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Washington, D.C.

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**PUBLIC DISCLOSURE AUTHORIZED**

McNamara Papers

Contacts  
Somalia (1953-1980)

The World Bank Group  
**Archives**



1771179

A1993-012 Other #: 16

209352B

Contacts with member countries: Somalia - Correspondence 01

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WBG Archives



SOMALIA

SOMALIA

- 7/18/69 Mohamoud S. Ahmed, Vice President, Supreme Court of Somalia  
(Aspen-  
Eisen.Ex.)
1. 10/6/69 Mohamed Ibrahim Egal, Prime Minister  
Dr. Elmi Ahmed Dualah, Minister of State for Foreign Affairs  
Dr. Mohamed Hassan Nur, Under Secretary for Agriculture  
Abdelrahim Abby Farah, Permanent Representative to the UN  
Mohamoud Yusuf Aden Muro, Ambassador to Ethiopia  
Ambassador Yusuf O. Azhari  
Abdurahman Hussein, Counselor, Embassy of Somalia
  2. 7/27/70 Ambassador Ahmed Addou
  3. 9/22/70 Ibrahim Megag Samater, Secretary of State for Finance  
(Copen.)
  4. 3/8/71 Ibrahim Megag Samater, Secretary of State for Finance  
Ambassador Ahmed Addou
  5. 7/12/71 Ibrahim Megag Samater, Secretary of State for Finance  
Ambassador Ahmed Addou
  6. 9/15/72 Ahmed Mohamed Mohamoud, Secretary of State for Planning and  
Coordination  
Ambassador Ahmed Addou
  7. 10/30/72 Ambassador Ahmed Addou
  8. 11/14/72 RMcN Notes on Visit, November 14, 1972 (*Filed in RMcN office*).
  9. 11/14/72 Meeting with Economic Committee of the Council of Secretaries:  
(Mogadishu) Messrs. Weirah, Warsama, Sayed Ali, Rabile, and Herzi  
" President Mohamed Siad Barre
  10. 12/7/73 Colonel Osman Mohamed Jelle, Secretary of State for Livestock  
Forestry and Range
  11. 6/14/74 Abdirazak Hagi Hussein, Ambassador to the United Nations
  12. 10/11/74 Major General Mohamed Siad Barre, President  
Colonel Ismail Ali Abokor, Vice President  
Mohamed Yusuf Weirah, Secretary of Finance
  13. 1/31/75 Ibrahim Megag Samater, Economic Advisor to the President  
Ambassador Ahmed Addou
  14. 1/16/76 Abdurahman N. Herzi, Secretary of State for Finance  
Mohamud Jama Ahmed, President, Somali Development Bank  
Ambassador Abdullahi Ahmed Addou
  15. 3/12/80 Abdullahi Ahmed Addou, Minister of Finance
  16. 10/16/80 Abdullahi Ahmed Addou, Minister of Finance





## OFFICE MEMORANDUM

TO: The Record

DATE: October 15, 1969

FROM: M. A. Burney *hab*SUBJECT: SOMALIA - Prime Minister Egal's Meeting with Mr. McNamara

1. On Monday, October 6 (between 5:00 and 5:30 p.m.), the Prime Minister and Foreign Minister of Somalia, Honorable Mohamed Ibrahim Egal, met with Mr. McNamara. Also present were: for Somalia, Dr. Elmi Ahmed Dualeh, Minister of State for Foreign Affairs; Dr. Mohamed Hassan Nur, Under Secretary for Agriculture; Hon. Abdelrahim Abby Farah, Permanent Representative to the United Nations; Hon. Mahmoud Yusuf Aden Muro, Somali Ambassador to Ethiopia; H.E. Yusuf O. Azhari, Somali Ambassador to the United States; Mr. Abdurahman Hussein, Counselor, Embassy of Somalia in Washington; for the Bank, Messrs. El Emary and Burney.
2. Mr. McNamara congratulated the Prime Minister on his efforts to improve relations with his neighbors. His efforts to ease political tensions and to concentrate on problems of economic development, Mr. McNamara said, were important factors in determining the flow of external assistance. The Prime Minister responded that since 1967 when he became the Prime Minister, and during the general elections this year he had campaigned for peace and prosperity - peace with neighbors and better economic conditions at home. He was a long way away to achieving these goals, but he believed in them and intended to work towards achieving them. In 1967 he inherited a galaxy of political and economic problems, he said. The previous governments had tried in vain for seven years to solve their political problems with Kenya and Ethiopia. Relations with these two countries were now good and he was on very good terms with the two respected "old men" of Africa, the Emperor of Ethiopia and the President of Kenya. To give more meaning to economic cooperation with its neighbors, Somalia was trying actively to join the East African Community. However, he said he needed all the assistance he could get from outside for the development of Somalia, to insure political acceptability of his policies. Also, if Somalia remained underdeveloped, he said, it will remain a poor partner in the Community and will have to import everything from the other members of the Community, which it could not afford. He would like more IDA funds for Somalia.
3. Mr. McNamara explained that on per capita basis Somalia had already received substantial IDA funds when compared with other countries. When questioned by the Prime Minister, Mr. McNamara agreed that the size of the population was not the most important factor in allocating IDA funds, but was one of the determining factors. Mr. McNamara reiterated that in seeking IDA funds it was extremely important that we were assured of the soundness of the project and of the ability and willingness of the Government to give highest priority to economic development. He was therefore quite encouraged by the policies which the Prime Minister was following.



4. The Prime Minister said that his Government was seeking external assistance from different sources for specified purposes: Italy, for budgetary support and technical assistance; FED for agricultural diversification and particularly for livestock development; USAID for irrigation development on the river Juba, for promotion and financing of the private sector, and for tourism; African Development Bank for some infrastructure projects such as the northern roads; Kuwait and Saudi Arabia for export of livestock, including shipping arrangements; and IDA for financing the Port of Mogadiscio and agricultural projects.

5. Mr. McNamara suggested that Somalia first make a realistic assessment of the flow of foreign capital to Somalia on an annual basis from bilateral and multilateral sources and then determine its priorities for investment. In answering a question from the Prime Minister, Mr. McNamara said that Somalia should not expect more than US \$4-5 million from IDA on an annual basis. This, he said, was not sufficient to finance the Port of Mogadiscio (\$15 million) for which funds would have to be committed in the second half of 1970. He therefore suggested that the Prime Minister actively seek funds, preferably on concessionary terms from other sources as well (such as FED, Italian Government and USAID). The Prime Minister agreed to do so and requested that IDA also actively pursue this matter with interested parties.

6. When asked by Mr. McNamara, the Prime Minister said that he had not received any firm commitments from President Nixon (whom he saw earlier that afternoon) but that the President was sympathetic. He added that he had received "commitments" in 1968 from the Johnson Administration and the then Government of the Republic of West Germany. The two administrations have changed and he was renewing his requests to the new authorities.

7. Mr. McNamara concluded the meeting by thanking the Prime Minister for his visit and said that within the limitations of IDA resources we would do what we can to assist Somalia.

cc: Messrs. McNamara  
Knapp  
El Emary  
Knox  
Carmichael  
Tolley

MABurney:ad





## OFFICE MEMORANDUM

TO: The Record

DATE: July 27, 1970

FROM: Howard E. Tolley *HET*SUBJECT: Courtesy call by Somali Ambassador on Mr. McNamara

1. Mr. Abdullah Ahmed Addou, recently appointed Ambassador of the Somali Democratic Republic to the United States, called on Mr. McNamara on July 27, 1970. Mr. Kochman, Executive Director, and Mr. Tolley were also present.
2. The Ambassador explained that the Revolutionary Government which came to power last October is following a policy of neutrality. The Government wants to get along with its neighbors and believes that the only way a small country like Somalia can maintain its independence is by avoiding entangling alliances with the larger powers of either East or West. At the same time, to maintain domestic stability economic development must proceed as rapidly as possible. In order to achieve the latter objective, Somalia wishes to obtain assistance from the World Bank and other international organizations in which Somalia has membership. He mentioned particularly Bank assistance was wanted for construction of a new port at Mogadiscio, for which Somalia's request was long standing, and projects in agriculture, livestock and highways.
3. Mr. McNamara replied that he was very interested in development in Africa south of the Sahara, including Somalia. He wished to see eliminated the divisions within countries and between countries in the area so that development can proceed in an orderly and expeditious manner. He indicated that the Bank is building up a sizeable pipeline of projects for Somalia. He stated that the Mogadiscio port project is quite far advanced and that projects are also being considered for education, livestock and highways, and he expressed the hope that these would be processed for lending without protracted delays.
4. In closing Ambassador Addou thanked Mr. McNamara for receiving him and for the positive attitude which he expressed toward assisting Somalia.

HETolley:tj

cc: Mr. McNamara

Mr. Kochman

Mr. Lejeune

President has seen



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 27, 1970

FROM: Howard E. Tolley *HET*SUBJECT: SOMALIA - Courtesy Call by the Somali Ambassador to the United States

1. Mr. Abdullah Ahmed Addou is one of the westward looking members among the senior officials of the Somali Government. He is quite familiar with the Bank and Fund. Before his recent appointment as Ambassador to the United States, he was successively Director General (the senior civil servant) in the Ministry of Finance, the President (Governor) of the Central Bank of Somalia and, for a brief period, head of the Somali Development Bank. He attended the Economic Development Institute (EDI) General Development Course in 1966/67 and attended the 1969 Annual Meeting as head of Somalia's delegation to the International Monetary Fund.

Past Operations

2. Highway Development: Two IDA credits (74-SO for \$6.2 million approved in March 1965 and 123-SO for \$2.3 million approved in June 1968) have been provided toward the financing of the 200 km Afgoi-Baidoa Road. In addition, the European Development Fund (FED) has provided \$4.85 million for the construction of this road, the provision of highway maintenance equipment and the construction of an office for the Highway Department. The third partner in this project is UNDP which has provided \$2.15 million for consulting services and training for the Highway Department and transportation studies (with the Bank as executing agency). After initial delays, construction of the Afgoi-Baidoa road started in fall 1968 and completion is expected by the end of 1970. The training programs were delayed, mainly due to delays in the procurement of the highway maintenance equipment. The existing UNDP technical assistance was scheduled to terminate in August, but UNDP has agreed to provide an additional 3 years of consultants' services (estimated to cost about \$600,000) in a program emphasizing training in the use of the new equipment.

3. Port of Mogadiscio Studies: A credit (S5-SO) of \$550,000 for detailed engineering of a new port of Mogadiscio and accounting services to the Somali Ports Authority was signed on March 3, 1969. Due to delays in Government ratification and other steps necessary to meet conditions of effectiveness, the credit did not become effective until January 6, 1970. However, considerable work was done by both the accounting and engineering consultants before effectiveness (even though they were not being paid for their services), so that delays have been less than they might have been. Arrears of payments due to the consultants for services rendered prior to effectiveness have been made and the work is proceeding satisfactorily. The results of the detailed engineering have just been received and are under review. A staff member has just visited Somalia to discuss some organizational and staffing difficulties associated with the accounting services being provided under the credit.

President has seen



July 27, 1970

Possible Future Operations

4. We have recently received official requests to finance construction of a new port at Mogadiscio, an education project and a road project in the north (from Hargeisa to the port of Berbera).
5. We expected the Mogadiscio project, which would be based on the studies financed under Credit S5-S0 mentioned above, to be ready for appraisal and financing in FY 1971; however, a preliminary field report from the staff member who just visited Mogadiscio indicates that this schedule may be delayed by a few months due to organizational and staffing difficulties in the Port Authority. Total cost of the project is estimated at about \$16 million, of which \$15 million borrowing is needed on soft terms. Due to shortage of IDA funds we have only allocated \$7.5 million for this project. FED has agreed in principle to finance the other \$7.5 million.
6. Regarding education, we are prepared to appraise a project in the near future, based on preparatory work by the Government and UNESCO. If the Mogadiscio port project slips into FY 1972, the education project could probably be presented to the Executive Directors late in FY 1971, otherwise early in FY 1972.
7. The Hargeisa-Berbera road is being engineered under a UNDP grant with the Bank as executing agent. Engineering should be completed within the next two months. However, if we do either the Mogadiscio port or the education project this fiscal year, we would have to postpone financing of this road project until next fiscal year.
8. In addition to the above projects identification-preparation work on a possible livestock project is under way with the assistance of our Permanent Mission in Eastern Africa.

General Comments

9. An economic mission which visited Somalia in May is preparing its report.

HETolley:tj

cc: Mr. Lejeune





## OFFICE MEMORANDUM

TO: Files DATE: October 2, 1970

FROM: Th. U. Halbe *TH*

SUBJECT: Annual Meeting 1970 - Meeting between Mr. McNamara  
and Mr. Samater, head of the  
Somali delegation.

