

Somalia's Economy: Prospects and Problems

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(*Translation*)

On 1 July 1960 two important events took place in the Horn of Africa: Somalia under Italian trusteeship gained its independence and it united with British Somaliland (the two territories now form respectively the southern and northern provinces of the Republic of Somalia). As a result of this union the Republic has an area of 640,000 square kilometres with a population of two million: an average of just over three per square kilometre. This is a territory, therefore, more than twice the size of Italy, yet with a population less than that of the city of Rome.

Economically, the northern and southern provinces differ in one major respect: in the former the people are almost exclusively pastoral (sheep and goat rearing); in the latter, stock-raising is closely linked with agriculture. The southern province also stands out by a certain measure of industrialisation, however modest, whereas industrial production is practically non-existent in the northern province.

During the years immediately preceding independence, the economies of both provinces made considerable progress. The available statistics, although fragmentary and approximate, provide quite a reliable reflection of the results achieved in that period.

In the Italian trustee territory national revenue is estimated to have risen approximately from 506 million somalis (1) in 1954 to 597 million in 1959, an average annual increase of 3.3% (the rate of population increase being between 1.5 and 2%). The ordinary income of the State (that is excluding the contribution made every year by the administering Power for balancing the budget) rose during the same period from 36.8 million to 64.8 million somalis, an increase of 76.1%.

The same progress is to be noted in the field of foreign trade; imports and exports rose from respectively 71.4 and 58.7 million somalis in 1954 to

101.4 and 299.5 million in 1960. Furthermore, the growth of exports appreciably exceeded that of imports, leading to a progressive reduction of the unfavourable balance of trade. Last year this was practically nil.

As for the northern province, the few statistics available point to similar progress in the same period. In the former British Protectorate local receipts rose from £ 801,400 for the financial year 1955-56 to £ 1,165,247 in 1958-59, while the value of imports and exports increased from respectively £ 2,880,872 and £ 1,375,241 in 1955 to £ 4,428,762 and £ 2,004,541 in 1960.

The progress indicated by these figures was due above all to the technical and financial aid lavished on Somalia and Somaliland during the fifties by Italy and Britain. It must be noted, however, that this advance represents only a minor stage on the road to economic development.

Without going into details and leaving aside the special problems arising from the union of the two territories, suffice it to recall that per capita income is one of the lowest in the world, that in the financial year 1961 nearly 30% of public expenditure will have to be covered by subsidies from foreign countries, that the economic infrastructure is mostly non-existent and that the economy still presents many characteristics of a subsistence economy. The problems to be solved are no less serious in the social field: schools, hospitals and public services are far from meeting the needs.

In short, despite the progress achieved over the last ten years, the Somali economy still retains many features typical of backward economies.

Such then is the present situation. It might be interesting to examine the outlook for the future. In particular, do the conditions exist for further progress and for enabling the young Somali Republic to solve its present problems within the framework of a progressive and harmonious economic and social development?

Broadly speaking, it can be said that the development of a country with a backward economy depends on the following circumstances:

- the existence of sufficient natural resources;
- capital;
- an adequate technical and scientific level and a satisfactory degree of civilisation.

As for the first point, Somalia seems to have potential resources which are not only sufficient but even considerable in relation to its population.

Agriculture. The future of Somali agriculture seems to be tied more to irrigated crops than the so-called "dry" crops (doura, maize, ground nuts) giving a rather low return (2) which are now prevalent in the Horn of Africa. In this respect, recent studies (3) have shown the economic and

(2) In relation, at least, to the cultivated area and the number of people engaged in cultivation.

(3) Especially the Inter-River Survey, a study carried out by a group of some 40 American experts in the latter half of 1960 for the ICA (International Co-operation Administration).

(1) 1 somalo - \$ 0.14.

technical possibility of irrigating vast stretches of land (about 200,000 hectares) along the country's two main rivers, the Ouebi and the Djuba.

In order to grasp the importance of an irrigated area of this size in a tropical climate, one has only to note that the whole of Somalia's banana crop, representing just under half its total exports, comes from an irrigated zone of less than 10,000 hectares.

It goes without saying that, when this area has been irrigated, alternatives to banana growing will have to be found. In this connection, past studies and experiments have underlined the existence of favourable soil and climatic conditions, as well as economic trends, for the cultivation of high-return crops, such as grapefruit, cotton, sesame and castor oil plants.

Stock-raising. The outlook does not seem to be any less favourable in this sector where, according to official estimates, livestock amounts to two million cattle, 14 million sheep and goats, and four million camels (or more than half the world total). If this animal wealth were evenly distributed, every Somali would possess one cow, seven sheep or goats and two camels.

