

USAID/Mogadishu Phase Down Plan  
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## I. Summary

On January 4, 1990, the GSDR fell a year behind on repayments of loans made under the U.S. Foreign Assistance Act thereby triggering Brooke Amendment sanctions for the A.I.D. program in Somalia. With several minor exceptions USAID is now prohibited by Section 518 of the Foreign Assistance Act from providing new commitments of foreign assistance funds under the Act. The legislative history of that Section and Section 617 requires the Mission to prepare a plan for the orderly phase down of U.S. assistance provided through the Foreign Assistance Act.

Arrears to the U.S. now exceed \$17 million, 95 percent of which stem from military assistance loans and hence are not eligible for debt relief under Section 124(c)(1) of the Foreign Assistance Act and Section 572 of the Foreign Operations, Export Financing and Related Programs Act of 1990.

Multilateral and bilateral GSDR debt has ballooned to \$2.2 billion in 1989 and is expected to increase by \$375 million in 1990. Payments due to all donors are \$175 million in 1990. Debt payments must also compete with necessary imports for scarce foreign exchange. The import bill each year is several times foreign exchange earnings. Annual foreign exchange earnings in 1990 may be only about \$75 million. There is no realistic prospect of repayment of the amount currently in arrears to the United States Government, much less making payments coming due in the next year. The only way for Somalia to "escape Brooke" is a very generous Paris Club rescheduling which is not likely to occur for at least a year.

U.S. assistance to the GSDR has already been sharply cut back. Two major projects, Shebelli Water Management and Kismayo Water Supply, have been terminated for security reasons, and construction planned under a third project, Livestock Marketing and Health, has been cut back by two thirds, also because of security concerns. The number of long-term advisors to be provided through SOMTAD has been reduced from 11 to 6 as part of the security-related 50 percent reduction in the official U.S.G. presence in Somalia. The seven continuing bilateral projects in the USAID portfolio are nearing completion: six projects have planned activity completion dates (PACD) in 1992, and the one remaining project, PVO Development Partners and Refugee Resettlement, are scheduled to be completed in 1993. These last two projects are both implemented by PVOs. In addition USAID participates in two regional projects (AFGRAD III and the Human Resources Development Project), manages PD & S funds, and has a bilateral P.L. 480 Title II, Section 206 program. The U.S. Embassy is responsible for management of the Self-Help project.

In discussions on the Hill to review U.S. policy toward Somalia per (classified) State 058048 dated February 22, 1990, Administration officials noted the reductions in bilateral assistance and the cut off of ESF funds but stated, "We do, however, want to continue food and humanitarian assistance, and we want to encourage economic reforms that will help the Somali people provide for themselves. By showing we still care, we can encourage transition to a more representative government that can bring peace and stability."

USAID believes that continuing the current portfolio to completion is the most responsible approach to the requirement to phase down. Early

termination or accelerated close out of any of the remaining bilateral projects in the portfolio would jeopardize the investments made by the U.S. Government over the past several years. Such accelerated project closures would leave little or no means to represent continued U.S. interest in Somalia, to influence economic reforms, or to respond to development needs. USAID has examined each of these projects and developed the phase down plan with this approach in mind, basing manpower and Operating Expense budget estimates on the minimum amount necessary to manage the portfolio to term. Only minor project redesign will be necessary. Obligation of \$3.0 million in additional project funds will be needed for only one project, SOMTAD.

Starting from USDH staff levels necessary to manage this portfolio, USAID estimated total staff levels and the Operating Expense budget necessary to complete the phase down. The plan follows this organization, with an initial discussion of each project, followed by a discussion of the requirements for portfolio administration and management.

USAID anticipates deobligation of almost half of the current pipeline, \$22.5 million dollars, including \$6 million from Kismayo Water Supply, \$5 million from the Livestock Marketing and Health and \$11.5 million from Shebelli Water Management, assuming no change in Somalia's arrears situation. The Mission will also deobligate the comparatively small amounts remaining in completed projects (Bay Region Development, Central Rangelands Development, and Comprehensive Ground Water Development). It will be necessary to extend the PACD of three projects, Livestock Marketing and Health by 12 months to December 1992, PVO Development Partners 18 months, to December, 1993, and Human Resources Development Assistance by eighteen months to September, 1992.

## II. Background

### A. Summary of The Legislative Requirements

Section 518, known as the Brooke Amendment, of the FY 1990 Foreign Operations Appropriations Act specifies:

" No part of any appropriation contained in this Act shall be used to furnish assistance to any country which is in default during a period in excess of one calendar year in payment to the United States of principal or interest on any loan made to such country by the United States pursuant to a Program for which funds are appropriated under this Act."

Previous Appropriations Acts contain similar language.

The date of invoking Brooke sanctions, in Somalia's case January 4, 1990, is interpreted to be the date of the termination of new U.S. assistance commitments triggering the provisions of Section 617 of the Foreign Assistance Act (FAA), which states:

" ....Funds made available under this Act shall remain available for a period not to exceed eight months from the date of termination of assistance under this Act for the necessary expenses of winding up programs related thereto...."

Section 123(e) of the FAA, one relevant exception to the above, states:

" Prohibitions on assistance to countries contained in this or any other Act shall not be construed to prohibit assistance .... in support of programs of private and voluntary organizations and cooperatives already being supported prior to the date such prohibition becomes applicable. The President shall take into consideration, in any case in which statutory prohibitions on assistance would be applicable but for this subsection, whether continuation of support for such programs is in the national interest of the United States. If the President continues such support after such date, he shall prepare and transmit, not later than one year after such date, to the Speaker of the House of Representatives and to the chairman of the Committee on Foreign Relations of the Senate a report setting forth the reasons for such continuation."

In addition, Section 491 of the FAA permits disaster assistance even after imposition of sanctions under the Brooke Amendment:

" ....notwithstanding any other provision of this or any other Act, the President is authorized to furnish assistance to any foreign country, international organization, or private voluntary organization, on such terms and conditions as he may determine, for international disaster relief and rehabilitation, including assistance relating to disaster preparedness, and to the prediction of, and contingency planning for, natural disasters abroad."

These four sections, taken together, specify when assistance made available under the Foreign Operations Appropriation Act must cease as a result of the recipient country defaulting on repayments of principal or interest, what actions may be taken in the process of an orderly cessation of assistance, and what exceptions to the law exist.

P.L. 480 Assistance is provided under separate legislation and, therefore, is not affected by provisions of the Foreign Assistance Act.

#### B. Brooke Phase Down Plans in Other Countries

USAID has examined phase down plans for Sudan, Liberia and Zambia. The plan for Sudan, prepared in May 1989, reflected a political situation most closely comparable to the current situation in Somalia. Debt owed to the U.S. by the GOS was completely unmanageable. Following the Sudan evacuation in 1986, USAID/Khartoum reduced the scope and size of the program, eliminating all non-essential activities. As a result, 15 projects had already been closed out, three redesigned and one redirected--all prior to preparation of the Brooke plan. The plan itself proposed continuing eight of the remaining projects to their PACD's and extending the PACD's of six projects. No cancellation or early termination was proposed. In addition, USAID/Khartoum proposed deobligating a total of \$14.3 million and obligating \$3.6 million for completion of existing projects.

In Liberia the debt situation was more manageable. The GOL had paid some of the Brooke arrears and, at the time of preparation of the plan, planned to pay the balance of the amount more than one year overdue. The USAID/Monrovia phase down plan developed in 1987 proposed early termination of eight projects and completion of the remaining four. The Mission planned to deobligate \$7.6 million and to obligate \$2.0 million to complete existing projects.

The arrears situation was still less unequivocal in Zambia where the Mission saw "... very good prospects for the GRZ to service the FAA debt...." The Zambia plan is more an options paper laying out the framework for a full Brooke phase down plan to be drafted if the GOZ did not, in fact, make the necessary payments to lift Brooke sanctions. As such it proposed continuing all existing projects to their originally planned dates of completion.

## B. Somalia's External Debt Situation

Somalia's debt situation deteriorated sharply in recent years. Total debt outstanding, including about \$300 million of frozen debt owed mostly to Soviet bloc countries, grew to \$2.2 billion--over twice Somalia's GDP--by the end of 1989. In 1989 Somalia made few of its \$188 million in scheduled payments; arrears accumulated to \$419 million by the end of the year--up sharply from the \$268 million recorded at the end of 1988. Somalia's arrears could reach nearly \$600 million by the end of 1990 as it is doubtful that much can be paid on the \$175 million in scheduled debt service for 1990, a figure more than 2.3 times projected exports for the year.

