MINUTES

AFR Executive Committee
March 1, 1974 at 2:30 p.m.
Room 6944 New State

SUBJECT: Ethiopia Agricultural Sector Loan (ASL) IV IRR Paper

ACTION:
The ECPR approved, with the qualifications as below, the IRR as a basis for preparing the CAP for the ASL IV loan which continues as the main macro-level instrument for the agricultural sector. The CAP amount is to be $15 Million with individual allocations in FY 1974 and FY 1975 determined later.

The CAP should discuss exchange rates and related monetary and financial policies in terms of their effect upon resource transfer. The CAP will clearly specify both the quantitative and qualitative undertakings and the target groups to be project's main beneficiaries. The CAP, while drawing upon the priority emphases of IBRD Sector Study, ILO Report, and IEG national and sector planning, should spell out in some detail the results expected, from ASL IV loan allocations, in such areas as greater equity, increased farmer income, credit, MPP activities etc. The CAP also should define the agricultural sector in a manner consistent with DAP and the IBRD Study.

In addition, the CAP is to include detailed pipeline analyses of both ASL III and the proposed ASL IV along with a separate section on monitoring and evaluation, including the schedule of joint USAID/IEG periodic review of progress being made toward the above specified undertakings. USAID efforts should be made to influence the sector and project planning stages rather than mere budget attribution "expost."

The ECPR agreed with IRR proposals to eliminate certain" non-functional restrictions" in the attribution process, viz., the import cost limit and the 75%/50% limit on ASL funding for any single IEG activity.

The message to USAID summarizing the above ECPR actions was sent 3/8/74.

DISCUSSION:

A) Background: The IRR is being considered at a time of significant political developments inside Ethiopia which may affect this sector but it is presumed that the full ramifications will be apparent before the CAP paper is completed, and that USAID and IEG will maintain a satisfactory relationship on development. This is the fourth in the series of ASL loans. In the past, the essential purpose was to increase the flow of public sector resources into the agricultural sector. This will continue, but ASL IV will emphasize equity considerations. The ASL loan is considered primarily a "macro" level instrument while the Agricultural Planning Project is looked upon as the main technical assistance vehicle for influencing project selection and design at the "micro" level.

B.) Quantitative and Qualitative Undertakings: The CAP is expected to treat both these undertakings in detail. Similar to previous loans, quantitative undertakings will be retained in this CAP for both total capital and agricultural capital budgets to ensure continued allocation of additional funds for developmental expenditures. The capital budget element is considered especially important now because of uncertainty regarding the scope and level of IEG self-financing of development expenditures.

In the proposed ASL IV, our strategy indicates the need for placing greater importance on qualitative undertakings, particularly the equity considerations. USAID is to re-assess the current political situation and determine whether strengthened undertakings, i.e. land tenure, government land use etc., can be treated as preconditions in the loan agreement rather than in an exchange of letters or side agreements. The CAP itself is to include a separate section on policies and expenditure allocations favoring lower income target groups.

With the large emphasis on ASL IV as a "macro-level" instrument or tool, the review process takes on added significance and in this context USAID must devise systematic plans to monitor and evaluate the qualitative undertakings within a reasonable time frame and thereby to measure the impact of loan attributions in such areas as farmer income, credit, MPP activities, land tenure, employment generation etc.. For purposes of evaluation, the Mission must attempt to develop suitable kinds of baseline data as early as possible.

A.I.D. Loan No. 663-T-024
Cap. Asst. Paper No. AID/DLC/P-2045
Project No.

DEVELOPMENT ASSISTANCE LOAN AUTHORIZATION

Provided from: FAA Section 103
Ethiopia-Agricultural Sector Loan IV

Pursuant to the authority vested in the Administrator of the Agency for International Development ("A.I.D.") by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan to the Imperial Ethiopian Government of an amount not to exceed fifteen million dollars ($15,000,000) to provide local currency funds for the development of the Agricultural Sector subject to the following terms and conditions:

1. Interest and Terms of Repayment. The interest on the amount of this loan shall be three percent (3%) per annum on the disbursed balance of such amount, except during the grace period when the interest shall be two percent (2%) per annum. The loan shall be repaid within forty (40) years from the date of the first disbursement under the loan including a grace period of not to exceed ten (10) years.

2. Currency of Repayment. Payments of principal and interest with respect to the amount of the loan shall be made in United States dollars.

