

## **LINKAGES BETWEEN PROJECT PLANNING AND MACRO PLANNING IN ETHIOPIA**

*Gizaw Molla*

### **1. INTRODUCTION**

Development plans require projects and projects require plans. Plans cannot be practical without a proper techno-socio-economic analysis of projects. And the real work of projects cannot be ascertained except within the framework of a plan. It is due to this fundamental linkage that development efforts in Ethiopia are based on public project planning as well as comprehensive planning systems.

Ethiopia has experienced three Five-Year Development Plans of the Imperial government and the National Revolutionary Development Campaigns and the Ten-Year Development Plan of the *Derg* era in the past 25 years. In all the three cases, the government expressed commitment to pursue specific growth targets through the implementation of a set of public projects. The importance attached to the consistency of projects with each other and their feasibility in relation to the resources available has also increased overtime. However, the inter-sectoral coordination of projects to maintain consistency with plan objectives has generally been weak since sector programmes are formulated by individual ministries and/or corporations independently of counterparts elsewhere. And yet, one of the main tasks in development planning is the selection of individual development projects which contribute most to the attainment of the aggregate and sector targets of the overall plan. In performing this task, there is a need to undertake a comparative analysis of all alternative projects given plan targets and available resources. Although project analysis of this kind can take various forms, its essential feature is the selection of projects on predetermined decision criteria.

The purpose of this paper is to give a descriptive analysis of the linkages that exist between macro planning and project planning in the state of the Ethiopian economy with this principle in mind. The paper consists of three sections. The first section discusses Ethiopia's planning experience both before and after the 1974 revolution. The second tries to explain the relationship between macro and micro planning systems in terms of planning structure and national economic parameters. The third section identifies some constraints to the development of linkages between macro and micro plans.

## **1.1 Planning Experience**

Ethiopia is one of the few African countries that adopted a more or less comprehensive planning system from the beginning as a means of pursuing economic and social development. Planning in Ethiopia has always been seen as involving the proper selection of targets and rationalising the use of available resources through the implementation of different projects and hence serve as a mechanism for tackling some of the specific problems individual economic and social sectors face.

### **1.1.1 Pre - 1974 Period**

In 1945 a ten-year programme for industrial development was formulated as the first exercise in planning in the country's history. Subsequently, sector programmes in the field of agriculture and forestry, transport and communication, education and water resources development were formulated. However, planning for the national economy as a whole did not begin until the formulation of the First Five Year Development Plan (FFYDP) in 1957 by the National Economic Council, which was established in 1955. The council was headed by a Planning Board. Other functional government institutions were later established to facilitate the task of drawing up plans. Since 1974, the country has had a perspective plan, supported by a series of operational plans.

A development plan is basically a general guideline for policies to be pursued and measures to be taken. Based on such policies and measures, it defines broad areas of economic and social activity to be promoted. The major elements of this action programme are the specific projects such as transport projects, hydroelectric projects, industrial projects, agricultural projects and like. Each of these create linkages between the overall development plan and projects.

The FFYDP covered the period 1957-61 which was later extended by the decision of the Planning Board up to the end of the budgetary year of 1961. Judging from its socio-economic objectives, the FFYDP reflected the first stage of the development programme for a modern economy in Ethiopia, since it gave priority to the development of infrastructure which represents a prerequisite for accelerating economic growth [PCO 1962:32].

The Second Five Year Development Plan (SFYDP) was prepared in 1963 and covered the period between 1963 and 1967. This plan was a logical continuation of the FFYDP, but gave greater emphasis to productive activities that would produce more quantities of consumer goods and on the creation of new working opportunities for Ethiopia's increasing population. In addition to this, much stress was laid on research and the generation of statistical information so as to obtain adequate and reliable data for future projects.

