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McNamara Papers

Travel

Folder 2 of 3

ITINERARY FOR VISIT TO YUGOSLAVIA AND ETHIOPIA, OCTOBER 9-22, 1970

Date	Time	GMT		Remarks
Oct. 9	1655	2055	Depart Washington--National	NA153 (B727) non-stop
	1750	2150	Arrive New York--JFK	
	1900	2300	Depart New York--JFK	AZ611 (B747) non-stop
Oct. 10	0740	0640	Arrive Rome--met at airport by private car w/chauffeur. (American Express)	Stay overnight at Hotel Hassler
Oct. 11	1400	1300	Depart Rome--via Dubrovnik	JU407 (Caravelle)
	1655	1555	Arrive Belgrade	Press statement (TV) at airport
	1715		Depart by car for Government Villa	
	1900		Courtesy call at Villa by Mr. Smole, Minister of Finance, IBRD Governor and official host	
	1930		Informal dinner at Villa	Hosted by Mr. and Mrs. Smole
Oct. 12	0800		Mr. Smole	At Federal Executive Council Building
	0830		Dr. Jelic, Federal Sec'y for Economy	
	0930		Dr. Stajner, Director, Federal Inst. of Planning (Five-Year Plan 1971-75)	
	1000		Mr. Granfil, Member, Federal Executive Council (external economic relations)	
	1100		Mr. Miljanic, Member, Federal Executive Council (economic affairs)	
	1145		Mr. Ribicic, Prime Minister (meeting not confirmed)	
	1230		Mr. Bojanic, President of Serbia	
	1300		Lunch	Hosted by either Mr. Ribicic or Mr. Bojanic
	1500		Briefing on workers' self-management	Trade Union Headquarters
	1600		Mr. Kolak, President, Federal Chamber of Economy	Fed. Chamber of Economy
	1700		Meeting with Bankers	Headquarters Yugoslav Bank for Foreign Trade
	1800		Dr. Perisin, Governor, National Bank of Yugoslavia	Headquarters National Bank
			Dinner free at Villa	
Oct. 13	0800		Representative Workers' Council and Management--Mr. Rakovic, Gen. Manager Zastava Auto Enterprise	D.M.B. (21 May Factory)
	0930		Depart by car to PIK-Belgrade	
	1000		Mr. Zecevich (agro-industrial enterprise)	PIK-Belgrade
	1100		Depart by car to Novi Sad	
	1200		Mr. Bulatovic (Tisa-Danube Canal enterprise)	Novi Sad
	1300		Lunch--Mr. Marusic, Pres., Executive Council of Vojvodina	" "

Oct. 13	1430		Mr. Sovol (Koproduct--meat exporting enterprises)	Novi Sad
	1530		Dr. Savic, Director, Inst. for Agricultural Research	" "
	1630		Depart by car to Belgrade airport	
	1800		Depart by air to Skoplje	
	1915		Arrive Skoplje	
	2000		Dinner	Hosted by Dr. Bogoev, President of Macedonia
Oct. 14	0800		Urban Renewal Inst.--briefing on rebuilding after 1963 earthquake	Skoplje
	0900		Tour of Skoplje	
	1000		Departure by air to Sarajavo	
	1130		Arrive Sarajevo	
	1200		Tour of Sarajevo--interesting historic Turkish section	
	1330		Lunch	Hosted by Mr. Kosovac, Pres., Bosnia-Hercegovina
	1500		Mr. Kosovac & members Bosnia-Hercegovina Executive Council	Sarajevo
	1600		Group of Industrialists	"
	1730		Depart by air to Dubrovnik	
			Dinner free	
Oct. 15	0800		UNDP Team--Mr. Lujak	Dubrovnik
	0930		Tour of Dubrovnik	
	1030		Depart by car for Hercegnovi	Drive along Adriatic Highway--finance by Bank
	1115		Arrive Hercegnovi--meeting with Dr. Bulajic, President Montenegro	
	1200		Depart for Dubrovnik airport--lunch on plane	
	1430		Arrive Zagreb	
	1500		Mr. Haramija, President Croatia	Zagreb
	1630		Group of Industrialists	"
	1800		Dr. Supek, Rector, Zagreb University	"
	2000		Dinner	Hosted by Pres. of Croatia
Oct. 16			Time to be determined: Meeting with President Tito, Mr. Gligorov, four industrialists and final meeting with Mr. Smole	
Oct. 17	0930	0830	Depart Belgrade	JU406 (DC9) Dubrovnik
	1020		Arrive Dubrovnik	
	1100		Depart Dubrovnik	
	1205	1105	Arrive Rome--private car	Day room at Hotel Hassler
	2330	2230	Depart Rome	ET727 (Jet) stop Cairo
Oct. 18	0825	0525	Arrive Addis Ababa	Press statement at airport
	1200		Briefing by Lejeune and Finsaas	
	1300		Lunch at hotel with Robert Gardiner	

Oct. 18	1500		Helicopter to Chilalo	
	1545		Tour Chilalo Agricultural Development Unit (CADU)	
			Stay overnight at Rest House	
Oct. 19	0700		Depart Rest House by plane	
	0745		Arrive Wolamo project area--tour Wolamo	
	1000		Depart by plane	
	1115		Arrive Addis Ababa	
	1230		Business meeting with Emperor followed by Palace luncheon	Mr. & Mrs. McNamara
	1500		Minister of Finance	
	1630		Minister of Communications	
	1730		Courtesy call by UNDP ResRep at hotel	
			Dinner free	
Oct. 20	0900		Minister of Agriculture, Minister of Land Reform	
	1045		Vice Minister of Education	
	1200		President, Haile Selassie University, Dr. Habte	
			Lunch free	
	1500		Meeting with Bankers	
	1600		Chief Commissioner of Planning and senior economists	
	1730		Dr. Frank Bowles at hotel	
			Possible reception by Government in evening	
Oct. 21	0800		Acting Head of Church and Director General of Ecclesiastical Affairs	
	0900		Prime Minister	
	1015		Minister of Community Development and Social Affairs	
	1115		Presidents of Senate and Chamber of Deputies	
	1215		Lord Mayor	
			Lunch free	
	1455	1155	Depart Addis Ababa	AZ841 (DC8) Khartoum/Athens
	2115	2015	Arrive Rome	Stay overnight at Hotel Diurno (Airport)
Oct. 22	0900	0800	Depart Rome	AZ618 (DC8) non-stop
	1320	1720	Arrive New York--JFK	
	1430	1830	Depart New York--JFK	NA443 (B727) Baltimore
	1605	2005	Arrive Washington--National	

LEC
October 8, 1970

PROGRAMME

For the visit of Mr. McNamara
President of World Bank

October 18-21, 1970
Addis Ababa

	Ghiorgis, H.E. Ato Bekele Haile Vice Minister of Municipalities and Ato Nega Fanta, General Manager of Water Supply Administration.
14.20	Leave for H.S.I. International Airport.
14.55	Departure by Alitalia, Flight AZ 841. H.E. Ato Mammo Tadesse Minister of Finance will take leave of Mr. and Mrs McNamara at H.S.I. International Airport.

PROGRAMME

For the visit of Mr. McNamara President of World Bank

October 18-21, 1970
Addis Ababa

8.00	Meeting with His Grace Abuna Teophilos the Acting Patriarch of Ethiopian churches and Nibured Dimitros Lique Siltanat Abba Habte-Mariam.
8.55	Leave for Prime Minister's Office Meeting with H.E. Tsehafi Tiezaz Aklilu Habte Wold the Prime Minister
10.10	Leave for Ministry of Community Development
10.15	Meeting with H.E. Ato Getahun Tesema Minister of National Community Development
11.10	Leave for Parliament
11.15	Meeting with His Honourable Ato Seife Taddese, President of the Chamber of Deputies.
12.05	Leave for Municipality
12.15	Meeting with H.E. Doctor Haile Ghiorgis Workeneh the Lord Mayor of Addis Ababa. In his absence, Vice Mayor H.E. Ato Mulugueta Sine

9.00	Joint Meeting with Their Excellencies Ato Abebe Reta and Fitawrari Abebe Gebre Minister of Agriculture and Minister of Land Reform & Administration.
10.35	Leave for Ministry of Education.
10.45	Meeting with H.E. Ato Million Neknek Vice Minister of Education.
11.50	Leave for H.S.I. University
12.00-12.45	Meeting with H.E. Doctor Aklilu Habte President of the University
14.50	Leave for Commercial Bank of Ethiopia, joint meeting with the Heads of the Commercial Bank, the Addis Ababa Bank, the Investment Corporations & the Development Bank.
15.55	Leave for Planning Commission.
16.00	Meeting with H.E. Ato Belai Abai, Head of Planning Commission Office.

Wednesday October 21:

7.50	Leave for Ethiopian Patriarchy

Programme for the visit of Mr. McNamara President of World Bank October 18-21, 1970.

Sunday October 18:

8.25	Mr. McNamara arrives on board Ethiopian Airlines Flight No. 729. Upon arrival he will be met at the H.S.I. International Airport by H.E. Ato Mammo Tadesse Minister of Finance.
	Makes statement to Press.
8.40	Leave for Hilton Hotel where Mr. McNamara stays during the period of his visit to Ethiopia.
8.40-14.45	Free time.
14.45	Leave for H.S.I. International Airport.
15.00	Departure by Airforce helicopter for Chilalo, briefing en route by H.E. Ato Tesfa Bushen and Ato Paulos.

16.00 Arrival Chilalo, over flying of essential areas, further proposed programmes details at Mr. McNamara's choice staying over night at Chilalo.

Monday October 19:

7.00 Departure by helicopter for Wolamo Sodo, briefing en route by H.E. Ato Tesfa Bushen and by Mr. Burke.

7.45 Arrival Wolamo Sodo, on arrival Mr. McNamara will be met by Fitawrari Wolde Semayat deputy Governor General of Sidamo and Governor of Wolamo, over flying of essential development areas and meeting with the governor, further proposed programme details at Mr. McNamara's choice.

10.15 Departure by helicopter for Addis Ababa.

11.30 Arrival Addis International Airport and drive to Hilton Hotel.

12.20 Leave to Jubilee Palace, Business audience with His Imperial Majesty followed by luncheon to be given by His Imperial Majesty in honour of Mr. and Mrs. McNamara.

Monday October 19:

14.50 Leave for Ministry of Finance.

15.00 Meeting with H.E. Ato Mammo Tadesse Minister of Finance.

16.15 Leave for National Bank.

16.30 Meeting with H.E. Ato Menassie Lemma the Governor of the National Bank.

17.25 Leave for Ministry of Communications.

17.30 Meeting with H.E. Lij Endalkachew Makonnen Minister of Communications, Post Telegraph and Telecommunications.

18.30 Deputy OAU

Tuesday October 20:

8.55 Leave for Ministry of Agriculture

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Mr. McNamara's Visit to Ethiopia

Itinerary

(October 18-21, 1970)

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Saturday, October 17

0930	Leave Belgrade	JU 406 (DC 9)	Dubrovnik
1205	Arrive Rome	Day room - Hotel in Rome	
2330	Leave Rome	ET 729 (Jet)	Cairo

Sunday, October 18

0825	Arrive Addis Ababa, Bole Airport
0915	Arrive Addis Ababa, Hilton Hotel
1200	Briefing by Messrs. Lejeune and Finsaas
1300-1430	Lunch in the Hilton Hotel with Mr. Robert Gardiner, Executive Secretary of the Economic Commission for Africa (ECA)
1500-1545	Fly by Airforce helicopter to Chilalo - overflying essential areas
1545-1730	Tour Chilalo Agricultural Development Unit (CADU) - General Manager Ato Paulos Abraham
Night Rest House	CADU

Monday, October 19

0700-0745	Fly to Wolamo - overflying essential areas
0750-0815	Vice Governor of Sidamo Province, Fitawurari Wolde Semait Gabre-Wolde, one of the driving forces in initiating Wolamo Project
0815-0950	Tour Wolamo Agricultural Development Unit (WADU)
1000-1115	Fly to Addis Ababa
1230-1445	Emperor - business audience followed by Palace luncheon for Mr. and Mrs. McNamara

Monday, October 19 (Continued)

1500-1615	Minister of Finance - H.E. Ato Mammo Tadesse
1630-1715	Minister of Communications, Telecommunications and Posts - H.E. Lij. Endalkatchew Makonnen
1730-1745	Resident Representative, UNDP - M. Rene Gachot, at Hilton Hotel

Tuesday, October 20

0900-1030	Minister of Agriculture - H.E. Ato Abebe Reta) Minister of Land Reform - H.E. Fitawrari Abebe Gebre) Jointly
1045-1145	Vice Minister of Education - H.E. Ato Million Neqniq in the absence of the Minister
1200-1300	President, Haile Selassie I University - Dr. Aklilu Habte
	Lunch - free
1500-1545	General Manager, Commercial Bank of Ethiopia - Ato Taffara Deguefa) General Manager, Addis Ababa Bank - Ato Debebe Hapte Yohanes) General Manager, Ethiopia Investment Corporation - Mr. Brian Oliver) Jointly
1600-1700	Chief Commissioner of Planning - H.E. Ato Belai Abai
1730-1830	Dr. Frank Bowles at Hilton Hotel

Wednesday, October 21

0800-0845	Acting Head of Church - His Holiness Abuna Teoflos) Director General, Ecclesiastical Affairs) Jointly
0900-100	Prime Minister
1015-1100	Minister of Community Development and Social Affairs - H.E. Ato Getahun Tessema
1115-1200	President of the Senate - Lt. General Abiye Abebe) Jointly President of the Chamber of Deputies - Ato Seife Tadesse)
1215-1300	Lord Mayor - Dr. Haile Giorgis Workneh
	Lunch - free
1455	Depart from Bole Airport

October 8, 1970

THE VISIT OF MR. MCNAMARA, PRESIDENT, WORLD BANK TO WADU

Monday, 19th October 1970

0730
~~07:00~~ hrs. Depart Chilalo by helicopter accompanied by V.E.M. Burke, Project Director, WADU.

~~07:45~~ hrs.
0830
Arrive Soddu Airport. To be met by H.E. Fitawrari Wolde-Semayat, Governor of Wolamo.

Ato Tilahun Gidey, A/Project Engineer, WADU.

Mr. T.H. Bosse, Chief Training and Trials Officer WADU.

Mr. N.M. Walsh, Planning Officer, WADU.

Mr. J. Kana, Settlement Officer, WADU.

Be prepared to show Mr. McNamara project housing.

0900
~~0845~~
~~08:30~~ hrs. Depart Soddu for Abela by helicopter, accompanied by H.E. Fitawrari Wolde-Semayat and Mr. Burke (if there is room in the helicopter Messrs. Bosse, Walsh and Kana will accompany; if not they will have gone by road before the visitor sees the project housing).

0915
~~08:45~~ hrs. Arrive Abela. See settlement, by Land Cruiser, and crop trials accompanied by H.E. Fitawrari Wolde-Semayat, Messrs. Burke, Bosse, Walsh, Kana.

1000 AD

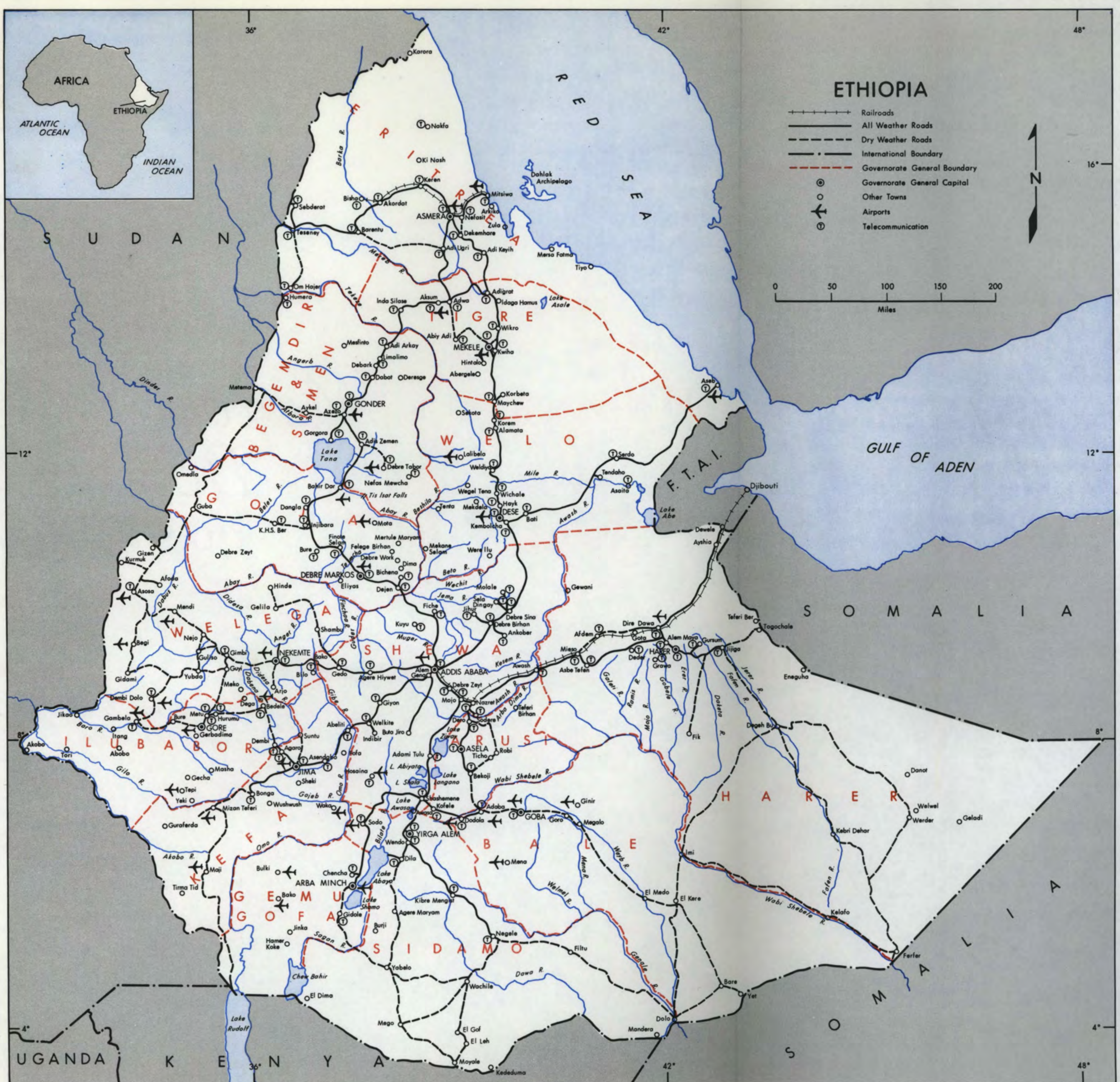
~~09:45~~ hrs. Depart Abela for ~~Himbi~~cho, accompanied by H.E. Fitawrari Wolde-Semayat and Mr. Burke.

~~10:15 hrs.~~ Arrive Himbicho. See Coffee pulping factory. Meet Ato Kebede Koomsa, A/Chief Marketing, Credit and Cooperatives Officer, PCV Don Henry. Mr. Burke will remain at Himbicho.

~~10:30 hrs.~~ Depart Himbicho accompanied by H.E. Fitawrari Wolde-Semayat for Addis Ababa.

11:30 hrs. Arrive Addis Ababa Airport.

The schedule is very tight. Any delay may result in Mr. McNamara viewing from the air rather than landing.



SEPTEMBER 1970

IBRD 3132

B

Arrival Statement - Addis Ababa 10/18/70

My arrival in Ethiopia brings me to a part of the world which I have long been anxious to see. I am particularly delighted that this visit will provide me with an opportunity to meet again your Emperor ~~Haile-Selassie,~~ a man whose dedication to the development of his country and the advancement of its people has won him respect and admiration far beyond the borders of Ethiopia. From it, I hope to gain new insights into your problems and your potential, in order to see what we in the World Bank Group can do to help overcome the problems and transform the potential into reality.

We are already in the process of greatly increasing our assistance for Ethiopia's economic development. In the last two fiscal years, the annual average of our lending has been well above the average for the 1964-68 period. We hope that in the next five years, our lending for projects in your country will be more than twice as large as in the previous five years. This increase reflects Ethiopia's growing capacity to both prepare and implement viable projects.

In the past our lending to Ethiopia has concentrated on assisting you in building the infrastructure -- the roads and telecommunications facilities required to tie a vast country together and the electric power facilities required for industrial development. While we intend to continue lending in these fields, we hope also to be able greatly to expand our assistance for agricultural development. We are encouraged by the progress being made in this sector. As agricultural research continues, as extension services are expanded, and as farmers are provided with bigger incentives through land reform, it should be possible greatly to increase the productivity of Ethiopia's rich agricultural resources.

We are also particularly interested in your country's plan for developing educational facilities. We have already assisted an education project supporting your policy of placing greater emphasis on the practical subjects required for development. We look forward to working together in devising future education projects geared not to copying European or American models but rather to meeting Ethiopia's own special needs.

The purpose of our lending, in Ethiopia as in any other country, is not simply to help build a road here or a power plant there. The more important purpose is to fit our assistance into a program of activity designed to create a fuller, happier and more productive life for the people of the country. That is the purpose to which all our assistance to Ethiopia is dedicated.

Over the next few days, I plan to meet many of those who are concerned with your economic development, and to see on the ground some of the activities in progress. I hope that, at the end, I shall know more of your country and your people, so that the Bank can play a fuller part in helping you solve the problems -- relating to the mobilization of public savings, for instance -- that undoubtedly lie ahead. Thus do we hope to forge a closer partnership in moving towards our common goal of advancing the welfare of Ethiopia's people.

C

ETHIOPIAN GOVERNMENT

1. Prime Minister's Office

Prime Minister and Minister of Pen: H.E. Tsehafi Tezaz Aklilu Habte Wold

Minister: H.E. Ato Seyoum Haregot

2. Ministry of Defence

Minister: H.E. General Kebede Gabre

Minister of State: H.E. General Wolde Selassie Bereka

3. Ministry of Finance

Minister: H.E. Mammo Tadesse

Minister of State: H.E. Mulatu Debebe

Minister of State: H.E. Teklu Dilnessahu

Vice Minister (Customs): H.E. Solomon Kedir

Vice Minister (Budget and Finance): H.E. Bulcha Demeksa

4. Ministry of Commerce, Industry and Tourism

Minister: H.E. Yilma Deressa

Vice Minister: H.E. Taddesse Mogesse

Vice Minister: H.E. Tekle Haimanot

Vice Minister: H.E. Bekele Indeshaw

Vice Minister (Tourism): H.E. Habte Selassie Tafesse

5. Ministry of Foreign Affairs

Minister: H.E. Ato Ketema Yifru

Minister of State: H.E. Dr. Tesfaye Gebre Egzi

6. Ministry of Agriculture

Minister: H.E. Ato Abebe Reta

Vice Minister: H.E. Ato Tesfa Bushen

Vice Minister: H.E. Worku Mekasha

7. Ministry of National Community Development

Minister: H.E. Ato Getahun Tessema

8. Ministry of Imperial Court

Minister: H.E. Tsehafe Tezaz Teferra Work Kidane Wold

9. Ministry of Communications, Telecommunications and Posts

Minister: H.E. Lij Endalkatchew Makonnen

General Manager, Telecommunications: Ato Betru Admassie

Minister of State (Communications): H.E. Getachew Bekele

10. Ministry of Education

Minister: H.E. Ato Seifu Mahteme Selassie

Vice Minister: H.E. Ato Million Nekniq

11. Ministry of Information

Minister of State: H.E. Getachew Mekasha

12. Ministry of Public Works

Vice Minister: H.E. Eng. Makonnen Mulat

General Manager, Imperial Highway Authority (IHA): Ato Abashawl Woldemariam

13. Ministry of Public Health

Minister: H.E. Ato Ketema Ababe

14. Ministry of Land Reform

Minister: H.E. Fitawrari Abebe Gebre

15. Ministry of Justice

Minister: H.E. Ato Akale Work Habte Wold

Vice Minister: H.E. Ato Betachew Asrat

16. Ministry of Interior

Minister: H.E. Bitwoded Zewdie Gebreheywot

17. Planning Commission

Minister of State and Head of the Planning Commission: H.E. Ato Belai Abai

October 6, 1970

His Imperial Majesty Haile Selassie I:

Born in 1892 in Harar, he is the 66th Emperor (after 1260 A.D. restoration) in the line of succession of a dyasty that dates back to 975 B.C. Raised in the Imperial Court, his service in government started at 14 when he was appointed Governor of Gara Mulata. He later served as Governor of Selale, Sidamo and Harar before becoming regent and heir apparent to Princess Zaudito when she was proclaimed Empress in 1916. When she died in 1930, he was proclaimed Emperor at the age of 38. At 78 he has reigned over Ethiopia for 40 years.

During this period he has acted as an effective stabilizing force. His person is declared to be sacred, his dignity inviolable and his power indisputable. He is Head of State, Chief Executive and Exercises the powers of a Chief Judge and Legislator. His success has been attributed to his ability to balance competitive political groups within his government notably the Army, the Court nobility and the Ethiopian Orthodox Church. In 1960 for example, a military coup in his absence was foiled because it originated with the imperial bodyguard, but was crushed by the army which represented different interests. He has initiated major reforms in his government such as a written Constitution providing for appointment of a Prime Minister, Cabinet and an elected Chamber of Deputies. He has played an active role in the modernization of education at all levels. He is Chancellor of the University at Addis Ababa, which bears his name.

The Emperor has a keen interest in foreign affairs dating back to 1937 following the Italian occupation, when he left the country to appeal for help fromthe League of Nations. In 1941 he returned to Addis Ababa after 5 years in exile in Great Britain. In the same year Ethiopia joined the League of

Nations. He is said to make more State visits than any other Head of State. He has been particularly active in the Pan-African Movement. He hosted the first African Heads of State Conference which founded the Organization of African Unity (OAU) in 1963. The OAU has its headquarters in Addis Ababa, as does the United Nations Economic Commission for Africa (ECA) which was established in 1958.

As the Emperor advances in age, speculation as to what will happen when he goes has grown as has opposition to his regime but not so much to the Emperor himself, particularly among students. The Emperor has in turn delegated more authority to his Ministers and recruited more progressive young officials in his government as opposed to the more traditional "old guards". Friction between these groups continues to grow. Nevertheless, Haile Selassie continues to be at the very center of the political system. He is the most powerful man in the government and his position appears to be quite secure.

