

## **VI. FEDERAL GOVERNMENT FINANCE**

During the fourth quarter of 2012/13, total revenue and grants of the Federal government amounted to Birr 23.5 billion, depicting a slight decline (0.5 percent) against last year same period. The actual performance was 22.7 percent of the annual budget.

Meanwhile, the Federal government's total expenditure increased by 27.4 percent over the previous year same period and

reached Birr 38.04 billion. The growth in government expenditure was attributed to higher capital expenditure (20.4 percent), regional transfers (42.7 percent) and current expenditure (13 percent). Total expenditure performance was 31 percent of the annual budget. As a result, the overall fiscal balance (including grants) showed Birr 14.56 billion in deficit compared to Birr 6.25 billion deficit registered a year earlier.

**Table 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/C	D/B
		QIV	Budget	QIII	QIV			
1	<b>Revenue and Grants</b>	<b>23,596.8</b>	<b>103,358.4</b>	<b>22,099.1</b>	<b>23,479.8</b>	<b>-0.5</b>	<b>6.2</b>	<b>22.7</b>
1.1	<b>Total Revenue</b>	<b>22,482.1</b>	<b>95,049.3</b>	<b>18,718.9</b>	<b>23,353.8</b>	<b>3.9</b>	<b>24.8</b>	<b>24.6</b>
	<b>Tax Revenue</b>	<b>17,478.6</b>	<b>87,092.8</b>	<b>18,259.9</b>	<b>21,749.6</b>	<b>24.4</b>	<b>19.1</b>	<b>25.0</b>
	Direct tax	3,873.9	21,910.9	3,494.8	4,362.2	12.6	24.8	19.9
	Indirect tax	13,604.6	65,181.9	14,765.1	17,387.4	27.8	17.8	26.7
	Non-Tax Revenue	5,003.6	7,956.5	459.0	1604.2	-67.9	249.5	20.2
1.2	Grant & Relief	1,114.7	8,309.1	3,380.2	126.0	-88.7	-96.3	1.5
2	Current Expenditure	5,518.5	24,691.7	5,618.5	6,236.5	13.0	11.0	25.3
3	Current Surplus/Deficit	0.0	0.0	0.0	0.0			
	<b>(Including Grants)</b>	<b>18,078.4</b>	<b>78,666.7</b>	<b>16,480.6</b>	<b>17,243.3</b>	<b>-4.6</b>	<b>4.6</b>	<b>21.9</b>
	<b>(Excluding Grants)</b>	<b>16,963.7</b>	<b>70,357.6</b>	<b>13,100.4</b>	<b>17,117.3</b>	<b>0.9</b>	<b>30.7</b>	<b>24.3</b>
4	Capital Expenditure	13,179.0	42,516.4	11,094.7	15,872.7	20.4	43.1	37.3
5	Regional Transfers	11,157.8	55,555.8	14,027.5	15,926.9	42.7	13.5	28.7
6	<b>Total Expenditure (2+4+5)</b>	<b>29,855.3</b>	<b>122,763.9</b>	<b>30,740.7</b>	<b>38,036.1</b>	<b>27.4</b>	<b>23.7</b>	<b>31.0</b>
7	Overall Surplus/Deficit							
	<b>(Including Grants)</b>	<b>-6,258.5</b>	<b>-19,405.5</b>	<b>-8,641.5</b>	<b>-14,556.3</b>	<b>132.6</b>	<b>68.4</b>	<b>75.0</b>
	<b>(Excluding Grants)</b>	<b>-7,373.2</b>	<b>-27,714.6</b>	<b>-12,021.8</b>	<b>-14,682</b>	<b>99.4</b>	<b>22.1</b>	<b>53.5</b>
8	<b>Total Financing</b>	<b>6,258.5</b>	<b>19,405.5</b>	<b>8,641.5</b>	<b>14,556.3</b>	<b>132.6</b>	<b>68.4</b>	<b>75.0</b>
8.1	<b>Net External Borrowings</b>	<b>2,685.1</b>	<b>6,402.5</b>	<b>1,458.7</b>	<b>8,225.9</b>	<b>206.4</b>	<b>463.8</b>	<b>128.5</b>
	External Borrowing	3,030.8	7,900.7	2,495.9	5,848.5	93.0	134.3	74.0
	Amortization	345.7	1,498.3	235.9	414.0	19.7	75.5	27.6
8.2	<b>Net Domestic Borrowings</b>	<b>13,777.0</b>	<b>13,003.0</b>	<b>3,555.0</b>	<b>21,856.9</b>	<b>58.6</b>	<b>514.8</b>	<b>168.1</b>
	Banking System	12,816.0	0.0	1,699.6	20,348.0	58.8	1097.2	
	Non-Bank Sources	961.0	0.0	1,855.4	1,508.9	57.0	-18.7	
8.3	<b>Privatization receipts</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1,200.0</b>			
8.4	<b>Others and Residuals</b>	<b>-10,203.6</b>	<b>0.0</b>	<b>3,627.8</b>	<b>-16,726.5</b>	<b>63.9</b>	<b>-561.1</b>	