In preparing the SFYDP, a two-tier assessment of immediate and future needs and possibilities were made. First, all the ministries and government agencies

prepared their long-term development programmes with the aim of extending and improving social services, public administration and the economy at large. Secondly, the Planning Board worked out a twenty-year development projection intended to forecast the growth of population, production and consumption, as well as the costs of the anticipated development. Its particular aim was to integrate the SFYDP into the following twenty-year periods and be able to assess the objectives and targets of the second plan period, as well as to forecast the resources that will be available.

The Third Five Year Development Plan (TFYDP) started in 1968 and was completed in 1973, i.e., one year before the 1974 revolution. This was also a logical continuation of the two preceding plans. Unlike the two previous plan periods which gave emphasis directly to infrastructure and productive undertakings (manufacturing industry, mining, electricity) respectively, the TFYDP gave priority to agriculture. Apart from this, the TFYDP had the following distinctive features:

- a) Formulation of the plan was based on more and better information about the country;
- b) Administrative reforms were foreseen as a precondition of plan implementation;
- c) Distribution of real incomes and opportunities in the various regions of the country; and
- d) The plan clearly defined the specific tasks and responsibilities of each ministry and agency in the implementation of the plan.

Although we had a sort of comprehensive planning system before the Second Five Year Plan period, much emphasis was not given to the preparation of projects until the establishment of the Technical Agency. In other words, the absence of such an institution, which would elaborate plan and project, was a serious obstacle to the preparation of projects and the timely utilization of foreign loans and assistance. It was in light of these problems that it was proposed to set up the Technical Agency.

The agency took the identification, elaboration, evaluation and implementation of projects as its responsibilities. Since then, the Technical Agency has been working as the government's representative in evaluating projects submitted for financing. The main tasks of the agency were to:

- a) take care of the technical preparation, construction and supervision of productive projects initiated by the government;
- b) represent the government in the capacity of an investor and to perform all technical, financial and administrative functions in the name of the government; and
- c) secure managerial and professional personnel for the operation of constructed projects.

Above all, the establishment of the agency enabled the government to save several million Birr in the identification and preparation of new projects by engaging domestic as well as foreign experts.

## **1.2 Post - 1974 Period**

### **1.2.1 Macro Planning**

The National Revolutionary Development Campaign and Central Planning Supreme Council was established by proclamation on October 29, 1979. Immediately after its establishment, the Council launched a Development Campaign the major objective of which was to concentrate on the immediate and pressing problems. Although the campaign was intended to put emphasis on agriculture, industry, trade and social problems, its immediate objectives were:

- a) the elimination of food grain shortages;
- b) increasing and earning foreign exchange;
- c) increasing industrial production;
- d) bringing order to the trade sector; and
- e) laying the foundation for step by step elimination of social problems such as unemployment.

Being a one-year programme with specific objectives oriented towards solving pressing economic and social problems, the Development Campaign did not follow the conventional planning method. Neither did it start from the elaboration of macro aggregates. However, in order to make a complete assessment of the implementation of the campaign and draw lessons for the preparation of the next plan, it was necessary to forecast the direction and magnitudes of the aggregate impacts of various targets and measures incorporated in the programme. Particular attention was thus given to the effect of the Development Campaign on the Gross Domestic Product (GDP). The Campaign, as its name implies, was not able to consider projects because projects are translators of development plans over a longer period of time. Therefore, there was no attempt to relate the plan objectives with projects.

Although a series of three of five-year development plans were formulated before the revolution, they were neither comprehensive nor enforced through the implementation of concrete projects. Consequently, the plans were not able to have real direct impact on the development of the country. However, a considerable effort was made after 1984 to set up a central planning system and bring about changes in the economy that the government wanted through the Ten-Year Perspective Plan, covering the period 1984/85-1993/94. The plan's long-term economic objectives were as stated in the programme of the National Democratic Revolution (NDR) of Ethiopia. Tables 1 and 2 list the projects of the plan in terms of priority in implementation and budgetary allocation while Table 3 describes the overall phasing of investment outlays on identifying projects and programmes.

