

A Quick Examination of the 2012 (E.C.) Budget Expenditures – Government of Ethiopia,

by

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Introduction

I came across the budget figures for 2012 (Eth. Colander) just by chance when I visited the web page of the Ministry of Finance and Economic Cooperation to look for national account figures (i.e. nominal and real GDP figures). The next day, when I run into an acquaintance, he mentioned to me that the budget allocation for a particular Region (Kilile) for 2012 (Et. Colander) is low. This triggered in me a desire to examine the numbers and share with others what I was able to learn. I will in particular look at the aggregate budget and its allocations into major categories and I will examine in some detail the allocation to the Regions (Kililes).

Aggregate Expenditure

In aggregate, the Ethiopian Government allocates its expenditure in 2012 as follows:

Major Expenditure Categories	Amount in Billion Birr	% age share
Recurrent Expenditure	109.5	28.2
Capital Expenditure	130.7	33.8
Transfer to Regions (Kilile)	140.8	36.4
Transfer to Regions (SDG)	6.0	1.6
	387.0	100.0

The total planned expenditure is estimated at Birr 387 billion; of which 62 percent is for recurrent and capital expenditures which are to be administered at the Federal level, and the remaining 38 percent (or Birr 146.8 billion) are to be transferred to the Regions (Kililes, including Addis Ababa and Dire Dawa). The recurrent expenditures pay the salaries of Federal employees, interest and principal (payment both on domestic and foreign loans), and other operational expenses (i.e. petroleum, stationary, etc.). In the recurrent expenditure, Birr 25.2 Billion is allocated for principal and interest repayment. The capital expenditures are destined to various infrastructural projects, including roads and university facilities to be implemented all over the country.

The next major categories are transfers (or subsidies) to the Regions. There are two types of transfers (subsidies) as per the table above. First, Birr 140.8 Billion are meant to pay for the Regions administrative expenses at their discretion. Second, Birr 6 Billion is tied and is allocated for spending on education, health etc. planned to meet the Sustainable Development Goals (SDGs).

A further disaggregation of the transfers is more informative and helps to address any real or imagined biases in Regional allocations.

Regional Transfers

Of the Birr 140.78 Billion, the allocation for each Region is provided in the Table below. Oromia, Amhara and SNNP received 33.82 percent, 21.2 percent and 19.73 percent, respectively. The allocation to the other regions could be gleaned from Column 2. Since the allocation on account SDGs is small, I move directly to the sum of the two transfers provided in column 5 and 6 in absolute magnitude and as a share of the total (Birr 146.78 Billion), respectively. Again Oromia's share is 33 percent, followed by Amhara 21.21 percent and almost 20 percent for SNNP.

These numbers are much more meaningful when examined together with the size of the Regional populations (Columns 7 and 8). Fairness, in the economic sense, demands that the percentage share of the budget and other resources (including official positions) for each region should be proportional to the share of the population. The population of Ethiopia is expected to reach almost 100 million in 2012 (Et. C or 2019-20). Of the total population, 36.65 live in Oromia, another 23.37 percent in Amhara and 20.27 percent in SNNP. Since one of the parameters in the allocation of the budget is population size, the ranking in budget reflects the ranking in population size. Oromia, with almost 37 percent of the population receives about 34 percent of the budget. Similarly, Amhara, with about 23 percent of the population receives 21.2 percent of the population. The two big regions receive less than proportional to their population. A more initiated person could compute the necessary statistical tests if the two ratio are statistically significantly different.

The most interesting is the per capita allocation (Column 9). The highest budget recipient is Gambela with Birr 4570 per capita, followed by Harar (birr 4497), and then Dire Dawa (Birr 2757). The other major ones are Benishangul-Gumuz, Somalia, and Afar. The bigger states in terms of population, Regional budget and budget shares receive much less than the ones listed when it comes to per capita allocation. Amhara receives Birr 1336 per capita while Oromia receives Birr 1359 per capita, about a quarter of what the smaller Regions receive. This reflects the efforts to favor those regionals that are relatively socially deprived in terms of educational enrolment, access to health and other social amenities in the allocation of the budget. There may also be other factors accounting for the much higher per capita allocation to Harar and Dire Dawa.

