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COUNTRY INDUSTRIAL DEVELOPMENT PROFILE OF
THE SOMALI DEMOCRATIC REPUBLIC^{*/}

Prepared by the
International Centre for Industrial Studies

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PREFACE

The International Centre for Industrial Studies, Regional and Country Studies Section, has undertaken, under its 1978-1979 work programme, the preparation of a series of Country Industrial Development Profiles. These profiles are desk studies, providing statistical and economic analyses of the industry sector, its growth, present status and future prospects. It is hoped that the profiles will provide analyses of use to programming technical assistance, industrial redeployment and investment co-operation activities.

This profile on Somalia is based on documents, reports and studies available at UNIDO Headquarters. No field survey has been undertaken and some of the data on industry are not up-to-date.

The views or comments contained in this document do not reflect those of the Government of Somalia nor do they officially commit the United Nations Industrial Development Organization to any particular course of action.

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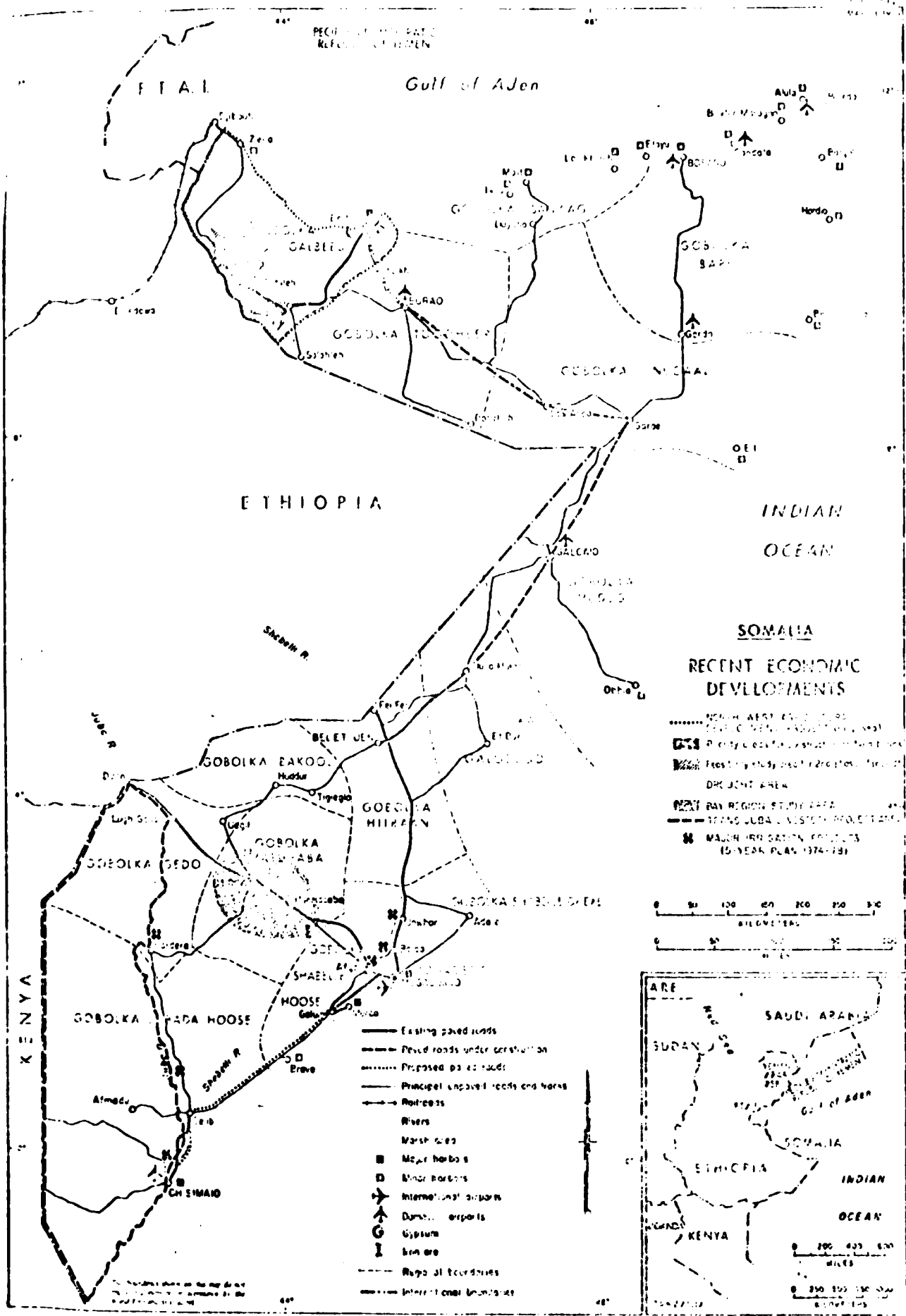
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EXPLANATORY NOTE

References to dollars (\$) are to United States dollars, unless otherwise stated.

The monetary unit in Somalia is the Somali shilling (SoSh.). In April 1977 the value of the (SoSh.) in relation to the United States dollar was US \$1 = 6.295 SoSh.

Totals in tables may not add precisely because of rounding.

SUMMARY AND CONCLUSIONS

1. Somalia is one of the least developed countries. It has an area of 637,000 square kilometers which may be classified between arid and semi-arid. The estimated population is 3.2 million, with a growth rate of about 2.6 % per annum (1970-75). About 80 % of the inhabitants are engaged in agriculture and livestock, 7 % in industry and 13 % in services. The per capita GDP is estimated at \$ 100 (1975).
2. Harsh climatic conditions, poor soils and lack of adequate water resources are some of the major obstacles to the expansion and diversification of the agricultural and livestock sector. In addition, the inability of farmers to introduce modern methods and techniques of farming, including the use of fertilizers, has hindered improvement in the quantity and quality of crops and livestock. Most of this is attributable to the fact that the sector is still predominantly at subsistence level.
3. Underdevelopment in agriculture and animal husbandary is severely constraining industrialization, especially the establishment of agro-based and allied industries. A number of existing industries are operating far below installed capacity due to failures in the supply of local agricultural and livestock raw materials. Inadequate food production compels the country to spend funds on purchasing imported food, instead of investing it in industries and other activities or services. The expansion and diversification of the primary sector is of paramount importance to industrial development.
4. Somalia has been living beyond its income since independence, and earnings from exports have not been sufficient to pay for imports. In 1975, for example, they covered only 42 % of the bill for imports. Grants and loans on concessionary terms have been the main source of funds for financing the trade deficit and development. Although foreign capital inflows and loans have enabled the country to avoid

balance of payments crises, the total external debt has become so large that its servicing is becoming a heavy burden. In the middle of 1976, the debt stood at \$ 500 million; and it is estimated that by 1981, the service payments will be at the rate of about \$ 20 million per annum. This poses a major problem regarding future public investments.

5. The supply of funds for financing industrial and other projects or activities will depend on the Government's ability to mobilize both domestic and foreign resources, as well as reduce recurrent expenditure. This will entail seeking grants and loans on concessionary terms and with long maturities, for investment in priority areas. Success in attracting investments to industry will depend on the identification, formulation and evaluation of economically sound projects.

6. The manufacturing sector is composed of a few relatively large-scale publicly-owned enterprises, and a large number of small-scale units, which constitute the private sector. The public sector owns 11.8 % of the total number of industries, but employs about 56.5 % of the total industrial labour force. The adoption of public ownership as a way to the development and management of industries will mean an increasing dominance of public industrial enterprises over the private sector in terms of investment, output and employment. The success of this policy will necessitate vigorous mobilization of financial and human resources capable of providing efficient management.

7. Most of the industries are agro-based, using locally produced materials from agriculture, livestock and fisheries. Consumer goods industries accounted for 97.4 % of all establishments, and represented 95 % of the total value added, of which food processing industries contributed 75 % and 58 % in 1972 and 1973 respectively. The drop was due mainly to changes in the pricing policy of the Government and the general downturn of the economy as a result of failure of the rainfall. Gross output increased

from So. Sh 206.4 million in 1971 to So. Sh 349.8 million in 1974, or at an average rate of 17 % per annum. During the same period, the value added increased from So. Sh 112.1 million to So. Sh 118.9 million; this represents an average growth rate of 1.5 % per annum.

8. The objectives of the Government are to increase the production of consumer goods, to establish agro-based industries for export and for import substitution and to develop building materials industries and intermediate and capital goods industries. The main elements in the industrial strategy are: increasing the efficiency and profitability of existing public enterprises; establishing new publicly-owned industrial enterprises, promoting industrial co-operatives and industrial estates and establishing industrial joint ventures with foreigners.

9. The investment target of So. Sh 588.25 million represents 15.2 % of the total planned investment of the current plan. The allocation was revised to So. Sh 1,078.8 million, or 21.9 % of the total cost of the programme. Of the original allocation So. Sh 378 million would be raised from external sources, leaving So. Sh 120 million for financing from internal sources. The target is very ambitious in comparison with past performance.

10. Factors which are retarding industrialization include: critical shortages of local people with the necessary capabilities, shortages of funds, the very small size of the domestic market, the severe weakness of the institutional and physical infrastructure, lack of natural resources, and underdevelopment in the agricultural sector.

11. Assistance is required in the areas of institutional reform, particularly to clarify responsibility; manpower development; small-scale industry promotion; planning and co-operation with other countries.

12. Many bilateral and multilateral donors of technical and financial assistance have aid programmes in Somalia. It is therefore proposed that machinery for consultation and co-ordination should be established. Somali officials and all interested donors of assistance should have a framework at the country level within which they could discuss and make recommendations on all matters concerning industrial development.

I GENERAL ECONOMIC BACKGROUND

1. Somalia covers an area of 637,000 square kilometers, which is estimated to be distributed as follows:

	%
Potentially cultivatable	12.5
Suitable for grazing	54.9
Forests and scrub	13.8
Other land	18.8
	<hr/>
	100.0

Most of the country is classified as arid to semi-arid and more than half of the land is suitable for livestock production. Cattle rearing predominates in the South while goats and sheeps constitute the main livestock in central and northern regions. Camels are found everywhere, and are the mainstay of the nomads. Despite its long coastline and strategic position in the Indian Ocean and Gulf of Aden, Somalia has not developed her fishing industry. Fishing is mainly a seasonal occupation between October and March. Mineral resource endowments too are limited. Appendix A shows the mineral potential of Somalia.

2. According to the 1971/2 manpower survey, the population was estimated at 3.2 million with a growth rate of 2.6 per cent per annum between 1970 and 1975. The following table shows the estimated and projected population by age groups from 1960-1980:

Table 1 - Estimated and Projected Population 1960-1980

(in Thousands)					
Age Group	1960	1965	1970	1975	1980
0 - 9	707	899	930	994	1193
10-14	267	317	368	435	410
15-19	231	263	307	357	423
20-24	197	218	254	296	346
25-44	525	541	628	733	860
45-54	148	136	158	184	218
55-64	93	80	92	108	128
65 +	59	47	54	63	76
TOTAL	2226	2500	2789	3171	3654

Source: The Manpower Implications of the Current Strategies.
Manpower Survey Project Vol. 1, August, 1972

The changes in occupational structure between 1960-1980 have been roughly estimated as in the following table.

Year	Agriculture/ Animal Husbandary		Industry		Services		Total Employment (000)
	(000)	%	(000)	%	(000)	%	
1960	812	87.85	41	4.56	71	7.70	924
1970	397	82.75	70	6.46	117	10.79	1084
1975	1006	80.00	87	7.1	150	12.90	1243
1980	1115	78.80	109	7.7	191	13.50	1415

Source: The Manpower Implications of the Current Strategies.
Manpower Survey Project Vol. 1, August 1972.

3. These are rough estimates and should be treated with caution. It is estimated that 35-40 % of the population are still purely nomadic; 25-30 % engaged in some mixed stock raising; 15-20 % engaged in sedentary cultivation, mainly in the South, and the rest of the population is in cities.

