

The Ethiopian Parliament approved last week a budget of Birr 802bn for the 2023-24 fiscal year, an increase of just 2 percent from the previous year. The very restrained spending growth presented in the new budget is positive for reducing the deficit and for helping lower inflation, but unfavorable spending patterns are becoming entrenched with rising allocations for debt service (now a quarter of total Government spending and a third of revenue) and falling allocations for capital expenditure.

**CEPHEUS**  
RESEARCH & ANALYTICS

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- New Budget:** The Federal Government budget approved by Parliament on July 6, 2023 amounted to Birr 802 billion, equivalent to \$15bn in USD terms and 7.1 percent of this year's anticipated GDP. Around 65% of the Government's overall spending is to be funded by domestic revenue and grants, while the remainder will be covered by domestic borrowing (30%) and external lenders (5%).
- Revenue:** An estimated Birr 480bn is expected to be collected during the fiscal year. The highest share of revenue, Birr 188bn or 39% of the total, is expected to come from trade taxes. Direct taxes (Birr 141bn, including corporate and income taxes) are expected to account for 30% of revenue, while the remaining sources include indirect taxes such as VAT (Birr 112bn) and non-tax revenue (Birr 39bn).
- Expenditure:** Expenditure is set to rise by only Birr 15bn vs the previous year. This reflects a level decline in capital expenditure (down by Birr 15bn or 7 percent) offset by a Birr 25bn increase in current expenditure and a Birr 5bn increase in subsidies to Regions. Continuing recent trends, capital expenditure is now just 35% of total expenditure despite having once taken up as much as two-thirds of total spending.
- Spending Allocation:** Debt service is again the largest expenditure item in Ethiopia's budget, accounting for 28% of total spending and now increasingly devoted to covering domestic—rather than external—debt service payments. Other large expenditure items are: Roads (Birr 68bn, 12% of the total), Education (Birr 59bn, 10%), Defence (Birr 50bn, 9%), and Health (Birr 23bn, 4%).
- External Financing:** Of the total Birr 281bn required to finance the deficit, only Birr 39bn (\$0.7 billion) is expected from foreign borrowing (mainly from the World Bank (IDA) and China EXIM Bank per breakdowns shown in the budget document).
- Domestic Financing:** As was the case last fiscal year, most of the burden of financing the budget deficit will fall on domestic lenders, and will be met by a mix of Treasury Bills (bought mainly by the state bank and pension funds), Treasury Bonds (purchased by private banks in amounts equal to 20% of their gross lending) and Direct Advances (borrowing from the central bank). The precise mix of funding to be utilized from these three domestic funding sources is not given in the budget, but relying much more heavily on the first two alternatives would be key to reducing inflation this fiscal year. At the same time, if external funding inflows turn out higher than is currently assumed in the budget—as would be the case with an IMF/WB program and external debt service relief—this would sharply reduce the burden faced by domestic lenders and bring much better prospects for improved banking system credit to the private sector.

### Ethiopia's New Budget at a Glance

	Birr bn	% GDP
<b>Revenue and Grants</b>	<b>520.6</b>	<b>4.6%</b>
Revenue	479.5	4.2%
Grants	41.1	0.4%
<b>Expenditure</b>	<b>801.7</b>	<b>7.1%</b>
Current expenditure	370.1	3.3%
<i>Of which: Wages</i>	<i>67.5</i>	<i>0.6%</i>
Capital expenditure	203.4	1.8%
Subsidies to Regions	214.1	1.9%
SDG Allocations	14.0	0.1%
<b>Budget deficit</b>	<b>281.0</b>	<b>2.5%</b>
External borrowing	39.0	0.3%
Domestic borrowing	242.0	2.1%
<b>Nominal GDP, 2023-24:</b>	<b>11,314</b>	...

Source: MoF Budget Document, Cepheus GDP estimate

### Ethiopia's Top 10 Expenditures

#### Federal Govt Expenditure line-items

	Birr bn	% Total
1 Debt service	159.2	27.8%
2 Roads	68.4	11.9%
3 Education	55.8	9.7%
4 Defence	50.0	8.7%
5 Health	22.6	3.9%
6 Water & Energy	19.5	3.4%
7 Agriculture	19.2	3.4%
8 Justice & Security	18.0	3.1%
9 Urban Development	12.4	2.2%
10 Transport	9.6	1.7%

Source: MoF Budget Document

Disclaimer: This report represents solely the views, analysis, and judgement of the Cepheus research team and does not necessarily reflect the views or opinions of the Fund's Managing Partners, Advisors, or Investors.

## Overview: Budget Assumptions and Headline Numbers

- The Ethiopian Government estimates that GDP will grow by 7.9% in this fiscal year, reflecting the end of the recent conflict, favorable rains that should boost crop output, and a gradual re-engagement with external partners. The Government budget expects inflation to average 24 percent for the 2023-24 year, while import growth (critical in determining trade tax performance) is projected at 19% for the year.

**Table 1: Overview of FY 2023-24 Budget and Recent Years' Performance, Birr bns**

	FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24
	Budget	Actual	Budget	Actual	Budget	Estimate	Budget
<b>Key Macro Assumptions</b>							
GDP growth	8.5%	6.3%	8.7%	6.1%	9.2%	7.5%	7.9%
Inflation (year-average)	9.8%	20.2%	11.9%	33.8%	11.9%	31.2%	...
Nominal GDP (Birr bns)	4,020	4,341	...	6,158	7,465	...	...
Nominal GDP growth	19.1%	28.6%	22.2%	41.8%	21.2%	38.7%	...
Depreciation rate (yr-avg)	...	24.6%	...	24.3%	...	9.4%	...
Import growth	4.5%	2.9%	18.0%		10.2%	7.2%	18.9%
<i>Figures in Birr bns:</i>							
<b>Revenue and Grants</b>	<b>350.0</b>	<b>478.9</b>	<b>613.1</b>	<b>566.8</b>	<b>477.8</b>	<b>407.6</b>	<b>520.6</b>
Revenue	304.5	444.6	546.3	540.1	438.9	376.8	479.5
Tax Revenue	271.7	388.8	469.6	215.8	400.2	348.0	440.8
Non-Tax Revenue	32.8	55.8	76.7	62.3	38.6	28.8	38.7
Grants	45.5	34.3	66.9	26.7	38.9	30.8	41.1
<b>Expenditure</b>	<b>476.0</b>	<b>599.0</b>	<b>814.3</b>	<b>779.1</b>	<b>786.6</b>	<b>716.4</b>	<b>801.7</b>
<i>By functional classification</i>							
Current expenditure	133.3	363.6	494.4	517.0	345.1	...	370.1
Capital expenditure	160.3	235.4	319.9	262.1	218.1	...	203.4
Subsidies to Regions	176.4	..	...	...	209.4	...	214.1
SDGs contribution	6.0	..	...	...	14.0	...	14.0
<i>By spending level</i>							
Federal Govt expenditure	293.7	599.0	814.3	779.1	563.2	...	573.6
Regional Govt expenditure	182.4	-	-	-	223.4	...	228.1
<b>Deficit</b>	<b>126.0</b>	<b>120.1</b>	<b>201.2</b>	<b>212.3</b>	<b>308.8</b>	<b>308.8</b>	<b>281.0</b>
Foreign Financing	48.0	21.8	132.6	3.3	42.8	42.8	39.0
Domestic financing	78.0	98.3	68.6	209.1	266.1	266.1	242.0

Source: MoF Budget Document and Cepheus GDP estimate. FY 2022-23 outturn estimates based on data and statements in Budget Document.

**Budgetary Figures Relative to GDP:**

- Seen relative to nominal GDP, the budget's revenue and expenditure figures are both unusually low at just 4.6% of GDP and 7.1% of GDP, respectively. Besides a possible over-estimation of the nominal GDP denominator, these ratios point to large segments of the economy remaining outside the formal sector and the exclusion of many economic activities from the tax net (most notably for agriculture). Relative to non-agriculture nominal GDP, the revenue ratio is closer to 8 percent and the expenditure ratio is near 12 percent.

