

# Country Development Strategy Statement

**FY 1987**

**SOMALIA**

BEST AVAILABLE

**JANUARY, 1985**



Agency for International Development  
Washington, D.C. 20523

USAID MISSION TO SOMALIA

COUNTRY DEVELOPMENT STRATEGY STATEMENT

FY 1987

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## EXECUTIVE SUMMARY

Somalia's strategic location and security cooperation with the U.S. require a strong U.S. interest in helping to create an economic system in Somalia which is increasingly capable of providing for the needs of its people. Levels of AID support reflect these interests and permit consideration of a full range of assistance through AID. This strategy presents a plan for effective utilization of the resources.

The Mission's strategy for Somalia has been developed with the full involvement of all Mission staff, AID/W representatives, and local FVO staff. It represents our best assessment of where Somalia is, its strengths and its weaknesses, and where it is going over the planning period of 1987 to 1989. The Embassy and Country Team fully support this analysis and the proposed strategy.

We have identified two overarching strengths of the Somali culture and economy which give cause for optimism:

- the Somali conception of their nation as unconstrained stretching into the Middle East, Egypt, and the grazing lands of Ethiopia and Northern Kenya.
- the wide economic and social integration of Somali families into what have been termed "Multinational Corporations in Microcosm" which give the economy great resiliency and the ability to withstand seemingly overwhelming shock.

These strengths have permitted Somalia to survive during the past 15 years. After a promising start in the 1960s, the 1970's ushered in a strong shift to socialism, characterized by the abandonment of development programs in favor of state farms and public enterprises. Now in the 1980's we must help recreate much of the human, institutional, and philosophical base of the 60's to get the economy moving again.

### Analytical Base

The macroeconomic situation can best be regarded as perilous.

- The basis of the economy is narrow, with the agriculture sector contributing 54% of GDP, of which 39% of the total is from livestock.
- Real GDP was stagnant during the late 1970's and only began to show growth in the early 1980's.
- The budget deficit has been growing steadily since 1978 at a rate of 90% per annum.
- The balance of payments situation has steadily worsened due to stagnated exports and increasing imports, compounded by increasing debt servicing requirements.

As a result of the above, inflation has been extreme, the exchange rate has become excessively overvalued and the Government's attempts to manage the economy have failed.

The resiliency of the economy -- due to the outward-looking philosophy of Somalis, the unofficial remittances from migrant workers, and the diversified and interdependent extended family network -- has given the government a breathing spell in which to get its economic policy in line.

- The government managed to adhere to IMF standby arrangements for the entire period of 1980 to 1983. Although they were unable to reach agreement with the IMF on an Extended Fund Facility in early 1984, they are now in the final negotiations of a very strict standby arrangement for 1985 which addresses the major macroeconomic problems.
- The government has begun to shift its policy away from a controlled economy and to encourage market forces.

In the Development Sectors there is significant potential if critical constraints can be overcome. The lack of trained personnel is a constraint in all sectors, second only to the general economic situation.

- Technical and managerial skills are lacking in both the government and in the private sector as the most competent and capable people have taken jobs outside the country.
- Training institutions have not emphasized practical aspects and have often imparted inappropriate skills.
- Nearly all development programs in the sector have emphasized infrastructure with little concern for quality.

The USAID-financed Education Sector Assessment and subsequent Civil Service Reform study have identified the needs in this sector and propose a plan for addressing the problems.

The agricultural sector is the backbone of the economy and the society, serving as the base for integrated family activities and the only major source of exports. The following factors are significant to this sector:

- Somalia is an ecologically diverse area with a common constraint nationwide - low and erratic rainfall.
- The two major river basins offer the potential for reliable production.
- Most farmers are engaged in dryland farming.
- Livestock is the sole means of livelihood for a large proportion of the population and is part of the farming system of nearly all farmers.
- The level of technology and consequently agricultural productivity are extremely low.

Despite these constraints, it is in agriculture that Somalia enjoys a comparative advantage.

- Significant markets in the Middle East are in close proximity and the Somalis are familiar with the market.
- There is scope for diversification of production and export.
- Production efficiency levels are so low that there is significant room for progress.
- Other sectors offer no proof of any special advantages for Somalia.

### USAID Strategy

The USAID strategy is based on two premises:

- Somalia receives assistance from numerous major donors and therefore our resources should be focussed in areas where we can be more effective than others.
- A carefully integrated blend of policy dialogue, program assistance and project assistance would have the optimal long-run effects.

Over 70% of the Somali national development plan is financed by contributions from approximately 25 donors. Increased emphasis on adhering to the Public Investment Program as approved by the Consultative Group has begun to minimize overlap and clarify various donor programs.

In developing the following strategy, the Mission avoided sectors which already had considerable donor involvement, or where we felt that other donors were more able to provide the necessary assistance.

In most cases the project activities cannot be successful without significant policy changes which are derived from the policy dialogue, often supported by program assistance. This interweaving of resources with consistency of purpose makes the various forms of assistance mutually reinforcing.

The strategy has both a short-term and a long-term objective.

- Short-term - Provide balance of payment support, reduce the public deficit, and support promising areas for future growth.
- Long-term - Build a base for productivity in a diversified and outward-oriented economy.

The short-term objective addresses the problems of macroeconomic stabilization which is a prerequisite for real longer-term development. The long-term objective constructs the human, technical, and institutional base necessary for the country's full development.

The Mission has selected three **development themes** that cut across the entire strategy.

- High priority to indigenous **private sector development** to encourage an increasing role for the private sector in the economy.
- An emphasis on **policy reform** to address the principal constraints to efficiency in both the public and private sectors.
- Encouragement of the **outward orientation** of the Somali economy which has given it resiliency.

In the short-term stabilization program, the strategy is to provide the macroeconomic support through mechanisms that support the private sector rather than the public sector. Further, this support serves as the vehicle for major policy dialogue. The Mission has identified several key macro policies, consistent with the IMF reforms, which are at the heart of our policy dialogue.

- Through counterpart funds generated by balance of payments support programs, we have begun to play a major role in helping the country develop **budget control policies**.
- **Civil service reform** is an area where great strides have been made in having the concept accepted, but where we are well aware that more technical and financial assistance will be needed before the reform becomes a reality.
- Active **encouragement of trade** to make the most of the uniquely diversified Somali family.

In the development sectors our strategy is to concentrate on the **agricultural sector** while addressing overall human resource constraints in those ministries which directly affect it.

Within the agricultural sector the strategy calls for continued but **declining emphasis on dryland activities**.

- The dryland portion of the sector affects the largest numbers of people, is most intimately linked to livestock production, and in good years is very productive.
- It is also the most risk prone, with drought of varying severity two years out of five. This makes shifts to more sophisticated technologies less likely.

A new emphasis will be placed on the irrigated subsector where more reliability is possible due to control of the scarcest resource, water.

- Each of the two river basins offer potential for significantly increased and diversified production and hence possible food self-reliance for Somalia.

- The efficiency of water use on existing irrigation schemes will be of the highest priority.
- It is most likely that "minimum input" packages will continue to be the basis of production, but continued production research is necessary to define the most appropriate production packages.

The strategy for livestock emphasizes the export markets through the improvement of market infrastructure and animal health, diversification of markets, moving toward more value-added (e.g., meat processing) and research into more marketable animals.

Other sectors are targets of opportunity. In population we have found the government receptive to beginning to develop a population policy which will have long-term payoffs. We will be assisting them in testing reasonable approaches.

Refugees have been a significant factor throughout the 1980s and we have moved from the early emergency programs, through organized care and feeding, to small-scale productivity activities. Our strategy for the 1987 to 1989 period is to initiate settlement activities to provide a means for refugees to become self-sufficient and integrated into the economy so that refugee camps will eventually cease to exist.

#### Resources

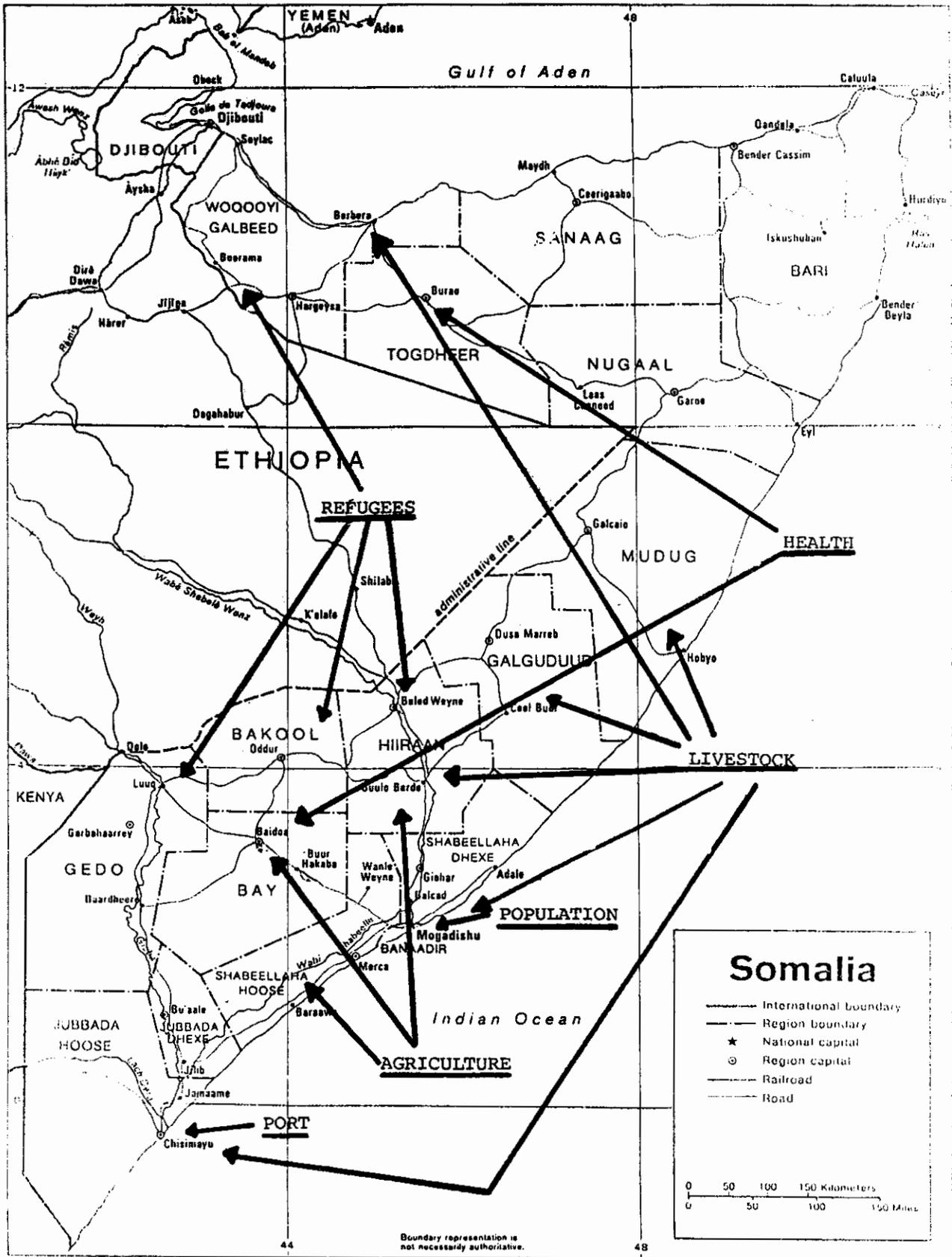
The strategy calls for total resources of \$85 to 90 million per year exclusive of PL-480 Title II. Of this amount 75% is for macroeconomic support at the beginning of the planning period, declining to 66% at the end of the period.

The major macroeconomic resources are Economic Support Funds provided as a commodity import program primarily through the private sector, along with PL-480 Title I/III providing food for sale to the private sector.

Development Assistance resources will come primarily from the Agriculture, Rural Development and Nutrition account, with small amounts from Education, Human Resources and Population accounts. Small amounts of Special Development Activities funds will be utilized for Private Voluntary Organizations' programs.

In this strategy we have identified the following benchmarks for what we would plan to achieve by 1989. These benchmarks will be reviewed each year in the annual work plan to check on progress.

- Inflation - the annual rate of increase in the consumer price index will be less than 25%.
- The budget deficit will be reduced to 25% or less of total expenditures.
- Non-livestock exports will constitute more than 20% of total exports.
- Private sector share of bank credit will be greater than 40%.
- Civil Service reform recommendations will be completely implemented.



## I -- ANALYSIS

### POLITICAL BASIS FOR THE AID PROGRAM

The United States Government regards the Horn of Africa as a geographical area of importance because of its proximity to the Persian Gulf, Southwest Asia and its location along the strategic sea lanes through the Indian Ocean, the Red Sea, and the Suez Canal. The GSDR is cooperating with the U.S. in preserving and enhancing the security of the region. The GSDR has agreed to provide facilities for U.S. forces, should their presence become necessary, and its forces have participated with those of the U.S. in joint exercises on the Somali territory. These factors, in addition to the U.S. developmental and humanitarian objectives for Africa and the third world, require that the U.S. take a strong interest in helping to create an economic system in Somalia which is increasingly capable of providing for the needs of its people.

### MACROECONOMIC CONDITIONS

Structure of the economy - The structure of the Somali economy has not changed much over the last eight years. Agriculture represented 53.9 percent of GDP in 1983 as compared to 54.2 percent in 1975. Even within agriculture, livestock continues to dominate with 39.2 percent of GDP in 1983 as compared to 38.3 percent in 1975. The relative importance of each of the major sectors of the economy, along with their annual growth rate for the period 1975-83, is shown in ANNEX III, Table 1.

Real GDP (at factor cost) grew at an annual rate of 2.2 percent over the period, which is less than the estimated population growth rate of between 2.6 and 3.2 percent. Manufacturing grew at a relatively fast rate of 5.5 percent; however, it still accounted for only 7.3 percent of GDP in 1983. The other major sector of the economy showing a relatively high growth rate was the service sector (4.7 percent), with real estate, insurance, and banking dominating with a growth rate of 6.0 percent. Even the government had a growth rate higher than that of the GDP. However, as can be seen from the table, the growth of the government sector occurred before 1980. Since that year, the relative importance of the government actually has declined. This can be attributed to the

failure of the government to grant wage increases in step with the rest of the economy.

Real GDP at market prices grew less rapidly than GDP at factor cost. This is attributed to the fact that real indirect taxes collected by the government declined over the period. This will probably be reversed in the future as the GSDR has recently imposed a sales tax.

Annex III, Table 2 shows the expenditure components of the GDP. The rate of growth of consumption for the period 1975-83 was 3.1 percent, while the rate of growth of GDP (at factor cost) was only 2.2 percent. During the same period real fixed investment declined at a rate of 2.0 percent per year. For the year 1983, fixed investment was 16.6 percent of GNP. Gross domestic expenditure (the sum of consumption and fixed investment) far exceeds Gross National Product. The excess of expenditure over income is financed through worker remittances, borrowing from abroad, and foreign aid.

Government Budget - The GSDR has a severe budget deficit problem. The deficit is forecast at 2.5 billion Somali shillings for 1984. As shown in Table 3 for every year but 1982, the deficits had to be financed by the expansion of domestic banking credit. (The discrepancy in financing for 1983 was most likely an expansion of domestic banking credit but it has not shown up in the accounts yet.) Progress was made, however, as can be seen by comparing the overall deficit to GDP or to total expenditures. As a proportion of GDP, the deficit declined from 18.2 percent in 1979 to 8.5 percent in 1983. As a proportion of total government expenditures, the deficit declined from 44.4 percent in 1979 to 31.9 percent in 1983.

Part of the budget deficit problem is due to the income inelasticity of tax revenue. The taxing system in Somalia has failed to provide tax revenue in step with increases in income. Table 4 shows selected national accounts for 1979 and 1983. As can be seen in the table, imports increased by 27.6 percent over the period while import duties increased by only 22.5 percent. Export duties did show a substantial growth rate for the period but they only provided 3.7 percent of total

tax revenue in 1983. Total tax revenue increased by 26.2 percent while GDP in current prices increased by 32.0 percent.

An examination of the Somali tax system shows that too much reliance is placed on import duties. In 1983, import duties supplied about 63 percent of all tax revenue. As mentioned earlier, a new sales tax has been imposed and that should help to provide the GS DR with additional revenue and reduce the importance of import duties. However, the failure of the tax system to generate revenue in step with increases in income will necessitate the GS DR to seriously evaluate its current overall tax structure. The structure of import duties also must be evaluated and made more development oriented. Some import duties reach 700 percent. Even duties on some raw materials needed by agriculture and industry are at a discouraging level of 50 percent.

Balance of Payments - Somalia has had a continuing balance of payments problem since 1972. As seen on the Annex IV Chart, exports have stagnated since the late 1970s. Details of the balance of payments for recent years are shown in Annex III, Table 5. Imports, while increasing, are mainly financed through grants and loans. Cash imports in 1983 are only half of what they were in 1980. Petroleum imports loom large in terms of Somalia's ability to pay for them. In 1983, petroleum imports, including a \$39 million grant from Saudi Arabia, totaled \$99 million -- an amount just about equal to total exports for the year.

Debt service payments are beginning to place a burden on Somalia and will become progressively worse through 1986. From a level of \$23.8 million in 1982, the debt payments increased to \$49.4 million in 1984 and are projected to increase to \$93.9 million in 1986. These figures are adjusted for debt relief granted by various countries and international lending institutions. Without the debt relief, Somalia would have had to make debt service payments of \$130.7 million in 1984 and \$153.0 million in 1986.