3. Other Terms and Conditions.

   (a) The I.E.G. shall adopt and execute those policy and program measures which will help overcome the constraints to increased output and greater equity in the agricultural sector in the following areas:

      Equitable land ownership and tenure.

      Rural roads.

      Expansion of small farmer production.

(b) The I.E.G. shall assure that its self-financed development expenditures on the agricultural sector (as mutually defined by the I.E.G. and A.I.D.) in Ethiopian FY-1967 and FY-1968 (U.S. FY-1975 and FY-1976) increase over those of Ethiopian FY-1966 and FY-1967 (U.S. FY-1974 and FY-1975), respectively, at least by eight percent.

(c) The I.E.G. shall assure that its self-financed development expenditures in Ethiopia FY-1967 and FY-1968 (U.S. FY-1975 and FY-1976) increase over those of Ethiopian FY-1966 and FY-1967 (U.S. FY-1974 and FY-1975), respectively, at least by seven percent.

(d) The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

John E. Murphy
Deputy Administrator

6/28/78
Date

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

Memorandum

TO : See Distribution DATE:

FROM : AFR/DP, Robert G. Huesmann

SUBJECT: AFR Executive Committee Meeting on IRR for ASL IV Project in Ethiopia

The AFR Executive Committee for Project Review will convene at 3:00 on Friday, March 1, 1974 in Room 6944 N.S. to consider the IRR paper for the Agricultural Sector Loan (ASL IV) in Ethiopia.

Attached is a copy of the IRR paper to be discussed at this meeting.

Offices not represented at the meeting should submit their comments on this IRR paper, if any, by C.O.B. Thursday, February 28.

Attachment
a/s

INTENSIVE REVIEW REQUEST

ETHIOPIA - Agricultural Sector Loan IV

1. Borrower

Imperial Ethiopian Government (IEG), represented by the Ministry of Finance.

2. Amount and Terms

$15,000,000 at standard concessional terms.

3. Rationale

The proposed loan will provide local currency resources through the IEG capital budget to assist the IEG in achieving its agricultural sector goals during the first two years of the IEG Fourth Five-Year Plan (FFYP, 1974/75 - 1978/79).

The overall goals of the FFYP are (a) a rate of GDP growth of 6.0-6.5 percent per annum, and (b) more equitable distribution of the benefits of social and economic development. Achievement of the output goal will require higher rates of growth of agricultural output (3.3 percent per annum versus an annual average of 2.2 percent during the last decade) non-agricultural output (8.8 percent versus 8.5 percent during the last decade), and exports (8.5 percent per annum, or twice the growth rate of the last decade); achievement of the equity goal will require creation of greater employment opportunities, land tenure improvements, and a reorientation of development toward rural areas.

The IEG strategy for meeting the output and equity goals in the agricultural sector will involve on the one hand the improvement of agriculture in already settled areas, primarily through intensification of the credit and extension program for small farmers (Minimum Package Program); and on the other hand much greater emphasis on land development and settlement. In support of this strategy the IEG will focus on overcoming major clusters of constraints in the fields of land tenure, research, rural infrastructure, credit and cooperatives, marketing, and program design and administration. This strategy is based on the conclusions and recommendations of the IBRD Agricultural Sector Survey (January, 1973) and was generally endorsed by the Second Meeting of the Consultative Group for Ethiopia (July, 1973).

The proposed loan is addressed at constraints to achievement of the FFYP goals at two levels. At the "macro" level, it is addressed to the overall domestic resources gap, which the IEG estimates at $570 million for the FFYP period. The ASL IV will help assure that the local resource constraint does not impinge on the IEG's plans for the agricultural sector, which has traditionally been underfunded in Ethiopia. At the "micro" level the loan is addressed to particular agricultural sector absorptive capacity problems such as those enumerated above. Through inclusion of selected problem areas in the "undertakings" section of the Loan Agreement and through review of these problem areas with the IEG agencies involved prior to USAID approval of releases, the ASL will assure that programs and projects aimed at overcoming certain constraints in the agricultural sector receive adequate local cost funding and attention. At this level, USAID will place emphasis on problems which represent constraints to achievement of equity goals.

