

Fiscal Policy Directorate | Ministry of Finance

Annual Fiscal Report

Foreword and Acknowledgement

Ministry of Finance is grateful to present the 4th edition of the annual fiscal report. This addition attempts to analyze the un-audited fiscal and budgetary developments during fiscal year 1390 and comparing them with the outcomes of 1389. The report enables the target audience to review and assess the latest fiscal and budgetary developments i.e. revenues, grants, loans, expenditures, fiscal sustainability and transactions related to the acquisition of non-financial assets and measuring the surplus/deficit of the budget. This is very crucial towards improving the reporting mechanism and strengthening fiscal transparency of our public finance management.

This edition of the annual fiscal report is designed to allow citizens, policy makers, civil society, legislatures, donors, university lecturers, students, and other interested stakeholders to understand, review and assess the Government's public finance. We believe that all disclosures necessary to enable the reader to gain an understanding of the government's fiscal activities are included.

I would like to take this opportunity to thank Fiscal Policy Directorate for analyzing and drafting this Annual Fiscal Report for the Fiscal Year 1390. I would also like to extend my gratitude to the Budget Department, Revenue Department, Treasury Department, Customs Department, Debt Management Unit, and other departments for their valuable inputs and support. I also thank Making Budget & Aid Works (MBAW) project and Adam Smith International (ASI) for their technical support to the Fiscal Policy Directorate.

We would value your comments and queries on this publication. Please address your points to Mr. Zia-Ur-Rahman Haleemi, Head of the Fiscal Policy Directorate of the Ministry of Finance at ziahaleemi@gmail.com. I hope you will find this publication useful and interesting. It will soon be available on the Ministry of Finance's budget website (www.budgetmof.gov.af).

Muhammad Mustafa Mastoor
Deputy Minister for Finance, Ministry of Finance

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1390 Fiscal Year Highlights

- This fiscal report provides preliminary data and analysis on the implementation of the 1390 National Budget.
- The fiscal year of 1390 presented the Government with a range of development challenges and observations. The security situation deteriorated and this caused to pose serious challenges for the government overall programs particularly on development projects implementation. In addition, the Government was faced with challenges due to gradual transition during the year as well.
- Despite these challenges, GDP growth rate remained relatively stable at 5.8 percent, while inflation hit one digit rate remained at 11.8 percent.
- Domestic revenues were Afs 99.4 billion (11.0 percent of GDP), an increase of Afs 19.0 billion (23.0 percent) over the 1389 level. Collections were also above the projected IMF target of Afs 98.8 billion.
- Grants to the core budget were Afs 136.9 billion (15 percent of GDP), an increase of Afs 45.0 billion (48.0 percent) over the 1389 level. Operating budget grants were Afs 66.7 billion, an increase of Afs 12.2 billion (22 percent) over the 1389 level. Development budget grants were Afs 70.1 billion, an increase of Afs 44.6 billion (57 percent) from the 1389 level.
- Core budget expenditures were Afs 201.9 billion (23 percent of GDP), an increase of 48.0 billion (31 percent) over the 1389 level. Expenditure as a percentage of GDP rose due to slowdown of economic growth. Operating expenditure was Afs 149.2 billion, an increase of Afs 38.9 billion (35 percent) over the 1389 level. Development expenditure was Afs 52.6 billion, an increase of Afs 8.7 billion or 19 percent over 1389.
- The execution rate of the development budget was near to 50 percent. This is increase over the 39 percent in 1389. Over the past one decade, during fiscal year 1390, Government could manage to execute almost 50 percent of its development budget, this improvement in budget execution rate caused due to proper financial planning by key ministries and tight monitoring.

Table 1: Fiscal Summary for 1389 & 1390

In millions of Afghanis	1389		1390			
	Prelim. Actual	%GDP	Prelim. Actual	%GDP	Final Budget	% of Final Budget
Operating Budget Revenues	134,850	21.9	159,759	21.9	160,375	-0.4
Domestic Revenues	80,384	13.1	99,349.4	13.6	93,664	6.1
Operating Grants	54,466	8.9	60,409.1	8.3	66,711	-9.4
Operating Budget Expenditures	110,453	18.0	149,294	20.5	155,943	96
Compensation of Employees	86,474	14.1	111,699	15.3	114,553	98
Use of Goods and Services	17,158	2.8	25,855	3.5	28,114	92
Interest	79	0.0	92	0.0	350	26
Social Transfers	5,152	0.8	8,956	1.2	9,121	98
Gross Acquisition of Nonfinancial Assets	1,589	0.3	2,692	0.4	3,734	72
Operating Budget Balance						
Excluding Grants	-30,068	-4.9	-49,944	-6.8	-62,279	80
Including Grants	24,397	4.0	10,465	1.4	4,432	236
Indicator of Fiscal Sustainability (domestic revenues/operating expenditures)	73%		67%		60%	
Development Grants	25,523	4.1	31,611	4.3	70,072	45
Development Expenditures	43,924	7.1	52,668	7.2	102,375	51
Development Budget Balance	-18,401	-3.0	-21,056	-2.9	-32,302	65
Revenues	160,373	26.1	191,370	26.2	230,447	83
Domestic Revenues	80,384	13.1	99,349	13.6	93,664	106
Grants	79,988	13.0	92,020	12.6	136,783	67
Expenditures	154,377	25.1	201,961	27.7	258,318	147
Integrated Budget Balance						
Excluding Grants	-73,992	-12.0	-102,612	-14.1	-164,654	62
Including Grants	5,996	1.0	-10,591	-1.5	-27,871	38
Financing Requirement						
Balance Including Grants	5,996		-10,591			
Sale of Land and Buildings	108		59			
Lending/Borrowing	6,104		-10,532			

Fiscal Sustainability

- Fiscal sustainability is defined as “Domestic Revenue funding the full operating budget expenditures”. Achieving fiscal sustainability has been and continues to be one of the primary goals of the government. Despite significant progress that is made in domestic revenue collection, the fiscal sustainability indicator was 67 percent in 1390, down from 73 percent in 1389.
- This decline was due to the large increase in the total operating expenditures. Most of the increase comes from increased security spending and pay and grading reform. On the other hand, domestic revenue collection has continued to increase by around 24 percent compared to Afs 80.4 billion in 1390, which was not enough to offset the larger operating spending increase.
- The increase in operating expenditures was higher than the increase in the collection of domestic revenues; as a result, this rising operating spending led to the fiscal sustainability indicator to decline. And this indicator is expected not to improve significantly if the government’s current level of operating expenditure continues to further rise in the future. This will be due to the rise in security spending, other fiscal pressures (education), and also because the Government is likely to progressively take on more responsibility for the recurrent implications of the external budget. However, if the government continues to make progress towards fiscal sustainability, continuous efforts will be required to make sure domestic revenues increase at a faster rate than operating expenditures. This will only happen if the government is able to successfully introduce VAT, and also receive sufficient revenues from its extractive industries.

Macro Economic Performance

Macroeconomic performance in 1390 was sluggish, this were impacted due to some adverse external factors. Real GDP growth in preliminary estimates stood at 5.8 percent when compared to 8.4 percent in 1389, this fell down by 2.6 percentage points. However, nominal GDP growth was higher compared to 1389, this rose from 18.7 percent in 1389 to 19.8 percent in 1390, although the security and political environment were not favorable during the year

to facilitate business opportunity and attract foreign investment in order to contribute further in economic growth.

The slowdown in economic growth was mainly due to poor harvest in most part of the country as there was a little rainfall and snow during the year, meanwhile agriculture sector contribution as a percent of total GDP sluggish from 26% in 1389 to 20% in 1390.

Table 2: Macro-economic indicators for 1382-1390

In million of Afs	1382	1383	1384	1385	1386	1387	1388	1389	1390
Real GDP Growth	8.4%	1.1%	11.2%	5.6%	13.7%	3.6%	21.0%	8.4%	5.8%
Contribution to Growth									
- Agriculture	1.1%	-8.0%	4.9%	-1.5%	3.9%	-4.0%	9.7%	-1.7%	-3.6%
- Industry	2.4%	4.2%	3.6%	3.8%	2.3%	1.6%	1.8%	1.6%	1.7%
- Services	3.9%	4.3%	2.3%	2.9%	7.8%	5.8%	8.0%	8.1%	7.4%
- Indirect taxes	1.1%	0.6%	0.4%	0.4%	-0.2%	0.1%	1.5%	0.3%	0.3%
Nominal GDP Growth	21.1%	12.4%	23.3%	13.1%	23.7%	22.5%	15.3%	18.7%	19.8%
Nominal GDP (mil Afs)	224,696	252,597	311,436	352,308	435,692	533,522	615,082	729,905	874,673
Inflation (p.a)	24.1%	13.2%	12.3%	5.1%	13.0%	26.8%	-12.2%	7.7%	11.8%
Exchange rate (Afs/US\$)	49.0	47.8	49.7	49.9	49.8	51.0	49.2	45.6	47.7

Source: IMF & MoF estimates

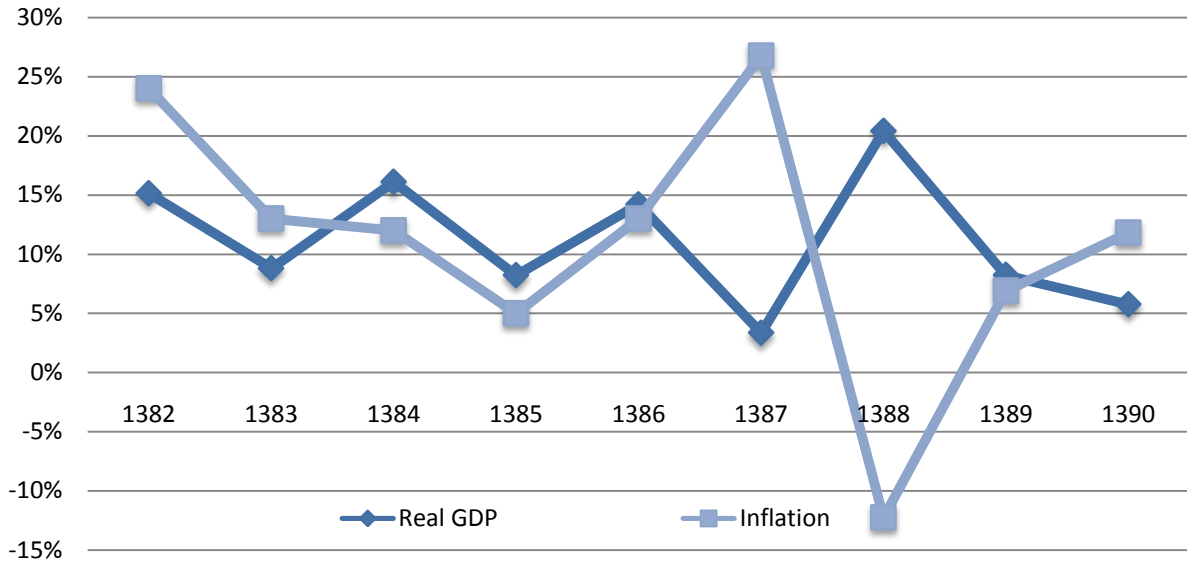
The services sector lead to expand, and this sector accounts more than double as whole GDP which has contributed about 54 percent to the economy. Services sector growth in 1390 accounted for 7.4 percentage points of the 5.8 percent real increase in real GDP growth.

At the same time industry sector expanded as well, and accounted for 1.7 percentage points of the 8.2 percent increase in real GDP growth. The industry sector makes up 22 percent of the economy in 1390 when compared to 21 percent in 1389.

During 1390 the period average inflation rate stood at 11.8 percent whilst this was only 7.7 percent in 1389. The spike was mainly due to higher food and non food prices particularly fuel price in local & international markets, at the same time, over the past decade Afghanistan importing big volume of food and non food items from neighboring countries such as Pakistan and Iran, the imported inflation also impacted overall on the prices in the local market which is a serious concern for the economy as large number of population are living under poverty line.

Figure 1: Real GDP & Inflation Rate

Growth in Real GDP and Inflation : 1382-1390

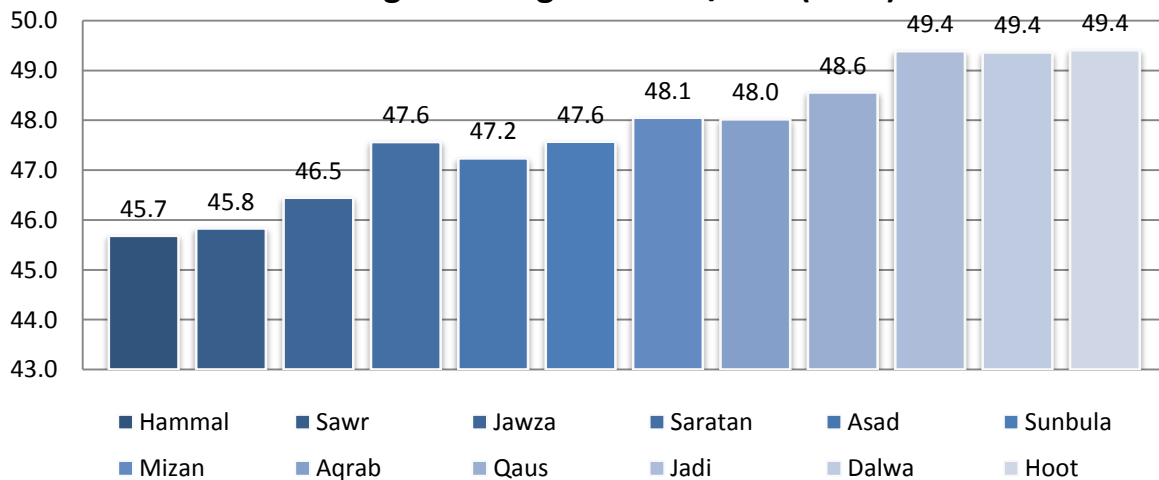


In 1390 the average exchange rate was 47.8 percent, it was slightly depreciated against US dollars, which fall down by 2 percentage points from Afs 45.8 in 1389 to Afs 47.8 by the end of the FY1390, Afs devaluation against US currency was mainly due to higher demand for dollars in the local market and somehow the gradual withdrawal of foreign troops during the year also

impacted on Afghan currency value and speculations as well. However, Afghanis gained values against Euro from Afs 70.72/Euro to Afs 65.80/Euro which fall down by almost 5.0 percentage points, while Pakistani rupee slightly depreciated as compared to Euro during 1390, which rose from 0.54/Afs in 1389 to 0.55/Afs in 1390.

