

VI. FEDERAL GOVERNMENT FINANCE

During The fourth quarter of 2011/12 total revenue and grants went up to Birr 23.6 billion, 9.5 percent higher than in the preceding quarter. Similarly, year on year basis, total revenue and grants went up by 20.6 percent. The quarterly total revenue performance was 26.3 percent of the annual budget. Similarly, the quarterly federal government expenditure picked up to Birr

29.9 billion from Birr 26.6 billion in the preceding quarter. It also increased by 35.7 percent on annual terms.

Hence, overall fiscal balance (including grants) showed an over all deficit of Birr 6.3 billion during the review quarter compared to a deficit of Birr 4780.9 million in the preceding quarter (Table 6.1).

6.1 Revenue and Grants

Of the total Birr 23.6 billion revenue and grants mobilized during the review quarter, 95.3 percent came from domestic sources and the remaining from grants and relief.

The shares of tax and non tax revenue in total domestic revenue were 77.7 and 22.3, respectively.

Grants and relief in the review quarter was dropped by 78.4 percent as compared to the same period of last fiscal year.

Table 6.1 Summary of Quarterly Federal Government Finance (in millions of Birr)

No	Particulars	2010/11	2011/12			Percentage changes		Performance rate
		A	B	C	D	D/A	D/C	D/B
		QIV	Budget	QIII	QIV			
1	Revenue and Grants	19,570.5	89,850.0	21,557.5	23,596.8	20.6	9.5	26.3
1.1	Total Revenue	14,403.2	79,161.4	19,761.9	22,482.1	56.1	13.8	28.4
	Tax Revenue	12,562.9	70,000.0	17,928.5	17,478.6	39.1	(2.5)	25.0
	Direct tax	2,534.2	18,560.6	3,801.0	3,873.9	52.9	1.9	20.9
	Indirect tax	10,028.6	51,439.4	14,127.4	13,604.6	35.7	(3.7)	26.4
	Non-Tax Revenue	1,840.3	9,161.4	1,833.4	5,003.6	171.9	172.9	54.6
1.2	Grant & Relief	5,167.3	10,688.7	1,795.5	1,114.7	(78.4)	(37.9)	10.4
2	Current Expenditure	5,136.3	21,534.9	4,258.3	5,518.5	7.4	29.6	25.6
3	Current Surplus/Deficit				-			
	(Including Grants)	14,434.2	68,315.1	17,299.2	18,078.4	25.2	4.5	26.5
	(Excluding Grants)	9,266.9	57,626.4	15,503.6	16,963.7	83.1	9.4	29.4
4	Capital Expenditure	9,496.8	38,111.5	8,977.4	13,179.0	38.8	46.8	34.6
5	Regional Transfers	7,373.4	45,555.8	13,102.7	11,157.8	51.3	(14.8)	24.5
6	Total Expenditure (2+4+5)	22,006.5	105,202.3	26,338.3	29,855.3	35.7	13.4	28.4
7	Overall Surplus/Deficit							
	(Including Grants)	(2,436.0)	(15,352.3)	(4,780.9)	(6,258.5)	156.9	30.9	40.8
	(Excluding Grants)	(7,603.3)	(26,040.9)	(6,576.4)	(7,373.2)	(3.0)	12.1	28.3
8	Total Financing	2,436.0	15,352.3	4,780.9	6,258.5	156.9	30.9	40.8
8.1	Net External Borrowings	2,713.8	5,377.5	838.3	2,685.1	(1.1)	220.3	49.9
	External Borrowing	3,023.5	6,562.6	987.0	3,030.8	0.2	207.1	46.2
	Amortization	309.7	1,185.1	148.7	345.7	11.6	132.4	29.2
8.2	Net Domestic Borrowings	7,989.0	9,974.7	2,580.9	13,777.0	72.4	433.8	138.1
	Banking System	5,406.9	-	238.8	12,816.0	137.0	5,266.8	-
	Non-Bank Sources	2,582.1	-	2,342.1	961.0	(62.8)	(59.0)	-
8.3	Privatization receipts	1,170.7	-	-	-	1	1	-
8.4	Others and Residuals	(9,437.6)	-	1,361.7	(10,203.6)	8.1	(849.3)	-