Most of Somalia's balance of payments problems are caused by an overvalued exchange rate, too much reliance on a single export commodity, and a government policy which has limited private sector participation in

the economy. Somalia's reluctance to depreciate the shilling reflects the fear, in part, that a depreciation causes inflation. Such fears are exaggerated, however, as the depreciation is needed to correct the inflation that has already taken place. The inflation was due primarily to an expansive monetary policy, but it was aggravated by a drought, the loss of foreign exchange receipts, and by the consequent decline in available food supplies.

Livestock exports account for approximately 80 percent of total export receipts. Over 90 percent of livestock exports go to Saudi Arabia. Cattle accounts for about 40 percent of all livestock exports, 90 percent of which also goes to Saudi Arabia. In all, the Saudi ban on cattle imports from Somalia results, on an annual basis, in an approximate loss of 36 percent of total export revenue. For a period of time in 1983 and early 1984, Saudi Arabia also banned the import of Somali sheep and goats. Livestock exports declined by 33 percent or \$35 million in 1983. The preliminary estimate for 1984 shows a further drastic reduction in livestock exports to less than \$40 million for the year. Exports also were adversely affected by the bankruptcy of the shipping company transporting livestock from the southern part of the country. Other livestock exporting countries took advantage of the Somali absence from the market and increased their market share. Somalia now is finding it difficult to regain its original share.

In order to improve the balance of payments and economic efficiency, the exchange rate must be a market-determined rate, the economy must become more diversified, and the private sector must be given the freedom to expand and start new enterprises. Exporters must receive a higher rate of exchange in order to allow them to compete in world markets. Also they must be permitted to keep at least a portion of their export earnings so they can import needed inputs and maintain their export capability. An equilibrium exchange rate would also work to efficiently allocate foreign exchange for import purposes.

Monetary Conditions - Information on the money supply and credit extended to different sectors of the economy are shown in Annex III, Table 6. As can be seen, the money supply increased at an annual rate of 20.0 percent

over the period. At the same time velocity increased from 4.6 in 1978 to 5.6 in 1983. The combination of a rapid increase in the money supply coupled with an increase in velocity led to a rapid increase in prices.

The increase in the money supply in the early years was due to the rapid increase in credit extended primarily to the GSDR and to public enterprises. For 1978 through 1981, the annual rate of increase for credit extended to public enterprises was 19.7 percent and to the GSDR was 93.4 percent. Over the same period the increase in the money supply was 28.6 percent. Since 1981, credit extended to the GSDR and to public enterprises has actually declined. However, the figure given in 1983 for credit extended to the GSDR is suspect (see budget section). Data on the money supply for 1984 is not yet available as of October 1984. However, information on credit extended to the government shows a drastic increase for the first six months of the year. Claims on the GSDR increased from So.Sh. 1,805 million in December 1983 to So.Sh. 3,816 million in June 1984. One can expect that the money supply also has increased sharply over the same period.

The annual rate of inflation over the 1978-1983 period was a very high 42.2 percent with the rate showing an even greater increase in early 1984. Information on the Mogadishu consumer price index is shown in Annex III, Table 7. The increase in prices for the first seven months of 1984 was 75 percent. The acceleration of inflation, starting in December 1983, was due to a shortage of foreign exchange and a drought which made food supplies very scarce. From November 1983 to March 1984, food prices increased by 94 percent while clothing prices increased by only 6 percent, fuel and electricity by only 0.1 percent, house rent by only 32 percent, and miscellaneous items by only 4 percent. During the same period the overall index increased by 61 percent. Since March, food prices have increased by 2.8 percent and overall prices by 7.9 percent. The moderation in food price increases starting in March was due to the inflow of commercial food imports which were allowed when the de facto franco valuta system for food was reinstated in January 1984. Also helping to temper the rise in prices for later months was the delivery of donor food aid and new harvests.

## AGRO-PASTORAL ECONOMY

Resource Base - Somalia's population is approximately five million and is spread over a land area of 63.8 million hectares (about the area of Texas). The 3,000 kilometers coastline stretches along the Indian Ocean in the south to the Gulf of Aden in the north. Less than one percent (540,000 hectares) of its land area currently is farmed under rainfed conditions while an additional 160,000 hectares are farmed under controlled and uncontrolled irrigation. In all, about 815,000 people earn their livelihood from farming.

Annual rainfall of 500 to 600 millimeters falls on two limited areas--the interriverine area between the Juba and Shebelli rivers in the south and a mountainous area in the north. In the remaining area of the southern third of the country, rainfall varies from 300 to 400 millimeters a year. In the central third of the country and most of the northern third, annual rainfall does not exceed 200 millimeters and is often less than 100 millimeters. Almost all of the rainfall is spread over two rainy seasons. The Gu season, April to July, receives about 70 percent of the total and the Der season, October to December, receives the remaining 30 percent.

When the rain does fall it usually covers only limited areas since it falls from individual clouds moving rapidly over the countryside leaving many tracts dry. The consequence is a large variation in crop output during a single season over a small land area and the continual movement of livestock herds by nomadic pastoralists in search of fresh pasture. Current estimates of additional hectares of land, similar in quality to those presently used, that could be brought into cultivation under rainfed conditions range from 88,000 to 2 million hectares. The Mission is inclined to lean towards the pessimistic end of the spectrum, with an estimate of 100,000 hectares. According to the World Bank this places a severe limitation on the ability of rainfed farming to absorb an expanding population.

Controlled irrigation on the Shebelli River basin covers about 38,000

hectares and on the Juba River basin it covers about 12,000 hectares. The World Bank estimates that an additional 150,000 hectares could be brought under controlled irrigation by expanding water storage capacity on the Juba River and better water management on both the Juba and Shebelli Rivers (current irrigation efficiency is only 20 percent). Better water management will retard the degradation of the land caused by water-logging and salinity.

Land classified as suitable for grazing or browsing covers about 45 percent of the total land area. Rainfall on this area averages from under 200 millimeters to 400 millimeters a year. Evapotranspiration from a full vegetative cover is about 200 millimeters per month. With rainfall at a maximum of 400 millimeters a year, the potential growing season is only two to three months. There is not much scope for increasing vegetation under such harsh climatic conditions.

Livestock produced in close association with crop agriculture has excellent near-term potential for increased productivity. Increased production of crop residues and forages in the irrigated area will help increase the productivity of the rangelands by relieving range pressure during critical periods and by removing some mature cattle and small stock from the range.

Somalia's potential for developing fishing resources is largely unknown. For the marine sector, the continental shelf rarely exceeds 15 kilometers in width and opportunities for trawling are limited because the shelf is rocky, uneven, and steeply sloping. The most promising areas lie off the north and northeastern coasts. However, a major hindrance to their development is a lack of necessary infrastructure such as a harbor, cold storage, workshops, and transportation facilities. In the 1960's AID financed a fishing development project in the north but it was unsuccessful. The enterprise went bankrupt within two years and the deteriorated infrastructure, buildings and equipment now lie abandoned.

In the fresh water sector, the development of river catch fisheries may provide an annual sustainable catch equal to the present level of the marine fisheries catch. Although river fishery development does not

require major infrastructure development or sophisticated equipment, even the basic equipment and materials are not available.

Crop Production - The estimated total area planted for each of the major crops is given in Annex III, Table 8. As can be seen from the table, sorghum is the major crop followed by maize. Minor areas are planted with cotton, groundnuts, pulses, rice, sesame, and sugar cane.

Production indices for cereals, crops, livestock, and total agricultural production are given in Annex III, Table 9. Over the period shown there was a large yearly variation in cereal production due primarily to the variation in rainfall. The overall performance of agriculture was not particularly good over the 12 year period. Data on per capita basis are also given in the Table. Except for cereals, output in the agricultural sector has not kept up with population growth. The sharp increase in cereal production for 1981 and 1982 was due to a significant increase in the area reported to be harvested. The index for total agricultural production is a weighted index and, since livestock is so important to the country, the index for total agriculture parallels the index for livestock.

The average size farm under rainfed conditions is about five hectares. Sorghum is the major crop and pulses, maize, and groundnuts are minor crops. The farming system is very labor-intensive with land preparation done solely with a hoe. Low quality seeds are used and there is no use of fertilizers or insecticides. According to a household survey conducted by the Women's Education Department and FAO in 1983, women share equally with men in the major farming tasks, including land preparation, planting, weeding, birdscaring, and harvesting. During periods of approaching harvests, all available people stay in the fields in an attempt to control losses due to quelea bird infestations.

Rainfed farming is primarily for subsistence and at least 600,000 people earn their living that way. Given their rudimentary resources and technology plus a harsh climate, the farmers have little scope to produce for a market. Couple those limitations with a previous government policy of maintaining low prices through a government-run monopoly and it is not surprising to see why crop production stagnated over the years.

In addition to raising crops, most families keep some animals as part of the household's income strategy. Milk and meat together supplement household's diet while burden animals are used in harvesting. Animals also serve as a store of value, providing insurance in case of crop failure. The importance of animal products in the nation's diet can be seen from Annex III, Table 10 which shows comparative data on caloric intake on a per capita per day basis. Over one-third of the calories consumed per day in Somalia come from animal products, primarily from camel milk in the diet of nomads. In contrast, comparable figures are 8 percent for Africa as a whole and 17 percent for the world.

On irrigated lands the major crops are maize and bananas for privately owned farms, and sugarcane, rice, maize and bananas for state-owned farms. About 215,000 people earn their livelihood from irrigated farming. Under controlled irrigation the water level is raised by the use of dams or pumps in order to distribute water through the canals. The average size farm under controlled irrigation is five hectares.

The technology used in flood irrigation is low and is almost comparable to that of rainfed farming. Production is totally dependent on the level of the river as water enters distribution canals only during flood periods. Yields are low because there is either a shortage of water when the river is low or there is too much water due to flood conditions and poor drainage.

Tsetse fly infestation of the riverine areas has kept farmers from integrating livestock raising with cropping as is done on rainfed farms. However, a major effort is underway to rid the area of the tsetse fly. From Afgoi to the Ethiopian border, the fly is almost eradicated. If success continues, potentially rich vegetation along river banks could be used for grazing and browsing.

Comparative figures on yields for various crops are given in Annex III, Table 11. Yields for the two main cereal crops, sorghum and maize, and for two minor crops, pulses and cotton, are below that of Africa as a whole and considerably below that of the world average. Somalia compares

favorably with the rest of Africa and the world with its yields in sesame, rice, and groundnuts. With regard to sugar cane, Somalia compares favorably with the world average but not with the African average.

Prospects for improving productivity on rainfed cropland can not be considered good. Given the paucity of annual rainfall to begin with and the fact that it is spread over two seasons means that the average rainfall for a given crop season seldom exceeds 300 millimeters. With high rates of evapotranspiration and erratic rainfall in most seasons, the resulting water stress reduces the potential for improving crop yields. However, the Mission is confident that through research, new technologies that will minimize the effects of drought in the rainfed areas can be developed.

On irrigated lands the prospects for improving productivity are much more encouraging. Better water management coupled with the use of higher quality inputs such as seeds, fertilizers, insecticides, fungicides and the knowledge on how to use them would result in greatly improved yields.

Given Somalia's early stage of development, private firms will be reluctant to distribute new agricultural inputs. The costs of entry are too high and the market is too limited for a given input. Farmers need to know what inputs will be economically productive and how they should use them before they will want to purchase them. Private firms can not disseminate that knowledge and still make a profit. The GSDR has a crucial role to play in educating farmers and in undertaking agricultural research.

**Livestock** - The livestock industry is the backbone of the Somali economy, providing a livelihood for 60 percent of the population. In addition, at least another 15 percent of the population, those engaged in rainfed farming and those urban dwellers who invest in livestock, earn part of their income from livestock activities. For the nomads the most important livestock species is the camel which provides enough milk to constitute the major portion of their diet (70-95 percent).

Livestock exports account for over 80 percent of total export receipts and over 90 percent of livestock exports go to one market, Saudi Arabia. As a share of total exports for the country, the livestock share grew from 65 percent in 1975 to 90 percent in 1982. The increased share for livestock was due to a favorable increase in prices for livestock and to a decrease in exports of other commodities rather than to an increase in the quantity of livestock exports. In Annex III, Table 12 shows that livestock exports stagnated since the early seventies.

The pastoral system as practiced in Somalia is a rational response to the semi-arid conditions. Nomads must move their herds in response to the availability of water and feed. In order to maximize productivity and spread the risk, nomads diversify their livestock herds. Camels and goats are mainly browsers, each at a different level, while sheep and cattle graze on different types of grasses.

One controversial area is whether the rangelands are overcrowded and pose a threat to the survival of the range itself. The World Bank reports that the rangelands are overpopulated by as much as 200 percent. Based on the work carried out by the Central Rangelands Development Project, the Mission supports the view that the rangelands are not overpopulated and that production might be increased by as much as 20 percent with better management.

Even if the rangelands are not overcrowded now, there is cause for concern about the future in that areas suitable for pasturage during the dry season are coming under increased use for farming. If rainfed farming continues to expand, then the best areas for pasturage will be taken away.

Resource Tenure - Access to natural resources (arable land, water and pasture) is governed by both traditional and modern institutions. The relative importance of these institutions varies by location, however, and information concerning them is difficult to obtain. Within the modern system, for example, the land registration process lacks integrity and records are unreliable. Moreover, there has been no cadastral survey. Researching the traditional tenure system is hard because its foundation, the clan system, is illegal for Somalis to discuss.

Successive governments, colonial and independent, have attempted to substitute their central authority for the traditional decentralized authority of the clan system. The present legal basis of land tenure in Somalia today is law no. 73 of October 1975. The law declares that all land is owned by the state and that the Ministry of Agriculture has the responsibility for the administration of the land. In this capacity the Ministry of Agriculture has the authority to issue leases to cooperatives, state farms, private agencies, local governments, and private farmers. Land owned previously, excepting cooperatives, must be re-registered. The law favors cooperatives, state farms, parastatals and corporate agricultural enterprises over private individuals in terms of the size of holdings permitted, the length of lease granted, and access to machinery and credit.

Perhaps the most striking feature of the Land Tenure Law is that it gives no recognition whatsoever to customary rules and procedures of the indigenous institutions which to a large extent still govern access to land, water, and pasture. Pastoralists in particular are given no tenural rights. To make matters still more confusing, there is a fundamental contradiction between the government's desire to eliminate the clan system, while at the same time relying on the clan system as the effective local level governing institution which enforces all government policy including land registration.

In general, it appears that in the pastoral and agro-pastoral areas of Somalia, the traditional tenure system tends to prevail, while in the riverine areas it is the modern system. However, one can find combinations and modifications of both throughout the country.

Household Income Strategies - Unlike pastoral societies in other parts of Africa, the Somali pastoralists are highly responsive to market conditions. They produce not only for their own subsistence needs but for a cash market as well.

In the Social and Institutional Profile, the Boston University team hypothesized that extended families in Somalia attempt to follow a diversified income-generating and risk-pooling strategy. A part of the

process begins when herds are divided into smaller "management units" under the control of individual or small groups of family members. The "management units" disperse during the rainy seasons and return to permanent dry season watering holes when the rains end.

The extended family further seeks to spread its risks by having some family members participate in crop production, trade, or wage employment (even in foreign countries). By diversifying its economic activities the family has helped to ensure its survival even if a calamity should strike one or two sectors of the economy. According to the Boston University team, all income-generating activities are the product of choice and not tradition. The degree of emphasis on any one income-generating activity depends on the relative rates of return from the different activities. Somali family members are quick to respond to changes in opportunities. They act, according to the Boston University team, like an integrated firm. "In fact, Somali family economic units can best be interpreted as multinational multi-plant firms in microcosm."

In short, the real Somali economy is quite different from the casual observer's first impression. Nomads, sedentary farmers and urban dwellers do not exist in isolation from each other or from national and international market forces. In fact there are strong links between rural and urban areas in terms of the movement of goods, services, income, capital goods and individuals themselves. Further, this interdependent domestic economy is strongly linked to the Middle East both as a market for livestock exports and as a source of employment for migrant workers. So strong are these linkages and interdependencies that they have continued to exist and function in the face of government policies that in the past have tended to work to their detriment. At times when the official government-dominated economy was near bankruptcy and performing very poorly, the parallel, interdependent private economy continued to function, prosper and deliver a level of economic well being well above that indicated by the official statistics.

Issues - The agricultural sector was severely handicapped during the 1970s when government controls were placed on prices of agricultural products. The price policy was intended to hold down the cost of food

for urban dwellers. However, the result was that crop production stagnated. On the average for the five year period 1979-1983, cereal imports were equal to 45 percent of the total amount of cereals available.

Besides government controls on prices, agriculture also was, and continues to be, handicapped by an overvalued foreign exchange rate. The consequence is a shortage of spare parts, raw materials and capital equipment. Any potential for increasing productivity through the use of more and better inputs is made impossible.

Even if all of the above problems are eliminated there remains the serious question of whether Somalia has a comparative advantage in rainfed agriculture. Low rainfall distributed between two rainy seasons makes it difficult to envisage much possibility for increasing productivity. In addition, lower output or the complete failure of crops due to drought in four out of ten growing seasons coupled with low productivity severely limit the returns to farmers from investing in their own farms.

Encouraging the expansion and development of rainfed agriculture also involves a trade-off with livestock output. As high rainfall areas are used more and more for crop production less land is available for grazing. Livestock production will fall.

#### OTHER SECTORS AND OPPORTUNITIES

**Fisheries** - Even though Somalia has a 3,000 mile shoreline and 80,000 hectares of surface water in the Juba and Shebelle Rivers and in the lower Juba-Shebelle Flood Plain, fishing is relatively unimportant for the economy. Approximately three percent of the population earns its livelihood from fishing, and contributes about two percent of GDP. In terms of diet, average per capita consumption of fish is 0.5 kg. However, considering the growth of the fish market in Mogadishu, one can expect increased consumption as urbanization continues.

