enterprises" include all enterprises which benefit the Somali economy by production or services or contribute to the development of agriculture, animal husbandry, fisheries, industry, hotel-keeping, the transportation system, the power industry, and the infrastructure (in the broadest sense). Similarly, all operations in the field of petroleum and mineral exploration count as productive enterprises. The decision whether an investment is a "productive enterprise" is up to the Committee on Foreign Investment.

Article 2 of the law accords to the state and/or parastatal institutions the right to acquire a participating interest in enterprises of foreigners in Somalia. The nature of such a state participation is regulated by contract between the parties.

According to the law, foreign investments (in the form of foreign capital, machinery, equipment, materials, patents, licenses, trademarks--Article 17 of the law) enjoy:

1.3.1. <u>Protection of Property</u>

Foreign capital investments effected with the approval of the State Planning Commission, according to Article 17, Sections 1 and 2, enjoy the same treatment as is accorded to local investments.

According to Article 17 Section 3 of the law, the property is expressly protected against expropriation (except in cases of the public interest), nationalization, or other measures similar to expropriation.

In case of expropriation an adequate compensation-- in accordance with the constitution--is guaranteed by this law as well.

1.3.2. <u>Guarantee of Transfer and Retransfer</u>

<u>In the case of "productive capital investments"</u>:

Capital sums, interest, and loan repayments are transferable abroad up to the amount of 30 percent annually of the capital brought in. Unused transfer rights can be carried forward to the next three years.

The capital brought in (participation) is transferable in the same currency as a rule for 5 years (in exceptional cases 3 years) after its importation (Article 8).

Earnings on capital, and interest, can be reinvested and upon simple notification of the Committee on Foreign Investment automatically enjoy the same status as capital imported from abroad. If the reinvestment exceeds the original investment, approval of the Committee on Foreign Investment is required (Article 9).

All capital transfers must be made through the Central Bank or one of the banks authorized by it (Article 21 of the law).

The Central Bank can permit the carrying of an account abroad for handling previously determined payment transactions (such as payment for machines bought abroad).

The Central Bank can allow exporting concerns to open "non-resident accounts," which are kept in foreign currency. These concerns are then no longer subject to the general foreign exchange allotment system.

This advantage given to exporting firms over importing firms is a matter of controversy at the Central Bank.

<u>In the case of "non-productive enterprises" or foreign investments which do not fit in with Somalia's economic development plans:</u>

Captial sums and interest are transferable up to an annual amount of 10 percent of the capital invested in shares or loans.

Such capital transfer is not allowed until at least 7 years after registration of its importation and extends over 3 years (Article 14 of the law).

Investments effected in accordance with the Investment Law need no further permission from the Central Bank of capital transfers.

1.3.3. Investment Incentives

-Fixation of Tariff and Tax Rates (Article 15 Section 1 of the law).

The rates of tariffs, direct taxes, and other levies prevailing at the time of registration of the investment are binding for the first 10 years (only in the case of "productive enterprises").

-Exemption from Levies (Article 15 Section 2 of the Law)

For investments that are in the national interest the finance minister can grant complete or partial exemption from import duties, export duties, excise duties, income taxes, and municipal levies for up to 5 years (only in the case of "productive enterprises").

-Expatriate Permits (Article 17 of the Law)

Appropriate residence permits and work permits are granted to indispensable foreign professional and technical personnel. Fifty percent (where justification is shown, 75 percent) of their incomes as well as social security contributions is transferable abroad. There is a legal obligation to restrict the employment of foreigners to experts and to eliminate it over the intermediate term.

1.3.4. Licensing Procedure

The foreign investor addresses his investment application, with the exact title and detailed exposition of the investment project, to the State Planning Commission (Article 1 of the Law).

The State Planning Commission forwards the application within 45 days after receipt to the Committee on Foreign Investment. This consists of the chairman of the State Planning Commission, who is always the representative of the Ministry of National Planning, as chairman, and of the directors general of the Ministry of Finance, the Ministry of Industry, the Ministry of Fisheries, the Central Bank, the Development Bank, and the Commercial Bank (Article 2 of the Law).

This committee decides on the investment project in accordance with the Investment Law and the plans for the economic development of the country, in consultation with the relevant ministries or other competent authorities if the case so requires (Article 4 of the Law).

Not less than 60 days after the investor's application the State Planning Commission conveys the decision of the Committee on Foreign Investment to the applicant (Article 6 Section 1 of the Law).

If the planned investment has as its object the establishment, expansion, renovation, or reactivation of a firm, the State Planning Commission will register the investment not less than 90 days after application. From that date on, the investment enjoys the privileges of this law. The founding of the company under the corporation law can now take place.

The approval of the investment includes all permits required for the organization and operation of an industrial firm.

1.3.5. Other Provisions of the Investment Law

So-called "Somali companies" acceptance of foreign funds is restricted; if Somali investors hold more than 30 percent of the capital of such a company, the borrowing must not exceed 75 percent of the company capital. If a public institution is a participant in the capital, borrowing of foreign funds is allowed up to the level of the company capital.

So-called "foreign companies"--to judge by the wording of the law--are not subject to these limitations. All acquisitions of capital and long-term borrowing, however, are to be reported to the Ministry of Finance. Borrowing abroad is subject in principle to the approval of the Committee on Foreign Investment.

The registration of the foreign capital investment is irrevocable in principle. The privileges of the Investment Law cease to apply if the company develops no activities of any kind within a year after registration and cannot show that this is not the fault of the company, or if a firm interrupts its business activity for more than a year.

1.3.6. Note

Because of the relatively small investment activity of foreigners in the industrial sector, there is little experience thus far with the Investment Law. The involvement of the most varied government agencies and institutions complicates the course of the licensing procedure.

The competence of the Committee on Foreign Investment is comprehensive. The fields of discretion in regard to the granting of investment permits and investment incentives are largely determined by the aims and intentions of the Five-Year-Plan.

The catalog of investment incentives listed in the law appears to be expansible depending on the national economic interests in an investment.

Thus far no regulations have been issued to implement the law.

2. Civil, Commercial, and Company Law

The Somali Civil Code now in force (Law No. 37 of 2 June 1973; **Bolletino Ufficiale**, 1973, pp. 569 et seq.) contains in its civil law portion, in addition to the original Italian law, elements of Egyptian civil law. On the other hand, the corporation law portion is largely identical with the Italian Codice Commerciale.

2.1. Forms of Company

2.1.1. Simple Company (Società Semplice) Article 2251 et seq., Cciv [Codice Civile; Civil Code]

2.1.2. Public Corporation, Article 2291 et seq., Cciv

2.1.3. Simple Limited Partnership, Article 2313 et seq., Cciv

2.1.4. Limited Partnership With Shares of Stock, Article 2462 et seq., Cciv

The above forms of company hardly come into consideration, for reasons having to do with the laws governing liability.

2.1.5. <u>Corporation (Società per Azioni), Article 2325 et seq., CCiv</u>

In the case of the corporation, only the company is liable for the obligations of the company, with its property (Article 2325).

<u>Founding of a Corporation</u>:

The founding agreement (constitution) (Article 2328) is formalized before a notary public. It must contain:

-The original participants, the firm name, the company headquarters, the amount of the capital subscribed and paid up, the par value, number, and kind of shares, value of the contributions and claims made in kind, regulations concerning the distribution of profits, number and managers and statement of who represents the firm, number of members of the board of directors, and length of life of the corporation.

