



CITIZENS' BUDGET

CITIZENS' BUDGET OF EFY 2018 (2025/26)



What is inside?

- About the Macro-Economic Reform of Ethiopia
- What is Citizens' Budget
- What is a Budget
- EFY 2018 (2025/6) Budget

Overall Macro-Economic Performances and Targets)

What are the Revenue Sources of the EFY 2018 Budget?

Key Tax Policy Reforms for this Budget Year

How does the government allocate the budget?

How does the Government cover the Revenue gap?

General Considerations for 2018 Budget Allocations

Priority Areas of Capital Expenditure Regions Subsidy and Sustainable Development Goals Support

- **Budget terminology (glossary)**

What is Citizens' Budget?

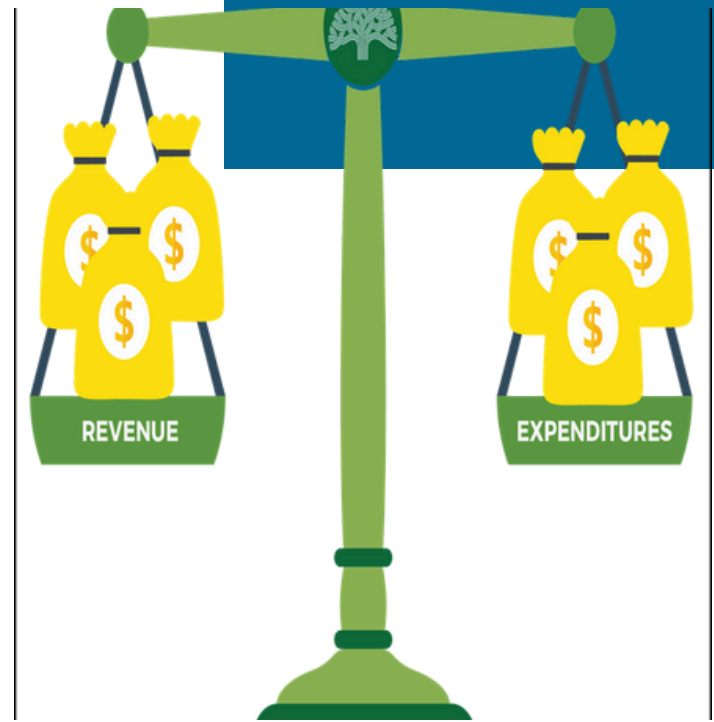
The Citizens Budget is a simplified version of the national budget prepared to make government financial information more accessible and understandable to the general public. In Ethiopia, where the budget plays a critical role in financing development priorities, service delivery, and poverty reduction, it is essential that citizens clearly understand how public resources are raised, allocated, and utilized.

By presenting the budget in simple, non-technical language with visuals and summaries, the Citizens Budget empowers citizens, civil society organizations, and the media to actively engage in the budget process. Ultimately, the Ethiopian Citizens Budget serves as a tool for inclusive governance, ensuring that the voices and needs of communities are reflected in national priorities and those public resources are used effectively for equitable development.

2. What is a Budget?

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

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



Strengthening Transparency and Accountability in Ethiopia's Financial System

Financial transparency and accountability are vital in ensuring that Ethiopia's public resources are managed responsibly and directed toward national development priorities. The Ministry of Finance plays a central role by preparing and publishing national budgets, monitoring revenue collection, and disclosing public expenditure. Through clear reporting and open communication, the Ministry helps citizens, parliament, and development partners understand how resources are mobilized and allocated. This reduces the risk of corruption, builds trust in government institutions, and strengthens economic governance.

To enhance accountability, the Ministry of Finance implements strict financial regulations, oversees audits, and ensures compliance with both national and international standards. Ethiopia has also adopted modern financial management systems and digital platforms to make information more accessible and accurate. These reforms improve oversight, empower institutions to track spending, and allow the public to hold officials accountable. By strengthening transparency and accountability, the Ministry of Finance contributes to good governance, sustainable economic growth, and public confidence in Ethiopia's financial system.

