

Budget Brief



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Amhara Regional State 2007/08 – 2015/16

The purpose of this regional budget briefing note is to analyse the budget and expenditures that are recorded on-budget for the Amhara regional state so that it is easily understood by stakeholders, and to put forth key messages to inform policy and financial decision-making processes. The detailed analysis of the level and composition of public expenditure of selected social service sectors (education, health and nutrition, and water supply) are also presented. Audited financial accounts are presented for the years up to 2013/2014 while preliminary financial accounts have been made available for the 2014/2015 and 2015/2016 fiscal years.

Key Messages

- **Socioeconomic profile:** Apart from a small percentage of the population engaged in the services and industry sectors, nearly 84 per cent of the population resides in rural areas and is engaged in agriculture.
- **Poverty:** Poverty is pervasive in the Amhara region with about 26.1 per cent of the population living below the nationally defined poverty line compared to 23.5 per cent for the entire country in 2016. In 2011, the Amhara region had a child poverty rate of 34 per cent.
- **Regional resource envelope:** The Amhara region managed to finance only 21.6 per cent of its budget from its own regional sources. On average during the period 2007/08 to 2015/16, tax revenue accounted for more than 77.8 per cent of revenue generated within the region. The structure of tax revenue in the region is dominated by direct tax, and its contribution to the total tax revenue collected ranges from 86 per cent in 2010/11 to 70 per cent in 2015/16. Most of the regional revenue from direct tax is generated from payroll tax and taxes on rental income and the profits of enterprises and individuals. On the other hand, regional revenue collected from non-tax sources, mainly generated from government service fees and charges, contribute less than 5 per cent to the regional budget.
- **Regional expenditure:** Regional spending has increased more than six times from ETB 3.8 billion in 2007/08 to about ETB 24.2 billion in 2015/16. In per capita terms, spending has increased from ETB 220 in 2007/08 to ETB 1,113 in 2014/15. In terms of allocation of expenditure across the broad categories, the largest share of the regional expenditure is allocated to finance social services (45 per cent), followed by economic services (32 per cent) and finally general services (23 per cent) in 2015/16. Close to 70 per cent of the budget was being spent on financing recurrent expenses, while the share of capital expenditure in total regional spending remains less than 30 per cent.
- **Expenditure aligned to pro-poor sectors:** The regional government has leveraged huge resources to boost spending in pro-poor sectors. In the past nine years, the Amhara region has spent on average nearly 66 per cent of its budgetary resources on pro-poor sectors, which is close to the national average of 66.4 per cent.
- **Access to education services:** The Amhara regional state has made impressive progress in expanding access to basic education service delivery in the past decade. Access at all levels of the education system increased at a rapid rate in line with a sharp increase in the number of teachers, schools and institutions. Despite these noted achievements, the quality of education remains a challenge in the region. Regional spending on education has increased six times from ETB 1.3 billion in 2007/08 to about ETB 7.5 billion in 2015/16, and amounts to about 31 per cent of total regional expenditure in 2015/16.
- **Access to health services:** The Amhara region has a poor health status compared to other regions in Ethiopia. Child mortality rates in the region are among the highest in the country. Even though there have been positive developments in reducing the level of malnutrition, the region still has the highest stunting rate and is among the regions with the highest underweight rates. Approximately 12 per cent of the region's total expenditure was spent on health care in 2015/16.
- **Access to safe water and improved sanitation remain key challenges in Amhara region:** According to the 2011 DHS, about 47 per cent and 95.1 per cent of households in Amhara region did not have access to safe drinking water and improved sanitation facilities, respectively. The share of regional spending on water supply and sanitation services has fluctuated over the period 2007/08 to 2015/16 and was 7 per cent in 2015/16.

1. Introduction

Socioeconomic Profile

Amhara regional state is located in the north western and north central part of Ethiopia. With a population of 21.1 million in 2017, Amhara is the second most populous region (making up 22.4 per cent of the Ethiopian population), (Table 1). Apart from a small percentage of the population engaged in the services and industry sectors, nearly 84 per cent of the population reside in rural areas and are engaged in agriculture.¹ Agriculture remains the dominant economic sector in the region. It is the major source of food, raw materials for local industries and export earnings. The region is large in terms of area and endowed with a diverse agro-ecology, giving it a huge potential for production of a variety of agricultural products both for export purposes and domestic consumption. Moreover, the water resources from Lake Tana and the rivers found in the region provide immense potential for irrigation development.

Table 1: Socioeconomic profile of Amhara region

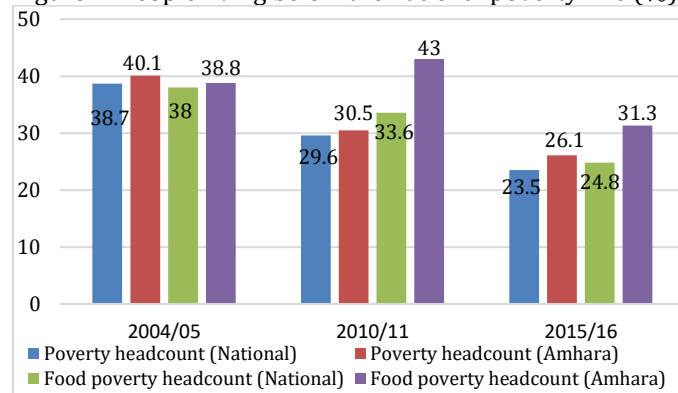
Indicators	National	Amhara
Total population, in millions (CSA, 2017 projection)	94.4	21.1
Total population under-5 years, in millions (CSA, 2017 projection)	13.3	2.6
Population growth rate (Census, 2007), %	2.6	1.7
Total fertility rate (EDHS, 2016), %	4.6	3.7
Coverage of PSNP, rural household (EDMHS, 2014), %	10.8	14.8

In the Amhara region, intensive use of land to produce more food and feed for the growing human and livestock population has led to environmental degradation. Overgrazing, deforestation and poor agricultural practices, such as cultivation of slopes not suited to agriculture, have contributed to severe soil erosion, particularly in the highland parts of the

region. The recurrence of drought that typically occurs in the lowland areas of the region disrupts the livelihood of people, and many are in need of emergency relief. For example, according to the 2014 Ethiopia Mini Demographic and Health Survey (EMDHS), nearly 14.8 per cent of the rural households in Amhara were chronically food deficient, and they were covered with the Productive Safety Net Program (PSNP) in 2014.

Poverty is pervasive in the Amhara region and the rate is higher than the national average. In 2011, the Amhara region had a child poverty rate of 34 per cent.² Based on the 2016 Household Income and Consumption Expenditure Survey (HICES), about 26.1 per cent of the population in the region were below the nationally defined poverty line compared to 23.5 per cent for the entire country (Figure 1).³ Poverty in the rural areas is more prevalent (28.8 per cent) than in the urban areas (11.6 per cent). However, the level of poverty in the region has significantly declined from 30.5 per cent in 2010/11 to 26.1 per cent in 2016. The food poverty situation in the region is also critical. The region has the highest percentage of people living in food poverty in Ethiopia, 31.3 per cent in 2016. According to the 2016 EDHS, childhood malnutrition (stunting) in the region is among the highest in the country (46 per cent in Amhara while 38 per cent in the whole country).

