



Ministry of Finance

Citizens' Budget for EFY 2015 (2022/23)

Addis Ababa/Ethiopia

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Message from the Minister

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 citizens 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 Agenda. 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 2015 (2022/23) National Budget, which is published for the second 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 of Ministry of Finance

Acronyms

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

MDGs: Millennium Development Goals

SNNPs: South Nations Nationalities Peoples State

SDGs: Sustainable Development Goals

USD: United State Dollar

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 a Citizens' Budget Means?

A 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.

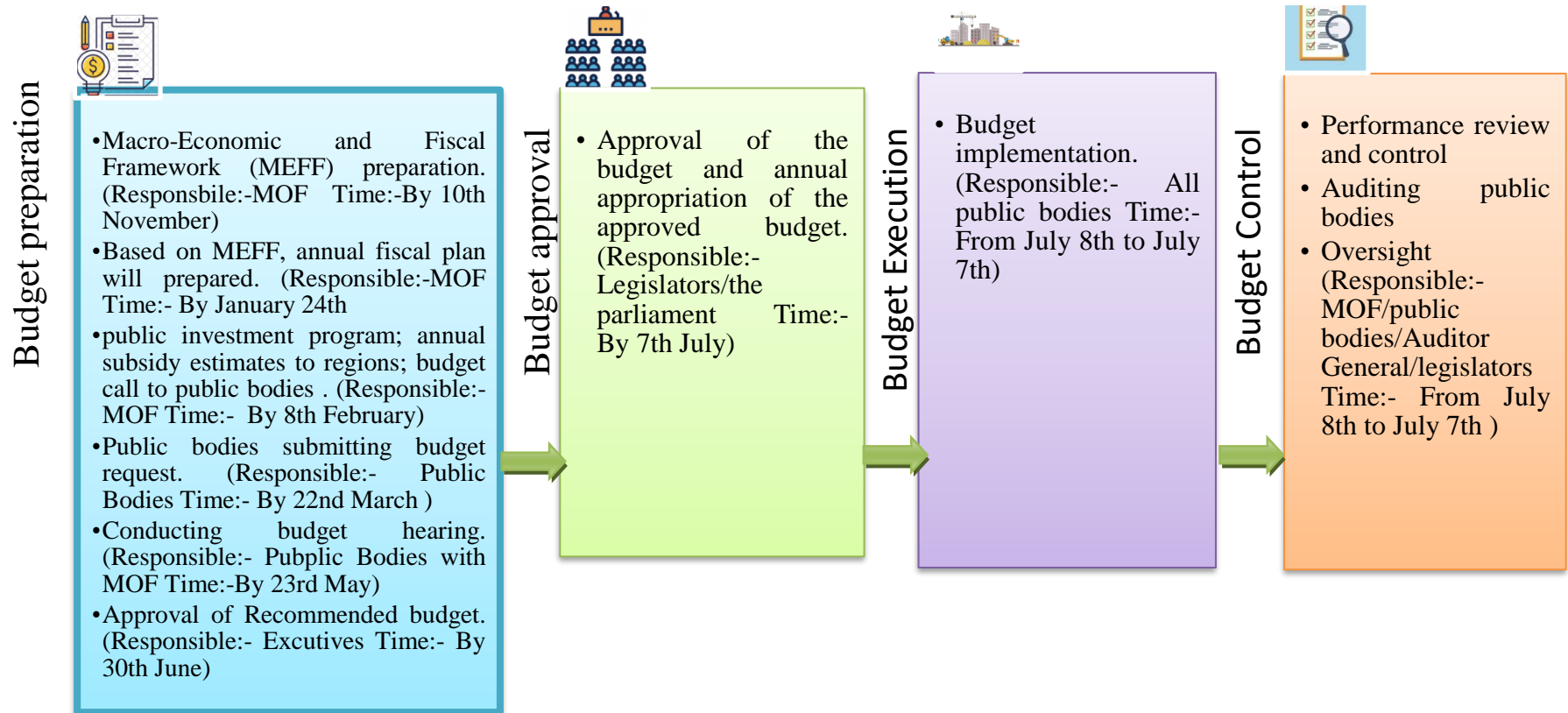
A citizens' budget document serves as a means to literate citizens about what the government is doing and enhances their capacity to participate in government affairs and to hold government accountable. It also allows the government to explain the rationale behind the choices it made in putting the budget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

1. 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.

