

This note summarizes the main contents of Ethiopia's recently released government budget and highlights: (1) the policy priorities being articulated for the new fiscal year; (2) the composition of spending across key departments, and; (3) the implications of the budget deficit for government borrowing from the banking system.

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- **New Budget:** The Ethiopian Parliament approved on July 8, 2019 a federal government budget with planned expenditure of Birr 387bn for the 2019-20 fiscal year (Table 1). The spending planned for the new fiscal year (which started July 8) shows only a 2 percent increase in nominal terms (after including last year's Supplementary Budget), and will amount to an 8 percent expenditure reduction in real terms (Table 2).
- **Funding sources:** Around 75 percent of government spending is to be covered by revenue and grants (Birr 253bn in revenue and Birr 36.8bn in grants). At the same time, nearly a quarter of total expenditure, equal to Birr 97.1 bn or 3 percent of GDP, will require deficit financing in the form of new loans from both foreign and domestic sources. Of the total net new borrowing planned for the year, around Birr 40bn (~\$1.4bn) is to be covered by foreign loans, while the remaining Birr 57bn will require government borrowing from domestic sources (i.e., the central bank, commercial banks, and pension funds).
- **Budget expenditure:** Per the classifications of the federal budget document, Ethiopia's total government spending of Birr 387bn is split across four categories: (1) current spending; (2) capital spending; (3) subsidies to regions; and (4) support for the Sustainable Development Goals or SDGs (Table 2). The first two items, collectively amounting to Birr 240bn, are items spent directly by the federal government and can be further broken down into the following main federally administered spending items (Table 3 and 4):
  - **Education** holds the highest spending allocation in this year's federal budget, at Birr 50.6bn, with funding in this line-item mainly allocated to about 50 federally-administered universities (for an average allocation of around one billion per university).
  - **Roads** constitute the second largest federal spending item, with Birr 46.7bn allocation to start or complete several dozen road projects spread throughout the country.

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- **Debt service:** Allocations to cover external as well as internal debt are the budget's third largest spending item at Birr 25.2bn, indicative of the cumulative impact of deficit-related borrowing over the past decade, particularly from external lenders (61 percent of this line-item covers external debt repayments).
- **Water & Energy** is the fourth largest budget allocation, at Birr 17.5bn, and covers funding for irrigation, water development, and energy projects.
- **Administrative and 'general service' allocations**, covering units such as the PM/President's Offices, Courts, and key federal ministries, comprise the 5<sup>th</sup> largest expenditure allocation (or about 10 percent of federally administrative expenditure for what may be seen as 'overhead' functions/departments).
- **Defence** has been allocated Birr 15bn this fiscal year, 6<sup>th</sup> largest overall and held flat in nominal terms from last year's levels.
- **Two economic sectors**—agriculture and industry—have the 7<sup>th</sup> and 10<sup>th</sup> largest budgetary allocations, with funds in this area mainly used for key agencies and institutes providing sector-wide support within those productive sectors.
- **Health** related funding is Birr 12.8bn for this year, making this the 8<sup>th</sup> largest government budget allocation.
- **Security:** At Birr 8.1bn, security and justice related allocations make up the 9<sup>th</sup> largest government expenditure item, roughly in line with its relative ranking in recent years.

### *Policy Priorities*

The most notable policy features of the new budget document include:

- **A responsible spending stance to address macro risks:** The planned spending increase of the new budget is set to be the lowest seen in many years. This choice to hold back growth in government spending, at a time when there are numerous and competing expenditure demands across sectors, reveals a strong policy commitment to maintaining a responsible macroeconomic stance—and is quite commendable in limiting spending to available resources and in reducing the risks of future debt distress.
- **Still-high capital expenditure:** At 54 percent of federal expenditure (Birr 131bn out of Birr 240bn), capital spending remains a high share of Ethiopia's federal spending allocations, reflecting still-high outlays for public investment activity. The share of current spending in total spending is gradually rising, however, and is now 46 percent of federal spending, up from 42 percent two years ago and 45 percent last year. The new budget also reveals higher growth for current spending (19 percent) than for capital spending (16 percent).

- **Still-strong focus on revenue mobilization:** The need to support spending levels with expanding revenue is clearly recognized in the budget, with revenue set to rise from Birr 225bn to Birr 290bn, or by 29 percent in nominal terms. Strong increases are planned in both tax (34% increase) and non-tax revenue (52% increase), particularly in VAT (+63%) as well as indirect taxes (+43%). At the same time, specific tax rate changes (per recent press reports) are likely to involve higher excise taxes, higher taxes on specific commodities (e.g., automobiles), and a streamlining of tax incentives to limit foregone tax revenue going forward.

