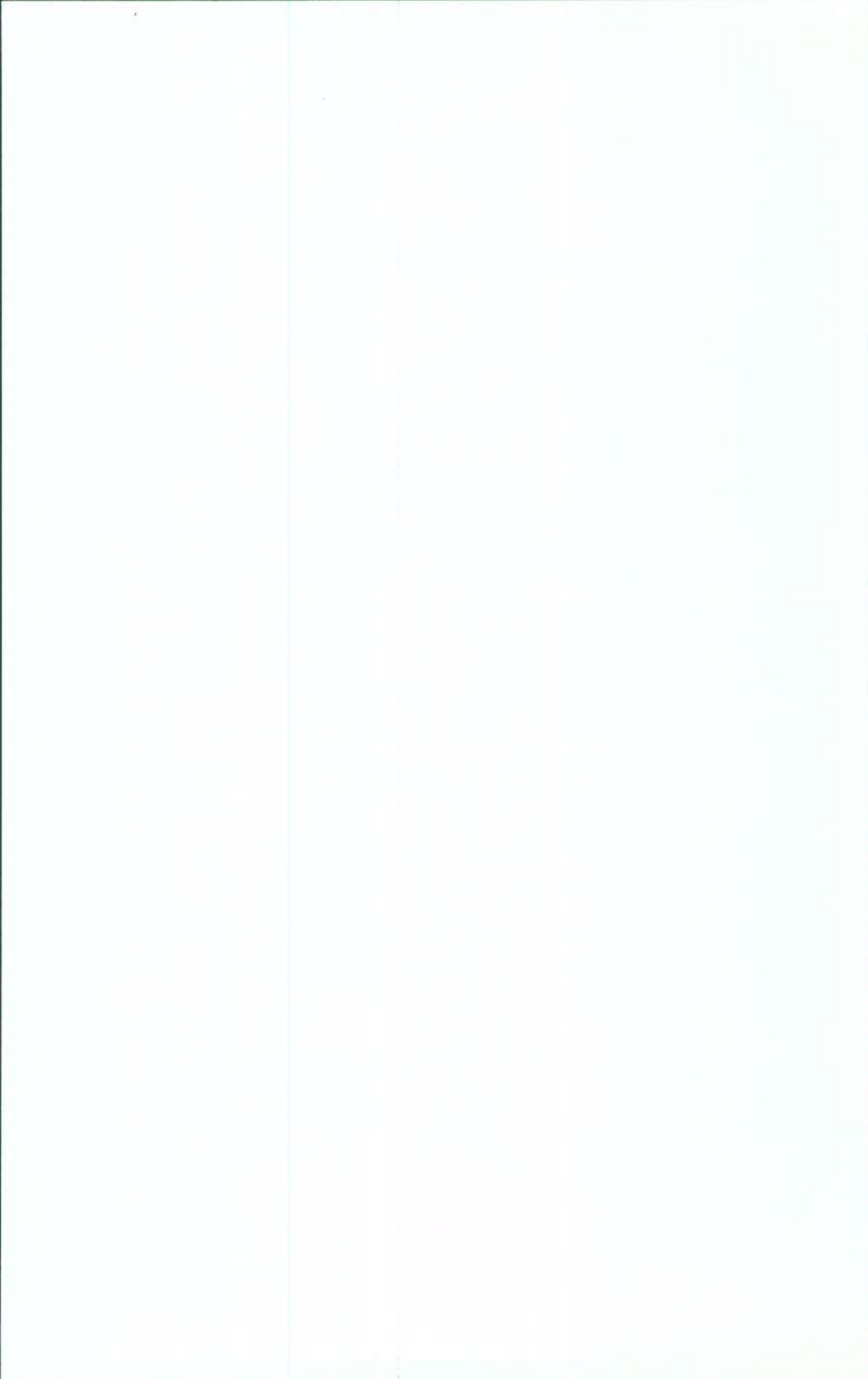

SOMALIA

by GIANCARLO TAMMI



1.

MAIN FEATURES OF THE ECONOMY

Somalia, with a land area of 640,000 square kilometres, lies on the most easterly part of the continent, sometimes known as the Horn of Africa. It is situated in tropical and sub-tropical zone and is crossed by the Equator near its southernmost point. The country is designated by the international developing agencies as among the least developed countries, with a per capita annual income of US\$ 280 (at 1984 exchange rate). Over 55 percent of the GDP originates in the agricultural sector, 12 percent in industry (including 7 percent manufacturing) and about 33 percent in services.

Somalia's population of about 5.8 million is unevenly distributed over a land area which includes hot and arid coastal plain, mountains, plateaus and lowlands of varying fertility, all with a fragile environment for agriculture. The rainfall is less than 600 mm in most places and less than 200 mm in one third of the country. About 13 percent of the country is considered arable but, due to limited infrastructure and the lack of water, only one tenth of this potentially arable land is in fact cultivated. Surface water resources consist of the perennial Jube and Shebelle rivers.

The agricultural sector is dominated by livestock which alone provides 40 percent of the GDP and over 70 percent of the total agricultural contribution to the GDP. Livestock employs about two thirds of the population and provides the main export earnings for the country.

Crop production absorbs about four fifths of the working population, who are for the most part subsistence farmers in rain-fed areas, engaged in the cultivation of sorghum, maize and oil-

seeds for domestic consumption. Crop yields are currently low because of lack of agricultural inputs. In the Shebelle River basin a small but fairly dynamic commercial sector is working on irrigated land to produce bananas, grapefruit, sugar cane and cotton.

The industrial sector reflects the Government's policy of establishing import substitution industries and export industries based on livestock, fisheries and agricultural products. The industrial sector is dominated by State owned enterprises. These employ less than 10,000 workers. Industry has suffered in the last few years from chronically low rates of capacity utilization because of the scarcity of imported inputs due to lack of foreign exchange. The most important import substitution industries are Somaltex, which produces textiles, two sugar factories and a petroleum refinery. Others include grain processing, and the manufacture of edible oil, cigarettes and matches, packaging materials, leather and footwear, aluminium utensils, and pharmaceutical products. Currently, industries that contribute to export earnings are the petroleum refinery through the export of some of the refined by-products and the packaging materials industry through the packaging provided for banana exports.

TABLE 1

Major Crop Production, 1980-84 ('000 tonnes)

	1980	1981	1982	1983	1984*
Maize	110	142	150	235	270
Sorghum	140	222	235	120	221
Rice	17	19	20	3	4
Pulses	9	13	59	21	32
Sesame	38	53	57	59	46
Peanuts	3	4	3	3	5
Vegetables	27	35	102	83	95
Sugar Cane	420	500	535	500	342
Bananas	60	69	72	75	80

Source: Ministry of Agriculture

* estimates

Service activities are dominated by State enterprises. Financial institutions are State owned and insurance, tourism, shipping, post and communications are also largely under State control but, in the latter activities, private sector involvement is growing. The Civil Service is considered overstaffed. Until recently, public service employment was growing rapidly as a result of Government policy to guarantee a place in the public service to every secondary school graduate. Overstaffing has resulted in low salaries of public employees, which, in real terms, are only a fraction of their value five years ago.

