

VI. FEDERAL GOVERNMENT FINANCE

During the fourth quarter of 2014/15, total revenue and grants of the federal government reached Birr 39.2 billion showing a 26.5 percent growth over last year same period. The performance of total revenue and grants accounted for 30.9 percent of the 2014/15 annual Plan.

Similarly, total expenditure rose robustly by 40.5 percent compared with a year ago and stood at Birr 59.7 billion. The growth in

government expenditure was attributed to an increase in regional transfers (163.8 percent) capital expenditure (48.0 percent) and current expenditure (45.9 percent). The total expenditure constituted 36.7 percent of the annual budget for 2014/15. As a result, the overall fiscal balance (including grants) showed Birr 20.4 billion deficit compared to Birr 11.5 billion deficit a year ago.

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

No	Finer points	2013/14	2014/15			Percentage changes		Performance rate
		A	B	C	D	D/A	D/C	D/B
		QIV	Budget	QIII	QIV			
1	Revenue and Grants	31,036.1	127,187.8	30,992.5	39,272.4	26.5	26.7	30.9
1.1	Total Revenue	28,302.2	123,053.1	30,992.5	39,272.4	38.8	26.7	31.9
	Tax Revenue	27,093.9	115,516.2	29,138.8	33,307.4	22.9	14.3	28.8
	Direct tax	6,227.5	29,934.6	6,232.1	8,518.3	36.8	36.7	28.5
	Indirect tax	20,866.4	85,581.5	22,906.8	24,789.1	18.8	8.2	29.0
	Non-Tax Revenue	1,208.2	7,536.9	1,853.7	5,965.0	393.7	221.8	79.1
1.2	Grant & Relief	2,733.9	4,134.7	-	-			
2	Current Expenditure	8,515.7	42,279.8	8,221.1	11,995.1	40.9	45.9	28.4
3	Current Surplus/Deficit							
	(Including Grants)	22,520.4	84,907.9	22,771.5	27,277.3	21.1	19.8	32.1
	(Excluding Grants)	19,786.5	80,773.2	22,771.5	27,277.3	37.9	19.8	33.8
4	Capital Expenditure	19,780.7	54,823.1	12,607.8	18,663.5	(5.6)	48.0	34.0
5	Regional Transfers	14,242.8	65,958.4	11,033.1	29,110.7	104.4	163.8	44.1
6	Total Expenditure (2+4+5)	42,539.2	163,061.3	31,861.9	59,769.3	40.5	87.6	36.7
7	Overall Surplus/Deficit							
	(Including Grants)	(11,503.1)	(35,873.5)	(869.4)	(20,496.9)	78.2	2,257.7	57.1
	(Excluding Grants)	(14,237.0)	(40,008.2)	(869.4)	(20,496.9)	44.0	2,257.7	51.2
8	Total Financing	11,503.1	35,873.5	869.4	20,496.2	78.2	2,257.7	57.1
8.1	Net External Borrowings	8,579.9	15,232.1	5,223.8	5,329.6	(37.9)	2.0	35.0
	External Borrowing	9,076.2	11,733.2	1,843.9	5,916.7	(34.8)	220.9	50.4
	Amortization	496.3	2,208.9	299.2	623.9	25.7	108.5	28.2
8.2	Net Domestic Borrowings	(2,292.4)	20,641.4	4,312.8	11,200.3	(588.6)	159.7	54.3
	Banking System	(1,174.6)	-	4,312.8	3,534.4	(400.9)	(18.0)	
	Non-Bank Sources	(1,117.8)	-	-	7,665.9	(785.8)		
8.3	Privatization receipts	-	-	485.0	-			
8.4	Others and Residuals	5,215.6		(9,152.2)	3,966.3	(24.0)	(143.3)	

Source: Ministry of Finance and Economic Development

6.1. Revenue and Grants

During the review quarter, a total of Birr 39.3 billion revenue was obtained. Total domestic revenue grew by 38.8 percent vis-a-vis last year same period and reached Birr 39.2 billion. Of this sum tax revenue

constituted 84.8 percent and non-tax revenues 15.2 percent. There were no grants and relief during the review period (Table 6.2).

