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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

CAPITAL ASSISTANCE PAPER

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Proposal and Recommendations
For the Review of the
Development Loan Committee

ETHIOPIA - HAILE SELASSIE I UNIVERSITY EXPANSION

PHASE II

AID-DLC/P-960

UNCLASSIFIED

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D.C. 20523

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AID-DLC/P-960

May 11, 1971

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Ethiopia - Haile Selassie University Expansion - Phase II

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed $3,700,000 to the Imperial Ethiopian Government to assist in financing the foreign exchange and local costs of goods and services required to construct dormitories, a classroom building and a cafeteria/auditorium for Haile Selassie I University.

Please advise us as early as possible but in no event later than close of business on FRIDAY ~~Tuesday~~, May 21 ~~18~~, 1971, if you have a basic policy issue arising out of this proposal.

Rachel R. Agee
Secretary
Development Loan Committee

Attachments:
Summary and Recommendations
Project Analysis
ANNEXES I-IV

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AID-DLC/P-960
May 11, 1971

ETHIOPIA-HAILE SELASSIE I UNIVERSITY EXPANSION

PHASE II

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ETHIOPIA: HAILE SELASSIE I UNIVERSITY EXPANSION - PHASE II

SUMMARY AND RECOMMENDATIONS

1. Applicant: Imperial Ethiopian Government (IEG)

2. Amount of Loan: $3,700,000*

3. Terms:

   A. Maturity: 40 years, including a 10 year grace period

   B. Interest: 2 percent per annum during the grace period; 3 percent thereafter

   C. Currency: Interest and Principal payable in U.S. dollars

4. Financial Plan for Phase II:

	Foreign Exchange Costs	Local Costs	Total
AID Loan	$1,500,000 (100%)	$2,200,000(65%)	$3,700,000
IEG Contribution	--	1,200,000(35%)	1,200,000
	$1,500,000 (100%)	$3,400,000(100%)	$4,900,000

5. Description of the Project: The project consists of the construction and equipping of 1) dormitories to accommodate 2,500 students and a cafeteteria-auditorium building at the Addis Ababa campus of Haile Selassie I University (HSIU), and 2) a 500-student dormitory and a classroom building at the Alemaya campus of HSIU.

6. Purpose of the Loan: To finance the foreign exchange cost and a portion of the local costs of the project.

7. Background of the Project: The need for additional facilities at HSIU has been the subject of discussions between the IEG and AID since the formation of the University in 1961. In 1964 HSIU submitted a formal request for assistance in financing an expansion of University facilities, which led to the

* All dollar amounts in this paper are expressed in U.S. dollars (US$1.00 = Eth. $2.50).

performance of a preliminary requirements analysis. On this basis, AID made available grant financing for the preparation of schematic designs for various facilities by a U.S. architectural/engineering firm. This design work was completed in 1967, and in October 1967 the IEG formally requested assistance in financing the final design and construction of the facilities and the procurement of books and equipment. AID authorized a $1 million Development Loan in June 1968 for the financing of the final design work and procurement of books and equipment (Phase I), with the understanding that AID would consider a Phase II loan for construction of the facilities designed under Phase I. The IEG's formal application for Phase II financing was received on February 28, 1971.

8. Export-Import Bank Clearance: Received on May 6, 1971.

9. Statutory Criteria: Satisfied, see Annex I.

10. Country Team Views: The CT strongly endorses this project.

11. Issues: None

12. Recommendation: Authorization of a loan to the Imperial Ethiopian Government for an amount not to exceed $3,700,000 subject to the terms and conditions contained in the draft authorization attached as Annex IV.

CAPITAL ASSISTANCE COMMITTEE:

USAID:

Loan Officer	:	J. Westley
Program Officer	:	D. Miller
Education Advisor	:	H. Holland
Engineer	:	G. Manly

EARCDO:

Loan Officer	:	O. Cylke
Counsel	:	R. Meighan

AID/W:

Loan Officer	:	R. Moyers
Counsel	:	K. Fries
Engineer	:	J. Sloan
Desk	:	N. Brashich

AID-DLC/P-960
May 11, 1971

CAPITAL ASSISTANCE PAPER

ETHIOPIA: HAILE SELASSIE I UNIVERSITY EXPANSION - PHASE II

I. INTRODUCTION

A. Background

Haile Selassie I University (HSIU) was created in 1961 by grouping a number of existing institutions of higher education, including the College of Agriculture at Alemaya and the College of Public Health at Gondar, into a single system. It is structured in accordance with the recommendations of a study performed with AID financing by a University of Utah contract team. AID has provided $27 million in grant assistance to HSIU since its founding, including funds for construction, advisory and operational personnel, and equipment and materials. Even with substantial assistance provided by the U.S. and other donors, physical plant has not kept pace with enrollment, which has grown from 900 in 1961 to 4,500 in 1970-71. The IEG recognized the need for an expansion of facilities soon after the creation of HSIU, and in 1964 submitted a request for assistance in the design and construction of additional facilities. Following the performance of a preliminary requirements analysis, AID made available grant funds for the development of schematic designs by a U.S. architectural/engineering firm. The work was performed by Dalton and Dalton of Cleveland, Ohio, and included schematic designs for dormitories and a multi-purpose building at the main campus in Addis Ababa and dormitories, a multi-purpose building, staff housing units and a faculty office building at the Public Health College in Gondar. The work was substantially completed in 1966 and was accepted by HSIU in mid-1967. The IEG's formal request for final design and construction of the facilities, omitting the dormitories at Addis Ababa, was submitted in October, 1967. In June, 1968, AID authorized a Phase I loan of $1,000,000 to finance the final design of the additional facilities at Addis Ababa and Gondar and the procurement of badly needed books and equipment (for details see Capital Assistance Paper AID-DLC/P-714, dated May 24, 1968). The loan was authorized with the understanding that AID would consider a Phase II loan to assist in financing the construction of the facilities designed under Phase I.

Shortly after authorization of the loan, HSIU began work on a long-range university development plan with the assistance of an educational planning expert provided by the Ford Foundation. The plan was substantially completed by the end of 1969 and was published in August 1970.[1] One of the long-term goals of the plan is to decentralize higher education by developing Alemaya and Gondar into university centers offering a full range of courses, while maintaining their present specialized offerings in agriculture and public health. Upon accepting this goal, HSIU engaged the services of Mr. Robert Geddes of the Architectural firm Geddes, Brecher, Qualls and Cunningham, campus planning specialists, in order to make a land-use survey and recommendations for physical aspects of campus planning at the three sites. Acting upon recommendations of Mr. Geddes, the IEG and HSIU decided that the present campus of the Public Health College at Gondar was not suitable for the substantial expansion required, and that expansion of facilities at Gondar should be halted pending selection and development of a new campus site south of the city. At the same time, the IEG and HSIU decided that the short-run need for additional facilities should be met by expanding facilities at Addis Ababa and Alemaya. Consequently, the IEG requested in early 1970 that the Phase I Loan Agreement be amended by deleting final design of the facilities at Gondar and adding final design of a dormitory and classroom building at Alemaya, as well as dormitories at Addis Ababa. An amendment to the Loan Agreement to permit final design of the facilities proposed by the IEG and HSIU was signed on November 11, 1970, following AID review of the HSIU plan and development of a revised requirements analysis. Based on cost estimates prepared by the U.S. architectural/engineering firm, the IEG submitted its formal request for assistance in financing construction of the additional facilities on February 28, 1971.

B. Relationship of Project to U.S. Assistance Strategy in Ethiopia

Steps are being taken to increase the effectiveness of U.S. assistance by adhering to a strategy of concentration. The U.S. assistance strategy for Ethiopia is based on concentration on one major sector - agriculture - and on two sub-sectors - higher education and financial resources management. The proposed project falls within the higher education sub-sector. It is intended to increase the effectiveness of higher education in Ethiopia by providing improved living facilities at Addis Ababa, and to increase the output to Ethiopian higher education in a critical category - senior secondary school teachers - by providing for an expansion of classroom and dormitory facilities at Alemaya.

1/ Haile Selassie I University, "A Blueprint for Development," Addis Ababa, August 1970.

C. Borrower and Executing Agency

The Borrower will be the Imperial Ethiopian Government (IEG), acting through the Ministry of Finance; Haile Selassie I University (HSIU) will be responsible for the execution of the project. The University authority rests in a Board of Governors of nine members with responsibility for the overall conduct and development of the institution. The Board is composed primarily of Ministers of the Imperial Government. This lends great strength to the University. His Imperial Majesty, Haile Selassie I, is the Chancellor of the University. The chief administrative officer is the President, Dr. Aklilu Habte, who has been in office since 1968. Associate Academic Vice Presidents have been appointed to give leadership to the various academic divisions of the University. There is a Vice President for Business and Development.

One of the greatest strengths of the University is the high caliber of Ethiopian leadership exercised on the top level of administration. The Chancellor's Advisory Committee, an independent group of university educators, has recently evaluated the University.[2/] Above all, this group has commended the extraordinary and distinctive manner in which the administration is leading the University.