H.E. Tsahafe Taezaz Aklilu Hapte Wold

Prime Minister, and Minister of Pen.

Born in Bulga, Shoa Province in 1912. Youngest of three brothers all of whom served in the Cabinet in the Post-liberation era; oldest brother, the late Makonnen Hapte Wold, among most infleuntial Ministers of the Crown until his death in 1960. The other brother, Akale Work Hapte Wold, still in Cabinet as Minister of Justice. They descend from a long line of priests of the Ethiopian Coptic Church.

Educated in Ethiopia, Egypt and France. He holds a number of degrees in Law and Political Science - from the Sorbonne, among other institutions.

Married to a Frenchwoman. No children.

Served as Secretary and Charge d'Affaires in the Ethiopian Legation in Paris where he remained during the Italian occupation.

After the Italian occupation he served for a brief period (November 9, 1942 to October 13, 1943) as Vice Minister of Pen. He was appointed Vice Minister of Foreign Affairs on October 14, 1943 and became Minister six years later. He held the portfolio until April 18, 1958. During his long tenure at the Foreign Office he has participated in a number of negociations and represented Ethiopia in several important international conferences. He negociated the return of Eritrea to Ethiopia, and signed the U.N. Charter.

In November 1957 he was appointed Deputy Prime Minister upon the departure of Ethiopia's first Prime Minister. He was the Foreign Minister as well. Six months later, however, he exchanged the Foreign Office for the Ministry of Pen. He was appointed Prime Minister and Minister of Pen on March 30, 1961. He was reappointed with increased powers, i.e., to select his own Ministers, on March 24, 1966.

H.E. Ato Menasse Lemma

Governor, National Bank of Ethiopia

Born: Cairo, Egypt in 1913

Educated in Egypt

Married. Five daughters

Appointed Director-General of Finance on November 9, 1942; Vice Minister of Finance on July 7, 1949; and Minister of State of Finance on November 14, 1957. In the immediate post-liberation era several currencies including the Maria Theresa Dollar, East African Shillings, Italian Lire were in circulation. As Director-General and Vice Minister he was intimately involved in the formation of the State Bank of Ethiopia and the introduction of the new Ethiopian currency.

He became Minister of the newly formed Ministry of Mines and State Domains (both Departments of the Ministry of Finance until then) in April 1958. A year later left this Ministry to become Auditor-General and Chief Economic, Financial and Planning Advisor in the H.I.M. Private Cabinet, as well as acting Governor of the State Bank of Ethiopia.

When the State Bank of Ethiopia was split into the Commercial Bank of Ethiopia and the National Bank of Ethiopia, he became Governor of the latter, which is Ethiopia's central bank. He has served and still serves on various boards, and committees.

He speaks Amharic, Arabic, French, English, and Italian.

MAMMO TADESSE - MINISTER OF FINANCE

Mammo Tadesse: Born in 1924 in Addis Ababa, married (French wife). French educated; secondary education Alliance Francaise, Addis Ababa; undergraduate French Lycee, Cairo; law degree, 1951 from Faculte de Droit de Paris, and M.A. in Political Science from the Ecole des Sciences Politiques in 1952. In 1953-54 was Legal Adviser to Ministry of Commerce and Industry. Chairman of Commission to codify Ethiopia's commercial, civil, panel and maritime laws, 1955. Acting Vice-Minister of Information 1956-58. Vice-Minister and Minister of State in the Prime Minister's Office 1958-66, where he was in charge of civil service administration and worked on legislative matters. Became Minister of Justice in 1966 and earned a name by improving the operational efficiency of Ethiopian courts. Appointed as the Finance Minister in February 1969 to deal with the financial crisis which occurred in 1968-69. Previously Finance was held by the most senior Cabinet Minister, Ato Yilma Deressa.

Mammo Tadesse has already established himself as an efficient Finance Minister. His relationship with other senior Cabinet Ministers is good, and he also has the ear of the Emperor. Apart from administrative ability, Mammo Tadesse is usually forthright in his approach and talks quite frankly. He is fluent in English and French and has a working knowledge of Italian and Spanish. He is fond of reading and swimming.

Mammo Tadesse's political position is considered secure and he is likely to survive changes in the Government, even under a new Prime Minister.

Bulcha Demeksa

Vice-Minister of Finance

Bulcha Demeksa, Vice-Minister of Finance, is designated at this Annual Meeting as Alternate Executive Director for the group of countries currently represented by Mr. Kahangi. He is about 42 years old, married with five children. Graduated from Haile Selassie University in 1959 after working as a school teacher. Received masters degree in Economics from the University of Wisconsin in 1960. Since then has served in various capacities in the Ministry of Finance, where he became Vice-Minister in 1967. At the same time, he attended law school at night and received his LLB in 1967. Ato Bulcha served as Alternate Governor of the Bank from 1965 through 1967 and is familiar with our activities in Ethiopia.

H. E. Ato Yilma Deressa

Minister of Commerce, Industry and Tourism

Born in 1907 at Chuta, in Wollega province. He is the oldest Minister in the Cabinet. His father, a member of the minor nobility in Wollega, was Deputy Prime Minister in the early fifties.

Educated in Ethiopia, Egypt and England. After studying in Victoria College, at Alexandria, he went on to the London School of Economics, where he obtained his B.Sc. (Econ.) in 1933).

Shortly after his return to Ethiopia, Italy invaded Ethiopia. He was imprisoned and was taken to Italy. He was released and returned to Ethiopia before Liberation.

When the Ethiopian Government was reestablished in 1941, he was appointed Director General of the Ministry of Finance on August 8, 1941. He became Vice-Minister of Finance on November 9, 1942. He was in charge of Finance until his appointment as Minister of Commerce, Industry and Planning on July 7, 1949.

He served as Ethiopia's Ambassador to the United States from July 1953 to March 1958 and Ethiopia's Foreign Minister from April 1958 to July 1960.

He was shifted to the Ministry of Finance in July 1960, where he served as Finance Minister for another eight years. In February 1969, he was appointed to his current post - Commerce, Industry and Tourism.

He is married and has four daughters and two sons.

He speaks Galligna, Amharic, English, French and Italian.

H. E. Ato Amanuel Abraham

Minister of Mines

Born in Wollega Province.

Educated in Ethiopia, in Mission Schools, before going for further studies abroad.

He joined the Government after liberation and was first appointed as Director General of the Ministry of Foreign Affairs on November 11, 1943. Six months later, he was appointed Director General of the Ministry of Education and Fine Arts. As the senior official of the Ministry, he worked directly with the Emperor for almost five years.

Then followed a series of successive ambassadorships. He was appointed Ethiopian Ambassador to India (March 11, 1949), to Italy (May 5, 1952) and finally to Great Britain (August 10, 1955).

On his return to Ethiopia after ten years absence abroad, he was appointed Minister of Posts, Telegraph & Telephone, as well as Chief of Political Affairs in His Majesty's Private Cabinet on December 22, 1959.

When the Aklilu Cabinet was formed in 1966, Amanuel became Minister of Communication - a Ministry then newly detached from Public Works. In the 1969 reshuffle, he was appointed Minister of Mines.

Amanuel has written and translated several works in Amharic. He speaks Galligna, Amharic, English and French.

Married and has several children. He is in his mid-fifties.

H.E. Ato Abebe Retta, Minister of Agriculture

Born. Tigre Province. He is in his early sixties. Traditional Ethiopian church education.

During the Italian occupation he was a member of the Emperor's entourage in Britain. His first major assignment on his return to Ethiopia was the Chairmanship of the Board, Ethiopian Air Lines. After a year on the Board (August 1947-48) he was appointed Ethiopian Ambassador to Great Britain, where he remained some eight years.

On March 4, 1956 he was recalled and appointed Minister of Commerce and Industry. About two years later he became Minister of Public Health and for a while also Acting Minister of National Community Development.

When the Aklilu Cabinet was first formed in March 1966, Abebe Retta became Minister of Commerce and Industry, from whence he was transferred to his current post, Minister of Agriculture, in February 1969.

Divorced. Eldest daughter married to a Cabinet Minister, Seyoum Haregot.

Abebe Retta is knowledgeable in traditional Ethiopian Linguistics and Literature.

He speaks Geez, Tigrigna, Amharic and English.

H. E. Ato Seifu Mahtem Selassie

Minister of Education and Fine Arts

Born in Addis Ababa, in 1923, the grandson of a former Minister of Pen. His father played prominent roles (as Minister of Finance, among others), in the Cabinet in the late fifties and early sixties.

Seifu was educated in Ethiopia and the United States, where he obtained a B.Sc. degree in Radio Engineering.

On his return to Ethiopia, he was appointed Director General of the then Shoa Electric Light and Power Authority (July 7, 1953).

When the Authority was reorganized and a chartered body was formed, Ato Seifu became General Manager of the new Ethiopian Electric Light and Power Authority on May 19, 1958. His rank was raised to that of Vice Minister on November 25, 1961. The Authority's activities grew significantly and he earned the reputation of an efficient manager.

He was appointed Minister of Public Works in 1969, only to be reappointed as Minister of Education a few months later.

He is married and has children.

Speaks Amharic and English.

H. E. Ato Getahoun Tessema,

Minister of National Community Development and Social Affairs

Born in Shoa Province.

Educated in Ethiopia and Lebanon.

He had acted as one of the "Liaison Officers" between the British and Ethiopian patriot forces, when the Emperor returned to Ethiopia in 1941.

Within a week of the Emperor's return to Addis Ababa, Getahoun was one of the first young and junior appointees in the newly formed Government. He was appointed Director General of the Ministry of Pen. A year and a half later (11/9/42), he was transferred to the Ministry of Interior as its Director General.

He was appointed First Secretary in the Ethiopian Embassy in Washington on October 22, 1943, where he worked for almost six years. Back in Ethiopia, he was appointed Vice Minister of Commerce and Industry (7/17/49), Vice Minister of Agriculture (7/2/57), Minister of Public Health (11/7/57).

On February 2, 1959, he was appointed Ethiopian Ambassador to the Soviet Union; and to India on September 28, 1960.

Back from India after a couple of years, he was appointed Minister of National Community Development and Social Affairs. He has held his present post for some seven years.

Since the early sixties he has been Chairman of the Budget Committee of the Council of Ministers.

He is married. No children.

H. E. Lij Endalkatchew Makonnen

Minister of P.T.T., Communication and Telecommunications

Born in Addis Ababa; son of Ethiopia's first Prime Minister, a member of a prominent Shoan Family.

Educated in Ethiopia and England, where he attended Oxford University, majoring in Philosophy, Politics and Economics.

Upon his return to Ethiopia, he joined the Ministry of Foreign Affairs. He served there as Director General (June 1953), as Assistant Minister (July 1956), and as Vice-Minister (November 1957). While at the Foreign Office he accompanied the Emperor on his first and extended State visit to the U.S. in 1954 and acted as his Chief Interpreter. He was appointed Vice-Minister of the National Community Development on May 19, 1958. He headed the Ministry of Education and Fine Arts as Vice-Minister (December 12, 1958 - December 4, 1959).

In December 1959, he was appointed Ethiopian Ambassador to Great Britain, where he remained until his appointment as Minister of Commerce and Industry (March 30, 1961). He headed the Ethiopian delegation to the 1964 United Nations Conference on Trade and Development, where he was elected as one of the Vice-Presidents of the conference.

On April 11, 1966, he was appointed Ethiopian Ambassador to the UN (with the rank of Cabinet Minister). At the UN, he served Ethiopia's term on the Security Council. Upon his return from the UN in the Summer of 1969, he was appointed Minister of the "New Conglomerate", formed out of the former Ministries of P.T.T. and Communications and the autonomous body - Imperial Board of Telecommunications, a post he still holds.

Married and has children.

H.E. Ato Belai Abai, Commissioner of Planning

Born: Tigre Province.

Educated at Haile Selassie I Secondary School in Ethiopia. He has also studied in University of Manchester, England, and Harvard University.

He joined the Ministry of Finance in the mid-fifties. After a couple of years at the Income Tax Department, he was appointed Director General of the Economic and Technical Assistance Board in May 1959.

After a brief period at the Ministry of Commerce and Industry, he left the Government to join the Economic Commission for Africa. He rejoined the Government as the Vice Minister of a newly formed Ministry of Planning and Development on February 11, 1967.

When the Ministry was converted into a Planning Commission attached to the Prime Minister's Office in February 1969, he was appointed Commissioner of Planning with the rank of Minister of State.

A professional Economist, he was intimately involved in the preparation of the Third Five-Year Development Plan.

He is married. No children.

ROBERT KWETU ATTA GARDINER - EXECUTIVE SECRETARY OF ECA

Robert Kwetu Atta Gardiner: Born in 1914 in Ghana, he was educated at Fourah Bay College, in Sierra Leone, and at Cambridge and Oxford in England. He returned to serve as lecturer in Economics at Fourah Bay College from 1943-46, before serving as Specialist to the United Nations Trusteeship Department from 1947 to 1948. He then became Director of the Department of Extra-Mural Studies at the University College in Ibadan, Nigeria where he stayed until 1953 when he was appointed Director of the Department of Social Welfare and Community Development in Ghana, a post he held until 1955. Mr. Gardiner also served as Chairman of Komari College of Technology (1954-58), and Permanent Secretary in the Ministry of Housing, Ghana (1955-57). In 1957 he was made Establishment Secretary and Head of the Civil Service, a job he held until 1959 when he was appointed as Deputy Executive Secretary to the United Nations Economic Commission for Africa. He became the Executive Secretary of the Commission in 1963. Mr. Gardiner has also served as Special Envoy of the United Nations Secretary General to the Congo (1961), Director of United Nations Division for Public Administration (1961), United Nations Special Representative to the Congo (1962-63), and as a B.B.C. Keith Lecturer in 1965. He is joint author of Development and Social Administration, (1954), and has lectured extensively on promoting regional development on the continent of Africa.

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Mr. McNamara's Visit to Ethiopia

Talking Points

Ministers of (i) Agriculture (ii) Land Reform (iii) Community Development

1. Land Reform

   Plans for — time tabled — stages of resistance

   (a) Legislation

   (b) Cadastral Survey

   (c) Organization

2. Marketing of small farmer crops

3. Agricultural Credit

4. Package programs - Livestock

5. Coordination of Rural Development Ministries and Agencies

6. Agricultural Education

7. The Rockefeller Mission report on government organization for the agricultural services. The Government has had copies of the draft report. What is the reaction?

Long range plan for Organiz. of Ethiopian agri.
role of land-lord owners: church; Individ.; small land holders; tenant or sharecropper; co-op; corp; exten. service

Mr. McNamara's Visit to Ethiopia

Talking Points

Minister of Education

1. Structure of Education system in relation to the development needs of the country -

   (a) Education sector study

   (b) Manpower study

2. Low percentage (16%) of school age children in school - relevance for family planning.

3. Planning Unit
   There is a Unit but it is weak mainly because the Minister has little interest in planning. One of the UNDP/Harvard (DAS) advisers will be attached to the Ministry to help improve the planning situation.

reorient. of prim school curriculum away from sole orientation toward secondary

reorient. of secondary away from sole orientation toward academic (15/1 ratio of general sec. to tech)

rate of expan of enrollment past & planned future

reduce rate of expan & inc. expend. per pupil

Mr. McNamara's Visit to Ethiopia

Talking Points

President, Haile Selassie I University

1. University expansion program

2. Efforts to meet specific manpower requirements for the Country's development.

Present & future capacity for study of & research in devel. problems & policies

Mr. McNamara's Visit to Ethiopia

Talking Points

Governor, National Bank of Ethiopia

1. Counter cyclical foreign exchange reserve policy

2. Mobilization of domestic resources for investment

   (a) appropriate interest rate policy

   (b) institutional development

Manager, Ecclesiastical Affairs

1. Family Planning

2. Land Reform

Deputy Governor, Sidamo Province

1. Congratulations on ititiative and resourcefulness which gave the Wollamo Project its beginning and brought it to the stage of implementation.

2. What are the prospects of repeating this within the province, or of other provincial governors doing the same thing.

3. Land reform - the Deputy Governor should be a good sounding board about attitudes.

Mr. McNamara's Visit to Ethiopia

Talking Points

Chief Planning Commissioner

1. Planning in Ethiopia

   (a) The role of the new Planning Commission

   (b) The UNDP project - (Harvard D.A.S.)

   (c) Coordination with Ministries, Government Agencies, and the private sector

   (d) Teamwork with Finance Ministry and National Bank

2. The points raised with the Minister of Finance

3. Land Reform

   (a) Legislation

   (b) Cadastral Survey

   (c) Organization

4. Education - in relation to the needs of the economy

5. Population Census - Too little is known about Ethiopia's population for effective policy making and planning. Yet apparently a census has not featured as a priority item in the country's search for technical and financial assistance.

Mr. McNamara's Visit to Ethiopia

Talking Points

The Banks

1. Mobilizing domestic resources

2. How could the commercial banks play a greater role in the country's development.

   (a) Agricultural Credit

   (b) Industrial Credit

3. Ethiopian entrepreneurship.

4. Why are funds for urban housing so scarce and terms so stringent - amortization period usually 5 years.

Mr. McNamara's Visit to Ethiopia

Talking Points

Prime Minister

1. Consultative Group – we understand they have agreed to a consultative grp – + [illegible] they had have been answered – will [illegible]

2. The Planning Commission and the coordinating function of its secretariat. a [illegible] mtg would be [illegible] – does not meet his sched.

The Prime Minister is also Minister of Planning but he is known not to give the Vice Minister who heads the secretariat, the support he requires to carry out the planning and coordinating function.

3. Need to increase public savings

4. Land Reform

5. Family Planning

Mr. McNamara's Visit to Ethiopia

Talking Points

Minister of Community Development and Social Services

1. Coordination of Rural Development

2. The role of Cooperatives in Rural Development

3. Mobilization of underemployed human resources towards self-help efforts in Rural Development

4. Family Planning

<u>Mr. McNamara's Visit to Ethiopia</u>

<u>Talking Points</u>

<u>Presidents of the Senate and the Chamber of Deputies</u>

1. Land Reform — emphasize the importance of passing the proposed bill:
   cadastral survey
   tenancy reform (more security)
   progressive taxation on unused land

2. Taxation - need for new revenue measures

Mr. McNamara's Visit to Ethiopia

Talking Points

Lord Mayor

1. Congratulations on being made International Roads Federation man of the year.

2. Urbanization problems

    (a) City planning - cadastral survey

    (b) Rapid growth of Addis Ababa - influx from rural areas

    (c) Land ownership pattern - inhibits housing development

    (d) Need for more city revenues

    (e) Water and sewerage

Importance of proceeding with water project – need to discuss it [illegible] on [illegible] after the [illegible] appraisal.

SALIENT ISSUES

POSSIBLE TALKING POINT

With M. Dialo Telli - Secretary General of The Organization for African Unity (O.A.U.)

The recurrent expenditures on defense of many African countries are a high percentage of total recurrent expenditures. This has serious implications for development since the resources which might otherwise be available for investment are thereby reduced and the capacity to attract foreign aid may be impaired for lack of local counterpart contributions. For example Somalia is regarded as a country in which virtually 100% of project cost should be provided by the donor or lender country; yet about 40% of Somalia's government recurrent expenditure is on the armed forces. Comparable percentages for some neighboring countries are - Ethiopia 42, Sudan 20.

Important among the causes of these relatively high levels of defense spending are border disputes with neighboring countries. For example there are border disputes between Ethiopia and Somalia, and Ethiopia and Sudan. These have undoubtedly contributed significantly to the high levels of defense expenditures in the three countries.

One of the O.A.U.'s main objectives is to foster peace between African countries - indeed this is implicit in its very name. If peace could be achieved between neighboring countries through the settlement of border disputes, smaller defense forces would be needed or at worst defense expenditure increases could be contained if not reduced. This would enable a diversion of resources to increase the development effort.

It appears that within the past several months O.A.U.'s efforts have been so concentrated on the liberation of black Africans under South African, Rhodesian, and Portuguese rule, as to leave little room for its role in fostering the settlement of border disputes of the types mentioned above.

The possible healthy effect of border settlements on development and the need for a continued active O.A.U. initiative in settling border disputes may usefully be raised with Mr. Telli.

The need to increase Public Savings

One of the central economic problems confronting the Ethiopian Government is that of moblizing sufficient budget resources to meet the projections and expectations of Ethiopia's Third Five Year Plan (TFYP), and to match available foreign assistance. If the growth of the economy is to increase, then government capital expenditures must increase. And if Government capital expenditures are to increase a substantial part of such increase must be financed from government savings.

In recent years instead of increasing, government savings have dropped below the level attained in the mid-1960's, consequently total resource moblization by the government for development has virtually remained stagnant. The stagnation is the outcome of two factors - one, a rapid growth in spending on defense and internal security which absorbed to thirds of incremental government revenues; and two, a fall in the rate of growth of revenues from around 12% a year in the early 1960's to about 7% a year in the late 1960's due mainly to an economic recession stemming from a decline in coffee prices. Although the overall financial situation has improved since 1969, the problem of moblizing resources for a reasonable government investment effort remains a serious one.

Feasible solutions of the problem can only be achieved by eliminating the two main causes - high and rising defense and security expenditures and low and slow rising revenues. On the one hand efforts must be made to contain the growth of defense and security expenditures which absorb some 42% of the government's recurrent budget; on the other hand the administration of existing taxes must be vastly improved and additional taxation - for example incomes, land, and domestic manufactures - is necessary. Our recent economic mission estimated that there is scope for raising about Eth$30 million annually through additional taxation.

There are indications that the level and rate of growth of defense and security expenditures are beyond the control of the Minister of Finance and even of the Council of Ministers; and that the Emperor who is the ultimate authority is very sensitive to the moslem encirclement of Christian Ethiopia, Russian military assistance to Somalia and the Sudan, and the rebel movement in Eritrea.

In the effort to raise tax revenues in 1968 the Council of Ministers proposed that a number of excise tax rates be increased. At that time Parliament rejected the proposal. More recently the Minister of Finance assured the Bank's Economic Mission that he would propose the introduction of increased excise tax rates, new excise taxes and special tax measures to finance education with effect from the beginning of Ethiopian FY 1970/71. So far only the tax to finance education has been introduced and approved.

The slowness of Parliament to vote increased taxation and enact land reform measures is bound to have adverse effects on the country's development. The subject is worth raising with the Emperor.

ETHIOPIA

Possible Talking Points

Land Reform

Observers of the prospects for rural development in Ethiopia are agreed that the institution of land reform measures is essential.

About 90% (22.5m) of the country's population live in the rural areas and look to the land for their livelihood. Rural land that is not government owned, is owned either mainly by large landlords including the Church, or in some areas is vested in communities. The vast majority of Ethiopians are in subsistence agriculture as tenants at will, or as farmers on communally held land.

Tenants at will are either sharecroppers or pay rent to the landlord. Tenancy at will is perhaps the form of tenure that is least conducive not only to land development but also to rural development in the broader sense - it does not encourage the farmer to maximize output or to take care of the soil, neither does it encourage him to improve the standard of housing or to plant permanent crops. He can be put off the land at a day's notice; he has no stake in the land.

Disincentives to land development are also inherent in communal tenure although compared with tenancy at will, it has the particular virtue of security.

Introducing land reform measures has long been the subject of debate in Ethiopia. It has been recommended by successive missions. Apparently the Government undertook, as a condition of Swedish aid to the Chilalo project, to introduce some land reform measures; the first phase of the project has ended but no significant measures have been taken, and the Swedes have threatened not to extend assistance to the project unless some land reform legislation is enacted by about the end of this year.

In 1966, a Ministry of Land Reform was established and a comprehensive land reform statute was drafted and introduced in Parliament, but was not passed. Three years of agitation have ensued. Landlords anxious to avoid possible expropriation have evicted tenants who might, through continued occupancy, become owners. The net effect overall may have been to increase tenant insecurity. In addition land reform is one of the basic reforms which student agitators have demanded and the subject could well add fuel to the fire of political unrest in the future.

It is understood that a bill to regulate landlord/tenant relationship will be presented to Parliament in November 1970 in an effort to meet the Swedish deadline. This will be a move forward but as far as is known, steps have not yet been initiated to organize the implementation of the law.

More far-reaching reform will require a cadastral survey and personnel training for land registration. These should be accorded the highest possible priority.

There are powerful vested interests behind the delays in introducing land reform. However, it is in the interest of rural development no less than of political stability that definite, far-reaching decisions about land reform should be taken and announced now, and implemented with all speed. The Emperor's influence is probably the decisive factor in this process.

Mr. McNamara's Visit to Ethiopia

Possible Talking Points

Population

Ethiopia has never had a census, therefore information on population and population growth is unreliable. Based on sample surveys the current population is estimated at 25 million, and is thought to be increasing at just over 2% a year. Some 44% of the population are known to be 14 years and under, and 52% to be 19 years and under. Less than 15% of the school age population is in school, yet the burden of the cost of education is already being felt. VM

Preventive medicine has begun to spread to the countryside, for example, there are malaria eradication schemes in selected areas; and some efforts are being made to improve water supplies in the rural areas. These are the types of measures which typically contribute towards lowering the death rate and raising the natural rate of population increase.

So far, however, the Ethiopian Government has no stated policy on population control, although there is no objection to family planning as part of maternal and child health care. The attitude of the dominant religions - the Ethiopian Orthodox Church and Islam - has not favoured a positive policy on population control, although there is a growing recognition of the need for family planning. There is a Family Guidance Association, a voluntary body within the Haile Selassie I Welfare Foundation, which was established in 1966. It runs a small family planning clinic at the Haile Selassie Hospital in Addis Ababa. In addition, there are three Association branches providing family planning services in about 23 centres outside Addis Ababa. Lectures ard given to the general public and often include films. The Association's Executive Committee includes representatives of the Ministries of Education, Community Development, and Public Health, and the Addis Ababa Municipal Government and the University School of Social Work.

The fact that the Family Guidance Association is part of the Haile Selassie I Welfare Foundation would seem to indicate that it has some support from the Emperor.