**Marine** - Based on data gathered by fishery research vessels in 1975/76, estimated sustainable annual catches are approximately 179,000 tons. The

greatest apparent potential is for small fish such as sardines, herring and anchovies. Current annual catches of all species are estimated at 18,000 tons per year -- 4,000 tons from artisanal fishing and 14,000 tons from trawling.

Almost half of the fish caught by artisanal fishermen is sun-dried and salted, mainly for barter export. The trade is carried out by small vessels calling at fishing villages along the northern coast. Most trawling is carried out by joint-venture operations using foreign vessels. Almost none of the fish are landed in Somalia but are transhipped instead for processing and marketing to the country of the joint-venture partner.

According to the World Bank, obstacles in the way of developing the marine fishing industry in Somalia are lack of natural harbors with safe anchorage for ocean-going vessels and smaller fishing craft, a continental shelf which is too narrow and rough to be suitable for large-scale trawling, hazardous navigation conditions for small boats during the monsoon periods, the seasonal variations in distribution and abundance of fish, and the lack of suitable institutional infrastructure. AID fisheries project in the north during the middle 1960s did provide the necessary infrastructure but the project was nevertheless unsuccessful. The World Bank, through IDA financing, currently is providing \$13.5 million dollars to attempt a new development of the industry in the north. Unfortunately, the project supports a parastatal, and if it operates like other parastatals in Somalia, the Mission does not hold much hope for its success.

Inland - River - Although indepth surveys on the availability of fish in the river system has not been conducted, the Ministry of Fisheries estimates that there is a combined annual sustainable yield of 20,000 tons of important commercial species. This estimate has been substantiated by a recent catch-fishery program conducted by World Concern on the Juba River and by a private entrepreneur on the Shebelle. Constraints to the development of the inland river fisheries subsector are similar to those for the development of the marine sector.

Inland - Pond - Somalia's potential for developing the culture of pond fish is limited at the present. However, the expansion of irrigated crops, supply canals and storage reservoirs will offer facilities for the culture of pond fish such as Talapia.

Industry - It is difficult to determine the potential for industrial development in Somalia because the data base is weak. As a percentage of total GDP, manufacturing accounted for only 7.3 percent in 1983-84. During the 1970s, four-fifths of value-added in manufacturing was accounted for by public enterprises, which were generally characterized by low capacity utilization and poor management. With GSDR encouragement of private sector participation in industry, industrial growth could increase substantially, as suggested by the private sector's contribution to manufacturing value-added growing at an 8 percent annual rate during the 1970s.

Somalia's industrial potential lies in areas where it holds a comparative advantage, either through resource endowments or proximity to markets. For at least the next decade, Somalia's most important resource will continue to be livestock. The development of industries related to livestock products offers considerable promise. Possibilities include frozen and specialty cuts of meat, hides and skins, and leather products for the Middle Eastern market. Generally, efforts to develop and export these products have been neglected to date.

Processing of other agricultural products, including fish, will have potential as long as proper incentives are offered to producers.

Mineral development could also add to Somalia's industrial growth. Deposits of numerous minerals, natural gas and oil have been identified, but whether they are commercially exploitable is uncertain. Further exploration is required, and recent GSDR initiatives permitting foreign investors to do this are encouraging.

Generally, industrial development in Somalia is constrained by a number of factors. Low prices offered for inputs, inefficient and often

arbitrary taxation, and an inappropriate exchange rate policy led to insufficient supplies of local inputs and an over-reliance on imported inputs. Such activities drive up production costs and reduce export incentives. Inadequate skills and management capabilities result in products of low quality which can not compete internationally. In addition, a lack of operational data and marketing research limit abilities to seize new opportunities. Poor roads, communications facilities, ports and related export structures add up to a physical infrastructure which further constrains industrial development.

Potential Markets - Based on Somalia's historical, cultural and religious ties, the Saudi Arabian peninsula and Egypt offer a rich market for Somalia's products. Given Somalia's current stage of development, initial opportunities for expanding exports to those markets must lie with agricultural products.

This section will examine the market for agricultural products in five countries -- Egypt, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). It is not implied that only those five countries offer potential export markets for Somalia. Rather, those five countries represent obvious choices for initial efforts in developing new exports. Basic data on the five countries are shown in Annex III, Table 13. Egypt dominates in terms of population but other countries attain equivalent importance in terms of their per capita incomes. Total agricultural imports for the five countries were \$11.5 billion in 1981. Somalia's total exports in 1981 were only \$114 million or about one percent of the five countries' imports. Clearly Somalia has not taken advantage of the available market.

Total meat imports for the five countries were almost \$1.2 billion in 1981. Somalia's exports of livestock for the same year were \$98 million or about eight percent of the total. However, ninety percent of Somalia's livestock exports went to only one of those five countries, Saudi Arabia. The Saudi ban on cattle imports from Somalia would not have had such a negative impact on the Somali economy if Somalia had sought to diversify exports to all of the five countries.

In terms of new export commodities, Somalia has the ability to export fruits and vegetables to the five countries. Data on fruit and vegetable imports for four of the five countries are given in Annex III, Table 14. The total value of fruit and vegetable imports is over \$800 million in 1982 for the four countries. In the same year, Somalia exported only \$18 million worth of bananas. If Somalia could capture 5 percent of the fruit and vegetable market of the four countries, it would mean a 40 percent increase in total export revenue for the country.

All five countries also offer a rich market for other products as well. From Annex III, Table 13 it can be determined that total imports of all commodities for the five countries were \$62 billion in 1981, or over five times the value of agricultural imports. Opportunities for increasing export revenue are certainly available for Somalia. It is up to the GSDF to eliminate the constraints which hinder entrepreneurs from responding to the opportunities. A major constraint is the overvalued exchange rate and the attendant shortage of foreign exchange which prevents entrepreneurs from importing needed spare parts, raw materials and capital equipment. The overvalued exchange rate also reduces the competitive position of potential exporters making many products non-competitive in world markets. The Mission and other donors can facilitate developing export industries once the major constraint is eliminated.

Migrant Workers and Remittances - The topic of Somali workers emigrating to the Gulf States for employment is a complex issue. Some of the major positive features include: 1) jobs are found by workers who might otherwise be unemployed or underemployed in Somalia; 2) workers learn new job skills or improve on old ones which could be useful in Somalia when and if they return; and 3) workers remit part of their savings to Somalia. Some of the major negative features include: 1) Somalia loses skilled workers who are needed at home; 2) Somali workers are admitted on a temporary basis in the country of employment and could be expelled in mass, creating potential hardships for Somalia when they return; and 3) Somalia as a nation has made an investment in these workers through providing food, shelter, education and training in their younger years and their remittances might not adequately compensate Somalia for that investment.

The remittances of workers enter the country primarily through unofficial channels. One channel is the franco\_valuta system, which allows the importation of goods using foreign exchange outside Somalia, started in 1976. By 1981, \$60 million or 25 percent of total imports were financed in this manner. Goods included not only consumption items but construction, transportation and capital equipment as well. In 1982 the system was suspended but was reopened (in a limited sense) in early 1984 to allow food imports. Later, transportation equipment and spare parts for agriculture and industry were permitted as well.

With an overvalued exchange rate, franco\_valuta is one way of encouraging workers to remit savings back home. The remittance takes the form of goods rather than hard currencies. In that way workers receive the equivalent of parallel market rates since that is what the goods are selling for in the market. Unfortunately, the system provides no incentive for exports other than livestock. Non-livestock exporters must continue to deal through the official foreign exchange system.

#### OTHER CONSTRAINTS

Demographics - The best available estimates place Somalia's 1984 population at slightly over 5 million, including refugees in camps. Approximately 32 percent of this population is urban, 34 percent rural (including camp refugees) and 34 percent nomadic. Overall the population is thought to be growing at 2.6 - 3.1 percent per annum.

Several features of this basic demographic situation are noteworthy in relation to Somalia's development strategy and future prospects. First, while not high in comparison with other LDC's, a 2.6 percent population growth rate will double Somalia's population every 27 years.

Second, this growth rate may accelerate quite rapidly as access to health services improves over time. A family planning program capable of containing such a surge is far from being in place, and less than one percent of married women between the ages of 15-49 are currently using some kind of family planning method.

Third, given the country's stage of development, Somalia already is highly urbanized and urban areas continue to grow rapidly. Mogadishu is thought to be growing by 6-10 percent annually, and a conservative estimate is that the capital's population will increase from about 450 thousand in 1975 (GSDFR census) to 1.2 million in 1990 (FADCO, 1983). Other urban areas also appear to be growing by at least 6 percent annually. Somalia's cities and towns are ill-equipped in terms of planning and financial resources to cope with such growth. Mogadishu's City Planning Office was established in late 1982 and the city still lacks a master plan. The capital receives no financial assistance from the central government, and its income base is eroded by a pricing policy which charges only 3 So.Sh. per square meter of land while private market land prices range from So.Sh. 33-125 in new areas without services, to So.Sh. 250-400 in developing villages, to So.Sh. 600-1000 in the city center. As a result, urban sprawl is occurring with inefficient land use, no provision of infrastructure or services to new neighborhoods, widespread land speculation and disputes over land ownership, and insufficient revenue to improve municipal services in the future (FADCO, 1984). Outside Mogadishu, the state of city planning is even worse -- local governments make ad hoc attempts to deal with urban growth without any operative maps, plans, or demographic data.

Lastly, Somalia's population appears to be surprisingly mobile, moving into and out of urban areas, between nomadism and settled agriculture



better wage rates. Such migration plays a critical (though not adequately understood) role in the accumulation of capital.

limited in number and quality. There is no master plan for Mogadishu's development, for example. This poses the threat that whatever resources are made available for family planning or urban development will be inappropriately invested. .

Public Sector Encroachment - In the years following its ascent to power in 1969, the Socialist Party actively sought to expand the government's role in the Somali economy. Article 41 of the Constitution states that the Public Sector "which shall constitute the vanguard in the economic development of the country, shall be given special priority." Several private firms were nationalized and made government monopolies. The GSDR also established new firms and gave them monopoly rights in manufacturing and services. Examples include the following: National Petroleum Agency, Asprima (Medicine Agency), Tobacco Monopoly Agency, Tourism Agency, State Insurance Company of Somalia, Clearing and Forwarding Agency, Somali Film Agency, National Agency for Electric Energy, Commercial Bank, Hides and Skins Agency, Myrrh and Frankinsence Agency, Somali Shipping Agency, and State Printing Agency. In total, there are over 30 government-operated enterprises with monopoly powers in Somalia.

The government intervention had its origin in a basic mistrust of and lack of confidence in the private sector and the free market. Basically the GSDR assumed that the private sector was incapable of providing the goods and services necessary for economic development or could only do so less efficiently than State-controlled institutions. Superimposed upon this view was a feeling that the private sector exploited both consumers and producers through collusion and monopoly powers.

This view failed to coincide with reality both in terms of the viability, resourcefulness and competitiveness of the Somali private sector. By 1978, the official economy was in the midst of a severe crisis with large balance of payments and budgetary deficits, high rates of inflation and declining food production. In contrast the parallel private economy, though constrained, was surprisingly vibrant with well-stocked shelves in the retail sector and a boom underway in residential and commercial construction, primarily as a result of the franco valuta system.

Though it has made considerable progress in returning some control of the economy to the private sector, the process has not been without its difficulties. Having used socialist rhetoric and institutions as a means of mobilizing popular political support, the GSDR finds these difficult to abandon. Parastatals, although losing money, continue to receive financial support from the government. Most importantly, controls, particularly those related to the allocation of foreign exchange and licensing, remain an important source of power with which to reward or punish, as is appropriate.

The private sector faces considerable obstacles to its growth. Licensing procedures for starting a new enterprise are long and costly. Long-term credit facilities for the private sector are next to non-existent largely because the public sector siphons off the resources of the banks. Foreign exchange is almost impossible to obtain through the Central Bank making it impossible to buy spare parts, raw materials or capital equipment. Private industry incurs significant expenses due to frequent interventions by the State, Party and social organizations. These range from mobilizing factory workers for mass rallies to supplying materials and workforce for self-help schemes. Restrictive employment regulations continue in force and there is also a lack of infrastructure and efficient services to assist private firms.

In addition, the central government fails to provide an adequately functioning civil service. The major restraint is inadequate salaries for civil servants. The Civil Service Study lists many consequences of inadequate compensation, including: excessive tardiness and absenteeism; discouraged and frustrated employees with low morale who do not feel obligated to provide their services; a breakdown in discipline and an attendant rise in corruption; and an inability of the government to retain qualified workers.

In summary, although it has made progress, the GSDR continues to send a mixed set of signals to the indigenous private sector, both within Somalia and overseas, as to what role the private sector will be allowed to play in Somalia's future. While there is reason to hope for continued improvement, uncertainty as to what actions might or might not be taken

will continue to act as a constraint on private sector confidence in the Somali economy.

Food Production and Incentives - As Annex III, Table 9 indicated, Somalia performed very poorly as a food producer in the 1970s. Given the country's population growth rate of 2.6 percent per annum, per-capita crop production fell over the period. The poor performance in terms of food production was offset by an increase in food grain imports. By 1980, total grain imports amounted to 47 percent of total grain supply and, more significantly, 69 percent of marketed grain supply. This estimate excludes grain supplied for refugee and includes grain consumed at home.

While adverse climatic conditions unquestionably played a role in this poor performance, the major factor was government policy. In 1971 the Agricultural Development Corporation (ADC) was granted monopoly rights as a purchaser and seller of maize and sorghum throughout Somalia and private trade therein was made punishable by fines and imprisonment. Farmers were allowed to retain up to 100 kilos of maize or sorghum per family member each season with the remainder to be sold to the ADC at prices to be determined by the government.

As might be expected, the prices paid by ADC were not favorable in terms of production costs or world market prices. As a result, compulsion was all too often required to secure deliveries and farmers resorted to hiding their output and/or moved into alternative crops outside the purview of the ADC.

In the summer of 1982, faced with both large food import bills and pressure from the donor community to provide meaningful incentives to farmers, the GSDFR began to modify its policies. Legislation was promulgated that made it clear that farmers were no longer to be forced to sell to the ADC and hence were free to store as much as they wished. In an informal and ad-hoc manner, the word was also put out that private trade was to be allowed so long as the quantities involved were relatively small. The law providing ADC's monopoly powers remained on the books, however, and private trade in maize and sorghum remained illegal.

All this, of course, resulted in considerable confusion and uncertainty in the grain production and marketing chain. ADC's purchases of maize and sorghum fell relative to production and private traders began to market these crops, albeit as inconspicuously as possible. Depending upon the whims and discretion of various officials, forced sales continued to take place from time to time as did the harassment of private traders. In January 1984 the situation was clarified by the issuance of a new Presidential Order. In brief, this order provides that farmers are free to sell at free market prices and that no restrictions are to be placed on the movement of grains within the country. However, farmers will be required to sell five percent of their output to the ADC, at prices in line with world market prices plus local taxes, to provide for a national food reserve.

While this falls short of totally abolishing the ADC, it represents a considerable improvement in the overall system of producer incentives. With this new Presidential Order in place, governmental marketing and pricing policies should no longer constitute an impediment to increased production.

The level of grain imports into Somalia remain a source of concern. Given that they account for a large share of marketed grain supply, they unquestionably exert a downward pressure upon domestic producer prices. Over the long run, concessional imports should be replaced with commercial imports and the level of concessional imports should be scaled down as domestic production expands. Concessional food also should be sold at market prices so that windfalls for select groups are avoided. The Mission is supporting such development by requesting the GSDR to auction a portion of the PL-480 commodities. The appropriate level and composition of Somalia's food imports is a difficult one with many social, political and economic implications and there is almost certainly no one food import bundle that will meet all objectives at every point in time. Clearly, however, this issue needs more thought and study on the part of both the GSDR and the donor community if disincentives and excessive dependency are to be avoided.

Refugees - Since February 1982 the Government of Somalia has been using 700,000 refugees as the official planning figure for relief assistance. Unofficially, however, donor community planners use figures which range from 350,000 to 500,000. The planning figure used by donors and the GSDR to program food for refugees is 120,000 metric tons, or about enough food to feed 550,000 at the present individual daily ration allotment per refugee. Although the controversy over the actual numbers continues, few observers dispute the difficult burden the refugee population places on the government's administrative structure and on the country's limited agricultural land and forest resources. Nor is there much doubt that Somalia's 35 refugee camps add to the country's social and political problems. Moreover, while GSDR financial contributions for refugee support are limited, the refugees would place an enormous strain on the economy if it were not for international support.

The permanent solution to the refugee problem, of course, would be for Somalia and Ethiopia to terminate hostilities and for all the refugees to return to their homelands. This would free many resources now devoted by Somalia to its military effort. Though there have been reports from the other side of the border that refugees are going back, the numbers are unclear and the facts are disputed by the GSDR and UNHCR in Somalia. Moreover, the recent arrival of as many as 20,000 new refugees in Somalia, predominantly in the Northwest, and reports of political turmoil and armed conflicts in the area bordering Somalia suggest that the flow of asylum seekers from Ethiopia has not stopped altogether.

Until recently, settlement of refugees within Somalia was not considered as an alternative by the GSDR. This no doubt resulted from a reluctance to accept the long-term responsibility for refugees in the face of the country's resource constraints and from a feeling on the part of the GSDR that permanent settlement in Somalia would weaken Somali claims on disputed territories in Ethiopia. On the donor side, however, fears that institutionalizing large camp populations as a perpetually nonproductive dependent group prompted efforts to induce the government to accept self-reliance efforts and subsequently reexamine the settlement question.