2. Macro-Economic Update

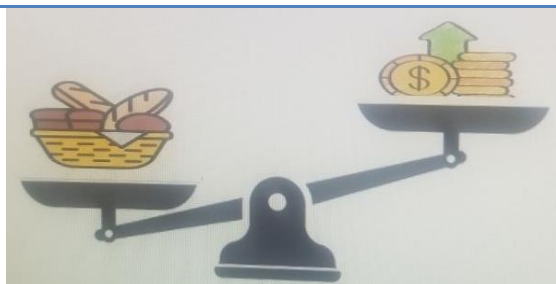
General Economic performance of EFY 2014 (2021/22)



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.

3. How Big the EFY 2015 (2022/23) Budget?

The EFY 2015 (2022/23) government budget has done based on these major Macro-Economic and Fiscal policy assumptions:

Macro-Economic Assumptions

- GDP is expected (6-7%) to be lower than the projected(8.7) amount due to low enforcement, covid-19, natural disaster in some part of the country
- Currently it is observed that there is a double digit Inflation rate in the country, based on the current macroeconomic condition it is a challenge to bring the inflation rate to a single digit in this fiscal year.

- The value of goods import is expected to grow by 18 percent in the 2014 fiscal year, and the forecast shows that an average growth rate of 10.2 percent will be recorded in the 2015 fiscal year. This is the basis for the estimate of government revenue collected from customs duties and taxes.
- Given that the economy will take some years to recover from the pressure caused by the war, it is bound to be a challenge to implement development plans as planned.

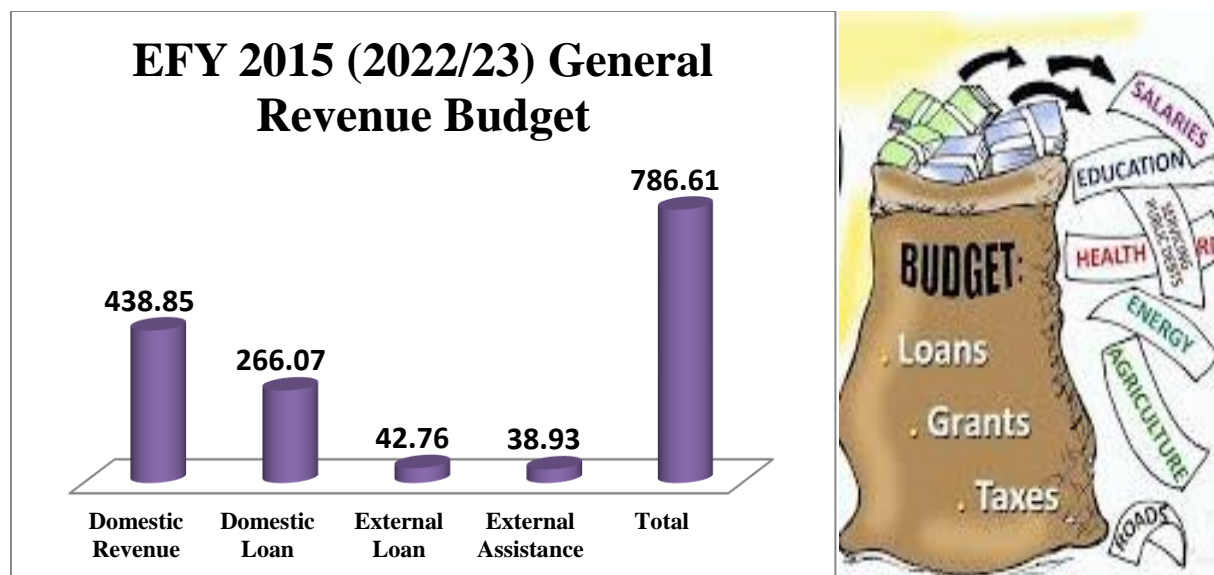
Fiscal Policy Assumptions

As several challenges faced the country overall economic performances, well-built and seriously implemented home grown economic reform has play vital role to stabilize the economy by countenancing the challenges and lay down a base for potential economic transformation for the future. The challenges are exerted paramount effect on government fiscal capability due to lower revenue collection performance (including donors' disinclination of budget support) as well as unexpected expenditures followed by fiscal deficit and increased debt services.

The EFY 2015-2019 (2022-2026) Micro-Economic Fiscal Framework-MEFF has aimed to ensure fiscal consolidation by resolving fiscal risks as a result faced challenges. Thus, this fiscal year expenditure assignment is also focused on minimizing debt stock, humanitarian support, and rehabilitation of damaged infrastructures and strengthens national defense capacity. In addition, as government revenue is limited all recurrent budgets should be spent in accordance with austerity directive.

