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SOMALIA

COUNTRY DEVELOPMENT STRATEGY STATEMENT

FY 83

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U.S. Assistance Strategy in Somalia

I. Somalia's Key Development Problems.

As one of the poorest countries in the world, Somalia faces a multitude of problems which it must confront as it seeks to improve the access of its population to basic human needs vital to their economic and physical well being. The most critical problems however, (to which many of the others are linked) are four in number.

First, Somalia lacks the human resource base which it requires to effectively address its development problems. Within the government itself, there is a critical shortage of mid-level managerial and technical manpower essential to the design, implementation and evaluation of development activities related to increased productivity and basic human needs. This reduces the capacity of the Somali economy to absorbe external assistance and to use the assistance it does absorb in the most effective manner. Beyond the government itself, the population at large, while literate, lacks skills related to the means through which they must earn their livelihood both now and in the future. This reduces their capacity not only to survive in Somalia's difficult environment but to benefit fully from development activities as well.

Secondly, living standards for the broad mass that constitutes Somalia's poor majority are extremely low. Per-capita GNP is currently $190 or less at realistic exchange rates. 1/ Life expectancy at birth is only 41 years, infant mortality is 177 per thousand births and nutritional levels are deficient particularly among rural inhabitants and nomads.

While a low level of skills and a low standard of living are a reflection of the country's poverty, they play a causitive role as well. Low levels of income, due to a lack of basic skills and minimal access to capital, infrastructure and appropriate technology, limit the capacity of the economy to mobilize, and effectively utilize, resources for public and private investment. Poor health and nutrition levels also weaken the ability of the population to improve their productivity and economic welfare.

Thirdly, the Somali economy has performed very poorly in recent years. From 1972 to 1978, real growth in Gross Domestic Product (GDP) amounted to only 2.5 percent per annum, a rate insufficient to keep pace with population growth (thus resulting in negative growth in per capita terms). Further, most of the total growth which did occur took place in the services (government) sector as opposed to the productive

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1/ GNP, of course includes the earnings of Somali's abroad. Gross Domestic Product, (GDP) per capita, which excludes such earnings, is probably less than $100 in real terms and declining.

sectors. This has limited the ability of the government to mobilize revenues for development and resulted in increasing deficits (and inflation) as the Government has sought to meet it's strong commitment to an improved standard of living for it's people through increased incomes and the extension of minimal social services for the rural poor.

Underlying this poor overall performance are adverse trends in specific critical components of the Somali economy. In the food and agriculture sector production trends have been downward over the past decade. Over the period 1970-1980, with the exception of rice, production of all major crops declined. While most of these declines were small in an absolute sense, they are nonetheless extremely serious considering the fact that Somalia's indigenous population expanded by 29 percent over the decade, assuming a 2.6 percent population growth rate.

Performance of Somalia's export sector has also been poor. Livestock and bananas provide the vast bulk of Somalia's foreign exchange earnings (93 percent, 82 percent and 82 percent in 1978, 1979, and 1980 respectively). As a result, Somalia's balance of payments is extremely vulnerable to external factors beyond its' control both on the supply and demand side. No clear upward trend can be observed in the volume of livestock exports over the decade and the volume of banana exports delined significantly over the period.

Given Somalia's rapid population growth increased urbanization and declining production in the food and agriculture sector, food imports increased rapidly over the decade. Over the period 1974-1977, prior to the refugee crisis, food imports increased at an annual rate of 9.7 percent. This is an alarming rate for an economy with an export base as narrow as Somalia's. Major food imports alone accounted for 79 percent and 84 percent of f.o.b. export earnings in 1978 and 1979 respectively.

Somalia's population growth (an increased urbanization) combined with recent trends in food production, agricultural exports and food imports plus the massive influx of refugees and increased petroleum prices have produced a balance of payments crisis of major porportions. 2/ In recent years, Somalia has incurred deficits on current account that can only be described as massive in relation to the economy's capacity to mobilize foreign exchange through exports. This has resulted in considerable depletion of Somalia's foreign exchange reserves which, with seasonal fluctuations, now typically amount to one month (or less) worth of imports.