### *Spending composition*

Spending priorities seen by detailed departmental line-item show a continuation of past norms in many areas, but also reflect emerging priorities in selected sub-sectors (Table 5):

- **Supporting traditional priorities:** Still-high allocations for education, roads, and other capital projects show policy-makers' continued commitment to the provision of (poverty-reducing) public goods and public infrastructure. These areas have not only maintained their high expenditure allocations, but many have also seen further planned increases of 15-20 percent for the coming year. In particular:
  - Education allocations were already among the highest within the federal budget, but are boosted even further this year from last year's Birr 43bn to Birr 50 bn (up 13 percent);
  - Road allocations, a high priority item for many years, are raised by 21 percent to Birr 47bn from Birr 39bn last year.
  - Debt service allocations are raised from Birr 22 to 25 bn, up by 14 percent, likely reflecting the profile of repayments but also a commitment to fully cover outstanding dues.
  - Justice and security service allocations are raised from Birr 6.8 to 8.1, or up by a sizeable 19 percent for the new year.
- **Addressing new priorities:** Some of the most notable new policy priorities are seen in spending allocations for irrigation (Birr 15bn), planned national elections in 2020 (Birr 2bn), and contingencies for unexpected items (Birr 13bn, likely to include contingencies for wages and other recurrent items). At the same time, the discontinuation of certain line-items points to new policy priorities: within transfers to state enterprises/agencies, for example, the Industrial Parks Development Corporation (IPDC) was a large beneficiary in past years but no explicit transfer allocations have been made for it this year in line (it appears) with modified directions to use PPPs and private-led initiatives in this area (Table 5).

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*Deficit financing implications*

**The planned deficit of near Birr 100bn, though a record high in nominal terms, amounts to 3 percent of the projected 2019-20 nominal GDP of Birr 3.2 trillion.** Per the budget document, about Birr 40 billion of the required deficit financing should be secured from foreign loans including the World Bank, the African Development Bank, and other bilateral/multilateral lenders—leaving Birr 57bn to be covered by financing from domestic sources.

**The Birr 57bn in required domestic financing should be seen in relation to the total available pool of domestic financing resources,** as well as in the context of specific funding sources typically used to cover government deficits (Table 6):

- **Total domestic financing** stood at around Birr 1,130bn as of December 2018—based on our compilation of the sum of all bank loans and bonds provided to government, SOEs, and the private sector. In this context, the new financing need of Birr 57bn represents around 5 percent of the (pre-existing) stock of total domestic financing provided from all sources by Ethiopia’s financial system.
- **Bank deposits:** Looking only at deposits, the commercial banking system held around Birr 837bn in deposits as of March 2019 and is likely to have ended the fiscal year with a deposit stock of near Birr 891bn (22 percent growth from year-ago levels). With similar growth for the new year, deposit levels should reach close to Birr 1.1 trillion by end-June 2020, implying that the Birr 57bn in government borrowing would be equivalent to around 5 percent of outstanding bank deposits. Relative to the *incremental* deposit growth for the fiscal year of only around Birr 208bn, however, the government’s financing need absorbs the equivalent of 27 percent of new bank deposits—a significant, if not overwhelming, crowding out of funds that might have otherwise gone to private sector borrowers.
- **Central bank credit:** Based on MOFED debt data, government borrowing from the central bank amounted to Birr 182 bn as of March 2019, comprised mostly of direct advances from the NBE to government (Table 7). Were the full Birr 57bn in new domestic financing secured solely from the central bank (a very inflationary form of deficit financing), this would imply a 31 percent growth in the rate of central bank lending to the government—a high rate of growth whether seen in nominal or real terms.

- **T-Bills and Pension Funds:** Government borrowing via T-Bills (purchased mainly by pension funds) amounted to Birr 132bn as of March 2019, and Birr 57bn in new borrowing would imply a 43 percent increase from the latest outstanding stock. Judging from *increases* in pension fund holdings of T-Bills in recent years, annual net new purchases of T-Bills by pension funds were as high as Birr 20bn last year, implying that only around one-third of the budget's domestic borrowing requirement would be covered if relying solely on *incremental* pension fund assets.

