

VI. FEDERAL GOVERNMENT FINANCE

Total revenue and grants of the federal government collected through the third quarter of 2012/13 increased by 2.5 percent on yearly terms and amounted to Birr 22.1billion (Table 6.1).

Meanwhile, total expenditure of the federal government at Birr 30.7 billion was 16.7 percent higher than a year earlier.

Consequently , the over fiscal stance of the federal government (including grants) registered Birr 8.642 billion in deficit compared to Birr 4.78 billion gap recorded last year (Table 6.1).

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

No	Particulars	2011/12	2012/13			Percentage changes		Performance rate
		A	B	C	D	D/A	D/C	D/B
		QIII	Annual Budget	QII	QIII			
1	Revenue and Grants	21,557.5	103,358.4	28,294.0	22,099.1	2.5	(21.9)	21.4
1.1	Total Revenue	19,761.9	95,049.3	26,806.0	18,719.9	(5.3)	(30.2)	19.7
1.1.1	Tax Revenue	17,928.5	87,092.8	20,783.6	18,260.9	1.8	(12.1)	21.0
1.1.1.1	Direct tax	3,801.0	21,910.9	6,703.1	3,495.8	(8.1)	(47.9)	16.0
1.1.1.2	Indirect tax	14,127.4	65,181.9	14,080.5	14,765.1	4.5	4.9	22.7
1.1.2	Non-Tax Revenue	1,833.4	7,956.5	6,022.4	459.0	(75.0)	(92.4)	5.8
1.2	Grant & Relief	1,795.5	8,309.1	1,488.0	3,380.2	88.3	127.2	40.7
2	Current Expenditure	4,258.3	24,691.7	5,098.3	5,618.5	31.9	10.2	22.8
3	Current Surplus/Deficit			-	0.0			
3.1	Including Grants	17,299.2	78,666.7	23,195.7	16,481.6	(4.7)	(28.9)	20.9
3.2	Excluding Grants	15,503.6	70,357.6	21,707.7	13,100.4	(15.5)	(39.7)	18.6
4	Capital Expenditure	8,977.4	42,516.4	8,767.2	11,095.7	23.6	26.5	26.1
5	Regional Transfers	13,102.7	55,555.8	14,136.5	14,028.5	7.1	(0.8)	25.2
6	Total Expenditure (2+4+5)	26,338.3	122,763.9	28,002.0	30,741.7	16.7	9.8	25.0
7	Overall Surplus/Deficit							
7.1	Including Grants	(4,780.9)	(19,405.5)	292.0	(8,642.5)	80.8	(3,059.3)	44.5
7.2	Excluding Grants	(6,576.4)	(27,714.6)	(1,196.0)	(12,022.8)	82.8	905.2	43.4
8	Total Financing	4,780.9	19,405.5	(292.0)	8,642.6	80.8	(3,059.4)	44.5
8.1	Net External Borrowings	838.3	6,402.5	2,635.4	1,459.9	74.0	(44.6)	22.8
8.1.1	External Borrowing	987.0	7,900.7	2,298.8	2,496.9	152.9	8.6	31.6
8.1.2	Amortization	148.7	1,498.3	464.6	236.9	58.6	(49.2)	15.7
8.2	Net Domestic Borrowings	2,580.9	13,003.0	(1,954.3)	3,555.0	37.7	(281.9)	27.3
8.2.1	Banking System	238.8	-	(3,370.9)	1,700.6	611.7	(150.4)	
8.2.2	Non-Bank Sources	2,342.1	-	1,416.6	1,855.4	(20.8)	31.0	
8.3	Others and Residuals	1,361.7	0.0	(973.1)	3,628.8	166.4	(472.8)	

Source: Ministry of Finance and Economic Development

6.1. Revenue and Grant

The federal government's total revenue and grants grew slightly by 2.5 percent on annual basis and reached Birr 22.1 billion, as total grants disbursement and tax revenues tended to increase despite significant decline in non-tax revenues domestic sources. The total revenues and grants during the review period accounted for 21.4 percent of the annual plan.

Total domestic revenue declined by 5.3 percent on yearly basis to Birr 18.72.billion as revenue from non-taxes went down sharply by 75 percent while tax revenue increased by 1.8 percent slightly.