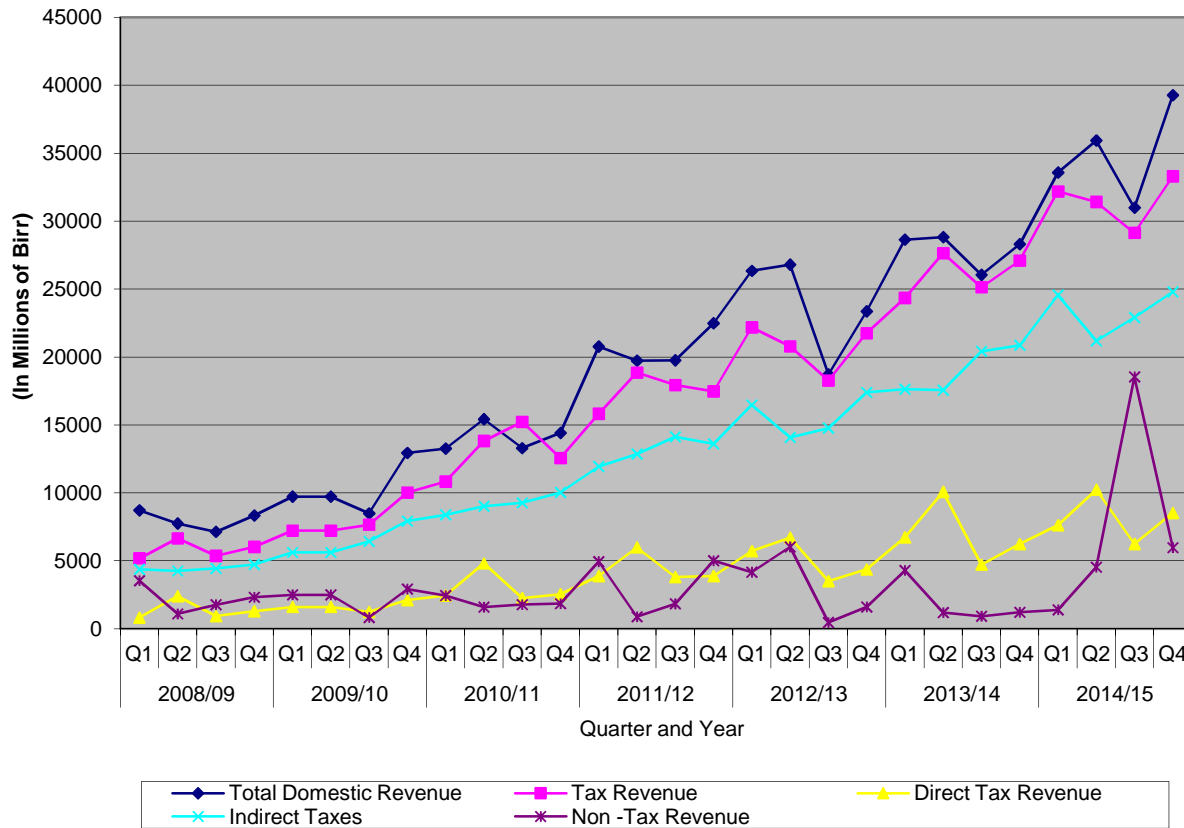
Table 6.2 Summary of Federal Government Revenue by Component
(In Millions Birr)

No	Particulars	2013/14	2014/15			Percentage Change		Performance Rate
		QIV	Budget	QIII	QIV			
		A	B	C	D	[D/A]	[D/C]	[D/B]
	Total Revenue and Grants	31,036.1	127,116.7	30,992.5	39,272.4	26.5	26.7	30.9
	Total Domestic Revenue	28,302.2	122,982.0	30,992.5	39,272.4	38.8	26.7	31.9
1	Tax Revenue	27,093.9	115,445.1	29,138.8	33,307.4	22.9	14.3	28.9
1.1	Direct Tax Revenue	6,227.5	29,934.6	6,232.1	8,518.3	36.8	36.7	28.5
1.1.1	Income Taxes	5,310.2	26,505.4	5,138.8	7,449.2	40.3	45.0	28.1
	- Personal	1,082.9	3,520.6	1,287.9	1,438.7	32.9	11.7	40.9
	- Business	4,227.4	22,984.8	3,850.9	6,010.5	42.2	56.1	26.1
1.1.2	Others ¹	917.3	3,429.2	1,093.2	1,069.1	16.6	(2.2)	31.2
1.2	Indirect Taxes	20,866.4	85,510.5	22,906.8	24,789.1	18.8	8.2	29.0
1.2.1	Domestic Taxes	9,124.2	30,249.2	10,185.4	11,956.2	31.0	17.4	39.5
1.2.2	Foreign Trade Taxes	11,742.2	55,261.3	12,721.4	12,832.9	9.3	0.9	23.2
	- Import	11,742.2	55,261.3	12,721.4	12,832.9	9.3	0.9	23.2
2	Non-Tax Revenue	1,208.2	7,536.9	1,853.7	5,965.0	393.7	221.8	79.1
3	Privatization			485.0				
4	Grants and Relief	2,733.9	4,134.7	-				

