

PAR 4/1/70 18P
 PD-AAK-409-A1

AID 1020-25 (7-68)	SECURITY CLASSIFICATION UNCLASSIFIED	001 PROJECT NUMBER 663-11-750-11G
PROJECT APPRAISAL REPORT (PAR) (U-446) See M.O. 1026.1		5

002 PAR	MO.	DAY	YR.	003 U.S. OBLIGATION SPAN	004 PROJECT TITLE
AS OF:	1	2	3	FY 65 Thru FY	ECONOMIC AND FINANCIAL PLANNING
005 COOPERATING COUNTRY - REGION - AID/W OFFICE ETHIOPIA - AFR, AID/W					

006 FUNDING TABLE											
AID DOLLAR FINANCING-OBLIGATIONS (\$000)	TOTAL	CONTRACT (NON-ADD)	PERSONNEL SERVICES			PARTICIPANTS		COMMODITIES		OTHER COSTS	
			AID	PASA	CONTRACT	DIR. PASA	CONTRACT	DIR. PASA	CONTRACT	DIR. PASA	CONTRACT
CUMULATIVE NET THRU ACTUAL YEAR (FY 19 69)	360	76	14	9	76	261	-	-	-	-	-
PROPOSED OPERATIONAL YEAR (FY 19 70)	135	45	15	-	45	75	-	-	-	-	-

CCC VALUE OF P.L. 480 COMMODITIES (\$000) → Thru Actual Year : **None** Operational Year Program : **None**

007 IMPLEMENTING AGENCY TABLE

If contractors or participating agencies are employed, enter the name and contract or PASA number of each in appropriate spaces below; in the case of voluntary agencies, enter name and registration number from M.O. 1551.1, Attachment A. Enter the appropriate descriptive code in columns b and c, using the coding guide provided below.

TYPE CODE b	TYPE CODE c	a. IMPLEMENTING AGENCY	TYPE CODE		d. CONTRACT/PASA/VOLAG NO.	e. LEAVE BLANK FOR AID/W USE
			b.	c.		
1. U.S. CONTRACTOR	0. PARTICIPATING AGENCY	1.	1	6	Shaner, Contract No. 663-133	
2. LOCAL CONTRACTOR	1. UNIVERSITY					
3. THIRD COUNTRY CONTRACTOR	2. NON-PROFIT INSTITUTION					
4. PARTICIPATING AGENCY	3. ARCHITECTURAL & ENGINEERING	2.			Jamon Young, Contract AID/air-021	
5. VOLUNTARY AGENCY	4. CONSTRUCTION					
6. OTHER:	5. OTHER COMMERCIAL	3.	1	2		

PART I - PROJECT IMPACT

I-A. GENERAL NARRATIVE STATEMENT ON PROJECT EFFECTIVENESS, SIGNIFICANCE & EFFICIENCY.

This summary narrative should begin with a brief (one or two paragraph) statement of the principal events in the history of the project since the last PAR—Following this should come a concise narrative statement which evaluates the overall efficiency, effectiveness and significance of the project from the standpoint of:

- (1) overall performance and effectiveness of project implementation in achieving stated project targets;
- (2) the contribution to achievement of sector and goal plans;
- (3) anticipated results compared to costs, i.e., efficiency in resource utilization;
- (4) the continued relevance, importance and significance of the project to country development and/or the furtherance of U.S. objectives.

Include in the above outline, as necessary and appropriate, significant remedial actions undertaken or planned. The narrative can best be done after the rest of PART I is completed. It should integrate the partial analyses in I-B and I-C into an overall balanced appraisal of the project's impact. The narrative can refer to other sections of the PAR which are pertinent. If the evaluation in the previous PAR has not significantly changed, or if the project is too new to have achieved significant results, this Part should so state.

008 NARRATIVE FOR PART I-A (Continue on form AID 1020-25 I as necessary):
PRINCIPAL EVENTS IN RECENT HISTORY OF PROJECT

Since August, 1968, when the PROP was prepared, the following has occurred:

a/ At least the training portion of this project will be required as long as AID assistance to Ethiopia continues. b/ The narrative below pertains to major developments since the PROP was prepared in August 1968. No PIP has been prepared.

MISSION DIRECTOR APPROVAL →	SIGNATURE	DATE 04/01/70
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SECURITY CLASSIFICATION UNCLASSIFIED	PROJECT NUMBER 663-11-750-116
PAR CONTINUATION SHEET	
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008 NARRATIVE FOR PART 1-A (Continued)

- (1) Five participants have returned from training in the U.S. to jobs within the IEG related to planning.
- (2) Professor Wilson Schmidt, AID economic consultant spent four weeks in Ethiopia in June/July 1969 and prepared papers on selected problems obstructing development including -- inefficient use of international reserves, overly-restrictive monetary policies, and loss of revenues due to smuggling.
- (3) Dr. Willis Shaner commenced work as senior economist with the Technical Agency in April, 1969 under an AID-financed contract.
- (4) Mr. Ernest Vaughn, AID tax consultant, spent approximately two weeks in Ethiopia in March 1969 conducting a study of IEG tax administration (enforcement and collection). He completed his Report, including recommendations, in June, 1969.
- (5) Mr. James Young of Public Administration Services commenced work with the IEG Auditor General Department in June, 1969 as an auditing/financial management specialist, under an AID-financed contract. He is to be joined by two other advisorsⁱⁿ early 1970.
- (6) In November 1969, the Ministry of Finance informed the USAID that it would not request the fiscal planning advisor or other advisors envisaged as a possibility in the August 1968 PROP. Reason: the Ministry prefers to obtain any additional advisors and operational expatriates from multilateral sources.

