

## **VI. FEDERAL GOVERNMENT FINANCE**

Total federal government revenue and grants reached Birr 20.8 billion during the first quarter of 2011/12, up by 43.9 percent on annually basis. The quarterly performance was, 23.1 percent of the annual plan.

On the other hand, federal government expenditure went up by 20.5 percent to Birr 19.8 billion relative to last year same period.

Accordingly, the overall fiscal balance (including grants) depicted a surplus of Birr 1.03 billion in contrast to a deficit of Birr 1.95 billion a year ago.

6.1 Summary of Quarterly Federal Government Finance [In millions of Birr]

Particulars	2010/11		Budget	2011/12	Percentage changes		Performance Rate
	QI	QIV			D/A	D/B	
	A	B	C	D			D/C
1. Revenue and Grants	14446.5	19570.5	89850.0	20788.2	43.9	6.2	23.1
1.1 Total Revenue	13263.1	14403.2	79161.4	20763.2	56.5	44.2	26.2
Tax Revenue	10827.0	12562.9	70000.0	15826.4	46.2	26.0	22.6
Direct tax	2443.6	2534.2	18560.6	3882.4	58.9	53.2	20.9
Indirect tax	8383.4	10028.6	51439.4	11944.0	42.5	19.1	23.2
Non-Tax Revenue	2436.1	1840.3	9161.4	4936.8	102.6	168.3	53.9
1.2 Grant & Relief	1183.3	5167.3	10688.7	25.0	-97.9	-99.5	0.2
2. Current Expenditure	2727.4	5136.3	21534.9	3596.0	31.8	-30.0	16.7
3. Current Surplus/Deficit							
(Including Grants)	11719.1	14434.2	68315.1	17192.1	46.7	19.1	25.2
(Excluding Grants)	10535.8	9266.9	57626.4	17167.1	62.9	85.3	29.8
4. Capital Expenditure	8121.2	9496.8	38111.5	9006.0	10.9	-5.2	23.6
5. Regional Transfers	5550.2	7373.4	45555.8	7155.2	28.9	-3.0	15.7
6. Total Expenditure (2+4+5)	16398.8	22006.5	105202.3	19757.2	20.5	-10.2	18.8
7. Overall Surplus/Deficit							
(Including Grants)	-1952.3	-2436.0	-15352.3	1031.0	-152.8	-142.3	-6.7
(Excluding Grants)	-3135.7	-7603.3	-26040.9	1006.0	-132.1	-113.2	-3.9
8. Total Financing	1952.3	2436.0	15352.3	-1031.0	-152.8	-142.3	-6.7
8.1 Net External Borrowings							
External Borrowing	1085.8	2713.8	5377.5	1131.9	4.2	-58.3	21.0
Amortization	73.8	309.7	1185.1	119.3	61.5	-61.5	10.1
8.2 Net Domestic Borrowings							
Banking System	-3326.6	5406.9	0.0	-15155.4	355.6	-380.3	
Non-Bank Sources	0.0	2582.1	0.0	2531.9	-	-1.9	
8.3 Privatization receipts	37.7	1170.7	0.0	2763.9	7233.3	136.1	
8.4 Others and Residuals	4155.4	-9437.6	0.0	7696.7	85.2	-181.6	

Source: MoFED

## 6.1 Revenue and Grants

Of the total Birr 20.78 billion revenue and grants mobilized during the first quarter of 2011/12, about Birr 20.76 (99.8 percent) was raised domestically and of which 76.2 percent was from tax and the remaining 23.8

percent from non- tax sources (Table 6.2).

Grants & relief in the review period reached Birr 25 million showing 97.9 percent annual decline.