WHERE DOES THE MONEY COMES FROM

Government of Ethiopia has been allocated a total amount of **786.61 billion birr** to meet its commitments and provide services to the citizens for EFY 2015 (2022/23). Compared to the previous budget year amount (**674.67 billion birr**), this year budget is increased by **111.94 billion birr (16.6%)**. The total amount of budget for this fiscal year is sourced across the following major categories:-



WHERE DOES THE MONEY GO?

Government Priorities in allocations

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

Recurrent Budget



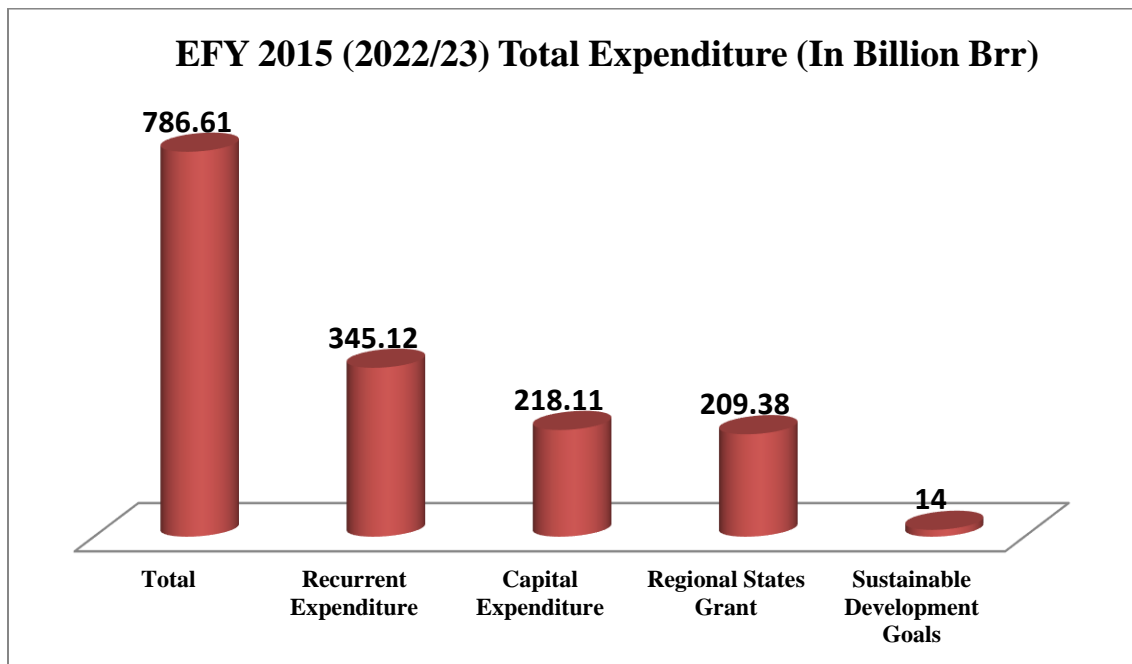
The recurrent budget allocation is prioritizing to pay debt, protect national security, support for conflicts and drought affected citizens, and purchase of fertilizers and wheat.

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.





Expenditure Plan by Major Categories (in Billion Birr)



The total budget deficit of the EFY 2015 (2022/23) is **308.83 billion Birr** and this is **3.4%** of GDP. This deficit will be covered from domestic and external loans.

Budget Expenditure According to Development (Investment) Priorities















The EFY 2015 (2022/23) Capital expenditure assignment was mainly focused on bringing sustainable development, ensuring economic transformation and eliminating poverty. In line with this the following sectors are prioritized while assigning the capital expenditure.

| | Development (Investment) Priorities | Amount in Billion Birr |
|---|--|-------------------------------|
|  | Road sector development and improvement. | 65.4 |
|  | Education sector development including higher education renovation, technical and vocational education, and general quality education improvement. | 29.3 |
|  | Irrigation system development and improvements and low land livelihood improvement through technological adoption. | 14.2 |
|  | Small scale irrigation development through regions by Sustainable development goals. | 6.0 |














| | | |
|---|---|-------|
|  | Rehabilitation of properties and basic services delivery institutions damaged by conflicts from central treasury support. | 20.0 |
|  | Water and Sanitation development including drought affected area. | 7.67 |
|  | Support for agricultural sector through development of integrated small scale irrigation. | 0.5 |
|  | Rural and Urban productive Safe net and job creation program. | 19.1 |
|  | Health Sector development. | 13.8 |
|  | Urban development and capacity development. | 12.79 |
|  | Office infrastructure development project. | 1.78 |