The early efforts in self-reliance in 1982-83, while falling short of permanent settlement, were directed towards finding ways to provide productive employment and reducing the dependency of refugees on the government and international donors. In the self-reliance process much was learned about beneficiary populations, the areas in which they are located, and the methods for providing them with assistance that is now the bases for settlement planning.

In March of 1983, the government reconsidered its position on settlement and announced a policy that would allow refugees who wished to do so, to settle permanently in Somalia provided the international community gave support until the settlers were self-sufficient. Very likely this decision on the part of Somalia came about as a result of seeing the economic, financial and political advantages of settlement over the continuation of the problematic, static camp situations.

In November 1983, the UNHCR and Somali government created the Refugee Settlement Steering Committee and Technical Unit in order to bring together both development and relief organizations and set the policy and technical guidelines under which settlement projects will be carried out. This arrangement would allow both bilateral and multilateral approaches to be designed and implemented by PVDs and GSDR ministries, and it establishes a final governmental authority to deal with issues and coordinate activities.

Cultural Factors - The Somali people are ethnically the most homogeneous in Africa, with six major clan families deriving language and culture from similar Cushitic origins and adhering predominantly to Sunni Islamic beliefs. The high degree of cultural unity in Somalia is due largely to the maintenance of clan and sub-clan links and family ties between individuals over great distances. These links dominate Somali life. The Somali clan system assigns each individual a place in society and an extended network of relatives to call upon for support in time of need. Physical and social security are guaranteed through formal contracts of alliance among men who calculate their loyalties to one another in terms of kinship.

Traditionally, access to pasture and arable land was controlled largely by clan affiliation. The nature and effectiveness of the control exercised by Somali clan groups has been weakened in recent years by the expansion of the central government authority and the introduction of technological changes. At the same time the obligations that close kins bear to one another remain powerful influences in their lives. Many authorities even argue that central government contact with the regions is still so weak that any development interventions must start at the local level if they are to be implemented at all as planned. This means that aid donors, in designing and implementing their projects, must work closely with local groups and build upon local institutions (e.g., water user associations).

Despite the GSDR's expansion of authority in the countryside, and despite its appeals for pan-Somali unity and suppression of clan authority, clan politics still govern the nation's politics. This is perhaps more true within the government bureaucracy than in rural areas. Decisions about ministry and project staffing and about where investments are placed cannot be made without concern for clan interests, and this can have serious consequences for project design and implementation. It also contributes to discontent of excluded clan groups concerning government policies, lack of confidence in the government in general, and migration of frustrated educated people to areas of greater opportunity, such as the Gulf States.

While not exactly a cultural factor, strains in relations between Northern and Southern Somalia are an important element of the nation's political make-up. Northerners' concerns that the central government is excluding them from the decision-making process are analogous to those of disenfranchised clan groups. Their concerns are heightened by the perception that they are getting little in return for their disproportionately high contribution to foreign exchange earnings through livestock exports. As a result, Northerners have an added incentive to subvert the official system through parallel market activities.

Somali society generally accords low status to women and the work that they do. From a young age, girls are burdened with household tasks and

childcare. They undergo many physically damaging procedures (among them circumcision and infibulation) and demanding tasks (such as hauling water and firewood) which adversely affect their health. They have difficulty finding time to participate in the activities and programs which could benefit them. While women have made great strides in the last decade in literacy and academic achievements, they still fall below males, and their drop-out rates at all levels of the educational system are higher. For example, in 1980-81 only 15% of the students enrolled at the National University were women. As a result, the expansion of women's roles into non-agricultural sectors of the economy has been limited. Women have, however, strong advocates in such organizations as the Somali Women's Democratic Organization, and strong political support from the Somali government for increasing their participation in all aspects of the economy.

Health - As in other sectors, there is a paucity of reliable statistical data on health in Somalia. Indicators of the health status of the total population are generally based on relatively small, regional surveys. This lack of health statistics is indicative of the status of the health care infrastructure in Somalia. The infant mortality rate of 170 per thousand is very high, even for a low-income country. The child (age 1-4) mortality rate is estimated at 30 per 1000 children. The principal killers are diarrheal diseases, neonatal tetanus, respiratory infections and other common communicable (and preventable) diseases. Maternal mortality is also excessively high. Life expectancy at birth is only 43 years.

Malnutrition is common with seasonal variations in severity. During the dry season, camel milk production is down, meaning reduced caloric intake. The reduced milk supply not only reduces personal consumption but means that less income is available to buy grain. The per capita caloric intake estimated by FAO at 2,131 is over 500 calories less than the world average. One survey has demonstrated differences in caloric consumption by sex, age and occupation (pastoralists versus agriculturalists). Female pastoralists were found to receive as little as 1,400 calories per day.

Somalia's government-sponsored health care infrastructure has been hospital-based and mostly in the urban areas. The government's health care system has not been extended, until recently, beyond the District Level. According to Ministry of Health information, there are 80 hospitals in the country, of which 55 are District Hospitals. By Ministry estimates, 50 per cent of the district hospitals are staffed by nurses only. Many of the hospitals are not staffed or equipped for in-patient care, lacking basic supplies and even running water. There has been an emphasis on building hospitals which the Ministry is unable to staff or maintain.

People in the rural areas are dependent on traditional healers. Even where western medicine is available, people may select traditional treatments or a combination of both traditional and western. The National Health Plan 1980-85 includes the establishment of a primary health care (PHC) system for the delivery of modern health care to the village level.

The PHC Program represents a shift away from a curative-based approach to one based on prevention. Importantly, it focuses on the rural villages rather than on the urban areas. The strategy is to train a cadre of community health workers (CHW) and up-grade the skills of the traditional birth attendant. Both receive training and supplies by the government but their financial support comes either from the community, or they work as volunteers. The focus of the program is on women and children, the group at highest risk, although most of the CHWs are men.

While the per capita cost of providing health care is much lower in such a PHC system, it cannot be considered low cost. The village level workers require periodic supervision and a reliable supply of drugs. Thus, as the program is extended to more villages, the total cost to the GSDR will be increased as well. Without a change in policy which provides for greater self-reliance in paying for health care and/or a greater input of GSDR resources to the health sector, a program that can provide health care for all by the year 2000 as the government has proclaimed is unlikely .

Constraints to the development of the primary health care system include a lack of trained personnel, poor communication and roads, and a policy of a free health care which the government cannot afford. The Ministry has made recent statements indicating flexibility on the issue of fee for service or the sale of drugs to help finance the program. The GSDR has recently permitted physicians to open private clinics as an incentive for physicians to stay in Somalia and to attract Somali physicians to Somalia. However, the private clinics serve primarily the urban areas.

#### GOVERNMENT PLANS, PERFORMANCE AND CAPACITIES

GSDR Development Plans - The GSDR planning for development is described in Ministry of National Planning documents which have been prepared over the past several years. The most recent long term plan was prepared in 1982 - the Five Year Development Plan -- 1982-1986 (the FYP). The FYP is "operationalized" by a series of annual plans which are more specific and account for recent developments.

The objectives of the FYP are laudable and are not in basic conflict with those of this CDSS. The FYP's general objectives are: 1) to raise the population's standard of living, 2) to provide opportunities for gainful employment to the entire labor force, and 3) to create a society based on social justice and individual freedom within a socialist framework. Additional objectives include: 1) accelerate growth in production, 2) reduce urban/rural disparities in income and access to services to discourage urban migration and unemployment, 3) protect the environment, and 4) foster self-reliance and encourage popular participation in the development effort.

Although the FYP and the series of annual plans adopt a sectoral approach, their analysis of Somalia's development constraints is quite general. They do not go much further than stating that constraints to further development in most sectors are limited to: 1) a shortage of skilled labor and trained personnel, 2) a lack of financial resources, 3) an inadequate system of price incentives, 4) a weak data base, 5) inadequacies in infrastructure, 6) weak institutional structures, 7) a lack of spare parts and equipment, and 8) poor maintenance. For the

agricultural and related sectors -- livestock and fishing -- mention is also made of physical constraints. These include low rainfall, limited carrying capacity of the range, and limited area of the continental shelf. For livestock, mention is made, too, of the recent Saudi ban on cattle imports from Somalia, but this is treated as an animal health problem which is subject to the above-listed constraints. Unfortunately, the FYP's analysis of constraints offers little guidance for setting priorities among different possible investments.

Despite the FYP's lack of detail, the Mission agrees that these constraints are important. However, there are other constraints which the Mission feels are also significant but the FYP ignores or hardly considers. Most obvious is the FYP's inattention to social/cultural factors, such as the implications of clan rivalries for government, but this is a most sensitive topic and difficult to broach with the GSDR. Also, any analysis of Somalia's domestic financial constraints should consider political decision-making and defense expenditures, but this too is beyond examination in the FYP. In addition, high population growth is not considered in the FYP, though the GSDR is now considering it as an issue needing attention.

There are other areas where the FYP treads cautiously and Mission analysis is more assertive. These are fertile areas for policy dialogue. The most important example is public versus private sector mobilization for development. While the FYP does not concede that there is a problem of public sector encroachment in the Somali economy, it does acknowledge that the private sector should play an increasing role in the economy. Another important area for dialogue where Mission analysis goes further than the FYP's is exchange rate policy. While the Mission sees this as crucial for encouraging exports, for example, the FYP hardly considers this in its analysis of Somalia's current financial difficulties.

The FYP and Mission analysis agree that a most important Somali asset is its resourceful and outward-looking population. The FYP states that "Somalis are acknowledged to be talented and resourceful stockmen and collectively have shown a greater response to market opportunities than

other pastoral societies in Africa." However, FYP investment priorities, to the extent they are defined, and Mission priorities as evolved from the previous analysis, are different. For example, Mission emphasis on taking advantage of Somalia's outward-looking traditions (e.g. by promoting remittances from Somalis abroad and increasing more diversified livestock exports) is not given such primacy in the FYP. While the FYP acknowledges the necessity of increasing remittances and livestock exports, "the main objective in the plan is to develop agricultural production" with a decrease in nomadism.

Mission and GSDR perceptions of problem symptoms in the Somali economy are similar, but the causes of these problems are not really analyzed in the FYP. The Mission's analysis permits a more certain setting of priorities than is possible in the FYP, but the FYP clearly does provide scope for implementation of the Mission strategy.

Policy Reform Progress - Somalia has made significant progress in policy reform over the past few years, although progress temporarily stalled with the February 1984 breakdown in negotiations with the IMF for an Extended Fund Facility (EFF).

To deal with its macroeconomic difficulties, Somalia has been operating under IMF stabilization agreements since 1980. Beginning in 1981, the government became quite serious about adhering to the letter of the agreements. In the 1981-1982 program, Somalia devalued its currency by over 50%, using a two-tiered system as a stepping stone, met restrictions on borrowing and expenditure, revised the interest rate structure, phased out several parastatals, and increased producer prices in the agricultural sector by moving to a free market-determined system of pricing. According to the IMF, Somalia's performance under its stabilization program was among the best in Africa. Attempts to achieve further macroeconomic policy reform failed, though, with the government's refusal to approve the IMF's proposal for an EFF. The primary reason was the government's unwillingness to relinquish control over the foreign exchange regime. On December 30, 1984, the Politburo of the Somali Revolutionary Socialist Party approved the terms of the IMF Standby Agreement.

Although the GSDR lacks a cohesive policy for promoting development through the private sector, a number of its actions concerning the private sector have been promising. Besides phasing out several parastatals and moving to a free market system for agricultural commodity procurement and pricing, the GSDR has permitted a number of foreign companies to engage in energy and mineral exploration. It has also reinstated a limited franco\_valuta system whereby livestock exporters are allowed to exchange a portion of their foreign exchange earnings for import commodities rather than Somali shillings at the official exchange rate. In addition, the government recently agreed to foreign investment in an international class hotel. Moreover, the government has displayed willingness to further discuss the role of the private sector. This is evidenced by advisors and studies being implemented by AID's Policy Initiatives and Privatization Project and studies to be carried out under the AID Livestock Marketing and Health Project. Other encouraging reforms are the GSDR's discontinuation of the policy of guaranteeing jobs to secondary school leavers in the public sector and its willingness to engage in dialogue concerning population growth and female circumcision. Also in early December 1984, the GSDR Cabinet agreed to a three-year plan for disposing of all state-owned farms to the tenants, supernumerary civil servants, and unemployed school leavers.

The Mission also finds promising the GSDR efforts to promote Somalia's development within the framework of concerted international support, as evidenced by its interaction with the Consultative Group (CG), established in 1982. Chaired by the World Bank, the CG serves as a forum for discussions on Somalia's investment allocations, needed policy reforms, and long range planning for development. At the CG meeting in Paris in October 1983, the GSDR presented the Development Strategy and Public Investment Programme 1984-1986, which represents a much more thorough analysis by the GSDR of Somalia's development problems than it had made in the past (such as in its Five Year Plan). Also encouraging was the GSDR policy agenda and the acceptance of CG recommendations that the Public Investment Programme be rephased and scaled back, including postponement of construction of the Bardhere dam pending completion of a number of studies.

Human Resources - Inadequately trained human resources are among the most important constraints to the development of both the public and private sectors in Somalia. The shortage of individuals with strong technical and managerial skills is particularly felt at the middle and upper levels of businesses and government institutions. Insufficient knowledge and skills in such areas as organizational and personnel management, statistics, financial analysis, cost accounting, and in a host of other specialized technical fields often result in bottlenecks hindering overall development efforts. Even when there is adequate funding for and serious commitment to development initiatives, human resources constraints can doom otherwise excellent efforts. For the Mission and other donors, this has meant extremely problematic project implementation.

The Education and Human Resources Sector Assessment identified barriers to developing human resources in six crucial areas: the lack of managerial training for individuals in all sectors of the economy, the lack of goal definitions and accountability within managerial units, the lack of incentive systems within which managers must operate, the lack of good quality resource data, the lack of information technology and data analysis for use by decision makers, and the lack of interministerial coordination.

Under present conditions, Somalia's education system cannot be expected to remedy these human resource deficiencies. Teachers are poorly paid and often ill-prepared for their work, the GSDR budget is severely strained by the recurrent costs of maintaining present facilities, and the Planning Department of the Ministry of Education is unable to analyze the educational data it collects. Furthermore, the current situation in the education system is strongly characterized by "credentialism"--while educational credentials are often useful for obtaining jobs, the studies pursued to earn those credentials are rarely useful for doing the job thus obtained.

The Somali Civil Service Study highlights many of the same problems and constraints on development stemming from a shortage and an ineffective use of human resources. The credentialism of the educational system is translated directly into the Civil Service through the "rank-in-man"

system in which an employee's grade is primarily determined by educational attainment rather than by actual job-relevant knowledge and skills. Promotion is not necessarily related to performance. This often results in essential personnel leaving government work (and sometimes the country) and in lower motivation of those who remain in a system in which inflation has badly eroded wages. Among the most pressing needs of the Civil Service is a larger technical capacity to introduce greater rationality into its organizational structures and personnel system. The key to successfully introducing needed changes, the Study concludes, lies in the realm of technical and management training.

The lack of technical and managerial skills is pervasive in Somalia and failure to address this constraint will doom all development efforts.

#### OTHER DONOR ACTIVITIES

For the past several years Somalia has relied heavily on foreign assistance for development programs, refugee care, and balance of payments support. Approximately 14 percent of GDP is made up of transfers from donors, which were in the \$200-\$250 million range in 1983. In 1984, foreign aid from 25 different donor groups is expected to account for at least 71 percent of Somalia's public investment for development.

Approximately 60 percent of planned donor assistance is concentrated in the areas of agriculture and livestock production, energy development, transport (roads/ports) and communications, and water resources development. Annex III, Table 15 provides a detailed breakdown of planned donor funding by sector, although, given past experience, it is unlikely that disbursements will exactly match the planning figures. Annex III, Table 16 shows assistance to Somalia by major donors.

Assistance for the agriculture sector goes primarily to irrigation and dam development, extension, and crop production, while rangeland development and veterinary services attract the bulk of donor financing in the livestock area. Under the water resources sector, urban water supply and groundwater (well) development receive the most attention.

Road construction and rehabilitation and port improvements represent 21 and 59 percent, respectively, of total assistance expected in the transport and communication sector for 1984.

The relative importance of donors in various sectors is depicted in Annex III, Table 16. The Arab Funds, primarily the Arab Development Fund, Kuwait Fund and Saudi Fund, make a significant contribution to several sectors. Other multilateral agencies -- EEC, IBRD, and UN -- also play a major role in Somalia's development program. On the bilateral side, the major donors are the U.S., Germany, Romania, and Italy.

Some donors have also been active in general balance of payments support. These include the U.S. with its CIP and PL-480 Title I program, the IMF with its Stand-by Arrangement and Saudi Arabia with its Oil Facility. Both the Germans and Italians will initiate small CIPs in 1985 and EEC monetizes some food aid to support small projects in the Ministry of Interior.

Several donors have provided substantial resources, especially food commodities, to help Somalia cope with a massive influx of refugees in recent years. Coordinated by the UNCHR, these donors include a number of European countries, several voluntary agencies, Australia, Canada, Japan and the U.S. Donor assistance for refugees (including both food and non-food aid), reached a peak of \$117 million in 1980, and is expected to be \$77 million in 1984.