ETHIOPIA

Possible Talking Points

Statistics Law

Ethiopia has a well staffed Central Statistics Office (CSO), however it is not fully effective mainly because many important prospective suppliers of economic data consistently fail to cooperate. For this reason, for example, the CSO has been unable to carry out a national income study since 1968. This kind of study is important for planning and as a guide to decision making.

Unlike many other countries, Ethiopia has no law to require prospective suppliers of data to do so. The need for such a law was recognized some eight years ago when the necessary draft legislation was produced, but it has never been passed.

H. Wetterhall
(SIDA)
October 9, 1970

CONFIDENTIAL

Some notes regarding the present situation on land reform and administration in Ethiopia

The need for land reform in Ethiopia originates mainly from the problems of the large sector of peasant subsistence farming with a very low standard of living and production capacity, and from the high increase in population (more than half a million per annum) which will be larger than the expansion of employment possibilities outside the agricultural sector for a long time to come.

Of the estimated 4 million farmers in the country, 90% farm less than 5 hectares, and about 65% of them less than 1.5 hectares. The peasant farming is concentrated in the densely populated highlands. Other parts of the country are scarcely populated. Most of these regions are very remote, infected with diseases, have shortage of rainfall, lack of communications, etc., and their development requires investments of considerable magnitude.

The efforts as regards improvement of tenure conditions - in order to encourage the development of peasant agriculture and to raise the standard of living of the peasant sector - are at present focused in the first place on regulations of landlord/tenant relationships.

Another major issue is the distribution of government land, particularly in order to enable resettlement of farmers from congested regions and settlement of landless people. This will require the opening up of new areas for agriculture.

The priorities in the Land Reform programme are:

Tenancy reform - (draft legislation was submitted to the Council of Ministers in July 1968).

Land distribution and implementation of a land settlement policy aiming at resettlement of farmers from congested regions, and settlement of landless people; this will require opening up of new areas for agriculture.

Cadastral survey and land title registration - (draft legislation was submitted to the Council of Ministers in July 1968).

Progressive taxation on unutilized land in order to influence large landowners to distribute and/or develop such lands - (draft legislation was submitted to the Council of Ministers in July 1968).

Land classification for the purpose of land use planning and more adequate land taxation.

The programme also includes the formulation of a land tenure pattern which would solve the problems of the communal tenure system prevailing in the northern provinces; a study was started a few months ago, but at least two years will elapse before a plan of action can be drafted.

Tenancy reform

Excluding the four northern provinces with communal land tenure, some 40-50% of the peasants in Ethiopia are tenants. Most of them are oppressed by insecurity involving arbitrary evictions and by the prevailing share cropping system with burdening rents. They are poor, indebted, dependent on landlords and other moneylenders, and bound to traditional farming practices.

The main objectives of the draft legislation are:

1. Security to tenants; permanent leases through automatic continuation which may be terminated only for reasons specified in the law;
2. Discouragement of sharecropping, and introduction of fixed rents;
3. Adequate control of rent levels;
4. Introduction of written leases;
5. Compensation to the tenant for improvements in case of termination of the lease.

The tenancy legislation was not considered by the Council of Ministers before the end of March 1970. The matter is obviously controversial, and the landlords dominate the administrative hierarchy in some instances. The Council of Ministers found the draft complex and called for a revision by a few lawyers. A revised draft prepared in the Ministry of Land Reform in July, is now being amended in the Prime Minister's Office. The revision is expected to be finalized next week, and the Prime Minister has declared that the legislation will be laid before Parliament in November this year. There have been proposals for modifications to benefit landlords; however, as far as I am informed, no changes of any consequence have been made. Resistance is expected from several parliamentarians, and a weak point is that the Minister of Land Reform appears lukewarm to the legislation. On the other hand, he will formally advocate the proposed measures in his opening speech to Parliament in November, and a number of influential ministers are said to be in favour of the enactment - i.e. the Ministers of Agriculture, Education, Communications, Finance, the Planning Commissioner, and the Prime Minister.

Actual implementation will face difficulties. The administrative machinery is weak, and the provincial staff of the Ministry of Land Reform has as yet no training for this task. It will take time before the mass of ignorant tenants are aware of their rights and are ready to vindicate them. Even though the legislation is nation-wide in principle, implementation will have to be concentrated in selected regions - preferably in conjunction with regional development projects - pending the provision of trained staff. Effective supervision and follow-up in light of practical experience will be necessary, and could be organized from the start in the development project areas.

In the CADU project area and the Ada district an increasing tendency towards eviction of tenants has been apparent during the last year. According to CADU, the promulgation of new agricultural technique has made it more attractive for landowners to start or enlarge their own operations, and hence to evict surplus tenants. The proposed legislation may counteract this tendency, but it will not prevent it. The main way to solve this problem is to offer the evicted farmers alternative land, and government land should be designated for that purpose.

Government land, and land settlement policy

A very common belief among senior officials is that vast and almost inexhaustible areas of unutilized government land is available for distribution, and that the supply of land is not a constraint on economic and social development in the agricultural sector. This assumption is quite wrong.

It is a fact that the land which is nominally under the government's ownership and administration amounts to some half of a million sq. km. However, the bulk (or more than 75%) of this land is range land with grazing potential only. Further, it is occupied by pastoralists (nomads) who claim rights to it. The land is their essential livelihood, and therefore it offers very little scope for an influx of additional people. Of the balance, about 90,000 sq. km. has been classified as arable land. However, the major part of it is remote. Access to this land is difficult, and again it is partly occupied by pastoralists and settlers which preclude its development. Only some 15,000 sq. km. in units of 8 sq. km. and larger have been reported as unoccupied land with arable potentiality.* Taking also a multitude of scattered smaller units into account, an optimistic estimation of suitable government land that could possibly be made available for peasant farming, totals about 50,000 sq. km. Assuming that each family be given an area to assure adequate living conditions, this would imply that a maximum of half a million farmers could be provided with land. This would be less than the population increase during five years.

The situation is aggravated because of the granting of government land on a patronage basis to individuals. Under orders currently being implemented, all serving members of the Armed Forces and the Civil Service are entitled to a grant of 40 hectares of land in freehold. Landless and unemployed Ethiopians are entitled to a grant of 20 hectares in freehold. Of the land registered as definitely granted during the last 25 years, only 5% has been given to "landless Ethiopians". The pending applications for grants total some 28,000 sq. km.; should they be approved a major part of the available government land with arable potential would be consumed.

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* Source: A Policy-orientated Study of Land Settlement; report prepared by Mr. V. Burke and Mr. F. Thornley, ADS - December 1969

The economic and social disadvantages of continuing the system of patronage grants are evident and serious, as is clearly explained in the ADS report. A major shift in emphasis on land use from patronage to productive considerations, and reservation of government land for development purposes has been strongly recommended in the ADS report. Another report, prepared by Mr. Omar Sabry (ECA/FAO Joint Agricultural Division), places emphasis on efforts for the improvement of traditional land settlement conditions (spontaneous settlements).

By the end of September 1970, the Ministry of Land Reform had submitted both these reports as well as its own comments and recommendations to the Council of Ministers. The Ministry proposes a major revision of the land grant orders with a view to attaching development conditions, and to allocating land in sizes appropriate for family farms.

The patronage grant system is so firmly established in Ethiopia that its discontinuation will face opposition from the privileged classes and also from some high-level government officials. In fact, some Governor-Generals still continue to exercise their traditional power to grant land, although such power - according to a proclamation of 1966 - belongs exclusively to the Ministry of Land Reform and Administration.

The Ministry of Agriculture has started studies to select suitable areas for "agricultural minimum projects", and the study group under Dr. Nekby will submit its proposals to the Minister of Agriculture this month. Representatives of the Ministry of Land Reform have joined the study group in some provinces, particularly in order to define suitable areas of government land which can be used for re-settlement of dismissed tenants. A programme for such settlement activities, co-ordinated with the programme for agricultural minimum projects, is in the course of preparation.

Privately-owned land

The amount of land owned by big landlords is not known. A year ago the Ministry of Land Reform raised the question of compiling a list of these ownerships. The first attempt was not successful - there was suspicion and resistance. However, thanks to support by the Minister of Finance, such compilation is now being carried out. It will provide useful information on land resources, particularly on unutilized land, which will be helpful for future land reform programmes.

The draft legislation on progressive land taxation is not expected to be laid before Parliament now. In any case, implementation should wait until an adequate system of classification is completed.

Training of Land Reform Administrative Staff

If the proposed Land Reform Bill is approved, there will be an immediate problem in connection with the implementation of the various regulations. The Government is planning to request technical and financial assistance from UNDP for a training programme for staff to be placed under the Ministry of Land Reform. There are good prospects for a favourable reaction to this request. It is presently intended that a formal request be submitted to UNDP in November, i.e. as soon as the relevant legislation has been presented to Parliament.

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CONFIDENTIAL

September 29,1970

COUNTRY PROGRAM PAPER

ETHIOPIA

1970 Population: 25 million
1969 per capita GNP: US $63
Current Population Growth Rate: 2.1%
Current Exchange Rate: US$1 = Eth$2.5

	Bank/IDA Lending (US$ million)		
	1964-68	1969-73/1	1972-76
Bank	41.8	68.6	76
IDA	14.9	67.9	114
Total	56.7	136.5	190
Annual Average Per Capita ($)			
Bank/IDA	0.45	1.02	1.52
IDA	0.12	0.44	0.91

1. Since the October 1969 Country Program Paper was considered, an economic mission has reviewed the Ethiopian Five-Year Development Plan (1968/69 to 1972/73). The mission's report, in five volumes, was extensively discussed with the Government in August, and was issued on September 22, 1970. Its conclusions, particularly as regards Government policies affecting public investment, savings and the level of external assistance required,are reflected in the present paper.

A. COUNTRY OBJECTIVES

Political Background

2. The Emperor is now approaching 80. As the problem of succession grows more imminent, the solution remains as unclear as ever, for what is in question is not merely who will succeed the Emperor but whether the regime will itself survive. The singular ability of the Emperor has been to move Ethiopia gently forward without disturbing fundamentally the balance between those who want virtually no change at all and those who want some. He has introduced a number of institutional reforms, but appears unwilling to bring sustained pressure to bear on Parliament in those areas where the interests of the majority of its members are directly affected, notably taxation and land reform. More responsibility has been delegated to the Prime Minister and Cabinet and, following the financial crisis of 1969, economic and financial affairs were put in the hands of younger politicians more conscious then their elders of the need for changes in government and society.

/1 The corresponding figures in the Country Program Paper reviewed on December 1, 1969 were $127.1 million for Bank and IDA with $70.6 million Bank and $56.5 million IDA. In the review meeting it was decided to increase the IDA amount by $5 million (1972) making a corresponding reduction in the Bank amount.

3. The pace of change nevertheless remains slow. Even the young men in Government are in their 40's, and hardly satisfy the image of a responsive regime. Meanwhile, education and modern communications have sharpened the dissatisfaction among students and others of younger generations with a regime and society they regard as obscurantist and selfish. However, it is difficult to fathom the depth of dissatisfaction, since there is widespread fear of expressing disapproval of the regime, a fear which the treatment of student demonstrators has shown to be well-founded. On the other side there are strong conservative forces which would oppose a more rapid pace of change. While the Emperor has succeeded in reducing the power of the nobility, the church, and the other landowners, they are still a force to be reckoned with. Coup attempts have come from the right as well as the left. The church still retains fervent support, especially in the countryside, and withdrawal of church support from Emperors has in the past led to their downfall. These forces tend to encourage Ethiopia's insularity and to oppose changes which they fear would threaten their traditionally based authority.

4. When the Emperor goes, the Crown Prince is constitutionally his successor. The Crown Prince lacks the unique standing, aura, personal authority, shrewdness and courage of his father. He would probably be only a card in the power play, rather than dealing the hand, as his father has done. If the stability of Government itself is called in question, one must expect the Army to intervene, but that only raises in turn the question of the coherence of the armed forces, which has been in doubt more than once. The only safe conclusion is that the political future of Ethiopia is uncertain.

Economic Objectives

5. Ethiopia's major economic objectives, as set out in the Third Five-Year Plan (Fiscal 1969-73) are to build stronger foundations for sustained and rapid development, raise living standards and achieve a more uniform distribution of income both among individuals and regions. The Third Plan aims at an annual increase of 6 percent in GDP, which would give an average annual increase in per capita income of over 3 percent. Agriculture has been given a more important role than in past Plans, and the emphasis has been shifted from building up the public services to developing the directly productive sectors. Agricultural production is to be increased through the expansion of commercial agriculture together with efforts to modernize the subsistence sector through regional development projects. Manufacturing output is to maintain its past high (15 percent) growth rate. There is greater emphasis than in the past on education, especially on the need for improvement in quality. In transport, more emphasis is to be given to secondary and feeder roads. The approach is sound and should be supported. The economic mission considered that provided the necessary resources could be mobilized, a substantial increase in investment was feasible.

6. The main macro-economic targets of the Plan and the corresponding estimates of the Bank mission are given in the following table:

	Actual 1966-69	Country Target FY 1969-73 /1	Bank Projection FY 1969-73
GNP growth rate (%)	4.5	6.0	5.4
Population growth rate	2.0	2.2	2.2
GNP per capita (US$) /2	63 /3	76 /3	73 /3
Monetary investment /4 (US$ million)	166	229	217
Central Government investment /4 (US$ million)	31	65 /3	59 /3
Merchandize exports /4	111	152	148
Net public capital inflow /4 (including grants)	30	51	38
Debt service ratio /2	11.3	-	10.0

/1 Ethiopian fiscal years run from July 8 to July 7.

/2 End year

/3 At 1969 prices

/4 Annual average

7. Ethiopia's experience during the 1960's shows clearly that the actual pace of development has been largely determined by fluctuations in export earnings, which follow closely the fluctuations in the price of coffee, the most important export. Although the Third Plan was much more soundly based on the investment side than its predecessors, it was not clear prior to its publication that the drop in coffee prices would cause the Ethiopian economy to go through a period of economic and financial difficulty. As a result investment in the first two years of the Plan period fell far short of the targets.

8. Ethiopia's future economic growth will continue to be influenced greatly by developments in the external sector. Fortunately, coffee prices increased in late 1969 and are expected to remain high for several years. Ethiopia can therefore expect favorable economic conditions for the next few years and has an opportunity to accelerate economic development.

9. While noting that the opportunity is there, the economic mission focussed considerable attention on the fact that the immediate constraint to faster growth is not so much absorptive capacity as the inadequate level of public savings. The mission estimated that Ethiopia could handle an annual average level of investment over the five years 1970-74 about double the level of the previous five years, leading to an annual growth rate of 5.5%, compared to the 6% target in the Plan. Even if half of the government investment were to be financed by external resources, as it has been in the past, a substantial increase in public savings would be necessary.

Additional taxation and strict control over administration and defense expenditures would be needed to allow expenditures on economic and social services to increase more rapidly. Controlling current expenditures on defense and security will be as important as new taxation, as such expenditures are currently 44 percent of total current expenditures. The recent emergence of military regimes in both Sudan and Somalia will make more difficult the task of those in the Government trying to hold down military expenditure. The 1970/71 budget provides for a marked increase in development expenditure; whether that is translated into an actual increase remains to be seen.

10. If the Government does succeed in increasing public savings sufficiently to match the aid flow that the economic mission assumed to be available, the factors limiting absorptive capacity will re-emerge as the basic constraint on the rate of development.

11. The Government will have to adapt monetary and external reserves policies to meet the economic and fiscal effects of anticipated fluctuations in coffee exports and thereby make possible sustaining increased public investment. Although external reserves are currently equivalent to 5.5 months' imports, external reserves should increase marginally in the next few years when coffee prices are expected to be high in order that there will be an adequate cushion of external reserves to draw down thereafter when coffee prices are expected to decline. Otherwise there is the risk that as in 1967-69, the adjustment to lower coffee prices will fall primarily upon public investment.

12. Government administration is highly centralized. The quality of provincial and district administration is low; provincial governors lack staff and the authority to promote development. Within the central government lines of authority are ill-defined. Responsibility for agricultural development, for example, rests with several ministries and parastatal bodies. The responsibility for preparing recurrent and capital budgets falls between the Finance Ministry and the Planning Commission. The relationship between the Planning Commission and the spending ministries on the implementation of projects still remains unclear. Up until now two development financing institutions and the Treasury have all been involved in providing finance for industrial development and tourism. The Government is aware of these organizational problems. The Rockefeller Foundation has made recommendations on how to improve the management of agricultural development, which are being considered by the Government. The recommendations of a commission on development finance institutions are about to be implemented, under which the Ministry of Finance would refrain from commercial investments and the two existing development finance institutions would be merged.

13. There remain a number of institutional and social obstacles to development, including the archaic land-tenure system and the influence of a conservative church. Moreover, the number of Ethiopians able to prepare, implement and manage development projects and to staff the middle technical ranks of the Government is very limited. Ethiopia will have to depend

heavily, and for a long time, on expatriate technicians, managers and consultants. A significant increase in investment requires over and above Ethiopian efforts to increase public savings, the willingness and ability of international and bilateral donors to increase technical assistance for project preparation and management. Even with technical assistance to meet manpower needs at higher levels, continued need for trained Ethiopians to staff the middle and lower ranks calls for reforms and reorientation in the education system (see paragraphs 33-36 below).

B. ECONOMIC SECTORS

Agriculture

14. Among the sectors, the development of agriculture has first priority. Known exploitable mineral reserves are limited and about 90% of the population are engaged in agriculture, more than 60% of whom depend almost exclusively on subsistence agriculture. Yet Ethiopia is not self-sufficient, notably in oils and fats. Moreover, Ethiopia's agricultural potential has been barely exploited. Less than 10% of the 1.2 million km^2 are cultivated, but much of this area is arable. The 25 million head of cattle and 30 million head of goats and sheep feed on nearly 700,000 km^2 of natural pastures. Agricultural production is largely traditional and primitive. Commercial agriculture is insignificant. Small-scale supplementary irrigation is practised by many peasants, but there is little large-scale irrigation farming. Coffee which covers only about 1% of the area of the country, accounts for almost 60% of all foreign exchange earnings. Other agricultural products, mainly poorly processed hides and skins, oilseeds, pulses, fruits and vegetables constitute most of the balance of exports. The main food crops - teff, barley, sorghum, wheat and maize - occupy about 70,000 km^2, more than two-thirds of the cultivated area. Marketing is highly imperfect; in remote areas cereal prices fluctuate widely between harvesting periods. The domestic terms of trade for agriculture have deteriorated.

15. The Government had until recently neglected the development of agriculture, particularly of traditional agriculture and livestock production. Budget allocations to the sector have been small, and disbursements have often been delayed. However, the strong emphasis on agricultural development in the Third Five-Year Plan indicates a change in attitude. This emerging strategy rightly concentrates on investment in a few major commercial agricultural projects and on integrated regional programs mostly in peasant areas.

16. The complex land-tenure systems are a major obstacle to the modernization of traditional agriculture. The system of share-cropping, which characterizes a large proportion of crop production, does not provide sufficient incentives to the cultivators to maintain or improve the fertility of land. Most of the land is not registered, and its ownership subject to disputes, which makes it difficult for small owners to obtain credit. Although a Ministry of Land Reform and Administration was established in 1966, progress in land reform has been negligible. For the last two years the Government has been mulling over draft legislation proposing a cadastral survey, the taxation of unused land, security for tenants and, eventually, the control of rents. Previous Parliaments dominated by landlords, have opposed prior attempts at land reform. However, the Government plans to submit its new land reform bill to the Parliament in October, and has committed itself to obtaining Parliamentary approval. Even when approved, it will be difficult to implement land reform measures quickly in the absence of a cadastral survey and land registration.

17. Agricultural infrastructure is generally inadequate. Agricultural research has begun only recently. There is little knowledge of the technological possibilities for farm development. The extension service numbers just over 100 when over six times that number could be usefully employed in currently planned programs and many more will be needed once other bottlenecks have been removed. The extension service is also widely dispersed, which dilutes whatever impact it might make. There is virtually no organized production and distribution of improved seeds and fertilizers, which are used almost exclusively, as tractors, by the larger commercial farmers. The credit system is inadequate; the available credit goes to the larger preferred-risk farmer who can offer the type of security usually required. Markets are poorly organized and lack adequate storage. Government has insufficient instruments to influence prices within or between seasons.

18. The range of climatic and soil conditions is generally favorable for low cost production of a great variety of crops. A great potential lies in livestock which has so far been almost wholly undeveloped. In the past, efforts to improve subsistence agriculture have been confined to two comprehensive "package programs" designed to provide in the two small regions involved a concentrated attack on all the factors impeding agricultural progress. While this approach is valuable as a method of gaining experience and of demonstrating that subsistence farmers can be induced to use new methods and to increase production, it is too expensive (especially in terms of expatriate staff) to be reproduced on a countrywide basis. It is now proposed that in order to relieve the most acute constraints over a wider area a number of "minimum package programs" be started which would provide limited inputs of seeds and fertilizers and some organization of credit, markets and extension services. There are good prospects for the expansion of dry farming in the low-lying areas; for land settlement projects; and for irrigation projects in the Awash valley.

19. Without proper staffing of agricultural services, any attempt at countrywide modernization of farming will fail. A manpower plan for agricultural services (extension, disease control, cooperatives, research) is currently under discussion within the Government. In addition, coordination of the agricultural services is needed; as noted above, this is under study by the Rockefeller Foundation.

Manufacturing Industries

20. Manufacturing in Ethiopia still comprises only 5% of GDP - roughly equal to the share of handicrafts and cottage industries. However, starting from a very narrow base, the manufacturing sector has achieved an annual growth rate of about 16%. Manufacturing consists overwhelmingly of producing import substitutes, frequently behind high tariff walls, and frequently dependent on imported inputs. The net contribution to national income is thus dubious. Cotton textiles and sugar production, mostly by foreign entrepreneurs, dominate the modern industries sector. There is a shortage of skills at all levels, and a significant amount of underutilization of capacity. Low utilization and poor efficiency have kept profits low, despite high tariffs.

21. The Government has taken a number of measures designed to encourage manufacturing industries. The Investment Code provides generous income tax reliefs, and the Government has invested a substantial amount either through financial intermediaries or directly as owner or shareholder. Central to the Government's industrial policy is the tariff. Effective protection in Ethiopia is irregular and tends to be very high - so high in some cases that the value added at international prices is negative. There is no correlation between effective tariffs and benefits in value added, employment or foreign exchange savings.

22. The recent Bank economic mission suggested that Ethiopia's tariff structure should be simplified and rationalized. The mission's suggestions were well received by the Government, which wishes to consider them when introducing the Brussels Tariff Nomenclature, an exercise the Government is now completing. However, the relevant ministries of the Government will require outside assistance to do a systematic study of the suggested policy measures and to restructure the tariff system accordingly.

23. Manufacturing output is not expected to increase as fast as projected in the Third Five-Year Plan, although investment in industry might be close to the Plan target. In the past, the unsatisfactory performance of the two development finance institutions, which had overlapping jurisdictions, and the Government's direct intervention in industrial financing impeded orderly industrial development. The Bank's influence and technical assistance (see paragraph 60 below) has helped the Government to bring about a major reorganization in this field, and a decision has been taken to merge the two institutions. IFC has financed industries in Ethiopia (see paragraph 61), and the Bank has made two loans to the Development Bank of Ethiopia. Two projects involving agricultural processing - wash-processing of coffee and diary production - are under consideration for Bank Group financing.

<u>Mining</u>

24. The mining sector contributes only 0.3% of GDP. Gold and salt are the only important minerals now mined, but the Adola Gold Mine is operated by the Ministry of Mines at a loss owing to wornout equipment, shortage of spares and inadequate development prospecting.

25. Potash offers the brightest longer-run prospect because of the possibility of substantial export earnings, although the world market outlook is for depressed prices until the mid-1970's. Progress has so far been disappointing. The attempt by the first concessionaire was abandoned; the new concessionaire who was to complete pilot mining and feasibility studies by 1972 has now postponed them until 1975 owing to uncertainties about mining costs and markets. Mining turns on finding mineral ore close to the coast to minimize transport cost, and finding an economic mining method. The financing and construction would take up to three years after the pilot mining and feasibility studies have proved successful. Potash mining, if it proves viable, is unlikely to materialize until 1980, but might increase Ethiopia's exports by as much as 20% of the 1969 figure.

Transportation

26. For a country of its size and population, Ethiopia's transport facilities are poorly developed. Although public investment in transport has been heavy, most of the country is still remote from modern means of communications. Priority has been given to constructing and improving the road network, mostly trunk roads.

27. The port of Djibouti in French Somaliland, along with the Franco-Ethiopian Railway which links it to Addis Ababa, has been losing traffic to the new Ethiopian port of Assab which was completed in 1966. As a result of this competition, combined with the loss of traffic due to the closure of Suez, both the port of Djibouti and the railway are now operating at a loss. The competition from Assab will become stronger in 1974 when the new road between Assab and Addis Ababa is completed. Proposals for a study to make recommendations concerning future development and pricing policy of the two ports and their connections with Addis Ababa are under consideration. The Massawa port, which serves the northernmost areas of Ethiopia, needs a master plan for its rehabilitation and development; and here again there is a need for study of the inland transport facilities serving the port.

28. Ethiopia's two main airports at Addis Ababa and Asmara are equipped only for daylight operations, but night-landing facilities will be installed in the near future, and the runways strengthened for modern aircraft. This may encourage more airlines to include these airports as transit stops, and thus improve Ethiopia's communication with Europe and the African countries further south. Domestic air flights are made to as many as 43 airports, but facilities at most of these are minimal, and many are open only during the dry season. Any plan to improve them has to be considered in the light of the type of aircraft the Ethiopian Airline decides to use in replacement of its aging DC-3's.

29. The Government recognizes the need for more effective coordination between the various agencies in the transport sector, and it has decided to establish a central Planning Committee representing all the agencies under the chairmanship of the Minister of Communications. The principle of internal autonomy will be extended to the ports and to Civil Aviation Administration which controls the airports; at the same time, it is intended that the activities of agencies already enjoying a considerable degree of autonomy should be more effectively coordinated, especially for planning and budgeting.

Telecommunications

30. The Bank made its first loan for the development of telecommunications in Ethiopia in 1951. Since then three other such loans have been made. Although with the assistance of the second and third loans a growth rate of 17% a year was attained over the past six years, at the end of 1967 the telephone density was still only 14 per 10,000 population. On-going development under the fourth Bank loan provides for an increase of about 31,200 telephones during 1968-1973, a growth rate of 12% per annum (an average of 12.7% per annum was achieved for 1968 and 1969) and for the modernization and expansion of the long-distance trunk network utilizing modern microwave and VHF radio technique.