This balance of payments crisis and it's underlying causes has caught Somalia in a vicious circle as far as resources for development are concerned. Even with substantial external assistance, food

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2/ For a fuller discussion, see the recently submitted Food for Development Identification Paper and the annex to this submission dealing with the balance of payments.

(and petroleum) imports consume such a large portion of its external resources that nothing is left for development. This is particularly true with respect to procuring those imports necessary to maintain and expand food production and the export base. For example, a recent study by the Ministry of Agriculture revealed that while Somalia could productively use over 200,000 tons of fertilizer annually, only about 5,000 tons are currently imported. Clearly, unless this constraint is addressed, it will be difficult for Somalia to improve its overall economic performance and the standard of living of it's population.

Fourth, Somalia faces an imbalance between it's population and the resource base. While this is in part a problem of total numbers versus total resources, it is even more of a problem of the distribution of population as opposed to the distribution of resources.

Somalia currently has an indigenous population of 4.2 million. Of these 2.4 million are nomads, .9 million are settled rural inhabitants and .9 million are urbanized. If, conservatively, this population is growing at 2.6 percent per annum, Somalia will have a population of 7.1 million by the year 2000. With a continuation of the present rate of rural-urban migration, some 3.4 million of these would be nomads, 1.4 million settled rural inhabitants and 2.3 million would be urbanized.

The above however is only a projection. The reality is that if

accelerating degradation of the rangeland is to be avoided and the livestock herd is to function at maximum productivity, the nomadic population of Somalia must be stabilized at near its present level. Other opportunities must be found in agriculture (both irrigated and rainfed) and in fisheries for those individuals forming the natural increase in the nomadic population. Such a redistribution of population will require substantial investments in capital, infrastructure and social services. It will also require the development of new skills both within the population to be redistributed and within the implementing institutions.

To this already difficult demographic future has been added the problem of the refugees resulting from Somalia's border conflict with Ethiopia. Currently, there are an estimated 800 thousand such refugees living in camps and another 300-700 thousand living with relatives and in the countryside. While the focus of the GSDR to date has been upon providing the refugees with food and other items needed for immediate survival, attention must also be given to making these refugees as self sufficient as possible until a political settlement allows them to return to their homes. This too will require considerable investment.

Somalia thus faces a considerable need for investment resources with which to redistribute population in relation to resources, increase the self reliance of its refugee population, and improve the skills and living standards of its indigenous population. While it can be expect-

ed that the donor community will continue to assist, the bulk of these resources will have to provided by the Somali themselves. At the same time the current critical state of the Somali economy casts serious doubt on the nations ability to mobilize such resources. These resources must, however, be mobilized if Somalia is to avoid an ever increasing dependence upon the rest of the world for its survival.

II. PAST EFFORTS TO OVERCOME DEVELOPMENT CONSTRAINTS

Past efforts to develop appropriate policies and to effectively mobilize resources for development have not been (as the performance of the economy clearly indicates) particularly successful. There are several reasons behind this lack of success.

First, as has already been noted, Somalia lacks the skilled human resources necessary to design and implement development activities which impact directly and effectively upon the welfare of the poor majority and upon overall economic performance through increased production and incomes. Somalia simply does not have the intermediate technology to achieve optimum production levels nor sufficient mid-level manpower to compile and analyze the technical and statistical information which the design of such development activities requires (or the manpower to implement them on a satisfactory scale). While a part of this problem can be traced to migration to the Middle East in response to higher wages, an even larger part results from the fact that Somalia's

education system does not produce such people in sufficient numbers. 3/ Many children, particularly in rural areas, simply do not enter the system, many of those who do drop out and among those who ultimately emerge from educational institutions, few have skills that match with the needs of the Somali economy for planners, managers, producers, or for basic life support.