4. During the period 1960-75, the GDP in real terms is estimated to have increased at a rate of 2.4 per cent per annum; the agricultural sector, however, has remained almost stagnant. This has brought down the share of agriculture in GDP from about 47 per cent in 1960 to 36 per cent in 1975. The manufacturing sector has increased its share from a very low base of 2.6 per cent in 1960 to 9.3 per cent in 1975. The other sectors whose contribution to GDP increased appreciably during the period under review are wholesale and retail trade and transport and communication. ^{1/} Some of the important indicators of the Somali economy are presented in Table 3.

Indicator	1960	1965	1970	1975	Annual growth rate	
					1960-75	1970-75
1. GDP	80.2	78.6	100.0	109.7	2.4	- 1.1
2. GDP per capita	100.5	87.7	100.0	96.5	0.03	- 1.4
3. Value added of manuf. sector	31.2	20.8	100.0	156.9	15.8	8.8
4. Private consumption exp.	81.1	84.6	100.0	105.5	1.4	1.2
5. Per capita cons. exp.	101.6	94.4	100.0	92.8	- 0.9	- 1.3
6. Investment in fixed assets	72.0	79.1	100.0	204.7	6.9	15.4
7. Exports	106.4	114.8	100.0	181.5	2.8	9.8
8. Imports	91.9	117.8	100.0	246.6	4.6	21.8
9. Population	79.8	89.6	100.0	113.7	2.3	2.6

^{1/} It is believed that expenditure on defence accounts for a substantial share of total expenditure (see UNCTAD document L/E/13/013, June 1975, p.4)

5. It is interesting to note that though real GDP increased during the period 1960-75, the per capita GDP remained almost stagnant. Real per capita GDP in 1975 was only \$ 76.5 expressed in 1970 prices and exchange rate, as compared to \$ 79.3 in 1970. And real per capita consumption dropped from \$58.7 in 1970 to \$54.5 in 1975, expressed in 1970 prices and exchange rate. It is obvious from the table that the growth rate during 1970-75 slowed down appreciably, largely due to the drought in 1973 and its effects thereafter.

6. The rate of increase of investment in fixed assets has been of the order of 6.9 % per annum during 1960-75. In terms of GDP, investment in fixed assets constituted 28.6 % in 1975, as against 13.7 % in 1960. The available data do not permit the rate of savings to be calculated, but for 1970 it is estimated at 14 % of GDP.

7. Exports - Export data is not wholly reliable, due largely to the difficulty of certifying cattle exports. An UNCTAD report suggests that different estimates vary by up to 16 %. ^{1/} In 1975, total exports rose to So Sh. 557 million, an increase of 14.1 % over 1974. The principle items are livestock, bananas and meat products, which together account for some 85 % of total export earnings. ^{2/}

8. Imports - Total imports for the period 1970-1974 appear in Appendix E. The value of imports rose 26 % over the past five years, but in 1975 the increase was only 15 %. In 1975, imports rose in value to So. Sh 1.180 million, including an estimated So. Sh 260 million of food aid relief. The proportion of food in total imports declined from 37 % in 1971 to 20 % in 1974. Since 1971, the value of food imports has remained relatively constant (about So. Sh 180 million),

^{1/} UNCTAD Document INT/73/013, p.18

^{2/} This is based on IBRD report No. 1421a-50 of 7 April 1977, paras 62-72

but the volume has dropped. The share of petroleum products increased from 4 % in 1971 to an estimated 9 - 12 % in 1975, while imports of machinery and transportation equipment represented 25 % of total imports in 1971 but 42 % in 1974 about double the proportion in 1971.

9. Balance of Payments

Table 4 - Summary Balance of Payments				
(So. Sh million)				
	1971	1973	1974	1975 *)
Exports (of goods and non-factor services)	228	358	405	557
Imports (of goods and non-factor services)	<u>326</u>	<u>704</u>	<u>973</u>	<u>1.118</u>
<u>Trade Balance</u>	- 98	- 346	- 568	- 561
Net factor services	- 35	- 77	- 88	- 132
Current transfers	93	180	328	754
<u>Current Account Balance</u>	- <u>40</u>	- <u>243</u>	- <u>328</u>	+ <u>61</u>
Capital Inflows, net	103	198	266	271
errors and omissions	- 4		6	- 6
<u>Change in Reserves (- means increase)</u>	- <u>58</u>	+ <u>45</u>	+ <u>56</u>	- <u>326</u>
International Reserves (Year Change)	110	249	183	504
Ratio of Reserves to Imports	34 %	35 %	19 %	45 %
Ratio, Lower Income Countries	27 %	31 %	23 %	21 %

*) Preliminary Figures

10. Somalia has had chronic deficits in her international transactions since independence. Over the period 1969-1971 exports covered on the average 65 % of imports of goods and net services; in 1973-75 the ratio fell to about 45 %. There was a surplus of So. Sh 326 million in 1975, due largely to the extraordinary increase in unrequited transfers, which included about So. Sh 260 million in food aid and

1/ Somali data, reported in UNCTAD, op. cit, p.25

So. Sh 420 million in cash, and due to very good export earnings from livestock and meat. External aid and capital inflows financed a large trade deficit, and increased foreign exchange reserves to So. Sh 504 million in December, 1975. Although concessionary assistance has helped Somalia to finance her deficits in the past, these sources will become inadequate in future. The deficit has grown from \$ 15-20 million per year during the late sixties and early seventies, to \$ 80-90 million per year during the recent years.

11. Correspondingly, the foreign public debt has grown from about \$ 250 million at the end of 1973 to about \$ 445 million at the end of 1975 and to over \$ 500 million by the middle of 1976. Disbursed debt increased from about \$ 3 million in 1971-73 to \$ 5-6 million in 1975, and if it were not for a moratorium on debt payments to the USSR, they would reach about \$ 20 million in 1981. The resulting debt service burden is likely to constrain public investments and development in the future. (Projections of Debt Servicing Payments appear in Appendix B.)

The Main Sectors

12. Agriculture - About 80 % of the population is engaged in agriculture and livestock rearing, largely of a subsistence kind. A small commercial sector is mainly engaged in growing bananas, sugarcanes and some cotton depending on controlled irrigation; the non-monetary sector mainly produces cereals, relying on rainfall and inundation irrigation. The expansion and diversification of agriculture are made difficult by the lack of suitable soils, inadequate rainfall and water supply and insufficient knowledge of modern techniques of farming. Dryland farming, for example, is subject to frequent interruptions by droughts resulting from failure of rainfall, while irrigation is retarded by shortage of water.

13. One way for improving agriculture production is the increased use of fertilizers, but lack of foreign exchange for importing fertilizers prevents their increased use in Somalia. The excess capacity in the world fertilizers industry (which tends to make fertilizers cheaper) and lack of demand in the country compelled the Government to abandon its contemplated investment of \$ 50 million in the establishment of a local plant with an installed capacity of 90,000 tons of urea.

14. Livestock - Export earnings from livestock and livestock products have long been the biggest source of foreign exchange. Since around 55 % of the land is suitable for grazing, there is potential for more extensive development of this activity. At present, however, the production of hides and skins is well below potential. Poor collection and marketing facilities are the chief problems. ^{1/}

15. Fisheries - There are similar obstacles to the development of fishery-related industries. Insufficient harbour facilities, allied to the fluctuations in the supply of pelagic species and the weather, combine to make this a seasonal and hazardous observation at present. There are around 2,500 full-time and 16,000 part-time fishermen with 2,500 small boats at present. There are five fish processing plants, three of which are canneries and two of which are for freezing and storage.

II STRUCTURE OF THE MANUFACTURING SECTOR

16. The manufacturing sector is composed of a few relatively large-scale publicly-owned enterprises and a large number of smaller units. Most of the industries are agro-based, using mainly locally-produced raw materials from agriculture, livestock and fisheries.

^{1/} Study by Dr. Hendrikson, "Group of Hides and Skins, Leather and Footwear Economy in Somalia", for the UNDP/FAO Hides and Leather Development Centre, June 1972.

In 1971, consumer goods accounted for 97.4 per cent of the number of industrial establishments, and for over 95 per cent of the total value added. ^{1/} Food processing is by far the most important industry, providing in 1971 84 % of all industrial value added, and 56 % of all industrial employment.

	Public	Private	Total
Manufacturing establishments	32	241	273
Employment	448.2	2377	6859
Wages and Salaries (Sh million)	189.9	64.1	246
Value Added (Sh million)	106.8	18.7	125.5
Gross Fixed Capital Formation (Sh million)	18.7	4.7	23.4

^{1/} Somali's Five Year Plan (1974-1978), page 64.

^{2/} Industrial Sector Review, UNIDO-DP/Som/72/007, January, 1976

Table 6 - Size Distribution of Manufacturing Establishments in 1974						
Industry Group	No. of Establishments by Size					
	Large *)		Small		Total	
	No.	Percent	No.	Percent	No.	Percent
1. Food Manufacturing	81	22.4	2503	41.6	2584	40.5
2. Beverage Industries	5	1.4	4	0.1	9	0.2
3. Manufacture of Textiles	29	8.0	339	5.6	368	5.8
4. Manufacture of wearing apparel	54	14.9	450	7.5	504	7.9
5. Leather and Footwear	29	8.0	548	9.1	577	9.0
6. Furniture and Fixtures	37	10.2	182	3.0	219	3.4
7. Printing and Publishing	1	0.3	-	-	1	-
8. Other Chemicals	10	2.8	5	0.1	15	0.2
9. Manufacture of plastic products	3	0.8	-	-	3	-
10. Manufacture of Pottery, Chinaware and Earthenware	4	1.1	561	9.3	565	8.9
11. Structural Clay Products	5	1.4	36	0.6	41	0.7
12. Lime	27	7.5	87	1.4	114	1.8
13. Metal Products	36	9.9	400	6.6	436	6.8
14. Jewelry, etc.	28	7.7	30	0.5	58	0.9
15. Industries,	13	3.6	876	14.6	889	13.9
Total	362	100.0	6021	100.0	6383	

Source: 1974 Census of Industries, Central Statistical Department

* employing 5 or more workers.

Table 7 - Large Establishments Growth, 1967-1974						
	1967	1971	1972	1973	1974	% Growth over 1971
Number of Establishment of 5 or more Workers	121	187	221	271	390	208
Number of Workers Employed	1910	3489	5415	7394	103.44	296
Value of Gross output - in million So. Sh	73	206.40	228.33	246	349.87	169
Value added - (million of So.Sh)	43.5	112.1	127.1	125.5	118.9	106

Source: Census of Industries, 1974, Central Statistical Department

Table 8 - Large Establishments - Value Added in Current Prices by Industry Groups				
Industry Group	1972 Value added	Percent	(mill So.Sh) 1973	
			Value added	Percent
1. Food Manufacturing	95.8	81.7	73.0	61.0
2. Beverage Industry	2.5	2.1	2.8	2.1
3. Manufacturing of Textiles	4.7	4.0	13.2	11.9
4. Manufacture of Wearing Apparel	0.9	0.8	1.2	1.1
5. Leather and Footwear	1.1	0.9	2.8	2.5
6. Furniture and Fixtures	1.7	1.4	2.3	2.1
7. Printing and Publishing	6.6	5.6	7.8	7.0
8. Other Chemicals	1.6	1.4	2.0	1.8
9. Manufacture of Plastic Products	0.1	0.1	1.8	1.6
10. Structural Clay Products	0.9	0.8	1.8	1.6
11. Lime	*	*	0.2	0.2
12. Metal Products	0.5	0.4	0.9	0.8
13. Jewelry	0.3	0.3	0.4	0.4
14. Industries	0.6	0.5	1.0	0.9
Total	117.3	100.0	111.2	100.0

Source: Central Statistical Department

17. Although in 1974 only 32 manufacturing establishments were in the public sector, they were disproportionately large. They employed 56.5 % of the industrial labour force, and accounted for 70.9 % of gross output and 71 % of value added in 1974.

18. Table 7 shows that the number of large establishments grew from 167 in 1971 to 190 by 1974, an average growth rate of 27 % per annum. Employment therein rose from 3,459 to 4,311, and gross output rose from So. Sh 206.4 million in 1971 to So. Sh 449.0 million in 1974. These large establishments are concentrated in terms of output-mix. Out of a total value added of So. Sh 127.1 million in 1972 roughly 52 % was contributed by food manufacturing units.