Figure 2: Average Exchange Rate Afs/USD

Average Exchange Rate Afs/USD (1390)

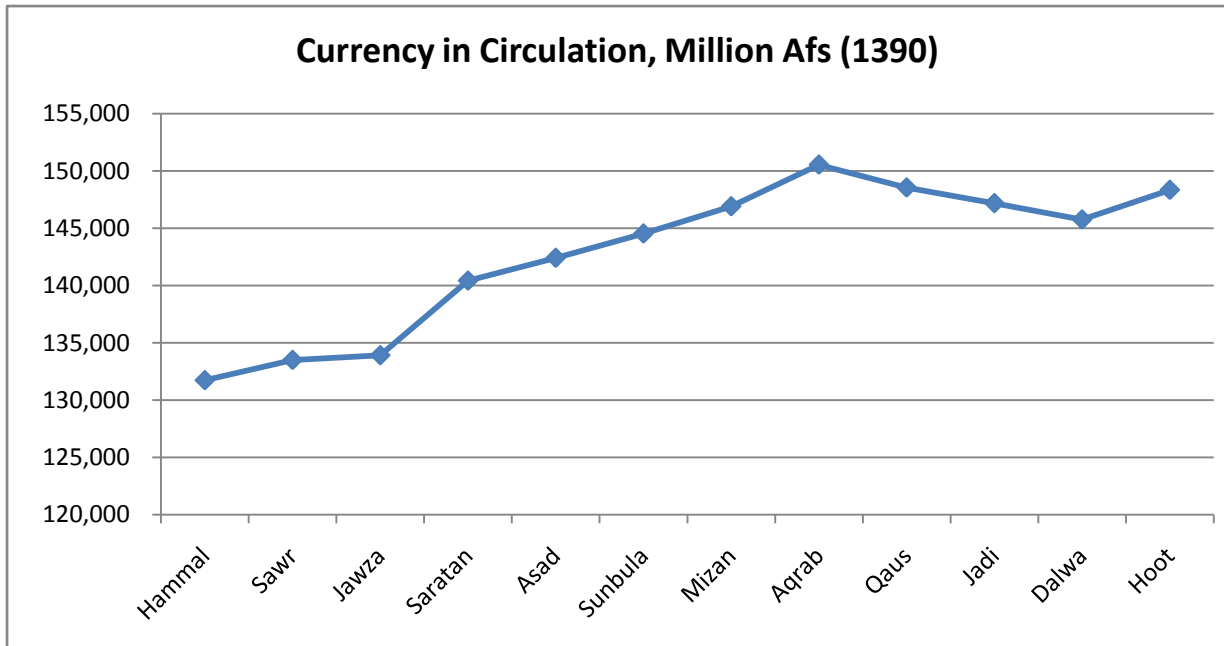


Look at DAB monetary policy, currency in circulation (CIC) was in line with the target for 1390. Currency in circulation has jumped from Afs 131.7 billion at the beginning of the year and this stood at Afs 148.3 billion by the end the year, the year on year growth was 50 percent (see figure 3).

during the 1390 were only Afs 17.9 billion (2 percent of GDP). This is slightly jumped over the value of exports in 1389 of Afs 17.7 billion. Whilst, imports of goods and services during the year 1390 were Afs 304.8 billion (35 percent of GDP), which is almost 29 percent higher when compared to the imports of Afs 235 billion over the past year. The trade balance deficit was 33 percent of GDP by the end of FY1390 which has been sustained by aid inflows in the economy.

Afghanistan’s trade performance during fiscal year 1390 was slowdown when compared to the previous year. Export of goods and services

Figure 3: Currency in Circulation - 1390



Source: Da Afghanistan Bank

Revenues

During fiscal year 1390, total domestic revenues were collected in the amount of Afs 99.4 billion (or 11.4 of GDP), which was Afs 19 billion (24%) higher than the total revenues of Afs 80.4 billion (or 11% of GDP) collected the same period in 1389. More significantly, it exceeded not only the IMF target of Afs 88.9 billion, but also surpassing revenue target of Afs 93.7 billion projected for the 1390 Budget.

went down by three percentage points from 5.4% in 1389 to 5.1% in 1390. Similarly, its share (percentage) of the total revenues decreased from 47% during 1389 to 45% during 1390; however, in absolute term, the tax revenues increased by Afs 6 billion in 1390. This fall in share of tax revenue to overall revenue partially attributed to increase in the contribution of share of non- tax revenues in 1390.

The percentage of tax revenues to GDP slightly

Figure 4: Domestic Revenue by major category

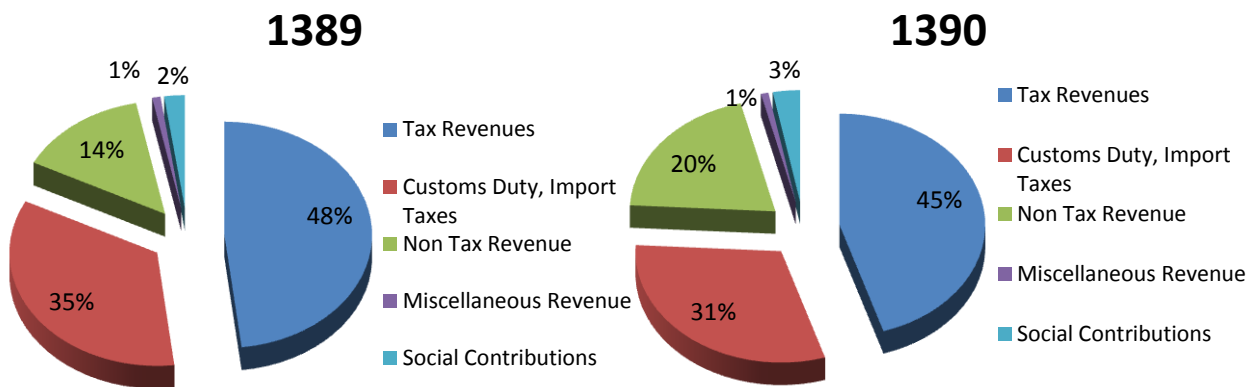
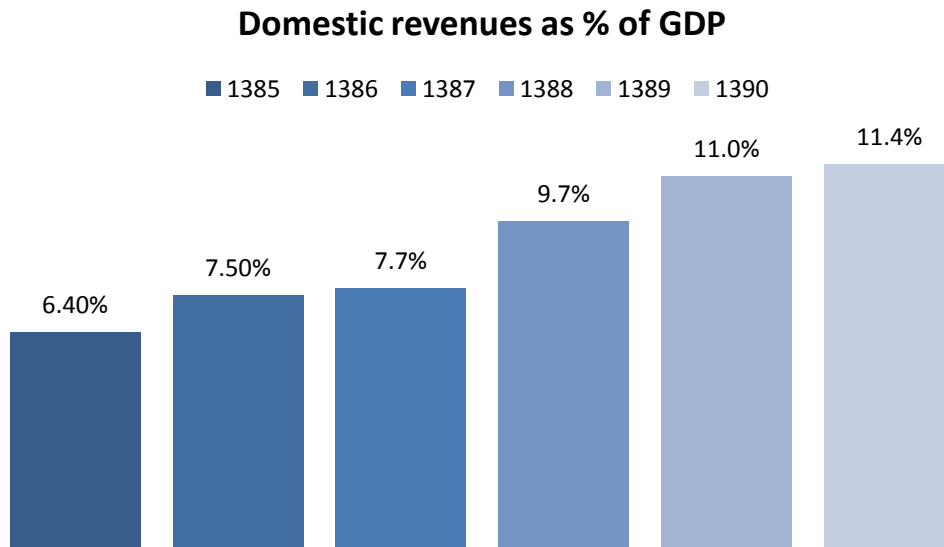


Figure 5: Domestic Revenues as % of GDP

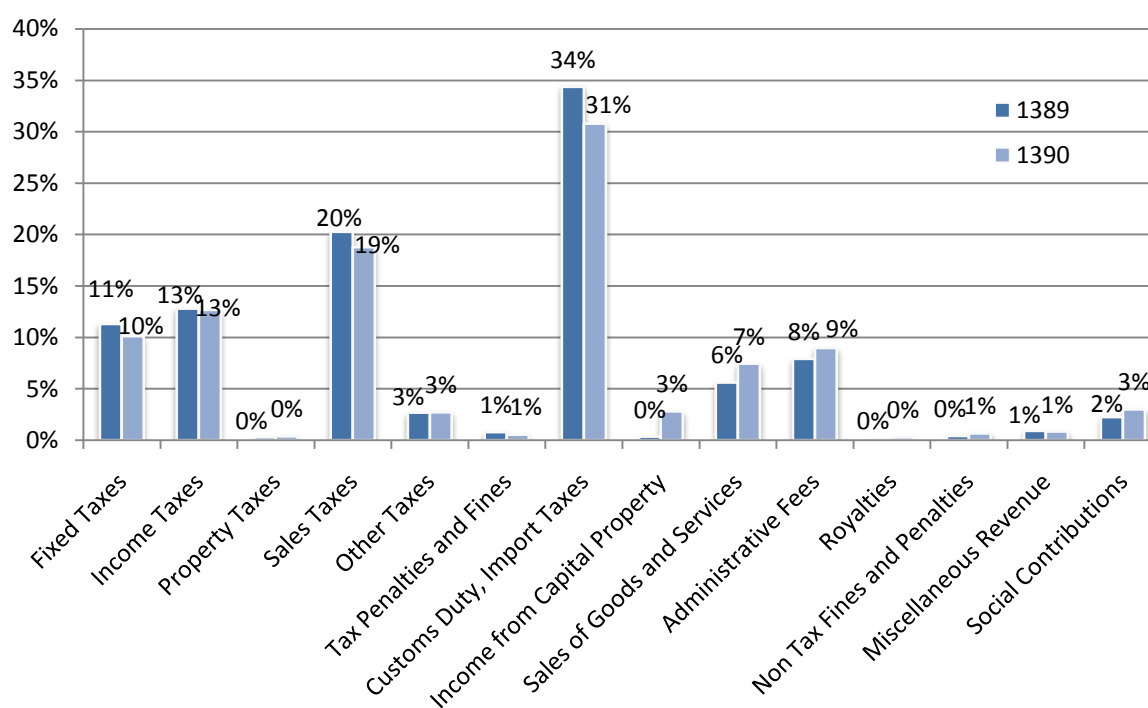


1. Tax Revenues

Tax revenues which contributed around 45% of the overall revenues collected around Afs 44.8 billion which accounts for 5.1% of GDP during 1390, an increase of Afs 6.1 billion (15.7%) over Afs 38.7 billion (5.3% of GDP) collected in the previous year. This revenue is collected through various types of tax categories such as Sales

Taxes (41%), Income Taxes (28%), Fixed Taxes (22%), Property Tax (1%), Tax Penalties and Fines (1%) and other type of taxes (6%). The increase in tax revenue was due to improvement in collection by Mustofiats, more tax compliance, and increased audits (of non-compliant taxpayers) by Mustofiats, LTO and MTO.

Figure 6: Domestic revenues by minor codes



i. Fixed Taxes

Revenues collected from Fixed Taxes during 1390 were totaled Afs 10 billion, an increase of Afs 0.9 billion (10%) over Afs 9.1 billion, collected the same period 1389. Major contribution to the Fixed Taxes was made by the collection of BRTs collected from the imports of licensed business which totaled to an increment of Afs 357 million over 7.2 billion in 1389. The other major contributor was taxes imposed on

government contracts of goods and services, which increase by Afs 316 million over Afs 686 million in 1389. However, Fixed Taxes' revenues was 35% lower against the total Afs 12.3 billion that was projected for year 1390. The revenues collected from Fixed Taxes accounted for up to 1.1% of total GDP, one percentage point lower than previous year.

Table 3: Integrated Core Budget Revenues for 1389-1390

	1389		1390		1390	
	Actual	%GDP	Prelim. Actual	%GDP	Target (revised)	% Greater than target
Revenues Including Grants (1)	160,372.8	22.0	191,369.8	21.9	230,447.2	N/A
Revenues Excluding Grants (2)	80,384.3	11.0	99,349.4	11.4	93,663.8	6.1
Tax Revenues	38,697.6	5.3	44,835.1	5.1	46,194.5	-2.9
Fixed Taxes	9,080.9	1.2	10,044.7	1.1	12,314.6	-18.4
Income Taxes	10,293.8	1.4	12,557.2	1.4	11,878.2	5.7
Property Taxes	245.4	0.0	373.3	0.0	329.8	13.2
Sales Taxes	16,302.5	2.2	18,605.6	2.1	18,996.0	-2.1
Other Taxes	2,152.2	0.3	2,709.3	0.3	1,962.0	38.1
Tax Penalties And Fines	622.7	0.1	545.0	0.1	713.8	-23.6
Customs Duty, Import Taxes	27,623.2	3.8	30,546.4	3.5	32,542.6	-6.1
Non Tax Revenue	11,521.8	1.6	20,150.9	2.3	12,144.3	65.9
Income From Capital Property (2)	281.1	0.0	2,775.7	0.3	370.9	648.3
Sales Of Goods And Services	4,506.4	0.6	7,373.0	0.8	4,150.4	77.6
Administrative Fees	6,354.5	0.9	8,884.7	1.0	7,226.6	22.9
Royalties	40.4	0.0	279.5	0.0	123.4	126.5
Non Tax Fines And Penalties	339.3	0.0	671.2	0.1	273.0	145.8
Extractive Industries	0.0	0.0	166.7	0.0	0.0	0.0
Miscellaneous Revenue	733.6	0.1	831.7	0.1	1,169.3	-28.9
Social Contributions	1,808.1	0.2	2,985.4	0.3	1,613.2	85.1
Grants (1)	79,988.5	11.0	92,020.4	10.5	136,783.4	N/A
Of Which Operating Budget	54,465.8	7.5	60,409.1	6.9	66,710.9	-9.4
Foreign Governments	59,346.3	8.1	67,132.8	7.7		
International Organization	19,954.2	2.7	24,672.9	2.8		
Other Government Units	688.0	0.1	214.6	0.0		

Source: AFMIS Database as at 5 June 2012

1. Budget data for core budget grants is not comparable to actual, as Development Budget Grants listed in Budget do not distinguish between grants and loans, while the actual shown above are only for grants.
2. Revenues exclude proceeds from the sale of fixed assets (150), and loans (18). These items are included under financing.

ii. Income Taxes

The total revenues collected from income taxes were in the amount of Afs 12.6 billion, an increase of Afs 2.3 billion (22%) over Afs 10.2 billion in 1389. The income taxes contributed 28% to overall tax revenue and were Afs 2.3 billion higher than the total amount Afs 11.8 billion projected for 1390. Its ratio-to-GDP also remains constant at 1.4% since last year.

Revenue collected from withholding tax from wages and salaries was notable; there was increase of Afs 1.9 billion over the total Afs 4.8 billion in 1389. Besides withholding tax from wages and salaries, withholding tax on interest and construction withholding tax had increased by Afs 528 million and Afs 452 billion respectively in 1390.

iii. Sales Taxes

Sales Taxes which proved to be the major contributor of tax revenues since 1388, collected the total amount of Afs 18.6 billion (2.1% of GDP) during 1390, an increase of Afs 2.3 billion

(14%) over Afs 16.3 billion (2.0% of GDP) collected in year 1389. While compared to its annual target, the revenue collected from Sales Tax was slightly lower than the projected amount of Afs 18.9 billion for year 1390.

2. Custom Duties

Custom duties were the second largest contributor of the domestic revenue exceeded its estimated annual target by Afs 2 billion. Custom duties which are consisted of import duties, custom fines, and other fees mainly collected either at the borders or air ports, collected a total amount of Afs 30.6 billion during 1390. This shows an increase of Afs 3 billion (11%) over Afs 27.6 billion collected

during 1389. The custom duties' ratio-to-GDP slightly declined to 3.5% during 1390 by a 3 percentage point from its ratio in the previous year. The fall in revenues from the customs was partly attributed to reduction in the volume of imported goods and reduction of average duties rates. Nevertheless, the revenues collected from Custom Duty Imports were higher by 2.9 billion in 1390 over Afs 26 billion in 1389.

3. Non-Tax Revenues

Non-tax revenues which makes up the third largest source of domestic revenues, dramatically improved its collection during 1390. This category generated Afs 20.1 billion during 1390, almost doubled the amount of Afs 11.5 billion collected in 1389. Its ratio-to-GDP also improved to 2.5%. Most of the non tax revenues come from one-time payments such as Aynak Premiums, receipts from 3G License, Kunar Woods, and Vehicle Registration.

