

VI. Federal Government Finance

During the first quarter of 2014/15, Federal government total revenue and grants at Birr 33.5 billion increased by 8.2 percent over the preceding quarter and 17.1 percent compared to a year earlier.

On the other hand, quarterly Federal government expenditure decreased by 23 percent to Birr 32.7 billion vis-à-vis the

preceding quarter, but rose by 9.7 percent on annual terms.

Hence, overall fiscal operations of the Federal government depicted an overall surplus of Birr 827.8 million (including grants) compared to Birr 1.17 billion and Birr 11.5 billion deficit a year ago and the preceding quarter, respectively.

Table 6.1: Summary of Quarterly Federal Government Finance

(In millions of Birr)

No	Particulars	2013/14		2014/15		Percentage changes		Performance rate
		A	B	C	D	D/A	D/B	D/C
		QI	QIV	Annual Budget	QI			
1	Revenue and Grants	28,683.80	31,036.09	127,187.77	33,575.30	17.1	8.2	26.4
1.1	Total Revenue	28,639.65	28,302.15	123,053.07	33,575.30	17.2	18.6	27.3
	Tax Revenue	24,354.55	27,093.93	115,516.15	32,183.10	32.1	18.8	27.9
	Direct tax	6,721.20	6,227.51	29,934.61	7,618.20	13.3	22.3	25.4
	Indirect tax	17,633.35	20,866.41	85,581.54	24,564.90	39.3	17.7	28.7
	Non-Tax Revenue	4,285.10	1,208.22	7,536.92	1,392.20	-67.5	15.2	18.5
1.2	Grant & Relief	44.15	2,733.94	4,134.70	-			
2	Current Expenditure	4,877.36	8,515.69	42,279.83	7,482.10	53.4	-12.1	17.7
3	Current Surplus/Deficit							
	Including Grants	23,806.44	22,520.41	84,907.95	26,093.20	9.6	15.9	30.7
	Excluding Grants	23,762.29	19,786.46	80,773.24	26,093.20	9.8	31.9	32.3
4	Capital Expenditure	11,383.17	19,780.67	54,823.09	10,521.40	-7.6	-46.8	19.2
5	Regional Transfers	13,594.40	14,242.84	65,958.36	14,744.00	8.5	3.5	22.4
6	Total Expenditure (2+4+5)	29,854.93	42,539.20	163,061.27	32,747.50	9.7	-23.0	20.1
7	Overall Surplus/Deficit							
	Including Grants	-1,171.13	-11,503.10	-35,873.50	827.80	-170.7	-107.2	-2.3
	Excluding Grants	-1,215.28	-14,237.04	-40,008.20	827.80	-168.1	-105.8	-2.1
8	Total Financing	1,171.13	11,503.10	35,873.50	-827.80	-170.7	-107.2	-2.3
8.1	Net External Borrowings	1,155.83	8,579.92	15,232.10	277.00	-76.0	-96.8	1.8
	External Borrowing	1,305.32	9,076.17	11,733.22	698.80	-46.5	-92.3	6.0
	Amortization	149.49	496.25	2,208.90	422.10	182.4	-14.9	19.1
8.2	Net Domestic Borrowings	-5,693.60	-2,292.42	20,641.50	-4,330.40	-23.9	88.9	-21.0
	Banking System	-8,168.70	-1,174.62	-	-4,435.40	-45.7	277.6	
	Non-Bank Sources	2,475.10	-1,117.80	-	105.00	-95.8	-109.4	
8.3	Privatization receipts	-	-	-	-			
8.4	Others and Residuals	5,708.90	5,215.60	(0.10)	3,225.60	-43.5	-38.2	

Source: Ministry of Finance and Economic Development

6.1 Revenue and Grants

As highlighted above, total revenue mobilized during the first quarter of 2014/15 was Birr 33.5 billion showing a 17.2 percent annual and 18.6 percent quarterly growth. Of the total revenue, mobilized from

domestic sources, about 95.6 percent was from taxes and 4.1 percent from non-taxes. There was no grant and relief in the review quarter.

