

## **VII. FEDERAL GOVERNMENT FINANCE**

In the second quarter, total revenues and grants collected by the Federal Government increased by 47.3 percent to Birr 14.97 billion from Birr 10.16 billion in the preceding quarter. Year – on - year basis, however, total revenue and grants rose by 32.7 percent. Quarterly revenue performance was 28.9 percent of the total annual budget (Table VI.1).

On the other hand, Federal Government expenditure depicted a quarterly increase of

17.6 percent to Birr 14.86 billion, largely due to a surge in current expenditure (26.4 percent) and regional transfers (42.8 percent). On annual basis, the increase in government expenditure was 51.6 percent.

Hence, overall fiscal balance (including grants) of the Federal Government was in surplus (Birr 111.9 million), significantly lower than Birr 1,478 million surplus of last year same period.

Table 7.1 Summary of Federal Government Finance

(In Millions of Birr)

No	Particulars	2008/09	2009/10			Percentage Change		Performance Rate
		Qrt.II	Annual Budget	Qrt.I	Qrt.II	[D/C]	[D/A]	[D/B]
		[A]	[B]	[C]	[D]			
1	Revenue and Grants	11,279	51781.0	10161.4	14968.5	47.3	32.7	28.9
1.1	Total Revenue	7,743	42212.0	9715.7	12889.9	32.7	66.5	30.5
	Tax Revenue	6,651	30179.8	7217.6	10413.1	44.3	56.6	34.5
	Non-Tax Revenue	1,092	12032.2	2498.1	2476.8	-0.9	126.8	20.6
1.2	DBS Grant & Relief	3,536	9569.0	445.7	2078.6	366.4	-41.2	21.7
2	Current Expenditure	2,240	13381.0	2434.2	3075.8	26.4	37.3	23.0
3	Current Surplus/Deficit	5,503	28831.0	7281.5	9814.1	34.8	78.3	34.0
4	Capital Expenditure	3,186	22997.6	6275.5	6177.6	-1.6	93.9	26.9
5	Regional Transfers	4,375	19556.0	3924.4	5603.2	42.8	28.1	28.7
6	Total Expenditure (2+4+5)	9,801	55934.6	12634.1	14856.6	17.6	51.6	26.6
7	Overall Surplus/Deficit							
	(Including Grants)	1,478	-4,154	-2,473	111.9	-104.5	-92.4	-2.7
	(Excluding Grants)	-2,058	-13,723	-2,918	-1,967	-32.6	-4.4	14.3
8	Total Financing	-1,478	4,154	2,473	-111.9	-104.5	-92.4	-2.7
8.1	Net External Borrowings	208	3140.0	647.7	872.9	34.8	319.7	27.8
	External Borrowing	318	3594.0	748.9	1052.4	40.5	230.9	29.3
	Special program	0.0	0.0	0.0	0.0			
	Amortization Paid	109	454.0	101.3	179.5	77.2	64.7	39.5
8.2	Net Domestic Borrowings	2,676	1013.6	- 899	-3,442	283.0	28.6	-339.5
	Banking System	2,927	1013.6	-812	-3,945	385.8	34.8	-389.2
	Non-Bank Sources	-251	0.0	- 87	503	-678.2	100.4	
8.3	Privatization receipt	254	0.0	140.7	128.7	-8.5	-49.3	
8.4	Others and Residuals	735	0.3	2582.8	2328.2	-9.9	216.8	776,066.7

Source: MoFED

## 7.1 Revenue and Grants

Total revenue and grants mobilized during the second quarter of 2009/10, reached about Birr 15 billion, of which Birr 12.9 billion (86.1%) was from domestic sources and the rest Birr 2.1 billion (13.9%) from DBS grants & relief. About Birr 10.4 billion or 80.8 percent of the domestic revenue, was

generated from taxes and the remaining Br 2.5 billion or 19.2 percent, from non-taxes. The amount of DBS grant & relief in the quarter amounted to Br 2.1 billion significantly higher than last year same quarter (Table VI.2).

