

**AN ANALYSIS OF THE BANKING SYSTEM IN ETHIOPIA**

---

**A Thesis**

**Presented to**

**the Department of Business and Business Education**

**and the Graduate Council**

**Kansas State Teachers College of Emporia**

---

**In Partial Fulfillment**

**of the Requirements for the Degree**

**Master of Science**

---

**by**

**Bekele Tinsaé**

**August 1959**

ation

Approved for the Major Department

Herman Bach

W. B. Russell

Stillman P. Vincent

Approved for the Graduate Council

Lawrence L. Boylan

2

154022



## TABLE OF CONTENTS

CHAPTER	PAGE
I. INTRODUCTION . . . . .	1
II. MONETARY SYSTEM . . . . .	5
Convertibility and Reserve Provisions . . . . .	9
Money Supply . . . . .	14
III. STATE BANK OF ETHIOPIA . . . . .	16
Origin and Development . . . . .	16
Branch Banking . . . . .	21
Organization . . . . .	27
Bank Services--Domestic . . . . .	33
Bank Services--Foreign . . . . .	37
Exchange Control . . . . .	38
Authorized Powers . . . . .	41
Bank Financial Statements . . . . .	46
IV. DEVELOPMENT BANK OF ETHIOPIA . . . . .	58
V. SUMMARY AND RECOMMENDATIONS . . . . .	66
Summary . . . . .	66
Recommendations . . . . .	69
Conclusions . . . . .	71
BIBLIOGRAPHY . . . . .	74
APPENDIX A. Currency and Legal Tender Proclamation . . . . .	75
APPENDIX B. Proclamation to Amend the Currency and Legal Tender Proclamation 1945 . . . . .	81

CHAPTER

APPENDIX C. Proclamation for the Application of  
 Currency and Legal Tender Proclama-  
 tion 1945 . . . . . 83

APPENDIX D-1. Proclamation to Provide for the  
 Establishment of a State Bank . . . . . 85

APPENDIX D-2. Charter of the State Bank of Ethiopia . 86

APPENDIX D-3. Interpretation of Certain Powers  
 Granted in the Charter of the State  
 Bank of Ethiopia . . . . . 89

APPENDIX E-1. Comparative Balance Sheet . . . . . 90

APPENDIX E-2. Comparative Statement of Income and  
 Expenditure . . . . . 91

APPENDIX F. Note Fund Reserve for Years 1951-1957 . 92

APPENDIX G. Board of Directors of the State Bank  
 of Ethiopia . . . . . 93

Board of Directors of the Development  
 Bank of Ethiopia . . . . . 93

## LIST OF TABLES

TABLE	PAGE
I. Note Fund Reserve, 1951-1957 (in per cent) . .	13
II. Money Supply, 1946-1957 . . . . .	15
III. Common-size Balance Sheet, 1946-1957 . . . . .	47
IV. Common-size Statement of Income and Expenditure . . . . .	50
V. Selected Trend Data, 1946-1957 . . . . .	53
VI. Selected Ratios, 1946-1957 . . . . .	57
VII. Comparative Balance Sheet, 1946-1957 . . . . .	90
VIII. Comparative Statement of Income and Expenditure . . . . .	91
IX. Note Reserve Fund, 1951-1957 (in dollars) . . .	92

LIST OF FIGURES

FIGURE	PAGE
1. Capital, Total Assets, and Total Liabilities, 1946-1957 . . . . .	52
2. Gross Income, Current Expenses, and Net Profits, 1946-1957 . . . . .	55

LIST OF CHARTS

CHART	PAGE
1. State Bank of Ethiopia--Organization Chart . . .	16

the country. The new

## CHAPTER I

### INTRODUCTION

The Ethiopian banking system is unique in that the State Bank of Ethiopia is not only a central bank, but also the only important commercial bank in the nation, combining central and ordinary commercial banking functions. The Ethiopian banking system is a branch-banking system. The State Bank of Ethiopia is the only chartered government bank and has branches all over the country. The members of the board of directors, with the exception of the governor of the State Bank, are high ranking government officials. The board is represented by the Minister of Finance, the Minister of Commerce and Industry, the Minister of Mining, the Minister of Health, the Minister of Pen and the First Deputy Prime Minister, the Lord Mayor of Addis Ababa, and the Governor of the State Bank of Ethiopia, all of whom are appointed officials.

The board is directly responsible to the Council of Ministers, a body composed of Cabinet Ministers. Since the board is directly responsible to the Council of Ministers, the Parliament so far has never called on the members of the board or on its president for a hearing. It can be seen that banking system in Ethiopia is a very centralized one, with a small group of government officials in a strategic



position to run the whole economy of Ethiopia. The danger here is that the tendency of this small management group, unless its functions are checked by the Parliament, will be toward a centralized or socialized economy which will undoubtedly endanger the freedom of economic opportunity, whether it be of the individual, of a partnership, or of a corporation.

The purpose of this study is to analyze this centralized and government controlled system of banking in Ethiopia.

The objective of this study is to provide a background upon which to furnish recommendations that it is hoped will remove the danger of a too centralized or socialized economy.

There are five foreign branch banks, Barclay's bank of England, Banca d'Italia, Banco di Roma, Banco di Napoli all of Italy, and Banque de L'Indochine of France. These branch banks, since the inception of the State Bank of Ethiopia, either through legislation favorable to the State Bank of Ethiopia or through unopposed monopolistic practice of the State Bank, have lost their importance. The Barclay's Bank has closed, and the Banca d'Italia is inactive. Banco di Roma, Banco di Napoli, and Banque de L'Indochine are not permitted to deal directly in the purchase or sale of foreign exchange. Therefore, this study is not intended to include analyses of these foreign branch banks.

The power to issue currency as agent of the Ethiopian Government, the monopolistic power to purchase and sell foreign exchange, and the power to open branches have made the State Bank of Ethiopia the life blood of the Ethiopian economy. It is for this reason that this bank alone has been covered in this study. For additional information, a brief account of the Development Bank of Ethiopia has been included.

The data for this study were obtained from the Ethiopian Herald, Reports on Economic Conditions and Market Trends, periodicals, and books that deal with central and branch banking. The validity of the available data has been cleared through Messrs. Chernet Beyene, Sahelu Demisse, and Beyene Menagido, all of whom have been long-time members of the State Bank staff.

Before undertaking the major portion of this study, it is felt that it is desirable to include a brief account of the monetary system in Ethiopia.

Chapter II is concerned with a brief account of the monetary system, convertibility and reserve provisions, and the money supply. Tables for the years 1951 through 1957 will be presented.

Chapter III is devoted to the origin and development, branch-banking, organization, bank service (domestic and foreign), exchange control, bank financial statements, and



authorized powers of the State Bank of Ethiopia. Tables, figures and a chart for the periods 1946 through 1957 will be included.

Chapter IV is concerned with a brief description of the Development Bank of Ethiopia.

Chapter V will include a summary, recommendations, and conclusions.

lines

found

## CHAPTER II

### I. MONETARY SYSTEM IN ETHIOPIA

The recent excavations and consequent archaeological discoveries in the ancient city of Aksum have opened a new chapter in the history of Ethiopian currency. The earliest coins of the Aksum dynasty, so far unearthed, show the names of the rulers in the Greek language and proclaim their value in Greek numerals.<sup>1</sup>

As evidenced by the inscriptions found on them, the earliest coins hitherto discovered were issued by the Emperor Aphilas.

It is believed that the Ethiopian Emperor Aphilas was a contemporary of the Roman Emperor Diocletian (245-313 A.D.). In the beginning his gold coins were small in size and light in weight, but later on they were made larger and heavier. His successor, Endybis, also issued similar gold coins.

During the reign of Abraha and of later kings, improved coins were issued, some of which bore the cross to mark the establishment of Christianity in Ethiopia. During this period, the inscriptions were given not only in Greek but also in Ge'ez (the language currently used in Ethiopian

---

<sup>1</sup>Editorial in the Ethiopian Herald, November 14, 1956.

Church service) as well as in Sabaeen. Moreover, bronze had taken the place of gold.<sup>2</sup>

It seems that the coins mentioned above were used mainly in connection with Ethiopia's commercial relations with the Mediterranean world. It was probably a different story in the remote interior. It appears that most of the internal trade was carried on, all through the centuries that have passed, by means of barter, using blocks of salt, lengths of cloth, and pieces of iron.<sup>3</sup> It remained so, until recent times, in the remote interior of the country.

About the middle of the nineteenth century the large silver coin known as the Maria Theresa Thaler,<sup>4</sup> first minted in Austria in 1751 under the reign of Maria Theresa, came into circulation, and it remained the coin most generally accepted throughout the country until the currency reform of 1945. It was esteemed not only for its intrinsic worth, being 83.33 per cent silver, but for its decorative and easily recognizable design as well.

---

<sup>2</sup>The Encyclopaedia Britannica, Eleventh Edition, Vol. I (Cambridge, England: University Press, 1910), p. 87.

<sup>3</sup>Report on Economic Conditions and Market Trends (Addis Ababa: State Bank of Ethiopia, 1951), 26:33, p. 2. (Mimeographed)

<sup>4</sup>The Encyclopaedia Britannica, Eleventh Edition, Vol. I (Cambridge, England: University Press, 1910), p. 87.

Soon after the historic Battle of Adua (March 1, 1896), Emperor Menelik II issued some silver coins, showing his own head on one side and "the Conquering Lion of the Tribe of Judah" on the other. In spite of Menelik's far-reaching powers and personality, his coins were not able to replace the Maria Theresa Thalers anywhere beyond the capital.

As soon as H. I. M. Emperor Haile Selassie I ascended the throne, the Bank of Ethiopia (the forerunner of the present State Bank) issued some bank-notes carrying the pictures of the new Emperor and Empress on one side. Even this was not successful in ousting the popular Maria Theresa Thaler.

It has been estimated that there were about 50,000,000 Thalers in circulation inside Ethiopia when the Italian invasion began in 1935.<sup>5</sup> The Italians tried to introduce their own coin, the Italian Lira, during the period of occupation (1935-1941). Although the Italian lira was declared legal tender during the occupation, this coin, too, was regarded with considerable distrust, and trade fell off so alarmingly that the Italians were at last compelled to

---

<sup>5</sup>Report on Economic Conditions and Market Trends (Addis Ababa: State Bank of Ethiopia, 1946), p. 5. (Mimeographed)



re-introduce the Maria Theresa Thaler, the master dies for which they had purchased from Vienna in 1938.

With the Italian defeat in 1941 the currency situation became more confused than ever, as the British troops that liberated the country brought with them a large quantity of East African Shillings. A third currency was thus added to the two others in circulation, the Lira and the Maria Theresa Thaler, and all three were declared legal tender.<sup>6</sup>

The difficulties of the Ethiopian Government were increased by the limitation placed on its control of the currency in the Anglo-Ethiopian Agreement of 1942.<sup>7</sup> A second agreement in December, 1944, removed these restrictions and opened the way for the establishment of a new and purely Ethiopian currency.<sup>8</sup> That this was a vital necessity was becoming increasingly evident with the disruption of trade and the substantial fluctuations in value of the several currencies in terms of each other. In addition, there existed a strong tendency to hoard Maria Theresa Thalers and to ship them out of the country, in view of the rising price of silver in world markets. By the end of

---

<sup>6</sup>Negarit Gazeta (Government Journal) (Addis Ababa: Government Printing Press, 1943), p. 1.

<sup>7</sup>Ethiopian Herald, December 19, 1943.

<sup>8</sup>The Department of State Bulletin, Vol. XII, Nos. 289-313, January 7-June 24, 1945, p. 200.

1944 this rise had caused the exchange value of the Maria Theresa Thaler to increase to three East African Shillings on the free market, although it had been officially pegged at only two shillings in 1943.<sup>9</sup>

To straighten out the difficulty the Government of Ethiopia, with the help of a large silver loan under Lend-Lease arrangements with the United States Government, began to issue a new currency on the 23rd of July, 1945.<sup>10</sup> The details of this reform had been published the previous May in the official Government Journal, the Negarit Gazeta, under the title of "Currency and Legal Tender Proclamation, No. 76 of 1945."

## II. CONVERTIBILITY AND RESERVE PROVISIONS

The new law established the Ethiopian dollar, equal in value to 5.52 grains of fine gold, as the single monetary unit of the country. The dollar is based on the decimal system and is officially convertible at 40.25 United States cents. The sole right of issue is vested in the Issue Department of the State Bank of Ethiopia, acting on behalf

---

<sup>9</sup>Report on Economic Conditions and Market Trends (Addis Ababa: State Bank of Ethiopia, 1944), p. 13. (Mimeographed)

<sup>10</sup>Foreign Aid by the United States Government 1940-1951, United States Department of Commerce (Washington: Government Printing Office, 1952), p. 33.

of the Ministry of Finance. For this purpose the State Bank of Ethiopia maintains a currency fund consisting of gold, silver, and foreign currency bank balances or readily convertible prime securities, originally to a minimum extent of 75 per cent of the fund, and Government Treasury obligations to a maximum extent of 25 per cent of the fund. The fund, under terms of the 1945 law, constitutes a reserve for redemption at full value of the notes outstanding.<sup>11</sup>

After the introduction of the currency in July, 1945, East African Shillings continued as legal tender for another six months, but Maria Theresa Thalers were immediately demonetized and called in for redemption by the State Bank of Ethiopia at the rate of one and half Ethiopian dollars to every Maria Theresa Thaler. As of July, 1950, the increased purchasing power of the Ethiopian dollar had made it possible to lower the redemption rate between Maria Theresa and Ethiopian dollars to parity.<sup>12</sup> The demonetized Maria Theresa Thalers are treated as silver bullion, and constitute a part of the legal backing for Ethiopian dollar notes. The East African Shillings in circulation at the time of the currency reform have been gradually redeemed by the State Bank of

---

<sup>11</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1945), p. 2.

<sup>12</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1950), p. 1.



Ethiopia at the rate of two shillings for one Ethiopian dollar. Almost 60 per cent of the original currency reserve arose from the redemption of these notes for sterling balances in London, which were later invested in gilt-edge British Empire securities.<sup>13</sup> The remaining 40 per cent of the original reserve came from the normal expansion of foreign exchange balances of the State Bank acquired through merchandise exports and the sale abroad of newly-mined gold.

In 1950 the legal coverage for Ethiopian dollar notes was reduced. In an amendment to the currency proclamation of 1945 the required holdings of gold, silver, and foreign assets were lowered from 75 per cent to 30 per cent of the currency fund. Government Treasury obligations may now comprise a maximum of 70 per cent of the note coverage, and are themselves secured by a pledge of fixed assets of the Government Treasury of a value equal to 110 per cent of these obligations.<sup>14</sup> This step was taken after careful deliberation of the needs and resources of the country had indicated that it was no longer necessary to hold such a large proportion of the nation's gold- and foreign-exchange

---

<sup>13</sup>Report on Economic Conditions and Market Trends (Addis Ababa: State Bank of Ethiopia, 1950), p. 25. (Mimeograph)

<sup>14</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1950), p. 1.



reserves in idleness. The Ethiopian dollar, since its introduction, had proved its stability, had successfully replaced the various competing currencies, and, in general, had gained a wide measure of confidence and acceptance throughout the land. Prior to the reduction in the note reserve backing, the Ethiopian Government had been among the few governments of the world in undertaking to keep a high proportion of its monetary reserves immobilized to secure its currency. The action released a total of twenty-one million Ethiopian dollars of foreign exchange for use to increase imports and permitted a greater degree of flexibility in the money supply to meet the seasonal needs of the country's foreign trade.<sup>15</sup>

The note fund reserve under the new currency (December 31, 1951) covered a total issue of 75.6 millions in notes, composed of the following: foreign securities, 14.4 per cent; foreign balances, 8.9 per cent; gold bullion, 11.5 per cent; silver bullion, 18.9 per cent; and Ethiopian Treasury Bills, 46.3 per cent.

The data with regard to the note fund reserve for the years 1951 to 1957 are presented in Table I. Although a minimum backing of 30 per cent in gold, silver, and foreign

---

<sup>15</sup>Report on Economic Conditions and Market Trends (Addis Ababa: State Bank of Ethiopia, 1951), p. 3.

