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Country Development Strategy Statement

FY 1990

SOMALIA

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SUBJECT: AMBASSADOR'S ENDORSEMENT OF CDSS

1. THE AMBASSADOR HAS PROVIDED THE FOLLOWING ENDORSEMENT OF THE USAID-PREPARED CDSS. THIS CABLE SHOULD BE PRINTED AND DISTRIBUTED WITH CDSS.

2. QUOTE.

THIS DOCUMENT ACCURATELY REFLECTS THE DEVELOPMENT ENVIRONMENT IN SOMALIA. THE ECONOMIC AND POLITICAL ANALYSES INCLUDED IN THE COUNTRY DEVELOPMENT STRATEGY STATEMENT ARE TOTALLY CONSONANT WITH THAT OF THE EMBASSY'S INTERPRETATION OF PROBLEMS AND OPPORTUNITIES.

I FULLY CONCUR WITH THE ANALYSIS AND STRATEGY. FURTHER, BASED ON THE EXCELLENT ECONOMIC REFORM PERFORMANCE I ENDORSE THE U.S.A.I.D. RECOMMENDATION THAT SOMALIA QUALIFIES AS A CATEGORY II COUNTRY FOR RESOURCES FROM THE DEVELOPMENT FUND FOR AFRICA. THE PROPOSED PROGRAM OF ASSISTANCE IS CONSISTENT WITH THE U.S. POLICY GOALS AND OBJECTIVES OF THE U.S. MISSION IN SOMALIA AS CURRENTLY MANDATED.

SIGNED: T. FRANK CRIGLER, AMBASSADOR TO SOMALIA.

END QUOTE. CRIGLER

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ACRONYMS

AAPL	Approved Assistance Planning Levels
ADC	Agricultural Development Corporation
AEPRP	African Economic Policy Reform Program
AFDB	African Development Bank
AFMET	Agricultural Farm Management Extension and Training
AID	Agency for International Development
AID/W	Agency for International Development/Washington
APBP	Annual Program Budget Plan
BOP	Balance of Payments
CDSS	Country Development Strategy Statement
CG	Consultative Group
CIP	Commodity Import Program
CMO	Commodity Management Officer
CY	Calendar Year
DA	Development Assistance
DFA	Development Fund for Africa
EEC	European Economic Community
ESAF	Enhanced Structural Adjustment Facility
ESF	Economic Support Funds
FAA	Foreign Assistance Act
FAAS	Foreign Affairs Administrative Support (Agreement)
FAO	Food and Agricultural Organization
FEWS	Food and Early Warning Systems
FFPO	Food for Peace Officer
FHS	Family Health Services Project
FMS	Foreign Military Sales
FRG	Federal Republic of Germany
FSN	Foreign Service National
FSU	Field Support Unit
FY	Fiscal Year
GDP	Gross Domestic Product
GSDR	Government of the Somali Democratic Republic
HRDA	Human Resources Development Assistance Project
IBRD	International Bank for Reconstruction and Development
IE&C	Information, Education and Communication
IMF	International Monetary Fund
IWE	Institute for Women's Education
JAO	Joint Administrative Office
JCG	Joint Coordination Group
LMHP	Livestock Marketing and Health Project
LOP	Life of Project
MGT	Management Office

MOFT	Ministry of Finance and Treasury
MOH	Ministry of Health
MONP	Ministry of National Planning
NGO	Non-Government Organization
OE	Operational Expense
OMB	Office of Management and Budget
OYB	Operational Year Budget
PD&S	Program Development and Support
PFP	Policy Framework Paper
PIP	Public Investment Program
PIPs	Policy Initiatives and Privatization Project
P.L. 480	Public Law 480
PSC	Personal Service Contract(or)
PVO	Private Voluntary Organization
PVO-P	PVO Partners Project
REDSO/ESA	Regional Economic Development Services Office/East and Southern Africa
R&R	Relief and Reconstruction
SAF	Structural Adjustment Facility
SCSB	Somali Commercial and Savings Bank
SFHCA	Somali Family Health Care Association
SNM	Somali National Movement
SOE	State-Owned Enterprises
SOMTAD	Somalia Management Training and Development Project
SRSP	Somali Refugee Settlement Project
SWMP	Shabelli Water Management Project
TA	Technical Assistance
TCAM	Technical Cooperation Assessment Mission
TCN	Third Country National
UK	United Kingdom
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
US	United States
USAID	United States Agency for International Development Mission to Somalia
USDH	United States Direct Hire
USG	United States Government
USSR	Union of Soviet Socialist Republics

SOMALIA
COUNTRY DEVELOPMENT STRATEGY STATEMENT
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SOMALIA

COUNTRY DEVELOPMENT STRATEGY STATEMENT (CDSS)

I. INTRODUCTION

A. United States Interests and Objectives

Somalia's location near the Straits of Bab al Mandab, through which pass the world's major oil shipping lanes to the Red Sea and the Suez Canal, has given it high strategic priority for the United States (U.S.). Berbera, on Somalia's north coast, is the only seaport open to the U.S. in this region. Somalia is also located on the rim of the Indian Ocean and near the Gulf of Arabia, which also have been deemed critical to U.S. political, strategic and economic interests. This priority has not changed even though the Iran-Iraq war has ended and U.S.-U.S.S.R relations are evolving. The strategic threat to U.S. interests posed by the Soviet presence in Ethiopia and the Yemen Democratic Republic still exists. Safeguarding the integrity of key oil routes and maintaining the ability to project U.S. force into this region, as well as the Indian Ocean and beyond, must remain a high priority for the U.S.

The Government of the Somali Democratic Republic (GSDR) granted the U.S. strategic access rights at Berbera and elsewhere after expelling the Soviets in 1978 when the U.S.S.R. sided with Ethiopia, Somalia's centuries-old enemy, during the 1978-79 border war. Maintaining these access rights, due for renegotiation in 1990, has been the U.S.' principal goal in Somalia. Supporting Somalia's ability to defend itself along its long, and long-contested, border with Ethiopia, while also seeking stability in the Horn of Africa, thus, have also been major policy objectives of the U.S. throughout the 1980's. The peace

agreement between Somalia and Ethiopia in April 1988 was perceived as a major step forward in a process for improving relations and eventually resolving the border and other problems between the two countries as well as a step toward stability in the Horn.

The attack in May 1988 on Government forces in the towns of Burao and Hargeisa by the Somali National Movement (SNM), a dissident group largely formed from members of the northern Isaak clan, not only threatens Somalia's internal cohesion and stability but also clouds prospects for regional stability. Many in the GSDR suspect an Ethiopian role in the SNM attack; prior to the April peace agreement Ethiopia armed and sheltered SNM forces. The conflict has exacerbated traditional rivalries between the Isaak and Ogadeni clans. Ogadenis make up the majority of the approximately 350,000-585,000 Ethiopian refugees resident in Somalia since the 1978-79 border war; consequently, their return to Ethiopia or settlement in Somalia has also long been a critical U.S. objective. With the outbreak of fighting last year U.S. priorities have shifted to give predominance to reconciliation in the North, but a solution to the refugee issue necessarily remains an important objective.

Somalia's economic development, including an enhanced role for the private sector, has also been a long-standing policy objective for the U.S. Somalia is one of the least developed countries in Africa and is deserving of U.S. support for its development. It is subject to frequent droughts and other disasters, and on humanitarian grounds will merit U.S. help. Expulsion of the Soviets saw the launching in the early 1980's of GSDR efforts to reform and liberalize the economy and to reverse a decade of centralized State control and the related economic deterioration of that period. Reform and economic growth will not only enhance achievement of other U.S. objectives, but also are consistent with U.S. overall foreign aid priorities.

B. Social and Political Factors

Although Somalia is populated by one ethnic group--the Somali--it is divided into five clan-families (the Darod, Hawiye, Dir, Isaak and Sab); these groups are, in turn, divided into clans, sub-clans or lineages and, finally, extended families. For centuries these clan groupings have contested water and grazing rights among themselves. Siad Barre has governed since 1969 by balancing competing clan interests, giving all representation in Government, and, when necessary, using one clan to keep another in line.

Still, many factors bind Somalis together: Their pride in Somali culture; adherence of all Somalis to Islam, and the nomadic tradition. About half of all Somalis are pastoral nomads and the remainder maintain family ties to nomads and value that life style. A strong sense of independence and of the worth of the individual flows from the nomadic tradition.

Somalis have participated in international trade in livestock, frankincense and myrrh for centuries and are quite sophisticated in their understanding of market forces. Given the harshness and uncertainties of the environment, Somalis have also developed an elaborate system for spreading economic risk widely with extended family members variously involved, for example, in nomadic herding, private trade, Government service, and overseas employment, especially in the Gulf. This desire to avoid too great an economic dependence on any one activity also affects investment behavior.

The extended family is also an important source of cohesion and social benefits. Somalis affected by the 1987 drought and the 1988 fighting in the North have received financial and other assistance from extended family members. Perhaps as many as 50,000 Northern residents, displaced by the fighting, have found a haven with family members in Mogadishu; others have drawn on a similar social safety net among relatives in other parts of the country. The United Nations team assessing the

Northern emergency in March 1989 found this network of assistance to be unique in its experience.

President Siad Barre, now in his mid-to-late 70's, has ruled Somalia for 20 years. Although severely injured in a car accident in 1986, he seems to have recovered. It is possible that a change in the Government and its leadership will occur during the CDSS period although the nature and orientation of a successor government is unclear.

The Cabinet change on April 11 may be mainly a response to recent political developments. Although economic policy and management may have been somewhat strengthened by appointment of a Minister of Finance and Treasury (MOFT) more sophisticated and knowledgeable about economics than his predecessor, it may also foreshadow a weakening of the ability to marshall political support for reform. The President has subsequently reaffirmed to the International Bank for Reconstruction and Development (IBRD) and International Monetary Fund (IMF) the GSDR's adherence to recent economic reform agreements. There may be, however, some slowing of implementation, but for now GSDR economic performance still seems on track and merits recognition.

The GSDR has committed serious human rights abuses over the years. The on-going, now a guerrilla, war in the North has seen atrocities committed by both sides. In the aftermath of the outbreak of fighting the GSDR arrested hundreds of people suspected of sympathizing with the SNM or of opposition to the Government. Under pressure from the U.S. and other Western countries the GSDR has released over 300 political prisoners since last October, announced a general amnesty, invited Amnesty International to visit (expected in June), and undertaken other political reforms. In April in recognition of these steps and progress on economic liberalization the U.S. Congress released the $15.125 million Fiscal Year (FY) 1987 Economic Support Fund (ESF) grant; however, the "hold" in place since July 1988 on the $21 million FY 1988 ESF grant remains in effect, and Congress is threatening to block FY 1989 assistance due to persisting human rights concerns.

C. Summary: Somalia's Economy

Somalia is one of the poorest countries in the world. It has few natural resources, limited infrastructure and an inadequate human resource base. At present the formal economy is in very serious decline with Government barely able to provide any critical services to its people. This is a consequence of the adverse effects of GSDR decisions in September 1987, of the 10 years of centralized control during the 1970's when under Soviet tutelage Somalia pursued State Socialism, of the very narrow base of the formal economy, even after almost 30 years of independence, and of the severe shortfall in budget resources.

The majority of Somalia is arid and semi-arid with the exception of the Jubba and Shabelli River Valleys--the only two rivers in the country. The economy is based on agriculture, which is extremely vulnerable to drought, and is highly dependent on exports of a few products, remittances from abroad and donor assistance. Even with an improved policy environment the huge debt burden and persistent structural problems present tremendous constraints to growth. While the country has potential, there are policy, technological and institutional problems which must be overcome.

Agriculture contributes two-thirds of domestic output and over 90 percent of exports. Livestock alone contributes nearly one-half of Gross Domestic Product (GDP) and until recently almost two-thirds of exports. Crop production accounts for 15 percent of agricultural production and adds about $25 million annually to foreign exchange earnings. Agriculture has grown at an average annual rate of 2.8 percent since 1977 while overall GDP grew at an estimated 1.3 percent during the same period.

Annual growth rates in livestock output (goats, sheep, camels and cattle) have varied substantially over the last decade, but grew at an average annual rate of only 2.1 percent in real terms from 1977 to 1988. The livestock subsector has been affected by drought and disease, war, and the 1983 Saudi ban on Somali cattle imports, but has shown

resiliency. If artificial barriers, mainly in the banking system and zoosanitary codes, did not exist, and if major disruptions such as the 1978 border war do not recur, livestock exports of 1.5 million head per year could increase, assuming overall offtake could be maintained without adverse impact on range resources. Livestock continues in the short-term to be the most promising and dynamic subsector of the economy. It offers the greatest immediate potential for growth and export earnings; however, improved health, quarantine facilities and range management are required.

Regarding food production, the Government estimates that since 1977 production of milk and meat grew about 2-to-3 percent annually; the fish catch for the local market, about 3 percent, and food crops, about 3-to-5 percent. However, the Mission believes that available data are inadequate and that only very rough estimates can be made about growth rates. It can be said that production of staples (milk, meat, maize and sorghum) roughly approximated population growth. Poor management of state farms has contributed significantly to declining production of other crops, such as sugar cane, rice and cotton.

Overall, agricultural growth is failing to keep pace with annual population growth, which is between 2.5 and 3 percent. Food aid and commercial imports make up the shortfall, thus avoiding a decline in consumption. There is additional land suitable for rainfed and irrigated farming; however, improved technological packages, inputs and, in the case of irrigated crops, better water management are needed.

Other primary production is limited to mining of tin and meerschaum except for some quarrying for domestic building materials. Mining output declined from 0.6 percent of GDP in 1977 to 0.3 percent in 1988. The existence of oil and natural gas resources in nearby countries has given hope for similar deposits in Somalia. Exploration is underway but so far with no results.

Manufacturing performance has been unsatisfactory, declining from 4.7 percent of GDP in 1977 to 3.7 percent in 1988, or an overall average

annual growth rate of -0.9 percent in the period. Production of canned meat, fish, fruits and vegetables, textiles, cigarettes and matches is thus at very low levels. This is not surprising; Somalia's manufacturing sector is dominated by 44 public enterprises accounting for over 80 percent of total output. The industries operate at extremely low capacity and periodically shut down or close altogether due to the lack of inputs, power, or spare parts.

Overall export performance since 1982 has been quite weak. Export earnings, which topped $130 million in 1980 and 1982, plummeted to $62 million in 1984 after Saudi Arabia banned imports of Somali cattle in 1983. Partially reflecting improved exchange rate policies combined with resumption of sheep and goat exports to Saudi Arabia, livestock exports rebounded in 1985 raising total exports to over $90 million. In 1986 and 1987, total exports averaged $95 million with livestock representing roughly two-thirds of the total. An over-valued exchange rate and the outbreak of civil strife in the North contributed to a sharp fall in 1988 to $58 million. As a percent of GDP exports fell from 11.4 percent in 1983 to 5.5 percent in 1988. Somalia's relatively weak performance is also due to structural and organizational constraints which inhibit supply responses to the price incentives made possible when appropriate exchange rate adjustments have been made. Efforts to understand this issue are being undertaken by the Mission in its export competitiveness study expected to be completed by July 1989.

Banana production has increased as a mixed Italian-Somali venture is providing inputs and market outlets. Export earnings from bananas averaged $7 million, or 6 percent of total exports, in 1980-1981 increasing to $23 million in 1988 (40 percent of total exports) for that year.

Total recorded imports, including those financed by donors, averaged $400 million over the 1983 through 1987 period and then fell to $291 million in 1988. The big drop in 1988 was due to falling export earnings and lower donor aid flows. As a percent of GDP, imports averaged 50 percent in 1983-1984, 40 percent in 1985-1987 and 30 percent in 1988. Identifiable food imports averaged $37 million from 1980

through 1983, fell to $13 million in 1984 and then climbed to $31 million in 1987. The petroleum import bill declined from $81 million in 1982 to $30 million in 1987. Imports financed by loans and grants averaged $300 million per year of which $266 million were in kind. Overall balance-of-trade deficits averaged over $300 million since 1983 and have been financed mainly through the accumulation of arrears, depletion of reserves, debt relief and donor assistance.

Regarding internal balances, revenues cover less than one-fourth of public expenditures. The composition of revenue has not changed significantly over the last few years. Revenues as a percent of GDP have declined significantly from about 12 percent in 1983 to 5 percent in 1988. The fiscal situation improved somewhat in 1988 as Government expenditures declined in real terms. The overall deficit, excluding grants, also declined from 25 percent of GDP in 1987 to 18 percent in 1988. Nevertheless, ordinary expenditures (11 percent of GDP in 1988) cannot be funded from domestic revenues, so that Government has had to resort to domestic bank financing and external aid to cover the shortfall. Deficit financing has resulted in substantial annual increases in the total money supply, causing inflation which, in turn, has been compounded by the tax structure's heavy reliance on import duties and indirect taxes which are passed on to consumers.

The annual growth rate of the broad money supply has varied substantially since 1980. Both 1985 and 1987 were years of excessive expansion when the money supply rose 74 and 132 percent, respectively. By contrast, increases were contained to 16 percent in 1982 and only 4.5 percent in 1983. From 1980 through 1988 the money supply grew at an average annual rate of 43 percent while the average annual rate of inflation was 47 percent. Domestic credit rose at an average annual rate of 38 percent during the same period. Credit expansion was extremely high in 1984 when domestic credit to the Government surged by 143 percent and in 1987 when total credit jumped 150 percent. Excessive credit expansion in those years contributed to the highest annual inflation rates ever recorded in Somalia--92 percent in 1984 and 82 percent in 1988.

The impact of Somalia's debt on economic growth is an almost intractable problem. Total debt outstanding at the end of 1979 was $576 million, but by the end of 1988 it exceeded $2 billion, almost twice GDP in foreign currency terms. Debt service payments began to rise in 1981 when Somalia paid $23.8 million or 17.4 percent of its export earnings. Debt service costs have increased rapidly, and in 1988 were almost $190 million, nearly three times (264 percent) total estimated official export earnings. Clearly, Somalia is a "debt-distressed" country as defined by the World Bank.

Payments arrears have also been mounting. In 1987 Somalia, for the first time, made no debt service payments to bilateral institutions or to non-Paris Club creditors. It paid only some of the obligations due to multilateral institutions. During that year Somalia incurred additional overdue obligations to the IMF which amounted to $24 million at year's end. As of the end of 1988, arrears outstanding to all donors totalled $269 million, including $191 million owed to multilaterals. Arrears to the IMF were $77 million with an additional $59 million falling due in 1989.

Somalia had approximately $231 million in debt outstanding to the United States at the end of 1988. (See Annex B, Table 1.) Scheduled payments for Agency for International Development (A.I.D.) loans remain fairly constant at $600,000-$700,000 a year until the year 2000. Total Public Law 480 (P.L. 480) debt is $146 million, with service payments increasing during the CDSS planning period to over $5 million per year in 1991 and 1992 when they will exceed the current and projected levels of P.L. 480 transfers. Although exact figures are not available to the A.I.D. Mission (USAID) for Foreign Military Sales (FMS) debt, it is estimated from data available to be at least $74 million with payments exceeding $12 million in 1989 and peaking at $15 million in 1992. (Using debt service payments to calculate principal, USAID estimates that FMS debt may be as high as $100 million.) The prospect of Somalia's becoming subject to the Brooke Amendment sanctions and/or Section 620q of the Foreign Assistance Act (FAA) during the CDSS

planning period is very real. Somalia's access to other external assistance, including the IMF, Arab donors and the African Development Bank (AFDB), has already been suspended due to debt arrears.

D. Recent Developments

To address these problems Somalia has recently re-committed itself to a comprehensive policy reform program. Formal relations with the IMF had been on hold since September 1987 when the GSDR abrogated the June 1987 Stand-By Agreement by revaluing the Shilling to 100 to the U.S. Dollar and abolishing the foreign exchange auction. Although Somalia's reform performance had slowed since 1985, the September 1987 decisions did not reverse other reforms adopted in prior years. Notably, marketing and agriculture producer price reforms remained in place; in fact, producer prices were raised again just after the 1987 foreign exchange measures were announced. Consumer price controls announced in February 1988 were never effectively implemented. In March 1988 Somalia reopened negotiations with the Fund and agreed in July on an interim program for the last half of Calendar Year (CY) 1988. The program included both short-term stabilization and medium-term structural adjustment measures to improve economic performance. The GSDR successfully carried out the interim program, including implementation of an acceptable alternative to the foreign exchange auction.

In March 1989 the two parties signed a second Letter of Intent covering CY 1989 which forms the basis for a full Fund-monitored program. Further, the GSDR and the IBRD agreed upon a comprehensive, three-year medium-term program for structural adjustment contained in a Policy Framework Paper (PFP). Having a full Stand-By Program depends primarily on satisfactory GSDR implementation of the agreed reforms and on the availability of donor assistance to clear Somalia's arrears to the Fund. Until arrears are cleared, Somalia cannot become eligible to receive IMF resources.

Overall, Government performance in implementing the reform program since mid-1988 has been impressive; more has been accomplished than the donors thought possible. Key elements include:

--Exchange Rate Policy - Government instituted a flexible exchange rate system which prevents excessive over-valuation of the Somali Shilling, adjusting the official rate weekly based on inflation differentials between Somalia and its principal trading partners. In addition to the weekly adjustments, it has made a number of discrete devaluations. Between June 10, 1988, and April 29, 1989, the currency was devalued from 100 to 384 Somali Shillings to the U.S. dollar, a 74 percent adjustment in foreign currency terms and 284 percent in domestic currency terms. During the same period the gap between the official and parallel rates narrowed with the official rate rising from 52 to 73 percent of the parallel rate. In addition, Government permits exporters to sell 40 percent of their foreign exchange earnings to importers at market-determined exchange rates and has initiated a non-discriminatory system for allocating foreign exchange provided through donors' Commodity Import Programs (CIPs).

--Fiscal Measures - Efforts to control public expenditures resulted in improved fiscal performance in 1988. Overall Government expenditure targets were achieved in 1988, and strict targets have been set for 1989. A series of revenue enhancing measures to increase collections by one percent of GDP each year through 1991 are being implemented. An action plan to reduce expenditures on foreign representation was prepared, and Government subsidies on petroleum products have been reduced substantially.

--Monetary Policy - In 1988 improved credit performance helped reduce the growth of broad money supply to 66 percent, as compared to 132 percent in 1987. While overall domestic credit expansion exceeded 1988 targets by about 5 percent, credit to the Government was kept significantly below the program ceiling, leading to reduced inflation during the last quarter of 1988. The combination of lower inflation and increased interest rates resulted in positive real lending rates for the first time in the 1980's.

--Structural Adjustment Measures - Legislation was approved in February 1989 to allow private competition in the banking system, maritime shipping and insurance; to liberalize domestic and export trade in hides, skins, frankincense and myrrh, and to allow private imports of veterinary medicines and human medicines and medical equipment.

--The GSDR has agreed to restructure the Somali Commercial and Savings Bank (SCSB) based on an audit of the practices which led to the huge credit surge in late 1987. The audit is now underway.

--In 1988 there was a modest salary adjustment for public sector employees which, however, was inadequate to redress the erosion in wage levels caused by years of inflation.

Progress has also been made on a series of sectoral reforms, including:

--Formal announcement in April 1988 by political and religious leaders that female circumcision is not mandated by the Koran and that the practice should be eradicated. An active education program has been instituted;

--Movement of the Somali agriculture cooperatives away from production towards service organizations for small farmers;

--Agreement by the Ministry of Agriculture in February 1989 to procedures which streamline the land registration process and freeze new registrations until the revised system is approved;

--De facto recognition of private schools in response to a growing movement to establish private and community schools. The GSDR is drafting legislation to allow registration of these schools;

--Provision of a greater share of budget resources for education. The 1989 ordinary budget was increased from 3 to 5 percent of the total;

--Consideration of detailed plans for restructuring the Agricultural Development Corporation (ADC) and the National Trading Company, and

--Streamlined procedures for registering new private enterprises are being formulated.

While there has been considerable progress in the reform program, there is still lingering doubt about the GSDR's commitment to reform and questions about the program's effect on production, growth, employment and the disadvantaged. While commitment to the program has been demonstrated in exceptional ways over the last year, a variety of other factors, including lack of technical, management and analytical skills, and internal political developments, may inhibit or slow the pace of implementation and impede achievement of targets. Concern is being expressed in some quarters that the Somali economy may not have sufficient resilience to respond to the stimuli offered by the reforms. The paucity of data provides an inadequate base for policy analysis and for evaluation of the results.

A key indicator of the impact of the reform program will be the reaction of the private sector. Only with sustained reform efforts over time will entrepreneurs develop the confidence to begin to make investments needed to stimulate growth.

II. PROBLEM AREAS

A. Summary

Previous CDSS' for Somalia have accurately described the major development problems at sectoral and macro levels. Many A.I.D.-funded studies have heightened the Mission's understanding of these problems. An analysis of the causes of poverty in Somalia reveals a striking similarity of problems across sectors:

--Macro-economic mismanagement and lack of stability in economic policies, leading to a high level of mistrust of Government and a poor investment climate;

--Over-dependence on, and poor management of, external resources as well as inadequate mobilization of domestic resources;

--An over-extended public sector heavily involved in production and commercial activities best left to the private sector;

--Confusing and contradictory regulatory, legal and administrative procedures, leaving wide discretion in their interpretation and application;

--An unmotivated civil service and a weak human resource base with insufficient technical training, management capacity, communications and analytical skills for policy and program formulation and implementation, and

--Inadequate public investments in social services and productive infrastructure and insufficient private sector investments in the productive sectors. These are made more serious by the very poor infrastructure network and the inadequate human skills base at Independence.

B. Inadequate Income Growth

Estimating per capita income in Somalia or generalizing about levels of welfare is extremely difficult. Although the economy stagnated during the 1977-1988 period with an average annual growth rate of GDP of only 1.3 percent, little can be said with certainty regarding the well-being of the family. This is because (1) a large part of family incomes may be derived from remittances of members working outside Somalia and sending either cash or goods home through informal channels; (2) a significant proportion of imports and exports pass through informal channels, and (3) most extended families are actually multi-occupational groups with a number of income sources, thereby effectively sharing risks and resources. As a result official estimates of per capita income are deceptive and do not accurately reflect welfare. However, even if one assumes that most Somali households might be better off than the official statistics indicate, one cannot conclude that people are absolutely well off. The "growth" evident in urban areas is not visible in rural areas where 75 percent of the population live. Furthermore, social services (health and education) needed to stimulate and sustain broad-based economic growth are severely declining.

Inflation has averaged over 40 percent per year for the last 10 years and was 82 percent in 1988. High inflation coupled with low growth has eroded living standards, especially for people with fixed incomes, mainly civil servants, and those who are market-dependent.

The impact of inflation and inadequate income growth is most severe on urban dwellers. In Mogadishu the vulnerable population may approach 20 percent of the total, or some 200,000-300,000 people, assuming a population of 1.0-1.5 million. These are the poor who are market-dependent, squatters, women who head households and do not receive remittances, and street children and their families. Other factors affect the incomes of the rural population. Particularly vulnerable are nomads whose herds are decimated by drought, farmers in low rainfall areas and farmers who lack security of land tenure in the inter-riverine area.

C. Hunger

Urban areas and the rural settled areas each comprise up to 25 percent of the total population. Although farmers and nomads produce a surplus of calories (crops and livestock), possibly as much as three-fifths above their own requirements, high food imports are necessary because farmers do not grow sufficient quantities of rice, wheat, oil and other staples preferred by urban consumers.

Data on the incidence of malnutrition and hunger are scanty and based on a limited number of clinical and household surveys. The World Bank and National Health Plan 1980-1985 estimated that 26 percent of children are malnourished. This estimate was based on survey work done mostly during droughts. Two other surveys conducted under non-drought conditions revealed lower malnutrition figures. A 1980 survey in several rural regions found 3.9 percent malnourished, and a 1985 survey in Mogadishu showed 18.7 percent. Severe anemia is prevalent among women, particularly during pregnancy, and other nutrition-related health problems, such as goiter, scurvy and night blindness, are common.

Crop Production - Somalia is neither self-sufficient nor self-reliant in total food production although producer price increases for maize and sorghum have stimulated production such that in years of good rains Somalia can be self-sufficient in these two commodities. Only 25 percent of the population farms on a permanent basis; the crop subsector is small and still evolving. Some 320,000 farm families cultivate one million hectares of which 75 percent are found in only three of Somalia's 18 regions. About one-third of all farmers use irrigation; these are located in the Jubba and Shabelli River basins. Given the growing urban population, production and marketing constraints, variable and poorly distributed rainfall, and the large proportion of Somalia not suited to crop production, it is unlikely that Somalia will become self-reliant in the short or medium term, if at all. Currently, almost half of the food grains marketed are imported, mainly rice and wheat (for bread and pasta), on commercial and concessional terms.

The proposed Bardhere Dam project on the Middle Jubba is technically feasible and could irrigate substantial additional hectarage and replace with hydropower the thermal-generated electricity on which Somalia now depends and which requires imported oil. However, there are several major obstacles to proceeding with the project, including the enormous cost (at least $500 million), the addition to Somalia's already burdensome debt load, the need to resettle 70,000 people residing in the reservoir zone and to work out riparian rights with Ethiopia. In addition, the country lacks the management capacity to prevent soil salinization and suffers from inadequate agricultural research on viable technical packages.

A limited variety of crops is grown under rainfed conditions (sorghum, maize, pulses and sesame). More drought-tolerant crops, roots and tubers could be promoted to enhance food security in low-rainfall areas and during droughts, expected in three of every five growing seasons. Crop and livestock producers have evolved intricate agropastoral systems in both irrigated and rainfed areas to minimize risks and diversify their sources of food and income.

Since liberalization in 1982 producer prices have risen to incentive levels and at times exceed world market parities. In addition to inadequate research and extension systems, the lack of supporting infrastructure and services, such as the supply of key agricultural inputs and processing equipment, are major constraints to increased production and marketing. The Government is now encouraging private traders to become more involved in input procurement and distribution. Lack of readily available credit and access to foreign exchange in rural areas inhibits rural merchants and retailers from playing a more active role.

Livestock - Livestock production, including milk, meat for domestic slaughter, live animal exports and hides and skins, makes up 72 percent of the total value of agricultural production. Many traders, including women who bring milk to urban markets, deal in livestock. During the

peak period of milk production (the rainy season) milk is an important source of calories and protein for nomads. Milk is also an important commodity exchanged with farmers for maize and sorghum. Milk production has the potential of contributing even more nutritionally and economically through improvements in livestock feed and forage research and in improved genetic selection. The subsector is Somalia's major source of employment. For overall agriculture growth to reach the 4-to-5 percent/year envisaged by the PFP, this subsector must raise its annual growth rate to 3-to-4 percent/year. (Mission Agriculture staff feel this target is unrealistically high.) A key is sufficient feed and fodder as the rangelands are now near capacity given current management techniques. If growth of output (increases in offtake, herd size and milk production) moderates and the population continues to grow, the surplus available for export will be increasingly required for domestic consumption. While reports of overstocking and deteriorating range conditions may have been exaggerated, greater efforts are needed to manage this important natural resource.

D. Human Resources

Civil Service Performance - An overriding human resource issue is the failure of the civil service to manage public resources effectively. Several factors have created this problem: The declining levels of education; inadequate salaries and other incentives, and poor training of civil servants. A large, cumbersome ministerial structure exists with overlapping and conflicting responsibilities. Cabinet changes are frequent and disruptive. The ineffective civil service contributes to the poor performance of the economy.

The PFP commits the Government to budget reforms which not only increase salary levels but increase resources for social services and recurrent costs, such as for maintenance of facilities and purchase of basic supplies and equipment. In addition, there is a need to classify posts, to provide sufficient incentives to retain and motivate qualified staff, and to relate compensation to job performance. Public institutions need to be decentralized and more authority delegated to regional and district units.

Population - Estimates of Somalia's population vary widely. GSDR authorities claim nearly 9 million people while donors estimate 6 million. The large influx of refugees during 1978-79 due to the war with Ethiopia increased the total population by perhaps 10 percent. While the number of refugees in Somalia is as disputed as the total size of the population, current estimates are about 350,000-585,000. The official figure for the population growth rate is 3.1 percent, but experts feel that 2.5 percent is more consistent with reported death, fertility, morbidity, and maternal and infant mortality rates.

Demographic information is based on the 1975 census. The 1987 census is still being tabulated; however, preliminary analysis indicates that in the short-run urban migration is more important than population growth *per se*. Mogadishu has tripled in size over the last 10 years, straining basic services, such as water, electricity, health, housing and schools. Migration has also contributed to labor shortages in rural areas, favoring the push for capital-intensive technologies for land preparation.

Although family planning is a new concept, child spacing has traditionally been widely practiced among nomads. The Family Health Services (FHS) project is basing its Information, Education and Communication (IE&C) campaigns on this traditional practice. Family planning activities can be successful, especially if combined with child survival and health strategies. Private pharmacies carry contraceptives, but the number of couples using them is probably very small. The overall rate of contraceptive use is believed to be about one percent.

Disease and Early Death - The United Nations Children's Fund (UNICEF) estimates that life expectancy in Somalia is 42 years, among the lowest in the world. The East African average is 50. Only 10-15 percent of the population has access to primary health care services; most people rely on traditional health practitioners and pharmacists who have no formal training. The nomadic population with virtually no health services is most vulnerable to disease and malnutrition. Over 50 percent of all medical and paramedical personnel and 75 percent of the doctors in the country are based in Mogadishu.

Private medical care was legalized in 1983. Recent legislation will allow private importation and supply of medicines and medical equipment. Greater private sector participation in the provision of rural health services could be encouraged by training traditional health practitioners and pharmacists.

Infant mortality rates of 152 per 1,000 have been reported--twice the A.I.D. standard for this indicator. The child mortality rate for those one-to-five years of age is also very high (105 per 1,000). Leading causes of mortality in children under five are diarrhea, tetanus, pneumonia, birth complications, measles and premature birth.

