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AGENCY FOR
INTERNATIONAL
DEVELOPMENT

SOMALIA

COUNTRY DEVELOPMENT STRATEGY STATEMENT

FY 82

BEST AVAILABLE

January 1980

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

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USAID/Somalia
Mogadiscio

July 16, 1980

STRATEGY STATEMENT SUMMARY

The importance of Somalia for U.S. policy in East Africa and the Indian Ocean has become increasingly evident over the past year and particularly as we enter 1980. At the same time the GSDR has continued to reiterate its desire to cooperate more closely with the U.S. A fundamental element of our response to the opportunity which has opened for us in Somalia since the expulsion of the Soviets in 1977 has been the establishment of our A.I.D. program as tangible evidence of our commitment to Somalia's development, to the overcoming of its formidable economic problems, and thus to its security. Somalia needs concrete support in meeting its economic challenges and the continuation of the A.I.D. program is thus crucial to the U.S. long-term policy objectives in the region.

Somalia is included in the UN register of 28 least developed countries and has an estimated per capita income of less than U.S. $100. Over 80 percent of its approximate 4.0 million people gain their livelihood through subsistance agriculture or pastoral pursuits. There is widespread under-nourishment and malnutrition, particularly severe among the rural population, and many are illiterate and receive little or no health care. As a consequence the Physical Quality of Life Indes (PQLI) for Somalia is among the lowest of the least developed countries.

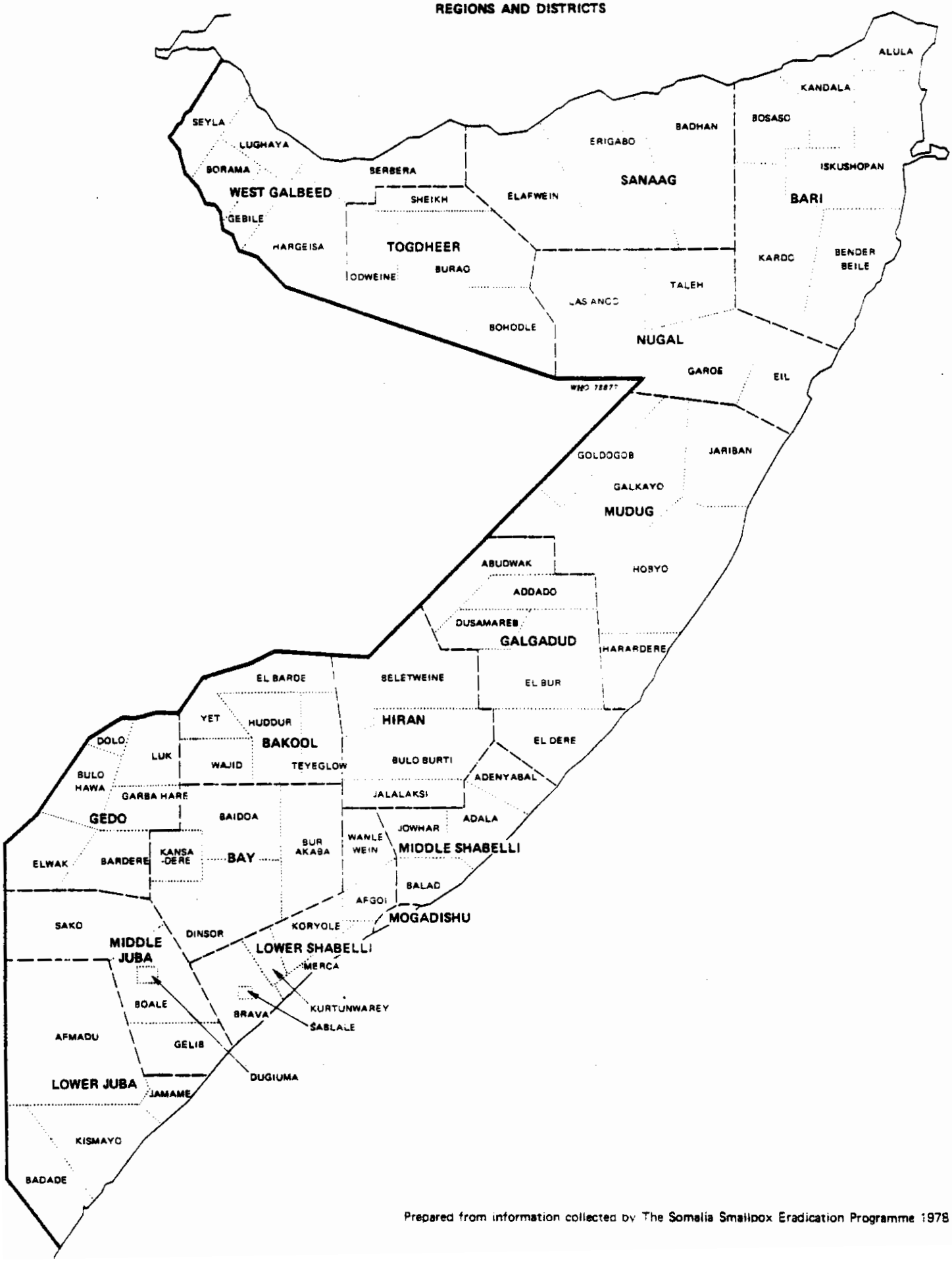
Somalia has inadequate natural and financial resources at this time to sustain a viable development program and must seek external resources to finance nearly all of the government's development efforts and to meet increasingly severe foreign exchange deficits. Despite GSDR dependence,

it has demonstrated a determined effort to promote economic growth and equity and distributive justice which is supported by the country's own resources to the maximum extent possible.

Notwithstanding inadequate material resources, the country's strength lies in its people which unlike many other countries are composed of a single ethnic group with a common language. The basic development strategy of the GSDR is to effectively mobilize these human resources in its overall economic development effort. Their inablilty to mount a sustained comprehensive development program is largely due to an inadequate number of trained manpower in all economic sectors. The trained manpower constraint is a critically important impediment to providing minimal essential services, creating the necessary institutional/ infrastructure base and developing the public/private financial resource structure needed for development. The U.S. assistance strategy will therefore be directed toward expanding Somalia's trained manpower base in several critical sectors. The U.S./GSDR program will give primary emphasis to technical assistance for manpower development in its broadest sense. The main beneficiaries of this joining effort will be the rural poor of Somalia which make up 80 percent of the country's total population. These benefits will include increased rural income from increased production in crops and livestock, improved social services, greater number of dependable water supply points for people and livestock, a replicable minimum shelter program, and developmental returns in the form of trained manpower, youth and adults, as a result of their association with A.I.D.-assisted projects. This sectorial program strategy will be augmented by

a PL 480 Title I and III commodities to assist GDSR finance its development program, help introduce policies needed to strengthen and energize a stagnent economy and to help ease foreign exchange pressures. PL 480 Title II and 495F assistance will also be provided in concert with other international agencies and donors to assist Somalia support its ever-increasing, approximately 1.0 million, refugee population. In addition, a multi-sector commodity support program will be examined to determine its suitability to address multi-sector marcro constraints which impede the A.I.D. assistance efforts and Somalia's capacity for sustained development.

SOMALI DEMOCRATIC REPUBLIC
REGIONS AND DISTRICTS



Prepared from information collected by The Somalia Smallpox Eradication Programme 1978

PART A

PROFILE OF THE POOR MAJORITY

Somalia is a vast country with a rigorous and semi-arid to arid environment and an ecology which dictates a life support system which involves a mix of traditional agricultural and transhumanism. More than 80 percent of the country's population is rural. Half of this group are nomads moving in concert with yearly rainfall patterns, rearing livestock and producing some crops at semi-permanent dry season locations. Half of the remainder are semi-nomadic and raise livestock as their main occupation but also farm part of the year at permanent settlements. The remainder of the rural population are traditional small farmers engaged in mixed farming, and cattle livestock rearing. This rural population represents the poor majority of Somalia which lacks the minimum essential services of health, education, shelter, water, energy and technology and is the target group of the A.I.D. assistance program. In addition, there is a second target group of poor rural people which have been identified. They are the ever growing refugee population of a million persons seeking shelter and sustenance in camps in the country side and urban centers of Somalia.

In identifying the poorest of the poor, income distribution is helpful, but aggregate-economic performance data is extremely scarce or is estimated on a limited scientific basis.[1/] However, some estimate can be made based on household expenditures. It is reasonable to assume that

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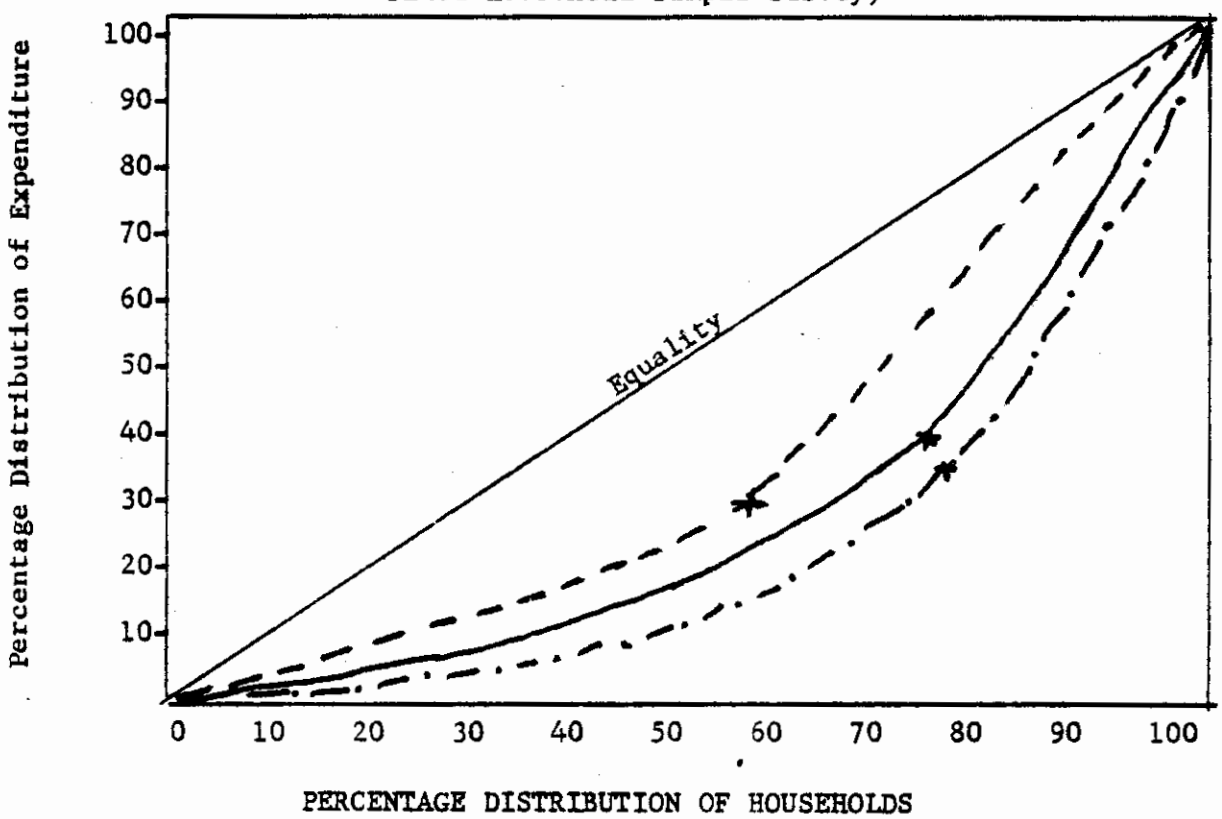
1/ See Annex I for GDP estimates.

annual expenditures of households are functions of household income.

Accepting this assumption, the International Labor Organization (ILO) reports the results of a small pilot sample survey conducted in the middle Shebelli region during October and November of 1975.[2/] The results are indicated in the following table. When the household expenditure data is plotted as a Lorenze diagram the results are as follows:

LORENZ CURVE OF HOUSEHOLD EXPENDITURES
1975
SOMALIA
(Source: ILO Technical Paper #5
Pilot Household Sample Survey)



——— Nomadic Households
- - - - Urban Households
—·—·— Rural Households
*Last observation before (100,000)

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

TABLE 1

DISTRIBUTION OF HOUSEHOLDS BY SIZE OF ANNUAL EXPENDITURE (1975)

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

Households in rural villages in Middle Shabelle are mainly agricultural.

Source: Findings Pilot Household Sample Survey, Reported in ILO 1977.

Since the area between the line representing complete equality of household expenditure and the line of actual household expenditure reflects the degree of inequality in expenditures, it can be said that the distribution of expenditure is more unequal among rural households than among other households. This however may be due to a skewness induced by using expenditures rather than income in a more purely subsistance economy as compared to nomadic and urban economies which are more integrated into the cash economy. The Lorenz diagram suggests that some 80% of rural households have less than one-third the total rural expenditures. The inference that this group, the lower 80% of the rural households, constitutes the poorest of the poor is not completely unwarranted. Further the Gini co-efficient[3/] calculated for the Somalia Lorenz distribution is 0.60 (rural) and 0.42 (nomads). This is comparable to equivalent calculations for Kenya (.60), Tanzania (.55), and Djbouti (.64). One would expect approximately the same coefficient for most poorer LDC's and these can be viewed as representative for the typical African country. Somalia therefore is one of the poorest in per capita terms and typical in terms of income distribution.

If it is accepted that expenditures are a direct function of income, then the degree of poverty is greatest among the rural households. However, the ILO report indicates that it is quite likely that rural households

3/ A Gini of 1.00 would imply perfect inequality of income distribution with the last fraction of the population receiving 100 percent of the income. A Gini of 0.00 implies perfect equality with each fraction of the population receiving the same fraction of income. It thus provides a useful means of comparing income distributions over time or among countries.

underreported expenditures because of an underestimation of the subsistence (income in kind) component of their income (expenditures). In addition Table 1 shows 54.3% of households in the same survey registered expenditures of $87 per year or less. The rural households, settled agriculturalists, were the largest group. It is important to note that Table 1 households are located in the most favorable rainfed area in the country in terms of income expectations from agricultural pursuits. This suggests that rural households in nearly all other parts of the country would have lower incomes due to less advantageous environmental conditions for agricultural production and livestock raising. The same Table identifies relatively more affluent groups, particularly in the case of urban households. It is noted that 40% of them have annual expenditures of $800 or higher. They typically consist of private sector entrepreneurs, workers in distributive trades, transport services, small manufacturing, construction/engineering firms and public sector employees. Of course the cost of subsistence living in urban areas is much higher than rural areas since all housing, food, etc must be purchased.

In addition, the nomadic and rural sectors contain groups with higher expenditures. They would be made up of large private farmers, absentee livestock owners, and people working part or full time on public sector enterprises. In any case, the Table and the Lorenz diagram tend to support the contention that there is an extremely poor majority in Somalia and that it is composed primarily of non-urban people engaged in subsistence agriculture, i.e., crop or livestock production, or in combinations of the two as in the case of the semi-nomads.

It is, at times, contended that the urban poor, though escaping the harsh uncertain life of nomadism and the vagaries of rainfall which affect the farmer, are worse off than the rural population. The data concerning household expenditures does not support that contention. Moreover, the urban poor seem to be a group the composition which is in constant flux. Many go to urban areas for limited periods of time only during severe drought or in times of comparable adversity. When conditions improve they return to rural pursuits - nomadism in some cases. Others seem to migrate to urban areas during the dry season each year and then return to their customary rural areas. Because of this seasonal migration, some urban areas experience a 25 percent to 30 percent population change over the year. In any event the Government finds it less difficult to provide some assistance to the urban poor, limited though it may be, than it does for the country's rural population.

As noted above, it is estimated that at least 80 percent of the population of Somalia live at the subsistence level. For all of the population, however, diets tend to be inadequate, unbalanced or both.[4/] In Technical Paper No. 9 of ILO 77, the results of a mid-1960 food consumption survey of FAO are reported. The following table is presented from that report:

4/ See Annex III dealing with health and related matters.

TABLE 2

ACTUAL AND REQUIRED NUTRITIONAL LEVELS

(1964)

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

* Survey was conducted during dry season. Nomads affected more adversely than others.

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

Though the survey suggests that undernourishment and malnutrition is widespread in Somalia, it reveals that these conditions are particularly severe among the nomads and the rural population. Additionally, diets of the Somali generally tend to be quite deficient with respect to important vitamins. The first Somali National Nutrition Conference was held in July 1979 with assistance of AID. The conference, in recognition of the country's nutritional deficiencies, recommended a national nutrition sample survey, introduction of a joint health/nutrition education program, a food composition study and the establishment of a Food and Nutrition Board which would coordinate the national program to combat malnutrition. In addition, the USAID projects in Health and Agriculture will give particular emphasis in raising level of awareness of the importance of nutrition.

No life expectancy figure unique to the rural population is available, however, the estimated life expectancy at birth for the population at large is about 40 to 41 years. It seems reasonable to suppose that the environmental rigors to which the nomads and cultivators are subject would translate to a life expectancy on the low side of the estimate for the entire population.[5/]

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

In regard to the literacy rate in Somalia, in 1972 it was estimated to be

5/ See Annex III dealing with health and related matters.

no higher than 5 percent, but by mid-1976, it was believed that nearly 60 percent of the overall population had a fair degree of literacy.[6/] The mass literacy program commenced in 1973 and conducted through 1975 was not confined to urban areas and special preparations were included to extend the effort among rural groups including nomads. Though the mass literacy program involved the new Somali script (Latin orthography adopted in 1972), a considerable amount of education is still conducted in Arabic in Koranic schools. Koranic teachers still travel with nomadic groups and many nomadic children receive no other education.

A pilot survey of nomadic households conducted in northern Somalia in the area around Burao in 1973 indicated an average size household of 5.75 persons. The average household owned 110 sheep and goats, 20 camels and 8 head of cattle. It is estimated that the average household requires at least 70 sheep and goats to provide a minimum subsistence level of living since no more than half the animals are providing milk at any one time. Some 50 percent of the population was less than 15 years of age. The ratio of males to females among the nomadic population surveyed was 106 to 100. For the population at large the ratio is believed to be slightly higher.