**To summarize, for all three sources of domestic financing noted above—commercial banks, NBE, and pension funds—accommodating the full amount of the Birr 57bn in required domestic financing would represent a material use of their respective funds.**<sup>1</sup> Indeed, a sole reliance on just one of the three financing sources could lead to excessive private sector crowding out (i.e., if relying on just bank deposits) or bring highly inflationary consequences (if resorting solely to central bank credit). However, a balanced mix of the three options could avoid such extreme outcomes and have only moderate inflationary and crowding out impacts. We expect this will be the case for the coming year, and anticipate that 10-15 percent growth in the stock of credit from banks, from NBE, and from pension funds (each separately) could collectively cover the total required domestic financing without unduly straining one particular source of financing.

### *Conclusion*

**Overall, the budget for the new fiscal year is—in our view—safe, sound and sensible,** given its expenditure restraint to address prevailing macro concerns (inflation, exchange rate); its continued allocation for high-priority public investment outlays (roads, education, energy); its focus on new initiatives (irrigation) that promise to boost critical productive sectors; its due allowances for supporting the on-going political transition (elections, justice/security funding); and finally its responsible borrowing limits (held to just 3 percent of GDP and unlikely to worsen existing debt-to-GDP ratios).

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<sup>1</sup> For the current outstanding stock of domestic debt, it is worth noting that the Birr 344bn borrowed by the government has been sourced from the following domestic debt sources: 53 percent from the central bank, 39 percent from T-Bills (mainly held by pension funds); and 8 percent from commercial banks (Table 7).

**TABLE 1: FY 2019-20 Budget**

	<b>FY 2018-19: Budget Plan</b>	<b>FY 2018-19: Actual Expected</b>	<b>FY 2019-20: Budget Plan</b>
<b>Key Macro Assumptions</b>			
GDP growth	11.1%	8.0%	9.0%
Inflation (year-average)	8.0%	12.6%	9.6%
Nominal GDP growth	19.0%	20.6%	19.7%
Depreciation rate	6.3%	5.6%	6.0%
Import growth	9.7%	1.0%	10.9%
GDP implied	2,620	2,655	3,178
<i>In Birr bns:</i>			
<b>Revenue and Grants</b>	<b>254.3</b>	<b>225.2</b>	<b>289.8</b>
Revenue	235.2	189.1	253.0
Tax Revenue	211.1	170.6	224.8
Non-Tax Revenue	24.1	18.6	28.2
Grants	19.1	36.1	36.8
<b>Expenditure</b>	<b>380.8</b>	<b>290.0</b>	<b>387.0</b>
Current expenditure	125.4	94.1	109.5
Capital expenditure	113.8	85.4	130.7
Subsidies to Regions	135.6	108.5	140.8
SDGs contribution	6	2.1	6
<b>Deficit</b>	<b>51.80</b>	<b>66.2</b>	<b>97.1</b>
Foreign Financing	19.1	13.3	40.3
Domestic financing	32.7	52.9	56.8
<i>In Percent GDP</i>			
<b>Revenue and Grants</b>	<b>13.1%</b>	<b>8.5%</b>	<b>9.1%</b>
Revenue	10.7%	7.1%	8.0%
Tax Revenue	9.6%	6.4%	7.1%
Non-Tax Revenue	1.1%	0.7%	0.9%
Grants	0.9%	1.4%	1.2%
<b>Expenditure</b>	<b>15.7%</b>	<b>10.9%</b>	<b>12.2%</b>
Current expenditure	4.2%	3.5%	3.4%
Capital expenditure	5.2%	3.2%	4.1%
Subsidies to Regions	6.2%	4.1%	4.4%
SDGs contribution	0.3%	0.1%	0.2%
<b>Deficit</b>	<b>2.4%</b>	<b>2.5%</b>	<b>3.0%</b>
Foreign Financing	0.9%	0.5%	1.3%
Domestic financing	1.5%	2.0%	1.8%
Nominal GDP	...	2,655	3,178