4. Description of the Assisted Activities

Specific agricultural sector activities included in the IEG capital budget will be supported with the local currency generated by the ASL IV. The activities to be assisted will be selected jointly by the IEG and AID. The IEG will be represented for this purpose by the Ministry of Finance and the Planning Commission Office, the IEG agencies responsible for the allocation of IEG capital budget funds. Eligible activities will include agricultural and livestock research, production and marketing, agricultural training, rural road and water development, afforestation, cooperatives development, and land registration and settlement. The relevant implementing agencies are the Ministry of Agriculture, the Ministry of Land Reform and Administration, the Ministry of National Community Development, the Institute of Agricultural Research, Haile Selassie I University, the Imperial Highway Authority (feeder roads), and the Ministry of Interior (rural road and water development).

5. Financial Plan

The proceeds of the loan will be used to purchase Ethiopian currency to finance $15 million equivalent of the projected IEG agricultural sector requirements for approximately the first two years of the IEG Fourth Five-Year Plan, i.e., FY 1975 and FY 1976. The funds will be released on the basis of the IEG budgets for FY 1975 and FY 1976, subject to quantitative and qualitative undertakings set out in the Loan Agreement and restrictions stated in the Implementation Letter (see Section 7, below). The loan will not be tranched, i.e., there will not be a second tier of Loan Agreement conditions precedent to be satisfied prior to disbursement for FY 1976 activities.

Based on present projections, ASL requirements will total approximately $10 million in FY 1975 and $10 million in FY 1976. With an estimated ASL III carryover of $5 million for FY 1975, ASL IV releases would be $5 million in FY 1975 and $10 million in FY 1976. Any funds not fully drawn down by the end of FY 1976 would be available for FY 1977 requirements.

6. Background

AID has made three agricultural sector loans to Ethiopia. The first two agricultural sector loans (ASL I, ASL II) of $5.0 million each were designed to provide development budget support to the agricultural sector during FY 1971 and FY 1972. The third agricultural sector loan (ASL III) in the amount of $15.0 million was designed to provide such support for FY 1973 and FY 1974, with a possible carryover into FY 1975. The amounts utilized from each loan by fiscal year are as follows (US$ millions):

	FY 1971	FY 1972	FY 1973	FY 1974	FY 1975
ASL I	3.7	1.3	--	--	--
ASL II	--	3.2	1.8	--	--
ASL III	--	--	3.7	7.3	5.0
	3.7	4.5	5.5	7.3	

The basic financial or quantitative undertakings of the IEG in all three ASL's have been to increase total self-financed IEG capital expenditures and self-financed capital expenditures in the agricultural sector (as mutually defined by the IEG and AID) at a rate greater than the rate of growth of domestic revenues. (These undertakings are designed to prevent the substitution of ASL resources for IEG resources, or assure that the ASL resources represent a real addition to IEG resources.) The qualitative undertakings of the IEG have been to make continued efforts to improve the agricultural sector's absorptive capacity.

An AID team made up of AID/W and field members conducted a thorough evaluation in June 1973 of the experience with ASL I and ASL II and concluded that the IEG's performance relative to both quantitative and qualitative undertakings was excellent.[1/] During the period FY 1970-FY 1972, IEG domestic revenues increased at about 8 percent per annum, while IEG self-financed total capital expenditures and capital expenditures in the agricultural sector grew at 14 and 20 percent per annum, respectively. The team also noted that the IEG had made significant progress in expanding absorptive capacity, particularly in the fields of agricultural training and project preparation and evaluation.[2/]

1/ "Evaluation of the Agricultural Sector Loans Funded by USAID/Ethiopia", June 1973. The team AID/W members were Jacob Meerman and Martha Horsley of PPC and Milo Cox of TAB. The field team members were Dwight Wolkow USAID/Ethiopia) and Marc Winter (REDSO/EA).

2/ For an extensive discussion of the relevant background and a full treatment of ASL definitions and procedures, see the ASL III Sector Loan paper of April 13, 1972 (AID-DLC/P-1010).

With respect to ASL III, USAID has just completed its review with the Ministry of Finance of the IEG's FY 1973 performance based on the submissions required for release of the second ASL III tranche of $7.5 million. That review confirmed the continued good performance of IEG budgetary allocations to the agricultural sector -- IEG self-financed ag sector capital expenditures increased by 22.6% in FY 1973 over the level of the previous year. Likewise, the IEG has over the past year demonstrated a serious planning effort with regard to the recommendations of the IBRD Ag Sector Survey. The IEG was unable to achieve more than a 7.8% growth in self-financing of overall capital expenditures but its performance matched budgetary plans and fell short only in comparison to the unforeseen growth of domestic revenues which were abnormally high in FY 1973.

