

## **VI. FEDERAL GOVERNMENT FINANCE**

During the second quarter of 2012/13, total revenue and grants collected by the federal government reached Birr 28.3 billion showing 4.2 percent quarterly and 30.7 percent yearly growth. The quarterly revenue and grant performance was 27.4 percent of the annual budget (Table 6.1).

Federal government expenditure at Birr 28 billion depicted a 30.5 percent quarterly increase and a 6.1 percent annual decline.

Consequently, the overall fiscal balance (including grants) showed Birr 292 million surplus, against Birr 4.7 billion deficit a year ago.

**NATIONL BANK OF ETHIOPIA**

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
		QII	Budget	QI	QII			
1	<b>Revenue and Grants</b>	<b>21,644.7</b>	<b>103,358.4</b>	<b>27,164.7</b>	<b>28,294.0</b>	<b>30.7</b>	<b>4.2</b>	<b>27.4</b>
1.1	<b>Total Revenue</b>	<b>19,725.1</b>	<b>95,049.3</b>	<b>26,339.5</b>	<b>26,806.0</b>	<b>35.9</b>	<b>1.8</b>	<b>28.2</b>
	Tax Revenue	18,847.8	87,092.8	22,178.5	20,783.6	10.3	(6.3)	23.9
	Direct tax	5,985.2	21,910.9	5,710.1	6,703.1	12.0	17.4	30.6
	Indirect tax	12,862.6	65,181.9	16,468.4	14,080.5	9.5	(14.5)	21.6
	Non-Tax Revenue	877.3	7,956.5	4,161.0	6,022.4	586.5	44.7	75.7
1.2	Grant & Relief	1,919.6	8,309.1	825.3	1,488.0	(22.5)	80.3	17.9
2	Current Expenditure	5,306.7	24,691.7	4,875.1	5,098.3	(3.9)	4.6	20.6
3	Current Surplus/Deficit				-			
	Including Grants	16,338.0	78,666.7	22,289.6	23,195.7	42.0	4.1	29.5
	Excluding Grants	14,418.4	70,357.6	21,464.4	21,707.7	50.6	1.1	30.9
4	Capital Expenditure	10,495.1	42,516.4	8,878.4	8,767.2	(16.5)	(1.3)	20.6
5	Regional Transfers	10,578.6	55,555.8	7,700.8	14,136.5	33.6	83.6	25.4
6	<b>Total Expenditure (2+4+5)</b>	<b>26,380.4</b>	<b>122,763.9</b>	<b>21,454.3</b>	<b>28,002.0</b>	<b>6.1</b>	<b>30.5</b>	<b>22.8</b>
7	Overall Surplus/Deficit							
	Including Grants	(4,735.7)	(19,405.5)	5,710.4	292.0	(106.2)	(94.9)	(1.5)
	Excluding Grants	(6,655.3)	(27,714.6)	4,885.2	(1,196.0)	(82.0)	(124.5)	4.3
8	<b>Total Financing</b>	<b>4,735.7</b>	<b>19,405.5</b>	<b>(5,710.4)</b>	<b>(292.0)</b>	<b>(106.2)</b>	<b>(94.9)</b>	<b>(1.5)</b>
8.1	<b>Net External Borrowings</b>	<b>1,725.3</b>	<b>6,402.5</b>	<b>2,122.7</b>	<b>2,635.4</b>	<b>52.8</b>	<b>24.2</b>	<b>41.2</b>
	External Borrowing	2,174.1	7,900.7	2,289.3	2,298.8	5.7	0.4	29.1
	Amortization	448.8	1,498.3	166.5	464.6	3.5	179.0	31.0
8.2	<b>Net Domestic Borrowings</b>	<b>58.8</b>	<b>13,003.0</b>	<b>(13,411.4)</b>	<b>(1,954.3)</b>	<b>(3,423.6)</b>	<b>(85.4)</b>	<b>(15.0)</b>
	Banking System	(1,724.8)	-	(13,639.8)	(3,370.9)	95.4	(75.3)	-
	Non-Bank Sources	1,783.6	-	228.4	1,416.6	(20.6)	520.2	-
8.3	<b>Privatization receipts</b>	-	-	-	-	-	-	-
8.4	<b>Others and Residuals</b>	<b>2,951.6</b>	<b>0.0</b>	<b>5,578.2</b>	<b>(973.1)</b>	<b>(133.0)</b>	<b>(117.4)</b>	-

