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The World Bank
1818 H Street NW
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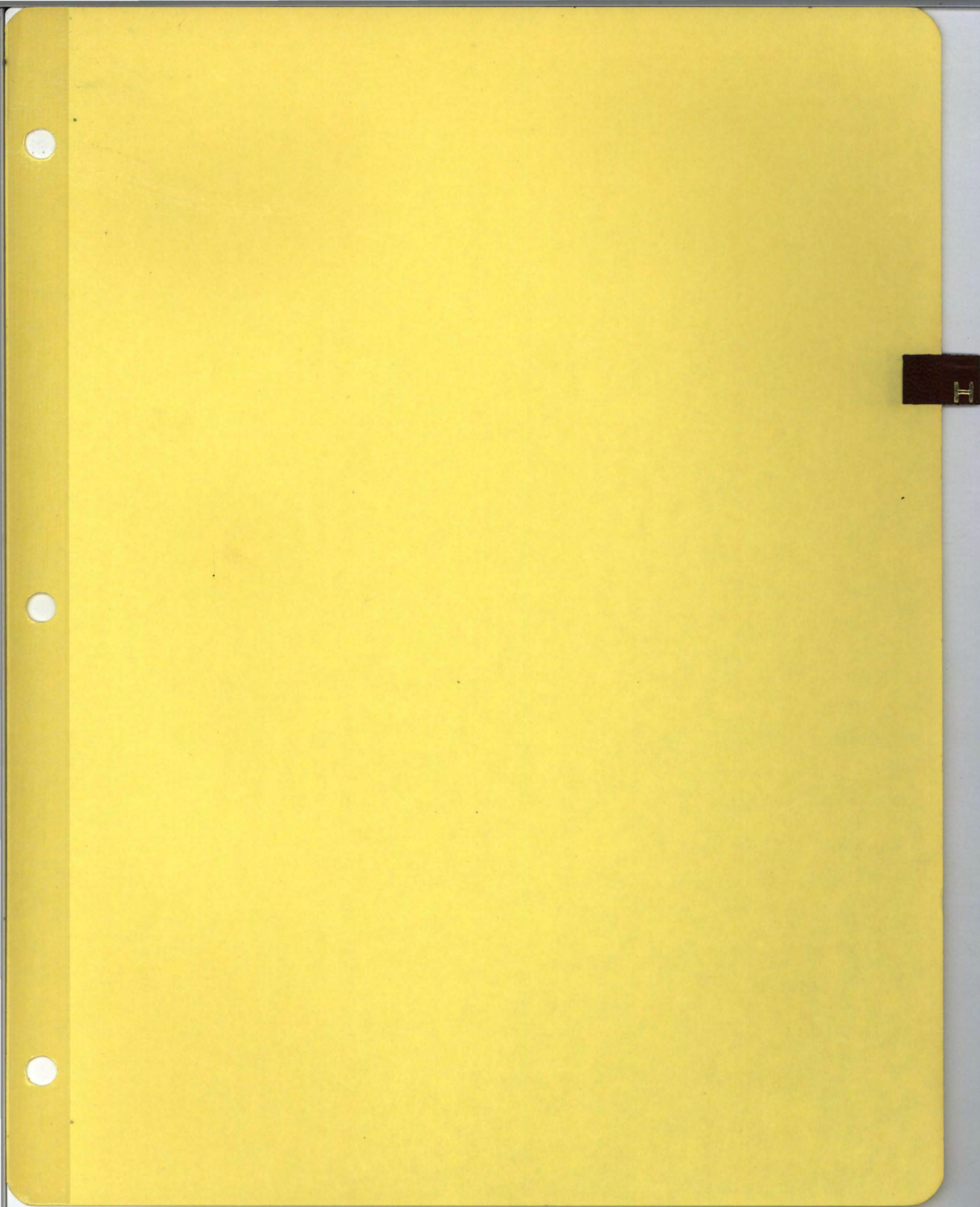
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Travel briefs, Ethiopia

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Wolamo Yajochans

ETHIOPIA

AGRICULTURE

A. Past Lending

- (1) Wolamo Project - Credit 169-ET, \$3.5 million approved October 1969 to finance a 6-year program for agricultural development in the Awraja (sub-province) of Wolamo. The project provides for an integrated attack on problems of 6,000 subsistence farm families in the highlands through the provision of improved roads, markets, water supplies, agricultural credit and extension services, and for the resettlement of 1,050 farm families in two new settlement areas in the savanna zone. Project important not only for its immediate impact but also as a vehicle for gaining the experience required to be able to design larger-scale projects for the modernization of the subsistence agricultural sector.

what is the plan - time sheet.

Project status - the project is off to a good start and development is already about 6 months ahead of schedule. Four ADS staff members are involved in managerial positions. There is a requirement for four additional senior staff members for which the Ministry for Overseas Development (ODM) expects to provide staff by the end of this year. Peace Corps has also provided some staff.

- (2) Humera Project - Credit 188-ET, \$3.1 million, approved April 1970 to finance infrastructure (road and town water supply) and a demonstration farm to assist farmers in the Humera region, and studies for future agricultural development of the north-western lowlands. Project aims at assisting Ethiopian commercial farmers who have developed 100,000 hectares of land on a pioneering basis, without outside assistance. In this area cotton, sesame, and sorghum are produced through mechanized, rainfed farming.

Project status - the credit became effective on September 30, 1970 after one month postponement of the original deadline, mainly due to difficulty in finding a suitable project farm manager. An applicant for an ADS position has recently stated his willingness to take the position and has been agreed to by the Ethiopian Government. Subject to satisfactory references, medical examination and other formalities, he will be recruited for the position. Meanwhile we have made arrangements for another ADS staff member to take up the position on a temporary basis until these formalities have been completed. The project provides only for a first stage town water supply system, and a World Health Organization (WHO) advisor has recently submitted a design for a more sophisticated system. We have written that the first stage system provided is all we consider justified at this stage of development, while the more elaborate design submitted could be considered at a later stage.

Prospective Operations

- (1) Coffee Processing - FY71, \$7 million, Bank). An appraisal mission in the field until about October 15. Project designed to improve quality of coffee exports by providing facilities and services for expanding wet processing of coffee in selected areas of Sidamo and Kaffa provinces. Project is not expected to increase overall coffee production. International Coffee Diversification Fund participating in appraisal, and may provide financing of part of local costs. Project request is for a \$7 million loan to finance coffee processing stations, coffee roads, and expatriate staff. Project viability depends on expected price differential between washed and unwashed coffee, which has narrowed following recent frost damage to Brazilian coffee.
- (2) Melka Sadi-Amibara - FY72, amount to be determined rough estimate of \$10 million included in lending program). This project, designed to develop irrigated commercial agriculture in the Awash Valley, was prepared by Italconsult under the supervision of a committee including representatives of the Bank and the Food and Agriculture Organization (FAO) Cooperative Program. The project was appraised in October/November 1969, for expected lending in FY71, but appraisal could not be completed because of two developments. First, an Australian consultant group (the State Rivers and Water Commission) provided by UNDP to the Awash Valley Authority, after carrying out further investigation of the project area, expressed reservations about the suitability of the soils for irrigated agriculture in major parts of the project area. A Bank mission looked into this matter at the end of July and concluded that the greater portion of the project area is comprised of very impermeable soils. In addition, the quality of irrigation water in the area is less than optimum because of its high salt alkali and boron content. Second, serious reservations were expressed by tobacco experts about the feasibility of growing the proposed Virginia Flue-cured tobacco in the area and the ability to market the product. A research group looking into this matter has not completed its investigations. Italconsult is now engaged in a re-examination of project costs, including possible scaling down of the project to include only the better soil areas, and an attempt to redesign the project to make it economically feasible without requiring the inclusion of the high-valued tobacco crop. Further investigations of the chemistry of the soils and of water quality are required. Arrangements are being made with UNDP for the carrying out of these investigations. If these arrangements can be made without delay, the studies could be completed by about June 1971. A decision whether to complete the appraisal would be taken upon receipt of the study results.

*looks weak
they work on
such a low
priority project
how could
they find
time to do
a poor job*

While the Government is now aware of the need for these studies, it is understandably concerned that the problems were not discovered sooner in view of the heavy expenditure by Ethiopia on what they (and we) believed to be fully competent consultants, and the participation of FAO Cooperative Program and Bank staff in the Steering Committee. Government officials may express annoyance at the turn of events. We can in fact only share their frustration at the inadequacy of some of

the data developed by the consultants. We cannot disengage from sharing responsibility in their supervision, although it is true that the Bank staff were rather advising on the overall direction of studies than directly supervising the consultants. The important thing now is to make sure that all outstanding questions are satisfactorily resolved as soon as possible, and we are anxious to help. A mission is scheduled to be in Ethiopia October 12 and 13 to discuss with the Government and consultants the next steps to be taken.

*what
did
they
decide*

- (3) Awassa Farm Project (no lending proposed). This project, prepared by a French consulting firm (SATEC) would mainly provide for an increase in maize production (mostly by peasant farmers) and processing facilities to convert the maize into glucose, starch, and brewers grits. Also included would be a project farm on which maize, sisal, vegetables and livestock would be produced. A desk review of the dossier indicated that although the Awassa region had good agricultural potential the project proposed was not viable due to an insufficient market for the products of the maize processing factory (or for the sisal). The Finance Minister, who had problems with the project within the Cabinet, then maintained that submission of the dossier had constituted a loan request. He sent supplementary information and demanded an appraisal mission. The additional information did not substantiate the possibility of a viable project and confirmed that an appraisal mission would be a waste of time. We compromised on a mission from PMEA in September which confirmed the findings of the desk review, but considered that it should be possible to develop an alternative project in the same general area. While we do not wish at this stage to be committed to giving priority to an agricultural project in this area, we have said we are willing to try to identify a suitable project for possible further preparation. A PMEA mission for this purpose is tentatively scheduled for late October.

Chilalo Agricultural Development Unit (CADU)

CADU is a comprehensive agricultural package project in the Chilalo awraja ¹ of Arusi province. The headquarters of the project are in Assela, the Awraja and provincial capital, some 175 Km south - southeast of Addis Ababa. The objectives of the project are to bring about economic and social transformation in a limited rural area, through the coordinated and intensive application of a large number of inputs. In the case of CADU the inputs include research, extension, marketing, credit, education, health, training, communications, cooperatives, and land reform.

CADU is a joint Swedish/Ethiopian venture. The first phase of three years was started in 1967, to be followed by a second phase provided the Ethiopians satisfy certain specified conditions such as counterpart contributions and land reform. The first phase has cost Eth\$14 million. The Swedish Government paid for expatriate staff and their housing, feasibility studies, and 67% of investment and operating costs; the Ethiopian Government provided Ethiopian high and middle level staff, land, roads, and the remaining share of investment and operating costs. The administrative center has been established and work begun on research, extension, marketing of milk and grain, credit in kind (fertilizer, bull services and artificial insemination), training of extension workers and farmers, and health services.

Three years is too short a period on which to judge this kind of operation; but even within this period heartening signs in terms for example, of farmer response to fertilizer use, and to price incentives, have been clearly visible. A team of international experts including Professor Rene Dumont appraised the project in August 1969 and recommended its continuation. A beginning has been made in replacing Swedish professional staff with Ethiopians but the professional staff is still predominantly Swedish. An Ethiopian, Ato Paulos Abraham, was appointed General Manager of the project a few months ago to succeed a Swedish citizen.

A comprehensive program for 1970-75 has been prepared for the second phase, but the Swedish government has declined to commit any further resources to the project unless the Ethiopian government fulfills their undertaking to take preliminary land reform measures by the end of 1970. The Ethiopians are likely to meet this condition and it fairly safe to assume that the next phase will commence as planned. Swedish participation is likely to end with Phase II.

CADU is an independent unit within the Ministry of Agriculture. For coordination with the activities of other ministries there is a ministerial committee. For planning and coordination at the local level an awraja development committee has been established. CADU has taught many lessons.

/1 An awraja is a subdivision of a province. Chilalo awraja has a population of about 400,000.

this is the type of project we should spend more money on. I think that this is a very important project. We should spend more money on it.

The "comprehensive package" approach to rural development is costly relative to the number of rural inhabitants who benefit. Accordingly in the Ethiopian position of scarce resources, consideration is being given to the "minimum package" in which the range of inputs is confined to those which are considered crucial in the particular area. In this way it is hoped that the same amount of resources will reach a larger number of rural inhabitants. Many large land-owners within the project area in Chilalo have seen the benefits of mechanized agriculture, improved seeds and fertilizer use demonstrated by the project and have put tenants - some of long standing - off their lands in order to carry out large-scale farming. It is estimated that some 650 families have been displaced. This lesson emphasizes the need for land reform measures such as regulating the contractual relationship between landlord and tenant. CADU is providing lessons in approaches to rural development, extension methods, research etc. peculiar to the Ethiopian setting, which will be useful in other parts of the country.

CADU has sometimes been criticized for the rather costly housing and other buildings at headquarters which tend to be out of accord with the environment. Amenities for the IDA-financed Wolamo project are more modest and less costly.

ETHIOPIA

WOLAMO PROJECT

(Credit 169-ET, \$3.5 million, approved October 1969)

The Wolamo Project, which is the Bank Group's first agricultural project in Ethiopia provides finance for the first six-year phase of the Wolamo Agricultural Development Unit (WADU), an integrated program for agricultural improvement in the Wolamo Awraja of Sidamo Province. The project provides infrastructure in three selected areas of the densely-populated highlands and for the establishment of new settlements in uninhabited savanna areas. It includes the cost of staff, buildings and equipment for:-

- (a) Land Planning and Settlement, including reorganization of holdings in the highlands and construction and supervision of new settlements;
- (b) Road Construction, Land Clearing and soil conservation works in settlements and at critical points in the highlands;
- (c) Provision of Water Supplies in settlements and the improvement of supplies in the highlands;
- (d) Establishment of Extension Services, including a training center for farmers and staff, and a cattle inoculation service;
- (e) Construction of Marketing Centers and coffee processing factories; and
- (f) Agricultural Credit, in kind, for farm inputs, implements and cattle.

It is hoped that in later phases these actions will be extended to cover the balance of the settlement and highland areas in the Wolamo Awraja. These later phases will be prepared by project staff, on the basis of lessons learned during the project, and will be ready for appraisal in about 1973.

The Wolamo Agricultural Development Unit lies on the northwest edge of the Rift Valley in the Wolamo Awraja (sub-province) of Sidamo province: Wolamo Awraja (area - 3,178 km²; population - about 543,000) is the home of a distinct and fairly homogeneous ethnic group - the Wolamos - sharing a common language - Wolaminya. The Wolamos are socially cohesive and traditionally familiar with group actions and organizations. They are almost exclusively agrarian. Like many peoples subjected to severe population pressures, the Wolamos have developed a higher standard of husbandry than is found in many parts of tropical Africa, and they are basically industrious. However, low nutritional and health standards limit their working capacity. Endemic malaria, which previously prevented settlement of the lower parts of the Awraja, is now being attacked as part of a national program.

The Government is represented in the Awraja by a Sub-Governor, Fitawrari Wolde-Semayat Gebrewold, who has wide powers and who was recently appointed as Vice Governor of Sidamo Province. The Awraja is divided into six Woredas

What others of this type should work working on it least 2 or 3 more 2-4 months

(districts) each with an Assistant Governor, a treasurer, a court and a small police force. Under the very active leadership of the Sub-Governor, the local administration has embarked upon a significant number of self-help projects including construction of roads linking each of the six Woredas with the administrative capital, Soddu (pop. 14,000). The Governor also initiated the two settlement schemes which are to be expanded under the project.

The project comprises two separate areas with very different characteristics:

- (a) The Highlands (1,500-3,000 m above sea level) in Sodo and Boloso Woredas: Roads and markets will be constructed and water supplies improved throughout both Woredas, which have a population of 236,000, with a density of 160-275 per km². Very intensive extension services, backed up by credit and other services, will be provided in three "development areas" each containing about 2,000 farms and will thus directly affect some 30,000 people. Production of maize, wheat and livestock will be increased by the use of improved seed, fertilizer, implements, working oxen and dairy cows which will be provided on credit. Earnings on existing coffee production will be increased through improvements in quality brought about by better processing.
- (b) Settlements, in the savanna (1,100-1,500 m above sea level), at Abela and Bale: These settlements, which now contain 590 and 110 farms respectively, will be reorganized and expanded to a total of 1,750 farms, providing homes and livelihood for nearly 10,000 people. The main crops will be maize, cotton and chillies.

At full production, which is expected to be achieved in the ninth year, it is estimated that the cash income of the average highland farmer will have increased to about US \$130 from the present level of about US \$82. After deducting of marketing fees the net increase in disposable cash income would be about 30 percent for all farmers in the highland development area. In the settlement areas, it is estimated that the average farmer will earn a net cash income of some US \$175 in addition to obtaining subsistence for his family. Taking into account the direct benefits and costs based on rather conservative assumptions as to yields and prices, the estimated economic rate of return for the project over 20 years would be 13 percent.

Rate of return calculations, however, are in inadequate measure of the full value of the Wolamo project. They do not reflect the value of training Ethiopian agriculturists, or of the valuable experience which will be derived from this project in guiding Ethiopia's future agricultural development policies. Wolamo Awraja is typical of many areas of the Ethiopian highlands. Only through carefully analyzing the effects of concentrated efforts on relatively small areas like Wolamo, can the Government design larger scale projects for the modernization of Ethiopia's subsistence agriculture sector.

Work on the project was begun in late November 1969 and appears to be off to a good start. Progress to date includes the formation of a farmers cooperative society at Abela, the beginning of fertilizer and variety trials, the planning and beginning of development on the project farm, and the start of a program of credit in kind (seeds, fertilizer, and insecticide).






