

THE ADMINISTRATIVE FRAMEWORK FOR ECONOMIC
DEVELOPMENT IN ETHIOPIA

by IAN S. FRASER*

CHAPTER I

INTRODUCTION

In developing countries it is very difficult to ensure that administrative machinery for planning, executing and evaluating the plan keeps pace with the demands made upon it. In many cases, much greater benefits are possible from improving the organizational structure and procedures of the administrative units concerned with planning and its implementation than from any possible changes in the techniques of planning. In the words of Professor B. Oyrzanowski¹: "In some countries, the plans fail to be carried out just because the institutions which prepare the projects do not fulfill their duties properly or are non-existent."

In this respect, Ethiopia is in circumstances similar to many other developing countries. Though it was one of the first African states to initiate comprehensive national planning,² this is still a relatively recent development; the second five year plan is still running its course. But already experience has shown weaknesses in the tentative³ administrative structure and procedures. Action has been taken to make improvements as particularly severe pressures appeared and many proposals for changes have been made by the Planning Board Office itself, but still much remains to be done.

The Government recognized the need for a comprehensive review of the planning machinery, in 1963, by commissioning reports on "The Institutional Set-Up of Planning Economic Development" by Professor B. Oyrzanowski and

* Mr. Ian S. Fraser was formerly the Director of the Imperial Institute of Public Administration. He is now the Chief of the Public Administration Section, United Nations Economic Commission for Africa.

1. B. Oyrzanowski, *Comprehensive Planning in Some African Countries* (September, 1963, unpublished).
2. The document introducing the second five year plan states that the first five year plan "... was introduced as the first document of overall economic and social policy in Ethiopia. Ethiopia became the first African country to commence comprehensive planning for her economic and social development." Imperial Ethiopian Government, Imperial Planning Board Committee, *Second Five Year 1963-1967 G.C.* (Addis Ababa 1962), p. 33 (hereinafter cited as "Second Plan").
3. There is at present little planning formal legal basis for as such in Ethiopia. The only law specifically concerned with the subject is the Council of National Economy Order, 1954, Order No. 15 *Neg. Gaz.*, year 14, no. 3. However, the Council has, in practice, for some years been superseded by the Imperial Planning Board, the Planning Board Executive Organ and the Planning Office.

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

"Formulation and Execution of the Capital (Development) Budget" by Mr. J. F. Luba, both of the United Nations Economic Commission for Africa. In the light of these reports and related political and administrative considerations and discussions, the draft National Planning Administration Order has been prepared and is now under consideration.

The draft Order provides for the establishment of "an integrated planning administration for the Imperial Ethiopian Government" comprising:-

- (1) The Planning Board;
- (2) The Planning Committee;
- (3) The Planning Office; and
- (4) Such additional Planning Units as may be created by the direction of the Planning Committee as follows:
 - (a) Sectoral Committees, composed of representatives of the Government departments concerned with development in the major sectors of the Ethiopian economy in question acting under the chairmanship of a senior official of one of the said departments; and
 - (b) Development Units to be created within each Government department concerned with economic and social development to undertake planning activities under the direction and supervision of the executive head of the department.

"Government departments" are defined as "all Ministries, Departments, Public Agencies, chartered Government bodies and Public Authorities of the Government engaged in economic or social development activities whose activities are financed, in whole or in part, out of the budget of the Government."

The functions, powers and duties of the Planning Board, the Planning Committee (replacing the present Planning Board Executive Organ), the Planning Office, the Sectoral Development Committees, and the Development Units are discussed in subsequent chapters.⁴

CHAPTER II GENERAL FEATURES

1. *The roles of private enterprises and public authorities.*

"The economy of Ethiopia is a mixed economy, wherein public, private and co-operative initiative have to play their respective role [*sic*]. The plan has to guide and co-ordinate the public and private efforts and to ensure that one side completes and complements the other. Various development projects concerning either economic activity or social services are to be undertaken by the public, as well as the private sector, having in mind highest efficiency and national interest. Being equally important parts of the national economy both sectors are closely interrelated and will have to contribute to the national development each in their own way."⁵

So far as the public sector of the economy is concerned, the Ethiopian five year plans and the implementing annual programmes are intended to be directive, imposing commitments and restrictions as to capital expenditure and projects

4. Chaps. III-2 and 3 and IV-3. 4 and 5, below.

5. *Id.* at p. 35.

which should be implemented. So far as the private sector is concerned, on the other hand, the plan can be only indicative, though Government measures can be, and are, utilised to encourage investments which would further the implementation of the plan while discouraging those which would not.

In the second five year plan, over thirty per cent of all investment during the period is expected to come from domestic resources other than budgetary revenue and from foreign private investors. Of this amount, some twenty-two per cent is expected to come from foreign private investors. In order to achieve this, encouragement needs to be given to both the domestic and the foreign private investor.

Government policy aims at assisting private enterprise, primarily in the field of services which are in many countries traditionally reserved to Government departments, but also in fields which, at least temporarily, private enterprise, for one reason or another, is not willing to enter. The Ministry of Posts, Telegraphs and Telephones provides a postal service under powers and duties conferred upon the Ministry by Order No. 1 of 1943.⁶ The Ethiopian Electric Light and Power Authority has a monopoly in the supply and distribution of electricity conferred on it by General Notice No. 213 of 1956.⁷ The Imperial Board of Telecommunications has a monopoly of all commercial telecommunication services within Ethiopia and to places abroad, conferred on it by Proclamation No. 131 of 1952.⁸ Ethiopian Air Lines Inc. is established as the state airline by General Notice No. 59 of 1945.⁹ The Municipality of Addis Ababa Water Supply Department provides the water for the city, and the municipal authorities of a number of other towns in the Empire do likewise.

In addition to these Government departments which are wholly financed from public sources and established under special laws, the Government and its departments have financial interests in a number of share companies set up under the provisions of the Commercial Code.¹⁰ In the main, this participation seems to be undertaken to encourage the development of industries and services which are in the national interest.

Advice and assistance are given to private businesses by the Ministry of Commerce and Industry, the Chamber of Commerce of Addis Ababa, the Development Bank of Ethiopia, and the Technical Agency.¹¹ One of the duties of the Minister of Commerce and Industry is to foster trade in the Empire and to encourage industry.¹² He was also required to arrange the establishment of a Chamber of Commerce for the development of trade.

The Development Bank of Ethiopia was established in its present form by Proclamation No. 116 of 1951.¹³ The functions of the Bank are:

- (1) To assist in the development of industrial and agricultural production in the Empire and

6. Ministers (Definition of Powers) Order, 1943, Order No. 1, *Neg. Gaz.*, year 2, no. 5.

7. Ethiopian Electric Light and Power Authority Charter, 1956, *Neg. Gaz.*, year 15, no. 5.

8. Imperial Board of Telecommunications Establishment Proclamation, 1952, Proc. No. 131, *Neg. Gaz.*, year 12, no. 5.

9. Ethiopian Air Lines, Incorporated Charter, 1945, *Neg. Gaz.*, year 5, no. 5.

10. Issued as Extraord. Issue No. 3, 1960, *Neg. Gaz.*, and introduced by the Commercial Code Proclamation, 1960, Proc. No. 166, *Neg. Gaz.*, year 19, no. 8.

11. See Chap. V-2, below.

12. Ministers (Definition of Powers) Order, 1943, cited above at note 6.

13. Development Bank of Ethiopia Establishment Proclamation, 1951, Proc. No. 116, *Neg. Gaz.*, year 10, no. 7.

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

- (2) To foster the investment of private capital for private purposes in the Empire.

In order to enable it to carry out these functions, it is given wide powers to make or guarantee loans, to issue and to deal in stocks and bonds, and to invest and participate in business.

The National Bank of Ethiopia, replacing the State Bank of Ethiopia, was chartered by Order No. 30 of 1963.¹⁴ It is the central bank, acting as the Government's banker, and it has the exclusive right to coin, print and issue money; to regulate the supply, availability and cost of money and credit; to arrange and administer the international resources of the Empire; and to licence and supervise other banks. Under the Monetary and Banking Proclamation of 1963,¹⁵ which authorises the National Bank to licence and supervise other banks, the Commercial Bank of Ethiopia and the Addis Ababa Bank have so far been licenced. In addition, Banco di Roma and Banco di Napoli continue to provide banking services in Eritrea under previous arrangements.

The Commercial Bank of Ethiopia offers limited stock exchange facilities for the shares of a number of public share companies established in Ethiopia. While the purchase of some such shares is limited to Ethiopian citizens, others are available to purchasers regardless of nationality.

2. Instruments of development policy

Financial instruments which can be used in the public sector are the annual budget and foreign loans and aid. To control the private sector taxation and regulation of domestic credit and of foreign exchange facilities can be used. Non-fiscal instruments applicable to both sectors are the provision of facilities for technical research and development and for training and developing labour.

Too often, in Ethiopia as in other developing countries, preoccupation with problems of raising funds for current spending has caused the development-promoting function of the budget to be neglected. Projects have been included in Ministry programmes without proper provision for them in related budget proposals. When cuts have been made in periods of financial stringency, they have frequently been made arbitrarily in all heads of the budget, rather than abandoning projects in reverse order of assessed priority. In later chapters, the framing of development budgets and their integration with development programmes is discussed, as well as how to ensure that subsequent modifications have the least unfavourable effects.

Foreign aid and loans are closely related to development programmes; offers of such aid are, however, not without their dangers and these are discussed in Chapter VII-1.