Ethiopian Micro-Economic Reform

“It is a stability today and prosperity for tomorrow”






The macroeconomic reform program represents a bold transition toward a more resilient, inclusive, and market-driven economy. Implemented under the Home-grown Economic Reform Agenda, the reforms aim to correct structural imbalances, stabilize inflation, strengthen domestic revenue generation, and attract private investment. Key focus areas include fiscal discipline, exchange rate flexibility, and the reform of state-owned enterprises, particularly in strategic sectors such as finance, energy, and telecommunications. These efforts mark a shift from a state-led economic model to one that empowers the private sector, laying a solid foundation for long-term stability, competitiveness, and sustainable development.

Process Stage	Timing	Key Activities and Details
<p>1. Budget Preparation</p> 	<p>Before the fiscal year begins</p>	<p>Planning and Strategy:</p> <ul style="list-style-type: none"> • Five-Year National Plan: The Ministry of Finance creates a 5-year plan (MEFF) to set major economic goals • Three-Year Regional Funding: Estimates are made on the financial support (subsidies) each region will receive for the next three years • One-Year Fiscal Plan: A detailed, one-year plan for revenue, spending, and loans is created, which is then approved by the Council of Ministers.
<p>2. Budget Approval</p> 	<p>Before the fiscal year begins</p>	<p>Legalization and Transparency:</p> <ul style="list-style-type: none"> • Parliamentary Debate: The draft budget is debated and approved by the House of People's Representatives (Parliament). • Official Publication: The final, approved budget is published in the Negarit Gazette, making it a public legal document.
<p>3. Budget Implementation</p> 	<p>During the fiscal year</p>	<p>Execution and Monitoring:</p> <ul style="list-style-type: none"> • Work Scheduling: Public bodies are notified of their approved budgets and prepare work schedules. • Progress Assessment: Public bodies regularly assess their progress toward achieving the set targets. • Reporting: Detailed reports on actual budget execution and achievements are submitted to the Ministry of Finance and the Ministry of Planning and Development.
<p>4. Reporting and Oversight</p> 	<p>Following the end of the fiscal year</p>	<p>Accountability and Auditing:</p> <ul style="list-style-type: none"> • Auditor General's Audit: The Auditor General audits the financial accounts and performance of all public bodies to ensure proper spending. • Parliamentary Oversight: Parliament reviews the audit reports to hold the government accountable for its spending.

3. EFY 2018 (2025/6) Budget

3.1. Overall Macro-Economic Performances and Targets)

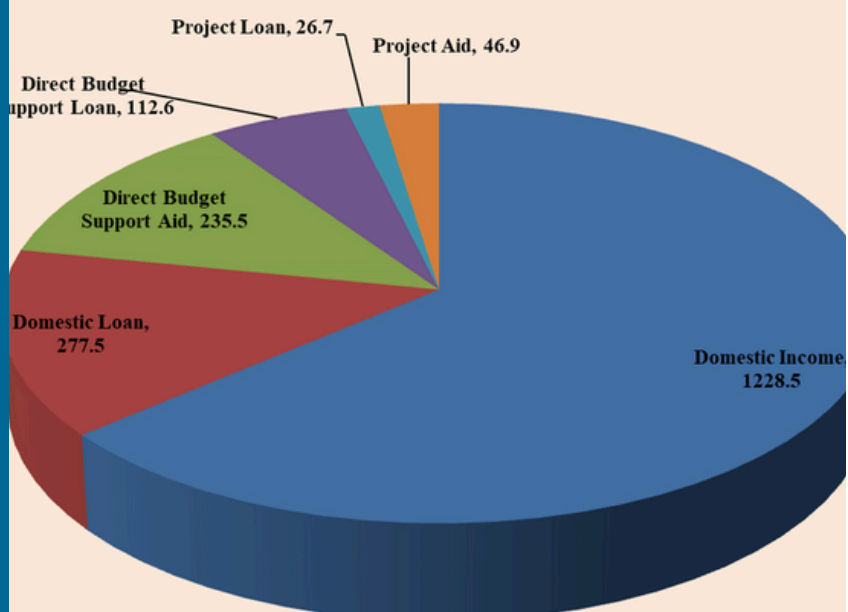
The basic assumptions underlining the EFY 2018 Budget are as follows:

