

VI. FEDERAL GOVERNMENT FINANCE

Total revenue and grants of the federal government collected through the third quarter of 2013/14 increased by 26.2 percent over the same period last year and amounted to Birr 27.8 billion. On quarterly basis it registered a 15.1 percent decline (Table 6.1).

Likewise, total expenditure of the federal government increased by 8.5 percent vis-a-

vis a year ago while it declined by 2 percent with respect to the preceding quarter. Consequently, the overall fiscal balance of the federal government (including grants) registered Birr 5.4 billion in deficit compared to Birr 8.6 billion deficit recorded last year the same period (Table 6.1)

Table 6.1 Summary of Quarterly Federal Government Finance

(In Millions of Birr)

No	Particulars	2012/13	2013/14			Percentage changes		Performance rate
		A	B	C	D	D/A	D/C	D/B
		QIII	Budget	QII	QIII			
1	Revenue and Grants	22,099.0	110,039.6	32,833.0	27,879.3	26.2	-15.1	25.3
1.1	Total Revenue	18,719.0	105,919.3	28,826.6	26,052.4	39.2	-9.6	24.6
	Tax Revenue	18,260.0	100,331.6	27,638.3	25,134.5	37.6	-9.1	25.1
	Direct tax	3,495.0	24,487.1	10,075.0	4,713.0	34.8	-53.2	19.2
	Indirect tax	14,765.0	75,844.5	17,563.3	20,421.5	38.3	16.3	26.9
	Non-Tax Revenue	459.0	5,587.7	1,188.3	917.9	100.0	-22.8	16.4
1.2	Grant & Relief	3,380.0	4,120.4	4,006.4	1,826.9	-45.9	-54.4	44.3
2	Current Expenditure	5,618.0	30,242.9	7,386.8	6,862.4	22.2	-7.1	22.7
3	Current Surplus/Deficit	-						
	Including Grants	16,481.0	79,796.8	25,446.1	21,016.9	27.5	-17.4	26.3
	Excluding Grants	13,101.0	75,676.4	21,439.8	19,190.0	46.5	-10.5	25.4
4	Capital Expenditure	11,095.0	53,024.9	11,261.5	12,522.9	12.9	11.2	23.6
5	Regional Transfers	14,028.0	57,465.3	15,402.0	13,971.0	-0.4	-9.3	24.3
6	Total Expenditure (2+4+5)	30,741.0	140,733.1	34,050.3	33,356.3	8.5	-2.0	23.7
7	Overall Surplus/Deficit							
	Including Grants	-8,642.0	-30,693.5	-1,217.3	-5,477.0	-36.6	349.9	17.8
	Excluding Grants	-12,022.0	-34,813.9	-5,223.7	-7,303.9	-39.2	39.8	21.0
8	Total Financing	8,642.0	30,693.5	1,217.3	5,477.0	-36.6	349.9	17.8
8.1	Net External Borrowings	1,459.0	14,670.5	1,791.1	3,079.4	111.1	71.9	21.0
	External Borrowing	2,496.0	10,939.9	2,363.7	3,285.4	31.6	39.0	30.0
	Amortization	236.0	1,711.5	572.6	206.0	-12.7	-64.0	12.0
8.2	Net Domestic Borrowings	3,555.0	16,023.0	11,558.7	11,837.2	233.0	2.4	73.9
	Banking System	1,700.0	-	7,315.7	6,145.7	261.5	-16.0	
	Non-Bank Sources	1,855.0	-	4,243.0	5,691.5	206.8	34.1	
8.3	Privatization receipts	-	-	1,544.0	-			
8.4	Others and Residuals	3,628.0		-13,676.4	-9,439.6	-360.2	-31.0	

Source: Ministry of Finance and Economic Development

6.1 Revenue and Grants

Of the total Birr 27.8 billion revenue and grants obtained during the review quarter, 93.4 percent was from domestic sources and the remaining from grants and relief. Total domestic revenue at Birr 26.1 billion grew strongly by 39.2 percent compared with the same period of last fiscal year while it contracted by 9.6 percent vis-a-vis the preceding quarter (Table 6.2).

