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Somalia

25 June 1957

- Economic and Social problems of Somalia under Italian administration
- Financing of Independent Somalia

(U.N. interoffice memo. from B. Cohen to D.H.)

UNITED NATIONS  NATIONS UNIES

INTEROFFICE MEMORANDUM

TO: The Secretary-General

Date: 25 June 1957

FROM: B. Cohen, Under-Secretary for Trusteeship and
Information from Non-Self-Governing Territories

FILE NO.: _____

SENDER'S TELEPHONE EXTENSION: _____

SUBJECT: Economic and Social problems of Somaliland
under Italian Administration

1. During the discussion of conditions in Somaliland under Italian administration, at its current session, the Trusteeship Council considered the report of the Mission of the International Bank which had spent the period from 9 March to 16 April 1956 in the Territory.
2. The Bank mission noted that the outlook for the public finances and the balance of payments after 1960 would be determined by the level of public expenditures of the independent State and the future of banana exports. The Administering Authority had estimated that in 1961 the deficit in the budget would be So. 34 million ^{1/} and that of the balance of payments So. 20 million, on the assumption, inter alia, of the continuation of present policies and of the sale of bananas at premium prices. The Bank mission considered, however, that if the banana industry were no longer subsidized after 1960, banana exports would cease to be profitable. Moreover, no other crop seemed to offer a practical alternative as the basis of European agricultural production in the Territory. It found it difficult to believe that the long-run interests of the Territory would be served best by keeping indefinitely in existence an industry which was uneconomic. The possible effects of the end of exceptional assistance to the banana industry might result in deficits of So. 43 million in the budget and of So. 45 million in the balance of payments. Plans for financial assistance to the independent State should initially be on a twenty-year basis and outside technical assistance would be needed long after independence.
3. In its observations on the Bank mission's report the Administering Authority stated that it agreed with the conclusions reached by the mission. However, it considered that the banana industry might be put on a competitive and economic basis by 1960 and that there were good possibilities for developing cotton production and the cultivation of ramie as substitute or supplementary crops.
4. The Administering Authority informed the Trusteeship Council that the financial assistance required after 1960 was estimated as follows: So. 15 million to

^{1/} Somalo is the unit of currency already used in the territory.
So. 7 = \$1 USA.

balance the budget, So. 10 million for economic development and So. 7 million for specialists and technical personnel. In addition the Territory would require technical assistance and private investment capital. The Government of Italy had received an appeal from the Government of Somalia for technical and financial aid after 1960. It was prepared to supply the specialists and technical personnel for those posts which could not be filled by Somalis. As for financial assistance no commitment could, at the present time, be made by the Government of Italy.

5. In conclusion, the Administering Authority informed the Council that, in consultation with the Government of Somalia it would: (a) assess all requirements for a viable, independent State; (b) keep these assessments under constant review; and (c) explore all possible ways of meeting the requirements according to the assessments.
6. In the course of the Council's debates the representatives of Belgium, Burma, China, Guatemala, India and Syria suggested that a comprehensive programme of technical assistance by the United Nations and its specialized agencies should be established. The representative of the United States suggested that the 1957 Visiting Mission to East Africa should give particular attention to economic affairs and that before 1960 a special mission could usefully examine and report on the progress which had been achieved along the lines recommended by both the Bank mission and the Administering Authority. The representatives of India and Syria suggested that the United Nations should establish suitable international machinery such as SUNFED for the purpose of making grants-in-aid to the independent State. The representative of Haiti felt that the necessary financial aid might be obtained from Italy through the International Bank or in association with the United States. The representative of the United States also stated that his country would continue to give consideration to making available every appropriate assistance with a view to assisting the people of the Territory toward economic independence as quickly as possible.
7. During the discussions in the Drafting Committee the representative of Italy opposed the adoption of a recommendation that an exploratory United Nations technical assistance mission be sent to the Territory on the grounds that it would be entirely premature to attempt at this time to assess the needs in 1960 and after. He pointed out that both the Administering Authority and the Government of Somalia were desirous of obtaining technical assistance in specific fields and that exploratory discussions along these lines were being held by the Administering Authority with the United Nations technical assistance authorities. ^{2/} The proposal for a mission was withdrawn but the representative

^{2/} I arranged a meeting in my private Conference Room of representatives of the Administering Authority and the Somali government spokesmen, with Under-Secretary for Economic and Social Affairs, M. de Seynes, the Director of the Bureau of Economic Affairs, Mr. Carlson, the Deputy Director-General of TAA, Mr. Martinez Cabañas, and others, besides the members of the U.N. Advisory Council for Somaliland, just to establish contact.

of India remarked that perhaps within two or three years the Somalis would come to grips with the economic problems and become aware of the need for development in other directions. If Italy were unable to provide assistance for such development the Somalis might request it from the United Nations.

8. At its 816th meeting on 17 June 1957 the Trusteeship Council adopted the report of the Drafting Committee which contained the following conclusions and recommendations on economic development:

Development plans and financing

The Council, having received and examined with interest the report of the Mission of the International Bank and the observations on it of the Administering Authority, the Government of Somalia and the United Nations Advisory Council, transmits it to the General Assembly for its consideration.

The Council notes the continued progress achieved under the Administering Authority's plans for economic development and, particularly, the statement of the Administering Authority that, in all fields where possibilities of development exist, plans have been made at least until 1960.