D. Export-Import Bank Clearance

The Export-Import Bank's Board of Directors considered the proposed loan on May 6, 1971, and concluded that, in view of the need for local cost financing and concessional lending terms, the project was not appropriate for Export-Import Bank financing.

2/ The Chancellor's Advisory Committee consists of Sir Christopher Cox, Educational Advisor to the Ministry of Overseas Development (UK); Dr. Alvin C. Eurich, President, Academy for Educational Development (US); Dr. Torsten Husen, President, Inter-Nordic Committee for Pedagogical Cooperation (Norway); Dr. Clark Kerr, Chairman, Carnegie Commission on Higher Education (US); Dr. H. A. Oluwasanmi, Vice Chancellor, University of Ife (Nigeria); Dr. Georg Knetsch, University of Wurzburg (Germany); and Dr. Herman B. Wells, Chancellor, Indiana University (US).

II. REQUIREMENTS ANALYSIS

A. The Ethiopian educational system as presently structured provides six years of primary education, two years of junior secondary and four years of senior secondary education, and university and other post-secondary education. The central stream of general education is supplemented by technical and vocational education, which begins after grade eight, and primary teacher education, which begins after grade ten. There are also numerous private and church schools. National examinations are held at the completion of various levels and govern admission to the next level. The language of instruction is Amharic at the primary level and English at the secondary and post-secondary levels.

Education at all levels has expanded rapidly, as shown in the following table:*

Table 1: ENROLLMENTS IN ETHIOPIAN EDUCATIONAL INSTITUTIONS

Grades	Enrollment 1959/60	Enrollment 1968/69	Percentage Increase
1 - 6	200,100	513,800	155
7 - 8	14,600	56,900	290
9 - 12	5,200	32,200	520
Higher	827	5,200	530
	220,727	608,100	275

The above figures include private and church schools, which accounted for 25% of the primary enrollment and 13% of the secondary enrollment in 1968/69. Although enrollments have nearly tripled over the past decade, primary schools still enroll only 15% of the relevant age group, while junior secondary and senior secondary schools enroll 6% and 2% of the relevant age groups, respectively.

The rapid expansion of enrollments has resulted in a deterioration of the quality of primary and secondary education due to the shortage of qualified teachers at all levels and the lack of adequate facilities and equipment. At the primary level the average class size in government schools is 54, and only 63% of the teachers are properly qualified. At the secondary level, average class size is 42 students. Most senior secondary students are in adequate facilities, although an estimated 25,000-30,000 junior secondary students

*Assistance to primary and secondary schools is being provided by the Swedish International Development Agency and the IBRD (See page 21). This assistance allows AID to concentrate its financing for education at the University level.

are in inadequate buildings. Only about 21% of the teachers in government secondary schools are qualified Ethiopians; 42% of the secondary teaching staff is recruited from abroad.

The system of higher education in Ethiopia includes technical and teacher training schools and the private Catholic university at Asmara as well as HSIU. Teachers for junior secondary schools are being trained in Addis Ababa in a two-year program following grade twelve. Enrollment is presently 120. The Ministry of Agriculture operates agricultural institutes at Jimma and Ambo and an animal health institute at Debre Zeit. These institutes offer a two-year course following grade twelve and have a combined enrollment of about 400. A polytechnic school at Bahar Dar offers a two-year post-secondary technical course in fields such as machining, welding, electricity and electronics, and the building trades. Enrollment is about 600. The University of Asmara, operated by the Congregation Piae Matres Nigritae, has under-graduate programs in the arts, sciences, law and religion, and offers a doctoral degree in conjunction with the University of Padua. Enrollment is presently about 1,000.

Haile Selassie I University (HSIU) was established in 1961 with seven colleges and faculties and an enrollment of 948 students. It incorporated several colleges founded in the 1950's, including University College, the Engineering College and the Ethio-Swedish Building Institute in Addis Ababa, the Public Health College at Gondar, and the College of Agriculture at Alemaya. HSIU expanded rapidly in the 1960's, adding the Extension Department in 1962, the College of Business Administration and the Faculty of Law in 1963, and the Faculty of Medicine in 1965. Enrollment in 1970/71 was 4,500 regular students and 2,200 extension students.

For further information on the Ethiopian educational system, see the September 1970 IBRD Report (Volume IV, Annex 7, "Education and Training").

B. <u>University Graduates: Demand and Supply</u>

There has been no comprehensive study of Ethiopian manpower requirements. However, there have been two tentative and preliminary manpower studies which have indicated orders of magnitude of high level manpower requirements and thus provide useful interim guidelines for University planning.

The first manpower study was undertaken by the IEG Planning Commission in conjunction with the preparation of the Third Five Year Plan for 1968-1973 (TFYP). With respect to high level manpower (administrators, managers, professional and scientific personnel), the Planning Commission estimated that an additional 7,800 people would be required during the planning period, while the output from the institutions of higher education during the same period would be only 3,000.1/ Their estimates of the demand for University graduates during the TFYP Period and the likely supply of graduates in major sectors are shown in the following table:

Table 2: ESTIMATED HIGH-LEVEL MANPOWER REQUIREMENTS AND HSIU GRADUATES, 1968-1973

Sector	Requirements	Graduates 2/	Shortfall
Senior Secondary Teaching	1,340	660	680
Manufacturing & Commerce	700	550	150
Agriculture	440	260	180
Medicine	260	40	220
Utilities	170	105	65
Natural Resources	140	40	100

More recently, the Department of Labor of the IEG Ministry of National Community Development and Social Affairs prepared a survey of manpower requirements through the end of the Fourth Five Year Plan (1978).3/ This survey generally corroborated the results of the Planning Commission study, estimating a requirement for 19,300 University graduates during the period 1968-1978 as against an anticipated supply of 4,500 graduates. Even if demand is overstated by 100 percent, the anticipated supply of University graduates would meet only about half the demand.

Inasmuch as neither of the above studies is regarded by the IEG as fully comprehensive, the IEG is planning to undertake a comprehensive manpower survey and an education sector study, both with IBRD assistance. In the meantime, however, the University has had to

1/ Imperial Ethiopian Government, "Third Five Year Development Plan, 1968-1973," Chapter V.

2/ Includes students returning from overseas training

3/ Ministry of National Community Development and Social Affairs, "An Assessment of Ethiopia's Manpower Requirements and Resources for Economic Development," November, 1970.

proceed with planning on the basis of obvious high-priority manpower needs, as indicated in the Third Five Year Plan. For the purposes of University planning, HSIU and IEG officials concluded that enrollments at HSIU would have to be increased from 4,000 to 6,000 during the period of the TFYP, with the bulk of the increase concentrated in education and various technical fields (agriculture, engineering, science). The resulting enrollment projections are shown in the following table:

Table 3: HSIU - STUDENT ENROLLMENT PROJECTIONS 4/

	1968/69	1969/70	1970/71	1971/72	1972/73	Increase
Agriculture	305	365	425	485	545	240
Arts	475	320	565	610	655	180
Business	410	435	460	485	510	200
Education	985	1,140	1,295	1,450	1,605	620
Law	155	180	205	230	255	100
Medicine	100	120	140	160	180	80
Public Health	170	200	230	260	290	120
Science	395	445	495	545	595	200
Social Work	70	80	90	100	110	40
Technology	365	440	515	590	665	300
Theology	30	35	40	45	50	20
TOTAL	3,460	3,960	4,460	4,960	5,460	2,000

These enrollments will result in an increase in HSIU degree graduates from an average of 364 per year in 1964-1968 to 790 per year in 1974-1977.

The largest increase is planned for "education," or senior secondary teacher training; in terms of numbers required, this is Ethiopia's most critical high-level manpower problem. The University is the sole source of qualified senior secondary teachers, and is presently graduating only about 130 students per year in this field. As noted in Table 2 above, the Planning Commission estimated in 1968 that about 1,340 new senior secondary teachers would be required

4/ Totals do not include students on Ethiopian University Service (mandatory year of national service between the junior and senior years). EUS students numbered 412 in 1968/69.

during 1968-1973, or about 270 per year. Moreover, the Ministry of Education has estimated that in 1968/69 there were 1,141 senior secondary teachers needed, but only 36 qualified Ethiopian teachers. There were also 802 qualified non-Ethiopian teachers, and the rest were non-qualified Ethiopians. Thus to replace all the qualified non-Ethiopians and non-qualified Ethiopians would require 1,105 HSIU graduates immediately; an additional 170 graduates per year would be needed to keep up with the increase in projected senior secondary school enrollments. Although the University can clearly not meet this requirement during the period of the TFYP, the increases in enrollments in education noted in Table 3, plus further increases planned for 1973/74, will enable HSIU to raise the output of senior secondary teachers to about 550 per year by 1977/78. This would permit the senior secondary schools to be fully staffed by qualified Ethiopian teachers by about 1982/83. (For a tabular presentation of the above, see IBRD, "Economic Growth and Prospects in Ethiopia," Annex 7, Table 5.)