	Parameters	Performances (preliminary) of EFY	Targets (Forecast) of EFY 2018
	Overall Real GDP growth	8.40%	8.90%
	Inflation	13.90%	11.90%
	value of goods import	USD 19.2 billion	USD 21.3 billion
	Fiscal Deficit	2.06 % of GDP	1.0% of GDP
	Treasury bill average interest rate for fertilizer	16.50%	16.38%

The EFY 2018 budget will ensure prudent fiscal measures, which will set the pace for a favorable investment environment to create jobs and accelerate growth in vital sectors of the economy.

3.2. What are the Revenue Sources of EFY 2018 Budget?

The total revenues projected for the efy 2018 (2025/26) will amount to birr 1.93 trillion. These revenue sources are expected from domestic revenues through tax collections, other domestic financing sources including domestic loan, External grants from Development Partners and external loans.



Revenue Sources for EFY 2018 (2025/26) Budget/In Billion

Key Tax Policy Reforms for this Budget Year



A. Tax Revenues

- Minimum Alternative Tax (MAT): Planned to be implemented in the 2018 budget year.
- Withholding Income Tax Rate: An amendment will be made in the 2018 budget year.
- Excise Tax Administration: planned to be fully implemented in the 2018 budget year.
- Excise Tax on Fuel (15%): A plan has been set to fully implement it in the 2018 budget year.
- VAT on Fuel (15%): A plan has been set to fully implement it in the 2018 budget year.
- Property Tax Proclamation: To strengthen the revenue capacity of national regional states, a new property tax proclamation will be implemented in the 2018 budget year, through the approval of laws in selected cities of each region.
- Motor Vehicle Circulation Tax: A plan has been set to introduce this tax on fuel-powered vehicles in the 2018 budget year.

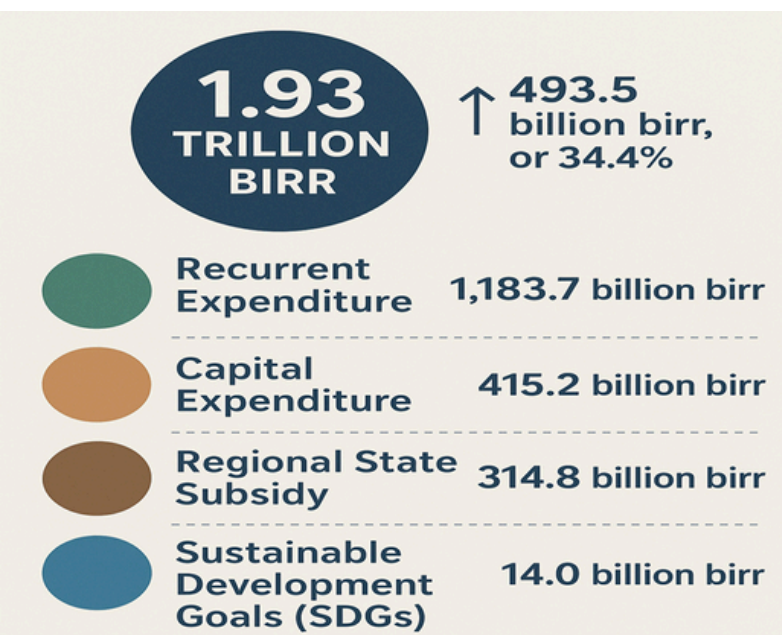
B. Non-Tax Revenues

- Efforts will be made to utilize government revenues obtained from non-tax sources.