**Table 2: Overview of FY 2023-24 Budget and Recent Years' Performance, % of GDP**

*Figures in Percent of GDP*

	FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24
	Budget	Actual	Budget	Actual	Budget	Estimate	Budget
<b>Revenue and Grants</b>	<b>8.7%</b>	<b>11.0%</b>	<b>13.0%</b>	<b>9.2%</b>	<b>6.4%</b>	<b>4.7%</b>	<b>4.6%</b>
Revenue	7.6%	10.2%	11.6%	8.8%	5.9%	4.3%	4.2%
Tax Revenue	6.8%	9.0%	10.0%	3.5%	5.4%	4.0%	3.9%
Non-Tax Revenue	0.8%	1.3%	1.6%	1.0%	0.5%	0.3%	0.3%
Grants	1.1%	0.8%	1.4%	0.4%	0.5%	0.4%	0.4%
<b>Expenditure</b>	<b>11.8%</b>	<b>13.8%</b>	<b>17.3%</b>	<b>12.7%</b>	<b>10.5%</b>	<b>8.2%</b>	<b>7.1%</b>
Current expenditure	3.3%	0.0%	0.0%	...	4.6%	...	0.0%
Capital expenditure	4.0%	8.4%	10.5%	...	2.9%	...	3.3%
Subsidies to Regions	4.4%	5.4%	6.8%	...	2.8%	...	1.8%
SDGs contribution	0.1%	...	...	...	0.2%	...	1.9%
<b>Deficit</b>	<b>3.1%</b>	<b>2.8%</b>	<b>4.3%</b>	<b>3.4%</b>	<b>4.1%</b>	<b>3.5%</b>	<b>2.5%</b>
Foreign Financing	1.2%	0.5%	2.8%	0.1%	0.6%	0.5%	0.3%
Domestic financing	1.9%	2.3%	1.5%	3.4%	3.6%	3.0%	2.1%
<b>Nominal GDP, Birr bns</b>	<b>4,020</b>	<b>4,341</b>	<b>4,719</b>	<b>6,158</b>	<b>7,465</b>	<b>8,730</b>	<b>11,314</b>

Source: MoF Budget Document and Parliament website. Cepheus GDP estimates for FY 2022-23 and 2023-24.

### Budgetary Growth Rates:

- The approved budget of Birr 802 bn is a growth of only 2% in nominal terms compared to the budget expenditure plan of last year. This represents a negative real growth of more than 20%, due to the forecast inflation rate of around 24%. Revenue (excluding grants) is expected to increase by 27% as compared to last year's budget, and by 9% as compared to the expected outturn. Grants are expected to increase by 33%, as external partners and donors have started to re-engage with the Government.
- Looking at the composition of total expenditure changes, the minimal increase in total spending reflects in large part to a 7% decline in capital expenditures (investments in roads, infrastructure, education, and other long-term projects). The share of capital expenditure in the federal budget has fallen from 54% five years ago to 35% in fiscal year 2023/24. This is the lowest share of budget allocated for capital investments by the federal Government in a decade and threatens long-term growth if not eventually reversed or replaced by much higher private investment.

**Table 3: Budgetary Growth vs Last Year's Budget**

	FY 2022-23 Budget	FY 2023-24 Budget	Growth Rate(%)
<b>Revenue and Grants</b>	<b>477.8</b>	<b>520.6</b>	<b>9%</b>
Revenue	438.9	479.5	9%
Tax Revenue	400.2	440.8	10%
Non-Tax Revenue	38.6	38.7	0%
Grants	38.9	41.1	6%
<b>Expenditure</b>	<b>786.6</b>	<b>801.7</b>	<b>2%</b>
Current expenditure	345.1	370.1	7%
Capital expenditure	218.1	203.4	-7%
Subsidies to Regions	209.4	214.1	2%
SDGs contribution	14.0	14.0	0%
<b>Deficit</b>	<b>308.8</b>	<b>281.0</b>	<b>-9%</b>
Foreign Financing	42.8	39.0	-9%
Domestic financing	266.0	242.0	-9%

Source: MoF Budget Document

**Table 4: Budgetary Growth vs Last Year's Estimated Outturns**

	FY 2022-23 Estimate	FY 2023-24 Budget	Growth Rate (%)
<b>Revenue and Grants</b>	<b>407.61</b>	<b>520.61</b>	<b>28%</b>
Revenue	376.79	479.49	27%
Tax Revenue	347.97	440.83	27%
Non-Tax Revenue	28.82	38.66	34%
Grants	30.82	41.12	33%
<b>Expenditure</b>	<b>716.44</b>	<b>801.65</b>	<b>12%</b>
Current expenditure	...	370.13	...
Capital expenditure	...	203.44	...
Subsidies to Regions	...	214.07	...
SDGs contribution	...	14.00	...
<b>Deficit</b>	<b>308.8</b>	<b>281.0</b>	<b>-9%</b>
Foreign Financing	42.8	39.0	-9%
Domestic financing	266.1	242.0	-9%

Source: MoF Budget Document

## Revenue Trends and Composition:

- The overall revenue outturns for fiscal year 2022-23 is expected to reach 85% of the set budget. Tax revenue exceeded the budget figure by 2%, reaching 87% of the target. Non-tax revenue also recovered from the conflict impact, reaching 75% of the budget. External grants achieved 79% of the budget.
- The budget revenue for FY 2023-24 is estimated to be Birr 480bn (about \$9 bn). Of this, 85%, or Birr 440 bn, is expected to come from tax revenues, which remains very low in Ethiopia compared to other countries in sub-Saharan Africa. This reflects the country's large informal economy and the low tax compliance rate; moreover, the shocks the economy faced in the past few years have disproportionately affected tax paying sectors.
- The specific revenue targets set in the budget, across 17 main sub-categories and 163 detailed line-items are presented in Table 7. These revenue targets reflect a number of on-going reforms to raise the tax base, including by increasing the number of tax collectors and bringing more businesses and individuals into the formal economy.

**Table 5: Revenue Performance Relative to Budget  
FY 2022-23 in Birr bns**

	<u>FY 2022-23 Budget</u>	<u>FY 2022-23 Estimate</u>	<u>Performance vs Budget</u>
<b>Revenue and Grants</b>	<b>477.8</b>	<b>407.6</b>	<b>85%</b>
Revenue	438.9	376.8	86%
Tax Revenue	400.2	348.0	87%
Non-Tax Revenue	38.6	28.8	75%
Grants	38.9	30.8	79%

Source: MoF Budget Document

**Table 6: Revenue Trends and Budget Assumptions**

Revenue in Birr bns	2019-20	2020-21	2021-22	2022-23 Est	2023-24 Budget
<b>Revenue and Grants</b>	<b>395.0</b>	<b>449.7</b>	<b>566.8</b>	<b>407.6</b>	<b>520.6</b>
<b>Revenue</b>	<b>354.3</b>	<b>415.4</b>	<b>540.1</b>	<b>376.8</b>	<b>479.5</b>
Tax revenue	311.5	361.7	477.8	348.0	440.8
Direct taxes	132.2	170.8	215.8	108.6	141.5
Indirect taxes	179.3	190.8	211.5	239.4	299.3
Domestic indirect taxes	78.9	84.2	130.7	89.8	111.8
Import duties and taxes	100.4	106.6	131.3	149.6	187.6
Non-tax revenue	42.8	53.7	62.3	28.8	38.7
<b>Grants</b>	<b>40.7</b>	<b>34.3</b>	<b>26.7</b>	<b>30.8</b>	<b>41.1</b>
<b>Revenue Growth Rates</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23 Est</b>	<b>2023-24 Budget</b>
<b>Revenue and Grants</b>	<b>14.5%</b>	<b>13.9%</b>	<b>26.0%</b>	<b>-28.1%</b>	<b>27.7%</b>
<b>Revenue</b>	<b>13.8%</b>	<b>17.2%</b>	<b>30.0%</b>	<b>-30.2%</b>	<b>27.3%</b>
Tax revenue	16.0%	16.1%	32.1%	-27.2%	26.7%
Direct taxes	14.1%	29.2%	26.3%	-49.7%	30.3%
Indirect taxes	17.5%	6.4%	10.8%	13.2%	25.0%
Domestic indirect taxes	1.4%	6.7%	55.2%	-31.3%	24.5%
Import duties and taxes	34.1%	6.2%	23.2%	13.9%	25.4%
Non-tax revenue	-0.1%	25.4%	16.0%	-53.7%	34.1%
<b>Grants</b>	<b>20.9%</b>	<b>-15.6%</b>	<b>-22.2%</b>	<b>15.5%</b>	<b>33.4%</b>
<b>Revenue Composition</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23 Est</b>	<b>2023-24 Budget</b>
<b>Revenue and Grants</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Revenue</b>	<b>90%</b>	<b>92%</b>	<b>95%</b>	<b>92%</b>	<b>92%</b>
Tax revenue	79%	80%	84%	85%	85%
Direct taxes	33%	38%	38%	27%	27%
Indirect taxes	45%	42%	37%	59%	57%
Domestic indirect taxes	20%	19%	23%	22%	21%
Import duties and taxes	25%	24%	23%	37%	36%
Non-tax revenue	11%	12%	11%	7%	7%
<b>Grants</b>	<b>10%</b>	<b>8%</b>	<b>5%</b>	<b>8%</b>	<b>8%</b>

Source: NBE, MoF Budget Document and Cepheus Research compilation

**Table 7: All Government Revenue Sources Across 17 Categories and 163 line-items--Total Revenue of Birr 479.5bn.**

Ranked by revenue amount within each category. Figures in Birr bns.

