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

PROGRAM ASSISTANCE PAPER

Proposal and Recommendations

ETHIOPIA RECOVERY AND REHABILITATION PROGRAM

UNCLASSIFIED

CLASSIFICATION

AID/1120-1 (6-67)

PAAD

DEPARTMENT OF STATE
AGENCY FOR
INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE APPROVAL DOCUMENT

1. PAAD NO.: 1
2. COUNTRY: ETHIOPIA
3. CATEGORY: Cash Transfer
4. DATE: August 15, 1974
5. TO:
6. OYB CHANGE NO.: N.A.
7. FROM:
8. OYB INCREASE: N.A.
TO BE TAKEN FROM: N.A.
9. APPROVAL REQUESTED FOR COMMITMENT OF: $ 8,000,000
10. APPROPRIATION - ALLOTMENT
11. TYPE FUNDING: [ ] LOAN [X] GRANT
12. LOCAL CURRENCY ARRANGEMENT: [ ] INFORMAL [ ] FORMAL [X] NONE
13. ESTIMATED DELIVERY PERIOD: 9/1/74 - 9/1/76
14. TRANSACTION ELIGIBILITY DATE: PAAD Authorization Date
15. COMMODITIES FINANCED

Commodities eligible for AID financing as set forth in Attachment A., M.O. 1454.3.1. AID Commodity Eligibility Listing

16. PERMITTED SOURCE
U.S. only:
Limited F.W.:
Free World:
Cash: Code 935

17. ESTIMATED SOURCE
U.S.:
Industrialized Countries:
Local:
Other: Code 935

18. SUMMARY DESCRIPTION

The proposed assistance provides supplementary financing to the Imperial Ethiopian Government (IEG) for the purpose of conducting immediate recovery and rehabilitation activities designed to assist in mitigating or forestalling emergency conditions created by the drought.

The program to be conducted by the IEG will include rural road construction, water resources development, farmer resettlement and crop protection. These activities reflect a magnitude of recovery need which cannot presently be met by the government without external assistance. The primary purpose of AID assistance will be to augment the capacity of the IEG to permit it to undertake those activities urgently required to deal with its emergency conditions.

Description of the proposed assistance, including background, analysis, strategy and proposed implementation mechanism and management system for this program are attached. For a more extensive treatment of the country analysis consult the draft Ethiopia Development Assistance Program (DAP) submitted to AID/W in April, 1974.

19. CLEARANCES — DATE
REG DP
REG GC
AA/PPC
A/CONT
AA/A
AA/PRR

20. ACTION
[ ] APPROVED [ ] DISAPPROVED
AUTHORIZED SIGNATURE — DATE
TITLE

CLASSIFICATION

TABLE OF CONTENTS

	Page No.
I. Summary and Recommendations	i
Program	1
Background	1
1. Setting	1
2. Resume of Current Drought Situation	2
3. I.E.G. Response	5
4. U.S. Government Response	7
5. Other Donor Response	10
B. Analysis	11
1. Economic Overview	11
2. The Agriculture Sector	12
3. Development Prospects	13
4. Constraints to Development	15
5. Economic Impact of the Drought	19
C. Strategy	21
1. Overview	21
2. Relief Assistance	21
3. Recovery and Rehabilitation (R&R)	22
4. Regular Program Responses	29
D. Management and Procedures	33
1. Management	33
2. Procedures	34
3. Special Determinations	36
III. Annexes	
A. Draft Grant Agreement	
B. Draft Basic Implementation Letter	
C. Draft Activity Implementation Letter	

I. SUMMARY AND RECOMMENDATIONS

A. Grantee: Imperial Ethiopian Government

B. Amount : $8,000,000

C. Description of Program: Program assistance to subvent Imperial Ethiopian Government recovery and rehabilitation activities.

D. Purpose of Program: To assist the Imperial Ethiopian Government in mitigating a forestalling emergency condition created by the drought.

E. Background: The U S has already taken a leading part, with the international donor community, in helping to alleviate the immediate suffering of the peoples of the drought-affected areas. The program proposed herein is a second stage effort directed to recovery and rehabilitation objectives and is a furtherance of Section 639(A) (b) of the Foreign Assistance Act.

F. Recommendation: That A.I.D. authorize $8,000,000 for a Recovery and Rehabilitation Program in Ethiopia.

INTRODUCTION

The program described herein would provide assistance to the Imperial Ethiopia Government in meeting medium-term recovery and rehabilitation requirements. The program is not designed to provide emergency relief, such as food supplies, which are already being provided by the international community--including A.I.D.--through established channels; nor is it designed to substantially diminish the impact of future droughts, a task which will require heavy investments over a long period of time. Rather, the program has the immediate objective of subventing affected Governments' efforts to undertake:

- activities in expectation of still another sub-standard harvest, especially road and transport improvement;

- recovery investments to help farmers and livestock herders to get back on their feet and extend the capacities of these people and governments to cope with their problems in the coming 12-24 months (including as eligible: improvement in roads and other transport means to assure effective distribution of inputs and marketing of next year's grain crops, development of increased surface water storage capacity and to assure populace will be in place during the next planting season and for the immediate protection of existing livestock herds, and educational and social action programs required to assure the populace is prepared to act as effectively as possible through the next harvest);

- medium term programs to protect the fragile ecology in anticipation of longer-term development programs (including as eligible: programs of water development, range management, grain production and storage, and possibly livestock disease control); and

- research into longer-term development programs (including consultants and others required for the design of medium term programs plus support in developing approaches to longer-term planning).

Requirements

The financial requirements are as follows:

ETHIOPIA RECOVERY PROGRAM

Requirements from A.I.D. by Sector ($000)

I.	Livestock and Water	$2,000,000
II.	Agriculture and Settlement	1,000,000
III.	Crop Protection	1,000,000
IV.	Rural Roads	3,250,000
V.	VolAg Projects	750,000
	Total	$8,000,000

Note: These amounts are illustrative of likely magnitudes. The USAID/Ethiopia Mission Director will have full authority to shift funds between sectors.

II. THE PROGRAM

A. Background

1. Setting

Ethiopia comprises an area of 1.2 million km. of which somewhat less than half is included in the central highlands massif and the remainder is lowland scrub and savannah. About 65% of this total land area is agricultural -- mostly in the form of pastureland for livestock. While only about 7-9% is cultivated, crops nevertheless produce about 70% of the value of Ethiopia's total agricultural output, livestock accounting for 25% and forest lands 5%.

Topography, climate and soils vary considerably. In the north and northeast, where rainfall is minimal and the groundcover virtually non-existent, near-desert conditions prevail. In the west and southwest, by comparison, rainfall is plentiful, soils are good, but the population is sparce due to the prevalence of numerous human and animal diseases. The highland area ranges from the rugged, mountainous north where much of the land has little agricultural value, to the fertile central and southern areas where, nevertheless, centuries of improper cultivation has led to massive annual losses of topsoil and substantial areas of erosion.

The general rainfall pattern is bi-modal with a gap of two months between the short and the long rains. However, there is considerable local variation and in certain areas tropical monomodal conditions prevail. Average annual rainfall varies from 2.5 inches on the Red Sea Coast to 106 inches in the southwest plateau area.

There are no reliable population statistics for Ethiopia. Current estimates place the total near 26 million of which 90% live in rural areas. 50% are under 14 years of age and only 4% are 55 or older. Of the 11.2 million estimated to be in the working population, 10 million are engaged in subsistence farming.

Ethiopia is ethnically heterogenous with the politically and socially dominant Amhara group constituting 25% of the population; the closely allied Tigrean Christian, another 1,000,000; the largest group, the Galla, about 40%; and the remainder composed of Somali, Gurage, Northern Moslems, Afar and Western Nilotic groups. Approximately half of the population adheres to the Christian Coptic faith, 20 to 40% are Moslems and most of the remainder practice tribal religions.

Agriculture (including animal production) is the predominant sector of the economy providing livelihood for about 90% of the population and contributing 55-60% of GDP. Most production occurs on small subsistence plots using traditional cultivation techniques. Ethiopia has the largest livestock population in Africa (perhaps as many as 65-70 million domestic animals), but livestock contributes somewhat less than 30% of total agricultural output. Manufacturing contributes only 10% to GDP and mining virtually nothing.

Ethiopia has been identified by the United Nations as one of the 25 least developed countries with an average per capita GNP of about U.S. $88. Even by African standards the Country is extremely poor.

2. Resume of Current Drought Situation

In the escarpment zones of Tigre, Wollo and Northern Shoa provinces, the famine began with the failure of the 1971 rainy season. The general lack of rains has persisted since that time. What rain did fall, has been irregular and has caused erosion, flooding, and destroyed crops, yet has been of generally inadequate duration for crops to mature. By the time of the failure of the 1973 little rains, in March - April of that year, almost all stocks of food had been exhausted and famine conditions began to set in.

Signs that the drought was reaching crisis proportions were evident by early May. Livestock and draught animals were dying in ever-increasing numbers. People in some areas were reportedly reduced to eating weeds and weed seeds. By May and early June wholesale population migration was in process, with husbands deserting wives and families, and people flocking to the main roads from inaccessible drought-affected areas in Wollo and Tigre, begging help from travelers. Whole villages in the interior were left deserted with numerous recent graves mute testimony to the tragedy that had occurred.

By August, 1973, the situation had reached disaster proportions. Feeding stations were put into operation in places where refugees had gathered by missionaries and other volags in Wollo Province. By September, however, it was clear that thousands had died of starvation and disease. Concentrations of humanity in hastily erected, poorly supervised and provisioned relief camps enabled cholera and other diseases to spread quickly among already weakened children and adults.

In Wollo, the hardest hit Province, the provincial government was overwhelmed by the magnitude and severity of the drought. The central government was slow to recognize that large-scale famine was occurring and even slower to respond. In Tigre Province much more was done in the way of preventing mass migrations. People were reached with food in their own villages through the system of already existing feeder roads.

In addition to the "feeding stations" to prevent people from dying, a "food-for-work" program, which had previously been developed by USAID in Tigre, was expanded in Wollo Province for those able to work. Under this program many people were sent back to their villages, fed and set to work building necessary access roads.

Efforts to deal with the crisis were considerably expanded after December, when the IEG had finally determined the extent of the famine, and after world-wide attention became focused on the situation as it had earlier focused on the famine in the Sahel. Magazine and television documentaries were presented in many countries and world-wide press reporting increased markedly. This publicity resulted in large influx of relief assistance consisting of large quantities of food and medical attention.

Even though some crops had matured by the end of September, overall crop shortfalls continued to cloud the picture. While there had been rains in some parts of the affected areas in July and August, 1973, they had been of short duration and the prior loss of oxen prevented many farmers from cultivating their fields. Seeds for planting were often lacking and, in many cases, had been eaten. The best areas had cropping 80% of normal, but most areas had less than 50% cropping, with some as low as 5-10%. While the national grain harvest produced an apparent commercial surplus, it should be noted that of the estimated 5.5 million tons of grain harvested in a good year, only about 625,000 tons normally enter the commercial sector. The remainder is consumed within the subsistence sector and it was here that the effects of the drought on output was felt.

New reports of drought conditions in Southern Ethiopia began to filter out in early 1974 with evidence of large pockets of severe famine and livestock losses in the Provinces of Harrarge, Bale, Sidamo and Gemu Gofa. With a scattered nomadic population and a poor road network in these areas, the extent of the problem was difficult to assess. The IEG set up a relief distribution system with major distribution points along the rail line between Djibouti and Addis Ababa, and the Army and the Air Force assisted in distribution of relief goods in these areas. A nutrition survey and census was undertaken in Harrarge with USAID assistance in order to better determine the extent of famine and agricultural conditions in the southern province.

A precise determination of the dimensions of the drought and the magnitude of its effects is not possible. The IEG estimates that almost three million people have been affected. These include large segments of the population of eight provinces. Most seriously affected have been people in the Wollo, Tigre and Northern Shoa Provinces, in an area encompassing about 200,000 square kilometers. The following is a breakdown of the eight provinces and estimated population affected:

Province	No. People Affected
Wollo	900,000
Tigre	322,000
Shoa	120,000
Harrarge	220,000
Bale	175,000
Sidamo	200,000
Gemu Goffa	7,000
Kaffa	25,000
Total	1,969,000

To these initial estimates, made in late 1973, the IEG has added another one million persons as having been affected through mid-1974. This would bring the total to 3 million, or about 12 percent of the total population of the Country. However, it should be noted that since a census of these areas has never been taken, the accuracy of such estimates is open to question. Improved estimates for Harrarge Province are expected from the nutritional survey recently conducted in that Province, results of which are expected to be available in August, 1974.

Accurate data is not available regarding human and livestock losses. It is generally agreed by most observers, however, that over 100,000 people have died of starvation and diseases.