According to the estimates made in connection with the survey, a birth rate of 3.9 percent and a death rate of 2.1 percent were indicated; thus, a 1.8 percent annual rate of natural increase is implied. As noted in Annex I, the annual population growth rate for the entire country is

6/ See Annex VI dealing with education in Somalia.

estimated at between 2.4 percent and 3.0 percent, and a recent government publication states that the estimated population is 5 million and is increasing at an annual rate of 2.83.[7/]

Finally, the Physical Quality of Life Index (PQLI)[8/] for Somalia has been computed at 19 which is among the lowest on the United Nations' list of the 28 least developed countries.[9/] It is reasonably certain that for the rural portion of the Somali population the PQLI is even less than 19.

7/ See Special Statistical Issue: Central Statistical Department, State Planning Commission, Mogadishu (October 1979).

8/ See The Physical Quality of Life Index based on life expectancy at age one, infant mortality rate and the literacy rate. As such it provides a useful supplement to per capita GNP as a measure of economic welfare. It ranges from a high of 97.3 in Sweden to 14.3 in Niger. At 19, Somalia is well within the lower end of the PQLI spectrum.

9/ See the United States and World Development: Agenda 1977, New York: Overseas Development Council, Annex "A".

PART B

KEY FACTORS CONTRIBUTING TO POVERTY

Some of the more serious problems and constraints that make it difficult to improve the lot of the target group are both environmental and technological, neither easily addressed. The land tends to provide inadequate nutrition for livestock. This is largely due to lack of water and range management practices and only partly to browse and forage limitation. Many of the forage and browse species found in the range areas of Somalia are highly nutritious. However, over grazing is a serious problem contributing to low nutrition. Careful and systematic management of the nations' ranges could help overcome this constraint by establishing range reserves, encouraging the growth of more nutritious species, and by strategic placement of controlled water points. The production of agricultural crops is low and irregular, not due so much to poor soils but to poor agricultural practices. Improved low level technologies, once introduced, could increase yields substantially and conserve scarce soil moisture. It is true that the country is subject to periodic droughts that profoundly affect agricultural production but there are also years when rainfall is adequate for the two annual cropping seasons. The most serious drought occurred in the 1970s and lasted for three years straight (73-75) and caused widespread dislocations. Another serious impediment contributing to poverty and low agricultural production is the shortage of water for human and livestock consumption. Much of the cultivatable land, approximately 90 percent, is not utilized, except for grazing because of inadequate domestic water supplies. Agricultural pursuits in

Somalia can only be attempted where nearby reliable sources of water are available.

Quite apart from the largely environmental, technological and natural resource constraints which hinder economic improvement of the poor majority, there are infrastructure weaknesses, social service inadequacies, institutional deficiencies, and inadequate financial base which contribute to the social deprivation of the rural portion of the population.

Although information about cultivation practices and flock and herd management practices is still limited, utilization of more advanced agricultural techniques adopted to local conditions could improve both crop and livestock production, as well as help transform a harsh ecology to better serve the poor. Early A.I.D. project activities indicate that changes in agricultural practices could result in significant increases in production. Some effort has been made also to provide training and drugs and vaccines for livestock. This had limited effect on improving animal health, primarily because of lack of medicine and trained veterinary staff follow-up. Nearly all livestock exported are live animals, generally poor in condition, primarily because of the long trek from grazing areas to ports, and thus income derived is significantly reduced, further contributing to rural poverty. The delivery of agricultural and livestock related support services must be strengthened if incomes and living standards are to be raised. To a large extent, rural poverty stems from poorly developed or entirely lacking infrastructure and institutions needed to provide basic technical and social services. This is true both in the agriculture and livestock sectors. A national agricultural

extension service is virutally nonexistent to carry to the small farmer the basic agronomic and cultivation practices. Yet, agricultural secondary school and university graduates are now being produced in appreciable numbers without being effectively utilized. There is a critical need for the training and retraining of government agricultural personnel to provide the supervision and guidance for these new entrants into the rural economy and into the agriculture/livestock sectors. This approach will help to establish a fully integrated agricultural/livestock national extension service, a primary goal of the government.

The agricultural extension service needs much improvement and expansion to raise the level of agricultural crop production to the level necessary to feed the nation. It is therefore essential that the GSDR make a major effort to improve and expand its extension service through training and applying proven middle level technology and research results with small farmer extension service orientation. An improved country-wide extension service would help bring about self-sufficiency in cereals and edible oils in normal years, raise farmer incomes, promote soil and water conservation practices, and expand government's revenue base. Equally important is an integrated national extension service addressing the problems of the livestock sector and the nomadic population inexorably linked to a transhumant culture. The livestock sector is the single most important element of the Somali economy and the main foreign exchange earner. Priority support given to both sectors could significantly enhance the long-term prospect of Somalia's economic viability.

The tertiary system of transport in Somalia is inadequately developed. As a result crop production and marketing is restricted and the quantity of livestock available for export is curtailed. During the two rainy seasons access to farmers to purchase produce, and provide agricultural services is extremely difficult and in many cases impossible. This is a significant constraint to production and reduces rural incomes.

As noted throughout the Annexes, which deal with the major economic and social questions of the Somali economy, the lack of properly trained manpower and an inadequate supply of needed skilled technicians is a rather pervasive constraint to economic development and a major factor for inadequate economic progress. Contributing to the manpower problem is the major exodus of both skilled and semi-skilled Somalis who emigrate to the Arab states seeking higher wages and improved employment prospects. This was the result of the new Socialist Government of Somalia policy to reduce and control wages and introduce other unpopular austerity measures. This situation now appears to have abated and the government is giving serious consideration to price wage readjustments in consultation with the IMF, and appreciable numbers of emigrants are returning in response to recent liberation policies. Nevertheless manpower constraints are especially obvious at middle levels in most government ministries and institutions, and adversely affect efforts to reach the rural poor. Consequently, appropriate personnel are not available to provide the extension services needed to expand the productivity of the agriculture and livestock sectors or provide essential services in other sectors which could improve living standards and incomes.

Personnel needed for compiling technical and statistical information and data required for systematic development planning is extremely weak. Inadequate data concerning the performance of the economy and the inconsistencies in data which does exist is also a major handicap in analyzing the economy and makes development of proposals to assist the expansion of the economy more difficult.

Since trained personnel and reliable and thorough economic information and a statistical gathering system are mostly lacking, economic planning is seriously hindered and project preparation is time consuming and inadequate. The absence of such planning and project preparation are constraints to orderly allocation of scarce resources to priority needs and contribute to poverty of the target groups. A number of well-developed technical proposals and feasibility studies have been completed for Somalia. However, trained people are needed to make full use of them. The government, aware of these inadequacies has now obtained assistance of international and bilateral agencies to help strengthen various departments of the State Planning Commission.

Inadequate or often nonexistent minimal health services in the rural areas not only contribute to a low quality of life but is a major contributing factor to low productivity because of ill health. Providing health services to the rural population is a difficult problem and even more so for the nomadic groups. Because of this, government health expenditures have been largely directed toward the urban population and major rural centers. However, the Ministry of Health now plans to give emphasis to providing basic health services to rural areas with external assistance and en-

couragement. In addition to meeting primary health needs, nutritional education will be introduced at Primary Health Care and MCH Centers as part of an outreach program. Dietary deficiencies which include vitamins "A" and "C" in addition to a low protein intake, have been responsible for wide spread malnutrition, low resistence to disease and a high infant mortality rate.

Problems also exist with respect to providing education and training for both children and the adults of the rural poor. Though the mass literacy program involved a major effort and was fairly successful among the rural peoples including nomads, additional follow-up is needed. The Ministry of Education's program has stressed providing instruction at fixed urban locations, as a result children of rural parents have had little educational opportunities and nomadic children generally receive the limited educational experiences provided by Koranic teachers. There is growing evidence that rural education, including additional opportunities for nomads, will be given greater emphasis. Adult education and retraining for the rural population has been inadequate and needs to be strengthened. The problem here, as in other areas, is the lack of appropriate programs, trained teachers, and public financing. An emerging problem is the increasing numbers of school leavers who are inadequately trained or provided with merchantable skills, and are not easily absorbed in the work force. The result is a growing and potentially volatile group who are unemployed or under-employed, resentful and a source of instability. Although government is committed to policy of employment of all graduates, this is not a viable long-term solution

given Somalia's present economic circumstances.

A key constraint contributing to poverty and restraining development in all sectors is Somalia's especially vulnerable economy, subject to fluctuating external influences, dependent to a large extent on one main export (live animals), and handicapped by a fragile revenue base and staggering increases in the price of oil.

Somalia's fragile economy is clearly demonstrated by its budgetary position. Since 1973, it experienced persistent budgetary deficits of increasing severity. In 1978 the overall deficit was So. Shgs. 685 million. This deficit was made up largely from external loans and grants but nearly one fifth of the total was covered through Central Bank financing. The government predicts a sizeable reduction in the overall 1979 deficit, as much as 50 percent, but this does not seem likely with the extraordinary unbudgeted expenditures it has been forced to make to support the huge refugee population in the country, now estimated at over one million.

The main cause of GSDR budgetary and fiscal problems lies in its narrow and generally weak revenue base. The main sources of government revenue are direct taxes on individuals, property, goods and services, international trade and transactions, import customs, export levies and nontax revenues mostly from public enterprises. Government prospects for expanding its revenue base to cover development expenses are not promising. There appears to be some inelasticity in revenue gained from direct tax sources, and even small increases in revenues from public enterprises are doubtful unless they become more efficient than they are at present.

Therefore, it seems evident that current revenue has been and will continue to be inadequate to meet ordinary budget requirements much less to provide the surplus need to help finance their development expenditures. (See Annex VI for further details on Central Government budget.)

Somalia's balance of payment position can not be considered any more buoyant than its budgetary prospects. It continues to suffer from chronic current account balance of payment difficulties of varying degrees of severity, stemming from negative balances in the goods and services category. In 1977 the balance on goods and services amounted to a negative balance of 885.2 million So. Sh. The deficit for 1978 was signigicantly higher increasing to So. Sh. 1,107.1 million. The cause of these continuing negative balances is the disproportionate large gap between export earnings and rapidly rising imports. These adverse balances can only have serious braking consequences for planners attempting to determine resource availabilities for development purposes.

These deficits were made up almost entirely by very large official capital movements, and in 1977 they amounted to 354.9 million So. Sh. (nearly US$ 70 million) and in 1978 they were up to So. Sh. 528.5 million (nearly $90 million) leaving deficits on the current account of 179 million in 1977 and 51.8 million in 1978. These external resource transfers cloud the potential difficulties that could arise over time for an economy relying so heavily on external assistance to meet foreign exchange requirements for budgetary and development purposes. Although a large percentage of the external source transfers have been grant or con-

cessional there is recent evidence that terms are hardening for the Somalis (further details on Somali's balance of payment situation are contained in Annex V).

At the close of 1977, the estimated foreign exchange (FX) reserve of So. Sh. 609.1 million (US$ 98.4 million) amounted to but five months of imports at CIF rates and recent surveys indicate FX reserve has decreased to 4-6 weeks of imports.[12/] Though Somalia's balance of payments shows an addition to FX reserves for the past three years, these additions have been declining in magnitude each year and are attributable as noted above to very favorable unilateral external transfers and capital flows. This year appears to show a reversal of this trend and a serious deterioration of their FX reserve position.

As could be expected, GSDR debt is becoming significantly larger and debt service payments are steadily rising. Debt servicing payments in 1977 increased to So. Sh. 67.9 million (US$ 10.93 million) creating a service ratio of 9.6 percent. Debt payments can be expected to continue to rise over the next several years and will probably be difficult for GSDR to service given its unfavorable trade position and heavy dependence on foreign loans and grants. Under these circumstances, GSDR will not only be dependent on external support, particularly grant transfers, but it will also have to make a major effort to expand its internal

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

revenue base primarily through increases in agriculture, crop and livestock production and enlarge its foreign exchange earnings through the promotion of exports.

The GSDR continues to be committed to a development policy based on growth with equity, but it can be seen from the preceeding section that resource limitations in a number of critical areas have impeded satisfactory growth. Equally important it has restricted the government's capacity to provide the kind of minimal essential services for the rural poor which they have now come to expect. There is obvious dissatisfaction over government wage and price policies as well as in other areas leading to disincentives to production and the lackluster performance of private and public sector employees. In recognition of these factors the government is in the process, in cooperation with IMF and other external agencies, of examining approaches viable in the context of a small developing economy which could help modify its previous development strategy based on disproportionate emphasis on public sector investment at the expense of a more balanced allocation of resources.

PART C

PROGRESS AND COMMITMENT

While much remains to be done in terms of social and economic development, few countries have progressed as far as Somalia over the past decade in terms of equity and instilling a desire for development and order. This statement exists against the background of a number of factors -- the chaotic disorder that prevailed in the 1960s, the nature of the land, and climate, the lack of natural resources and the characteristics inherent in a nomadic people. Perhaps the emphasis was too heavy on order, politicalization of the people, state farms and industrialization at the expense of small agriculture holdings and basic services for the rural population. However, this trend has shifted and priorities have been realigned. The rural population is receiving increased attention and a share of credit for this redirecting of priorities lies with the reestablished AID program.

The above is not to say that government since the early days of revolution in 1969 has not had the rural poor uppermost in mind; however, it was then felt the first task was to consolidate the revolution and build a human infrastructure, both political and ministry related, throughout the country. Once this was fully underway, the mass literacy campaign of 1973 to 1975 was introduced. However, an extremely severe drought struck in those same years and government attention shifted to caring for and resettling drought affected nomads. This was followed by the war in the Ogaden, the expulsion of the Russians, and now a renewed commitment to development with equity. A recent article in the Horn of Africa[11/] by an American Professor gives an outside view that fully confirms the policies and attitude of this country. The author

11/ Horn of Africa; Socio-Economic Development in Somalia; April/June 1979 Charles Geshekter.

starts off by saying, "Somalia is a poor country that has honestly tried to improve itself through efficient and human programs to resolve the plight of the nation's poor majority."

Later, he continues with specifics. "In the past decade,Somalia adopted a modern script for its previously unwritten language, launched massive campaigns that boosted literacy from 5 to 60 percent, fought a devestating drought by resettling 200,000 destitute nomads in farming and fishing communities, implemented a public health program that reduced the incidents of malaria and eradicated smallpox, narrowed government salary divergences, and channelled foreign aid into projects directed at the needs of the poorest sections of the population.

"The number of people per doctor has declined from 21,000 to 14,000, available clean water increased from 15 to 30 percent of the population, and life expectancy rose from 28 years to 41 years in the same period. In 1970 only 7 percent of primary school age children were actually enrolled; in 1977 it was 28 percent. Primary and secondary student populations rose from 56,000 in 1970 to 243,000 in 1978 and the population of females rose from 20 to 35 percent."

The author also remarked, "At considerable risk for a Muslim country, women are encouraged to take an active role in national development."

The Government of Somalia has exhibited a determined and courageous attempt to promote social and economic development from its own resources. It has

revised its public finance structure by decreasing salaries of government employees and revising and modifying the tax structure. As noted in Annex II, Somalia collects in tax revenues an amount per capita which the World Bank considers quite high by comparison with developing economies generally. To the extent tax and non-tax revenues have exceeded ordinary expenditures, the GSDR has utilized the surplus for development purposes.[12/]

Development plans and activities of the Government of Somalia from independence through 1971 devoted little attention to the nomadic population. Relatively small allocations for settlement were made and and practically no allocation for land development projects particularly benefitting the nomads were made.[13/] In the midst of the severe drought of 1973-75, however, the government undertook a vast resettlement task. Some 270,000 nomads who had lost their means of subsistence were moved to temporary relief camps, and with the return of favorable weather, over half these people resumed their former nomadic life. However, some 120,000 nomads were resettled in three agriculture locations in the interriverine areas and in fishing villages along the coast. Some five years later over half these people have remained and have taken up new lives as farmers and fishermen. This relatively high settlement rate is considered a remarkable success by outside observers.

Since the settlement of the above areas was initiated, the Somalis now, because of strife in Ethiopia and not drought, are finding the problem

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

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

of settling refugees and displaced persons to be an unending task. Thousands of refugees are crossing the border seeking assistance and a new life. In December, 1979, UN Assistant Secretary General Goundrey estimated that the refugee population in and out of camps in Somalia would be over 1.0 million by the end of 1980. The immediate needs are a severe drain on Somali resources, both human and material and the long-term solution will impact on the entire development program. However, the Somali Government has accepted full responsibility for the care of these people even though perhaps one-third of the total number are not ethnic Somalis. The government has surveyed and set up camps in areas of agricultural potential realizing that most of the refugees will not be able to return to their previous homes. The Government of Somalia operates the camps on their own including supplying building material, distributing food and providing formal education and health care. Numerous foreign observers have strongly complemented the Somali effort and success in caring for these people and have noted the honesty and efficiency of the responsible Somali officials.

In addition to the items mentioned above, two other areas of government actions stand out as being exemplary, education and the status of women. In terms of formal education opportunities, Somalia in 1975 declared universal free and compulsory primary education for children from 6 to 14 years of age. The effects of this decree both in terms of numbers and percent female enrollment are apparent in the following table:

Male-Female Primary and Secondary School Enrollment

Student Population

Years	Primary and Secondary	Male	Female	Ratio
1970/71	56,979	43,765	13,214	4.00:1
1971/72	66,867	51,199	15,678	3.40:1
1972/73	85,419	64,263	21,156	3.00:1
1973/74	103,659	75,027	28,632	2.60:1
1975/76	224,317	148,076	76,241	1.95:1
1976/77	241,991	158,436	83,555	1.80:1
1977/78	284,495	183,992	100,503	1.82:1

Not only is there an abrupt doubling of primary school attendance beginning in 1975/76 but there is also an acceleration of the balancing of the ratio of male to female students. The great strides forward in multiplying enrollment five-fold in eight years (23 percent annual growth) occurred at the same time that the male/female ratio dropped from 4:1 to below 2:1.