C. Sources of Qualified Students

The principal sources of students for HSIU are the government and private secondary schools. The number of graduates from these institutions has increased from less than 2,000 to over 6,000 in the past five years, and is expected to increase to 10,000 by 1972. In order to be admitted to the University, graduates of the secondary schools must pass the Ethiopian School Leaving Certificate (ESLC) examinations. At present about 17 percent of the twelfth grade students registering for the examinations pass and go to HSIU. These students account for about half of each entering freshman class. The other half is made up of graduates of the University Laboratory School and the Ambo and Jimma Agricultural Colleges, who are admitted without the ESLC, and of students who are admitted because of services they have performed (e.g., directors of government schools).

The following table shows first-year enrollment figures and projections of the numbers of students who will qualify for admittance to the University either through passing the ESLC or through the other channels noted above. The projections assume that about 17 percent of the secondary school graduates will pass the ESLC.

Table 4: QUALIFIED STUDENTS AND HSIU FIRST-YEAR ENROLLMENTS, 1970/71 - 1973/74

	1970/71	1971/72	1972/73	1973/74
Secondary School Graduates 5/	4,752	6,030	7,000	8,000
ESLC Passes	836	1,020	1,190	1,360
Other Sources	611	780	1,010	1,240
Total Qualified	1,447	1,800	2,200	2,600
First-Year Enrollment	1,447	1,800	2,200	2,600

As is clear from this table, there should be no shortage of qualified students for admittance to HSIU.

D. Need for Additional Facilities

In order to accommodate the projected expansion in enrollments, HSIU will need additional facilities at the Addis Ababa, Alemaya and Gondar campuses. The facilities required at Addis Ababa include a classroom building to accommodate 2,000 students, dormitories for 2,500 students, a cafeteria to serve 3,000 students, an addition to the Engineering Building, and a new Science Building. Facilities needed at Alemaya are classroom and dormitory facilities to permit an expansion of enrollment from 460 to 960, and 30 additional staff housing units. At Gondar the campus will be moved to a new site, and will require instructional, housing and food service facilities.

The addition to the Engineering Building at Addis Ababa is presently under way with IEG financing. The IEG is also expected to finance construction of the classroom building at Addis Ababa following completion of the Engineering Building addition. HSIU has not yet secured financing for construction of the Science Building, although discussions are being held with various donors concerning possible financing. HSIU plans to build the staff housing at Alemaya with a Commercial Bank loan. Construction of the other facilities at Addis Ababa and Alemaya would be financed by the proposed AID loan. With respect to Gondar, the University expects to receive the land for the new campus some time during 1971. There are presently no firm plans for the design or construction of facilities at the new campus, however.

5/ Refers to graduates from the previous year, for enrollment during the year noted; e.g., the 1970/71 column refers to 1969/70 graduates for enrollment in the 1970/71 school year.

1. Dormitories at Addis Ababa

The table below compares the number of dormitory places required at Addis Ababa with the number of places which will be available with the completion of the proposed dormitory facilities for 2,500 students in 1973/74. The requirements are based on the assumption that about 10 percent of the student body can find adequate housing with family or relatives in Addis Ababa and that the remaining 90 percent should be housed in University dormitories:

Table 5: STUDENT ENROLLMENT AND DORMITORY REQUIREMENTS, 1970/71 - 1973/74

	1970/71	1971/72	1972/73	1973/74
Total Enrollment 6/	4,543	5,100	6,000	7,600
Ethiopian University Service	476	560	775	900
Alemaya Enrollment	460	460	460	960
Gondar Enrollment	165	170	170	170
Addis Ababa Enrollment	3,442	3,910	4,695	5,570
Dormitory Spaces Required at Addis Ababa	3,098	3,519	4,225	5,013
Dormitory Spaces Available	2,137	2,140	2,140	4,640
Percentage in Dormitories	69	61	51	93

As shown in the table, dormitory spaces available will meet only about 50 percent of the requirement in 1972/73, but will meet over 90 percent of the requirement in 1973/74 with the completion of the 2,500 additional spaces. It should be noted that the 2,140 spaces now available include 476 in pre-fabricated buildings unsuitable for use as dormitories and 236 in a rented hostel. If the University decides to discontinue using these facilities upon completion of the new dormitories, total available spaces would be about 3,930, for a net increase of about 1,800 rather than 2,500. This would meet 78 percent of the 1973/74 requirement.

Thus even with the new dormitories the University will be able to meet only 78 to 93 percent of the requirement for dormitory spaces in 1973/74. Without the new dormitories, however, the University would be able to meet only 43 percent of 1973/74 requirements if all dormitory spaces were retained, and only 28 percent if use of inadequate or rented facilities were discontinued.

6/ These enrollment projections were made in 1971 and thus differ slightly from the Table 3 enrollment projections, which were made in 1968.

2. Cafeteria at Addis Ababa

The University provides food service for off-campus students as well as those who live in the dormitories, and operates four cafeterias at Addis Ababa. The largest facility is located in what is called Christmas Hall, a structure once used by the Emperor as an assembly hall for the distribution of gifts to children at Christmas. The building is in poor physical condition, is inefficiently arranged for food service, is difficult to maintain according to proper sanitary standards, and seats only 380. The University proposes to replace Christmas Hall with a new dining facility with seating for 760, to permit about 3,000 servings in four shifts at each meal. The cafeteria would also serve as an assembly hall or auditorium for gatherings of up to 1,000 students.

3. Alemaya Dormitory

The University plan calls for the enrollment at Alemaya to more than double from 460 to 960, ,primarily to accommodate an increase in enrollment for senior secondary teacher training. The campus was originally planned for 1,000 students and some necessary facilities for the expanded enrollment, including a library, cafeteria, administration building, etc., already exist. However, the two dormitories at Alemaya will accommodate only 460 students. Therefore the University must build a dormitory for the additional 500 students since the campus is isolated and students cannot live off campus.

4. Alemaya Classroom Building

Addition of the program in senior secondary teacher training at Alemaya and expansion of the enrollment by 500 will also require construction of additional classroom facilities. The facilities which are presently in use provide slightly more classroom space than can be utilized fully by the students now living in the dormitories. The proportion of classroom space to dormitory space favors the classrooms, even though many of them are used for specialized functions in agricultural education. Thus the present plans provide for an expansion of classroom space by about 60 percent and an expansion of dormitory space by about 110 percent. Included in the classroom building will be several rooms which require special teaching provisions, such as science laboratories necessary for training secondary school science teachers and home economics rooms to accommodate the forthcoming degree program in home economics and home economics teacher training.

E. Staff

At the inception of the University's Five Year Plan, there were a total of 525 full-time and part-time faculty members at all campuses. Given the enrollment projections presented above, it is estimated that the University will require about 700 faculty members by the academic year 1972-73 and about 825 by 1976.

The University Plan projects an increase in students of 58 percent but an increase in faculty of only 33 percent. This difference is due to the fact that a number of classes for third and fourth year students now have small enrollments, an increase in enrollment will not require a proportionate increase in staff.

Table 6, "Academic Staff Projections", shows an estimate of the number of instructors required in each faculty at the end of the five-year period. These estimates will be affected by any new program introduced, by the success or failure in recruitment of staff, and by the rate of return of Ethiopians who are now in graduate study abroad.

Table 6: ACADEMIC STAFF PROJECTIONS, 1968/69 AND 1972/73

Field	1968-69 Actual Faculty Positions 7/	1972-73 Est. Faculty Positions
Agriculture	63	85
Building	36	45
Arts	91	120
Business	29	40
Education	42	55
Engineering	33	45
Law	21	30
Medicine	49	65
Public Health	71	95
Science	71	100
Social Work	9	10
Theology	10	10
TOTALS	525	700

7/ Includes full-time and part-time members of the faculty. Also includes Ethiopian faculty members on study-leave.

The University estimates that the increase in enrollment at Alemaya will require an additional 25 instructors in education and the sciences in 1973/74. (These positions are included in the Table 6 totals, since it was originally assumed that the new facilities would be completed for the 1972/73 school year). Based on the number of Ethiopians presently available or doing graduate work in these fields, the University estimates that about 10 of the 25 instructors will be expatriates. However, the University does not expect that this will result in a net increase in the number of expatriate instructors at HSIU since the absolute number of expatriate instructors in other fields will be declining by 1973/74.

F. Recurrent Costs

Construction of the proposed facilities at Addis Ababa and Alemaya will increase HSIU recurrent costs beginning in 1973/74 for operation and maintenance of the buildings and for salaries of additional academic staff. The University estimates that salaries for the additional 25 instructors will total $125,000, assuming that salaries for any expatriate staff would be topped by various donor agencies. The estimates for operation and maintenance costs are as follows:

Table 7: OPERATING & MAINTENANCE COSTS OF NEW FACILITIES (US$)

Facilities	Cost per Annum
Dormitories (Addis Ababa)	$ 72,000
Cafeteria (Addis Ababa)	10,000 8/
Dormitory (Alemaya)	18,000
Classroom Building (Alemaya)	10,000
	$110,000

Thus the new facilities will increase HSIU recurrent costs by an estimated $235,000 per annum.