EFFECTIVENESS IN ACHIEVING PROJECT TARGETS:

The project has been effective in achieving stated targets. As noted in block 009, five participants have been trained and returned to important jobs within the IEG since August 1968. The AID economic consultant has defined some of the problems impeding economic development and suggested remedial action, which has led to salutary thought and discussion within the IEG and AID. The AID financed economic advisor to the Technical Agency has begun to help strengthen the capacity of the Agency for development of individual project plans and sectoral programs needed to flesh out the Third Five Year Plan. The tax consultant's recommendations for improvements in tax administration are under consideration by the Ministry of Finance and also ~~under~~^{under} careful consideration by an IMF consultant who completed in October 1969 a study of feasible measures to increase revenues in FY 1971 (EPY 1963). The advisor to the Auditor General Department has contributed to better budgetary execution and more effective use of scarce public sector resources by training the Department's new auditors. Arrangements for closer coordination among donors have been developed by USAID and the recently arrived World Bank Resident Representative.

CONTRIBUTION TO PROGRAM GOALS:

As noted in Block 001, the project has helped to achieve the basic program goal of better resource mobilization and allocation by making available trained manpower (Ethiopians through training, as well as Americans) to help conduct the necessary economic and

SECURITY CLASSIFICATION UNCLASSIFIED	PROJECT NUMBER 663-11-750-116
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008 NARRATIVE FOR PART 1-A (Continued)

financial planning. USAID officers have contributed to the secondary goal of improved aid-donor coordination by organizing periodic, informal meetings of donor representatives. The project has also contributed to the secondary goal of better coordination of planning and budgeting.

EFFICIENCY OF PROJECT AND RELEVANCE TO DEVELOPMENT NEEDS

Economic and financial planning are still at a beginning stage in Ethiopia due basically to the scarcity of qualified people. Development of the necessary Ethiopian skills through training is necessarily a rather long process, particularly since the present scarcity of trained people within the IEG severely limits the number who can be spared for training at any given time without impairing the efficiency of government. The alternative to trained Ethiopians, i.e. the provision of the services of expatriate specialists, is expensive. The bifurcated approach to improved planning employed in this project, of (a) training of Ethiopians and (b) provision of the services of American specialists, while time consuming and rather expensive, is nevertheless believed to be relevant, appropriate and necessary to the country's present needs. Ethiopia's present low level of development even by African standards, and exceptional limited financial and manpower resources, continue to demand good planning of resource mobilization and utilization.

PROJECT CHANGE CONTEMPLATED

We believe that the project might be more effective if the IEG Planning Commission and Finance Ministry participated more actively in selection of topics for study by the economic consultant. Appropriate USAID officials will discuss this matter with officials of the IEG Planning Commission and Finance Ministry.

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PART I-B - PROJECT EFFECTIVENESS

009

I-B-1 - OUTPUT REPORT AND FORECAST - (See detailed instructions)

1. CODE NO. AID/W USE ONLY	2. This section is designed to record progress toward the achievement of each project output target which was scheduled in the PIP, Part II. Where progress toward a target is significantly greater or less than scheduled, describe reason(s) beneath the target.	ACTUAL AND PLANNED OUTPUTS (ALL DATA CUMULATIVE)				
		3. ACTUAL CUM. TO DATE	4. AS OF PRIOR JUNE 30 1969		5. PLANNED BY NEXT JUNE 30 1970	6. PROJECTED TOTAL FOR PROJECT LIFE
			a. PLANNED	b. ACTUAL		
	<p>1. Number of participants who have been trained in the U.S. and returned to jobs within the IEG closely related to economic and financial planning.</p> <p>2. Preparation by AID Economic Consultant of 2 studies of problems impeding economic and social development.</p> <p>Prof. Schmidt worked in Ethiopia for four weeks during June/July 1969, during which time he prepared two principal papers on (a) deficient use of international reserves and monetary/credit policy and (b) smuggling, as well as memoranda on (a) interest rate structure (b) Treasury Bill issuances (c) tariff protection in the textile industry and (d) external debt rescheduling.</p> <p>3. Assistance to Technical Agency of Planning Commission in enhancing the Agency's capability for Development of individual-project plans and sectoral programs for implementation as part of the national development plan.</p> <p>Dr. Shaner, formerly a member of the Stanford Research Institute team, has been working with the IEG Technical Agency as a senior economist under an AID/W-financed contract since April 1969. In this capacity he has helped to raise the capabilities of the Technical Agency in the areas mentioned above.</p> <p>4. Preparation of a study and recommendations re improvement of IEG tax administration.</p> <p>Mr. Ernest Vaughn, retired former employee of the U.S.</p>	5	4	4	7	b/

b/ At least the training portion of this project will be required as long as AID assistance to Ethiopia continues.

a/ Progress noted is that achieved since the PPOP was prepared in August 1968.