19. The majority of manufacturing plants are small. Over 80% of the 362 large units recorded in the 1974 census of industries, 211 employed between 1 and 9 workers. There are, in addition, 10,059 small establishments in the private sector, each employing fewer than 10 workers of the 10,059 small units, 2,000 (19.9%) are engaged in food processing; 3,000 (29.8%) are in leather, 1,000 (9.9%) are in leather and footwear production, 1,000 (9.9%) are in garments, 1,000 (9.9%) are in metal industries; 1,000 (9.9%) are in handicrafts and 1,000 (9.9%) are manufacturing furniture and fixtures.

20. According to the Industrial Census of 1974, investment in small establishments has been declining: this poses a policy problem for the Government, as outlined in chapter V.

21. In addition to large and small establishments, there are traditional and handicraft industries, run by families; most of them are also engaged in food processing. It is envisaged that organizing these numerous units into co-operatives will facilitate financing from the Ministry of Finance, project evaluation and the administration of loans. Small capital grants are provided to these co-operatives, and so far So. Sh 4 million has been lent to 27. The fact that, in 1975, the 16 handicraft co-operatives produced more in value added than the investment per person employed (So. Sh 2,750 as against

So. Sh 2,450) confirms that this is an attractive vehicle for industrial development.

Table 9 - Co-operative Handicrafts

Co-operative	Location	Product	No. of Participants
Handlooms	Benadir	Cloth	52
Metalwork	Mogadiscio	Iron products	22
Handicraft	Mogadiscio	Handicrafts	30
Footwear	Mogadiscio	Shoes	50
Essence of Hawaleko	Mogadiscio	Ladies essences	26
Handicraft of Merca aday	Merca	Cloth	40
Dayah El-bur	El-bur	Sapolite handicrafts	102
Gelib Handicraft (handlooms)	Gelib-Merca	Cloth	118
Wanla weyn handloom	Wala Weyn	Cloth	53
Kismayo Footwear	Kismayo	Shoes	21
Metalworks Burao	Burao	Metal products	42
Tailors	Hargeisa	readymade garments	20
Chalk Production	Hargeisa	Chalk	25
Baskets, ropes or Cardage	Bandar Byla	Baskets, ropes and cardage	52
Footwear Horseed	Burao	Shoes	30
Oil mills	Mogadiscio	edible oil and cakes	108
Handlooms	Brava	Cloth	33
Baskets, Ropes and Cardage	Bassaso	Baskets, ropes and cardage	120
Jewelry	Mogadiscio	Gold and silver products	33

Sources: Ministry of Industry

Regional Distribution of Manufacturing Industries

22. Mogadiscio and its neighbouring areas have the largest number of industries. In 1972, 45 per cent of the total number of industrial units, 61 per cent of the private factories and 44 per cent of the public sector and traditional sectors were located there. The following table shows the distribution of industries in the country in 1972.

Table 10 - Regional Distribution of Manufacturing Industries								
	Public Sector		Private Sector				Total	%
	No.	%	Modern Private Sector	%	Traditional Sector	%		
Mogadiscio	8	44.4	127	60.8	1139	44	1274	45.2
Jowhari	2	11.1	5	2.4	56	2.2	63	2.3
Merca (Lower Schebelli)	-	-	19	9.1	325	12.6	344	12.2
Baidoa (Upper Juba)	-	-	3	1.5	62	2.4	65	2.3
Kismayo (Lower Juba)	2	1.1	14	6.7	179	6.9	195	7.0
Belet Weine (Hiran)	-	-	5	2.4	49	1.9	54	1.9
Galkayo (Mudug)	-	-	5	2.4	15	0.6	20	0.7
Garowe (Nugal)	-	-	-	-	-	-	-	-
Bossaso	-	-	4	1.8	7	0.3	11	0.4
Burao (N.E.Region)	2	1.1	14	6.7	112	4.3	128	4.6
Hargeisa (N.W. Region)	4	22.3	13	6.2	646	24.8	663	23.4
	18	100.0	209	100.0	2590	100.0	2817	100.0

Note: The figures in this Table do not tally with those in Table 7 because of coverage, time difference, etc.

Source: Based on data from Manpower Survey Report Vol. 2, 1972

23. The availability of natural resources and infrastructure facilities has played a major role in industrial location. Industries based on imported inputs tended to be located around the Mogadiscio Port area, while high power, diesel oil and transport costs in the Northern and Central Regions discouraged industrial development there.^{1/} The concentration in Mogadiscio appears to be increasing rather than decreasing.

III. CONSTRAINTS ON AND PROSPECTS FOR INDUSTRIAL DEVELOPMENT

The Main Constraints

24. Somalia is one of the least developed countries. Its main constraints are, therefore, rooted in: (i) lack of natural resources; (ii) very small size of effective local demand; (iii) inadequate physical institutional infrastructure; (iv) critical shortage of trained manpower; (v) scarcity of finance.

(i) Shortage of Natural Resources

25. The expansion and diversification of agriculture is made difficult by the bad climate, poor soils, inadequate rainfall and shortage of water resources for irrigation. Thus, the underdevelopment of the agricultural sector is retarding the promotion of agro-based or allied industries. A number of existing industries are working far below capacity because of shortage of raw materials, e.g. the sugar industry, the fruits and vegetables processing plant, etc. The scarcity of good grassland and pastures also has an adverse effect on the quantity and quality of

^{1/} See Industrial Survey of Somalia UNIDO/IPPD. 133 of 7 December, 1973 Pages 16 and 17. This report discusses individual industries in detail.

livestock production, and this is exacerbated by frequent droughts.

26. Somalia has, partly in consequence, failed to achieve self-sufficiency in food. Progress has not been disappointing, however. For though the value of food imports has remained roughly constant since 1971, the volume must have fallen due to the rise (of around 130%) in world food and beverage prices between 1971 and 1974. Furthermore, the share of food in total imports fell from 37 % in 1971 to 20 % in 1974, in value terms.

(ii) Lack of effective domestic demand

27. Import substitution in Somalia is naturally constrained by the small size of the domestic market. With a population of 3.2 million, of whom 70 % are nomads living at or near subsistence level, and an overall per capita income of \$ 100 or less, demand for the output of new industries would clearly be slight initially. This also hampers the forging of vertical and horizontal linkages between parts of the economy.

28. More extensive industrialization in Somalia will therefore depend on the development of export markets. The promotion of such external markets is dependent upon the availability of Somalis with the necessary marketing know-how and the competitiveness of Somali manufactured goods in foreign markets. At present, none of those requirements exist except, perhaps, in meat and meat products, and hides and skins for use in tanneries and in the production of leather and leather goods. Even in these two cases, much has to be done for promoting Somalia's competitiveness in foreign markets. Export promotion in manufactures will require technical assistance experts, industrial joint ventures with foreigners who can provide marketing know-how and channels, and marketing co-operative arrangements with other countries. In this connexion, efforts should be made to take

advantage of Somalia's associate membership to the EEC and the Arab League.

(iii) Inadequate Institutional Infrastructure

29. The socialist policy of state ownership, control and management of commercial, financial, industrial and other activities has led to a proliferation of parastatal organizations and agencies. The allocation of the scarce human and financial resources among all these organizations has left most of them critically short of qualified staff and funds, and hence many are incapable of performing effectively the functions for which they were established. In particular, the Ministry of Industry is inadequately staffed to promote small-scale enterprises, and it may be that a separate organization should take responsibility for this.

30. The absence of institutions for industrial research and development; collection, processing and compilation of industrial information and data, also hampers industrial planning and the adaptation of technology. There is no testing laboratory, nor is there an integrated system for quality control of industrial inputs and outputs. An institution to deal with these matters is required. Under Project SOM/72/007 UNIDO submitted to the Government proposals for the establishment of a multi-disciplinary industrial testing laboratory and an industrial information centre.^{1/} Most industries provide their own power-generating plants, water supply and treatment facilities, efficient disposal systems, approach roads and transport equipment. This clearly discourages the development of new plants, since it adds to the initial capital requirements and the risk of

^{1/} See Page 5 of Document DP/SOM/72/007 of December, 1977
(Industrial Sectoral Review)

the project. The exploitation of iron ore deposits in the Upper Jubba region, for instance, has so far not been feasible because it is dependent upon prior construction of 80 miles of railway to Mogadiscio. Roads are still the principle means of transport. Progress is, however, being made in other areas of infrastructure provision. Mogadiscio Port is well under way and the bad network has recently been considerably improved.

(iv) Critical Shortage of Skilled Manpower

31. In the current Development Plan, much emphasis is laid on training. But training is costly and its effect on industrial efficiency takes some time to show substantial results. The immediate step should be to examine carefully the most pressing needs for specific skills, with a view to allocating the very limited human resources to the identified priority areas. Any needs which are not met from local qualified personnel should be met by technical assistance personnel. It is imperative that the present high turnover rates be reduced. Accordingly, the personnel requirements of all existing and proposed industries, over a period of five years, should be assessed, in order to determine the type, method and place of training, as well as technical assistance personnel to be requested. Consideration should be given to concluding management agreements of certain public industrial enterprises, or seek OPAS type of managers, engineers, accountants, etc. from UNIDO and other sources of technical assistance. Such experts as these should provide in-service training to local people as well as organize local courses which are relevant to the needs.

(v) Scarcity of Financial Resources

32. Somalia set herself a target of about 67 % foreign financing and 33 % domestic financing in the 1974-1978 Plan. These are very high targets, whose achievement would call for vigorous steps in the mobilization of resources both at home and abroad. Somalia has been, for a number of years, carrying a large trade deficit, which has been financed by external aid and capital flows. It is mainly through external aid and loans on concessionary terms that she has been able

to implement a number of projects. Moreover, most of the loans received from Arab countries are of short-term maturities, ranging from under 10 to 20 years. In view of the already heavy indebtedness, the maturity of debts is likely to cause increased debt servicing problems, thereby exacerbate the scarcity of funds. In the circumstances, it will be necessary to have as many loans as possible rescheduled; increased mobilization of external resources consisting of grants and loans with longer maturities and at concessional rates of interest, and vigorous promotion of exports. Otherwise, foreign exchange scarcity is bound to constrain public investment and general development.

33. As regards revenue from internal sources, the Government depends upon direct and indirect taxes. Much of the direct tax revenue is derived from "turnover tax" on public enterprises. This turnover tax rose from So. Sh 26.9 million in 1974 to So. Sh 47.7 million in 1975. It should be noted, however, that in its efforts to mobilize financial resources through taxation, the Government might reduce the ability of its parastatals and individuals to save. In fact, the Government's share in the profits of public enterprises and other interventions in their financial management reduce their ability to build up reserves from which they can invest in new projects, expansion and modernization. Indeed, large public enterprises' indebtedness has been one of the problems. The critical shortage of funds makes it imperative for priority to be given to the most productive projects in the allocation of resources. Efforts have to be made to promote savings by individuals, some of which might subsequently be channelled into investments in small-scale industries, handicrafts and industrial co-operatives.

IV. INSTITUTIONAL INFRASTRUCTURE FOR INDUSTRIAL DEVELOPMENT

34. There are a number of public institutions in Somalia charged with the administration and direction of the economy. Given the central role of the public enterprise as a tool of development strategy, it is not surprising to find a diverse range of public authorities.

35. Industrial Planning and Co-ordination - The function of overall planning and co-ordination is mainly in the hands of the Planning Commission ^{1/} (PC), (which is now part of the President's Office) and the Ministry of Finance. The membership of PC is: The President of the SRC (Chairman), the secretaries responsible for Planning and Co-ordination (Vice Chairman), the Secretaries for Finance, Agriculture, Animal Husbandry, Industry, Commerce, Public Works, Transport and Communications, Education and Health, Labour, and the President of the Somali National Bank.

36. The Secretary for Planning (formerly the Ministry of Planning and Co-ordination) provides Secretariat services to the Commission and acts as its executive agent. His powers lie in planning (including plan implementation and monitoring the progress of implementation), co-ordination, determining the requirements of external assistance and being the sole channel of negotiations with aid agencies, collecting and compiling statistics, making studies, requiring information from other ministries and agencies, and the evaluation of projects. Because of shortage of qualified staff, the Central Planning Organ is not performing many of its functions. Consequently, the Planning Commission has not been fed with enough material to enable it to execute its responsibilities.