The three major components of non-tax revenues are as follows.

i. Sales of Goods & Services: Total revenues collected from the taxes on sales of goods & services stood at Afs 7.4 billion during 1390, compared to Afs 4.5 billion in 1389,

which is an increase of Afs 2.9 billion (64%). Of this amount, about Afs 2.4 billion increments was due to the mobile phone services such as the granting 3G licenses to telecom companies.

ii. Administrative Fees: Revenues from Administrative fees also showed major improvements in 1390. Its total collected amount were Afs 8.9 billion, an increase of Afs 2.6 billion (or 41%) over Afs 6.3 billion in 1389. Of the Administrative Fees total increment, Afs 568 million was due to Professional and Agricultural licenses, Afs 674 million was due to Licenses Sold to state owned enterprises and Afs 325 million was due to the distribution of licenses for motor vehicles. The administrative fees' ratio-to-GDP also

improved from 0.6% in 1389 to 0.8% in 1390.

iii. Income from Capital Property: Revenues from capital properties increased significantly during 1390. Totals amount of Afs 2.7 billion were collected which shows an increase of Afs 2.4 billion (800%) over Afs 0.3 billion in 1389. This increase is due to the introduction of Rights for Mineral Extraction for the first in 1390 and added more than Afs 2.4 billion to overall revenues.

iv. Receipts from Extractive Industry: Besides the above tax measures that collected major revenues in 1390, the introduction of new measures especially for the extractive industry such as license fee, royalty fee, land fee etc in 1390 also generated certain amount of revenues which were not there in 1389. The total revenues from extractive industry totaled to Afs 166 million in 1390. The revenues from extractive industry are expected to grow over the coming year due to the expansion of extractive industry.

4. Social Contribution

Social contribution, though it contributes lesser amount to overall revenues, generated almost Afs 3 billion during 1390, which shows an increase of more than one billion Afghani, as

compared to Afs 1.8 billion collected during 1389. It's ratio to GDP has also improved to 0.3% in 1390 from 0.2% in 1389.

Grants to Integrated Core Budget

International Community's financial aid and commitments are other essential and vital sources besides domestic revenues that finance the Afghan government's expenditures to a major extent. Donor grants are disbursed in both Core Operating and Development budgets. Donor grants finance nearly one third of the operating budget and the entire development budget.

During 1390, total grants of Afs 92 billion were received to the core budget expenditures, a total increase of 12 billion (15%). Of this total amount, Afs 60 billion was allocated to core operating

budget expenditure, while the remaining amount, Afs 32 billion were allocated to the core development budget expenditures. Though the grants to operating expenditures, in absolute terms, shows increase during 1390, but in percent, it declined by more than 3%. On the other hand, the grants to development budget expenditure increased from Afs 25.5 billion in 1389 to Afs 32 billion in 1390.

The donor grants are received through various trust funds and are spent on various programs and projects in the operating and development budgets.

Operating Budget Grants (Core Operating Budget)

Total grant receipts to operating budget expenditures were totaled to Afs 60 in 1390, which was around Afs 6 billion (11%) higher over Afs 54 billion disbursed in 1389. The operating expenditure accounted to be at 6.9 percent of GDP compared to 7.5% in 1389, a decline by 0.6%. (Reasons for the decline might be clarified).

The grants to Core Operating Budget were received through the following channels and trust funds and were mainly disbursed on, the wages and salaries of the security staff.

i. The Law and Order Trust Fund for Afghanistan (LOTFA)

The LOTFA grant finances the salaries and food expenditures of the Afghanistan National Police (ANP) and the Prison Department of Ministry of

Justice. The expenditures through LOTFA increased by Afs 675 million from Afs 24.4 billion in 1389 to Afs 25.1 billion in 1390.

ii. The Combined Security Transitional Command – Afghanistan (CSTC-A)

The CSTC-A grants provide funds for Afghanistan National Army and partly for the Afghanistan Nation Police. Grants to CSTC-A almost increased to twofold and fourfold for both ANA and ANP respectively, this was due to the increase in size of the security forces. The overall portion of the operating budget for CSTC-A increased from Afs 29.2 billion in 1390 to Afs 15.4 in 1389.

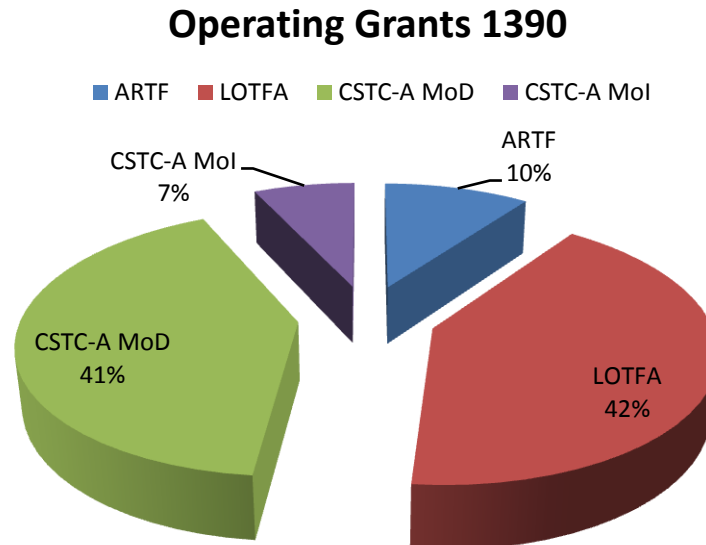
iii. Operating grants from the Afghanistan Reconstruction Trust Fund (ARTF)

The total receipt of grants under ARTF decreased to Afs 6 billion in 1390 from Afs 15.4 billion in

1389. This decrement was because the government covered these expenditures from its own domestic revenues instead of grants by the donor community. ARTF provides support of

salaries to non-uniform civil servants of the government.

Figure 7: Operating Budget Grants



Development Budget Grants

Grants to the development budget make the essential part of the Core Budget Expenditures. Development budget is almost entirely funded by the donor grants despite its tiny portion which is funded by domestic revenues and loans. In 1390 the grants receipts to the development budget were Afs 32 billion, an increase of Afs 6.6 billion Afghani compared to 1389, while carry forward from previous year were Afs 51 billion. Hence, the total grants to development budget were Afs 82 billion in 1390.

Execution of the Core Development Budget Grants

In 1390, due to rise in development budget spending, there was large increase in the

disbursement of development grants. This led to high improvement in the development execution rate from 39% in 1389 to 49%, which shows overall 10 percentage point increase during 1390. The execution rate has been the highest since collapse of Taliban.

Following are the major projects which spent almost half of the entire development budget grants in 1390.

1. The grants disbursement on capacity building of **Community Development Councils (CDCs)** accounted for Afs 7.8 billion in 1390, which constitutes around 24% of the total development budget

grants. The Community Development Councils which are established through all the provinces and districts are designed to strengthen local participation in local development planning and implementation.

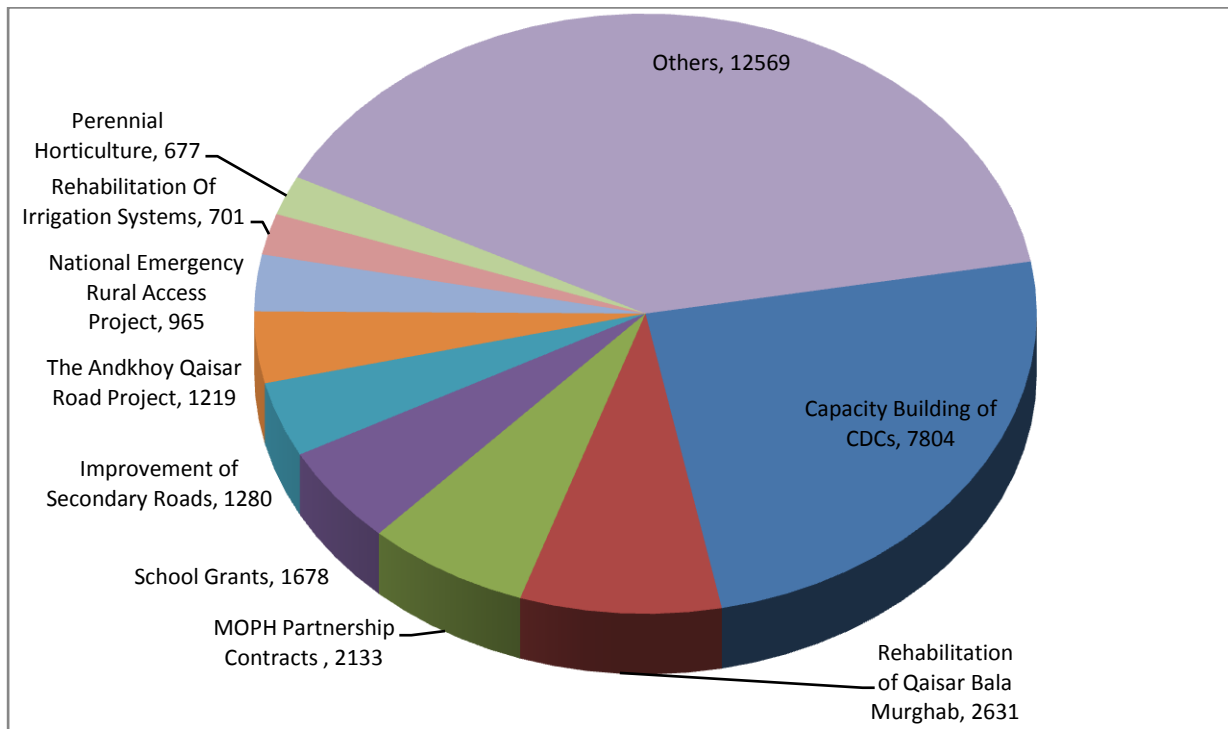
2. **Rehabilitation of Qaisar Bala Murghab** was another big project where Afs 2.6 billion were disbursed in 1390. Qaisar Bala Murghab Road Project is intended to repair the primary road network in Herat province in order to promote economic and social development and reduce poverty in the area.
3. **MoPH Partnership Contracts for Health Services Program** was the third largest program under which Afs 2.1 billion were spent during 1390. The Partnership

Contracts for Health Services (PCH) project is the continuity program of the Basic Package of Health Service (BPHS) and Essential Package of Hospital Services (EPHS) which provided essential and basic health services to rural communities and hospitals through contracting out to partner NGOs.

4. **Grants for School** was the other large program which disbursed around Afs 1.7 billion in 1390.

The remaining Afs 17.8 billion were spent on other development projects such as Hairatan Railway, rehabilitation of irrigation system, education quality improvement, horticulture marketing and etc. These projects were aligned under the Afghanistan National Development Strategy priority programs.

Figure 8: Development Budget Grants by Project



Expenditures

Budget

There are two types of budget utilized under integrated core budget of the Afghan Government. First, Operating Budget which covers the operating expenditure of the government such as wages and salaries, fuel, and other recurrent expenditures. The other part of the core budget is the development budget under which all the development projects are allocated. The development budget incurs expenditure in projects such as road construction, rehabilitation of irrigation system etc.

The overall integrated core budget allocated for 1390 was Afs 258 billion. This is an increase of Afs 33 billion (14.3%) over the Afs 231 billion for 1389.

Of the overall budget the operational budget was allocated 60% of core budget in 1390 which totals to an amount of Afs 155.9 billion, an increase of Afs 36.1 billion over Afs 119.8 billion in 1389. The operating budget is mainly financed by domestic revenues, but also partly by donor grants. Domestic revenues have covered 63% of

the operating expenditures in 1390, while the remaining 37% of operating expenditures were financed by donor grants. However, the development budget decreased to Afs 102.4 billion in 1390 from Afs 111.9 billion in 1389.

The overall budget which totaled to Afs 258.4 billion in 1390, had the execution rate of 77% where the government could manage to spend only Afs 202 billion from the core budget in 1390. The execution rate of operating budget expenditures were about 96% in 1390, comparing to 92% during 1389. The development execution showed evident improvement in 1390, the execution rate of development budget was notable compared to the previous years, which executed almost 50 percent of the development budget; this has increased by 12% from 39% in 1389 to 49% in 1390.

Table 4: Integrated Core Budget Expenditures

in millions of Afs	1389		1390		Final Budget	Actual as % of Final Budget
	Actual	%GDP	Prelim. Actual	%GDP		
Total Gross Expenditures	154,376.6	25.1	201,961.2	27.7	258,318.0	78.2
Operating Budget	110,452.8	18.0	149,293.6	20.5	155,943.1	95.7
Development Budget	43,923.8	7.1	52,667.5	7.2	102,374.9	51.4
Total Net Expenditures	154,269.1	25.1	201,902.2	27.7		
Operating Budget	110,345.2	17.9	149,234.7	20.4		
Development Budget	43,923.8	7.1	52,667.5	7.2		
Recurrent Expenditures	125,090.1	20.3	167,511.1	22.9	200,964.9	83.4
Operating Budget	108,863.6	17.7	146,601.9	20.1	152,137.8	96.4
Development Budget	16,226.5	2.6	20,909.2	2.9	48,827.2	42.8
Compensation of Employees	86,474.0	14.1	111,698.6	15.3	114,553.0	97.5
Operating Budget	86,474.0	14.1	111,698.6	15.3	114,553.0	97.5
Development Budget	0.0	0.0	0.0	0.0	-	-
Use of Goods and Services	32,968.7	5.4	46,764.7	6.4	68,120.7	68.6
Operating Budget	17,158.5	2.8	25,855.5	3.5	28,113.6	92.0
Development Budget	15,810.2	2.6	20,909.2	2.9	40,007.1	52.3
Interest	79.5	0.0	92.0	0.0	350.0	26.3
Operating Budget	79.5	0.0	92.0	0.0	350.0	26.3
Development Budget	0.0	0.0	0.0	0.0	-	-
Social Transfers	5,567.9	0.9	8,955.8	1.2	17,941.3	49.9
Operating Budget	5,151.6	0.8	8,955.8	1.2	9,121.2	98.2
Development Budget	416.3	0.1	0.0	0.0	8,820.1	-
Gross Acquisition of Nonfinancial Assets	29,286.5	4.8	34,450.1	4.7	64,472.5	53.4
Operating Budget	1,589.2	0.3	2,691.7	0.4	3,734.5	72.1
Development Budget	27,697.3	4.5	31,758.4	4.4	60,738.0	52.3
Net Acquisition of Nonfinancial Assets	29,178.9	4.7	34,391.1	4.7		
Operating Budget	1,481.6	0.2	2,632.8	0.4		
Development Budget	27,697.3	4.5	31,758.4	4.4		

Source: AFMIS Database as at 5 June 2012

1. Proceeds from sale of fixed assets are net off from the total.
2. Interest Only. Does not include loan principal payments for budgets or actual.
3. Budget figures for code 24 only includes budgeted pensions from contingency reserve, therefore actual expenditure may be larger than budget.
4. Unallocated contingency reserves are derived as a residual from the total published budgets.
5. Final Budget figures available from AFMIS, except for interest (code 23) and subsidies and transfers (code 24), given AFMIS data includes contingency reserves in these categories.

Expenditures by Economic Category

Although the operating expenditures increased by Afs 39 billion from Afs 110 billion in 1389 to Afs 149 billion in 1390, but the share of compensation of employees has declined from 78.4% in 1389 to 74.8% of the entire operating budget in 1390. On the other hand the share of Use of Goods & Services has increased by more than Afs 8 billion (1.8%), from Afs 17 billion (15.4% of operating budget) in 1389 to Afs 25.8 billion (17.3% of operating budget) in 1390.