TABLE I  
 NOTE FUND RESERVE\*  
 For the Years 1951-1957  
 (in per cent)

Types of Reserves	1951	1952	1953	1954	1955	1956	1957
Gold Bullion	11.5	10.7	9.6	8.6	7.5	7.3	7.1
Silver Bullion	18.9	17.8	14.7	13.2	12.1	11.9	11.6
Foreign Securities	14.4	28.1	14.8	12.8	4.8	-	-
Foreign Balances	8.9	0.2	0.5	11.8	26.5	13.5	16.6
Ethiopian Treasury Bills	46.3	43.2	60.4	53.6	49.1	67.3	64.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

\* for dollar data see Appendix E-3.

assets is required by law, in actual fact 53.7 per cent of the note issue was covered in this manner as of the end of 1951; 56.8 per cent as of the end of 1952; 39.6 per cent as of the end of 1953; 46.4 per cent as of the end of 1954; 50.9 per cent as of the end of 1955; 32.7 per cent as of the end of 1956; and 35.3 per cent as of the end of 1957. This means that the Ethiopian Government obligation has always been under the 70 per cent maximum required by law.

### III. MONEY SUPPLY

The data with regard to the money supply for the years 1946 to 1957, are presented in Table II. Coins issued had grown from 14.8 million Ethiopian dollars at the end of 1946 to 36.8 million Ethiopian dollars as of the end of 1957. Also notes issued had grown from 39.9 million Ethiopian dollars at the end of 1946 to 134.5 million Ethiopian dollars as of the end of 1957. In addition, gross bank deposits had expanded from 36.6 million Ethiopian dollars to 175.2 million Ethiopian dollars in the same period, so that the total money supply (cash in circulation plus gross deposits) aggregated to 309.6 million Ethiopian dollars compared to 79.3 million Ethiopian dollars twelve years ago. The money supply is computed by adding cash held by public and gross deposits; and cash held by public is computed by



adding total notes and coins issued and by subtracting cash held by State Bank of Ethiopia from the total.

TABLE II  
MONEY SUPPLY\*  
For the Years 1946-1957  
(in millions of Ethiopian dollars)

Years	Notes Issued	Coins Issued	Cash Held by SBOE(a)	Cash Held by Public	Gross Deposits	Money Supply
1946	39.9	14.8	12.2	42.7	36.6	79.3
1947	37.4	27.8	9.8	55.4	28.8	84.2
1948	42.4	28.8	8.6	62.6	30.0	92.6
1949	40.4	29.4	7.6	62.2	29.7	91.9
1950	52.9	30.5	10.3	73.1	43.2	116.3
1951	75.6	33.0	21.6	87.0	45.2	132.2
1952	90.6	30.8	28.3	93.1	58.3	151.4
1953	102.8	32.8	21.0	114.6	103.8	218.4
1954	115.8	35.2	32.3	118.7	119.8	238.5
1955	126.4	35.8	33.5	128.7	112.7	241.4
1956	129.3	35.9	31.2	134.0	152.7	286.7
1957	134.5	36.8	26.9	134.4	175.2	309.6

\*Reports on Economic Conditions and Market Trends published by the State Bank of Ethiopia.

(a) SBOE stands for State Bank of Ethiopia.

LIST

es  
cal records  
research  
reports  
d graphs  
printing

## CHAPTER III

### STATE BANK OF ETHIOPIA

#### I. ORIGIN AND DEVELOPMENT

Banking in Ethiopia has a history of roughly half a century. The first Ethiopian bank, the Bank of Abyssinia, was established in 1905 under an arrangement with the National Bank of Egypt during the reign of Emperor Menelik II.<sup>1</sup> In 1931 the Bank of Abyssinia was bought out from Egyptian control by His Majesty the Emperor Haile Selassie I, and a purely Ethiopian institution, the Bank of Ethiopia, was established in its place.<sup>2</sup> This organization had a successful history until its operations were brought to a close by the Italian campaign against Ethiopia in 1935. During the occupation the Italians set up their own banks, branches of the Banco di Roma, but these collapsed with their expulsion in 1941. The most urgent and immediate banking requirements were then met by the opening of a branch of Barclay's Bank of England in the capital. This situation, however, was not deemed satisfactory as a permanent arrangement and led

---

<sup>1</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1906), p. 5.

<sup>2</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1931), p. 1.

directly to one of the important acts of administrative reorganization, the establishment of an Ethiopian state bank.<sup>3</sup>

The State Bank of Ethiopia was set up by an Imperial Proclamation on August 26, 1942. The original capital investment, fully subscribed by the Ministry of Finance, amounted to one million Maria Theresa dollars, the currency then in use along with the East African shillings.<sup>4</sup> The charter of the State Bank was published in November 30, 1943, and outlined in detail the powers and functions of the new institution.<sup>5</sup> The State Bank became the central bank of the Ethiopian Government, being empowered to issue banknotes and coins as agent of the Ministry of Finance, and, upon the later withdrawal of Barclay's Bank, became the sole bank in the country to engage in normal commercial banking service. The Charter also lays down the powers of the State Bank, which authorizes this agency to carry on all the transactions, acts, and the business usually associated with industry and commerce and with the fiscal and financial operations of

---

<sup>3</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1942), p. 1.

<sup>4</sup>Ibid., p. 2.

<sup>5</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1943), p. 1.



of the Government--both of private industry and business and of the Government.

The bank first opened its doors to the public in April, 1943, under a Canadian governor, Mr. C. S. Collier. With Mr. Collier's transfer to the position of Controller and Auditor General of the Ethiopian Government an American, Mr. George A. Blowers, was given the post, and it was under Mr. Blowers' direction that the 1945 currency reform was effected. Mr. Blowers was succeeded in July, 1949, by another American, Mr. Jack Bennett, who left at the end of 1952 after guiding the bank through three of its most successful years. In December, 1953, Mr. Walter H. Rozell, Jr., who left on December 3, 1955, assumed the leadership of the bank. Mr. G. N. Perry was Acting Governor from December 15, 1955 to February 14, 1957. In February 14, 1957, Mr. George P. Rea was appointed as Governor. Thus far with the exception of Mr. Collier, a Canadian, all the Governors of the Bank have been Americans.

When the bank first began operations, activities were conducted on a rather small scale, and the number of employees totaled only about fifteen. As of December 31, 1957, the total number of employees had increased to 668. Of the group 578 are Ethiopians and 90 are foreigners.<sup>6</sup> Services

---

<sup>6</sup>Reports on Economic Conditions and Market Trends (Addis Ababa: State Bank of Ethiopia, 1957).



available included current accounts, issuance of drafts, mail and telegraphic transfers, letters of credit, and the granting of loans against mortgages, merchandise, and personal guarantees. Overdraft facilities were also extended to a few firms. The bank's early years were marked by rapid growth, government and private.

Correspondent accounts were opened with thirty-four banks. The list of correspondent banks is as follows:<sup>7</sup>

The First National City Bank of New York	New York
Irving Trust Company	New York
Standard Bank of S. A. Limited	New York
Morgan Guaranty Trust Company of New York	New York
Bank of America	San Francisco
The Chase Manhattan Bank	New York
National Provincial Bank Limited	London
Standard Bank of South Africa Limited	London
Bank of Tokyo Ltd.	London
Hollandsche Bank Unie N. V.	Amsterdam
Banca Commerciale Italiana	Milan
Banco di Roma	Rome
Banca d'Italia	Rome
Banque de Grece	Athens
Bank of Israel	Jerusalem
The First National City Bank of N. Y.	Bombay
The Bank of India	Bombay
Chartered Bank	Calcutta
National & Grindlays Bank	Aden
Eastern Bank Ltd.	Aden

<sup>7</sup>Ibid., p. 5.

The Standard Bank of South Africa Ltd.	Nairobi
National & Grindlays Bank	Nairobi
National Bank of Egypt	Cairo
Banque Misr	Cairo
Banque de Bruxelles	Bruxelles
Banque de L'Indochine	Paris
Banque de L'Indochine	Djibouti
Banque Nationale pour le Commerce et L'Industrie	Djibouti
Aktiebolaget Goteborgs Bank	Stockholm
Skandinaviska Banken	Stockholm
Aktiebolaget Kristiana Hyp-Og Realkredit Bank	Oslo
Swiss Bank Corporation	Basle
Dresdner Bank	Hamburg
Commerzbank A. G. Dusseldorf	Bone

A note and coin issue department was added to the bank in July, 1945, by virtue of the currency and legal tender proclamation of 1945, and customer services and the number of branches were gradually increased. Savings accounts were made available to the public by the head office in January, 1946, and from the small beginning in that year deposits of 2.5 million Ethiopian dollars have grown to today's total of over 22.8 million.

## II. BRANCH BANKING

The extension of banking facilities into various provinces of Ethiopia has been an important development of banking in Ethiopia. One month after the opening of the

head office at Addis Ababa in April, 1943, the first branch was established at Dessie, and this was followed in August of the same year by another branch at Dire Dawa. Both towns are important commercial centers of Ethiopia. In April of the following year a third branch was opened at Jimma, capital of Kaffa province.

The outstanding feature of branch operations in 1952 and 1953 was the opening of four new branches in Eritrea, at Asmara, Assab, Massawa, and Tessenei.

The unique circumstances attendant upon the opening of the Eritrean branches is that prior to the federation of Ethiopia and Eritrea on September 15, 1952, banking services in Eritrea had been provided through the branches of four foreign institutions: Barclay's Bank, Banco di Roma, Banco di Napoli, and Banca d'Italia.<sup>8</sup> The establishment, therefore, of branches of the State Bank of Ethiopia in Eritrea brought the bank for the first time into direct competition with other banks of long standing. Federation also imposed upon the State Bank of Ethiopia the urgent necessity of replacing the former Eritrean currency--the East African Shilling--with the national currency of Ethiopia, an operation that called for careful planning and execution. A

---

<sup>8</sup>Guide Book of Ethiopia (Addis Ababa: Chamber of Commerce, 1953), p. 231.



further difficult task was the problem of organizing and exercising an efficient control over foreign exchange in Eritrea. The extension of the State Bank activity into Eritrea, it will thus be seen, posed problems of a nature much more complicated than had hitherto been encountered in branch operations. Despite difficulties, however, a large measure of success has been achieved. The Ethiopian dollar has completely replaced the former East African Shilling as a medium of exchange. Some problems of exchange control remain, and there is need for a re-writing of current banking legislation to deal with the special problems of federation, but the State Bank is on the whole securing the cooperation of the Eritrean merchants and foreign banks. Barclay's Bank has closed, and the Banca d'Italia is inactive. The two remaining Italian banks--the Banco di Roma and the Banco di Napoli--are not permitted to deal directly in the purchase and sale of foreign exchange.<sup>9</sup>

In April, 1958, the State Bank of Ethiopia opened a foreign branch office in Khartoum.<sup>10</sup> This branch, which has been given a capital account of 300,000 Sudanese pounds, is

---

<sup>9</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1943), p. 2.

<sup>10</sup>Report on Economic Conditions and Market Trends (Addis Ababa: State Bank of Ethiopia, 1958), p. 1.

the first commercial State Bank branch opened outside of Ethiopia's borders.

The main purpose of the Khartoum branch is to promote commercial relations between Ethiopia and the Sudan. Besides this, it is hoped that its facilities will be used for other kinds of transactions as well. The branch has been designed for all kinds of banking business as defined by Sudanese banking laws.

For the promotion of trade between Ethiopia and Sudan, the State Bank Branch makes available a facility that other banks in Khartoum do not have, namely an Ethiopian dollar account, which will allow the public to effect transfers and remittances to Ethiopia in a direct and economical way.

Trade between the two countries has for the last few years amounted to approximately two million Ethiopian dollars each way. The principal commodities traded are cotton from the Sudan and coffee from Ethiopia.<sup>11</sup>

In February, 1958, the State Bank opened a branch in Dembidollo.<sup>12</sup> The branch was opened, according to the statement of head office officials, in response to a strong demand from the commercial community as well as from

---

<sup>11</sup>Report on Economic Conditions and Market Trends (Addis Ababa: State Bank of Ethiopia, 1958), p. 2.

<sup>12</sup>Ibid., p. 2.



government representatives. Since most of the Ethiopian coffee exported to the Sudan is Amphillo coffee this bank will provide another potential contribution to the facilitation of this kind of trade.

Dembidollo is the marketing centre of the coffee-bearing Amphillo region, where some 2,000 tons of coffee are harvested annually on the average. It has a healthful climate, is surrounded by an active agricultural area and has a few industrial plants. Due to a thirty-meter water-head on the river Metti, eight miles from town, where a hydroelectric plant can be established, it is a potential area for industrial development.

The Djibouti branch is not equipped as a commercial bank. Its only function is to facilitate the clearance of commodities through French Somaliland.

Additional branches to the total number of eighteen have been established since the opening of the first branch, although it was realized that commercial activity in some areas was not sufficient to insure a profit. Nevertheless, it has been the policy of the State Bank to maintain branches in these areas on the principle that only in this way will the public become acquainted with and develop confidence in the currency of Ethiopia and the use of banking facilities.<sup>13</sup>

---

<sup>13</sup>Report on Economic Conditions and Market Trends (Addis Ababa: State Bank of Ethiopia, 1950), p. 2.

The growth of branch banking in Ethiopia has played a major part in strengthening commercial activity and in acquainting the people with the many advantages that a sound banking system can bring to the community. Following is a list of the branches of the State Bank of Ethiopia:

BRANCHES OF THE STATE BANK OF ETHIOPIA\*

Dessie, Wollo province, 1943	Asmara, Eritrea, 1953
Dire Dawa, Hararge province, 1943	Assab, Eritrea, 1953
Djibouti, French Somaliland, 1944	Massawa, Eritrea, 1953
Jimma, Kaffa province, 1944	Tessenei, Eritrea, 1953
Lekempti, Wollega province, 1945	Addis Ketama, Shoa province, 1954
Jigjiga, Hararge Province, 1946	Nazerett, Shoa Province, 1955
Gondar, Begemider province, 1948	Wardair, Hararge province, 1956
Gore, Illubabor province, 1948	Khartoum, Sudan, 1958
Gambeila, Illubabor province, 1952	Dembidollo, Wollega province, 1958

\*Source: Annual report published by the State Bank of Ethiopia.

Each of the branches is under the direct supervision of a branch manager who, in turn, is responsible to the Supervisor of Branches at the head office in Addis Ababa, except branches in Eritrea, Djibouti, and Khartoum which are independently controlled. The branches with the exception of Djibouti branch provide all general banking services,

such as current accounts, loans, mail and telegraphic transfers, letters of credit, and deal in the sale or purchase of foreign exchange with the approval of head office. In addition, fifteen extend savings account facilities to the public.

### III. ORGANIZATION

The State Bank of Ethiopia is a corporate entity whose capital is entirely subscribed by the Ministry of Finance. Original capital investment when the bank was founded amounted to 1,000,000 Maria Theresa dollars, which was converted into an equal number of Ethiopian dollars at the time of the currency reform in July, 1945.<sup>14</sup> Since then the capital of the State Bank has been raised several times and now totals 10,000,000 Ethiopian dollars.

The charter of the State Bank vests final control of the bank's affairs in the hands of the Government, since its capital is owned by the Ministry of Finance and the board of directors is chosen by the Crown. The State Bank is officially designated as the Central bank of the Imperial Government. Under the Charter, the affairs of the State Bank are administered by a Board of Directors of not less than five and

---

<sup>14</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1945), p. 1.



not more than seven Directors appointed by the Emperor. Both the President of the Board and the Governor of the State Bank are appointed by the Emperor. Four Directors of the Board form a quorum, and the Board must meet at least once a month. The meetings are presided over either by the President of the Board or by the Governor of the Bank.<sup>15</sup>

Article 5, part 4, of the Charter reads that the meetings shall be presided over by the President or in his absence by the Governor. In the absence of both President and Governor the Directors present shall elect a chairman from amongst their number.<sup>16</sup>

Furthermore, the minutes of proceedings of the board of directors and the books of accounts are at all times open to inspection by the Minister of Finance. While the sole right of issuing currency is by law vested in the State Bank of Ethiopia, the latter acts in this capacity "for and on behalf of the Imperial Ethiopian Government," and the issue department of the bank is implicitly under the control and authority of the Ministry of Finance.