Source: MOFEC and Cepheus Research for estimated figures

**TABLE 2: FY 2019-20 Budget Expenditure by Main Categories**

Description	2017-18	2018-19	2019-20	% of Total
<b>Total Expenditure</b>	<b>320.8</b>	<b>380.2*</b>	<b>386.8</b>	<b>100.0%</b>
<i>Growth rate: nominal terms</i>	16.9%	18.5%	2.0%	...
<i>Growth rate: real terms</i>	9%	7.5%	-8.0%	...
<b>By Budget Summary Presentation**</b>	<b>320.8</b>	<b>346.3</b>	<b>386.8</b>	<b>100.0%</b>
Federal Government Expenditure	196.5	204.7	240.1	62.1%
<i>Recurrent Expenditure</i>	81.8	91.7	109.4	28.3%
<i>Capital Expenditure</i>	114.7	113.0	130.7	33.8%
Subsidies To Regions	117.3	135.6	140.7	36.4%
Sustainable Devpt Goals Allocation	7.0	6.0	6.0	1.6%
<b>By Economic/Functional basis**</b>	<b>320.8</b>	<b>346.9</b>	<b>386.7</b>	<b>100.0%</b>
Economic	75.8	75.7	93.2	24.1%
Social	55.6	58.5	68.0	17.6%
General	32.6	35.5	38.6	10.0%
Other Sectors	32.5	35.7	40.2	10.4%
Subsidies To Regions	117.3	135.6	140.7	36.4%
Sustainable Devpt Goals Allocation	7.0	6.0	6.0	1.6%

\* For FY 2018-19, this includes Supplementary Budget of Birr 33.9bn as well as original budget of Birr 346.3bn.

\*\*Excluding Supplementary Budget passed during year after main budget document

Source: MOFEC Budget document and Cepheus Research computation for growth rates

**TABLE 3: Ethiopia's Top 10 General Expenditure Items, Federal Budget of FY 2019-20**

<u>Top 10 Federal Govt Expenditure Items</u>	<u>Birr bn</u>	<u>Notes</u>
1 Education	50.6	Mainly comprised of allocations to around 50 universities
2 Roads	46.7	Ethiopian Roads Authority allocation
3 Debt service	25.2	Debt service for both external and domestic debt
4 Water Resources & Energy	17.5	Energy and Water Resources line-item
5 Administrative functions	15.6	Sum of 'General Service' & 'Organs of State' excl defence
6 Defense	15.0	Defence sector line-item
7 Agriculture	14.5	Sum of agriculture & rural development
8 Health	12.8	Health sector line-item
9 Security	8.1	'Justice and Security' line item
10 Industry	2.1	'Trade & Industry' plus IPDC allocation

Source: Cepheus Research compilation based on MOFEC budget document

**Table 4: Federal Government Expenditure Allocation (Birr bns)**

	2018-19	2019-20	Birr change	% Change
<b>Expenditure at Federal Government Level:</b>	<b>205.3</b>	<b>240.2</b>	<b>34.9</b>	<b>17%</b>
<i>By functional categories</i>				
<b>1 Administration and General</b>	<b>35.5</b>	<b>38.7</b>	<b>3.2</b>	<b>9%</b>
Organ of State	3.3	4.4	1.1	33%
Justice and Security	6.8	8.1	1.3	19%
Defense	15.0	15.0	-	0%
General Service	10.4	11.2	0.8	8%
<b>2 Economy</b>	<b>75.7</b>	<b>93.3</b>	<b>17.6</b>	<b>23%</b>
Agricultural and Rural Development	14.0	14.5	0.6	4%
Water Resources & Energy	12.3	17.5	5.2	42%
Trade and Industry	1.3	2.1	0.8	63%
Mines	0.2	0.2	(0.0)	-14%
Transport and Communication	2.5	2.3	(0.2)	-10%
Urban Development and Construction	45.3	56.6	11.3	25%
<b>3 Social</b>	<b>58.5</b>	<b>68.0</b>	<b>9.6</b>	<b>16%</b>
Education	43.3	50.6	7.3	17%
Culture and Sport	3.5	3.8	0.3	8%
Health	10.8	12.8	1.9	18%
Labor and Social Affairs	0.1	0.2	0.1	68%
Prevention and Rehabilitation	0.7	0.7	0.0	2%
<b>4 Others</b>	<b>35.7</b>	<b>40.2</b>	<b>4.6</b>	<b>13%</b>
Transfer	5.6	0.9	(4.7)	-84%
Debt	22.5	25.2	2.7	12%
Contingencies	7.5	14.1	6.6	88%

Source: MoFEC Budget document; shaded items represent three largest changes from last year.



