



Islamic Republic of Afghanistan
Ministry of Finance

Annual Fiscal Report 1391

Fiscal Policy Directorate

Table of Contents

1.	Macroeconomic Performance	4
2.	Revenues	7
	Domestic Revenues	7
	Grants to Integrated Core Budget	10
3.	Expenditure	13
	Budget	13
	Total Expenditure	14
	Expenditure by Economic Category	15
	Expenditure by Afghanistan National Development Strategy (ANDS) Categories	18
	Sectoral Analysis of Government Expenditures by COFOG Classification	22
4.	Public Sector Borrowing Requirement	24
5.	Government Debt	27
6.	Conclusion and way forward	28
7.	Glossary	37

1391 Fiscal Year Highlights

Afghan economy performed well in 1391 with real GDP growth of 11.1 percent compared to 7 percent in 1390 with agriculture sector contributing the highest at 6 percent among all sectors. The services sector contributed 3.2 percent and the industrial sector's share modest - 1.8 percent.

Inflation was sustained at single digit level in 1391 with period average inflation of 6.1 percent compared to 10.4 percent in 1390 mainly because of bumper harvest in agriculture sector, and reduction in non food inflation.

Domestic revenues reached Afs 81.7 billion in FY 1391 (9 months) an increase of Afs 10.3 or 14.4 percent compared to SY 1390 but missed the revenues target of Afs 87.9 billion by Afs 6.2 billion. The shortfall can be attributed to lower than expected volume of taxable imports.

Total grants to core budget were Afs 101.5 billion in FY 1391 compared to Afs 92 billion in FY 1390, an increase of Afs 9.5 billion. Operating budget grants were Afs 65.7 billion whilst grants to development budget were Afs 35.8 billion.

Total gross core budget expenditures were Afs 189.4 billion (24.4 percent of GDP) in 1391 (a year with 9 months) compared to Afs 201.9 billion (23.4 percent of GDP) in 1390. Net operating budget balance increased from a surplus of 2.8 percent of GDP in 1390 to 3.8 percent of GDP in 1391.

The public debt stock increased from Afs 118.5 billion in 1390 to Afs 126.5 billion in 1391 an increase of 8 billion Afs.

Note: Solar year 1391 was compressed to nine months (March 21 2012 – December 20 2012). A major reason was to improve budget execution. The new fiscal year is expected to provide an opportunity to line ministries with procurement, planning, and logistics during the winter and start operation in the spring. This will mean a longer implementation period and should boost budget execution.

Table 1 – Fiscal Summary for Fiscal Years 1390 – 1391

Code	In millions of Afghanis	1390	1390	1391	1391	1391	1391
		Prelim. Actual	%GDP	Prelim. Actual (9 Months)	%GDP	Final Budget (4)	% of Final Budget
OPERATING BUDGET							
	Operating Budget Revenues	159,759	18.5	147,387	19.0	169,188	87.1
1	Domestic Revenues	99,349	11.5	81,671.5	10.5	87,910	92.9
1-19	Operating Grants	60,409	7.0	65,715.4	8.5	81,278	80.9
	Operating Budget Expenditures	149,294	17.3	135,780	17.5	157,971	86
21	Compensation of Employees	111,699	12.9	98,369	12.7	114,553	86
22	Use of Goods and Services	25,855	3.0	25,184	3.2	28,114	90
23	Interest (2)	92	0.0	90	0.0	550	16
24	Social Transfers (3)	8,956	1.0	8,321	1.1	9,121	91
25	Gross Acquisition of Nonfinancial Assets	2,692	0.3	3,816	0.5	3,734	102
	Operating Budget Balance (3)						
	Excluding Grants	-49,944	-5.8	-54,108	-7.0	-70,061	77
	Including Grants	10,465	1.2	11,607	1.5	11,217	103
	Indicator of Fiscal Sustainability (domestic revenues/operating expenditures)	67%		60%		56%	
DEVELOPMENT BUDGET							
	Development Grants (1)	31,611	3.7	35,795	4.6	79,583	45
	Development Expenditures	52,668	6.1	53,610	6.9	107,350	50
	Development Budget Balance (3)	-21,056	-2.4	-17,815	-2.3	-27,767	64
INTEGRATED BUDGET							
	Revenues (1)	191,370	22.2	183,181	23.6	248,771	74
	Domestic Revenues	99,349	11.5	81,672	10.5	87,910	93
	Grants (1)	92,020	10.7	101,510	13.1	160,861	63
	Expenditures	201,961	23.4	189,390	24.4	265,321	136
	Integrated Budget Balance						
	Excluding Grants	-102,612	-11.9	-107,718	-13.9	-177,411	61
	Including Grants (3)	-10,591	-1.2	-6,208	-0.8	-16,550	38
	Financing Requirement						
	Balance Including Grants	-10,591		-6,208			
	Sale of Land and Buildings	59		177			
	Lending/Borrowing	-10,532		-6,032			

Source: AFMIS Database as at 12 March 2013

1/ Budget data for core budget grants is not comparable to actuals, as Development Budget Grants listed in Budget do not distinguish between grants and loans, while the actuals shown above are only for grants.

2/ Actuals are interest Only. However, budget figures include principal repayments and interest, and development budget, and development budget balance in budget documentation includes loans.

4/ Final Budget figures for expenditure 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.