Based on this review, the Ministry of Finance has indicated it intends to request a release of $8.5-10.0 million for FY 1974. Assuming the lower figure, this would leave a balance of $4.5 million available for FY 1975 requirements. Accordingly, the IEG has requested that AID proceed with ASL IV in FY 1974. This will permit the Ministry of Finance to apply a portion of its loan approval authority to ASL IV in FY 1974 and the balance in FY 1975. Since the Ministry of Finance is given only $10 million in loan approval authority by Parliament each fiscal year, FY 1975 loan authorization and loan agreement execution would require that the Ministry of Finance delay approval of the full loan amount to FY 1976.

7. Proposed Parameters and Procedures for ASL IV

USAID proposes that the parameters and procedures governing the utilization of the funds provided under agricultural sector loans be modified to shift greater emphasis to agricultural sector strategy issues, and to de-emphasize the fund attribution process. Issues raised by the proposed modifications are discussed further in Section 10 below.

A. Quantitative Undertakings

The two quantitative undertakings of the ASL III Loan Agreement are as follows:

"Assure that actual Borrower self-financed capital expenditures on the agricultural sector (as mutually defined by the Borrower and AID) in Ethiopian FY 1965 and FY 1966 (U.S. FY 1973 and FY 1974) increase reasonably over those of Ethiopian FY 1964 and FY 1965 (U.S. FY 1972 and FY 1973), respectively, and at least by a percentage greater than the percentage increase in domestic revenues;" and

"Assure that actual total Borrower self-financed capital expenditures in Ethiopian FY 1965 and FY 1966 (U.S. FY 1973 and FY 1974) increase reasonably over those of Ethiopian FY 1964 and FY 1965 (U.S. FY 1972 and FY 1973), respectively, and at least by a percentage greater than the percentage increase in domestic revenues."

These undertakings have two defects: First, they can depress the level of fund utilization from the ASL's or delay releases whenever the rate of increase of the total capital budget falls below the rate of increase of domestic revenues. Since AID is concerned with the agricultural sector capital budget rather than the capital budget as a whole, a slightly slower rate of growth of the latter should not be allowed to influence ASL allocations. Second, as pointed out in the ASL Evaluation, these undertakings may not adequately prevent substitution of ASL funds for IEG funds. Since we can never know exactly what the budget outcome would have been without ASL, "substitution" is a matter of definition or assumption. However, if we assume that the IEG as sector capital budget (self-financed) in the absence of ASL would be likely to grow proportionally with the overall capital budget (self-financed), then ASL funds substitute for IEG funds if allocated on the basis of a rate of growth of self-financed ag sector capital expenditures lower than the rate of growth of overall self-financed capital expenditures.

To overcome both of these defects, we will request IEG concurrence in the substitution of the following undertaking for the quantitative undertakings of ASL III:

Self-finance of agricultural capital expenditures to grow as fast or faster than the 3-year average annual increase in domestic revenues, or the self-finance component of the capital budget, whichever is larger.[1/]

The definitions of "capital budget" and "agricultural sector" remain the same for the present. In the case of the latter, the Ministry of Finance has again requested that we extend the ASL scope somewhat so as to facilitate greater use of the loan and to relate it more closely to the objectives and program being proposed in the new 4th Five-Year Plan. We have responded in this connection that any change in the scope of the loan as regards "agriculture" or "rural" will be dependent upon the final DAPS program strategy for Ethiopia. (AID approval of the DAPS is expected prior to authorization of ASL IV this May-June).

1/ See ASL Evaluation Report, p. 12.

B. Qualitative Undertaking

The present qualitative undertaking of ASL III is:

> "Make continued progress in agricultural development through improvement of the sector's absorptive capacity, taking into account such developments as IBRD agricultural sector analysis of Ethiopia and the Borrower's written commentary thereon."

To accomplish the shift in emphasis to policy and program issues faced by the IEG in carrying out the agricultural development strategies of the FFYP, we propose that this undertaking be expanded to list specific areas of concern which relate to constraints on the rate of implementation of programs aimed at assisting the small farmer (and which also relate to other existing or potential AID projects in Ethiopia). These might include, for example, program planning and implementation, land tenure and new lands development, agricultural research, and rural infrastructure development. The Implementation Letter could set specific targets for progress in these areas, which would be assessed at appropriate intervals by USAID, relevant IEG agencies, and possibly other involved donors.