Somalia has the third or fourth highest maternal mortality rate in the world with 1,100 mothers dying per 100,000 births, three times the average of 329 per 100,000 in all other low-income countries. Major causes are post-partum bleeding and prolonged labor, which are directly linked to the practice of female circumcision. Surveys indicate that the median age of death of women is 30 years with 66 percent of women over 14 years dying during the childbearing years. The estimated national ratio of males to females in the population is 114/100. When compared to the more common distribution of about 100/107, it underscores the seriousness of the high female mortality rate and casts doubt on GSDR estimates of population growth higher than 3 percent/year. Major constraints to reducing child and female mortality are the lack of public awareness of nutrition, hygiene, and child spacing; female circumcision, and poor and poorly distributed health care services.

Illiteracy and Lack of Education - At independence in 1960 Somalia inherited a very weak educational structure and a population which, with the exception of a small elite, was mostly illiterate. Less than 10 percent of primary-school-aged children were enrolled.

The 1970s brought considerable improvements as school enrollments more than doubled between 1973 and 1976. By 1977 primary school enrollments

were reportedly about 70 percent of the age group. Literacy increased to almost 50 percent (45 percent for girls) due to the introduction of a Somali alphabet and written language and the successful mass literacy campaign launched in 1973.

These achievements have not been sustained. Nominal school enrollments declined over the last 10 years so that only 17 percent of all primary-school-aged children and only 12 percent of school-aged girls are now enrolled. The adult literacy rate is about 17 percent, while overall female literacy is 6 percent and as low as 1-2 percent among nomads. Less than 25 percent of children receive any primary education. With at least one-third of them completing only four years of school or less, the proportion of functionally literate will continue to fall.

Low enrollment and attendance rates reflect several factors. Parents are dissatisfied and lack confidence in the educational system; the school calendar competes with peak labor times for farmers, and schools are poorly distributed. Fifty percent of all secondary students are enrolled in schools in Mogadishu, and nomadic regions have almost no secondary schools. Low teaching skills and a 40-percent absentee rate among teachers creates an unacceptably low quality of basic education, largely a result of the lack of funds. Teachers earn less than $6 a month; buildings have not been maintained and are in disrepair, and there are virtually no books or writing materials. Training in critically needed technical skills is equally deficient. As a result graduates increasingly fail to find employment. Many graduates as well as students sent abroad for training fail to return to Somalia.

The Government, in the face of its own inadequate resources, now advocates a community support approach and is seeking ways to recognize private schools. The IBRD is also considering a new sector program aimed at primary education.

E. Other Problem Areas

Relief and Rehabilitation - In May 1988 armed conflict broke out in the North, affecting a population of over 600,000. Hargeisa and Burao in the Northwest Region fell under the control of the SNM, but were later retaken by the GSDR military. About 70 percent of Hargeisa and 30 percent of Burao were damaged or destroyed, and between 275,000 and 380,000 residents of Hargeisa, Burao and other nearby areas fled into southeastern Ethiopia. Subsequently, the SNM briefly overran Erigavo in March 1989; as this CDSS was being completed there were reports the SNM may have captured three small towns on the border with Djibouti.

The Government appealed for donor assistance in early September. The United States Government has provided over $2.5 million in emergency assistance, including food, an emergency field hospital, blankets, plastic sheeting for temporary shelter, radios, medical equipment, temporary services of an epidemiologist, and equipment needed for water storage and delivery.

Random guerrilla attacks continue along the roads, but the recaptured cities are generally secure. Some residents have returned, and limited economic activities have resumed in the two war-damaged towns. In March the Government appointed a three-person commission charged with restoring political and economic order in the North.

The problems of reconstruction and rehabilitation will be enormous. A recent United Nations Development Program (UNDP) assessment estimated that rebuilding Hargeisa and Burao will require more than $800 million. Political reconciliation and restoring the civil administration and full economic activity pose major challenges for the regime.

Natural Disasters - Somalia is prone to emergencies and disasters arising from such natural causes as droughts and floods, each experienced in 1987; for the last two years Somalia has also been threatened with locusts. Droughts are particularly troublesome; average

rainfall is often only slightly above the minimum necessary to produce crops and maintain rangeland. In three out of five cultivation seasons the rains may fail; localized droughts are statistically certain to occur annually. Major droughts occurred in 1973-75, 1981, 1984-1985 and 1987. The CDSS strategy period will certainly see similar emergencies.

F. Institutions

Somalia's institutions are seriously under-developed and have utilized neither domestic nor donor resources effectively. There is a proliferation of semi-autonomous projects and public enterprises with no common standards for salaries, recruitment, promotion, training and motivation of personnel. The MOFT is now the major actor guiding policy reform efforts and allocating budget resources. A crucial question is the role of other institutions in, and the pace and commitment to, civil service reform. Unable to derive sufficient income from official salaries, many civil servants have turned to graft or taken on additional jobs during and after office hours or have left the country in search of more lucrative employment. They also have depended on the extended family system. The consequences are positive and negative. While new resources are mobilized in the private sector, they are primarily consumption oriented. Essential Government services are lacking or provided only to promote special interests.

Despite these problems, A.I.D. and other donors are assisting several activities which could stimulate growth. The following are illustrative:

Agriculture

--In the central rangelands, sand dune stabilization, management of grazing reserves, agroforestry techniques, shelter belts and dug-outs are being introduced.

--The Faculty of Agriculture graduates 20-25 persons annually at the Bachelor of Science level in agriculture and livestock, but needs better linkages with extension and research.

--Research stations in Somalia's four major agro-ecological zones conduct trials and test improved crop varieties, but have produced few technological breakthroughs. Breeders are needed and more adaptive research must be done, especially on agropastoral systems in the inter-riverine region. The only sources of improved seeds are occasional imports by a Food and Agricultural Organization (FAO) project and donor CIPs.

--The Agricultural Farm Management, Extension and Training (AFMET) project has about 200 extension agents and has announced its intention of targeting activities to make women 50 percent of its clients. Adaptive research has supplied a limited package of improved management practices for irrigated maize and rainfed sorghum now being adopted by 60 percent of the 150,000 farmers serviced.

--Women and small farmers have limited access to credit, a problem that the recently reorganized cooperative movement seeks to address. There is a need for rural banking to attract and mobilize savings and provide credit for small farmers, rural merchants and agrobusinesses. An agricultural cooperative bank is being formed, but it is being resisted by the SCSB. Current plans call for it to be organized in a manner more representative of the cooperative movement, especially of its agricultural members.

--The Food and Early Warning Systems (FEWS) project is the major source of relatively accurate agriculture and rainfall data, but covers a limited area of the country. When the results of the 1985 Household Budget and Consumption Survey become available, information on income groups and consumption will permit better analysis for planning and policy formulation. While the A.I.D.-supported Livestock Marketing and Health Project (LMHP) has done some data collection and analysis, more must be accomplished if livestock marketing is to be better understood and supported.

Human Resources

--The Institute for Women's Education (IWE) has made its rural training programs more appropriate and accessible to women. While staff skills need to be strengthened, rural women can be reached through the IWE network of 137 Family Life Training Centers.

--The Somali Family Health Care Association (SFHCA) is a young organization trying to coordinate family planning programs and operational research for several organizations, including the Ministry of Health, the Somalia Women's Democratic Organization and the Curriculum Development Center of the Ministry of Education. SFHCA is currently dependent on A.I.D., and most of its staff is seconded from the civil service. While it needs to diversify its funding sources, SFHCA could play a key role in promoting family planning and combatting female circumcision.

G. GSDR Budget

Annex B (Tables 2-6) are based on the published Government budget for the last four years. Planned and actual spending on such things as defense exceeds published figures, and this may well be true in other areas as well, i.e., subsidies to parastatals, so that published budget figures only approximate reality. The budget finances economic, social and general services. Analysis of the data reveals the inadequacy of GSDR investments in the economic and social sectors. The Ministries of Agriculture, Livestock and Fisheries together received less than 3 percent of the approved 1989 ordinary, or recurrent, budget. Agriculture's share of the total budget was driven upward to 10 percent by the 19 percent share accorded it in the development budget due to donors' financing 100 percent of a large number of projects in this sector.

The MOFT will receive 42 percent of the total 1989 budget. Most of this will finance parastatal deficits and discretionary spending. According to the 1989 published budget, the Ministry of Defense will receive 13

percent of the total and 23 percent of the ordinary budget; the Ministry of Justice, police, militia, and prisons, 6 percent of the total and 11 percent of the ordinary, and Foreign Affairs, 10 percent of the total and 18 percent of the ordinary budget. The Ministry of Foreign Affairs' allocation of foreign exchange is to be reduced substantially over the next three years as part of recent agreements with the IMF and IBRD.

The average of approved budgets for health during 1986-1988 was only 1.37 percent of the total ordinary budget. Though it has been doubled in 1989 to 2.95 percent, it is uncertain whether the GSDR will have the resources to meet this still meager commitment. In 1987 the Ministry of Health (MOH) was allocated 1.22 percent but actually received .96 percent. Virtually all MOH budget resources go for personnel, leaving little for maintenance of facilities, equipment, and medicines. As a result only about 20 percent of district health clinics are functioning.

Similarly, in the 1986-1988 period the ordinary budget for education averaged 2.83 percent (3.38 percent of the total when development budget resources are included). Total resources allocated to education dropped by 26 percent in real terms between 1986 and 1987 and again by 26 percent in real terms between 1987 and 1988. An estimated 40 percent is spent on the primary school system. The PFP commits the Government to increase resources for primary education beginning in 1989, and the published 1989 budget does raise education's share of the ordinary budget from 3 to 5 percent. Again, the availability of overall budget resources will determine whether the GSDR can fulfill this commitment.

H. Donor Assistance and Coordination

Somalia is extraordinarily dependent on donor financing for all of its development budget, most of the recurrent budget, three-quarters of its import bill, and, increasingly, debt servicing. However, donor resources may have declined since 1980, further limiting Somalia's ability to undertake development programs.

There are few large bilateral donors in Somalia. Only four provided grant financing of more than $10.0 million in 1987 (see Annex B, Table 7). Although Italy is the principal contributor to the Public Investment Program (PIP), other donors are more important sources of technical assistance (see Table 8). With the exception of one advisor provided by the United Nations Fund for Population Activities, A.I.D. is the sole donor providing technical assistance in family planning.

The PIP contains a nearly complete list and brief description of development projects, providing at least one prospective method for controlling funding and eliminating low priority projects. So far, however, only minor changes have been achieved due to Somali adherence to on-going activities and donor willingness to finance low priority and non-economic projects. The PIP also includes recurrent costs for project salaries and operating expenses which should eventually become part of the ordinary budget. Under recent budget conditions, however, the only way to assure financing for donor-supported activities is to include both the recurrent and development requirements in the development budget. In order to attract continued donor financing, projects continue to appear in the development budget after the development phase has ended.

A Joint Technical Cooperation Assessment Mission (TCAM) undertaken by the World Bank and UNDP in 1985 concluded that the $100 million received annually since 1980 for technical assistance (1,200-1,400 experts) had produced unsatisfactory results. The TCAM cited other major problems: 1) Creation of separate project management units outside of ministries in order to counter the weakness of the civil service contributed to proliferation of GSDR organizational units and weakened ministries; 2) inability of Government to meet recurrent costs of projects, and 3) inadequate Somali participation in project design and execution. The report recommended: a) Greater attention to rehabilitation activities and use of existing capacity; b) increased efforts to manage development and formulate sound economic policies; c) civil service reform; d) improved programming in the PIP, and e) greater use of short-term advisory services and repatriation of trained Somalis from abroad.

The effectiveness of donor coordination has been mixed. On occasion donors have united on key issues: for example, Italy, the U.S., Federal Republic of Germany (F.R.G.), United Kingdom (U.K.) and IBRD agreed that the GSDR's resuming its relationship with the IMF was a precondition to release of program assistance suspended in September 1987. A formal local structure exists, chaired by the UNDP, and provides a forum for the donors to share information. The donors group, involving some 40 organizations--multilaterals, bilaterals and non-governmental organizations (NGOs)--meets monthly. There are also active donor subgroups for food aid, emergency assistance, and education.

There is an IBRD-led Consultative Group (CG). At its last meeting in April 1987, members agreed:

--That the recurrent cost problem of development projects was critical.

--That more donor funds should be provided to non-project assistance.

--That debt rescheduling was necessary.

--That further economic liberalization was a precondition to development and should be linked to donor assistance.

--That more untied aid was needed.

The CG meeting was followed by the first local Joint Coordination Group (JCG) meeting with the GSDR in early September 1987. The JCG reviewed the PIP and projected donor contributions; it discussed intensively the recurrent cost problem and the need to increase GSDR revenues. The JCG agreed that closer technical cooperation was needed in selecting and designing projects. Little follow-up on these agreements has occurred.

The IBRD hosted a donors meeting in London in September 1988 to assess GSDR progress on reform measures agreed in July with the IMF. Finding

that progress had been impressive, the donors determined that Somalia's critical needs were for cash transfers to pay arrears and finance essential oil imports. They also agreed to reinstate suspended program assistance which, with the release of the FY 1987 ESF in April 1989, all donors have now done. While only the U.S. and Italy can provide cash transfers, the European Economic Community (EEC), Japan and Saudi Arabia contribute to oil needs. West German commodity aid is small; implementation is slow and cumbersome. The U.K. is not yet providing new program aid. Human rights concerns have also affected these donors' programs.

Donor coordination could be improved. The problems of the PIP have already been mentioned. In addition, the Italians--by far the largest donor--have not always acted in concert with the others. On occasion creating formal donor coordination structures to deal with emergencies has substituted for concrete action, as was the case in responding to the 1987 drought and the 1988 emergency in the North. Closer consultation is needed at the technical level to avoid redundancy and increase the development impact of project assistance.

III. A.I.D.'S CURRENT PROGRAM

A. Program Levels and Strategy Focus

The last approved CDSS for Somalia was prepared in January 1985, covering the planning period FY 1987-1989. The strategy had both short-term and long-term objectives:

--In the short-term A.I.D. was to provide balance of payments support, reduce the public deficit, and support promising areas for future growth.

--In the long-term A.I.D. sought to build a base for productivity in a diversified and outward-oriented economy.

Implementation of this strategy called for funding levels in excess of $80 million a year from Development Assistance (DA) or Development Fund for Africa (DFA) monies of $20 million/year; ESF of $40 million/year; P.L. 480 of $20 million/year, plus $8 million and $10 million grants from the Migration Refugee Act for settlement projects in FY 1985 and FY 1988, respectively.

Actual program levels fell far short of these targets, exacerbating the GSDR's strong feeling that the U.S. has not met its commitments to Somalia or been a very reliable partner--feelings even stronger on the military assistance side. (See Annex D, Table 1.) Even in FY 1985 and FY 1986 total economic assistance was only $69.4 million and $60.7 million, respectively. Thereafter levels declined even more rapidly, reaching $33.75 million in FY 1989.

Because of the Congressional hold in FY 1988 on the $21.0 million ESF program grant, these funds have been carried into FY 1989. This grant will be obligated this year, assuming Congressional release and GSDR payment of $1.05 million in FMS arrearages to prevent Brooke Amendment sanctions taking effect at the end of June.

The proposed FY 1990 ESF level was cut to only $20.0 million after the Mission had been notified the figure was to be $25.0 million. With the reduced ESF the total proposed program next year is only $26 million, including P.L. 480 of $2 million and DFA, $4 million. The proposed FY 1990 economic assistance total is thus one-fourth less than that in FY 1989. The Mission has only been able to meet its commitment for on-going projects by diverting ESF to cover DFA shortfalls, thereby reducing the amounts available for balance of payments (BOP) purposes as A.I.D./Washington (AID/W) did not provide sufficient DFA funding for these projects.

With these budget constraints programming decisions have often been preempted in recent years or determined in AID/W. Rather than deciding which activities should be ended or continued on programmatic grounds,

at AID/W direction projects were closed as scheduled completion dates were reached. Notably, two projects were terminated before their potential benefits were realized: the Central Rangelands Development Project ends in June 1989, before the effects of technical assistance and training at the Faculty of Agriculture will have been fully institutionalized. The Bay Region Agricultural Development project ended in June 1988 just as researchers were on the verge of identifying profitable technological packages.

The number of active projects declined between FY 1986 and FY 1989 from 21 to 17; (see Annex D, Table 5); however, the result was not a more focussed program. Further, several projects (Shabelli Water Management Project (SWMP) and Somali Management Training and Development (SOMTAD) were designed with the stated intent of there being follow-on activities. These second phase activities will not be possible at currently proposed funding levels, thus limiting their potential impact. Of the 17 on-going projects now in the portfolio, only three end in FY 1990, two in FY 1991, and four in FY 1992. The remaining eight continue beyond the CDSS period. Therefore, during the strategy period, programming decisions and staff needs will be heavily influenced by existing commitments.

B. Current Program Components

The Mission strategy primarily addresses short-term macro-economic stabilization objectives, balanced, to the extent possible, with a development program addressing longer-term constraints to growth. The elements of the current program may be loosely grouped into three categories.

Policy Reform

Annual program assistance grants ranging from $15-to-$21 million over the period FY 1987 to FY 1989 were intended to encourage policy reform and provide BOP support for the former foreign exchange auction, debt relief and commodity imports. No ESF program assistance has been

disbursed since the FY 1986 grant due to program and policy concerns. P.L. 480 has also helped meet BOP shortfalls. Several technical assistance activities financed by the Policy Initiatives and Privatization Project (PIPs) and the Program Development and Support Project (PD&S) have strengthened the Mission's policy dialogue; these include:

--Advisors under PIPs and SOMTAD to the Ministry of Industries are drafting regulations which will allow implementation of the February 1989 legislation allowing private competition with State-Owned Enterprises (SOEs), reviewing the merits of registration versus licensing of new businesses, and using the experience of divestiture of two SOEs (Somaltex and the Edible Oil Mill) to draft uniform procedures for other privatization actions.

--A study over the next few months is to encourage the GSDR to move toward a more flexible land policy as agreed to in the PFP. The objective is to recommend changes in the land law and develop an action plan for revising current legislation.

--Simultaneously, A.I.D. is funding a study to determine the profitability of Somali exports at different exchange rates at the request of the GSDR and IBRD. The initial phase will examine the export competitiveness of sheep, goats, cattle, camels, bananas and unprocessed goatskins.

--A tax expert assisted the Tax Reform Commission to analyze the tax structure and recommended modifications of the system of tax administration. The PIPs long-term advisor and a SOMTAD expert at the MOFT also worked with the Commission.

--PIPs financed a series of studies on the agriculture sector; the recommendations were used in establishing the self-help measures for the FY 1989 P.L. 480 agreement.

--USAID is sending high-level Somali economic policy makers to seminars on policy reform, privatization and the informal sector to enhance their understanding of issues in these areas and other African countries' experiences. The Vice Minister of Finance and Treasury, who attended A.I.D.'s policy reform conference in September in Nairobi and who led the GSDR team negotiating the two Letters of Intent and the PFP, has remarked several times on how helpful that conference was to him.

Export Promotion and Expansion of Domestic Production

The following activities are not an exhaustive listing but illustrate A.I.D.'s support for directly productive activities. For example, LMHP is promoting livestock exports by constructing quarantine facilities at Somalia's three major ports. It appears that the Saudi ban is in the process of being eased or lifted so that project construction is very timely. In conjunction with the rebuilding of the Kismayo port, completed in 1988, the city water system is now being rehabilitated to provide safe water for merchant shipping. Recent exchange rate adjustments should provide more incentives to exporters than was true after September 1987.

Several activities are contributing to increasing domestic food production. The FY 1988 CIP will provide foreign exchange necessary for private entrepreneurs for agro-industrial inputs (seeds, fertilizers, herbicides, feed), spare parts and machinery, and petroleum to enable more reliable power supplies for industry. SWMP will improve water management practices, fund applied agricultural research activities and rehabilitate irrigation facilities in the Shalambood area of the Shabelli River Valley. Several agriculture production activities are being implemented by private voluntary organizations (PVO's) through the PVO-Partners in Development Project (PVO-P). The Somali Refugee Settlement Project (SRSP) was to settle refugees in rural farming areas. Because the estimated total funding of $18 million was never forthcoming, the now modest $4.0 million project has not had the resources to attract PVO's, and implementation has been seriously slowed.

The Jubba Development Analytical Studies project recently completed an extensive socio-economic study of the area of the proposed Bardhere dam. Results are being used by other donors and the Government in planning for Jubba Valley development, a central factor of which is the proposed multi-donor Bardhere Dam Project.

Increasing Public Sector Efficiency

Several projects seek to improve the performance of the public sector primarily through human resource development and strengthening key institutions. SOMTAD is a major undertaking to improve public and private sector efficiency. In addition, PIPs has financed a long-term advisor in the MOFT to improve budgeting procedures and the allocation of local currency generations to the development budget.

A.I.D. has also provided training and technical assistance since 1982 to upgrade the Government's demographic capabilities and to heighten awareness of population issues, particularly as they affect the health of women and children. With A.I.D. assistance the Ministry of National Planning (MONP) undertook the 1987 census and data is being tabulated and analyzed. The FHS project is promoting IE&C activities on child spacing and female circumcision in five Government institutions.

IV. STRATEGY

A. Purpose of the Interim CDSS

This CDSS is submitted not only because the period covered by the last CDSS has elapsed, but also, and more importantly, because it is time to assess program components and objectives in relation to available resources. The strategy proposed herein is an interim one covering three years, FY 1990-FY 1992. The decision to propose only an interim

strategy reflects a number of uncertainties:

--Whether the military access rights agreement continues in effect after 1990.

--How the domestic political situation will evolve.

--Whether there can be reconciliation with the full participation of all the contending parties in the North.

--Whether recent progress on human rights is sustained.

--Whether Somalia can clear critical debt arrears, i.e., to the U.S. and to the IMF and other multilaterals, so as to continue to have access to donor funds.

--Whether U.S. resources will be available in amounts appropriate to Somalia's priority and USAID program objectives.

These uncertainties give rise to key issues, which must be addressed by Washington agencies in reviewing this CDSS:

How will internal political change affect U.S. interests? It is possible that the Government may change during this CDSS period. The outlook for anyone who might succeed President Siad Barre is uncertain.

What should be the relationship between assistance levels and the priority accorded to Somalia? It is the Country Team's judgment that there is a serious disjuncture between funds now available and projected for the future, and the multiple policy objectives set for us: 1) Achieve political reconciliation and an end to armed conflict in the North; 2) improve Somalia's human rights practices; 3) resolve the refugee problem and enhance stability in the Horn; 4) preserve access rights, subject to renegotiation in 1990, and 5) encourage economic development promoting reform and an outward-oriented economy more reliant on the private sector. Either there must be an increase in

assistance levels to enable some reasonable prospect of attaining those objectives, or the goals themselves must be reduced to coincide with resources available. As indicated above, present DFA funds are inadequate even to meet the ongoing "mortgage" requirements of high-priority, continuing projects; ESF otherwise needed to support policy reform is being diverted to cover the shortfall. New annual P.L. 480 commitments will soon be exceeded by repayments for prior-year Title I loans, and a similar reverse flow will occur with military assistance funds. Under current funding projections there is little latitude to initiate new development efforts until 1991 or later.

Should Somalia be elevated to an A.I.D. Africa Bureau Category II country from Category III? Per 88 State 228559 DFA country funding allocations are to be based mainly on economic reform performance with those in Category I (countries committed to economic reform and market-based growth with good potential for growth, populations over 7 million, and capability for managing serious debt or foreign exchange problems) receiving higher funding. Improved reform performance is to be rewarded with higher funding. Political importance is to be downplayed, and development criteria are to be weighted more heavily in funding decisions. Category II countries are those with a demonstrated "commitment to adopting or continuing to implement good economic policies and/or having good records of economic growth" and may also be "larger and have excellent growth potential but are currently experiencing difficulties in implementing needed economic reform programs." Category III was identified as the "residual" group with Somalia and Liberia classed as Category III because they "have political importance but currently face difficult growth prospects in poor policy environments." The Mission believes that Somalia should be elevated to Category II based on its excellent reform performance over the last year and its highly regarded reform program. Certainly, on economic reform Somalia outshines the Sudan, now in Category II. Somalia's political importance should not prohibit reclassification given that Zaire, Kenya and Senegal in Category I and Mozambique, Botswana, Lesotho and Swaziland in Category II all have either strategic importance to the U.S. or political importance as "Front Line" states. While Somalia's

growth prospects may not match those of some, it does have unexploited resources and additional potential.

What are the prospects that Somalia will sustain and continue the rather remarkable economic reforms agreed with the IMF and IBRD since resuming its dialogue on reform in March 1988? Cynics argue that the GSDR's reform performance deteriorated between 1985-87 and that the GSDR has only agreed to reforms to restore donor aid flows suspended in 1987. Most of the reforms adopted before September 1987 remained in place during the hiatus (September 1987-January 1988) in IMF-GSDR relations. Also, in March 1987 A.I.D. had characterized Somalia's reform performance to the Congress as generally good with resistance to reform being termed unsystematic and particularistic; the IMF and IBRD had judged performance to be sufficient to warrant signing a new Stand-By in June and negotiating a second agriculture sector assistance package in August, respectively. As donors promised resumed program aid as a "carrot" to encourage the GSDR to reach a new agreement with the IMF after the 1987 reversal of foreign exchange reforms, it seems somewhat perverse now to fault the Government for rising to the donors' bait. Somalia has sustained the resumed reform process for over a year and implemented fully its agreements with the Bank and Fund. IMF negotiators have rated Somalia's performance high in contrast to many other African countries, i.e., Zambia, Zaire, Sudan and Liberia. Given the intent and complexity of the agreed reform package and Somalia's notably thin economic management competence, some slippage and progress "in fits and starts" are inevitable. Unless adequate donor resources and support are forthcoming, failure of the reform program and/or its abandonment should be expected. The U.S. must continue to monitor GSDR performance closely so as to verify Somali performance and to distinguish between evasion and ineptitude while continuing to encourage and rewarding positive reform developments.

How many priorities can the USAID sustain in the face of declining A.I.D. program funds and AID/W's seeming inability to assign critical staff replacements? At present USAID is deeply involved: 1) In policy reform, 2) in emergency relief assistance to the North and for periodic

droughts, 3) in supporting increased agriculture exports, 4) in strengthening public management, 5) in support for refugee resettlement, and 6) in enhancing involvement of PVO's mainly in development of remote rural areas. Four U.S. direct-hire (USDH) positions have been vacant throughout FY 1989 (with one of these covered by a Personal Services Contractor (PSC) and a second by short-term help); the Mission may have four direct-hire slots unfilled at the start of FY 1990.

B. Objectives and Strategy Options

Previous sections point to four problem areas which will preoccupy Somalia and its donors over the CDSS period:

--Macro-economic policy reform and improved debt management.

--Relief, reconstruction and rehabilitation in the North.

--Agriculture and export growth, including pertinent sectoral reforms.

--Improved public sector management, including appropriate sectoral reforms.

Accordingly, during the CDSS planning period and to the degree resources permit the Mission will seek to contribute to establishing a sound basis for sustained growth. To achieve this goal we will support GSDR reform efforts to improve its economic policy framework and restructure its economy toward a more private-sector led, market-oriented system. This will also include rationalization of public sector operations to mobilize, allocate and utilize resources more efficiently and effectively and enhancement of the role of the private sector in all aspects of the economy.

Such a goal reflects the Mission's belief that Somalia merits continued U.S. assistance. It remains a country of high strategic priority for the U.S. Somalia has developed and so far implemented successfully, a

very ambitious and complex economic reform program in a short time. We assume Somalia will continue to perform well. Somalia is a Relatively Least Developed Country and one of the poorest countries in Africa and thereby needs development assistance. The U.S. has a stake in Somalia's economic well-being. Given the high probability of natural disasters, humanitarian considerations will most likely result in continued A.I.D. response to major emergencies. With Somalia's already heavy dependence on donor resources and Somalia's continued high priority for the U.S., a U.S. pull-out or dramatic cut in assistance at this point would be contrary to our interests. What the U.S. does vis-a-vis Somalia will also influence other donors' attitudes and support; even though the U.S. is not the largest donor, we do have considerable influence.

Recognizing the uncertainties set forth at the start of this strategy section, the Mission is proposing three strategic options for addressing its program goal, each at various funding levels and involving somewhat different assumptions. Mission activities will vary accordingly, but Mission staff resources may not change much under two scenarios given the number of fully-funded projects which continue throughout the strategy period. The three options are: 1) Maintaining the current level of program activity with no change in the resource level; 2) increased funding and a full program, reflecting, as does Option 1, continued reform progress although possibly at different paces of implementation, and 3) a drastically reduced program. This last option assumes poor reform performance. Option 2 would involve a decision to provide more appropriate levels of assistance. Presenting options for the strategy also allows for sufficient flexibility to respond to changing circumstances.

Option 1: Current Program

A. Assumptions: Somalia continues acceptable progress on economic reform and stays out of Brooke; current funding levels allow continuation of on-going activities with only one or two small new starts during the planning period other than ESF grants for BOP purposes; Somalia remains a Category III country.

B. Estimated Economic Assistance: The Approved Assistance Planning Levels (AAPL) were last provided to the Mission to prepare the FY 1990 Annual Budget Submission (see Annex D, Table 3 and 88 State 160269). DFA resources were to be $4 million annually throughout the planning period. ESF levels were $25 million in FY 1990, increasing annually by $1.0 million in each successive year. The FY 1990 ESF level was subsequently reduced to $20 million. P.L. 480 resources are projected at $2.0 million annually throughout the planning period.

C. Program Objectives: As its highest priority strategic objective under Option 1 USAID will continue to support macro-economic policy reform in order to stimulate sustained growth and as a necessary pre-condition for improving the business climate and increasing the private sector's role in the economy. A.I.D. will continue to support the agreements that the IMF negotiates with the GSDR regarding short-term stabilization measures to be included in 12- or 18-month Shadow and/or Stand-By programs, and for which the IBRD oversees implementation of, and any necessary adjustments to, the PFP.

The PFP contains the following key targets which relate to USAID's three proposed strategic objectives. While the Mission cannot directly contribute to attainment of all these targets, it will support some selectively and will use them as benchmarks to evaluate GSDR performance and the effectiveness of A.I.D. assistance in contributing to achievement of these objectives:

1. Policy Reform

--Appropriate fiscal, monetary and exchange rate policies designed to control pressures on prices and the BOP while permitting growth targets to be achieved (A.I.D. supported).

--Improved management of Somalia's outstanding external debt (A.I.D. supported).

--An improved incentive environment encouraging private sector investments, especially in agriculture and exports (A.I.D. supported).

2. Improved Public Sector Management

--Improved use of human resources, including reduction in the total number of civil servants, salary increases and completion of a study for a comprehensive reform of the civil service.

--Reduction in the number of SOEs and removal of the State from trade and direct production activities.

--Improved food aid management to reduce the disincentives to local production (A.I.D. supported).

--An improved budgeting system which provides for more equitable regional investments and a clear set of priorities for the Government's ordinary budget. This should include more resources allocated to the productive sectors and social services (A.I.D. supported).

3. Increased Private Sector Contribution to Growth

In order to achieve the PFP's targets of an annual growth rate of 4-5 percent in agriculture, 10 percent in industrial production and 6 percent in the other productive sectors, the private sector will have to take the lead. To stimulate necessary investments, incentives are needed to improve the business climate and mobilize domestic resources. Needed measures include:

--A land policy which provides security of tenure and investments (A.I.D. supported).

--Increased investments in animal health and marketing infrastructure to encourage the private sector to finance and manage the expansion of holding pens, feed supply and veterinary services to achieve higher exports (A.I.D. supported).

--Greater private sector investments in agro-businesses such as supply and distribution of inputs and services (A.I.D. supported).

--Increased investments in rehabilitation and maintenance of irrigation, transport and communications infrastructure (A.I.D. supported).

--Restructuring of the financial system, including stimulation of rural financial markets.

--Enabling by-laws and streamlined regulations and administrative procedures to stimulate and facilitate private resource flows (A.I.D. supported).

D. Program Activities: USAID would support the IBRD and IMF through its policy dialogue, provision of BOP grants (ESF and P.L. 480), and technical assistance aimed at enhancing GSDR officials' understanding of reform issues, supplying experts needed for critical studies or specific tasks agreed among the GSDR, IMF and IBRD, and providing longer-term advisors in the areas of budgeting and private sector liberalization. The Mission's main areas of focus, in addition to budgeting and private sector liberalization, would be debt management and tax reform. In selecting the kind of new project assistance to be provided during the planning period, USAID will take advantage of opportunities where GSDR performance is good and where A.I.D. has a comparative advantage. Current possibilities include land registration and tax administration--both would directly support achievement of the objectives of the policy reform program.

Conditionality in ESF agreements and P.L. 480 self-help measures would be consistent with the decisions made at the program review in February 1988 (see 88 State 59175). It would reinforce GSDR adherence to and/or implementation of its agreements with the IMF and IBRD or support specific actions in one or more of the areas listed above. Local currencies generated from program assistance are currently used to fund GSDR contributions to A.I.D. projects plus some 60 projects contained in the PIP. This resource will continue to be programmed with due regard to budget ceilings agreed with the IMF.

USAID will seek U.S. support for Somalia in obtaining Paris Club debt reschedulings on the most favorable terms possible, and for Somalia's obtaining relief from its heavy debt burden to international financial institutions, i.e., the IMF, IBRD and AFDB, through the "Brady Plan" and/or other arrangements, such as the Structural Adjustment Facility (SAF) and Enhanced Structural Adjustment Facility (ESAF). With so little of Somalia's debt owed to commercial banks, some recent innovations in debt policy would not apply. The USAID will also try to take advantage of the new Section 572 of the FAA if Somalia should be eligible. The U.S. is considering membership in the IMF's donor support group chaired by Italy to investigate solutions to the IMF arrears problem. The Mission has proposed to AID/W that Section 620q of the FAA be waived. We strongly believe this is warranted by Somalia's debt situation.

