

The Ethiopian Budget

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Historical Sketch of the Ethiopian Budget

The preparation and enactment of a governmental budget is a comparatively recent innovation in Ethiopian financial administration. The introduction of an annual budget forms part of the general modernization of Ethiopian governmental administration.

The contemporary Ethiopian budget is both the legal authorization for the expenditures contained in it and the means for bringing together a comprehensive estimate of those expenditures and of the government's anticipated revenues. Before 1958 the first of these purposes was served by *mazajas*, orders issued by the Ministry of the Pen, authorizing specific expenditures.¹ There was no comprehensive estimate of anticipated expenditures and revenue, however. Budgets were published on several occasions, but they were for the most part merely summaries of the *mazajas* already issued, organized under headings according to the area of governmental activity and type of expenditure involved.

The first governmental budget to be published in Ethiopia appeared at the end of 1944² and covered the 1945 fiscal year.³ A budget also was published for 1946,⁴ but this second budget appeared only a little more than a week before the end of the year that it covered.

After a lapse of seven years in which no budget of any kind appeared, a form of budget was published for 1953 as a notice of the Ministry of Finance.⁵ It could not be regarded as a proper budget, however, as it

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1 This continues to be the procedure for expenditures from the "allowance for unforeseen expenses" that is included in each budget. See below at page 381

2. Proc. No. 71 1945, *Neg. Gaz.*, year 4, no. 4. What was in effect a supplementary budget for 1945 was issued a number of months after the close of the year by Proc. No. 78 of 1946, *Neg. Gaz.*, year 5, no. 11

3. The Ethiopian Calendar differs from the Gregorian in two respects: First, in terms of the Gregorian calendar, the Ethiopian year begins on September 11th (September 12th in leap years). Second, the Ethiopian calendar year is a little less than eight years behind the Gregorian. The first day of 1959 (Ethiopian calendar) thus fell on September 11, 1966 (Gregorian calendar).

Prior to enactment of the Fiscal Year Proclamation, 1959, Proc. No 162, *Neg. Gaz.*, year 18, no. 13, the Ethiopian budgetary year was the Ethiopian calendar year. Under the Fiscal Year Proclamation, a fiscal year commencing on July 8th of the Gregorian calendar has been adopted.

To avoid confusion, in this article all Ethiopian budgetary years will be identified by the Gregorian year in which they *terminate*, and all dates will be given in terms of the Gregorian calendar.

4. Proc. No. 80, 1946, *Neg. Gaz.*, year 5, no. 12.

5. Not. No. 11, 1953, *Neg. Gaz.*, year 13, no. 4.

appeared after the end of the year and took the form of a ministerial notice rather than a statute enacted by Parliament and approved by the Emperor. It thus was more in the nature of a statement of governmental revenues and expenditures for the previous year, probably partly actual, partly estimated. Even so, it was useful for the information that it gave concerning the state of government finances.

The next budget to be published was for 1958,⁶ and that year can be considered the turning point in the development of the Ethiopian budget. The 1958 budget did not appear until the end of the year and thus still was not a budget in the proper sense of the word—an estimate of anticipated revenue and expenditures that could be used as an instrument of fiscal control. It was, however, enacted by Parliament and issued as a proclamation, as required by the new Revised Constitution of 1955. In addition, it marked the beginning of the period of uninterrupted annual enactment of a governmental budget. Publication of the budget proclamations for 1959 and 1960 still was delayed until considerably after the beginning of the budgetary year, but even so they could serve the purpose of fiscal control for at least part of the year.

The Legal Framework

The first mention of a governmental budget in Ethiopian law was in the 1931 Constitution, in Article 55:

“The law lays down that the receipts of the Government Treasury of whatever nature they may be, shall only be expended in conformity with the annual budget fixing the sums to be at the disposition of each Ministry. The annual budget shall be framed on the basis proposed by the Minister of Finance during deliberations in the Chamber of Deputies and in the Senate, whose resolutions shall be submitted for the approval of the Emperor.”

This provision presumably was the constitutional basis for the budgets for 1945 and 1946, although not for the budget published as a ministerial notice for 1953.

The 1931 Constitution was superseded in 1955 by the Revised Constitution. The provisions of the new constitution relating directly to the budget, Articles 114-118, are given below in a footnote.⁷ Among the changes that

6. Budget Proclamation, 1958, Proc. No. 160, *Neg. Gaz.*, year 17, no. 15.

7. “Article 114. None of the public revenues shall be expended, except as authorized by law.

Article 115. The fiscal year shall be fixed by special law. The Council of Ministers shall, each year, with the approval of the Emperor, and in accordance with the requirements of the law, present to Parliament a draft of a law for the approval of the budget of the following year, which budget shall accompany the said draft of law.

Article 116. Each of the Chambers of Parliament shall examine the said budget in detail and vote on item by item. Parliament shall, under no circumstances, increase the total sum set down in the budget for expenditures. The allowance for unforeseen expenses in the said budget shall be fixed by Parliament. Parliament shall complete the budget vote for submission to the Emperor at least one month before the beginning of the new fiscal year.

Article 117. If the draft of law presented, as provided in Article 116, has not been approved by Parliament and proclaimed as law before the beginning of the new fiscal year, the budget of the previous year shall continue in force until a new budget law has been proclaimed.

Article 118. If additional funds are urgently required in the course of any fiscal year the Minister or Ministers concerned, shall present a supplementary budget to the Council of Ministers, who, with the approval of the Emperor, may present an appropriate draft of law to the Chamber of Deputies.”

they made was to require that the budget be approved by Parliament and submitted to the Emperor at least one month before the beginning of the fiscal year. Also, Parliament's role was outlined with greater specificity. Parliament was required to vote on the budget item by item and was barred from approving total expenditures greater than those in the budget submitted to it by the Council of Ministers.

Apart from the revised Constitution, the other pieces of standing legislation that touch on the budget are the Ministers (Definition of Powers) Order of 1943⁸ and the Fiscal Year Proclamation of 1959, as amended.⁹ The Definition of Powers Order requires government ministers to submit estimates of the expenditures of their ministries to the Minister of Finance by July 22nd, and requires the Minister of Finance in turn to prepare a budget and submit it to the Council of Ministers. The Fiscal Year Proclamation fixes the Government's fiscal year as commencing on July 8th, and requires that the budget be submitted to Parliament not later than March 28th. As can be seen, the schedule set by the Fiscal Year Proclamation has rendered obsolete the date fixed by the Definition of Powers Order for submission of ministerial estimates to the Ministry of Finance.

The budgets themselves are of course annual pieces of legislation, which by their nature cease to have legal force after the end of the fiscal year to which they refer. However, the annual budget includes not only the schedule of authorized expenditures and estimated revenues but also provisions fixing the limits on the changes that can be made in the budgeted expenditures without submitting a supplementary budget to Parliament. These provisions also lapse at the close of the fiscal year, but in recent years they have been re-enacted each year along similar lines. In the 1967 budget they were as follows:

"5. Transfers of budgetary appropriations from one Head, Subhead or Item shall be permitted upon the following conditions:

(a) Transfers from one Item to another within the same Subhead, or Head, if there are no Subheads, shall be subject to the approval of the Minister of Finance. The Minister of Finance may delegate this authority to properly authorised persons within the limits fixed by him.

(b) Transfers from one Subhead to another Subhead within the same Head and from a Head of the Ordinary Expenditure to a Head of the Capital Expenditure, shall be subject to the approval of the Council of Ministers.

(c) Transfers from 'Allowance for unforeseen expenses' shall be subject to the approval of the Council of Ministers.

(d) No transfer, which would increase the total amount appropriate in any Head for 'Personal emoluments', may be made from any source except 'Allowance for unforeseen expenses.'

6. The Minister of Finance is hereby authorised to pay for past commitments of the previous fiscal year out of the 'Allowance for unforeseen

8. Arts. 16 and 46 (a), Order No. 1, 1943, *Neg. Gaz.*, year 2, no. 5.

9. Proc. No. 162, 1959, *Neg. Gaz.*, year 18, no. 13, as amended by Proc. No. 196, 1963 *Neg. Gaz.*, year 22, no. 8.

expenses,' if he is satisfied that they were legally contracted within the limits of the past year's budgetary appropriations and that they cannot be paid out of current budgetary appropriations under the appropriate Heads and Subheads.

7. Subject to the approval of the Council of Ministers and provided that additional ordinary revenues are in his opinion, deemed to be available, the Minister of Finance is hereby authorised to pay over and above the amounts appropriated according to Article 2 of this Proclamation such amounts as would be necessary for Government purposes which could arise in cases of urgency, but not exceeding 10 per cent of the total amount appropriated for Ordinary Expenditure according to Article 2 of this Proclamation."

The purpose of these provisions is to enable the government to operate within the limits of the initial budget Proclamation, without having to seek enactment of a supplementary budget. In this they have not been altogether successful. Supplementary budgets were required for each year from 1961 through 1965. That no supplementary budget was required for the 1966 fiscal year is at least in part attributable to the addition of Article 7, quoted above which appeared for the first time in the 1966 budget.

The Budgetary Time-Table

Formally, three points on the budgetary time-table are fixed by law. According to the Definition of Powers Order, ministers must submit their estimates of expenditures to the Minister of Finance by July 22nd; according to the Fiscal Year Proclamation, the budget must be submitted to Parliament by March 24th; and according to the Revised Constitution, Parliament must have completed its deliberations and voting on the budget by at least one month before the beginning of the new fiscal year, that is, by June 8th. As already noted, however, the first of these provisions was rendered obsolete by the enactment of the Fiscal Year Proclamation.¹⁰ It is thus the provisions of the Fiscal Year Proclamation and the Revised Constitution which establish the points around which the rest of the time-table must be constructed. The main stages of the time-table that has evolved are as follows:

1. On July 8th, a whole year before the start of the fiscal year for which the budget is being prepared, the Minister of Finance sends a letter to the ministers asking for their proposals in respect of estimated expenditures of governmental activities under their control.

2. The letter specifies that the ministerial estimates are to be submitted to the Minister of Finance by October 10th. The ministries have therefore just over three months in which to prepare their proposals.

10. The absence of a legally binding date for the submission of ministerial budget requests apart from the dates specified in the letter from the Minister of Finance, may give rise to a certain amount of confusion, and this may explain the fact that several ministries have on occasion submitted their proposals too late for any consideration. The Definition of Powers Order continues to be effective so far as it places responsibility for the submission of ministerial budgetary proposals on the ministers, however, and this explanation therefore does not suffice for the failure of some ministries to submit any proposal at all.

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3. The Minister of Finance submits his proposal for the budget (known as the first draft) to the Council of Ministers not later than January 8th. Thus, the Ministry of Finance, or, strictly speaking, the Budget Preparation Department, to whom responsibility for preparation of the budget is delegated has three months in which to compile the budget from the ministerial proposals.

4. The Council of Ministers submits the draft budget proclamation to Parliament not later than March 24th, having had two and a half months—for its deliberations and possible amendments.

5. The parliamentary deliberations should be concluded not later than June 8th, and by that date the budget in the form approved by Parliament should be submitted to the Emperor. Following its approval by the Emperor the budget is issued as a proclamation, published in the *Negarit Gazeta*.

6. Not later than June 22nd the Budget Preparation Department communicates the details of departmental budgets to the departments concerned and to the Budget Execution Department of the Ministry of Finance.

Thus, preparation of the budget, its enactment into law, and the steps necessary to put it into effect are completed within eleven and a half months—two weeks before the beginning of the fiscal year.

Mention should also be made here of the last stage of the budget cycle—the closing of accounts for the fiscal year and submission to the Emperor and Parliament of the statement of revenues and expenditures compared with the budget (including any supplementary budget). This submission is required by the Revised Constitution to be made not later than four months after the end of the fiscal year, not later, that is, than November 9th.

Preparation of the Budget

Estimates of expenditure

The most complicated and time-consuming part of the preparation of the budget, both at the departmental level and in the Ministry of Finance, is compilation of the amounts proposed for expenditure. This compilation must be built up from the proposals of the lowest administrative units and must include both current expenditures, for which proposals can be made and evaluated from the records of the current year, and planned capital expenditures, for which decisions must have been made and costs evaluated. The contents of these proposals and their justification must be communicated intelligibly to the Ministry of Finance and subsequently to the Council of Ministers and Parliament.

To the letter requesting the proposals of the Ministers, is therefore attached a "Budget Instruction" intended to serve as a guide to the form and contents of the budget proposals. It consists of two parts. The first is a general statement of budgetary policy, which contains general guidance as to expected revenues, whether increases in expenditure should be allowed and, if so, in what directions. At present this guidance is given in very general terms, and it probably could be developed to give more detailed guidance as to the percentage increase allowed in current and capital expenditures. It is a question,

however, whether this guidance should be given before the ministry proposals are submitted or whether the proposals, whatever they may be, should subsequently be scrutinized by the Ministry of Finance in view of the information in its possession. There obviously are limits to the guidance that can usefully be given in instructions that are applicable to all ministries and that are issued before the ministerial proposals have been received. In addition, apart from the question whether prior detailed guidance is desirable, or possible, there is also the question whether such guidance is proper to administrative instructions issued by the Ministry of Finance. As matters of policy, these guide lines may be more suitable for the deliberations of the Council of Ministers.

The second part of the instructions concerns the form of the proposals. Although this part could change with further evolution of budgetary procedures, in its present form it states the current budgetary procedural practice and is therefore worth summarising.

The point of departure for any budgetary proposal is the current year's budget, adjusted to take into account any additional authorisations of a recurrent character, any transfers and reorganisations of the department, and any reductions due to the current budget's being in excess of actual needs. This adjusted current-year budget is known as "current expenditure payable."

Details of the proposals are required for each budgetary subhead, roughly corresponding to the departments of the ministry or agency. Where a proposal is greater than the corresponding current expenditure payable, a justification for the increase should be given in an explanatory note. In addition, in the case of personal emoluments, there should be a detailed description of salaries for each type of position within the ministry and also a summary for each of four groups of personnel: administrative staff; professional, technical and special staff; foreign staff; and military and police.¹¹ The summaries are used for the consolidation of the budget, the detailed statement for reference purposes when the proposals are scrutinised by the bodies responsible for approving the budget proposal.

A detailed statement of personal emoluments is also required for military personnel. However, the detailed statement for such personnel, unlike that for civilian personnel, is never included in the published budget.

The departmental budget must include all expenditures, regardless of whether they are financed out of the general revenues. Thus, expenditures must be included even though they will be covered by external assistance or the department's own revenues, as in the case of hospitals that are allowed to apply their revenues against their expenditures. Similarly, the Ministries of Education and Public Health should include expenditures that are to be financed from the proceeds of the education and health taxes.¹² The reason for

11. This classification is a temporary one improvised by the Ministry of Finance.

12. The health and education taxes were enacted by Dec. No. 37, 1959, *Neg. Gaz.*, year 18, no. 14, and by Proc. No. 94, 1947, *Neg. Gaz.*, year 7, no. 3. They are administered as part of the regular land tax, but their proceeds are to be expended on health and education respectively. In the case of the health tax revenues, this limit on the use of the revenues is imposed by Order No. 22, 1960, *Neg. Gaz.*, year 19, no. 11, in the case of the education tax, by Proc. No. 95, *Neg. Gaz.*, year 7, no. 3.

this requirement is that the budget proposal should show total estimated expenditures. The revenues in question would appear in the estimates of revenue.

For capital expenditures, proposals relating to new projects should be supported by a detailed description of the projects, showing amounts to be spent in the budgetary year. The proposal also should show the amounts to be spent in the budgetary year on projects already in progress which are not expected to be completed in the current year.

Estimates of revenue

Estimates of revenue are prepared by the Ministry of Finance at the same time that the ministries are estimating their current and capital expenditures. The revenue estimates will show for the purpose of comparison the actual revenue for the previous two years, for which figures are by then available, the expected revenue for the current year, and the estimates for the budget year. In the proposed estimates various factors would naturally have been taken into consideration: the actual revenue for previous years; the effect of any changes in tax rates, new taxes and new exemptions; any improvements in tax administration. For customs duties account also is taken of general trends in foreign trade.

Direct and indirect taxes and customs duties make up the first three heads of ordinary revenue in the budget. Heads 4 and 5 - courts of justice revenue and the earnings of government ministries and departments - are estimated on a similar basis and presented in a similar form, but in the case of their earnings, ministries and departments are asked to submit their estimates together with their proposals for expenditure.

Revenue from state property and investments, head 6 under ordinary revenue, also is estimated on the basis of current performance, taking into account any known factors that could influence revenue during the budget year. For investments, much of this information can be derived from the relevant commercial accounts.

Finally, various external assistance is added, so that the total of ordinary government revenue can be computed.

Consolidation of the budget

All the preparatory work of the ministries and agencies should be finished and all budgetary proposals sent to the Ministry of Finance by October 10th. The proposals are then sent to the Ministry's Budget Preparation Department, which performs the actual work of consolidating these proposals into a comprehensive budget.

At this stage the Budget Preparation Department should verify that the proposals are adequate with respect to the following points:

- that they contain the required information;
- that they are in a form which allows them to be incorporated into the consolidated budget;
- that their explanations are understandable and relate strictly to the figures in the proposals, rather than cutting across budgetary lines.

It would be better to return inadequate proposals at this stage rather than to have them create difficulties later. Such a course of action presupposes, however, that the proposals are submitted on time; that the Budget Preparation is able to maintain constant liaison with a responsible official in each ministry and agency, who is clearly responsible for the budgetary proposals; and that officials of the Budget Preparation Department have an intimate knowledge of the ministries and agencies. The first condition seems almost impossible to achieve, and the latter two are not met by the present organizational arrangements.¹³

On the basis of the proposals received from the ministries and agencies, the Budget Preparation Department prepares comparative schedules. These give for each item of expenditure the actual expenditures for the fiscal year preceding the current one, the current expenditure payable for the current year, and the proposals submitted by the ministries and agencies. At the end of the budget-preparation process within the Ministry of Finance, the schedules will also show the proposal of the Minister of Finance that is being submitted to the Council of Ministers.

The preliminary draft budget

The task of preparing a preliminary draft budget from the comparative schedules is delegated by the Minister of Finance to a Budget Committee. The Committee consists of the Assistant Minister in charge of the Budget Preparation Department, who serves as chairman; representatives of the Office of the Planning Board, the Credit and Finance Department of the Ministry of Finance, and the Budget Preparation Department; and financial, economic and cost advisors attached to the Ministry of Finance.

The Committee would take the following points, among others, into consideration in its appraisal of the expenditure proposals:

1. The general guidance as to budgetary policy contained in the letter sent by the Minister of Finance to the ministries and agencies;
2. The limits on total expenditures in view of the estimates of revenue;
3. Whether the budget for the current year has not been inflated beyond actual needs or does not include expenditures which will not recur in the coming year;
4. Whether the plans on which the expenditure proposals are based are feasible (for example, whether a proposed increase in the number of teachers would be justified if the schools for which they were to be recruited could not now be built);
5. The relative priority to be given to the activities of each ministry and agency from the standpoint of national policy;

13. It would be desirable to have the budgetary accounts divided into groups, with a budget coordinator within the Budget Preparation Department responsible for each group. Each coordinator could maintain close touch throughout the year with the ministries and agencies in his group and, except for the initial preparation of departmental accounts and the final consolidation of the budget, would be responsible for preparation of the budgetary figures.

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6. The consistency of proposed capital expenditures with the government's development policy.

The Committee can ask representatives to appear before it and give any additional explanations that appear necessary. Its deliberations are minuted in great detail, with lengthy quotations of opinions expressed.

The proposal of the Minister of Finance

The recommendations of the Budget Committee take the same form as the budget that will be attached to the budget proclamation published in the *Negarit Gazeta*. When completed, the recommendations are sent to the Minister of Finance, who makes the final decision as to the draft to be submitted to the Council of Ministers. This draft, together with the Minister's comment on the economic and fiscal aspects of the budget, should be submitted to the Council not later than January 8th.

Consideration of the Budget by the Council of Ministers

The Council of Ministers first discusses the budget in general terms, then sends it to the Council's Budget Committee for detailed consideration. The Committee consist of seven members, elected by the Council.¹⁴ It examines the budget proposals, enquires into the original proposals, and conducts hearings at which the ministries concerned may present their case and to which it calls representatives of the ministries for further explanations. The Minister of Finance, apart from his own attendances, is permanently represented at these hearings by the head of the Budget Preparation Department.

Following the Committee's hearings the budget is sent back to the Council, together with any amendments recommended by the Committee. It is then that the Council makes the final decisions as to the draft law to be submitted to I Parliament.

It is the task of the Ministry of Finance's Budget Preparation Department to adjust the Ministry's first draft to incorporate amendments made by the Council of Ministers. It is important that the Council's decisions be speedily communicated to the Budget Preparation Department and the ministries concerned and also that they relate strictly to particular parts or items of the budget proposal and state briefly but very clearly the changes the Council wishes made. This need for speed and clarity is occasioned not only by the late date at which the changes must be incorporated into the budget but also by the complicated interrelationships within the budget, as a result of which even a few changes may require its extensive recasting.

Consideration of the Budget by Parliament

The role of Parliament

In accordance with Article 115 of the Revised Constitution, the draft budget is presented to the Emperor before March 24th, and with His approval it is presented by the Prime Minister to Parliament.

14. Some members of the Committee are not members of the Council of Ministers.

Article 114 specifies that "none of the public revenues shall be expended, except as authorized by law," and the articles which follow indicate fairly clearly that "law" should in this context be understood to mean "Parliament-enacted law." This general control over the budget given to Parliament is subject to two legal limitations. First under Article 116, Parliament cannot approve total expenditures greater than provided in the draft budget submitted to it. This limitation does not bar Parliament from increasing the expenditures authorized for particular items, but any increase in one item must be balanced by reductions elsewhere in the budget.

The second limitation stems from the combination of Articles 117 and 88. The former article provides that, if a budget is not enacted by the beginning of a new fiscal year, the budget to the previous year shall continue in force.¹⁵ The latter article requires the approval of the Emperor before a measure passed by Parliament (including the annual budget) becomes law. Taken together, they in theory leave open the possibility that the government could operate indefinitely free of the budgetary control of Parliament; so long as the Emperor declined to approve the budgets enacted by Parliament, the last Parliament-enacted budget that was approved by Him would continue to provide a lawful basis for government expenditures. In practice, however, the constantly increasing needs of the government make this second limitation of no real importance.¹⁶

The budgetary procedure in Parliament

The draft presented to Parliament includes not only the draft of the official text and accompanying schedules but also detailed explanations for each subhead or, where there are no subheads, for each head of ordinary expenditure. These explanations give:

1. For personal emoluments (civil salaries and wages, civil and automobile allowances, military and police pay and allowances), the number of posts, range of salaries, monthly total for each group of employees and rank and an annual total for each of three groups—administrative staff, professional and technical staff, and foreign staff;
2. For the remaining items of ordinary expenditures (motor vehicles, equipment and supplies, and other charges), the amount provided for each sub-class of expenditure (up to eleven sub-classes within "equipment" and up to nineteen within other charges).

This draft takes its course through Parliament in the same way as any other law,¹⁷ except that Article 86 requires that proposals involving an

15. This provision may by implication strengthen Parliament's position in one respect. As to most matters, the Emperor has an unlimited power to legislate independently of Parliament "in cases of emergency that arise when the Chambers are not sitting." Rev. Con., Art. 92. It is arguable that Article 117 should be taken to exclude any other "emergency" procedure in the case of budgetary legislation, and that Article 92 therefore does not apply in this area.

16. This comment applies also to a third legal limitation that could be argued to exist: that the submission of a draft budget by the Council of Ministers, through the Emperor, is a necessary pre-condition for the exercise by Parliament of its budget-making power.

17. For a description of the Ethiopian Parliamentary process, see K. Redden, *The Law Making Process in Ethiopia* (Addis Ababa, 1966)

increase in governmental expenditures be presented first to the Chamber of Deputies. Since each budget has provided for Governmental expenditures greater than those of the previous year, the draft budget has in practice been presented first to the Chamber of Deputies.

The Chamber of Deputies has a standing Budget Committee for the purpose of examining the draft budget. The Committee holds hearings at which representatives of the executive can present their case. The present practice is for only the representative of the Ministry of Finance to attend these hearings, but it would be desirable for representatives of other ministries and agencies also to attend, when necessary, to explain and defend their proposals.

The Budget Committee presents its report to the Chamber and voting takes place in accordance with Article 116, item by item. The minister of State in the Prime Minister's Office is present at the proceedings before the full chamber to answer any questions concerning the proposals of the Council of Ministers. The budget must be approved by a vote of a majority of the members present,¹⁸ and no vote can be taken without a quorum, which is a majority of the members.¹⁹

After being passed by the Chamber of Deputies, the budget is immediately forwarded through the President of the Chamber to the Senate. The Senate's procedure for consideration of the budget is similar to that of the Chamber of Deputies. The Senate elects a Budget Committee which examines the budget and presents its report to the full Senate. Voting then takes place in the same manner as in the Chamber of Deputies.

Submission of the Budget to the Emperor—Conflicts between the Senate and the Chamber of Deputies

If the proposal passed by the Chamber of Deputies is approved by the Senate without change within two months, it is sent through the Prime Minister to the Emperor. The Emperor may then either approve the budget, in which case it will be promulgated as law, or return it to Parliament with His observations or with a new proposal.²⁰ The latter, however, rarely happens.

There may, however, be a conflict between the two Chambers. This conflict may take one of three forms: The proposed budget approved by one Chamber may simply not be acted on by the other Chamber within two months, it may be approved by the other Chamber with amendments, or it may be rejected by the other Chamber. The constitutional provisions relating generally to conflicts between the Chambers in the enactment of legislation apply in each case.

In the case of the second Chamber's failure to act within two months, Article 89 provides for a joint meeting of the two Chambers. If the joint

18. Rev. Con., Art. 87.

19. Rev. Con., Art. 79.

20. Rev. Con., Art. 88.

meeting approves the proposed legislation within thirty days, it is to be communicated to the Emperor in the same manner as if it had been separately approved by each of the two Chambers.

The other two cases are dealt with by Articles 90 and 91 respectively. Article 91 also controls in the event that the joint meeting provided for in Article 89 fails to approve the proposed legislation.

ARTICLE 90.

"If within the aforesaid period of two months, a proposal of legislation approved by one Chamber, is approved by the other with amendments, the said proposal shall be returned to the first Chamber for further consideration. If, upon such further consideration, it is approved within 30 days, by the first Chamber, with the said amendments, it shall be communicated to the Emperor for action in accordance with Article 88. If within 30 days, the amendments are not accepted by the first Chamber, the Chambers shall, thereupon, meet together to discuss the proposal. If, in such joint meeting, the proposal is approved, with or without amendments, within 30 days, it shall, thereupon, be communicated to the Emperor for action in accordance with article 88."

ARTICLE 91.

"If a proposal of legislation approved in one of the Chambers is rejected by the other within two months after its communication to it, as provided in Article 88, or if a proposal of legislation is not approved, with or without amendments, after discussion in a joint meeting, as provided in Articles 89 and 90, full reports on the situation shall be promptly communicated to the Emperor by the Presidents of both Chambers of Parliament, through the Prime Minister, and the Emperor may, thereupon, cause to be transmitted to both Chambers of Parliament, His observations in regard to such reports and such proposal of legislation, or cause to be transmitted to the Chambers, a proposal of legislation on the same subject.

Execution of the Budget—Budgetary Control

As soon as the budget is finally approved, the Ministry of Finance communicates the detailed budget to the ministries and departments concerned. Should any ministry or agency at this stage wish to re-allocate its appropriations between different articles or even items of expenditure, it can ask the Ministry of Finance to approve the transfer, as provided by the budget proclamation.²¹ In practice, this authority is delegated to the Ministry's Budget Preparation Department.

A statement of the detailed budget distribution is sent also to the Budget Execution Department, to which the task of budgetary control is delegated.

21. As the budget proclamations have been enacted in recent years, this authority is conferred by Article 5, quoted above at page 371

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Budgetary allotments

The system of budgetary control can be summarised as follows:

1. The Budget Execution Department maintains a register of budgetary authorisations for each budgetary subhead.
2. For provincial expenditures, the Budget Preparation Department sends a standing authorisation for the fiscal year to the provincial treasurers (*Bejironds*), based on the distribution received from the department concerned. Control of provincial expenditures is thus delegated to the *Bejironds*.
3. For other than provincial expenditures, a request for a budgetary allotment has to be submitted to the Budget Execution Department. An allotment is a part of the budgetary authorisation, which the department needs for either its current expenses for a part of the year (usually a month) or such intermittent expenses as large purchases and construction projects. The allotment is not itself a disbursement of money. Usually it is accompanied by a cash allocation, which is considered an advance, to be accounted for in the department's monthly financial statement.
4. The request for allotment is checked against the register of budgetary authorisations, and the payroll is checked against the previous month's receipted copy of the payment. The request also is checked with respect to the following points:
 - whether the person who signed it acted within his authority;
 - whether the expenses proposed are charged to the proper budget headings;
 - whether the requests are within the budgetary authorisations and whether the balances shown by the department agree with those of the Budget Preparation Department; and
 - whether the payroll is within the establishment roll fixed at the beginning of the year or by additional authorisations.
5. In some cases an amount due to a third party is to be paid directly by the Ministry of Finance on behalf of another department, within the latter's budgetary authorisation. The payment is then made as a direct disbursement and appears in the account as a definitive expense. Such payments as grants-in-aid to autonomous institutions, contributions to joint funds and payments to the Imperial Highway Authority are also made in this way.

Payments and receipts principle and the allowance for unforeseen expenses

The Ethiopian budgetary system is based strictly on the "cash" or "payments and receipts" basis. That is, the budgetary authorisation confers authority only for payments actually made in the fiscal year to which the budget refers. If payment is not made until the next fiscal year, it must be authorized in that next year's budget, even though the payment may have been made to satisfy obligations incurred during the previous year.

There is one exception to this rule. Part of the "allowance for unforeseen expenses" is provided to pay commitments of the previous year, if they were

legally contracted and cannot be paid out of the current appropriations under the same head or subhead. The authority to make payments from this allowance is conferred by the budget proclamation on the Minister of Finance.²²

In the budgetary practice, the use of this allowance for additional budgetary authorisations for the current year ordinarily is by means of *mazajas* issued by the Ministry of the Pen on the Emperor's instructions. Their issuance results from the *Akabi saat*, that is audiences of the individual ministers with the Emperor to discuss these additional authorisations. The authorisations are in effect transfers from the allowance for unforeseen expenses and therefore subject to the approval of the Council of Ministers. Normally they are incorporated into the supplementary budget if there is one.

From the standpoint of budgetary control and accounting, no expenses can be charged directly to the allowance for unforeseen expenses. Rather, a transfer must first be made to the relevant budgetary account, thus reducing the balance of the allowance for unforeseen expenses and increasing the budgetary authorisation for the account to which the transfer is made. If no budgetary account exists because the expense is new in character, a new account must be opened.

Closing of Accounts for the Fiscal Year

The last stage in the budgetary cycle is the closing of accounts for the fiscal year. The Ministry of Finance through its Central Accounting Office, prepares a statement of revenues and expenditures for the year. This statement shows the actual revenues and expenditures from the accounting records and the corresponding appropriations contained in the budget, including the supplementary budget and any transfers in the same order and in the same form as the budget. The statement also shows for each budgetary head, subhead and item, the difference between the actual results and the budget. The statement is accompanied by a report of the Minister of Finance, containing an analysis of the differences and appropriate comments.

Finally, in accordance with Article 120 of the Revised Constitution: "Within four months after the end of every fiscal year, the Council of Ministers shall present to the Emperor and to Parliament a detailed report on the receipts and expenditures of the said year. The report shall be immediately referred to the Auditor general, who shall, within three months, present his comments thereon to the Emperor and to Parliament."

22. By Article 6 of the proclamation, as it has been enacted in recent years, quoted above at page 371