

VI. Federal Government Finance

Year on year basis, total federal government revenue and grants rose by 15.4 percent to Birr 38.7 billion while its expenditure surged by 22.7 percent to Birr 40.1 billion in the review quarter. Hence, overall fiscal

balance (including grants) depicted an overall deficit of Birr 1.4 billion compared to Birr 827.8 million deficit a year ago. The deficit was financed through net external and net domestic borrowing.

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No	Particulars	2014/15		2015/16		Percentage changes		performance rate
		A	B	C	D	D/A	D/B	D/C
		QI	QIV	Budget	QI			
1	Revenue and Grants	33,575.30	39,272.38	158,135.17	38,741.78	15.4	(1.4)	24.5
1.1	Total Revenue	33,575.30	39,272.38	157,060.80	38,741.78	15.4	(1.4)	24.7
	Tax Revenue	32,183.10	33,307.41	141,208.50	34,096.93	5.9	2.4	24.1
	Direct tax	7,618.20	8,518.29	40,688.40	9,592.07	25.9	12.6	23.6
	Indirect tax	24,564.90	24,789.11	100,520.10	24,504.86	(0.2)	(1.1)	24.4
	Non-Tax Revenue	1,392.20	5,964.98	15,852.30	4,644.85	233.6	(22.1)	29.3
1.2	Grant & Relief	-	-	1,074.37	-			-
2	Current Expenditure	7,482.10	11,995.11	46,828.47	9,387.05	25.5	(21.7)	20.0
3	Current Surplus/Deficit		-					
	(Including Grants)	26,093.20	27,277.28	111,306.70	29,354.74	12.5	7.6	26.4
	(Excluding Grants)	26,093.20	27,277.28	110,232.33	29,354.74	12.5	7.6	26.6
4	Capital Expenditure	10,521.40	18,663.48	71,887.08	14,509.10	37.9	(22.3)	20.2
5	Regional Transfers	14,744.00	29,110.68	84,850.08	16,286.47	10.5	(44.1)	19.2
6	Total Expenditure (2+4+5)	32,747.50	59,769.27	203,565.63	40,182.62	22.7	(32.8)	19.7
7	Overall Surplus/Deficit		-					
	(Including Grants)	827.80	(20,496.89)	(45,430.46)	(1,440.83)	(274.1)	(93.0)	3.2
	(Excluding Grants)	827.80	(20,496.89)	(46,504.83)	(1,440.83)	(274.1)	(93.0)	3.1
8	Total Financing	(827.80)	20,496.25	45,430.46	1,440.83	(274.1)	(93.0)	3.2
8.1	Net External Borrowings	277.00	5,329.65	18,719.54	4,575.71	1,551.9	(14.1)	24.4
	External Borrowing	698.80	5,916.72	15,645.51	4,615.33	560.5	(22.0)	29.5
	Amortization	422.10	623.92	2,527.87	432.30	2.4	(30.7)	17.1
8.2	Net Domestic Borrowings	(4,330.40)	11,200.34	26,710.92	8,652.12	(299.8)	(22.8)	32.4
	Banking System	(4,435.40)	3,534.44	-	5,776.12	(230.2)	63.4	
	Non-Bank Sources	105.00	7,665.90	-	2,876.00	2,639.0	(62.5)	
8.3	Privatization receipts	-	-	-	-			
8.4	Others and Residuals	3,225.60	3,966.26	0.00	(11,786.99)	(465.4)	(397.2)	

Source: Ministry of Finance and Economic Development

6.1. Revenue and Grants

Total revenue and grants mobilized during the first quarter of 2015/16, was Birr

38.7billion and all was generated from domestic sources. About 88 percent of the domestic revenue was from taxes and 12

percent from non-taxes. There were no grants and relief during the review quarter.

