

VI. FEDERAL GOVERNMENT FINANCE

Total federal government revenue and grants were Birr 27.2 billion during the first quarter of 2012/13 showing 30.7 percent and 15.1 percent growth on annual and quarterly basis (Table 6.1).

The total revenue and grants collected accounted for 26.3 percent of the annual plan (Table 6.1).

On the other hand, the total federal government expenditure in the same period grew moderately by 8.6 percent to reach Birr 21.5 billion over last year.

Accordingly, the overall fiscal balance (including grants) depicted a Birr 5.7 billion surplus compared to Birr 1.0 billion surplus a year ago (Table 6.1).

6.1: Summary of Quarterly Federal Government Finance [in Millions of Birr]

No	Finer points	2011/12		2012/13		Percentage changes		Performance rate
		A	B	C	D	D/A	D/B	D/C
		QI	QIV	Annual Budget	QI			
1	Revenue and Grants	20,788.2	23,596.8	103,358.4	27,164.7	30.7	15.1	26.3
1.1	Total Revenue	20,763.2	22,482.1	95,049.3	26,339.5	26.9	17.2	27.7
	Tax Revenue	15,826.4	17,478.6	87,092.8	22,178.5	40.1	26.9	25.5
	Direct tax	3,882.4	3,873.9	21,910.9	5,710.1	47.1	47.4	26.1
	Indirect tax	11,944.0	13,604.6	65,181.9	16,468.4	37.9	21.1	25.3
	Non-Tax Revenue	4,936.8	5,003.6	7,956.5	4,161.0	-15.7	-16.8	52.3
1.2	Grant & Relief	25.0	1,114.7	8,309.1	825.3	3,201.1	(26.0)	9.9
2	Current Expenditure	3,596.0	5,518.5	24,691.7	4,875.1	35.6	-11.7	19.7
3	Current Surplus/Deficit	-	-	-	-	-	-	-
	(Including Grants)	17,192.1	18,078.4	78,666.7	22,289.6	29.7	23.3	28.3
	(Excluding Grants)	17,167.1	16,963.7	70,357.6	21,464.4	25.0	26.5	30.5
4	Capital Expenditure	9,006.0	13,179.0	42,516.4	8,878.4	-1.4	-32.6	20.9
5	Regional Transfers	7,155.2	11,157.8	55,555.8	7,700.8	7.6	-31.0	13.9
6	Total Expenditure (2+4+5)	19,757.2	29,855.3	122,763.9	21,454.3	8.6	-28.1	17.5
7	Overall Surplus/Deficit	-	-	-	-	-	-	-
	(Including Grants)	1,031.0	-6,258.5	-19,405.5	5,710.4	453.9	-191.2	-29.4
	(Excluding Grants)	1,006.0	-7,373.2	-27,714.6	4,885.2	385.6	-166.3	-17.6
8	Total Financing	-1,031.0	6,258.5	19,405.5	-5,710.4	453.9	-191.2	-29.4
8.1	Net External Borrowings	1,131.9	2,685.1	6,402.5	2,122.7	87.5	(20.9)	33.2
	External Borrowing	1,251.2	3,030.8	7,900.7	2,289.3	83.0	(24.5)	29.0
	Amortization	119.3	345.7	1,498.3	166.5	39.6	(51.8)	11.1
8.2	Net Domestic Borrowings	-12,623.5	13,777.0	13,003.0	-13,411.4	6.2	-197.3	-103.1
	Banking System	-15,155.4	12,816.0	-	-13,639.8	-10.0	-206.4	-
	Non-Bank Sources	2,531.9	961.0	-	228.4	-91.0	-76.2	-
8.3	Privatization receipts	2,763.9	-	-	-	(100)	-	-
8.4	Others and Residuals	7,696.7	-10,203.6	0.0	5,578.2	-27.5	-154.7	-

Source: Ministry of Finance and Economic Development

6.1. Revenue and Grants

Total revenue from domestic sources rose by 27 percent and reached Birr 26.3 billion. External grants also grew significantly compared to a year earlier. Of the total domestic revenue, tax income reached Birr 22.2 billion

accounting for about 84.2 percent. Non-tax revenue was Birr 4.2 billion having 15.8 percent share in total domestic revenue.

