

## **VI. Federal Government Finance**

Total revenue and grants of the federal government collected during the third quarter of 2014/15 increased by 11.2 percent over same period last year and amounted to Birr 30.9 billion. Meanwhile, its total expenditure dropped by 4.5 percent.

Consequently, the overall fiscal balance of the federal government (including grants) registered Birr 869 million deficit compared to Birr 5.4 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/C	D/B
		QIII	Budget	QII	QIII			
1	<b>Revenue and Grants</b>	<b>27,879.3</b>	<b>127,187.8</b>	<b>37,571.1</b>	<b>30,992.5</b>	<b>11.2</b>	<b>(17.5)</b>	<b>24.4</b>
1.1	<b>Total Revenue</b>	<b>26,052.4</b>	<b>123,053.1</b>	<b>35,709.0</b>	<b>30,992.5</b>	<b>19.0</b>	<b>(13.2)</b>	<b>25.2</b>
	Tax Revenue	25,134.5	115,516.2	31,413.0	29,138.83	15.9	(7.2)	25.2
	Direct tax	4,713.0	29,934.6	10,227.8	6,232.05	32.2	(39.1)	20.8
	Indirect tax	20,421.5	85,581.5	21,185.2	22,906.78	12.2	8.1	26.8
	Non-Tax Revenue	917.9	7,536.9	4,296.0	1,853.71	102.0	(56.9)	24.6
1.2	Grant & Relief	1,826.9	4,134.7	1,862.1	-	-	-	-
2	<b>Current Expenditure</b>	<b>6,862.4</b>	<b>42,279.8</b>	<b>8,546.2</b>	<b>8,221.06</b>	<b>19.8</b>	<b>(3.8)</b>	<b>19.4</b>
3	Current Surplus/Deficit							
	Including Grants	21,016.9	84,907.9	29,024.9	22,771.5	8.3	(21.5)	26.8
	Excluding Grants	19,190.0	80,773.2	27,162.8	22,771.5	18.7	(16.2)	28.2
4	Capital Expenditure	12,522.9	54,823.1	16,259.9	12,607.76	0.7	(22.5)	23.0
5	Regional Transfers	13,971.0	65,958.4	21,476.9	11,033.07	(21.0)	(48.6)	16.7
6	<b>Total Expenditure (2+4+5)</b>	<b>33,356.3</b>	<b>163,061.3</b>	<b>46,283.0</b>	<b>31,861.9</b>	<b>(4.5)</b>	<b>(31.2)</b>	<b>19.5</b>
7	Overall Surplus/Deficit							
	Including Grants	(5,477.0)	(35,873.5)	(8,711.9)	(869.4)	(84.1)	(90.0)	2.4
	Excluding Grants	(7,303.9)	(40,008.2)	(10,574.0)	(869.4)	(88.1)	(91.8)	2.2
8	<b>Total Financing</b>	<b>5,477.0</b>	<b>35,873.5</b>	<b>8,711.8</b>	<b>869.4</b>	<b>(84.1)</b>	<b>(90.0)</b>	<b>2.4</b>
8.1	<b>Net External Borrowings</b>	<b>3,079.4</b>	<b>15,232.1</b>	<b>6,233.6</b>	<b>5,223.75</b>	<b>69.6</b>	<b>(16.2)</b>	<b>34.3</b>
	External Borrowing	3,285.4	11,733.2	6,645.1	1,843.88	(43.9)	(72.3)	15.7
	Amortization	206.0	2,208.9	604.4	299.21	45.3	(50.5)	13.5
8.2	<b>Net Domestic Borrowings</b>	<b>11,837.2</b>	<b>20,641.4</b>	<b>10,200.1</b>	<b>4,312.77</b>	<b>(63.6)</b>	<b>(57.7)</b>	<b>20.9</b>
	Banking System	6,145.7	-	10,243.4	4,312.77	(29.8)	(57.9)	
	Non-Bank Sources	5,691.5	-	(43.3)	-			
8.3	<b>Privatization receipts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>485.00</b>			
8.4	<b>Others and Residuals</b>	<b>(9,439.6)</b>		<b>(7,721.9)</b>	<b>(9,152.17)</b>	<b>(3.0)</b>	<b>18.5</b>	

Source: Ministry of Finance and Economic Development

## **6.1 Revenue and Grant**

Birr 30.9 billion revenue was collected during the review quarter exclusively from domestic sources. Total domestic revenue grew by 19 percent over last year same period (Table 6.2).

Out of the Birr 30.9 billion total revenue, tax revenue accounted for 94 percent and non-tax revenue 6 percent. There was no grant and relief during the review period (Table 6.2).