ESF might continue to be provided as cash transfers for paying critical debt or CIPs, or some combination of the two. The great majority of P.L. 480 commodities will continue to be auctioned to the private sector (now 80 percent), and the Mission will try to increase this share further. The PIPs and PD&S projects will be the main sources of technical assistance (TA) for macro-economic policy reform. SOMTAD advisors at the MOFT and at the Ministries of Commerce and of Industry will continue to contribute to Mission initiatives on tax reform, improving the business climate, and privatization. Similarly, land tenure and registration assistance under SWMP supports achievement of a related provision in the PFP.

Under the "Current Program" option USAID will also support improved public sector management primarily through the SOMTAD project, which is training 240 public and private sector individuals to the Masters of Business and Public Administration levels in its "Presidential Fellows" component, training up to 3,200 GSDR and private sector personnel through short-term management courses offered by the Worksite Management Training Unit, and providing long-term management advisors to selected ministries.

SOMTAD was conceived as part of a wider program of civil service reform, an idea which languished until it was recently resuscitated in PFP proposals for GSDR salary increases to pay a living wage, improve the caliber of civil servants, and raise their morale. (USAID expects Government employees and others on fixed wages to be among the vulnerable groups most adversely affected over the short-term by reform measures.) The PFP also includes targets for restructuring the GSDR budget to raise allocations to the social and productive sectors, which should also affect Government performance. Under this option and with present staffing USAID has no means for directly contributing to civil service reform in any major way although short-term assistance may be considered.

The on-going FHS Project will during its concluding two years strengthen child and health service delivery, including family planning, in five regions. Service delivery must be strengthened and family planning IE&C activities must be targeted if the project is to produce concrete results and for the project's policy achievements, i.e., Government's decision that female circumcision be eradicated, to be translated into reality. Tabulation and analysis of the census sub-component should make available much more and better data on Somalia's demographic and social characteristics needed for planning purposes. The current assumption is that no additional funding will be needed if the extension now contemplated is approved.

Some policy reform initiatives, i.e., tax administration and budgeting, will also affect this strategic objective. Similarly, PIPs advisory assistance on privatization and easing regulatory requirements and administrative procedures may improve Government performance vis-a-vis the private sector by reducing its involvement in the economy and lessening its direct involvement in production. P.L. 480 self-help measures to improve planning and coordination of food aid should contribute to improved public sector management.

To increase the private sector's contribution to growth USAID will rely heavily on the positive effect of economic policy reforms on the business climate. However, construction efforts geared toward enhancing exports, such as under SWMP and LMHP, will benefit private sector farmers, herders and exporters as will the earlier mentioned reforms of land tenure and registration efforts. Private entrepreneurs also benefit from SOMTAD's two management training programs. To the degree circumstances permit USAID will maximize use of local contractors in carrying out project activities. For example, a local construction firm is building the LMHP quarantine facilities.

PVO-P will continue to support U.S. PVO's involvement in rural and community development and to enhance the ability of Somali NGOs to carry out such activities. USAID does not plan any additional funding beyond the $18.2 million already committed. USAID is also redesigning the SRSP to make it more attractive to PVO's and accelerate the project's pilot resettlement efforts. With the relatively small pool of U.S. PVO's in Somalia (seven that will accept U.S. Government (U.S.G.) funds) and the nascent capabilities of local NGOs, these two initiatives are the maximum possible during the strategy period.

D. Implications: "Current Program" DFA resources will be inadequate to support the $15.5 million project mortgage which will exist at the end of FY 1989. As a result ESF resources must continue to be used throughout the planning period to fund on-going projects, thereby reducing the amounts available for program assistance and in

turn reducing local currency generations. Total life-of-project (LOP) funding for new projects could not exceed $5-$7 million. The impact of such modest efforts would probably be minimal. Alternatively, rather than funding new projects small increments in funding could be provided to those activities which were originally envisaged as Phase I activities of long-term A.I.D. assistance efforts. Clearly, the major follow-on assistance planned for the SWMP and SOMTAD would not be possible.

Annex D, Table 2 is based on a series of mortgage analyses computed by counting only the DFA Operational Year Budget figure as a percent of the total funds required to fulfill commitments to projects. The FY 1989 mortgage of 387 percent of DFA is unacceptable. If the AAPL projections for DFA and ESF do become available, the funding outlook would begin to improve only in FY 1991, mid-way through the CDSS period, when the mortgage declines to 262 percent. Even with the improved outlook in FY 1991, the Mission must continue to use ESF for the SWMP and can only fully fund that activity by continuing to divert ESF in FY 1992--currently the last year of planned activities.

If P.L. 480 is straight-lined at $2 million/year, GSDR repayments for past P.L. 480 loans will exceed new assistance during the planning period by the following amounts: FY 1990-$1.6 million; FY 1991-$3.3 million; and FY 1992-$3.8 million. (See Annex B, Table 1.) The AAPL for P.L. 480 is only for Title I resources and thus such a program would also add to Somalia's already heavy debt burden. Providing additional loans to an already debt-distressed country and at levels that do not cover annual loan servicing is inappropriate. In addition, a $2 million loan program would not provide the incentives to leverage any significant self-help measures or reinforce reform efforts nor would it be a source for support to the private sector.

Because of declining ESF and P.L. 480 levels during the planning period, local currency generations will also fall, necessitating allocations to fewer activities in the USAID-GSDR Annual Program Budget Plan (APBP) with first priority being given to the required 25 percent GSDR contribution to A.I.D. projects.

Option 2: Full Program with Increased Funding

A. Assumptions: Somalia's performance is better than expected in implementing reforms, meeting IMF-IBRD targets, and sustaining GSDR commitment to the program. Somalia is reclassified as a Category II country with higher funding available and thereby has more latitude for new program initiatives. Brooke Amendment sanctions are avoided.

B. Estimated Economic Assistance: Increased funding of DFA is provided as a result of Somalia's promotion from a Category III to a Category II country. The Mission recommends $10 million in FY 1990 and an increase of $2 million in each of the following years. Consistent with the reclassification, P.L. 480 resources would also be increased to at least cover loan repayments and all assistance would be on a grant basis. Further, the Mission proposes a grant under the African Economic Policy Reform Program (AEPRP) and a grant for reconstruction in the North. Local currency generations would be greater under this Option.

C. Program Objectives and Activities: USAID would address the three strategic objectives and utilize the benchmarks set forth in Option 1. One new project start would be possible each year in addition to the AEPRP and the Reconstruction grant, should the latter two be made available.

Policy Reform-oriented program activities would be all of those described in Option 1 with, as indicated above, the possibility of slightly larger annual ESF and P.L. 480 BOP levels. USAID's main new initiative would be the AEPRP grant which might center on one of the promising and important areas of reform listed below:

--Tax structure and policy in an effort to seek greater resource mobilization.

--Civil service reform; however this area is very complex and would require careful, intensive and possibly longer design efforts. It may also prove more costly than future year funding availabilities might permit.

--Business climate improvements, particularly with respect to registration and regulation.

--Financial intermediation, such as rural savings mobilization and credit programs or private banking.

Actual uses of the AEPRP dollars and local currencies would need to be worked out with the GSDR during the design stage, but they might be disbursed through a CIP, as cash transfers to pay external debt or to buy shillings to retire public sector debt per Section B above, or released in tranches to reward (a) specific policy reforms made; (b) tax collection targets reached or administrative changes implemented; (c) regulatory revisions enacted, and so on. Another alternative might be a cash transfer to help capitalize a private bank.

Depending on the state of U.S.-GSDR relations and U.S. policy considerations, conditionality might be tightened up, especially for the AEPRP, under the "full program" option. Increased P.L. 480 resources would also better support economic policy dialogue and reform through the self-help measures. Such measures would continue to focus on an increased role for the private sector in providing agricultural inputs, improved food aid management, and better programming of local currency resources. Areas of conditionality for BOP program grants would remain basically the same as in Option 1.

What new activities USAID might undertake to <u>improve public sector management</u> will be a function of funding availabilities after mortgage requirements are met. Projects already in existence--SOMTAD, SWMP, FHS, PIPs, PVO-P, SRSP, LMHP, Jubba Development Analytical Studies and Kismayo Port--will continue in operation along the lines set forth under

Option 1 throughout most or all of the strategy period given their current or proposed conclusion dates (see Annex D, Table 5). Were USAID to consider a new project or to broaden the scope of existing projects in this category, it might come from the following:

--Increase support to the Ministries of Commerce and of Industry in areas of systems management, such as computerization.

--Assuming appropriate conditions and GSDR commitment, support further privatization efforts or support divestiture of a selected parastatal.

--Initiate a follow-on Phase II for SOMTAD and/or SWMP.

--Provide TA for designing and implementing a standardized recurrent cost analysis system for projects included in the PIP.

--Increase revenues through a new project start in tax administration.

--Integrate family planning in a national primary health care program.

Entrepreneurs participating in ESF-financed CIPs or P.L. 480 auctions would benefit from the higher funding available for both. Other efforts to increase private sector contributions to growth might be drawn from the following list, recognizing that actual funds available and staff resources may require trade-offs and choices be made between this strategic objective and the previous one:

--Accompany the assistance in developing a national land policy with a new project in land administration.

--If a private sector business association is established or if the Chamber of Commerce is fully privatized, reinstitute direct training and services to private Somali businesses and the Chamber of Commerce under PIPs.

--Test self-financing options and support private sector health/family planning clinics, using buy-ins to AID/W projects or amending the FHS project.

Relief and Reconstruction (R&R)

USAID would propose for FY 1990 a special, one-time only "Reconstruction Grant" of $10-$15 million. The grant would be used for reconstruction, not relief, in Hargeisa and/or Burao, the two cities severely damaged by mid-1988 fighting. (For the U.S. Mission's strategy for relief, reconciliation, rehabilitation, and reconstruction in the North see Annex F.) The grant, whether funded from ESF or DFA, might finance: a) Repair of the Hargeisa city water system's pumping facility at Gedebley, or restoration of Hargeisa's power distribution system, i.e., infrastructure central to restoring the city's livability thereby encouraging return of pre-war residents and restoring viable economic activities and encouraging returnees to stay; b) reconstruction of war-damaged housing and/or public buildings (banks, schools, health clinics); or c) commodity imports needed by local entrepreneurs willing to return to the cities in order to resume business activity. Another alternative might be a P.L. 480, Title II Food-for-Work program administered by a U.S. PVO.

Making such a grant assumes continued security in the cities, and much greater initiative by the GSDR to restore civilian administration and to provide other Government services and resources.

A Reconstruction Grant could not be made from within projected ESF availabilities without severe reduction in funds available for BOP grants. DFA projections under this option would be inadequate. Terminating or severely reducing on-going, priority projects to enable financing of reconstruction would have significant impact on the effectiveness of the overall program and would adversely effect USAID-GSDR relations

D. Implications: Under Option 2 funding requirements for on-going projects would continue in FY 1990 to take a large share of monies available, especially from the DFA. However, the amounts diverted from ESF to cover the mortgage would be considerably less and would also end in FY 1991, one year earlier than under Option 1. Consequently, annual BOP grants in support of policy reforms would be greater. (See Annex D, Table 2.)

The mortgage declines rapidly from 387 percent in FY 1989 to 121 percent in FY 1990. Increased DFA and the more manageable mortgage would allow a new project in each year of the planning period at more realistic funding levels of $9-$10 million each. At these levels the scope of the projects could be somewhat broader or the duration increased to assure institutionalization of TA efforts.

Conversion of P.L. 480 from loan to grant and the higher funding levels would not only enable meaningful conditionality, but would also allow A.I.D. to increase the quantities auctioned to the private sector.

The impact on staffing levels is minimal. The project management workload under Option 1 and 2 is much the same as no new sectors of assistance are contemplated. The major difference in scope would be a result of the AEPRP which might require an additional Economist. The Reconstruction Grant would be managed by current USAID engineering staff.

Option 3: Drastically Reduced Program

A. Assumptions: Economic policy performance deteriorates or stagnates, raising concerns about GSDR commitment or the reform program is cancelled. Somalia is classed as Category III for DFA funding purposes. Brooke sanctions may come into force if Somalia does not make necessary payments.

B. Estimated Economic Assistance: DFA and P.L. 480 funding levels would be straight-lined at the AAPL figures in FY 1991 and FY 1992--$4

million in DFA and $2 million for P.L. 480. Both should be provided as grants. ESF would be provided in FY 1990 at the current AAPL of $20 million. Thereafter, depending on the outcome of access rights negotiations, ESF might be terminated or continued at the AAPL figure. Local currency generations would decline and fall sharply if ESF assistance was terminated after FY 1990.

C. Program Activities: If under Option 3 U.S. interests continued to merit ESF assistance, these funds would be used, first, to fund the project mortgage of on-going projects. As there would be no justification for continuation of reform activities, no further BOP grants would be made. As the prospects for success of any support to the private sector against a backdrop of a deteriorating economy and business climate would be slim, PIPs would be concluded early. Any residual ESF would be used for new projects or amendments to those which had the greatest possibility of providing direct benefits to the rural poor or meeting current project objectives.

If ESF assistance is not provided, as on-going projects fully funded in prior years end, the development assistance program might be re-oriented around support for PVO activities financed by DFA and a small P.L. 480 Title II, program also operated by PVO's. P.L. 480 arrears problems, however, might well result in the termination of new food aid grants. As an alternative to a program managed by PVO's, the economic assistance program might be limited to one area of concentration, possibly in health/family planning or agriculture.

D. Implications: The policy and financial implications of Option 3 would have a dramatic impact on the USAID program and over time on Mission staffing requirements. Because mortgage requirements would exceed DFA availabilities and local currency generations would be significantly reduced or dry up altogether, difficult choices would have to be made among competing demands for SWMP and SOMTAD to which the GSDR accords very high priority. Consideration would have to be given to early termination and/or severe scaling back of one or both. For other, on-going projects which were fully funded in prior years, such as LMHP,

FHS, PVO-P, Kismayo Port, and SRSP, dwindling local currency availabilities for Project Trust Funds and GSDR contributions would probably curtail their implementation as well.

Staffing requirements would diminish as the project portfolio shrivels unless ESF continues to be provided. Annex D, Table 7 presents staffing requirements for Option 3 based on the assumption that ESF will not be available. If, however, ESF is provided, the resulting workload would require staff levels to approximate those projected for Option 2. Under Option 3 the USAID Mission would be downgraded to an Office of the A.I.D. Representative with commensurate changes in delegations of authority.

C. Other Considerations

Much has been made here of the problems posed by the mortgage, especially for SWMP and SOMTAD, which are the two largest claimants on future year funding. The Mission has considered and rejected the idea of significantly scaling back either project under current circumstances. As was true for LMHP, both are very visible; both are critical to our strategic objectives and overall program goal. SWMP is the first of three donor initiatives to rehabilitate Shabelli River irrigation facilities. The IBRD and F.R.G. both are designing separate but similar projects. These other donors are looking to SWMP for lessons learned and for the outcome of certain key activities, i.e., revision of the water law and land registration changes. Indeed, the F.R.G. has conditioned its project on the GSDR's proceeding with water law revisions to be developed under SWMP. SOMTAD has relevance for civil service reform and what other donors may eventually do in this area. Every GSDR Ministry and many other entities have personnel enrolled in its training programs. The Project Coordinating Committee has Directors-General from 21 ministries as members, indicating the extent of high-level GSDR interest and involvement. To curtail or cut back either project under Option 1 or 2 would have serious repercussions for the USAID program and our relationship with the Government.

PIPs has an impact on the mortgage only in FY 1990 and only requires $2 million under Option 1. This is the minimum amount conceivable if the project is to have the funds needed for two long-term advisors, short-term TA, carrying out of selected priority studies, and training and/or sponsoring conference/seminar attendance for Somalis involved in economic reform and privatization initiatives. The originally proposed increase in LOP costs was $6 million for a greatly expanded effort, including significant direct assistance to the private sector. This had to be ruthlessly reduced due to funding constraints and the relative higher priority to activities which might more immediately improve the business climate. In any case, cutting the $2 million for this effort would hardly make a dent in the total $15.5 million mortgage existing at the end of FY 1989.

Both Options 1 and 2 presented above assume that State and A.I.D. will be able to provide the AAPL amounts for ESF. However, the AAPL for ESF during the planning period (FY 1990-$20 million; FY 1991-$25 million; and FY 1992-$26 million) is not consistent with the actual trend of declining ESF availabilities experienced since 1985. These reductions have been a result of both smaller Congressional ESF appropriations for Africa, which have been further cut on occasion by the Office of Management and Budget (OMB), as well as increased earmarking for other countries. Another prospective factor is the emergence of new claimants, such as Namibia, on this resource.

Just as a reduced OMB passback led to the cut in the original FY 1990 ESF level from $25 million to $20 million, the Mission assumes similar reductions may occur throughout the planning period. Therefore, the Mission developed a series of possible, alternative funding levels based on lower ESF availabilities. These are provided in Annex D, Table 2 to demonstrate to the interested reader the possible consequences for mortgage reduction and the size of annual program assistance grants.

It would be inappropriate for the Somalia program to operate under projections of annual funding increases which make this strategy dysfunctional, as occurred with the last CDSS. In reviewing this

strategy document AID/W should provide realistic guidance and, hopefully, establish planning levels which will be more likely to be available during the planning period.

The Embassy is responsible for refugee affairs; however, during the preceding CDSS period A.I.D. managed three refugee projects funded by State/RP. Although none of the three fit closely within the CDSS' economic assistance strategy per se, they were in accord with overall U.S. objectives in Somalia. Only the SRSP is currently active, and it is planned to continue throughout the FY 1990-FY 1992 planning period. The project's implementation difficulties are mentioned earlier; in the aftermath of the November 1988 evaluation, a revised Project Paper is in preparation. The Agriculture-Special Projects Officer manages this activity in addition to two others; no replacement was identified in the FY 1988/89 assignment cycle for the incumbent who transfers July 1. Other Agriculture staff will have to add responsibility for SRSP to their normal duties, probably for about a year unless this USDH vacancy is filled soon. The USAID Food for Peace Officer (FFPO) also is involved in refugee-related matters through monitoring food deliveries or resolving specific issues affecting P.L. 480 food provided by AID/W to the World Food Program for refugee feeding in Somalia.

The Mission has not proposed any new basic education initiative, preferring to stay with human resources development efforts already begun. SOMTAD's complexity and scope make it a full-time job for USAID's project management staff. The IBRD is developing a major basic education sector program which is appropriate to Somalia's most urgent needs. (Had we decided to go ahead with a new education project, we most likely would have chosen to co-finance this effort.) However, there are major issues regarding the IBRD project which may delay or prevent approval. It proposes to initiate major sectoral policy and budget reforms, which may overtax the GSDR's already strained reform machinery. With USAID's being the only significant donor in family planning and the strong performance of FHS, it seems preferable to the Mission to stick with this "winner."

D. Mission Management and Staffing

Staffing numbers and composition during FY 1990-92 will have to accommodate the following program functions:

--Monitoring the economy and GSDR reform performance is now carried out by one USDH Program Economist, two Foreign Service National (FSN)/PSC professionals (one of whom works in the Finance Ministry) and one FSN/PSC secretary. There may be need for a second USDH Program Economist (an Intern) if the AEPRP goes forward under Option 2. Monitoring economic performance is necessary under Options 1 and 2 but not 3.

--Design, monitoring and implementation of the bilateral P.L. 480 program, and emergency food aid and ad hoc refugee food matters are currently performed by one USDH FFPO, one FSN/PSC professional and one FSN/PSC secretary. This, too, is necessary under the first two options but not the third. REDSO/ESA could monitor a small bilateral or PVO-managed P.L. 480 program.

--Commodity procurement under CIPs and for on-going projects is done by a Commodity Management Officer (CMO), one FSN/DH and two FSN/PSC assistants, and an FSN/PSC secretary. All are needed for Option 2, none for Option 3, and one FSN/PSC assistant might be cut under Option 1.

--Project management functions for existing projects continue throughout the strategy period. These 17 projects currently require 13 USDH, (including five officers who have other staff functions, such as the Program Economist, FFPO, CMO, Assistant Project Development Officer and Engineer) two U.S./PSCs, 10 FSN/PSCs, and 11 Third Country National (TCN) and FSN/PSC secretaries. All would continue in place for Options 1 and 2 with some staffing reductions possible starting in late FY 1991. However, these reductions may be offset or reduced by management requirements for any new activities beginning in the same year. Option 3 would mean significant reductions per Annex D, Table 7.

--Engineering oversight for construction activities under LMHP (Mogadishu, Kismayo and Berbera), SWMP, and Kismayo Water, are performed by a USDH Engineer, one FSN/DH and two FSN/PSC engineers, and one each FSN/PSC and TCN secretary. This staff could take on added work in the North. No change is envisaged under Options 1 and 2. Under Option 3 staff reductions could begin in FY 1991 as construction ends on LMHP.

--Contracts award and administration are being performed by one USDH and one FSN/PSC secretary. No changes are envisaged under Options 1 and 2. Function would be transferred to REDSO/ESA under Option 3.

--Financial management, accounting and reporting now require three USDH, three FSN/DH and 15 FSN/PSCs. While there may be some reductions possible among FSN personnel, skills levels and frequent turn-over make doing so problematic. Supervisory and staff training needs mandate no change in USDH. Numbers would be unchanged in Options 1 and 2; there could be significant reductions in USDH and FSNs as activities close out under Option 3.

--Project design and implementation services, excluding commodity management and engineering, now employ two USDH, one FSN/PSC professional for participant training activities, one US/PSC Administrative Assistant, and three FSN/PSC secretaries. No change is envisaged under Options 1 and 2. The function could be transferred under Option 3 to REDSO/ESA.

--Mission senior management involves a Director, Deputy Director, USDH secretary, one FSN/PSC professional and a FSN/PSC secretary. All would be needed under Options 1 and 2. Two could be dropped under Option 3, and the Director's position would be downgraded.

--Program strategy, budgeting, and evaluation, and local currency programming and monitoring now involve two USDH professionals, one USDH secretary, two FSN/PSC professionals, and two FSN/PSC

secretaries. There may be some reductions possible in FSN secretaries now, but skills levels and turnover may make this counter-productive. No change expected under Options 1 and 2; reductions of one USDH and 3 FSN/PSCs are possible under Option 3.

--Executive/administrative functions (housing, maintenance, Communications and Records, procurement, customs/airport clearances, compound security, warehousing, personnel, travel) in FY 1989 require two USDH, three US/PSCs, 16 FSN/PSC professionals, 11 TCNs, 12 FSN/PSC secretaries, and 159 FSN/PSC blue collar/guard staff for the USAID/Management Office (MGT) and Field Support Unit (FSU). With the withdrawal from many Joint Administrative Office (JAO) services starting in FY 1990 MGT and FSU will merge into a full Executive Office and USAID proposes to hire 10-12 FSN/PSCs for the Executive and Controller's Offices. These 10-12 individuals replace a like number of host country nationals already performing similar tasks under FSU's contract with Oriental Agencies. After the settling-in period there may be some TCN and FSN reductions under Options 1 and 2 in FY 1991-92. Under Option 3 we would envisage return of this function to JAO and elimination of all these positions.

The most important factor determining staffing and management requirements is the on-going project portfolio. At the start of FY 1990 USAID will have 14 active projects of which 12 continue through FY 1991 and 8 through FY 1992. As indicated in the three options set forth above USAID might initiate about three DFA/ESF project activities, three ESF program grants, an AEPRP, and a reconstruction grant, a total of eight new endeavors, during these three years. This mandates sufficient staff being on-board to perform most of the above functions at the existing level of effort throughout virtually all of the CDSS period.

AID/W's attention is called to reductions made since FY 1987 in U.S. PSCs, PASAs, TCNs and FSNs (see Annex D, Table 6). USDH and FSN staff have picked up the work load of these individuals as a result of increased productivity, greater experience levels among recently

assigned USDH, better utilization and training of FSN's, and better internal organization.

The decline in the number of active projects from 22 in FY 1986 to 17 in FY 1989 has affected PASA and PSC numbers but not the number of USDH Project Officers for two reasons. First, USDH personnel were stretched too thin in the past, trying to oversee too many activities, often in distant parts of the country. Single projects, i.e., CDA-Forestry, PVO-P, PIPs, SOMTAD and SWMP, were designed with multiple components, adding to management tasks. Combined with qualitative performance difficulties, this resulted in serious project design problems, implementation delays, and other shortcomings which are being resolved. To reduce the numbers of USDH Project Officers at this point would be a false economy and would re-introduce problems and internal control vulnerabilities now being overcome.

The difficulty of operating in Somalia also influences staff needs. The shortfalls in human resources and civil service deficiencies, cited earlier, combined with the difficulty of travel outside Mogadishu, and poor communications within Government and the capital, result in an extraordinarily lengthy time being needed to find out what problems are, to identify workable solutions, to overcome the difficulties, and to coordinate among the various GSDR and donor actors involved. Even with word processors and an extensive USAID training program for its Somali staff, producing cables, letters and documents takes longer than in many other African Missions. These make program and project work very "people intensive" and, by extension, affect Operating Expense (OE) budget requirements and the need for OE Trust Funds.

During FY 1989 USAID staff have been stretched exceptionally thin by the addition to existing responsibilities of the emergency relief program in the North and the duties of two vacant USDH positions (the managers of the SOMTAD, FHS, and Human Resources Development Projects). A US/PSC has occupied the vacant USDH Management Officer slot; an FSN has managed FHS, and a combination of REDSO/ESA and AID/W TDYs and a short-term US/PSC have carried out most of the absent CMO's work.

The General Development Officer has had to devote 90 percent of her time to the northern emergency and, of necessity, has been unable to give adequate attention to oversight of PIPs, SOMTAD and, to a lesser degree, FHS. The Human Resources Development Assistance (HRDA) project was shifted to another office, thus taking up considerable time of one Project Development Officer needed for project design and implementation work. Some negative consequences and heightened opportunity for internal control vulnerabilities are inevitable as a result of these make-shift arrangements.

Looking ahead to FY 1990, by early May 1989 there were still no USDH assigned to five USDH positions vacant throughout, or coming vacant during, the 1988/89 assignment cycle. The Executive and Special Projects Officers positions were not filled in last year's assignment cycle, and assignments to three others (Agriculture Special Projects Officer, Program Officer and CMO) are uncertain or not likely in the current cycle. As in Summer 1988 the Mission faces another sizeable turn-over in USDH personnel (16) during Summer 1990. Acceptable PSCs cannot always be found to fill staffing gaps; even when they are available, one-year assignments only exacerbate the problems of continuity normally experienced at one-tour, hardship posts like Somalia. Based on experience over the last two years one must be concerned that the number of vacancies may be even higher at the start of FY 1991, thereby either forcing the USAID toward Option 3, no matter what happens on the policy and program front, or risking severe regression in Mission management gains and USAID's ability to conduct its program responsibly. AID/W and the Africa Bureau, which disproportionately endures two-thirds of all A.I.D.'s field vacancies, must find a way to solve this serious staffing shortfall.

The OE budget over recent years has reflected variations in local currency availabilities due to USAID-suspended and Congressionally held ESF grants, inflation, highly variable foreign exchange rates for the Shilling, and constrained dollar OE availabilities (see Annex D, Table 8). Resumption of ESF disbursements should ease the Trust Fund

deficiency and, therefore, the additional dollar requirement placed on the OE budget in FY 1988 and FY 1989. We anticipate withdrawal from selected FAAS services should also lead to savings.

Projected OE and Trust Fund costs are contained in Annex D, Table 9. This table reveals that OE requirements remain fairly constant for both Options 1 and 2 with annual costs averaging $3.9 and $4.0 million, respectively. A fairly large variation occurs every two years under these options. This is because, while staff levels remain constant, post assignments of about two-thirds of all personnel take place in FY 1990 and FY 1992 thereby increasing costs significantly. Under Option 3A (limited focus), OE requirements decline from $2.2 million in FY 1990 to $1.6 million in FY 1992. With a PVO-focused program under Option 3B, OE declines from $1.7 to $.8 million during the same timeframe. Neither of the two Option 3 projections includes estimates of costs for winding down Mission operations. Also, budgets for all three options do not include FAAS costs as the Mission has inadequate information at post to estimate them.

ANNEX A

MACRO-ECONOMIC OVERVIEW

MACROECONOMIC OVERVIEW

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MACROECONOMIC OVERVIEW

I. INTRODUCTION

With a per capita income in 1988 between $175 and $285 (depending on the exchange rate used), Somalia is one of the poorest countries in the world. Its fragile economy is plagued by frequent droughts and political instability in the region. Somalia has limited natural resources and a weak institutional and industrial base. Somalia's human resources lack adequate training. Its infrastructure and capital stock is insufficient and rapidly deteriorating. Illiteracy is very high especially among women, as is child mortality, infant mortality and the overall death rate; life expectancy is low by African standards.

Despite Somalia's harsh climate, its economy is based on agriculture which accounts for almost two-thirds of domestic output and over 90 percent of exports. Approximately 75 percent of Somalia's population lives in rural areas, about two-thirds of which are nomadic and semi-nomadic bands travelling throughout Somalia in search of fresh pastures and available water for their herds of cattle, camels, sheep and goats. Livestock accounts for nearly one-half of GDP and traditionally about two-thirds of exports. As of 1986 only 1.4 percent of Somalia's land area was under cultivation. Irrigated land represents 10 percent of total land cultivated but accounts for about one-third of crop production.

Somalia's small open economy is heavily dependent on foreign trade and, more importantly now and for the forseeable future, on foreign assistance. To finance imports required to maintain production, investment, income and employment, Somalia depends primarily on earnings from a limited number of primary products, relatively substantial remittances from Somali workers abroad and large assistance flows from donors who are facing budgetary problems of their own and whose long term ability to provide assistance at current levels is thus questionable.

Even though per capita consumption is very low by world standards, Somalia's overall domestic consumption far exceeds domestic output. Foreign exchange inflows from exports and private remittances are sufficient to finance only a small fraction of imports. Due to a grossly ineffective tax administration system and widespread evasion, tax revenues equal only 5 percent of GDP, extremely low by world standards. Moreover, Government tax revenues cover less than one-fourth of Government expenditures.

Somalia faces a nearly insurmountable external debt burden. At the end of 1988 total debt outstanding was twice as large as GDP, and scheduled

debt service payments were nearly three times estimated 1988 exports. As of the end of 1988 external debt arrears had accumulated to $269 million. Of this total, $77 million is owed to the IMF and must be cleared prior to any Stand-By Arrangement, Structural Adjustment Facility (SAF), or Enhanced SAF (ESAF). An additional $59 million is due to the Fund in 1989.

Continued access to donor assistance is threatened by Somalia's inability to remain current with its debt payment requirements. The African Development Bank and all Arab donors have already suspended aid disbursements due to arrears problems. The IMF declared Somalia ineligible for Fund resources in February 1988 over mounting arrears. With respect to the U.S., while imposition of Brooke Amendment sanctions for prolonged periods has been averted, new aid commitments were halted from September 1987 through February 1988 by the Brooke Amendment. Currently, Somalia's arrears to the USG total $ 4.9 million. Of this, Somalia has to pay $188,000 for A.I.D. loans by July to prevent triggering of Section 620(q) provisions of the Foreign Assistance Act, and $ 1,049,000 for FMS debt must be cleared by June 30 to avoid Brooke Amendment sanctions.

II. THE ECONOMY: STRUCTURAL CHARACTERISTICS

A. Structure of Production

Somalia's economy continues to be based primarily on agriculture. Preliminary estimates for 1988 show that gross domestic product (at factor cost) originating in the agricultural sector represented 67 percent of total output. This figure represents a marked increase in the proportion of total GDP accruing from agriculture since 1977 when the ratio was 61 percent. This reflects the fact that real GDP originating in the agricultural sector grew at an average annual rate of 2.8 percent from 1977 to 1988, significantly higher than the 1.3 percent rate for overall GDP over the same period. Average annual rates of growth for other sectors over those years were 1.0 percent for services and a negative 1.4 percent for industry.

Production in the livestock subsector accounts for over 70 percent of total agricultural output and nearly one-half of overall GDP at factor cost. Somalia produces and exports major numbers of cattle, sheep, goats and camels. According to preliminary estimates for 1988, output originating in livestock totalled 49 percent of overall domestic production. This proportion has not changed much from the 48 percent mark recorded in 1977, but relatively large year-to-year fluctuations in output have produced ratios as high as 51 percent in 1978 and as low as 44 percent as recently as 1986. Over the 1977 to 1988 span, average annual real growth in livestock output has been 2.1 percent. Due to

TABLE 1. SOMALIA: TRENDS IN REAL OUTPUT, SELECTED SECTORS

	Percent Change From Previous Year					
	1983	1984	1985	1986	1987	1988
GDP at Market Prices	-11.6%	3.3%	9.5%	-2.1%	9.7%	-3.5%
Primary Production	-17.6%	14.0%	12.6%	-6.8%	14.8%	2.4%
Agriculture and Related Sectors	-17.7%	14.1%	12.6%	-6.9%	14.9%	2.5%
Livestock & Livestock Products	-20.5%	13.5%	14.5%	-10.8%	19.6%	0.1%
Secondary Production	-14.0%	3.8%	7.7%	9.0%	3.1%	-15.6%
Manufacturing	-18.9%	-7.3%	7.6%	10.7%	3.9%	-15.1%
Utilities	0.0%	15.0%	2.2%	17.0%	-18.2%	0.0%
Construction	-9.2%	16.0%	8.7%	6.0%	6.0%	-18.1%
Services	-1.6%	-0.5%	2.4%	0.9%	6.2%	-10.5%
Commercial Services	-7.8%	0.0%	0.7%	1.0%	17.7%	-13.7%
Transportion and Communications	3.9%	-3.2%	22.2%	6.4%	6.2%	-5.0%
Financial Services	13.6%	-59.8%	-2.7%	-25.0%	-7.4%	0.0%
Real Estate	3.7%	4.3%	3.8%	4.0%	4.2%	-19.9%
Public Administration	0.5%	-5.1%	-5.6%	-6.5%	-6.3%	-6.7%

Source: Statistical Appendix, Table 7.