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1. On September 22, Mr. McNamara met with Mr. Samater, Secretary of State for finance and head of the Somali delegation; Mr. Samater was accompanied by Mr. Kochman. For the Bank attended, besides Mr. McNamara, Messrs. Knapp and Lejeune.

2. Mr. Samater had come to deliver to Mr. McNamara a special letter, dated September 12, 1970, from the new Somali head of State, Maj. Gen. Mohamed Siad Barre, President, Supreme Revolutionary Council. After a quick examination, Mr. McNamara stated that the letter asked for the discussion, with Mr. Samater and during the Annual Meeting, of prospective Bank group operations in Somalia. Also, that the head of State gave highest priority to the Mogadiscio port project, followed by the Berbera-Hargeisha Road and the Education project. He then asked Mr. Lejeune to handle these specific discussions.

3. Coming back to the road project, Mr. McNamara felt reminded of the need for Somalia to maintain the present road network since it would be hard to justify the construction of new roads if existing ones were not properly maintained.

4. Mr. Samater recognized the problem and indicated that the Government had increased the 1971 budget allocation for roads by two thirds. Moreover, he asked for comprehension of the particular difficulties the Government was facing in road maintenance due to the unfavorable climatic conditions in Somalia.

5. The meeting was essentially a courtesy call and was a friendly one.

cc: Mr. Christoffersen (2)

Th -- Halbe/dw

RECEIVED 1970 OCT 10





## OFFICE MEMORANDUM

TO: The Record

DATE: March 16, 1971

FROM: Howard E. Tolley *HET*

SUBJECT: SOMALIA: Courtesy Call by Secretary of State for Finance

1. On March 8, Mr. Ibrahim Megag Samater, the Secretary of State for Finance of Somalia, paid a courtesy call on Mr. McNamara. He was accompanied by His Excellency Dr. Abdullahi Ahmed Addou, Somali Ambassador to the United States. Mr. Kochman, Executive Director, and Mr. Tolley were also present.

2. The purpose of Mr. Samater's visit to Washington was to lead a Somali delegation to negotiate a proposed IDA credit for an education project. Mr. McNamara enquired about the status of the negotiations and was informed that the discussions had just been concluded without any significant difficulties. There was then a brief discussion on the status of three additional projects which are in various stages of consideration by IDA - the Hargeisa-Berbera Road project, the Mogadiscio Port, and a Livestock project. Mr. McNamara emphasized that he wished to stick to the present schedule for processing these projects, and he asked that the Secretary of State meet with the appropriate Bank staff to review the timetables for each of the projects and to reach an understanding on the precise steps to be taken by Somalia and IDA in order to avoid delays.

3. On more general matters, Mr. McNamara asked Mr. Samater for his views on the current political situation in the Sudan and Uganda. Mr. Samater replied that he understood that the present Sudanese government was making substantial progress in reconciling the dissident southern elements. He therefore felt there were prospects for improved political stability in the Sudan. Regarding the Uganda situation, the Secretary of State said that it was still too soon to form a view on the internal political situation following the recent coup d'etat.

cc: Messrs. Kochman, Lejeune/Williams

HETolley:pk

President has seen

## OFFICE MEMORANDUM

TO: Files

DATE: March 8, 1971

FROM: Howard E. Tolley

SUBJECT: Somalia: Status of Compensation Claims of Nationalized Enterprises

1. On May 7, 1970 the Government announced the nationalization of a number of foreign-owned enterprises (see attached list). The announcement stated that compensation would be paid, and the enterprises were asked to submit their claims. All of the claims have since been submitted; they total approximately So. Sh.60-65 million (about \$9.0 million). When I visited Somalia last December, the Italian Ambassador to Somalia told me that the Italian Government would, if asked, consider assisting Somalia with compensation for the Italian firms which were nationalized.

2. The Secretary of State for Finance, who is at present visiting the Bank as leader of the Somali delegation to negotiate the proposed Education Credit, has confirmed that it remains Government policy to pay fair compensation. The Government intends to hold discussions with each nationalized firm in turn for the purpose of reaching agreement on the amount of compensation to be paid. The Secretary of State for Finance will chair the discussions, and a representative from the Italian Embassy will be invited to attend the discussions as an observer. Discussions with the first firm, the Jowhar Sugar Company, are scheduled to start on March 25.

Attachment

HETolley:am

cc: Messrs. McNamara  
Williams  
Christoffersen  
Adomakoh  
Collier  
Sekse  
Elmendorf

President has seen



SOMALIA

Enterprises Nationalized on May 7, 1970

Jowhar Sugar Company (formerly joint Italian-Somali ownership)

Mogadishu Electric Power Company (Italian)

Commerical Banks:

Banco di Roma  
Banco di Napoli  
National and Grindlays Bank  
Bank of Port Said

Oil Companies:

Shell  
Caltex  
Agip

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: March 4, 1971

FROM: Michael L. Lejeune

SUBJECT: Somalia: Courtesy Call by Secretary of State for Finance

The Secretary of State for Finance, Mr. Ibrahim Megag Samater, arrived on March 1 for negotiations on the proposed \$3.3 million IDA credit for an education project in Somalia. He is accompanied by Mr. Abdinur Yussuf, Director of Planning in the Ministry of Education. He has asked for an appointment with you next week to make a courtesy visit. The Secretary of State led the Somali delegation to the Annual Meeting in Copenhagen, where you met him briefly when he handed you a letter from the President of the Somali Democratic Republic. Biographical information on the Secretary of State is attached.

I recommend you see Mr. Samater. Our relations with Somalia's new government are still somewhat tenuous and need strengthening. Moreover, the present negotiations represent the beginning of a significant program.

Mr. Samater may raise two general questions:-

- (i) the possibility of obtaining 100% financing for the capital cost of projects, since Somalia is dependent upon external aid to balance its current budget and has no resources of its own available for capital outlays, and
- (ii) the length of time required for a member country to obtain a credit from IDA.

On the first point we have explained that the Bank Group as a matter of policy does not finance 100% of projects, but in countries whose current budgets are dependent upon external contributions, such as Somalia, we are prepared, as an exception to general policy, to consider financing a very high proportion of the cost (always subject to the availability of IDA funds), such as 80% to 90% of the total cost. We also try to find other donor agencies willing to enter into joint financing arrangements which may, in some cases, make possible financing up to 100% of project costs.

On the second point we have explained that, aside from particular circumstances surrounding a project which may lead to delays, the thoroughness with which the Bank Group examines projects inevitably takes time. Even though our rapidly expanding scale of activities (particularly in Africa) has put heavy burdens on the staff, we have, in fact, been able slightly to reduce the average time needed.

In the letter which Mr. Samater handed to you in Copenhagen, the President requested IDA to finance four projects:-

President has seen



March 4, 1971

1. the education project now being negotiated; *May 71*
2. reconstruction of the Berbera-Hargeisa Road; *Jan 71 1st Q FY 72*
3. construction of a new port at Mogadiscio; and *Apr 72*
4. a livestock project. *not an understanding on holding grounds*

All of the above projects are in our lending program.

(1) The education project provides financing for teacher training, general and technical secondary education and mobile agricultural training units. We hope to have completed negotiations by the time of the courtesy call. The proposed credit would finance 90% of the total cost of the project and is scheduled for consideration by the Executive Directors in May.

(2) The Hargeisa-Berbera road project has been appraised and the appraisal report is expected to be completed this month. The total cost of the project is estimated at slightly over \$9 million. We expect to recommend an IDA credit of \$8 million; the African Development Bank has agreed in principle to provide the remainder (on conventional banking terms) under joint financing arrangements with IDA. We expect to present the proposed credit to the Executive Directors in the first quarter of the next fiscal year. *on 3/3 report shows as final*

(3) Regarding the proposed Mogadiscio port project, we became concerned about the accounting, management and staffing situation in the Somali Port Authority (SPA) as a result of changes introduced by the Revolutionary Government about one year ago. Following discussions by two IDA Missions with the Government and SPA, some progress has been made toward an understanding on these matters and we hope to appraise the project in the next fiscal year. The total cost of the project is presently estimated at \$16-17 million and we have reached agreement in principle with the European Development Fund (FED) on a proposal whereby IDA would lend \$7.5 million and FED would provide \$7.5 million as a grant. We hope to present the proposal to the Executive Directors in the fourth quarter of the next fiscal year.

(4) Several missions from our Permanent Mission in East Africa have visited Somalia to assist in the preparation of a livestock project south of the Juba River. The last mission (January 1971) reported that preparation of a project costing about \$3 million is nearly complete, except for reaching an understanding on the size of holding grounds to be developed within the framework of the project. PMEA has written to the Government pointing out the necessity of developing adequate holding grounds in step with the other components of the project and is awaiting the Government's reply.

March 4, 1971

Past Operations

Highway Development: Two IDA credits (74-SO for \$6.2 million approved in March 1965 and 123-SO for \$2.3 million approved in June 1968) have been provided toward the financing of the 200 km Afgoi-Baidoa Road. In addition, the European Development Fund (FED) has provided \$4.85 million for the construction of this road, the provision of highway maintenance equipment and the construction of an office for the Highway Department. The third partner in this project is UNDP which has provided \$2.7 million for consulting services and training for the Highway Department and transportation studies (with the Bank as executing agency). After initial delays, construction of the Afgoi-Baidoa road started in fall 1968 and completion is expected in March 1971. The training programs were also delayed and the UNDP technical assistance arrangements, which were scheduled to end in August 1970, have been extended for three years.

Port of Mogadiscio Studies: A credit (S5-SO) of \$550,000 for detailed engineering of a new port of Mogadiscio and accounting services for the Somali Port Authority was signed on March 3, 1969. The purpose of this credit was to finance preparatory work for the proposed construction of the new port at Mogadiscio. Implementation of the accounting services encountered some difficulties following the change in SPA management last year, but both the engineering and accounting aspects have now been completed.

I shall be away next week visiting the Congo, but Mr. Williams or Mr. Tolley will be available to be present at a meeting between you and Mr. Samater.

Attachment



cc: Mr. Kochman  
Mr. Cope



Biographical Information on:

IBRAHIM MEGAG SAMATER

Secretary of State for Finance

SOMALIA

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Born in 1942 at Hargeisa; he attended Hargeisa Primary School and continued his studies at the Anrud Secondary School and the Sheikh College. In 1961, he came to the United States to study at Yale University where he gained the degree of Bachelor of Economics in 1965. In September 1965, he joined the Revenue Department of the Finance Ministry where he stayed until September 1966, when he returned to the United States to spend a year at Yale where he earned a Master's degree in Economics. On his return in September 1967, he was transferred to the Budget Department of the Finance Ministry, becoming Director of the Department in June 1968. He held this position until March 16, 1970, when he was promoted to Director General of the Finance Ministry. On March 31, the previous Secretary of State for Finance was removed from office, reportedly over a policy disagreement with the Supreme Revolutionary Council, and Mr. Samater was appointed in his place.



SOMALI DEMOCRATIC REPUBLIC

—D—

Presidency of the Supreme  
Revolutionary Council

Mogadishu NOV 9 1970

Date 12th Sept. 1970

Ref: SRC/2-2206

Mr. Robert S. McNamara,  
President,  
International Bank for Reconstruction & Development,  
Copenhagen.

Dear Mr. McNamara,

On the occasion of the annual meeting of the International Bank for Reconstruction and Development and its affiliates, I should like to take this opportunity to send cordial greetings on behalf of the Government and people of Somalia to you and to the Executive Directors and staff of the Bank.

We are appreciative of the assistance which we have received from the Bank and the International Development Association in the past and we look forward to many more years of fruitful co-operation.

Somalia has submitted a number of applications for further loans from the International Development Association and I hope that while the Secretary of State for Finance and the Governor of the Somali National Bank are in Copenhagen they will have an opportunity to discuss them with your officials. These are all projects which we regard as being of great importance for the development of our country, and we are very anxious to make a start with them at the earliest possible date.

If it should not be possible for reasons of availability of finances to embark on all the projects simultaneously the order of priority in which we would wish them to be placed is:-

1. Mogadiscio Port
2. Berbera-Margeisa-Gadkayogol Road
3. Educational project

In addition to these projects, the Government of Somalia has been in contact with the Bank for some time about a livestock development project for the Lower Giuba region. The Government will shortly be submitting revised proposals to take account of the suggestions made by the last visiting Bank mission. In view of the vital role which the livestock industry plays in Somalia's external trade, the Government accords a high priority to this project.

I should like to repeat, Mr. President, that although in a list of



SOMALI DEMOCRATIC REPUBLIC

Presidency of the Supreme  
Revolutionary Council

Mogadishu

Date .....

Ref:

-2-

priorities some projects inevitably come lower down than others we regard all these projects as being of great importance for the development of the country.