Attention should probably be directed here, not so much to the needs of development in the strict sense of the term, as to the solution of other problems, such as the gradual stabilisation of pastoral stock-breeding, still largely nomadic, and the organisation of a distributive system which could improve its products and promote their sale on home and foreign markets. The achievement of these aims will also facilitate the incorporation of regions still characterised by a subsistence economy into the market economy.

Industry. Somali industrial production (4) is concentrated, as we have seen, in the southern part of the Republic. As in most of the under-developed countries, it represents only a tiny part (5 to 6%) of total production.

Nevertheless, the prospects seem good here too. They are linked with the development and growth of the transformation and preserving industries. We have seen that agricultural and stock-breeding production should in the ordinary way reach appreciable proportions in the future (cotton and textiles; meat and fruit canning; drying, salting and tanning of hides and skins; and dairy products, especially cheeses).

Nor should the prospects be overlooked in respect of fisheries and fish preservation, in view of the huge extent of the Somali coastline and the abundance of fish in the lakes.

Mineral resources. In the present state of geological reports any attempt to evaluate, even approximately the mineral potential of Somalia would be premature.

By way of indication, it may be recalled that in the northern province prospectors have discovered small deposits of mica, columbite and copper; in the south, in the Bur region, the existence of large iron deposits has been

(4) The chief industries at present are: a sugar factory (annual production: 120,000 kilograms), an electric power station and a few canning factories.

confirmed (100 to 200 million tons, but their commercial value has not been proved).

Petrol foraging, started some years ago, is proceeding actively under the auspices of American, Italian and British firms.

It is evident that the development of the resources summarily described above requires enormous capital: public funds for basic investment with a view to the creation of an economic infrastructure (particularly the ports and roads which are still lacking) (5) public and private capital for productive investment in agriculture, stock-breeding and industry.

The investment outlook also looks favourable for the Somali Republic. The countries of the western bloc are lending financial assistance, particularly in covering the budget deficit for 1961 (Italy and Britain) and in helping to carry out road, port and agricultural projects (the United States). It seems, moreover, that the young Somali Republic can expect to get substantial capital from the communist countries. These contributions, it is believed, will be primarily in the form of long-term credits and amount in total to nearly 80 million dollars. They would be destined principally to cover development costs, and their size is considerable if one reflects that they represent three times the budgeted expenditure for 1961.

In passing, mention may also be made of the efforts made in the social field by the western and communist countries, as well as by various international organisations, with a view to building hospitals, schools of all kinds, radio stations, etc.

As for private investments, their proportions remain modest and this gives rise to the following reflections. In the first place it would be well to develop, alongside the introduction of foreign capital and the execution of public works, the formation of savings and, in consequence, the possibilities of private investment. Secondly, it is possible that in the near future foreign concerns will be investing a greater volume of capital in Somalia. This is a reasonable supposition in view, not only of the relative political and administrative stability which the Republic has so far shown, but also of the existence of legislation favourable to foreign investments (freedom for foreign firms to effect annual transfers of funds to a value of 15% of invested capital, and to transfer the whole of the capital after five years).

Finally, it should be noted that, with the capital at its disposal, the State will be able, at least during the early years of independence, to intervene directly in the various sectors of production.

The economic potential and the availability of capital are matters of fact which are generally fairly easy to evaluate. But there is a third aspect of the development of the economically backward countries which is more imponderable and lends itself less easily to the drawing up of forecasts: that is the human element.

(5) This infrastructure would, in particular, allow of an increase in the competitive power of Somali products on the home and foreign markets.

In the particular case of Somalia it is clear that the existence of natural resources and the availability of capital will have to be matched with the development of an adequate level of scientific and technical knowledge. In this connection, even if account is taken of educational progress in recent years, it is evident that more decisive efforts are still needed to increase the number of diplomas (especially in technical and scientific studies), of certificates in primary studies and skilled trades. All the more so since the technical assistance which Somalia is now receiving (300 to 400 experts, the majority sent by Italy) will soon be on the decrease.

Apart from the building of new schools, the ever increasing number of scholarships offered by various foreign countries is a good omen for the development of the level of teaching.

Education and vocational training are undoubtedly important factors in the fashioning of the human heritage, and their development can be encouraged and fostered in various ways by the public authorities. There should be no neglecting the importance of other, psychological factors, however, whose evolution must start from the base, that is from individual effort. These factors, taken as a whole, determine the degree of civilisation of a society. They are: diligence and constancy at work, the spirit of enterprise and organising ability, moral rectitude, the sense of responsibility and civic duty.