Table 6.2: Summary of Federal Government Revenue by Component

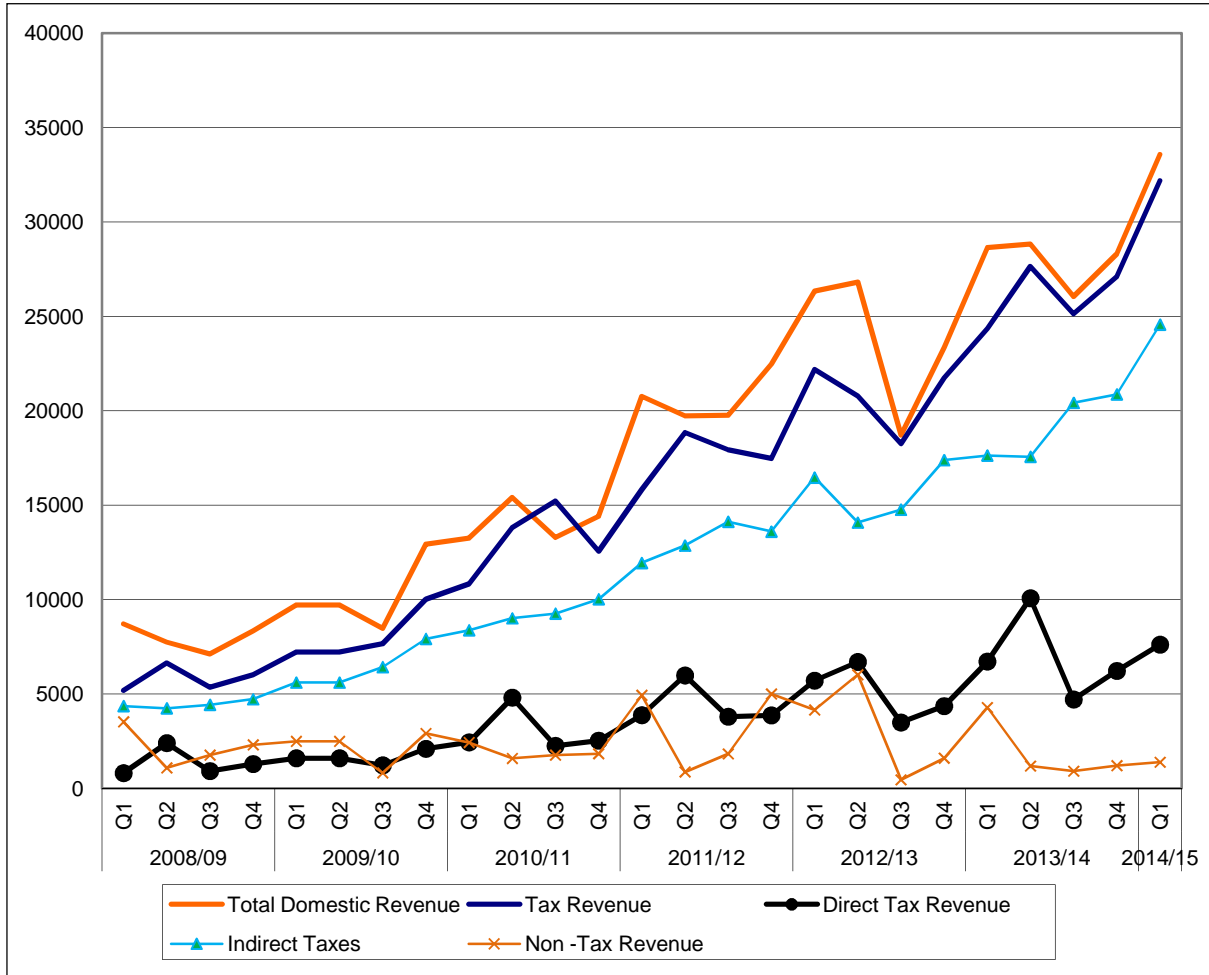
(In millions of Birr)

No	Particulars	2013/14		2014/15		Percentage Change		Performance Rate
		QI	QIV	Annual Budget	QI			
		A	B	C	D	[D/A]	[D/B]	[D/C]
	Total Revenue and Grants	28,683.8	31,036.1	127,116.7	33,575.3	17.1	8.2	26.4
	Total Domestic Revenue	28,639.6	28,302.2	122,982.0	33,575.3	17.2	18.6	27.3
1	Tax Revenue	24,354.5	27,093.9	115,445.1	32,183.1	32.1	18.8	27.9
1.1	Direct Tax Revenue	6,721.2	6,227.5	29,934.6	7,618.3	13.3	22.3	25.4
1.1.1	Income Taxes	5,926.0	5,310.2	26,505.4	6,777.6	14.4	27.6	25.6
	- Personal	852.5	1,082.9	3,520.6	923.4	8.3	-14.7	26.2
	- Business	5,073.5	4,227.4	22,984.8	5,854.1	15.4	38.5	25.5
1.1.2	Others ¹	795.2	917.3	3,429.2	840.8	5.7	-8.3	24.5
1.2	Indirect Taxes	17,633.3	20,866.4	85,510.5	24,564.8	39.3	17.7	28.7
1.2.1	Domestic Taxes	5,943.3	9,124.2	30,249.2	10,351.4	74.2	13.4	34.2
1.2.2	Foreign Trade Taxes	11,690.1	11,742.2	55,261.3	14,213.5	21.6	21.0	25.7
	- Import	11,690.1	11,742.2	55,261.3	14,213.5	21.6	21.0	25.7
2	Non-Tax Revenue	4,285.1	1,208.2	7,536.9	1,392.2	-67.5	15.2	18.5
3	Privatization							
4	Grants and Relief	44.2	2,733.9	4,134.7	0.0			