Electric Power

31. The demand for electric power in Ethiopia, which had been expanding at an average annual rate of about 15% in the earlier years, slackened sharply during 1969 owing to the economic recession. However, a resumption of the previous high growth rate is forecast for the early 1970's falling to about 13% per annum by 1980. Growth in the commercial and industrial sectors has continued at a higher than average rate, and consumption in these sectors now accounts for more than 50% of total consumption in the country.

32. Since there are no known fossil fuel deposits in Ethiopia and because high transport costs for imported oil make thermal power very expensive, development has been concentrated on hydroelectric power. The Bank has made two loans for hydroelectric power together with associated transmission. Construction of the next major block of new capacity should begin about 1974 to meet the demand in the late 1970's. It is improbable that adequate geothermal resources, currently being investigated by UNDP, will be proven within the next few years, and the Bank has agreed to finance the cost of feasibility studies to determine the best site and the best development for the next hydroelectric installation.

Education

33. Since modern education, as distinct from church education, started late in Ethiopia, the educational base is quite narrow - about 13% of the relevant age group is enrolled in primary schools, about 6% in junior secondary and about 2% in senior secondary schools. The two universities have a full-time student population of 5,200.

34. The primary school curriculum is oriented towards transfer to general secondary education. The shortage of trained teachers and the content of the teacher training curriculum have inhibited progress towards developing and implementing a primary school curriculum more relevant to rural areas. Secondary education is still academic although the 1966 IDA credit for education went some way to support a diversified curriculum. In order to allow for qualitative improvement and readjustment of the system to the labor market the rate of expansion of enrollment should be reduced, and expenditure per pupil increased. The lack of balance in the system is shown by the fact that enrollment in general secondary schools is fifteen times as great as that in technical schools. The low priority accorded to technical schools has resulted in the establishment of numerous training programs by parastatal institutions and private firms. At the university level, formalized planning started only in 1969. There is an acute shortage of qualified Ethiopian teachers for all levels and types of education.

35. All sectors of the economy are short of skilled manpower. An important example is the agricultural program which has to be rephased for lack of qualified manpower. On the other hand, some graduates of secondary and other institutions are finding difficulty in obtaining employment. There is a need for a manpower survey and a comprehensive review of the education sector

to provide the basis for a replanning of the sector's development. The proposed second IDA project contains provisions for both manpower survey and sector review. However, while awaiting the replanning of the system, there is obvious need for improving teacher training and agricultural education, as well as for providing facilities to permit secondary schools to implement the more widely diversified curriculum introduced in the schools constructed under our first project. These are the main objectives of the proposed second IDA project.

36. Public education and training already absorb nearly 18% of the total government current expenditure, and projections indicate that this percentage will increase in the future to cope with the increasing demand for education. The Government is aware of the situation and proposed to levy fees for secondary schools in the 1970/71 budget but Parliament has replaced the proposal by an educational tax on urban property and personal income. Even with the additional resources, finance will remain a constraint on educational development, and could become serious if the increase in government revenue decelerates once the current coffee boom is over. External assistance to meet rising expenditures may well be necessary to achieve a desirable rate of educational development. This difficult financial outlook reinforces the need to devise a strategy for educational development which will yield the maximum return from the available resources.

Health and Water Supply

37. The distribution of health services in Ethiopia is very uneven, with most hospitals and specialized services concentrated in Addis Ababa and Asmara. The Government's health program concentrates on malaria eradication and spreading the basic health services to new areas. Provision is made to increase the supply of trained medical personnel. The malaria eradication program has not progressed as scheduled owing to shortage of funds, and progress with the basic health service program has been rather disappointing owing both to lack of funds and a shortage of contractors willing to undertake small contracts for building health centers in remote areas.

38. Community water supply development is at a very early stage. There are only some 30 piped municipal water systemsincluding those of Addis Ababa and Asmara, serving a population of about a million. Only a few of these systemsinclude water treatment and only in rare cases is the supply of acceptable quality.

39. The Bank has made a technical assistance grant to the municipality of Addis Ababa for carrying out (i) feasibility studies and preliminary engineering for a water supply and sewerage project in Addis Ababa and (ii) management studies in connection with the creation of a water supply and sewerage authority for Addis Ababa. The project is expected to be appraised during the current fiscal year. Germany has financed feasibility studies for 20 urban water supply systems, and has agreed to finance the construction of 8 of them. In addition, construction of town water supply facilities was included in the recent credit for the Humera Agricultural Development Project.

Tourism

40. Ethiopia's tourist industry is small. Given well-conceived promotion policies and appropriate accommodation, further expansion of the industry can be expected in the next few years.

41. The Third Five-Year Plan set ambitious targets for visitor traffic growth and investments. No detailed investment program was worked out, however, as the Government was awaiting the results of a study of tourism in Ethiopia by Arthur D. Little Inc. This study saw the main potential market for Ethiopia as consisting primarily of wealthy visitors from North America, and proposed a substantial hotel investment program, mostly for Addis Ababa and towns along the historic route. The study did not estimate the cost of, or consider the justification for, the necessary supporting infrastructure which would have to be large for several of the proposed hotels.

42. The economic mission concluded that, although a continued fairly rapid rise in the number of tourists may be expected during the next five years, Ethiopia is unlikely to experience a tourist "boom" without greater coordination among state agencies concerned with tourism and certain policy changes including the relaxation of restrictions on charter flights.

Population

43. Ethiopia has never had a census, and information on population and population growth is unreliable. An estimate based on some sample surveys, places the current population at about 25 million, and the annual rate of increase over 2%. Ethiopia has no official policy of population control. The attitude of the dominant religions - the Ethiopian Orthodox Church and Islam - has not favored a positive policy of population control, although there is a growing recognition of the need for family planning. The Government encourages the Family Guidance Association, which runs a small family planning clinic in Addis Ababa and provides lectures and films to the general public at many centers outside Addis Ababa. Some high ranking Government officials are members of the Board of Directors of this Association.

C. EXTERNAL AID

44. For some time to come, Ethiopia will have to depend almost entirely on official foreign aid to meet her external capital requirement because the net inflow of private capital, which steadily increased in the first half of the 1960's and reached US$16 million in 1964, has since declined and amounted to only US$2.4 million in 1969. The unstable situation in the Middle East is partly responsible, but political uncertainties in Ethiopia have also increased the reticence of foreign private investors.

45. Disbursements of official loans averaged US$27.6 million gross and $17.7 million net annually during the five years 1965-1969; in addition, official grants, most of which were in the form of technical assistance, averaged US$12.3 million. The Bank and IDA have been the largest source of official loans contributing 34% of gross inflows during 1965-1969; the United States is second with a share of 30 percent (including export credits for the Ethiopian Airlines). The share of Bank/IDA has increased in recent years and in 1969 it reached 41 percent. Other important donors ranked by the size of their official lending to Ethiopia are Russia, the Federal Republic of Germany, Yugoslavia, Czechoslovakia, Italy, Sweden, and the Netherlands.

46. The largest amount of foreign aid has been for road building and has been provided by the Bank/IDA, the United States, Germany and Sweden. The Bank and IDA have also financed power, telecommunications, education, agriculture, and the Development Bank. The other aid donors have each provided assistance for a large variety of projects including public services, social services, and productive enterprises. The United States also provided a $5 million program loan in 1969/70 to assist the Government to overcome the acute financial difficulties it encountered at that time. Sweden has joined with the Bank/IDA in financing the roads and telecommunications projects and has also provided some grant aid mainly for agriculture, education and health services.

47. Technical assistance is provided largely by the United States, followed by France, West Germany, Sweden and the United Kingdom. Most of this assistance is used for education and health services but a small amount is provided for agriculture.

48. In the last few years foreign aid has provided about half the resources needed for the Government's public investment program. If public investment is to increase sufficiently to enable Ethiopia to achieve a reasonably high growth rate as projected by the economic mission (5.5%), the Government will have to adopt fiscal policies that will insure that it can continue to maintain an adequate contribution to finance its investment program. However, it does not seem reasonable to suppose that, even if such policies were followed, the Government could provide finance for more than 50 percent of the public investment program, so that foreign aid will have to continue to provide the other half of a growing total. While some increase in the volume of aid provided by other donors can reasonably be expected, the prospects should not be exaggerated and it will therefore

be necessary for the Bank and IDA to provide a larger share of the total aid. In 1969 Ethiopia received about $40 million of foreign aid in loans and grants disbursed, of which $15.3 million was provided by the Bank and IDA. To finance half the desirable public investment program in the future will require, according to the economic mission, about $300 million of gross foreign loan commitments during 1972-76, or $60 million of commitments a year. This estimate assumes some increase in foreign exchange reserves in the early 1970's and an appropriate increase in the"pipeline" of committed but undisbursed loans. The Bank/IDA lending program described below, after taking account of a likely degree of slippage, would probably provide about 50-60% of this amount of commitments. The Bank/IDA share on a disbursement basis would be about 40%. This level of Bank/IDA exposure appears reasonable, given the level of poverty in Ethiopia, and the fact that Ethiopia unlike most African countries, does not have a former colonial power "sponsoring" its development effort.

49. At the end of 1969 Ethiopia's outstanding public external debt was US $255 million, including an undisbursed amount of $105 million but excluding $91 million of aid so far unallocated in various "frame agreements" with Eastern bloc countries. Of this amount, the share of Bank loans was US$82 million or 32 percent. Adding new commitments at the rate projected by the economic mission and deducting amortization payments during 1970-76, Ethiopia's total outstanding external public debt at the end of 1976 would reach about US$565 million. During this period the Bank expects to lend US$91 million while repayments to the Bank will be about $23 million. Thus, Ethiopia's debt to the Bank at the end of 1976 would amount to about US$150 million, which would be 27 percent of the external debt (US$565 million) at that time.

50. The service on Ethiopia's external debt absorbed 9 percent of foreign exchange earnings in 1968 and 11 percent in 1969. The course of the debt service in the future depends upon the volume and terms of the capital inflow and on the rate of growth of exports. Some projections are shown in Attachment 3. They assume that the inflow of aid would continue to increase by 8.5 percent a year, which is the rate which the economic mission estimated would be necessary to carry out an adequate investment program in the next few years. If the terms of aid remain as they are at present and exports grow on the average at somewhat over 6 percent a year, a rate which the mission thought might be achieved, the debt service ratio would increase to between 12 and 13 percent by 1985. However, if the growth rate of exports were even slightly less, for example, 5 percent annually the debt service would rise to 15 percent. Ethiopia does, therefore, have some margin for some further borrowing on conventional terms, but such borrowing should be kept as low as possible since it is clear that the economy will need foreign assistance for many years and the outlook for export earnings is uncertain and subject to wide fluctuation.

D. BANK/IDA PLAN

51. The Bank/IDA lending program for 1972-76 does not differ in general emphasis from that presented in December 1969. It provides for a continuation of our lending for the public services, such as roads, power and telecommunications, with which we are familiar and where the necessary institutional arrangements are already established, as well as for education, where new departures (such as an increased emphasis on agricultural education) will have to be developed. The projects for aviation, ports and water supply would be new areas of involvement for us although they also fall in the same general category of public services. The other part of the program concentrates on the productive sectors of the economy, particularly agriculture, and here our experience is much more limited. The two credits for agriculture made in FY 1970 were our first in the sector and we have little experience of how they will work out. Although there are seven projects in agriculture in the 1972-76 program which have been identified and for which some preparation has been done, it is very difficult to say to what extent they will be ready on time. However, we also know that there must be other possibliities in agriculture which might become feasible projects and an "unidentified" project has therefore been added to the program. Much the same considerations apply to the program of loans for the DFC, on which we would be dealing with virtually a new institution.

52. Altogether the program for FY 1972-76 provides for 20 projects and total lending of $190 million. These totals must be regarded as subject to some amount of slippage, particularly in the agricultural sector, arising simply from the uncertainties of the individual projects themselves. In addition the proposed program rests on the premise that the Government will be able to achieve the required degree of budgetary performance and political stability. If either of these requirements are not met, the lending program may have to be reduced.

53. Of the total of $190 million, $114 million would be IDA credits and $76 million Bank loans (60% IDA credits, 40% Bank loans). This represents a markedly higher proportion of IDA funds than Ethiopia has received in the past. It is justifiable in the light of Ethiopia's poverty and uncertain export prospects and prudent in case political events in Ethiopia further reduce its already limited creditworthiness.

54. Of the eight agricultural projects included in the program, two are for livestock. A PMEA livestock mission visited Ethiopia in the spring of 1970 and gave the Government guidelines for an overall livestock development strategy and for formulating a development program. The mission also identified two country-wide and four regional livestock projects. The first livestock project in the lending program is scheduled for FY 1972, and if that goes well, another could follow in FY 1974. One of the requirements for successful livestock projects is an improvement in the

present institutions, and PMEA has been advising the Government on this subject. USAID has a pilot livestock project in the southern regions and Bank group operations for developing the southern rangeland will be coordinated with USAID.

55. Of the six projects in agriculture proper, two are for irrigation in the Awash Valley, one for the expansion of dry farming in the lowlands around Humera, one for land settlement, one for further support of smallholder agriculture in southern Ethiopia, and one yet to be identified. The first irrigation project, Melka Sadi-Amibara, was originally scheduled for FY 1971 and was appraised in October/November 1969. The completion of appraisal has been delayed by possible salinity hazards recently discovered by an Australian consultant group provided to Ethiopia by UNDP, and doubts about the feasibility of including Virginia flue-cured tobacco in the proposed rotation. Italconsult is examining the possibility of scaling down the project to areas least exposed to salinity and arrangements are being made to carry out further studies on soil and water and cropping pattern. Subject to the speed and outcome of those, a project suitable for financing, could still be approved within FY 1972 as currently scheduled in the lending program. The second Awash irrigation project, scheduled for FY 1976, could be either an expansion of the first project or a similar project in a separate area.

56. The IDA-financed Humera I project approved in FY 1970 provides for feasibility studies and the preparation of a detailed investment program for the expansion of the area under production. The inclusion of the Humera II project, in FY 1974, assumes that the feasibility studies will be completed in time and will be positive.

57. The character of the land settlement project, scheduled for FY 1973, is not yet clearly identified, but it could be settlement on government land which was identified as suitable by a PMEA mission.

58. The first education project, emphasizing secondary education, technical education and teacher training, is reaching completion. A second education project has been appraised and the appraisal report is being revised. This project concentrates on teacher training and agricultural training combined with a limited extension of secondary education. The project also provides for a manpower study and a sector survey for education. The education III and IV projects, scheduled for FY 1973 and FY 1976 respectively, would be based on the findings of these surveys.

59. The scheduling of the telecommunication project for FY 1973 and the power project for FY 1974 are based on Bank estimates of growth in demand. The Bank-financed Finchaa power project (1969) includes provision for site selection and feasibility studies for a new hydroelectric project, for which construction should begin in 1974 to meet the projected power demand after 1978.

60. Three loans have been included for the newly reorganized Development Finance Company (DFC). The new entity is expected to be legally established before the end of 1970 and we expect that its operations will reach a stage which will justify a Bank loan in FY 1972. The new institution would provide credit to both industry and agriculture. Although the present land tenure system makes it difficult for DFC to operate in agriculture, there is scope for providing increased credit to those farmers who can provide security. DFC could also channel funds to agriculture through the cooperatives which are gradually being established.

61. The Fourth Highway project (Loan 523-ET and Credit 111-ET) includes a provision for feasibility studies for about 800 km roads, and a UNDP-financed General Road Study (with the Bank as the Executing Agency) has just been completed. The Roads V and VI projects, scheduled for FY 1972 and FY 1975, will be based on the findings of these studies. These projects are expected to emphasize secondary and feeder roads and will supplement efforts to develop agriculture. An aviation project is provisionally scheduled for FY 1973 subject to the outcome of feasibility studies for selection of new aircraft to replace DC.3's on internal routes, and defining a national plan for airport development. Proposals for undertaking these studies are currently being discussed with the Government. The tourism project scheduled for FY 1975, may finance hotels and related infrastructural development. Discussions are also in progress for a feasibility study for improving facilities at the port of Massawa and the inland transport facilities serving it. A port development project is included in the lending program for FY 1973 on the assumption that this study will result in a bankable project.

62. The program assumes a somewhat greater ability on the part of Ethiopia to prepare and execute projects and to take the specific measures that may be the necessary conditions for lending. It also assumes, as noted above, that Ethiopia will follow the general and fiscal policies required to increase public savings and provide local contributions required for projects financed by foreign aid. Ethiopia has recently demonstrated increasing absorptive capacity, but the rate of increase in the future is rather uncertain. It would be substantially influenced by the availability of technical assistance.

63. If Ethiopia is to obtain the foreign aid on a scale sufficient to finance half of its public investment program, aid donors, including the Bank, will have to provide for well over half the cost of the projects eligible for finance since parts of the program are not suitable for foreign aid. In particular some financing of local expenditure will be necessary in order to carry out a balanced program since a number of projects, particularly in agriculture and education, have low direct foreign exchange requirements.

IFC Operation

64. Over the past five years IFC has invested approximately US $14 million in three projects in Ethiopia: the Cotton Company of Ethiopia, the Ethiopian Pulp and Paper Company and HVA Metahara (sugar). IFC presently holds $10.3 million of these investments, of which $5.8 million is loan and $4.5 million is equity. The Cotton Company was an existing company which has been quite profitable since the first IFC investment in 1965. A second IFC commitment of $0.6 million was approved in November 1969. The Ethiopian Pulp and Paper Company, in which IFC invested in 1965, is currently being started up. The HVA Metahara investment was made in 1967 and has completed its first milling season.

65. IFC assistance has been requested on a number of new projects. All are at a preliminary stage. IFC is reviewing the material submitted on a polyester rayon textile project to produce suiting from imported yarn, a project to produce freeze-dried coffee for export and an abattoir and meat-packing operation. IFC is awaiting information on a possible rayon pulp project and a possible tourism project at present under study by Arthur D. Little Inc.

Other Bank Activities

66. In addition to technical assistance for specific projects, the Bank Group has been assisting Ethiopia in connection with general economic planning and policy. Mr. Sapir was seconded to the Government for a year in 1967/68 to supervise the preparation of the Third Five-Year Plan, and Mr. Lethbridge (DFC) advised and assisted the Government, by making periodic visits, in reorganizing Ethiopia's financial intermediaries (paragraph 60). Mr. Bruce was seconded to the Ethiopian Planning Commission in September, 1969, for two years to advise on the economics of project evaluation and to help in coordinating sector programs. Recently the UNDP has agreed to reinforce the Planning Commission by financing a Harvard Development Advisory Service Team. The Bank is acting as the executing agency. The reestablishment of a Resident Representative in Addis Ababa in October 1969 has already proved helpful both in the conduct of operations and in establishing better local coordination with other aid donors.

67. In the country program review meeting in December 1969, it was decided that the creation of a consultative group for Ethiopia would be explored. Initial reaction from Ethiopia was guarded, and it was only after Mr. McNamara wrote to the Prime Minister in July that a response was received to the effect that Ethiopia agreed in principle, subject to some procedural questions. During discussion with the Finance Minister at the Annual Meeting, the procedural questions were disposed of and he said the Bank could expect to receive formal agreement from the Prime Minister shortly. It is planned to have the Group formed in time for an inaugural meeting in January.

68. Ethiopia is more isolated than other underdeveloped countries of its size. A principal purpose of a consultative group would be to provide a means of reducing this isolation by affording the opportunity for a dialogue between the Ethiopians and the donor countries and institutions on the constraints to economic development and the policies needed to overcome them. It is hoped that not only will those in Ethiopia working for reform gain some support for their efforts, but that the members of the group will appreciate better the problems and that some progress is being made. Greater understanding on their part might lead to some increase in aid. This cannot be counted upon but would be desirable, considering the large proportion of financing contemplated by the Bank.

Eastern Africa Department
October 2, 1970

Population: 25 million
Per Capita Income: $63

Attachment 1

ETHIOPIA: ACTUAL AND PROPOSED LENDING THROUGH 1976

		Through 1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1964-68	1969-73	Total 1972-1976
Wolamo Agriculture Development	IDA							3.5									
Wolamo Agriculture Development II	IDA												5.0				
Humera Agriculture I	IDA							3.1									
Humera Agriculture II	IDA											5.0					
Land Settlement	IDA										6.0						
Awash Irrigation I	IDA									10.0							
Awash Irrigation II	IBRD													15.0			
Livestock I - Dairy	IDA								4.3								
Livestock II	IDA									8.0							
Livestock III	IDA											6.0					
Coffee Processing	IBRD								8.0								
Agriculture unidentified	IDA												5.0				
Telecommunications I and II	IBRD	4.4															
Telecommunications III	IBRD			4.8													
Telecommunications IV	IBRD						4.5										
Telecommunications V	IBRD										12.0						
Development Finance Company I & II	IBRD	4.0															
Development Finance Company III	IBRD									4.0							
Development Finance Company IV	IDA											6.0					
Development Finance Company V	IDA													8.0			
Education I	IDA			7.2													
Education II	IDA								8.0								
Education III	IDA										15.0						
Education IV														15.0			
Power I	IBRD	23.5															
Power II	IBRD						23.1										
Power III	IBRD											30.0					
Roads I and II	IBRD	20.0															
Roads III	IDA	13.5															
Roads IV	IBRD					13.5											
"	IDA					7.7											
Roads V	IDA									10.0							
Roads VI	IDA												15.0				
Aviation	IBRD										5.0						
Port Development	IBRD										5.0						
Tourism	IBRD												5.0				
Water Supply - Addis	IBRD								7.0								
	IBRD	51.9		4.8		13.5	27.6		15.0	4	22	30	5	15	41.8	68.6	76.0
	IDA	13.5		7.2		7.7		6.6	12.3	28	21	17	25	23	14.9	67.9	114.0
	Total	65.4		12.0		21.2	27.6	6.6	27.3	32	43	47	30	38	56.7	136.5	190.0
	No.	8		2		1	2	2	4	4	5	4	4	3	4	17	20
IBRD Loans Outstanding																	
- including undisbursed		45.6	43.0	45.9	43.9	55.1	80.5	77.6	89.9	91.6	111.0	138.2	140.1	151.9			
- excluding undisbursed		20.3	21.8	28.8	33.8	35.7	39.1	48.0	52.0	56.3	59.6	64.2	69.5	75.1			
IDA Credits Outstanding																	
- including undisbursed		13.5	13.5	20.7	20.7	28.4	28.4	35.0	47.3	75.3	96.2	113.1	138.0	160.8			
- excluding undisbursed		2.2	3.8	7.4	10.5	13.7	16.4	25.8	33.9	42.3	52.0	63.6	75.9	89.0			

Last Economic Mission

January-February 1970

Attachment 2

ETHIOPIA

INDICATORS OF DEVELOPMENT

ECONOMIC AND STRUCTURAL INDICATORS	Unit	1951-60	1961-65	1966-70/1	1971-75/2
1. Gross Domestic Product (in 1961 prices)	% change		4.4	4.5	5.5
2. Manufacturing Output	% change		16.4	16.5	12.0
3. Agricultural Output	% change		2.0	2.2	2.8
4. Imports of Goods and NFS	% change		15.0	1.0	6.4
5. Exports of Goods and NFS	% change		12.6	3.2	6.0
6. Domestic Price Level	% change		3.7	1.5	
		1961	1966	1970/3	1975/3
7. Gross National Savings	% GDP	10.9	9.7	12.0	13.8
8. Resource Gap	% GDP	0.6	2.0	1.5	1.7
9. Net Factor Payments Abroad	% GDP	0.2	0.1	0.5	0.5
10. Gross Domestic Investment	% GDP	11.7	11.8	14.0	16.0
11. Debt Service	% Export	3.0	6.1	9.5	10.0
12. Central Government Current Revenue	% GDP	8.0	9.6	9.5	12.0
13. Central Government Current Surplus	% GDP	0.8	1.3	0.8	1.5
14. Public Expenditure on Social Services	% GDP	1.5	2.1	2.5	3.5
15. Military Expenditure	% GDP	1.8	2.1	2.2	2.0
16. Manufacturing Output	% GDP		16.5	12.0	12.0
17. Energy Consumption	million tons				
18. Fertilizer Consumption	.000 tons				
SOCIAL INDICATORS					
19. Population Growth Rate	%		1.8	2.1	2.3
20. Urban Population Growth Rate	%				
21. Birth Rate	per 1,000				
22. Family Planning	Acceptors '000				
23. Income of: Highest quintile	% Total income				
Lowest quintile	% Total income				
24. School Enrolment: Primary and Secondary	% school-age population			8.0	
25. Literacy Rate	% adult population				
26. Unemployment Rate	% labor force				
27. Population per hospital bed	Number			3,400	

/1 1966-69

/2 1970-74

/3 Figures for 1970 and 1975 are the estimates of the economic mission; these may not agree with figures in Attachment 3 which are derived using some long-term parameters.