**Table 6.2 Summary of Federal Government Revenue by Component**

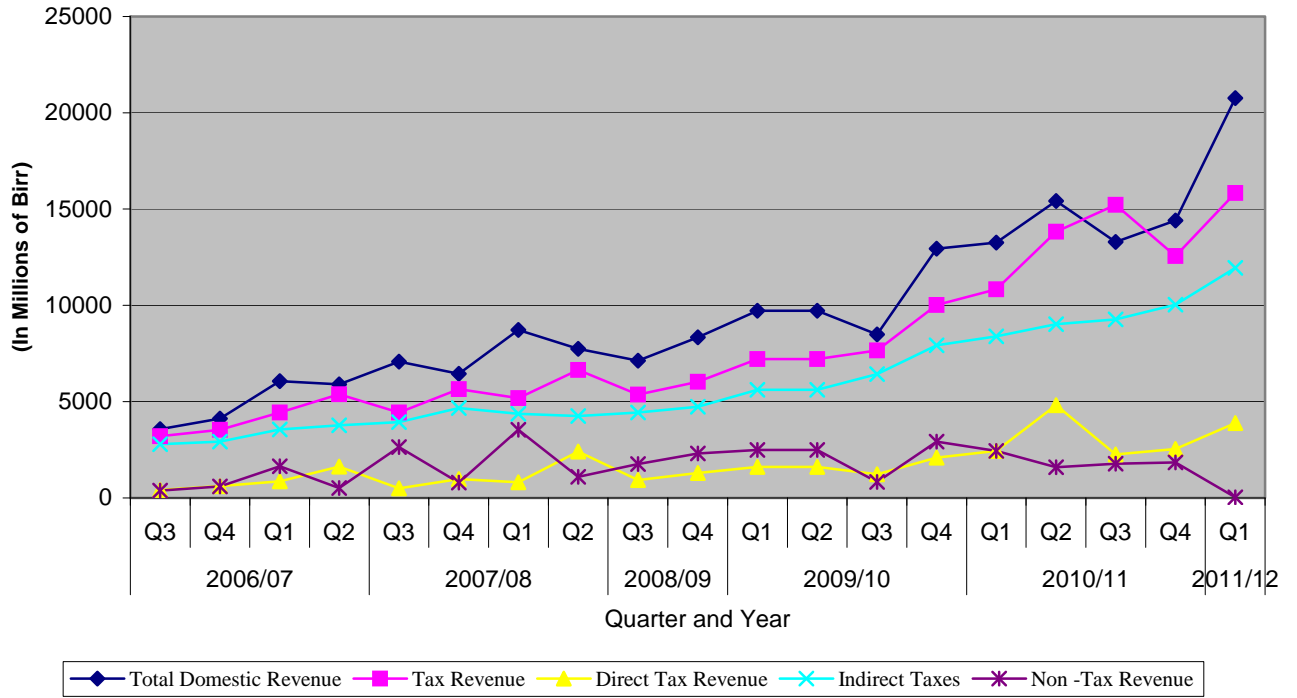
*(In Millions of Birr)*

Particulars	2010/11		Budget	2011/12	Percentage Change		Performance Rate
	QI	QIV		QI			
	A	B	C	D	[D/A]	[D/B]	[D/C]
Total Revenue and Grants	14446.4	19570.5	89850.0	20788.2	43.9	6.2	23.1
Total Domestic Revenue	13263.1	14403.2	79161.4	20763.2	56.5	44.2	26.2
1. Tax Revenue	10827.0	12562.8	70000.0	15826.4	46.2	26.0	22.6
1.1 Direct Taxes	2443.6	2534.2	18560.6	3882.4	58.9	53.2	20.9
1.1.1 Income Taxes	2130.0	2135.2	16305.2	3308.1	55.3	54.9	20.3
- Personal	313.7	497.2	2469.0	538.9	71.8	8.4	21.8
- Business	1816.3	1638.0	13836.2	2769.2	52.5	69.1	20.0
1.1.2 Others <sup>1</sup>	313.6	399.1	2255.4	574.3	83.1	43.9	25.5
1.2. Indirect Taxes	8383.4	10028.6	51439.4	11944.0	42.5	19.1	23.2
1. 2.1 Domestic Taxes	2737.0	4112.9	18539.5	4498.0	64.3	9.4	24.3
1. 2.2 Foreign Trade Taxes	5646.4	5915.7	32899.9	7446.0	31.9	25.9	22.6
- Import	5646.4	5915.7	32899.9	7446.0	31.9	25.9	22.6
2. Non-Tax Revenue	2436.1	1840.3	9161.4	4936.8	102.6	168.3	53.9
3. Privatization	37.7	1170.7	0.0	2763.9	7233.3	136.1	
4. Grants and Relief	1183.3	5167.3	10688.7	25.0	-97.9	-99.5	0.2