The implementation of universal compulsory education has been more successful in the urban areas and in the settled villages in rural areas. The Government is presently searching for a solution to the problem of primary education for nomadic children who constitute half of the youthful population. Centers are being established at water points in selected areas to provide basic services to nomads as well as primary boarding schools for nomadic children. Plans call for incorporating seasonal schools for areas where rainy season

grazing is available and for mobile schools to follow the herds. Innovative media approaches are also to be tried.

Primary school curriculums have been modified in recent years to place increased emphasis on practical subjects. The nomadic primary school curriculum calls for 25 percent of the time to be spent on literacy and civics related subjects, 50 percent on animal husbandry and range related topics, 10 percent on agriculture and 15 percent on health and hygiene. The curriculum in agricultural areas shifts the emphasis to 50 percent on agriculture and 10 percent on animal husbandry.

In the non-formal subsector, the keystone in recent years has been the literacy campaign which was waged with great fervor. It is estimated that due to this campaign over 60 percent of the population is able to read Somali and is capable of some writing skill.

Other ministries are also providing various forms of non-formal education. The Ministries of Livestock, Agriculture and Health all have outreach programs which are providing appropriate practical training to local populations.

Women are a particular target of numerous training and non-formal education programs in addition to primary and secondary formal schooling. The Somali Women's Democratic Organization has stimulated numerous activities dealing with women. The Ministry of Education has a Women's Service Department which is establishing skills training centers dealing with nutrition, child health, home improvement, handicrafts and tailoring. To date these centers

have trained over 5,000 women. In addition, over 400,000 women participated in the literacy campaign. As result of the recent national election December 30, 1979, six women were elected to the newly established parliament. Women hold important positions in the government such as the Director General of the Ministry of HIgher Education. Indeed few governments in the world have been as definitive and forthcoming as the GSDR in improving the status of women.

In 1974 when Islamic religious leaders were protesting against a recently enacted civil law that was contrary to Koranic Law (allowing women equal inheritance rights), the Government took strong action against some of the more prominent protestors. Laws have also been enacted that give women additional rights in regard to marriage and divorce, again laws contrary to the strict interpretation of the Koran.

The Somali policy to encourage population growth, estimated at between 2.4 percent and 3.0 percent, stems from a number of understandable concerns. If the country was transposed to North America, it would stretch from Michigan to Vermont to Florida, and yet with a population of approximately 4 million.

Granted much of the land is semi-arid and arid, but great sections could afford greater numbers and sustain cultivation. Additionally another reason of course relates to their long standing problem with the Ethiopians, a country of over 30 million people. They have honest fears of encroachment by the Ethiopians and feel that they require an increasing population to discourage any expansionist policies.

The Government and the Ministry of Health recognize the value of child spacing and have taken steps to encourage the practice. Birth control pills are available in pharmacies in the bigger towns and they are used by many urban women. Reaching the remaining population is a much more difficult problem in this sparsely populated country. However, the Government has initiated a few substantial steps. A number of persons under AID sponsorship have received family planning related training. The people selected for the training have been key middle-level personnel, Directors of MCH clinics and supervising nurses, who will have a broad beneficial influence on the acceptance of family planning and the initiation of specific measures. Personnel in the Central Statistics Department have also been trained in Administration and Management of census programs, and an American institution is going to assist this organization conduct demographic surveys in two regions of the country in order to define population characteristics. Another important step toward the acceptance and practice of child spacing has been a recent visit by International Planned Parenthood Federation. They were invited by the national women's organization to assist in introducing family planning to Somalia. Their reception was excellent and it appears that a local IPPF association will be formed.

PART D

THE DEVELOPMENT PLAN

As can be seen in Table I, the Five Year Development Program (FYDP, 1974-78), as planned has considerable emphasis on the productive sectors of the Somali economy, most notably to agriculture and infrastructure which were to receive 31 percent and 32 percent of planned expenditures respectively.

Problems stemming from the drought, world wide inflation, the increase in the price of petroleum, delays in donor financed studies and supporting programs, transport and materials bottlenecks and a shortage of skilled manpower led to a rate of actual implementation well below the planned. Overall actual expenditure amounted to 60 percent of revised levels with the rate of actual physical implementation even below this level. (However, in money terms the government disbursed about 92 percent of the 3,750 billion originally planned.) A higher level of performance of the revised FYDP probably could have been achieved had the constraints, noted earlier, been less severe. The most notable implementation shortfalls were in agriculture (with a rate of 53 percent) and in social services (with a rate of 42 percent). Within the social services sector, expenditures for health amounted to only 26 percent of planned levels.

The Three Year Development Program (TYDP) for the years 1979-81 focuses mainly upon the completion and consolidation of projects begun during the FYDP plus new projects considered to be of high priority. Although it provides some insights into Government of Somalia priorities and intentions, the Three Year Development Plan is more of a listing of problems

and projects than a phased commitment of resources to meet economic and social goals. The TYDP plan forecasted a rate of economic growth between 5 and 10 percent but did not clearly relate to the level and composition of investment. The sectoral allocations of planned expenditure and the sources of planned financing are detailed in Table II.

The plan itself is highly ambitious. As is noted in Table III, planned expenditures over the period 1979-81 are projected at slightly over twice their actual level over the longer 1974-1978 period. Even allowing for inflation, past performance would suggest that the GSDR will face great difficulty in achieving the goals identified. Much will depend on the increased effectiveness of the civil service and the speed at which external donors, supportive of the plan, can mobilize and get their programs launched.

In addition to being highly ambitious, the plan is also heavily dependent upon external sources for its financing. External sources are expected to account for 64 percent of total plan costs, with the bulk of this, as befits Somalia's economic circumstances, to be provided through grants and concessional loans. While commitments for some of this financing have already been made, a substantial portion has yet to be obtained.

In addition to external considerations beyond the government's control, world wide inflation and the increasingly serious refugee problem, the plan's success will largely depend on whether Somali expectations for external and domestic financing will reach projected levels. Although some donors are considering debt rescheduling and converting loans to

grants, Somalia can expect to encounter more difficulty in obtaining concessionary grant external assistance approaching previous high levels. The TYDP also depends on domestic sources for 36 percent of plan financing. Approximately three quarters of this financing is expected from central budget surplus. Given the decreasing budgetary surplus over-ordinary expenses to the extent that revenues were less than ordinary expenses (non-development budget) in 1979, it would appear that development financing anticipated from budget surplus may be overly optimistic. Continued government borrowings from the Central Bank can be expected for this purpose but it has inherent disadvantages particularly over the long term.

In spite of its general and tentative nature, as was the case in the FYDP, the TYDP plan gives priority to the productive and social sectors of the economy. Agriculture alone is to receive 22.6 percent of the total up from 15.1 percent in previous plan and the share devoted to livestock increased sharply over five year plan levels from 3.8 to 8.9 percent. The goal here is self-sufficiency in food grains, the expansion and diversification of the export base and the reduction of agricultural imports.

In the social service area, education, which the Government of Somalia views as the most critical of the social services, will receive 7 percent of total expenditures. This is very nearly a 100 percent increase and in terms of most LDCs is a high percentage of a country's development budget. Further it must be considered to be even higher when the education and training elements included in the other development sectors are

taken into account.

The percentage of development expenditures overall for the productive and social sectors rose from 27.7 to 48.8 percent. The new TYDP represents a best effort approach to rationalize the shortfalls in implementation of the FYDP, and to identify the development priorities from 1980. It was a joint effort including both Somalis and expatriates, mostly UN advisors. The GSDR recognizes it is not the perfect document and is strengthening the State Planning Commission in preparation for a longer term more integrated planning document. They will be assisted in this by experts from FRG, ODM and IBRD.

The plan calls for priority to be given to the productivity of existing assets, and for decentralization of decision making and a regionally balanced provision of basic human needs. In this connection the new plan provides for a new plan sector, regional development, which will help insure that more development resources reach the poorest majority segment of the population located in the rural areas. It also notes the importance of price incentives, production inputs and marketing services for the agricultural sector and recognizes the critical role which can be played by the small farmer and herder. Taken at face value, the plan represents a clear recognition that, given its limited resource base and low level of development, Somalia must emphasize the growth element of the growth/equity equation. Further, it appears to represent a clear recognition that, into the immediate future, agriculture/livestock sector must provide the major source of foreign

exchange earnings and domestic incomes, thus providing the economic base for an improvement in the level of economic welfare and social services of Somalia's poor majority. The Government of Somalia continues to be more public sector oriented as reflected in TYDP although there are increasing evidences that policy makers recognize a need for more balanced development, thus they have taken steps to encourage greater private sector participation by providing additional incentives to small farms and pastoral groups.

Foreign investments are being encouraged and at least one American oil firm has reached an agreement on an exploratory program. However, the TYDP still allocates much of its development resources to state owned enterprises or government projects, many designed and launched in the first FYDP.

Along with the IMF, government is reviewing agricultural price policies, aware that price incentives alone may be inadequate to achieve the production increased desired. Pivotal to a reorientation of the government's development strategy is also the question of monitory reform linked to realignment of the Somali Shilling to other international currencies. Dependence on Central Bank financing must be reduced and savings in domestic expenditures continue to outstrip revenues with inflationary results. The entire question of adequate compensation for public and private sector employees must also be addressed.

A.I.D.'s assistance strategy for Somalia therefore must be developed with an awareness of the wide range of economic issues and constraints that

must be taken into account. Under the leadership of the IBRD and the IMF, A.I.D. should be prepared to participate in a dialogue with the Government of Somalia to promote and introduce constructive policy change, appropriate to one of the poorest LDC's through which sectoral and PL 480 assistance could encourage and support, and incorporate in a multi-year economic stabilization program.

TABLE I

Planned and Actual Implementation of the Five Year

Development Program 1974 - 1978

(In millions of Somalia Shillings and in percentages)

	Planned Expenditures 1974-78	Actual Expenditures 1974-78	Implementation Rate
Agriculture	1,799.9 (31.44%)	953.0 (27.72%)	52.9%
Industry & Mining	1,076.0 (18.80%)	900.2 (26.18%)	83.7%
Economic Infrastructure	1,834.5 (32.05%)	1,103.1 (32.09%)	60.1%
Social Infrastructure	887.6 (15.5%)	374.2 (10.88%)	42.2%
General and Local Administration	87.5 (1.53%)	52.4 (1.52%)	59.9%
Other Sectors	39.2 (.68%)	55.2 (1.61%)	140.8%
Total	5,724.7 (100%)	3,438.0 (100%)	60.1%

Source: Somalia, Recent Economic Developments IMF.

August 1979.

1/ Revised in 1978 to include inflation over period of the plan.

TABLE II

The Three Year Development Plan

1979 - 1981

Planned Development Expenditures and Financing

(In millions of Somalia Shillings & in percentage)

	Planned Financing	
Domestic Finance	2,584.8	36.39%
Foreign Finance	4,518.5	63.61%
Grant	(2,068.0)	(29.12%)
Concessional Loan	(2,035.0)	(28.66%)
Suppliers Credits	(415.0)	(5.84%)
Total	7,103.3	100.0%

Source: Three Year Development Program

State Planning Commission

TABLE III

The Five Year and Three Year Development Plans

(Millions of Somali Shillings and Percent)

	Five Year Plan 1974-78	Three Year Plan 1979-81	
	Actual Expenditures	Planned Expenditures	Percentage Change
Agriculture	953.0	2,515.6	+ 164%
Livestock	161.3	630.8	+ 291%
Crops	544.9	1,603.9	+ 194%
Forestry	83.4	14.5	- 83%
Fisheries	163.2	266.4	+ 63%
Mining and Industry	900.2	1,279.2	+ 42%
Economic Infrastructure	1,103.1	2,041.1	+ 85%
Education	232.3	522.5	+ 125%
Health	55.6	101.4	+ 82%
Other	193.8	643.5	+ 232%
Total	3,438.0	7,103.3	+ 107%

Source: Three Year Development Program
State Planning Commission

Somalia: Recent Economic Developments
IMF August 1976.

PART E

ABSORBTIVE CAPACITY

The question of absorbtive capacity in Somalia is primarily dependent upon two factors, availability of sufficient manpower to implement and the adequacy of government budgets to cover recurrent costs both during the project and post project.

Although Somalia receives massive inputs of donor assistance, most of this assistance is in the form of very capital intensive development. Much of this capital intensive assistance is in the industrial sector developing self-sufficient enterprises such as the oil refinery, sugar mills, etc. which will not be a significant recurrent cost burden. Other major capital projects such as the port are earning revenues in excess of their recurrent costs and thus contributing to the government coffers. Other projects, particularly the road projects, have added to the recurrent cost requirements of the GSDR in excess of the direct revenues they generate. Capital intensive agricultural sector projects of the past 10 years have proven to pose a significant recurrent cost burden and the government is presently examining the state farms to define a solution.

The recent emphasis on reaching the rural areas carries with it future recurrent cost implications. The government is aware of these implications and is using various approaches to minimize the burden. In the health sector, they intend to shift budget allocations from hospital oriented curative services to follow their priorities to the rural oriented preventive medicine and referral system approach. Likewise in the agricultural sector they intend to reallocate their resources from the state farms to the rural extension service.

In the area of water development the government intends to increase its water charges to cover increasing operating and maintenance costs. In the rangelands programs it intends to develop the herders' capability to manage reserves thus minimizing the need for government staff.

The Ministry of Finance is involved ina reviewof all projects and gives serious consideration to the recurrent cost question. They are currently considering a program of expanded user fees to recover costs directly from the beneficiaries.

As discussed elsewhere in the CDSS, the single greatest impact on the overall recurrent cost situation would be a readjustment in government salary rates to a more reasonable scale. The impacts on recurrent costs of such a policy will be examined thoroughly prior to setting the policy.

On the human resource side. the large capital projects similarly pose a minor drain on the skilled manpower base. They require a small management and technical cadre but not large numbers. On the other hand, the rural oriented programs present a heavier burden. The burden has been minimized using a pyramidal system based on a small number of highly trained staff and a large number of minimally trained-village workers, field extension agents, village health workers, etc.

We have designed projects with the understanding that the human resource base is weak and therefore have brought in operational technical assistance to get the program moving. This TA is complemented by the establishment of training institutions to provide practical training at all levels of the pyramid.

We anticipate that the training of staff will be less of a problem than retention of the staff following training. Low government salaries and lack of incentives make it difficult to retain staff, particularly in rural areas. USAID does not want to move into paying incentives or topping up salaries from project funds as a short-term solution because we feel that this would only delay the difficult decisions necessary to resolve the problem. We prefer to see this addressed on a macro-level.

In general, despite the constraints discussed above, the GSDR has demonstrated a capability to get work accomplished. The small number of capable well-trained civil servants quickly reach high levels where they can effectively have impacts on development. Great autonomy is given to ministries and agencies, thus minimizing bureaucratic bottlenecks. Serious delays in project implementation are due more often to the need to rely entirely on imported materials than a lack of government support. The Somalis appear to be masters at doing a lot with very little.

PART F

OTHER DONORS

Somalia is a country which enjoys avid interest from numerous donors, both Eastern and Western. Based on 1978 data, Somalia received $37,000,000 in technical assistance, the same amount received in 1977, and commitments for multi-year capital projects rose from $701 million to $798 million. If we assume that multi-year capital is disbursed over five years, the total annual disbursement in 1977 was $175 million rising to $195 million in 1978. Food aid contributed an additional $30 million thus making this country of around 4 million people recipient of $225 million in foreign assistance in 1978.

Counting annual technical assistance and pro-rated capital assistance for 1978, the United Arab Emirates was the largest donor with their entire contribution going for two projects, the Berbera-Burao road and a sugar factory at Gelib. Saudi Arabia was next with the bulk of its funds going toward a textile plant, construction of the university, and to the Gelib sugar factory, China followed with the north-south road, which was still being constructed in 1978, the Fanole Dam and other minor projects including the drilling of urban wells. The above multi-year contributions -- UAE $126 million, Saudi Arabia $112 million and China $108 million -- all went toward financing large capital/infrastructure projects. The next four largest donors: IBRD $87 million, EEC $83 million, Iraq $60 million and Kuwait $47 million, primarily financed construction. The World Bank was involved in some 11 projects in 1978 in the sectors of transportation,

education, livestock, agriculture, settlement and port construction. IDA credits have been primarily for capital intensive works only recently moving to rural development. The EEC contribution, with the exception of $3 million in technical assistance, was for capital projects including the university, the port and a road. Also in the case of Iraq and Kuwait, their contributions financed capital projects, namely an oil refinery and an electric power station. The same was true of the next range of donors -- AFESD $50 million, West Germany $25 million (not counting $7 million in TA in 1978), North Korea $25 million and ADF $20 million.

Technical assistance is supplied primarily by the UN group with an annual level of $10.3 million in 1980 with a small decrease planned for 1981. This group is led by UNDP at $6.5 million and WHO at $2.4 million. Bilateral donors such as the FRG providing $7 million of technical assistance, the British providing $5 million and numerous other smaller programs contribute the technical assistance package. The USAID contribution will be the largest bilateral technical assistance program.

AID is the largest provider of food aid followed by WFP with an annual program of approximately $11,000,000 and then the EEC, Italy and numerous other minor donors.

The problems of the massive influx of refugees is one which many donors have rallied around to support. The total requirement of $56,000,000 in food aid and $15,000,000 in non-food aid has been about 55 percent subscribed by donor including USAID, EEC, WFP, UNHCR, Sweden, France, Italy, Netherlands.

The emergency needs are great and increasing on a daily basis and are likely to continue. Beyond the emergency program, a longer term program to integrate the refugees into the economy will require major donor financing.