8/ Utilities and maintenance only. Does not include food service operating costs.

The University should have no difficulty in meeting these additional costs, since they account for less than 4 percent of the HSIU 1970/71 recurrent budget of $6.0 million. AID will require that the IEG covenant to provide adequate funds for the staffing, operation, and maintenance of the proposed facilities.

III. TECHNICAL ANALYSIS

A. Description

The following buildings are to be financed under this loan:

1. Addis Ababa

(a) Five identical dormitories each with a capacity of 500 students. Each dormitory will be a four-story, reinforced concrete frame, brick-walled structure with 125 combined sleeping and study rooms, equipped with double-deck bunks for four students. The first floor will include a recreation room, lobby, snack kitchen and supervisors' quarters, in addition to 29 dormitory rooms and corresponding bathroom facilities. Each of the three upper floors will have 32 dormitory rooms, bath room facilities and a janitor's closet. Semi-outdoor stairways will be located at both ends of each dormitory. Four of the dormitories will be located at the Sidist Kilo campus, the main campus of Haile Selassie I University in Addis Ababa. The other will be located at the Arat Kilo campus, about two kilometers south of Sidist Kilo.

(b) A cafeteria-auditorium building, with seating for 760 for dining and 960 for auditorium use. The building, will be framed with structural steel in the main dining room-auditorium area and with reinforced concrete in the remainder of the area and will have brick walls. It will provide space for modern kitchen, food storage and food handling equipment and adequate lobby and stage areas for auditorium functions.

2. Alemaya Campus

(a) A 500-man dormitory, the same as those planned for Addis Ababa except for the possible use of stone instead of brick for wall material;

(b) A two-story classroom building. The classroom building will be similar to the dormitory in structural design. It will contain two lecture halls, each seating approximately 150 students, six laboratory rooms, a drafting room, four classrooms, 18 staff offices, auxiliary spaces, toilets and storerooms.

B. Engineering Plan

Architectural and engineering design of the buildings is being performed by Dalton, Dalton, Little (DDL), of Cleveland, Ohio, an architectural and engineering firm with previous experience in the design and supervision of construction of school buildings in Africa. Under a 1966 contract, DDL made a study of the University's proposed improvement program which included approximately the same facilities at Addis Ababa as those to be financed by this loan. Under its present contract, DDL will provide complete architectural and engineering services up to the point of award of the construction contract or contracts. The present contract includes provisions for supervision of construction by DDL, provided that the University elects to obtain such services from the Architect. It is anticipated that the University will contract with DDL for construction supervisory services.

C. Technical Soundness

The reinforced concrete structural design chosen by the Architect for all buildings except a portion of the cafeteria-auditorium, is that almost universally used in multi-story buildings recently built or now under construction in Addis Ababa. It is undoubtedly the type of construction best suited to local material availability and local construction capability. Conservative provisions will be made in the structural design for earthquake stresses. Because the construction will be similar to much recent Addis Ababa construction work, the cost estimate prepared by DDL should be quite accurate.

All three of the campuses are well drained areas with satisfactory foundation conditions. Street or road access is satisfactory and adequate electric power supply is available at all locations. Water supply for the Addis Ababa campuses is from the municipal system, and with existing and planned facilities for providing adequate pressure at higher building levels, is expected to be entirely adequate. The present well water supply for the Alemaya campus is insufficient in quantity and must be augmented by additional wells or by taking water from the nearby water supply reservoir for the town of Harrar. Existing sewage disposal facilities at the Sidist Kilo campus (constructed as part of the AID-financed John F. Kennedy Library Project) are adequate to handle the load of the four dormitories and cafeteria-auditorium. A septic tank installation for the Arat Kilo dormitory will be required and some improvement of the sewage lagoon at Alemaya is planned.

All of the buildings to be financed by this loan will be located in sites adjacent to existing University buildings. With the benefit of past experience in the construction and operation and maintenance of buildings at the three campuses, the cost estimate including the 15% contingency can be considered to be reasonably accurate and increases in the final cost are not anticipated. The plans and specifications are sufficient to meet the requirements of Sec. 611 (e) of the FAA.

IV. FINANCIAL ANALYSIS

A. Financial Requirements

The total estimated financial requirements of the project are as follows: (US$)

Item	Foreign Exchange Costs	Local Costs	Total Costs
Dormitories (Addis)	700,500	1,839,800	2,540,300
Cafeteria/Auditorium (Addis)	161,500	157,800	319,300
Dormitory (Alemaya)	136,800	382,600	519,400
Classroom (Alemaya)	162,600	268,480	431,080
Furniture & Equipment (Movable)	37,000	216,000	253,000
Supervision of Construction	118,950	64,050	183,000
Contingency (15%)	191,254	446,258	637,512
	1,508,604	3,374,988	4,883,592

For detailed cost estimates, see Annex II.

B. Financial Plan

It is proposed that the financial requirements of the project be met in the following manner (US$) amounts rounded):

	Foreign Exchange Costs	Local Costs	Total
AID Loan	$1,500,000 (100%)	$2,200,000 (65%)	$3,700,000
IEG Contribution	--	1,200,000 (35%)	1,200,000
	$1,500,000 (100%)	$3,400,000(100%)	$4,900,000

The proposed AID loan will finance approximately 75 percent of total project costs, including all foreign exchange costs and 65 percent of the local costs of the project. The IEG will finance the remaining local costs. It is proposed that the loan be repayable over 40 years, including a 10-year grace period, and bear interest at 2 percent during the grace period and 3 percent thereafter.

C. IEG Ability to Provide Local Cost Financing

In initial discussions concerning financing of the project, AID indicated a willingness to provide a loan to cover the foreign exchange costs and 50 percent of the local costs of the project. After the preliminary cost estimates indicated that this formula would result in AID's financing only 60-65 percent of total project costs, the IEG requested that AID finance up to 75 percent of total project costs, with no specific limit on local cost financing. The IEG made its request on the grounds that 1) IEG funds, particularly for non-revenue-producing projects such as construction of university facilities, were limited, and 2) the project, as designed, does not include a large foreign exchange component. Following receipt of reasonably firm cost estimates, AID agreed to extend a loan covering up to 25 percent of the project costs, with the understanding that the IEG would provide a minimum contribution of $1,100,000. Later, however, the firm cost estimates indicated that the project costs would be higher than expected. At that time, the IEG expressed its commitment to the project by agreeing to increase its contribution to $1,200,000.

The IEG is projecting a $32 million expenditure for education out of its $176 million FY '72 projected budget. Of the education budget, $5.6 million will be alloted to HSIU, which indicates the IEG's commitment to the university. Given the estimated construction schedule, the IEG will be required to contribute $350,000 in FY 1972 and $850,000 in FY 1973 to the project. The IEG has included the amount required in FY 1972 in the FY 1972 capital budget, and has provided assurances that the amount required for FY 1973 will be included in the FY 1973 capital budget.

The prospects that the IEG will provide these amounts appear excellent. In previous years the lack of realism in IEG budgeting, coupled with the unexpected severity and duration of the economic downturn of 1966-1969, made it extremely difficult for the IEG to meet its local cost financing commitments. However, the improvement in the economic situation since mid-1969, together with a significant improvement in the past two years in budget estimation and in budgetary practices in general, has resulted in greatly enhanced IEG ability to provide agreed amounts of local currency. This has been demonstrated in the past year under the Civil Aviation Improvements Project (AID Loan 663-H-015) and the Malaria Eradication Project (AID Loan 663-H-013A). The IEG has made every local currency payment under both loans on schedule. In order to assure timely payments to the contractors, however, AID will require that the IEG make advance local currency deposits quarterly into a special account.

For a recent review of Ethiopia's financial position and prospects, see the September 1970 IBRD Report, Volumes I and V.

D. Prospects for Repayment

The IEG's outstanding foreign debt (including private loans guaranteed by IEG financial institutions) increased to US $182 million by the end of FY 1970. Despite an increase in external debt outstanding during the past four years of approximately 11 percent per annum, Ethiopia's debt service ratio of 16 percent (interest and principal payments divided by merchandise export earnings) is probably still somewhat less than that of most LDCs.

The outstanding external debt as of the end of FY 1970 was distributed by creditors as follows:

Table 8: OUTSTANDING IEG EXTERNAL DEBT, JUNE 30, 1970

	US$ (Millions)
IBRD/IDA	66.6
United States	62.0
Italy	21.7
USSR	13.6
Netherlands	5.0
Yugoslavia	4.4
West Germany	3.9
Czechoslovakia	2.6
Sweden	2.1
United Kingdom	0.1
Total	182.0

It may be noted that loans to the IEG from the U.S. and IBRD/IDA comprised approximately 70 percent of the total external debt outstanding.

