

## **VI. FEDERAL GOVERNMENT FINANCE**

Total revenue and grant collected by the Federal government during the third quarter of 2011/12 was Birr 21.5 billion which was 29.3 percent higher than a year ago.

The quarterly total revenue performance was 24.0 percent of the annual budget (Table 6.1). On the other hand, Federal

government expenditure was Birr 26.3 billion, up by 31.8 percent compared with last year.

Hence, the overall fiscal balance (including grants) recorded about Birr 4.78 billion in deficit (Table 6.1)

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

No	Particular	2010/11	2011/12			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>16,678.1</b>	<b>89,850.0</b>	<b>21,644.7</b>	<b>21,557.5</b>	29.3	(0.4)	24.0
1.1	<b>Total Revenue</b>	<b>13,293.2</b>	<b>79,161.4</b>	<b>19,725.1</b>	<b>19,761.9</b>	48.7	0.2	25.0
	Tax Revenue	11,522.4	70,000.0	18,847.8	17,928.5	55.6	(4.9)	25.6
	Direct tax	2,258.0	18,560.6	5,985.2	3,801.0	68.3	(36.5)	20.5
	Indirect tax	9,264.4	51,439.4	12,862.6	14,127.4	52.5	9.8	27.5
	Non-Tax Revenue	1,770.9	9,161.4	877.3	1,833.4	3.5	109.0	20.0
1.2	Grant & Relief	3,384.9	10,688.7	1,919.6	1,795.5	(47.0)	(6.5)	16.8
2	Current Expenditure	3,487.7	21,534.9	5,306.7	4,258.3	22.1	(19.8)	19.8
3	Current Surplus/Deficit							
	(Including Grants)	13,190.4	68,315.1	16,338.0	17,299.2	31.2	5.9	25.3
	(Excluding Grants)	9,805.5	57,626.4	14,418.4	15,503.6	58.1	7.5	26.9
4	Capital Expenditure	9,662.1	38,111.5	10,495.1	8,977.4	(7.1)	(14.5)	23.6
5	Regional Transfers	6,829.2	45,555.8	10,578.6	13,102.7	91.9	23.9	28.8
6	<b>Total Expenditure (2+4+5)</b>	<b>19,979.0</b>	<b>105,202.3</b>	<b>26,380.4</b>	<b>26,338.3</b>	31.8	(0.2)	25.0
7	Overall Surplus/Deficit							
	(Including Grants)	(3,300.9)	(15,352.3)	(4,735.7)	(4,780.9)	44.8	1.0	31.1
	(Excluding Grants)	(6,685.8)	(26,040.9)	(6,655.3)	(6,576.4)	(1.6)	(1.2)	25.3
8	<b>Total Financing</b>	<b>3,300.9</b>	<b>15,352.3</b>	<b>4,735.7</b>	<b>4,780.9</b>	44.8	1.0	31.1
8.1	<b>Net External Borrowings</b>	<b>2,571.9</b>	<b>5,377.5</b>	<b>1,725.3</b>	<b>838.3</b>	(67.4)	(51.4)	15.6
	External Borrowing	2,697.7	6,562.6	2,174.1	987.0	(63.4)	(54.6)	15.0
	Amortization	125.8	1,185.1	448.8	148.7	18.3	(66.9)	12.6
8.2	<b>Net Domestic Borrowings</b>	<b>(2,758.8)</b>	<b>9,974.7</b>	<b>58.8</b>	<b>2,580.9</b>	(193.6)	4,289.3	25.9
	Banking System	(3,428.8)	0.0	(1,724.8)	238.8	(107.0)	(113.8)	
	Non-Bank Sources	670.0	0.0	1,783.6	2,342.1	249.6	31.3	
8.3	<b>Privatization receipts</b>	85.1	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	(100.0)		
8.4	<b>Others and Residuals</b>	3,402.7	<b>0.0</b>	<b>2,951.6</b>	<b>1,361.7</b>	(60.0)	(53.9)	

Source: Ministry of Finance and Economic Development

## **6.1. Revenue and Grants**

During the review period, Birr 21.55 billion revenue was mobilized of which Birr 19.76 billion (91.67 percent) was from domestic sources and the rest (Birr 1.79 million or 8.33 percent) from grants & relief. In contrast to last year domestic revenue increased by 48.7 percent while grants fell by 47 percent during the review quarter.