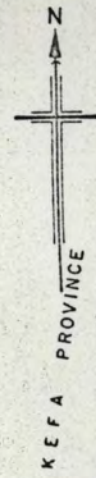
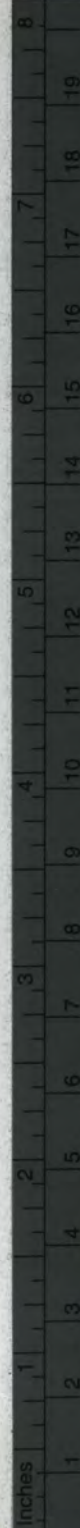
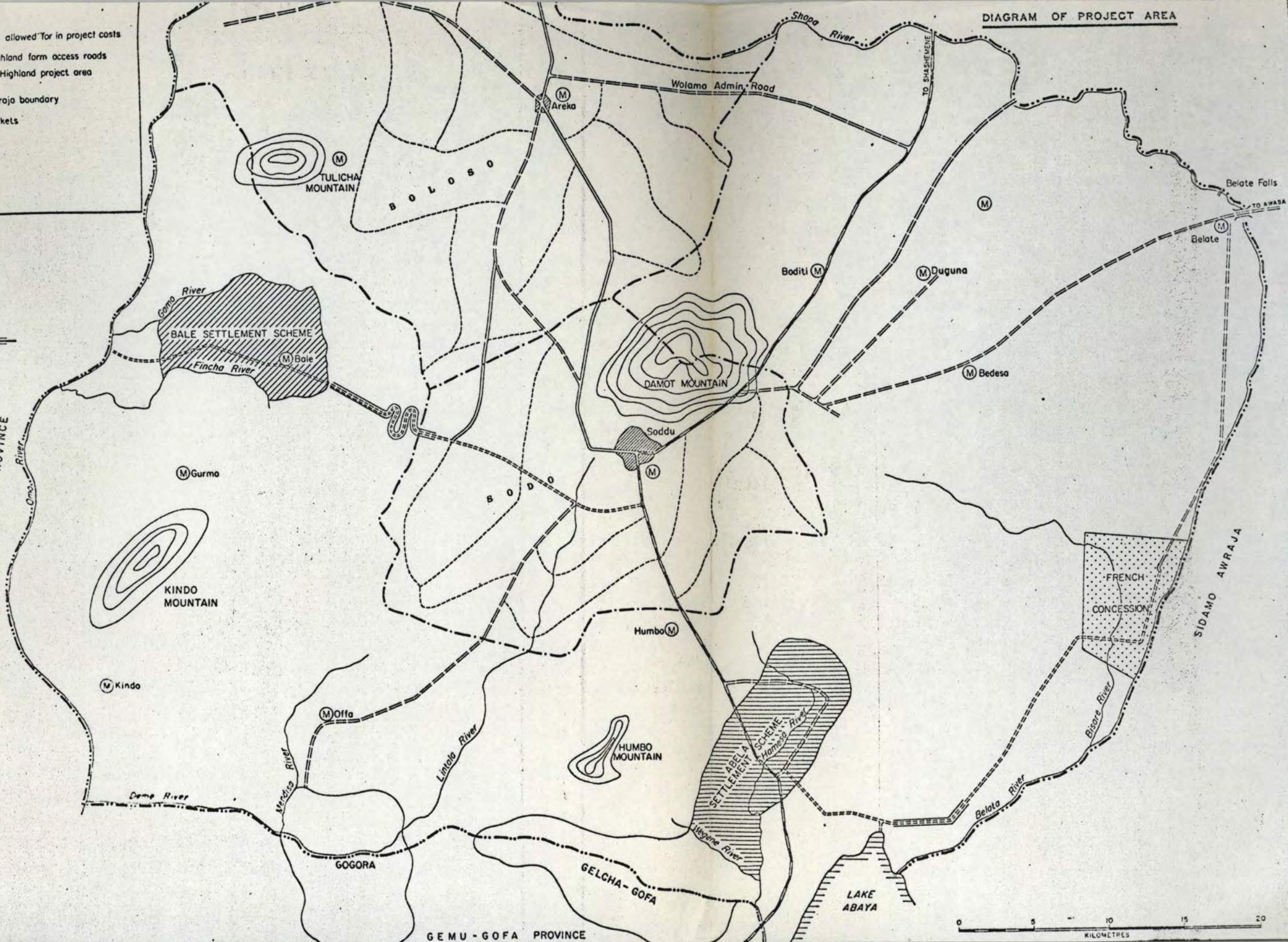
-  Improvement allowed for in project costs
-  Proposed Highland farm access roads
-  Boundary of Highland project area
-  Wolamo Awraja boundary
-  Existing markets

DIAGRAM OF PROJECT AREA



KEFA PROVINCE



Centimetres **TIFFEN** Color Control Patches

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LIVESTOCK

Past Lending - Nil

Prospective Operations

Addis Ababa Dairy Development (FY71, \$4.3 million IDA)

This project is aimed at increasing dairy production in the Addis Ababa area, by providing for development of approximately 110 large and 240 small dairy farms, with a total of approximately 7,000 dairy cows. The project work would consist of: importing and breeding high quality dairy cows for these farms, providing technical, veterinary and artificial insemination services to participating farmers, providing credit to farmers for their on-farm development activities, as well as developing additional facilities for the collection, processing and marketing of milk in the area.

The project was appraised and found generally satisfactory but a question remained as to the most suitable form of organization to implement the project. A follow-up mission has just returned after reaching agreement with the Government to establish a statutory public corporation. We can now proceed with the processing of this project.

Livestock II - A PMEA livestock identification mission visited in April and their draft report was received in the Bank in August. Following review of this report we expect to send it to Ethiopia with a proposal that the dairy project include financing of consultants to prepare a second stage project. The lending program includes \$8 million IDA, for FY72.

During the PMEA mission, USAID gained the mistaken impression that we were trying to compete with their livestock operations, and at one time stated that if we wanted to get involved they would discontinue their operations and hand them over to us. This misunderstanding has apparently been overcome, and we have assured USAID that our future operations would be designed so as to be complementary rather than competitive with theirs.

EDUCATION

A. Education System

Ethiopia is still at an early stage of educational development. In primary education enrollment, which has increased 250% during the last decade, is equivalent to 12.5% of the relevant age group (1968-69), as compared with about 50% in other East African countries. By 1979-80, enrollment should amount to 1.1 million or 23% of the relevant age group. Future growth will depend on the availability of funds and teachers.

General secondary education enrollment increased from 19,200 in 1960-61 to 94,000 in 1969-70, growth being particularly rapid since 1965 (23% per year). Government technical school enrollments were 3,800 in 1968/69, indicating a distinct imbalance with about fifteen times the number of the students in general secondary compared with technical schools. Inadequacy of school management and lack of coordination with industry, leading to poor employment prospects for students, have adversely affected enrollments in technical schools, including those financed under the first IDA credit. About 3.3% of the age group was enrolled in general secondary schools and 0.4% in primary teacher training and technical schools (as compared with 2.4% to 8% in other East African countries).

Recurrent expenditure on education accounts for 17.7% of the government's recurrent budget and 7% of the monetary GDP (a high ratio). Further expansion in education will be seriously limited by the financial resources of the country. It is imperative that Ethiopia should direct her education investments toward meeting her most pressing needs.

B. Bank/IDA Lending

A credit of US\$ 7.2 million was made in February 1966 to help finance 77 new or expanded secondary schools, 2 primary teacher training institutes, one practical teacher training institute and 2 technical institutes. The secondary school development program which the credit supports provides spaces designed for a total enrollment of 51,400 students of which 20,400 will be in new places. It will result in the diversification of the secondary school curricula by the introduction of streams in agriculture, industrial arts, commerce and home economics. The project is expected to be completed by the end of 1971. However, actual 1969/70 enrollment totals 94,000, for exceeding the estimates when the above credit was made, with the result that a substantial portion of the students are in overcrowded and substandard facilities.

A second project has recently been appraised as a basis for an IDA credit of US\$8 million. This project would include teacher training, agricultural education, secondary education, a manpower survey and an education sector review. Initial government proposals included considerable further expansion of secondary education, together with investment in teacher

training and agricultural and technical education. It included 38,000 new student places to provide a 66% increase in capacity over the 1969-70 level of designed capacity. The appraisal mission considers such an expansion to be inadvisable at the present stage of Ethiopia's educational development given the limits of its present financial resources. In the absence of reliable estimates of the need for trained manpower, the need for more than a limited expansion of secondary education is not established; there are already indications that the output of secondary education may have exceeded the labor market's absorption capacity. Furthermore, the continuation of heavy investment in secondary education might hamper development in other sectors of higher priority. In short, political pressure for the rapid expansion of secondary education is strong but the need for controlling its growth is clear.

The appraisal mission discussed with the government a reduction in the rate of growth of secondary school enrollment. The Minister of Education agreed to limit enrollment to 115,000 by 1972-1973 (end of the Third Five-Year Plan) and modified its request to 10,000 new places plus 23 study halls to permit double shifting. Planning for future growth would be based on the findings of a full manpower survey and a comprehensive education sector review, financing of which would be included in the proposed IDA project. These studies, in which the Ethiopians would participate fully, would provide the basis for restructuring the national education and training system and for assisting Ethiopia (and bilateral and multilateral agencies) in selecting the most appropriate sectors for their investment in education and training. The second project would also include provision for teacher and agricultural training. For secondary education, the yellow cover appraisal report recommends that the project provide additional school accommodation for 4,240 new student places and add the 23 multi-purpose study halls to schools in strategic locations. These additions would permit double-shift working in urban schools, and so produce an increased pupil capacity of 37,280. With the completion of the proposed second IDA education project, the number of pupils in temporary accommodation, such as adapted primary schools would fall from 37,000 (1969) to 25,000 (1974/75). (A chart showing the number of general secondary school places up to 1974/75 is attached). Eastern Africa Department is in process of discussing with Education Department the justification for the recommended decrease in new places to 4,240 in place of the 10,000 new places in the Ministry's revised request.

The Bank/IDA 5-year lending program includes further lending for education in FY 1973 and 1976. Its content will depend on the findings of the manpower survey and of the education sector review and on the actions by the government following these two pre-investment studies. The government has established a National Commission for Education to study existing problems and to recommend possible solutions. Hence, there is already an institutional framework that could carry out the reforms which it is hoped will result from the studies to be assisted by the second education project.

HIGHWAYS

- (1) First Highway Project - Loan 31-ET, \$5 million, signed 9/50 to rehabilitate and maintain a portion of the highway network built during Italian occupation, and to organize a highway department to carry on this work. Under this loan the three main roads of the system from Addis Ababa to Assab, Jimma, and Lekempti (total length 1,527 kms.) were rehabilitated, and interim maintenance and some improvements were carried out on the remaining 2,300 kms. of the then existing road network. To carry out the program the Imperial Highway Authority (I.H.A.) was set up, with management assistance from the U.S. Bureau of Public Roads.

- (2) Second Highway Project - Loan 166-ET, \$15 million, signed 6/57 financed the construction of about 850 km. of new roads, improvements and rehabilitation work on existing roads and the survey and engineering of 1,000 km. of roads.

Problems - A dispute arose with a British contractor (Marples-Ridgeway) who undertook the construction of a 153 km. road between Asbe-Teferi and Kolubi. The IHA refused to accept the road until corrective works were completed, while the contractor challenged the need for corrective works and removed his personnel and equipment in March 1965. Marples-Ridgeway has submitted claims of US \$2.1 million in addition to requesting the release of \$0.3 million of retention money. While the contractor had told the Bank in 1968 that he would request arbitration, he has not yet done so.

A second problem has arisen concerning the Blue Nile Gorge Viaduct which is in danger of imminent failure due to a massive slide. Studies and detailed engineering for a by-pass of this viaduct are currently underway.

- (3) Third Highway Project - Credit 35-ET, \$13.5 million, signed 2/63 financed the completion of the second highway project, the construction of the about 215 km. of new roads (Lekempti-Ghimbi and Agaro-Bedelle), asphaltting of about 800 km. of existing roads, feasibility studies of new roads, mechanized accounting equipment, and consulting services to assist management.

Status: Construction work has been completed. Arbitration hearings have taken place on the disputes with the contractors (Impresit-Recchi of Italy and Razel Freres of France) engaged on road construction. While further hearings may be necessary, it is expected that the arbitrator's decision will be ready during the first quarter of 1971. We have agreed to a Government request to extend the closing date until December 31, 1971 to allow for completion of arbitration.

(4)

Fourth Highway Project - Loan 523-ET of \$13.5 million and Credit 111-ET of \$7.7 million, signed 1/68 (together with Swedish credit of \$5.8 million) finances the construction of about 440 km. of new roads (Bedelle-Metu and Awash-Tendaho), bituminous surfacing of about 170 km. of existing roads, feasibility studies, and technical and advisory services.

Status: The construction element of the project was delayed initially due to slow progress in preparation of acceptable tender documents and contractor prequalification. The small number of responses to the first tender required a second tender, which permitted bidding on the basis of a longer construction period. Due to these factors the closing date (presently June 30, 1972) will have to be extended eventually by about 2½ years. Current estimate of total project cost including \$4.3 million for contingencies is \$42.1 million, exceeding appraisal estimates by \$3.7 million. If actual total costs, including the allowance for contingencies, are about as estimated, the Bank/IDA/Sweden total percentage participation in construction costs (now 70%) would need to be somewhat reduced. However construction is only about 10% completed and it has been agreed that decisions concerning the length of extension of closing date and the possible need to reduce the disbursement percentage would be postponed for 1½ to 2 years until more accurate estimates of time and cost requirements can be made.

The road construction part of the project is now proceeding on schedule without problems and the quality of the work is good. The paving components are behind schedule due to problems of the contractor at the start of the project, but performance has now improved and the work is expected to be completed within the contract time. Draft reports by the consultants preparing feasibility studies are over two months past due. The one report received so far includes some major errors in methodology and approach. We are following this up. The consultant (Public Administration Service) engaged in assisting the IHA in reorganization and improvement of operations is behind schedule in several sectors. This is partially due to delays by the consultants in completing their assignments, but principally caused by IHA's slowness in implementing agreed reorganizations and procedures. We have just received and are reviewing a comprehensive report on the status of the reorganization program which was first requested in April.

Prospective Operations

A Fifth Highway Project is shown in the lending program for \$10 million in FY 72. However the size and composition of the project is not yet determined. It is expected that the project will have a heavy emphasis on feeder roads, selected on the basis of a recent UNDP General Roads Study (with Bank as executing agency)

and the feasibility studies financed under the fourth project. Because of the small size and scattered location of contracts, feeder road construction is not expected to be of interest to international firms and the work may need to be done partially by IHA force account and partially by local contractors who would be encouraged to enter road construction by certain means under consideration such as cash advances, equipment loans, etc. The project may also include a small component for improvements to existing trunk roads. However at this point it appears as if the total project will be much smaller than IHA would prefer (due in part to limits on IHA's ability to provide part of the local costs).

ETHIOPIA

POWER

A. Past Lending

- (i) First Power Project, Bank Loan No. 375-ET for US\$23.5 million signed May 8, 1964

The Loan was made to the Ethiopian Electric Light & Power Authority (EELPA) to help finance the second and third stages of the Awash river hydroelectric development, each with an installed capacity of 32 MW, the expansion of the transmission and distribution facilities of the main EELPA interconnected system, and the provision of about 5.8 MW of diesel generating plant and expansion of distribution facilities in 18 self-contained systems.

- (ii) Second Power Project, Bank Loan No. 596-ET for US\$23.1 million signed May 9, 1969

The Loan was made to EELPA to help finance the 100 MW Finchaa hydroelectric power station (the Finchaa river is a tributary of the Blue Nile) together with associated 220 kV transmission line and substations.

Current Status

Loan No. 375-ET - Awash II power station was commissioned in December 1966, but completion of the Project has been delayed due to leakage in Awash III reservoir and cracks in the headrace tunnel. Remedial work is now almost completed and Awash III power station is scheduled to go into commercial operation December 1970 - three years behind schedule.

Loan No. 596-ET - Work on the Finchaa hydroelectric Project is proceeding satisfactorily and on schedule. All major contracts have been placed and the aggregate foreign currency component of these show a saving of nearly US\$2.2 million when compared with the corresponding cost estimates which were based on the consultant's estimate of costs.

In view of the likelihood that funds will be available for cancellation in Loan 596-ET when the Project has been completed the Bank has agreed that the cost of the Awash III remedial work to the extent that Loan No. 375-ET would otherwise be overspent (US\$0.4 million), and also the cost of the feasibility studies relative to the next hydroelectric development (US\$0.25 million) should be covered under Loan 596-ET.

Prospective Operations

Load growth forecasts indicate that additional generating capacity (after Finchaa) will be required by 1978 and provision has been included for a Third Bank Loan in FY 1974 to help finance the next hydroelectric development.

A study of the geothermal potential in Ethiopia is currently being carried out by the UN with funds provided by the UNDP but it is highly improbable that the result of this study will affect EELPA's decision that the next project after Finchaa should be another hydroelectric development.

Public Utilities

Telecommunications

The Bank has made four loans to Ethiopia for the development of telecommunications. The continued association with the Ethiopian authorities has not only helped to expand the telecommunications network but even more important provided for building a sound institution for undertaking expansion and operation of the telecommunications in the country.

(i) First Telecommunications Project

The first loan, 42-ET for \$1.5 million, was made in 1951 and was utilized to assist in the immediate rehabilitation of the communications network after World War II during which the only development undertaken had been to provide certain military communications for the use of the Italian military government.

(ii) Second and Third Telecommunications Project

Loan 314-ET was signed in May 1962 and became effective in December 1962 and provided \$2.9 million for extension of both the long distance and local telephone networks.

Loan 441-ET was signed in December 1965 but only became effective in May 1966 due to delay by the Ministry of Finance in ratifying the provisions. This loan provided \$4.8 million to expand telephone and telegraph services in the main urban centers. As a result of the execution of these projects the number of telephone subscribers increased from 5,800 in 1961 to 27,500 in June 1969 when work on the third project was completed.

(iii) Fourth Telecommunications Project

Loan 605-ET was signed on June 3, 1969, and became effective on September 2, 1969. The loan provides an amount of \$4.5 million. The project will also be partly financed by SIDA who are making available a credit also in the sum of \$4.5 million.

The project provides for development of the subscribers local distribution network to allow an increase in number of telephones of about 31,000, extensive microwave system provisions which will modernize and provide adequate capacity for the long distance network, together with the associated long distance switching provisions.

No work has as yet been carried out under the project but tender documents have been issued and orders are now in the course of being placed.

Institution Building

As a result of our first operation, the Imperial Board of Telecommunications of Ethiopia was established in 1952. Subsequent operations helped to strengthen the entity in various ways. Initially Swedish technical assistance was made available and Swedish managerial staff provided. After the successful training program using Ethiopian counterparts the Swedish experts were withdrawn and Ethiopian management has taken over and is successfully running IBTE.

Future Operations

A fifth telecommunications project, currently estimated at \$12 million, is in our lending program for FY 73.

ADDIS ABABA WATER AND SEWERAGE SUPPLY

Addis Ababa Water and Sewerage (FY 71, \$7 million Bank)

This project is designed to create a new water and sewerage system for the City of Addis Ababa. Bank assistance so far has been in the form of a \$180,000 technical assistance grant to finance the foreign exchange cost of a feasibility and preliminary engineering study as well as a management study. Two consulting firms hired to do these studies have already submitted their recommendations which according to the latest mission report (September 15, 1970) have been generally well received. The speed with which the proposed project will proceed, however, depends on solution of the problems of the earlier Lagadadi dam and water treatment project financed by loans from the Italian Government's export credit agency totalling about US\$13 million repayable in 10 years, with a Government guarantee. It is proposed that a new Water and Sewerage Authority be created to administer the proposed Bank project. But this new body could not be financially viable if it assumed liability for the Lagadadi loans on present terms, and we have informed the Government that arrangements to refinance Lagadadi over a longer period would have to be a precondition for Bank Group lending. We have also replied negatively to an informal request that the Bank refinance Lagadadi. While the Government has since asked Italy to refinance Lagadadi, the Government may eventually have to face the necessity of refinancing Lagadadi itself, possibly with a share of the refinancing being borne by the Addis Ababa Municipality. A mission which visited Ethiopia in September reported that the project should be ready for appraisal in November.

EDUCATION

A. Education System

Ethiopia is still at an early stage of educational development. In primary education, enrollment (which has increased 250% during the last decade) is equivalent to 12.5% of the relevant age group (1968-69), as compared with about 50% in other East African countries. By 1979-80, enrollment should amount to 1.1 million or 23% of the relevant age group. Future growth will depend on the availability of funds and teachers.

General secondary education enrollment increased from 19,200 in 1960-61 to 94,000 in 1969-70, growth being particularly rapid since 1965 (23% per year). Government technical school enrollments were 3,800 in 1968/69, indicating a distinct imbalance with about fifteen times the number of the students in general secondary compared with technical schools. Inadequacy of school management and lack of coordination with industry, leading to poor employment prospects for students, have adversely affected enrollments in technical schools, including those financed under the first IDA credit. About 3.3% of the age group was enrolled in general secondary schools and 0.4% in primary teacher training and technical schools (as compared with 2.4% to 8% in other East African countries).

Recurrent expenditure on education accounts for 17.7% of the government's recurrent budget and 7% of the monetary GDP (a high ratio). Further expansion in education will be seriously limited by the financial resources of the country. It is imperative that Ethiopia should direct her education investments toward meeting her most pressing needs.

B. Bank/IDA Lending

A credit of US\$ 7.2 million was made in February 1966 to help finance 77 new or expanded secondary schools, 2 primary teacher training institutes, one practical teacher training institute and 2 technical institutes. The secondary school development program which the credit supports provides spaces designed for a total enrollment of 51,400 students of which 20,400 will be in new places. It will result in the diversification of the secondary school curricula by the introduction of streams in agriculture, industrial arts, commerce and home economics. The project is expected to be completed by the end of 1971. However, actual 1969/70 enrollment totals 94,000, far exceeding the estimates when the above credit was made, with the result that a substantial portion of the students are in overcrowded and substandard facilities. This is due to an initial failure on the part of the Government to appreciate the need to control enrollment, compounded by the failure of the Ministry of Education to implement agreed measures to limit enrollment contained in the 1968-73 5-Year Plan.