The officials of the Government of the Somali Democratic Republic will, of course, be ready to give whatever assistance they can in bringing the schemes to speedy fruition.

I wish the Bank continuing success in its important work

Yours sincerely,

(Maj-Gen. Mohamed Siad Barre)  
President  
Supreme Revolutionary Council.





## OFFICE MEMORANDUM

TO: Memorandum for the Record

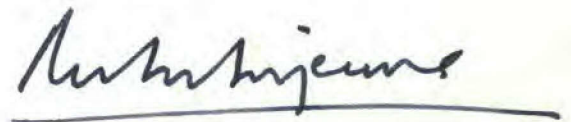
FROM: Michael L. Lejeune

SUBJECT: SOMALIA - Visit by Secretary of State for Finance

DATE: July 26, 1971

1. On July 12, 1971 the Secretary of State for Finance of Somalia, Mr. Ibrahim Megag Samater, was granted at his request a meeting with Mr. McNamara. The Somali Ambassador was present and so was I.
2. The Secretary of State commented that on his visit earlier this year he had felt constrained to tell Mr. McNamara that he felt that the Bank was not pursuing fast enough the several projects under consideration in Somalia, but he was glad to be able to say that now a Credit for an Education Project had been signed and negotiations for another Credit for a Road Project virtually completed, the position was much better. He said he felt that Mr. McNamara's obvious wish to get things moving in Africa had had beneficial results for Somalia.
3. Mr. McNamara said that it was indeed his hope substantially to expand the Bank Group's activities in Africa, but credit for what had been achieved recently should be given to the staff members immediately concerned.
4. The Secretary of State then once more extended an invitation on behalf of his Government for Mr. McNamara to visit Somalia, suggesting even that if he had time the Somalis would be glad to see him before the Annual Meeting. Mr. McNamara thanked the Secretary of State for the invitation and said that it would not be possible for him to visit Mogadiscio before the Annual Meeting and indeed his plans for travelling over the next twelve months were still uncertain. Nevertheless, he would like very much to go to Somalia and hoped to do so some time.
5. The Secretary of State noted the Government's strong interest in pursuing the Port of Mogadiscio Project and referred briefly to the question raised by the fall-off in traffic during calendar 1970. The matter, however, was not discussed in detail. He also noted that the Livestock Project was not likely to come to fruition because the Bank had doubts about the fattening ranch which the Livestock Division of the Agriculture Department of the Government felt was an essential part of the Project. (He mentioned this merely as a factual matter and did not ask for any reconsideration on the Bank's part).
6. It was essentially a courtesy visit.

cc: Mr. McNamara's office (2)  
Div. A, Eastern Africa



MLLejeune:neb

President has seen



7/8 to Mr. Legume  
INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL FINANCE  
CORPORATION

July 8, 1971

Make, must  
see him.

Mr. McNamara:

Through Mr. Kochman's office, Mr.  
Samater, Secretary of State for Finance  
of Somalia, has requested an appointment  
with you some time tomorrow or Monday.

May we schedule?

Mr. Legume prefers inty  
very late in afternoon  
per 7/9

ps

3662

625  
Mr

Said Karbawa & Legume.  
Legume w/ said Karbawa will attend.  
Rd

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 9, 1971

FROM: Michael L. Lejeune

SUBJECT: SOMALIA - Request for Courtesy Call by Secretary of State for Finance

1. The Secretary of State for Finance, Mr. Ibrahim Megag Samater, is leading a delegation which arrived on July 6 to negotiate a proposed \$8.6 million IDA Credit for the Hargeisa-Berbera road in Northern Somalia. I understand that Mr. Boukar has asked whether the Secretary of State may call on you and that you have inquired whether you should see him.

2. I recommend you receive Mr. Samater for a 10 to 15-minute courtesy call. Our relations with Somalia's new government, though improving, are still somewhat tenuous and need further strengthening.

*perhaps 6 pm  
on Mon.*

3. The Secretary of State led the Somali delegation to the Annual Meeting in Copenhagen where he handed you a letter from the President of the Somali Democratic Republic. You met him again last March when he was in Washington to negotiate an IDA credit for an education project. A copy of the Record of your March meeting is attached as well as biographical information on the Secretary of State.

4. Mr. Samater may wish to discuss two subjects with you:

- (a) an invitation for you to visit Somalia, if possible before this year's Annual Meeting; and
- (b) the IDA lending program for Somalia.

5. In the letter which Mr. Samater handed to you in Copenhagen, the President requested IDA to finance four projects:-

- (1) an education project;
- (2) reconstruction of the Hargeisa-Berbera Road now being negotiated;
- (3) construction of a new port at Mogadiscio; and
- (4) a livestock project.

(1) A Credit of \$3.3 million for the education project was signed on June 3, 1971, and the other three projects are in our lending program for FY1972 and FY1973.

(2) The Hargeisa-Berbera road, for which credit negotiations are now in progress, would be the second highway project which we have financed in Somalia. Representatives of the African Development Bank (ADB) are participating in the current negotiations since ADB has agreed in principle to loan \$900,000 for the Hargeisa-Berbera road under joint financing arrangements with IDA. The two institutions would thus finance 100% of the estimated



July 9, 1971

total cost of the project (\$9.5 million), with IDA providing 90% and ADB 10%. The negotiations have gone smoothly so far and are expected to be completed early next week. Because of delays in inviting bids and substantial cost overruns encountered on the first highway project, we have agreed with the Somalis that the proposed credit will not be submitted to the Executive Directors until results of bidding confirm the economic feasibility of the project and the adequacy of the financing plan. Bidding results will not be available until about the end of September and Board presentation therefore could not take place until October at the earliest.

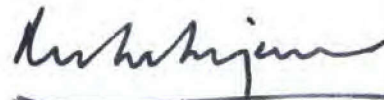
(3) The Port of Mogadiscio project would provide a new deep water port with two berths to replace the present lighterage facilities at an estimated cost of \$16-17 million. Joint financing with FED has been agreed in principle. We have just received answers to a questionnaire in which we had requested information designed to indicate whether the project would be ready for appraisal in the near future. This information is still being studied, but a preliminary reaction is that the low port traffic may require a scaling-down of the project as presently conceived. (We intend to discuss this matter with the Secretary of State before he leaves, but as of the time of writing it has not been discussed.)

(4) Several missions from our Permanent Mission in Eastern Africa have visited Somalia to assist in the preparation of a livestock project south of the Juba River. The last mission (January 1971) reported that preparation of a project costing about \$3 million is nearly complete, except for reaching an understanding on the size of holding grounds to be developed within the framework of the project. PMEA has written to the Government several times pointing out the necessity of developing adequate holding grounds in step with the other components of the project and is still awaiting the Government's reply.

#### Compensation for Nationalized Enterprises

6. In May 1970 the Government announced the nationalization of several enterprises which were foreign-owned or jointly owned by foreigners and Somalis, including a sugar company, the Mogadishu Electric Power Company, four commercial banks and three oil companies (oil storage facilities and gasoline stations). Most of the foreign holdings were Italian. The Government's stated policy is to pay fair compensation, and the Government began negotiations about a month ago on the basis of claims presented by the firms. A representative of the Italian Embassy is attending the negotiations as an observer. The discussions are still in an early stage and no settlement has yet been reached.

Attachments: 2



Howard E. Tolley

SOMALIA: Courtesy Call by Secretary of State for Finance

1. On March 8, Mr. Ibrahim Megag Samater, the Secretary of State for Finance of Somalia, paid a courtesy call on Mr. McNamara. He was accompanied by His Excellency Dr. Abdullahi Ahmed Addou, Somali Ambassador to the United States. Mr. Kochman, Executive Director, and Mr. Tolley were also present.

2. The purpose of Mr. Samater's visit to Washington was to lead a Somali delegation to negotiate a proposed IDA credit for an education project. Mr. McNamara enquired about the status of the negotiations and was informed that the discussions had just been concluded without any significant difficulties. There was then a brief discussion on the status of three additional projects which are in various stages of consideration by IDA - the Hargeisa-Berbera Road project, the Mogadiscio Port, and a Livestock project. Mr. McNamara emphasized that he wished to stick to the present schedule for processing these projects, and he asked that the Secretary of State meet with the appropriate Bank staff to review the timetables for each of the projects and to reach an understanding on the precise steps to be taken by Somalia and IDA in order to avoid delays.

3. On more general matters, Mr. McNamara asked Mr. Samater for his views on the current political situation in the Sudan and Uganda. Mr. Samater replied that he understood that the present Sudanese government was making substantial progress in reconciling the dissident southern elements. He therefore felt there were prospects for improved political stability in the Sudan. Regarding the Uganda situation, the Secretary of State said that it was still too soon to form a view on the internal political situation following the recent coup d'etat.

cc: Messrs. Kochman, Lejeune/Williams

HETolley:pk



Biographical Information on:

IBRAHIM MEGAG SAMATER

Secretary of State for Finance

SOMALIA

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Born in 1942 at Hargeisa; he attended Hargeisa Primary School and continued his studies at the Anrud Secondary School and the Sheikh College. In 1961, he came to the United States to study at Yale University where he gained the degree of Bachelor of Economics in 1965. In September 1965, he joined the Revenue Department of the Finance Ministry where he stayed until September 1966, when he returned to the United States to spend a year at Yale where he earned a Master's degree in Economics. On his return in September 1967, he was transferred to the Budget Department of the Finance Ministry, becoming Director of the Department in June 1968. He held this position until March 16, 1970, when he was promoted to Director General of the Finance Ministry. On March 31, the previous Secretary of State for Finance was removed from office, reportedly over a policy disagreement with the Supreme Revolutionary Council, and Mr. Samater was appointed in his place.



## OFFICE MEMORANDUM

TO: Memorandum for the Record DATE: October 31, 1972

FROM: Michael L. Lejeune

SUBJECT: SOMALIA - Meeting between Mr. McNamara and Mr. Ahmed Mohamed Mohamoud

1. At his request the Secretary of State for Planning and Coordination of Somalia, Mr. Ahmed Mohamed Mohamoud, had a courtesy meeting with Mr. McNamara on September 15, 1972. The Ambassador of Somalia, Mr. Kochman and I were present.
2. The Secretary of State reported on the progress of the negotiations on the Port of Mogadiscio and other projects in the pipeline. With respect to the Port of Mogadiscio negotiations, he drew attention to the urgency of getting the bidding documents out so that the contractor who won the award could get his equipment in place before the monsoon struck in April of next year. He said that there had been a hitch with the European Development Fund - who were co-donors - which had not been resolved during negotiations, but I explained that Mr. Ferrandi, the Director General of the Fund, would be in Washington in a few days and that the matter would be resolved (which indeed it subsequently was).
3. The Secretary of State in a more general vein went on to say that not only in the Mogadiscio Port loan but others a general problem for the Somalis was the constraints placed upon them by the General Conditions with respect to procurement. He drew particular attention to the requirement that all goods financed by the loans be purchased in countries which were members of the Bank or Switzerland. They had established a general trading and importing state corporation which drew its supplies from all parts of the world, including China and Russia, and it slowed up the procurement process if, for example, cement or other generally traded materials or equipment could be used in a project financed by the World Bank or IDA only if purchased from a particular source. He emphasized his point by indicating the problem which had arisen under tied U.S. aid.
4. Mr. McNamara said that the Bank's procurement policies were laid down by its charter and that there was no possibility of changing the stipulation that goods and services had to be acquired within the Bank's membership. Moreover, in his experience this had not proved a significant problem for other borrowers. However, on any other constraints which the Secretary of State felt were too limiting, Mr. McNamara would be glad to hear further and suggested that the Secretary of State write a letter.
5. The Secretary of State closed by expressing the Somali Government's satisfaction with the efforts made by the World Bank and its staff to help them

President has seen



in their development. They were anxious to move fast. They felt that they had organized themselves to deal with policy decisions quickly and they were anxious to press ahead.