The statutes, or articles of association, which contain stipulations as to the company's line of business, are, even though they are the subject of a separate notarized document, a supplementary part of the constitution and must be attached to it.

For the founding of a corporation, it is necessary that

-The total company capital has been subscribed,

-At least 3/10 of the capital subscribed has been paid in to a bank in money, and

-All official permits are in hand.

The notary who has witnessed and received the constitution of the company transmits it within 30 days to the office of the regional court. The judge of the regional court initials the founding documents and transmits them to the attorney general for consideration. The latter makes sure that the documents are in accordance with Somali law. The judge of the regional court thereupon orders what is called the convalidation of the company and its entry in the registry.

The company constitution is deposited and registered with the office of the regional court.

With the entry in the register the company obtains the status of a body corporate.

For the transactions carried out in the name of the company before its entry in the register, those who carried out said transactions have unlimited liability as general debtors as regards third parties (Article 2331).

The corporation can also be founded by public subscription on the basis of a prospectus.

Executives and Executive Organs of the Corporation:

Regular meeting (convenes annually and rules on the approval of the balance sheet, the election of officers and of the members and chairman of the board of supervisors, the setting of the compensation of the officers and of members of the board of supervisors, matters of business that are reserved to it by the constitution, and on the responsibility of the officers and the directors) (Article 2364).

The special general meeting decides in particular on changes in the articles of association or constitution of the corporation (Article 2365).

Protection of the minority is guaranteed: Stockholders who represent at least 1/5 of the company capital can force a general meeting (Article 2367).

The regular general meeting has a quorum present when at least half of the company capital is represented. The regular general meeting decides by a simple majority provided the constitution does not provide for a specially defined majority.

If more than half of the company capital is represented at a special general meeting, a quorum is present (Article 2368).

Directors:

If the management of the company is entrusted to more than one person, said persons constitute the board of directors (Article 2380). The directors represent the company (Article 2384).

Board of Supervisors:

The board of supervisors consists of three or five regular members, who may be stockholders or non-stockholders. In addition there should be two deputy members (Article 2397). The board of supervisors supervises the management of the company (Article 2403); it meets at least once a quarter (Article 2404).

2.1.6. Limited Liability Company (Societã ã Responsabilitã Limitada), Article 2472 et seq., Cciv

In the limited liability company only the company is liable for obligations with its property.

The limited liability company is to be founded in a public document. Its content corresponds *mutatis mutandis* to that of the corporation. The formal steps in the founding of the limited liability company also correspond to those of the corporation (Article 2475).

The articles concerning the executives and executive officers of the corporation (general meeting and directors) also apply to the limited liability company. A board of supervisors is prescribed obligatorily only for limited liability companies with large capital funds (Article 2488). In such cases the corresponding regulations concerning the corporation are applicable.

Unlike the corporation, the limited liability company is not allowed to issue bonds.

The terms "foreign company" and "Somali company" which appear in the Investment Law (Law No. 7), Article 12, are alien to company law. They do not designate forms of companies, but rather give expression to the make-up of the capital and its subscription in foreign exchange.

2.2. Property Right Reservation

According to Article 427 of the Civil Code, it can be agreed in a credit arrangement that the transfer to the buyer of property rights is subject to a delay until complete payment of the purchase price, even though the article sold has been turned over to the buyer.

It is not clear, however, whether the reserved property right holds good when a third party acquires the object in good faith.

2.3. Real Property Law

According to Law No. 73 of 21 October 1975 soil and subsoil are property of the state. Pieces of ground can be obtained from the state on a concession basis (similar to perpetual lease). These transfers must be registered.

On concession land an annual ground rent must be paid to the Ministry of Agriculture.

The land registry is kept by the Ministry of Agriculture.

Land held by perpetual tenure can be encumbered by mortgages.

2.4. Mortgage Law

The mortgage (hipoteca), Article 2808 et seq., Cciv, gives the creditor the right to sell the objects which guarantee his claim and to satisfy his claim on a preferential basis from the resulting yield (Article 2808).

Essentially the following can be encumbered by mortgages: stationary articles of commerce with their furnishings (e.g. machinery), the usufruct of such articles, and the right of the person entitled under perpetual lease and that of the issuer to a piece of ground encumbered with a perpetual lease (Article 2810). The mortgage also extends to the buildings and other improvements of the mortgaged piece of property (Article 2811).

Motor vehicles can also be mortgaged. These mortgages are entered in the Public Registry of Automobiles.

The mortgage is substantiated by a notarized document and is registered with the court of appeal that has local jurisdiction. It holds rank based on the time of its registration.

3. Court Procedure

Mutual recognition and execution of foreign court decisions is not guaranteed between the Federal Republic of Germany and Somalia. Consequently, German verdicts can be executed in Somalia only on the basis of a recognition procedure, which does not rule out the objective review of the German verdict. For that reason it makes no sense to agree on an exclusively German jurisdiction. On the other hand, litigation in Somalia is time-consuming and costly. The risk of litigation is calculable only to a certain extent. (Original jurisdiction: where the amount at issue is less than 3,000 Somali shillings, district court; over 3,000 Somali shillings, regional court; appeals are heard by the Court of Appeal; court of review is the Supreme Court.)

Decisions of foreign arbitration tribunals too, are only conditionally subject to execution in Somalia. (Somalia does not adhere to the U.N. agreement of 10 June 1958 on the recognition and execution of foreign arbitration findings.)

For that reason out-of-court settlement of legal disputes is desirable.

For disputes between investor and the government concerning the interpretation of the Investment Law (Law No. 7 of 29 January 1977), an arbitration procedure is provided under Article 18 of the law. The decision of the three-man court of arbitration is final.

There is no legal aid agreement between the Federal Republic of Germany and Somalia.

4. Taxation

4.1. Corporation Tax

All joint-stock companies registered in Somalia are subject to the corporation tax. The tax rate is uniformly 35 percent of the profit subject to tax (Law No. 3 of 19 February 1963 supplemented by Leg. Decree No. 26 of 5 November 1966).

In determining the income subject to tax (profit), all expenditures that went into the making of that profit are deductible. Write-offs can be claimed.

4.2. Double-Taxation Agreement

No double-taxation agreement between the FRG and Somalia exists.

5. Somalia's Membership in International Organizations

United Nations and U.N. specialized organizations and subordinate agencies such as ECA and UNCTAD

Group of 77
OAU [Organization of African Unity]
Islamic Conference
Arab League
Arab Economic Organization
Non-Aligned Countries Movement
Free-Trade Zone of Eastern and Southern Africa
Associate Member of the European Communities (ACP [African, Caribbean, and Pacific Countries])

Annex III

Notes on the Cooperative System

1. The law on Cooperative Development (Law #40 of 1973) established cooperatives in all sectors. These were to range from marketing organizations to complete producer collectives. The stated aim was to move toward full-scale collectivization.

2. Since 1978, the cooperative movement has consisted of two levels of organization. At the base are "industry-wide" units in six branches: Agriculture, Fisheries, Construction and Transport, Food and Services, Livestock and Forestry Products, and Handicrafts and Small Industry. The number of individual cooperatives and membership within each branch is shown in the Annex III, Table 1.

