

UNITED STATES ECONOMIC ASSISTANCE
TO SOMALIA

U. S. Agency for International Development
Via Afgoi
Mogadishu, Somalia

November 1984

UNITED STATES ECONOMIC ASSISTANCE TO SOMALIA

I. Development Overview:

Somalia is one of the poorest countries in the world with a per capita income of less than \$300 per year. Its efforts toward economic development are constrained by limited natural resources and a harsh and variable climate. Average annual rainfall ranges from less than four inches a year in the driest areas to only 25 inches in the wettest. Only about 14 percent of the land is arable and drought occurs frequently. Nevertheless, 80 percent of the population earns its livelihood in the agricultural sector, mainly from nomadic pastoralism. Somali pastoralists, through livestock exports chiefly to the Gulf States, produce over 80 percent of the country's foreign exchange.

For over 10 years Somalia practiced "scientific socialism." The experience left the country with government-owned factories and service industries characterized by poor management and low productivity. Prices on agricultural products were kept low resulting in insufficient incentives for farmers. Skilled managers and technicians left the country for higher wages offered in the Gulf States. In addition, during the 1970's a series of events--including a severe drought in 1974-75, the outbreak of regional hostilities in 1977-78, the ensuing inflow of refugees, and the severance in 1978 of relations with the Soviet Union, which up to then had been the major source of financial and technical assistance--contributed to economic stagnation and added to domestic and external financial deficits.

Economic problems have contributed to Somalia's totally inadequate provision of social services for the Somali population. For example, there are 20,000 persons per doctor and 880 persons per hospital bed. Only a third of the population has access to safe drinking water.

Through the efforts of the IMF and donor countries, the GSDFR undertook a stabilization program in 1981 that had some success in restraining demand and promoting production. Agricultural prices were largely decontrolled, some government-operated enterprises were shut down, and policies were instituted to encourage private participation in the economy. Currency devaluations and monetary controls led to improvements in the internal and external financial accounts.

Recently, however, further efforts towards economic reform have stalled as negotiations with the IMF for an Extended Fund Facility broke down in early 1984. The economy still suffers from inefficient public enterprises, excessive controls on the private sector, and weak management of government institutions in general. Balance of payments difficulties have been compounded by an overvalued exchange rate and a ban imposed by Saudi Arabia in 1983 on cattle imports from Somalia. To promote economic development, Somalia must push forward with its efforts to liberalize the economy and increase the role of the private sector. In the agriculture sector, recent decontrolling of producer prices has led

to increased production. Further policy reform is needed along with more research to improve yields and reduce the risk from drought. In addition, expanding arable land through irrigation holds promise. For livestock, the Saudi ban on cattle is only one strong indication that Somalia must improve its veterinary services and international marketing capabilities.

While not endowed with great natural resources, Somalia possesses an outward-looking and enterprising population. This, combined with Somalia's proximity to the fast-growing Gulf States, means that it does have good potential for economic development if the government reduces its hold on the private sector.

II - U.S. Assistance

A. Background

During the period 1953 to 1971 U.S. economic assistance to Somalia amounted to \$90 million - \$70 million was used to finance development projects; \$14.5 million was used for food purchases; and \$5.4 million to support a Peace Corps Program. The principal development projects funded by USAID during the 1953-1971 period include the construction of the Kismayo port (\$2.2 million), improvement of Mogadishu's water supply (\$8.1 million), and establishment of the National Teacher's Education Center at Afgoi (\$500,000).

Since 1978, the U.S. has provided \$456 million in economic assistance to Somalia. Of this total, \$248 million has been used to finance food imports. The commodities have been used to fill the food shortage gap in urban centers and bring relief to the Ogaden refugees. In addition, over \$37 million has been non-food support for refugees. The balance--\$171 million--was allocated to finance development projects (\$137 million) and the Commodity Import Program (\$34.5 million). Approximately 55% of the funds allocated for development projects has been for the agricultural sector (including forestry and water). The health, population, transport, and private sectors have received the balance of development projects funds.

B. Current USAID Program

USAID Development Strategy

The USAID strategy for the short-term stabilization program focuses on improving the balance of payments position and decreasing the budget deficit. The commodity import and the PL-480 Title I programs are the primary mechanisms for supporting the stabilization program.

The Commodity Import Program provides essential imports to compensate for the constricted foreign exchange situation. Eighty-five percent of the current Commodity Import Program is targeted for the private sector.

The PL-480 Title I program provides critically needed food imports and helps bridge the food gap during the period of foreign exchange restrictions.