Somalia's capacity to service its debt and to finance imports essential to the economy will be constrained by continued poor export performance, its narrow base for generating foreign exchange earnings, and reduced donor aid flows on which it is heavily dependent. Traditionally, Somalia's exports have been equal to only about one-fourth of its imports. In 1988 that ratio slipped to one-fifth and in 1989 to less than one-seventh of estimated imports. Imports are estimated at \$411 million in 1990. While official exports grew 11 percent in 1989 to \$65 million, compared to the level of \$58 million in 1988, this is still far below levels previously attained, e.g., \$94 million per year in 1985-87 and \$128 million per year during 1980-82. Annual livestock exports had averaged over \$100 million during 1980-82 before Saudi Arabia banned cattle imports from Somalia after allegedly detecting brucellosis. Civil strife in the North since mid-1988 has continued to inhibit Somalia's main export, livestock. Livestock exports, which had averaged \$62 million during 1985-87, fell to \$23 million in 1988. Preliminary estimates for 1989 are \$36 million. Exports of bananas, Somalia's other major export, grew from \$6 million in 1981 to \$25 million in 1989 and are projected to be \$30 million in 1990. Other sources of export earnings are hides and skins, frankincense and myrrh. The IMF projects that in 1990 overall exports will be about \$75 million.

### C. U.S. Foreign Assistance Act Loans to the GSDR

The GSDR has made no loan payments to the U.S. Government since October 19, 1989, when it paid \$107,831.61 toward FMS loan No. 388D. By April 30, 1990, GSDR arrearages on U.S. loans made under the Foreign Assistance Act exceeded \$17.8 million, about \$5 million of which are more than one year overdue. Arrearages are growing at more than \$12 million annually. Nearly all of this total represents overdue FMS payments; only about five percent is for A.I.D. loans. Approximately three-fourths of the total arrears represent overdue payments of interest. As of May 1, 1990, late charges on the overdue repayments have accumulated to about \$1 million.

As shown in Table 2, over the remainder of CY 1990 an additional \$8.2 million falls due, the great majority of which is for FMS loans. Table 3 reviews GSDR debt obligations to the U.S. over 1991 through 2000. It is sobering to realize that scheduled payments average nearly \$20 million annually.

The GSDR is now also \$5 million in arrears on repayments of P.L. 480 loans, not subject to the provisions of the Brooke amendment. The Government has advised USAID it cannot make even token payments on these arrears over the next several months.

Given Somalia's precarious balance of payments situation, it is doubtful that Somalia will be able to make any payments on its FMS and A.I.D. arrears, much less to clear them..

Prospects for Debt Forgiveness: Section 572 of the Foreign Operations, Export Financing and Related Programs Act of 1989 provides for the forgiveness of principal and interest on A.I.D. debt for those sub-Saharan African countries which have either an IMF stabilization program or an IBRD structural adjustment program in place. Should the IBRD judge that the GSDR has made enough progress on the macro-economic program agreed in 1989 with the IMF and IBRD to permit the resumption of disbursements under the IBRD's Second Agricultural Sector Adjustment Program (ASAP II), Somalia would be eligible for such forgiveness. Section 572 does not apply to FMS debt. Therefore, debt forgiveness would eliminate only a very small portion of the total debt subject to the Brooke amendment. Forgiveness of A.I.D. debt under Section 572 would, however, eliminate future problems related to 620 (q) provisions of the Foreign Assistance Act. Therefore, should Somalia succeed in having Brooke Amendment sanctions lifted through rescheduling, repayment or through some other means, the Mission's ability to obligate new funds would not be impeded by Section 620 (q) requirements if it benefitted from Section 572.

Prospects for Debt Rescheduling: Debt rescheduling under the auspices of the Paris Club provides the most likely means for Somalia to clear its arrears to the USG and have Brooke sanctions removed. However, given the current state of the GSDR's economic reform program, it is highly doubtful that Somalia will be able to put an IMF-endorsed program in place before the second half of 1990. That means that a Paris Club could not be held until very late 1990 or early 1991, if then. Therefore, it is highly unlikely that Somalia's Brooke arrears could be erased by a Paris Club rescheduling before September 4, 1990.

TABLE 1. SOMALIA'S ARREARS TO THE U.S. GOVERNMENT FOR A.I.D AND FMS LOANS

A. Payments More Than One Year Overdue (as of April 30, 1990)

Loan Number(*)	Original Due Date	Brooke Due Date	Principal	Interest	Total
SO-857D	01/03/89	01/03/90	\$0.00	\$849,374.08	\$849,374.08
SO-857E	01/03/89	01/03/90	0.00	11,278.91	11,278.91
SO-887D	01/03/89	01/03/90	0.00	164,459.75	164,459.75
SO-887E	01/03/89	01/03/90	0.00	193,644.41	193,644.41
SO-888D	01/03/89	01/03/90	0.00	152,783.54	152,783.54
SO-889D	01/03/89	01/03/90	0.00	608,247.61	608,247.61
649-H-005A	01/20/89	01/20/90	101,086.40	67,138.02	168,224.42
SO-1/801G	03/01/89	03/01/90	1,334,000.00	705,389.67	2,039,389.67
649-H-004A	03/12/89	03/12/90	823.21	581.21	1,404.42
SO-3/821G	04/17/89	04/17/90	0.00	604,688.77	604,688.77
Subtotal			\$1,435,909.61	\$3,355,585.97	\$4,793,495.58

B. Payments Less Than One Year Overdue (as of April 30, 1990)

Loan Number(*)	Original Due Date	Brooke Due Date	Principal	Interest	Total
SO-2/811G	05/16/89	05/16/90	\$0.00	\$1,087,487.67	\$1,087,487.67
SO-4/831G	05/31/89	05/31/90	0.00	603,663.46	603,663.46
649-H-002	06/18/89	06/18/90	58,669.29	355.96	59,025.25
649-H-002A	06/18/89	06/18/90	34,756.21	239.06	34,995.27
649-H-008R	06/30/89	06/30/90	0.00	12,535.77	12,535.77
649-H-009R	06/30/89	06/30/90	0.00	482.41	482.41
SO-887D	06/30/89	06/30/90	0.00	156,544.57	156,544.57
SO-887E	06/30/89	06/30/90	0.00	184,324.63	184,324.63
SO-888D	06/30/89	06/30/90	0.00	145,638.59	145,638.59
SO-889D	06/30/89	06/30/90	0.00	578,973.66	578,973.66
SO-857D	07/03/89	07/03/90	0.00	826,544.37	826,544.37
SO-857E	07/03/89	07/03/90	180,828.04	10,975.72	191,803.76
649-H-007R	07/01/89	07/01/90	7,648.40	191.21	7,839.61
649-H-006R	07/01/89	07/01/90	0.00	7,265.97	7,265.97
649-H-005A	07/20/89	07/20/90	102,349.98	65,874.44	168,224.42
SO-1/801G	09/05/89	09/05/90	1,334,000.00	627,446.06	1,961,446.06
649-H-004A	09/12/89	09/12/90	833.50	588.48	1,421.98
SO-3/821G	10/16/89	10/16/90	0.00	604,688.77	604,688.77
SO-2/811G	11/16/89	11/16/90	0.00	1,105,512.33	1,105,512.33
SO-4/831G	11/16/89	11/16/90	0.00	606,980.28	606,980.28
649-H-002	12/18/89	12/18/90	57,580.66	8,769.42	66,350.08
649-H-002A	12/18/89	12/18/90	34,562.67	21,973.57	56,536.24
649-H-009R	12/31/89	12/31/90	0.00	482.48	482.48
649-H-008R	12/31/89	12/31/90	0.00	12,449.12	12,449.12
649-H-006R	01/01/90	01/01/91	0.00	7,265.97	7,265.97
SO-857D	01/02/90	01/02/91	0.00	835,677.45	835,677.45
SO-887D	01/02/90	01/02/91	0.00	163,580.29	163,580.29
SO-887E	01/02/90	01/02/91	0.00	192,608.88	192,608.88
SO-888D	01/02/90	01/02/91	0.00	152,184.14	152,184.14
SO-889D	01/02/90	01/02/91	0.00	604,994.95	604,994.95
649-H-005A	01/20/90	01/20/91	103,629.35	64,595.07	168,224.42

TABLE 1: (Continued from Previous Page)

<u>Loan Number(*)</u>	<u>Original Due Date</u>	<u>Brooke Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
SO-1/801G	03/02/90	03/02/91	\$1,334,000.00	\$520,273.60	\$1,854,273.60
649-H-004A	03/12/90	03/12/91	843.92	560.50	1,404.42
SO-3/821G	04/16/90	04/16/91	0.00	604,688.77	604,688.77
Subtotal			\$3,249,702.02	\$9,816,417.62	\$13,066,119.64
<u>Total Overdue at 4/30/90, of which:</u>				<u>\$4,685,611.63</u>	<u>\$13,174,003.59</u>
<u>\$17,859,615.22</u>					
Total FMS			4,182,828.04	12,902,654.93	17,085,482.97
Total AID			502,783.59	271,348.66	774,132.25

(\*) Those with "SO" prefix are FMS loans; the "649" prefix designates A.I.D. loans.