The Governor of the Bank is considered as a delegate and executive agent of the Board. His signature alone is binding, except on documents under seal.

---

<sup>15</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1943), p. 2.

<sup>16</sup>Ibid., p. 9.

A Balance Sheet and a Profit and Loss Statement must be prepared every six months and submitted to the Minister of Finance, who must have them published in the Negarit Gazeta (Government Journal).

Active direction of the bank's affairs, however, is in the hands of the board of directors, and its policies are decided by that body. The chief executive officer of the bank is the governor, who is personally appointed by the Crown, and who is assisted in his duties by the manager and subordinate officers. The various departments of the bank function under the supervision of these officers, and their number and activities may be described briefly as follows:<sup>17</sup>

**AUDIT DEPARTMENT**--A non-operating unit of the bank, this department is concerned chiefly with scrutinizing the financial operations of other departments of the bank and its branches to see that the policies and instructions of the management are properly carried out and the interests of depositors duly protected. Its activities are essential to provide that measure of security and control over internal organization which will insure smooth and efficient operation of the bank's affairs.

---

<sup>17</sup>Report on Economic Conditions and Market Trends (Addis Ababa: State Bank of Ethiopia, 1950), p. 7.

**ACCOUNTS DEPARTMENT**--This department is responsible for the maintenance of accurate records having to do with all the financial transactions of the State Bank, and with the proper balancing of the records of assets and liabilities. It prepares a semi-annual statement of condition which is checked by the audit department and later published in the bank bulletin.

**ISSUE DEPARTMENT**--The issue department is charged with control of the nation's currency and carries out the directives of the Ministry of Finance and the board of directors of the State Bank with regard to monetary policy.<sup>18</sup>

**EXCHANGE CONTROL OFFICE**--This department formulates the rules and sets up procedures within whose framework the control and issuance of foreign exchange is regulated. The purpose of such regulation is to insure the importation of necessary goods and to restrict those of a frivolous or luxurious nature. The exchange control office deals directly with the public, to whom it is open five mornings a week (Monday through Friday). Merchants desirous of obtaining licenses to import or export goods apply directly to this office.

---

<sup>18</sup> Negarit Gazeta (Addis Ababa: Government Printing Press, 1945), p. 3.



**BILLS DEPARTMENT**--The function of this department is to deal with all incoming and outgoing documentary bills and to notify clients immediately upon receipt of bills or of documentary credits opened in their favor. Foreign exchange is supplied to clients for the import of goods provided exchange control approval has been granted. The Bills Department also operates an import control section which cooperates closely with the Exchange Control Office and the Ethiopian Customs Administration to insure that goods for which foreign exchange has been granted are, in fact, imported.

**SUNDRIES DEPARTMENT**--This department issues foreign exchange in the form of sight drafts, mail transfers, telegraphic transfers, travelers' checks, and letters of credit. Incoming drafts, transfers, and other remittances from abroad are paid here. Banking hours for both Bills and Sundries departments are from nine till noon every day except Sundays for cash items, but these departments are open afternoons as well for other business.

**LOANS DEPARTMENT**--Application for mortgage loans, merchandise loans, loans against personal guarantee, overdraft facilities, and commercial paper discounts are handled by this department. Interest rates vary from 7 per cent to 9 per cent per annum. Final approval of each loan is dependent on the decision of the loan committee, which meets twice weekly for this purpose.



**CABLE AND TRANSIT DEPARTMENT**--Handles all telegraphic banking communications whether originating from within or without Ethiopia. In addition, this department arranges the forwarding of clients' merchandise from Djibouti to Addis Ababa and expedites the handling of documents relating thereto. It cooperates closely with the Ethiopian Bonded Warehouses in Addis Ababa and Djibouti in the matter of storage of customers' shipments.

**ECONOMICS AND STATISTICS DEPARTMENT**--This office is engaged in the collection and analysis of statistical data relating to bank activities as well as to the economic affairs of the country as a whole. It prepares and publishes a bank bulletin entitled "Report on Economic Conditions and Market Trends," which surveys the entire field of Ethiopian economic activity. Special reports on economic matters are prepared when called for by bank executives.

**LEGAL DEPARTMENT**--The bank's legal department is responsible for the examination and preparation of agreements and other documents pertaining to the bank's affairs, and for the conduct and supervision of all court work in which the bank is involved. The legal department also acts in an advisory capacity to the various departments of the bank when called upon to do so.

## IV. BANK SERVICES--DOMESTIC

Savings accounts. Since January 2, 1946, the head office of the State Bank of Ethiopia has maintained savings account facilities for the convenience of the public, and similar services have been extended to thirteen of the branches. Through this medium the people are gradually being acquainted with the advantages of regular saving. Briefly, these may be listed as follows:

- 1) 1) Safety--The bank maintains fireproof and burglar-proof vaults for the safeguarding of depositors' funds.
- 2) Interest--Funds kept in regular savings bank accounts earn interest at the rate of 4 percent per annum, compounded semi-annually. Saving deposits (time deposits) held for twelve months or longer earn interest at  $3\frac{1}{2}$  per cent, for six months, 2 per cent.
- 3) The convenience of a repository.
- 4) The convenience of accurate accounts.

Savings accounts may be opened with an initial deposit of five Ethiopian dollars, and thereafter deposits of one Ethiopian dollar and up will be accepted.

At present regular savings are limited to 5,000 Ethiopian dollars per person, but there is no limit on the amounts that may be placed under time deposit. The rate of interest ( $3\frac{1}{2}$  per cent) paid on this latter type of account

is somewhat less than on savings accounts and withdrawal privileges are less flexible, being limited to four per month.

In the case of regular savings accounts, withdrawals are restricted to two per month and are limited to 25 per cent of the amount standing to the credit of the account unless, of course, the depositor decides to close the account, in which case thirty days' notice may be required.<sup>19</sup> Interest is calculated on the minimum monthly balance and credited to depositors' accounts semi-annually. To earn interest a minimum balance of twenty-five Ethiopian dollars is required.

According to the bank's officials, the money deposited by the public is put to work in the form of loans, portfolio investments, and other interest-bearing uses. It is, in fact, only through the active employment of such funds that the bank is able to pay interest to its depositors.

Current accounts. Current accounts have always been one of the most important services extended to the public by the State Bank of Ethiopia and its branches. Payment by check has become increasingly popular in the larger towns of Ethiopia, because of their ease and convenience. To open

---

<sup>19</sup>Report on Economic Conditions and Market Trends (Addis Ababa: State Bank of Ethiopia, 1957), p. 4.



a current account a depositor need only identify himself satisfactorily at the bank and verify his signature to the banking authorities. An initial deposit of at least 250 Ethiopian dollars is required, but thereafter no minimum balance need be maintained. Checkbooks of ten, twenty-five, or fifty checks are available from the bank at an average cost to the holder of 17 Ethiopian cents per check.

Loans. A primary source of a bank's income is charges on loans. Loans are often needed to start a new business or to help an established concern through difficult times, to enable a merchant to buy supplies, to finance the purchase of land or the construction of buildings, to advance funds needed by a farmer or industrialist to buy machinery and equipment, and, in general, to provide the money needed to finance worthwhile business ventures in anticipation of a profitable return. Without the aid of loans commercial activity would be severely restricted and the prosperity of the community curtailed.

In the matter of serving the public through loans the State Bank of Ethiopia holds a predominant position. It is the only financial institution of the size and strength sufficient at present to meet the lending needs of the Ethiopian business community. The sources of these loan funds arise in the main from customers' deposits, current,



savings, and time. The State Bank of Ethiopia does not lend money which it holds on reserve account.)

Five main types of loans are made by the State Bank. These are:

- 1) Mortgage loans--made against real property, land, or buildings. Such loans usually extend for a period of from one to six years and bear interest at the rate of 8 per cent per annum. The total of these loans has been limited by decision of the board of directors to 25 per cent of deposits. Mortgage loans are normally the major type of loan in terms of the sums involved.
- 2) Merchandise loans--These are normally made against a pledge of merchandise by exporters to obtain an advance on payment of goods shipped abroad. The duration of such loans averages about three months, and interest on them is payable at 7 per cent per year. Naturally, this type of loan is heaviest during the main export season, which extends from January to July. Merchandise loans are limited to from 50 per cent to 70 per cent of the value of the goods.
- 3) Guaranteed loans are made against the personal guarantee of a third party, who bears full liability in case of default. The period covered is usually no longer than one year. Interest is 9 per cent per year. Individual loans in this category are limited to 25,000 Ethiopian

dollars, but in practice the amount advanced rarely exceeds 10,000 Ethiopian dollars. The total of such loans may not exceed 1,000,000 Ethiopian dollars at any given time. Guaranteed loans are frequently made to finance small purchases, such as an automobile, a small piece of property, or durable goods.

4) Overdraft facilities--Permission to overdraw individual accounts is granted to reputable and well-known clients of long standing with the bank. Overdraft facilities are usually extended for six months at a time, but may be renewed. Facilities granted vary with the capital position of the applicant. Interest accumulates at the rate of 7 per cent per annum.

5) Bills discounted--Merchants' promissory notes and other commercial paper are discounted by the bank at 9 per cent per year. Collection is then made by the bank from the signatory.

Other services. In addition to these services the bank has facilities for the safe custody of clients' valuables and provides expert appraisals on real estate at nominal charges.

#### V. BANK SERVICES--FOREIGN

One of the most important functions of the State Bank is its role as middleman between merchants at home and

abroad. In the sphere of foreign trade the bank renders a vital service to the nation through its sale and purchase of foreign exchange, for which purpose it maintains liaison with 34 correspondent banks throughout the world. By virtue of its many contacts abroad, it is able to help both exporters and importers to receive and meet payment for their foreign services and obligations. For this purpose it maintains a Bills Department and a Sundries Department, which are open to serve the public every day except Sundays. These departments are responsible for issuing foreign exchange, subject to the approval of the exchange control office, and are in daily contact with the foreign correspondents of the State Bank through whom the sale and purchase of exchange is conducted.

## VI. EXCHANGE CONTROL

The establishment of an effective system of exchange control came about in September, 1949. Legally, some form of control had existed since October 31, 1942, and this was considerably strengthened by an amendment of June, 1948, to the Currency Proclamation of 1942. However, no regulations, methods, or procedures of control had been set up; foreign traders were largely uninformed of the law, and its strict application and enforcement, consequently, remained weak. By Legal Notice No. 127 of 1949 this situation was



altered. Detailed instructions were laid down on the mechanics of control, the State Bank of Ethiopia was declared the sole authorized dealer in foreign exchange, and in accordance with this provision an exchange control office was set up in the bank. This office is actively engaged in administering the new currency regulations and in setting up rules and methods of procedure for foreign traders.

The central point of exchange control as it has been practised since September, 1949, is that all persons exporting goods from Ethiopia must undertake to transfer 100 per cent of their foreign exchange proceeds from such sales to the State Bank of Ethiopia.<sup>20</sup> Equivalent compensation is, of course, made in local currency. Ethiopia's exchange control may be described as a system of quantitative restriction based on individual allocations of foreign exchange.

There are no import licenses, but payments outside Ethiopia for imports require exchange licenses. These exchange licenses are at present freely granted for all goods in the appropriate currency of the country of their origin, or in a softer currency when ordered through a third country.

Invisible payments such as freight and insurance charges and the expenditures of travelers, abroad also require

---

<sup>20</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1949), p. 1.

exchange licenses. Exchange for such purposes as charity and maintenance is granted in moderate amounts to residents not permanently domiciled in Ethiopia for remittances to their own country. Exchange for education is granted to permanent and temporary residents based on documentary evidence of necessity and amount. The transfer abroad of dividends and other current earnings due to non-residents is allowed within limits.

In order to obtain exchange to pay a foreign shipper, the Ethiopian importer must file an application with the Exchange Control Office of the State Bank of Ethiopia.<sup>21</sup> This application, when approved, becomes an exchange license and is assurance to the importer that he will obtain the necessary foreign exchange for payment, if available, either against documents after arrival of the goods or against a letter of credit. An export license, similarly obtained, is required for the shipment of goods abroad, and serves as a check on the surrender by exporters of 100 per cent of the receipts from foreign sales to the Exchange Controller. In the case of coffee (Ethiopia's main export) present regulations require the exporter to surrender 50 per cent of the proceeds in United States dollars and 50 per cent in sterling. Exchange control has markedly affected the pattern

---

<sup>21</sup>Ibid., p. 3.

of imports in the direction of a greater proportionate volume of those items which may be loosely described as of an industrial nature, or satisfying in the main industrial, construction, or transportation needs. The change has taken place largely at the expense of textile consumption, which has declined correspondingly. Within the general framework of exchange control, the volume and value of Ethiopia's foreign trade have continued to increase. The country has enjoyed a healthy surplus in its overall balance of payments with the rest of the world in recent years, and has been able to build up large reserves of United States dollars to further its capital development.

#### VII. AUTHORIZED POWERS

General Notice No. 18 of 1943 gave the State Bank of Ethiopia the following powers;<sup>22</sup>

- 1) to buy, hold, sell and exchange any personal property;
- 2) to sue and be sued in all Ethiopian Courts;
- 3) to issue drafts, cheques, letters of credit and travellers cheques, make payment orders and effect telegraphic transfers, payable in Ethiopia and abroad;

---

<sup>22</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1943), pp. 1-5.



4) to establish branches and sub-branches as may be requisite and convenient in Ethiopia and abroad;

5) to buy and sell internal transfers and foreign exchange and negotiate issue and receive all documents pertaining thereto;

6) to buy and sell securities of all kinds for its own account or for account of others;

7) to accept and receive monies in current account withdrawable at sight or in deposit for fixed terms and allow interest thereon and accept and receive articles and documents for safe custody;

8) to open and maintain accounts with banks and banking correspondents in Ethiopia and abroad, and accept the opening of accounts by such banks and banking correspondents;

9) to discount and negotiate bills, promissory notes and the like, of all kinds;

10) to grant loans and advances and open credits in accounts current or otherwise and charge interest hereon;

11) to act as collecting or other agent on behalf of banks, companies and individuals;

12) in general for its own account or for the account of third parties undertake all banking, commercial, industrial and agency business in Ethiopia and elsewhere and participate in the creation and constitution of all financial, commercial, and industrial enterprises of interest to Ethiopia;

13) to act as the instrument of Ethiopian Government Treasury.

General Notice No. 29 of 1944 revealed that the State Bank of Ethiopia had possessed, since its inception, the same power as was given in the Charter more than a year after its creation. The Notice further stated that the Charter had, in fact, existed since the Bank's inception in 1942. Although it is not expressly stated, it may be interpreted that the law validates all judicial acts, instruments, and financial transactions which have been carried out by the said Bank since date of its inception until the date when the Charter was published (November 30, 1943). In part the General Notice No. 29 of 1944 stated that:<sup>23</sup>

Now, Therefore, We do hereby proclaim that the aforesaid powers be held and interpreted to extend and apply, and, from the date of the aforesaid Charter, to wit, the 30th August 1942, to have extended and applied to authorise the conclusion and ratification by the State Bank of Ethiopia, through its Board of Directors, of any and all loan agreements, contracts, and obligations for loan to or by said State Bank, including any and all agreements, contracts and obligations for the furnishing of securities or collateral for all such loan agreements, contracts and obligations and to render all such agreements, contracts or obligations for the furnishing of securities or collateral, duly authorised by said Board of Directors, binding upon the said State Bank of Ethiopia whether authorised, concluded and or ratified before or after the date of the present General Notice.

---

<sup>23</sup> Negarit Gazeta (Addis Ababa: Government Printing Press, 1944), p. 1.



It may thus be interpreted that all the powers described under Parts 2 and 3 of the Charter had all the time been given to the Bank from the date of its inception, making the Bank liable for all such acts between those dates.