External debt servicing outlays (principal and interest) during the past five years and projected through 1978 are shown below in relation to actual or projected export earnings:

Table 9: DEBT SERVICE AND MERCHANDISE EXPORTS (US $ Millions)

	Debt Service Principal and Interest (FY) (A)		Merchandise Exports (CY) a/ (B)	Ratio A:B %	
1965	9.8		117	8.4	
1966	10.9		112	9.7	
1967	15.6		103	15.1	
1968	16.7		110	15.2	
1969	20.9		119	17.6	
1970	20.4		130 (Est.)	15.7 (Est.)	
	Projections b/				
	Low	High		Low	High
1971	27	27	135	20	20
1972	27	28	141	19	20
1973	27	28	146	18	19
1974	28	31	152	18	20
1975	30	34	160	19	21
1976	32	37	168	19	22
1977	33	40	176	19	23
1978	35	43	185	19	23

a/ Total exports by value will increase at an average rate of 4 percent yearly in 1971-74 and at 5 percent in 1975-78.

b/ Total assumed new borrowing each year o which projections are in part based are as follows:

FY 71 US $35-60 million
FY 72 US $35-50 million
FY 73 US $40-60 million
FY 74 US $40-60 million
FY 75 US $40-60 million
FY 76 US $40-60 million
FY 77 US $40-60 million
FY 78 US $40-60 million

Ethiopia could and would if necessary make debt service payments of the range projected above. (Ethiopia has never defaulted on an external loan, has never requested a rescheduling of its external debt, and has an excellent international credit rating.) However, it would clearly be a heavy burden on Ethiopia, which will be dependent to an exceptional degree for development on external capital and know-how for the foreseeable future.

Ethiopia's net gold and foreign exchange holdings declined during CY 1970, due principally to the fall in world coffee price, but were still equivalent at the end of CY 1970 to 3.4 months merchandise imports at the estimated 1970 level of imports. Ethiopia's IMF quota and gold tranche position were increased during CY 1970. The IEG will need to obtain future loans only for economically high priority projects and on as favorable terms as possible if the debt service burden is not to reach a maximum feasible level before domestic savings and capital supplemented by foreign private direct investment are sufficient to permit an acceptable rate of growth.

E. Other Sources of Assistance

Ethiopia receives assistance for education from a wide variety of sources. The Swedish International Development Authority (SIDA) has a five-year agreement with the government aimed at adding or replacing 7,000 primary grade classrooms by 1973. At the secondary level, major assistance is being provided by the IBRD, which made available a $7.2 million IDA credit in 1966 for the expansion or construction of 77 secondary schools, as well as the construction of three teacher training institutes. The IBRD recently extended a second IDA credit for $9.5 million, for the construction of additional secondary schools, technical schools, and teacher training institutes for primary and junior secondary school teachers. The major sources of capital assistance for HSIU other than the U.S. have been Sweden, which has provided about $4 million for the Building College and the Medical Faculty, and Germany, which provided about $1.3 million for construction of a new building for the College of Engineering. HSIU receives technical assistance from the United Nations (UNDP, UNICEF, UNESCO, WHO), several bilateral donors (UK, Germany, Sweden, Belgium, France, Italy, Israel, Netherlands) and several private sources (Ford Foundation, the Wellcome Foundation). The University coordinates assistance by the donor agencies through frequent informal donor meetings. Formal donor group meetings are held every July. Inasmuch as other donors are already providing substantial assistance to the University, and given AID's involvement in financing both the schematic drawings and final design work for the proposed facilities, there is no prospect of finding other sources of funding for this project.

V. EFFECT ON THE U.S. ECONOMY AND BALANCE OF PAYMENTS AND ON PRIVATE ENTERPRISE

A. Effect on U.S. Economy and Balance of Payments

The foreign exchange component of the loan will finance the procurement of goods and services from Code 941 countries, i.e. from the U.S. and eligible lower income countries. Construction supervision services will probably be provided by the U.S. architectural/engineering firm which is performing the final design work. Construction services may be provided by a U.S. firm, although local firms and firms from Code 941 countries will also be eligible.

B. Effect on Private Enterprise

The project will benefit private enterprise in the U.S. and other Code 941 countries by giving private enterprise an opportunity to provide construction services, building materials and equipment and school equipment for the project. It will benefit Ethiopian private enterprise by giving Ethiopian contractors and suppliers an opportunity to provide goods and services for the project. Once completed, the new University facilities will also benefit private enterprise in Ethiopia indirectly by improving the manpower resources available to the Ethiopian economy.

VI. IMPLEMENTATION

The following implementation schedule, if adhered to, will enable the University to open the proposed facilities at the beginning of the 1973/74 school year:

Execution of Loan Agreement	June, 1971
Parliamentary Ratification	July, 1971
Satisfaction of Conditions Precedent to Disbursement	September, 1971
Issuance of Prequalification Notice to Eligible Construction Firms	August, 1971
Prequalification of Firms and Issuance of IFB	September, 1971
Bid Award	November, 1971
Beginning of Construction	December, 1971
Completion of Facilities	June, 1973

VII. ISSUES

None.

CHECKLIST OF STATUTORY CRITERIA
DEVELOPMENT LOAN FUND

of the questions require only yes or no answers. Others, however, must be answered more fully. In those cases, a specific reference to xplicit discussion of the matter in the loan paper will suffice. But where the loan paper does not deal explicitly with a matter that clearly requires more than a yes or no response, sufficient response must be made to indicate that the matter has been appropriately considered.

The following abbreviations are used in the checklist:

FAA - Foreign Assistance Act of 1961, as amended, incorporating amendments effected by the Foreign Assistance Act of 1968.

App. - Foreign Assistance and Related Agencies Appropriations Act, 1969.

Space for answers is provided in the margin to the right of each question. This form must be made a part of the Capital Assistance Paper.

. COUNTRY PERFORMANCE

A. Progress Towards Country Goals

1. FAA 201(b)(5), 201 (b)(7), 201(b)(8), 208. Discuss the extent to which the country is:	
(a) Making appropriate efforts to increase food production and improve means for food storage and distribution.	The Third Five Year Plan (1968-1973) puts major stress on increased food production and improved marketing of agricultural products, and allocates a considerably higher level of projected expenditures for agriculture than in the past.
(b) Creating a favorable climate for foreign and domestic private enterprise and investment.	Ethiopia provides tax holidays and duty free entry privileges to foreigners investing in needed development projects. The government plans to establish a trade and investment center to assist businessmen and to improve further the Investment Proclamation.
(c) Increasing the people's role in the developmental process.	Villagers in certain parts of Ethiopia are building schools, water systems and farm-to-market roads and are modernizing farms with the help of U.S., Sweden, etal. This is on a modest scale so far but is an appreciable start.

(d) Allocating expenditures to development rather than to unnecessary military purposes or intervention in other free countries' affairs.	See I.D, 2 below
(e) Willing to contribute funds to the project or program.	The IEG will contribute $1,200,000 to HSIU Expansion, Phase II.
(f) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements; and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.	The traditional monarchial system in Ethiopia is gradually broadening. The IEG is allowing greater freedom of expression, although the press is still largely government-controlled. There is a 12-year old Parliament with some, if limited, effective powers. Entrepreneurs operate fairly freely, and trade unions are beginning to have an independent voice. The government is seeking Western advice in legal matters, taxation, finance, private enterprise, and information services. The Ministry of Land Reform and Administration has conducted land reform legislation which is presently under considerationby the Parliament and may be promulgated this year.
(g) Responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.	The IEG has strengthened its commitment to development in recent years, and has shown a new willingness to take meaningful self-help measures in order to carry out the Third Five Year Plan (1968-1973).

B. Relations with the United States

1. FAA § 620 (c). Is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, including arbitration, or (b) the debt is not denied or contested by the government, or (c) the indebtedness arises under such government's, or a predecessor's unconditional guarantee?	No such indebtedness is known to exist.
2. FAA §620(d). If the loan is intended for construction or operation of any productive enterprise that will compete with U.S. enterprise, has the country agreed that it will establish appropriate procedures to prevent export to the U.S. of more than 20% of its enterprise's annual production during the life of the loan?	Not applicable.

3. FAA §620(e)(1). Has the country's government, or any agency or subdivision thereof, (a) nationalized or expropriated property owned by U.S. citizens or by any business entity not less than 50% beneficially owned by U.S. citizens, (b) taken steps to repudiate or nullify existing contracts or agreements with such citizens or entity, or (c) imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operation conditions? If so, and more than six months has elapsed since such occurrence, identify the document indicating that the government, or appropriate agency or subdivision thereof, has taken appropriate steps to discharge its obligations under international law toward such citizen or entity? If less than six months has elapsed, what steps if any has it taken to discharge its obligations?	No to first question. Second question not applicable.
4. FAA §620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property, and failed to take appropriate measures to prevent a recurrence and to provide adequate compensation for such damage or destruction?	No.

