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THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

Selected Issues and Statistical Appendix

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Approved by the African Department

March 6, 2006

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I. ETHIOPIA: AN MDG SCENARIO

A. Introduction

1. **Discussions on strategies for achieving the Millennium Development Goals (MDGs) formed an integral part of the 2005 Article IV consultation, and served to update work started on an MDG scenario during the 2004 Article IV consultation.** Thus together with the baseline medium term projections presented in the staff report, an updated alternative MDG scenario was also prepared which draws upon the results of the authorities' recently completed MDG Needs Assessment Synthesis Report.[1] The Synthesis Report itself draws on two separate but complementary strands of work by the government, developed with support from the UN Millennium Project, and the World Bank based on their Marquette for MDG Simulations (MAMS) model.[2] In particular, work on the MAMS was used to help estimate different costings for achieving the MDGs and to include costed interventions, particularly in infrastructure, which are not directly related to an MDG, but are needed as part of an integrated strategy to support reaching the MDGs, and particularly that of halving the poverty head count. While the UN work provided a sectoral bottom-up cost assessment, the MAMS uses a different approach, including the incorporation of some second round effects in labor markets and on productivity growth, to provide a possible lower bound to the costs of an MDG strategy. For the Synthesis Report, the authorities developed their own model along similar lines to, and incorporating results from, the MAMS to come up with lower and upper bound public sector costs of achieving the MDGs.

2. **The total costs of achieving the MDGs are estimated at US$101 billion, with an upper and lower bound public sector cost of US$76 billion and US$58 billion respectively.** The MDG scenario considered here incorporates the lower bound estimate of total public sector costs (US$58 billion), implying a six fold increase in per capita aid flows to US$64 in 2015. The magnitude of aid flows required to attain the MDGs is thus comparable to those included in the illustrative scenario for the 2004 Article IV consultation in which aid flows doubled as percent of GDP. However, while still illustrative, the current scenario is more robust in that it is drawn from sectoral costs identified by the authorities on the basis of the completed needs assessment and guided by work using the MAMS.

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[1] Ethiopia: The Millennium Development Goals (MDGs) Needs Assessment Synthesis Report, Development Planning and Research Department, Ministry of Finance and Economic Development (MOFED), December 2005, Addis Ababa

[2] MAMS is an economy wide simulation model that the World Bank has developed to analyze MDG strategies in different countries, with Ethiopia as a pilot study. The model integrates a relatively standard (recursive) dynamic general equilibrium model with an additional MDG module that links specific MDG-related interventions to MDG achievements.

Table 1. Ethiopia: MDG Synthesis Report—Projected Sectoral Costs 1/
(in millions of constant 2005 US dollars)

	Upper bound	Lower bound
Education	**9,583**	**6,650**
Health	**14,532**	**10,756**
Services	8,374	8,374
HIV/AIDS	6,000	2,224
Population	158	158
Rural	**11,288**	**11,073**
Water and sanitation	4,468	4,468
Food security	1,691	1,691
Agriculture and rural development	5,129	4,914
Gender	**76**	**76**
Urban development	**4,145**	**3,972**
Private sector development	**2,702**	**2,589**
Public investment	**33,797**	**22,999**
Roads	23,018	15,664
Irrigation/hydro/water infrastructure	5,549	3,776
Telecom	3,005	2,045
Power	568	387
Rail	1,657	1,128
Total	**76,123**	**58,116**

Notes:
1/ Includes treasury and donor financed components only. The lower bound scenario incorporates cross-cutting efficiency savings that reduce total costs by over 20 percent.

3. **These total costs must be broken down into annual expenditures to develop a macroeconomic framework.** In their new Plan for Accelerated and Sustained Development to End Poverty (PASDEP) the authorities have developed an initial five year Macroeconomic and Fiscal Framework (MEFF) which identifies projected government expenditures from the lower bound MDG cost estimate presented in the Synthesis Report. However, while the MEFF shows the estimated on-budget component of spending needed to achieve the MDGs, it does not capture the large infrastructure expenditures by public enterprises that are required. Nor does it include some significant off-budget programs to be supported by local communities and NGOs. In view of this, and the shorter time frame of the 5-year MEFF, the scenario presented here includes the costs incurred by non financial public enterprises to support achievement of the MDGs by 2015, and is consistent with the total lower bound cost estimates. These have been converted into an annual expenditure framework through 2015, based on simulations produced by the MAMS model which provides for a front loading of infrastructure investments in line with the authorities' strategy. The financing needs in the MDG macroeconomic scenario are shown as being met through external grants.

B. Macroeconomic Framework and Policies

4. **The scenario assumes that increased aid flows are both spent and, through increases in the external current account, absorbed.** A key element of the growth strategy is a frontloaded increase in public investment to reduce the country's severe infrastructure gap. In addition to increasing annual growth to around 7 percent as proposed in the Synthesis Report, the framework aims to contain annual inflation to 7.5 percent, to build up gross international reserve cover to 5.5 months of imports, and to protect domestic and external debt sustainability. Given the lack of information in the PASDEP or Synthesis Report on the balance of payments impact of MDG expenditures, the scenario presented has had to make assumptions on the import content of expenditures and their phasing, drawing particularly on the infrastructure investment plans of public enterprises. In addition, the baseline assumptions on the contribution of exports to GDP have been maintained. Given that GDP is higher under the MDG scenario, but external demand and international prices remain unchanged, an assumption of increased competitiveness has thus been built in.

5. **Discussions with the authorities on a scaling-up scenario focused on the macroeconomic framework to accommodate higher inflows and policies to promote faster growth**. Key issues included fiscal sustainability and addressing shocks; public expenditure management, exchange rate policy; the identification of priority policies in agriculture and the private sector to realize the required large improvement in productivity, and the role of infrastructure in promoting growth.

Growth, infrastructure, factor productivity and private sector response

Table 2. Sources of real GDP Growth

	Actual 1991/92-2004/05	MDG scenario 2005/06-2015/16
Real GDP at factor cost	4.1	6.9
Agriculture	2.9	6.9
Non-agriculture	5.1	6.9
Real per capita GDP	1.4	4.7
Nominal Investment/Nominal GDP (at m.p.)		
Total	19.6	37.6
Private	12.8	15.8
Public	6.5	21.8
Growth accounting		
Real GDP at factor cost	4.1	7.0
Capital stock	1.5	3.3
Labor	2.1	2.2
TFP	0.5	1.5

Source: Ethiopian authorities, and staff estimates and calculations.

6. **As with the 2004 exercise, the MDG scenario includes a growth target of 7 percent,** which the authorities consider necessary to halve poverty by 2015. This would represent a significant improvement over past growth trends. An updated growth accounting framework, extending the analysis that was presented in the last Article IV consultation, indicates that attaining this would require a sharp rise in annual total factor productivity (TFP) growth to around 1.5 percent as well as large increases in investment (to over 37 percent of GDP)—see Table 2. While government spending and higher external support would play a key role in improving the delivery of services and infrastructure, the scenario calls for an increased contribution from the private sector. Private investment is assumed to be "crowded in" by infrastructure investment, and market-based reforms would remove obstacles to private sector development to yield faster growth in TFP.

7. In support of such growth projections more work has gone into assessing the potential impact of increases in infrastructure investment, and of policy-based improvements in the environment for private sector development, on growth.

- **The impact of infrastructure on growth.** Empirical studies suggest that each additional 1 percent of GDP spending on infrastructure can add between 0.5 to 1 percent to the growth rate after 5 years, but that the relationship is non-linear, since diminishing returns may soon set in. In Ethiopia's case, the low starting point of very poor infrastructure and the desire for a balance between e.g., road construction and electrification which tend to have a more positive impact, give some support for assuming a growth response at the upper end of the range found in empirical studies. Scenarios developed with the MAMs include assumptions of improvements in private sector TFP growth of one percentage point in response to improved infrastructure, and show that in an aid constrained environment, a focus on infrastructure investment produces more rapid GDP growth, allowing the MDG income poverty target to be met. Such scenarios assume a significant private sector productivity response to improved infrastructure provision starting in 2009. Central to this response is the view that infrastructure links producers and consumers to national and international markets and information flows, raising returns to private investment. However, the estimates cannot be entirely empirically based: the unanswered question is whether infrastructure investments would be sufficiently well-designed and implemented to yield a private sector response.

- **Improving agricultural performance** lies at the heart of growth prospects and poverty reduction. Raising real output growth in agriculture from a historical average of 2.9 percent to the 7 percent required to accelerate real GDP growth is key. Historically, growth in agriculture production has been driven by increases the area cultivated, rather than improvements in productivity; specifically, yield growth during 1991/92-2004/05 has been flat at around 0.2 percent per year. Given significant pressure on land, sustaining higher rates of growth in agriculture production over the medium term will therefore require substantial improvements in productivity. The authorities' strategy to achieve this is based on changing the structure of current production (which is mostly subsistence-based) to commercially-oriented small-scale production, including for export. Such a strategy must address many issues including "connectivity", security of tenure, inefficient input and output markets, access to credit, improved extension services and irrigation. If these can be resolved, the World Bank estimates that with better soil and water management, combined with wider adoption of existing technologies (seeds and fertilizer), Ethiopia could achieve a doubling of cereal yields in food secure areas, and an increase of 50 percent in food insecure areas.

- **Accelerating private sector development** is also key to increasing and sustaining growth, and providing employment opportunities to raise incomes. However, private sector development remains in its infancy, reflecting the slow transition to a market economy, and the contribution of industry to GDP has not changed significantly over the last 13 years. There is thus a need to accelerate reforms in order to allow for the assumed strong positive private sector response. The World Bank has identified some key areas to improve the investment climate including; deeper financial sector reform; acceleration of the privatization program, and further urban land reform. In addition, emphasis is needed on providing public goods[3] that foster the development of the private sector.

[3] This includes provision of infrastructure and efficient institutions, disease control, agricultural research, efficient customs procedures, market information, and promoting competition in marketing and transport services.

Private savings and financial sector development

8. **The MDG scenario entails a significant private sector response to reforms and infrastructure development,** as described above. In addition, although not clearly enumerated, the PASDEP implies a substantial amount of financing for planned public enterprise spending will be sourced domestically, both from internally generated resources, and from recourse to domestic bank borrowing. While currently commercial banks, most particularly the state owned Commercial Bank of Ethiopia (CBE), hold excess reserves (see below), it is clear that private savings and their intermediation will need to rise over time to support higher private investment and the financing needs of public enterprises. This highlights the need for financial sector reform over the medium term even if, over a horizon of three years or so, such reforms would not be expected to yield significant gains. There is a risk that without a clear strategy in this area, the gains from scaling up will not translate into a sustained private sector response. If the financial system were to remain an obstacle to the effective mobilization of domestic savings, increasing foreign direct investment (FDI) could be an alternative. While there has been some emphasis given to FDI in the new PASDEP, the MDG scenario does not factor in a large increase in inflows, so that FDI remains low in relation to total private investment.

A consolidated MDG fiscal framework

Coverage of fiscal activities

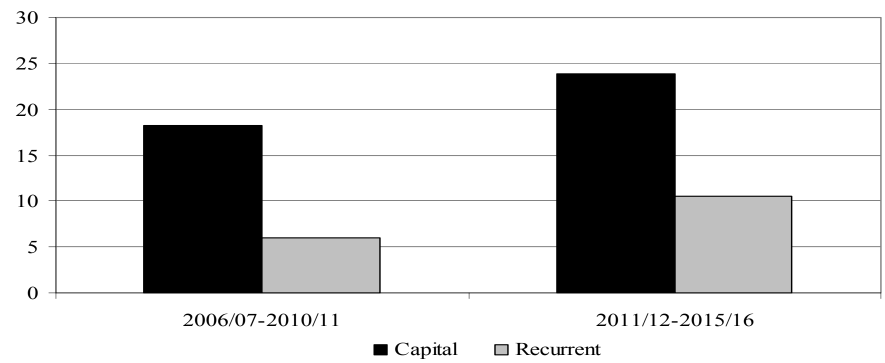
9. **The coverage of fiscal operations in the MDG scenario is broader than the definition of general government used by the authorities and presented in the staff report.** A significant share of infrastructure investments would be undertaken by the largest public enterprises, including the Ethiopia Electricity and Power Company (EEPCo), the Ethiopia Telecommunications Company (ETC). The aim of these programs is to extend electricity coverage from 16 to 50 percent of the population during the next five years, and improve telecommunications and Internet connectivity rates. These social development investments are not solely commercially oriented, and if tariffs are not permitted to rise sufficiently to cover the higher operating costs then the budget might need to absorb these quasi-fiscal costs through explicit transfers, or implicitly through lower dividends and tax concessions. In addition, a significant share of these investments is to be financed by government-guaranteed bond sales to the major state-owned commercial bank. Given the potential for these contingent liabilities, the fiscal presentation for the MDG scenario consolidates the full costs of achieving the MDGs, including the off-budget social development mandates of public enterprises.

Infrastructure composition

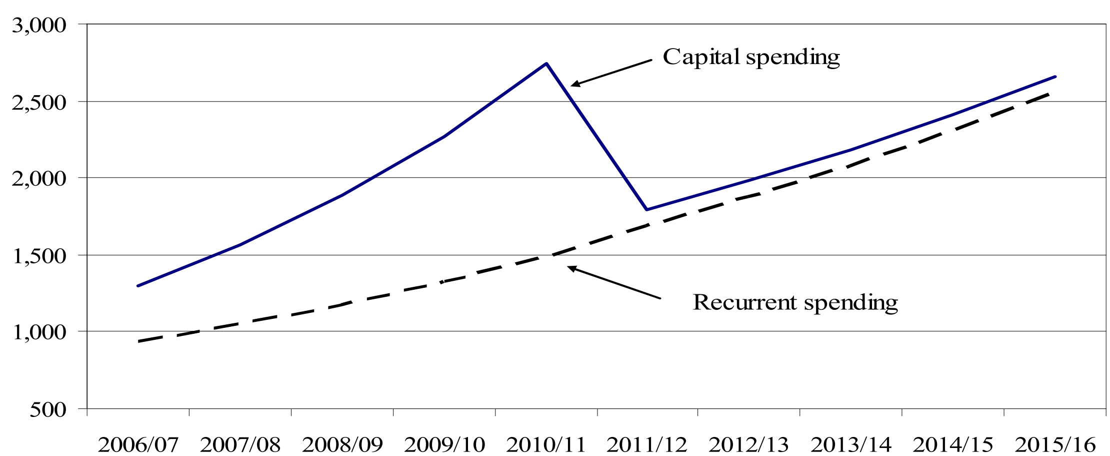
10. **The fiscal strategy is driven primarily by the relative frontloading of infrastructure investments.** Figure 1 compares the phasing of recurrent and capital spending during the first and second five-year periods leading up to 2015.[4] Although

Figure 1. Ethiopia: Phasing of Capital and Recurrent Costs to Achieve the MDGs

Panel A: Expenditure phasing in billions of constant 2005 US dollars



Panel B: Capital and recurrent spending in millions of constant 2005 US dollars



Sources: Staff calculations and World Bank MAMS simulation.

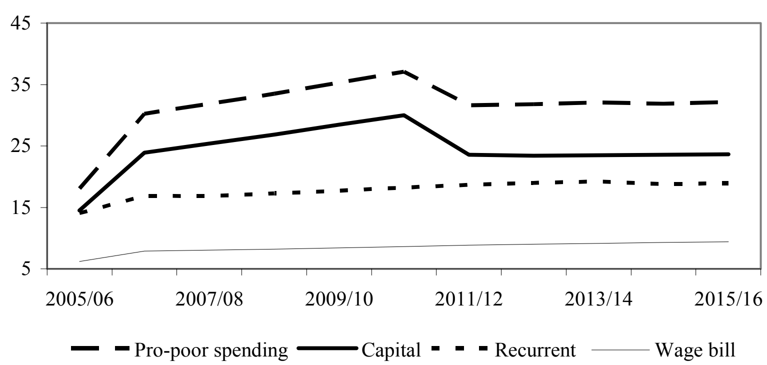
[4] The large decline in capital spending during 2010/11 in Panel B of Figure 1 corresponds to the completion of frontloaded investments in infrastructure.

infrastructure investments do not contribute directly to the MDGs, the relative frontloading of this spending is projected to lessen the cost of recurrent social service delivery over the medium term while "crowding in" private savings and investment. In this manner, higher public and private productivity growth will mitigate the risk of Dutch Disease by enabling the economy to more effectively absorb higher public spending with a relatively higher domestic content. The scaled-up level of capital spending would require a dramatic 6.5 percent of GDP increase in external assistance to 20.4 percent of GDP in 2006/07 (Table 2), compared to that projected for 2005/06 under the baseline scenario. However, the 2005/06 projections do not include the off budget spending and financing needs of public enterprises. For a better comparison, if the estimated off-budget expenditure plans of ETC and EEPCo are included in the 2005/06 fiscal projections, then the required increase is reduced to around 5 percent of GDP.

Expenditure composition

11. **The medium-term fiscal framework involves a significant shift in expenditure composition (Tables 2 and 3).**[5] Total infrastructure spending on roads, power, telecommunications and the railroad increases by 12.2 percent of GDP between 2005/06 and 2010/11. Capital spending on roads is the largest cost in the public investment program with an increase of about 6.3 percent of GDP between 2005/06 and the peak in 2010/11. In contrast, recurrent pro-poor spending increases steadily to reach 10.7 percent of GDP by 2015/16, or 5.3 percent of GDP higher than 2005/06. Defense outlays continue to adjust as a share of GDP to create additional fiscal space for pro-poor expenditures. Pro-poor spending peaks in 2010/11 at 37 percent of GDP but remains steady at about 75 percent of total spending throughout the scenario (Figure 2). Between 2005/06 and 2015/16, pro-poor expenditures increase by almost four times in per-capita dollar terms.

Figure 2. Ethiopia: Expenditure Composition of the MDG Scenario (as a percent of GDP)



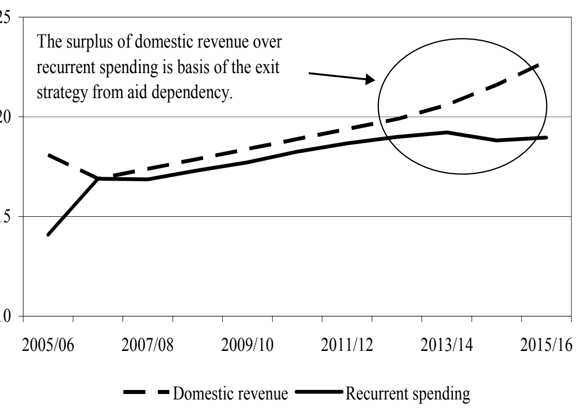
[5] The annual phasing is based on simulations produced by the MAMS model. The phasing envisaged by the authorities entails an even sharper front-loading of infrastructure investments, but would require a corresponding larger scaling up of aid inflows in the initial five years.

12. **The public sector wage bill increases in line with the scaling up of recurrent social spending.** The wage bill is projected to increase by 3.2 percent of GDP between 2005/06 and 2015/16 consistent with the findings in the initial 2004 Article IV MDG scenario. However, these projections are based on annual sequencing generated by the MAMS model. As a result, the projections depend on the success of investments in the education system in producing sufficient skilled workers to alleviate pressure on economy-wide wages.

Domestic revenue and the exit strategy

13. **Domestic revenue needs to increase dramatically to enable an orderly exit from heightened aid dependence.** Following the 2015 target to achieve the MDGs, donors could revert to previous ODA levels. As a result, the exit strategy from aid dependence should aim to raise domestic revenue during the next ten years so that at least recurrent spending can be financed from own resources. In this manner, the government can avoid recourse to unsustainable domestic borrowing to offset declining external assistance. Consistent with this objective, the MDG scenario targets an increase in the revenue ratio to around 22½ percent of GDP from under 17 percent of GDP in 2006/07. The higher level of domestic revenue would cover both the scaled-up level of recurrent spending at 19 percent of GDP, and a portion of the public investment program (Figure 3). Real GDP growth will play an important role in defining the scope for expanded real government spending in the context of fiscal sustainability and an acceptable level of aid dependency. Given this, and to safeguard the exit strategy, spending plans would need to be carefully reassessed over the medium term in light of the growth effects of the initial expansion in infrastructure spending, accelerated private-sector development, and other growth-promoting reforms.

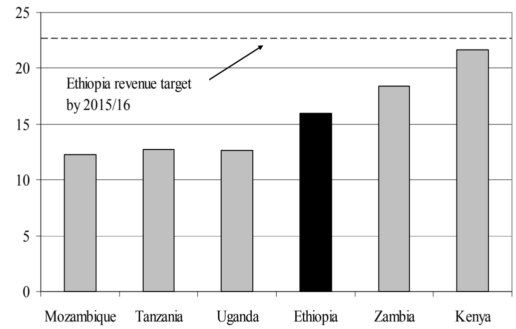
Figure 3. Ethiopia: Formulating an Exit Dtrategy from Aid Dependency
(as a share of GDP)



14. **The large revenue increase would need to be supported by both strong structural reforms in revenue administration and improved tax policies**. Structural reforms need to focus on strengthening the large taxpayer office, and institute the functional reorganization of tax administration. In particular, the audit, compliance and taxpayer service functions need to be significantly enhanced to support a more effective revenue administration. Reforms in the customs administration should aim to strengthen post-release verification, anti-smuggling

efforts, and modernize human resources. The distortionary system of commodity- and industry-specific exemptions from import tariffs should be reviewed to broaden the tax base and lower the average effective tariff rate, which is currently high at almost 20 percent. In addition, tax policy reforms should aim to bolster buoyancy given the envisaged pick-up in growth. Figure 4 illustrates that achieving the ambitious domestic revenue target would place Ethiopia on the high end of current revenue ratios among sub-Saharan African countries. Tax policy reforms also need to avoid regressive taxation that would run counter to the pro-poor objective of the MDG strategy.