<b>1</b> <b>Direct Taxes on income</b> <b>141.5</b> 1 Corporate taxes 89.1 2 Taxes on Wages and Salaries 30 3 Withholding tax on imports 9.0 4 Dividends & lottery 7.9 5 Interest income tax 4.3 6 Capital gains tax 1 7 Royalties 0.1 8 Rental income 0.0	<b>6</b> <b>Turnover Tax: On Services</b> <b>0.0969</b> 1 Lodging 0.0006 2 Consultancy 0.0005 3 Advertisement 0 4 Works Contract 0.0001 5 Tourism 0.0001 6 Financial Services 0.0000 7 Tailoring 0.0000 8 Auditing 0.0004 9 Other Services 0.0950	<b>12</b> <b>Surtax on Imports</b> <b>33.1</b> 1 Building Materials & Metals 6.6 2 Motor Vehicles & Accessories 6.1 3 Cotton, Yarns, Fabrics, Textiles 4.4 4 Electrical Equipment 2.0 5 Machineries, Capital Goods 1.8 6 Household, Office Goods 1.0 7 Stationery, Calculating Machines 0.7 8 Films, Film/Musical Instruments 0.5 9 Alcohol & Alcoholic Beverages 0.1 10 Food 0.1 11 Tobacco & Tobacco Products 0.1 12 Pharmaceutical Equip, Drugs 0.1 13 Wood and Wood Products 0.0 14 Other Goods 9.6
<b>2</b> <b>VAT On Domestic Goods</b> <b>39.7</b> 1 Beer 3.2 2 Sugar 1.7 3 Textile & Clothing 1.6 4 Alcoholic Prodcnts 1.4 5 Soft Drinks 1.4 6 Petroleum Products 1.3 7 Food 1.2 8 Iron & Steel 1.1 9 Agricultural products 1.1 10 Non Metallic Min Products 1.1 11 Vehicles & Spare Parts 0.8 12 Tobacco Products 0.6 13 Chemical Products 0.6 14 Plastic Products 0.4 15 Leather Products 0.3 16 Electrical Goods/Parts 0.2 17 Machines fixtures/parts 0.2 18 Mineral Water 0.2 19 Stationery & Printing 0.2 20 Salt 0.1 21 Wood Products 0.1 22 Cotton, Yarns & Fabrics 0.1 23 All Other Goods 20.9	<b>7</b> <b>Stamp Sales and Duty</b> <b>1.9</b> 1 Stamp Duty on Vehicles 1.8 2 Other Stamp Duty 0.0 3 Stamp Sales 0.0	<b>13</b> <b>Government Fees &amp; Charges</b> <b>4.1</b> 1 Passport and visa fees 1.3 2 Confiscated Items 0.8 3 Foreigners' registration fees 0.5 4 Cargo inspection fees 0.3 5 Legal service fees 0.4 6 Work permit fees 0.1 7 Business license fees 0.1 8 Court penalties 0.0 9 Warehouse rentals 0.0 10 Standards Agency fees 0.0 11 Other fees and charges 0.6
<b>3</b> <b>VAT on Services</b> <b>48.6</b> 1 Telecommunications 16.8 2 Works Contract 11.5 3 Professional Service 2.7 4 Rent of Goods 0.8 5 Lodging 0.2 6 Tourism 0.2 7 Garage 0.2 8 Commission Agent 0.1 9 Other Services 16.1	<b>8</b> <b>Customs taxes on Imports</b> <b>67.8</b> 1 Motor Vehicles & Accessories 13.5 2 Building Materials & Metals 9.3 3 Cotton, Yarns, Fabrics, Textiles 6.5 4 Electrical Equipment 2.8 5 Pharmaceutical Equip, Drugs 2.8 6 Household, Office Goods 2.0 7 Machineries, Capital Goods 1.5 8 Films, Film/Musical Instruments 1.2 9 Stationery, Calculating Machines 1.0 10 Alcohol & Alcoholic Beverages 0.2 11 Food 0.1 12 Tobacco & Tobacco Products 0.1 13 Wood and Wood Products 0.0 14 Other Goods 21.1 15 Social Welfare Levy 6	<b>14</b> <b>Sales of Public Goods &amp; Services</b> <b>6.0</b> 1 Vocational & Educational fees 2.8 2 Univ Students Cost-Sharing fees 0.4 3 Health exam fees 0.2 4 Health Services fees 0.4 5 Science & Tech service fees 0.1 6 Agricultural product sales 0.1 7 Medical product sales 0.1 8 Forestry product sales 0.1 9 Civil Aviation fees 0.6 10 Govt publications sales 0 11 Cultural service fees 0.0 12 Mapping services fees 0.0 13 National Examination fees 0.1 14 Prison Administration fees 0.0 15 Research & Devpt fees 0.0 16 Printed forms 0.0 17 Handicraft sales 0.0 18 Media fees 0.0 19 Entertainment fees 0.0 20 Veterinary fees 0.0 21 Advertising fees 0.0 22 Other fees 0.8 23 Roads transport 0.2 24 Postal service 0.0
<b>4</b> <b>Excise Tax on Domestic Goods</b> <b>21.5</b> 1 Beer 6.7 2 Soft drinks 4.3 3 Sugar 3.4 4 Tobacco & Tobacco Products 3.0 5 Alcohol & Alcoholic Products 1.0 6 Textiles 0.5 7 Mineral Water 0.3 8 Plastic Products 0.0 9 Salt 0.0 10 Fuel & Fuel Products 0.0 11 Other Goods 2.2	<b>9</b> <b>Excise tax on Imports</b> <b>16.7</b> 1 Automobiles 9.3 2 Textiles 2.7 3 Petroleum 2.7 4 Alcoholic Products 0.4 5 Tobacco Products 0.1 6 Other Goods 1.5	<b>15</b> <b>Non-tax income: Investments</b> <b>23.2</b> 1 Surplus of State Enterprises 0.9 2 Interest from Govt Bank Accounts 1.0 3 Interest from Loans to Agencies 0.6 4 National Lottery Surplus 20.8
<b>5</b> <b>Turnover Tax: On Domestic Goods</b> <b>0.025</b> 1 Salt 0.001 2 Alcohol & Alcoholic Products 0.001 3 Food 0.001 4 Wood and Wood Products 0.000 5 Iron & Steel 0.000 6 Sugar 0.000 7 Agricultural Products 0.000 8 Chemical Products 0.000 9 Other Goods 0.022	<b>10</b> <b>VAT On Imports</b> <b>69.8</b> 1 Motor Vehicles & Accessories 13.8 2 Building Materials & Metals 12.8 3 Cotton, Yarns, Fabrics, Textiles 6.4 4 Electrical Equipment 4.2 5 Machineries, Capital Goods 2.6 6 Petroleum Products, Lubricants 2.0 7 Pharmaceutical Equip, Drugs 1.7 8 Films, Film/Musical Instruments 1.5 9 Stationery, Calculating Machines 1.5 10 Household, Office Goods 1.4 11 Wood and Wood Products 0.3 12 Alcohol & Alcoholic Beverages 0.2 13 Tobacco & Tobacco Products 0.1 14 Food 0.1 15 Personal Goods & Appliances 0.0 16 Other Goods 21.3	<b>16</b> <b>Miscellaneous revenue</b> <b>3.4</b> 1 Miscellaneous revenue 3.4
<b>11</b> <b>Export tax</b> <b>0.01</b> 1 Leather and Leather Products 0.01	<b>17</b> <b>Capital revenue</b> <b>2.0</b> 1 Principal dues from on-lending 1.9 2 Sale of properties 0.1	<b>Total Revenue--All 17 Categories:</b> <b>479.5</b>

Source: Cepheus Research compilation based on Ministry of Finance Budget Document and Parliament website.

**Expenditure Trends over time:**

- Government expenditure is expected to decline by around 20% in real terms, on the basis of 24% expected inflation. The relative size of Government expenditure to GDP will reach around 6% of GDP versus a high of 18.8 percent of GDP ten years ago, representing a marked shift in the scope and scale of Government activity relative to the economy over the course of the past decade.