UNCLASSIFIED

UNCLASSIFIED

663-11-750-116

PAR CONTINUATION SHEET

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PART I-B - PROJECT EFFECTIVENESS (Continued)

Internal Revenue Service, visited Ethiopia in March 1969, and prepared a Report including recommendations dated June 1969. IEG Ministry of Finance officials have the Report under consideration, but have not responded directly to the recommendations in the Report.

5. Training of auditors in the IEG Auditor General Department and assistance in upgrading the general capabilities of the Department for performing its assigned functions.

Under an AID-financed contract, Mr. James Young of Public Administration Service (PAS) of Chicago, Illinois has been working within the Department since June 1969 to achieve the above target. The completion by 36 auditors of a 102-hour training program organized by Mr. Young has been among the accomplishments to date.

6. Improvement in coordination among aid donors to enhance the effectiveness of total aid and to increase the collective influence of donors for needed reforms.

The USAID Director initiated in November 1969 periodic informal luncheon meetings of Western donors. The arrival of an IBRD Resident Representative, in November 1969 will also contribute to better donor coordination.

UNCLASSIFIED

SECURITY CLASSIFICATION

SECURITY CLASSIFICATION
UNCLASSIFIED

PROJECT NUMBER

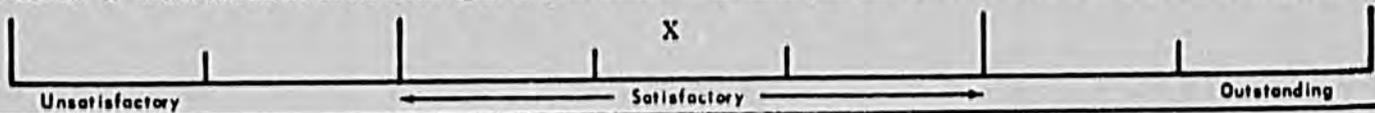
663-11-750-116

PART I-B - Continued

010

B.2 - OVERALL ACHIEVEMENT OF PROJECT TARGETS

Place an "X" within the bracket on the following seven-point scale that represents your judgment of the overall progress towards project targets:



PART I-C - PROJECT SIGNIFICANCE

011

C.1 - RELATION TO SECTOR AND PROGRAM GOALS (See detailed instructions M.O. 1026.1)

This section is designed to indicate the potential and actual impact of the project on relevant sector and program goals. List the goals in col. b and rate potential and actual project impact in cols. c and d.

a. CODE NO. (AID/W USE ONLY)	SCALE FOR COLUMN c: 3= Very Important; 2= Important; 1= Secondary Importance SCALE FOR COLUMN d: 3= Superior/Outstanding; 2= Adequate/Satisfactory/Good; 1= Unsatisfactory/Marginal	c. POTENTIAL IMPACT ON EACH GOAL IF PROJECT ACHIEVES TARGETS	d. ACTUAL IMPACT ON GOAL DATE RELATIVE TO PROGRESS EXPECTED AT THIS STAGE
	b. SECTOR AND PROGRAM GOALS (LIST ONLY THOSE ON WHICH THE PROJECT HAS A SIGNIFICANT EFFECT)		
	(1) Basic Goal: Achievement of better general resource mobilization and allocation for development through better macro- and micro-economic and financial planning.	2	2
	(2) Secondary Goal: (per MC 1026.1) Achievement of improved coordination of planning and budgeting.	1	2
	(3) Secondary Goal: Attainment of improved aid-donor coordination	2	2
	(4)		

For goals where column c. is rated 3 or 2 and column d. is rated 1, explain in the space for narrative. The narrative should also indicate the extent to which the potential impacts rated 3 or 2 in column c. are dependent on factors external to the achievement of the project targets, i.e., is there a substantial risk of the anticipated impact being forestalled by factors not involved in the achievement of project targets. If possible and relevant, it also would be useful to mention in the narrative your reading of any current indicators that longer-term purposes, beyond scheduled project targets, are likely or unlikely to be achieved. Each explanatory note must be identified by the number of the entry (col. b) to which it pertains.

012 NARRATIVE FOR PART I-C.1 (Continue on form AID 1020-25 I):

An important obstacle to better resource mobilization and allocation is the scarcity of trained people (economists, statisticians, etc.) to do required planning. The project under appraisal has helped mitigate this obstacle by (a) training approximately 6 Ethiopians each year in the U.S. for jobs within the IEG closely related to economic and financial planning, and (b) by making available two American economists, a tax specialist and an auditor/financial management specialist to provide planning-related "expertise" not available from Ethiopian sources.