Figure 1: People living below the national poverty line (%)



Source: National Planning Commission. September 2017. Ethiopia's Progress towards Eradicating Poverty: an Interim Report on 2015/16 Poverty Analysis Study.

¹Amhara National Regional State, Bureau of Finance and Economic Development, Development Indicators of Amhara Region (2013/14), 2013, p. 4.

² CSA, UNICEF and OPM. 2015. Child Well-Being in Ethiopia: Analysis of Child Poverty using the HICES and WMS 2011 Datasets.

³National Planning Commission. September 2017. Ethiopia's Progress towards Eradicating Poverty: an Interim Report on 2015/16 Poverty Analysis Study.

Institutional Context and Budgetary Process

The Amhara region is comprised of 10 administrative zones and 169 *woredas*. There are three tiers of governments: regional, *woreda* (district) and *kebele* (community level administration with an average of 500 households) each with their respective legislative, executive and judiciary organs. The region also has zonal administration serving as a bridge between the region and *woreda*. The region receives non-earmarked block grants from the federal government as a major source of its revenue which is coupled with the revenue generated within the region. The region then allocates block grants to regional sector bureaus, *woredas* and urban administration offices through an evaluation of their budget demand requests by using the Amhara region's grant formula.

Table 2: Timeline for the Amhara region annual budget and finance process

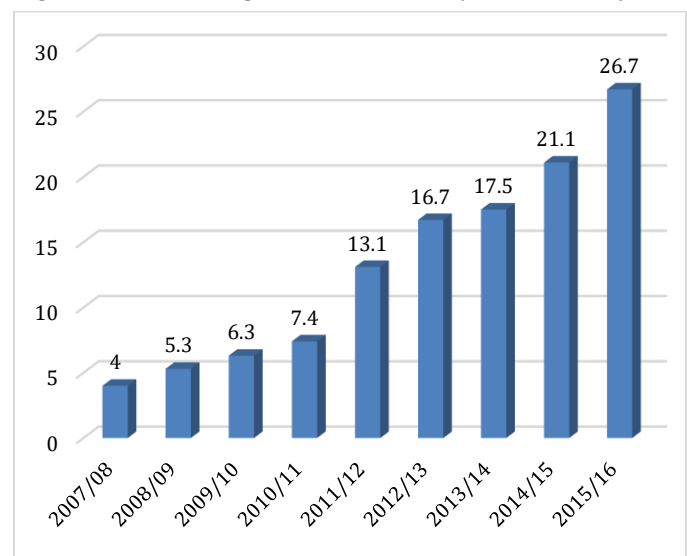
Time-frame	Major activities
Oct - Mar	Annual budget preparation by regional government sector bureaus.
Dec - Jan	Preparation/revision of <i>woreda</i> budget subsidies distribution formula by Bureau of Finance and Economic Development (BoFEC).
Jan	The regional cabinet approves the annual <i>woreda</i> budget subsidies distribution formula.
Jan - Feb	BoFEC makes a call to regional government sector bureaus to submit their annual budget requirements.
Feb	BoFEC announces the estimated amount of subsidies that will be distributed to <i>woredas</i> .
Feb - Mar	Regional government sector bureaus submit their annual budget requirement and requests to BoFEC.
Apr - Jun	Preliminary annual budget preparation.
Jun	Preliminary annual budget approval.
Jun - Jul	The regional parliament approves the draft budget proclamation and approves the annual budget for implementation.
Jul	BoFEC announces the approved annual budget.
Jul - Aug	BoFEC distributes the approved annual budget to regional executive organs.
Starting Aug	Monitoring and auditing of regional sector bureaus and <i>woreda</i> administration offices.

The fiscal planning process in Amhara starts at the sectoral level in consultation with *woreda* and other stakeholders. The draft report is consolidated by the regional Bureau of Finance and Economic Cooperation (BoFEC) and submitted to the regional cabinet. The regional cabinet after discussing the budget with the various stakeholders submits it to the regional council for approval. The same process is undertaken at the *woreda* level.

2. Regional Resource Envelope

The Amhara region aggregate resource envelope is comprised of the federal block grant, regional revenue, foreign loans and grants, food security and PSNP transfers from the federal Government, federal ministry direct support to the respective sectors in the region, off-budget resources from local and international NGOs, and community contributions. The region's proclaimed budget is, however, not comprehensive and does not include resources coming in the form of special purpose grants and other transfers. Hence, this budget brief is limited to analysing on-budget finances, and leaves out highly significant financial resources channelled to the region through off-budget resources and community contributions. Regarding on-budget financing, the aggregate resource envelope for the region increased from ETB 4 billion in 2007/08 to ETB 26.7 billion in 2015/16 (figure 2).

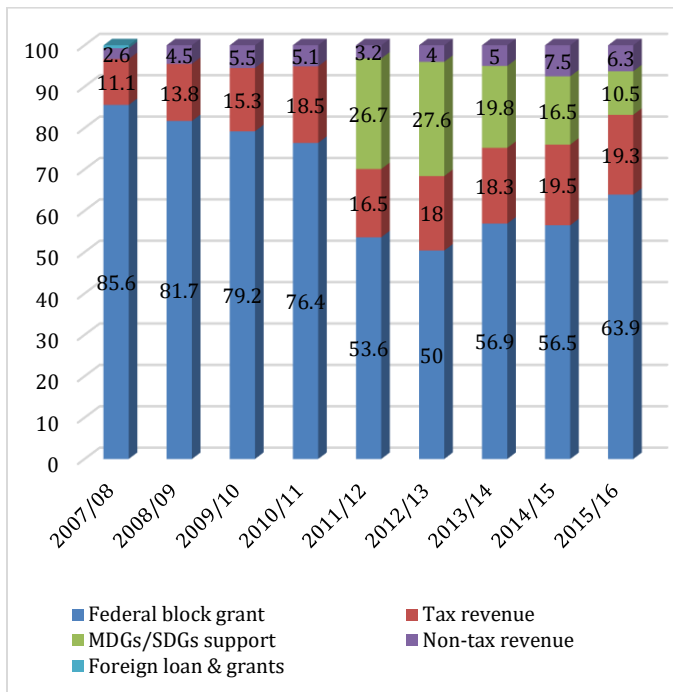
Figure 2: Amhara region total revenue (in billion ETB)



Source: Data from MoFEC.

The regional revenue in Amhara has grown from ETB 550 million in 2007/08 to ETB 6.8 billion in 2015/16. However, the region managed to finance only 21.6 per cent of its budget from its own regional sources (of which tax revenue accounted more than 77.8 per cent). On the other hand, regional revenue collected from non-tax sources, mainly generated from government services fees and charges, contribute less than 5 per cent to the regional budget. There is also a significant decline in the share of federal support to Millennium Development Goals (MDGs) or Sustainable Development Goals (SDGs) implementation in the region (from 26.7 per cent in 2011/12 to 10.5 per cent in 2015/16).