Out of the total domestic revenue, 96.5 percent was raised through taxes where as non-tax revenue accounted for 3.5 percent. The amount of grant and relief in the quarter dropped significantly both on quarterly and annual basis (Table6.2).

Table 6.2 Summary of Federal Government Revenue by Component

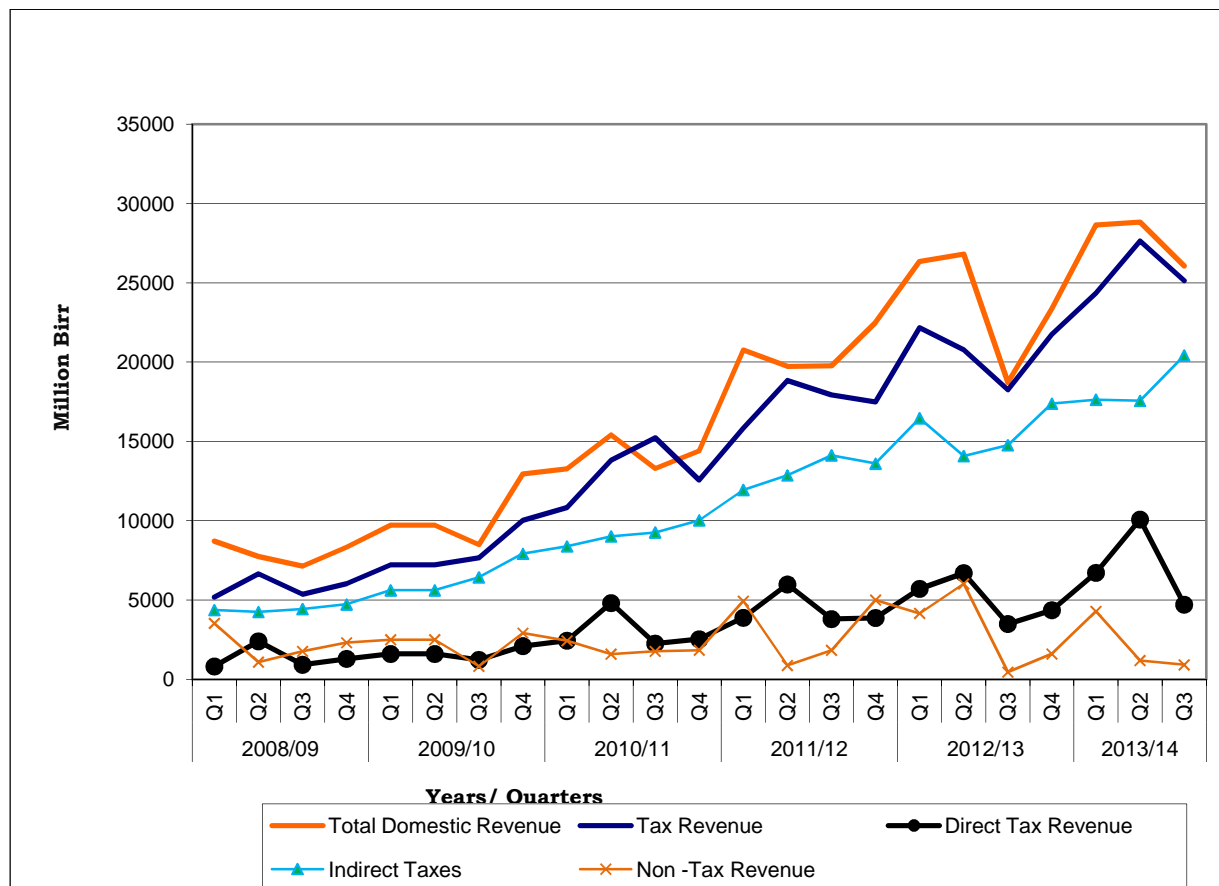
(In Millions of Birr)