6. Mr. McNamara assured him of the Bank's interest in Somalia and the intention to expedite its development.

hushush

cc: Mr. McNamara (2)  
Mr. Bell o/r  
Mr. Tolley  
Mr. Malone  
Mr. Wakiyama

MLLejeune:neb

Briefing Paper  
for Meeting of Mr. Ahmed Mohamed Mohamoud,  
Secretary of State for Planning and Coordination, Somalia,  
with Mr. McNamara

- 9/15
1. Mr. Ahmed Mohamed Mohamoud, Secretary of State for Planning and Coordination, Somalia, is here leading a Somali delegation in the negotiations of a proposed credit for the Port of Mogadiscio, which will be jointly financed by IDA and the European Development Fund (FED) on a 50:50 basis, with each providing financing of approximately \$12.5 million for the construction of a new port.
  2. Negotiations have progressed well and are substantially completed. Mr. Mohamoud has, however, expressed the feeling that standard IDA requirements complicate normal Government operations and that the cumulative effect of these and similar requirements by other multilateral donors and bilateral donors result in severely restricting the flexibility of the Government in running its own development program.
  3. No Bank loans have been made to Somalia. Past IDA operations comprise 3 Credits totalling \$18.1 million for 2 highway projects, a \$3.3 million Credit for an education project and a Credit of \$550,000 for assistance in the preparation of the Mogadiscio Port Project.
  4. The Port of Mogadiscio Project is the only project in the FY73 Program. A Livestock Development Project, which was prepared with the help of the Permanent Mission in Eastern Africa (PMEA), is included in the FY74 Program, and it is expected that the application for this project will be received in October. While no other projects have been identified, a PMEA Agricultural Project Identification Mission is scheduled for this Fall. In addition, Mr. Mohamoud has made preliminary inquiries as to the Bank Group's interest in financing the following project ideas:
    - 1) Electric power supply for Mogadiscio;
    - 2) a Salt Export Project, which he has discussed preliminarily with IFC;
    - 3) a Fisheries Project;
    - 4) a possible road link to Kenya, which would tie in with the Trans-African Highway.
  5. Since Mr. Kochman, the Executive Director for Somalia, is dealing directly with the President of Somalia, Mr. Kochman has requested that no mention be made to Mr. Mohamoud concerning Mr. McNamara's proposed visit to Somalia.

President has seen

Eastern Africa Department  
September 14, 1972







## OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Michael L. Lejeune

SUBJECT: SOMALIA - Visit by the Somali Ambassador

DATE: November 29, 1972

On October 30, 1972 Dr. Abdullah Ahmad Addou, Somalia's Ambassador to the United States, called on Mr. McNamara. I was present. The purpose of the call was to deliver a formal invitation from the Somali President to Mr. McNamara to visit Somalia.

Mr. McNamara thanked the Ambassador and said that he was making definite plans to make such a visit. He was greatly looking forward to it as he had never been there before. He was making every effort to visit each of the Bank's member countries.

No other matters were discussed.

cc: Mr. McNamara (2)  
Mr. Bell  
Mr. Malone



MLLejeune:neb

President has seen

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 30, 1972

FROM: John M. Malone, Jr. *JM*

SUBJECT: SOMALIA - Call by the Somali Ambassador to the United States

10/30  
Dr. Abdullah Ahmad Addou, Somalia's Ambassador to the United States since June 1970, is one of the westward looking members among the senior officials of the Somali Government. He is quite familiar with the Bank and Fund. Before his recent appointment as Ambassador to the United States, he was successively Director General (the senior civil servant) in the Ministry of Finance, the President (Governor) of the National Bank of Somalia and, for a brief period, head of the Somali Development Bank. He attended the Economic Development Institute (EDI) General Development Course in 1966/67 and attended the 1969 annual meeting as head of Somalia's Delegation to the International Monetary Fund. You met him in July 1970 (a courtesy visit) and again in September 1972 during the visit of Mr. Mohamoud, the Secretary for Planning and Coordination.

It is understood that the Ambassador wishes to see you to deliver a personal message from President Siad. The message consists of a formal invitation for you and Mrs. McNamara to visit Somalia as planned on November 13.

cc: Mr. Lejeune

President has seen







## OFFICE MEMORANDUM

TO: Files

DATE: December 26, 1972

FROM: John M. Malone, Jr. *JM*SUBJECT: SOMALIA - Working Session with Government Officials during  
Mr. McNamara's Visit

Mr. McNamara met the Economic Committee of the Council of Secretaries in Mogadishu on November 14, 1972. Present were: from the Bank; Messrs. McNamara, Kochman, Clark, Lejeune, Malone and Ljungh and from the Government of Somalia: Messrs. Weirah (Chairman), Warsama, Sayed Ali, Rabile and Herzi. The Chairman distributed copies of a memorandum describing recent economic developments in Somalia and listing a number of projects for which the Government intended to request IDA assistance. The Chairman opened the meeting by reviewing briefly the latest economic developments, saying that the budget surplus first achieved in 1971 was growing rapidly and that the Government was able as a result to make substantial budgetary allocations for development. The target for the local contribution to public development expenditure in 1973 was Sh. 85 million (US\$ 12 million).

In the current year, development expenditure for agriculture and education had increased substantially. At the same time the trade deficit on the balance of payments was decreasing due to a rapid increase in exports and a decrease in imports of consumer goods, more than offsetting rapid increases in imports of capital goods.

Apart from livestock project already being considered by the Bank, the main agricultural development projects planned by the Government were: an expansion of the agricultural crash programs to cover an area of 10,000 hectares; the Afgoi-Mordile irrigation project financed by the African Development Bank covering an area of over 3,000 hectares; the Fanole Dam and related first phase irrigation works covering an area of 9,000 hectares, which was being financed by the Soviet Union, and a possible irrigation project at Balad which was presently being studied by consultants. In the transportation sector the biggest project was the Chinese-financed road from Belet-Uen to Burao which would link the northern and southern regions for the first time with an all-weather road.

The Chairman reported that the claims for compensation by owners of nationalized property were "more or less agreed" and that the Italian Government was considering a loan to assist Somalia in paying off the claims. The Chairman hoped that the negotiations would be finalized before the end of 1972.

In commenting on the list of new projects tabled by the Government representatives, Mr. McNamara said that the Bank Group was interested in projects which contributed to rural development and helped to reduce disparities in income distribution. In examining road projects, the Bank placed great emphasis on their economic return as distinct from strategic considerations. The Bank had never financed housing projects as such but had recently become interested in projects providing sites and services for low-income housing constructed on a self-help basis. He explained that financing the actual construction of badly needed low-income housing on a worldwide basis would require something on the order of \$320 billion and as such was too great an amount and of insufficient priority to justify allocating scarce funds for the purpose.



In this connection Mr. McNamara informed the Government representatives that he was considering only IDA credits for Somalia and no Bank loans in the foreseeable future. He explained the problems of IDA allocation, stating that he was prepared to recommend a lending program for Somalia of roughly \$ 7 million a year on the average, provided satisfactory projects were available for financing and provided the Government's good financial performance and sound development policies were continued. He pointed out that in per capita terms this was much higher than the average IDA allocation. He suggested that if the Government wished the Bank to consider financing projects which were too large to be adequately covered by the IDA funds available, thought should be given to obtaining parallel financing as had been done in the case of the highway and port projects.

Mr. McNamara praised the Government's efforts to extend economic and social progress to reach all the people in the country rather than just a privileged few. He had been impressed by the high degree of social and political involvement of people in all walks of life which the country's leadership had been able to achieve. He stressed that the Bank Group did not adhere to any particular ideology in the conventional sense but was willing to help all of its needy member countries provided they followed sound economic and financial policies.

Mr. Warsama pointed out that most of the projects listed in the Government's memorandum consisted of infrastructure investment. A concentration on infrastructure was still necessary because of the very early stage of Somalia's development.

In the discussion which followed a number of questions were raised by the Government representatives including, among others, the possibility of Bank Group financing for a fishery project, the financing of working capital for local currency purchases by foodgrain merchants through the Commercial Bank and the possibility of Bank loans to finance possible higher-yielding projects as a means of supplementing the IDA allocation. They also inquired whether the Bank Group would consider financing a shipping fleet to carry Somalia's exports of bananas and livestock. Finally, a special plea was made for Bank Group technical assistance to the Government in preparing projects for appraisal.

As the meeting closed, Mr. McNamara asked for a briefing on the organization, planning and implementation of the self-help projects, which he had found extremely interesting. It was explained that, while the construction materials were supplied primarily by the Government, the labor required was given free by the people themselves and that unemployed people who worked on self-help projects were given priority for permanent jobs when they became available. All civil servants worked on self-help projects after office hours each day. The result of this spirit of self-reliance and self-help was that many negative factors such as corruption, nepotism and tax evasion were being eliminated while at the same time the people were able to feel



that they owned a share in whatever they built or produced. In concluding, Mr. McNamara thanked the Government representatives for their explanation, adding that the Bank would be communicating with the Government in due course regarding each of the specific proposals included in the memorandum.

cc. Messrs. McNamara  
Lejeune



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
through Mr. Bernard R. Bell  
FROM: Michael L. Lejeune

DATE: December 6, 1973

SUBJECT: SOMALIA - Meeting with the Secretary of State for Livestock Forestry and Range

- 12/7
1. An appointment has been fixed for Col. Osman Mohamed Jelle, Secretary of State for Livestock Forestry and Range, to see you at 6:00 p.m. on Friday December 7.
  2. Col. Jelle was the Mayor of Mogadishu during your November 1972 visit to Somalia. Attached is a brief biographical sketch. He is currently visiting Washington as leader of the Somali delegation negotiating a proposed IDA credit of \$10 million for a livestock development project in the Trans-Juba area. His visit with you is expected to be primarily a courtesy call and we are not aware of any specific points that he may wish to discuss with you. He does not speak English (though he seems to understand quite well) and a member of his delegation has been acting as his interpreter.
  3. The negotiations for the livestock project started on December 3 and have progressed quite smoothly. The proposed project would be the first Bank Group assistance to the agricultural sector in Somalia. It includes the construction of five cattle markets and the development of over a thousand kilometers of existing stock routes. Two grazing ranches of 80,000 acres each and an irrigated fodder farm and feed lot are also included. Provisions have been made for a disease control program, technical services, training and future project preparation. The Livestock Development Agency (LDA) will be responsible for project implementation except for the disease control program which will be handled by the Ministry of Livestock Forestry and Range. The total cost of the project is estimated at \$11.5 million of which \$7.3 million represents foreign exchange requirements. The proposed IDA credit of \$10 million would finance 87 percent of total project cost. The estimated financial rate of return is 14 percent while the rate of return for the Somali economy would be about 25 percent. About 20,000 nomadic cattle raising families owning about one million head of cattle are expected to benefit from the project with their annual cash income per family increasing on average by about 50 percent from its present level of \$100. The project would provide permanent employment for about 700 persons within LDA and an additional 200 would be employed during the five-year project construction period. Livestock production is the most important economic activity in Somalia providing three-fourths of the volume of the country's exports and a livelihood to nomads representing about 70 percent of its population.
  4. For the future, in FY75 an agricultural development project in the northern region and a second education project are being readied. The agricultural project is likely to include land conservation, training and research facilities, seed multiplication, small scale irrigation and pre-investment studies. The education project would cover development of a language and cultural institute and national library, an education material printing agency, teacher training institute, primary school building and a preinvestment study for an experimental education project for nomads.

President has seen



5. We are also assisting in a UNDP project for strengthening the Planning Ministry in Somalia. This is expected to help the Government's preparation of a new Three-Year Development Plan with emphasis on transport and agriculture. Our operations in Somalia will mainly be in these sectors. Our lending program for FY74-78 will be one project a year except in FY78 when we have two. Total lending (all IDA) will be about \$45 million.

6. The past and proposed IDA assistance is modest in absolute terms. However, during the five-year period 1968-73 IDA credits to Somalia amounted \$1.87 per capita per year which is the highest of the six countries in my area. Even if one includes Bank lending in the other countries and to the East Africa Community, the volume of Bank Group commitments to Somalia were second only to Kenya as may be seen from the table below.

Per Capita IDA/Bank Commitments (Annual Average FY69-73)

	<u>IDA</u>	<u>IBRD</u>	<u>Total</u>
		( US \$ )	
Sudan	0.77	0.06	0.83
Kenya	0.89	1.54	2.43
Tanzania	1.21	0.56	1.77
Uganda	0.53	-	0.53
Ethiopia	0.88	0.31	1.19
Somalia	1.87	-	1.87

### Biographical Sketch

Jaalle Osman Mohamed Jelle:- Secretary of State for Livestock Forestry and Range. (Leader of Somali negotiating team for the proposed Livestock Project.)

Born 1938

Education Secondary Education in Somalia

1960 Joined the Somali National Army

1960-62 - Cairo Military Academy

1962-69 - Assumed many responsibilities  
within the Somali National Army

On October 21, 1969, when the revolution took place, he was appointed a member of the Supreme Revolutionary Council and from October 1969 to October 1970 he functioned as Secretary of the Presidency. From November 1970 to April 1973 he was Mayor of the City of Mogadishu. In April 1973 he was appointed to his present Ministerial position of Secretary of State for Livestock Forestry and Range. He is also a Colonel in the Somali Army and continues to be a member of the Supreme Revolutionary Council (SRC) which is the highest decision-making authority and comprises the President, eight out of a total of twenty-two Secretaries of State and fourteen other military and police officers.