Since the change of Government in 1969, Somalia has experienced major changes in the institutional and policy framework for economic development. In pursuit of its goal of establishing socialism, in the 1970s the Government greatly extended public sector ownership and control over the economy. Nationalization of foreign enterprises after 1969 led to total public sector control of banking, insurance, the wholesale trade and agricultural marketing. This policy, however, went well beyond the Government's resources and managerial capacity and eroded incentives and productivity both in the private and public sectors and contributed to the stagnation of the economy during the 1970s.

The stagnation of production and the steep increase in domestic expenditure following a major border conflict with Ethiopia in 1977, led to a serious economic and financial crisis which Somalia has been experiencing with a varying degree of severity since 1978. As the crisis became increasingly severe in early 1981, the Government recognized the need for corrective measures and made a major shift in economic policy. It decided to move away from State control and ownership towards a more market-oriented economy and embarked upon a major stabilization programme under two consecutive IMF stand-by arrangements to curtail demand expansion and to provide incentives to the production sectors.

The policy and institutional reforms made since 1982 generated some recovery of the economy. However, because of the ban on Somali cattle imports into Saudi Arabia, Somalia's major mar-

ket outlet, the drought of 1983 and the decrease in demand by the Government, the economy experienced a renewed financial crisis in 1984.

Data available on the GDP show that, in the period 1972-80, the real growth of the Somali economy was less than 0.5 percent per year and that only since 1981 (Table 2) has the GDP grown at an acceptable rate. Table 3 shows that the level of consumption exceeded the GDP in most years and that, from 1980, the level of domestic savings has been negative. However, the level of gross domestic investment has been maintained at around 20 percent of the GDP during most of these years through a large net inflow of foreign aid, which has also financed part of the Somali consumption. The fairly high level of investment and the slow increase in the GDP seem to be indicative of a low productivity of investment, presumably because the bulk has been in the public sector.

2.

MONETARY POLICY AND FINANCIAL DEVELOPMENT

In Somalia, the Economic Committee of the Cabinet of Ministers establishes the economic policy of the country according to the country's development policy. The Ministry of Finance and the Central Bank implement a credit and monetary policy in line with general economic policy. The Central Bank is the executive

TABLE 2

Real Variables in the Somali Economy (in million of shs at current prices)

	1979	1980	1981	1982	1983	1984
GDP:						
Agricultural sector	3,256	4,067	6,900	8,281	n/a	n/a
Other commodity sector	827	1,065	1,551	1,856	n/a	n/a
Distribution services	1,067	1,800	2,631	3,377	n/a	n/a
Other services	1,498	1,905	2,531	3,060	n/a	n/a
GDP at factor costs	6,648	8,837	13,613	16,574	n/a	n/a
Indirect taxes	1,286	1,147	2,082	2,935	n/a	n/a
GDP at market prices	7,934	9,984	15,695	19,509	25,029	40,792
Investment income	16	-6	-51	-65	-73	-105
Private transfers	226	360	337	148	302	3,261
Population (thousands)	4,850	5,000	5,155	5,315	5,480	5,650
GNP per capita (shs)	1,686	2,068	3,100	3,686	4,609	7,219
GOVERNMENT BUDGET:						
total revenue	1,526	1,526	1,421	2,347	2,558	4,109
expenditure	n/a	1,573	1,618	2,795	3,634	5,687
Balance	n/a	-47	-197	-448	-1,076	1,578
EXTERNAL BALANCE:						
Exports	n/a	667	839	104	1,836	1,423
Imports	n/a	-2,481	-2,905	-2,681	-5,824	-6,571
Non factor services	n/a	-89	-44	35	246	213
Balance	n/a	-1,903	-2,110	-2,542	-3,742	-4,935

Source: Central Statistical Dept.

TABLE 3

Summary of Major Indicators (1977-1984) (million of shillings)

	1977	1978	1979	1980	1981	1982	1983	1984
GDP at 1977 prices	6,340	6,800	5,959	5,824	6,875	7,341	7,505	7,649
GDP deflator	100.0	116.3	133.1	171.4	228.3	265.8	333.5	533.5
Annual increase, %	13.7	7.3	-12.4	-2.3	18	6.8	2.2	1.9
GDP at market prices	6,340	7,909	7,934	9,984	15,695	19,509	25,029	40,792
consumption	5,252	7,032	9,170	11,501	14,179	19,731	25,234	43,814
investment	1,987	1,972	667	593	3,129	3,520	4,730	6,938
net imports	-699	-1,095	-1,093	-2,110	-1,612	-3,742	-4,935	-9,960
Resource Gap	-899	-1,095	-1,903	-2,110	-1,613	-3,742	-4,935	-9,960
investments	1,987	1,972	667	593	3,129	3,520	4,730	6,938
domestic savings	1,088	877	-1,236	-1,517	1,516	-222	-205	-3,022
National Savings	1,115	1,390	-994	-1,163	1,802	-139	24	134
domestic savings	1,088	877	-12,36	-1,517	1,516	-222	-205	-3,022
investment income	13	22	16	-6	-51	-65	-73	-105
private transfer	14	491	226	360	337	148	302	3,261
Investments financing	987	1,972	667	593	3,128	3,520	4,730	6,938
national savings	115	1,390	-994	-1,163	1,802	-139	24	134
net capital inflows	452	496	552	547	434	1,486	1,209	2,231
public transfers	666	175	366	898	800	1,752	2,339	3,885
net use for reserves	-246	-89	743	311	92	421	1,158	688

Source: Central Bank of Somalia and Central Statistical Dept.

organ with the functions and prerogatives of issuing notes and coins, implementing and controlling the credit policy and supervising the overall financial system. Until 1970, when the Central Bank was formally established, the Somali National Bank served as the country's central bank although it was also engaged in commercial activities.

The instruments of the Central Bank for the control of the financial system are the licensing of new banks, whether domestic or foreign, and the licensing of new branches. After the nationalization of the banking system in May 1970, when it became clear that commercial credit was to be handled in the future exclusively by public banks, the Central Bank's licensing power was restricted to the opening of new branch offices.

The Central Bank exerts its control over a banking system composed of two banks: the Commercial and Savings Bank of

Somalia (CSBS) and the Somali Development Bank (SDB). The Post Office system has limited functions and no relevance to the financial system. The two banks inherited the overall organization and branch network of the old banking system which, before the nationalization process, included other financial institutions with diversified functions. These were: the Somali National Bank, with the functions of both central and commercial bank; the branches of four foreign banks: Banco di Roma, Banco di Napoli, National and Grindlays Bank Ltd. and Banque de Port Said; the Banca di Sviluppo Somala.