Secondly, from the Revolution in 1969 until the expulsion of the Russians in 1977, Somalia had followed the Soviet model of economic development with an emphasis upon central planning and large scale state owned production units particularly in agriculture. An emphasis was placed on (sometimes coercive) controls and the central allocation of resources as opposed to price incentives and market forces. The small settled farmer and the nomadic livestock producer received little encouragement or support during this period as did private or foreign investment.

Since the expulsion of the Russians in late 1977, the GSDR has began to seriously reconsider the Soviet approach to Somalia's development. The Somali are an individualistic and pragmatic people and there is a growing realization at the highest levels of government

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3/ Somalia cannot hope to compete with the Middle East in terms of wages (though it could and should reduce the differential). As a result, in the absence of restrictions on emmigration (which would have very real costs to the economy) Somalia will have to overtrain in relation to its needs.

that the central planning approach did not produce the expected improvement in either economic welfare or independence. There is also an awareness that Somalia lacks the managerial manpower to continue to pursue this approach in the absence of Soviet technical assistance.

Accordingly, the GSDR now seems willing to consider an alternative strategy for Somalia's development. It has recently moved to provide greater opportunities for private and foreign investors (particularly with respect to banana and mineral production). It has also began to provide prices to agricultural producers which provide a real incentive for increased production. While much remains to be done, there is every reason to believe that, with appropriate encouragement and support on the part of the donors, Somalia will take the steps necessary to deal with its economic problems.

III. U.S. ASSISTANCE STRATEGY IN SOMALIA

U.S.A.I.D.'s strategy in Somalia can only be presented and understood in the context of the actions which must be taken (and goals which must be achieved) by the Somali themselves if the country is to move toward self sustaining economic development and avoid a downward spiral of falling living standards and increasing dependency upon the international community for survival. These goals and actions are four in number.

First, Somalia must improve the human productivity of its population. Here, the key priority is to improve their access to basic life and technical skills (relevant to their survival and their means of earning a living) and their access to the services and inputs requisite to increased productivity. (Technical reports indicate that simple easily implemented changes in agriculture production technology could increase crop yields threefold). This will involve a shift in the priorities of the educational system towards basic life skills and technical education related to health, nutrition, agriculture, livestock and resource and energy conservation. It will also involve the increased production of mid-level (but not necessarily university trained) manpower with the requisite technical and managerial skills to design and implement development projects with a broad based impact on access to basic human needs. Without such a re-ordering of educational priorities it seems unlikely that the Government can undertake development activities on a broad basis and that the population at large can benefit fully from such activities as the government is able to mount. 4/

Increase human productivity will also involve improving the

4/ It is possible to argue also that a refocusing of the educational system is highly important to continued political stability. The current education system is producing individuals whose skills neither the economy nor the government fully requires. While the government has served as the employer of last resort, financial limitations will sooner or later force a reversal of this policy. This will result in the creation of a class of semi-educated unemployed likely to be highly resentful of their position and circumstances.

health and nutrition of its population. This will involve the restructuring of the health care system away from its current urban, hospital and curative focus towards a system which can deliver basic curative and preventive health services (including family planning) to the broad mass of the population at low cost. (It also involves improving their nutritional status which is closely related to the principal goal which Somalia must achieve, increased production in the food and agricultural sector).

Second, Somalia must increase the rate of growth in food and agricultural production to a level which exceeds population growth, expand and diversify agricultural exports and contain food and agricultural imports to minimum essential levels. This is essential not only from the macro perspective of the balance of payments and overall economic performance but from the micro perspective of basic human needs as well. It is the small farmer and nomadic pastoralist who will benefit directly from the increased food and incomes which the achievement of these goals will provide and from the development projects which will be made possible through improved overall economic performance.

