

## VI. FEDERAL GOVERNMENT FINANCE

During the second quarter of 2010/11, total revenues and grants collected by the Federal Government went up by 6.9 percent quarterly and reached Birr 15.4 billion. Year-on-year basis, total revenue and grants rose by 3.2 percent. The quarterly revenue and grant performance was 27.7 percent against the annual budget (Table VI.1).

Federal Government expenditure depicted a quarterly increase of 6.6 percent to Birr 17.5 billion from 16.4 billion a quarter earlier,

largely due to higher current expenditure, capital expenditure and regional transfers. On annual basis government expenditure went up by 17.7 percent.

Hence, the overall fiscal balance (including grants) of the Federal Government was in deficit (Birr 2 billion), compared with a Birr 112 million surplus a year ago.

**Table 6.1 Summary of Federal Government Finance**

[In millions of Birr]

No.	Particulars	2009-10	2010-11		Percentage changes		Performance (In %)	
		A	B	C	D	D/A	D/C	D/B
		QII	Annual budget	QI	QII			
<b>1</b>	<b>Revenue and Grants</b>	<b>14968.5</b>	<b>55,662.90</b>	<b>14,446</b>	<b>15,444</b>	<b>3.2</b>	<b>6.9</b>	<b>27.7</b>
<b>1.1</b>	<b>Total Revenue</b>	<b>12889.9</b>	<b>48,474.90</b>	<b>13,263</b>	<b>15,414</b>	<b>19.6</b>	<b>16.2</b>	<b>31.8</b>
	Tax Revenue	10413.1	41,100.00	10,827	13,824	32.8	27.7	33.6
	Direct tax	3,867	10,857.60	2,444	4,809	24.3	96.8	44.3
	Indirect tax	6,546	30,242.40	8,383	9,015	37.7	7.5	29.8
	Non-Tax Revenue	2476.8	7,374.90	2,436	1,590	-35.8	-34.7	21.6
<b>1.2</b>	<b>DBS* Grant &amp; Relief</b>	<b>2078.6</b>	<b>7,188.00</b>	<b>1,183</b>	<b>30</b>	<b>-98.6</b>	<b>-97.5</b>	<b>0.4</b>
<b>2</b>	<b>Current Expenditure</b>	<b>3075.8</b>	<b>15,269.10</b>	<b>2,727</b>	<b>3,271</b>	<b>6.3</b>	<b>19.9</b>	<b>21.4</b>
<b>3</b>	<b>Current Surplus/Deficit</b>	<b>9814.1</b>	<b>33,205.80</b>	<b>10536</b>	<b>12,144</b>	<b>23.7</b>	<b>0.5</b>	<b>37</b>

4	Capital Expenditure	6177.6	28,372.40	8,121	8,409	36.1	3.5	29.6
5	Regional Transfers	5603.2	23,555.80	5,550	5,803	3.6	4.6	24.6
7	<b>Total Expenditure (2+4+5)</b>	<b>14856.6</b>	<b>67,197.40</b>	<b>16,399</b>	<b>17,483</b>	<b>17.7</b>	<b>6.6</b>	<b>26</b>
8	<b>Overall Surplus/Deficit</b>							
	<i>(Including Grants)</i>	112	(11,534.50)	(1,952)	(2,039)	-1,920.6	4.4	17.7
	<i>(Excluding Grants)</i>	(1,967)	(18,722.50)	(3,136)	(2,069)	5.2	-34	11
9	<b>Total Financing</b>	<b>(112)</b>	<b>11,534.50</b>	<b>1,952</b>	<b>2,039</b>	<b>1,721.9</b>	<b>-204.4</b>	<b>18</b>
9.1	<b>Net External Borrowings</b>	<b>872.9</b>	<b>3,812.30</b>	<b>1,086</b>	<b>1,294</b>	<b>48.2</b>	<b>19.1</b>	<b>33.9</b>
	External Borrowing	1052.4	4,560.30	1,160	1,555	47.7	34.1	34.1
	Amortization	179.5	748	74	261	45.4	253.5	34.9
9.2	<b>Net Domestic Borrowings</b>	<b>(3,442)</b>	<b>7,356.20</b>	<b>(3,327)</b>	<b>(1,792)</b>	<b>-47.9</b>	<b>-46.1</b>	<b>-24.4</b>
	Banking System	(3,945)	7,356.20	(3,327)	(1,691)	-57.1	-49.2	-23
	Non-Bank Sources	503	0	0	(101)	-120.2		
9.3	<b>Privatization receipts</b>	<b>128.7</b>	<b>366</b>	<b>38</b>	<b>163</b>	<b>27.6</b>	<b>335.4</b>	<b>44.8</b>
9.4	<b>Others and Residuals</b>	<b>2328.2</b>	<b>0</b>	<b>4,155</b>	<b>2,374</b>	<b>2</b>	<b>-42.9</b>	