Table 6.2: Summary of Federal Government Revenue by Component

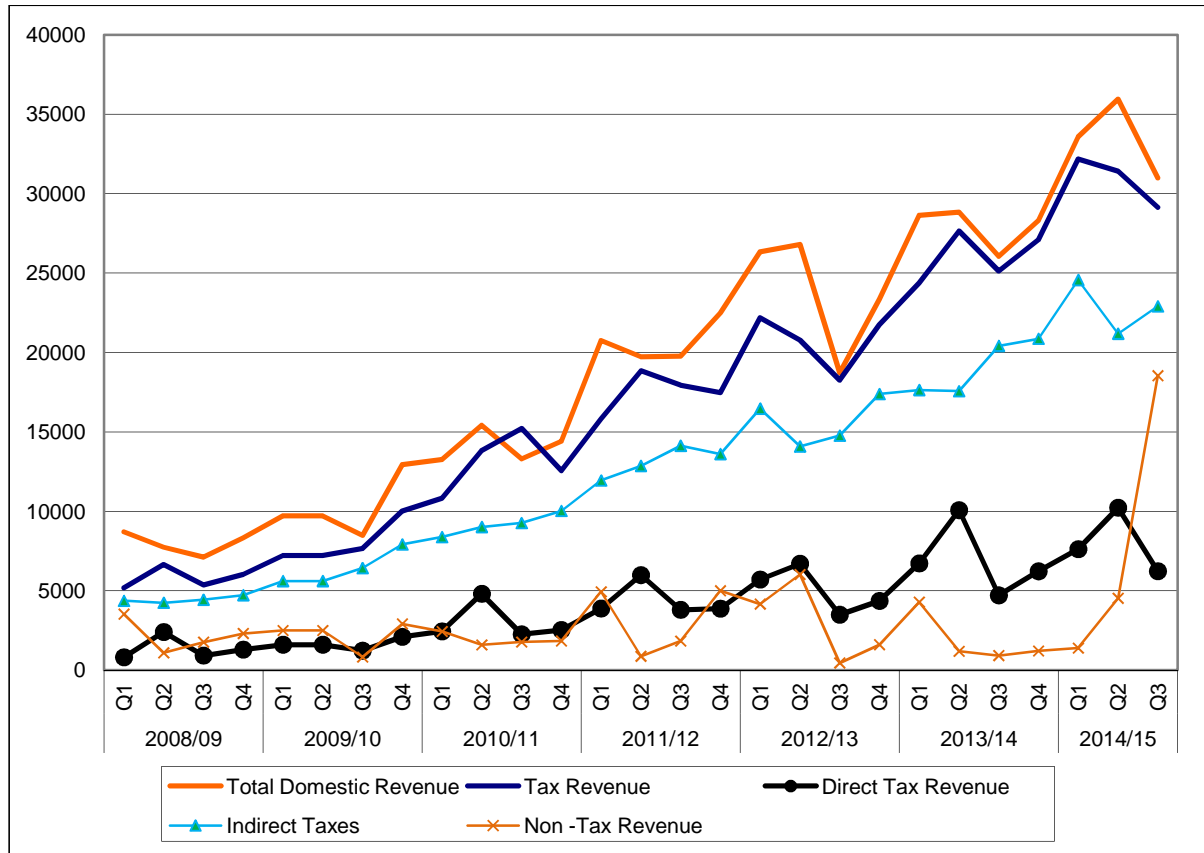
(In Millions of Birr)