December 5, 1973





## OFFICE MEMORANDUM

TO: Memorandum for the Record DATE: June 19, 1974  
FROM: Howard E. Tolley *HET*  
SUBJECT: Mr. McNamara's Meeting with the Somali Ambassador to the United Nations

1. Ambassador Abdirazak Hagi Hussein, who was in the Bank as the leader of the delegation to negotiate the proposed Second Education credit to Somalia, called on Mr. McNamara on June 14, 1974. Mr. Kochman, Executive Director and I were also present. It was essentially a courtesy visit.

2. The Ambassador conveyed the best wishes of President Mohamed Siad Barre of Somalia to Mr. McNamara and thanked Mr. McNamara personally for all of the assistance which Somalia was receiving from IDA. The Ambassador stated that the Government's policy was to be as self-reliant as possible, but some external assistance was needed and for this purpose the Government particularly appreciated the assistance from IDA. Mr. McNamara referred to his visit to Somalia in November 1972 and recalled how impressed he was with the dedication of the Somali officials to their country in general and to economic development in particular. He said that a country like Somalia, which tries very hard to help itself, is the kind of country we like to assist and work with.

3. In response to a statement by the Ambassador that Somalia had difficulty preparing projects for external financing, Mr. McNamara suggested that the Bank could help Somalia prepare projects and then finance them jointly with the Arab oil exporting countries. In this way, Somalia would receive more money than if restricted to IDA funds, which will be limited in amount.

4. In closing, Mr. McNamara asked the Ambassador to convey his best wishes to President Siad Barre and the cabinet ministers of Somalia.

cc: Mr. Bell  
Mr. Hornstein (for Mr. Lejeune o/r)

HETolley/dh



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: June 14, 1974

Through: Mr. Bernard R. Bell, Regional Vice President, EAN

FROM: Howard E. Tolley, Division Chief, Country Programs 1B, EAN

SUBJECT: SOMALIA: Briefing for Your Meeting with H.E. Abdirazak Hagi Hussein,  
Somali Ambassador to the UN Organization

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1. This week, H.E. Ambassador Hussein is visiting the Bank to lead the Somali delegation to negotiate on the proposed \$8 million Credit (FY75) for the second education project. Biographical information is attached.

2. Proposed Second Education Project

6/14 a. Besides elementary teacher training and improvement in secondary schools, the proposed \$8 million second Education Credit will finance two unique items -- construction of the Academy of Somali Studies and ten Nomadic Training Centers. The Somali language has been a spoken language for centuries but it was not written. Latin script was officially adopted in 1971 and the Academy of Somali Studies has been established with the responsibility inter alia for development of the language using the Latin script. The proposed ten Nomadic Training Centers, with the combined capacity of 1600 children and 2000 adults p.a., will be the country's only facilities for education of nomads who comprise more than two-thirds of the country's population. Four Centers will be located in the project area of the IDA-financed Trans-Juba Livestock Project. The Centers' education will emphasize practical subjects, such as agriculture and animal husbandry.

b. The negotiations were substantially completed yesterday. During the negotiations, the Somali delegation requested that the proposed Credit finance the Vocational Training Center to provide middle level industrial training. However, in view of the existence of five institutes for industrial training, which are considered adequate for manpower requirements in the foreseeable future, and a lack of a comprehensive plan for vocational training, we persuaded the delegation that the IDA financing of the Center should be deferred for the time being. We assured the delegation, however, that we would be prepared to reconsider this matter when the situation becomes more favorable.

3. Bank Group Operations in Somalia

a. IDA has made seven credits totalling about \$45 million, about 70 percent of which has been for transportation development, including construction of two trunk roads and a new deep-water port at Mogadiscio. IDA credits also assisted Somalia in education in 1971 and livestock in 1974.

b. Our Five-Year Lending Program calls for average lending of \$8 million per year (entirely IDA), and we plan to place more emphasis on the country's most important productive sectors, agriculture and livestock. The first effort was the Trans-Juba Livestock Project approved in early 1974. This project is designed to benefit a large number of nomads in the country's southern region by providing marketing and fattening facilities

Mr. Robert S. McNamara

- 2 -

June 14, 1974

for cattle. In the second half of FY75, we plan to present another agricultural project to assist development in the northern region, which has just been appraised.

Attachment

cc: Mr. Bernard R. Bell  
Mr. Roger A. Hornstein (for Mr. M. L. Lejeune)

TWakiyama/HETolley:cmm



### BIOGRAPHICAL DATA

1. NAME: Abdirazak Hagi Hussein
2. BORN: Galkayu, Somalia in 1924
3. 1944-1954 - Entered politics and became active member of the Somali Youth League Party (SYL), the first national political organization, occupying varying executive positions.
  - 1954 - Elected as a member of the first universally elected Municipal Council in Galkayu (his native town).
  - 1955 - Appeared before the UNO as a petitioner on behalf of the afore-said Party, then in opposition to the Italian Trusteeship Administration.
  - 1956-1957 - Elected as leader of the SYL, then in power.
  - 1957-1959 - President of the National University Institute.
  - 1959 - Elected as a member of the National Assembly (Parliament).
  - 1960-1962 - Minister of Internal Affairs.
  - 1962-1964 - Minister of Public Works and Communications.
  - 1964-1967 - Prime Minister.
  - 1968-1969 - Founded a new opposition party (Democratic Action Party (DAP)) and became its leader.

All political parties were dissolved following the military coup in October 1969.
  - 1974 - Appointed Ambassador to the United Nations Organization.
4. Other than his mother tongue - Somali - he speaks and writes fairly well English, Italian and Arabic. He is married with 3 children.



## OFFICE MEMORANDUM

TO: Records

DATE: October 15, 1974

FROM: S. Shahid Husain, RVP, E. Africa

SUBJECT: Mr. McNamara's meeting with the  
President of Somalia

On Friday, October 11, Mr. McNamara, accompanied by Mr. Husain, called on Major General Mohamed Siad Barre, President of Somalia, at Blair House. The President was accompanied by his Vice President\* and the Finance Minister. The President recalled with satisfaction Mr. McNamara's visit to Somalia about two years ago and the Bank's activities in Somalia since then. He said that the country's development effort, based on the mobilisation of the people and self-help, was continuing and gaining momentum. Currently, an integrated drive to reach the rural and nomadic people was in progress and was aimed at:

- (a) gathering the much-needed information on population, agricultural conditions and cattle;
- (b) primary education and adult literacy;
- (c) health and sanitation; and
- (d) animal health.

These were being approached as an integral package to make the best use of administrative and management capacity and physical facilities. The President expected that by the end of the year, there would be fairly complete information on the population, cattle and land ownership. Primary education had been made compulsory and schools were being built, partly on self-help basis. The President expected that, at least in the city of Mogadiscio, by the end of the year all children of primary school age would be going to school. The President said that in education, the main limitation was availability of teachers, while in agriculture, which was another priority area, implements and fertilisers were the limiting factors.

Mr. McNamara complimented the President and his Government on the determined effort to develop Somalia and to mobilise the people despite the very limited resources. He mentioned that IDA's program placed heavy emphasis on education and agriculture and that the latest education project included nomadic education. Mr. McNamara said that despite Somalia's creditable effort, the scarcity of IDA resources placed a severe limit on the amount we could lend to Somalia. Consequently, it was important that Somalia

\* Col. Ismail Ali Abokor



October 15, 1974

make all possible effort to mobilise other sources of assistance, particularly from the OPEC countries. In this regard, Mr. McNamara referred to the recent discussions between Mr. Husain and the Finance Minister on the possibility of spreading IDA funds thin and associating them with other sources of finance, particularly OPEC, so that IDA's technical capacity and project assistance could be spread over a wider area than would be the case if IDA assistance were concentrated on a few projects. He said that although in terms of the Bank's scarce manpower this would be an expensive proposition, perhaps in view of the lack of projects, this was one of the best services the Bank could provide Somalia. The President appreciated this idea and it was agreed that this would be further discussed between Bank personnel and the Somali authorities.

cc: Mr. McNamara  
Mr. Knapp  
Mr. Please  
Mr. H. Adler  
Mr. Tolley  
Mr. Barry

SSHusain:pe

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: S. Shahid Husain *W*SUBJECT: SOMALIA: Your meeting with Major General Mohamed Siad Barre,  
President of Somalia at Blair House on Friday, October 11, 1974

DATE: October 10, 1974

1. The Somali ambassador has informed us that the President recalls with pleasure your visit to Somalia in November 1973 and wishes to take the opportunity of his visit to the U.S. to see you again. So far as we know, there are no specific matters which the President wishes to discuss with you.

2. The Somali Government continues to be committed to development with a premium on self-reliance. Its development goals give priority to transportation, communications and agriculture. The Government stresses self-reliance, and in its 1971-73 development program planned to finance 20 percent of development expenditures from internal resources in contrast to previous plans which looked to foreign aid virtually for all of the financing. During 1971-73, the share of domestic financing (38 percent) was higher than the goal of 20 percent mainly because of shortfall in investment resulting from administrative constraints and the uncertainty of external financing. At present, Somalia's prospects for development are enhanced by its apparent accessibility to resources from the Arab oil exporting countries. *how much*

3. IDA has made eight credits totalling about US\$53 million about 60 percent of which have been for transportation development including construction of two trunk roads and a deep water port in Mogadiscio. IDA credits also assisted in education in 1971 and livestock in 1974. Most recently, a US\$8 million education credit was signed on September 19, 1974. Our five year lending program calls for average lending of US\$8 million per year (entirely IDA), and we plan to place more emphasis on the country's most productive sectors, agriculture and livestock.

4. At the Annual Meeting, the Somali delegation was enthusiastic in expressing its appreciation of the Bank's assistance. It also indicated its appreciation of the limitations on IDA availability, and expressed confidence that Somalia would receive substantial resources from Arab oil exporting countries. The delegation, however, stressed the need for Bank assistance in project preparation stating that the lack of projects is a major constraint to such assistance. We suggested that the Bank allocate its assistance over a larger number of projects which we would help appraise and then jointly finance with the Arab oil exporting countries. To the extent that other sources substituted for IDA funds allocated to projects in our current program, we could then prepare additional projects for joint financing. The delegation was interested but expressed its desire to consider this proposal further and discuss it with its Government. We intend to follow up on this matter during the economic mission scheduled for November. If this approach were to be followed, we would propose joint financing for the following projects: *←*



- (a) an integrated agriculture project in northern Somalia. This project has been appraised and is expected to be ready for negotiations in January 1975.
- (b) the Road III project. The feasibility study for this project, which is being financed under the Roads II credit to Somalia, is expected to be completed in mid-1975, and lead to a credit in the second half of 1976. Preliminary estimates are that the US\$8 million of IDA funds allocated to this project are likely to be insufficient.
- (c) Port of Mogadiscio. A new port at Mogadiscio jointly financed by IDA (US\$13 million) and FED (US\$12.5 million) is presently under construction. Since this project was approved in early 1973, it has become apparent that port traffic is increasing much faster than estimated at the time of appraisal. Consequently, additional berths will be required at about the time the present project will be completed. Given the limited IDA availability, we cannot finance this expansion without cutting back on other projects. However, we might help with the preparation of the port expansion project which Somalia could then present to the oil exporting countries for financing.

5. A brief biographical summary of the President's background is attached.



Major General Mohamed Siad Barre, President of Somalia

The President was born in Lugh Ganane in 1920. He attended local courses while a member of the police under the British administration.

General Siad's rise to army commander began in the Somali police force. He joined the police force of British Somaliland after the Italian defeat (1941), and joined the police force of Somalia in 1954 as a second lieutenant. In 1960 he was promoted to colonel and transferred to the newly created Somalia National Army as its chief of staff. In June 1965, as Brigadier General, he was appointed Commanding General of the Somali National Army. He became President of the Republic when the Armed Forces took power in the bloodless coup of October 1969.

He speaks good Italian, the language he prefers for serious discourse, fair English and some Arabic. He is married and has many children.



## OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: February 3, 1975

FROM: Stanley Please *SP my HZA*SUBJECT: Somalia: Mr. McNamara's Meeting with Mr. Ibrahim Megag Samater  
Economic Advisor to the President of Somalia

The above meeting was held in Mr. McNamara's office on January 31, 1975. In addition to Messrs. McNamara and Samater, the Somalia Ambassador (Mr. Abdullahi Ahmed Addou), and Messrs. Razasindrabe, Kpognon and Please were also present.