USAID officers have recently organized periodic, informal meetings of Western aid-donor representatives. These meetings will contribute to better coordination of external assistance and the development of a consensus among donors concerning the nature of donor-measures and of IEG reforms needed to make external aid more effective. The USAID has also continued to urge the UN and IBRD Resident Representatives to take a more active leadership role in external assistance coordination.

UNCLASSIFIED

SECURITY CLASSIFICATION

SECURITY CLASSIFICATION
UNCLASSIFIED

PROJECT NUMBER

663-11-750-116

PART I-C - Continued

C.2 - GENERAL QUESTIONS

~~PROP~~ was prepared in August 1968.

These questions concern developments since the prior PAR. For each question place "Y" for Yes, "N" for No, or "NA" for Not Applicable in the right hand column. For each question where "Y" is entered, explain briefly in the space below the table.	MARK IN THIS COL.
013 Have there been any significant, unusual or unanticipated results not covered so far in this PAR?	N
014 Have means, conditions or activities other than project measures had a substantial effect on project output or accomplishments?	Y
015 Have any problems arisen as the result of advice or action or major contributions to the project by another donor?	N
016 If the answer to 014 or 015 is yes, or for any other reason, is the project now less necessary, unnecessary or subject to modification or earlier termination?	N
017 Have any important lessons, positive or negative, emerged which might have broad applicability?	N
018 Has this project revealed any requirement for research or new technical aids on which AID W should take the initiative?	Y
019 Do any aspects of the project lend themselves to publicity in newspapers, magazines, television or films in the United States?	N
020 Has there been a lack of effective cooperating country media coverage? (Make sure AID W has copies of existing coverage.)	NA
021 <u>NARRATIVE FOR PART I-C.2</u> Identify each explanatory note by the number of the entry to which it pertains. (Continue on form AID 1020-25 I as necessary):	

014

1. Changes in February 1969 by the IEG in its Ministers of Planning and Finance have facilitated improvements in planning/budgeting coordination.
2. The IEG prepared in 1969 for the first time a detailed capital budget which will contribute to better planning/budgeting coordination.
3. The IEG, following IMF advice, raised in mid-1969 the legal ceiling on government borrowing from local banks and other local sources.
4. Recent coups in Sudan, Libya, and Somalia may lead to increased IEG resource allocations to its security forces.
5. The recent assignment by the IBRD of a Resident Representative to Ethiopia will contribute to better coordination among aid donors.

018

1. Studies by the AID Economic consultant indicate that AID/W should encourage the IMF/IBRD to study the optimum level of international reserves and suggest to the IEG the desirability of merging its Treasury gold holdings with those of the banking system.
2. AID/W should encourage the IBRD to contribute to aid-donor coordination under an appropriate arrangement.
3. AID/W should endeavor to persuade high ranking IEG visitors to the U.S. of the need for research into the influence of population growth on the rate of economic development and on the ability of the IEG to provide sufficient education facilities for the growing school-age population.

UNCLASSIFIED

SECURITY CLASSIFICATION

UNCLASSIFIED

663-11-750-116

PART II - IMPLEMENTATION REPORT

II-A - STATUS OF SCHEDULE

022 A-1 - INDIVIDUAL ACTIONS (See detailed instructions M.O. 1026.1). This is a listing of major actions or steps which were scheduled for physical start or continuing implementation in the reporting period as reflected in the Project Implementation Plan, Part I.

(a)		(b) STATUS - PLACE AN "X" IN ONE COLUMN		
PIP ITEM NO.	MAJOR ACTIONS OR STEPS; CAUSES AND RESULTS OF DELAYS; REMEDIAL STEPS	(1)	(2)	(3)
		BEHIND SCHEDULE	ON SCHEDULE	AHEAD OF SCHEDULE
1.	Training in the U.S. of participants to fill jobs within the IEG closely related to economic and financial planning.		X	
2.	Studies by AID economic consultant pertaining to development and Plan implementation.		X	
3.	Negotiation and signing of a contract with person to serve as senior economist with the Technical Agency.		X	
4.	Study of tax administration in Ethiopia		X	
5.	Negotiation and signing of contract with financial management/auditing specialist to work within Auditor General Department		X	

UNCLASSIFIED

UNCLASSIFIED

663-11-750-116

PART II - Continued

023

II-A.2 - OVERALL TIMELINESS

In general, project implementation is (place an "X" in one block):

(a) On schedule	X
(b) Ahead of schedule	
(c) Behind schedule	
(1) AID/W Program Approval	
(2) Implementing Agency (Contractor/Participating Agency/Voluntary Agency)	
(3) Technicians	
(4) Participants	
(5) Commodities (non-FFF)	
(6) Cooperating Country	
(7) Commodities (FFF)	
(8) Other (specify):	

BLOCK (c): If marked, place an "X" in any of the blocks one thru eight that apply. This is limited to key aspects of implementation, e.g., timely delivery of commodities, return of participants to assume their project responsibilities, cooperating country funding, arrival of technicians.