Source: Ministry of Finance and Economic Development

1/ includes Withholding tax on import, tax on dividend, royalty and interest income

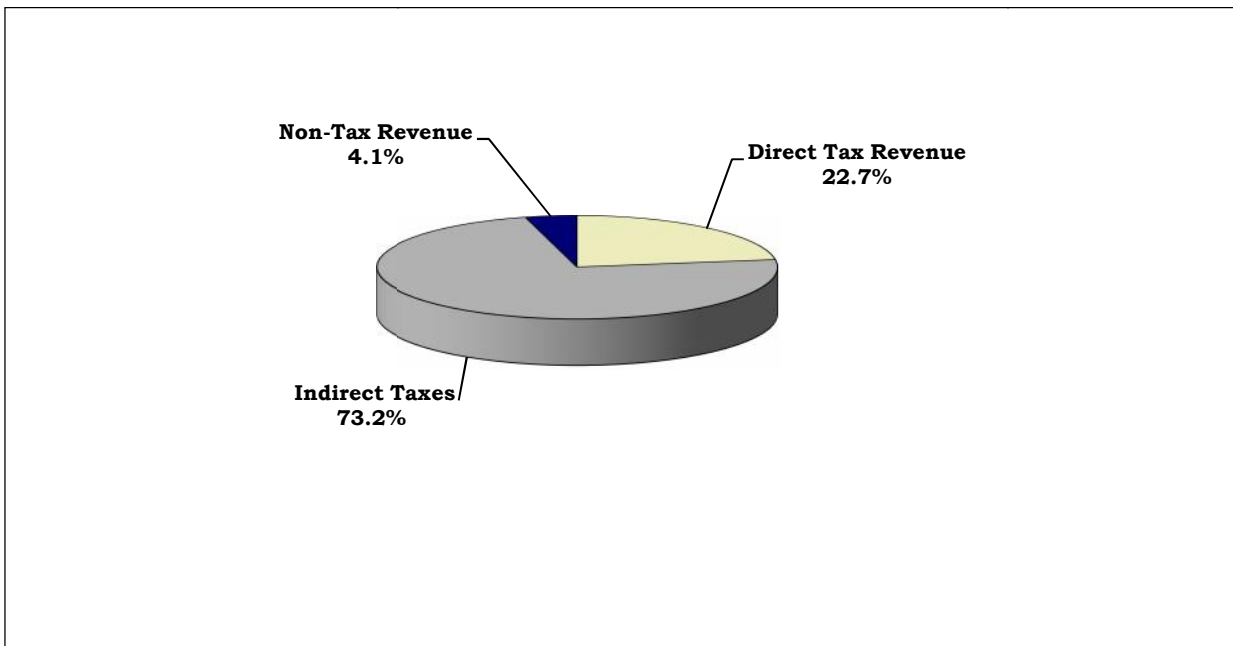
Fig.VI.1: Quarterly Developments in Major Components of Domestic Revenue of the Federal Government



Of the total domestic revenue, tax revenue was Birr 32.1 billion revealing 32.1 percent yearly and 18.8 percent quarterly surge. Indirect tax revenue which mainly originated from foreign trade taxes was Birr 24.5 billion or 76.3 percent of the total tax revenue recorded during the review quarter. Revenue from indirect taxes increased by

39.3 and 17.7 percent compared with same quarter of last fiscal year and a quarter ago. Meanwhile, direct tax revenue, which comprises personal and business income tax, reached Birr 7.6 billion; exhibiting 13.3 percent annual and 22.3 percent quarterly increase.

Fig.VI.2: Domestic Revenue by Major Components during the First Quarter of 2014/15



6.2 Expenditure

Total Federal government expenditure, including regional transfers, stood at Birr 32.7 billion in the review quarter which was 9.7 percent higher than the corresponding quarter of last year but 23 percent lower than the preceding quarter. The quarterly decline was due to slow down in capital expenditure (46.8 percent) and recurrent expenditure (12.1 percent). In general, of the quarterly total expenditure, Birr 7.4 billion (or about 22.8 percent) went to finance current expenditures and Birr 10.5 billion (or 32.1 percent) to various development programs.

The balance (45 percent) was allocated for regional transfers. Year-on-year basis, current expenditures increased by 53.4 percent due to higher outlays in all its components. Capital expenditure, however, went down by 7.6 percent as a result of a 24.2 percent decline in general and 10.9 percent in economic development expenditures. Regional transfers showed a 8.5 percent rise over last year same quarter.