Figure 4: Regional Comparisons of Domestic Revenue Effort
(as a share of GDP)



Source: IMF staff estimates and country authorities. Revenue ratios are calculated on the basis of data for 2003/04 for Kenya, Tanzania and Uganda and calendar year 2004 for Mozambique and Zambia. Ethiopia data correspond to 2004/05.

Public Expenditure Management

15. **Strengthening public expenditure management and capacity building will be vital to support implementation of the MDG scenario**, especially at the subnational level where the scaled-up resources to enhance social services will ultimately be spent (see Box below). In addition, the large role to be played by public enterprises, and their substantial impact on macroeconomic developments—including domestic and external borrowing levels, and import demand—argue for their consolidation into the budgetary accounts, or , at a minimum, enhanced monitoring of their activities. Timely fiscal reporting based on double-entry accounting data will be a priority to improve fiscal transparency and accountability, and to reassure the public and donors that the scaled-up aid flows are being well utilized. In addition, timely preparation and auditing of the fiscal accounts will be priorities to ensure that actual spending accords with budget appropriations.

Box 1. Reforming Public Financial Management (PFM)

Ethiopia is pursuing a comprehensive reform of its public financial management (PFM) systems under the umbrella of the Civil Service Reform Project (CSRP). Enhancing administrative capacity is essential to improve the efficiency of public spending and to effectively absorb scaled-up donor assistance. In this context, accelerated implementation of reforms in budgetary management is especially critical.

- **Budget preparation:** To improve the link between policy objectives, appropriations and performance indicators, the government is embarking on a transition towards program-based budgeting. The government may proceed on a pilot basis with a number of line departments during 2005/06. In support of this initiative, the medium-term expenditure framework will also require strengthening.

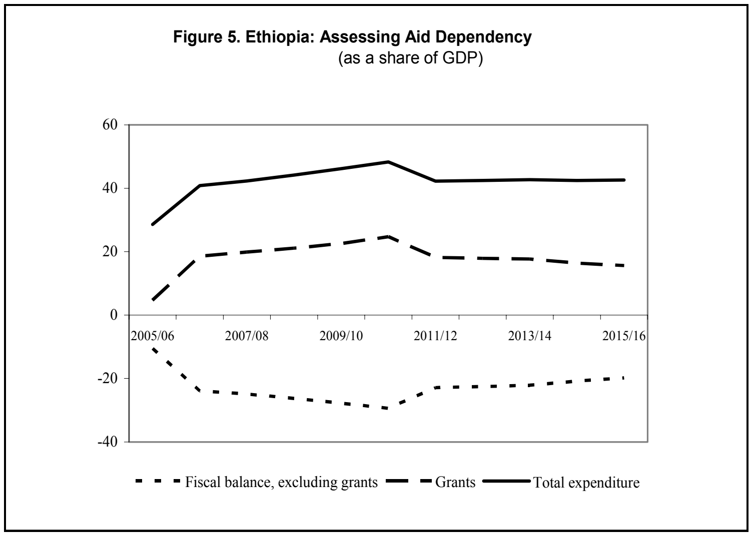
- **Budget execution:** More timely reconciliation of financing and fiscal accounting data with banking statements and the monetary accounts of the central bank are critical to enhance accountability and transparency.

- **Budget reporting:** Timely reporting of the consolidated government outturn is essential to better manage macroeconomic and fiscal policy. As an urgent step, the authorities should clear the backlog of annual fiscal accounts to be finalized and audited so that current budget planning can be based on an assessment of recent performance rather than incremental costing. The authorities should also re-double efforts to include the extra budgetary funds in fiscal reporting. Consolidated monthly reporting based on double-entry accounting data should become more readily available once the Budget Disbursement and Accounting system has been fully rolled out to budget users across all levels of government by end-2006. As an interim step, local governments should submit monthly fiscal reports to the federal consolidation department as well as the regional ministries of finance.

- **Public investment program**: The public investment program requires strengthened project selection, prioritization and project management. The infrastructure program of the major public enterprises is reportedly integrated into the project planning of line departments. Nonetheless, the rapid scaling up of large investment programs would need to be very carefully managed.

Resource gaps and the need for external financing

16. **Despite the large increase in targeted revenue, scaled-up spending would result in large annual financing gaps.** Figure 5 illustrates that the fiscal deficit excluding grants increases sharply, peaking in 2010/11 at almost 30 percent of GDP. MDG-related expenditure is the driving factor behind the widening fiscal deficit, however domestic resources would be clearly inadequate to finance higher spending by 20 percent of GDP between 2005/06 and 2010/11. The resulting annual resource gaps are met by a projected increase in external assistance reaching over US$6 billion in 2015/16, an increase in per capita terms from about US$11 in 2004/05 to almost US$65 by 2015/16.



17. **The composition of scaled-up aid in this MDG scenario is more heavily weighted towards earmarked project support than in the initial 2004 Article IV exercise**. The principal aid modalities in this scenario include project grants tied to infrastructure and road investments, and direct budget support to cover higher recurrent pro-poor spending and related capital spending in the health and education sectors. This represents a shift in the projected composition of aid compared to the earlier model that presumed scaled-up ODA would be largely delivered as untied direct budget support.

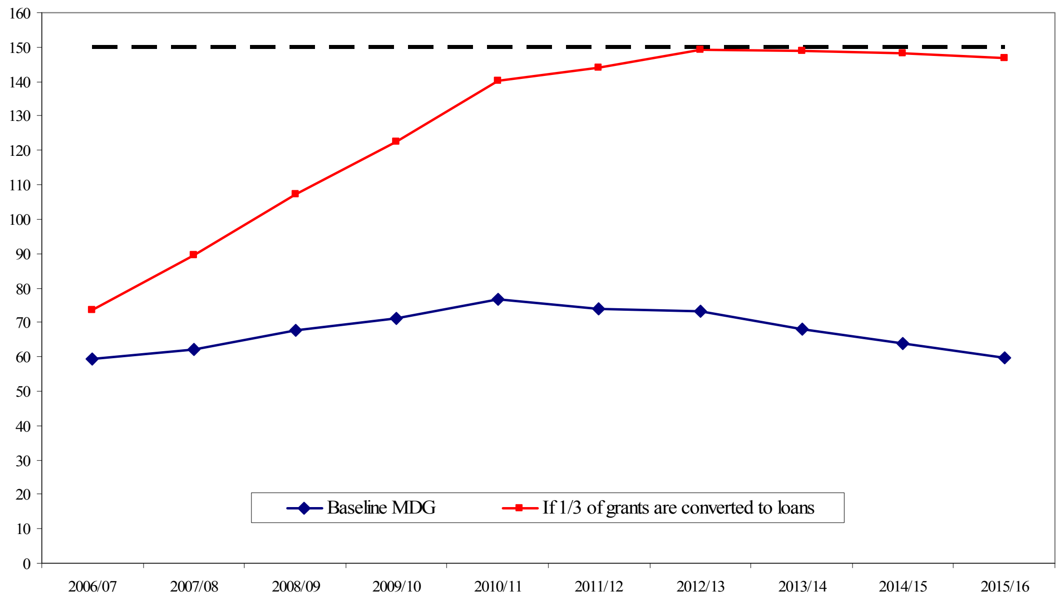
Debt Sustainability

18. **In addition to meeting priority spending, fiscal policy should be geared to protecting public debt sustainability and enabling an orderly exit from higher aid in due course**. Although the growth strategy underlying the MDG scenario seeks to lower vulnerability to climatic shocks through reducing the reliance in rain-fed agriculture, a significant risk will remain. In addition, a greater reliance on external budget support may add an further vulnerability. The MDG scenario thus assumes a declining domestic debt path to around 22 percent of GDP (see Annex).

19. **Given the magnitude of the resources needed under the MDG scenario, required external financing is assumed to be predominantly in the form of grants to ensure external debt sustainability.** Under this assumption, the projected NPV of debt-to-exports ratio, after assumed full delivery of MDRI relief, is maintained at between 60-80 percent. Sensitivity analysis highlights the risk of contracting new debt, even on concessional terms.

Replacing a third of the currently assumed inflow of grants with concessional loans, results in an increase in the projected NPV of debt-to-exports ratio to 150 percent.

Ethiopia: NPV of debt-to-exports ratio (in percent)



Note: The MDG scenario DSA results are not comparable with those presented in the staff report as the GDP, exports, and external financing projections, are different.

Aid absorption, spending,[6] and "Dutch Disease"

20. **The assumption that higher public spending is matched by increased foreign aid in the MDG scenario, raised questions about the potential of "Dutch Disease", and policies to mitigate this.** To date, aid inflows have not resulted in an appreciation of the exchange rate or pressures on real interest rates (see the 2004 The Federal Democratic Republic of Ethiopia: Selected Issues and Statistical Appendix, Series: Country Report No. 05/28). However, past experience may not be a reliable guide to future developments. Increasing aid flows since 2000, particularly in the form of budget support, took place when there was a pressing need to reestablish macroeconomic stability, and a significant proportion of aid was effectively saved, resulting in a large accumulation of international reserves. Thus, potential pressures for an appreciation were mitigated by a policy under which part of the inflows were neither spent nor absorbed.

[6] Aid absorption is defined as the extent to which a country's non-aid current account deficit widens in response to an increase in aid inflows. While spending is defined as the widening in the government fiscal deficit net of aid that accompanies an increase in aid.

21. **This approach is not envisaged in the MDG scenario which assumes aid is absorbed and spent,** with a corresponding increase in the fiscal and current account deficits (excluding grants). In this context, a heavy front loading of infrastructure spending with a high import content could limit pressures for an appreciation of the exchange rate in the initial years of scaling up. However, after the initial surge in infrastructure spending, the pattern of spending would shift toward recurrent expenditure that is expected to have a lower import content. At this time, some real exchange rate adjustment may be necessary and appropriate in response to the sustained higher level of aid. This is reflected in the MDG scenario in a modest real exchange rate appreciation in the second half of the projection period. While this should help stimulate absorption, the scenario assumes some build up of reserves to cushion the impact of potentially unpredictable and lumpy aid disbursements, particularly post 2015, when levels of aid flows are likely to decline. The scenario also takes into account the authorities' aim, as outlined in the Needs Assessment, to move towards a sustainable trade and current account deficit that can be financed through foreign borrowing, remittances and foreign investment inflows.

22. **Projections adopted by the authorities, influenced by simulations conducted using the World Bank's MAMs model[7] suggest that the envisaged levels of spending would have a modest impact on the relative price of non-tradables.** Nevertheless, it also recognized that care was needed to ensure that training activities in the non-tradables sector, particularly in health and education, were geared to projected demands to avoid undue pressure in wage rates. The MDG scenario thus assumes that this potential labor market constraint is addressed through investment in the education system to increase the availability of skilled labor, thereby easing pressure on economy-wide wages from higher social spending. In practice, nontraditional hiring practices are also being pursued, such as training semi-skilled health extension workers. Moreover, productivity gains derived from increased infrastructure spending during the first five years of scaling-up could subsequently mitigate any adverse impacts on competitiveness from an real appreciation .

23. **Overcoming absorptive capacity constraints will be critical to the effective implementation of the MDG scenario, and the avoidance of Dutch Disease.** While there are clearly major challenges involved, Ethiopia has already made a good start in many areas. Large scale infrastructure programs are already underway underpinned by comprehensive sectoral assessments and plans. In particular, import heavy investments in telecommunications, energy and roads are currently being implemented, and plans are in place to accelerate them. Thus, while the MDG scenario presented here is illustrative, there is a strong foundation to its assumption of an absorption of aid through large scale imports in the early years. Key to implementing it will be managing the required aid flows and investment operations.

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[7] The MAMS has the advantage of being able to model microeconomic effects of scaling up such as pressure on wage rates in education and health.

24. **In another key area, education, Ethiopia is also well advanced** offering good prospects that planned investments in training and facilities will ease labor market constraints at a later date. Assessments by the UN[8], suggest that Ethiopia will probably meet the MDG goal of achieving universal primary education even before 2015. Over the last 5 years enrollment rates have been increasing by about 13 percent per annum. In addition, during the first Sustainable Development and Poverty Reduction Program (SDPRP) covering 2000/01-03/04, a major Technical and Vocational Education and Training (TVET) initiative was launched, and an expansion of the university system undertaken. Both these initiatives are already yielding results: to date enrolment in TVET has risen from 25,000 to 102,649 and university intake capacity from 42,132 to 172,111.

Exchange rate policy

25. **Given the scenario described above, Dutch Disease may not be a major concern.** Nonetheless there could be periods when the authorities would need to sterilize the liquidity impact of the aid-related spending. More generally, the management of potentially large and lumpy aid inflows will be a challenge that will require a mix of policy responses depending on the specific circumstances, including a temporary accumulation of reserves, until the aid flows can be productively spent. In present circumstances, there is limited scope for the Ethiopian authorities to use market-based domestic instruments to sterilize such liquidity. In the presence of significant excess reserves in the banking system, NBE efforts to reduce liquidity through treasury bill sales tend to be ineffective as the direct effect on bank lending and economic activity in general is very weak. Against this background, foreign exchange sales would be expected to play a dominant role in sterilization, at least until steps have been taken to develop the financial system in a manner that reduces the dominance of the CBE, which continues to militate against the efficacy of market-based instruments of monetary policy. The already high level of public domestic debt, at over 30 percent of GDP, also argues against reliance on domestic sterilization measures. The management of the exchange rate will thus have to be much more flexible under an MDG scenario than is currently the case.

Monetary policy and excess reserves

26. **The authorities tend to view excess reserves as "savings" that should be mobilized to help fund higher MDG related infrastructure spending**. In this manner, promoting an increase in credit to public enterprises would both provide extra-budgetary funds for infrastructure development, and also alleviate the problem of chronically high excess reserves. However, such credit expansion would need to be effected cautiously and monitored carefully. Planned recourse to large scale domestic bank financing by public

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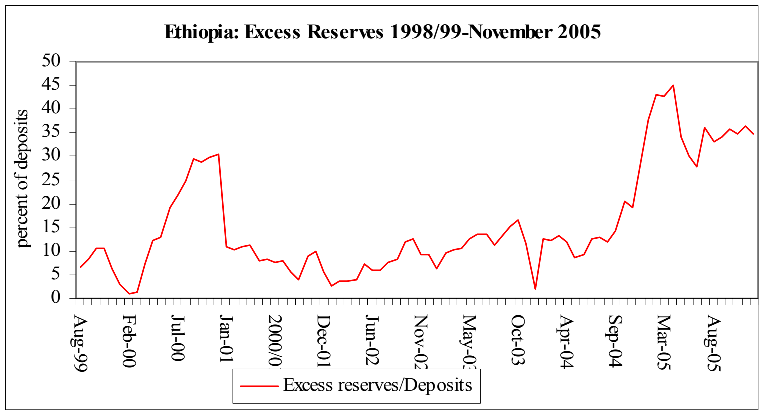
[8] *Millennium development Goals Report: Challenges and Prospects for Ethiopia*, The Ministry of Finance and Economic Development of the Federal Democratic Republic of Ethiopia and the United Nations Country Team, March 2004, Addis Ababa.

enterprises carries risks for monetary and price stability, and a potential crowding out of the private sector. Further, such activities would need to be pursued within the context of a broader macroeconomic and fiscal framework that includes the activities of public enterprises, so as to be able to asses the potential risks.

Box 2. Ethiopia: A History of Excess Reserves



Chronic excess liquidity remains a major obstacle to financial market development and monetary policy implementation, as well as posing a risk to macroeconomic stability. Although all banks hold excess reserves, the CBE accounts for the vast majority of these excess reserves which have recently surged, and stood at Birr 11.3 billion in December 2005, equivalent to 34.7 percent of deposits.

Past efforts to reduce excess reserves have had only temporary success. During the conflict with Eritrea in 1999-2000, a number of factors, including a surge in NBE credit to the government and administrative restrictions on foreign exchange which curbed imports, caused excess reserves to rise to 30 percent of deposits. The authorities issued Birr 3.2 billion in two years bonds in November 2000 to reduce this excess liquidity - of which CBE purchased Birr 3 billion - and started to conduct regular treasury bill auctions. The emphasis since then has been on a cautious withdrawal of excess liquidity with the ultimate objective of tightening overall liquidity sufficiently to move treasury bill rates (currently 0.05 percent) up to a level where the 3 percent minimum savings deposit rate can be safely removed. However, after an initial decline, excess reserves continued to rise – mainly reflecting large external inflows, and a compression in commercial bank non-government credit through 2002/03 – and on maturity the two-year bonds were rolled over into 91-day treasury bills by CBE. More recently CBE has allowed these treasury bill holdings to mature, and NBE has stepped in to meet the government's domestic financing needs, leading to a sharp rise in excess reserves.

27. **Too rapid domestic credit growth could result in a large injection of liquidity with its attendant inflationary risks.** While such risks will be dampened to the extent that the increased spending goes on imports (and thus also helps absorb aid inflows), the impact on domestic liquidity, on top of the expected aid-funded fiscal injection, will need to be carefully managed. In this context it will be essential to ensure policies are in place to accelerate growth so as to allow for a non-inflationary expansion in money supply**.** In

addition to the broader growth agenda, effectively managing the expected increase in liquidity will require improvements in coordinating and monitoring fiscal and monetary policies, ideally including the consolidation of the operations of major public enterprises into the budget. Given the undeveloped nature of the financial sector, in the short run monetary policy will have to continue relying on direct instruments. Nonetheless, efforts are needed to improve the ability of the NBE to use indirect instruments, and in this light additional work is needed on better liquidity forecasting, and the development of the interbank money and foreign exchange markets. In addition, the prospect of sustained strong credit growth emphasized the importance of improving bank supervision to ensure banking sector soundness.

Concluding remarks

28. **The finalization of the MDG Synthesis Report is an important step in working towards achievement of the MDGs.** However, as the scenario discussed above illustrates, there are still considerable challenges in translating these costings into an operational framework. The rapid scaling up of additional donor support and expenditures will require concerted actions on behalf of both the authorities and donors, with a vital first step being the resolution of the current political tensions and concerns over governance issues. Other key challenges to be met include:

- increasing agricultural productivity, and ensuring that supporting policies are in place to achieve the expected private sector productivity response to improved infrastructure provision, necessary to raise GDP growth rates;

- raising fiscal revenues by over 5 percentage points of GDP in order to cover the recurrent costs of higher spending, and allow for an exit strategy from high aid dependence;

- strengthening public expenditure management and capacity building to ensure the effective implementation of expenditure plans, including infrastructure investments of public enterprises;

- addressing potential labor market constraints through appropriate investment and training in order to ease pressures on wages;

- managing the sequence of spending to mitigate potential pressures on the real exchange rate through an initial focus on import heavy infrastructure investment which results in productivity gains, and eases labor constraints at a later date when the emphasis shifts to recurrent spending.

Table 1. Ethiopia: MDG Scenario Selected Economic and Financial Indicators, 2006/07-2015/16 1/

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change)									
National income and prices										
GDP at constant prices (at factor cost)	6.7	7.0	7.1	7.2	7.2	7.2	7.2	7.2	7.2	7.2
GDP deflator	7.1	6.5	7.8	7.4	7.7	7.7	7.7	7.7	7.7	7.7
Consumer prices (period average)	7.4	7.2	7.5	7.4	7.5	7.5	7.5	7.5	7.5	7.5
External sector										
Exports, f.o.b.	12.2	8.3	11.9	11.0	10.3	10.6	10.6	10.8	10.8	11.2
Imports, c.i.f.	22.6	14.2	14.8	12.2	12.1	-3.3	10.9	7.3	9.8	9.9
Export volume	12.2	12.0	9.9	9.2	8.6	8.9	8.9	9.1	9.1	9.6
Import volume	20.9	13.6	14.8	10.8	12.1	-3.3	10.9	7.3	9.8	9.9
Terms of trade (deterioration -)	-1.7	-4.2	2.0	0.3	1.7	1.7	1.7	1.7	1.7	1.6
	(In percent of GDP, unless otherwise indicated)									
Financial balances										
Gross domestic saving	8.6	9.0	9.2	10.1	11.4	11.5	11.5	13.0	13.9	14.8
Government saving	-3.0	-2.8	-1.5	-1.6	-1.7	-1.0	-0.9	-0.4	0.9	1.9
Private saving	11.5	11.7	10.7	11.7	13.1	12.5	12.4	13.5	13.0	12.9
Gross domestic investment	36.9	38.4	39.8	41.4	42.9	37.2	37.2	37.2	37.3	37.4
Government investment	21.5	22.9	24.2	25.6	27.0	21.2	21.1	21.1	21.2	21.3
Private investment	15.4	15.5	15.6	15.8	15.9	16.0	16.1	16.1	16.1	16.1
Resource gap	-28.3	-29.4	-30.6	-31.3	-31.5	-25.7	-25.7	-24.2	-23.4	-22.6
External current account balance, including official transfers	-1.6	-1.2	-1.1	-0.3	1.5	0.7	0.4	1.6	1.1	1.0
External current account balance, excluding official transfers	-20.1	-21.0	-22.2	-22.9	-23.2	-17.4	-17.5	-16.0	-15.3	-14.6
Government finances										
Revenue	16.9	17.4	17.9	18.4	18.9	19.4	19.9	20.6	21.6	22.8
Tax revenue	13.8	14.4	15.0	15.6	16.2	16.8	17.4	18.2	19.3	20.6
Nontax revenue	3.1	3.0	2.9	2.8	2.7	2.6	2.5	2.4	2.3	2.2
External grants	18.6	19.9	21.1	22.6	24.7	18.2	17.9	17.7	16.4	15.7
Expenditure and net lending 2/	40.8	42.3	44.2	46.2	48.3	42.2	42.4	42.7	42.4	42.6
Fiscal balance, excluding grants (cash basis)	-23.9	-24.9	-26.3	-27.8	-29.4	-22.8	-22.5	-22.1	-20.8	-19.8
Fiscal balance, including grants (cash basis)	-5.3	-5.0	-5.2	-5.2	-4.7	-4.6	-4.6	-4.4	-4.4	-4.2
Total financing	5.3	5.0	5.2	5.2	4.7	4.6	4.6	4.4	4.4	4.2
External financing	1.8	1.8	2.2	2.2	2.2	2.1	2.1	2.2	2.2	2.2
Domestic financing (including residual)	3.5	3.3	3.0	3.0	2.5	2.5	2.5	2.3	2.3	2.0
Domestic debt	33.1	32.1	30.8	29.7	28.1	26.8	25.6	24.3	23.1	21.9
External debt (including to Fund)	47.3	46.1	43.8	42.1	40.3	38.4	36.3	34.4	32.5	30.7
External debt-service ratio 3/	11.5	10.4	9.2	8.2	7.3	6.8	6.4	5.9	5.1	4.7
External debt-service ratio 4/	4.4	4.3	3.9	3.7	3.5	3.4	3.2	2.9	2.5	2.4
Overall balance of payments (in millions of U.S. dollars)	451	425	539	683	1101	717	787	869	673	573
Gross official reserves (in millions of U.S. dollars)	1805	2230	2769	3452	4553	5270	6056	6925	7598	8171
(in months of imports of goods and nonfactor services of following year)	3.0	3.2	3.5	3.9	5.1	5.3	5.6	5.7	5.6	5.5
GDP at current market prices (in millions of birr)	129,207	147,821	170,937	197,323	228,512	264,982	307,362	357,063	414,991	483,036

Sources: Ethiopian authorities; and Fund staff estimates and projections.