The Commercial and Savings Bank of Somalia inherited most of the structure and branch network of the old foreign banks as well as their function of issuing commercial credit and offering saving facilities. *The Somali Development Bank* took over from the Banca di Sviluppo Somala the role of issuing medium and long-term credit.

The level of specialization of the present banking system is institutionalized by the legal prohibition to the Commercial Bank to extend medium and long-term credit and *de facto* by the monopoly of the bank in the collection of deposits through the branch network in the country. The Somali Development Bank is given the role of collecting long-term resources through long-term, borrowings on the national and international markets and issuing development credit. Both banks are directly or indirectly owned by the State. They finance all sectors of the economy while the provision of finance to the agricultural sector is made through *ad hoc* specialized departments.

The control of the monetary aggregates is, in theory, in the hands of the Savings and Credit Committee under the chairmanship of the Ministry of Finance. The Committee has not operated for a number of years and day to day operations are controlled by the Central Bank.

Credit control is implemented using typical central bank instruments. In addition to reserve requirement and rediscounting policy, these instruments include quantitative credit guidelines and instructions for selective distribution of credit. Furthermore,

the Central Bank indicates periodically maximum maturities and type and minimum amount of required collateral. In the case of letters of credit, the minimum amount of margin deposit varies from customer to customer depending on the volume of transactions. At present, total credit is subject to ceilings stipulated in the stand-by programme with IMF.

With regard to the reserve requirement, this has been fixed at 10 percent since April 1970. In contrast, the Bank has often utilized the rediscount instrument in order to manipulate bank credit qualitatively and to achieve the required sectorial distribution. The Central Bank may purchase from the CSBS bills of exchange, promissory notes and other credit instruments maturing within 180 days, for the purpose of financing foreign trade and inventories. Instruments relating to the industrial sector or to agricultural production have a maximum maturity of 270 days and are required to have collateral. The Central Bank may also grant loans or advances to the CSBS for a maximum of six months with Government guarantee as collateral.

The interest rate structure is shown in Table 4. Since 1979 the nominal level of interest rates has changed considerably in accordance with the increase in the level of interest fixed by the Central Bank for rediscounting facilities. Since 1979 the Somali authorities have pursued an interest rate policy aimed at improving the alloca-

TABLE 4

Interest Rates (1979-85)

	1/12/79	6/3/81	6/3/82	1/1/85
Central Bank (rediscounting)	4.00	6.00	8.00	12.00
Commercial Bank (savings)	4.5-7	6.00-9.00	8.00-11.00	12.00-18.00
Commercial Bank (short-term credit)	7.5-9	10.00	12.00	15.00-19.00
S.D.B. (medium-term credit)	n.a.	10.00-12.00	10.00-12.00	14.00-16.00
Mogadishu consumer price index	136	313.4	384	1,309*

Source: Central Bank Annual Reports

* Preliminary estimate

cation of financial resources. All rates were revised during this period by a total of 8 percentage points, from 4 percent in 1979 to 12 percent in 1985. Lending rates of the banking system were also adjusted to reflect the increased costs of financial resources from the Central Bank. The changes in the nominal interest rate structure have, however, less relevance if the interest rates are taken in real terms and the considerable rate of inflation which affected the country during the same period is taken into account. Based on the consumer price index in Mogadishu, the inflation rate makes all interest rates negative in real terms during the period.

The nationalization and reorganization of the banking system in 1970 served two purposes: introducing credit specialization and assuring the compatibility of banking activities with economic policy objectives. Strict State control over the banking system produced an allocation of financial resources in accordance with the economic philosophy of the Government but also produced a distorted development in the creation of money. This has been the case in the aftermath of the 1977-78 conflict in the Horn of Africa when the resources required to finance Government expenditure were created by the financial system rather than financed by a reallocation of resources.

During this period the country witnessed a sharp increase in demand, particularly in expenditure by the Government. Government expenditure in 1978 jumped by 50 percent over the previous year. The explosion of demand occurred when production was stagnant and led to a serious financial crisis manifested by high inflation, balance of payment deficits and a large budgetary deficit. During the years 1978-80, the budgetary deficit was financed with heavy recourse to borrowing from the banking system. In 1981-82 the budgetary deficit showed some improvement and the Government's borrowing from the banking system declined sharply, despite a larger Government deficit. This improvement was attributed largely to the restraint on Government expenditure under a stabilization programme supported by successive IMF stand-by credits.

Tables 5 and 6 show that the growth of money supply in nominal terms has been unstable since 1975. During the years of the financial crisis described above, there was a sharp increase in the money to GDP ratio. A similar trend is seen in the net domestic credit/GDP ratio which can be attributed to the increase in government borrowing from the banking system.

After 1980 and until 1983, monetary developments reflected a significant reduction in credit expansion which also allowed a slower increase in the money supply. During this last period there was also an increased availability of credit to the private sector.

The evidence of monetary policy in Somalia over the last few years can be misleading if the exceptional situation faced by the country during the conflict with Ethiopia is not taken into account. Despite their statutory powers, the monetary authorities did not succeed in achieving monetary stability and were forced to meet the massive request for financial resources from the Government.

TABLE 5

Monetary Survey 1975-83

	1975	1976	1977	1978	1979	1980	1981	1982	1983
— (million of shillings; end of period)									
Money Supply	1,005	1,200	1,546	2,047	2,813	3,382	4,421	5,122	4,594
currency in circ.	452	475	719	1,030	1,356	1,773	2,365	2,311	2,109
demand deposits	374	520	607	698	979	1,011	1,309	1,797	1,397
quasi-money	179	205	220	319	478	598	747	1,014	1,088
Domestic credit	804	1,110	1,378	1,715	2,957	3,901	4,545	5,024	5,195
claims on Gov.	238	124	98	311	1,231	1,924	2,250	2,199	1,905
claims on public	107	640	905	1,002	1,279	1,551	1,721	1,300	1,348
claims on private sector	459	346	375	402	447	426	574	1,624	1,942
Foreign assets	504	515	802	937	316	145	126	72	-1,248
— (Annual Percentage Change)									
Money Supply		19.4	28.8	32.4	37.4	20.2	30.7	15.9	-10.3
currency in circ.		5.1	51.4	43.3	31.7	30.8	33.4	-2.3	-8.8
demand deposits		39.0	16.7	15.0	40.3	3.3	29.5	37.3	-22.3
quasi-money		14.5	7.3	45.0	49.8	25.1	24.9	35.7	7.3
Domestic credit		38.1	24.1	24.5	72.4	31.9	16.5	10.5	3.4
claims on Gov.		-48.0	-21.0	217.0	296.0	56.3	16.9	-6.7	-9.3
claims on public		498.0	41.4	10.7	27.6	21.3	11.0	-24.0	3.7
claims on private sector		-25.0	8.3	7.2	11.2	-4.7	34.7	183.0	19.6
Foreign assets		2.2	55.7	16.8	-66.0	-54.0	-13.0	-43.0	-1.8

Source: Central Bank

TABLE 6

Financial Deepening Indicators

	1977	1978	1979	1980	1981	1982	1983
Total Money as % of GDP	24.4	25.9	35.5	33.9	28.2	26.3	18.4
Currency in circ. as % of GDP	11.3	13.0	17.1	17.8	15.1	11.8	8.4
Deposit money as % of GDP	13.0	12.9	18.4	16.1	13.1	14.4	9.9
Domestic credit as % of GDP	21.7	21.7	37.3	39.1	29.0	25.8	20.8
Inflation rate		10.2	23.7	59.0	44.6	22.6	36.4

Source: Tables 3 and 4 (calculations by the Author)

3.