^{1/} The former Ministry of Planning and Co-ordination was incorporated into the Office of the President.

37. The Ministry of Finance is the other key organ in planning. This too is critically hampered by a shortage of qualified staff. Audits take at least three years after the completion on Annual Accounts, and even unaudited figures tend not to be available on time to facilitate policy decisions. There is poor co-ordination between the Secretariat for Planning and the Ministry of Finance in the annual planning and budgeting process. Lack of effective co-ordination even between key and complementary organs has had an adverse effect on economic management, and the targets of the plan remain unattained.

38. Overall Industrial Development Functions - The Ministry of Industry is responsible for formulating and initiating industrial plans, but this Ministry too is constrained by lack of skilled staff, and bilateral and multilateral experts have been ^{1/} widely used for planning. There is almost perpetual excess capacity in a number of industries mainly because investments were made without prior assessment of the market and availability of raw materials. More technical assistance will be needed for the formulation and evaluation of existing study reports, as well as studies of the problems of the existing excess capacity.

39. Public investment in industrial projects - As stated, the Ministry of Industry is the initiator of investments by the state in industrial projects. There are about six industrial enterprises under the supervision and control of the Ministry.

40. In the main, these autonomous agencies are subject to the common regulations governing financial planning and management, such as those

^{1/} Under UNDP/UNIDO Project SOM/72/007, 80 studies were carried out during 1975-77. These include: pre-feasibility, project, management and sectoral studies. Most of these studies call for follow-up action regarding proper formulation and evaluation for their successful implementation.

integrating the finance of autonomous enterprises with those of the Central Government. Each enterprise has to submit its plan to the parent Ministry and to the Ministry of Finance every year, covering purchases, output, sales, profits and changes in assets and liabilities. Investments in new enterprises and expansion of existing ones are financed from central public budget, while investments for the acquisition of modernizing equipment, improving and mechanizing production through new methods of production etc. have to be financed by appropriations from the enterprises' surpluses. Any surpluses after meeting various obligatory provisions have to be surrendered to the national treasury. The pricing of the products of public enterprises is also centrally controlled.

41. The present arrangements subject the state-owned manufacturing enterprises to excessive ministerial supervision and interventions, and it is evident that initiative by the staff of the enterprises has been inhibited. Consequently, there is general inefficiency, a high staff turnover, and inadequate surpluses out of which enterprises could pay incentives to their workers. That is why some enterprises have in the past resorted to short-term borrowing from the Commercial Bank even to finance investments in fixed assets. Moreover, the ever-present supervision of general management and financing is likely to reduce the attractiveness of Somali enterprises to foreign investors who might have wished to establish industrial joint ventures.

42. The Somali Development Bank - This is the most important source of medium and long-term funds for financing industrial development. In 1975, the Bank's disbursement of So. Sh 51 million accounted for 14 % of total investments in the country, and 27 % of industrial investment. At 31 December 1976, the Bank's cumulative investment approvals, net of cancellations, amounted to So. Sh 180 million, of which 17 million were equity investments. The following table shows the banks loan approvals by sectors.

Table 11 - Loan Approvals by Sector, 1968 - 1976

(In So. Sh. '000)								
Sector	Up to 1975		1976		1968-1976		Percentage	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Industry	48	107.950	3	11.264	51	119.214	9	65
Agriculture	327	25.069	116	4.892	443	29.961	77	17
Livestock	7	3.494	1	300	8	3.794	2	2
Forestry	2	1.776	3	229	32	2.007	5	1
Transport	15	8.899	3	3.493	16	12.392	3	7
Water Development	4	2.517	-	-	4	2.517	1	1
Construction and Housing	2	2.000	1	611	3	3.611	-	2
Tourism	2	4.201	-	-	2	4.201	-	2
Other	5	2.243	9	1.793	17	5.153	3	3
Total	448	160.086	136	22.784	576	182.850	100	100

DM/MPID
February 20, 1977

43. The above table illustrates that 65 % of the total approvals (or So. Sh 119 million) were for manufacturing. In the industrial sector, the average size of the loan was So. Sh 2 million, and most of the industrial loans were to the public enterprises as well as to the Bank's directly promoted projects. In addition, the industrial clientele of the Bank includes 12 private borrowers. The Bank has actively embarked upon a programme for increased assistance to handicrafts, industrial and other co-operatives. The Bank has also played a major role in promoting the establishment of agro-industries, though the average size of loan there is relatively small.

44. In the absence of a specialized investment agency, the Somali Development Bank has also shouldered the responsibility of promoting projects in the industrial sector. To date, these projects include 6 grain mills, a fruit processing factory (ITOP) and a flour and pasta mill. The

Bank provided 100 % loans and seconded its senior staff to manage these enterprises. But this has strained the Bank's already very scarce manpower resources and it is recommended that the Bank should avoid, as far as possible, assuming managerial responsibilities for these projects, and find independent management for them. ^{1/}

45. The authorized capital of the Bank is at present So. Sh 200 million, all subscribed by the Government; and the Central Bank of Somalia (CBS) is permitted to own one-fourth of the SDB's subscribed equity capital. The paid-in capital of the Bank at 31 December 1976 was So. Sh 113.3 million; it is intended to increase it to So. Sh 200 million by 1980 in five equal instalments of So. Sh 20 million starting from October, 1976. Other funds as of December 31, 1976 were: Retained earnings of So. Sh 3 million; a medium-term loan of 3 million from the Central Bank; a loan of So. Sh 26.1 million from the Government for 10 years at an interest rate of 2.5 % p.a. a loan of So. Sh 4.5 million from Iraq; and a loan of \$ 50,000 from USAID. IBRD (IDA) was considering a loan of \$ 5 million to the Government in 1977, to be re-lent to the Bank at 5 % p.a. As indicated earlier, the Bank received a grant of Kuwaiti Dinars 100,000. It is clear that the Bank is active in the mobilization of both domestic and foreign financial resources.

46. The National Commercial Bank (CBS) is the other institution performing the function of financing. It was established in 1975, by merging the then Somali Commercial Bank and the Somali Savings and Credit Bank. The CBS has a paid-in capital of So. Sh 15 million, contributed equally by the Somali Government and the Central Bank of Somalia. The Commercial Bank has twenty-five branches of which six are in Mogadiscio. It normally provides only short-term loans. (A few parastatal enterprises have in the past used short-term funds from the Commercial Bank to finance capital expenditure). At the end of 1975, its deposits totalled So. Sh 564 million, of which So. Sh 179 million were in savings and time deposits. The Bank is planning to open up more branches in order to mobilize more personal savings.

^{1/} IBRD Report No. 1341a - So. of 31 March 1977, para 3.07 page 10

47. The National Insurance Corporation. This indirectly finances industrial development through its surplus funds which it invests in fixed deposits with the National Commercial Bank (NCB). In addition to undertaking fire, accident, marine, aviation and motor insurance, SICOS is arranging to establish a reinsurance joint venture with an Italian Insurance company. ^{1/} This is an important institution for mobilizing local financial resources which could be channelled into long-term investments in industry, either as loans or equity participation. It is, therefore, suggested that consideration be given to increasing use, where possible, of surplus funds of the insurance corporation as a source of funds for financing long-term industrial investments.

48. Promotion of Small-scale Industries, Industrial Estates, Handicrafts, Industrial Co-operatives, etc.

There is no separate institutional machinery for undertaking activities concerning the development of small-scale industries, industrial estates, handicrafts and industrial co-operatives. The responsibility for these matters rests with the Ministry of Industry.

49. The existence of a very large number of small-scale and handicraft establishments and the prospects for industrial development in Somalia point to the need for increased assistance in this area. It is necessary to examine the capabilities of the Ministry to perform all the necessary promotional functions and to provide efficient extension services. ^{2/} There may be a strong case for establishing a separate public agency (a Small-scale Industrial Development Corporation), and at least one industrial estate.

^{1/} UNCTAD was considering providing experts to the State Insurance Company in 1975. See "Somalia's External Sector" Study Proposals UNCTAD/RD/86 GEN. 75-48-047 of July 1975, Para 135 or 136

^{2/} In 1974, UNIDO's Expert on Small-scale Industries recommended, inter alia, assistance to be provided in the identification and formulation of projects, provision of long-term loans, fully developed industrial plots, in an Industrial Estate to be built in Mogadiscio and financial incentives.

4. Training and Manpower Development - The main local institutions which provide training are: The Somali Institute of Development Administration and Management (SIDAM) Mogadiscio Technical Institute, Hargeisa Technical Institute, Burao Technical Institute and a Craft Training Centre under the Ministry of Labour. A Polytechnic is in the course of being established in Mogadiscio.

5. The Somali Institute of Development Administration and Management (SIDAM) is the successor to the former Somali Institute of Public Administration (SIPA). SIPA (which was established in 1967 with UNDP assistance) had as its objectives: to analyse and advise on administrative problems; plan and implement training programmes for public servants of all levels; to plan and execute administrative reform and to provide an information and documentation service on administrative and allied subjects. The Institute could only concentrate on in-service and pre-service training, running numerous courses and seminars, ranging in duration from one day to four months and mainly part-time. Due in part to bad selection of enrollees, staff turnover, etc., the results fell short of the expectations.

6. SIDAM is the only existing institution offering training to high and medium level managerial personnel, and it also runs courses for fresh entrants. The three technical institutes will be mainly concerned with middle level technical personnel. The Crafts Centre offers courses of three to six months duration in electrical, machinshop and woodwork. The existing institutional machinery for training is too far less than the industrial needs for managerial, scientific, technical, skilled and semi-skilled manpower.

53. The Somali National University is the other institution in the country which is contributing to the high level manpower development. It was established in 1969.

V. MAIN FEATURES OF INDUSTRIAL DEVELOPMENT OBJECTIVES, STRATEGY,
POLICY MEASURES AND PROGRAMMING OF IMPLEMENTATION

Objectives ^{1/}

54. Broadly, the objective of the industrial programme is to establish a strong industrial base that is commensurate with the resources of the country, with more emphasis being placed on intermediate and capital goods industries. The plan lays stress on the development of the building materials industry because of its strategic importance and the availability of certain raw materials. Emphasis is also laid upon the establishment of agro-based industries for export and for import substitution. Furthermore, the programme aims at maximising resources utilization in the production of both commodities and services, as well as creating conditions for the equitable distribution of the national product among the people.

Strategy

55. Public ownership of industrial enterprises has been selected as a tool for industrial sector development. For example, the Somali Development Bank has been playing the role of entrepreneur, promoter and financier.

The main elements of the strategy are:

- (i) increasing the efficiency and profitability of existing public sector industries (this will entail reducing existing excess capacity);
- (ii) setting up new publicly-owned industrial enterprises;
- (iii) the organization of small units into co-operatives;

^{1/} Somalia's Five Year Development Plan (1974-78) - An Outline of the Economic Programme, page 7.

- (iv) permitting foreign investors to establish joint-ventures with public and private enterprises; and

Targets

56. During 1974-76 the target for investment in the industrial sector is So. Sh 588.25 million (or 15.2 % of the total investment of the programme). ^{1/} (The share of industries in the total expenditure of the 1971-73 programme was 8.8 %). In absolute terms, this means a target of annual investment of So. Sh 118.0 million under the current plan, compared with an investment of So. Sh 22.0 million per annum under the 1971-73 programme. Out of a total investment of So. Sh 588 million So. Sh 378 million would be external, leaving So. Sh 210 million for financing from internal sources of funds. About So. Sh 150 million is for the improvement, expansion, rehabilitation or replacement of existing plants. Out of the remaining So. Sh 330 million, So. Sh 324.4 is to be invested in an oil refinery, cement factory, paper and board factory, and a sugar complex.

^{1/} This figure was later revised to So. Sh 1078.8 million (or 21.9 % of the total planned expenditure of the programme). See Industrial Sectoral Review DP/SOM/72/007 Technical Report of December 1977, page 3.