The problems of the nomads deserve special mention. These people live in an exceptionally harsh environment and, therefore, are absolutely dependent on their livestock both for food and as a means of exchange for other basic requirements. Thus the severe depletion of livestock hit them particularly hard. It is estimated that 80% of their cattle, 50% of their sheep, and 30% of their camels and goats have died causing a serious food problem since they depend largely on milk as their staple diet. Relief has been slow to reach them because of their isolation. When grain was eventually provided to them, they had considerable difficulty in changing their dietary habits, although this would have been desirable from a nutritional point of view. In the meantime, many had to sell their remaining animals and few belongings in order to buy food.

3. IEG Response

The IEG was decidedly slow to recognize the extent of the drought throughout 1973. Although an interministerial committee for the drought was constituted as early as April, 1973, it was not until early 1974 that the IEG began to deal effectively with the drought.

Following the unsettled condition in the country in February and March, 1974 (caused in part by widespread dissatisfaction among influential groups in Ethiopia with the way the drought effort had been handled) which led to the resignation of the existing government and the appointment of a new one in its place (with Endalkachew Makonnen as Prime Minister), it was announced by the new Prime Minister that the drought would be dealt with as a matter of the highest priority. In April, the new government established a Relief and Rehabilitation Commission (RRC) at Cabinet level with a Commissioner for Relief and Rehabilitation, who reports directly to the Prime Minister's Office, as the chief executive officer. (The new Commissioner is Ato Shimeles Adugna, Vice-Minister of Interior). The RRC was empowered to receive and channel into drought programs all domestic and external assistance. The Commissioner moved rapidly to enlarge the Commission by drawing professional and technical staff from other units of the IEG, including the military. By mid-June 1974 the RRC comprised over 30 professional staff members assisted by several foreign experts and U.S. Peace Corps Volunteers.

In addition to the central headquarters, the Commissioner expanded field staff by assigning military and civilian personnel to the provinces. However, ineffective administration at the provincial level and lack of coordination between the provincial offices and the central headquarters remains one of the major problems facing the RRC.

Specific IEG self-help measures in 1974 include:

- Earmarking E$4 million from domestic sources in its FY 1975 budget for rehabilitation projects in drought-affected areas. There is a good possibility that a supplemental budget for additional funds will be requested early in E FY 1967 (U.S. FY 1975).

- Simplification of ship and customs clearances in order to speed up the receipt and movement of relief grains and other commodities.

- Issuance of a statement by the Prime Minister's Office that Deputy Governors would be appointed to the drought-stricken Provinces. These officials would also serve as provincial Drought Relief Commissioners responsible to the R and R Commission.

- Provision by Ethiopian Airlines of free tickets valued at E$100,000 for people traveling on official business to relief areas. EAL has also hauled E$400,000 worth of relief freight gratis. EAL has waived landing fees in an effort to speed up the hauling of relief freight to distribution points.

- Appointment of special representatives of the R and R Commission at each of the seaports to improve the handling and transit of grain to relief distribution centers.

- Assignment of Ethiopian university and high school students to field stations to assist in famine relief tasks including the preparation of weekly stock reports summaries. These students are often assisted by American PCVs.

- Instructed the Imperial Highway Authority to give its highest authority to the inspection and maintenance of vehicles being used for relief purposes by the R and R Commission.

- IEG army units operating in Wollo Province, with vehicles equipped with 4-wheel drive, form self-contained transport units assigned to the drought stricken Province. They have been engaged extensively in the movement of food, clothing, medical supplies to the drought victims.

- A military airlift to provide transportation fuel to the Jimma area and other aircraft to airlift grain to southern provinces.

- Large size trucks to transport relief grain from the ports.

- IEG police have provided 15 vehicles in Wollo and Tigre Provinces in addition to providing service and maintenance for all IEG vehicles used for famine relief in Wollo and Tigre Provinces.

- Assignment of police and military officers to expedite the internal movement of relief commodities.

The RRC has greatly improved the IEG's ability to respond promptly to urgent drought-related problems. Prompt and effective actions have been taken to resolve port congestion, improve commercial transport of grain, dispatch vehicles and commodities to new famine areas and to coordinate external assistance. Nevertheless, as of August 1974, the RRC still lacked administrative depth needed to deal effectively with the full range of drought-related problems.

Monthly donor meetings were started in May, 1974 under the chairmanship of the RRCommissioner. These have provided a regular forum for the discussion of problems and have permitted foreign donors

to exchange views and coordinate new activities. A monthly newsletter is now published by the RRC (Vol. 1, No. 1 - May 1974) which provides summaries of the drought situation as well as statistics on the movement of commodities and other logistic information.

In summary, the RRC has a mandate from the Prime Minister to fulfill the following responsibilities:

(a) coordinate the relief and rehabilitation activities of government and volunteer agencies in the drought-affected areas of Ethiopia; (b) act as a focal point for all offers and receipts of assistance for the affected areas; (c) arrange, on the basis of need, the distribution of relief assistance, provided by both internal and external sources, to these areas; (d) assist provincial relief authorities and volunteer agencies in the execution of relief programs. The Commission is also responsible for the coordination of short-term and medium-term rehabilitation projects for donor financing.

4. U.S. Government Response

As early as January, 1973, PL 480 Title II wheat scheduled for Food-for-Work projects in Wollo and Tigre was diverted for famine use in these two Provinces. The first diversion was 200 tons of wheat in each Province in January, 1973. In April, 1973, the U.S. Government received requests from the Interministerial Relief Committee for diversion to affected areas of 2,000 metric tons of Title II Food-for-Work wheat already in Ethiopia and for provision of an additional 8,000 MT of grain for the relief program. Both requests were approved in early May. The UN World Food Program also received an appeal from the IEG for 20,000 metric tons of grain. Of this amount, the US was asked to supply 10,000 MT which was promptly agreed to (the remainder being purchased by WFP from Kenya and donated to WFP by the European Economic Commission). In view of the fact that it would take some time for the US grain to arrive in Ethiopia, the IEG borrowed and released from their own stocks 7,000 MT of grain to be replaced, upon arrival, by US grain. The first American shipments, 4,000 MT of corn, began arriving in November 1973, with the remaining US contribution plus the 10,000 MT donated by the US through WFP arriving in December 1973 and early 1974.

On December 3, 1973, then Ambassador E. Ross Adair, responding to a formal request for assistance from the IEG, requested and received the $25,000 Special Ambassador's Fund for discretionary use in the drought and subsequently declared that a disaster situation existed warranting further US Government assistance. A program of American disaster relief assistance was developed in five general categories:

a. supply and shipment of grain and other food commodities from the U.S.;

b. assistance in the transportation of relief supplies within Ethiopia;

c. provision and transport of essential commodities other than food from abroad;

d. technican assistance primarily for logistics;

e. financial support of Ethiopian Government drought relief programs.

As of July 15, 1974, the U.S. Government had contributed approximately US $18 million to famine and drought relief programs in Ethiopia. This assistance has been primarily channeled through the RRC. Some relief aid has been given to American voluntary agencies and international organizations involved in relief activities.

Specific USAID assistance provided as of July 15, 1974 is as follows:

- Food Grains (includes ocean transportation costs):

  64,368 metric tons of food grains and other food commodities have been delivered, shipped, or committed to famine relief programs during FY 1973 and FY 1974. The majority of this has been wheat, corn, and sorghum grains. About 16,500 MT of this grain has been channeled through the World Food Program. Over 4,000 tons of CSM (a blended high-protein food made from corn, soy beans and powdered milk) have been delivered or scheduled for delivery to UNICEF for use in their relief program in Ethiopia.

- Domestic Transportation:

  The transportation of relief supplies has been a particularly difficult problem for the Ethiopian Government. USAID has assisted by providing 27 trucks (made available from Kagnew Station at $298,500). It is anticipated that about 30 more vehicles, valued at $300,000, will be transferred to the IEG from Kagnew excess. USAID has also made available US $200,000 to assist the IEG in supplementing commercial trucking rates in order to expedite commercial transport of relief grain.

- Other Commodities:

An airlift of 400 truck tires and tubes for use on IEG army trucks hauling relief supplies, 362 rolls of 20' x 100' reinforced plastic sheeting for grain protection and shelter, 10,000 blankets for distribution to persons in relief camps, 50,000 square yards of cotton cloth for relief camp distribution, and $10,000 worth of locally procured and imported drugs.

- Support for IEG R&R Programs:

US $187,000 has been made available to the Extension and Project Implementation Department (EPID) of the Ministry of Agriculture to finance the construction of grain storage facilities in drought areas;

  - Sixty-six tons of DDT and funds for blending insecticides for the EPID crop protection program;

  - Assistance to a nutritional and agricultural status survey in Harrarge Province included the provision of medical staff personnel and a fleet of helicopters to transport the survey team;

- Assistance to U.N. and Voluntary Agencies:

The United Nations Disaster Relief Organization (UNDRO) received US $145,000 to help airlift 25 Fiat trucks, donated by the Netherlands, and a U.S. $100,000 contribution was made to help defray the airlift costs of 20 U.K.-donated medium load trucks. The League of International Red Cross Societies was given US $100,000 through the American Red Cross, to procure and ship another 10,000 blankets to drought victims.

  - Approximately US $60,000 worth of foodstuffs was transferred to the Haile Selassie I Foundation and the YMCA from excess property stocks at Kagnew Station.

  - Approximately $77,000 was provided to the Medical Assistance Program (a US Voluntary Agency) for shipment of relief food supplies to Ethiopia.

- Technical Assistance and Other Costs:

The American Government has provided personnel support and technical assistance as required to meet an expanding R&R program. The USAID Mission has had one technician on its staff

working exclusively on relief and rehabilitation and another full-time officer has been recruited to head up the newly established Drought Relief Section. In addition, there have been two emergency relief technicians on extended TDY helping to expedite the movement of relief supplies. The USAID engineer has been working on a nearly full-time basis on the drought.

5. Other Donor Response

(Note: See TOAID A-64 dated August 7, 1974 for a detailed listing of all donor relief assistance as of April 30, 1974.)

Many of the private voluntary agencies already operating programs in Ethiopia during the early stages of the drought began contributing funds, commodities and personnel as soon as it became known that famine conditions were present. Missionary programs, such as that of the Society of International Missions, the Ethiopian Catholic Secretariat and the Lutheran World Federation began providing assistance early in the drought period. As numerous other VolAgs secular and religious alike began mounting relief efforts the need for coordination became increasingly apparent and the Christian Relief Committee (CRC) was instituted to coordinate the efforts of the approximately 40 VolAgs which by 1974 were mounting relief or rehabilitation projects in Ethiopia.

International Agencies of the UN, the IBRD and numerous bilateral donors also began to make sizeable contributions and to mount programs in the latter part of CY 1973. They have donated or pledged to date more than 130,000 metric tons of relief grains plus large quantities of high protein foods, vitamins and medicines. Transport vehicles, medical personnel, bedding, clothing, commodities and cash have also been provided.

Several donors have begun to devote attention to the need for rehabilitation to revivify the drought areas and help the drought victims resume productive activities. The World Bank (IDA) is in the process of approving a U.S. $10 million credit for a rehabilitation program in Wollo and Tigre. The program would include rural road construction, rural water supplies, an integrated pilot settlement project, an interim program for the northeast rangelands, surveys and technical data collection for settlement programs, assistance for project preparation, farming systems' research, handicraft/small industry development and the establishment of health centers and facilities.

The U.K. is providing staff and equipment for a large rural road construction effort in Wollo. Germany, UNICEF, U.K., Sweden, and church organizations are engaged in borehole drilling

and other water projects in Wollo and Tigre. Various voluntary agencies are also engaged in rehabilitation projects in road construction, water resources development, relocating families out of the relief camps and providing oxen and seed to otherwise destitute farmers. In addition, assistance being provided to regular government programs and agencies -- particularly to the Ministry of Agriculture's Extension Project Implementation Division is being utilized to develop and implement rehabilitation projects. IDA and Sweden are heavy contributors to EPID.

B. Analysis

1. Economic Overview

Ethiopia is one of the least developed countries in the world. Within the group of the 25 least developed, Ethiopia has by far the largest population, numbered at about 26 million in 1972, with a net population growth rate of about 2.4% per annum. About 90% of the people derive their livelihood from agriculture. Some 85% of the population are peasant farmers living at the subsistence level; 10% are engaged in other traditional activities; and 5% are in the modern sector. The urban population is growing at about 6.5% per annum and is concentrated, along with most of the industrial capital, in the two rapidly growing urban zones around Addis Ababa and Asmara.

Only about 10% of the population has access to health services, and only about 3% to clean drinking water. Among the 25 least developed, Ethiopia ranks among the lowest in literacy rate (about 7%), primary school enrollment rate (about 15%), number of inhabitants per physician (about 70,000), GNP per capita (U.S. $88 - urban about $383 and rural about $58), official aid receipts per capita (about U.S. $2). The life expectancy of about 40 years is near the median of the least developed.