6.2: Summary of Quarterly Federal Government Revenue by components [in millions of Birr]

No	Particulars	2011/12		2012/13		Percentage Change		Performance Rate
		QI	QIV	Annual Budget	QI			
		A	B	C	D	[D/A]	[D/B]	[D/C]
	Total Revenue and Grants	20,788.2	23,596.8	103,358.4	27,164.7	30.7	15.1	26.3
	Total Domestic Revenue	20,763.2	22,482.1	95,049.3	26,339.5	26.9	17.2	27.7
1	Tax Revenue	15,826.4	17,478.6	87,092.8	22,178.5	40.1	26.9	25.5
1.1	Direct Tax Revenue	3,882.4	3,873.9	21,910.9	5,710.1	47.1	47.4	26.1
1.1.1	Income Taxes	3,308.2	3,411.3	19,136.5	5,143.6	55.5	50.8	26.9
	- Personal	538.9	617.6	2,648.9	583.4	8.3	-5.5	22.0
	- Business	2,769.2	2,793.7	16,487.6	4,560.2	64.7	63.2	27.7
1.1.2	Others ¹	574.3	462.6	2,774.4	566.5	-1.4	22.4	20.4
1.2	Indirect Taxes	11,944.0	13,604.6	65,181.9	16,468.4	37.9	21.1	25.3
2.2.1	Domestic Taxes	4,498.0	5,775.7	23,457.4	6,343.8	41.0	9.8	27.0
2.2.2	Foreign Trade Taxes	7,446.0	7,828.9	41,724.4	10,124.6	36.0	29.3	24.3
	- Import	7,446.0	7,828.9	41,724.4	10,124.6	36.0	29.3	24.3
2	Non-Tax Revenue	4,936.8	5,003.6	7,956.5	4,161.0	-15.7	-16.8	52.3
3	Privatization	2,763.9	-					
4	Grants and Relief	25.0	1,114.7	8,309.1	825.3	3,201.1	-26.0	9.9