Fiscal Sustainability

- Fiscal sustainability is defined as “Domestic revenue covering the operating budget expenditures”. Achieving fiscal sustainability has been and continues to be one of the primary goals of the government. Despite significant progress, which has been made in domestic revenue collection, the fiscal sustainability indicator was 67 percent in 1390, and 60.1 percent in 1391. The decline was due to shortfall in domestic revenue collection. The reason for the drop is due to decrease in custom duties reflecting lower volume of taxable imports.
- Preliminary actual data shows that domestic revenue collection during nine months of FY 1391 was Afs 81.7 billion; this rose by Afs 10.3 billion or 14.4 percent when compared over the nine months of FY 1390. Whilst, domestic revenue collections has missed the budget target of Afs 87.9 and had a shortfall of Afs 6.2 billion by end of fiscal year 1391.
- Operating expenditures have also increased significantly in the last few years, and it is expected that government operating expenditure will increase further in the future. This will be due to the rise in security spending, other fiscal pressures (education, health), and also because the Government is likely to progressively take on more responsibility for the recurrent implications of the external budget. In order to continue to make progress towards fiscal sustainability, continuous efforts will be required to make sure

1. Macroeconomic Performance

Afghanistan sustained a higher economic growth rate of 11.1 percent during FY 1391 compared to 7 percent during 1390. Nominal GDP also increased at a robust rate of 19.4 percent during 1391. The agriculture sector contributed highest to the economic growth rate followed by Service sector and Industry respectively. The inflation rate was also maintained at a moderate rate of 6.1 percent during 1391 compared to 10.4 percent in FY 1390. However, the exchange rate depreciated against USD from Afs 47.8 in FY 1390 to Afs 51.6 in FY 1391.

Macroeconomic indicators for Fiscal Years 1382 – 1391

	1382 Actual	1383 Actual	1384 Actual	1385 Actual	1386 Actual	1387 Actual	1388 Actual	1389 Actual	1390 Actual	1391 Prelim. Actual
Real GDP Growth	15.1%	8.8%	16.1%	8.2%	14.2%	3.4%	21.0%	8.4%	7.0%	11.1%
Contribution to Growth										
- Agriculture	7.8%	-3.9%	3.1%	-3.6%	5.4%	-5.9%	9.7%	-1.7%	-1.8%	6.0%
- Industry	1.3%	6.3%	5.7%	5.1%	2.1%	1.9%	1.8%	1.6%	2.5%	1.8%
- Services	5.2%	6.1%	5.9%	6.7%	6.1%	6.8%	8.0%	8.1%	6.0%	3.2%
- Indirect taxes	0.8%	0.3%	1.4%	0.0%	0.7%	0.6%	1.5%	0.3%	0.3%	0.2%
Nominal GDP Growth	21.1%	18.7%	24.9%	19.6%	25.7%	23.9%	15.3%	18.7%	18.2%	19.4%
Nominal GDP (Million Afs)	217,388	257,993	322,231	385,489	484,626	600,493	615,082	729,905	862,840	1,029,909
Inflation (period average)	24.1%	13.2%	12.3%	5.1%	13.0%	26.8%	-10.0%	7.1%	10.4%	6.1%
Exchange rate (Afs/US\$)	49.0	47.8	49.7	49.9	49.8	51.0	49.3	45.8	47.8	51.6

Despite the growing concerns over the withdrawal of foreign troops from Afghanistan and the consequent negative impact on the overall economic activities, real economic growth was favorable at 11.1 percent during FY 1391 compared to 7 percent economic growth during FY 1390. Nominal GDP also maintained a robust growth of 19.4 percent, higher by 1.2 percent when compared to that of FY 1390. The preliminary actual data shows an annual nominal GDP of around Afs 1,029.9 billion for SY 1391, where this was Afs 862.8 billion in FY 1390.

This growth was mainly attributed to the bumper harvest due to substantial rainfalls during 1390 and 1391. The agriculture sector accounted for 23 percent of total GDP during 1391, compared to 19 percent during 1390. As is evident in the table below; the agriculture sector contributed 6 percent to real growth.

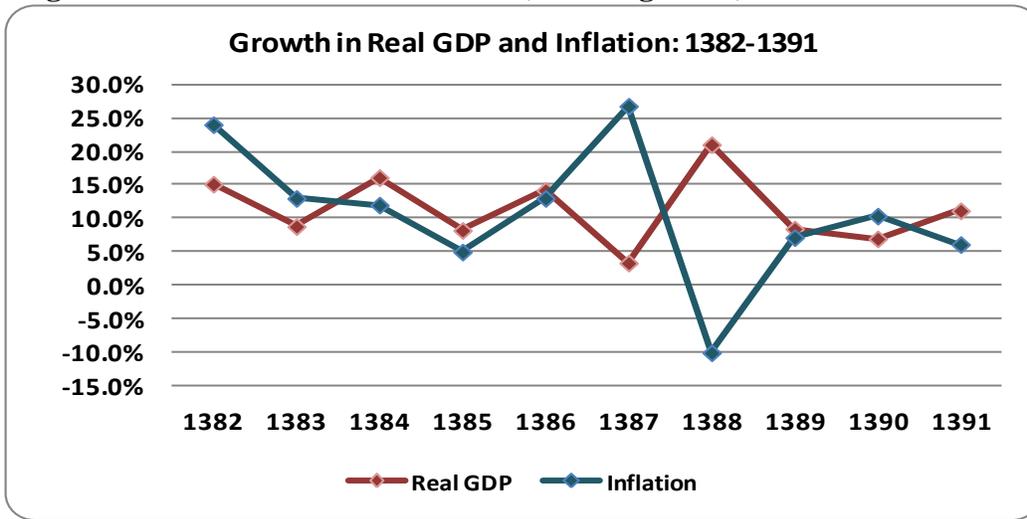
The services sector contributed reasonably to the growth of GDP (3.2 percent) relative to 6 percent during 1390. The services sector accounted for 49 percent of total GDP in 1391, highest among all sectors.