In addition to providing assistance for refugees and in support of the government's budget, donors have taken a constructive role in policy dialogue, both individually and as a group. A local donor group was established in 1982 under the chairmanship of the IBRD resident representative and has met monthly to bring better coordination to donor activities. The group has set up sectoral sub-groups to focus dialogue with the government on policy planning issues and implementation strategies.

### III - STRATEGY

#### A. Goal

The goal of the Mission's foreign assistance program is short-term macroeconomic stabilization and long-term structural adjustment and development. Both elements of the Goal need to be addressed simultaneously, as they are complementary. Without a long term development program, chances for self-sustaining growth are limited and would require continued short-term stabilization inputs. Alternatively, to focus the Mission's efforts on long-term development to the exclusion of short-term stabilization is self-defeating. A stable economy -- and the resulting confidence in the system -- is a precondition for the success of long-term development efforts.

#### B. Objectives

The Mission's analysis of the Somali situation has identified several promising areas for future growth, as well as a series of constraints to development that must be overcome. These constraints are classified as short-term or long-term according to the timeframe of their effects.

##### Short-term Objective:

Provide balance of payments support,  
reduce the public deficit, and  
support (on a trial basis)  
promising areas for future growth

Somalia is well on the road to implementing a policy of shifting from "scientific socialism" to a market-oriented economy, with emphasis on the private sector. Somalia needs support during this transition period to encourage further market-oriented reforms and to buy time for enabling the benefits from newly implemented policy reforms to accrue. During the transition period, Somalia will experience shortages of foreign exchange,

government revenue, and funds for national investment. The economy's ability to provide inputs, transmit technology, and increase output will be seriously constrained. It is the Mission's objective to provide non-project assistance to ease these macroeconomic resource constraints to increased growth.

Non-project assistance also will serve to support, on a trial basis, promising activities for future growth. Resources from non-project assistance will be programmed to aid the dynamic and enterprising elements in the economy. Each of the separate programs will coordinate their resources in support of promising activities.

Long-term Objective:

Build a base for productivity  
in a diversified and outward  
oriented economy

The Mission's objective, for the long-term development program, is to build a base for increased productivity in a diversified economy. This objective was selected because there are overwhelming constraints to moving immediately to any large production activity in Somalia.

The constraints must be addressed before a major investment program for production can succeed. The Mission's objective, therefore, is to place greater emphasis on the development of a base of technically and managerially skilled personnel capable of implementing and maintaining development programs. In addition, attempts will be made to adapt technologies to suit the Somali environment. Through various technical assistance activities the Somali knowledge base and analysis capabilities will be broadened. Finally, selected development institutions will be strengthened through direct technical assistance and training.

The Mission will focus its development assistance program in four areas: agriculture, including crops and livestock; workforce development; population; and, refugee relief and settlement. The technical assistance, focused on agriculture, is designed to impact many key

economic and social variables. It will serve as an employment program since agriculture is labor-intensive; a basic human needs program since food security will be enhanced; an industrialization program since growth of agroindustries will be stimulated; and, a foreign exchange savings program since food imports will be reduced and new export crops will be developed. Efforts to develop Somali managerial skills will be targeted across all sectors with the major emphasis in agriculture, finance, and essential government services. The population sector also will receive increased emphasis to reduce the population growth. Finally, refugee assistance will be concentrated increasingly on settlement in a rural development context.

### C. Strategy Elements

#### Development Themes

The economic potential for Somalia lies with its people's capacities and motivations. Values and customs inherent in the society must be drawn upon for economic achievement. Ambition, enterprise, industriousness and resourcefulness are all qualities which must be encouraged for Somalia to prosper. These are traditional Somali qualities that have been suppressed and inhibited by fifteen years of statism. The Mission recognizes that in its limited role it only can facilitate and provide support to those individuals and groups in the society that demonstrate motivation for economic achievement. The Mission's strategy will be to encourage those dynamic elements in the economy that are already working towards development.

The common development themes running through all Mission's development programs and projects will be the promotion of policy reform, the strengthening of the private sector and the encouragement of an outward oriented economy. To foster economic and social development, the Mission will work actively to identify policy obstacles which constrain the energies of the people and to encourage their removal. Adequate incentives must be in place to motivate individuals to maximize their full productive potential. The Mission's policy dialogue will focus attention on allowing the maximum opportunity for private sector

participation and individual initiative while defining the appropriate government role. Local private enterprise and investment must be stimulated and supported with an appropriate government involvement. The Mission also will encourage and support policies leading to an open economy, one that is integrated with the international market place. The Mission maintains that exports from a diversified economy will serve as a catalyst for economic development. Remittances, the repatriation of foreign savings, and the return of skilled migrant workers can nourish these initiatives and speed economic advance.

### Policy Reform

The basic premise of the Mission's policy dialogue is that policies should expand economic options available to people and not restrict them. Most administrative controls increase the cost of doing business and require added services from an already underskilled civil service. The Mission will work towards removing restrictions and the consequent excessive costs imposed on the productive groups of the economy. Such action is needed to slow the outflow of capital and skilled workers to the Gulf States where there are greater opportunities and returns. The following is a list of some of the policy targets for reforming the incentive and administrative systems in Somalia:

- Increased Privatization: In order to increase economic efficiency and activity, the private sector should be allowed free entry into productive sectors and be allowed to compete with parastatals. The actions of Government operated agencies have impacts across many industries. Allowing competition will help improve services, and consequently the performance of the industries served. Examples of monopoly positions that should be eliminated include the Shipping Agency, the Clearing and Forwarding Agency, the State Insurance Company, the Hides and Skins Agency, and the State Printing Agency. Other areas where monopoly positions can be eliminated are in the petroleum retailing field, animal medicines distribution, importation of pharmaceuticals, banking, and state-owned farms.

- Banking System Reform: In order to promote savings and investment, the private sector should be allowed to participate in banking and other financial services. Domestic banks under local control will help to mobilize savings and encourage capital formation in the country. In addition, international banks should be encouraged to establish branches in Somalia. The Government's role should be limited to setting rules for reserves, and similar broad structural guidelines.
  
- Civil Service Reform: In order to improve civil service performance, the GSDR should implement more of the recommendations of the AID-sponsored Civil Service Study. In particular the GSDR should implement training programs in all Ministries and establish a systematic plan for increasing salaries of civil servants. Higher salaries will necessitate a reduction in the government's labor force and the establishment of resolute budget guidelines.
  
- Simplified Trade Procedures: In order to lower the costs associated with international trade, import and export procedures must be simplified. The excessive number of steps required to import a product increases its cost, which then is passed on to the consumer. Likewise, the excessive number of steps needed to export a product adds to its cost, and thereby hurts the competitive position of Somali exporters.
  
- Privatize the Chamber of Commerce: In order to give a voice to private businessmen, the GSDR should relinquish control of the Chamber of Commerce. Private businessmen often have legitimate concerns which are at odds with government bureaucrats. The businessmen need a forum for promoting their interests.

### Private Sector Development

State owned enterprises and state planning have failed to provide the economic growth needed to raise living standards. The GSDR is ready to look to the private sector for fresh ideas and initiatives. Somalia must harness the energies of individuals who, working for their own interest, contribute to the public good.

The Mission's first task is to promote indigenous enterprise. No foreign investment will be forthcoming until foreign investors see that local entrepreneurs have confidence in their own economy. When Somalis start repatriating their foreign savings and investing in enterprises with a long-term payoff, it will be a signal to the Mission to place emphasis on foreign investment.

In the meantime, the Mission's short-term resources will be directed at apparent targets of opportunity in the private sector where enterprise and hard work are being demonstrated. Initial promotion efforts will be provided by foreign exchange support through the Commodity Import Program, local currency support generated by the CIP and P.L. 480 programs, and technical assistance through the Policy Initiative and Privatization Project. These separate programs have been designed to coordinate their efforts towards a common objective. In the long run, when it is clearly evident that additional support is warranted, new projects will be started based on the experience and needs generated by the initial promotion efforts.

### Outward-looking Economy

Export Expansion and Diversification - Somalia has a small population base with limited purchasing power. Its domestic market is too small to allow many industries to benefit from economies of scale. Consequently, Somalia must take an outward-looking approach and base its trade and development strategy on export promotion rather than import substitution. Flexible exchange rates, low duties, and a government committed to promoting private trade and business will allow Somalia to compete in world markets. Expanding economic contacts with other countries will also help to promote new ideas, technology and attitudes.

The Mission will identify potential export markets by carrying out marketing studies in foreign countries for promising products. Technical assistance will help to formulate a promotional strategy and develop the distribution and packaging system. The CIP will help provide needed raw materials, spare parts and capital equipment. The generated local currency will be used to build the needed infrastructure.

Maintaining and expanding export markets and developing new products will contribute to diversifying the Somali economy. The devastating effects that occurred when Somalia's principal export commodity, livestock, was embargoed could be mitigated. Somalia need not rely on only live animal exports. Processing a higher-quality livestock domestically will open up new markets and allow Somalia to capture increased returns from the value added. Fruits and vegetables, hides and skins, and fishing also offer potential export products in the short run. Over the longer period, Somalia could attract other labor-intensive industries.

Utilization of Migrant Workers. Tens of thousands of enterprising and skilled people have left Somalia for better opportunities abroad. Their departure inhibits economic development because it reduces the stock of productive resources. The migrant workers must be encouraged to return, as their skills are needed in a growing economy. For that to happen migrant workers must see and believe that restraints on opportunities have been removed and that an adequate incentive structure is in place.

At the same time, much of the foreign savings of the Somali people must be repatriated. Such savings represent an important source for financing capital investment in Somalia. Paradoxical as it may seem, policies allowing the freedom to withdraw capital and earnings from Somalia are needed in order to encourage the repatriation of foreign savings. Private banks need to instill in the private sector the necessary confidence to channel their resources through the banking system.

### Macroeconomic Stabilization Strategy

Support of the Objectives of the IMF Program and Policy Reform - As discussed in the analysis sections related to the government budget, balance of payments, and monetary conditions, Somalia is experiencing rapid inflation and a severe balance of payments deficit. The country simply has been living beyond its resources. Government spending far exceeds revenue, thereby necessitating inflationary financing from the central bank. The inflation, coupled with a fixed exchange rate, results in balance of payments deficits. At the same time, the unproductive use of the capital borrowed from abroad in the past, now poses new problems

of servicing, which will constrain future growth. Along with the IMF, the Mission supports the following objectives for corrective action:

- Reduction of the budget deficit by constraining government expenditures and increasing tax revenue through economic growth. The tax system needs to be revised in order to minimize the disincentive and misallocation effects of the existing tax structure while at the same time generating sufficient revenue for supporting efficient government operations.
  
- With the reduction of budget deficits, a sound monetary policy can be formulated. The stock of money should grow in step with the economy. Interest rates should be raised so as to provide a positive real return to savers and, thereby, stimulate the flow of savings for investment purposes.
  
- Depreciation of the exchange rate to a market determined level with exporters allowed to retain a significant proportion of their export revenue to maintain their export capabilities. A market determined exchange rate, along with other reforms, will also help to encourage the remittance of wages and profits from abroad.

The Mission's macroeconomic stabilization program is to provide balance of payments and budgetary support in exchange for policy reform which will alleviate the causes for the deficit in each. Balance of payments support is provided through the CIP and PL 480 programs. Budgetary support is provided through the GSDR's use of the local currency generated by the CIP and PL 480 programs. Those local currencies provide almost all of the funds for the GSDR's development budget. Policy reform is supported by analytical studies conducted under the Policy Initiatives and Privatization Project.

The P.L. 480 program will provide critically needed food imports and help bridge the food gap during the period of foreign exchange restrictions. Despite recent increases of cereal production (due mainly to an increase in land cultivated rather than yields) there is a net food deficit in

Somalia. Mission's strategy is for Somalia to approach self-reliance in food. The Mission's food strategy is:

- to promote the production of local food crops focusing on essential cereals such as sorghum, maize, and rice;
- to provide, on a concessionary basis, essential food commodities which can not be locally produced;
- to alter the commodity mix of concessionary food aid to encourage local production of cereals; and,
- to shift, in the long-term, from concessionary to commercial imports.

Promote and Support the Private Sector - As discussed in the analysis section on the government budget, public sector encroachment, and government plans, performance and capacities, the financial and managerial resources of the GSDR are painfully strained. Parastatals are absorbing domestic inputs of greater value than the value of the final output. There is insufficient managerial experience or expertise to handle the myriad of tasks taken on by the GSDR. In a major step to alleviate these problems, the private sector should be given the opportunity to perform many of these functions.

The CIF is a significant tool for providing assistance to the private sector. Eighty-five percent of the available funds are earmarked for private sector use. Technical assistance is provided through the Policy Initiatives and Privatization project. Some financing also is made available through the Somali Development Bank, drawing on funds generated by the CIF and FL 480 programs. In addition, new Mission projects will include private sector participation to the maximum extent practicable.

All of our non-project assistance will be programmed to support, on a trial basis, promising activities for future growth. For example, based on demands for assistance by individual farmers and a fruit and vegetable

cooperative, the Mission will undertake marketing studies in the Gulf States to determine the products in most demand. After identifying the products with the most potential, new studies will be made to see if Somalia is capable of growing them. Mission plans to help private Somali entrepreneurs organize themselves to exploit the export potential of the economy. Equipped with knowledge of foreign demand, technical assistance from existing projects will be used to improve marketing, packaging, and transportation channels. Resource support will be provided through the local currency generated by the CIP and PL 480 programs. If additional support is deemed desirable, new projects will be started. Other promising new areas for the Mission will receive similar treatment, always starting with a marketing study to determine needs.

#### Long-term Development Strategy

Development Constraints - The Mission's objectives in the development sectors are to build a base for increased productivity, to diversify and to orient the economy towards exports. The major constraints to undertaking production projects, identified in the analysis section, must be overcome before moving to large scale production projects. Therefore, attention will be focused on overcoming the basic constraints and laying a solid base for future development programs. The following are major constraints to all sectors.

- lack of technical and managerial skills;
- inadequate proved technology for production;
- insufficient information about the resource base;
- inadequate physical infrastructure and maintenance capability; and,
- weak and ineffective development institutions.

Based on the Mission's analysis of the Somali situation, the strategy is to address the first four constraints through specific project interventions. The interventions are designed to lessen the constraints

by building an appropriately-skilled workforce, developing and testing technologies, systematically collecting and analyzing resource base data, and improving, expanding, and maintaining the physical infrastructure for development.

The Mission's analysis and experience to date indicate that the lack of technical and managerial skills has severely restricted development as well as economic stabilization. Therefore, the highest priority is to develop a significant cadre of well-trained, capable individuals to serve as the force behind economic development.

The absence of appropriate proved technologies is a severe constraint in all sectors of the economy. Priority will be given to re-establishing the agricultural research programs abandoned in the 1970s, and to adapting and demonstrating improved technologies to the public and private sectors (such as livestock production and marketing, small scale manufacturing and processing, and domestic and export marketing).

The lack of accurate data for any aspect of the resource base, from soils and water to national income accounts, makes it virtually impossible to establish reasonable projections of the potential profitability of an investment. Data must be systematically collected and analyzed to serve as the base for planning in the public and private sectors. Data collection and analysis will be promoted within all development activities. Only when appropriate data are available will planners and managers be able to judge the relative merits of investment possibilities to achieve increased production.

The inadequate physical infrastructure constraint will be addressed by programs using local currency generated by the CIP and P.L. 480, and by dollar-funded programs to build and maintain infrastructure in support of the agricultural sector. The projects/programs should include, inter alia, water development, irrigation expansion and repair, farm to market roads, research laboratory facilities, and livestock health and export facilities.

The institutional weakness constraint will not be addressed by initiating

a series of programs to create or upgrade institutions on a broad scale. Rather, resources will be targeted to upgrading those institutions which could play a critical role in overcoming the other principal constraints.

### High Priority Sectors

Agriculture and Livestock Sector - For the foreseeable future the country will remain predominately agrarian. Therefore, the agriculture sector, comprising crop and livestock, is the nucleus of our longer term development strategy. The sector contributes the majority of employment in Somalia, as well as the largest share of GNP and nearly all exports. The Mission's proposed sectoral strategy for the next five years is to create a national capability to sustain the process of modernization and to extend it to the sector as a whole.

The livestock subsector is the core of the Somali economy. The climate and flora are particularly well-suited for livestock. The traditional production system has been relatively effective in supporting a sizeable human and animal population on very marginal lands. However, there is much scope for improvement within the sector, and Somalia must first overcome the same constraints that are pervasive throughout the economy. The Mission's short-term strategy for the livestock subsector is to support the macroeconomic stabilization program by placing emphasis on the marketing of livestock for export as well as on developing livestock research capabilities to address major concerns.

The Mission's long-term strategy is to:

- Develop a trained and renewable cadre of competent managers and technicians in the private sector, and in selected government agencies, who will address the constraints to modernization and provide adequate support to the livestock industry; and,

- Develop a permanent capability to analyze the structure and operation of the subsector, elaborate policy, and monitor and evaluate the implementation and consequences of established policies.

In the crop subsector, selected assistance will be given to both rainfed and irrigated agriculture. Rainfed agriculture occupies almost 80 percent of the cultivated area and provides the means of livelihood for most producers. Mission's support of the rainfed subsector is aimed at import substitution and at building equity for the smallholders. A modest increase in yield, if generalized, could translate into a substantial gain in total production. Irrigated agriculture accounts for about 20 percent of the total land under cultivation and offers the potential for reliable production in good years or during drought. Irrigated agriculture is the source of nearly all commercialized production and all export crops. The GSDR has taken major steps towards increasing incentives by abolishing the state-owned monopoly on grain marketing and inter-regional transport. In addition, the GSDR has announced a three year plan to privatize the state-owned farms. The Mission will support and assist these initiatives.