Donor coordination is viewed as being of great importance in this country which relies on donor inputs to finance nearly its entire development budget. A coordinative unit has been established in the State Planning Commission to coordinate donor inputs and the donors meet as a group on a monthly basis. In sectors where donor projects overlap the particular donors involved meet often to assure coordination and a common approach.

Many projects enjoy joint financing and recently AID joined with IDA, IFAD, ADF and WFP in developing three multi-donor projects in the agriculture sector. A joint IBRD/AID agricultural sector survey was undertaken and plans are underway for AID participation in an upcoming IMF economic review. These factors all contribute to a strengthening of interdonor coordination.

PART G

AID ASSISTANCE STRATEGY

The first Country Strategy Statement (CDSS FY 1981) was a sectoral strategy identifying the severe shortages of trained manpower as the principal constraint to development. The A.I.D. program concentrated its efforts and resources mainly on two critical sectors, agricultural/livestock and health. This program gave primary emphasis to manpower training with technical assistance providing the main driving force. However, we were also aware of multi-sector macro-constraints also adversely affecting development in Somalia. In the FY 1981 CDSS strategy sector, we specifically raised the possibility of a commodity support program in view of Somalia's heavy dependence on external resource flows for development and balance of payment needs. To partially address these macro-constraints we proposed in FY 81 CDSS, substantial PL 480 resources. Now in addition to sector and macro-constraints the GSDR is being overwhelmed by a mammoth refugee problem which will take years to stabilize and normalize.

A development program for Somalia must be viewed from two perspectives in order to properly address the problems. First, the structures and systems within various sectors must be made capable of maintaining development within the sector, and secondly numerous multi-sectoral macro-constraints must be addressed to allow the sectoral developments to proceed. In addition to the complexity imposed by reconciling the development thrust with development constraints we must view all of this in the context of time since the most

desirable short-term solution is not often the most desirable long-term one. Somalia is in dire need of providing both the short-term and long-term solutions to moving development while simultaneously removing constraints.

The development strategy presented in the 1981 CDSS provided significant insight into our solutions for providing the impetus for development in the health and agricultural sectors and we feel that this limited strategy remains valid for those sectors. However, we believe that it is imperative that we expand our horizons to provide greater emphasis on the multi-sectoral constraints which our analysis indicates can be significant brakes on developmental momentum and as such can limit the success of our project portfolio.

The critical multi-sectoral constraints which cannot effectively be addressed within sectoral projects include financial constraints such as the balance of payments situation and the budget deficits, the uncertainty of adequate water supplies country-wide, the non-availability of materials, and the scarcity of trained manpower in all economic sectors.

Our current project portfolio which focuses primarily on development within the agricultural and health sectors is summarized in schematic form in Table I. The present USAID program addresses the agricultural sector requirements on two levels, direct production and a wider institutional framework. Primary emphasis is on agricultural production with participation in the IBRD's Bay Region and Central Rangelands Projects. Our Training and Extension

Project (649-0101) begins activities in the Bay Region on a small scale to test extension methodologies, train extension agents, and gain experience with the technical package. As a related IBRD project comes on stream in early 1980, our Bay Region Development Project (649-0113) will begin to increase the scope of our interventions to encompass mixed farming, including livestock as well as crops in the Bay Region. Concurrently in 1979 we began another project, the Agricultural Delivery Services Project (649-0112), providing for our participation in the IBRD National Extension Project, which will provide the essential central level infrastructure to support extension activities in the field. The project includes extension training and management and development of a research plan to properly direct and revitalize the National Research Program.

Due to the importance of livestock as a foreign exchange earner for Somalia, the livestock sector is given high priority by the government. In this sector we have a project (649-0108) that will support the IBRD Central Rangelands Project. It focuses primarily on improving the management of the range resource with its complementary animal husbandry and animal health interventions. A.I.D. is providing the technical assistance in range management for this project. In the future, A.I.D. plans to begin an Animal Health Sector Project to provide assistance to the Veterinary Service. This project would assist with veterinary training, laboratories and central-level backstopping, similar to the project 0112 contributions to the agricultural sector.

Our participation in these IBRD projects, each of which has at least one other donor besides the IBRD and A.I.D., is the centerpiece of our program. Our participation in all the projects consists of providing technical assistance and related support while the World Bank and other donors provide the needed infrasturcture. There is full agreement among [illegible] GOM that this is the most effective utilization of

the financial package and that the donor cooperation demonstrated will make for stronger projects.

In the social development field our emphasis is on Primary Health Care Delivery and the provision of minimum shelter in resettlement villages. The Primary Health Care Project (649-0102) emphasizes providing preventive health measures to settled and nomadic rural areas. It has a small central institutional component to support a large outreach program based on minimally skilled village paramedics. The project will begin in the Bay Region where it complements our agricultural projects and expand to cover one region in the Central Rangelands Project. During the life of the project, four regions containing one-forth of the nation's population, will receive rural primary health care. In addition, a replicable model, as well as the essential national institutions, will be established to

housing is a critical social amenity in these villages if the program to sedentarize nomads is to be a success. The GSDR, at great cost, has settled the destitute nomads, developed schools and health facilities and begun a large agricultural scheme in Kurtunwaare. Our input complements the settlement process by providing minimum standard shelter. This project lays groundwork for the larger resettlement programs which will be needed in providing a long-term solution to the serious refugee problem.

The Mission has incorporated one project, Comprehensive Groundwater Development (649-0104), into its portfolio which addresses the constraints of water availability. Over most of the country there are expanses of land which are presently underutilized due to a lack of drinking water for humans and livestock. At the same time, the health status of many people is affected by the very low quality water which is available. This first multi-sectoral constraint project addresses this problem by providing groundwater studies to define the resource and subsequently drilling the wells necessary to support agricultural and rangeland development, as well as provide potable water for human consumption in the village wells program.

The need for trained manpower is addressed in every sectoral project in the USAID portfolio. The projects provide for both in-country and external training in specialized skills. We have also utilized the AMDP project and other central funds to provide some training in various other sector specialties including nutrition, sciences, education, management, etc. This

approach is useful as a temporary measure, but if the real manpower constraints are to be addressed a comprehensive manpower program must be developed. USAID/Somalia would like to begin developing a project to address manpower training from primary school through to senior levels. This project would assist in revising primary school curricula to give even greater emphasis on practical training in agriculture husbandry, nutrition, health, etc. It would also address needs for technical/vocational training at the secondary and post secondary levels. Finally, it would address the needs for management and administrative training for both the public and private sectors.

We plan to utilize a combination of PL 480 resources and a commodity program to address the macro-economic and financial constraints. Our PL 480 programs provide some short-term balance of payments relief but clearly more assistance is needed. We propose to develop a grant funded commodity program for FY 1981 which would import agricultural inputs, construction materials and transport items to provide badly needed immediate relief. This program would support the IMF stabilization program by linking to their agricultural price policy, interest rate and exchange rate initiatives and generate local currencies to address the second major financial constraint, the budget deficit. The Title I/Title III program provides some relief in the budgetary area but is only supportive of the development budget while many of the cost increases discussed above fall into the ordinary budget. A commodity program will provide immediate

relief for the ordinary budget, and local currency proceeds can be tied to helping to implement salary policy which will in turn address the problems of retention of high quality staff and the low productivity of present staff.

Substantial PL 480 Title II assistance is proposed to assist the GSDR international agencies, and bilateral donors cope with mammoth refugee problems in Somalia. In FY 1979 the Title II program was approved at $3-4 million on the assumption that the refugee influx into Somalia from Ethiopia had stabilized. In early 1979 we estimated the refugee population in camps at 120.000. By the end of December 1979 the number of refugees had increased to 473.000. The GSDR officially declared the refugee problem as a national emergency and has requested assistance from the international community for food and non-food supplies. The total GSDR request amounted to $72 million, but was based on a refugee population of 330.00. UN Assistant Secretary General Goundrey estimated that the refugee population could go as high as 600,000 in camps and other 400,000 in the country-side during recent visit to Somalia. Although precise statistics are being gathered we believe the GSDR is spending between $100,000 to $200,000 per day out of its own resources to support the refugees. This amounts to over 10 percent of their entire budget and further exacerbates serious budgetary constraints discussed below.

In response to the GSDR request A.I.D. provided supplementary Title II assistance of $3.7 million and is prepared to provide an additional $12.8

million in food aid and $2.5 million in non-food assistance. Despite substantial contribution, food, material and cash grants from international donor community, food deficits remain. The total shortfall in cereals alone, for the refugee program, amounts to more than 31,000 MT, valued at approximately $4.5 million. The U.S. has been asked to make up as much of the corn/sorghum and rice deficits as possible. The five-year funding projections contained in Part G reflects the Mission's best estimates for Title II requirements, as well as Title I/II needs. Title II requirements were developed on the basis of anticipated parallel contributions to assist the refugees from the international community.

In addition to regular programs the Mission considers it essential to move to a program which addresses the financial constraints of Somalia. As the earlier analyses and Annexes VI, VII and VIII indicate, the Government of Somalia is in a very precarious position. Their balance of payments position had steadily deteriorated despite severe austerity policies which have made imported goods virtually unavailable in the country. Their deficit in the current account has been steadily increasing to a level of 600 million shillings in 1978, despite their tight fiscal policy on salaries and heavy contributions to the development budget by other donors. The IMF suggestions of devaluing the currency will have both direct and indirect effects on the budget as the government attempts

to maintain stability during the chaotic first year after devaluation. Our present project portfolio will have some impacts on the financial situation in the long run as agricultural production increses to allow import substitution and livestock production increases to provide additional foreign exchange earnings. However, the need is immediate and actions must be started to help Somalia reach the point where current projects begin to pay off.

The GSDR budget deficit has become increasingly severe over the past several years, which has caused an increased reliance on external capital flows and Central Bank financing to finance the development budget. Up until 1979 the budgetary revenues had been sufficient to cover the ordinary budget, but the first half of 1979 showed a 58 million shilling (US$ 9,500,000) shortfall in covering the recurrent budget. This occurs despite very low government salaries. The IMF has suggested that the 8 percent annual growth in the budget deficit be decreased to 4 percent annual growth while the GSDR is establishing a goal of actually eliminating the annual deficit, and in the next five years repaying the one billion shillings borrowed from the Central Bank over the past several years for development financing. Since revenues are inelastic the only means of accomplishing this savings is by tightening their belt on the expenditure side. This conflicts with the need to substantially increase producer prices, provide meaningful increases in salaries, and need to hold price increased of essential consumer goods to a minimum. The immense refugee program adds a further burden to the already tight budget when the government must devote

staff time and limited resources to managing the program, including scarce technical ministry staff, vehicles and POL to transport food grains and non-food items, etc. We estimated that extra budgetary GSDR expenditures for refugees, in addition to donors, will amount to over 200 million So.Sh. Assistant Secretary General Gordan Goundrey stated at the conclusion of his mission that to assess Somali refugee situation annual refugee support for only those persons in camps will be $200 million annually.

As an initial step to trim expenditures and balance theordinary budget, the government intends to expand its program of direct charges to beneficaries so that users are picking up more of the costs of services provided. This is currently being accomplished in the water supply program and can readily be instituted in the rural health and animal health program.

The nearly total non-availability of imported material, coupled with a miniscule local industrial capacity, is also a serious constraint. Agricultural inputs, fertilizer, pesticides, equipment, etc., are nearly nonexistent and any form of construction material from nails and wire to cement and steel is in very short supply. This restricts the potential for increasing productivity in the agricultural sector to the low-level plateau achieved through modest improvements in cultural practices and slows growth through the entire economy. We propose to address this constraint on two fronts, using the multi-sector commodity program to provide immediate reliefwhile developing a capital saving technology project

composed of a technical assistance component to provide technological and managerial assistance to entrepreneuers and a program through the Development Bank to provide capital to entrepreneuers in the agricultural inputs and equipment, construction materials and basic services sectors. This project would begin addressing the long-term needs to meet demands generated by other projects in our portfolio.

The final multi-sectoral constraint which we wish to address is manpower. The manpower constraint can be divided into two separate issues, the lack of trained and skilled manpower, and their ability to retain top grade manpower. The lack of trained manpower is addressed under the earlier discussion of our present portfolio. The ability to retain manpower is a direct result of the low salary scales within the government. With salary rates beginning at 250 shillings per month ($40) at the lowest level, and increasing only about ten-fold to the highest levels, civil servants scarcely live on the salaries which they receive. Therefore, the alternative labor market in the Arab States becomes more and more attractive even though the Somalis view the climate and working conditions as inhospitable. One possible solution to this constraint is to increase government salaries to a point where they can provide a reasonable standard of living for civil servants. The increasing of government salaries, even with outside budgetary assistance, will dictate an end to the government serving as employer of last recourse and will require a paring of government roles. Our commodity support program through its currency generations could help during the transition period.

In summary, our multi-sectoral program to address constraints would consist of five parts. A continued PL 480 Title I, II and III program will provide immediate balance of payments relief, a partial solution to the emergency needs of refugees and some support to the development budgets, as well as allowing us to exert some influence on basic agricultural policy. The grant-funded, multi-sector commodity program would be utilized to provide further balance of payments relief, and make external technologies available in Somalia, provide urgent support for the ordinary budget, help the government over the difficult period caused by the anticipated IMF revaluation policy, and permit us to work with other donors such as the IMF, Arab Fund, etc., in assisting the GSDR to establish new macro-economic and financial policies. The details of this program will be defined following the IMF mid-term review in June 1980. The capital saving technology project would be looking beyond the commodity program to give Somalia the internal capability to produce simple manufactured items in the private sector and thus replace some imports. The Education Sector Project will address the long-term manpower constraints to assure a steady flow properly trained manpower to public and private segments of all sectors. Finally, the existing Groundwater Project will provide the mechanism for rational exploitation of the groundwater resource to support the development in all sectors.

The Mission feels that the melding of project support in specific sectors to provide the impetus for development in the sector coupled with programs

designed to remove the cross-sectoral constraints will be the most effective means to carry out long-term development in Somalia.

PART H

FIVE YEAR FUNDING LEVEL PROJECTION
($000)

	FY 82	FY 83	FY 84	FY 85	FY 86	TOTAL
Agriculture	13,000	14,000	14,000	17,000	21,000	79,000
Health	6,000	7,000	10,000	10,000	11,000	44,000
ED/HR	2,000	6,000	7,000	9,000	9,000	33,000
SDA	2,000	4,000	4,000	4,000	5,000	19,000
TOTAL	23,000	31,000	35,000	40,000	46,000	175,000
Title I and III	15,000	12,000	10,000	10,000	10,000	57,000
Title II	22,000	22,000	20,000	15,000	10,000	89,000
Commodity Support	15,00	20,000	20,000	20,000	15,000	85,000

The above table is our best estimate of our funding requirements through 1986 and should be considered in conjunction with previous year estimated levels.

	FY 78 (Actual)	FY 79 (Actual)	FY 80 (Estimate)	FY 81 (Estimate)
Agriculture	3,253	4,297	7,000	7,000
Health	—	4,757	5,700	5,700
ED/HR	—	—	—	—
SDA		1,000	1,100	—
TOTAL	3,253	10,054	13,800	12,700
Title I and III	7,000	10,700	15,500	15,000
Title II	6,300	3,400	22,000	22,000
Commodity Support	—	—	—	15,000

USAID/Somalia is planning on a continuing increase in development assistance through the first half of the decade to a level of $46 million in development project assistance, $20 million in PL 480 funds, and $15 million in non-project assistance for a total program of $81 million in 1986.

Our agriculture sector program continues to receive the greatest emphasis with activities in both the crop production subsector and the livestock subsector. In crop production our present program will begin reaching completion in 1984-1985, and stage II rural development projects will have started building on the institutions established under the current portfolio to extend productivity packages to other areas and to provide a continuous flow of improved technology. In the livestock subsector our current Rangelands Project will be augmented in 1982 by an animal health program to upgrade those services and by the mid-point of the decade we will be in a position to undertake an expansion and intensification of the Range Management Program.

The Health Program will continue to develop the Primary Health Care Delivery capability through expansion and replication of the primary health care model developed under our current project. Our activity in the water supply subsector will continue under the present project through 1985, and it is highly likely that follow-on programs will be forthcoming.

We propose that activities will commence in the education sector in 1982 to begin addressing the manpower constraint head on. GSDR is increasingly

concerned over the number of school leavers, particularly at primary level, who will not be able to go on to higher or technical education, nor will they be equipped with skills essential for life in a harsh environment. Our assistance into education therefore will focus on providing mainly technical assistance to allow the GSDR to more fully utilize existing facilities rather than construction.

Under the Selected Development Activities account we anticipate continuing our involvement with the Settlement Program to assist them in providing a long-term solution to the refugee problem. We also anticipate moving into an appropriate technology project to assist the private sector to develop capability in small scale industries producing agricultural inputs, construction materials, etc.

As our agricultural projects and the programs of other donors begin to show significant impacts in the period 1983-1986, the need for PL 480 Title III support should decrease. The Title II program will continue at a level exceeding $20 million per year, while refugees remain non-assimilated into the economy. Present estimates indicate that this assimilation will require at least five years. After 1984 the Title II program begins to decrease.

The commodity program is needed in 1981 to help carry the GSDR through the difficult period while it is restructuring its economy, and to reduce the adverse economic disruption due to inflation and budgetary readjustments over the next several years. By 1984 the macro-economic situation should

have stabilized and import substitution industrialization should be underway. At that point, the commodity program can begin to phase out.

The long-term prognosis for the Somali program is good. We are more concerned about the cash flow situation in 1980 and 1981 when our budgets are tightly restricted and funds are required for on-going projects. A more even and gradual climb to our 1986 level would be preferable.

ANNEX I

THE ECONOMY

A. Population

Population estimates for Somalia in late 1979 range from 3.5 million (IMF) to 5 million (Somali Central Statistic Office). The discrepancy possibly related to the counting of refugees and/or nomads who are continually on the move across the border with Ethiopia.

The average annual population growth rate over the past ten years is estimated to be between 2.6 percent and 2.8 percent, which will double the population every 25 to 28 years.