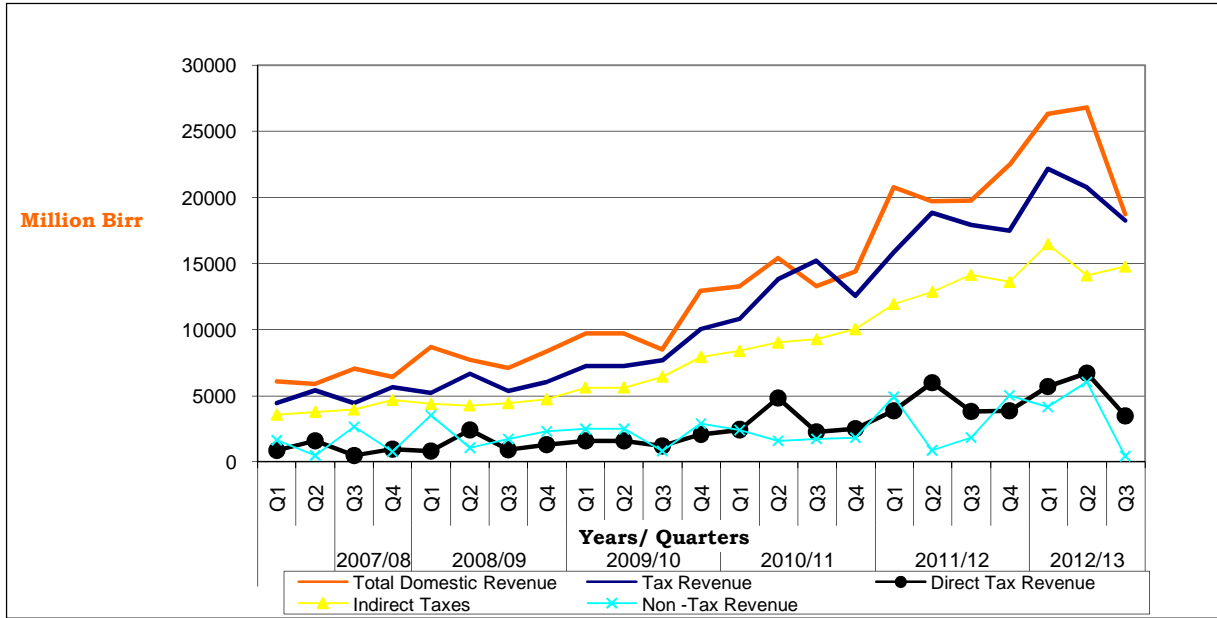
Table 6.2: Summary of Federal Government Revenue by Component (In millions of Birr)

No	Particulars	2011/12	2012/13			Percentage Change		Performance Rate
		QIII	Budget	QII	QIII			
		A	B	C	D	[D/A]	[D/C]	[D/B]
	Total Revenue and Grants	21557.5	103,358.4	28,294.0	22,099.4	2.5	(21.9)	21.4
	Total Domestic Revenue	19761.9	95,049.3	26,806.0	18,719.2	(5.3)	(30.2)	19.7
1	Tax Revenue	17928.5	87,092.8	20,783.6	18,260.2	1.8	(12.1)	21.0
1.1	Direct Tax Revenue	3801.0	21,910.9	6,703.1	3,495.1	(8.0)	(47.9)	16.0
1.1.1	Income Taxes	2934.8	19,136.5	6,037.7	2,774.1	(5.5)	(54.1)	14.5
1.1.1.1	- Personal	478.6	2,648.9	642.1	657.8	37.3	2.3	24.8
1.1.1.2	- Business	2456.3	16,487.6	5,395.6	2,117.2	(13.8)	(60.8)	12.8
1.1.2	Others ¹	866.2	2,774.4	665.4	721.0	(16.8)	8.4	26.0
1.2	Indirect Taxes	14127.4	65,181.9	14,080.5	14,765.1	4.5	4.9	22.7
1.2.1	Domestic Taxes	4810.7	23,457.4	4,952.5	6,072.3	26.2	22.6	25.9
1.2.2	Foreign Trade Taxes	9316.8	41,724.4	9,128.0	8,693.7	(6.7)	(4.8)	20.8
	- Import	9316.8	41,724.4	9,128.0	8,693.7	(6.7)	(4.8)	20.8
2	Non-Tax Revenue	1833.4	7,956.5	6,022.4	459.0	(75.0)	(92.4)	5.8
3	Privatization	0.0	0.0	0.0	0.0			
4	Grants and Relief	1795.5	8,309.1	1,488.0	3,380.2	88.3	127.2	40.7

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

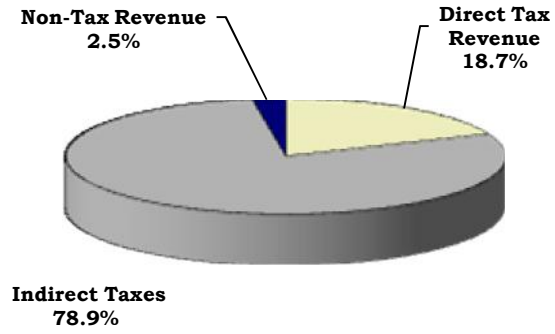


Total tax revenue during the review period stood at Birr 18.3 billion showing a 1.8 percent modest growth over the same period last year. The growth was solely driven by a 4.5 percent increase in indirect taxes that offset an 8 percent drop in direct taxes, mainly business taxes. Tax revenue accounted for 21

percent of the annual plan. The growth in indirect taxes was attributed to strong increase in domestic trade taxes.