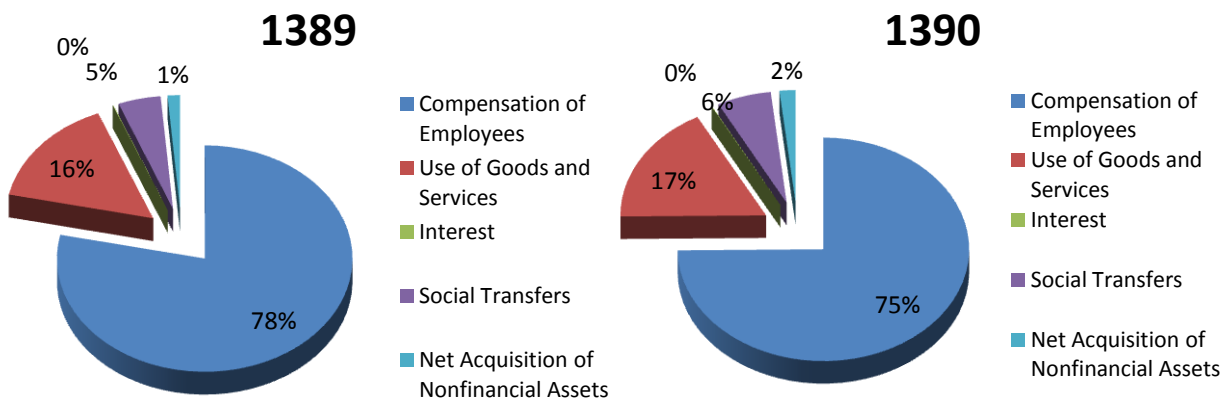
In addition the allocation for social transfers increased by Afs 3.8 billion in 1390 from Afs 5 billion during 1389, an increase of 74%. On the other hand the share of acquisition of financial assets also increased by five percentage point, which totaled to Afs 2.6 billion in 1390 from Afs 1.4 billion in 1389. Contrary the share of interest payment of the operating budget remained stagnant during 1390, yet the exact amount increased by Afs 12.5 million during 1390.

Due to the expansion in the strength and increment in salary scale of both security forces – (ANA & ANP), the absolute amount of the expenses for employees’ salaries and wages has

increased by Afs 25 billion during 1389, nearly 30% growth was experienced during 1390 comparing to 35% during 1389. The ratio-to-GDP of compensation for employees is known to be 15.3% in 1390 which is an increase of 1.2% over 14.1% during 1389.

As stated above, the salaries and wages of personnel of Ministry of Interior Affairs and Ministry of Defense spent a major portion of the Employee Compensation of the operating budget. Ministry of Interior Affairs and Ministry of Defense, expended Afs 69 billion around 62% of the entire operating budget. Whereas Afghanistan National Police spent Afs 32.2 billion (29% of operating budget) which is an increase of more than Afs 6 billion over Afs 25.8 billion during 1390. On the other hand the Afghanistan National Army spent Afs 36.8 billion (33% of operating budget), nearly Afs 11 billion (29%) increment was experienced during 1390 over Afs 25.8 billion during 1389. It worth mentioning that the salaries and wages of other sectors also showed increment of Afs 4 billion during 1390 over Afs 17.4 billion in 1389.

Figure 9: Operating Budget Expenditures by Major Codes



The expenditures for use of **goods & services** also increased during 1390 by Afs 13.7 billion over Afs 46.7 billion in 1389. The ratio-to-GDP of use of goods & services also increased from 5.4% to 6.4%, however only 68.6% of the Afs 68 billion budgeted amount was successfully expended. Of the overall budget for Use of Goods & Service, Ministry of Commerce and Ministry of Finance followed by Ministry of Defense and Ministry of Education demonstrated higher expenditures respectively. However Ministry of Public Health, Ministry of Justice and Ministry of Agriculture showed major decreases in the expenditures of goods and services followed by Ministry of Rural Rehabilitation and Development.

During 1390 the amount expensed in response to **interest payment** also increase by Afs 13 billion, from Afs 79 billion in 1389 to Afs 92 billion in 1390, though its share of operating budget remains the same. The ratio-to-GDP of interest payment remains less than 0.1 in 1390;

this is because the Afghan government borrows from international community for its expenses beside donor grants and domestic revenues.

Social Transfers which includes grants, subsidies and pension accounted to 1.2% of GDP. The total amount expensed under social transfers accounted to nearly 9 billion in 1390, an increase of more than Afs 3.4 billion over Afs 5.6 billion in 1389. It is also worth mentioning that this remains to be lower than budgeted amount by only Afs 3 million.

The Gross Acquisition of Non financial assets which has share of 1.8% of the overall operating budget has increased by nearly Afs 5.2 billion during 1390 when compared to Afs 29.3 billion in 1389. Its ratio-to-GDP declined only by one percentage point from 4.8% in 1389 to 4.7% in 1390. However comparing to the budgeted amount of Afs 64.5 billion only 53% of the fund allocated was utilized.

Table 6: Expenditures on Goods & Services

In million of Afs	1389		1390	
	Actual	Prelim. Actual	Increase	% of increase
Major Increases in expenditure				
Ministry of Finance	2,068.0	4,260.6	2,192.6	106.0
Ministry of Defense	1,662.4	2,859.7	1,197.3	72.0
Ministry of Commerce	496.9	1,573.2	1,076.3	216.6
Ministry of Education	1,659.7	1,813.2	153.6	9.3
Major Decreases in expenditure				
Ministry of Agriculture	201.1	176.5	-24.6	-12.2
Ministry of Public Health	712.1	482.8	-229.4	-32.2
Ministry of Rural Rehabilitation and Development	172.1	170.1	-2.0	-1.2
Ministry of Justice	735.3	631.0	-104.2	-14.2
Other Budgetary Units	9,450.9	13,888.3	4,437.4	47.0
Total	17,158.5	25,855.5	8,697.0	50.7

Table 5: Expenditures on Employee Comensation

in millions of Afs	1389	1390		
	Actual	Prelim. Actual	Increase	%Increase
Ministry of Interior	25,860.0	32,273.7	6,413.7	24.8
Ministry of Defense	25,806.5	36,780.2	10,973.7	42.5
Ministry of Education	17,400.6	21,056.3	3,655.7	21.0
Other Budgetary Units	17,406.9	21,588.4	4,181.5	24.0
Total	86,474.0	111,698.6	25,224.6	29.2

Expenditure by Afghanistan National Development Strategy (ANDS) Categories

The Afghanistan National Development Strategy (ANDS) serves as a roadmap for the Government towards development; this is a comprehensive strategy which encompasses all the budgetary units located within its eight sectors, three pillars. The strategy leads Afghanistan towards the achievement of Millennium Development Goals by 2020 through measures ensuring reduced poverty level, accelerated economic growth, improved security, and deliver governance. The ANDS was unanimously approved by H.E Hamid Karzai and the Cabinet in April 2008.

Infrastructure and Natural Resources Sector: Infrastructure and Natural Resource remain the largest spending sector for the last two years in the development budget expenditures. Ministry of Public Works, Ministry of Energy and Water and the Ministry of Communication and Information Technology are the main spending ministries in this sector.

The total expenditure for this sector in 1390 was Afs 26.8 billion, an increase of 13.2 percent over 1389 expenditure of Afs 23.7 billion. However, 1390 expenditure is only 59.0 percent of the allocated budget of Afs 45.5 billion.

The low execution rate is largely due to:

- Capacity constraints in line ministries.
- Lack of security in rural and remote areas of the country
- Delay in the procurement.
- Contractors vs. ministries conflicts.
- Improper follow up with the donors' procedures is another reason for low execution.
- Sometimes grant agreements are signed in the end of the year causing low execution.

Ministry of Public Works spent Afs 9.9 billion, which remain the highest spending ministry in the sector with a budget execution rate of 54.8 percent. The current execution rate reflects an improvement of 3.8 percent as compared to 1389, which is still significantly low, the reasons for low execution rate are:

- Delay in the procurement.
- Security threats in remote areas of the country.
- Improper or no follow up with the donor procedures.
- Contractor vs. Ministries conflict, which was the case with Doshi Pulkhumri (Road construction).

Qaisar Balamarghab Road (233 Km): This is the only remaining part of the ring road, the contract of which has been awarded at Afs 22.4 billion including community work and security cost of the project in 1390 FY, which will be completed within 3 years, on completion of this project the ring road will be completed from Kabul to Kandahar- Herat, to Mazar-e-Sharif to Kabul which will facilitate the transportation of goods from central Asia to Afghanistan and south Asia. This project had Afs 3.8 billion budget in 1390 FY, of which 2.8 million has been disbursed during the fiscal year; this project is totally funded by the ADB grants.

Railway project (from Hairatan to Mazar-e-Sharif with the length of 75 Km): This is the first railway project which has been financed by Afs 8.0 billion grants of Asian Development Bank (ADB), the initial phase of the project has been started at FY 1388 and completed and operated in 1390 FY, the project had Afs 8.4 billion budget in FY 1390 for the remaining and additional works of the project, of which Afs 5.3 billion has been spent up to end of the fiscal year, in addition of that Afs 9.4 billion from the discretionary resources of the government was allocated for the operation of the project through operating budget which has been spent and currently the railway has smooth operation and transporting goods from the Central Asia through Uzbekistan to Afghanistan.

The **Ministry of Energy and Water** is the second spending ministry in the Infrastructure and Natural Resource Sector. It has spent Afs 6.4 billion out of the total allocated budget of Afs 12.8 billion, an execution rate of 50 percent.

The **Ministry of Communication** has an allocated budget of Afs 1.8 billion while its spending is Afs

1.1 billion. It is the sole spending ministry that has the highest execution rate (62 percent) in development projects.

Agriculture and Rural Development Sector is the second largest sector in the development budget by expenditures. The 1390 total budget was Afs 26.3 billion while its spending is Afs 16.5 billion with an overall execution rate of 63 percent. The execution rate is almost doubled in 1390 as compared to the 1389 rate (33.2 percent).

Ministry of Rural Rehabilitation and Development constitutes almost 72 percent of expenditures in this sector, with expenditure of Afs 11.2 billion. The Ministry of Agriculture accounted for the remaining Afs 4.5 billion.

The largest project in the sector is the National Solidarity Program (NSP) with a budget of Afs 14.8 billion. Execution of the program has been relatively Normal, at Afs 7.74 billion (Execution rate of 51%). The Execution rate of 51% is due to realistic budgeting and implementation then previous years.

The National Rural Access Program is project in Ministry of Rural Rehabilitation and Development, has a budget of Afs 1.9 billion and expenditure of Afs 968.2 million. The relatively high execution rate of (51%) is due to realistic budgeting and implementation schedules at the point of project design and funding.

Education Sector: education is the next largest sector in the development expenditures, with a total spending of Afs 31.6 billion and a total budget of 38.3 billion while the total spending of education sector in 1389 was Afs 4.8 billion; the current year spending level is significantly more than what was spent in 1389.

The **Ministry of Education** is the highest ministry in the sector, with a development budget of Afs 9.5 billion, 80 percent of the sector's budget. Expenditure by the Ministry in 1390 was Afs 6.4 billion, an execution rate of 48.5 percent.

The largest project in this sector is Infrastructure Development Project; the objective of which is to rehabilitate and construct schools and administrative buildings as well as utilizing community participation and community-based decision making for rehabilitation and construction of schools. The Grants for infrastructure development will be provided through priority criteria for new construction of school facilities or as a replacement of damaged and unusable facilities for schools already registered with the Ministry of Education. Priority will be given to: (i) girls' schools, (ii) Schools with both boys' and girls' section shifts; and (iii) boys' schools which plan to open up section shifts for girls.

For 1390 the total approved budget as per the budget decree was Afs 3.1 billion with an execution of Afs 780 million in the FY 1390.

The second largest project in this sector is Teacher Education; the project aims to create systems that improve the skills and professional knowledge of teachers throughout Afghanistan. This provides trainings which are highly needed for teachers and school principals. As the project proceeds, training efforts will focus more on the creation and development of local professional networks that will enable educators to share ideas, problems, and solutions with their peers.

Teacher training and follow up sessions will be delivered at the district level by a newly established group of trainers known as the

District Teacher Training Teams (DT3s). For principals, training will be delivered through NGOs who will also facilitate crucial follow up activities and tasks that will contribute to the development of professional principals' networks. By targeting teachers and principals at the district level and supporting them to meet with their peers to tackle challenges as a group, the project will contribute to the growth of professional networks that are both local and sustainable. There is also a provision to increase the number of females entering Teacher Training Colleges (TTCs) as a high school teacher.

Total approved budget for all the three sub-components (District Teacher Training, Principal Training, and increasing the number of Female Teachers) of this project was Afs 1.7 billion with a spending of around 1.3 billion in 1390.

Health Sector: The total development budget of **Health sector** in 1389 was Afs 7.8 billion, with expenditures of Afs 4.9 billion, showing an execution rate of 63 percent. Expenditure was Afs 522 million more than in 1389.

The Basic Package of Health Services has two purposes: (1) to provide a standardized package of basic services which forms the core of service delivery in all primary health care facilities and (2) to promote a redistribution of health services by providing equitable access, especially in underserved areas. The BPHS provides a comprehensive list of services to be offered at four standard levels of health facilities within the health system, the health post, basic health center, comprehensive health center, and district hospital.

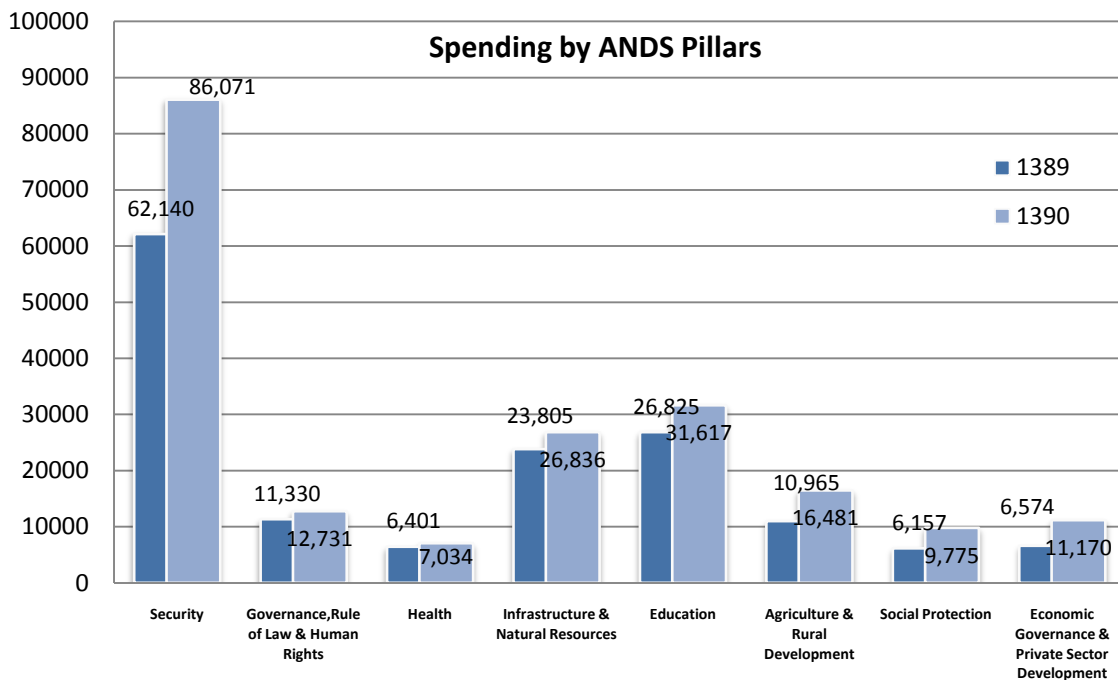
BPHS is the sector’s largest projects, with budget of Afs 3.8 billion and expenditure of Afs 3.03 billion (80% execution rate) in FY 1390.

To provide a guide for the MoPH, private sector, nongovernmental organizations (NGOs), and donors on how the hospital sector should be staffed, equipped, and provided materials and drugs.

The Essential Package of Hospital Services (EPHS) project has three main purposes:

- To identify a standardized package of hospital services at each level of hospital.
- To promote a health referral system that integrates the BPHS with hospitals.

Figure 10: Spending by ANDS Pillars by million Afs



EPHS is the sector’s second largest projects, with budget of Afs 1.03 billion and expenditure of Afs 831.9 million (81% execution rate) in FY 1390.