Eastern Africa Department

September 25, 1970

EXTERNAL CAPITAL INFLOWS AND DEBT SERVICE RATIO

(U.S. $ Million unless otherwise stated)

	ALTERNATIVE I				ALTERNATIVE II				ALTERNATIVE III				ALTERNATIVE IV			
	Exports grow at 6.3% 1969-1985; continuation of present terms on external lending; capital inflow increases 8.5% per annum after 1974.				Exports grow 6.3% compound 1969-1985; softer terms on external lending; capital inflow increases 8.5% per annum after 1974.				Exports grow at 5.0% 1969-1985; continuation of present terms on external lending; capital inflow increases 8.5% per annum after 1974.				Exports grow at 6.3% 1969-1985; continuation of present terms on external lending; capital inflow increases 4.0% per annum after 1974.			
	1970	1975	1980	1985	1970	1975	1980	1985	1970	1975	1980	1985	1970	1975	1980	1985
Exports	215	287	398	490	215	287	398	490	194	248	316	404	215	287	398	490
Gross public capital inflow	32	53	79.7	119.8	32	53	79.7	119.8	32	53	79.7	119.8	32	53	64.5	78.5
Total public external debt service	20.4	23	36.7	61.8	20.4	21	30.5	49.8	20.4	23	36.7	61.8	20.4	23	34.9	52.5
Net public capital inflow	11.6	30	43	58	11.6	32	49.2	70.0	11.6	30	43	58	11.6	30	29.6	26
Debt service ratio (percent)	9.5	8.0	9.2	12.6	9.5	7.3	7.7	10.2	10.5	9.3	11.6	15.3	9.5	8.0	8.8	11.8

Footnotes

1. Exports. 1969 to 1974 as in Appendix A, table 6. For 6.3 percent growth rate, between 1975-1985: coffee price of U.S.40 cent/lb. and quantity increase 2.5 percent p.a.; non-coffee exports grow 6.8 percent p.a. excluding potash; potash in production by 1980; and services 7.5 percent 1975-80 and 5.0 percent 1980-85. Total export growth of 5 percent arbitrarily assumed.
2. Capital inflow. 8.5 percent rate after 1974 derived by assuming external aid would finance one half of Government investment, and this investment would grow 50 percent in each 5-year period after 1974. Four percent rate arbitrarily assumed.
3. Present terms on external borrowing. Lending flow comprising 12 percent private suppliers credits; 24 percent IBRD; 26 percent average European bi-lateral: 25 percent U.S. AID and 12 percent IDA.
4. Concessional terms on external borrowing comprises a flow of 10 percent private supplier credits; 16 percent IBRD; 24 percent IDA; 25 percent U.S. AID, and 25 percent average European bi-lateral.

Attachment 3A

ETHIOPIA: LONG-TERM PUBLIC DEBT PROJECTION /a

(Calendar Years: US $ Million)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
National Income Accounts																						
GNP	1185	1354	1439	1479	1532	1610	1698	1790	1889	1997	2113	2240	2376	2522	2680	2851	3036	3238	9458	3700	3965	4259
Plus: Net Factor Income Payments	6	4	5	7	9	8	6	6	6	6	7	8	9	10	12	13	15	17	19	21	23	26
Equals: Gross Domestic Product	1191	1358	1444	1486	1541	1618	1704	1796	1895	2003	2120	2248	2385	2533	2692	2864	3051	3255	3477	3721	3989	4285
Consumption	1066	1224	1309	1313	1370	1419	1471	1549	1635	1722	1813	1922	2035	2156	2285	2425	2567	2725	2896	3076	3276	3490
Gross Investment	141	160	179	204	212	220	244	265	287	310	337	366	393	422	459	494	538	587	641	709	779	865
Gross National Saving /b	119	130	135	166	162	191	226	240	254	274	299	317	340	365	395	425	468	512	561	624	688	768
Imports of Goods and NFS /c	154	182	198	182	212	198	226	246	268	285	302	327	350	373	400	428	451	472	492	514	536	560
Less: Exports of Goods and NFS	138	156	159	151	171	177	215	228	242	255	272	287	306	327	349	373	398	415	432	450	469	490
Equals: Resource Gap - Amount	16	26	39	31	41	21	11	18	26	30	30	40	44	46	51	55	53	57	60	64	67	70
- As % of GDP	1.3%	2.0%	2.7%	2.1%	2.7%	1.3%	0.6%	1.0%	1.3%	1.4%	1.4%	1.7%	1.8%	1.8%	1.9%	1.9%	1.7%	1.7%	1.7%	1.7%	1.6%	1.6%
Finance of Resource Gap																						
Bilateral: U.S. /d	0.1	0.7	9.8	4.6	9.1	2.3	10	10	12	12	11	14	15									
Other Bilateral	0.8	4.5	4.2	7.4	6.4	9.6	7	9	12	12	11	14	16									
Multilateral: IBRD /e	3.4	5.9	7.7	6.4	4.8	6.8	6	6	6	5	6	8	8									
IDA /e	2.0	3.0	2.8	2.6	4.2	4.4	6	7	8	9	10	12	13									
Private: Suppliers' Credits /f	1.2	8.7	11.0	0.7	10.7	4.5	1	1	2	3	4	5	5									
Total: Gross Disbursements	7.5	22.8	35.5	21.7	35.2	27.6	32	33	40	41	42	53	57	62	67	73	79	86	93	101	110	119
Less: Amortization	4.7	5.6	8.4	11.1	12.2	13.0	14	14	12	12	12	12	13	15	15	15	15	16	18	21	23	26
Net Inflow /g /h	2.8	17.2	27.1	10.6	23.0	14.6	18	19	28	29	30	41	44	47	52	58	64	70	75	80	87	93
Other Inflow (net)	19.2	.4	5.3	17.8	13.0	.4	-10	-4	-4	-2	-2	-2		0.5	0.9	2	-5	-5	-5	-5	-5	-6
Grants		12.4	11.6	9.6	14.0	14.0	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Less: Net Factor Income Payments /b	6.0	4.0	5.0	7.0	9.0	8.0	-6	-6	-6	-6	-7	-8	-9	-10	-12	-13	-15	-17	-19	-21	-23	-26
Equals: Resource Gap	16.0	26.0	39.0	31.0	41.0	21.0	11	18	26	30	30	40	44	46	51	55	53	57	60	64	67	70
Memorandum Items																						
Interest on Debt	2.2	2.1	3.2	3.6	4.0	6.6	6	6	6	6	7	8	9	10	12	13	15	17	19	21	23	26
Total Debt Service	6.9	7.7	11.6	14.7	16.2	19.6	20	20	19	18	19	20	23	25	26	29	30	33	37	42	47	52
Average Interest Rate /i	5.4%	5.0%	2.9%	3.3%	4.4%		2.2%	2.3%	2.6%	2.8%	2.9%	3.0%	3.1%	3.1%	3.1%	3.2%	3.2%	3.2%	3.3%	3.3%	3.3%	3.3%
Debt Service Ratio	5.0%	4.8%	7.1%	9.4%	9.3%	11.3%	9.5%	8.8%	7.8%	7.4%	6.9%	7.0%	7.5%	7.9%	7.7%	7.8%	7.5%	8.1%	8.7%	9.4%	10.1%	10.7%
Total Debt Outstanding	115.4	129.7	151.7	165.5	194.3	254.9	169	189	216	244	275	316	360	407	460	518	583	652	728	808	895	988
IBRD Debt Outstanding - excluding Undisbursed	20.3	21.8	28.8	33.8	35.7	39.1	47	51	55	58	62	67	73	79	87	96	106	116	128	140	152	167
- including Undisbursed	45.6	43.0	45.9	43.9	55.1	80.5	77	89	91	111	138	140	151	157	165	174	184	194	206	218	230	245
IDA Debt Outstanding - excluding Undisbursed	2.2	3.8	7.4	10.5	13.7	16.4	25	32	41	50	60	72	86	100	116	134	152	173	195	219	244	272
IBRD Debt Service	2.3	2.7	2.8	2.8	2.9	5.1	5	5	5	5	6	6	7	8	8	8	9	10	11	12	14	15
IDA Debt Service							0.1	0.1	0.1	0.3	0.4	0.5	0.7	0.8	0.9	1.1	1.3	1.5	1.7	2.0	2.5	2.8
IBRD/IDA % Gross Inflow	72%	39%	30%	41%	26%	41%	43%	42%	36%	36%	39%	39%	39%	40%	40%	40%	40%	40%	40%	40%	40%	40%
% Debt Service	33%	35%	24%	19%	18%	26%	27%	28%	29%	33%	36%	36%	35%	35%	32%	33%	36%	36%	36%	35%	35%	35%
IBRD % Debt Outstanding	40%	34%	30%	27%	28%	32%	28%	27%	26%	24%	23%	21%	20%	20%	19%	19%	18%	18%	18%	17%	17%	17%

/a These projections elaborate the case given in Alternative II of Attachment 3 to the CPP, dated September 29, 1970. The projections illustrate the effect of optimistic assumptions regarding growth of GDP, exports, savings and capital inflow.
/b Starting in 1970 excludes NFS.
/c Starting in 1970 includes net exports of NFS.
/d Excludes US Eximbank.
/e IBRD/IDA disbursements are consistent with figures in the proposed lending program, CPP dated September 29, 1970. After 1976 it has been assumed that commitments equal disbursements, at an annual level of $14 million and $21 million respectively.
/f Includes US Eximbank.
/g Starting in 1970 includes only build-up of international reserves.
/h For the projections it has been assumed that net private direct investment will just equal profit remittances and both have been netted out.
/i Average interest computed on projected disbursements after 1970 not including loans approved prior to 1970.

Projection Basis

GDP Growth (1970-74)	5.4%	rising to	6%
(1975-85)	6.0%	rising to	7.4%
Total Gonsumption Growth		5.8% p.a.	(1969-1985)
Export Growth		6.5% p.a.	(1969-1985)

Eastern Africa/P & B
October 8, 1970

E T H I O P I A

OVERALL

9/11/70

SUMMARY AND CONCLUSIONS

1. The income of 90 percent of the population of Ethiopia, 60 percent of its GDP and virtually all of its exports derive from agriculture. Coffee is the dominant cash crop and averages 60 percent of exports. In the 1960's the economy went through a period of high growth up to 1965 and lower growth thereafter. The decline in growth was primarily due to a decline in export earnings resulting from a decline in coffee prices, but it was aggravated by the closure of the Suez canal. In constant prices, GDP grew by about 4.5 percent per year throughout the decade, but in current prices it grew by 8.3 percent per year between 1961-65 compared to 4.5 percent between 1966-69. Coffee prices increased 20 percent in the early period and declined 9 percent in the later period; the terms of trade similarly improved 15.5 percent in the early period but deteriorated 15.5 percent in 1966-69.

2. The decline in exports and declining growth of GDP in 1966-69 had serious repercussions upon income and investment, particularly Government revenues and public investment. Whereas Government savings had increased in 1961-1966/67 with revenue growth exceeding the growth of current expenditures, Government savings stagnated after 1966/67, as current expenditures increased faster than the slower-growing revenues. Current expenditures grew at a faster rate because of increases in administrative and defense services while revenues declined because of slackening exports and imports, as well as the effect of import substitution upon import tax revenues. Government investment stagnated, and current expenditures for economic and social services were squeezed below levels required to sustain development programs. While Government borrowing from the banking system increased during the economic decline, it was not adequate to sustain expenditures or offset fluctuations in the economy. Despite the decline in exports in recent years, external reserves increased in all but two of the ten years because of the income effects of export fluctuations, as well as the conservative balance of payments policy of the Central Bank.

3. The Government took a number of measures to cope with the financial squeeze of 1966-69. A special committee investigated the Government's financial difficulties and suggested remedial measures. The banking legislation was revised to make prudent deficit financing possible. Treasury bills were introduced to meet seasonal needs. Customs duties and income tax on higher income brackets have been raised. A new agricultural income tax to replace the age-old "tithe" system has proven fairly successful after initial difficulties. Finally, the 1970/71 budget has been prepared on a more realistic basis, including significant increases in investment and current expenditures for economic and social services.

4. The attempt to carry out the Third Five-Year Plan introduced in 1968 has been influenced by these difficult economic circumstances. Government investment has been only about half the level projected for the first two years of the Plan; similarly, growth of GDP and exports has lagged behind targets. The financial targets of the Plan thus need revision. On the other hand, a start has been made to improve the development machinery, for example project preparation has improved significantly; but

much remains to be done to overcome the shortage of skilled manpower and to improve the Government organization in order to expand Ethiopia's absorptive capacity and enhance the prospects of future economic development.

5. Coffee prices increased in late 1969 and are expected to remain high for several years. This more favorable turn in the coffee market, and hence in Ethiopia's balance of payments and budget, provides an opportunity for a more vigorous development effort in the next few years. This report analyzes the implications of an expanded development effort. As a plausible target, monetary GDP would increase from 7.5 to 8.0 percent per year between 1970-74 and overall GDP from 5.2 to 5.5 percent. The major determinant of growth is the growth rate of monetized agriculture; this target assumes the implementation of the expanded agriculture program. Taking recent investment ratios as a plausible target, monetary investment is estimated at about Eth$ 2,950 million over the period 1970 to 1974. Taking into account the likely volume of private investment as well as the savings capacity of Government, Central Government investment might be Eth$ 825 million or an average of about Eth$ 165 million per year. If finance were no constraint, Central Government investment could be even higher since there is, at the moment, an adequate number of available projects; moreover, it would be easier to achieve a balanced program at a higher investment level. Ethiopia could elect for this higher level if tax, expenditure and borrowing policies are adapted to this goal.

6. If external capital finances half of the Central Government investment target of Eth$ 825 million, domestic resources have to be found for about Eth$ 410 million. If the increase in current expenditures on defense and administration is limited to 4 percent per year while expenditures on economic and social services increase 10-12 percent a year, then existing taxation could generate Eth$ 170 million, leaving a budget gap of Eth$ 240 million. New taxes, comprising taxes on corporation income, excises and land could, if enacted immediately, prudently raise Eth$ 30 million per year or Eth$ 135 million. If the new tax revenues are realized, the amount required from domestic borrowing would not exceed Eth$ 105 million.

7. Most domestic borrowing will have to come from the banking system. Government borrowing of this magnitude appears to be prudent, but it should be adjusted to allow for fluctuations in the economy. As export growth and economic expansion is expected to decline in the later years of 1970-74, Government borrowing should be small in the early years and larger in the later years of this period. This corresponds to what Government borrowing requirements are likely to be, as revenues should be buoyant in the early years compared to later years. Alternatively, higher Government borrowing in later years can be used to support even higher levels of Government investment.

8. A Government investment program of this magnitude raises overall financial and organizational, as well as development sector issues. Public savings involve both expenditure and revenue issues. Clearly, current

expenditures on administration and defense have to be controlled, while adequate amounts have to be provided for economic and social services. On the whole, Ethiopia's tax burden is fairly low and there are prospects for increasing taxation, especially from excise and land taxes. There is scope for increased user charges, as with roads, schools and ports, and Government should expect Government enterprises to pay reasonable dividends; this assumes improvement in public enterprise profitability.

9. A flexible policy to protect investment from fluctuations in export earnings is required. This can be dealt with by internal borrowing policies. A more favorable balance of payments situation can permit building up of foreign exchange reserves which can be run down during less favorable years. Internally, this means that neither monetary nor fiscal policy should be expansionary during the boom period. If there are sufficient reserves, then during periods of balance of payments difficulties, budget and monetary policy can be used to offset the impact on the internal economy. Interest rates should be adjusted to pursue the desired monetary policy objectives. The Ethiopian authorities are well placed to pursue such a policy given the level of external reserves and a history of monetary discipline.

10. Investment and savings decisions of public enterprises need to be coordinated with overall objectives of fiscal policy. At present, public enterprises take such decisions too much in the light only of their own needs. The preparation of a consolidated public sector budget would go a long way to meet this coordination goal. This also implies that any surpluses of public enterprises above their own needs be made available to Government by way of dividends or loans.

11. Annual budgeting needs to be improved. Recently, budgets have not been based upon realistic estimates of resources, with the result that budgeted expenditures have had to be reduced on an ad hoc basis. This has been costly in development terms as facilities have been made idle or delayed. Procedures are needed to coordinate the budget work by the Ministry of Finance, Planning Commission and the Central Bank.

12. In the development sectors, 14 agricultural projects have been prepared involving Eth$250 million, and annual expenditures could rise to Eth$60 to $70 million. The program will have to be re-phrased because of manpower limitations, but still represents a substantial increase in Government investment in agriculture. The Plan emphasizes both commercial agriculture and the concentration on package programs. The Plan also emphasizes production inputs. Consideration might be given to benefiting more farmers at lower cost by means of a greater number of lower-cost package programs; by starting a rigorous program to influence demand through improved marketing and by a special effort in agricultural credit.

13. Manufacturing output is expected to increase less than planned although investment in industry might be close to Plan targets. The amalgamation of the two existing development finance institutions into a new Ethiopian Development Corporation should materially improve the prospects

for industrial finance. Too many Ethiopian industries have a low share of value added and high prices relative to international prices. The major reason is the tariff structure. Tariff policy should be based upon one of three alternatives: a uniform nominal tariff; a uniform effective tariff; or a simplified two-group tariff structure, with one tariff for products manufactured in Ethiopia and one for those which are not. Since the growth of import substitution industries is expected to slow down, export incentives should be given to domestic resource based industries in the effort to sustain industrial expansion.

14. In transportation, more emphasis should be placed on feeder roads, and on efficiency in the construction and maintenance of roads. Proposals to restrict road haulers have little economic merit. The comparative economic merits of Assab and Djibouti ports and their respective road and railway need study, as the railway is making losses and is likely to encounter greater losses as the Addis to Assab road improves. Similarly, the Port of Massawa and its road and railway need study; the railway may be uneconomic. Domestic airports need improvement, but the type of improvements cannot be determined until a decision is made on which aircraft is to replace the DC-3. Both questions need study together. An education sector study based on a comprehensive manpower survey is needed to determine the outlines of an education investment program; both studies are to be organized with the assistance of the Bank. The health program is behind the Plan targets in respect of malaria eradication and rural health centers. Completion of the costly Duke of Harrar Hospital will probably require reductions in other health programs. Tourism facilities, with a few exceptions, seem adequate for the anticipated traffic over the next few years. However, detailed studies should be made of the hotel and infrastructure needs for later in the decade.

15. In order to finance the investment target for 1970-74, it is estimated that external capital inflow would have to be about Eth.$ 550 million. This capital inflow comprises Eth.$ 415 million which would cover half the Central Government investment, Eth.$ 81 million to assist the investment of parastatal agencies and private investment, and Eth.$ 54 million for increase in external reserves. External reserves should increase during this period in order that they can be drawn down in a later period when it is expected that the balance of payments will come under pressure. On this basis, external reserves would be the equivalent of 4-1/2 months imports by the end of 1975 compared to 5-1/2 months at the end of 1969.

16. The needed capital inflow will exceed the import content of the Central Government investment program, e.g., import content of Eth.$ 330 million and capital inflow of Eth.$ 415 million. Moreover, not all of the Government capital program will be able to obtain foreign assistance so that if foreign aid is to make a reasonable contribution to the program some financing of local expenditures will be necessary. As foreign aid is expected to finance 50 percent of the total program, this will mean that on the average significantly more than 50 percent of the costs of foreign aid eligible projects should come from external aid.

17. At the end of 1969, external debt service was 11.3 percent of exports in that year (the debt service ratio). External lending terms received by Ethiopia averaged 24.7 years maturity, 5.4 years grace and 4.4 percent interest rate. More significantly, the blend of external lending averages 35 percent on conventional terms and 65 percent on concessional terms. The future external debt service burden will depend upon the export growth rate, and the volume and terms of external borrowing. Assuming that external aid finances half the Government investment program and investment were to increase by 50 percent in each five-year period, then Ethiopia would require an inflow of aid which would increase 8.5 percent each year. If exports could increase over the long run at 6.3 percent a year Ethiopia would be unlikely to encounter any debt problems for the next decade. On the other hand if exports rise at only 5 percent per year the debt service ratio would be as high as 15 percent by 1985. Aid on more concessionary terms would help to keep down the debt service ratio and at the same time would mean a higher inflow of net aid. The balance of payments and debt outlook emphasizes the importance of the terms on which aid is given, and the importance of a successful export promotion program. Ethiopia should seek external aid on more concessionary terms and at the same time should give high priority to export growth.

AGRICULTURE

SUMMARY AND CONCLUSION

Characteristic of Agriculture

1. Ethiopia is divided into a dissected mountainous highland central plateau at over 1500 meter elevation and hot semiarid lowlands. Differences in temperature, precipitation and elevation provide for a variety of climatic subregions with specific crop adaptability. Also soils vary widely in physical characteristics, but generally they are nitrogen and phospherous deficient; there is very little potassium deficiency.

2. Fifty four percent of the land area is used as pasture, mostly situated on the 500,000 sq km government-owned land in the lowland region; cultivated and fallow lands comprise 10.4 percent of the area; 21 percent is barren desert or swamp land and forests constitute over 4 percent of the total. Agricultural land including the fallow averages about 3 ha per family, though many holdings are much smaller. There are also some large commercial and mechanical farming enterprises which operate under Government concession.

3. The small scale farms of the highland regions produce crops valued at about Eth$ 1.0 billion, or about half of the national crop output; more than half of the cattle population is in the highlands. The lowlands produce mainly cotton, sorghum, sesame, and cattle; and support large nomadic livestock herds.

4. The all important coffee crop is a highland product. Long run agricultural improvement prospects favor highland agriculture. Opportunities for lowland agriculture are in cotton - an important substitution crop, export crops of oilseeds particularly sesame, and livestock. There are good short run prospects for relatively large scale mechanized agriculture in the lowlands.

5. Generally the technology of Ethiopian agriculture is still rudimentary. Income, skill, and literacy levels are low. Most farmers are at a subsistence level. In subsistence agriculture the planned economic growth rate, 1.8 percent annually, about equals the population increase. Technical inputs are scarce and land tenure is insecure and complex, and occupancy rights are cloudy. Lack of market facilities and credit, as well as remoteness and isolation, are major handicaps. Nevertheless, farmers produce 60 percent of the GDP. Agriculture is obviously the touchstone of Ethiopian economic development. Ninety percent of the national labor force is in rural areas. Agricultural products constitute almost the entire export trade, led by coffee which accounted for 59 percent in 1968. In time Ethiopian agriculture could substitute for almost all food imports.

The Regional Pattern

6. Central Highlands. This large intensively cultivated subsistence farm area has perhaps the country's best long range agricultural potential. Portions are remote with difficult access. Soils are relatively stable and rainfall is favorable.

7. Northern Highlands. This densely populated region will be difficult to develop. Erosion is widespread, rainfall is erratic, and holdings are very small. The communal land tenure system is a barrier to modern agricultural technology. Extensive out-migration occurs as farm labor to Tessenei, Setit Humera and the Awash Valley.

8. The Eastern and Southern Highlands. In the Chercher highlands of Harrarge Province farm standards are high but rainfall limits development prospects to a narrow area. Coffee is the most important crop followed by sorghum, maize, and chat. Prospects in the Arussi highlands lie in extension of the so called Chilado (CADU) "package program" to a larger area. The area has above average highland production potential, good soils, and adequate rainfall. Prospects in the Bale highlands are poor. Northwest areas may be adaptable for sheep and cereals. Information about this area is poor.

9. Southern and Southwestern Highlands. These are the least developed highlands in Ethiopia but with favorable rainfall have a good agricultural potential. Many areas are remote and small grain farming is on the subsistence level. There are good prospects for washed coffee, maize, spices, and large dairy herds.

10. The Lowlands. Lack of knowledge of rainfall -- its amount and distribution -- limits the immediate development prospects. At present only about 200,000 ha out of a potential of 5 million ha is under cultivation. Half of this cultivated area is in the Humera development area, where a Bank financed project is underway, and the cultivated area may increase to 300,000 ha in six years. Commercial mechanized dryland agriculture is the prime mode of development. Some areas are uneconomic because of drought, remoteness and disease. Livestock production in the southern lowlands should have priority; a National Range Development Project has been initiated.

11. Some of the river valleys, e.g. Awash, Aboy, Wabi Shelele, Takeze and Omo, have distinct irrigation potentials. Over the next two decades 150,000 ha of irrigated land in the Awash Valley may develop.

Agricultural Development Strategy

12. The TFYP agricultural strategy concentrates inputs in areas of high potential response. Concurrently corporate and commercial agriculture is encouraged to anticipate large short run returns which in turn should increase public revenues to support agriculture. Various planned undertakings require large expenditures over the next few years. A key aspect of the strategy is to concentrate large resources of manpower and investment in limited areas, in the form of regional package programs. The major weakness is that

large numbers of farmers in nonpackage areas are left with no government support. The current strategy also tends to overlook the development incentive in providing proper crop handling and marketing services. Major development projects underlying the development strategy are described briefly below.

13. Chilalo (CADU), Wellomo-Soddu (WADU) and Ada District Agricultural Development Units. These are "package programs" with similar design and purpose. The CADU project is in two phases, the first just ended and the second just commencing. First phase cost including a Swedish grant of Eth$ 8 million was ETH$ 14 million; total second phase costs is estimated at ETH$ 19 million by the end of the TFYP. WADU, activated in 1970, is estimated to cost ETH$ 12.6 million including an IDA credit of ETH$ 8.17 million. The Ada District plan is still in formulation.

14. The Awasa Rural Extension Project, under jurisdiction of the Ministry of Community Development, is located in Shoa and Sidamo Provinces 220 km south of Addis Ababa. It is part of a scheme which includes operation of a State Farm and an industrial complex. The objective of the project is to improve the maize production of 18,000 small farmers. It will have a five year term and will cost ETH$ 11 million.

15. The Setit-Humera project, in the Teyemdis - Simen Province 600 northwest of Addis Ababa, now being activated, is directed at providing infrastructure support to large mechanized agriculture producing cotton, sorghum and sesame. The project is partly financed by an IBRD loan of ETH$ 8.7 million and will cost ETH$ 12 million. A proposed Shashamenne project, in Shoa and Sidamo provinces 250 km south of Addis Ababa, is directed at encouraging moderate sized (up to 200 ha) commercial farms chiefly producing cereal crops. It has been prepared by USAID, and will cost about ETH$ 11.1 million.

16. The Melka Sadi-Amibara Irrigation Project is in the middle Awash valley, 175 km east of Addis Ababa. The plan calls for irrigation of 14,000 ha at a cost of ETH$ 80 million. Most of this area would be in moderately large-scale commercial concessions. Potential crops are cotton, tobacco, wheat, beans, vegetables and citrus. Further investigation of this project is underway.

17. A project in support of the cotton-producing Tendaho Plantation Share Company is located in Welo Province 400 km northeast of Addis Ababa in the lower Awash Valley, in two units at Dubti and Dit Bahri. Plans are being developed to expand Dit Bahri under leadership of the British Mitchell Cotts Company; capital investment is estimated at Eth$ 10 million, and working capital at Eth$ 3.8 million.

18. The National Range Development Project covers a 10,000 square mile area in three units in Sidamo Province. The proposal was prepared by USAID. The area is used for grazing the herds of nomadic tribesmen and its purpose is to combine improved watering, range management, and animal disease control to improve the 25 million head of livestock. Five year costs are estimated at ETH$ 14.3 million.

