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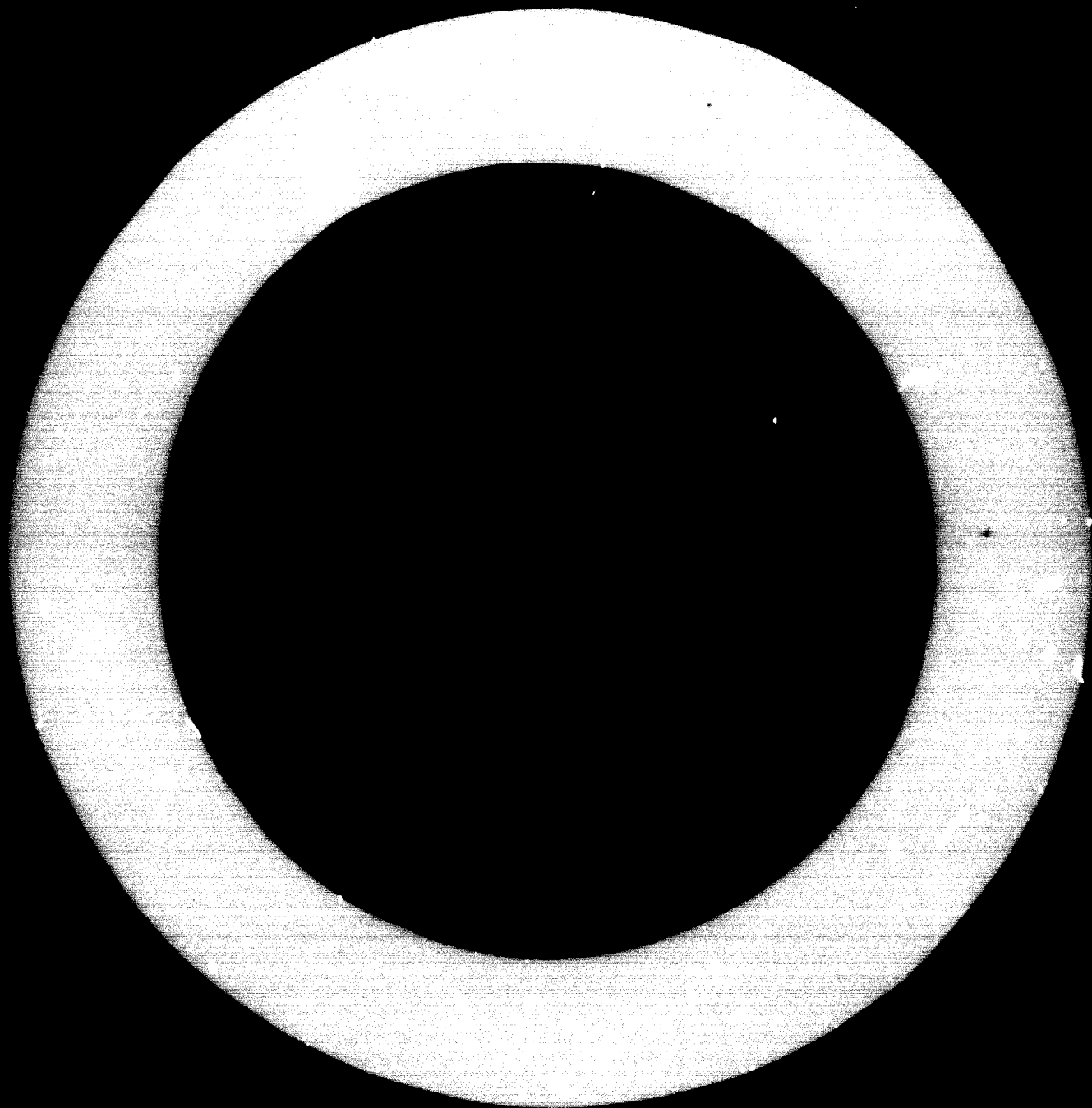
Vienna, 23 May - 2 June 1972

Agenda Item 5c

REPORT ON THE EVALUATION OF SELECTED ACTIVITIES OF UNIDO

ADDENDUM 2

Evaluation report: Somalia



1/1/1950.
1950

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PREFATORY NOTE

1. This report has been prepared in accordance with the recommendations of the fifth session of the Industrial Development Board^{1/} and of the Special International Conference of UNIDO,^{2/} to the effect that UNIDO undertake jointly, with the Governments concerned, a regular evaluation of its activities in selected countries. The present report is based on a joint examination by the Government of Somalia and UNIDO of the technical co-operation activities carried out by UNIDO in Somalia from 1967 to 1971.

INTRODUCTION

2. The Somali Democratic Republic, in the north eastern corner of the African continent, the corner known as the "Horn of Africa", has an area of over 637,000 km² and a population of some 2.7 million. It became an independent republic on 1 July 1960, merging the previous Italian Trust Territory of Somalia and the former British Protectorate of Somaliland. In October 1969, the name of the Somali Republic was changed to the Somali Democratic Republic.

3. Somalia has one of the lowest per capita incomes in Africa (between US\$50-60). A manpower survey, conducted in 1963, estimated that about 60 per cent of the total population derived their livelihood directly from livestock raising and that a further 23 per cent were dependent on other agricultural activities and fishing. A second manpower survey conducted in 1968 showed that there had been no significant change in the pattern of employment. The Gross Domestic Product has never been properly assessed, but it is assumed that in 1968 manufacturing contributed about 6 per cent, at 1968 prices, to the GDP.

4. Somalia's first Five-Year Plan was initiated in July 1963. In 1968, a Short-Term Development Programme was adopted, covering the period 1968 to 1970 and aimed primarily at the completion of projects carried over from the first plan. A third programme, to cover the period 1971 to 1973, has just been announced. The main objectives of the programme are the consolidation of existing projects so as to put them on sound economic basis and the realization of some of the programmes envisaged but not implemented in the previous two plans. The Government places priority on the development of the agricultural sector and on the basic physical infrastructure. Industry is assigned a lower priority, except for some programmes to rationalize existing industry, establish agro-industries and stimulate small-scale manufacturing.

^{1/} Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 10, document A/8416, para.271.

^{2/} Consensus resolution ID/SCU/Res.1, para.1(p), document A/3341/Rev.1.