1/ Data pertain to the period July 8-July 7.
2/ Excluding special programs.
3/ Before debt relief; on an accrual basis; in percent of exports of goods and nonfactor services.
4/ After enhanced HIPC relief.

Table 2. Ethiopia: Fiscal Operations in MDG-LOW Scenario, 2006/07-2015/16 1/
(in millions of birr)

	2006/07 Proj.	2007/08 Proj.	2008/09 Proj.	2009/10 Proj.	2010/11 Proj.	2011/12 Proj.	2012/13 Proj.	2013/14 Proj.	2014/15 Proj.	2015/16 Proj.
Total revenue and grants	45,831	55,051	66,617	80,870	99,591	99,605	116,196	136,685	157,562	185,670
Revenue	21,819	25,702	30,575	36,282	43,159	51,372	61,125	73,508	89,584	110,069
Tax revenue	17,774	21,221	25,565	30,695	36,918	44,400	53,346	64,828	79,911	99,293
Direct taxes	5,962	7,265	8,914	10,881	13,287	16,202	19,716	24,332	30,355	37,747
Indirect taxes	11,811	13,956	16,652	19,814	23,631	28,198	33,630	40,496	49,556	61,546
Domestic indirect taxes	3,850	4,700	5,777	7,063	8,636	10,545	12,846	15,637	19,834	25,501
Import duties and taxes	7,962	9,257	10,875	12,751	14,995	17,653	20,784	24,859	29,722	36,045
Nontax revenue	4,045	4,480	5,010	5,586	6,240	6,971	7,779	8,680	9,673	10,776
Grants 2/	24,012	29,349	36,042	44,589	56,432	48,234	55,071	63,176	67,978	75,601
Emergency assistance	586	586	684	789	1,137	1,186	1,237	1,290	1,346	1,403
Project grants	15,167	19,941	25,936	33,306	42,330	34,023	40,153	47,239	55,432	64,910
Program grants	8,232	8,722	9,292	10,284	12,638	12,772	13,551	14,550	11,180	9,288
MDRI (via central bank)	26	100	130	209	326	252	130	96	20	0
Total expenditure and net lending	52,724	62,488	75,501	91,071	110,258	111,918	130,341	152,500	175,915	205,757
Recurrent expenditure	21,831	24,921	29,578	34,945	41,704	49,470	58,352	68,612	78,078	91,545
Defense spending	3,000	3,000	3,659	4,224	4,891	5,672	6,579	7,643	8,883	10,340
Poverty-reducing expenditure	10,978	12,969	15,539	18,609	22,402	27,044	32,279	38,318	43,277	51,556
Education	3,993	4,706	5,618	6,702	8,030	9,644	11,602	13,710	13,947	16,548
Health	2,314	2,835	3,515	4,346	5,387	6,680	8,284	10,274	12,744	15,809
Agriculture	1,534	1,724	1,961	2,223	2,526	2,871	3,263	3,709	4,215	4,790
Roads	827	1,062	1,379	1,786	2,319	3,011	3,577	4,249	5,047	5,994
Public investment (energy, telecom, rail, water)	292	375	487	631	819	1,064	1,264	1,501	1,783	2,118
Private sector and urban development, gender	2,017	2,266	2,577	2,922	3,321	3,774	4,290	4,875	5,541	6,297
Interest payments	1,712	2,084	2,278	2,839	3,447	4,173	5,040	6,007	6,728	7,475
Emergency assistance 2/	586	586	684	789	1,137	1,186	1,237	1,290	1,346	1,403
Other recurrent spending	5,556	6,282	7,419	8,485	9,826	11,394	13,217	15,354	17,845	20,771
Capital expenditure	30,893	37,567	45,923	56,126	68,554	62,449	71,990	83,888	97,836	114,212
Central Treasury (own-source capital outlays)	13,412	15,009	16,569	18,874	21,654	23,126	25,689	29,508	34,104	39,641
Project grants	15,167	19,941	25,936	33,306	42,330	34,023	40,153	47,239	55,432	64,910
Project loans	2,314	2,617	3,419	3,946	4,570	5,300	6,147	7,141	8,300	9,661
Of which: MDG-related expenditure	28,084	34,152	41,748	51,024	62,322	56,772	65,445	76,262	88,942	103,829
Education	3,876	4,561	5,409	6,405	7,590	9,012	9,922	11,657	13,700	16,119
Health	2,651	3,260	4,014	4,923	6,012	7,347	8,979	10,976	13,420	16,410
Agriculture	6,537	7,388	8,358	9,418	10,565	11,857	13,308	14,935	16,762	18,812
Roads	7,993	10,321	13,338	17,169	22,002	15,356	18,012	21,127	24,780	29,065
Public investment (energy, telecom, rail, water)	4,220	5,449	7,042	9,065	11,616	8,108	9,510	11,154	13,083	15,346
Private sector and urban development, gender	2,807	3,172	3,589	4,044	4,536	5,091	5,714	6,413	7,197	8,077
Overall balance										
Including grants	-6,893	-7,438	-8,884	-10,201	-10,667	-12,313	-14,145	-15,815	-18,353	-20,087
Excluding grants	-30,905	-36,787	-44,926	-54,790	-67,099	-60,547	-69,217	-78,991	-86,331	-95,688
Financing gap (- indicates insufficient financing)	0	0	0	0	0	0	0	0	0	0
Financing	6,893	7,438	8,884	10,201	10,667	12,313	14,145	15,815	18,353	20,087
External (net)	2,371	2,633	3,756	4,281	4,954	5,689	6,461	7,781	9,016	10,426
Gross borrowing 2/	2,314	2,617	3,940	4,492	5,150	5,917	6,804	8,212	9,545	11,110
Capital budget	2,314	2,617	3,419	3,946	4,570	5,300	6,147	7,141	8,300	9,661
CPF generations/loans	0	0	521	546	580	617	656	1,071	1,245	1,449
HIPC Initiative relief 4/	1,128	1,221	0	0	0	0	0	0	0	0
Amortization repayment 4/	1,071	1,205	184	211	196	228	342	431	529	684
Total domestic financing	4,522	4,804	5,128	5,920	5,713	6,625	7,684	8,034	9,337	9,661
Domestic(net)	4,522	4,804	5,128	5,920	5,713	6,625	7,684	8,034	9,337	9,661
Banking system	4,272	4,454	4,718	5,446	5,256	6,095	7,069	7,391	8,590	8,888
Nonbank sources	250	350	410	474	457	530	615	643	747	773
Memorandum items:										
Nominal GDP (millions of birr)	129,207	147,821	170,937	197,323	228,512	264,982	307,362	357,063	414,991	483,036
Real growth, percent change	6.7	7.0	7.1	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Poverty-reducing spending (as a percent of GDP)	30.2	31.9	33.5	35.3	37.1	31.6	31.8	32.1	31.9	32.2
Poverty-reducing spending per capita in USD	53.6	60.0	67.7	76.7	87.4	81.0	88.4	97.1	105.1	115.9
Domestic public debt (as a percent of GDP)	33.1	32.1	30.8	29.7	28.1	26.8	25.6	24.3	23.1	21.9
Wages and salaries (millions of birr)	10,223	11,919	14,077	16,613	19,699	23,418	27,670	32,616	38,488	45,484
External grants and net external financing (millions of birr)	26,383	31,983	39,798	48,870	61,387	53,922	61,533	70,958	76,994	86,027
millions of USD	2,796	3,227	3,820	4,479	5,397	4,546	4,974	5,499	5,721	6,129
US dollars per capita	36	41	47	54	63	52	56	60	61	64

Sources: Authorities and staff estimates.

1/ Fiscal year ending July 7.
2/ Baseline external financing and grants are provided by donors, and differ in some cases from government estimates.
3/ Domestic balance defined as own-source revenue less total spending excluding earmarked donor aid and external interest payments.
4/ Beginning from 2004/05, external interest and amortization are presented net of HIPC debt relief.

Table 3. Ethiopia: Fiscal Operations in MDG-LOW Scenario, 2006/07-2015/16 1/
(as a percent of GDP)

	2006/07 Proj.	2007/08 Proj.	2008/09 Proj.	2009/10 Proj.	2010/11 Proj.	2011/12 Proj.	2012/13 Proj.	2013/14 Proj.	2014/15 Proj.	2015/16 Proj.
Total revenue and grants	**35.5**	**37.2**	**39.0**	**41.0**	**43.6**	**37.6**	**37.8**	**38.3**	**38.0**	**38.4**
Revenue	**16.9**	**17.4**	**17.9**	**18.4**	**18.9**	**19.4**	**19.9**	**20.6**	**21.6**	**22.8**
Tax revenue	**13.8**	**14.4**	**15.0**	**15.6**	**16.2**	**16.8**	**17.4**	**18.2**	**19.3**	**20.6**
Direct taxes	4.6	4.9	5.2	5.5	5.8	6.1	6.4	6.8	7.3	7.8
Indirect taxes	9.1	9.4	9.7	10.0	10.3	10.6	10.9	11.3	11.9	12.7
Domestic indirect taxes	3.0	3.2	3.4	3.6	3.8	4.0	4.2	4.4	4.8	5.3
Import duties and taxes	6.2	6.3	6.4	6.5	6.6	6.7	6.8	7.0	7.2	7.5
Nontax revenue	**3.1**	**3.0**	**2.9**	**2.8**	**2.7**	**2.6**	**2.5**	**2.4**	**2.3**	**2.2**
Grants 2/	**18.6**	**19.9**	**21.1**	**22.6**	**24.7**	**18.2**	**17.9**	**17.7**	**16.4**	**15.7**
Emergency assistance	0.5	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.3	0.3
Project grants	11.7	13.5	15.2	16.9	18.5	12.8	13.1	13.2	13.4	13.4
Program grants	6.4	5.9	5.4	5.2	5.5	4.8	4.4	4.1	2.7	1.9
MDRI (via the central bank)	0.0	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Total expenditure and net lending	**40.8**	**42.3**	**44.2**	**46.2**	**48.3**	**42.2**	**42.4**	**42.7**	**42.4**	**42.6**
Recurrent expenditure	**16.9**	**16.9**	**17.3**	**17.7**	**18.3**	**18.7**	**19.0**	**19.2**	**18.8**	**19.0**
Defense spending	2.3	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Poverty-reducing expenditure	**8.5**	**8.8**	**9.1**	**9.4**	**9.8**	**10.2**	**10.5**	**10.7**	**10.4**	**10.7**
Education	3.1	3.2	3.3	3.4	3.5	3.6	3.8	3.8	3.4	3.4
Health	1.8	1.9	2.1	2.2	2.4	2.5	2.7	2.9	3.1	3.3
Agriculture	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.0
Roads	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.2	1.2	1.2
Public investment (energy, telecom, rail, water)	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Private sector and urban development, gender	1.6	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.3	1.3
Interest payments	**1.3**	**1.4**	**1.3**	**1.4**	**1.5**	**1.6**	**1.6**	**1.7**	**1.6**	**1.5**
Emergency assistance 2/	0.5	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.3	0.3
Other recurrent spending	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Capital expenditure	**23.9**	**25.4**	**26.9**	**28.4**	**30.0**	**23.6**	**23.4**	**23.5**	**23.6**	**23.6**
Central Treasury (own-source capital outlays)	10.4	10.2	9.7	9.6	9.5	8.7	8.4	8.3	8.2	8.2
Project grants	11.7	13.5	15.2	16.9	18.5	12.8	13.1	13.2	13.4	13.4
Project loans	1.8	1.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Of which: poverty-reducing expenditure	**21.7**	**23.1**	**24.4**	**25.9**	**27.3**	**21.4**	**21.3**	**21.4**	**21.4**	**21.5**
Education	3.0	3.1	3.2	3.2	3.3	3.4	3.2	3.3	3.3	3.3
Health	2.1	2.2	2.3	2.5	2.6	2.8	2.9	3.1	3.2	3.4
Agriculture	5.1	5.0	4.9	4.8	4.6	4.5	4.3	4.2	4.0	3.9
Roads	6.2	7.0	7.8	8.7	9.6	5.8	5.9	5.9	6.0	6.0
Public investment (energy, telecom, rail, water)	3.3	3.7	4.1	4.6	5.1	3.1	3.1	3.1	3.2	3.2
Private sector and urban development, gender	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.8	1.7	1.7
Overall balance										
Including grants	**-5.3**	**-5.0**	**-5.2**	**-5.2**	**-4.7**	**-4.6**	**-4.6**	**-4.4**	**-4.4**	**-4.2**
Excluding grants	**-23.9**	**-24.9**	**-26.3**	**-27.8**	**-29.4**	**-22.8**	**-22.5**	**-22.1**	**-20.8**	**-19.8**
Financing	**5.3**	**5.0**	**5.2**	**5.2**	**4.7**	**4.6**	**4.6**	**4.4**	**4.4**	**4.2**
External (net)	**1.8**	**1.8**	**2.2**	**2.2**	**2.2**	**2.1**	**2.1**	**2.2**	**2.2**	**2.2**
Gross borrowing 2/	1.8	1.8	2.3	2.3	2.3	2.2	2.2	2.3	2.3	2.3
Capital budget	1.8	1.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Program loans	0.0	0.0	0.3	0.3	0.3	0.2	0.2	0.3	0.3	0.3
HIPC Initiative relief 4/	0.9	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization repayment 4/	0.8	0.8	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total domestic financing	**3.5**	**3.3**	**3.0**	**3.0**	**2.5**	**2.5**	**2.5**	**2.3**	**2.3**	**2.0**
Domestic(net)	3.5	3.3	3.0	3.0	2.5	2.5	2.5	2.3	2.3	2.0
Banking system	3.3	3.0	2.8	2.8	2.3	2.3	2.3	2.1	2.1	1.8
Nonbank sources	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Memorandum items:										
Nominal GDP	129,207	147,821	170,937	197,323	228,512	264,982	307,362	357,063	414,991	483,036
Real growth	6.7	7.0	7.1	7.2	7.2	7.2	7.2	7.2	7.2	7.2
Poverty-reducing spending (as a percent of GDP)	30.2	31.9	33.5	35.3	37.1	31.6	31.8	32.1	31.9	32.2
Poverty-reducing spending per capita in USD	54	60	68	77	87	81	88	97	105	116
Domestic public debt	33.1	32.1	30.8	29.7	28.1	26.8	25.6	24.3	23.1	21.9
Wages and salaries	7.9	8.1	8.2	8.4	8.6	8.8	9.0	9.1	9.3	9.4
External grants and net external financing (millions of birr)	20.4	21.6	23.3	24.8	26.9	20.3	20.0	19.9	18.6	17.8
millions of USD	2,796	3,227	3,820	4,479	5,397	4,546	4,974	5,499	5,721	6,129
US dollars per capita	36	41	47	54	63	52	56	60	61	64

1/ Fiscal year ending July 7.
2/ Baseline external financing and grants are provided by donors, and differ in some cases from government estimates.
3/ Domestic balance defined as own-source revenue less total spending excluding earmarked donor aid and external interest payments.
4/ Beginning in 2008/09, external interest and amortization are presented after debt relief.

Table 4. Ethiopia: Balance of Payments, MDG Scenario
(In millions of U.S. dollars, unless otherwise indicated) 1/

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
	MDGs	MDGs	MDGs	MDGs	MDGs	MDGs	MDGs	MDGs	MDGs	MDGs
Trade balance	-4,357	-5,044	-5,829	-6,558	-7,381	-6,897	-7,651	-8,140	-8,914	-9,759
Exports of goods	1,172	1,269	1,419	1,576	1,738	1,922	2,126	2,354	2,609	2,900
Coffee	439	423	458	493	528	565	605	648	694	742
Other	733	845	962	1,083	1,211	1,357	1,520	1,706	1,914	2,158
Imports of goods	5,529	6,313	7,249	8,134	9,119	8,819	9,776	10,494	11,523	12,659
Fuel	808	869	921	991	1,090	1,201	1,324	1,462	1,617	1,787
Cereals	90	90	80	80	80	80	80	80	80	80
Aircraft	25	30	240	240	360	120	240	0	0	0
Imports excl. fuel,cereals,aircraft	4,606	5,325	6,008	6,823	7,589	7,419	8,132	8,952	9,826	10,792
of which Public investment related imports 2/	2,301	2,791	3,229	3,776	4,243	3,742	4,102	4,541	5,036	5,589
Nonfactor services (net)	476	661	782	896	977	1,061	1,147	1,233	1,317	1,397
Exports of nonfactor services	1,374	1,636	1,915	2,233	2,555	2,925	3,347	3,828	4,381	5,015
Imports of nonfactor services	898	974	1,132	1,337	1,578	1,863	2,200	2,595	3,064	3,618
Income (net)	0	17	28	36	48	84	105	150	192	225
Of which : gross official interest payments 3/	-56	-58	-77	-101	-134	-142	-159	-155	-152	-151
Private transfers (net)	1,126	1,237	1,358	1,481	1,617	1,759	1,927	2,112	2,312	2,519
Current account balance, excl. official transfers	-2,756	-3,129	-3,661	-4,145	-4,740	-3,993	-4,471	-4,645	-5,093	-5,619
(in percent of GDP)	-20.1	-21.0	-22.3	-22.9	-23.6	-17.9	-18.0	-16.8	-16.5	-16.3
excluding EAL imports	-19.9	-20.8	-20.9							
Official transfers (net)	2,537	2,952	3,455	4,083	4,957	4,062	4,447	4,892	5,047	5,383
Current account balance, incl. official transfers	-219	-177	-206	-63	218	69	-24	247	-46	-236
(in percent of GDP)	-1.6	-1.2	-1.3	-0.3	1.1	0.3	-0.1	0.9	-0.1	-0.7
excluding EAL imports	-1.4	-1.0	0.2	1.0	2.9	0.8	0.9	0.9	-0.1	-0.7
Capital account balance (incl. errors and omissions)	670	602	745	745	883	648	811	622	719	809
Foreign direct investment (net)	180	190	190	190	200	200	210	210	220	230
Other investment (net)	490	412	555	555	683	448	601	412	499	579
Official long-term loans	490	412	562	565	696	465	619	434	520	601
Disbursements	538	469	618	652	813	619	790	636	709	792
EAL loan	0	0	240	240	360	120	240	0	0	0
Amortization 3/	48	57	56	87	117	154	170	202	190	191
Other public sector long-term loans (net) 4/	0	0	-6	-10	-13	-17	-19	-22	-21	-21
Other (net)	0	0	0	0	0	0	0	0	0	0
Errors and omissions	0	0	0	0	0	0	0	0	0	0
Overall balance	451	425	539	683	1,101	717	787	869	673	573
Financing	-451	-425	-539	-683	-1,101	-717	-787	-869	-673	-573
Central bank (net; increase -)	-451	-425	-539	-683	-1,101	-717	-787	-869	-673	-573
Reserves (increase -)	-451	-425	-539	-683	-1,101	-717	-787	-869	-673	-573
Memorandum items:										
Exports of goods (percent change)	12.2	8.3	11.9	11.0	10.3	10.6	10.6	10.8	10.8	11.2
Export price index (percent change)	0.0	-3.7	2.0	1.8	1.7	1.7	1.7	1.7	1.7	1.6
Export volume index (percent change)	12.2	12.0	9.9	9.2	8.6	8.9	8.9	9.1	9.1	9.6
Imports of goods (percent change)	22.6	14.2	14.8	12.2	12.1	-3.3	10.9	7.3	9.8	9.9
Import price index (percent change)	1.7	0.6	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Import volume index (percent change)	20.9	13.6	14.8	10.8	12.1	-3.3	10.9	7.3	9.8	9.9
Import volume index (excluding cereals, aircraft) (percent change)	30.9	13.8	11.9	11.3	11.1	-0.7	9.7	10.1	9.9	9.9
Imports excl. fuel, cereal, aircraft and Public investment related imports	15.7	9.9	9.7	9.6	9.8	9.9	9.6	9.4	8.6	8.6
Gross official reserves	1,805	2,230	2,769	3,452	4,553	5,270	6,056	6,925	7,598	8,171
(in months of imports of goods and nonfactor services of following ye	3.0	3.2	3.5	3.9	5.1	5.3	5.6	5.7	5.6	5.5
Terms of trade index % change(1996/97 = 100)	-1.7	-4.2	2.0	0.3	1.7	1.7	1.7	1.7	1.7	1.6
NVP of debt to exports ratio 5/	59.3	62.1	67.6	71.1	76.6	73.9	73.2	68.0	63.7	59.8

Sources: Ethiopian authorities, and Fund staff estimates and projections.