Security is the most impeding factor to some extends in the low budget execution of mentioned projects and other domestic conditions hampered project implementation particularly in some of the provinces.

The high execution rate of both projects is attributable to program management, effective program implementation by NGOs and counterparts, timely access to program funds and monitoring and evaluation systems to be able to assess implementation and respond to constraints as identified.

Of the remaining sectors, the Economic Governance and Private Sector Development sector budget was Afs 5.5 billion, with expenditure of Afs 3.4 billion (62 percent execution rate). The Governance, Rule of Law and Human Rights sector budget was Afs 3.4

billion, with expenditures of 1.6 billion (47 percent execution rate). The Social Protection Sector budget was Afs 1.1 billion, with expenditure of Afs 599 million, the execution

rate for which was 54.5 percent. The Security sector budget was Afs 1.0 billion, with expenditures of 567 million (execution rate of 56.7 percent).

Table 7: Integrated Core Budget Expenditures by ANDS Pillars

In millions of Afghanis	1389			1390				
	Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Final Budget	Actual as % of Final Budget
Security	62,140	40.3	10.1	86,071	42.7	14.0	91,207	94.4
Operating Budget	61,698	55.9	10.0	85,504	57.3	13.9	90,169	94.8
Development Budget	442	1.0	0.1	567	1.1	0.1	1,039	54.6
Governance, Rule of Law & Human Rights	11,330	7.3	1.8	12,731	6.3	2.1	14,667	86.8
Operating Budget	10,032	9.1	1.6	11,121	7.4	1.8	11,262	98.8
Development Budget	1,297	3.0	0.2	1,610	3.1	0.3	3,405	47.3
Infrastructure & Natural Resources	23,805	15.4	3.9	26,836	13.3	4.4	49,811	53.9
Operating Budget	3,065	2.8	0.5	4,952	3.3	0.8	5,327	92.9
Development Budget	20,741	47.2	3.4	21,884	41.7	3.6	44,483	49.2
Education	26,825	17.4	4.4	31,617	15.7	5.1	38,295	82.6
Operating Budget	21,934	19.9	3.6	26,067	17.5	4.2	26,294	99.1
Development Budget	4,891	11.1	0.8	5,550	10.6	0.9	12,001	46.2
Health	6,401	4.1	1.0	7,034	3.5	1.1	10,530	66.8
Operating Budget	2,067	1.9	0.3	2,180	1.5	0.4	2,713	80.4
Development Budget	4,333	9.9	0.7	4,855	9.3	0.8	7,817	62.1
Agriculture & Rural Development	10,965	7.1	1.8	16,481	8.2	2.7	26,251	62.8
Operating Budget	1,623	1.5	0.3	2,541	1.7	0.4	2,798	90.8
Development Budget	9,342	21.3	1.5	13,940	26.6	2.3	23,454	59.4
Social Protection	6,157	4.0	1.0	9,775	4.8	1.6	10,251	95.4
Operating Budget	5,668	5.1	0.9	9,176	6.1	1.5	9,131	100.5
Development Budget	489	1.1	0.1	599	1.1	0.1	1,120	53.5
Economic Governance & Private Sector Development	6,574	4.3	1.1	11,170	5.5	1.8	13,458	83.0
Operating Budget	4,366	4.0	0.7	7,754	5.2	1.3	7,964	97.4
Development Budget	2,208	5.0	0.4	3,416	6.5	0.6	5,494	62.2
Extra budgetary Activities	0	0	-	0	0	-	826	-
Operating Budget	0	0	-	0	0	-	0	N/A
Development Budget	0	0	-	0	0	-	826	-
Unallocated contingency reserves	180	0	0	0	0	0	3,269	N/A
Operating Budget	0	0	0	0	0	0	286	N/A
Development Budget	180	0	0	0	0	0	2,698	N/A
Total	154,196	100	25	201,715	100	33	258,565.6	79.2
Operating Budget	110,453	100	18	149,294	100	24	155,943.0	95.9
Development Budget	43,743	100	7	52,421	100	9	102,336.6	51.4

1. Budget totals do not add up to total published Budget given some budget funding remains unallocated in the contingency reserve. Development budget figures are as published, while operating budget figures take account of funding allocated from contingency reserve and reallocations between codes.

Setoral Analysis of Government Expenditures by COFOG Classification

The worldwide recognized Classification of Functions of Government (COFOG) could also be used to classify expenditures by sectors. The following charts and tables provide a snap shot of sectoral analysis of gross government expenditure in the core budget by COFOG sector.

- Expenditure classified under the Economic Affairs sector cover the largest portion of expenditure. Expenditure jumped from Afs 35.2 billion in 1389 and reached up to Afs 44.2 billion in 1390. However, as share of total gross expenditure this slightly fall down by one percentage points (from 22 percent in 1389 to 21 percent in 1390).
- Expenditures on Public Order and Safety jumped to Afs 41.1 billion in 1390 as compared to Afs 32.3 billion in 1389 which shows an increase about Afs 8.8 billion or 27 percent.
- The Defense sector was the third largest sector, which spent about of Afs 45.9 billion during 1390 and around Afs 31.6 billion in 1389 which shows an increase of 43 percent when compared to the past year.
- The fourth largest sector in this category was Education. During 1390 total spending in this sector was Afs 30.9 billion whilst this was only Afs 26.2 billion in 1389 which has increased by 17 percent over the past year.
- Expenditure on General Public Services sector was Afs 21.5 billion, while spending in 1389 was Afs 13.9 billion, an increase of Afs 7.6 billion.
- Health sector spending was Afs 7.2 billion in 1390, this shows an increase of 9.0 percent compared to 1389 (Afs 6.6 billion).
- The remaining sectors, Social Protection, Recreation, Culture and Religion and Housing and accounted for Afs 7.8, Afs 1.9 billion respectively and this was only Afs 918 million for Communal Amenities. Social Protection jumped notably from Afs 3.8 billion in 1389 to almost Afs 8.0 billion in 1390, at the same time Recreation, Culture and Religion was slightly increased as well, while Housing and Communal Amenities fall down by half or 50 percent in 1390 as compared to 1389.

Figure 11: Expenditures breakdown by COFOG Classification 1389 & 1390

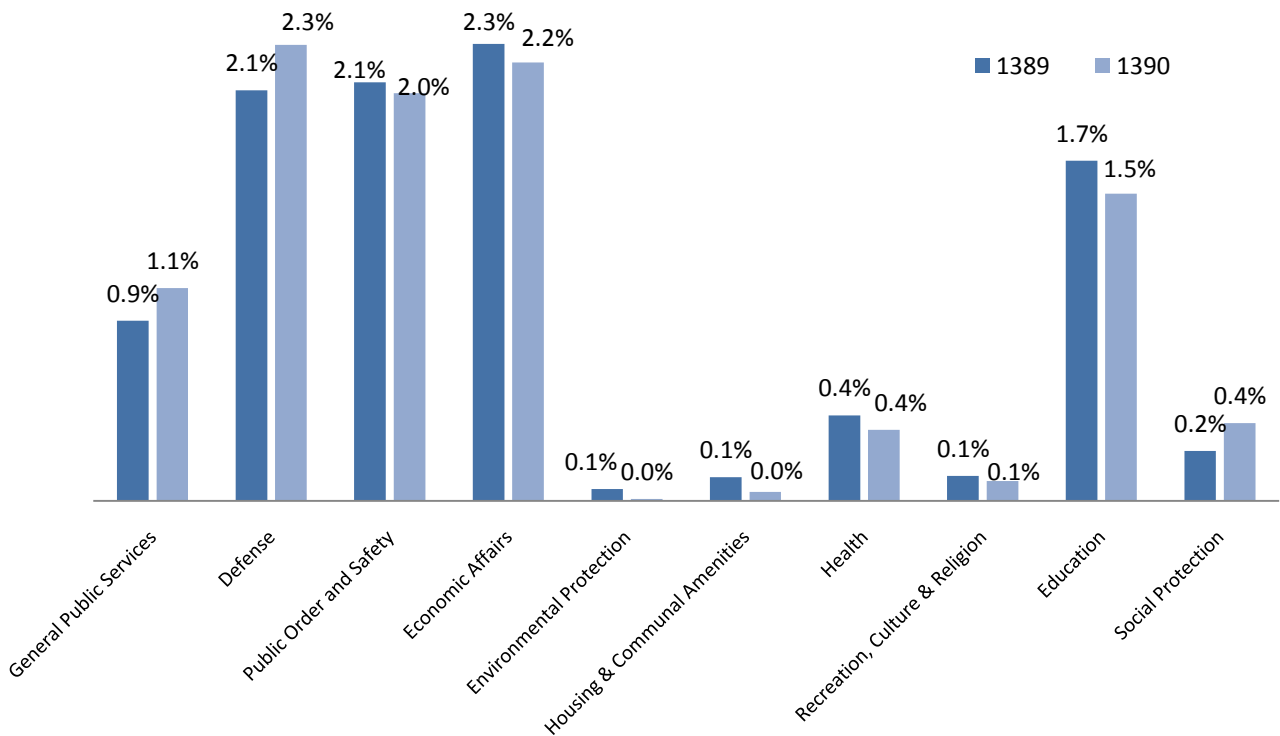


Table 8: Integrated Core Budget Expenditures by COFOG Sector 1389 & 1390

(In millions of Afghanis)	1389		1390	
	Actual	Percent of total	Prelim. Actual	Percent of total
Total Net Expenditure	154,269.1		201,902.2	
Repayment of Foreign Loans - Principal	0.0		0.0	
Sale of Land and Buildings	107.6		59.0	
Total Gross Expenditure	154,376.6	100.0	201,631.9	100.0
General Public Services	13,882.264	9.0	21,446.5	10.6
Defense	31,652.4	20.5	45,934.0	22.8
Public Order and Safety	32,278.8	20.9	41,073.7	20.4
Economic Affairs	35,234.1	22.8	44,162.6	21.9
Environmental Protection	912.6	0.6	185.9	0.1
Housing and Communal Amenities	1,823.0	1.2	918.0	0.5
Health	6,596.6	4.3	7,148.7	3.5
Recreation, Culture and Religion	1,926.9	1.2	1,998.8	1.0
Education	26,223.3	17.0	30,946.3	15.3
Social Protection	3,846.6	2.5	7,817.4	3.9

Source: AFMIS Database as at 20th July 2011

Public Sector Borrowing Requirement

Over the entire course of 1390, the Government ran a net deficit of Afs 10.7 billion or 6 percent of GDP. This compares to a surplus of Afs 6 billion in 1389 and a deficit of Afs 10.3 billion in 1388. The deficit in 1390 is principally due to the increase in the operating expenditures. The deficit in 1390 led to net borrowing of Afs 10.7 billion. The surplus in 1390 and 1388 required the government to net lending of Afs 6 billion and Afs 0.8 billion respectively.

During 1390, there were surpluses of Afs 17 billion in the first quarter and a deficit of Afs 4.9 billion, Afs 8.4 billion and Afs 14.4 billion in the second and

third and fourth quarters respectively (see figure 16). The relatively high first quarter surplus was due to a relatively low operating budget execution rate of 14 percent. The deficits in the later quarters were due to the expected increase in Operating budget execution to 23, 27 and 36 percents respectively.

In 1390 the net acquisition of financial assets is increased by Afs 5.3 billion, distributed between an increase of Afs 7.6 billion in the Treasury Single Account and an increase of Afs 0.63 billion in the value of other deposit accounts, at the same time, a decline of Afs 2.8 billion in donors account.

Figure 12: Public Sector Borrowing Requirement (in millions Afs)



Treasury Single Account (TSA)

Total cash balance in the Treasury Single Account reach Afs 41.6 billion at the end of 4th quarter, 1390. This shows an increase of Afs 8.8 billion from the level of Afs 32.9 billion in 1389 and an increase of Afs 24.4 billion from the level of Afs 17.2 billion in 1388.

Figure 17, shows the net level of reserve in the government account (TSA). This is the difference

between cash in the TSA and outstanding liabilities. In 1390, total liabilities increased from Afs 14.5 billion in 1389 to Afs 28.8 billion, an increase of Afs 14.3 billion (49 percent increase). Comparing the deficit and liabilities, the deficit increased by Afs 10.7 billion while liabilities increased by Afs 14.2 billion in 1390. This is principally due to increased in the budget execution rate.

Figure 13: Reserve in Treasury Single Account

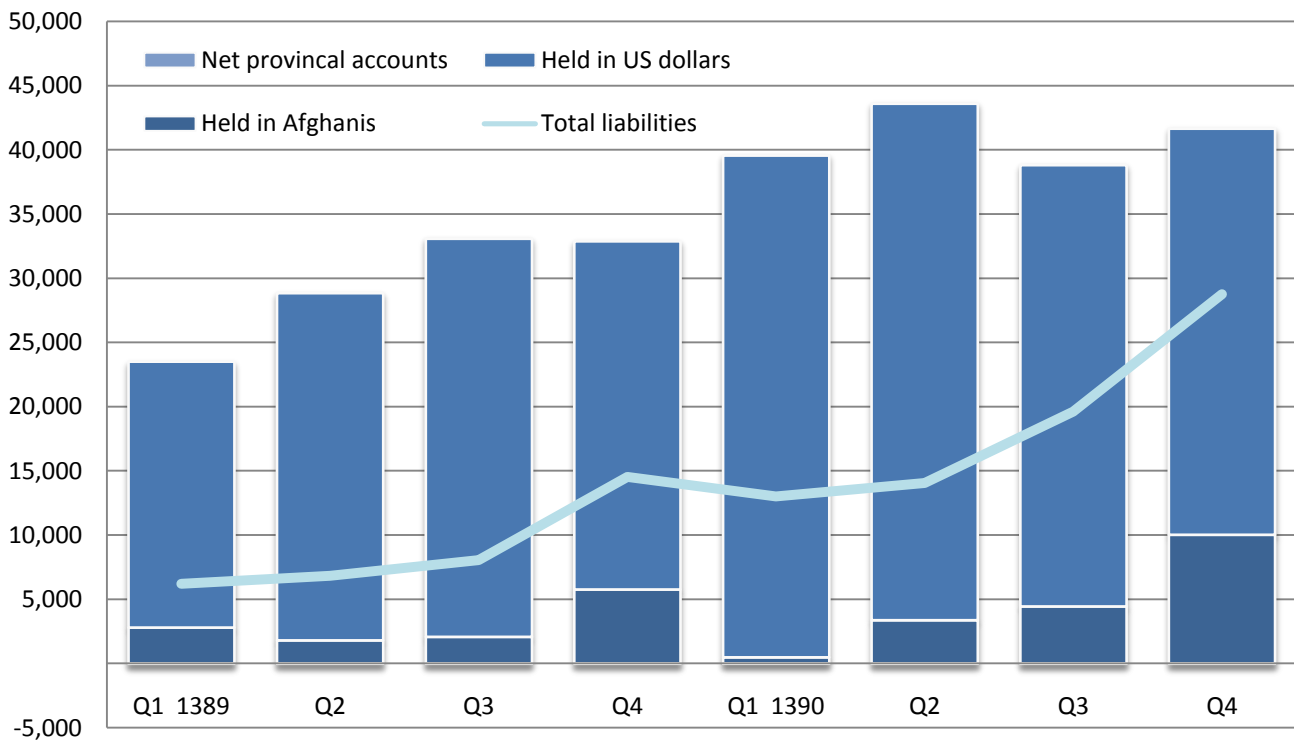


Table 9: Budgetary Balance, Financial Source/Requirement and Net Financing Activities

In millions of Afghanis	1389	1389	1390	1390
	Actual	% GDP	Prelim	% GDP
Transactions Affecting Net Worth				
Revenues including Grants	160,372.8	26.1	191,369.8	26.2
Expenditures (Recurrent)	125,090.1	20.3	167,511.1	22.9
Interest	79.5	0.0	92.0	0.0
Net Operating Balance (1-2-25)	35,282.7	5.7	23,858.7	3.3
Primary Operating Balance (1-2-25+23)	35,362.2	5.7	23,950.7	3.3
Transactions In Nonfinancial Assets				
Net Acquisition of Nonfinancial Assets	29,178.9	4.7	34,391.1	4.7
Net Lending-Borrowing (1-2)	6,103.7	1.0	-10,532.4	-1.4
Financing (3+4+5)	-6,103.7	-1.0	10,532.4	1.4
Transactions In Financial Assets And Liabilities				
Net Acquisition of Financial Assets	-17,032.6	-2.8	-5,297.8	-0.7
Net Acquisition of Financial Liabilities	10,925.5	1.8	15,784.7	2.2
Retained Earnings	3.3	0.0	45.5	0.0
Discrepancies (Financing-3-4-5)	0.0		0.0	

Source: AFMIS Database as at 20th July 2011

Government Debt

Public debt at the end of 1390 was Afs 118.5 billion. This compares to debt levels of Afs 104.6 billion at the end of 1389 and Afs 110.3 billion at the end of 1388. This increase in the overall debt level is due to the increase in the recurrent loan from Afs 100.8 billion in 1389 to Afs 114.3 billion.