Third, Somalia must undertake a number of institutional and policy reforms critical to its economic performance both at the macro and micro level. The most important of these are as follows:

1) The provision of adequate farm gate and export prices to provide an incentive to agricultural and livestock producers.
2) A thorough review of the exchange rate structure to ensure:
   i. the most efficient use of foreign exchange resources;
   ii. appropriate incentive for producers of traditional and non-traditional exports;
   iii. rational use of foreign exchange remittances by migrant workers and livestock exporters.
3) Revitalization of the public service through increased salaries and incentives based on performance criteria (with budgetary resources being provided by eliminating the governments commitment to employ all intermediate and secondary school leavers)
4) A more rational system of planning and budgeting to ensure optimal utilization of available resources (both domestic and external) and a lesser reliance upon deficit finance.
5) A more adequate provision of credit, inputs and marketing services for the agricultural and livestock sectors.

All of these reforms will involve a change in the GSDR philosophy toward the role of government in relation to the private sector with possible domestic political consequences. Accordingly, while clearly contemplating such actions, the GSDR is proceeding cautiously and the time frame for many reforms remains uncertain (though civil service salaries were recently raised). At the same time however, it is clear that progress toward instituting such reforms must be made in the near

future if the current economic difficulties are not to lead to economic collapse. 5/

Fourth, Somalia must began to plan (and to mobilize resources both internal and external) for the redistribution of its future nomadic population, as has already been noted, it will require substantial investments in capital, infrastructure and social services to provide productive opportunities for this additional nomadic population, resources which will, as a result, not be available to raise the living standards of other elements of the population. Accordingly, to the extent possible, Somalia needs to develop and implement a family planning strategy.

Somalia must also seek ways to make its refugee population more self sufficient pending such time as a political settlement allows them to return to their homelands. The refugees constitute a large burden upon Somalia's balance of payments and domestic budget. This burden must be at least reduced if other development efforts on behalf of the indigenous population are not to suffer.

None of the above actions, taken alone will resolve Somalia's

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5/ The possibility of a devaluation of the Somali Shilling and a re-trenchment/restructuring of the domestic budget will be a difficult process both from a political and economic standpoint. (A first step must be the dismantling of the economically destructive "Franco Valuta" system). Accordingly, such actions should only be undertaken when major inputs of donor resources are ready to be simultaneously committed to ease the economy through the difficult transition period which will inevitably follow.

economic difficulties. While each is a necessary condition for resolving the problem, it is dependent upon at least one of the others for its success. Increased food, agricultural and livestock production (and their implications for basic human needs and economic performance) for example critically depend upon on improved human resource base within the population at large and the government. It is for this reason that U.S.A.I.D. seeks to support each in accordance with resource availabilities, and what we believe to be our comparative advantage vis-a-vis other donors.

This strategy update assumes that many of the major policy and institutional reforms requisite to Somalia's economic progress will be made in the near future. It also assumes that our project oriented manpower training emphasis (with participant training, institutional development and basic skills activities) can produce a noticeable impact upon absorptive capacity. The realization of both these assumptions could make a considerable difference, within a few years, in the types and levels of assistance which Somalia can effectively absorb. Accordingly, we have chosen to present this update in terms of shorter (FY 82-85) and longer (FY 86-90) perspective.

FY 1982 - FY 1985

INCREASED PRODUCTION IN THE FOOD AND AGRICULTURE/LIVESTOCK SECTOR

Increased productivity in the food and agriculture/livestock sector is clearly the key problem which the Somali Government must address. This is true both from the point of view of overall economic performance and from the point of view of access of the population at large to basic human needs and improved economic welfare.

U.S.A.I.D.'s strategy for assisting the Government of Somalia in addressing this problem is to be implemented through three types of assistance modes; technical assistance, PL - 480 Title III, and an ESF Grant.

Our existing portfolio of technical assistance projects is designed to increase the institutional capacity of the Somali Government to deliver the inputs, services, infrastructure and resource conservation techniques requisite to sustained increased production in the food and agriculture sector. For example, our "Agricultural Extension, Training and Research" and our "Agricultural Delivery Systems" projects seeks to increase the capacity of the Ministry of Agriculture to develop and deliver improved production techniques to Somali's small farmers. The Comprehensive Groundwater project aims to increase the supply of water available for animal and human consumption, the availability of water having been identified as a

major impediment to the exploitation of currently unutilized lands (90 percent of all cultivable land in Somalia currently remains unutilized because of a lack of domestic water supplies for people and animals).