1/ Data pertain to the period July 8-July 7.
2/ Assuming an import content of 50 percent except for ETC (65 percent).
3/ From 2005/06, incorporates debt relief under HIPC (including topping up) and additional bilateral voluntary cancellations.
4/ Public enterprises.
5/ Assumes full delivery of MDRI. The MDG scenario DSA results are not comparable with those presented in the staff report as the GDP, exports , and external financing projections, are different.

Fiscal Policy and Macroeconomic Stabilization

Background

The role of fiscal policy in Ethiopia as an instrument to stabilize the economy following macroeconomic shocks could be strengthened. This fiscal policy role stems from the inability of rural households to insure themselves from the impact of shocks through private financial markets. For instance, rural households generally lack financial resources that can be drawn down during droughts owing to modest savings and limited access to the banking system. As a result, households tend to liquidate productive assets to smooth consumption, which has resulted in persistently low growth after the drought subsides.[9] Consequently, greater stabilization of household consumption (including through food security) could raise trend growth rates.

Domestic debt and stabilization policy

Domestic debt provides one mechanism for fiscal policy to stabilize the macro economy and strengthen food security. For instance, the government can smooth the delivery of essential public services and cover the cost of food imports by maintaining a low level of domestic debt and sufficient foreign exchange reserves. However, relying on the domestic debt to smooth the impact of shocks entails a number of policy considerations:

- **Domestic debt management**: Fiscal policy should aim to reduce the domestic debt as a share of GDP during favorable macroeconomic conditions to provide additional space to borrow during droughts. In this manner, greater domestic borrowing can accommodate lower tax revenue (Figure 1) and a shift in donor support to food relief. A clear debt management strategy that includes a targeted debt threshold and adjustment path would be essential to ensure that the domestic debt remains sustainable and consistent with medium-term macroeconomic stability.

- **Sustainability**: Table 1 illustrates that the stock of domestic debt in Ethiopia is high by regional standards. Negative real interest rates and solid nominal GDP growth have fostered stable debt dynamics that have mitigated an adverse budgetary impact. However, the currently high debt stock limits the scope to tap additional domestic borrowing in the future to stabilize consumption following macroeconomic shocks.

- **Vulnerability**: The high initial debt stock has also increased fiscal vulnerability to macroeconomic shocks. Figure 2 illustrates the projected path of the domestic debt under various scenarios. For example, a scenario building on the draft PASDEP involving higher real borrowing rates and another severe drought patterned after the

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[9] See Dercon 2004 (Journal of Development of Economics) for a study of the persistent consumption and growth effects of droughts in Ethiopia.

2002/03 experience could increase the domestic debt by 12 percentage points of GDP between 2004/05 and 2010/11 (Table 2). In this scenario, domestic debt service could jump by 2½ percent of GDP, which would risk crowding out pro-poor spending. Fiscal policy would be more effective in stabilizing income and consumption if domestic debt vulnerability was reduced.

Other policy modalities for stabilization

Fiscal policy could also address stabilization needs through other modalities. However, each of these mechanisms should be carefully studied to identify the implications for macroeconomic stability and debt sustainability.

- **Agricultural price support schemes**: Price support schemes are another approach to stabilize commodity prices and income. However, price support systems often entail significant contingent liabilities for the budget that can be destabilizing if price guarantees are not set appropriately. In addition, subsistence farmers continue to face the risk of low crop yields even if prices are stable.

- **Segmented budget funds**: Some countries have established segmented budget funds to stabilize agricultural income and prices. For instance, a special fund could purchase surplus agricultural production during good harvests to stabilize prices, and sell accumulated stocks during weaker harvests. Extra budgetary funds of this kind have resulted in governance problems in the use of surplus funds. As a result, prudent safeguards, internal controls and regular external audits would be essential.

- **Foreign exchange reserves**: The targeted level of foreign exchange reserves could include an additional "precautionary balance" to cover periodically high food imports during droughts. The magnitude of the additional precautionary balance could be linked to the targeted threshold and adjustment path of domestic debt.

Table 1. Ethiopia: Cross-Country Comparison of Domestic Public Debt
(as a percent of GDP)

	2000/01	2001/02	2002/03	2003/04
Ethiopia	**35.1**	**39.5**	**39.0**	**35.0**
Selected East Africa countries	**8.1**	**8.1**	**9.4**	**9.8**
Djibouti	3.1	3.2	4.4	4.5
Kenya	21.5	20.8	23.3	24.9
Sudan	0.2	1.2	1.3	2.1
Tanzania	11.5	9.6	8.7	8.3
Uganda	4.1	5.9	9.1	9.1

Table 2. Ethiopia: Domestic Debt Dynamics Under Alternative Macro Scenarios
(as a percent of GDP)

	2004/05	2005/06	2006/07	2007/08	2010/11
A. Assuming baseline growth					
Domestic debt stock					
A. Baseline domestic borrowing scenario 1/	34.8	33.6	33.6	33.4	31.2
B. PASDEP domestic financing plan 2/	34.8	33.6	33.8	34.1	34.7
C. Two-percent real interest rate shock 3/	34.8	34.3	34.9	35.8	38.2
D. Drought shock during 2005/06 4/	34.8	41.4	41.6	42.0	42.8
E. Combined scenarios C and D	34.8	42.2	43.0	44.1	47.1
Domestic interest bill					
A. Baseline domestic borrowing scenario 1/	0.5	0.7	0.9	1.1	1.5
B. PASDEP domestic financing plan 2/	0.5	0.7	0.9	1.1	1.7
C. Two-percent real interest rate shock 3/	0.5	1.4	1.5	1.7	2.4
D. Drought shock during 2005/06 4/	0.5	0.9	1.1	1.4	2.0
E. Combined scenarios C and D	0.5	1.7	1.8	2.1	3.0
B. Assuming 7-percent growth					
Domestic debt stock					
A. Baseline domestic borrowing scenario 1/	34.8	33.1	32.6	32.1	29.2
B. PASDEP domestic financing plan 2/	34.8	33.1	32.8	32.7	32.4
C. Two-percent real interest rate 3/	34.8	33.7	33.9	34.3	35.7
Domestic interest bill					
A. Baseline domestic borrowing scenario 1/	0.5	0.7	0.9	1.0	1.4
B. PASDEP domestic financing plan 2/	0.5	0.7	0.9	1.1	1.5
C. Two-percent real interest rate shock 3/	0.5	1.8	1.8	2.0	2.1

Notes:

1/ The "baseline scenario" entails a decline in net domestic borrowing from 4 to 2.5 percent of GDP between 2005/06 and 2010/11.

2/ The "PASDEP scenario" reflects the net domestic financing path summarized in the PASDEP until 2009/10, and assumes a constant 4 percent of GDP in net domestic financing beginning from 2008/09.

3/ Assumes a permanent 2-percentage point jump in real interest rates and the domestic financing path outlined in the PASDEP. The higher implied debt service is assumed to be covered through additional domestic borrowing.

4/ Assumes a drought in 2005/06 equivalent to the major 2002/03 shock. Nominal GDP growth reverts to the baseline path after 2005/06. Assumes same domestic borrowing in nominal terms as the MEFF scenario.

Figure 1. Ethiopia: Revenue Impact of Droughts

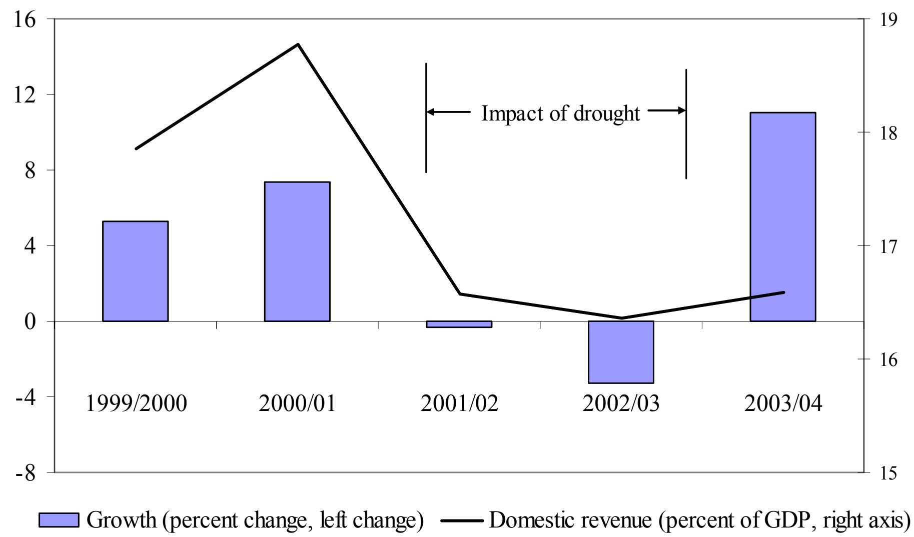
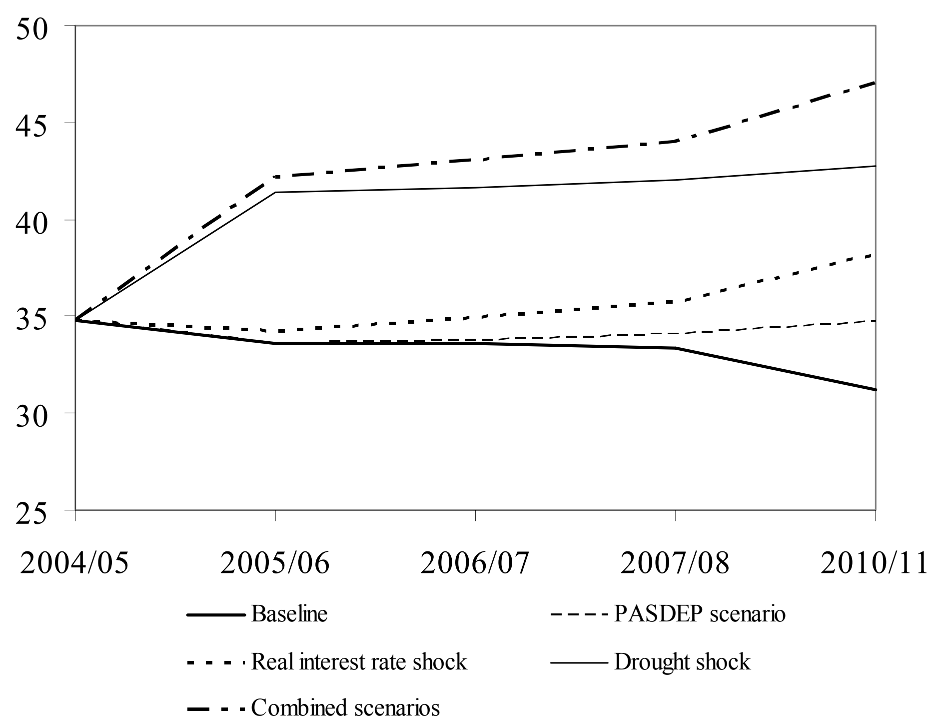


Figure 2. Ethiopia: Domestic Debt Under Alternative Macroeconomic Scenarios (as a share of GDP)



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Ethiopia: Basic Data 1/

Area: 1,221,900 square kilometers
Population, 2005 estimate: 73.0 million
Population, 1993/94 - 2004/05 average annual growth: 2.8 percent

GNI per capita, *World Bank Atlas* method, 2003 estimate: US$90

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
National accounts		(In millions of birr, unless otherwise specified)				
GDP at current market prices	63,924	65,689	62,665	68,144	83,892	96,676
GDP at factor cost at constant (1999/2000) prices	59,575	63,973	63,756	61,654	68,472	74,506
(annual percentage change)	5.3	7.4	-0.3	-3.3	11.1	8.8
GDP deflator (annual percentage change)	5.7	-5.2	-5.8	13.0	9.4	6.2
		(In percent of GDP at current market prices)				
Gross domestic expenditure	112.4	112.1	114.9	115.2	117.2	122.7
Consumption	92.0	91.2	91.3	92.5	95.9	96.4
Gross capital formation	20.5	21.0	23.6	22.7	21.3	26.3
Net exports	-12.4	-12.1	-14.9	-15.2	-17.2	-22.7
Gross savings	16.2	18.0	18.8	20.5	16.1	17.2
Prices		(Annual percentage change, unless otherwise specified)				
Consumer price index (annual average)	6.2	-5.2	-7.2	15.1	8.6	6.8
Consumer price index (end of period)	0.3	-11.4	-1.0	23.5	1.7	13.0
Terms of trade, goods (- deterioration)	-33.9	-3.1	-10.1	-6.5	-14.7	10.8
Exchange rates						
Ethiopian birr per U.S. dollar (period average)	8.15	8.34	8.54	8.58	8.62	8.65
Nominal effective exchange rate (-depreciation; end of period)	1.5	6.5	-7.8	-12.5	-4.0	-1.5
Real effective exchange rate (- depreciation; end of period)	-0.8	-12.0	-3.4	5.9	-4.6	9.2
Central government finance		(In millions of birr, unless otherwise specified)				
Total revenue and grants	11,222	12,804	12,834	15,702	17,918	20,031
Grants	1,724	2,628	2,425	4,553	4,001	4,565
Total expenditure and net lending 2/	17,184	15,382	16,680	19,840	20,232	24,551
Recurrent	13,742	10,379	10,550	13,527	11,961	13,036
Development and net lending	3,442	5,003	6,130	6,313	8,271	11,515
Special program	0	404	971	655	272	224
Overall balance 2/						
(including grants)	-5,961	-2,982	-5,282	-5,526	-4,572	-5,789
(excluding grants)	-7,685	-5,610	-7,707	-10,079	-8,573	-10,354
Overall balance (in percent of GDP) 2/						
(including grants)	-9.3	-4.5	-8.4	-8.1	-5.5	-6.0
(excluding grants)	-12.0	-8.5	-12.3	-14.8	-10.2	-10.7

Ethiopia: Basic Data (concluded)

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
Money and credit	(In percent of beginning-period stock of broad money)					
Domestic credit 3/	33.2	2.9	-0.6	2.7	11.4	29.5
Government (net)	27.9	-0.9	2.9	6.0	7.3	9.3
Other sectors	5.3	3.8	-3.5	-3.3	4.1	20.2
Money and quasi-money (M3)	14.0	9.5	8.1	10.9	14.7	19.6
Balance of payments	(In millions of U.S. dollars, unless otherwise specified)					
Current account balance	-335	-233	-347	-178	-499	-1,013
Excluding official transfers (net)	-626	-629	-781	-778	-1,065	-1,763
Exports, f.o.b.	486	463	452	483	600	818
Imports, f.o.b.	-1,611	-1,557	-1,696	-1,856	-2,587	-3,633
Trade balance	-1,125	-1,094	-1,243	-1,374	-1,986	-2,815
Services (net)	149	137	153	167	314	277
Income (net)	-60	-51	-40	-66	-64	-36
Current transfers (net)	701	775	783	1,095	1,238	1,561
Capital and financial account (net) 4/	-31	298	652	454	725	912
Foreign direct investment (net)	51	152	100	114	101	150
Official long-term loan (net)	-10	194	489	360	198	312
Others 4/	-72	-566	63	-20	218	353
Overall balance	-366	64	305	275	227	-101
Current account balance (in percent of GDP)						
(including official transfers)	-4.2	-2.9	-4.7	-2.2	-5.1	-9.1
(excluding official transfers)	-7.9	-7.9	-10.6	-9.8	-11.0	-15.9
Gross official international reserves (end of period)						
In millions of U.S. dollars	349	337	664	931	1,350	1,555
In months of next year's imports	2.2	2.0	3.3	3.5	3.7	3.9
External debt						
Stock of external debt (end of period) 5/ 6/	5,452	5,731	6,223	6,782	7,371	6,021
(in percent of GDP)	68.5	71.8	84.5	85.3	75.8	54.3
External debt service 5/ 7/						
(in percent of export of goods and services)	52.2	22.7	17.0	14.9	15.1	14.2

Sources: Ethiopian authorities; and IMF and World Bank staff estimates.

1/ Beginning 1997/98, data pertain to the period July 8-July 7; prior to that, data pertain to the period July 1-June 30, except for money and credit.
2/ Including special programs.
3/ In percent of beginning-of-period broad money stock.
4/ Including errors and omissions.
5/ Public medium- and long-term debt, including to the Fund.
6/ Before 1999/2000, post-debt relief; thereafter, pre-debt relief.
7/ Before debt relief; on an accrual basis.

Table 1. Ethiopia: Gross Domestic Product by Economic Activity at Factor Cost, 1999/00-2004/05 1/

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
	(In millions of birr at 1999/2000 prices)					
Agriculture and allied activities	28,595	31,626	30,950	27,361	32,100	35,948
Industry	7,457	7,817	8,213	8,665	9,254	9,865
Mining and quarrying	286	288	326	350	378	408
Manufacturing	3,427	3,600	3,535	3,561	3,752	3,939
Electricity and water	1,335	1,379	1,512	1,577	1,688	1,789
Construction	2,409	2,550	2,839	3,176	3,437	3,729
Services	24,197	25,122	24,997	26,096	27,614	29,221
Distribution services	11,282	11,970	12,152	12,512	13,343	14,181
Trade and related services	7,293	7,547	7,608	7,694	8,194	8,686
Hotels and restaurants	1,278	1,322	1,333	1,348	1,436	1,522
Transportation and communications	2,711	3,101	3,210	3,470	3,713	3,973
Other services	12,915	13,151	12,845	13,584	14,271	15,041
Banking and insurance	1,169	1,237	983	1,301	1,377	1,466
Real estate and ownership	4,291	4,461	4,637	4,815	5,012	5,213
Public administration and defense	4,096	3,809	3,301	3,268	3,333	3,433
Education	1,477	1,642	1,766	1,966	2,182	2,422
Health	572	639	729	734	793	857
Domestic and other	1,142	1,186	1,247	1,310	1,375	1,444
Private households with employed persons	169	176	183	191	198	206
Total GDP at 1999/2000 factor costs	59,575	63,973	63,756	61,654	68,472	74,506
Of which						
Nonagricultural GDP	30,981	32,347	32,806	34,293	36,371	38,558
	(Annual percentage change)					
Agriculture and allied activities	3.2	10.6	-2.1	-11.6	17.3	12.0
Industry	3.6	4.8	5.1	5.5	6.8	6.6
Mining and quarrying	11.1	0.8	13.3	7.2	8.0	8.0
Manufacturing	3.6	5.0	-1.8	0.7	5.4	5.0
Electricity and water	4.0	3.3	9.7	4.3	7.0	6.0
Construction	2.6	5.9	11.3	11.9	8.2	8.5
Services	8.9	3.8	-0.5	4.4	5.8	5.8
Distribution services	4.7	6.1	1.5	3.0	6.6	6.3
Trade and related services	3.7	3.5	0.8	1.1	6.5	6.0
Hotels and restaurants	3.6	3.5	0.8	1.1	6.5	6.0
Transportation and communications	8.1	14.4	3.5	8.1	7.0	7.0
Other services	12.8	1.8	-2.3	5.8	5.1	5.4
Banking and insurance	10.8	5.9	-20.6	32.4	5.8	6.5
Real estate and ownership	3.9	4.0	3.9	3.9	4.1	4.0
Public administration and defense	33.1	-7.0	-13.4	-1.0	2.0	3.0
Education	6.7	11.2	7.6	11.3	11.0	11.0
Health	6.1	11.7	14.0	0.8	8.0	8.0
Domestic and other	3.9	3.9	5.1	5.0	5.0	5.0
Private households with employed persons	4.1	4.1	4.0	4.0	4.0	4.0
Total GDP at 1999/2000 factor costs	5.3	7.4	-0.3	-3.3	11.1	8.8
Of which						
Nonagricultural GDP	7.6	4.4	1.4	4.5	6.1	6.0

Source: Ministry of Finance and Economic Development.

1/ Beginning in 1997/98, data pertain to the period July 8-July 7; prior to that, data pertain to the period July 1-June 30.

Table 2. Ethiopia: Expenditure on Gross Domestic Product at Current Market Prices, 1999/00-2004/05 1/ 2/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
	(In millions of birr)					
GDP at current market prices	63,924	65,689	62,665	68,144	83,892	96,676
Gross domestic expenditure	71,881	73,665	71,980	78,501	98,311	118,634
Consumption	58,784	59,879	57,216	62,999	80,484	93,232
Private	46,731	50,764	47,201	52,096	68,745	79,466
Public	12,053	9,115	10,015	10,904	11,739	13,766
Investment	13,096	13,786	14,764	15,502	17,827	25,402
Private	10,343	9,179	8,810	9,525	10,184	14,903
Public	2,754	4,607	5,954	5,976	7,643	10,500
Resource gap	-7,956	-7,976	-9,315	-10,357	-14,420	-21,958
Exports of goods and nonfactor services	8,020	8,162	8,395	9,779	12,913	15,826
Imports of goods and nonfactor services	-15,976	-16,139	-17,709	-20,136	-27,333	-37,784
Memorandum items:						
Gross domestic saving	5,140	5,810	5,449	5,145	3,407	3,445
Private	7,695	4,748	5,055	4,899	1,230	1,744
Public	-2,555	1,061	394	245	2,178	1,700
Net factor income	-490	-425	-339	-567	-548	-309
Net private transfers	3,346	3,161	2,978	4,247	5,787	7,015
Net official transfers	2,371	3,295	3,713	5,147	4,883	6,492
Gross national saving (including official grants)	10,367	11,841	11,802	13,971	13,530	16,642
Private	11,170	8,068	8,137	9,196	6,999	8,894
Public	-803	3,773	3,665	4,775	6,531	7,749
Foreign saving (excluding official transfers)	-5,101	-5,240	-6,675	-6,678	-9,181	-15,252
GNP at current market prices	63,434	65,264	62,326	67,577	83,344	96,367
	(In percent of GDP)					
Gross domestic expenditure	112.4	112.1	114.9	115.2	117.2	122.7
Consumption	92.0	91.2	91.3	92.5	95.9	96.4
Private	73.1	77.3	75.3	76.4	81.9	82.2
Public	18.9	13.9	16.0	16.0	14.0	14.2
Investment	20.5	21.0	23.6	22.7	21.3	26.3
Private	16.2	14.0	14.1	14.0	12.1	15.4
Public	4.3	7.0	9.5	8.8	9.1	10.9
Resource gap	-12.4	-12.1	-14.9	-15.2	-17.2	-22.7
Exports of goods and nonfactor services	12.5	12.4	13.4	14.4	15.4	16.4
Imports of goods and nonfactor services	-25.0	-24.6	-28.3	-29.5	-32.6	-39.1
Memorandum items:						
Gross domestic saving	8.0	8.8	8.7	7.5	4.1	3.6
Private	12.0	7.2	8.1	7.2	1.5	1.8
Public	-4.0	1.6	0.6	0.4	2.6	1.8
Net factor income	-0.8	-0.6	-0.5	-0.8	-0.7	-0.3
Net private transfers	5.2	4.8	4.8	6.2	6.9	7.3
Net official transfers	3.7	5.0	5.9	7.6	5.8	6.7
Gross national saving (including official grants)	16.2	18.0	18.8	20.5	16.1	17.2
Private	17.5	12.3	13.0	13.5	8.3	9.2
Public	-1.3	5.7	5.8	7.0	7.8	8.0
Foreign saving (excluding official transfers)	-8.0	-8.0	-10.7	-9.8	-10.9	-15.8
GNP at current market prices	99.2	99.4	99.5	99.2	99.3	99.7

Sources: Ministry of Finance and Economic Development; and Fund staff estimates.