19. Two projects are aimed at developing agroindustry. The Addis Ababa Dairy Project seeks to improve the quantity and quality of fluid milk for Addis Ababa, through dairy herd improvement, better feeding, cross breeding, market services, etc. Total cost will be about Eth$ 19.4 million. Coffee washing plants are proposed for Sidamo Province and Keffa Province, respectively, 300 km south and 200 km southwest of Addis Ababa. The project will include access roads and it will aim converting 18,000 tons of poor quality unwashed coffee into mild washed coffee. The total cost is estimated at Eth$ 31.4 million.

Other Possible Approaches to Development Strategy

20. Three proposals are offered by the Mission as means of (a) modifying the present emphasis on agricultural production, and (b) utilizing the concept of the "package" technique to reach a larger number of small farmers at moderate cost.

(i) Minimum Package Programs. The idea is to have programs aimed at relieving specific production constraints in a number of selected areas simultaneously. For example, a miminum package project could aim at improving the poor cereal yields of the highlands using immediately available resources of the Ministry of Agriculture and inputs limited to seeds, fertilizers, and the organization of credits and markets. A feasable target would be to double the yield of wheat and teff on 1 ha each of 1,500 small highland farms in each of, say, 10 locations. This would be equivalent to doubling the yield on 15,000 ha.

(ii) The Marketing of Grains, Pulses and Oilseeds. The imperfect market for grains, pulses and oilseeds prevents prices from performing their role to allocate agricultural resources. A grain stabilization scheme, costing perhaps ETH$ 20 million over five years, could go far toward eliminating extreme price fluctuations. Given necessary authority and financing the Grain Corporation could considerably lessen fluctuation through providing storage and marketing facilities in the short run and ultimately supervising grading and trading, and licensing bonded warehouses.

(iii) Agricultural Credit. Ethiopia badly needs a sound specialized agricultural credit institution. Credit to the sector from institutional sources now amounts to about Eth$ 40 million a year, extended to larger preferred risk agricultural borrowers mostly on the security of urban real estate. Smaller borrowers have to rely on high-cost local money lenders. A specialized agricultural credit department could be created in the new Ethiopian Development Corporation, at a development cost of less than Eth$ 7.0 million over five years. Costs would cover training and expatriate assistance plus moderate capital funds for lending to smaller borrowers.

Major Constraints

21. The Government is considering the possibility of implementing development projects which in aggregate would absorb Eth 231 million over the reamining years of the TFYP. The capital expenditures for 1970/71 was scheduled under the TFYP to be over Eth$ 44 million, but this has now been scaled down to about Eth$ 27 million in the proposed budget. The lower amount is still more than double the 1969/70 capital budget for agriculture. A considerable amount of external finance and technical assistance will be required, but these do not appear to be a basic constraint. However, based on recent fluctuations in budgetary allotments, the orderly flow of domestic funds is an uncertain element -- though the recent firming of the coffee export prices may make more public funds available for agriculture. There is little likelihood, however, that the manpower necessary to implement a program of the size contemplated could be found. The question has become, not whether projects can be made ready for implementing, but which projects and at what speed. However, it must be emphasized that Government action is needed to improve and regularize the entire process of budget preparation, and to release funds for agricultural development. An emergency manpower plan, giving priority to agricultural is another short-term need.

Private Investment

22. Ethiopian agriculture has lagged behind other sectors in its ability to attract capital and initiative. The proposed organizational changes in credit institutions could do much to improve private investment. However, 80 percent or more of Ethiopian farms do not generate a capital surplus. For the farmers who are capable of entering the monetized sector, it is the uncertain, confused, and complex land tenure situation which may be the dominant deterrent to investment. The communal tenure institutions of the northern highlands are a barrier to investment in land; south of Addis Ababa landlord rights are paramount and tenants can be evicted at will; in the lowlands, tribal rights prevail. On government lands boundaries are vague and patronage grants from these lands are subject to challenge.

23. In the traditional small farming highland areas, capital improvements should be labor rather than capital intensive because the latter would tend to cause tenant displacement. Capital formation should be in the form of long-term conservation measures. Investment opportunities exist in services to agriculture such as retail outlets, supply deposits, storage and institutional credit. An illustration is the cluster of enterprises at Debre Azit, a small farm center.

24. In contrast to small farmer investments is the scope for corporate investment in larger scale farming. A number of concessionaires are in operation, producing such commodities as cotton, sorghum, tobacco, sugar, and dairy products. There have been failures as well as successes. One index of the spread of commercial agriculture is the purchase in recent years of over 2,000 farm type tractors. Several development proposals are

aimed at expanding commercial type of agriculture. Resolution of land tenure uncertainties is closely tied to continued expansion of this kind of investment.

25. The Government has already created favorable conditions to attract foreign and domestic capital to agriculture. However, efforts should be made to help investors by improving official facilities for dealing with them. Several state farms which are now unsuccessful might be turned over to concessionaires.

Government Services

26. Organization Prospects. There is a distinct dispersion of agricultural functions among a number of Government agencies. Examples are: the semi-independent Institution of Agricultural Research, the Livestock and Meat Board, the Tobacco Monopoly, The Coffee Board, the Awash Valley Authority, the Ministry of Community Development and the Ministry of Land Reform and Administration. Most of these operations should be vested in the Ministry of Agriculture. The present need to coordinate these bodies is symptomatic of the present administrative weakness. The Rockefeller foundation is undertaking a review of the organization of agricultural services and is expected to report shortly.

27. An important factor is the absence of basic knowledge and data about the economics of Ethiopian agriculture and farm management. The Planning Unit of the Ministry of Agriculture could commence immediately to collect data from the ongoing regional programs. Also, it is noted that the traditional provincial lines of organization do not follow the regional pattern of agro-climatic and soil potentials.

28. Agricultural Research. Research activity covers livestock, irrigated crops, coffee, sorghum, cereal crops and cotton. Research activities should be nationally coordinated and the Institute of Agricultural Research has this responsibility. More research emphasis is needed on farm management, livestock, and grain legumes and oilseeds. Coordination with Extension Services is weak.

29. Agricultural Extension. The Extension Service is in a position to benefit from the results of limited but indicative research on a few crops. Its need for men and money should have priority. Coordination with research could be improved through National Crop Improvement subcommittees.

30. Veterinary Services. The veterinary services are spread very thinly among a large cattle population. Allocations of both men and money are inadequate but veterinary training is good. A mass cattle immunication program has started and needs to be strengthened. Fifteen percent annual increases in capital and recurrent Veterinary Department budgets plus a large scale fellowship program appear justified.

31. Supply of Seeds, Fertilizers, and Machinery. In 1969 only 1,000 out of 500,000 tons of seed planted were of improved varieties; a substantial seed improvement and distribution system should be implemented to meet the expected increase in demand. The Plant Production and Protection Division of the Ministry of Agriculture has this responsibility but is unable to discharge it. Distribution could be initially handled through CADU, WADU and the minimum package programs as an extension Service operation. Fertilizer imports reached 7,000 tons in 1969, mostly for the large commercial operators. Fertilizer prices are high and credit is not available, but demand should increase as a result of the package programs. Farm machinery can be purchased through dealer credit; a tractor assembly plant and a small implement factory will soon be in operation.

32. Manpower. A serious shortage of professional and technical manpower confronts the IEG for the remaining three years of the TFYP and through 1974/75. Even with rephasing of the 1970/71 financing, and after counting as available for recruitment all 1970 graduates of agricultural training institutions, there is an irreducible 1970/71 shortage of some 94 man-years of professional service. Carrying forward the backlog burden to 1971/72, the shortage becomes over 600 man-years, and over 800 if minimum package, marketing, and credit proposals are activated — although this latter figure might be smaller if staff already employed in these three programs is counted. During 1970/71 a specific manpower plan should be developed to make maximum utilization of manpower. This task should be delegated to the Planning Unit, Ministry of Agriculture.

Commodity Prospects

33. Coffee. The Government is taking steps to improve the quality of coffee, to assess the coffee economy, to increase washed coffee production, to rationalize handling, and to increase research. Ethiopian coffee exports are expected to increase from 93,000 tons in 1970 to 110,000 tons by 1974.

34. Cotton. Irrigated cotton agreage will probably increase by 17,000 ha by 1975 and dry land cotton acreage by 25,000 ha, and increase of about 15,000 tons of lint cotton worth over Eth$ 23 million at current prices. The local market for cotton will continue to expand for another 10 years. Under irrigated conditions it may be possible to produce longer staple cotton for export.

35. Tobacco. The Tobacco Monopoly contracts in advance with about 40,000 small farmers, and supplies seed or seedlings, cultivation and plant protection services. National production is about 1,570 tons of all types; The Tobacco Monopoly's profits were Eth$ 6.5 million in 1969. It is trying to promote Virginia and to discourage production of oriental type tobacco. Experiments with burley tobacco for blending are encouraging. Substantial irrigated production increases of Virginia tobacco for export may be possible on the proposed Melka Sadi-Amibara irrigation project. This would require a substantial program of research, extension and technical advice on handling, grading, curing and marketing operations.

36. Sugarcane. This commodity is produced by the Dutch concern, H.V.A., in the Awash Valley. Production in 1968/69 was 66,200 tons valued at Eth$ 40.6 million. Ultimate capacity is 135,000 tons; 1968/69 demand was 75,000 tons. Exports are problematical because sugar can be imported at Eth$ 230 per ton CIF Red Sea ports against a domestic wholesale price of Eth$ 613 per ton. HVA intends to limit output at its Metahara unit until domestic demand cataches up.

37. Cereals, Pulses and Oilseeds. Prices have recently been stable. Exports of pulses and oilseeds are valued at Eth$ 47.8 million in 1968. Shifts in domestic demand (urban) are toward wheat and teff and away from maize, sorghum, and barley. In exports, shifts are away from linseed and toward sesame, beans, chick peas and lentils. Development plans should be oriented accordingly.

38. Fruits and Vegetables. By 1975, exports should increase from the present 27,000 tons, worth Eth$ 9.1 million to 35,000 tons worth over Eth$ 12 million. Local consumption, principally of yams and potatoes grown in southern, western and southwestern regions, will likely parallel the population increase. The principal demand for fresh fruits and vegetables is for exports; local demand is small. Thus the future of fresh fruits and vegetables is closely related to transport costs. Demand is high for these products in Red Sea, Mediterranean and European countries, particularly for citrus. The chief suppliers will be the large operators. Small highland farmers can grow chillies and pepper to supply such concerns as the U.S. Spice Extraction Company.

39. Livestock and Livestock Prospects. The 55 million head of livestock represents a neglected resource. Given a number of supportive measures by government, increases in cattle production could become evident by 1974. Present rates of cattle slaughter are too high to maintain the present population, yet the six commercial meat processing plants, with a capacity of 270,000 carcasses, handled only 73,000 in 1968, probably because highland farmers keep livestock primarily for milk and draught purposes and distances are too great from the southern ranges. Death loss and disease rates are very high and nutrition, fertility and growth are low. Improvement of Government services should include:

1. Activation of National Range Development Project.
2. Reorganization and improvement of Livestock and Meat Board.
3. A widening of the scope of Goverments livestock survey.
4. Intensification of activities of veterinary development.
5. Expansion of research.
6. Initiation of a highland pilot livestock project.
7. Implementation of a hides and skins improvement program.

Additional information about the livestock industry is anticipated from the report of the IBRD Livestock Review and Project Identification which visited Ethiopia in April and May 1970.

40. Fishery. Neither the Red Sea nor the inland fishery resource has been systematically developed. Fish meal and dried fish had an export value of Eth$ 2.5 million in 1966/67, but this export trade was drastically affected by closure of the Suez Canal. Another impediment to expansion of fish production is lack of knowledge about the resource; still another is the lack of interest in fish as an item of diet. The International Indian Ocean Fisheries Commission should be asked to investigate the Red Sea fishery resource.

41. Forestry. Ethiopia has 4-5 million ha of natural forests; about 2 million ha are state forests under the Administration of the Forest Department of the Ministry of Agriculture. An estimated 80 percent of the total forest resource is inaccessible. Forest resources have been abused and depleted for centuries with the result that Ethiopia will have to import wood products for a long time. Increased investment and a conservation program are necessary. The lack of professional foresters could be overcome by employing expatriate professionals as trainers and establishing the proposed Forest Ranger Training Centers.

MANUFACTURING INDUSTRY

Summary and Conclusions

1. The role of modern manufacturing industry in the economy is small even by comparison with other African countries. It contributed 5% to GDP in 1969 - roughly equal to the share of GDP of handicrafts and cottage type industies.

2. Manufacturing consists overwhelmingly of producing import substitutes behind frequently high protective tariff walls. It is highly dependent on imported human and material inputs. As a result the benefit to the economy from manufacturing is lower than it could be - frequently the value added is low, the employment content is small, the effects on the balance of payments are not significant, and the prices of most domestic manufactures are as high as 60% above the c.i.f. price of similar imported goods.

3. The Government has taken a number of measures to encourage the development of manufacturing industry. An Investment Code provides some relief from income taxation to concerns with capital exceeding Eth. $ 200,000. Government has provided some Eth. $ 281 million of capital for manufacturing concerns through the financial intermediaries -- the Ethiopian Investment Corporation and the Development Bank of Ethiopia - and by direct investment as whole owner, majority shareholder, and miniority shareholder. An important factor is tariff protection which is further reinforced by a 7 percentage points differential in favor of domestic production in the relative rates of transactions tax on imported goods and domestic products.

4. Tariff protection is given on an ad hoc industry-by-industry basis and the main determinant of the level of protection seems to be the bargaining persuasiveness of the particular entrepreneur. In the circumstances there are various levels of tariff on raw materials and finished goods and the levels of protection bear no relationship to the economic benefits in terms of value added, employment, and the balance of payments. The tariff policy should be geared to the development of industries in which the country has comparative advantage and which maximize benefits to the economy. The objective may be achieved by a uniform nominal tariff for all inputs and products so that all industries are on an equal competitive footing; making detailed studies of effective protection levels, and seek to have a uniform effective tariff; or seeking to simplify the tariff into at most two or three groups with a reasonable uniformity of nominal tariff rates for each group. These and other policy measures need systematic study, but the Ministry of Commerce and Industry is not adequately staffed to do this and other necessary work in the industrial development field. The staff should accordingly be strenghtened.

5. As a result of the Financial Intermediaries Reorganization Committee's work, Government's participation in the finance of industrial development, is likely to be made more effective through the establishment of a new development finance concern by the merger of the EIC and the DBE. It is hope that the new concern will be better equipped to mobilize domestic resources, to encourage industrial investment, and to influence the quality of direct government investment in manufacturing industry.

6. Value added in manufacturing is estimated to have grown at 16% per annum between 1961 and 1969. This was based on import substitution industries the further development of which is likely to be much slower than in the past. The scope for appreciable industrial expansion lies in the processing of indigenous raw materials - for example beef - for export. In addition the net benefit to the economy is likely to be greater from this type of industrial development. But special steps must be taken to promote manufacturing for export. The transactions tax on non-traditional exports should be removed, and the arrangements for import duty drawbacks on the import contents of exports should be made more efficient. The manufacturer of exports does not get a concession similar to the protective tariff which the manufacturer for the domestic market enjoys. If exports are to be encouraged the export manufacturer should be no less preferred to the producer for the domestic market; in this connection consideration should be given to the introduction of export subsidies.

7. A draft new investment code is now being considered. It provides income tax relief to export industries, considerably lowers the qualifying capital of the development concern to accord more with current Ethiopian conditions, and generally goes further than the present relatively liberal Investment Code.

MINING

SUMMARY AND CONCLUSION

The mining sector is small, contributing only 0.3% of GDP. Gold and salt are the most important minerals now mined. Investment in mining rose from Eth. $9.6 million in 1964 to Eth. $15.9 million in 1969. One-third of investment was for existing mines, and two-thirds for prospecting for oil and potash. Government capital expenditure reached Eth.$5.1 million in 1969, mostly for geological surveys (see Annex 3 for details).

Recently there was a proposal to establish a Government-owned commercial corporation to take over, rationalize and operate The Adola Gold Mine, now operated by the Ministry of Mines. The mine does not produce a profit and its output has been erratic because of worn out equipment, shortage of spares and inadequate development prospecting. Unless modernized, gold output is likely to decline. However, the proposal has not been accepted. Three companies recently took separate concessions to prospect for copper and sulphur. Six companies have been or are prospecting for oil. Oil prospecting is the single largest source of investment, but no positive results have as yet been found.

Potash is possibly the most important potential mineral for exploitation. Although the first attempt by a concessionaire has been abandoned, a new concessionaire is now completing exploration. The next phase would be pilot mining and feasibility studies due by 1972. If these phases are successful, the last phase of financing and construction is forecast to take up to three years thereafter. The crucial considerations are mining cost and markets. Mining costs turn on finding mineable ore close to the coast to minimize transport costs, and finding an economic mining method. The world market outlook is for depressed prices until the mid-1970's. All in all, if potash mining proves viable and does materialize, potash exports might be about Eth. $ 70 million per year, or roughly 20% of total 1969 exports. However, recent events indicate that production may not start before about 1979.

Geological surveys have expanded rapidly since 1968 through the efforts of the Geological Survey of Ethiopia and with the assistance of Israel, Canada, USA and the UNDP. A new draft Mining Code is now under consideration by Parliament. TFYP targets for mining output and investment are unlikely to be realized, largely because of the delay in potash mining. Government capital expenditures, largely for the Geological Survey, are estimated in the order of Eth.$ 2.9 million per annum in the last three years of the TFYP.

EDUCATION AND TRAINING

SUMMARY AND CONCLUSIONS

1. Education and training are as yet very underdeveloped in terms of the numbers in the system, the content of the programs, and the country's manpower needs. Education planning has been inadequate despite major efforts for quantitative expansion.

2. Only 14.1% of the relevant age group is enrolled in primary schools and 2.9% in secondary schools. The two universities have a full-time student population of 5,200. In addition, there are wastages at all levels and this denies the optimum use of a system that is already constrained by the inadequacy of resources.

3. The primary school curriculum is oriented towards transfer to general secondary education, and although the IDA credit of 1966 has introduced a diversified curriculum with pre-vocational streams, secondary education is still essentially academic. Enrollments in general secondary schools are fifteen times as much as those in technical schools. In fact technical education has lagged behind and this has resulted in the establishment of numerous training programs by parastatal and private firms. At the university formal long term planning only started in 1969.

4. All sectors of the economy are short of skilled manpower. An important example is the agricultural program which is to provide the dominant thrust in the country's development, and which will have to be rephased primarily because of lack of qualified manpower.

5. Both the SFYP and the TFYP have aimed at expanding education and training and making them more relevant to the development needs of the country, but the latter aim in particular is not being achieved for three reasons. At the primary level the shortage of trained teachers and the content of the teacher training curriculum have inhibited progress towards developing and implementing a curriculum more relevant to rural areas. Social pressures have lead to overcrowding in the secondary schools resulting in lower quality education and constraining the efforts to apply the diversified curriculum. The funds for supplies of teaching material and for maintenance have been inadequate.

6. There is insufficient coordination between the Ministry of Education and other bodies which operate education and training institutions or programs. Even within the Ministry itself planning has had little effect. Neither of these is conducive to effective planning. The planning unit of the Ministry needs strengthening and should establish better communication with other ministries and agencies. In this framework a management review of the Ministry could help in planning the level of responsibilities. However, an education sector review and a manpower survey for

which initiatives are already in progress, are required to permit effective planning to be developed. While awaiting the replanning of the system, investment should not be discontinued, but should rather concentrate on those areas - like teacher training and agricultural education - where needs are most obvious. The present Haile Sellasie I University development program seems to be well founded.

7. Already public education and training absorb some 17.7% of total government current expenditure. Projections indicate that in 1972/73 this percentage will increase to cope with the increasing claim of the education sector on public resources. The Government is to levy an Education Tax on urban land and personal income; also the secondary school timetable will be adjusted to achieve savings on teacher costs.

8. Long term measures will result from the replanning of the education and training system to be achieved after the completion of the proposed manpower survey and sector review.

DOMESTIC RESOURCES

SUMMARY AND CONCLUSIONS

1. Government saving in Ethiopia has in recent years dropped below the level it attained in the mid-1960's and this fall has barely been offset by the slight rise in recurrent expenditure on economic services. Thus total resource mobilization by the government for development has virtually remained stagnant. This is the outcome on the one hand of a rapid growth in spending on defence and internal security which has absorbed two thirds of incremental government revenues, and on the other hand, of a fall in the rate of growth of revenues from around 12 percent per annum in the early 1960's to about 7 percent per annum since then. Whilst the deterioration in the financial situation has been arrested since 1968-69, the problem of mobilizing resources for development remains a serious one. It is one of the major conclusions of this report that this can only be solved if the Ethiopian government exercises more restraint on non-development government expenditure than has been the case in the past.

2. The tax ratio of 8 percent of GNP is low by adjusted international standards. This low tax effort has been aggravated since 1966/67 by the downturn in coffee earnings which has in particular affected imported duty revenues which account for half of total revenues. There is at the same time an under-lying long-run structural problem which arises from import substituting industrial development leading to a relative decline in imports of consumer goods and particularly of those upon which rates of duty are high. Thus there is a growing need to develop the system of direct taxation and of indirect taxation falling on domestic output.

3. Direct tax revenue has had a high built-in elasticity due to its wide coverage and progressive rates. In addition some tax rates have been increased since 1967. A controversial change in policy was the introduction of a progressive tax on agricultural incomes in 1967. This led to an initial fall in revenue but this has now been reversed and the basis has been laid for a dynamic tax on agricultural incomes in the long run. The Education and Health taxes are levied on land and are earmarked for these services. The Report recommends that the earmarking be discontinued unless its purpose is made more effective.

4. Development of an elastic, equitable and economically rational structure of indirect taxation on domestic output of goods and services is of high priority. Some excise duties need to be made more buoyant (e.g., that on tobacco) and excises need to be extended to other goods and services as recommended in previous IBRD and IMF reports. The administration of the turnover tax needs to be improved before any increase in its rate should be considered.

5. The development of the transaction tax system is particularly important for this is a highly income elastic source of revenue. One of the important issues in regard to this tax is the dual rate structure -- 12 percent on imported goods and 5 percent on domestic output. The difference of 7 percentage points represents, of course, an additional protection to domestic output. Already imports are subject to a complicated structure of tariffs and other taxes and the Report recommends, firstly, that this system should be made much simpler. The complexity of the system makes it impossible to determine, with any accuracy, the degree of protection it affords on value added in any particular industry but the little evidence available suggest that the variations in levels of protection have very little, if any, economic or social rationale. The Report recommends much more uniformity in levels of protection (for instance, two or three categories of goods -- capital, intermediate and consumer goods) so that attention could be concentrated on policy issues relating to industrial development rather than on dealing with the problem on a case-by-case basis. It is in the context of this recommendation that the structure of taxes on imports should be made both much simpler and more uniform, that the Report also recommends the retention of the 7 percent differential transactions tax on imported goods. This recommendation is made for pragmatic reasons.

6. As regards taxes on exports, the Report concludes that there is little or no scope for an increase. In fact for non-traditional exports, not only does the system for rebating transactions and other taxes need to be made much simpler, but there is also a case for an export subsidy which would make it at least as profitable to sell output abroad as domestically.

7. The Report emphasizes the need to ensure that the financial return on government investments in public enterprises are not undermined by uneconomic pricing and other policies. It also recommends that close attention be given to user charges including, in particular, fees for secondary and university education, and also a rational system of road user and port charges.

8. The Report recommends that public sector borrowing should be clearly designed to develop the role of the financial institutions as mobilizers of savings. This would require an examination of the level and structure of interest rates and also an examination of the policies of institutions such as the Ethiopian Investment Bank in relation to this problem. In addition, it is essential that the amount of public sector borrowing which is undertaken each year should reflect the cyclical problems of the economy which stem from the dependence of the balance of payments on coffee earnings. Only by the contracyclical timing of borrowing can the development program be implemented in a reasonably stable and efficient manner. This implies that in the immediate future when export earnings are expected to be favorable, the level of government borrowing should be held severely in check.

9. Finally the Report concludes that much more attention needs to be given to the relationship between planning and budgetting and to the development of annual budgetting procedures which would encourage a rational balancing of alternatives and which would result in a budget which was relevant for expenditure control purposes. Apart from these required organizational and procedural charges, however, at the policy level there is an overwhelming need to ensure that a high and rising level of funds for development purposes are forthcoming each year.

TOURISM

SUMMARY AND CONCLUSIONS

Introduction

1. The tourism sector in Ethiopia is small in terms of income and employment generated. During the next five years the economic importance of the industry is not expected to alter radically although the number of foreign visitors could double in the period. Past investments in hotels and other facilities are likely to be sufficient to handle the projected traffic increases in the next few years. The main fields of activity should now be the establishment of greater knowledge about the present visitor traffic and on this basis the establishment of plans and feasibility studies for the development of further tourist attractions in the future.

Present Tourist Traffic

2. Foreign visitors arriving at the frontiers in 1969 are estimated to have numbered 45,000. In 1964 foreign visitors totalled 26,000. The growth of traffic in the intervening years was not regular, however. In 1965 and 1967 the number of visitors fell, while in 1968 visitor numbers rose by 43%. On average visitor numbers rose by 12% p.a. between 1964 and 1969.

3. Business visitors accounted for 75-80% of the foreign visitors in 1969. Pleasure visitors totalled around 10,000. Because of the predominantly business nature of the travel, the visitor arrivals have not shown any marked regular seasonal variations. Considerable demand variations, however, have been caused for hotel space in Addis Ababa by OAU and ECA conferences.

4. The average length of stay of foreign visitors is estimated to be around 4 days which indicates that foreign visitors nights spent in Ethiopia totalled about 180,000 in 1969.

5. The majority of pleasure visitors arriving in Ethiopia come on multi-country organized tours and frequently visit only Addis Ababa and Asmara. If their itinerary does involve a stay of more than one or two nights, the most likely destinations in Ethiopia at the present are the castles, churches and archaeological remains at Bahar Dar, Gondar, Lalibela and Axum which comprise the "Historic Route". Some foreign tourists also visit the lakes in the rift valley south of Addis and the Red Sea coast at Massawa.