The Investment Decree of 1963¹⁶ provides for income tax relief for new enterprises and those investing substantial additional sums in Ethiopia; import duty relief on agricultural and industrial machines, implements and appliances; export duty relief on manufactured finished goods; foreign exchange facilities for remittance of profits and repatriation of capital of foreign investors, payment of interest and repayment of capital on foreign loans, remittances of savings of

14 National Bank of Ethiopia Charter, 1963, Order No. 30, *Neg. Gaz.*, year 22, no. 20.

15. Proc. No. 206, *Neg. Gaz.*, year 22, no. 20.

16. Decree No. 51, *Neg. Gaz.*, year 23, no. 1.

foreign employees and purchase of goods and materials. Though some of these facilities were formerly made available on an *ad hoc* basis to individual firms, their formal legal statement should inspire confidence in potential investors. This law has not been in force long enough for its effect to be judged, but such provisions could have a considerable effect on the availability of private funds for development.

Little attempt has yet been made to shape the general tax structure to the needs of development. Preoccupation with the short-term objectives of meeting current income needs and attachment to traditional sources of revenue, past assessments and methods of collection have delayed changes necessary to fit in with new planning concepts. Tariff protection of developing industries has been consciously applied only to a very limited extent, although customs duties, which are based almost solely on the need to find ready sources of budget revenue, do in fact provide some general measure of protection. Uncertainties as to tax liability and incidence has discouraged industrial development, while the relative leniency of taxes on developed land and the difficulties associated with collection of taxes on profits arising from land use have tended to divert capital into channels different from those envisaged in plans and programmes.

Efforts to stimulate small savings through the banks have had only limited success and widespread use is not yet made of bank accounts, due to a number of factors: suspicion of banks; prevalence of a subsistence economy; difficulties in communication; and limited banking facilities. This has resulted in reduced availability of internal savings usable for development purposes. The Development Bank has to some extent used foreign loans to grant domestic credits. On the whole, however, those needing loans for projects of agricultural and industrial development have not been able to meet the rather stringent conditions of the banks and there are no adequate arrangements for making use of current savings to increase fixed investment. Investment and credit facilities which will stimulate savings and direct them into the desired channels need to be developed and backed by the Government.

Uncertainty as to the operation of exchange control rules have in the past also tended to prevent investment of foreign capital in Ethiopia. The detailed rules laid down in the Investment Decree of 1963¹⁷ should help dispel this uncertainty.

Facilities for technical research and development are provided by the Technical Agency set up in 1963¹⁸ (see Chapter V-2) by the Ministry of Agriculture Extension service and by the Haile Sellassie I University. Recently, too, a Manpower Section has been established in the Labour Department of the Ministry of National Community Development with the task of assessing manpower needs and arranging for training, expansion and redeployment as necessary to further development. A high level manpower survey was undertaken in 1964 by the Haile Sellassie I University, in conjunction with the Labour Department, to forecast manpower needs at the graduate level so as to enable future University policy and plans to be formulated in line with development needs.

17. *Ibid.*

18. Technical Agency Order, 1963, Order No. 29, *Neg. Gaz.*, year 22. no. 15.

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

CHAPTER III

DEVELOPMENT POLICY-MAKING AUTHORITIES

1. *The Emperor*

The Emperor of Ethiopia must be given pride of place among the planning authorities of the country. He is given wide executive powers under the Revised Constitution of Ethiopia, 1955,¹⁹ including:

ART. 27. "The Emperor determines the organisation, powers and duties of all Ministries, executive departments and the administrations of the Government"

He could thus Himself undertake, or appoint any authority or person to undertake, any functions which He wished in connection with planning, execution and evaluation of economic and social plans.

ART. 36. "The Emperor, as Sovereign, has the duty to take all measures that may be necessary to ensure, at all times, . . . the safety and welfare of [the Empire's] inhabitants"

Presumably economic and social development plans, programmes and projects would be construed as being for the welfare of the inhabitants of the Empire and are thus within the prerogative of the Emperor.

Quite apart from His legal status and prerogatives, the Emperor enjoys, by virtue of His unique position, very great power to influence the decisions taken by other bodies. Among His many personal interests, the economic and social development of the Empire rank high and He personally presides over the Planning Board. He also approves and proclaims all legislation passed by Parliament.

2. *The Planning Board*

"The Planning Board is presided over by His Imperial Majesty Haile Sellassie I. The members of the Board are: His Highness Crown Prince Merid Azmatch Asfaw Wossen, the members of the Crown Council, the Prime Minister and Ministers of the Crown. The Board is a policy-making body, and meets from time to time to review the overall economic and social situation, and to decide upon major development policies."²⁰

In accordance with Article 70 of the Revised Constitution of Ethiopia of 1955,²¹ the Crown Council " . . . shall consist of the Archbishop, such Princes, Ministers and Dignitaries as may be designated by Him [the Emperor], and the President of the Senate."

Since the Council of Ministers consists of all the Ministers²² and is presided over by the Emperor or Prime Minister,²³ the Board consists of the Council of Ministers plus the Crown Prince, the Archbishop, the President of the Senate and such other Princes and Dignitaries as have been designated by the Emperor to be members of the Crown Council. The membership is imposing, but the Board is not, as such, politically responsible.

19. Promulgated by Proc. No. 149, *Neg. Gaz.*, year 15, no. 2.

20. *Second Plan*, Appendix I, at p. 361.

21. Cited above at note 19.

22. *Id.*, Art. 69.

23. Ministers (Definition of Powers) Order, 1943, cited above at note 6, as amended by Ministers (Definition of Powers) (Amendment), 1943, Order No. 2, *Neg. Gaz.*, year 3, no. 1.

The Planning Board's sponsorship of publicity concerning the plans might well facilitate their acceptance and implementation by the various official, semi-official and private bodies involved, as well as by the people in general. However, in view of the fact that the decisions of the Planning Board are largely political and that the members of the Council of Ministers constitute the majority of the members of the Board it would be preferable, from an administrative point of view, if the Planning Board were dissolved and its work undertaken by the Council of Ministers. This would eliminate one high-level considerative body — always a useful measure in view of the pressure on Ministers and other senior officials and dignitaries. It would also save time and potential duplication in planning functions and simplify the procedure involved when planning decisions need to be supported by legislation — drafts of law involving planning decisions could be submitted through the Council of Ministers either directly to the Emperor or, in appropriate cases, to Parliament and the Emperor for consideration. This would replace the present procedure under which, in important matters, a policy decision must be taken by the Planning Board before draft legislation is submitted to the Council of Ministers.

The replacement of the Planning Board by the Council of Ministers was recommended by Professor Oyrzanowski in his report,²⁴ but political considerations appear to have outweighed administrative ones and the Planning Board is included in the draft National Planning Administration Order with its membership unchanged. The head of the Planning Office is made the Secretary of the Board and the duties, functions and powers of the Board have been limited to the following:

- To give final consideration and approval to all development plans after elaboration through the planning administration and after provisional approval by the Planning Committee; and
- To publish to the Empire the adoption of all such plans and the achievements thereunder.

A "plan" is defined in the draft as "a statement of development objectives extending over two or more years." The Planning Board would thus be called upon to perform only functions appropriate to its august status — it would approve five year plans and general plans of a duration of two years or longer. Such plans would be socio-economic documents — blueprints of future development. The annual implementation programmes, on the other hand, which would become legal documents, would more appropriately move from the Planning Committee directly to the Council of Ministers and, from there, to Parliament and the Emperor for enactment. This would facilitate the correlation of the annual implementation programme with the development budget, as both should ideally be given final consideration, and eventually enacted, concurrently.

3. *The Planning Board Executive Organ (The Planning Committee)*

The Planning Board Executive Organ reports to the Planning Board and, like it, is without formal legal existence. It "initiates economic and social development policies and measures and gives instructions to Ministries, the Planning Office, technical agencies and other Government and private agencies for the elaboration of economic and development surveys, annual plans and medium and long-term plans. It is responsible for the follow-up of the implementation of the

24. B. Oyrzanowski, *The Institutional Set-up of Planning Economic Development in Ethiopia* (October, 1963, unpublished).

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

development plans and for the co-ordination of the economic and social development of the Nation."²⁵ Even if the Planning Board remains in existence, there would seem to be a strong case for making the Executive Organ a committee of the Council of Ministers. It has to make political decisions, interpret Government policy and co-ordinate the planning work of Government departments; many of its recommendations must be confirmed by the Council of Ministers in the form of draft laws and budgets, whether or not the Planning Board sees and endorses them as embodied in five year plans. As a committee of the Council of Ministers, its recommendations would carry great weight in that Council when its reports and recommendations came up for ratification there.

In the draft National Planning Administration Order the Planning Board Executive Organ has been re-named the Planning Committee. It is envisaged in the Order as the body which develops and elaborates the planning policy, subject to the responsibility of the Planning Board for approving long-term plans. It is also the body finally responsible for the co-ordination of the work entailed in preparing and implementing plans and programmes, wherever the work is done. Annual programmes, within the framework of longer-term plans, would be approved by the Planning Committee and sent to the Council of Ministers for consideration and eventual enactment by Parliament. These programmes would be closely co-ordinated with the annual budgets and would constitute the legal framework for social and economic development for the year.