**TABLE 8: Expenditure Allocation in FY 2023-24 and Recent Trends by Main Categories, Birr bns**

Description	2019-20	2020-21	2021-22	2022-23	2023-24	% of Total
	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	<i>Budget</i>	
<b>Total Expenditure</b>	<b>387.0</b>	<b>476.0</b>	<b>561.6</b>	<b>786.6</b>	<b>801.7</b>	<b>100.0%</b>
<i>Growth rate: nominal terms</i>	2.0%	23.0%	18.0%	40.1%	1.9%	....
<i>Growth rate: real terms</i>	-8.0%	3.1%	6.1%	28.2%	-10.0%	....
<b>By Budget Summary Presentation</b>	<b>387.0</b>	<b>476.0</b>	<b>561.6</b>	<b>786.6</b>	<b>801.7</b>	<b>100.0%</b>
Federal Government Expenditure	240.2	293.7	345.7	563.2	573.6	71.5%
<i>Recurrent Expenditure</i>	109.5	133.3	162.2	345.1	370.1	46.2%
<i>Capital Expenditure</i>	130.7	160.3	183.5	218.1	203.4	25.4%
Subsidies To Regions	140.8	176.4	203.9	209.4	214.1	26.7%
Sustainable Devpt Goals Allocation	6.0	6.0	12.0	14.0	14.0	1.7%
<b>By Economic/Functional basis</b>	<b>387.0</b>	<b>469.5</b>	<b>561.7</b>	<b>786.6</b>	<b>801.7</b>	<b>100.0%</b>
Other Sectors	40.2	52.4	59.44	179.2	233.9	29.2%
Subsidies To Regions	140.7	169.8	204.0	209.4	214.1	26.7%
Economic	93.2	113.5	127.3	140.3	136.2	17.0%
General	38.6	47.1	59.7	141.3	112.0	14.0%
Social	68.0	80.7	99.3	102.4	91.5	11.4%
Sustainable Devpt Goals Allocation	6.0	6.0	12.0	14.0	14.0	1.7%

Source: MoF Budget document and Cepheus Research computation for growth rates. Real rates reflect inflation assumption used in the respective budgets.

**Table 9: Subsidies to Regions, Breakdown for FY 2023-24**

	Regional Subsidy	% of Total	SDGs	% of Total
Oromia	72.0	34%	4.8	34%
Amhara	45.1	21%	3.0	22%
SNPP	26.9	13%	1.8	13%
Somalia	20.8	10%	1.4	10%
Tigray	12.6	6%	0.8	6%
Sidama	8.6	4%	0.6	4%
Southern West Et	6.5	3%	0.4	3%
Afar	6.3	3%	0.4	3%
Benshangul/Gum	3.8	2%	0.3	2%
Addis Ababa	5.3	2%	-	0%
Gambela	2.8	1%	0.2	1%
Dire Dawa	1.8	1%	0.1	1%
Harari	1.6	1%	0.1	1%
<b>TOTAL</b>	<b>214.1</b>	<b>100%</b>	<b>14.0</b>	<b>100%</b>

Source: MoF Budget document

## Expenditure Items: Top 10, Highest Growth, and Lowest Growth Line-items

- For two consecutive years, debt service continues to be the highest budgetary line item, absorbing Birr 159bn (up 26 percent from last year's budget). The other areas with highest growth rates in budgetary spending were in allocations for trade and industry (up 23%), transport and communication (up 20%), agriculture (up 17%), and health (up 17%).
- Conversely, this year's defence budget has shown a welcome decline of 40%, or from last year's Birr 84bn to Birr 50bn, as spending shifts to reconstruction and development activities. Other line items that has shown a decline in growth include Urban Development and Construction, education, water resource and energy, and mining.

**Table 10A: Ethiopia's Top 10 Capital Expenditures**

Sector or Ministry	Birr bns
1 Debt service	159.2
2 Roads	68.4
3 Education	55.8
4 Defence	50.0
5 Health	22.6
6 Water & Energy	19.5
7 Agriculture	19.2
8 Justice & Security	18.0
9 Urban Development	12.4
10 Transport	9.6

Source: MoF Budget Document

**Table 10B: Budgetary Line-items with Largest and Smallest Growth, Birr bns**

	Budget FY 2022-23	Budget FY 2023-24	Percent change	As Multiple of previous year
<i>Line-items showing largest growth:</i>				
1 Contingencies	24.1	47.3	96%	2.0x
2 Debt	126.0	159.2	26%	1.3x
3 Trade and Industry	3.2	4.0	23%	1.2x
4 Transport and Communication	8.0	9.6	20%	1.2x
5 Agricultural and Rural Development	18.5	21.6	17%	1.2x
6 Health	19.3	22.6	17%	1.2x
7 General Service	37.0	41.1	11%	1.1x
8 Justice and Security	17.0	18.0	6%	1.1x
<i>Line-items showing smallest growth:</i>				
1 Urban Development and Construction	85.2	81.1	-5%	1.0x
2 Transfers and Subsidies	29.1	27.4	-6%	0.9x
3 Organs of State	3.4	2.9	-13%	0.9x
4 Education	64.8	55.8	-14%	0.9x
5 Water Resources & Energy	24.7	19.5	-21%	0.8x
6 Culture and Sport	3.6	2.7	-25%	0.8x
7 Mines	0.6	0.4	-31%	0.7x
8 Prevention and Rehabilitation	13.1	8.7	-33%	0.7x
9 Defense	84.0	50.0	-40%	0.6x
10 Labor and Social Affairs	1.7	0.0	-98%	0.0x

Source: MoF Budget document and Cepheus Research compilation.

## Expenditure Quality: Poverty-Reducing Expenditure, Wages, and Government Capital Expenditure

- The share of expenditure on poverty-reduction (mainly in education, health, road etc), has continued to decline, at 57% of the total expenditure versus the 75% share five years ago. This partly reflects the rising share of spending allocated to covering debt repayments and the priority given to covering such outstanding obligations.
- The specific expenditure allocations put forth in the budget, across 18 main sub-categories and 227 detailed line-items are presented in Table 12.

**Table 11A: Trends in Poverty-Reducing Expenditure, in Birr bns**

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Total Expenditure, per budget document:	413.1	387.0	476.0	561.6	786.6	801.7
Poverty-Reducing Spending, TOTAL	310.4	253.3	309.8	374.9	467.2	455.7
1. Poverty-Reducing Expenditure at Federal Level:	127.2	106.6	127.8	159.0	243.8	227.7
Of which: Economic Sectors	44.7	38.6	47.1	59.7	141.3	136.2
Of which: Social Sectors	82.5	68.0	80.7	99.3	102.4	91.5
2. Subsidies to Regions	177.2	140.7	176.0	204.0	209.4	214.1
3. SDG Allocations	6.0	6.0	6.0	12.0	14.0	14.0
Share of Poverty-Reducing Expenditure in Total Expd:	75%	65%	65%	67%	59%	57%

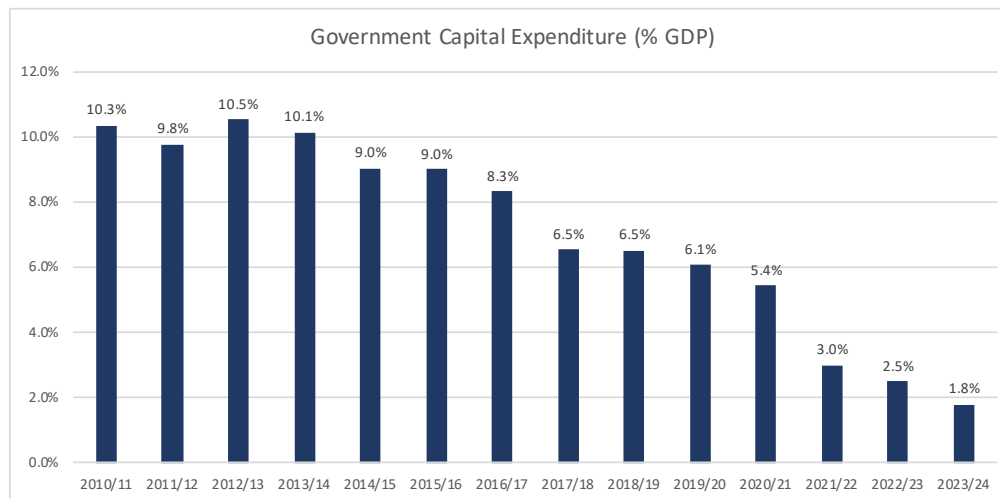
Source: MoF Budget Document and Cepheus Research compilation. 'Poverty-reducing' definition based on sub-set of items listed above.