The industry sector contributed at a modest rate of 1.8 percent. The high insecurity in provinces and capital has adversely affected the industrial sector of the economy. The industry sector contributed around 23 percent to total GDP during 1391, lower by 3 percentage points when compared to that of 1390.

Headline inflation moderated. The period average inflation rate during 1391 was 6.1 percent, compared to 10.4 percent during 1390. Because of the bumper agriculture crops, less of essential

agricultural products were imported hence there was minimal effect of price pass-through or “imported inflation”.

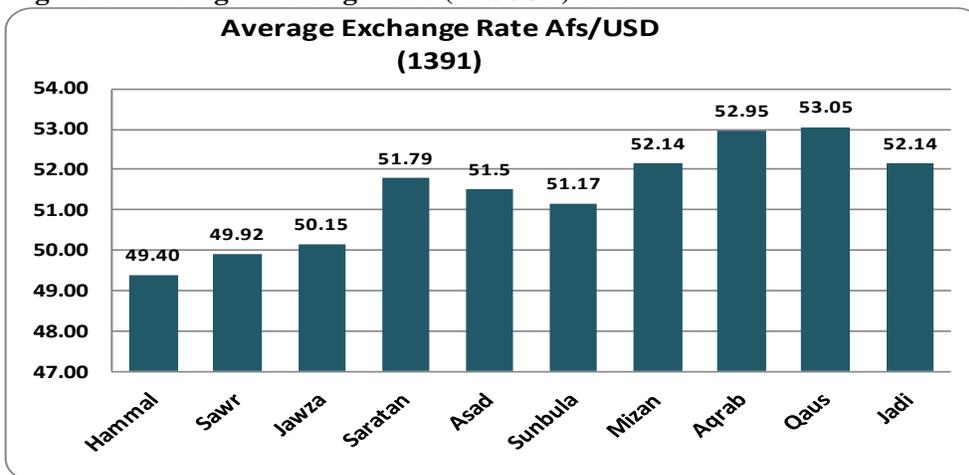
Figure 1 - Real GDP & Inflation rate (Annual growth)



In 1391, the average exchange rate of Afghani depreciated to Afs 51.3 compared to Afs 47.8 against the US dollar by the end of FY 1390. Although the US dollar’s value increased comparing to other currencies as well, the higher demand for US dollars, hoarding of dollars by households and growing speculation due to the anxiety about 2014 were some of the underlying factors for the depreciation. The contractionary fiscal policy of USA has also appreciated the value of dollars around the globe. Nevertheless, Da Afghanistan Bank is taking steps by intervening in the market to prevent the depreciation from a sudden shock. Extreme volatility depletes confidence in the currency.

In regard to DAB monetary policy, the currency circulation amounted to Afs 150 billion by the end of FY 1391 when compared to Afs 148.4 billion in FY 1390. The year on year growth rose by only

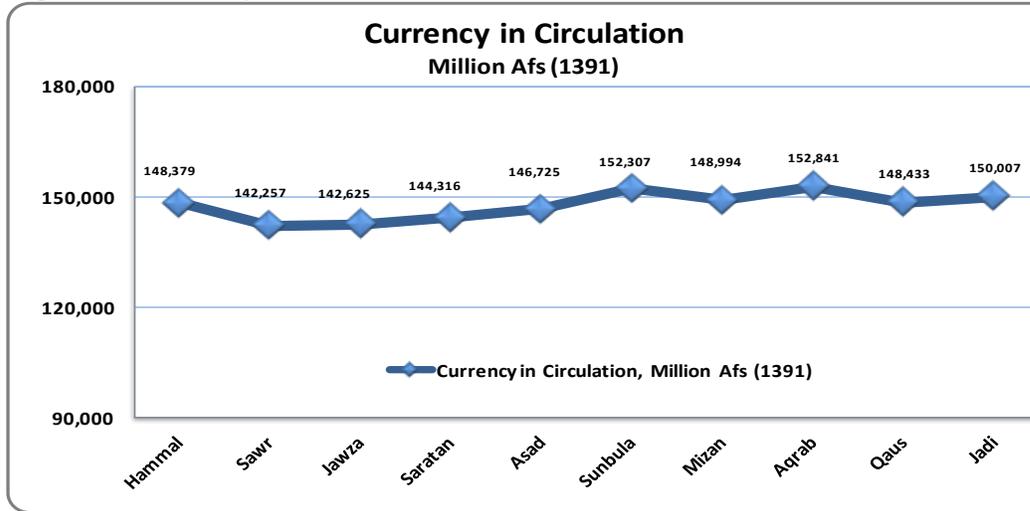
Figure 2 - Average Exchange Rate (Afs/USD) 1391



FPD using data provided by DAB

1.1 percent in FY 1391.