TABLE 2. SOMALIA: OUTPUT BY SECTORS

	As Percent of Total GDP at Factor Cost							
	1977	1980	1983	1984	1985	1986	1987	1988
GDP at Factor Cost	100%	100%	100%	100%	100%	100%	100%	100%
Primary Production	62%	59%	60%	63%	65%	62%	64%	68%
Agriculture/Related Sectors	61%	59%	59%	62%	64%	62%	64%	67%
Livestock & Products	47%	45%	43%	45%	48%	44%	47%	49%
Crop Production	11%	11%	13%	14%	14%	15%	14%	16%
Forestry	2%	2%	3%	3%	2%	3%	2%	3%
Fishing	0%	0%	0%	1%	0%	1%	1%	1%
Mining	1%	0%	0%	0%	0%	0%	0%	0%
Secondary Production	11%	10%	9%	9%	9%	10%	9%	8%
Manufacturing	5%	5%	5%	4%	4%	5%	4%	4%
Utilities	0%	1%	1%	1%	1%	1%	1%	1%
Construction	6%	4%	4%	4%	4%	4%	4%	4%
Services	27%	31%	31%	28%	27%	28%	27%	24%
Commercial Services	9%	11%	10%	9%	8%	9%	9%	8%
Transportion/Communications	6%	5%	6%	5%	6%	6%	6%	6%
Financial Services	1%	2%	1%	1%	0%	0%	0%	0%
Real Estate	3%	4%	4%	4%	4%	4%	4%	3%
Public Administration	6%	8%	9%	8%	7%	6%	5%	5%
Other Services	2%	2%	3%	3%	3%	3%	3%	2%
Imputed Bank Service Charges	-2%	-2%	-2%	-1%	-1%	-1%	-1%	-1%

Source: Statistical Appendix, Table 7.

the large yearly changes in offtake and herd sizes resulting primarily from shifting weather patterns, annual growth figures have shown substantial variation in direction and magnitude. As shown in Table 1, reflecting the impact of Saudi Arabia's ban on livestock imports from Somalia in 1983 as well as a significant drought, livestock production in 1983 dropped 21 percent in real terms. Improved weather conditions in 1984 and access to new export markets in 1985 contributed to real gains in livestock production in those years of 14 and 15 percent, respectively. Similarly, a major drought in 1986 severely restricted stock building and contributed to an 11 percent decline in real production. Improved weather conditions in 1987 helped permit a 20 percent gain.

Performance has not been as good in the industrial and service sectors. Notwithstanding three consecutive years of significant positive growth during 1985-1987, major declines in 1988 resulted in an average annual rate of real growth in industrial output from 1977 through 1988 of -1.4 percent. Over the same period, average annual rates of growth for the manufacturing and construction subsectors were -.9 percent and -2.5 percent, respectively. As a percent of GDP (at factor cost) output originating in the industrial sector fell from 11 percent in 1977 to 8 percent in 1988. Major factors contributing to weak industrial sector performance over the last decade include excessive public sector involvement with industrial operations, inadequate incentives for expanded private sector investment and foreign exchange shortfalls.

B. External Trade

Reflecting its structure of production, Somalia's is highly dependent on the export of livestock, which traditionally represent about two-thirds of total export earnings. Within this category, exports of goats and sheep represent the majority with each group usually accounting for about 30-40 percent of the total value of livestock exports since 1977. Cattle exports generally contribute 15-20 percent of livestock export earnings with exports of camels adding about 5-15 percent. The overall value of livestock exports has been on a declining trend in recent years. Revenues averaged over $100 million in 1980-82. When Saudi Arabia, Somalia's principal export market, imposed a ban on all imports of Somali cattle in 1983 Somalia's export earnings plummetted to $72 million in 1983 and bottomed out at $33 million in 1984. The resumption of sheep and goat exports to Saudi Arabia (after clarification that the Saudi ban was limited to cattle) combined with access to new markets resulted in a partial recovery as livestock exports earned roughly $ 62 million per year during 1985-1987.

The only other major category of exports is bananas. Export earnings from bananas have risen from an average of $7 million in 1980-1981 to

TABLE 3. SOMALIA: MERCHANDISE EXPORT TRENDS
For Selected Categories
(In Millions of U.S. dollars)

	1983	1984	1985	1986	1987	1988
Total Merchandise Exports	100	62	93	95	94	58
Live Animals	72	33	66	62	59	23
Bananas	15	14	13	17	21	23
Hides and Skins	2	4	4	4	6	na
Myrrh	6	6	4	1	2	na
Others	5	5	6	11	7	12
	Annual Percent Changes					
Total Merchandise Exports	-27%	-38%	50%	2%	-1%	-38%
Live Animals	-32%	-54%	99%	-5%	-5%	-61%
Bananas	7%	-6%	-8%	31%	21%	14%
Hides and Skins	-76%	160%	10%	-2%	40%	na
Myrrh	65%	0%	-36%	-85%	217%	na
Others	-25%	-11%	21%	81%	-37%	80%
	Percent of Total Merchandise Exports by Category					
Total	100%	100%	100%	100%	100%	100%
Live Animals	72%	53%	71%	66%	63%	40%
Bananas	15%	23%	14%	18%	22%	40%
Hides and Skins	2%	6%	5%	4%	6%	na
Myrrh	6%	10%	4%	1%	2%	na
Others	5%	8%	6%	11%	7%	20%

Source: Statistical Appendix, Table 5.

$23 million in 1988. As a percent of total export earnings, bananas accounted for 22 percent in 1987, up sharply from the 6 percent figure over 1980-1981. In 1988, a year of unusually low livestock exports, revenues from banana exports represented about 40 percent of total export earnings. Other significant groups of exports include hides and skins, and frankincense and myrrh.

Total recorded imports, including those financed with donor assistance, averaged $400 million over the 1983 through 1987 period. As a percent of GDP, total imports averaged 50 percent in 1983-1984, about 40 percent in 1985-1987 and 30 percent in 1988. Identifiable food imports averaged $37 million from 1980 through 1983, fell to $13 million in 1984 and then rose more than $5 million each year reaching $31 million in 1987. The petroleum import bill declined from $81 million in 1982 to $30 million in 1987. Imports financed by loans and grants averaged $300 million per year of which $266 million was in kind.

III. ECONOMIC POLICY ENVIRONMENT

A. Summary

Since 1981 the GSDR has been pursuing economic reforms designed to restructure its economy from the vestiges of a centralized state controlled model to a more market-determined system with increased reliance on the private sector. In addition, the GSDR, with IMF support, has made noteworthy efforts toward improved macroeconomic management through the 1980s, experiencing only two major interruptions. The latest took place in the Fall of 1987 when the GSDR replaced its donor-supported, market-determined exchange rate system with a fixed regime at an excessively overvalued rate. This action caused the GSDR to fall out of compliance with its IMF Stand-By Arrangement initiated in June 1987 and resulted in the suspension of major portions of assistance programs. Moveover, it seriously hurt exports exacerbating an already difficult balance-of-payments situation.

By early 1988, after reassessing its policy stance and recognizing the adverse effects of the Fall 1987 moves, the GSDR re-engaged the IMF in economic policy dialogue. Since March 1988, not only has the GSDR resumed its economic reform efforts, in many areas it has advanced them further than ever before. For example, legislation has been finally enacted to eliminate state monopolies in certain key economic sectors. Furthermore, the GSDR's performance on its six-month "bridge" macroeconomic stabilization, recovery and structural reform program developed with IMF assistance in July 1988 has been impressive. Based on the successful implementation of that interim program, the GSDR was able to reach on March 15, 1989, full agreement with the IMF on a draft

letter of intent for a full-fledged Fund-Monitored (Shadow) Program covering the remainder of 1989. In sum, Somalia is now fully engaged in economic reform and has made noteworthy progress.

B. Policy Reform Prior to 1987

After a decade of Socialism, Somalia embarked on a major effort in the early 1980s to reorient its economy toward a more market-based system. Efforts to liberalize the economy were significant. The Government's livestock marketing monopoly was abolished in 1981 and livestock trade is now conducted primarily by private traders. Government control over prices and the marketing of agricultural products was discontinued in 1982 enabling farmers to sell their products at market-determined prices. This led to marked increases in crop production through the mid-1980s. The state-owned banana enterprise was converted into a joint venture with a private firm in 1983, and since then export earnings from bananas have jumped 50 percent. In 1984, the more flexible private sector labor code was applied to employees of the public industrial enterprises resulting in improved efficiencies. In January 1985 a multiple exchange rate system was adopted which included a market-determined rate for most private sector transactions. This contributed to improved export performance in 1985 and 1986. In September 1986 the GSDR introduced the foreign exchange auction system which provided foreign exchange from the IBRD and bilateral donors including USAID for imports. In June 1987 the exchange rate regime was unified at the rate determined by an enhanced foreign exchange auction system implemented as part of a new IMF Stand-by Arrangement (S-BA) and SAF.

C. Temporary Policy Reform Reversal in Late 1987

On September 17, 1987, the GSDR abolished its foreign exchange auction system and announced plans to fix the Shilling at an excessively over-valued rate. In response, several multilateral and bilateral donors, including USAID, suspended disbursement of assistance programs linked to the auction. Immediately the donor community mounted a concerted effort to persuade the GSDR to reinstate the auction, or an acceptable alternative, and to resume determining the value of the Shilling in a manner more reflective of its actual value. Notwithstanding support from within parts of the GSDR, these efforts were unsuccessful, and on October 11, 1987, the revaluation of the Shilling took effect at a rate of 100 per Dollar. This represented a 60 percent appreciation in foreign currency terms (38 percent in domestic currency terms) compared to the 159.9 Shilling per Dollar rate resulting from the last foreign exchange auction conducted on September 16, 1987.

In addition to backtracking on the exchange rate policy front the GSDR reform program stalled in a few other key policy areas as well. No longer subject to the fiscal and monetary discipline required by an IMF Stand-By Arrangement, the GSDR increased government expenditures and permitted large scale expansion of domestic credit. Deterioration in the fiscal and monetary accounts after September 1987 contributed to a major acceleration in price inflation after December 1987 and to a sharp depreciation of the Shilling in the parallel foreign exchange market during the first three quarters of 1988. In a futile effort to contain the surge in domestic prices, the GSDR announced price controls on a variety of consumer (only) items, including food, in February 1988. However, enforcement was quite difficult, and the controls did not become operational. On the positive side, other key reforms, e.g. those affecting producer pricing and agricultural marketing, were not reversed during the period.

D. Period of Intense Policy Dialogue

The international donor community continued its efforts to convince the GSDR to resume its policy reform program. USAID/Somalia brought in a REDSO/ESA Economist to prepare an options paper describing alternative exchange rate regimes to assist the GSDR in finding a system that would be both economically sound and politically acceptable. The paper was circulated to Party leaders, pertinent Ministers and Vice Ministers, and members of the GSDR technical committees reviewing policy options. In December 1987 the U.S. Ambassador to Somalia persuaded President Siad to meet with the IMF Resident Representative. The President met with the IMF Representative and later agreed to permit an IMF mission to Somalia in March to hold Article IV consultations (generally routine balance-of-payments and macroeconomic policy discussions).

In late December 1987 President Siad reshuffled his cabinet and named the former Minister of Foreign Affairs as the new Minister of Finance and Treasury. In January the new Minister began a process which, while not necessarily designed for that purpose, contributed substantially toward renewed policy discussions with the IMF and a resumption of GSDR economic reform efforts. The Minister established two GSDR inter-agency committees to review previous GSDR programs with the IMF and to review current economic policy options, including the desirability of establishing a new program with the Fund. The first assessment revealed that the main reasons for falling out of compliance with previous IMF program were not due to the design of the programs but rather with the GSDR's difficulties in implementing the programs.

There was substantial internal debate within the GSDR regarding exchange rate policy. As the economic situation deteriorated after September 1987 many were becoming convinced that the cancellation of the auction and the revaluation had been a mistake and were considering various options to reestablish a workable exchange rate system.

E. GSDR Resumes Policy Discussions with the IMF

Relations between the IMF and GSDR had been at a low ebb since the cancellation of the foreign exchange auction mechanism in September 1987, and communications between the two were minimal over the October 1987 through February 1988 period. The opportunity to renew policy discussions occurred in March 1988 when the IMF team came to Somalia to hold Article IV consultations as had been agreed with the President. The IMF and GSDR discussed Somalia's economic situation, which had deteriorated significantly since the cancellation of the foreign exchange auction and partial cutoff of donor assistance flows, and the likely content of a credible economic program which would be worthy of IMF support. Further meetings were held in Somalia during May 1988 where the two significantly narrowed differences on a number of contentious issues and discussed the policy framework which could form the basis for a Shadow Program with the IMF. In June the GSDR devalued the Shilling 80 percent in domestic currency terms and officially dismantled the price controls which it had announced in February. These measures demonstrated the GSDR's renewed commitment to reform and thus helped pave the way for the next IMF visit in July, this time to develop a credible economic program. A letter of intent was drafted and, on July 24, initialled by both sides. It contained fiscal, monetary, exchange rate and structural adjustment measures which formed the basis of a renewed economic stabilization, recovery and structural adjustment program.

The interim, six-month program became known as the GSDR's Economic and Financial Program and included several far reaching and politically difficult measures to be implemented by the GSDR over the July through December 1988 period. These included another major devaluation in August followed by the initiation of an exchange rate adjustment mechanism designed to prevent excessive further over-valuation of the Somali Shilling; expenditure controls combined with tax rate hikes and new taxes aimed at reducing the size of the fiscal deficit; strict limits on domestic credit expansion in order to prevent excessive pressure on prices and the balance-of-payments; subceilings on net credit expansion to the Somali Government and public enterprises designed to reserve a sufficient portion of available credit for the private sector; a major increase in savings and lending interest rates to help control credit expansion, encourage greater domestic savings, and rationalize lending and investment; measures to open the banking system to domestic and foreign competition and development of plans to abolish state monopolies in several key sectors.

GSDR performance on its economic program has been impressive with many of the reforms completed ahead of schedule, e.g. several fiscal measures implemented in August. Just prior to the September 9, 1988, donors meeting in London an IMF review of the GSDR economic reform

program noted impressive progress. Another IMF review was conducted by a mission to Somalia in late November 1988. The team again gave the GSDR high marks on its performance and commenced negotiations with the GSDR on the policy package which would form the basis of the full-fledged Fund-Monitored Program to start in 1989. Over the December 1988 through February 1989 period the two sides resolved major remaining differences regarding exchange rate and interest rate policies and the level of reductions in foreign exchange expenses for foreign representation.

On March 15, 1989 the GSDR and IMF agreed on an draft letter of intent for the Fund-Monitored Program for the remainder of 1989. The economic program embodied in the letter of intent includes several far reaching and important measures, including substantial additional devaluation of the official exchange rate, improved fiscal control, a more restrained monetary program, and the expansion and deepening of several structural adjustment reforms initiated with the interim program of July 1988. In addition, the GSDR has agreed with the IMF and IBRD on the content of a Policy Framework Paper (PFP) which outlines the macroeconomic stabilization and structural adjustment measures for 1989-1991 to be included in a Stand-by Arrangement and a SAF programmed to begin in 1990 and as part of the World Bank's second Agriculture Sector Adjustment Program (ASAP II) for Somalia.

IV. RECENT ECONOMIC PERFORMANCE

A. Overview

Overall economic performance in 1988 was mixed. From the perspective of growth, overall economic trends were not favorable. Real GDP dropped 4 percent, and exports plummetted to less than two-thirds of the level reached in 1987. Regarding internal stabilization objectives, fiscal and monetary trends in 1988 showed marked improvement over 1987. Both government spending and the fiscal deficit shrank significantly in relation to GDP, and, reflecting this improved fiscal performance along with tighter credit controls, growth in the money supply was contained to less than one-half of that recorded in the previous year. Inflation, though, increased nearly three times the 1987 rate to 82 percent for 1988. With respect to stabilization of external accounts, the huge drop in exports was more than offset by sharply falling imports resulting in a substantially lower trade deficit for the year. External assistance flows slipped to about two-thirds of 1987 levels while external payments arrears surged to new heights.

B. Domestic Output, Investment, Consumption and Employment

The latest estimates for 1988 show that real output fell 3.5 percent. This contrasts sharply with the 9.7 percent real GDP increase recorded in 1987 and the five percent average annual rate of real growth over the 1983 through 1987 period. The 1988 drop reflected major declines in two key sectors which had performed remarkably well since 1984--manufacturing and construction. Regarding manufacturing, shortages in essential imported inputs contributed to a 15 percent decline in real output. The manufacturing sector registered an average yearly growth rate over 7 percent during 1984-1987. Construction declined 18 percent in 1988 following four consecutive years of impressive growth in which the average annual rate of real growth exceeded 9 percent. Also contributing significantly to the reduction in 1988 output was a 10.5 percent decline in GDP accruing from the service sector. Contributing importantly to 1988 declines in manufacturing, commerce and, in particular, construction, were the tighter credit policies and government expenditure reductions resulting from the GSDR's strong austerity program initiated in early 1988.

Another important reason for negative overall growth in 1988 relates to less favorable performance in the agricultural sector. Real GDP originating in agriculture grew by only 2.5 percent in 1988 compared to a robust 15 percent achieved in 1987. Nonetheless, given agriculture's disproportionate share of GDP, its moderate growth in 1988 helped offset to a large extent the major declines in other sectors. The big drop in the 1988 agricultural growth rate from that in 1987 primarily reflects developments in the livestock subsector which traditionally accounts for over two-thirds of overall agricultural sector output. In 1987 real GDP originating from livestock production increased 20 percent. A major portion of this increase was due to substantial rebuilding of herd sizes in 1987 after a major drought in 1986 severely constrained stock building and contributed to an 11 percent fall in overall livestock production, which, in turn contributed to a 7 percent drop in agricultural output and a 2.1 percent decline in real GDP for the year. In contrast to the exceptionally large increase in 1987, the livestock subsector experienced flat growth in 1988. The 2.5 percent real growth achieved in agriculture during 1988 was almost totally the result of a 10.4 increase in crop production made possible by favorable weather conditions. This was the largest annual increase in that category since 1984-1985 when, spurred by GSDR moves to decontrol agricultural prices and marketing, and also helped by good weather, real annual gains averaged 13 percent.

From a longer perspective, real output in Somalia grew by an average annual rate of only 1.5 percent from 1985 through 1988 and by less than one percent over the 1978 through 1988 period. Given Somalia's

TABLE 4. SOMALIA: KEY ECONOMIC PERFORMANCE INDICATORS

Real Indicators (Annual Growth Rates)	1983	1984	1985	1986	1987	PREL 1988
Real Gross Domestic Product (GDP)	-11.6%	3.3%	9.5%	-2.1%	9.7%	-3.5%
Real GDP Originating in Agriculture	-17.7%	14.1%	12.6%	-6.9%	14.9%	2.5%
Real GDP Originating in Livestock	-20.5%	13.5%	14.5%	-10.8%	19.6%	0.1%
Real GDP Per Capita	-13.7%	0.7%	6.9%	-4.5%	7.0%	-5.8%
Inflation (Annual Growth Rates)						
Mogadishu Consumer Price Index						
Period Average	36.4%	92.3%	37.8%	35.8%	28.1%	81.7%
End of Year	48.9%	82.0%	30.4%	30.7%	42.1%	107.1%
GDP Deflator	37.0%	70.2%	26.7%	40.5%	31.9%	77.5%
Financial Indicators (As % pf GDP)						
Total Government Expenditures	18.9%	18.2%	21.2%	24.9%	30.7%	23.6%
Current Expenditures	13.4%	13.2%	11.9%	14.0%	14.5%	10.8%
Capital Expenditures	5.5%	5.1%	9.3%	10.9%	16.2%	12.9%
Government Revenues (Excl. Grants)	11.6%	6.1%	6.1%	8.1%	5.9%	5.3%
Fiscal Deficit (Excl. Grants)	-7.3%	-12.1%	-15.1%	-16.8%	-24.8%	-18.3%
Fiscal Deficit (Incl. Grants)	-3.6%	-8.6%	-7.0%	-7.6%	-9.5%	-7.7%
Credit and Monetary Indicators						
Broad Money Supply As % of GDP	15.2%	10.8%	13.6%	13.6%	21.8%	20.5%
Annual Growth Rates						
Broad Money Supply	4.5%	24.9%	73.8%	38.3%	131.5%	60.7%
Overall Domestic Credit, of which:	4.7%	82.8%	19.8%	20.7%	148.8%	47.6%
to Public Sector	-12.7%	98.4%	27.2%	30.9%	110.7%	54.7%
to Private Sector	41.2%	62.6%	8.0%	1.8%	240.1%	37.2%
External Indicators						
Merchandise Exports, Annual Growth Rates	-27.0%	-38.0%	50.0%	1.8%	-0.7%	-37.9%
Merchandise Imports, Annual Growth Rates	-7.0%	-9.8%	-8.1%	-4.3%	20.3%	-27.2%
Merchandise Exports/Merchandise Imports	22%	15%	25%	27%	22%	19%
Merchandise Exports as % of GDP	11.4%	7.4%	10.5%	10.4%	8.9%	5.5%
Merchandise Imports as % of GDP	51.2%	48.2%	42.1%	39.3%	40.5%	29.6%
Current Account Deficit as % of GDP						
Excluding Grants	33.5%	37.8%	35.5%	32.4%	34.5%	28.4%
Including Grants	16.7%	17.2%	12.5%	10.9%	5.6%	8.7%
External Debt ($ Millions)						
Total Outstanding, of which:	1260.5	1514.9	1653.9	1826.8	1959.5	2006.0
Multilateral	456.8	450.7	557.0	616.2	709.4	791.5
Bilateral	640.9	901.2	933.9	1047.6	1087.1	1130.4
Arrears		117.8	50.9	167.5	150.6	268.8
Multilateral		24.8	42.3	50.6	82.8	190.5
Bilateral		93.0	8.6	116.9	67.8	78.3
Debt Service (Accrual Basis)	28.0	107.4	117.0	151.6	173.2	188.3
External Debt as % of GDP	143.3%	179.7%	186.5%	201.0%	184.8%	190.1%
Debt Service/Merchandise Exports	28.0%	173.2%	125.8%	160.1%	184.3%	322.4%

estimated population growth rate of somewhere between 2.5 and 3 percent, real per capita income is less today than it was three years ago, and substantially less than it was 10 years ago.

As a percent of GDP, gross domestic investment rose to 35 percent in 1987 compared to 33 percent in 1986. The ratio is estimated to have dropped to 30 percent in 1988. Private fixed investment was equal to only 2.3 percent of GDP in 1988, down from 6.5 percent in 1986 and 5.6 percent in 1987. Real domestic consumption per capita grew 12 percent in 1987 after falling nearly 30 percent from 1983 to 1986, and then dropped an estimated 11 percent in 1988.

While no comprehensive data for overall employment are available, figures on Central Government employment show a 17 percent decrease in 1987 compared to 1986. Although employment opportunities in the public sector have declined in recent years, employment in the private sector is estimated to have increased due to the increased numbers of small, mostly family-owned and operated establishments.

C. Fiscal Performance

The fiscal situation partially improved in 1988. Nominal Government expenditures rose 31 percent, much lower than the 82 percent average rate of inflation for the year and thus resulting in a substantial decline in real expenditures. As a percent of GDP, total expenditures fell to 23.6 percent. The overall deficit, excluding external donor grants, declined in real terms in 1988 and as a percent of GDP fell nearly one-fourth from its 1987 level to 18.3 percent. On the revenue side, however, the already difficult situation continued to worsen. As a percent of GDP, Government revenues dropped to 5.3 percent, one of the lowest revenue/GDP ratios in the world.

The improved overall fiscal performance in 1988 was needed to reverse the adverse trends of the previous year, in which the fiscal situation showed marked deterioration. As a percent of GDP, the overall fiscal deficit, excluding grants, reached 24.8 percent, up sharply from the 16.8 percent ratio in 1986 and almost three times the average ratio for 1980 through 1985 of 8.5 percent. This resulted from a 78 percent surge in Government expenditures in 1987; current outlays grew 49 percent while public investment jumped 116 percent. As a percent of GDP, Government expenditures rose to 30.7 percent in 1987 compared to 24.9 in 1986 and an average of 19.6 percent over the 1980 through 1985 period. Revenue performance was weak. Total Government revenues, excluding grants, equaled only 5.9 percent of GDP, down from 8.1 percent in 1986. In 1983 revenues were equivalent to 11.6 percent of GDP. Financing of the 1987 fiscal deficit required heavy recourse to the domestic banking system as well as substantial external loans and grants.

II. PROBLEM AREAS

A. Summary

Previous CDSS' for Somalia have accurately described the major development problems at sectoral and macro levels. Many A.I.D.-funded studies have heightened the Mission's understanding of these problems. An analysis of the causes of poverty in Somalia reveals a striking similarity of problems across sectors:

--Macro-economic mismanagement and lack of stability in economic policies, leading to a high level of mistrust of Government and a poor investment climate;

--Over-dependence on, and poor management of, external resources as well as inadequate mobilization of domestic resources;

--An over-extended public sector heavily involved in production and commercial activities best left to the private sector;

--Confusing and contradictory regulatory, legal and administrative procedures, leaving wide discretion in their interpretation and application;

--An unmotivated civil service and a weak human resource base with insufficient technical training, management capacity, communications and analytical skills for policy and program formulation and implementation, and

--Inadequate public investments in social services and productive infrastructure and insufficient private sector investments in the productive sectors. These are made more serious by the very poor infrastructure network and the inadequate human skills base at Independence.

the incentive structure for exports, particularly with respect to livestock exports. Second, exports were hurt by the outbreak of civil strife in the North in late May 1988 which interrupted the already depressed flows of livestock exports from the region and particularly from Berbera at the time of the peak livestock export season, the Hajj. Foreign exchange earnings from livestock exports plummeted in 1988 to only $23 million, down 64 percent from the $61 million average for 1986 and 1987. On the positive side, earnings from banana exports have grown by an average annual rate of 21 percent since 1985.

Foreign aid flows dropped by about $100 million in 1988 compared to the 1987 levels primarily due to suspension of mainly balance-of-payments assistance in response to the GSDR's abrupt cancellation of the foreign exchange auction system in September 1987. This marked reduction in aid flows, combined with sharply lower export earnings, contributed to a 27 percent drop in imports for 1988 which, in turn, contributed to the estimated 3.5 percent drop in real GDP for 1988.

In addition to its serious external trade problems, Somalia faces a nearly insurmountable external debt burden. Total debt outstanding at the end of 1988 exceeded $2 billion and is almost twice as large as GDP. Scheduled debt service payments in 1988 totalled almost $190 million, nearly three times estimated 1988 exports. As of the end of 1988 external debt arrears had accumulated to $269 million. Of this total, $77 million is owed to the IMF and must be cleared prior to any Stand-By Arrangement, SAF or ESAF with the IMF. An additional $59 million is due to the Fund in 1989.

While actual figures are not available, the Government's need for hard currency to buy arms and other supplies to support its military efforts in the North further contributed to Somalia's foreign exchange squeeze in 1988.

F. Domestic Price Developments

Fueled by excessive monetary expansion during the last half of 1987, price inflation at the consumer level rose to 81.7 percent in 1988 (period average), up sharply from the 28.1 percent rate of price increases registered in 1987. Comparing end of year price index levels inflation rose 108 percent between December 1987 and December 1988. The average inflation rate over 1985-86 was 37 percent after peaking at 92 percent in 1984. However, monthly inflation rates subsided late in 1988, reflecting the more restrictive fiscal and monetary policies in effect during the last half of the year and seasonally lower food prices. From September to December prices rose at an annual rate of 40 percent. Over the first three months of 1989, inflation heated up again, rising at a 90 percent annual rate primarily due to higher food prices after harvest surpluses were drawn down at the end of 1988.

C. Hunger

Urban areas and the rural settled areas each comprise up to 25 percent of the total population. Although farmers and nomads produce a surplus of calories (crops and livestock), possibly as much as three-fifths above their own requirements, high food imports are necessary because farmers do not grow sufficient quantities of rice, wheat, oil and other staples preferred by urban consumers.

Data on the incidence of malnutrition and hunger are scanty and based on a limited number of clinical and household surveys. The World Bank and National Health Plan 1980-1985 estimated that 26 percent of children are malnourished. This estimate was based on survey work done mostly during droughts. Two other surveys conducted under non-drought conditions revealed lower malnutrition figures. A 1980 survey in several rural regions found 3.9 percent malnourished, and a 1985 survey in Mogadishu showed 18.7 percent. Severe anemia is prevalent among women, particularly during pregnancy, and other nutrition-related health problems, such as goiter, scurvy and night blindness, are common.

Crop Production - Somalia is neither self-sufficient nor self-reliant in total food production although producer price increases for maize and sorghum have stimulated production such that in years of good rains Somalia can be self-sufficient in these two commodities. Only 25 percent of the population farms on a permanent basis; the crop subsector is small and still evolving. Some 320,000 farm families cultivate one million hectares of which 75 percent are found in only three of Somalia's 18 regions. About one-third of all farmers use irrigation; these are located in the Jubba and Shabelli River basins. Given the growing urban population, production and marketing constraints, variable and poorly distributed rainfall, and the large proportion of Somalia not suited to crop production, it is unlikely that Somalia will become self-reliant in the short or medium term, if at all. Currently, almost half of the food grains marketed are imported, mainly rice and wheat (for bread and pasta), on commercial and concessional terms.

quarters of 1988 and contributed substantially to the rapid depreciation of the Somali Shilling over that same period. The major reasons for the credit surge in late 1987 were lack of fiscal control resulting in the Government's heavy recourse to the banking system to finance its deficit and a virtual explosion in lending to the private sector, much of which involved highly questionable loans.

Over most of the last several years real savings and lending rates have been substantially negative, and credit has been allocated administratively and in accordance with other than economic priorities. As a result, savings mobilization has been severely inhibited and the credit extended has not been used to finance investments generating the highest economic returns. The GSDR took a significant step to address this problem in August 1988 when, as agreed with the IMF, it raised the minimum lending rate to 50 percent and the minimum savings rate to 40 percent. The combination of higher interest rates and lower inflation during the last quarter of 1988, resulted in positive real interest rates--a development not seen in Somalia for many years. In its current economic program, the GSDR has committed itself to maintaining positive real interest rates. In order to stimulate further savings mobilization and rationalize the allocation of domestic credit, it is absolutely essential that this objective be achieved and maintained.

2. Sectoral Policies

While appropriate macro policies providing adequate incentives for investment and production in the economy as a whole are the best way to enhance performance at the sector level, certain sector specific policies also need to be improved. In particular, the existing tax structure which places a disproportionate share of the total tax burden on key productive sectors should be modified. With respect to agriculture, an adjustment in the tariff rates on imports of all grains and grain products, powdered milk, sugar and edible oil is needed to reduce the bias inherent in the existing tariff structure in favor of imported food. The GSDR has committed itself to reforming these and other sector specific policy contraints to growth as part of its structural adjustment program developed with the IMF and IBRD.

C. Inadequate and Deteriorating Physical Infrastructure

Lack of investment and poor maintenance has led to a situation where Somalia's physical infrastructure is far too limited, and the facilities which do exist are rapidly deteriorating. The nation's road network is a case in point. The road network needs to expanded in many areas of the country to facilitate transportation between existing and potential productive areas, urban markets and shipping ports. At the same time, maintenance for roads which have been built has been ignored

peak period of milk production (the rainy season) milk is an important source of calories and protein for nomads. Milk is also an important commodity exchanged with farmers for maize and sorghum. Milk production has the potential of contributing even more nutritionally and economically through improvements in livestock feed and forage research and in improved genetic selection. The subsector is Somalia's major source of employment. For overall agriculture growth to reach the 4-to-5 percent/year envisaged by the PFP, this subsector must raise its annual growth rate to 3-to-4 percent/year. (Mission Agriculture staff feel this target is unrealistically high.) A key is sufficient feed and fodder as the rangelands are now near capacity given current management techniques. If growth of output (increases in offtake, herd size and milk production) moderates and the population continues to grow, the surplus available for export will be increasingly required for domestic consumption. While reports of overstocking and deteriorating range conditions may have been exaggerated, greater efforts are needed to manage this important natural resource.

D. Human Resources

Civil Service Performance - An overriding human resource issue is the failure of the civil service to manage public resources effectively. Several factors have created this problem: The declining levels of education; inadequate salaries and other incentives, and poor training of civil servants. A large, cumbersome ministerial structure exists with overlapping and conflicting responsibilities. Cabinet changes are frequent and disruptive. The ineffective civil service contributes to the poor performance of the economy.

The PFP commits the Government to budget reforms which not only increase salary levels but increase resources for social services and recurrent costs, such as for maintenance of facilities and purchase of basic supplies and equipment. In addition, there is a need to classify posts, to provide sufficient incentives to retain and motivate qualified staff, and to relate compensation to job performance. Public institutions need to be decentralized and more authority delegated to regional and district units.

due in part to the highly concessional nature of loans through those institutions, both with respect to interest rates and the extended grace periods on principal payments, which has resulted in annual debt service payments for 1988 of only $3.6 million to the World Bank (IDA) and $4.5 million to AFDB/F. Prompt payment on these debts has also been made to prevent cutoffs of fresh assistance flows to Somalia from these institutions (although Somalia fell into arrears with the AFDB/F in 1988). New loans from the World Bank have averaged about $50 million over the last three years while those from the AFDB/F have averaged about $15 million.

While projected debt service requirements decline moderately over the medium-term, their magnitude is still way beyond Somalia's capacity to pay. Based on the latest available estimates, total debt service payments are projected to drop by about 10 percent in 1989 to $170 million and then stabilize at near $150 million each year over the 1990 through 1993 period. However, of the 1989 total, $59 million is owed to the IMF and must be paid if Somalia is to continue its current Fund-Monitored Program and be eligible later for an IMF Stand-By Arrangement and SAF or ESAF. After 1989, though, scheduled debt to the IMF drops to more manageable proportions--$33 million in 1990, $13 million in 1991 and $10 million for both 1992 and 1993. Scheduled payments to other multilateral agencies average $22 million through 1993.