TABLE 2. SOMALIA'S DEBT REPAYMENTS DUE TO THE U.S.G. IN MAY-DECEMBER 1990

<u>Loan Number(*)</u>	<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
SO-2/811G	05/16/90	\$0.00	\$1,087,487.67	\$1,087,487.67
SO-4/831G	05/31/90	0.00	606,035.07	606,035.07
649-H-002	06/18/90	5,776.59	8,337.03	66,133.62
649-H-002A	06/18/90	34,994.70	21,111.85	56,106.55
649-H-002R	06/30/90	0.00	12,375.25	12,375.25
649-H-009R	06/30/90	0.00	476.45	476.45
SO-887D	07/02/90	0.00	159,182.97	159,182.97
SO-887E	07/02/90	0.00	187,431.22	187,431.22
SO-888D	07/02/90	0.00	148,093.17	148,093.17
SO-889D	07/02/90	0.00	588,731.65	588,731.65
SO-857D	07/02/90	0.00	826,544.37	826,544.37
649-H-006R	07/01/90	0.00	7,265.97	7,265.97
649-H-005A	07/20/90	104,924.72	63,299.70	168,224.42
SO-1/801G	09/04/90	1,334,000.00	453,047.23	1,787,047.23
649-H-004A	09/12/90	854.46	549.96	1,404.42
SO-3/821G	10/16/90	0.00	604,688.77	604,688.77
SO-2/811G	11/16/90	0.00	1,105,512.33	1,105,512.33
SO-4/831G	11/30/90	0.00	609,364.34	609,364.38
649-H-002	12/18/90	58,013.32	8,120.30	66,133.62
649-H-002A	12/18/90	35,432.14	20,674.41	56,106.55
649-H-009R	12/31/90	0.00	476.45	476.45
649-H-008R	12/31/90	0.00	12,375.25	12,375.25
<u>Total, of which:</u>		<u>\$1,626,015.93</u>	<u>\$6,531,181.45</u>	<u>\$8,157,197.38</u>
FMS		1,334,000.00	6,376,118.83	7,710,118.83
AID		292,015.93	155,062.62	447,078.55

(\*) Those with "SO" prefix are FMS loans; the "649" prefix designates A.I.D. loans.

Table J. PROJECTED DEBT SERVICE PAYMENTS TO U.S. GOVERNMENT, 1991-2000

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total 1991-2000
AIF	\$739,502	\$736,596	\$741,265	\$738,168	\$735,071	\$616,445	\$616,255	\$724,617	\$722,142	\$719,667	\$7,089,728
Principal	520,676	528,791	544,718	553,215	561,911	454,553	463,659	582,103	591,640	601,401	5,402,667
Interest	218,826	207,805	196,547	184,953	173,160	161,892	152,596	142,514	130,502	118,266	1,687,061
FWS	\$14,668,000	\$15,800,000	\$13,391,000	\$13,090,000	\$12,469,000	\$9,073,000	\$7,770,000	\$7,995,000	\$8,591,000	\$8,832,000	\$111,679,000
Principal	5,671,000	7,566,000	6,010,000	6,390,000	6,433,000	3,675,000	2,712,000	3,218,000	3,104,000	3,753,000	48,532,000
Interest	8,997,000	8,234,000	7,381,000	6,700,000	6,036,000	5,398,000	5,058,000	4,777,000	5,487,000	5,079,000	63,147,000
P.L. 480	\$5,250,542	\$5,817,002	\$6,404,094	\$6,979,256	\$7,802,900	\$8,144,641	\$8,226,675	\$8,377,291	\$8,232,738	\$8,088,184	\$73,323,323
Principal	2,007,169	2,483,640	3,000,664	3,516,274	4,285,567	4,514,562	4,539,869	4,818,438	4,818,438	4,818,438	38,803,059
Interest	3,243,373	3,333,362	3,403,430	3,462,982	3,517,333	3,630,079	3,686,806	3,558,853	3,414,300	3,269,746	34,520,264
Total	\$20,658,044	\$22,353,598	\$20,536,359	\$20,807,424	\$21,006,971	\$17,834,086	\$16,612,930	\$17,096,908	\$17,545,860	\$17,639,851	\$192,092,051
Principal	8,198,845	10,578,431	9,555,382	10,459,489	11,280,478	8,644,115	7,715,528	8,618,541	8,514,078	9,172,839	92,737,726
Interest	12,459,199	11,775,167	10,980,977	10,347,935	9,726,493	9,189,971	8,897,402	8,478,367	9,031,802	8,467,012	99,354,325

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

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
<b>Total External Debt Outstanding</b>	<b>576.2</b>	<b>698.5</b>	<b>995.4</b>	<b>1146.4</b>	<b>1260.5</b>	<b>1511.8</b>	<b>1587.3</b>	<b>1735.2</b>	<b>1872.4</b>	<b>1952.8</b>
<b>Multilateral</b>	<b>121.1</b>	<b>169.5</b>	<b>292.2</b>	<b>378.2</b>	<b>456.8</b>	<b>441.2</b>	<b>567.4</b>	<b>642.6</b>	<b>746.6</b>	<b>765.7</b>
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	1.4	4.7	7.0	8.1	6.1
African Development Fund	6.5	7.4	7.1	11.0	17.1	19.4	34.3	47.3	68.0	54.5
Arab Fund	34.7	40.8	51.0	67.3	78.2	72.3	78.0	79.3	79.4	81.1
Arab Monetary Fund		5.7	31.2	37.7	43.2	43.7	49.0	54.6	58.1	58.0
European Investment Bank	4.6	5.4	5.4	5.4	5.8	2.9	8.1	9.6	2.5	3.0
IDA	62.5	72.2	91.2	107.7	124.1	147.6	186.0	239.2	297.6	324.1
IFAD			1.1	2.9	5.3	7.8	11.6	14.9	16.0	20.5
Islamic Development Bank	7.7	7.6	29.2	28.6	22.8	3.7	5.2	5.2	5.5	5.6
OPEC Fund	2.1	9.8	26.9	35.8	35.7	30.3	30.3	29.8	29.8	29.9
<b>Bilateral</b>	<b>455.1</b>	<b>529.0</b>	<b>574.0</b>	<b>605.1</b>	<b>640.9</b>	<b>901.2</b>	<b>933.9</b>	<b>1003.9</b>	<b>1041.7</b>	<b>1103.0</b>
OECD countries(1)	43.5	62.2	76.4	117.3	137.4	488.3	508.7	569.2	598.7	634.9
France				5.7	15.1	25.8	41.3	50.9	66.9	78.5
Italy		1.0	14.0	19.5	18.7	295.6	250.5	244.9	245.0	245.0
Japan						0.4	6.8	27.5	32.6	45.1
U.S.A.	29.4	47.1	46.7	76.2	87.7	165.1	189.2	224.9	226.5	230.0
U.K.						--	19.5	19.6	19.8	19.8
Other(2)	14.1	14.1	15.7	15.9	15.9	1.4	1.4	1.4	7.9	16.5
Other	136.7	178.3	195.4	197.6	201.5	182.1	182.3	190.9	194.3	184.2
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	43.3
Kuwait Fund	27.1	30.7	37.5	41.4	54.8	71.0	82.5	85.6	88.8	78.9
Romania						3.0	3.0	3.0	3.0	2.8
Saudi Fund	81.9	117.8	129.8	129.8	130.3	57.3	46.0	51.5	51.7	51.7
Yugoslavia						6.6	6.6	6.6	6.6	6.6
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	103.3	14.1	14.1	14.1	14.1
Financial Institutions(3)			25.1	59.5	59.5	66.1	71.9	74.6	70.0	70.0
<b>MEMORANDA:</b>										
Total Debt Less Frozen Debt	301.3	410.0	693.2	856.2	958.5	1281.0	1344.4	1491.4	1623.7	1668.9
Bilateral Debt Less Frozen Debt	180.2	240.5	271.8	314.9	338.9	670.4	691.0	760.1	793.0	819.1

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

(1) Includes debt rescheduled in 1985 and 1987.