Population density is quite low, only 5.5 persons per square kilo. In terms of available arable land, however, the density rises to 45 persons per kilo. Ethnic homogeneity is a major feature of the population in Somalia, and some 95 percent of the population is believed to consist of ethnic Somalis. The remainder of the population is made up of ethnic Bantu who live along both the Juba and Shebelli rivers.

A 1977 WHO/IBRD study totaled Somalia's population at 3.3 million broken down as follows:

	No. of Communities	Population (000)
Water Supply		
Rural		
Villages (settled)	N.A.	618
Nomadic	-	1.390
Resettlement Areas	6	160
Sub-total Rural		2.168

Urban		
4,000 - 10,000	11	64
10,000 - 20,000	13	140
20,000 - 40,000	9	238
40,000 - 50,000	1	40
50,000 100,000	3	180
Sub-total Urban exclusive of Mogadishu	37	662
Mogadishu	1	470
Sub-total Urban	38	1.132
Grand Total		3.300

B. Natural Resource Availability

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

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

Some estimates of woodland areas are as high as 25% of the total land area. Most of this, however, is really bush or scrub with only a small percentage of the land area, perhaps 3% or 4% in accasia and other thorn trees, primarily. Also in the northern mountains a considerable portion of land is covered by cedar and Frankensense trees. The country has one small sawmill in the Al-Madow area (far north) exploiting, to some extent, the cedar stands. The Frankensense trees are individually owned and are a source of wealth to a number of families in the north. Also in the Gedo Region, near the point where Somalia, Kenya and Ethiopia meet, are found a large number of Myrrh trees. Myrrh and Frankensense make up some 3% to 4% of Somalis exports,

Mineral resources once thought to be varied, plentiful, and capable of contributing significantly to economic development have proved disappointing. However commercially exploitable concentrations of uranium exist, and reportedly an American firm has been contacted to begin mining operations.

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

Large deposits of high grade gypsum are found near Berbera and were also being exploited on a pilot basis in 1976. Oil exploration, both onshore and offshore will begin in 1980.

Somalia's extensive sea coast, approximately 2000 miles, affords ample opportunity for the development of fisheries.

Cultural factors involving a preference for meat over fish are becoming less of a retardant to the development of fisheries and nearly all fish production is consumed locally.

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

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

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

Also in the south, some 80,000 hectares are irrigated along the Juba and Shebelli rivers.

C. Manufacturing

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

D. Further discussion and review of the Somali economy are contained in Annexes II, VI, VII and VIII.

TABLE I

Livestock Population by Region
(As of February 1975)

Region	Livestock ('000)			
	Camels	Cattle	Sheep	Goats
W. Galbeed	606	145	2,242	3,076
Togodheer	320	44	917	902
Sanaag	205	74	1,521	664
Bari	240	15	1,388	2,095
Nugaal	155	12	223	611
Mudug	751	340	1,136	2,744
Galguduud	395	218	588	1,734
Hiiraan	461	170	287	1,159
Sh. Dhexe	236	366	325	720
Mogadishu	1	22	6	19
Sh. Hoose	293	419	90	200
J. Hoose	297	1,036	81	177
Gedo	784	528	500	725
Bay	362	255	55	192
Bakool	192	100	79	274
TOTAL	5,298	3,744	9,438	15,292

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TABLE II

Number and Value of Livestock Exports, 1971-78

	Sheep ('000)	Goats ('000)	Cattle ('000)	Camels ('000)	Total Livestock ('000)	Total value, f.o.b. 1/ (millions of 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	301.9
1977	465	461	55	33	1,014	299.5
1978	739	715	77	27	1,558	570.4

TABLE III

Quantity and Value of Fish Output of

Fishing Cooperatives, 1976-78

	1976		-1977		1978	
	Quantity (in metric tons)	Value (in So.Sh. '000)	Quantity (in metric tons)	Value (in So.Sh. '000)	Quantity (in metric tons)	Value (in So.Shs. '000)
Landed catch						
Lobster	27.1	434.3	47.6	738.1	82.7	1,322.6
Fish	1,599.7	4,470.2	3,667.9	8,992.2	2,969.1	7,725.9
TOTAL	1,629.8	4,904.5	3,715.5	9,730.3	3,051.8	9,048.5

TABLE IV

SOMALIA

ECONOMIC INDICATORS

GNP PER CAPITA: US$110 (Approx. 1977) 1/

CENTRAL GOVERNMENT FINANCE

	1975	1976	Prel. 1977	Budget 1978
	(million US$)			
Current Revenue	99.1	106.0	121.2	231.1
Current Expenditure	90.1	103.1	121.5	216.5
Current Surplus	9.0	2.9	-0.3	14.6
Development Expenditure	56.4	99.1	150.1	184.7
Extra Budgetary Expenditure	91.8	48.8	15.1	..
Overall Deficit	139.2	145.0	165.5	170.1

MONEY, CREDIT AND PRICES

	Dec. 1975	Dec. 1976	Dec. 1977	June 1978
	(million So.Sh.)			
Bank Claims on Government (net)	-238.2	124.4	-97.8	-161.8
Bank Claims on Private Sector and Public Enterprises	1041.7	986.4	1280.7	1392.5
Money Supply	825.8	994.9	1325.1	1482.8
	(Percentage or Index Numbers)			
General Price Index (1966=100)	163.0	190.1	210.9	-
Annual Percentage Changes in:				
General Price Index	7.9	16.6	10.9	-
Bank Claims on Private Sector and Public Enterprises	7.8	-5.3	29.8	8.7
Money Supply	31.4	20.5	33.2	11.9

BALANCE OF PAYMENTS

	1974	1975	1976	1977
	(million US$)			
Merchandise Exports (f.o.b.)	64.0	88.6	81.0	71.3
Merchandise Imports (f.o.b.)	-133.7	-141.1	-153.1	-175.1
Trade Balance	- 69.7	- 52.5	- 72.1	-103.8
Services, Net	- 33.6	- 49.7	- 38.0	- 36.9
Transfers, Net	51.8	102.2	40.8	108.0
Current Account Balance	- 51.5	0	- 69.3	- 32.7
Long-Term Capital	61.0	52.8	69.6	64.2
Short-Term Capital and Errors and Omissions	-1.9	-26.2	13.3	5.3
Reserves and Related Items	-7.3	-26.6	-13.7	-36.9
International Reserves (end year)	42.4	68.5	85.0	120.5
Petroleum Imports	11.0	19.1	18.5	38.7

RATE OF EXCHANGE US$1.00 = So. Sh. 6.295 (Since 1973)

MERCHANDISE EXPORTS (AVERAGE 1974-76)

	US$ Mln.	%
Livestock	46.9	60.3
Bananas	13.2	16.9
Meat and Meat Products	6.5	8.4
Hides and Skins	4.8	6.2
Fish and Fish Products	2.2	2.9
Others	4.2	5.3
Total	77.8	100.0

EXTERNAL DEBT, DECEMBER 31, 1977

	US $ Mln.
Public Debt	872.8
of which Disbursed	(398.9)

DEBT SERVICE RATIO FOR 1977

	%
Public Debt	5.5

IDA LENDING, (NOVEMBER 30, 1978) (Million US$):

	IDA
Outstanding and Disbursed	55.55
Undisbursed	41.64
Outstanding incl. Undisbursed	97.19

1/ No National Accounts available
.. Not available
. Not applicable

ANNEX II

Principal Economic Sectors:

Description, Constraints and Development Plans[1/]

A. Agriculture

1. Farming Sub-Sector

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

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

(a) uneven rainfall and periodic droughts;

(b) declining soil fertility and poor cultural practices;

(c) applied agricultural and livestock technology is quite primitive, resulting in low crop yields and livestock off-take;

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

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

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

The major crops grown under irrigated conditions on approximately 80,000 hectares are bananas, sugar, citrus and other fruits, and some vegetables. About one-third of the irrigated area is subjected to controlled irrigation while the remainder is subjected to flood. In the Juba valley, bananas are grown on most of the controlled irrigation area. As noted earlier, some maize and sesame are grown under irrigated conditions. In addition, some rice, cotton and groundnuts are also grown with the aid of irrigation.

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

land and to 30 hectares (74 acres) for irrigated land. A family may be given one concession renewable for a second ten-year period. Mortgage, sale, lease or transfer of land is prohibited except in the event the initial concession holder becomes disabled. Even then the physically disabled farmer can sublet to another only if official permission to do so is granted.

Maize and sorghum are grown by widely scattered small landholders. Rice is grown primarily by cooperatives and private plantations. Though plans exist to expand rice production to 6,000 hectares, apparently not more than 5,000 hectares are now devoted to rice production. Sugar cane has been grown in the Shebelli valley near Jowhar since 1926. Since 1970, the operation has been conducted by a parastatal organization known as Societa Nazionale Agricola Industriale (SNAI). No more than 5,000 hectares seem to be devoted to sugar cane production though it is planned to expand this to 7,000 hectares. For a variety of reasons both sugar cane yields per hectare and refinery extraction rates declined from 1969 to at least mid-1976. With respect to sugar cane yields per hectare, part of the problem involves a gradual salinization of the areas being irrigated.

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

The major constraints to agricultural development involve natural factors such as undependable rainfall, and limited natural resources. These constraints are compounded by poor communication, inadequate technical information, a shortage of skilled manpower which in turn means deficiencies in agricultural planning and project preparation.

The three year Development Program for 1979-81 lists several objectives with respect to the agricultural sector:

a) to accelerate the drive to self-sufficiency in basic foodstuffs (especially maize and oilseeds), vegetables and fruit, and increase the output of cotton, sugar, rice and wheat in order to reduce the mounting burden of agricultural imports;

b) to diversify the agricultural economy mainly through the encouragement of crops for export and for agro-industries;

c) to conserve the country's natural resources, especially the soil, for the use of future generations as well as assuring adequate production for the present generation;

d) through increased farm productivity and incomes, to raise the standards of life and welfare of rural dwellers;

e) to assist in improving nutritional standards through increased food production;

f) to ensure productive employment for that part of the increase in rural population that is not absorbed in non-agricultural work in the course of the development process.

The three-year plan for the agricultural sector thus focuses upon the incomes and nutritional levels of the rural poor as well as upon

the need of the national economy for increased agricultural exports and reduced agricultural imports. Some 23 percent of planned expenditures will be devoted to this sector with 81.4 percent being financed from foreign sources.

2. Livestock Sub-Sector

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

a) Livestock Production

Though a census of livestock was undertaken in 1975, as noted earlier, the results are suspect. It seems, therefore, that the most reliable livestock population estimates may be those for the year 1974. According to the 1974 estimates, the following numbers are indicated:

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

TABLE V

1974

Number and Distribution of Livestock (Est.)
(Millions)

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

b. Cattle

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

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

c. Sheep and Goats

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

d. Camels

Camels constitute an accepted measure of individual wealth among the pastoral Somali. Because of this, camels are afforded first priority, with respect to water, grazing and general livestock management. Camels are used as beasts of burden, the major source of subsistence milk requirements and some are slaughtered or exported live for meat. The annual offtake is estimated at about 5 percent for all purposes.

e. Nomadic families and herd utilization

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

3/ Camels may go without water for at least two weeks.

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

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

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

f) Marketing: Transport and Processing

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

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

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

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

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

g) Constraints to Increased Livestock Production

The major constraints to improved and increased livestock production are environmental in nature. For example, rangelands provide inadequate nutrition since drought conditions occur one year out of every five. Moreover, the poor distribution of watering facilities for both humans and livestock means that many areas are overgrazed. Overgrazing, in turn means poor range management and poor or non-existent soil and water conservation practices.

The introduction and use of vaccinations and drugs by the expanded extension service has reduced livestock losses, however, disease and parasites still figure predominately in improvement of livestock production.

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

In the livestock sub-sector as in virtually all sectors of the economy, the lack of trained manpower constitutes a major constraint upon improved and expanded output. In 1975 there were only thirty trained veterinarians in all of Somalia and only ten graduates in animal husbandry. A College of Veterinary Science was established in 1973 and the first graduates were available in 1978.[5/]

The three-year Development Program for 1979-81 sites the following objectives for the livestock sector:

1) increased production to meet rising internal and external demand and to raise national and individual incomes;

2) improved efficiency of marketing;

3) greater integration of agricultural and livestock production; and

4) introduction of modern techniques of production and management to lessen dependence on the traditional nomatic system and thereby improve the quality of life of the rural people.

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

More specifically, the objectives in the T.Y.D.P. will be:

1) to raise the level of offtake and to further increase exports;

2) to reduce economic wasteage from the effects of disease and drought;

3) to study and develop more intensive system of dairy and beef production suitable for the higher potential areas;

4) to increase the supply of animals of improved breeds suitable for more intensive systems;

5) to expand poultry production;

6) to improve output and quality of training of field staff;

7) to stimulate the private sector to adapt modern methods by development of extension services;

8) to establish well-managed production units in the public sector which will provide a solid base of method and performance on which future public and private development may be planned.

In terms of rangeland development within the livestock sector, the plan indicates the following objectives:

1) to increase range capacity by expanding and further developing a system of range management based on rotational, seasonal and drought grazing reserves;

2) to involve pastoralists in range development by education, by formation of grazing associations to manage their reserves, and by establishment of ranching cooperatives with exclusive rights to allocated rangelands;

3) to improve utilization of rangelands by provision of additional stock water supplies in areas of controlled range management, and to utilize water harvesting techniques to increase range productivity in selected areas;

4) to progressively survey, classify and map range vegetation and water resources as a basic tool for range use planning;

5) to initiate studies and research programs aimed at identifying more precisely management techniques which may attest and reverse degradation, and increase productivity, of various range types;

6) to improve training at all levels, and increase output of trained staff, in range management and related disciplines.

The three year plan for the livestock/range sector thus recognizes the importance of livestock to the incomes and welfare of Somalia's poor majority, the importance of increased livestock exports and the role which must be played by the private, as well as the public portions of the sector. Some 630.8 million shillings will be devoted to this sector over the planning period an amount equal to 8.9 percent of total planned expenditure. This represents a considerable increase in the resources devoted to this sector (as compared to the five year plan).

B. Industry

Since national income accounting has not yet been instituted in Somalia, and accurate measure of the contribution of industry (manufacturing) to GDP does not exist, estimates of value added to GDP by manufacturing vary from 6 percent for 1968 to about 10 percent for 1972.

In the GDP account constructed and presented above as Table IV, the assumption was that value added by manufacturing in 1975 amounted to about 9 1/4 percent of GDP.

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

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

The major constraints to economically viable industrial growth are the small size of the consumer market and the low per capita income. These checks to industrial growth are made more severe because of the limited natural resource availabilities, a serious lack of skilled manpower including entrepreneurial skills and a generally inadequate infrastructure such as transport and communication facilities, energy and the like. Many of these enterprises operate at less than full capacity due to shortages of imported and domestically produced inputs.

The three year Bevelopment Program calls for an expenditure of 1,224.8 million shillings on manufacturing over the planning period; an amount equal to 17.3 percent of planned expenditure. Some 68 percent of this expenditure will be financed from external sources.

C. Fishing

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

Estimates of the potential annual catch off the Somalia coast vary from a low of 200,000 tons to 2 million tons. In 1977, the annual catch was about 12,000 tons. It is hoped that this can be boosted to 125,000 tons per year. At least 80% of the landed catch is exported, mostly in the form of canned fish. 6/

Apart from the cultural constraints and environmental constraints to expansion of the fishing industry noted above, the lack of trained manpower to organize, administer and conduct the industry is a major constraint. Indeed this constraint frequently results in an inadequate supply of fish to permit utilization of the fish processing plants at an optimum level.

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

The objectives of the three year development program with respect to fisheries focus on increased production and consumption of fish, increased incomes and employment from fishing and increased fish exports. Some 266.4 milling Shillings will be spent on the sector over the planning period an amount equal to 3.8 percent of total planned expenditures. This represents a considerable increase in the resources devoted to this sector (as compared with the five year development plan).

D. Forestry & Mining

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

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

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

The three year development program calls for expenditures of 14.5 million Shillings and 92.4 million Shillings on forestry and mining respectively.

ANNEX III

HEALTH AND RELATED MATTERS

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

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

Because of scant resources and adverse climatic conditions, food production in Somalia is inadequate.[1/] Periodic droughts, crop disease and locust infestations all tend to intensify food shortages. During the dry season food intake, especially among the nomads, is drastically reduced. It has been

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

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estimated that during the dry season caloric intake of nomads is barely 50 percent of accepted standards.

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

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

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

Somalia's Ministry of Health is charged with the organization and administration of health services. It presently has about 5,000 positions, principally for the staffing of hospital and clinic-based curative services, and for the centrally administred endemic disease control programs. Positions budgeted include 250 physicians; 800 nurses, sanitarians and other trained para-professional staff; 150 administrators, accountants and clerks; 1,200 auxiliaries, most of whom have been trained on-the-job and passed government

examinations; and 250 drivers and mechanics. The remaining 2,350 positions are for personnel with no training, such as watchmen, cleaners and various other auxiliaries.[2/] To the extent the majority of the population receives any medical care at all, it is obtained at small dispensaries staffed by medical assistants trained in first aid and able to recognize a treat a few diseases.

International organizations such as WHO, UNICEF and the World Food Program are assisting in providing medical care and in conducting training programs. The USSR and the Peoples Republic of China (PRC) have also provided a considerable amount of medical care.

Somalian health facilities tend to be concentrated in the capital city and other urban centers. Since most of the Somalians live in rural areas, the facilities do not serve adequately the total population. The Government of Somalia is extending health services to rural areas, through a network of intermediate health units.

There is a great shortage of health manpower in Somalia. Since 1960 the Ministry of Health had more budgeted positions than it could fill. In 1978, Somalia had only 250 physicians. Most of its district offices are headed by medical assistants.

2/ "Syncrisis: The Dynamics of Health - Somalia", Division of Program Analysis, Office of International Health, U.S. Department of Health, Education and Welfare, contains a detailed analysis of health facilities and needs in Somalia.