PERFORMANCE OF FINANCIAL INSTITUTIONS

The financial system in Somalia is composed of four financial institutions: the Central Bank, the Commercial and Savings Bank of Somalia (CSBS), the State Insurance Company of Somalia (SICOS), the Somali Development Bank.

The CSBS was established in 1975 with the merger of the old Somali Commercial Bank and the Cassa di Risparmio e Credito della Somalia. In practice, the present CSBS inherited a large part of the banking structure existing in Somalia in the 1960s while the SDB, established in 1968, is based upon its original structure and function of development bank.

The functional specialization of the banking system remains essentially that established by the 1963 banking law (Law No. 18 of 14 August 1963) which differentiates between the banks entitled to extend short-term credit and those entitled to employ resources on a medium and long-term basis.

3.1 THE COMMERCIAL AND SAVINGS BANK OF SOMALIA

The CSBS is the most important financial institution of the country. The Bank has 38 branches, of which seven are in Mogadishu, thirty in the various regions of the country and one is an overseas branch in Djibouti. In 1982 there were 977 employees. The Bank has a capital of 5 million shillings and its shares are owned by the Ministry of Finance, the Central Bank and the SICOS.

The CSBS provides a full range of commercial banking servi-

ces and, since it is the only bank with a large branch network, it holds the *de facto* monopoly on the savings mobilization of the country. The Bank provides loans to all sectors of the economy but mainly to the trade sector which in the last four years benefited on average from 61 percent of the total credit issued by the Bank. The second sector in order of importance is the industrial sector which, in the same period, received 18 percent of total bank credit (Table 7).

TABLE 7

CSBS Distribution of Credit by Sector (1979-84)
percentages

	1979	1980	1981	1982	1983	1984
Agriculture	9.8	7.5	11.4	9.7	3.9	2.7
Livestock	7.3	7.9	10.8	13.7	14.5	10.0
Fisheries	1.0	1.6	1.0	1.2	0.6	0.0
Industry	16.4	23.4	24.4	24.4	13.1	11.4
Trade	65.4	59.6	52.3	50.9	67.8	76.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank

The CSBS has an agricultural credit department which, over the last few years, has extended finance to the agricultural sector. This finance, however, included mainly credit to the agricultural marketing board (ADC) and to the National Banana Board, while the provision of finance directly to farmers represented only a small percentage of the total credit resources allocated to agriculture. At the present moment, the department is virtually dormant.

The balance sheet for 1982 was the last one to be published. According to Central Bank officers, a special commission is analyzing the difficulties encountered by the Bank and an overall auditing of its accounts should be made. At present the operations of the Bank are under strict control. All new credits issued by the Bank must be sanctioned by the Board of Directors.

When examining the Bank's distribution of credit according to beneficiary, it emerges that a high percentage of CSBS resources is employed in the public sector. On average, the sector absorbed 64.2 percent of the total loans and advances made by the CSBS in the period 1979-82 (Table 8). As mentioned in the previous chapter, an encouraging sign has been that the public sector's share of the bank's total credit decreased from 69.9 percent in 1979 to 44.5 percent in 1982, leaving more resources available to the private sector.

TABLE 8

Summary of CSBS Accounts (1979-1982)

	1979		1980		(million of shillings)		1982		average (1979-82)
		%		%	1981	%		%	
Cash on hand & with C.B.	234	10.2	327	12.1	472	12.0	562	9.9	11.1
Foreign assets	276	12.0	395	14.6	455	11.5	1,164	20.6	14.7
Total loans	1,585	69.1	1,799	66.5	2,204	55.9	3,045	53.8	61.3
of which:									
(to public sector)	(1,103)	69.9	(1,333)	74.1	(1,520)	69.0	(1,356)	44.5	64.2
Other assets	133	5.8	103	3.8	757	19.2	791	14.0	10.7
Fixed assets	67	2.9	80	3.0	52	1.3	96	1.7	2.2
Total assets	2,295	100.0	2,704	100.0	3,940	100.0	5,658	100.0	100.0
Circular cheques	190	8.4	237	8.9	434	11.0	789	13.9	10.6
Account with foreign banks	1	0.0	30	1.1	13	0.3	65	1.1	0.7
Demand deposits	1,083	47.8	1,146	42.9	1,590	40.3	1,820	32.2	40.8
Saving deposit	461	20.3	589	22.1	765	19.4	1,008	17.8	19.9
Other liabilities	120	5.3	192	7.2	283	7.2	486	8.6	7.1
Short t. loan with C.B.	352	15.5	416	15.6	793	20.1	1,428	25.2	19.1
Long t. loan with C.B.	19	0.8	19	0.7	18	0.5	14	0.2	0.6
Equity capital	40	1.8	41	1.5	45	1.1	48	0.8	1.3
Total liabilities	2,266	100.0	2,670	100.0	3,941	100.0	5,658	100.0	100.0
Number of staff	798		895		924		977		
Number of branches	33		33		34		37		

Source: CSBS Annual Reports (calculations by the author)

The main sources of CSBS funds are customer deposits, of which the main part is from the public sector. In the period under review (1979-82), total deposits represented 60.7 percent on average of the Bank's total liabilities and capital. The percentage decreased, however, from 68.1 percent in 1979 to 50 percent in 1982. During the same period, the Bank had increasing recourse to

Central Bank loans. These increased from 16 percent of the Bank's total liabilities in 1979 to over 25 percent in 1982. The composition of the source of funds is imbalanced towards the short term. Of total deposits, only one third are time and savings deposits while the remaining are demand deposits. On average, 95 percent of the borrowings from the Central Bank are also short-term.

As mentioned above, the last annual report available was published by the Bank in 1982. Since 1983 the data grouping CSBS assets and liabilities have been published only in the Central Bank's annual report. However, these cannot be compared with the data reproduced in CSBS annual reports for preceding years. In the appendix a summary of the assets and liabilities of the Bank as per Central Bank sources is also given (Tables A.3 and A.4, see Appendix). CSBS financial ratios were calculated from these same data (Table A.5, see Appendix).

The loans to deposits ratio was 1.84 in 1975, decreasing to 1.32 in 1983 from which it can be deduced that, in the period under consideration, the total amount of loans issued by the Bank was always higher than the total deposits. The loans to deposit plus borrowing from the Central Bank ratio also has a negative trend which can be ascribed to the decreasing weight of loans over the Bank's assets. The ratio decreased from 0.93 in 1975 to 0.71 in 1983.