- Foreign resources obtained in the form of budget support from development partners are included as part of the government's revenues to cover the budget.
- The loans included in the budget are long-term loans with low interest rates and extended repayment periods
- Revenues from project aid and loans are used exclusively for project implementation.
- Conversely, the aid and loan revenues that flow directly to the Treasury are estimated based on agreements reached with development partners and the government, as well as by assessing their historical flow patterns.

3.3. How does Government Allocate the Budget?

Total Approved Budget for EFY is 1.93 trillion birr. It has an increase of 493.5 billion birr, or 34.4%, compared to EFY 2017's 1.43 trillion birr. The budget is allocated according the following major expenditure categories



General Considerations for 2018 Budget Allocations

The EFY 2018 (2025/26) program budget was prepared with the following key considerations:

1. Alignment with Development Plans

- Based on the EFY 2016–2018 (2023-2026) Development and Investment Plan under the Ten-Year Development Plan.
- Guided by program budget goals and available resources.

2. Macro-economic Reforms

- Adjustments for reforms such as liberalized foreign exchange, salary revisions, and tariff changes.

3. Socio-Economic Transformation Priorities

- Industrial development and export expansion.
- Job creation, agricultural growth, and irrigation development.

4. Capital Projects

- Priority for ongoing capital projects.
- Allocation of government contributions for externally financed projects

5. National Security and Social Protection

- Expenditures for national security.
- Support for citizens affected by natural and man-made crises.
- Developmental safety net programs.

6. Post-War Rehabilitation

- Restoration of infrastructure and services damaged by the war.

7. Debt Management

- Servicing obligations for both domestic and external debt.

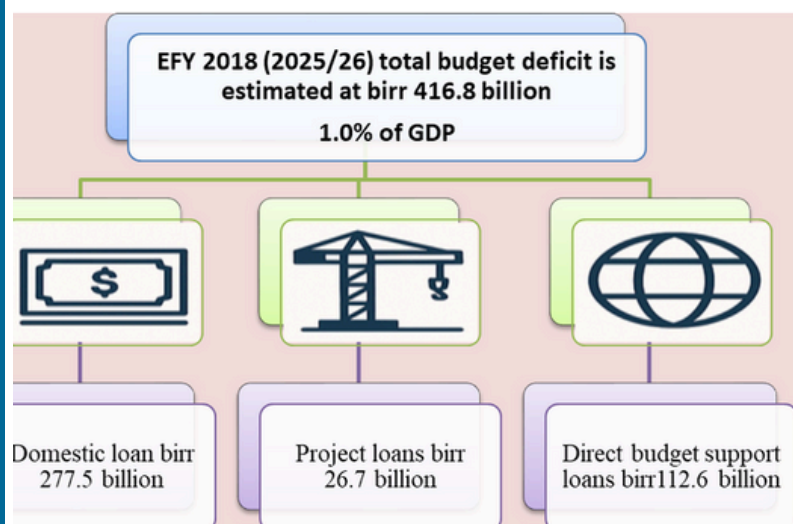
8. Sustainable Development Goals (SDGs)

- High priority for SDGs implementation.
- Matching funds for small and medium irrigation projects.
- Completion of existing irrigation initiatives.

9. Outcome-Oriented Planning

- Emphasis on measurable outcomes and impacts from government institutions in development and service delivery.

1.4. How does Government cover the Revenue gap?



2.5. Priority Areas of Capital Expenditure – EFY 2018 Budget Year

THE FOLLOWING SECTORS RECEIVED THE HIGHEST CAPITAL BUDGET ALLOCATIONS AND ATTENTION:



•Infrastructure Development (Roads):

26.9 billion birr for strengthening and upgrading main roads-

58.0 billion birr for new road construction,

4.2 billion birr for major road maintenance.