Table 12 - Proposed Investment in Industry - 1974-78						
Planned Outlay (in '000 So. Shs)						
Project	Total 1974-78	1974	1975	1976	1977	1978
Somaltey - Balal	96.150	27.000	69.150	—	—	—
SNAI - Jowhar	40.000	20.000	20.000	—	—	—
Milk Factory	5.000	2.000	1.400	1.100	50	—
Laskorey Fish Cannery	6.500	1.000	2.500	2.000	—	—
Meat Factory - Kismayu	3.000	2.000	1.000	—	—	—
Boat Building Yards	5.500	1.000	1.500	1.500	1.500	—
Foundary	12.320	3.000	2.620	—	200	2.700
Gypsum Pilot Plant	2.320	1.000	1.320	—	—	—
Oil Refinery	54.000	2.500	—	—	3.500	—
Oil Mills and Extraction Units	6.000	—	—	49.000	49.000	49.000
New Sugar Complex	137.000	—	—	49.000	49.000	49.000
Flour - Cum- Pasta Mill	15.000	10.000	5.000	—	—	—
Slaughter House, Hergeisha	3.200	—	2.000	1.200	—	—
Mogadiscio Slaughter House	1.172	1.172	—	—	—	—
Hides or Skins Development	7.000	1.800	1.800	1.200	—	—
Paper and Pulp Board	75.000	—	—	15.000	30.000	30.000
Fish meal Plants	3.000	1.000	—	1.000	1.000	—
Man. of Fishing Gear	1.000	500	—	—	—	—
Cement Factory	68.400	22.800	22.800	22.800	—	—
Pharmaceutical Institute	16.000	3.000	8.000	5.000	—	—
Salt works	5.696	2.271	1.724	850	850	—
Small-scale Industries and Handicrafts	15.000	3.000	3.000	3.000	3.000	3.000
Total	588.257	107.043	144.314	118.650	112.150	106.100

Source: Ministry of Planning and Co-ordination: Five Year Development Programme 1974-1978.

7. The revised figures of development investment in industry for 1976, 1977 and 1978 are So. Sh 153.995,000, So. Sh 112.150,000, and So. Sh 106.100,000 respectively. A comparison of planned and actual figures (see the foregoing two tables) reveals that the implementation was below target, and when adjustments are made with regard to the effect of inflation on the total cost of projects, the shortfall would be greater still. The rate of implementation was, however, lower in agriculture, which was initially very badly affected by the drought.

Prospects for Industrialization

(a) Agro-based and Allied Industries

50. Some opportunities exist for the establishment of industries for the processing of food and agricultural products. This will call for expansion and diversification of the agricultural sector by introducing crops which yield both food and raw materials. For example, increased production of cotton, oilseeds, fruits and vegetable will lead to more utilization of the excess capacity which is causing problems to most of the existing industrial plants. Import substitution and an increased measure of self-sufficiency in food production will save funds which would otherwise have been spent on imports, for investment in industrial production. All this is dependent upon successes in the introduction of new methods and techniques of farming, including irrigation, use of fertilizers and improved farm management. UNIDO and FAO should co-operate with the Ministries of Industry and of Agriculture in studying the potential for developing agro-based and allied industries in future. A case already apparent is the need for better banana packaging for export, for which a UNCTAD report recommended a UNIDO expert. ^{1/}

^{1/} UNCTAD, op. cit., p. 22.

(b) Livestock-based Industries

59. The establishment of industries based on livestock production appear to offer opportunities. At present, Somalia has meat and meat-processing plants, and tanneries. The main problems are in the inadequate quantity and low quality of livestock. Currently, there is excess capacity of about 45 % in one meat factory, and about 25 % in the other. Factories for the manufacture of leather and leather products might be feasible. Indeed, there are already shoe factories and tanneries. The most important requisites appear to be ensuring the reliable supply and quality of livestock, hides and skins and external markets. UNIDO provided in December 1977 an expert under SIS to study and report on all these aspects. A plant to manufacture animal feedstuff provides an investment opportunity to be studied. This proposal is already contained in Project SOM/72/007.

(c) Fisheries-based Industries

60. The current development plan provides for increased investment in fisheries and the fish processing industry. 13,500 nomads have so far been settled along the coast to train as fishermen. Planned projects have been implemented. Other projects to be explored include: expansion of cold storage facility at Laskoreh, expansion of Mogadiscio boat building yard for boats made of wood, establishment of a plant for manufacturing fishing gears, and establishment of three new fish meal plants. The 1971-73 period saw investments of So. Sh 4.45 million in the fisheries sector; the 1974-78 Plan envisages an investment of So. Sh 106 million.

61. The potential depends upon a substantial increase in the fish catch. This will necessitate a large expansion of the fishing fleet and an improvement in the fish harbour facilities. A Soviet Somali Fishing Company was established recently. It has 9 fishing trawlers of which one is equipped with processing and freezing facilities, and facilities to produce fish meal. Somalia, in collaboration

with a Swedish firm (Volva Penta) established in Mogadiscio a fibre glass boat building yard with a capacity to produce 100 boats of at least 6 meters annually. FAO has offered assistance to establish a large-size export-oriented fish meal plant in the North which will also produce fish oil. This proposal is subject to a market study.

(d) Mineral-based Industries

62. In Table A in the appendix a list of the most important known minerals in Somali is given. The increase in imports of cement has led to proposals for expansion of the Cement industry. Imports increased from 74,000 tons in 1974 to 98,000 tons and 130,000 tons in 1975 and 1976 respectively. There are indications that the rising trend will continue. It is therefore proposed to establish a new plant. The gypsum pilot plant, being erected at Berbera with UNIDO's assistance will help in determining the extent to which the gypsum deposits near Berbera can be utilized. The establishment of a ceramics industry based on the available Kaoline, quartz and feldspar deposits is the other possibility requiring further studies of the three main raw materials, etc.

(e) Small-scale Industries and Handicrafts

63. There is already a large number of small-scale industries and handicrafts. The Current Development Plan lays emphasis on increased assistance to small-scale units and the establishment of industrial co-operatives, and industrial estates. Given good organization and management, this is an area offering industrial potentials. Investments for increasing the quantity and quality of small-scale establishments and industrial estates could play a major role in export and import substitution small-scale industries as well as create jobs. This will call for financial assistance and assistance in marketing, procurement of raw materials, provision of extension services, etc. The development of small-scale industries and handicrafts call for detailed studies of all aspects.

(i) Industrial Co-operative Arrangements

64. Somalia does not at present belong to any economic grouping in Africa. Nor does the present relationship with her neighbours auger well at this time for the establishment of industries in Somalia whose products may have access to the markets of her neighbours. Somalia is now a member of the Arab League, and is receiving substantial funds from Arab Countries. The establishment of industries in Somalia, possibly under joint venture agreements, to supply markets in the Arab countries should be explored. There is already co-operation between Somalia and the USSR in fishing, fish and meat processing plants with USSR providing an export market for much of the meat. In addition, Somalia is a signatory to the Lomé Convention. Joint-venture industrial projects with firms from the EEC member countries, offer opportunities for the establishment in Somali of industrial plants to supply those markets.

(ii) Industrial Free Zone

65. Given products for export, Somalia is very strategically situated along the Indian Ocean, with the Red Sea and the Suez Canal providing sea routes to most of the likely markets. This, together with the improvement of her harbours, also point to the potentials for establishing export-oriented industries using imported raw materials. It has, therefore, been suggested that an Industrial Free zone should be considered as being one of the ways for attracting foreign investments for establishing plants under subcontracting agreements, licences, etc.

VI. POTENTIAL AREAS OF FUTURE TECHNICAL ASSISTANCE TO SOMALIA

(a) Rationalization of the Institutional Infrastructure

66. There is a proliferation of institutions, and a lack of co-ordination in their supervision and management. The ministries of Industry, Commerce, Planning and Finance perform a number of functions which bear a direct relationship to industrial development, but which are not properly co-ordinated. Nor is the relationship between the supervising ministries and the supervised autonomous organizations clear. In particular, the transfer of powers over financial management and personnel matters from the parastatals to the Ministry of Finance and the Central Establishments Office throws into question the autonomy of the parastatals. The often arbitrary interference by state agencies in the running of public enterprises has also been identified as an obstacle to efficiency and stability. Some enterprises have in the past resorted to short-term borrowing from the Central Bank - even to finance fixed asset investment - rather than undergo protracted negotiations with different state agencies. The lack of clear responsibility guidelines will, moreover, reduce the attractiveness of Somali joint ventures to outside investors.

67. Accordingly, it is proposed that a study of the institutional infrastructure for industrial development in Somalia should be undertaken. The study should cover, inter alia: the structure, staffing and administration of the Ministries and Industry and Commerce and the individual institutions; the financial relationship between the Central Government on the one hand and the institutions on the other; the effect of the centralized personnel management on the performance of the institutions; any other policy matters concerning the development, supervision and co-ordination of an institutional infrastructure as a unified service for industrialization in Somalia.

(b) Manpower Development

68. The critical shortage of manpower with the necessary qualifications and capabilities has a very severe adverse effect on all sectors, functions and activities. Somalia's needs for various kinds of training are, therefore, insatiable. Donors of assistance should discuss with the Somali authorities the possibilities of establishing co-operation in the training of industrial manpower over a period of five years. To this end, the present and future manpower requirements for each existing and planned industrial enterprise and institution should be assessed. Then training programmes should be drawn up, indicating the kind, place and duration of training, (e.g. training in local and overseas institutions, special courses, workshops and seminars, in service training, fellowships). In this connexion, assistance should be provided in finding training facilities by encouraging co-operation, between Somalia and other countries. In addition, consideration should be given to the provision of experts to undertake training of local people on-the-job. It is emphasized that a systematic and continuous programme should be developed in this field.

69. A proposal was made^{1/} for the establishment of a Pilot Vocational Training Centre, for training skilled workmen at lower levels, including skilled workmen in basic trades, machine operations and plant maintenance. It was proposed that this project should be co-ordinated with the Second Phase of the UNESCO/ILO Project SOM/72/59. To avoid duplications and overlappings, consultation with the Government, UNESCO and ILO in the formulation and execution of training programmes is recommended.

(c) Feasibility Studies

70. The dearth of bankable projects and the problems facing existing industrial enterprises due to inadequate project formulation

^{1/} Refer to the Industrial Sectoral Review DO/SOM/72/007 of December 1977 page 42.

and evaluation, point to the need for assistance in establishing machinery for the identification, formulation and evaluation of industrial projects. An abstract of studies and reports on industries was prepared in September 1977 under Project No. SOM/72/007 "Project for Strengthening the Ministry of Industry". These 60 projects and reports call for further detailed feasibility studies or updating. The Ministry of Industry, a unit in the Directorate of Planning and the Somali Development Bank are all engaged in the formulation and appraisal of industrial projects. In order to avoid duplication, as well as to economize on the scarce human and financial resources, it is suggested that UNIDO and Somalia should co-operate in establishing a unit to carry out this task.

71. A proposal was made for the establishment of an Industrial Studies and Development Centre (ISDC) to succeed Project No. SOM/72/007 for the strengthening of the Ministry of Industry.^{1/} The proposed objectives of the Centre include: formulation, evaluation and follow-up of industrial projects, macro studies for industrial policy formulation, establishment of multi-disciplinary testing laboratory, establishment of pilot research units for better utilization of raw materials and adaptation of technology, etc. The proposed duration of the project is 4 years, with a total cost of \$ 4.6 million and 238 expert man-months. It may be advisable to start with a well organized and staffed unit or department within the Ministry of Industry rather than create a full fledged institution from the outset.

^{1/} Industrial Sectoral Review Technical Report of December 1977, page 41.

(d) Strengthening the Management of Existing Industrial Enterprises

72. The expansion of public enterprises will no doubt aggravate the scarcity of local people with sufficient managerial technical and scientific knowledge to manage those organizations. Consideration should, therefore, be given to the provision of top managers and technicians on an OPAS basis to run the affairs of industrial enterprises as well as train local counterparts, for an agreed period. Somalia should be assisted in negotiating management agreements with third parties for the management of existing or planned industrial projects. Occasional or casual assistance or advice by short-term experts, albeit important, does not provide an adequate solution to this formidable and perpetual problem. The provision of outside management personnel, either from UNIDO, or under agreement concluded with other parties is therefore advocated.