3. The agriculture coops claim the largest membership - 42,355 according to the 1981 Activities Report of the National Cooperative Bureau. They are reported to have cultivated 73,000 ha. in 1981.

4. The law envisages 3 types of agricultural coops, patterned on the system in the German Democratic Republic:

- The Multipurpose Coop involves little collective activity. Members own their land, tools and animals. The coop provides services. These coops cover 2-4 villages and have between 100 and 1000 members.

- The Group Farm Cooperatives involve collective ownership and cultivation. This usually covers only new land, cultivated in addition to existing individual holdings.

- Cooperative Farms, which organize all inputs collectively (no private land-holding is permitted), do not exist in Somalia. State Farms have been created in their place.

Annex III Table 1

NUMBER OF COOPERATIVES AND MEMBERSHIP, Dec. 1981

	Agriculture			Fisheries		Handicrafts/ Small Industry		Food & Services a/		Transport & Construction		Livestock and Forestry Products b/	
	# Multi-purpose coops	#Group farms	#Members	#Coops	#Members	#Coops	#Members	#Coops	#Members	#Coops	#Members	#Coops	#Members
W. Galbeed	4	15	1,176	3	254	1	46	8	2,353	6	588	2	185
Togdheer	1	14	1,365	-	-	1	31	1	67	1	30	4	162
Sanaag	2	12	869	2	104	-	-	5	1,569	-	-	7	987
H'ran	1	7	352	-	-	-	-	2	45	-	-	1	20
Sh. Dhexe	20	43	4,002	-	-	1	35	4	197	3	74	1	25
Sh. Hoose	30	63	14,952	2	150	5	750	11	509	3	259	4	195
Bay	28	60	6,518	-	-	-	-	2	201	4	235	-	-
Bari	-	-	-	-	-	1	20	6	1,447	-	-	9	3,015
Bakool	1	7	1,559	-	-	-	-	1	20	-	-	1	37
Gedo	12	14	4,900	-	-	-	-	1	66	2	52	1	134
Nugal	-	-	-	-	-	-	-	1	58	1	30	1	26
Juba Hoose	9	26	3,951	3	679	-	-	3	1,290	2	164	3	64
Juba Dhex	5	22	3,072	-	-	-	-	2	124	-	-	-	-
Mudug	-	-	-	3	190	5	452	2	62	-	-	-	-
Galgadud	-	-	-	1	27	-	-	-	-	-	-	-	-
Banaadir	-	-	-	1	127	4	705	10	602	5	4,276	2	70
TOTAL	113	283	42,355	22	2,820	19	2,063	35	8,510	28	5,708	35	4,920

Source: Xisbiga Hantiwadaagga Kacaank Soomaaliveed, Ururka Dhagdhagaaga Iskaashatooyihka Soomaaliyed, Warbixinta Dhagaalaha Udhis Mugdisho, Maajo 1982. (Somali Revolutionary Socialist Party, Bureau of Cooperation, Report of Activities, 1981, Mogadishu, May 1982).

a/ Food and Services is composed of butchers, vegetable sellers, clothing and utensil sellers, and porters.

b/ Livestock and Forestry coops are divided into 4 units: Animal exporters and fatteners, charcoal producers, charcoal traders, and firewood sellers. The livestock exporting coop shipped only 21,000 animals in 1981.

5. The numbers recorded as "cooperative members" cannot be taken as indications of farmer "involvement" or commitment. In most cases, the cooperatives play little role in the village. This is suggested by the very low figures for production marketed through coops[1].

6. The 22 fishing coops claim 2820 members. Of the 22, four are ex-nomad resettlement centers, administered by the Coastal Development Project; fishermen here resemble wage earners more than cooperators. In forming the 18 other cooperatives, government officials envisaged that "true" fishermen would join together to market their catch and acquire inputs. In fact, as noted in the text, government provided boats and gear without charge - at least the motorized boats-and many of the "real" fishermen stayed outside the cooperative structure. The cooperatives have a legal monopoly on fish marketing, but this is not enforced; the better fish are sold in the parallel market. In Kismayo, for example, one can see only trash fish (at 7 Sh/kg.-the official price) in the coop selling stand. Nearby, the good quality fish are sold openly for 10 Sh/kg. With privatization of the boats and withering of the official fish marketing structure, the future cooperative role is problematic.

7. The Transport and Building Cooperative is divided into a two-unit building division (building stones and lime). The Transport division has four sub-divisions: buses (1207 members), taxis (1348), mini-vans and trucks (1303) and trucks (370) which haul goods from the port.

8. The Service and Food Coop also has 4 divisions: butchers (slaughterhouses), vegetable sellers, clothing and utensil traders and porters. The Livestock and Forestry organization is divided into an animal export unit, a livestock fattening unit, charcoal producers, charcoal traders and firewood sellers.

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1 See IBRD, <u>Somalia: Agricultural Sector Review</u>, Vol. III, Annex 6, pp. 6-9, for more detailed discussion.

9. Since 1978, industry-wide cooperative branches have been placed in a cooperative Bureau - a kind of national union of cooperatives. It is, in effect, a semi-public organization, formed to take cooperative administration and policy determination out of the various ministries or agencies to which they were formerly responsible.

10. The union of cooperatives, or Cooperative Federation, is a bureau of the Party (The Somalia Democratic Socialist Party), and is responsible for overall cooperative affairs. Since its formation the Cooperative Bureau seems to have concentrated mainly on establishing its credentials and on financial matters - its own financing - and on planning for its future[1].

11. The Bureau's annual report for 1981 shows it to have the following financial assets:

	(Millions of shillings)
Cash	15.0
Vehicles	4.1
Agricultural Equipment	14.9
Office Equipment	1.7
Buildings	7.8
Farms	6.3
Raw Materials	5.5
Accounts Receivable	4.3
	59.6

It appears that this represents assets of the underlying cooperative, as well as those of the central Bureau. The same report shows a delicate debt situation: outstanding debt is about 20 mn. Sh.

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[1] It has a Five Year Development Plan, drafted in 1980 with the help of two American advisors.

12. The 1981 _Activities Report_ of the Bureau has a revealing discussion of the cooperative movement's "problems". It is worth citing at length. The Bureau's managers give the following list of problems.

a. There's no cooperative tradition in the country. The Somalis are, in fact, highly individualistic people.

b. There are some groups in the higher civil service who don't want to give an important role to the coops, and it is difficult for the cooperatives to combat these people.

c. The Party and the Government are not fulfilling their promises to the coops in terms of budget appropriations, provision of spare parts (especially for fishermen) etc.

d. There's a lot of cheap propaganda put out by anti-revolutionary people, misinterpreting the activities of the coops.

e. There are too few educated people in rural areas, people who know the technical aspects of socialist economics. Those that exist serve the interests of "blood-thirsty bourgeois individuals" rather than small farmers and businessmen. The coops meanwhile are too short of trained people to protect their interests and to correct their mistakes.

f. The agricultural coops didn't receive good seeds this year, and they lacked fertilizer and herbicides. They were also badly paid - too little to cover their production costs.

g. Some government agencies haven't followed the provisions of Law #9, which transfers cooperative affairs from the ministries to the Bureau.

h. The fisheries cooperatives complain that the Ministry of Fisheries gives power to individuals rather than to coops, and to independent coops that don't belong to the Bureau.