A second project has recently been appraised as a basis for an IDA credit of US\$ 8 million. This project would include teacher training, agricultural education, secondary education, a manpower survey and an

education sector review. Initial government proposals, prepared with the assistance of a Unesco mission, included considerable further investment in secondary schools - 38,000 new student places to provide a 66% increase in capacity over the 1969-70 level of designed capacity (57,000). This would increase the number of adequate school places by mid-1974 to about the number of students actually enrolled in September 1969. The appraisal mission considers such an expansion to be inadvisable at the present stage of Ethiopia's educational development, given the limits of its present financial resources. In the absence of reliable estimates of the need for trained manpower, the need for more than a limited expansion of secondary education is not established; there are already indications that the output of secondary education may have exceeded the labor market's absorption capacity. Further, the continuation of heavy investment in secondary education might hamper development in other education sectors of higher priority. In short, political pressure for the rapid expansion of secondary education is strong but the need for controlling its growth is clear.

The appraisal mission discussed with the Government a reduction in the rate of growth of secondary school enrollment. The new Minister of Education, who was appointed in late 1969, agreed to limit secondary school enrollment to 115,000 in the school year ending June 1973 (which is the end of the Third 5-Year Plan). This is equivalent to an annual rate of growth of 6.6 percent. On the assumption that enrollment would continue to increase at approximately this rate, total enrollment by September 1974 (when the project secondary schools would be completed) would be about 130,000. To accommodate this enrollment the Minister modified the number of new secondary places requested to 10,200 (4,240 to be extensions of existing schools, with the remainder to be in new schools) plus 23 study halls to permit double shifting. He also agreed that planning for future growth would be based on the findings of a full manpower survey and a comprehensive education sector review, financing of which would be included in the proposed IDA project. These studies, in which the Ethiopians would participate fully, would provide the basis for restructuring the national education and training system and for assisting Ethiopia (and bilateral and multilateral agencies) in selecting the most appropriate sectors for their investment in education and training. The yellow cover appraisal report however recommends that additional secondary school accommodation be limited to 4,240 new student places in existing schools and the 23 multi-purpose study halls. The draft appraisal report states that its proposed additions would permit double-shift working in urban schools, and so produce an increased pupil capacity of 37,280 as compared with the Government's initial request for 38,000 places. With the completion of the proposed second IDA education project, the number of pupils in temporary accommodation, such as adapted primary schools, would fall from 37,000 (1969/70) to 25,000 (1974/75). (A chart showing the number of general secondary school places up to 1974/75 is attached). On cost-effectiveness ground, the report contends that this approach would meet the Ethiopian educational objectives with a minimum investment and without compromising other priorities and that the proposed new schools have insufficient justification to deserve IDA assistance on the following grounds: 1) such an investment would be inadvisable prior to a decision by the Ethiopian Government to restructure its education system

following the manpower survey and the education sector review; 2) they would be located in small catchment areas, with considerably high unit costs per student place; and 3) they would further aggravate the existing imbalance at the secondary level of education between general and technical/vocational training.

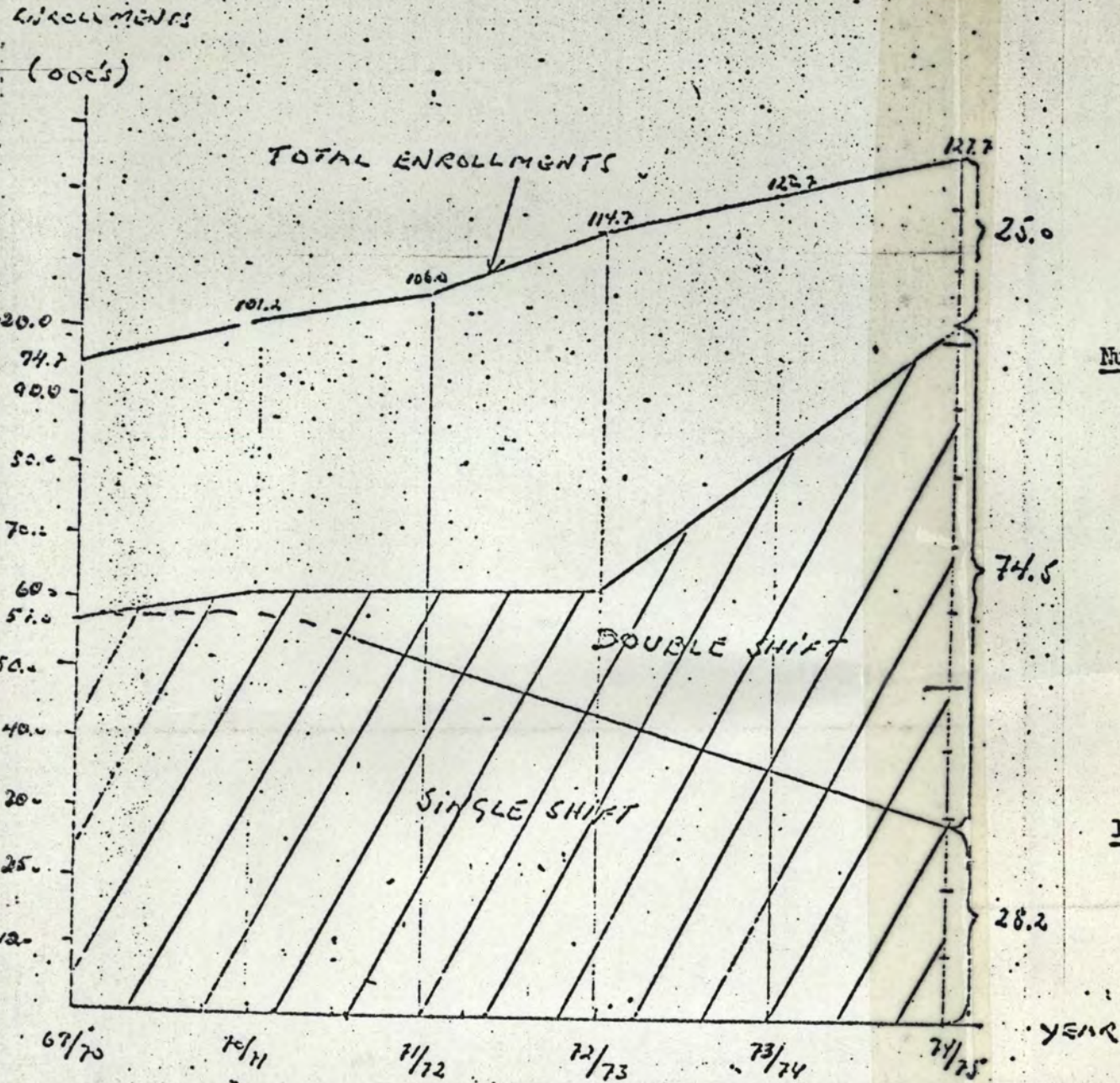
The Minister, however, disagrees strongly. He believes that the total of 10,200 places are required to hold overcrowding to acceptable levels even given the agreed limitations on enrollment and the introduction of double-shifting wherever possible. He also objects to the limitation of new places to existing schools, which prevents the expansion of proper educational facilities to new areas. He considers it essential that some new places be provided in rural areas and areas of rapid development (such as the port city of Assab and the Humera area) where double-shifting is as yet impracticable.

Eastern Africa Department is in process of discussing with Education Projects Department the justification for the recommended decrease in new places to 4,240 in place of the 10,000 new places in the Ministry's revised request.

The Bank/IDA 5-Year lending program includes further lending for education in FY 1973 and 1976. Its content will depend on the findings of the manpower survey and of the education sector review and on the actions by the government following these two pre-investment studies. The government has established a National Commission for Education to study existing problems and to recommend possible solutions. Hence, there is already an institutional framework that could carry out the reforms which it is hoped will result from the studies to be assisted by the second education project.

October 12, 1970

ETHIOPIA: ENROLLMENTS AND STUDENT CAPACITY IN GENERAL SECONDARY SCHOOLS



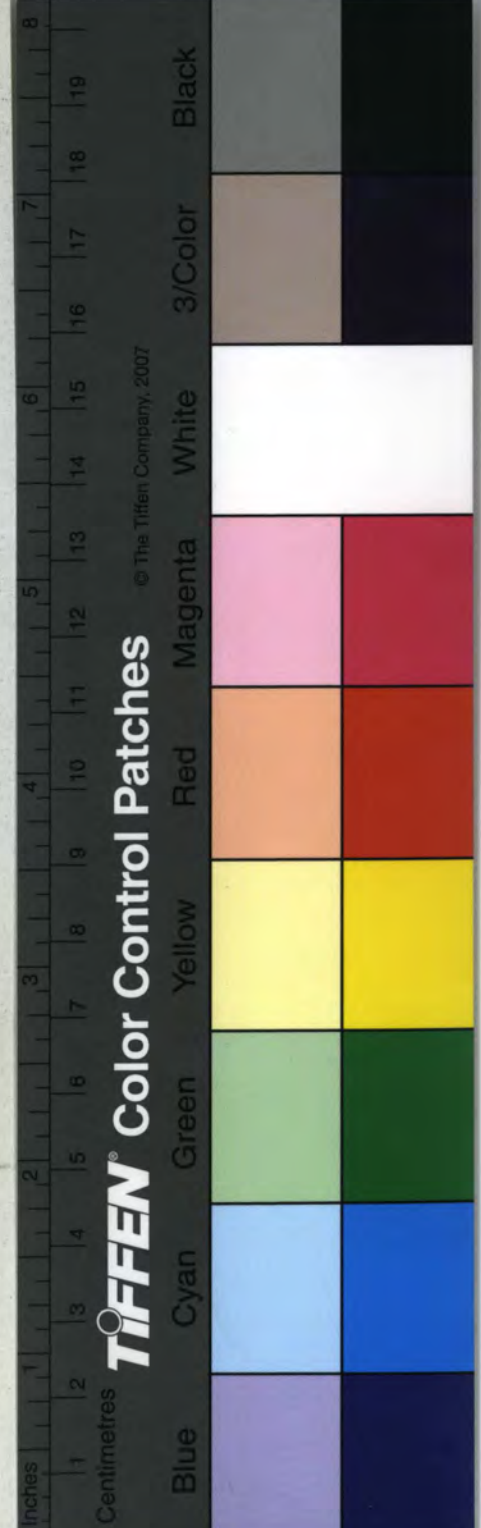
□ TEMPORARY FACILITIES (PRIMARY SCHOOLS ETC.)

▨ ADEQUATE FACILITIES

ETHIOPIA - Secondary School Capacity 1974-75

<u>Number of Schools</u>	<u>Student Places (single shift)</u>	<u>Double shift Capacity^{1/} (additional)</u>	<u>Total Capacity</u>
42	28,180	-	28,180
18	22,240	22,240	44,480
<u>20</u>	<u>15,040</u>	<u>15,040</u>	<u>30,040</u>
80	65,460	37,280	102,700

^{1/} To be created under the Second IDA project.



OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 6, 1970

FROM: William Diamond *W*SUBJECT: ETHIOPIA: Development Finance Institutions

1. When you visit Ethiopia you will hear about the imminent (or perhaps just completed) reorganization of development finance institutions, an event which should open the way for important lending by the World Bank. Mr. Lejeune is briefing you on the general situation, but I want, in this memorandum, to give you something of the flavor.
2. The Development Bank of Ethiopia (DBE), established in 1951, was sponsored by the World Bank and was one of the first companies to which the World Bank made a line of credit. It had a miserable history. It fell afoul of political squabbles inside the Ethiopian Government; its first chairman and its moving force, until his murder during the attempted coup against the Emperor, was the Finance Minister, who was a man of the old school who considered agriculture and assistance to the peasants as the only thing of significance and who had no real conception of what the DBE should be or do. Second, it had continuing management troubles; we were not at our best in choosing managers and deputy managers for DBE. Third, the staff was poor. Fourth, law, custom and practice in Ethiopia inhibited prudent investment banking. Finally, there was a lack of projects, and DBE had neither the will nor the ability to promote and formulate suitable projects. (It must be remembered that Ethiopia in the early fifties was much different than it is today.)
3. DBE's unsatisfactory condition is reflected in the fact that it took five years to commit the first \$2.0 million loan and another five years went by thereafter before the Bank was prepared to make a second loan, in 1961.
4. In the early sixties the situation was complicated by the fact that a new Finance Minister decided to establish a second development bank, the Ethiopian Investment Corporation (EIC), in competition with DBE.
5. We were asked several times in the early sixties for assistance in strengthening DBE. We refused to give it, partly because we were unprepared to waste any more time on DBE unless there were a real Government commitment to build up that institution and partly because the establishment of the competing company, as well as the entry of the State Bank of Ethiopia into industrial investment operations, called, in our opinion, for a review

October 6, 1970

of development finance institutions in Ethiopia before further resources or capital and manpower were spent on any one of them. We made such a review in 1963 and presented recommendations to the Government in 1964, calling for combining the industrial investment activities of all of the State's financial institutions into a single new body. Nothing happened, because the question of development finance institutions continued to be tangled in politics and personalities.

6. Our recommendations of 1964 were picked up by the World Bank's special mission in 1968 and elaborated upon on the basis of considerably more study. In due course the Ethiopian Government took the decision to stream-line development finance and appointed a special commission to work out the details of the proposal. The Government asked us for assistance in this task and we made available Mr. Christopher Lethbridge, who had been a member of the Bank's mission and who then joined the permanent staff of the Bank. Mr. Lethbridge, in the course of several extensive visits to Addis Ababa and through continuing correspondence, acted in effect as secretary general of the commission and was principally responsible for putting together a very good report.

7. At this moment the Imperial Proclamation which would give effect to the merger of the DBE and EIC is on the verge of issuance. This action, if taken, should lay the basis for a strong and vigorous development finance institution in Ethiopia, with which the Bank will be able to work. Given the development of the Ethiopian economy in the past ten years and the investment opportunities there, such an institution ought to be able to use a considerable amount of Bank funds, in my opinion more than the amount which has been presently scheduled in the Country Program. However, our experience with development finance institutions in Ethiopia suggests that we should not become too sanguine. When the Proclamation is signed, the institution will exist on paper. An able and dynamic manager will have to be appointed. The Finance Minister told Mr. Lejeune at the Annual Meeting he felt that neither the present head of DBE nor the present head of EIC were capable of doing the job and hence he planned to appoint a new man, who, he said, was young and inexperienced and would need assistance. In this connection he asked for Bank help in finding a suitable advisor or perhaps number two man. Experience in Ethiopia has lead me to be suspicious of any proposed change in the head of a department or agency. In any event, while I think we should try our best to find back-up for a new manager, we certainly cannot do so until we know who he is and know that his views on the future of the institution coincide with ours.

cc: Mr. Lejeune

DEVELOPMENT FINANCE COMPANIES

Past lending:

- (1) First Loan to Development Bank of Ethiopia (DBE) \$2.0 million signed 1950.

Second Loan to DBE - \$2.0 million signed 1961.

Both loans were made to provide funds for investment in industry and agriculture. The first loan, the Bank's first ever loan to a development bank, was fully drawn by 1956; after a gap of five years, during which DBE had management problems, the second loan was made. It was fully utilized by 1964. Both loans will be fully repaid by September 1971.

Although the amounts involved were small, the Bank loans were intended to help DBE establish a clear role for itself as the principal medium- and long-term investment institution in Ethiopia. For a variety of reasons these hopes were frustrated. Inexperienced management, lack of prepared projects and official interference all contributed to this result. By 1964 a high proportion of DBE's clients were behind in repayments, and it was evident to the Bank and to the Government that some fundamental reorganization of DBE and its operations was needed.

In 1964, the Government created a new DFC, the Ethiopian Investment Corporation (EIC) through which the bulk of industrial investment finance was then channelled, effectively depriving DBE of any further significant role. The Bank advised against this move and for a reorganization of DBE, but was unable to persuade the Government, although we continued to make our views known at each suitable opportunity.

Current position:

With the appointment of new Ministers of Planning and Finance in 1969, the Government realized more acutely that reorganization was necessary in order to avoid fragmentation of the personnel and finance available for industry and commercial agriculture. It therefore appointed a Ministerial Committee, the Financial Intermediaries Reorganization Commission (FIRC) to make recommendation to the Council of Ministers. At the Government's request, a Bank Staff member (Mr. Lethbridge) assisted the FIRC with formulating the technical aspects of their study and made three visits to Ethiopia in 1969/1970. The report of the Commission was presented to the Council in April 1970 and was adopted with minor modifications.

The FIRC recommendations, with which the Bank (as well as USAID and Kreditanstalt, DBE's other principal foreign creditors) have been kept closely in touch, are broadly acceptable to us. They provide for the following:

- (i) a merger of DBE and EIC into a new Government-owned development corporation to be called Agricultural and Industrial Development Bank (AIDB).
- (ii) AIDB would become the principal channel for investment in productive agricultural and industrial enterprises.
- (iii) AIDB would be run on sound economic and financial lines, receiving an annual allocation of Government funds for a limited period but responsible for raising the bulk of its resources itself.
- (iv) AIDB's staff would be recruited on merit, and would not be civil servants.

In August 1970, the Bank was informed that an Imperial Proclamation (to be followed by Parliamentary ratification) to give effect to the merger would soon be issued. The Bank confirmed (as a creditor of DBE) its agreement in principle to the proposals.

Prospects

Although many details of the merger need still to be worked out, the Bank is satisfied that the reorganization is along the right lines for Ethiopia. Our provision of technical assistance to the FIRC (which was much appreciated by the Government) has kept us in touch with developments, and the possibility of a loan to the new Corporation has been recognized as being the likely result. The Bank has long been concerned that lack of an efficient institutional channel has retarded progress on a number of important productive projects in agriculture and industry.

As soon as the merger is effected, we are ready to start the appraisal process for a loan. (The five-year lending program includes \$4 million in FY 1972 and \$6 million in FY 74 and \$8 million in FY 1976.) The Bank will be especially concerned that a realistic value is placed on the portfolio of shares and loans to be taken over by AIDB. Unless irrecoverable and doubtful investments are revalued (or, if necessary, written off) the new corporation will be encumbered from its inception with the same financial problems as its predecessors and like them, its ability to attract funds for new investment will be seriously impaired. Two crucial factors, therefore, in the success of the new institution will be (a) management and (b) the arrangements made for transferring the assets and liabilities of DBE and EIC to AIDB.

ETHIOPIA

A. EXISTING IFC INVESTMENTS:

(1) HVA Metahara:

Project: 47,000 tons/year sugar mill costing \$23 million, located 100 miles east of Addis.

Sponsors: United HVA (Holland)

IFC Investment: \$8 million, approved May 1967.

Status: Project completed last year on time and within budget. First milling season completed, meeting projected production.

Industry: There is one other mill, HVA Ethiopia, which is also controlled by the sponsor, with a capacity of 70,000 tons/year. The industry will be in a surplus supply position for several years until demand catches up with the additional output from Metahara.

(2) COTTON COMPANY OF ETHIOPIA:

Project: 33 million yards/year cotton textile mill with total capital of \$14 million. Located at Dire Dawa.

Sponsors: Fuji Spinning and Marubeni-Iida of Japan and Sabean Utility of Ethiopia.

IFC Investment: \$3 million, \$2.5 million approved October 1964, and \$.6 million approved November 1969.

Status: 50% expansion of output currently underway. The Company is profitable, earning 20% after tax on equity.

Industry: Cotton Co. is the largest of seven textile mills, with one third of the installed capacity. Ethiopia imports about half of its cotton requirements.

(3) ETHIOPIAN PULP AND PAPER:

Project: 8,000 tons/year of paper from imported pulp, with capital cost of \$9 million. Located 60 miles south of Addis.

Sponsor: Parsons & Whittemore of the U. S.