Based on the Mission's analysis, both segments of crop production (rainfed and irrigated agriculture) need to be strengthened. Initially, emphasis will shift to irrigated agriculture until the research program develops appropriate extension packages for the rainfed subsector. In the long-term, the strategy is to:

- establish a permanent applied research and extension program to develop, adapt, and disseminate improved technologies for dryland and irrigated agriculture that are economically viable;
- restructure the subsector to increase private sector participation and reduce State involvement in production, marketing, and export of agricultural produce;
- develop a cadre of well trained managerial and skilled workforce in the agricultural sector;
- expand and rehabilitate infrastructure relevant to the subsector development;
- evaluate soil and water resources in cultivable and potentially arable areas, thus defining the areas best suited for irrigated and dryland development; and,

Human Resources Development Sector - As discussed in the analysis section, the lack of technical and managerial skills is pervasive and failure to address this constraint will doom all development efforts. A considerable number of trained Somalis work in the Gulf states. This is largely due to the additional economic opportunities offered to them for their labor. As the economic situation in Somalia improves, it is anticipated that some of the managerial and skilled workforce will return from abroad.

As discussed under the Agriculture and Livestock Sector above, efforts will be focused on strengthening the research capabilities of the ministries of agriculture and livestock. Past experience has shown that a major weakness of previous attempts to strengthen the government's research development program has been the lack of institutional capability to train agromanagement and/or research staff within country. The new program will be focused to strengthen the faculties of agriculture and veterinary medicine at the Somali National University and to initiate the development of a national agricultural research center on the university campus at Afgoi, which will draw the involved faculties and students into the research program.

Also in the public sector, support will be given to the government's on civil service reform initiative by providing appropriate skills in key ministries and training Somali technical and managerial staff to assure a constant flow of properly qualified individuals for key positions. Some of the local currency generated from the CIP and P.L. 480 programs will be used to help the GSDR phase in budgeting for salary increases, once redundant employees are terminated. Similar training will be provided to the private sector on a shared-cost basis.

Population - The Mission's involvement in the population sector is a target of opportunity. Great progress has been made in the GSDR attitudes toward population programs; the government now gives tacit support to family planning. The population program could have a significant impact over the next four years and will be essential over

the longer term. The strategy in the sector is:

- to continue the program of sensitizing opinion leaders and government officials to population growth issues;
- to make contraceptive commodities available to the public and private sector;
- to encourage a self-sufficient delivery program based on the retail sales of contraceptive commodities; and,
- to help other donors provide the demographic data base on which sound population policies can be founded.

Refugee Relief and Settlement:

The refugee problem in Somalia has considerable political implications and overtones for all parties involved. From the developmental viewpoint, a substantial amount of human and material resources are now channeled to maintain the current care and feeding program with only a limited effort towards self-reliance.

In March 1983, the Somali Government established a policy permitting all refugees who did not wish to be repatriated to settle permanently in Somalia. The framework to implement this policy change has been developed in coordination with the Government and other donors.

The Mission's strategy in support of refugee settlement is:

- to utilize approaches which emphasize productivity as the basis for settlement rather than social services;
- to integrate settlers into the social and economic fabric of the communities in which they are settled;
- to include the local population as an integral part and equal beneficiaries of a rural development approach to settlement;

- to utilize line ministries and Private Voluntary Organizations (PVOs) as implementing agents for activities in settlement;
- to follow a methodology which addresses the critical constraints, knowledge base, technology availability, skilled personnel, and infrastructure in an accelerated program; and,
- to retain a measure of U.S. management control of projects by funding them through bilateral attribution.

The Excluded Sectors - The Mission's strategy for the period of this CDSS is to concentrate its long-term development resources into three high priority development sectors, Agriculture, Human Resources, and Population. The following major sectors are not related to the key elements of Mission's strategy and, therefore, are excluded from the scope of the CDSS: Health, Forestry, Energy, Transport and Fisheries. While this means that separate projects will not be designed and funded in the excluded sectors, it does not preclude elements of larger activities addressing constraints in these sectors, nor does it foreclose sound grants to PVOs to implement programs that will advance development of the indigenous private sector, train management personnel, or directly support agricultural production or population activities. Current activities in the health, forestry and transport sectors will be completed and will not have follow-on projects.

Health - The on-going health project introduced the primary health care program into Somalia. Two training centers will have trained a cadre of 375 primary health care workers when the project completes operations in 1985. USAID's involvement in four health regions has been emulated by UNICEF, Italy, Finland, Australia, and several PVOs in the other Somali regions. The Italian Government also provides assistance in hospital care. The Mission's withdrawal from the health sector, however, will not exclude continued participation (through the Government's Development Budget) to fund other donor programs' local currency costs using CIP and F.L. 480-generated local currency.

Forestry - To date, the Mission's involvement in the forestry sector has been through the refugee self-reliance effort under the CDA aegis. The current forestry program is being implemented by several U.S. PVOs under separate cooperative agreements. This too has inspired some six bilateral and multilateral donors to fund similar activities in Somalia. As with the health project, Mission's involvement in the current activity will not be extended beyond completion of its present work scope.

Energy - Mission involvement in the energy sector in Somalia is minimal. Recently a centrally-funded energy advisor was placed at the Ministry of Planning with support from a Regional project. There is no specific intervention expected in the energy sector during the period of the CDSS. Mission's position in relation to providing U.S. financing for the Bardere Dam and hydroelectric facility has been one of helping with studies for the master plan and awaiting the outcome of feasibility examinations. Any funding that eventually may be provided will be based on irrigation needs, not energy.

Transport - The renovation of the Kismayo Port -- a type of project clearly preferred by the GSDR -- constitutes the Mission's most significant contribution to the transport sector in Somalia. The \$45.0 million project will address the physical infrastructure constraint and directly support the export of livestock and agricultural produce. Once the port rehabilitation is completed, involvement in the sector will be limited to local currency support of farm-to-market roads through the Government's Development Budget.

Fisheries - The Mission's past involvement with the fisheries sector in the 60's was singularly unsuccessful. At this time there are numerous donors providing significant assistance to Somalia in the sector. Therefore, the strategy is not to become directly involved in fisheries activities. However, through the CIP, boats and other fishing equipment were financed for the private sector, and support will be continued in this manner.

PROPOSED ASSISTANCE PLANNING LEVELS

(\$000) |

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
<u>AGRICULTURE AND LIVESTOCK:</u>	14,000	16,000	18,300	21,300	24,200
Research	(7,000)	(8,000)	(9,300)	(7,000)	(4,000)
Workforce Skills	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
Production	----	----	(1,000)	(6,300)	(11,200)
PVO Activities	(1,000)	(2,000)	(2,000)	(2,000)	(3,000)
<u>HUMAN RESOURCES DEVELOPMENT:</u>	2,000	5,000	5,300	5,000	5,000
Participant Training	(1,000)	(3,000)	(3,300)	(3,000)	(3,000)
Technical Assistance	(1,000)	(2,000)	(2,000)	(2,000)	(2,000)
<u>POPULATION:</u>	2,838	1,200	1,000	1,000	1,000
Family Health	(2,838)	(1,200)	(1,000)	(1,000)	(1,000)
<u>SELECTED DEVELOPMENT ACTIVITIES:</u>	----	2,000	2,000	2,000	2,000
PVO Activities	----	(2,000)	(2,000)	(2,000)	(2,000)
<u>HEALTH:</u>	3,162	----	----	----	----
Rural Health	3,162	----	----	----	----
<u>TOTAL DA ACCOUNT (ALL GRANTS):</u>	22,000	24,200	26,600	29,300	32,200
<u>ECONOMIC SUPPORT FUND:</u>	38,000	40,000	40,000	40,000	40,000
Commodity Import Program	(36,000)	(40,000)	(40,000)	(38,000)	(40,000)
Policy & Privatization	(2,000)	----	----	(2,000)	----
<u>MIGRATION AND REFUGEE FUND:</u>	8,000	----	10,000	----	----
Refugee Settlement	(8,000)	----	(10,000)	----	----
<u>P.L. 480 PROGRAMS*</u>	20,000	20,000	20,000	20,000	20,000
Title I and/or III	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)

\* Title II Commodities programmed through WFP are not included.

PERSONNEL REQUIREMENTS:

USDH Workyears	27.0	27.0	27.0	27.0	27.0
FNDH Workyears	10.0	10.0	10.0	10.0	10.0

## RESOURCE REQUIREMENTS NARRATIVE

The Mission recommends maintaining the resource levels established in the FY 1986 ABS. The continuing level of ESF and P.L. 480 is critical during the economic stabilization period. During the CDSS period the DA level will shift progressively to production activities.

The Economic Support Fund (ESF) and P.L. 480 resources are maintained at a continuing level of \$40.0 and \$20.0 million respectively. In real terms this represents a declining level of support. Since both the ESF and the P.L. 480 resources constitute the basis of Mission's support of the macroeconomic stabilization program, they should be accorded the highest priority for funding. As discussed in the Analysis and the Strategy sections, the ESF and P.L. 480-funded non-project assistance provides the means to establish meaningful policy dialogue leading to economic reforms, supports directly the nascent Somali private sector, and -- through the local currency generations -- helps reduce the budget deficit and supports the GSDR development programs and projects. The Mission anticipates that by 1990, provided appropriate policy reforms are implemented, there will be a shift of AID resources from macroeconomic stabilization support to infrastructure development.

The Mission projects a small, but constant, increase in the total Development Assistance (DA) requirements for the planning period. The DA program is designed to overcome the development constraints identified in the Analysis section. As discussed in the Strategy section of the CDSS, the Mission will concentrate in three priority sectors -- agriculture, human resources, and population -- to assist Somalia in its long-term development program. Initially, the Mission will concentrate its efforts to increase technology availability, train an adequate workforce, expand the data base, and promote the development of the indigenous private sector and development institutions.

In the long-term, the Mission plans to start supporting discrete production activities in the agriculture and livestock sector. The pace of Mission's involvement in production activities will be determined by the relative progress from the research and workforce skills development activities.

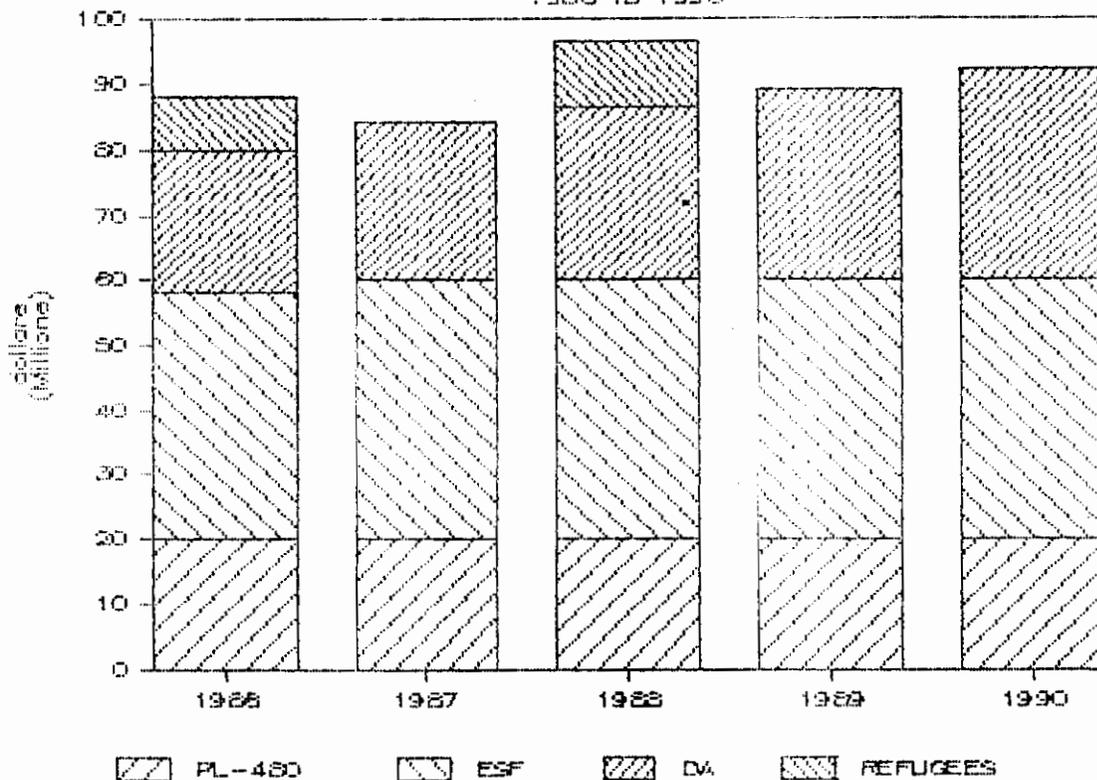
The Mission will request a P.L. 480 Title III program in January 1985. The attraction of a Title III program for Somalia hinges on debt relief. Therefore, unless the following conditionality is met, the Mission will not pursue a Title III program during the planning period: The Title III program must include multiyear commitment for the U.S. to finance the ocean transportation costs; adequate allocation of Operating Expenses as well as PDS funds to support the program; a multi-year commitment of food commodities; and, applicability of debt forgiveness to the older (now-due) Title I loans.

The Mission intend to support refugee settlement activities through the use of U.S. PVOs. The Mission also plans to initiate settlement activities in FY 1985 with additional funding scheduled for FYs 1986 and 1988.

STAFFING: For the first time in five years, the Mission has been staffed at full strength. We plan to maintain the USDH workyears at the 27.0 level for the planning period. However, the personnel mix may change from time to time to accomodate changes in our program mix of activities.

### US ASSISTANCE to SOMALIA

1985 TO 1990



### AID Policy Themes Summary

Somalia is changing its economic orientation from "Scientific Socialism" to an open market economy with emphasis on the private sector. During the past three years a significant number of policy reforms have been adopted by the GSDR. The policies adopted by the GSDR on the macro and sectoral level have received "good marks" from the IMF and include (among many others): the liberalization of agricultural marketing; the reversal of a guaranteed employment policy; the reform of the civil service; and, most recently, the privatization of all state farms (the land will be distributed to secondary school graduates, former civil servants, and farm workers). Policy reform in Somalia is an active process to which the Mission accords the highest priority. In coordination with other bilateral and multilateral aid donors, we have developed a policy dialogue agenda which includes, inter alia, support for the development of the private sector, the development of appropriate proved technologies for Somalia, and support of local development institutions.

Throughout, the Mission's strategy for Somalia follows development themes common to activities. These themes are the promotion of policy reform, strengthening the private sector and developing an outward-oriented economy. In this connection, the Mission will work to identify policy obstacles and will seek opportunities to foster private sector participation in the development process.

The basic premise of the Mission's policy reform agenda is that policies should expand the available economic options. Policy targets for reforming the incentive and administrative system in Somalia include: increased privatization; banking system reform; civil service reform; and, simplified trade procedures. These policy targets are discussed in the analysis and the strategy sections of this CDSS.

The Mission also has prepared a studies agenda (see Annex 2) which will facilitate policy dialogue and provide alternatives and recommendations to address the development constraints identified in the analysis and strategy sections of this CDSS. Further, the Mission has already put project mechanisms in place to finance the studies agenda.

The Mission will promote, through development programs and policy dialogue, the development of the Somali private sector. As discussed in the Analysis and Strategy Sections, the Somali private sector was severely restricted during the 1970s experiment with "Scientific Socialism". The establishment of a large number of government parastatals with monopoly rights was the principal cause of the private sector decay. Following the recently-initiated change in economic orientation, the private sector has begun to respond positively to changes in government policies. With a significant potential in resources (both human and financial) in the hands of the private sector, the Mission proposes to continue supporting policy reforms that will further encourage the development of the sector. The initial effort will be to use the Commodity Import Program, the P.L. 480 and CIP-generated local currency, and the Policy Initiatives and Privatization Project as a catalyst for policy reform.

Inadequate proved technology for production is identified in the analysis and the strategy sections as one of major constraints to development reaching across all sectors. Since the Mission has accorded the agriculture sector -- which comprises crop and livestock production -- the highest development priority under the long-term development strategy, priority will be given to re-establishing the agricultural research programs abandoned in the 1970s and to adapting and, demonstrating improved technologies to the public and private sectors. The Mission is confident that through research new technologies to minimize the effect of drought in the rainfed areas can be developed. On irrigated lands, Better water management, coupled with the use of higher quality inputs and technology will result in greatly improved yields. In the livestock subsector, the Mission will concentrate on marketing of livestock for export, as well as developing livestock research capabilities to address major concerns.

Weak and ineffective development institutions also have been identified as principal development constraint in Somalia. This constraint will be addressed by focusing our efforts on the key institutions. Mission's approach is to provide training, on a selective basis, for staff development, place advisor/trainers in selected positions, and provide local currency support for development activities using P.L. 480 and CIP-generated local currency.

### TACTICAL CONSIDERATIONS

The Commodity Import Program and the P.L. 480 Title I/III programs (including the generated local currency) constitute the heart of Mission's portfolio during the CDSS period. Both programs provide valuable mechanisms in support of policy dialogue and reform. The programs are preferred by the GSDR because they provide the necessary balance of payments support and critically needed commodities as well. In addition, the generated local currency is used in support of the GSDR's development budget. Without the CIP and P.L. 480 counterpart fund the GSDR will encounter problems financing its development budget (the development budget also includes GSDR contribution to donor development project).

The CIP and P.L. 480 programs also are preferred by the Somali private sector. Through the CIP the Somali business community has discovered new opportunities and regained some confidence in the Government. Most recently, the sale of P.L. commodities through private sector distributors, provided an additional opportunity to identify the U.S. assistance with support for the Somali private sector.