With respect to Somalia's outstanding obligations to bilateral creditors, at the end of 1988 it owed $847 million, including $251 million to Italy, $232 million to the U.S., $89 million to Kuwait, and $81 million to France. In addition, $284 million in debt to other countries, including the USSR and the Peoples Republic of China, has been frozen since 1984. Notwithstanding a Paris Club agreement in July 1987 which rescheduled $146 million in debt to the U.S., Italy, the United Kingdom, and France, bilateral debt arrears grew to $83 million by the end of 1988. Moreover, Somalia's obligations to bilateral creditors over the next five years total $398 million, programmed roughly at $80 million annually. Future Paris Club reschedulings, as well as other forms of debt relief, will be needed to assist Somalia's in its efforts to handle its bilateral debt.

Debt owed by Somalia to the U.S. Government, in particular, is becoming increasingly difficult for Somalia to manage. On one occasion in 1987 Somalia came under Brooke Amendment sanctions due to outstanding arrears on FMS debt. In December 1988, the Somalis were within a few days of having Brooke Amendment penalties invoked again over a $1.35 million payment in FMS debt. If not cleared by June, current arrears to the U.S. could result in the imposition of Section 620(q) and Brooke Amendment provisions which would suspend new U.S. assistance commitments to Somalia at a very critical time. Somalia is counting on

Private medical care was legalized in 1983. Recent legislation will allow private importation and supply of medicines and medical equipment. Greater private sector participation in the provision of rural health services could be encouraged by training traditional health practitioners and pharmacists.

Infant mortality rates of 152 per 1,000 have been reported--twice the A.I.D. standard for this indicator. The child mortality rate for those one-to-five years of age is also very high (105 per 1,000). Leading causes of mortality in children under five are diarrhea, tetanus, pneumonia, birth complications, measles and premature birth.

Somalia has the third or fourth highest maternal mortality rate in the world with 1,100 mothers dying per 100,000 births, three times the average of 329 per 100,000 in all other low-income countries. Major causes are post-partum bleeding and prolonged labor, which are directly linked to the practice of female circumcision. Surveys indicate that the median age of death of women is 30 years with 66 percent of women over 14 years dying during the childbearing years. The estimated national ratio of males to females in the population is 114/100. When compared to the more common distribution of about 100/107, it underscores the seriousness of the high female mortality rate and casts doubt on GSDR estimates of population growth higher than 3 percent/year. Major constraints to reducing child and female mortality are the lack of public awareness of nutrition, hygiene, and child spacing; female circumcision, and poor and poorly distributed health care services.

Illiteracy and Lack of Education - At independence in 1960 Somalia inherited a very weak educational structure and a population which, with the exception of a small elite, was mostly illiterate. Less than 10 percent of primary-school-aged children were enrolled.

The 1970s brought considerable improvements as school enrollments more than doubled between 1973 and 1976. By 1977 primary school enrollments

E. Major Structural Weaknesses

1. An Over-extended and Inefficient Public Sector

Somalia's public sector is too heavily involved in the types of commodity producing and commercial activities best left to the private sector. Currently public enterprises control the production of sugar, milk, cigarettes, pasta, textiles and edible oil. In addition, public agencies have monopolized trade in several key areas including, inter alia, the domestic and export marketing of hides and skins, frankincense and myrrh, veterinary and human medicines and equipment, insurance services, and maritime shipping services. The GSDR took a major step forward in February 1989 when it enacted into law several measures designed to liberalize these sectors. Now the GSDR must quickly follow up its initial measures by drafting and approving implementing regulations required to put these reforms into effect.

2. An Ineffective Financial Sector

Somalia's commercial banking system consists for all practical purposes of just one institution, the GSDR-owned Commercial and Savings Bank of Somalia (CSBS). That institution is extremely inefficient and, as a result, the Bank is incapable of performing an effective financial intermediation function. Excessively high transactions costs and lack of confidence in the Bank has discouraged the use of the Bank's deposit facilities. Many individuals prefer to maintain their savings and transactions balances in the form of cash instead of depositing their funds in the CSBS. The August 1988 increase in the minimum annual savings rate to 40 percent will contribute somewhat to greater use of the banking system, but much more is needed. As a key component of its economic reform program, the GSDR has taken the first steps toward opening up the banking system to foreign and local private competition. Moreover, supervision and control of CSBS operations by the monetary authorities (i.e., the Central Bank) is being expanded and improved.

3. Narrow Export Base

As discussed in Section II.B., above, Somalia's exports are limited to only a few basic categories. In 1986 and 1987, for example, the country's two major exports, livestock and bananas, accounted for about 90 percent of total export earnings. As such, Somalia's economy is highly susceptible to both shifting weather patterns and periodic fluctuations in world market demand for those products. As a case in point, when Saudi Arabia banned all imports of Somali livestock in 1983, Somalia's overall export earnings plummented 45 percent in two years and sent the economy into a sudden, major tailspin.

E. Other Problem Areas

Relief and Rehabilitation - In May 1988 armed conflict broke out in the North, affecting a population of over 600,000. Hargeisa and Burao in the Northwest Region fell under the control of the SNM, but were later retaken by the GSDR military. About 70 percent of Hargeisa and 30 percent of Burao were damaged or destroyed, and between 275,000 and 380,000 residents of Hargeisa, Burao and other nearby areas fled into southeastern Ethiopia. Subsequently, the SNM briefly overran Erigavo in March 1989; as this CDSS was being completed there were reports the SNM may have captured three small towns on the border with Djibouti.

The Government appealed for donor assistance in early September. The United States Government has provided over $2.5 million in emergency assistance, including food, an emergency field hospital, blankets, plastic sheeting for temporary shelter, radios, medical equipment, temporary services of an epidemiologist, and equipment needed for water storage and delivery.

Random guerrilla attacks continue along the roads, but the recaptured cities are generally secure. Some residents have returned, and limited economic activities have resumed in the two war-damaged towns. In March the Government appointed a three-person commission charged with restoring political and economic order in the North.

The problems of reconstruction and rehabilitation will be enormous. A recent United Nations Development Program (UNDP) assessment estimated that rebuilding Hargeisa and Burao will require more than $800 million. Political reconciliation and restoring the civil administration and full economic activity pose major challenges for the regime.

Natural Disasters - Somalia is prone to emergencies and disasters arising from such natural causes as droughts and floods, each experienced in 1987; for the last two years Somalia has also been threatened with locusts. Droughts are particularly troublesome; average

B. External Sector

With the improved exchange rate policies in place since June 1988, total exports of goods and services in 1989 are projected to partially recover from the low 1988 levels. Merchandise exports are expected to reach $78 million, significantly higher than the depressed 1988 level but still much lower than the levels achieved over the 1985-87 period. Gains exceeding 20 percent are anticipated for banana exports, and it is hoped that livestock exports will show a moderate recovery. Overall, other exports are projected to grow by 10 percent in 1989. With respect to nontraditional products, Somalia has already started exporting melons and grapefruit and has good potential to add other fruits and vegetables to the list. Other areas of export potential include fish, lobster and semi-processed foods.

While Somalia intends to diversify its export base, improved performance in the medium term will require sustained growth in Somalia's traditional exports, especially livestock, bananas and hides and skins. This will require the maintenance of an appropriate exchange rate system and the implementation of liberalization measures abolishing Government monopolies in key economic sectors. Should the ban on Somali cattle exports to Saudi Arabia be lifted, as has been reported, and lost markets recovered, further gains in export earnings can be expected. Such gains, however, will require timely completion of livestock quarantine facilities and the elimination of excessive bureaucratic impediments in the livestock exporting process.

Maintenance of a proper exchange rate regime including adequate provisions to guarantee unrestricted use of foreign exchange deposited in external accounts is essential to achieve medium term targets for hard currency receipts from workers remittances and other private transfers.

With the resumption in late 1988 of those donor assistance programs temporarily suspended in September 1987, total external assistance levels in 1989 should increase.

C. Growth

Assuming exports partially recover as expected together with the timely restoration of normal assistance flows, real GDP should grow 5 percent in 1989. Based on the best case scenario policy wise, real output is projected to increase 5 percent annually over the 1990 through 1992 period. To the extent that Somalia is able to recapture major portions of the Saudi Arabian market for imported cattle, those growth figures could be improved even further.

Should policy reform efforts ebb, a less favorable scenario would develop. Likely declines in export competitiveness combined with less foreign and domestic investment and lower assistance flows (reduced as the result of poor policy performance) could push real gowth to very low and even negative rates.

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Table 9. Somalia: Annual Inflation Rates, 1978-1988

Table 1. SOMALIA: SUMMARY OF CENTRAL GOVERNMENT FISCAL ACCOUNTS, 1980-1988
WITH PROJECTIONS FOR 1989

(in Millions of Current Shillings)

Fiscal Year Ending December 31	1980	1981	1982	1983	1984	1985	1986	1987	PREL 1988
Total Revenue and Grants	1903	2686	3816	5359	5959	12116	20388	36078	46567
Revenue	1421	2251	2588	4075	3774	5220	9595	10018	15482
Tax	1192	2002	2275	3371	2979	4577	8517	8785	12002
Import Duty			1275	2198	1816	2551	4656	4457	6056
Export Duty			123	124	37	89	83	78	28
Other Taxes			877	1049	1126	1937	3778	4250	5918
Nontax	229	249	313	704	795	643	1078	1233	3480
Grants #/1	482	435	1056	1106	1980	6620	10418	25560	31085
Commodity Import Program				901	620	2504	5317	3551	3585
Public Investment Program					1360	4116	5101	22009	27500
Transfers from local authorities			172	178	205	276	375	500	
Total expenditure	3132	3720	5366	6636	11264	18134	29366	52298	69030
Ordinary expenditure	1670	2295	2750	4539	7927	9923	16150	24114	31477
Wages and salaries					2150	2152	2149	2202	3187
Goods and services, of which:						3361	7221	5595	7679
Foreign representation							582	1721	3015
Interest: Domestic					385	486	648	800	2283
Foreign					540	1167	3295	3941	8365
Other expenditure					4852	2757	2837	11576	9963
Investment expenditure	1330	1425	2461	1920	3124	7940	12830	27667	37553
Development budget	162	286	348	498	604	1372	3131	3330	5300
Public Investment Program					2520	6568	9699	24337	32253
Transfer to local authorities	132	--	155	177	213	271	386	517	
					5065	3028	3223	12093	
Overall deficit, commitment basis									
Excluding grants	-1711	-1469	-2606	-2383	-7285	-12638	-19396	-41780	-53548
Including grants	-1229	-1034	-1550	-1277	-5305	-6018	-8978	-16220	-22463
Change in domestic counterpart of external interest arrears (excluding debt relief)					1800	-1440	2834	1846	7279
Other adjustments to cash basis #/2						300	-57	-2103	-432
Overall deficit, cash basis	-1229	-1034	-1550	-1277	-3505	-7158	-6201	-16477	-15616
Financing	1229	1022	1550	1277	3505	7158	6201	16477	15617
Foreign (net)	545	681	1724	1572	940	5033	6355	2162	-137
Domestic	684	341	-174	-295	2565	1045	-154	9103	5862
Banking system (net)	671	347	-150	-295	2573	875	657	8177	5862
Use of cash balances #/3	13	-6	-24	0	-8	170	-2	-11	
Other domestic #/4							-809	937	
Debt relief					0	1080	0	5212	9892

SOURCES: Central Bank, Ministry of Finance, IMF and IBRD.

Notes: 1. Estimated on the basis of counterpart fund receipts and project disbursements.
2. Provision for prior year expenses.
3. Mainly cash in regional treasury vaults.
4. Change in counterpart fund balances held with the Commercial and Savings Bank of Somalia.

Table 2. Somalia: Exchange Rate Trends, 1985-1988
Monthly Average, Somali Shillings per U.S. Dollar

Year	Month	Official Exchange Rate	Commercial Exchange Rate(c)	Parallel Market Exchange Rate	Free Market Exchange Rate(d)	Auction Rate (b)
1985	January	35.64	76.48		88.26	
	February	36.14	79.55		88.48	
	March	37.13	80.35		91.56	
	April	37.13	80.35		92.83	
	May	37.13	81.92		93.86	
	June	39.70	83.60		97.63	
	July	40.20	83.60		101.46	
	August	40.20	83.60		102.09	
	September	40.20	83.60		100.31	
	October	40.20	83.60		107.43	
	November	40.20	83.60		109.83	
	December	42.08	83.60		114.63	
1986	January	42.08	83.60		114.76	
	February	53.96	83.60		122.90	
	March	57.92	83.60		138.63	
	April	61.88	83.60		148.96	
	May	65.84	83.60		152.56	
	June	69.80	83.60		155.21	
	July	73.76	83.60		153.40	
	August	77.76	83.60		137.66	
	September	81.68	83.60		138.98	105.00 (a)
	October	85.68			141.46	99.90 (a)
	November	89.57			139.96	98.20 (a)
	December	89.57			142.48	109.40 (a)
1987	January	89.57		157.00	149.36	122.30 (a)
	February	89.57		158.00	150.76	122.60 (a)
	March	89.57		160.00	153.48	119.10 (a)
	April	89.57		167.00	157.60	125.89 (a)
	May	89.57		175.00	162.51	139.75 (a)
	June	111.34		180.00	171.66	139.05 (a)
	July	134.57 (a)		185.00		134.57 (a)
	August	139.37 (a)		190.00		139.37 (a)
	September	154.24 (a)		195.00		154.24 (a)
	October	100.00		205.00		
	November	100.00		240.00		
	December	100.00		260.00		
1988	January	100.00		255.00		
	February	100.00		255.00		
	March	100.00		250.00		
	April	100.00		265.00		
	May	100.00		290.00		
	June	180.00		300.00		
	July	180.00		320.00		
	August	220.50		344.00		
	September	233.75		398.00		
	October	256.60		433.00		
	November	257.75		435.00		
	December	265.60		455.00		

(a) Average exchange rate resulting from biweekly auctions.
(b) Auction was suspended on September 17,1987.
(c) Commercial exchange rate was stopped beginning of October 1986.
(d) Free market exchange rate was suspended on June 16, 1987.

TABLE 3. SOMALIA: BALANCE OF PAYMENTS ANALYSIS
(Millions of U.S. Dollars)

	1983	1984	1985	1986	1987	1988
CURRENT ACCOUNT BALANCE	-295.0	-319.1	-315.0	-294.9	-365.4	-288.2
Including Official Transfers	-147.0	-145.1	-111.0	-99.2	-58.8	-93.4
Trade Balance	-350.0	-344.0	-280.0	-262.3	-335.4	-232.8
Exports, f.o.b.	100.0	62.0	93.0	94.7	94.0	58.4
Livestock	72.0	33.1	66.0	62.4	59.1	23.2
Bananas	15.0	14.1	13.0	17.0	20.5	23.3
Other	13.0	14.8	14.0	15.3	14.4	11.9
Imports	-450.0	-406.0	-373.0	-357.0	-429.4	-291.2
Cash	-206.0	-156.0	-99.0	-108.1	-115.7	
Grants in kind	-147.0	-151.0	-158.0	-140.6	-281.9	
Loans in kind	-97.0	-99.0	-116.0	-108.3	-31.8	
Memo:						
PIP imports		-96.9	-172.0	-134.9	-225.7	-190.0
Others		-309.1	-201.0	-222.1	-203.7	-101.2
Services, net	4.0	-47.1	-55.0	-69.6	-65.0	-78.4
Interest	-21.0	-44.0	-49.0	-60.3	-52.0	-65.0
Other	25.0	-3.1	-6.0	-9.3	-13.0	-13.4
Transfers	199.0	246.0	224.0	232.7	341.6	217.8
Private	51.0	72.0	20.0	37.0	35.0	23.0
Official transfers */1	148.0	174.0	204.0	195.7	306.6	194.8
CAPITAL ACCOUNT	61.3	13.8	59.1	-4.8	-44.4	-8.0
Official capital, net	100.0	46.0	73.0	64.2	19.5	-13.8
Disbursements	107.0	106.0	122.0	124.3	82.2	45.4
Amortization	-7.0	-60.0	-49.0	-60.1	-62.7	-59.2
Private, net	-38.7	-32.2	-13.9	-69.0	-63.9	5.8
OVERALL BALANCE	-233.7	-305.3	-255.9	-299.7	-409.8	-296.2
Including Official Transfers	-85.7	-131.3	-51.9	-104.0	-103.2	-101.4

(Continued)

TABLE 3. SOMALIA: BALANCE OF PAYMENTS ANALYSIS (Continued)
(Millions of U.S. Dollars)

	1983	1984	1985	1986	1987	1988
OVERALL BALANCE	-233.7	-305.3	-256.9	-299.7	-409.8	-296.2
Including Official Transfers	-85.7	-131.3	-51.9	-104.0	-103.2	-101.4
FINANCING	85.7	131.3	51.9	104.0	103.2	101.4
Central Bank	46.7	5.3	39.9	32.0	-2.5	-87.7
Reserves (-increase)	2.0	9.0	-2.0	18.6	4.2	-0.9
IMF (net)	43.7	-10.7	33.9	7.4	8.8	-50.8
Purchases	48.1	0.0	35.1	21.2	7.2	0.0
SAF	0	0.0	0.0	0.0	11.4	0.0
Scheduled repurchases	0	-3.7	-15.2	-29.6	-31.8	-41.8
Valuation adjustment */	-4.4	-7.0	14.0	15.8	22.0	-9.0
Other	1.0	7.0	-2.0	6.0	-15.5	-36.0
AMF (scheduled)			-5.5	-2.6	-25.9	-25.6
Bridge loan					10.4	-10.4
Escrow Account						
Commercial bank	37.0	29.0	-32.0	-8.0	16.0	11.2
Arrears	—	71.0	-98.0	80.0	-18.5	119.5
Of which to IMF	—	0.7	14.2	-9.6	18.2	53.7
Debt relief	0.0	26.0	152.0	0.0	108.2	58.3
Current maturities			43.0		48.8	51.7
Arrears		26.0	109.0		59.4	6.6
Memorandum items:						
Overdue IMF obligations (end period)						
(In millions of US$)		0.7	15.0	5.3	23.6	77.3
(In millions of SDRs)		0.8	13.6	4.4	16.6	57.6

Sources: Central Bank of Somalia, IMF and IBRD.

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TABLE 4. SOMALIA: EXTERNAL PUBLIC DEBT OUTSTANDING, 1979 - 1988
at End of Period in Millions of Dollars

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Total External Debt Outstanding	576.2	698.5	995.4	1146.4	1260.5	1514.9	1653.9	1826.8	1959.5	2006.0
Multilateral	121.1	169.5	292.2	378.2	456.8	450.7	557.0	616.2	709.4	791.5
IMF (incl. Trust Fund)	0.1	17.8	46.6	79.6	122.7	112.1	160.2	155.7	181.6	182.9
African Development Bank	2.9	2.8	2.5	2.2	1.9	1.9	4.4	4.4	6.8	8.2
African Development Fund	6.5	7.4	7.1	11.0	17.1	26.0	33.1	38.1	59.0	68.0
Arab Fund	34.7	40.8	51.0	67.3	78.2	72.3	78.0	79.3	83.0	84.6
Arab Monetary Fund		5.7	31.2	37.7	43.2	49.5	49.5	49.5	49.5	73.8
European Investment Bank	4.6	5.4	5.4	5.4	5.8	2.9	8.1	9.6	2.5	2.9
IDA	62.5	72.2	91.2	107.7	124.1	144.2	176.6	229.7	275.7	312.9
IFAD			1.1	2.9	5.3	7.8	11.6	14.9	16.0	21.5
Islamic Development Bank	7.7	7.6	29.2	28.6	22.8	3.7	5.2	5.2	5.5	6.3
OPEC FUnd	2.1	9.8	26.9	35.8	35.7	30.3	30.3	29.8	29.8	30.4
Bilateral	455.1	529.0	574.0	605.1	640.9	901.2	933.9	1047.6	1087.1	1130.4
OECD countries(1)	43.5	62.2	76.4	117.3	137.4	488.3	508.7	612.9	644.1	641.4
France				5.7	15.1	25.8	41.3	50.9	66.9	81.2
Italy		1.0	14.0	19.5	18.7	295.6	250.5	244.9	245.0	250.8
Japan						0.4	6.8	71.2	78.0	45.8
U.S.A.	29.4	47.1	46.7	76.2	87.7	165.1	189.2	224.9	226.5	232.4
U.K.							19.5	19.6	19.8	23.3
Other(2)	14.1	14.1	15.7	15.9	15.9	1.4	1.4	1.4	7.9	7.9
Other	136.7	178.3	195.4	197.6	201.5	182.1	182.3	190.9	194.3	205.1
Algeria						0.9	0.9	0.9	0.9	0.9
Iraq	27.7	29.8	28.1	26.4	16.4	43.3	43.3	43.3	43.3	45.3
Kuwait Fund	27.1	30.7	37.5	41.4	54.8	71.0	82.5	85.6	88.8	88.9
Romania						3.0	3.0	3.0	3.0	10.0
Saudi Fund	81.9	117.8	129.8	129.8	130.3	57.3	46.0	51.5	51.7	53.2
Yugoslavia						6.6	6.6	6.6	6.6	6.8
Frozen debt	274.9	288.5	302.2	290.2	302.0	230.8	242.9	243.8	248.7	283.9
Abu Dhabi	67.0	74.6	88.9	89.6	101.9	94.3	94.3	94.3	94.3	94.0
P.R. of China	104.4	110.3	110.0	97.5	96.6	73.3	74.9	75.8	81.1	81.7
Bulgaria						6.0	6.0	6.0	5.6	4.9
U.S.S.R.	103.5	103.6	103.3	103.1	103.5	57.2	67.7	67.7	67.7	103.3
Supplier's Credit(3)			104.1	103.6	103.3	103.0	103.0	103.0	103.0	14.1
Financial Institutions(3)			25.1	59.5	59.5	60.0	60.0	60.0	60.0	70.0
MEMORANDA:										
Total Debt Less Frozen Debt	301.3	410.0	693.2	856.2	958.5	1284.1	1411.0	1583.0	1710.8	1722.1
Bilateral Debt Less Frozen Debt	180.2	240.5	271.8	314.9	338.9	670.4	691.0	803.8	838.4	846.5

Sources: Central Bank of Somalia, Ministry of Finance and IMF.

(1) Includes debt rescheduled in 1985.
(2) Includes Norway and Denmark among others.
(3) IMF staff estimates.
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TABLE 4.a. SOMALIA: EXTERNAL PUBLIC DEBT OUTSTANDING -- PERCENT BREAKDOWN, 1979-1988
at End of Period in Percent of Total External Debt Outstanding

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Total External Debt Outstanding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Multilateral	21.0%	24.3%	29.4%	33.0%	36.2%	29.8%	33.7%	33.7%	36.2%	39.5%
IMF (incl. Trust Fund)	0.0%	2.5%	4.7%	6.9%	9.7%	7.4%	9.7%	8.5%	9.3%	9.1%
African Development Bank	0.5%	0.4%	0.3%	0.2%	0.2%	0.1%	0.3%	0.2%	0.3%	0.4%
African Development Fund	1.1%	1.1%	0.7%	1.0%	1.4%	1.7%	2.0%	2.1%	3.0%	3.4%
Arab Fund	6.0%	5.8%	5.1%	5.9%	6.2%	4.8%	4.7%	4.3%	4.2%	4.2%
Arab Monetary Fund	0.0%	0.8%	3.1%	3.3%	3.4%	3.3%	3.0%	2.7%	2.5%	3.7%
European Investment Bank	0.8%	0.8%	0.5%	0.5%	0.5%	0.2%	0.5%	0.5%	0.1%	0.1%
IDA	10.8%	10.3%	9.2%	9.4%	9.8%	9.5%	10.7%	12.6%	14.1%	15.6%
IFAD	0.0%	0.0%	0.1%	0.3%	0.4%	0.5%	0.7%	0.8%	0.8%	1.1%
Islamic Development Bank	1.3%	1.1%	2.9%	2.5%	1.8%	0.2%	0.3%	0.3%	0.3%	0.3%
OPEC FUnd	0.4%	1.4%	2.7%	3.1%	2.8%	2.0%	1.8%	1.6%	1.5%	1.5%
Bilateral	79.0%	75.7%	57.7%	52.8%	50.8%	59.5%	56.5%	57.3%	55.5%	56.4%
OECD countries	7.5%	8.9%	7.7%	10.2%	10.9%	32.2%	30.8%	33.6%	32.9%	32.0%
France	0.0%	0.0%	0.0%	0.5%	1.2%	1.7%	2.5%	2.8%	3.4%	4.0%
Italy	0.0%	0.1%	1.4%	1.7%	1.5%	19.5%	15.1%	13.4%	12.5%	12.5%
Japan	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	3.9%	4.0%	2.3%
U.S.A.	5.1%	6.7%	4.7%	6.6%	7.0%	10.9%	11.4%	12.3%	11.6%	11.6%
U.K.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	1.1%	1.0%	1.2%
Other	2.4%	2.0%	1.6%	1.4%	1.3%	0.1%	0.1%	0.1%	0.4%	0.4%
Other	23.7%	25.5%	19.6%	17.2%	16.0%	12.0%	11.0%	10.4%	9.9%	10.2%
Algeria	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%
Iraq	4.8%	4.3%	2.8%	2.3%	1.3%	2.9%	2.6%	2.4%	2.2%	2.3%
Kuwait Fund	4.7%	4.4%	3.8%	3.6%	4.3%	4.7%	5.0%	4.7%	4.5%	4.4%
Romania	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%	0.5%
Saudi Fund	14.2%	16.9%	13.0%	11.3%	10.3%	3.8%	2.8%	2.8%	2.6%	2.7%
Yugoslavia	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.4%	0.3%	0.3%
Frozen debt	47.7%	41.3%	30.4%	25.3%	24.0%	15.2%	14.7%	13.3%	12.7%	14.2%
Abu Dhabi	11.6%	10.7%	8.9%	7.8%	8.1%	6.2%	5.7%	5.2%	4.8%	4.7%
P.R. of China	18.1%	15.8%	11.1%	8.5%	7.7%	4.8%	4.5%	4.1%	4.1%	4.1%
Bulgaria	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.3%	0.3%	0.2%
U.S.S.R.	18.0%	14.8%	10.4%	9.0%	8.2%	3.8%	4.1%	3.7%	3.5%	5.1%
Supplier's Credit	0.0%	0.0%	10.5%	9.0%	8.2%	6.8%	6.2%	5.6%	5.3%	0.7%
Financial Institutions	0.0%	0.0%	2.5%	5.2%	4.7%	4.0%	3.6%	3.3%	3.1%	3.5%
MEMORANDA:										
Total Debt Less Frozen Debt	52.3%	58.7%	69.6%	74.7%	76.0%	84.8%	85.3%	86.7%	87.3%	85.8%
Bilateral Debt Less Frozen Debt	31.3%	34.4%	27.3%	27.5%	26.9%	44.3%	41.8%	44.0%	42.8%	42.2%

Source: Table 4.

26-Apr-89 USAID/Somalia

TABLE 5. SOMALIA: MERCHANDISE EXPORT TRENDS, 1979-1988
(In Millions of U.S. dollars)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Total Merchandise Exports	105.8	134.2	114.0	136.9	100.0	62.0	93.0	94.7	94.0	58.4
Live Animals	74.5	101.7	98.0	105.7	72.0	33.1	66.0	62.4	59.1	23.2
Bananas	11.6	8.1	6.0	14.0	15.0	14.1	13.0	17.0	20.5	23.3
Fuel Oil	4.2	9.8	--	3.9	3.0	4.3	1.6	--	--	na
Meat and Meat Products	1.3	1.1	0.4	--	--	--	--	--	--	na
Fish and Fish Products	0.5	0.3	0.9	3.0	2.3	0.4	0.2	0.6	0.6	na
Hides and Skins	9.4	7.0	2.3	6.3	1.5	3.9	4.3	4.2	5.9	na
Myrrh	3.2	3.7	3.7	3.7	6.1	6.1	3.9	0.6	1.9	na
Others	1.1	2.5	2.7	0.3	0.1	0.1	4.0	9.9	6.0	11.9
	Annual Percent Changes									
Total Merchandise Exports	--	26.8%	-15.1%	20.1%	-27.0%	-38.0%	50.0%	1.8%	-0.7%	-37.9%
Live Animals	--	36.5%	-3.6%	7.9%	-31.9%	-54.0%	99.4%	-5.5%	-5.3%	-60.7%
Bananas	--	-30.2%	-25.9%	133.3%	7.1%	-6.0%	-7.8%	30.8%	20.6%	13.7%
Fuel Oil	--	133.3%	--	--	-23.1%	43.3%	-62.8%	--	--	na
Meat and Meat Products	--	-15.4%	-63.6%	--	--	--	--	--	--	na
Fish and Fish Products	--	-40.0%	200.0%	233.3%	-23.3%	-82.6%	-50.0%	200.0%	0.0%	na
Hides and Skins	--	-25.5%	-67.1%	173.9%	-76.2%	160.0%	10.3%	-2.3%	40.5%	na
Myrrh	--	15.6%	0.0%	0.0%	64.9%	0.0%	-36.1%	-84.6%	216.7%	na
Others	--	127.3%	8.0%	-88.9%	-66.7%	0.0%	incr	147.5%	-39.4%	98.3%
	Percent of Total Merchandise Exports by Category									
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Live Animals	70.4%	75.8%	86.0%	77.2%	72.0%	53.4%	71.0%	65.9%	62.9%	39.7%
Bananas	11.0%	6.0%	5.3%	10.2%	15.0%	22.7%	14.0%	18.0%	21.8%	39.9%
Fuel Oil	4.0%	7.3%	--	2.8%	3.0%	6.9%	1.7%	--	--	na
Meat and Meat Products	1.2%	0.8%	0.4%	--	--	--	--	--	--	na
Fish and Fish Products	0.5%	0.2%	0.8%	2.2%	2.3%	0.6%	0.2%	0.6%	0.6%	na
Hides and Skins	8.9%	5.2%	2.0%	4.6%	1.5%	6.3%	4.6%	4.4%	6.3%	na
Myrrh	3.0%	2.8%	3.2%	2.7%	6.1%	9.8%	4.2%	0.6%	2.0%	na
Others	1.0%	1.9%	2.4%	0.2%	0.1%	0.2%	4.3%	10.5%	6.4%	20.4%

Source: Central Bank, IMF and IBRD.
30-Apr-89 USAID/Somalia

TABLE 6. SOMALIA: MERCHANDISE IMPORT TRENDS, 1979 -1988
(In Millions of Dollars)

	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total Merchandise Imports #/1	289.0	276.0	145.0	199.0	186.2	107.5	111.9	119.2	114.2
Foodstuffs	35.4	43.6	27.1	45.8	29.8	13.0	18.1	25.1	30.8
Beverages and Tobacco	9.9	7.7	1.9	4.7	7.3	3.9	1.1	4.2	1.5
Textiles and Household Goods	4.2	3.3	2.9	1.8	2.4	1.7	1.8	2.3	2.5
Medicine and Chemicals	7.0	22.8	6.0	5.7	8.2	3.1	1.0	1.3	0.4
Raw Materials for Manufacturing	10.6	4.7	5.8	6.2	8.4	3.2	3.1	3.2	5.2
Agricultural Inputs	3.6	4.8	1.0	0.1	1.3	--	--	--	2.0
Petroleum	44.7	65.1	54.7	81.4	57.7	43.8	37.9	29.1	29.9
Construction Materials	7.9	5.1	7.1	16.7	21.9	9.4	16.6	13.8	16.6
Machinery and Parts	32.6	38.1	17.1	18.0	13.8	14.2	14.3	15.5	10.0
Transportation and Parts	54.4	37.5	15.5	12.9	13.8	7.1	15.0	16.0	8.5
Farm Machinery	36.7	22.6	0.8	1.0	0.4	0.5	--	0.1	0.5
Other	42.0	20.5	5.1	4.4	21.2	7.6	3.0	8.6	6.3
	Annual Percent Changes								
Total Merchandise Imports	--	-4.5%	-47.5%	37.2%	-6.4%	-42.3%	4.1%	6.5%	-4.2%
Foodstuffs	--	23.3%	-37.9%	68.9%	-34.9%	-56.4%	39.2%	38.7%	22.7%
Beverages and Tobacco	--	-22.6%	-75.3%	149.0%	54.4%	-46.6%	-71.8%	281.8%	-64.3%
Textiles and Household Goods	--	-21.0%	-13.5%	-35.6%	29.9%	-29.2%	5.9%	27.8%	8.7%
Medicine and Chemicals	--	223.9%	-73.8%	-3.8%	42.7%	-62.2%	-67.7%	30.0%	-69.2%
Raw Materials for Manufacturing	--	-55.4%	23.7%	6.9%	34.8%	-61.9%	-3.1%	3.2%	62.5%
Agricultural Inputs	--	33.6%	-79.0%	-88.7%	incr	-100.0%	--	--	--
Petroleum	--	45.6%	-15.9%	48.8%	-29.1%	-24.1%	-13.5%	-23.2%	2.7%
Construction Materials	--	-35.0%	38.1%	134.9%	31.3%	-57.1%	76.6%	-16.9%	20.3%
Machinery and Parts	--	16.9%	-55.2%	5.6%	-23.5%	2.9%	0.7%	8.4%	-35.5%
Transportation and Parts	--	-31.0%	-58.7%	-16.7%	6.8%	-48.6%	111.3%	6.7%	-46.9%
Farm Machinery	--	-38.3%	-96.3%	24.9%	-61.6%	25.0%	-100.0%	--	400.0%
Other	--	-51.1%	-75.3%	-12.5%	378.2%	-64.2%	-60.5%	186.7%	-26.7%
	Percent of Total Merchandise Imports by Category								
Total Merchandise Imports	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Foodstuffs	12.2%	15.8%	18.7%	23.0%	16.0%	12.1%	16.2%	21.1%	27.0%
Beverages and Tobacco	3.4%	2.8%	1.3%	2.4%	3.9%	3.6%	1.0%	3.5%	1.3%
Textiles and Household Goods	1.5%	1.2%	2.0%	0.9%	1.3%	1.6%	1.6%	1.9%	2.2%
Medicine and Chemicals	2.4%	8.3%	4.1%	2.9%	4.4%	2.9%	0.9%	1.1%	0.4%
Raw Materials for Manufacturing	3.7%	1.7%	4.0%	3.1%	4.5%	3.0%	2.8%	2.7%	4.6%
Agricultural Inputs	1.3%	1.8%	0.7%	0.1%	0.7%	--	--	--	1.8%
Petroleum	15.5%	23.6%	37.7%	40.9%	31.0%	40.7%	33.9%	24.4%	26.2%
Construction Materials	2.7%	1.9%	4.9%	8.4%	11.8%	8.7%	14.8%	11.6%	14.5%
Machinery and Parts	11.3%	13.8%	11.8%	9.1%	7.4%	13.2%	12.8%	13.0%	8.8%
Transportation and Parts	18.8%	13.6%	10.7%	6.5%	7.4%	6.6%	13.4%	13.4%	7.4%
Farm Machinery	12.7%	8.2%	0.6%	0.5%	0.2%	0.5%	--	0.1%	0.4%
Other	14.5%	7.4%	3.5%	2.2%	11.4%	7.1%	2.7%	7.2%	5.5%

Note: 1. These figures represent imports recorded by Somali authorities. They consist primarily of cash imports but also include a portion of imports financed by donors. No adjustments for contraband have been made.