II-B - RESOURCE INPUTS

This section appraises the effectiveness of U.S. resource inputs. There follow illustrative lists of factors, grouped under Implementing Agency, Participant Training and Commodities, that might influence the effectiveness of each of these types of project resources. In the blocks after only those factors which significantly affect project accomplishments, write the letter P if effect is positive or satisfactory, or the letter N if effect is negative or less than satisfactory.

1. FACTORS-IMPLEMENTING AGENCY (Contract/Participating Agency/Voluntary Agency)

024 IF NO IMPLEMENTING AGENCY IN THIS PROJECT. PLACE AN "X" IN THIS BLOCK:		032 Quality, comprehensiveness and candor of required reports	P
		033 Promptness of required reports	P
025 Adequacy of technical knowledge	P	034 Adherence to work schedule	P
026 Understanding of project purposes	P	035 Working relations with Americans	P
027 Project planning and management	P	036 Working relations with cooperating country nationals	P
028 Ability to adapt technical knowledge to local situation	P	037 Adaptation to local working and living environment	P
029 Effective use of participant training element	P	038 Home office backstopping and substantive interest	P
030 Ability to train and utilize local staff	P	039 Timely recruiting of qualified technicians	NA
031 Adherence to AID administrative and other requirements	P	040 Other (describe):	

2. FACTORS-PARTICIPANT TRAINING

041 IF NO PARTICIPANT ELEMENT IN PROJECT. PLACE AN "X" IN THIS BLOCK:		TRAINING UTILIZATION AND FOLLOW UP	
PREDEPARTURE		052 Appropriateness of original selection	P
042 English language ability	P	053 Relevance of training for present project purposes	P
043 Availability of host country funding	P	054 Appropriateness of post-training placement	P
044 Host country operational considerations (e.g., selection procedures)	N	055 Utility of training regardless of changes in project	P
045 Technical/professional qualifications	N	056 Ability to get meritorious ideas accepted by supervisors	N
046 Quality of technical orientation	P	057 Adequacy of performance	P
047 Quality of general orientation	P	058 Continuance on project	P
048 Participants' collaboration in planning content of program	P	059 Availability of necessary facilities and equipment	N
049 Collaboration by participants' supervisors in planning training	P	060 Mission or contractor follow-up activity	P
050 Participants' availability for training	P	061 Other (describe):	
051 Other (describe):			

UNCLASSIFIED

SECURITY CLASSIFICATION

UNCLASSIFIED

PROJECT NUMBER

GG3-11-750-116

PART II-B - Continued

3. FACTORS-COMMODITIES

PLACE "X" IN APPROPRIATE BLOCK:	062 FFF	063 NON-FFF	064 NO COMMODITY ELEMENT		
				X	072 Control measures against damage and deterioration in shipment.
065 Timeliness of AID/W program approval (i.e., PIO/C, Transfer Authorization).					073 Control measures against deterioration in storage.
066 Quality of commodities, adherence to specifications, marking.					074 Readiness and availability of facilities.
067 Timeliness in procurement or reconditioning.					075 Appropriateness of use of commodities.
068 Timeliness of shipment to port of entry.					076 Maintenance and spares support.
069 Adequacy of port and inland storage facilities.					077 Adequacy of property records, accounting and controls.
070 Timeliness of shipment from port to site.					078 Other (Describe):
071 Control measures against loss and theft.					

Indicate in a concise narrative statement (under the heading a. Overall Implementation Performance, below) your summary appraisal of the status of project implementation, covering both significant achievements and problem areas. This should include any comments about the adequacy of provision of direct hire technicians as well as an overall appraisal of the comments provided under the three headings (b, c & d) which follow. For projects which include a dollar input for generation of local currency to meet local cost requirements, indicate the status of that input (see Detailed Instructions).

Discuss separately (under separate headings b, c & d) the status of Implementing Agency Actions, Participants and Commodities. Where above listed factors are causing significant problems (marked N), describe briefly in the appropriate narrative section: (1) the cause and source of the problem, (2) the consequences of not correcting it, and (3) what corrective action has been taken, called for, or planned by the Mission. Identify each factor discussed by its number.

079 NARRATIVE FOR PART II-B: (After narrative section a. Overall Implementation Performance, below, follow, on form AID 1020-251 as needed, with the following narrative section headings: b. Implementing Agency, c. Participants, d. Commodities. List all narrative section headings in order. For any headings which are not applicable, mark them as such and follow immediately below with the next narrative section heading.)

a. Overall Implementation Performance.