5. The manufacturing industry is at an early stage of development in Somalia. Industrial production is largely confined to a few large-scale agricultural units and a number of small-scale import-substitution manufacturing and service enterprises. Most of the industrial establishments are concentrated in the Mogadiscio and Benaadir regions. Between the years 1963 and 1969, there was virtually only one large-scale industrial establishment, the sugar factory at Jowhar. There were, however, many small-scale and handicraft industrial units. Later, the following large-scale industrial plants were constructed within the public sector: the Kismayo meat factory; the Las Korah fish processing factory; a milk processing factory; and a textile factory. A sugar factory was considerably expanded.

6. According to an industrial survey undertaken in 1969 of industrial establishments employing at least five persons, there were 134 manufacturing enterprises in Somalia engaged in the manufacturing of, inter alia, food, beverages, leather goods and footwear, textiles, furniture, soap and cosmetics and building materials. Only a few of these enterprises were large scale. Somalia's experience with manufacturing enterprises in the ten years since her independence has not been very happy. Few of the factories established during the period have been successful; nearly all of them have difficulties of one kind or another; many are working far under capacity and some have closed down. There are many reasons for these difficulties, including inadequate infrastructure, shortage of skilled labour and delays in obtaining materials and equipment. The main reason for the poor performance of manufacturing since independence, however, has been the inadequacy of technical and economic project appraisals.

7. The most immediate need is to improve the efficiency and profitability of existing industries. This need is particularly urgent with regard to newly established state-owned factories, which, unless run efficiently, are likely to incur heavy losses for the Government and hinder the development of the agricultural industry. It is necessary to ensure that these factories are adequately staffed with competent and experienced managerial personnel and that adequate capital is available. The Ministry of Industry has already initiated various measures to improve the efficiency and over-all performance of the public sector industries.

8. The technical assistance of UNIDO to Somalia has been on a modest scale and limited in scope. The requests for technical assistance, the bulk of which have been received during the last two years, have been for immediate requirements. Under the UNDP/TA programme, only two posts were included during the 1968-1971 period, but this was due, perhaps, to the country's preferential needs in the field of agriculture.

9. The volume of UNIDO's assistance, expressed in US dollars, is given in the table below:

Value of technical assistance projects carried out
by UNIDO in Somalia, 1968 to 1971

<u>Source of Funds</u>	<u>US\$</u>
UNDP/TA	47,925
RF	32,500
SIS	21,300
ITF	21,250
Total	<u>122,975</u>

... assistance included a total of 64 expert man-months and 100,000 Somali shillings for the establishment of a foundry and a workshop. At present, several projects of an advisory nature, worth more than \$200,000, are in the pipeline as well as another project, which would cost about \$200,000, for the establishment of a foundry and workshop.

10. Although the assistance of UNIDO during the period under appraisal was relatively small in terms of total financial outlay and in the context of the aggregate UNDP involvement in the country, its impact on the industrial development of Somalia has been significant. The grand total of UNIDO activities during the past four years - initial general industrial survey followed up by detailed programming of industrial activities, study of industrial management in the greatest area of government investment (organizational, financial and cost accounting spheres), location of the area for development of small-scale industries, study of the exploitation of mineral resources (gypsum) and assistance to the major financing institution of the country - has been of great help to the Somali Government in conducting its industrial and commercial activities. UNIDO activities have been of assistance to the Ministry of Industry in shaping the short-term development programme, in evolving a long-term development strategy for industrial planning and programming of industrial projects and in improving and strengthening the state-owned industries (built mainly with bilateral assistance) especially with regard to operation, management and accounting (finance and cost). The assistance of UNIDO in bettering the performance and improving the profitability of state-owned industries is continuing and its impact is much appreciated by the Government. As a result of such assistance, two specific projects have been identified for implementation by UNIDO, and these projects occupy a prominent place in the current development programme of the country. The technical co-operation between UNIDO and the Government of Somalia has culminated in the reorganization of the Ministry of Industry and the creation of an Industrial Development Unit for the management of public sector enterprises. The Ministry of Industry is to assume greater control and supervision of industry, consistent with maximum autonomy to the plant management and as to plan future short- and long-term industrial development including the implementation of projects in the allocated spheres of public and private investments.

CHAPTER I. TECHNICAL ASSISTANCE PROJECTS

ASSISTANCE IN THE FIELD OF INDUSTRIAL DEVELOPMENT PROGRAMMING

Phase One

11. Prior to 1969, the Government undertook several studies in the industrial sector. A number of industrial plants were under construction or had been completed by the Government. The general direction of investments was toward, drawing on raw materials to be provided by agriculture, livestock and fisheries, but the industrialization process was suffering from a lack of institutional set-ups such as a proper legal structure for the firms, adequate internal financial resources and suitable market outlets.

12. Aware of these shortcomings, the Government, in January 1967, requested technical assistance in industrial development programming. The project assumed the form of a one-man mission; in August 1967, the post was approved for six months under the UNDP/TA programme. The expert arrived in the field early in 1969, the delay between approval of the project and the arrival of the expert being due to the unavailability of suitable candidates.

13. The main objectives of the expert's mission were:

- To assist in setting industrial development objectives and in formulating a national industrial development programme, which would include energy development, with special regard to the regions of Berbera, Moyale and Kisumu;
- To assist in determining the legal, institutional, organizational, economic and financial policies necessary to implement this programme;
- To carry out feasibility studies with a view to selecting for inclusion in the programme viable projects of regional interest;
- To study problems in the implementation of the programme in order to devise measures to solve them;
- To plan the implementation of the programme at project level, determine project interaction and allocate resources accordingly;
- To establish a system of reporting and periodic revision, through which the implementation of the programme could be followed up and any deviation from development objectives determined, and to take the necessary corrective measures to re-adjust the programme to assure its effective implementation; and
- To train local counterparts in the above-mentioned areas and organize an industrial programming unit in the Ministry of Industry.

14. The expert was assigned to the Ministry of Industry, and high-level local officials of the Ministry were made available as his part-time counterparts. He made a detailed review

of new projects and of several existing industries, studied reasons for delays in the implementation of projects and examined the resources for industrial development as well as the organizational, institutional and legal structure of the Somali industrial sector.

15. It may be said that the report of the expert, which was submitted to the Government shortly after the completion of the project, was the first summary of important facts and recommendations related to the industrial sector in Somalia.