1/ Beginning in 1997/98, data pertain to the period July 8-July 7; prior to that, data pertain to the period July 1-June 30.
2/ GDP at current market prices mach authorities' figures; expenditure data depart from these to ensure consistency with Fund staff estimates of the current account.

Table 3. Ethiopia: Estimates of Agricultural Production and Cultivated Area of Major Crops, 2000/01-2004/05 1/

	2000/01		2001/02		2002/03		2003/04		2004/05	
	Cultivated area	Total production	Cultivated area	Total production	Cultivated area	Total production	Cultivated area	Total production	Cultivated area	Total production
	(Area in thousands of hectares; production in thousands of quintals)									
Cereals	7,637	96,910	7,066	90,541	6,870	68,010	7,573	94,808	8,430	106,147
Maize	1,720	33,059	1,674	30,518	1,404	20,382	1,591	28,058	1,802	29,063
Wheat	1,140	16,052	1,066	14,609	1,049	11,087	1,153	16,529	1,457	21,766
Teff	2,183	17,496	1,868	16,450	1,978	14,384	2,038	16,971	2,233	20,477
Sorghum	1,333	15,487	1,176	15,715	1,111	10,645	1,325	17,684	1,311	17,179
Barley	874	11,066	956	9,794	975	8,091	1,115	12,048	1,255	13,755
Millet	347	3,177	282	3,071	313	3,113	311	3,073	315	3,329
Oats	41	573	44	384	40	308	40	445	57	578
Rice			-	-	-	-	-	-	-	-
Pulses	1,247	11,094	1,158	10,851	1,118	8,444	1,155	10,639	1,526	13,857
Horsebeans	426	4,559	372	4,498	391	3,622	383	4,274	465	5,520
Chickpeas	212	1,763	195	1,849	144	1,155	158	1,374	181	1,628
Haricot beans	187	1,660	207	1,513	228	1,332	232	1,948	371	2,441
Field peas	205	1,474	204	1,543	220	1,448	226	1,761	275	2,300
Lentils	90	557	75	414	55	238	56	366	89	551
Vetch	114	1,001	85	929	54	532	83	791	112	1,250
Soya beans		0	-	-	-	-	-	-	3	8
Fenugreek	14	81	20	105	26	117	17	125	19	116
Gibto			-	-	-	-	-	-	10	43
Others	561	2,389	429	2,105	479	1,985	575	3,150	831	5,264
Neug	336	1,190	232	842	132	428	282	1,190	359	1,872
Linseed/flax	131	646	102	531	15	110	144	777	256	1,519
Rapeseed	25	147	15	169	4	16	26	293	42	358
Sunflower	11	65	5	38	19	207	10	60	10	70
Groundnuts	17	152	16	136	251	861	21	215	27	291
Sesame	42	189	59	389	58	363	92	615	136	1,154
Total	9,445	110,393	8,653	103,497	8,467	78,439	9,303	108,597	10,787	125,269
Cereals and pulses	8,884	108,004	8,224	101,392	7,988	76,454	8,728	105,447	9,956	120,005
	(Annual percentage change)									
Cereals	13.2	20.9	-7.5	-6.6	-2.8	-24.9	10.2	39.4	11.3	12.0
Pulses	17.5	6.5	-7.2	-2.2	-3.5	-22.2	3.3	26.0	32.1	30.2
Others	37.6	33.1	-23.6	-11.9	11.7	-5.7	20.0	58.7	44.5	67.1
Total	15.0	19.6	-8.4	-6.2	-2.1	-24.2	9.9	38.4	15.9	15.4
Cereals and pulses	13.8	19.3	-7.4	-6.1	-2.9	-24.6	9.3	37.9	14.1	13.8
	(Index, 1995/96 = 100)									
Cereals	100.5	104.0	93.0	97.2	90.4	73.0	99.7	101.8	111.0	113.9
Pulses	135.9	135.0	126.1	132.1	121.8	102.8	125.8	129.5	166.2	168.7
Others	148.9	127.3	113.8	112.1	127.1	105.7	152.5	167.8	220.4	280.4
Total	106.2	106.9	97.3	100.2	95.2	76.0	104.6	105.2	121.3	121.3
Cereals and pulses	104.3	106.5	96.6	100.0	93.8	75.4	102.5	104.0	116.9	118.4

Source: Central Statistical Authority.

1/ Beginning in 1997/98, data pertain to the period July 8-July 7; prior to that, data pertain to the period July 1-June 30.

Table 4. Ethiopia: Estimates of Coffee Production, Marketing, and Stocks, 1999/00-2004/05 1/
(In thousands of metric tons)

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Opening stocks	152	144	130	124	99	79
Production	230	221	245	250	260	300
Domestic consumption	-98	-100	-110	-110	-110	-110
Exports 2/	-120	-85	-116	-137	-142	-172
Unwashed	-87	-66	-78	-99	-96	-116
Washed	-33	-19	-38	-38	-46	-56
Adjustments 3/	-20	-50	-25	-28	-28	-43
Closing stocks	144	130	124	99	79	54

Source: Ethiopian Coffee and Tea Authority.

1/ Estimates (except exports) based on the findings of the Coffee Sector Survey; coffee year begins in October.
2/ As recorded on loading at port rather than at customs stations.
3/ Represents, among other factors, unofficial exports and handling losses.

Table 5. Ethiopia: Monthly Export and Arrival Volumes and Coffee Prices, October 2002-August 2005

		Export Volume	Arrival Volume	Estimated Producer Price 1/	Auction Price 2/	Export Unit Value 2/	ICO Composite Price 3/
		(Metric tons)		(Birr per metric ton)			
		(In units indicated)					
2002/03	October	8,661	8,944	4,991	5,938	10,567	51
	November	6,718	17,054	6,321	8,363	10,536	55
	December	6,962	17,649	6,617	8,756	11,111	52
	January	6,444	15,082	5,874	7,902	11,480	54
	February	7,617	22,473	6,216	7,924	11,377	54
	March	12,604	26,610	6,201	7,554	12,267	50
	April	14,686	20,307	5,811	7,072	10,776	52
	May	15,315	18,374	6,411	7,771	10,604	53
	June	17,315	15,307	6,378	7,739	10,982	49
	July	18,056	12,157	6,847	8,181	11,266	51
	August	12,176	9,403	6,888	8,117	10,659	52
	September	10,060	8,356	6,769	8,023	11,004	54
2003/04	October	9,172	9,104	6,799	8,139	1,330	52
	November	5,187	10,244	7,447	9,861	1,314	50
	December	5,115	17,971	7,008	9,241	1,289	52
	January	4,936	20,002	8,044	10,348	1,450	59
	February	6,332	24,998	8,072	10,070	1,526	60
	March	16,350	28,823	8,586	10,364	1,450	61
	April	18,867	21,449	8,740	10,490	1,385	59
	May	16,721	19,283	8,970	10,698	1,489	60
	June	19,223	17,842	9,360	11,072	1,496	64
	July	20,121	10,409	8,962	10,620	1,620	58
	August	10,274	10,496	8,650	10,206	1,650	57
	September	10,124	9,375	8,642	10,221	1,559	61
2004/05	October	9,012	9,111	9,009	10,877	1,576	61
	November	9,644	20,575	11,483	14,052	1,573	67
	December	7,853	26,095	13,096	15,806	1,606	38
	January	8,145	22,504	13,318	15,917	1,910	79
	February	11,033	31,149	14,505	17,097	2,143	89
	March	16,707	32,046	14,027	17,058	2,251	101
	April	18,389	21,438	14,329	17,117	2,343	98
	May	18,466	17,684	12,777	17,188	2,483	100
	June	19,446	10,791	12,581	16,899	2,485	96
	July	17,715	6,337	11,049	15,968	2,485	88
	August	12,426	6,310	11,611	16,612	2,371	85
		(Annual average, based on coffee year) 4/					
1998/99		8,783	12,293	10,780	12,192	20,166	89
1999/2000		10,025	14,270	11,461	12,995	17,489	73
2000/01		7,091	9,595	8,825	10,181	14,856	48
2001/02		9,696	16,472	5,268	6,472	12,039	45
2002/03		11,385	15,976	6,277	7,778	11,052	52
2003/04		11,869	16,666	8,273	10,111	1,463	58
		(Annual percentage change, based on coffee year) 4/					
1998/99		-15.9	-4.0	-22.4	-21.8	-10.2	-22.8
1999/2000		14.1	16.1	6.3	6.6	-13.3	-17.8
2000/01		-29.3	-32.8	-23.0	-21.7	-15.1	-34.4
2001/02		36.7	71.7	-40.3	-36.4	-19.0	-5.1
2002/03		17.4	-3.0	19.2	20.2	-8.2	15.3
2003/04		4.3	4.3	31.8	30.0	-86.8	10.5

Source: Ethiopian Coffee and Tea Authority.

1/ Auction price less estimated transport and handling costs.
2/ For unwashed and washed coffee, combined (mostly unwashed) at Addis Ababa and weighted by same month's arrival.
3/ ICO is the International Coffee Organization; in U.S. cents per pound.
4/ October-September.

Table 6. Ethiopia: Approved Investment Projects, July 1992 - September 2005 1/

	Number of Projects	Capital Cost 2/	Permanent Employment	Temporary Employment	Capital-Labor Ratio 3/	Average Project Employment 3/
			(In units indicated)			
Agriculture, forestry, and fishing						
Approved	2,249	19,641	130,879	929,114	0.15	58
Implementation phase	166	2,053	12,617	88,084	0.16	76
Operational	720	4,107	30,925	283,801	0.13	43
Mining and quarrying						
Approved	63	706	4,037	729	0.17	64
Implementation phase	15	97	894	0	0.11	60
Operational	15	338	1,329	152	0.25	89
Manufacturing						
Approved	5,306	54,668	266,714	107,249	0.20	50
Implementation phase	731	6,982	43,089	12,825	0.16	59
Operational	1,396	11,290	62,964	30,380	0.18	45
Electricity supply						
Approved	56	27,826	1,762	7,353	15.79	31
Implementation phase	8	5,718	437	400	13.08	55
Operational	7	2,241	125	61	17.93	18
Construction						
Approved	869	37,579	71,031	166,636	0.53	82
Implementation phase	120	2,042	8,030	6,112	0.25	67
Operational	72	3,346	17,298	8,474	0.19	240
Construction machinery leasing						
Approved	1,817	10,913	33,863	6,724	0.32	19
Implementation phase	76	974	2,121	48	0.46	28
Operational	166	842	3,378	776	0.25	20
Real estate						
Approved	880	15,590	23,064	43,776	0.68	26
Implementation phase	71	2,142	1,620	1,003	1.32	23
Operational	51	1,615	611	60	2.64	12
Trade						
Approved	382	2,624	18,525	13,288	0.14	48
Implementation phase	40	518	3,582	835	0.14	90
Operational	67	562	2,887	5,286	0.19	43
Hotel and tourism						
Approved	939	5,023	35,141	11,084	0.14	37
Implementation phase	110	584	5,164	879	0.11	47
Operational	156	593	4,600	765	0.13	29
Transport and storage, and communication						
Approved	104	4,197	9,775	626	0.43	94
Implementation phase	5	24	74	50	0.32	15
Operational	18	3,195	7,390	45	0.43	411
Education						
Approved	832	6,974	44,098	8,976	0.16	53
Implementation phase	59	605	4,168	230	0.15	71
Operational	132	2,027	6,921	832	0.29	52
Health						
Approved	358	5,128	22,548	3,303	0.23	63
Implementation phase	66	801	4,517	88	0.18	68
Operational	49	281	2,405	576	0.12	49
Other						
Approved	347	2,314	10,565	3,412	0.22	30
Implementation phase	23	348	754	162	0.46	33
Operational	45	63	711	164	0.09	16
Total						
Approved	14,202	193,183	672,002	1,302,270	0.29	47
Implementation phase	1,490	22,888	87,067	110,716	0.26	58
Operational	2,894	30,500	141,544	331,372	0.22	49
Memorandum items:			(In percent of approved projects)			
Projects in implementation phase	10	12	13	9	…	…
Projects in operation	20	16	21	25	…	…

Source: Ethiopian Investment Authority.

1/ Excludes projects with initial investment of less than Br 250,000.
2/ As stated in the project application; in millions of birr.
3/ Capital - labor ratio and average employment per project are calculated using permanent employment.

Table 7. Ethiopia: Prices of Petroleum Products, December 2001-December 2005 1/2/
(In birr per liter, unless otherwise indicated)

	Regular Gasoline	Gas Oil (Diesel)	Fuel Oil	Lighting Kerosene
December 2001 - March 2002				
Import border price	1.29	1.48	1.32	1.52
Addis Ababa	4.30	2.62	2.23	2.00
(in percentage change)	0.00	0.00	0.00	0.00
(in U.S. dollars per liter)	0.50	0.31	0.26	0.23
April 2002 - September 2002				
Import border price	1.21	1.33	1.31	1.42
Addis Ababa	4.30	2.62	2.23	2.00
(in percentage change)	0.00	0.00	0.00	0.00
(in U.S. dollars per liter)	0.50	0.31	0.26	0.23
October 2002 - January 2003				
Import border price	1.87	1.71	1.66	1.82
Addis Ababa	4.40	2.72	2.30	2.00
(in percentage change)	2.33	3.82	3.14	0.00
(in U.S. dollars per liter)	0.51	0.32	0.27	0.23
February 2003 - May 2003				
Import border price	1.94	1.82	1.65	1.92
Addis Ababa	4.40	2.72	2.30	2.00
(in percentage change)	0.00	0.00	0.00	0.00
(in U.S. dollars per liter)	0.51	0.32	0.27	0.23
June 2003 - October 2003				
Import border price	1.92	1.82	1.57	1.75
Addis Ababa	4.40	2.72	2.30	2.00
(in percentage change)	0.00	0.00	0.00	0.00
(in U.S. dollars per liter)	0.51	0.32	0.27	0.23
November 2003 - March 2004				
Import border price	1.77	1.85	1.64	1.87
Addis Ababa	4.40	2.72	2.30	2.00
(in percentage change)	0.00	0.00	0.00	0.00
(in U.S. dollars per liter)	0.51	0.32	0.27	0.23
April 2004 - August 2004				
Import border price	2.27	2.16	1.65	2.17
Addis Ababa	4.69	3.02	2.56	2.15
(in percentage change)	6.59	11.03	11.30	7.50
(in U.S. dollars per liter)	0.54	0.35	0.30	0.25
September 2004 - November 2004				
Import border price	2.75	2.66	1.81	2.81
Addis Ababa	5.12	3.63	3.17	2.69
(in percentage change)	9.17	20.20	23.83	25.12
(in U.S. dollars per liter)	0.59	0.42	0.37	0.31
December 2004 - December 2005				
Import border price	2.93	3.21	1.88	3.45
Addis Ababa	5.50	4.31	3.52	3.00
(in percentage change)	7.42	18.73	11.04	11.52
(in U.S. dollars per liter)	0.64	0.50	0.41	0.35

Sources: Ethiopian Petroleum Corporation; and Ministry of Trade and Industry.

1/ Retail prices vary, depending on transportation costs.

2/ As of August 1997, the Ethiopian Petroleum Corporation ceased refining crude petroleum.

Table 8. Ethiopia: Consumer Price Index, March 2003-September 2005

		National			Addis Ababa		
		Overall	Food	Nonfood	General	Food	Nonfood
		(December 2000=100)					
2003	March	114.3	121.4	103.6	100.9	103.7	96.7
	June	120.3	131.2	103.9	104.4	109.8	96.3
	September	123.6	136.2	104.6	105.9	113.2	95.0
	December	115.9	123.1	105.1	104.1	106.2	101.0
2004	March	117.8	124.7	107.4	104.7	108.0	99.8
	June	122.4	133.0	106.5	109.1	114.0	101.8
	September	125.8	136.7	109.4	113.3	118.3	105.8
	December	125.0	134.9	110.1	112.8	113.5	111.8
2005	January	126.6	135.4	113.4	113.4	113.9	112.7
	February	127.1	135.7	114.2	112.4	113.2	111.2
	March	129.7	139.9	114.4	113.7	114.7	112.2
	April	132.0	143.7	114.4	115.0	117.9	110.7
	May	133.0	145.8	113.7	115.4	118.6	110.6
	June	138.3	153.9	114.8	117.6	122.6	110.1
	July	140.0	155.1	117.3	118.6	124.3	110.1
	August	141.1	156.4	118.1	119.8	126.3	110.1
	September	143.4	158.9	120.1	120.6	127.3	110.6
		(Annual percentage change; end of period)					
2003	March	20.4	33.8	2.4	2.4	13.1	-4.0
	June	23.5	37.4	3.6	3.6	20.8	-5.5
	September	16.6	25.2	2.8	2.8	16.0	-4.6
	December	6.2	8.4	2.7	2.7	8.5	0.6
2004	March	3.1	2.7	3.7	3.7	4.1	3.2
	June	1.7	1.4	2.5	2.5	3.8	5.7
	September	1.8	0.4	4.5	4.5	4.5	11.4
	December	7.9	9.6	4.8	4.8	6.9	10.7
2005	January	10.6	13.0	6.4	6.4	8.9	10.4
	February	9.9	12.0	6.5	6.5	7.5	7.3
	March	10.1	12.2	6.5	6.5	6.2	12.4
	April	8.8	10.2	6.3	6.3	6.6	8.6
	May	9.6	11.0	6.8	6.8	6.8	9.1
	June	13.0	15.7	7.9	7.9	7.5	8.2
	July	13.5	15.5	9.9	9.9	8.9	4.3
	August	13.2	15.1	9.7	9.7	10.0	6.8
	September	14.0	16.2	9.8	9.8	7.6	4.5
		(Annual percentage change; annual average)					
2003	March	8.4	14.0	0.5	1.5	2.5	0.0
	June	15.1	24.8	1.6	4.6	9.6	-2.2
	September	18.2	29.4	2.3	6.5	13.5	-3.3
	December	17.8	27.7	3.0	7.4	15.3	-3.6
2004	March	13.5	19.8	3.4	7.0	13.0	-1.8
	June	8.6	11.8	3.2	5.6	8.6	1.0
	September	4.2	4.8	3.2	4.9	5.3	4.3
	December	3.2	3.0	3.6	5.1	3.7	7.4
2005	January	3.9	3.9	3.9	5.6	4.2	8.0
	February	4.4	4.6	4.1	5.9	4.6	8.2
	March	5.0	5.4	4.4	6.3	4.8	8.9
	April	5.4	5.9	4.6	6.6	5.1	9.2
	May	5.9	6.4	4.9	6.9	5.4	9.5
	June	6.8	7.7	5.3	7.2	5.7	9.7
	July	7.9	9.0	6.0	7.4	6.3	9.3
	August	9.0	10.3	6.5	7.8	6.9	9.2
	September	10.0	11.7	7.0	7.7	7.2	8.7
		(Monthly percentage change)					
2003	March	1.6	2.4	0.3	-0.2	0.9	-1.9
	June	2.8	4.2	0.3	1.1	1.7	0.1
	September	-0.2	-0.4	0.2	0.7	1.9	-1.5
	December	-2.6	-4.5	0.9	-0.7	-3.8	4.8
2004	March	1.9	2.9	0.2	0.1	2.6	-3.7
	June	0.8	1.3	0.0	1.8	2.6	0.4
	September	1.0	0.6	1.7	2.9	3.0	2.6
	December	-0.7	-1.1	0.0	-0.4	-2.6	3.2
2005	January	1.3	0.4	3.0	0.5	0.4	0.8
	February	0.4	0.2	0.7	-0.9	-0.6	-1.3
	March	2.0	3.1	0.2	1.2	1.3	0.9
	April	1.8	2.7	0.0	1.1	2.8	-1.3
	May	0.8	1.5	-0.6	0.3	0.6	-0.1
	June	4.0	5.6	1.0	1.9	3.4	-0.5
	July	1.2	0.8	2.1	0.9	1.4	0.0
	August	0.8	0.8	0.7	1.0	1.6	0.0
	September	1.6	1.6	1.7	0.7	0.8	0.5

Source: Central Statistical Authority.