Figure 3 - Currency in Circulation (Million Afs) 1391



The external trade position deteriorated slightly during FY 1391. Total exports were USD 263.2 million. On the other hand, imports were USD 5891.6 billion in FY 1391. Although imports of food products decreased but that of merchandise products increased during FY 1391.

2. Revenues

Domestic Revenues

Total preliminary revenues of Afs 81.7 billion were collected during 1391 excluding grants, which shows an increase of Afs 10.3 billion (14.4percent increase over revenue collected in nine months of 1390). Revenues however missed the budget target of Afs 87.90 Billions by Afs 6.2 billion; the shortfall was mainly due to decline in import volumes during 1391.

Total revenue as a percentage of GDP in 1391 was 10.5 percent less than the 1390 figure of 11.5 percent. Tax revenues' contribution to total Government revenues rose from 45 percent in 1390 to 47 percent in 1391. However, custom duties decreased from 31 percent in 1390 to 26 percent in 1391. Non-tax revenue contribution to total revenue increased from 20 percent in 1390 to 22 percent in 1391.

Figure 4 - Domestic Revenues by major categories, 1390

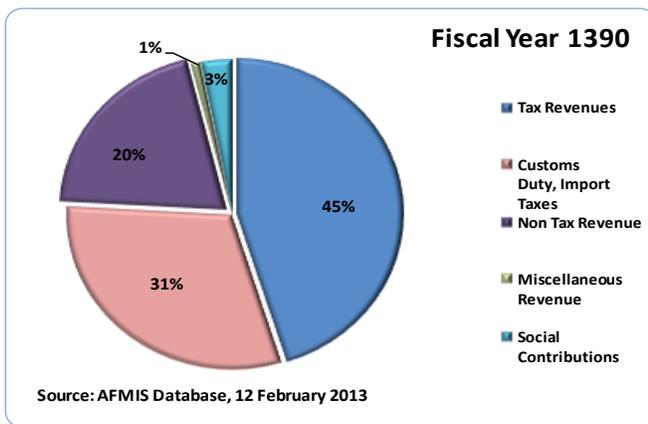


Figure 5 - Domestic Revenues by major categories, 1391

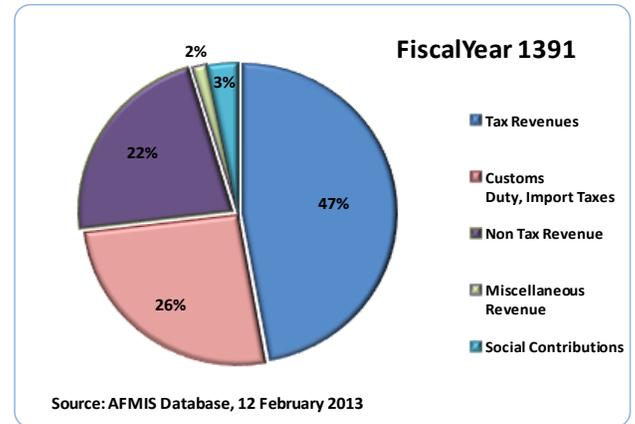
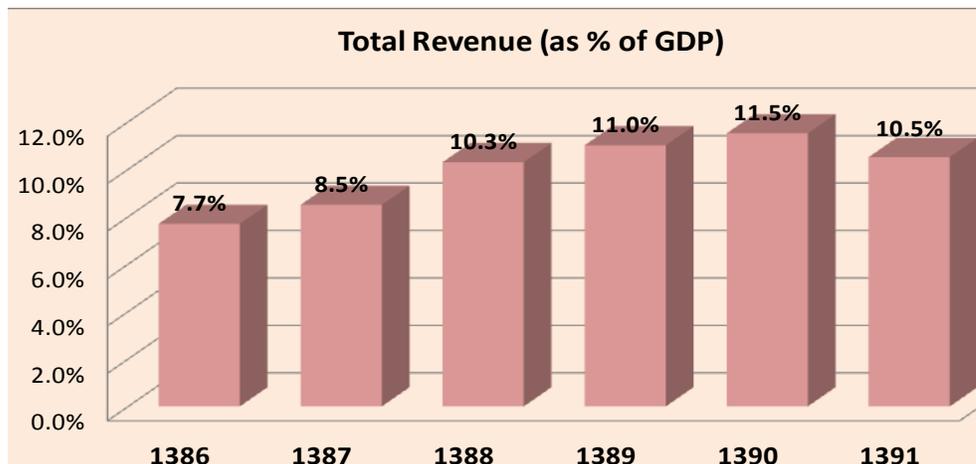


Figure 6 – Total Revenue as percentage of GDP, 1386 - 91



A. Tax revenue

Tax revenue collections, which comprises of fixed taxes, income taxes and sales taxes, were Afs 38.51 billion in 1391. This shows a reduction of Afs 6.32 billion (or 14 percent) from the Afs 44.83 billion collected in 1390 (keeping in mind FY 1391 had 9 months). Tax revenue collections, as a percent of GDP, also decreased from 5.2 percent in 1390 to 5.0 percent in 1391. Tax revenue collections dropped by Afs 2.90 billion (or -7.3 percent) from its annual target of Afs 41.40 billion.

