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**SOMALI REGIONAL STATE OF ETHIOPIA**

**BUREAU OF FINANCE AND ECONOMIC  
DEVELOPMENT**

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**MACRO-ECONOMIC FISCAL FRAME WORK FOR 2011 EFY**

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## **Introduction**

Most of the Government development policies are realized through implementation of programs which are designed and implemented over the medium-term horizon. The implementation of such policies and programs require sustainable commitment of government funding while they yield benefits over a period of years. The annual budget alone is hardly an appropriate tool to implement such policies and programs which have medium to long-term scope. To address such issues the Somali regional government has introduced the Medium Term Macroeconomic and Fiscal Framework (MEFF) to implement its programs.

The MEFF recognizes that the one-year time horizon of the annual budget process is too short to enable the government to assess current spending decisions in the light of future claims on resources. Budgeting on short-term perspective encourages incremental decisions, where the next budget is built on the previous one, with only marginal adjustments. The MEFF seeks to counter this tendency by extending the time horizon to the medium-term (typically,3-5 years) and imposing a fixed constraint.

The purpose of MEFF is to introduce predictability and transparency in the fiscal system and reflect the Government commitment to implement its overall and sectoral policies. It assures sector ministries' commitment in the funding of priority programs and projects which are vital to achieve the government goals as stipulated in the Growth and Transformation Plan (GTP).

## **MACRO-ECONOMIC PERFORMANCE**

During thepastfour years of GTP II implementation period, Somali regional state has made great strides towards strengthening security, justice, reducing poverty and unemployment and acceleration of equitable economic growth.

The region has mainly second Growth and transformation plan (GTPII) targets through implementation of pro-poor targeted projects and expansion of quality basic services, building infrastructure, institutional capacity and human resource development and promoting democracy and good governance. The region is lacking behind the national level and other developed regions on almost all development indicators due to large land mass with scattered people, poor infrastructure, unique way of life and recurrent drought due to climate changes, leads to financing challenges and shortage of budgetary resources at all levels.

## **Strategic Direction**

During the implementation of GTP II, the regional economy is expected to maintain the double digit economic growth that has been registered in GTP I period, ensure structural transformation in the economy, enhance macroeconomic planning, monitoring and evaluation capacity, investment development, job creation and poverty reduction. Moreover, efforts to boost up the revenue generating capacity of the region and hence scale up self-financing of development projects will be focused in GTP II period. Hence, the core macroeconomic objectives of GTP II are:-

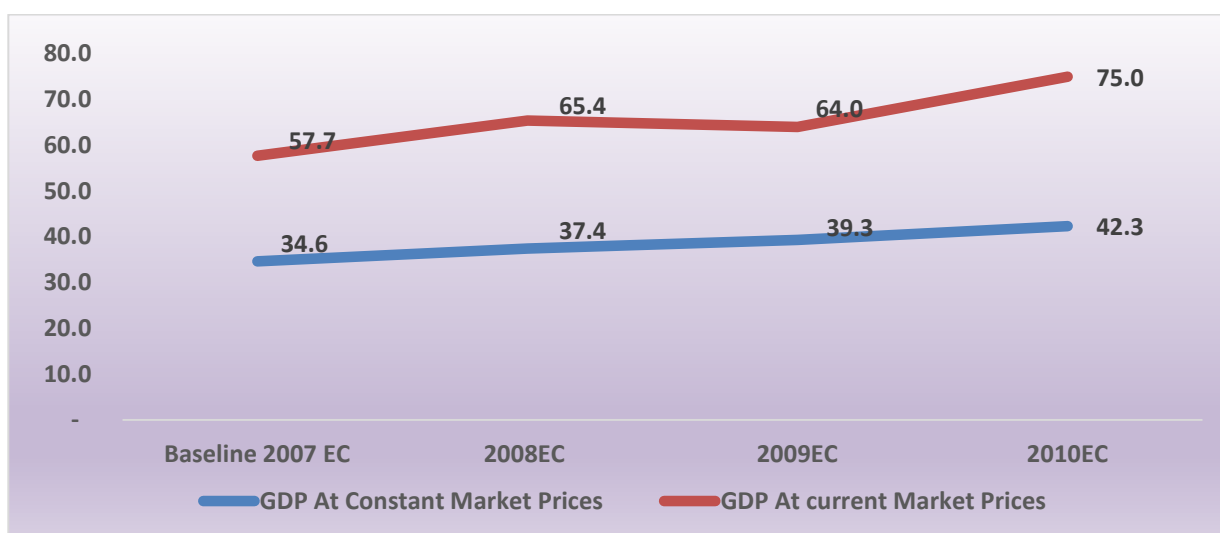
- Maintain the double digit economic growth rate that has been registered in the past couple of years, with plans to register 11 percent (in base case scenario) and 13.2% (in high case scenario) economic growth;
- Realize structural transformation;
- Scale-up Macroeconomic Planning, Monitoring and Evaluation Capacity;
- Fiscal management system Reforms;
- Investment Promotion, Employment Creation and Poverty Reduction.

## **Economic Growth Performance**

In the GTP II plan period, it is targeted to achieve 11 % economic growth, in base case scenario, and 13.2% in high case scenario. This goal is achievable as the region registered fast growth in the past five years the flourishing investment in the region will also be additional impetus to overall economic growth of the region.

As per the recent RGDP estimates for the period 2008EFY-2010EFY, the average annual economic growth of Somali Region, as measured by Gross Domestic Product (GDP) at constant basic price grew by 7.0%. As per this estimates the annual average growth rates of major sectors i.e. Agriculture, Industry and Services were 5.7 percent, 11.8 percent and 11.1 percent respectively and their shares out of the total annual average GDP were about 66.6 percent, 5.0 percent and 28.5 percent respectively. Hence this estimates revealed that the economy of the region is primarily depend on Agriculture particularly the livestock production sub-sector.

## GDP of Somali Region in Billion- Main Sectors (2007EC - 2010EC)



### Annual Regional GDP of Somali Regional State – Billion Birr ( At Constant Basic Prices)

Economic Activity - At constant Basic Prices	2007 EC Actual	2008 EC Actual	2009 EC Actual	2010 EC Actual
<b>Agriculture</b>	23.1	26.6	25.4	27.1
<b>Industry</b>	1.5	1.7	2.0	2.1
<b>Service</b>	9.9	9.0	12.0	13.1
<b>Total GVA</b>	34.6	37.4	39.3	42.3

According to recent RGDP estimates, GDP of Somali Regional State, at constant basic price, has increased from 34.6 billion Birr in 2007 EC to 42.3 billion Birr in 2010 EC (18% increment progress in three years). In 2010 EC, agriculture sector is leading with an amount of 27.1 billion Birr (64.1%), which shows that the target is being implemented based on the GTP II plan. The share of the industry has also increased from 4% in 2007 EC EC to 5% in 2010 EC. The share of the service sector shows also an increase of 29% in 2007 EC to 31% in 2010 EC.

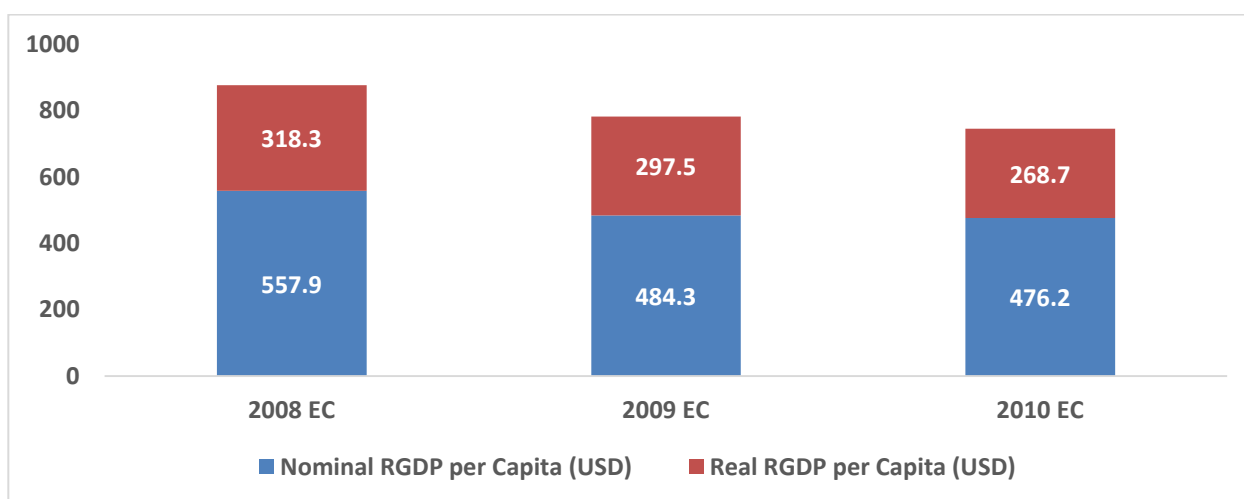
### Annual Regional GDP of Somali Regional State – Billion Birr (At Current Basic Prices)

<b>Economic Activity - At current Basic Prices</b>	<b>Baseline 2007 EC</b>	<b>2008 EC Actual</b>	<b>2009 EC Actual</b>	<b>2010 EC Actual</b>
Agriculture	40.0	45.5	42.8	50.3
Industry	3.3	3.7	3.9	4.0
Service	14.3	16.2	17.3	20.7
Total GVA	57.7	65.4	64.0	75.0

In the other hand, at current basic price, GDP of Somali region has increase from 57.7 billion Birr in 2007 to 75 billion Birr in 2010 EC (31% incensement in three years). In 2010 EC, agriculture sector is leading with an amount of 50.3 billion Birr (67.1%), which shows that the target is being implemented based on the GTP II plan. The share of the industry has also decreased from 6% in 2007 EC to 4% in 2010 EC. The share of the service sector shows also an increase of 25% in 2007 EC to 27% in 2010 EC.

