

VI.FEDERAL GOVERNMENT FINANCE

Total revenue and grants collected during the second quarter of 2014/15 went up by 20.7 percent to Birr 40.5 billion from Birr 33.5 billion in the preceding quarter. Year-on-year basis, total revenue and grants rose by 23.4 percent. The quarterly revenue and grant performance was 31.9 percent against the annual plan (Table 6.1).

Similarly, federal Government expenditure depicted a quarterly increase of 41.3 percent

compared to the preceding quarter, largely due to 54.5 percent surge in capital expenditure, and 45.7 percent in regional transfers. On annual basis, government expenditure went up by 35.9 percent. Consequently, the overall fiscal balance of the federal government (including grants) registered Birr 5.7 billion deficit compared to Birr 1.2 billion deficit last year same period (Table 6.1).

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
		QII	Budget	QI	QII			
1	Revenue and Grants	32,833.0	127,187.8	33,575.3	40,530.5	23.4	20.7	31.9
1.1	Total Revenue	28,826.6	123,053.1	33,575.3	35,942.2	24.7	7.0	29.2
	Tax Revenue	27,638.3	115,516.2	32,183.1	31,413.0	13.7	-2.4	27.2
	Direct tax	10,075.0	29,934.6	7618.2	10,227.9	1.5	34.3	34.2
	Indirect tax	17,563.3	85,581.5	24564.9	21,185.1	20.6	-13.8	24.8
	Non-Tax Revenue	1,188.3	7,536.9	1392.2	4,529.2	281.2	225.3	60.1
1.2	Grant & Relief	4,006.4	4,134.7	0.0	4,588.3	14.5		111.0
2	Current Expenditure	7,386.8	42,279.8	7482.1	8,547.3	15.7	14.2	20.2
3	Current Surplus/Deficit							
	Including Grants	25,446.1	84,907.9	26,093.2	31,983.2	25.7	22.6	37.7
	Excluding Grants	21,439.8	80,773.2	26,093.2	27,394.9	27.8	5.0	33.9
4	Capital Expenditure	11,261.5	54,823.1	10,521.4	16,259.9	44.4	54.5	29.7
5	Regional Transfers	15,402.0	65,958.4	14,744.0	21,476.9	39.4	45.7	32.6
6	Total Expenditure (2+4+5)	34,050.3	163,061.3	32,747.5	46,284.1	35.9	41.3	28.4
7	Overall Surplus/Deficit							
	Including Grants	-1,217.3	-35,873.5	827.8	-5,753.6	372.6	-795.0	16.0
	Excluding Grants	-5,223.7	-40,008.2	827.8	-10,341.9	98.0	-1,349.3	25.8
8	Total Financing	1,217.3	35,873.5	-827.8	5,753.6	372.6	-795.0	16.0
8.1	Net External Borrowings	1,791.1	15,232.1	277.0	7,903.2	341.3	2,753.2	51.9
	External Borrowing	2,363.7	11,733.2	698.8	6,645.1	181.1	850.9	56.6
	Amortization	572.6	2,208.9	422.1	604.4	5.6	43.2	27.4
8.2	Net Domestic Borrowings	11,558.7	20,641.4	-4,330.4	8,922.7	-22.8	-306.0	43.2
	Banking System	7,315.7	-	-4435.4	8,966.0	22.6	-302.1	
	Non-Bank Sources	4,243.0	-	105.0	-43.3	-	-141.2	
8.3	Privatization receipts	1,544.0	-	0.0	-			
8.4	Others and Residuals	-13,676.4		3225.6	-11,072.4	-19.0	-443.3	

Source: Ministry of Finance and Economic Development

6.1. Revenue and Grants

Of the total Birr 40.5 billion collected during the review period, Birr 35.9 billion (88.7 percent) was from domestic sources and Birr 4.5 billion (11.3 percent) from grants and relief. About Birr 31.4 billion or 87.4 percent of the domestic revenue was generated through taxes and Birr 4.5 billion or 12.6 percent from non-taxes.

The amount of grants & relief in the quarter amounted to Birr 4.5 billion, which was higher than Birr 4 billion a year ago (Table 6.2).