(2) Includes Norway and Denmark among others.

(3) IMF staff estimates.

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TABLE 4.a. EXTERNAL PUBLIC DEBT OUTSTANDING, 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%	29.2%	35.7%	37.0%	39.9%	39.2%
IMF (incl. Trust Fund)	0.0%	2.5%	4.7%	6.9%	9.7%	7.4%	10.1%	9.0%	9.7%	9.4%
African Development Bank	0.5%	0.4%	0.3%	0.2%	0.2%	0.1%	0.3%	0.4%	0.4%	0.3%
African Development Fund	1.1%	1.1%	0.7%	1.0%	1.4%	1.3%	2.2%	2.7%	3.6%	2.8%
Arab Fund	6.0%	5.8%	5.1%	5.9%	6.2%	4.8%	4.9%	4.6%	4.2%	4.2%
Arab Monetary Fund	0.0%	0.8%	3.1%	3.3%	3.4%	2.9%	3.1%	3.1%	3.1%	3.0%
European Investment Bank	0.8%	0.8%	0.5%	0.5%	0.5%	0.2%	0.5%	0.6%	0.1%	0.2%
IDA	10.8%	10.3%	9.2%	9.4%	9.8%	9.8%	11.7%	13.8%	15.9%	16.6%
IFAD	0.0%	0.0%	0.1%	0.3%	0.4%	0.5%	0.7%	0.9%	0.9%	1.0%
Islamic Development Bank	1.3%	1.1%	2.9%	2.5%	1.8%	0.2%	0.3%	0.3%	0.3%	0.3%
CFEC Fund	0.4%	1.4%	2.7%	3.1%	2.8%	2.0%	1.9%	1.7%	1.6%	1.5%
Bilateral	79.0%	75.7%	57.7%	52.8%	50.8%	59.6%	58.8%	57.9%	55.6%	56.5%
OECD countries	7.5%	8.9%	7.7%	10.2%	10.9%	32.3%	32.0%	32.8%	32.0%	32.5%
France	0.0%	0.0%	0.0%	0.5%	1.2%	1.7%	2.6%	2.9%	3.6%	4.0%
Italy	0.0%	0.1%	1.4%	1.7%	1.5%	19.6%	15.8%	14.1%	13.1%	12.5%
Japan	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	1.6%	1.7%	2.3%
U.S.A.	5.1%	6.7%	4.7%	6.6%	7.0%	10.9%	11.9%	13.0%	12.1%	11.8%
U.K.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	1.1%	1.1%	1.0%
Other	2.4%	2.0%	1.6%	1.4%	1.3%	0.1%	0.1%	0.1%	0.4%	0.8%
Other	23.7%	25.5%	19.6%	17.2%	16.0%	12.0%	11.5%	11.0%	10.4%	9.4%
Algeria	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%
Iraq	4.8%	4.3%	2.8%	2.3%	1.3%	2.9%	2.7%	2.5%	2.3%	2.2%
Kuwait Fund	4.7%	4.4%	3.8%	3.6%	4.3%	4.7%	5.2%	4.9%	4.7%	4.0%
Romania	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%	0.1%
Saudi Fund	14.2%	16.9%	13.0%	11.3%	10.3%	3.8%	2.9%	3.0%	2.8%	2.6%
Yugoslavia	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.4%	0.4%	0.3%
Frozen debt	47.7%	41.3%	30.4%	25.3%	24.0%	15.3%	15.3%	14.1%	13.3%	14.5%
Abu Dhabi	11.6%	10.7%	8.9%	7.8%	8.1%	6.2%	5.7%	5.4%	5.0%	4.8%
P.R. of China	18.1%	15.8%	11.1%	8.5%	7.7%	4.8%	4.7%	4.4%	4.3%	4.2%
Bulgaria	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.4%	0.3%	0.3%	0.3%
U.S.S.R.	18.0%	14.8%	10.4%	9.0%	8.2%	3.8%	4.3%	3.9%	3.6%	3.3%
Supplier's Credit	0.0%	0.0%	10.5%	9.0%	8.2%	6.8%	0.9%	0.8%	0.8%	0.7%
Financial Institutions	0.0%	0.0%	2.5%	5.2%	4.7%	4.4%	4.5%	4.3%	3.7%	3.6%
MEMORANDA:										
Total Debt Less Frozen Debt	52.3%	58.7%	69.6%	74.7%	76.0%	84.7%	84.7%	85.9%	86.7%	85.5%
Bilateral Debt Less Frozen Debt	31.3%	34.4%	27.3%	27.5%	26.9%	44.3%	43.5%	43.8%	42.4%	41.9%

Source: Table 4.

### III. Project and Program Analysis

#### A. The USAID Program in Somalia -- An Overview

The United States Agency for International Development economic assistance program in Somalia has declined from a high of about \$82 million in annual obligations in FY 1984 to a proposed \$9.0 million in FY 1990. The FY 1990 figure included an estimated \$5 million in bilateral food aid and \$4 million from the Development Fund for Africa; however only \$740,000 of the \$4.0 million in FY 1990 DFA assistance has been obligated to date; Brooke sanctions have so far precluded obligation of the remaining \$3.26 million. Consequently, FY 1990 assistance may only be \$5.74 million, excluding funds requested to complete SOMTAD.

In the last several years the USAID program has focussed on policy reform, agricultural development, management training and family health. Policy reform supported by USAID has been closely linked to GSDF agreements with the IMF and the IBRD. All previously programmed Economic Support Funds used to support policy reform have now been disbursed, deobligated or lost. The \$15.125 million FY 1987 ESF grant obligated in September 1987 was unilaterally deobligated on AID/W's instructions in January 1990 for reallocation to Panama. The FY 1988 ESF and FY 1989 ESF grants, totalling \$44,250,000, were never obligated because of Congressional concerns over human rights arising from fighting in the North since May 1988 and Government actions to curb civil disorder in Mogadishu in July 1989, and also in the case of the FY 1989 grant, due to U.S. budget deficit reduction measures taken in late CY 1989. FY 1986 and prior year ESF grants have all been disbursed.

USAID project assistance currently includes the following activities:

Livestock Marketing and Health -- now funds construction of one cattle quarantine station at Warmahan and technical assistance to the Ministry of Livestock, Forestry and Range in veterinary medicine and feed lot operation in support of running of the quarantine facility.

Somali Management Training for Development (SOMTAD) -- a multi-component project which includes graduate training for 210 Somali "Presidential Fellows"; long-term advisory services in key ministries, and a Worksite Management Training Unit to provide short-term, on-the-job training for both the private and public sectors.

Family Health Services -- an IEC project directed at improved family spacing and family health working through six Somali institutions, including the Somali Family Health Care Association, the Curriculum Development Center, the Institute of Women's Education, the Ministry of Health, the Ministry of National Planning, and the Somali Women's Development Organization, to promote, support, coordinate and sustain family health programs and population policies. Support to the Ministry of National Planning to analyze its 1986-1987 census will also provide an empirical basis for family planning policies.

Policy Initiatives and Privatization -- provides the services of two long-term advisors, one in the Ministry of Industries to assist in privatizing GSDR parastatals and private business in general and one

to improve budgetting capability in the Domestic Development Department of the Ministry of Finance and Treasury. Funds are also available for policy-related studies and short-term training to assist the GSDR in the implementation of economic reforms.

Jubba Development Analytical Studies -- A.I.D.'s contribution to development of the Jubba River Valley and the proposed Bardera Dam project. The project provided soil and land use classification studies, as well as environmental and socioeconomic studies that provide an extensive amount of information for planning and monitoring future development for the Valley.

PVO Partners in Development -- an umbrella project that makes grants to U.S. and local private voluntary organizations for rural and community development work in health, agriculture production, small enterprise development, community development, and productive infrastructure.

Somali Refugee Resettlement -- another umbrella project that grants funds to U.S. private voluntary organizations carrying out programs for resettlement of Ethiopian refugees resident in Somalia.

Human Resource Development Assistance and African Manpower Development Projects -- central AID/W training programs for long and short term training in Somalia and overseas.

Program Development and Support -- A project mechanism to finance USAID's program and project development, evaluation and audit activities.

P.L. 480, Title II, Section 206 -- A bilateral P.L. 480 grant program donating \$5 million of vegoil annually for sale to public and private sectors. Eighty percent of the commodities made available under the FY 1989 agreement were sold at auction to private sector traders. Ninety percent of the commodities to be supplied under the proposed FY 1990 agreement will be sold at auction to private sector traders.