Table 6.3: Summary of Federal Government Expenditure by components

(In millions of Birr)

No	Particulars	2013/14		2014/15		Percentage Change		Performance Rate
		QI	QIV	Annual Budget	QI	[D/A]	[D/B]	[D/C]
		[A]	[B]	[C]	[D]			
	Total Expenditure	29,854.9	42,539.2	163,061.3	32,747.5	9.7	-23.0	20.1
1	Current Expenditure	4,877.4	8,515.7	42,279.8	7,482.1	53.4	-12.1	17.7
	- General Services	2,681.1	3,844.3	14,056.9	3596.1	34.1	-6.5	25.6
	- Economic Services	226.3	456.4	2,579.4	360.3	59.2	-21.1	14.0
	- Social Services	1,144.7	2,728.3	11,430.7	2369.5	107.0	-13.2	20.7
	- Debt Service	825.2	1,486.7	14,212.8	1156.2	40.1	-22.2	8.1
2	Capital Expenditure	11,383.2	19,780.7	54,823.1	10,521.4	-7.6	-46.8	19.2
	- Economic Development	8,472.8	11,534.8	38,635.8	7547.8	-10.9	-34.6	19.5
	- Social Development	2,532.4	6,449.2	14,191.2	2687	6.1	-58.3	18.9
	- General Development	377.9	1,796.7	1,996.0	286.6	-24.2	-84.0	14.4
3	Regional Transfers	13,594.4	14,242.8	65,958.4	14,744.0	8.5	3.5	22.4

Source: Ministry of Finance and Economic Development

Fig.VI.3: Major Components of Federal Governments Expenditure during the First Quarter of 2014/15

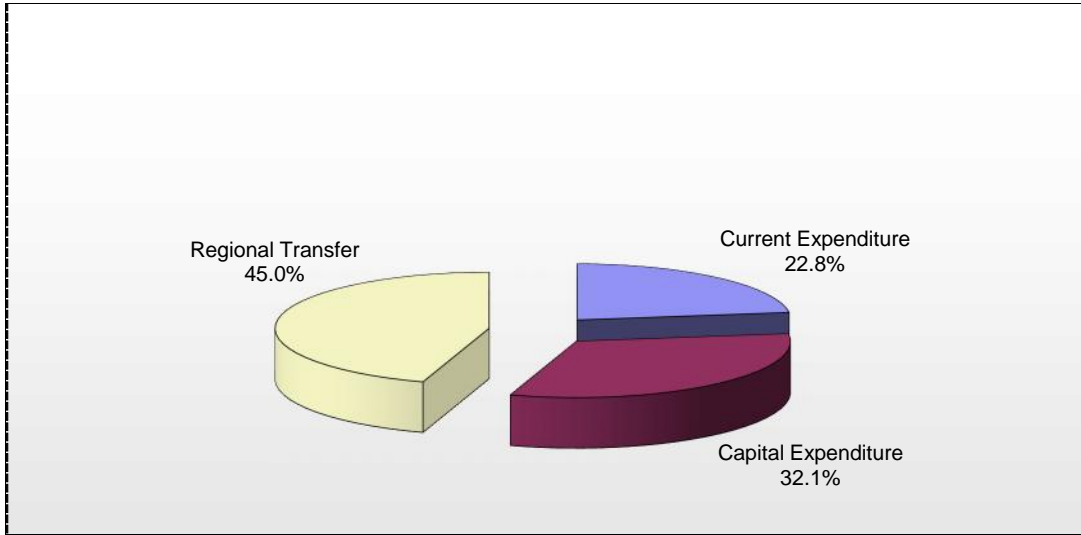
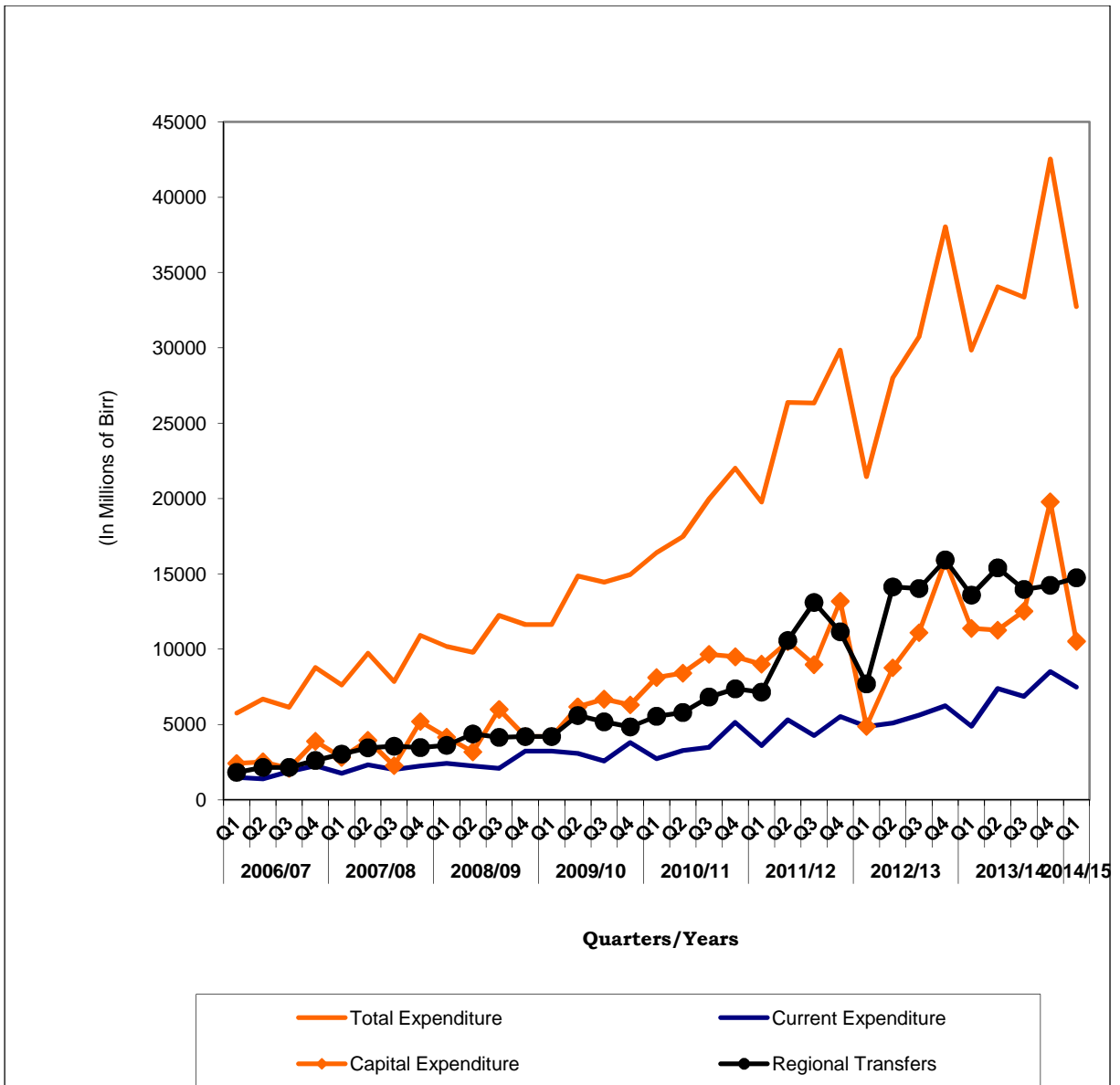