Source: Ministry of Finance and Economic Development

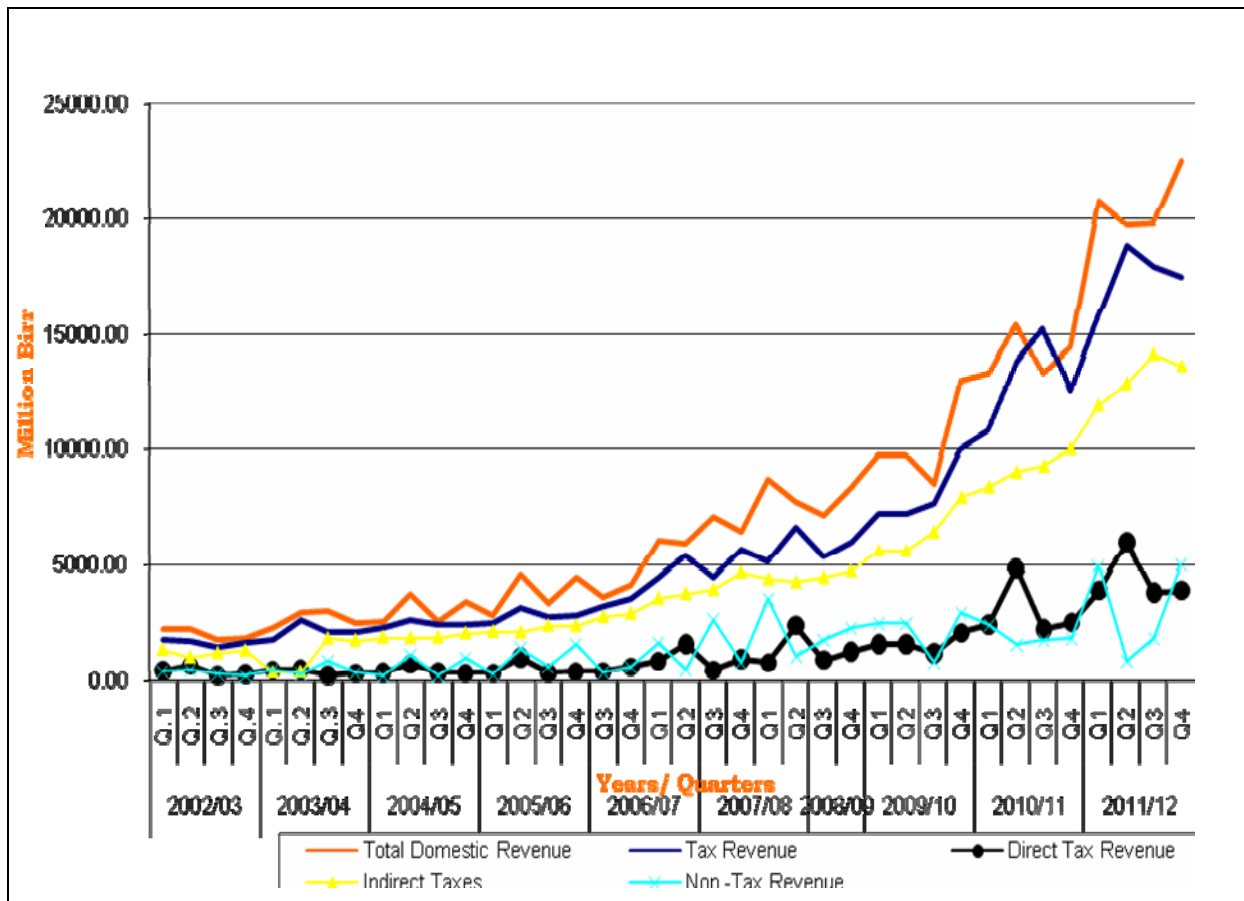
Table 6.2 Summary of Federal Government Revenue by Components (in millions of Birr)