**Table 1: High Priority Projects by Sector**  
(Cost in million Birr at 1980 prices)

No	Types of projects	Foreign exchange cost	Local cost	Total cost	As per cent of total cost
1	Relief & rehabilitation	2,785.2	1,467.5	4,252.7	31.9
2	Transport & communication	2,660.5	2,094.0	4,754.5	35.7
3	Energy & water supply	681.8	268.8	950.6	7.1
4	Agriculture	702.2	672.7	1,374.4	10.3
5	Mining	91.7	24.1	115.8	0.9
6	Industry	545.9	309.1	855.0	6.4
7	Education	81.0	34.6	115.6	0.9
8	Health	180.0	120.0	300.0	2.3
9	Foreign trade	600.0	-	600.0	4.5
	<b>Total</b>	<b>8,328.3</b>	<b>4,990.8</b>	<b>13,318.6</b>	<b>100.0</b>

**Table 2: Medium Priority Projects**  
(Cost in million Birr at 1980 prices)

No.	Types of projects	Foreign exchange cost	Local cost	Total cost	As per cent of total cost
1	Relief & rehabilitation	67.6	21.5	89.1	0.8
2	Transport & communication	2,592.4	543.2	3,135.6	29.1
3	Energy & water supply	987.3	299.7	1,287.0	12.0
4	Agriculture	499.2	544.1	1,043.3	9.7
5	Mining	626.2	219.5	845.7	7.9
6	Industry	2,147.4	622.1	2,769.5	25.7
7	Education	1,081.0	439.7	1,520.7	14.1
8	Tourism	38.0	31.5	69.5	0.7
	<b>Total</b>	<b>8,039.1</b>	<b>2,721.3</b>	<b>10,760.4</b>	<b>100.0</b>

Table 3: Phasing of Outlays on Investment Projects & Programmes  
(in million Birr)

No	Types of projects	1981-82	1983-85	1985-90	Total
1	High priority projects	3,002.7	5,402.5	4,913.4	13,318.6
2	Medium priority projects	-	4,846.7	5,913.7	10,760.4
3	Other projects	-	-	2,496.2	2,496.2
	Grand total	3,002.7	10,249.2	13,323.3	26,575.2
	As percentage of grand total	11.3	38.6	50.1	100.0

### 1.2.2 Project Planning

The post-1974 development plan indicated the general development objectives, and defined the various projects to be implemented during the plan period. The principle used was that development plans served as the basic framework, and development projects had to be prepared and selected as a means of implementing the national plan. According to this principle, the project planner has the responsibility of choosing among the projects that are being considered the ones that fit well with the development plan and contribute most to the fundamental objectives of the economy.

The feasibility of development projects should be assured before the implementation of operation stages by using project planning techniques. This helps not only in ensuring investment efficiency but also in mobilizing scarce resources. However, the experience of project preparation activities in Ethiopia before 1974 showed that plans were not set on the capability to undertake sound project studies. Recognition of this led to the establishment of the then Development Project Studies Agency (DPSA) in 1980. This agency was established, among other things, to:

- a) identify, study and prepare projects as required;
- b) provide consultancy services to agencies, mass and private organizations in project identification and preparation; and
- c) organize seminars, workshops and courses which enhance project identification, preparation, implementation and evaluation.

In general, DPSA acts as an instrument that strengthens the efforts of different organizations in the field of project planning. It has prepared a project planning guideline to be used in conducting training programmes and to standardise the methodology and procedures followed in project planning in the country. A paper on the concept, function and estimation of national parameters used in economic evaluation of projects was also prepared in 1981.

The DPSA was later named the Development Project Studies Authority (DEPSA) and provided the institutional framework for project planning along with the Ethiopian Valleys Development Studies Authority (EVDSA), the Water Resources Development Authority (WRDA) and the Building and Transport Construction Design Authority (BTCDA).