The local currency generated from both the Commodity Import Program and the sale of PL-480 Title I commodities also is an important element of USAID's strategy as they provide support for development projects during the period of fiscal restraint. USAID's development assistance concentrates in agriculture and livestock, health, and human resources development.

The principal constraints to development in the agricultural sector include erratic climatic conditions, labor scarcity, inadequate institutions, inappropriate technology, lack of a reliable data base, inappropriate government policies, and vulnerable markets.

The current USAID portfolio of agricultural projects assists the GSDR in delineating the problems of the sector and in establishing the institutional base for bringing about increases in production.

Recent evaluations of USAID's portfolio revealed that, while incremental production increases are achievable in dryland agriculture (and that further interventions in dryland production are needed), the drylands do not offer the potential for the dramatic production increases needed to accommodate Somalia's three percent population growth rate. USAID's first step in the irrigated sub-sector is to assist in undertaking studies for rehabilitating existing and planning new irrigation schemes along the Shabelle and Juba rivers and the development of the Juba River Valley. Next, USAID will help analyze and initiate investments in small to medium size irrigation schemes along the Juba and Shabelle rivers. The agricultural research program builds on the research strategy developed under the Agricultural Delivery Systems project and focuses on adaptive research for both dryland and irrigated crops.

The forestry-fuelwood program forms an important link in the strategy during the structural adjustment period. Renewable energy resources are closely related to agricultural and livestock outputs inasmuch as trees are used as browse for Somalia's livestock and for soil stabilization in dryland farming areas. In addition, the data generated under the current forestry-fuelwood program will provide the base for any future forestry program intended to help Somalia utilize this scarce resource more efficiently.

USAID's food production and livestock strategy is complemented by a series of projects aimed at maintaining current agricultural exports, which are the mainstay of Somalia's trade and must be increased if the economy is to become healthy. Activities in this area include the rehabilitation of the port at Kismayo, the Livestock Marketing and Health Project, and continuous support to the Somali private sector.

In the human resources development sector, USAID will carefully target selected interventions to demonstrate the feasibility of innovative approaches. Based on the 1983 education and human resources assessment, USAID is developing programs to increase the quality and quantity of managerial and technical manpower in selected Somali institutions.

In the health sector, USAID's overall objectives are to raise life expectancy and to decrease child mortality. The focus of the health sector strategy is to change the curative orientation of health services to a preventive approach. The primary intervention in this sector is the Rural Health Delivery project which is training health staff and establishing a system for delivering preventive health services to the population.

In the population sector, USAID will continue the family health services program to strengthen the institutions responsible for the nascent family planning program, provide the technical staff and resources required to keep the program moving, assist in conducting a national census, and furnish commodity support for the program.

USAID's refugee assistance efforts are aimed at three policy objectives: a. to assure that food and health needs for the refugees in the camps continue to be adequately managed; b. to provide greater opportunities in and around the camps for productive employment; c. to assist the GS DR in planning and implementing a refugee settlement program.

The USAID strategy is fully compatible with the GS DR's development objectives of increasing agricultural production by expanding the area under irrigation; promoting the active participation of the private sector in industrial and agricultural development; improving range management and increasing inputs to the livestock sector; pursuing an active reforestation and sand dune stabilization program; and liberalization of government policies. USAID will continue the on-going policy dialogue to encourage additional reforms on policies affecting economic development, especially through private sector participation.

USAID's current portfolio of projects is described below by sector.

1. Agriculture/Livestock Sector

a. Comprehensive Groundwater Development -- 649-0104
U.S. Contribution: \$18,800,000 Period: September 1979 - Sept. 1986

The purpose of this project is to assist the Ministry of Mineral and Water Resources (MMWR)-Water Development Agency (WDA) to establish an ongoing water development program which provides potable water and livestock water in rural areas. To achieve this purpose, the project is funding: 1) a major institutional strengthening program within WDA; 2) the establishment of a planning, data collection and utilization capability within the WDA in collaboration with UNDP/FAO; and 3) a production drilling program in the Bay Region and Central Rangelands in

support of AID and other donor activities. Through the provision of equipment and a technical assistance contract team, the project will fund the drilling of approximately 80 production wells -- 33 have already been drilled.