Relief and Rehabilitation Activities -- Discrete activities funded by OFDA and FVA/FFP as emergency assistance in areas of the North affected by civil war.

Three other projects, Comprehensive Groundwater Development, Bay Region Area Development, and Central Rangelands Development, have been completed. USAID will deobligate any undisbursed funds, estimated to be less than \$500,000, by September 30, 1990 after all outstanding vouchers and AOC's have been credited. OFDA-funded relief activities in the North have almost been completed, but some claims are still outstanding. Any pipeline remaining will be deobligated by August 1990.

Livestock Marketing and Health Project (LMHP)  
Project 649-0109

LOP Funding:	\$ 19,410,000	Authorized:	7/12/84
Obligations:	\$ 18,660,000	PACD:	12/31/91 (current)
Pipeline:	\$ 9,859,740 (3/31/90)		12/31/92 (proposed)

The primary purpose of the LMHP is to help restore the contribution of cattle exports to the Somali balance of payments. The project is assisting Somalia in the development of livestock export marketing and health procedures and originally included the construction of cattle quarantine facilities near the three main ports of Mogadishu, Kismayo and Berbera.

After lengthy delays a contract for the construction of the three quarantine stations was signed with a Somali construction firm in December 1988. As a result of the events of July 1989, continuing security problems in the North, and fighting in and around Kismayo in early 1989, however, construction of the quarantine stations at Berbera and Kismayo was eliminated from the project in late August. Construction of the remaining quarantine station near Mogadishu at Warmahan is to be completed by June 30, 1990.

The Mission estimates that to achieve the project purpose Warmahan quarantine station operations will require technical support for at least two years after completion of the Warmahan station; the Mission. therefore, proposes to extend the PACD from December 31, 1991, to December 31, 1992. The two USDA/PASA experts, a Veterinary Advisor and a Feedlot Advisor, currently funded under the project will be extended from June 30, 1991 through September 30, 1992. An additional 12 person months of short term technical assistance in the areas of fodder production, marketing and financial management will also be required.

At the proposed PACD the Mission expects that the contribution of cattle exports to the Somali balance of payments will be much improved through the resumption of cattle exports to Saudi Arabia. Somali cattle should be more competitive in other export markets as well due to the quarantine facility. The Warmahan quarantine station is expected to be in full operation and generating sufficient income from service fees to cover operating expenses, with a total of 30,000 head of cattle quarantined and exported through the facility by the PACD.

The Mission will prepare a PP Supplement to document the reduction in the number of stations, the extension of the PACD, and the additional technical assistance required. No international training will be funded during the remaining LOP.

The Mission estimates that approximately \$5 million will be deobligated in the fourth quarter of FY1990 after USAID reaches a settlement for the partial cancellation of the construction contract. The anticipated local currency requirements for the remainder of the project (CY91-CY92) are approximately \$900,000 in Shilling equivalent, to be funded through P.L.

Kismayo Port Rehabilitation/Kismayo Water Supply System  
Project 649-0114

LOP Funding:	\$ 42,000,000	Authorized:	9/13/82
Obligation:	\$ 36,000,000	PACD:	9/18/89
Pipeline:	\$ 6,381,425 (3/31/90)		

The initial part of this project, assisting the GSDR with the rehabilitation of the port at the town of Kismayo in southern Somalia, was completed in September 1988. As the port rehabilitation was nearing completion, the GSDR requested that certain ancillary works, including the city water supply system, be rehabilitated under the project. The Kismayo Water Supply System (KWSS), constructed as a part of the original port construction in the 1960's to provide potable water to vessels calling at Kismayo, could by 1988 only supply untreated water. The PP was amended on November 30, 1988, to include rehabilitation of the KWSS. The Mission was completing the procurement action for the design of the rehabilitation work when, because of the uncertain security situation in the Kismayo area, this project component was cancelled on September 18, 1989.

The Mission will deobligate approximately \$6.3 million from this project in September 1990.

Somalia Management Training and Development (SOMTAD)  
Project 649-0119

LOP Funding:	\$ 18,500,000	Authorized:	6/30/85
Obligation:	\$ 14,730,000	PACD:	12/31/92
Pipeline:	\$ 2,685,944 (3/31/90)		

The SOMTAD project is intended to (a) increase the ability of the GSDR and private sector entities to plan and implement economic development activities by improving management capabilities and (b) strengthen the capacity of Somali institutions to identify and meet public and private sector training needs.

The project has three components:

1. An MBA/MPA degree program for up to 210 students. The students - called Presidential Fellows - were selected from the GSDR and private sector firms. Completion of their degree programs and their return to the public and private sectors is expected to enhance the quality of management in Somalia. As part of the program SOMTAD provides English language training to ready the Fellows for graduate study and thesis writing.
2. A Worksite Management Training Unit (WMTU) to provide on-the-job training and management workshops to private and public sector employees.
3. Long-term advisors to assist GSDR ministries in management.

The project has been fully operational since early 1987. The MBA/MPA students still require from 13 to 24 more months to complete work on their degrees. Cohort I is scheduled to depart for its final degree training at SUNY/Albany in August 1990 and, after completing thesis work back in Somalia, should be graduated in June 1991; Cohort II should be graduated in January 1992, and Cohort III, in May 1992. The WMTU is now completing its "Training of Trainers" courses, and, having trained 361 persons to date, will thus rely on Somali instructors in future courses. The Mission's commitment to field the planned 11 long-term advisors was reduced to six in July 1989 as part of an overall reduction of 50 percent in the U.S. presence in Somalia.

USAID/Somalia believes that it would be in the best interests of the U.S. to continue SOMTAD until its PACD. All components are well along. Termination prior to the PACD would sacrifice the investment made so far in training and consultancy. It would also come just as the MBA/MPA program reaches its most critical point. Notably, every Ministry has staff in SOMTAD training classes and a sizable number from the private sector benefit as well; two Ministers in the Cabinet named last February are current or former SOMTAD students.

A PP Supplement will document the new and changed services required in the wake of the events of July 1989.

An additional \$3.0 million must be obligated to finance completion of graduate training for up to 210 Master's degree students and local training programs. The estimated cost per participant for U.S. training rose from \$8,000 in 1985 to \$12,000 in 1990 and the number of trainees increased from an estimated 140 in 1985 to a maximum of 210 in 1990. The training budget in the original contract was seriously underestimated and will have to be increased by \$1,083,000. Funding for other direct costs must also be increased to cover local staff and a local office for the contractor. Local staff will include an Administrative Assistant for the Chief of Party and a Coordinator for the WMTU. The office will provide administrative support to contractor personnel.

A USDH Human Resources Development Officer and FSN/PSC Project Assistant are required to manage the project.

Shebelli Water Management Project (SWMP)  
Project 649-0129

LOP Funding:	\$ 22,600,000	Authorized:	8/13/87
Obligations:	\$ 12,909,341	PACD:	9/18/89
Pipeline:	\$ 11,737,938 (3/31/90)		

Authorization of the SWMP, a \$50 million, two-phase project supporting increased agricultural production in the Shebelli River Basin, culminated a decade of USAID planning. Phase I, authorized on August 13, 1987, contained three components: (1) River Basin Management; (2) Adaptive Irrigated Agricultural Research, and (3) Rehabilitation of the Genale Barage and its off-take structures. USAID issued the RFP for technical assistance in September 1988, and awarded an institutional contract to Colorado State University on July 2, 1989.

As a result of concerns arising from civil disturbances in Mogadishu in mid-July 1989 and deteriorating security outside the capital, the Mission notified the GSDR in a letter dated September 18, 1989, that the SWMP was being terminated. USAID also cancelled the institutional contract with CSU and the Phase II Land Registration activity with the Wisconsin Land Tenure Center.

The Mission has cancelled all contracts, PIO/Cs and PIO/Ts associated with the SWMP and is disposing of commodities which had been ordered for the project prior to July 1989. Approximately \$11.7 million in SWMP funds remain in the pipeline. With settlement with CSU for early termination by July 31 and the payment of other outstanding bills, the Mission expects that approximately \$11.5 million may be available for deobligation in September 1990.