To meet daily liquidity needs, the Bank maintained considerable cash assets (cash assets and deposits with the Central Bank) which may have affected its income. These assets were required to meet the high volatility of the current liabilities, in particular the circular cheques amounting in the period 1980-83 to more than 10 percent of total liabilities.

The equity capital to risk assets ratio was 1.6 percent in 1975, decreasing to only 0.4 percent in 1983. The decreasing equity coverage of the risk assets is due to the stable amount of the reserve funds whereas, in the same period, the risk assets increased more than threefold in absolute terms. With regard to its loan portfolio, the Bank has adopted the policy of maintaining the reserve funds stable over the years to protect itself against unexpected losses.

Despite this low level of capitalization, the Bank has, in the last few years, distributed to the shareholders profits that equal more than 200 percent of the Bank's total paid in capital rather than increase the general reserve account and its equity capital.

3.2 THE SOMALI DEVELOPMENT BANK

The Somali Development Bank was established in 1968 as a state owned institution. The Bank took over the long-term portfolio of the development section of the Credito Somalo which was also a state owned institution. The SDB capital is held by the Ministry of Finance, the Central Bank, the Commercial Bank and the SICOS.

The objective of the Bank is to promote and assist in developing any productive enterprise in the agricultural, industrial, mining, tourist, fishery and livestock sectors. The SDB may engage in all kinds of loan and security transactions, with a minimum loan maturity of one year and a maximum of twenty years, with a maximum contribution to an individual project not exceeding 75 percent of its cost and with a maximum volume of total equity participation of 50 percent of the Bank's total paid capital and reserves.

The SDB's share of the total financing of the economy is small. Between 1975 and 1983, the total credit issued by the Bank was lower than 10 percent of the total credit issued in the country. From 1975 to 1979, SDB's credit in current terms grew by 53 percent, while in the period from 1979 to 1981, as a result of the credit restrictions in those years, fell by about the same percentage. Only in 1983 did the total amount lent by the Bank reach the peak level of 1979. Calculated in real terms, however, the total volume of credit issued in the period under consideration has been decreasing. After the crisis of 1979, the lending policy of the Bank has been more cautious in terms both of the number of loans and of the total volume of credit issued (Table 9).

In terms of distribution of loans by sector of economic acti-

vity, the industrial sector has been the one that has received by far the largest share of the loans issued by the Bank. During the period 1980-83, 50 percent of the total credit issued by the Bank was given to industry. In the same period, agriculture received 23 percent of SDB's total financing.

TABLE 9

SDB Outstanding Loans by Sector (1975-1983)

	(million of shillings)									% of total lending	
	1975	1976	1977	1978	1979	1980	1981	1982	1983	75-79	80-83
Industry (number)	26,6 (8)	11,28 (5)	9,465 (13)	11,32 (26)	38,61 (32)	16,96 (41)	23,29 (36)	38,55 (36)	27,72 (32)	50.44	55.75
Agriculture (number)	9,94 (69)	4,944 (11)	13,38 (187)	24,84 (179)	20,81 (170)	10,03 (110)	10,56 (139)	8,578 (116)	16,13 (80)	38.32	23.7
Livestock (number)		0,3 (1)	0,373 (4)	0,44 (6)	0,199 (1)	0,43 (4)	1,237 (13)	0,32 (2)	1,821 (4)	0.68	1,993
Fisheries (number)	0,785 (8)	0,329 (4)	0,2 (3)	0,14 (2)	0,25 (4)	2,8 (6)			0,903 (2)	0.884	1,938
Other (number)	2,139 (6)	6,099 (15)	5,873 (13)	4,065 (11)	0,49 (7)	2,716 (6)	3,853 (6)	7,27 (6)	17,9 (8)	9.679	16.61
Total (number)	39,46 (91)	22,96 (139)	29,29 (220)	40,8 (224)	60,35 (214)	32,93 (167)	38,94 (194)	54,72 (160)	64,47 (126)	100	100
Average loan size (million of shs)											
										75-79	80-83
Total										0,359	0,295
Industry										1,158	0,755
Agriculture										0,120	0,102

Source: SDB Annual Reports

SDB activity in the industrial sector also includes investment in enterprise equity, which on average has amounted to more than 10 percent of total bank assets in the last nine years. These investments include participation in ITOP (fruit processing and canning), in the brick and tile factory, in FIMA (sales and motor spares), and in the wheat flour and pasta plant. The Bank claims that the impact of such investments on the profitability of the Bank through the dividends paid is positive.

The main source of funds is represented by the Bank's own equity capital which provides a good coverage against potential losses (Table 10). In 1984, the equity capital amounted to 270 mil-

lion shillings against 158 million of the total long-term borrowings. Of these, only 43 percent was provided by national sources, i.e. the Central Bank, the Government of Somalia and the CSBS. However, borrowing in foreign currency was calculated at the rate of exchange prevailing at 31 December 1984 and the proportion of national borrowing compared with total bank borrowing is likely to increase following the devaluation of the Somali shilling in 1985.

TABLE 10

SDB: Summary of Accounts (percentages)

	1979	1980	1981	1982	1983	1984
Cash	4.26	7.63	3.30	2.46	3.09	3.66
Short term deposits	4.08	1.36	1.80	1.04	9.80	1.10
Sundry debtors	7.77	3.13	5.75	6.07	8.25	4.88
Current maturities of portfolio less provisions	10.08	16.74	19.05	12.61	8.94	13.22
Current accrued interest on portfolio loans	5.74	6.79	7.24	3.63	2.87	3.88
Non-current maturity of loans less provision	50.94	41.63	41.96	51.65	51.22	59.14
Equity participation	10.24	11.07	12.72	15.68	8.73	6.32
Fixed assets	4.94	4.32	3.90	4.13	3.18	2.41
Other	1.95	7.33	4.29	2.74	3.92	5.39
Total assets	100.00	100.00	100.00	100.00	100.00	100.00
Interest suspense account	5.94	5.30	5.61	—	—	—
Sundry creditors	3.50	4.38	4.82	3.06	3.41	2.35
Provision for taxation	0.22	0.28	0.12	0.25	0.32	—
Current maturities on borrowings	2.07	2.41	0.85	3.39	7.80	9.30
Managed enterprises	—	—	—	0.62	—	1.61
Non-curr. maturities on borrowings	13.14	12.73	15.14	19.48	28.32	26.83
Cooperative loan fund	0.19	0.16	0.15	0.04	0.03	0.03
Arab grant	0.01	0.03	0.01	0.11	0.20	0.12
Equity	72.98	67.38	69.01	73.04	59.91	59.76
Other	1.95	7.33	4.29	—	—	—
Total liabilities	100.00	100.00	100.00	100.00	100.00	100.00

Source: SDB Annual Reports (calculations by the author)

The shift in the composition of the sources of funds towards foreign sources will be more marked at the end of the present year. According to the Bank, a new package of concessionary loans for a

total of 15 million dollars may be obtained from the African Development Bank, the Islam Development Bank and other international development agencies.

