



The Citizens' Guide to EFY 2014 (2021/22) National Budget of Ethiopia



Ministry of Finance
Addis Ababa/Ethiopia

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Forwards

Government of Ethiopia is committed to accelerate its economic progress by pursuing pro-poor growth-oriented policies underpinned by a stable macro-economic environment. the country's fiscal policy is aimed at reducing poverty and improving the welfare of our people by heavily investing in education to create human capacity, promoting basic healthcare services, expanding infrastructure, building institutions, promoting governance and pursuing decentralization. The pursuit of macroeconomic stability, pro-poor growth and deepening of structural reforms has significantly contributed to the impressive growth achieved over the past decade.

To boost up these progresses and to realize the newly introduced national home grown economic reform agenda (macroeconomic, structural and sectoral reforms), Government is committed to engaging citizens and remaining open to the public in the implementation of public budget processes in securing the development of national development policies. We have been already endeavored to promote transparency and exercising accountability in all public institution through the project financial transparency and accountability as part Public Financial Management Reform Agedena. By this, the public has been able to easily track the implementation of planned national expenditures and demand accountability for results, accordingly.

The Ministry of Finance, has also published the Citizens Guide to the EFY 2014 (2021/22) National Budget, which is published for the first time. The Budget is in line with the national 10 year development plan and the newly introduced national home grown economic reform agenda (macroeconomic, structural and sectoral reforms) that create a floor for job creation, poverty reduction, and inclusive growth in general. This Guide is a simplified version of the National Budget that enables the public to easily understand what is contained in the Government's revenue and expenditure plans approved by the Parliament. The Guide has been an instrument for strengthening public trust in Government, and building confidence in state institutions.

Finally, I would like to remind and encourage all citizens to continue to engage and hold us accountable in delivering our commitments.

Ahmed Shide (Minister)

Ministry of Finance

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Abbreviations

CSOs: Civil Society Organizations

EFY: Ethiopian Fiscal Year

FTA: Financial Transparency and Accountability

GDP: Gross Domestic Product

MEFF: Macro-Economic and Fiscal Framework

MOF: Ministry of Finance

SA: Social Accountability

SDGs: Sustainable Development Goals

1. Introduction

The national budget arrangement shows that the government intends to do during the period of its fiscal calendar and how it intends to finance its activities. The Ethiopian government budget shows a process which government will decide on amount of tax to be collected, services to be provided, and amount debt to take on in order to accelerate economic growth and job creation opportunities, modernize infrastructure, and eradicate poverty and inequality. To realize this, the government should inform and engage citizens on these essential decisions that bring impact on their lives by producing a guide on this Fiscal Year budget document.

What is a Citizens' Guide to a Budget? (The meaning of citizens' budget)

The citizens' budget document explains how the budget is formulated based on priority needs, enacted, executed, evaluated and who is responsible at each stage. It clarifies which level of government is responsible for performing different government functions and providing services. More specifically, this citizens' budget document summarizes the overall budget document of a given fiscal year and explains basic information on what services the government plans to deliver, how it will be done, who will do it, and how much they will cost.

Why should Government Publish a Citizens' Guide to the Budget?

A citizens' budget document serves as a means to literate citizens about what the government is doing and enhances their capacity to participate in government affairs and to hold government accountable. It also allows the government to explain the rationale behind the choices it made in putting the budget together for overall life improvement of its citizens.

2. The Budget

What is the Meaning of Public Budget?

Public budget is a document that forecast a government expenditures and revenues for a given fiscal year. It indicates how a public entity spends the financial resources in order to realize specific public goals. The document becomes a legal financial plan after it has been approved through the legislative process of the country.

Why does Government Prepare Budget?

As there is never enough money to do all the things that the government would like to do for its citizens, the budget acts as a tool that government uses to weigh up various needs and decide how to allocate the available scarce resources according to priorities. The identified priorities reflect the goals to which government is most committed and it will be reflected in its budget.

What course of actions in the Budget? (Budget process at central and local level)

The Ethiopian government budget process has four stages at all level of jurisdiction (Federal, Regional, and Woreda government) which is guided by Financial Calendar directive issued by the Ministry of Finance (MOF) to all public budgetary bodies (institutions).