Family Health Services (FHS)  
Project 649-0131

LOP Funding:	\$ 10,710,000	Authorized:	8/26/84
Obligation:	\$ 10,710,000	PACD:	9/30/92
Pipeline:	\$ 2,874,902 (3/31/90)		

The purpose of FHS is to strengthen the capabilities of Somali institutions to promote, support, coordinate and sustain family health programs. The project includes five components: the collection and analysis of demographic data, including the development of policy options; Information, Education, and Communication (IEC) activities; delivery of clinical services; the conduct of operations research, and participant training.

In April 1989 an evaluation of the FHS project concluded that the project had made a positive contribution to increasing general awareness of family health issues. The evaluation also concluded, however, that additional time was needed to improve institutional linkages and to strengthen service delivery to increase awareness of family planning issues. In light of the evaluation recommendations the project was extended 33 months to September 30, 1992, and the life-of-project (LOP) funding increased by \$610,000 to a new total of \$10,710,000. The PP Supplement was approved November 7, 1989, and the \$610,000 was obligated January 3, 1990, before the "Brooke axe" fell.

Many important activities are planned over the next two years. The population data and policy component will support two national conferences on family planning and develop policy alternatives for GSDR decision-makers. Analysis of the 1986-1987 national census will provide the empirical basis for relevant policy choices. The IEC portion of FHS is to conduct a Knowledge, Attitudes, and Practice Survey and devise a mass media campaign to promote improved family health practices. The IEC component is also sponsoring the drafting and publication of Somalia's first family health textbooks for use in the public schools. The clinical services element of FHS will complete the renovation of three family health/family planning clinics and distribute \$100,000 in contraceptives. The project's operations research component will investigate the feasibility of contraceptive social marketing in Somalia. Finally, FHS will train Somali participants promoting modern family health/family planning practices by organizing site visits to family planning programs in similar Third World countries.

Premature phase-out of FHS would jeopardize the \$7.0 million investment made over the past six years. Most importantly, A.I.D. endorsement of modern family planning practices would be withdrawn just when the GSDR plans to go public with its own guidance. Tabulation of census data carefully done over the past three years would not be completed and the data would not receive first-level analyses for trends and family health implications. Basic hygiene instruction would not be available to school children and their families. Finally, project efforts to support ending of circumcision would come to a halt and end the gains of the past three years. It is in the interest of the A.I.D. to continue FHS implementation through the PACD.

Funds obligated for the Family Health Services Project are now 80 percent disbursed. USAID completed competitive award of a new technical assistance contract in May 1990. No other major contracting or obligation actions are required to complete the project. The local currency requirements expressed in dollars are as follows: FY 90 -- \$390,000; FY 91 -- \$295,000; FY 92 -- \$157,000, to be funded through P.L. 480 local currency generations.

A full time FSN Program Specialist will be required until the PACD to manage the project under the supervision of the USDH Supervisory General Development Officer.

Policy Initiatives and Privatization

Project 649-0132

LOP Funding:	\$ 10,045,000	Authorized	9/28/83
Obligation:	\$ 8,045,000	PACD	12/31/92
Pipeline:	\$ 2,816,415 (3/31/90)		

The project purpose is to improve the Somali economic climate by: (1) supporting the development and implementation of improved economic policies; (2) identifying and testing ways and means of promoting private sector participation in the economy; and (3) improving the Government's budgeting and revenue collection systems. An interim evaluation in June 1988 indicated that the primary factor impeding achievement of project objectives was the reduced GSDR interest in policy reform over the September 1987 through mid-1988 period. In July 1988 the GSDR signed a new Letter of Intent (LOI) with the IMF and in April 1989 agreed on a Policy Framework Paper (PFP) with the IMF and IBRD. With the GSDR's economic reform program moving back on track, the second PP Supplement, approved in June 1989, reshaped PIP to focus more closely on assisting the GSDR implement its program, including specific measures in the LOI and PFP.

PIP has three components: technical assistance; policy-related studies, and training. The TA component funds two long-term advisors: a PSC Privatization Advisor to the Ministry of Commerce and Industry to promote divestiture of state-owned enterprises and the creation of a more hospitable environment for enhanced private sector development, and a PSC Financial Management Advisor to the Ministry of Finance and Treasury to assist in the improvement of budgeting and accounting procedures in the Domestic Development Department--the section which manages donor-funded local currency programs. In addition, short-term TA is provided to assist the GSDR in operational areas related to the implementation of its economic reform program. The second component will fund a limited number of studies and analyses to support the adoption or implementation of specific policy reform measures. This also includes helping the GSDR to transform policies adopted into implementable actions. The training component funds attendance of public and private sector Somali participants at economic policy related seminars, workshops, short-term courses, and informal training, such as conferences and study tours.

Notwithstanding the loss of ESF, USAID is still fully engaged with the GSDR in meaningful policy dialog. USAID officers have quick access to key GSDR policy makers at high levels who seek advice on economic policy issues and problems, assistance in the implementation of specific measures in the GSDR economic program, and means to enhance their understanding of the adjustment process and share experiences with counterparts from other countries undergoing adjustment. The PIP Project provides a flexible and responsive mechanism to assist the GSDR in these areas.

In 1989 the PIP Project financed a Labor Economist to complete a major component of the GSDR's Public Expenditure Review, a measure contained in

the PFP for 1989-1991. During 1987-89, 24 key GSDR policy makers and private sector representatives attended short-term training courses, seminars and workshops on subjects such as economic reform in Africa, privatization, financial sector reform, economic stabilization, structural adjustment, debt management and informal sector development. GSDR officials who attended an AID-sponsored privatization course in 1988 were instrumental in the design of the GSDR's public enterprise sector assessment and privatization plan, which was later incorporated into the Policy Framework Paper. Possibilities for training in tax administration are being discussed with the GSDR in conjunction with GSDR efforts to implement tax reforms.

While the economic policy reform process in Somalia has not always been smooth, the GSDR has made considerable progress in recent years in the areas of exchange rate policy, privatization and trade liberalization. After years of discussion and debate the establishment of an independent private bank could happen shortly. Also, the GSDR continues to pursue privatization and divestiture of state-owned enterprises. The Privatization Advisor has been a major contributor to these goals. Building on earlier work, the Advisor helped orchestrate the first divestiture of a GSDR-owned state enterprise, now under majority ownership and management of a Belgian firm. A similar effort is currently underway to negotiate joint-ventures to revitalize the state-owned textile mill and milk processing plant. The Advisor also contributed to the formation of the independent Somali Industrial Manufacturers Association.

Somalia is at a critical point. The new Cabinet formed in February 1990 faces tough challenges as it strives to get its economic reform program back on track and keep the IMF and IBRD engaged in Somalia. Doing so is essential if Somalia is ever to be eligible for a Paris Club rescheduling and other forms of debt relief. (See also State 058048.) This Project provides the Mission with a tool to support such efforts.

No deobligations are planned at this time. The project will be managed by the USDH Supervisory General Development Officer with the assistance of one FSN/PSC Project Management Specialist, and the USAID Training Section.

Jubba Development Analytical Studies (JUDAS)  
Project 649-0134

LOP Funding:	\$ 8,550,000	Authorized:	9/29/83
Obligations:	\$ 8,550,000	PACD:	9/30/92
Pipeline:	\$ 329,444 (3/31/90)		

The JUDAS Project, AID's contribution to development of the Jubba River Valley and the proposed Bardera Dam project, has achieved most of its planned outputs. Soil and land use classification studies have been completed, and Jubba Valley Land Class maps are also available as planning tools. The Jubba Environmental and Socioeconomic Studies constitute a sound basis for continued planning efforts related to the Bardheere Dam. The reports and computerized data base generated by the project provide an extensive amount of information for planning and monitoring future development in the Valley, including a new IBRD initiative to develop an environmental action plan for the Valley.

The final evaluation of the project (dated August 1, 1989) recommended that the institutional strengthening activity, de-emphasized during project implementation, be carried out over an additional 2-3 years. Based on this recommendation, on December 26, 1989, the Mission extended the PACD to September 30, 1992, to permit long term graduate training for two participants in Agricultural Economics and Irrigation/Water Use Management which will be completed by the PACD. Five other participants are currently in M.S. degree training in Jordan, which will be completed by September 1991. Continuation of the project through the PACD will permit these seven participants to complete their training. Although no new long-term participants will be sent for training money has been set aside for short-term training and study tours by Ministry officials.

Project expenditures as of March 31, 1990, total \$8,220,557 leaving a pipeline of \$329,444, of which \$212,287 will be needed for on-going training activities. Approximately \$50,000 of the remaining \$117,157 will be deobligated, and the rest used to pay outstanding accruals. No local currency will be required for project support.

The USDH Supervisory Agricultural Development Officer will monitor and administer the project's training activities through the PACD in conjunction with the Mission's Training Section.