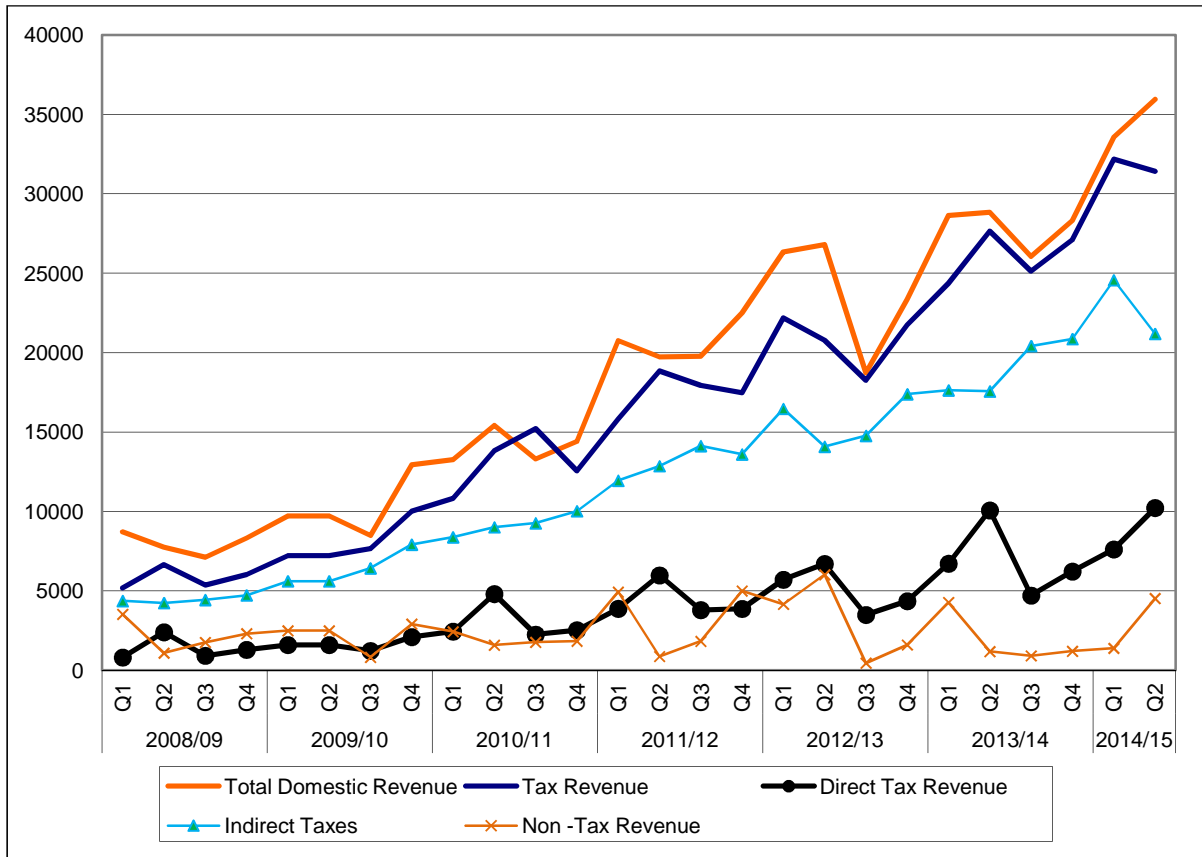
Table 6.2: Summary of Quarterly Federal Government Revenue by Component**(In millions Birr)**