However, in the preparation of development projects, the largest responsibility was given to DEPSA, whose major objectives were defined to be:

- 1) to undertake development project studies that help realize the national plan; and
- 2) to develop and organise national capability in development projects studies and in providing consultancy services.

To accomplish these tasks, the authority established three project service enterprises, namely, the Agricultural Project Service (APS), the Industrial project Service (IPS) and the Infrastructure Project Services (INPS). Moreover, the authority revised and updated an earlier study of DPSA on guidelines for project planning prepared for Ethiopia and the national economic parameters.

## **2. LINKAGES BETWEEN MACRO AND PROJECT PLANNING**

### **2.1 Linkages through Hierarchical Planning Structure**

The macro plan sets out the major economic and social objectives as well as priorities among different strategies for economic and social advancement as a prerequisite for a meaningful identification, preparation, appraisal and evaluation of projects, especially from the national point of view. Thus projects can be considered as the pivot for sectoral programmes and the sectoral programmes, in turn, constitute parts of the overall plan. This basic idea of linkage is described as "planning in stages" by Tinbergen.

In "planning in stages", distinctions can be made among the various stages of planning such as macro, sectoral, project or regional. At the macro stage, key variables such as the Gross National Product and its rate of growth, total investment, total consumption, total exports and imports are determined. At the sectoral stage, these variables are split up by productive sectors, while at the project stage individual projects are appraised and ranked. And finally, at the regional stage, at least some of the variables, particularly those emerging from the project stage, are given regional dimension. In order to maintain the linkages between macro planning and project planning, the variables determined at each stage should be compatible with the plan figures worked out at the preceding stages.

The national plan should identify a list of potentially viable projects for which feasibility studies can be made. This shows that a plan must be elaborated on the basis of well-conceived investment projects. These projects should not be merely

"shopping lists" (only lists of names), but should be prepared on the basis of standard ways of project planning. However, this was not truly applicable for the pre-1974 plans although the need for project planning was appreciated in the Second and Third Five Year Development Plans, and most projects tried to incorporate some of the elements of project planning after the establishment of the Technical Agency.

Generally speaking, realistic development plans can hardly be formulated in the absence of project planning, because decisions at macro level must be based on the results of the economic assessment of projects. On the other hand, realistic preparation and evaluation of projects from a national point of view can only be made within the framework of a national development plan.

Project planning is a complex process that consists of analysis and evaluation of alternatives and decision-making. Technical and economic options are compared, and inferior projects are rejected in order to make the most efficient allocation of scarce resources. Project planning goes through the stages of identification, preparation and appraisal before the stages of implementation and operation where expectations become realities. Therefore, project planning plays an important role in the chain of events and processes leading to decision-making on vital development issues at the macro-level.

The linkages between macro and project plans can therefore be looked at in terms of the hierarchical planning structure as has been the case in Ethiopia and shown in Figure 1.

## **2.2 Linkages through National Economic Parameters (NEPs)**

In many developing countries, decisions of resource allocation so as to achieve national objectives are made, to a considerable extent, through the choice of projects. In Gittinger's words, "projects are the cutting edge of development" [1982: 3]. Therefore, we generally look at projects as investment activities in which macro plan objectives are realized through the expenditure of resources that generate benefits over a given period of time.

In selecting or ranking projects one may use the value of costs and benefits at market prices to arrive at the financial net present value (FNPV) and financial internal rate of return (FIRR). However, results that are obtained by using market prices are not the right indicators of the allocation of real resources to their best uses in an economy where the market is distorted. In other words, under such a circumstance, market prices do not reflect the opportunity cost of factors of production. Hence, the need for using a different set of prices, namely, shadow prices (scarcity values) in project analysis to calculate the economic NPV and economic IRR. The use of these prices ascertains that the resources invested in projects will be utilized in the most efficient way and generate the maximum possible benefits. And since the main objective of economic analysis is the efficient

allocation of scarce resources, the adoption of efficiency prices or NEPs becomes essential.