Source: Ministry of Finance and Economic Development

## 6.1 Revenue and Grants

Of the total Birr 23.5 billion revenue and grants collected during the review quarter, 99.5 percent was from domestic

sources while the remaining balance was from grants and relief. Total domestic revenue during the review period showed a

marginal increase of 4 percent compared to last year and reached Birr 23.4 billion. Of this sum, tax revenue constituted 93.1 percent and non-taxes 6.9 percent. The

amount of grants and relief, however, dropped significantly by 88.7 percent against the same period of last year.

**Table 6.2 Summary of Federal Government Revenue by components**

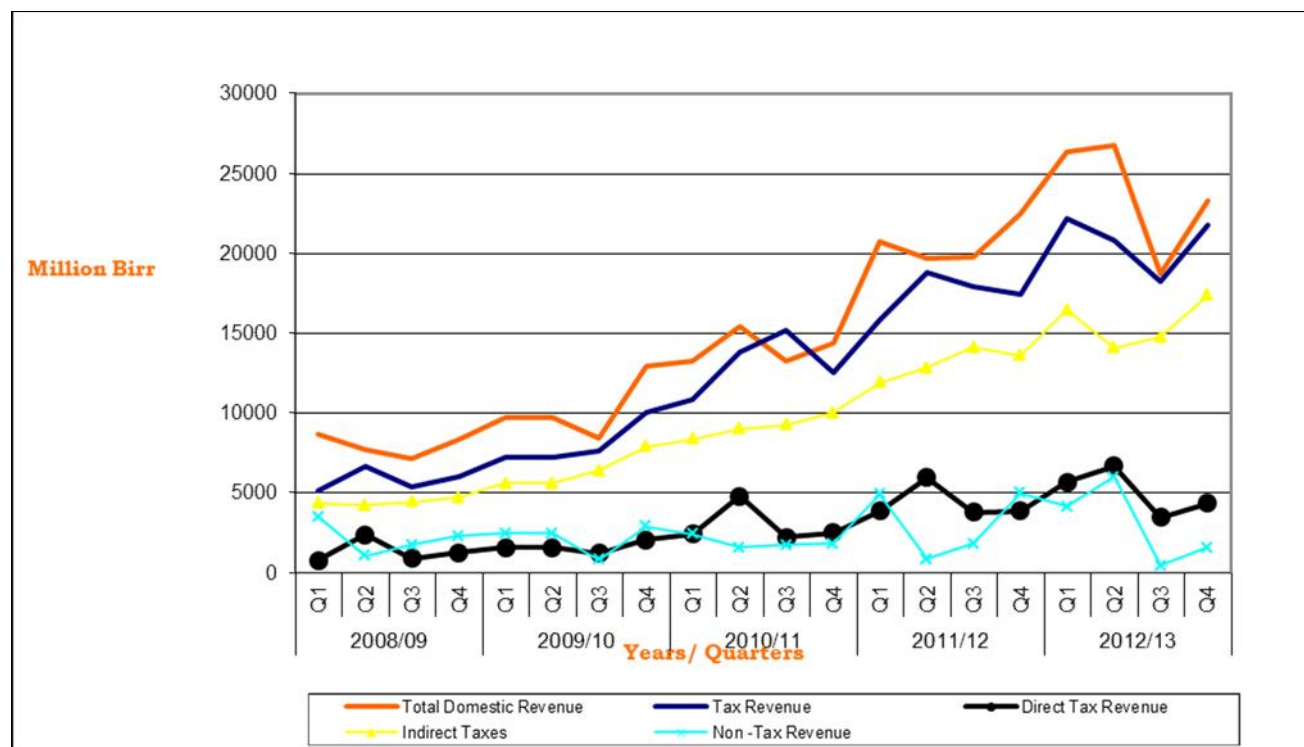
(In millions of Birr)