Table 6.2: Summary of Federal Government Revenue by Component

(In Millions Birr)

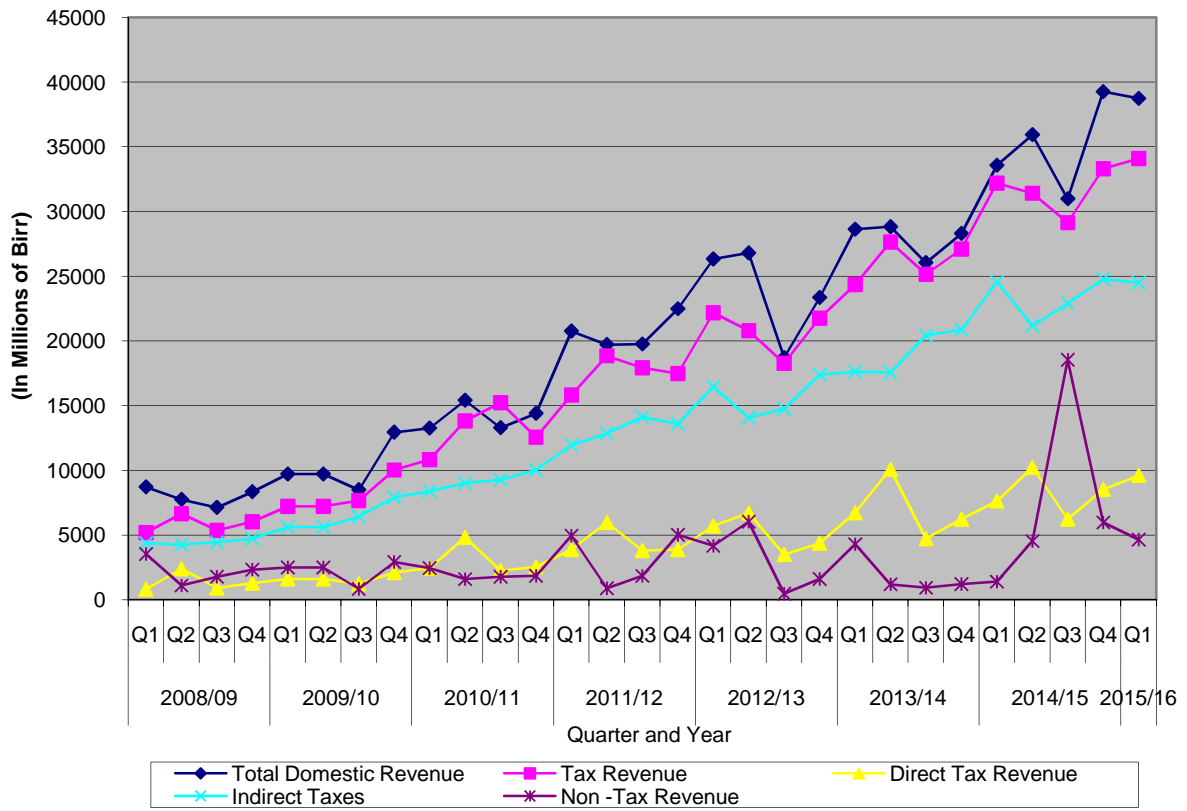
No	Particulars	2014/15		2015/16		Percentage Change		Performance Rate
		QI	QIV	Budget	QI			
		A	B	C	D	D/A	D/B	D/C
	Total Revenue and Grants	33,575.3	39,272.4	158,135.2	38,741.8	15.4	(1.4)	24.5
	Total Domestic Revenue	33,575.3	39,272.4	157,060.8	38,741.8	15.4	(1.4)	24.7
1	Tax Revenue	32,183.1	33,307.4	141,208.5	34,096.9	5.9	2.4	24.1
1.1	Direct Tax Revenue	7,618.3	8,518.3	40,688.4	9,592.1	25.9	12.6	23.6
1.1.1	Income Taxes	6,777.6	7,449.2	35,671.1	8,507.0	25.5	14.2	23.8
	- Personal	923.4	1,438.7	4,785.3	1,339.6	45.1	(6.9)	28.0
	- Business	5,854.1	6,010.5	30,885.8	7,167.4	22.4	19.2	23.2
1.1.2	Others ¹	840.8	1,069.1	5,017.3	1,085.1	29.1	1.5	21.6
1.2	Indirect Taxes	24,564.8	24,789.1	100,520.1	24,504.9	(0.2)	(1.1)	24.4
1.2.1	Domestic Taxes	10,351.4	11,956.2	41,212.5	8,881.6	(14.2)	(25.7)	21.6
1.2.2	Foreign Trade Taxes	14,213.5	12,832.9	59,307.6	15,623.3	9.9	21.7	26.3
	- Import	14,213.5	12,832.9	59,307.6	15,623.3	9.9	21.7	26.3
2	Non-Tax Revenue	1,392.2	5,965.0	15,852.3	4,644.9	233.6	(22.1)	29.3
3	Privatization							
4	Grants and Relief	0.0		1,074.4				