No	Particulars	2013/14		2014/15		Percentage Change		Performance Rate
		QII	Budget	QI	QII			
		A	B	C	D	[D/A]	[D/C]	[D/B]
	Total Revenue and Grants	32,833.0	127,116.7	33,575.3	40,530.6	23.4	20.7	31.9
	Total Domestic Revenue	28,826.6	122,982.0	33,575.3	35,942.3	24.7	7.0	29.2
1	Tax Revenue	27,638.3	115,445.1	32,183.1	31,413.1	13.7	-2.4	27.2
1.1	Direct Tax	10,075.0	29,934.6	7,618.3	10,227.9	1.5	34.3	34.2
1.1.1	Income Taxes	9,264.9	26,505.4	6,777.6	8,999.1	-2.9	32.8	34.0
	- Personal	970.2	3,520.6	923.4	1,269.1	30.8	37.4	36.0
	- Business	8,294.7	22,984.8	5854.1	7,730.1	-6.8	32.0	33.6
1.1.2	Others ¹	810.1	3,429.2	840.8	1,228.7	51.7	46.1	35.8
1.2	Indirect Taxes	17,563.3	85,510.5	24,564.8	21,185.2	20.6	-13.8	24.8
1.2.1	Domestic Taxes	6,445.2	30,249.2	10351.4	8,162.8	26.7	-21.1	27.0
1.2.2	Foreign Trade Taxes	11,118.1	55,261.3	14213.5	13,022.4	17.1	-8.4	23.6
	- Import	11,118.1	55,261.3	14213.5	13,022.4	17.1	-8.4	23.6
2	Non-Tax Revenue	1,188.3	7,536.9	1392.2	4,529.2	281.2	225.3	60.1
3	Privatization	1,544.0						
4	Grants and Relief	4,006.4	4,134.7	0.0	4,588.3	14.5		111.0

Source: Ministry of Finance and Economic Development

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

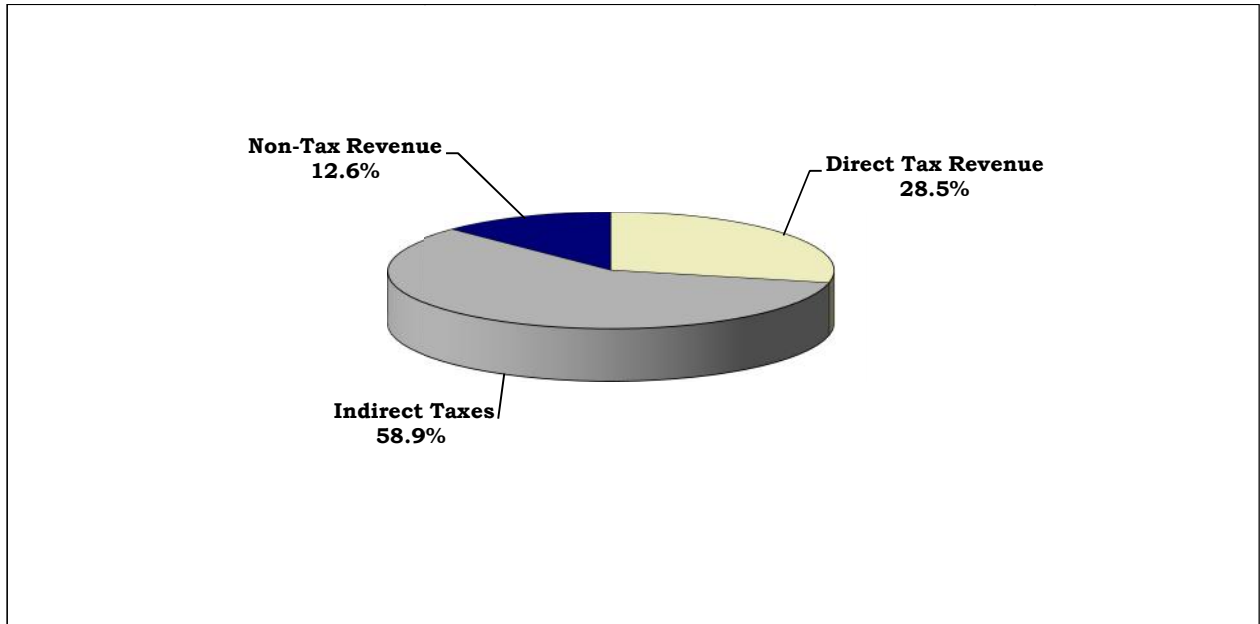
Fig. VI.1: Quarterly Developments in Major Components of Domestic Revenue of the Federal Government



During the review period, tax revenue mainly originated from indirect taxes, accounting for 58.9 percent of total domestic revenue (Fig.VI.2). Revenue from indirect taxes in the review quarter went up by 20.6 percent to Br 21.1 billion compared to the same quarter of

last fiscal year. Component wise 61.5 percent of indirect tax originated from foreign trade taxes. Direct tax revenue also surged by about 1.5 percent compared to a year earlier.