(e) Promotion of Small-scale Industries and Handicrafts

73. There is already a very big number of small-scale industries and handicrafts. These constitute the private sector. Small-scale industries could contribute significantly to import substitution and export earnings, provided that they are managed efficiently, and given continuous financial assistance, marketing know how, and extension services. The Development Plan lays stress on the promotion of industrial estates, industrial co-operatives and handicrafts. In fact there is already a proposal for the establishment of three estates, and the Ministry of Industry is already organizing small establishments into co-operatives, as well as recommending deserving ones for loans.

74. There is a host of factors which contribute to the success or failure of an estate, which must be studied thoroughly before a decision is made to establish an estate. ^{1/} The factors include:

^{1/} Refer to "The Effectiveness of Industrial Estates in Developing Countries, UNIDO/ICIS. 32 of 20 May 1977, pages 46 to 47.

national and local economic activities; socio-cultural patterns; estate location and site and related infrastructure; Government objectives in establishing an estate; the depth of feasibility and pre-investment studies; financing methods; support of the Government and other authorities; selection of industries, product lines, technologies and entrepreneurs and the organization and management of the estate.

7. It is evident that the Government will need assistance in carrying out studies. If the results of the studies are positive further assistance will be required in drawing up a clear programme for the establishment and management of industrial estates, industrial co-operatives, and other kinds of small-scale industrial units. Consideration will also have to be given to the establishment of either a section in the Ministry of Industry or a separate entity to formulate, implement or review, from time to time, programmes for small-scale industries. The Government should be approached with a view to establishing co-operation in the promotion, organization, management and operations of small-scale industries.

(f) Collection, Processing and Compilation of Information

76. The formulation of industrial plans and policies is hampered by lack of comprehensive up-to-date information and statistical data. Industrial census undertaken at very long intervals are inadequate. The main cause is again the critical shortage of personnel with the necessary know-how. A proposal was made for the establishment of an industrial information centre, but it is felt that in view of the very scarce human and financial resources, the timing of its establishment is inadvisable. It is suggested, instead, that UNIDO should offer the services of an expert for 24 man-months, to assist in the establishment of a machinery in the Ministry of Industry for the collection, processing and compilation, on a systematic and continuous basis, of all important industrial information. It would be very useful if the same expert were qualified also for assisting in industrial planning.

(g) Promotion of Technical Economic Co-operation between Somalia and other Developing Countries

77. Training, joint financing, joint ownership of institutions, joint industrial research, studies and exchange of information on technology etc. are some of the areas in which Somalia will benefit from co-operation with other developing countries. Co-operation in the marketing of specific industrial products will also assist Somalia in reducing excess capacity as well as facilitate the establishment of industries which would otherwise be too large for her national market. For example, Sudan and Somalia might wish to establish co-operative arrangements in the development and improvement of their leather and leather goods industry by sharing technologies, training facilities, exchange of personnel and information.

78. UNIDO can play a major role in promoting this co-operation by collecting information on Somalia's needs and disseminating it among other developing countries which may be likely to co-operate. At UNIDO's meetings organized for discussing technical co-operation among developing countries, participating countries should be requested to submit proposals on fields or projects in which they may wish to co-operate with others. In the case of Somalia, it would be advisable for their needs to be submitted to UNIDO as and when they are identified in order that they may be circulated directly to interested countries or published in UNIDO's Newsletter.

(h) Redeployment of Productive Capacity

79. Somalia's livestock wealth offers great opportunities for the expansion of her leather and leather goods industries. There is already a plan for the establishment of another tannery, the expansion and modernization of a shoe factory, etc.

(i) Establishment of a Machinery for Co-operation at the National Level

80. It is proposed that a national Industrial Consultative Group, or Advisory Committee should be established in Somalia. This would constitute a machinery or framework within which industrial plans, policies and strategies would be reviewed at regular intervals (say once every year) in the light of changing circumstances. The group or committee should identify the problems and constraints and suggest a programme of concerted remedial measures to be instituted in each sector, industry institution or field of activity. Indeed, this arrangement would facilitate the implementation of the provisions contained in paragraphs 58 and 62 of the Lima Declaration and Plan of Action.

81. Participants should be drawn from such Ministries, Government Departments, and local institutions as are directly concerned with industrial development, and from interested donors of technical and financial assistance. The Minister of Industry or his representative should participate in all preparations for the meetings. This proposal will introduce flexibility in the formulation and implementation of industrial plans and policies, according to changes in economic and industrial conditions. It is strongly recommended that the proposal for the establishment of a machinery of this kind be discussed with the appropriate Somali authorities.

Mineral Potential of Somalia

(ECA Summary)

GOVERNMENT

72 M SoSh (about 12 M US\$) provided for mining sector in the 1974-78 Development Programme. National Petroleum Agency possible to be created soon.

EXPLORATIONTechnical AssistanceUN

UNDP project "Mineral and Groundwater Survey". Phase III completed April 1974. A new small-scale project will provide assistance in "strengthening the Geological Survey of Somalia" (0.5 million US\$ for experts and 1.5 million US\$ from rubles fund as equipment for mineral exploration from USSR).

Bulgaria

Survey for tin and lead deposits in Bosasa area, Northern Province, carried out by a team of Bulgarian experts.

USSR

Survey for various minerals, mainly for piezo-electric quartz in Berbera-Hargheisa area carried out by a team of Soviet geologists.

Potential ResourcesAtomic Minerals

Bur region, Alio Ghelle deposit of urano-thorianit containing 250,000 mt. ore with 3.3 per cent Th_2O_3 , 0.12 per cent U_3O_8 and 0.08 per cent Y_2O_3 investigated by UNDP and ENI-Nucleare Somalia showed non-economic at present market economic conditions. Similar conclusions reached by Western Nuclear on Jac Brava anomaly.

Mudugh area: carnotite mineralization in Miocene sandstone, U_3O_8 averaging 0.1 per cent in Wabo deposit with proved and inferred reserves about 5000 t of U_3O_8 and 1500 t of Vanadium. Other interesting anomalies with 0.03 - 0.1 per cent U_3O_8 at Mirig, Dusa Mareb, Bulaleh, Hamur, Wamoley.

Black Sands

About 10 million tons reserves of sand with high content of ilmenite and 1 per cent T_2O_3 in Kisimaya area, preliminary investigated by UN expert.

Building Materials

The following occurrences will form the object of detailed surveys of GSD during 1974-78:

Asbestos - Hargheisa, Bohol, Mora, Bana
Bentonite - Dusa Mareb, Berbera
Feldspates - Berbera, Hargheisa
Mica - Je Hagaz
Marble - Bur Acaba
Talc - Las Durah, Mira, Qotan
Vermiculite - Burgalan, Selei, Berbera, Manas

Copper

Occurrences in Zaint, Las-Kore area, to be studied during 1974-78.

Gypsum

Suriyah-Malableh deposit, SE of Berbera, 30 M tons proved and probable reserves, 80 - 85 per cent gypsum and anhydrite under study for further development.

Lead

Occurrences in Golujet and Fulanful.

Iron ore

In Bur region, the deposits for Bur Galan and Dairmir studied and considered as uneconomic for development by UNDP. Banded hematite and magnetite in ferruginous quartzites, av. 36 per cent Fe, in Bur-Galan for 167 million tons geological reserves and 20 - 40 per cent Fe, about 50 million tons in Dairmir.

Oil

During the period 1956-72 several companies have drilled 51 exploratory and structural dry holes totalling 404809 feet. Burma Oil Company (assoc. with Hamner), Elf-Somalie, Deutsche-Texaco and Conoco are carrying out seismic surveys on offshore and some onshore areas. The offshore well Hafun will be spudded in May 1974 by Elf. Government intends to initiate itself some exploratory works during 1974-78.

Piezo-electric quartz

Bilateral agreement established with USSR for exploration and mining in the Northern province, Bur Mado area, exceeding 2500 sq.km. with piezo-quartz mineralization; Wau-Wau deposits studied for development.

Other interesting areas: Manderia and Abulcadir.

Sepiolite

31 Bur deposit with rock containing 70 per cent Sepiolite, exploited on very small scale. Systematic exploration requested for further development.

Tin

Wang Yaoban mine near Bosasso in the Northern Province is prepared by a Bulgarian Team for reopening and further extension.

UNDER DEVELOPMENT AND PRODUCTION

Salt

1000 tons/year artisanal production for domestic use, by evaporation. Negotiations for a major extraction plant near Hafun (1 mill. t/year) started in 1971, apparently suspended.

SOMALIA - Medium and Long Term External Public Debt
as at December 31, 1973.

Projected Debt Service Payments

(in Millions of SDR ^{1/})

SOURCE	Original Principal		Disbursed and Out- standing	Undis- bursed	Total Debt Service (of which, interest)						
	Currency of Denomination	SDR Equiv.			1976	1977	1978	1979	1980	1981	
Development Institutions											
African Development Bank/Fund	U.A.	5.5	5.85	2.44	3.41	.18 (.15)	.26 (.17)	.30 (.17)	.30 (.17)	.29 (.16)	.29 (.15)
Arab Fund for Economic and Social Dev.	US\$	7.3	6.24	6.24	-	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
IDA	US\$	60.0 ^{2/}	51.25	25.71	25.02	.29 (.23)	.34 (.27)	.39 (.31)	.42 (.34)	.43 (.34)	.46 (.34)
Sub-Total			63.34	34.39	28.43	.47 (.38)	.60 (.44)	.69 (.48)	.72 (.51)	.72 (.50)	.75 (.49)
Bi-lateral											
Bulgaria	US\$	1.5	1.28	0.61	-	.15 (.02)	.14 (.02)	.13 (.02)	.13 (.01)	.13 (.01)	-
China, Peoples' Rep. of	RY SwFR	135.0 80.0	58.12 26.08	62.13	22.07	- (-)	- (-)	- (-)	- (-)	- (-)	2.50 (-)
Germany, Fed. Rep. of	DM	42.5	13.86	12.35	-	.62 (.13)	.61 (.13)	.61 (.12)	.83 (.12)	.82 (.11)	.77 (.10)
Iraq	I.D.	2.0	5.77	1.02	-	.22 (.02)	.22 (.02)	.21 (.02)	.21 (.01)	.20 (.01)	.04 (-)
Italy	Lira	5,966.4	7.46	4.20	-	.97 (.23)	.94 (.20)	.91 (.16)	.88 (.13)	.84 (.10)	.51 (.04)
Kuwait	KD	6.2	18.00	-	18.00	.09 (.09)	.16 (.16)	.27 (.27)	.27 (.27)	.99 (.27)	.98 (.26)
Libya	US\$	9.8	8.34	2.56	5.78	.77 (.34)	1.34 (.33)	1.30 (.29)	1.26 (.26)	1.23 (.22)	1.19 (.21)
Qatar	US\$	10.0	8.54	8.54	-	.26 (.26)	.97 (.26)	.95 (.24)	.92 (.21)	.90 (.19)	.88 (.17)
Saudi Arabia	US\$	45.8	39.11	15.31	23.80	- (-)	- (-)	- (-)	2.39 (-)	4.07 (-)	4.07 (-)
United States	US\$	14.5	12.39	12.39	-	.12 (.12)	.12 (.12)	.61 (.20)	.60 (.19)	.69 (.28)	.68 (.27)
U.S.S.R.	R. Estg.	104.0 1.5	117.20 2.59	60.03	59.10	.97 (.21)	2.20 (.20)	2.91 (.91)	6.02 (.93)	5.93 (.76)	5.04 (.63)
Sub-Total			318.74	179.14	128.75	4.17 (1.42)	6.70 (1.44)	7.90 (2.23)	13.51 (2.03)	15.90 (1.73)	16.64 (1.68)
GRAND TOTAL			382.08 ^{2/}	213.53	157.18	4.64 (1.80)	7.30 (1.88)	8.59 (2.71)	14.23 (2.54)	16.52 (2.43)	17.30 (2.17)
Memo item: (as of Dec. 1973, SDR)				(108.6)	(112.0)						

Notes: During 1976 Somalia has additionally received commitments for the following loans:
IDA: \$5.0 m. Drought Rehabilitation, \$10.0 m. Northwest Agriculture;
African Development Fund: U.A. 5.0 m, Arab Fund (\$20.0 m), and Kuwait Fund: \$21.0 m. all for Drought Rehabilitation.
U.S.S.R.: \$21.8m. Commodity Loan (10 years at 2%) for Fisheries. United Arab Emirates: \$20.0 m. for Education.