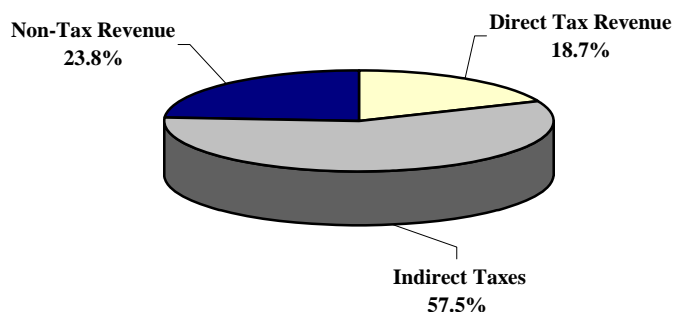
Source: MOFED

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

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



**Fig.VI.2 Domestic Revenue by Major Components During the First Quarter of 2011/12**



Total domestic revenue collected in the first quarter of 2011/12 was Birr 20.8 billion showing a 56.5 percent annual surge due to 102.6 percent increase in non-tax and 46.2 percent in tax revenue. The yearly rise in tax revenue to Birr 15.82 billion was on account

growth both in indirect tax (42.5percent) and direct tax (58.9 percent). In direct taxes and direct taxes constituted 57.5 and 18.7 percent of the tax revenue of the review period, respectively.

## 6.2 Expenditure

Total federal government expenditure, including regional transfers, stood at Birr 19.8 billion during the period under review. Compared to a year ago, total expenditure went up by 20.5 percent owing to rise in current expenditure (31.9 percent), regional transfers (28.9 percent) and capital expenditure (10.9 percent) (Table 6.3).

Of the total government expenditure the largest portion (45.6 percent) went for capital expenditure followed by transfers to region (36.2 percent), and current expenditure (18.2 percent) (FigVI.3). The quarterly performance of total government expenditure was 18.8 percent of the annual plan.

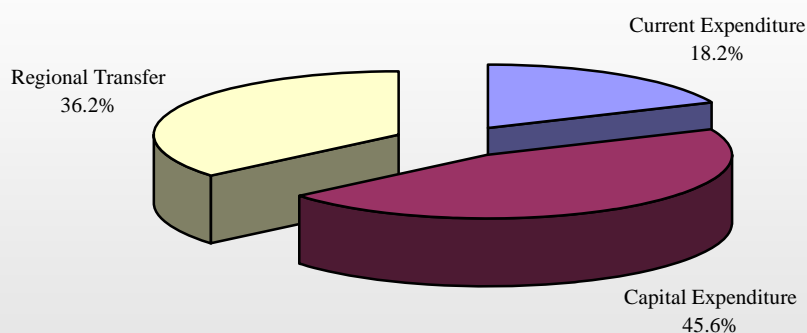
**Table 6.3 Summary of Federal Government Expenditure by Component**