b. Central Rangelands Development -- 649-0108

U.S. Contribution: \$14,944,000 Period: August 1979 - September 1988

USAID, in cooperation with the IBRD, IFAD, GTZ, WFP, and GSDR, is implementing this \$45 million project in the Central Rangelands area of the country. The purpose of the project is to help the GSDR strengthen: (a) the rangeland management scientific capacity of the National Range Agency (NRA); (b) the teaching and research capacity of the Faculty of Agriculture (FOA), University of Somalia; and (c) the effectiveness of the NRA in developing, testing and transferring relevant range management technologies to livestock producers in the Central Rangeland Region. To this end, USAID is providing a team of twelve technical advisors. Five are assigned to the Department of Range Management, FOA in order to develop the formal training and research components of the project; and seven are assigned to the Central Rangeland Field Unit of the NRA to develop, test, and transfer relevant range management technologies to livestock producers. USAID also provides equipment, materials and training.

c. Agricultural Delivery Systems -- 649-0112

U.S. Contribution: \$8,635,000 Period: August 1979 - September 1986

The purpose of this project is to establish and implement a system for the development, adaption and demonstration of improved crop production and management practices for the Somali farmer. A USAID-funded technical team provides advisory services in applied research and extension. The team also provides in-country training and selects candidates for further training in the U.S.

d. Bay Region Integrated Development -- 649-0113

U. S. Contribution: \$11,171,00 Period: August 1980 - July 1987

USAID in cooperation with IDA, ADF, and IFAD, is implementing this \$50.2 million program. The project seeks to increase agricultural production in the Bay Region through the development of necessary institutions, personnel and infrastructure. The project provides research and extension services and assistance in rural water, road construction and livestock.

e. Juba Development Analytical Studies -- 649-0134

U.S. Contribution: \$5,250,000 Period: Sept. 1983 - Dec. 1986

The purpose of this project is to provide baseline data on soils, irrigation applicability and environmental and social parameters of the Juba River Valley. These data are being obtained through long-term field studies in the valley. The data will be incorporated into the Juba Valley Master Plan which will act as a guide for optimum resource use.

f. Livestock Marketing and Health -- 649-0109

U.S. Contribution: \$11,000,000 Period: July 1984 - June 1988

The purpose of this project is to restore the contribution of cattle exports to the Somali balance of payments and to lay the conceptual basis for a broader approach to strengthening the Somali livestock industry.

2. Health Sector

Rural Health Delivery -- 649-0102

U.S. Contribution: \$15,200,000 Period: June 1979 - September 1985

The purpose of this project is to develop a system capable of delivering preventive and curative health care to an estimated 800,000 rural inhabitants. Two National Training Centers have been established in Baidoa and Burao and over 200 mid-level health personnel have been trained including nurses, midwives, sanitarians and laboratory technicians. The project also provides funding for the construction of primary health care units which serve as the supervisory and referral points for community health workers and traditional birth attendants. In addition, the project provides technical assistance for the development of the logistics and health information systems. The project also provides overseas training, equipment and supplies.

3. Population Sector

Family Health Services -- 649-0131

U.S. Contribution: \$10,100,000 Period: August 1984 - June 1989

The purpose of this project is to improve demographic data and analysis and improve the reproductive health of women and the health of children. The project will do this by providing the institutional capability for demographic data collection and processing and for family planning information and services. The project services will: 1) assess different approaches to the delivery of family health education and clinical services; 2) enable couples to achieve the desired number and spacing of their children; and 3) increase public awareness of the impact of rapid population growth on sustained economic development.

4. Other Activities

a. Kismayo Port Rehabilitation -- 649-0114

U.S. Contribution: \$39,000,000 Period: August 1982 - August 1987

The purpose of this project is to rehabilitate the port at Kismayo. Funding is provided for both design and construction. The port is critical to the development of the southern part of Somalia, providing access to capital goods and agricultural inputs and facilitating the export of livestock and agricultural products.

b. Commodity Import Program -- 649-0118

U.S. Contribution: \$18,500,000 Period: Sept. 1982 - May 1985

Commodity Import Program II 649-0120

U.S. Contribution: \$16,000,000 Period: August 1983 - August 1985

The purpose of these activities is to provide short-term balance of payments support to the Somali economy. The CIP reinforces the economic policy reforms adopted by the GSDR in consultation with the IMF. The funds are used to finance the importation of commodities for the agricultural sector and other private sector industries. The program focuses on financing the importation of raw materials, spare parts, capital equipment and other inputs for elements of the economy vital to the support of the agricultural sector as well as financing of ocean freight for P.L. 480 Title I food imports.

c. CDA Forestry Project Phase I - Refugee Areas -- 649-0122

U.S. Contribution: \$6,000,000 Period: Nov. 1982 - March 1987

The purpose of this project is to assist the GSDR to undertake a larger volume of forestry and fuelwood planting programs as part of its overall social and economic development efforts. Project components include: technical assistance to the Forestry Department of the National Range Agency, reforestation and fuelwood production (consisting of sub-projects implemented by U.S. Private Voluntary Organizations), fuelwood conservation, a natural resources/land-use survey and an assessment of fuelwood production and marketing systems.