Proclamation No. 76 of 1945 gave the Minister of Finance or the State Bank of Ethiopia with the concurrence of the Minister of Finance power to enter into loan agreements with monetary authorities of other Governments in connection with exchange facilities, stabilization of currency, and other international currency measures. Under the same Proclamation, the State Bank, acting on behalf of the Government of Ethiopia, was given the sole right to issue currency, notes and coins, and to maintain an Issue Department for that purpose.<sup>24</sup>

Proclamation No. 99 of 1948 proclaimed the State Bank of Ethiopia as the sole authorized dealer in foreign exchange.

Legal Notice No. 127 of 1949 issued by the Minister of Finance, gave the State Bank power to appoint agencies and representatives to act in such capacity, but the Bank

---

<sup>24</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1945), p. 2.



must file the names of such agents and representatives with the Ministry of Finance.<sup>25</sup> The regulations cancelled all permits given to any person to deal in foreign currency and foreign exchange prior to the publication of the Legal Notice No. 127. The State Bank of Ethiopia, according to the regulations, acts as the Exchange Control Agency for the Ethiopian Government.<sup>26</sup>

Proclamation No. 112 of 1950, an amendment to the Currency and Legal Tender Proclamation of 1945, gave the State Bank of Ethiopia power to issue currency in Ethiopia against prepaid foreign currencies within such limits and at such rates as may be determined by the State Bank of Ethiopia.<sup>27</sup> The amendment also empowered the State Bank of Ethiopia to receive Ethiopian currency and issue foreign currencies or telegraphic or mail transfers payable in foreign currencies within such limits and on such terms as it may prescribe from time to time by Ethiopian Government.

---

<sup>25</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1949), p. 3.

<sup>26</sup>Ibid., p. 4.

<sup>27</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1950), p. 1.

## VIII. BANK FINANCIAL STATEMENTS

(A detailed analysis of bank financial and operating data cannot be made because of lack of detailed bank statements. The bank usually publishes a condensed bank statement in the Ethiopian Herald annually. However, with the data that have been published, a reasonable analysis of the financial condition and operating results of the bank for 1946 through 1957 can be undertaken.)

Financial and operating data are stated in common-size statement as shown in Table III and Table IV. Common-size statements are called "component percentage" or "100 per cent" statements because each statement is reduced to the total of 100 and each individual item is stated as a percentage of the total of 100. As of December 31, 1946, the ratio of deposits to total liabilities and capital was 72.6 per cent; the same ratio as of December 31, 1957, was 82.7 per cent.

(Deposits represent the major item of the liabilities and capital, whereas cash, balances abroad, loans and advances, and marketable securities are the major assets.) The changes in the amount of these items relative to the statement totals are shown in the comparative statement.

On December 31, 1946, the Bank had cash in the amount of 12,237,000 Ethiopian dollars, which was equivalent to 33.3 per cent of the total assets. As of December 31, 1957,





this amount was 26,949,000 Ethiopian dollars, or 12.6 per cent of the total assets.

The common-size statement of income and expenditures (Table IV-1) reveals that a relatively large amount of the gross income from current operations was absorbed by current operating expenses during 1948, 1949, and 1955. A favorable tendency is to be noted for 1954, 1956, and 1957.

In 1946 the total current expenses from operations was 43.4 per cent, whereas in 1957 it was 32.5 per cent. In 1946, net profit was 56.6 per cent of gross income, whereas in 1957 it was 67.5 per cent. In 1946 the salaries and wages and other general expenses were 26.4 per cent, and 16.6 per cent of gross income respectively, whereas in 1957 they fell to 17.3 per cent and 5.9 per cent.

In 1946 interest earned was 27 per cent of gross income, while in 1957 it rose to 48.2 per cent; and in 1946 commissions and exchange earnings were 15.9 per cent and 42 per cent of gross income respectively. In 1957 the earnings from commissions and exchange fell to 5 per cent and 37.3 per cent.

Table V presents trend percentages of related financial and operating data for the State Bank of Ethiopia. From 1946 through 1957, deposits increased 138,601,722 Ethiopian dollars, or 374.7 per cent; and surplus, undivided profits,

TABLE IV

## State Bank of Ethiopia

## COMMON-SIZE STATEMENT OF INCOME AND EXPENDITURE\*

For the Years 1946-1957

(per cent of total)

Items	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
<u>Income</u>												
Interest Earned	27.0	38.0	40.3	37.1	31.2	24.4	23.2	22.5	38.5	38.4	42.6	48.2
Discount Earned	0.4	0.6	0.3	0.2	0.1	-	0.2	0.2	0.3	0.2	0.2	0.1
Commissions	15.9	15.2	14.3	12.6	13.7	22.2	6.1	6.2	4.3	5.0	4.6	5.0
Exchange	42.0	25.8	31.5	40.8	52.6	47.2	60.3	57.0	44.5	43.2	39.6	37.3
Other Income	10.1	10.3	8.1	8.5	2.2	4.1	7.2	6.3	1.8	2.0	1.2	0.9
Profit, Branches	10.1	0.1	5.5	0.8	0.2	2.0	3.2	7.7	10.6	11.2	11.8	8.5
Total Income	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<u>Expenditures</u>												
Interest Paid	0.1	0.2	1.0	2.0	3.2	3.0	4.3	4.0	4.0	5.6	6.1	6.0
Salaries and Wages	26.4	22.7	27.3	22.7	22.1	22.2	22.3	22.7	15.4	17.2	20.2	17.3
Other General Expenses	16.6	20.3	25.0	32.8	21.1	20.0	18.3	19.4	10.6	29.4	11.9	5.9
Adjustment & Refund Account	0.3	0.1	0.1	1.0	1.6	2.9	-	-	-	-	-	3.3
Total Expenditures	43.4	43.3	53.4	58.5	49.0	48.1	44.9	46.1	30.0	52.2	38.2	32.5
Net Profit	56.6	56.7	46.6	41.5	51.0	51.9	55.1	53.9	70.0	47.8	61.8	67.5

\*for dollar data see Appendix E-2



and reserves increased 15,457,000 Ethiopian dollars, or 963 per cent. Marketable foreign securities and loans and advances increased 56,535,000 and 41,115,000 Ethiopian dollars or 4890 per cent and 174 per cent respectively. The increase since 1946 in the State Bank's total assets of 175,059,000 Ethiopian dollars, or 473 per cent was accompanied by increase in total liabilities of 151,102,000 Ethiopian dollars, or 441.1 per cent.

From December 31, 1946 to December 31, 1949 the trend of total assets was downward, but after December 31, 1949 the trend was constantly upward. The trend of total liabilities was downward from December 31, 1946 to December 31, 1949, but after that it was upward. The upward trend of total assets, however, was at a higher rate than that of total liabilities. The indication, as reflected in Figure I, is that the financial position has been favorable except as of December 31, 1950.

The trend data for gross income from operations, current expenses, and net income from current operations (Figure II) reflect favorable changes in operations. Gross income increased 646 per cent, whereas current expenses and net income from current operations increased 461 per cent and 788 per cent respectively. The trend of gross income was constantly upward since December 31, 1946. The trend of



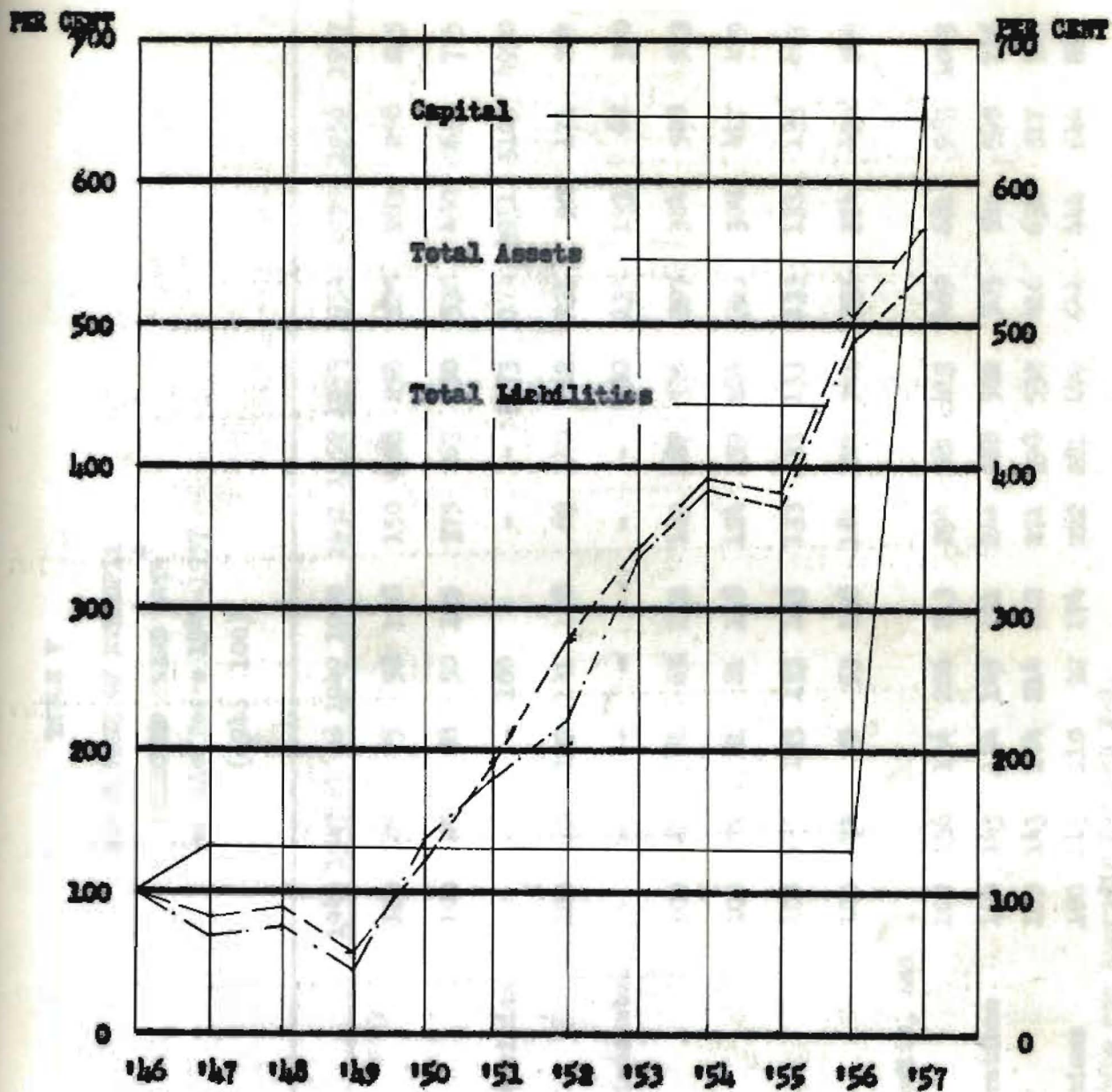


FIGURE I

CAPITAL, TOTAL ASSETS, AND TOTAL LIABILITIES

(BASED ON DOLLAR DATA FROM APPENDIX E-1)

TABLE V  
**STATE BANK OF ETHIOPIA**  
**SELECTED TREND DATA\***  
**For the Years 1946-1957**  
**(1946 100)**

Items	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Cash	100	85	75	58	108	150	208	258	225	283	258	225
Balances Abroad	100	25	88	50	125	375	263	350	538	450	638	775
Marketable Foreign Securities	-	-	-	100	-	-	-	3173	3174	3931	5109	4990
Loans and Advances	100	112	102	141	108	62	140	112	125	90	171	274
Bills Purchased and Discounted	-	-	-	-	-	-	-	100	133	133	67	300
Total Assets, Net	100	81	86	65	122	189	287	346	397	384	508	573
Deposits, Gross	100	79	81	81	118	124	159	284	325	308	417	479
Capital	100	133	133	133	133	133	133	133	133	133	133	667
Total Liabilities	100	74	79	53	138	185	224	341	391	374	494	544
Surplus, Undivided Profits, and Reserves	100	156	144	206	213	294	381	413	469	681	963	1063
Gross Income from Operations	100	143	134	145	191	244	288	502	503	526	590	746
Current Expenses	100	143	164	214	212	271	398	532	416	632	517	561
Net Income from Operations	100	143	110	92	174	222	281	479	644	444	644	888

\*for dollar data see Appendix E-1 and E-2.



current expenses from operations was also upward. From December 31, 1948 to December 31, 1955, the upward trend of current expenses was at a higher rate than that of gross income, but after that the upward trend of gross income was at a higher rate than that of current expenses.

The trend of net income was constantly upward, except at December 31, 1949.

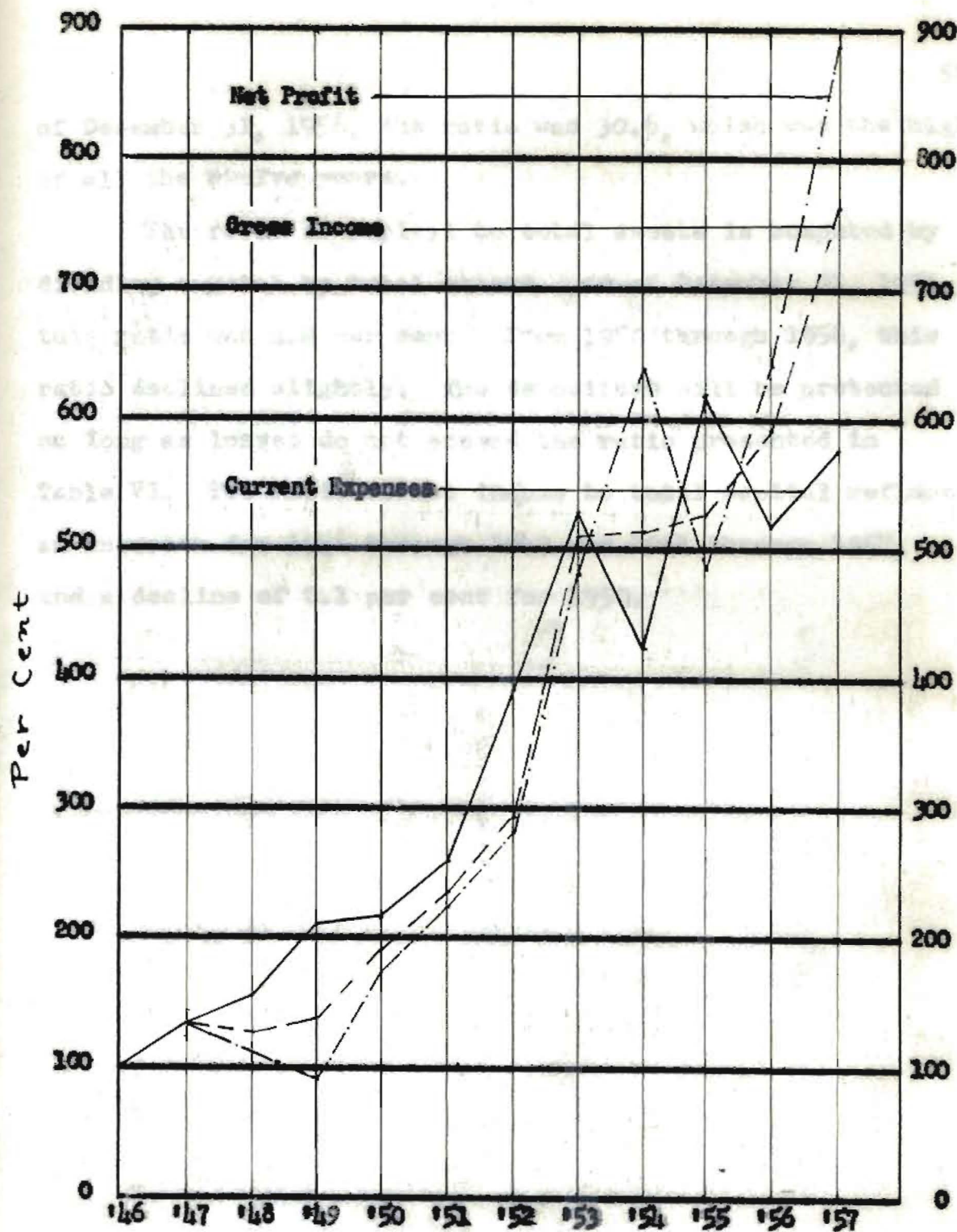
The ratios of cash to total deposits, cash and marketable foreign securities to total deposits, total deposits to capital, capital to total assets, and net income to total assets are presented in Table VI.