^{1/} As per cross currency exchange rates of December 31, 1973; i.e., SDR 1.0 equals: ADB U.A. 0.94; US\$1.17066; Chinese Renmin bi 2.3226; Sw.FR. 3.0671; D.M. 3.0698; Iraq Dinar 0.34657; Lira 600.21; Kuwait Dinar 0.34435; Rouble 0.88736; E.Stg. 0.5785; So.Sha. 7.3693. (IMF, International Financial Statistics).

^{2/} Includes US\$1.9m. exchange adjustment and \$550,000 Project Preparation Credit.

^{3/} The original principal (SDR 382.08 million) differs from the sum of disbursed and undischursed (SDR 370.71 million) by the amount of debt already repaid (SDR 11.37 million).

Source: Data provided by the Central Bank of Somalia and mission estimates.

APPENDIX "C"

SOMALIA - Exports by Commodities, 1970-74
(In millions of SDRs ^{2/})

	1970		1971		1972		1973		1974	
	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent
Bananas	8.8	28	8.9	26	10.3	26	9.0	20	10.5	20
Live animals	16.7	53	17.3	50	21.2	54	26.3	58	29.4	57
Meat and meat products	0.9	3	3.0	9	3.0	8	3.0	7	4.7	9
Hides and skins	2.1	7	2.5	7	2.3	6	1.8	4	1.9	4
Wood products and charcoal	--	--	--	--	0.7	1	0.7	2	--	--
Fish and fish products	0.2	--	0.4	1	0.7	2	1.8	4	2.0	4
Other	<u>2.7</u>	<u>9</u>	<u>2.4</u>	<u>7</u>	<u>1.2</u>	<u>3</u>	<u>3.0</u>	<u>5</u>	<u>3.0</u>	<u>6</u>
Total	31.4	100	34.5	100	39.4	100	45.5	100	51.6	100
Undervaluation of actual receipts ^{1/}	2%		10%		32%		5%		4%	

Note: 1) Export values as assessed by customs do not always reflect current market prices; rather they serve as benchmark values for purposes of levying export tax and Statistical and Service Duty (12½%). Benchmark values lag actual market prices and hence induce bias for underevaluation of export value in times of rapidly rising prices, as in 1972 when export receipts as recorded by Central Bank totalled SDR52.5 million.

2) So.Shs. per SDR (average rate for period) - thru 1970: 7.143, 1971: 7.1493, 1972: 7.5775, 1973: 7.4884, 1974: 7.5696.

Source: Directorate General of Planning and Coordination, Central Statistical Department, Foreign Trade Returns 1970, 1972, 1973 and 1974 and Statistical Abstract, 1972.

SOMALIA - Exports by Country of Destination, 1970-1974
(In millions of SDRs)

	1970		1971		1972		1973		1974	
	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent
China	0.3	1	0.6	2	0.4	1	1.5	3	2.0	4
Italy	8.2	26	7.7	22	7.2	19	7.5	16	5.3	10
Iran	--	--	--	--	0.4	1	0.8	2	3.4	7
U.S.S.R.	0.5	2	2.2	6	2.5	7	1.2	3	2.8	5
Kuwait	0.3	1	1.0	3	2.5	6	1.5	3	2.4	5
Saudi Arabia	16.5	52	17.1	50	21.0	53	25.9	57	29.3	57
Yemen, Peoples' Democratic Republic of	3.2	10	2.3	7	2.0	5	3.5	8	1.6	3
Other Arab countries	0.3	1	1.1	3	0.9	2	0.7	2	1.7	3
Other	<u>2.1</u>	<u>7</u>	<u>2.5</u>	<u>7</u>	<u>2.5</u>	<u>6</u>	<u>2.9</u>	<u>6</u>	<u>3.1</u>	<u>6</u>
Total	31.4	100	34.5	100	39.4	100	45.5	100	51.6	100

Notes: 1) Export values as assessed by customs do not always reflect current market prices; rather they serve as benchmark values for purposes of levying export tax and Statistical and Service Duty (12½%). Benchmark values lag actual market prices and hence induce bias for underestimation of export value in times of rapidly rising prices, as in 1972 when export receipts as recorded by Central Bank totalled SDR\$2.5 million.

2) So. Shs. per SDR (average rate for period) - thru 1970: 7.143; 1971: 7.149; 1972: 7.5775; 1973: 7.4884; 1974: 7.5696.

Source: Directorate General of Planning and Coordination, Central Statistical Department, Foreign Trade Returns 1970, 1971, 1972, 1973 and 1974 and Statistical Abstract, 1972.

SOMALIA - Imports by Commodities, 1970-74

(In millions of SDRs)

	1970		1971		1972		1973		1974	
	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent
Cereals and cereal products	7.7	17	14.7	24	7.3	11	7.7	9	9.4	8
Fruits and vegetables	2.2	3	2.2	4	1.3	2	1.6	2	1.7	1
Sugar and sugar products	0.1	--	0.1	--	2.8	4	3.7	6	6.1	7
Coffee, tea, and cocoa	1.1	2	2.1	3	2.5	4	1.3	2	1.6	2
Beverages and tobacco	1.2	3	1.8	3	1.6	3	2.6	3	1.0	1
Animal and vegetable oils and fats	2.3	5	2.1	3	1.9	3	1.1	1	1.7	1
Non-edible animal and vegetable crude materials	1.3	3	2.0	3	1.4	2	2.0	2	2.7	2
Petroleum and related products	2.6	6	2.7	4	3.2	3	3.6	4	6.0	7
Medical and pharmaceutical products	1.2	3	2.0	3	1.3	2	3.0	6	3.2	3
Chemical and rubber products	2.6	6	2.9	3	4.4	6	6.3	7	7.6	7
Paper and paper products	2.7	6	4.0	6	3.7	5	4.9	5	6.3	5
Wood, lumber and cork	1.1	2	0.9	1	0.9	1	1.3	2	2.7	2
Textiles	3.6	6	3.1	6	4.9	7	7.3	6	12.6	11
Clothing	1.6	3	1.6	3	1.9	3	2.9	3	2.7	2
Metals (base)	1.2	3	1.6	3	2.3	3	2.6	3	9.9	8
Metal and mineral manufactures	2.3	3	3.3	6	3.1	7	3.4	6	8.6	7
Electrical machinery	0.9	2	1.1	2	3.6	3	3.5	4	3.0	4
Non-electrical machinery	2.0	3	2.7	4	3.9	9	9.3	10	11.6	10
Miscellaneous manufactured articles	1.6	4	2.7	4	3.6	3	3.0	3	3.1	3
Transportation equipment	4.6	10	4.0	7	7.4	11	11.3	13	9.0 ^{1/}	6
Other	1.0	2	2.6	4	1.6	2	1.2	1	1.8	1
Total	43.1	100	62.6	100	69.1	100	90.3	100	116.7	100

^{1/} An additional SDR 9.0 million of transportation equipment, supplied by the USSR, was reported by the Central Bank of Somalia.

Note: So. Shs. per SDR (average rate for period) - thru 1970: 7.143; 1971: 7.1493; 1972: 7.3773; 1973: 7.4884; 1974: 7.3496.

Source: Directorate General of Planning and Coordination, Central Statistical Department, Foreign Trade Return 1970, 1971, 1972 and 1974 and Statistical Abstract, 1972.

SOMALIA - Commodity Imports by Country of Origin, 1970-74

(In millions of SDRs)

	1970		1971		1972		1973		1974	
	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent
China, Peoples' Republic of	0.8	2	0.9	1	4.0	6	16.9	19	7.5	6
Ethiopia	1.2	3	2.1	3	1.1	2	1.7	2	1.6	1
France	0.5	1	1.8	3	0.7	1	3.8	4	4.4	4
Germany, Federal Republic of	4.1	9	4.7	7	3.1	4	4.7	5	4.0	3
Italy	13.3	30	17.0	27	20.4	30	28.3	31	32.9	28
Japan	3.4	8	3.3	5	3.9	6	3.3	4	4.3	4
Kenya	2.4	5	2.6	4	3.5	5	3.6	4	5.7	5
Singapore	2.2	5	2.9	5	2.3	3	1.0	1	1.7	1
Thailand	0.2	--	4.8	8	2.6	4	--	--	4.4	4
United Kingdom	2.8	6	4.1	7	4.2	6	4.3	5	4.2	3
United States	3.6	8	4.2	7	4.5	6	2.2	2	2.6	2
U.S.S.R.	3.0	7	4.1	7	6.8	10	8.5	9	14.9	13
Yemen, Peoples' Dem. Rep. of	1.4	3	1.3	2	1.2	2	1.8	2	2.1	2
Other Arab countries	1.5	3	1.9	3	0.8	1	1.6	2	4.3	4
Other	<u>4.7</u>	<u>10</u>	<u>6.9</u>	<u>11</u>	<u>10.0</u>	<u>14</u>	<u>8.8</u>	<u>10</u>	<u>24.1</u> ^{1/}	<u>20</u>
Other	43.1	100	62.6	100	69.1	100	90.5	100	118.7	100

^{1/} Includes SDR 4.5 million for sugar imports from Mauritius and SDR 5.4 million mostly for textile and yarn imports from Pakistan.

Note: So. Shs. per SDR (average rate for period) - thru 1970: 7.143; 1971: 7.1493; 1972: 7.5775; 1973: 7.4884; 1974: 7.5696.

Source: Directorate General of Planning and Coordination, Central Statistical Department, Foreign Trade Returns 1970, 1972, 1973 and 1974 and Statistical Abstract, 1972.

APPENDIX "G"

Samalia: Balance of Payments, 1969-75
(In millions of SDRs)^{1/}

	1970	1971	1972	1973	1974	1975 ^{2/}
A. Goods and services (net)	-18.6	-18.5	-22.8	-56.5	-86.7	-98.7
Exports, mainly f.o.b.	31.9	38.8	52.0	67.8	53.5	72.9
Imports, mainly c.i.f.	-65.6	-65.8	-66.4	-94.0	-128.6	-146.3
Trade balance	-33.7	-27.0	-14.4	-46.2	-75.1	-73.4
Services (net)	-4.9	-8.7	-7.7	-10.3	-11.6	-17.3
Transportation and Insurance	(-2.3)	(-1.1)	(-0.5)	(-0.9)	(-1.6)	(-2.4)
Travel	(-1.0)	(-2.2)	(-2.1)	(-1.2)	(-2.0)	(-3.3)
Investment income	(0.3)	(0.3)	(0.2)	(1.2)	(1.6)	(0.3)
Government, n.i.d.	(0.9)	(3.2)	(-0.5)	(-6.7)	(-7.2)	(-5.2)
Other services	(-2.5)	(-4.3)	(-4.8)	(-2.7)	(-2.4)	(-6.7)
B. Unrequited transfers (net)	13.0	13.2	15.6	24.0	32.4	28.7
Private	0.5	2.1	1.7	7.3	3.0	1.6
Official ^{3/}	12.2	17.1	13.9	21.8	49.4	97.1
C. Capital accounts (net)	11.2	-6.2	20.2	26.4	35.1	35.5
Private	6.5	2.9	7.0	3.7	1.7	7.7
Central Government	7.4	3.4	13.3	22.7	33.9	27.8
D. Errors and omissions (net)	-9.6	-1.8	0.7	-	0.8	-0.8
E. Total (A through D)	5.6	6.8	16.5	-6.0	-7.5	52.7
F. Allocation of SDRs	2.5	2.8	1.8	-	-	-
G. Total (A through F)	8.1	9.6	18.3	-6.0	-7.5	52.7
H. Monetary movements (net) (increase -)	-8.1	-9.6	-18.3	6.0	7.5	-52.7

Sources: Central Bank of Samalia, *Bulletin*, November 1974 and data provided by the Samali authorities.