d. Refugee Self-Reliance Project -- 649-0123

U.S. Contribution: \$6,000,000 Period: Dec. 1982 - Sept. 1986

The purpose of this project is to assist the refugee population to become more productive and self-reliant. Through Private Voluntary Organizations, USAID finances agricultural production, training and infrastructure activities in refugee camps and neighboring areas. The project also funds selected studies intended to facilitate the understanding of refugee needs, incentives, resources and other socio-economic issues; and provides support for the Planning Unit of the National Refugee Commission. Both the refugee and the Somali population will benefit from this project.

e. Policy Initiatives and Privatization Studies -- 649-0132

U.S. Contribution: \$2,500,000 Period: Sept. 1983 - March 1987.

The purpose of this project is to provide technical and financial support for conducting analytical studies of the economy and for increasing private sector involvement in the economy.

f. Accelerated Impact Projects (AIP)

In addition to its regular Development Assistance projects, USAID has funded four AIP projects. These are smaller projects implemented within a two-year period. One AIP is still on-going: Family Health Initiatives (U.S. Contribution: \$500,000).

C. Completed Projects

1. Kurtunwaare Settlement Project -- 649-0103
U.S. Contribution: \$2,100,000.

The project helped finance the construction of 400 low-cost housing units mainly for nomadic families displaced by the drought of 1974-1975.

2. Agriculture Extension Research and Training -- 649-0101
U.S. Contribution: \$5,050,000.

A team of U.S. Department of Agriculture experts assisted the Ministry of Agriculture in providing extension services to farmers in the Baidoa Region. The farmers used animal traction and adopted improved agricultural methods to increase their production.

3. Accelerated Impact Projects: Artificial Insemination (U.S. Contribution: \$440,000), Poultry Development (U.S. Contribution: \$500,000), Expanded Program of Immunization (U.S. Contribution: \$200,000).

III. Proposed Projects

- a. Commodity Import Program III -- 649-0125
U.S. Contribution: \$35,000,000 (planned).

The purpose of this activity is to provide continuing balance of payments support for the importation of commodities critical to the agricultural and private sectors.

- b. Somali National Agriculture Research Program -- 649-0126
U.S. Contribution: \$40,000,000 (planned)

The purpose of this project is to establish and operate a permanent research system geared to the optimal development of the agricultural sector in Somalia. The system is intended to be comprehensive and thus will address physical, biological and socio-economic problems affecting agriculture. The research program will: (1) produce and disseminate technological packages that can be used profitably by Somali farmers and herders to increase food production on a sustained basis; and (2) plan,

monitor and quantify the performance of the agriculture/livestock sector and prepare realistic alternative policies to guide and support the evaluations of the sector.

c. Irrigation Development and Rehabilitation -- 649-0129
U.S. Contribution: \$35,000,000 (planned)

The purpose of this project is to increase the land area that is under controlled irrigation, increase water use efficiency, and develop a Somali capability both public and private, to establish, operate and maintain irrigation systems.

d. Assistance to Refugee Settlement in Somalia -- 649-0137
U.S. Contribution: \$16 million (planned)

The purpose of this project is to assist the GSDR in designing and carrying out activities which will create viable alternatives to refugee camps so that refugees living in Somalia have the option of becoming self-supporting, productive residents who are integrated into the local economy. In this first, pilot stage, up to 40,000 refugees will be project beneficiaries. The project will be implemented by PVOs, line ministries, and contractors.

e. Management Training and Development -- 649-0119
U.S. Contribution: \$18,500,000 (planned).

The purpose of this project is to increase the ability of both the GSDR and the private sectors to plan effectively and to carry out development activities by institutionalizing their capacity to meet public and private sector training needs.

IV. Food-for-Peace

A. Title I - Concessionary Sales

Title I food assistance from FY 1978 totals \$96.9 million. The imported food commodities are used to partially offset food shortages affecting both rural and urban populations. The Title I commodities imported are wheat and wheat flour, rice and vegetable oil. Feedgrains also were imported in FYs 1980 and 1981 to offset the effects of a severe drought. With the exception of wheat, Title I commodities are handled by the National Trading Agency, which distributes them nationwide. Wheat goes directly to the pasta factory in Mogadishu. In 1984, the U.S. plans to provide 47,300 MT of Title I Commodities, with a value of \$16.0 million. Also this year, USAID is introducing an auction scheme for selling these commodities to the private sector.