Table 9. Ethiopia: Summary of General Government Finances, 1999/00-2004/05 1/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
	(In millions of birr)					
Total revenue and grants	11,222	12,804	12,834	15,702	17,918	20,031
Revenue	9,498	10,176	10,409	11,149	13,917	15,466
Tax revenue	6,482	7,439	7,926	8,244	10,906	12,265
Nontax revenue	3,016	2,737	2,483	2,906	3,010	3,202
Grants	1,724	2,628	2,425	4,553	4,001	4,565
Total expenditure and net lending (cash basis)	17,184	15,382	16,680	19,840	20,232	24,551
Current expenditure	13,742	10,379	10,550	13,527	11,961	13,036
Capital expenditure	3,442	5,003	6,130	6,313	8,271	11,515
Net lending	0	0	0	0	0	0
Special programs	0	404	971	655	272	224
Overall balance (cash basis)						
Including grants	-5,961	-2,982	-5,282	-5,526	-4,572	-5,789
Excluding grants	-7,685	-5,610	-7,707	-10,079	-8,573	-10,354
Financing (net)	5,961	2,982	5,282	5,526	4,572	5,799
External (net)	868	2,070	4,905	3,865	2,400	2,384
Gross borrowing	1,366	2,686	5,172	3,608	2,555	2,507
Amortization paid	-498	-616	-696	-557	-833	-851
Domestic (net)	4,975	57	309	1,653	2,161	3,395
Banking system	5,499	-213	723	1,651	2,155	3,156
Nonbanks	-524	270	-414	2	6	239
Privatization receipts	650	400	68	8	11	10
Statistical discrepancy/check float	-532	455	-464	-733	-1,986	-1,046
	(In percent of GDP)					
Total revenue and grants	17.6	19.5	20.5	23.0	21.4	20.7
Revenue	14.9	15.5	16.6	16.4	16.6	16.0
Tax revenue	10.1	11.3	12.6	12.1	13.0	12.7
Nontax revenue	4.7	4.2	4.0	4.3	3.6	3.3
Grants	2.7	4.0	3.9	6.7	4.8	4.7
Total expenditure and net lending (cash basis)	26.9	23.4	26.6	29.1	24.1	25.4
Current expenditure	21.5	15.8	16.8	19.9	14.3	13.5
Capital expenditure	5.4	7.6	9.8	9.3	9.9	11.9
Net lending	0.0	0.0	0.0	0.0	0.0	0.0
Special programs	0.0	0.6	1.5	1.0	0.3	0.2
Overall balance (cash basis)						
Including grants	-9.3	-4.5	-8.4	-8.1	-5.5	-6.0
Excluding grants	-12.0	-8.5	-12.3	-14.8	-10.2	-10.7
Financing (net)	9.3	4.5	8.4	8.1	5.4	6.0
External (net)	1.4	3.2	7.8	5.7	2.9	2.5
Domestic (net)	7.8	0.1	0.5	2.4	2.6	3.5
Banking system	8.6	-0.3	1.2	2.4	2.6	3.3
Nonbanks	-0.8	0.4	-0.7	0.0	0.0	0.2
Privatization receipts	1.0	0.6	0.1	0.0	0.0	0.0
Statistical discrepancy/check float	-0.8	0.7	-0.7	-1.1	-2.4	-1.1

Sources: Ministry of Finance and Economic Development; and Fund staff estimates.

1/ Beginning in 1997/98, data pertain to the period July 8-July 7; prior to that, data pertain to the period July 1-June 30.

Table 10. Ethiopia: General Government Revenues and Grants, 1999/00-2004/05 1/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
	(In millions of birr)					
Tax revenue	6,482	7,440	7,926	8,244	10,907	12,265
Direct taxes	2,367	2,734	3,120	3,010	3,431	3,930
Income and profit tax	2,169	2,495	2,979	2,878	2,832	3,569
Personal income	594	686	760	833	948	1,132
Rental income	51	48	46	52	53	78
Business profits	1,358	1,457	1,679	1,639	1,303	1,714
Agricultural income	118	121	130	72	138	150
Withholding income tax on imports	0	125	304	228	448	415
Other income	0	0	21	24	204	37
Interest income	6	7	20	21	20	23
Capital gains tax	42	50	20	10	17	20
Rural land use fee	111	117	113	89	114	140
Urban land lease fee	87	123	28	44	186	221
Indirect taxes	4,116	4,706	4,806	5,233	7,476	8,335
Domestic production, sales, and excise taxes	1,440	1,381	1,498	1,668	2,200	2,589
Sales and excise taxes	1,087	975	1,060	1,144	1,534	1,870
Petroleum products 2/	0	0	0	0	0	0
Alcohol and tobacco	259	246	293	278	279	323
Other goods	828	729	767	866	1,255	1,547
Services	233	282	335	397	505	533
Stamp duties	120	125	104	127	161	185
Import duties	2,528	3,231	3,280	3,564	5,276	5,746
Customs duties	1,126	1,275	1,465	1,606	2,434	2,503
Sales and other taxes	1,150	1,434	1,721	1,888	2,833	3,242
Petroleum products	87	107	...	...	...	...
Alcohol and tobacco	26	31	1	1	2	4
Other imports	1,037	1,297	158	126	114	232
Surtax	252	521	94	70	10	1
Export taxes	148	93	28	1	0	0
Nontax revenue	3,016	2,737	2,483	2,906	3,011	3,202
Charges and fees	200	179	237	212	321	616
Sales of goods and services	357	340	338	190	376	873
Surplus, capital charges, interest payments, and state dividends	1,183	1,353	1,017	1,403	1,250	1,106
Pension contributions	...	...	...	...	...	...
Reimbursement and property sales	475	203	288	204	185	193
Fines and miscellaneous	524	593	521	478	716	400
Other extraordinary 3/	277	70	81	419	163	14
Total revenue	9,498	10,177	10,409	11,149	13,917	15,467
External grants	1,724	2,628	2,425	4,553	4,001	4,565
Grants in kind/earmarked	1,694	1,651	1,006	4,086	1,746	2,234
Untied cash and counterpart funds/grants	30	977	1,419	467	2,255	2,331
Total revenue and grants	11,222	12,805	12,834	15,702	17,918	20,032
	(In percent of total revenue)					
Tax revenue	68.2	73.1	76.1	73.9	78.4	79.3
Direct taxes	24.9	26.9	30.0	27.0	24.6	25.4
Indirect taxes	43.3	46.2	46.2	46.9	53.7	53.9
Nontax revenue	31.8	26.9	23.9	26.1	21.6	20.7
	(In percent of GDP)					
Tax revenue	10.1	11.3	12.6	12.1	13.0	12.7
Direct taxes	3.7	4.2	5.0	4.4	4.1	4.1
Income and profit tax	3.4	3.8	4.8	4.2	3.4	3.7
Land use fees	0.2	0.2	0.2	0.1	0.1	0.1
Indirect taxes	6.4	7.2	7.7	7.7	8.9	8.6
Domestic production, sales, and excise taxes	2.3	2.1	2.4	2.4	2.6	2.7
Import duties	4.0	4.9	5.2	5.2	6.3	5.9
Export taxes	0.2	0.1	0.0	0.0	0.0	0.0
Nontax revenue	4.7	4.2	4.0	4.3	3.6	3.3
Surplus, capital charges, interest payments, and state dividends	1.9	2.1	1.6	2.1	1.5	1.1
Other nontax revenue	2.9	2.1	2.3	2.2	2.1	2.2
Grants	2.7	4.0	3.9	6.7	4.8	4.7

Sources: Ministry of Finance and Economic Development; and Fund staff estimates.

1/ Beginning in 1997/98, data pertain to the period July 8-July 7; prior to that, data pertain to the period July 1-June 30.
2/ Levied on petroleum refined in Ethiopia; petroleum refining ceased in August 1997.
3/ Data for 1996/97 include sugar auction sales only.

Table 11. Ethiopia: General Government Current Expenditures by Economic Classification, 1999/00-2004/05 1/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
	(In millions of birr)					
Wages and operating expenses	10,690	7,460	7,905	8,755	9,603	10,584
Wages and salaries	3,284	3,597	3,789	4,001	5,162	5,917
Materials	7,406	3,863	4,116	4,753	4,441	4,908
Grants and contributions	439	533	297	410	346	1,009
Subsidies	0	0	0	0	0	0
Pensions	285	328	297	254	234	328
Interest and charges	1,211	1,080	1,005	1,219	1,080	1,011
Domestic debt	832	575	572	625	576	525
External debt	379	505	433	594	504	486
External assistance	1,081	978	1,006	2,890	699	721
Safety net measures	0	0	0	0	0	0
Total current expenditure	13,707	10,379	10,510	13,527	11,961	13,653
	(In percent of total current expenditure)					
Wages and operating expenses	78.0	71.9	75.2	64.7	80.3	77.5
Wages and salaries	24.0	34.7	36.1	29.6	43.2	43.3
Materials	54.0	37.2	39.2	35.1	37.1	35.9
Grants and contributions	3.2	5.1	2.8	3.0	2.9	7.4
Subsidies	0.0	0.0	0.0	0.0	0.0	0.0
Pensions	2.1	3.2	2.8	1.9	2.0	2.4
Interest and charges	8.8	10.4	9.6	9.0	9.0	7.4
External assistance	7.9	9.4	9.6	21.4	5.8	5.3
Safety net measures	0.0	0.0	0.0	0.0	0.0	0.0
	(In percent of GDP)					
Wages and operating expenses	16.7	11.4	12.6	12.8	11.4	10.9
Wages and salaries	5.1	5.5	6.0	5.9	6.2	6.1
Materials	11.6	5.9	6.6	7.0	5.3	5.1
Grants and contributions	0.7	0.8	0.5	0.6	0.4	1.0
Subsidies	0.0	0.0	0.0	0.0	0.0	0.0
Pensions	0.4	0.5	0.5	0.4	0.3	0.3
Interest and charges	1.9	1.6	1.6	1.8	1.3	1.0
External assistance	1.7	1.5	1.6	4.2	0.8	0.7
Safety net measures	0.0	0.0	0.0	0.0	0.0	0.0
Total current expenditure	21.4	15.8	16.8	19.9	14.3	14.1

Sources: Ministry of Finance and Economic Development; and Fund staff estimates.

1/ Beginning in 1997/98, data pertain to the period July 8-July 7; prior to that, data pertain to the period July 1-June 30.

Table 12. Ethiopia: General Government Expenditures by Functional Classification, 1999/00-2004/05 1/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
			(In millions of birr)			
Current expenditure	13,742	10,379	10,550	13,527	11,961	13,036
General services	8,322	5,071	4,630	4,679	5,048	5,767
Defense	6,842	3,307	2,610	2,341	2,452	2,920
Public order and security	398	508	574	792	766	932
General services 2/	1,082	1,256	1,446	1,545	1,830	1,915
Economic services	808	943	1,049	1,223	1,356	1,468
Agriculture and natural resources	530	636	675	730	870	1,123
Trade and industry	45	55	116	213	109	88
Mines and energy	30	27	32	39	40	26
Tourism	10	11	13	22	16	16
Transport and communications	71	86	63	50	161	59
Urban development and construction	94	99	119	139	132	138
Economic development studies	27	30	30	30	28	19
Social services	2,103	2,234	2,800	3,183	3,253	3,775
Education	1,305	1,513	1,777	2,276	2,511	2,901
Culture and sport	26	32	57	52	71	77
Health	395	470	522	526	532	677
Labor and social welfare	53	61	64	61	76	81
Relief and rehabilitation	323	158	381	268	63	39
Pension payments	0	0	0	0	0	0
Interest and charges	1,122	1,080	1,005	1,219	1,080	1,011
External assistance 3/	1,289	978	1,006	2,890	699	721
Miscellaneous	97	73	61	230	525	293
Capital expenditure 4/	3,442	5,003	6,130	6,313	8,271	11,515
Economic development	2,064	3,163	3,330	3,342	4,773	7,766
Agriculture	501	499	793	763	1,876	2,915
Natural resources	252	502	300	300	405	1,113
Mining and energy	265	369	375	526	457	85
Industry	54	36	5	33	98	17
Trade and tourism	0	2	3	8	112	263
Transport construction	797	1,474	1,527	1,572	1,836	2,737
Transport and communications	196	281	329	141	87	637
Financial agencies	0	0	0	0	0	0
Social development	626	1,069	994	1,331	2,233	3,310
Education	341	609	540	793	1,666	1,900
Public health	140	313	273	298	346	510
Urban development and housing	125	131	163	210	165	830
Social welfare	9	7	7	10	26	34
Culture and sport	10	9	11	20	26	37
General services and compensation	347	510	693	444	1,265	455
External assistance 5/	405	673	1,113	1,196	1,047	1,513
Total expenditure	17,184	15,382	16,680	19,840	20,232	24,551
			(In percent of total expenditure)			
Current expenditure	80.0	67.5	63.2	68.2	59.1	53.1
General services 2/	48.4	33.0	27.8	23.6	24.9	23.5
Of which: defense	39.8	21.5	15.6	11.8	12.1	11.9
Economic services	4.7	6.1	6.3	6.2	6.7	6.0
Social services	12.2	14.5	16.8	16.0	16.1	15.4
Interest and charges	6.5	7.0	6.0	6.1	5.3	4.1
Other	7.1	7.1	7.1	7.1	7.1	7.1
Capital expenditure 4/	20.0	32.5	36.8	31.8	40.9	46.9
Economic development	12.0	20.6	20.0	16.8	23.6	31.6
Social development	3.6	7.0	6.0	6.7	11.0	13.5
General services and compensation	2.0	3.3	4.2	2.2	6.3	1.9
External assistance 5/	2.4	4.4	6.7	6.0	5.2	6.2
Total social spending (current and capital)	25.3	39.8	39.1	37.3	50.3	57.1
Education	9.6	13.8	13.9	15.5	20.6	19.6
Health	3.1	5.1	4.8	4.2	4.3	4.8
Other	12.6	20.9	20.5	17.7	25.3	32.7
			(In percent of GDP)			
Current expenditure	21.5	15.8	16.8	19.9	14.3	13.5
General services 2/	13.0	7.7	7.4	6.9	6.0	6.0
Of which: defense	10.7	5.0	4.2	3.4	2.9	3.0
Economic services	1.3	1.4	1.7	1.8	1.6	1.5
Social services	3.3	3.4	4.5	4.7	3.9	3.9
Interest and charges	1.8	1.6	1.6	1.8	1.3	1.0
Other	2.2	1.6	1.7	4.7	1.5	1.0
Capital expenditure 4/	5.4	7.6	9.8	9.3	9.9	11.9
Economic development	3.2	4.8	5.3	4.9	5.7	8.0
Social development	1.0	1.6	1.6	2.0	2.7	3.4
General services and compensation	0.5	0.8	1.1	0.7	1.5	0.5
External assistance 5/	0.0	0.0	0.0	0.0	0.0	0.0
Total social spending (current and capital)	6.8	9.3	10.4	10.9	12.1	14.5
Education	2.6	3.2	3.7	4.5	5.0	5.0
Health	0.8	1.2	1.3	1.2	1.0	1.2
Other 6/	3.4	4.9	5.4	5.1	6.1	8.3

Sources: Ministry of Finance and Economic Development; and Fund staff estimates.

1/ Beginning in 1997/98, data pertain to the period July 8-July 7; prior to that, data pertain to the period July 1-June 30.
2/ Includes organs of state and judiciary.
3/ Imputed value of goods and services provided through external grants, mainly aid in kind.
4/ Includes outlays other than investment proper, such as operating expenses of certain development agencies.
5/ Details across sectors unavailable. However, the 2003/04 estimate for external assistance is incorporated in sector estimates.
6/ Includes culture and sports, labor and social welfare, relief and rehabilitation, and urban development and housing.

Table 13. Ethiopia: Summary of Regional Government Finances, 1999/00-2004/05 1/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
			(In millions of birr)			
Total revenue 2/	1,768	1,823	1,963	2,105	3,089	3,455
Tax revenue	1,248	1,388	1,452	1,565	2,165	2,553
Income and profits tax	777	903	1,062	1,197	1,499	1,777
Land use fees	198	239	140	132	300	361
Domestic sales and excise taxes	197	179	192	161	116	236
Stamp duties	76	67	58	75	101	110
Nontax revenue	520	435	511	540	924	902
Total expenditure	4,244	5,146	5,439	6,225	7,713	8,828
Current expenditure	3,039	3,500	3,907	4,755	5,795	6,155
General services	966	1,082	1,180	1,418	1,722	1,833
Economic services	550	637	688	770	979	1,193
Social services	1,498	1,731	1,995	2,396	2,628	3,080
Pension payments	25	0	0	0	0	0
Miscellaneous	0	51	44	171	466	49
Capital expenditure	1,205	1,646	1,532	1,470	1,918	2,673
Economic development	776	913	889	791	978	1,255
Social development	270	567	430	483	452	1,155
General development	158	165	213	196	488	263
Overall balance 3/	-2,475	-3,323	-3,476	-4,120	-4,625	-5,372
			(In percent of GDP)			
Total revenue 2/	2.8	2.8	3.1	3.1	3.7	3.6
Tax revenue	2.0	2.1	2.3	2.3	2.6	2.6
Nontax revenue	0.8	0.7	0.8	0.8	1.1	0.9
Total expenditure	6.6	7.8	8.7	9.1	9.2	9.1
Current expenditure	4.8	5.3	6.2	7.0	6.9	6.4
Of which						
Social services	2.3	2.6	3.2	3.5	3.1	3.2
Capital expenditure	1.9	2.5	2.4	2.2	2.3	2.8
Of which						
Social development	0.4	0.9	0.7	0.7	0.5	1.2
Overall balance 3/	-3.9	-5.1	-5.5	-6.0	-5.5	-5.6
			(In percent of general government total)			
Total revenue 2/	15.8	14.2	15.3	13.4	17.2	17.4
Tax revenue	19.3	18.7	18.3	19.0	19.9	20.8
Nontax revenue	17.2	15.9	20.6	18.6	30.7	28.2
Total expenditure	24.7	32.6	30.8	30.4	37.6	35.9
Current expenditure	22.1	33.7	37.0	35.2	48.4	47.2
Of which						
Social services	71.3	77.5	71.2	75.3	80.8	81.6
Capital expenditure	35.0	32.9	25.0	23.3	23.2	23.5
Of which						
Social development	43.2	53.1	43.2	36.3	20.3	34.9

Sources: Ministry of Finance and Economic Development; and Fund staff estimates.

1/ Beginning in 1997/98, data pertain to the period July 8-July 7; prior to that, data pertain to the period July 1-June 30.
2/ Revenue from taxes, rents, and fees levied and collected by the regional governments.
3/ Deficit (-) covered by direct transfer from federal government of joint tax receipts and foreign assistance.

Table 14. Ethiopia: Monetary Survey, 1999/00-2004/05 1/ 2/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
	(In millions of birr, unless otherwise specified)					
Foreign assets (net)	4,783	4,861	8,295	11,290	14,000	13,896
National Bank of Ethiopia	1,929	1,661	4,225	6,273	9,181	9,670
Assets	2,870	2,857	5,692	8,003	11,665	13,477
Liabilities	941	1,196	1,467	1,731	2,484	3,807
Commercial banks	2,854	3,200	4,070	5,018	4,820	4,227
Assets	4,957	5,125	5,729	6,731	6,713	6,133
Liabilities	2,104	1,925	1,659	1,713	1,893	1,906
Domestic credit	27,114	27,764	27,617	28,332	31,681	41,659
Claims on government (net)	15,757	15,544	16,268	17,855	20,009	23,165
National Bank of Ethiopia	14,000	9,850	9,006	9,804	9,383	19,071
Commercial banks	1,757	5,695	7,262	8,052	10,627	4,094
Claims on nongovernment	11,357	12,220	11,349	10,477	11,672	18,493
National Bank of Ethiopia	394	394	394	114	54	0
Commercial banks	10,963	11,826	10,955	10,364	11,618	18,493
Other items (net)	-9,440	-8,024	-9,327	-10,147	-11,859	-15,103
National Bank of Ethiopia	-4,978	-3,419	-4,683	-4,556	-5,450	-5,845
Commercial banks	-4,462	-4,606	-4,644	-5,591	-6,409	-9,258
Broad money	22,456	24,598	26,586	29,475	33,822	40,452
Money	13,265	13,778	14,420	15,784	18,137	21,430
Currency outside banks	5,923	5,930	5,499	6,696	7,891	10,067
Demand deposits	7,343	7,848	8,921	9,089	10,246	11,363
Quasi-money	9,191	10,820	12,166	13,691	15,684	19,022
Savings deposits	8,356	9,824	11,071	12,529	14,447	17,403
Time deposits	835	996	1,094	1,162	1,237	1,619
	(Annual percentage change with respect to beginning-period broad money)					
Foreign assets (net)	-8.1	0.3	14.0	11.3	9.2	-0.3
Domestic credit	33.2	2.9	-0.6	2.7	11.4	29.5
Claims on government (net)	27.9	-0.9	2.9	6.0	7.3	9.3
Claims on nongovernment	5.3	3.8	-3.5	-3.3	4.1	20.2
Broad money	14.0	9.5	8.1	10.9	14.7	19.6
Money	8.2	2.3	2.6	5.1	8.0	9.7
Quasi money	5.8	7.3	5.5	5.7	6.8	9.9
	(In millions of birr, unless otherwise specified)					
Memorandum items:						
Net domestic assets	17,674	19,740	18,290	18,185	19,822	26,556
Reserve money	11,346	8,487	8,943	11,634	13,167	22,896
Excess reserves (in percent of deposits)	24.5	5.3	8.1	12.8	11.7	33.1
Quasi money/broad money (in percent)	40.9	44.0	45.8	46.4	46.4	47.0
Velocity (GDP/broad money)	2.9	2.7	2.4	2.3	2.5	2.4

Source: Ethiopian authorities.

1/ Year ending July 7.
2/ Net foreign assets exclude net claims on the Bank of Eritrea; from 2000/01, currency in circulation excludes old notes of Birr 1,036.5 million, redeemed in Eritrea and unclaimed in Ethiopia.

