

Ministry of Finance/Ethiopia



CITIZENS' GUIDE TO A PROPOSED (RECOMMENDED) BUDGET FOR EFY 2015 (2022/23)

Addis Ababa/Ethiopia
May 2022

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(2022/23***
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Acronyms

CSOs: Civil Society Organizations

EFY: Ethiopian Fiscal Year

GDP: Gross Domestic Product

MEFF: Macro-Economic and Fiscal Framework

MOF: Ministry of Finance

SNNPs: South Nations Nationalities Peoples State

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 to proposed budget for the coming Fiscal Year.

What a Citizens' Guide to a Proposed Budget Means?

A citizens' guide to a proposed (recommended) budget 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.

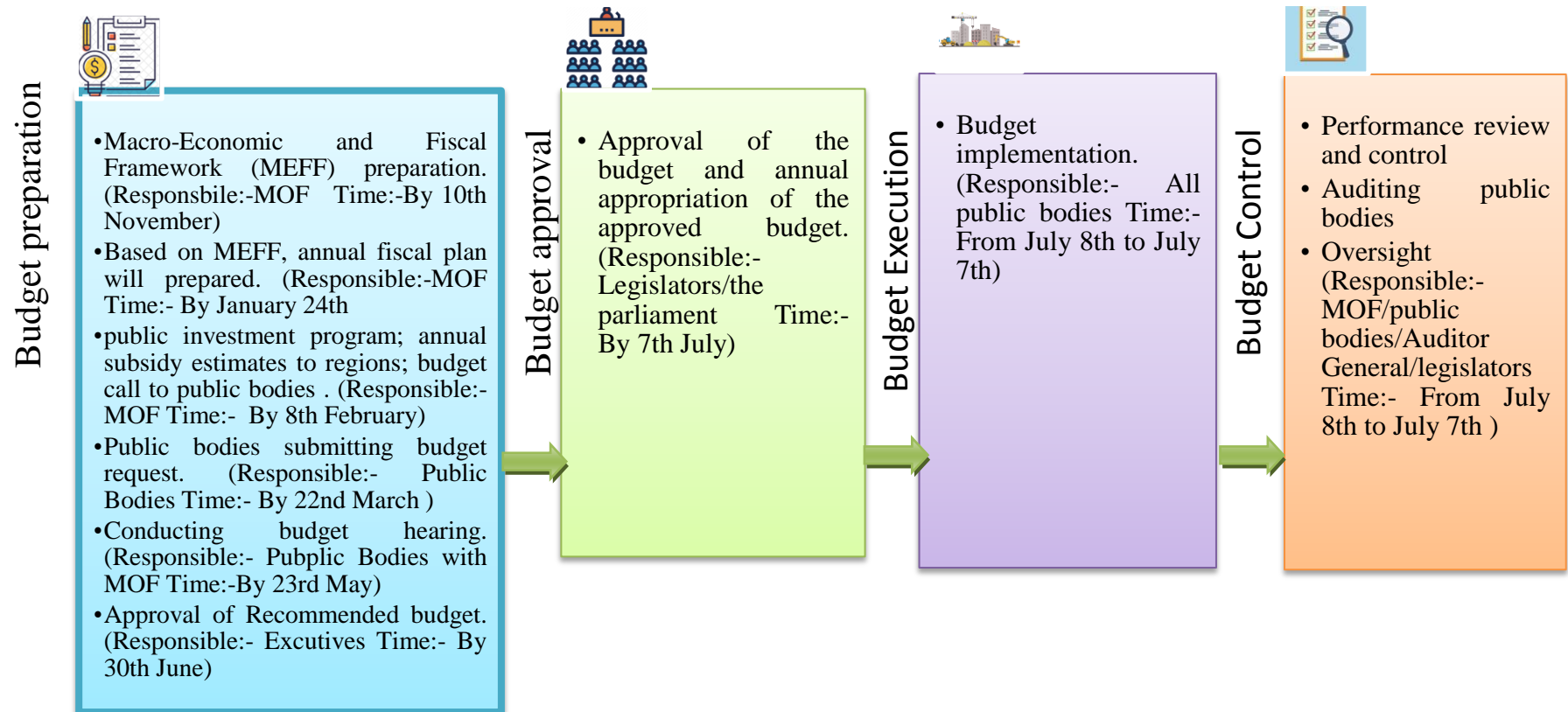
A citizens' guide to a proposed (recommended) budget serves as a means to literate and informs citizens about what the government is intended to doing and enhances their capacity to participate and comment in government affairs and to hold government accountable. It also allows the government to explain the rationale behind the choices it made in putting the budget together for overall enhancement of its citizens as well for further improvements.

2. What is a Budget?

A budget is a legal document that forecast a government expenditures and revenues for a given fiscal year.