### **2.2.1 Defining National Economic Parameters (NEPs)**

NEPs are accounting efficiency prices of goods and services that are applied in all projects. Like other accounting prices, NEPs are opportunity costs of resources and reflect basic policy objectives and constraints relating to these resources. And the rationale for estimating NEPs is that markets for the goods and services to which they refer are generally distorted.

Countries such as Ethiopia, which are engaged in formulating and evaluating projects, require a methodology for comparing and evaluating different projects in terms of their contribution to different objectives set forth by the development plans. In the social cost-benefit analysis literature, it has been argued that financial profitability is not a sufficient criterion for appraising/evaluating projects. The justification given for this argument is that markets are distorted, and, as a result, the prices of goods and services involved in the project do not reflect their real costs and benefits to the economy as a whole.

It was in light of these considerations that the Little and Mirrlees method has been adopted in Ethiopia for evaluating projects. As per the Little and Mirrlees method, the unit of account is free foreign exchange in the hands of the government. It is the present value of uncommitted government incomes measured in terms of foreign exchange. In other words, since uncommitted foreign exchange in government hands means foreign exchange available for investment, the equivalence of government saving and foreign exchange becomes apparent. According to G. Irvin, "the adoption of this numeraire has the obvious advantage of focussing attention more readily on the trade efficiency objective than its UNIDO counterpart -- the present value of domestic consumption in the hands of the average individual" [1978: 90].

The Ethiopian economy is largely characterised by divergences between market prices and social values. Consequently, an attempt has been made to devise methods and criteria for project selection which enable the calculation of the benefits and costs of development projects on the basis of shadow prices. These prices are assumed to correct the divergences between the market prices and social values.

### **2.2.2 National Economic Parameters as Macro Parameters**

NEPs are mainly used for economic analysis of development projects in Ethiopia. They are economic values or shadow prices or efficiency prices applicable to all projects irrespective of their sector. These parameters are national because they are estimated to reflect the economic results of any project that utilize resources.