One defect in the present Planning Board Executive Organ is its rather unwieldy size. It is chaired by the Prime Minister and Minister of the Pen and also includes the Ministers of Finance, Agriculture, Commerce and Industry, Public Works and Communications, Posts, Telegraphs and Telephones, Community Development, Public Health, Education, Information, Mines and State Domains, and the Governor of the State Bank of Ethiopia.²⁶ As the Executive Organ is presently constituted, its task might almost as well be undertaken by all Ministers constituting the Council of Ministers, thus eliminating another administrative body. On the other hand, the Planning Committee would constitute a very useful screening body if it were smaller. This is, after all, a national body rather than one representative of specific interests; Ministries, however deeply involved in the national development programmes, should not necessarily expect to be regularly represented on the Planning Committee. The draft National Planning Administration Order provides that it should consist of the Prime Minister as chairman, together with not less than four and not more than six other Ministers, chosen by the Council of Ministers, to serve as permanent members. In addition, the Planning Committee is given power in the draft Order to invite other officials of Government departments, representatives of private enterprises and organisations and experts to attend its meetings in an advisory capacity from time to time.

4. *The Council of Ministers*

The Council of Ministers is composed of all Ministers of the Empire and is collectively responsible to the Emperor for all advice and recommendations given to Him in Council.²⁷ Even if the Planning Board and the Planning Committee remain as at present envisaged, the Council of Ministers has a significant part to play in the development of planning policy. All implementing legislation

25. *Second Plan*, Appendix I, at p. 361.

26. *Ibid.*

27. *Rev. Const.*, Art. 69.

is considered by it; all budgets are considered and approved by it. As the body advising the Emperor on all political questions, it must keep in touch with all developments and proposals in the economic and social field. The members of the Council of Ministers are all members of the Planning Board and, in practice, constitute a majority of its members. The majority of the members of the Council of Ministers are also members of the Planning Board Executive Organ as at present constituted. The Ministries and other Government departments (whose Boards are normally presided over by Ministers) are the implementing organs for development plans and programmes. In the draft National Planning Administration Order, it is provided that annual development programmes should be approved by the Council of Ministers, after approval by the Planning Committee and before submission to Parliament.

5. *Parliament*

At present, annual implementation programmes, like five year plans and other long-term projections, are socio-economic and not legal documents. The function of Parliament in relation to them consists, therefore, of considering and approving estimates in the annual budgets for carrying out those projects which are to be financed from Government funds. Though a very important part of the planning process, this presents only a very partial view of the total planning picture — it leaves out those projects financed from other sources and does not present the annual programme in the context of the longer-term plans.

It is proposed in the draft National Planning Administration Order that annual implementation programmes should be enacted by Parliament concurrently with the annual budgets. This would bring Parliament more closely into contact with planning as such and ensure its active participation in the policy-making process. It would, however, be essential to keep Parliament continuously informed about the thinking in relation to five year plans and long-term projections and for this purpose reports, information and statistics would need to be made available to Parliament and carefully explained and elaborated to its members.

CHAPTER IV

PLANNING AND PROGRAMMING ORGANS

1. *Co-ordination and control of planning organs*

The administrative organs for planning and programming and the technical units assisting in the planning and implementing process are so vital to development that a new post of Minister of State for Development should be established in the Prime Minister's Office to direct their work. Subject to the Prime Minister's approval, he would exercise all the functions of the Prime Minister in relation to planning. He would also co-operate with the other departments of the Prime Minister's Office to ensure that they possessed up-to-date information to enable them to exercise control over the implementation of plans and programmes.

2. *The Planning Board Technical Co-ordination Committee*

The Planning Board Technical Co-ordination Committee "is chaired by the executive head of the Office of the Planning Board. [Its members] are executive heads of Planning Units, established in the Ministries and/or agencies dealing with economic and social development. The Committee reviews the various proposals and recommendations of the Office of the Planning Board and submits its re-

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

commendations to the Planning Board Executive Organ.”²⁸ This task seems better suited for administrators than for a committee, and in the draft National Planning Administration Order, the Committee’s function is given to the Planning Office.

3. *The Planning Office*

“The Office of the Planning Board [i.e. the Planning Office] is the secretariat of the Planning Board and its Executive Organ. It has a technical staff to serve the planning organs as a whole. This Office co-operates with the Central Statistical Office, the Technical Agency, the Planning Units of various Ministries, Haile Sellassie I University, the Investment Office, the Chamber of Commerce of Ethiopia, and other Planning Organs in carrying out the preparation of the development plan(s), evaluation reports about the implementation of the plan(s), applied economic and social research, publication and running training courses. . . .”²⁹

Such an Office conceivably might be attached to the Ministry of Finance or to the Prime Minister’s Office, or it might be established as an independent Ministry. Since the Prime Minister’s Office already is responsible for the good administration of the work of the Ministries, for supervising the execution of the laws and for ensuring the execution of the general and political business of the Government, however, it was logical that it should include the Planning Office. The establishment of a separate Ministry might well have resulted in a conflict of powers. On the other hand, the Ministry of Finance, by virtue of its other powers and responsibilities, is essentially restrictive in its functions whereas the planning function is expansive; it may well be that two such opposing functions could not be reconciled in one Ministry.

The draft National Planning Administration Order does not give any clear indication of the place of the Planning Office in the hierarchy. The only references to its location are provisions that its budget “shall be contained as a separate subhead in the budget of the Office of the Prime Minister” and that “the internal organisation of the Planning Office shall be submitted to and approved by the Prime Minister.” It is also provided that the head of the Planning Office shall be of the rank of Assistant Minister or above and shall be appointed by the Emperor; no indication is given as to whom he should report. The draft Order should be amended to provide that the head of the Planning Office should report to a Minister of State in the Prime Minister’s Office, who should be responsible for all its operations. A great deal of discretion should, however, in practice be left to the head of the Planning Office in the organisation and running of his office as well as in the preparation and execution of its budget.

In the draft National Planning Administration Order, the general duties and functions of the Planning Office are detailed as:

- (1) Generally to carry out all its functions and duties as laid down in the Order.
- (2) To prepare, for approval and issuance by the Planning Committee, directives on the elaboration of plans by Planning Units based upon general Government policies as interpreted by the said Planning Committee.
- (3) To prepare a co-ordinated draft of each development plan for submission to and approval by the Planning Committee and Planning Board.
- (4) To prepare, in accordance with development plans previously adopted, a statement of general objectives for each annual development programme for submission to and approval by the Planning Committee.

28. *Second Plan*, Appendix I, at p. 361.

29. *Id.*, p. 362.

- (5) To aid Planning Units at both the departmental and sectoral level in the formulation and co-ordination of programmes.
- (6) To provide for and assist in the integration and co-ordination of plans and programmes prepared by the Development Units of the Government departments into wider sectoral plans and programmes embracing all economic and social development in the sector in question.
- (7) To provide for and assist in the co-ordination of individual sectoral programmes prepared by the Sectoral Committees in order to establish a consolidated annual development programme for submission to and provisional approval by the Planning Committee.
- (8) To co-ordinate the individual annual development budget estimates of each Government department, available foreign assistance and all other revenue from other sources which may be devoted to development, in order to establish a consolidated annual development budget for submission to and approval by the Planning Committee.
- (9) To receive follow-up reports from each Government department and the observations of the governors-general of provinces concerning the implementation of annual development programmes and upon the basis of such reports and observations to make recommendations to the Planning Committee for adjustments in such programmes when found necessary.
- (10) To prepare and submit to the Planning Committee an annual report evaluating the implementation of each annual programme, such report to include:
 - (a) a detailed analysis and criticism of the implementation of the annual development programme in its entirety, including in particular the relationship of the annual development programme to the plan and a list of national, regional or sectoral fields deemed over-emphasized or under-emphasized;
 - (b) the prospective value of each project contained in the annual development programme to the national, regional and sectoral economies, and any changes in that value since the preceding report; and
 - (c) an evaluation of the work of each Planning Unit.
- (11) To prepare for public distribution, both within Ethiopia and abroad, periodic reports on the adoption and implementation of plans and annual development programmes.

In addition to the general power to carry out all its duties and functions, the Planning Office is given the following powers:

- (a) To establish procedures which shall be followed by the Planning Units in the preparation of their programmes and the general carrying out of their duties and functions.
- (b) To appoint professional, technical and other advisory experts or committees to render advice and assistance on either general or specific subjects in the field of development planning.
- (c) To ensure that the heads of Government departments and the chairmen of the Sectoral Committees comply with the work schedules approved by the Planning Committees for the preparation and submission of plans and programmes.

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

- (d) To require each Sectoral Committee and Government department to provide to the Planning Office all important data and reports in its hands relating to economic and social development planning.
- (e) Generally, to ensure that each Sectoral Committee and Government department complies with all obligations imposed on it in the Order or by direction of the Planning Committee.

Although an obligation is laid on all Planning Units and Government departments to co-operate with the Planning Office in carrying out its functions, there must also, in the last resort, be power to require the Government departments to provide information. Since many department heads will be senior in rank to the head of the Planning Office, however, it would perhaps have been better if this power had been formally given to the Prime Minister, to be used in his name. It must be emphasized, however, that planning can only be successful if a system of personal and professional relationships is established which enables the planning organs to secure the information and the co-operation which they need without recourse to the use of such powers.

Details regarding the organisation of the Planning Office and the functions of its subdivisions have been omitted from the draft law, for convenience in making any necessary future alterations to the structure. All of these details, however, will have to be made explicit in internal regulations.