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:-



How Citizens' Participate in budget processes?

Citizens' representatives: - The parliament conducted a pre-budget statement by inviting CSOs, individuals, institutions and other concerned bodies to have a say on executives budget proposal through different channels.

Citizens Engagement Mechanisms: - Citizens can directly participate in local planning and budget preparation to identify community priority needs through pre-budget discussion and social accountability tools

Citizens' representatives:
- The parliaments members are debating, correcting and approve the budget on behave the peoples it represents.

Citizens' representatives: - The legislators/parliament members are reviewing the budget implementation progress and made corrections if any.

Participation Platforms by Public Institutions:-Quarterly and mid-year follow-up meetings with stakeholders and community representatives in performance review activities.

Citizens Engagement Mechanisms: - Citizens can directly monitor the implementation local plan and budget through different tools.

Citizens' representatives:-
The legislators/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.

Citizens are responsible to inform accountability institutions including office Auditor General and Anti-corruption offices.

3. Macro-Economic Update

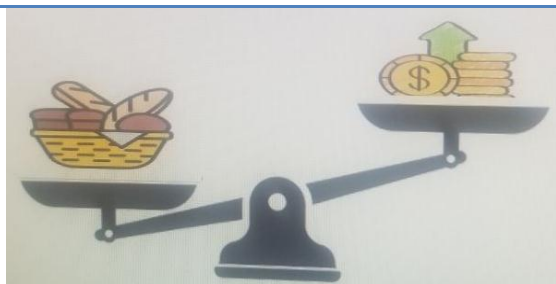
General Economic performance of EFY 2014 (2021/22)



Economic Growth: It is known that the economy has already set a target of 8.5 percent growth in the 2014 fiscal year. However, due to the Covid-19 pandemic and regional instabilities in some parts of the country, the economic growth may be lower than the estimated value for this particular fiscal year.



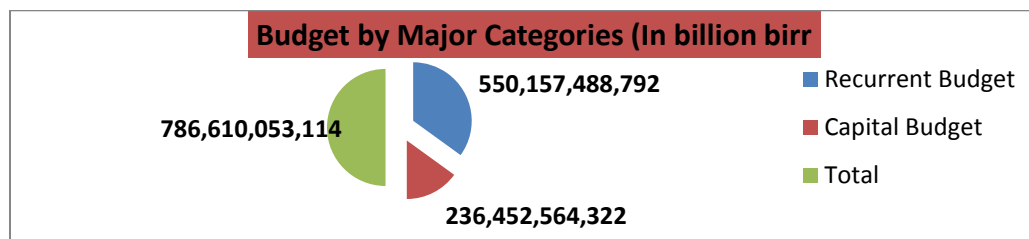
Export of Goods: the nine month performance of export of goods was 2422.9 Million USD during the EFY 2014 (2021/22) which has a 16 percent increase relative to predecessor fiscal year.



Inflation: according to the Price Sample Survey, the 12 Months Moving Average of national inflation rate recorded in EFY March 2014 (2022) was 30.3 percent. The main source of this growth is the price of food and non-food items.

4. How big the Proposed Budget for EFY 2015?

Government of Ethiopia has been proposed a total amount of **786.61 billion birr** at Federal level to meet its commitments and provide services to the citizens for the next EFY 2015 (2022/23). The total amount of budget for this fiscal year is sourced across the following major categories:-