In sum, the Mission proposes, as the first priority, a constant level of ESF and P.L. 480 resources during the CDSS period. The ESF will be used in support of the CIP program until early 1990s at which time it may become appropriate to shift emphasis to development infrastructure.

The first generation of the development project portfolio will be completed by 1987. In most cases there will not be follow-on activities for the first generation projects. The Mission will initiate the workforce skills training project late FY 1985. The project will address a major development constraint and support other development efforts. The rehabilitation of the research centers and establishing research programs abandoned in the 1970s will support, in the long-term, the rainfed and irrigated as well as the livestock sectors.

Mission's support for the Berdera dam now is limited to assistance in the preparation of the Juba Valley Master Plan by financing the environmental and social and land classification studies. However, should the studies prove that the dam is feasible, the U.S. should be prepared to join in with a reasonable contribution.

The support of refugee programs will concentrate on settlement activities which will support the refugees and residents as well. The settlement activities will be implemented through GSDR ministries, contractors, and U.S. PVOs. The two on-going refugee support projects will not have follow on activities.

A significant PVO project will be implemented throughout the CDSS period. This project will address, *inter alia*, target of opportunities in agriculture and rural development as well as skills training.

The Mission has established the following development benchmarks for the CDSS period:

-The annual rate of increase in consumer prices should be less than half of what it was for the period 1978-1983 (43 percent).

-The overall budget deficit as a percentage of total government expenditures will be reduced to 25 percent or less.

-Livestock exports will account for less than 80 percent of total exports, new commodities will be added to the export list, and the trade balance deficit will less than 2.5 times the level of exports.

-Private sector firms will be competing in industries that were previously monopolized by parastatals and the private sector's share of banking credit will increase beyond its current level of 40 percent.

The GSDR will have reduced the number of government employees, pay increases in excess of inflation will have occurred, and training programs for civil servants will be in place.

ANNEX I

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An analysis of cultural, historical and social in Somalia relating to economic realities and potential development.

Refugee Rehabilitation in Somalia: Report of a Mission. H. Lewis, B. Wisner, March 1981.

This report studies the refugee situation, its social costs and present development efforts. Self-help activities and continued improvement and basic support for refugee camps are looked into as potential for development.

Economic Overview of Somalia with implications for Feasibility of a P.L. 480 Title III Program. H. Kriesel, D. Jansen, T. Lederer, May 1981.

The major purpose of this study is to ascertain the appropriateness and workability of a P.L. 480 Food for Development (Title III) program for Somalia. The economic situation is assessed and recommendations for improving the performance of the economy are made.

Primary Analysis of the Potential Environmental Impacts of the Comprehensive Groundwater Development Project. M. Pape, LBII, May 1982.

This report presents the review of the potential environmental impacts of production wells: the potential problem of aquifer contamination as well as potential short-term construction impacts of heavy travel on rural access roads. To minimize the negative impacts, recommendations are made concerning proper well construction and maintenance techniques. The physical impacts on the environment resulting from the operation of a well, such as land subsidence and aquifer depletion are also reviewed.

Preliminary Analysis of the Comprehensive Groundwater Development Project. M. Pape, LBII, May 1982.

This report presents an economic analysis of the project, focusing its attention on individual costs. Well benefits and well user charges are also studied but to a lesser extent. Well costs are broken down by direct vs. indirect costs using economic assumptions; unit costs of resources are presented as well as descriptions of activities and resource inputs. The benefits of training, research and water supply improvements are reviewed, and methods for finding the value of water supply benefits are given.

The Economics of Improving Animal Health and Livestock Marketing in Somalia. J. Holtzman, June 1982.

This report presents the trend in livestock quantities and exports in the past 15-20 years. Also presented are the principal characteristics of the livestock trade and the major constraints to improving livestock production, marketing and export. Policy recommendations in animal health interventions, improvements in the livestock marketing infrastructure and in strengthening institutions to promote livestock exports are also presented. Included within this report is an economic analysis of a possible animal health and livestock marketing project.

From Relief to Development: Some Comments on Refugee and Other Settlements in Somalia. T. Scudder, June 1981.

Assumptions that underlie the analysis in this report are given as well as the prospects for success for a large-scale settlement program in Somalia. Discussed are the planning, implementation, and management of viable settlement projects. Recommendations for USAID/Somalia are presented towards the end.

Food Production Systems and Environmental Rehabilitation in Somalia. Contributions to a Discussion Seminar. Somali Research Group, 1981.

The ecology of famine in Somalia, problems of environmental degradation, and other issues are presented in this paper. Presentations on refugee problems, evolution of current Ethiopia-Somalia conflict, and the utilization of innovative technologies form the main body of the paper.

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The report describes Somali agriculture in general and offers the following strategy components: 1) the development of an adequate knowledge base and improved technological and farm or herd management practices, 2) an increased investment in human capital development, 3) a decrease of human and animal pressure on nomadic grazing areas and, 4) the near term assistance to small farm operations.

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The first section of the report provides a general review of available secondary data deficiencies as well as highlights some sources of reliable information. The second section addresses socioeconomic factors which appear most relative to the Bay Region. The final section proposes a program and methodology for field data collection to fill critical information gaps.

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This report presents the increased trend in Saudi Arabia's demand for livestock and poultry in the near future. It explores the potential for expanding exports of small ruminants and the greater export potential offered by cattle. Australian and Latin American livestock supply and livestock prices to Saudi Arabia are compared to those of Somalia and those of existing neighboring East African countries. Finally, the projected demand and supply for livestock and meat in Saudi Arabia is incorporated.

Report of a Three Week Sociocultural Reconnaissance of the Refugee Population in the Gedo Region. C. Beville, June 1982.

The report names and studies the main groups which comprise the refugee population in the Gedo Region. Refugee potential in undertaking self-reliance activities is also presented.

Exploratory Drilling Program for the Bay Region. Louis Berger International Inc., January 1982.

The report includes a summation of geologic conditions for Somalia and the Bay Region and a description of the drilling equipment and sampling methods as well as locations for exploratory drilling sites. Annexes A & B include a preliminary set of social criteria for selecting well sites.

Bringing Somali Nomads into the Primary Health Care Program and Training Nomad Community Health Workers. A. Thomas, July 1982.

In this report, the cultural background of the Somali nomad is brought out. Health concepts are introduced and the existing health care system is studied. The report takes into account the fact that the Somali nomads are accessible to health care delivery if the health care system utilizes the opportunities their lifestyle offers in order to overcome the obstacles which it poses.

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This report covers research methods, population studies, social and political structures, agricultural sector institutions and allocation and ownership of resources. It provides production strategies and outlines major areas of inquiry where long-term socioeconomic research is needed to provide an adequate data base for the Project Management Unit and the USAID to implement the Bay Region Agricultural Development Project (BRADV).

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This report contains information on the general environment for the private sector, the liberalization since 1979, the things that can be done to facilitate changes incurred since 1979 and, the private sector and state-owned enterprises.

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This report studies the three basic units of the Bay Region: the basement complex, the limestone plateau and the limestone depression. Water quality has been checked out and drilling techniques have been developed. Socioeconomic studies indicate the existence of a well-developed water management system for most villages. The problem of well maintenance has also been studied and the need for the development of a mobile and qualified maintenance program is stressed.

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Urbanization and Outmigration in Somalia. H. S. Lewis, C. Kerven, N. Southerland, May 1983.

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The evaluation assesses the accomplishments of the past 18 months of the project and determines the efficiency with which the contractor performed the activities of the project. It identifies and evaluates problem areas which may inhibit the attainment of the project objectives. The basic components of the Comprehensive Goundwater Development Project which are evaluated are groundwater assessments and socioeconomic progress.

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Kismayo Port Rehabilitation Project. J. Kelly, July 1983.

The report presents the description and purpose of the project. The administrative, technical, financial, economic, social soundness and environmental as well as project implementation studies are incorporated. Conditions, covenants and the negotiating status are presented at the end.

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This report considers the expansion in the supply of livestock medication as a major step towards improving the livestock industry. Due to the

high percentage of livestock exports through the port of Berbera, four projects are proposed for improving the facilities and procedures of the port. Projects for the assistance to private livestock truckers, fodder producers and other entrepreneurs are presented as well as two longer term projects which focus on breeding improvement and education in market economics.

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Interim Report for USAID - Supported Rural Health Delivery Systems Project. N. Lamson, M. N. Osman, T. Leifert, March 1984.

This report documents the number, type and level of workers trained under

the Rural Health Delivery Systems Project, as well as those to be trained in the future. Job descriptions and qualifications for each type of worker are also listed and discussed.

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The evaluation covers the following main elements of the C.I.P.: its implementation in terms of allocation of the foreign exchange made available; the purchase and shipment of commodities and their sale and/or utilization in-country; local currency generation, disbursement and utilization; and policy dialogue. Performance under the C.I.P. agreements is concluded to have been superior in the first and third of these areas and fully satisfactory in the second. Recommendations for each of these three elements are given.

Foreign Exchange Market in Somalia. SOMCONSULT, March/April 1984.

This paper reviews foreign exchange and laws and amendments thereto from 1964 to March 1984. It describes the two exchange markets, i.e. the official and the parallel. The paper proposes steps to be considered for implementation during an interim period that could lead to the liberalization of foreign trade and ultimate unification of the exchange markets.

An Evaluation of the United States Government's Title I Food Aid Program to Somalia. USAID, September 1984.

This report presents major findings of and recommendations for: the Somali food marketing system, the reduced state intervention in food marketing, the excess food storage space, improving the terms of trade for farmers, food aid as a percentage of Somalia's imports and food supply, the Title I balance of payments support, repayment obligations,

the underutilized food processing industry, the inappropriateness of a commodity mix, improvements in USAID and GSDR management of operational aspects.

Fruit and Vegetable Production and Marketing in Somalia. S. Jaffee, September 1984.

The report contains an analysis of production potential and problems of the Dheffiso Cooperative as well as an analysis on the marketing system for fruits and vegetables in Mogadishu and a description of the marketing channels for fruit exports. Recommendations for the improvement of the production and marketing systems are also given.

Project Inception Report: Land and Water Resource Studies - Juba Valley, Somalia. T. Seldon, E. Dudley, T. Rogers, September 1984.

This paper contains detailed studies made on the Juba Valley. The areas of irrigation water suitability, drainage investigations, land classifications, present land use studies, hydrology, engineering, and planning are all covered in the report.

Survey of the Somali Food Industry and Its Ability to Improve Utilization of Local Foods, G. Patterson and H.N. Fahiye, November 1984.

The report surveys the food industry in Somalia and makes recommendations for increasing its efficiency.

Somali Civil Service Study, GSDR Ministry of Labor and Social Affairs and AID, July 1984.

The study reviews the operations of civil service system in Somalia. It makes recommendations for improving the performance of civil servants.

Tax Survey of Somalia, International Monetary Fund, August 1980.

The report gives an overview of the tax system in Somalia. It also makes recommendations for reforming the tax system.

Somalia - Recent Economic Developments, International Monetary Fund, April 1984.

The report gives an overview of the recent economic performance of Somalia.

Staff Report for the 1983 Article IV Consultation, International Monetary Fund, April 1984.

The report reviews the performance of Somalia in following the 1983 Financial Program.

Memorandum on the Economy of Somalia, World Bank, March 16, 1981.

The report reviews the social and economic performance of Somalia. Included is a discussion of needed policy change.

Staff Appraisal Report in Somalia Fisheries Exploration/Pilot Project, World Bank, April 9, 1984.

The report provides background information on the fisheries sector in Somalia. It also reviews details of a proposed World Bank financed fisheries project.

Afgoy Gas Delineation Project, World Bank, April 1984.

The report reviews the energy sector in Somalia. It also reviews details of a proposed World Bank financed energy project.

World Bank, Somalia Policy Measures for Rehabilitation and Growth, May 1983.

The report reviews the causes of economic stagnation in Somalia. It also gives a policy agenda for reforming the system.

Development Strategy and Public Investment Programme, 1984-1986, GSDR/Ministry of National Planning, Dec. 1983.

The report reviews the recent economic and social performance of Somalia. It also outlines the GSDR's plans for each of the sectors.

A Master Plan of the Development of Fisheries in Somalia, GSDR/Ministry of Fisheries, October 1982.

The report gives a review of the development potential of the fisheries industry. It also lays out a strategy for developing the industry.

Agricultural Incentives and Grain Marketing in Somalia, World Bank and the GSDR, January 1984.

The report reviews the grain marketing system in Somalia. It also analyses the price performance of the marketing system.

Annual Development Plan: 1984, GSDR/Ministry of National Planning, January 1984.

The report provides a summary of sector strategies for development.

Transforming Traditional Agriculture, T. Schultz, (University of Chicago Press, Chicago), 1964.

The book contains an analysis of the efficiency of traditional agriculture and examines why new technology is not utilized in developing countries.

World Animal Review, Reusse, E., Somalia's Nomadic Livestock Economy, July-September 1982.

The article reviews the nomadic livestock industry and points out the problems and constraints faced by the industry.

Food Import Demand of Eight OPEC Countries, USDA, Foreign Agriculture Economic Report Number 182, June 1983.

The report examines the market for food in eight OPEC countries. Individual chapters cover the market for cereals, fruits and vegetables, and livestock.

"Consultant Report to Louis Berger International on Central Rangelands Development Project", T. W. Box, November 1982.

The report gives the consultant's views on rangeland conditions in Somalia.

The Private Manufacturing Sector in Somalia, German Development Institute, September 1984.

The report gives a review of the Somali manufacturing sector. It also gives a summary of the findings from an industrial survey carried out by team members.

Tariff Rate Structure for the Rehabilitation of Port of Kismayo, Parson Brinckerhoff International, Inc. April 1984

A study of Somalia's customs organization and infrastructure with emphasis on tariff rates and applicability.

Assesment of Selected Engineering/Construction Capabilities within the Ministry of Public Works and Somali Port Authority of the SDR, J. F. Smith, February 1984.

Kismayo Port Rehabilitation: Port Maintenance Study Report, Parsons Brinckerhoff, May 84.

## ANNEX II

### STUDIES PLAN (organized by constraint)

#### WORKFORCE

Workforce Planning Studies - 1986  
Migration and Remittances - 1986  
Population and Housing Census - 1986

#### TECHNOLOGY

Soils and Classification - Juba Valley - 1985-86  
Environmental and Sociological - Juba Valley - 1985-86  
Socioeconomic Baseline Data in the Bay Region - 1985  
Social Dynamics of Somali Livestock - 1986  
Herd Management Strategies Among Agro-pastoralist - Bay Region - 1987  
In-country Animal Drug Production and Packaging - 1986  
Comparative Energy Data Analysis - 1986  
Transportation System in Somalia - 1986

#### POLICY

Fee for Services in the Health Sector  
Government Regulation of Business - 1985  
An Assessment of Import and Export Duties in Somalia - 1986  
Migration and Remittances - 1986  
Port Tariff Rate Structure - 1985  
Quarantine User Fee - 1986

#### PRIVATE SECTOR

Marketing of Fruits and Vegetables in the Gulf States - 1985  
Domestic Livestock Marketing - 1986  
Export Markets and Market Diversification for Livestock - 1987

Studies to be undertaken during the outer years of the CDSS period will be determined based on evaluations of on-going projects and programs, Mission's policy dialogue, impact of reforms implemented by the GSDR, and the level of participation of the private sector in the development process.