16. Included in the programme for industrial development proposed by the expert were the following:

- Actions to be taken concerning existing plants or plants nearing completion;
- A summary of organizational, institutional, legal and promotional measures;
- New top priority projects to be implemented during the period 1971 to 1975, with emphasis on their regional distribution, technical, economic and financial aspects, and calculations of the expected increase in commodity and national production;
- Basic infrastructure projects, including power, as prerequisites for balanced industrial development; and
- A UNDP/SF type project for the establishment of an industrial development centre as an autonomous body to be affiliated with the Ministry of Industry.

17. More specifically, the expert recommended that studies be made of a tomato paste processing plant, of the production of corrugated cardboard containers for the shipping and export of bananas, and of the exploitation of gypsum resources for export.^{3/} All these proposals are now in various stages of implementation.

18. One of the recommendations of the expert was that attention be focused on the development of small-scale industries. This recommendation was adopted by the Government, and an expert in small-scale industry has been requested. The recommendation on the establishment of a development centre led to the creation, within the Ministry of Industry, of an industrial development unit that would serve, *inter alia*, as a directorate for public sector industries. The expert also put great stress on the problem of maintenance and repair in Somalia as a prerequisite for industrial development. Similar recommendations were made by a consulting firm that visited Somalia, along with other countries in Africa, from 4 to 19 January 1969.

19. The Government and UNIDO both agreed that the suggestions made by the expert should be followed up. It was proposed to establish a foundry and a mechanical workshop to meet the basic needs for castings and spare parts in Somalia. Moreover, both facilities would be ideal for on-the-job training of Somalis.^{4/}

20. Early in 1969, during the mission of the industrial development expert, the Government submitted requests for a number of experts, including an industrial programmer, an industrial economist (cost analyst), an industrial marketing expert, an industrial implementation expert,

^{3/} See paras. 35-42 below.

^{4/} A detailed review of this project is presented in paras. 77-82 below.

Chief industrial adviser, a maintenance and repair engineer and other short-term experts in specific industries. The Government also requested financing from the United Nations General Trust Fund for the establishment of an implementation unit in the Ministry of Industry. Of these requests for assistance, only the industrial programmer and the industrial economist have been implemented. It was not possible for UNIDO to finance the implementation unit from the General Trust Fund. The draft request for assistance under the UNDP/CF programme for the establishment of an industrial development centre has also been shelved, owing largely to the unavailability of government financing for the counterpart obligations and to the scarcity of qualified counterpart staff.

Phase Two

21. As a follow-up of the recommendations of the expert, an industrial programmer spent one year in Somalia assisting the Government in finalizing the short-term development programme for 1971 to 1973. Two short-term experts dealt with the improvement of the institutional basis of the industrial sector, and one expert (a management cost accountant) is still in Somalia assisting the public sector enterprises in introducing advanced cost accounting systems as a major tool of executive management.

22. The post of the industrial programmer under UNDP/TA was approved for one year in June 1969. Two candidates were submitted to the Government in November 1969, and one month later the Government approved both candidates; the available candidate arrived in the field in August 1970.

23. The industrial programmer continued the work initiated by his predecessor, following the terms of reference outlined in paragraph 13. The industrial programmer was closely associated with the Ministry of Industry, and one official of the Ministry was appointed as his counterpart.

24. Through teamwork between government officials and UNIDO experts, a number of suggestions were made, among which the following are of special note:

- General guidelines were proposed for future industrial strategy and policy. Their principal elements were adopted in the final draft of the 1971 to 1973 development programme, which includes an amount of some 38 million Somali shillings (about US\$12.25 million) as an investment in industry;
- Corrective measures to be taken immediately by the Government were proposed in order to rectify the problems facing the existing factories. For example, the present development programme, in line with the earlier programme, makes provisions for fixed assets of capital expenditure but makes no provisions for raw material, product stores, spare parts stores and cash for the operation of public sector industries - problem areas that contribute to the difficulties confronting present industries;
- Several projects were identified for future implementation after the current programme period (1971-1973), but these projects call for feasibility studies to be conducted during the present plan period of the next development programme to be better prepared and presented. (Some of the feasibility studies have already been initiated by the Ministry of Industry);
- It was proposed to carry out an industrial survey, with UNDP/UNIDO assistance, to guide the Government in its attempts to define its future subsectoral development, to establish a portfolio of viable industrial projects and to determine the overall industrial policy;

- A memorandum was submitted to the Government, with a list of recommendations, to produce cost and management accounting systems for industrial enterprises;
- A survey was prepared of future technical assistance requests for the period requested by the Government from UNDP/UNIDO. Included in the survey was the strengthening of the industrial development unit in the Ministry of Industry by four experts (production, marketing, management cost accounting and planning, and financial technology). Another expert would be needed to advise the Ministry of Industry on planning, development, project preparation and promotional activities in small-scale industries. A further expert could be attached to the Social Development Bank.

25. The experts that worked on this assignment were highly qualified with extensive experience in their fields; they were able to adjust to the conditions of the country and to transmit their knowledge. The experts were given full assistance and support in formulating their recommendations on industrial development programming. No official full-time counterparts were attached to the experts, for the experts were co-operating with senior government officials who had a leading role in the formulation of industrial policy.

26. The proposals for strengthening the government machinery for the industrial sector are well conceived and commensurate with the size and future development of the industrial sector. The suggestions of the industrial programmer for new projects will have to be further studied in detail.

ASSISTANCE IN THE FIELD OF MANAGEMENT COST ACCOUNTING

27. * In October 1967, the Government requested technical assistance from UNDP/UNIDO in the form of a mission by an industrial economist (cost analyst) for a period of six months, with the possibility of extending the mission. By the end of 1968, the names of several candidates had been submitted to the Government for approval. In the meantime, the duration of the post was extended up to 18 months, to be financed under the UNDP/IA programme. In January 1969, the Government accepted a candidate who was, however, no longer available. In November 1969, the Government approved another candidate, who reported in Mogadiscio in October 1970 - three years after the original submission of the request. The expert is expected to remain in the field until March 1973.