Figure 3: Sources of Amhara region budget (per cent of total regional revenue)

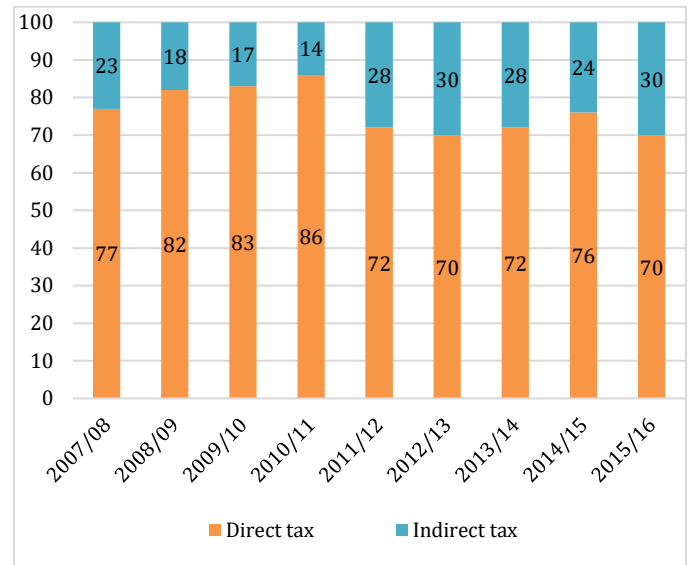


Source: Data from MoFEC.

The structure of tax revenue in Amhara region is dominated by direct tax. Its contribution to the total tax revenue collected ranges from 86 per cent in 2010/11 to 70 per cent in 2015/16 (Figure 4). Most of the revenue from direct tax is generated from payroll tax and taxes on rental income and profits of enterprises and individuals. Indirect tax has also becoming an important

source of revenue to the Amhara regional government, and the share has been significantly increasing over time. The revenue from indirect tax is mainly collected from value added tax (VAT), and excise tax on locally produced goods and services. While more than 84 per cent of the regional population depend on agricultural economic activities, the agriculture sector provides less than 2.6 per cent of tax revenue in the region in 2015/16.

Figure 4: Amhara region direct and indirect taxes (per cent of total regional tax revenue)



Source: Data from MoFEC.

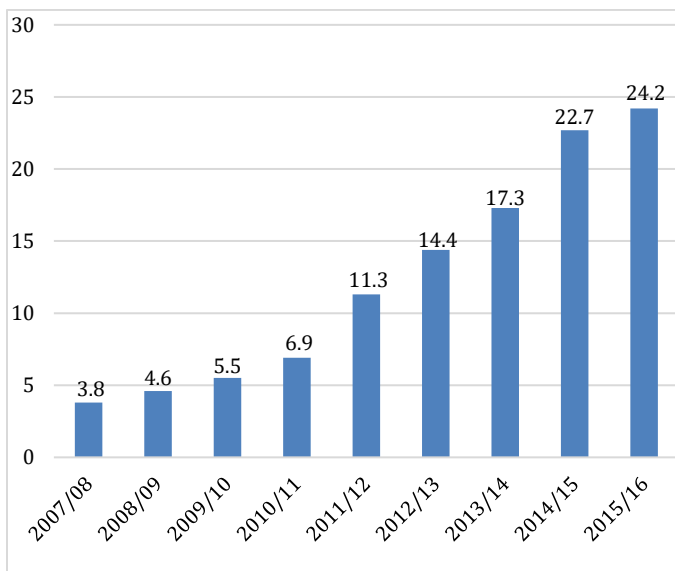
3. Regional Spending

In nominal terms, Amhara's aggregate regional spending has increased more than six times from ETB 3.8 billion in 2007/08 to about ETB 24.2 billion in 2015/16, showing an annual average growth rate of 26.9 per cent (Figure 5). In per capita terms, spending has increased from ETB 220 in 2007/08 to ETB 1,113 in 2014/15. In terms of allocation of expenditure across the broad categories, the largest share of the regional expenditure is allocated to finance social services (45 per cent), followed by economic services (32 per cent) and finally general services (23 per cent) in 2015/16⁴.

⁴According to the regional budget proclamation, economic services/development include agriculture and rural development, natural

resources, mining and energy, industry, trade and tourism, transport and communication, and construction; social services/development include education, health and nutrition, social affairs, sport and culture, and

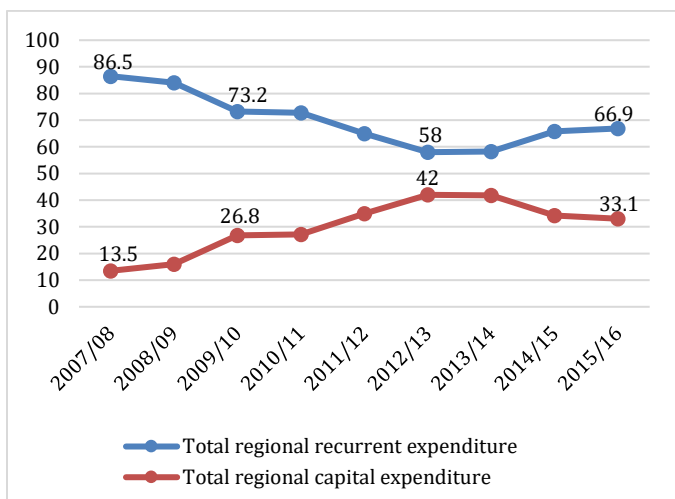
Figure 5: Amhara region total spending (in billion ETB)



Source: Data from MoFEC.

In the Amhara region, most of the resources (close to 70 per cent) are being spent on financing recurrent expenses, primarily wages and salaries, which consume nearly half of the regional spending for the last nine years. The share of capital expenditure in total regional spending has been remained at less than 30 per cent (Figure 6). Operating expenditure is also very much constrained below 20 per cent at the regional level.

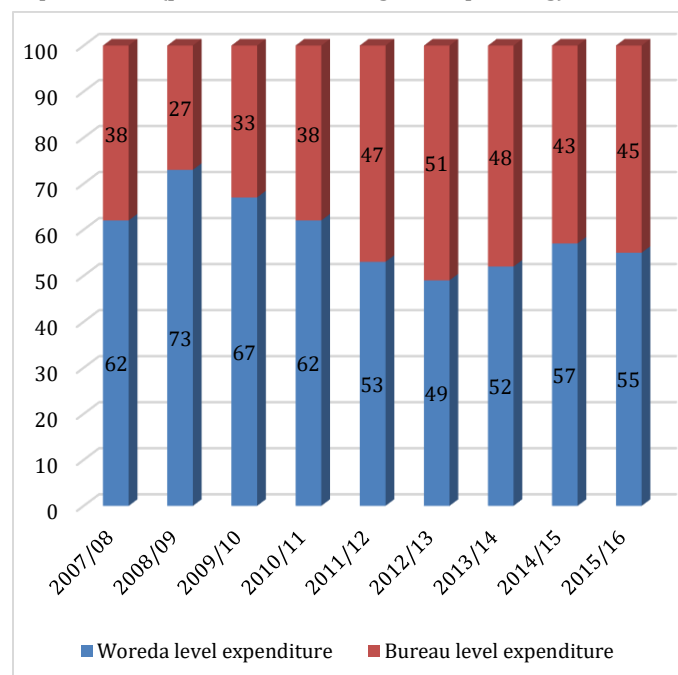
Figure 6: Amhara region capital & recurrent expenditure (per cent of total regional expenditure)



Source: Data from MoFEC.