I consider that at this stage the Planning Office should consist of three departments: the Economic and Social Research Department, the Co-ordination and Follow-Up Department and the Administrative Services Department.³⁰

The Economic and Social Research Department could be organised into four divisions:

- (1) *The Research Division* would make studies of the Ethiopian economy and would supply other planning organs with the information thus gathered. For each medium-range or long-range plan, the Division would also gather information from other units of the Planning Office and external planning bodies and study laws enacted by Parliament and speeches of the Emperor and high-level Government officials to determine the prevailing social and economic policies. It would then draft directives, based upon those policies, for the elaboration of the plan by Government departments; such directives would be approved by the Planning Committee and sent to Government departments by the appropriate Sectoral Divisions. The Division would also formulate general objectives for each annual programme in accordance with previously adopted plans.
- (2) *The Statistical Division* would produce and tabulate the statistics required by the Research and Publications Divisions and would make the computations necessary for economic projections and plans. This would involve research as well as the gathering of data from various Government agencies. The activities of this Division would not duplicate those of the Central Statistical Office, but would re-frame and supplement those statistics to fit the needs of the Planning Office.
- (3) *The Publications Division* would have a most vital function: creating interest in the development activities of Ethiopia. It should prepare at-

30. See Appendix III, below.

tractive annual reports for distribution to the public in Ethiopia and abroad and news releases in simplified language for the news media as well as for dissemination by word of mouth by Government agents in the provinces and districts.

The Co-ordination and Follow-Up Department could be organised into six Sectoral Divisions and a Regional Division. The Sectoral Divisions should correspond in the scope of their functions to that of the Sectoral Development Committees and might be: Industry, Power and Mines Division; Agriculture Division; Transport and Communications Division; Building and Construction Division; Trade Division and Social Services Division:

- (1) Each of the six *Sectoral Divisions* would, within its sector, take the first steps in regard to five year plans. It would send directives to each Government department within its sector, asking for elaboration of the plans by their Development Units. The directives would inform each department of the general policies to be followed in creating its proposals. After each department had submitted its proposals to its Sectoral Development Committee, the Committee would make its own proposals. The suggestions of both the Government departments and the Sectoral Development Committee would then be studied by the appropriate Sectoral Division and forwarded with its recommendations to the head of the Department for consolidation.

Each Sectoral Division would assist its corresponding Sectoral Development Committee and the Government departments within the sphere of that Committee in elaborating an annual programme. When a final sectoral programme was submitted by the Committee, the Division would evaluate it in conjunction with recommendations received from the Regional Division. The consolidated annual programme for the sector would then be forwarded to the head of the Department for co-ordination.

Each Sectoral Division also would assist the Government departments in its sector in following up the implementation of the programmes by means of quarterly and annual reports. These reports would be forwarded to the head of the department for consolidation into the annual evaluation report of the Planning Office.

- (2) *The Regional Division* would provide the staff of the Planning Office with the viewpoint of the provincial leaders. By receiving information from each governor-general as to the provincial needs in all sectors, the Division would make available an opinion that was more geographic than economic and one that might include some aspects not mentioned in the sectoral recommendations.

It would be the job of the Regional Division to keep the governor-general of each province fully informed of economic development in each major sector in Ethiopia in general and in his province in particular. The Division would transmit the views of governors-general to the Sectoral Divisions for co-ordination with the proposals of the Sectoral Development Committees.

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

The head of the Co-ordination and Follow-Up Department would receive directly from Government departments their preliminary budgetary estimates of expenditure based upon the plan provisionally approved by the Planning Committee. He would also receive from the financial institutions suggested figures of loans for economic development, and from the Minister of Finance a preliminary estimate of the funds available for development expenditure during the following year, including foreign assistance. He would co-ordinate all those estimates with the annual programme provisionally approved.

The Administrative Services Department should attend to all house-keeping arrangements for the planning administration.

4. Sectoral Development Committees

The second five year plan contemplates six standing committees for co-ordinating planning activities: (1) Planning and Investment Committee, (2) Finance Credit Committee, (3) Trade Committee, (4) Social Development Committee, (5) Land Reform and Settlement Committee, and (6) Legislation Committee. These committees do not seem adequately to cover the sectors which should be emphasized in development planning. Finance and legislation, for example, should be considered in relation to each sector covered by the plan, while industry, power, mining resources, agriculture, transport and construction work do not seem to be given enough emphasis in the committees as at present constituted. The following Sectoral Development Committees should therefore be formed, corresponding to the proposed Sectoral Divisions in the Co-ordination and Follow-Up Department of the Planning Office:

- (1) Industry, Power and Mines
- (2) Agriculture
- (3) Transport and Communications
- (4) Building and Construction
- (5) Trade
- (6) Social Services

Each Sectoral Development Committee would be the body which would view the sector as a whole, including related investment and financing, legislation, land use and manpower. It would co-ordinate the programmes and projects within the sector and maintain an even balance between the interests of the various Government departments. The draft National Planning Administration Order provides for the establishment of such Sectoral Development Committees. The chairman of each of these committees should be a senior official in one of the Government departments principally involved in the activities related to the sector concerned. The other members would be the heads of the Development Units of the Government departments involved in the activities of the sector, other officials who are considered experts in particular problems involved, and representatives of the Chamber of Commerce of Addis Ababa and of private businesses involved. The committees should report, through their chairmen, to the head of the Planning Office.

It is important that the Sectoral Development Committees should ensure that projects are viable, ensure that each project is allocated to a specific Government department, and rank them in order of priority. It is essential that priorities be seen to be of crucial importance, as they will determine which pro-

jects must be abandoned or deferred in the event of capital or other resources not being available for all projects, and also which additional projects should be included if additional resources become available.

The projects in each sector finally approved in a five year plan should be subdivided by years, so that a clear picture is presented both of how the projects of each sector will progress during the plan and what proportion of each sector's projects are expected to appear in each annual programme. Only in this way can a rational assessment be made of the viability of plans and programmes. Such a breakdown is also very useful for the supervision, follow-up and evaluation of the results of plans and programmes.

5. Development Units in Ministries and Government Agencies

The elaboration and implementation of realistic plans, programmes and projects depend primarily on the Government departments. While the success of development planning depends to a considerable extent on their good general administrative structure and methods of work, it is also important that effective Development Units should be established and consolidated in them.

The document introducing the second five year plan contains the following statement regarding the function of Planning Units:

"Planning Units are established in the executive Ministries and/or agencies headed by senior officials of the Government. The functions of the Planning Units are to plan the activities of their Ministries and agencies, research and statistics, to prepare and follow-up the implementation of the development plans and departmental co-ordination. These Planning Units have direct contacts with the Office of the Planning Board. The head of each Planning Unit is responsible to his Minister, and in liaison with the Office of the Planning Board and with the Planning Units of other Ministries and agencies in the course of preparing the development plan(s), co-ordination, and in the course of implementation of said plans(s) and research work and training courses. . . ."

In a few of the Government departments such Units are working effectively; in others they have not been given sufficient status or power to enable them to carry out their functions effectively. These Units must be fully aware of the policies and aspirations of their organisation, and of the financial, manpower and material resources likely to be available for the implementation of projects. They should also be fully aware of the general Government development policy and of all decisions taken by the Planning Board and the Planning Committee, as well as being in close touch with the work of the Planning Office. While each Unit must press the policy and claims of its Government department in the Sectoral Committees, to the Planning Office and to the Planning Council, it must also point out within the Government department the limitations within which planning and programming must be accomplished. Such Units should be named Development Units, which would more correctly describe them, as their functions include responsibilities in relation to execution and follow-up of plans, programmes and projects as well as the planning function itself.

The Development Units must be recognised as integral parts of departments, responsible to the department heads. It must also be recognised, however, that they have a special relationship to other planning organs, one of their functions being to ensure maximum co-operation between their department and the planning organs.

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

CHAPTER V

TECHNICAL UNITS ASSISTING IN THE PLANNING PROCESS

1. *The Central Statistical Office*

The provision of reliable statistical data is of paramount importance for the formulation and periodic appraisal of plans and programmes. In the past, such statistical data as existed was dispersed among Government departments and private enterprises. Some limited attempts to consolidate, co-ordinate and classify this data were made by such bodies as the Ministry of Commerce and Industry and the State Bank of Ethiopia.

The Central Statistical Office was established in June, 1960 and was given an independent budget for the year 1961/62. Since January, 1963 it has been attached to the Prime Minister's Office. Its functions have been to co-ordinate the work of the statistical units in Government departments and to plan the establishment of effective national statistical services. It is advised by the Inter-Ministerial Committee of Statisticians, which was set up in 1959.

In June, 1960, a Five Year Statistical Programme for 1961-1965, drawn up by the Inter-Ministerial Committee, established priorities and timetables for the collection of new statistical series; provided for the expansion and development of statistical services, keeping primarily in view the requirements of national planning; established priorities for new statistical services and provided for the development of the Central Statistical Office. This programme is now the guiding document in statistical development.

Considerable progress has been achieved since the Central Statistical Office was set up. What has been done, however, has been sporadic and conditioned by such factors as budgetary provisions and problems and administrative pressures arising from time to time, rather than following a well-planned development pattern. Progress has been made largely through the insufficiently co-ordinated efforts of individual Government departments and agencies. The functions of the statistical units in Government departments need to be expanded and co-ordinated to provide the needed range and type of statistics.

Another gap in the statistical service is the lack of adequate statistical units in the provinces. While the Ministry of Agriculture, the Commercial Bank of Ethiopia, the Customs Administration and the Ministry of Commerce and Industry have offices in some of the provincial centres which provide statistical data, these need to be developed into viable provincial units which will provide a continuous flow of reliable statistics to the headquarters of the Government departments and, through them, to the Central Statistical Office.

A draft Central Statistical Office Order, drawn up in 1964 to regularise statistical services, provides for the legal establishment of the Central Statistical Office, reporting to the Prime Minister as President of the Planning Board Committee (i.e., the Planning Board Executive Organ), and lays down its powers and duties. Together with the draft National Statistical Proclamation, it establishes the legal framework for the development of statistical services in the Empire. This proposed legislation, while avoiding over-centralisation of statistical services, makes the Central Statistical Office the overall co-ordinating and supervisory authority and provides the machinery for effective interdepartmental co-operation. It also establishes the Central Statistical Office as the general advisory body to the Government, through the Planning Board Committee, on all matters of statistical policy.