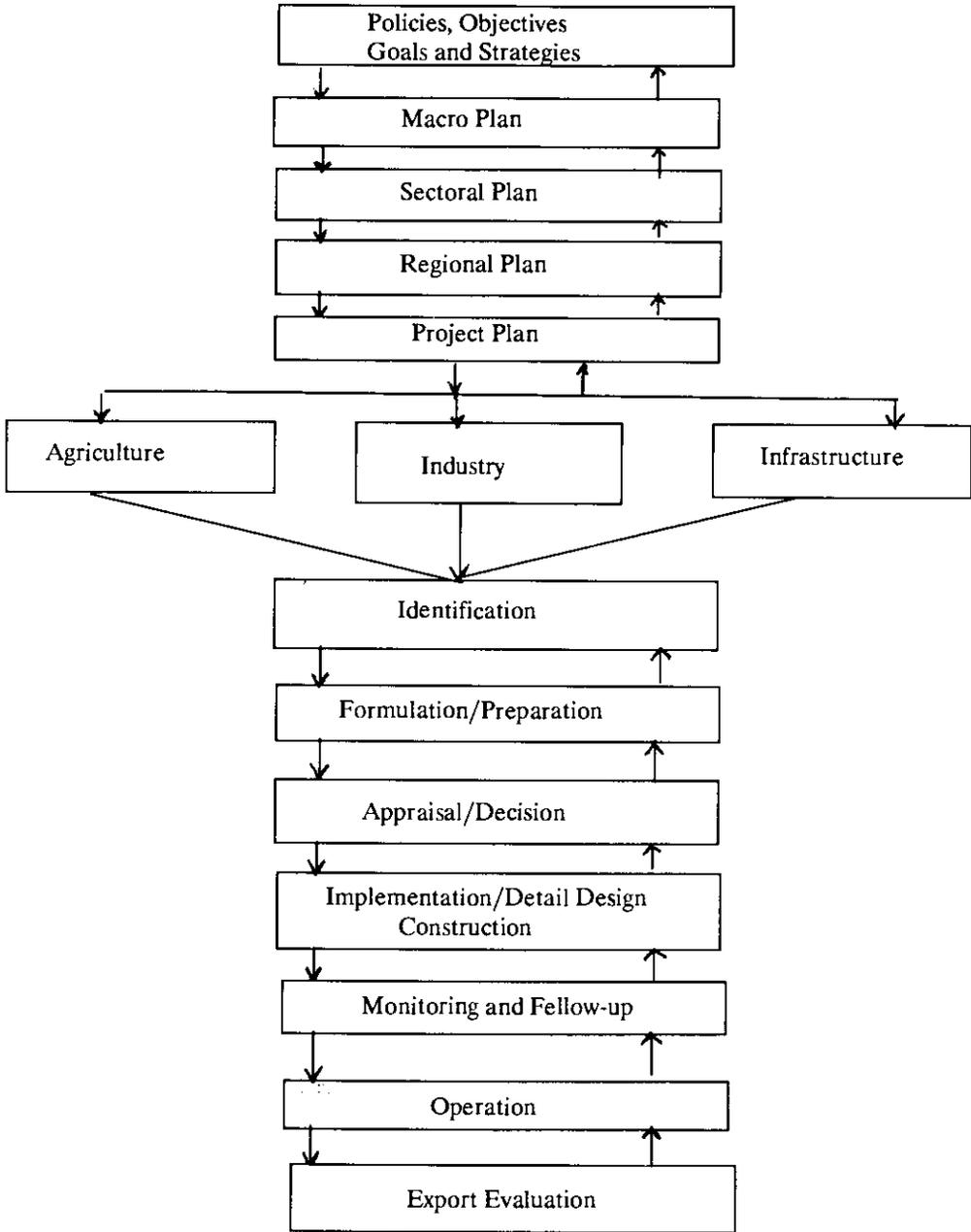


Figure 1 Schematic Representation of Macro Planning and Project Planning Linkage:

By applying NEPs to calculate the costs and benefits of projects, one can explain the effects of projects at border prices, so that the net benefits of projects are made equivalent to streams of foreign exchange. As it was explained earlier, this is based upon the Little and Mirrlees methodology that is currently being followed in Ethiopia. In this approach, the use of shadow prices (world prices) is simply to measure the opportunity cost to the Ethiopian economy of commodities which can be exported to or imported from the international market. More specifically, this reflects the fact that, if Ethiopia is participating in world trade (as it does now), then world prices indicate the terms at which it can buy and sell on the world market, and these opportunities for trade should be taken into account in assessing investment possibilities open to the economy.

Different parameters were estimated for Ethiopia in 1979. These estimates include a Standard Conversion Factor (SCF) of 0.75, a Shadow Wage Rate (SWR) of 0.50 and a Discount Rate (DR) of 10 per cent. In 1989, these parameters were revised and updated in a more comprehensive way. The recent estimates of NEPs put the conversion factor for skilled labour at 1.03, the average for rural unskilled labour at 0.55, the overall average at 0.80 and the DR at 11 per cent.

For the non-traded sectors, the estimated conversion factors are 0.75 for construction and transport, 0.85 for power and 1.00 for water. The conversion factors for rural and urban unskilled labour for the different regions and planning zones is summarized in Table 4.

The world price numeraic of the Little and Mirrlees method (as it is currently used in Ethiopia) uses world market prices as its sources of relative social values. All traded goods are expressed in world market prices. These world prices are accounting or shadow prices estimated at border prices in the form of c.i.f. prices for imported commodities and f.o.b. prices for exported commodities.