Figure 7 –Domestic Revenues by minor codes 1390

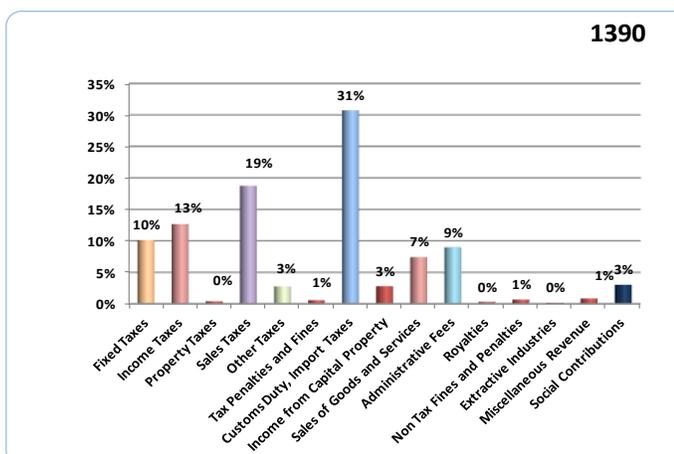
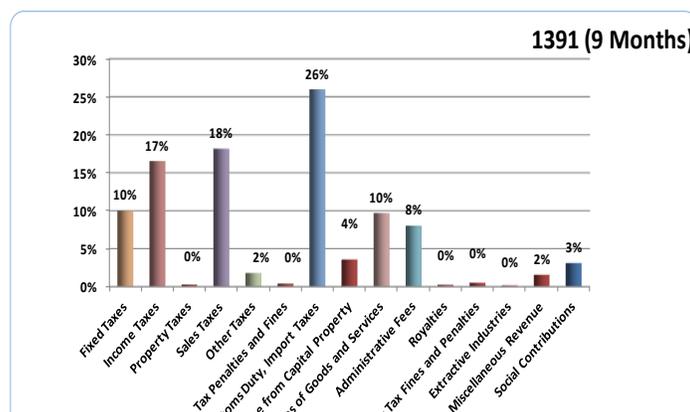


Figure 8 - Domestic Revenue by minor codes 1391



Approximately 90 percent of total tax revenue collections are comprised of three main components:

- i. **Fixed taxes** collected in 1391 were Afs 8.17 billion, a reduction of Afs 1.88 billion (or – 18.7 percent) from Afs 10.04 billion collected in 1390. Within fixed taxes, the three main taxes are imports by licensed business (Afs 6.25 billion), fixed taxes on government contracts (Afs 864 millions) and imports by unlicensed business (Afs 563.67 million).
- ii. **Income tax** collected Afs 13.50 billion in 1391, an increase by Afs 890 million (or 7.08 percent) over Afs 12.55 billion collected in 1390. *Employee’s Wages and Salaries* (which accounts for almost half of total income taxes revenue) amounted to Afs 7.04 billion in 1391, an increase of Afs 23 million or 4 percent over Afs 6.78 billion in 1390. The increase is partly driven by higher salaries associated with Pay and Grading reforms. *Corporate income tax* (Profit Private Entities) collected Afs 2.3 billion, an increase of Afs 403 million (or 76percent percent) over Afs 1.3 billion in 1390. Government’s enforcement measures and letters to various companies led to an increase in incorporate income taxes.

B. Sales taxes comprise 38 percent of the total taxes and registered at Afs 14.82 billion, a decrease of Afs 3.77 billion (or 25 percent) over Afs 18.60 billion in 1390. *Business Receipts taxes* (BRT) decreased as a share of GDP from 2.2percent in 1390 to 1.9percent in 1391. Among the components of sales taxes, *2 percent BRT on imports (or new BRT)* collected Afs 6.38 billion which shows a decrease of Afs 1.58 billion (or 20 percent) from Afs 7.96 billion collected in

1390. In addition, BRT on *Services* and on *Receipt of Private Entities* collected Afs 3.84 and Afs 4.66 billion respectively and amounted to Afs 4.66 billion and Afs 5.97 billion in 1390.

C. Custom duties

Custom duties, including custom duties on imports, custom fines and other fees, generated Afs 21.20 billion in 1391, a decrease of Afs 9.3 billion (or 31 percent) from Afs 30.54 billion collected in 1390. Custom duties were Afs 9.59 billion lower than the annual target of Afs 30.79 billion. Custom duties as a percent of GDP were 2.1 percent in 1391, compared to 3.5 percent in 1390, the shortfall in custom duties caused due to lower taxable imported goods in general, particularly in vehicles and some luxuries items.