In the Amhara region, most of the budgetary resources (close to 59 per cent) are being managed by the *woreda* level administration (Figure 7). Beginning with the 2007/08 fiscal year, devolution of expenditure assignment to *woredas* has continued to deepen in the region, albeit at a modest pace. However, the share of *woreda* expenditure in the total regional spending has consistently decreased from 73 per cent in 2008/09 to 55 per cent in 2015/16.

Figure 7: Amhara region *woreda* & regional bureau expenditure (per cent of total regional spending)



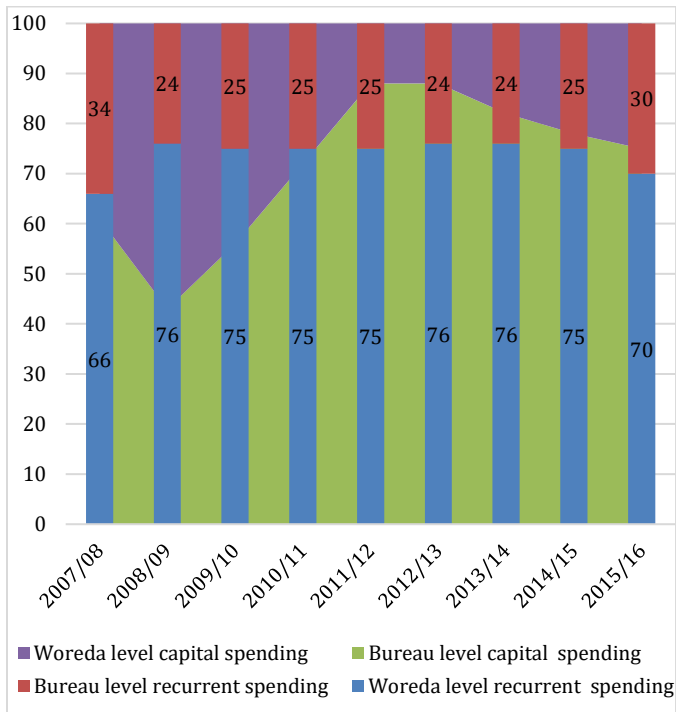
Source: Data from MoFEC.

Compared to the *woreda* administration, the regional bureau is spending a large portion of its budgetary resources on capital expenditure in an effort to address the infrastructure gap throughout the region (Figure 8). The *woreda* share in total regional capital spending has declined from 57 per cent in 2008/09 to a low of 12 per cent in 2012/13. On the contrary, the bulk of the regional recurrent expenditure is allocated to finance *woreda* level recurrent spending.

disaster prevention and preparedness; while administration and general services/development comprise organs of state (regional state council, public order and justice) and general services (civil services, information,

investment office, revenue bureau, and finance and economic development bureau).

Figure 8: Amhara region *woreda* and regional bureau capital & recurrent spending (per cent of total regional capital and recurrent spending)

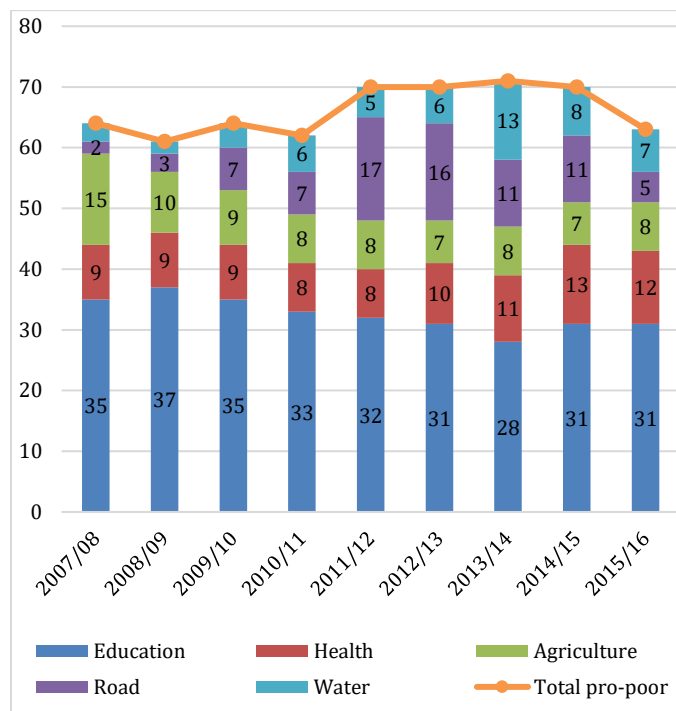


Source: Data from MoFEC.

4. Pro-poor Regional Spending

Public expenditure has been essentially aligned to poverty reduction priorities in the Amhara region. In this regard, the regional government has leveraged huge resources to boost spending in what it refers to as the main pro-poor sectors, namely education, agriculture and rural development, water, health, and road construction. In the past nine years, Amhara region has spent on average nearly 66 per cent of its budgetary resources on pro-poor sectors, which is lower than the national average of 66.4 per cent. Regional expenditure for these pro-poor sectors had increased to 71 per cent in 2012/13. However, since then the share has consistently declined and reached to 63 per cent in 2015/16 (Figure 9).

Figure 9: Amhara region pro-poor expenditure (per cent of total regional expenditure)



Source: Data from MoFEC.

The education sector stands out as the number one priority with a share of 33 per cent in the total regional spending over the period 2007/08 to 2015/16. The second area of priority is health with a 10 per cent share, while agriculture, rural development and road construction receive equal shares of 9 per cent of the regional spending over the same period. The share of water development and sanitation services in the total regional spending remains insignificant at less than 6 per cent. This disproportionately low allocation of the budgetary resources to the water and sanitation infrastructure in the region might negatively affect child and maternal health, and then children's enrolment in school.

4.1 Education Sector Financing in Amhara

Overview of the Education Sector in Amhara

Amhara regional state has made impressive progress in expanding access to basic education service delivery in the past decade. Access at all levels of the education system increased at a rapid

rate in line with a sharp increase in the number of teachers, schools and institutions. As a result, the number of students enrolled in primary and secondary schools increased from 4 million in 2006/07 to nearly 5 million in 2015/16 (General Education Statistics Annual Abstract, 2015/16). There have also been important improvements in the availability of trained teachers and some other inputs to help address the quality of education in the region.