The Council further notes, however, that, in view of the economic situation and prospects of Somaliland, the Territory will continue to require external technical and financial assistance for an indeterminate period after 1960 if, as stated in the Report of the International Bank Mission, Somaliland is to avoid substantial reductions in public services and in economic development plans. While the Council agrees with the view expressed by the Administering Authority that it would be premature to make any specific recommendation as to the amount of external assistance which might be required after 1960, it noted that the International Bank Mission indicates this requirement at between \$4 and \$6 million annually, that the Administering Authority estimates this requirement excluding technical assistance at between \$4 and \$5 million annually, and that the representative of the Somali authorities estimates it at about \$4 million.

Having in mind General Assembly resolution 855 (IX) which requested the Council "to endeavour to decide on practical measures for financing the economic development plans for Somaliland", the Council welcomes and draws the attention of the Assembly to the statement of the Administering Authority that Italy is prepared to continue to make available technicians to Somaliland after 1960 if the Somali authorities should desire it. The Council also welcomes and draws the attention of the Assembly to the pledge of the Government of Somalia to give all appropriate encouragement and guarantees to foreign private investment interested in pursuing activities useful for the Territory. The Council further notes the statement of the Administering Authority that



under the European Common Market Treaties Somaliland is scheduled to receive \$5 million over a five-year period for infrastructural investment.

The following possibilities, which are submitted for the General Assembly's consideration, were also advanced during the Council's consideration of ways and means of furnishing technical and financial assistance to Somaliland after 1960:

- (1) That the Administering Authority be given a mandate to explore, in consultation with the Somali Government, the possible sources of financial aid for the Territory after 1960 and to report to an early session of the Council;
- (2) That the International Bank and the technical assistance authorities of the United Nations conduct further explorations on possible sources of assistance for Somaliland's economic development;
- (3) That the United Nations invite the Administering Authority to continue to provide appropriate financial assistance to Somaliland after 1960;
- (4) That a special economic mission be sent to Somaliland before 1960 to examine and report on the progress in economic development which had been achieved along the lines recommended by the International Bank Mission and the Administering Authority;
- (5) That Members of the United Nations be requested to give consideration to making available to Somaliland appropriate technical and financial assistance;
- (6) That the United Nations should establish a suitable international machinery for the purpose of making grants-in-aid to Somaliland.

In setting forth these various possibilities, the Council is, of course, aware that, after 1960, it will be the responsibility of Somaliland to estimate its needs and to decide how they can best be met.

Finally, the Council welcomes the statement of the Administering Authority, made in connexion with the suggestion contained in point (1) above, that, in consultation with the Somali Government, Italy will (a) assess all requirements for a viable, independent Somaliland; (b) keep these assessments constantly under review; and (c) explore all possible ways of meeting the requirements indicated by these assessments.

Public finance and taxation

The Council expresses the hope that in the interests of reducing the budgetary deficit the Administering Authority and the Somali Government will take all possible measures to reduce the present scale of civil expenditure and to increase revenues by increasing production, introducing improved methods of taxation and developing new sources of taxable revenue such as livestock.

Agriculture, animal husbandry and water supplies

The Council takes note of the statements of the Administering Authority concerning banana production and its plans to put the banana industry on a competitive and economic basis and welcomes the efforts being made to diversify agricultural production by encouraging the production of cotton and ramie. The Council notes with satisfaction that the economic development plans are being implemented according to schedule, that the export of livestock has been trebled with the introduction of improved water supplies, and the production of cereals and other food crops has been considerably increased.

9. As you can see, the complex problem of Somaliland's economic and financial viability remains wide open and will require some definite action in the near future. In view of the very close connection between whatever is done on the matter of economic development, financial help and technical assistance and the political stability of the Somali State, I hope you will instruct the other Secretariat Services to proceed in close consultation with the Department of Trusteeship.
10. In a separate confidential memorandum I am informing you about certain developments in Washington, D.C., with regard to future United States assistance to Somaliland.



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INTEROFFICE MEMORANDUM

STRICTLY CONFIDENTIAL

TO: The Secretary-General

Date: 25 June 1957

FILE NO.: _____

FROM: B. Cohen, Under-Secretary for Trusteeship and
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SENDER'S TELEPHONE EXTENSION: _____

SUBJECT: Financing of Independent Somalia

1. It seems evident that the government of the U.S.A. is giving consideration to the matter of financial assistance to the future independent state of Somalia. No statement on the positive attitude of Washington was made by the U.S. Delegates during the Trusteeship Council study of conditions in the territory, other than that it would consider the matter of assistance which might be given. Such a cautious attitude was due to the fact that the whole question of foreign aid was at the time the subject of undecisive debate in Congress and that the State Department did not wish to jeopardize the prospects of the Somali State.
2. At a dinner in Washington, attended by Ambassador Anzilotti, the Administrator of Somaliland, he openly called for U.S.A. financial assistance of between four and six million dollars per annum over a period of years. Ambassador Urrutia of Colombia, who was present, told me that the Americans, and even the members of the Italian Embassy, were shocked by the manner in which Ambassador Anzilotti called upon the U.S. government to render assistance, as if it were an obligation on the part of the latter.
3. When I convened the meeting mentioned in footnote 2 of my previous memorandum of this date, I understood that Ambassador Anzilotti would attend. Unfortunately and although it was just a preliminary contact taking, because of the presence of the members of the U.N. Advisory Council, he failed to appear.
4. I understand that the TAA has had further exchanges of views with the Somali Minister of Economic Affairs and members of the Italian Delegation; and that particular emphasis has been placed upon the training of staff for the future public administration, and that a memorandum on requirements is expected very shortly.
5. It is significant that the Administering Authority has shown little interest in securing U.N. Technical Assistance on the ground that Italy would be willing to continue in service and paid from the metropolitan budget any and all the technicians and administrators now serving in Somalia.