Fig.VI.4: Quarterly Development in Federal Government Expenditure by Components

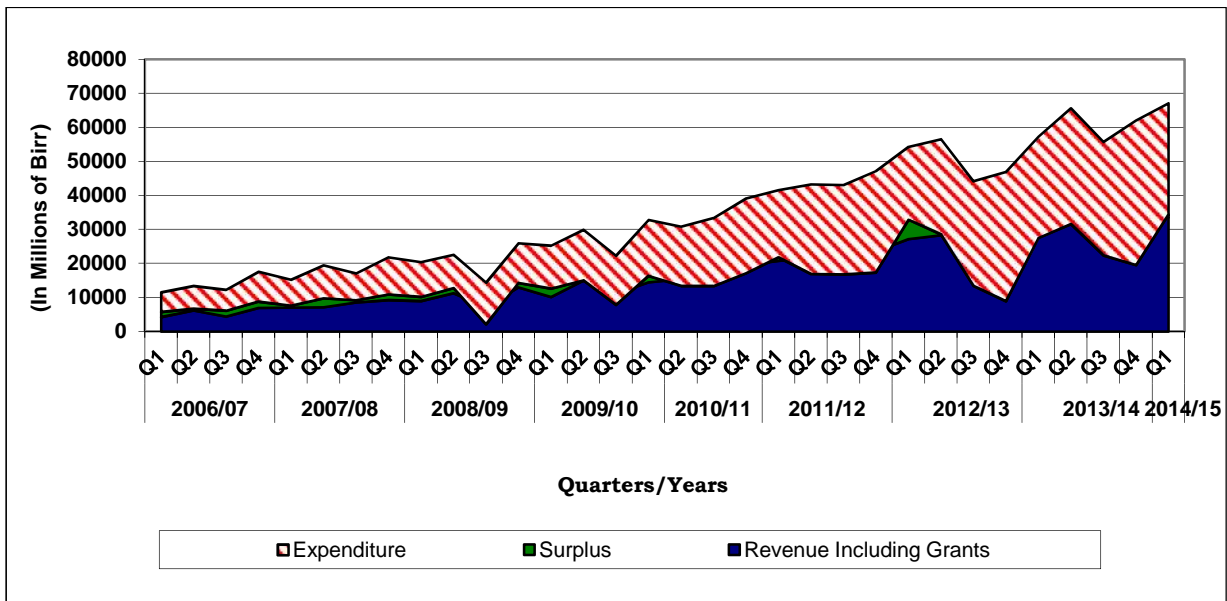


6.3 Deficit Financing

Fiscal operations of the Federal government during the review period resulted in the overall surplus (including grant) of Birr 827.8 million, compared to Birr 1.17 billion and Birr 11.5 billion

deficits in the same period of last year and the preceding quarter respectively. As a result, there was a net repayment of Birr 4.44 billion to the banking system.

Fig.VI.5: Federal Government Finance during First Quarter of F.Y 2014/15



VII. Investment

The Ethiopian Investment Agency and Regional Investment Offices issued investment licenses to about 1,201 projects with a total capital of Birr 14.1 billion during the fourth quarter of 2013/14. The number of approved investment projects and registered investment capital declined by 14.3 and 51.8 percent on annual and 11.6 and 64.4 percent on quarterly basis, respectively (Table 7.1).

About 99.7 percent of the approved projects were private of which 1,197 projects (93.0 percent) were domestic while the remaining 80 projects (6.7 percent) were foreign. Foreign investment projects recorded an investment capital of Birr 5.8 billion; accounting for 41.0 percent of the total investment capital.

In the review period, the number of foreign investment projects dropped by 54.5 percent despite the rise in investment capital by 7 percent. Similarly, 4 public investment projects with a capital of Birr 494.9 million were registered during the period.

The approved investment projects are expected to generate employment opportunities for about 139 thousand employees of which 47.7 percent would be permanent and 52.3 percent casual (Table 7.1).

Table 7.1 Performance of Approved Investment Projects

Type of Projects	Items	2012/13	2013/14		Percentage changes	
		Q.IV	Q.III	Q.IV	C/A	C/B
		A	B	C		
1.Total Investment	Number of projects	1,401.0	1,359	1,201.0	-14.3	-11.6
	Capital[in million Birr]	29,309.9	39,765	14,137.0	-51.8	-64.4
	Permanent Employment	36,206.0	92,203	66,252.0	83.0	-28.1
	Temporary Employment	60,493.0	114,055	72,747.0	20.3	-36.2
2. Private Investment	Number of projects	1,390.0	1,355	1,197.0	-13.9	-11.7
	Capital[in million Birr]	11,907.2	31,538	13,642.1	14.6	-56.7
	Permanent Employment	36,206.0	85,644	64,452.0	78.0	-24.7
	Temporary Employment	60,493.0	104,623	70,147.0	16.0	-33.0
2.1 Domestic Investment	Number of projects	1,214.0	1277	1,117.0	-8.0	-12.5
	Capital[in million Birr]	6,500.9	11725.6	7,854.9	20.8	-33.0
	Permanent Employment	17,464.0	19644	18,251.0	4.5	-7.1
	Temporary Employment	35,923.0	66990	41,378.0	15.2	-38.2
2.2 Foreign Investment	Number of projects	176.0	78	80.0	-54.5	2.6
	Capital[in million Birr]	5,406.3	19,812	5,787.2	7.0	-70.8
	Permanent Employment	18,742.0	66,000	46,201.0	146.5	-30.0
	Temporary Employment	24,570.0	37,633	28,769.0	17.1	-23.6
3. Public Investment	Number of projects	11.0	4	4.0	-63.6	
	Capital[in million Birr]	17,402.7	8,227	494.9	-97.2	
	Permanent Employment		6,559	1,800.0		
	Temporary Employment		9,432	2,600.0		

Source: Ethiopian Investment Agency

With respect to sectoral distribution, real estate, renting and business activities were the leading sectors in terms of number of projects (30.6 percent) followed by manufacturing (25.7 percent), agriculture (14.9 percent), construction (14.2 percent), hotels and restaurants (5.8 percent).

In terms of employment opportunities, about 45.5 percent of permanent employment would be created by manufacturing sector followed by construction (32.8 percent), agriculture (8.0 percent) and health and social work (6.7 percent). On the other hand, about 87.5 percent of casual employment would be in manufacturing and agriculture sectors (Table7.2).