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

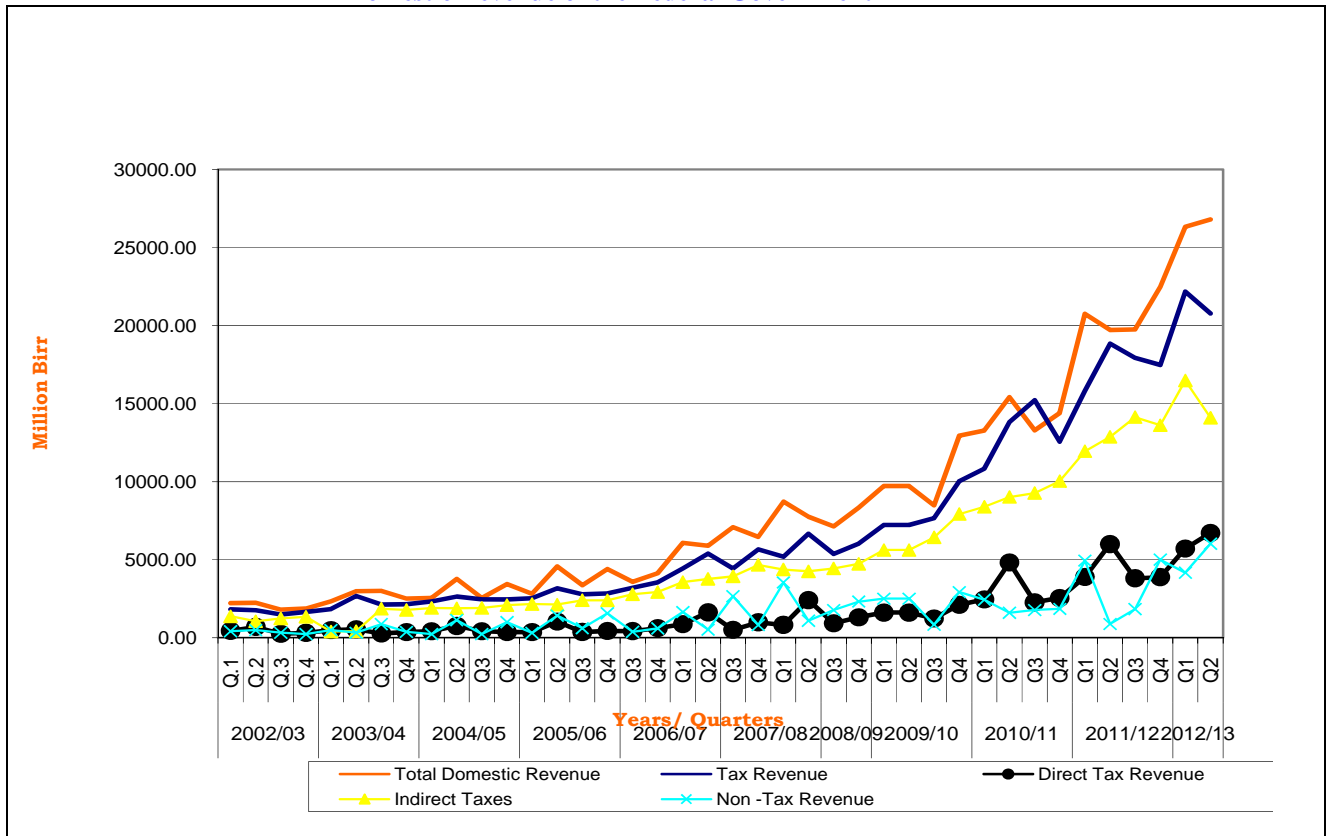
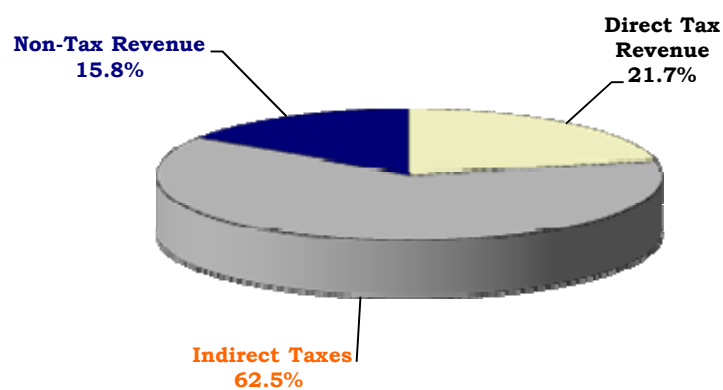


Fig.VI.2: Domestic Revenue by Major Components During the First Quarter of 2012/13



Tax revenue surged by 40.1 percent on account of higher revenue from both indirect and direct taxes. Meanwhile, non-tax revenue went down by 15.7 percent against

the corresponding period of last year. Of the total tax revenue indirect taxes accounted for 74.3 percent and the balance (25.7 percent) was obtained from direct taxes.

6.2. Expenditure

Total federal government expenditure, (including regional transfers) stood at Birr 21.5 billion during the first quarter of 2012/13. Compared to last year same period, total expenditure grew by 8.6 percent owing to higher current expenditures (35.6 percent) and regional transfers (7.6 percent) (Table 6.3).

Of the total government expenditure, about 41.4 percent was allocated for capital expenditure; 35.8 percent for regional transfers and 22.7 percent for current expenditures (Fig VI.3).

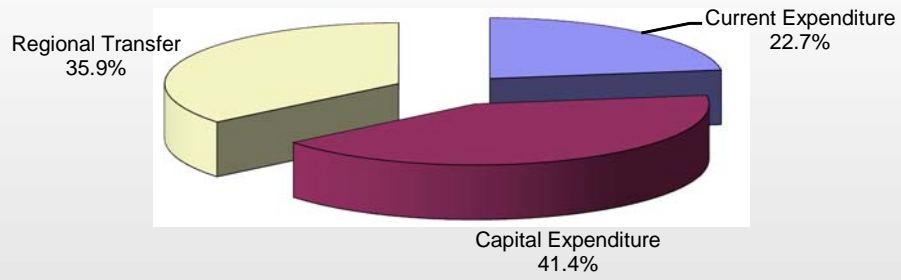
Total expenditure performance during the review period was 17.5 percent of the planned budget for 2012/13.