The Ethiopian economy has grown rather slowly during the 1960s and early 1970s. According to figures recently released by the IEG, the average annual growth rate (Gross Domestic Product at constant factor prices) during the period 1960/61 to 1972/73 was 4.4% (with a sectoral breakdown of agriculture: 2.3%; other commodities: 7.2%; trade and transportation: 8.8%; and services: 6.6%), although the growth rate during the second half of the period (3.9%) was significantly lower than the growth rate during the first half (4.8%). Given the estimated average annual population growth rate for the period of about 2.0%, per capita, GDP grew at about 2.4% per annum. At current prices, GDP in 1972/73 was Eth. $4.8 billion (U.S. $2.3 billion). The economy underwent a gradual structural change as non-monetary GDP dropped from

55% of total GDP in 1960/61 to about 40% in 1973/74, and agriculture's share of GDP declined from 68% to 50%, reflecting a low rate of growth of agricultural output averaging 2.3% per annum. The population growth rate has accelerated gradually to an estimated 2.4% per annum so that by the early 1970's agricultural production was not keeping up with population increases, and per capita GDP growth was less than 2.0% per annum.

2. The Agriculture Sector

Agricultural land is the country's principal natural resource producing 50% of GDP and most of the country's exports.

Most of the cropland lies in the highlands or in the lowland river valleys. In the western portions of the highland plateau are found the country's most productive reddish-brown soils and the most abundant rainfall. Nearly all the pasture land is located in the Great Rift Valley, the plains of the northeast, and the vast lowlands of the southeast where in general soils are poor, rainfall is small, and temperatures are high.

River water resources are important for the development of irrigation in such areas such as the lower Awash, Omo and Takaze River Valleys, and for hydroelectric power as in the case of the dams on the Blue Nile tributary of Fincha and the upper Awash.

The different soil mixtures and climates of Ethiopia have created a multiplicity of ecological zones which place great demands on agricultural research and extension.. For example, grains such as wheat, teff and barley grow in the cool highland zone. In the temperate zone, which is lower in elevation, are found corn, sorghum and millet, as well as the grains. Coffee and ensete do well in the southern portion of the temperate highland zone where the rainfall is greater. Cultivation in the hot lowlands is limited to tropical and semi-tropical produce grwon in river valleys or with irrigation. In the northern highlands population pressure and poor cropping and grazing practices, coupled with stony soils, have led to serious erosion. These conditions have been exacerbated by the drought in Wollo, Tigre and in southern Ethiopia. Grains are the most important field crops and are planted in about two-thirds of the total cropland. Teff, the preferred grain for domestic consumption, is planted in about half the land devoted to grain. Barley is next in importance followed by sorghum, corn and wheat in that order. In a good year total grain production in Ethiopia is estimated to reach nearly 5.5 million tons of which the vast majority is harvested by hand and consumed in the subsistence sector.

Ethiopia supports the largest livestock population of any country in Africa, and more than half of the total land area of Ethiopia is used as permanent pasture. About 60-80% of all livestock is owned by highland farmers and the remaining 20-40% by the nomadic peoples of the lowlands.

The principal Ethiopian exports are coffee, live animals, meat, hides and skins, oilseeds and cake, and pulses. Coffee alone accounts for nearly 50% of export value:

Ethiopia's Foreign Trade, 1961-1972
(Millions of Ethiopian Dollars) 1/

	1961	1965	1970	1971	1972
Coffee Exports	94	188	181	175	183
Non-Coffee Exports	95	102	125	139	201
Pulses	18	14	16	22	26
Oilseeds	15	25	32	38	55
Livestock Products	26	34	34	38	70
Other	36	29	43	41	50
Total Exports	189	290	306	314	384
Imports	236	376	429	470	436

The growth of exports in recent years has been sluggish due in part to the closure of the Suez Canal in 1967 and to over-reliance on a very few exports. Recently pulse prices have risen considerably as have coffee prices and inport earnings in 1973 were improved. However, while there is some possibility of improvement in Ethiopia's foreign exchange position in 1974, the steadily increasing costs of manufactured imports, the rapid escalation in costs of petroleum imports plus the effect of coffee berry disease and drought on the volume of coffee exports are likely to more than offset in the long term any short term improvement in Ethiopia's foreign exchange position.

3. Development Prospects

The IEG has done considerable preliminary planning for its Fourth Five-Year Development Plan (FFYP) and, although there is uncertainty regarding the timing of the promulgation of the Plan, its rural development orientation providing increased benefits to the peasant farmer is unlikely to be changed.

The overall Plan objective is to achieve a perceptible and steady increase in the well-being of the people of Ethiopia through rapid output growth ("attainment of the fastest possible rate of overall growth of the economy, consistent with efficient utilization of the Nation's human and natural resources") and improved equity("ensuring that the benefits of social and economic development are even more equitably distributed among the population").

Regarding the output goal, the target GDP growth rate for the FFYP period is 6.0% per annum, made up of a growth rate for agricultural output (which will account for 50% of GDP in 1974, and is expected to decline to 43.5% of GDP by 1979) of 3.1% and a growth rate for non-agricultural output of 8.5%. To support these growth rates, the IEG estimates that exports will have to grow to 8.5% per annum during the FFYP period (or twice the growth rate of the previous decade), and domestic savings (private and public) at 9.2% per annum.

The IEG has not presented quantified targets for the equity goal. Policy pronouncements have indicated that the most important subsidiary goals are "(i) creation of greater employment opportunities; (ii) instituting reforms in the land tenure system such that tenants get a fair share of the benefits of agricultural development; and (iii) in general, re-orienting development toward rural areas so that the majority of the Ethiopian people will begin to participate in overall development, and thereby also enhance their share in the fruits of development."

The major elements of the IEG strategy for achieving the output growth goals are stepped-up domestic resource mobilization, particularly through increased tax revenues, expansion of the IEG's capacity to identify, prepare and implement projects, expansion and intensification of the Minimum Package Program for small farmers, support for settlement schemes and commercial agriculture, and more vigorous export promotion. The major elements of the IEG strategy related to the equity goals are promotion of low-cost settlement, changes in monetary and fiscal policies to correct factor-price distortions and encourage labor-intensive techniques, land tenure improvement, and greater emphasis on rural areas in the fields of education, health, roads, water supply, etc. The framework for rural development efforts would be provided by the "awraja" (sub-province) self-administration program which would encourage broader participation in development through decentralizing a delimited amount of government decision-making to the awraja level.

In simplified terms, the intent of the FFYP is to bring about a relative improvement in the well-being of rural Ethiopians through the encouragement of small holder agricultural production, generation of employment in rural areas, and the improvement of rural services. If the rate of growth in agricultural output can be increased to 3.1% per annum (versus an estimated 2.2% during the last decade), while the rate of growth of non-agricultural output increases at 3.5% per annum (the same rate as previously), the gap between the rates of increases in per capita GDP for Ethiopians in the agricultural and non-agricultural sectors will be narrowed.

The IEG's development strategy has implications reaching beyond the FFYP period. If continued successfully, the IEG strategy will permit a more rapid expansion of small farmer production and rural infrastructure and services. By the year 2000, per capita GDP might be Eth. $400-450 (US $195-220) and 40-50% of farm families could be reached directly by the MPP and settlement projects (and many more indirectly). A majority of the population would be near a road, and nearly all would have access to primary eduction and health services. Increased small farmer participation in development would be facilitated by proposed multipurpose co-ops to be formed initially in the MPP areas, and would be supplemented by continued government decentralization within the Awraja self-administration program.

As indicated in the DAP, the FFYP result could be a fairly adequate output performance due to a relatively strong balance of payments position, combined with less adequate performance relative to the equity goal due to government budgetary problems. This outcome could of course be partially mitigated by donor assistance directed particularly at improving domestic resource mobilization and overcoming absorptive capacity problems affecting equity-oriented programs. It will also depend on the quality of the new Government's commitment to the equity goals of the FFYP.

Obviously, the political events of February-March and July, 1974 (and any sequal to follow) will have a major bearing on the emphasis to be given one development priority vis-a-vis another and upon the resulting allocation of Ethiopian funds and effort. The drought and the accompanying recovery and rehabilitation program to be undertaken, for example, is one factor which could have a significant impact on the IEG's overall investment decisions. There are other possible examples, as well.

4. Constraints to Development

Based on IBRD, IEG, and USAID analysis -- and as described more fully in the DAP — the critical constraints to achieving the goals stated above are:

a. Land Tenure

More than half of Ethiopia's cultivated lands are farmed by tenants who make up more than half of Ethiopia's rural population. There are numerous forms of land tenure arrangements, many of which are extremely complex. In some areas of the north, right to tenure is based on kinship, lineage or tribal ties rather than individual ownership. In other areas, large - often absentee landowners have holdings worked by poor tenant farmers who usually pay from one-third to one-half of their annual production in rent, and who must often provide other services to the landlord as well. These tenants normally have little, if any, security of tenure and may be evicted with little advance notice. Since the landlord normally will not reimburse the tenant for any capital improvements, or for expenditures for such inputs as fertilizer and improved seed, the tenant has little incentive to make such improvement or to increase productivity.

In addition, population pressures and traditional landholding practices lead to fragmentation of land holdings into increasingly smaller plots. It is common for a tenant farmer to have several non-contiguous plots several kilometers apart, each of which is less than one hectare.

Finally, Ethiopia has no proper system of land registration. The boundaries of holdings are not recorded, there is no good basis for determining the incidence of land tax. There is not even a very clear picture of the extent of, or boundaries to, Ethiopian Government land.

b. Lack of Rural Roads

The vast majority of Ethiopia's farmers are not served by the present road system. It has been estimated that only 25% of Ethiopia's rural population is within a half-day's walk of a road. Development in the transport sector has thus far been focused upon arterial - primary and secondary - road construction, with little having been done to provide the interconnecting capillary, or local rural roads.

Without some form of farm-to-market and feeder/access roads, IEG agriculture programs cannot reach the farmer. He cannot obtain improved inputs, or extension services, nor does he have adequate access to markets for his product. The lack of these roads was instrumental in the decision to locate the first group of Minimum Package areas along already existing primary and secondary roads and thus, by necessity, denying their benefits to vast numbers of farmers unlucky enough to live more than a few kilometers from a

trunk road. As MPP and other government programs expand, the development of low cost rural roads must, by necessity, precede them. The lack of access into many of the drought affected areas has also been strongly indicative of the need for rural penetration roads.

c. Central Development Policy Execution

There has been criticism, both within the IEG and by donor agencies, over the slowness with which program and project planning proceeds. The planning, policy-making and overall program execution is laboriously slow, the decision-making processes too layered, and the implementing agents fragmented, uncoordinated and poorly staffed. The result is inefficiency in the utilization of scarce resources and less than optimal achievement of development objectives. The manner with which the drought and famine were originally handled by the IEG, and the manpower and implementation problems which have continued to plague the R and R Commission are indicative of the pervasiveness of these constraints even in a program which presumably has the highest priority call on Ethiopian manpower resources.

d. Production and Production Techniques, Research and Experimentation

Very few Ethiopian farmers have access to packages of improved seeds, fertilizer, pesticides and animal pharmaceuticals. The Minimum Package Program is designed to make available packages of improved inputs to farmers only in MPP areas. By 1980, only 500,000 of Ethiopia's more than 4 million farm families will be covered by the Minimum and Comprehensive Package Programs.

Only a bare beginning has been made in applied an adaptive agricultural research in Ethiopia. Many important agriculture products including pulses, oilseeds, coffee, livestock, forestry and fisheries, require considerably expanded research. Research data which has been developed on cereal crops needs to be augmented. In addition, long range research should be undertaken in crops which could be better adapted to the Ethiopian environment in order to speed efforts at diversification. Also, research is required in such basic areas as irrigation techniques, cropping practices, improved tools and farm implements, in forestry, and in erosion control (approximately $300 million worth of nitrogen alone is lost annually via erosion, not to mention considerable quantities of phosphorous, calcium and other elements plus the loss of the soil itself). Lastly, Ethiopia needs to be more closely tied into the world-wide agricultural research networks for crops such as cereals, pulses, fruit, vegetables and fibre crops.

The principal agricultural research organization in Ethiopia - the Institute of Agriculture Research (IAR) - has only been in existence since 1966. Since its outset, it has been hampered by inadequate budgets, difficulty in recruitment of expatriate staff and in the limited supply of trained Ethiopian researchers available to work with IAR.

e. Lack of Education and Employment Opportunity

Of the Country's adult population, estimated at 13.6 million in 1972, 12.8 million had never been to school. Among school age children, only 17% of potential primary school age were actually in school, and of secondary school age the corresponding figure was 4%.