Tax revenue, which contributed 90.7 percent to domestic revenue, reached Birr 17.92 billion showing 55.6 annual growth. The yearly increment in tax revenue was mainly due to government's effort to broaden the tax base and enhance tax collection. Non-tax revenue comprising 9.27 percent of the total domestic revenue improved to Birr 1.8 billion (Table 6.2).

**Table 6.2: Summary of Federal Government Revenue by Component**

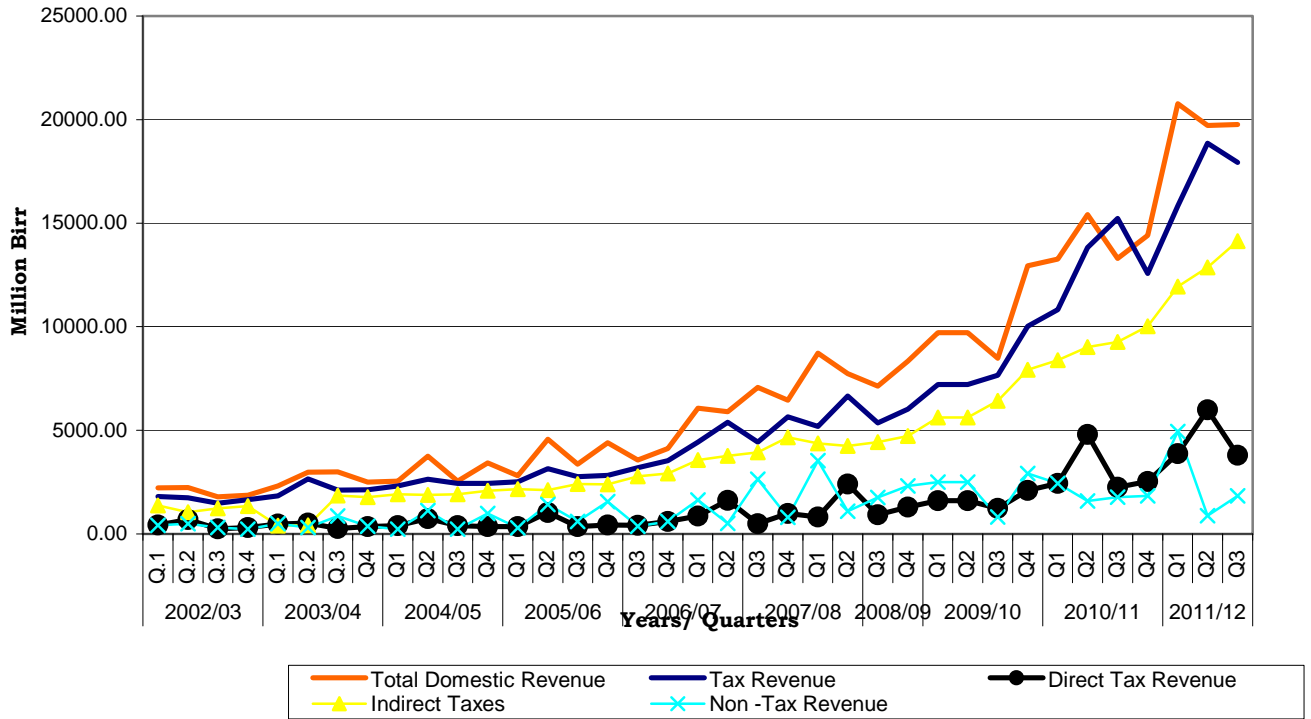
(In Millions of Birr)