PART II - A

a. Overall Implementation Performance

Implementation under this project has been satisfactory with the few exceptions noted under c. below, and with the exception that IEG participation in selection of topics for study by the AID economic consultant has sometimes been less than would be desirable.

b. Implementing Agency

Implementation under the two contracts, with Dr. Willis Shaner and Mr. James Young, respectively, has been entirely satisfactory.

c. Participant Training

044)-

045)- The host government has frequently been late in making nominations and sometimes nominated candidates not well qualified by experience, academic background or job-in-the-government for the training proposed. The USAID has sought to remedy this by explaining to officials concerned, AID philosophy and regulations concerning participant selection. There has been some improvement.

056 - Some returned participants state that their training is not being fully utilized,

UNCLASSIFIED

SECURITY CLASSIFICATION

UNCLASSIFIED

PROJECT NUMBER

683-11-750-116

PAR CONTINUATION SHEET

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NARRATIVE FOR PART II - A (Continued)

and that their superiors respond slowly to proposals for changes. Such complaints are most frequently heard from former participants trained in economics, some of whom say that too much of their time is spent on "routine administrative work" and too little on "economics". Most returned, however, seem to feel their training is generally well used, given the need to adapt their new knowledge to Ethiopian conditions, and that their supervisors are at least not ^{generally} unresponsive to proposals for changes.

059 - Organizational and physical facilities, and equipment are generally of lesser quality than those to which the participants had access during their training in the U.S. This situation is not critical and is probably unavoidable considering the different levels of development between two countries.

UNCLASSIFIED

SECURITY CLASSIFICATION

PART III - ROLE OF THE COOPERATING COUNTRY

The following list of illustrative items are to be considered by the evaluator. In the block after only those items which significantly affect project effectiveness, write the letter P if the effect of the item is positive or satisfactory, or the letter N if the effect of the item is negative or less than satisfactory.

SPECIFIC OPERATIONAL FACTORS:

080 Coordination and cooperation within and between ministries.	
081 Coordination and cooperation of LDC gov't. with public and private institutions and private enterprise.	N
082 Availability of reliable data for project planning, control and evaluation.	P
083 Competence and/or continuity in executive leadership of project.	N
084 Host country project funding.	
085 Legislative changes relevant to project purposes.	
086 Existence and adequacy of a project-related LDC organization.	
087 Resolution of procedural and bureaucratic problems.	
088 Availability of LDC physical resource inputs and/or supporting services and facilities.	
089 Maintenance of facilities and equipment.	
090 Resolution of tribal, class or caste problems.	
091 Receptivity to change and innovation.	
092 Political conditions specific to project.	
093 Capacity to transform ideas into actions, i.e., ability to implement project plans.	
094 Intent and/or capacity to sustain and expand the impact of the project after U.S. inputs are terminated.	
095 Extent of LDC efforts to widen the dissemination of project benefits and services.	
096 Utilization of trained manpower (e.g., participants, counterpart technicians) in project operations.	
097 Enforcement of relevant procedures (e.g., newly established tax collection and audit system).	
098 Other:	

HOST COUNTRY COUNTERPART TECHNICIAN FACTORS:

099 Level of technical education and/or technical experience.	P
100 Planning and management skills.	
101 Amount of technician man years available.	N
102 Continuity of staff.	
103 Willingness to work in rural areas.	
104 Pay and allowances.	
105 Other:	

In the space below for narrative provide a succinct discussion and overall appraisal of the quality of country performance related to this project, particularly over the past year. Consider important trends and prospects. See Detailed Instructions for an illustrative list of considerations to be covered.

For only those items marked N include brief statements covering the nature of the problem, its impact on the achievement of project targets (i.e., its importance) and the nature and cost of corrective action taken or planned. Identify each explanatory note.

106 NARRATIVE FOR PART III (Continue on form AID 1020-25 I):

COUNTRY PERFORMANCE RELATED TO PROJECT

IEG performance pertaining to the project during the past year, in relation to the government's capabilities, has been generally good. The major elements of this performance are outlined below:

1. In February 1969 the IEG changed its Minister of Finance and Minister of Planning and Development and converted the Ministry of Planning and Development into a Planning Commission within the Office of the Prime Minister. Lack of adequate cooperation between the two Ministries had previously tended to increase the difficulties of essential budget-planning coordination, and in effect downgraded the priority given by the IEG to public sector development. These moves thus manifested an increase in priority assigned by the IEG to planning and development, and facilitated badly needed improvements in coordination of planning and budgeting.

2. In March 1969 an IMF team carried out at IEG request a study of the appropriate

UNCLASSIFIED

SECURITY CLASSIFICATION

UNCLASSIFIED

663-11-750-116

PAR CONTINUATION SHEET

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100 NARRATIVE FOR PART III (Continued)

rate of domestic bank credit and money supply expansion for developmental purposes.

3. In accordance with IMF recommendations, the IEG in mid-1969 raised legal ceilings on government borrowing from domestic banks and revised its policies in favor of greater borrowing for budgetary purposes.

4. At government request, an AID-financed tax consultant conducted in March, 1969 a study of tax administration in Ethiopia, and an IMF budget and tax specialist carried out in October 1969 a study of feasible tax measures to increase revenues in FY 1971 (EFY 1963).