As a result, total tax revenues constituted 97.6 percent of the total domestic revenues during the period under review compared to 90.7 percent last year.

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



6.2. Expenditure

Total government expenditure (including regional transfers) stood at Birr 30.7 billion, depicting a 16.7 percent growth compared to last year. This was attributed to the increase in capital and recurrent expenditures as well as regional transfers.

The total expenditure performance was 25 percent of the annual plan (Table 6.2).

The recurrent expenditure of the federal government rose strongly by 32 percent during the review period to Birr 5.62 billion, mainly, on account of higher expenditure for social outlays and debt service. Likewise, capital expenditure showed a 23.6 percent growth largely for economic and general development programs.

Table 6.3 Summary of Federal Government Expenditure by Component (In millions of Birr)

No	Particulars	2010/11	2012/13			Percentage Change		Performance Rate
		QIII	Budget	QII	QIII			
		A	B	C	D	[D/A]	[D/C]	[D/B]
	Total Expenditure	26,338.3	122,763.9	28,002.0	30,740.7	16.7	9.8	25.0
1	Current Expenditure	4,258.3	24,691.7	5,098.3	5,618.6	31.9	10.2	22.8
	- General Services	2,431.4	10,370.7	2,699.1	2,820.4	16.0	4.5	27.2
	- Economic Services	207.6	1,858.8	209.1	286.8	38.2	37.2	15.4
	- Social Services	1,108.6	6,969.1	1,689.3	1,724.2	55.5	2.1	24.7
	- Debt Service	510.7	5,493.2	500.9	787.2	54.1	57.2	14.3
2	Capital Expenditure	8,977.4	42,516.4	8,767.2	11,094.6	23.6	26.5	26.1
	- Economic Development	6,573.8	30,745.3	5,615.8	8,468.8	28.8	50.8	27.5
	- Social Development	2,265.1	10,841.2	2,921.3	2,372.8	4.8	(18.8)	21.9
	- General Development	138.5	929.9	230.1	253.0	82.6	9.9	27.2
3	Regional Transfers	13,102.7	55,555.8	14,136.5	14,027.5	7.1	(0.8)	25.2

Source: Ministry of Finance and Economic Development

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

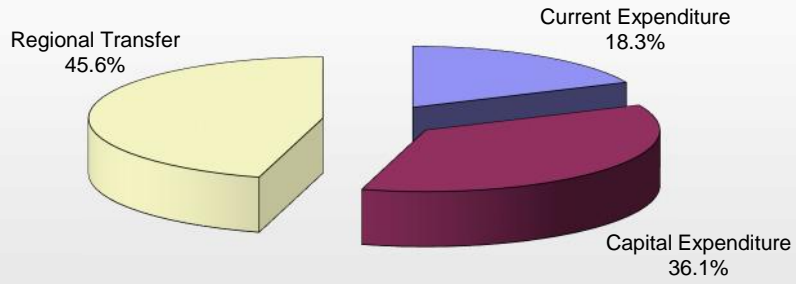
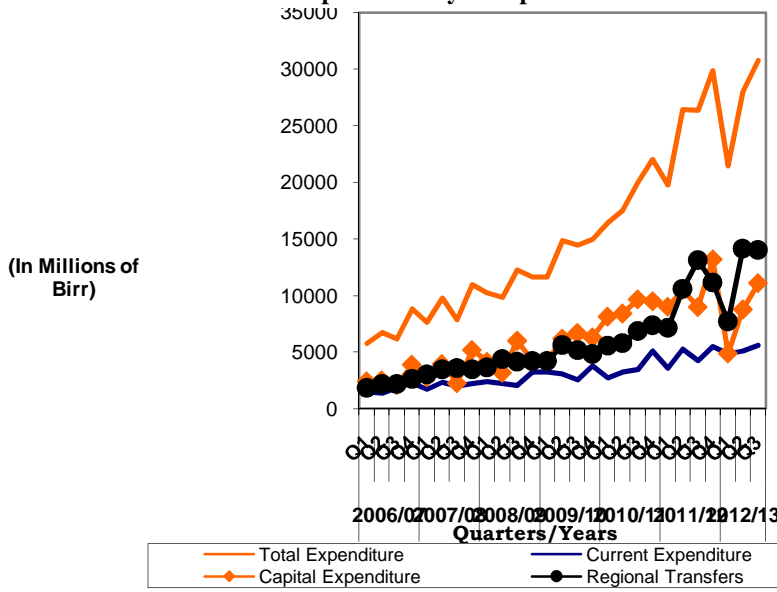


Fig. VI.4 Quarterly Developments in Federal Government Expenditure by Components



6.3. Deficit Financing

The fiscal stance of the federal government through the third quarter of 2012/13 recorded Birr 8.64 billion in

deficit which was financed mainly from external and domestic borrowings as well as other sources (Table 6.1).