B. Title II - Grants

Under this section, the PL 480 program grants food aid for emergency relief and in some cases development-oriented projects. The freight charges for Title II shipments are paid by the United States. In

Somalia, Title II food has been provided under three separate programs: (1) refugee relief; (2) special drought relief; and (3) for various World Food Program (WFP) projects.

1. Title II - Grants for Refugee Feeding. The United States has been providing food for the emergency feeding of refugees since 1978. The amounts and types of commodities are based on the need and deficit reports prepared by WFP. The food is distributed in accordance with National Refugee Commission and WFP policies. The program is implemented by the NRC's logistic unit. For FY 1982, the U.S. approved a total of 17,800 MT of food for refugee support, with a value of \$6.7 million plus \$3.4 million for freight costs. During 1983, 25,500 MT of food was approved, with a value of \$4.8 million plus \$1.9 million for freight costs. For 1984, the U.S. plans to donate 40,610 MT of food for refugee feeding with a value of \$14.5 million including shipping costs.

2. Title II - Grants for Special Drought Relief. In March of 1981, the Government of Somalia requested international assistance to supplement the low level of food stocks in the country. The reduction of the food reserves was caused by several successive years of drought. The U.S. Government provided 40,000 MT of corn valued at \$5.8 million plus \$6 million for shipping costs. In response to the Government's request for emergency assistance to cope with the 1983-84 drought, the U.S. approved 10,000 MT of wheat and 1,500 MT of vegetable oil in 1984, with a total value of \$4.0 million including shipping costs.

3. Title II for World Food Program Project. The United States supports the World Food Program (WFP) with direct food contributions from the Title II resources. In Somalia, these programs range from food-for-work for reforestation and sand dune stabilization projects to institutional and refugee feeding, including supplementary feeding in refugee camps. In FY 1981, 24,000 MT of food were provided through the WFP, with a value of \$8.2 million plus \$4.5 million in freight costs. For FY 1982, the U.S. provided 19,000 MT of food through the WFP with a value of \$5.2 million and an estimated \$2.8 million for freight costs.

V. Non-Food Refugee Assistance

In addition to food assistance provided to refugees, the U.S. also has provided non-food assistance in the past. The majority of such aid is channeled through the United Nations High Commission for Refugees (UNHCR). In FY 1982, the United States provided the UNHCR with approximately \$17.1 million for non-food support of the Somali refugee program.

VI. Use of Generated Proceeds

The P.L. 480 Title I and CIP-generated local currency are used to finance the local costs of activities designed to increase agricultural, health, manpower, and private sector developmental objectives within the program parameters spelled out in the Government's Public Investment Program.

Two special entities have been established to ensure that the generated proceeds are programmed in conformity with the established policy. The first is the Generated Shilling Proceeds (GSP) Committee, which provides general oversight, direction and guidance in the enactment of the policy guidelines. The GSP Committee serves as the reviewing authority for the use of proceeds generated under the P.L. 480 Title I and CIP programs. The Committee consists of two officials of the GSDR's Ministry of Finance and two officials from the USAID Mission. The Committee prepares its recommendations for joint approval from the Minister of Finance and the USAID Director. The second, the CIPL Unit - which is a special unit within the Ministry of Finance - serves as the day-to-day guarantor that the policy objectives are being met.

VII. Program Levels (\$000)

	FY 1981	FY 1982	FY 1983	FY 1984
A. Project Assistance	12,200	15,900	31,954	50,000
1. Agriculture & Rural Development	(8,100)	(13,201)	(10,716)	(13,000)
2. Health	(4,100)	(1,199)	(4,238)	-
3. Population	-	-	-	(2,000)
4. Forestry/Refugee Self-Reliance	-	-	(12,000)	-
5. Kismayo	-	(1,500)	(2,500)	(35,000)
6. Other	-	-	(2,500)	-
B. P.L. 480 Title I	15,000	14,500	15,000	16,000
C. P.L. 480 Title II [1]	44,300	18,100	17,000	18,521
D. Refugee Non-food Aid	-	17,100	-	-
E. Commodity Import Program	-	18,500	16,000	-
TOTALS	71,500	84,100	79,954	84,521

[1] Includes U.S. Contribution to WFP and transportation costs.

BRIEF: 11/30/83

- USAID -

1. Develop prog

2. food Aid ⊗

3. commodity import program ⊗

4. Refugee support

MAJOR SHARE
OF USAID PROGRAMS
+ SOME GOVT. DEVELOP
PROGRAM FUNDING

China - roads

ISRAEL - UNIVERSITY

Germany - planning/agric