Annex IV

Some Observations on Strategies for Fishery Development

The main lines of policy in the fishery sector seem to be as follows:

.In the artisanal fishing subsector, privatization of motorized boat ownership and redirection of fishery cooperatives into marketing, input supply, and maintenance.

.In deep-sea fishing, provision of adequate supplies of landed fish to sustain on-shore cold storage and processing facilities by creation of a new joint venture with multilateral financing and private fishing company participation.

.Integration of the artisanal and deep-sea components of the industry by requiring the company that runs the deep-sea trawler operations and associated on-shore processing facilities to provide inputs and services to traditional fishermen.

These new approaches certainly are more promising than the old. Also, since the nature of the service-providing joint venture is still under discussion, details remain unclear. However, doubts arise even at this stage.

First, it is not clear that "integration" is desirable. At least three types of fishing activity are involved, with different catch characteristics, different requirements in terms of quality of storage, and different characteristics of final products. The "integrating" project lumps these together, and this could well put a burden on the industrial operation, making it "carry" the "traditional" fishery and cold storage/processing components.

Second, it's not evident that the integration of the two kinds of fishery activity is feasible. The private company managing the trawler operation and on-shore processing facilities will have no special competence or experience with the kinds of problems posed by the development of traditional fishing. There's also a danger that the company in question may make only token efforts in that sector, since profitability will depend on its deep-sea activities and related processing.

Other, more basic questions arise. Neither of the privatization steps so far made (individual boat ownership and a deep-sea joint venture with international capital and management) go far enough. Thus, the fishing cooperatives are still being relied on, in the revised focus of the FAO project for example, to provide the underlying institutional infrastructure without which artisanal fishing can't expand: the maintenance facilities, provision of gear, repair services, marketing, etc. And the proposed "integrating" project would presumably have these services provided by "the company" in some institutional form.

Neither of these approaches seems likely to succeed. The history of fisheries cooperatives in Somalia gives no hope that they can perform marketing or maintenance functions. To the contrary, there is every reason to believe that once foreign assistance ends, the cooperatives will find themselves without adequate budget resources, without sufficient technical capacity, and subject to loss of trained people because of salary inadequacies. They will, in other words, find themselves operating at very low levels of effectiveness, if at all. Meanwhile, another opportunity will have been lost to begin the process of creating genuine intermediaries, trained people and durable institutions that can provide ongoing services to the industry.

Is it possible to draw on West African experiences in framing a strategy for Somalia? In West Africa, small-scale, "traditional" fishermen contribute between 25% and 90% of landings; for West Africa as a whole, the average share is 75%[1]. They employ, in 14 coastal West African counties, about 600,000 people, compared to 10,000 employed in industrial fishing enterprises[2].

The West African pattern, as observable in a band running from Sierra Leone to Togo, i. - or was - as follows.

Local fishermen - Fanti in many cases - operate large outboard-powered canoes which they buy, manage, and maintain by themselves. In the more open economiès, parts and other inputs and services are available through private commercial dealers. Evinrude-Johnson used to be dominant; Japanese Motors came in later.

These are relatively sophisticated operations, based on the use of large nets. The nets are bought by the fishermen and/or woven by them and repaired regularly by hand. (Much reweaving and knotting is required due to frequent snagging, shark contacts, etc.).

These boats are launched and beached in open surf and/or operated out of harbors and river inlets. They are concentrated around urban markets - Freetown, Monrovia, Accra, etc. The catch is typically sold on the local market. Ice and cold storage is very rare. The catch is sold <u>fresh</u>, not to cold stores.

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1 G. V. Everett, "Some Observations on Small-Scale Fisheries in the CECAF Region," in <u>Report of the Adhoc Working Groups on Fishery Planning</u>, CECAT/TECH/79/14 CEN, DAKAR, 1979.

2 J. G. Sutinen, R.B. Pollnac and H. P. Josserand, <u>The Fisheries of West Africa and Prospect for Development</u>, Draft, Feb. 1981, mimeo., p. 35.

A second class of West African fishing actually consists of fishermen with smaller canoes, paddled by 1-3 fishermen. This group catches surface fish (barracuda, mackeral, kingfish, etc.) and some bottom fish (sea bass, red snapper). These operations require little or no capital beyond filament line and hooks, which are bought in local shops. The catch is sold on the beach or in local public markets through private (women) traders. This fish is high cost and services the upper income consumers in town.

A third type of operation involves running long nets from the beach in a great semi-circle. The net is pulled in. A wide variety is caught - from trash fish to barracuda. The fish is sorted on the beach and usually sold to market women. No ice or cold storage enters here either.

All of these successful types of "artisanal" fishing have several characteristics in common. 1) Government had very little role in it in the past, and even now its involvement is limited in most countries. 2) It is all indigenous, and the technology is simple. There is little or no reliance on cold stores, on refrigeration, on lengthy distribution chains. 3) A network of small-scale private actors services the fishermen. On the input side, private traders sell (sold) nets, motors, spares, fuel, filament lines, hooks, etc. The producers are plugged in to a traditional marketing system, with local traders (market women) playing a key role.

Inland distribution is rare. But there are some cases that are possible models for such distribution. The best is <u>Mesufish</u>, a private, Liberian company. Mesufish packed fish by variety and value in plastic bags, stacked them into heavy cartons, and froze them solid.

These were sold daily to market women, a few cartons at a time and retailed in certain central markets. They were also transported in Mesufish refrigerated trucks (mid-size) to interior towns and large concessions. The trucks reached as far as Voinjama, a town some 400 miles away from the coast, along poor roads (3/4 unpaved). Frozen cartons were delivered to a Mesufish agent (in Voinjama and some other places he was Lebanese, elsewhere African). The agent ran a wholesale operation, as well as retail; out of a diesel-powered cold store he sold frozen fish on the public market. Fish also moved by market women via taxis to markets 40-odd miles away from Voinjama. The unopened frozen boxes of predominantly junk fish would survive a half day out of the freezer. By this means remotely-situated villages had regular access to "safe" fresh ocean fish. In the Voinjama market as many as 15 women traders dealt in these fish.

There is nothing in these various West African patterns that could not be replicated in Somalia[1]. The essential elements are a more permissive public policy toward private traders, a modest transport infrastructure, a minimum of foreign exchange. The network of intermediaries now absent could be developed in the private indigenous sector. A relatively simple processing and cold storage operation like that of Liberia's Mesufish might service some of the interior markets, as well as an export market for higher quality fish. Neither of the present elements of fishery programming - the cooperative-based marketing and input supply program of the FAO fisheries project, and the "integrating" project of the Bank, IFC and private capital - is really designed to strengthen indigenous capacity and develop a fishery sector that can survive the withdrawal of foreign aid.

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1 The deep-sea operations in West Africa, incidentally, do not necessarily or even commonly have much to do with on-shore processing facilities. Much processing for export takes place on modern trawlers or transport ships.

Annex V

The Gisoma Project

1. The Gisoma Project will create an enterprise which is 51% Somali government owned, 49% owned by the GIZA Corporation of Reggio, Italy. The project accord was signed in mid-1980. The Italian government gave a grant of $8 mn. to the SDR for its initial contribution. The remaining funds were to be found in private capital markets. The project authorities sought Italian government investment insurance, but this was denied repeatedly because the Somalia government has a bad record in its insurance repayments. In any event, in May 1982 the Italian government relented, and an insurance agreement was signed. This should ease financing and make the project possible.