Table 7.2 Investment Distribution by Sector during the Fourth Quarter of 2013/14

Sectors	No. of Proj.	Share (in %)	Capital (in Millions of Birr)	Share (in %)	Perm. Emp.	Share (in %)	Temp. Emp.	Share (in %)
Agriculture, hunting and forestry	179	14.9	1,501.2	10.6	5,301	8.0	31,748	43.6
Construction	171	14.2	2,272.6	16.1	21,744	32.8	4,021	5.5
Education	8	0.7	88.6	0.6	343	0.5	69	0.1
Electricity, gas, steam and water supply	-	-	-	-	-	-	-	-
Health and social work	10	0.8	117.9	0.8	4,453	6.7	1,117	1.5
Hotels and restaurants	70	5.8	1,566.3	11.1	2,544	3.8	1,982	2.7
Manufacturing	309	25.7	6,701.5	47.4	30,116	45.5	31,894	43.8
Mining and quarrying	4	0.3	19.2	0.1	52	0.1	85	0.1
Other community, social and personal service activities	51	4.2	123.9	0.9	183	0.3	161	0.2
Real estate, renting and business activities	368	30.6	1,659.0	11.7	1,309	2.0	1,416	1.9
Transport, storage and communication	16	1.3	40.9	0.3	86	0.1	91	0.1
Wholesale, retail trade & repair service	15	1.2	45.9	0.3	121	0.2	163	0.2
Grand Total	1,201	100.0	14,137.0	100.0	66,252	100.0	72,747	100.0

Source: Ethiopian Investment Agency

As for regional distribution of the total approved investment projects, about 60.1 percent with 53.3 percent share of estimated total investment capital were stated to be in Addis Ababa. Similarly, about 19.2 percent of the projects with an investment capital of 17.4 percent would go to Amhara region followed by Oromia (with 8.8 percent of the project with 14.4 percent of investment capital) (Table 7.3).

The largest share of permanent job creation (about 59 percent) is expected to be in Addis Ababa followed by Tigray (16.9 percent), Amhara (10.9 percent) and Oromia (8.5 percent) regional states. Of the total temporary employment, 42.6 percent will be in Amhara, 40.1 percent in Addis Ababa and 6.4 percent in Oromia.

Similarly, about 84.8 percent of the approved investment projects in real estate, renting and business activities with 80.4 percent investment capital will be in Addis Ababa. Similarly, in the manufacturing sectors, the share of Addis Ababa will be 60.8 percent in terms of number of projects and 45.7 percent in investment capital followed by Amhara (16.8 percent project

and 16.0 percent capital) and Oromia 11.0 percent in project and 19.8 percent in capital). Of the total investment projects in agriculture, Amhara share would be 62.6 percent with a capital share of 56.7 percent; followed by Oromia with 17.9 percent and 26.8 percent, respectively (Table7.3).

Table 7.3: Regional-Sector Nexus in the Number, Capital (in thousands of Birr) and Employment Creation Capacity of Licensed Projects for the Fourth Quarter of 2013/14

Sector/Regions	Indicators	Addis Ababa	Afar	Amhara	B.Gumuz	Dire Dawa	Oromia	SNN PR	Gambella	Somali	Harari	Tigray	Multi-regional*	Grand Total
Agriculture, hunting and forestry	No of Proj.	5.0	5.0	112.0		2.0	32.0	8.0		11.0		4.0		179.0
	Capital.	36,202.9	42,000.0	851,750.6		9,400.0	402,108.1	32,500.0		111,056.4		16,150.0		1,501,176.0
	Perm.e mp.	87.0	56.0	2,488.0		39.0	1,791.0	138.0		661.0		41.0		5,301.0
	Temp.e mp.	14.0	268.0	27,001.0		10.0	919.0	905.0		2,588.0		43.0		31,748.0
Construction	No of Proj.	121.0	9.0	11.0		2.0	14.0			10.0	2	2.0		171.0
	Capital.	2,125,640.0	37,100.0	28,570.0		8,910.0	45,500.0			15,900.0	5,000.0	6,000.0		2,272,600.0
	Perm.e mp.	21,298.0	63.0	67.0		39.0	127.0			99.0	16	35.0		21,744.0
	Temp.e mp.	2,672.0	160.0	356.0		10.0	575.0			76.0	15	157.0		4,021.0
Education	No of Proj.	6.0		1.0		1.0								8.0
	Capital.	84,506.6		2,000.0		2,134.0								88,641.0
	Perm.e mp.	299.0		20.0		24.0								343.0
	Temp.e mp.	29.0		40.0										69.0
Electricity, gas, steam and water	No of Proj.													-
	Capital.													-
	Perm.e mp.													-
	Temp.e mp.													-
Fishing	No of Proj.													-
	Capital.													-
	Perm.e mp.													-
	Temp.e mp.													-
Health and social work	No of Proj.	8.0					2.0							10.0
	Capital.	63,834.0					54,092.0							117,926.0
	Perm.e mp.	4,321.0					132.0							4,453.0
	Temp.e mp.	1,067.0					50.0							1,117.0
Hotels and Restaur	No of Proj.	20	5.0	18.0	1.0		12.0	4.0		4.0		6.0		70.0
	Capital.	677,985	106,000.0	360,710.0	5,000.0		174,620.0	77,140.0		48,360.0		116,400.0		1,566,200.0