Source: Ministry of Finance and Economic Development  
 DBS: Direct Budget Support

## 6.1 Revenue and Grants

Total revenue and grants mobilized during the review period was Birr 15.44 billion, of which Birr 15.41 billion (99.8 percent ) was from domestic sources and the rest Birr 30 million (0.2 percent) from direct budget support (DBS) grants & relief. About Birr 13.8 billion or 89.7 percent of the domestic revenue was generated from taxes and the remaining Br 1.6 billion or 10.3 percent from non-taxes. The amount of DBS grant & relief in the quarter amounted to Br 30 million, significantly less than Birr 2.1 billion last fiscal year.(Table VI.2).

1.1.2 Others <sup>1</sup>	223.5	1334.2	313.6	489.9	56.2	119.2	36.7
<b>1.2. Indirect Taxes</b>	<b>6545.7</b>	<b>30,242.4</b>	<b>8383.4</b>	<b>9,015.0</b>	<b>7.5</b>	<b>37.7</b>	<b>29.8</b>
2. 2.1 Domestic Taxes	2265.9	9811.5	2737	2959.1	8.1	30.6	30.2
2. 2.2 Foreign Trade Taxes	4279.8	20431.0	5646.4	6056.1	7.3	41.5	29.6
- Import	4279.8	20431.0	5646.4	6056.1	7.3	41.5	29.6
<b>2. Non-Tax Revenue</b>	<b>2,476.8</b>	<b>7,374.9</b>	<b>2436</b>	<b>1,590.0</b>	<b>-34.7</b>	<b>-35.8</b>	<b>21.6</b>
<b>3. DBS Grant&amp; Relief</b>	<b>2,078.6</b>	<b>7,188.0</b>	<b>1,183.3</b>	<b>30</b>	<b>-97.5</b>	<b>-98.6</b>	<b>0.4</b>

Source: Ministry of Finance and Economic Development [MoFED]

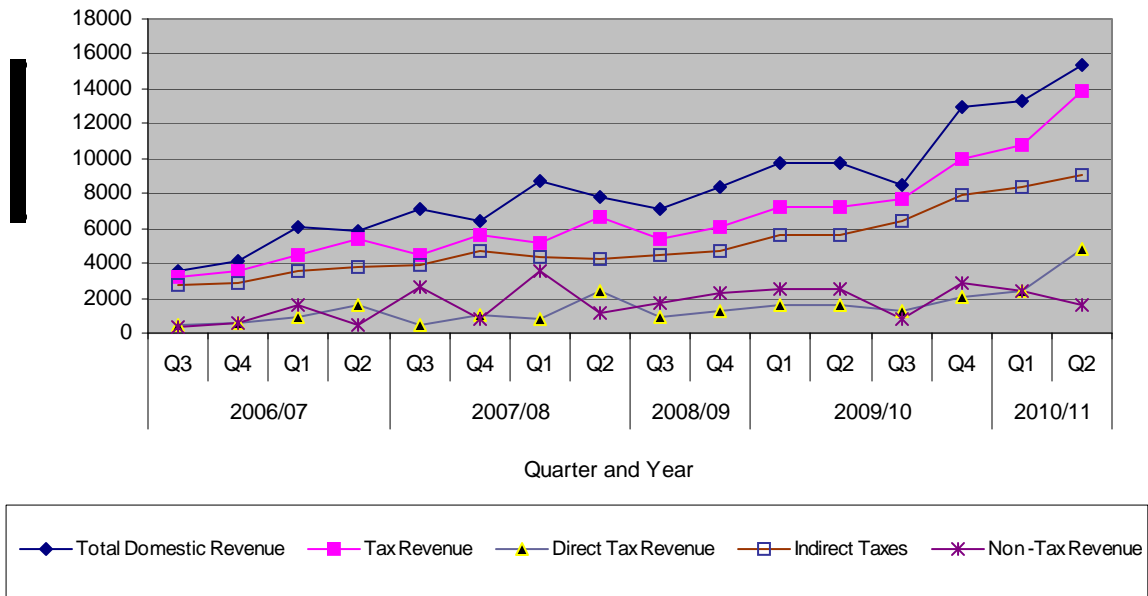
1/ includes withholding tax on import, tax on dividend and interest income

The quarterly performance rate stood at 27.7% for revenue and grants, 31.8 percent for total domestic revenue, 33.6 percent for tax revenue and 21.6 percent for non-tax revenue.