2. The project is to cost U.S. $83 mn. It will involve initial development of 4000 ha. of irrigable land in the Upper Shebelli; the company will have rights to a total of 14,000 ha. The objective is to produce for export to the Gulf States large numbers of calves (40,000 a year) and similar numbers of sheep and to produce milk for export and for local consumption. It will be a wholly-integrated operation, growing its own feed, processing its own dairy products, etc.

3. Much remains obscure about the project. Many questions have been raised by government technicians.

a. The technology is ultra-modern and extremely sophisticated. An irrigation system, for example, involves 100 small motors that propell a wheeled sprinkler network. It is designed for environments with abundant skilled labor and extensive supporting institutions.

b. The project will require 40,000 feeder cattle a year. But a study done a few years ago of feeder stock (all marketable cattle) came up with a number of 46,000. From this, local slaughters and existing exports would have to be deducted. So it's not clear that local off-take can provide anything like the proposed number of feeder cattle.

c. The project also wants 50,000 feeder sheep each year. Local technicians say that this is not possible - presumably meaning that such a demand would raise prices too much to sustain the profitability of Gisoma.

d. Nor do the input assumptions seem to take account of the important matter of seasonality in the offer of feeder animals. Nomads do not sell evenly all year long. Usually they sell very little in March and April (except in drought years), and do not begin selling in any quantity until June.

e. The economic and financial details of the proposal are unclear on many issues. It does not seem, for example, that the profitability calculations take account of depreciation.

f. The feasibility study submitted in support of the project makes numerous technical assumptions which are optimistic, to say the least.

. Yields of sorghum and maize are projected to be 6-7 tons per ha., a level never reached in Somalia; the highest attained has been four tons/ha., in Mugambo.

. None of the fodder crops proposed have ever been grown in Somalia.

. Huge fertilizer inputs are proposed - 66 tons per ha. of animal manure a year, plus an additional 2 tons of chemical fertilizer - with which there is no experience in Somalia.

. A daily weight gain of 1 kg. is projected for local stock. But the best that's ever been done locally up to now, with local breeds, is .6 or .7 kg./day.

. They give a 98.6 calving rate. But the experience with cross-bred (Friesian) dairy cows indicates that 75-80 is good performance.

• They propose a milk productivity of 4,000 liters per cow. This implies use of either cross-breeds or pure Friesians. However, even cross-breeds in Somalia don't give more than 3,000 liters.

• The price used for finished beef in their analysis is twice as high as the current market price for export meat.

Taken together these issues certainly give cause for concern about the appropriatness of the project in its present form.

STATISTICAL ANNEX VI

Annex VI Table 1

GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY

(Millions of Current Somali Shillings)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Agriculture, Livestock Forestry and Fishing	1078	1019	1378	993	996	2287	2639	3213	3940	5177
- Crop Production	(380)	(329)	(426)	(340)	(333)	(423)	(463)	(560)	(602)	(697)
- Livestock	(555)	(522)	(776)	(467)	(465)	(1642)	(1931)	(2379)	(3042)	(4118)
- Forestry	(158)	(164)	(171)	(180)	(190)	(205)	(225)	(253)	(287)	(340)
- Fishing	(4)	(4)	(5)	(6)	(8)	(17)	(21)	(21)	(9)	(24)
Mining and Quarrying	23	24	26	25	30	35	36	40	28	36
Manufacturing	128	146	151	157	185	187	253	324	368	400
- Small Establisnments	(26)	(33)	(34)	(45)	(83)	(63)	(75)	(75)	(126)	(152)
Electricity & Water	4	8	9	16	17	20	30	31	29	34
Construction	105	112	128	120	257	204	219	302	206	283
Transport & Communication	133	140	147	178	212	323	272	325	302	337
Wholesale & Retail Trade, Hotels and Restaurants	196	217	267	292	350	398	384	467	610	870
- Wholesale & Retail Trade	(182)	(201)	(251)	(276)	(332)	(374)	(355)	(433)	(570)	(816)
- Hotels & Restaurants	(15)	(16)	(16)	(17)	(19)	(24)	(29)	(34)	(40)	(54)
Finance, Insurance and Real Estate	91	95	102	126	160	228	268	312	450	554
- Finance & Insurance	(25)	(23)	(26)	(30)	(61)	(75)	(84)	(92)	(142)	(157)
Other Services	52	56	63	75	86	108	129	149	170	216
- <u>Less</u> imputed service charges of financial intermediaries	9	2	3	20	27	20	63	62	100	121
Government Services	148	162	184	225	266	280	329	407	693	728
- G.D.P. at factor cost	1948	1978	2453	2187	2532	4050	4496	5506	6695	8524
- Indirect taxes	254	287	300	344	426	448	474	650	1155	1287
- G.D.P. at market prices	2201	2264	2753	2531	2958	4497	4970	6155	7850	9811

Source: A.E.F. Cummings-Palmer, National Accounts of Somali Democratic Republic 1970-1979, UN-ECA, Addis Abbaha, August 1981. These are unofficial estimates and are in preliminary form.

Annex VI Table 2

GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY AT 1977 PRICES

(Millions of Current Somali Shillings)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Agriculture, Livestock Forestry and Fishing	2557	2466	2628	1677	1478	2954	2914	3217	3392	3630
- Crop Production	(633)	(576)	(699)	(541)	(462)	(534)	(571)	(564)	(585)	(591)
- Livestock	(1720)	(1680)	(1713)	(910)	(779)	(2163)	(2076)	(2379)	(2534)	(2708)
- Forestry	(195)	(220)	(206)	(214)	(221)	(232)	(243)	(253)	(265)	(313)
- Fishing	(9)	(10)	(10)	(12)	(15)	(25)	(24)	(21)	(8)	(17)
Mining and Quarrying	42	44	49	45	45	44	40	40	25	26
Manufacturing	225	258	274	263	264	226	275	324	335	317
- Small Establishments	(51)	(60)	(65)	(81)	(124)	(87)	(83)	(75)	(113)	(110)
Electricity and Water	5	13	14	25	23	24	33	31	27	28
Construction	278	275	280	230	278	234	213	302	185	120
Transport & Communication	233	246	263	302	309	401	298	325	273	252
Wholesale & Retail Trade, Hotels and Restaurants	359	399	506	521	527	502	425	467	545	628
- Wholesale & Retail Trade	(332)	(369)	(475)	(491)	(499)	(472)	(393)	(433)	(509)	(589)
- Hotels & Restaurants	(27)	(29)	(31)	(30)	(28)	(30)	(32)	(34)	(36)	(39)
Finance, Insurance and Real Estate	166	175	194	224	241	288	296	312	402	400
- Finance & Insurance	(46)	(43)	(50)	(53)	(92)	(94)	(93)	(92)	(127)	(114)
Other Services	94	103	119	134	129	136	143	149	152	156
- Less imputed service charges of financial intermediaries	16	3	6	35	41	25	70	62	89	87
Government Services	148	162	184	225	266	280	329	407	693	728
- G.D.P. at factor cost	4090	4136	4506	3609	3519	5064	4896	5510	5939	6197
- Indirect taxes	464	528	569	613	641	565	525	650	1032	929
- G.D.P. at market prices	4553	4664	5075	4222	4160	5629	5421	6159	6971	7125

Source: A.E.F. Cummings-Palmer, National Accounts of Somali Democratic Republic 1970-1979, UN-ECA, Addis Abbaba, August 1981. These are unofficial estimates and are in preliminary form.