Yet, even at these low levels of educational opportunity, school graduates have been finding it increasingly difficult to secure employment. In recent years, secondary school enrollment has been expanding at a rate of 20% per year while the annual GDP growth rate has averaged 5%. This imbalance has created a situation of rapidly increasing urban unemployment among school leavers. Even graduates of higher non-university institutions, like polytechnics, now exceed demand.

f. Endemic Diseases and Lack of Adequate Health Facilities

Public Health services in Ethiopia are very thinly distributed especially outside the two principal urban areas. The population/physician ratio is 1/69,000 and the population hospital bed ratio is 1/3,000. Seventy-five percent of the incidence of disease is preventable but is not being prevented. The combination of: general poverty, lack of access roads, lack of water, prevelance of numerous endemic diseases, virtual lack of knowledge of basic hygiene on the part of most of the population, and shortage of trained manpower and of funds all serve to create a situation where general improvement of public health in Ethiopia becomes an enormous and difficult task. The task is made more difficult by long standing organization and management problems in the Ministry of Public Health and is further complicated by the multiplicity of organizations engaged in health activities in Ethiopia. For example, the armed forces, the municipalities of Addis Ababa and Asmara, the Ministries of Public Health, Education, National Community Development and numerous private organizations have health and health-related programs scattered throughout the country. Coordination of these various health activities appears to have been a virtually impossible task for the MOPH.

5. Economic Impact of the Drought

It is difficult to estimate the magnitude of the economic impact of the drought because the major impact of the drought has fallen on people in the subsistence non-monetized economy. There have been few visible effects of the drought on the monetized economy. For vast portions of the nomadic populations, the result has been all but total destruction of their economic livelihood. The subsistence farmer, suffering from several years of abnormally dry conditions (especially in Tigre and Wollo), found that, while 1973 farming conditions had improved his lands had been so devastated by the preceding dry period that he had no choice but to leave his land for relief centers.

With regard to the monetized economy, traditional indicators of economic activity (e.g., aggregate levels of imports and exports, IEG budget and commercial banking activity) reveal few changes that can be directly attributed to the drought.

In FY 1974, IEG budget expenditures for drought represented mainly special Ministry of Agriculture (EPID) activities in drought affected areas. In FY 1975, the IEG has budgeted US $2 million in addition to the Ministry of Agriculture (EPID) activities. With regard to exports, the 1973 coffee production fell between 10 and 30 percent due to poor rainfall, coffee berry disease and other factors. However, an increase in world coffee prices offset the negative drought-related impact so that coffee earnings actually rose over the 1972 level. Similarly, high world prices for Ethiopia's other major agricultural commodities have tended to offset drought-related declines in export volumes.

The impact of the drought on domestic grain prices has not been as great as one might expect, largely due to the lack of even minimal purchasing power in drought areas, massive relief grain imports, and an IEG export ban. As a result the approximately 15% price increase in 1973 and 1974 is much below the dramatic 40% increase which occurred in 1969 and 1970. Because of good crops in early 1974 and the above impediments to greater monetary demand for grain, Ethiopia now finds itself in the curious position of having an estimated 30,000 MT commercial market grain stock carryover in the midst of an estimated 100,000 MT nutritional need in the drought areas. It has been estimated that 15-20,000 MT of this carryover could be locally purchased for drought relief over the next year.

With the possibility of a relatively good harvest through 1974 and the current commercial market grain stock carryover, there will be a need in the near future to coordinate relief grain

operations with domestic production, possibly through IEG market intervension, in order to prevent unnecessary price instability.

In the longer run, rehabilitation and reconstruction efforts must take into account the ecological balances desired between livestock and grazing land, and between farmers and farmland, in order that Ethiopia be left in a stronger position to withstand the impact of future droughts. For example, the recent destruction of large numbers of livestock may have allowed grazing land to naturally restore its carrying capacity long eroded by overgrazing. In addition, certain areas of Wollo where previous overpopulation resulting in overfarming may have moved toward a better population/land balance by the outward migration which has already taken place.

C. Strategy

1. Overview

Drought Assistance to Ethiopia comprises three parts. The immediate and overriding necessity is first to prevent people from dying. Emergency food and medical assistance plus improving or devising a means of transport to get the food and medicine to the people most in need is the first priority.

The second phase includes assistance to the drought victims to get them reestablished on their lands and productive again. This requires assistance in returning people to their drought-ravished farms and village or, if these areas are completely devoid of productive possibilities, to new areas. In addition, agriculture production assistance, the provision of livestock for use as draft animals, or to develop new herds, rural road construction and water development are types of rehabilitation projects that may also be required.

The third phase is composed of regular development projects aimed at increasing the economic returns of the drought-affected areas. These projects are likely to be larger and of longer duration than rehabilitation projects. They usually require detailed feasibility studies, and significant technical and/or capital investments. This type of assistance includes programs aimed at attenuating or alleviating some of the long-term contributing factors to the drought. This would include reforestation of large tracts of denuded land, the widescale application of soil conservation techniques to reduce erosion and depletion of soil nutrients, the optimization of livestock herd size so as not to exceed the carrying capacity of the land, a reduction in the rate of population increase and probably basic changes in land tenure arrangements in order to encourage new attitudes toward land use on the part of tenant farmers. AID, in collaboration with the Ethiopian Government, other donor governments, international agencies and private voluntary groups has been or will be assisting in each of these categories of assistance. This present Program Assistance Paper focuses on Recovery and Reconstruction but it is necessary to place R&R assistance in perspective of overall drought assistance.

2. Relief Assistance

As indicated in Section A.4. above, and starting in April, 1973 with the diversion of more than 2,000 tons of P.L. 480 Food-For-Work grain to famine relief, AID has been heavily engaged in relief assistance. Through July 15, 1974 the U.S. had contributed 64,368 tons of food grains and other food commodities (16,500 tons channelled through WFP) plus providing nearly 60 transport vehicles from the

Kagnew Naval Communications Station (which was in the process of closing). In addition, the U.S. provided other commodities and emergency assistance bringing the total value of American drought assistance to more than U.S.$18,000,000 as of July 15, 1974.

While it is currently estimated that Ethiopia may require something like 100,000 tons of foreign grain during FY 1975, a fairly good harvest might well reduce that level. The U.S. share would likely be in the range of 20-25% of the total outside requirement. Assuming a reduced need for emergency feeding programs over the coming year, the emphasis will shift from merely keeping people alive to returning them to a productive existence.

3. Recovery and Rehabilitation (R&R)

a. General

The IEG and many donors are now devoting considerable attention to R&R programs. As indicated earlier, the World Bank and EPID, on behalf of the IEG, has already been involved in seed and oxen distribution programs to destitute farmers. A small portion of what the U.S. has already distributed falls into the R&R category: funding for the construction of grain storage points, 66 tons of bulk DDT, a helicopter survey team for a nutritional and agricultural survey in Harrarge Province, among others.

To date, most relief and rehabilitation efforts have been directed toward the two Provinces of Wollo and Tigre. Much of Sidamo and Gemu Gofa has also been hard hit by the drought. The IEG's Relief and Rehabilitation Commission has requested AID to consider directing its rehabilitation assistance, to the extent possible, to these Southern Provinces.

It is estimated that between one million and one-and-a half million persons have been affected by the drought in Southern Ethiopia. The area is largely composed of rangelands and peopled by nomadic or semi-nomadic herdsmen. Considerable cultivation does occur, however, on the highlands of the Ahmar Mountains south of Dire Dawa - Harrar, along the Wabi Shebellie and Galana rivers, on the slopes of the Bale Mountains and in parts of Sidamo and Gemu Gofa.

Much of the area is arid, without developed water resources. There are few truck roads and almost no rural secondary roads (a situation which has greatly hampered relief food distribution in the southern provinces).

b. The Proposed AID R&R Assistance Package

Of the $10 million earmarked for Ethiopian drought assistance in the Disaster Assistance Act of 1974, approximately $8 million is to be used for recovery and rehabilitation projects. A large part of this assistance will be for projects in the Southern Provinces, but worthy activities in other drought-affected provinces which meet the criteria, and for which no other donor assistance is available, will also be assisted.

To be eligible for assistance under this program grant, each project activity will have to meet the following criteria:

- It must clearly be designed to affect recovery and rehabilitation of drought victims and the land they inhabit;

- The "payoff" in terms of benefits accrued must occur substantially in the near-term, within 12-30 months;

- The project must be capable of being initiated in the shortest possible time. High priority is attached to getting the recovery and rehabilitation process into motion with the least delay;

- Implementation of the project must be the responsibility of an existing IEG, private voluntary, international or bilateral donor agency or institution. AID will serve as a financing, rather than an implementing, entity.

The following brief project descriptions are illustrative of the proposals now under consideration for R&R financing. Not all are likely to be assisted and other possibilities will undoubtedly be considered, but these examples do provide a fair cross section of the types of projects likely to be financed under this program grant. While not separately shown at this point, it is anticipated that non-formal education will be included as a component in many of the projects selected for AID assistance. Costs indicated are rough magnitudes and subject to considerable revision.

a. Livestock and Water

(1) Surface Water Schemes--including the construction or repair of small dams, construction of catchment ponds and stream diversions.

Purpose--Studies already exist to develop rudimentary but serviceable water storage facilities in the low rainfall, drought-

affected areas of Harrarge, Tigre, Wollo, Bale, Gemu Gofa, Shoa and Sidamo provinces. The stored water would be used principally for livestock. (Although where water was otherwise completely unavailable it would be used for human consumption as well) and, in some cases, for irrigation.

Scope--The proposal calls for construction of approximately 100 dams, 68 ponds and 32 stream diversions. These small projects are in addition to those now under construction by EPID in these drought areas (eight small dams, ten ponds and one stream diversion).

Implementation and Timing--EPID would be the implementing agent. The structures will be built almost entirely by hand labor paid in cash, or possibly in food-for-work grain. Work would start immediately after the rainy season and all of the approximately 200 sub-projects would be completed within 24 months.

U.S. Inputs--Local construction costs, vehicles to be purchased in-country. Cost: Approximately US$1.3 million.

(2) Drilling Rig Repair--Spare parts and necessary repairs on 16 American and 1 Japanese drilling rigs which are currently drilling boreholes (wells) in drought affected areas.

Purpose--These rigs need to be kept operational in order that boreholes for both village water supplies and livestock can be drilled.

Scope--Most of these rigs require major motor overhaul or motor replacements. In some, the motors are so old that the availability of spare parts, anywhere, is open to serious doubt. The majority of these drills are more than 15 years old and several date back to the "Point Four" Program.

Implementation and Timing--Tools, accessories and spare parts should be ordered immediately and repairs and overhaul should begin on some of the drilling rigs as soon as the spare have arrived. The rigs are and will continue to be run by the National Water Resources Commission.

U.S. Inputs--Costs of spares and transport. Cost: Undetermined.

(3) Southern Livestock Pond Construction

Purpose--To provide additional watering ponds in arid areas of Southern Ethiopia to maintain livestock herds during extended period of drought.

Scope--To use equipment already available in Southern Ethiopia to construct small stock ponds in Sidamo Province in places where none now exist. Construction of these ponds in selected locations would also help reduce nomadic migration into the Borana Project area where such ponds already exist and where serious overgrazing now occurs during times of drought. Location of pond sites would take into consideration rangeland capacities and forage requirements.

Implementation and Timing--The Range Management Division of the Ministry of Agriculture would be the implementing agent. Work would begin as soon as repairs can be made to machinery now located in the project area. During the next 24 month period, it is estimated that 40 ponds can be constructed together with 200 kms. of access tracks.

U.S. Inputs--Spare parts, repair costs, local transport, construction costs, possibly temporary technical assistance. Cost: Undetermined.

b. Agriculture and Settlement

(1) Settlement of Nomads in the Wabi Shebellie Valley--Studies conducted in the last two years show there is considerable scope for growing crops in irrigable land along the Wabi Shebellie River (which forms the border between Harrarge and Bale Provinces) and for settling nomadic and semi-nomadic families in the river valley. A small pilot project has demonstrated the willingness of these nomadic peoples to engage in permanent agriculture in the area.

Purpose--To alleviate drought-induced famine in the area adjacent to the village of Goder by making the area largely self-sufficient in food production.

Scope--During a 24 month period beginning October, 1974, the settlement of an initial 500 farm families on 1,000 hectares of land.

Implementation and Timing--The implementing agent would be the Institute for Agriculture Research (IAR) which runs a

research station at Gode with technical backstopping provided by the National Water Resources Commission. The first 50 families would be settled immediately, with 200 having been settled by October, 1975 and the remainder by October 1976.

U.S. Inputs--Irrigation equipment, seed, fertilizer, local costs. Cost: $1,000,000.

(2) Small Farmer Rehabilitation

Purpose--Assistance to farmers within range of the surface water schemes discussed in 1.a. above in making their farms productive again, and in offsetting to a certain extent the adverse effects of future droughts.

Scope--To assist approximately 5,000 small farm families over a two-year period in drought-affected areas. Program will include extension services, terracing, seed distribution, check dams, tree planting and provision of simple ploughs, harrows, planters.

Implementation and Timing--EPID will be the implementing agent with the timing dependent upon the rate of construction of the small surface water development projects in 1.a. above.

U.S. Inputs--Local costs. Cost: US$600,000.

c. Crop Protection

(1) Insecticide Formulation

Purpose--To make operational an existing latent capability to blend needed insecticides.

Scope--To blend more than 1,000 tons of 10% DDT insecticide and distribute it to farmers in drought-affected areas.