The ratio of cash to deposits is computed by dividing cash by total deposits. The data in Table VI reveal that the ratio of cash to deposits declined since 1946; whereas, the amount of deposits increased at a more rapid rate than cash. The decrease in cash accompanied by an increase in deposits indicates that other assets have been acquired by the bank.

The ratio of cash and marketable foreign securities to total deposits is computed by dividing the total of cash and marketable securities by total deposits.

The ratio of total deposits to capital is determined by dividing total deposits by capital. As of December 31, 1957, the State Bank had deposits of 175.2 million Ethiopian dollars or 17.5 times the capital. On December 31, 1949, the total deposits times the capital was 6.0; whereas, as





**FIGURE II**  
**GROSS INCOME, CURRENT EXPENSES, AND NET PROFIT, 1946-1957**  
**(BASED ON DOLLAR DATA FROM APPENDIX E-2)**

of December 31, 1956, the ratio was 30.6, which was the highest of all the twelve years.

The ratio of capital to total assets is computed by dividing capital by total assets. As of December 31, 1951, this ratio was 4.8 per cent. From 1950 through 1956, this ratio declined slightly. The depositors will be protected so long as losses do not exceed the ratio presented in Table VI. The ratio of net income to total capital reflects an increase for 1946 through 1949 and 1951 through 1957, and a decline of 0.1 per cent for 1950.

TABLE VI

## State Bank of Ethiopia

## SELECTED RATIOS\*

For the Years 1946-1957

Items	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Cash to Total Deposits	46.0	45.0	39.0	58.0	32.0	35.0	41.0	30.0	29.0	30.0	20.0	15.0
Cash and Marketable Foreign Securities to Total Deposits	46.0	45.0	39.0	67.0	32.0	35.0	41.0	66.0	61.0	71.0	61.0	48.0
Total Deposits to Capital	1,760.0	1,100.0	1,250.0	600.0	2,050.0	2,550.0	3,050.0	2,080.0	2,320.0	2,300.0	3,060.0	1,750.0
Capital to Total Assets, Net	4.1	7.1	6.3	8.3	3.6	2.9	2.4	3.9	3.4	3.5	2.7	4.8
Net Income to Total Assets, Net	1.9	3.3	2.5	2.9	1.8	2.9	2.4	2.3	2.4	2.1	2.7	2.8
Capital to Total Liabilities	4.4	8.0	6.6	11.1	4.3	3.2	2.6	4.3	3.8	3.2	2.7	5.4

\*for dollar data see Appendix E-1 and E-2



## CHAPTER IV

### THE DEVELOPMENT BANK OF ETHIOPIA

The foundation of the Development Bank of Ethiopia, early in 1951, coincided with the beginning of a period of economic expansion in Ethiopia. The upsurge of coffee prices late in 1949, the improved organization of highway reconstruction, the promulgation of the Statement of Policy for the Encouragement of Foreign Capital Investment in Ethiopia in 1950, and the acceptance of American Technical Cooperation in June, 1951, created a favorable climate for investments of all kinds.<sup>1</sup>

Without a development bank, the banking system of Ethiopia would have been ill equipped for giving support to economic development. The State Bank of Ethiopia was, by its charter and practice, almost exclusively dedicated to short-term trade financing. Medium-term credits were given against real estate mortgages, but the Bank was quite unprepared to supply venture capital.

The concept of a development bank was not new. Such banks had existed for about three decades in different

---

<sup>1</sup>Report on Economic Conditions and Market Trends (Addis Ababa: State Bank of Ethiopia, 1951), p. 10.

countries.<sup>2</sup> Fairly large and often government-supported, they had specialized in venture capital, whether in the shape of loans, equity or both. Risk taking and the promotion of new enterprises had become their principal line of business. Therefore their staff usually included a number of engineers and business analysts whose task it was to evaluate the viability of enterprises and, if necessary, give advice.

This type of bank had attracted the attention of the International Bank for Reconstruction and Development at an early date.<sup>3</sup> At a time when the International Bank for Reconstruction and Development was shifting its attention from reconstruction loans mainly in Europe to development loans mainly in the tropics, it was realized that development banks were an ideal means for promoting private industries to which it would be impracticable for the International Bank for Reconstruction and Development to lend directly.

It was therefore in harmony with the interests of Ethiopia as well as with the general policy of the International Bank for Reconstruction and Development when, in September, 1950, the International Bank for Reconstruction

---

<sup>2</sup>Report on Economic Conditions and Market Trends (Addis Ababa: State Bank of Ethiopia, 1958), p. 5.

<sup>3</sup>Year Book of the United Nations (New York: Columbia University Press, 1950), p. 859.



and Development granted a loan of U. S. \$2,000,000 to the Ethiopian Government for the establishment of an Ethiopian development bank.<sup>4</sup> This was simultaneous with a United States \$5,000,000 loan to be spent on highways. The purposes and the lending policy of the development bank were laid down in articles 1-4 of Proclamation No. 116 of 1951, published in the Negarit Gazeta dated 19th March, 1951.<sup>5</sup>

The purposes for which the Bank is formed are:<sup>6</sup> (1) to assist in the development of industrial and agricultural production, and (2) to foster the investment of private capital for private purposes.

The Bank is authorized to:<sup>7</sup> (1) make, guarantee or participate in loans to any industrial, agricultural or business enterprise on terms and conditions as it shall deem appropriate; (2) purchase, hold and sell stocks or other evidence of ownership of any industrial, agricultural or business enterprise; (3) borrow money, float loans, and issue bonds or other evidence of indebtedness and give security for the same; (4) employ the funds of the Bank in all types

---

<sup>4</sup>Ethiopian Herald, September 21, 1950.

<sup>5</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1951), p. 3.

<sup>6</sup>Ibid., p. 3.

<sup>7</sup>Ibid., p. 4.



of industrial, agricultural or business enterprises in Ethiopia and to manage, sell or otherwise dispose of such enterprises; (5) to act as agent or representative of any person, corporation, firm or enterprise; (6) open and maintain accounts with banks and banking correspondents in Ethiopia and abroad; (7) issue its capital stock on such terms and for such consideration as it shall determine; (8) make and perform contracts of any kind and description, and guarantee the performance of any contract or obligation; (9) act as agent of the Ethiopian Government for the purpose of making withdrawals from the Loan Account opened pursuant to the provisions of the Loan Agreement dated September 13, 1950 between the Ethiopian Government and the International Bank for Reconstruction and Development; (10) invest any of its funds not at the time required in its operations in any securities which it shall deem appropriate; and (11) do any and all other things and exercise any and all other powers which a partnership or natural person could do and exercise, or which now or hereafter be authorized by law.

Article 3 of Proclamation No. 116 of 1951 states that in making, guaranteeing or participating in loans it shall pay due regard to the prospects of repayment, and in making other investments it shall pay due regard to the prospects

that such investments will have value and yield returns commensurate with the amount invested.<sup>8</sup>

By article three of its charter, the Development Bank of Ethiopia differs somewhat from development banks in most other countries. The caution which is imposed thereby has hampered the bolder types of lending. It is one of the reasons why industrial credits have hardly been used for the establishment of enterprises in fields entirely new to Ethiopia. On the other hand, it is comprehensible that caution should be enjoined, given the short period over which banking experience had been gathered in this country.

The Development Bank was given special privileges, inasmuch as it was exempted from all taxes, duties and customs dues for its own use, including the importation and supply of equipment and materials.

The Board of Directors, the President and the Vice-President of the Bank were to be appointed by His Imperial Majesty. Under the terms of the loan agreement with International Bank for Reconstruction and Development, the management and the higher staff of the Bank are to be agreeable to both parties.

---

<sup>8</sup>Ibid., p. 5.



The Development Bank of Ethiopia began its operations on May 25, 1951.<sup>9</sup> During the first months, very few applications for development loans were received. This was perhaps fortunate because the Bank was at that time not fully staffed. The task of development was new for a bank in Ethiopia, and policies had not yet been worked out.

In order to provide the Bank with some earning assets the Ceres Company was established in October, 1951, as a subsidiary of the Development Bank.<sup>10</sup> The Ceres Company was enabled to grant marketing loans. Initially, the Development Bank provided the Ceres Company with 300,000 Ethiopian dollars in capital and a line of credit in the amount of 700,000 Ethiopian dollars. This has since been increased to 1,131,973 Ethiopian dollars.

The authorized capital of the Development Bank was 13,000,000 Ethiopian dollars, of which 11 million represented the ordinary capital stock subscribed by the Ethiopian Government. The remaining 2 million in preferred stock was to be offered for sale for either public or private subscription if and when authorized by the Board of

---

<sup>9</sup>Development Bank of Ethiopia, Annual Report for 1951 (Addis Ababa: Commercial Printing Press, 1951), p. 1.

<sup>10</sup>Ibid., p. 3.



Directors.<sup>11</sup> The International Bank for Reconstruction and Development did not directly subscribe any part of the new Bank's capital, but the proceeds of the International Bank for Reconstruction and Development loan are progressively made available to the Ethiopian Government as and when specific loan projects are approved by the International Bank for Reconstruction and Development. In actual fact, the paid-in capital of the Development Bank has increased as follows:

PAID-IN CAPITAL OF DEVELOPMENT BANK\*

For the Years 1951-1957

(in millions of Ethiopian dollars)

	1951	1952	1953	1954	1955	1956	1957
Paid-in Capital	3.0	4.1	5.7	7.6	8.3	8.7	10.0

\*Source, annual report for 1951, 1952, 1953, 1954, 1955, 1956, and 1957.

In early years, applications for the financing of major projects came from the industrial sector only, mostly from already existing enterprises desiring to expand or modernize their plants.

The relative importance of industrial and agricultural loans is indicated by the following table:

<sup>11</sup>Negarit Gazeta (Addis Ababa: Government Printing Press, 1951), p. 1.

## DEVELOPMENT BANK OF ETHIOPIA

## CREDIT BALANCES\*

For the Years 1952-1957

(in thousands of Ethiopian dollars)

Items	1952	1953	1954	1955	1956	1957
Industry	3,213	3,276	4,241	4,649	5,019	4,625
Agriculture	274	451	1,080	1,479	2,123	3,302
Ceres Company Ltd.	957	1,254	1,695	989	1,366	1,432
Other destinations	-	462	372	419	337	228
Total	4,444	5,443	7,388	7,536	8,845	9,587

\*Source, annual report published by the Development Bank annually.

These figures indicate the Development Bank's own lending, which has been granted a rate of interest of 7 per cent throughout the period covered, except that for small agricultural loans the rate has been 5 per cent.

## CHAPTER V

### SUMMARY AND RECOMMENDATIONS

Summary. It was the purpose of this study to analyze the banking system of Ethiopia. The study in the main was made to analyze the only chartered government bank, the State Bank of Ethiopia.

The data for this study were divided into two major sections and one minor section. In the first section data dealing with the monetary system of Ethiopia for the years 1951 through 1957 were presented and interpreted. In this section it was found that the Ethiopian Government Treasury obligations in note reserve funds tend to stay below the limit required by law, and that the Ethiopian currency has won confidence of the people.

In the second major section data that deal with banking for the years 1946 through 1957 were presented and interpreted. In this section the State Bank of Ethiopia was covered and financial statement analyses were made. It was found that the State Bank of Ethiopia had grown enormously and had attained the stature of a complete monopoly as a commercial bank.

In the minor section a brief description of the Development Bank of Ethiopia was covered. The data for the years 1951 through 1957 were presented. In this section it



was found that in the early years applications for the financing of major projects came from the industrial sector, and in the latter years applications for agricultural loans exceeded those for industrial loans.

Looking back over a decade of growth and service to the nation, the State Bank may view with pride its record of the past twelve years. During this period its total assets have increased from approximately 36.6 million Ethiopian dollars to 211.6 million. Deposits have similarly increased to a level of about 175.2 million Ethiopian dollars. The bank earned a profit in every year from 1946 to 1957, the most recent year for which data were available for this study. Profit from current operations increased 788 per cent in 1957, which was computed by taking 1946 as a base year.

Earnings since 1946 were derived largely from interest earned and commissions on foreign exchange transactions. In 1957 earnings from these sources amounted to 85.5 per cent, whereas in 1946 it was 69 per cent.

On the expenditure side salaries and wages account for the largest share of outlays. As of December 31, 1946 salaries and wages account for 26.4 per cent, whereas other general expenses accounted for 16.6 per cent; in December 31, 1957, salaries and wages accounted for 53.2 per cent, while other general expenses accounted for 18.3 per cent. Taking 1946 as a base year, from 1946 through 1957, salaries and

wages increased 390.6 per cent; and other general expenses increased 168.7 per cent. Interest paid in 1957 was 555 times that of 1946. In 1946 interest paid was very negligible.

On December 31, 1946, loans and advances amounted to 17,462,981 Ethiopian dollars, while in December 31, 1957, this figure was 47,986,093 Ethiopian dollars, an increase of 30,524,112 Ethiopian dollars, or 174.3 per cent.

Note issue was expanded from 39.9 million Ethiopian dollars in 1946 to 134.5 million Ethiopian dollars in 1957, an increase of 94.6 million Ethiopian dollars, or 237 per cent. As of December 31, 1951, the notes issue was backed 53.7 per cent by silver bullion, foreign securities, gold bullion, and foreign balance; and 46.3 per cent by Ethiopian Government Treasury Bills, while in 1957 it was covered 64.7 per cent by Ethiopian Government Treasury Bills and 35.3 per cent by foreign balance, silver bullion, and gold bullion.

Coin issue had grown from 14.8 million Ethiopian dollars at the end of 1946 to 36.8 million at the end of 1957, an increase of 22.0 million Ethiopian dollars, or 148.6 per cent.

The total staff at head office and branches numbered 668 as of December 31, 1957, of whom 578 were Ethiopians and 90 were foreigners.



There are nineteen branches of which fifteen are managed by Ethiopians and four are managed by foreigners. All branches except those that are in Eritrea, Djibouti, and Khartoum are directly controlled from the Head Office by Branch Supervisors.

Recommendations. The Board of Directors of the State Bank of Ethiopia is directly responsible to the Council of Ministers. The Parliament so far has no power, except to pass laws that are decreed by His Majesty Haile Selassie I through the advisement of the Council of Ministers and laws that are inspired and presented by the Minister of Finance. In actual fact all the members of the board, except the Governor of the State Bank of Ethiopia, are high ranking government officials who hold very important positions and who are also members of the Council of Ministers. It can be seen that these members of the board with the exception of the Governor, either individually as ministers of various departments or jointly as members of the Board of Directors of the State Bank of Ethiopia, are in a position to control the whole economy of Ethiopia.

Therefore, the following recommendations which fall into three main classes will make the management of banking directly responsible to the Parliament, and moreover make the Council of Ministers more conscious of its obligations to the Parliament. These recommendations are: (1) to make



the banking system a separate agency, (2) to make changes in board representations, and (3) to encourage gradual decentralization of bank ownership.

1. Retirement of the original capital investment of the Ministry of Finance should be started soon so as to separate the bank's ownership from the government itself and thus make it an independent financial agency. Then the bank should be legally made a separate agency of the government. If this is accomplished, the board of directors will be directly responsible to the Parliament, and one man or small-group control of banking will be avoided. The retirement of the original capital should be consummated in four years' time, and the bank be authorized to borrow from the government a certain maximum amount of dollars (which will be decided by the Parliament) in case of major emergencies.

2. The power of the Minister of Finance should be limited to the Issue Department and Exchange Control Office and to the responsibilities to which he is privileged in his capacity as one of the members of the board of directors.

3. All the seven members of the board of directors in the past and at present are high government officials, except the governor. The representation should be two members from agricultural interests, one member each from commercial and industrial interests respectively. Since in the past and at present most of the learned people are in

government civil service and until the circumstances permit a change in the ratio of representation, the other three members of the board should represent the government. The members of the board should be appointed as is presently done but with the consent of the senate.