Source: Ministry of Finance and Economic Development

## 6.1 Revenue and Grants

Total revenue and grants mobilized in the review period increased by 30.7 percent over the same period last year and reached Birr 28.3 million. Of this sum, Birr 26.8 billion (94.7 percent) was from domestic sources and the rest (Birr 1.5 billion or 5.3 percent) from grants and relief. About Birr 20.8 billion (77.5 percent) of

domestic revenue was generated from taxes and the remaining Birr 6 billion (or 22.5 percent) from non-taxes. The amount of grants and relief in the quarter was Birr 1.5 billion, slightly lower than Birr 1.9 billion recorded a year ago (Table 6.2).

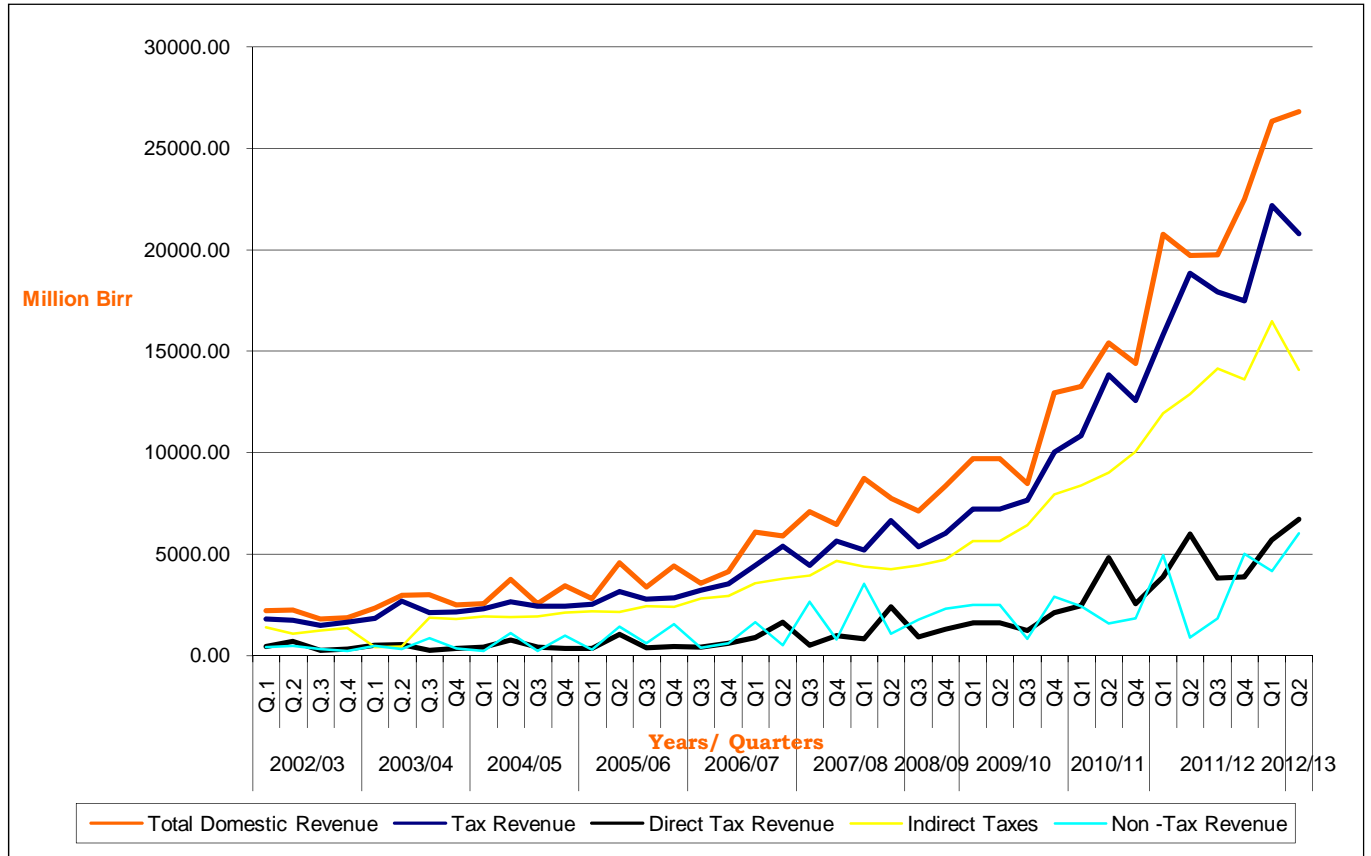
**Table 6.2 Summary of Federal Government Revenue by Component (In millions of Birr)**

