

Somalia's First Five Year Plan

Krishna Ahojja

So complete is the lack of basic statistics about the economy of Somalia that most economists and planners would have decided to leave the country alone. But the planners in Somalia have taken a realistic view and, without waiting for all the data necessary to forge elegant tools, have proceeded to identify the most urgent needs of the people and base the country's first five year plan on them.

The plan thus concentrates on a few programmes which include expansion of irrigation and increased output of sugar, cotton, wheat and oilseeds. The plan includes, besides, schemes to improve transport, education, health and the administrative services.

Almost the entire expenditure envisaged in the plan is to be financed from external assistance. The complete neglect of the necessity to mobilise domestic savings is the most important lacuna in the plan.

COMALIA, in the horn of Africa, is a unique country in many respects. The majority of its inhabitants are nomads and depend entirely on animal husbandry. The number of inhabitants of Somalia is somewhere between two and five million depending upon the sources. The United Nations has estimated it at two, while the official estimates of the Ministry of Interior puts it down at five millions. To a layman, one supposes, a difference of a few million in a country's population may be meaningless. But the experts argue that planning is impossible in a country where there are no basic statistics. Despite this, it is surprising that the majority of the new nations of Africa have accepted planning as an instrument of policy—without worrying too much about statistics.

National Income Unknown

Those who are responsible for drafting Somalia's Plan seem to be aware of this when they make this candid admission:

"The methodology of planning for the Somali Republic does not follow the usual pattern based on the gross national product (GNP) approach, for the simple reason that information about GNP is not available. Certain other necessary data is either not available at all, or if available, is unreliable and incomplete. This is true of population, birth and death rates, age distribution, immigration and emigration, labour force, employment and unemployment, wages and salaries, areas under different crops, agricultural production, yields of different crops, agricultural holdings, livestock products, livestock trade, forestry, fisheries, small scale and handicraft industries, building construction, electricity, wholesale and retail trade, price indices, road transport, education, health, personal income and housing."

A conventional planner would have left the country in peace after learning this and reported that Somalia's

people must continue to be nomadic for another few centuries. But the planners in Somalia have taken a realistic view by making a bold attempt to transform a backward economy. In the realm of planning, as in other fields, there are princes and missionaries. Without waiting for elegant tools, they adopted the approach that the most urgent needs of the country should be identified with "the factors which were of strategic importance for development."

Aid : Sole Source of Finance

The plan therefore proceeds on the assumption that lack of data need not be a disadvantage. It concentrates on a few programmes which include expansion of irrigation for food and cash crops and fodder, increased output of sugar, cotton, wheat, oil seeds, etc.

What does the plan intend to spend? The total adds up to approximately 1,400 million Somali shillings (US \$200 million). Of this amount, 24 per cent is for agriculture, about 17 for industry, 29 for transport and 30 for other services. The method of financing may be called extremely simple. Almost the entire expenditure is to be financed by loans and grants from abroad. The reasons for this are again appealing. No public savings are envisaged. Since private savings are small and uncertain they are to be left untouched. The prospect of obtaining external sums appears to be pretty good right now. More than half the total amount envisaged by the plan is promised by USSR and Czechoslovakia. Recently China has offered about 160 million S S. This leaves a gap of about 500 million SS which is expected to be filled by the European Common Market, USA and the international agencies. The total amount already offered to Somalia is indeed formidable. It amounts to approximately US \$25 to 30 million a year.

The development of sugar, meat packing, fish processing and dairy products are among the industries which

Somalia considers to be important. In addition the plan includes certain improvements in transport, education, health and administrative services. The strategy of development is simple indeed.

Unused Reports

The approach of the planners is to formulate projects, estimate their costs and their contribution to a given sector and enter into contractual agreements with domestic or foreign enterprises. If implemented, these projects could have a major impact on Somalia's economy. The awkward question still remains. For the last one decade the Italians and the United Nations have sent bucketfuls of experts. There are numerous files and reports on the resources of Somalia and its potentialities. But visibly, and many have confirmed this, Somalia carries on the centuries-old tradition. Even the most important problem of obtaining sweet water for daily life is not yet solved. Negotiations are now in progress about harnessing the two rivers which Somalia shares with Ethiopia. There is no doubt about the fact that numerous concrete buildings bearing high sounding names of companies have been constructed. But these are small dots of progress on an otherwise totally backward economy. It may be that not until some very distinguished personalities are offered a cup of tea made of salt water in the only hotel in Mogadiscio that the problem will be solved.

Somalia has over a million cattle, seven and a half million sheep and goats and approximately 2½ million camels. This would mean that every Somali has a camel. This is definitely higher than the number of cars *per capita* in the United States, But in the twentieth century cars and camels have different social values. A country like Somalia where the number of animals *per capita* is six times higher than that in Europe (excluding USSR) need not encounter any problem of protein deficiency. The plan envisages

agricultural investments totalling 250 million S S, approximately half of which would be in state farms and the rest on extension of various agricultural services. The investments, if carried out, may increase agricultural output three to five fold by extending cultivable area and increasing the use of irrigation. This is indeed a large undertaking, and a commendable one particularly when one looks at the agricultural targets of the Second Five Year Plan in India.