Mr. Samater said that he had been sent on his mission by the President of Somalia in order to make known to the United Nations, its sister organizations and to friendly governments, the extent and depth of the famine tragedy which had hit the country over the past four months. About 180,000 people were in temporary relief camps and the number was increasing by approximately 4,000 daily. By taking rapid and effective relief measures, the loss of human life had not so far been a problem except for the old and infirm! However the loss of animal life had been enormous and was expected to rise to about a third of the animal population of 15 million. The relief measures had been integrated with the national rural development campaign which had been commenced before the crisis. However, in order to undertake these relief measures the five-year program of economic development which had been adopted in 1974 had had to be put aside. Relief followed by rehabilitation would have to be given overwhelming priority over the next few years. Moreover, the resources available to the economy for development had been seriously reduced not only because of the obvious loss of agricultural production but because of the magnified effect this has had on export earnings and because of the diversion of government resources from development purposes to relief.

Mr. Samater said his government recognized that the Bank was neither empowered nor staffed to assist in the immediate relief program. The Government had requested UNDP to coordinate this external relief assistance. However, the Government had already embarked on the next stage to relief, namely rehabilitation. It had established task forces which were to prepare the first steps of a rehabilitation program by February 10, 1975. The intention was to have a full rehabilitation program developed and ready for implementation by April/May when the rains commence. He was instructed by his President to request Mr. McNamara to consider what assistance the Bank could provide towards the resources required for the rehabilitation program and for the effective utilization of resources for this program.

Mr. McNamara said that he was profoundly shocked by the tragedy which had hit Somalia. He fully appreciated from his own personal observations when he was in the country in 1972, that the Government would be approaching these new problems in the same dedicated manner that it had approached all its economic and social problems. It was only when this dedication existed that the Bank could be effective in carrying out its own responsibilities. He emphasized that it was for this reason combined with the small size of the country's population



February 3, 1975

that Somalia had already been allocated a per capita IDA allocation significantly above that for other African countries and markedly above that for developing countries as a whole. However providing two conditions could be met, he was prepared to make available an additional year's IDA allocation to Somalia - i.e. \$8.0 million. The first condition was that the necessary Bank staff could be mobilized for taking a leading role in the preparation and implementation of the rehabilitation program. Mr. McNamara's second condition was that the Bank's additional IDA contribution should be the catalyst for the mobilization of other external funds for Somali rehabilitation. These other funds should be expected both from Arab oil producing countries and from Western aid sources (e.g., Canada, Holland, U.S.). He would expect these other sources to contribute in total an amount at least three times the Bank's additional \$8.0 million.

Mr. Samater said that he was very pleased with Mr. McNamara's positive attitude to the problem faced by his country. He had no doubt that when the magnitude of the tragedy was more widely recognized, bilateral assistance would be forthcoming for the rehabilitation program. The Somali Government would be actively seeking such assistance and he hoped that the Bank would also use its influence and good offices in this direction.

cc: Messrs. McNamara  
Knapp  
Cargill  
Husain  
Razasindrabe  
Kpognon  
Adler, J.  
Adler, H.  
Hendry  
Mackay  
Hablutzel  
Hansen  
Tolley  
Barry  
Iqbal

SPlease:rb

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: January 30, 1975

FROM: Stanley Please, Director, Country Programs I, EAN *SP*SUBJECT: SOMALIA - Your Meeting with Mr. Ibrahim Megag Samater, Economic Advisor  
to the President of Somalia, on January 31, 1975 at 5:45 P.M.

1. Mr. Samater has been at the United Nations where he delivered a statement on January 24, 1975 requesting international assistance in dealing with the severe drought which is affecting Somalia. In Washington, he is scheduled to meet with U.S. officials concerning drought assistance. He requested a meeting with you through the Somali Ambassador, Dr. Abdullahi Ahmed Addou. The ambassador was not able to inform us of the subject Mr. Samater wants to discuss with you, but we presume he wishes to discuss possible drought rehabilitation assistance by the Bank and possibly the Bank's lending program in Somalia, and specifically possibilities of co-financing.

2. Recent reports on the drought in Somalia indicate that it is extremely severe, causing widespread hardship to the population and substantial damage to the economy. Most of the northern 60% of the country and approximately 700,000 people have already been affected, and the Government estimates that more than three-quarters of a million people will require assistance by the beginning of summer. Already 160,000 refugees are in relief camps and their numbers are increasing at the rate of 3 to 4 thousand daily. Although there *has* been little loss of human life, it is estimated that 2 million animals have died and it is feared that this number will rise to 5 million out of a total 15 million head of livestock in the affected areas before the next rainy season starts in May. With its usual self-reliance and self-discipline, the Somali Government has quickly and efficiently organized its effort to sustain its people during the emergency. It has established 26 relief camps integrated with the national rural development campaign that was launched before the crisis. Additionally, the Government has allocated US\$24 million to provide relief assistance. Relief and rehabilitation requirements are, however, greatly beyond the resources of Somalia. The Government has estimated that an adequate relief effort would cost approximately US\$175 million and has asked the UNDP to coordinate an appeal for relief assistance.

3. In November Somali officials inquired of a Bank mission about the possibility of Bank assistance for the drought. The mission informed them that the Bank does not provide relief assistance, but does provide rehabilitation assistance, such as in the Sahel and Ethiopia. Mr. Samater may request rehabilitation assistance, probably in the form of project preparation and finance, during his meeting with you. Our ability to respond to this request is limited by both staff availability and lack of IDA resources. With respect to the latter, of the \$24 million allocated for Somalia under the ~~third~~ replenishment, \$8 million has been committed and the remainder is already allocated for high priority projects. Therefore, if we were to provide financial assistance for rehabilitation, we would have to eliminate projects from the program or obtain a supplementary IDA allocation. A possibility might be to provide a small amount of IDA funds and to seek co-financing

FOURTH *←*



January 30, 1975

from Arab countries to supplement it. It would be useful to elicit from Mr. Samater what role the Government wishes the Bank to undertake in this regard.

4. IDA has made eight credits to Somalia totalling about US\$53 million, about 60% of which have been for transportation development including construction of two trunk roads and a deep water port in Mogadiscio. IDA credits also assisted in education in 1971 and livestock in 1974. Most recently, a US\$8 million education credit was signed on September 19, 1974 with a special component for the education of nomads. Our five-year lending program calls for average lending of US\$8 million per year (entirely IDA), and we plan to place increasing emphasis on agriculture and livestock.

5. Somali officials have generally been enthusiastic in expressing their appreciation of Bank assistance, and have also indicated their understanding of the limitations on IDA resources. We have recently agreed with the Somali Government that we would spread IDA funds rather thinly over several projects that we would help to prepare and for which we would assist them in obtaining co-financing from other sources. Pursuant to this approach, we are seeking joint financing in the immediate future for two projects: (a) an integrated agricultural project in the northern region of Somalia for which we are seeking co-financing with Libya; and (b) expansion of the Port of Mogadiscio for which we are seeking co-financing from FED. A little farther down the pipeline, we are considering a third road project, a technical assistance credit for project identification and preparation, and additional projects in agriculture, livestock and education.

6. Mr. Ibrahim Megag Samater was born in 1942. He attended primary and secondary schools in Somalia. In 1961 he came to the United States and studied at Yale University where he gained the degree of Bachelor of Economics in 1965 and a Master's degree in Economics in 1966. After receiving his MA, he returned to the Finance Ministry where he became the director of the Budget Department in 1968. In 1970 he was appointed as Secretary of State for Finance and in 1971 he was appointed as Secretary of State for Industry where he served for a year. He headed the Somali delegation to the Annual Meeting in 1971. In 1972 he was appointed as Secretary of State for Planning. Recently, the Ministry of Planning was incorporated into the Office of the President of Somalia, and Mr. Samater was appointed as Advisor to the Economic Committee of the Supreme Revolutionary Council.

cc: Mr. Husain - o/r  
Mr. Wiehen, Acting RVP

DBJohnson/HETolley:cmu



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## OFFICE MEMORANDUM

TO: Files

FROM: Howard E. Tolley, Chief, CP1 B, EAN *HT*

SUBJECT: SOMALIA - Meeting of Secretary of State for Finance  
with Mr. McNamara

DATE: January 20, 1976

1. On January 16 Mr. Abdurahman Herzi, Secretary of State for Finance made a courtesy call on Mr. McNamara. He was accompanied by the Ambassador of Somalia to the United States, Mr. Abdullahi Ahmed Addou and by Mr. Mohamud Jama Ahmed, President of the Somali Development Bank. Mr. Razafindrabe, Executive Director, Mr. Stanley Please and I were also present.
2. Secretary Herzi conveyed best personal wishes from President Siad Barre to Mr. McNamara and invited Mr. McNamara to visit Somalia. Mr. McNamara thanked Secretary Herzi and asked him in turn to convey his best regards to President Siad Barre. He said that he had enjoyed his last visit to Somalia and that he had been very impressed by it, and he hoped he would be able to make another visit some day.
3. Co-financing arrangements were discussed for two projects (the Drought Rehabilitation Project and the North West Agricultural Project) for which it is intended that relatively small IDA credits will act as catalysts in attracting additional funds from other external sources. With respect to the Drought Rehabilitation Project, Mr. McNamara stated that he was very pleased that the Kuwait Fund, the Arab Fund for Economic and Social Development and the African Development Fund together had agreed to provide approximately six times as much as the proposed \$8.0 million IDA credit. Secretary Herzi explained that the detailed negotiations for this financing were scheduled to be held in Kuwait during February and he said that he would use this opportunity to try to obtain commitments from either the Kuwait Fund or Arab Fund for the co-financing requirements for the North West Agricultural Project.
4. Secretary Herzi then requested Mr. McNamara to appoint a Resident Representative to be stationed in Somalia. He based this request on:
  - (a) the great importance which the Government attaches to World Bank advice and assistance in the planning and implementation of Somalia's development activities;
  - (b) the increasing volume of Bank Group activities in Somalia; and
  - (c) the very important and increasing role of the Bank in assisting the Government in obtaining funds from other sources, particularly the oil rich Arab countries.

Mr. McNamara replied that the costs of financing a foreign post were very high, both for the Bank and the host Government. In general, such assignments were made only in exceptional circumstances and consequently only a very small percentage of Bank staff is stationed abroad. He noted however that where a government makes as great an effort to help itself and where its efforts are as effective as in the case of Somalia, the Bank feels an obligation to make a greater effort to assist than it does in the case of governments which are less effective in helping themselves. He stated that he would not promise to appoint a Resident Representative to Somalia but he would promise to give the proposal serious consideration. He instructed Mr. Please to study the proposal in terms of its costs and benefits to both the Bank and Somalia and obtain the comments of the Programming and Budgeting Department and then submit his findings and recommendations to Mr. McNamara.

cc: Messrs. McNamara  
Knapp  
Razafindrabe  
John Adler  
Husain  
Please

HETolley/dh



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President

DATE: January 16, 1976

FROM: Stanley Please, Director, CPI EAN

SUBJECT: Somalia -- Your meeting with H. E. Abdurahman N. Herzi,  
Secretary of State for Finance, Somali Democratic Republic,  
on Friday, January 16, 1976 at 6:30 p.m.

1. Mr. Abdurahman Herzi, accompanied by Mr. Mohamud Jama Ahmed, President of Somali Development Bank, is visiting the Bank to lead the Somali delegation in negotiating the proposed \$4 million credit for the Northwest Agricultural Project. The negotiations are proceeding smoothly and are expected to be substantially completed by the time you meet Mr. Herzi. However, before the proposal can be presented to the Executive Directors, co-financing must be obtained to meet the financing gap of US\$7 million equivalent.

2. At the last Somalia CPP review, chaired by you on October 15, 1975, the meeting: (i) noted Somalia's excellent performance, its strong commitment to development and the encouraging results already obtained, and agreed that an expansion in the lending program was justified together with an appropriate increase in Bank manpower to process the expanded program; (ii) approved a Bank Group strategy in Somalia which would spread available IDA resources thinly over a relatively large number of projects in order to relieve the absorptive constraint and to assist Somalia in mobilizing OAPEC and other funds. The Government agreed with this strategy and already the lending program for FY76 includes two projects (Northwest Agriculture and Drought Rehabilitation) in which we have done most of the work but which will be co-financed with other donors.

3. For the Drought Rehabilitation Project, firm co-financing commitments have already been obtained. As you will recall, last February, you agreed to make available an additional and extraordinary US\$8 million IDA allocation for Drought Rehabilitation to Somalia on the condition that it be used as seed money to draw funds from other donors at a minimum ratio of 3 to 1. Firm commitments for this project have now been made as follows: US\$20 million, Kuwait Fund; US\$21 million, Arab Fund; US\$5.5 million, African Development Fund. Total firm commitments would be about US\$47 million to IDA's US\$8 million, or a ratio of about 6 to 1. Formal negotiations for the Drought Rehabilitation Project are planned to take place in Kuwait in February at which time the Government and Bank staff would, in addition, try to firm up co-financing arrangements for the Northwest Agricultural Project with either the Arab Fund or the Kuwait Fund.