No	Particulars	2013/14	2014/15			Percentage Change		Performance Rate
		QIII	Budget	QII	QIII			
		A	B	C	D	[D/A]	[D/C]	[D/B]
	<b>Total Revenue and Grants</b>	<b>27,879.3</b>	<b>127,116.7</b>	<b>37,571.2</b>	<b>30,992.5</b>	<b>11.2</b>	<b>(17.5)</b>	<b>24.4</b>
	<b>Total Domestic Revenue</b>	<b>26,052.4</b>	<b>122,982.0</b>	<b>35,709.1</b>	<b>30,992.5</b>	<b>19.0</b>	<b>(13.2)</b>	<b>25.2</b>
1	<b>Tax Revenue</b>	<b>25,134.5</b>	<b>115,445.1</b>	<b>31,413.1</b>	<b>29,138.8</b>	<b>15.9</b>	<b>(7.2)</b>	<b>25.2</b>
1.1	Direct Tax Revenue	4,713.0	29,934.6	10,227.9	6,232.1	32.2	(39.1)	20.8
1.1.1	Income Taxes	3,684.1	26,505.4	8,999.1	5,138.8	39.5	(42.9)	19.4
	- Personal	871.7	3,520.6	1,269.1	1,287.9	47.8	1.5	36.6
	- Business	2,812.5	22,984.8	7,730.1	3,850.9	36.9	(50.2)	16.8
1.1.2	Others <sup>1</sup>	1,028.8	3,429.2	1,228.7	1,093.2	6.3	(11.0)	31.9
1.2	Indirect Taxes	20,421.5	85,510.5	21,185.2	22,906.8	12.2	8.1	26.8
1.2.1	Domestic Taxes	9,373.2	30,249.2	8,162.8	10,185.4	8.7	24.8	33.7
1.2.2	Foreign Trade Taxes	11,048.3	55,261.3	13,022.4	12,721.4	15.1	(2.3)	23.0
	- Import	11,048.3	55,261.3	13,022.4	12,721.4	15.1	(2.3)	23.0
2	<b>Non-Tax Revenue</b>	<b>917.9</b>	<b>7,536.9</b>	<b>4,296.0</b>	<b>1,853.7</b>	<b>102.0</b>	<b>(56.9)</b>	<b>24.6</b>
3	<b>Privatization</b>				<b>485.0</b>			
4	<b>Grants and Relief</b>	<b>1,826.9</b>	<b>4,134.7</b>	<b>1,862.1</b>	-			

Source: Ministry of Finance and Economic Development

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

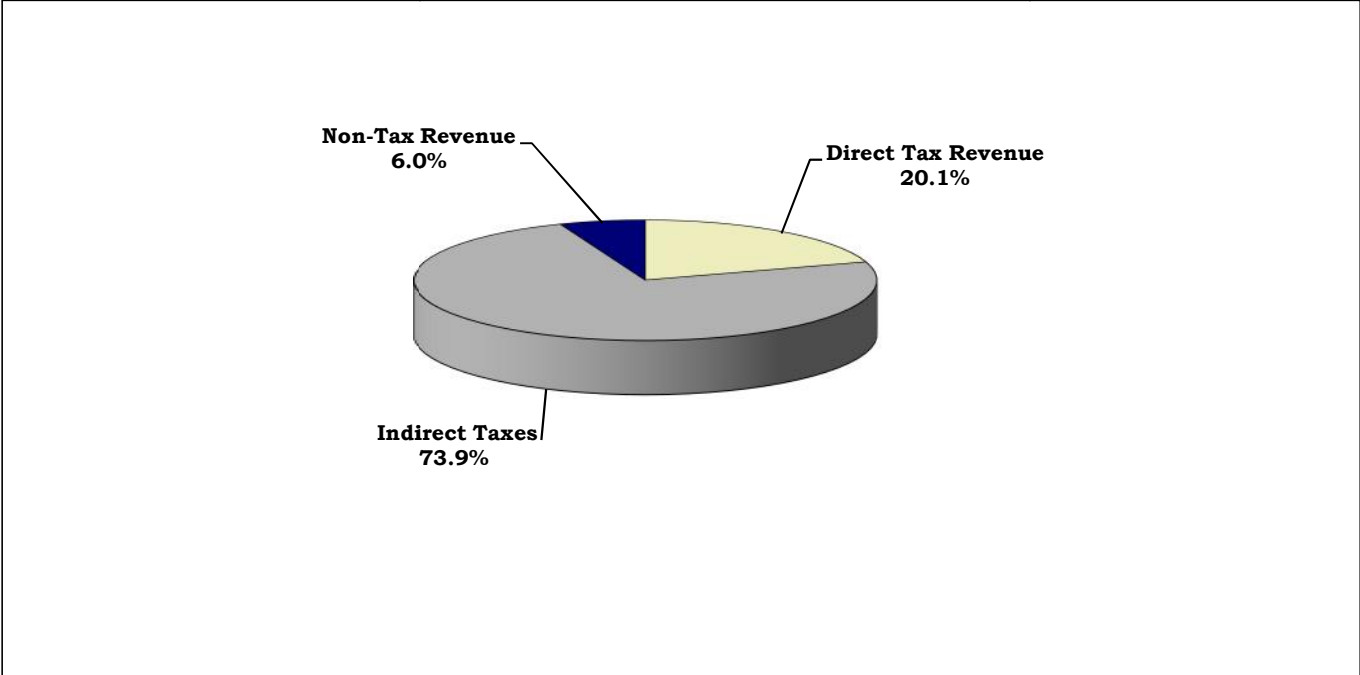
**Fig.VI.1: Quarterly Developments in Major Components of Domestic Revenue of the Federal Government**



Total tax revenue during the review period stood at Birr 29.1 billion showing a 15.9 percent growth over last year same quarter due to the improvements in

both direct and indirect taxes by 32.2 and 12.2 percent, respectively. Total tax revenue performance was 25.2 percent of the annual plan (Table 6.2).