Attendance rates have been rising and show improvements at each level of education over time. As can be seen in Table 3, The Net Attendance Ratio (NAR) in Amhara primary schools appears to be above the national average. Gender disparities in primary and secondary education measured by the Gender Parity Index (GPI) are surprisingly in favour of girls considering the significant challenge of child marriage in the Amhara region, which generally constitutes a barrier for girls' participation in school. The completion rate for grade 5 is also the highest in the country (88.4 per cent in Amhara compared to 76.2 in the entire country in 2012/13).

Despite noted achievements in addressing the quality of education through increasing the availability of inputs, it still remains a challenge in the region. According to the 2013 National Learning Assessment Report, 42 per cent of Amhara students in grade 4 do not meet the basic reading level and 63 per cent of them perform below the basic level in English.⁵ Moreover, equity of access, retention and completion for children with disabilities and progress in the region needs attention. Apart from this, decentralizing the management of education should be reinforced so that the community would be directly involved in decision making and other related affairs within their jurisdiction.

Table 3: Selected education outcome indicators

Key indicators	2011	2016
Net Attendance Ratio (Primary, G1-8), %		
National	64.5	71.3
Amhara region	68.4	75.6
Male	65.2	72.7
Female	71.9	78.6
Net Attendance Ratio (Secondary, G9-12), %		
National	13.7	18.1
Amhara region	12.2	18.2
Male	11.6	15.3
Female	12.7	21.2
Gender Parity Index (Primary, G1-8), %		
National	1.02	1.01
Amhara region	1.10	1.08
Gender Parity Index (Secondary, G9-12), %		
National	0.95	1.05
Amhara region	1.10	1.39
<i>Source: EDHS 2011 and 2016</i>		
Key indicators	2009/10	2015/16
Student-Teacher Ratio (G1-8)		
National	51	46
Amhara region	46	37
Student-Section Ratio (G9-12)		
National	57	55
Amhara region	50	42
<i>Source: Ethiopia Federal Ministry of Education; Education Statistics Annual Abstract, 2009/10, and General Education Statistics Annual Abstract, 2015/16.</i>		

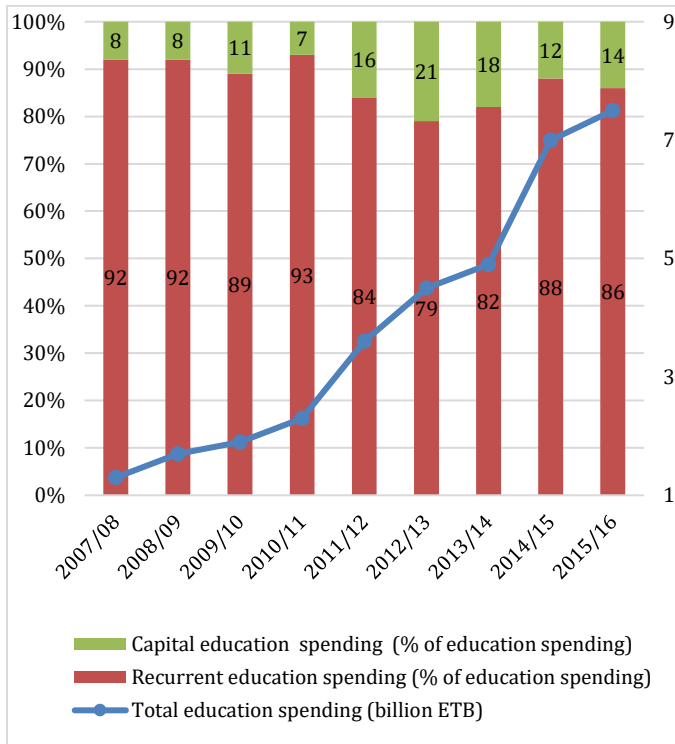
Education Sector Spending in Amhara

Amhara's aggregate regional spending on education has increased six times from ETB 1.3 billion in 2007/08 to about ETB 7.5 billion in 2015/16, showing an annual average growth rate of 25.5 per cent (Figure 10). Approximately 50 per cent of the regional pro-poor expenditure is headed to finance education expenditure. In terms of types of expenditure, spending in the education sector remained predominantly recurrent (close to 87 per cent between 2007/08 to 2015/16). This implies that the salaries of educational staff and other operating expenses have absorbed most of the Amhara region's

⁵Ministry of Education (MoE), Ethiopian 4th National Learning Assessment of Grades 4 and 8 Pupils. Data Analytic Report, 2013, p. 68.

education expenditure. Capital expenditure directed to finance schooling infrastructure on the other hand accounts for only 13 per cent of total education expenditure in the last nine years.

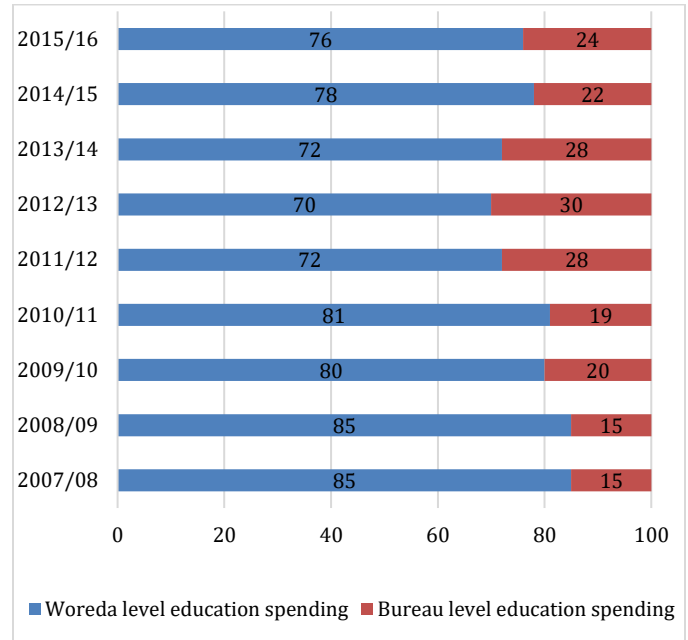
Figure 10: Education expenditure in Amhara region



Source: Data from MoFEC.

Over the last nine years, more than 78 per cent of the Amhara regional education spending was administered by *woreda* governments (Figure 11). This reveals the Amhara regional government’s effort to promote universal access to primary education at the grassroots level, and the implementation of targeted interventions to close the existing, gender and urban-rural enrolment gap to achieve universal primary education across the board by reaching disadvantaged groups and children living in remote rural areas in the region.

Figure 11: Amhara region *woreda* and regional bureau education expenditure (per cent of total regional education spending)



Source: Data from MoFEC.

4.2 Health and Nutrition Sector Financing in Amhara

Overview of the Health and Nutrition Sector in Amhara

The Amhara region has a poor health status compared to other regions in the country. The region is exposed to potentially preventable infectious and communicable diseases, and nutrition deficiencies. Epidemic-prone diseases such as meningococcal, acute watery diarrhoea (AWD), malaria, and measles are also prominent health problem in the region. Nearly one out of 15 babies born in the Amhara region did not survive to celebrate his or her first birthday in 2016 (Table 4). Under-5 mortality is also high: 1 out of every 12 children die before reaching his or her fifth birthday in the same year. Even though there has been some positive development in reducing the level of malnutrition, the region still has the highest stunting rate in the country, and is among the regions with the highest underweight rates as well. Malnutrition in the region is exacerbated by challenges in feeding practices, health care for

women and children, and access to water and sanitation services.