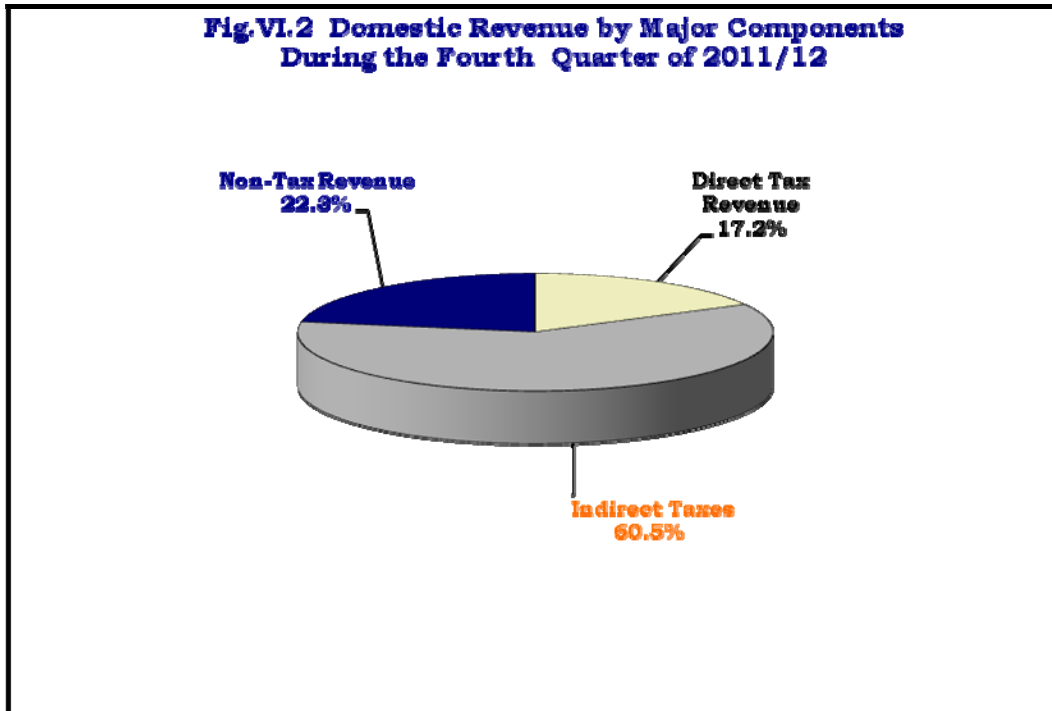
No	Particulars	2010/11	2011/12			Percentage Change		Performance Rate
		QIV	Budget	QIII	QIV			
		A	B	C	D	[D/A]	[D/C]	[D/B]
	Total Revenue and Grants	19,570.5	89,850.0	21,557.5	23,596.8	20.6	9.5	26.3
	Total Domestic Revenue	14,403.2	79,161.4	19,761.9	22,482.1	56.1	13.8	28.4
1	Tax Revenue	12,562.9	70,000.0	17,928.5	17,478.6	39.1	(2.5)	25.0
1.1	Direct Tax Revenue	2,534.2	18,560.6	3,801.0	3,873.9	52.9	1.9	20.9
1.1.1	Income Taxes	2,135.1	16,305.2	2,934.8	3,411.3	59.8	16.2	20.9
	- Personal	497.2	2,469.0	478.6	617.6	24.2	29.1	25.0
	- Business	1,638.0	13,836.2	2,456.3	2,793.7	70.6	13.7	20.2
1.1.2	Other ¹	399.1	2,255.4	866.2	462.6	15.9	(46.6)	20.5
1.2	Indirect Taxes	10,028.6	51,439.4	14,127.4	13,604.6	35.7	(3.7)	26.4
1.2.1	Domestic Taxes	4,112.9	18,539.5	4,810.7	5,775.7	40.4	20.1	31.2
1.2.2	Foreign Trade Taxes	5,915.7	32,899.9	9,316.8	7,828.9	32.3	(16.0)	23.8
	- Import	5,915.7	32,899.9	9,316.8	7,828.9	32.3	(16.0)	23.8
2	Non-Tax Revenue	1,840.3	9,161.4	1,833.4	5,003.6	171.9	172.9	54.6
3	Privatization	1,170.7	-	-	-	(100.0)		
4	Grants and Relief	5,167.3	10,688.7	1,795.5	1,114.7	(78.4)	(37.9)	10.4

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





Source: Ministry of Finance and Economic Development (MoFED)

Birr 22,482.1 million domestic revenue is collected in the fourth quarter of 2011/12 which has showed an increase by 13.8 and 56.1 percent in the preceding quarter and that of last fiscal year orderly.

The tax revenue in the review quarter was found to be Birr 17478.6 million which has decreased by 2.5 percent over the previous quarter, mainly due to the decrease in revenue in indirect tax 3.7 percent. It also registered a 39.1 percent growth over the same period a year earlier.