**Table 11B: Government Wage Bill Indicators**

			Budget
Government Wage Bill	2021-22	2022-23	2023-24
In Birr Bns	51.9	75.6	67.5
In Percent of Budget	7.7%	9.6%	8.4%
In Percent of GDP	0.8%	1.0%	0.6%

Source: MoF Budget Document

**Table 11C: Government Capital Expenditure: A Ten-Year Overview, in %GDP**



Source: MoF Budget Document, NBE, and IMF

**Table 12: Federal Government Expenditure Allocation--By Detailed Line-items, Birr bns**

Total Expenditure by detailed government department/agency/unit									
	Budget 2021-22	Budget 2022-23	Budget 2023-24	Change in Birr terms		Budget 2021-22	Budget 2022-23	Budget 2023-24	Change in Birr terms
<b>Total Federal Govt Expenditure</b>	<b>345.7</b>	<b>563.2</b>	<b>573.6</b>	<b>10.3</b>					
<b>1 Administration and General</b>	<b>59.67</b>	<b>141.34</b>	<b>112.03</b>	<b>(29.31)</b>	<b>2 Economy</b>	<b>127.3</b>	<b>140.3</b>	<b>136.2</b>	<b>(4.1)</b>
<b>1.1 Organ of State</b>	<b>6.16</b>	<b>3.37</b>	<b>2.92</b>	<b>(0.45)</b>	<b>2.1 Agricultural and Rural Development</b>	<b>18.50</b>	<b>18.47</b>	<b>21.60</b>	<b>3.1</b>
Palace Administration	0.91	0.95	0.88	(0.07)	Ministry of Agriculture	16.13	16.01	19.21	3.2
Ministry of Peace	4.32	0.87	0.43	(0.44)	Ethiopian Agricultural Research Institute	0.93	0.92	0.93	0.0
House of The People's Representatives	0.39	0.41	0.41	(0.00)	Ethiopian Coffee and Tea Development and Marketing Authori	0.20	...	0.29	...
Office of the Prime Minister	0.23	0.41	0.38	(0.03)	Ethiopian Environment and Forest Research Institute	0.36	0.40	0.29	(0.1)
Office of the Auditor General	0.11	0.22	0.30	0.09	Ethiopian Institute of Bio-Diversity	0.16	0.20	0.20	(0.0)
					Animal Development Institutes	...	...	...	0.19
Office of the National Election Board	0.09	0.21	0.23	0.02	Veterinary Drug and Animal Feed Administration and Control	0.09	0.20	0.15	(0.0)
House of the Federation	0.05	0.25	0.23	(0.02)	The National Institute for Control and Eradication of Tsetse Fl	0.09	...	0.13	...
Office Of The President	0.03	0.03	0.02	(0.00)	Environment, Forest and Climate Change Commission	0.21	0.28	0.07	(0.2)
Council of Constitutional Inquiry	0.02	0.02	0.02	(0.00)	Agricultural Transformation Agency	0.07	0.07	0.07	(0.0)
Constitution and Federalism Teaching Center			0.01		Federal Cooperative Agency	0.07	0.07	0.07	0.0
Center for the Study of Constitution and I	0.01	0.01	...	...	Ethiopian Agriculture Authority	...	0.17	...	...
Ministry Of Federal and Pastoral Develop	...	...	...	...	National Animal Genetic Improvement Institute	...	0.11	0.14	...
					Ethiopian Agricultural Research Council Secretariat	0.05	...	...	...
<b>1.2 Justice and Security</b>	<b>12.41</b>	<b>16.99</b>	<b>17.95</b>	<b>0.96</b>	Ethiopia Commodity Exchange Authority	0.04	...	...	...
Federal Police Commission	5.12	6.84	7.17	0.33	Ethiopian Horticulture and Agricultural Investment Authority	...	...	...	...
Federal Prison Administration	1.48	1.74	1.87	0.13					
Federal Courts	0.91	1.48	1.58	0.11	<b>2.2 Water Resources &amp; Energy</b>	<b>17.6</b>	<b>24.75</b>	<b>19.51</b>	<b>7.2</b>
National Intelligence and Security Service	0.92	1.33	1.34	0.01	Ministry of Water, Irrigation and Energy	0.46	8.72	10.90	2.18
Ethiopian Police University	0.77	1.31	1.33	0.02	Irrigation Development Commission	12.10	15.16	8.03	(7.13)
Information Network Security Agency	0.92	1.23	1.08	(0.15)	National Meteorology Agency	0.30	0.81	0.42	(0.40)
Emigration, Citizenship and Vital Events	0.48	0.45	0.77	0.32	Water Technology Institute	0.12	0.06	0.13	0.07
Federal Attorney General	0.75	0.45	0.75	0.31	Water Development Fund	0.02	...	0.03	...
Artificial Intelligence Center	0.29	0.53	0.70	0.16	Water Development Commission	3.80	...	...	...
National Dialogue Commission	...	0.04	0.65	0.61	Basins Development Authority	0.55	...	...	...
Documents Authentication and Registrat	0.20	0.20	0.23	0.03	Ethiopian Rural Energy Development and Promotion Center	...	0.20	...	...
Ethiopian Human Right Commission	0.10	0.11	0.10	(0.01)	Ethiopian Energy Authority	0.04	...	...	...
Justice and Legal System Research and T	0.08	0.07	0.09	0.02					
Institution of The Ombudsman	0.09	0.09	0.08	(0.01)	<b>2.3 Trade and Industry</b>	<b>3.25</b>	<b>3.22</b>	<b>3.98</b>	<b>0.76</b>
Agency for Civil Society Organization	0.07	0.07	0.07	(0.00)	Ministry of Trade and Industry	1.56	1.82	1.68	(0.14)
Federal Ethics And Anti-Corruption Comm	0.11	0.08	0.06	(0.02)	Manufacturing Industry Development Institute	...	...	1.16	...
Financial Intelligence Center	0.04	0.04	0.04	0.00	Trade Practice and Consumers' Protection Authority	0.04	...	0.65	...
Judiciary Administration Council	...	0.03	0.03	(0.00)	Ethiopian Ministry of Industry	...	...	0.12	...
Federal Tax Appeal Commission	0.02	0.02	0.02	0.00	Ethiopian Investment Commission	0.11	0.11	0.11	(0.00)
Ministry of Justice	...	0.90	...	...	Ethiopian Standards Agency	0.23	0.06	0.10	0.04
Office of the Reconciliation Commission	0.02	...	...	...	Federal Small and Medium Manufacturing Industry Developm	0.08	...	0.08	...
Transfer	...	...	...	...	Public Enterprises Holding and Administration Agency	0.10	0.08	0.05	(0.03)
Administrative Boundary and Identity Iss	0.03	...	...	...	Ethiopian National Accreditation Office	0.02	0.02	0.02	0.00
Agency For Refugee and Returnee Affair	...	...	...	...	Manufacturing Industry Development Institute	...	1.04	...	...
					Ethiopian Enterprise Development	...	0.09	...	...
<b>1.3 Defense</b>	<b>22.00</b>	<b>84.00</b>	<b>50.00</b>	<b>(34.00)</b>	Textile Industry Development Institute	0.44	...	...	...
Ministry of National Defense	22.00	84.00	50.00	(34.00)	Metals Industry Development Institute	0.20	...	...	...
					Leather Industry Development Institute	0.17	...	...	...
<b>1.4 General Service</b>	<b>19.11</b>	<b>36.98</b>	<b>41.15</b>	<b>4.17</b>	Chemical and Construction Inputs Industry Development Instit	0.11	...	...	...
Ministry of Finance	2.43	22.10	23.03	0.93	Food, Drink and Pharmaceutical Industry Development Institut	0.07	...	...	...
Customs Commission	...	...	4.40	...	Ethiopian Meat and Dairy Industry Development Institute	0.07	...	...	...
Ministry of Foreign Affairs	3.86	3.65	3.93	0.28	Ethiopian Kaizen Institute	0.05	...	...	...
Ministry of Revenue and Customs Author	5.66	6.86	3.31	(3.55)					
Ministry of Innovation and Technology	1.30	1.00	2.75	1.75	<b>2.4 Mines</b>	<b>0.41</b>	<b>0.61</b>	<b>0.42</b>	<b>(0.19)</b>
Ethiopian Space Science and Technology	0.30	0.72	0.65	(0.07)	Geological Surveys of Ethiopia	0.10	0.29	0.15	(0.14)
African Leadership Excellence Academy	...	0.58	0.60	...	Mineral Industry Development Institute/University	...	...	0.11	...
Central Statistics Agency	0.59	0.18	0.50	0.32	Petroleum & Energy Authority	...	...	0.10	...
Diaspora Agency	0.24	0.24	0.28	0.04	Ministry of Mines & Petroleum	0.32	0.32	0.06	(0.26)
Republican Security Force	0.18	0.24	0.25	0.01					
Ethiopian News Agency	0.23	0.19	0.25	0.06	<b>2.5 Transport and Communication</b>	<b>3.72</b>	<b>8.01</b>	<b>9.59</b>	<b>4.29</b>
Ethiopian Biotechnology Institute	0.19	0.22	0.21	(0.02)	Maritime Affairs Authority	1.59	3.70	4.50	2.11
Ethiopian Communications Authority	0.08	0.14	0.19	0.05	Ministry of Transport & Logistics	0.15	3.64	3.76	3.50
Civil Service Commission	0.17	0.16	0.16	(0.00)	Ethiopian Civil Aviation Authority	0.40	0.56	0.80	0.16
Government Communication Service	...	0.10	0.09	...	Insurance Fund Administration Agency	0.05	0.10	0.52	0.05
Ethiopian Foreign Relation Strategic Stur	...	0.11	0.08	(0.02)	Transport Authority	1.53	...	...	...
Policy Study Institute	0.11	0.09	0.08	(0.01)	Ethiopian Press Agency	...	...	...	...
Ethiopian Technology Agency	...	...	0.07	...	Ministry of Communication and Information Technology	...	...	...	...
Ethiopian Broadcast Authority	0.05	0.06	0.06	0.00					
National Metrology Institute of Ethiopia	0.05	0.05	0.06	0.01	<b>2.6 Urban Development and Construction</b>	<b>83.82</b>	<b>85.20</b>	<b>81.09</b>	<b>1.38</b>
Ministry of Planning and Development	0.05	0.05	0.06	0.01	Ethiopian Roads Authority	67.45	66.26	68.40	(1.19)
Public Procurement and Property Dispos	0.04	0.02	0.04	...	Ministry of Urban and Construction	7.78	18.51	12.37	10.73
Ethiopian Intellectual Property Office	0.03	0.03	0.04	0.01	Construction Project Management Institute	0.60	0.34	0.23	(0.26)
The Accounting and Auditing Board of Et	0.04	0.04	0.03	(0.00)	Construction works Inspection Authority	0.13	0.10	0.09	(0.03)
Public Procurement and Property Admini	0.03	0.04	0.03	...	Federal Urban Job Creation and Food Security Agency	7.56	...	...	...
Geospatial Information Institute	0.30	...	...	...	Federal Urban Land & Land Related Property Registration & In	0.24	...	...	...
Job Opportunity Creation Commission	2.37	...	...	...	Integrated Infrastructure Development Coordinating Agency	0.04	...	...	...
Institute of Strategic Affairs	0.09	...	...	...	Road Fund Office	0.02	...	...	...
Ministry of Public Service and Human De	...	...	...	...					
Grand Renaissance Dam Coordination Pr	0.02	0.02	...	...					