Sector/Regions	Indicators	Addis Ababa	Afar	Amhara	B.Gumuz	Dire Dawa	Oromia	SNN PR	Gambella	Somali	Harari	Tigray	Multi-regional*	Grand Total
Agriculture	Perm.EMP	967	77.0	494.0			546.0	162.0		140.0		158.0		2,544.0
	Temp.EMP	367	270.0	498.0	30.0		341.0	42.0		255.0		179.0		1,982.0
Manufacturing	No of Proj.	188.0	2.0	52.0		15.0	34.0	12.0		2.0		4.0		309.0
	Capital.	3,065,449.1	4,000.0	1,072,032.9		368,688.3	1,329,682.8	57,807.4		1,300.0		802,504		6,701,464.4
	Perm.EMP	11,118.0	26.0	3,841.0		821.0	3,011.0	312.0		30.0		10,957.0		30,116.0
	Temp.EMP	24,254.0	103.0	2,720.0		158.0	2,677.0	375.0		70.0		1,537.0		31,894.0
Mining and quarry	No of Proj.	1.0		1.0		1.0						1.0		4.0
	Capital.	12,000.0		1,700.0		1,500.0						4,000.0		19,200.0
	Perm.EMP	15.0		2.0		30.0						5.0		52.0
	Temp.EMP	30.0		30.0		20.0						5.0		85.0
Real estate, renting and business activities	No of Proj.	312.0	2.0	21.0		9.0	12.0	2.0		3.0	2	5.0		368.0
	Capital.	1,334,530	3,000.0	93,831.0		59,480	31,100.0	7,500		100,500	18,421	10,630		1,659,000
	Perm.EMP	760.0	6.0	209.0		95.0	37.0	31.0		115.0	40	16.0		1,309.0
	Temp.EMP	555.0	20.0	271.0		132.0	94.0	-		302.0	13	29.0		1,416.0
Tour operation, eco-tourism, cold storage service, etc	No of Proj.	14.0		1.0						1.0				16.0
	Capital.	37,610.0		1,300.0						2,000.0				40,910.0
	Perm.EMP	73.0		3.0						10.0				86.0
	Temp.EMP	74.0		2.0						15.0				91.0
Wholesale, retail trade & repair service	No of Proj.	1.0		11.0				1.0		2.0				15.0
	Capital.	1,600.0		34,250.0				2,000		8,000.0				45,850.0
	Perm.EMP	1.0		33.0				50.0		37.0				121.0
	Temp.EMP	1.0		40.0				100.0		22.0				163.0
Others	No of Proj.	46.0	2.0	3.0										51.0
	Capital.	102,233.0	3,000.0	18,650.0										123,883.0
	Perm.EMP	142.0	9.0	32.0										183.0
	Temp.EMP	97.0	30.0	34.0										161.0

Sector/R egions	Indicat ors	Addis Ababa	Afar	Amha ra	B.Gu muz	Dire Dawa	Oromi a	SNN PR	Gamb ella	Soma li	Har ari	Tigra y	Multi - regio nal*	Grand Total
Total No of		722	25	231	1	30	106	27	0	33	4	22	0	1,201.0
Total Capital.		7,541,60 0	195,1 00	2,464,8 05	5,000	450,1 20	2,037,1 09	176,9 57	0	287,1 38	23,4 21	955,7 02	0	14,136, 953.6
Total Perm.e		39,081	237	7,189	0	1,048	5,644	693	0	1,092	56	11,21 2	0	66,252. 0
Total Temp.e		29,160	851	30,992	30	330	4,656	1,422	0	3,328	28	1,950	0	72,747. 0
Percentage shares														
No of Proj.		60.1	2.1	19.2	0.1	2.5	8.8	2.2	0.0	2.7	0.3	1.8	0.0	100.0
Capital.		53.3	1.4	17.4	0.0	3.2	14.4	1.3	0.0	2.0	0.2	6.8	0.0	100.0
Perm.em p.		59.0	0.4	10.9	0.0	1.6	8.5	1.0	0.0	1.6	0.1	16.9	0.0	100.0
Temp.em p.		40.1	1.2	42.6	0.0	0.5	6.4	2.0	0.0	4.6	0.0	2.7	0.0	100.0

Source: Ethiopian Investment Agency

*are projects having one license but invested in more than one region.