Long-term foreign borrowing is fundamental to the Bank since most of its lending operations, especially in agriculture, finance imported capital goods and the country itself lacks foreign exchange.

In Table A.6 (see Appendix), certain financial ratios from the Bank's balance sheets are calculated. According to these ratios, considering that it is an institution dealing mainly with flows the scheduling of which is fixed contractually, the SDB operates with a sufficient level of liquidity. In 1984, SDB equity coverage of total assets was about 60 percent, sufficient coverage against future potential losses. This equity coverage and the ratio between the shareholder's equity and non-current maturity of loans confirms that, until 1984, equity capital provided most of the Bank's financial resources.

3.3 AGRICULTURAL CREDIT OUTSIDE FINANCIAL INSTITUTIONS

In Somalia, the main source of credit for farmers outside the financial system is provided by Somalfruit, the institution responsible for all marketing and export of banana crops. In 1983, the National Banana Board (NBB) was transformed into a joint venture company with Nadai Ltd., a multinational corporation with headquarters in Italy. Somalfruit, the new joint venture company, is owned 60 percent by Nadai Ltd. and 40 percent by the Somali Government.

Somalfruit purchases bananas from farmers at the prevailing producer price and transports them from the main collection centres to the ports of Mogadishu and Kismayo for export to Italy and the Middle East. The credit activity of this organization consists of the supply of agricultural inputs on credit to the farmers, the credit then being recovered from the proceeds of the sale of the crop.

Recently, Somalfruit has initiated a rehabilitation programme to assist selected farmers with inputs and services (such as ploughing, land preparation, banana cutting, etc.) often given on credit to expand the planting areas and thus production.

The Agricultural Development Corporation (ADC), which was the sole legal buyer of grain and was responsible for the marketing of the main staple products — maize and sorghum — has also in the past provided farmers with some credit facilities in small amounts and given guarantees to the CSBS for the larger farmers. At present, its activities are confined to marketing, its role having being reduced further over the last two years. The law prohibiting private trade in grains was rescinded by an amendment in January 1984 limiting ADC's purchase to 5 percent of the total production. This 5 percent was abolished by a decision of the Central Committee in February 1985 and producers are no longer obliged to sell any grain to ADC.

The general supply of agricultural inputs, with the marketing of outputs, has been controlled by the Government since 1970 through a number of specialized organizations such as SOMAL-TEX for cotton, ONAT for tractor services, ENC for sugar, tea, coffee, etc. and the Ministry of Livestock for veterinary drugs.

4.

**AGRICULTURAL SERVICES FOR RURAL DEVELOPMENT
AND PRICE POLICY**

As mentioned in the first chapter, agriculture is the most important economic sector in Somalia. More than 80 percent of the population depend for their livelihood on agriculture (including livestock and fisheries). About 500 thousand families are engaged in livestock production and about 200 thousand in cropping.

Livestock provides by far the largest share in economic activity and, over the last few years, accounted on average for about 75 percent of total export earnings. The breeding, marketing and export of live animals is managed entirely by the private sector. Prices, not subject to government control, have generally kept up with inflation. However, at present exports are temporarily hampered by a ban on cattle imports into Saudi Arabia, Somalia's major cattle export outlet, because of rinderpest. Alternative markets are being found in Egypt.

With regard to crop production, the contribution of banana exports to total export earnings dropped from 17 percent in 1976 to about 5 percent in 1981. The decrease in production was due both to the reduced area under cultivation and the decreasing average yields per hectare (Table 11).

Other crops include staple foods, maize and sorghum, and cotton, rice, oilseeds and fruit and vegetables. The overall crop production in the 1970s was particularly poor with the result that Somalia became dependent on food imports and food aid for about 40 percent of the total grain supply. This situation can be attributed only in part to the physical constraints of a fragile environment.

TABLE 11

Somalia Implied Yields of Main Food Crops (1977-83)

	Sorghum	Maize	Beans	Rice	Sesame	Sugar Cane	Bananas
1977	0.31	0.75	0.53	2.00	0.37	44.3	13.0
1978	0.34	0.72	0.45	1.33	0.36	47.1	15.2
1979	0.30	0.73	0.59	2.20	0.33	50.0	30.0
1980	0.31	1.01	0.53	2.83	0.38	60.0	15.0
1981	0.43	0.72	0.38	3.17	0.38	71.4	16.8
1982	0.44	0.73	0.41	3.33	0.39	76.4	18.0
1983	0.23	(1.66)	(1.00)	n.a.	0.47	55.5	21.2

Source: Ministry of Agriculture

A critical factor was the lack of adequate price incentives to producers during the 1970s. As the Government devalued the shilling and eliminated the parastatal monopoly of domestic crop purchase and marketing by ADC, by 1981 incentives began to improve resulting in higher producer prices for major agricultural crops being obtained by farmers. Table 12 shows that the decline in prices of major crops in real terms was particularly severe and discouraged farmer production.

The inadequacy of producer prices throughout most of the 1970s was also caused by an overvalued exchange rate that resulted not only in reduced incentives to produce export crops but also in the underpricing of food imports. These imports comprised not only large shipments of aid-financed goods (for refugee relief in the late 1970s) but also food imports consumed by the population of Somalia.

TABLE 12

Producer Prices for Selected Crops

	1975	1976	1977	1978	1979	1980	1981	1982	1983
nominal producer prices (shs/100 kgs)									
Rice	3,500	3,500	3,500	3,500	3,500	3,500	3,200	3,200	5,250
Maize	600	600	750	750	750	1,000	1,800	1,800	3,250
Sorghum	1,100	1,100	1,100	1,100	1,100	1,500	2,700	2,700	3,750
Sesame	2,000	2,400	2,400	2,400	2,400	3,000	4,500	7,000	8,700
Consumer price index (1977 = 100)	79.4	91.1	100	110	136	217	313	384	524
real producer prices									
Rice			100	100	100	100	91.4	91.4	150
Maize			100	100	100	133	240	240	433
Sorghum			100	100	100	136	245	245	341
Sesame			100	100	100	125	150	156	124

Source: Ministry of Agriculture (calculations by the author)

To the extent that these imports served to decrease local food prices, they constituted a disincentive to local production.

Other factors contributing to low and declining crop production were the farmers' poor access to production inputs, the inadequacy of extension services and of farming system research and the lack of vital infrastructure.

The reported yields of foodgrains on a national basis are 0.3-0.4 tons/hectare for sorghum in rainfed areas and 0.8 tons/hectare for maize in irrigated areas. These yields are among the lowest in Africa. Even in the Sahel group of countries (Chad, Gambia, Mali, Mauritania, Niger and Senegal) cereal yields are over 0.5 tons/hectare. Adequate figures on the utilization of yield increasing inputs by the farming sector are not available. However, low crop yields are certainly an indication of poor input utilization and poor farming technology, especially in the small farmer sector.