Annex VI Table 3

BALANCE OF PAYMENTS 1980 and FIRST HALF 1981

(Millions of U.S. Dollars)

	1980 (Actual)	First Half 1981 (Preliminary)
Goods and Services	-203.3	-52.6
Exports, f.o.b.	137.0	50.1
Livestock	108.9	36.4
Bananas	7.8	2.0
Others	20.3	11.7
Imports, c.i.f.	-333.5	-106.8
Franco valuta	-54.9	-40.0
Others (1)	-278.6	-66.8
Trade Balance	-196.5	-56.7
Services (net)	-6.8	4.1
Transfers (net)	129.7	41.7
Private	56.2	40.0
Official (2)	73.5	1.7
Current Account Balance	-73.6	-10.9
Capital Account Balance	26.4	6.0
Private	-0.1	---
Official (3)	26.5	6.0
Errors & Omissions	19.5	---
Overall Balance	-27.7	-4.9

Source: Somali authorities.

(1) Excluding loans and grants in kind.
(2) Excluding grants in kind.
(3) Excluding loans in kind.

Annex VI Table 4

VALUE OF EXPORTS BASED ON FOREIGN EXCHANGE RECORD, 1975-1980

(Millions of Current Somali Shillings)

	1975	1976	1977	1978	1979	1980
Bananas	81	88	53	59	73	51
Live animals	364	302	300	570	474	640
Meat and meat products	59	37	32	1	7	7
Hides and skins	21	44	24	30	56	42
Fish and fish products	17	23	21	4	3	1
Myrrah	14	11	12	15	21	22
Other	6	4	8	10	33	76
Total	562	509	450	689	667	839

(in percent)

	1975	1976	1977	1978	1979	1980
Bananas	14	17	12	9	11	6
Live animals	65	59	67	83	71	76
Meat and meat products	11	7	7	0	1	1
Hides and skins	4	9	5	4	9	5
Fish and fish products	3	5	5	0	0	0.2
Grains	2	2	3	2	3	3
Other	1	1	2	2	5	9
Total	100	100	101	100	100	100

Source: Central Bank of Somalia, Annual Reports.

Annex VI Table 5

NUMBER AND VALUE OF LIVESTOCK EXPORTS

	Sheep ('000)	Goats ('000)	Cattle ('000)	Camels ('000)	TOTAL ('000)	Value F.O.B. (Mns. So. Sh.)
1971	622	564	59	26	1,271	123.3
1972	816	819	81	22	1,738	162.0
1973	709	679	68	29	1,485	157.2
1974	663	575	31	24	1,293	222.5
1975	793	743	40	34	1,610	364.4
1976	385	381	58	34	858	301.8
1977	465	461	55	33	1,014	299.5
1978	739	715	77	27	1,558	570.6
1979	717	705	68	13	1,503	474.1
1980	745	736	143	17	1,641	685.4

Annex VI Table 6

MAJOR FOOD IMPORTS (1) 1974-1980

(Thousands of Somali Shillings)

	1974	1975	1976	1977	1978	1979	1980
Wheat/Flour	15,430	49,451	58,218	32,446	43,181	78,673	99,927
Rice	55,531	37,731	31,374	58,364	81,115	204,808	135,841
Sugar	60,583	43,069	57,854	42,867	261,356	84,926	60,169
Tea	8,959	15,406	15,122	17,037	73,278	8,763	13,432
Edible Oil	19,701	36,657	36,759	58,362	82,458	180,568	101,401
Total	158,204	182,314	199,327	209,076	541,388	557,738	410,770

(1) Includes commercial, concessional and franco valuta imports imported by ENC. Does not include imports for refugee relief.

Source: USAID, Commodity Import Program, Program Assistance Approval Document 649-0118, March 1982.

Annex VI Table 7

PRODUCTION OF AGRICULTURAL CROPS, 1970-1981 (1)

(Thousand Metric Tons)

	Maize	Rice	Sorghum	Beans	Staples (Total)	Sesame	Groundnuts	Vegetables	Cotton	Sugar Cane	(Sugar)	Banana Production	Banana Export
1970	122.06	2.94	158.12	10.94	294.06	43.40	3.03	28.76	3.57	450.4	46	-	(103)
1971	99.36	2.39	128.74	8.88	239.37	35.33	2.47	23.41	2.86	442.0	- -	150.8	-
1972	114.92	3.67	149.13	10.34	277.86	41.01	2.86	27.17	3.32	401.0	- -	188.5	-
1973	98.87	3.67	128.36	8.91	239.61	35.37	2.67	23.44	2.87	422.0	--	168.3	-
1974	96.75	4.12	125.72	8.76	235.35	34.73	2.42	23.02	2.81	382.6	(30.3)	157.5	-
1975	103.62	4.93	134.72	9.39	252.66	37.29	2.60	24.71	3.02	370.0	(30.6)	106.0	(82)
1976	107.60	5.38	139.94	9.78	262.70	38.77	2.71	25.69	3.14	333.3	(33.2)	96.6	(73)
1977	111.27	8.38	145.12	10.23	275.00	40.59	2.83	26.90	3.29	320.0	(30.0)	65.2	(53)
1978	107.74	12.06	141.09	10.06	270.95	40.00	2.79	26.51	3.24	311.5	(24.0)	69.7	(58)
1979	108	13	79	8	208	41	3	27	3	255	(21)	72	(56)
1980	111	17	140	9	277	38	3	27	3	420	(29)	60	(35)
1981	222	19	142	13	396	53	4	-	-	500	-	69	-

Source: Ministry of Agriculture

(1) Hectarage in recent years is as follows, according to official estimates:

	1977	1978	1979	1980	1981
Maize	151	147	148	109	197
Sorghum	458	420	461	457	517
Rice	4	9	5	6	6
Beans	19	22	17	19	26
Sesame	110	111	121	100	140
Banana	65	70	72	61	69

Annex VI Table 8

OFFICIAL PRODUCER AND CONSUMER PRICES AND ADC PURCHASES - MAJOR CROPS

	MAIZE			RICE			SORGHUM (White) [(1)]			SESAME			GROUNDNUTS		
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
1972			63.9				500*		35.3				1,000		
1973			15.3				600		21.4	1,600			1,200		
1974			18.4			-	600		9.6	1,800			1,200		
1975	550	740	31.7				550	740	19.5	2,000			1,200		
1976	600	1,060	30.0				600	1,060	10.0	2,400			1,400		
1977	750	1,160	21.3				750	1,160	51.6	2,400			1,400		.02
1978	750	1,160	9.1	3,500	3,910	1.2	750	1,160	53.2	2,400		8.1	1,400		
1979	750	1,160	8.6	3,500	3,910	1.0	750	1,160	52.3	2,400	2,860	3.4	1,400		
1980	1,800	2,500	4.0	3,500	3,910	2.6	1,600	2,300	12.2	3,000	3,550	4.5	*		
1981	1,800	2,500	8.0	3,200	3,600	8.3	1,600	2,300	33.9	5,000*	5,300	.9	*		

* See Annex VI, Table 6.