IFC Investment: \$1 million, approved February 1965.

Status: Mill currently undergoing startup. Company has serious financial problems, and has already defaulted on its Ex-Im loan, which is guaranteed by the Government. Project suffers from uneconomic size and poor management.

B. PROPOSALS UNDER CONSIDERATION:

(1) POLYESTER/RAYON SUITING PROJECT:

Project: 75% expansion of weaving mill to produce 3 million yards/year of suitings from imported synthetic yarn, costing \$5 million.

Sponsor: Ethiopian-Japanese Synthetic Textiles (EJST), Toyo Rayon and Mitsubisbi of Japan, and the Ethiopian Investment corp. EJST currently produces 4 million yards/year of nylon taffeta.

Status: Market prospects indicate the expansion should be scaled down. IFC has also suggested project should be carried within corporate framework of EJST instead of forming a new company which was proposed for certain tax reasons.

(2) FREEZE-DRIED COFFEE PROJECT:

Project: 2,000 tons/year instant coffee plant costing \$9 million.

Sponsors: Government

Status: Discussions with Nestles, a potential technical partner for the project, indicates project not viable because of extreme capital intensiveness and high quality of Ethiopian coffee, which can be more economically exported as green coffee.

(3) OTHERS:

(a) Tendaho Cotton Plantation:

Mitchell Cotts studying possible expansion cotton plantation. IFC has expressed interest; awaiting completion of studies.

(b) Rayon Pulp:

Birlas is discussing with government \$35 million project for production rayon pulp from eucalyptus or bamboo. Government told IFC it would send report when ready.

(c) Shashamane Meat Plant:

Government asked IFC assistance in revitalizing bankrupt slaughterhouse. Two groups interested but new investments needed of \$300,000 below IFC minimum.

(d) Potash Mining:

IFC and the Bank have been involved in this potential project since the early 1960's. After the failure of pilot operations by the first concession-holder (due to technical errors in

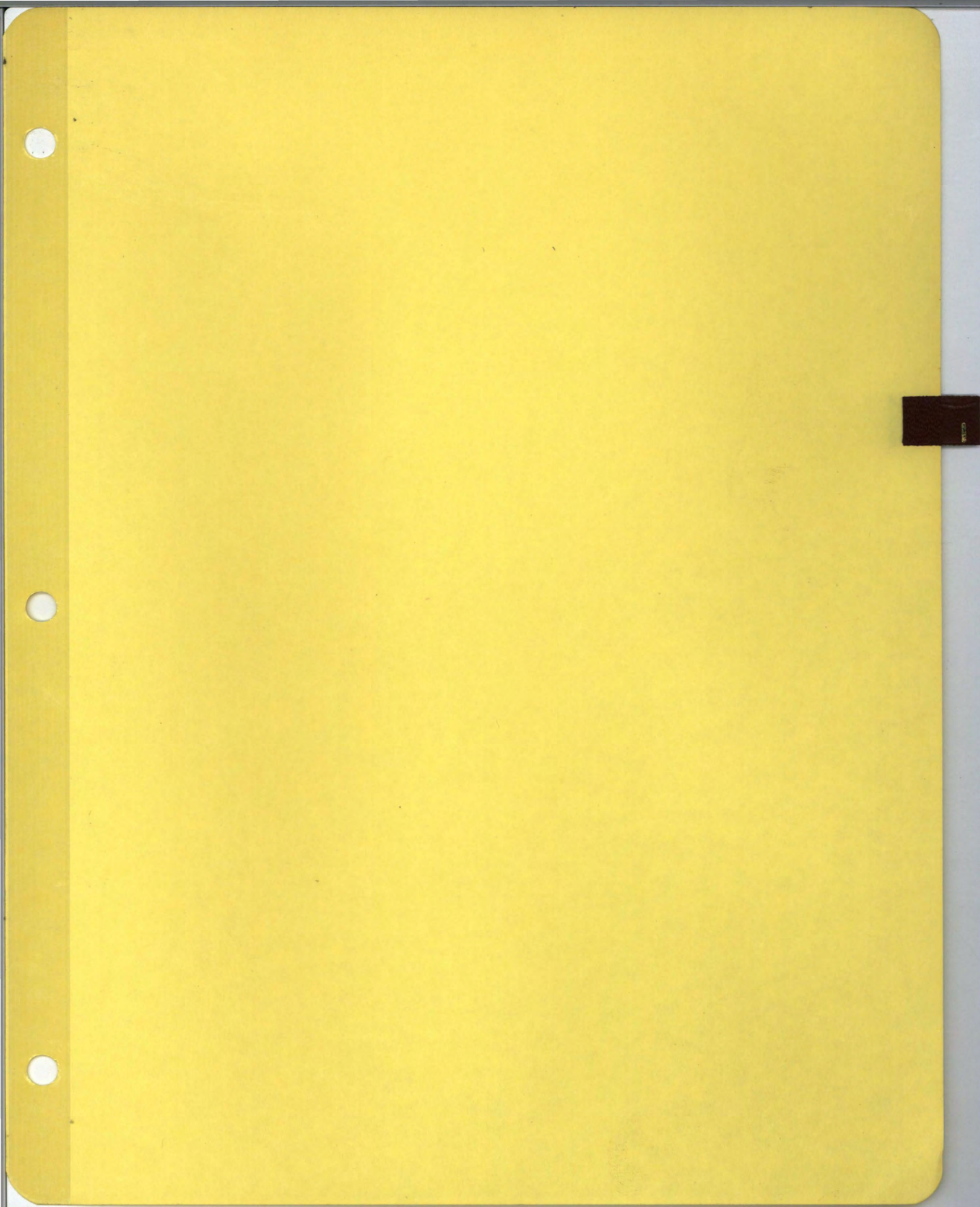
mining which flooded the mine), IFC played a role as marriage broker resulting in a new concession agreement in 1968 between the Ethiopian Government and a corporation jointly owned by Kaiser and Ludwig Seatankers. In May 1970 Kaiser informed the Ethiopian Government that in view of the present world demand and supply situation for potash and the near-term market outlook, it would not be economic to begin exploitation immediately. However, Kaiser wished to retain the concession and stated that they believed that the market situation was likely to improve sufficiently within a few years so as to justify beginning production in Ethiopia. We believe that the Government has tried to interest other mining companies, but that due to the current market situation they have not been successful. IFC remains ready to consider participating in this venture once the marketing situation improves. An IBRD loan for infrastructure (port and road) is also possible at the appropriate time.

(e) Tourism:

During the Annual Meeting the Minister of Commerce and Industry indicated he would be sending IFC a proposal for a hotel project in the near future.

(f) Investment Code:

The Ministry of Finance has sent a draft of the new investment legislation and requested IFC's comments.



ETHIOPIA

A Note on Government and Politics

The political processes of Ethiopia are not well known to outsiders because they are so personalized, and because of the suspicions of outsiders and the lack of political parties and free mass communications. The political sketch given below is based on the consensus of the limited political studies available.

The center of both politics and government is the Emperor, who is in fact and in law an absolute monarch. His power and authority rest on Amharic tradition which values a single authority; a religious sanctity conferred by the Solomonic tradition and the support of the Orthodox Christian Church; the relative lack of other independent sources of authority or power, and the success of Haile Selassie himself in meeting challenges to his power. His absolute power is confirmed in the constitution. A major feature of Selassie's regime has been his unswerving drive to centralize power into his own hands after a period of significant assertions of power by provincially based rulers. In the process, the nobility and church have had their power reduced, while the army and the civil service have been developed as counterweights to them.

Without political parties and a tradition of absolute rule, politics is highly personalized, revolving around relationships to the Emperor. The Council of Ministers (the Cabinet) is appointed by the Emperor and the ministers are not members of Parliament. The Parliament consists of a heavily weighted Chamber of Deputies with large landowners, and elected every four years, and a Senate which is appointed by the Emperor.

The army is alleged to be split between the traditionalist senior officer corps and the junior officers who have a more modern outlook. The army has been successful in pressing army pay increases several times in the last decade, despite the financial outlook. It also benefits from the widespread belief that national defense is a first priority and that Ethiopia can only depend upon itself for national security. The attempted coup by the Imperial Bodyguards in 1960 indicates that the unity of the armed forces cannot be taken for granted.

The nobility has declined in numbers and influence in the central government; less than 10 percent of the ministerial level is from the nobility. Moreover, it is not a hereditary nobility, and individually they owe their influence to the Emperor, who can appoint or remove them. The nobility is more important in local traditional areas. The Church is important in establishing attitudes in local traditional areas. The Church is important in establishing attitudes that support the Imperial system. It is a traditionalist institution and is believed important in the land reform issue as the Church is believed to hold about one-fourth of the land. Uniquely for Africa, tribal and regional affiliations have not been important political groupings. Local and regional interests find their greatest expression in the Parliament, which is about the only public source of criticism of government policy, although final authority rests with the Emperor.

Traditionally Ethiopian attitudes makes it difficult to express opposition or dissent, and with no parties and a controlled press, there are few channels for new groups to express their views. It is therefore difficult to gauge the significance of dissent when it breaks out, or to judge the political influence of new groupings such as the university students or labor unions. Occasional local uprisings and attempted coups indicate that the system is limited in meeting new interests and forces that do not easily fit into the system.

Overall, the style, tone and pace of government and politics is set by the Emperor. While he was considered a leader in modernization in his early years, he is now more a follower, or the moderator and arbiter between contending voices. It is believed that decisive changes require his support to succeed.

ADDIS ABABA URBAN PROBLEMS

Addis Ababa is located in the central plateau of Ethiopia at an elevation of 8,200 feet. The administrative boundaries of the city enclose 240 sq.km. but urban development covers only 90 sq. km. The present population is estimated to be 640,000 and is growing at a yearly rate of 4.5%. The city has no sanitary sewer system; its water distribution system is limited in coverage. While Addis Ababa provides a facade of wide avenues and modern buildings, the 1967 census of the city reported that 93% of the house had walls made of "chicka"(mud and sticks), 43% had no kitchen, only 8% had flush toilets, 67% had pit latrines, and 25% no sanitary facilities at all. Most of the population live in crowded unsanitary houses, along unpaved and unsurveyed byways. Most streets do not even have names.

Since 1954 the Municipality of Addis Ababa has been a self-administering chartered organization, headed by a Lord Mayor appointed by the Emperor. The Lord Mayor and the Municipal Council exercise broad legislative, administrative, and tax-levying powers but are subject to central government control through the supervisory powers of the Ministry of Interior. Total city revenues for the year 1960 Ethiopian calendar (1967-68 Gregorian calendar) amounted to Ethiopian \$9,043,000 (US\$3,617,000 equivalent). Only a small percentage of the taxes levied are actually collected, due in part to inadequacy of records on ownership of land and buildings. The Municipality is expected for the near future to continue to be in financial difficulty. One of the most promising means of increasing the city's revenue would be improvement in assessment and collection of the land and building taxes. However, this must await the completion of a cadastral survey. With improvements in property tax collection the Municipal Government could become self-supporting and begin to make a reasonable contribution to the costs of those services in the Municipality currently being financed by the Central Government.

The Bank expects to appraise a water distribution and sewerage project in November, following receipt of the results of studies, financed under a Bank grant, of the project's feasibility and of the organization and management of a water and sewerage authority.(see separate memo on this project.) The proposed project will be limited to assisting to alleviate an existing water shortage and to the initial stages of introducing a sewerage system to some parts of the city. Planning the layouts of future water distribution lines or sewerage facilities is difficult due to the lack of a valid plan for the city's future development. Such a plan would be of great value for the development of a second stage project.

Three master plans for land use and transportation have been produced for Addis Ababa during the past fifteen years: the Abercrombie Plan (1954), the Bolton and Hennessy Plan (1956) and the BCEOM Plan (1966). The implementation of these plans has been ineffective, mainly because little attention has been given to creating the necessary organizational and legislative framework for continuing planning and plan enforcement. The BCEOM City Master Plan has evolved from a series of separate studies, beginning with a water and sewerage plan, so the normal planning sequence has been inverted.

Planning staff in the municipality is under the supervision of the city engineer and includes one trained professional and ten draftsmen and clerks. They are attempting to review and control building permits and land development, but with little success. For example, they are unable to prevent residential development in industrial zoned districts; they can only request that the developer sign an acknowledgement that he is aware of the industrial zoning.

Since the present Mayor took over in February 1969, he has been striving to remedy the poor administrative situation and lack of planning which he had inherited. In late 1969, he hired Public Administration Service (PAS) with the Municipality's own resources to carry out an organizational and management study for the city. In May 1970 he signed a contract for preparation of a topographic map as a first phase of a program for a cadastral survey of the city. Since July 1969, the Mayor has at various times requested Bank assistance in financing the cadastral survey, the organization and management studies, and the preparation of a master development plan.^{/1} In our letter of February 20, 1970 (replying to a request for financing of the implementation stage of the PAS study and the preparation of a comprehensive development plan) we suggested that the Municipality should apply for UNDP assistance and we offered to assist with the preparation of such an application.

The Mayor's proposal for the production of a master plan appears to be premature. It would appear preferable to implement the PAS administrative and organizational recommendations and to complete the cadastral survey before embarking on the production of a master plan. It would seem appropriate at this stage to suggest in addition that the UNDP request include studies of methods for improving the Municipality's financial position. While we had informed the Mayor earlier that we would send a short (one-week) mission to Addis to help the Government in reaching a decision as to the next steps to be taken and the items to be included in the request to the UNDP, Urban Projects Department has informed us that, in view of their increased work load they will not be able to undertake such a mission. In addition they consider that given the lack of immediate project prospects, that the proper organization to organize and be executing agency for the required studies would be the UN center for Housing and Urban Planning.

Addis Ababa clearly needs better guidance in the whole area of urban development. With the necessary support and commitment from city officials, they may be an opportunity to play a role in urban development, at relatively small cost. However, this would require a fairly long-term commitment for assistance in preinvestment studies and administrative reforms. While involvement in Addis Ababa could be very productive, a decision on such involvement should be made in clear recognition of the complexity of the problem and the lack of local technical capabilities.

^{/1} His approaching us for these studies apparently reflects the confidence in our operations built up during his previous experience as General Manager of the Imperial Highway Authority and as Minister of Public Works.

Why should we take this step? if that is the case, we should just go ahead and do it. I think the project is...

don't get our people in there...

The Church in Ethiopia

The Ethiopian Orthodox Christian Church has traditionally been a powerful and conservative political factor in the country, although its influence on government affairs and policies has tended to decline under the present Emperor.

The Emperor is constitutionally required to profess the Ethiopian Orthodox Faith and he is known to be punctilious in his presence at Church occasions. So far the Emperor has been successful in pursuing his "tightrope" policy of reducing the effective political power of the Church while retaining its basic loyalty. He exploits and channels the aspiration of the Church to be at the center of modern Ethiopian nationalism by permitting the state machinery to be used for the promotion of Orthodox Christian practices in outlying areas in order to promote national unity. Some of his other policies and measures on the other hand are clearly intended to subordinate the position of the Church to that of the state. An important step in that direction was the introduction of certain regulations in 1942, centralizing the Church under government supervision and providing for high ecclesiastical appointments to be subject to the Emperor's approval. In 1948 the Ethiopian Church gained autonomy from the Patriarchate of Alexandria, with which it had been traditionally linked. A constitutional reform in 1955 proclaimed the Ethiopian Church to be the "Established Church of the Empire" which reform is understood to empower the Emperor to promulgate all Church regulations other than purely spiritual and monastic ones. The main dynamic forces reducing the political influence of the Church, however, are the gradual secularization of the school system together with changes in government recruitment policies and administrative methods.

The Emperor favors religious toleration and it has been his policy to bring non-Orthodox Christians and Moslems into Government, thereby balancing the power of the Orthodox Churchmen. There is a large Moslem population concentrated mainly in the Southern provinces and still very poorly represented in the higher echelons of central government. The first (and so far only) Moslem member of the Council of Ministers was appointed in 1966 (Ato Salah Hinit, currently Minister of Public Works). Several Roman Catholics have been appointed to ministerial rank. Strong opposition from the traditional Ethiopian Church failed to prevent the establishment of diplomatic relations with the Vatican.

The Church is one of the largest landowners in Ethiopia and therefore has common interest with the ultra-conservative landlords. The Church is exempted from land tax.

In spite of the Emperor's efforts to harness and reduce the political power of the Church and individual Church leaders, religion is still a cornerstone of the present imperial government and is likely to continue to be a major force in the country in the foreseeable future.

HAILE SELASSIE UNIVERSITY

Haile Selassie I University was created in 1961 by Royal Charter which brought together the various Ethiopian institutions of higher learning. The University has expanded rapidly - student enrollment has increased from 948 in 1961 to 6,900 (4,600 full-time and 2,300 extension) in 1969. So also has the Ethiopianization of the faculty now numbering 522 of which 242 (42%) are Ethiopians.

The University has three campuses, the main center and the most developed is in Addis Ababa, the College of Agriculture in Alemaya, and the College of Public Health in Gondar.

The number of faculties and colleges has grown from seven in 1961 to twelve today. These are of Arts, Science, Technology, Agriculture, Building, Public Health, Education, Social work, Theology, Business Administration, Law and Medicine. There is no graduate school as yet, but there are plans to start graduate work soon.

All Ethiopians who pass the prescribed entrance examination are entitled to enter the University. Tuition and boarding and lodging are free. Students who have to live off campus because of accommodation shortage, receive a living allowance.

The University has received substantial foreign aid. Many of the recent buildings have been financed by grant funds, the main donors being Sweden, Germany, and the United States. Likewise many of the non-Ethiopian staff receive either full salaries or salary supplements from non-Ethiopian sources. The Ethiopian government meets all other costs.

There have been manifestations of student unrest over the past five years. These got so serious during 1969/70 that the University was closed for many months. At one point, in response to student demonstrations, the military entered the Addis Ababa campus and in the fray allegedly killed 27 students and injured others including one foreign professor. It is understood that student discontent stems mainly from their wish for radical changes in the structure of the society - e.g. land reform, removal of the influence of the aristocracy; and to a lesser extent the wish to participate in the running of the University and to improve the housing conditions on campus.

Ethiopia badly needs University trained people therefore there is considerable scope for university expansion. The University is conscious of its obligation to endeavour to meet as far as resources will permit, the country's manpower requirements. To that end it has decided that 1/3 of the student population should be in teacher training, 1/3 in the natural sciences and 1/3 in other disciplines. It has also prepared a five-year development plan the implementation of which will require considerable external assistance. Dr. Aklilu, the President of the University, has

explored the prospects of Bank Group financing in a very preliminary way. We have suggested that he should approach the Ethiopian Government which must sponsor prospective projects for external financing.

Interesting features

- (i) The University service under which every student must spend the third year in public service. So far this has mainly been in secondary school teaching.
- (ii) The administration offices of the University are housed in the former home of the Emperor in which many members of the Council of Ministers were shot during the abortive coup of 1960 and to which the Emperor did not return.

University Administration

Dr. Aklilu Habte	President	Ethiopian
Dr. Frank Bowles	Academic Vice President	U.S.A.
Dr. Fassil G. Kiros	Vice President for Business	Ethiopian
Dr. Makomen Kibert	Associate Academic Vice President	Ethiopian
Dr. William MacMillan	Science Advisor to the President	
Mr. Merritt Ludwig	Special Advisor for Business	

Other

The other University in Ethiopia is the private Catholic University at Asmara which is run by "Piae Matres Nigritiae" and is substantially assisted by the Italian Government. The University offers courses at diploma and degree levels in economics and law, and science and religion. It has an enrollment of about 1,000.

ETHIOPIA

PLANNING FOR DEVELOPMENT

Ethiopia has engaged in planning for almost fifteen years. It will shortly enter the third year of its Third Five-Year Plan (TFYP) and is already feeling the need to undertake some of the basic studies required to prepare the Fourth Five-Year Plan. However Ethiopia's capacity to plan and to implement development plans is still weak both in terms of qualified and experienced manpower and of institutions. Most of the expatriates who were involved in preparing the TFYP have left the country, and only a few of the Ethiopians who participated in the exercise are still engaged in planning in the country.