Evidence has shown that, in Somalia, the application of basic agricultural inputs, such as fertilizer, pesticides and improved seeds, has doubled the production of maize, increased farmers' net return and thus the incentive to produce crops. The value/cost

ratio of a small farmer applying a package of inputs consisting of fertilizer, pesticide and improved seeds in the main maize growing region (Lower Shebelle) at the 1984 estimated input and output prices was estimated to be over 3.33. Experience in other countries has shown that farmers are motivated to use fertilizer if the value cost ratio is higher than 2, i.e. an investment of 1 monetary unit in fertilizer will produce a crop increase value of 2, repaying the investment and giving a net benefit of 1. The above figures were estimated in a limited growing area and with a limited sample and are not representative of the country.

With regard to other agricultural services, there is evidence of inadequacies in extension and support services and of insufficient adaptive research. A project to improve the agricultural extension services started only in 1980 (AFMET - Agricultural Farm Management Extension Training). The number of field agents is still inadequate and the ratio of field agent to farmers is 1:500. Agricultural research is carried out by the Agricultural Research Institute of the Ministry of Agriculture. Since 1983 a UNDP/FAO project (SOM/81/015) is assisting the Institute in organizing a proper farming research approach with direct contact with farmers. The organization of such services is still at an initial stage and an adequate flow of information (process and analysis of farm budgets, prices and other data), vital in formulating a proper agricultural policy, are still lacking.

4.1 THE COOPERATIVE MOVEMENT

The cooperative movement is another agricultural development institution. Although cooperatives can play an important role in the promotion of the country's economic development, it cannot be said that they have been as successful as expected.

By a law of 1973, the cooperatives in Somalia are organized at three levels: regional, district and local, and function under three different ministries for their mobilization and organization and

for the provision of technical assistance.

As the number of cooperatives grew, it became evident that the respective ministries could not handle the various aspects of development efficiently. This came about because the ministries did not involve themselves sufficiently in the formation of cooperative councils and treated cooperatives merely as a sector under their administration. There was also no central office for the registration of cooperatives and their legislation. The Union of the Somali Cooperative Movement (USCOM) was established in 1978 in an effort to solve these problems.

Three types of rural cooperatives are envisaged:

Group farms for the collective cropping of the land. State owned land is given on concessionary terms to farmers or, in the case of cooperatives, to the cooperative itself. Such farms have to produce each year an annual balance sheet on the basis of which a joint decision is made on the allocation of the net income.

Multi-purpose cooperatives, conceived to provide services (inputs, and marketing and social services), to their associates who maintain their independence but must sell their crops to an MPC. At present an MPC constitutes on average between two and six villages with a population of about 1,000 to 2,000 farmers.

Cooperative farms, the latest form of farmers' cooperation. Both the means of production and the product are held in common and the farmer is paid a salary in relation to the contribution he makes to the whole. The contribution made by each member when joining the CF increases its capital and the resultant additional shares are given to the new member.

The contribution made by cooperatives to the country's economy can be shown as a percentage in the various fields of production:

Agriculture	30%	Building materials	75%
Fisheries	80%	Incense and charcoal	100%
Livestock	12%	Handicrafts	90%
Passenger and goods transportation	75%		

A total number of 644 cooperatives, with a total membership of 75,287 was reported at the end of 1983. Of these, 413 with 44,588 members were affiliated to the Agricultural Cooperative Organization.

The National Workshop on Cooperative Development, March 1984, proposed for policy orientation the following:

- the education of members and office holders in basic cooperative principles; and
- the training of senior and lower level staff.

An important aim of the cooperative development policy should be to start channelling material inputs through cooperatives. All input requirements, such as seeds, fertilizer, pesticides and raw materials, should be distributed to members through cooperatives and the procurement of such inputs should be taken over by the cooperative movement.

5.

AN OVERVIEW OF THE RURAL FINANCIAL SYSTEM

In Somalia, the rural finance structure is characterized by the absence of one banking institution covering all the credit requirements of the rural sector and holding the main responsibility for providing the farmer population with finance. As mentioned in the previous chapter, the provision of agricultural credit is divided according to different maturity of loans: the CSBS provides short-term credit and the SDB medium and long-term credit.

In particular, the CSBS has an agricultural credit department which, over the last few years, has provided short-term credit to the agricultural sector. This credit has been directed mainly to the financing of the parastatal boards for the marketing and processing of agricultural products. The provision of productive credit either directly to farmers or indirectly through farmers' organizations formed only a small percentage of the total agricultural portfolio of the Bank.

In the period between 1979 and 1984, the total finance extended to the agricultural sector represented on average 7 percent of total CSBS lending. This percentage dropped from 9.4 percent in 1979 to 3.9 percent in 1983 and to only 1.4 percent in 1984 (see Table 7). At present, the agricultural credit department of the Bank is virtually dormant. Efforts are now being made by the Bank to revitalize its agricultural credit portfolio. Since 1984 a project financed by international assistance (FAO/UNDP) is operating in the Bank with the objective of providing finance to the small farmer sector and of reorganizing its agricultural credit department.

The SDB also has a specialized rural finance department which provides agriculture with medium and long-term credit. In

the period between 1975 and 1979 the agricultural sector received 38 percent of the total SDB credit to the economy. This percentage dropped to 24 percent in the period between 1980 and 1983. In the period 1975-79, the average agricultural loan was 120 million and in 1980-83 102 million shillings. Compared with other sectors, lending to agriculture has been fairly dynamic. In terms of the number of loans, the agricultural sector has received a higher number than the other sectors financed. Before 1979, the main beneficiaries of SDB lending to agriculture were the banana growers but, in the last four years, the agricultural portfolio has been diversified and loans have been used to finance the purchase of farm equipment, tractors and water pumps and the clearing of new land for different types of crop.

The Bank claims that over the last few years the agricultural lending activity has become more prudent because of the poor credit recovery performance and the lack of finance available to the Bank.

The agricultural department of the SDB is fairly well organized. Its personnel includes economists and agronomists for the appraisal and supervision of loans; for financial accounting and statistical recording the department utilizes separate units.

Of the two Banks, the SDB is the institution that has committed the higher percentage of its resources to the financing of the agricultural sector. In the period 1980-83, the agricultural sector came second only to industry in the total SDB outstanding loans. With regard to the CSBS, in the same period, agriculture received only 5 percent of the total credit allocated by the Bank following trade, industry and livestock.

The SDB, however, has only two rural branches and therefore cannot assist extensively the agricultural sector. CSBS, on the other hand, has a network of 38 branches which permit it to offer banking facilities in nearly all the relevant rural financial markets in the country.

The system whereby both the SDB and the CSBS offer similar banking facilities for different maturities is not completely

satisfactory and is not recommended as normal agricultural banking practice. From the banking point of view, this division of roles implies a duplication of effort with high administrative costs, overlapping of functions and lack of coordination in the allocation of financial resources and the evaluation of the creditworthiness of the Bank's customers.