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



## **6.2 Expenditure**

Total government expenditure (including regional transfer) reached Birr 31.8 billion, depicting a 4.5 percent decline over last year same period due to slowdown in regional transfers.

All in all, the quarterly federal government total expenditure performance was 19.5 percent of the

annual plan (Table 6.3).

The recurrent expenditure rose by 19.8 percent annually and stood at Birr 8.2 billion, mainly, on account of increased expenditure for social and debt services.

Likewise, capital expenditure showed a 0.7 percent expansion vis-à-vis the same period.

**Table 6.3: Summary of Federal Government Expenditure by Component****(In millions of Birr)**

No	Particulars	2012/13	2013/14			Percentage Change		Performance Rate
		QIII	Budget	QII	QIII			
		A	B	C	D	[D/A]	[D/C]	[D/B]
	<b>Total Expenditure</b>	<b>33,356.3</b>	<b>163,061.3</b>	<b>46,283.9</b>	<b>31,861.9</b>	<b>(4.5)</b>	<b>(31.2)</b>	<b>19.5</b>
1	<b>Current Expenditure</b>	<b>6,862.4</b>	<b>42,279.8</b>	<b>8,547.2</b>	<b>8,221.1</b>	<b>19.8</b>	<b>(3.8)</b>	<b>19.4</b>
	- General Services	3,647.2	14,056.9	4,173.0	3,618.5	(0.8)	(13.3)	25.7
	- Economic Services	327.0	2,579.4	550.6	365.2	11.7	(33.7)	14.2
	- Social Services	1,762.1	11,430.7	2,969.5	2,820.8	60.1	(5.0)	24.7
	- Debt Service	1,126.1	14,212.8	854.1	1,416.5	25.8	65.9	10.0
2	<b>Capital Expenditure</b>	<b>12,522.9</b>	<b>54,823.1</b>	<b>16,259.8</b>	<b>12,607.8</b>	<b>0.7</b>	<b>(22.5)</b>	<b>23.0</b>
	- Economic Development	9,772.9	38,635.8	10,100.3	8,513.6	(12.9)	(15.7)	22.0
	- Social Development	2,470.4	14,191.2	4,550.2	3,605.7	46.0	(20.8)	25.4
	- General Development	279.5	1,996.0	1,609.3	488.4	74.7	(69.7)	24.5
3	<b>Regional Transfers</b>	<b>13,971.0</b>	<b>65,958.4</b>	<b>21,476.9</b>	<b>11,033.1</b>	<b>(21.0)</b>	<b>(48.6)</b>	<b>16.7</b>