No	Particulars	2011/12	2012/13			Percentage Change		Performance Rate
		QIV	Budget	QIII	QIV			
		A	B	C	D	[D/A]	[D/C]	[D/B]
	<b>Total Revenue and Grants</b>	<b>23,596.8</b>	<b>103,358.4</b>	<b>22,099.4</b>	<b>23,479.8</b>	<b>-0.5</b>	<b>6.2</b>	<b>22.7</b>
	<b>Total Domestic Revenue</b>	<b>22,482.1</b>	<b>95,049.3</b>	<b>18,719.2</b>	<b>23,353.9</b>	<b>3.9</b>	<b>24.8</b>	<b>24.6</b>
1	<b>Tax Revenue</b>	<b>17,478.6</b>	<b>87,092.8</b>	<b>18,260.2</b>	<b>21,749.6</b>	<b>24.4</b>	<b>19.1</b>	<b>25.0</b>
1.1	<b>Direct Tax Revenue</b>	<b>3,873.9</b>	<b>21,910.9</b>	<b>3,495.1</b>	<b>4,362.2</b>	<b>12.6</b>	<b>24.8</b>	<b>19.9</b>
1.1.1	<b>Income Taxes</b>	<b>3,411.3</b>	<b>19,136.5</b>	<b>2,774.1</b>	<b>3,412.5</b>	<b>0.0</b>	<b>23.0</b>	<b>17.8</b>
	- Personal	617.6	2,648.9	656.8	775.8	25.6	18.1	29.3
	- Business	2,793.7	16,487.6	2,117.2	2,636.7	-5.6	24.5	16.0
1.1.2	Others <sup>1</sup>	462.6	2,774.4	721.0	949.8	105.3	31.7	34.2
1.2	<b>Indirect Taxes</b>	<b>13,604.6</b>	<b>65,181.9</b>	<b>14,765.1</b>	<b>17,387.4</b>	<b>27.8</b>	<b>17.8</b>	<b>26.7</b>
1.2.1	Domestic Taxes	5,775.7	23,457.4	6,072.3	7,155.4	23.9	17.8	30.5
1.2.2	Foreign Trade Taxes	7,828.9	41,724.4	8,692.7	10,231.9	30.7	17.7	24.5
	- Import	7,828.9	41,724.4	8,692.7	10,231.9	30.7	17.7	24.5
2	<b>Non-Tax Revenue</b>	<b>5,003.6</b>	<b>7,956.5</b>	<b>459.0</b>	<b>1,604.2</b>	<b>-67.9</b>	<b>249.5</b>	<b>20.2</b>
3	<b>Privatization</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1,200.0</b>			
4	<b>Grants and Relief</b>	<b>1,114.7</b>	<b>8309.1</b>	<b>3380.2</b>	<b>126.0</b>	<b>-88.7</b>	<b>-96.3</b>	<b>1.5</b>

Source: (MOFED)

<sup>1</sup>/includes withholding tax on import, tax on dividend and interest income