The Central Rangelands project will introduce range management techniques designed to preserve and expand the economic productivity of Somalia's rangelands. In the future, USAID/Somalia plans to implement an Animal Health Services project designed to improve (an increase access to) veterinary services within the country. Better health care for the National herd will increase the present low off take rate, thus increasing herd productivity (raising both herder incomes and foreign exchange earnings). It will also ensure continued access to the critical Saudi market, access which has at times been threatened by disease problems. While actual delivery of needed inputs, services and infrastructure to the poor majority is an important part of our technical assistance effort, the key focus of the program is upon the capacity of Somali institutions responsible for the delivery of such inputs, services and infrastructure. Only with such a focus can, ultimately, additional assistance be effectively absorbed and the requisite inputs, services and infrastructure be provided on a national basis (to the entire poor majority). To take a nationwide approach without improvements in

indigenous institutional capacity would require an American (and other donor) presence that would be much too large and expensive.

Given the importance of the lack of mid-level manpower as a factor limiting institutional capacity, our technical assistance package gives an important emphasis to participant training and to the development of Somali training institutions. Training to improve institutional capacity is only a part of the equation however. The skills of the Somali people themselves are also important. As has already been noted, they currently lack the basic life and technical skills which they need to survive and earn their living. Without such skills, it is highly unlikely that they will be able to benefit fully from the development projects which could be delivered by more capable institutions. The problem of providing them with such skills however, remains less than fully addressed by both the Somali Government and the other donors.

Given the critical importance of these basic skills to increased productivity, health and nutritional status (not to mention willingness to accept family planning) among the population at large, the key future priority for USAID/Somalia is to add a component to it's strategy to deal with basic skills education. While this activity would focus initially upon curriculum reform, it, or a follow on activity, might later be expanded or developed to include direct out -

reach and technical education related to the needs of rural inhabitants and nomads for simple productive inputs and consumer goods. As needs are more precisely identified, such an activity might also be expanded to include additional support for the training of mid - level management, particularly as it relates to planning and project implementation. While this actual and proposed overall USAID technical assistance package can be expected to have a noticeable impact upon production and incomes in and of itself, major policy and institutional reforms could significantly multiply its development benefits. A resolution of Somalia's balance of payments problem, which currently restricts Somalia's access to critical inputs requisite to agricultural production, would be particularly beneficial. For these reasons, our food and agriculture strategy contains a PL 480 Title III program and an ESF Grant. The Title III program will of course provide food to meet Somalia's immediate needs in the face of the country's balance of payment crisis and food production shortfall. Equally importantly, it will provide both support and incentive for policy and institutional reform (most notably in the case of agricultural pricing) critical to increased production. It will also generate local currency which can be used to support agricultural development projects related to agricultural credit, food and nutrition research, conservation and energy and

animal health.

The ESF Grant will also provide support and incentive for policy and institutional reform and help insure the availability of imported inputs (spare, equipment, seeds and fertilizer) for the food and agriculture/livestock sector. Such imported inputs are important both in and of themselves and as a compliment to the local currency that will be generated under Title III. The need for Title III and ESF resources can be expected to be present throughout the FY 1982 - FY 1985 period (and into the FY 1985 - FY 1990 period as well). Only such a long term commitment will provide the support Somalia will require during the difficult transition period following major policy and institutional reforms and allow ongoing development activities time to produce a significant impact upon production, incomes, government revenues and foreign exchange earnings. It is important to stress again that this strategy for the food and agriculture sector is related to both Somalia's macro economic problems and the access of the poor majority to basic human needs. Somalia's balance of payments, economic growth, and budget will all benefit positively from increased production of domestic food crops and agricultural exports. It is the poor majority however who will benefit from the increased food and incomes and the development projects which can be undertaken with improved

economic performance.