Source: Ministry of Finance and Economic Development



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

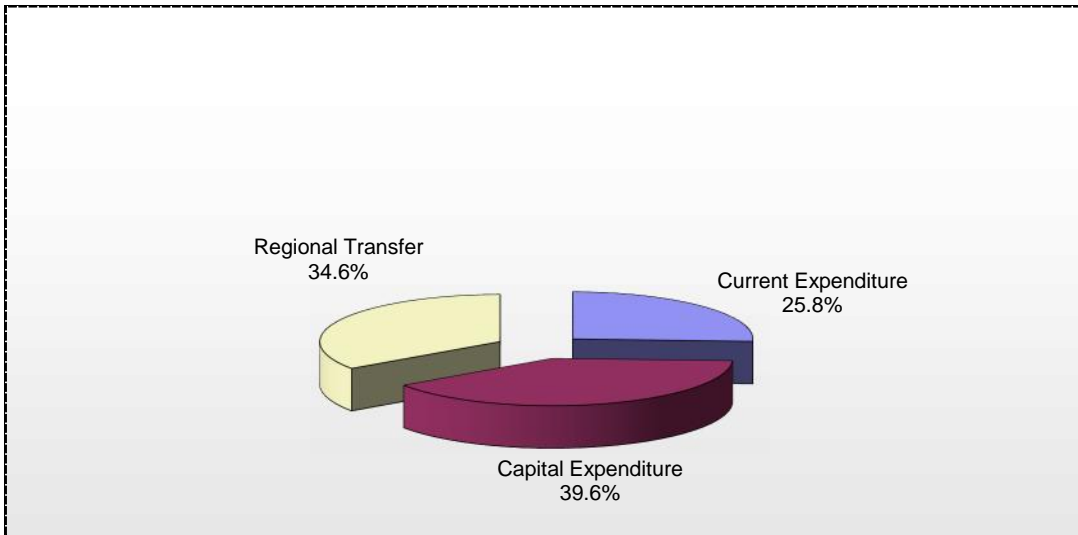
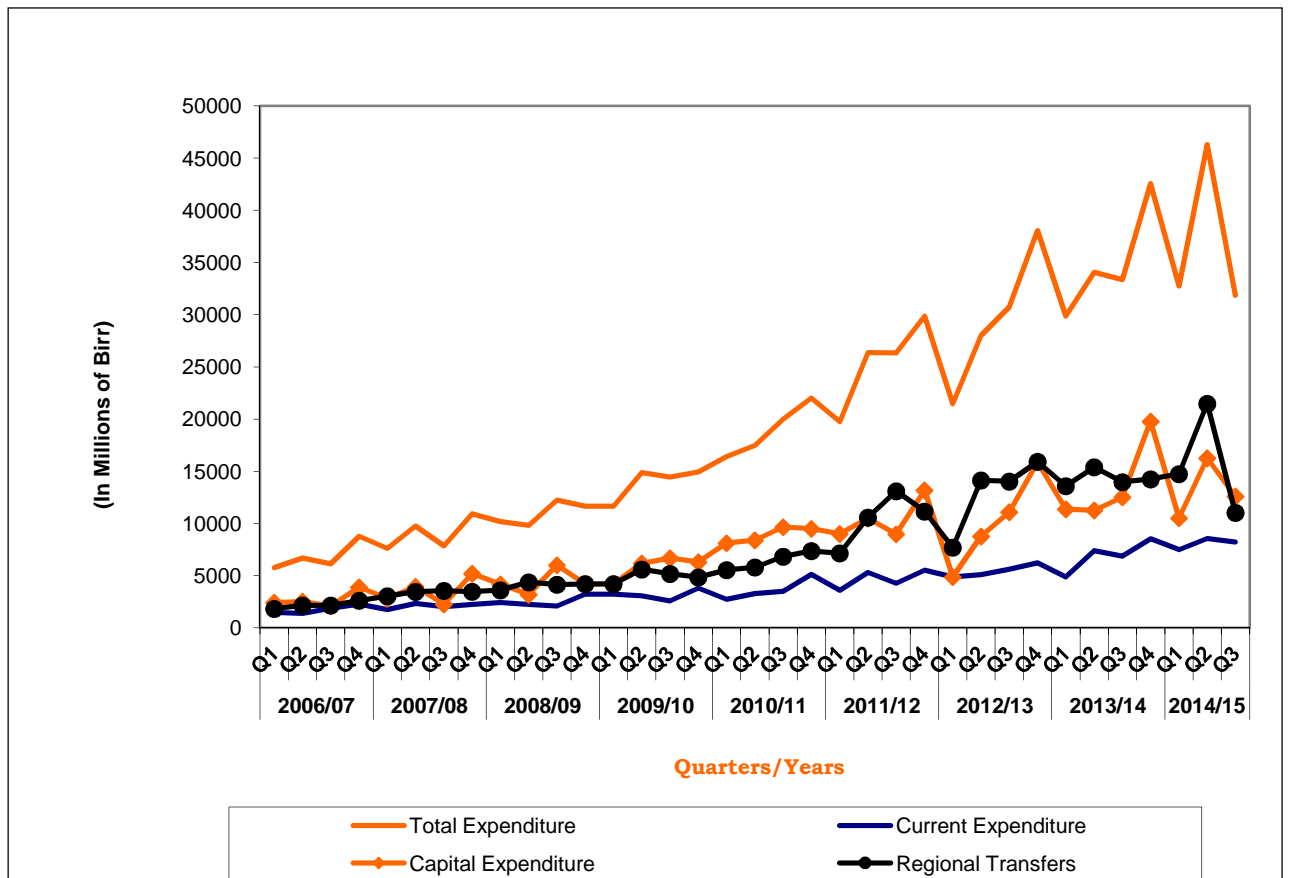


Fig.VI.4: Quarterly Developments in Federal Government Expenditure by components



### **6.3 Deficit Financing**

The fiscal balance of the federal government during the third quarter of 2014/15 recorded Birr 869 million deficit, compared with 5.4 billion deficit last year. The deficit was financed mainly from external and domestic borrowing (Table 6.1).

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