The annual RGDP per capita, both nominal and real ones, shows decline during the first three year of the plan. However, in the GTP II plan, it is planned to increase the real per capita income from 528 USD in 2007 EC to 1070 USD. During the first three years of 2008 EC, 2009 EC and 2010 EC, the average real RGDP per capita is estimated at 557.9 USD, 484.3 USD and 576.2 USD respectively. This figure shows that the achievement is far from the planned target and the national average as well.

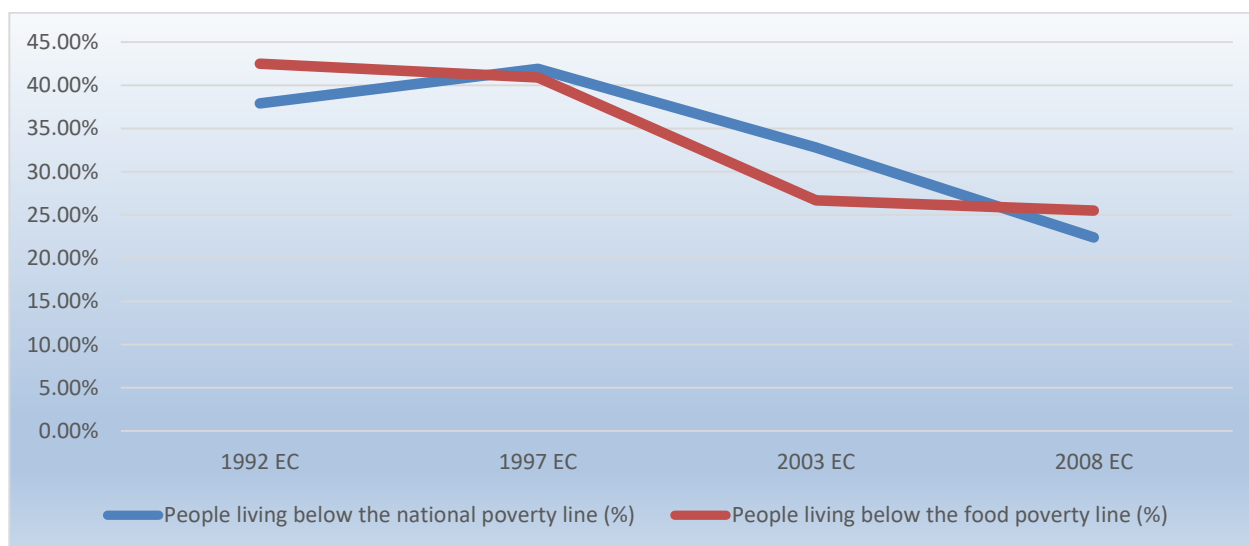
## Trends in SRS Nominal and Real RGDP per Capita (USD)



## Poverty status and Related Indicators in Somali Region

### Poverty Status

#### Trends in monetary and food poverty, Somali region, 1995/96–2015/16



Though Ethiopia is still among the low-income countries in the world with GDP per capita of \$1608 in PPP terms in 2017 and ranked 164 out of 187 countries<sup>1</sup>, its economic growth has been on an upward trajectory over the past decade or so. The Government in GTP II particularly underlines the importance of sustainable and green economy and creating a skilled and competitive workforce to accelerate and sustain economic growth of the country in an endeavor

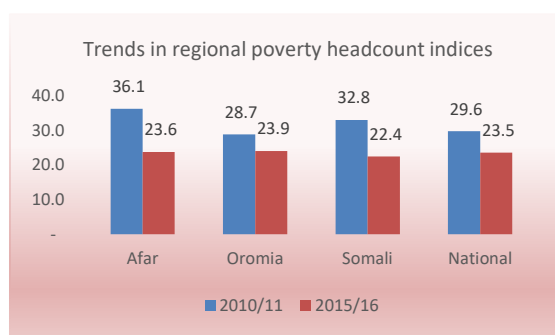
to realize Ethiopia’s Vision of becoming a lower middle-income nation by 2025.

In GTP II period, overall head count poverty level in the region is projected reduce by 5.6%. The regional poverty level is projected to be 17.4% at the end of GTP II period. Moreover, the per-capita income of the people in the region is projected to reach 1070 in USD at the end of the plan period.

### Trends in monetary and food poverty, National and Somali region, 1995/96–2015/16

Poverty	HICES:	1992 EC	1997 EC	2003 EC	2008 EC
		(1999/00)	(2004/05)	(2010/11)	(2015/16)
People living below the national poverty line (%)	National	44,2%	38,7%	29,6%	23,5%
	Somali	37,9%	41,9%	32,8%	22,4%
People living below the food poverty line (%)	National	41,9%	38,0%	33,6%	24,8%
	Somali	42,5%	40,9%	26,7%	25,5%

Figure 1: Trends in regional poverty headcount indices



According to Ethiopia’s Progress Towards Eradicating Poverty: An Interim Report on 2015/16 Poverty Analysis Study Since 1997 EC (2004/05), Somali has seen a steep decline in monetary poverty — a 20% decline (Fig. 1 and Table 2) — despite the occurrence of frequent domestic shocks,

like inflation, drought, flood and conflict.<sup>2</sup> The headcount poverty rate is 22%, which is below the national average of 24%. The decline in food poverty has been strong between 1997 EC (2004/05) and 2003 EC (2010/11), — a 14% decline — however, it has slowed down and now stands at 25.5%; just above the national average of 25%. Interestingly, Somali is the only region in Ethiopia where the rate of urban people in poverty is higher than that of rural people, 23% versus 22%, respectively.<sup>3</sup> The same applies to food poverty: 25% versus 29%.<sup>4</sup> In terms of

population, more than 1.3 million population are facing in food poverty, which is very significant number of population. Compared to the regions neighboring with Somali region, Afar region is above the national average and Somali region respectively. The urban poverty indices of Somali region is the highest (22.9%) compared to other regions.

### Trends in regional poverty headcount indices

Region	2010/11			2015/16		
	Rural	Urban	Total	Rural	Urban	Total
Afar	41.1	23.7	36.1	26.5	10.6	23.6
Oromia	29.3	24.8	28.7	25.3	15.3	23.9
Somali	35.1	23.1	32.8	22.3	22.9	22.4
National	<b>30.4</b>	<b>25.7</b>	<b>29.6</b>	<b>25.6</b>	<b>14.8</b>	<b>23.5</b>

### Urban Unemployment Trends

Efforts to generate job is also one key goal of GTP II. At the end of plan period, jobs that benefit some 1 million people in the region will be created. The government of SRS believe that creating job opportunities of the strategies that the unemployment is to be declined in particular for youth.

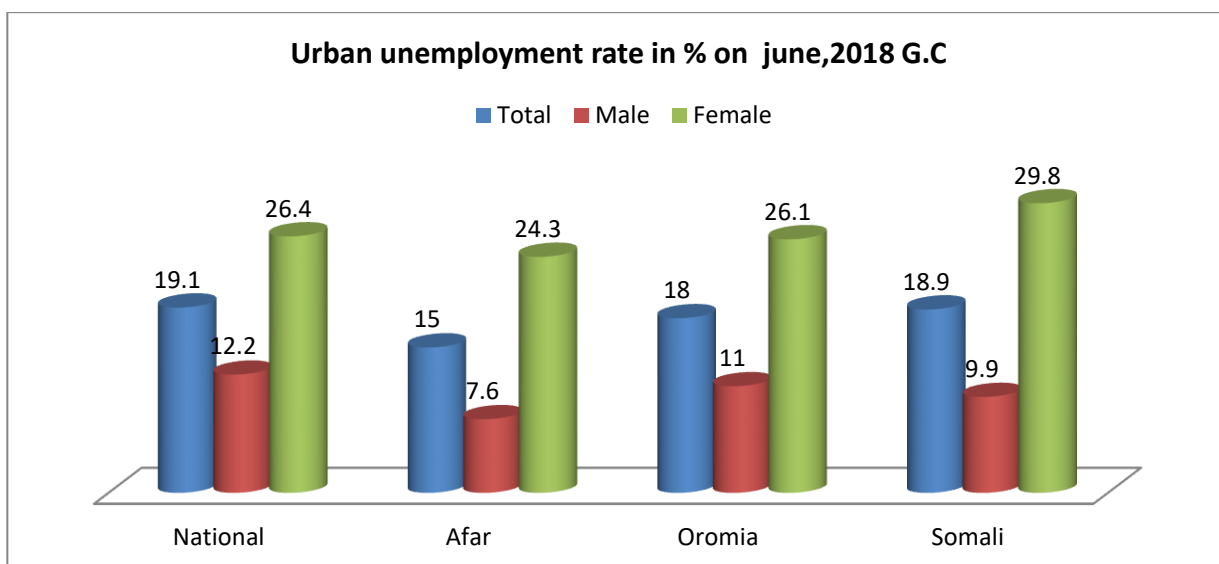
Urban Unemployment Survey conducted by CSA in 2018, shows that the overall unemployment rate in the urban dwellers of the region is 18.9% (female 29.8%) and male 9.9%). Compared to the neighboring regions, Somali region is the highest with the exception of Dire Dawa. It is also above the national average.