In April 1970 the instrument to bring a Planning Commission into being was approved. The Commission comprises all members of the Council of Ministers with the Prime Minister as Chairman. The Commission is served by a Secretariat. The Secretariat has been operating since the Ministry of Planning was disbanded in early 1969 and is headed by the Chief Commissioner of Planning whose status is that of Vice-Minister in the Prime Minister's office. It is fairly common knowledge that the Prime Minister does not give the Secretariat the kind of support that it needs to perform its coordinating and central planning function.

In addition to the Planning Commission Secretariat there is a Central Statistics Office, and Planning Units are being established in the various operating Ministries and Agencies but these must be strengthened considerably if planning is to make a worthwhile contribution to Ethiopia's development.

In response to Ethiopia's request for help in planning, the UNDP has agreed to finance a technical assistance project for which the Bank will be executing agency. The project consists of nine economic advisers with specializations in fields where planning assistance has priority need. Seven of these advisers will be attached to the Planning Commission and one each to the Ministries of Education and of Communications. The project is for three years in the first place with prospects of extension.

In order to avoid a repetition of past experience, an important feature of the project is the accent on training. Suitable counterparts will be appointed and the role of the adviser is essentially to be "teacher and guide" rather than "do-er". By these means Ethiopia's indigenous planning capacity should be considerably strengthened and the need for planning assistance from abroad considerably reduced in the next few years.

The Harvard Development Advisory Service (Harvard DAS) has contracted to provide the advisers, the first two of whom arrived in Ethiopia within the past two months.

The Bank has assisted Ethiopia's planning effort from time to time. It seconded Mr. Michael Sapir to head the group which prepared the country's Third Five-Year Plan (1968/69-1972/73). Mr. Colin Bruce, another Bank economist, is presently on secondment to the Planning Commission to help in project preparation and coordination.

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being - it
is worthwhile*

ETHIOPIA

COMMERCIAL BANK OF ETHIOPIA

Under the Banking Law of 1963, the State Bank which performed the twin functions of commercial banking and central banking, was split into two separate bodies: National Bank of Ethiopia and Commercial Bank of Ethiopia (C.B.E.). But the Commercial Bank traces its origins to the creation of the State Bank in 1943 and accordingly celebrated its 25th anniversary in 1968.

The C.B.E. is government owned, performs normal commercial banking functions, but regards itself as a missionary anxious to spread banking throughout Ethiopia. The C.B.E. is the country's largest commercial bank. At the end of 1968, its assets amount to Eth\$300m of the Eth\$42m combined assets of all commercial Banks in Ethiopia.

Evidence of C.B.E.'s rapid growth is provided by the following figures:

	<u>1943</u>	<u>1968</u>
Capital Resources	MT\$1m	Eth\$39m
Total Deposits	MT\$8m	Eth\$220m
Total Assets	MT\$9m	Eth\$300m
Number of Employees	40	1,100
Number of Customers	641	72,000
Number of Branches	2	52

1/ Maria Theresa Thalers

Its General Manager, Ato Taffara Deguefe is well-known as a dynamic and imaginative person.

ETHIOPIA

PORTS

Until Eritrea became federated with Ethiopia in 1952, Ethiopia was landlocked and its main outlet was the Port of Djibouti in French Somaliland which was connected to Addis Ababa by the jointly owned Franco-Ethiopian Railway. Since federation, the Eritrean port of Massawa has served the northern part of the country, but Djibouti continued to be the main outlet until 1961 when a new deep-water port was completed at Assab in Eritrea, to serve the same hinterland as Djibouti and thus to compete with it.

Both the recently completed General Road Study^{1/} and the Economic Report conclude that Massawa and Assab, and the inland transport facilities serving them, should be improved, but both also suggest that certain prior studies be carried out to determine, in the case of Massawa, whether the port should be served by road or by rail; and for Assab, to determine the relative economics of using Assab and Djibouti. Plans are being made to carry out these studies and it is in anticipation of the completion of the studies that the lending program provides US\$5m for port development in 1973.

Assab presents some complications. It was built primarily to reduce dependence on the foreign port of Djibouti. As a result of its operation, both the port of Djibouti and the Franco-Ethiopian railway have been incurring losses, and the situation is likely to deteriorate further after improvements to the Assab-Addis Ababa road are completed in 1973. Another complicating factor is Ethiopia's political interest in French Somaliland which might, even if a study shows the economics of using Assab alone to be superior to using either both ports or Djibouti alone, result in a decision against such findings. This would increase the difficulties of finding a pragmatic solution that pays regard to the relative economic advantages of the two ports, but we are hopeful that economic sense will prevail.

^{1/} Financed by UNDP with the Bank as Executing Agency.

ETHIOPIA

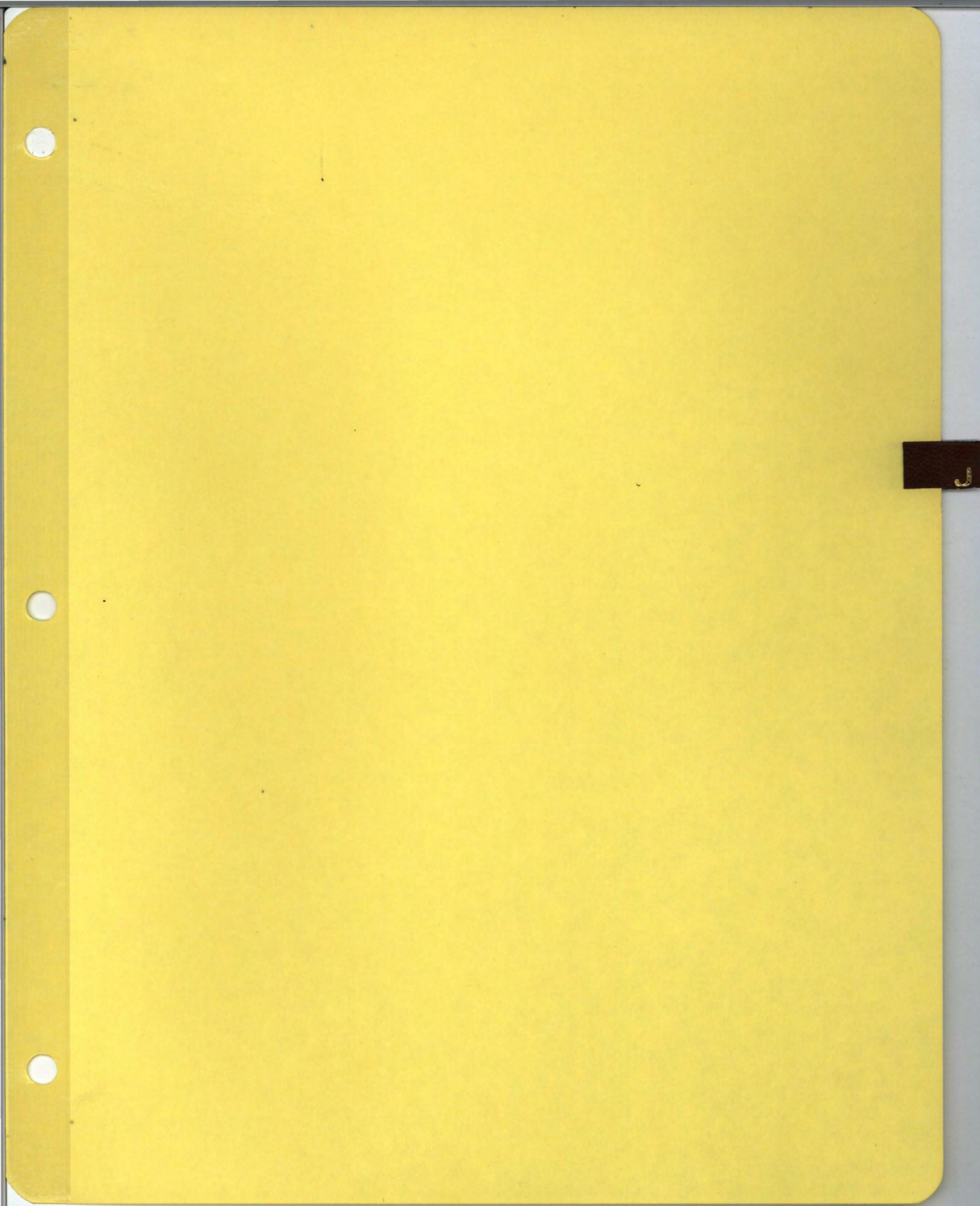
AVIATION

The Economic Report states that "early progress in improving the domestic airports has become a matter of high priority." Already the Civil Aviation Administration has engaged consultants to undertake technical feasibility studies for the domestic airports, and has indicated a wish for Bank Group financing of 6 airports to cater to tourist traffic on the "Historic Route" (see memo on tourism).

But investment in airports depends on the selection of a suitable aircraft to replace the aged DC.3s which now serve the domestic airports. The Ethiopians have been trying for some time to find such an aircraft. So far an aircraft has not been selected because all of those examined are uneconomic to operate in Ethiopia's conditions of high altitudes and frequent stops. However, consideration has not yet been taken of the possibility of revising Ethiopia's internal route structure so as to reduce the frequency of stops on the main routes, and provide feeder service from other airports using small planes.

Until the aircraft type is known, runway lengths and other airport facilities required for the historic and other domestic routes cannot be determined. While the Ethiopians argue that airports are flexible and that work on selected domestic airports can commence even before the DC.3's replacement is selected, the Bank's advisers take the contrary view. The Ethiopians are aware of the necessity to select a replacement aircraft as soon as possible. A Bank staff member will be visiting Ethiopia in late October to discuss with the Ethiopians a study of possibilities of rationalizing the domestic route structure so as to make it easier to select an economically viable replacement aircraft.

It is hoped that the matter will be settled in time to enable Bank financing in the aviation field in FY 1973.



THE ECONOMIC COMMISSION FOR AFRICA (ECA)

The Economic Commission for Africa (ECA) is a United Nations (UN) regional body in which all independent African states except South Africa are represented. Established in 1958, for the promotion and planning of African economic and social development through cooperative regional action, it has its headquarters in Addis Ababa and regional offices in Tangier, Lusaka, Naimy and Kinshasa.

With a budget of about US \$5 million from the UN which is supplemented from other sources, the ECA undertakes extensive studies on multinational integration and on regional economic sectors as well as on a wide range of subjects that relate to African economic and social development. It acted as a catalyst in the creation of the African Development Bank (ADB), the African Development Institute, and such other organizations as the African Civil Aviation Organization and the African Transport Institute.

Relations between ECA and the Bank are good. The Bank group has been represented at ECA annual and biannual meetings. At such a meeting in February 1967 in Abidjan, the Bank agreed to work in concert with ECA, African Development Bank, and UNDP in preparing preinvestment studies of projects affecting more than one African country, in power, transport and telecommunications and to seek funds for such studies. A coordinating committee of the four bodies was formed to implement the decision. At its most recent meeting in April 1970 the Committee discussed several regional preinvestment studies including two completed transportation studies.

what had we done in 3 1/2 years -

ECA and ADB have been exploring for a while the idea of establishing a Special Fund for Africa from which funds could be made available by ADB to its borrowers on soft terms. In May 1970 ECA invited the Bank to participate in an inter-agency meeting on the subject. Mr. Torgeir Finsaas, Resident Representative in Ethiopia, who was designated as the Bank's representative to the meeting, reported that there was complete unanimity on continuing efforts initiated by ADB to set up the Special Fund.

ECA is also expected to seek Bank assistance in connection with a Trans-Saharan Highway project estimated at US\$86 million, the study and preparation of which has already been done by UNDP, after the project has been presented to the next meeting of the Executive Committee of ECA, to be held in Addis Ababa this October. (see attached ECA Press Release, August 21, 1970.)

ECA works very closely with other international agencies concerned with development in Africa. In this connection, ECA has been interested in undertaking industrial project identification studies aimed at surveying the industrial potential of Africa and to pinpoint investment opportunity. Mr. Bax Nomvete, Director of the Industrial Division of ECA visited the Bank last May to seek the Bank's cooperation in these studies and also to discuss possible ways in which our work could be coordinated with that of ECA, UNDP, UNIDO, and other international agencies.

Some staff members in close association with ECA have felt that it conducts too many studies without serious regard for their practical utility, and that at times ECA is not in touch with the realities.

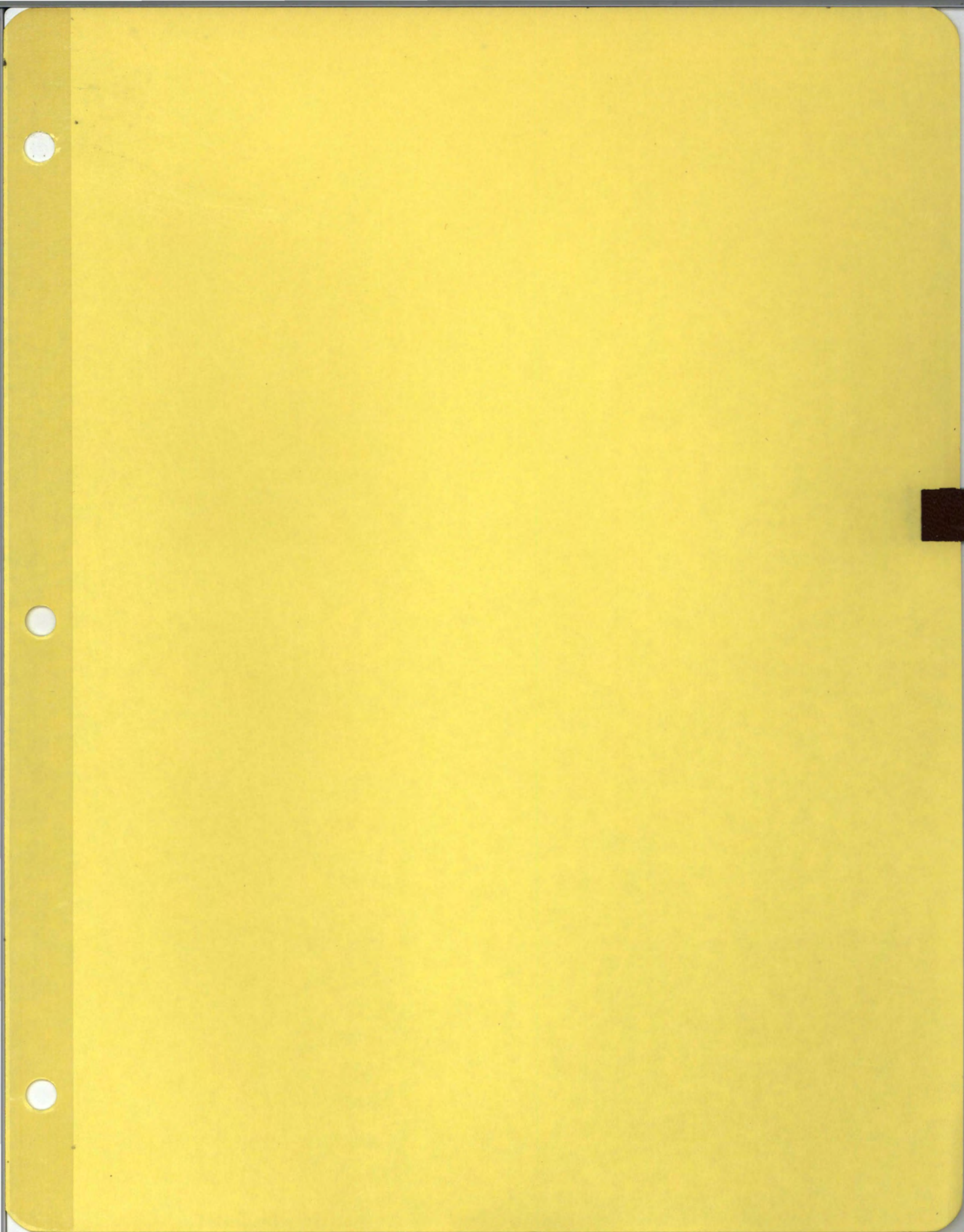
Organization of African Unity (OAU). Founded in May 1963 on the principles of adherence to sovereign equality, territorial integrity, peaceful settlement of disputes, condemnation of political assassination, the liberation of the remaining areas under colonial rule, non-alliance and the promotion of unity among African states. OAU membership includes all independent African states except South Africa. It is a political organization which has been primarily concerned with such problems as border disputes between member states, bringing an end to internal conflict, rallying opposition against South Africa, Rhodesia, and Portugal, as well as coordinating efforts to effect independence in Southern Africa.

The work of OAU is carried on through four "principal institutions" -- the Assembly of Heads of State and Government; the Council of (Foreign) Ministers; the General Secretariat; and the Commission of Mediation, Conciliation and Arbitration. A number of specialized and ad hoc Commissions deal with a wide variety of activities of common interest and attempt to instill a spirit of cooperation among member states.

OAU is financed by member states through contributions based on UN assessment scale but no member state is assessed at more than twenty percent of the total OAU yearly budget.

Because OAU activities in the economic development field have been marginal, the Bank group has not had much to do with OAU in the past. But a 1966 resolution of the Council of Ministers called for "a coordinated and collective stand towards the capital exporting countries and the aid-group international organs, such as the IBRD and its affiliates and the UNDP (Special Fund) with a view of bettering our bargaining position vis-a-vis the organs thereby enhancing the flow of more financial resources into the Continent and influencing favorably our borrowing terms in the way of long-term maturity dates and lower interest rates."

OAU views with disdain the Bank's continued lending to South Africa, which OAU views as supporting a reactionary, racist and oppressive regime. Some of the Bank's activities have been viewed with suspicion as aiming at adapting the underdeveloped countries' economies to the needs of the industrial nations instead of promoting independent development. A staff member sent to Addis Ababa in November 1969 with Mr. McNamara's planned visit to East Africa in mind reported a feeling that probably still exists today, namely that "Mr. Diallo Telli, Secretary General (of OAU) whom the writer saw for an hour ...seems to have many misconceptions about the Bank, about the President of the Bank and about the Bank group's intentions. His misinformed attitudes and his resentments would, I think, be lessened by meeting the President of the Bank face to face."



ETHIOPIA-SOMALIA Boundary Problem

At the heart of the Ethiopian-Somali boundary problem is the fact that Somalia's nomadic inhabitants have for centuries grazed their herds in territories beyond Somalia's present boundaries. Indeed Somali nationalists believe that since the South Eastern part of Ethiopia as well as French Somaliland ^{/1} (see separate memo) and Northern Kenya are inhabited mainly by Somali people, that they belong by right to the Somali nation which was divided up into five parts during the advent of colonialism. The Somali Constitution pledges to restore that unity.

Border clashes between Somalia and Ethiopia have been on two fronts. On one hand Somali guerillas have been actively supporting the Eritrean Liberation Front to the North against the Addis Ababa Regime. On the other, the Somali population of South-Eastern Ethiopia (the Ogaden region) have often been in revolt, with arms and assistance from the Somali Government. Thousands of Somalis are said to have been killed at the height of these engagements. The Ethiopian Government, resolved to resist these movements, declared its border with Somalia disturbed area to be governed by emergency regulations. The tension eased somewhat when Prime Minister Mohammed Ibrahim Egal assumed power in Somalia. He was determined to defuse the border wars. While maintaining Somalia's territorial claims, he stated that negotiations rather than force would be employed to try to obtain the contested territories. In September 1968 he accepted Haile Selassie's invitation to discuss the border problem. In a joint communique the two leaders pledged to "remove all causes of tension" and the emergency regulations were suspended. In his October 1969 meeting with Mr. McNamara, Prime Minister Egal reported that Somalia was now on good terms with Ethiopia and the rest of her neighbors. While Somalia stopped providing assistance to the Somali citizens in the Ogaden, some clashes have still continued as a result of attempts by Ethiopian army forces to collect taxes on cattle owned by Somali herdsmen. The present period of comparatively good relations may, however, change considerably following the coup d'état in which Egal was ousted by the army and police. Although the Supreme Revolutionary Council which took over the government announced that it will honor international agreements entered into by previous governments of Somalia, new fears about the border problems have been raised by its other statement that it would support liberation movements and that it would exert all efforts to regain "occupied" regions. However, during its first year of existence the Somali Government has maintained Egal's policy of not supplying arms or encouraging rebellion by Somalis residents of Ethiopia, Kenya, or French Somaliland.