Table 15. Ethiopia: Loan Portfolio of the Banking System, 1999/00-2004/05 1/ 2/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
			(In millions of birr)			
Claims on the government (net)	15,757	15,544	16,268	17,855	20,009	23,165
Development Bank of Ethiopia advances	394	394	394	114	54	0
Nongovernment	12,673	13,518	13,278	13,118	13,881	17,702
Nonfinancial public enterprises 3/	782	1,081	1,099	785	1,572	2,447
Financial public enterprises 4/	680	557	505	449	404	302
Cooperatives	397	312	317	314	336	814
Private sector	10,814	11,568	11,358	11,570	11,568	14,139
Total	28,824	29,457	29,940	31,087	33,944	40,867
			(In percent of total)			
Claims on the government (net)	54.7	52.8	54.3	57.4	58.9	56.7
Development Bank of Ethiopia advances	1.4	1.3	1.3	0.4	0.2	0.0
Nongovernment	44.0	45.9	44.3	42.2	40.9	43.3
Nonfinancial public enterprises 3/	2.7	3.7	3.7	2.5	4.6	6.0
Financial public enterprises 4/	2.4	1.9	1.7	1.4	1.2	0.7
Cooperatives	1.4	1.1	1.1	1.0	1.0	2.0
Private sector	37.5	39.3	37.9	37.2	34.1	34.6
			(Percentage change with respect to total net claims of the banking system at beginning of the fiscal year)			
Claims on the government (net)	24.9	-0.7	2.5	5.3	6.9	9.3
Development Bank of Ethiopia advances	-0.3	0.0	0.0	-0.9	-0.2	-0.2
Nongovernment	5.9	2.9	-0.8	-0.5	2.5	11.3
Nonfinancial public enterprises 3/	-1.1	1.0	0.1	-1.0	2.5	2.6
Financial public enterprises 4/	0.6	-0.4	-0.2	-0.2	-0.1	-0.3
Cooperatives	0.0	-0.3	0.0	0.0	0.1	1.4
Private sector	6.5	2.6	-0.7	0.7	0.0	7.6
Total	30.5	2.2	1.6	3.8	9.2	20.4

Source: Ethiopian authorities.

1/ Year ending July 7.
2/ Includes provision for doubtful loans and loans to public banks, except the Development Bank of Ethiopia.
3/ Excludes equity investment.

Table 16. Ethiopia: Sectoral Breakdown of Commercial Bank Claims on Nongovernment Sectors, 1999/00-2004/05 1/ 2/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
			(In millions of birr)			
Agriculture	1,238.0	1,217.6	1,286.5	1,202.9	1,162.1	2,018.2
Manufacturing	2,051.8	2,449.3	2,517.7	2,749.8	4,207.6	5,135.6
Large-scale industry	...	...	...	...	...	...
Small-scale industry	...	...	...	...	...	...
Exports	1,033.3	1,105.3	881.8	856.3	944.8	1,459.5
Coffee	...	...	...	...	...	...
Noncoffee	...	...	...	...	...	...
Imports	2,129.5	2,163.7	2,148.6	1,702.9	2,451.7	3,148.1
Construction	1,605.1	1,722.6	1,669.3	1,896.8	2,038.7	2,218.3
Domestic trade and services						
Domestic trade	2,297.5	2,065.1	1,861.1	1,947.8	2,192.6	2,660.2
Transport	942.5	974.8	801.0	599.7	773.1	873.2
Hotel and tourism	285.5	367.4	406.8	318.5	322.9	316.7
Other services	13.6	18.1	13.6	13.6	13.6	13.6
Personal	22.8	26.6	29.2	55.2	58.2	115.5
Others	3,482.1	3,858.0	4,132.6	4,199.9	3,584.8	3,790.1
Total reported	15,101.8	15,968.4	15,748.0	15,543.4	17,750.0	21,749.0
			(In percent of total)			
Agriculture	8.2	7.6	8.2	7.7	6.5	9.3
Manufacturing	13.6	15.3	16.0	17.7	23.7	23.6
Large-scale industry	…	…	…	…	…	…
Small-scale industry	…	…	…	…	…	…
Exports	6.8	6.9	5.6	5.5	5.3	6.7
Coffee	…	…	…	…	…	…
Noncoffee	…	…	…	…	…	…
Imports	14.1	13.6	13.6	11.0	13.8	14.5
Construction	10.6	10.8	10.6	12.2	11.5	10.2
Domestic trade and services	0.0	0.0	0.0	0.0	0.0	0.0
Domestic trade	15.2	12.9	11.8	12.5	12.4	12.2
Transport	6.2	6.1	5.1	3.9	4.4	4.0
Hotel and tourism	1.9	2.3	2.6	2.0	1.8	1.5
Other services	0.1	0.1	0.1	0.1	0.1	0.1
Personal	0.2	0.2	0.2	0.4	0.3	0.5
Others	23.1	24.2	26.2	27.0	20.2	17.4

Source: Ethiopian authorities.

1/ Data for each year pertain to June 30.
2/ Includes provision for doubtful loans and loans to public banks, except the Development Bank of Ethiopia.

Table 17. Ethiopia: Commercial Bank Lending and Deposits, 1999/00-2004/05 1/ 2/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
Lending			(In millions of birr)			
Central government	2,632	6,961	8,513	10,275	13,743	8,337
Other sectors	12,673	13,518	13,278	13,118	13,881	17,702
Nonfinancial public enterprises 3/	782	1,081	1,099	785	1,572	2,447
Financial public enterprises 4/	680	557	505	449	404	302
Cooperatives	397	312	317	314	336	814
Private sector	10,814	11,568	11,358	11,570	11,568	14,139
Total lending	15,305	20,479	21,791	23,393	27,624	26,039
			(In percent of total lending)			
Central government	17.2	34.0	39.1	43.9	49.8	32.0
Other sectors	82.8	66.0	60.9	56.1	50.2	68.0
Nonfinancial public enterprises 3/	5.1	5.3	5.0	3.4	5.7	9.4
Financial public enterprises 4/	4.4	2.7	2.3	1.9	1.5	1.2
Cooperatives	2.6	1.5	1.5	1.3	1.2	3.1
Private sector	70.7	56.5	52.1	49.5	41.9	54.3
Deposits			(In millions of birr)			
Demand deposits	10,525	11,174	12,124	13,396	15,615	18,047
Public enterprises	3,597	3,639	4,122	3,637	3,735	4,062
Cooperatives	381	375	393	432	600	789
Private sector	2,900	3,384	3,773	4,392	5,186	6,341
Central government	868	1,259	1,244	2,215	3,108	4,235
Other 5/	2,780	2,518	2,592	2,721	2,986	2,621
Savings deposits	8,356	9,824	11,071	12,529	14,447	17,403
Public enterprises	204	44	37	52	15	42
Cooperatives	167	183	238	268	378	895
Private sector	7,979	9,585	10,788	12,199	14,039	16,429
Other 5/	6	13	9	10	15	36
Time deposits	842	1,003	1,102	1,170	1,245	1,627
Public enterprises	95	150	119	113	138	165
Cooperatives	31	15	28	33	52	47
Private sector	361	417	504	556	616	794
Central government	8	8	8	8	8	8
Other 5/	347	414	444	459	432	613
Total deposits	19,724	22,002	24,298	27,095	31,307	37,077
			(In percent of deposits)			
Demand deposits	53.4	50.8	49.9	49.4	49.9	48.7
Savings deposits	42.4	44.7	45.6	46.2	46.1	46.9
Time deposits	4.3	4.6	4.5	4.3	4.0	4.4

Source: Ethiopian authorities.

1/ Year ending July 7.
2/ Includes provision for doubtful loans and loans to public banks, except the Development Bank of Ethiopia.
3/ Excludes equity investment.
4/ Excludes deposit claims on specialized banks.
5/ Includes domestic financial agencies and nontransferable accounts of nonresidents.

Table 18. Ethiopia: Reserve and Liquidity Position of Commercial Banks, 1999/00-2004/05
(In millions of birr, unless otherwise indicated)

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
Reserve requirement						
Net deposits 2/	18,482	21,635	23,277	26,406	30,258	35,698
Reserve requirement 3/	924	1,082	1,164	1,320	1,513	1,785
Actual reserves	4,977	2,050	2,864	4,234	4,547	11,852
Excess reserves	4,049	993	1,698	2,923	3,034	10,068
Actual reserve ratio (in percent)	26.9	9.5	12.3	16.0	15.0	33.2
Liquidity requirement						
Net current deposits 4/	17,662	20,165	22,207	25,052	29,012	34,071
Liquidity requirement 5/	2,649	3,025	3,331	3,758	4,352	5,111
Actual liquidity assets	7,671	6,559	9,833	16,956	20,392	22,319
Excess liquidity	5,022	3,534	6,502	13,198	16,040	17,208
Actual liquidity ratio (in percent)	43.4	32.5	44.3	67.7	70.3	65.5

Source: Ethiopian authorities.

1/ Data for each year pertain to June 30.
2/ Demand, savings, and time deposits, less uncleared checks paid, and less uncleared effects (foreign).
3/ Five percent of net deposits.
4/ Net deposits, less deposits at notice (deposits that can be withdrawn after 30 days' notice).
5/ Fifteen percent of net current deposits.

Table 19. Ethiopia: Structure of Interest Rates, 2000/02-2004/05 1/
(In percent per annum)

	2000/01	2001/02	2002/03				2003/04				2004/05			
	Jun.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.
Deposit rates														
Savings deposits 2/	6.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Time deposits 3/														
30 days' notice	6.0	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5
3 months to less than 6 months	6.2	3.3	3.4	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.6	3.5
6 months to less than 12 months	6.4	3.4	3.5	3.6	3.6	3.6	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5
1 year to less than 2 years	6.6	3.5	3.4	3.7	3.7	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.7	3.7
2 years and above	6.7	3.6	3.7	3.7	3.8	3.8	3.9	3.8	3.8	3.8	3.8	3.9	3.9	3.9
Lending rates														
Bank lending rates														
Minimum	10.5	7.5	7.5	7.5	7.5	7.5	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Maximum	13.5	13.0	13.0	13.0	13.0	13.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Treasury bill yield 4/	3.0	0.2	0.9	0.8	2.0	1.3	1.9	1.1	1.0	0.5	0.3	0.1	0.0	0.0

Source: Ethiopian authorities.

1/ Data for end-year pertain to June 30.
2/ Minimum rate.
3/ Weighted rate, Starting March 2002.
4/ 91-day bill, at auction, end-period.

Table 20. Ethiopia: Exchange Rate Developments, 1993/94-2004/05 1/

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
	(Period average; 1990 = 100)											
Effective exchange rates												
Nominal	47.3	43.1	42.4	43.0	44.1	40.2	39.2	41.7	41.2	37.2	33.7	31.9
Real	55.5	53.2	51.2	48.8	50.1	47.3	47.8	46.1	43.5	44.2	42.6	42.2
	(Annual percentage change; - depreciation)											
Nominal	-25.0	-8.8	-1.7	1.5	2.5	-8.8	-2.4	6.2	-1.1	-9.7	-9.5	-5.3
Real	-31.6	-4.0	-3.8	-4.7	2.7	-5.7	1.0	-3.4	-5.7	1.5	-3.5	-1.0
Memorandum items: 2/	(In units indicated)											
Birr per U.S. dollar, end of period	6.22	6.32	6.35	6.78	7.09	8.12	8.23	8.47	8.57	8.61	8.63	8.67
Birr per U.S. dollar, period average	5.81	6.25	6.33	6.51	6.89	7.54	8.15	8.34	8.54	8.58	8.62	8.65
Birr per SDR, end of period	8.20	9.80	9.17	9.44	9.40	10.85	11.00	10.54	11.40	12.05	12.66	12.62
Birr per SDR, period average	7.14	8.75	9.34	9.21	9.33	10.35	11.05	10.70	10.86	11.66	12.50	12.97
	(Annual percentage change; - depreciation)											
Birr per U.S. dollar, end of period	-18.0	-1.6	-0.5	-6.3	-4.4	-12.7	-1.3	-2.8	-1.2	-0.5	-0.2	-0.5
Birr per U.S. dollar, period average	-36.3	-7.1	-1.3	-2.8	-5.5	-8.6	-7.5	-2.2	-2.4	-0.5	-0.5	-0.3
Birr per SDR, end of period	-14.4	-16.4	7.0	-2.9	0.4	-13.3	-1.3	4.3	-7.6	-5.4	-4.8	0.3
Birr per SDR, period average	-26.5	-18.4	-6.3	1.5	-1.3	-9.9	-6.3	3.3	-1.5	-6.9	-6.7	-3.6

Sources: Ethiopian authorities; and IMF, *International Financial Statistics,* and Information Notice System.

1/ Beginning 1997/98, data pertain to the period July 8-July 7; prior to that, data pertain to the period July1-June 30. Effective exchange rates based on July-
2/ Since May 1993, marginal rates at foreign exchange auctions; since October 2001, rates in the interbank market.

Table 21. Ethiopia: Balance of Payments, 1999/00-2004/05 1/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
	(In millions of U.S. dollars)					
Current account balance	-335	-233	-347	-178	-499	-1,013
(excluding official transfers)	-626	-629	-781	-778	-1,065	-1,763
Merchandise trade balance	-1,125	-1,094	-1,243	-1,374	-1,986	-2,815
Exports	486	463	452	483	600	818
Coffee	262	182	163	165	223	335
Other	224	281	289	318	377	483
Imports	1,611	1,557	1,696	1,856	2,587	3,633
Fuel	250	293	268	288	311	669
Cereals	86	78	155	189	206	160
Aircraft	1	13	11	17	126	139
Other	1,275	1,173	1,261	1,362	1,944	2,666
Services (net)	149	137	153	167	314	277
Income (net)	-60	-51	-40	-66	-64	-36
Of which: Official interest payments	-76	-70	-52	-72	-62	-51
Current transfers (net)	701	775	783	1,095	1,238	1,561
Private transfers (net)	410	379	349	495	671	811
Official transfers (net)	291	395	435	600	567	750
Capital account balance	-31	298	652	454	725	912
Investment assets and liabilities (net)	152	358	608	409	514	621
Official, medium and long term	-10	194	489	360	198	312
Disbursements	182	320	574	443	298	358
Amortization	191	126	86	84	100	46
Other public long term (net) 2/	-20	-14	19	-4	253	165
Long-term private (net, including foreign direct investment)	51	152	100	114	101	150
Short-term public and private (net)	130	26	0	-61	-38	-6
Errors and omissions (net)	-183	-61	44	45	212	291
Overall balance	-366	64	305	275	227	-101
Financing	366	-64	-305	-275	-227	101
Change in net foreign assets (increase -)	225	7	-394	-344	-308	17
Central bank	44	38	-297	-236	-334	-54
Reserves (increase -)	63	11	-327	-266	-420	-205
Liabilities	-19	27	30	30	86	151
Commercial banks	181	-31	-97	-108	25	71
Change in arrears	40	-810	0	0	0	0
Debt relief 3/	101	867	89	69	82	84
	(In percent of GDP, unless otherwise indicated)					
Current account balance	-4.2	-2.9	-4.7	-2.2	-5.1	-9.1
(excluding official transfers)	-7.9	-7.9	-10.6	-9.8	-11.0	-15.9
Merchandise trade balance	-14.1	-13.7	-16.9	-17.3	-20.4	-25.4
Exports	6.1	5.8	6.1	6.1	6.2	7.4
Imports	20.2	19.5	23.0	23.4	26.6	32.8
(excluding external cereals/aid in kind)	19.2	18.5	20.9	21.0	24.5	31.3
Capital account balance	-0.4	3.7	8.9	5.7	7.5	8.2
Overall balance	-4.6	0.8	4.1	3.5	2.3	-0.9
Memorandum item:						
GDP (in millions of U.S.dollars)	7,955	7,979	7,364	7,946	9,725	11,085

Sources: National Bank of Ethiopia; Ministry of Finance and Economic Development; and Fund staff estimates.

1/ Data for the period July 8-July 7.
2/ Ethiopian Airlines and other public enterprises.
3/ Includes a Paris Club rescheduling agreement in 1997/98.

Table 22. Ethiopia: Exports, 1999/00-2004/05 1/ 2/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
	(Value in millions of U.S. dollars; volume in thousands of metric tons; and price in U.S. dollars per thousand metric tons)					
Coffee	262.0	182.0	163.2	165.2	223.6	335.4
Volume	116.6	95.6	110.3	126.1	156.4	161.0
Price	2.2	1.9	1.5	1.3	1.4	2.1
Pulses	9.8	8.7	32.9	19.9	26.7	35.5
Volume	23.5	25.2	109.2	66.2	77.8	121.7
Price	0.4	0.3	0.3	0.3	0.3	0.3
Oilseeds	31.4	32.4	32.6	46.5	83.6	102.3
Volume	43.1	52.4	76.6	83.0	102.8	140.7
Price	0.7	0.6	0.4	0.6	0.8	0.7
Sugar and molasses	2.9	8.0	10.0	17.7	10.3	...
Volume	17.2	56.4	58.0	77.0	16.0	...
Price	0.2	0.1	0.2	0.2	0.6	...
Leather and leather products	35.2	76.0	55.5	52.0	44.3	63.7
Volume	8.6	12.1	10.3	10.5	13.1	15.4
Price	4.1	6.3	5.4	5.0	3.4	4.1
Live animals	1.7	0.3	0.8	0.5	2.1	12.8
Volume	1.8	0.3	0.2	0.6	3.1	8.3
Price	0.9	1.1	5.0	0.8	0.7	1.5
Meat, canned and frozen	4.0	1.8	1.1	2.4	7.7	14.6
Volume	2.0	0.9	0.7	1.7	4.0	7.3
Price	2.0	2.0	1.7	1.4	1.9	2.0
Fruits and vegetables	5.4	5.3	9.4	9.6	7.1	16.1
Volume	20.7	16.1	29.7	25.3	29.4	37.9
Price	0.3	0.3	0.3	0.4	0.2	0.4
Flowers						
Volume						
Price						
Chat	76.0	61.2	49.0	57.5	88.0	100.0
Volume	15.7	11.9	9.4	11.0	13.8	21.7
Price	4.8	5.1	5.2	5.2	6.4	4.6
Gold	31.9	28.2	35.0	42.1	48.7	52.5
Volume	4.6	4.3	5.0	5.0	6.2	4.8
Price	6.9	6.6	7.0	8.4	9.6	10.9
Other exports 3/	25.6	58.8	62.9	69.4	58.3	85.1
Total exports	485.9	462.7	452.4	482.7	600.4	817.7
(excluding coffee)	223.9	280.7	289.2	317.5	376.9	482.4
	(In percent of GDP)					
Coffee exports	3.3	2.3	2.2	2.1	2.3	3.0
Noncoffee exports	2.8	3.5	3.9	4.0	3.9	4.4
	(In percent of total exports)					
Coffee	53.9	39.3	36.1	34.2	37.2	41.0
Pulses	2.0	1.9	7.3	4.1	4.4	4.3
Oilseeds	6.5	7.0	7.2	9.6	13.9	12.5
Leather and leather products	7.2	16.4	12.3	10.8	7.4	7.8
Chat	15.6	13.2	10.8	11.9	14.7	12.2
Gold	6.6	6.1	7.7	8.7	8.1	6.4
Other	8.1	16.0	18.6	20.6	14.2	15.7

Sources: National Bank of Ethiopia; and Fund staff estimates.

1/ Data for the period July 8-July 7.

2/ Data based on customs records, except gold, for which data are reported by the National Bank of Ethiopia.

3/ Includes textiles, essence oils, and spices.

Table 23. Ethiopia: Imports, c.i.f., by End Use, 1999/00-2004/05 1/ 2/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
			(In millions of U.S. dollars)			
Raw materials	19.8	23.9	29.7	21.8	26.0	49.1
Semifinished goods	204.9	284.3	288.3	274.6	435.2	664.7
Fuel	250.1	292.6	267.7	287.7	310.5	668.7
Capital goods	470.5	444.9	480.1	549.5	876.6	1,199.4
Transport	140.1	153.5	139.9	174.0	298.3	371.6
Of which: aircraft	0.5	12.6	11.4	17.3	126.1	139.5
Agricultural	10.5	8.1	7.0	5.9	10.8	24.4
Industrial	319.9	283.3	333.3	369.6	567.5	803.4
Consumer goods	432.0	467.7	587.1	654.3	895.6	986.1
Durable	141.1	152.0	153.1	183.6	294.6	337.3
Nondurable	290.8	315.7	434.0	470.8	601.0	648.8
Of which: food	116.4	109.8	208.4	231.7	269.0	247.1
Miscellaneous 3/	233.5	43.4	42.8	68.4	43.1	65.3
Total imports, c.i.f.	1,610.8	1,556.8	1,695.7	1,856.4	2,586.9	3,633.3
(excluding fuel)	1,360.7	1,264.2	1,428.0	1,568.7	2,276.4	2,964.6
			(In percent of GDP)			
Nonfuel imports	17.1	15.8	19.4	19.7	23.4	26.7
Fuel imports	3.1	3.7	3.6	3.6	3.2	6.0
			(In percent of total)			
Raw materials	1.2	1.5	1.8	1.2	1.0	1.4
Semifinished goods	12.7	18.3	17.0	14.8	16.8	18.3
Fuel	15.5	18.8	15.8	15.5	12.0	18.4
Capital goods	29.2	28.6	28.3	29.6	33.9	33.0
Consumer goods	26.8	30.0	34.6	35.2	34.6	27.1
Miscellaneous	14.5	2.8	2.5	3.7	1.7	1.8

Sources: National Bank of Ethiopia; and Fund staff estimates.

1/ Data pertain to the period July 8-July 7.
2/ Data based on customs records.
3/ Includes military imports.

Table 24. Ethiopia: Merchandise Trade Unit Values and Volumes, 1999/00-2004/05 1/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
	(Index, 1996/97 = 100)					
Unit value indices						
Imports	115.2	112.8	111.0	119.4	135.0	151.7
Exports	75.6	71.8	63.4	63.8	61.5	77.1
Terms of trade	65.6	63.6	57.2	53.4	45.6	50.5
Volume indices						
Imports	106.8	105.4	116.5	118.5	127.9	147.3
Exports	107.3	107.7	119.1	126.3	163.0	177.3
	(Annual percentage change)					
Unit value						
Imports	25.9	-2.1	-1.6	7.6	13.0	12.4
Exports	-16.7	-5.1	-11.6	0.6	-3.6	25.3
Terms of trade	-33.9	-3.1	-10.1	-6.5	-14.7	10.8
Volume						
Imports	-17.9	-1.3	10.5	1.7	8.0	1.7
Exports	20.5	0.3	10.6	6.1	29.0	8.7
Memorandum items:						
Value of imports	3.4	-3.4	8.9	9.5	39.3	40.4
Value of exports	0.4	-4.8	-2.2	6.7	24.4	36.2

Sources: National Bank of Ethiopia; and Fund staff estimates.