28. The main objectives of the expert's mission are:

- To advise selected industrial enterprises on the introduction of cost accounting systems to improve their economic operation;
- To review cost-price calculations of industrial firms applying for price increases of their products and services;
- To undertake, when required, diagnostic studies of cost accounting, bearing on price levels charged, in industrial firms;
- To assist in the formulation of plans for the establishment of an industrial development agency; and
- To train counterpart personnel to perform the above duties and to undertake any other relevant duties that might be assigned to him.

The expert has a vast field to cover. He is concentrating primarily on the costing, financial and economics of public sector factories such as the Laz Kereh Flour processing factory,

the Kismayo meat processing factory, the leather development centre, the Mandisio milk processing factory and the Jowhar sugar factory complex.

30. On the basis of a preliminary analysis of the problems he encountered in several factories, the expert has made various recommendations concerning, inter alia:

- A comprehensive financial and cost accounting system to improve the performance of individual industrial plants and to ensure better control and supervision by the Ministry of Industry;
- The establishment of financial procedures for improving financial control over resources and for formulating job descriptions, duties and functions of the chief accountants and managers of factories;
- The installation of an internal audit system to improve financial management;
- Improved performance of industrial plants, including a reduction of product and service costs and a strengthening of industrial management, organization and administration;
- The establishment of a reporting and information system, at appropriate levels, for production, sales, expenditure, costs, inventory and other managerial matters;
- A review of the operational strength during the last two to three years, and the introduction of service conditions and contracts to encourage stable employees and to promote industrial harmony; and
- The identification of specific areas in each factory in which cost reduction and augmentation of revenues could be effected.

31. In September 1971, the Government requested that the expert's post be extended for 18 months and that his original terms of reference be broadened to include the following duties:

- (a) Assistance in compiling an internal audit manual for all government enterprises;
- (b) Preparation and assistance in the installation of a suitable financial, accounting, costing and management reporting system in all government-owned concerns and autonomous agencies;
- (c) Elaboration of a uniform and integrated system of accounting - financial cost and management - for industrial units in which the system mentioned under (b) could be fitted;
- (d) Carrying out of economic feasibility studies of projects and programmes included in the 1971 to 1973 development programme, as well as of new projects proposed by the Ministry of Industry for inclusion in long-term planning.

32. The various recommendations of the expert have led to the following actions:

- The Secretary of State for Industry and Commerce and the Director-General have instructed directors of government plants to implement the proposals of the expert;
- The Ministry of Industry initiated action to revise existing contracts entered into with foreign partners for different kinds of products along the lines indicated by the expert; the contract with a buyer of 30 million meat cans has been revised to nearly a 20 per cent increase over the original prices;
- The financial and accounting system proposed by the expert for the leather development centre was accepted by the management, which asked the Ministry of Industry to make the services of the expert available for its implementation; and

- Industrial plants have started compiling statements of accounts - financial and cost - on a monthly and quarterly basis. The statements are submitted regularly to the Ministry where they are reviewed, with the help of the expert. The comments are sent to the managements for remedial action with the aim of improving the performance of the respective plants.

Other examples of the implementation of the expert's recommendations could be cited.

33. The expert is very competent both as a cost accountant and as an industrial economist. He has been able to adjust to the conditions of the country and to provide the required assistance. The expert has been given solid support in the performance of his duties, as witnessed by the prompt execution of his recommendations by the Ministry of Industry.

34. The field in which the expert is working is of vital importance to the Government. The establishment of cost consciousness in public sector factories is extremely important for strengthening confidence in this economic system. It is important to establish a formula for a system, but it is even more essential to have the system deeply rooted in the day-to-day operations of factories, a task that requires a great deal of time and effort. The Ministry of Industry has shown great interest in this project and has already posted Somali accountants in several factories and will be posting others shortly in the remaining factories. The Director of Industry, who is also an economist, is working as the expert's counterpart.

ASSISTANCE IN THE DEVELOPMENT OF MINERAL DEPOSITS - GYPSUM

35. The United Nations undertook a mineral and groundwater survey of Somalia, and a final report was released in 1968. The main ores found were iron ore, radioactive minerals and gypsum/anhydrite deposits.

36. In 1968, the Government submitted a request for technical assistance in the form of a three-month mission financed under the SIS programme by an expert on gypsum exploitation. The expert joined the field the same year. The main objectives of the expert's mission were:

- To assemble, collate and evaluate all reports, data and other information available in the country on gypsum, anhydrite and sepiolite;
- To make recommendations for the industrial or commercial utilization of these minerals; and
- To prepare plans and programmes for implementation if industrial uses were recommended.

37. The expert spent three months on the job and made the following main recommendations:

- Consideration should be given to the establishment of one plant producing an annual minimum of 200,000 long tons of 100 per cent sulphuric acid with 215,000 long tons of Portland cement, and to another plant producing 13,000 long tons per annum of plaster of Paris; and
- A market survey should be undertaken to determine the viability of the proposed industrial plants; information should be obtained about potential markets in countries within a 7,000-mile radius of Berbera, which was considered the most convenient site for the plants.

41. This proposal was received with great interest by both the Ministry of Industries and the Ministry of Planning and Co-ordination. The Government has included the exploitation of proposals as a priority project in the 1971 to 1975 development programme. It is the intention of the Government to start without delay the exploitation of the gypsum deposit by exporting crushed rock as a cement retarder. The Government has already asked for further UNDP/UNRWA assistance in carrying out the recommendations made under Step 1. At a later date, this may expand to a UNDP/SF type of project.

42. Both of the experts on gypsum exploitation were highly qualified and were able to adapt themselves to the environment of the country. They submitted sound technical reports on the possibilities of processing gypsum, and the Government has shown great interest in following up their recommendations. The work of the experts suffered, however, from the lack of counterparts and non-availability of basic facilities such as transport, proper office space and secretarial support. Both experts were on short-term contracts and completed their assignments within the specific periods; the Government utilized their services very well.

ASSISTANCE IN THE FIELD OF SMALL-SCALE INDUSTRIES

43. Attention to small-scale industries in Somalia dates back to 1963 when a mission of a consulting engineering firm submitted proposals for the establishment of an industrial estate. This proposal was scrutinized in 1966 by a United Nations industrial adviser and by a senior interregional adviser of the former United Nations Centre for Industrial Development (the forerunner of UNIDO).