As indicated by Table 4 below, the Amhara region faces serious challenges in maternal health. For instance, the 2016 DHS shows that no significant reductions in neonatal mortality rates have been made since 2005. However, the region has a relatively high percentage of women delivering in a health facility (27 per cent in 2016). In addition, there is also a relative high proportion of married Amhara women (age 15-49) who use modern contraceptive methods and receive skilled assistance during delivery: 50 per cent and 28 per cent respectively in 2016.

Table 4: Selected health outcome indicators

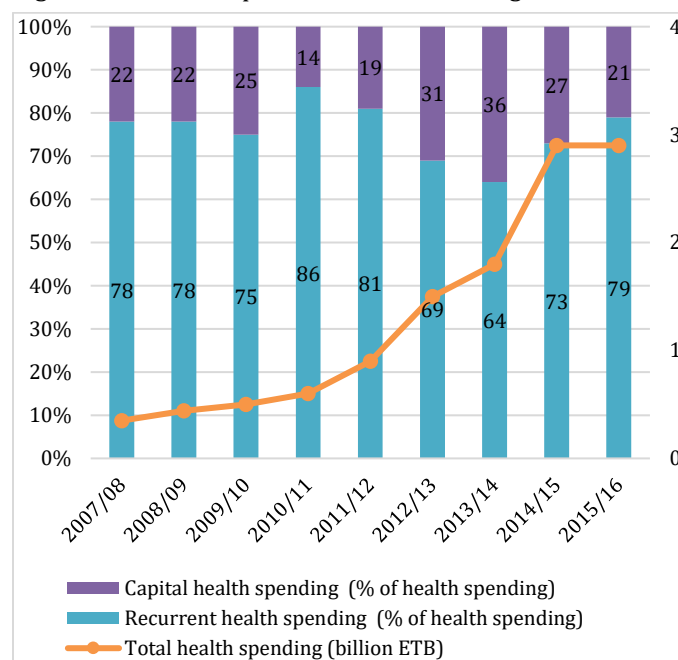
Key indicators		2005	2011	2016
Neonatal mortality rate (per 1000)	National	39	37	29
	Amhara	50	54	47
Infant mortality (per 1000)	National	77	59	48
	Amhara	94	76	67
Under-5 mortality (per 1000)	National	123	88	67
	Amhara	154	108	85
Antenatal care coverage (%)	National	27.6	33.9	62.4
	Amhara	26.5	33.6	67.1
Use of modern contraceptive (%)	National	14	27	35
	Amhara	15	33	50
Skilled birth attendance (%)	National	6	10	28
	Amhara	4	10	28
Birth occurred in health facility (%)	National	5	10	26
	Amhara	-	-	27
Full immunization (12-23 months) (%)	National	20	24	39
	Amhara	17	26	46
Prevalence of anaemia in children (%)	National	54	44	57
	Amhara	52	35	42
Stunting prevalence (children <5 years, %)	National	47	44	38
	Amhara	57	52	46
Wasting prevalence (children <5 years, %)	National	11	10	10
	Amhara	14	10	10
Underweight prevalence (children <5 years, %)	National	38	29	24
	Amhara	49	33	28

Source: Central Statistical Agency (CSA); Demographic and Health Survey (DHS)-2005, 2011 and 2016.

Health and Nutrition Sector Spending in Amhara

Amhara's regional spending on health care services has increased nearly eight times from ETB 350 million in 2007/08 to about ETB 2.9 billion in 2015/16, showing an annual average growth rate of 31.8 per cent (Figure 12). Approximately 15 per cent of the regional pro-poor expenditure was to finance health care services expenditure for the last nine years. In terms of types of expenditure, spending in the health sector remained predominantly recurrent (close to 76 per cent between 2007/08 to 2015/16). This implies that the salaries of health staff and other operating expenses have absorbed most of the region's health spending. Capital expenditure directed to finance the construction of health infrastructure facilities on the other hand accounts for only 24 per cent of total health care expenditure in the region.

Figure 12: Health expenditure in Amhara region



Source: Data from MoFEC.

Over the last nine years, more than 59 per cent of the Amhara regional health expenditure was administered by *woreda* governments (Figure 13). This demonstrates the Amhara region

government's effort in promoting health care services at the local administration level and addressing curative health care services and prevention of communicable diseases including prevention efforts related to maternal and child health.

Figure 13: Amhara region *woreda* and regional bureau health expenditure (per cent of total regional health spending)



Source: Data from MoFEC.

4.3 Water and Sanitation Sector Financing in Amhara

Overview of Water & Sanitation Sector in Amhara

The Amhara regional government has been taking steps to improve the sustainability of water supply infrastructure improvements in the region. Despite the remarkable progress made, and although the region is well endowed with a substantial amount of water resource potential, the quantity and distribution of surface and ground water supply schemes developed in region are not sufficient to meet the demands of the population. The percentage of households

using improved drinking water sources did not exceed 53 per cent in 2011 (EDHS, 2011). This indicates that close to 47 per cent of the households in the Amhara region did not have access to safe drinking water (Table 5). Consequently, people who don't have access are forced to use unsafe drinking water from unprotected wells, rivers, and ponds. As a result, many people suffer from waterborne diseases in the region. Women and children also bear the burden of traveling long distances to fetch water – adversely affecting children school enrolment.

Table 5: Selected water and sanitation outcome indicators

Key indicators		2005	2011	2016
Households using improved drinking water sources (%)	National	60	50.8	61.6
	Amhara	60.5	53.1	---
Households using improved sanitation facilities (%)	National	7.4	8.8	6.7
	Amhara	4.9	10.6	---
Households practicing open defecation (%)	National	62.2	38.2	32.9
	Amhara	68.6	42.2	---

Source: Central Statistical Agency (CSA); Demographic and Health Survey (DHS)-2005, 2011 and 2016.

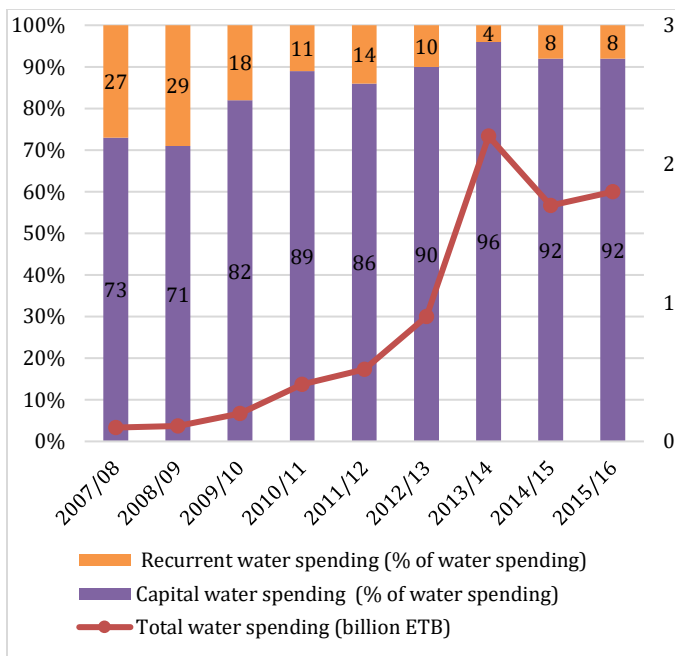
Moreover, sanitation and hygiene services are not sufficiently accessible to the majority of Amhara population. The percentage of households with access to improved sanitation facilities is very low, 4.9 per cent and 10.6 per cent in 2005 and 2011, respectively (Table 5). The Amhara region also faces a challenge regarding the rate of households using open defecation (45.7 per cent in 2014⁶). Due to the seasonal overflow of some rivers and by flash floods resulting from heavy rainfall from the highland areas of the region, some lowland areas of the region have repeatedly been affected by outbreaks of acute watery diarrhoea (AWD), leading to many deaths.