5. FAA §620(l). Has the government instituted an investment guaranty program under FAA 211(b)(1) for the specific risks of inconvertibility and expropriation or confiscation?	Yes.
6. FAA §620(o): Fisherman's Protective Act of 1954, as amended Section 5. Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters? If, as a result of a seizure, the USG has made reimbursement under the provisions of the Fisherman's Protective Act and such amount has not been paid in full by the seizing country, identify the documentation which describes how the withholding of assistance under the FAA has been or will be accomplished.	No.
7. FAA §620(q). Has the country been in default, during a period in excess of six months, in payment to the U.S. on any FAA loan?	No.
8. FAA §620(t). Have diplomatic relations between the country and the U.S. been severed? If so, have they been renewed?	No, to first question. Second question not applicable.
9. App. §106. Describe any attempt made by the country to create distinction because of race or religion in granting personal or commercial access or other rights otherwise available to U.S. citizens generally.	None.

2. FAA §620(s). What is (a) the percentage of the country's budget devoted to military purposes, and (b) the amount of the country's foreign exchange resources used to acquire military equipment? Is the country diverting U.S. development assistance or P.L. 480 sales to military expenditures? Is the country diverting its military expenditures? (Findings on each question are to be made for each country at least once each fiscal year and, in addition, as often as may be required by a material change in relevant circumstances.)

About 30% of the country's budget is devoted to defense and security purposes. Little foreign exchange is used to acquire military equipment, most of which is grant financed under U.S. MAP. The November 1968 report of the Ethiopian Study Team (Bell report) concluded that "Ethiopia is not diverting United States economic assistance nor its own resources to unnecessary military expenditures". The findings of the Bell Report were reconfirmed in October, 1970.

II. CONDITION OF THE LOAN

A. General Soundness

-- Interest and Repayment

1. FAA §§201(d). 201(b)(2). Is the rate of interest excessive or unreasonable for the borrower? Are there reasonable prospects for re-payment? What is the grace period interest rate; the following period interest rate? Is the rate of interest higher than the country's applicable legal eate of interest?

The loan terms are low and reasonable. There are reasonable prospects for repayment. The grace period interest rate is 2%, followed by an interest rate of 3% for the duration of the loan. The answer to the last question is no.

-- Financing

1. FAA §201(b)(1). To what extent can financing on reasonable terms be obtained from other free-world sources, including private sources within the U.S.?

Concessional financing not believed available for purposes of this loan from other free world sources. Need for lenient terms, size and purpose of loan exclude consideration of other private or official U.S. sources. See Section IV-E and Section I-D of Capital Assistance Paper.

-- Economic and Technical Soundness

1. FAA §§201(b)(2), 201(e). The activity's economic and technical soundness to undertake loan; does the loan application, together with information and assurances, indicate that funds will be used in an economically and technically sound manner?

Yes, See Sections II and III of Capital Assistance Paper.

C. Relations with Other Nations and the U.N.

1. FAA §620 (i). Has the country been officially represented at any international conference when that representation included planning activities involving insurrection or subversion directed against the U.S. or countries receiving U.S. assistance?	No, as far as known.
2. FAA §§620(a), 620(n); App. §§107(a), 107(b), 116. Has the country sold, furnished, or permitted ships or aircraft under its registry to carry to Cuba or North Vietnam items of economic, military or other assistance?	No, as far as known.
3. FAA §620(u); App. §114. What is the status of the country's U.N. dues, assessments, or other obligations? Does the loan agreement bar any use of funds to pay U.N. assessments, dues or arrearages?	Ethiopia is not in arrears in its obligations to the UN. The loan agreement will restrict the loan funds to the project.

D. Military Situation

1. FAA §620(i). Has the country engaged in or prepared for aggressive military efforts directed against the U.S. or countries receiving U.S. assistance?	No as far as known.

2. FAA §611 (a)(1). Have engineering, financial, and other plans necessary to carry out assistance, and a reasonably firm estimate of the cost of assistance to the U.S., been completed?	The necessary planning for the project has been completed. (See Sections III and IV, Capital Assistance Paper) and reasonably firm cost estimates have been obtained (See Section IV.A and Annex II).
3. FAA §611(b); App. §101. If the loan or grant is for a water or related land-resource construction project or program, do plans include a cost-benefit computation? Does the project or program meet the relevant U.S. construction standards and criteria used in determining feasibility?	Not applicable.
4. FAA §611(e). If this is a Capital Assistance Project with U.S. financing in excess of $1 million, has the principal A.I.D. officer in the country certified as to the country's capability effectively to maintain and utilize the project?	Yes, the Mission Director has so certified. See Annex III.

B. Relation to Achievement of Country and Regional Goals

-- Country Goals

1. FAA §§207, 281(a), Describe this loan's relation to:

a. Institutions needed for a democratic society and to assure maximum participation on the part of the people in the task of economic development	The project will strengthen the University and will make it possible for the University to educate more students and thus increase the number of people participating fully in Ethiopia's economic development.

b. Enabling the country to meet its food needs, both from its own resources and through development, with U.S. help, of infrastructure to support increased agricultural productivity.	By improving educational facilities the project will further develop the social infrastructure needed for the modernization of Ethiopia agriculture.
c. Meeting increasing need for trained manpower.	This is the express purpose of the project.
d. Developing programs to meet public health needs.	Not applicable.
e. Assisting other important economic, political, and social development activities, including industrial development; growth of free labor unions; cooperatives and voluntary agencies; improvement of transportation and communication systems; capabilities for planning and public administration; urban development and modernization of existing laws.	By improving Ethiopia's manpower resources, this project will contribute appreciably to economic, political, and social development.
2. FAA §201(b)(4). Describe the activity's consistency with and relationship to other development activities, and its contribution to realizable long-range objectives.	See Sections IB and II of Capital Assistance Paper.

3. FAA §201(b)(9). How will the activity to be financed contribute to the achievement of self-sustaining growth?	See Section II of Capital Assistance Paper.
4. FAA §201(f). If this is a project loan, describe how such project will promote the country's economic development, taking into account the country's human and material resource requirements and the relationship between ultimate objectives of the project and overall economic development.	See Section II of Capital Assistance Paper.
5. FAA §201(b)(3). In what ways does the activity give reasonable promise of contributing to development of economic resources capacities?	See Section III of Capital Assistance Paper.
6. FAA §281(b). How does the program under which assistance is provided recognize the particular needs, desires, and capacities of the country's people; utilize the country's intellectual resources to encourage institutional development; and support civic education and training in skills required for effective participation in political processes.	See comment for items II-B-1 (a through e) of this checklist.

7. FAA §601(a). How will this loan encourage the country's efforts to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions?

The project will improve the quality and quantity of Ethiopia's manpower resources and will thus have a favorable impact on (e); (a) through (d) and (f) are inapplicable.

8. FAA §202(a). Indicate the amount of money under the loan which is: going directly to private enterprise; going to intermediate credit institutions or other borrowers for use by private enterprise; being used to finance imports from private sources; or otherwise being used to finance procurements from prive sources.

The entire amount of the loan will finance the procurement of goods and services from private sources.

9. FAA §611(a)(2). What legislative action is required within the recipient country? What is the basis for a reasonable anticipation that such action will be completed in time to permit orderly accomplishment of purposes of loan?

None known to be required except for Parliamentary ratification of the Loan Agreement. The Ethiopian Parliament has always ratified A.I.D. loans.

--Regional Goals

1. FAA §619. If this loan is assisting a newly independent country, to what extent do the circumstances permit such assistance to be furnished through multilateral organizations or plans?	Not applicable.
2. FAA §209. If this loan is directed at a problem or an opportunity that is regionals in nature, how does assistance under this loan encourage a regional development program? What multilateral assistance is presently being furnished to the country?	First question not applicable. Multilateral assistance is being furnished to Ethiopia by the IBRD and the UN (WHO, UNESCO, UNICEF, UNDP, FAO).

C. Relation to U.S. Economy

--- Employment, Balance of Payments, Private Enterprise

1. FAA §§201(b)(6); 102, Fifth. What are the possible effect of this loan on U.S. economy, with special reference to areas of substantial labor surplus? Describe the extent to which assistance is constituted of U.S. commodities and services, furnished in a manner consistent with improving the U.S. balance of payments position.	See Section V. The project will not have special reference to U.S. areas of labor surplus.

2. FAA §§612(b), 636(h). What steps have been taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. and local currencies contributed by the country are utilized to meet the cost of contractual and other services, and that U.S. foreign-owned currencies are utilized in lieu of dollars?

It is deemed inappropriate to attempt to use U.S.-owned foreign currency in lieu of dollars to pay costs of U.S. goods and services. U.S.-owned local currencies are not available. The IEG will contribute about $1.2 million in local currency to the project.

3 FAA §601(d); App. §115. If this loan is for a capital project, to what extent has the Agency encouraged utilization of engineering and professional services of U.S. firms and their affiliates? If the loan is to be used to finance direct costs for construction, will any of the contractors be persons other than qualified nationals of the country or qualified citizens of the U.S.? If so, has the required waiver been obtained?