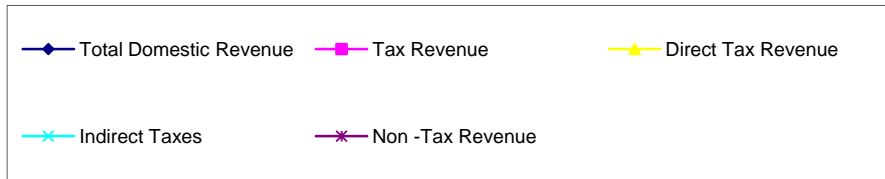
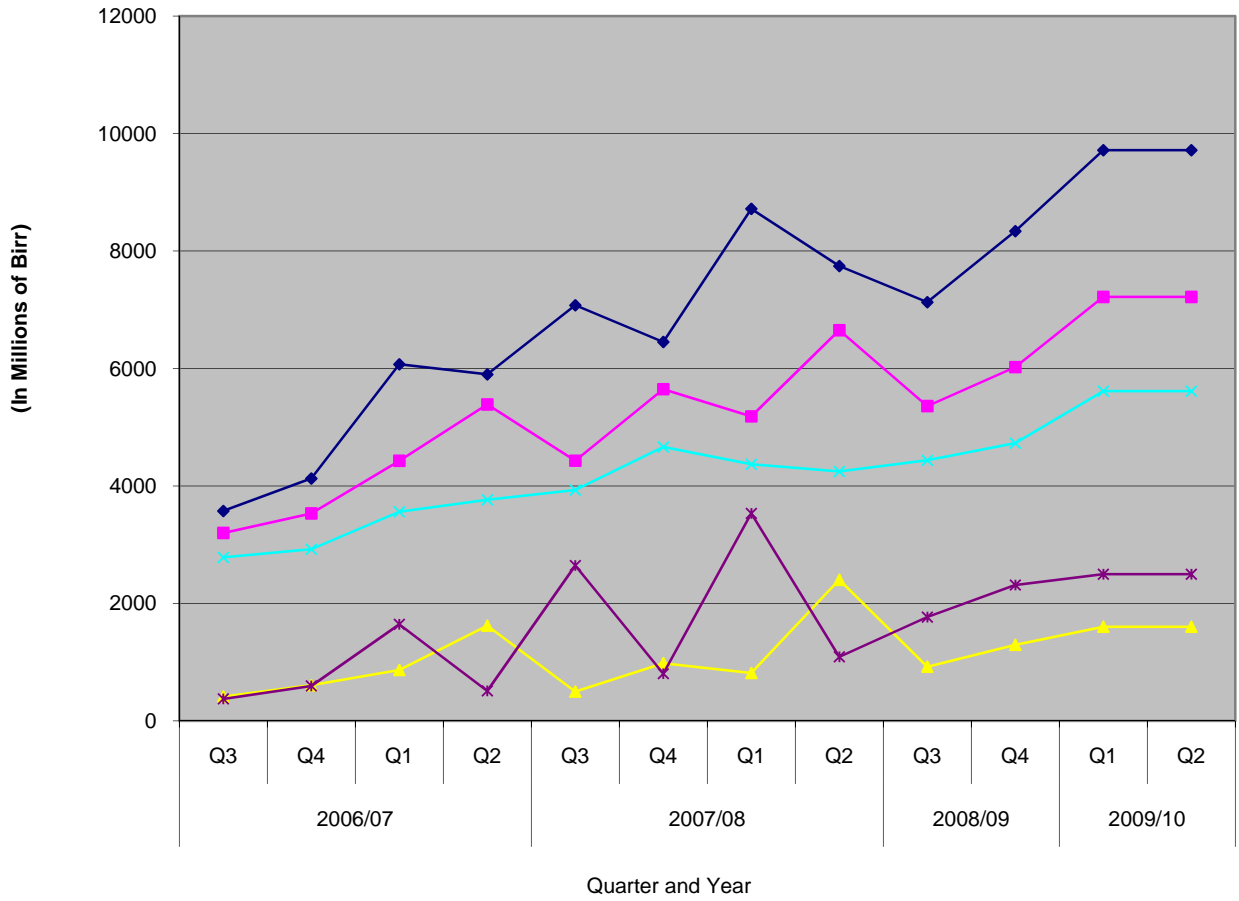
**Table 7. 2 Summary of Federal Government Revenue by Component**