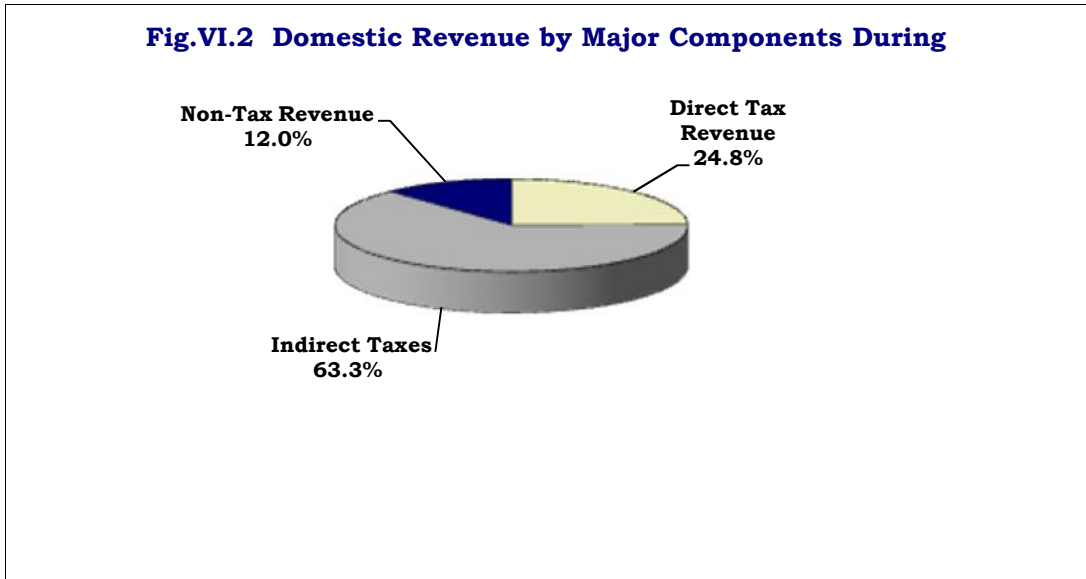
Source: Ministry of Finance and Economic Development

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

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Domestic revenue collected in the review period was 15.4 percent higher than last year.

Tax revenue at Birr 34.1 billion increased by 5.9 percent. As usual, tax revenue mainly originated from indirect taxes, accounting for Birr 24.5 billion (63.3 percent) of total

domestic revenue of the quarter. Revenue from indirect taxes decreased by 0.2 percent compared with a year earlier.

On the other hand, direct tax revenue, which mostly comprises personal and business income tax, rose to Birr 9.5 billion, exhibiting annual increase of 25.9 percent.