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



6.2. Expenditure

Total federal government expenditures (including regional transfers) under the review quarter stood at Birr 46.2 billion, depicting 35.9 percent annual and 41.3 percent quarterly growth. Year-on-year, the increase was ascribed to the rise in all expenditure components.

Looking at the structure of expenditures, current expenditure with Birr 8.5 billion accounted for 18.5 percent of the total quarterly expenditure. While, capital expenditure stood at Birr 16.2 billion or 35.1 percent. The remaining Birr 21.4 billion or 46.4 percent constituted regional transfers (Table 6.3).

Tale 6.3: Summary of Federal Government Expenditure by components

(In Millions of Birr)

No	Particulars	2013/14		2014/15		Percentage Change		Performance Rate
		QII	Budget	QI	QII	[D/A]	[D/C]	[D/B]
		[A]	[B]	[C]	[D]			
	Total Expenditure	34,050.3	163,061.3	32,747.5	46,283.9	35.9	41.3	28.4
1	Current Expenditure	7,386.8	42,279.8	7,482.1	8,547.2	15.7	14.2	20.2
	- General Services	3,371.7	14,056.9	3,596.1	4,173.0	23.8	16.0	29.7
	- Economic Services	368.4	2,579.4	360.3	550.6	49.4	52.8	21.3
	- Social Services	2,826.5	11,430.7	2,369.5	2,969.5	5.1	25.3	26.0
	- Debt Service	820.2	14,212.8	1,156.2	854.1	4.1	-26.1	6.0
2	Capital Expenditure	11,261.5	54,823.1	10,521.4	16,259.8	44.4	54.5	29.7
	- Economic Development	7,666.1	38,635.8	7,547.8	10,100.3	31.8	33.8	26.1
	- Social Development	3,385.1	14,191.2	2,687.0	4,550.2	34.4	69.3	32.1
	- General Development	210.3	1,996.0	286.6	1,609.3	665.3	461.5	80.6
3	Regional Transfers	15,402.0	65,958.4	14,744.0	21,476.9	39.4	45.7	32.6