^{/1} Now officially renamed French territory of the Afars and Issas.

THE ETHIOPIA-SUDAN BOUNDARY PROBLEM

Ethiopian-Sudanese boundary problems stem from the 1902 Anglo-Ethiopian Treaty on which the present boundaries are based. To this day the treaty has never been ratified. In addition the treaty provided that boundaries then on paper would be binding only after they were marked on the ground by representatives of the two governments. Britain sent General Gwynn as Boundary Commissioner, but as Ethiopia did not send a representative questions have been raised as to whether Ethiopia is bound by what General Gwynn marked. Sudan, on the other hand, alleges that Emperor Menelik had requested General Gwynn to represent both Ethiopia and Sudan in the final demarcation.

In any event the two countries have not disputed so much about the present boundaries, unclear as they may be. Relations between the two countries have been under strain since 1965 on account of a number of factors indirectly related to the border issue. One is over Ethiopia's Eritrean rebels. The Moslem Sudan is considered sympathetic to the Guerilla war being waged by the Eritrean Liberation Front. Sudan is known to be playing host to some 20,000 Eritrean refugees. The situation has again brought the boundary issue in the open. Agreement on the Eritrean-Sudanese border was reached by a joint Sudanese-Ethiopian Ministerial Committee in January 1967. But even after this agreement each country has accused the other of troop movement across the border. As long as the Eritrea problem remains, these violations may very well continue. On the other hand, Sudan has a refugee problem to the south where the Nilotic tribes are in rebellion against the Arabic government in Khartoum. Ethiopia is said to host some 20,000 refugees from Southern Sudan. Both government strongly deny support of each other's rebel movements but as long as these movements continue to agitate, attempts on the part of the two governments to settle the boundary problems which on the whole have been genuine will be very much handicapped.

THE FRENCH SOMALILAND PROBLEM

French Somaliland, sometimes known by Ethiopians as Djibouti, is an 8,880 square mile territory bordering between Somalia and Ethiopia and overlooking the Gulf of Aden, with an estimated population of 65,000. An overseas territory of the French community since 1946, it remains French, following two referenda (1958 and 1967) confirming this status. An internal independence movement, which charges that the French authorities used intimidation and trickery to insure that the vote would be in favor of continued rule by France, exists. At the same time, this territory is claimed by Ethiopia, on the grounds of historical ethnic association reinforced by Franco-Ethiopian Treaty of 1969, which established equal ownership of a railway connecting Ethiopia to Djibouti, the main port and capital of French Somaliland, and gave Ethiopia almost unlimited use of Djibouti's port facilities. More than half of the vessels from this port carry Ethiopian imports and exports. The port is also considered strategically important for the defense of Ethiopia. The territory, however, is claimed by the Somali Republic on the grounds that, as its name suggests, it was part of the Somali Nation divided into five parts during the advent of colonialism in the Nineteenth Century. The big question is where the territory will go when and if it becomes independent. Haile Selassie has claimed that "Djibouti indisputably is ours, and its people know they belong to Ethiopia." Somalia has similar claims. Both sides support local independent movements and assert that the people in the territory will be the final judges of where they ought to belong. Although relations between Ethiopia and the Republic of Somalia (which has leaned more to the East as Ethiopia has leaned more to the West) have improved considerably, a stable future for French Somaliland and the territory surrounding it is very much uncertain.

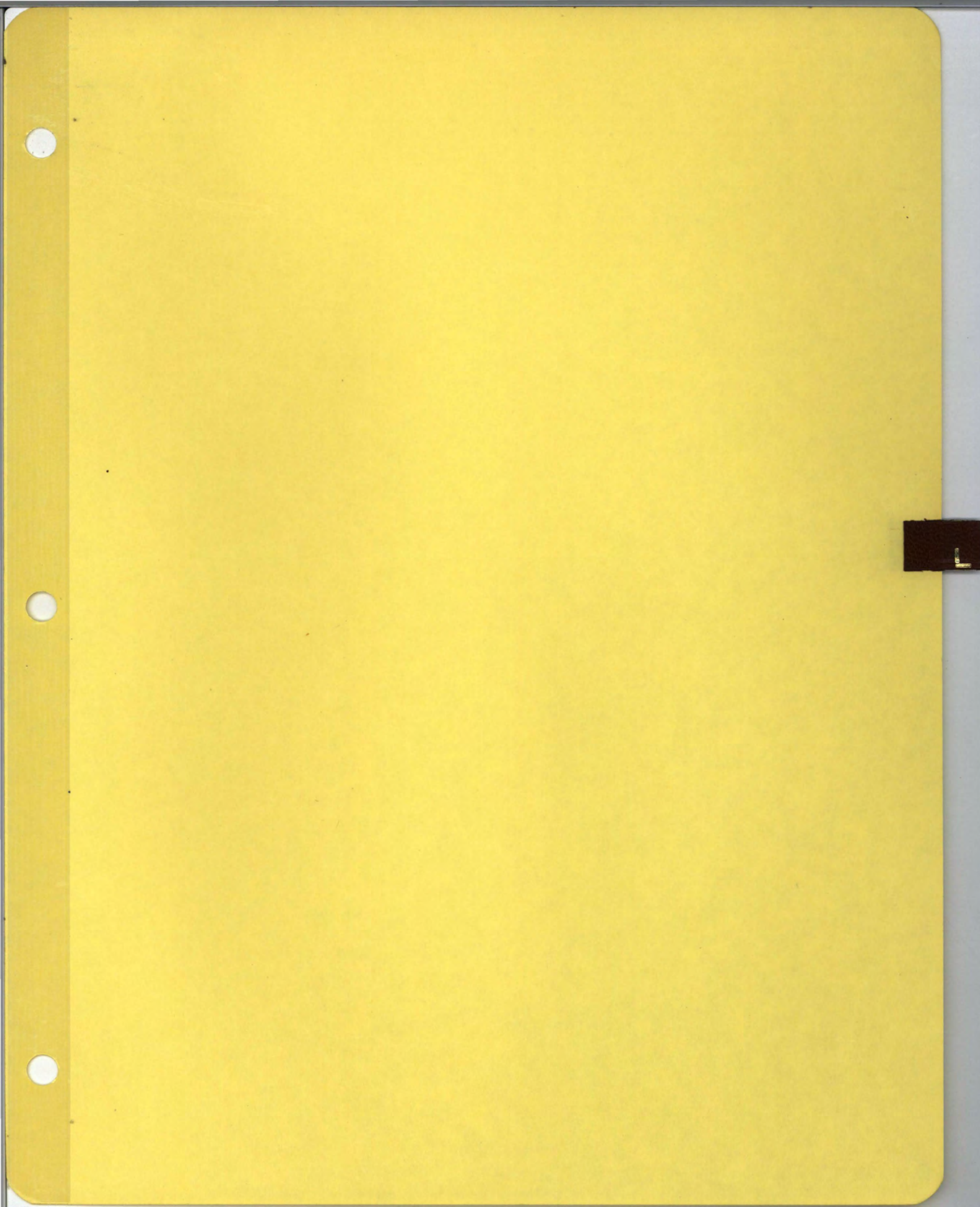
ETHIOPIA

THE ERITREAN INSURGENCY

The province of Eritrea, a coastal strip running 700 miles from Sudan on the North to French Djibouti in the South has a population of 1.6 million inhabitants of Christian and Moslem religions in nearly equal proportions. From eight century down to the present, wars of religion have seen Eritrea pass back and forth between Ethiopian Christian and Arab Moslem role and this is what the present struggle is still all about.

The latest chapter of this struggle begins in 1941 when Eritrea then an Italian colony (Italians launched their attack on Ethiopia from Eritrea) was taken by British forces and remained under British military administration until 1952. During this period the post war Big Four could not decide whether to permit Ethiopian Annexation of Eritrea, to grant it independence or to partition its territory giving Ethiopia the Eastern (largely Christian) portion and the Western (largely Moslem and nomadic) portion to Moslem Sudan, then a British territory. The matter was put before the United Nations which in 1950 decided that "Eritrea shall constitute an autonomous unit federated with Ethiopia under the sovereignty of the Ethiopian Crown." In 1952 Eritrea was federated with Ethiopia. The territory then remained a semi-autonomous part of the empire until 1962 when it was absorbed as fully integrated province in the Ethiopian Empire in a shotgun marriage that triggered much of the present discontent. It was at this time that the Eritrean Liberation Front underground movement which derives its support mainly from the province's Moslem community was born, dedicated to fighting for an independent Eritrea. With an estimated 1,500 armed guerillas the front has engaged in a series of sabotage operations the latest of which was the murder of the Governor of Seral District last month. On the other hand, even with the military help it is reported to get from the Arab States notably Syria, the Front is in no position to resist the Ethiopian 40,000 man army and modern air-force which stands ready to put down any revolt. Consequently it has chosen to undermine confidence on the regime of Haile Selassie by sabotaging carefully selected economic targets, winning wider publicity and international support for its cause, and encouraging Arab countries to intervene more openly on its behalf.

Rebel activity is reported to have been on the decline, but ambushes and kidnappings still take place in the countryside, and in certain areas merchants and businessmen survive by paying "taxes" to the Eritrean Liberation Front.



DECLASSIFIED

APR 03 2013

WBG ARCHIVES

Mr. Mc Namara

OFFICE MEMORANDUM

Strictly personal and confidential

To: Mr. Michael L. Lejeune

From: Torgeir Finsaas *T.F.*

Addis Ababa, October 1, 1970

Subject: Mr. McNamara's visit to Ethiopia, October 1970 -
Background Information

Below is a resume on a few issues I thought might be of interest for Mr. McNamara prior to his arrival in Ethiopia. I realize there may be duplications of briefings prepared in the Bank, but even so I hope that some local colour may be helpful.

General

Following our first operation in Ethiopia in 1950, our lending was for many years concentrated on infrastructure facilities, i.e. roads, telecommunications and power, apart then from two small loans to the Development Bank. The first radical departures from this policy were an education project in 1966 and two agricultural projects in 1969-1970. One reason for our pre-occupation with infrastructure investments was the superior quality of administration of the agencies we were dealing with in these cases compared with other parts of the Government. A result of this policy was reportedly that the activities of the Bank Group, as well as our philosophies and procedures, were little known throughout the Government. A low point in our relations with Ethiopia came in 1967 with the closing of the Bank Office in Ethiopia, followed in turn by a blunt attitude by the Bank in connection with the Government's unwillingness to adopt more progressive policies, notably towards the mobilization of their own resources for development. In the process, and as a result of intervention by the Emperor, the then Minister of Finance, Ato Yilma Deressa, lost his portfolio. In spite of his strong political position as one of the "old guard" cabinet members, he was transferred to the less important Ministry of Commerce, and his present successor Ato Mammo Tadesse became Finance Minister.

When I arrived here last October, I sensed a wall of indifference in most directions. For one thing this was reflected in the many unnecessary difficulties I had in getting our office re-established, and there were e.g. endless problems in clearing incoming shipments. Appointments with senior officials could at best be obtained after a lengthy series of requests, and if they finally came about they were frequently fruitless in as much as promised action on Bank matters was not fulfilled.

In the course of the last three months or so there has been a radical shift in attitude. In fact, my working relations are normal in most cases, and many officials now take an active interest in Bank matters. The most probable explanation for this change is that there has been a build up to a more active

October 2, 1970

programme by the Bank Group in Ethiopia. This was implied initially by the comprehensive Economic Mission which visited Ethiopia in January/February this year, subsequently presenting a draft report which was favourably received in Government circles. The Bank Group's active backing and role as the Executing Agency in the proposed placing of a complement of the Harvard Advisory Group in the Planning Commission has also contributed. The most significant developments, as viewed by Government officials, have probably been the proposal for a Consultative Group for Ethiopia, followed by a visit by Mr. McNamara.

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The Political Scene

Since I came here a year ago there have been two incidents of some importance, and both are significant for undercurrents which are applicable to the local scene.

In late December last year there were some disturbances at the University of Addis Ababa, following the yet unexplained assassination of the leader of the students. This was followed by stern action by the Emperor's Bodyguard on the university campus, and a number of students were killed or seriously injured. This incident was symptomatic of the frustrations and misgivings which part of the younger generation is harboring against the present establishment, be it among students, intellectuals, or the younger generation civil servants. It was also indicative of the sometimes unyielding attitude among the ruling generation, largely composed of "old guard" cabinet members who over long periods of time have enjoyed - and still enjoy - the Emperor's confidence. Opposition among some of the younger government employees is sometimes noticeable and takes various forms, such as lack of interest in their work, failure to observe office hours, and occasionally unexplainable obstructive attitudes. There are many promising examples, though, when younger professionals have transferred to entities where the traditional frustrations of the Ethiopian civil service are not applicable. In those cases, given a sense of responsibility and some flexibility for decision-making within an effective administrative framework, the same people have frequently demonstrated active and promising qualities.

In March the Commander-in-Chief of the Territorial Army was arrested, and nothing has been heard of him since. This is considered to be yet another indication that, as before, the Emperor depends on the armed forces as the stabilizing element, and makes certain that the integrity of the senior officer corps is beyond doubt at all times. The most widely held view among the local diplomatic corps is that, in time of peril, the armed forces would on balance be inclined to preserve the ruling establishment. The Constitution provides for the Crown Prince to succeed the Emperor, a detail which the Emperor himself stressed in public a few months ago. In any case it is widely assumed that the position of the armed forces would be decisive should e.g. the Emperor disappear from the scene. The majority of the population in Ethiopia, the farmers, take no interest in central government affairs. The possibilities of a small minority within the urban population, i.e. the students and some of the younger generation intellectuals and civil servants, to oppose the armed forces seems remote.

There are occasional strong rumours that the Emperor's health is failing, but more likely than not these are unfounded. The last time the local diplomatic community was preoccupied with this theme, the Emperor suddenly departed for a series of visits to Japan, Moscow, Paris, Cairo and Nairobi. It was indicative that only two days after his return to Addis Ababa, he was performing official functions in one of the provinces. At the age of 78 he must still be in a fairly robust condition of health.

Over the last two or three years there have been some promising signs that the Emperor and the older generation ruling class are yielding some ground to internal and external pressures for progressive reforms. One example is the appointment of several younger cabinet ministers over the last couple of years, such as the Minister of Finance, the Commissioner for Planning, the Minister of Education, and most recently the Minister of Communications, who is a brilliant modern intellectual. Another example was the placing of the Planning Commission under the Prime Minister's Office a year or so ago, which has strengthened the relative position of this agency vis-a-vis other Government departments. One can also sense that, in spite of indifference or even opposition among some of the older generation cabinet ministers towards education, the Government is becoming increasingly prepared to allocate more resources to this sector. The interest in education among the lower income groups, even in rural areas, is exceptional in Ethiopia. Last, but not least, there are now good reasons to believe that the Government will introduce some initial steps towards land reform by the end of this year, i.e. in response to pressures which have been exercised by some of the major aid donors, notably Sweden.

Administration of Foreign Aid

The Planning Commission is still in rather a turmoil, endeavouring to organize itself and to define its proper functions in the planning hierarchy. It speaks well for this new agency, and for the Commissioner himself, that the Planning Commission is gradually becoming the centre of the planning effort in Ethiopia. The imminent placing of the Harvard Advisory Group within the Planning Commission will undoubtedly strengthen this development. Current problems of the Planning Commission are lack of competent people, streamlining of administrative procedures, jealousies and lack of cooperation by other Government departments, and frequently unfounded opposition by such Government departments. The designation of the Planning Commission as part of the Prime Minister's Office has undoubtedly been of great help, and during the year I have witnessed the scene there has been noticeable progress in all these matters.

The work of other technical departments is of varying quality and efficiency. Common for all of them is the inability or fear of all civil servants to take any decisions - even on relatively minor matters - unless they have the prior clearance of either the Minister or Vice Minister. One of the Ministries we are becoming increasingly involved with, that of Agriculture, is presently in the process of reorganization under the guidance of the Rockefeller Foundation,

and new measures introduced to date are already reflecting some promising progress. In the case of ministries which had no prior experience in dealing with Bank matters, there has been a distinct improvement as they gradually gain additional insight into our procedures.

There is close cooperation between the local representatives of bilateral as well as multilateral aid donors. Regular meetings are held in three different groups, i.e. one "senior group", one group for the education sector, and one group for the agricultural sector formed at my initiative earlier this year. Apart from general exchange of information, these groups have proved useful in enabling the various donor representatives to keep in close touch and assist each other at various stages of project preparation and implementation. Cases in point are the four senior officers being provided on technical assistance by the U.K. Government for our agricultural project at Soddo Wolamo, and the various expatriate experts being made available by USAID for preparation of projects recommended by our recent livestock sector review mission.

In the case of our own projects in Ethiopia, I would like to make specific mention of the invaluable assistance we have from our Nairobi Office. There are numerous concrete examples, such as the survey of Government land which has enabled the identification and current preparation of additional agricultural projects; the recent livestock sector review which promises to be a most helpful vehicle for further development in this field; the identification and preparation of the Coffee Processing and the Addis Ababa Dairy projects; and the provision of ADS staff members for longer term assignments to our agricultural projects at Soddo Wolamo and Settit Humera. In these cases the participation by the Nairobi Office has made it possible to eliminate substantial delays, let alone that some of our present and future projects might not have been identified at all.

Our Lending Programme

Our current programme in Ethiopia is now gradually branching into a variety of sectors and gathering momentum. During the present fiscal year, we hope to sign three, possibly four, new loans and credits (the Second Education Project, the Coffee Processing Project, the Addis Ababa Dairy Project, and possibly the Water and Sewerage Project for Addis Ababa). The order of magnitude of lending for these projects may be around the U.S.\$25 million mark.

If we were prepared to step up our rate of lending to Ethiopia further, this would be an opportune moment from various points of view. The constraints of local financing through the Government budget have eased slightly as a result of the improved export earnings from coffee and an increasingly buoyant economy. Ethiopia's debt service ratio is still relatively low (around 11%), and, as pointed out in our Economic Report, it promises to stay well within manageable limits in the long run provided external aid is extended on acceptable terms. Other favourable developments are the imminent placing of the Harvard Advisory Group in the Planning Commission, the forming of the Consultative Group for Ethiopia, and the prospects for some early steps towards land reform at the end of this year. Last, but of equal importance, there are a number of potentially interesting projects in the course of identification or preparation, notably in the fields of agriculture and agro-industries.

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In our current lending programme we could probably advance a project for the improvement of five Domestic Airports, and, likewise an Agricultural Feeder Road Project, so that these could be signed earlier than contemplated. Over and above projects which already appear in our lending programme, a Hides and Skins Improvement Project and a Stock Route and Marketing Project might also be ready for appraisal in a few months time. The Livestock and Meat Board has recently set up a new project preparation unit which is working on these projects as well as seven other projects in the livestock sector, most of which were proposed by our recent sector review mission. There is a possibility for early development of a Grain Marketing and Storage Project, and finally, the Ministry of Agriculture is presently identifying a number of Small Agricultural Package Projects along the lines recommended by our economic mission. On longer term, and given reasonable prospects for financing, additional worthwhile high priority projects could be developed both in the agricultural sector and elsewhere.

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IFC is at present involved in the analysis of a proposed Project for Freeze-dry Instant Coffee, and I have some hope that I may shortly come across other potentially interesting ventures for consideration by IFC.