The government also focuses on the employment status of the age 15 – 29, which has it's important from different aspects. However, Somali region (28%) is above the national average and the second compared to all region (Dire Dawa 32.9%)

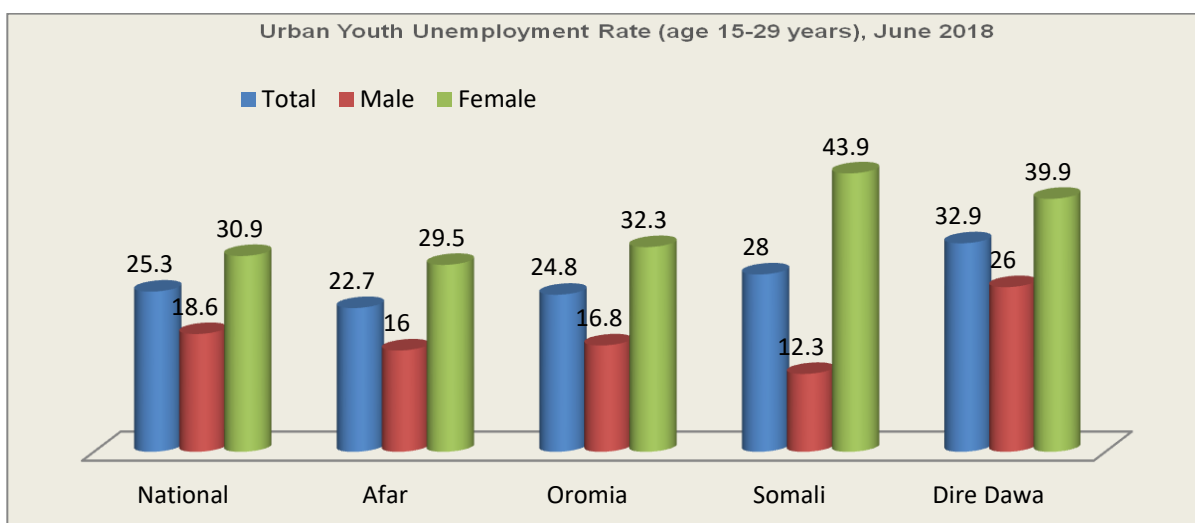


## Youth Unemployed Population and Youth Unemployment Rate by sex (age 10 and above) of Urban Areas of Regions by Sex, June 2018

Region	Economically Active Population			Unemployed Population			Unemployment Rate		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
<b>COUNTRY</b>	9,289,150	4,798,506	4,490,644	1,770,294	584,585	1,185,709	19.1	12.2	26.4
<b>TOTAL</b>									
<b>Afar</b>	121,151	67,861	53,290	18,133	5,188	12,945	15.0	7.6	24.3
<b>Oromia</b>	2,536,652	1,356,884	1,179,768	456,147	148,773	307,373	18.0	11.0	26.1
<b>Somali</b>	155,904	85,531	70,372	29,436	8,438	20,998	18.9	9.9	29.8



Urban Youth Unemployment Rate by sex (age 15-29 years), June 2018



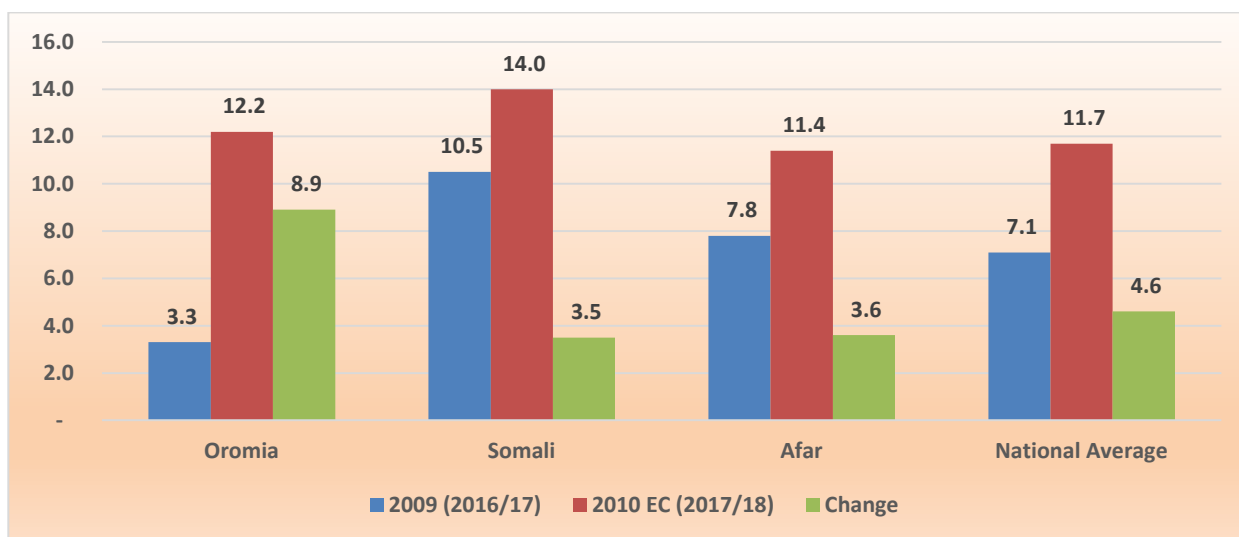
## Youth Unemployed Population and Youth Unemployment Rate (age 15-29 years) of Urban Areas of Regions by Sex, June 2018

Region	Economically Active Population			Unemployed Population			Unemployment Rate		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
<b>COUNTRY</b>	4,333,261	1,975,724	2,357,536	1,096,936	367,883	729,052	25.3	18.6	30.9
<b>TOTAL</b>									
<b>Afar</b>	50,142	25,206	24,936	11,386	4,025	7,361	22.7	16.0	29.5
<b>Oromia</b>	1,224,401	594,092	630,310	303,351	99,553	203,799	24.8	16.8	32.3
<b>Somali</b>	65,656	32,976	32,680	18,382	4,043	14,339	28.0	12.3	43.9
<b>Dire Dawa</b>	57,981	28,995	28,986	19,086	7,532	11,554	32.9	26.0	39.9

### Consumer Price Developments in Somali Region

According to National Bank of Ethiopia report of 2016<sup>5</sup>, during the review fiscal year, the regional simple average general inflation accelerated to 11.7 percent from 7.1 percent in the previous year. Following figures show that Somali region is above the neighboring regions. The general rate of the inflation was decreased for 10.5% to 14% (+3.5% change). Somali region is below the change of national average, which is estimated at 4.6%.

### Regional Annual Average Inflation



Sources: National Bank of Ethiopia, Governor's Note 2016

## Regional Annual Average Inflation (2009 – 2010 EFY)

Regions	2009 (2016/17)			2010 EC (2017/18)			Change		
	General	Food & Non-alcoholic beverages	Non-food	General	Food & Non-alcoholic Beverage	Non-food	General	Food & Non-alcoholic beverages	Non-food
	A	B	C	D	E	F	G=D-A	H=E-B	I=F-C
Oromia	3.3	1.0	6.1	12.2	14.9	9.2	8.9	13.9	3.1
Somali	10.5	11.2	15.0	14.0	14.5	13.4	3.5	3.3	-1.5
Afar	7.8	1.0	15.8	11.4	11.7	11.2	3.6	10.7	-4.6
<b>Regions Average</b>	7.1	7.3	7.6	11.7	14.1	9.4			

Sources: National Bank of Ethiopia, Governor's Note 2016, P. 37

### Fiscal and Public Expenditure Performance

The fiscal policy of the region has been aimed at generating maximum revenue potential to cover the required expenditure to support region's fast, sustainable, broad based and equitable development.

#### Government Expenditure

From Government expenditure management side, more attention has been given by policy makers to proper administration of Budget allocation. However it is recognized that with the continuously growing size of the government budget, enhancing the efficiency and effectiveness as well as transparency and accountability of the public finance has far reaching implications on development and governance outcomes. Therefore, ensuring efficient and effective public finance utilization and eradicating corruption and reducing wastage of resources, prioritizing budget allocation towards development and proper management of public financial resources remain of highest priority and hence call for high level attention from policymakers. To this end, strengthening of public finance management, procurement and property administration and monitoring systems has been given utmost priority.

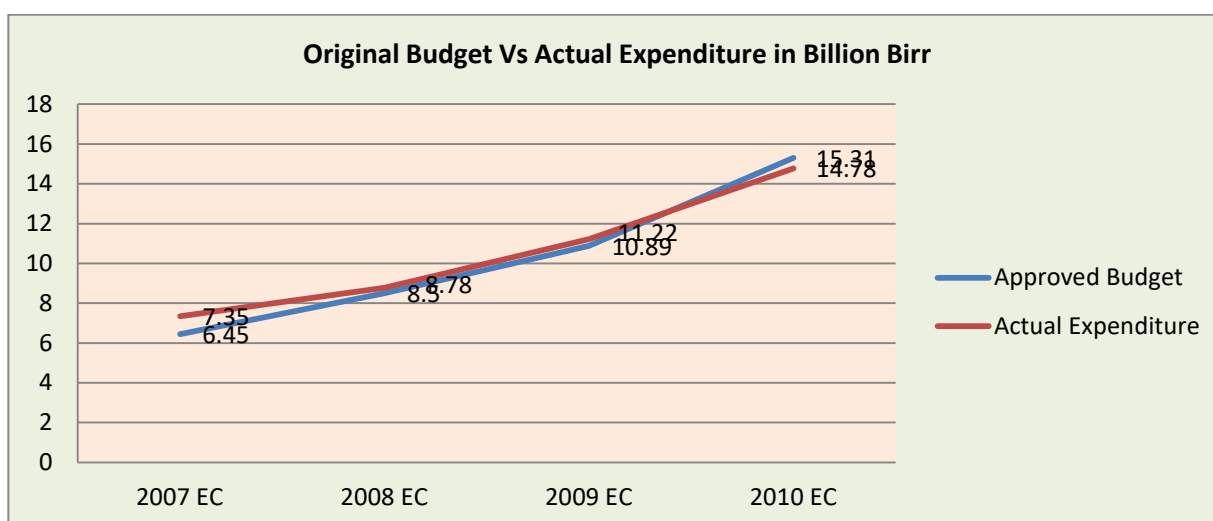
Despite the significant increase in spending on basic service sectors, with the largest share going to capital investment, the infrastructure gap is still wide given the relatively low base, the large geographical area, and the scattered population settlements in the region. Hence, mobilizing and allocating additional resources to narrow the gap for most of the basic service delivery will be the focus areas in GTPII implementation period.