4. A subject which Mr. Herzi may raise with you is a request to establish a Resident Mission in Somalia. The Government has made this request to the Bank staff on several occasions in the past year or so. We had replied that the volume of our lending operations did not justify the establishment of such a mission. Since then, however, our lending program has increased considerably.

January 16, 1976

More importantly, the responsibilities we have undertaken for involving ourselves in a range of projects and for mobilizing OAPEEC funds mean that we need a much closer contact with Somalia on a continuing basis than we have had. We feel that the time is now opportune for us to consider the establishment of a Resident Mission. I would recommend, therefore, that you respond more positively than we had in the past to Mr. Herzi's request. You would, of course, need to emphasize the high cost of such resident missions and therefore the need for the Bank's management to be convinced of the benefits which would flow from its establishment before committing us on the matter.

5. We do not know of any other issues that Mr. Herzi is likely to raise with you. A biographical sketch of Mr. Herzi is attached.

cc: Messrs. Husain and Knapp

JKMyint:jt

Abdurahman N. HERZI

Secretary of State for Finance

SOMALI DEMOCRATIC REPUBLIC

- Born: 1933
- Lincoln University (B.A. Economics) 1958
- Columbia University 1960
- Economist in the Prime Minister's Office 1960/61
- Executive Secretary of the Planning Commission 1962/64
- Joined the United Nations as Economist CDPPP/ESA, New York 1964/67
- Transferred to the Economic Commission for Africa, Addis Ababa 1967/69
- Left the U.N. and went back to Somalia to become Governor of the Central Bank of Somalia 1970/74.
- Became Secretary of State for Finance December 1974





## OFFICE MEMORANDUM

TO: Files

DATE: March 18, 1980

FROM: V. Nercissiantz, Senior Loan Officer, EA2DB

SUBJECT: SOMALIA - Meeting of Minister Addou with Mr. McNamara

1. On March 12 Mr. Abdullahi Ahmed Addou, the Somali Minister of Finance, who until recently was the Somali Ambassador to the United States, made a courtesy call on Mr. McNamara. Messrs. Wapenhans, Gue, Koch-Weser and I were also present.

2. After conveying the best wishes of President Barre to Mr. McNamara, Minister Addou said that he will be returning to Somali soon to assume his new post as Minister of Finance and he wished to thank Mr. McNamara personally for all of the assistance which Somalia was receiving from IDA.

3. Mr. McNamara congratulated Minister Addou on his recent appointment as Minister of Finance and said that the new appointment comes at a time when Somalia is facing some difficult economic issues. Referring to the high cost of military expenditures and the stagnating economy, Mr. McNamara said that some structural adjustments would be needed to stimulate production and accelerate development.

3/22  
4. Minister Addou replied that he appreciates the difficulties facing Somalia and he accepted the new post as a challenge. He hoped that with assistance of the Bank and other friends, Somalia will be able to pull through from the current difficult economic condition. He then singled out two issues facing Somalia. First, he explained that refugees from the Ogaden are pouring into Somalia and they are now estimated to be around 800,000. The Country cannot absorb all of the refugees and the Government feels that many of them should return to their homes in the Ogaden. Nevertheless, the refugees require substantial amounts of emergency assistance putting enormous financial and administrative pressures on the Government. He added that the United Nations is coordinating the external emergency assistance efforts for the refugees. The second issue was with respect to the Somalis' need for assistance in training of managers, public administrators, accountants and statisticians. He felt that accounting and statistical data are too thin for economic management and trained managers and public administrators are too few to be able to run the economy efficiently. He added that this is an area where Bank assistance would be very welcome.

5. In closing, Mr. McNamara asked the Minister to convey his best wishes to President Siad Barre.

cc: Messrs. Gue, Burmester, Cacho

VNercissiantz/slw



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
THRU: Ernest Stern  
FROM: Willi A. Wapenhans

DATE: March 11, 1980  
75-84 135  
F48032

SUBJECT: SOMALIA - Your Meeting with Mr. Abdullahi Ahmed Addou, the Somali Minister of Finance, on Wednesday, March 12, 1980 at 6 p.m.

1. Mr. Abdullahi Ahmed Addou, who was the Somali Ambassador to the United States during the last 10 years, was recently appointed as Minister of Finance and he would like to meet with you before returning to Somalia to assume his new post. A brief biographical summary of the Minister is attached.

Political Situation

2. The Government has enjoyed a good measure of popular support until recently. High points were reached with the intensification of combat in the Ogaden during July - December 1977 and the denouncing of the Friendship and Cooperation Treaty with the Soviet Union in November 1977. This wave of popular sentiment was sustained until March 5, 1978 when President Barre ordered the withdrawal of regular troops from the Ogaden. By late April a coup attempt had been made; it was crushed and the score of executions which followed led to further loss of support for the Government.

3. Somalia's drive for the Ogaden was dictated by a widespread nationalistic sentiment, based on the dream of a Greater Somalia, with all Somalis living under one sovereignty in the Horn of Africa. The particular circumstances which triggered the events of 1977 were Ethiopia's apparent weakness in the revolutionary turmoil and the willingness of Somalia's oil-rich neighbors to finance a war. The war was a popular one and the cost in lives, money and foregone development could well have been acceptable to a broad share of the population. But more than two years after the end of this episode, the Government is still ignoring the change in circumstances and seems to continue giving priority to the Ogaden issue (by supporting guerilla groups which harass Ethiopian and Cuban forces and bring on retaliatory strikes against Somalis and creating a large refugee problem). As a result, important resources are being directed to political ends, at the expense of the economy and the aura of frugality and social mobilization which had become characteristic of Somalia and the resulting enthusiasm which permeated most public agencies is fading.

4. The insufficient focus on development issues in high government circles is resented by the population. Furthermore, the regimentation which people tolerated in the past because it was seen to be associated with some rejuvenation of the Government, and with a serious commitment to development, now appears perfunctory. The regimentation is increasingly perceived as a mechanism of social control rather than a sacrifice made for the common good. For example, the severe salary cuts of 1970 were countenanced because they were felt to be for a purpose (as eventually the current budget was balanced). But today, the freeze on public sector salaries in a context of rampant inflation and misuse of resources, is felt to be a hardship endured for no tangible benefit. Many people would thus claim that the road to a better budget balance today lies in cutting defense spending, not in depressing public sector wages and salaries.



5. In short, the country feels a lack of effective leadership. The Extraordinary Party Congress of January 1979 essentially ignored the realities of the domestic situation in Somalia. It did not give support to greater personal and economic freedom, which many thought probable. The Congress disclosed that a new Constitution (to replace the one suspended when President Barre took power by a military coup in 1969) would be submitted to popular approval within the year and that presidential elections would be held. These proposals aroused only limited enthusiasm among the population. The new Constitution was adopted in 1979. It provides for a People's Assembly elected from candidates nominated by the sole political party allowed under the constitution, i.e. the Somali Revolutionary Socialist Party (SRSP). The election for People's Assembly was held in December 1979, and the Assembly appointed General Barre as President in January 1980.

#### Economic Situation

6. The economy is stagnating with exports down, except for livestock. Agricultural production is hardly keeping pace with population growth necessitating foodstuff imports in the face of a large and essentially unexploited low cost potential for food grain production. Internal terms of trade for agriculture have deteriorated since the early seventies and this has adverse distributional effects since the bulk of the population and the poor live in the rural areas. There is a clear deterioration in the morale of the civil service which seems to have several causes, prominent amongst which are the egalitarian pay structure that provides no incentives at all for superior performance and the low level of salaries during a period of high inflation.

7. A reorientation of basic economic policies is badly needed and policy dialogue with the Bank and the Fund for structural changes is underway. However, President Barre remains deeply concerned about the political consequences of structural changes, particularly changes concerning price relationships between agriculture/livestock and urban activities. Recently, however, some measures were taken by the Government on the basis of which the IMF Board approved (on February 27, 1980) a standby arrangement of SDR 11.5 million, in two tranches: SDR 6 million now, and SDR 5.5 million after June 30, 1980 following a review mission. The measures taken by the Government include a tight budget, increase in producer prices for various agricultural products ranging from 15 to 33 percent and nominal increases in interest rates.

#### Bank Group Lending

8. Starting in 1965 IDA has made 20 credits totalling US\$143 million, of which about 34% have been made for transportation development, including construction of three trunk roads and a new deepwater port and associated extensions at Mogadishu. IDA credits were also made for livestock development in FY74, for a development finance company project in FY77, and for education in FY71, FY75 and FY78. Lending for crop agriculture commenced in FY76 with two

credits for a Drought Rehabilitation Project and a North-West Region Agricultural Development Project. Additional credits for Central Rangelands and Agricultural Extension and Farm Management Training projects were approved in FY79. Agricultural credits approved for Somalia represent 41% of total lending. A credit for development of water supply in Mogadishu and a technical assistance credit for project preparation were approved in FY78. No Bank loan or IFC investment has been made to Somalia.

9. The Lending Program for FY80 includes a \$12 million credit for the Bay Region Agricultural Development Project, a \$10 million credit for extension of Port facilities in Berbera and a US\$6 million technical assistance credit for Promotion of Petroleum Exploration. The Bay credit was approved by the Board last December. The Port and Petroleum Projects have been appraised and we expect to present them to the Board before the end of this fiscal year. In addition to project lending, the Somali Program for FY80-FY84 includes two Program Credits for structural adjustments.

Attachment: (1)



Abdullahi Ahmed Addou  
Minister of Finance  
SOMALI DEMOCRATIC REPUBLIC

He is in his forties. He joined the financial section of the military police after high school and came up the ranks as Colonel. He studied political science in University of Mogadishu and University of Rome in early sixties. In 1964 he was appointed to the post of Director General in the Ministry of Finance and in 1967 he was promoted as Governor of the Central Bank. In 1970 he came to Washington as Somali Ambassador to the U.S. and he kept that post until last month when he was appointed as the new Minister of Finance. As Ambassador, Mr. Addou has worked very hard and has succeeded in improving U.S.-Somali relations. In addition to Somali, he speaks English, Italian and some Arabic.



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## OFFICE MEMORANDUM

TO: Files

DATE: October 17, 1980

FROM: V. Nercissiantz, Senior Loan Officer, EA2DB

SUBJECT: SOMALIA - Meeting of Minister Abdullahi Ahmed Addou  
with Mr. Robert S. McNamara

1. On October 16, 1980, Mr. Abdullahi Ahmed Addou, Somali Minister of Finance, Mr. Mohamed Warsame Ali, the Somali Ambassador to the United States, and Mr. Mohamed Isa Abdi, Director in the Ministry of Public Works responsible for ports, called on Mr. McNamara. Messrs. Gue, Burmester, LaFourcade and I were also present.

2. After conveying the best wishes of President Siad Barre to Mr. McNamara, Minister Addou said that he would like to discuss a few points concerning cooperation between Somalia and IDA. Mr. McNamara recalled the warm memories of his 1973 visit to Somalia and asked the Minister to convey his best wishes to President Siad Barre.

10/20  
3. Referring to the recent military agreement with the United States, which includes use of the Berbera and Mogadishu ports by the Somali and U.S. military forces, Minister Addou expressed the wish for reallocation of IDA funds earmarked for the Berbera Port Extension Project to construction of a new port in Merca. He explained that in view of overcrowding in Mogadishu and other Somali ports and agricultural developments around Merca, construction of a new port in Merca would be economically justified. He realized that construction of a new port would require considerable amount of additional funds and he said that the Government is hopeful to arrange such additional financing from other sources, including the Islamic Development Bank. Minister Addou therefore requested an IDA port mission to visit Somalia as soon as possible to make an initial assessment of the need for construction of a new port in Merca. Mr. McNamara replied that he appreciates the Government's position concerning U.S. assistance for Berbera Port. This also makes sense from the point of view of the Association which does not wish to get involved in a project which may have military implications. Concerning the port of Merca, Mr. McNamara said that our knowledge of the Port is limited and he would agree to a mission to visit Somalia as soon as possible to review recent developments in the area and assess the need for a new port. If it is determined that a new port in Merca can be economically justified, Mr. McNamara would consider to support the Government's efforts to construct it.

4. Minister Addou then referred to recent policy decisions by the Government and said that the Government has decided to emphasize production in the country, especially in agriculture by increasing producer prices and establishing minimum prices to protect producers from seasonal and cyclical fluctuation of prices. The Government has also decided to streamline the civil service and increase salaries of the civil servants starting 1981. He explained that the salaries for civil servants have not been increased for

almost a decade and with the inflation there has been enormous erosion of the Government salaries causing demoralization throughout the civil service. The streamlining of the personnel practices and salary increases are aimed at providing incentives for civil servants and thereby improving economic management. Minister Addou added that he was pleased to note that the Fourth Education Project includes a study for improvement of the civil service and measures for development of plans for vocational/technical and management/commercial education. The Minister also said that by 1981 defense expenditures would be reduced substantially and the funds thus saved will be diverted to economic ministries. Minister Addou then referred to the functioning of the franco valuta system in Somalia and explained Government wishes for an intervention in order to channel earnings of the Somali migrant workers into productive investments rather than financing the import of luxury and consumer goods which currently represent the bulk of the franco valuta trade. He described the black market exchange rates used in franco valuta trading which often were over 200% higher than the official exchange rate.