PVO Development Partners Project (PVO-P)  
Project 649-0138

LOP Funding:	\$ 18,200,000	Authorized:	8/29/85
Obligations:	\$ 18,200,000	PACD:	7/30/92 (current)
Pipeline:	\$ 11,670,374 (3/31/90)		12/31/93 (proposed)

The purpose of PVO-P is to expand the programs of private voluntary organizations in development sectors and areas consistent with AID and GSDR strategy and priorities, and to develop the capacity of Somali non-governmental organizations and local groups to actively participate in the development process.

PVO-P supports a broad range of local development projects in remote areas of rural Somalia. Four U.S. PVOs (Africare, AMREF, CARE/Somalia, and OEF International) have received Operational Program Grants totalling approximately \$7.6 million. The AMREF and CARE grants are scheduled to end this year. Based on their implementation experience, both AMREF and CARE have requested two-year extensions requiring a total of approximately \$1.25 million in additional funding. Africare has also requested an additional \$1 million to carry its grant activities through March 31, 1991, and the Mission is reviewing a grant amendment to revise and extend OEF's activities through the end of September 1991.

During the project the number of indigenous PVOs has increased from one established Somali PVO, Haqabtir, to more than 20 SPVOs currently. Two of these, Horumarin and Al Muntadar, have qualified for provisional A.I.D. registration. However, to date only one grant has been awarded, to Haqabtir for \$116,000. The lack of funds going to SPVOs is primarily a result of the difficult A.I.D. and GSDR registration requirements. Based upon the project evaluation, the Mission is seeking agreement with the GSDR to overcome these difficulties by contracting an umbrella agent to provide assistance to SPVOs and improve their ability to operate effectively and conduct development activities.

USAID plans to extend the PACD from July 31, 1992, to December 31, 1993, to allow the establishment of an umbrella agent to assist Somali PVOs. Contracting of an umbrella agent and extending the PACD do not substantially alter the project so that a PP Supplement will not be prepared. Continuation of this project through 1993 will permit the development of nascent SPVOs and the consolidation of development activities currently being carried out in rural areas by U.S. PVOs. It is also consistent with FAA Section 123(e) and with State 058048.

While the current pipeline of \$11.7 million is relatively large, it includes \$4.1 million in commitments which are being steadily expended. USAID is currently reviewing PVO proposals for an additional \$2.25 million. We expect additional requests for about \$3.00 million, the contract for the umbrella agent will be for about \$2.0 million and estimate a new PSC contract for the PVO Coordinator within USAID will require another \$400,000 for two years. The anticipated grant extensions

and commitment of additional funds to current grants, combined with the contracting of an umbrella agent, is therefore expected to fully utilize the remaining \$7.6 million in uncommitted funds.

No project funds will be deobligated. The anticipated local currency requirements for the remainder of the project (CY91-CY93) are approximately \$900,000 in Shillings equivalent (\$300,000 per year), to be funded through P.L. 480 local currency generations.

PVO-P project management will require the services of one PSC PVO Coordinator for two years under the supervision of the USDH Supervisory Agricultural Development Officer.

Somalia Refugee Settlement Project (SRSP)  
Project 649-0140

LOP Funding:	\$ 4,000,000	Authorized:	07/16/86
Obligations:	\$ 4,000,000	PACD:	12/31/93
Pipeline	\$ 3,511,777 (3/31/90)		

The purpose of SRSP is to test alternatives to continued support for refugees living in camps in Somalia by establishing permanent settlements and income generating activities which will enable refugees to become self-supporting. Two PVOs, Save the Children Fund/U.S. (SCF/U.S.) and World Concern International (WCI), successfully implemented Rapid Impact Projects (RIPs) under SRSP during the first two and one-half years of its implementation.

The lack of interest demonstrated by other PVOs in applying for RIP grants was examined during the interim evaluation of the project in November 1988. Based on the evaluation recommendations the project was redesigned in June 1989, and the Project Assistance Completion Date was extended from June 30, 1991, to December 31, 1993. To encourage PVO's to make grant proposals the Rapid Impact Project and Settlement Sub-project components were combined into a single component entitled Settlement Activities involving much larger grants. Provision was also made for grant to PVO's of up to \$30,000 to fund technical studies required for preparation of project proposals.

The Mission and the Ministry of Agriculture (MOA) recently reviewed and approved a WCI concept paper for a new settlement sub-activity and directed WCI to submit a formal grant proposal. An SCF/US concept paper has also been reviewed, and presentation of a second draft requested. The Mission expects that WCI will submit its formal grant proposal by June 7, 1990 and that SCF's revised concept paper will be submitted by May 3 with a formal grant proposal submitted by August 2, 1990.

Continuation of the SRSP through the current PACD of December 31, 1993, will permit the Mission to fulfill its commitment to assist in resolution of the refugee problem in Somalia. In addition, SRSP is the only effort on the horizon to support the local integration of refugees under the recently announced UNHCR effort to seek a durable solution to the Somalia refugee situation through settlement in Somalia or repatriation to Ethiopia. No other donor-funded project directed to affected refugee areas is nearly so far along or close to start up. The settlement activities which have been implemented and which are now being proposed by PVOs are based on the demonstrated interest and commitment of refugees. The Mission expects that the two sub-project proposals from SCF and WCI will entirely commit available funds.

No project funds will be deobligated at this time. The anticipated local currency requirements for the remainder of the project (CY91-CY93) are approximately \$1,000,000 in Shilling equivalent (\$330,000 per year), to be funded through local currency generations.

USAID project management will require the services of the PSC PVO Coordinator for two years under the supervision of the USDH Supervisory Agricultural Development Officer.

Program Development and Support Project (PD&S)  
Project 649-0150

LOP funding: \$ 800,000 - FY 1988	Authorized: 7/22/88 - FY 1988
\$ 130,000 - FY 1990	1/03/90 - FY 1990
Obligations: \$ 800,000 - FY 1988	PACD: 2/28/91 - FY 1988
\$ 130,000 - FY 1990	6/30/91 - FY 1990
Pipeline \$ 530,441 - FY 1988	
\$ 130,000 - FY 1990	

The project currently has funds obligated from FY 1988 and FY 1990; no funds were obligated in FY 1989. The \$130,000 obligated in FY 1990 was committed January 3 prior to imposition of Brooke sanctions. Through agreement with AID/W, the PACD for the FY 1988 funds was extended by one year to February 22, 1991, to allow completion of audits and selected advisory services begun under the Shebelli Water Management Project. Because of reduced PD&S requirements, \$344,000 in FY 1988 funds are to be deobligated. The Mission has no plans to deobligate FY 1990 funds at this time.

The Mission will carefully review each activity to be funded from PD&S to ensure consistency with Brooke phase-down considerations and PD & S guidelines and will consult with the RLA in those cases where the Mission is uncertain about the appropriateness of the use of PD&S funds.

The project will be managed by the USDH Assistant Director (the Supervisory Program Officer).

P.L. 480 Title II, Section 206 Program

USAID manages a Title II, Section 206 program in Somalia, providing about \$5.0 million in commodities annually -- mostly for sale at auction to private sector traders. It is a well run example of private enterprise in action. As one of the earliest and longest running P.L. 480 auctions in the world, the program has evolved into an efficient and highly visible way of injecting commodities into private sector trading channels, providing a vivid demonstration of the workings of the private sector. A recent AFR/DP study compared the Somalia auction quite favorably to other P.L. 480 auctions.

The program, providing 10-15 percent of the edible oil consumed annually, is important nutritionally. In addition, the program generates local currency essential to USAID projects and other GSDF development projects.

There are no contracting or training actions associated with the program.

Managing the program requires the services of an FSN Program Specialist half time and the USDF Supervisory Program Officer for four person-months each year.

Human Resources Development Assistance (HRDA)  
Sub-Project 698-0463.49

LOP Funding:	\$ 160,000 Buy-in	Authorized:	7/01/88
Obligations:	\$ 160,000	PACD:	3/30/91 (current)
Pipeline:	\$ 105,429 (3/31/90)		9/30/92 (proposed)

This project is designed to stimulate, facilitate and support national and regional training programs that will provide qualified technical, scientific and managerial personnel and policy planners to strengthen African development institutions, enhance the growth of the private sector and increase the participation of women.

USAID, through the Ministry of Higher Education and Culture, is supporting training in the US, in third countries (Kenya and India), and in Somalia. The in-country training component, \$35,000 for 210 person-months of training in areas such as air conditioning maintenance and repair is currently being designed with the Ministry. U.S. training programs are underway. Early termination of the third country and U.S. training would sacrifice our current investment and be disruptive to the students in training.