As usual, tax revenue mainly originated from indirect taxes, showed Birr 13.6 billion

(60.5 percent) of the total domestic revenue collected in the quarter.

Revenue from indirect taxes increased by 35.7 percent that of a year earlier while it has decreased by 3.7 percent as compared to the previous quarter. On the other hand, direct tax revenue, which mostly comprises personal and business income tax, rose to Birr 3873.9 million. It showed a quarterly and annually improvement by 1.9 and 52.9 percent respectively.

6.2 Expenditure

Total Federal Government expenditure, which includes regional transfers, stood at Birr 29.86 billion during the period under review. This figure was 13.4 and 35.7 percent higher than the previous quarter and a year earlier, respectively.

The reviewed quarterly growth was attributed to the rise in both recurrent and capital expenditures. Of the quarterly total expenditure, Birr 5.5 billion (or about 18.5 percent) was channeled to finance current expenditures, Birr 13.3 billion (or 44.2

Percent) to various development programs and the balance (37.4 percent) went as regional transfers. Year-on-year bases, recurrent expenditure went up by 7.4 percent largely owing to higher expenditure on general, debt service and social service.

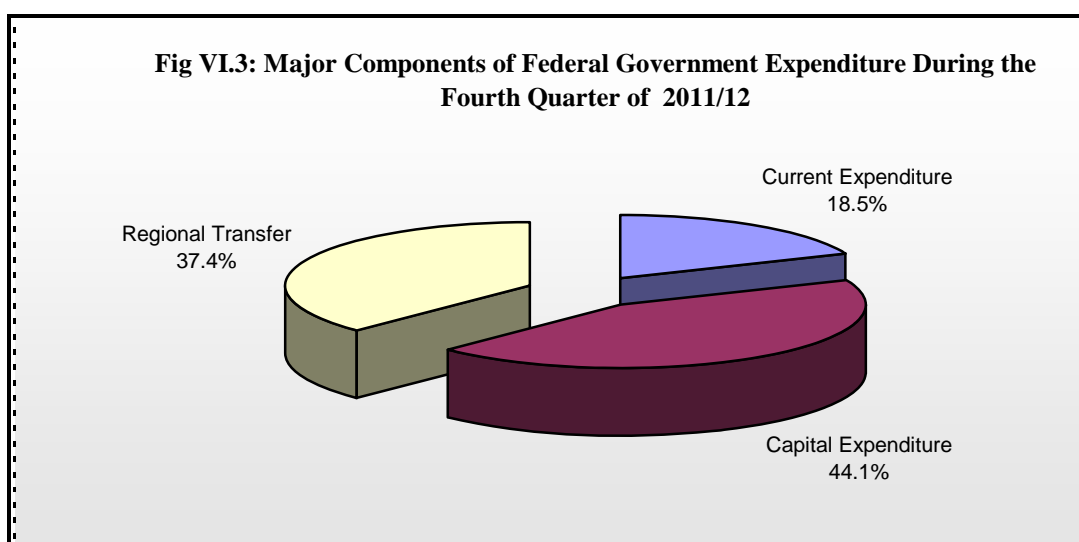
Capital expenditure also increased by 38.8 percent as a result of the rise all of its components.