⁶ Central Statistical Agency. 2014. Mini Demographic and Health Survey.

Water Sector Spending in Amhara

Amhara's regional spending on water has somewhat fluctuated over the years. In terms of types of expenditure, unlike other sectors, spending in the water sector remained predominantly capital in nature. Over the last nine years, an average of 86 per cent was allocated to finance capital water expenditure (Figure 14). The higher share of water expenditure directed to finance capital spending reflects the existence of increasing funding for longer-term investments including the construction of small scale irrigation schemes, treatment structures, pumps, and pipelines. The remaining 14 per cent was absorbed by recurrent water expenditure including staff salaries and operational and maintenance costs.

Figure 14: Water expenditure in Amhara region

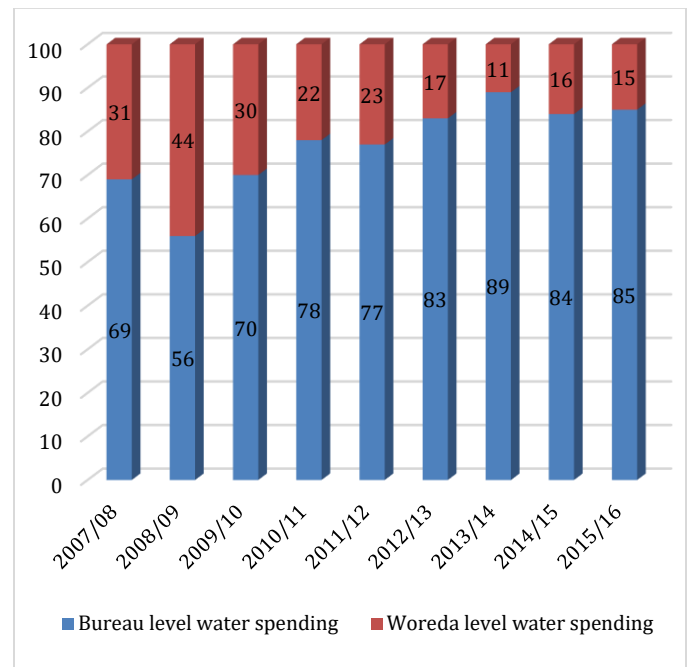


Source: Data from MoFEC.

Unlike other sectors, more than 77 per cent of the Amhara regional water expenditure was administered by the regional water resources development bureau, which has played an important role in planning investments and in capacity building at the regional level, for the last nine years (Figure 15). The regional water

resources development bureau is spending a large portion of its budgetary resources in an effort to address the infrastructure gap that exists in providing safe drinking water and in promoting basic sanitation and hygiene services throughout the region.

Figure 15: Amhara region *woreda* and regional bureau water spending (per cent of total regional water spending)



Source: Data from MoFEC.

5. Key Focus Areas

Poverty is pervasive in the region: Poverty remains a pervasive phenomenon in Amhara region. Notably, households in rural areas are highly vulnerable to poverty because of the frequently occurring environmental and health related shocks. In spite of efforts on poverty reduction and the achievement of sustainable development, poverty remains persistent and households highly vulnerable and dependent on emergency relief food aid in the region. To tackle this challenge, the regional government should reinforce a broad-based and inclusive economic development and should scale up the ongoing productive safety net programmes.

Child marriage: In 2016, the Amhara region had the lowest median age of first marriage across the

country at 15.7 years compared to 23.9 years in Addis Ababa and 17.1 years at the national level.⁷ The Amhara region is home to a population of about 21 million people hence there is a critical concern of subjecting a vast number of children and adolescents to the dangers of child marriage, including worsening school dropout rates, limiting personal development and economic contributions to society, and adverse health consequences like fistula that come from bearing children at too young an age. Actions required to address this grave challenge include, among others, bolstering social mobilization efforts, addressing accountability processes, strengthening coordination mechanisms among key actors and sectors, and building the implementation capacity of stakeholders.

Access and quality of education: Despite noted achievements in addressing the quality of education through increasing the availability of inputs, it remains a challenging issue in the Amhara region. Moreover, the equity of access, retention and completion for children with disabilities and progress in the region needs attention. In addition, school structures continue to neglect the particular needs of girls and disabled children, and many schools are built without adequate water and sanitation facilities, requiring more attention to be paid to institutional linkages to address, for instance, the provision of water and sanitation services for schools. These institutional linkages should also be extended for social protection. Apart from this, decentralizing the management of education should be reinforced so that the community would be directly involved in decision making and other related affairs within their jurisdiction.

Continued attention should be given to child and maternal health in Amhara: Despite positive developments in reducing the level of malnutrition, the region still has the highest stunting rate in the country, and the region is also among the highest in the country for underweight rates. Malnutrition in the region is affected by the challenges in household food security, feeding practices, health care for women and children,

access to sanitation and safe water supply, and the infrequent use of health services by women. The regional government should strengthen its focus on accelerating a reduction of malnutrition through a focus on maternal nutrition, infant and young child nutrition, complementary feeding practices, and nutrition awareness. Moreover, the regional government should also take strong action to reduce child mortality by putting more focus on maternal, neonatal and child health service delivery.

Water and Sanitation: Despite the remarkable progress made, and although the region is well endowed with water resource potential, the quantity and distribution of surface and ground water supply schemes developed in the region are not sufficient to meet the demands of the population. Moreover, sanitation and hygiene services have not sufficiently reached the majority of Amhara's population. Considering the scarcity of safe drinking water and the vulnerability of the region's residents to droughts, which are likely to increase due to climate change pressure, additional focus should be provided to enhance the accessibility of these services.

⁷ Central Statistical Agency. 2016. Demographic and Health Survey.