Source: Central Bank and IMF.

TABLE 7. SOMALIA: GROSS DOMESTIC PRODUCT — BY SECTOR OF ORIGIN, 1977-1988
In Constant 1977 Prices

(Millions of 1977 Shillings)

	Weight	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
GDP at Market Prices	1.000	6880	7278	6916	7039	7481	7669	6798	7020	7689	7525	8253	7968
Less Net Indirect Taxes	0.129	572	938	854	475	568	533	563	252	295	382	305	231
GDP at Factor Cost	0.871	6308	6340	6062	6564	6913	7136	6235	6768	7394	7143	7949	7737
Primary Production	0.559	3890	4071	3621	3864	4440	4515	3723	4241	4774	4449	5108	5233
Agriculture and Related Sectors	0.556	3850	4046	3594	3844	4418	4495	3699	4220	4753	4427	5087	5212
Livestock & Livestock Products	0.441	2995	3212	2742	2960	3394	3409	2710	3076	3522	3143	3760	3762
Crop Production	0.093	689	678	683	698	843	862	795	928	1015	1060	1093	1207
Forestry	0.020	145	148	152	156	161	166	170	175	181	186	192	198
Fishing	0.001	21	8	17	30	20	18	24	41	35	38	47	45
Mining	0.003	40	25	27	20	22	20	21	21	21	21	21	21
Secondary Production	0.070	719	506	612	686	634	672	578	600	646	704	726	613
Manufacturing	0.038	323	273	327	357	297	370	300	278	299	331	344	292
Utilities	0.004	30	29	43	43	43	40	40	46	47	55	45	45
Construction	0.028	366	204	242	286	294	262	238	276	300	318	337	276
Services	0.242	1699	1763	1829	2014	1839	1969	1937	1927	1974	1691	2114	1891
Commercial Services	0.078	578	565	628	724	564	656	605	605	609	615	724	625
Transportion and Communications	0.047	385	339	296	331	306	332	345	334	408	434	461	438
Financial Services	0.018	92	129	137	120	15	81	92	37	36	27	25	25
Real Estate	0.031	220	229	238	247	257	268	278	290	301	313	326	261
Public Administration	0.067	388	485	520	539	545	547	550	522	493	461	432	403
Other Services	0.021	149	153	158	163	168	173	178	183	189	194	200	190
Imputed Bank Service Charges	-0.019	-113	-137	-148	-110	-76	-88	-111	-44	-62	-57	-54	-51

Annual Growth Rates

	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86	88/87	88/77
GDP at Market Prices	-5.0%	1.8%	6.3%	2.8%	-11.6%	3.3%	9.5%	-2.1%	9.7%	-3.5%	1.3%
Less Net Indirect Taxes	-9.0%	-44.4%	19.6%	-6.2%	5.6%	-55.2%	17.1%	29.5%	-20.2%	-24.3%	-7.9%
GDP at Factor Cost	-4.4%	8.3%	5.3%	3.5%	-12.9%	8.5%	9.2%	-3.4%	11.3%	-2.7%	1.9%
Primary Production	-11.1%	6.7%	14.9%	1.7%	-17.6%	14.0%	12.6%	-6.8%	14.8%	2.4%	2.7%
Agriculture and Related Sectors	-11.2%	7.0%	14.9%	1.7%	-17.7%	14.1%	12.6%	-6.9%	14.9%	2.5%	2.8%
Livestock & Livestock Products	-14.6%	8.0%	14.7%	0.4%	-20.5%	13.5%	14.5%	-10.8%	19.6%	0.1%	2.1%
Crop Production	0.7%	2.2%	20.8%	7.0%	-11.9%	16.7%	9.4%	4.4%	3.1%	10.4%	5.2%
Forestry	2.7%	2.6%	3.2%	3.1%	2.4%	2.9%	3.4%	2.8%	3.2%	3.1%	2.9%
Fishing	112.5%	76.5%	-33.3%	-10.0%	33.3%	70.8%	-14.6%	8.6%	10.5%	7.1%	7.2%
Mining	8.0%	-25.9%	10.0%	-9.1%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-5.7%
Secondary Production	20.9%	12.1%	-7.6%	6.0%	-14.0%	3.8%	7.7%	9.0%	3.1%	-15.6%	-1.4%
Manufacturing	19.8%	9.2%	-16.8%	24.6%	-18.9%	-7.3%	7.6%	10.7%	3.9%	-15.1%	-0.9%
Utilities	48.3%	0.0%	0.0%	-7.0%	0.0%	15.0%	2.2%	17.0%	-18.2%	0.0%	3.8%
Construction	18.6%	18.2%	2.8%	-10.9%	-9.2%	16.0%	8.7%	6.0%	6.[illegible]	-18.1%	-2.5%
Services	3.7%	10.1%	-8.7%	7.1%	-1.6%	-0.5%	2.4%	0.9%	6.2%	-10.5%	1.0%
Commercial Services	11.2%	15.3%	-22.1%	16.3%	-7.8%	0.0%	0.7%	1.0%	17.7%	-13.7%	0.7%
Transportion and Communications	-12.7%	11.8%	-7.6%	8.5%	3.9%	-3.2%	22.2%	6.4%	6.2%	-5.0%	1.2%
Financial Services	6.2%	-12.4%	-37.5%	8.0%	13.6%	-59.8%	-2.7%	-25.0%	-7.4%	0.0%	-11.2%
Real Estate	3.9%	3.8%	4.0%	4.3%	3.7%	4.3%	3.8%	4.0%	4.2%	-19.9%	1.6%
Public Administration	7.2%	3.7%	1.1%	0.4%	0.5%	-5.1%	-5.6%	-6.5%	-6.3%	-6.7%	0.3%
Other Services	3.5%	3.2%	3.1%	3.0%	2.9%	2.8%	3.3%	2.6%	3.1%	-5.0%	2.2%
Imputed Bank Service Charges	8.0%	-25.7%	-30.9%	15.8%	26.1%	-60.4%	40.9%	-14.5%	1.9%	-5.6%	-7.0%

As Percent of Total GDP

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
GDP at Market Prices	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less Net Indirect Taxes	8.3%	12.9%	12.3%	6.7%	7.6%	6.9%	8.3%	3.6%	3.8%	5.1%	3.7%	2.9%
GDP at Factor Cost	91.7%	87.1%	87.7%	93.3%	92.4%	93.1%	91.7%	96.4%	96.2%	94.9%	96.3%	97.1%
Primary Production	56.5%	55.9%	52.4%	54.9%	59.4%	58.7%	54.7%	60.4%	62.1%	59.1%	61.9%	65.7%
Agriculture and Related Sectors	56.0%	55.6%	52.0%	54.6%	59.1%	58.5%	54.4%	60.1%	61.8%	58.8%	61.6%	65.4%
Livestock & Livestock Products	43.5%	44.1%	39.6%	42.1%	45.4%	44.3%	39.9%	43.8%	45.8%	41.8%	45.6%	47.2%
Crop Production	10.0%	9.3%	9.9%	9.9%	11.3%	11.7%	11.7%	13.2%	13.2%	14.1%	13.2%	15.1%
Forestry	2.1%	2.0%	2.2%	2.2%	2.2%	2.2%	2.5%	2.5%	2.4%	2.5%	2.3%	2.5%
Fishing	0.3%	0.1%	0.2%	0.4%	0.3%	0.2%	0.4%	0.6%	0.5%	0.5%	0.5%	0.6%
Mining	0.6%	0.3%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Secondary Production	10.5%	7.0%	8.8%	9.7%	8.5%	8.7%	8.5%	8.5%	8.4%	9.4%	8.8%	7.7%
Manufacturing	4.7%	3.8%	4.7%	5.1%	4.0%	4.8%	4.4%	4.0%	3.9%	4.4%	4.2%	3.7%
Utilities	0.4%	0.4%	0.6%	0.6%	0.6%	0.5%	0.6%	0.7%	0.6%	0.7%	0.5%	0.6%
Construction	5.3%	2.8%	3.5%	4.1%	3.9%	3.4%	3.5%	3.9%	3.9%	4.2%	4.1%	3.5%
Services	24.7%	24.2%	26.4%	28.6%	24.6%	25.6%	28.5%	27.5%	25.7%	26.5%	25.6%	23.7%
Commer 05:09 PM	8.4%	7.8%	9.1%	10.3%	7.5%	8.5%	8.9%	8.6%	7.9%	8.2%	8.8%	7.8%
Transportion and Communications	5.6%	4.7%	4.3%	4.7%	4.1%	4.3%	5.1%	4.8%	5.3%	5.8%	5.6%	5.5%
Financial Services	1.3%	1.8%	2.0%	1.7%	1.0%	1.1%	1.4%	0.5%	0.5%	0.4%	0.3%	0.3%
Real Estate	3.2%	3.1%	3.4%	3.5%	3.4%	3.5%	4.1%	4.1%	3.9%	4.2%	4.0%	3.3%
Public Administration	5.6%	6.7%	7.5%	7.7%	7.3%	7.1%	8.1%	7.4%	6.4%	6.1%	5.2%	5.1%
Other Services	2.2%	2.1%	2.3%	2.3%	2.2%	2.2%	2.6%	2.6%	2.5%	2.6%	2.4%	2.4%
Imputed Bank Service Charges	-1.6%	-1.9%	-2.1%	-1.6%	-1.0%	-1.1%	-1.6%	-0.6%	-0.8%	-0.7%	-0.7%	-0.6%

Contribution to Overall GDP Growth by Sector

	79/78	80/79	81/80	82/81	83/82	84/83	85/84	86/85	87/86	88/87	88/77
GDP at Market Prices	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less Net Indirect Taxes	23.2%	-300.1%	21.0%	-16.8%	-3.4%	-140.1%	6.4%	-53.0%	-10.6%	26.0%	-102.5%
GDP at Factor Cost	76.8%	400.1%	79.0%	116.8%	103.4%	240.1%	93.6%	153.0%	110.6%	74.0%	202.5%
Primary Production	124.3%	197.6%	130.3%	36.1%	89.2%	234.7%	79.7%	198.8%	90.7%	43.9%	168.4%
Agriculture and Related Sectors	124.9%	203.3%	129.9%	37.0%	89.3%	234.7%	79.7%	198.8%	90.7%	-43.9%	169.0%
Livestock & Livestock Products	129.8%	177.2%	98.2%	7.2%	78.5%	164.9%	66.7%	231.1%	84.8%	-0.7%	79.7%
Crop Production	-1.4%	12.2%	32.8%	20.4%	12.0%	59.9%	13.0%	-27.4%	4.5%	-40.0%	76.7%
Forestry	-1.1%	3.3%	1.1%	2.4%	-0.4%	2.3%	0.9%	-3.0%	0.8%	-2.1%	7.2%
Fishing	-2.5%	10.6%	-2.3%	-1.0%	-0.7%	7.7%	-0.9%	-1.8%	0.5%	-1.1%	5.4%
Mining	-0.6%	-5.7%	0.5%	-1.0%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.6%
Secondary Production	-29.3%	60.2%	-11.8%	18.3%	10.5%	9.9%	6.9%	-35.4%	3.0%	39.6%	15.5%
Manufacturing	-14.9%	24.4%	-13.6%	35.1%	7.9%	-9.9%	3.1%	-19.5%	1.8%	18.2%	2.8%
Utilities	-3.9%	0.0%	0.0%	-1.4%	0.0%	2.7%	0.1%	-4.9%	-1.4%	0.0%	2.3%
Construction	-10.5%	35.8%	1.8%	-15.4%	2.7%	17.1%	3.6%	-11.0%	2.6%	21.4%	10.4%
Services	-18.2%	150.4%	-39.6%	62.5%	3.6%	-4.5%	7.0%	-10.4%	16.9%	78.2%	18.6%
Commer 05:09 PM	-17.4%	78.0%	-36.2%	44.2%	5.7%	0.0%	0.6%	-3.7%	15.0%	34.7%	8.7%
Transportion and Communications	11.9%	20.5%	-5.7%	12.5%	-1.5%	-5.0%	11.1%	-15.9%	3.7%	8.1%	14.3%
Financial Services	-2.2%	-13.8%	-10.2%	2.9%	-1.2%	-24.8%	-0.1%	5.5%	-0.3%	0.0%	-15.1%
Real Estate	-2.5%	7.3%	2.3%	5.3%	-1.1%	5.4%	1.6%	-7.3%	1.8%	22.8%	4.6%
Public Administration	-9.7%	15.4%	1.4%	1.0%	-0.3%	-12.6%	-4.3%	19.5%	-4.0%	10.2%	-11.9%
Other Services	-1.4%	4.1%	1.1%	2.6%	2.4%	-0.6%	2.3%	0.9%	-3.0%	0.8%	3.5%	5.4%
Imputed Bank Service Charges	3.0%	30.9%	7.7%	-5.8%	2.6%	30.2%	-2.7%	-5.5%	-0.1%	-1.1%	12.5%

25-Apr-89 USAID/Somalia Source: Ministry of National Planning Central Statistics Department, IMF, and IBRD.

TABLE 7.a. SOMALIA: VALUE ADDED OF LIVESTOCK SECTOR AT CONSTANT 1977 PRICES, 1977-1988

(in Millions of Somali Shillings)

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Livestock and Livestock Products	2995	3212	2742	2960	3394	3409	2710	3076	3522	3143	3760
Exclusive of Stock Changes	2640	2780	2848	3014	3002	3098	3001	2905	3161	3056	3335
Livestock Only	1892	1818	1306	1530	1948	1919	1217	1587	2010	1597	2196
Cattle	302	327	227	234	376	394	116	271	353	275	367
Camels	274	275	120	91	285	294	11	118	301	104	317
Sheep	452	510	411	496	525	421	507	479	531	507	629
Goats	664	706	548	709	762	610	583	719	825	711	883
Stock Change	355	432	-106	-54	392	311	-291	171	361	87	425
Cattle	50	83	-23	-52	50	44	-161	41	86	33	86
Camels	143	163	11	-26	165	174	-83	24	192	-25	172
Sheep	43	43	-46	0	58	-26	72	70	0	55	107
Goats	119	143	-48	24	119	119	-119	36	83	24	60
Exports	384	391	382	407	398	446	288	154	344	299	284
Cattle	42	57	61	73	90	121	42	6	32	43	37
Camels	48	29	23	23	21	21	11	6	10	12	23
Sheep	96	153	148	154	147	151	116	70	149	120	110
Goats	98	152	150	157	145	153	119	72	153	124	114
Slaughters	1053	995	1030	1177	1156	1162	1220	1262	1305	1211	1487
Cattle	[illegible]	187	189	213	236	229	235	224	235	199	244
Camels	83	83	86	94	99	99	83	88	99	117	122
Sheep	313	314	309	342	325	296	319	339	382	332	412
Goats	447	411	446	528	498	538	583	611	589	563	709
Livestock Products, of which:	1303	1394	1436	1430	1446	1490	1493	1489	1512	1546	1564
Milk output	1211	1299	1337	1325	1349	1397	1397	1389	1426	1458	1496
Memoranda:											
Gross Domestic Product	6880	7278	6916	7039	7481	7689	6798	7020	7689	7525	8253
Annual Growth Rate		5.8%	-5.0%	1.8%	6.3%	2.8%	-11.6%	3.3%	9.5%	-2.1%	9.7%
Gross Domestic Product Exclusive of Stock Changes	6525	6846	7022	7093	7089	7378	7089	6849	7329	7438	7828
Annual Growth Rate		4.9%	2.6%	1.0%	-0.1%	4.1%	-3.9%	-3.4%	7.0%	1.5%	5.2%
Gross Domestic Product at Factor Cost	6308	6340	6062	6534	6913	7156	6235	6768	7394	7143	7948
As Percent of Gross Domestic Product											
Total Livestock and Livestock Products, of which:	43.5%	44.1%	39.6%	42.1%	45.4%	44.3%	39.9%	43.8%	45.8%	41.8%	45.6%
Cattle	4.4%	4.5%	3.3%	3.3%	5.0%	5.1%	1.7%	3.9%	4.6%	3.7%	4.4%
Camels	4.0%	3.8%	1.7%	1.3%	3.8%	3.8%	0.2%	1.7%	3.9%	1.4%	3.8%
Sheep	6.6%	7.0%	5.9%	7.0%	7.0%	5.5%	7.5%	6.8%	6.9%	6.7%	7.6%
Goats	9.7%	9.7%	7.9%	10.1%	10.3%	10.5%	8.6%	10.2%	10.7%	9.4%	10.7%
Milk Output	17.6%	17.9%	19.3%	18.8%	19.0%	18.2%	20.6%	19.8%	18.5%	19.4%	18.1%

Source: Ministry of National Planning Central Statistics Department.
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TABLE 8. SOMALIA: MONETARY SURVEY, 1979-88

	(Millions of Somali Shillings)										Average Annual Growth Rates
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1980-88
Net foreign assets	318	145	126	-519	-1062	-2586	-2212	-9680	-10422	-25778	
Central Bank	318	-195	-804	-1947	-1815	-2930	-5698	-14155	-17019	-40707	
Commercial Bank		339	930	1428	754	344	3486	4475	6597	14929	
Domestic credit	2957	3880	4546	5024	5261	9616	11517	13904	34592	51066	38.0%
Government(net)	1231	1902	2250	2100	1805	4378	5422	6079	14256	20118	34.3%
Other	1726	1977	2296	2924	3456	5238	6095	7825	20336	30948	41.0%
Public entities	1276	1551	1722	1300	1163	1511	2071	3730	6409	11846	28.9%
Private sector	450	426	575	1624	2293	3727	4024	4095	13927	19102	60.9%
Broad money	2813	3381	4421	5116	5348	6678	11607	16052	37163	59709	43.2%
Domestic Liabilities	2813	3381	4421	5116	5348	6623	9437	13044	35857	53989	41.4%
Currency outside banks		1508	1891	1456	1356	1900	3787	5169	12327	21033	39.0%
Demand deposits(1)		1275	1783	2577	2801	3178	2865	3184	15348		
Time and saving deposits		598	747	1084	1192	1545	2785	4691	8182		
Foreign currency deposits of residents						55	1874	1977	1212	5720	
Counterpart funds(2)							296	1031	94		
Other items(net)	462	643	251	-612	-1149	353	-2303	-11828	-12993	-34507	
Valuation adjustment		161	162	-514	-1552	-1447	-6124	-19105	-25262		
Medium- and long-term Foreign liabilities				-97	1319	2060	3655	8078	9258		
Other items	462	483	89		-916	-260	166	-801	3011		
Memorandum items:	(Percent change from end of previous year)										
Domestic credit		31.2%	17.2%	10.5%	4.7%	82.8%	19.8%	20.7%	148.8%	47.6%	
Government(net)		54.5%	18.3%	-6.7%	-14.0%	142.5%	23.8%	12.1%	134.5%	41.1%	
Public entities		54.5%	11.0%	-24.5%	-10.5%	29.9%	37.1%	80.1%	71.8%	84.8%	
Private sector		14.6%	34.9%	182.6%	41.2%	62.6%	8.0%	1.8%	240.1%	37.2%	
Broad money		21.6%	30.8%	15.7%	4.5%	24.9%	73.8%	38.3%	131.5%	60.7%	
Domestic liabilities		20.2%	30.8%	15.7%	4.5%	23.8%	42.5%	38.2%	174.9%	50.6%	

Sources: Central Bank, Ministry of Finance and IMF.

(1) Excludes counterpart funds deposits with the Commercial Bank.

(2) Counterpart deposits with the Commercial Bank.

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TABLE 9. SOMALIA: ANNUAL INFLATION RATES, 1978 - 1988
Consumer Price Index for Mogadishu #/1
Annual Percent Changes of Period Averages

YEAR	General Index	Food	Beverages Tobacco	Clothes	Rent	Utilities Fuel	Transp. #/2	Misc.
1978	10.2%	12.9%	6.9%	6.9%	0.1%	23.6%	--	6.5%
1979	23.7%	21.9%	15.4%	23.0%	9.0%	32.6%	--	48.5%
1980	59.0%	77.5%	34.3%	31.8%	38.6%	44.0%	--	16.2%
1981	44.6%	40.4%	41.3%	46.1%	50.4%	74.8%	--	51.5%
1982	22.6%	6.4%	24.0%	30.5%	64.7%	71.6%	--	46.9%
1983	36.4%	40.5%	92.6%	60.4%	9.4%	38.7%	--	31.6%
1984	92.2%	115.1%	148.1%	41.8%	47.5%	68.6%	--	55.8%
1985	37.8%	13.3%	34.3%	41.0%	78.8%	69.3%	--	135.3%
1986	35.8%	23.4%	24.9%	32.6%	80.5%	59.9%	--	40.2%
1987	28.1%	30.5%	32.3%	28.8%	28.9%	30.3%	19.3%	15.9%
1988	81.7%	98.2%	60.6%	76.8%	47.8%	9.7%	67.4%	79.6%

SOURCES: Ministry of National Planning, Central Statistics Department.

Notes: 1. Based on 1985 Mogadishu Household Income and Expenditure Survey. 1985 (December) = 100.

2. This category includes gasoline, bus fares and a domestic airline ticket. Prior to 1986, bus and taxi fares were included in the miscellaneous category. Taxi fares were eliminated as a basket item in 1986. While gasoline is included in this category, charcoal and kerosine are part of Utilities and Fuel.

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DEBT, GSDR BUDGET AND DONOR TABLES

Table 1: Somalia Debt Service Payments to the U.S. by USG Fiscal Year

Table 2: Somalia: Central Government Approved Budget, Percent Breakdown 1986-1989

Table 3: Somalia: Central Government Actual Expenditures, Percent Breakdown 1986-1989

Table 4: Somalia: Government Approved Budgets 1986-1989, Ordinary and Development Funds - In Real Terms

Table 5: Somalia: Government Approved Budgets 1986-1989, Ordinary Budget Only - In Real Terms

Table 6: Somalia: Government Approved Budgets 1986-1989, Development Funds Only - In Real Terms

Table 7: Donor Financing of the Core PIP Projects

Table 8: Technical Assistance Grants of Major Donors, by Sector, Rank Order and Amount

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TABLE 1: Somalia Debt Servicing Payments to the U.S. By USG Fiscal Year
(US$ 000,000's)

TYPE LOAN	PRINCIPAL OUTSTANDING At 12/31/88	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
A.I.D	11.4	.6	.6	.7	.7	.7	.7	.7	.6	.6	.7	.7	.7
PL480	146.0	3.6	4.2	5.3	5.8	6.4	7.0	7.8	8.1	8.2	8.4	8.2	8.1
FMS a/	74.0(est)	13.9	11.5	14.7	15.8	13.4	13.1	12.5	9.1	7.8	8.0	b/	b/
TOTAL	231.4	18.1	16.3	20.7	22.3	20.5	20.8	21.0	17.8	16.6	17.1	8.9	8.8

a/ Using debt service payments to calculate principal, the Mission estimates that FMS debt may be as high as $100 million.
b/ Not available.

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TABLE 2. SOMALIA: CENTRAL GOVERNMENT APPROVED BUDGET, PERCENT BREAKDOWN 1986 -1989

Sector Name	Ordinary 1986	Ordinary 1987	Ordinary 1988	Ordinary 1989	Development 1986	Development 1987	Development 1988	Development 1989	Total 1986	Total 1987	Total 1988	Total 1989
Presidency	0.40%	0.55%	0.75%	1.62%	0.00%	0.00%	0.00%	0.00%	0.33%	0.47%	0.58%	0.88%
Somali Revolutionary Socialist Party	0.42%	0.39%	0.63%	1.14%	0.00%	0.00%	0.00%	0.00%	0.35%	0.33%	0.49%	0.62%
Somali National Assembly	0.19%	0.21%	0.31%	0.46%	0.00%	0.00%	0.00%	0.00%	0.16%	0.18%	0.24%	0.25%
Ministry of Finance and Treasury	59.71%	58.71%	41.84%	28.00%	4.23%	8.93%	8.47%	58.18%	50.35%	51.51%	34.39%	41.78%
Minsitry of Planning/Juba Valley Dev.	0.15%	0.15%	0.17%	0.22%	7.30%	9.62%	6.96%	2.09%	1.36%	1.52%	1.64%	1.08%
Ministry of Foreign Affairs	4.84%	8.35%	15.19%	17.86%	0.00%	0.00%	0.00%	0.00%	4.03%	7.14%	11.82%	9.70%
Ministry of Defense	19.49%	17.71%	21.84%	23.26%	0.00%	0.00%	0.00%	0.00%	16.20%	15.15%	17.00%	12.64%
Police Force	2.57%	2.39%	4.00%	5.59%	0.00%	0.00%	0.00%	0.00%	2.14%	2.04%	3.11%	3.04%
Prisons Force	1.49%	1.34%	2.30%	3.17%	0.00%	0.00%	0.00%	0.00%	1.24%	1.14%	1.79%	1.72%
Youth Revolutionary Center	0.18%	0.17%	0.21%	0.29%	0.31%	0.00%	0.00%	0.00%	0.20%	0.15%	0.16%	0.16%
Militia Force	0.82%	0.86%	1.17%	1.74%	0.00%	0.00%	0.00%	0.00%	0.68%	0.73%	0.91%	0.95%
Ministry of Justice	0.21%	0.20%	0.49%	0.73%	0.00%	2.90%	0.20%	0.59%	0.17%	0.59%	0.81%	0.67%
Ministry of Interior	0.89%	0.93%	0.78%	0.53%	8.53%	9.63%	6.62%	2.56%	2.18%	2.19%	2.04%	1.46%
Ministry of Public Works	0.39%	0.35%	0.49%	0.41%	4.38%	7.91%	5.23%	4.16%	1.06%	1.44%	1.52%	2.12%
Ministry of Mining and Water Resources	0.47%	0.50%	0.62%	0.77%	10.73%	7.64%	7.04%	2.90%	2.21%	1.54%	2.01%	1.75%
Ministry of Agriculture	0.35%	0.34%	0.37%	0.79%	20.00%	15.34%	24.72%	7.95%	3.67%	2.51%	5.65%	4.06%
Ministry of Livestock	0.66%	0.55%	0.76%	1.08%	18.00%	14.82%	17.78%	7.58%	3.59%	2.62%	4.45%	4.05%
Ministry of Fishery and Sea Transport.	0.29%	0.32%	0.38%	0.45%	3.00%	3.55%	4.20%	3.38%	0.75%	0.79%	1.21%	1.79%
Ministry of Industry and Commerce	0.18%	0.25%	0.29%	0.31%	4.18%	4.41%	2.58%	1.59%	0.86%	0.85%	0.78%	0.89%
Ministry of Air and Land Transport	0.53%	0.53%	0.65%	0.84%	2.34%	3.07%	2.42%	0.80%	0.84%	0.90%	1.03%	0.82%
Ministry of Post (PTT)	0.46%	0.46%	0.41%	0.88%	1.79%	2.47%	2.25%	1.58%	0.68%	0.75%	0.91%	1.20%
Ministry of Education and Culture	2.83%	2.41%	3.24%	5.05%	7.90%	4.60%	5.55%	3.50%	3.68%	2.73%	3.73%	4.34%
Ministry of Health	1.33%	1.22%	1.76%	2.95%	2.09%	0.84%	1.77%	2.10%	1.45%	1.16%	1.75%	2.56%
Ministry of Labor and Sports	0.22%	0.24%	0.34%	0.48%	3.29%	2.35%	2.66%	1.03%	0.74%	0.54%	0.84%	0.73%
Ministry of Information and Tourism	0.92%	0.87%	1.01%	1.37%	1.92%	1.92%	1.55%	0.00%	1.09%	1.02%	1.13%	0.75%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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TABLE 3. SOMALIA: CENTRAL GOVERNMENT ACTUAL EXPENDITURES, PERCENT BREAKDOWN 1986 -1989

Sector Name	Ordinary 1986	Ordinary 1987	Development 1986	Development 1987	Toatal 1986	Toatal 1987
Presidency	0.39%	0.39%	0.00%	0.00%	0.34%	0.35%
Somali Revolutionary Socialist Party	0.34%	0.31%	0.00%	0.00%	0.29%	0.28%
Somali National Assembly	0.20%	0.17%	0.00%	0.00%	0.17%	0.16%
Ministry of Finance and Treasury	59.79%	66.98%	1.83%	5.83%	51.23%	61.15%
Minsitry of Planning/Juba Valley Dev.	0.15%	0.12%	7.70%	12.32%	1.26%	1.28%
Ministry of Foreign Affairs	4.96%	6.70%	0.00%	0.00%	4.23%	6.06%
Ministry of Defense	19.67%	14.22%	0.00%	0.00%	16.77%	12.87%
Police Force	2.59%	1.92%	0.00%	0.00%	2.21%	1.74%
Prisons Force	1.49%	1.07%	0.00%	0.00%	1.27%	0.97%
Youth Revolutionary Center	0.18%	0.14%	0.19%	0.00%	0.18%	0.13%
Militia Force	0.82%	0.69%	0.00%	0.00%	0.70%	0.62%
Ministry of Justice	0.24%	0.17%	0.00%	0.45%	0.21%	0.19%
Ministry of Interior	0.89%	0.74%	7.30%	7.25%	1.83%	1.36%
Ministry of Public Works	0.38%	0.27%	4.75%	7.97%	1.03%	1.01%
Ministry of Mining and Water Resources	0.48%	0.40%	11.68%	9.01%	2.13%	1.23%
Ministry of Agriculture	0.36%	0.28%	22.70%	18.55%	3.65%	2.02%
Ministry of Livestock	0.65%	0.42%	17.00%	18.26%	3.07%	2.13%
Ministry of Fishery and Sea Transport.	0.27%	0.25%	3.41%	2.48%	0.73%	0.46%
Ministry of Industry and Commerce	0.17%	0.22%	4.93%	2.47%	0.87%	0.43%
Ministry of Air and Land Transport	0.52%	0.41%	2.17%	3.26%	0.76%	0.69%
Ministry of Post (PTT)	0.46%	0.36%	1.61%	1.25%	0.63%	0.45%
Ministry of Education and Culture	2.59%	1.91%	7.75%	5.79%	3.35%	2.28%
Ministry of Health	1.30%	0.96%	2.18%	1.07%	1.43%	0.97%
Ministry of Labor and Sports	0.22%	0.19%	3.01%	2.24%	0.63%	0.38%
Ministry of Information and Tourism	0.91%	0.69%	1.81%	1.80%	1.05%	0.79%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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TABLE 4. SOMALIA: GOVERNMENT APPROVED BUDGETS 1986 -1989
ORDINARY AND DEVELOPMENT FUNDS - IN REAL TERMS

	In Millions of Constant 1985 Shillings				Annual Percent Changes		
Sector Name	1986	1987	1988	1989	1987	1988	1989
Presidency	41.1	57.9	38.4	71.2	41.1%	-33.7%	85.3%
Somali Revolutionary Socialist Party	43.1	40.8	32.6	50.3	-5.4%	-20.1%	54.6%
Somali National Assembly	19.9	22.5	16.0	20.3	13.1%	-28.8%	26.9%
Ministry of Finance and Treasury	6187.1	6328.3	2267.5	3386.3	2.3%	-64.2%	49.3%
Minsitry of Planning/Juba Valley Dev.	166.8	186.4	108.0	87.3	11.8%	-42.1%	-19.2%
Ministry of Foreign Affairs	494.7	877.1	779.2	786.5	77.3%	-11.2%	0.9%
Ministry of Defense	1990.8	1861.4	1120.8	1024.3	-6.5%	-39.8%	-8.6%
Police Force	262.6	251.1	205.1	246.0	-4.4%	-18.3%	19.9%
Prisons Force	152.2	140.3	118.2	139.7	-7.8%	-15.8%	18.2%
Youth Revolutionary Center	25.2	18.2	10.6	12.8	-27.6%	-41.9%	20.8%
Militia Force	83.4	90.2	60.2	76.8	8.1%	-33.3%	27.6%
Ministry of Justice	21.1	72.3	53.5	53.9	242.3%	-26.0%	0.7%
Ministry of Interior	268.0	269.2	134.6	118.1	0.5%	-50.0%	-12.2%
Ministry of Public Works	130.4	176.8	100.1	171.9	35.6%	-43.4%	71.8%
Ministry of Mining and Water Resources	271.0	188.6	132.7	141.5	-30.4%	-29.7%	6.7%
Ministry of Agriculture	450.8	308.4	372.6	329.1	-31.6%	20.8%	-11.7%
Ministry of Livestock	441.4	321.3	293.2	328.3	-27.2%	-8.7%	11.9%
Ministry of Fishery and Sea Transport.	91.9	97.2	79.6	145.0	5.8%	-18.1%	82.1%
Ministry of Industry and Commerce	105.2	104.9	51.5	72.5	-0.3%	-50.9%	40.7%
Ministry of Air and Land Transport	102.7	110.3	67.9	66.5	7.4%	-38.4%	-2.0%
Ministry of Post (PTT)	84.0	92.2	59.9	97.0	9.7%	-35.1%	62.0%
Ministry of Education and Culture	452.6	335.1	245.7	351.7	-26.0%	-26.7%	43.1%
Ministry of Health	178.8	142.8	115.4	207.9	-20.1%	-19.2%	80.2%
Ministry of Labor and Sports	70.6	66.6	55.5	59.0	-26.5%	-16.6%	6.2%
Ministry of Information and Tourism	133.4	125.1	74.2	60.4	-6.2%	-40.7%	-18.6%
Total	12288.8	12285.2	6593.1	8104.5	.0%	-46.3%	22.9%
Memorandum:							
Average Mogadishu Consumer Price Index	125.8	161.2	292.9	410.0	28.1%	81.7%	40.0%