The overall Public debt level grows by 13 percent in 1390; remained at 15 percent of GDP, this compare to 14.7 percent of nominal GDP in 1389 and 18.0 percent in 1388.

The majority of the Government's debt is in the form of concessional loans with zero or very low interest rates and with longer grace periods and maturity.

These concessional loans are given by various multinational creditors.

Afghanistan's largest creditor in order at the end of 1390 is the Russian Federation, with Afghanistan having debts of Afs 51.6 billion. Afghanistan owes the Asian Development Bank Afs 32.2 billion and the International Development Association (World Bank) Afs 20.5 billion. The remaining Afs 14.2 billion is owed to smaller creditors.

Afghanistan is categorized as a Highly Indebted Poor Country (HIPC), with a high level of poverty and debt. This classification provides the country with special assistance from the IMF and World Bank through debt relief and low interest loans.

Table 10: Outstanding Debt Stock of 1389 and 1390

in million Afs	1389				1390			
	1st Qtr Actual	2nd Qtr Actual	3rd Qtr Actual	4th Qtr Actual	1st Qtr Actual	2nd Qtr Actual	3rd Qtr Actual	4th Qtr Actual
Creditors								
	Stocks at end of period				Stocks at end of period			
	All values are in million Afghanis				All values are in million Afghanis			
IDA	17,494	18,184	19,927	18,895	18,896	20,178	20,372	20,505
ADB	24,467	26,642	27,326	28,404	28,882	31,413	31,469	32,185
Islamic Development Bank	485	503	505	527	531	573	572	1,016
Saudi Fund	2,180	2,121	2,137	2,139	2,139	2,281	2,314	2,321
Russian Fed	45,729	45,138	45,264	45,358	46,863	50,443	51,197	51,574
US	5,563	5,430	-	-	-	-	-	-
Germany	814	813	833	-	-	-	-	-
OPEC Fund	85	83	81	90	90	96	97	98
IMF	5,137	5,248	5,234	5,382	5,382	5,729	6,623	6,651
Total (Current Loans)	101,954	104,163	101,306	100,795	102,782	110,713	112,644	114,349
Bulgaria	2,471	2,363	2,358	2,372	2,388	2,508	2,538	2,552
Croatia	-	-	-	-	-	-	-	-
Iraq	-	-	-	-	-	-	-	-
Kuwait Fund	985	992	996	1,018	1,060	1,077	1,094	1,128
OPEC Fund	0	-	-	-	-	-	-	-
Saudi Arabia	0	-	-	-	-	-	-	-
Iran	470.3	459	460	461	461	491	499	502
Total (Non-Current Loans)	3,926	3,814	3,815	3,851	3,909	4,076	4,130	4,182

Conclusion and Way Forward

The fiscal year 1390 put on the Government with volatile situation of progress and obstruction to overall development. The deteriorated security situation in some parts of the country remained as a challenge that continued to delay the implementation of the government's development projects in those areas. However, unprecedentedly the government was managed to improve the overall execution rate of the development budgets during this year. Furthermore, the government started to gradually take up the security responsibility from International Security Forces (ISAF) and NATO through phased schedule in the entire country.

Growth in real sector was slowdown, while this was sound in fiscal sector, with real GDP growth of 5.8 percent and inflation rate of 11.8 percent. Exchange rate began to depreciate during this period, and the trend shows that it will further plummet. The growth in real GDP has mainly been driven by service and industries sectors. However, agriculture sector is expected to make high contribution to GDP growth for following years, because of more favorable weather condition as a result of heavy snow and rain during the 1390's winter.

In the fiscal sector, overall revenue collection increased largely that it achieved not only its internal target but also the IMF target by good margin. Most of the increase was due to higher collection by tax revenue and non tax revenue, while the custom duties performance was not so good as expected.

Another good aspect of development in fiscal sector in 1390 was a relatively sharp increase (almost by 10 percentage point) in the execution rate of the development budget compared to 1389. However, while execution expenditure of the development budget remained comparable, actual expenditure

against the development budget was slightly lower than in 1389.

Mean while, operating expenditure continued to increase due to rising operating spending of increased security sector spending and pay and grading reforms.

The government will continue to the process of taking the security responsibility of the remaining parts of the country during the transition period till 2014. Hence, this will in turn rise to increase in the spending by the Afghan security forces, ANA and ANP. In addition, rising in non-security spending like the implementation of Pay in Grading, pension reform, and other non security spending will be adding up to the fiscal pressures for outer years.

In view of all these challenges, the governments need to do more efforts on mobilizing more revenue sources such as revenue from VAT introduction and extractive industries in addition to improving the tax efficiency and broadening the tax bases. At the same time, the governments will continue to keep up the current level of the development execution rate. All these endeavors, supported by international community, will to large extent help the government to overcome these challenges, and will consequently lead to sound economic development in the country.

Table 11: Operating Budget Expenditures 1389 & 1390

In millions of Afghanis	1389		1390				
	Prelim. Actual	%GDP	Prelim. Actual	%GDP	Revised Budget	Final Budget	Actual as % of Final Budget
Total Gross Expenditures	110,452.8	18.0	149,293.6	20.5	155,943.1	155,943.1	95.7
Total Net Expenditures	110,345.2	17.9	149,234.7	20.4			
Recurrent Expenditures	108,863.6	17.7	146,601.9	20.1			
Compensation Of Employees	86,474.0	14.1	111,698.6	15.3	110,439.0	114,553.0	97.5
Wages And Salaries	85,860.5	14.0	110,881.9	15.2			
Social Benefits	613.5	0.1	816.7	0.1			
Use Of Goods And Services	17,158.5	2.8	25,855.5	3.5	22,448.0	28,113.6	92.0
Travel	1,142.3	0.2	1,407.2	0.2			
Communications	614.5	0.1	731.0	0.1			
Contracted Services	769.8	0.1	1,796.5	0.2			
Repairs And Maintenance	2,038.3	0.3	3,790.0	0.5			
Utilities	2,714.9	0.4	4,069.2	0.6			
Fuel	1,512.9	0.2	2,262.8	0.3			
Other Use Of Goods And Services	8,365.9	1.4	11,798.8	1.6			
Interest	79.5	0.0	92.0	0.0	350.0	350.0	26.3
Social Transfers	5,151.6	0.8	8,955.8	1.2	17,941.3	9,121.2	98.2
Subsidies	1.7	0.0	1,099.6	0.2			
Grants	167.2	0.0	51.5	0.0			
Social Security	4,732.0	0.8	7,429.6	1.0			
Other Social Transfers	250.8	0.0	375.2	0.1			
Social Assistance	616.3	0.1	271.7	0.0			
Advance Subsidies, Grants	-365.5	-0.1	103.5	0.0			
Gross Acquisition Of Nonfinancial Assets	1,589.2	0.3	2,691.7	0.4	4,764.8	3,734.5	72.1
Net Acquisition Of Nonfinancial Assets (1)	1,481.6	0.2	2,632.8	0.4			
Sale Of Land And Buildings	-107.6	0.0	-59.0	0.0			
Buildings And Structures	458.3	0.1	739.3	0.1			
Machinery And Equipment (>50,000)	853.6	0.1	1,332.3	0.2			
Valuables	1.2	0.0	1.3	0.0			
Land	260.7	0.0	527.5	0.1			
Capital Advance Payments	15.4	0.0	91.3	0.0			

Source: AFMIS Database as at 5th June 2012

1. Proceeds from sale of fixed assets are net off from the total. If sales are greater than incurred expenditure, net expenditure will be negative.
2. Actual are interest only. However, budget figures include principal repayments and interest.
3. Budget figures for code 24 only includes budgeted pensions from contingency reserve, therefore actual expenditure may be larger than budget.
4. Final Budget figures available from AFMIS, except for interest (code 23) and subsidies and transfers (code 24), as AFMIS data includes contingency reserves in these categories. Reconciliation of budget figures between categories is also not finalized, and so total of each category does not add to total budget of Budget of Afs 155.9 billion.

Table 12: Development Budget Expenditures

In millions of Afghanis	1389		1390		1390	
	Prelim	%GDP	Prelim	%GDP	Final Budget	Actual as % of Final Budget
Total Gross Expenditures	43,923.8	7.1	52,667.5	7.2	102,374.9	51.4
Total Net Expenditures	43,923.8	7.1	52,667.5	7.2		
Recurrent Expenditures	16,226.5	2.6	20,909.2	2.9		
Compensation Of Employees	0.0	0.0	0.0	0.0	-	-
Wages And Salaries	0.0	0.0	0.0	0.0		
Social Benefits	0.0	0.0	0.0	0.0		
Use Of Goods And Services	15,810.2	2.6	20,909.2	2.9	40,007.1	52.3
Travel	168.1	0.0	357.7	0.0		
Communications	95.5	0.0	169.7	0.0		
Contracted Services	12,864.8	2.1	16,049.2	2.2		
Repairs And Maintenance	188.1	0.0	756.9	0.1		
Utilities	4.3	0.0	25.4	0.0		
Fuel	58.0	0.0	72.2	0.0		
Other Use Of Goods And Services	2,431.4	0.4	3,478.3	0.5		
Interest	0.0	0.0	0.0	0.0	-	-
Social Transfers	416.3	0.1	0.0	0.0	8,820.1	-
Subsidies	16.3	0.0	0.0	0.0		
Grants	0.0	0.0	0.0	0.0		
Social Security	0.0	0.0	0.0	0.0		
Other Social Transfers	400.0	0.1	0.0	0.0		
Social Assistance	0.0	0.0	0.0	0.0		
Advance Subsidies, Grants	400.0	0.1	0.0	0.0		
Gross Acquisition Of Nonfinancial Assets	27,697.3	4.5	31,758.4	4.4	60,738.0	52.3
Net Acquisition Of Nonfinancial Assets	27,697.3	4.5	31,758.4	4.4		
Sale Of Land And Buildings	0.0	0.0	0.0	0.0		
Buildings And Structures	19,538.2	3.2	20,507.1	2.8		
Machinery And Equipment (>50,000)	3,290.0	0.5	5,709.8	0.8		
Valuables	0.7	0.0	3.0	0.0		
Land	9.0	0.0	132.4	0.0		
Capital Advance Payments	4,859.3	0.8	5,406.0	0.7		

Source: AFMIS Database as at 5th June 2012

1. Proceeds from sale of fixed assets are net off from the total. If sales are greater than incurred expenditure, net expenditure will be negative.
2. Actual are interest only. However, budget figures include principal repayments and interest.
3. Budget figures for code 24 only includes budgeted pensions from contingency reserve, therefore actual expenditure may be larger than budget.
4. Budget and MYR figures of development budget are not available for goods and services (code 21) and capital (code 25) as the published development budget is not broken down into these categories.
5. Final Budget figures available from AFMIS, except for interest (code 23) and subsidies and transfers (code 24), as AFMIS data includes contingency reserves in these categories. Reconciliation of budget figures between categories is also not finalized, and so total of each category does not add to total budget of Budget of Afs 102.4 billion.

Table 12: Integrated Core Budget Expenditure 1389 & 1390

in millions of Afs	1389		1390			
	Actual	%GDP	Prelim. Actual	%GDP	Final Budget	Actual As % Of Final Budget
Total Gross Expenditures	154,376.6	25.1	201,961.2	27.7	258,318.0	78.2
Total Net Expenditures	154,269.1	25.1	201,902.2	27.7		
Recurrent Expenditures	125,090.1	20.3	167,511.1	22.9		
Compensation Of Employees	86,474.0	14.1	111,698.6	15.3	114,553.0	97.5
Wages And Salaries	85,860.5	14.0	110,881.9	15.2		
Social Benefits	613.5	0.1	816.7	0.1		
Use Of Goods And Services	32,968.7	5.4	46,764.7	6.4	68,120.7	68.6
Travel	1,310.3	0.2	1,764.8	0.2		
Communications	710.0	0.1	900.7	0.1		
Contracted Services	13,634.6	2.2	17,845.6	2.4		
Repairs And Maintenance	2,226.4	0.4	4,546.8	0.6		
Utilities	2,719.2	0.4	4,094.6	0.6		
Fuel	1,570.9	0.3	2,335.0	0.3		
Other Use Of Goods And Services	10,797.3	1.8	15,277.1	2.1		
Interest	79.5	0.0	92.0	0.0	350.0	26.3
Social Transfers	5,567.9	0.9	8,955.8	1.2	17,941.3	49.9
Subsidies	18.0	0.0	1,099.6	0.2		
Grants	167.2	0.0	51.5	0.0		
Social Security	4,732.0	0.8	7,429.6	1.0		
Other Social Transfers	650.8	0.1	375.2	0.1		
Social Assistance	616.3	0.1	271.7	0.0		
Advance Subsidies, Grants	34.5	0.0	103.5	0.0		
Gross Acquisition Of Nonfinancial Assets	29,286.5	4.8	34,450.1	4.7	64,472.5	53.4
Net Acquisition Of Nonfinancial Assets	29,178.9	4.7	34,391.1	4.7		
Sale Of Land And Buildings	-107.6	0.0	-59.0	0.0		
Buildings And Structures	19,996.5	3.3	21,246.4	2.9		
Machinery And Equipment (>50,000)	4,143.6	0.7	7,042.1	1.0		
Valuables	1.9	0.0	4.3	0.0		
Land	269.7	0.0	659.9	0.1		
Capital Advance Payments	4,874.7	0.8	5,497.4	0.8		

Source: AFMIS Database as at 5th June 2012

1. Proceeds from sale of fixed assets are net off from the total. If sales are greater than incurred expenditure, net expenditure will be negative.
2. Actual are interest only. However, budget figures include principal repayments and interest.
3. Budget figures for code 24 only includes budgeted pensions from contingency reserve, therefore actual expenditure may be larger than budget.
4. Budget and Revised figures of core budget are not available for goods and services (code 21) and capital (code 25) as the published development budget is not broken down into these categories.
5. Final Budget figures available from AFMIS, except for interest (code 23) and subsidies and transfers (code 24), as AFMIS data includes contingency reserves in these