No	Particulars	2012/13	2013/14			Percentage Change		Performance Rate
		QIII	Budget	QII	QIII			
		A	B	C	D	[D/A]	[D/C]	[D/B]
	Total Revenue and Grants	22,099.0	110,039.6	32,833.0	27,879.3	26.2	-15.1	25.3
	Total Domestic Revenue	18,719.0	105,919.3	28,826.6	26,052.4	39.2	-9.6	24.6
1	Tax Revenue	18,260.0	100,331.6	27,638.3	25,134.5	37.6	-9.1	25.1
1.1	Direct Tax Revenue	3,495.0	24,487.1	10,075.0	4,713.0	34.8	-53.2	19.2
1.1.1	Income Taxes	2,774.0	21,393.3	9,264.9	3,684.1	32.8	-60.2	17.2
	- Personal	657.0	3,178.0	970.2	871.7	32.7	-10.2	27.4
	- Business	2,117.0	18,215.3	8,294.7	2,812.5	32.9	-66.1	15.4
1.1.2	Others ¹	721.0	3,093.8	810.1	1,028.8	42.7	27.0	33.3
1.2	Indirect Taxes	14,765.0	75,844.5	17,563.3	20,421.5	38.3	16.3	26.9
1.2.1	Domestic Taxes	6,072.0	28,216.1	6,445.2	9,373.2	54.4	45.4	33.2
1.2.2	Foreign Trade Taxes	8,693.0	47,628.4	11,118.1	11,048.3	27.1	-0.6	23.2
	- Import	8,693.0	47,628.4	11,118.1	11,048.3	27.1	-0.6	23.2
2	Non-Tax Revenue	459.0	5,587.7	1,188.3	917.9	100.0	-22.8	16.4
3	Privatization	-	-	1,544.0				
4	Grants and Relief	3,380.0	4,120.4	4,006.4	1,826.9	-45.9	-54.4	44.3

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

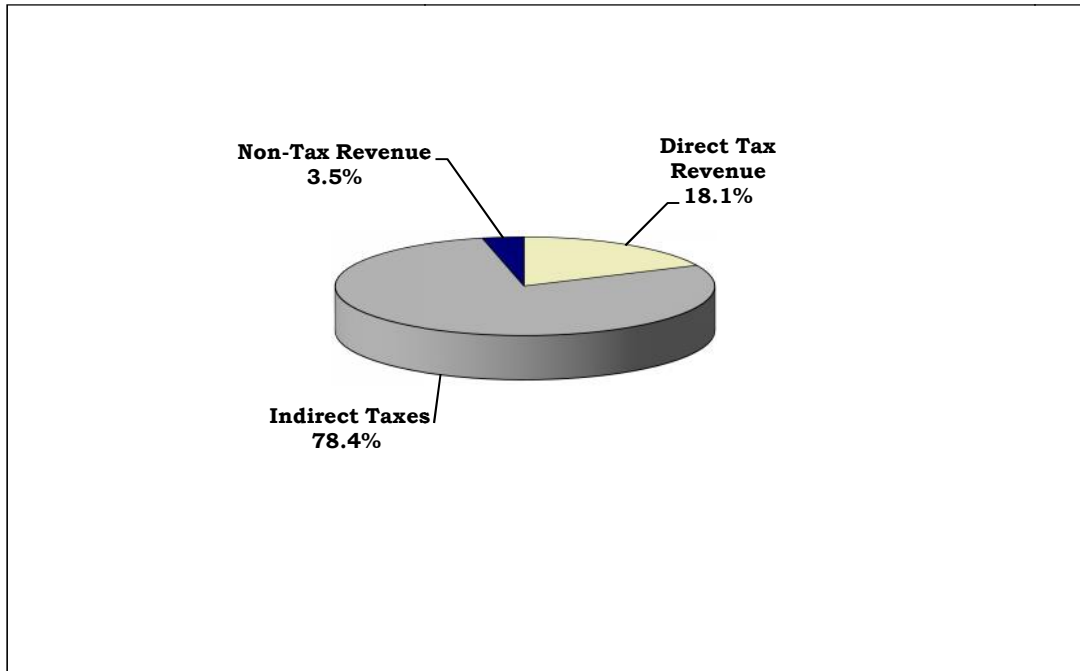


Total tax revenue during the review period stood at Birr 25.1 billion depicted a 37.6 percent growth over the same period of last year due to higher collection through direct and indirect taxes which rose by 34.8 and 38.3 percent respectively. However, tax

revenue went down by 9.1 percent compared with the preceding quarter due to decline in direct tax.