In view of the role of the Central Statistical Office as a source of data essential to national planning, it should come under the control of a Minister of State in the Prime Minister's Office who, it is proposed, should be responsible for all planning activities.

2. *The Technical Agency*

The Technical Agency was established by the Technical Agency Order, 1963.³¹ It is stated to be an organ of the Planning Board and to work under the direct supervision of the Planning Board Executive Organ.³²

The duties and functions of the Agency are established in the Order as follows:

- (1) In accordance with the approved Annual Working Programmes and upon the request of the Planning Board and in consultation with the competent Ministry or Ministries, to undertake economic and technical feasibility studies, looking to the establishment of economic and social development projects and enterprises envisaged in the development plans;
- (2) Following preparation of these plans and their submission by the competent Ministry or Ministries for approval by the Planning Board and at the request of the Board and in consultation with the competent Ministry or Ministries, to prepare or cause to be prepared all necessary designs, plans, specifications, drawings and other technical material required for the requesting of tenders and the construction or installation of facilities;
- (3) At the request of the Planning Board and in consultation with the competent Ministry or Ministries to:
 - (i) request tenders for such construction and make recommendations as to the letting of contracts therefor;
 - (ii) prepare and negotiate contracts in connexion with all aspects of its activities;
 - (iii) supervise such construction and, in connexion therewith, issue orders for the making of payments to contractors in accordance with the terms of contracts entered into with them;
 - (iv) make recommendations concerning the employment of competent management personnel for industrial enterprises so established.

The Agency, which may provide its services in connexion with the establishment of economic and social development projects privately financed as well as those financed from Government sources, is empowered to undertake any of its activities either directly through its own personnel or by utilising the service of independent experts. To the maximum extent feasible, independent consulting architectural and engineering firms are to be retained to perform services in connexion with projects submitted to the Agency.

The ultimate decision-making function with respect to (1) questions of policy and substance arising in connexion with the planning, and (2) the establishment and operation of projects and enterprises, is to remain vested in the Planning Board and competent Ministries. The Agency is therefore required to keep the Planning Board fully informed of its activities. It must also maintain close liaison

31. Cited above at note 18.

32. *Second Plan*, Appendix I, at p. 363.

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

with the Ministries most directly concerned with any given project and establish, where necessary, advisory committees of technicians and experts (who may be co-opted from other organisations with the latter's content).

The Agency is not yet well established, and its services have not yet proved significant for economic and social development programmes. Adequate feasibility studies are essential for the establishment of viable plans and programmes, however. To integrate the Agency's work with that of other bodies concerned with planning and development, it should be made legally responsible to the Prime Minister and should, in practice, come under the control of a Minister of State in the Prime Minister's Office who, it is proposed, should be responsible for all planning activities.

3. *The Development Fund*

The Development Fund was envisaged as a special Government fund set aside for financing development projects. Such a fund would have the advantage of directing resources earmarked for development into the projects approved by the Annual Development Programme. It would have the disadvantage, however, of segregating into separate channels, with separate controls and differing administrative procedures, these resources earmarked for development projects and those resources approved for recurring expenditure in connexion with those projects after they were established, as well as resources at the disposal of Ministries or agencies for other purposes. Such a fund would detract from the powers of the departments charged with all the executive functions of government and would place responsibility for implementation on the planning organs controlling the fund.

The document introducing the second five year plan stated that the Development Fund had been set up under the Planning Board "for the furtherance of development plans."³³ However, no evidence of its existence appears in subsequent Annual Budgets, and it appears that it is not now the intention to proceed with it.

4. *The Investment Committee*

The Investment Committee, set up under the Investment Decree, 1963,³⁴ has as "its principal purpose the study and recommendations of measures to be taken with respect to facilities, tax exemptions. . . and related benefits and privileges to be accorded to potential investors in order to stimulate and encourage private capital investment in Ethiopia." The preamble to the Decree makes it clear that such encouragement is intended to apply to the investment of both foreign and domestic capital.

The Committee consists of the Ministers of Agriculture, Commerce and Industry, and Finance (or their designated representatives), the Governor of the National Bank of Ethiopia and the Head of the Planning Board.

All proposed individual projects for private investment which require the exercise of any discretionary power conferred on any Ministry by law are to be submitted to the Investment Committee for review. It recommends to the Ministries concerned specific action to be taken on them within the limits of the law and the discretion conferred on the Ministry. Steps should be taken to

33. *Ibid.*

34. Cited above at note 16.

bring the Investment Committee under the control of a Minister of State in the Prime Minister's Office responsible for all planning activities.

The Investment Committee has not been in existence long enough for an assessment to be made of its contribution to the fulfillment of development plans and programmes.

5. *The Economic and Technical Assistance Board*

The Economic and Technical Assistance Board, which now operates under the Minister of Finance, was set up to replace the former Technical Assistance Committee and the Economic Assistance Board. It conducts negotiations with foreign governments and international bodies supplying economic and technical assistance to Ethiopia. The Board was administratively established and has no separate legal existence.

At present, the Board handles practically only such assistance as comes from the U.N. and the United States, often leaving assistance coming from other sources to be negotiated separately, and sometimes independently, by the Government departments concerned. However, the draft National Planning Administration Order gives the Board the exclusive right to conduct negotiations and sign contracts with foreign organisations, whether international, governmental or private, in regard to foreign assistance to be supplied to the Ethiopian Government or any of its departments. It also provides that representatives of affected Government departments shall be invited to participate in negotiations and that no contract for foreign assistance requiring subsequent expenditure of domestic monies may be signed unless the resulting investment projects have been included in, and the expenditure foreseen by, the development programme provisionally approved by the Planning Committee.

It is essential to effective planning that all assistance received from abroad should be properly co-ordinated with development plans and programmes. To this end it is highly desirable that a body such as the Board should be made responsible for all negotiations for such assistance. In view of the need for a continuous exchange of information between the Planning Office and the Board and the essential role of the Board's work in the planning process, the Board should be attached to the Prime Minister's Office, rather than operate under the Minister of Finance, and should come under the control of a Minister of State responsible for all planning activities. It is also desirable that the Board be legally established and its powers and duties laid down in a legal document.

The control of the application of economic and technical assistance would, under the draft National Planning Administration Order, become part of the normal supervision and follow-up of the implementation of development plans and programmes.³⁵

CHAPTER VI

GENERAL PLANS AND SPECIAL DETAILED PROGRAMMES

1. *Five Year Plans*

The setting of the objectives of a five year plan is primarily a political process. The general trend of Government policy, involving more than purely economic or social considerations, must be considered. For this reason, responsi-

35. See Chap. VIII, below.

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

bility for approving the policy underlying each five year plan and the subsequent adoption of the plan should rest with the Council of Ministers and the Emperor. Parliamentary approval is not appropriate, as such a plan should be in the nature of a socio-economic document rather than a legal one; Parliament should be kept fully informed of the facts and the thinking behind the plan and of the objective being pursued, but should not be called upon to enact or approve the plan as such.

Under present procedure and in the draft National Planning Administration Order, the final approval of five year plans rests with the Planning Board. While it would seem to be more appropriate if such plans were considered by the Emperor and the Council of Ministers as such, the present arrangement broadly fulfills the requirement of political consideration of such plans.

Consideration of policies and objectives to be embodied in each five year plan is, at present, also a matter for the Planning Board. In the draft Order, however, interpretation of Government policies for the guidance of the various planning organs is laid to the Planning Committee. As discussed earlier,³⁶ these policies could be determined in the first instance by the Research Division of the Planning Office and then submitted to the Planning Committee for approval.

2. Area programmes and their co-ordination with the national plan

There are fourteen provinces in Ethiopia, subdivided into ninety-eight sub-provinces. There is no local self-government in the provinces, the provincial and sub-provincial administrative system being a localised extension of the central government. At present a limited amount of self-government is being proposed for the sub-provinces. This proposal, if adopted, may radically change the relationship of the area authorities to the Government departments and central planning organs. The discussion below is, however, based on the existing administrative pattern.

Up to now, there have been no area programmes as such and no provision for the co-ordination of sectoral plans at the provincial or sub-provincial level. Planning and development have been seen as matters for Government departments, in consultation with organs of the private sector, and no place has been given to the provincial officials as such in the planning process. As officials of Government departments, they may be consulted in relation to the provincial aspects of the departmental plans, but there has been no elaboration of overall plans or the setting of priorities within the areas themselves.

The proposals and comments of those involved in development programmes and projects in the various parts of the Empire should be taken more into account, independently of the information coming through Government departments. It therefore is important that governors-general of provinces should have a recognised place in the planning organisation. In view of the past history of centralisation, however, it would be wise to make their participation one of gradually increasing importance.

In the draft National Planning Administration Order, the Planning Committee is required "to provide for the participation of Governors-General and other provincial and local authorities in the planning and development process." Subordinate legislation should be enacted providing for the participation of the re-

36. See Chap. IV-3, above.

representatives of the various areas of the country in the planning machinery. However, it would be premature now to provide for their close integration into the planning machinery.

The role of the provincial governor-general eventually should include: to co-ordinate the various Government departments' programmes within the province; to draw up a schedule of priorities for projects within the province; to follow up progress on implementation, reporting difficulties and supporting the agents of Government departments in their justified requests for assistance; to inform Government departments of local conditions, institutions, customs, and prejudices; to suggest priorities for future programmes and to indicate what further assistance is needed to ensure implementation.