(1) Producer prices also exist for several other varieties of sorghum as listed below:

Sorghums (Different Varieties)	1972	1973	1974	1975	1976	1977	1978	1979
(El Michama)	8700	950	1100	1100	1100	1100	1100	1100
White	5000	600	600	600	600	750	750	750
Red	4500	500	500	500	500	750	750	750
Brown (Mordi)	3600	450	450	450	450	750	750	750

Source: World Bank data.

KEY FOR COLUMNAR TITLES:

A Producer Prices
B (So. sh.) Consumer
C Amount Purchased (tons)

Annex VI Table 9

FISHING ACTIVITY 1970-1978

	No. Artisenal Fishermen		No. Boats		
	Full Time	Part Time	Non-Mechanized	Mechanized	Deep Sea
1970	4,000	16-18,000	2,000	-	-
1971	-	-	-	-	-
1972	-	-	-	-	-
1973	-	-	-	58 3/	-
1974	-	-	1,910 3/	128 3/	2 5/
1975	-	-	-	N.A.	6
1976	-	-	-	N.A.	8
1977	-	-	-	450 4/	10
1978	3,702 1/	8,000 2/	1,335 1/	460-518	1

Sources: 1/ White Fish Authority Planning Report, 1979.

2/ TYDP - Fishery Sector.

3/ 1974 Annual Report, Ministry of Fisheries & Marine Transport.

4/ FAO - IFP TECH 78/19.

5/ SOMALFISH - 1974 to 1977.

Annex VI Table 10

VALUE ADDED IN CURRENT PRICES
MANUFACTURING and PUBLIC & PRIVATE SECTORS

(Millions of Current Somali Shillings)

Year	Public Enterprises	PRIVATE SECTOR: Large Enterprises(1)	PRIVATE SECTOR: Small Enterprises(2)	PRIVATE SECTOR: Total	Total Manufacturing
1970	89	12	28	40	129
1971	100	14	33	47	147
1972	103	14	34	48	151
1973	93	19	45	64	157
1974	68	34	+83	117	185
1975	90	28	69	97	187
1976	147	31	75	106	253
1977	217	31	75	106	323
1978	189	52	126	178	367
1979	195	63	152	215	410

(1) Defined as establishments employing 5 or more people.
(2) Assumed to be 2.416 times value added in private large enterprises, as was the case in 1974 Census of Industries.

Sources: A.E.F. Cummings-Palmer, National Accounts of the Somali Democratic Republic, unofficial estimates, 1981. Based on Industrial Production Surveys, 1972, 1973, 1975-78. 1974 Census of Industries. Data for 1972 through 1978 except for minor adjustments are from Somalia, National Income Accounts, April 1980, IBRD.

Annex VI Table 11

DISTRIBUTION OF PRIVATE SECTOR EMPLOYEES BY INDUSTRY AND OCCUPATION GROUP

Occupation Group Industry Group	TOTAL	Professional	Sub-Professional	Administrative, Managerial and Executive	Clerical	Sales	Service	Animal Care, Gardeners & Other Agric.	Production & Skilled	Labourers
Agriculture Animal H. Forestry & Fishing	81	-	-	-	1	-	-	80	-	-
Mining & Quarrying	424	-	-	2	3	-	3	-	416	-
Manufacturing	8,558	14	82	70	164	573	102	-	7,321	232
Electricity, Gas & Water	-	-	-	-	-	-	-	-	-	-
Construction	646	8	3	16	22	-	69	-	282	246
Commerce, Hotels & Restaurants	35,011	16	192	115	682	24,467	7,770	19	1,590	160
Transportation, Storage & Communication	4,867	-	-	2	497	95	293	-	2,002	1,978
Financing & Business Services	1,136	5	-	-	7	1,116	8	-	-	-
Community & Personal Services	4,823	2	226	55	276	347	1,483	24	2,211	199
T O T A L	55,546	45	503	260	1,652	26,598	9,728	123	13,822	2,815

Annex VI Table 12

COMPARISON OF NUMBER OF ESTABLISHMENTS AND WORKERS
IN THE 1971 & 1978 MANPOWER SURVEYS

	Number of Establishments or Units		Number of Workers	
	1971	1978	1971	1978
Private Sector	25,193	30,824	45,704	55,546
Government Ministries and Departments	28	31	14,014	33,269
Autonomous Agencies and Joint Ventures	26	57	17,511	32,326
Municipalities	64	67	3,748	8,108
T O T A L	25,311	30,979	80,977	129,249

Source: S.D.R. *Manpower Survey, Volume IIb*, Manpower Department, Ministry of Labour and Social Affairs, page 7.

Annex VI Table 13

CENTRAL GOVERNMENT EMPLOYEES, 1974-1978

	1974	1975	1976	1977	1978
Presidency	546	594	744	869	14,474
Finance	482	499	536	544	465
Foreign Affairs	125	163	197	230	231
Interior	123	121	147	129	122
Justice & Religious Affairs (of which, Prisons)	1,787 (1,200)	1,951 (1,333)	2,618 (1,912)	2.863 (2,132)	4,997 (4,233)
Police	8,205	8,402	8,606	9,418	-
Defence	n.a.	n.a.	n.a.	n.a.	n.a.
Education	4,561	6,183	8,773	13,617	12,709
Higher Education	119	148	124	135	136
Health	3,326	3,530	3,783	4,712	4,957
Sport	(114	(116	(131	(230	199
Labour	(-	(-	(-	(-	189
Information	272	319	374	348	366
Agriculture	676	689	765	906	989
Livestock	1,436	1,483	1,546	1,713	1,410
Fisheries	(167	(209	(261	(407	317
Marine Transport	(-	(-	(-	(-	174
Industry	32	42	56	62	65
Public Works	1,437	1,475	1,804	1,770	1,825
Mineral & Water Resource	14	14	14	48	48
Transportation	1,537	2,038	1,885	2,113	2,393
Commerce	87	118	95	88	86
Tourism	52	41	28	-	-
TOTAL	25,098	28,135	32,487	40,192	46,152
MEMORANDUM ITEM					
Communication (P.T.T.)	722	776	935	984	1,152

Annex VI Table 14

PUBLIC SECTOR EMPLOYMENT BY AGENCY, 1971 and 1978

Manpower Survey Estimates (a)

	1971	1978
Ministry of Finance	562	513
Ministry of Local Government and Rural Development	630	352
Ministry of Health	2375	4602
Ministry of Agriculture	567	1255
Ministry of Education	3087	15845
Ministry of Justice and Religion	605	774
Ministry of Land & Air Transport	1427	1962
Ministry of Livestock and Animal Husbandry	782	1472
Ministry of Posts and Telecommunications	514	1209
Ministry of Public Works	1703	1784
Jowhar Sugar Factory (SNAI)	5095	4702
Balad Textile Factory	714	1638
Agricultural Product Marketing Agency (ADC)	3532 (b)	883 (b)
The Port Authority Agency	3852 (c)	3191 (c)
Water Development Agency	998	1591
Mogadishu Municipality	1409	3016

(a) The 1978 Manpower survey covered Ministries and Departments, Autonomous Agencies and Joint Ventures and Municipalities.