The final design work has been performed by a U.S. architectural/ engineering firm. It is expected that this same firm will perform the supervision of construction. Bidding for the construction contract will be open to Code 941 country firms as requested by the IEG.

4. FAA §608(a). Provide information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.

Excess property is not deemed appropriate for the project.

5. FAA §602. What efforts have been made to assist U.S. small business to participate equitably in the furnishing of commodities and services financed by this loan?

The agency advertising requirements will be complied with.

6. FAA §621. If the loan provides technical assistance, how is private enterprise on a contract basis utilized? If the facilities of other Federal agencies will be utilized, in what ways are they particularly suitable; are they competitive with private enterprise (if so, explain); and how can they be made available without undue interference with domestic programs.	Not applicable. the loan does not provide technical assistance.
7. FAA §611(c). If this loan involves a contract for construction that obligates in excess of $100,000, will it be on a competitive basis? If not, are there factors which make it impracticable?	Yes.

-- Procurement

1. FAA §602(a). Will commodity procurement be restricted to U.S. except as otherwise determined by the President.	Yes.
2. FAA §604(b). Will any part of this loan be used for bulk commodity procurement at adjusted prices higher than the market price prevailing in the U.S. at time of purchase?	No.

3. FAA §604(e). Will any part of this loan be used for procurement of any agricultural commodity or product thereof outside the U.S. when the domestic price of such commodity is less than parity?

No.

D. Other Requirements

1. FAA §201(b). Is the country among the 20 countries in which development loan funds may be used to make loans in this fiscal year?

Yes.

2. App. §112. Does the loan agreement provide, with respect to capital projects, for U.S. approval of contract terms and firms?

Yes.

3. FAA §620 (k). If the loan is for construction of a productive enterprise, with respect to which the aggregate value of assistance to be furnished will exceed $100 million, what preparation has been made to obtain the express approval of the Congress?

Not applicable.

4. FAA §§620(b), 620(f); App. §109(b). Has the President determined that the country is not dominated or controlled by the international Communist movement? If the country is a Communist country (including, but not limited to, the countries listed in FAA §620(f) and the loan is intended for economic assistance, have the findings required by FAA §620(f) and App. §109(b) been made and reported to the Congress?	Ethiopia is not a communist or communist-dominated country.
5. App. §109(a). Will any military assistance, or items of military or strategic significance, be furnished to a Communist nation?	No.
6. FAA §620(h). What steps have been taken to insure that the loan will not be used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects of the Communist-bloc countries?	The loan agreement restricts use of the loan funds to the project.
7. App. § 118. Will any funds be used to finance procurement of iron and steel products for use in Vietnam other than as contemplated by §118?	No.
8. FAA §636(i). Will any part of this loan be used in financing non-U.S.-manufactured automobiles? If so, has the required waiver been obtained?	No.

9. FAA §§620(a)(1) and (2), 620(p); App. §117. Will any assistance be furnished or funds made available to the government of Cuba or the United Arab Republic?	No.
10. FAA §620(g). Will any part of this loan be used to compensate owners for expropriated or nationalized property? If any assistance has been used for such purpose in the past, has appropriate reimbursement been made to the U.S. for sums diverted?	No.
11. FAA §201(f). If this is a project loan, what provisions have been made for appropriate participation by the recipient country's private enterprise?	Ethiopian private enterprise will be allowed to compete for the provision of goods and services for the project.
12. App. §104. Does the loan agreement bar any use of funds to pay pensions, etc., for persons who are serving or who have served in the recipient country's armed forces?	The loan agreement will restrict the ban funds to this project.

DETAILED COST ESTIMATES

SIDIST KILO	Foreign Exchange Costs	Local Costs	Total
Dormitories (4)			
1. Foundations, Excavation	--	180,800	180,800
2. Reinforcing Steel	206,400	128,600	335,000
3. Concrete Forms	--	416,000	416,000
4. Masonry	--	97,600	97,600
5. Windows, doors, hardware	155,200	96,000	251,200
6. Finishes, Misc.	40,000	217,600	257,600
7. Roofing	22,400	9,600	32,000
8. Wardrobes	4,800	224,000	228,800
9. Movable Furnishings & Eqpt.	--	128,000	128,000
10. Mechanical	64,000	36,800	100,800
11. Electrical	54,400	43,200	97,600
12. Site Work	11,840	26,080	37,920
Total	559,040	1,604,280	2,163,320

Cafeteria - Auditorium Bldg.	Foreign Exchange Costs	Local Costs	Total
1. Foundation and Excavation	--	47,600	47,600
2. Reinforcing Steel	16,000	7,200	23,200
3. Concrete, Forms	--	32,000	32,000
4. Structural Steel	12,600	9,800	22,400
5. Masonry	--	5,600	5,600
6. Windows, doors, hardware	22,000	10,000	32,000
7. Finishes and Misc.	4,000	21,000	25,000
8. Roofing	10,000	4,400	14,400
9. Kitchen Eqpt.	67,400	800	68,200
10. Movable Furnishings	17,000	15,000	32,000
11. Mechanical	14,000	6,000	20,000
12. Electrical	12,000	5,600	17,600
13. Site Work	2,960	6,520	9,480
Total	177,960	171,520	349,480

DETAILED COST ESTIMATES

ALEMAYA	Foreign Exchange Costs	Local Costs	Total
Dormitory (1)			
1. Foundations, Excavation	--	42,800	42,800
2. Reinforcing Steel	51,600	34,400	86,000
3. Concrete, Forms	--	108,800	108,800
4. Masonry	--	25,600	25,600
5. Windows, doors, hardware	38,800	26,000	64,800
6. Finishes, Misc.	10,000	60,000	70,000
7. Roofing	5,600	2,600	8,200
8. Wardrobes	1,200	61,600	62,800
9. Movable Furnishings & Eqpt.	--	32,000	32,000
10. Mechanical	16,000	9,600	25,600
11. Electrical	13,600	11,200	24,800
Total	136,800	414,600	551,400

Classroom Building			
1. Excavation, Concrete, Forms	--	111,200	111,200
2. Reinforcing Steel	38,600	17,800	56,400
3. Masonry	--	10,400	10,400
4. Windows, doors, hardware	21,600	13,600	35,200
5. Finishes and Misc.	1,200	6,800	8,000
6. Roofing	8,000	3,200	11,200
7. Chalkboards	4,000	2,400	6,400
8. Lab. Eqpt.	46,000	80,000	126,000
9. Fixed Seating	20,800	3,200	24,000
10. Movable Furnishings & Eqpt.	20,000	--	20,000
11. Mechanical	4,000	1,200	5,200
12. Electrical	14,800	8,400	23,200
13. Site Work	3,600	10,280	13,880
Total	182,600	268,480	451,080

DETAILED COST ESTIMATES

ARAT KILO

Dormitory (1)

	Foreign Exchange Costs	Local Costs	Total
1. Foundations, Excavation	--	46,000	46,000
2. Reinforcing Steel	52,000	30,800	82,800
3. Concrete, Forms	--	106,400	106,400
4. Masonry	--	25,600	25,600
5. Windows, doors, hardware	39,200	24,000	63,200
6. Finishes and Misc.	10,000	54,800	64,800
7. Roofing	5,600	2,400	8,000
8. Wardrobes	1,200	56,000	57,200
9. Movable Furnishings & Eqpt.	--	32,000	32,000
10. Mechanical	16,000	9,200	25,200
11. Electrical	13,600	10,800	24,400
12. Site Work	4,400	7,800	12,200
Total	142,000	405,800	547,800
Totals	$1,198,400	$2,864,680	$4,063,080

A/E Fee (4.5%)	183,000
Sub-Total	$4,246,080
Contingency (15%)	637,512
Total	$4,883,592

FINANCIAL PLAN FOR TOTAL CONSTRUCTION

	FX Costs	Local Costs	Construction
1) Buildings	1,198,400	2,864,680	4,063,080
2) A/E Fee	65% (183,000) 118,950	35% (183,000) 64,050	183,000
3) Contingency (15%)	30% (637,512) 191,254	70% (637,512) 446,258	637,512
Total	$1,508,604	$3,374,988	$4,883,592

The Financial Plan includes A.I.D. financing 75% of the total project, and 100% of the foreign exchange costs as follows:

Total = 75% ($4,883,592) = $3,662,694

100% FX Costs = 1,508,604
Local Costs = $2,154,090

	FX	LC	Total
AID	$1,508,604 (100%)	$2,154,090 (65%)	$3,662,694
IEG	--	1,220,898 (35%)	1,220,898
	$1,508,604 (100%)	$3,374,988 (100%)	$4,883,592

CERTIFICATION PURSUANT TO SECTION 611 (e) OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Roger Ernst, the Principal Officer of the Agency for International Development in Ethiopia, having taken into account, among other things, the maintenance and utilization of projects in Ethiopia previously financed or assisted by the United States, do hereby certify that in my judgment Ethiopia has both the financial capability and the human resources capability to effectively maintain and utilize the capital assistance project, University Expansion - Phase II.