INCREASED HUMAN PRODUCTIVITY

In addition to our technical assistance activities in the food and agriculture/livestock sector which have strong human resource components, USAID/Somalia currently has two ongoing projects designed to address productivity and basic human needs from a health perspective. These are the "Rural Health Delivery Project" and the "Family Health Initiatives Project". The "Rural Health Delivery Project" seeks to assist the Somalia Government in delivering basic preventive and curative health services to the rural and nomadic population. The project has begun in the Bay Region where it complements our agricultural projects and will expand to cover one region within our Central Rangelands Project. Over its life it will expand into four of the nations sixteen regions and serve one quarter of the total Somali population.

The "Family Health Initiatives Project" is designed to add a Maternal-Child Health and child spacing component to the "Rural Health Delivery Project". The Somali Government, concerned about Ethiopia's large population and aware of large amounts of untilled land within Somalia's borders has been slow to become aware of the development implications of a rapidly growing population. USAID/Somalia has fostered that awareness through an ongoing dialogue, through training for key individuals in the government and support for

demographic surveys. As a result, a growing receptivity to family planning in general and child spacing in particular, can be observed. The "Family Health Initiatives Project" represents an attempt to make a replicable beginning in the very critical area of population.

Given Somalia's economic difficulties, one must constantly be aware of the recurrent cost implications of projects (such as "Rural Health Delivery" and "Family Health Initiatives") which are not directly productive of additional resources. Somalia's current hospital based health system is, however, very expensive and we believe that the new approach to health care will reduce costs while reaching a larger portion of the population. Likewise, a new basic skills activity would not add greatly to recurrent costs (representing as it does an alteration in focus of the existing educational structure).

INSTITUTIONAL AND POLICY REFORM

As has already been noted, the institutional and policy reforms which Somalia must undertake to avoid economic collapse are difficult both from a philosophical and political standpoint. The Title III program and the ESF grant can thus be seen both as an incentive to undertake such reforms and as providing support during the difficult

transition period which follows. In the absence of such long term support by the U.S. and other major donors, it is unlikely that Somalia could undertake or survive the political and economic consequences of such reforms.

POPULATION - RESOURCE BALANCE AND REFUGEES

Technical assistance projects to address these critical problem areas are evolving as na integral element of USAID/Somalia's current effort. As has already been noted, training for key individuals, support for demographic surveys and the Family Health Initiatives Project all provide a means of beginning to work on the problem of overall population growth. The Kurtunwaare Settlement Project is facilitating the settlement of refugees from the 1973-1975 drought by assisting in the construction of low cost housing (and simultaneously developing a replicable system to meet critical housing needs in rural areas).

The needs of Somalia's refugee population with respect to survival are being met by a multi-donor effort in which our PL 480 Title II program plays a major part. This is however a very costly effort for the GSDR as well. As has already been noted, special emphasis needs to be given to ways of making the refugees more self sufficient pending the day a political settlement allows them to

return to their homes.

While the GSDR continues to desire that the refugees one day return to their homes, it is willing to consider efforts to make them more self sufficient over the medium term. In December of last year the Ministry of Planning met with the donors to begin to develop proposals for such an effort. As a part of this effort, USAID/Somalia has drafted a scope of work, to be considered by the GSDR, for an international team to explore alternative solutions to the problem. We expect to provide a member of this team and to be active in supporting the implementation of their recommendations via technical assistance and utilization of Title III local currency resources. These recommendations might range all the way from food-for=work activities related to conservation and energy sources (reforestation) to major efforts to integrate the refugees, albeit temporarily, into the Somali economy.