**Fig .VI.1 Quarterly Developments in Major Components of Domestic Revenue of the Federal Government**



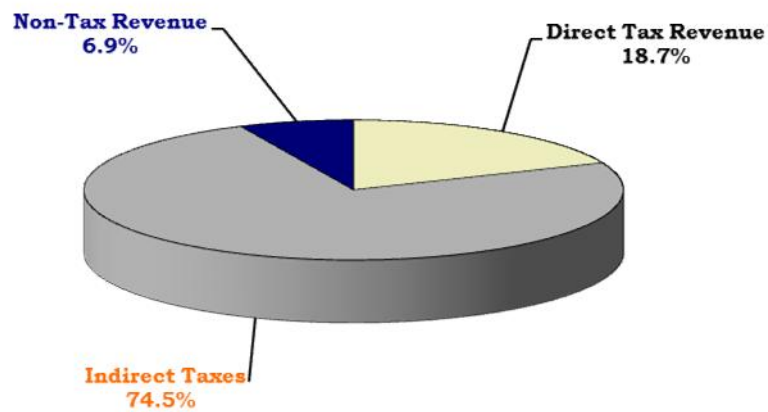
Tax revenue collection was Birr 21.8 billion showing a 24.4 percent annual surge.

Indirect tax revenue, accounting for 80 percent of total tax revenue was Birr 17.4 billion, depicting a 27.8 percent strong growth over the preceding year same period

due to the increase in foreign trade taxes.

Direct tax revenue, which mostly comprises income tax, namely personal and business taxes, amounted to Birr 4.4 billion, which was 12.6 percent higher than a year earlier.

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



## **6.2 Expenditure**

Total Federal government expenditure, including regional transfers, stood at Birr 38.0 billion showing a 27.4 percent annual growth as a result of increases in all expenditure components. Of the total

expenditure, Birr 6.2 billion (or 16.4 percent) was for current expenditures Birr 15.8 billion (or 41.7 percent) for capital expenses and Birr 15.9 billion (or 41.9 percent) was regional transfer (Table 6.3).

Year-on-year basis, recurrent expenditure went up by 13 percent capital expenditure

by 20.4 percent and regional transfer by 42.7 percent.

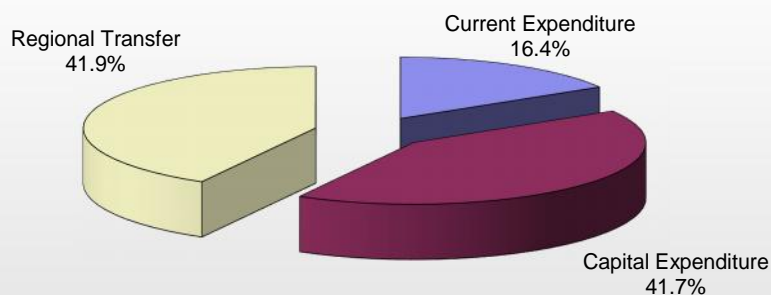
**Tale 6.3 Summary of Federal Government Expenditure by components**

(In Millions of Birr)