5. Mr. McNamara replied that the policy decisions described by the Minister are in the right direction and expressed his wishes for speedy implementation. Concerning the franco valuta trade, Mr. McNamara said that it seemed that the heart of the problem is the overvalued exchange rate and that the Government would be well advised to go for devaluation in consultation with the Fund.

cc: Messrs. R. McNamara, E. Stern, W. Wapenhans O/R, H. Adler, A. Gué,  
S. Burmester, O. LaFourcade, R. Sharma, A. Memon (Res. Rep.)

VNercissiantz:lsm



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President  
 (C. ough): Mr. Shahid Husain, Acting SVP; Mr. Hans Adler, Acting RVP  
 FROM: Andre R. Gue, Director, EA2  
 DATE: October 15, 1980  
 SUBJECT: SOMALIA - Your Meeting with Mr. Abdullahi Ahmed Addou, Somali Minister of Finance, on Thursday, October 16, 1980, 5:30 p.m.

1. Mr. Abdullahi Ahmed Addou, Somali Minister of Finance, is visiting Washington for discussions with the Bank and U.S. authorities. He is scheduled to meet you on October 16, 1980 at 5:30 p.m. A biographical summary of the Minister is attached. A copy of the 1980 Annual Meeting Brief for Somalia together with the minutes of the meeting, is also attached for your information.

2. The Minister is likely to discuss two issues as explained below:

Policy Reforms

3. For several months we have been trying to engage in a policy dialogue with the Somali Government. Our objective is to induce policy reforms in order to move the country out of its current stagnation and precarious financial and balance of payments situation. As a minimum, we expect that the Government should (i) establish a permanent administrative mechanism to review and set annually adequate agricultural producer prices; (ii) introduce policies to revitalize the civil service through overhauling recruitment and personnel practices and introducing incentives for good performance; and (iii) prepare a growth-oriented investment program based on a realistic framework of available resources.

4. The Minister informs us that the Government has decided to increase production especially in agriculture by increasing producer prices. Some impediments in crop production are also proposed to be removed. The Government has also decided to streamline the civil service and improve salaries of the civil servants starting 1981. This is aimed at providing incentives for civil servants and thereby improving economic management. The Minister also informs us that by 1981 defense expenditures will be reduced substantially and the funds thus saved will be diverted to economic programs. Finally, the Government is seriously considering measures to encourage private investment (including foreign investment) in the productive sectors. Up till now we have not had any success on the policy dialogue with the Somali authorities. This is the first time that we learn about the Government decision to undertake economic policy reforms. If the above measures are implemented, it would be most encouraging and would provide the basis for an expanded involvement of the Bank in Somalia's development efforts. We would wish to encourage the Minister in actual implementation of the above policy decisions.



Berbera Port Extension Project

5. A Fifth Port Project for extending port facilities in Berbera was identified during a small IDA port sector mission which visited Somalia in December 1976. The Project was appraised in October 1979 and negotiations were successfully completed in April 1980. In view of substantial cost overruns experienced under the Fourth Port Project (Mogadishu Port), we decided to wait till the receipt of the bids for civil works component of the Project before presenting the proposed IDA Credit of \$14 million to the Board. The bids were received in mid 1980 and by August, it became clear that the lowest evaluated bid required additional foreign cost financing of US\$2.3 million. Meanwhile, reports concerning future use of Berbera Port facilities appeared in the press. We were particularly anxious to clarify whether future use of port facilities in Berbera by the U.S. would affect the objective, design and financing of the Project in such a way as to militate against financing of the Project by IDA. Our concern was particularly heightened when we learned in mid-August that a high level Somali Delegation visited Washington for negotiations with the U.S. Government on a defense arrangement which included use of Berbera and Mogadishu Port facilities by the U.S. military forces. An agreement was initialled toward the end of August, details of which have not been published.

6. On September 9, we received a telex from Minister Addou asking us not to present the proposed Berbera Port Extension Credit to the Board until further notice. On September 15, Minister Addou telexed again to request that IDA funds earmarked for Berbera Port Extension Project be allocated for construction of a port in Merca near Mogadishu and indicated that the Government would discuss the matter with the Bank at the Annual Meeting.

7. Our analysis of the prospects for construction of a port in Merca during the port sector mission of December 1976 indicated that it could not be justified. Minister Addou, however, maintains that new agricultural developments near Merca would justify construction of a new port in Merca. We would be prepared to review the situation in the light of the new developments in the area during the next port mission to Somalia and inform the Somali authorities whether such investment can be justified. At any rate, it would not be possible for the Bank to reallocate funds earmarked for the Berbera Port Project to a new port project.

cc: Mr. Shahid Husain  
Mr. Adler

Attachments.



Abdullahi Asmed Addou

Minister of Finance

SOMALI DEMOCRATIC REPUBLIC

He is in his forties. He joined the financial section of the military police after high school and came up the ranks as Colonel. He studied political science in University of Mogadishu and University of Rome in early sixties. In 1964 he was appointed to the post of Director General in the Ministry of Finance and in 1967 he was promoted as Governor of the Central Bank. In 1970 he came to Washington as Somali Ambassador to the U.S. and he kept that post until last month when he was appointed as the new Minister of Finance. As Ambassador, Mr. Addou has worked very hard and has succeeded in improving U.S.-Somali relations. In addition to Somali, he speaks English, Italian and some Arabic.



## OFFICE MEMORANDUM

VN

TO: Files

DATE: October 6, 1980

FROM: Rajendra K. Sharma, Economist, EA2DB *RC*SUBJECT: SOMALIA - 1980 Annual Meeting Discussions

1. The annual meeting discussions with the Government Delegation were held on Thursday, October 2, 1980. Present from the Somali Delegation were: Mr. Omar Ahmed Omar, President of the Somali Development Bank, Mr. Abdulcadir Sheikh Mohamed, Director of Research, Central Bank of Somalia, and Mr. Mohamed Issa Abdi, Director of Planning, Ministry of Public Works. Neither Finance Minister Abdullahi Ahmed Addou, nor Central Bank Governor, Mohamud Jama Ahmed, attended the meeting. From the Bank side, present were: Messrs. Wapenhans, Gue, Gulhati, Burmester, Maane, Walton, Memon and Sharma. Mr. Ali Mohamud Kalfan, adviser to the Executive Director, was also present.

2. Mr. Wapenhans opened the discussions by expressing the Bank's deep concern on stagnation of the economy, paralysis of the civil service, and the rapidly deteriorating financial and balance of payments position. He observed that the comfortable foreign reserve position that Somalia enjoyed in the past was no longer there; in fact, it had become worrisome. Mr. Wapenhans expressed the hope that the new development plan that the government was working upon will articulate policies which will come to grips with these problems. He offered the Bank's technical assistance and cooperation in the preparation of the plan, in particular in making an assessment of the available internal and external resources. Referring to the stand-by program negotiated with the IMF in 1977, he hoped that Somalia will make greater use of Fund facilities to meet its critical balance of payments position. Mr. Wapenhans inquired as to how the government intended to meet the critical situation.

3. In response, Mr. Omar stated that the comfortable foreign exchange position of the past had, indeed, turned into an acute problem. This he said was due to a variety of factors. First, the oil bill had increased manifold and now absorbed almost the entire foreign exchange receipts of the country. Oil supply had reached such a precarious stage that the government had to enforce rationing. Second, inflows of foreign cash grants and loans, which previously financed the bulk of the development budget, had declined. Third, inflation was very high, partly due to excessive liquidity and purchasing power emanating from the franco valuta imports. Mr. Omar, in referring to government employment policy, highlighted the dilemma the government was facing; on the one hand, given scarce resources, the government could not afford a wage hike, but if wages were not improved, it would lead to even greater migration of professionals. Mr. Omar also referred to the impact of the enormous refugee population and the severe strain it had placed on Somalia's scarce resources. Mr. Wapenhans left the meeting at this point due to another commitment.



4. Mr. Gue, who took over the meeting, inquired as to what actions government would find feasible to meet the critical economic and financial situation. Mr. Omar explained that some of the factors were outside government control, such as the decline in aid flows and the rising oil import bill. The government had in the past financed oil imports against a credit facility from the Islamic Development Bank. However, this was not a solution but simply a postponement of the burden. This facility was no longer available (since Somalis had not cleared the accumulated obligations) and they were now required to pay cash. Referring to exports, Mr. Omar stated that banana was not doing well for a number of reasons: the hurricane in 1977 which had affected the plantations, the complaint of banana growers that the overvalued exchange rate did not give them remunerative prices, and the market difficulties in Rome emanating from Italian proposal to levy taxes on banana imports. As for livestock, Mr. Omar said that government was hardly doing anything to promote exports, except for credit facilities extended to the traders by the banking system.

5. Mr. Gue inquired if the delegation shared his view that exchange rate adjustment would solve a number of problems facing Somalia. For instance, it would give quick and definite incentive to exports; it could also provide room for increasing the producer prices. At the same time, it would encourage Somali workers in the Middle East to repatriate their savings through the official channels and thereby not only improve the foreign reserve position but also make franco valuta system superfluous. Mr. Omar responded by saying that the government did not rule out exchange rate action but felt that it had to be done in a phased manner. Mr. Gulhati intervened at this point and referred to the Bank's understanding that the government had made it known to the Fund that at this stage it was not prepared to take any action on the exchange rate adjustment. Mr. Omar replied that the government found it difficult to devalue to the extent recommended by the Fund, but had not ruled out this measure under a phased program and as part of a comprehensive policy package.

6. Mr. Gue referred to the offer of technical assistance made by Mr. Wapenhans. In particular, he inquired if the government will be interested in the Bank's proposal to carry out a study for the promotion of exports from Somalia. He further suggested that the Bank could assist in preparing a macro-economic framework for the next development plan as well as in building an improved data base. As for government employment policy, he referred to the provision in the Education Project under which the Bank would like to help the government in dealing with this problem. Mr. Gue asked if the government would welcome Bank's help in these specific areas. Mr. Omar expressed the view that the proposal to study export promotion would be welcome, although its timing should be checked with the government. As for assistance in plan preparation work, Mr. Omar suggested that the Bank should discuss it with the Ministry of State Planning.



October 6, 1980

7. Mr. Gue told the delegation that Bank staff was now working on the economic report which will be issues-oriented and cover a comprehensive policy package to redress the rapid deterioration of the economy and, in particular, the internal and external financial situation. Mr. Gue said that the report will be ready by Spring 1981 and that we would welcome wide and deep discussion with the government on major policy issues in order to ascertain whether it was prepared to put together a policy package to deal with the disequilibrium faced by Somalia.

8. Mr. Gue made a reference to the Berbera Port project which was almost ready to go to the Board when the government decided to drop it. Instead, the government had suggested that the funds be allocated for a new port project at Merca. Mr. Gue pointed out that the Bank did not consider the Merca Port project economically viable. In response to Mr. Gue's query as to what led the government to drop Berbera project, Mr. Omar stated that he was not aware of the specific reasons except that Berbera Port was now to be financed under bilateral arrangements. Mr. Omar agreed to convey the Bank's concern about this project to the government, in particular the Minister of Finance. Mr. Gue also referred to the difficulties experienced in the Drought Rehabilitation project. He hoped that the agreement recently reached between the Bank and the government would help in dealing with the problems faced by this project.

9. In conclusion, Mr. Gue reiterated that the Bank was deeply concerned with the very difficult and worsening economic and financial situation. He further stated that the Bank would wish and expect the government to take firm action to redress the situation and to deal with the basic problems with expediency. Mr. Gue pointed out that if no action were taken, the Bank will find it very difficult to defend its lending program and that there will be no basis for an increased lending program to Somalia. Mr. Gue emphasized that in the Bank's view, the most urgent and important actions to be taken by government for meeting the critical situation were: (i) a program of incentives for the agricultural sector through remunerative producer prices; (ii) a review of the current policy of guaranteeing employment to all school leavers; and (iii) preparation of a meaningful investment program based on a macro-economic framework.

cc: Messrs. Wapenhans, RVP, EAN; Gue, EA2; Gulhati, EANVP; Maubouche, EA2DR; Maane, EA2DR; Nercissiantz, EA2DB; Dewar, RMEA; Memon, Res. Rep; Walton, EAP; Bickers, EAPPR; Erkmén, EAPew; Adler, EAPDR.

RSharma:slm