**Table 5: FY 2019-20 Federal Government Expenditure, detailed allocations (Birr bns)**

Total Expenditure by detailed government department/agency/unit

	2018	2019	Birr change		2018	2019	Birr change
<b>Total Federal Govt Expenditure</b>	<b>205.3</b>	<b>240.2</b>	<b>34.9</b>				
<b>1 Administration and General</b>	<b>35.48</b>	<b>38.67</b>	<b>3.19</b>	<b>2 Economy</b>	<b>75.7</b>	<b>93.3</b>	<b>17.6</b>
<b>1.1 Organ of State</b>	<b>3.33</b>	<b>4.43</b>	<b>1.11</b>	<b>2.1 Agricultural and Rural Development</b>	<b>13.98</b>	<b>14.55</b>	<b>0.57</b>
Office of the National Election Board	0.41	2.54	2.13	Ministry of Agriculture	12.25	12.59	0.34
Ministry Of Federal and Pastoral Developm	1.58	...	...	Ethiopian Agricultural Research Institute	0.80	0.85	0.04
Palace Administration	0.68	...	...	Ethiopian Environment and Forest Research Institute	0.12	0.33	0.21
Ministry of Peace	...	0.58	...	Ethiopian Coffee and Tea Development and Marketing	0.16	0.17	0.00
House of The People's Representatives	0.32	0.31	(0.01)	Ethiopian Institute of Bio-Diversity	0.10	0.16	0.06
Office of the Prime Minister	0.13	0.14	0.01	Environment, Forest and Climate Change Commission	0.07	0.08	0.02
Office of the Auditor General	0.10	0.09	(0.01)	The National Institute for Control and Eradication of T:	0.08	0.08	0.01
House of the Federation	0.07	0.04	(0.03)	Agricultural Transformation Agency	0.13	0.08	(0.05)
Office Of The President	0.03	0.03	0.00	Veterinary Drug and Animal Feed Administration and	0.06	0.07	0.00
Council of Constitutional Inquiry	0.02	0.02	0.00	Federal Cooperative Agency	0.05	0.05	0.00
<b>1.2 Justice and Security</b>	<b>6.77</b>	<b>8.06</b>	<b>1.29</b>	Ethiopia Commodity Exchange Authority	0.05	0.05	(0.00)
Federal Police Commission	2.60	3.15	0.55	Ethiopian Agricultural Research Council Secretariat	0.03	0.04	0.00
Federal Prison Administration	0.99	1.11	0.12	Ethiopian Horticulture and Agricultural Investment Aut	0.07	...	...
Information Network Security Agency	1.03	1.05	0.01	<b>2.2 Water Resources &amp; Energy</b>	<b>12.34</b>	<b>17.5</b>	<b>5.2</b>
Federal Courts	0.41	0.66	0.25	Irrigation Development Commission	11.69	14.17	2.47
Federal Attorney General	0.57	0.60	0.04	Water Development Commission	0.21	1.86	1.65
Emigration, Citizenship and Vital Events Ag	0.08	0.45	0.37	Basins Development Authority	0.13	0.64	0.51
National Intelligence and Security Service	0.61	0.42	(0.19)	Ministry of Water, Irrigation and Energy	...	0.52	...
Documents Authentication and Registration	0.12	0.14	0.02	Water Technology Institute	...	0.19	...
Ethiopian Human Right Commission	0.07	0.07	0.01	National Meteorology Agency	0.16	0.14	(0.02)
Justice and Legal System Research and Trai	0.05	0.07	0.02	Ethiopian Energy Authority	0.02	0.03	0.00
Federal Ethics And Anti-Corruption Commis:	0.07	0.07	0.00	Water Development Fund	0.01	0.02	0.00
Institution of The Ombudsman	0.06	0.06	0.00	National Meteorology Agency	0.16	...	...
Agency For Refugee and Returnee Affairs	...	0.06	...	<b>2.3 Trade and Industry</b>	<b>1.29</b>	<b>2.11</b>	<b>0.82</b>
Agency for Civil Society Organization	0.05	0.05	0.01	Textile Industry Development Institute	0.26	0.60	0.35
Cyber Army Development Institute	0.04	0.04	(0.00)	Ministry of Trade and Industry	0.21	0.37	0.16
Financial Intelligence Center	0.03	0.03	0.01	Ethiopian Standards Agency	0.11	0.23	0.12