4. The branch banks within Ethiopia's border should be grouped into five districts and the rest designated as sub-districts.

5. The district managers should be given authority that will empower them to manage the district banks and the sub-district banks more efficiently and effectively.

6. Local advisory boards should be appointed in the district and sub-district banks. This will secure a great degree of decentralization and a better knowledge of local conditions.

7. The legislature should pass laws favorable to increase the use of checks.

8. The public authorities and the State Bank should develop a more intensive propaganda to make the public familiar with the methods of bank transfers.

Conclusions. In Ethiopia so far there are no credit and loan associations. In this study it was found that the State Bank of Ethiopia and the Development Bank of Ethiopia are the only ones that grant loans and credit throughout the country.



Therefore, the recommended changes would:

1. Separate the bank's ownership from the government itself and then make it an independent financial agency, so as to limit government interference and to discourage a small group from having financial and economic control of the country.
2. The extension of loans has an immediate and direct effect on prices and business. Since the State Bank of Ethiopia is one of the two banks that extends loans and credits to the public, the appointment of local advisory boards will give the local community more voice in the banking functions. Especially in Ethiopia where competition of banks and loan and credit associations does not exist, this recommended change is seen to be an absolute necessity. This change will also give district and sub-district bank managers more power than hitherto has been exercised.
3. The House of Deputies or the Lower House is an elected body and has constitutional power over the nation's fiscal policy. But so far, although in other aspects of fiscal policy it has done a fine job and made some improvement, it has neglected its duty to the public in regard to banking. This might be due to the fact that the influence of the Council of Ministers has overshadowed its constitutional duty to the public and the nation. Therefore, it is



believed that the recommended change will awaken the House of Deputies to exercise its constitutional power.

4. Until 1956 when the general election to elect the representatives of the House of Deputies was held, the administration of the Ethiopian government was one with cabinet supremacy. Since the general election of 1956, the constitution gave more power to the Parliament than<sup>h</sup>itherto exercised, and thus made the cabinet supremacy theoretically non-existent. In actual practice the supremacy of the cabinet is not yet wiped out, especially in regard to banking. It is believed that the recommended change will limit the power of Council of Ministers, and will help to call attention of the Parliament to such fields as freedom of economic opportunity and private enterprise.



## BIBLIOGRAPHY

- Board of Governors of the Federal Reserve System. Banking Studies.  
Baltimore: Waverly Press, Inc., 1941. 496 pp.
- Bureau of Foreign Aid and Domestic Commerce. Foreign Aid by the United States Government 1940-1951. United States Department of Commerce.  
Washington: Government Printing Office, 1952. 118 pp.
- Chamber of Commerce. Guide Book of Ethiopia. Addis Ababa: Commercial Printing Press, 1945. 394 pp.
- Chamber of Commerce. Guide Book of Ethiopia. Addis Ababa: Commercial Printing Press, 1953. 243 pp.
- Development Bank of Ethiopia. Annual Report. Addis Ababa: Commercial Printing Press, 1951-1957.
- Encyclopaedia Britannica, Eleventh Edition, Volume I. Cambridge, England: University Printing Press, 1910. 976 pp.
- Ethiopian Herald, February, 1946-February, 1958.
- Negarit Gazeta. Addis Ababa: Government Printing Press, No. 11, 1906; No. 15, 1931; No. 21, 1942; No. 18, 1943; No. 29, 1944; No. 9, 1945; No. 10, 1949; No. 7, 1950; No. 8, 1951; No. 2, 1952.
- State Bank of Ethiopia. Reports on Economic Conditions and Market Trends. Addis Ababa: State Bank of Ethiopia, No. 14, 1944; No. 22, 1950; No. 24, 1951; No. 25, 1952; No. 29, 1955; No. 38, 1958; No. 41, 1959.
- The Department of State Bulletin, Vol. XII, Nos. 289-313, January 7-June 24, 1945.
- Willis, H. Parker and E. H. Reckhart. Foreign Banking Systems. New York: Henry Holt and Company, Inc., 1929. 1305 pp.
- Year Book of the United Nations. New York: Columbia University Press, 1951. 1030 pp.



PROVISIONS OF THE ACT OF 1945

OF 1945

AND THE LEGAL TENDER

ACT OF 1945

AND THE ACT OF 1945

WHEREAS it is necessary to provide the necessary currency of the Empire and to provide a national currency system suitable for the needs of the people and the commerce of the Empire, and whereas it is expedient that the following provisions should be made:

1. These provisions may be cited as the Currency and Legal Tender Provisions, 1945.

2. The monetary unit in Malaya shall be the Singapore Dollar (S\$) equal in value to S. M. **APPENDIX A** the gold, and divided into one hundred cents.

3. The sole right of issuing currency (notes and coins) in Malaya shall be vested in the central bank of Malaya, acting for and on behalf of the Government of Malaya, and the said bank shall exercise its powers in accordance with the provisions of this Act.

4. The bank shall be a company limited by guarantee, to be known as the Central Bank of Malaya, and shall be established in accordance with the provisions of this Act, and shall have a capital of 100 million dollars, of which 25 million dollars shall be contributed by the Government of Malaya, and the balance of 75 million dollars shall be contributed by the public.

Section	Text	Section	Text
5	shall be a company limited by guarantee	6	shall be a company limited by guarantee
7	shall be a company limited by guarantee	8	shall be a company limited by guarantee
9	shall be a company limited by guarantee	10	shall be a company limited by guarantee
11	shall be a company limited by guarantee	12	shall be a company limited by guarantee
13	shall be a company limited by guarantee	14	shall be a company limited by guarantee
15	shall be a company limited by guarantee	16	shall be a company limited by guarantee
17	shall be a company limited by guarantee	18	shall be a company limited by guarantee
19	shall be a company limited by guarantee	20	shall be a company limited by guarantee
21	shall be a company limited by guarantee	22	shall be a company limited by guarantee
23	shall be a company limited by guarantee	24	shall be a company limited by guarantee
25	shall be a company limited by guarantee	26	shall be a company limited by guarantee
27	shall be a company limited by guarantee	28	shall be a company limited by guarantee
29	shall be a company limited by guarantee	30	shall be a company limited by guarantee
31	shall be a company limited by guarantee	32	shall be a company limited by guarantee
33	shall be a company limited by guarantee	34	shall be a company limited by guarantee
35	shall be a company limited by guarantee	36	shall be a company limited by guarantee
37	shall be a company limited by guarantee	38	shall be a company limited by guarantee
39	shall be a company limited by guarantee	40	shall be a company limited by guarantee
41	shall be a company limited by guarantee	42	shall be a company limited by guarantee
43	shall be a company limited by guarantee	44	shall be a company limited by guarantee
45	shall be a company limited by guarantee	46	shall be a company limited by guarantee
47	shall be a company limited by guarantee	48	shall be a company limited by guarantee
49	shall be a company limited by guarantee	50	shall be a company limited by guarantee
51	shall be a company limited by guarantee	52	shall be a company limited by guarantee
53	shall be a company limited by guarantee	54	shall be a company limited by guarantee
55	shall be a company limited by guarantee	56	shall be a company limited by guarantee
57	shall be a company limited by guarantee	58	shall be a company limited by guarantee
59	shall be a company limited by guarantee	60	shall be a company limited by guarantee
61	shall be a company limited by guarantee	62	shall be a company limited by guarantee
63	shall be a company limited by guarantee	64	shall be a company limited by guarantee
65	shall be a company limited by guarantee	66	shall be a company limited by guarantee
67	shall be a company limited by guarantee	68	shall be a company limited by guarantee
69	shall be a company limited by guarantee	70	shall be a company limited by guarantee
71	shall be a company limited by guarantee	72	shall be a company limited by guarantee
73	shall be a company limited by guarantee	74	shall be a company limited by guarantee
75	shall be a company limited by guarantee	76	shall be a company limited by guarantee
77	shall be a company limited by guarantee	78	shall be a company limited by guarantee
79	shall be a company limited by guarantee	80	shall be a company limited by guarantee
81	shall be a company limited by guarantee	82	shall be a company limited by guarantee
83	shall be a company limited by guarantee	84	shall be a company limited by guarantee
85	shall be a company limited by guarantee	86	shall be a company limited by guarantee
87	shall be a company limited by guarantee	88	shall be a company limited by guarantee
89	shall be a company limited by guarantee	90	shall be a company limited by guarantee
91	shall be a company limited by guarantee	92	shall be a company limited by guarantee
93	shall be a company limited by guarantee	94	shall be a company limited by guarantee
95	shall be a company limited by guarantee	96	shall be a company limited by guarantee
97	shall be a company limited by guarantee	98	shall be a company limited by guarantee
99	shall be a company limited by guarantee	100	shall be a company limited by guarantee

4th Year No. 9, 29th May, 1945

No. 76 of 1945

CURRENCY AND LEGAL TENDER

PROCLAMATION

CONQUERING LION OF THE TRIBE OF JUDAH

HAILE SELASSIE I

ELECT OF GOD, EMPEROR OF ETHIOPIA

WHEREAS it is necessary to revise the monetary arrangements of Our Empire and to provide a national currency system suitable for the needs of our people and the commerce of Our Empire, WE PROCLAIM AS FOLLOWS:-

1. This proclamation may be cited as the Currency and Legal Tender Proclamation, 1945.

2. The monetary unit in Ethiopia shall be the Ethiopian dollar (Eth.\$) equal in value to 5.52 grains of fine gold, and divided into one hundred cents.

3. The sole right of issuing currency (notes and coin) in Ethiopia shall be vested in the State Bank of Ethiopia, acting for and on behalf of the Imperial Ethiopian Government and the said Bank shall maintain an Issue Department for this purpose.

4. (a) It shall be the duty of the State Bank of Ethiopia to establish and maintain a currency fund consisting of gold, silver and foreign currency bank balances or prime securities readily convertible into foreign currencies or bank balances to a minimum extent of 75% of the said fund and Imperial Treasury obligations to a maximum extent of 25% of the said fund. This fund shall constitute a reserve for the redemption at their full issue value of notes issued under this Proclamation.

(b) The Currency Fund is to be segregated from all other assets of Our Imperial Government and of the State Bank of Ethiopia and is to be maintained solely and exclusively for the purposes of the currency issue. The books and accounts of the Fund shall be open to inspection and examination at all times by Minister of Finance or officers appointed by him.

(c) The Issue Department of the State Bank of Ethiopia shall publish in the Negarit Gazeta at least twice each year, in a form to be prescribed by Our Minister of Finance, a statement of the currency issued and the assets of the Currency Fund.

5. The State Bank of Ethiopia shall issue currency at declared currency centres in Ethiopia against prepayment of foreign currencies as designated and at rates prescribed by the Minister of Finance and published in the Negarit Gazeta. It shall also on demand receive such currency tendered at its currency centres in Ethiopia and issue in exchange telegraphic or mail transfers payable in currencies designated



and at rates prescribed by the Minister of Finance and published in the Negarit Gazeta.

6. (a) The currency notes issued by the State Bank shall be legal tender in Ethiopia for the payment of any amount, provided that each note shall be legal tender only for the amount of its denomination.

(b) Coin issued under this Proclamation shall be legal tender for any amount in the case of silver coins and not exceeding ten dollars in the case of base metal coins provided that each coin shall be legal tender only for the amount of its denomination.

(c) Our Minister of Finance may declare by legal notice to be published in the Negarit Gazeta that any issue or denomination of currency notes or coin shall cease to be legal tender; and the State Bank of Ethiopia shall thereby be empowered to take and shall take all necessary steps to call in and replace or redeem such notes and coin until such time as, in accordance with the provisions of Schedule C to present Proclamation, the said currencies shall be held to be irredeemable.

(d) Our Minister of Finance will declare by legal notice to be published in the Negarit Gazeta that as from a date to be fixed the notes and coin issued under this Proclamation shall be the sole legal tender in Ethiopia.

7. Our Minister of Finance may advance to the State Bank of Ethiopia on application for such period of time as may be necessary such funds as may be required to meet the initial cost of issuing the currency.

8. Our Minister of Finance or the State Bank with his concurrence may enter into agreements including loan agreements with the monetary authorities of other Governments or Administrations concerning exchange facilities, the stabilization of the currency, and other international currency measures which have as their object the improvement of the economy of Our Empire.

9. Our Minister of Finance is charged with the execution of this Proclamation and is hereby empowered to issue regulations for the detailed operation of the currency arrangements.

10. The legal tender proclamation No. 32 of 1942 published in Negarit Gazeta dated the 31st of October 1942 is hereby repealed and replaced by the present proclamation.

11. This Proclamation shall come into force as from the 23rd day of July, 1945.

#### SCHEDULE A

##### (Minting, Printing, Issue and Withdrawal, of Ethiopian Currency)

1. (a) The currency notes to be printed and issued by the State Bank of Ethiopia in accordance with Article 3 of this Proclamation shall, unless and until otherwise declared by Proclamation issued by Us, on the petition of the Bank, be of the denomination of one Ethiopian dollar, five Ethiopian dollars, ten Ethiopian dollars, twenty Ethiopian dollars, fifty Ethiopian dollars, one hundred Ethiopian dollars, and five hundred Ethiopian dollars.

(b) Currency notes shall be in such form, and of such design and printed from such plates, and shall be authenticated in such manner as shall be determined by the Bank.



(c) The plates shall be prepared and kept and the currency notes printed, stored, issued withdrawn, cancelled and destroyed under such regulations as the Bank may make for the purpose of preventing fraud and improper use.

2. (a) The coin to be minted and issued by the Bank in accordance with Article 3 of this Proclamation shall, unless and until otherwise declared by Proclamation issued by Us on the petition of the Bank, be copper coins of one, five, ten and twenty-five cents and silver coins of fifty cents and, at the discretion of Our Minister of Finance, a silver dollar.

(b) The weight, composition, remedy, form and design of such coins shall be determined by the Bank with Our approval and published in Negarit Gazeta.

(c) The dies shall be prepared and kept and the coin minted stored, issued, withdrawn, melted down and disposed of under such regulations as the Bank may make for the purpose of preventing fraud and improper use.

3. The Bank shall maintain such records of currency notes and coin stored, issued and withdrawn as it may determine.

4. The issue and redemption of currency in accordance with Article 5 of this Proclamation shall be effected at the rate of one Ethiopian dollar for 40.25 United States cents of one Ethiopian dollar for two shillings sterling (one tenth pound sterling) and against such other currencies and at such rates as shall be determined by the Bank, provided that the Bank may charge a commission which it shall fix from time to time and shall post on the bulletin board in its Head Office and various agencies.

Provided further that no person shall be entitled to claim the issue or redemption of currency in accordance with this Clause for any sum less than 50,000 Ethiopian dollars.

5. Coins issued by the Bank shall cease to be legal tender under the provisions of Article 6 (c) of this Proclamation if diminished in weight below the limits determined by the Bank in accordance with clause 2 (b) of this Schedule.

#### SCHEDULE B

##### (Penalties for wrongful issue, counterfeiting and illegal treatment)

1. If any person issues or uters or is a party to issuing or uttering any currency note or coin otherwise than in accordance with this Proclamation he shall be liable on conviction to a fine from 5,000 to 50,000 dollars or shall be imprisoned from ten years to life or shall be punished by both such fine and imprisonment.

2. (a) If any person counterfeits or, with intent to defraud, alters any currency note or coin, or knowing any currency note or coin to be counterfeit or altered utters the same, he shall be liable on conviction to pay a fine from 5,000 to 50,000 dollars or shall be imprisoned from two years to life or shall be punished by both such fine and imprisonment.

(b) If any person, without lawful authority or excuse, the proof whereof shall lie <sup>upon</sup> on him, receives from any other person or has in his possession or custody any counterfeit or altered currency note or coin



knowing the same to be counterfeit or altered or any unfinished or incomplete currency note or coin, he shall be liable on conviction to a fine from 5,000 to 50,000 dollars or shall be imprisoned from two years to life or shall be punished by both such fine and imprisonment.