Table6.3: Summary of Federal Government Expenditure by Components (In Millions Of Birr)

No	Particulars	2011/12		2012/13		Percentage Change		Performance Rate
		QI	QIV	Annual Budget	QI			
		A	B	C	D	[D/A]	[D/B]	[D/C]
	Total Expenditure	19,757.3	29,855.3	122,763.9	21,454.3	8.6	(28.1)	17.5
1	Current Expenditure	3,596.0	5,518.5	24,691.7	4,875.1	35.6	(11.7)	19.7
	- General Services	2,048.7	2,695.7	10,370.7	2,631.5	28.4	(2.4)	25.4
	- Economic Services	141.3	329.8	1,858.8	206.2	45.9	(37.5)	11.1
	- Social Services	892.6	1,868.8	6,969.1	1,221.5	36.8	(34.6)	17.5
	- Debt Service	513.4	624.2	5,493.1	815.9	58.9	30.7	14.9
2	Capital Expenditure	9,006.1	13,179.0	42,516.4	8,878.4	(1.4)	(32.6)	20.9
	- Economic Development	7,081.3	9,167.1	30,745.3	7,475.1	5.6	(18.5)	24.3
	- Social Development	1,824.5	3,663.5	10,841.2	1,235.5	(32.3)	(66.3)	11.4
	- General Development	100.3	348.4	929.9	167.8	67.4	(51.8)	18.0
3	Regional Transfers	7,155.2	11,157.8	55,555.8	7,700.8	7.6	(31.0)	13.9

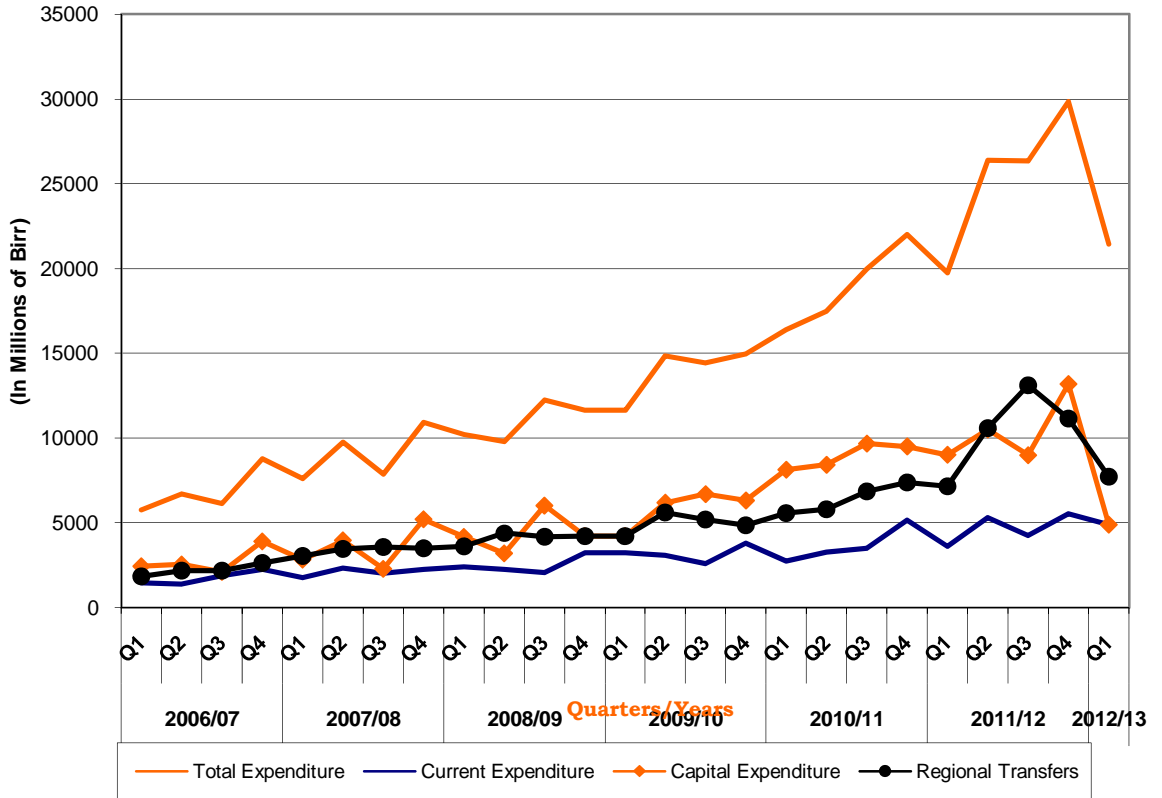
Source: Ministry of Finance and Economic Development