The NEPs are accounting or shadow prices of goods and services that are related to all projects in the country. These are estimated by macro planners (central planners) and are taken as given by the project analyst. The number of national parameters that should be estimated for Ethiopia depends upon the availability of data, the degree of market distortions, the availability of expertise, the prevailing economic conditions and the degree of sophistication required in project analysis. However, a minimum of three NEPs, namely, the SCF, the SWR and the DR can be estimated despite the limitations of these estimates. Moreover, if the above mentioned conditions are met, there is the possibility of estimating parameters for skilled and unskilled labour; for broad categories such as construction, power water, transport, etc.; for categories of expenditure; or for the economy as a whole.

**Table 4: Conversion Factors for Rural and Urban Unskilled Labour by Region and Planning Zone**

Region	Conversion Factor		Planning Zone	Conversion factor	
	Rural unskilled labour	Urban unskilled labour		Rural skilled labour	Urban skilled labour
Addis Ababa	--	0.65	Addis Ababa	--	0.65
Arsi	0.70	0.65			
Bale	0.60	0.75	Northern Zone (Eritrea & Tigray)	0.40	0.75
Eritrea	0.40	0.75			
Gamo Gofa	0.40	0.70	North-eastern Zone (Wello)	0.35	0.75
Gojjam	0.50	0.50			
Gonder	0.45	0.75	North-western Zone (Gojjam & Gonder)	0.45	0.65
Hararghe	0.50	0.75			
Illubabor	0.95	0.75	Western Zone (Illubabor, Keffa & Wellega)	0.75	0.70
Keffa	0.65	0.70			
Shewa	0.70	0.75	Central Zone (Arsi & Shewa)	0.70	0.75
Sidamo	0.60	0.60			
Tigray	--	0.75	Eastern Zone (Hararghe)	0.50	0.50
Wellega	0.80	0.75			
Wello	0.35	0.75	Southern Zone (Bale, Gamo Gofa & Sidamo)	0.55	0.55
Assab	--	0.75			
Aggregate	0.55				0.55

Source: DPSA, *National Parameters*, 1979, p. 9.

NEPs as macro parameters have several policy implications. Some of these are:

- a) The promotion of growth by encouraging a more efficient allocation of public resources across a range of projects;
- b) Encouragement of regional spread of labour-intensive technologies;
- c) The assessment of the foreign exchange cost of specific projects and their effectiveness in generating foreign exchange at the lowest domestic resource cost;

- d) An economic discount rate also acts as a rationing mechanism for investment funds. It is linked to the likely investible funds, or may be adjusted downwards to a level that will allow enough projects to pass the NPV test as required by the use all investible funds. The choice of an economic discount rate also affects the nature of project financing. High discount rates favour projects with short gestation periods oriented towards consumption goods.

In general, in addition to their role in project selection, NEPs are vital instruments in formulating macro policies and evaluating development plans. For instance, (i) policies related to the balance of payments, foreign trade patterns, exchange rates, etc. can be designed better with the help of a precise estimation of the SCF, and (ii) the choice of labour-intensive technology can be seen comprehensively in relation to the SWR estimates. This, in sum, implies that the scopes of NEPs go beyond the area of project selection to that of maintaining consistency and linkages between macro planning and project planning.

### **3. PROBLEMS ENCOUNTERED IN MAINTAINING THE LINKAGES BETWEEN MACRO AND PROJECT PLANNING**

There was a debate among planners regarding the relative merits of planning "from the top-down" and "from the bottom-up." The former refers to the pre-determination of the macroeconomic plan and the derivation of projects, while the latter refers to the identification of feasible projects and the building up of an aggregate plan from these projects. In practice, however, the process is inevitably an iteration process, involving both of these steps.