Implementation and Timing-- EPID will be the implementing agent. Certain pieces of blending and crushing machinery are required and as soon as they are in place blending can begin. It is estimated that 6-7 tons can be produced per day. 1,000 tons of insecticide will cover 100,000 hectares with an estimated net increase in yield of 20,000 tons of food stuffs.

U.S. Inputs--Machinery, local costs. Cost: US$300,000.

(2) Control of Harmful Insects

Purpose--To establish an "early warning" system using light traps and other methods to identify an imminent insect buildup before there has been sufficient time for the numbers to multiply to uncontrollable levels.

Scope--To install and maintain light traps and instruct field agents in their use in identifying harmful insects, particularly the army worm moth, in the Southern Provinces where the invasions normally first come into Ethiopia. In addition, stores of insecticides would be disbursed and maintained and a "fire brigade" spraying network would be installed to be ready to go into action as soon as first reports of insect manifestation were received.

Implementation and Timing--EPID would be the implementing agent with technical support from the IAR which is already maintaining a few light traps in Southern Ethiopia. Since the normal infestation period is March through June, the necessary equipment should be in place and the training completed by March, 1975.

U.S. Inputs--Spraying dusting equipment, vehicles, local costs. Cost: US$1,000,000.

(3) Seed Cleaning

Purpose--To provide seed cleaning equipment to EPID because of the lack of improved seed in the country necessary for distribution to MPP and drought-affected farmers. The seed is necessary to increase local production of foodstuffs.

Scope--A one-time input of seed cleaning equipment valued at US$50,000 capable of handling seeds of the most important Ethiopian grains.

Implementation and Timing--EPID will be the implementing agent. The machinery is required as soon as possible. The seed will be distributed through normal EPID channels including those now operating in the drought areas. Farmers in drought areas (in programs 1.a. and 2.b. above) would receive the improved seed produced on a priority basis.

U.S. Inputs-- Seed cleaning equipment. Cost: US$50,000.

d. Rural Roads

(1) Southern Provinces Penetration Roads

Purpose--To rapidly increase the accessibility of drought-affected areas of Southern Ethiopia by constructing low-cost, low-standard access roads in some of these areas.

Scope--The Ethiopian Government has designated five roads in the Provinces of Gemu Gofa, Sidamo, Bale and Harrarge, totalling 1,147 kms. for priority attention. The Relief and Rehabilitation Commission has also given their construction the highest priority. While these roads form part of what will eventually become the national primary road system, they are to be constructed initially to a very low standard in order that the maximum lengths of road be constructed for the money and time available.

Implementation and Timing--The Imperial Highway Authority will be the implementing agent. The Swedish International Development Agency (SIDA) has apparently agreed to fund one of these roads in Harrarge and the IHA will initiate work on two roads in Gemu Gofa and Sidamo as soon as the rainy season is over, commencing with funds already granted by the R&R Commission from its own budget. Work on the other two roads will commence within the next year.

U.S. Inputs--Local construction costs, and equipment. Cost: US$3,500,000.

e. Projects Implemented by Private Voluntary Organizations

(1) Christian Relief Committee

Purpose--To provide financial assistance to projects designed and managed by PVO's in the drought areas which meet the criteria for rehabilitation projects.

Scope--There are more than forty religious and secular organizations providing assistance in the drought areas. The range of their activities is immense and the effectiveness and importance of their work is undeniably large. The PVO's have joined together to coordinate their activities in an umbrella organization, the Christian Relief Committee (CRC). This organization (which is not limited to missionary or church group membership) acts not only to keep the PVO relief effort coordinated but also serves to channel contributed funds to worthy projects, and as the point of contact between the

numerous PVO's, the R&R Commission, and the official, bilateral and international donors.

The projects currently being implemented by PVO's include both relief and recovery/reconstruction activities. The latter includes rural road construction, well-drilling, seed and oxen distribution to destitute farmers, the development of vegetable plots to supplement the normal diets, and non-formal education, to name a few.

These organizations are in need of additional financial resources in order to carry out on-going and planned rehabilitation projects.

Implementation and Timing--The CRC is coordinating the development of an integrated package of rehabilitation type assistance projects for which partial funding is being sought from donor governments. Some of the projects will involve the expansion of on-going activities and others will be new starts. All will be of relatively short-term duration and managed by field agents of member groups of CRC.

U.S. Inputs--Financial support to partially cover the costs of eligible projects. Funds would be channeled through the CRC with the approval of the IEG's R&R Commission. Cost: US$750,000.

c. The above listing represents proposals now in hand which appear to meet, or to be likely to meet after negotiations and some redesign, the criteria established for eligibility for AID R&R funding. It is anticipated that other proposals will be submitted during the next few weeks which would also be eligible for U.S. funding. To the extent that unsubobligated funds would be available and to the degree which they met the established criteria, such subsequent proposals would also be considered for funding.

4. Regular Program Responses

The AID development program for Ethiopia over the next several years is described in the Mission's Development Assistance Program (DAP) submitted to AID/Washington in April, 1974. Its aim is to direct AID-managed resources into programs and projects in Ethiopia which will benefit Ethiopia's peasant farmers, who constitute the preponderant majority of the country's rural poor. Eighty percent of these peasant farmers live in the highlands--half as tenants and half as farmers on their own lands. The remaining twenty percent live in the lowlands as nomads, semi-nomads and cultivators. The regular program is aimed at helping increase small farmer

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productivity and income at developing increased employment opportunities in the rural areas.

Specifically, the program is aimed at overcoming certain key constraints, identified in the DAP, which have impeded (and will continue to impede) progress in improving the lot of Ethiopia's rural poor. The R&R program, by comparison, is aimed specifically at helping the drought-affected population to recover, to the extent possible, what has been lost (including lost productive capability) and at accomplishing whatever is possible of accomplishment in the short term, in the way of improving the ability of these people to withstand the effects of continued or resumed drought conditions. As shown below, there are ways in which the regular program is helping, and can increasingly help, to attenuate the effects of the drought, but the regular program is not designed to focus to the extent now required--and in the time frame now required--on the drought areas, or the drought-affected population.

AID's normal development projects/programs now being implemented, or soon to commence implementation, which benefit drought areas include:

a. Agriculture Sector Loan

This is a macro sector budget support loan. It provides net additional resources to the Government which are used to finance eligible capital budget expenditure in rural development, agriculture, rural road construction, etc. A number of drought-related IEG activities are in categories eligible for drawdowns against the ASL instrument. Capital budget allocation to the R&R Commission (currently totalling Eth$4 million) are in this category as are rural road construction in drought-affected areas (Eth$5 million), and Ministry of Agriculture activities such as the Planning Unit (Eth$2 million), the Southern Rangelands Development Project (Eth$3 million), Soil and Water Conservation (Eth$1 million), and Terracing and Afforestation (Eth$3 million). Also included is the Ministry of Land Reform's low-cost settlement scheme (Eth$5 million) which has direct relevance for drought-affected persons.

b. Rural Agriculture Development

Two of the experts provided to EPID under this technical assistance project have been largely responsible for developing the EPID drought rehabilitation projects in surface water and crop protection.

c. Agriculture Sector Planning

A senior technician provided to the Ministry of Agriculture has been instrumental in developing the IEG's Grain Storage and Marketing proposal to be presented to the World Bank Group and AID. It will eventually develop a national system of grain storage (as well as a national grain marketing system) which is now lacking. The system would greatly enhance the Government's capability to pre-position strategic reserves of grain for drought emergency use.

d. Pulses

An agreement has recently been signed with the Government providing U.S. assistance to the IEG's Pulses Diversification and Improvement Project. Small farmers in Minimum Package Project areas in pulse growing districts of Ethiopia are to be given assistance in adding pulse crops to those already grown. Many of the pulse growing districts are in drought-affected regions (Eastern Escarpment and Harrar areas) and eventually several thousand small farmers in these regions will be receiving assistance under the Pulse Project.

e. Southwest Development

AID is financing a feasibility study which is likely to lead to a development project in Southwestern Ethiopia, which would increase the long-run productive capability of selected areas and enhance their ability to withstand the effects of future droughts.

f. Rural Roads

The Mission in cooperation with IBRD and with assistance from REDSO/EA is soon to begin developing a Capital Assistance Paper for a proposed loan to the IEG for rural road construction. These would be low-cost, low-standard roads designed to open up hitherto inaccessible areas of rural Ethiopia. A high priority will be given to roads in the drought areas.

g. Other Possibilities

As indicated in the Introduction to the FY 1976 Budget Submission, and in the DAP, the Mission is engaged in determining the shape of other longer-term U.S. assistance to Ethiopian drought-affected areas. A number of possibilities are under consideration including a financial contribution to the proposed IBRD Southern Rangelands project, an augmented ASL to increase resources available to the IEG in its own efforts to find long-term solutions to the drought, increased assistance to EPID to enable it to expand its agriculture production services more rapidly into the drought areas, and others.

The Mission will coordinate its regular program planning for long-term drought alleviation with other involved donors and will continue to work closely with IEG agencies, themselves involved in long-term drought planning. AID/Washington will be kept continually and completely informed.

D. Management and Procedures

1. Management

Management of the on-going U.S. emergency relief effort has been headed by the Mission Director and executed by the existing USAID staff, with inputs from the U.S. Embassy Economic and Political Sections. As the rural areas of Ethiopia are the major sectors affected, drought relief and rehabilitation activities have been centered in the USAID Food and Agriculture Division. Drought-related work commenced in January, 1974, and the Food-for-Work Officer was assigned full time to emergency relief matters, serving as the USAID Chief Liaison Officer with R&R Commission. Two emergency relief specialists were added to the staff in May on a temporary basis. In addition, two college summer trainees were assigned to assist with R&R work. A Drought Relief Section was established in the Food and Agriculture Division. This section has now been detached and made a separate entity reporting directly to the Director.

In January, 1974, the Mission Director established a Relief Policy Committee composed of himself, as Chairman, the Assistant Director, the Food and Agriculture Officer, and the Program Officer. A representative of the Embassy Economic Section was added in June. The Relief Policy Committee meets at least weekly to review drought-related issues. Close liaison is maintained between the Mission Committee and the IEG R&R Commission and the Christian Relief Committee. During the more extreme emergency phase of the relief program, constant contact, on a 24-hour basis when necessary, was maintained with the IEG Commissioner. As a consequence the Mission has developed a very close working relationship with the R&R Commission and has been able to effectively offer advice and counsel on a wide range of R&R problems. This close relationship has greatly facilitated prompt receipt and utilization of most U.S. relief commodities.

Additional coordination of drought-related activities has been achieved through the medium of the Bilateral Donor's Group. This is an informal body which meets at least once each month and which is comprised of representatives from about twenty donor nations, including East European Countries, China, the United Nations and World Bank. While these meetings cover a wide range of mutual interest, they have been particularly useful since the inception of the drought by serving as a clearing house for discussing problems, reporting upon the drought-related actions and plans of each participating party as well as providing a forum for the exchange of information and ideas. In addition, a special and close liaison is maintained between the Mission, the UNDP and the World Bank.

With the exception of certain problems still unresolved, the emergency relief effort is succeeding and most starvation has been brought to a halt. The IEG R&R Commission is now actively engaged in the preparation of recovery and rehabilitation programs designed to help correct the inherent causes of famine. The USAID and other donors are working closely with the Commission during this planning stage.

In June a review of possible rehabilitation projects was made by AID/W economists, working with Mission staff, and profiting from AID experience in the Sahelian countries. Meetings were held with various ministries and agencies to determine capabilities, resources and requirements for recovery projects. Results of the review were discussed with the R&R Commissioner who agreed with the overall categories of projects identified (Section C.2. above).

Each R&R proposal has been assigned a Mission staff member whose job is to work together with the R&R Commission and the indicated implementing agent to staff out the proposal, determine whether or not it meets the necessary criteria for consideration, and to redraft it in a format suitable for formal agreement. This work is currently in process. Once implementation is underway, these designated officers in the Mission's Drought Relief Section or Food and Agriculture Office will be responsible for all necessary monitoring.

The technical supervision of each of the approved activities will be provided by the designated implementing agency--either an agency of the IEG, or, in the case of PVO's, as designated by the Christian Relief Committee. The requirements for staff support by AID will be minimal. Technical implementing personnel will be supplied by the IEG, PVO's, other donors or the Peace Corps. The number and skills of such personnel required to effectively utilize AID resource inputs will be determined and agreed to prior to execution of each specific activity agreement.

In cases where a particular skill is desperately needed and not available in time from any other source, AID may agree to supply the skilled individual required on a TDY or consultant basis for a limited time.

2. Procedures

Host country financial contributions will not be a condition of AID assistance. This is appropriate given the nature of the problem, i.e., a continuing disaster, and its impact on the IEG's fiscal position.

It is proposed that a single Agreement be negotiated with the Relief and Rehabilitation Commission of the IEG. (See Annex A.) The Agreement would include the following:

- A description of the purpose of the grant, i.e. to provide additional financial resources in support of recovery and rehabilitation activities.

- A description of the progress reporting and general disbursement procedures to be utilized.