44. The suggestions of the consulting firm and, to some extent, of both advisers were ambitious; they exceeded by far the possibilities of the Government at that time. A report of a German planning and advisory group, dated January 1967, and the International Bank for Reconstruction and Development (IBRD) report, dated October 1967, indicated that only a few industrial projects entered into the implementation stage. It became increasingly apparent that short-term assistance in the field of small-scale industries could hardly achieve any real result. As a first step towards improving the situation, the Government submitted a request in October 1969 for a small-scale industry expert for six months; the request was approved under the 1970 UNIDO Regular Programme.

45. The expert arrived in Mogadiscio in October 1970. His assignment was later extended, at the request of the Government, by three months to a total of nine months. The main objectives of the expert's mission were:

- To advise and assist the Government in preparing a development programme for small-scale industries, including technical, managerial, marketing and financial assistance as well as the provision of incentives and facilities for the establishment of new small enterprises;
- To evaluate existing feasibility studies and advise on the preparation of positively assessed studies;
- To identify further possibilities for the development of small-scale industries based on the availability of local raw materials, skills and market opportunities; and
- To advise the Government on further technical assistance and implementation of the proposals made for the establishment of small-scale industries.

46. From the beginning of his assignment, the expert suffered from a lack of basic data upon which to base his recommendations. Upon his arrival in Somalia, he began collecting information and tried to develop a programme for small-scale industries development in the country.

47. In his final report, submitted to the Government on 2 August 1971, the expert recommended the following measures:

- Establishment of an industrial estate in Mogadiscio;
- Setting up of a small-scale industries service institute;
- Promotion of ancillary industries around a few of the larger factories that had recently started production;
- Preparation of feasibility studies on new potential industrial units (17 resource-based units and 28 import substitution units);
- Formulation of a skeleton of industrial policies and institutions for more pragmatic development of small-scale industries;
- Future UNIDO assistance in the setting up of a small-scale industries service institute and in the establishment of an industrial estate.

The recommendations and proposals made by the expert are of a general nature; they attempt to introduce institutions that are not suited to the present stage of development in Somalia.

48. The small-scale industries service institute, which the expert outlined as his main proposal, could be of considerable help in promoting a small-scale industries programme in Somalia, but the inadequate human and financial resources at the disposal of the Government make it rather unrealistic to expect the creation of such an institute in the foreseeable future. In his report, the expert did not indicate whether he had received any support for this and other proposals from the Government.

49. The proposal for the creation of an industrial estate was originally made by a consulting firm in 1963 and later on by a United Nations expert, but the successive Governments never gave any serious support to this proposal, a fact that the expert should have realized.

50. On the basis of his qualifications, the expert was selected to undertake the mission, but he was unable to adapt his knowledge and experience to the local conditions in Somalia. He had no regular counterpart, but he received full co-operation from all those with whom he had to deal professionally.

51. Since the expert did not formulate an integrated programme of action, backed up by proper evaluation and feasibility studies, the Ministry of Industry still needed a sound technical small-scale industry expert to prepare a realistic programme outlining how the budgetary allocations for the years 1972 and 1973 could be spent most effectively. Therefore, the Government, which remained greatly interested in the development of small-scale industries, submitted a request in July 1971 for a small-scale industry expert for twelve months as a continuation of the former mission. In contrast to his predecessor, who was an economist, the newly requested small-scale industry expert is to have an engineering background to allow him to improve the existing small-scale industries and to formulate a programme for future development including concrete and practical suggestions.

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ASSISTANCE IN THE ESTABLISHMENT OF THE SOMALI INDUSTRIAL DEVELOPMENT CORPORATION (SIDECO)

52. A request for an expert, under the SIS programme, to advise on the legal and financial aspects of the establishment and financing of the Somali Industrial Development Corporation (SIDECO) was received on 11 May 1970. It was approved in July 1970 and the expert arrived in the field in early December of the same year. The duties of the expert were: to explore the possibilities of establishing SIDECO; to evaluate the draft law of SIDECO as well as the programme of industrial development; to assist in the formulation of SIDECO policy of industrial development, legislation and operational procedures; and to assist in the establishment of a sound financial framework for SIDECO.

53. The primary reason for considering the creation of such a corporation was the fact that a number of existing government industrial undertakings were confronted with certain difficulties arising from the lack of skilled manpower, appropriate financing and adequate pre-investment studies. It was believed that the efficiency of these enterprises could be improved under the responsibility and guidance of an industrial development corporation. The new institution was also supposed to provide appropriate financial, managerial and administrative services for new investments in industry in the public sector.

54. The expert strongly supported the establishment of the Somali Industrial Development Corporation and drafted the relevant law for the consideration of the Government. According to the draft, the main objectives of the corporation should be as follows:

- To examine and evaluate the feasibility of establishing any new industry or of developing an existing industry in the public sector and to prepare feasibility studies;
- To examine and evaluate projects that are to be undertaken by the private sector or co-operative organizations and to prepare feasibility studies for all projects;
- To undertake research and surveys for the purpose of examining, evaluating and planning the implementation of new industries or the development of existing industries; and
- To implement any new industrial projects for the public sector.

55. The expert also prepared draft regulations for the corporation. In preparing the drafts, the expert consulted with senior government officials. He had a competent counterpart, who was Director-General of the Ministry of Finance and Director-General of the Ministry of Communication, and who, in the opinion of the expert, had excellent experience and a dynamic personality.

56. The expert also drew up a long- and short-term organizational structure for the corporation. It was envisaged that, in the light of the financial position of the corporation, the rather ambitious long-term structure would be implemented over the years, while the more realistic short-term structure was recommended for immediate implementation.

57. The expert recommended that technical assistance be provided over a period of five years in the form of experts, fellowships and equipment at a total cost of over half a million

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54. The following recommendations were: a senior industrial engineer; a senior administrative engineer; a senior marketing expert; a senior financial expert; a senior expert in law/contracts; and a secretary. Further requirements were a laboratory, laboratory equipment and a library, as well as two typewriters and two calculating machines.

55. The expert satisfactorily completed his duties and produced a sound draft law and draft regulations as well as well-founded recommendations. The final report was submitted to the Government early in May 1971. Indications are, however, that for the time being the Government will not establish the corporation. The Government has decided to form an industrial development unit for the management of all existing public sector units and for the preparation and execution of the development programme.

56. The expert was highly qualified for the post and was able to adjust to the conditions of the country and provide the required assistance. The Government made full use of the expert's experience in the field and provided him with all the assistance necessary to accomplish his mission.