Source: Ministry of Finance and Economic Development

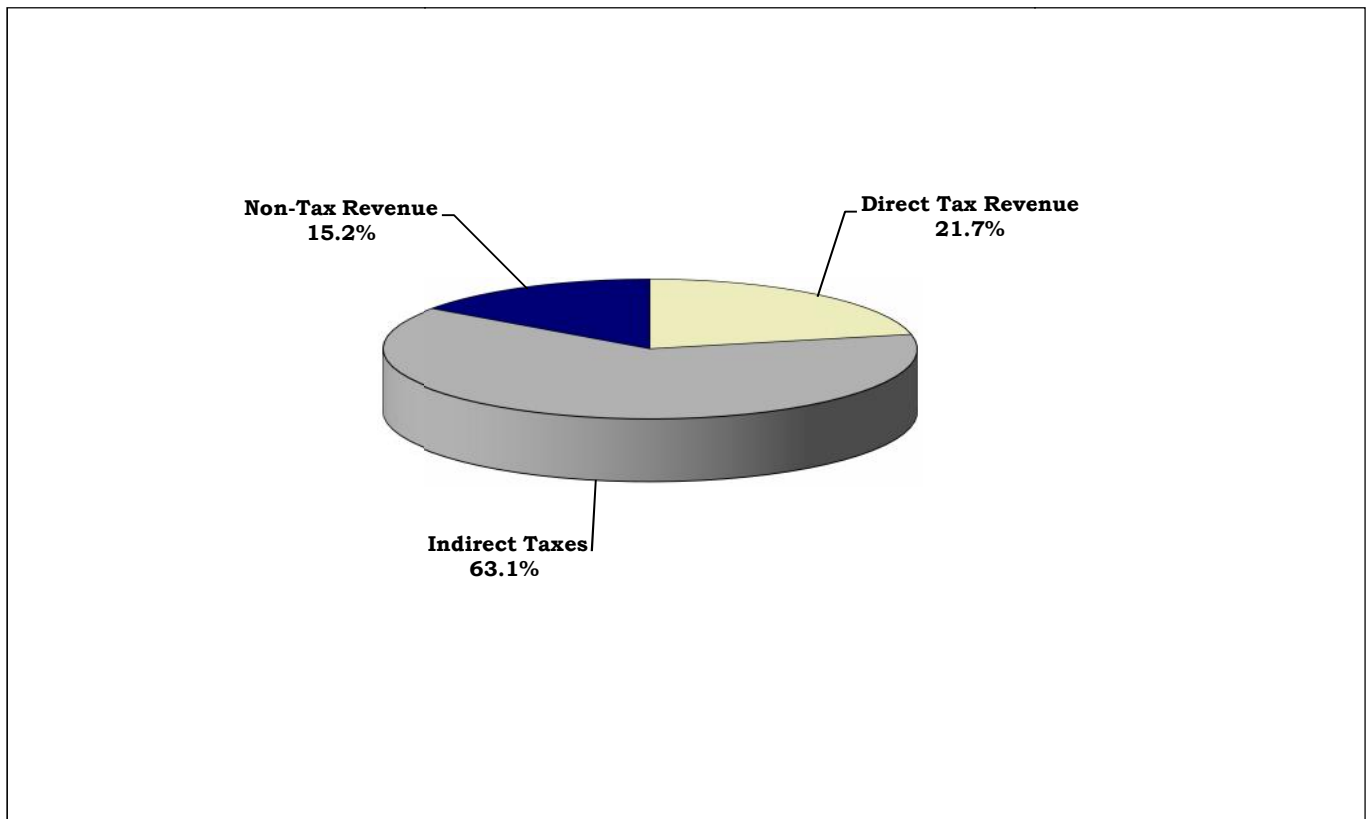
1/ Includes withholding tax on import, tax on dividend, royalty and interest income