^{1/} So.Sis. per SDR - 1969-70: 7.1430; 1971: 7.1493; 1972: 7.5775; 1973: 7.4888; 1974: 7.5656; 1975: 7.6431 (Average for period). Source: IMF International Financial Statistics.

^{2/} Provisional.

^{3/} Because of non-systematic treatment in recording value of technical assistance, figures for 1972-74 differ from those in Table 3-1, Foreign Credits by major donors.

APPENDIX "H"

Somalia: Foreign Grants by Major Donors, 1965-1975
(In millions of SDRs)

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
Egypt, Arab. Rep. of	1.1	1.0	1.0	1.0	--	--	--	--	-- 1/	2.4
European Economic Community	0.7	0.7	--	0.7	0.3	0.8	6.3	3.7	7.9	7.3
Germany, Federal Rep. of	1.1	1.3	2.0	1.3	1.1	--	1.0	0.9	1.9	0.7
Italy	5.1	1.8	1.3	10.1	2.2	4.5	5.5	6.5	3.2	3.9
Mainland China	1.5	0.1	0.4	0.1	--	--	0.5	... 1/	0.5	--
United Kingdom	--	--	0.3	--	0.3	--	--	... 2/	... 1/	--
United Nations	1.7	1.8	2.8	2.2	0.8	3.1	2.3	2.5	5.4	4.4
United States	5.7	3.1	3.4	4.9	1.7	3.1	0.7	... 2/	--	--
U.S.S.R.	0.3	0.4	0.6	5.6	2.9	--	--	... 1/	... 1/	--
Other	--	0.1	0.3	0.1	1.0	0.7	0.7	0.7	6.6	20.2
Total	17.2	10.3	12.1	15.0	10.3	12.2	17.1	14.3 3/	25.5	39.9

Sources: Data provided by the Central Bank of Somalia.

1/ Not available.

2/ Included in "Other".

3/ Includes SDR 4.9 million grants in the form of technical assistance.

Appendix

Somalia: GDP and Related Aggregates - 1960-75

(In 1970 prices and exchange rate)

Year	GDP	Value added in manufacturing industries	Wholesale & retail trade	Transportation & Communication	Private final cons.exp.	Cvt. Cons. Crop	Gross fixed capital formation	(in mill US\$)	
								Exports	Imports
1960	177.4	4.5	9.3	10.8	132.8	322	24.4	35.1	47.5
1961	186.6	4.0	10.3	9.8	146.2	32.1	26.6	37.8	54.6
1962	192.4	4.0	10.3	11.8	163.2	30.8	25.2	30.8	61.7
1963	200.5	3.9	11.0	11.5	164.7	34.3	25.9	40.9	63.2
1964	181.6	3.5	10.5	10.2	151.3	33.5	25.2	42.2	73.7
1965	173.9	3.0	10.7	10.5	138.6	29.8	26.8	37.9	60.9
1966	195.5	6.3	11.9	10.8	147.7	36.7	29.7	36.1	55.2
1967	204.6	8.1	12.7	12.5	154.3	38.9	33.2	35.3	58.0
1968	210.1	9.2	12.9	13.4	160.0	38.6	34.2	37.5	61.2
1969	210.3	11.7	12.1	12.7	155.2	39.3	34.2	36.5	54.9
1970	221.2	14.2	12.7	12.6	163.8	42.0	33.9	33.0	51.7
1971	235.9	17.4	13.5	15.5	167.1	50.7	38.0	41.6	60.2
1972	252.9	19.5	15.3	18.9	172.4	48.1	43.1	57.5	81.7
1973	257.4	21.3	16.2	20.0	182.8	73.6	59.7	59.1	107.6
1974	229.2	21.3	19.8	20.7	173.1	72.7	57.5	47.8	122.1
1975	242.6	22.6	20.2	21.6	172.8	73.7	62.5	59.9	127.3

Source: UN Statistical Office

TECHNICAL ASSISTANCE PROJECTS BEING UNDERTAKEN OR RECENTLY COMPLETED
IN RELATION TO THE INDUSTRIALIZATION OBJECTIVES

02. The total investment target for industry laid down in the 1974-1978 Plan is about So. Sh 1079 million. The various projects are shown here below. ^{1/}

Projects Financed by UNDP/UNIDO:

Technical co-operation projects and activities wholly or partially financed by UNDP/UNIDO during the period 1972-1976 and in 1977 are summarized below:

Project/Activity Title	Project No.	Agency	Expenditure (US\$)	
			1972-76	1977
<u>COMPLETED PROJECTS:</u>				
1. Training Centre for hides	SOM/67/511	FAO	255,173	
2. Development of building materials industries	SOM/71/806	UNIDO	9,500	
	SOM/73/806	UNIDO	35,250	
3. Industrial development	SOM/68/021	UNIDO	83,207	
4. Industrial Organization	SOM/71/803	UNIDO	12,500	
5. Industrial Survey	SOM/72/004	UNIDO	41,152	
6. Small Industries Adviser	SOM/72/006	UNIDO	<u>5,500</u>	
			<u>242,282</u>	<u>.....</u>
<u>ONGOING PROJECTS:</u>				
7. By-Products utilization plant	SOM/72/010	FAO	296,467	29,776
8. Gypsum pilot plant	SOM/71/007	UNIDO	74,027	44,000
9. Strengthening the Ministry of Industry	SOM/72/007	UNIDO	412,737	117,300
10. Building materials industries	SOM/74/002	UNIDO	54,227	659
11. Foundry and Mechanical Workshop	SOM/73/004	UNIDO	<u>285,051</u>	<u>113,000</u>
			<u>1,122,509</u>	<u>304,735</u>

^{1/} See Industrial Sectoral Review Technical Report DP/SOM/72/007 of December 1977, pages 37 - 39

TRUST FUND AND OTHER FUND PROJECTS

12. Assistance to SOMALI Development Bank	RP/SOM/76/003	UNIDO
13. Animal feed plant	TF/SOM/77/001	UNIDO-FRC
14. Solar Water distillation Plant		UNIDO-UNICEF

TRUST FUND PIPE-LINE PROJECTS

15. Oil seed and bean production	SOM/501/NECP	TF (FAO-IRAC)
16. Solar Salt Production		UNIDO
17. Development of Charcoal industries		UNIDO
18. Establishment of an Edible Oil Factory		UNIDO/BULGARIA

In addition to the above mentioned country projects, three regional and inter-regional projects are being financed by UNDP, namely:

<u>Title</u>	<u>Project No.</u>	<u>Agency</u>
1. Advisory Group on Food and Agricultural Industries Development	RAF/72/020	FAO/ICA
2. Industrial Joint Ventures	RAF/74/010	UNIDO
3. Central Advisory Services to IDCAS	REFM/71/283	UNIDO

Bilateral Capital Assistance:

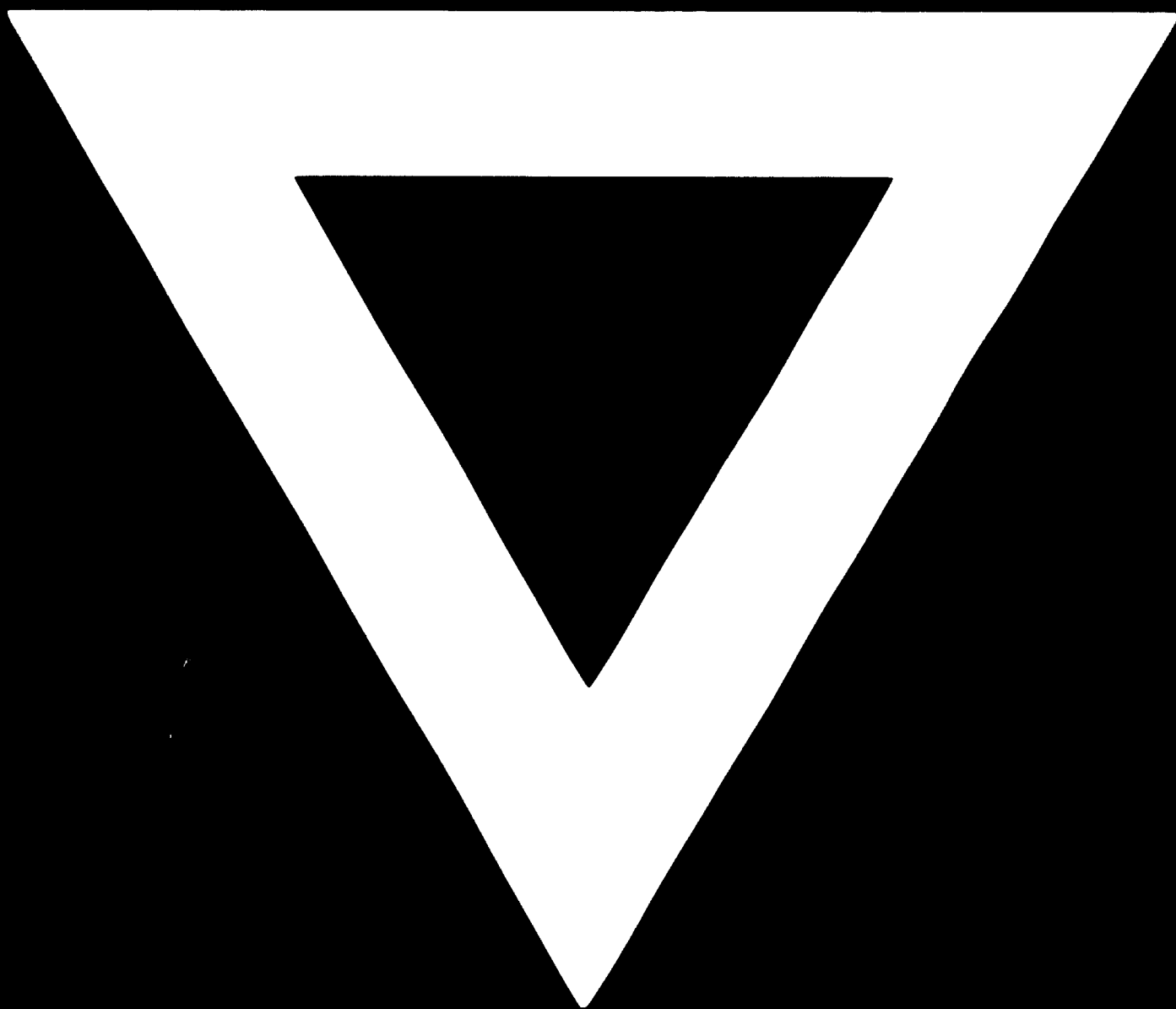
Many medium and large size projects were financed through bilateral assistance. The following list provides such projects with the bilateral terms and value of capital assistance offered.

<u>Project</u>	<u>Donor Country</u>	<u>Capital assistance</u>
1. Petroleum Refinery	IRAQ	6,500,000
2. Expansion of Textile Mill	SAUDI ARABIA	17,000,000
3. Sugar Factory	SAUDI ARABIA	6,900,000
4. Foundry and Mechanical Workshop	YUGOSLAVIA	240,000
5. Meat Factory, Kismayo	USSR	N.A.
6. Milk Factory, Mogadiscio	USSR	N.A.
7. Fish cannery, Las-Koreh	USSR	N.A.
8. Printing Press	USSR	N.A.
9. State Printing Press	FEDERAL REPUBLIC OF GERMANY	480,000
10. Cement Factory, Berbera	NORTH KOREA	5,800,000
11. Balad Irrigation Project to Supply Cotton to SOMALTEX	NORTH KOREA	18,700,000

12. Other capital assistance has been extended by multilateral organizations. United Nations Capital Development Fund has provided a grant amounting to US\$ 1,555,000 to establish seven maize drying units together with associated ancillary equipment in the six major maize-producing districts of Somalia. Also a \$ 5 million IDA credit to the Somali Development Bank (SDB) is recommended, of which an amount up to \$ 260,000 would be available for meeting part of the cost of the staff development programme and the balance amount of \$ 4.74 million would be utilized for meeting the foreign exchange cost of sub-projects financed by SDB.



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