5. The government also requested during 1969 (a) a World Bank comprehensive survey of the economy and of the role of planning in Ethiopia's development (b) the re-establishment in Ethiopia of a permanent World Bank Office (c) the assignment of a World Bank economist to work on the staff of the Planning Commission (d) a UN survey team to estimate external Technical Assistance requirements to implement the Third Five Year Plan. All of these requests have been approved and the requested specialists are now working in Ethiopia, with the exception of the 10 man group which will conduct the comprehensive economic survey, scheduled to arrive in January 1970.

6. The Emperor's visit to the U.S. in July 1969 resulted in a U.S. understanding of the need to provide additional economic assistance to Ethiopia and an IEG commitment to place as much emphasis as possible on economic development consistent with recognized security requirements. Ethiopian officials concerned with development have shown a more cooperative attitude toward USAID officers and proposals since the Emperor's visit.

COMMENTS ON SPECIFIC OPERATIONAL AND TECHNICIAN FACTORS

082 - Scarcity of data for project planning continues to be a major factor preventing the "fleshing out" of the present, skeletal Third Five Year Plan. A lack of well planned individual projects has been a major factor preventing the drawdown of outstanding external credits such as the interest-free US \$2 million British loan available since 1965. Lack of data for project planning has also discouraged foreign private investment in Ethiopia.

084 - The budgetary stringency brought on by a "coffee recession" and underdeveloped tax and banking systems has made host country funds available for project funding extremely scarce during the past 2½ years. This has caused the IEG to default on some local currency commitments to existing external-donor sponsored projects, including the AID Malaria Eradication project, and has reduced the total amount of developmental capital that might otherwise have been obtainable for external sources.

101 - Scarcity of qualified technicians to serve as counterparts to expatriate technicians is a common complaint among donors. The small number of Ethiopian technicians available also limits the number that can be spared at a given time for additional training abroad. The Third Five Year Plan brings out clearly the obstacle to Plan implementation presented by the large deficiencies in numbers and types of qualified technicians.

UNCLASSIFIED

SECURITY CLASSIFICATION

PART IV - PROGRAMMING IMPLICATIONS
IV-A - EFFECT ON PURPOSE AND DESIGN

Indicate in a brief narrative whether the Mission experience to date with this project and/or changing country circumstances call for some adjustment in project purposes or design, and why, and the approximate cost implications. Cover any of the following considerations or others that may be relevant. (See Detailed Instructions for additional illustrative considerations.) Relevant experience or country situations that were described earlier can simply be referenced. The spelling out of specific changes should be left to the appropriate programming documents, but a brief indication of the type of change contemplated should be given here to clarify the need for change. For example, changes might be indicated if they would:

1. better achieve program/project purposes;
2. address more critical or higher priority purposes within a goal plan;
3. produce desired results at less cost;
4. give more assurance of lasting institutional development upon U.S. withdrawal.

107 NARRATIVE FOR PART IV-A (Continue on form AID 1020-25 I):

ADJUSTMENT IN PROJECT PURPOSES OR DESIGN

Adjustments relative to the project as proposed in the PROP prepared in August 1968 are outlined below:

1. The two-man U.S. Customs team is being funded under a separate project (Customs Administration, 603-11-750-147) and the services of the team are, therefore, no longer part of this project.
2. The services of the Public Administration Service (PAS) auditing/financial management advisor to the IEG Auditor General Department will be financed, beginning in CY 1970, under a separate project (Government Budgetary Practices, 603-11-750-150) and will no longer be part of this project.
3. The fiscal planning specialist envisaged as a possibility in the PROP will no longer be included in this project since the Ministry of Finance prefers to obtain any additional expatriates from multilateral sources. Some preliminary discussions have been held with Ministry officials re possible U.S. help with recruiting and

(Cont'd 9a)

IV-B - PROPOSED ACTION

108 This project should be (Place an "X" in appropriate block(s)):

- | | |
|--|--|
| 1. Continued as presently scheduled in PIP. | |
| 2. Continued with minor changes in the PIP, under the same level (not requiring submission of an amended PIP to AID/W). | |
| 3. Continued with significant changes in the PIP (not sufficient to require a revised PROP). A formally revised PIP will follow. | |
| 4. Extended beyond its present schedule to (Date): Mo. ___ Day ___ Yr. ___ Explain in narrative, PROP will follow. | |
| 5. Substantively revised. PROP will follow. | |
| 6. Evaluated in depth to determine its effectiveness, future scope, and duration. | |
| 7. Discontinued earlier than presently scheduled. Date recommended for termination: Mo. ___ Day ___ Yr. ___ | |
| 8. Other. Explain in narrative. | |

109 NARRATIVE FOR PART IV-B:

The changes to be made in the August 1968 PROP are outlined above in the narrative for block 107.

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663-11-750-116

PAR CONTINUATION SHEET

This sheet is to be used for any Narrative Sections for which sufficient space has not been provided on the form. Identify each narrative by its Part and Section Designation.