- Description of the host government's covenants and warranties:

  (a) Exemption of goods and services from taxes and tariffs;

  (b) Audit records and right of inspection although with a terminal date for end-use accountability--such records to be kept by the Government's authorized representative;

  (c) Explicit recognition that AID is providing supplemental financing for recovery programs for which the Government assumes responsibility for successful execution and completion.

- Agreement to make refunds to AID if funds are not expended as certified in disbursement requests.

- Specify the designated representative of the Government and of AID.

- Specify that attached to the Agreement are two Annexes: One describing illustrative activities; and the other indicating the format of the Activity Implementation Agreements. The annexes may be amended, by mutual agreement, by the issuance of an Implementation Letter by AID.

- Specify further that prior to disbursements associated with particular elements of a recovery program, the Government shall, except as AID may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID: a description, work plan and summary budget for those activities to be undertaken and which are listed in the Annex to the Grant Agreement. AID approval, in summary or particularized, will be contained in an Activity Implementation Agreement signed between AID and the implementing agency with concurrence by the Relief

and Rehabilitation Commission, which will incorporate the description, work plan and summary budget and which will contain disbursement and other implementation procedures.

Disbursements, subsequent to signature of the appropriate Activity Implementation Agreement and any advance agreed upon, will be made by the USAID/Ethiopia Controller to the Relief and Rehabilitation Commission upon evidence submitted to the USAID Controller that actual expenditures have been made in pursuit of the conditions of the grant. Such evidence shall include certified expenditures on those activities listed in Annex A to the Grant Agreement as may have been undertaken. Disbursements subsequent to any advance payment shall be equal to the amount thereby proved to have been expended. Separate accounts will be maintained by the USAID Controller for such activities together with the supporting documentation, certified by the authorized implementing agency representative. The USAID Mission will not certify documentation submitted for payment since it does not assume responsibility for the successful execution and completion of activities in recovery programs.

To summarize, a grant to augment the resources of the Government is proposed to enable it to undertake drought-related activities it would otherwise have been unable to undertake. There will be a restriction on disbursements which will assure that expenditures have actually been made for such activities. Documentation will include three basic types: (a) a description of each activity, (b) proposed summary budget for each activity, and (c) such status reports as AID may require. Financial documentation would be minimized to the extent possible and maintained by the Relief and Rehabilitation Commission.

3. Special Determinations

Section 639(A) (b) of the Foreign Assistance Act of 1973 provides considerable flexibility in the establishment and implementation of the Recovery and Rehabilitation Program. Specifically, it allows the Agency to develop implementation procedures for purposes of the Section without the rigid application of many of the requirements of the Foreign Assistance Act and other laws that would otherwise apply to foreign assistance undertakings and which may be actually detrimental to effective, expeditious and sound transfer of resources to assist in the recovery and rehabilitation of drought-afflicted areas of Ethiopia. For example, many of the requirements of the Act are designed to affect traditional commodity and capital assistance activities. To the extent those requirements are not relevant to the implementation of Section 639(A) (b) of the Act, they will not be

included in the various Grant Agreements and other implementing documents. In short, the flexibility already accorded the utilization of Contingency Funds should be judiciously employed in the recovery program as well.

To the extent existing sections of the Act and other laws represent judgments with regard to prudent management and reflect obvious public sensitivities, they will be included. There are three specific determinations, however, which are sought to facilitate program implementation which require explicit definition.

As was the case in the Sahel, to effectively implement the Ethiopian Recovery and Rehabilitation Program, which is designed to be quick action and high impact, it will be necessary to permit free world procurement (Section 604, FAA) including free world procurement of vehicles (Section 636(i), FAA). The rationale is almost self-apparent.

- Prompt implementation is critical to program success. In fact, the entire program is truly a race against time, vis-a-vis emergency road construction to allow for land shipment of grains to remote areas of the country, surface water development, well digging, making improved seed available to the drought-affected farmers, expanding crop production acreage, development of an early warning system against insect invasions, etc. In this circumstance, local cost financing is obviously an absolute necessity. In addition, in cases where off-shelf procurement is necessitated by the time factor, and if in the view of the Mission the situation warrants off-shelf procurement, such procurement will be specifically authorized in the Implementation Activity Agreement or by amendment to such Agreement;

- It must be emphasized that AID resources are supplemental to other Government, international donor and voluntary agency activities and are not separate AID implemented activities. In this instance as above, compatibility is absolutely essential;

- The management design for the program does not make provision for U.S. drafting and review of specifications (except obviously for significant procurement such as heavy earth moving equipment, etc.) nor does it lend itself to the preparation and submission of individual source waivers (which would require a degree of activity knowledge incompatible with the other-source management posture).

In this circumstance, it would also be desirable to eliminate cargo preference requirements as included in the Merchant Marine

Act of 1936. Since the requirement relates to the Agency with regard to its gross transactions and is not by law activity specific, and since procurement would be largely off-shore, it is not deemed practical to include this usual AID requirement.

As discussed above, timely procurement is critical to the proposed program. Various alternatives have been considered, including the Capital Project Guidelines and IDA procedures. All contracts for goods and services exceeding an estimated $100,000 each would be procured through international competitive bidding. Contracts involving expenditures estimated at more than $10,000 but less than $100,000 would be procured through local competitive bidding, and direct procurement would be permitted for contracts costing less than $10,000. It is determined that the inclusion of a "reasonable price" clause in the Grant Agreement is sufficient to assure "fair practice" given the situation where usual Government or other donor procurement practices will be employed. Of course, where that situation does not prevail (and the program is designed to assure adherence to "other management" normal practice), the USAID Mission may require specific procurement practice as incident to signature of Activity Implementation Agreements. On this basis and to assure timely implementation, the USAID/Ethiopia Mission Director will be authorized to approve negotiated procurement, proprietary procurement as required and waiver of advertisement requirements.

ANNEX A

ETHIOPIA DROUGHT RECOVERY PROGRAM

GRANT AGREEMENT

AGREEMENT, dated _____ between the Imperial Ethiopian Government ("Government") and the United States of America acting through the Agency for International Development ("A.I.D.");

WHEREAS, Ethiopia has recently suffered and is continuing to suffer a disaster in the form of drought of major proportions which has caused and continues to cause widespread damage and human suffering; and

WHEREAS, the Government has undertaken a program of drought recovery and rehabilitation; and

WHEREAS, it is apparent that the magnitude of the Government's drought recovery and rehabilitation efforts are beyond the financial resources of the Government; and

WHEREAS, the United States of America in a spirit of friendship and cooperation with the people of Ethiopia desires to assist the Government's efforts in the ardous task of recovery and rehabilitation;

NOW THEREFORE, the parties hereto agrees as follows:

ARTICLE I

The Grant

SECTION 1.1. Purpose of the Grant. A.I.D. hereby agrees to grant to the Government, subject to the conditions hereinafter set forth, an amount not to exceed Eight Million U.S. Dollars (US$8,000,000) ("Grant") to assist the Government in carrying out the Program referred to in Section 1.2 ("Program") for drought recovery and rehabilitation in Ethiopia.

SECTION 1.2. The Program. The Program shall consist of particular relief and rehabilitation activities ("Activities") undertaken or caused to be undertaken by the Government in the following areas:

(a) Livestock and water,
(b) Agriculture and settlement,
(c) Crop protection,
(d) Rural roads,
(e) Private voluntary agency rehabilitation projects.

ANNEX A

The Program is more fully described in Annex A, attached hereto, which Annex may be modified in writing by issuance of an Implementation Letter pursuant to Section 7.5.

SECTION 1.3. Eligible Activities. Goods and services required to carry out listed Activities in Annex A, attached hereto, may be financed under this Grant subject to the restrictions indicated elsewhere in this Agreement and in any Implementation Letter issued pursuant to Section 7.5.

ARTICLE II

Conditions Precedent to Disbursement

SECTION 2.1. Conditions Precedent to Disbursement. Prior to the first disbursement to the Relief and Rehabilitation Commission (Commission), the Government shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) The name of the person or persons designated as the representative or representatives of the Government pursuant to Section 7.4. and a specimen signature of each such person;

(b) Such other documents as A.I.D. may reasonably request.

SECTION 2.2. Conditions Precedent to Disbursement for Activities. Prior to the first disbursement by the Commission for any specific Activity, the Government shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(a) A description of the Activity, chosen from those Activities illustrated in Annex A, to be undertaken or caused to be undertaken by the Government and supported in whole or in part of this Grant;

(b) A budget and projected work plan for that Activity and an estimate of the time required to carry it out; and

(c) Identification of the proposed administrative and implementing agency for the Activity.

SECTION 2.3. Notification of Meeting of Conditions Precedent. A.I.D. shall notify the Government in writing when the Conditions precedent to Disbursement specified in Sections 2.1 and 2.2 have been met.

SECTION 2.4. Signing of Activity Implementation Agreement. Upon meeting Conditions Precedent to Disbursement specified in Sections 2.1 and 2.2, an Activity Implementation Agreement shall be signed between the USAID/Ethiopia Mission and the designated Implementation Agency with concurrence by the Relief and Rehabilitation Commission. Such Agreement will be in a format as shown in Annex B, attached hereto.

ARTICLE III

General Covenants and Warranties

SECTION 3.1. Covenants. The Government, in consideration of this Grant, hereby covenants and agrees that:

(a) The Government explicitly recognizes that A.I.D. is providing supplemental financing for the Program for which the Government assumes responsibility for successful execution and completion.

(b) The Government shall use its best efforts to carry out or cause to be carried out the Activities financed hereunder with due diligence and efficiency and in conformity with sound engineering, financial and administrative practices.

(c) The Government and A.I.D. shall cooperate fully to assure that the purpose of the Grant will be accomplished. To this end, the Government and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Program and the implementation of Activities financed by this Grant.

(d) If A.I.D., or any public or private organization furnishing commodities through A.I.D. financing for operations hereunder in Ethiopia, is under the law, regulations or administrative procedures of Ethiopia, liable for customs duties and import taxes on commodities imported into Ethiopia for purposes of carrying out this Agreement, the Government will pay, with funds other than those provided under this Grant, such duties and taxes on those commodities unless exemption is otherwise provided.

(e) If any personnel (other than citizens and residents of Ethiopia), whether United States Government employees, or employees of public or private organizations under contract with A.I.D., the Government or any agency authorized by the Government, who are present in Ethiopia to provide services which A.I.D. has agreed to finance under this Agreement, are under the laws, regulations, or administrative procedures of Ethiopia, (i) liable for local income or social security taxes with respect to income upon which they are obligated to pay income or social security taxes to the Government of the United States, or (ii) liable for property taxes on personal property, or any tariff or duty upon personal or household goods brought into Ethiopia for their personal use, the Government shall pay, with funds other than those provided under this Grant, such taxes, tariffs, or duties unless exemption is otherwise provided.

(f) The Government shall make such arrangements as may be necessary so that funds introduced into Ethiopia by A.I.D. hereunder shall, be convertible into the currency of Ethiopia at the highest rate which, at the time conversion is made, is not unlawful in Ethiopia.

ARTICLE IV

Records, Reports and Inspection

SECTION 4.1. Maintenance and Audit of Records. The Government shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating to the Program and this Agreement. Such books and records shall be adequate to show:

(a) The receipt and disposition made of goods and services acquired with funds disbursed pursuant to this Agreement; and

(b) The current status and progress of the Program.

Such books and records shall be regularly audited, or caused to be audited by the Government in accordance with sound auditing standards and shall be maintained for three years after the date of the last disbursement by A.I.D.

SECTION 4.2. Reports. The Government shall furnish, or cause to be furnished, to A.I.D. such information and reports relating to the Grant as A.I.D. may request.

SECTION 4.3. Inspections. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Activities carried out under the Program, the utilization of all goods and services financed under the Grant, and such books, records and other documents relating to the Program and the Grant as may be maintained by the Government, the Government's designated disbursing agent and/or implementing agency. The Government shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of Ethiopia for any purpose relating to the Grant.

ARTICLE V

Procurement

SECTION 5.1. Source and Origin. Except as A.I.D. may otherwise agree in writing, disbursements made pursuant to Section 6.1 shall be used exclusively to finance the procurement for the Program of goods and services, ocean shipping and marine insurance having their source and origin in Ethiopia, the United States and/or other countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such procurement.

SECTION 5.2. Eligibility Date. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to August 1, 1974.

SECTION 5.3. Reasonable Price. The Government shall exert its best efforts to assure that no more than reasonable prices shall be paid for any goods and services financed, in whole or in part, under this Grant.

SECTION 5.4. Information and Marking. The Government will cooperate with A.I.D. in its efforts to disseminate appropriate information concerning the Program and shall comply with such reasonable instructions with respect to the marking of goods financed under the Grant as A.I.D. may issue from time to time.

SECTION 5.5. Insurance. Except as A.I.D. may otherwise agree in writing, the Government shall insure, or cause to be insured, all goods financed under the Grant against risks incident to their transit to the point of their use in the Program. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed. Any indemnification received by the Government under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse the Government for the replacement or repair of such goods. Any such replacements shall be of local, United States or other Code 935 source and origin and otherwise subject to the provisions of this Agreement.