Table 13: Integrated Core Budget Expenditure by COFOG sectors 1389 & 1390

in millions of Afs	1389		1390	
	Prelim. Actual	Percent Of Total	Prelim. Actual	Percent Of Total
Total Net Expenditure	154,269.1		201,902.2	
Sale Of Land And Buildings	107.6		59.0	
Total Gross Expenditure	154,376.6	100.0	201,629.1	100.0
Recurrent Expenditure	125,090.1	81.0	167,179.0	82.9
Capital Expenditure	29,286.5	19.0	34,450.1	17.1
General Public Services	13,882.3	9.0	21,446.5	10.6
Recurrent Expenditure	12,512.7	8.1	18,601.0	9.2
Capital Expenditure	1,369.6	0.9	2,845.5	1.4
Defense	31,652.4	20.5	45,934.0	22.8
Recurrent Expenditure	31,362.4	20.3	45,274.3	22.5
Capital Expenditure	290.0	0.2	659.7	0.3
Public Order And Safety	32,278.8	20.9	41,073.7	20.4
Recurrent Expenditure	31,493.1	20.4	39,771.0	19.7
Capital Expenditure	785.7	0.5	1,302.8	0.6
Economic Affairs	35,234.1	22.8	44,159.8	21.9
Recurrent Expenditure	13,207.8	8.6	17,486.1	8.7
Capital Expenditure	22,026.3	14.3	26,673.6	13.2
Environmental Protection	912.6	0.6	185.9	0.1
Recurrent Expenditure	114.1	0.1	138.7	0.1
Capital Expenditure	798.5	0.5	47.2	0.0
Housing And Communal Amenities	1,823.0	1.2	918.0	0.5
Recurrent Expenditure	529.6	0.3	430.5	0.2
Capital Expenditure	1,293.3	0.8	487.5	0.2
Health	6,596.6	4.3	7,148.7	3.5
Recurrent Expenditure	6,182.4	4.0	6,864.0	3.4
Capital Expenditure	414.2	0.3	284.8	0.1
Recreation, Culture And Religion	1,926.9	1.2	1,998.8	1.0
Recurrent Expenditure	1,547.6	1.0	1,596.7	0.8
Capital Expenditure	379.2	0.2	402.1	0.2
Education	26,223.3	17.0	30,946.3	15.3
Recurrent Expenditure	24,456.3	15.8	29,368.1	14.6
Capital Expenditure	1,767.1	1.1	1,578.2	0.8
Social Protection	3,846.6	2.5	7,817.4	3.9
Recurrent Expenditure	3,683.9	2.4	7,648.7	3.8
Capital Expenditure	162.7	0.1	168.7	0.1

Source: AFMIS Database as at 5th June 2012

1. Recurrent expenditure in the General Public Services sector excludes interest payments on loans.

Table 14: Integrated Core Budget Expenditures by Ministries 1389 & 1390

in millions of Afs	1389			1390				
	Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Final Budge	Actual as % of Final Budget
Ministry of Interior	28,466	18.4	4.6	37,451	18.6	6.1	37,964	98.6
Operating Budget	28,230	25.6	4.6	37,322	25.0	6.1	37,726	98.9
Development Budget	236	0.5	0.0	129	0.2	0.0	238	54.4
Ministry of Defense	27,672	17.9	4.5	40,190	19.9	6.5	44,774	89.8
Operating Budget	27,623	25.0	4.5	40,182	26.9	6.5	44,694	89.9
Development Budget	49	0.1	0.0	7	0.0	0.0	80	9.0
Ministry of Foreign Affairs	2,135	1.4	0.3	2,892	1.4	0.5	3,195	90.5
Operating Budget	2,045	1.9	0.3	2,541	1.7	0.4	2,607	97.5
Development Budget	90	0.2	0.0	351	0.7	0.1	588	59.6
Presidential Protective Service	909	0.6	0.1	1,045	0.5	0.2	1,118	93.5
Operating Budget	887	0.8	0.1	976	0.7	0.2	1,009	96.7
Development Budget	22	0.1	0.0	69	0.1	0.0	109	63.4
General Directorate of National Security	2,959	1.9	0.5	4,493	2.2	0.7	4,156	108.1
Operating Budget	2,913	2.6	0.5	4,482	3.0	0.7	4,132	108.5
Development Budget	46	0.1	0.0	11	0.0	0.0	24	45.4
Security	62,140	40.3	10.1	86,071	42.7	14.0	91,207	94.4
Operating Budget	61,698	55.9	10.0	85,504	57.3	13.9	90,169	94.8
Development Budget	442	1.0	0.1	567	1.1	0.1	1,039	54.6
Presidents Office	1,390	0.9	0.2	1,690	0.8	0.3	2,066	81.8
Operating Budget	1,270	1.2	0.2	1,558	1.0	0.3	1,687	92.4
Development Budget	120	0.3	0.0	132	0.3	0.0	379	34.8
National Assembly Meshanro Jirga	337	0.2	0.1	408	0.2	0.1	484	84.4
Operating Budget	314	0.3	0.1	381	0.3	0.1	376	101.3
Development Budget	23	0.1	0.0	27	0.1	0.0	107	25.3
National Assembly Wolesi Jirga	701	0.5	0.1	939	0.5	0.2	934	100.5
Operating Budget	690	0.6	0.1	934	0.6	0.2	927	100.8
Development Budget	11	0.0	0.0	5	0.0	0.0	7	71.1
Supreme Court	1,149	0.7	0.2	1,429	0.7	0.2	1,468	97.3
Operating Budget	1,095	1.0	0.2	1,278	0.9	0.2	1,215	105.2
Development Budget	54	0.1	0.0	150	0.3	0.0	253	59.4
Ministry of Justice	1,887	1.2	0.3	1,830	0.9	0.3	1,944	94.1
Operating Budget	1,739	1.6	0.3	1,611	1.1	0.3	1,631	98.8
Development Budget	149	0.3	0.0	219	0.4	0.0	314	69.8
Administrative Affairs	1,639	1.1	0.3	1,526	0.8	0.2	1,519	100.4
Operating Budget	1,592	1.4	0.3	1,493	1.0	0.2	1,443	103.5
Development Budget	47	0.1	0.0	33	0.1	0.0	77	42.7
Ministry of State and Parliamentary Affairs	52	0.0	0.0	100	0.0	0.0	102	97.7
Operating Budget	52	0.0	0.0	100	0.1	0.0	102	97.7
Development Budget	0	0.0	0.0	0	0.0	0.0	0	N/A

continued

Ministry of Haj and Religious Affairs	521	0.3	0.1	814	0.4	0.1	854	95.3
Operating Budget	453		0.1	705		0.1	721	97.7
		0.4			0.5			
Development Budget	68	0.2	0.0	109	0.2	0.0	133	81.9
Attorney General	610	0.4	0.1	823	0.4	0.1	867	94.9
Operating Budget	576		0.1	674		0.1	684	98.6
		0.5			0.5			
Development Budget	33	0.1	0.0	149	0.3	0.0	183	81.1
Election Commission	91	0.1	0.0	106	0.1	0.0	113	94.0
Operating Budget	83		0.0	99		0.0	113	87.7
		0.1			0.1			
Development Budget	8	0.0	0.0	7	0.0	0.0	0	N/A
IARCSC	603	0.4	0.1	706	0.3	0.1	304	232.0
Operating Budget	222		0.0	292		0.0	289	101.0
		0.2			0.2			
Development Budget	382	0.9	0.1	414	0.8	0.1	15	2,765.3
Independent Commission for Overseeing the Implementation of Cons	0	-	0.0	52	0.0	0.0	715	7.3
Operating Budget	0		0.0	52		0.0	56	92.8
		-			0.0			
Development Budget	0	0.0	0.0	0	0.0	0.0	659	0.0
Anti-Corruption Commission	0	-	0.0	0	-	0.0	0	N/A
Operating Budget	0		0.0	0		0.0	0	N/A
		-						
Development Budget	0	0.0	0.0	0	0.0	0.0	0	N/A
The High office of Oversight and Anti Corruption	86	0.1	0.0	103	0.1	0.0	149	69.2
Operating Budget	69		0.0	99		0.0	95	104.1
		0.1			0.1			
Development Budget	16	0.0	0.0	4	0.0	0.0	54	7.3
Independent Directorate of Local Governance	2,256	1.5	0.4	2,199	1.1	0.4	3,140	70.0
Operating Budget	1,869	1.7	0.3	1,838	1.2	0.3	1,916	95.9
Development Budget	387	0.9	0.1	361	0.7	0.1	1,224	29.5
Legal Training Center	8	0.0	0.0	7	0.0	0.0	7	99.8
Operating Budget	8	0.0	0.0	7	0.0	0.0	7	99.8
Development Budget	0	0.0	0.0	0	0.0	0.0	0	N/A
Governance, Rule of Law & Human Rights	11,330	7	1.8	12,731	6.3	2.1	14,667	86.8

1. Budget totals do not add up to total published Budget given some budget funding remains unallocated in the contingency reserve. Development budget figures are as published, while operating budget figures take account of funding allocated from contingency reserve and reallocations between codes.

In millions of Afghanis	1389	1389	1389	1390	1390	1390	1390	1390
	Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Final Budget	Actual as % of Final Budget
Ministry of Public Works	13,291	8.6	2.2	12,500	6.2	2.0	20,963	59.6
Operating Budget	1,179	1.1	0.2	2,562	1.7	0.4	2,839	90.2
Development Budget	12,113	27.6	2.0	9,938	19.0	1.6	18,123	54.8
Ministry of Transport and Aviation	858	0.6	0.1	1,555	0.8	0.3	2,182	71.2
Operating Budget	362	0.3	0.1	691	0.5	0.1	726	95.1
Development Budget	495	1.1	0.1	864	1.6	0.1	1,456	59.3
Ministry of Communication	1,840	1.2	0.3	1,570	0.8	0.3	2,270	69.1
Operating Budget	429	0.4	0.1	446	0.3	0.1	453	98.4
Development Budget	1,411	3.2	0.2	1,123	2.1	0.2	1,817	61.8
Ministry of Energy and Water	4,204	2.7	0.7	6,782	3.4	1.1	13,148	51.6
Operating Budget	301	0.3	0.0	353	0.2	0.1	377	93.8
Development Budget	3,903	8.9	0.6	6,429	12.3	1.0	12,771	50.3
Water Supply and Canalization Corporation	0	-	0.0	63	0.0	0.0	902	7.0
Operating Budget	0	-	0.0	0	-	0.0	0	N/A
Development Budget	0	0.0	0.0	63	0.1	0.0	902	7.0
Da Brishna Shirkat	0	-	0.0	1,224	0.6	0.2	3,350	36.5
Operating Budget	0	-	0.0	0	-	0.0	0	N/A
Development Budget	0	0.0	0.0	1,224	2.3	0.2	3,350	36.5
Ministry of Urban Development	1,543	1.0	0.3	810	0.4	0.1	1,403	57.7
Operating Budget	239	0.2	0.0	234	0.2	0.0	248	94.6
Development Budget	1,304	3.0	0.2	575	1.1	0.1	1,155	49.8
Independent Board of new Kabul	0	-	0.0	125	0.1	0.0	240	51.8
Operating Budget	0	-	0.0	0	-	0.0	0	N/A
Development Budget	0	0.0	0.0	125	0.2	0.0	240	51.8
Ministry of Mines and Industries	990	0.6	0.2	1,165	0.6	0.2	3,440	33.9
Operating Budget	298	0.3	0.0	373	0.2	0.1	377	99.0
Development Budget	693	1.6	0.1	793	1.5	0.1	3,063	25.9
Geodesy and Cartography Office	144	0.1	0.0	124	0.1	0.0	289	42.9
Operating Budget	118	0.1	0.0	124	0.1	0.0	125	99.6
Development Budget	26	0.1	0.0	0	0.0	0.0	165	0.0
Directorate of Environment	150	0.1	0.0	178	0.1	0.0	203	88.0
Operating Budget	119	0.1	0.0	144	0.1	0.0	153	94.3
Development Budget	30	0.1	0.0	34	0.1	0.0	49	68.2
Afghanistan High Atomic Energy Commission	21	0.0	0.0	24	0.0	0.0	32	75.3
Operating Budget	19	0.0	0.0	24	0.0	0.0	30	80.5
Development Budget	3	0.0	0.0	0	0.0	0.0	2	0.0
Municipalities	763	0.5	0.1	716	0.4	0.1	1,388	51.6
Operating Budget	0	-	0.0	0	-	0.0	0	N/A
Development Budget	763	1.7	0.1	716	1.4	0.1	1,388	51.6
Infrastructure & Natural Resources	23,805	15	3.9	26,836	13	4.4	49,811	53.9
Operating Budget	3,065	3	0.5	4,952	3	0.8	5,327	92.9

Development Budget	20,741	47	3.4	21,884	42	3.6	44,483	49.2
Ministry of Education	23,212	15.0	3.8	27,546	13.7	4.5	32,682	84.3
Operating Budget	19,115	17.3	3.1	22,932	15.4	3.7	23,168	99.0
Development Budget	4,097	9.3	0.7	4,614	8.8	0.8	9,514	48.5
Ministry of Higher Education	2,309	1.5	0.4	2,718	1.3	0.4	3,525	77.1
Operating Budget	1,850	1.7	0.3	2,119	1.4	0.3	2,102	100.8
Development Budget	458	1.0	0.1	599	1.1	0.1	1,423	42.1
Ministry of Information and Culture	726	0.5	0.1	744	0.4	0.1	1,381	53.9
Operating Budget	627	0.6	0.1	650	0.4	0.1	655	99.2
Development Budget	100	0.2	0.0	93	0.2	0.0	725	12.9
Science Academy	193	0.1	0.0	173	0.1	0.0	199	87.4
Operating Budget	141	0.1	0.0	147	0.1	0.0	149	99.1
Development Budget	52	0.1	0.0	26	0.0	0.0	50	52.3
National Olympic Committee	385	0.2	0.1	436	0.2	0.1	509	85.7
Operating Budget	201	0.2	0.0	218	0.1	0.0	220	99.2
Development Budget	184	0.4	0.0	218	0.4	0.0	289	75.4
Education	26,825	17.4	4.4	31,617	15.7	5.1	38,295	82.6
Operating Budget	21,934	19.9	3.6	26,067	17.5	4.2	26,294	99.1
Development Budget	4,891	11.1	0.8	5,550	10.6	0.9	12,001	46.2
Ministry of Public Health	6,401	4.1	1.0	7,034	3.5	1.1	10,530	66.8
Operating Budget	2,067	1.9	0.3	2,180	1.5	0.4	2,713	80.4
Development Budget	4,333	9.9	0.7	4,855	9.3	0.8	7,817	62.1
Health	6,401	4.1	1.0	7,034	3.5	1.1	10,530	66.8
Operating Budget	2,067	1.9	0.3	2,180	1.5	0.4	2,713	80.4
Development Budget	4,333	9.9	0.7	4,855	9.3	0.8	7,817	62.1
Ministry of Agriculture	2,868	1.9	0.5	4,549	2.3	0.7	6,838	66.5
Operating Budget	1,061	1.0	0.2	1,900	1.3	0.3	2,124	89.4
Development Budget	1,807	4.1	0.3	2,650	5.1	0.4	4,714	56.2
Ministry of Counter Narcotics	185	0.1	0.0	172	0.1	0.0	380	45.1
Operating Budget	82	0.1	0.0	121	0.1	0.0	141	86.1
Development Budget	103	0.2	0.0	50	0.1	0.0	240	21.0
Ministry of Rural Rehabilitation and Development	7,912	5.1	1.3	11,760	5.8	1.9	19,033	61.8
Operating Budget	480	0.4	0.1	520	0.3	0.1	533	97.6
Development Budget	7,432	16.9	1.2	11,240	21.4	1.8	18,500	60.8
Agriculture & Rural Development	10,965	7.1	1.8	16,481	8.2	2.7	26,251	62.8
Operating Budget	1,623	1.5	0.3	2,541	1.7	0.4	2,798	90.8
Development Budget	9,342	21.3	1.5	13,940	26.6	2.3	23,454	59.4

1. Budget totals do not add up to total published Budget given some budget funding remains unallocated in the contingency reserve. Development budget figures are as published, while operating budget figures take account of funding allocated from contingency reserve and reallocations between codes.