1/ Data for the period July 8-July 7.

Table 25. Ethiopia: Recorded Imports by Country of Origin, 1999/00-2004/05 1/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
			(In millions of birr)			
European Union	3,652	3,600	4,636	4,295	4,976	6,580
Belgium and Luxembourg	208	285	333	393	335	592
France	439	386	368	224	528	655
Germany	636	632	766	691	836	1,044
Italy	897	1,000	1,287	1,091	1,133	1,334
Netherlands	273	264	327	424	534	460
United Kingdom	517	487	584	717	767	860
Other	682	545	971	755	844	1,637
Eastern Europe	163	327	153	298	365	1,054
Russia	62	130	51	216	218	373
Other	102	198	103	82	146	681
Other Europe	536	355	357	482	921	1,328
Turkey	201	149	236	281	606	972
Other	335	205	120	200	315	356
Total Europe	4,351	4,282	5,146	5,074	6,263	8,963
Western Hemisphere	803	794	1,571	1,192	2,813	3,763
Canada	38	88	92	55	54	154
United States	743	658	1,392	959	2,619	3,310
Other	22	48	87	177	140	298
Asia and Middle East	5,507	4,559	6,737	7,305	10,535	16,436
China	615	918	1,216	1,481	2,303	3,525
India	418	712	724	891	1,399	1,914
Japan	788	651	513	1,043	1,014	1,052
Korea	303	309	265	242	318	348
Saudi Arabia	226	519	1,970	1,308	1,876	5,348
Other	3,156	1,450	2,049	2,342	3,626	4,247
Africa	696	847	899	1,242	1,342	2,084
Djibouti	168	360	387	571	490	469
Kenya	170	121	138	161	187	221
Other	358	366	374	511	665	1,395
Australia	46	48	44	47	42	82
Other (including unspecified)	1,713	2,438	90	1,069	1,302	107
Total imports, c.i.f.	13,116	12,968	14,486	15,930	22,298	31,434
			(In percent of total)			
European Union	27.8	27.8	32.0	27.0	22.3	20.9
Belgium and Luxembourg	1.6	2.2	2.3	2.5	1.5	1.9
France	3.3	3.0	2.5	1.4	2.4	2.1
Germany	4.8	4.9	5.3	4.3	3.8	3.3
Italy	6.8	7.7	8.9	6.9	5.1	4.2
Netherlands	2.1	2.0	2.3	2.7	2.4	1.5
United Kingdom	3.9	3.8	4.0	4.5	3.4	2.7
Other	5.2	4.2	6.7	4.7	3.8	5.2
Eastern Europe	1.2	2.5	1.1	1.9	1.6	3.4
Other Europe	4.1	2.7	2.5	3.0	4.1	4.2
Total Europe	33.2	33.0	35.5	31.9	28.1	28.5
Western Hemisphere	6.1	6.1	10.8	7.5	12.6	12.0
Canada	0.3	0.7	0.6	0.3	0.2	0.5
United States	5.7	5.1	9.6	6.0	11.7	10.5
Other	0.2	0.4	0.6	1.1	0.6	0.9
Asia and Middle East	42.0	35.2	46.5	45.9	47.2	52.3
China	4.7	7.1	8.4	9.3	10.3	11.2
India	3.2	5.5	5.0	5.6	6.3	6.1
Japan	6.0	5.0	3.5	6.5	4.5	3.3
Korea	2.3	2.4	1.8	1.5	1.4	1.1
Saudi Arabia	1.7	4.0	13.6	8.2	8.4	17.0
Other	24.1	11.2	14.1	14.7	16.3	13.5
Africa	5.3	6.5	6.2	7.8	6.0	6.6
Australia	0.3	0.4	0.3	0.3	0.2	0.3
Other (including unspecified)	13.1	18.8	0.6	6.7	5.8	0.3

Source: National Bank of Ethiopia.

1/ Data pertain to the period July 8-July 7.

Table 26. Ethiopia: Exports by Country of Destination, 1999/00-2004/05 1/

	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05
			(In millions of birr)			
European Union	1,452.1	1,138.5	1,386.3	1,341.3	1,593.8	2,550.5
Belgium and Luxembourg	121.0	88.7	118.8	76.6	169.6	375.4
France	138.3	95.1	111.3	273.6	98.0	127.2
Germany	711.6	396.4	437.9	352.9	560.3	1,068.7
Italy	240.8	322.7	391.9	183.2	307.0	381.2
Netherlands	76.0	48.2	55.2	142.0	79.4	259.4
United Kingdom	86.7	114.9	139.8	76.7	183.0	216.8
Other	77.7	72.5	131.4	236.3	196.5	121.9
Eastern Europe	52.1	17.3	29.0	13.6	11.2	39.1
Russia	0.9	1.8	0.0	0.4	9.5	17.9
Other	51.2	15.5	29.0	13.2	1.7	21.2
Other Europe	163.4	306.7	235.5	93.0	628.3	456.3
Switzerland	158.9	206.3	235.5	79.8	434.1	327.0
Other	4.5	100.4	...	13.2	194.2	129.3
Total Europe	1,667.6	1,462.5	1,650.8	1,447.9	2,233.3	3,045.9
Western Hemisphere	200.5	147.0	216.2	356.1	288.0	454.1
United States	176.1	124.6	165.9	340.1	254.7	386.6
Other	24.4	22.4	50.3	16.0	33.3	67.6
Asia and Middle East	1,198.4	1,126.2	1,292.5	854.2	1,570.8	2,133.8
China	6.9	14.7	91.0	22.5	109.6	331.0
Israel	122.0	105.9	149.0	201.0	169.8	172.4
Japan	429.0	380.9	294.6	188.4	530.4	552.8
Saudi Arabia	353.4	295.1	229.5	182.4	293.6	414.3
Other	287.1	329.6	528.4	259.8	467.4	663.3
Africa	771.9	874.2	411.9	792.1	910.7	1,023.4
Djibouti	405.4	620.1	272.1	289.8	533.8	359.2
Kenya	8.4	15.7	0.2	134.3	2.4	17.9
Other	358.1	238.4	139.6	367.9	374.5	646.3
Australia	8.6	6.4	7.9	4.4	11.7	12.0
Other (including unspecified)	111.0	250.3	285.0	687.7	162.2	406.9
Total exports, f.o.b.	3,958.0	3,866.6	3,864.3	4,142.4	5,176.7	7,076.2
			(In percent of total)			
European Union	36.7	29.4	35.9	32.4	30.8	36.0
Belgium and Luxembourg	3.1	2.3	3.1	1.8	3.3	5.3
France	3.5	2.5	2.9	6.6	1.9	1.8
Germany	18.0	10.3	11.3	8.5	10.8	15.1
Italy	6.1	8.3	10.1	4.4	5.9	5.4
Netherlands	1.9	1.2	1.4	3.4	1.5	3.7
United Kingdom	2.2	3.0	3.6	1.9	3.5	3.1
Other	2.0	1.9	3.4	5.7	3.8	1.7
Eastern Europe	1.3	0.4	0.7	0.3	0.2	0.6
Other Europe	4.1	7.9	6.1	2.2	12.1	6.4
Total Europe	42.1	37.8	42.7	35.0	43.1	43.0
Western Hemisphere	5.1	3.8	5.6	8.6	5.6	6.4
United States	4.4	3.2	4.3	8.2	4.9	5.5
Other	0.6	0.6	1.3	0.4	0.6	1.0
Asia and Middle East	30.3	29.1	33.4	20.6	30.3	30.2
China	0.2	0.4	2.4	0.5	2.1	4.7
Israel	3.1	2.7	3.9	4.9	3.3	2.4
Japan	10.8	9.9	7.6	4.5	10.2	7.8
Saudi Arabia	8.9	7.6	5.9	4.4	5.7	5.9
Other	7.3	8.5	13.7	6.3	9.0	9.4
Africa	19.5	22.6	10.7	19.1	17.6	14.5
Australia	0.2	0.2	0.2	0.1	0.2	0.2
Other (including unspecified)	2.8	6.5	7.4	16.6	3.1	5.8

Source: National Bank of Ethiopia.

1/ Includes reexports. Data pertain to the period July 8-July 7.

Table 27. Ethiopia: Public and Publicly Guaranteed External Debt Outstanding, 1999/00-2004/05

	1999/2000		2000/01		2001/02		2002/03		2003/04		2004/05	
	Debt stock	*Of which:* arrears 1/	Debt stock	*Of which:* arrears 1/	Debt stock	*Of which:* arrears 1/	Debt stock	*Of which:* arrears 1/	Debt stock	*Of which:* arrears 1/	Debt stock	*Of which:* arrears 1/
	(In millions of U.S. dollars)											
Multilateral	2,795	0	2,929	0	3,642	0	4,249	0	4,670	0	4,881	0
IMF	65	0	89	0	102	0	141	0	150	0	168	0
IDA	1,747	0	1,892	0	2,438	0	2,939	0	3,258	0	3,362	0
AfDB/AfDF	838	0	788	0	896	0	922	0	1,003	0	1,073	0
Other	145	0	160	0	206	0	246	0	260	0	279	0
Official bilateral	2,482	536	2,442	541	2,485	557	2,260	418	2,448	0	788	0
Paris Club	1,868	0	1,863	0	1,889	0	1,842	0	1,886	0	229	0
Other official bilateral	614	536	579	541	597	557	418	418	562	0	559	0
Commercial	116	64	107	65	91	57	42	42	253	0	353	0
Total	5,393	600	5,478	606	6,218	614	6,551	460	7,369	0	6,021	0
	(In percent of GDP)											
Multilateral	35.1	0.0	36.7	0.0	49.5	0.0	53.5	0.0	48.0	0.0	44.0	0.0
Official bilateral	31.2	6.7	30.6	6.8	33.7	7.6	28.4	5.3	25.2	0.0	7.1	0.0
Commercial	1.5	0.8	1.3	0.8	1.2	0.8	0.5	0.5	2.6	0.0	3.2	0.0
Total	67.8	7.5	68.7	7.6	84.4	8.3	82.4	5.8	75.8	0.0	54.3	0.0
	(In percent of total)											
Multilateral	51.8	0.0	53.5	0.0	58.6	0.0	64.9	0.0	63.4	...	81.1	...
Official bilateral	46.0	89.3	44.6	89.3	40.0	90.7	34.5	90.8	33.2	...	13.1	...
Commercial	2.2	10.7	2.0	10.7	1.5	9.3	0.6	9.2	3.4	...	5.9	...

Source: Ministry of Finance and Economic Development.

1/ Includes debt under negotiation to ensure comparable treatment.

Ethiopia: Summary of the Tax System as of end October 2005

Tax	Nature of Tax	Deductions and Exemptions	Rates
1. Taxes on income and profits Income Tax Proclamation No. 173/1961, as amended, By Proclamation No. 286/2002.			
1.1 Income tax on employment Proclamation No. 30/1992; Proclamation No. 107/1994; Proclamation No.286/2002.	Tax on income from employment, including, without limitations, salaries, wages, allowances, directors' fees, and other personal emoluments. Employer withholds tax (withholding tax).	The first Br 150 of monthly income is exempted.	The marginal tax rates are as follows: No. / Monthly taxable Income (birr) / Marginal tax rate (%) 1 / 151 - 650 / 10 2 / 651 - 1,400 / 15 3 / 1,401 - 2,350 / 20 4 / 2,351 - 3,550 / 25 5 / 3,551 - 5,000 / 30 6 / 5,001 and above / 35
1.2 Rural land and agricultural Activities income tax Proclamation No. 77/1997; Proclamation No. 152/1978; Proclamation No. 8/1995 (Oromia).			
1.21 Rural land use rent	An annual rent payable on rural land used for agricultural activities in Oromia regional state.	Agricultural investors are exempted for two-five years.	Farmers: Br 10 for the first hectare and Br 7.50 for each additional half hectare. State enterprises: Br 15 per hectare.
1.22 Income tax	Tax payable on any annual income derived from agricultural activities.	Agricultural investors are exempted for two-five years.	For income less than Br 1,200 per annum: Br 15. For income of Br 1,200 per annum or higher, marginal tax rates are as follows: No. / Annual taxable Income (birr) / Marginal tax rate (%) 1 / 1,201 - 5,000 / 5 2 / 5,001 - 15,000 / 10 3 / 15,001 - 30,000 / 20 4 / 30,001 - 50,000 / 30 5 / 50,001 and more / 40 State farms owned by regional governments: 40 percent.

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	Tax	Nature of Tax	Deductions and Exemptions	Rates
1.3	Rental income tax Proclamation 286/2002.	Tax on income derived from the rent of houses or office buildings, manufacturing plants, materials and goods, etc. The tax is computed on the basis of annual rent income after deducting allowable expenses.	Annual depreciation and allowable expenses are deducted from gross income. The first Br 1,800 of annual income is exempted.	No. / Annual taxable Income (birr) / Marginal tax rate (%) 1 / 1,801 - 7,800 / 10 2 / 7,801 - 16,800 / 15 3 / 16,801 - 28,200 / 20 4 / 28,201 - 42,600 / 25 5 / 42,601 - 60,000 / 30 6 / 60,001 and above / 35
1.4	Tax on business and other profits			
1.41	Unincorporated business Proclamation No. 286/2002.	Tax on income from all sources other than those mentioned elsewhere,	The first Br 1,800 of annual taxable income is exempted.	No. / Annual taxable income (birr) / Marginal tax rate (%) 1 / 1,801 - 7,800 / 10 2 / 7,801 - 16,800 / 15 3 / 16,801 - 28,200 / 20 4 / 28,201 - 42,600 / 25 5 / 42,601 - 60,000 / 30 6 / 60,001 and above / 35
1.42	Incorporated business Proclamation No. 36/1996. Proclamation No. 286/2002 as amended.	Profits tax.	-Awards for adopted or suggested innovations and cost saving measures -Public awards for outstanding performance tax and any field. - income specifically exempted from income tax by the law in force in Ethiopia, by international treaty or by an agreement made or approved by the Minister.	30 percent of taxable income.
1.5	Tax on income from mining activités Proclamation No. 53/1993; Proclamation No. 23/1996.	Tax on income received or credited from mining operations within Ethiopia by the holder of large- and small-scale mining licenses.	Artisan mining is exempted.	35 percent.
1.6	Capital gains tax Proclamation No. 286/2002.	Tax on gains realized from the increase in value upon the sale of shares, bonds, and urban houses.	Inflation adjustment and capital losses in the preceding year are deducted from the value of capital. Annual gains not exceeding Br 10,000 are exempted.	15 percent.

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	Tax	Nature of Tax	Deductions and Exemptions	Rates
1.7	Other sources of income	Income from dividends paid to shareholders.	None.	10 percent.
		Income from chance winnings and lotteries.	Exemption for income not exceeding Br 100.	15 percent.
		Income from royalties.	None.	5 percent.
		Income of nonresident persons or organizations for services rendered to persons or organizations in Ethiopia.	None.	10 percent.
2.	Taxes on goods and services Proclamation No. 68/1993.			
2.1	Excise tax Proclamation No. 68/1993; Proclamation No. 77/1997; Proclamation No. 149/1999 Proclamation No. 307/2002	Excise tax is levied on selected list of locally produced and imported goods. The tax is collected within seven days of the preceding month of the production for local goods and at the time of clearing customs for imported goods. The rates are based on the cost of production or the c.i.f. value for imports.	None.	Goods — Tax rate (%) Any type of Sugar (excluding Molasses) 33 All types of soft drinks (except fruit juice) 40 Powder soft drinks 40 Water bottled or canned in a factory 30 Alcohol: Drinks All types of beer & stout, wine, and whisky 50 Others alcoholic drinks 100 All types of pure Alcohol 75 Tobacco leaf 20 Tobacco and its products 75 Salt 30 Petroleum and its products 30 Perfumes and Toilet Waters 100 Leather, tanned or dressed 20 Furs 50 Textile and Textile products 10 Personal adornments 20 Dishwashing machines (in homes) 80 Washing machines (in homes) 30 Video decks 40 TV and Video Cameras TV broadcast receivers, radio, or sound receivers and reproducers 10 Automobiles: up to 1300 cc 30 1301-1800 cc 60 above 1800 cc 100 Carpets 30 Asbestos and its products 20 Clocks and watches 20 Dolls and toys 20

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Tax	Nature of Tax	Deductions and Exemptions	Rates
2.2 Value Added Tax on goods and services. Proclamation No. 68/1993. **Proclamation No.285/2002**	Levied on locally produced goods at the manufacturing level or on imported goods at the import gate. The bases for taxation are the producer's wholesale price plus excise tax for local goods or the c.i.f. value plus customs duty and excise tax for imports. The tax is payable monthly within three to five days of the end of the month. For imported goods, the tax is collected at the same time as the customs duty.	-sales/transfer of used dwelling/lease -financial services -religious service -medical services and goods -educational/child-care services -humanitarian goods and services -electricity, kerosene and water -post office supplies -transportation -printed books -permits and license fees -import of gold and currency	Fifteen percent tax rate applied on the value of all goods and services produced locally or imported.
2.3 VAT on services Proclamation No. 08/1993; Legal Notices No. 1/1994 and 3/1998. Proclamation No. 149/1999 Proclamation No. 285/2002	Value Added tax is levied on all services rendered locally. The tax is paid by the person or organization rendering services and computed on the basis of the service charge.	Water, electricity, and medical and educational services are exempted.	Fifteen percent on the rendering all services.
2.4 Turnover Tax (TOT) on goods Proclamation No. 308/2002	Turn Over Tax is levied on all goods sold locally by tax payers not obliged to register for VAT by law	-The sale or transfer of a dwelling used for a minimum of two years, or the lease of a dwelling; -the supply of national or foreign currency (except for that used for numismatic purposes) and securities; -the supply of prescription drugs specified in directives issued by the relevant government agency; -the supply of goods and rendering of services in the form of humanitarian aid; -the supply of electricity, kerosene, and water; -the supply of goods or services by workshop employing disabled individuals if more than 60% of the employees are disabled; and -the supply of books	-2% on Goods sold locally

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Tax	Nature of Tax	Deductions and Exemptions	Rates
2.5 Turnover Tax (TOT) on services Proclamation No. 308/2002	Turn Over Tax is levied on all services rendered locally by tax payers not obliged to register for VAT by law	-the rendering of financial services -the rendering by religious organizations of religious or other related services; -the rendering of medical services; -the rendering of educational services provided by educational institutions, as well as child care services for children at pre-school institutions; -the supply of goods and rendering of services in the form of humanitarian aid; -the provision of transport; -permits and license fees; -the supply of goods or services by workshop employing disabled individuals if more than 60% of the employees are disabled; and	-2% on Contractors, grain mills, tractors and combine-harvesters -10% on others.
3. Tax on International Trade			
3.1 Taxes on imports			
3.11 Customs duty Tariff Regulations No. 122/1993; Proclamation No. 67/1993; Tariff Regulation / 1998. Tariff Regulation / 2002	The customs tariff applies to all imports. Items are classified according to a schedule of 97 chapters, based on the Harmonized System of Tariffs Classification Code.	Diplomatic and consular missions, personal effects, grants and gifts to Ethiopia, firefighting instruments and appliances, trade samples, defense and public security equipment, materials and equipment for the handicapped, and sheath contraceptives are exempted. Exemptions and concessions are granted to certain organizations and items.	Ad valorem duty on imports consisting of six rates, ranging from 0 to 35 percent, as follows: Imports — Tax rate (%) Raw materials, capital goods — 0-10 Pharmaceuticals, and chemicals — 0-20 Durable and nondurable Consumer goods — 20-35 Luxuries and goods that can be produced locally — 30-35
3.12 Import excise tax	Levied on selected imported goods.	None.	As specified in (2.1).
3.13 Import Value Added tax	Value Added tax levied on imports; the basis for taxation is the c.i.f. value plus the customs duty and excise tax paid.	See items in (2.2) for exemptions.	As specified in (2.2).

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Tax	Nature of Tax	Deductions and Exemptions	Rates
3.2 Taxes on exports	All export duties and taxes except those on coffee are abolished.	Under the duty drawback scheme, goods produced for export, re-exporting or raw materials imported upon payment of duties are subject to refund of the duty paid. Ninety-five percent of the duty drawn back is refunded for raw materials or commodities if re-exported and 100 percent if exported after being processed or used for packing or containing. Under the duty free import scheme, persons or organizations wholly engaged for supplying their products to foreign markets are allowed a duty free purchase of local or imported raw material for their production, and the product should be exported within one year of the purchase of such raw materials.	
4. Other taxes			
4.1 Stamp duties Decree No. 26/1975, as amended by Proclamation No.110/1998.	Obligatory use of stamped paper for many legal documents, such as contracts or papers in court proceedings; requirement that stamps be affixed to other documents, such as property titles, power of attorney, notary acts, etc.	Stamp duties are not levied on documents where the Ethiopian government, foreign embassies, consulates, etc.., would be the party subject to duty.	Varies according to the type document and value of transaction.
4.2 Withholding tax: Current payments of income tax at time goods are imported. Proclamation 227/2001	Tax collected at the time of import of goods for commercial use, where the collected tax is treated as tax withhold that is creditable against the tax payer.		Three percent
4.3 Income tax : Withholding of income tax on payments. Proclamation 227/2001	Category "A" taxpayers, government agencies, private nonprofit institution and NGOs withhold income tax on payments made to persons within categories specified, in the regulation No.75/2001.		Two Percent
4.4 Interest Income: Withholding of income Tax on deposit interest Income. Proclamation 286/2002	Payers of interest shall withhold income tax on the payment or crediting of interest paid or credited.		Five percent

Source: MOFED