Particulars	2008/09 Qrt.II [A]	2009/10			Percentage Change		Perform ance Rate
		Budget	Qrt.I	Qrt.II			
		[B]	[C]	[D]	[D/C]	[D/A]	[D/B]
<b>Total Revenue and Grants</b>	<b>11279.0</b>	<b>51781.0</b>	<b>10161.4</b>	<b>14968.5</b>	<b>47.3</b>	<b>32.7</b>	<b>28.9</b>
<b>Total Domestic Revenue</b>	<b>7743.0</b>	<b>42212.0</b>	<b>9715.7</b>	<b>12889.9</b>	<b>32.7</b>	<b>66.5</b>	<b>30.5</b>
<b>1 Tax Revenue</b>	<b>6651.0</b>	<b>30179.8</b>	<b>7217.6</b>	<b>10413.1</b>	<b>44.3</b>	<b>56.6</b>	<b>34.5</b>
<b>1.1 Direct Tax Revenue</b>	<b>2403.0</b>	<b>7619.8</b>	<b>1603.4</b>	<b>3867.5</b>	<b>141.2</b>	<b>60.9</b>	<b>50.8</b>
1.1.1 Income Taxes	2227.0	6610.1	1325.2	3644.0	175.0	63.6	55.1
- Personal	241.0	1284.0	299.6	304.6	1.7	26.4	23.7
- Business	1986.0	5326.0	1025.6	3339.3	225.6	68.1	62.7
1.1.2 Others <sup>1</sup>	176.0	1009.8	278.2	223.5	-19.7	27.0	22.1
<b>1.2. Indirect Taxes</b>	<b>4247.0</b>	<b>22560.0</b>	<b>5614.2</b>	<b>6545.7</b>	<b>16.6</b>	<b>54.1</b>	<b>29.0</b>
2. 2.1 Domestic Taxes	1462.0	7518.0	1772.0	2265.9	27.9	55.0	30.1
2. 2.2 Foreign Trade Taxes	2785.0	15042.0	3842.2	4279.8	11.4	53.7	28.5
- Import	2785.0	15042.0	3842.2	4279.8	11.4	53.7	28.5
<b>2. Non-Tax Revenue</b>	<b>1092.0</b>	<b>12032.2</b>	<b>2498.1</b>	<b>2476.8</b>	<b>-0.9</b>	<b>126.8</b>	<b>20.6</b>
O/w Dividend	700.0	5252.0	200.0	451.8	125.9	-35.5	0.0
3.DBs Grant& Relief	<b>3536.0</b>	<b>9569.0</b>	<b>445.7</b>	<b>2078.6</b>	<b>366.4</b>	<b>-41.2</b>	<b>21.7</b>

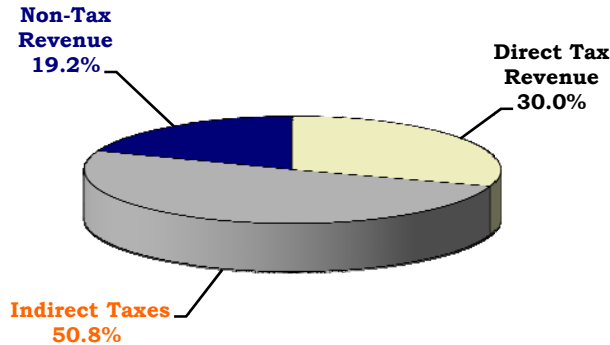
Source: Ministry of Finance and Economic Development [MoFED]

1/ includes withholding tax on import, tax on dividend and interest income

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



**Fig.VII.2 Federal Government's Domestic Revenue by Major Components During the Second Quarter of 2009/10**



As usual, tax revenue mainly originated from indirect taxes, accounting for 50.8 percent of total domestic revenue of the quarter (Fig.6.2). Revenue from indirect

taxes went up by 54.1 percent to Br 6.5 billion compared to last fiscal year. Direct tax revenue also surged by about 61 percent during the same period.