SECTION 5.6. Utilization of Goods and Services. (a) Goods and services financed under the Grant shall be used for the Program, except as A.I.D. may otherwise agree in writing. The Government's accountability to A.I.D. for the use of such goods and services shall extend to the completion of the Activity or to such other time as A.I.D. may specify in Implementation Letters.

(b) Goods or services financed under the Grant may be used in concert with the drought related projects and activities of any other donor to assist in meeting the purposes of the Program.

ARTICLE VI

Disbursements

SECTION 6.1. Disbursements for the Program. Upon satisfaction of conditions precedent, the Commission may, from time to time, request disbursements by A.I.D. to finance costs of goods and services for the Program. The Commission will make expenditures authorized under this Grant and furnish A.I.D. with such information, reports and other disbursement documentation, relating to Activities financed under this Agreement, as A.I.D. may reasonably request for purposes of reimbursement.

ANNEX A

TO THE GOVERNMENT:

Mail Address:

Cable Address:

TO A.I.D.:

Mail Address:

Cable Address:

7.3. Other addresses may be substituted for the above upon giving of notice as provided herein. All notices, requests, communications and documents submitted to A.I.D. hereunder shall be in English, except as A.I.D. may otherwise agree in writing.

SECTION 7.4. Representatives. For all purposes relative to this Agreement, the Government will be represented by the individual holding or acting in the office of Chief Commissioner, Relief and Rehabilitation Commission, and A.I.D. will be represented by the individual holding or acting in the office of the Director, USAID/Ethiopia. Such individuals shall have the authority to designate by written notice additional representatives. In the event of any replacement or other designation of a representative hereunder, the Government shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of the Government designated pursuant to this Section, it may accept the signature of any such representative or representatives as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 7.5. Implementation Letters. A.I.D. may from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 7.6. Termination. The present Agreement shall enter into force when signed. Either party may terminate this Grant Agreement by giving the other party 30 days written notice of intention to terminate it. Termination of this Agreement shall terminate any obligation of A.I.D. to make disbursements pursuant to Section 6.1 or 6.2 except for disbursements which A.I.D. or the Government is committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of the Grant Agreement. It is expressly understood that the obligations under Sections 5.6(a) and 6.4 shall remain in force after such termination.

ANNEX A

IN WITNESS WHEREOF, the Government and A.I.D., each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the date and year first written above.

IMPERIAL ETHIOPIAN GOVERNMENT

BY: _____

NAME: _____

TITLE: _____

UNITED STATES OF AMERICA

BY: _____

NAME: _____

TITLE: _____

Country: Ethiopia
Grant No.:
Implementation Letter No.:
Date:

ANNEX B

BASIC IMPLEMENTATION LETTER

Dear Sir:

This letter sets forth the procedures for utilizing the Grant Funds and provides information and guidance to assist in satisfying conditions precedent to disbursement and implementing activities in conformity with the Grant Agreement. Except as provided in the Agreement nothing in this letter or its attachments alters the scope of the Agreement or the terms of the specific sections that are referred to or explained in this letter. Instructions in this letter and attachments may be supplemented and/or modified by subsequent Implementation Letters. It will be the responsibility of the Government, with whatever assistance may be requested of A.I.D., to assure that information related to the implementation of the Program and the Program activities is promptly made available to all interested and affected parties, particularly those upon whom obligations of the Government may devolve, including the Relief and Rehabilitation Commission ("Commission"), implementing or executing agencies, contractors and suppliers.

I. The Program (Article)

Annex A to the Grant Agreement describes the Program to be assisted by A.I.D. and establishes levels of funding for five broad categories or sectors of assistance. Annex A also provides a list of activities within these five sectors which are eligible for financing under the Agreement.

These sectors and the activities within them comprise a recovery program which is intended to satisfy the following criteria:

(i) can be swiftly initiated and rapidly completed;

(ii) will produce results in one to two years which have significant and measurable impact in promoting recovery from the effects of the drought;

(iii) will assist in mitigating or forestalling emergency conditions in future years of irregular and insufficient rainfall; and

(iv) will contribute to recovery in the short-run in such a way as to establish a base for long-run development.

ANNEX B

Final selection and design of program activities and selection of their respective executing agencies, will be made in close cooperation and consultation between A.I.D. and the Commission.

II. Conditions Precedent to Use of Grant Funds (Section 2.1)

a. The names of the person or persons who will act as the representative of the Government shall be provided to the A.I.D. representative in a letter signed by the person holding the office named in Section 7.4 of the Agreement. Specimen signatures (three originals) of the persons so names should accompany the letter.

b. The Government should designate in writing that the Relief and Rehabilitation Commission will be responsible for receiving and disbursing funds provided under this Agreement. This designation should be accompanied by evidence that the Commission understands and accepts the role it is expected to perform.

At such time as the conditions of this section have been satisfied, A.I.D. will be prepared to make an advance of funds to the disbursing agent designated pursuant to Section 2.1 of the Agreement. Information relating to the timing, amount and preparation of the request for the advance is provided in Section VI.A of this Letter.

B. Conditions Precedent to Disbursement for Activities (Section 2.2)

The conditions listed in this section may be satisfied on an activity-by-activity basis. As soon as A.I.D. has determined that sufficient descriptive, budgetary and administrative information is available for a particular activity, an Activity Implementation Agreement will be signed for that activity setting forth in as much detail as necessary a description of the activity, including its purpose, relation to the drought, an estimate of total activity costs; a budget showing line-item costs to be financed under the Grant Agreement; a general work plan for the total activity and an implementation schedule for the portion to be financed under the Grant Agreement; and identification of the administrative and implementing agency responsible for carrying out the activities. The Activity Implementation Agreement will also specify the procurement and disbursement procedures to be followed, and will be signed by the Government's designated representative and by a representative of the implementing agency (if different from the Government's representative).

C. Representatives and Agents

It is envisaged that for purposes of carrying out the Program and the activities to be financed thereunder there will be essentially three roles to be performed by the Government's designated representatives, agents and implementing agencies.

First, pursuant to Section 7.4, is the person or persons who will be designated by the Government to represent the Government in all matters relating to the Agreement. These include, for example, official correspondence with A.I.D. concerning interpretation of the Agreement and issuance of implementation letters, satisfaction of conditions to disbursement, compliance with covenants and warranties; submission of reports; and signing of all documentation requiring a Government certification.

Second, is the Commission which is to be designated by the Government, as the Government's disbursing agent in accordance with Section 2.1. An individual or individuals within this institution should be named (and specimen signatures provided) to furnish the certifications required in accordance with agreed upon disbursement procedures.

Third, is the designated implementing or executing agency for each individual activity. This agency, to be identified by name of the organization and its representative in the Implementation Agreements for individual activities, may, for example, be a ministry of the Government, an international organization, a voluntary agency, etc., depending upon the design and nature of the particular activity. Note that in certain cases the Government representative and the representative of the implementing agency may be one and the same if the parties involved so agree.

D. Notification of Meeting of Conditions Precedent (Section 2.3)

At such time as the Conditions Precedent to Disbursement specified in Section 2.1 are satisfied, A.I.D. will so advise the Government in writing. With regard to Section 2.2, a separate written notification will be issued upon satisfaction of the conditions for each individual activity.

E. Activity Implementation Agreement (Section 2.4)

Upon satisfaction of all Conditions Precedent to Disbursement for an individual activity, A.I.D. and the implementing agency will sign an Activity Implementation Agreement in a format similar to that shown in Annex B to the Grant Agreement. Concurrence by signature of the Relief and Rehabilitation Commission is required on each such Activity Implementation Agreement. Only upon signature of the Activity Implementation Agreement may the Commission advance funding as indicated in the Activity Implementation Agreement to the implementing agency.

III. General Covenants and Warranties (Article III)

Article III of the Grant Agreement contains a series of covenants applicable to the manner in which the Government of Ethiopia conducts the Program and uses the funds provided by the Grant. These covenants are largely self-explanatory; however, attention is directed to the following specific requirements in particular:

A. Continuing Consultation (Section 3.1(c)

The Grant Agreement provides that consultation shall take place from time to time at the request of either party. A.I.D. wishes to cooperate fully in such exchange of views concerning the progress of the program, compliance with the provisions of the Grant Agreement, and any other matters of mutual concern. In addition, A.I.D. wishes to assure the Government of Ethiopia that its representative is always available for informal discussions.

B. Taxes (Section 3.1(d) and (e))

The following additional information is provided to assist you in carrying out the provisions of these Sections:

1. The provisions of section 3.1(d) do not apply to the procurement of those items which are normally imported and kept in stock in the form in which imported for sale to meet a general demand in Ethiopia provided they have been imported from a country included in Code 935.

2. For purposes of Section 3.1(e), a "permanent resident" is defined as a person who is not a citizen, yet has been physically residing substantially uninterrupted for more than three (3) years in Ethiopia.

IV. Records, Reports and Inspections (Article IV)

A. Maintenance and Audit of Records (Section 4.1)

1. It should be noted that in addition to such books and records as the Government itself may establish and maintain, it will also be incumbent upon the Government to assure that its designated financial agent similarly maintains adequate records of all financial transactions undertaken with respect to this program, including copies of all pertinent documentation required for disbursement of funds.

2. It is expected that books and records maintained by government institutions and by the disbursement agent for this project will be audited on an annual basis by a qualified independent accountant either government or private.

B. Reports (Section 4.2)

1. The Government shall submit to A.I.D. on a quarterly basis a report showing the current status of the program's implementation. This report shall include but not necessary be limited to the following information: general status of Program implementation, including funds received and expended, brief identification of activities approved for financing (by name and number), amount approved for Grant financing, amount expended, status of completion, and discussions of any problems impeding progress. A suggested format for this report is provided in Attachment A.

2. Financial Status Report

The Government shall submit to A.I.D. monthly a report showing for each activity the approved line item budget, total expenditures to date and local currency expenditures to date in U.S. dollar equivalents. It is expected that this report will be prepared for the Government by the Commission (See Attachment A).

3. Activity Reports

a. Progress Reports

The Government shall submit to A.I.D. quarterly a report on each activity financed under the Grant Agreement including an activity description, implementation status, physical progress, major accomplishments, delays and bottlenecks, etc.

b. Completion Reports

A final report on each completed activity should be presented to A.I.D. no later than ninety (90) days from the date of final disbursement for that activity.

It is expected that the activity progress and completion reports will be prepared for the Government by the implementing agents. Additional institutions with regard to the preparation of these reports will be furnished in the activity implementation agreements.

4. Audit Reports

Copies of reports of the audit required under Section 4.1 of the Agreement should be made available to A.I.D. upon request.

V. Procurement (Article V)

A. Source and Origin (Section 5.1)

Goods and services financed under this Agreement may have their source and origin in countries listed in A.I.D. Geographic Code 935. (See Attachment B).

Source is defined as the country from which items are shipped to Ethiopia, or to a Free Port or Bonded Warehouse when these items are transhipped from there to Ethiopia in the same form as received.

Origin is the country in which goods have been mined, grown or produced through manufacturing, processing or assembly. In the case of manufacturing, processing, or assembly, the finished product must be a recognized new commodity, substantially different in characteristics, purpose or utility from any of its components.

B. Reasonable Prices (Section 5.3)

In order to assure maximum utilization of the funds provided under the Agreement, A.I.D. expects that the Government of Ethiopia will take whatever steps it considers necessary and appropriate to assure that procedures used for procurement of goods and services are to the extent possible designed to produce the lowest price available, provided, however, that timely execution of the program will not be unduly hampered. Compliance with this Section can generally be achieved by assuring that goods and services are procured by means of normal commerican practice and/or government procurement in Ethiopia.

B. Disbursements for Program Activities

The Commission will be prepared to disburse funds for individual activities only after signature of the Activity Implementation Agreement which will include an identification of and a line-item budget for those goods and services which are eligible for financing with the A.I.D. Grant Funds. Subsequent to the initial advance, disbursements will be made upon presentation by the implementing agent of the following documentation certified by the designated representative of the Commission.

1. For Compensation:

A statement showing days and time worked and rate of pay.

2. For Reimbursable Procurement:

Copies of original receipt, bills of lading and invoices.

3. For Contracts:

Copy of the billing statement from the Contractor. A sample certification is provided in Attachment D.

C. Replenishment

From time to time the Commission may request A.I.D. to replenish the advance by requesting reimbursement by submitting to the Controller, USAID/Ethiopia, the following documentation: Voucher Form SF-1034 identifying the amount to be reimbursed and the name of the activity for which funds have been expended, and a "decompte" prepared by the disbursement agent showing a summary of expenditures by line-item as detailed in the appropriate activity's budget. These documents should be accompanied by a certification that expenditures or disbursements summarized in the statement were authorized by the appropriate representative(s) of the government as specified in the Activity Implementation Agreement. A sample decompte and certification are provided in Attachment D.

The remaining sections of the Grant Agreement are considered to be self-explanatory.