Source: MoF Budget Document and Cepheus Research compilation

**Table 12, continued: Federal Government Expenditure Allocation--By Detailed Line-items, Birr bns**

	Budget 2021-22	Budget 2022-23	Budget 2023-24	Change in Birr terms		Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Change in Birr terms
<b>3 Social</b>	<b>99.29</b>	<b>102.45</b>	<b>91.47</b>	<b>(10.97)</b>	<b>3.2 Culture and Sport</b>	<b>3.64</b>	<b>3.61</b>	<b>2.71</b>	<b>(0.90)</b>	
<b>3.1 Education</b>	<b>66.06</b>	<b>64.76</b>	<b>55.77</b>	<b>(8.99)</b>	Ministry of Culture and Tourism	0.16	...	1.55	...	
Hawassa University	2.00	2.86	2.75	(0.10)	Catering and Tourism Training Institute	0.07	0.13	0.32	0.19	
Addis Ababa University	2.97	2.88	2.68	(0.20)	Ethiopian Youth Sports Academy	0.09	...	0.25	...	
National Educational Assessment and Ex	1.05	1.10	2.32	1.22	Authority for Research and Conservation of Cultural Heritage	0.13	0.16	0.19	0.02	
Bahir Dar University	2.30	2.13	1.97	(0.16)	Ethiopian Wildlife Conservation Authority	0.15	0.15	0.17	0.02	
Gonder University	1.96	1.87	1.72	(0.15)	National Archive and Library Agency	0.23	0.24	0.15	(0.08)	
Jimma University	2.06	1.85	1.70	(0.16)	Ethiopia National Theater	0.06	0.05	0.06	0.01	
Haramaya University	1.88	1.69	1.53	(0.16)	Ethiopia National Anti-Doping Office	0.02	0.02	0.03	0.01	
Wollo University	1.33	1.65	1.44	(0.21)	Sport Academy	..	...	0.19	...	
Arba Minch University	1.75	1.67	1.41	(0.26)	Tourism Ministry	..	...	0.53	...	
Ministry of Education	1.28	1.59	1.38	(0.20)	Culture and Sport Minister	..	...	2.14	...	
Debrebirhan University	1.29	1.38	1.34	(0.04)	Sport Commission	2.66	...	...	...	
Wolayita Sodo University	1.41	1.46	1.34	(0.11)	Athlete Tirunesh Dibaba Sport Training Center	0.06	...	...	...	
Jigjiga University	1.47	2.79	1.32	(1.47)						
Ambo University	1.36	1.33	1.27	(0.06)	<b>3.3 Health</b>	<b>20.43</b>	<b>19.33</b>	<b>22.57</b>	<b>3.23</b>	
Dilla University	1.55	1.46	1.23	(0.23)	Ministry of Health	15.99	14.13	16.68	2.55	
Medewollabo University	1.55	1.48	1.23	(0.26)	St. Paul Hospital Millennium Medical College	1.92	1.74	1.80	0.06	
Addis Ababa Science and Technology Uni	1.71	1.64	1.17	(0.46)	Ethiopian Health Insurance Agency	0.71	1.37	1.41	0.04	
Wellega University	1.39	1.35	1.16	(0.19)	All Africa Leprosy, Tuberculosis and Rehabilitation Training Ce	0.45	0.46	0.52	0.05	
Mekele University	2.67	1.27	1.16	(0.12)	Ethiopian Food, Drug and Health Care Administration And Con	0.32	0.33	0.42	0.09	
Axum University	1.27	0.85	1.13	0.28	Saint Peter Specialized Hospital	0.27	0.33	0.38	0.04	
Adama Science and Technology Universi	1.28	1.28	1.12	(0.15)	National HIV/AIDS Prevention & Control Secretariat	0.04	...	0.30	...	
Semera University	1.37	1.35	1.09	(0.26)	Ethiopian Prosthetic and Orthotic Service	..	...	0.29	...	
Mizan/Teppi University	1.33	1.25	1.06	(0.20)	Ethiopian Public Health Institute	0.24	0.22	0.24	0.03	
Debremarkos University	1.24	1.22	1.06	(0.16)	Amanuel Mental Specialized Hospital	0.17	0.18	0.20	0.01	
Wachemo University	1.79	1.23	1.02	(0.21)	Eka Kotebe Mental and General Hospital	0.20	0.18	0.19	0.01	
Debre Tabor University	1.20	1.28	1.00	(0.28)	National Blood Bank Service	0.11	0.14	0.16	0.02	
Bule Hora University	1.08	1.10	0.99	(0.12)	Ethiopian Physical Support Service	..	...	0.26	...	
Dire Dawa University	1.15	1.14	0.94	(0.19)						
Woldiya University	1.10	1.08	0.92	(0.16)						
Arsi University	1.23	1.23	0.91	(0.32)	<b>3.4 Labor and Social Affairs</b>	<b>0.23</b>	<b>1.67</b>	<b>1.70</b>	<b>0.03</b>	
Dembi Dolo University	1.00	1.06	0.89	(0.17)	Ministry of labor and Skills	..	...	1.49	1.52	
Welkitie University	1.13	1.12	0.87	(0.26)	Ministry of Women, Children and Youth Affairs	0.11	0.18	0.15	(0.03)	
Metu University	1.12	1.09	0.84	(0.25)	National Reform Commission	..	...	0.03	...	
Adigrat University	1.12	0.69	0.84	0.15	Ministry of Labor and Social Affairs	0.13	...	...	...	
Selale University	1.01	1.10	0.82	(0.28)						
Jinka University	0.99	1.04	0.79	(0.25)	<b>3.5 Prevention and Rehabilitation</b>	<b>8.93</b>	<b>13.06</b>	<b>8.72</b>	<b>(4.34)</b>	
Injibara University	0.99	1.04	0.79	(0.26)	National Disaster Risk Management Commission	8.93	13.06	8.72	(4.34)	
Mekdela Amba University	1.00	1.05	0.78	(0.27)	The Strategic Food Reserve Agency	..	...	...	...	
Oda Bultum University	1.01	1.06	0.78	(0.29)						
Debank University	0.99	1.04	0.77	(0.27)	<b>4 Others</b>	<b>59.44</b>	<b>179.19</b>	<b>232.88</b>	<b>53.70</b>	
Bonga University	0.99	1.04	0.77	(0.28)	<b>4.1 Transfer</b>	<b>3.04</b>	<b>29.14</b>	<b>27.36</b>	<b>(1.78)</b>	
Kebridehar University	1.00	1.05	0.77	(0.28)	Ethiopian Agricultural Works Corporation	..	...	17.00	21.00	
Werabe University	0.99	1.04	0.77	(0.28)	Tourism Ethiopia	0.04	...	4.00	...	
Assosa University	0.99	0.96	0.74	(0.22)	Ethiopian Electric Power	1.00	...	1.00	...	
Raya University	0.99	0.69	0.66	(0.03)	Ethiopian Broadcasting Corporation	0.10	...	0.60	...	
Gambella University	0.79	0.82	0.54	(0.28)	Public Service Employee Transport Service Enterprise	0.30	0.31	0.52	0.21	
Kotebe University	...	0.43	0.50	...	Ethiopian Airports Enterprise	0.17	...	0.10	...	
Ethiopian Civil Service University	0.52	0.52	0.49	(0.03)	Ethiopian Press Agency	..	...	0.10	...	
Federal Technical Vocational Education ai	0.36	0.59	0.43	(0.16)	Ethiopian Patriotic Association	0.02	0.02	0.02	-	
Borena University	0.08	0.77	0.52	...	Ethiopian Academy of Sciences	0.01	0.01	0.01	-	
Higher Education Relevance and Quality #	0.05	...	0.09	...	Ethiopian Red Cross Association	0.01	0.01	0.01	0.01	
Education and Training Authority	...	0.08	...	...						
Ministry of Science and Higher Education	1.30	...	...	...	<b>4.2 Debt Service</b>	<b>45.12</b>	<b>125.96</b>	<b>159.20</b>	<b>33.24</b>	
Federal Technical Vocational Education ai	0.57	...	...	...	Internal Debt	13.30	70.00	91.80	21.80	
Higher Education Strategy Center	0.04	...	...	...	External Debt	31.81	55.96	67.40	11.44	
					<b>4.3 Contingencies</b>	<b>11.28</b>	<b>24.09</b>	<b>47.33</b>	<b>23.24</b>	
					Provision For Salary and Operating Expenditure	10.27	23.08	46.32	23.24	
					Commitments	1.00	1.00	1.00	-	
					Provision For Bank Charges	0.01	0.01	0.01	-	