60. Even if the Government decides against the establishment of the corporation, UNIDO assistance has been useful in enabling the Government to make the aforementioned alternative decision. The proposed industrial development unit, to be set up in the Ministry of Industry, is a type of precursor to SIDECO, and the Government will consider the question of the establishment of SIDECO at the appropriate time.

ASSISTANCE TO THE SOMALI DEVELOPMENT BANK

61. On 18 August 1969, UNIDO received a request from the Government for the services of an expert for six months; the project was to be financed under the SIS programme. UNDP had to check with the International Bank for Reconstruction and Development (IBRD) which, at that time, had a mission in Somalia to review the need for technical assistance to the Somali Development Bank. In June 1970, the project was approved by UNDP. While the approval was still pending, UNIDO began the search for a suitable candidate for the post, and in October 1970, the expert was in the field.

62. The duties of the expert were:

- To assist in drafting the organizational plans for the establishment of a development bank in Somalia;
- To draft precise proposals for the establishment of an operations department and its future staffing requirements, taking into account the potential industrial projects with which the bank would have to deal, as well as the nature of resources, manpower and financing available to the bank; and
- To give particular attention to the establishment of a project identification, evaluation (including financial appraisal) and follow-up unit.

63. When the expert arrived, he found that the Bank had already been established, but that it was confronted with complex problems of legislation, finance, policy and organization.

64. The expert assisted in redrafting the organizational plan, and in the selection of personnel for the appropriate organization of the operational department and in the selection of projects, taking into account the previous suggestions of UNIDO and the potential of the projects with which the Somali Development Bank would be dealing. His expert work consisted of recommendations to the Bank concerning: the drafting of a new set of by-laws; organizational arrangements to improve the financial appraisal of projects; and a four-year program of work.

65. As the assignment period was brief, the expert could not remain in the country long enough to observe the actual application of the regulations he had drafted. At the end of his mission, part of what he had drafted had already been ratified by the Board of Directors of the Bank, and nearly all the drafts had been thoroughly examined and approved by the management of the Bank.

66. The Bank was most co-operative with the expert and gave him all the support he needed. The reaction of the Government, however, has not been received on the technical assistance recommendation made by the expert in his final report, which was submitted to the Government shortly after the completion of the mission.

67. The Government is interested in receiving further assistance from UNIDO and has already submitted a request for an expert to implement and supervise the application, in the Bank, of the new internal regulations pertaining to the administrative and operational functions; assist in the establishment and organization of the new Technical Department of the Bank; and finalize the necessary supplementary subregulations for the Bank in connexion with its credit operations and financial management.

68. The Government submitted this request in March and specifically asked for the same expert who had already established the basis for future action, but the expert's Government refused to release him for another period of six months. Recruitment of another expert is under way. It would have been ideal to have had the same expert continue, as he was highly qualified and competent in his field and, above all, the Bank authorities had complete confidence in him. The period between the departure of the first expert and the arrival of the second may be an important factor in the full implementation of the recommendations made; it may have adverse results or the Bank may utilize this time to digest the recommendations and improve the quality of its staff.

ASSISTANCE IN THE PROCESSING OF PARTICLE BOARD FOR FURNITURE MAKING

69. In August 1970, the Government submitted a request for an expert to advise on the processing and surface-finishing of particle board from bagasse. The project, of four months' duration, was to be financed under the SIS programme. The request was a follow-up of a recommendation by the regional adviser on forest-based industries, attached to the Economic Commission for Africa, who visited Somalia for a few days in 1969. The project was approved by UNIDO in October 1970 and the expert arrived in the field six months later.

6. Among the responsibilities of the expert were:

- To demonstrate the proper methods of machining and surfacing of particle board from bagasse for use in furniture making;
- To train local manufacturers in the production of furniture from particle board;
- To design suitable standard types of furniture made from particle board;
- To advise on the wood species to be processed;
- To advise the particle board manufacturer (Seplast S.p.A.) on densities, sizes and technical specifications of particle board to be marketed in Somalia.

71. Upon arrival, the expert found that the plant he was to have assisted had stopped production in August 1970, just after the request for assistance had been submitted to UNIDO. Perhaps the Government had expected the expert to arrive in the field immediately after the submission of the request. Apparently, when the request was submitted, the Government was already contemplating stopping production at the plant.

72. The expert was asked to reactivate the plant and to introduce measures with a view to improving the quality of the product. As the preparatory work for the reactivation of the plant consumed all the expert's time, he had to leave the country before the plant was activated.

73. Among the other duties assigned to the expert by the Government were: assessment of the potential market to determine whether production was economically viable, recommendations for reaching a larger market than in the past, and technical recommendations with regard to the use of particle board from bagasse for building purposes.

74. Owing to the shortness of his mission, the expert was unable to conduct tests at the plant and was consequently unable to determine the cost of board production and its selling price. He also could not train local furniture manufacturers in the use of particle board from bagasse as no material was available, but his counterpart may be able to undertake such training when samples become available.

75. Although the terms of reference were modified by the Government, the expert managed to complete his mission satisfactorily. Had UNIDO been informed earlier that the plant had stopped production, however, a different expert would have been sent to advise on particle board production and marketing.

76. The final report of the expert has not been submitted to the Government as additional information and clarification are needed before the report can be finalized.

**ASSISTANCE IN THE ESTABLISHMENT OF A PROTOTYPE FOUNDRY SHOP
AND A PROTOTYPE MECHANICAL WORKSHOP**

77. The need for maintenance and repair facilities in Somalia was emphasized in the report of a survey mission on maintenance and repair, carried out by UNIDO from 4 to 12 January 1969. The mission consisted of two consultants financed under the SIS programme. The final report of the mission was submitted to the UNDP Resident Representative for transmission to the Government in June 1969. UNIDO further pursued the subject, stressing the importance of the establishment of physical facilities for this purpose, and recommended that a mechanical workshop or a foundry, or both, be set up. The Government showed a keen interest in the proposal which, apart from its direct relation to maintenance and repair activities, could be instrumental in the creation of a nucleus of metallurgical and mechanical industries in the country. UNIDO took up the matter with the Yugoslav Government, which agreed to finance the project from its voluntary contributions to UNIDO.