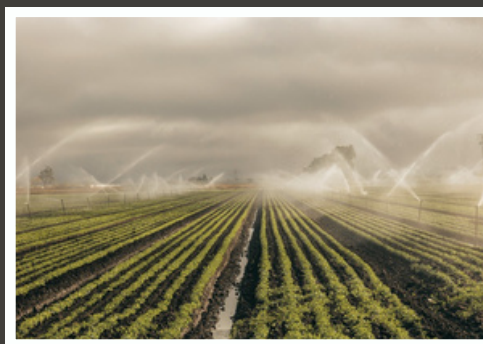


Education Sector:

•For the completion of ongoing higher education projects: birr 40.7 billion from the government treasury.

•For Technical and Vocational Education & Training (TVET) institutes: birr 360 million.

•For improving the overall quality of education (including external finance): birr 3.4 billion



Irrigation Development:

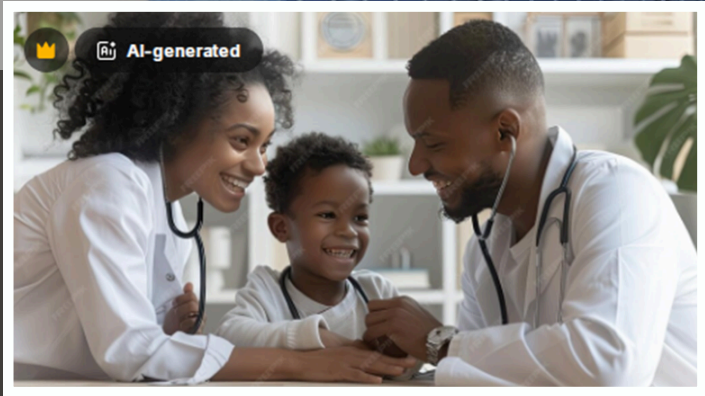
For large, medium, and small-scale irrigation projects (including external financing): birr 17.1 billion.

For research and technology transfer in pastoral areas to improve livelihoods: Birr 1.2 billion from the capital budget.



Post-Conflict Reconstruction

To restore damaged properties and service facilities affected by war: birr 10.0 billion from government treasury



Health Sector

Total of 48.0 billion birr (31.7 billion birr from treasury and 16.3 billion birr external aid).

18.0 billion birr for expanding and improving health systems,

6.6 billion birr for maternal and child health services,

6.7 billion birr for disease prevention and control,

4.4 billion birr for implementing vaccination programs (with external financing).



Rural Employment and Food Security:

For the Productive Safety Net Program (PSNP): Birr 45.0 billion from treasury plus 3.7 billion Birr external finance, total Birr.48.7 billion

For urban food security and safety net: Birr 15.0 billion from treasury plus Birr 9.1 billion external finance, total Birr 24.1 billion.



Water Supply and Sanitation

A total of birr 15.3 billion, of which birr 3.4 billion from treasury was dedicated to expanding drinking water access in drought-affected areas.



Agriculture and Natural Resource Protection

A total of birr 2.6 billion, including birr 59 million from the government treasury.



Government Offices

To improve service delivery and reduce office rental costs, birr 4.0 billion was allocated for the construction of government office buildings



EFY 2018 (2025/26) Regions Subsidy and Sustainable Development Goals Support /In Billion Birr/