Source: MoF Budget Document and Cepheus Research compilation

## Overall Financing of the Budget

- As noted earlier, the budget deficit of 281 billion birr (around 2.4% of GDP) will be covered mostly from domestic borrowing (86% of the total financing). The foreign funding of Birr 39bn (0.3% of GDP) is among the lowest levels seen in recent years, and compares to a high seen in 2019-20, when 70 percent of the budget was covered by external financing.

**Table 13: Composition of Budget Deficit Financing--Trends in Recent Years**

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Estimate</i>	<i>Budget</i>
<b>Budget Deficit: In Birr bns</b>	<b>66.6</b>	<b>68.1</b>	<b>85.2</b>	<b>120.1</b>	<b>295</b>	<b>308.8</b>	<b>281.1</b>
Share Financed by Domestic Borrowing	58%	48%	30%	82%	82%	86%	86%
Share Financed by Foreign Borrowing	42%	52%	70%	18%	18%	14%	14%

Source: MoF Budget Document. Note: Exceptional budget financing items, in years where applicable, classified with domestic financing.

## External Financing Trends for the Budget

- The Ethiopian Government is anticipating budgetary grants of Birr 41 bn (~ \$770 mn) with the sources of these grants mainly being the World Bank, the EU, the AfDB, the UK, and the US.
- The Government is also expecting external budgetary borrowing of Birr 39bn (~\$731 mn) in the 2023-24 fiscal year. The majority of these borrowings are expected to come from the World Bank, with some limited bilateral loans from countries such as China, Saudi Arabia, and Italy.

**Table 14: External Grants to the Budget**

	Birr bns	USD mns
<b>External Grants Total:</b>	<b>41.1</b>	<b>\$ 770</b>
<b>Multilateral Institutions</b>	<b>30.7</b>	<b>\$ 575</b>
International Development Association /IDA/	7.94	\$ 149
Global Fund	4.73	\$ 89
African Development Bank /ADB/	4.31	\$ 81
Pool Fund /SDG/	2.55	\$ 48
World Bank /WB/	2.43	\$ 46
United Nations Children's Fund /UNICEF/	1.79	\$ 34
Others	1.52	\$ 28
European Union /EU/	1.43	\$ 27
Global Alliance for Vaccin Initiative /GAVI/	1.23	\$ 23
World Health Organization /WHO/	0.80	\$ 15
African Development Fund /ADF/	0.56	\$ 11
Green Climate Fund /GCF/	0.45	\$ 9
Center for Diseases Control /CDC/	0.43	\$ 8
United Nations Fund for Population Activity /UNFPA/	0.26	\$ 5
European Development Fund /EDF/	0.13	\$ 3
International Fund for Agricultural Development /IFAD/	0.12	\$ 2
German Leprosy Relief Association /GLRA/	0.00	\$ 0
<b>Bilateral Grants</b>	<b>4.1</b>	<b>\$ 76</b>
USAID	2.7	\$ 51
United Kingdom /DFID/	1.0	\$ 18
Ireland /IRE/	0.2	\$ 3
Italy /ITALY/	0.1	\$ 2
China /CHINA/	0.1	\$ 1
Finland /DIDC/	0.0	\$ 1
Germany /KFW/	0.0	\$ 0
<b>Protecting Basic Services Program</b>	<b>6.3</b>	<b>\$ 119</b>
European Union /EU/	6.3	\$ 119

Source: MoF Budget Document.

Conversion to USD based on average FY 2022-23 year-avg Birr/USD rate of 53.38

**Table 15: External Loans for the Budget**

	Birr bns	USD mns
<b>External Loans Total:</b>	<b>39.0</b>	<b>\$ 731</b>
<b>Multilateral Institution loans:</b>	<b>23.2</b>	<b>\$ 435</b>
International Development Association /IDA/	14.4	\$ 269
World Bank /WB/	7.4	\$ 138
International Fund for Agricultural Dev't /IFAD/	0.6	\$ 11
Arab Bank for African Dev't /BADEA/	0.5	\$ 10
African Development Bank /ADB/	0.3	\$ 6
<b>Bilateral loans:</b>	<b>8.4</b>	<b>\$ 157</b>
China EXIM Bank	5.2	\$ 98
Saudi Fund /SAUDI/	0.8	\$ 15
China	0.7	\$ 12
Italy	0.6	\$ 12
Others	0.6	\$ 12
Japan /JICA/	0.3	\$ 5
Finland /DIDC/	0.0	\$ 1
United Kingdom /DFID/	0.0	\$ 1
USAID	0.0	\$ 1
<b>Protecting Basic Services Program:</b>	<b>7.4</b>	<b>\$ 139</b>
IDA--World Bank	7.4	\$ 139

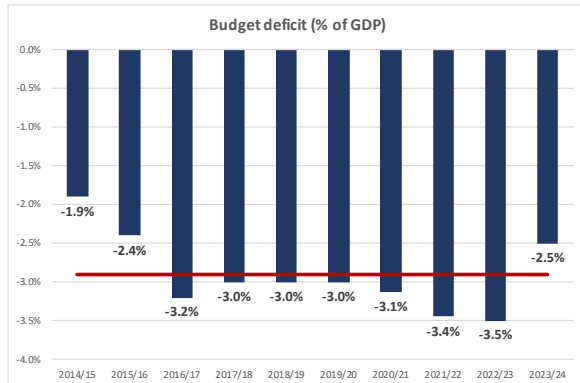
Source: MoF Budget Document.

Conversion to USD based on average FY 2022-23 year-avg Birr/USD rate of 53.38

## Ethiopia's Budget Deficits and Debt in a Cross-Country Context:

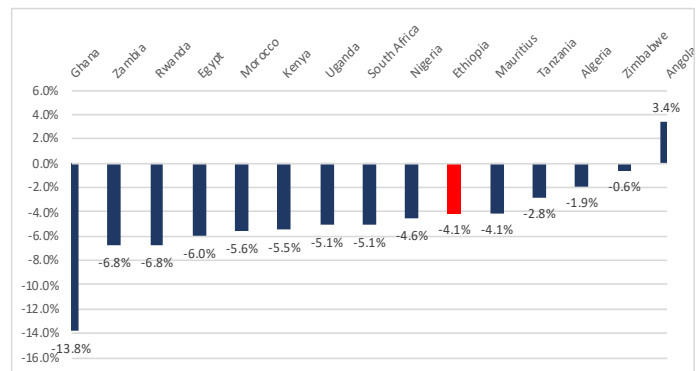
- Ethiopia's public debt-to-GDP ratio stood at 39% at the end of March 2023, which is far below the average of 66% for African countries and 69% for emerging markets. This indicates that Ethiopia's debt burden is relatively manageable. However, the debt service to exports ratio (77% versus SSA of 20%) and the debt service to revenue ratio (31% versus SSA of 17%) are both high, given the country's still low export and revenue base.