If the Somalis continue to progress along the road which they have been following for some years and can promote the full development of these qualities, the prospects outlined above will stand some chance of becoming realities, and Somalia will join the circle of more advanced nations.

L'ECONOMIE DE LA SOMALIE : PERSPECTIVES ET PROBLEMES

(Résumé français)

Le 1^{er} juillet 1960, la Somalie sous tutelle italienne accédait à l'indépendance et s'unissait au Somaliland Britannique. La superficie de la nouvelle République de Somalie représente plus de deux fois celle de l'Italie; le nombre de ses habitants est inférieur à celui de la ville de Rome.

La population de la province septentrionale (ex-Somaliland) se consacre presque exclusivement à l'élevage du bétail, sa production industrielle est pratiquement inexistante; dans la province méridionale, l'élevage est lié à l'agriculture et un certain degré d'industrialisation — quoique minime — peut y être constaté.

Grâce surtout à l'assistance technique et financière prodiguée par l'Italie et l'Angleterre durant la dernière décennie, les économies des deux territoires ont réalisé des progrès considérables au cours des années qui précédèrent l'indépendance. Ils ne représentent cependant qu'une étape mineure sur la voie du développement économique. Le revenu par tête d'habitant en Somalie est l'un des plus faibles du monde et, pour l'exercice financier 1961, près de 30 % des dépenses publiques devront être couvertes par des subsides de nations étrangères. La structure économique s'apparente à celle d'une économie de subsistance et l'armature sociale est loin de répondre aux besoins.

Cependant, eu égard à sa population, il semble que le potentiel des ressources naturelles de la jeune République soit assez considérable. Dans le domaine de l'agriculture, les possibilités économiques et techniques d'irrigation de vastes étendues de terre viennent d'être démontrées. La réalisation de ces projets permettra d'envisager sur ces territoires la mise en culture de plantes de haut rendement.

Dans le secteur de l'élevage (près de 2 millions de bovidés, 14 millions d'ovidés et de capridés, 4 millions de camélidés), la stabilisation graduelle de l'élevage pastoral, encore largement nomade, et l'organisation d'un réseau commercial, faciliteront l'intégration à l'économie de marché de régions encore caractérisées par une économie de subsistance.

Sur le plan de l'industrie, bien que la production industrielle — concentrée dans la province méridionale — ne représente que 5 à 6 % de la production totale, les perspectives paraissent bonnes également. Le développement de la production agraire et zootechnique devrait normalement entraîner la création et le développement d'industries de transformation et de conservation. La pêche et la conservation du poisson peuvent de même devenir une importante source de revenus.

Quant au sous-sol, toute évaluation de son potentiel minier semble préma-turée. S'il existe, dans le Nord, quelques dépôts peu importants de mica, colom-bite et cuivre, on a découvert un important gisement de fer dans la partie méridionale. Sa rentabilité commerciale n'est cependant pas encore démontrée.

Depuis quelques années, des recherches pétrolifères se poursuivent activement sous l'égide de sociétés américaines, anglaises et italiennes.

L'ensemble de ces ressources, agricoles, zootechniques et minières nécessite bien entendu de larges investissements. Dans ce domaine, les prévisions sont favorables. L'Italie, l'Angleterre, les Etats-Unis prêtent leur assistance financière. Celle des pays socialistes est envisagée sous forme de crédits à long terme d'un montant de près de 80 millions de dollars (3 fois le montant des dépenses pour l'exercice 1961). Dans le domaine social, des efforts de construction ont été réalisés par les pays occidentaux et socialistes ainsi que par diverses organisations internationales.

Les investissements privés restent modestes. Ils demeurent encore tributaires de l'exécution de travaux publics, de la formation de l'épargne et de l'augmentation des investissements étrangers. Ces derniers ne pourront qu'être encouragés par la stabilité politique et administrative dont la République a fait preuve jusqu'ici et par l'existence d'une législation qui leur est favorable. Une intervention financière de l'Etat dans les divers secteurs de la production est également prévue, tout au moins pendant les premières années de l'indépendance.

Enfin, il reste à considérer l'élément humain, du point de vue du développement des connaissances techniques et scientifiques. Un gros effort doit être fourni dans ce domaine, si l'on tient compte du fait que l'assistance technique étrangère, constituée par les experts, est appelée à décroître dans les années à venir. De nouvelles écoles sont créées et le nombre de bourses d'études à l'étranger offertes par divers pays, va croissant. Un développement appréciable du niveau de l'instruction dans les prochaines années est prévisible.

Les perspectives de progrès sont donc réelles et on peut donc espérer de la République de Somalie que ce pays atteindra sans trop tarder le niveau de vie des nations plus avancées.