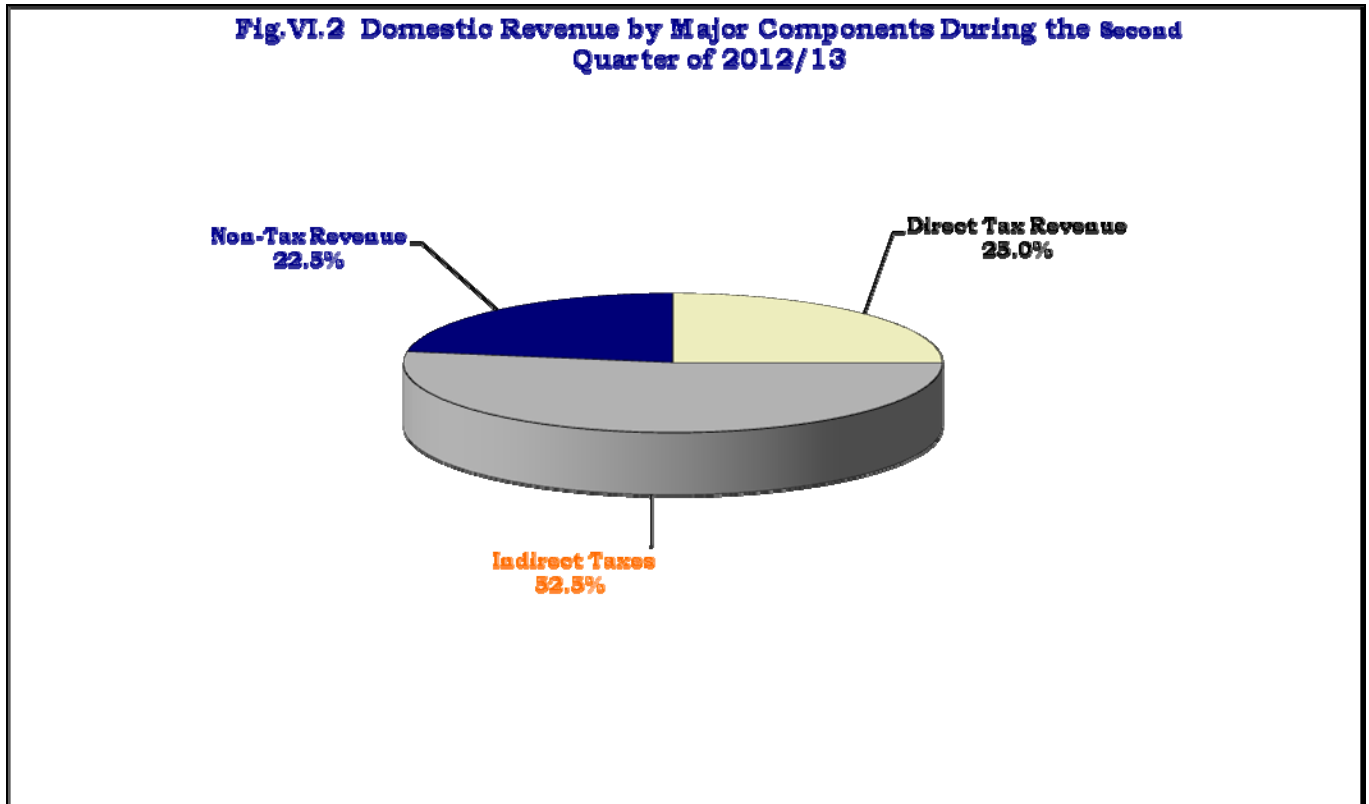
No	Particulars	2011/12	2012/13			Percentage Change		Performance Rate
		QII	Budget	QI	QII			
		A	B	C	D	[D/A]	[D/C]	[D/B]
	<b>Total Revenue and Grants</b>	<b>21,644.7</b>	<b>103,358.4</b>	<b>27,164.7</b>	<b>28,294.0</b>	<b>30.7</b>	<b>4.2</b>	<b>27.4</b>
	<b>Total Domestic Revenue</b>	<b>19,725.1</b>	<b>95,049.3</b>	<b>26,339.5</b>	<b>26,806.0</b>	<b>35.9</b>	<b>1.8</b>	<b>28.2</b>
1	<b>Tax Revenue</b>	<b>18,847.8</b>	<b>87,092.8</b>	<b>22,178.5</b>	<b>20,783.6</b>	<b>10.3</b>	<b>(6.3)</b>	<b>23.9</b>
1.1	Direct Tax Revenue	5,985.2	21,910.9	5,710.1	6,703.1	12.0	17.4	30.6
1.1.1	Income Taxes	5,470.0	19,136.5	5,143.6	6,037.7	10.4	17.4	31.6
	- Personal	719.0	2,648.9	583.4	642.1	(10.7)	10.1	24.2
	- Business	4,751.0	16,487.6	4,560.2	5,395.6	13.6	18.3	32.7
1.1.2	Others <sup>1</sup>	515.2	2,774.4	566.5	665.4	29.2	17.5	24.0
1.2	Indirect Taxes	12,862.6	65,181.9	16,468.4	14,080.5	9.5	(14.5)	21.6
2.2.1	Domestic Taxes	3,898.1	23,457.4	6,343.8	4,952.5	27.0	(21.9)	21.1
2.2.2	Foreign Trade Taxes	8,964.5	41,724.4	10,124.6	9,128.0	1.8	(9.8)	21.9
	- Import	8,964.5	41,724.4	10,124.6	9,128.0	1.8	(9.8)	21.9
2	<b>Non-Tax Revenue</b>	<b>877.3</b>	<b>7,956.5</b>	<b>4,161.0</b>	<b>6,022.4</b>	<b>586.5</b>	<b>44.7</b>	<b>75.7</b>
3	<b>Privatization</b>	-	-	-	-	-	-	-
4	<b>Grants and Relief</b>	<b>1,919.6</b>	<b>8,309.1</b>	<b>825.3</b>	<b>1,488.0</b>	<b>(22.5)</b>	<b>80.3</b>	<b>17.9</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