Accommodation Facilities

6. There are some 1,300-1,400 hotel rooms in Ethiopia which cater to foreign visitors, over 1,000 of these rooms are in Addis Ababa and Asmara. In general the hotels operate at low occupancy rates resulting in poor pro-

fitability. The small hotels along the Historic Route are not of high standard but could be made adequate with a minimum of upgrading and refurbishing. It is likely that their capacity will be adequate for the traffic expected in the next three or more years.

Future Tourism Development Potential

7. During the next five years the proportion of pleasure visitors in total traffic is likely to rise considerably. The main tourist attractions outside of Addis and Asmara are likely to remain those along the Historic Route. It is unlikely that game parks will become an important attraction in the near future. If the Simien Mountains and the Red Sea coast were developed as tourist destinations after suitable feasibility and market studies, there would be greater possibility of attracting "sole-destination" European tourists, on group and group charter tours, in addition to the present 'multi-destination' tourists.

8. Ethiopia is unlikely to experience a tourist "boom", however, until considerable changes are made. In a general way there appears little commitment to the development of foreign tourism although the individual Ethiopians are warm and friendly in their reception of visitors. The international routes of Ethiopian Airlines are being protected by restricting the numbers of major airlines flying into Ethiopia. It is time to explore the possible benefits of an "open skies" policy in terms of reaching a wider tourist market. In another way, the development of tourism is not helped by the slowness of the church to present, protect and restore the historic churches and manuscripts which are at present the main attractions. Similarly, the prospects of Ethiopia ever attracting foreign visitors to its game parks are slight while unique species such as the Wahlia Ibex continue to be slaughtered and deforestation and grazing of domestic animals continue in the parks.

Development Plans

9. The Third Five Year Plan set ambitious targets for the growth of visitor traffic. Between 1968/69 and 1971/73 the number of foreign visitors was projected to grow from 36,000 to 107,000 at an average annual growth of 26%. Detailed investment plans were not worked out because the recommendations of an Arthur D. Little (ADL) study for the planning of tourism in Ethiopia were awaited.

10. The ADL study saw the main potential market for Ethiopia's tourism industry as the rich multi-destination visitors from North America. The study proposes an Eth.$ 40 million (US$16 million) hotel investment program. The hotels which would be high cost/high price units would be mainly situated in Addis Ababa and along the Historic Route. The study does not calculate the cost of, or consider the justification for, the supporting infrastructures which would have to be substantial for several of the hotels. Foreign visitors are projected to total 153,000 by 1977 if the investment program is carried out, an average annual increase of 15%. If the program is not implemented, visitors would total only 106,000 in 1977 (+11% p.a.) according to the study.

11. In general, the mission believes the ADL proposals are too ambitious. It is not convinced that the ADL's market analysis is correct. From the point of view of the Ethiopian Government, which would have to supply the supporting infrastructure, a considerable amount of further study will be required before the investment decision can be taken. In addition, it is not certain that ADL paid full enough attention to the question of developing the Red Sea and Dahlac Islands as beach/marine resort areas. The development of the latter would completely alter the tourism prospects of Ethiopia, particularly in relation to the European market.

12. As an alternative strategy for the development of tourism in Ethiopia, the mission proposes that the Government should immediately set up a complete system of tourism statistics collected at the frontiers and in the hotels. To supplement this basic data, sample surveys are required to establish the characteristics and requirements of the present flows of pleasure visitors. At the same time detailed feasibility studies of the infrastructure and superstructure requirements along the Historic Route should be made and a full investigation of the physical and economic feasibility of developing the Red Sea coast carried out. While the elements for the future investment decisions are gathered, the mission considers that the present accommodation facilities, upgraded and possibly expanded where necessary, will prove adequate to cater for the expansion of visitor flows for several years to come.

13. The mission believes that the present hotel capacity in Ethiopia could accommodate some 100,000 foreign visitors, well over double the present number. However, by 1975 traffic is not expected to increase to such an extent and foreign visitors are projected to total in the range of 70,000-90,000 per year (average annual increases of 8-13% p.a.).

Economic Implications

14. Very little is known concerning the impact of tourism on the economy. The gross foreign exchange earnings from foreign tourism totalled in the region of Eth$13 million in 1969. The mission projections imply that these earnings could mount to Eth.$ 20-26 million by 1974. Present employment in the industry is estimated at 3,500.

Organization

15. The Ethiopian Tourist Organization (ETO), a department of the Ministry of Commerce, Industry and Tourism is the main Government agency dealing with tourism. Several other departments are also concerned, especially the Wildlife Conservation Department and the Ministry of Finance which controls the substantial public hotel holdings.

16. The ETO requires strengthening if it is to become an effective national tourist office, guiding and controlling the industry. The various commercial activities which it has at present, such as duty free shops, tend to distract attention from the main objectives of the Organization. The commercial activities would be best hived off to another private or public entity.

17. The Financial Intermediaries Reorganization Commission proposed that the Government's hotel holdings should be concentrated into an Ethiopian Tourism and Hotels Investment Corporation. This would seem broadly sensible although the holdings in the Hilton Hotel, which are unlikely to be profitable for some years, will be preponderant.

TRANSPORTATION

SUMMARY AND CONCLUSIONS

1. For a country of its size and population Ethiopia's transport facilities are poorly developed, with most of the country still remote from modern means of communication and still relying predominantly on animal transport. The priorities for development in the transport sector have been properly concentrated on improving the road network, though there has been some imbalance in the road investment program itself. Extensions to the trunk road system have tended to outpace construction of the subsidiary feeder and access roads which are essential if the trunk system itself is to be properly utilized. The Government accepts the need for special emphasis on minor roads, but progress has been hampered by the shortage of local funds, a situation which has been made worse by the need to earmark funds for other commitments, particularly trunk road projects, entered into with the international and foreign lending agencies.

2. The Imperial Highway Authority (IHA), is an autonomous agency directed by a Board of Commissioners chaired by the Minister of Public Works. It is responsible for constructing and maintaining the country's all weather roads as well as a few dry weather roads. The latter are mainly the responsibility of local agencies. The design standards which IHA uses are patterned after U.S. standards and applied to roads identified by their classification without regard to traffic volumes. These standards should be changed to fit expected conditions. This would enable better use of the design division and also reduce cost. IHA's road construction is handled by a contract construction division and an operations division which also handles road maintenance. The work of the operations division tends to lack basic investigations and designs, the number of units engaged in construction and maintenance is too large and many of them too small, and the level and flow of funds are unsatisfactory. Much could be achieved by correcting these three shortcomings as quickly as possible.

3. IHA has established a Planning Division but there is need for further improvement in road program planning including better coordination with other sectors. Also although the TFYP emphasizes completing a larger network of secondary, feeder, and service-to-traffic roads, so far the main activity has been the construction of primary roads possibly because of commitments of counterpart funds in connection with foreign assistance to primary roads. Ethiopia's development is likely to be better served by the implementation of the proposal for a central body which would include representation from all major sectors of the economy, and by greater concentration of local resources and request for foreign assistance on secondary, feeder, and service-to-traffic roads in the future.

4. The Government has established a Road Transport Administration to introduce restrictive licensing and to determine maximum and minimum tariffs

for the road transport industry. The object of the scheme is considered to be ill-advised, and its control over vehicle numbers is thought to be better executed by varying the level of vehicle taxation, which would still leave the ultimate decision to operate vehicles to the vehicle operators themselves. A proposal by consultants to reduce "variable" taxes such as those on fuel, and for commensurate increases in "fixed" taxes such as vehicle import duties, is considered to be conceptually attractive; "It aims at optimizing the use of the road facilities and should perhaps be introduced in stages but with due regard to the importance of the purely revenue element in road user charges until additional revenue can be obtained from other sources.

5. Until the early 1960's, Djibouti, in the French Territory of the Afars and Issas, was the only port serving the greater part of Ethiopia, but since then the port, along with the Franco-Ethiopian Railway (FER) which links it to Addis Ababa, has been increasingly challenged by the new Ethiopian port at Assab. As a result both the port and the railway are now operating at a financial loss. The competition from Assab will become stronger when an IDA-financed road between Awash and Tendaho, due for completion by 1972, provides a much better route between Assab and Addis Ababa. On the other hand, port charges are unduly low at Assab, and must be raised if the port is to recoup the heavy investment outlays on its construction.

6. The Ethiopian Government, which has a 50% interest in the FER, is now investigating the railway's activities to see whether its financial viability might still be restored, in spite of the competition from Assab, by improving its operating efficiency. It is recommended that this should be followed by a wider study aimed at comparing the overall economic merits of the two ports for Ethiopian traffic. The study, which would have to include a comparison of the road route to Assab with the rail route to Djibouti, would also prepare a master plan for the future development of Assab.

7. Massawa, the only port serving the northernmost area of Ethiopia, also needs a master plan for its rehabilitation and development, and here again there is need for preliminary study of the inland transport facilities serving the port. Massawa relies partly on the Northern Ethiopia Railway (NER), but unlike Djibouti most of its traffic is carried by road. There seems to be a strong economic case for abandoning the railway. Its rolling stock, track and other equipment is in poor shape, the mountainous terrain and short hauls involved make the route inherently unsuitable for railway operations, and the railway is incurring increasing financial deficits, even though it enjoys unusually wide powers over competing road transport, and collects substantial revenues from the road vehicle licenses it issues in its own right. The future of the railway must be settled before a master plan for the port is produced, because the choice between rail or road affects the kind of reception and handling facilities required, and the layout of the port in general. In focussing the study on the port requirements the opportunity can also be taken to provide a rational view of the railway's operations, as well as to suggest any improvements needed to the alternative road to Massawa, particularly if the conclusion is that the railway should be closed.

8. Ethiopia's two main airports at Addis Ababa and Asmara are only equipped for daylight operations, but night landing facilities will be installed in the near future, and the runways properly strengthened to withstand the loads of modern jet aircraft. Probably the most important consequence will be to encourage more airlines to include these airports as transit stops in their schedules, and thus to improve the country's communications with Europe and the African countries further south.

9. Although scheduled air services are provided to no less than 43 domestic airports, facilities at most of these are minimal, and many are only open during the dry season. Any improvements to them have to be considered in the light of the type of aircraft that Ethiopian Airlines (EAL) must soon decide upon to replace its ageing Douglas DC-3's on the domestic routes. It would be useful to have a brief preliminary study by an expert in aviation economics, to consider together the questions of a suitable aircraft replacement and the related airport facilities it will require.

10. EAL accounts show the airline to be breaking even financially, in spite of heavy losses on its domestic flights. These results are influenced by the fact that EAL pays no landing fees at any airport in the country (though it does itself undertake maintenance at domestic airports). The international services, which achieved a load factor of only 35% in 1969, are likely to fare better if Addis Ababa could be considered, operationally, more as a transit airport than as the terminus for its European flights. The biggest attractions for tourists lie further south in East Africa. Ethiopia has much to offer tourists, and is well placed to attract visitors on their way between Europe and other parts of Africa; but it seems unlikely that a really substantial business could be developed from tourists making Ethiopia their only destionation in Africa.

11. When it was first established in 1964 as the country's national carrier, Ethiopian Shipping Lines (ESL) had to face severe competition from the numerous lines calling at Red Sea ports on voyages transitting the Suez Canal. The situation was reversed when the Canal was closed in 1967, and the ships entering the Red Sea were reduced to a fraction of their former numbers. With shipping space for Ethiopian traffic in short supply, ESL suddenly had more traffic on offer than it could cope with. Its fleet of dry cargo ships has now been increased from two to four, with a fifth vessel due for delivery soon. Present conditions are very favourable for the line, but once the Canal is reopened the situation will again be reversed, and ESL is likely to find it difficult to meet the renewed competition from other carriers. The fact remains that Ethiopia has to have enough shipping capacity to accommodate her overseas trade in the meantime, and has no better alternative than having ESL expand its fleet, whatever problems the line might be faced with in the future.

12. The Government recognizes the need for more effective coordination between the individual agencies in the transport sector, and to this end has recently approved a number of administrative reforms. A Central Planning and

Coordinating Committee representing all the agencies is to be set up under the chairmanship of the Minister of Communications. The principle of semi-autonomy will be extended to the ports, and to the Civil Aviation Administration controlling the airports. At the same time it is intended that those agencies already enjoying a considerable degree of autonomy should be brought under more effective control, especially so far as finances and planning are concerned. The proposals appear to be sound in principle, and are likely to result in a more methodical and rational basis for the Government's administration of the transport sector.

ELECTRIC POWER

SUMMARY AND CONCLUSIONS

The consumption of electric power is low even by comparison to other underdeveloped countries. However, consumption grew at an annual rate of 15.8% during the SFYP and the corresponding target for the TFYP was set at 21.5%. Both the planned investment program of Eth.$ 120 million and the expansion in generating capacity to 325.3 KW, which were designed to cope with the projected consumption increase, could be substantially realized during the plan period; but consumption is now expected to grow at about only 15% per annum, roughly comparable to the SFYP performance but below the TFYP target of 21.5%. The expected shortfall is due to a number of factors - overoptimism in setting targets, a few prospective large-consuming concerns are commencing operations later than was expected, and the depressed economic conditions of the past two years. This will result in more unused capacity in the short run than was planned.

Basically, the objectives of the TFYP for electric power are sound. In particular, an attempt should be made to eliminate the large differences in the rates charged in the Government-owned EELPA and the privately-owned SEDAO service areas in Eritrea.

The proposal that Government-owned monopoly-type public enterprises should pay dividends may require a raise in the tariff, but this is expected to be small and to have negligible effects on demand.

TELECOMMUNICATIONS

SUMMARY AND CONCLUSIONS

The telecommunications services have expanded rapidly and have become well established since IBTE took them over in 1952. For example, the domestic services more than doubled between 1963 and 1968. Previously, the urban services predominated and the inter-urban and international services tended to be of poor quality and were unable to meet demand. For these reasons the main objectives of the TFYP are to increase the capacity of inter-urban telephone stations, extend the facilities to the developing and populated provincial areas which were neglected in the past, and improve and expand the international system, while satisfying the expected slightly lower growth rate of the urban system.

The growth of demand in 1968 was slightly below the target possibly due to the general decline of economic activity in that year. Demand recovered in 1969 and there is every hope that the plan targets for the TFYP will be achieved. Supply is keeping pace with demand but if supply is not to fall behind, the services must continue to be expanded without any break after the TFYP ends.

HEALTH AND WATER SUPPLY

SUMMARY AND CONCLUSIONS

Health in Ethiopia suffers from all the disadvantages that are common at an early stage of economic and social development. However, since the majority of the population live in the highlands, the impact of some tropical diseases is less severe than in many other countries. The first medical and health services came with the establishment of the Ministry of Public Health (MPH) in 1948. In the earlier years the services concentrated in the urban areas and on curative measures; but later they extended to the rural areas and also covered preventive measures. There are also some hospitals and clinics run by private organizations, foreign missionairies, and the Haile Selassie I Foundation. On the average, there are more than 60,000 people for one doctor (this conceals the fact that the ratio is 2,500 in Asmara, 3,000 in Addis Ababa and 100,000-250,000 in the provinces); one hospital bed per 3,400; one registered nurse per 40,000; and one birth in a thousand assisted by a trained midwife. The distribution of the services is very uneven, with most of the hospitals and specialized services concentrated in Addis Ababa and Asmara.

The TFYP stresses malaria eradication and to a lesser extent, the prevention of other communicable diseases; the basic health services are to be spread to new areas and are to be complementary with the malaria eradication program. Hospital construction is to be minimal; the Duke of Harrar Memorial Hospital in Addis Ababa is to be completed to provide a modern institution with 500 beds. Provision has been made to increase the flow of trained medical personnel, and also for the supply of safe water to many urban and rural areas.

For the malaria eradication program the country has been divided into four types of areas called A, B, C and D. TFYP aimed at completing 'consolidation' in A areas, starting 'attack' in B areas, completing 'preparatory' work in C areas, and starting preparatory in D areas. In the first two years of TFYP the shortage of funds slowed down the program. It is now uncertain whether all the 'A' areas can complete the consolidation phase during the TFYP. In early 1970, the Government decided to restrict the program to 'A' areas only and to some specific regions in B and C areas where development projects will be launched.

The basic health services program envisages the strengthening of provincial hospitals, building 56 new health centers and 410 new health stations. Progress so far has been very slow. Only 3 health centers and 14 health stations were completed in 1968/69 fiscal year against the targets of 14 and 70 respectively. The 1969/70 fiscal year provides for 10 centers and 92 stations but it is doubtful if as much as one-third of these will be built. Scarcity of funds has been a cause but the lack of contractors in the small contracts in remote areas are mainly responsible for the lack of progress. The operation of the basic health services suffered from the scarcity of funds; disbursements have been slow, and the budget squeeze had a serious effect on the health services. The scarcity of funds also affected the completion of the large Duke of Harrar Memorial Hospital. The cost of this project is so high in relation to available resources for health that other important health schemes will have to be delayed.

The Medical Faculty of the Haile Selassie I University and the Gondar Public Health College (PHC) produce trained medical personnel. The former runs a 7-year M.D. degree course, and the latter runs a 4-year B.S. degree course. PHC also trains nurses, sanitarians, and laboratory assistants. The products of PHC are used by the Ministry of Public Health in the provincial hospitals, health centers and health stations. The training of personnel is proceeding satisfactorily, but the slow progress in building new health centers and stations poses a problem for the use of such trained manpower.

A modern water supply system exists in only four towns: Addis Ababa, Asmara, Debre Zeit and Harrar. None of these systems can cope with the demand; even in Addis Ababa the residents often experience water shortage. The Addis Ababa Municipality has just completed a dam at Lagadadi reservoir with a purification plant and a pipeline to the city, but the project will not be of maximum benefit until the distribution system within the city is improved. The Bank has made a grant for a feasibility study and preliminary engineering for such a project. Besides the four towns already mentioned, there are small water systems in 25 towns, all of which require improvement. Germany has financed feasibility studies for 20 water supply systems, and has agreed to finance the construction of 8 systems; negotiations for 7 more systems are underway.

C

ETHIOPIA

Basic Data

Area: 470,000 square miles

Population (1970): 25 million
Rate of Growth: 2.1% per annum
Population density: 53 per square mile

Political Status: Imperial Sovereignty

Gross Domestic Product at Current Factor Cost (1969): Eth $3.8 billion
Monetary: Eth $2.1 billion
Non-monetary: Eth $1.7 billion

GDP Per Capita (1969): Eth $158
US $63

Rate of Growth of GDP	1965-69	1961-65
Total	4.5%	4.4%
Monetary	7.0%	7.5%
Non-monetary	1.9%	1.7%

Percent of GDP (Current prices, 1969):

Agricultural activities	58.5
Mining, Manufacturing, Construction and Power	13.5
Trade, Communication, Banking, and Insurance	12.3
General Government, Education, and Health	7.9
Other services	7.8

Investment and Savings	1969	1965-69
Gross Fixed Investment (% of GDP)	13.6	13.4
Gross Fixed Monetary Investment (% of Monetary GDP)	19.3	18.5
Gross Domestic Savings (% of GDP)	12.9	11.1
Gross Monetary Domestic Saving (% of Monetary GDP)	18.0	15.3
Net Imports of Goods and Non-factor Services (% of GDP)	0.7	2.3
Net Factor Payments Abroad (% of GDP)	0.5	0.3

Central Government Operations	1968/69	1963/64
	(Million Eth$)	
Current Revenues	392.2	272.5
Current Expenditures	361.8	235.3
Current Surplus	30.4	37.2
Capital Expenditures	64.7	61.4
Budget Deficit	34.3	24.2
Foreign Aid (gross)	23.6	26.4
Repayment of Loans	24.0	7.6
Net Foreign Aid	-0.4	18.8
Cash Deficit	34.7	5.4

External Public Debt	December 1968
	(Million US$)
Total Outstanding	231.6
Net of Undisbursed	135.3
Total Debt Service (1968)	16.2
Debt Service as % of Foreign Exchange Earning (1968)	9.3

Money and Credit	End 1969	End 1965
	(Million Eth$)	
Money	431.7	350.1
Time and Savings Deposit	150.0	71.4
Money and Quasi-money	581.7	421.5
Foreign Assets (net)	180.8	214.3
Claims on Government (net)	119.5	47.0
Claims on Private Sector	324.8	193.5
Other Assets	33.3	43.5

Balance of Payments	1969	1965
	(Million Eth$)	
Merchandize Exports f.o.b.	301	292
Merchandize Imports c.i.f.	388	376
Net Invisible	37	9
of which Investment income	-20	- 9
Current Account Balance (before transfers)	-50	-75

Commodity Concentration of Exports	1969	1965-69
Coffee	58%	58%

Foreign Exchange Reserves (December 1969): US $72.4 million = 5½ months' imports

IMF Position

Quota US $19 million
Drawings None

DEPARTMENT OF STATE
JUNE 1968

Ethiopia 10
10

EMPIRE OF ETHIOPIA

BACKGROUND NOTES

Population: 23 million (est.)
Capital: Addis Ababa

Ethiopia is bounded on the north by the Sudan and the Red Sea, on the east by the French Territory of the Afars and Issas (former French Somaliland) and the Somali Republic, on the south by Kenya, and on the west by the Sudan. The area totals about 460,000 square miles—roughly equal to the combined areas of Texas, Oklahoma, and New Mexico. The capital, Addis Ababa, has a population of more than 500,000; Asmara, Ethiopia's second-largest city, has approximately 150,000 inhabitants.

The dominant feature of the topography is the high central plateau, varying from 6,000 to 10,000 feet with some mountains over 12,000 feet, which is cut by numerous rivers—notably the Blue Nile rising from Lake Tana—and is split diagonally by the Rift Valley. The elevation of the two halves of the plateau is generally highest just before the point of descent, via precipitous cliffs, to the Rift Valley. The transition to the lowlands of the Sudan on the west and the Somali-inhabited plains to the southeast is accomplished by generally more gradual slopes.

The climate is temperate on the plateau and hot in the lowlands. In Addis Ababa and Asmara, both at approximately 8,000 feet, maximum temperature is about 80° F., and the minimum temperature about 47° F. The weather is usually sunny and dry with some intermittent showers occurring between February and April, and the "big rains," beginning toward the end of June and ending by mid-September.

The Ethiopian flag has three horizontal stripes of green, yellow, and red from top to bottom, with an orange lion carrying a cross superimposed in the center. Various traditions hold that the tricolor represents the Trinity, colors in a rainbow, three major sections of the country, or faith, hope, and charity.

THE PEOPLE

The population, estimated to be around 23 million, is of a mixed character with Semitic and Cushitic language-speaking peoples predominating. More than 40 different tribes and peoples are represented, the most numerous of which are the Amhara, Tigreans, and Galla. It is estimated that about 40 percent of the people are Christians—the Ethiopian Orthodox Church has long and close ties with the Coptic Church—but there are also an equally large Moslem population and a number of pagans. In general, the Christians inhabit the highlands and the Moslems and pagans inhabit the coastal and lowland areas.

HISTORY

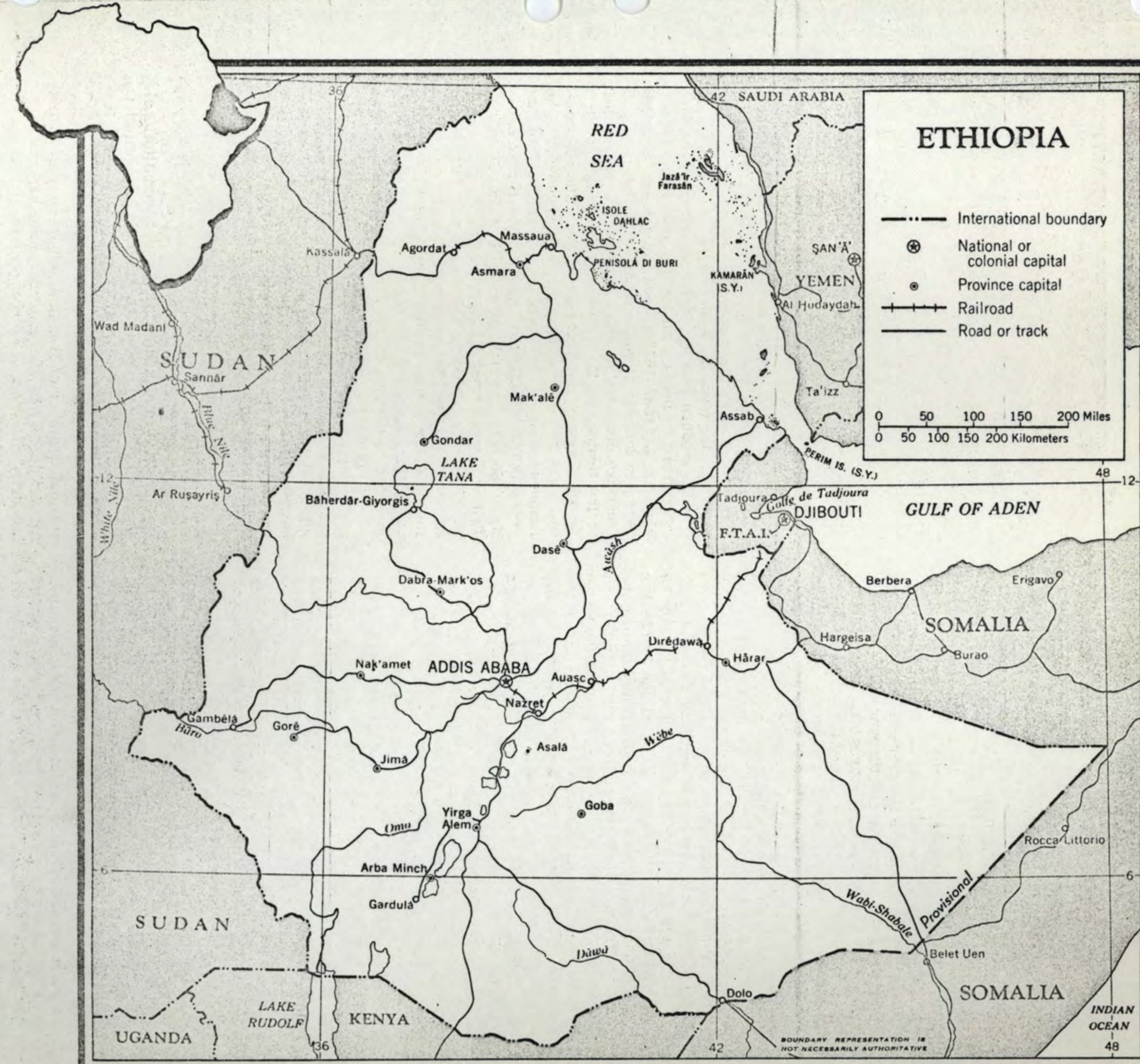
Ethiopia is a Christian kingdom which has existed for centuries in the highlands of East Africa. Herodotus, the Greek historian of the 5th century B.C., described Ethiopia in his writings. The visit of the Queen of Sheba to Jerusalem is recorded in the Old Testament, and the ruling house of Ethiopia is said to be descended from Menelik I, the son of King Solomon and the Queen of Sheba. Christianity was introduced in the 4th century by missionaries from Syria and Egypt.