6.2. Expenditure

Meanwhile total expenditures, including regional transfers stood at Birr 40.1 billion, which was 22.7 percent higher than last year. Of the total expenditure, Birr 9.3 billion (about 23.4 percent) went to finance current expenditures and Birr 14.5 billion (36.1 percent) to various development programs. The balance (40.5 percent) was allocated for regional transfers. Year-on-

year basis, recurrent expenditures went up by 25.5 percent as a result of improvement in all of its components. Similarly, Capital expenditure showed an increment of 37.9 percent as a result of higher expenditure on social, economical and general development. Regional transfers also showed a 10.5 percent growth.

Tale 6.3: Summary of Federal Government Expenditure by components

(In Millions of Birr)

No	Particulars	2014/15		2015/16		Percentage Change		Performance Rate
		QI	QIV	Budget	QI			
		A	B	C	D	D/A	D/B	D/C
	Total Expenditure	32,747.5	59,769.3	203,565.6	40,182.6	22.7	(32.8)	19.7
1	Current Expenditure	7,482.1	11,995.1	46,828.5	9,387.0	25.5	(21.7)	20.0
	- General Services	3596.1	4,941.6	16,805.9	3,723.6	3.5	(24.6)	22.2
	- Economic Services	360.3	561.5	2,862.8	1,071.9	197.5	90.9	37.4
	- Social Services	2369.5	4,548.6	15,921.1	2,896.5	22.2	(36.3)	18.2
	- Debt Service	1156.2	1,943.5	11,238.7	1,695.1	46.6	(12.8)	15.1
2	Capital Expenditure	10,521.4	18,663.5	71,887.1	14,509.1	37.9	(22.3)	20.2
	- Economic Development	7547.8	11,438.6	49,079.8	10,701.2	41.8	(6.4)	21.8
	- Social Development	2687	5,128.1	19,245.0	3,317.9	23.5	(35.3)	17.2
	- General Development	286.6	2,096.8	3,562.3	489.9	71.0	(76.6)	13.8
3	Regional Transfers	14,744.0	29,110.7	84,850.1	16,286.5	10.5	(44.1)	19.2

Source: Ministry of Finance and Economic Development

Fig.VI.3: Major Components of Federal Government Expenditure During the First Quarter of 2015/16