3. If any person makes, or causes to be made, or uses for any purpose whatsoever, or utters any object purporting to be, or in any way resembling, or so nearly resembling as to be calculated to deceive, any currency note or coin or any part thereof, he shall be liable on conviction, to a fine from 5,000 to 50,000 Ethiopian dollars or to imprisonment for a term from two years to life or to both such imprisonment and fine in respect of each such object and it shall be lawful for the Court to order the object in respect of which the offence was committed and any copies of that object, and any plates, blocks, dies, moulds, or other instrument used for, or capable of being used for, impressing or reproducing any such object which are in possession of such offender, to be destroyed.

4. If any person, without lawful authority or excuse, the proof whereof shall lie upon him,

a) makes, or uses, or sells, or exposes for sale, or knowingly has in his possession or custody, any instrument for the making of coin or for the making of paper with any words, device, or distinction peculiar to and appearing in the substance of the paper used for currency notes; or

b) by any art or contrivance causes any such words, device, or distinction, or any words, device, or distinction intended to resemble and pass for the same to appear visible in the substance of any paper; he shall be liable on conviction to a fine from 5,000 to 50,000 dollars or to imprisonment for a term from two years to life or to both such fine and imprisonment.

5. If any person without lawful authority or excuse, the proof whereof shall lie upon him,

a) in any wise makes upon any plate, die or mould whatsoever, or upon any material, any design purporting to be that of a currency note or coin, or a part of a currency or coin, or a part of a currency note or coin, or any name, word, number, figure, device, character or ornament resembling or apparently intended to resemble that appearing on a currency note or coin; or

b) uses any such plate, die, mould or material or any other instrument or device for the making or impressing of any currency note or coin; or

c) knowingly has in his possession or custody any such plate, die, mould, material, instrument or device; or

d) knowingly utters or knowingly has in his possession or custody any paper or coin upon which an impression of any such matter as aforesaid is made; he shall be liable on conviction to a fine from 5,000 to 50,000 dollars or to imprisonment from two years to life or to both such fine and imprisonment.

6. Any person who in any commercial transaction offers to give in coins less than the value of any currency note or to give less than one hundred cents for every dollar shall be liable to a fine not exceeding two hundred dollars or to imprisonment not exceeding six months, or to both such fine and imprisonment.



7. Any person who without lawful authority or excuse wilfully defaces, or tears, cuts, perforates or otherwise mutilates any currency note, or affixes or attaches thereto anything in the nature or form of an advertisement, or melts down, sweats, cuts, files, defaces, mutilates, or uses otherwise than as currency any coin, shall be liable on conviction to imprisonment for a period not exceeding three months or to a fine not exceeding five hundred dollars or to both such imprisonment and fine.

8. The State Bank of Ethiopia shall impound and destroy or otherwise dispose of with or without compensation to the holder thereof, as it thinks fit, having regard to all the circumstances of the case, any currency note or coin which has been damaged or which, in its opinion, is counterfeit or has been illegally dealt with.

The decision of the Bank, the President of the High Court and the Chief Treasurer of the Imperial Government that a currency note or coin is counterfeit or has been illegally dealt with and that compensation shall be granted or withheld shall be final, and no person shall be entitled to claim and no proceeding or action shall be brought against the Bank or Our Government in respect of any loss or damage suffered by reason of such impounding and destruction.

9. The expression "currency note or coin" in this Schedule means a currency note or coin issued under this Proclamation and also, except in Article 8 of this schedule, any note or coin of a similar character, by whatever name called, issued by or on behalf of or under the authority of the Government of any foreign State.

10. A currency note or coin shall be deemed to have been "illegally dealt with" if impaired in any manner specified in Article 7 of the Schedule.

11. Any penalty prescribed by Chapter 5 of the Penal Code which is in contradiction to the penalties prescribed in this Proclamation is hereby repealed.

#### SCHEDULE C

##### (Transition Period)

1. Our Minister of Finance shall take immediate steps to assure that the Ethiopian dollar is circulated throughout Ethiopia and to make it the only legal tender circulating within Ethiopia. To this end, Our Minister of Finance shall, at his discretion, issue legal notices to be published in the Negarit Gazeta.

2. For a period of six month or until otherwise declared by legal notice or Our Minister of Finance as provided in Article 1 of this Schedule, the currency issued by the East African Currency Board shall remain legal tender;

a) in the case of notes and silver shilling coins for the payment of any amount;

b) in the case of silver 50 cent coin for the payment of an amount not exceeding 20 shillings;

c) in the case of coins of any denomination lower than 50 cents, for the payment of an amount not exceeding one shilling;

provided that each note or coin shall be legal tender only for the amount of its denomination.



3. a) Every contract, sale, payment, bill, note, instrument and security for money and every transaction dealing in any matter and thing whatsoever relating to money or involving the payment of, or the liability to pay, any money in Ethiopia in East African shillings, shall, on and after the coming into force of the Proclamation, be deemed to have been made executed, entered into, done and had in Ethiopia in Ethiopian dollars and shall be converted into Ethiopian dollars at the rate of one Ethiopian dollar equals two East African shillings, and, for a period of six months from the coming into force of the Proclamation may be paid either in Ethiopian dollars or East African Shillings at the rate of one Ethiopian dollar equals two East African Shillings.

b) Amounts appearing in any law, decree, public regulation or order in force in Ethiopia at the date of the coming into force of this Proclamation and expressed in East African Shillings shall be converted into Ethiopian dollars at the rate of One Ethiopian dollar equals two East African Shillings.

4. From the date of the coming into force of the Proclamation, the Maria Theresa dollar shall no longer be legal tender within Ethiopia. Henceforth, the Maria Theresa dollar shall be treated as silver bullion and shall be purchased by Our State Bank of Ethiopia as a commodity at rates to be fixed by the Bank.

a) Amounts appearing in any law, decree, public regulations or order observed in Ethiopia at the date of the coming into force of this Proclamation and expressed in Maria Theresa dollars shall be converted into Ethiopian dollars at the rate of one Ethiopian dollar equals one Maria Theresa dollar.

b) Every contract, sale, payment, bill, note, instrument and security for money and every transaction dealing in any matter and thing whatsoever relating to money, entered into Before the coming into force of this Proclamation and involving the payment of, or representing a liability to pay money in Ethiopia in Maria Theresa dollars, on or after the coming into force of <sup>this</sup> Proclamation (other than those provided for in 4 (a) of this Schedule), shall be paid in Ethiopian dollar at the rate to be fixed by the Bank with regard to bullion, and from the date of the coming into force of this Proclamation the Maria Theresa dollar shall be neither tendered nor accepted in settlement of any contract, sale, payment, bill, note, instrument or security for money or any transaction relating to money or involving the payment of, or the liability to pay, any money in Ethiopia.

c) From the date of the coming into force of the Proclamation, no contract, sale, payment, bill, note, instrument or security for money or any transaction dealing in any matter or thing whatsoever relating to money, or involving the payment of, or representing a liability to pay money in Ethiopia shall be made; entered into, done or had in Ethiopia in Maria Theresa dollars provided, however, that the provisions of this paragraph shall not prevent holders from selling Maria Theresa dollars to the State Bank of Ethiopia as provided in Article 4, of this Schedule.

d) From the date of the coming into force of this Proclamation, the State Bank of Ethiopia shall accept no further deposits in Maria Theresa dollars.

Done at Addis Ababa this 29th day of May, 1945.

Tschafe Tezag Welde Giorgis, Minister of the Pen.





NEGARIT GAZETA

(the Year No. 7, 30th March, 1950)

A PROCLAMATION TO AMEND THE CURRENCY AND LEGAL

TENDER PROCLAMATION 1945, AS AMENDED

CONQUERING LION OF THE TRIBES OF JUDAH

HAILE SELASSIE I

ELECT OF GOD, EMPEROR OF ETHIOPIA

WHEREAS, the devaluation of the Pound Sterling and Our decision not to change the value of the Ethiopian currency requires certain amendments to the Currency and Legal Tender proclamation 1945, as amended; and

WHEREAS, the confidence in the value and the stability of the Ethiopian currency has been amply demonstrated and does not therefore require the holding in idleness of foreign balances and foreign securities which might otherwise be available to serve the needs of Our Empire.

In accordance with article 34 of our Constitution We approve the resolutions of Our Senate and the Chamber of Deputies and We accordingly proclaim as follows:

1. This proclamation may cited as the Currency (Amendment) Proclamation, 1950.

2. Section 2 of the Currency and Legal Tender Proclamation, 1945, as amended, (hereinafter referred to as the "Principal Proclamation") is hereby amended to read as follows:

"2. The monetary unit in Ethiopia shall be the Ethiopian dollar (Eth.\$) (divided into one hundred cents) equal in value to 5.52 grains of fine gold or 40.25 United States cents of the weight and fineness in effect on 1 July 1944."

3. Section 4 (a) of the Principal Proclamation is here by amended to read as follows: "4. (a) It shall be the duty of the State Bank of Ethiopia to establish and maintain a currency fund consisting of gold, silver and foreign currency bank balances or prime securities readily convertible into foreign currencies or bank balances to a minimum extent of 30% of the said fund and Imperial Treasury obligations to a maximum extent of 70% of the said fund, which treasury obligations shall be secured by the pledge of fixed assets of the Imperial Treasury of a value equal to 110% of the said Imperial Treasury obligations. This fund shall constitute a reserve for the redemption at their full issue value of notes issued under this Proclamation.

In addition to these obligations, Our Imperial Government and its subsidiaries or corporations or associations wherein the Government has a majority or controlling interest shall not become indebted to the State Bank of Ethiopia in amount in excess of Eth. \$3,000,000 on direct obligations nor in excess of Eth. \$2,000,000 on indirect obligations except as may be approved by Proclamation hereafter published in the Negarit Gazeta.



4. Section 5 of the Principal Proclamation is hereby amended to read as follows: "5. The State Bank of Ethiopia shall issue currency in Ethiopia against prepaid foreign currencies within such limits and at such rates as may be determined by the State Bank of Ethiopia. It shall also within such limits and on such terms as it may prescribe from time to time receive Ethiopian currency and issue foreign currencies or telegraphic or mail transfers payable in foreign currencies."

5. Section 4 of Schedule "A" of the principal Proclamation is hereby repealed and the following new Section 4 of the Schedule "A" is substituted therefor:

"4. The issue and redemption of currency in accordance with Section 5 of this Proclamation shall be effected at the rate of one Ethiopian dollar for 40.25 United States cents and against such other currencies and at such rates as shall be determined by the State Bank of Ethiopia, provided that the said Bank may charge a commission which it may fix from time to time and shall post on the bulletin boards in its head office and various agencies."

6. Section 2 of Schedule "C" of the Principal Proclamation is hereby repealed with effect as from the date of the publication of this Proclamation.

7. Section 3 (a) of Schedule "C" of the Principal Proclamation is hereby repealed with effect as from the date of the publication of this Proclamation.

Done at Addis Ababa this 30th day of March, 1950.

Tsahafe Tezaze Welde Guiorguis, Minister of the Pen

Y. JABRYA

1952 (No. 1), 25th September, 1952

PROVISIONS OF THE APPLICATION OF MONEY

IN THE PROVISIONS OF THE APPLICATION OF MONEY

IN THE PROVISIONS OF THE APPLICATION OF MONEY

IN THE PROVISIONS OF THE APPLICATION OF MONEY

IN THE PROVISIONS OF THE APPLICATION OF MONEY

IN THE PROVISIONS OF THE APPLICATION OF MONEY

IN THE PROVISIONS OF THE APPLICATION OF MONEY

Subject to Article 64, 7 and 11 of the Constitution, in the

Application of the Council of Ministers, the provisions of the

APPENDIX C

Proclamation No. 10 of 1952, 25th September, 1952, and

Proclamation No. 11 of 1952, 25th September, 1952, and

Proclamation No. 12 of 1952, 25th September, 1952, and

## NEGARIT GAZETA

12th Year No. 2, 25th September, 1952

**A PROCLAMATION FOR THE APPLICATION OF CURRENCY  
AND LEGAL TENDER PROCLAMATION, 1945, AS AMENDED,  
AS FEDERATED LEGISLATION**

No. 127 of 1952

CONQUERING LION OF THE TRIBE OF JUDAH

HAILE SELASSIE I

ELECT OF GOD, EMPEROR OF ETHIOPIA

Pursuant to Article 6, 9 and 11 of Our Constitution, on the advice of Our Council of Ministers, We proclaim as follows:

1. This Proclamation may be cited as the Application of Currency and Legal Tender Proclamation, 1945, as amended, and the Maria Theresa Dollar Proclamation of 1945, as Federal Legislation Proclamation and shall be deemed to come into force upon publication.

2. There are hereby extended to be applied and enforced throughout Our Empire as defined in Our Incorporation and Inclusion of Eritrea within the Empire of Ethiopia Order of 11th September, 1952, Proclamation No. 105 of 1949 concerning the Maria Theresa dollar, and Proclamation No. 76 of 1945, as amended by Proclamation No. 112 of 1950, establishing the Ethiopian dollar as the monetary unit and the currency notes and coins issued pursuant thereto as the legal tender in Our Empire, subject to the following amendments, including provision for an interim period of legal tender and redemption of currency of the East African Currency Board:

a) At the end of Section 3 of the said Proclamation No. 76 of 1945, the following sentence shall be added: "No person, partnership, association, corporation, or any other form of business entity, without the written approval of Our Minister of Finance, shall issue or cause to be issued any note, token, scrip, or other evidence of obligation in whatever form with the purpose of having or with the result that such note, token or evidence of obligation, express or implied, become or becomes a circulating medium of payment taking the place of, or serving in lieu of, the currency (notes or coins) of Our Empire, or any part thereof, as herein proclaimed."

b) A new Section 2 of Schedule "C" of the said Proclamation No. 76 of 1945, as amended, shall read as follows: "1" For a period of fifteen days from the date of coming into effect of this Proclamation, currency (notes and coins) of the East African Currency Board shall continue to be legal tender in Eritrea, and thereafter shall cease to be legal tender, and shall be neither tendered nor accepted in settlement of any contract, sale, payment, bill, note, instrument, or security for money or any transaction relating to money, or involving the payment of,



or the liability to pay, any money within Our Empire, provided, however, nothing herein contained shall be construed or deemed to modify any foreign exchange obligation in such currency pursuant to the provision of the Exchange Control Proclamation, 1952.

"ii" For a period of sixty days from the date of coming into effect of this Proclamation or until otherwise declared by legal notice or Our Minister of Finance, currency (notes and coins) issued by the East African Currency Board may be redeemed by the State Bank of Ethiopia or any of its designated branch offices, or agencies in Eritrea, from a bona-fide holder thereof at such rates as shall be determined by it in accordance with the provisions of Section 5 and Section 4, Schedule "A" of the Currency (Amendment) Proclamation, 1950, as amended.

"iii" Every contract, sale, payment, bill, note, instrument, or security for money and every transaction, dealing in any matter and thing whatsoever relating to money or involving the payment of, or the liability to pay any money within Our Empire in currency (notes and coins) of the East African Currency Board shall, on and after the effective date of this Proclamation, be deemed to have been made, executed and entered into, done and had within Our Empire in Ethiopian dollars and shall be converted into Ethiopian dollars at a par rate of exchange of Ethiopian dollars seven for Sterling one pound, provided, however, the proviso in the immediately preceding section pertaining to the exchange Control Proclamation, 1952 shall be similarly applicable hereto.

c) Section 3 (b), Schedule "C" of the said Proclamation No. 76 of 1945, as amended, is hereby amended to read as follows: "amounts appearing in any law, decree, public regulation, order or otherwise in force within Our Empire on or after the effective date of this Proclamation and expressed in currency (notes and coins) of the East African Currency Board shall be converted into Ethiopian dollars on the basis prescribed in Section 2, (iii) hereof; the proviso expressed in Section 2 of this Proclamation with respect to the Exchange Control Proclamation, 1952, shall be similarly applicable hereto."

3. Conformably to Article 9 of Our Constitution and Our Order No. 10 of 1952, convoking the Imperial Parliament for enacting Federal Legislation, the present Proclamation shall be presented to Our Imperial Parliament for appropriate consideration and action as soon as the same shall be converted.

Given at Addis Ababa, this 15th day of September, 1952.

Tsahafe Tezas Weld Giorgis, Minister of the Pen.