NARRATIVE FOR PART IV-A (Continued)

salary topping of "door/trainers" in the income and excise tax areas. However, no firm request has been received and the services of such specialists are not now contemplated as part of this project.

4. This project will be revised to include the services of an AID/W economist who will come to Ethiopia for about 10 days each quarter to participate in a joint USAID/IEG review of (a) progress made in implementation of the proposed agricultural sector program loan, including IEG progress in fulfilling the fiscal, monetary and budgetary "undertakings" called for in the loan, and (b) economic and financial conditions comprising the environment in which the loan functions and which condition the need for such future loans.

5. The USAID will endeavor to elicit more IEG participation in the selection of topics related to economic development and Plan implementation to be studied by the AID economic consultant, Professor Wilson Schmidt, during this regular summer consultation periods. IEG participation in the selection of study topics will also imply an IEG commitment to give careful consideration to the recommendations in these studies.

6. The USAID will continue to urge the IBRD to exercise a stronger leadership role in aid-donor coordination, and will encourage the Bank, IMF and UN "family" of agencies to provide additional technical and capital assistance as needed to help formulate and implement development plans and programs.

The removal of the U.S. Custom team, the auditing/financial management advisor and the fiscal planning specialist from this project as originally proposed in the PROP will reduce the planned costs of the project by about \$135,000 per year. The inclusion within the project of the AID/W economist to appraise progress under the proposed agricultural sector program loan will add approximately \$14,000 yearly to project costs.

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SECURITY CLASSIFICATION

Must

PAR EXTRACT

As of December 18, 1969

ECONOMIC AND FINANCIAL PLANNING - ETHIOPIA

663-11-750-116

U. S. Obligation Span: FY 65 - FY 73

Implementing Agency: Personal Services Contracts (2) (Funding shows PASA)

FUNDING: (\$000)	Total	Personnel			Part.	Comm.	O/C
		AID	PASA	CONT			
Cums 6-30-69	360	14	9	76	261		
Balance	780						
Total 71 CP	1,140						
Project Auth 6-70	1,140						

I. PROJECT IMPACT

Objective: Improve Ethiopia's taxation, budget and planning systems, including tax law, economic planning, etc; and to train key government staff in economic development and budgeting. (From 71 CP)

Output Targets

1. Train 45 Ethiopians to fill positions in IEG closely related to planning.
2. Adapt IEG customs tariff and excise tax structures to those of EA Common Market with minimum loss to Ethiopia.
3. Formulate programs for expansion of domestic savings and investment and for improvement of financial statistics and planning.

Progress-Achievement of Targets

1. 5 participants have returned from U. S. to positions related to planning in IEG.
2. AID short-term economic consultant defined some problems impeding economic development in papers suggesting remedial action. Economic adviser to Technical Agency has begun to strengthen development or project plans and sectorial programs for third 5 Year Plan. The consultant recommended actions for tax administration improvements under consideration. Contributions to budgetary execution and use of public sector resources by training new auditors.
3. See 2, above.

- | | |
|--|--|
| 4. Develop plans for government revenue expansion and for making the tax system an instrument for encouraging economic use of land resources and for agricultural development generally. | 4. Same as 2, above. |
| 5. Develop a "program" type budget and help improve coordination between yearly budgetary and annual development plans. | 5. Same as 2, above. |
| 6. Improve accounting and auditing systems within the government to improve budgetary execution and assure more economic use of scarce resources within the public sector. | 6. Same as 2, above. |
| 7. Improve coordination among aid donors for achieving necessary reforms within the IEG. | 7. USAID arrangements for closer coordination among donors and IERD resident representative. |

Overall Achievement: 4

General Questions:

Q14 - 1969 changes in Ministers of Planning and Finance have facilitated improvements in planning/budget coordination.

Q18 - AID/W should encourage IERD to contribute to aid-donor coordination under an appropriate arrangement.

AID/W should endeavor to persuade ranking IEG visitors to the U. S. of need for research into population growth rate and influence on economic development.

II. IMPLEMENTATION

Major Activities Behind Schedule: None

Timeliness: On schedule

Implementing Agency Negative Factors: None

Participants Negative Factors:

044-045 - IEC sometimes late in nominations, some not well qualified by experience, background, etc.

056 - Some participants state training not fully utilized. Most feel well used. (What does "some" or "most" mean out of 5 returned participants?)

Commodities Negative Factors:

No commodities in project.

III. ROLE OF COOPERATING COUNTRY

082 - Scarcity of data for planning is major factor preventing implementation of third 5 Year Plan.

084 - Budgetary stringency from "coffee recession" and under-developed tax and banking systems has made funds scarce for project funding.

101 - Scarcity of qualified technicians to serve as counterparts.

IV. PROGRAMMING IMPLICATIONS

Substantially revised. PROP will follow.

Distribution

A/AID/Program Evaluation

PFC/PDA/ES

AFR/ESA (2)

AFR/MOT

AFR/DP (2)

AFR/DP:RGates:10/15/70