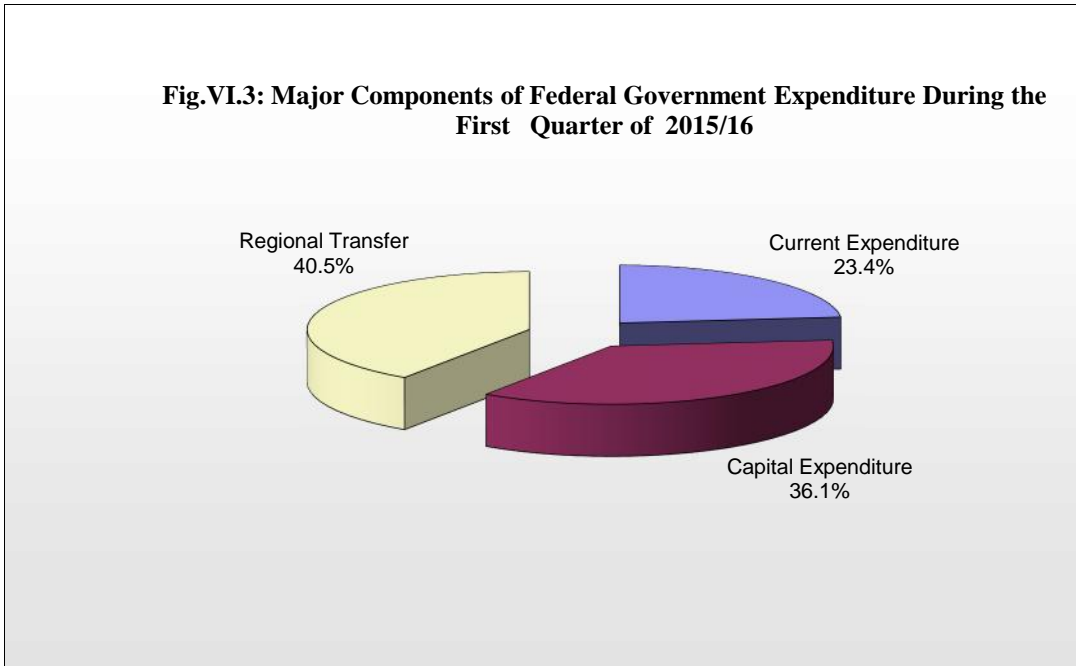
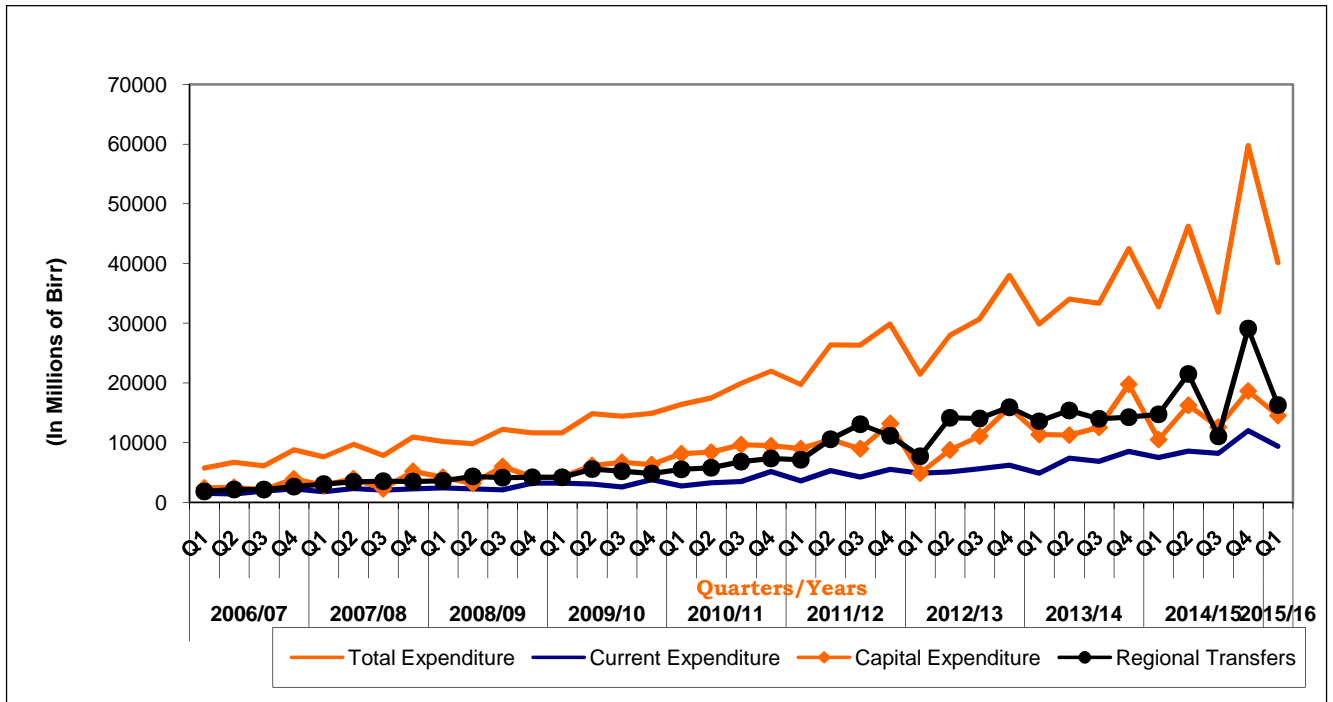


Fig.VI.4: Quarterly Development in Federal Government Expenditure by Components



6.3. Deficit Financing

During the review period, federal government budgetary operations resulted in the overall deficit (including grant) of Birr 1.4 billion.

The deficit was financed by net external borrowing and net domestic borrowing.

Fig.VI.5 Federal Government Finance during First Quarter of F.Y 2015/16