78. As a first step in the implementation of the project, UNIDO appointed the expert who was earlier in Somalia, an industrial programmer,^{5/} to negotiate the agreement, providing for the supply of a workshop and a foundry, with the Somali Government. The expert visited Mogadiscio from 9 to 16 April 1970; on 13 April 1970, he signed the agreement, on behalf of UNIDO, with the Government.

79. The Government later approached the UNDP Resident Representative with an additional request for the provision, apart from the equipment component, of the following experts, for a period of three years: a manager of the enterprise; a technician for the foundry; and a technician for the mechanical workshop.

80. A project of such complexity, calling for pre-investment preparations, the establishment of a foundry and/or mechanical workshop, and assistance in the operation of these facilities, requires a special co-ordinated approach. In appreciation of this situation, UNIDO subcontracted a Yugoslav firm in September 1971 to prepare a project report for the establishment of a prototype foundry shop and a prototype mechanical workshop in three phases:

- Phase I: Survey and collection of data for the elaboration of the preliminary report by the subcontractor.
- Phase II: Preparation of the preliminary project report, with a field trip of subcontractor's personnel along with two UNIDO staff members to Somalia (in February 1972).
- Phase III: Preparation of a draft project report (in April 1972), to be commented upon by UNIDO, and of a final report to be submitted in May 1972.

^{5/} See paras. 21-23 above.

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12.

The project report will naturally extend the time for the completion of the project. The Government will have to meet such expenses for survey, design, engineering work, water, electricity, raw materials, local personnel and working capital. It is a considerable investment for the Government.

13. The project report, to be made by the Yugoslav subcontractor, will first ascertain whether the project is economically viable. If the project is viable, an assessment is to be made of a production programme for the shops, including types and quantities, specifications and installation of equipment, estimated costs, location and sizes of buildings to house the shops, availability of indigenous raw materials and a tentative time schedule for the establishment of the shops.

CHAPTER II. CANCELLED AND SUSPENDED APPROVED PROJECTS

83. Requested and approved projects that were later cancelled or suspended by the Government are included in this chapter.

ESTABLISHMENT AND ORGANIZATION OF THE SOMALI INDUSTRIAL DEVELOPMENT CORPORATION (SIDECO)

84. In May 1970, the Government requested an expert for three months under the JID programme, along with another expert on legislation and financing, to advise on the organization and operation of SIDECO. The Government also requested that two senior officials make a study visit to the United Republic of Tanzania to observe the activities of the Tanzania National Development Corporation and study its organization. The request was approved. In view of the Government's decision to establish an industrial development unit within the Ministry of Industry, the plans to establish SIDECO have been shelved, at least for the present, together with the UNIDO projects related to it.^{6/}

ASSISTANCE TO THE MEAT INDUSTRY

85. In November 1969, the Government requested an expert for three months under the JID programme to prepare a survey on livestock supply, to carry out a marketing study for meat products and to make specific recommendations for the future development of the Kisumu plant. FAO proposed that the UNIDO expert be assisted by an FAO expert on livestock assessment, but this proposal was withdrawn several months later. The project was not approved by UNDP until December 1970, the delay resulting mainly from the protracted correspondence on inter-agency involvement. In May 1971, after UNIDO had submitted two candidates for the post, the Government cancelled the project stating that the marketing problems of the meat plant had been solved through long-term purchasing contracts.

MORDIO-HAFUN SALT PROJECT

86. In June 1970, the Government submitted to UNIDO a feasibility study on the Mordio-Hafun salt project, which had been prepared by an Italian consulting firm. The study was for the establishment of a plant to produce 3.0 million tons of salt per year, mainly to provide

^{6/} See paras. 62-60 above.

raw materials for a basic chemical industry. The assistance of UNIDO was requested to evaluate the study. The Government attached high priority to the project as it would contribute to the economic development of the country in general and particularly to that of the arid eastern region. The UNDP Resident Representative suggested that a thorough review of the project be made at UNIDO headquarters or that a staff member undertake a short exploratory mission.

87. In August 1970, UNIDO approved an exploratory mission by a staff member who was to discuss the possibilities of implementing the feasibility study. The Government expected the staff member to arrive shortly after the submission of the request, but the Government was notified in December that the staff member's visit would take place towards the end of March 1971, owing to the workload at headquarters. The Government then requested the cancellation of the project since the visit had become unnecessary, adding that the Government had expected immediate assistance in August when it was most needed.

EXPLORATORY MISSION ON CERAMICS

88. In March 1971, the Government requested that an expert, who was expected to pass through that part of Africa, would be permitted to stop for a week in Somalia to assist in defining the technical assistance needed to develop the ceramic and building material industries. The project was immediately approved, but the expert was unable to make the one-week visit. UNIDO thereupon offered to recruit another expert, but the government response was that the expert was no longer required as assistance had been secured from other sources.

AGRO-INDUSTRIAL EXPERTS

89. In February 1968, the Government submitted a request for three experts, for six months each, under the SIS programme. The three expert posts were in the fields of milk processing, meat processing and agro-industrial feeding. Although the assistance was urgently required, the three posts were not approved by UNDP until November 1968. The projects were closely related to the development of the food industries of the country, and the technical assistance was needed to solve some of the difficulties that the Government was facing in the management of plants built through bilateral and multilateral assistance.

90. When the Government was informed of the approval in November, the response was a request to suspend recruitment until the outcome of negotiations with the Union of Soviet Socialist Republics was known. Later the Government cancelled the request.

CHAPTER III. FELLOWSHIPS AND MEETINGS

FELLOWSHIPS

91. Only two fellowships have been implemented, one for three months and the other for two months. The Government has not shown interest in UNIDO fellowships, and a number of posts were not filled for lack of nominations.
92. One fellowship was awarded to Mr. A.A. Awil, a counsellor in the Department of Industry, to study industrial programming. He was placed in the International Centre for Advanced Technical and Vocational Training in Turin for three months in 1969. In spite of several reminders, he has not submitted his final report.
93. The other fellowship was awarded to Mr. Hassan Farah Ali, Head of the Industry Section, to study industrial programming. He participated in the Interregional Training Workshop on Industrial Project Implementation in Amsterdam for three weeks and attended a course at Amsterdam University for two months. His final report indicates that he has benefitted from the fellowship.
94. UNIDO made the appropriate placements for both fellows.