3. *Programmes for certain branches of the economy*

While provision is now made for Planning Units within Government departments — whether or not they operate effectively — no proper provision is made for co-ordinating programmes within the various sectors of the economy. In some cases one ministry covers almost the whole of a sector, but in others a number of departments are involved. The balanced development of the transport and communications sectors, for example, requires machinery for co-ordinating the projects of the Ministry of Public Works and Communications; the Ministry of Posts, Telegraphs and Telephones; the Imperial Board of Telecommunications of Ethiopia; the Imperial Highway Authority; and Ethiopian Air Lines, Inc.

The Standing Committees now established — Planning and Investment, Finance and Credit, Trade, Social Development, Land Reform and Settlement, and Legislation — in most cases cut across all sectors. It therefore is important that a Sectoral Development Committee, and a corresponding Sectoral Division in the Planning Office, should be established for each major sector of the economy. Such committees would co-ordinate the plans and programmes of the departments within their sectors and ensure the balanced development of the sector as a whole.

4. *Annual implementation programmes*

An annual programme loses all its effectiveness when it is not completed until months after the adoption of the budget that will finance it. Integrated work schedules for both planning and budgeting are therefore necessary. The draft National Planning Administration Order requires the Planning Committee to establish co-ordinated annual work schedules with completion dates for each stage of the planning procedures and the preparation of the budget estimates therefor. These work schedules shall be strictly enforced by the Prime Minister and must be published in the *Negarit Gazeta* and be binding and strictly adhered to. There will undoubtedly be difficulties in preparing these schedules, as initial planning must be done as far in advance of budget formulation as possible, while the budget for capital expenditure must be merged with that for recurring expenditure and the completed budget must be adopted immediately before or very soon after the beginning of the fiscal year. (The present law requires the budget to be approved before the beginning of the relevant fiscal year.)

The planning procedure begins with the formulation of objectives in accordance with the five year plan and in the light of the latest available reports on the plans as a whole and on the previous annual implementation programmes. This should be done by the Economic and Social Research Division of the Planning Office, and its recommendations should be sent, after review by the head of the Planning Office, to the Planning Committee for approval.

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

After such approval, the Sectoral Divisions of the Planning Office would prepare directives for the Government departments in their sectors, informing them of the objectives approved and giving them guidance on the formulation of their parts of the annual programme. At the same time the Regional Division would inform governors-general of provinces of the objectives approved.

On receipt of such directives, the Development Units in the various Government departments would begin to formulate proposals, seeking assistance as necessary from the Sectoral Divisions of the Planning Office and obtaining from other divisions of their organisations necessary data. At the same time, the department representatives in the provinces would be required to obtain the views of the governors-general on development projects in their areas.

When a Development Unit had completed its programme and list of priorities, these would be reviewed by the senior officials of the Government department and forwarded to the appropriate Sectoral Development Committee. The programme would include an assessment of each project in relation to the programme as a whole and proposals as to how each project should be financed.

When a Sectoral Development Committee had reviewed the programme prepared by the Government departments in its sector, it would discuss and evaluate the proposals, calling as necessary upon the assistance of the corresponding Sectoral Division of the Planning Office. It would discuss with other Sectoral Development Committees projects which were related to projects in other sectors. Each Sectoral Development Committee would establish a programme for its sector and arrange the projects within it in order of priority. The programme would then be forwarded to the corresponding Sectoral Division of the Co-ordination and Follow-Up Department of the Planning Office. At the same time, the Regional Division would arrange for governors-general of provinces (or their representatives) to be convened so that their views on the projects proposed for their provinces and the general development needs of their provinces might be obtained; these views and proposals would be made known to the Sectoral Divisions, which would consolidate plans for their sectors in the light of all the information at their disposal and forward them to the head of the Co-ordination and Follow-Up Department. He would co-ordinate them into a consolidated programme for the financial year, listing projects in order of priority. Problems which could not be resolved within the Planning Office would be referred to the Planning Committee for decision.

The co-ordinated programme would then be sent to the Planning Committee for provisional approval. The main consideration from this stage on should be not whether individual projects were advisable or possible, but whether the projects that had been provisionally approved could be financed. If resources were not available for all of the projects, then the programme could be reduced by the elimination of projects, beginning at the bottom of the priority list. After being considered by the Planning Committee the programme would be sent to the Council of Ministers, the Emperor and Parliament, where it would be considered in close relation to the annual budget.³⁷

5. *The legal force of plans and programmes*

At present, no plans, programmes or projects have, by themselves, any legal force. Estimates for projects may be included in the annual budget, which is enacted. International loans may be contracted for projects, and these loans must

37. See Appendix III, below.

be approved by Parliament. In this way, projects, and therefore the programmes which they collectively constitute, may be said, indirectly, to have some legal force, but the relationship is rather strained. It is the financial allocation rather than the projects themselves which are legally recognised.

The detailed operation of five year plans and longer-term projections is not considered sufficiently foreseeable to justify giving them legal force. Since details and priorities may well be altered out of all recognition in the course of their implementation, a legally enforceable document might well be more of a hindrance and embarrassment than a help. The proposed National Planning Administration Order does not, therefore, provide for the legal enactment of such documents.

On the other hand, annual implementation programmes provide for the relatively near future. They are closely related to, and integrated with, annual budgets. The procedures laid down in the draft National Planning Administration Order therefore envisage annual implementation programmes becoming, like the annual budgets, legally enacted documents, part of the law of the land, which must be obeyed and implemented like any other laws.

CHAPTER VII

FINANCING OF PLANS AND PROGRAMMES

1. *Overseas sources of finance*

Overseas sources of finance for development projects in Ethiopia fall broadly into two categories: (1) investments and loans arranged for private individuals and corporations and (2) loans and gifts in cash or in kind received by the Government, or Government departments, from foreign governments, international bodies or private organisations.

Business investments and loans by overseas investors and creditors to individuals and corporations for development purposes are encouraged by the provisions of the Investment Decree of 1963.³⁸ The means of ensuring that the projects of Ethiopian companies conform to national plans are discussed in the next sections, and the problems are not basically different where the financing of the projects is assisted by foreign capital. However, as an additional measure, foreign investments and loans could be given more favourable Government conditions if the firms receiving them were conforming to the objectives of plans and programmes. So far as foreign firms or their branches are concerned, they also could be given concessions if they phased their development and undertook projects in conformity with national development plans and programmes established from time to time.

All assistance negotiated for the Government and Government departments is to finance particular projects. It is part of the planning procedure to ensure that such financing is in accordance with established plans and programmes. The Economic and Technical Assistance Board³⁹ is the organ designated by the draft National Planning Administration Order as having the exclusive right to negotiate such assistance. It will be for the planning organs, and particularly the Minister of State for Development in the Prime Minister's Office and the

38. Cited above at note 16.

39. See Chap. V-5, above.

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

Planning Office, in consultation with the Economic and Technical Assistance Board, to ensure that such assistance is properly integrated with development projects and provided for in plans and programmes.

It is not always realised that economic and technical assistance in the form of gifts from abroad should be controlled in a manner similar to loans and geared to plans and programmes. It may prove practicable and desirable to exempt gifts up to a certain value from the controls imposed, although this should be done under established rules and procedures. However, offers, e.g., of money to build roads, of personnel to establish teaching institutions or of aircraft for the national airline may have substantial effect on national plans and should be subject to careful scrutiny by the Economic and Technical Assistance Board, in close co-operation with the Planning Office. The construction of roads and the establishment of teaching institutions almost invariably involve the expenditure of domestic monies in addition to those provided from abroad and, when completed, they involve annual recurring expenditure for operation and maintenance. A gift of aircraft of other than the normal types used by the national airline, or those considered most suitable for the type of service involved, might well cost the airline, over the years in additional operating costs, more than the initial cost of more appropriate aircraft.

Politically, it may prove embarrassing to refuse gifts from friendly countries; economically, it may prove equally embarrassing to accept them. The implications of doing so for economic planning and development should be thoroughly investigated and considered.

It is customary and natural that an offer from a foreign government or international agency should be made directly to the government concerned. The important point is that such an offer should be immediately transmitted to the Economic and Technical Assistance Board and that the Board should from that point take charge of the negotiations. This does not remove the matter from the consideration of the Government department, since the Board cannot conduct intelligent negotiations without the assistance of its personnel, which is provided for in the draft Order. This centralisation of foreign assistance negotiations will give the Economic and Technical Assistance Board a total view of the projects proposed and it will give the Board an opportunity to consolidate the various offers and, if it wishes, to make counter proposals of its own.

The signing of contracts for foreign assistance is prohibited by the draft legislation until the project involved, including any subsequent expenditure of domestic monies, has appeared in the programme for the sector concerned and been provisionally approved by the Planning Committee. This is the earliest time in the planning procedure that anything definite can be done in this regard. Even at this stage, there is the possibility that such projects may be deleted from the programme in the later consideration of financial matters. A problem therefore arises that cannot be settled by the establishment of strict procedural rules but must depend on intelligent action taken by the Economic and Technical Assistance Board. If a low priority is assigned to a project that would depend upon foreign assistance, then the Board would have to delay signing any contract until it was definite that the project would be included in the programme.