Non-tax revenues

Table 2 – Integrated Core Budget Revenues for Fiscal Years 1389 – 1391

Code	In millions of Afghanis	1389 Actual	1389 %GDP	1390 Actual	1390 %GDP	1391 Prelim. Actual (9 Months)	1391 %GDP	1391(9 Months) Target (revised)	1391(9 Months) % Greater/Less than target
1	REVENUES including grants (1)	160,372.8	22.0	191,369.8	22.2	183,181.4	23.6	248,771.0	N/A
1-19	REVENUES excluding grants (2)	80,384.3	11.0	99,349.4	11.5	81,671.5	10.5	87,909.9	-7.1
11	Tax Revenues	38,697.6	5.3	44,835.1	5.2	38,505.6	5.0	41,407.1	-7.0
111	Fixed Taxes	9,080.9	1.2	10,044.7	1.2	8,166.6	1.1	10,072.3	-18.9
112	Income Taxes	10,293.8	1.4	12,557.2	1.5	13,500.0	1.7	11,040.6	22.3
113	Property Taxes	245.4	0.0	373.3	0.0	221.3	0.0	263.2	-15.9
114	Sales Taxes	16,302.5	2.2	18,605.6	2.2	14,840.3	1.9	17,054.8	-13.0
116	Other Taxes	2,152.2	0.3	2,709.3	0.3	1,449.6	0.2	2,308.3	-37.2
117	Tax Penalties and Fines	622.7	0.1	545.0	0.1	327.8	0.0	667.9	-50.9
12	Customs Duty, Import Taxes	27,623.2	3.8	30,546.4	3.5	21,219.1	2.7	30,797.9	-31.1
13	Non Tax Revenue	11,521.8	1.6	20,150.9	2.3	18,129.2	2.3	13,141.5	38.0
131	Income from Capital Property (2)	281.1	0.0	2,775.7	0.3	2,925.2	0.4	248.4	1,077.7
132	Sales of Goods and Services	4,506.4	0.6	7,373.0	0.9	7,907.3	1.0	4,983.3	58.7
133	Administrative Fees	6,354.5	0.9	8,884.7	1.0	6,563.9	0.8	7,374.2	-11.0
134	Royalties	40.4	0.0	279.5	0.0	187.2	0.0	35.7	424.5
135	Non Tax Fines and Penalties	339.3	0.0	671.2	0.1	404.4	0.1	299.9	34.8
136	Extractive Industries	0.0	0.0	166.7	0.0	141.3	0.0	200.0	0.0
14	Miscellaneous Revenue	733.6	0.1	831.7	0.1	1,268.8	0.2	729.4	74.0
17	Social Contributions	1,808.1	0.2	2,985.4	0.3	2,548.7	0.3	1,834.0	39.0
19	Grants (1)	79,988.5	11.0	92,020.4	10.7	101,509.9	13.1	160,861.1	N/A
	of which operating budget	54,465.8	7.5	60,409.1	7.0	65,715.4	8.5	81,278.0	-19.1
191	Foreign Governments	59,346.3	8.1	67,132.8	7.8	71,720.6	9.2		
192	International Organisation	19,954.2	2.7	24,672.9	2.9	28,781.5	3.7		
193	Other Government Units	688.0	0.1	214.6	0.0	1,007.7	0.1		

Source: AFMIS Database as at 12 March 2013

1/ Budget data for core budget grants is not comparable to actuals, as Development Budget Grants listed in Budget do not distinguish between grants and loans, while the actuals 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.

Non-tax revenue is an important component in the structure of total domestic revenues, and in 1391 were Afs 18.1 billion. It is 22 percent of total domestic revenues. This shows a decrease of Afs 2.07 billion (or 10 percent) from Afs 20.15 billion collected in 1390. Non-tax revenue is comprised of:

D. Sales of Goods and Services collected Afs 7.90 billion in 1391, an increase of Afs 1.1 billion (or 7 percent) over Afs 7.37 billion in 1390. This exceeded the annual target of Afs 4.98 billion by 58 percent. The largest component in this category is revenue collection from *Mobile Telephone Services* that generated Afs 3.87 billion, which shows similar to 1390.

- E. *Administrative Fees* collected Afs 6.51 billion in 1391, a decrease of Afs 2.38 billion (or 26 percent) over the Afs 8.84 billion collected in 1390. Collection from *Over flight* was Afs 1.31 billion and Afs 0.38 billion lower in 1390.
- F. *Social contributions* were Afs 2.54 billion in 1391, a decrease of Afs Afs 0.44 billion (or 15 percent) from Afs 2.98 billion collected in 1390. Social contributions are principally from pension plan and the employee's share in the fund.

Grants to Integrated Core Budget

Donor funds are one of the main components for the government to finance its core budget during each fiscal year. Broadly speaking, these almost entirely support the development projects and about on-third of operating expenses.

In fiscal year 1391, total grants receipts to the core budget were Afs 101.5 billion for nine months, of which Afs 65.6 billion were for the operating budget and Afs 35.9 billion grants for the development budget. Compared to 1390, this reflected an increase of about Afs 9 billion, or 9.8 percent.

Operating Budget Grants

As mentioned above, total grants for the operating budget was Afs 65.6 billion, whilst this was Afs 60.4 billion in 1390 or an increase of Afs5.2 billion or 8.6 percent. The increase was mainly due to expansion of security personnel which caused higher spending by Combined Security Transition Command – Afghanistan (CSTC-A), Law and Order Trust Fund (LOTFA) for the Afghan National Army (ANA) and Afghan National Police (ANP). *The Law and Order Trust Fund for*

Afghanistan (LOTFA)

Law and Order Trust Fund mainly provides financing for the ANP's wages, compensation, food cost and prison department which was previously under the Ministry of Justice. Total grants from LOTFA were Afs 18.8 billion (28.6 percent of total operating grants). This amount was Afs 25.1 billion during fiscal year 1390.