Federal Tax Appeal Commission	0.02	0.02	(0.00)	Metals Industry Development Institute	0.10	0.21	0.11
<b>1.3 Defense</b>	<b>15.00</b>	<b>15.00</b>	-	Leather Industry Development Institute	0.10	0.13	0.03
Ministry of National Defense	15.00	15.00	-	Public Enterprises Holding and Administration Agency	0.10	0.10	0.00
<b>1.4 General Service</b>	<b>10.38</b>	<b>11.18</b>	<b>0.80</b>	Chemical and Construction Inputs Industry Developme	0.09	0.10	0.00
Ministry of Foreign Affairs	2.98	3.00	0.02	Ethiopian Investment Commission	0.06	0.09	0.03
Ministry of Revenue and Customs Authority	2.49	3.23	0.75	Federal Small and Medium Manufacturing Industry De	0.07	0.07	0.01
Ministry of Finance	1.13	1.23	0.10	Ethiopian Meat and Dairy Industry Development Instit	0.06	0.06	0.00
Ministry of Innovation and Technology	0.94	1.11	0.17	Food, Drink and Pharmaceutical Industry Development	0.06	0.06	0.00
Central Statistics Agency	1.27	0.56	(0.71)	Ethiopian Kaizen Institute	0.04	0.04	0.00
Meles Zenawi Leadership Academy	0.30	0.31	0.01	Trade Practice and Consumers' Protection Authority	0.04	0.04	0.00
Diaspora Agency	...	0.23	...	Ethiopian National Accreditation Office	0.01	0.01	0.00
Civil Service Commission	...	0.18	...	<b>2.4 Mines</b>	<b>0.21</b>	<b>0.18</b>	<b>(0.03)</b>
Ethiopian Space Science and Technology Ins	0.12	0.18	0.07	Geological Surveys of Ethiopia	0.14	0.12	(0.02)
Geospatial Information Institute	...	0.16	...	Ministry of Mines & Petroleum	0.08	0.07	(0.01)
Ethiopian Biotechnology Institute	0.14	0.16	0.02	<b>2.5 Transport and Communication</b>	<b>2.54</b>	<b>2.29</b>	<b>(0.25)</b>
Technology and Innovation Institute	0.03	0.14	0.11	Maritime Affairs Authority	0.71	0.87	0.15
Republican Security Force	...	0.14	...	Transport Authority	0.68	0.71	0.03
Ethiopian News Agency	0.15	0.11	(0.04)	Ethiopian Civil Aviation Authority	0.36	0.36	0.00
Policy Study Institute	0.08	0.09	0.02	Ministry of Transport	0.10	0.18	0.08
Planning and Development Commission	0.05	0.05	0.00	Ethiopian Press Agency	0.14	0.15	0.01
Ethiopian Broadcast Authority	0.16	0.05	(0.11)	Ministry of Communication and Information Technolog	0.53	...	...
National Metrology Institute of Ethiopia	0.04	0.04	0.00	Insurance Fund Administration Agency	0.02	0.03	0.01
The Accounting and Auditing Board of Ethio	0.04	0.04	(0.00)	<b>2.6 Urban Development and Construction</b>	<b>45.33</b>	<b>56.59</b>	<b>11.26</b>
Job Opportunity Creation Commission	...	0.04	...	Ethiopian Roads Authority	38.92	46.70	7.78
Ethiopian Radiation Protection Authority	0.03	0.03	0.00	Ministry of Urban and Construction	3.22	5.91	2.70
Grand Renaissance Dam Coordination Proje	0.02	0.03	0.00	Federal Urban Job Creation and Food Security Agency	2.54	3.32	0.78
Public Procurment and Property Disposal Se	0.01	0.02	0.01	Construction Project Management Institute	0.28	0.35	0.07
Ethiopian Intellectual Property Office	0.02	0.02	0.00	Federal Urban Land & Land Related Property Registrat	0.19	0.12	(0.07)
Public Procurment and Property Administrat	0.02	0.02	(0.01)	Construction works Inspection Authority	0.12	0.12	(0.00)
Ethiopian Foreign Relation Strategic Studie:	0.01	0.01	0.00	Integrated Infrastructure Development Coordinating A	0.06	0.06	0.01
Ministry of Public Service and Human Devel	0.21	...	...	Road Fund Office	0.01	0.01	0.00
Ethiopian Broadcast Authority	0.16	...	...				