5. Where will the proposed money goes?

Government Priorities in proposing allocations

Government prioritizes the following issues while allocating the Fiscal Year:-

Recurrent Budget



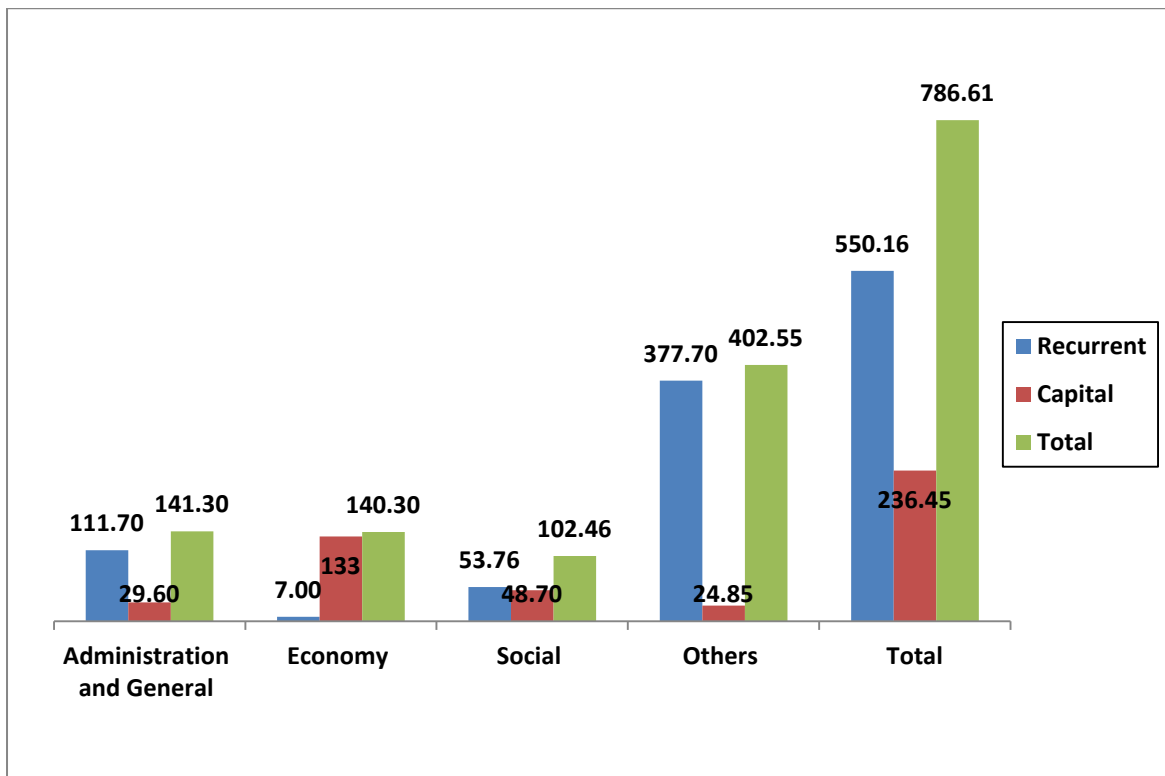
The recurrent budget allocation is prioritizing to pay debt, protect national security, support for conflicts and drought affected citizens, and purchase of fertilizers and wheat.

Capital Budget



The focus areas in allocating capital budget are to finance the rehabilitation of damaged infrastructures due to internal conflicts, on-going and new projects that ensures sustainable development, industrial development and export expansion, agricultural productivity, irrigation system development and job creation goals.

6. Proposed budget expenditure by Functional Classification (in Billion Birr)



7. Proposed Regional States Subsidies from Central Government for EFY2015 (2022/23) ('000 birr)

No.	Regional States	Recurrent Budget	Capital Budget	Total
1	The State of Tigray	12,396,418.77	875,677.57	13,272,096.34
2	The State of Afar	6,037,004.70	610,048.52	6,647,053.22
3	The State of Amhara	44,379,767.94	3,162,069.67	47,541,837.60
4	The State of Oromia	70,828,427.68	5,018,411.38	75,846,839.06
5	The State of Somalia	20,363,669.73	1,602,420.05	21,966,089.78
6	The State of Benshangul/Gumuz	3,690,152.27	337,697.86	4,027,850.13
7	The State of the Southern Nations, Nationalities & Peoples	26,492,396.96	1,905,252.45	28,397,649.41
8	The State of the Gambela Peoples	2,648,805.64	278,538.99	2,927,344.63
9	The State of the Harari People	1,562,642.54	110,125.82	1,672,768.36

10	Addis Ababa		3,279,614.78	3,279,614.78
11	Dire Dawa Administration	1,809,446.69	127,442.99	1,936,889.68
12	The State of Sidama	8,431,894.46	597,621.11	9,029,515.57
13	The State of Southern West Ethiopia Peoples	6,400,400.91	434,765.33	6,835,166.24
		205,041,028.27	18,339,686.52	223,380,714.79

8. 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 oversight:** monitors the execution of the budget, to provide checks and balances on the enacted budget.
- 4) **Budget Request:** an itemized summary of expenditure of an organization over a specified period, usually a financial year submitted to MOF.
- 5) **Budget Subsidy (Budget grant):** Budget support provided to regions by Federal government.
- 6) **Capital Expenditure:** the expenditure of funds by government for an asset that is expected to provide utility for organizational service provision.
- 7) **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.
- 8) **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).
- 9) **Fiscal Policy:** government spending and revenue to influence the economy.
- 10) **Financial Resource/Revenue:** sources of finance from which government obtains the funds it needs to finance its investments, capital and recurrent activities.
- 11) **Fiscal framework:** the determination of financial resources available for expenditures during the fiscal year.
- 12) **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.

- 13) **Gross Domestic Product (GDP)**: the monetary value of all finished goods and services made within a country during a specific period.
- 14) **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.
- 15) **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.
- 16) **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.
- 17) **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.
- 18) **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.
- 19) **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.

For more information, please contact:

infopr@mofed.gov.et

+ 251-111-552-015

+ 251-111-555-189 fax

Addis Ababa, Ethiopia