### External Resource mobilization

External resource has been coordinated to ensure equitable socioeconomic development and strengthening co-operation for development projects in the Region. As of reporting period, 130 NGOs (of which 40 are international) were implementing more than 153 projects in the region with a total project budget of ETB 2.0 billion.

### Approved budget and actual expenditure - in billion Birr (2007 EC – 2010 EC)

Fiscal Years	Approved Budget	Actual Expenditure	% performance	% + or - out of 100%
2007 EC	6.45	7.35	114%	14%
2008 EC	8.5	8.78	103%	3%
2009 EC	10.89	11.22	103%	3%
2010 EC	15.31	14.78	97%	-3%



## Fiscal performance of the region (Outturn) analysis

Indicator	2007 efy	2008 efy			2009 efy			(estimated up to megabit /2010 efy)		
	Actual	Plan	Actual	Out-turn	Plan	Actual	Out-turn	Plan	Estimated Actual	Out-turn
<b>Total Regional Revenue and assistance</b>	7,354.78	<b>8,503.44</b>	<b>8,780.95</b>	-277.51	<b>10,895.46</b>	<b>11,223.46</b>	-328	<b>15,305.90</b>	<b>15,013.15</b>	292.75
<b>Total Domestic revenue</b>	1,364.06	<b>1,570.00</b>	<b>1,846.41</b>	-276.41	<b>2,050.00</b>	<b>2,378.00</b>	-328	3,000.00	<b>2,775.22</b>	224.78
Tax revenue	869.81	<b>954.37</b>	1,294.20	-339.83	1,695.50	1,746.01	-50.51	<b>2,301.21</b>	2,005.02	296.19
Non-tax revenue	494.25	<b>615.63</b>	552.204	63.43	354.503	631.989	-277.49	698.8	770.2	-71.4
Subsidy from MOFEC	5,968.45	6,893.96	6,901.08	-7.13	8,818.49	8,818.49	0	12,203.68	12,203.68	0
External assistance (from MOFEC)	22.26	34.485	33.469	1.02	26.967	26.967	0	34.25	34.25	0
<b>Total expenditure</b>	<b>7,625.59</b>	<b>8,503.44</b>	<b>9,149.23</b>	-645.79	<b>10,218.99</b>	<b>11,276.52</b>	1,057.50	<b>15,305.93</b>	<b>15,023.59</b>	<b>282.34</b>
Recurrent expenditure	<b>1,675.11</b>	<b>2,038.94</b>	<b>1,839.98</b>	198.96	4,724.54	4,802.95	-78.41	<b>2,926.54</b>	2,985.45	-58.91
Capital expenditure	<b>3,574.48</b>	<b>3,238.20</b>	<b>4,258.35</b>	-1,020.15	5,494.45	6,473.57	-979.12	<b>6,550.15</b>	6,208.91	341.24
Subsidy to woredas	<b>2,376.00</b>	3,226.30	3,226.30	0	3,891.49	3,891.49	0	5,829.23	5,829.23	0

### Regional Revenue Generation

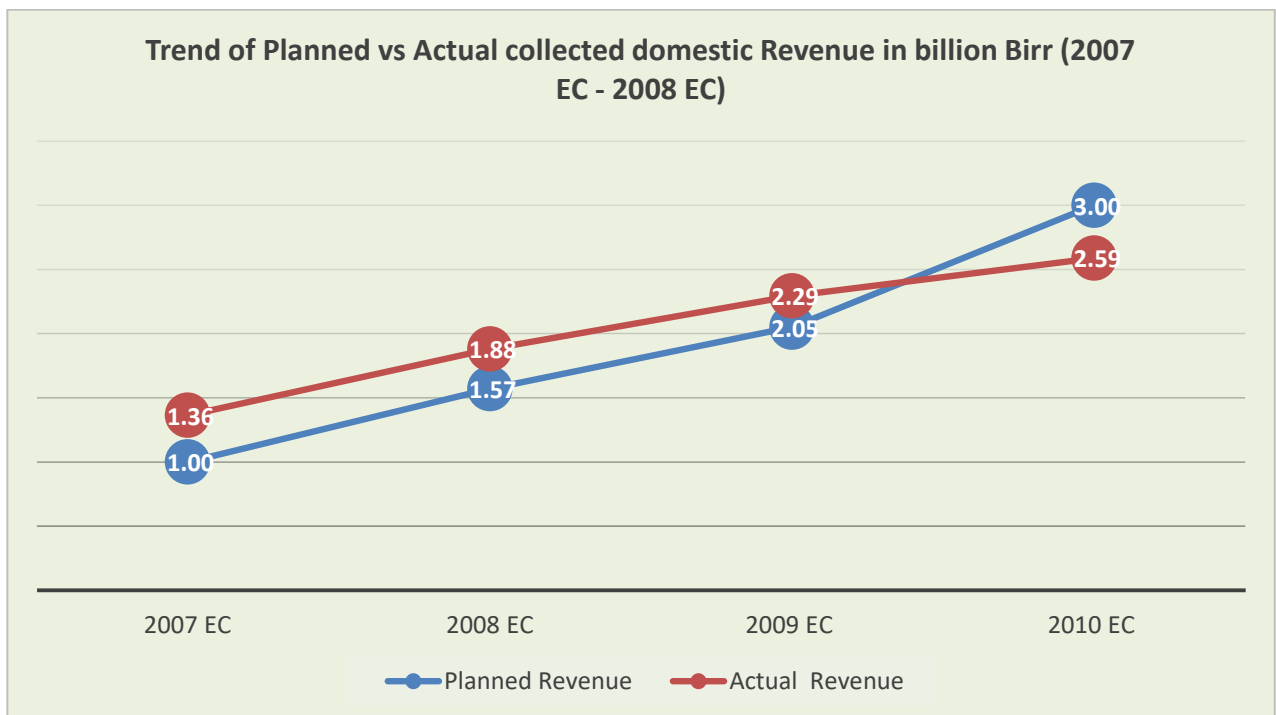
Somali regional internal revenue has increased from 1.36 billion Birr in 2007 EC to 2.59 billion Birr in 2010 e.c. During the first two years of the plan, collected revenue was achieved below the original plan of the regional government (120% in 2008 EC and 112% in 2009 EC). In 2010, the collected budget was estimated below the original plan (86%). Its expected the regional revenue will continue to be declined unless the regional government could take promoted

strategies and actions to increase the domestic revenue, the reason of the revenue decline could be recent border conflict between Somali and oromia regions, which has caused many internal displacement, almost all border woredas did not collected any revenue due to conflict. the other reason was recurrent drought of the rest woredas mainly the six zones affected by the drought.

**Planned and Actual collected domestic revenue (Aggregate Revenue outturn)**

	2007 EC	2008 EC	2009 EC	2010 EC
Planned Revenue	1.00	1.57	2.05	3.00
<i>Actual Revenue</i>	<i>1.36</i>	<i>1.88</i>	<i>2.29</i>	<i>2.59</i>
% of performance	136%	120%	112%	86%
+ or - out of 100%	+36%	+20%	+12%	-14%

**Trend of Planned vs Actual collected domestic Revenue in billion Birr (2007 EC - 2010 EC)**



## Fiscal performance and budget out-turn

Over the past four years of GTP II implementation period, public finance management of the region has shown strong and aggregate expenditure side of the budget performs according to plan and insignificant variations existed so far as shown above tables.

### Fiscal out-turn (2009-2010 efy)

Indicator	2010	2010	2009	Difference (Out-turn)	
	Adjusted Plan	Estimated Actual	Actual	Birr	Percent (%)
<b>Total Regional Revenue and assistance</b>	15,305.93	<b>14,791.54</b>	11,223.46	3,568.08	32%
<b>Total Domestic revenue</b>	3,000.00	<b>2,587.86</b>	2,378.00	209.86	9%
Tax revenue	<b>2,301.21</b>	1,998.73	1,746.01	252.72	14%
Non-tax revenue	698.8	589.122	631.989	-42.87	-7%
<b>Subsidy from MOFEC</b>	12,203.68	12,203.68	8,818.49	3,385.19	38%
<b>External Assistance</b>	34.25	29.28	26.967	2.31	9%

### Explanation;

The over performance of the regional revenue including federal subsidy and external assistance in 2010 efy as compared to 2009 efy fiscal performance is due to change in federal block grant formula weight, the Somali regional weight from federal block grant formula has changed from 8.1% to 11.03% in the current formula which will be used in the coming three years (2010 efy-2012 efy).

Non tax revenue of the region has decreased by 7%, due above mentioned reasons of border wordas conflicts and recurrent droughts.