Due to shortage of funds and personnel, and lack of administrative competence by management personnel, effective administration of the Public Health Services is hindered significantly. No system of training for health administrators is existent and the resulting quality leads to poor utilization and allocation of money, manpower and facilities.

The Three Year Development Plan lists the following objectives with respect to the health sector:

1. Strengthening of the health services as much as possible. The first step will be to complete the country's network of hospitals, dispensaries and other medical facilities;
2. Eradicate, or greatly reduce, communicable diseases such as malaria and organization of special campaigns; and
3. Improve environmental sanitation (sanitary waste disposal, safe water supplies), the level of mother and child health services, and the degree of access to basic health services.

Some 101.4 million shillings will be devoted to health over the planning period, an amount equal to 1.4 percent of planned expenditures, 37 percent will be financed from external sources.

A.I.D. activities in the area of health and water resources will both complement the above objectives and seek to further reverse the urban/curative bias of Somalia's Health Delivery System.

ANNEX IV

EDUCATION AND MANPOWER

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

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

Under the post-October 1969 Government, educational policy was given specific direction and certain positive goals were set reflecting the educational philosophy of the Revolutionary Government. Goals established included a marked increase in the proportion of girls enrolled in the schools, an overall increase in number of students generally, and the use of programs of instruction geared to Somalia's particular social and economic needs. Technical education (vocational, etc.) was to be emphasized so that even a primary school graduate would have acquired a useful (presumably

saleable) skill. Higher education was also to be redirected so as to take full cognizance of environmental factors peculiar to Somalia.

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

As the educational system is currently organized, there are six years of primary school and four years of secondary school. Primary school enrollments increased from 25,000 in 1968-69 to 200,000 in the 1977-78 school year. If planned annual increases of ten percent in enrollment in first grade occur, it is believed that about 50 percent of the age group will be in the four-year primary program in the early 1980s.

During the 1968-69 school year, secondary school enrollments were around 10,000 and by the 77-78 school year had increased to around 50,000. The proportion of females in primary and secondary schools increased from 20 percent in 1968-69 to 28 percent in 1977-78.

In the mid-1970s, it was estimated that 90 percent of those entering primary schools completed the four-year program and the completion percentage for intermediate school enrollments was also estimated to be 90 percent as well. Increases in enrollment and the high completion rates in both primary and intermediate schools were attributable in large part to the elimination of all tuition charges by the Revolutionary Government.

The major institution providing education beyond the secondary level is the Somali National University established in December 1970 and located in Mogadishu. Enrollment is approaching 3,300 (1979) and is expected to continue to increase at a fairly fast rate. Italian is the language of instruction in 10 of the 11 facilities, while English is used only in the Faculty of Education. The Somalis feel a great need to Somalize the university and plans exist for all faculties to become Somali speaking. However, translation of textbooks will be a never-ending task and may not be worth the effort since Somali is spoken by relatively few people, and many textbooks change every few years. Also library material would be in foreign languages and it would appear that Somali University students will continue to have be bi- or trilingual.

Data provided the ILO by the Ministry of Culture and Higher Education in 1976 provides input (enrollment) and output data for the years 1972-73 through 1978-79 for the Somali National University as indicated in Table XII. Recent figures (76-79) were obtained directly from the University Administration.

Purely technical training was provided in three institutes with a total enrollment of 7,286 students in 1979.

These institutes are located in Mogadishu, Burao and Hargeisa. There was also a specialized facility in fisheries and marine matters located near Mogadishu and an agricultural institute at Afgoi. A post-secondary technical college for 800-900 students was under construction in 1975 financed by the Democratic Republic of Korea and completed in September 1978.

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

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

Though the nomadic population seems favorably disposed to Western type education and training, the nature of their activities makes attendance of primary and secondary schools by the children of nomads almost an impossibility. It is not surprising therefore that many nomadic children receive no instruction other than that provided by Quranic teachers who still travel with nomadic groups. The crash mass literacy program undertaken by the Revolutionary Government during the period 1973-75 involved a major effort among the nomads.

1/ See ILO 1977, Technical Paper No. 7 dealing with Technical Education and Vocational Training.

TABLE XII

Somali National University

Enrollments and Outputs

Faculty	1972-1973 Enroll	1972-1973 Out	1973-1974 Enroll	1973-1974 Out	1974-1975 Enroll	1974-1975 Out	1975-1976 Enroll	1975-1976 Out	1976-1977 Enroll	1976-1977 Out	1977-1978 Enroll	1977-1978 Out	1978-1979 Enroll	1978-1979 Out
Law	309	17	326	24	392	27	280	15	140	28	149	23	206	51
Economics	229	11	337	19	394	14	396	26	272	34	163	34	218	35
Education	392	42	612	53	643	55	535	393	726	89	1,177	280	1,458	412
Medicine	-	-	62	-	142	-	232	-	208	-	267	17	389	57
Veterinary	-	-	30	-	90	-	152	-	127	-	140	27	279	35
Agriculture	30	-	60	-	120	-	163	21	151	-	161	30	261	38
Engineering	-	-	37	-	97	-	143	-	108	-	129	17	231	39
Geology	-	-	30	-	60	-	86	-	53	-	70	14	94	6
Chemistry	30	-	48	-	78	-	106	12	79	-	78	17	131	14
All Faculties	990	70	1,542	96	2,016	96	2,093	467	1,864	151 1/	2,334	459	3,267	687

1/ There was no intake in 1972.
There were no enrollments in these blank categories in 1972.

Source: ILO 1977 as provided by Ministry of Culture and Higher Education 1976 and interviews USAID 1980.

It has been estimated that as many as 30,000 teachers, trained in the Latin script, participated in the program designed to extend literacy in the Somali language to the rural and nomadic population. It is said that by mid-1976 at least 60 percent of the entire population of Somalia possessed some degree of literacy. Current estimate by a Ministry of Education official put the literacy rate at 75 percent.

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

TABLE XIII

Estimated Supply of Educated Manpower

Level of Education	1976	1977	1978	1979	1980
Primary School	8450	1400	2200	3160	6810
Secondary School	840	1160	410	1500	1400
Post-Primary and Technical and Vocational	545	630	650	830	770
Post-Secondary Technical	--	--	--	100	100
University	285	386	497	600	600
Returns from Abroad after Studies	86	103	61	100	100
TOTAL	10,206	3679	3813	6290	9980

Source: ILO 1977

It is the ILO's contention that rangelands are currently utilized to the maximum and that the natural increase in population of nomads and semi-nomads must be resettled at agricultural sites primarily, and, to a lesser extent, in fishing villages. The ILO's suggested distribution by sector of the natural increase in population during the period 1976-81 is presented in Table XIV.

TABLE XIV

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

Sector	Percentage of 1976 Population 1/	1976 Pop. (000s) 1/	Annual Growth Rate 1/	1977-1981 Population Increase to Reallocation	1977-1981 Population After Reallocation
Nomads and Semi-Nomads	65	2,120	1.7	187	-
Agriculture	15	489	2.2	56	216
Fisheries	1	33	2.2	4	30
Urban Industrial and Services	19	620	4.9	168	168
TOTAL	100	3,262	2.41	414	414

1/ Assumed estimated percentages, amounts and rates.

Source: ILO 1977

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

The three year Development Program budgets 522.5 million shillings for basic and higher education over the planning period, an amount equal to 7.4 percent of total planned expenditures. The bulk of expenditures in this sector (61 percent) will be met from the government budget.

ANNEX V

TRANSPORTATION AND COMMUNICATION

Though the transport system has been greatly improved since independence, it is still inadequate and, to an extent, somewhat primitive. There is no railway in Somalia and major reliance is placed upon roads for internal transportation. There are about 10,000 miles of roads and tracks constituting the primary internal transport network. Of the total milage, 1,500 miles are all-weather (asphalt-surfaced) first-class highways and roads. The remaining milage, some 8,500 miles, consist of dirt roads and tracks. The 1974-78 Development Plan calls for a total expenditure of So.Sh. 635.9 million for road development. Less than 5 percent of the total will be defrayed through internal (domestic) financing. One section of the all-weather road included in the plan and financed, engineered and built by the Peoples Republic of China (PRC) almost doubled the first-class highway mileage. The PRC constructed a 649 mile highway between Belet Weyn, in the south, to Burao in the north. Completion of the Belet-Weyn-Burao highway and paving of the road from Burao to Berbera, also part of the 1974-78 Development Plan, will greatly facilitate the marketing and export of livestock, and will minimize the need to trek livestock. Needless to say, trekking involves not only substantial weight loss in animals that survive the trek, but occasions actual losses of animals as well. Also the 300 km. unpaved central section of the Mogadiscio-Kismayo road is being paved under EEC/Arab fund financing.

It is estimated that there are 10,400 motor vehicles in all of Somalia, 75 percent of whichare privately owned. It is not clear from the available

import data whether or not the physical volume of imported petroleum and petroleum products, as distinct from the Monetary value of those imports, has risen. It seems likely, however, that the utilization of motor vehicles in Somalia is increasing in any case.

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

The export of live animals is mainly (90 percent) through the port at Berbera. Some animals are trekked into the port at Berbera from as far as 600 miles. With the completion of deep-water berths and other extensions and improvements to the port at Mogadiscio in October of 1977, exports from Mogadiscio can be increased from 5 percent of total exports to one-third of all exports. Additionally, it is believed that live animal exports from the Mogadiscio port can be encouraged with a consequent improvement in both the quality and quantity of live animal exports since trekking would be reduced to a considerable extent. In 1974 a national shipping was created on a joint venture basis with Libya. The national shipping line operates two banana carriers, one livestock carrier and one general cargo vessel for coastal trade. There are plans for the acquisition of another banana carrier and another general cargo vessel for the coastal trade.

Airports of international standards are located in Mogadiscio and Hargeisa. Additonally, a third airport of international standards in Kismayo was completed and became operational in 1976. Somali Airlines is a joing venture between the Government of Somalia and Alitalia, the Italian Airline. Somalia Airlines has eleven aircraft, four of which are used primarily for international flights. Domestic flights connect with some fourteen airports, fields and landing strips other than the international airports.

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

Under the TYDP 1,500 million shillings will be devoted to transport and communications. This amounts to 21.2 percent of planned expenditures over the period of the plan. This expenditure is to be allocated as follows:

Postal Services	28.0	Million
Telecommunications	240.6	"
Roads and Bridges	485.3	"
Marine Transport & Ports	390.0	"
Civil Aviation	136.8	"
Ministry of Transport	199.6	"
Other	19.8	"
Total	1500.1	"

ANNEX VI

CENTRAL GOVERNMENT BUDGET

Table 1 provides a functional breakdown of government expenditures for the year 1977-79. As the table indicates, defense expenditures increased by 196 percent over the period. Even with this increase, however, non-defense activities were budgeted to receive 67 percent of total expenditures in 1979. Development expenditures likewise were budgeted to increase beyond their 1979-78 levels. While it cannot be denied that the war and its associated defense expenditures has claimed resources which could otherwise have been used to support development, Somalia has continued to show a sustained commitment to development in the face of its considerable external difficulties.

Somalia's budgetary development expenditures from its own resources reflect the emphasis on the productive sectors evident in the Three Year Development Plan (TYDP). Agriculture, Public Works, and Industry account for 72 percent, 75% and 75 percent of total budgetary expenditures in 1977, 1978 and 1979 respectively.

Table 2 presents a consolidated summary of central government budgetary operations for the years 1977-79. As a result of a number of new fiscal measures, adopted in January 1978, total revenues and budgetary grants increased by 58 percent over their 1977 level. Expenditures rose even more sharply (by 62 percent) with the overall deficit increasing to 685.4 million shillings. While budgetary receipts from foreign loan counterpart funds increased over their 1977 level, the Government of Somalia was forced to

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significantly increase its borrowings from the Central Bank. Budgeted increases in both revenues and expenditures are more modest for 1979 though the actual out-turn remains unknown — preliminary data for the first six months indicates a deficit of some 400 million shillings. No new revenue measures were announced in 1979 and it is generally agreed that the scope of increased taxes is limited (with Somalia already making a considerable tax effort). Thus, while revenues can be expected to grow somewhat in the future, an increase such as that observed between 1978 and 1979 cannot be expected again. Accordingly, Somalia's budgetary situation is expected to remain difficult into the immediate future.

Given Somalia's difficult budgetary situation and the substantial external assistance it is receiving, recurrent costs are likely to present a problem in the future. Existing Five Year Development Plan (FYDP) investments in manufacturers enterprises are operating well under capacity and are handicapped by the lack of funds to operate and obtain spare parts to maintain them. This is particularly true of the Russian-financed projects. In the future, donors need to keep the recurrent cost implications of their activities clearly in mind and seek to hold such costs to minimal levels. In designing projects a built-in financing formula should be incorporated which allows heavier recurrent cost donor-financing in the early years to permit the government to progressively assume these costs in later years of the project. This would permit government time to make the internal

budgetary adjustments required and take advantage of returns of the initial investment.

Somalia is reexamining its policy of guaranteeing employment to all school leavers. Government salaries currently allow for over 50 percent of their ordinary budget while it has for some time resisted pressures for increases in civil service salaries (even to the extent of reducing them in early 1970s), their egalitarian policy of providing employment for all seeking it has proven very costly. They are now aware of the need for salary increases and further recognize that these increases will dictate a paring of the civil service rolls if they are to hold the line on total government spending. Increases in outlays for general public services amounted to 228 million shillings between 1977 and 1978, accounting for 47 percent of the increase in ordinary expenditure. The vast bulk of the increase was due to increased employment in the public service.

As noted, public enterprises are being operated inefficiently. Although these entities were expected to be profitable and be a major source of revenue for government, this has not been the case and most of them require government subsidies to operate. The government may find it advantageous to encourage the private sector to take over many of these projects and eliminate many parastatal organizations whose functions could be better handled also by the private sector. There are 26 of these institutions involved in commerce, manufacture, finance and various authorities, port, electricity and others.

The government and the IBRD/IMF have initiated discussions on a wide range of monetary and fiscal policies bearing on budgetary and balance of payment issues. Many in the government are uncertain that measures proportedly recommended by the Fund are necessarily appropriate for a LDC like Somalia. However, these discussions are continuing and an IMF technical mission is now in Somalia.

ANNEX VII

BALANCE OF PAYMENTS

Table I (see Attachment) summarizes Somalia's balance of payments picture for the years 1975-1978.

The structure of Somalia's balance of payments has been weak and deteriorating in recent years, as evidenced by the widening deficits in the balance on goods and services. It is only through significant inflows of official grants and loans that the situation has been sustainable.

Livestock constitutes Somalia's principal export, accounting for 65%, 59%, 67% and 83% in 1975, 1976, 1977, 1978 respectively. The sharp increase in 1978 over the levels of the earlier years results from the recovery of the national herd from the drought of 1973-1975 with the result that similar large increases cannot be expected in subsequent years. With appropriate investments in the sector (which the government appears committed to making) livestock should be a stable and growing foreign exchange source given its principal market in the affluent Middle East.

The export picture with respect to bananas is discouraging. The value of banana exports has shown a declining trend over the period 1975-1978. This decline would have been much greater had not prices increased over the period. Export volume stood at 57.5 thousand metric tons in 1978 against 81.8 thousand metric tons in 1975 (and 134.0

metric tons in 1972). This sub-sector has been plagued with problems of management, farmer incentives, marketing and shipping in recent years and a considerable effort will be needed to revitalize it. The price paid to the farmers by the National Banana Board was recently increased and this should provide an additional incentive. Other problems of the sector remain to be addressed however. As with the livestock sector, Somalia enjoys a firm market for its banana exports thus the problems of the sector are related more to supply than to demand.

Somalia thus needs to promote increased production ot its traditional exports, to expand and diversify its export base, and above all expand its domestic agricultural production to reduce imports of agricultural products which could be produced in the country. In 1978, 18 percent of Somalia's imports consisted of food and agricultural products. Agricultural production increases will depend on a number of factors all generally related to producer incentives and assistance to producers.

Somalia's prospects for self-sufficiency in grains, edible oils, and even rice, are positive under normal climatic conditions. However the producer would have to be convinced that it would be worth his while in terms of effort versus returns given the harsh environment, undependable rainfall pattern, and hand hoe cultural practices. However, dramatic increases in agricultural grain production were reported by the Ministry of Agriculture and the University of Wyoming in the mid-60s as a result of improved cultural practices and a minimal increase in the level of technology. Further, Somalia utilizes less than 90 percent of its cultivable land and much of it could be put into productive use pro-

vided adequate water for domestic and livestock needs is available. Even greater increases are possible if imported agricultural inputs and equipment were available.

Somalia's imports have been increasing rapidly in recent years (by about 20 percent per year). A significant amount of these imports, particularly of capital and intermediate goods, were accounted for by external assistance. Franco Valuta imports also accounted for an increasing percentage particularly in the area of food and other consumer goods. Imports financed by official foreign exchange holdings have increased at a much lower rate, as would be expected given Somalia's current export performance. The gap between exports and imports continues to widen. Imports for the first six months of 1979 exceeded exports by nearly So. Sh. 100 million for the same period in 1978, a 26 percent increase.

The question of franco valuta imports deserves examination in detail. Somalis are a mobile people both by nature and culture and many (120-150 thousand), both skilled and unskilled, have gone to the Middle East in search of employment (thus contributing to Somalia's manpower shortage). Traders purchase the foreign exchange earnings of these workers at a premium (So. Sh. 10-12 per dollar) and use the proceeds (with Government of Somalia approval and taxation) to finance imports of consumer and luxury goods which will yield a high profit margin. From time to time, the Government of Somalia has also resorted to the franco-valuta system to meet its critical import requirements.