2. *Private domestic sources of finance*

As part of the planning process, each year it will be necessary for the National Bank of Ethiopia, in consultation with the other banks, to calculate what expansion of funds should be allowed during the succeeding year for develop-

ment purposes and to report this to the Planning Office. After provisional approval of the annual implementation programme by the Planning Committee, the National Bank will be informed of the programme adopted. The National Bank, exercising its power of supervision over other banks in Ethiopia,⁴⁰ should then issue directives to them on the framing of their credit policy for the year and indicate the re-discount policy which it will itself pursue.⁴¹ Such directives may need to be modified when the annual programme is finally enacted and proclaimed.

Authority to establish companies, increase their share capital or float loans for them could and should be restricted or prevented by the National Bank unless their policies and projects conform to development plans and programmes. Projects which do not require bank loans, increase in share capital or the floating of public loans can be controlled by indirect means. Tax concessions, free or cheap factory sites and cheap utilities, for example, can be used to encourage desirable activities. On the other hand, taxes, export and import restrictions, embargos on the use of foreign currencies and restrictions on the use of land can be used to discourage undesirable activities.

3. *Funds from the public sector*

The funds made available for development purposes by public authorities providing commercial services from the balance of their receipts over normal expenditure will be communicated to the Planning Office together with the draft annual implementation programmes prepared by these authorities. Most of the public funds available for development purposes, however, will be provided from the annual budget, the preparation and presentation of which is discussed below.

When the Government departments are notified of the provisional approval of the annual implementation programme, their Development Units would co-operate closely with the sections responsible for budget preparation in order to formulate an expenditure budgetary estimate for the carrying out of approved projects. As the cost of individual projects would have been refined in the previous planning process, this should be accomplished quickly. Each department would integrate the capital and recurring portions of its budget and forward it to the Ministry of Finance. A copy of the capital portion would be sent to the Planning Office for use by the Co-ordination and Follow-Up Department in framing a programme that is integrated in its physical and financial aspects.

The Minister of Finance prepares the annual budget for the Empire.⁴² In considering recurring expenditure, the Minister takes into account the proposals submitted to him by each Ministry,⁴³ but the proposals which he finally presents to the Council of Ministers are his own. With regard to development expenditure, however, the proposals would have been evolved from the programme approved by the Planning Committee, of which the Minister of Finance is a member, and it would not be necessary for him to evaluate the details of this part of the budget. It is part of his task to find the revenue and other means of balancing the total budget, however, and the final budget has to be based on the economic and financial conditions of the country as near as possible to the

40. Monetary and Banking Proclamation, 1963, cited above at note 15, Art. 2.

41. It may be necessary to amend the banking law to enable a sufficiently flexible policy to be followed.

42. Ministers (Definition of Powers) Order, 1943, cited above at note 6, Art. 46(a).

43. *Id.*, Art. 16.

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

beginning of the fiscal year and on the changes expected during the year. Because more exact estimates of these conditions will be possible at the time of budget preparation, it may be that it will be necessary for the Minister of Finance to recommend reductions in expenditure on the development part of the budget; in such case, he should recommend to the Council of Ministers the elimination of development projects shown as of lowest priority in the programme. No other proposals for reducing the development part of the budget should be made at this stage.

The Minister of Finance will forward his budget estimates, with his comments and recommendations, to the Council of Ministers for use in framing their budget proposals.⁴⁴ While they have great discretion with regard to all questions relating to the recurring portion of the budget, the development portion normally would be reduced only by eliminating projects shown in the annual programme to be of lowest priority. If they disagreed with the priorities assigned by the Planning Committee, it would be proper for them to remit the question to that body for further consideration.

The draft National Planning Administration Order provides that the annual development budget may provide that the financing of projects included in each annual programme may be extended over a period of two or more years and may require that such projects be automatically included in the budgets for those years as submitted to Parliament. Another clause states that the development budget shall, as appropriate, provide that each minister and executive head of each Government department shall have the power to dispose of funds appropriated to his department for development projects but not usable during the fiscal year, by spending them on other development projects, provided that such funds do not exceed fifteen per cent of the total development budget of the department, and provided further that prior approval has been obtained from the Minister of Finance. These provisions are designed to secure economical and effective execution of the development programme. They would be appropriate in the case of projects extending over more than one year and when "savings" arise from projects which do not develop as quickly as expected during any financial year. The approval of the Minister of Finance is meant as a safeguard against misappropriation; it would also give him the opportunity to evaluate the significance of the projects, their involvement in the plans of the department, and their relationship to projects of other departments. He might also take into consideration the necessity for consequential modifications in parts of the recurring budget. If the approval of the Minister of Finance were not given, or if the percentage of the total development budget involved exceeded fifteen, it would be open to the Ministry to propose a supplementary budget.⁴⁵

4. *General development financing procedures*

The key problem of economic planning is to keep the projected plans within the limits of the means available to finance them and, at the same time, to use to the limit all financial resources which can be made available. In order for the Planning Committee to approve a development programme, it therefore must have an estimate of the available resources. Under present procedures, no estimate is available until the Minister of Finance presents his complete proposed budget to the Council of Ministers. This is, however, too

44. Rev. Const., Art. 115.

45. *Id.*, Art. 118.

late to enable the Planning Committee to make its decisions at the proper time. The Minister of Finance should, therefore, prepare for the Planning Office, a "preliminary estimate" of the funds that would be available from budgetary sources for development activities. The results of negotiations for foreign assistance by the Economic and Technical Assistance Board should accompany this estimate. In this way it would be possible to prepare a co-ordinated annual development programme for submission to the Council of Ministers at the same time as the annual budget proposals prepared by the Minister of Finance.

The Co-ordination and Follow-Up Department of the Planning Office would prepare a consolidated estimate of development income and expenditure which would be incorporated in the draft annual development programme sent through the head of the Planning Office to the Planning Committee.

The Planning Committee would consider and approve this annual programme. In the process, it might consider projects which had been dropped from the provisionally approved programme, but any changes made by the Committee should be in accordance with the list of priorities previously established.

The annual development programme approved by the Planning Committee would be forwarded to the Council of Ministers, together with an explanation of how each project was to be financed. This would reach the Council of Ministers at the same time as the annual budget estimates prepared by the Minister of Finance and the two would be considered concurrently. After approval, they would be forwarded to Parliament for enactment, from whence they would be sent to the Emperor for final approval and proclamation.

CHAPTER VIII

IMPLEMENTATION, SUPERVISION AND REVIEW

1. *Means of implementation*

The executive authority for implementing economic and social plans, programmes and projects should be given to existing Government departments. Since this authority would be a logical extension of their general executive powers and duties and is within the framework of their existing legal powers and duties, no changes in the law or in past practice in this respect would be involved.

To give such authority to the planning organs would require additional liaison and co-ordination between them and existing Government departments. Other drawbacks would be the planning organs' lack of experience with existing activities, risk of duplication in technical and administrative services, and possible overlapping of functions and disputes over responsibility. In addition, the day-to-day preoccupation with the implementation of projects might well distract the planning organs from planning as such. It would almost certainly make them take a less objective view of the projects when it came to evaluation and follow-up.

Government departments, on the other hand, are responsible for running existing projects in the same field, and often of the same kind, as those likely to be planned for in the future. The criticism that existing projects and activities are not always run too effectively is no reason for creating new agencies or taking away the responsibility of existing ones; it is a strong reason for improving present organisation and existing practice. Only if it could be shown

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

that the optimum size for effective management had been exceeded would there be a case for new or different implementing organs, and there is no evidence of this at the present time in Ethiopia.

2. *Supervision of implementation*

The task of focusing the departments' responsibilities for implementation of development plans (whether they act themselves or persuade the private sector to do so), as well as for taking part in planning, will be greatly assisted by the proper use of the Development Units, which should be thoroughly conversant with all development plans and programmes affecting their respective departments and with the resources necessary to implement them.

Each of the projects included in the annual programme will be assigned to a specific Government department for implementation and follow-up. Part of this task will be to ensure that each sub-agency or contractor responsible for a particular project prepares quarterly reports giving physical achievements and reasons for unscheduled delays, plus a financial report on expenditures. The Development Unit should evaluate these reports and draft recommendations for action to correct deficiencies in the implementation of projects. Any changes, however, must stay within the financial limitations that are imposed by the National Planning Administration Order.

The Development Unit's recommendations and the co-ordinated quarterly reports will be sent to the appropriate Sectoral Division of the Planning Office for study of the recommendations and to the Sectoral Development Committee for assistance in the preparation of evaluation reports.

The follow-up reports of the Government departments will be studied by the appropriate Sectoral Divisions of the Planning Office, and recommendations for action will be prepared by each Division. These recommendations will be co-ordinated by the head of the Co-ordination and Follow-Up Department. The head of the Planning Office will then forward them to the Planning Board and the Planning Committee.

I believe that such reports should also be sent to the Prime Minister, as such, as he has the responsibility, in accordance with the general powers given him by Order No. 1, as amended,⁴⁶ for supervising the execution of the planning law, including the enacted annual implementation programmes. His office should scrutinise and approve the recommendations made by the Planning Office, inform the Government departments concerned and request further information to be given or action taken to remedy deficiencies and to carry out agreed recommendations. Further strong action may need to be taken to ensure that the plans and programmes are implemented. Such action would have to be political; all that legislation and procedural instructions can do is to provide for the flow of information which would enable such control to be exercised.

Evaluation is vital to any programme of economic development. Without it, projects can go astray and the organs of the planning structure can lose sight of the real objectives. The evaluation process begins with the quarterly progress

46. Article 21A, Ministers (Definition of Powers) Order, 1943, cited above at note 6, as amended by Ministers (Definition of Powers) (Amendment), 1943, Order No. 2, *Neg. Gaz.*, year 3, no. 1.

reports prepared by the sub-agencies and contractors. From these and its own information, each Sectoral Development Committee would prepare an evaluation report for its sector after the close of each year. Such a report would include a detailed analysis and criticism of the previous year's sectoral programme and recommendations for improvement.