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TABLE 5. SOMALIA: GOVERNMENT APPROVED BUDGETS 1986 -1989
ORDINARY BUDGET ONLY - IN REAL TERMS

	In Millions of Constant 1985 Shillings				Annual Percent Changes		
Sector Name	1986	1987	1988	1989	1987	1988	1989
Presidency	41.1	57.9	38.4	71.2	41.0%	-33.7%	85.3%
Somali Revolutionary Socialist Party	43.1	40.8	32.6	50.3	-5.4%	-20.1%	54.6%
Somali National Assembly	19.9	22.5	16.0	20.3	13.1%	-28.8%	26.9%
Ministry of Finance and Treasury	6099.3	6169.6	2146.4	1233.0	1.2%	-65.2%	-42.6%
Minsitry of Planning/Juba Valley Dev.	15.3	15.5	8.5	9.8	0.9%	-45.2%	15.6%
Ministry of Foreign Affairs	494.7	877.1	779.2	786.5	77.3%	-11.2%	0.9%
Ministry of Defense	1990.8	1861.4	1120.8	1024.3	-6.5%	-39.8%	-8.6%
Police Force	262.6	251.1	205.1	246.0	-4.4%	-18.3%	19.9%
Prisons Force	152.2	140.3	118.2	139.7	-7.8%	-15.8%	18.2%
Youth Revolutionary Center	18.6	18.2	10.6	12.8	-2.3%	-41.9%	20.8%
Militia Force	83.4	90.2	60.2	76.8	8.1%	-33.3%	27.6%
Ministry of Justice	21.1	20.8	25.2	32.0	-1.5%	21.0%	27.0%
Ministry of Interior	91.1	98.0	39.9	23.5	7.5%	-59.3%	-41.1%
Ministry of Public Works	39.5	36.3	25.3	18.0	-8.2%	-30.4%	-28.8%
Ministry of Mining and Water Resources	48.4	52.9	32.0	34.1	9.4%	-39.5%	6.6%
Ministry of Agriculture	35.9	35.8	19.0	35.0	-0.5%	-46.8%	83.9%
Ministry of Livestock	67.9	58.0	39.0	47.6	-14.6%	-32.7%	22.1%
Ministry of Fishery and Sea Transport.	29.6	34.1	19.5	19.7	15.4%	-42.8%	1.1%
Ministry of Industry and Commerce	18.6	26.6	14.7	13.6	43.4%	-45.0%	-7.3%
Ministry of Air and Land Transport	54.2	55.7	33.3	36.9	2.7%	-40.3%	10.8%
Ministry of Post (PTT)	46.8	48.4	20.9	38.7	3.3%	-56.7%	84.7%
Ministry of Education and Culture	288.7	253.2	166.4	222.3	-12.3%	-34.3%	33.6%
Ministry of Health	135.5	127.9	90.0	130.1	-5.6%	-29.6%	44.4%
Ministry of Labor and Sports	22.4	24.8	17.4	21.0	10.8%	-29.6%	20.2%
Ministry of Information and Tourism	93.7	91.0	52.0	60.4	-2.8%	-42.8%	16.2%
Total	10214.6	10508.1	5130.6	4403.6	2.9%	-51.2%	-14.2%
Memorandum:							
Average Mogadishu Consumer Price Index	125.8	161.2	292.9	410.0	28.1%	81.7%	40.0%

30-Apr-89 USAID/SOMALIA

TABLE 6. SOMALIA: GOVERNMENT APPROVED BUDGETS 1986 -1989
DEVELOPMENT FUNDS ONLY - IN REAL TERMS

	In Millions of Constant 1985 Shillings				Annual Percent Changes		
Sector Name	1986	1987	1988	1989	1987	1988	1989
Presidency	0.0	0.0	0.0	0.0			
Somali Revolutionary Socialist Party	0.0	0.0	0.0	0.0			
Somali National Assembly	0.0	0.0	0.0	0.0			
Ministry of Finance and Treasury	87.8	158.7	121.1	2153.3	80.8%	-23.7%	1678.4%
Minsitry of Planning/Juba Valley Dev.	151.4	171.0	99.5	77.5	12.9%	-41.8%	-22.2%
Ministry of Foreign Affairs	0.0	0.0	0.0	0.0			
Ministry of Defense	0.0	0.0	0.0	0.0			
Police Force	0.0	0.0	0.0	0.0			
Prisons Force	0.0	0.0	0.0	0.0			
Youth Revolutionary Center	6.5	0.0	0.0	0.0	-100.0%		
Militia Force	0.0	0.0	0.0	0.0			
Ministry of Justice	0.0	51.5	2.8	22.0		-94.5%	
Ministry of Interior	176.8	171.2	94.7	94.6	-3.2%	-44.7%	-0.1%
Ministry of Public Works	90.9	140.5	74.8	153.9	54.7%	-46.8%	105.8%
Ministry of Mining and Water Resources	222.6	135.8	100.7	107.4	-39.0%	-25.8%	6.7%
Ministry of Agriculture	414.9	272.6	353.5	294.1	-34.3%	29.7%	-16.8%
Ministry of Livestock	373.4	263.4	254.2	280.6	-29.5%	-3.5%	10.4%
Ministry of Fishery and Sea Transport.	62.3	63.1	60.1	125.2	1.3%	-4.7%	108.3%
Ministry of Industry and Commerce	86.6	78.3	36.8	58.9	-9.6%	-52.9%	59.8%
Ministry of Air and Land Transport	48.5	54.6	34.7	29.7	12.6%	-36.5%	-14.4%
Ministry of Post (PTT)	37.2	43.9	32.1	58.4	17.9%	-26.8%	81.6%
Ministry of Education and Culture	163.9	81.8	79.3	129.4	-50.1%	-3.0%	63.1%
Ministry of Health	43.3	14.9	25.3	77.8	-65.6%	70.1%	207.2%
Ministry of Labor and Sports	68.3	41.8	38.1	38.0	-38.7%	-8.9%	-0.2%
Ministry of Information and Tourism	39.7	34.1	22.2	0.0	-14.1%	-35.0%	-100.0%
Total	2074.2	1777.2	1430.1	3700.9	-14.3%	-19.5%	158.8%
Memorandum:							
Average Mogadishu Consumer Price Index	125.8	161.2	292.9	410.0	28.1%	81.7%	40.0%

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TABLE 7: Donor Financing of the Core PIP Projects

(1987 US$000,000 Disbursements)

GRANTS		LOANS	
Italy	186.1	IDA	14.5
U.S.	28.4*	Japan	11.8
Germany	17.7	ADB/ADF	7.4
EEC	11.6	China	6.0
UN Agencies	6.7	France	4.9
Finland	6.4	IFAD	4.0
U.K.	1.0	Denmark	3.2
Other	4.1**	Other	11.6***
Sub-Total	262.0		63.4
TOTAL	325.4		

*Amount is that shown in UNDP Annual Report and probably understates actual disbursements. The Congressional Presentation which is calculated on the basis of the U.S. fiscal year shows total FY 1987 expenditures as $41.9 million of which $23.3 million was non-project assistance.

**Including $2.8 million of WFP.

***Of which $8.0 million self-financing.

ANNEX B

TABLE 8: Technical Assistance Grants of Major Donors, by Sector, Rank Order and Amount (1987 US$000's)

RANK	1	2	3	4	5
General Development*	USA (3,462)	FRG (1,108)	UNICEF (150)		
Ag, Livestock, Fish, Nat Res	FRG (8,038)	UK (5,912)	USA (5,555)	FAO 2,667)	France (407)
Education	Egypt (16,300)	Italy (5,000)	USA (1,177)	UNICEF (404)	UK (367)
Health	Finland (9,825)	WHO (2,681)	UNICEF (2,267)	Italy (605)	Egypt (500)
Population	USA (2,157)	UNFPA (662)			
Trade & Industries and Employment	France (9,675)	Italy (2,347)	UK (1,421)	FRG (295)	
Transport & Communications	Italy (711)	FRG (293)			

* The Policy Initiatives and Privatization and (PIPs) and Juba Valley Analytical Studies projects were classified by the UNDP as general development issues, policy and planning. The FRG is providing advisory services to the MONP. This category of projects is basically those for which MONP is the implementing agency.

ANNEX C

ECONOMIC AND SOCIAL INDICATORS

ECONOMIC AND SOCIAL INDICATORS

INDICATOR	AGENCY STANDARD	SOMALIA 1985-88	SOMALIA 1978-81	SOMALIA 1965[1/]	SUBSAHARA AFRICA[1/]	SUDAN[1/]	KENYA[1/]	ETHIOPIA[1/]
ECONOMY								
Per Capita GDP ($US)	-	284[d/]	-	-	600	320	300	120
Real Growth of Per Capita Income (%)	2	-1.3[d/]	-1.5[d/]	-	-4.6	0.2	1.9	0
Growth of Real GDP	-	1.2[d/]	0.9[d/]	-	-1.4	3.8	6.4	0.8
% Pop. Living Below Absolute Poverty Level[2/]	-	-	-	-	-	-	-	-
%Urban	-	17[b/]	40[a/]	-	-	-	10	-
%Rural (Settled and Nomadic)	-	33[b/]	70[a/]	-	-	-	55	-
Labor Force Participation as % of Working Age Pop.	-	43[a/]	47[j/]	48[j/]	-	32[a/]	41[a/]	44[j/]
% Labor Force in Agriculture	-	76[j/]	76[g/]	81	-	71	81	80
Ag. Production as % of GDP	-	62[d/]	55[d/]	71	-	35	30	48
Ind. Production as % of GDP	-	9[d/]	9[d/]	6	-	15	20	15
Services as % of GDP	-	25[d/]	27[d/]	24	-	50	50	36
Manufacturing as % of GDP	-	4[d/]	5[d/]	3	-	7	12	10
Infrastructure								
Roads (Kilometers)	-	10000[f/]	-	-	-	-	-	-
Railroads	-	0	-	-	-	-	-	-
Major Ports	-	3	-	-	-	-	-	-
Energy Usage								
% Fuelwood	-	78[f/]	-	-	-	-	-	-
% Petroleum	-	12[f/]	-	-	-	-	-	-
% Electricity	-	2[f/]	-	-	-	-	-	-

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HEALTH

Infant Mortality Rate (0-1 yr) per 1000 Live Births	75	152[b]	-	165	-	108	74	155
Child Mortality Rate (1-5 yrs) per 1000 Live Births[3]	10	105[b]	-	-	-	-	-	-
Life Expectancy at Birth in Years - All	60	42[i]	-	38	50	49	57	46
Male	-	40[i]	-	37	-	47	56	45
Female	-	43[i]	-	40	-	51	59	48
Maternal Mortality Rate per 100,000 Live Births	-	1100[b]	-	-	-	6	5	20
% Population with Access to Safe Water	-	33[j]	38[j]	-	-	40[a]	27[j]	15[j]
% Urban	-	60[j]	77[j]	-	-	-	61[j]	93[j]
% Rural	-	20[j]	22[j]	-	-	-	21[j]	4[j]
% Children 12-23 Mo. Fully Immunized Against:[4]								
Tuberculosis (BCG3)	-	31[b]	-	-	-	46[a]	87[a]	-
Diptheria (DPT)	-	22[b]	-	-	-	29[a]	74[a]	-
Measles	-	34[b]	-	-	-	22[a]	60[a]	-
Polio (3)	-	22[b]	-	-	-	29[a]	75[a]	-
Population per Physician	-	15566[c]	17460[g]	36840	-	9810	10120	88150
Population per Nurse	-	3308[c]	2550[g]	3950	-	1440	990	5000
Population per Hospital Bed	-	1021[b]	1154[c]	-	-	-	-	-
No. of Hospitals: National	-	4[b]	-	-	-	-	-	-
Regional	-	15[b]	24[c]	-	-	-	-	-
District	-	55[b]	52[c]	-	-	-	-	-
No. of MCH Clinics	-	96[h]	-	-	-	-	-	-
% Urban	-	25[h]	-	-	-	-	-	-
% Rural	-	75[h]	-	-	-	-	-	-

EDUCATION

Primary School Enrollment as % of Pop. in Age Group	90	17[b]	30.3[a]	10	-	49	94	36
Male Enrollees as % of Male Pop. in Age Group	-	22.4[b]	45.3[a]	16	-	58	97	44
Female Enrollees as % of Female Pop. in Age Group	-	11.6[b]	25.7[a]	4	-	41	91	28
Secondary School Enrollment as % of Pop. in Age Group	-	8(est)	8.3[a]	2	-	19	20	12
Male Enrollees as % of Male Pop. in Age Group	-	10(est)	10.2[a]	4	-	22	25	14
Female Enrollees as % of Female Pop. in Age Group	-	5(est)	3.7[a]	1	-	17	16	9

Post-Secondary Enrollment as % of Pop. in Age Group	-	-	0.6[a]	0	-	2	1	1
% Pop. Completing 4 Yrs. Primary School	70	6(est)	-	-	-	-	-	-
Adult Literacy Rate (%)	50	17(est)	5.2[b]	-	-	-	-	-
Male	-	1[b]	10[b]	-	-	-	66	-
Female	-	6[b]	0.5[b]	-	-	-	49	-
No. of Primary/Intermediate Schools	-	1201[e]	-	-	-	-	-	-
% Urban	-	33[e]	-	-	-	-	-	-
% Rural	-	67[e]	-	-	-	-	-	-
No. of Secondary Schools	-	82[e]	-	-	-	-	-	-
% Urban	-	100	-	-	-	-	-	-
% Rural	-	0	-	-	-	-	-	-
No. of Technical Schools	-	26[e]	-	-	-	-	-	-
% Urban	-	100	-	-	-	-	-	-
% Rural	-	0	-	-	-	-	-	-
POPULATION								
Total Population (000's)	-	5900[a]	-	-	399000	24014[a]	23342[a]	48265[a]
% Male	-	53	-	-	-	-	-	-
% Female	-	47	-	-	-	-	-	-
Population by Age Group								
% 0 - 14 years	-	44.7[a]	45[j]	49[j]	-	45.2[a]	51.5[a]	46[j]
% 15 - 64 years	-	51.7[a]	53[j]	49[j]	-	51.7[a]	46.4[a]	51[j]
% over 65 years	-	3.6[a]	2[j]	2[j]	-	3.1[a]	2.1[a]	3[j]
% Urban Population	-	25[b]	25[c]	20	-	21	20	15
% Rural Population	-	31[b]	28[c]	-	-	-	-	-
% Nomadic Population	-	44[b]	46[c]	-	-	-	-	-
Population Growth Rate[5]	-	2.5	3[c]	-	-	2.9	3.9	2.9
Total Fertility Rate	-	6.7[c]	-	6.7	-	6.6	7.7	6.3
% Couples w/ Access to Voluntary Family Planning	80	N/A	-	-	-	-	-	-
% Married Women Using Contraceptives	-	1[a]	-	-	-	4.5	17	2

HUNGER

Per Capita Calorie Supply as % of Requirement	90	90 a/	-	-	-	92 a/	95 a/	-
% Children Under 5 w/ Chronic/Severe Undernourishment	20	26 c/	-	-	-	-	-	-
Per Capita Daily Calorie Supply	-	2074 g/	1957 j/	2145	-	2168	2214	1704

FOOTNOTES

1/ From IBRD, 1988 World Development Report, unless otherwise indicated.
2/ Absolute poverty income level is defined that below which a minimal nutritionaly adequate diet plus essential nonfood requirements are not affordable.
3/ Agency Standard is for children 1-4 years of age.
4/ Data for Somalia is for children 0-1 year.
5/ AID estimate for 1988 is based on interviews; official rate is 3.1%.

SOURCES

a/ AID Congressional Presentation, FY 1990.
b/ UNICEF: Women and Children in Somalia 1987.
c/ World Bank: Population, Health, Nutrition Report 5468-SO.
d/ Ministry of National Planning, IBRD, IMF and USAID Staff estimates.
e/ Ministry of Education, Planning Department: Statistics of Education 1985/1986.
f/ Ministry of National Planning and Jubba Valley Development, Human Resources Department and UNFPA: Demographic and SocioEconomic Profiles of Regions - Mudug, Nugaal and Galgaduud.
g/ IBRD: 1988 World Devlopment Report.
h/ Ministry of Health, Director General.
i/ UNICEF, personal interviews.
j/ AID, Economic and Social Data Services: 1988 Social Indicator Data Sheet.

ANNEX D

A.I.D. PROGRAM TABLES

Table 1: Summary Actual A.I.D. Obligations

Table 2: Estimated Mortgage, Claims on ESF for Projects, Amount Available for ESF Program Grants

Table 3: Approved Assistance Planning Levels

Table 4: Proposed Funding Levels

Table 5: Project Management Workload

Table 6: Planned, Approved, Actual and Requested Staffing Levels

Table 7: Projected USDH Staffing During FY 1990-92

Table 8: Operating Expenses, FY 1985-87

Table 9: Operating Expenses Requirements, FY 1990-92

TABLE 1: Summary Actual A.I.D. Obligations (US$ 000,000's)

	FY1985	FY1986	FY1987	FY1988	FY1989
Economic Support Funds	30.00	22.01	17.12	25.00a/	23.25
Development Assistance	19.36	22.14	14.28	6.00	4.00b/
P.L. 480	20.00	16.50	13.92c/	5.00	5.00
Migration & Refugee	-	-	-	4.00	-
Emergency Relief	-	-	-	1.00	1.50
TOTAL	69.36	60.65	45.32	37.00	33.75

a/ $21.0 carried over for obligation in FY 1989.
b/ Does not include deob-reob amounts.
c/ Of which $1.89 for emergency drought assistance.

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TABLE 2: Estimated Mortgage, Claims of ESF for Projects, Amounts of ESF Program Grants
(U.S.$ 000,000's)

Option 1
Current Program with AAPL*

	FY 89	FY 90	FY 91	FY 92
Project Funding with DFA	5.01[a]	4.00	4.00	4.00
Project Funding with ESF	8.00	5.00	5.00	2.96
ESF Program Assistance	15.25[b]	15.00	20.00	23.04
TOTAL	28.26	24.00	29.00	30.00
Mortgage as % of DFA	387	299	262	100

Assumptions
FY 1990 - One New Start with LOP of $5.0 Million
FY 1991 - One New Start with LOP of $7.0 Million
No HRDA
With PS&D Funding of $.5 Million each year

*See Table 4, Option 1 for levels.

Option 1 - Alternative A
Declining ESF and Increasing DFA*

Project Funding with DFA	5.01[a]	10.00	9.00	8.00
Project Funding with ESF	8.00	-0-	-0-	-0-
ESF Program Assistance	15.25[b]	20.00	20.00	20.00
TOTAL	28.26	30.00	29.00	26.00
Mortgage as % of DFA	387	110	105	25

Assumptions
FY 1990 - One New Start with LOP of $5.0 Million
FY 1991 - One New Start with LOP of $7.0 Million
No HRDA
With PS&D Funding of $.5 Million each year

*DFA: FY 90-$10 million; FY91-$9 million; FY 92-$8 million.
ESF: FY 90-$20 million; FY 91-$19 million; FY 92-$18 million.

Option 2 - Alternative B
Declining ESF and New Starts at Same Level as Option 1*

Project Funding with DFA	5.01[a]	10.00	12.00	14.00
Project Funding with ESF	8.00	1.00	-0-	-0-
ESF Program Assistance	15.25[b]	19.00	19.00[c]	18.00
TOTAL	28.26	30.00	31.00	32.00
Mortgage as % of DFA	387	101	50	0

Assumptions

FY 1990 - One New Start with LOP of $5.0 Million
FY 1991 - One New Start with LOP of $7.0 Million
Plus in each year small amount for HRDA
Plus $.5 Million PD&S in FY 90 increasing by $100,000/yearly

*DFA and ESF levels same as preceeding table.

Option 3*
Declining Program

Project Funding with DFA	5.01[a]	4.00	4.00	4.00
Project Funding with ESF	8.00	5.00	-0-	-0-
ESF Program Assistance	15.25[b]	15.00	d/	d/
TOTAL	28.26	24.00	4.00	4.00
Mortgage as % of DFA	387	162	62	50

Assumptions

FY 1992 - One New Start with LOP of $10.0 Million
No HRDA
PD&S of $100,000 in FY 1992 Only
PIPs is not fully funded; no obligations after FY 1989

*See Table 4, Option 3 for levels.

Footnotes:

a/ Includes deob-reob amount of $1,011,000.
b/ Does not include FY 1988 ESF Grant of $21 Million to be obligated in FY 1989.
c/ Does not include $15-20 Million AEPRP.
d/ ESF might be provided if U.S. strategic interests prevail.

Option 2*

oject Funding with DFA	5.01[a]	10.00	12.00	14.00
oject Funding with ESF	8.00	2.00	1.00	-0-
SF Program Assistance	15.25[b]	18.00	24.00	26.00
TOTAL	28.26	30.00	37.00	40.00
rtgage as % of DFA	387	121	83	14

Assumptions

FY 1990 - One New Start with LOP of $8.0 Million
FY 1991 - One New Start with LOP of $10.0 Million
FY 1992 - One New Start with LOP of $20.0 Million
Plus in each year small amount for HRDA
Plus $.5 Million PD&S in FY 90 increasing by $100,000/yearly

See Table 4, Option 2 for levels.

Option 2 - Alternative A
Declining ESF*

oject Funding with DFA	5.01[a]	10.00	12.00	14.00
oject Funding with ESF	8.00	2.00	1.00	-0-
F Program Assistance	15.25[b]	18.00	18.00[c]	18.00
TOTAL	28.26	30.00	31.00	32.00
rtgage as % of DFA	387	121	83	14

Assumptions

FY 1990 - One New Start with LOP of $8.0 Million
FY 1991 - One New Start with LOP of $10.0 Million
FY 1992 - One New Start with LOP of $20.0 Million
Plus in each year small amount for HRDA
Plus $.5 Million PD&S in FY 90 increasing by $100,000/yearly

SF: FY90-$20 million; FY 91-$19 million; FY 92-$18 million.
FA: Same as Option 2 above.

TABLE 3: Approved Assistance Planning Levels (US$ 000,000's)

	FY 90	FY 91	FY 92	FY 93	FY 94
Economic Support Funds	20.0	25.0	26.0	27.0	28.0
Dev Fund Sub-Saharan Africa	4.0	4.0	4.0	4.0	4.0
P.L. 480 a/	2.0	2.0	2.0	2.0	2.0
TOTAL	26.0	31.0	32.0	33.0	34.0

a/ AAPL projects P.L. 480 only for the first two years. USAID has straight-lined the AAPL figure for purposes of estimation and comparability with other projections in the table.

TABLE 4: Proposed Funding Levels (US$ 000,000's)

Option 1 - Current with AAPL

	FY 88	FY 89	FY 90	FY 91	FY 92
Economic Support Funds	25.0*	23.25	20.0	25.0	26.0
Dev Fund for Africa	6.0	4.0**	4.0	4.0	4.0
Public Law 480	5.0	5.0	2.0	2.0	2.0
Reconstruction	-	-	-	-	-
TOTAL	36.0	32.25	26.0	31.0	32.0

Option 2 - Full with ESF AAPL and Mission Proposed DFA and P.L. 480

	FY 88	FY 89	FY 90	FY 91	FY 92
Economic Support Funds	25.0*	23.25	20.0	25.0	26.0
Dev Fund for Africa	6.0	4.0**	10.0	12.0	14.0
Public Law 480	5.0	5.0	7.0	6.0	6.0
AEPRP	-	-	-	15-20.0	-
Reconstruction	-	-	10-15.0	-	-
TOTAL	36.0	32.25	47-52.0	58-63.0	46.0

Option 2-Alternative A - Declining ESF

	FY 88	FY 89	FY 90	FY 91	FY 92
Economic Support Funds	25.0*	23.25	20.0	19.0	18.0
Dev Fund for Africa	6.0	4.0**	10.0	12.0	14.0
Public Law 480	5.0	5.0	7.0	6.0	6.0
AEPRP	-	-	-	15-20.0	-
Reconstruction	-	-	10-15.0	-	-
TOTAL	36.0	32.25	47-52.0	52-57.0	38.0

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Option 3 - Declining

	FY 88	FY 89	FY 90	FY 91	FY 92
Economic Support Funds	25.0*	23.25	20.0	***	***
Dev Fund for Africa	6.0	4.0**	4.0	4.0	4.0
Public Law 480	5.0	5.0	2.0	2.0	2.0
Reconstruction	-	-	-	-	-
TOTAL	36.0	32.25	26.0	6.0	6.0

*Includes $20.0 million ESF grant to be obligated in FY 89.
**Does not include deob-reob funding totally $1,012,000.
***ESF might be provided depending on U.S. strategic interests.

TABLE 5: Project Management Workload

	PROJECT No.	List of all Projects	Start Date	Current PACD	Actual + Proposed PACD	End FY 86	End FY 87	End FY 88	End FY 89	End FY 90	End FY 91	End FY 92
25	936-5724.49	Conventional Energy	08/19/85	12/31/86	12/31/86	I						
24	649-0125	CIP III	06/13/85	06/12/87	06/12/87	I	I					
23	649-0130	FX Market Support I	08/07/86	08/10/87	08/10/87	I	I					
22	698-0424.49	Energy Initiatives for Africa	06/29/83	09/01/87	09/01/87	I	I					
21	649-0123	Refugee Self Reliance	12/21/82	03/31/88	03/31/88	I	I	I				
20	936-5542.49	Improvement of Tomato Production	09/19/82	06/30/88	06/30/88	I	I	I				
19	649-0112	Agricultural Delivery System	08/30/79	09/30/88	09/30/88	I	I	I				
18	649-0113	Bay Region Agricultural Dev.	08/03/80	09/30/88	09/30/88	I	I	I				
17	649-0122	CDA Forestry	11/23/82	01/31/89	01/31/89	I	I	I	I			
16	649-0104	Comprehensive Ground Water	09/21/79	03/31/89	03/31/89	I	I	I	I			
15	649-0108	Central Rangeland Development	08/16/79	06/30/89	06/30/89	I	I	I	I			
14	649-0139	FX Market Support II	09/02/87	12/02/88	06/30/90		I	I	I	I		
13	698-0432.24	African Man Power Development	07/27/82	12/31/90	12/31/90	I	I	I	I	I		
12	649-0109	Livestock Marketing & Health	07/12/84	12/31/91	12/31/91	I	I	I	I	I	I	
11	649-0131	Family Health Services	07/08/84	12/31/89	12/31/91	I	I	I	I	I	I	
10	649-0134	Juba Development Analytical Studies	09/28/83	09/30/91	09/30/91	I	I	I	I	I	I	
9	649-0138	PVO Partners	08/29/85	06/30/91	06/30/94	I	I	I	I	I	I	I
8	649-0132	Policy Initiatives & Privatization	09/28/83	09/30/90	12/31/92	I	I	I	I	I	I	I
7	649-0114	Kisaayo Port Rehabilitation	08/12/82	03/31/92	03/31/92	I	I	I	I	I	I	I
6	649-0129	Shebelli Water Management	08/30/87	09/30/92	05/31/94	I	I	I	I	I	I	I
5	649-0140	Refugee Settlement	07/16/89	06/30/91	12/31/93	I	I	I	I	I	I	I
4	649-0119	Somali Management Training and Dev.	06/30/85	12/31/91	12/31/93	I	I	I	I	I	I	I
3	698-0463.49	Human Resource Development	07/01/88	09/30/95	09/30/95			I	I	I	I	I
2	649-0144	Program Assistance I	O/A 6/89	9/91	9/91			I	I	I	I	
1	649-0151/2/4	Program Assistance II/III/IV	O/A 6/89	9/91	Yearly				I	I	I	I
		T O T A L				21	21	20	17	14	12	8

TABLE 6: Planned, Approved, Actual and Requested Staffing Levels

	---Actual---		Planned	-----Proposed[a]----		
	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
USDH						
Approved Ceiling	26	27	25	25	25	25
On-Board at End FY	23	19	21	25	25	25
IDI						
Approved	1	4	3	3	3	3
On Board	1	1	1	1	1	1
PASA	9	5	2	2	2	2
U.S. Contractors	68	39	24	32	29	29[d]
PSC	14	12	13	11	10	10
OE-Financed	8	8	7	6	5	5[d]
Project-Financed	6	4	6	5	5	5[d]
Institutional Contractors	54	27	11[c]	21[c]	19[d]	19[d]
TCNs	113	110	15	11	10	9[d]
OE Financed	10	7	6	2	2	2
Project-Financed	103[b]	103[b]	9	9	8[d]	7[d]
FSNs	426	428	400	412	412	412
FSN/DH	7	6	6	6	6	6
FSN/PSC-USAID	143	149	143	143	143	143
FSN/PSC-FSU	8	8	90	102	102	102
Oriental Contract-FSU[e]	268	265	161	161	161	161

Footnotes

a/ Figures shown are for Options 1 and 2. For Option 3 USAID projects USDH staffing under the "limited focus" program at 15, 12, and 10 respectively in FY 1990, FY 1991, and FY 1992 and under the PVO-oriented program, 12, 9 and 4, respectively, in the three years. See Table 7.

b/ Number includes TCNs under GAFCO contract working in Kismayo port rehabilitation.

c/ Numbers reflect delayed arrival SWMP contract team from FY 1989 to FY 1990.

d/ Requirements are estimated only.

e/ Includes FSNs employed by Oriental Agencies to staff FSU and guards for FSU compound and residences. Oriental Agencies contract reduced to guards only in FY 1989 and others hired as PSCs by USAID.

TABLE 7: Projected USDH Staffing During FY 1990-92

POSITION	OPTIONS PROJECT MANAGEMENT	1	2	OPTION 3A-LIMITED FOCUS FY 90	FY 91	FY 92	3B-PVO FY 90	FY 91	FY 92
Director		1	1	1	1	1	1	1	1
Deputy Director		1	1	0	0	0	0	0	0
Secretary		1	1	1	1	1	1	1	1
S/Program		1	1	1	1	1	1	1	1
Program	Local Currency	1	1	0	0	0	0	0	0
FFPO	PL 480	1	1	0	0	0	0	0	0
Economist	ESF Grants/AEPRP	1	2*	0	0	0	0	0	0
Secretary		1	1	0	0	0	0	0	0
S/Project Dev		1	1	1	1	0	1	1	0
Proj Dev	HRDA/AMDP	1	1	0	0	0	0	0	0
Engineer	SWMP/LMHP/Kismayo/Reconstrution	1	1	1	1	1	1	1	1
Comm Mgt	CIP	1	1	0	0	0	0	0	0
Gen Dev	PIPs	1	1	1	1	1	1	0	0
HRDO	SOMTAD	1	1	1	1	1	1	1	0
SPO	R&R**	1**	1**	1**	1**	1**	1	1	0
S/ADO		1	1	1	1	1	0	0	0
ADO	LMHP	1	1	1	1	0	1	1	0
SPO**	JUDAS/PVO-P/SRS	1**	1**	1**	1**	1**	1	1	0
ADO	SWMP	1*	1	1	0	0	1	0	0
Ag Econ		1	1	1	0	0	0	0	0
S/EXO		1	1	0	0	0	0	0	0
EXO		1	1	0	0	0	0	0	0
CO		1	1	1	0	0	0	0	0
Controller		1	1	1	1	1	1	0	0
Fin Analyst		1	1	0	0	0	0	0	0
B&F		1	1	0	0	0	0	0	0
TOTAL		26*	27*	15	12	10	12	9	4

*Includes 1 IDI who is not counted against USDH ceiling.

**One of these slots may be converted to U.S. PSC or IDI depending on AID/W recruitment efforts so that total figure would decrease accordingly.