The existence of such a system owes its existence to Somalia's overvalued exchange rate. Within such a system, there is an incentive to officially import consumer and luxury goods which yield high profit margins or, more profitably, to smuggle such items into the country. As a result, much of the earnings which return to Somalia are in the form of consumer goods (or in the form of housing construction and real estate speculation). Somalia needs to find ways to channel these earnings into more productive pursuits. Properly directed, they could constitute an important source of development finance. The recent extension of the incentives offered to foreign investors in Somalia with earnings overseas is a step in the right direction but more realistic exchange rate will be required to fully rationalize the system. Recent IMF actions have stimulated a close examination of devaluation and action is expected by spring 1980.

At the end of 1978 gross foreign exchange reserves amounted to 99.3 million in special drawing rights. By the end of May, 1979, they had declined to 84.6 million SDR's, equivalent to 3.9 months of projected 1979 imports.[1/] Thus even with substantial levels of external assistance, Somalia clearly does not have an adequate level of foreign exchange reserves. (An adequate level of reserves is generally agreed to equal 6 months of imports.)

1/ Recent information from the Central Bank indicates foreign exchange reserves may have dipped to a low of 4 to 6 weeks of financing for imports.

Somalia places a considerable reliance upon external resources for meeting import needs and the requirements of plan implementation. While the vast bulk of these resources are provided on concessional terms, the magnitude of the resources provided plus Somalia's weak export performance, is leading to a growing debt service burden. Debt service payments amounted to 4.6, 8.0, and 7.9 percent of commodity exports in 1976, 1977, and 1978 respectively. Further, total debt service payments are projected to rise from 54.5 million shillings in 1978 to over 200 million shillings in 1981. At that point in time, Somalia will be extremely vulnerable to variations in export earnings and levels of assistance. For this reason, Somalia and the donors should seek to maximize the grant element of external assistance. Some scaling down of the three year development plan may also be required.

Though no precise figures are available, Somalia has resorted to suppliers credits to finance certain investment activities. This is often a very high cost option both in terms of the cost of the financing itself and in terms of the cost and quality of the investment goods obtained. Though the Government of Somalia is now taking steps to deal with the problem, there were indications that use of such credits was being made by individual ministries without the knowledge or approval of the Ministry of Finance or the Central Bank. Resort to supplier credits is generally inappropriate to Somalia's circumstances and their use should be closely monitored.

ATTACHMENT

TABLE I

Somalia: Balance of Payments 1975-78
(In Millions of Somali Shillings)

	1975	1976	1977	1978
Exports, FOB	558.0	510.2	448.9	689.1
(Bananas)	(80.9)	(88.2)	(53.0)	(58.9)
(Live Animals)	(364.4)	(301.8)	(299.5)	(570.4)
(Other)	(112.7)	(120.2)	(96.4)	(59.8)
Imports, FOB	-888.1	-963.7	-1,127.2	-1,537.1
(Franco Valuta)	(-)	(17.0)	(-59.8)	(-415.3)
Trade Balance	-330.1	-453.5	-678.3	-848.0
Net Balance on Services	-313.4	-239.7	-206.9	-259.1
Balance on Goods and Services	-643.5	-693.2	-885.2	-1,107.1
Transfers (Net)	643.5	276.3	748.5	666.3
(Government)	(631.3)	(250.0)	(666.3)	(175.0)
(Private)	(12.2)	(26.3)	(82.2)	(491.3)
Balance on Current Account	-	-416.9	-136.7	-440.8
Capital Movements (Net)	193.9	519.8	273.5	446.9
(of which official)	(269.2)	(424.9)	(354.9)	(528.5)
Errors and Omissions (Net)	-11.8	4.5	42.2	45.7
Overall Balance	m182.1	m107.4	m179.0	m51.8
Changes in Central Bank Net foreign assets (- equals increase)	-182.1	-107.4	-179.0	-51.8

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TABLE I

FUNCTIONAL CLASSIFICATION OF GOVERNMENT EXPENDITURES
(In Millions of Somali Shillings and Percent)

	1977 (Actual)				1978 Preliminary Actual				1979 Budget			
	Ordinary	Development 1/	Total	Percent of Non-Defense	Ordinary	Development	Total	Percent of Non-Defense	Ordinary	Development	Total	Percent of Non-Defense
Total	769.6	211.4	981.0		1255.4	187.6	1443.0		1500.3	273.9	1774.2	
Defense	199.7	--	199.7		421.5	—	421.5		592.3	—	592.3	
Non-Defense	569.9	211.4	781.3	100.0	833.9	187.6	1021.5	100.0	908.0	273.9	1181.9	100.00
Agriculture 2/	47.6	74.0	121.6	15.56	48.8	81.7	130.5	12.78	57.6	135.9	193.5	16.37
Public Works	24.2	27.0	51.2	6.55	22.4	33.0	55.4	5.42	21.5	30.7	52.2	4.42
Transport	34.4	--	34.4	4.40	29.2	—	29.2	2.86	46.9	—	46.9	3.97
Industry	.8	50.1	50.9	6.51	1.2	26.3	27.5	2.69	1.2	39.7	40.9	3.46
Education	120.8	18.8	139.6	17.87	146.8	17.5	164.3	16.08	172.1	22.7	194.8	16.48
Health	57.8	2.6	60.4	7.73	56.2	2.1	58.3	5.71	70.3	2.1	72.4	6.13
Other 3/	284.3	38.9	323.2	41.37	529.3	27.0	556.3	54.46	538.4	42.8	581.2	49.18

1/ Budgetary Development Expenditure

2/ Agriculture, Livestock, Fisheries

3/ Other: General Public Services, Information, Labor, Sports, Mineral and Water Resources, Commerce, Post and Telecommunications, Tourism and Marine Transport

Source: Somalia - Recent Economic Developments
IMF, August 1979

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TABLE 2

Somalia: Central Government Budgetary Operations[1] 1975-1979
(In Millions of Somali Shillings)

	1975	1976	1977	1978 Budget	1978 Prelim. Actual	1979 Budget
Total Revenue and Budgetary Grants	631.4	705.1	879.4	1,473.0	1,391.6	1,696.3
Total Revenue	628.4	670.7	843.4	1,455.1	1,386.7	1,695.3
Tax Revenue	491.3	529.1	647.2	1,165.0	1,153.5	1,380.0
Non-Tax Revenue	137.1	141.6	196.2	290.1	233.2	315.3
Budgetary Grants	3.0	34.4	36.0	17.9	4.9	—
Total Expenditure	...	...	1,281.4	...	2,077.0	...
Ordinary Expenditure 2/	566.2	649.3	769.6	1,331.9	1,255.4	1,500.3
Budgetary Development Expenditure	113.3	165.4	211.4	233.2	187.6	273.9
Other Expenditure 3/	...	...	300.4	...	634.0	...
Ordinary Surplus/Deficit (-)	62.2	21.4	73.8	123.2	131.3	196.0
Overall Deficit (-)	...	...	-402.0	...	-685.4	...
Financing						
Foreign (Net) 4/	...	...	402.0	...	685.4	...
Domestic	...	...	608.2	...	295.9	...
Banking System (Net)	-188.8	359.0	-206.2	160.0	389.5	...
Central Bank (New)	-189.7	362.6	-222.2	...	408.9	...
Cash Balances	(-189.7)	(362.6)	(-222.2)	...	(408.9)	—
	0.9	-3.6	16.0	...	-19.4	...

Sources: Data provided by the Somali authorities; and staff estimates.

1/ On cash basis.

2/ Net of amortization

3/ Residual item, including other foreign-financed capital expenditure, other extra-budgetary expenditures, and net lending to public enterprises.

4/ Receipts of foreign loans and extra-budgetary grants deposited into the Sepcial Accounts at the Central Bank less amortization.

ANNEX VIII

MONEY, CREDIT AND PRICES

Table I reveals that Somalia's money supply increased from 628.6 million shillings in 1974 to 1,728.0 million in 1978, an annual rate of increase of 29 percent. As of the first quarter of 1979, the money supply was expanding at an annual rate of 32.5 percent. Though some of this increase in the money supply is in the form of currency being held in idle balances by Nomads and the families of migrants to the Middle East, the increase has had inflationary consequences. Current "best estimates" place the annual rate of inflation in the 15-20 percent range. 1/

The Government of Somalia has increasingly resorted to bank financing in recent years. During the six years prior to 1976, the Government had been a net creditor to the Central bank (with its deposits exceeding its borrowings). In 1976, however, the Government became a net borrower and while it returned to net creditor status in 1977 (as a result of increases in revenue and substantial foreign aid receipts) it had returned to net borrower status by the end of 1978. As of December 1978 net Central Bank credit to Government stood at 311.1 million shillings and by mid-1979 this had increased to 513.8 million shillings.

1/ Somalia does not have a nationwide consumer price index. A nationwide CPI for Mogadishu is maintained but due to the presence of controlled prices, its reliability is doubtful.

TABLE 1

SOMALIA'S MONEY SUPPLY
(Millions of Somali Shillings)

	1974 1/	1975	1976	1977	1978	1979
Money Supply	628.6	825.8	994.9	1325.1	1728.0	1853.9
Currency outside banks	306.5	389.5	413.9	622.5	883.1	930.8
Demand deposits	322.1	463.3	581.0	702.6	844.9	923.1
Quasi Money	154.4	179.3	205.1	219.5	318.8	356.3

Source: Somalia; RECENT ECONOMIC DEVELOPMENTS: IMF August 1979.

1/ All data as of December of given year except 1979, which is for the month of March.

Table 2 provides a breakdown of the relative shares of bank credit received by the major sectors of the Somali economy. It indicates that trade and industry (and the state enterprises which comprise this sector) received the lion's share of bank credit during the period under review. In April, 1977, the Central Bank laid down quantitative guidelines regarding credit allocation to the agricultural sector with a view to rationalizing the system of medium and short term credit to the banana industry and increasing credit to livestock and agriculture. As a result, the share of bank credit received by agriculture rose to over 20 percent in 1978. No information is available however on the amount received by the public as opposed to the private portion of the agricultural sector. In general, public sector activities have received a disproportional amount of the total credit provided in recent years.

TABLE 2

SOMALIA: DISTRIBUTION OF BANKING SYSTEM

CREDIT BY ECONOMIC ACTIVITY 1974-78
(in percentages)

	Agriculture	Industry Crafts	Trade	Other	Total
1974	18.4	15.9	61.7	4.0	100.0
1975	12.1	26.5	58.1	3.3	100.0
1976	13.5	27.8	51.5	3.2	100.0
1977	18.4	19.6	58.8	3.2	100.0
1978	20.1	20.6	55.8	3.6	100.0

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

In 1970, the Government nationalized the commercial banks and created the Somali Commercial Bank (SCB) which took over the assets and liabilities of the nationalized banks. The same year the Somali Credit and Savings Bank (SCSB) was established to take over the commercial banking activities which the SNB had conducted since independence.

Medium and long-term development credit is provided through the Somali Development Bank (SDB) which was established in 1968. At the time it was established the SDB took over the loan section of the Credito Somalo, a private bank later nationalized in 1970. In recent years the SDB has increased the share of its lending devoted to the agricultural sector. In 1978 its lending to this sector accounted for 62 percent of total lending as against 8 percent in 1974.

In an effort to attract private sector savings, commercial bank rates on private sector savings deposits were increased substantially effective the beginning of 1975. The interest rate range varies from 2 percent on ordinary savings deposits to 6.5 percent on deposits for a period in

excess of 24 months. Interest rate charges on short-term loans by commercial banks ranges from 5 percent to 12 percent as of October, 1977. On medium-term loans the SDB rates range from 5.5 percent to 6.5 percent and on long-term loans, the rate charged ranges from 6 percent to 7.5 percent. Given the rate of domestic inflation, these rates are negative in real terms and will make it difficult to mobilize domestic savings and to sustain credit systems.

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ANNEX IX
DONOR ACTIVITIES

Somalia's foreign aid is derived from several sources. The tables in Part I indicate contributions from the UN system, other multilateral donors and bilateral donors are broken out by sectors for the year 1978.

Part II presents a summary of the major large projects being financed by principal donors in 1978 and Part III presents a summary of donor food aid in 1978.

Contributions of technical assistance is not presented here because of the large numbers of projects involved, many totalling only a few thousand dollars. The technical assistance projects over $1,000,000 are summarized below.

Project	Donor	LOP
Strengthening Agricultural Research	FAO	2,293,000
Fisheries Development	FAO	2,485,000
Strengthening Veterinary Laboratory	FAO	1,285,000
Oil Seed Production	IRAQ	1,033,000
Poultry	SAUDI/ Kuwait	1,649,000
Feasibility Juba Valley Irrigation	EEC	1,680,000
Nomad Resettlement	FRG	3,950,000
Ag Extension, Research and Training	AID	5,053,000
Primary Education	UNICEF	1,124,000
Scholarships 3rd FED	EEC	4,207,507
Scholarships 4th FED	EEC	2,380,700
Education	ITALY	4,458,000

Studies	FRG	1,250,000
Health Services	UNICEF	2,724,000
Medical Assistance	IRAN	1,114,000
SIDAM	UNDP	1,063,000
Water Resources	FRG	2,500,000
Census	UNFPA	1,751,000
Smallpox Eradication	WHO	3,478,000

i) THE UNITED NATIONS SYSTEM

During 1978 the United Nations System+) made a total contribution of US$23,916,000 in the form of technical and pre-investment assistance and food aid.

The sectoral breakdown of assistance from the United Nations System+) in 1978 is as follows (in US$ '000):

	UNDP	WHO	UNICEF	FAO	UNIDO	WMO	WFP	UNFPA	UNHCR
Agriculture	1,844		56	600					150
Culture	92								
Education	86		270						128
Gen. Economic and Soc.	[illegible]		12		50				
Health	169	2,799++)	800					10	
Industry	282				93				
Labour Management	152								
Natural Resources	8								
Population								65	
Relief Activities									2,[illegible]
Transport and Communica.	742					15			
Food Aid							12,293		
Total	3,658	2,799	1,138	600	143	15	12,293	73	3,21[illegible]

+) not including World Bank (IDA)
++) including $1,961,254 special 1978 fund for smallpox

World Bank/International Development Association (IDA)

1974-1983	Agriculture	28,000,000
1974-1980	Education	16,000,000
1972-1978	Transport and Communication	37,600,000
1978-1981	Labour Management	5,000,000
	Total	86,600,000

ii) OTHER MULTILATERAL ASSISTANCE

		+) 1) Technical Assistance		++) Capital Assistance	Food Aid
The European Economic Communcity (EEC)					
Agriculture		1,466,043		18,799,240	
Education		1,328,030		12,848,000	
General Economic and Social Planning		438,042			
Health		X			
Industry		X			
International Trade		X			
Transport and Communication		X		44,082,683	
Social Security		X		4,157,485	See Page 4
	Total	3,232,115	Total	79,887,408	
African Development Fund (ADF)					
1979-	Agriculture			8,800,000	
1976-1978	Social Security			5,500,000	
	Transport and Communication			5,500,000	
			Total	19,800,000	
Arab Fund for Economical and Social Development (AFESD)					
1976-1980	Agriculture			22,400,000	
1977-1980	Transport and Communication			28,178,990	
			Total	50,578,990	
Islamic Bank					
	Transport and Communication			7,500,000	

1) All EEC funds are grants except one short-term loan of US$6,533,470

+) 1978 Contributions

++) Several years contributions for ongoing projects

X No amount given

iii) BILATERAL ASSISTANCE

		+) Technical Assistance	++) Capital Assistance	Food Aid
Belgium				See Page
Bulgaria				
1972-1978	Natural Resources		6,500,000	
China				
1975-1978	Transport and Communication		64,000,000	
	Health	X		
1978-	Others		43,750,000	
		Total	107,750,000	
Egypt				
	Education	X		
Czechoslovakia				
	Agriculture	98,000		
France				
	Health	279,000		
	Labour Management	233,000		
	Total	512,000		

+) 1978 Contributions
++) Several years contributions for ongoing projects
+++) Veterinary Laboratory Project not included in this figure
X No amount given

		+) Technical Assistance		++) Capital Assistance	Food Aid
Federal Republic of Germany					
	Agriculture	1,250,000		11,250,000	See Page 46
	Education	244.000			
	General Economic and Social Planning	1,750,000			
	Industry	X			
	Natural Resources	2,500,000		1,500,000	
	Social Security and Other Services	X			
	Relief Activities	X			
	Transport and Communication	1,300,000			
	Various			12,500,000	
	Total.	7,044,000	Total	25,250,000	
German Democratic Republic					
	Agriculture	X			
	Education	X			
	Relief Activities	X			
	Transport and Communication	X			
India					
	Education	6,000			
Italy					
	Education	6,506,000			
	General Economic and Social Planning	131,000			
	Health	253,012			
	Transport and Communication	X			
	Total	6,946,012			See Page 46

+) 1978 Contributions
++) Several years contributions for ongoing projects

		Technical Assistance +)		Capital Assistance ++)	Food Aid
Iraq					
	Agriculture	X		30,000,000	
	Education	1,720,000			
	Health	88,000			
	Natural Resources	200,000			
	Transport and Communication	45,000			
	Industry			30,000,000	
	Total	1,053,000	Total	60,000,000	
Iran					
	Health	1,114,000			
	Relief Activities	X			
	Total	1,114,000			
Kuwait					
	Agriculture	X		21,000,000	
	Industry			26,000,000	
			Total	47,000,000	
People's Republic of North Korea					
	Agriculture			18,700,000	
	Education			X	
	Industry			5,800,000	
			Total	24,500,000	
Libya					
	Agriculture			15,000,000	
			Total	15,000,000	
Netherlands (Grant)		+++)			
1978	Agriculture	214,000			
	Transport and Communication			3,353,981	
	Total	214,000	Total	3,353,981	

+) 1978 Contributions
++) Several years contributions for ongoing projects
+++) Preparatory studies for Sablaale project not included in this figure
X No amount given