MEETINGS

Industrial promotion meetings

95. Three industrial promotion meetings were held by UNIDO in Africa during the years 1969 to 1971. Somalia was invited to all three meetings but participated only in the Nairobi meeting after a staff member assisted the Government in preparing projects for investment at the meeting. The Chargé d'Affaires in Nairobi represented the Somali Government. The four investment projects presented were:

- Plant for the manufacture of tomato paste and/or tomato juice and a farm to grow tomatoes for the plant

Total estimated investments \$518,098

Required foreign contributions Equity
Know-how

- Manufacture of corrugated paper boxes

Total estimated investments \$1,958,000

Required foreign contributions Majority equity participation
General management (technical and marketing)
Training of local staff

- Meat flour mill
 - Total estimated investment: \$1,200,000
 - Required foreign contribution: 40%
 - Management and technical know-how
- Manufacture of pasta
 - Total estimated investment: \$25,000
 - Required foreign contribution: Equity
 - Management and technical know-how

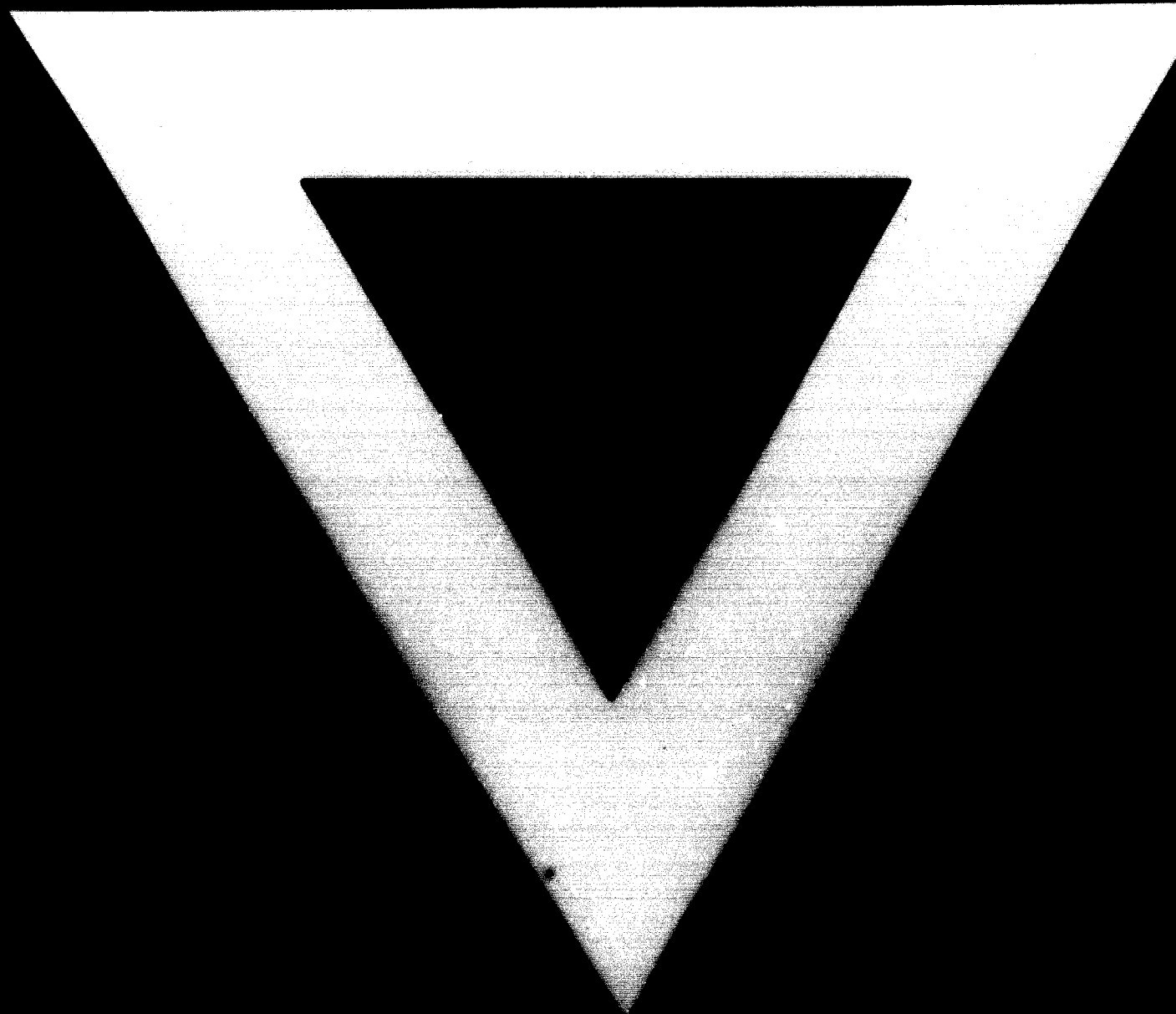
96. The outcome of the presentation of these projects at the Nairobi meeting is not known as negotiations are conducted directly between the prospective investor and the relevant Government. The role of UNIDO stops after the meeting unless the Government requests assistance.

97. In the organization of the industrial promotion meetings, national representatives are invited to participate at the cost of their respective Governments; perhaps this is one of the reasons that Somalia did not participate in two of the three meetings.

Meetings financed under UNDP/TA

98. Several interregional meetings financed under UNDP/TA were held between 1968 and 1971, but Somalia participated only in the following:

- (a) Interregional Seminar on the Development of Clay Building Materials in Developing Countries, held in Denmark in 1968 - Participant: Mr. M. Noor Abdullah (construction foreman in an engineering company)
- (b) Interregional Training Workshop on Industrial Project Implementation, held in the Netherlands in 1969 - Participant: Mr. F.A. Hussen
- (c) Interregional Symposium on Maintenance and Repair in Developing Countries, held in the Federal Republic of Germany in 1970 - Participants: Ing. Abdullahi Hussen Jamil (mechanical engineer, Port Authority, Mogadiscio)
- (d) Interregional Seminar on Furniture and Other Secondary Wood-Processing Industries, held in Finland in 1971 - Participants: Mr. H.J. Ali (saw-mill engineer, Department of Forestry and Game)
- (e) Interregional Training Seminar on the Utilization of Excess Capacity for Export, held in Turkey in 1971 - Participants: Mr. Ali Abd. Matar (trade promotion officer, Ministry of Commerce).



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