**Share of Federal (Central) Government Recurrent and Capital Expenditures by
service Sectors**

In Billion Birr

| | Major Expenditures | Amount | Percentage (%) share |
|---|--|---------------|---------------------------------|
|  | Debt Services | 125.96 | 22.36 |
|  | Defense | 84.00 | 14.91 |
|  | Road | 66.23 | 11.76 |
|  | Education | 64.67 | 11.48 |
|  | Water and Energy | 24.74 | 4.39 |
|  | Health Care | 19.33 | 3.43 |
|  | Urban Development | 18.51 | 3.29 |
|  | Agriculture | 18.47 | 3.28 |
|  | Justice and Social Security | 17.00 | 3.02 |
|  | Disaster Risk Management | 13.06 | 2.32 |
|  | Transport and Communication | 8.01 | 1.42 |
|  | Sports and Culture | 3.61 | 0.64 |
|  | Trade and Industry | 3.54 | 0.63 |
|  | Others | 96.10 | 17.06 |
| | Total | 563.23 | 100.00 |

Regional States Subsidies from Central Government and SDGs Support for EFY 2015(2022/23) (In birr)

| | Regional States | EFY 2014 (2022/23) | EFY 2015 (2022/23) | Difference | Support for MDGs |
|---|--|-----------------------|-----------------------|---------------|---------------------|
|  | Tigray | 12,096,886,682 | 12,427,896,330 | 331,009,648 | 844,200,000 |
|  | Afar | 6,058,473,927 | 6,224,253,220 | 165,779,293 | 422,800,000 |
|  | Amhara | 43,332,131,397 | 44,517,837,600 | 1,185,706,203 | 3,024,000,000 |
|  | Oromia | 69,130,798,517 | 71,022,439,060 | 1,891,640,543 | 4,824,400,000 |
|  | Somalia | 20,021,049,600 | 20,568,889,780 | 547,840,180 | 1,397,200,000 |
|  | Benshangul Gumuz | 3,671,194,466 | 3,771,650,130 | 100,455,664 | 256,200,000 |
|  | SNNPs | 32,274,413,423 | 26,591,356,338 | 5,683,057,085 | 1,806,293,070 |
|  | Gambella | 2,668,135,868 | 2,741,144,630 | 73,008,762 | 186,200,000 |
|  | Harari | 1,524,649,067 | 1,566,368,360 | 41,719,293 | 106,400,000 |
|  | Addis Ababa City Administration | 3,340,410,476 | 3,279,614,780 | -60,795,696 | 0 |
|  | Dire Dawa Town Administration | 1,765,383,131 | 1,813,689,680 | 48,306,549 | 123,200,000 |
|  | Sidama | 8,068,603,355 | 8,455,173,967 | 386,570,612 | 574,341,600 |
|  | Southern West Ethiopia Peoples | 0 | 6,400,400,905 | 6,400,400,905 | 434,765,330 |
| | Total | 203,952,129,909 | 209,380,714,780 | 5,428,584,871 | 14,000,000,000 |

4. 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 oversight:** monitors the execution of the budget, to provide checks and balances on the enacted budget.
- 5) **Budget Request:** an itemized summary of expenditure of an organization over a specified period, usually a financial year submitted to MOF.
- 6) **Budget Subsidy (Budget grant):** Budget support provided to regions by Federal government.
- 7) **Capital Expenditure:** the expenditure of funds by government for an asset that is expected to provide utility for organizational service provision.
- 8) **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.
- 9) **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.
- 10) **External Assistance:** support from external sources for budgeting to fulfill expenditure obligation by the government for a given fiscal year.
- 11) **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).
- 12) **External Loan:** loan from external sources for budgeting to fulfill expenditure obligation by the government for a given fiscal year

- 13) **Fiscal Policy:** government spending and revenue to influence the economy.
- 14) **Financial Resource/Revenue:** sources of finance from which government obtains the funds it needs to finance its investments, capital and recurrent activities.
- 15) **Fiscal framework:** the determination of financial resources available for expenditures during the fiscal year.
- 16) **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.
- 17) **Gross Domestic Product (GDP):** the monetary value of all finished goods and services made within a country during a specific period.
- 18) **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.
- 19) **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.
- 20) **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.
- 21) **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.
- 22) **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.
- 23) **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.

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