### Expenditure out-turn (2009-2010 efy) in “000,000” Birr

Indicator	2010	2010	2009	Difference (Out-turn)	
	Adjusted Plan	Estimated Actual	Actual	Birr	Percent (%)
<b>Total Expenditure</b>	<b>15,305.93</b>	<b>14,775.03</b>	<b>11,124.65</b>	<b>3,650.38</b>	33%
<b>Recurrent Expenditure</b>	5,862.32	<b>5,722.74</b>	<b>2,216.38</b>	<b>3,506.36</b>	158%
Administration and General Service	3,249.92	3,204.55	1,613.47	<b>1,591.08</b>	99%
Economic Service	606.7	527.153	138.57	<b>388.58</b>	280%
Social Service	1,982.53	1,964.11	464.34	<b>1,499.77</b>	323%
<b>Capital Expenditure</b>	<b>9,443.61</b>	<b>9,052.30</b>	<b>4,889.69</b>	<b>4,162.61</b>	85%
Administration and General Service	1,136.48	1,127.80	431.68	<b>696.12</b>	161%
Economic Service	7,118.75	6,792.97	3,268.23	<b>3,524.74</b>	108%
Social Service	925.713	1,131.53	1,189.78	<b>-58.25</b>	-5%

**The following Tax administration reforms have been improving over the past years;**

**Tax Information System:** during the reporting period, Modern tax information system has been developed and implemented to improve efficiency, supply and usage of tax administration system by using computerized data base. The system provided reliable and fast flow of information within and outside the authority, fast service delivery, controls tax evasion, create a dependable data base, and help for efficient and effective tax collection. To achieve these, the authority had developed and implemented two data base softwares, SIGTAS&SIRM databases.

**Tax Identification Number (TIN):** Under the current tax payers’ registration system, all tax payers are expected to have Tax Identification Number (TIN). 10 TIN Registration Centers have been established and automated TIN system has been developed, deployed and supported by biometric finger print system at a Regional level. At a total of 127.704 finger print information has been collected.

**Cash register system:** In the reporting period, additional 630 tax payers have introduced and used cash register machines in their business operations. This raises the total number of tax payers using cash registers to 704 who have now installed a total of



cash register machines. To improve the effectiveness of the introduction of the cash register system, trainings and supports have been provided to various stakeholders.

With regards to implementation of VAT tax Registration and Collection in the Region, 988 private businesses are registered for value added tax and currently collecting taxes on behalf of Somali regional state revenue authority.

**Enhance tax payers' awareness on tax and improve public relation:** The main objective here is to enhance awareness of tax payers and there by encourage voluntary compliance, improve taxpayers training and relations system, increase tax payers' registration and improve tax payers' participation and partnership. To achieve this objective, awareness creation and education on tax has been undertaken via electronic and print media as well as via workshops.

Finally, law enforcement is also an important element of the tax administration reform pursued. The Somali regional government has taken visible measures during the GTP II period to enforce the laws across all taxpayers and there by ensure compliance, fairness and rule of law. For instance, number of taxpayers whose tax intelligence report were prepared due to their violation against tax regulations have reached 713 and 580 of them, which is 81.3%, are taken before the law and legal measurement have been taken. A number of prosecutions and enforcement of the tax laws have been undertaken both at regional and Woreda levels.

### **Inter-Governmental Fiscal Transfers**

The regional financial resource should be allocated among the regional bureaus, woredas and towns based on their expenditure obligation and affordable needs, conditioned to bring about measurable outcomes. Since finance is a meager economic resource, it ought to be used efficiently and effectively. Hence, a need-based/unit-cost-based block grant formula was introduced by the region in EFY 2004 for the horizontal allocation of the subsidies to the woredas and city administrations. The formula has been updated and approved by regional council on 2010 efy the new formula will effective for three years starting from 2010-2012 efy.

The very ideas of the need based, outcome conditional and general-purpose grant are to address on the minimum the basic needs interms of existing commitment and sustainable service expansion for the steady growth of service needs, to give discretion for woredas in their financial management in order to foster their creative engagement and to bring about measurable results.

As it is mentioned above, the fundamental principles that mould the formula are efficiency, equity, adequacy and comprehensiveness, transparency and comprehensibility, non-manipulability, stability and predictability.

Resource has been distributed among woredas and city administrations using the aforementioned grant formula in GTPII period to address the minimum basic needs interms of existing commitment and sustainable service expansion and also to determine the 'right' level of resource allocation.

### **Public Financial Management Performance**

In order to improve the Public Financial Management system in the Somali Region, Public Accounts Committee has been established at regional council and is currently functional to ensure accountability and review audit reports submitted by the Regional Office of Auditor General. Budget and Finance Standing Committee was also established to carry out review on draft recommended budget submitted by BOFED to the regional cabinet and then regional council for approval. The federal government of Ethiopia has a legal framework as requirements within which the Public Financial Management system has to operate effectively. Therefore, the required financial proclamations, regulations, directives, operational procedures and manuals have been contextualized and exercised effectively in the region over the past years.

The region has established budgeting, accounting, disbursement, procurement and internal audit systems and follow-up their implementation effectively .The previous practice of cash transfers has been changed to zero balance and single treasury account method, based on cash flow and drawing limit at regional level. Central Treasury Account and the Z accounts constitute the Treasury Single Account (TSA) and its balances are calculated on a daily basis.

IBEX automation system on Budget and disbursement was introduced in which Budget allocation and disbursement handling steps were minimized, in addition to that IBEX system has been promoted to online system through establishment of data center at BOFED and woreda net connections. The quality accounts reports are submitted monthly by all levels. External audit coverage has increased in recent years to 92 percent of public bodies and Woreds Audit committees have been established. Finally, more efforts were put to ensure citizens engagement towards awareness and understanding on resource allocation and utilization as part of transparency and accountability to build democratic institutions at all levels in the region.

### **MACRO-ECONOMIC PLAN**

#### **Strategic Direction**

The Second Growth and Transformation Plan, in its macroeconomic plan, envisages building strong economic ground in the region to be able to meet the national goal of

achieving to make Ethiopia a lower middle income country. In the next five years, the regional economy is expected to maintain the double digit economic growth that has been registered in GTP I period, ensure structural transformation in the economy, enhance macroeconomic planning, monitoring and evaluation capacity, investment development, job creation and poverty reduction. Moreover, efforts to boost up the revenue generating capacity of the region and hence scale up self-financing of development projects will be focused in GTP II period.

In the Second Growth and Transformation Plan (GTP II) the last three years (2008-2010 efy), the share of agriculture sector, accounted, on average, 56% of the regional GDP, it was below the expected result to decline and in turn the share of industry and service sectors were not raised as it was expected to rise. To that end, in the coming years resources will be channeled in a way that promote industry sector, with particular emphasis given to manufacturing sub-sector; the revenue generating capacity will be consolidated, the tax system will be reformed and fiscal management system will be reengineered. Efforts to promote investment development and employment creation are central in the second growth and transformation plan. All in all, the core macroeconomic objectives of GTP II are:-

- Maintain the double digit economic growth rate that has been registered in the past couple of years, with plans to register 11 percent (in base case scenario) and 13.2% (in high case scenario) economic growth;
- Realize structural transformation;
- Scale-up Macroeconomic Planning, Monitoring and Evaluation Capacity ;
- Fiscal management system Reforms;
- Investment Promotion, Employment Creation and Poverty Reduction.

### **Economic Growth**

In the GTP II plan period, it is targeted to achieve 11 % economic growth, in base case scenario, and 13.2% in high case scenario. This goal is achievable as the region registered fast growth in the past five years the flourishing investment in the region will also be additional impetus to overall economic growth of the region.

### **Base case scenario**

The annual growth rate of 11% under base case scenario is considered to achieve the national and regional long term developmental plans and vision to become a low middle income country by 2025. The major strategies envisioned to achieve the 11% growth rate includes, among others, expanding commercial agriculture in major river basins of the region, enhancing the productivity and marketing related issue in the

livestock sub-sector, promoting private investment, scaling up the human capital of the region, step up ties with the federal government to work together in areas where there might be gaps in terms of technical, skilled human power and other strategic areas key for economic growth. The growth of the industry sector, particularly the manufacturing sub-sector is expected to be the engine of economic growth.

#### Real GDP growth Forecast under the Base Case (2011-2015EFY)

Sector	Average Performance	Actual	Sectorial Growth forecast (GPT II)					Average
	(2008-2010 efy)	2010 efy	2011 efy	2012 efy	2013 efy	2014 efy	2015 efy	(2011-2015 efy)
Agriculture and Allied	8	6.5	7	8	8	8.5	9	8.5
Industry	20	20	20	20	21.5	22	23	21.5
Service	13	16	17.1	17.2	18.2	16.4	15.2	17.2
Gross Domestic Product (GDP)	8	7	10.1	1	11.2	11	11	11.00

The economic growth is expected to be broad-based, with agriculture, industry and service sectors to grow by 8.5%, 21.5% and 17.2% percent respectively.

In the past five years, agriculture has been the dominant sub-sector in the economy of the Ethiopian Somali regional state, taking an average of 60% share of the regional GDP. The agricultural sector in turn is largely dominated by livestock sub-sector. In GTP I period, for example, livestock sub-sector accounts, on average, 74% of agricultural GDP; with crop and forestry sub-sectors taking 5.6% and 4.45 of agricultural GDP respectively. In GTP II period, parallel to enhancing the production and productivity of the livestock sub-sector, efforts will be underway to diversify the agricultural sector particularly through crop sub-sector development. Forestry and fishing development works will also be a focus. Overall, widening the base of agricultural GDP will be effected in GTP II period.