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



Tax revenue at Birr 33.3 billion increased by 22.9 percent compared with a year ago while indirect tax revenue reached Birr 24.79 billion, accounting for 74.4 percent of total tax revenue and showed a 18.8 percent growth over last year. This was largely due

to higher revenues from foreign trade taxes. Direct tax revenue, which mostly comprises of personal and business income tax, reached Birr 8.5 billion, depicting a 36.8 percent quarter-on quarter growth.

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

6.2. Expenditure

Total Federal government expenditure, including regional transfers, stood at Birr 59.7 billion during the period under review showing a 40.5 percent increase compared to a year ago. Out of the total expenditure, Birr 11.9 billion (or 20.1 percent) went to finance current expenditure, Birr 18.6 billion

(or 31.2 percent) to capital expenditure and Birr 29.1 billion (or 48.7 percent) to regional transfers (Table 6.3).

Year-on-year basis, recurrent expenditures surged by 40.9 percent while capital expenditure declined by 5.6 percent.

Tale 6.3 Summary of Federal Government Expenditure by components**(In Millions of Birr)**

No	Particulars	2013/14	2014/15			Percentage Change		Performance Rate
		QIV	Budget	QIII	QIV			
		[A]	[B]	[C]	[D]	[D/A]	[D/C]	[D/B]
	Total Expenditure	42,539.2	163,061.3	31,861.9	59,769.3	40.5	87.6	36.7
1	Current Expenditure	8,515.7	42,279.8	8,221.1	11,995.1	40.9	45.9	28.4
	- General Services	3,844.3	14,056.9	3,618.5	4,941.6	28.5	36.6	35.2
	- Economic Services	456.4	2,579.4	365.2	561.5	23.0	53.7	21.8
	- Social Services	2,728.3	11,430.7	2,820.8	4,548.6	66.7	61.2	39.8
	- Debt Service	1,486.7	14,212.8	1,416.5	1,943.5	30.7	37.2	13.7
2	Capital Expenditure	19,780.7	54,823.1	12,607.8	18,663.5	(5.6)	48.0	34.0
	- Economic Development	11,534.8	38,635.8	8,513.6	11,438.6	(0.8)	34.4	29.6
	- Social Development	6,449.2	14,191.2	3,605.7	5,128.1	(20.5)	42.2	36.1
	- General Development	1,796.7	1,996.0	488.4	2,096.8	16.7	329.3	105.0
3	Regional Transfers	14,242.8	65,958.4	11,033.1	29,110.7	104.4	163.8	44.1