Source: Ministry of Finance and Economic Development

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

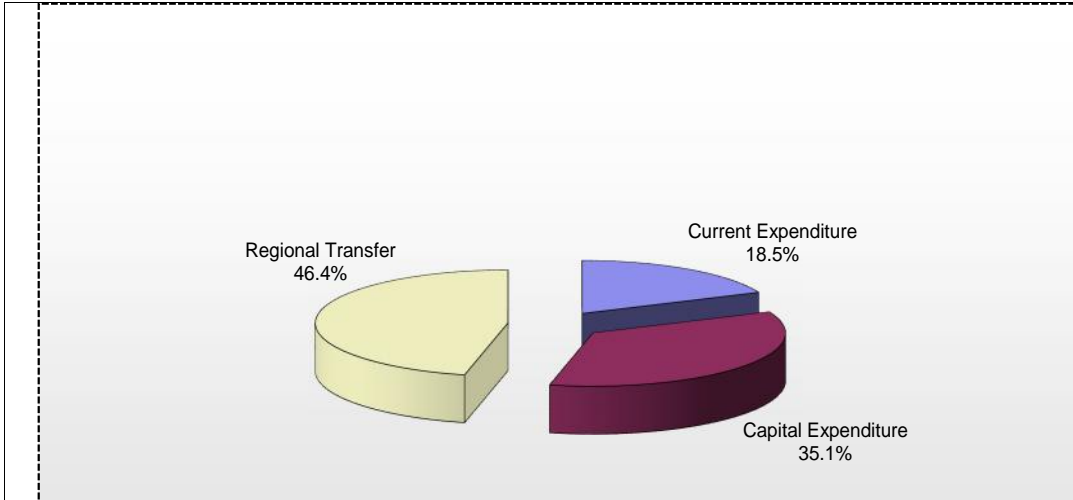
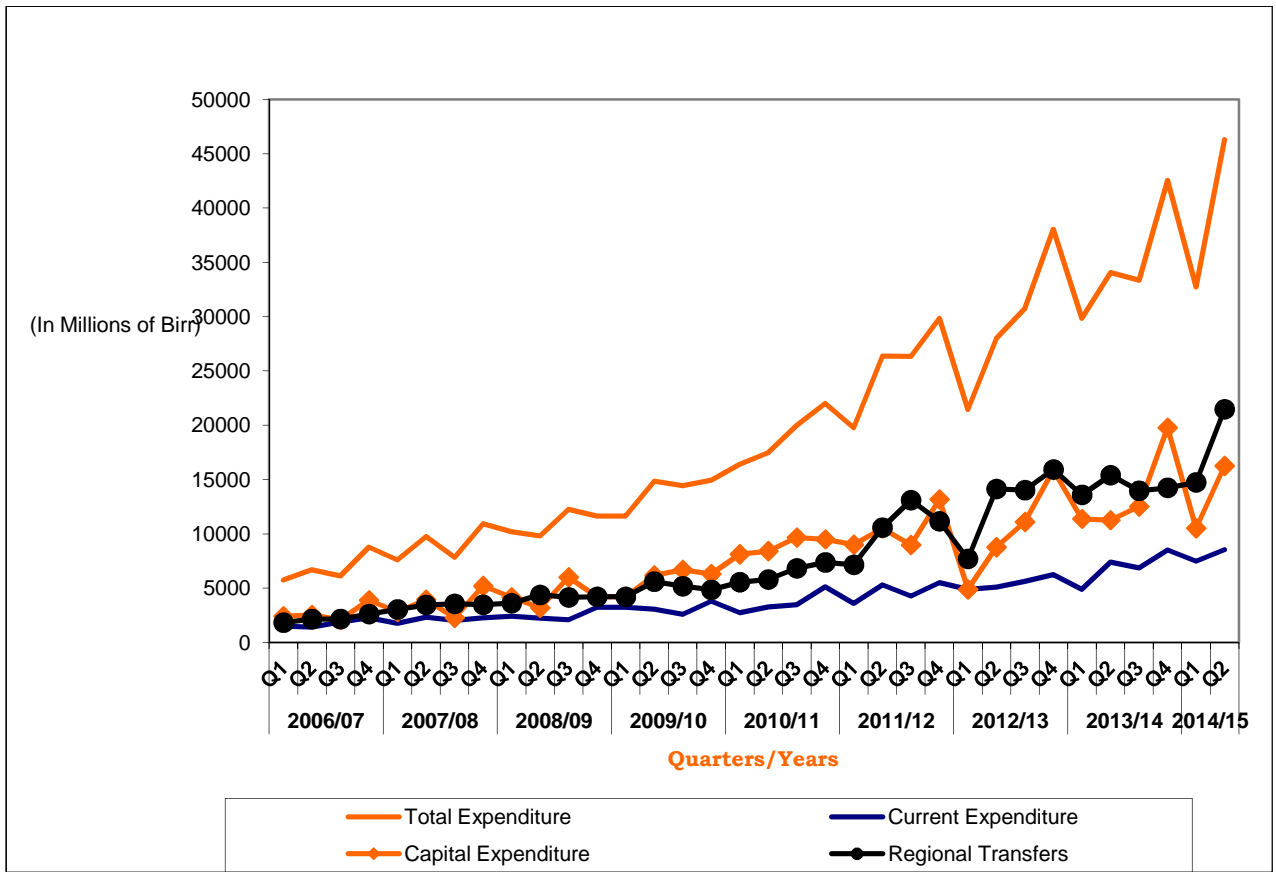


Fig.VI.4: Quarterly Developments in Federal Government Expenditure by components



6.3. Deficit Financing

The federal government budget depicted an overall deficit (including grant) of Birr 5.7 billion, which was higher than Birr 1.2 billion deficit in the same period

of last fiscal year. The deficit was financed by net external and domestic borrowing.

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