The four stages of government budget are:-

1. Budget Formulation (draft/design process),
2. Budget approval and appropriation (legislative process),
3. Budget execution (implementation process), and
4. Budget control (performance monitoring – audit and oversight).

The budget calendar directive has a time table to ensure that planning and budgeting are prepared, approved, appropriated and executed accordingly.

Budget			
Process	Main Activities at each Stage	Responsible Body	Time
Budget preparation	▪ Macro-Economic and Fiscal Framework (MEFF) preparation.	MOF	By 10 th November
	▪ Based on MEFF, annual fiscal plan will prepared	MOF	By January 24 th
	▪ public investment program; annual subsidy estimates to regions; budget call to public bodies	MOF	By 8 th February
	▪ Public bodies submitting budget request	Public Bodies	By 22 nd March
	▪ Conducting budget hearing	Public bodies with MOF.	By 23 rd May
	▪ Approval of Recommended budget	Executives	By 30 th June
Budget approval	▪ approval of the budget and annual appropriation of the approved budget	Legislators/the parliament	By 7 th July
Budget Execution	▪ Budget implementation	All public bodies	From July 8 th to July 7 th
Budget Control	▪ performance review and control	MOF/public bodies/Auditor	From July 8 th to July 7 th
	▪ auditing public bodies	General/legislators	
	▪ oversight		

How citizens can participate in the budget process?

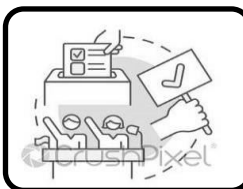
Ethiopian constitution props up Citizens participation in overall public duties. For instance, Article 89 Sub-Article 6 of the Constitution states that "Government shall at all times promote the participation of people in the formulation of national development policies and programs; it shall have also have the duty to support the initiatives of the people in their development endeavors". Thus, multiple Participation channels are there for the general public to participation in public budget processes and influence government action in order to promote, debate, co-produce, decide and improve national development endeavors at each level of administrative jurisdictions.

Citizens Participation mechanisms and processes



Citizens' representatives

- The legislations/parliament members are to hold the government's spending to account by scrutinizing its assumptions, its spending and revenue raising plans, as well as the results of its spending and revenue decisions.



Pre-budget Statement

- Consultation document which allows the public to understand spending and revenue proposals for the new fiscal year and provides an opportunity for public input before the budget is approved.
- Councils are invited CSOs, individuals, institutions and other concerned bodies to have a say on executives budget proposal through different channels.



Participation Platforms by Public Institutions

- Quarterly and annual monitoring meetings with stakeholders and community representatives in planning/budgeting and performance review activities.



Different Development Committees at Local Levels

- Established by executive branch of government structure and/or elected community members responsible for community development initiatives.



Citizens Engagement Components

Promoting and strengthen accountability and transparency system at local levels through different mechanisms/tools:-

- Pre-budget discussion tool by FTA-direct citizens participation forum at woreda/local level planning to identify community priority needs.
- Social accountability tools by SA- enhance the capacities of citizens and citizens' groups for basic services provision improvement.