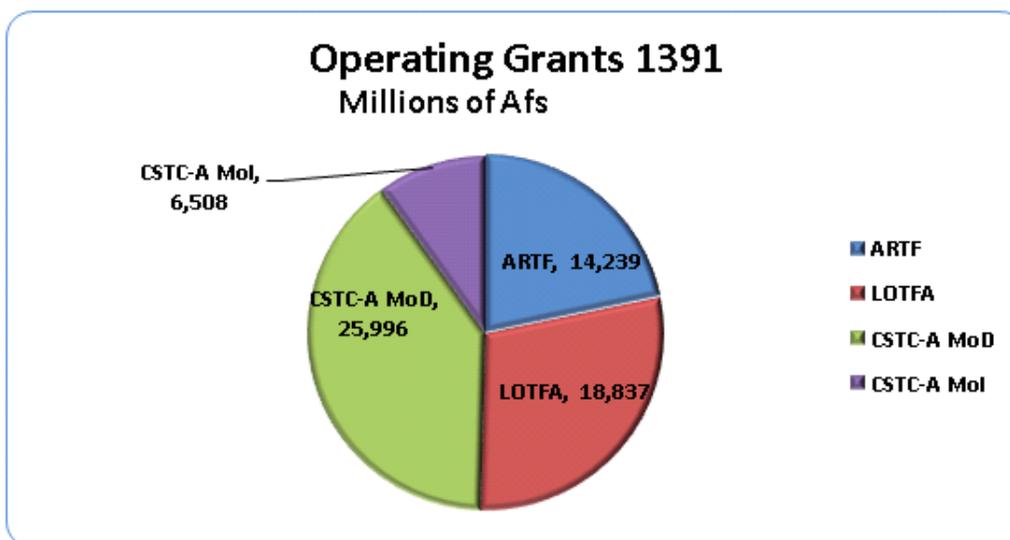
A. The Combined Security Transitional Command – Afghanistan (CSTC-A)

CSTC-A grants mainly support ANA and a small portion of this grants allocated for the ANP. Total grants receipts from CSTC-A in 1391 was Afs 32.5 billion of which Afs 25.9 billion was spent by Ministry of Defense and Afs 6.5 billion spent by Ministry of Interior. Total receipts for the fiscal year 1390 were Afs 29.2 billion. The small increase of Afs 3.3 billion was due to the increase in Afghan security forces. The total strength has reached its peak at 352,000. It should be noted that the government is expected to gradually assume responsibilities beginning in 2014.

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

The Afghanistan Reconstruction Trust Fund is administered by the World Bank. Disbursement was Afs 14.2 billion in 1391 and higher by Afs 4.8 billion compared to FY 1390. ARTF grants are used to support salaries of non-uniformed civil servants. ARTF grants are scheduled to decrease gradually over the medium term as the government accepts increased responsibilities.

Figure 1 – Operating Budget Grants 1391 (Afs millions)



Development budget grants

Development budget is an important part of the core budget that is used to finance the development projects by line ministries. Hence, development grants has played a key role in the core budget, which is almost entirely facilitated by the donors, whilst a small margin is funded by domestic revenues, concessional loans and other domestic resources. Total development grants disbursed for 1391 budget were Afs 35.9 billion, while during 1390, total grants were Afs 83 billion of which Afs 32 billion were new grants and the remaining i.e. Afs 51.0 billion were carried over from the previous year.

Execution of core Development budget grants

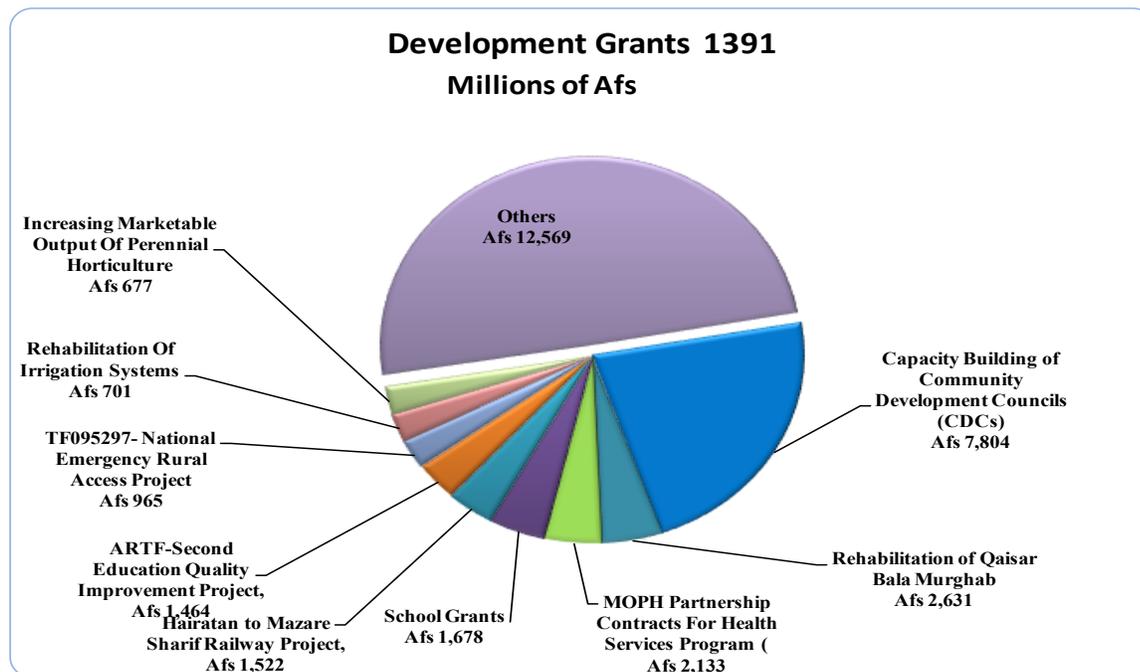
Development Budget execution rate in 1391 was 50 percent or an increase of one percentage point over 1390. The alignment of the fiscal year (March 21 to December 20) close to the Roman calendar is expected to improve budget execution. The new fiscal year will allow line ministries to proceed with procurement, planning, and logistics during the winter and start operation in the spring. This will mean a longer implementation period and should boost budget execution.