(b) A.D.C. lost some of its workers and activities to the created Tractor and Agricultural Service Agency (O.N.A.T.)

(c) The Port Authority Agency reduced its total employment due to the reduction of activity in some ports, like Merca.

Annex VI Table 15

EMPLOYMENT AND EARNINGS IN THE CENTRAL GOVERNMENT AND IN THE MANUFACTURING SECTOR, 1974-1980

	1974	1975	1976	1977	1978	1979	1980
Central Government (1)							
Number of employees (2)	25,820	28,911	34,167	38,854	47,304	49,058	53,866
Total earnings (in millions of So. Sh.)	136	150	173	207	312	312	397
Average monthly earnings (3)	439	431	421	444	549	529	614
Manufacturing sector (4)							
Number of employees	9,150	10,383	10,497	11,697	11,761	12,863 (5)	—
Total earnings (in millions of So. Sh.)	44	54	62	72	86	99	—
Average monthly earnings (3)	400	432	494	515	607	631	—

Sources: Ministry of Finance and Ministry of Labor; and 1979 Industrial Production Survey, Mogadishu, October 1980, Tables 14 and 15.

(1) Including the Presidency and Supreme Revolutionary Council, but excluding the Ministry of Defense.
(2) Based on Ministry of Finance budget estimates.
(3) One twelfth of total earnings divided by total employment.
(4) Data refer to public and private sector industrial establishments with five or more persons engaged.
(5) Public sector: 9,970 employees; Private sector: 2,893.

Annex VI Table 16

CIVIL SERVICE SALARY STRUCTURE
1969 and 1981 1/

	----Starting------		----Terminal-------	
	1969	1981 1/	1969	1981 1/
GRADE A				
Professional & Administrative Univ. Graduates	600 sh.	600	2250	1800
GRADE B				
Executive Officers & Higher Technicians (Secondary Education)	450	450	1160	1030
GRADE C				
Minor Technicians Clerical	350	350	1160	920
GRADE D				
Manual Workers Drivers, etc.	160	200	430	430

Source: Ministry of Finance and Somali Republic Manpower Survey in Government Sector, Mogadishu, 1969.

1/ In February 1982 a general wage increase was granted. Grades A5 and above received a 7% hike. The lowest paid received 30%.

Annex VI Table 17

NUMBER OF EXPATRIATE WORKERS BY OCCUPATION GROUP

PUBLIC AND PRIVATE SECTORS, 1978

Occupation Group	TOTAL		Public Sector		Private Sector	
	Workers	Expatriate	Employees	Expatriate	Workers	Expatriate
I Professionals	2341	426	2296	413	45	13
II Sub-professional and Technical	18996	67	18493	33	503	34
III Administrators, Managerial and Executives	2688	59	2428	17	260	42
IV Others	105224	178	50486	2	54738	176
TOTAL	129249	730	73703	465	55546	265

Source: Ministry of Labour, Manpower Survey, 1979.

Annex VI Table 18

PUBLIC ENTERPRISES AND AGENCIES, MAY 1981

Parent Ministry	Enterprise or Agency
	I. Central Government
Agriculture	National Banana Board (NBB) Agricultural Development Corporation (ADC) ONAT (Tractor and Farm Machinery Rental) Somali-Libyan Agricultural Development Co. (Somalia-51; Libya-49) Crash Program Agency 1/
Fisheries and Marine Transport	National Shipping Agency Somali Ports Authority Somali Shipping Line (Somalia-51; Libya-49) Las Korey Fish Factory SOMALFISH (Somalia-50; U.S.S.R.-50) Somali Forwarding Agency
Industry	Cigarettes and Matches Factory Mogadishu Milk Factory Sugar Factory (SNAI) SOMALTEX Kismayo Meat Factory Oil Mill Factory (edible oil) Iron and Foundry and Mechanical Workshop (project status) Hides and Skins Agency INCAS (Italy-49; Nbb-36; SDB-15) ITOP Fruit Processing 2/ Flour and Pasta Factory 2/ Oil Refinery
Commerce	Somali Fish Trading Agency National Trading Agency (ENC) National Petroleum Agency 3/ Hides and Skins Agency Chamber of Commerce 1/

1/ Noncommercial agencies.
2/ Public enterprises under Somali Development Bank supervision.
3/ Somali Petroleum Agency was merged into this agency in 1978.

PUBLIC ENTERPRISES AND AGENCIES, MAY 1981 (continued)

Parent Ministry	Enterprise or Agency
Finance	State Insurance Company of Somalia (SICOS) Central Bank of Somalia 1/ Commercial and Savings Bank of Somalia 1/ Somalia Development Bank (SDB) 1/
Health	ASPIMA Social Security Fund of Somalia (CASS)
Higher Education	National University 2/
Information	State Printing Agency Somali Film Agency 2/ National Theatre 2/
Public Works	National Electric Energy Authority (ENEE) National Agency for Construction Somali Consulting and Engineering Agency
Transport	Trading Agency for Vehicles and Spare Parts (ex-Fiat) Somali Airlines (Somalia-51; Alitalia-49) National Transportation Agency
Water and Minerals	Water Development Agency 2/ Mogadishu Water Agency
Presidency	National Agency for Tourism and Hotels National Park Agency 2/ Settlement Development Agency 2/
Forestry and Range	Range-Land Agency 2/
	II. Local Government
	Water agencies (4 regional) Power stations (regions) Grain mills (regions)

Source: Data provided by the Ministry of Finance.

1/ Public financial institutions.
2/ Noncommercial agencies.

Annex VI Table 19a

BANKING SYSTEM CREDITS, 1970-1978

Year	To Private Sector	To Public Enterprise	To Government	Total
1970	91.0	159.5	60.7	311.2
1971	126.7	170.6	27.8	325.1
1972	182.5	215.6	-19.8	378.3
1973	311.5	361.8	-45.7	627.5
1974	477.5	528.3	-48.5	956.8
1975	467.3	574.4	-238.2	803.5
1976	345.9	640.5	124.3	1,110.7
1977	375.2	905.5	-97.8	1,182.7
1978	402.1	1,002.5	311.0	1,715.6
1979	447.1	1,278.6	1,231.4	2,957.1
Average annual growth rate 1970-1979	19.3%	26.0%	39.7%	28.4%
% of net change in credits 1970-1979	13.5	42.3	44.2	100.0

Source: Central Bank of Somalia, Annual Report and Statement of Accounts, 1979.

Annex VI Table 19b

DISTRIBUTION OF BANKING SYSTEM CREDITS BY ACTIVITY 1970-1979

(Millions of Current Somali Shillings)

Year	Agriculture	Industry	Trade	Others	Total
1970	9.1	53.2	165.9	22.3	250.5
1971	18.3	69.0	181.2	28.9	297.4
1972	46.1	48.2	281.6	27.2	403.1
1973	64.9	75.9	470.6	54.8	666.2
1974	184.1	159.2	616.5	39.9	999.2
1975	125.8	274.7	609.8	26.1	1,036.4
1976	171.7	273.1	512.0	25.1	981.9
1977	234.7	253.8	755.0	34.2	1,277.7
1978	204.5	255.6	879.6	64.9	1,404.6
1979	192.1	330.5	1,172.1	64.0	1,759.0

Source: Central Bank of Somalia, Annual Report and Statement of Accounts, 1979.