Annex: Amhara regional state on-budget records - 2007/08 - 2015/16 (source, MoFEC)

Gregorian Calendar Ethiopian Fiscal Year	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Ethiopian Calendar Ethiopian Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Regional population (in million) (CSA)	17.2							20.4	
Regional Revenue (in million Birr)									
Total regional revenue	4011.8	5295.1	6279.9	7355.7	13099.3	16728.8	17513.8	21103.9	26680.4
Tax revenue	443.9	729.8	960.0	1358.6	2156.6	3003.6	3201.8	4105.8	5158.3
Direct tax	341.8	601.2	796.6	1166.7	1542.3	2100.1	2298.7	3136.3	3632.7
Indirect tax	102.1	128.6	163.3	191.8	614.3	903.6	903.0	969.5	1525.6
Non-tax revenue	106.1	238.2	343.5	375.1	418.9	664.3	870.5	1594.5	1678.1
Federal Block grant	3432.9	4327.0	4974.5	5622.0	7024.4	8426.8	9965.9	11917.6	17055.2
MDGs/SDGs support	0.0	0.0	0.0	0.0	3499.5	4634.0	3475.5	3486.0	2788.8
Foreign loan & grants	28.9	0.0	1.9	0.1	0.0	0.0	0.1	0.0	0.0
Regional Expenditure (in million Birr)									
Total regional expenditure	3782.8	4615.2	5516.6	6926.2	11262.0	14423.1	17342.4	22703.1	24198.4
Total regional recurrent expenditure	3270.6	3878.4	4036.9	5039.4	7317.8	8359.0	10096.2	14942.9	16183.1
Bureau level recurrent expenditure	1110.4	922.2	1003.4	1252.2	1795.1	2005.0	2440.2	3755.0	4779.4
Salary expenditure	448.7	487.1	556.3	739.5	972.4	995.9	1129.2	1770.3	1881.5
Operations expenditure	661.7	435.1	447.0	512.7	822.6	1009.1	1311.0	1984.6	2897.9
Woreda level recurrent expenditure	2160.2	2956.2	3033.5	3787.2	5522.7	6353.9	7656.0	11188.0	11403.7
Salary expenditure	1730.2	2210.9	2430.8	3037.4	4598.0	5183.8	5964.2	9134.0	9326.5
Operations expenditure	430.0	745.3	602.7	749.8	924.7	1170.1	1691.8	2054.0	2077.2
Total regional capital expenditure	512.2	736.8	1479.7	1886.8	3944.2	6064.2	7246.3	7760.1	8015.3
Bureau level capital expenditure	312.3	319.2	822.8	1363.9	3486.7	5358.9	5956.9	6075.8	6041.4
Woreda level capital expenditure	199.9	417.6	656.9	522.9	457.5	705.2	1289.3	1684.3	1973.9
Regional Expenditure on Pro-poor Sectors (in million Birr)									
Total pro-poor expenditure	2433.0	2835.5	3501.6	4290.3	7790.6	10124.7	12148.4	15700.6	15071.0
Total regional agriculture expenditure	578.2	464.2	482	562.5	872.8	1018.4	1319.1	1633.8	1840.9
Total regional road expenditure	74	133.6	404.8	461.1	1858.5	2291.8	1842.2	2493.4	1142.1
Total regional education expenditure	1328.8	1686.8	1917.3	2277.5	3623.3	4470.7	4934.3	7007.9	7461.3
Total regional recurrent education expenditure	1218.9	1555.8	1703.3	2114.7	3050.1	3513.0	4046.9	6162.0	6412.9
Bureau level recurrent education expenditure	154.2	193.3	256.6	343.0	485.4	439.4	570.7	815.0	911.0
Salary expenditure	87.0	130.2	156.0	220.6	308.5	242.3	271.6	410.6	394.7
Operations expenditure	67.2	63.1	100.6	122.4	177.0	197.1	299.1	404.4	516.3
Woreda level recurrent education expenditure	1064.7	1362.5	1446.7	1771.8	2564.7	3073.6	3476.2	5347.0	5501.9
Salary expenditure	961.1	1228.8	1328.3	1644.7	2427.8	2885.9	3248.2	5029.6	5183.8
Operations expenditure	103.6	133.8	118.4	127.1	136.9	187.7	228.0	317.4	318.0

Gregorian Calendar Ethiopian Fiscal Year	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Ethiopian Calendar Ethiopian Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total regional capital education expenditure	109.9	131.0	214.1	162.8	573.2	957.7	887.4	845.9	1048.4
Bureau level capital education expenditure	50.2	64.1	135.4	99.5	512.6	908.3	820.0	714.5	879.9
<i>Woreda</i> level capital education expenditure	59.7	66.8	78.6	63.3	60.6	49.4	67.4	131.4	168.5
Total regional health expenditure	347.6	437.4	497.8	582.4	915.8	1447.5	1834.0	2849.8	2850.6
Total regional recurrent health expenditure	272.5	342.1	375.7	498.6	742.9	1000.2	1175.6	2072.0	2238.9
Bureau level recurrent health expenditure	84.9	89.9	100.3	145.3	161.8	341.3	364.5	717.9	773.8
Salary expenditure	57.2	60.6	69.4	85.8	103.7	132.8	159.3	299.5	410.7
Operations expenditure	27.8	29.3	30.9	59.5	58.1	208.6	205.3	418.4	363.1
<i>Woreda</i> level recurrent health expenditure	187.6	252.2	275.4	353.2	581.1	658.9	811.1	1354.1	1465.1
Salary expenditure	144.5	183.8	214.7	278.1	468.7	517.2	602.8	1018.7	1006.6
Operations expenditure	43.1	68.3	60.7	75.1	112.4	141.7	208.3	335.4	458.5
Total regional capital health expenditure	75.1	95.3	122.1	83.8	172.9	447.3	658.4	777.8	611.6
Bureau level capital health expenditure	17.5	22.8	82.5	57.2	155.8	434.2	641.9	747.1	572.2
<i>Woreda</i> level capital health expenditure	57.6	72.5	39.6	26.6	17.2	13.1	16.5	30.7	39.4
Total regional water expenditure	104.4	113.6	199.7	406.8	520.2	896.3	2218.8	1715.7	1776.1
Total regional recurrent water expenditure	28.1	32.5	36.0	42.9	70.9	85.6	99.1	132.7	136.0
Bureau level recurrent water expenditure	10.9	10.5	10.8	12.0	15.1	20.3	20.4	29.0	31.0
Salary expenditure	5.8	5.5	5.7	7.7	9.3	11.5	12.2	19.5	20.8
Operations expenditure	5.2	5.0	5.2	4.3	5.8	8.8	8.2	9.5	10.2
<i>Woreda</i> level recurrent water expenditure	17.2	22.0	25.2	30.9	55.8	65.3	78.7	103.7	105.0
Salary expenditure	11.2	12.6	18.9	19.2	36.8	40.9	48.4	73.1	71.6
Operations expenditure	6.0	9.4	6.3	11.7	19.0	24.4	30.3	30.6	33.3
Total regional capital water expenditure	76.3	81.1	163.7	363.9	449.3	810.7	2119.7	1583.0	1640.1
Bureau level capital water expenditure	61.5	53.2	129.1	305.6	384.0	727.4	1956.2	1411.6	1484.8
<i>Woreda</i> level capital water expenditure	14.8	27.9	34.6	58.3	65.3	83.3	163.5	171.4	155.3



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