**Fig. VI.1 Quarterly Developments in Major Components of Domestic Revenue of the Federal Government**

**Table 6. 2 Summary of Federal Government Revenue by Component (In Millions of Birr)**

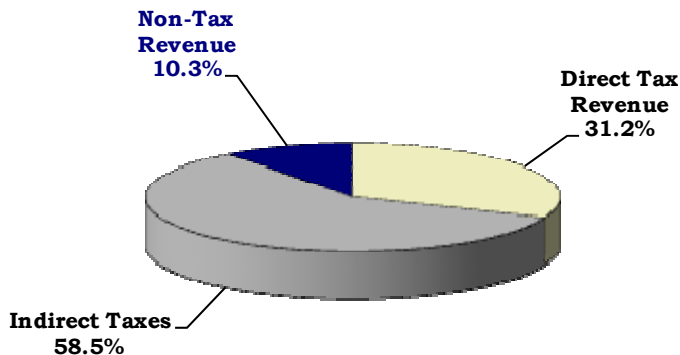
Particulars	2009/10	2010/11		Percentage Change		Performance Rate	
	Qrt.II	Budget	Qrt.I	II			
	[A]	[B]	[C]	[D]	[D/C]	[D/A]	[D/B]
<b>Total Revenue and Grants</b>	<b>14968.5</b>	<b>55,662.9</b>	<b>14446.5</b>	<b>15444.0</b>	<b>6.9</b>	<b>3.2</b>	<b>27.7</b>
<b>Total Domestic Revenue</b>	<b>12889.9</b>	<b>48,474.9</b>	<b>13263.1</b>	<b>15414.0</b>	<b>16.2</b>	<b>19.6</b>	<b>31.8</b>
<b>1 Tax Revenue</b>	<b>10413.1</b>	<b>41,100.0</b>	<b>10827.0</b>	<b>13824.0</b>	<b>27.7</b>	<b>32.8</b>	<b>33.6</b>
<b>1.1 Direct Tax Revenue</b>	<b>3867.5</b>	<b>10,857.6</b>	<b>2443.6</b>	<b>4809.0</b>	<b>96.8</b>	<b>24.3</b>	<b>44.3</b>
1.1.1 Income Taxes	3643.9	9523.4	2130.1	4319.0	102.8	18.5	45.4
- Personal	304.6	1442.1	313.7	399.8	27.5	31.3	27.7
- Business	3339.3	8081.3	1816.3	3919.4	115.8	17.4	48.5



Tax revenue, which mainly originated from indirect taxes, accounted for 89.7 percent of the total domestic revenue (Fig.6.2). Revenue from indirect taxes in the review quarter went up by 37.7

percent to Br 9 billion compared to the same quarter of last fiscal year. Direct tax revenue also surged by about 24.3 percent compared to a year earlier.

**Fig.VI.2 Domestic Revenue by Major Components During the Second Quarter of 2010/11**



## 6.2 Expenditure

Total Federal Government expenditures

(including regional transfers) under the review quarter stood at Birr 17.5 billion,

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showing 17.7 percent annual growth.

Of the total expenditure, current expenditure with Birr 3.3 billion accounted for 18.7

percent, capital expenditure at Birr 8.4 billion or 48.1 percent and regional transfer as Br 5.8 billion or 33.2 percent (TableVI.3).

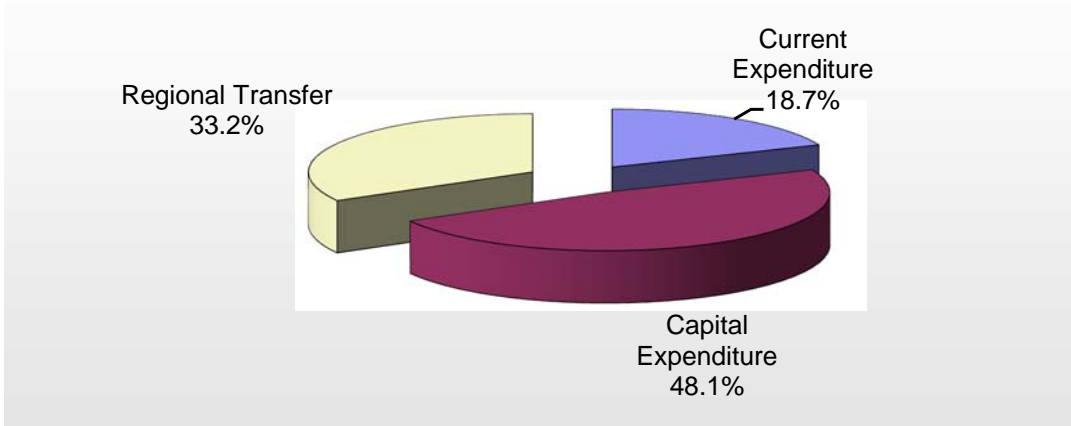
**Table 6. 3 Summary of Federal Government Expenditure by Component**