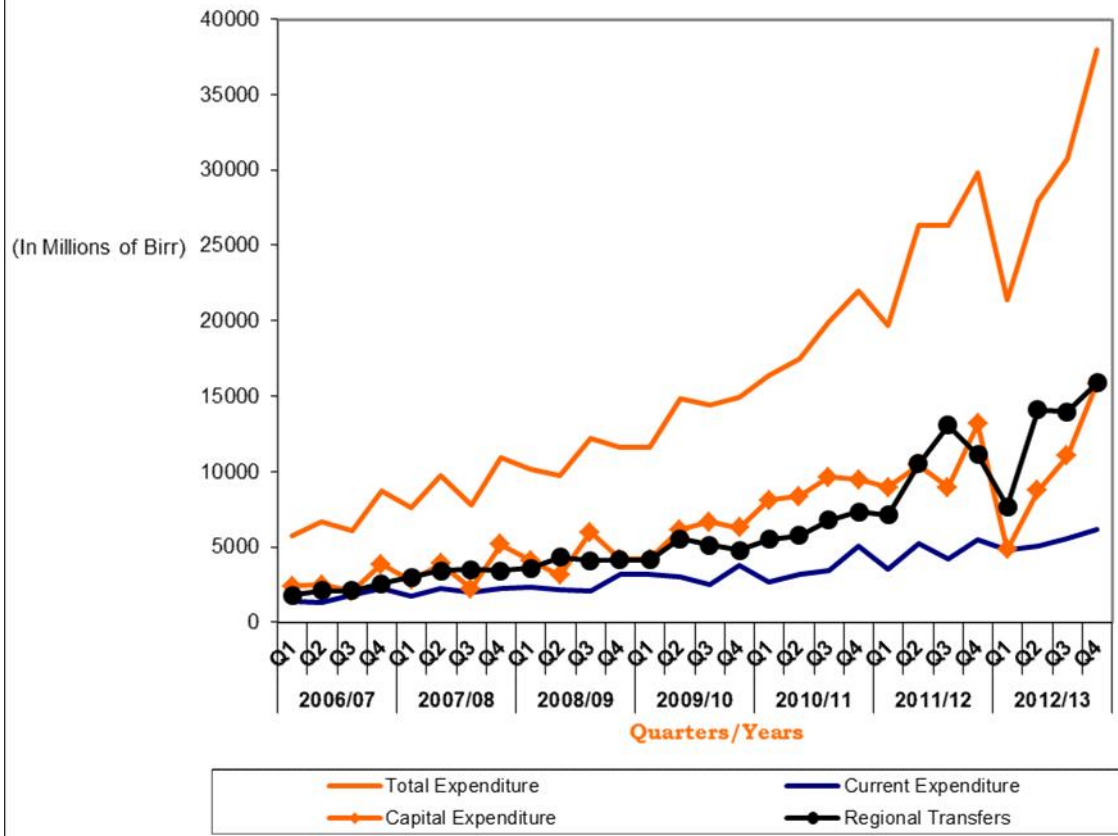
No	Particulars	2011/12	2012/13			Perc Change		Perfo Rate
		QIV	Budget	QIII	QIV			
		[A]	[B]	[C]	[D]	[D/A]	[D/C]	[D/B]
	<b>Total Expenditure</b>	<b>29,855.3</b>	<b>122,763.9</b>	<b>30,740.7</b>	<b>38,036.1</b>	<b>27.4</b>	<b>23.7</b>	<b>31.0</b>
1	<b>Current Expenditure</b>	<b>5,518.5</b>	<b>24,691.7</b>	<b>5,618.6</b>	<b>6,236.4</b>	<b>13.0</b>	<b>11.0</b>	<b>25.3</b>
	- General Services	2,695.7	10,370.7	2,820.4	3,020.9	12.1	7.1	29.1
	- Economic Services	329.8	1,858.8	286.8	388.1	17.7	35.3	20.9
	- Social Services	1,868.8	6,969.1	1,724.2	1,985.4	6.2	15.1	28.5
	- Debt Service	624.1	5,493.2	787.2	842.0	34.9	7.0	15.3
2	<b>Capital Expenditure</b>	<b>13,179.0</b>	<b>42,516.4</b>	<b>11,094.6</b>	<b>15,872.8</b>	<b>20.4</b>	<b>43.1</b>	<b>37.3</b>
	- Economic Development	9167.1	30,745.3	8,468.8	11,798.5	28.7	39.3	38.4
	- Social Development	3,663.5	10,841.2	2,372.8	3,761.4	2.7	58.5	34.7
	- General Development	348.4	929.9	253.0	312.8	-10.2	23.7	33.6
3	<b>Regional Transfers</b>	<b>11,157.8</b>	<b>55,555.8</b>	<b>14,027.5</b>	<b>15,926.9</b>	<b>42.7</b>	<b>13.5</b>	<b>28.7</b>

Source: Ministry of Finance and Economic Development

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



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



### 6.3 Deficit Financing

Federal government budgetary operations (including grant) resulted in Birr 14.7 billion overall deficit compared to Birr 6.3 billion deficit a year ago due to higher growth in total expenditures relative to total revenue. The deficit was financed through net

borrowing from both external and domestic sources.

**Fig. VI.5 Federal Government Finance During Fourth Quarter of F.Y 2012/13**