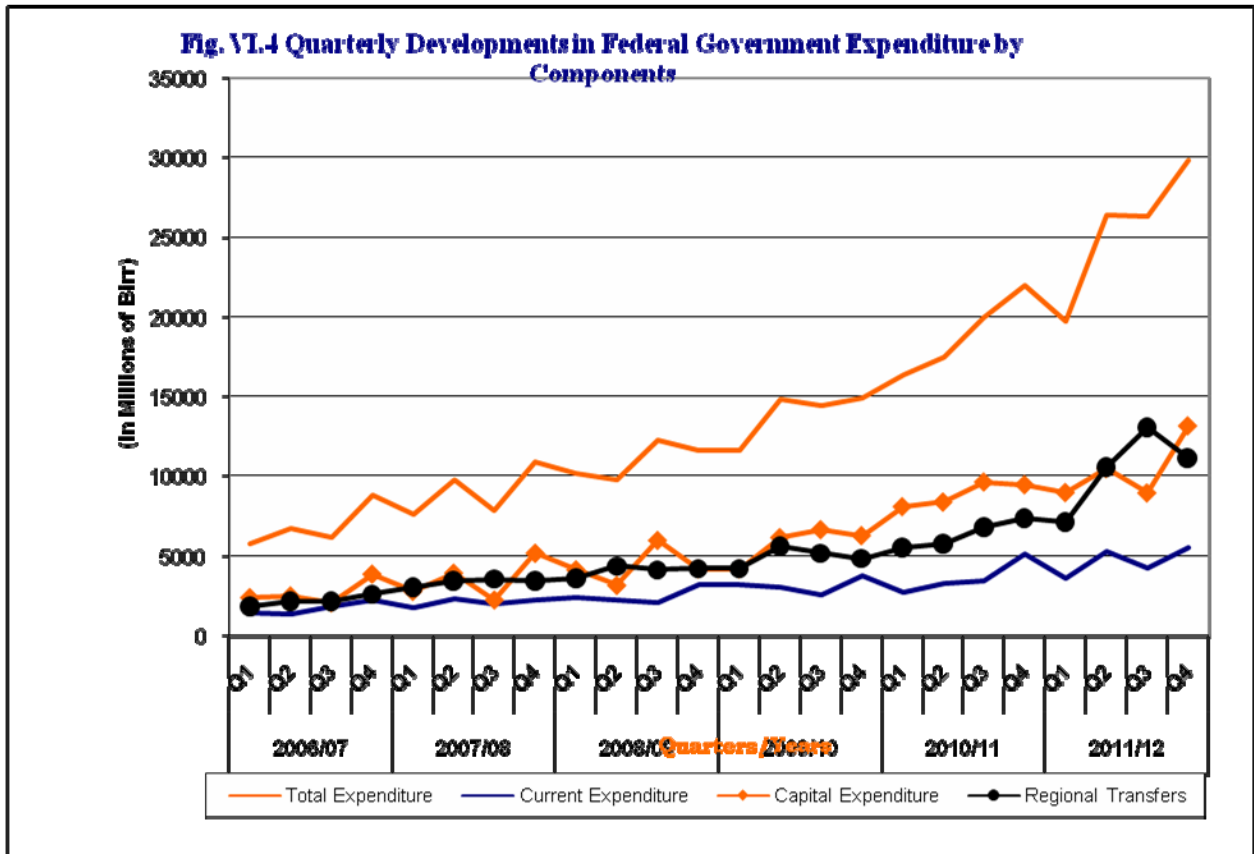
Tale 6.3 Summary of Federal Government Expenditure by Component (in Millions of Birr)

No	Particulars	2010/11	2011/12	Percentage	Performance
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						Change		Rate
		QIV	Budget	QIII	QIV			
		[A]	[B]	[C]	[D]	[D/A]	[D/C]	[D/B]
	Total Expenditure	22,006.5	105,202.3	26,338.3	29,855.3	35.7	13.4	28.4
1	Current Expenditure	5,136.3	21,534.9	4,258.3	5,518.5	7.4	29.6	25.6
	- General Services	2,646.6	9,643.1	2,431.4	2,695.7	1.9	10.9	28.0
	- Economic Services	617.4	1,495.9	207.6	329.8	(46.6)	58.9	22.0
	- Social Services	1,372.0	5,367.3	1,108.6	1,868.8	36.2	68.6	34.8
	- Debt Service	500.3	5,028.8	510.7	624.1	24.8	22.2	12.4
2	Capital Expenditure	9,496.8	38,111.5	8,977.4	13,179.0	38.8	46.8	34.6
	Economic Development	6,516.5	27,958.1	6,573.8	9,167.1	40.7	39.5	32.8
	- Social Development	2,752.7	9,259.2	2,265.1	3,663.5	33.1	61.7	39.6
	- General Development	227.6	894.2	138.5	348.4	53.1	151.4	39.0
3	Regional Transfers	7,373.4	45,555.8	13,102.7	11,157.8	51.3	(14.8)	24.5

Source: Ministry of Finance and Economic Development





6.3 Deficit Financing

Federal government budgetary operations resulted in the overall deficit (including grant) of Birr 6,258.5 million, which was higher than Birr 4,780.9 million and Birr 2,436 million deficit in the preceding quarter and a year earlier, respectively. It was financed by net external borrowing and net domestic borrowing.

Fig. VL5 Federal Government Finance During Fourth Quarter of F.Y 2011/12