## ANNEX III -

Table 1

Gross Domestic Product by Sector  
at Constant 1977 Factor Cost

Sector	<u>Millions of So. Sh.</u>						Growth Rate Percent
	1975	%	1980	%	1983	%	
Agriculture	<u>2747.1</u>	54.2	<u>2511.7</u>	48.6	<u>3247.2</u>	53.9	2.1
Crops	522.6	10.3	579.3	11.2	546.8	9.1	0.6
Livestock	1940.7	38.3	1643.5	31.8	2362.7	39.2	2.5
Forestry	258.5	5.1	263.8	5.1	309.6	5.1	2.3
Fishing	25.3	0.5	20.1	0.4	28.1	0.5	1.3
Other Commodity Sectors	<u>634.3</u>	12.5	<u>694.5</u>	13.4	<u>745.6</u>	12.4	2.0
Mining	44.1	0.9	20.0	0.4	24.6	0.4	-7.0
Manufacture	285.2	5.6	428.6	8.3	438.9	7.3	5.5
Small Scale Ind.	111.0	2.2	163.2	3.2	165.8	2.8	5.1
Electricity and Water	48.0	0.9	33.5	0.6	41.8	0.7	-1.7
Construction	257.0	5.1	212.4	4.1	240.3	4.0	-0.8
Distribution Services	<u>914.2</u>	18.0	<u>829.4</u>	16.1	<u>908.9</u>	15.1	-0.1
Transport & Commerce	401.1	7.9	355.9	6.9	379.0	6.3	-0.7
Trade, Hotels & Res.	513.1	10.1	473.5	9.2	529.9	8.8	0.4
Other Services	<u>775.5</u>	15.3	<u>1127.3</u>	21.8	<u>1117.6</u>	18.6	4.7
Real Estate/Ins./Bank	287.4	5.7	308.8	6.0	457.3	7.6	6.0
Government	352.7	7.0	652.2	12.6	463.8	7.7	3.5
Other	135.4	2.7	166.3	3.2	196.5	3.3	4.8
GDP at Factor Cost	<u>5071.1</u>	100.0	<u>5162.9</u>	100.0	<u>6019.3</u>	100.0	2.2
Indirect Taxes	564.7		528.8		489.1		-1.8
GDP at Market Price	<u>5635.8</u>		<u>5691.7</u>		<u>6508.4</u>		1.8

Source: Ministry of National Planning

Table 2

Expenditure on Gross Domestic Product  
at Constant 1977 Prices

Item	1975	1980	1983	Growth Rate
				Percent
				1975 - 83
Gross Domestic Expenditure	6335.6	7243.9	8061.4	3.1
Consumption	5066.1	6970.7	6985.3	4.1
Public	1144.8	1386.9	1269.3	1.3
Private	3921.3	5583.8	5716.0	4.8
Fixed Investment	1269.5	273.1	1076.1	-2.0
Gross Fixed Capital	861.5	531.6	959.7	1.4
Buildings/Infrastructure	438.3	181.9	327.2	-3.6
Equipment	423.2	349.7	632.5	5.2
Changes in Stock	408.1	-258.4	116.4	-14.5
Resource Balance	-699.8	-1552.2	-1553.0	10.5
Exports (Goods)	626.7	518.3	487.4	-3.1
Imports (Goods)	-1125.9	-2039.5	-2108.9	8.2
Net Non-Factor Services	-200.6	-30.9	68.4	NA
GDP at Market Prices	5635.8	5694.7	6508.4	1.8
Net Factor Income Fr. Abroad	2.1	-4.0	-23.5	NA
GNP at Market Prices	5637.9	5687.7	6484.9	1.8

Source: Ministry of National Planning

Table 3

Summary of Central Government Operations, 1979 - 1983  
(In millions of Somali shillings)

	1979	1980	1981	1982	1983 Prov.	1984 Prel. Est.
Total revenue and grants	<u>1,810</u>	<u>1,903</u>	<u>2,698</u>	<u>3,816</u>	<u>4,346</u>	<u>7,032</u>
Revenue	1,526	1,421	2,251	2,588	3,534	4,076
Tax	(1,315)	(1,193)	(2,002)	(2,275)	(3,385)	(3,491)
Non-tax	(211)	(229)	(249)	(313)	(149)	(585)
Grants	284	482	435	1,056	644	2,756
Oil grant and commodity import program	(--)	(--)	(--)	(600)	NA	NA
Transfers from local authorities	--	--	12	172	178	200
Total expenditure	<u>3,257</u>	<u>3,132</u>	<u>3,720</u>	<u>5,366</u>	<u>6,401</u>	<u>9,647</u>
Ordinary expenditure	1,573	1,670	2,295	2,750	4,049	6,000
Investment expenditure	1,684	1,330	1,425	2,461	2,175	3,441
Development budget	(224)	(162)	(286)	(348)	(NA)	(NA)
Transfers to local authorities	--	132	--	155	177	200
Overall surplus/deficit(-)	<u>-1,447</u>	<u>-1,229</u>	<u>-1,022</u>	<u>-1,550</u>	<u>-2,045</u>	<u>-2,615</u>
Financing	<u>1,447</u>	<u>1,229</u>	<u>1,022</u>	<u>1,550</u>	<u>2,045</u>	<u>2,615</u>
Foreign (net)	527	545	681	1,724	1,358	1,107
Domestic	920	684	341	-174	-281	1,508
Banking system (net)	(920)	(671)	(347)	(-150)	NA	NA
Cash balances (net)	(--)	(13)	(-6)	(-24)	NA	NA
Discrepancy	--	--	--	--	968	--

Memorandum items (in percent):

Overall deficit/GDP	18.2	12.3	6.5	8.3	8.5	NA
Overall deficit/Total expenditure	44.4	39.2	27.5	28.9	31.9	27.1
Overall deficit/Total revenue and grants	79.9	64.6	37.9	40.6	46.9	37.2
Foreign financing/Overall deficit	36.4	44.3	66.6	111.2	66.4	42.3
Bank financing/Overall deficit	63.6	54.6	34.0	-9.7	NA	NA

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

Table 4

Selected National Accounts  
(Current Prices, Millions of So.Sh.)

	1979	1983 Prov.	Annual Growth Rate 1979 - 83
Imports	2481.3	6570.6	27.6
Import Duties	927.9	2089.9	22.5
Custom Duties	774.6	1553.6	19.0
Adm. and Statistical Fees	153.3	536.3	36.8
Exports	667.4	1423.0	20.8
Export Duties	16.1	123.8	66.5
Total Tax Revenue	1314.8	3334.4	26.2
GDP at Market Prices	7934.5	24076.9	32.0

Source: National Account Aggregates, MNP (Updated by World Bank), and Mission estimates.

Memorandum items (in percent)

Imports/GDP	31.3	27.3
Import Duties/GDP	11.7	8.7
Exports/GDP	8.4	5.9
Export Duties/GDP	0.2	0.5
Total Tax Revenue/GDP	16.6	13.8
Import Duties/Total Tax Rev.	70.6	62.7
Export Duties/Total Tax Rev.	1.2	3.7

**Table 5**  
**Somalia - Balance of Payments**

1980	1981	1982	1983	1984	
			Provisional		
Prel.Est.					
	----- (In millions of U.S. dollars) -----				
Exports, f.o.b.	133	114	131	100	60
Livestock	102	98	106	72	35
Bananas	8	6	8	15	11
Other	24	10	17	13	14
Imports, c.i.f. 1/	-461	-422	-478	-435	-452
Foreign exchange	-276	-145	-193	-171	-139
<u>Franco valuta</u>	-55	-60	--	--	-40
External accounts	--	--	-5	-20	-10
Other 4/	-130	-217	-280	-244	-273
Trade balance	-328	-308	-347	-335	-392
Services (net)	-8	-1	9	4	-8
Transfers (net)	200	214	207	199	267
Private	57	64	50	51	70
Official 2/	143	150	157	148	197
Current account	-136	-95	-131	-132	-138
Capital account	87	79	84	53	61
Private (net)	--	--	-39	-32	-20
Official (net) 3/	87	79	123	85	81
Disbursement	(97)	(93)	(132)	(107)	(106)
Amortization	(-10)	(-14)	(-8)	(-21)	(-24)
Other	(--)	(--)	(-1)	(-1)	(-1)
Errors and omissions	21	3	-2	-14	--
Overall balance	-28	-13	-49	-93	-72

- .....
- 1/ Imports, c.i.f. includes loans and grants in kind.  
2/ Including grants in kind.  
3/ Including loans in kind.

**Table 6**  
**Banking System**  
 (Millions of So. Sh.)

	1978	1979	1980	1981	1982	1983	Growth Rate Percent 1978-83
Money Supply (1)	1728.0	2335.3	2783.3	3674.1	4108.4	4309.0	20.0
<u>Claims On</u>							
Private Sector	402.1	447.1	426.1	574.6	1623.8	2293.0	41.6
Public Enterprises	1002.5	1278.6	1551.1	1721.4	1300.0	1163.0	3.0
Government (Net)	311.0	1231.4	1902.4	2249.6	2100.0	1805.0	42.1
Total	1715.6	2957.1	3879.6	4545.6	5023.8	5261.0	25.1

Source: Central Bank of Somalia

**Table 7**  
 Mogadishu Consumer Price Index (1977 = 100)

Date	General Index	Food
Dec. 1978	108.8	111.8
Dec. 1979	156.0	148.6
Dec. 1980	263.7	312.4
Dec. 1981	316.2	294.3
Dec. 1982	422.9	392.3
Dec. 1983	630.6	631.0
Mar. 1984	954.4	1133.6
June 1984	1057.4	1242.0
Sep. 1984	1029.4	1101.8

Source: Central Statistical Office, Ministry of National Planning

**Table 8**  
Production Area for Crops in 1982  
(1,000 Ha)

	Cotton	Groundnuts	Maize	Pulses	Rice	Sesame	Sorghum	Sugar Cane
Area	12	12	156	31	2	35	470	8

Source: FAO Production Yearbook: 1982.

**Table 9**  
Production Indices for Agriculture in Somalia  
(1974-76 = 100)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Cereals	94	137	80	80	110	110	152	124	113	111	161	170
Crops	102	122	102	100	102	99	110	103	95	96	116	122
Livestock	99	103	100	95	102	102	104	109	105	109	111	112
Total Ag.	100	106	101	96	102	102	105	108	104	108	111	113
	Per Capita Figures											
Cereals	105	149	85	83	113	104	132	99	83	76	104	106
Crops	114	133	108	104	103	93	95	82	70	66	75	76
Livestock	111	112	107	99	104	97	91	86	77	75	72	70
Total Ag.	111	116	107	100	104	96	91	86	76	74	72	70

Source: FAO Production Yearbook: 1982

**Table 10**  
Calories Per Capita Per Day (1978-80)

	Somalia	Africa	U.S.	World
Vegetable Products	1,355	2,135	2,322	2,183
Animal Products	776	177	1,331	435
Total	2,131	2,311	3,652	2,617

Source: FAO Production Yearbook: 1982

**Table 11**  
**Yields for Crops in 1982**  
**Kg/Ha**

	Somalia	Africa	U.S.	World
Cotton	385	863	1,734	1,286
Groundnuts	896	733	3,030	978
Maize	962	1,189	7,205	3,465
Pulses	355	458	1,598	674
Rice	2,833	1,752	5,402	2,871
Sesame	300	298	742	286
Sorghum	500	696	3,705	1,447
Sugar Cane	57,500	71,499	88,595	58,682

Source: FAO Production Yearbook: 1982

**Table 12**  
**Livestock Exports, Total For Period**  
**(1,000 Heads)**

	Sheep	Goats	Cattle	Camels
1971-75	3,604	3,376	280	135
1978-82	3,615	3,556	558	81

**Table 13**  
**Basic Data and Economic Indicators for Five Countries in 1981**

	Population*	Per Capita	Meat	Agricultural	Total
	Millions	GDP	Imports	Imports,	Imports,
		Dollars	Million\$	Billions\$	Billions\$
Egypt	39.0	580	400	2.8	8.8
Kuwait	1.4	18,154	92	1.3	8.0
Qatar	.2	29,900	27	.2	1.0
Saudi A.	10.4	15,782	500	6.0	35.2
UAE	1.0	31,067	136	1.2	9.5
TOTAL	52.0		1,155	11.5	62.5

\* Estimated Population for 1982

Source: U.S. Dept. of Agriculture, Food Import Demand of Eight OPEC Countries.

**Table 14**  
**Fruit and Vegetable Imports for 1982**  
 (\$ millions)

	Fresh Veg.	Veg. Prep.	Fruit Juice	Fruit Prep.
Kuwait	70	40	13	NA
Qatar	14	22	5	3
Saudi Arabia	155	120	240	43
UAE	35	40	20	10

Source: U.S. Dept. of Agriculture, Food Import Demand of Eight OPEC Countries.

**Table 15**

**DONOR ASSISTANCE BY SECTOR (estimated)**

	1984		1984-86	
	\$ millions	% total	\$ millions	% total
Transport & Communications	48.0	19.4	124.5	17.8
Agriculture	42.6	17.2	107.6	15.4
Livestock	29.9	12.1	99.2	14.2
Water Resources	26.5	10.7	59.8	8.6
Manufacturing	21.9	8.9	51.9	7.4
Energy	19.0	7.7	40.0	5.7
Health	15.5	6.3	45.3	6.5
Education	12.7	5.1	39.7	5.7
Fisheries	8.1	3.3	84.2	12.1
Forestry	7.6	3.1	12.2	1.8
Manpower & Employment	6.7	2.7	11.8	1.7
Regional & Rural Development	4.6	1.9	13.8	2.0
Minerals	2.9	1.2	1.7	.2
Trade, Commerce, Statistics, Information	1.0	.4	6.5	.9
	<u>247.0</u>	<u>100.0</u>	<u>698.2</u>	<u>100.0</u>

Table 16

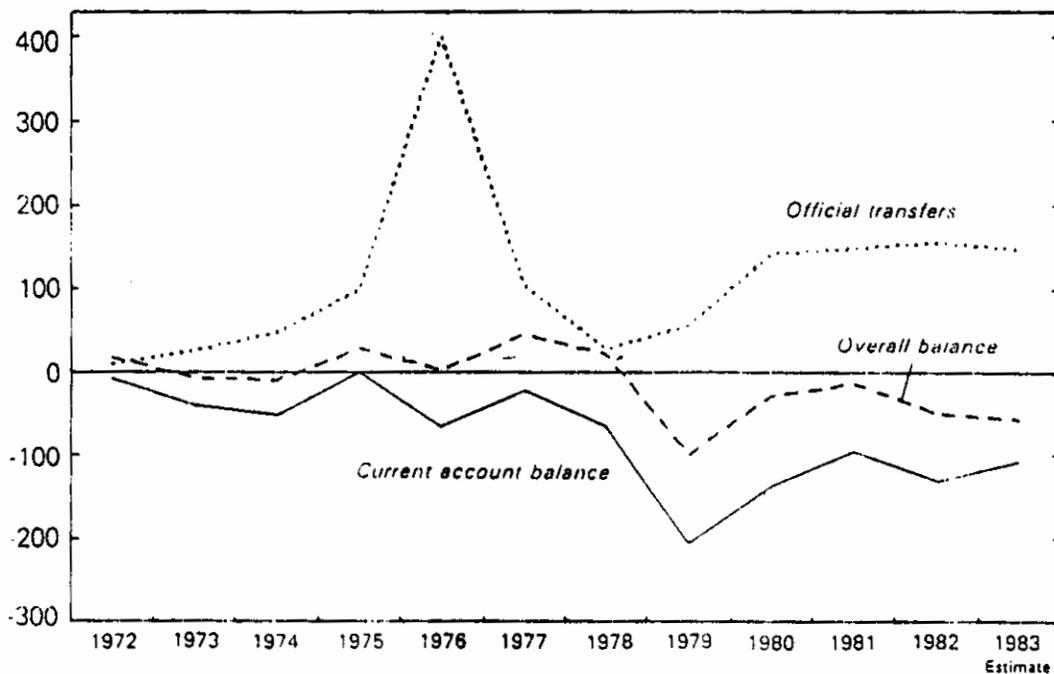
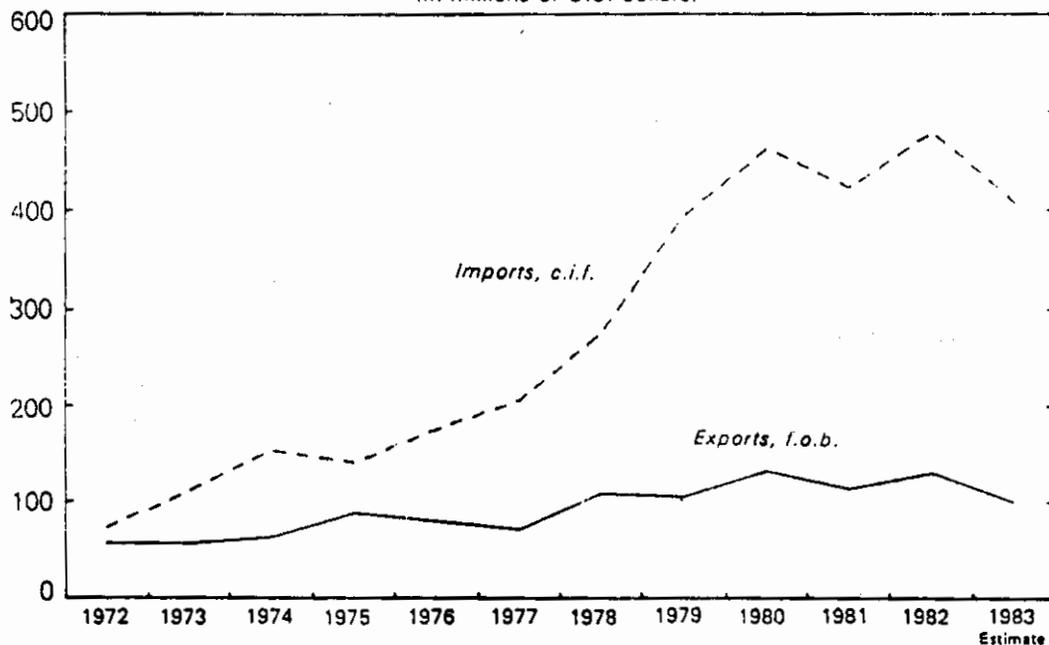
## FOREIGN ASSISTANCE BY DONOR (estimated)

	1984		1984-86	
	<u>\$ millions</u>	<u>% total</u>	<u>\$ millions</u>	<u>% total</u>
Arab Funds	47.0	19.0	88.0	12.6
United States	44.3	17.9	132.5	19.0
Federal Republic of Germany	29.9	12.1	76.9	11.0
World Bank	27.3	11.1	95.6	13.7
EEC	23.2	9.4	51.2	7.3
Romania	14.9	6.0	51.6	7.4
Italy	11.4	4.6	85.0	12.2
France	8.0	3.2	13.0	1.9
WFP	6.0	2.4	12.2	1.7
UNDP	4.7	1.9	14.3	2.0
Finland	4.6	1.9	7.6	1.1
Denmark	4.5	1.8	5.5	.8
Other donors	21.2	8.6	64.8	9.3
	<u>247.0</u>	<u>100.0</u>	<u>698.2</u>	<u>100.0</u>

Sources: Annual Development Plan - 1984, Ministry of National Planning,

GSDR, pp. 23-24, 45; and Development Strategy and Public Investment Programme - 1984-1986, Ministry of National Planning, GSDR, pp. 75-92, 95-102.

CHART 1  
SOMALIA  
BALANCE OF PAYMENTS DEVELOPMENTS, 1972-83  
(In millions of U.S. dollars)



Source: Data provided by the Somalia authorities.