It will be seen from the above that additional projects presently or shortly under preparation reflect a heavy emphasis on agricultural and agro-industrial projects. This I consider an advisable point of departure at this stage for a country where 90% of the population, 60% of its GDP, and almost all of its exports derive from agriculture. Even more, growth rates in the agricultural sector have been disappointingly low in the past and promise to be almost equally low in the future unless radical policy changes and new ventures are undertaken. I therefore feel that we should be responsive to and encourage additional activities in these fields. My next in line priorities would be education, further development of private industry to promote additional exports and employment opportunities, and longer term concentration on agricultural feeder roads to derive full benefits from the very heavy investments already made in primary roads. In the case of education projects, we shall be limited by the resulting recurrent drain on the Government's meagre budgetary resources.

yes

I agree

The manpower survey and the education sector review contemplated under our Second Education Project will provide much-needed guidance in this field. The report of our recent livestock sector review mission - of which a draft has already been issued - clarifies basic problems and gives clearly defined guidelines regarding priorities and possible projects in this sector. I now hope that the pending December visit of Mr. de Wilde will contribute further to our insight into the industrial sector. The only other complex sector of any significance in which we may require some additional clarification and guidance is agriculture. There is an abundance of information, reports and recommendations available, but even so I sometimes have the impression that the technical departments concerned are at a disadvantage in defining priorities and the ways and means of achieving possible objectives in this highly important sector. Perhaps the answer to this situation is for us to mount an agricultural sector review mission to pull all the available information together and define detailed strategy recommendations.

X/S

Yes - when

Mr. Michael L. Lejeune

- 6 -

October 2, 1970

To conclude, if we were prepared to step up our lending in Ethiopia, there are good prospects that worthwhile high priority projects might be developed for our consideration, both on shorter and longer terms. Further, in view of the limited local resources, and provided the Government continues to pursue acceptable fiscal and budgetary policies, a liberal approach by the Bank Group towards the financing of local currency cost would represent a most helpful contribution towards further development at this point.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Tell Harki Sallam

Jac - Ivory warrior + medal

2. EXTERNAL DIPLOMATIC CAMPAIGN

By proclamation of May 1st, the Emperor appointed Ras Imru as the Regent and to lead the armies in the west, Ras Desta in the south, Dejazmatch Hailu Kabade and others in the north and Dejazmatch Fikre Mariam in the Debre Berhan section to hold the Italian advance. Orders were also given to move the Government from Addis Ababa and establish it at Gore in western Ethiopia.

After giving final instructions to the officials who remained behind, His Imperial Majesty left the capital en route to Geneva in the early hours of the morning of May 2nd, 1936.

The Emperor had arranged for the Empress and members of his family to leave the country but had earlier decided to stay behind to continue the fight. At the last moment he changed his mind and decided to accompany members of the Imperial family to Dire Dawa wherefrom he had thought of launching a defensive campaign.

But as the train arrived in Dire Dawa he was informed that the Italian troops had advanced to Harar, 30 miles away. He altered all his plans and left the country along with his family to plead the case of Ethiopia personally before the League of Nations.

To remain in Ethiopia — to die, perhaps months thence, leading a guerilla campaign in the mountains west of Addis Ababa — would have been an empty gesture. The Emperor's very presence in any part of the country might have been a danger to his people because wherever he went that place was sure to be dumped with poison gas shells and bombs by the ruthless fascists.

On May 4, 1936, His Imperial Majesty stepped from French territory at Djibouti on to the deck of a British warship and sailed for Palestine the next day, taking with him into exile the sympathy of the civilised world.

In the battleship, H.M.S. ENTERPRISE, His Imperial Majesty was busy planning his next moves. He held constant consultations with his ministers and nobles as well as with members of the Imperial family on board the ship, which, on reaching Gibraltar, was received by British authorities with full honours.

Soon after reaching Jerusalem, His Imperial Majesty cabled to Secretary General of the League of Nations notifying that he would appear personally before the League to present Ethiopia's case. To allay rumours, Ras Nasibu Zamanuel, head of the Ethiopian delegation to the League, reiterated in a letter to the Secretary General that the Emperor had renounced none of his rights and had not ceased to exercise them. The Emperor, he reaffirmed, retained them all.

While in Jerusalem, the Emperor made arrangements for accommodation of the members of his entourage in the Ethiopian Coptic Church and spent several hours of each day in prayers along with Her Imperial Majesty, Itegue Menen. The Empress made a vow that should Ethiopia be liberated from fascist domination, she would donate her crown to the Church of the Holy Sepulchre. Immediately after the liberation the Empress kept her vow and thus she ruled as an Empress without a crown up to the day of her regretted death in 1962.

On June 3, His Imperial Majesty arrived at Waterloo Station in Britain, to be accorded a tumultuous welcome by the British people who had already started campaigning for assisting Ethiopia against fascist invaders. An Abyssinian Association to uphold the cause of Ethiopia and her Emperor had been formed and a newspaper, NEW TIMES and ETHIOPIA NEWS, had commenced publication under the editorship of the great suffragette Miss Sylvia Pankhurst, to raise Ethiopia's voice..

The latter part of the month, the Emperor spent long hours preparing his speech to be delivered before the League. He made it clear through newspaper columns that he had left Ethiopia not as a refugee but in the service of his country. During the war he had shared every possible risk and hardship with his soldiers. He had come to Europe, not for safety, but to urge the cause of his country at the League of Nations and to secure assistance in repelling the aggression of Italy. His decision to leave Ethiopia and come to Europe had been taken after consultations with his ministers.

In going to Britain he had made no provision for his personal safety, and had trusted purely in the protection of the English police. Though a ruler of 15 million people of an ancient nation, he had taken less care for his own security than was taken by many wealthy private citizens in Britain.

Until the independence of my country is restored I am a mourner, and if death comes to me in this struggle I shall gladly accept. I have no fear of death, the Emperor said in Britain.

There had been many developments during the period the Emperor left Ethiopia and arrived in Britain. The Italian Government had issued a decree on May 6 placing Ethiopia under the sovereignty of the King of Italy, and copies of the decree had been sent to the League of Nations.

From Jerusalem His Imperial Majesty strongly protested against this Italian action. He sent a telegram to the League requesting it to pursue its efforts to ensure respect of the Covenant and to refuse to recognise alleged Italian sovereignty over Ethiopia. The League Council meanwhile had met and postponed decision on the Ethiopian question till the end of June.

The Emperor was determined to lead the Ethiopian delegation to the meeting of the League of Nations General Assembly in person. He was resolved to appeal against the raising of sanctions, himself, and to request effective financial aid to enable Ethiopia to continue her defence.

On arriving at the seat of the League of Nations in Geneva, the Emperor received a tremendous popular ovation. Townspeople and numerous visitors flocked from many countries to attend and to gain news of the decisions of the League Assembly. At that time international public opinion turned anxiously to the League as the organ which might, or might not, safeguard the peace of the world.

On June 30, 1936, the President of the Assembly called upon the Emperor to address the representatives of the Nations.

The scene was a memorable one when the Emperor delivered his speech. The Assembly Hall was packed, both on the floor and in the galleries. After the formal business of electing the President, the deliberations of the Assembly were opened by the delegate of the Argentine Republic who had requested the meeting.

Then His Imperial Majesty Haile Selassie I was called as head of the Ethiopian delegation; and immediately there arose a din of whistling, hooting and catcalls from the press gallery. Ushers and police hurried to the spot and, assisted by other journalists, in a few minutes ejected about a dozen Italian press representatives, who were shouting epithets.

There is no precedent for a head of a State himself speaking in this assembly. But there is also no precedent for a people being victim of such injustice and being at present threatened by abandonment to its aggressor. Also, there has never before been an example of any Government proceeding to the systematic extermination of a nation by barbarous means, in violation of the most solemn promises made by the nations of the earth that there should not be used against innocent human beings the terrible poison of harmful gases. It is to defend a people struggling for its age-old independence that the head of the Ethiopian Empire has come to Geneva to fulfil this supreme duty, after having himself fought at the head of his armies.

NO PRECEDENT

I pray to Almighty God that He may spare nations the terrible sufferings that have just been inflicted on my people, and of which the chiefs who accompany me here have been the horrified witnesses.

**POPULATIONS
ATTACKED**

It is my duty to inform the Governments assembled in Geneva, responsible as they are for the lives of millions of men, women and children, of the deadly peril which threatens them, by describing to them the fate which has been suffered by Ethiopia.

It is not only upon warriors that the Italian Government has made war. It has above all attacked populations far removed from hostilities, in order to terrorize and exterminate them.

At the beginning towards the end of 1935, Italian aircraft hurled upon my armies bombs of tear-gas. Their effects were but slight. The soldiers learned to scatter, waiting until the wind had rapidly dispersed the poisonous gases.

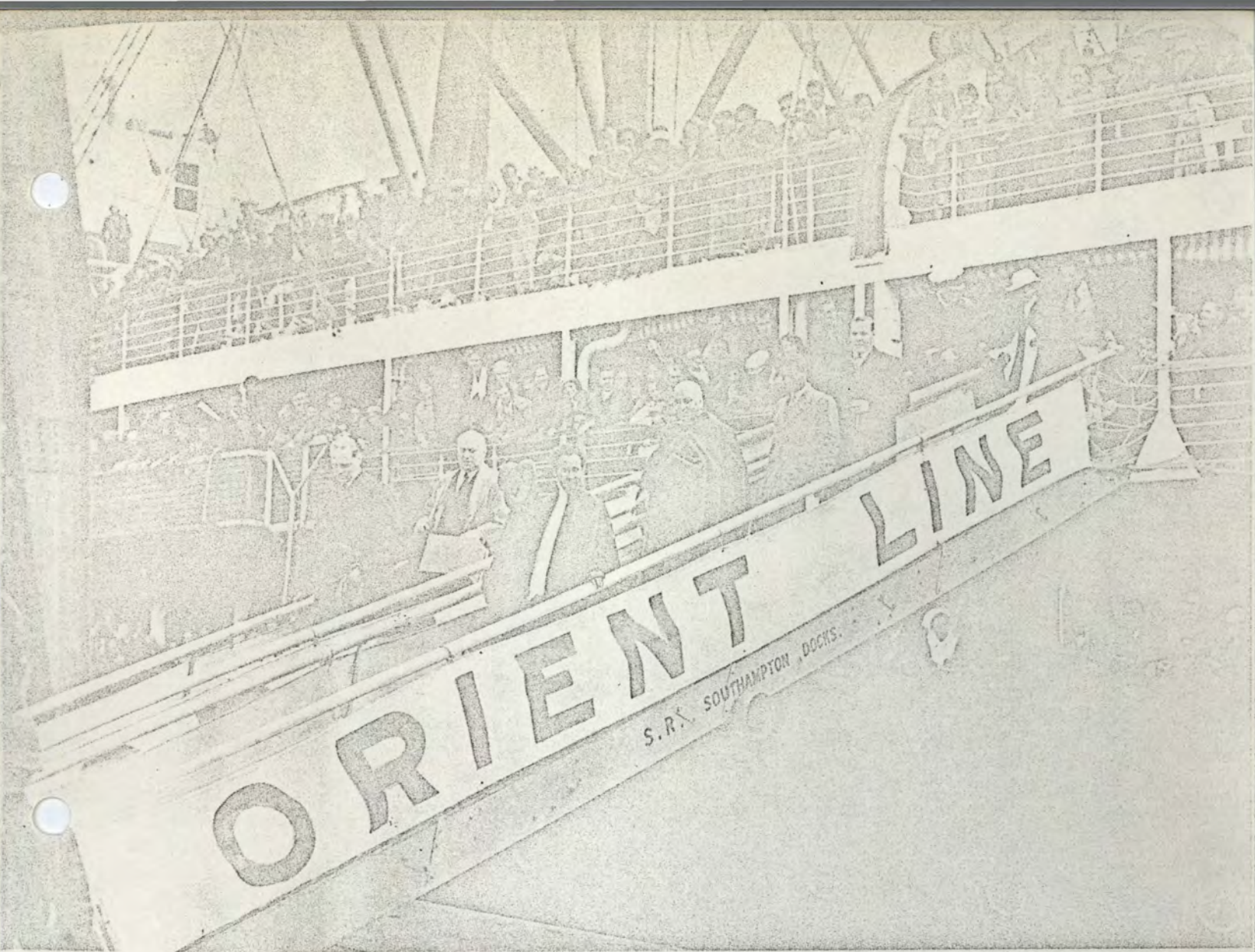
The Italian aircraft then resorted to mustard gas. Barrels of liquid were hurled upon armed groups. But this means also was not effective; the liquid affected only a few soldiers, and barrels upon the ground were themselves a warning to troops and to the population of the danger.

It was at the time when the operations for the encircling of Makalle were taking place that the Italian command, fearing a rout, followed the procedure which it is now my duty to denounce to the world. Special sprayers were installed on board aircraft so that they could vaporise, over vast areas of territory, a fine, death-dealing rain. Groups of nine, fifteen, eighteen aircraft followed one another so that the fog issuing from them formed a continuous sheet. It was thus that, as from the end of January, 1936, soldiers, women, children, cattle, rivers, lakes and pastures were drenched continually with this deadly rain. In order to kill off systematically all living creatures, in order the more surely to poison waters and pastures, the Italian command made its aircraft pass over and over again. That was its chief method of warfare.

**DEATH
DEALING
RAIN**

The very refinement of barbarism consisted in carrying ravage and terror into the most densely populated parts of the territory, the points farthest removed from the scene of hostilities. The object was to scatter fear and death over a great part of the Ethiopian territory.

These fearful tactics succeeded. Men and animals succumbed. The deadly rain that fell from the aircraft made all those whom it touched fly shrieking with pain. All those who drank the poisoned water or ate the infected food also succumbed in dreadful suffering. In tens of thousands, the victims of the Italian mustard gas fell. It is in order to denounce



ARRIVAL AT SOUTHAMPTON DOCKS.

to the civilised world the tortures inflicted upon the Ethiopian people that I resolved to come to Geneva.

I DECIDED TO COME MYSELF

None other than myself and my brave companions in arms could bring the League of Nations the undeniable proof. The appeals of my delegates addressed to the League of Nations had remained without any answer; my delegates had not been witnesses. That is why I decided to come myself to bear witness against the crime perpetrated against my people and give Europe a warning of the doom that awaits it, if it should bow before the accomplished fact.

STAGES IN THE DRAMA

Is it necessary to remind the Assembly of the various stages of the Ethiopian drama? For 20 years past, either as Heir Apparent, Regent of the Empire, or as Emperor, I have been directing the destinies of my people. I have never ceased to use all my efforts to bring my country the benefits of civilisation, and in particular to establish relations of good neighbourliness with adjacent powers. In particular I succeeded in concluding with

Italy the Treaty of Friendship of 1928, which absolutely prohibited the resort, under any pretext whatsoever, to force of arms, substituting for force and pressure the conciliation and arbitration on which civilised nations have based international order.

In its report of October 5th 1935, the Committee of Thirteen recognised my effort and the results that I had achieved. The Governments thought that the entry of Ethiopia into the League, whilst giving that country a new guarantee for the maintenance of her territorial integrity and independence, would help her to reach a higher level of civilisation. It does not seem that in Ethiopia today there is more disorder and insecurity than in 1923. On the contrary, the country is more united and the central power is better obeyed.

ENTRY OF ETHIOPIA TO THE LEAGUE

I should have procured still greater results for my people if obstacles of every kind had not been put in the way by the Italian Government, the Government which stirred up revolt and armed the rebels. Indeed the Rome Government, as it has today openly proclaimed, has never ceased to prepare for the conquest of Ethiopia. The Treaties of Friendship it signed with me were not sincere; their only object was to hide its real intention from me. The Italian Government asserts that for 14 years it has been preparing for its present conquest. It therefore recognises today that when it supported the admission of Ethiopia to the League of Nations in 1923, when it concluded the Treaty of Friendship in 1928, when it signed the Pact of Paris outlawing war, it was deceiving the whole world.

ITALIAN GOVERNMENT PREPARED

The Ethiopian Government was, in these solemn treaties, given additional guarantees of security which would enable it to achieve further progress along the pacific path of reform on which it had set its feet, and to which it was devoting all its strength and all its heart.

THE WAL-WAL INCIDENT

The Wal-Wal incident, in December, 1934, came as a thunderbolt to me. The Italian provocation was obvious and I did not hesitate to appeal to the League of Nations. I invoked the provisions of the treaty of 1928, the principles of the Covenant; I urged the procedure of conciliation and arbitration.

Unhappily for Ethiopia this was the time when a certain Government considered that the European situation made it imperative at all costs to obtain the friendship of Italy. The price paid was the abandonment of Ethiopian independence to the greed of the Italian Government. This secret agreement, contrary to the obligations of the Covenant, has exerted a great influence over the course of events. Ethiopia and the whole world have suffered and are still suffering today its disastrous consequences.

A SECRET AGREEMENT

This first violation of the Covenant, was followed by many others. Feeling itself encouraged in its policy against Ethiopia, the Rome Government feverishly made war preparations, thinking that the concerted pressure which was beginning to be exerted on the Ethiopian Government, might perhaps not overcome the resistance of my people to Italian domination.

ATTEMPTS TO PREVENT ARBITRATION

The time had to come, thus all sorts of difficulties were placed in the way with a view to breaking up the procedure of conciliation and arbitration. All kinds of obstacles were placed in the way of that procedure. Governments tried to prevent the Ethiopian Government from finding arbitrators amongst their nationals: When once the arbitral tribunal was set up pressure was exercised so that an award favourable to Italy should be given.

All this was in vain: the arbitrators — two of whom were Italian officials — were forced to recognise unanimously that in the Wal-Wal incident, as in the subsequent incidents, no international responsibility was to be attributed to Ethiopia.

ETHIOPIA HOPED PEACE

Following on this award, the Ethiopian Government sincerely thought that an era of friendly relations might be opened with Italy. I loyally offered my hand to the Rome Government.

The Assembly was informed by the report of the Committee of Thirteen, dated October 5th, 1935, of the details of the events which occurred after the month of December, 1934, and up to October 3rd, 1935.

It will be sufficient if I quote few of the conclusions of that report (Nos. 24, 25 and 26) "The Italian memorandum (containing the complaints made by Italy) was laid on the Council table on September 4th, 1935, whereas Ethiopia's first appeal to the Council had been made on December 14th, 1934. In the interval between these two dates, the Italian Government opposed the consideration of the question by the Council on the ground that the only appropriate procedure was that provided for in the Italo-Ethiopian Treaty of 1928. Throughout the whole of that period, moreover, the despatch of Italian troops to East Africa was proceeding. These shipments of troops were represented to the Council by the Italian Government as necessary for the defence of its colonies menaced by Ethiopia's preparations. Ethiopia, on the contrary, drew attention to the official pronouncements made in Italy which, in its opinion, left no doubt "as, to the hostile intentions of the Italian Government."

From the outset of the dispute, the Ethiopian Government has sought a settlement by peaceful means. It has appealed to the procedures of the Covenant. The Italian Government desiring to keep strictly to the procedures of the Italo-Ethiopian Treaty of 1928, the Ethiopian Government assented: It invariably stated that it would faithfully carry out the arbitral award even if the decision went against it. It agreed that the question of the ownership of Wal-Wal should not be dealt with by the arbitrators, because the Italian Government would not agree to such a course. It asked the Council to despatch neutral observers and offered to lend itself to any enquiries upon which the Council might decide.

ITALY CLAIMS LIBERTY OF ACTION

Once the Wal-Wal dispute had been settled by arbitration, however, the Italian Government submitted its detailed memorandum to the Council in support of its claim to liberty of action. It asserted that a case like that of Ethiopia cannot be settled by the means provided by the Covenant.

It stated that, "since this question affects vital interests and is of primary importance to Italian security and civilisation" it "would be failing in its most elementary duty, did it not cease once and for all to place any confidence in Ethiopia, reserving full liberty to adopt any measures that may become necessary to ensure the safety of its colonies and to safe-guard its own interests."

Those are the terms of the report of the Committee of Thirteen. The Council and the Assembly unanimously adopted the conclusion that the Italian Government had violated the Covenant and was in a state of aggression.