3. Macroeconomic Update (The macroeconomic and fiscal outlook)

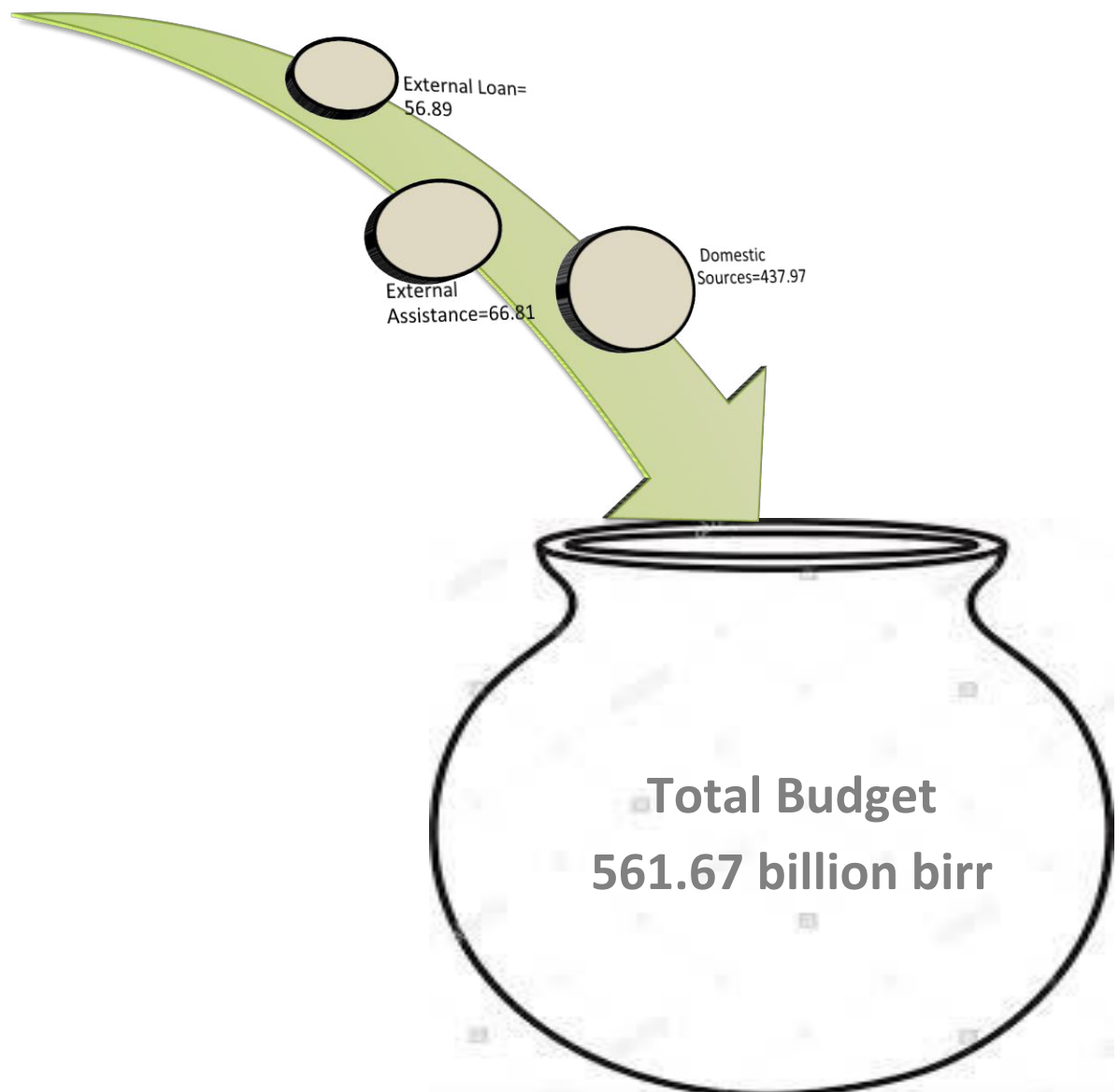
The macroeconomic and fiscal framework is a medium-term (three-five year) rolling expenditure and revenue plan that is prepared annually and approved by the Council of Ministers. The framework covers the financial resources (regular revenues, loans and grants), total revenues and expenditures, federal and state expenditures, federal government and capital expenditures and expenditures for five consecutive years; It shows the budget support to the states, as well as the federal government's budget deficit and budget deficit.

Accordingly, the Ethiopian economy was expected to grow by 8.5 percent in EFY 2013 (2020/21). However, the actual economic growth is expected to be lower than previously thought due to the Covid-19 epidemic and instability in some parts of the country. Regarding inflation rate, the Twelve Months moving average recorded in EFY March 2013 (2021) was 20.2 percent of the country's gross domestic product (GDP). The source of this growth is the price of food and non-food commodities.

4. Where does the Government's Money come from?

Government of Ethiopia has been allocated a total amount of 561.67 billion birr to meet its commitments and provide services to the citizens for EFY 2014 (2021/22). Compared to the previous budget year amount (476.01 billion birr), this year budget is bigger by 85.66 billion birr (18%). The total amount of budget for this fiscal year is sourced across the following major categories:-

Sources of Government Budget in billion birr



The total budget deficit of the EFY 2014 (2021/22) is 2.67% of GDP and this deficit will be planned to cover from basic service protection assistance, external project loans and domestic loans.