We do not propose a qualitative undertaking dealing with equity as such, but will select the above areas of concern on the basis of the potential favorable impact on employment and income distribution of IEG progress in those areas.

C. Implementation Procedures

The ASL III Sector Loan Paper restricted the use of ASL funds to 75 percent of total IEG costs for any activity or 50 percent in the case of activities funded by other donor loans: it also restricted the use of the funds to actual local costs, excluding imported items. These restrictions are non-functional and serve to distract attention and effort from the critical agricultural sector strategy issues at which the ASL's should be addressed. Consequently, we propose that the restrictions be dropped, and that the fund attribution process be based only on that degree of budget detail necessary to determine that the funds are attributed to budget heads or sub-heads which fall under the agreed definition of the "agricultural sector". The funding and progress of individual activities would be reported on and reviewed only as they relate to the selected absorptive capacity problems included in the IEG's qualitative undertakings.

8. Environmental Considerations

Since the ASL's focus on budget support and policy improvements and not on individual project activities, MO 1214.1 is not relevant to the consideration of ASL IV.

9. Other International Donor Agency Participation

ASL IV funds will continue to support activities funded in part by other international or bilateral donors. In implementing ASL IV, USAID will consult particularly closely with other donors involved in activities affecting the IEG's qualitative undertakings.

10. Issues

A. Equity Considerations

The ASL Evaluation Report reviewed the equity impact of the major activities funded by ASL I and ASL II and concluded that some of the activities had had an adverse impact on employment and income distribution. The Report recommended that USAID rank the equity impact of activities proposed for ASL funding and refuse to fund those which fell below a certain rank (i.e., could be identified as having an adverse impact). We believe that this procedure would be irritating to the IEG, and that reaching agreement on a detailed ranking would require a great deal more attention to individual activities than is justified on the part of USAID and Ministry of Finance staff. On the other hand, we do propose to accomplish the purpose intended to emphasize equity concerns in reviewing the IEG qualitative undertakings (see 7.B., above). We believe that this is likely to be more significant than decisions concerning attribution of ASL funds to individual activities.

B. Funding Attribution Procedures

The IEG has informally requested several times that AID drop the existing restrictions on funding attribution (see 7.B. above) and generally simplify the attribution and reporting procedures, since these represent a heavy burden on IEG high and middle level staff infolved. We are sympathetic to this request because the restrictions on attribution have no sound rationale, and take up time and effort which should be devoted to substantive questions of IEG agricultural sector strategies and performance. The "self help" restriction (ASL may not fund more than 75% of the IEG costs of any eligible activity, or 50% for activities financed by other donor loans) is simply redundant, since the IEG has met the basic financial self-help requirement by complying with its quantitative undertaking of the overall loan. The self-help requirement at the individual activity level makes no additional IEG resources available to the agricultural sector, but merely results in a longer list of eligible line items to accommodate the restriction on ASL funding. This accomplishes nothing in terms of the ASL's purposes; the restriction should be eliminated.

The import cost restriction should also be eliminated. Since the ASL local currency has already been purchased with the U.S. dollar proceeds of the ASL's, thus making the dollars available to the National Bank of Ethiopia (NBE) as free foreign exchange, the attribution of ASL funds to import costs of activities can obviously not make any additional U.S. dollars available to the IEG: the NBE merely allocates its own free foreign exchange to the various agencies for their import requirements against the local currency countervalue. The full U.S. balance of payments impact of the ASL's is felt at the time of purchase of the local currency: the use of those local currencies can have no further impact on the U.S. balance of payments. Moreover, since the availability of funding for import as well as local cost budget elements from ASL can affect the level and timing of IEG support of proposed development activities (particularly those new or expanded activities included in supplemental budgets), the elimination of the import cost restriction would considerably enhance the ability of IEG operating agencies to undertake such activities in high priority areas.

11. Intensive Review Procedure

All necessary data is available for preparation of a Capital Assistance Paper for ASL IV. If no major issues arise which require further discussion and negotiation with the Ministry of Finance, USAID plans to complete drafting the ASL IV CAP by mid-April. This would permit loan authorization in May and negotiation and execution of the Loan Agreement in June. The draft Implementation Letter and draft Loan Agreement will be submitted to AID/W with the draft CAP.