Industrial Development

Before describing the aims of the plan in this held, it may be interesting to glance at Somalia's present industrial base. There are some small scale and handicraft industries, but so far as large scale industry is concerned there is only one factory, producing sugar at Johar. During trusteeship days, the market economy of Somalia revolved around the activities of plantations most of which were owned and controlled by Italians. This was despite the popular myth that the economy of Somalia did not offer any attraction to its colonizers. There is no space here to go into details of the amount of profits which the Italians gained by exporting bananas and cotton. Under the Development Plan new factories are to be established for sugar, meat packing, milk processing, cotton textiles and fish canning. It is difficult to project to what extent the output of large scale industry would expand. There is another important factor which must be taken into consideration. At present a considerable amount of private investment is being undertaken in the field of petroleum exploration. If these efforts are successful, the development of oil will alter significantly Somalia's economy. As a rough approximation, gross industrial output may expand ten to fifteen times. The contribution of industrial output may rise from negligible to 4 or 5 per cent of national output. This is quite impressive in an economy which has been described for the last few decades as basically pastoral.

In 1960, Somalia enacted a law on Foreign Investments which defines "productive enterprises". Investment in these enterprises are exempted from income tax on profits for the first ten years. Both the plan and the Investment Law are geared to attracting foreign enterprise. In fact Somalia is one among the few countries in Africa which has enacted a law specially to attract foreign capital.

The area of public finance is inade-

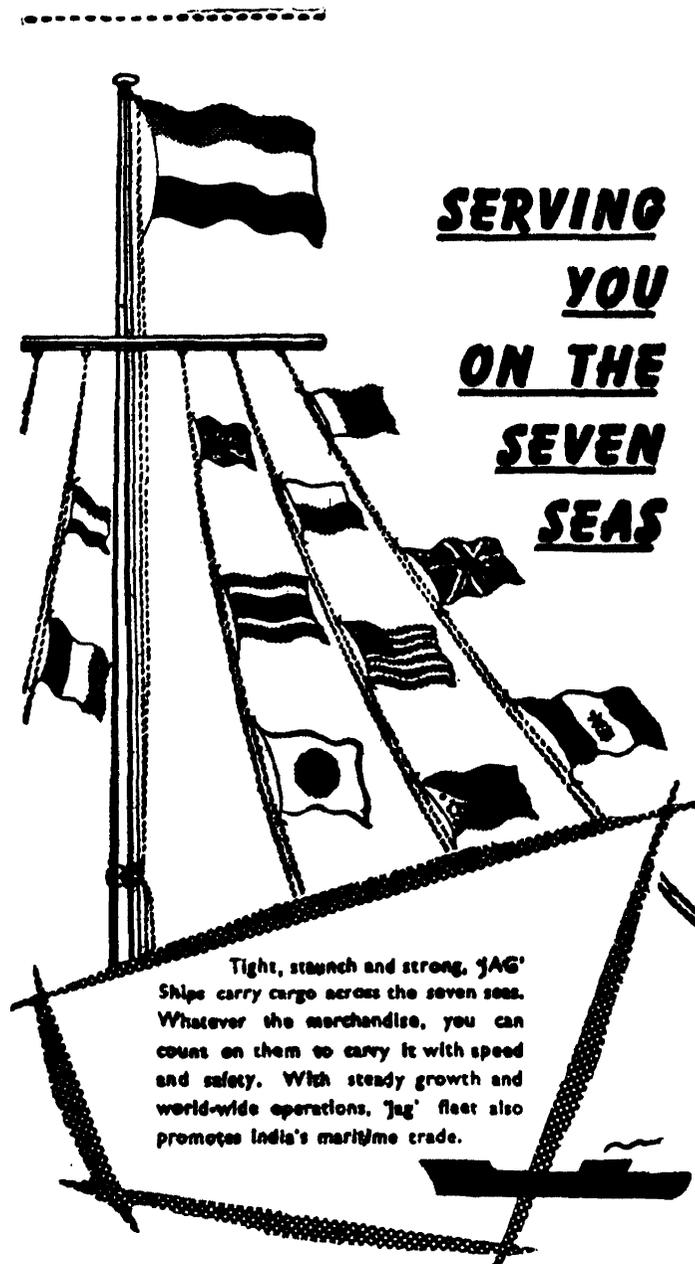
quately explored by the plan. From the political point of view it may not be possible to finance fully the proposed projects from abroad. External assistance cannot be considered as a permanent feature of the economy. For private industrial activities, however, a banking institution called *Credito Somalo* was recently established. The bank operates a medium and long-term lending section and is owned by the government. But, despite these facilities, the plan envisages no efforts to raise domestic savings, both public and private.

As mentioned earlier, the agricultu-

ral development of Somalia largely depends upon the harnessing of the rivers Giuba and Shibeli which originate in Ethiopia. For the economy of Somalia it is of the utmost importance that border incidents do not heighten political tensions with Ethiopia. Perhaps the two countries can come to a permanent settlement. Then it would be possible to develop the river basin as an international project on lines similar to the Mekong river project of the ECAFE.

¹ Somali Republic, "First Five Year Plan (1963-1967)" p 4.

² *Ibid*, p 15.



SERVING
YOU
ON THE
SEVEN
SEAS

Tight, staunch and strong, 'JAG'
Ships carry cargo across the seven seas.
Whatever the merchandise, you can
count on them to carry it with speed
and safety. With steady growth and
world-wide operations, 'Jag' fleet also
promotes India's maritime trade.

**THE GREAT EASTERN SHIPPING
COMPANY LTD.**