In millions of Afs	1389	1389	1389	1390	1390	1390	1390	1390
	Prelim. Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Final Budget	Actual as % of Final Budget
Ministry of Frontiers and Tribal Affairs	344	0.2	0.1	452	0.2	0.1	469	96.4
Operating Budget	324	0.3	0.1	397	0.3	0.1	395	100.3
Development Budget	20	0.0	0.0	56	0.1	0.0	74	75.7
Ministry of Martyrs, Disabled and Social Affairs	5,219	3.4	0.8	8,683	4.3	1.4	8,988	96.6
Operating Budget	4,926	4.5	0.8	8,316	5.6	1.4	8,247	100.8
Development Budget	293	0.7	0.0	367	0.7	0.1	741	49.5
Ministry of Refugees and Repatriates	246	0.2	0.0	284	0.1	0.0	359	79.1
Operating Budget	158	0.1	0.0	189	0.1	0.0	192	98.3
Development Budget	87	0.2	0.0	95	0.2	0.0	167	56.9
Ministry of Women Affairs	202	0.1	0.0	225	0.1	0.0	264	85.2
Operating Budget	142	0.1	0.0	158	0.1	0.0	163	96.8
Development Budget	61	0.1	0.0	67	0.1	0.0	101	66.5
Office of Disaster Preparedness	76	0.0	0.0	81	0.0	0.0	113	72.3
Operating Budget	76	0.1	0.0	76	0.1	0.0	89	85.7
Development Budget	0	0.0	0.0	5	0.0	0.0	24	21.6
Directorate of Kochis	70	0.0	0.0	49	0.0	0.0	58	84.5
Operating Budget	42	0.0	0.0	40	0.0	0.0	44	89.8
Development Budget	27	0.1	0.0	9	0.0	0.0	14	67.3
Social Protection	6,157	4.0	1.0	9,775	4.8	1.6	10,251	95.4
Operating Budget	5,668	5.1	0.9	9,176	6.1	1.5	9,131	100.5
Development Budget	489	1.1	0.1	599	1.1	0.1	1,120	53.5
Ministry of Finance	5,110	3.3	0.8	8,453	4.2	1.4	9,083	93.1
Operating Budget	3,290	3.0	0.5	5,593	3.7	0.9	5,575	100.3
Development Budget	1,820	4.1	0.3	2,860	5.5	0.5	3,508	81.5
Ministry of Commerce	692	0.4	0.1	1,799	0.9	0.3	2,316	77.7
Operating Budget	637	0.6	0.1	1,725	1.2	0.3	1,890	91.2
Development Budget	56	0.1	0.0	75	0.1	0.0	426	17.5
Ministry of Economy	306	0.2	0.0	413	0.2	0.1	1,006	41.0
Operating Budget	173	0.2	0.0	191	0.1	0.0	230	82.9
Development Budget	133	0.3	0.0	222	0.4	0.0	776	28.6
Control and Audit Office	249	0.2	0.0	247	0.1	0.0	515	48.0
Operating Budget	74	0.1	0.0	79	0.1	0.0	82	96.1
Development Budget	175	0.4	0.0	168	0.3	0.0	433	38.8
Central Statistics Office	183	0.1	0.0	174	0.1	0.0	266	65.5
Operating Budget	158	0.1	0.0	123	0.1	0.0	125	98.0
Development Budget	25	0.1	0.0	52	0.1	0.0	141	36.6
Afghanistan National Standard Authority	34	0.0	0.0	83	0.0	0.0	271	30.6
Operating Budget	34	0.0	0.0	43	0.0	0.0	61	70.8
Development Budget	0	0.0	0.0	40	0.1	0.0	210	19.0

Economic Governance & Private Sector Development	6,574	4.3	1.1	11,170	5.5	1.8	13,458	83.0
Operating Budget	4,366	4.0	0.7	7,754	5.2	1.3	7,964	97.4
Development Budget	2,208	5.0	0.4	3,416	6.5	0.6	5,494	62.2
Afghanistan Investment Support Agency	0	-	0.0	0	-	0.0	380	0.0
Operating Budget	0	-	0.0	0	-	0.0	0	N/A
Development Budget	0	0.0	0.0	0	0.0	0.0	380	0.0
TOTAL	154,196		25.1	201,715		32.8	254,850	79.2
Operating Budget	110,453		18.0	149,294		24.3	155,657	95.9
Development Budget	43,743		7.1	52,421		8.5	101,891	51.4
Micro Finance Investment Support Facility for Afghanistan	0	-	0.0	0	-	0.0	446	
Operating Budget	0	-	0.0	0	-	0.0	0.0	
Development Budget	0	0.0	0.0	0	0.0	0.0	446	
Extra-budgetary Agencies	180	0.1	0.0	0	-	0.0	0.0	
Operating Budget	0	-	0.0	0	-	0.0	0.0	
Development Budget	180	0.4	0.0	0	0.0	0.0	2,697.7	
Unspecified	0	-	0.0	0	-	0.0	286	
Operating Budget	0	-	0.0	0	-	0.0	286	
Development Budget	0	0.0	0.0	0	0.0	0.0	0	
Total Unallocated (contingency reserve etc.)	180.4	0.1	0.0	-	-	-	732.0	
Operating Budget	-	-	-	-	-	-	-	
Development Budget	180.4	0.4	0.0	-	-	-	3,523.7	
Total (Including Unclassified)	154,376.6	100.0	25.1	201,714.8	100.0	32.8	258,279.9	78.1
Operating Budget	110,452.8	100.0	18.0	149,293.6	100.0	24.3	155,943.4	95.7
Development Budget	43,923.8	100.0	7.1	52,421.1	100.0	8.5	102,336.6	51.2

1. Budget totals do not add up to total published Budget given some budget funding remains unallocated in the contingency reserve. Development budget figures are as published, while operating budget figures take account of funding allocated from contingency reserve and reallocations between codes.

In millions of Afghanis	1388		1389		1390	
	Actual	% GDP	Actual	% GDP	Prelim Actual	% GDP
Net Acquisition Of Nonfinancial Assets	25,768.9	4.2	29,178.9	4.0	34,391.1	3.9
Land And Buildings	15,532.7	2.5	20,158.7	2.8	21,847.4	2.5
Purchase Of Land And Buildings	19,809.7	3.2	20,266.3	2.8	21,906.3	2.5
Sale Of Land And Buildings	-4,276.9	-0.7	-107.6	0.0	-59.0	0.0
Sale Of State-Owned Enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Machinery And Equipment (>50,000)	6,080.4	1.0	4,143.6	0.6	7,042.1	0.8
Valuables	4.9	0.0	1.9	0.0	4.3	0.0
Other Acquisitions	4,150.8	0.7	4,874.7	0.7	5,497.4	0.6

Source: AFMIS Database as of 5th June 2012

In Millions Of Afghanis	1389	1389	1389	1390	1390	1390	1390	1390	1390	1390 Comparison to 1389 YTD	
	Qtr 4 Actual Qtr	Annual Actual	%GDP	Qtr 1 Prelim Qtr	Qtr 2 Prelim Qtr	Qtr 3 Prelim Qtr	Qtr 4 Prelim Qtr	Annual Prelim	%GDP	Change	% Increase
Transactions In Financial Assets And Liabilities	9,924.5	-6,107.0	-0.8	-17,041.7	4,918.1	8,381.5	14,229.1	10,486.9	1.2	16,593.9	-271.7
Net Acquisition Of Financial Assets	2,680.8	-17,032.6	-2.3	-15,615.0	3,276.8	2,492.1	3,887.8	-5,958.3	-0.7	11,074.3	-65.0
Domestic	2,680.8	-17,032.6	-2.3	-15,615.0	3,276.8	2,492.1	3,887.8	-5,958.3	-0.7	11,074.3	-65.0
Currency And Deposits	-927.6	-17,898.3	-2.5	-7,972.1	-328.8	4,609.8	-2,374.8	-6,065.9	-0.7	11,832.4	-66.1
Treasury Single Account	-939.7	-16,827.5	-2.3	-5,525.9	-4,030.6	4,778.3	-2,840.5	-7,618.7	-0.9	9,208.9	-54.7
Donor Accounts	1,010.6	478.7	0.1	-2,466.5	4,044.6	797.6	463.9	2,839.7	0.3	2,361.0	493.2
Other Deposit Accounts (1)	-998.5	-1,549.5	-0.2	20.2	-342.8	-966.2	1.8	-1,287.0	-0.1	262.5	-16.9
Loans	-0.1	246.2	0.0	17.9	1.0	1.5	6.0	26.4	0.0	-219.8	-89.3
Other Accounts Receivable	41.9	619.5	0.1	424.0	-52.4	396.8	-690.0	78.4	0.0	-541.1	-87.3
Other Assets	3,566.7	0.0	0.0	-8,084.8	3,657.0	-2,516.0	6,946.5	2.8	0.0	2.8	N/A
Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A
Net Acquisition Of Liabilities	7,243.7	10,925.5	1.5	-1,426.8	1,641.3	5,889.3	10,341.3	16,445.2	1.9	5,519.6	50.5
Domestic	6,467.7	8,154.9	1.1	-1,505.4	1,058.6	4,710.9	9,807.7	14,071.8	1.6	5,916.9	72.6
Accounts Payable	4.4	-9.6	0.0	42.0	-19.0	60.9	454.7	538.6	0.1	548.2	-5,705.2
Pension Liabilities	-9.9	0.0	0.0	4.0	-2.6	3.9	-5.3	0.0	0.0	0.0	N/A
Other Payables	2,573.4	4,007.0	0.5	0.0	850.1	1,133.9	-277.7	1,706.4	0.0	-2,300.6	-57.4
Other Liabilities (1)	3,899.9	4,157.5	0.6	-1,551.4	230.0	3,512.3	9,636.0	11,826.8	1.4	7,669.4	184.5
Foreign	776.0	2,770.7	0.4	78.6	582.8	1,178.4	533.6	2,373.4	0.3	-397.3	-14.3
Foreign Currency	-4.2	1.4	0.0	-4.9	-8.8	-57.9	-9.6	-81.3	0.0	-82.7	-5,850.2
Loans	780.2	2,769.3	0.4	83.5	591.6	1,236.3	543.3	2,454.7	0.3	-314.6	-11.4

Source: AFMIS Database as of 26th May 2012

1. Deposits on Letter of Credits (321) are netted out with Letter of Credit Commitment Accounts (451). The net amount is included under either 'Other Deposit Accounts' or 'Other Liabilities' depending on the direction of net transactions during the period.

Glossary

a. Budget	An itemized summary of estimated intended expenditures for a given period along with proposals for financing them.
1. Operating Budget	The budget for operating budget expenditures. These are mainly recurrent expenditures, and include wages and salaries for all public servants, running costs for Ministries, schools, barracks etc. A small amount of capital expenditure is also included in the Operating Budget in Afghanistan. The Operating Budget is sometimes referred to as the Recurrent Budget in other countries.
2. Development Budget	The Government budget for development projects implemented by Government agencies. It contains recurrent and capital expenditure in Afghanistan. These projects are mainly donor funded. The Development Budget is sometimes referred to as the Capital Budget in other countries.
3. Core Budget	The operating budget plus the development budget
4. External Budget	The budget for all donor activities that are funded directly by donors, rather than channeling the funding through the Government
5. Integrated Budget	The core budget plus the external budget
b. Expenditure/Expense	The purchase of goods, services, assets. It also includes interest payments, and subsidies and transfers.
1. Recurrent Spending	Expenditure that is ongoing rather than one off, and does not result in the acquisition of a fixed asset. For example payments for electricity or fuel, the payment for salaries etc. Often equated with the operating budget, however development budget spending contains recurrent items and vice versa
2. Capital Spending	Spending on a capital asset, for example a tractor or irrigation pump.
3. Compensation Of Employees	The total remuneration, in cash or kind, payable to an employee for work done during the accounting period. It consists of wages, salaries, and social contributions made on behalf of employees to social insurance schemes. Excluded are amounts paid to contractors, self-employed outworkers, and other workers who are not employees.
4. Goods And Services	Expenditure items such as electricity costs, maintenance and repair, consultancy services and items with a purchase value below Afs 50,000
5. Subsidies	Payments made to State Owned Enterprises to help them cover their costs
6. Transfers	Payments to a person or organization for which no service is received, for which pension payments and subsidies.
7. Interest Payments	The interest paid on outstanding loans
8. Contingency Funds	Items listed in the operating and development budgets that may require funding. Throughout the year, funding from contingency reserve items may be allocated to the budgets of budgetary units during the year (increasing their original budget).
c. Assets	An entity over which ownership rights are enforced, and from which economic benefits may be derived by its owners by holding it or using it over a period of time.
1. Non-Financial Assets	Physical assets such as real estate and machinery
2. Financial Assets	A financial claim on an asset that is usually documented by some type of legal representative. Examples include bonds and shares of stock, but not tangible assets such as real estate or gold. These are included below the line as financing items.
d. Revenues	Domestically raised revenues and donor grants (excludes loans).
1. Domestic Revenues	Revenues raised by the Government of Afghanistan (excludes donor grants). These are mainly revenues raised by the Afghanistan Revenue Department (taxes, customs duties etc.), and revenues raised by other Government agencies (fees and fines etc.)
2. Grants	Funds received from donors. Often the money can only be spent on a certain project or activities, but sometimes can be spent at the discretion of the recipient Government
e. Balances	The difference between revenues and expenditures
1. Operating Budget Balance (Excluding Grants)	Domestic revenues (excluding donor grants to the operating budget) minus operating budget expenditures

2. Operating Budget Balance (Including Grants)	Domestic revenues plus donor grants to the operating budget, minus operating budget expenditures
3. Development Budget Balance	Donor Grants to development budget minus development budget expenditures
4. Core Budget Balances	
5. Balance (Excluding And Including Grants)	Total revenues (excluding and including grants) minus total expenditures
6. Net Operating Balance	Revenues (including donor grants) minus recurrent expenditures. It measures the change in net worth resulting from transactions (excluding capital expenditure)
7. Primary Operating Balance	Net operating balance plus interest expenditures
f. Surplus	A positive balance (revenues are greater than expenditures)
g. Deficit	A negative balance (revenues are less than expenditures)
h. Financing	How the government funds its deficit (or invests its surplus). For example drawing down on foreign loans or withdrawing funds from the Central Bank. More generally, it describes transactions in financial assets.
1. Above The Line	Refers to 'real' expenditure and revenue activities, for example the paying of salaries, the purchase of school books, the building of a dam etc.
2. Below The Line	Refers to financing transactions, and transactions in financial assets, for example loan disbursements and repayments, transactions on the Treasury Single Account
3. Loans	Loans of money from foreign Governments, international organization and development banks. Afghanistan's debt strategy allows only concessional loans to be taken out.
i. Concessional Loans	Loans that are offered at below market rates (e.g. a low interest rate and with a long grace period).
ii. Principal Repayment	Repayment of the principal of a loan (as distinct from an interest payment)
i. Gross Domestic Product	The value or all the goods and services produced by a country in one year. This excludes the opium economy for Afghanistan
j. Budget Target	The level of revenue or expenditure expected over a quarter or during the year. For expenditures we assume that the budget target for the quarter is 25 percent of the annual budget
k. Budget Variance	The difference between the actual outcome and the budget target
l. Treasury Single Account (TSA)	The main bank account of the Government. In Afghanistan, the TSA consists of the Afghani account, the US dollar account, provincial revenue and expenditure accounts, and ARTF and LOTFA accounts.
m. AFMIS	Afghanistan Financial Management Information System. The central database that records every transaction made by Government
n. Euro-Trace	The computer database system for recording and classifying customs transactions.

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