To achieve this goal, expanding small scale irrigation, widening up of commercial farming, introducing and widening the practice of small scale farming in the agro-pastoral communities, introducing modern agricultural practices in farming, like fertilizers, introducing modern mechanized farming, scaling up investment in agricultural research and development, experience sharing of best agricultural (particularly in crop sub-sector) practices from other regions, utilizing the immense livestock potential of the region through expanding animal health extension services,

re-engineering the livestock market and chain system , among others.

In GTP I period, industry has been growing on average by 6.3%. The performance of industrial sector in GTP I period reveals that construction and mining and quarrying sub-sectors are dominant in the industrial sector, with their respective contribution of 62.2% and 25.5% of real GDP; manufacturing sub-sector only contributes an average of 7.4% of industrial sector in the GDP. In GTP II period, efforts will be heightened to boost up industrial sector. To achieve this goal, industrial sector has top grow on annual average of 21.5% in the plan period. In GTP II period, the manufacturing sub-sector is expected to grow by an annual average of 21.9%. Construction, mining & quarrying sub-sectors are expected to show average annual growth of 16.3% and 17.9% respectively. Energy sub-sector will grow by an average of 10% per annum in GTP II period.

To achieve industrial sector targets, wide-scale efforts will be underway to attract private investment into the region in the GTP II period. In this regard, efforts will be exerted to promote the massive investment opportunities the region has, mobilizing the huge capital and skill that the Ethiopian Somali diaspora possesses will also be the focus of the regional government. As part of attracting the domestic and foreign investment in manufacturing sub-sector, the regional government, in collaboration with the federal government (Industrial Park Development Corporation-IPDC), industrial park will be introduced in the region. In partnership with the federal government, the region will provide conducive working environment to local and foreign companies interested in natural gas and oil explorations; scaling up the financial, technical and skills of those involved in the construction sub-sector will also be done; enhancing the production and productivity of small scale mineral developers through equipping with the modern know-hows and technologies that supports their capacity will be a focus.

The service sector, which has been growing on average of 16.3% in the past five years, is also expected to maintain this growth, with annual average growth rate of 17.2% in GTP II period. The regional government will support private investment in whole sell and retail trade development. In this context, the small and medium scale enterprise development that participate particularly women and the youth will get various supports. Hotel and tourism development is also another area of focus as part of service sector development. Scaling up the impressive initiatives that particularly the Somali diaspora engaging in the hoteling business in major cities of the region will also get attention in GTP II period

In general, the planned 11% growth rate of the regional economy will be achieved through realizing the production and productivity in diverse economic sectors and sub-sectors. The economic growth under base case scenario will be crucial in laying foundations so as to realize the long term developmental plans as envisioned by the regional government in particular and federal government in general.

### High Case Scenario

Although the base case scenario establishes an average annual growth of 11% in the coming five years, still the Ethiopian Somali region has immense potential to register even higher growth rate of 13.2% on average. In the context of high case scenario, agriculture is expected to show annual growth, on average, 11%. The industry and service sectors also planned to register a 24.2% and 19.2% growth respectively.

The high case scenario is based on two assumptions: the huge potential of the mining sub-sector, with the natural gas and oil exploration efforts so far has been on the verge of completion. Hence the share of the industrial sector, powered by the mining sub-sector will be backbone of the regional economy. Moreover, the agriculture sector has immense potential to support the growth even more than it has planned in base case scenario.

### Real GDP Forecast under the High Case (2011-2015EFY)

Sector	Average Performance	Actual	Sectorial Growth forecast (GPT II)					Average
	(2008-2010 efy)	2010 efy	2011 efy	2012 efy	2013 efy	2014 efy	2015 efy	(2011-2015 efy)
Agriculture and Allied Activities	8	6.5	11	10.8	10.8	11.1	11.3	11
Industry	20	20	23.8	24.6	24	25.1	23.4	24.18
Manufacturing	13	16	23.9	25.3	26.2	26.7	28.4	26.1
Service			19.3	19.2	19.1	19	19.6	19.225
Gross Domestic Product (GDP)	8	7	12.0	12.2	12.4	12.2	12.0	13.2

### Fiscal and Public Expenditure Plan (Medium-term perspective in expenditure budgeting)

The fiscal policy of the region has been aimed at generating maximum revenue potential to cover the required expenditure to support region's fast, sustainable, broad based and equitable development.

Somali Regional five-year plan 2008EC – 2012 EC (Somali GTP II) envisaged massive push to attain the GTP II and SDGs' indicators. Thus, the plan has forecasted more funds than the regular budget. The total budget required during the five-year plan has been estimated at 94 billion including Channel one and two funds. During the preparation of the plan, it has been recognized that the input from non-governmental organizations (NGOs) could not be predicted. In addition, the direct investment budget from the federal institutions is not reported as a part of financial report. During the first three years of the plan, approved budget was increased from 6.45 billion Birr in 2007 EC to 15.31 Billion Birr in 2010 EC. Allocation of capital budget compared to the total budget has been also increase from 50% in 2007 EC to 61% in 2010 EC. The yearly approved budget compared to five years expenditure plan shows high estimating from 86% to 90%. Hence, the expenditure forecasts has been updated each year through mid-term expenditure frame work and macro-economic fiscal frame work, similarly, multi-year revenue including federal subsidy and on-budget assistance was also updated each year. The following tables shows forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure.

### Fiscal forecasting

#### Projected Regional revenue including federal subsidy and on-budget assistance

Description	Actual	Actual	plan	Estimated actual	Plan (proposal)	Plan	Plan	Plan
Ethiopian fiscal year	2008	2009	2010		2011	2012	2013	2014
<b>Total Regional Revenue and assistance</b>	8,875.73	<b>11,223.46</b>	15,305.93	<b>14,991.54</b>	<b>17,475.93</b>	<b>19,386.26</b>	<b>20,984.18</b>	<b>22,783.18</b>
<b>Total Domestic revenue</b>	1,846.41	<b>2,378.00</b>	3,000.00	<b>2,787.86</b>	<b>3,100.00</b>	<b>4,200.00</b>	<b>4,600.00</b>	<b>5,200.00</b>
Tax revenue	1,294.20	1,746.01	<b>2,301.21</b>	1,998.73	<b>2,401.21</b>	3,233.70	3,433.70	3,833.70
Non-tax revenue	552.204	631.989	698.8	789.122	1,000.00	966.305	1,166.31	1,366.31
Subsidy from MOFEC	6,870.45	8,818.49	12,203.68	12,203.68	13,714.34	15,156.50	16,356.50	17,556.50
On-budget assistance (from MOFEC)	22.268	26.967	34.25	29.28	24.88	29.76	27.68	26.68
Revenue including grants as total of nominal GDP (%)	20	21	22	<b>22</b>	<b>22</b>	<b>23</b>	<b>24</b>	<b>25</b>

As part of the efforts of the region to cover government expenditures with domestic sources and reduce major dependency on federal subsidy, total revenue including assistance to GDP ratio has been increasing. Empirically, the share has raised from 21 percent in 2008 efy to 22 percent in 2010 efy.

**Expenditure fore-casting (multi-year expenditure estimates)**

Description	2008	2009	2010	Hamle-Megabit/2010		Budget out-turn		Fiscal forecasting			
				2010	2009	Birr	%	2011	2012	2013	2014
	Actual	Actual	Adjusted plan	Estimated Actual	Actual			Budget Proposal	Plan	Plan	plan
<b>Total Expenditure</b>	<b>9,149.23</b>	<b>11,124.65</b>	<b>15,305.93</b>	<b>15,022.85</b>	<b>11,124.65</b>	3,898.20	35	<b>16,871.58</b>	<b>19,805.26</b>	<b>21,505.26</b>	<b>24,491.41</b>
<b>Recurrent Expenditure</b>	<b>1,839.98</b>	<b>2,216.38</b>	<b>2,926.54</b>	<b>2,959.73</b>	<b>2,216.38</b>	743.35	34	<b>3573.07</b>	<b>4,402.86</b>	<b>5,002.86</b>	<b>5,802.86</b>
Administration and General Development	1,340.74	1,613.47	1,907.92	1,955.30	1,613.47	341.83	21	1,843.83	2,574.30	2,774.30	3,174.30
Economic Development	109.45	138.57	264.71	200.35	138.57	61.78	45	184.623	238.04	1009.9	1109.9
Social Development	389.8	464.34	753.92	804.08	464.34	339.74	73	644.619	918.66	1,218.66	1,518.66
<b>Capital Expenditure</b>	<b>4,258.35</b>	<b>4,889.69</b>	<b>6,550.15</b>	<b>6,233.89</b>	<b>4,889.69</b>	1,344.20	27	<b>6914.59</b>	<b>7,787.32</b>	8,087.32	9,287.32
Administration and General Development	352.49	431.68	276.8	551.06	431.68	119.38	28	473.42	1,026.17	1,076.17	1,276.17
Economic Development	2,955.05	3,268.23	5,161.61	5,079.13	3,268.23	1,810.90	55	5,036.84	4,758.83	4,808.83	5,408.83
Social Development	950.81	1,189.78	1,111.75	603.7	1,189.78	-586.08	49	1,404.31	2,002.32	2,202.32	2,602.32
Woredas Subsidy	<b>3,050.90</b>	<b>4,018.58</b>	5,829.23	<b>5,829.23</b>	<b>4,018.58</b>	1,810.65	45	<b>6,383.93</b>	<b>7,615.08</b>	<b>8,415.08</b>	<b>9,401.23</b>