12. Project Committee

The USAID Project Committee will be comprised as follows:

Project Officer	:	Dwight Wolkow
Economist	:	John Westley (REDSO/EA)
Agriculturalist	:	Gaylord Walker
Loan Officer	:	Larry Marshall
Legal Advisor	:	William Jones (REDSO/EA)

Briefing Paper

Subject: Status of Discussions and Negotiations on ASL IV

1. After a cable exchange AID/W (attached), Mission proposed a "revenue generation" undertaking to Ashenafi and Teferra Wolde Semait of MinFin on April 23 1974. This quantitative undertaking along with Mission ideas on the qualitative undertaking were the subject of lengthy discussion. (See Mission working paper, Proposed Undertakings of the New ASL IV).

2. Ashenafi said it was difficult in principal for IEG to accept a revenue undertaking because changes in taxes required Parliamentary legislation which is not within IEG control, and that foreign trade taxes were highly dependent on international situation which also not within IEG control. He said budget expenditure undertakings were more appropriate since the required actions could more easily be influenced by the IEG.

3. Ashenafi instead expressed interest in alternative 4a of Addis 4101, "Change in concept from Capital Budget to Development Budget." He said most intra-IEG budget fights revolve around the issue of development versus defense and administration, and the ASL capital budget undertaking, which had been agreed to by the Council, always strengthened the MinFin and MinPlanning case for increased development

expenditure. He feels expenditure is the heart of development and the idea of a rising ~~XXXX~~ floor on development expenditure growth creates pressure for such expenditures that is very helpful. Finally Ahsenafi said, in opposition to the Mission assessment in Addis 4101 of this undertaking, that he thought the IEG could meet such an undertaking. He also feels that most of the increases in the ordinary expenditures of the development agencies are for new personnel, especially for teachers, and not for salary increases.

4. Miller said that although we would reconsider a "development budget" undertaking, he also asked Ashenafi to run the revenue generation undertaking "up the pole" to test its acceptability. Ashenafi said he would do this.

5. With regard to the qualitative undertaking, Ashenafi and Miller agreed in principle that the undertaking would be specifically concerned with the areas of (1) Land Distribution and Tenancy, (2) Rural Roads and (3) Expansion of Small Farmer Production. Ashenafi said they would have to review our proposed language for the Loan Agreement and Implementation Letter to ensure that it is properly responsive to local needs and sensitivities and is realistic in terms of what the IEG should be able to demonstrate some progress on.

6. Ashenafi said they would get to work immediately to review the numbers in connection with the alternative quantitative undertaking as well as the qualitative constructs we left with him. He said he would get back to us by the end of the week.

Attachment: a/s

cc: Jerry Knoll

PROPOSED UNDERTAKINGS OF THE NEW ASL IV LOAN

1. Quantitative

Section 4.07(b) of the Loan Agreement:

Assure that actual total IEG domestic receipts in FY 75 and FY 76 increase significantly over those in FY 74 and FY 75, respectively, [redacted]

2. Qualitative

Section 4.07(c) of the Loan Agreement:

Adopt and execute those policy and program measures which will help overcome the constraints to increase output and equity in the agricultural sector in the following areas:

1. Land distribution and tenure
2. Rural roads
3. Expansion of small farmer production

Implementation Letter:

C. Undertakings

Accomplishment of the undertakings in Section 4.07(c) of the Loan Agreement will be assessed or measured in terms of satisfactory progress to:

1. Land Distribution and Tenure:

a) Distribute public lands to those who work the land;
b) Re-distribute excessive private land holdings;
c) Regulate national landlord-tenant relationships; and
d) Adopt suitable tenure and ownership arrangements in new settlement areas.

2. Local Rural Roads:

a) Accelerate or expand on-going rural road construction programs, such as the MPP-related road program, local road construction efforts by the comprehensive package programs [redacted] and other, similar efforts;

b) Develop and install a central ~~[illegible]~~ capability to develop and coordinate plans for on-going and new local rural road construction;

c) Commence an accelerated national rural road program designed ~~principally~~ to benefit Ethiopia's small farmers.

3. <u>Expansion of Small Farmer Production</u>:

a) Expand on-going and introduce new agriculture research efforts related to the problems of the small farmer;

b) Intensify efforts to introduce new crops and improved production techniques through the expanding WPP mechanism;

c) Develop an improved and more widely distributed marketing structure directed at assisting the small farmer to market his crops ~~in ways more economically beneficial to him than in the past~~;

d) ~~Implement~~ fiscal and monetary policies with respect to tariffs, taxes and credit which will serve as incentives to the small farmer to increase production.

April 19, 1974