About 68 percent of the total tax revenue originated from indirect taxes, which went up by 9.5 percent or Birr 14 billion compared to the same quarter of last fiscal

year. Direct tax revenue also increased by about 12 percent compared to a year earlier.

## 6.2 Expenditure

Total federal government expenditure (including regional transfers) during the second quarter of 2012/13 stood at Birr 28 billion, showing a 6.1 percent marginal growth over the same period last year. Of

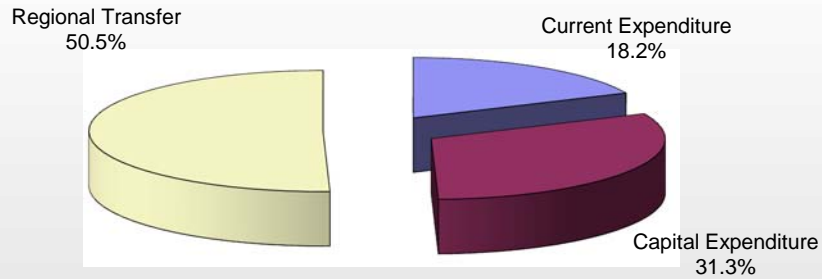
the total expenditure, current expenditure with Birr 5.1 billion accounted for 18.2 percent, capital expenditure 31.3 percent and regional transfers 50.5 percent (Table6.3)