From the farmer's point of view, the present arrangements also have evident shortcomings inasmuch as the farmer, requiring not only short-term credit for his working capital but also medium-term credit to improve his farming practices, has to apply for loans to two different institutions.

For the reasons mentioned above, when assessing alternatives to the present arrangements, the following two options can be considered:

- replacement of the present system by one under which one bank covers all aspects of agricultural credit. This option would require the amendment of the present credit legislation that at present differentiates between the banks entitled to provide short-term credit and those providing medium and long-term credit.
- establishment of a strong coordination system among the different sources of credit to the agricultural sector and eventually the placing of this system under the control of the Central Bank. In the medium term, the establishment of a specialized agricultural credit institution, if this proves feasible.

The first option has the advantage of concentrating efforts on developing an institutional infrastructure nearer to the farmer's place of residence, in one institution only. The specialized institutions would be able to assess the overall credit needs of the farmers (short, medium and long-term) at one point of contact only and would cover all aspects of the production unit varying from crop production to family consumption.

The second option would have considerable advantages only if the coordination of the two banks proves to be really effective. It is worth mentioning, however, that a situation with different sour-

ces of credit financing the same sector is typical of a mature financial system. In such a situation different banks compete with one another in offering financial services to farmers who, in turn, may choose the institution that best meets their requirements. Competition among banks may serve to stimulate improvement in the provision of services. This, however, is not the case in Somalia, where there are two banks only, both under a monopoly system, and with an agricultural sector that requires concentration of efforts rather than dispersion of resources.

December, 1985

APPENDIX

TABLE A.1

Potential of Cultivable Land and Actual Cropping

	Potential Area '000 ha	Actual Area '000 ha	Percentage
Rainfed farming	7,790	540	6.9
Flood irrigation	110	110	100
Controlled irrigation	250	50	20
of which:			
Shebelle river	86	35	41
Juba river	160	14	9
Northern region	4	1	1

Source: The above figures are an estimation made by the Directorate of Planning
of the Ministry of Agriculture

TABLE A.2

Structure of Crop Production

	n. of holdings	total area	% of land over total land	average holding size
State farms	10	21,600	3	2,160
Registered coops	49	67,560	10	1,571
Registered Private Companies	148	23,273	3	157
Registered Small Holders	4,683	57,149	8	12
Unregistered Small Holders	180,000	500,000	76	28

Source: See table A.1

TABLE A.3

Summary of Assets and Liabilities of CSBS (million of shillings)

	1975	1976	1977	1978	1979	1980	1981	1982	1983
Cash	32	39	44	79	95	167	272	201	168
Deposits with C.B.	51	62	75	97	139	160	200	264	270
Foreign assets	231	140	250	377	240	339	465	1,428	1,196
Claims on pr.&pub.sec.	935	881	1,119	1,222	1,551	1,737	2,076	2,732	3,085
Unclassified assets	48	34	93	61	179	160	813	885	1,078
Total assets	1,296	1,157	1,580	1,836	2,205	2,563	3,826	5,510	5,797
Circular checks	51	50	78	124	190	237	434	790	507
Demand dep.of pr.&pub.	329	415	522	600	913	944	260	1,632	1,248
Time & sav. deposits	179	204	218	317	475	595	743	1,009	1,083
Foreign liabilities	3	6	5	50	2	—	—	—	—
Liabilities to C. Bank	497	230	418	383	371	436	811	1,466	2,028
Capital and reserves	15	15	15	15	15	15	15	15	15
Unclassified liabilities	223	238	325	348	240	337	563	599	916
Total liabilities	1,296	1,157	1,580	1,836	2,205	2,563	2,826	5,510	5,797

Source: Central Bank Annual Reports (calculations by the author)

Note: figures in this table differ from table 8 since the source is different.

TABLE A.4

Summary of Assets and Liabilities of CSBS (percentages)

	1975	1976	1977	1978	1979	1980	1981	1982	1983
Cash	2.4	3.4	2.8	4.3	4.3	6.5	7.1	3.6	2.9
Deposits with C.B.	4.0	5.4	4.7	5.3	6.3	6.2	5.2	4.8	4.6
Foreign assets	17.7	12.1	15.8	20.5	10.9	13.2	12.2	25.9	20.6
Claims on pr.&pub.sec.	72.1	76.2	70.8	66.6	70.4	67.8	54.3	49.6	53.2
Unclassified assets	3.8	2.9	5.9	3.3	8.1	6.3	21.2	16.1	18.7
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Circular checks	3.9	4.3	4.9	6.74	8.6	9.2	15.4	14.3	8.8
Demand dep.of pr.&pub.	25.4	35.8	33.0	32.7	41.4	38.8	9.2	29.6	21.5
Time & sav. deposits	13.8	17.6	13.8	17.3	21.5	23.2	26.3	18.3	18.7
Foreign liabilities	0.3	0.5	0.3	2.7	0.1	—	—	—	—
Liabilities to C. Bank	38.3	19.9	26.5	20.8	16.8	17.0	28.7	26.6	35.0
Capital and reserves	1.1	1.3	0.9	0.8	0.7	0.6	0.5	0.3	0.3
Unclassified liabilities	17.2	20.6	20.6	19.0	10.9	13.2	19.9	10.0	15.8
Total liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Table A.3 (Central Bank Annual Reports)

Note: figures in this table differ from table 8 since the source is different.

TABLE A.5

CSBS: Some Financial Ratios

	1975	1976	1977	1978	1979	1980	1981	1982	1983
Current assets/ current liabilities	1.16	1.41	1.22	1.26	1.21	1.28	1.69	0.82	0.93
Total loans/ total deposits	1.84	1.42	1.51	1.33	1.12	1.13	2.07	1.03	1.32
Total loans/ total dep. + C.B. borrowing	0.93	1.04	0.97	0.94	0.88	0.88	1.14	0.67	0.71
Cash assets/ total deposits	0.22	0.22	0.20	0.24	0.21	0.28	0.68	0.19	0.25
Cash assets + dep. with C.B./ demand dep. & circ. cheques	21.3	21.7	19.8	24.3	21.2	27.7	68.0	19.2	25.0
Capital & reserves/ risks assets (x 100)	1.6	1.7	1.3	1.2	0.9	0.8	0.7	0.5	0.4

Source: Table A.4 (calculations by the author)

TABLE A.6

SDB: Some Financial Ratios

	1979	1980	1981	1982	1983	1984
Cash + short term deposits/ current liabilities	1.43	1.27	0.88	0.52	1.23	0.41
Current assets/ current liabilities	4.51	5.04	6.41	3.85	3.14	2.30
Shareholders equity/ total assets %	77.74	67.38	69.03	73.03	54.56	59.76
Shareholders equity/ non-current maturity of loans less provision	1.44	1.62	1.65	1.41	1.07	1.01

Source: SDB Annual Reports (calculations by the author)