## Budget proposal for 2011 efy

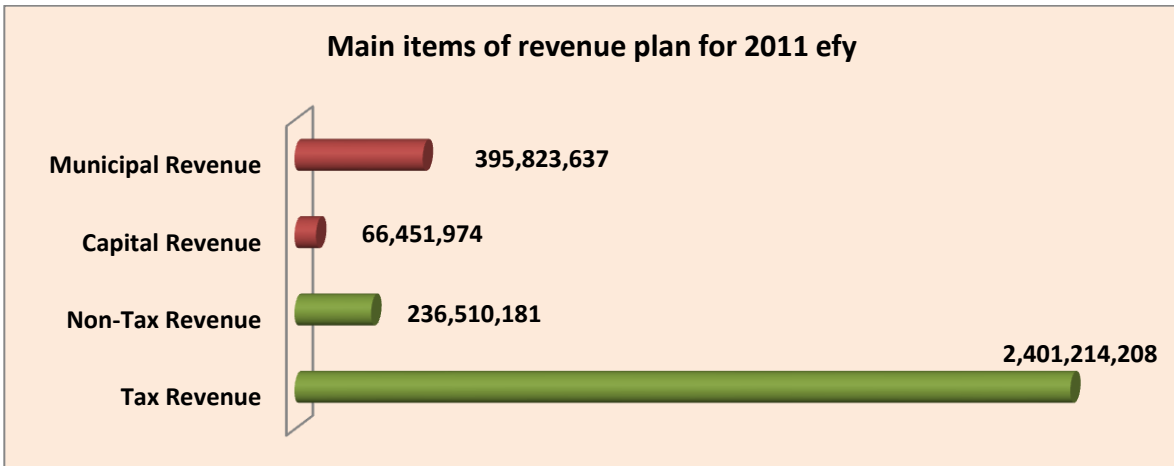
The total Budget resource of the region for **EFY 2011** is **Birr. 16,871,585,843** it has increased **7% as compared to previous year of 2011 efy**. The budget comprises two parts, the first part is the budget that the region allocated to regional Sectors, Zonal sub-agencies, Colleges, Hospitals, Boarding schools, Woredas and City administrations to cover Salary, Operating and Capital expenditures which is **Birr 16,272,785,843**. Second part is the Capital expenditure support for the region to finance only projects that help achieve the **Sustainable Development Goals** at regional irrigation and basin development bureau level which amounts to **Birr 598,800,000**.

The major source of the budget is the block grant (subsidy from the federal treasury), regional domestic revenue accounts **18 %** of the Total Government budget. Resource has been allocated and transferred to woredas and Cities based on the **grant formula** which is a need based or expenditure approach, the formula has been updated and approved by the council on 2010 efy, which has been intended to be functional for 2010-2012 efy, the region will revise the formula as per the schedule and new will be used on 2013 efy. Out of the total budget available for distribution in 2011 EFY, **Birr 6,383,927,831.00** will go to Woredas and City administrations where as **Birr 10,487,658,012.04 including SDG and assistance budget** has been allocated to Regional sectors and Zonal Sub-agencies. The following are summary of all general Budget resources of the region by type and source of finance.

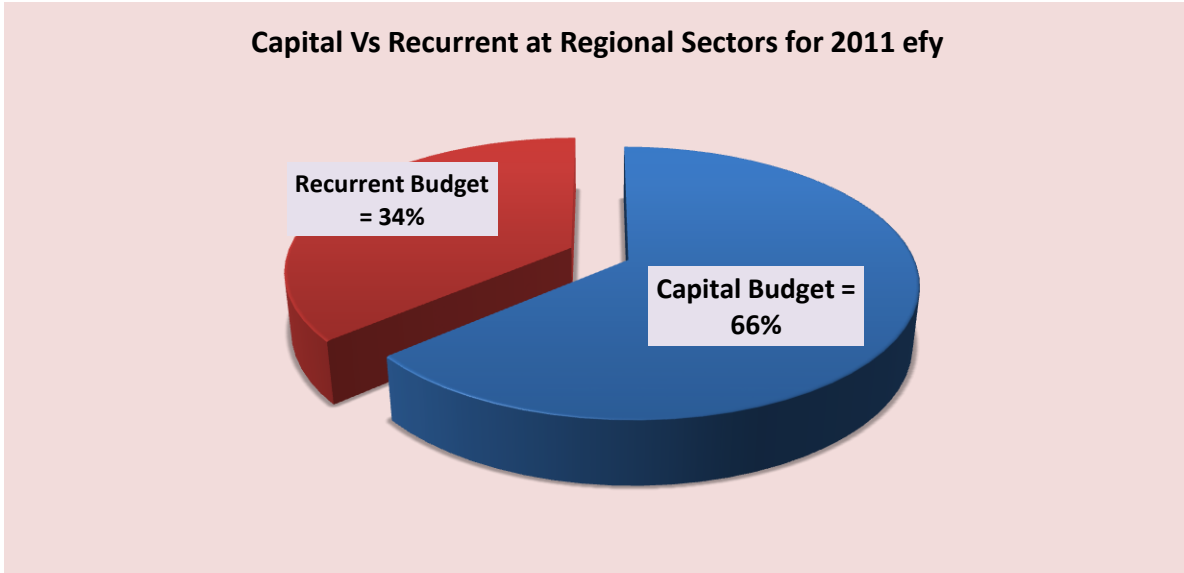
Revenue plan for **2011 efy** is **Birr 3.1 Billion**, which has increased **3%** as compared to revenue plan of 2010 efy. The sources of revenue plan is shown below;

### Source and main revenue items

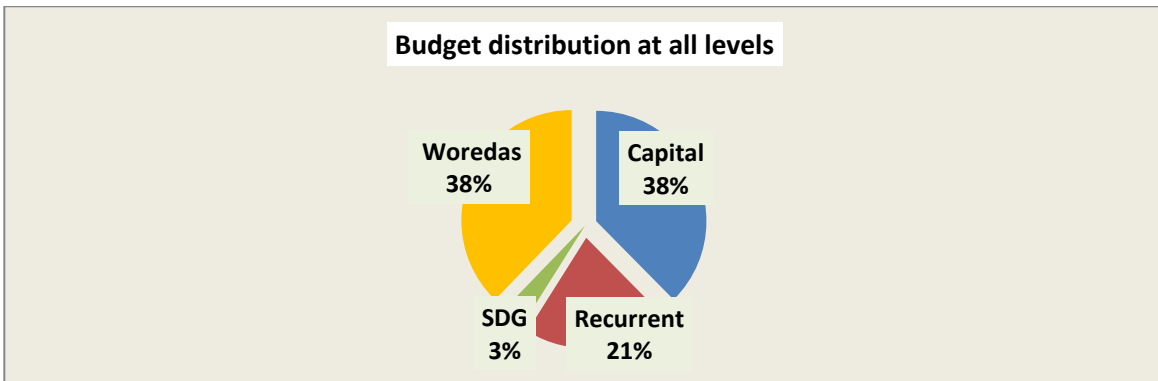
Tax Revenue	<b>2,401,214,208</b>
Non-Tax Revenue	<b>236,510,181</b>
Capital Revenue	<b>66,451,974</b>
Municipal Revenue	<b>395,823,637</b>
<b>Total Revenue plan</b>	<b>3,100,000,000</b>



At regional sector bureaus level, **Birr 6,914,587,653** has been allocated to capital budget, where as **Birr 3,573,070,359**, has been allocated to recurrent budget (Salary and operating expenditure).



Total budget distribution for capital, recurrent and SDG at regional sector bureaus and subsidy to woredas and city administrations are shown the below chart



### Current fiscal years vs revenue proposal for 2011 efy (Out-turn)

Description	Adjusted plan	Estimated actual	Plan (proposal)	Difference/out-turn	Difference/out-tun
Ethiopian fiscal year	2010		2011	D/t of 2010 plan and 2011 plan	D/t of Actual of 2010 and 2011 plan
Total Regional Revenue and assistance	15,305.93	14,791.54	17,475.93	2,170.00	2,684.39
Total Domestic revenue	3,000.00	2,587.86	3,100.00	100.00	512.14
Tax revenue	2,301.21	1,998.73	2,401.21	100.00	402.48
Non-tax revenue	698.8	589.122	1,000.00	301.20	410.88
Subsidy from MOFEC	12,203.68	12,203.68	13,714.34	1,510.66	1,510.66
On-budget assistance (from MOFEC)	34.25	29.28	24.88	-9.37	-4.40

#### Explanation;

As shown on the above table, the current years' fiscal performance is far below the planned targets in both tax and non tax revenues, the reason was recurrent drought and recent distress and border conflicts, hence the revenue plan has been projected less than the previous years projections as there is assumptions that shocks and distress could continue to next year also.

With regards to regional expenditure forecasts, the government has given main priority to new staffing in 2011 efy, therefore, salary budget will be more as projected earlier, the second priority will be rehabilitation and emergency budget supports in the coming year to offset internal displaced people of the region due to border conflicts between Somali and Oromia regions and also the recent violence happened in the region mainly in jijiga city, which has brought about loss of life and wealth.