## 7.2.Expenditure

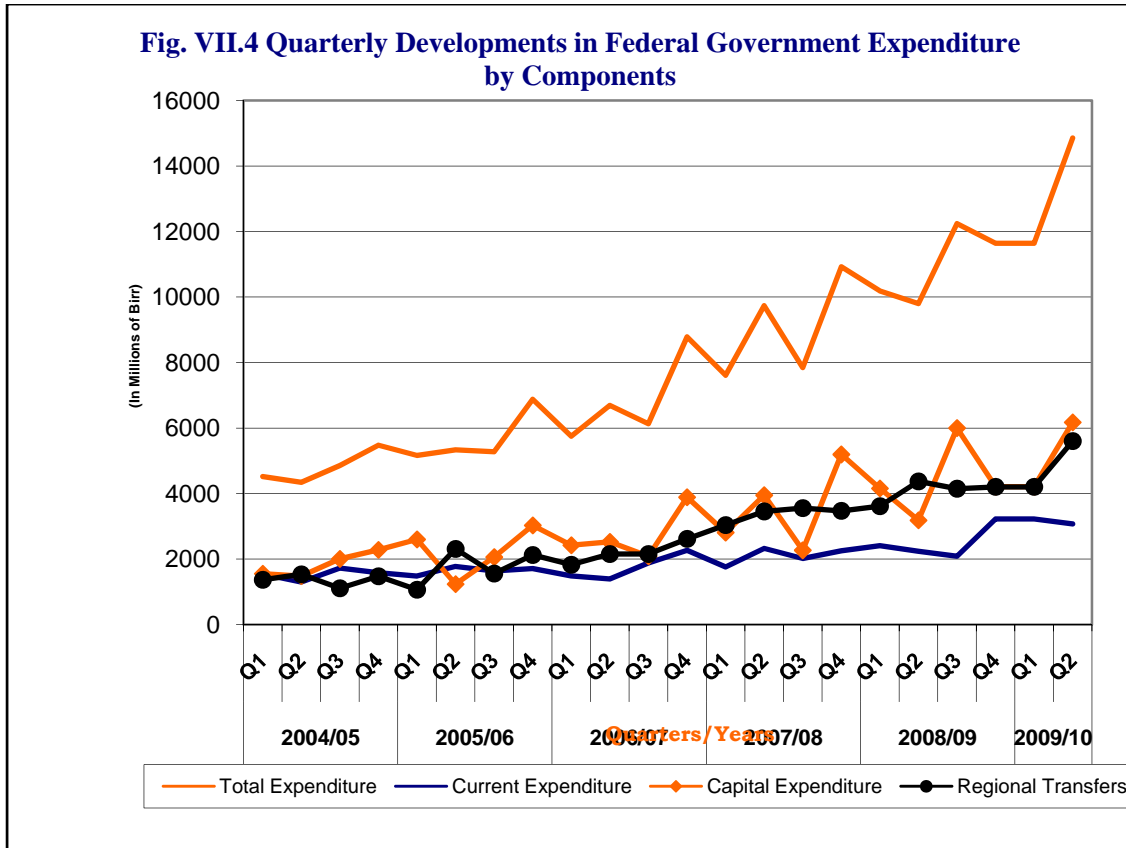
Total Federal Government expenditures (including regional transfers) grew by 51.6 percent year - on - year basis to Birr 14.9 billion, as a result of the rise in all of its components. Current expenditure increased by 37.3 percent to Birr 3.1 billion, which accounted for 20.7 percent of the total

quarterly expenditure. Meanwhile, capital expenditure was Birr 6.2 billion or 41.6 percent of total expenditure and the remaining Br 5.6 billion or 37.7 percent constituted regional transfers, which increased by 28 percent over last year. (Table VI.3).

**Table 7.3 Summary of Federal Government Expenditure by Component**  
(In Millions of Birr)

Particulars	2008/09	2009/10			Percentage Change		Performance Rate
	Qrt.II	Budget	Qrt.I	Qrt.II	[D/C]	[D/A]	[D/B]
	[A]	[B]	[C]	[D]			
<b>Total Expenditure</b>	<b>9801.0</b>	<b>55934.6</b>	<b>12634.2</b>	<b>14856.6</b>	<b>17.6</b>	<b>51.6</b>	<b>26.6</b>
<b>1. Current Expenditure</b>	<b>2240.0</b>	<b>13381.0</b>	<b>2434.3</b>	<b>3075.8</b>	<b>26.4</b>	<b>37.3</b>	<b>23.0</b>
- General Services	1300.0	5782.0	1335.8	1910.5	43.0	47.0	33.0
- Economic Services	111.0	888.0	124.3	139.6	12.3	25.8	15.7
- Social Services	488.0	3068.0	613.9	624.4	1.7	28.0	20.4
- Debt Services	341.0	3643.0	360.3	401.3	11.4	17.7	11.0
- Contingency and other	0.0	0.0	0.0	0.0			
<b>2. Capital Expenditure</b>	<b>3186.0</b>	<b>22997.6</b>	<b>6275.5</b>	<b>6177.6</b>	<b>-1.6</b>	<b>93.9</b>	<b>26.9</b>
- Economic Development	2478.0	17810.6	4400.5	5021.2	14.1	102.6	28.2
- Social Development	638.0	4818.0	1757.3	1106.3	-37.0	73.4	23.0
- General Development	70.0	369.0	117.7	50.1	-57.5	-28.5	13.6
<b>3. Regional Transfers</b>	<b>4375.0</b>	<b>19556.0</b>	<b>3924.4</b>	<b>5603.2</b>	<b>42.8</b>	<b>28.1</b>	<b>28.7</b>

Source:MoFED



### 7.3 Deficit Financing

The Federal Government budget depicted an overall surplus (including grant) of Birr 111.9 million, which was significantly higher than the Birr 2.5 billion deficit exhibited in the preceding quarter, but lower than the surplus of last

year. Accordingly, while net domestic borrowing from non-bank sources declined, external borrowing and borrowing from domestic banking system tended to increase.

**Fig. VII.5 Federal Government Finance during Second Quarter of F.Y 2009/10**