5. Priorities in Allocations and Spending

5.1. Government Priorities in allocations

The government budget allocation priority areas are in line with the past, present and future macroeconomic projections and trajectories, the national 10 year development plan and the newly introduced national home grown economic reform agenda (macroeconomic, structural and sectoral reforms) that create a floor for job creation, poverty reduction, and inclusive growth in general. The budget allocation is also considers the main challenges facing the reform implementation.

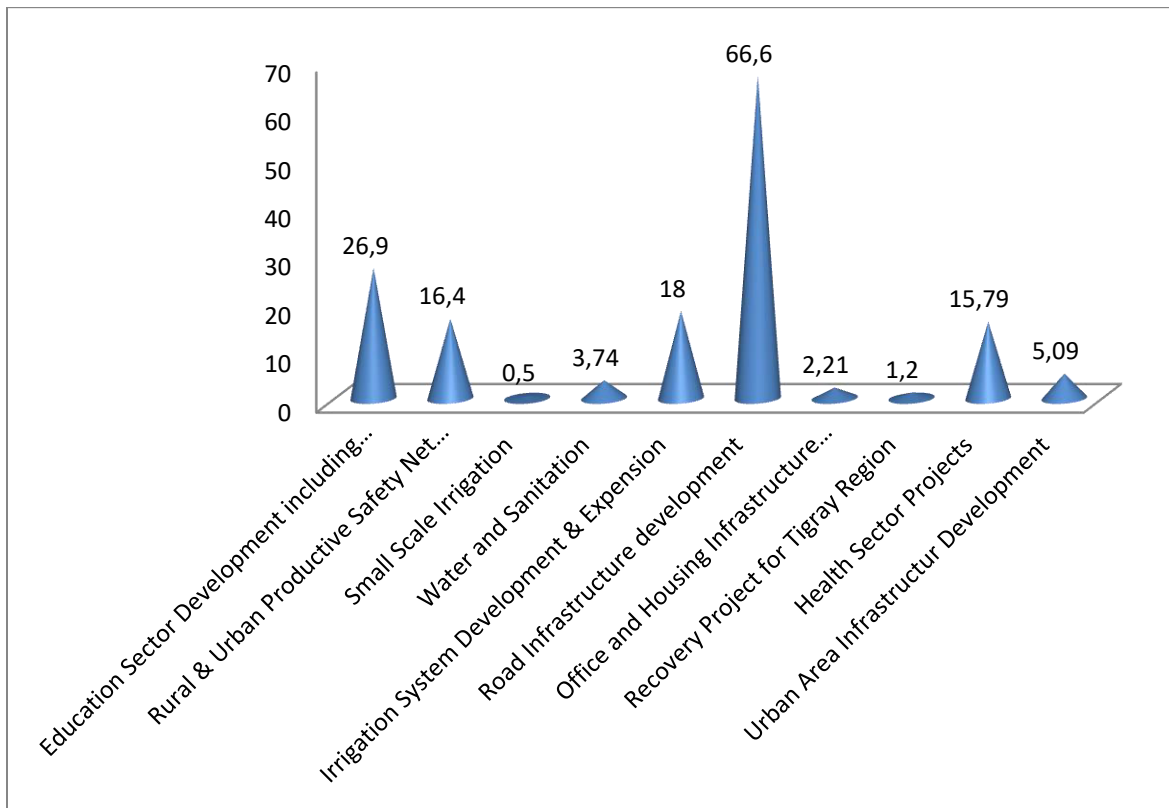
5.2. Where does the money going?

The total amount for this budget year is allocated across the following major categories of expenditure:

Expenditure Plan by Categories (in Billion Birr)

Expenditure Categories	EFY 2013	EFY 2014	Variation
Recurrent Expenditure	133.32	162.17	28.85
Capital Budget	160.33	183.55	23.22
Subsidy Appropriation to Regions	176.36	203.95	27.59
Support for Achievement of Sustainable Development Goals (SDGs)	6	12	6
Total	476.01	561.67	85.7