Total tax revenue collected during the review quarter accounted for 25.1 percent of the annual plan (Table6.2).

Fig.VI.2 Domestic Revenue by Major Components during the Third Quarter of 2013/14



6.2 Expenditure

Total government expenditure (including regional transfer) during the third quarter of 2013/14 stood at Birr 33.4 billion, depicting 8.5 percent growth over the same period last year, while declined slightly by 2 percent in contrast to the preceding quarter mainly due to lower regional transfer (Table 6.3).

On annual basis, both capital and recurrent expenditures tended to increase due to growth in their components.

Recurrent expenditure went up by 22.1 percent to Birr 6.8 billion, mainly on account of increased expenditure for general and debt services.

Likewise, capital expenditure showed a 12.9 percent expansion compared to a year ago largely owing to higher payments for economic and general developments.

Table 6.3 Summary of Federal Government Expenditure by Component

(In millions of Birr)

No	Particulars	2012/13	2013/14			Percentage Change		Performance Rate
		QIII	Budget	QII	QIII			
		A	B	C	D	[D/A]	[D/C]	[D/B]
	Total Expenditure	30,740.7	140,733.1	34,050.3	33,356.3	8.5	-2.0	23.7
1	Current Expenditure	5,618.6	30,242.9	7,386.8	6,862.4	22.1	-7.1	22.7
	- General Services	2,820.4	12,156.9	3,371.7	3,647.2	29.3	8.2	30.0
	- Economic Services	286.8	2,130.6	368.4	327.0	14.0	-11.2	15.3
	- Social Services	1,724.2	9,251.2	2,826.5	1,762.1	2.2	-37.7	19.0
	- Debt Service	787.2	6,704.2	820.2	1,126.1	43.1	37.3	16.8
2	Capital Expenditure	11,094.6	53,024.9	11,261.5	12,522.9	12.9	11.2	23.6
	- Economic Development	8,468.8	37,773.5	7,666.1	9,772.9	15.4	27.5	25.9
	- Social Development	2,372.8	13,656.9	3,385.1	2,470.4	4.1	-27.0	18.1
	- General Development	253.0	1,594.5	210.3	279.5	10.5	32.9	17.5
3	Regional Transfers	14,027.5	57,465.3	15,402.0	13,971.0	-0.4	-9.3	24.3

Source: Ministry of Finance and Economic Development

Fig VI.3: Major Components of Federal Governments Expenditure during the Third Quarter of 2013/14