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

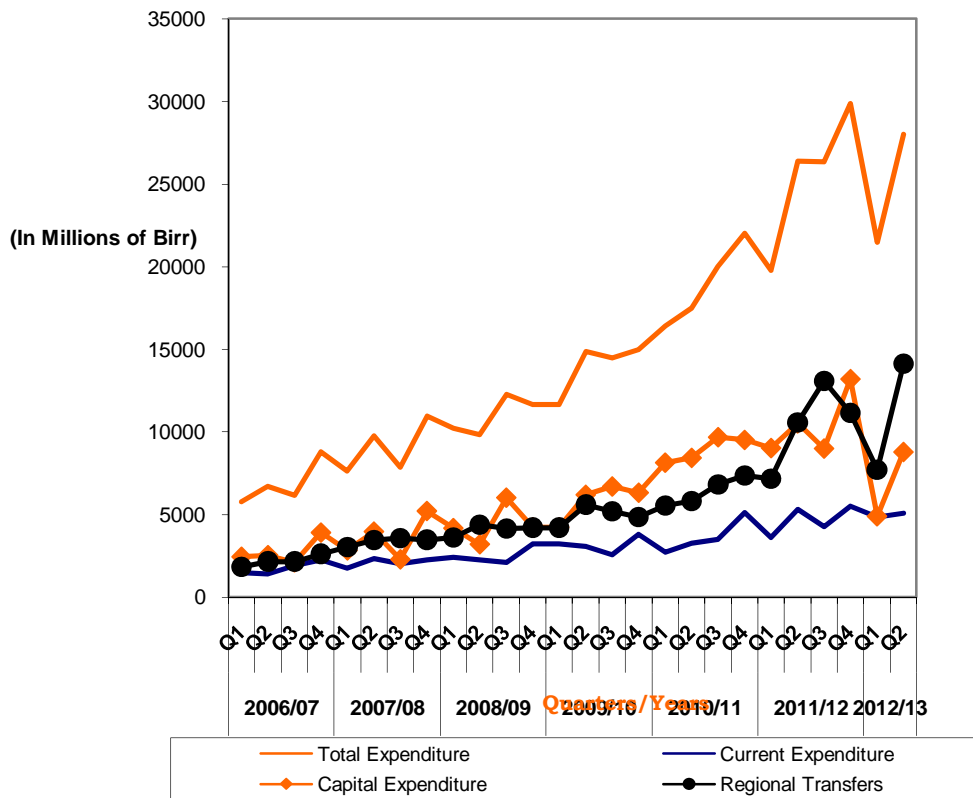
No	Particulars	2010/11	2012/13		Percentage Change		Performance Rate	
		QII	Budget	QI	QII			
		A	B	C	D	[D/A]	[D/C]	[D/B]
	<b>Total Expenditure</b>	<b>26,380.4</b>	<b>122,763.9</b>	<b>21,454.3</b>	<b>28,002.0</b>	<b>6.1</b>	<b>30.5</b>	<b>22.8</b>
1	<b>Current Expenditure</b>	<b>5,306.7</b>	<b>24,691.7</b>	<b>4,875.1</b>	<b>5,098.3</b>	<b>(3.9)</b>	<b>4.6</b>	<b>20.6</b>
	- General Services	3,351.8	10,370.7	2,631.5	2,699.1	(19.5)	2.6	26.0
	- Economic Services	210.2	1,858.8	206.2	209.1	(0.5)	1.4	11.2
	- Social Services	1,152.1	6,969.1	1,221.5	1,689.3	46.6	38.3	24.2
	- Debt Service	592.6	5,493.2	815.9	497.0	(16.1)	(39.1)	9.0
2	<b>Capital Expenditure</b>	<b>10,495.1</b>	<b>42,516.4</b>	<b>8,878.4</b>	<b>8,767.2</b>	<b>(16.5)</b>	<b>(1.3)</b>	<b>20.6</b>
	- Economic Development	8,108.8	30,745.3	7,475.1	5,615.8	(30.7)	(24.9)	18.3
	- Social Development	2,232.0	10,841.2	1,235.5	2,921.3	30.9	136.5	26.9
	- General Development	154.2	929.9	167.8	230.1	49.2	37.1	24.7
3	<b>Regional Transfers</b>	<b>10,578.6</b>	<b>55,555.8</b>	<b>7,700.8</b>	<b>14,136.5</b>	<b>33.6</b>	<b>83.6</b>	<b>25.4</b>

Source: Ministry of Finance and Economic Development

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



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



### 6.3 Deficit Financing

The federal government budget operation under the review period resulted in Birr 292 million surplus (including grants) against Birr 4.74 billion deficit recorded a year

earlier. However, the surplus appeared 95 percent lower than the surplus recorded in the preceding quarter.