Each Sectoral Division would study the evaluation reports of the related Sectoral Development Committee and prepare its own report for the sector. This report should be based upon the Committee report, information collected by the various divisions of the Planning Office, and the observations of the governors-general. It is important that the reports of the Sectoral Divisions should be frank and objective. It is not necessary that the resulting final report be made available to the public, and therefore the compilers should be free to make any criticisms they feel to be valid. In addition to criticism and analysis, the report should explain the value of each project in the sector to the national, regional and sectoral economies and the relation of the sectoral programmes to the long-range plans.

The head of the Co-ordination and Follow-Up Department would co-ordinate the reports of the Sectoral Divisions, adding his own comment on the evaluation. The result would be the annual evaluation report of the Planning Office. The head of the Planning Office would submit the report to the Planning Committee and to the Prime Minister.

3. *Revision of plans and programmes.*

Long-term projections are the tentative framework within which plans and programmes are prepared; they are not subject to any formal approval, legal or political. The revision of such projections, therefore, though not to be undertaken lightly, does not present any legal, political or administrative problems.

The five year plan, on the other hand, is approved by the Planning Board after a formal process of consideration, and it is published in its approved form. Though it is not legally enacted, it is a formal political document of considerable prestige, and it would be very detrimental to the whole planning process if it were to be subject to frequent changes. While changes in the implementation within the framework of the plan would be normal, changes in its content should be avoided as far as possible. On the other hand, to cling to a paper plan when the foundations for its implementation have disappeared is absurd. In such a case, a formal revision, approved and published in the same way as the original plan, should be made.

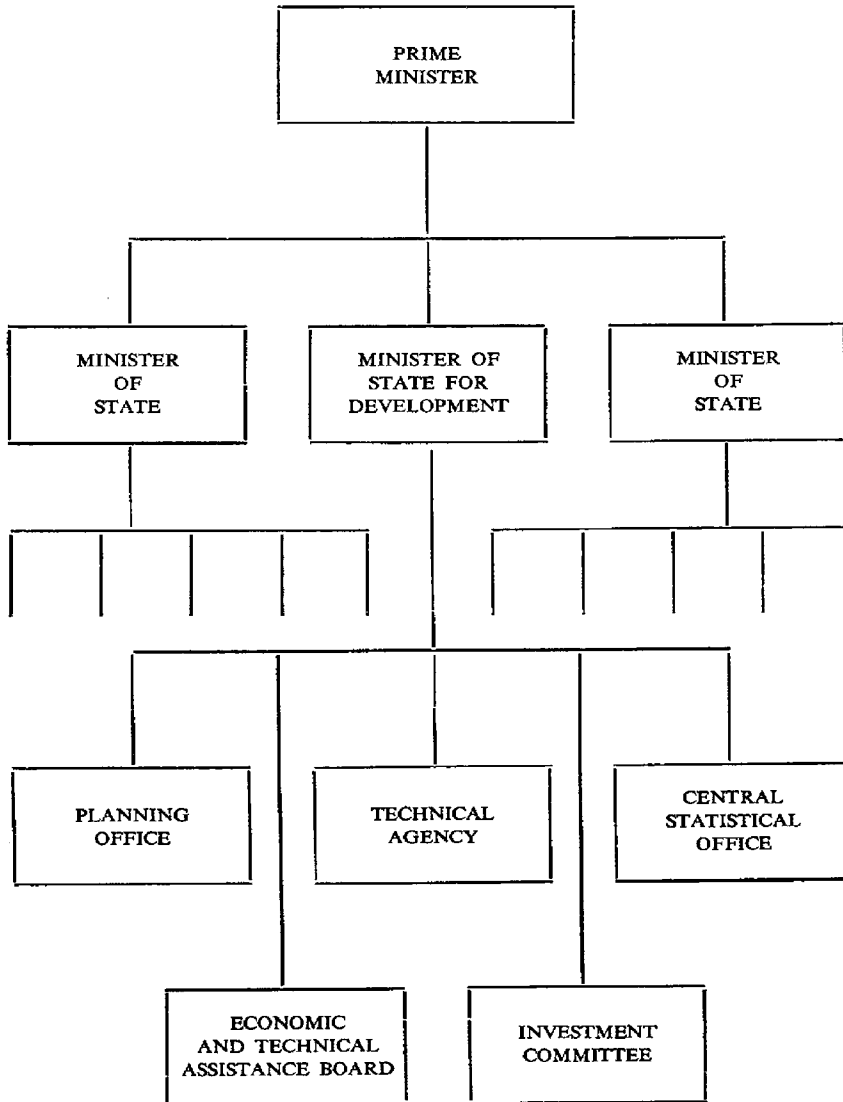
At present, annual implementation programmes are approved in the same manner as five year plans and are political documents without legal force. It is proposed, however, that in the future such programmes should be enacted by Parliament like the annual budget and become legal and legally enforceable documents. They could be amended only under the relevant provisions of the proposed National Planning Administration Order or by further amending legislation. Since such programmes cover only one year, as do annual budgets, if they are carefully framed it should rarely be necessary to alter them. If a change does prove to be necessary, it is quite probable that a supplementary budget may also be needed, and would need to be co-ordinated with the revised programme.

ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

Changes in the implementation of individual projects within the framework of existing plans and programmes can be made by implementing authorities with the approval of the Planning Committee. Changes which cannot be made under the provisions of the draft National Planning Administration Order should, in principle, be made by exactly the same procedures as those by which the original plans or programmes themselves were established. As experience with the implementation of plans and programmes grows, however, it may be possible to delegate limited powers to revise plans and programmes to bodies lower in the planning hierarchy, even, in some special cases, to the implementing authorities themselves. Any such delegated power would, however, need to be exercised under formal rules and strict supervision.

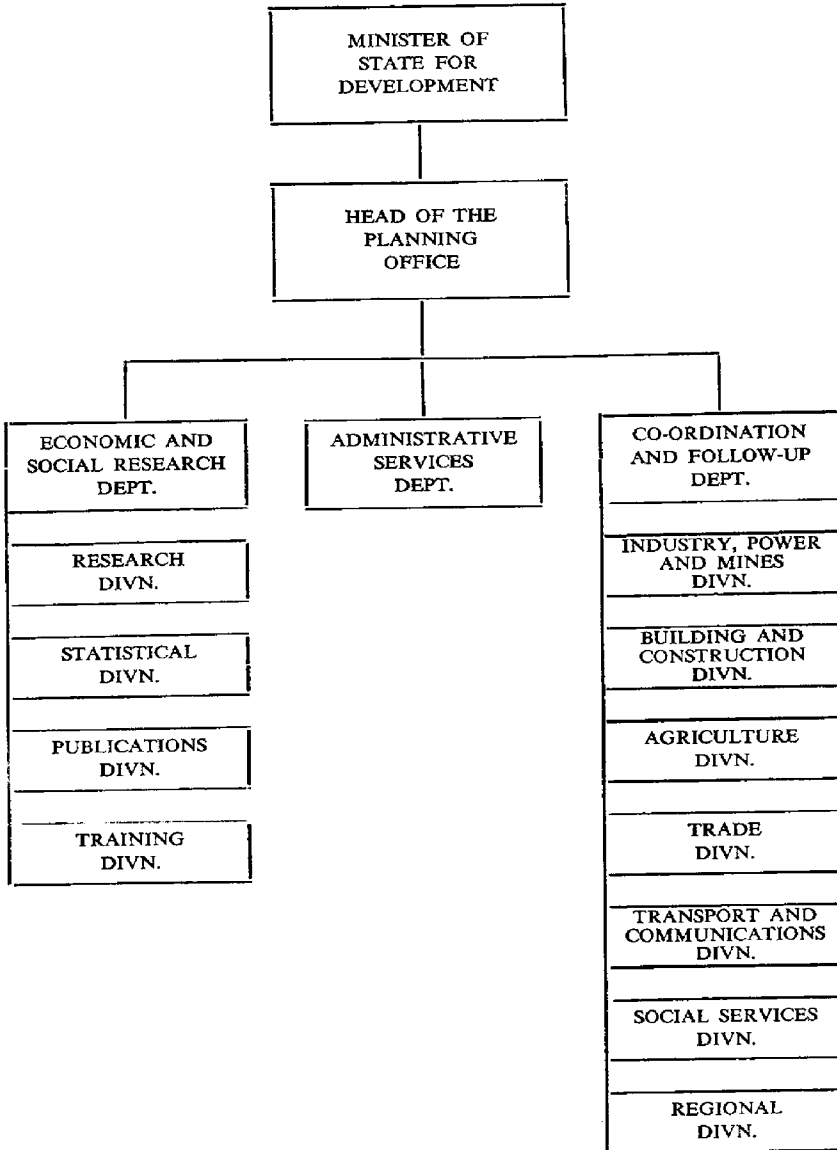
APPENDIX I

THE CONTROL AND CO-ORDINATION OF PLANNING ORGANS BY
THE PRIME MINISTER'S OFFICE



ADMINISTRATIVE FRAMEWORK FOR DEVELOPMENT

APPENDIX II
THE ORGANISATION OF THE PLANNING OFFICE



APPENDIX III
 PROPOSED PROCESS OF CO-ORDINATION AND APPROVAL
 OF PLANS, PROGRAMMES AND BUDGETS
 (ASSUMING THAT THE IMPERIAL PLANNING BOARD REMAINS
 IN EXISTENCE)