The modern history of the country is generally considered to begin with the reign of the Emperor Menelik II (1889-1913), under whom the kingdom began to emerge from its medieval isolation. Upon Menelik's death his grandson, Lidj Yassu, succeeded to the throne. In 1916, Menelik's daughter Zauditu became Empress, and her cousin, Ras Tafari Makonnen, was proclaimed her heir and successor. The Empress died in 1930, and on November 2 of that year Ras Tafari Makonnen, adopting the throne name Haile Selassie, which means "The Power of the Trinity," was crowned Emperor.

The reign of Haile Selassie I was interrupted in 1935 by the Italian invasion and occupation. He took his cause to the League of Nations, and when that organization failed to respond to his plea for assistance in accordance with the principle of collective security, he was forced into exile and went to England. On May 5, 1941, exactly 5 years after Italian occupation forces had taken over Addis Ababa, the Emperor reentered the city at the head of his resistance forces and with British troops, which had fought their way into Ethiopia from the Sudan.

GOVERNMENT

The Government of Ethiopia is a constitutional hereditary monarchy. Ethiopia's first constitution was promulgated by the Emperor in 1931 and a revised Constitution was promulgated in 1955. Although the revised Constitution provides for a Senate and Chamber of Deputies, sovereignty is vested in the person of the Emperor, who has supreme authority and combines the powers and duties of chief of state and head of government. Members of the Senate are appointed by the Emperor, but members of the Chamber of Deputies are elected. The


ETHIOPIA
International boundary
National or colonial capital
Province capital
Railroad
Road or track
0 50 100 150 200 Miles
0 50 100 150 200 Kilometers
RED SEA
SAUDI ARABIA
Jazā'ir Farasān
ISOLE DAHLAC
PENISOLA DI BURI
KAMARĀN (S.Y.)
YEMEN
ṢAN'Ā'
Al Ḩudaydah
Ta'izz
PERIM IS. (S.Y.)
GULF OF ADEN
Golfe de Tadjoura
Tadjoura
DJIBOUTI
F.T.A.I.
SUDAN
Kassala
Wad Madanī
Sannār
Blue Nile
White Nile
Ar Ruşayriş
Agordat
Massaua
Asmara
Mak'alē
Gondar
LAKE TANA
Bāherdār-Giyorgis
Dasē
Awash
Assab
Dabra-Mark'os
Nak'amet
ADDIS ABABA
Auasc
Nazret
Dirēdawa
Hārar
Berbera
Erigavo
SOMALIA
Hargeisa
Burao
Gambēla
Baro
Gorē
Jimā
Asalā
Webe
Goba
Yirga Alem
Omo
Arba Minch
Gardula
Dawa
Wabi-Shabale
Provisional
Rocca Littorio
Belet Uen
Dolo
SOMALIA
INDIAN OCEAN
UGANDA
LAKE RUDOLF
KENYA
SUDAN
BOUNDARY REPRESENTATION IS NOT NECESSARILY AUTHORITATIVE
36
42
48
12
6

59226 6-68

third nationwide election was held in the summer of 1965. There are 125 Senators and 250 Deputies.

Members are elected to the lower house, the Chamber of Deputies, by universal adult suffrage from candidates, male or female, who are Ethiopian citizens by birth and not less than 25 years of age. All candidates must be residents of their respective electoral districts.

All Ethiopians by birth, regardless of sex, who have reached the age of 21 years are entitled to vote for deputies from the electoral district where they reside. Elections are held every 4 years. Voting is secret and direct.

Members of the upper house, the Senate, are appointed by the Emperor for 6 years from among Ethiopians by birth who have rendered outstanding service to the country. A Senator's minimum age is 35 years. The number of Senators shall not exceed one-half of the total number of Deputies.

Both houses are in session from November until June of the following year.

The Prime Minister and members of the Council of Ministers are appointed by the Emperor. The Council of Ministers is responsible to the Prime Minister and not to the Parliament. Moreover, ministerial appointments are not subject to parliamentary approval. The day-to-day administration of the Empire is conducted by the Council of Ministers, which is presided over by the Prime Minister.

Certain of the functions usually performed by a cabinet in forming Government policy are carried out by the Crown Council, a traditional institution composed of the Crown Prince, the Archbishop of the Ethiopian Church, the President of the Senate, and other dignitaries the Emperor designates. The Crown Council is convened from time to time by the Emperor to consider important policy measures.

The revised Constitution provides for the succession to the throne by the eldest male son. Previously, in the absence of a clear rule of succession, several claimants to the throne have been known to appear on the death of an emperor, with civil disorder as a result. Emperor Haile Selassie's oldest and only surviving son, Asfaw Wossen, is the Crown Prince and heir apparent.

The Constitution provides for a Supreme Imperial Court. A system of courts had already been established by the Administration of Justice Proclamation of 1942. Judges are appointed by the Emperor. The revised Constitution of 1955 makes no provision for judicial interpretation of the Constitution or for judicial determination of the constitutionality of laws, proclamations, and decrees.

The status of federation between Eritrea and Ethiopia, established by resolution of the U.N. General Assembly in 1950 and effected on September 15, 1952, by decree of the Emperor, was dissolved on November 14, 1962, when the Eritrean National Assembly voted for union with Ethiopia. Eritrea is now a province of Ethiopia.

The 14 provinces of the Empire are administered by Governors-General appointed by the Emperor.

The primary objectives of the Ethiopian Government might be said to include: (1) the improvement of the governmental structure and internal administration; (2) the improvement of economic and social conditions within the country; (3) the adherence to the policies of nonalinement and the right to judge each issue on its merits; (4) support of the United Nations and the principle of collective security; and (5) progress toward African unity.

POLITICAL CONDITIONS

In 1961 the Emperor established various committees to recommend judicial, economic, and other reforms, from which progressive legislation in such fields as legal codification, public administration, and trade union organization has resulted. In spring 1966 the Emperor granted additional powers and responsibilities to the Prime Minister, including the authority to nominate his Cabinet. There are no political parties in the country.

ECONOMY

Ethiopia's economy is preponderantly agricultural, with some 90 percent of the population engaged in farming or the raising of livestock. The country is largely self-sufficient in agricultural produce, except for cotton, although cotton cultivation is increasing rapidly.

Coffee is Ethiopia's major product, constituting over 50 percent in value of exports. Many of the coffee trees grow wild, although plantation coffee is becoming increasingly important. Most of the coffee is exported to the United States. Ethiopia is a member of the International Coffee Organization.

Cattle and good grazing lands are plentiful, and, next to coffee, cattle-raising probably has the greatest economic potential. Hides, skins, and meats are exported at present only in modest quantities, but with proper management this trade could become highly important. Oilseeds and oil cakes, fruits and vegetables, spices, chat (a stimulant), and civet (used in perfume), also figure in Ethiopia's export trade.

Some gold and a little platinum are mined in Ethiopia. Industry is limited largely to the processing of local agricultural products and the manufacture of items for local consumption—cement, paper, bricks, shoes, glassware, and textiles. A large potash deposit in northern Ethiopia is under development.

The Empire has two seaports of its own—Assab and Massawa—and also uses the port of Djibouti in the French Territory of the Afars and Issas. Djibouti is connected with Addis Ababa by rail, a distance of 500 miles, and there are all-weather roads to both Assab and Massawa. Asmara is connected with the port of Massawa by rail as well as by road. Total all-weather road mileage is about 4,000 miles, but only about a third of this distance is asphalt surfaced. Internal surface transportation thus remains one of Ethiopia's most serious problems.

Ethiopian Airlines, an air transport company owned by the Ethiopian Government and operated under a contract with Trans World Airlines, services more than 30 domestic airfields and has international jet services to Germany, Greece, Italy, Spain, the United Arab Republic, Lebanon, Sudan, India, Pakistan, and East and West Africa. Efficiently run and with an impressive safety record during its more than 22 years of operation, it also overhauls and maintains aircraft belonging to national airlines in a half-dozen nearby countries. Ethiopian Airlines has been a major factor in Ethiopia's development.

Ethiopia depends upon external sources for a large part of the foreign exchange needed to carry out developmental programs. Such aid has come from the International Bank for Reconstruction and Development, the U.S. Export-Import Bank, the Agency for International Development and its predecessors, as well as from Great Britain, West Germany, Sweden, and a number of other sources. In July 1959 Ethiopia accepted a $100 million credit offer from the Soviet Union of which only about $30 million has been utilized. U. S. economic aid to Ethiopia, which commenced in the early 1950's, reached a total of over $200 million by the end of 1967. The Peace Corps has been assisting Ethiopia since 1962, mainly in the fields of secondary education, teacher training, public health, rural development, and at the Haile Selassie I University.

The official currency is the Ethiopian dollar. It is valued at U.S. $.40 (Ethiopian $2.50 = U.S. $1.00).

FOREIGN RELATIONS

An ancient kingdom with a long tradition of independence, Ethiopia has not felt as strongly as some other countries the tensions of nationalism so prevalent throughout most of the African Continent. However, Emperor Haile Selassie has shown great interest in pan-Africanism and rose to the forefront of the movement for African unity through his sponsorship of the Conference of African Chiefs of State in Addis Ababa in May 1963 and his continued support of the Organization of African Unity which resulted from the conference. Addis Ababa is the seat of the Permanent Secretariat of the OAU. Addis Ababa is also the site of the United Nations Economic Commission for Africa (UNECA).

Ethiopia is one of the original signatories of the U.N. Charter and has been active in that organization. In 1951 Ethiopia dispatched a battalion of combat troops to help the U.N. cause in Korea, and in 1960 provided troops to the United Nations for service in the Congo.

U.S.—Ethiopian relations have long been amicable, dating back to the first treaty between the two states in 1903. After World War II the ties between the two countries grew steadily closer. This trend was exemplified by the signing on June 16, 1951, of a general technical assistance agreement which has provided the basis for the numerous projects of economic development currently under way. Of equal importance was the signing of the Treaty of Amity and Economic Relations on September 7, 1951. On May 22, 1953, two agreements were signed. One was the Mutual Defense Assistance Agreement, by which the United States agreed to furnish Ethiopia with certain military equipment for its internal security and to train the Ethiopian Armed Forces in the use of this material. The second agreement regularized the existence and operations of the U.S. Communications facility (Kagnew Station) at Asmara.

In May 1954 Emperor Haile Selassie first visited the United States and made a goodwill tour of the country. Vice President Nixon visited Ethiopia in March 1957 and Vice President Humphrey visited the country in January 1968. The Emperor made a second, week-long state visit in October 1963. In the following month he returned briefly to Washington to attend the funeral of President John F. Kennedy. The Emperor also made an official visit to the United States in February 1967.

U.S. POLICY

The primary objectives of U.S. policy with respect to Ethiopia include (1) maintenance of friendly, cooperative relations between the two countries, (2) encouraging and assisting the economic and social development of Ethiopia, and (3) supporting, through various programs, the efforts of the Ethiopian Government and the Ethiopian people to strengthen and unify their nation.

PRINCIPAL GOVERNMENT OFFICIALS

Emperor—Haile Selassie I
Prime Minister, Minister of the Pen—AKLILOU Habte Wold
Minister of Foreign Affairs—KETEMA Yifru
Minister of Finance—YILMA Deressa
Minister of National Defense—Lt. Gen. KEBEDE Gebre
Minister of Commerce and Industry—ABEBE Retta
Minister of Interior—Dejazmatch KIFLE Irgetu
Minister of Public Health—Bitwoded ASFAHA Wolde Michael
Minister of Justice—MAMMO Tadesse
Minister of Agriculture—GHIRMATCHEW Tekle Hawariat
Minister of Education—AKALEWORQ Habte Wold
Minister of Mines—Maj. ASSEFA Lemma
Minister of Information and Tourism—Dr. MINASSIE Haile
Minister of the Imperial Court—TAFARRA-WORQ Kidane Wold
Minister of Community Development and Social Affairs—GETAHUN Tessema
Minister of Communications—AMANUEL Abraham
Minister of Planning and Development—HADDIS Alemayehu
Minister of State of Public Works—Dr. HAILE GIORGIS Workineh
Minister of State of Post, Telegraph and Telephone—SALAH Hinit

Minister of State of Land Reform and Administration—BELETE Gebre-Tsadik
President, Chamber of the Senate—Lt. Gen. ABIYE Abebe
President, Chamber of Deputies—TADESSE Taye

Ethiopia maintains an Embassy in the United States at 2134 Kalorama Road, N. W., Washington, D. C. 20008.

PRINCIPAL U.S. OFFICIALS

Addis Ababa

Ambassador—William O. Hall
Deputy Chief of Mission—Robert Yost
Public Affairs Officer—John Anspacher
Director, U. S. AID Mission—Roger Ernst
Chief, Military Assistance Advisory Group (MAAG)—Brig. Gen. James Shepherd
Peace Corps Director—Joseph Murphy

Asmara

Consul General—Murray Jackson
Commanding Officer, Kagnew Station—Col. George Hamer
Public Affairs Officer—Nicholas E. Conduras

The United States maintains an Embassy in Addis Ababa at Crown Prince Asfaw Wossen Street, and a Consulate General in Asmara at 32 Franklin D. Roosevelt Street.

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ECONOMIC BACKGROUND HIGHLIGHTS

Facing the Arabian Penninsula across the Red Sea, the Empire of Ethiopia (including Eritrea since 1952) occupies an area in the eastern "Horn" of Africa about two-thirds again as large as Texas, with a 670-mile coastline. Its climate and topography are characterized by great variety and extremes. The high central plateau, with its abundance of arable land, is the country's economic heartland and main hope for future development. Here live the bulk of the population, engaged in a low level of subsistence farming and livestock raising, and here lie the principal urban centers.

Generally independent since ancient times, Ethiopia does not share the problems of a colonial history common to most African countries. On the other hand, Ethiopia has emerged only recently from centuries of geographic and political isolation. Its rugged terrain and primitive transportation facilities not only cut off the country from the outside world but insulate various regions of the country from one another. Not until the 1930's did the country begin to be opened up with modern roads, bridges and telecommunications. A variety of social factors have also acted to retard the rate of economic development: diverse ethnic strains (Hamitic, Semitic, Negro and mixed descent); religious divisions among the Coptic Christian, Muslim and pagan groups; sixteen languages with over 100 dialects; disparate cultural patterns and traditions. With the support of the Orthodox Church, the Amhara group has dominated a somewhat feudalistic and restricted society. Political power is vested almost wholly in the Emperor, with ministers directly responsible to the throne.

The potential of the economy appears to lie mainly in the considerable possibilities for increasing the volume and variety of agricultural production and exports and for developing local processing industries, particularly for meat and other livestock products. The central plateau area, with its favorable climate, rainfall, rich soil and large areas of pasture land, could provide substantial amounts of food (especially grains and meat) for the world market. The agricultural sector now completely dominates the economy, contributing about 60% of gross national product, providing nearly all exports and supporting 90% of the population. Land is plentiful, but most of it is farmed in very small and uneconomic units as a result of the existing tenure system. Attempts to expand agricultural output are seriously hampered by a prevailing system of landlord-farmer relationships which gives little incentive to the tenant farmer to increase production. The State, the aristocracy and the Church are the major landowners.

As yet, Ethiopia has been unable to realize the possibilities for diversifying its agricultural production. The export sector is heavily dependent on a single commodity, coffee, which accounts for 55-60% of total exports. Other leading exports are oilseeds, hides and skins and cereals. Small quantities of a few minerals are being extracted, although the recently discovered large potash deposits are an important potential source of foreign exchange. Manufacturing, while growing rapidly, is still a minor factor in the economy.

One of the larger countries in Africa, Ethiopia has an urgent need for an extensive transportation network to integrate its economy. Other infrastructure facilities are also lacking and educational services are poorly developed (only 5% literate) even by African standards. Only recently has Ethiopia begun to make a serious effort at self-development. There is increasing recognition of the importance of agriculture to the economy and to the possibilities for exploiting the great potential of this sector. The government is also demonstrating greater receptivity to internal reform. There has been legislation to improve the investment climate for foreign capital; internally, institutional reforms have been undertaken in the areas of land tenure and public administration. Addis Ababa is also becoming a focal point for several important regional institutions concerned with economic development.

SUMMARY OF BASIC DATA

NATURAL RESOURCES

CLIMATE AND TOPOGRAPHY ..... Terrain is highly varied and includes coniferous forests, deserts, lakes, and dense jungles; altitudes range from 380 ft. below sea level to over 15,000 ft. above. Two high central plateaus covering about half the area contain most of the population and most of the principal cities. With a generally temperate climate, rich soil, sufficient rainfall for production of a wide variety of crops, and with large areas of good pasture land, the plateau area is the heart of the country's economy. Surrounding the central plateaus are lowlands, for the most part hot and arid.

AREA .... 472,000 sq. mi., equal to Texas, New Mexico and Oklahoma combined.

AGRICULTURAL LAND .... 67% of area (cultivated, 11%; meadows and pastures, 56%); 9 acres per capita (av. less dev. areas 3 acres). Plentiful rain and rich land provide important crop and livestock potential.

MAIN CROPS .... Mainly food, especially cereals (teff, the principal one, and barley, sorghum, corn and wheat). Coffee, the main cash crop, accounts for about 60% of total exports, followed by hides and skins, 10%. Principal industrial crops are sugar cane, cotton, koba (a fiber), and tobacco.

LIVESTOCK .... Very large livestock population. Hides and skins are second largest export. Meat and animal products represent great export potential.

FORESTS .... Only 7% of total area, most of which is fuel wood. Production of saw logs and pole timber is on the increase. Also, considerable amounts of natural gums and resins.

FISHERIES .... Rich resources of the Red Sea, rivers and lakes. Exploitation now on planned scale and processing plants have been built.

MINERALS .... Mainly gold, platinum, salt and anhydrite. Also smaller amounts of iron ore, manganese ore, sand and talc. Large potash reserves found and new salt outcrops also discovered.

FUELS .... None of significance other than wood. Agricultural and pastoral economy keeps energy requirements small. The $40 million Soviet-financed oil refinery was inaugurated April 1967 and will meet the country's demand for oil, and will also assure the export of oil.

RIVER RESOURCES .... Of extensive rivers and lakes, only Lake Tana and 70 miles of the Baro River (to Sudan border) are navgable. Rivers provide great power potential.

DISTRIBUTION of GDP .... Agriculture, forestry and fishing, 58%; manufacturing, 9%; trade-finance, 8%; construction, 6%; public administration-defense, 5%; transport-commerce-utilities, 4%; other (incl. services), 10%; 1967.

HUMAN RESOURCES

POPULATION .... 24.8 million, mid-1969.

Annual Growth .... 2.3%.

Density .... 53 per sq. mi. There is no problem of population pressure.

Concentration .... In 1967, 92% of pop. lived in rural areas, largely concentrated on the central plateau; and 8% in urban areas, mainly cities in the plateau area, and in ports along the Red Sea. Population of Addis-Ababa is 644,190, Asmara 178,500 and Dire Dawa 50,700 (1967).

Internal Migration .... Little migration from rural areas to cities.

The People .... The Amhara of the central highlands (the most prominent in government) and the Tigreans to the north, are of mixed Hamitic and Semitic origin, and constitute about a third of the population. The Gallas, a Hamitic people, account for 50% of the population and are mainly in agriculture. Over 50% of the population is under 20 years of age.

Religion .... The Ethiopian Orthodox Church (Coptic Christian) is the established church and has roughly half the population (nearly all Amharas and Tigreans and substantial numbers of Gallas), and is predominant on the plateau. About 35% are Muslims in the southern highlands and throughout the lowlands. Remaining 15% are Jews and animists.

Language .... Amharic is official language; English is widely taught in school and is second official language. Gallas is also widely used. Each native language has a large number of subgroups and dialects.

LABOR FORCE .... Over 90% of population and about 90% of labor force, estimated at 11.4 million, were in agriculture in 1965.

SUMMARY OF BASIC DATA (CONT'D)

HEALTH

Life Expectancy	35 years in 1960; U.S. 71 in 1967.
Infant Mortality ...	162 deaths under 1 year per 1,000 live births; U.S. 650 in 1967.
Medical Personnel ..	In 1965: 362 doctors, 1 per 62,700 people; U.S. 650 in 1967.
Health Facilities ..	84 hospitals, 531 clinics, and 64 health centers. 9,317 beds, (1 per 2,436 inhabitants).
Diet	Average daily intake 2,130 calories. Populace has a standard diet which includes most elements needed for good nutrition.
Main Diseases	Tuberculosis, intestinal parasites, malaria, dysentery, typhoid and venereal disease are all prevalent and widespread.

EDUCATION

Literacy	Estimated at about 5% of total population, much higher in major towns.
Schools	1967/68: 1,712 primary; 400 secondary; 68 technical-vocational; 10 teacher-training.
Teachers	1967/68: 9,525 primary; 3,062 secondary; 533 technical-vocational; 115 teacher-training.
Students	1967/68: 452,457 primary; 71,467 secondary; 6,251 technical- vocational; 1,816 teacher-training. &5 of the primary school-age children are in school.

TRANSPORT, POWER & INDUSTRY

RAILROADS .... A 490 mile, single track, meter gauge line connecting Addis Ababa with port Djibouti in Afars and Issas is principal transportation for foreign trade. A 190 mile single track, narrow gauge line in Eritrea, connects the port of Massawa with the capital city of Asmara and runs westward to Agordat.

ROADS .... 1968: 14,291 miles, of which 3,955 improved (1,097 paved). Roads radiate from Addis Ababa and Asmara to major producing areas, and to the Eritrean ports of Assab and Massawa.

MOTOR VEHICLES .... 1968: 34,400 automobiles, 7,650 trucks and buses.

MERCHANT FLEET .... 47 merchant vessels and over 100 dhows serve in Red Sea (1960).

HARBORS .... Two seaports on Red Sea-Massawa and Assab in Eritrea. Most maritime commerce is now handled by port of Djibouti in Afars and Issas.

AVIATION .... Two airports in Addis Ababa accommodate jets, as do Asmara, Awash, and Harar Meda. Twenty other airports have scheduled service for smaller aircraft. Ethiopian Airlines provides an international service.

ELECTRIC POWER .... 137,765 KW installed capacity in 1967 an increase of 16% over 1966. 365 million produced in 1968, 15 KWH per capita.

MANUFACTURING .... Processed food is largest industry, followed closely by textiles. Others are beverages (beer, wine, lemonade); building materials (cement, bricks, tiles); printing; wood; leather; chemicals (matches, soap, and paint).

MINING .... Small output of gold, platinum, salt, iron ore and manganese ore.

FOREIGN TRADE PATTERN

EXPORTS .... Coffee accounts for about 60% of the total value of exports; hides and skins 10%; oil-seeds 9%. About 50% of the exports go to the U.S. followed by Italy, UK, Saudi Arabia and Germany (Fed. Rep.). Improved highway transportation has played an important role in stimulating exports, especially of coffee and oilseeds.

IMPORTS .... Major imports are manufactured goods, machinery and transport equipment, mineral fuels and chemicals. Over 60% of imports come from Italy, Japan, United States, West Germany and the Communist bloc.

UNITED NATIONS NATIONS UNIES

INFORMATION

ECONOMIC COMMISSION FOR AFRICA - COMMISSION ECONOMIQUE POUR L'AFRIQUE

ADDIS ABABA ETHIOPIA P.O.B. 3001

(For use of information media: not an official record)

Press Release: ECA/396
21 August 1970

THE TRANS-SAHARAN HIGHWAY

The "Japan Times" recently published a statement to the effect that, following the visit of a Japanese economic mission to Africa, the Government of Japan would be prepared to participate in the construction of a trans-African highway from Kenya to Nigeria. According to the same source, Mr. Njorogo Mungai, the Kenyan Foreign Minister, expressed the intention of discussing the Japanese proposals with the Nigerian authorities.

Mr. Robert Gardiner, the Executive Secretary of the Economic Commission for Africa, welcomed the news all the more because the development of a trans-African highway is a subject that has long engaged the attention of ECA experts.

As far back as 1964, at its sixth session, ECA adopted resolution 114 (VI) which stated, among other things, that:

> "The Economic Commission for Africa was conscious of the fact that the establishment of a trans-Saharan link was one of the essential conditions for the development of the region and of the economic, political and social ties between the peoples of the continent, in accordance with their desire to achieve economic co-operation and to harmonize their plans for development".

To implement this resolution, the Committee for Trans-Saharan Liaison was set up to help the Governments of Algeria, Mali, Niger, and Tunisia to assess the economic factors involved in the construction, if possible, of a North-South trans-Saharan highway. On the basis of the Committee's findings, a project, the Study of the Trans-Saharan Highway, was prepared and the UNDP made responsible for it. The work was entrusted to the Polytechna Company (Czechoslovakia) in collaboration with the SATEC Company (France), and the feasibility study report based on the results of their investigations submitted to the four governments concerned.

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To finance the 2,480 km. stretch of road, ECA is expected to get in touch with the African Development Bank, UNDP and the International Bank for Reconstruction and Development (IBRD) to see what the possibilities are of setting up an international group or consortium. The cost is estimated to be US$ 86 million and the work will take seven to eight years. The experts estimate that by 1980 some 200,000 tons of agricultural, industrial and petroleum products will be moving along the highway.

Mr. Gardiner has decided to put the item on the agenda of the next meeting of the Executive Committee of ECA which is due to be held in Addis Ababa in October, to draw the Committee's attention to the opportunity for regional development provided by the establishment of a trans-continental road link. If the Japanese project and the North-South project could be carried through in the course of the second Development Decade, in the words of Mr. Gardiner, "the opening up of the heart of Africa - once referred to as the Dark Continent - would have begun".

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