The old as well as the new plans in Ethiopia were designed to carry forward and reinforce the previous growth trends and did not attempt to accelerate these trends. The major problems of all the plans in relation to the goal of accelerating economic development are the following:

- 1) Inadequate government expenditure to accomplish the task of implementing various projects. This can be testified by the fact that the public sector budget, which links plans to projects, is initially drafted on the basis of aggregate estimates of requirements of different branches of the economy. However, if the government adds new projects other than those already included in the plan period, the aggregate plan has to be adjusted accordingly due to the inflexibility of the public investment budget. As a result, there tend to be inconsistency between the projects and the budget on the one hand and the plan on the other;
- 2) Detailed lists of implementable projects are lacking. In many countries, including Ethiopia, there is often a detailed macro plan. However, the portfolio of well-formulated projects in order to make the a macro plan operational is often inadequate;
- 3) Successful project planning presupposes an effective macro policy framework which comes out of the macro planning exercise. But it is observed that, at

- times, project planning and macro policy work in opposite directions, so that the project becomes a failure;
- 4) The establishment of consistency for various combinations of projects to realize the plan targets have encountered difficulties;
  - 5) Formulation of medium-term plans can be more effective if they are prepared within the framework of a perspective plan. A perspective plan would also make project planning more effective. However, in Ethiopia this has not been a common practice in all development plan periods;
  - 6) Operating (executing) agencies present more project proposals than can be approved, and thus the criteria aim at promptly selecting acceptable projects rather than at ensuring that all approved projects are optimal. The whole emphasis has, therefore, been on expediting implementation of a much larger number of development projects than would have been practical;
  - 7) The projected rates of growth of GDP in the development plans were essentially independent of those set for public projects;
  - 8) Plans do not aim at any significant structural changes in the economy, either in changing the past trend in relation to, say, agricultural/industrial production and employment or in modifying existing relations among exports, domestic production and import demand.

Although linkages can be maintained through NEPs, these parameters have not been updated periodically to reflect changes in development policy and the economy. More specifically, immediate steps were not taken by the central planners to identify future data requirements and ways of collecting them for the purpose of revising and updating the NEPs. Since the use of NEPs is likely to affect the three major national objectives of growth, employment and improvement in the balance of payments, every effort should be made to apply these parameters, and the results revised from time to time. In general, since the use of NEPs in economic analysis of development projects is only an aid to efforts made for a more efficient use of scarce resources, it is by no means a substitute for exercising judgement about project realisation.

Another important problem encountered in connection with the NEPS is how to apply these parameters from the point of view of the user organizations and agencies. That is, due to lack of sufficient knowledge about the importance and application of the parameters, the users face difficulties in carrying out economic analysis of projects for the different sectors of the economy.

Despite all these constraints, we have tried to argue that there are linkages between macro and project planning in Ethiopia. What is needed is to alleviate some of these problems and try to maintain the linkages as much as possible. Otherwise, the development of the Ethiopian economy as envisaged in the development plans may not be realised.

#### 4. CONCLUSION

In Ethiopia, the introduction of planning was based on the conviction that progress could be accelerated through planning. Thus, Ethiopia has made a deliberate and continuing attempt to engage itself in three consecutive five-year plans and a ten-year development plan. Although these plans have done much to promote growth in the country, there have been more cases of failure than success in their implementation. Among other things, one of the major reasons for the failures is the absence of sufficiently strong linkages in the process of macro and project planning. This occurred mainly due to the lack of general criteria and procedures for selecting projects in accordance with macro plan objectives.

Moreover, just as planning at the macro level is a continuous process, the preparation and programming of projects at the micro level must become a continuous process, if the gap in project planning which mostly frustrates plan implementations is to end. And the best way to meet the continuous "demand" for new projects is to build up and maintain a stock of well-prepared projects from which a suitable variety and number can be selected to provide a steady flow of linkages between macro and project planning.

Development planning requires projects as much as projects require sound development plans. To create strong linkages between the two levels of planning either through an iterative planning process (planning in stages) or the use of NEPs as macro parameters in evaluating project is needed.

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