A.I.D. will be pleased to assist you with any questions or problems you may have concerning the Agreement or this Implementation Letter and its attachments.

Sincerely yours,

MISSION DIRECTOR

ANNEX B

LIST OF ATTACHMENTS

A. Instructions for Reporting

B. A.I.D. Geographic Code 935

C. Request for Advance

D. Decompte for Reimbursement

E. Standard Form 1034

REPORTING REQUIREMENTS

In accordance with Article IV, Section 4.2 of the Grant Agreement, we are requesting that you adopt a reporting system which will provide information on the physical financial progress made in carrying out the program. The reporting system will consist of:

1. A Quarterly Program Progress Report
2. A Monthly Financial Status Report
3. A Quarterly Activity Progress Report
4. Audit Reports as may be requested from time to time
5. Activity Completion Reports

Guidelines for the preparation of these reports are as follows:

1. Quarterly Program Progress Report -- The purpose of this report is to provide information which will permit a regular assessment of the overall progress of the Recovery Program in Ethiopia.

   A. Reports are requested to be prepared in six copies according to the format attached, Samples 1 and 2.

   B. Reports are requested quarterly, according to the following schedule:

Reporting Period		Due Date
January 1	- March 30	May 1
April 1	- June 30	August 1
July 1	- September 30	November 1
October 1	- December 30	February 1

   C. Reports are to be submitted to th USAID Director by the due date indicated in B, above.

2. Monthly Financial Status Report -- The purpose of this report is to provide regular information on activities in the Recovery Program.

   A. Reports are requested to be prepared by the Disbursing Agent on each activity included in the program to be funded under the Grant Agreement. Each report should be prepared in six copies, according to the format attached, Sample 3.

B. Reports are requested monthly, and are to be submitted to the USAID Director not later than the 15th of the month following the close of the preceeding monthly reporting period.

3. Quarterly Activity Progress Report -- The purpose of this report is to provide regular information on the status and progress of each activity in the program to be funded under the Grant Agreement. It is intended that the implementing institution or agency responsible complete this report.

A. Reports are requested to be prepared in six copies, according to the format attached as Sample B. and 5.

B. Reports are requested quarterly, and are to be submitted to the USAID Director not later than the due date indicated in the schedule below. These reports are due two weeks prior to the Quarterly Program Progress Reports:

Reporting Period	Due Date
January 1 - March 30	April 15
April 1 - June 30	July 15
July 1 - September 30	October 15
October 1 - December 30	January 15

4. Audit Reports -- Information regarding the preparation and submission of these reports will be provided as may be required.

5. Activity Completion Reports -- A final report is requested within 3 months of the final disbursement for any activity in the program financed under the Grant Agreement. This report will be prepared in substantially the same form as the Quarterly Activity Report in para. 3., above; the report will, however, be clearly marked "Completion Report".

COUNTRY NAME

A.I.D. GRANT NO.___

QUARTERLY PROGRAM PROGRESS REPORT

For Period

From_____To_____

Reporting Office

COUNTRY NAME

QUARTERLY PROGRAM PROGRESS REPORT

Reporting Office:_____ Date:_____

* * *

I. Program Status: This section should provide an overview of the implementation progress made during the reporting period for the program being financed under the Grant Agreement. What are the problems being encountered that affect the implementation of the program; what actions have been or are being taken to address these problems? How well are the implementing offices/institutions executing and coordinating their inputs? Significant changes that have occurred during the reporting period should be noted. Describe the impact of the program to date on the overall drought situation.

II. Implementation: Specifically, with respect to the work plan and implementation schedules set for each activity, how well are the individual activities financed under the Grant Agreement meeting those schedules? In which areas are the activities ahead or behind targets outlined? Why? List each activity with a brief summary statement of its status above.

III. Other Comments:

ANNEX B

Sample 3 Format

FINANCIAL STATUS REPORT

Country: _____
A.I.D. Grant No.: _____
Activity No.: _____
Date Prepared: _____

For the Period Ending: _____

Description (Budget Line Item)	Budget Amount (In U.S. $)	Expenditures to Date	
		Total (In U.S.$)	Total In Local Currency Equivalent)
Totals:			

COUNTRY NAME

ACTIVITY TITLE

ACTIVITY NUMBER

QUARTERLY ACTIVITY PROGRESS REPORT_____

A.I.D. GRANT NO._____

For Period:

From_____To:_____

REPORTING ORGANIZATION

ANNEX B

Sample 5 Format

COUNTRY NAME
ACTIVITY PROGRESS REPORT
A.I.D. GRANT NO._____

Date:_____

Activity Title:_____
Activity No.:_____
Implementation No.:_____

Executing Organization:_____
Department:_____
Certifying Officer:_____

* * *

I. Activity Description: This section should describe the activity and its overall purposes briefly. It should relate the activity specifically to the problem it is intended to address.

II. Implementation: Specifically, with respect to the Implementation schedule set forth, how well is this activity meeting target dates? In which areas is the activity behind or ahead of schedule? Why?

III. Objectives/Targets: How well is the activity meeting its objectives? Targets and objectives which are quantifiable should be indicated and a brief outline provided of the major steps involved in reaching them.

IV. Physical Progress: Describe the state or stage reached in physical execution of the activity (amount of work completed, state of work in progress, staff trained, etc., as applicable) and relationship to accomplishment of (quantitative) targets and objectives.

V. Major Accomplishments with Respect to Overall Purposes: Describe fully.

VI. Delays and Bottlenecks (if any): Describe the nature and causes; what were the remedial actions taken or to be taken?

VII. Non-A.I.D. Inputs: What other essential inputs are involved in this activity (Government, private, organization, religious, etc.)? Are their inputs on schedule? Are there delays or problems involving other donor inputs/activity which relate to this activity? What is the nature of them?

VIII. Other Comments:

ANNEX B

Attachment B

A.I.D. GEOGRAPHIC CODE 935

SPECIAL FREE WORLD -- Any area or country in the Free World, including cooperating country itself.

Countries excluded from the Free World are as follows:

- CUBA
- CHINA (Mainland) and Other Chinese Communist-Controlled Areas, incl.:
  - Manchuria
  - Inner Mongolia
  - Tsinghai Province
  - Sikang Province
  - Sinkiang
  - Tibet
  - The Former Kwantung Leased Territory
  - The present Port Arthur Naval Base area
  - Liaoning Province
- EASTERN EUROPE
  - Albania
  - Bulgaria
  - Czechoslovakia
  - East Germany (Soviet Zone of Germany and Soviet Sector of Berlin)
  - Estonia
  - Hungary
  - Latvia
  - Lithuania
  - Romania
- KOREA, NORTH
- OUTER MONGOLIA
- POLAND
- UNION OF SOVIET SOCIALIST REPUBLICS (USSR)
- VIET-NAM (NORTH)

ANNEX B

Attachment C

REQUEST FOR ADVANCE

Country: _____
Grant No.: _____
Date: _____

1. Pursuant to Section 6.1 of Grant Agreement No. _____ dated _____, the Government of _____ hereby requests that the sum of _____ be deposited _____.

2. The sum requested in the attached voucher represents estimated requirements for 90 days of operations to permit timely processing of activity disbursement requests.

3. The Government of _____ has been advised by A.I.D. in a letter dated _____ that all conditions to disbursement of this advance have been satisfied.

Name: _____

Title: _____
(Authorized Government Representative)

Countersigned:

Name: _____

Title: _____
(MISSION DIRECTOR)

ANNEX B

Attachment D

DECOMPTE FOR REIMBURSEMENT

Country: _____
Grant No.: _____
Reimbursement Request No.: _____
Date: _____

Expenditures for the Period: _____ to: _____.

Description	Budget Amount	Total to Date	Current Period
Total			

Reimbursement is hereby requested in the amount of _____ for disbursements in connection with activity no. _____.

The undersigned certifies that expenditures for which reimbursement is being requested have been made in accordance with the Grant Agreement and were authorized by the duly designated representative of the Government.

Signed: _____

Title: _____
Relief and Rehabilitation Commission

ANNEX B

Attachment E

Standard Form 1034
7 GAO 5000
1034-113

PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL

VOUCHER NO.

U S DEPARTMENT, BUREAU, OR ESTABLISHMENT AND LOCATION

DATE VOUCHER PREPARED

SCHEDULE NO.

CONTRACT NUMBER AND DATE

PAID BY

REQUISITION NUMBER AND DATE

PAYEE'S NAME AND ADDRESS

DATE INVOICE RECEIVED

DISCOUNT TERMS

PAYEE'S ACCOUNT NUMBER

SHIPPED FROM | TO | WEIGHT

GOVERNMENT B/L NUMBER

NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	ARTICLES OR SERVICES (Enter description, item number of contract or Federal supply schedule, and other information deemed necessary)	QUANTITY	UNIT PRICE COST	UNIT PRICE PER	AMOUNT (1)

(Use continuation sheet(s) if necessary) **(Payee must NOT use the space below)** **TOTAL**

PAYMENT:
- ☐ COMPLETE
- ☐ PARTIAL
- ☐ FINAL
- ☐ PROGRESS
- ☐ ADVANCE

APPROVED FOR = $

EXCHANGE RATE = $1.00

DIFFERENCES

BY

TITLE

Amount verified; correct for

(Signature or initials)

Pursuant to authority vested in me, I certify that this voucher is correct and proper for payment.

(Date) (Authorized Certifying Officer)[2] (Title)

ACCOUNTING CLASSIFICATION

PAID BY

CHECK NUMBER ON TREASURER OF THE UNITED STATES

CHECK NUMBER ON (Name of bank)

CASH $

DATE

PAYEE[3]

[1] When stated in foreign currency, insert name of currency.
[2] If the ability to certify and authority to approve are combined in one person, one signature only is necessary; otherwise the approving officer will sign in the space provided, over his official title.
[3] When a voucher is receipted in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary", or "Treasurer", as the case may be.

PER

TITLE

U.S. GOVERNMENT PRINTING OFFICE

ANNEX C

Attachment _____

OUTLINE FOR ACTIVITY IMPLEMENTATION AGREEMENT

(Note: to be attached as Annex B of Grant Agreement)

Activity Name: _____
Activity Number: _____
Country: _____
Original _____ or Revision No: _____
Date: _____

INTRODUCTION:

Pursuant to Section 2.1 of the Grant Agreement between the Government of _____ and A.I.D., the purpose of this Agreement is to set forth for activity number _____ such descriptive, budgetary and administrative information as is considered sufficient to satisfy the condition of Section 2.2.

1. Description of the Activity:

A brief description of the total activity, its cost, purpose and relation to drought recovery and rehabilitation, and identification of the specific portion of the activity to be financed under the Grant Agreement.

2. Implementing Agency:

Identification of the implementation agency and its representative(s); clear definition of responsibilities of all parties concerned with carrying out the activity; names of the person or persons whose signatures will be accepted for required certifications in connection with disbursement requests, procurement, reporting, etc. (Note: The general thrust with respect to activities involving voluntary agencies should be to have as much implementing authority as possible delegated to the volags; e.g., to extent the Government, A.I.D. and the volag can agree, the Christian Relief Committee (CRC) should be designated as the agency to certify for disbursement, rather than having to secure such certification from a government representative each time disbursement is requested.)

3. Implementation Schedule:

General work plan for total activity and an implementation schedule for portion to be financed under Grant Agreement. To the extent possible and appropriate that schedule should project physical as well as financial progress of the activity.

4. Objectives/Targets:

Indications of the results expected to be achieved by completion of the activity (viz. 500 ton storage warehouses completed in _____, _____, _____, and _____; or pasture land re-seeded in an area of 35 square miles around water holes A, B, C, and D). The objectives and targets should be defined with sufficient specificity to permit evaluation of the effectiveness of the provision and utilization of the resources provided under the Grant Agreement as well as the achievement and relevance of the total activity.

5. Budget:

Line-item budget identifying each component or major item of equipment to be financed by the Grant, together with estimated costs (foreign exchange and local currency). Note: This budget is extremely important since it will provide the disbursement agent with an identification of the components and major items eligible for financing, the total amount authorized for disbursement for this activity and the amount authorized for disbursement for each item.

6. Non-A.I.D. Inputs:

General description of other non-A.I.D. inputs essential to the execution of the activity.

7. Reporting Requirements:

Specification of progress and completion reports to be submitted to A.I.D. by the government and/or the implementing agent.

8. End-Use Accountability:

Establishment of a date beyond which the Government is no longer accountable to A.I.D. for the goods and services provided in connection

with this activity. This may be the completion of the activity or such other time as may be considered appropriate (e.g., receipt and acceptance by A.I.D. of a final report, if one is required).

9. Modification of the Activity:

If necessary, to be accomplished by the issuance of additional implementation letters.

Signed on behalf of the Implementing Agency

BY: _____

SIGNATURE: _____

TITLE: _____

Signed on behalf of A.I.D.

BY: _____

SIGNATURE: _____

TITLE: Mission Director

Countersigned on behalf of the Relief and Rehabilitation Commission

BY: _____

SIGNATURE: _____

TITLE: _____