Conclusion

First, it does not appear that there is a significant favor for one or the other of the bigger Regions in the budget allocation when the size of their population is considered.

Second, the question that triggered the analysis is extremely important. As citizens or as Diaspora, it is important to watch how the money is allocated and utilized. This type of concern helps hold the Government accountable for the budget's effective utilization.

Third, it will be helpful if the Federal Government makes it a point to discuss the budget allocation in each of the Regions. It should also aim to make data available in each of the Regions when the money is actually released. The public will then monitor local officials on their behavior in the implementation of projects and the budget.

Fourth, the Government should be commended for providing such detailed information on the budget. It should maintain the culture (habit) and provide the public with actual expenditure data when the projects are implemented following the same classification. Such transparency is to be appreciated and will go some way to curbing corruption.

Budget 2012 (Et. C) - Transfer to Regions

Regions	Subsidies to Regions	% Share	SDG Transfer	% Share	Total Subsidies	% Share	Pop 19-20, Mil	% Share	Per Capita
Tigray	3.33	5.92	0.362	3.03	3.69	5.92	5.85	5.86	1487
Afar	4.17	2.96	0.181	3.02	4.35	2.97	1.88	1.89	2314
Amhara	29.84	21.20	1.296	21.6	31.13	21.21	23.30	23.37	1336
Oromia	47.6	33.82	2.068	34.46	49.67	33.84	36.54	36.65	1359
Somalia	13.79	9.79	0.599	9.98	14.39	9.80	3.04	3.05	2383
Bensh/G	2.53	1.80	0.110	1.83	2.64	1.80	1.06	1.06	2499
SNNP	27.78	19.73	1.207	20.11	28.99	19.75	20.21	20.27	1435
Gambela	1.84	1.31	0.080	1.33	1.92	1.31	0.42	0.42	4570
Harari	1.05	0.75	0.046	0.76	1.10	0.75	0.24	0.24	4497
AA	2.63	1.87	0.000	0	2.63	1.80	3.71	3.72	711
DD	1.22	0.86	0.053	0.88	1.27	0.86	0.46	0.46	2757
	140.78	100.00	3.000	100	146.78	100.00	99.70	100.00	1472

Source: Ministry of Finance and Economic Cooperation for the Budget figures;

<http://www.mofed.gov.et/web/guest/-/2012-e-c-budget-year-goe-federal-budget-proclamation-part-two->

[xslx?redirect=http%3A%2F%2Fwww.mofed.gov.et%2Fweb%2Fguest%2Fwelcome%3Fp_p_id%3D101_INSTANCE_MbEiVwbCWckE%26p_p_lifecycle%3D0%26p_p_state%3Dnormal%26p_p_mode%3Dview%26p_p_col_id%3Dcolumn-6%26p_p_col_count%3D1](http://www.mofed.gov.et/web/guest/welcome?p_p_id=3D101_INSTANCE_MbEiVwbCWckE%26p_p_lifecycle%3D0%26p_p_state%3Dnormal%26p_p_mode%3Dview%26p_p_col_id%3Dcolumn-6%26p_p_col_count%3D1)

Central Statistical Agency, the share of population is computed on the bases of data from Census 2007, National Statistics, [HTTP://WWW.CSA.GOV.ET/CENSUS-REPORT/COMPLETE-REPORT/CENSUS-2007](http://www.csa.gov.et/census-report/complete-report/census-2007). The population for 2919-20 is obtained from [HTTP://WWW.CSA.GOV.ET/CENSUS-REPORT/POPULATION-PROJECTIONS](http://www.csa.gov.et/census-report/population-projections). To arrive at the Regional population in 2019-20 the share is the Census of 2007 is applied.