Source: Ministry of Finance and Economic Development

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

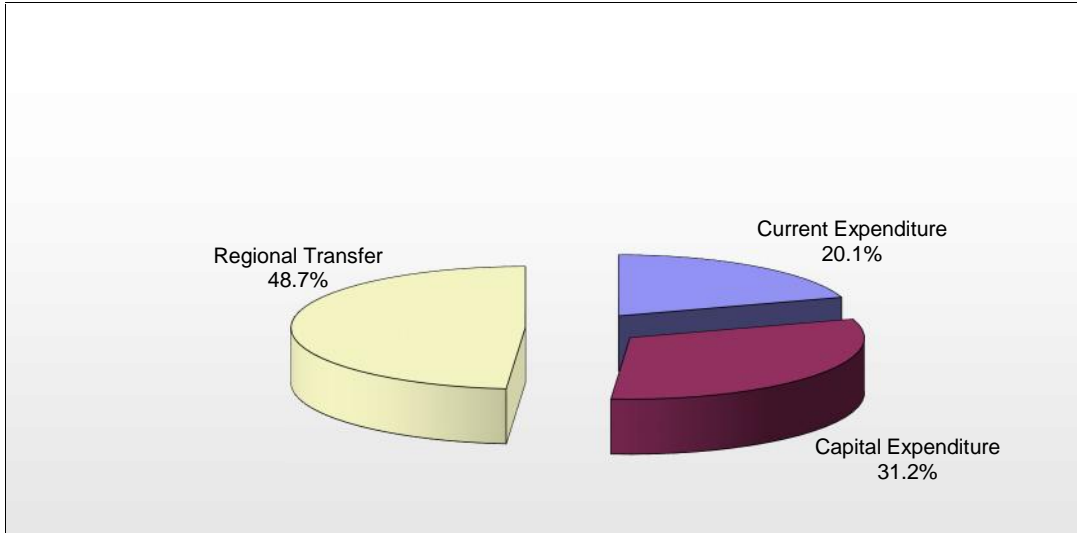
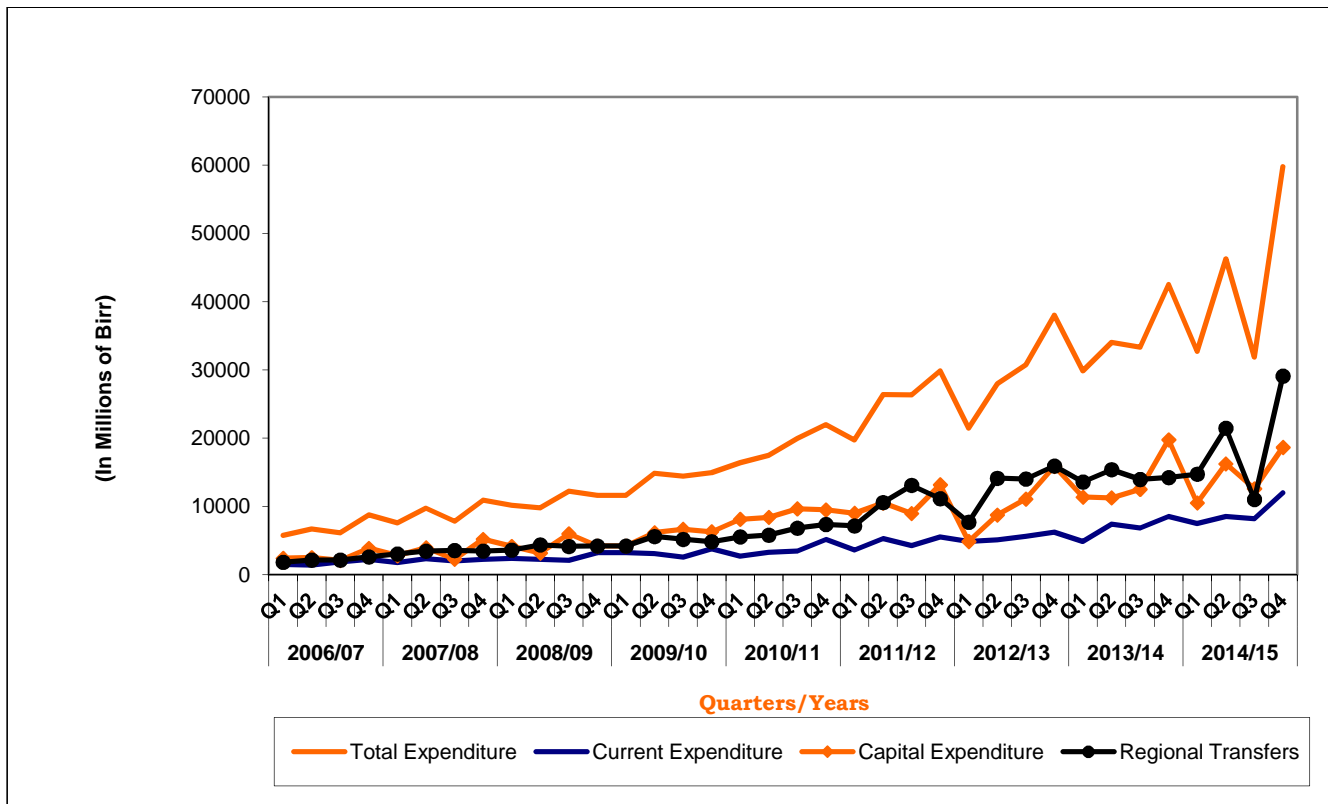


Fig.VI.4 Quarterly Development in Federal Government Expenditure by Components



6.3. Deficit Financing

During the review period, Federal government budgetary operations, resulted in Birr 20.4 billion deficit which was about 78.2 percent higher than that of year earlier as total revenue growth

fell far behind expenditure growth.

The deficit was financed by net external borrowing, net domestic borrowing and others & residuals.

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