I base the above judgment in part on assurances received from the Government regarding the provision of adequate financial resources to insure successful implementation of this project, and on successful maintenance and utilization by Haile Selassie I University of facilities previously constructed with United States assistance.

Roger Ernst, Director
USAID/Ethiopia

Date: 3/30/71

A.I.D. Loan No. 663-H
(CAP. ASST. PAPER NO. 960)
Project No.

CAPITAL ASSISTANCE LOAN AUTHORIZATION

Provided from: Development Loan Funds
Ethiopia - Haile Selassie I University Expansion - Phase II

Pursuant to the authority vested in the Administrator of the Agency for International Development (hereinafter called "A.I.D.") by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title I, the Development Loan Fund, to the Imperial Ethiopian Government ("Borrower") of not to exceed three million seven hundred thousand dollars ($3,700,000) to assist in financing the foreign exchange and local costs of goods and services required to construct dormitories, a classroom building and a cafeteria/auditorium for Haile Selassie I University, subject to the following terms and conditions:

1. Interest Rate and Terms of Repayment.

   Borrower shall repay the loan in forty (40) years, including a grace period of not to exceed ten (10) years. Borrower shall pay interest on the unrepaid principal and any interest accrued thereon at a rate of (a) two percent (2%) per annum during the grace period and (b) three percent (3%) per annum thereafter.

2. Currency of Repayment.

   Repayment of the loan and payment of interest shall be made in United States dollars.

3. Other Terms and Conditions.

   (a) Goods and services financed under the loan shall have their source and origin in Ethiopia or in countries included in Code 941 of the AID Geographic Code Book.

(b) The loan shall be subject to other terms and conditions as AID may deem advisable.

____
Assistant Administrator for Africa

____
Date

OPTIONAL FORM NO. 10
MAY 1962 EDITION
GSA FPMR (41 CFR) 101-11.6

UNITED STATES GOVERNMENT

Memorandum

TO : AFR/CDF, Mr. Albert P. Disdier

DATE: May 6, 1971

FROM : PPC/DF/LR, Norman Cohen

SUBJECT: Loan Paper - Ethiopia - Haile Selassie I University Expansion, Phase II

We have reviewed the subject loan paper and wish to make the following comments:

1. The purpose of the loan as set forth in the Summary and Recommendations is, I would hope, inaccurate. A more appropriate statement would be something to the effect ... "To assist the IEG in carrying out an expansion program at HSIU by providing long-term financing for..."

2. On pages ii and 3, the date on which Ex-Im Bank clearance was received should be completed.

3. Annexes III and IV were not included with draft I reviewed. I would particularly like to see Annex IV before it is finalized.

4. From the discussion starting on page 4 of the paper, the impression is given that it is the primary and junior secondary levels which are most in need of help, not the senior secondary or even the university level. It is not until page 21 that one finds that substantial assistance to the primary and junior secondary levels is being provided by SIDA and IDA. It thus seems to me that the discussion in <u>Section II. Requirements Analysis</u> should be expanded by showing the volume and type of assistance being provided by others for lower levels ~~and~~ of education in Ethiopia, and then AID's logical role in assisting higher education. As presently written, the paper does not make as good an argument for assisting HSIU as could be made.

5. On pages 5 and 6, the paper highlights the inadequacy of existing manpower studies, but yet proceeds with a discussion on manpower needs. It seems that a better balance should be struck by either lowering the volume about the poor quality of the studies or by showing virtues which can be drawn from the strong points in the studies. As presently written, one can logically question the manpower needs projections and the HSIU program as based thereon.

6. There is no coordinated discussion in the paper regarding the special conditions precedent and covenants which will be included in the loan agreement.

7. The discussion in subsection C. on page 17 regarding the percentage of AID assistance to the project is neither persuasive nor supportative of the requested $3.7 million AID loan which includes $2.2 million of local costs. The fact.(?) that AID has in the past financed 75-80% of IEG projects, or that other donors have done the same, is no justification for continuing such an exercise. In addition, the statement that IEG funds for non-revenue producing projects "were limited" is not supported by any macro economic discussion. This part of the paper should be beefed up.

cc: AFC/CDF, Reese Moyer

OPTIONAL FORM NO. 10
MAY 1962 EDITION
GSA FPMR (41 CFR) 101-11.6

UNITED STATES GOVERNMENT

Memorandum

TO : PPC/DF/LR, Mr. Norman Cohen

DATE: May 5, 1971

FROM : PPC/PDA/EAD, Daniel C. Rogers

SUBJECT: Ethiopia-Haile Selassie I University Expansion

The first question I have is: Why build dormitories? At present, some students receive $8.00 per month in lieu of housing. Indeed, the IRR stated that many students chose to use less than that for housing, putting the residual into other expenditures. This is not surprising given that the per capita gross national product in 1969 was $64 so that the <u>housing allowance</u>, on an eight-month basis, was equal to the <u>annual average income per capita</u>. The revealed preference of many of the students shows that this is too much to spend on housing. Nevertheless, what is proposed in this loan is a capital expenditure of approximately $1,200 per student with a recurring cost of $36.00 per year. Therefore, if the interest rate on capital is more than 2.3% or 5.0%, depending on whether the housing stipend is received on an 8-month or a 12-month basis, respectively, the $8.00 per month would be more economical (see calculations below) than the building of dorms.

<u>DORMITORY COSTS: 2,500 STUDENTS</u>

	Total	Per Student
Capital Cost (including contingency and supervision)	$2,983,000	$1190
Recurrent Cost (annual)	90,000	36

Present housing stipend on $8 per month
8 months -- $64
12 months -- $96

Net recurrent cost saved
8 months -- $64 - 36 = $28
12 months -- $96 - 36 = $60

Interest rate on $1190 to equal recurrent cost saved:

8 months -- 2.3%
12 months -- 5.0%

Why do they not either merely rent buildings for their students or, better yet, allow the students to select the living standard they want by renting their own housing? One response often offered is that the students need a place to study. Surely the utilization of classrooms, cafeterias, etc., during off hours for this purpose is a more economical way of providing study facilities.

The IRR mentioned the possibility of student loans being initiated to pay for the room and board costs of the university students. This aspect does not appear in this loan paper. It would seem that if this is to be an aspect of the IEG plans for higher education, that surveys of student opinion as to the type of housing -- in particular the cost -- they want to pay for should be undertaken before the construction of five new dormitories and a new cafeteria.

With regards to the building of new classrooms, there is nothing in the paper to indicate the extent of utilization of the existing classrooms. It is quite common all over the world to fir university facilities under-utilized. For a striking example see TOAID A-651 of 5/20/68 from EAORA -- Subject: University College Nairobi, Faculty of Veterinary Science.

A possibility which is not mentioned that would affect both the need for living and study facilities is changing the school year to twelve months as has been done in many universities and now a few secondary schools in the United States. This increases the number of students that the existing physical plant can accommodate by between one quarter and one half. It also has some positive impacts in terms of manpower utilization. If the United States can do this, why not Ethiopia which has an income per capita of about 1/50 of that of the United States.

Finally, on page 2 it is asserted that the Alemaya campus will be the source of more senior secondary school teachers but on page 5 Alemaya is described as a College of Agriculture. Are both of these correct?

w/file

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

A.I.D. Loan No. 663-H-019
(Ref: AID-DLC/P-960)

CAPITAL ASSISTANCE LOAN AUTHORIZATION

Provided from: Development Loan Funds
Ethiopia - Haile Selassie I University Expansion - Phase II

Pursuant to the authority vested in the Administrator of the Agency for International Development (hereinafter called "A.I.D.") by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title I, the Development Loan Fund, to the Imperial Ethiopian Government ("Borrower") of not to exceed Three Million Seven Hundred Thousand Dollars ($3,700,000) to assist in financing the foreign exchange and local costs of goods and services required to construct and equip dormitories, a classroom building and a cafeteria/auditorium for Haile Selassie I University, subject to the following terms and conditions:

1. Interest Rate and Terms of Repayment.

   The interest on this loan shall be two percent (2%) per annum on the disbursed balance of the loan during the first ten (10) years of the loan and three percent (3%) per annum for the remaining thirty (30) years of the loan. The loan shall be repaid in full within forty (40) years from the date of the first disbursement under the loan, and such repayment shall include a grace period of not to exceed ten (10) years from the date of first disbursement.

2. Currency of Repayment.

   Repayment of the loan and payment of interest shall be made in United States dollars.

3. Other Terms and Conditions.

(a) Goods and services financed under the loan shall have their source and origin in Ethiopia or in countries included in Code 941 of the AID Geographic Code Book.

(b) The loan shall be subject to other terms and conditions as AID may deem advisable.

GC/AFR:KEFries/def:5/12/71:5/21/71

Assistant Administrator for Africa

27 May 1971

Date