Del:

No. 21 of 1968

Act of the Legislature

of the State of Michigan

Approved by the Governor

on July 14, 1968

CHAPTER 21, ACT OF JULY 14,

1968, TO AMEND THE ACT TO ESTABLISH A STATE BANK OF

THE STATE OF MICHIGAN

1. This Act shall be known and may be cited as the State Bank Act.

1968.

**APPENDIX D-1, D-2, D-3**

2. There shall be established a State Bank which shall be subject

to the provisions of this Act.

Approved by the Governor  
on July 14, 1968

State Bank  
Director

1968

PROCLAMATION

3rd Year No. 1, 30th November, 1942

85

General Order D-1

No. 21 of 1942

A PROCLAMATION TO PROVIDE FOR THE ESTABLISHMENT  
OF A STATE BANK

CONQUERING LION OF THE TRIBE OF JUDAH

HAILE SELASSIE I

ELECT, OF GOD, EMPEROR OF ETHIOPIA

WHEREAS We recognise the need to establish a State Bank in Our Empire;

NOW THEREFORE WE PROCLAIM AS FOLLOWS:-

1. This Proclamation may be cited as the State Bank Proclamation, 1942.
2. There shall be established a State Bank which shall be called the State Bank of Ethiopia.
3. The capital of the State Bank of Ethiopia shall be Maria Theresa dollars, 1,000,000 which shall be provided by Our Ministry of Finance.

Tsehafé Tésáá Wéldé Giórguís  
Minister of the Pen



## NEGARIT GAZETA

3rd Year No. 3, 30th November, 1943

General Notice No. 18 of 1943

CHARTER OF THE STATE BANK OF ETHIOPIA

CONQUERING LION OF THE TRIBE OF JUDAH

HAILE SELASSIE I

ELECT OF GOD, EMPEROR OF ETHIOPIA

WHEREAS by Our Proclamation No. 21 of 1942 there has been established a State Bank under the name of the STATE BANK OF ETHIOPIA with a capital of Maria Theresa dollars 1,000,000 fully subscribed by Our Treasury and the said Bank is now about to commence business;

AND WHEREAS it seems fitting to Us that the Said Bank should be incorporated by Our Imperial Charter;

NOW THEREFORE We of Our especial grace, certain knowledge and mere motion, do by this Our Imperial Charter for Us and Ourselves and Our Imperial Successors grant and ordian that the said Bank shall be one body politic and corporate in name and deed by the name of the State Bank of Ethiopia and shall have perpetual succession with a common seal which may be by the Board of Directors of the said Bank changed or varied at their pleasure and with the further powers and authorities but subject to the conditions and declarations in this Our Imperial Charter contained;

AND WE DO hereby accordingly grant ordian appoint and declare as follows--that is to say,

## I

The State Bank of Ethiopia is hereby specially authorized and empowered -

- 1) to buy, hold, sell and exchange any lands, buildings and other real property;
- 2) to buy, hold, sell and exchange any personal property;
- 3) to sue and be sued by the above name in all Our Courts.

## II

The Bank shall be the bankers of Our Imperial Government and may undertake all kinds of banking business.

## III

Without prejudice to the generality of the foregoing power the Bank may -

- 1) issue drafts, cheques, letters of credit and travellers cheques, make payment orders and effect telegraphic transfers, payable in Ethiopia and abroad;
- 2) establish branches and sub-branches as may be requisite and convenient in Ethiopia and abroad;
- 3) buy and sell internal transfers and foreign exchange and negotiate issue and receive all documents pertaining thereto;
- 4) buy and sell securities of all kinds for its own account or for account of others;
- 5) accept and receive monies in current account withdrawable at sight or in deposit for fixed terms and allow interest thereon and accept and receive articles and documents for safe custody;
- 6) open and maintain accounts with banks and banking correspondence in Ethiopia and abroad, and accept the opening of accounts by such banks and banking correspondents;
- 7) discount and negotiate bills, promissory notes and the like all kinds;
- 8) grant loans and advances and open credits in accounts current or otherwise and change interest thereon;
- 9) act as fiscal agents for the Ethiopian or other Governments and undertake the issue, negotiations and service of bonds and other securities for account thereof;
- 10) act as collecting or other agent on behalf of banks, companies and individuals;
- 11) in general for its own account or for the account of third parties undertake all banking, commercial, industrial and agency business in Ethiopia and elsewhere and participate in the creation and constitution of all financial, commercial and industrial enterprises of interest to Ethiopia;
- 12) act as the instrument of Our Imperial Treasury.

## IV

The affairs of the Bank shall be administered by a Board of Directors (hereinafter referred to as "the Board") consisting of not less than five or more than seven Directors appointed by Us. The President of the Board and the Governor of the Bank shall be appointed by Us from amongst the Directors.

## V

1) The Board shall meet at least once a month. Notice of any meeting shall be given by the President or in his absence for any cause by the Governor, In the absence for whatever cause of both the President and the Governor, any Director may give notice of a meeting. Notice of every meeting shall be sent to every Director.



- 2) Meetings shall be held at the Registered Office in Addis Ababa but in case of emergency may be held at any other place without limitation.
  - 3) Four Directors shall form a quorum.
  - 4) Meetings shall be presided over by the President or in his absence by the Governor. In the absence of both President and Governor the Directors present shall elect a Chairman from amongst their number.
  - 5) Resolutions shall be taken by vote, and in the case of equality of votes for and against a motion the presiding member shall have a casting vote.
  - 6) The proceedings at Board Meetings shall be minuted and Minutes signed by the President or other Director presiding. Extracts required from Minutes shall be certified by the President or any two Directors.
  - 7) The Seal of the Bank shall be affixed only by resolution of the Board.
  - 8) The Governor shall be the delegate and executive agent of the Board and his sole signature is conclusive except on documents under seal. He may in turn delegate powers of signature and other powers of the Bank staff for the normal purpose of business.
  - 9) In the absence or incapacity of the Governor the Board may delegate special powers to one or more Directors. Specific powers may also be delegated to Directors on mission.
  - 10) The minutes of proceedings of the Board of Directors and the books of account shall be open at all times to inspection by the Minister of Finance or any person duly authorized by him. Individual personal accounts are however privileged from such inspection and may not be divulged except on the order of a court of competent jurisdiction.
  - 11) A Balance Sheet and Profit and Loss Account shall be prepared half yearly by the Board and shall be submitted to Our Minister of Finance who shall cause them to be published in the Negari t Gazeta. An Annual Report shall be prepared by the Board and submitted to the Ministry of Finance.
- Done at Addis Ababa this 30th day of August, 1943.

**Tsahafe Texas Walde Guiorguis**  
 Minister of the Pen,



## GENERAL NOTICE NO. 29, of 1944

INTERPRETATION OF CERTAIN POWERS GRANTED IN  
THE CHARTER OF THE STATE BANK OF ETHIOPIA

30th November, 1944

NEGARIT GAZETA 4th Year No. 3

WHEREAS, by Our Proclamation No. 21 of 1942 there has been established a State Bank under the name of the State Bank of Ethiopia with capital of Maria Theresa \$ one million (N.T.\$1,000,000) fully subscribed by Our Treasury; and

WHEREAS, by General Notice No. 18 of 1943, entitled "Charter of the State Bank of Ethiopia," We have seen fit to grant of Our Especial Grace certain knowledge and mere motion Our Imperial Charter for the said State Bank of Ethiopia; and

WHEREAS, by Articles II and III sub-paragraphs 3, 4, 7, 9 and 11 of said Charter the afore-said State Bank of Ethiopia has been invested with full powers to borrow and to enter into any and all loan agreements, contracts and obligations, and of its own motion to engage thereby and undertake its own corporate liability thereon; and

WHEREAS, We deem it desirable that no doubt or misunderstanding should arise as to the extent or application of the aforesaid powers provided for in Articles II and III of said Charter;

NOW, THEREFORE, We do hereby proclaim that the aforesaid powers be held and interpreted to extend and apply, and, from the date of the aforesaid Charter, to wit, the 30th August 1942, to have extended and applied to authorise the conclusion and ratification by the State Bank of Ethiopia, through its Board of Directors, of any and all loan agreements, contracts, and obligations for loan to or by said State Bank, including any and all agreements, contracts and obligations for the furnishing of securities or collateral for all such loan agreements, contracts and obligations and to render all such agreements, contracts and obligations so ratified or in the case of agreements, contracts or obligations for the furnishing of securities or collateral, duly authorised by said Board of Directors, binding upon the said State Bank of Ethiopia whether authorised, concluded and or ratified before or after the date of the present General Notice.

Done at Addis Ababa, this 30th day of November, 1944.

Tsahafe Tezas Weld Guiorguis, Minister of the Pen.



TABLE VII

STATE BANK OF ETHIOPIA

COMPARATIVE BALANCE SHEET

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960
Deposits	21,847	23,157	12,192	41,433	50,656	60,737	103,634	115,559	115,495	152,923	175,164
Commercial Letters of Credit	2,300	2,922	1,795	3,914	11,281	5,550	10,800	12,548	10,142	14,930	9,468
Payments and Drafts	585	515	444	381	1,478	738	1,442	5,119	-	-	-
Outstanding	330	-	-	-	-	-	-	-	-	-	-
Branches Account	510	356	-	-	9,387	466	85	-	-	-	-
Loans Payable	-	-	3,415	-	-	-	-	-	-	-	-
Issue Department Account	-	-	763	440	-	-	-	891	-	-	-
<b>Total</b>	<b>29,773</b>	<b>31,959</b>	<b>24,019</b>	<b>54,899</b>	<b>70,162</b>	<b>84,558</b>	<b>127,945</b>	<b>146,674</b>	<b>141,582</b>	<b>188,329</b>	<b>211,661</b>

\*Source: from data published in Ethiopian Herald on February, 1947; 1948; 1949; 1950; 1951; 1952; 1953; 1954; 1955; 1956; 1957; and 1958.



TABLE VIII

State Bank of Ethiopia  
COMPARATIVE STATEMENT OF INCOME AND EXPENDITURE  
For the Years 1946-1957

(in thousands of Ethiopian dollars)

Items	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
<u>Income</u>												
Interest Earned	336	677	670	671	748	803	917	1,406	2,934	2,414	3,124	4,476
Discount Earned	5	10	4	5	4	2	1	9	17	15	15	11
Commissions	197	271	239	227	323	646	192	391	269	337	334	466
Exchange	521	458	524	737	<sup>1,245</sup> 3,417	1,417	2,144	3,559	2,784	2,833	2,915	3,461
Other Income	58	183	136	154	47	112	220	400	120	136	79	87
Profit, Branches	126	182	89	13	4	56	109	478	664	802	864	777
<b>Total Income</b>	<b>1,243</b>	<b>1,781</b>	<b>1,662</b>	<b>1,807</b>	<b>2,371</b>	<b>3,036</b>	<b>3,583</b>	<b>6,243</b>	<b>6,788</b>	<b>6,537</b>	<b>7,331</b>	<b>9,278</b>
<u>Expenditures</u>												
Interest Paid	1	3	17	36	75	92	153	250	274	367	446	555
Salaries and Wages	328	405	453	510	525	675	799	1,413	1,043	1,124	1,478	1,609
Other General Expenses	206	362	416	593	502	609	655	1,209	917	1,923	876	554
Adjustment & Refund Account	4	1	1	18	40	88	-	-	-	-	-	309
<b>Total Expenditures</b>	<b>539</b>	<b>772</b>	<b>887</b>	<b>1,142</b>	<b>1,142</b>	<b>1,462</b>	<b>1,976</b>	<b>3,371</b>	<b>4,554</b>	<b>3,123</b>	<b>2,800</b>	<b>3,027</b>
<b>Net Profit</b>	<b>704</b>	<b>1,009</b>	<b>775</b>	<b>650</b>	<b>1,229</b>	<b>1,574</b>	<b>1,607</b>	<b>2,872</b>	<b>2,234</b>	<b>3,414</b>	<b>2,800</b>	<b>3,027</b>

\*Source: from data published in Ethiopian Herald On February, 1947; 1948; 1949; 1950; 1951; 1952; 1953; 1954; 1955; 1956; 1957, and 1958.

TABLE II

GOVT. TREASURY RESOURCES\*

The Years 1961-1967

(In Billions of Dollars)

Category of Resources	1961	1962	1963	1964	1965	1966	1967
Government	9.1	9.7	9.8	9.7	9.5	9.5	9.5
Other Entities	10.2	10.5	10.1	10.3	10.4	10.4	10.6
Foreign Assets	10.9	10.9	10.2	10.0	9.8	-	-
Foreign Reserves	4.4	4.7	4.6	4.7	4.4	4.4	4.3
Operating Government							
Temporary Bills	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Total	34.6	35.8	34.7	34.7	34.1	34.3	34.4

APPENDIX F

\*Source: Report on Economic Growth and Market Trends published by the State Dept. of Statistics.

**TABLE IX**  
**NOTE FUND RESERVE\***  
**For the Years 1951-1957**  
**(in millions of Ethiopian dollars)**

Types of Reserves	1951	1952	1953	1954	1955	1956	1957
Gold Bullion	8.1	8.7	9.9	9.9	9.5	9.5	9.5
Silver Bullion	14.3	14.5	15.1	15.3	15.4	15.4	15.6
Foreign Securities	10.9	22.8	15.2	14.8	6.0	-	-
Foreign Balances	6.6	0.2	0.6	13.7	33.4	17.4	22.3
Ethiopian Government							
Treasury Bills	35.0	35.0	62.0	62.0	62.0	87.0	87.0
Total	75.5	81.2	102.8	115.7	126.3	129.3	134.4

\*Source: Report on Economic Conditions and Market Trends published by the State Bank of Ethiopia.



STATE BANK OF MISSISSIPPI

BOARD OF DIRECTORS

PRESIDENT: H. H. Zie Robinson State Bank, Minister of Insurance and  
Industry

MEMBERS: E. S. Robinson State Bank, Minister of Finance  
at Finance

H. H. Zie Robinson, Minister of Health

H. H. Robinson State Bank, Minister of Education and  
of the Sea and Forest Deputy Minister

H. H. Robinson State Bank, Minister of Agriculture  
and Forestry

H. H. Robinson State Bank, Minister of Education

H. H. Robinson State Bank, Minister of Education

APPENDIX C

MEMBERS OF THE BOARD

BOARD OF DIRECTORS

PRESIDENT: H. H. Robinson State Bank, Minister of Finance  
at Finance

MEMBERS: H. H. Robinson State Bank, Minister of Insurance and  
Industry

H. H. Zie Robinson, Minister of Health

H. H. Robinson State Bank, Minister of Education and  
of the Sea and Forest Deputy Minister

H. H. Robinson

H. H. Robinson, Minister of Education and  
of the Sea and Forest Deputy Minister

H. H. Robinson, Minister of Education and  
of the Sea and Forest Deputy Minister

STATE BANK OF ETHIOPIA

BOARD OF DIRECTORS

**PRESIDENT:** H. E. Ato Makonnen Habte Wold, Minister of Commerce and Industry

**MEMBERS:** H. E. Balanbaras Maheteme Selassie Wolde Maskal, Minister of Finance

H. E. Ato Abebe Retta, Minister of Health

H. E. Belatain Geta Tsahafe Tesaz Aklilou Habte Wold, Minister of the Pen and First Deputy Prime Minister

H. E. Dejdasmatch Zawoudie Gabre Selassie, Lord Mayor of Addis Ababa

H. E. Ato Menassie Lemma, Minister of Mining

Mr. George P. Rea, Governor of the State Bank of Ethiopia

DEVELOPMENT BANK OF ETHIOPIA

BOARD OF DIRECTORS

**PRESIDENT:** H. E. Balanbaras Maheteme Selassie Wolde Maskal, Minister of Finance

**MEMBERS:** H. E. Ato Makonnen Habte Wold, Minister of Commerce and Industry

H. E. Ato Abebe Retta, Minister of Health

Mr. George P. Rea, Governor of the State Bank of Ethiopia

Dr. S. Kirker

Ato Araya Ecuabagi, Director-General of Commerce and Industry

Mr. Alfred Abel, Managing-Director of the Development Bank of Ethiopia