**Table 16: Budget Deficits (% of GDP) in Ethiopia: A Ten-Year Perspective**



Source: MoF and NBE

**Table 17: Budget Deficits in 2023 in Africa (% of GDP)**



Source: AfDB, MoF

**Table 18: General Government Gross Debt (%GDP)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Nigeria	17.6	18.3	17.5	20.3	23.4	25.3	27.7	29.2	34.5	37.0	38.0	38.8
Tanzania	30.0	32.7	36.1	39.2	39.8	40.7	40.5	39.0	40.5	40.8	41.6	40.1
Uganda	19.5	22.1	24.8	28.5	31.0	33.6	34.9	37.6	46.4	51.6	50.8	50.2
Algeria	9.3	7.1	7.7	8.7	20.4	26.8	38.3	46.2	51.3	62.5	52.4	52.2
Kenya	37.6	39.8	41.3	45.8	50.4	53.9	56.4	58.6	67.6	68.1	67.9	66.6
Rwanda	19.1	26.1	28.3	32.4	36.6	41.3	44.9	49.8	64.6	68.6	64.4	67.1
South Africa	37.4	40.4	43.3	45.2	47.1	48.6	51.6	56.3	69.4	69.1	71.0	72.3
Morocco	56.5	61.7	63.3	63.7	64.9	65.1	65.2	64.8	76.4	76.3	68.8	68.3
Ghana	35.4	42.9	50.1	53.9	55.9	57.0	62.0	62.7	78.3	81.8	88.8	98.7
Angola	26.7	33.1	39.8	57.1	75.7	69.3	93.0	113.6	136.8	86.3	67.1	63.3
Egypt	73.8	84.0	85.1	88.3	96.8	103.0	92.5	84.2	89.6	93.5	88.5	92.9
Mauritius	55.1	57.5	60.6	65.0	65.0	64.3	66.2	84.6	99.2	100.7	80.9	78.1
Zambia	25.4	27.1	36.1	65.8	61.6	66.3	80.5	99.7	140.2	123.2		
AVERAGE	34.1	37.9	41.1	47.2	51.4	53.5	58.0	63.6	76.5	73.8	65.0	65.7
Ethiopia	39.4	44.1	44.2	50.7	51.8	55.3	58.4	54.7	53.7	53.0	45.5	39.6

Source: IMF WEO

**APPENDIX : Ethiopia's Fiscal Performance over the Past 20 Years**

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Ethiopian Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimate		
	In Birr millions																						in Birr millions
Revenue and Grants	11,757	13,681	18,769	20,568	23,818	32,613	41,631	56,197	72,775	91,955	117,846	139,297	165,008	193,967	234,264	254,108	287,562	344,936	394,966	478,900	566,754	407,606	520,606
Domestic Revenue	10,431	11,699	12,959	15,436	19,150	21,132	30,001	39,714	53,574	70,286	100,862	118,633	141,553	177,790	205,650	238,733	269,648	311,317	354,313	444,600	540,061	376,787	479,487
o/w:																							
Tax revenue	7,858	8,194	10,466	12,026	13,730	16,764	22,567	27,874	41,291	59,035	85,919	99,769	124,783	148,553	175,911	192,647	235,229	268,457	311,477	388,800	477,770	347,965	440,826
Grants	1,327	1,982	5,810	5,132	4,668	11,481	11,630	16,482	19,201	21,669	16,985	20,664	23,454	16,177	28,614	15,375	17,914	33,619	40,653	34,300	26,693	30,818	41,120
Expenditure	17,398	17,799	21,479	24,350	31,329	35,071	46,747	61,263	78,767	96,968	133,587	163,012	191,523	227,564	282,151	329,415	354,205	413,106	480,143	599,000	779,099	716,437	801,650
Recurrent	11,117	11,407	12,939	13,487	16,298	17,146	23,014	26,144	31,530	41,149	55,180	65,288	77,711	108,704	149,862	178,048	210,470	238,157	275,967	363,597	517,043	345,120	370,140
o/w:																							
Defence	2,892	2,538	2,494	2,560	2,648	2,564	3,899	3,773	3,955	4,619	6,337	6,529	7,042	8,767	9,183	11,318	12,814	15,605	...	...	...	...	...
Debt service	996	1,017	1,104	1,089	1,090	1,204	1,118	1,383	1,578	2,605	2,404	3,139	3,807	5,339	7,231	8,673	11,571	13,526	...	...	...	...	...
Capital	6,281	6,392	8,540	10,863	15,031	17,925	23,733	35,118	47,237	55,819	78,406	97,724	113,812	118,859	132,289	151,367	143,735	174,949	204,176	235,410	262,056	218,110	203,440
Total Poverty sector	7,352	8,698	10,206	13,554	17,199	21,181	28,844	41,180	53,937	66,613	93,108	115,079	134,010	153,093	173,289	207,018	209,811	243,588	295,140	342,500	387,500	...	...
Education	2,714	3,776	4,457	4,516	6,221	7,757	9,678	12,073	15,423	22,255	29,790	36,040	39,662	54,987	66,349	88,459	88,661	102,816	123,100	141,200	169,400	...	...
Health	798	888	837	1,490	1,507	2,492	4,084	4,515	6,810	7,824	10,346	12,487	15,870	21,137	23,451	25,593	31,829	38,382	51,000	63,000	68,400	...	...
Water	599	474	833	1,085	1,266	1,535	2,008	2,537	3,942	4,763	8,094	11,127	15,479	14,003	19,490	21,761	21,295	23,446	26,700	24,800	38,300	...	...
Agriculture	1,393	1,426	1,691	3,976	4,908	5,221	6,247	11,569	12,361	10,690	15,603	19,771	20,971	21,997	25,853	33,414	28,702	37,626	40,300	50,300	48,500	...	...
Road	1,849	2,133	2,388	2,486	3,298	4,176	6,828	10,486	15,401	21,080	29,276	35,654	42,028	40,968	38,144	37,791	39,324	41,318	54,040	63,200	62,900	...	...
Overall Balance incl grants	(5,641)	(4,118)	(2,710)	(3,782)	(7,511)	(2,458)	(5,116)	(5,066)	(5,992)	(5,013)	(15,740)	(23,715)	(26,516)	(33,596)	(47,887)	(75,307)	(66,643)	(68,169)	(85,177)	(120,100)	(212,345)	(308,831)	(281,044)
Financing	6,612	4,773	2,982	3,782	7,561	2,502	5,116	5,066	5,992	5,013	15,740	23,715	26,516	33,596	47,887	75,307	66,643	68,169	85,177	120,100	212,345	308,831	281,044
External (net)	5,447	4,360	2,471	1,881	2,617	2,234	2,153	4,627	7,727	9,606	10,789	16,783	19,854	18,541	26,570	27,689	28,135	35,402	59,529	21,808	3,296	42,600	39,010
Domestic (net)	1,717	1,516	1,709	(605)	2,735	2,454	4,867	2,098	(308)	(2,853)	7,448	7,383	8,422	19,705	28,897	43,690	50,447	36,324	42,104	108,685	262,431	266,231	242,034
GDP in Birr millions	65,895	72,703	85,800	105,415	130,334	170,281	245,836	332,060	379,135	515,079	747,327	866,921	1,060,814	1,297,961	1,568,097	1,832,786	2,200,120	2,696,223	3,374,349	4,341,387	6,157,538	8,729,849	11,313,885
Financing, % GDP	10.0%	6.6%	3.5%	3.6%	5.8%	1.5%	2.1%	1.5%	1.6%	1.0%	2.1%	2.7%	2.5%	2.6%	3.1%	4.1%	3.0%	2.5%	2.5%	2.8%	3.4%	3.5%	2.5%
External net, % GDP	8.3%	6.0%	2.9%	1.8%	2.0%	1.3%	0.9%	1.4%	2.0%	1.9%	1.4%	1.9%	1.9%	1.4%	1.7%	1.5%	1.3%	1.3%	1.8%	0.5%	0.1%	0.5%	0.3%
Domestic net, % GDP	2.6%	2.1%	2.0%	-0.6%	2.1%	1.4%	2.0%	0.6%	-0.1%	-0.6%	1.0%	0.9%	0.8%	1.5%	1.8%	2.4%	2.3%	1.3%	1.2%	2.5%	4.3%	3.0%	2.1%

Source: NBE and Cepheus Research compilation

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