No	Particulars	2010/11	2011/12			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>16,678.10</b>	<b>89,850.04</b>	<b>21,644.73</b>	<b>21,557.47</b>	<b>29.26</b>	<b>(0.40)</b>	<b>23.99</b>
	<b>Total Domestic Revenue</b>	<b>13,293.23</b>	<b>79,161.37</b>	<b>19,725.09</b>	<b>19,761.92</b>	<b>48.66</b>	<b>0.19</b>	<b>24.96</b>
1	<b>Tax Revenue</b>	<b>11,522.36</b>	<b>70,000.00</b>	<b>18,847.82</b>	<b>17,928.48</b>	<b>55.60</b>	<b>(4.88)</b>	<b>25.61</b>
1.1	Direct Tax Revenue	2,258.00	18,560.59	5,985.23	3,801.04	68.34	(36.49)	20.48
1.1.1	Income Taxes	1,499.24	16,305.17	5,470.01	2,934.84	95.76	(46.35)	18.00
	-Personal	400.75	2,468.99	719.04	478.56	19.42	(33.45)	19.38
	- Business	1,098.49	13,836.17	4,750.97	2,456.28	123.61	(48.30)	17.75
1.1.2	Others <sup>1</sup>	758.76	2,255.43	515.22	866.20	14.16	68.12	38.41
1.2	Indirect Taxes	9,264.36	51,439.41	12,862.59	14,127.44	52.49	9.83	27.46
1.2.1	Domestic Taxes	3,156.78	18,539.46	3,898.07	4,810.69	52.39	23.41	25.95
1.2.2	Foreign Trade Taxes	6,107.58	32,899.94	8,964.52	9,316.76	52.54	3.93	28.32
	- Import	6,107.58	32,899.94	8,964.52	9,316.76	52.54	3.93	28.32
2	<b>Non-Tax Revenue</b>	<b>1,770.87</b>	<b>9,161.37</b>	<b>877.27</b>	<b>1,833.44</b>	<b>3.53</b>	<b>108.99</b>	<b>20.01</b>
3	<b>Privatization</b>	<b>85.09</b>	-	-	-	<b>(100.00)</b>		
4	<b>Grants and Relief</b>	<b>3,384.87</b>	<b>10,688.67</b>	<b>1,919.63</b>	<b>1,795.55</b>	<b>(46.95)</b>	<b>(6.46)</b>	<b>16.80</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



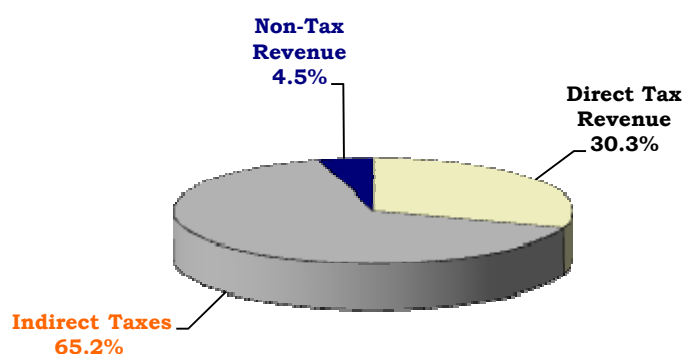
Direct tax revenue grew 68.34 percent to Birr 3.8 billion, due to 95.76 percent annual rise in income tax, mainly from

businesses. Income tax constituted 77.21 percent of the direct tax.

Looking at the source of tax revenue, the about 78.8 percent of domestic tax revenue was from indirect taxes followed by direct taxes (21.20 percent) (Fig VI.2).

Revenue from indirect taxes revenue also went up 52.5 percent to Br 14.12 billion due to better revenue collection from domestic and foreign trade taxes.

**Fig.VI.2 Domestic Revenue by Major Components During the Thrid Quarter of 2011/12**



## 7.2. Expenditure

Under the review quarter, total Federal government expenditures (including regional transfers) stood at Birr 26.33 billion, showing 31.83 percent annual growth on account of higher current expenditure and regional transfers.

Mean while, capital expenditure, which amounted to Birr 8.97 billion fell by 7.1

percent compared to a year ago, as a result of lower expenditure on economic and general development (Table 6.3).