TABLE 8: Operating Expenses, FY 1985-87
($000,000's)

	FY85	FY86	FY87	FY88	Proposed FY89
O.E. Dollar Allowance	3.0	2.8	1.8	3.1	2.9
O.E. Trust Fund (USD Equiv.)	.8	1.2	1.8	.7	1.2a/
FAAS	.9	.6	.7	.6	UNK
TOTAL	4.7	4.6	4.3	4.4	4.1

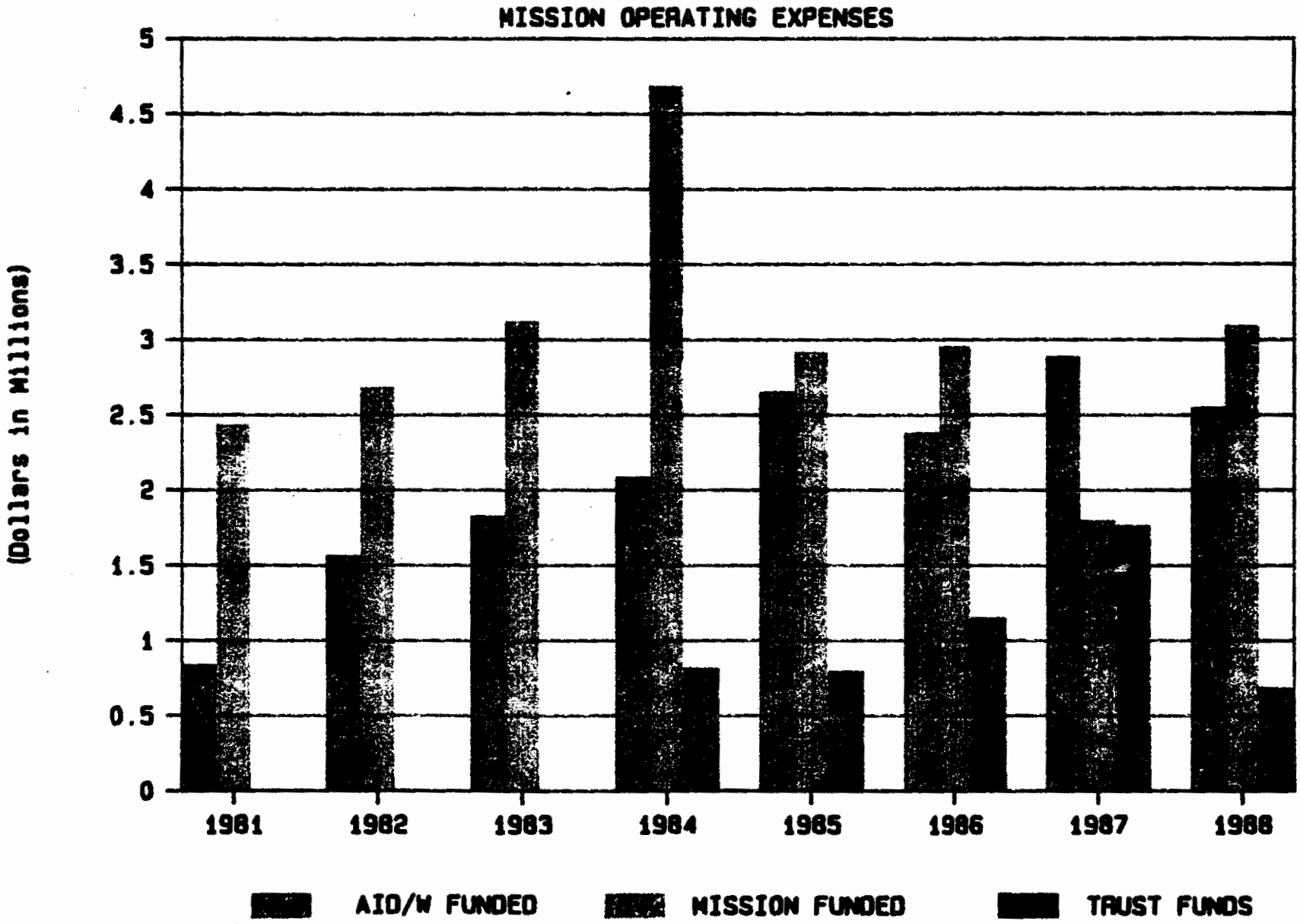
a/ Assumes FY 1987 ESF is disbursed as soon as possible and funds generated in time to use some FY 1989 espenses.

TABLE 9: Operating Expenses Requirements, FY 1990-92*
($ 000,000's)

	FY 90	FY 91	FY 92
Option 1			
O.E. Dollars Allowance	2.9	2.6	2.9
O.E. Trust Fund**	1.1	1.1	1.1
TOTAL	4.0	3.7	4.0
Option 2			
O.E. Dollars Allowance	2.9	2.6	2.9
O.E. Trust Fund**	1.1	1.1	1.1
TOTAL	4.0	3.7	4.0
Option 3A-Limited Focus			
O.E. Dollars Allowance	1.6	1.1	1.1
O.E. Trust Fund**	.7	.5	.5
TOTAL	2.3	1.6	1.6
Option 3B-PVO			
O.E. Dollars Allowance	1.1	1.0	.5
O.E. Trust Fund*	.5	.5	.2
TOTAL	1.6	1.5	.7

*Table 9 does not include FAAS costs.
**U.S. Dollars Equivalent

USAID/SOMALIA



ANNEX E

WOMEN IN DEVELOPMENT ACTION PLAN

ANNEX E

USAID/SOMALIA

WOMEN IN DEVELOPMENT ACTION PLAN

I. OBJECTIVES

In spite of recent gains in education, political participation and legal status, women in Somalia remain a disadvantaged and vulnerable group. In health, education and economic status they rank far below men. Yet in terms of productive activities, women expend more time and energy than Somali men.

Health: The health status of Somali women is very poor. Somalia may have the third highest maternal mortality rate in the world--1,100 women die for every 100,000 births. Causes are related to poor health services, anemia (which affects at least 35% of all Somali women), poor nutrition, and complications resulting from the almost universal practice of a severe form of female circumcision and infibulation.

Education: In spite of a mass literacy campaign between 1973 and 1975, when literacy rates approached 50% overall and 45% for women, and a program of universal and compulsory education through the eighth grade, overall literacy rates are presently declining. Women's literacy rates are now an extremely low 6% nationwide. Although 8% of women in urban areas may be literate, the rate may be as low as 1-2% among nomadic women. In recent years the percentage of primary school enrollees which are female has risen to 34-35%, however overall enrollment rates have dropped. Approximately 35% of secondary school students are also female, but only 18% of university students are women. Major avenues for women's advancement after secondary school are in traditional fields such as teacher training and nursing. Only 12% of technical school enrollees are female, and women are severely under-represented in agricultural courses in these schools.

Economic Status: In the farming and agro-pastoral sectors of the economy, women account for approximately 70% of the rural labor force and perform more than 60% of the rural production work. Throughout the country, women form the bulk of unpaid labor in agriculture and livestock production, usually performing work of a subsistence nature in the family household. Of the 20% of women who are employed in the formal wage earning sector, 60% are farmers and farm managers. Only some 11% are sales people and shop owners. Despite their vital contribution to the economy, women are not provided with training opportunities or access to improved or appropriate technology. Women are generally targeted as beneficiaries of social service delivery programs, but are excluded from active participation in the development process. This failure to address women's economic potential carries

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serious economic and social consequences not only for women, but also for the ability of the Government to attain its goal of increasing food production.

The Mission strategy for addressing the low status of women in Somalia is to concentrate on reaching women through those activities which they already control or in which they participate--i.e., to reach them with extension training in agricultural tasks they traditionally perform; to involve them in water management issues; to help them develop better health practices for their families. The Mission will support (and will also encourage the GSDR and other donors to support) qualified women in participant training programs, as well as employ them in responsible positions. On-going projects in the Mission portfolio provide the vehicle for implementing much of this strategy in selected areas of the country. Specifically, the Mission will:

1. Increase women's participation in agricultural extension and applied research through the Shebelli Water Management project (SWMP) and local currency support to the Agriculture Farm Management and Extension Training (AFMET) project.

2. Ensure that women have access to land tenure/registration activities through SWMP and any possible new project or program in land tenure policy or registration.

3. Raise the health status of women, particularly with respect to eradication of circumcision and increased use of child spacing through the Family Health Services project.

4. Increase the number and percentage of women receiving AID-sponsored training.

5. Encourage the GSDR and other donors to support women seeking high level positions and higher education, such as women entering Ph.D. programs.

6. In policy dialogue regarding private sector promotion, stress the importance of women's productive activities and businesses, particularly with respect to their role in the informal sector.

7. Share and discuss pertinent information and studies with the GSDR and other donors. Increase Mission and host government understanding of strategies/interventions which benefit women.

8. Raise the level of Mission understanding and commitment to the above objectives.

9. Seek to employ at least one mid- or senior-level Somali woman in either the Program or Project Office or in one of the technical offices.

II. DESCRIPTION OF WID ACTIVITIES

A. Somalia Management Training and Development (SOMTAD)
PACD: 12/31/91; Proposed PACD Extension: 12/31/93

The purpose of the SOMTAD project is to increase the ability of the public and private sectors to plan and implement economic development activities by improving management capabilities. This is done through three components: (1) long-term advisors in key ministries; (2) a MBA/MPA program; and (3) a Worksite Management Training Unit (WMTU). Under the MBA/MPA program, 19 of the 194, or 10% of the total students are women. In addition, one of 14, or 7%, of the language instructors sent to Cairo for advanced training were women. Under WMTU, four classes have been held to date. There were women participants in each class. Of the 180 total trained, 31, or 17% were women. As the classes train trainers, more women will ultimately be reached through the program.

Strategy: The SOMTAD project encourages participating organizations to include a representative number of women as candidates for training and then accepts as many as possible. However, as only 8% of urban women are literate, the pool of women who qualify for training is small. Specifically, the following strategy is being followed:

1. MBA/MPA Program: Applications for the program were separated by sex. All women applicants who met the criteria for admission into the program were accepted. The remaining spaces were filled by qualified male applicants.

2. WMTU: Each time candidates for a new course are solicited, ministries and private sector firms are encouraged to include female candidates. This message is continuously repeated--and women are being included.

Target: Increase the percentage of women attending WMTU by 15% to 20% by the PACD in 1993.

B. Family Health Services (FHS)
PACD: 12/31/89; Proposed PACD Extension: 12/31/91

The FHS project seeks to strengthen the capabilities of Somali institutions to promote, support, coordinate and sustain family health programs through (1) the collection and analysis of demographic data, (2) IEC activities, (3) the delivery of clinical services, and (4) operations research. Each project component contains WID activities. The national census taken under the first component will provide previously unavailable, sex-disaggregated data on occupations, literacy, the national ratio of men to women, etc. IEC activities help

raise awareness among both men and women on issues that affect the welfare of women, such as family planning and female circumcision. In fact, the project made a direct contribution to the GSDR's policy decision in April 1988 to eradicate female circumcision. The service delivery component helps motivate couples to adopt family health practices and the operations research program is geared toward studies which will improve the overall FHS program. In all project components, women are the direct beneficiaries as family planning, female circumcision and family health are all areas which affect either women's health or their areas of responsibility (child care, care of the sick).

Project activities are being carried out through the Somali Women's Democratic Organization (SWDO) and thus support SWDO's capability to actively support women. Project activities are also being carried out by the Ministry of Health, the Curriculum Development Center of the Ministry of Education, the Somali Family Health Care Association, the Ministry of National Planning and Jubba Valley Development, and the Institute of Women's Education (IWE) in the Ministry of Education.

Strategy: The FHS project will (1) integrate health messages into literacy and income generating programs at the Family Life Centers of the IWE; (2) include family planning/child spacing messages in school curricula; (3) promote policy dialogue, particularly among religious and political leaders, on demographic planning; (4) target more men in anti-circumcision campaigns; (5) assure sufficient local currencies are made available to support activities, particularly those needed to assure publication of the primary school textbooks.

Target:

1989
--Give a RAPID presentation on demographic planning for religious and political leaders;
--Publish Grades 1 to 6 health textbooks;

1990
-- Publish Grades 7 and 8 health textbooks;
-- Produce video-dramas for village level audiences;
-- Hold open forum discussions on demographic/health issues with political and religious leaders in order to promote policy dialog and educate more men;

1991

--Final project evaluation to assess performance on above.

C. Policy Initiatives and Privatization (PIPs)
PACD: 9/30/90; Proposed PACD Extension: 12/31/92

The PIPs project is primarily involved with economic policy reform issues, including regulatory policies and procedures that affect private sector performance. Under this, skills training courses for mid-level private sector employees and management seminars for senior officers of private enterprises were offered. Seven short courses were conducted by the contractor on marketing, production information systems, inventory and microcomputers. Four of 32, or 13%, of the participants were women. As mentioned for the SOMTAD project, the pool of women eligible for such training is very small. Hence, while the absolute number of women trained was not large, proportionately it is more than representative of the number of qualified women in the work force.

In the redesign of this project the Mission has limited future interventions to those which can support economic liberalization and consequently improve the business and investment climate. Due to lack of funding, the direct training of private entrepreneurs has been eliminated. However, participation of Government and, in some cases, private citizens will be sponsored at seminars/workshops which examine policies and strategies for supporting the private sector.

Strategy: The PIPs project will (1) improve the incentive environment and (2) through policy dialogue and appropriate short-term training opportunities seek to broaden the Government's definition of the private sector to include recognition of the important role of the informal sector.

Target:

1989
--Sponsor three individuals to the Informal Sector conference in Nairobi;

1990 to 1992
--To be established during project redesign. Will include an evaluation which will assess progress against WID benchmarks.

D. Somali Refugee Settlement (SRS)
PACD: 6/30/91; Proposed PACD Extension: 12/31/93

The purpose of the Somali Refugee Settlement project is to develop and implement viable pilot alternatives which will enable those Ethiopian refugees who choose settlement in Somalia over repatriation to Ethiopia to become integrated, self-supporting residents of Somalia. Given that female-headed households predominate in the refugee camps (as most men have temporarily left the camps to herd animals) and that many children are dependent on these women, it is critical that the SRS project

primarily target women in its program. To this end, the PP states, "Proposals for grant funding will show the intent to incorporate women, the measures taken to overcome constraints and the type of involvement anticipated, as well as the target number of beneficiaries." A midterm evaluation of the Refugee Settlement project, which was completed in November 1988, noted that the above requirement was not always met. The evaluation therefore recommended that guidelines for proposal development specify that data on the intended participating and benefiting families must be disaggregated to identify males vs. females and female-headed households. Additionally, it was recommended that proposals for over $300,000 include a discussion of constraints to women participating and directly receiving economic benefits and the measures taken to address these constraints. Finally, the evaluation recommended that sub-project final reports or evaluations include sex-disaggregated data. These recommendations are being included in the PP Supplement currently under preparation.

Strategy: The SRS project will improve USAID and GSDR knowledge of how women can help plan and implement resettlement programs.

Target:

1989
--Redesign SRS project;
--Encourage private voluntary organizations to apply for grants;
--Assure all new and future grants require disaggregation of data;
--Assure all grant applicants understand AID's intent to incorporate women;

1990
--Assess progress of project and degree to which women are participating and benefiting from resettlement activities;

1991
--Assess project success and viability for replication;
--Determine how many female-headed households have been settled.

E. Shebelli Water Management (SWMP)
PACD: 9/30/92; Proposed PACD Extension: 5/31/94

This project, which is now in a start-up phase, will help lay the foundation for the continued development of the Shebelli River Basin through improved water management (both basin-wide and through water-user associations), adaptive research, and rehabilitation of a part of an established irrigation system. Agro-pastoralism is widely practiced in the project area, meaning that the men are absent from their homes for extended periods of time herding animals, leaving the women behind to care for the agricultural land. Over 60 percent of the farmers in the region are women.

Strategy: The SWMP will (1) establish sex-disaggregated baseline data against which progress can be measured; (2) include at least 60% women in extension/outreach programs, particularly when the extension programs address tasks traditionally performed by women; (3) include women participants in at least 60% of the on-farm trials; (4) encourage and assist women to register land in their own name during the land tenure/registration process; (5) support and encourage women's water groups; (6) assure that a percentage of the overseas participants receiving training in agricultural sciences and irrigation will be women (exact target to be established once needs assessment is completed).

Targets: Additional targets to be established once contractor is in place and workplans are established.

1989
--Select contractor and assure that contract includes specific objectives and requirements for data collection;
--Brief team upon arrival regarding Agency objectives for involving women in project;
--AID Project Officer to visit site at least every three months to verify progress;

1990
--Mid-term evaluation

1991

1992
--Final evaluation

F. PVO Development Partners (PVOP)
PACD: 6/30/91

This project seeks to expand PVO programs in Somalia and develop the capacity of Somali NGOs and local groups to actively participate in the development process. Five Operational Program Grants (OPGs) are currently being funded under the project. Of these, one specifically targets women--its purpose is to carry out training activities to improve the socio-economic conditions of some 500 low income rural women and their families in the Baidoa district. The other four OPGs work in health care, small scale agriculture, community development and water development and management--all areas in which women are directly involved. Additionally, under an OPG with CARE, the project supports a credit program for market women which, to date, has had no defaults on loan repayments. PVOP is also helping a Somali women's PVO with the AID PVO registration process. Finally, four people have received short-term training in PVO project management. One of these was a women.

Strategy: The PVOP project will: (1) require that OPG proposals disaggregate proposed project beneficiaries by sex; (2) require that data gathered by new OPGs be disaggregated by sex; (3) monitor OPGs to ensure that WID objectives, as stated in the grant agreement, are being met; and (4) learn from the Overseas Education Fund International (OEF) sub-project and apply the lessons to other agricultural projects.

Targets:

1989
--Assure all new and future grants require disaggregation of data;
--Assist OEF obtain approval for revised sub-project proposal;
--Assist indigenous women's PVO obtain AID registration;

1990
--Provide OPG support to an indigenous women's PVO;
--Expand the CARE credit program to other women's groups and cooperatives;

1991
--Summarize OEF experiences/lessons learned;
--Summarize CARE experience with women's credit programs and expand to other PVOs;
--Evaluate progress of indigenous women's PVO.

G. Livestock Marketing and Health (LM&H)
PACD: 12/31/91

The Livestock Marketing and Health project is constructing three quarantine stations, providing training in their use and funding technical assistance to help establish a quarantine and health certification program for export cattle. As remaining activities consist primarily of constructing the three quarantine stations, it is not practical to introduce specific WID objectives at this time.

Strategy: Determine in the final evaluation, scheduled for November 1991, the extent to which women herders have had access to information about project activities and, if possible, whether there are any women traders.

H. Jubba Development Analytical Studies (JUDAS)
PACD: 9/30/91

This project carried out various in-depth studies of the Jubba Valley. One study surveyed 1,032 households, collecting sex-disaggregated data on health, life expectancy, death rates, occupations, etc. The data from the surveys was analyzed, providing perhaps more detailed and

accurate information on both men and women and their roles in the Jubba Valley than exists for any other region in Somalia. In addition, the raw data from the survey was computerized. The studies were done as part of a larger development planning exercise being carried out for the Jubba Valley. The Federal Republic of Germany (FRG) is financing the economic studies; A.I.D., the social and environmental work; and the IBRD, appraisal of the proposed Bardhere Dam construction project and a related resettlement activity.

Strategy: The Project Officer is fully exploiting the computerized data base by sharing it with the Government and donors and discussing its implications with respect to the construction of the Bardhere Dam and any agricultural development activities in the region.

Target: Share the data base on a continuing basis.

I. Local Currency

Two sources of U.S. assistance (PL 480 and Economic Support Funds) generate local currencies which are programmed in collaboration with the Ministry of Finance and Treasury and the Ministry of National Planning and Jubba Valley Development. In the past, funds have been used primarily for agricultural and health projects. Given reduced generations, the Mission is currently reviewing this list in an attempt to use this resource for only high priority activities. As a result of this review, the Mission has identified two institutions/projects which offer potential for reaching women. These are: AFMET, which has announced its intention of reaching women as at least 50% of its clients, and the Institute of Women's Education (IWE), which has a network of adult education centers in rural areas. AID is already supporting IWE through its FHS project; however there may be scope for providing additional assistance which can increase the organization's overall effectiveness.

Strategy: Seek the Ministry of National Planning's support to include criteria for allocating local currencies which can increase support to women.

Target:

1989
--Discuss in late calendar year when preparing CY 1990 budget;
--WID officer to visit and assess effectiveness of AFMET and IWE;
--Assist AFMET and/or IWE in preparing 1990 work plan;

1990
--Increase funding for these organizations if recommended;

1991
--Evaluate impact on women of these two institutions;
--Continue funding if assistance proves effective.

J. Participant Training

Under the auspices of various projects, the Mission has funded long- and short-term training for a total of 398 participants over the past ten years. Of these, 79, or 20%, were women. 13% of the women received long-term training, as compared to 26% of the men. The principal degree fields for women participants were public health and humanities; only 3% entered agriculture. One problem which has plagued USAID/Somalia's participant training program is the number of students who do not return to Somalia after finishing their degree program--particularly participants in long-term training programs. Preliminary analysis indicates that women participants have a better return rate than male participants.

As noted previously, a number of factors limit the number of qualified women available for advanced degree training. First, the number of female children enrolling in primary school is low. Second, most secondary schools are in urban areas, meaning that rural children must board away from home. As this is culturally unacceptable for females, secondary school is only an option for women living in urban areas. Third, only part of those completing secondary school go on to complete university. Finally, of those women with university degrees, many are married and have children. Given the Somali emphasis on the home and family as the prime responsibility of a woman, most women are unable or reluctant to leave their families for long-term training.

Strategy: Projects will give preference to qualified women as described under the strategy sections for individual projects. Women will be encouraged to apply for training opportunities and ministries and other entities will be encouraged to nominate women as participants for training.

Target:
--Increase the number of women receiving AID-sponsored training to 25% by the end of the CDSS period;
--More fully exploit PTMS software, including follow-up on the 19 incomplete files in order to compare and evaluate performance of women participants.

III. MISSION RESPONSIBILITIES FOR IMPLEMENTING AND MONITORING PERFORMANCE UNDER THE WOMEN'S ACTION PLAN

1. The Mission's WID Officer, who is also the Supervisory Program Officer, will assume overall responsibility for ensuring that Mission activities conform with the WID guidance provided by AID/W.

2. The technical offices engaged in project management will be provided with WID guidelines. The Project Development and Support (PDS) Office will be responsible for making certain that WID issues are addressed in accordance with the guidelines in all project designs and redesigns.

3. The S/Program Officer (WID Officer), Evaluation Officer, and Project Development Officer will monitor project implementation and raise questions regarding participation of and impact on women.

4. The Program Office will be responsible for ensuring that sex-disaggregated data is included, to the extent available, in the Country Development Strategy Statement, Annual Budget Submissions and Action Plans.

5. Future Project Implementation Reports will include (beginning in April 1989) information on women trained; the September 1989 PIR's (due in November 1989) will assess progress against the benchmarks found in Section II of the Women's Action Plan. The PDS Office will oversee this activity.

6. The Contracts Officer (CO) will be responsible for ensuring that requirements for sex-disaggregated data, the Gray Amendment, and the "Utilization of Women-Owned Small Businesses" clause for subcontracting are included in contracts, grants and cooperative agreements.

7. WID performance will be included as a part of each project evaluation. The Program Office will be responsible for including this requirement in scopes of work for evaluations.

8. Individual Project Officers will discuss and seek Government support to nominate more women candidates for overseas and in-country training. The PDS/Training Office will provide support and report on numbers and overall percentages of women receiving training at least twice yearly. The Mission plans to specify targets for short- and long-term and in-country training in its next overall Action Plan.

9. The Food for Peace Officer will monitor women's participation rates in food auctions as an indicator of their participation in marketing. In the last auction, 26% of the participants were women, an increase over the previous auction.

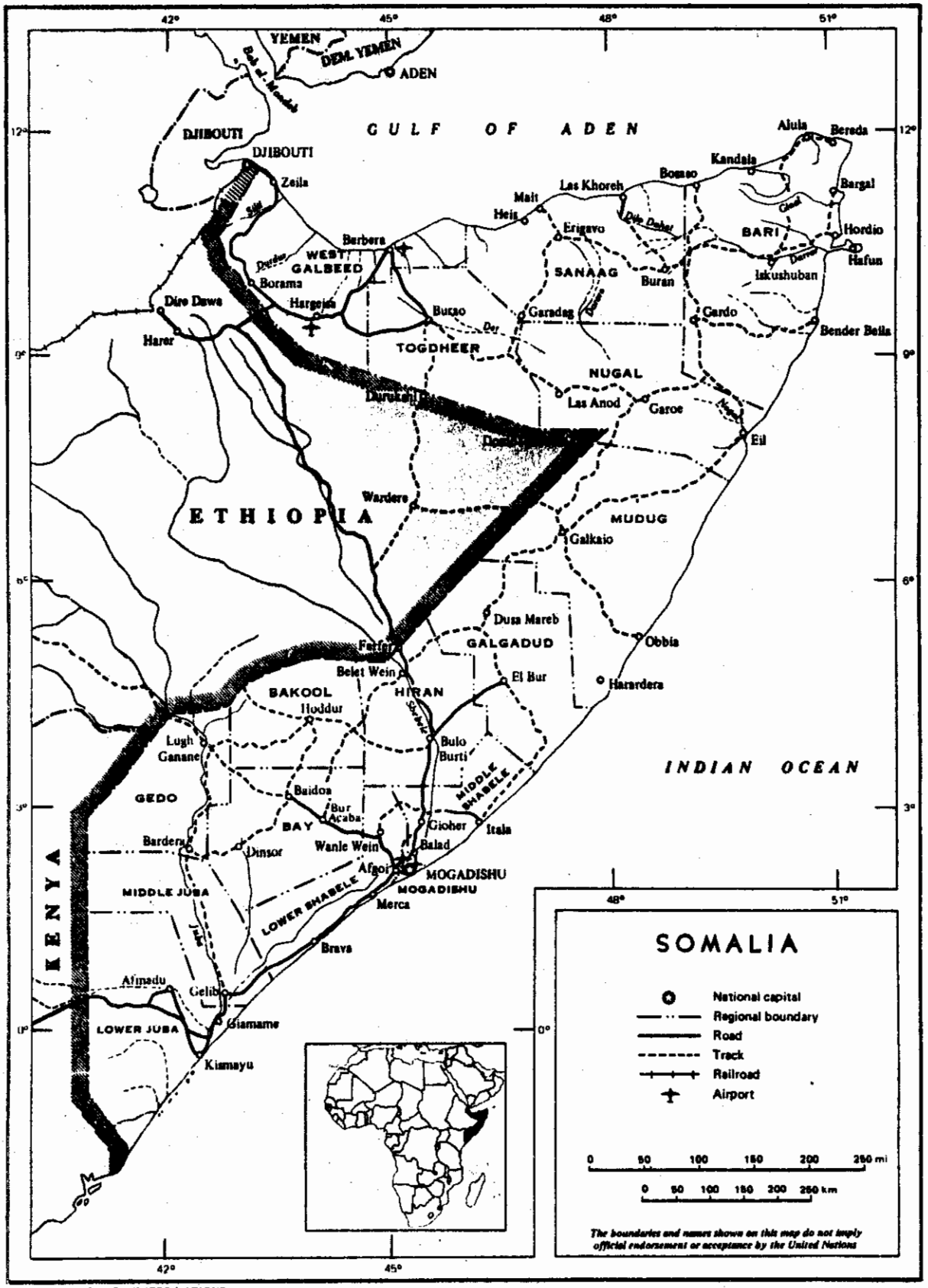
10. The Management Office will alert the Mission Director and WID Officer when qualified female Somali candidates apply for mid- or senior-level positions.

11. All Mission officers will take advantage of opportunities to support qualified women already in senior positions, those seeking higher positions and those wishing to pursue higher levels of education.

ANNEX F

RELIEF, RECONCILIATION, REHABILITATION AND RECONSTRUCTION

(Embassy to Submit by Cable)



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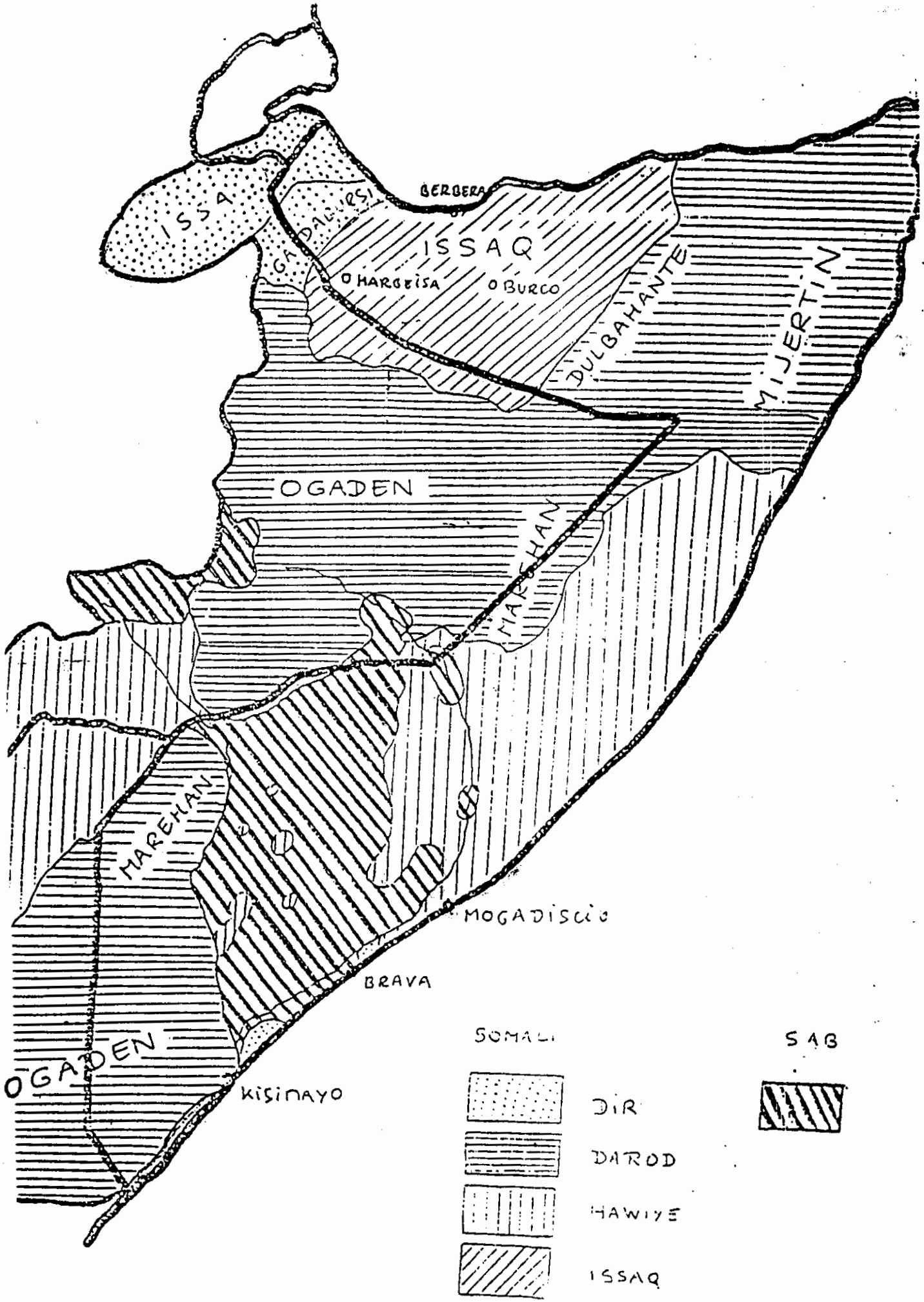
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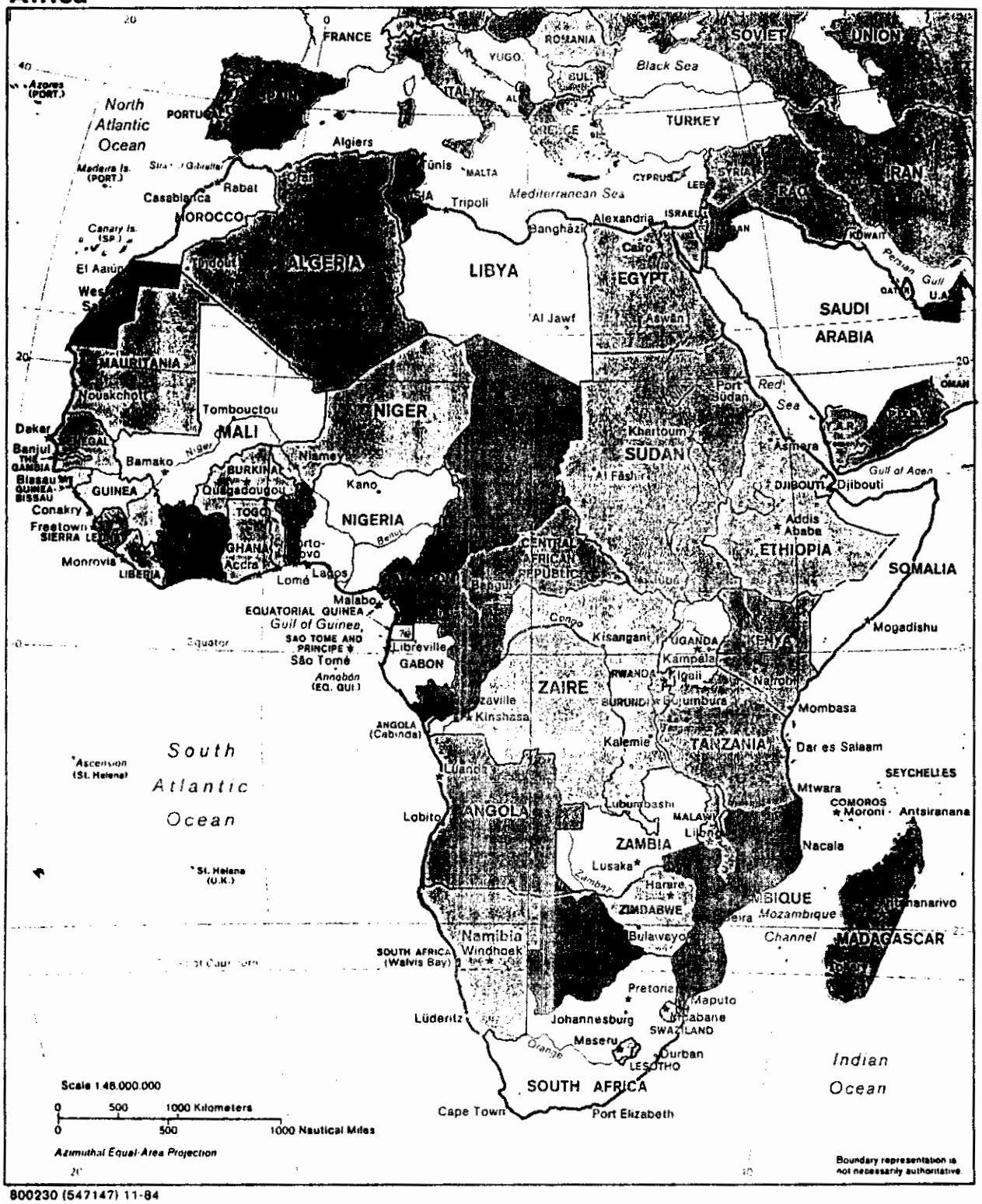

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