The remaining pipeline can be disbursed by 9/30/92 and the Mission proposes to extend the PACD of the project to that date to allow completion of all U.S. and third country training.

A USDH Human Resources Development Officer (HRDO) will manage this activity working with the USAID Training Section. Two person months per year will be required. PPSD staff work with the Ministry of Education on the design of training programs and on candidate screening and placement.

Special Self Help Project  
Project 698-9901.49

LOP Funding       \$ 130,000  
Obligations:     \$ 106,985  
Pipeline:         \$ 17,482

Authorized: 9/19/79  
PACD:           N/A

Special Self Help is a centrally funded project consisting so far of 20 Individual Activity Agreements (IIA) which assist small communities in health, water, sanitation, education and agriculture. Grants range from \$2,000 to \$10,000. Thirteen of the 20 IIAs currently funded have been fully disbursed; three have minor unliquidated balances, and four activities are in process. The pipeline will be fully disbursed in the near future.

Activities under this project are managed by the U.S. Embassy, which will be responsible for the management of any funds made available in the future. The USAID Controllers Office is responsible for project accounting.

African Graduate Fellowship Program III (AFGRAD III)  
Project 698-0455

LOP Funding:	\$ 1,185,000	Authorized:	7/27/82
Obligation:	\$ 1,185,000	PACD:	9/30/95
Pipeline:	\$ 51,431 (3/31/90)		

Four Somali participants are currently in training in the U.S. under the centrally funded AFGRAD III project; three others will go to U.S. universities this year for two years of post-graduate training. Two new trainees left in April 1990 for six months research awards made on March 14, 1990. The follow-on project, ATLAS, allows for buy-ins but USAID/Somalia will not participate due to Brooke restrictions. Terminating the project early would be disruptive of training already underway.

The USDH Human Resources Development Officer (HRDO) and USAID Training Section will continue to manage this activity.

#### IV. Administration and Management

Administrative and management considerations are closely linked to the orderly the completion of the remaining projects. By September 30, 1992, except for PVO-P, Refugee Settlement and PL 480 programs, all remaining projects will either be terminated or in their final stages.

As the following table illustrates, USAID has already reduced Mission staffing levels substantially since August 1989 and plans further reductions by the end of 1990.

	<u>Sept. 1989</u>	<u>April 1990</u>	<u>June 1990</u>
USDH	26	14	11
PASA	2	2	2
FSNDH	6	6	6
FSN PSC	273	173	163
US PSC (local hire)	10	8	7
US PSC (off shore)	1	1	0
TCN PSC	11	4	4
Project Contract Adv.	41	8	8
US PSC (off shore, proj)	--	3	3
PSC (local hire, proj)	1	1	1
Total	371	219	206

In a cut subsequent to the NSDD-38 reduction and mandated by the shortage of Operating Expense funds, the Mission has scheduled the elimination beginning in June 1990 of an additional six USDH positions by the end of FY 1991, bringing the total number of USDH down to eight. Staff reductions have, therefore, largely been either completed or planned independently of Brooke considerations.

By September 30, 1992, as indicated in Table 6, the Mission plans to further reduce USDH staff to four employees: AID Representative, Executive Assistant, General Development Officer, and Executive Officer. By September 30, 1993, the Executive Officer's position will be eliminated.

There are currently seven US PSC employees. Because of the nature of their work and unavailability of local talent to replace them, their positions will be continued through September 30, 1992, after which date the majority of these positions will be eliminated.

The six FSN DH employees will be reduced to 3 by September 30, 1992. Between October 1, 1990 and September 1992 the Mission plans further reductions of FSNs as shown in Table 6, bringing the total contract FSN employees to 24 by September 30, 1992.

The project-funded Field Support Unit providing administrative support services to project experts has reduced staff from 101 to 76. (FSU is a section of the USAID Management Office and its staff have been included in the totals above.) As a result of a reduction in the scope of certain support and attrition of employees, by June 30, 1991 the FSU staff will be further reduced to 63. Since there will be considerable contractor activity through September

30, 1992, we do not anticipate further reductions before the end of FY 1992. The Field Support Unit will be discontinued by September 30, 1992, and the two remaining contractors will be supported by either the USAID Management Section or by JAO.

REDSO and RFMC Nairobi staff will assist the Mission to meet its accounting, contracting, commodity management and legal needs after September 30, 1992. Legal services will continue to be provided by REDSO/EA.

Residential leases will be dropped as employees and contractors depart post. As of April 1990, USAID has 41 residential and functional space leases, including 25 project funded leases supported by the Field Support Unit. We anticipate that by October 1992 USAID will have four OE-funded leases and two project funded leases.

Five OE funded vehicles were sold in November 1989, three more will be sold in May 1990, and eight will be sold in August 1990. (Eleven OE-funded vehicles transferred to FSU many years ago have been returned for sale as part of the phase down.) This will leave the USAID with 16 vehicles, including two trucks being used by the JAO. Two additional vehicles will be sold during FY 1991 and six more vehicles will be sold in FY 1992. The vehicle situation will be assessed periodically and reduced depending on requirements.

USAID does not anticipate any significant purchases of NXP during the phase down period. However, USAID will have to dispose of sizeable quantities of used NXP. USAID had one large sale in August 1989 and another large sale is scheduled for May 1990. With the departure of three additional families during May-September a further sale is scheduled for September 1990.

Prior to the departure and elimination of the Contract Officer position in June 1991, the current Contracting Officer will complete major actions on 15 project funded contracts. In addition, the Contracting Officer will administer all FSN, US and TCN PSC contracts. After the Contracting Officer's departure the SEXO, with assistance from REDSO/ESA RCO, will assume all contracting responsibilities.

The Mission anticipates the OE budget will decline from the FY 1990 level of \$1.9 million to \$1.7 million in FY 1991, \$1.3 million in 1992 and \$0.5 million in 1993.

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TABLE 61

PERSONNEL PRODUCTION

	FY 90				FY 91				FY 92				FY 93				FY 94			
	104-05-06/90	107-08-09/90	110-11-12/90	101-02-03/91	104-05-06/91	107-08-09/91	110-11-12/91	101-02-03/92	104-05-06/92	107-08-09/92	110-11-12/92	101-02-03/93	104-05-06/93	107-08-09/93	110-11-12/93	101-02-03/94	104-05-06/94	107-08-09/94	110-11-12/94	
I. USM10	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
USDM	13	10	13	9	9	8	7	7	7	7	7	7	7	7	7	7	7	7	7	
IFSM-DH	6	6	6	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	
IFSM-PSC	92	92	90	90	90	90	74	74	74	74	74	24	24	24	24	24	24	24	24	
US-PSC	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
II. PASA	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
LCM (PROD. 107)	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	
III. CONTRACTORS																				
IFNS (PROD. 131)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
IPND P (PROD. 138)	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
IPPS (PROD. 132)	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	
ISMTAB (PROD. 119)	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
TOTAL LT CONTRACTORS	9	9	10	10	9	7	7	7	7	7	7	7	7	7	7	7	7	7	7	
TOTAL ST CO. (SMTAB)	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	
IV. US/TCM PSC	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
(PROJECT FINDED)	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	
V. FSU	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
US-PSC	5	4	4	4	4	3	3	3	3	3	3	3	3	3	3	3	3	3	3	
IFSM/PSC	7	7	7	7	7	6	6	6	6	6	6	6	6	6	6	6	6	6	6	

TABLE 51

PROJECT PHASE DOWN PLAN

	FY 90	FY 91	FY 92	FY 93	FY 94
PROJ. No./PROJECT TITLE	104-05-04/90107-0-09/9010-11-12/90101-02-03/91101-05-06/9107-08-09/9110-11-12/91101-02-03/92104-05-06/92107-08-09/92110-11-12/92101-02-03/93104-05-06/93107-08-09/93110-11-12/93				
109 LIVESTOCK MARKETING & HEALTH					
124 JAJUA VALLEY DEVELOPMENT					
138 IPND PARTNERS					
140 REFUGEE SETTLEMENT					
149 ISOMTAD					
151 FAMILY HEALTH SERVICE					
152 IPJPS - POLICY IN '7					
510 IP2 & 6					
1698 0133 AFRICA HANDBOOK DEV.					
1698 0453 HUMAN RESOURCES DEV.					
1698 9901 ISP-SEPL-HELP					
900 ICIVIL STAFF					

\* ESTIMATED PMCD

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