5.3. EFY 2014 Main Capital Budget Allocations in Billion Birr



6. Budget terminology (glossary)

- 1) **Administrative Jurisdiction:** describes the authority of the administrative courts to decide in the area of administrative law.
- 2) **Budget Call:** A Circular by MOF that contains budget preparation forms, instructions and procedure for preparation and submission of detailed budget estimates.
- 3) **Budget Deficit:** The gap between expenditure and revenue for the intended Fiscal Year and expressed in terms of percentage of the Gross Domestic Product (GDP).
- 4) **Budget Formulation:** the process of determining the resources necessary for organizations to carry out its programs, perform its mission, and to achieve strategic objectives and goals.
- 5) **Budget oversight:** monitors the execution of the budget, to provide checks and balances on the enacted budget.
- 6) **Budget Request:** an itemized summary of expenditure of an organization over a specified period, usually a financial year submitted to MOF.
- 7) **Budget Subsidy (Budget grant):** Budget support provided to regions by Federal government.
- 8) **Capital Expenditure:** the expenditure of funds by government for an asset that is expected to provide utility for organizational service provision.
- 9) **Citizens' Budget:** a document that summarizes and explains basic public budget information presented to citizens in an accessible format using simple and clear language.
- 10) **Citizen Engagement:** Involve citizens individually or in the form of collective action (including civil society organizations) in public service provision.
- 11) **Domestic Sources:** the process through which government raise and spend its own funds from different sources within the country to provide services for its people.
- 12) **Economic Stability:** the absence of excessive fluctuations in the macro economy. Or an economy with fairly constant output growth and low and stable inflation would be considered economically stable.

- 13) **External Assistance:** support from external sources for budgeting to fulfill expenditure obligation by the government for a given fiscal year.
- 14) **Ethiopian Fiscal Year (EFY):** a period of time used by the government for annual financial statements from July 08 to July 7 (From Hamle 01 to Sene 30 according to Ethiopian Fiscal Year).
- 15) **External Loan:** loan from external sources for budgeting to fulfill expenditure obligation by the government for a given fiscal year
- 16) **Fiscal Policy:** government spending and taxation to influence the economy.
- 17) **Financial Resource/Revenue:** sources of finance from which government obtains the funds it needs to finance its investments, capital and recurrent activities.
- 18) **Financial Transactions:** an agreement, or communication, carried out between a buyer and a seller to exchange an asset for payment.
- 19) **Fiscal framework:** the determination of financial resources available for expenditures during the fiscal year.
- 20) **Medium Term Fiscal Framework:** fiscal arrangements that allow government to extend the horizon for fiscal policy making beyond the annual budgetary calendar. Three-year spending plans of the Ethiopian governments.
- 21) **Gross Domestic Product (GDP):** the monetary value of all finished goods and services made within a country during a specific period.
- 22) **Inflation Rate:** the percentage change in the price index for a given period compared to that recorded in a previous period. A price index means a weighted average of the prices of a selected basket of goods and services relative to their prices in some base-year.
- 23) **Macro-economic:** the structure, performance, behavior, and decision-making of the whole or aggregate economy.
- 24) **Macro-Economic Fiscal Framework (MEFF):** the framework provides the context under which fiscal targets are set, policy choices are determined, and realistic revenue and expenditure projections are prepared.
- 25) **Monitory Policy:** a set of tools that a national bank has available to promote sustainable economic growth by controlling the overall supply of money.

- 26) **Policy**: a system of laws, regulatory measures, courses of action, and funding priorities concerning a given topic publicized by a governmental entity or its representatives.
- 27) **Pre-Budget Discussion**: a discussion forum held with community members at Woreda (District) level to identify basic services priority needs which used as an input for Woreda annual planning.
- 28) **Pre-Budget Statement**: a statement presents the broad parameters and macroeconomic assumptions of the Executive's Budget Proposal. It is at this stage, before the proposed budget goes before the parliament, that decisions about the size of the budget and how it will be allocated are made.
- 29) **Public Entity (Public Budgetary Institutions)**: any entity established or controlled by the federal government, including, but not limited, institutions of higher education and related research institutions providing services to the public on behalf of the government.
- 30) **Recurrent Expenditure**: expenditure on goods and services that does not result in the creation or acquisition of fixed assets, and which consists mainly of expenditure on wages, salaries and supplements, purchases of goods and services.
- 31) **Rolling Expenditure**: a continuous budget that is updated regularly when the earlier budget period expires or it is an extension of the current period budget.
- 32) **Sustainable development Goals (SDGs)**: the blue print to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice.