

I. FEDERAL GOVERNMENT FINANCE

During the first quarter of 2009/10, total revenue and grants collected by the Federal Government increased by 13.3 percent to Birr 10.16 billion from Birr 8.97 billion in the preceding quarter, wholly on account of higher tax revenue and grants. The quarterly revenue performance was 19.6 percent of the total annual budget (Table VI.1).

On the other hand, quarterly Federal

Government expenditure peaked-up by 24 percent to Birr 12.63 billion largely reflecting 51 percent growth in capital expenditure.

Hence, the overall fiscal balance (including grants) depicted a wider deficit of Birr 2.47 billion compared to a deficit of Birr 1.22 billion million in the same period of last year.

Table 7.1 Summary of Federal Government Finance

(In Millions of Birr)

No	Particulars	2008/09		2009/10		Percentage Change		Performance Rate
		I Qtr.	IV Qtr.	Budget	I Qtr.	[D/B]	[D/A]	[D/C]
		[A]	[B]	[C]	[D]			
1	Revenue and Grants	8966.1	12989.0	51781.0	10161.4	-21.8	13.3	19.6
1.1	Total Revenue	8717.2	8336.0	42212.0	9715.6	16.5	11.5	23.0
	Tax Revenue	5183.6	6022.0	30179.8	7217.6	19.9	39.2	23.9
	Non-Tax Revenue	3533.6	2314.0	12032.2	2498.0	8.0	-29.3	20.8
1.2	DBS Grant & Relief	248.9	4653.0	9569.0	445.7	-90.4	79.1	4.7
2	Current Expenditure	2412.4	3227.0	13381.0	2434.2	-24.6	0.9	18.2
3	Current Surplus/Deficit	6304.8	5109.0	28831.0	7281.4	42.5	15.5	25.3
4	Capital Expenditure	4158.4	4212.0	22997.6	6275.5	49.0	50.9	27.3
5	Regional Transfers	3617.0	4206.0	19556.0	3924.4	-6.7	8.5	20.1
6	Special program	0.0	0.0	0.0	0.0			
7	Total Expenditure (2+4+5+6)	10187.8	11645.0	55934.6	12634.1	8.5	24.0	22.6
8	Overall Surplus/Deficit							
	<i>(Including Grants)</i>	-1221.7	1344.0	-4153.6	-2472.7	-284.0	102.4	59.5
	<i>(Excluding Grants)</i>	-1470.6	-3309.0	-13722.8	-2918.5	-11.8	98.5	21.3
9	Total Financing	1221.7	-1344.0	4153.6	2472.7	-284.0	102.4	59.5
9.1	Net External Borrowings	478.0	545.0	3140.0	647.7	18.8	35.5	20.6
	External Borrowing	617.6	633.0	3594.0	748.9	18.3	21.3	20.8
	<i>Special program</i>	0.0	0.0	0.0	0.0			

	Amortization Paid	139.6	89.0	454.0	101.3	13.8	-27.4	22.3
9.2	Net Domestic Borrowings	597.9	3982.0	1013.6	-898.5	-122.6	-250.3	-88.6
	Banking System	703.2	3944.0	1013.6	-811.9	-120.6	-215.5	-80.1
	Non-Bank Sources	-105.3	36.0	0.0	-86.6	-340.6	-17.8	
9.3	Privatization	0.0	62.0	0.0	140.7	126.9		
9.4	Others and Residuals	145.8	-5933.0	0.0	2582.8	-143.5	1671.5	

Source: Ministry of Finance and Economic Development (MoFED)

Revenue and Grants

Total revenue and grants mobilized during the first quarter of 2009/10 reached Birr 10.2 billion about 13 percent higher than last year. Of the total revenue, Birr 9.7 billion (95.6 percent) was from domestic sources and the rest Birr 445.7 million (4.4 percent) from CPF grants. About 74 percent of the

domestic revenue originated from taxes; while the remaining 25.7 percent was derived from non-taxes. The amount of CPF grant was 90.4 percent lower than that of the preceding quarter but 79.1 percent higher than the same period of last fiscal year, presumably reflecting seasonality of grants.

Table 7. 2 Summary of Federal Government Revenue by Component

(In Millions Of Birr)

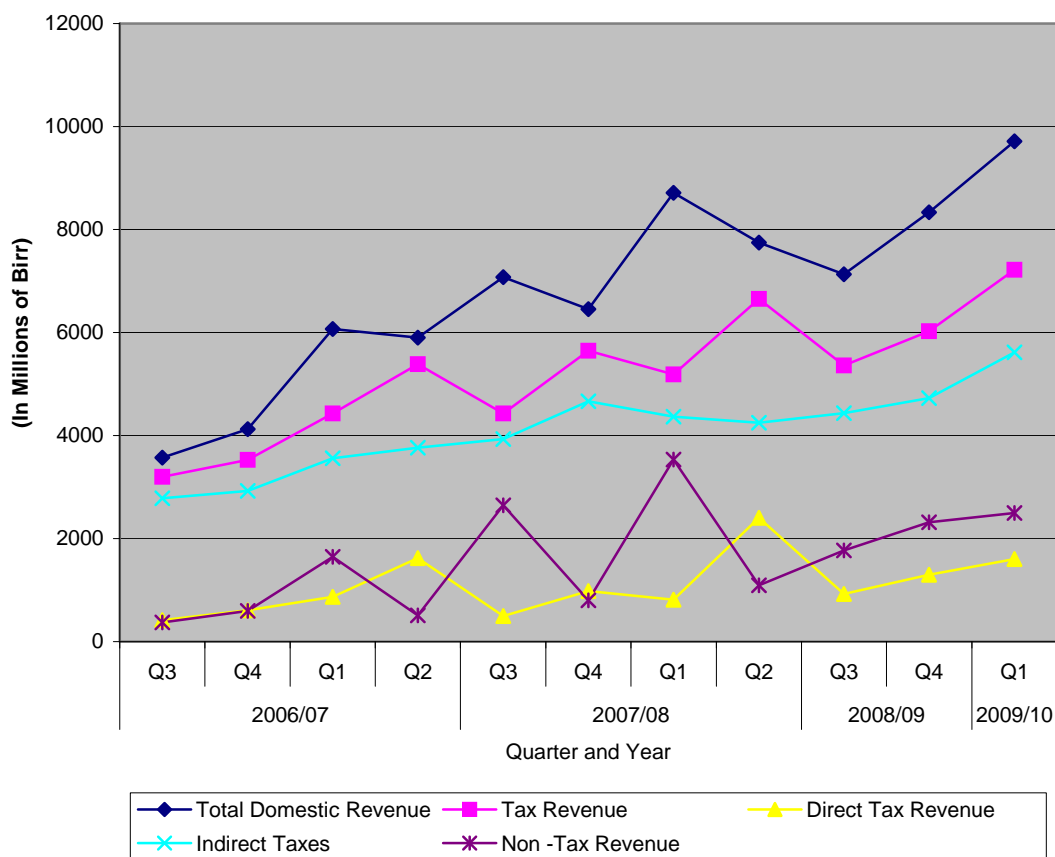
Particulars	2008/09		2009/10		Percentage Change		Performance Rate
	I Qtr.	IV Qtr.	Budget	I Qtr.	[D/B]	[D/A]	[D/C]
	[A]	[B]	[C]	[D]			
Total Revenue and Grants	8966.1	12,989	51781.0	10161.4	-21.8	13.3	19.6
Total Domestic Revenue	8717.2	8,336	42212.0	9715.7	16.6	11.5	23.0
1 Tax Revenue	5183.6	6,022	30179.8	7217.6	19.9	39.2	23.9
1.1 Direct Tax Revenue	814.7	1,294	7619.8	1603.4	23.8	96.8	21.0
1.1.1 Income Taxes	595.1	1,106	6610.0	1325.2	19.8	122.7	20.0
- Personal	233.2	285	1284.0	299.6	5.1	28.5	23.3
- Business	361.9	820	5326.0	1025.6	25.1	183.4	19.3
1.1.2 Others ¹	219.6	188	1009.8	278.2	47.2	26.7	27.5
1.2. Indirect Taxes	4368.9	4,728	22560.0	5614.2	18.7	28.5	24.9
2. 2.1 Domestic Taxes	1249.6	1,761	7518.0	1772.0	0.6	41.8	23.6

2. 2.2 Foreign Trade Taxes	3119.3	2,967	15042.0	3842.2	29.5	23.2	25.5
- Import	3119.3	2,967	15042.0	3842.2	29.5	23.2	25.5
2. Non-Tax Revenue	3533.6	2,314	12032.0	2498.0	8.0	-29.3	20.8
O/W Dividend	0.0	1,000	5252.0	200.0	-80.0		3.8
3. CPF Grants	248.9	4,652	9569.0	445.7	-90.4	79.1	4.7

Source: MoFED

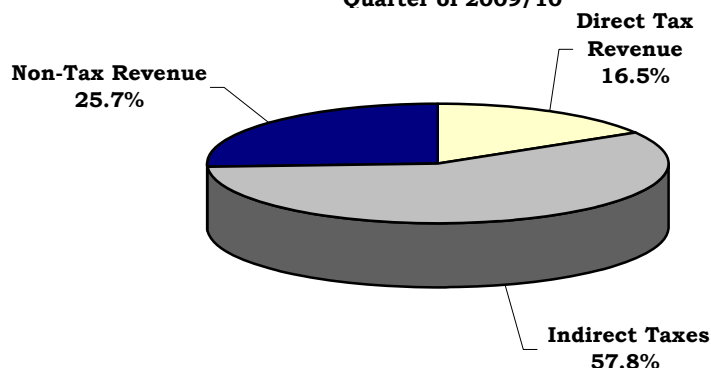
1/ includes withholding tax on import, tax on dividend and interest income

Fig. 7.1 Quarterly Developments in Major Components of Domestic Revenue



Source: MoFED

Fig.7.2 Domestic Revenue (by Major Components) during First Quarter of 2009/10



Source: MoFED

The Birr 9.72 billion domestic revenue collected in the first quarter of 2009/10, was 11.5 percent higher than the revenue mobilized a year earlier.

Likewise, Birr 7.22 billion revenue collected from taxes grew by 39.2 percent over the same quarter of last year on account of higher revenue both from direct and indirect

taxes. Direct taxes which largely comprises personal and business taxes accounted for Birr 1.66 billion or 16.5 percent of the total domestic revenue or 22 percent of tax revenues. Direct taxes surged by 21 percent over last year. Meanwhile, indirect taxes, which constituted 57.8 percent of the total domestic revenue, showed a significant growth of 28.5 percent compared to a year earlier.

Expenditure

Total Federal Government expenditure including regional transfers stood at Birr 12.63 billion in the first quarter of 2009/10, up by 24 percent against the corresponding quarter of last year, mainly due to the surge

in capital expenditures (Table 7.3).

Of the quarterly total expenditure, Birr 2.43 billion (about 19.3 percent) went to finance current expenditures, Birr 6.28 billion (49.7

percent) to capital expenditures and the remaining Birr 3.92 billion (31.1 percent) was transfers made to regional governments. Year-on-year basis, capital expenditure rose by 50.9 percent as a result of higher expenditures on economic, social and general development in line with the pro-

poor expenditure strategy of the government. Current expenditure growth was moderate at less than 1 percent due to the 11 percent slow down in spending in general services. Regional transfers were also 8.5 percent higher than last year.

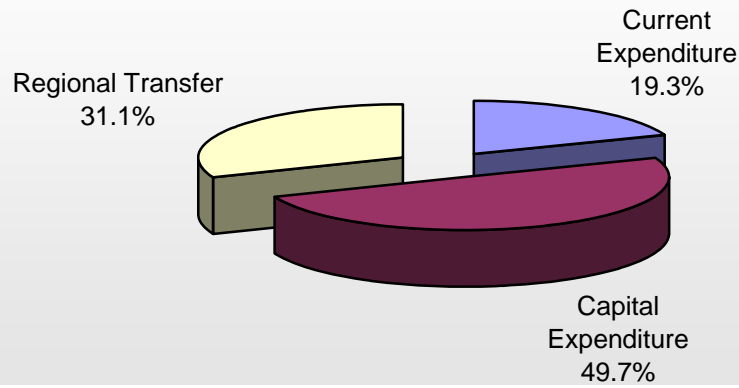
Table 7.3 Summary of Federal Government Expenditure by Component

(In Millions of Birr)

Particulars	2008/09		2009/10		Percentage Change		Performance Rate
	I Qtr.	IV Qtr.	Budget	I Qtr.	[D/B]	[D/A]	[D/C]
	[A]	[B]	[C]	[D]			
Total Expenditure	10187.8	11,645	55934.6	12634.2	8.5	24.0	22.6
1. Current Expenditure	2412.4	3,227	13381.0	2434.3	-24.6	0.9	18.2
- General Services	1502.0	1,804	5782.0	1335.8	-26.0	-11.1	23.1
- Economic Services	114.3	391	888.0	124.3	-68.2	8.7	14.0
- Social Services	461.1	717	3068.0	613.9	-14.4	33.1	20.0
- Debt Service	320.1	315	3643.0	360.3	14.3	12.5	9.9
- Contingency and other	14.9	-	0.0	0.0			
2. Capital Expenditure	4158.4	4,212	22997.6	6275.5	49.0	50.9	27.3
- Economic Development	3200.6	3,323	17810.6	4400.5	32.4	37.5	24.7
- Social Development	918.9	812	4818.0	1757.3	116.4	91.2	36.5
- General Development	38.9	77	369.0	117.7	52.9	202.6	31.9
3. Regional Transfers	3617.0	4,206	19556.0	3924.4	-6.7	8.5	20.1

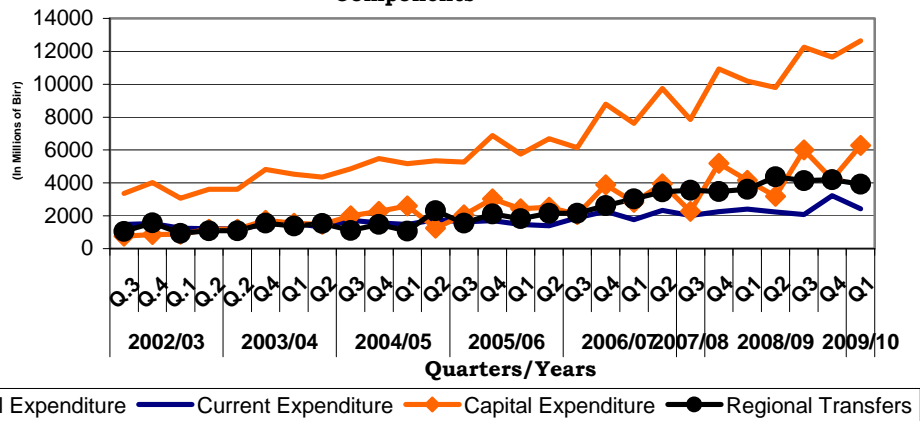
Source: MoFED

Fig 7.3: Major Components of Federal Government Expenditure during First Quarter of 2009/10



Source:- MoFED

Fig. 6.4 Quarterly Developments in Federal Government Expenditure by Components

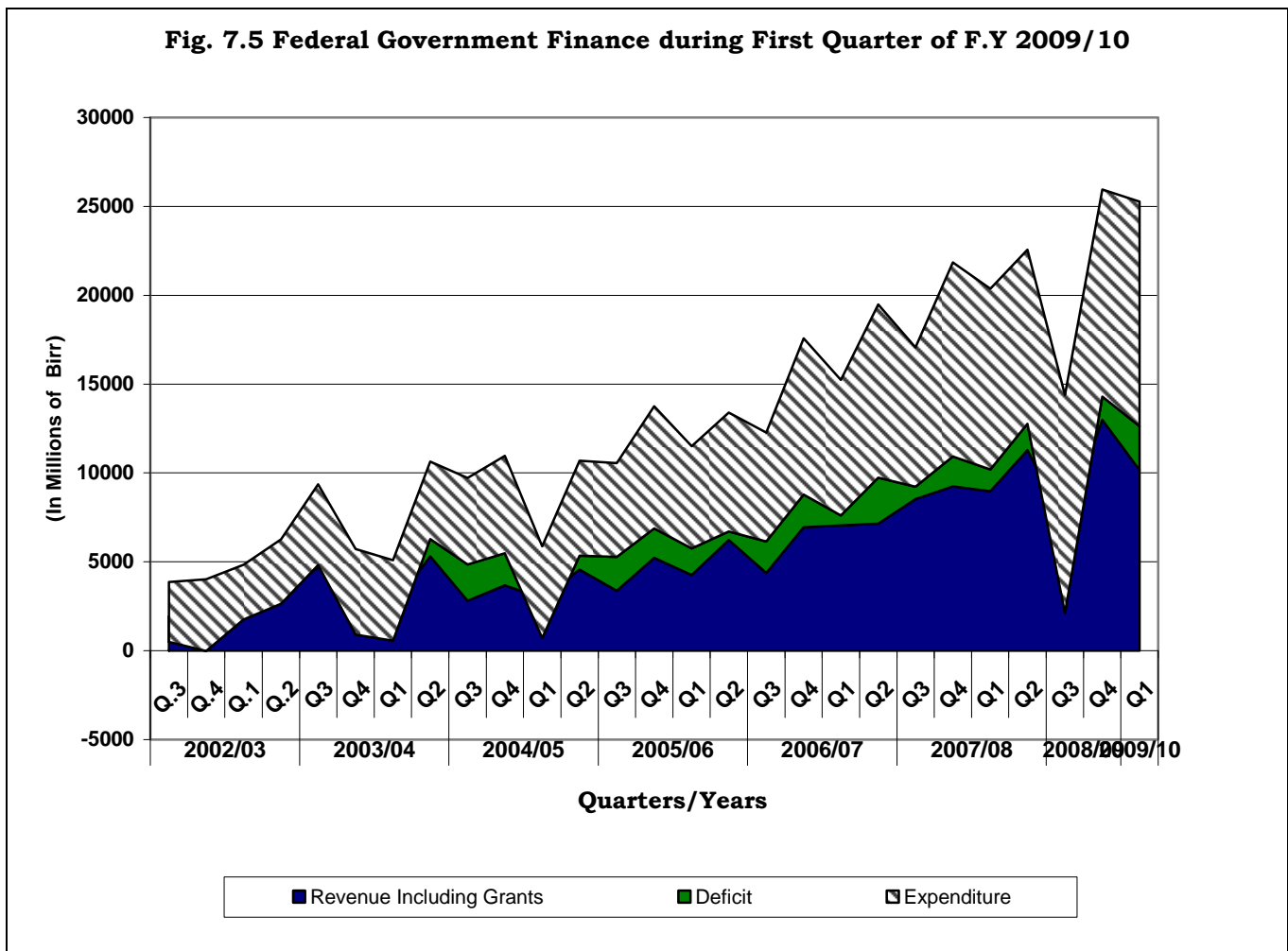


Source: MoFED

Deficit Financing

Federal Government budgetary operations resulted in an overall deficit (including grant) of Birr 2.47 billion. The deficit was higher than Birr 1.2 billion deficit recorded a year earlier as 24 percent growth in expenditure outweighed 13.3 percent increase in total revenue.

The fiscal deficit was largely financed by net external borrowings of Birr 647.7 million, privatization proceeds and other receipts and residuals. At the same time, the government repaid Birr 898.5 million to domestic creditors mainly the banking system.



Source: MoFED