I did not hesitate to declare that I did not wish for war, that it was imposed upon me, and I should struggle solely for the independence and integrity of my people, and that in that struggle I was the defender of the cause of all small States exposed to the greed of a powerful neighbour.

**I DID NOT
WISH FOR
WAR**

In October, 1935, the 52 nations who are listening to me today gave me an assurance that the aggressor would not triumph, that the resources of the Covenant would be employed in order to ensure the reign of right and the failure of violence.

**52 NATIONS
ASSURED ME**

I ask the fifty-two nations not to forget today the policy upon which they embarked eight months ago, and on faith of which I directed the resistance of my people against the aggressor whom they had denounced to the world. Despite the inferiority of my weapons, the complete lack of aircraft, artillery munitions, hospital services, my confidence in the League was absolute. I thought it to be impossible that fifty-two nations, including the most powerful in the world, should be successfully opposed by a single aggressor. Counting on the faith due to treaties, I had made no preparation for war, and that is the case with certain small countries in Europe.

When the danger became more urgent, being aware of my responsibilities towards my people, during the first six months of 1935 I tried to acquire armaments. Many Governments proclaimed an embargo to prevent my doing so, whereas the Italian Government through the Suez Canal, was given all facilities for transporting without cessation and without protest, troops, arms, and munitions.

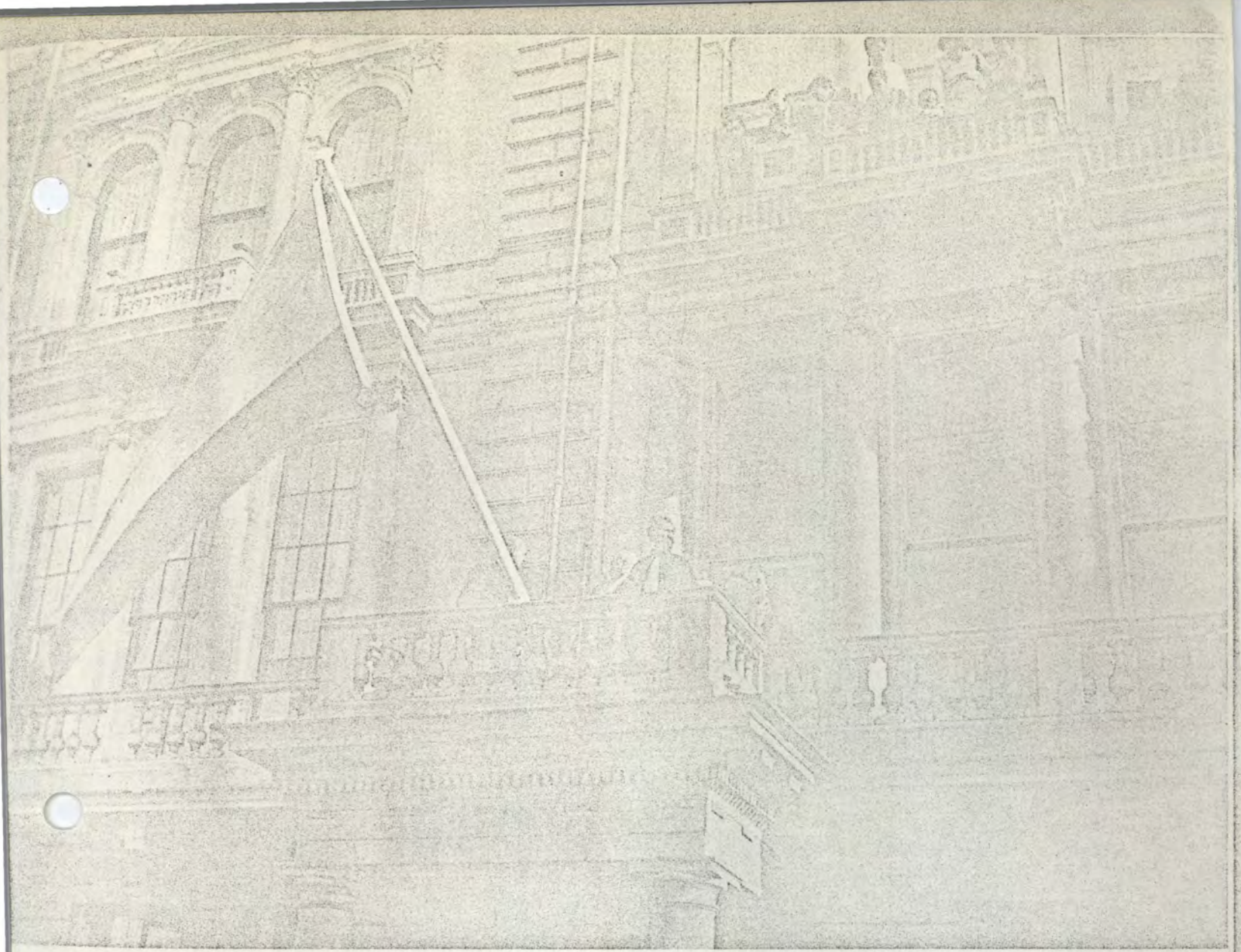
**AN EMBARGO
AGAINST
ETHIOPIA**

On October 3rd, 1935, the Italian troops invaded my territory. A few hours later only I decreed general mobilisation. In my desire to maintain peace I had, following the example of a great country in Europe on the eve of the Great War, caused my troops to withdraw thirty kilometres so as to remove any pretext of provocation.

**THE INVASION
BEGAN**

War then took place in the atrocious conditions which I have laid before the Assembly. In that unequal struggle between a Government commanding more than forty-two million inhabitants, having at its disposal financial, industrial and technical means which enabled it to create unlimited quantities of the most death-dealing weapons, and, on the other hand, a small people of twelve million inhabitants, without arms, without resources

**WHAT REAL
ASSISTANCE
TO ETHIOPIA?**

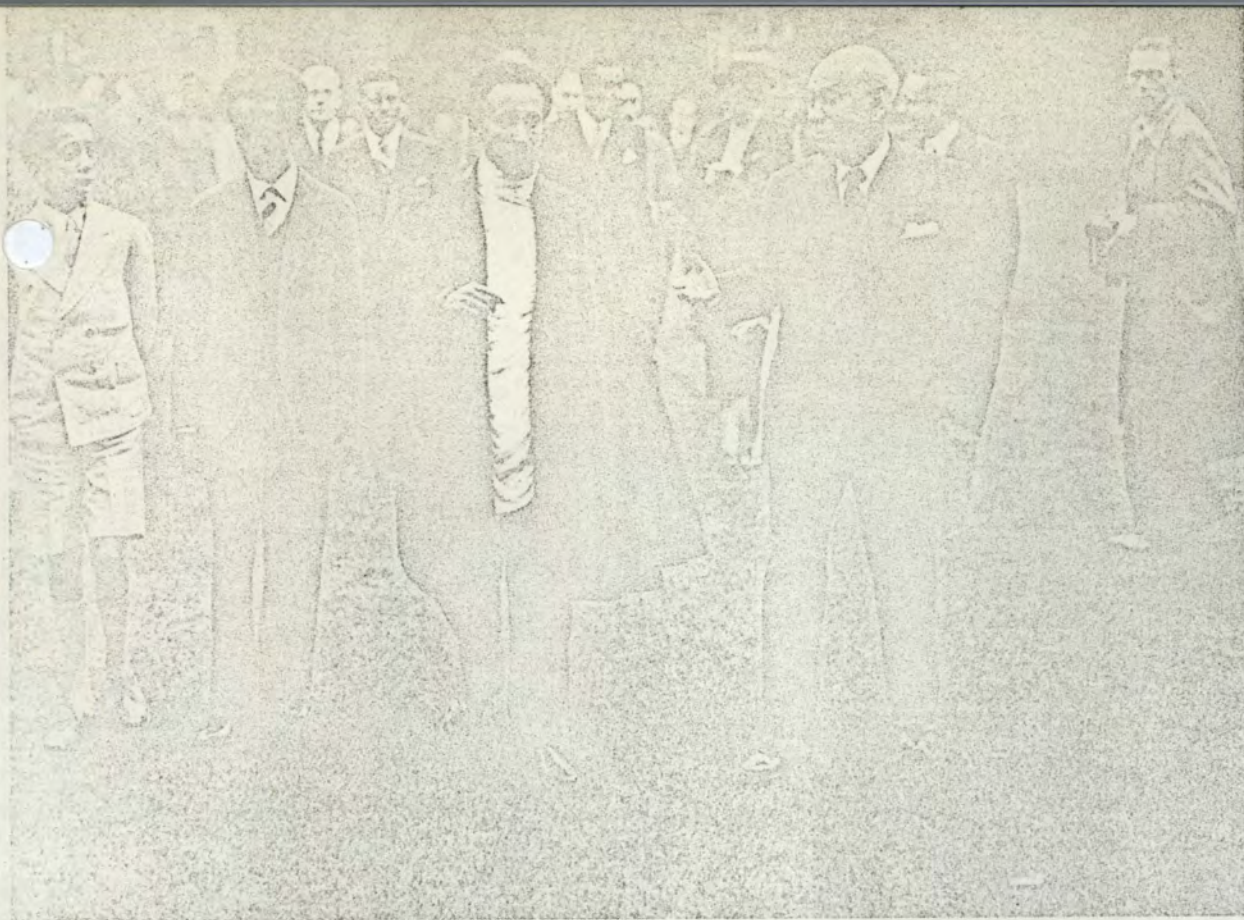


EARLY PHASE OF DIPLOMATIC CAMPAIGN

having on its side only the justice of its own cause and the promise of the League of Nations. What real assistance was given to Ethiopia by the fifty-two nations who had declared the Rome Government guilty of a breach of the Covenant and had undertaken to prevent the triumph of the aggressor: Has each of the States Members, as it was its duty to do in virtue of its signature appended to Article 15 of the Covenant, considered the aggressor as having committed an act of war personally directed against itself? I had placed all my hopes in the execution of these undertakings. My confidence had been confirmed by the repeated declarations made in the Council to the effect that aggression must not be rewarded, and that force would end by being compelled to bow before right.

**DEFENDING
THE CAUSE OF
ALL SMALL
PEOPLES**

In December, 1935, the Council made it quite clear that its feelings were in harmony with those of hundreds of millions of people who, in all parts of the world, had protested against the proposal to dismember Ethiopia. It was constantly repeated that there was not merely a conflict between the Italian Government and the League of Nations, and that is why I personally refused all proposals to my personal advantage made to me by the Italian Government, if only I would betray my people and the Covenant of the League of Nations. I was defending the cause of all small peoples who are threatened with aggression.



EMPEROR DISCUSSES PHASES OF CAMPAIGN

What have become of the promises made to me as long ago as October, 1935? I noted with grief, but without surprise that three Powers considered their undertakings under the Covenant as absolutely of no value. Their connections with Italy impelled them to refuse to take any measures whatsoever in order to stop Italian aggression. On the contrary, it was a profound disappointment to me to learn the attitude of a certain Government which, whilst ever protesting its scrupulous attachment to the Covenant, has tirelessly used all its efforts to prevent its observance. As soon as any measure which was likely to be rapidly effective was proposed, various pretexts were devised in order to postpone even consideration of the measure. Did the secret agreements of January, 1935, provide for this tireless obstruction?

**SECRET
AGREEMENTS
OF JANUARY,
1935**

The Ethiopian Government never expected other Governments to shed their soldiers' blood to defend the Covenant when their own immediately personal interests were not at stake. Ethiopian warriors asked only for means to defend themselves. On many occasions I have asked for financial assistance for the purchase of arms. That assistance has been constantly refused me. What, then, in practice, is the meaning of Article 16 of the Covenant and of collective security?

**WHAT IS
COLLECTIVE
SECURITY?**

of Sweden declared the set-back the League had suffered by its incapacity to save Ethiopia had reacted powerfully on public opinion in Sweden. The Irish Free State expressed "bitter humiliation." William Jordan, the New Zealand representative, said he felt "disappointment and distress" and showed the genuine quality of his opinions by urging "intensified sanctions". "New Zealand", he said, "was prepared to take that road if the majority of Member States would agree." Dr. Wellington Koo, the representative of China, declared the League's failure to defend his country against Japanese aggression had led to the present tragedy. Iran protested, "as long as sincerity fails to reign in the Assembly, no Covenant will prove effective." Spain also complained that the failure to protect Ethiopia was not due to defects in the Covenant, saying, "the law is good: what is bad is the way it has been enforced."

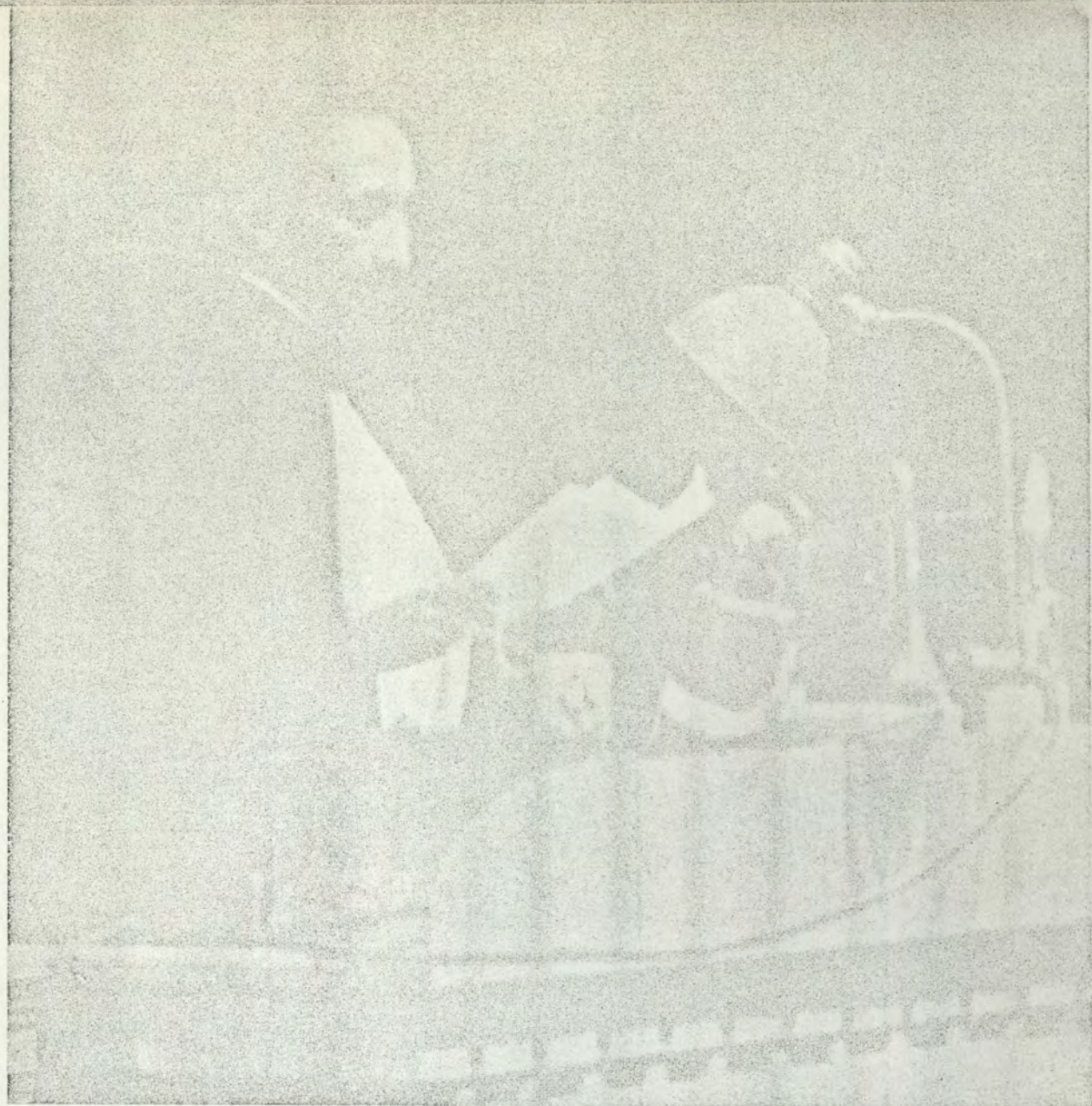
Nevertheless the proposal to lift sanctions was later carried. The Ethiopian delegation forwarded to the Secretary-General two resolutions which it desired to move in the Assembly. The first affirmed in general terms that no recognition should be made of any annexation made by force of arms. The second claimed the right of Ethiopia to assistance under Article 16 and asked the Assembly to recommend that the Governments of Member States give guarantees to a loan of £10,000,000 to be raised by the Ethiopian Government on terms to be decided by the Council after reference to the Finance Committee of the League. On the same day the French delegation sent in a resolution relating to the raising of sanctions and reform of the League, but containing a phrase which might be construed as implying recognition of annexation.

These resolutions were brought before the Assembly at the end of the morning session next day; and on the President's suggestion, they were referred without discussion or objection to the General Committee, which was to meet in private the same evening.

A summary of the proceedings of the General Committee published the following morning, showed that the French resolution had met with much criticism from the smaller countries, and amendments had been proposed to remove the implied recognition and a phrase which suggested a weakening of Article 16.

The General Committee not having finished, was notified to meet at 9.30 on Saturday and the Assembly at 2 p.m. Soon after 10.30, however, the Ethiopian delegation, who were not represented on the Committee, were notified by telephone that the Assembly would meet at 11:30 to consider resolutions proposed by the Committee. At this meeting the Ethiopian delegation protested against resolutions which vitally affected the interest of their country being proposed without notice for immediate decision. According to the standing orders of the Assembly, 24 hours' notice ought to have been given; but a compromise was agreed and the Assembly adjourned until 6 o'clock. This gave the Ethiopian delegation time to prepare their reply and consider what line they would take in view of the fact that the General Committee appeared to have dropped their resolutions.

The League of Nations attempted to stop the Italian aggression by imposing sanctions, an action in which Britain took a leading part. Unfortunately, Britain and other nations also imposed an embargo on the supply of arms to ill-prepared Ethiopia, as well as Italy. The sanctions were unsuccessful, chiefly because of the reluctance of France, at that time under Laval, to press them strongly. Early in 1935, Laval had made a secret agreement with Mussolini, partly concerning Ethiopia. Late in 1935, then the British Foreign Minister, Hoare, with Laval, made proposals for a settlement of the war, which British public opinion rejected as condoning and rewarding aggression.



EMPEROR DELIVERS THE HISTORIC ADDRESS TO THE LEAGUE.

The Ethiopian delegation was determined to show up the whole intrigue and press their resolutions to a vote by roll-call, which would force each country individually to show to the whole world its attitude towards this betrayal of Ethiopia and the League's ideals.

Then came the vote by roll-call on resolution for lifting of sanctions. Mexico was absent, owing to disapproval as explained in a press communique. So 49 countries voted. As the name of each country was called in alphabetical order in French; the first delegate replied "yes" or "no" or "I abstain". The result was "yes" 44, "no" 1, abstentions 4.

The President then stated that the report of the General Committee had pointed out that, of the Ethiopian resolutions the object of the first (non-recognition) was realised in the Committee's own resolution which they had just adopted; and that as regards the second, the Committee of Thirteen had recommended against financial assistance in January last. Did any member of the Assembly wish the resolutions to be put to the vote?

Dejazmatch Nasibou, head of the Ethiopian delegation, at once asked that both of the resolutions be put to the vote, and by roll-call. It was pointed out to him again from the chair that the first of the Ethiopian resolutions was covered by the resolution already adopted; and with some misgivings the delegation agreed not to press the first resolution.

The Ethiopian delegation moved that a loan of £10,000,000 be granted by the League to Ethiopia to assist her to continue her struggle. As voting by roll-call on the motion for a loan proceeded, one heard Ethiopia's last hope turned down by Britain, France, Poland, Yugoslavia and others; but the number of replies "Abstention" (in French) was quite unexpected. The count showed; "No" 23 "Yes" 1, "Abstentions" 25.