		Technical Assistance +)	Capital Assistance ++)	Food Aid
Norway				
	Agriculture	82,000		
	International Trade	146,000		
	Total	228,000		
Pakistan				
	Education	12,000		
	Labour Management	3,000		
	Total	15,000		
State of Qatar				
	Agriculture	X		
Saudi Arabia				
	Agriculture	X	3,300,000	
	Agro-Industry		79,900,000	
	Education		11,649,000	
	Industry		17,000,000	
	Relief Activities	X		
	Total		111,849,000	
Sudan				
	Education	X		
	Health	X		
	Transport and Communication	X		
Sweden (Grants)				
1978	Agriculture		2,293,580	
1978	Industry		1,146,790	
	Total		3,440,370	

+) 1978 Contributions
++) Several years contributions for ongoing projects
X No amount given

		+) Technical Assistance	++) Capital Assistance	Food Aid
United Arab Emirates				
	Agro-Industry		78,000,000	
	Transport and Communication		48,000,000	
	Total		126,000,000	
United Kingdom				
	Agriculture	X		
	Education	X		
	Health	X		
	Industry	X		
	Labour Management	X		
	Transport and Communication	X		
	Various		5,000,000	
	Total		5,000,000	
USAID				
	Agriculture	3,513,000		
	Health	140,000		
	Total	3,653,000		See Page 45
Yugoslavia				
	Agriculture	280,000	5,200,000	
	Education	74,900		
	Industry		2,500,000	
	Relief Activities	135,000		
	Transport and Communication	6,100		
	Total	496,000	7,700,000	

+) 1973 Contributions
++) Several years contributions for ongoing projects
X No amount given

	Technical Assistance +)	Capital Assistance ++)	Food Aid
Agriculture	209,000		
Catholic Church			
Education	46,000		
Health	31,000		
Total	77,000		
Arab League			
Education	X		
British Red Cross			
Relief Activities	X		

+) 1978 Contributions
++) Several years contributions for ongoing projects
X No amount given

I. MULTILATERAL

a) WORLD BANK/INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

1974-1980	Trans Juba Livestock Project The project aims to improve cattle marketing in the Trans Juba area by developing 5 cattle markets: 1 holding ground: 1,000 km of stock route: 2 grazing ranches: irrigated farm for feedlot cattle fattening: 5 veterinary laboratories and 5 dispensaries, Technical Services are provided for administration, training and future project preparation.	$ 10,000,000
1976-1980	Drought Rehabilitation Project The project will assist the productive settlement of drought-stricken nomads through bush clearing of 15,000 ha in three settlements using crawler tractors, provision of agricultural machinery to cultivate the cleared area: mobile workshop, office building and vehicles. Technical assistance for planning and implementing crop development programmes, monitoring and evaluation as well as future project preparation are also included.	$ 8,000,000
1977-1983	North West Region Agricultural Development Project The project will help improve the productivity of agriculture in the region by the construction of field bunds on 25,000 ha over 6 years, repair of existing bunds on about 2,000 ha and experimental gully erosion control works, development of 50 small irrigated farms. Improvement of crop trials and [illegible] studies. Horticultural fruit crop trials, extension services, construction of 150 water points for human and livestock consumption, technical services, training and feasibility studies.	$ 10,000,000

1974-1980	Second Education The project will assist education by supporting the development of a national language institute, new education programmes for nomads, expand primary teacher training and secondary education and fisheries.	$ 8,000,000
1972-1978	Second Highway - Hargeisa-Berbera Construction of the 158 km Hargeisa-Berbera road and consulting services.	$ 9,700,000
1969-1978	Road Supplementary - Afgoi-Baidoa Construction of the 216 km Afgoi-Baidoa road, purchase of road maintenance and workshop equipment and building new offices for the Highway Department and Highway Development Programme.	$ 2,700,000
1973-1978	Mogadishu Port Construction of an alongside port to replace lighterage port, the main elements of which are a 770 m long breakwater, 4 berths, sheds and warehouses and services of engineering and management consultants.	$ 13,000,000
1976-1978	Mogadishu Port Extension Construction of a 180 m long general cargo berth and a 180 m straight line extension of the breakwater financed as above and consultants' services for supervision of construction and detailed design of a slipway and berths for tugs and lighters.	$ 5,200,000
1978-1981	Somali Development Bank To provide foreign exchange resources to Somali Development Bank to enable it to finance viable enterprises and to improve its project appraisal capability.	$ 5,000,000
1976-1981	Third Highway Project The project will assist the development of the North West by the construction and related supervision of the Hargeisa-Borama road (113 km) with a link to Tugwajaleh (19 km). It will also help the development of the Juba Valley through. A feasibility study and detailed engineering of the Dinsor-Bardera-Gelib road (340 km). Finally	$ 7,000,000

	it will help improve road maintenance by strengthening of Civil Engineering Department through provision of Technical Assistance, training and workshop equipment.	
1978-1983	Third Education Project The project will assist in consolidating recent achievements in primary education and adult literacy by improving the quality of education through curriculum development, inservice teacher training and production of teaching equipment.	$ 8,000,000

b) <u>African Development Fund (ADF)</u>

	Loan for the construction of the Hargeisa Borama road in conjunction with AFESD, IDA and Islamic Bank.	$ 5,500,000
1976-1978	Loan for the construction of three hospitals in the resettlement areas.	$ 5,500,000
1978-	Loan for the financing of part of the foreign exchange cost and part of the local cost of the Agricultural Extension and Farm Management Training Projects. Agreed in 1978 to be signed in 1979.	$ 8,800,000

c) <u>European Economic Community</u>

1975-1978	Loan to National Banana Office, interest-free	$ 6,533,470
1973-1978	Construction of Mogadishu deep water port. Grant of about half of the port's construction expenses.	$ 14,077,800
1977-1980	Golwein-Gelib road. Grant to co-finance with the AFESD loan for the remaining half the construction of a paved road. $4,525,033 spent in 1978.	$ 23,847,898
1977-1978	Social buildings- Construction of lodgings classes and sheds in the agricultural resettlement camps.	$ 4,157,485
1974-1979	National University - Grant for the construction of the National University in Mogadishu. $2,012,298 spent in 1978.	$ 12,849,000

1975-1979	Grapefruit plantation in Golwein and Bulo Mererta. $ 391,660 spent in 1978.	$ 5,732,300

e) Arab Fund for Economical and Social Development (AFESD)

1976-1980	Development of about 15,000 ha of irrigated cultivation in resettlement areas (loan).	$ 22,400,000
	Loan for the construction of the Hargeisa-Borama road in conjunction with Islamic Bank, IDA and ADF.	$ 8,000,000
1977-1980	Golwein-Gelib road loan, covering 447 of the paved road construction.	$ 20,178,990

f) Islamic Bank

	Loan for the construction of the Hargeisa Borama road in conjunction with IDA, AFESD and ADF.	$ 7,500,000

a) **Bulgaria**

Loan

1972-1978	Loan of $5 million at 2½% interest for 10 years.	
	Geological prospecting for non-metal materials (mainly tin ore). 25 experts attached to the project. Location: Majayan, Dalan, Bosaso.	$ 5,000,000
1976-1978	Loan of $1,500,000 at 2½% interest for 10 years. Non-metallic geological research (mainly Kaolin). 42 technicians attached to the project. Location: Darburg, Hargeisa and Western Somalia.	$ 1,500,000

b) **People's Republic of China**

Loan	- Construction of Beletweyn-Burao road, about 1,045 kilometers, completed in 1978.	$ 64,000,000
Loan	-Completion of Fanole project	$ 43,750,000
	-30 bore holes	
	-Road equipment	
	-Technical guidance in tobacco growing and flue-curing at Afgoi.	
	-Construction of buildings for the Political Institute	
	-Construction of buildings for the Agricultural Mechanization School in Fanole	
	-Provision of building materials	
	-Other projects to be agreed upon	

c) Federal Republic of Germany

1977-1978	Loan with 0.75% interest for the foreign exchange costs arising from the procurement of goods and related services for the Nomad Settlement Programme.	$ 2,250,000
		Page : XVII
1978-	Commodity aid. Loan with 0.75% interest for the foreign exchange costs arising from the procurement of goods and services, with a grace period of ten years.	$ 12,500,000
1978-	Mogambo Irrigation Project Joint financing together with Kuwaiti Fund (conditions not yet fixed).	$ 9,000,000
1978-	Water Supply. Grant to meet the foreign exchange costs resulting from the purchase of goods and services for the Water Development Agency.	$ 1,500,000

d) Iraq

- A loan for the construction of an oil refinery in Mogadishu with an output of about 500,000 m.t. per year was signed in 1974. Construction was started in 1975 and completed in 1978. The loan is at a low interest rate.	$ 30,000,000
- Somali-Iraqi Agricultural Development Corporation started its activities in August 1977. [illegible] grant and $15,000,000 as a loan at 1.5% interest are provided by Iraq. The [illegible] related are in the fisheries sector - 6 ships trailer and two fishing boats - the agricultural sector - 10,000 ha to be irrigated in Balat/Jowhar and in animal husbandry sector - poultry and sheep.	$ 30,000,000

e) Kuwaiti Fund for Arabic Economical Development

- Financing 91 per cent of the cost of new electric power station in Mogadishu estimated at So.Sh.141 million on loan basis with 1.5 per cent interest payable in 30 years with a 5 year grace period.	$ 26,000,000
- Northern Rangeland Development Project (loan).	$ 21,000,000

f) People's Republic of North Korea

- Cement factory in Berbera. Construction started in October 1975 (to be completed in about 3 years) (loan).	$ 5,800,000
- Balad Irrigation Project. In April 1975 1,000 ha were supplied by an irrigation system. A total of 10,000 ha are planned to be provided with an irrigation system. (loan)	$ 18,700,000
- Mogadishu Polytechnic Institute. Construction started early 1975 and completed in 1978 (loan).	$ N/A

g) Libya

- A joint Somali/Libyan Agricultural Corporation was formed in 1974 with Libya paying 49 per cent of the capital. Included under the corporation investment is the Afgoi-Mordile 3,000 ha agricultural scheme (loan).	$ 15,000,000

h) Netherlands

1977-1978	Grant for the purchase of one tugboat for the port of Mogadishu.	$ 1,061,946
1977-1978	Grant for the construction of two bridges in Bu'aale and Gelib and three feasibility studies.	$ 2,292,035

i) Saudi Arabia

1976-1978	- An interest-free loan of $28 million with a 10 year grace period for the enlargement of textile plant ($17 million), sugar factory ($6.9 million),	$ 28,000,000

	livestock research ($1.1 million) and breeding of livestock ($2.2 million). Remaining 20 per cent of the credit, i.e. 3.8 million, disbursed in 1978.	
1977-1980 -	An interest-free loan of $73 million for the sugar factory in Gelib (capacity of 50,000 tons). Co-financing with United Arab Emirates.	$ 73,000,000
1978-1980 -	An interest-free loan of $11,649,000 for the National University of Somalia.	$ 28,000,000

j) **Sweden**

1978-	Grant for boat-building factory in Mogadishu	$ 1,146,790
1978-	Grant for the Coastal Fisheries Development Agency	$ 2,293,580

k) **United Arab Emirates**

1977-1980 -	An interest-free loan for construction of the sugar factory in Gelib. Co-financing with Saudi Arabia.	$ 78,000,000
1976-1978	An interest-free loan for the construction of the Berbera Burao road.	$ 48,000,000

l) **United Kingdom (O.D.M.)**

Grant

1978	- Purchase of 10,000 tons of cement ($2.2 million).	$ 5,000,000
	- 30 two-room pre-fabricated bungalows for Lower Juba Sugar project ([illegible] million).	
	- Equipment and tools for fishing workshops in the resettlement centres ($1 million).	
	- Handtools, fencing wire and survey equipment for range and forestry development ($0.6 million).	

m) <u>Yugoslavia</u>

Loan for the purchase of fishing boats.	$ 5,200,000
Loan at 4.5% interest rate for the Hides and Skin Factory, Mogadishu.	$ 2,500,000

PART C

FOOD AID

a) **WFP**

		$
1973-1978	SOM 719 Reforestation and Rangeland Development	1,206,000 (3,677,800)
1974-1978	SOM 548 E Agricultural Development	251,000 (1,518,500)
1974-1978	SOM 2049 Training of Fishermen	307,000 (2,105,400)
1976-1979	SOM 2139 Construction of Classrooms, etc.	603,000 (1,880,200)
1977-1979	SOM 2349 Feeding of Vulnerable Group	1,162,000 (4,647,700)
1977-1979	SOM 2326 Institutional Feeding	2,308,000 (6,817,200)
1977-1980	SOM 2294 Resettlements of Nomads as farmers	6,436,000 (21,499,000)

Amounts in brackets are the totals approved for the projects

b) EEC Regular Food Aid Programme (1978)
1,600 tons of butter oil

c) USAID
Title II 1977-1978 (already mentioned in Part A, Code 60)
12,150 tons of maize, 6,800 tons of rice, 2,500 tons of DSM

Title I 1978
24,000 tons of wheat

d) Federal Republic of Germany (1978)
1,656 tons of wheat flour

e) Abu Dhabi (1978)
5,500 tons of wheat flour

f) Belgium (1978)
1,117 tons of wheat

g) Italy (1978)
9,933 tons of wheat flour

ANNEX X

IMPLEMENTATION OF THE STRATEGY

Although Somalia is a large country, 638,000 sq. kms. which in itself represents a major implementation factor, land and air communication are reasonably good for a LDC. The most distant portions of the country (northwest region) are three days drive on good roads from Mogadiscio. The southern port of Kisamiyo will be connected by an all-weather road with the capital by mid-1980. There are scheduled airline services between the capital and principal urban centers and a number of rural communities can be reached by small passenger craft. Although telephone communications are poor, there are good radio links throughout the country.

The A.I.D. Mission in Somalia has had implementation foremost in its mind during the initial design phase of the newly established program. Our current project portfolio can best be defined as an interlinking, concentrated program. It is geographically concentrated in two areas of the country, Bay Region and Central Regions, concentrated in the agricultural and health sectors, and focuses on projects of $10,000,000 and up in order to make intense management worthwhile. At the same time, the program is closely interlinked with all projects interdependent for services. This approach has permitted us to deal intensively with the four technical ministries with which we collaborate closely and to staff the Mission with Project Managers for every project.

The geographic concentration has permitted us to develop an overall project logistics support concept under a trust fund and hire a local contractor to provide logistic support to all projects. The concentration also allows the Mission to perform field monitoring at least twice a month. As the A.I.D. program extends to other areas as a result of phased implementation or program expansion, serious consideration will be given to establishing area development offices.

The A.I.D. program addresses the issue of government familiarity with A.I.D. procedures head on. The Mission found that, although the government had no recent experience with A.I.D. procedures, they had been implementing other programs using international tenders and therefore were familiar with general precepts of contract procedures. Therefore, in the interest of maximizing Somali control of their projects, the Mission adopted a basic policy of using the host country contracting mode for all projects. Our Project Officers and Project Managers spend significant periods of time working with the ministries to develop RFPs and CBD Notices, review proposals, develop contract language, and advise in negotiations. We view this as laying the groundwork and developing a Somali capability which will have pay-offs in the long run. Our initial experiences have been good, and we are optimistic that our joint efforts during the contract management phase will be equally effective.

In addition, two further steps are being taken to address the issue of Somali capability, First, we are emphasizing the use of operational teams

as opposed to advisory teams. These teams, in the initial years, take a primary responsibility for implementation, and in the later years phase out as their Somali counterparts develop. As a corollary to this, the projects focus on developing skills at the lowest level of the pyramid so that the rural workers can be effective with a minimum of supervision and support from higher levels. Furthermore, the agricultural program is based on three major multi-donor projects under which autonomous project management units are being developed to implement the programs.

USAID is planning to utilize a Title XII Institution as a intermediary in one project, and a PVO (CLUSA) to undertake a program to strengthen the cooperative movement in the country, in which women have the primary role. We have been exploring the interest of other PVOs in assuming responsibility for assisting the Ministry of Local Government in handling the large PL 480 Title II program. CARE has already submitted a proposal for which USAID can take credit for stimulating.

The lack of any locally manufactured materials and the serious scarcity of imported construction materials,has proven to be a most difficult problem. The Mission has been exploring East African alternative sources but trade communications are weak. In order to strengthen our procurement capacity the Mission, after several months of negotiation, has selected a procurement agent in Kenya for project procurement. It is now possible through this agent to ship material overland, thus, reducing transport time. We are also considering moving further afield to the Far East which has some

direct shipping connections. REDSO's actions to liberalize shelf item rules to permit wider procurement has proven to be a very time consuming and a frustrating bottleneck although we now think that we have adequate U.S. orders from three projects with coordinated shipping dates to go liner cargo for direct shipment to Mogadiscio. In order to accomplish this we were forced to devote staff time of two contractors to work in the U.S. to arrange shipments. In the future, we intend to try procurement agents in the U.S., other than AAPC to see if we can get better performance.

As we move to the future, the Mission intends to maintain a similar posture in terms of avoiding a proliferation of small projects. We would like to become involved in the education sector to more specifically address the manpower needs and we see a real need for appropriate, capital saving technologies programs to provide specific support for the agricultural sector and general support to the economy. Beyond these new initiatives in the ten-year development horizon, we see replication of our Rural Health Delivery Project in additional regions, replication of our Bay Region Project utilizing the agricultural extension base created by the Agricultural Delivery Services Project and replication and expansion of the Central Rangelands and Comprehensive Groundwater Projects, and the addition of animal health to our Livestock Sector Program.

We anticipate a need for very little increase in direct-hire staff above our current level of 22. We have had excellent luck developing one FSN as a Project Manager and feel that this route can be effectively utilized to reduce the needs for additional USDH staff for project monitoring. As our

programs get underway and the critical initial year passes, a Project Manager will be able to handle more than one project, and thus the need for additional Project Managers will level off. Utilization of a logistics contractor for both Mission and project support has made it possible to operate with minimum USDH administrative staff. Finally, a shift of a portion of the program to a commodity support grant will allow the Mission to effectively handle even vastly increased resources with no increase in staff, and is critical to doing more with less.