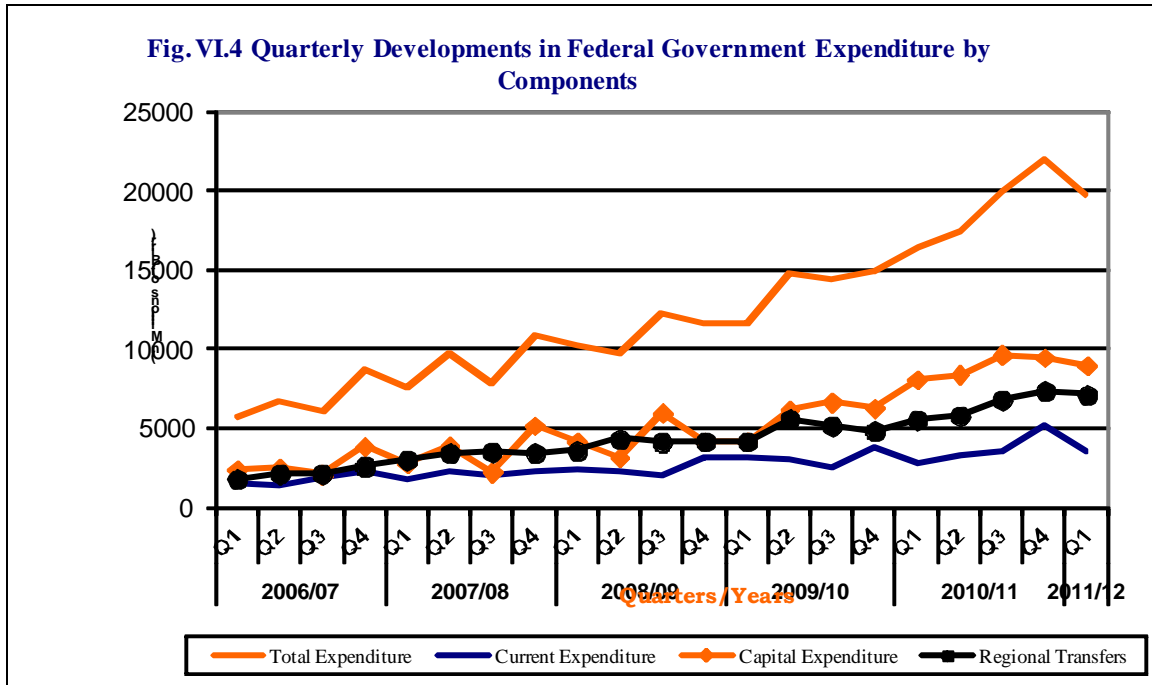
*(In Millions of Birr)*

Particulars	2010/11		2011/12		Percentage Change		Performance Rate
	QI	QIV	Budget	QI	[D/A]	[D/B]	
	[A]	[B]	[C]	[D]			[D/C]
Total Expenditure	16398.8	22006.5	105202.3	19757.2	20.5	-10.2	18.8
1. Current Expenditure	2727.4	5136.3	21534.9	3596.0	31.9	-30.0	16.7
- General Services	1494.4	2646.6	9643.1	2048.7	37.1	-22.6	21.2
- Economic Services	170.7	617.4	1495.9	141.3	-17.2	-77.1	9.4
- Social Services	750.8	1372.0	5367.3	892.6	18.9	-34.9	16.6
- Debt Service	311.5	500.3	5028.8	513.4	64.8	2.6	10.2
2. Capital Expenditure	8121.2	9496.8	38111.5	9006.0	10.9	-5.2	23.6
- Economic Development	5895.2	6516.5	27958.1	7081.3	20.1	8.7	25.3
- Social Development	2032.2	2752.7	9259.2	1824.5	-10.2	-33.7	19.7
- General Development	193.7	227.6	894.2	100.3	-48.3	-55.9	11.2
3. Regional Transfers	5550.2	7373.4	45555.8	7155.2	28.9	-3.0	15.7

Source: Ministry of Finance and Economic Development

**Fig VI.3: Major Components of Federal Government Expenditure During the First Quarter of 2011/12**





Source: MoFED

### 6.3 Deficit Financing

As a result of improvement in domestic revenue, the federal government budgetary

operations (including grant) depicted an overall surplus of Birr 1.03 billion in contrast to Birr 1.95 billion deficit a year earlier. Accordingly, there was net

repayment of Birr 15.15 billion to domestic banking system.