**Table 5: FY 2019-20 Federal Government Expenditure, detailed allocations (Birr bns)**

	2018	2019	Birr change		2018	2019	Birr change
<b>3 Social</b>	<b>58.46</b>	<b>68.01</b>	<b>9.55</b>				
<b>3.1 Education</b>	<b>43.31</b>	<b>50.56</b>	<b>7.25</b>	<b>3.2 Culture and Sport</b>	<b>3.48</b>	<b>3.75</b>	<b>0.27</b>
Ministry of Science and Higher Education	4.99	6.12	1.13	Sport Commission	2.68	2.87	0.19
Addis Ababa University	1.98	2.22	0.24	Authority for Research and Conservation of Cultural He	0.10	0.21	0.11
Bahir Dar University	1.60	1.90	0.30	National Archive and Library Agency	0.16	0.19	0.02
Jimma University	1.56	1.77	0.21	Ministry of Culture and Tourism	0.09	0.14	0.05
Mekele University	1.48	1.74	0.26	Ethiopian Wildlife Conservation Authority	0.12	0.13	0.01
Hawassa University	1.43	1.68	0.25	Ethiopian Youth Sports Academy	0.12	0.07	(0.05)
Gonder University	1.43	1.65	0.22	Catering and Tourism Training Institute	0.05	0.06	0.00
Haramaya University	1.31	1.56	0.25	Athlete Tirunesh Dibaba Sport Training Center	...	0.04	...
Arba Minch University	1.23	1.44	0.21	Ethiopia National Theater	0.03	0.04	0.00
Dilla University	1.20	1.33	0.13	Ethiopia National Anti-Doping Office	0.01	0.01	0.01
Jigjiga University	1.04	1.22	0.19	<b>3.3 Health</b>	<b>10.84</b>	<b>12.79</b>	<b>1.94</b>
Addis Ababa Science and Technology Univer:	1.07	1.22	0.15	Ministry of Health	8.89	10.62	1.73
Medewollabo University	1.03	1.21	0.18	St. Paul Hospital Millennium Medical College	1.33	1.50	0.18
Ambo University	1.08	1.20	0.12	Ethiopian Food, Drug and Health Care Administration /	0.21	0.23	0.02
Wellega University	1.02	1.15	0.12	Ethiopian Health Insurance Agency	0.18	0.19	0.01
Wolayita Sodo University	1.02	1.13	0.11	Ethiopian Public Health Institute	0.13	0.14	0.01
Adama Science and Technology University	1.03	1.08	0.05	National Blood Bank Service	0.08	0.08	(0.00)
Wollo University	0.97	1.07	0.11	National HIV/AIDS Prevention & Control Secretariat	0.02	0.02	0.00
Debremarkos University	0.96	1.07	0.11	<b>3.4 Labor and Social Affairs</b>	<b>0.11</b>	<b>0.18</b>	<b>0.07</b>
Mizan/Teppi University	1.01	1.07	0.06	Ministry of Labor and Social Affairs	0.06	0.10	0.04
Axum University	0.95	1.06	0.10	Ministry of Women, Children and Youth Affairs	0.05	0.08	0.03
Semera University	0.94	1.01	0.07	<b>3.5 Prevention and Rehabilitation</b>	<b>0.72</b>	<b>0.73</b>	<b>0.01</b>
Welkitie University	0.86	0.99	0.13	National Disaster Risk Management Commission	0.08	0.73	0.65
Metu University	0.84	0.99	0.15	The Strategic Food Reserve Agency	0.64	...	...
Arsi University	0.84	0.98	0.14	<b>4 Others</b>	<b>35.67</b>	<b>40.23</b>	<b>4.56</b>
Wachemo University	0.86	0.98	0.12	<b>4.1 Transfer</b>	<b>5.64</b>	<b>0.90</b>	<b>(4.74)</b>
Debrebirhan University	0.90	0.98	0.08	Ethiopian Electric Power	...	0.30	...
Adigrat University	0.83	0.96	0.13	Ethiopian Airports Enterprise	0.37	0.30	(0.07)
Dire Dawa University	0.86	0.94	0.09	Public Service Employee Transport Service Enterprise	0.10	0.27	0.17
Woldiya University	0.77	0.94	0.16	Ethiopian Patriotic Association	0.01	0.01	-
Bule Hora University	0.79	0.93	0.14	Ethiopian Academy of Sciences	0.05	0.01	(0.04)
Debre Tabor University	0.75	0.90	0.15	Ethiopian Red Cross Association	0.01	0.01	-
Assosa University	0.73	0.86	0.13	Industrial Parks Development Corporation	5.10	...	...
Gambella University	0.53	0.62	0.10	<b>4.2 Debt</b>	<b>22.51</b>	<b>25.22</b>	<b>2.71</b>
Ethiopian Civil Service University	0.48	0.51	0.03	External Debt	14.25	15.41	1.15
National Educational Assessment and Exami	0.44	0.46	0.02	Internal Debt	8.26	9.81	1.56
Federal Technical Vocational Education and	0.40	0.44	0.04	<b>4.3 Contingencies</b>	<b>7.52</b>	<b>14.11</b>	<b>6.59</b>
Federal Technical Vocational Education and	0.28	0.31	0.04	Provision For Salary and Operating Expenditure	6.51	13.10	6.59
Oda Bultum University	0.19	0.27	0.07	Commitments	1.00	1.00	-
Selale University	0.19	0.26	0.07	Provision For Bank Charges	0.01	0.01	-
Raya University	0.15	0.25	0.10				
Dembi Dolo University	0.15	0.25	0.10				
Mekdela Amba University	0.15	0.25	0.10				
Kebridehar University	0.15	0.25	0.10				
Injibara University	0.15	0.25	0.10				
Werabe University	0.15	0.25	0.10				
Bonga University	0.15	0.25	0.10				
Jinka University	0.15	0.25	0.10				
Debark University	0.15	0.25	0.10				
Higher Education Relevance and Quality Age	0.04	0.04	0.00				
Higher Education Strategy Center	0.05	0.04	(0.02)				