Given the above reasons, the region will give attention to basic services development and huge cost will be allocated to education, health, water, agriculture, livestock and rural roads, the focus will be also housing problems and unemployment of youth and women

**Current fiscal year budget Vs Budget Proposal for 2011 efy (Out-turn)**

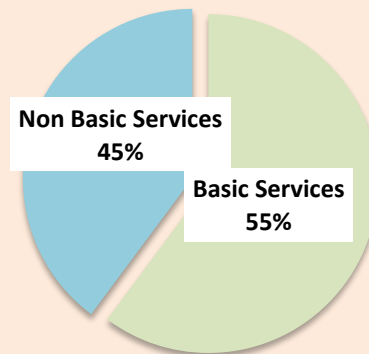
Description	2010		2011	Difference	
	Adjusted plan	Estimated Actual	Plan (Budget Proposal)	2010 and plan	Plan 2011 Actaul of 2010 and 2012 plan
<b>Total Expenditure</b>	<b>15,305.93</b>	<b>14,775.03</b>	<b>16,871.58</b>	<b>1,565.65</b>	<b>2,096.55</b>
<b>Recurrent Expenditure</b>	<b>5,862.32</b>	<b>5,722.74</b>	<b>3,573.07</b>	<b>-2,289.25</b>	<b>-2,149.67</b>
Administration and General Development	3,249.92	3,204.55	1,843.83	-1,406.09	-1,360.72
Economic Development	606.7	527.153	184.623	-422.08	-342.53
Social Development	1,982.53	1,964.11	644.619	-1,337.91	-1,319.49
<b>Capital Expenditure</b>	<b>9,443.61</b>	<b>9,052.30</b>	<b>6,914.59</b>	<b>-2,529.02</b>	<b>-2,137.71</b>
Administration and General Development	1,136.48	1,127.80	473.42	-663.06	-654.38
Economic Development	7,118.75	6,792.97	5,036.84	-2,081.91	-1,756.13
Social Development	925.713	1,131.53	1,404.31	478.60	272.78
<b>Woredas Subsidy</b>	<b>5,829.23</b>	<b>5,829.23</b>	<b>6,383.93</b>	<b>554.70</b>	<b>554.70</b>

Capital budget at regional sector bureaus level, priority was given to job creation, urban development, basic social services of water, education sector, health, agriculture, livestock, irrigation and rural roads (**Pro-poor sectors**) and also **low cost housing** as to reduce poverty and attain GTP II goals and global SDG.

**Basic service Vs non-basic service Budget in million Birr**

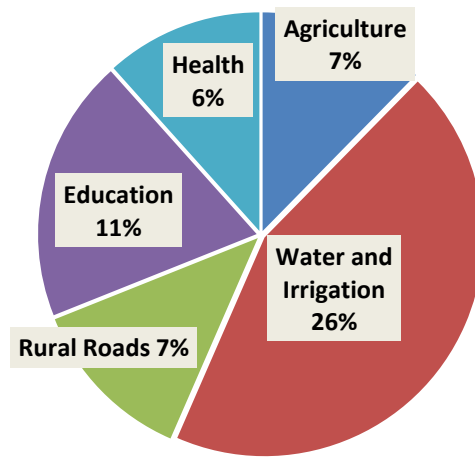
Sector	Total	%
<b>Total Capital</b>	<b>6,914.59</b>	
Basic Sectors	3,815.86	55%
Non-basic Sectors	3,098.73	45%

### Basic Service Vs Non-basic services



S.n	Name of Sector	Total Capital Budget	% share
	<b>Total Capital budget</b>	<b>6,914,513</b>	
1	Agriculture sector	498,912.30	7%
2	Water and Irrigation	1,814,559.81	26%
3	Rural Roads	468,971.55	7%
4	Education sector	743,348.36	11%
5	Health sector	436,892.74	6%

**Share of basic service sectors (Pro-poor) from total Budget**



**CHANGES OF EXPENDITURE FORECASTING (CURRENT AND LAST MEDIUM TERMS)  
FOR 2011 EFY**

S/n	BI code	Description	2011 efy				
			Current Medium term	Last medium term	Differences	Absolute difference	%
		<b>Grand Total Budget</b>	<b>2,075,893,447</b>	<b>1,851,980,730</b>	<b>223,912,716</b>	<b>542,561,383</b>	<b>29%</b>
1	100	Administration and General Service	1,037,946,723	925,990,365	111,956,358	111,956,358	12%
2	111	Regional Council	32,633,387	37,698,322	(5,064,935)	5,064,935	13%
3	113	Office of the Auditor General	12,091,194	15,593,762	(3,502,567)	3,502,567	22%
4	115	Office of Regional Administration	111,163,239	114,135,800	(2,972,561)	2,972,561	3%
5	117	Diaspora Agency	19,364,845	6,191,139	13,173,706	13,173,706	213%
6	119	Women and Children affairs Bureau	13,926,548	21,403,432	(7,476,885)	7,476,885	35%
7	121	Bureau of Justice	17,978,415	20,986,577	(3,008,163)	3,008,163	14%
8	122	Supreme Court	16,516,340	19,691,322	(3,174,983)	3,174,983	16%
9	123	Sharea Court	22,365,410	15,324,203	7,041,206	7,041,206	46%
10	124	Justice organs Training center	4,693,001	4,046,427	646,574	646,574	16%
11	126	Compliance and Grievance Handling Commission	5,694,349	6,028,128	(333,779)	333,779	6%
12	127	Police Commission	192,112,386	192,644,857	(532,471)	532,471	0%
13	128	Anti-Corruption and Ethics Commission	8,222,120	9,280,054	(1,057,935)	1,057,935	11%
14	129	Prison Administration	62,237,394	80,559,404	(18,322,010)	18,322,010	23%
15	133	Administration ,justice & security affairs Bureau	46,013,516	35,851,380	10,162,136	10,162,136	28%
16	135	Somali and Oromia bilateral Development Project	1,479,000	1,153,872	325,128	325,128	28%
17	144	Border Affairs Office	4,909,740	1,248,000	3,661,740	3,661,740	293%
18	152	Bureau of Finance & Economic Development	225,312,885	3,743,534	221,569,351	221,569,351	5919%
19	153	Government Communication Bureau	33,297,989	65,101,680	(31,803,691)	31,803,691	49%
20	154	Mass Media Agency	93,878,199	110,427,547	(16,549,348)	16,549,348	15%
21	155	Public Service and Human Resource administration Bureau	48,685,725	70,831,200	(22,145,475)	22,145,475	31%
22	156	Revenue Administration	37,804,592	51,726,948	(13,922,356)	13,922,356	27%
23	157	Culture and Tourism Bureau	12,865,600	42,322,775	(29,457,174)	29,457,174	70%

24	158	Vital Registration Agency	6,926,361		6,926,361	6,926,361	
25	161	Science & Technology bureau	7,774,490		7,774,490	7,774,490	
<b>26</b>	<b>200</b>	<b>Economic Development</b>	<b>5,447,020,021</b>	<b>4,707,328,003</b>	<b>739,692,018</b>	<b>2,317,046,390</b>	49%
27	211	Bureau of Agriculture and Rural Development	187,848,239	304,265,576	(116,417,337)	116,417,337	38%
28	212	Livestock and Pastoralist Development Bureau	385,336,311	330,833,423	54,502,888	54,502,888	16%
29	213	Pastoral and Agro pastoral Research Institute	33,259,526	42,320,302	(9,060,776)	9,060,776	21%
30	214	Environmental protection bureau	8,895,813	6,652,819	2,242,994	2,242,994	34%
31	215	Irrigation and basin development bureau	820,495,092	1,152,601,717	(332,106,625)	332,106,625	29%
32	216	Co-operatives Bureau	16,140,825	5,773,988	10,366,837	10,366,837	180%
33	221	Water bureau	1,038,096,032	1,169,319,142	(131,223,109)	131,223,109	11%
34	231	Bureau of Trade, Transport & Industry	128,227,895	52,523,397	75,704,499	75,704,499	144%
35	232	Micro and Small Enterprise Development Agency	8,012,133	7,495,918	516,216	516,216	7%
36	235	Investment Office	9,388,124	5,980,729	3,407,395	3,407,395	57%
37	272	Bureau of Works and Urban Development	2,354,349,289	972,720,913	1,381,628,376	1,381,628,376	142%
38	273	Rural Roads Authority	456,970,742	656,840,080	(199,869,338)	199,869,338	30%
<b>39</b>	<b>300</b>	<b>Social Development</b>	<b>1,434,072,741</b>	<b>1,091,791,509</b>	<b>342,281,232</b>	<b>899,268,450</b>	82%
40	311	Education Bureau	190,771,429	329,268,038	(138,496,608)	138,496,608	42%
41	312	TVET Bureau	266,888,819	403,456,387	(136,567,568)	136,567,568	34%
42	313	Center of Competence Agency	8,876,329	7,876,899	999,430	999,430	13%
43	319	Public Service and Management College	44,829,072	40,889,865	3,939,208	3,939,208	10%
44	331	Sport Commission	84,686,484	34,964,564	49,721,920	49,721,920	142%
45	341	Health Bureau	620,639,215	215,698,895	404,940,320	404,940,320	188%
46	342	Food, Medicine and Health care management Agency	6,789,982	5,243,100	1,546,882	1,546,882	30%
47	345	HIV/AIDS Prevention and Protection Bureau	6,913,728	10,343,161	(3,429,432)	3,429,432	33%
48	351	Labor & Social Affairs Bureau	23,091,695	10,523,795	12,567,901	12,567,901	119%
49	361	Disaster Prevention & Preparedness Office	180,585,986	33,526,805	147,059,181	147,059,181	439%



**Explanation:-**

The deviation between expenditure estimates of the current medium term budget and last medium term budget for the year 2011 efy, total variation is that current estimate is more than Birr **542,561,383** ( 29% ) in absolute term from last year estimate, though it is insignificant, the reason could be the assumption existed that the subsidy from federal level will continue to same growth rate as previous year subsidy of 2010 efy due to change in grant formula weight, therefore, high incremental expectation of regional revenue including subsidy and assistance has led to revise expenditure policy of the region. The deviations mainly exist in economic sectors and social sectors due to priority shifted to these sectors as they are pro-poor sectors.