*(In Millions of Birr)*

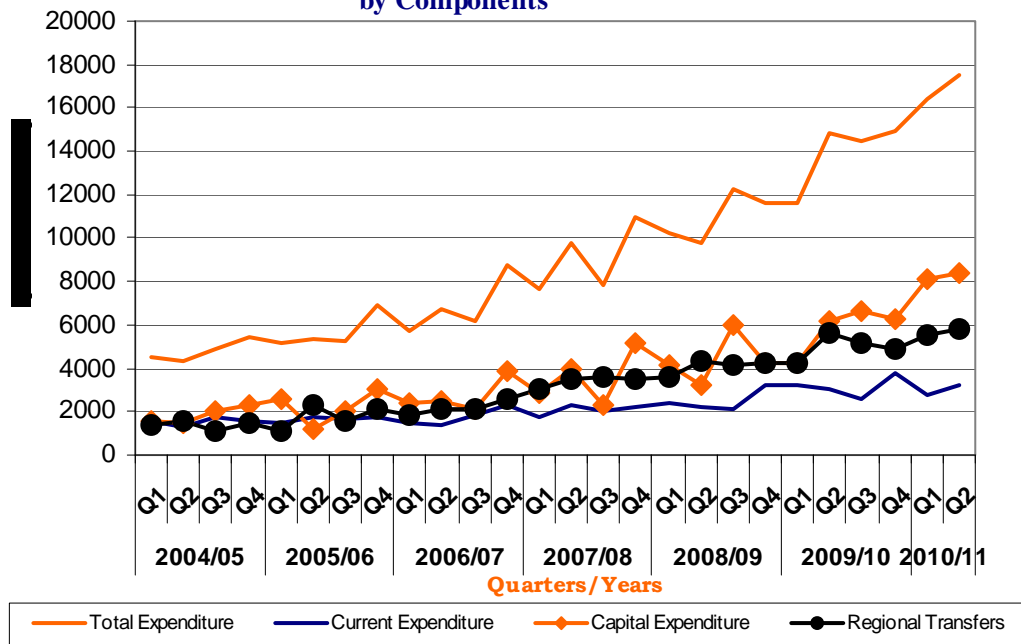
Particulars	2009/10	2010/11			Percentage Change		Performance Rate
	Qrt.II	Budget	Qrt.I	Qrt.II	[D/C]	[D/A]	[D/B]
	[A]	[B]	[C]	[D]			
<b>Total Expenditure</b>	14856.6	67197.4	16398.8	17483.0	6.6	17.7	26.0
<b>1. Current Expenditure</b>	3075.8	15269.1	2727.4	3271.0	19.9	6.3	21.4
- General Services	1910.5	6519.0	1494.4	1758.0	17.6	-8.0	27.0
- Economic Services	139.6	1014.3	170.7	130.6	-23.5	-6.5	12.9
- Social Services	624.4	3905.1	750.8	760.2	1.3	21.8	19.5
- Debt Service	401.3	3831.0	311.5	622.2	99.7	55.1	16.2
<b>2. Capital Expenditure</b>	6177.6	28372.4	8121.2	8409.0	3.5	36.1	29.6
- Economic Development	5021.2	20321.8	5895.2	6633.1	12.5	32.1	32.6
- Social Development	1106.3	7416.5	2032.2	1686.5	-17.0	52.5	22.7
- General Development	50.1	634.2	193.7	89.4	-53.8	78.8	14.1
<b>3. Regional Transfers</b>	5603.2	23555.8	5550.2	5803.0	4.6	3.6	24.6

Source:MoFED

**Fig VI.3: Major Components of Federal Government Expenditure During the Second Quarter of 2010/11**



**Fig. VI.4 Quarterly Developments in Federal Government Expenditure by Components**



### 6.3 Deficit Financing

The Federal Government budget

depicted an overall deficit (including grant) of Birr 2,039 million, which was

significantly higher than Birr 1,952 million deficit in the preceding quarter and a surplus of Birr 117 million last year. The quarterly deficit was financed by net external borrowing, privatization receipt and residuals. At the same time, there was net repayment to domestic sources.