Source: MOFED budget document

**Table 6: Budget Borrowing Requirement in a Macroeconomic Context**

<b>Government borrowing requirement, FY 2019-20, Birr bns</b>	<b>97.0</b>
<i>In percent of GDP</i>	<i>3.0%</i>
<b>Foreign borrowing:</b>	<b>40.2</b>
IDA	27.1
China EXIM Bank	2.6
ADB	1.9
World Bank	1.7
Others	7.0
<b>Domestic borrowing:</b>	<b>57.0</b>
From National Bank of Ethiopia	...
From Commercial Banks	...
From Pension Funds and Others (via T-Bills)	...
<b>Indicators of Domestic Financing Availability: In Birr bns</b>	
<b>1 Total Domestic Financing stock, as at end-2018</b>	<b>1,130</b>
<b>Government borrowing</b>	<b>377</b>
<i>o/w Bank loans</i>	<i>54</i>
<i>o/w NBE loans (gross basis)</i>	<i>171</i>
<i>o/w Bonds held by banks</i>	<i>48</i>
<i>o/w Bonds held by NBE</i>	<i>7</i>
<i>o/w Bonds held by non-banks</i>	<i>96</i>
<b>State enterprises borrowing</b>	<b>370</b>
<i>o/w Bank loans</i>	<i>114</i>
<i>o/w NBE loans</i>	<i>-</i>
<i>o/w Bonds held by banks</i>	<i>256</i>
<i>o/w Bonds held by NBE</i>	<i>-</i>
<b>Private sector borrowing</b>	<b>383</b>
<i>o/w Bank loans</i>	<i>334</i>
<i>o/w MFI loans</i>	<i>49</i>
<b>2 Banking system deposits, as at end March 2019</b>	<b>837</b>
<i>o/w CBE deposits</i>	<i>504</i>
<i>o/w private bank deposits</i>	<i>333</i>
<b>3 Central bank credit to government, as at end March 2019</b>	<b>183</b>
<i>o/w Direct advance to government</i>	<i>175</i>
<i>o/w Government bonds held by central bank</i>	<i>7</i>
<b>4 T-Bills (held mostly by Pension Funds), as at end March 2019</b>	<b>132</b>
<i>o/w 91-day T-Bills</i>	<i>101</i>
<i>o/w 364-day T-Bills</i>	<i>30</i>
<i>o/w All other T-Bills</i>	<i>1</i>

Source: MoFEC Budget document and Debt Bulletin, NBE Quarterly Bulletin, and Cepheus Research compilation

**Table 7: Stock of Government Domestic Borrowing, As of End-March 2019**

<b>Government Domestic Borrowing Stock, Birr bns</b>	<b>343.7</b>	<b>100%</b>
<i>By instrument, Birr bns</i>	<b>343.7</b>	<b>100%</b>
Bonds (Above one-year maturity)	36.6	11%
Treasury Bills (Below one-year maturity)	131.9	38%
Direct Advances from NBE (gross basis)	175.3	51%
<i>By lender, Birr bns</i>	<b>343.7</b>	<b>100%</b>
NBE	182.7	53%
CBE	26.6	8%
Other sources (mostly pension funds)	134.4	39%

Source: MOFEC Debt Bulletin of March 2019