Regions	Regions Subsidy	Sustainable Development Goals Support	Grand Total
Total	314,756,994,045	14,000,000,000	328,756,994,045
Tigray Region	18,979,846,741	844,200,000	19,824,046,741
Afar Region	9,505,661,220	422,800,000	9,928,461,220
Amara Region	67,987,510,714	3,024,000,000	71,011,510,714
Oromia Region	108,465,260,148	4,824,400,000	113,289,660,148
Somali Region	31,412,748,005	1,397,200,000	32,809,948,005
Benishangul Gumuz Region	5,760,052,991	256,200,000	6,016,252,991
Gambella Region	4,186,268,021	186,200,000	4,372,468,021
Hereri Region	2,392,153,155	106,400,000	2,498,553,155
Diredewa Town Administration	2,769,861,548	123,200,000	2,893,061,548
Sidama Region	12,912,716,827	574,341,600	13,487,058,427
South West Ethiopia Region	9,774,673,447	434,765,330	10,209,438,777
South Ethiopia Region	22,026,994,841	979,733,361	23,006,728,202
Central Ethiopia Region	18,583,246,387	826,559,709	19,409,806,096

1. 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 procedures 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 the 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 the Federal government.

7) **Capital Expenditure:** the expenditure of funds by the government for an asset that is expected to provide utility for organizational service provision.

8) **Civil Society organizations:** non-governmental, non-profit groups formed by citizens to advance shared interests, provide services, or advocate for social, economic, cultural, or environmental causes.

9) **Debt Management:** the strategies and practices a government uses to raise, manage, and repay public debt in a sustainable way while minimizing risks and costs. It ensures that borrowing supports development needs without creating a debt crisis.

10) **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.

Budget terminology (cont.)

11) Direct Budget Support Aid:

Budget Support from development partners that is directly included in the approved budget

12) Direct Budget Support Loan:

A Budget loan from development partners that is directly included in the approved budget

13) Economic Stability:

The absence of excessive fluctuations in the macroeconomy. Or an economy with fairly constant output growth and low and stable inflation would be considered economically stable.

14) Excise Tax: Any duty on manufactured goods that is levied at the moment of manufacture rather than at sale

15) External Assistance: support from external sources for budgeting to fulfill expenditure obligations by the government for a given fiscal year.

16) 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).

17) External Loan: loan from external sources for budgeting to fulfill expenditure obligation by the government for a given fiscal year

18) Fiscal Discipline: involves controlling expenditures, reducing deficits, and ensuring the long-term sustainability of public finances

19) Fiscal Policy: government spending and revenue to influence the economy.

20) Financial Resource/Revenue sources of finance from which the government obtains the funds it needs to finance its investments, capital, and recurrent activities.

21) Fiscal Framework:

The determination of financial resources available for expenditures during the fiscal year.

22) Gross Domestic Product (GDP):

The monetary value of all finished goods and services made within a country during a specific period.

Budget terminology (cont.)

23) Homegrown Economic: a reform agenda, designed to transition the economy toward resilience, inclusiveness, and market orientation while addressing deep-rooted structural challenges.

24) 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.

25) 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.

26) Matching funds: financial arrangements where the government (or another institution) provides funds that “match” contributions from other sources—such as donors, development partners, or communities—usually for a specific project or program.

27) 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.

28) Minimum Alternative Tax: a provision in direct tax laws to limit tax exemptions availed by companies, so that they pay at least a minimum amount of corporate tax to the government.

29) Non-Tax Revenues: government revenues that are not collected through taxes. Instead, they come from a wide range of other sources. Governments use them to supplement tax revenues in financing public expenditures.

30) 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.

31) Program Budget: classifying expenditure into groups of similar services with similar objectives, a program budget helps budget decision makers compare the costs and benefits of expenditure options, and agreed upon by the donor and the recipient government.

Budget terminology (cont.)

32) Project Loan: a type of financing provided by external lenders (such as development banks, bilateral partners, or international financial institutions) to fund a specific development project in a country.

33) Public Entity (Public Budgetary Institutions): any entity established or controlled by the federal government, including, but not limited to, institutions of higher education and related research institutions providing services to the public on behalf of the government.

34) Oversight: bodies examine, on a continuing basis, the expenditures, administration and policy of government agencies or departments.

35) 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.

37) 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.

38) Value Added Tax: paid at every stage of a product's production from the sale of the raw materials to its final purchase by a consumer.



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