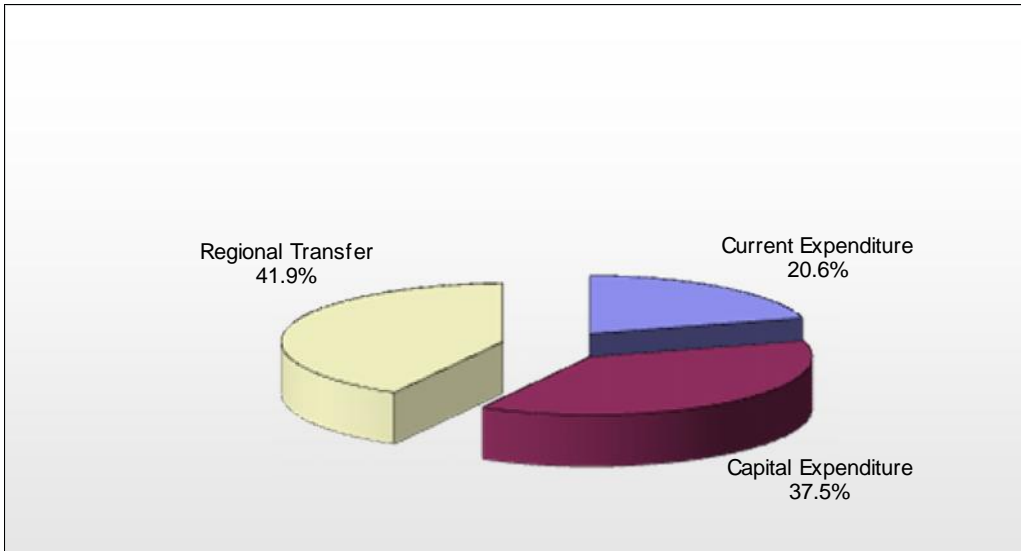
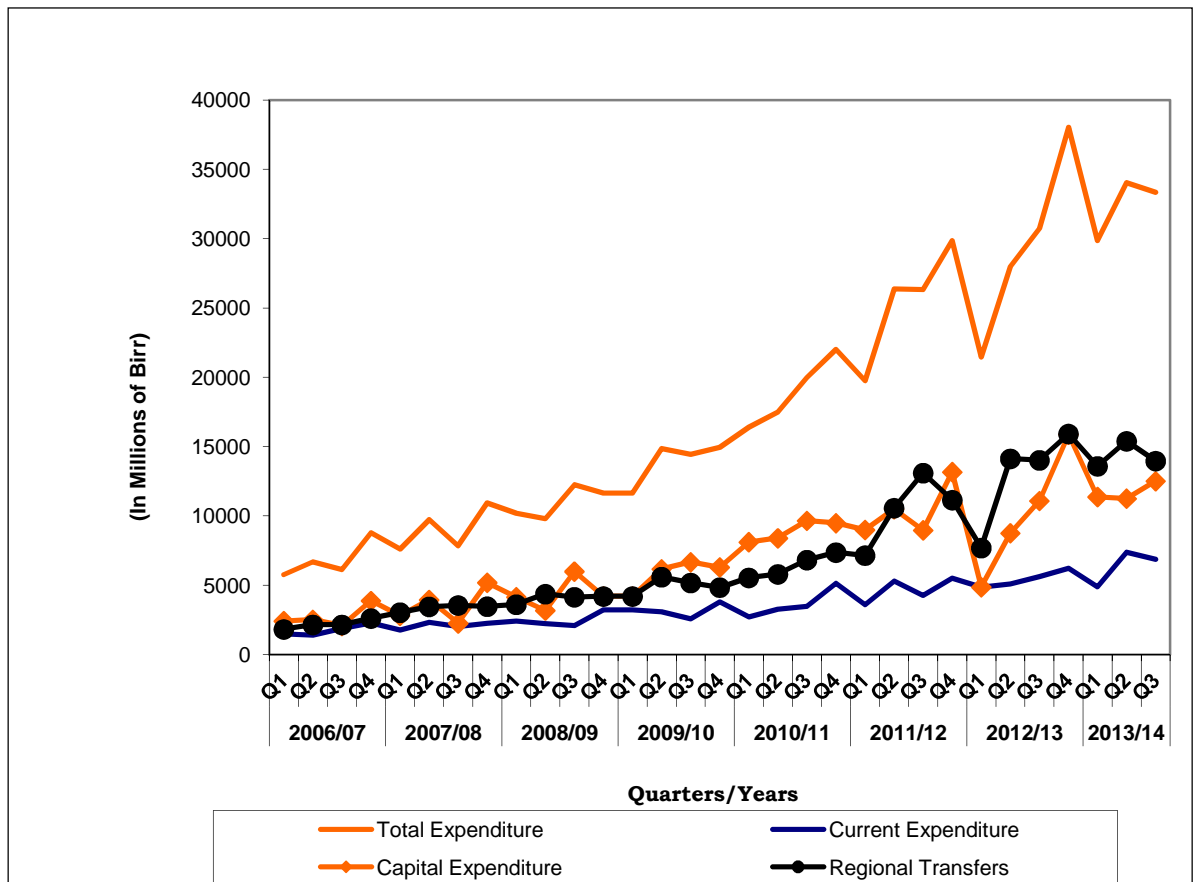


Fig.VI.4 Quarterly Development in Federal Government Expenditure by Components



6.3 Deficit Financing

The fiscal balance of the federal government in the third quarter of 2013/14 recorded Birr 5.4 billion in deficit, which was higher than Birr 1.2 billion deficit recorded in the preceding quarter but lower than that of the same period of last year. The deficit was financed mainly from external and domestic borrowing (Table 6.1).

Fig.VI.5 Federal Government Finance during Third Quarter of F.Y 2013/14