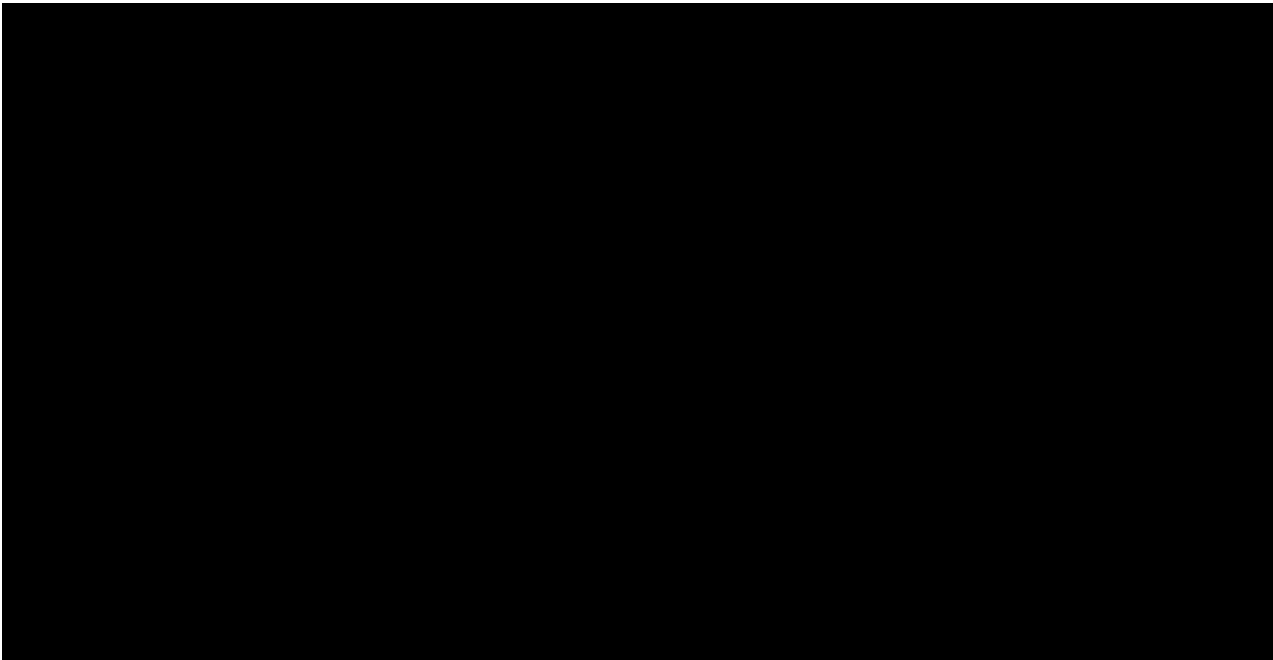
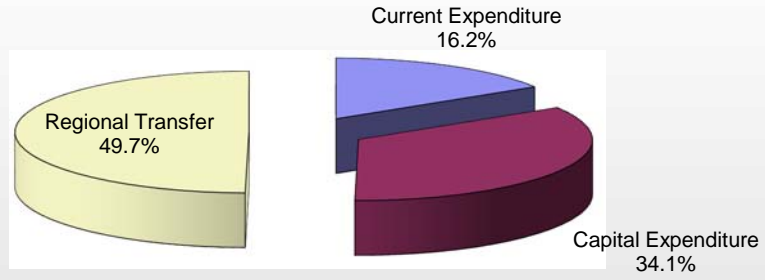
Of the total expenditures during the stated period 49.74 percent went to regional transfers followed by capital (34.08 percent) and current expenditure (16.18 percent).

**Table 6.3. Summary of Federal Government Expenditure by Component**  
(In Millions Of Birr)

No	Particulars	2010/11	2011/12			Percentage Change		Perf. Rate
		QIII	Budget	QII	QIII			
		[A]	[B]	[C]	[D]	[D/A]	[D/C]	[D/B]
	<b>Total Expenditure</b>	<b>19,978.98</b>	<b>105,202.30</b>	<b>26,380.39</b>	<b>26,338.32</b>	<b>31.83</b>	<b>(0.16)</b>	<b>25.04</b>
1	<b>Current Expenditure</b>	<b>3,487.73</b>	<b>21,534.95</b>	<b>5,306.69</b>	<b>4,258.27</b>	<b>22.09</b>	<b>(19.76)</b>	<b>19.77</b>
	- General Services	2,012.38	9,643.05	3,351.79	2,431.41	20.82	(27.46)	25.21
	- Economic Services	143.79	1,495.89	210.25	207.58	44.36	(1.27)	13.88
	- Social Services	835.44	5,367.26	1,152.05	1,108.60	32.70	(3.77)	20.65
	- Debt Service	496.11	5,028.75	592.60	510.68	2.94	(13.82)	10.16
2	<b>Capital Expenditure</b>	<b>9,662.05</b>	<b>38,111.55</b>	<b>10,495.07</b>	<b>8,977.36</b>	<b>(7.09)</b>	<b>(14.46)</b>	<b>23.56</b>
	- Economic Development	7,673.20	27,958.15	8,108.84	6,573.76	(14.33)	(18.93)	23.51
	- Social Development	1,833.53	9,259.18	2,232.00	2,265.05	23.53	1.48	24.46
	- General Development	155.32	894.22	154.23	138.55	(10.80)	(10.17)	15.49
3	<b>Regional Transfers</b>	<b>6,829.20</b>	<b>45,555.80</b>	<b>10,578.64</b>	<b>13,102.69</b>	<b>91.86</b>	<b>23.86</b>	<b>28.76</b>

Source: Ministry of Finance and Economic Development

**Fig VI.3: Major Components of Federal Government Expenditure During the Thrid Quarter of 2011/12**





### 6.3. Deficit Financing

The Federal government fiscal operations (including grants) depicted an overall deficit of Birr 4.78 billion which was 45% higher than that of a year ago.

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