Given its current economic crisis and the costs that will be associated with making the refugees more self sufficient, Somalia lacks the financial resources to begin a major effort to cope with the question of excess nomadic population at the present time. Such an effort will have to await the FY 1985 - FY 1990 period when political and institutional reforms, coupled with maturing development efforts will provide the resources to make such an effort possible. In the interim however, we will be exploring possible approaches to

the problem through our Bay Region Project which is seeking to increase agricultural production through the utilization of currently uncultivated lands and though our efforts to increase the productivity of refugees.

THE LONGER TERM: FY 1986-FY 1990

Assuming a growing capacity to absorb development assistance upon the part of both the Somali government and the population at large (as a result of our human resource development efforts) and institutional and policy reform it should be possible to move to a sector grant approach during this period. This would allow many of our technical assistance projects, which are currently centered in finite geographic areas, to be replicated across the nation with minimal U.S. involvement in terms of personnel.

A food and agriculture sector grant could be used over the longer term to support Somali replication of our current activities in this sector. As our assistance to the livestock sector begins to increase her productivity, it may also prove desireable to add a livestock marketing component either as a part of the sector grant or as a separate technical assistance activity.

We also plan to continue our human resource development efforts into the longer term perhaps adding to the basic skills component technical education related to the needs of rural inhabitants for simple producer and consumer goods (and the off-farm employment which such goods could create). For reasons already discussed we plan to continue Title III and ESF into the FY 1986 - FY 1990 period though the need for such resources can be expected to diminish towards the end of the period.

With respect to health, a sector grant might be used to replicate the activities of our Rural Health Delivery and Family Health Initiatives Projects across the country. A more direct approach to population/family planning might also be included within the scope of this sector grant.

We would also expect to continue our efforts to increase refugees self sufficiency into at least the early portion of the 1985-90 period. It is also during the 1986-90 period that the question of interventions to help ensure the excess nomadic population's relocation will have to be addressed. Given Somalia's geographic location and resource endowment, this will have to be accomplished through the creation of new opportunities in irrigated and rainfed agriculture and fisheries and ancilliary activities related thereto. USAID assistance to this effort could be provided through ESF, the local

currency generations of Title III, specified technical assistance activities and sector grants.

Over the longer term, a major intervention should also be made in the area of energy.

USAID's view is that such an intervention, by AID and other donors, is inevitable considering our short term strategy in the food and agriculture field, i.e. increasing food, agricultural and livestock production. The role of energy in their production cycles is well documented, and such increased production has obvious implications on Somalia's energy needs.

USAID has not as yet formulated a long term strategy in the energy field hence we cannot determine what intervention might make sense for the period 1986-1990. We propose that an energy sector assessment to be conducted in 1984, which will provide the basis for our strategy for the period 1986-1990.

January, 21, 1981

ANNEX

COUNTRY TEAM COMMENTS ON SOMALIA COUNTRY DEVELOPMENT STRATEGY*

1. The Country Team is in basic agreement with the analysis and development strategy contained in CDSS, but has some differences as follows:

   a. The Somalia Government as a whole has not agreed on a fundamental change in its approach to economic issues (from central planning to a more liberalized, free-market philosophy) and there is considerable resistance to change. While there are signs that the Government may change its economic policies in a way that will benefit development assistance objectives, this is not yet a reality. (Pages 8 and 9)

   b. The Government has not yet raised agricultural commodity prices sufficiently, in real terms, nor has it allowed farmers to sell the commodities on the free market. Inertia and bureaucratic obstacles continue to discourage private and foreign investment. (Page 9)

   c. Receptivity to family planning is limited to a relatively few enlightened, educated people. There is strong opposition on part of some leaders and the President to any form of family planning. (Page 21)

   d. There needs to be recognition of the serious political obstacles to the achievement of the objectives of AID's Country Development Strategy, in particular the drain of defense spending.

   e. Expansion into the education sector is premature and should await evaluation of the effectiveness of the present project portfolio. (Page 25)

2. Despite the above obstacles, there is a basic commitment by the Somali Government to economic development. The Country Team believes that the impediments to progress can be overcome to a great extent.

*Source: Mogadishu 518