Fig VI.3: Major Components of Federal Government Expenditure During the First Quarter of 2012/13



Source: Ministry of Finance and Economic Development

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

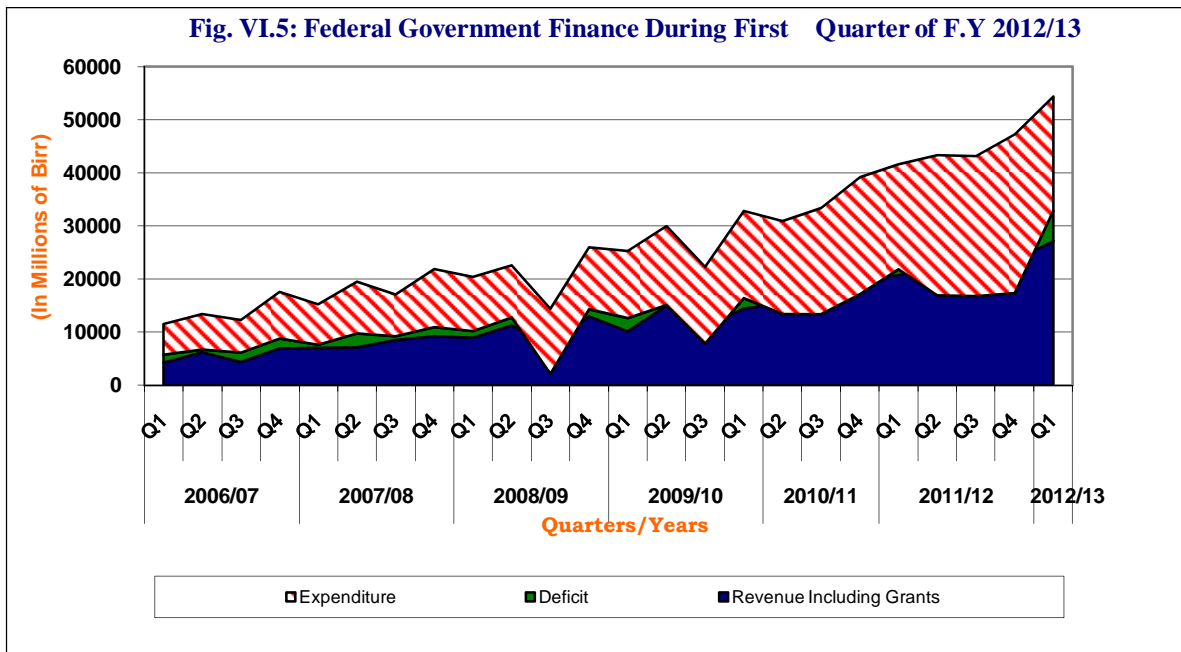


Source: Ministry of Finance and Economic Development

6.3. Deficit Financing

As the growth in total revenue (including grants) outweighed the marginal increase of expenditure during the first quarter of 2012/13 the overall budgetary operations

depicted an overall surplus of Birr 5.7 billion compared to Birr 1.03 billion surplus a year earlier.



Source: Ministry of Finance and Economic Development