The five largest development projects listed below cover almost 44 percent of total development grants disbursements during FY 1391:

- Capacity Building of Community Development Councils (CDCs) received Afs 7.8 billion which cover almost 22 percent of total development grants. These program functions as local administration of its districts, through the CDCs. The residents can get involved in their community and work towards enhancement of wellbeing in the community.
- Rehabilitation of Qaisar Bala Murghab was the second largest and accounted for Afs 2.6 billion, the objective of the project is to assist the Government to promote economic and social development and reduce poverty by rehabilitating the primary road network destroyed over the past three decades of conflicts.
- Ministry of Public Health Partnership Contract for Health Service Program received Afs 2.1 billion. This program provides on budget support for the delivery of the Ministry of Public Health's Basic Package of Health Services (BPHS) and the Essential Package of Hospital Services (EPHS).
- Hairatan to Mazare Sharif railway project grants disbursement was Afs 1.5 billion. The impact of this project means greater economic activities and increase in trade between Afghanistan and the region. Moreover, an efficient, safe, and sustainable railway transport network will increase transport volumes and reduce transport costs.
- School Grants accounted for Afs 1.6 billion.

The remaining i.e. Afs 12.6 billion which is 35 percent of total development grants, was allocated for medium and small scale development projects.

Figure 2 – Development Budget Grants by project 1391 (Afs millions)



3. Expenditure

Budget

The integrated core budget of the Government is comprised of operating and development budgets. Operating budget covers the day-to-day operating cost for salaries and compensation, and supplies (Goods and Services) such as fuel, text books, and medicines. The development budget covers expenditures on development projects for the infrastructure sector such as road building and irrigation systems, and the National Solidarity Program (NSP) created in 2003 by the Ministry of Rural Rehabilitation and Development (MRRD) to develop the ability of Afghan communities to identify, plan, manage and monitor their own development projects. Through the promotion of good local governance, the NSP works to empower rural communities to make decision affecting their own lives and livelihoods. Communities elect their leaders and representatives to form voluntary Community Development Councils (CDCs) through a transparent and democratic process.

In addition to the distinction between the operating and development budget, expenditures can also be divided into **recurrent** and **capital** expenditures (see box below for details).

Recurrent Expenditures – this covers: *Compensation of Employees* (i.e. wages and salaries), *the Use of Goods and Services* (e.g. fuel, text books, electricity, repairs and maintenance and the purchase of goods valued less than Afs 50,000), *Interest Payments* on loans, and *Transfers* (e.g. pensions, social benefits, subsidies and grants to other governmental organizations).

Capital Expenditure – also called the Acquisition of Non-Financial Assets covers the purchase of any asset over the value of Afs 50,000, such as photocopier, new building, mining equipment, land, etc.

Operating Budget – covers the day-to-day operations of the government and contains about 99 percent of recurrent spending, but also a small amount of capital spending. This is primarily funded through the domestic revenues, with amount of donor funds.

Development Budget – covers capital and development projects, for example road building, school construction, irrigation projects and some Technical Assistance. This is made up of about 1/3 recurrent spending, and 2/3 capital spending. This is almost entirely funded by donor grants

The 1391 core budget was Afs 265.3 billion, an increase of 31.5 percent from FY 1390's Afs 201.7 billion. The major increase occurred in the development budget expenditures, for reasons of allocating development budget on the basis of National Priority Programs (NPPs). NPPs promote the channeling of donor financing through the budget system. There was an increase of Afs 8.7 billion in operating expenditures due to spending on Pay and Grading, Pension, and institutional reforms.

The 1391 original budget of Afs 266.9 billion was decreased with the inclusion of supplementary projects from 1390 to Afs 265.3 billion.

Government operating revenue was Afs 144.9 billion in 1391, consisting of Afs 77.2 billion from domestic revenues and Afs 56.9 billion from the donor grants, while the rest of the revenues are coming from sources which IMF/GFS does not consider them as revenues such as receipts from sale of land and etc. Actual domestic revenues were less than projected revenues by Afs 6.5 billion, due to decreasing efficiency in tax administration and in the overall volume of imports particularly motor vehicles.

Total Expenditure

Core budget expenditure for 1391 was Afs 189.1 billion (24.3 percent of GDP), an amount of Afs 76.2 billion less than the budget. The execution rate for the operating budget (Afs 135.8 billion) was 86.0 percent. The operating budget constitutes salaries, goods and services, pension and other operating expenditures. The execution rate for the developing budget was 49.7 percent for expenditures of Afs 53.3 billion. There is a slight decrease in the development budget execution rate over 1390's rate of 51.4 percent. The difference in execution rates is due to lower development budget allocations in 1390 relative to 1391. Moreover, improper financial management and planning and the bad security situation are the other reasons for this.

Table 3 - Integrated Core Budget Expenditures 1390 – 1391

Core	In millions of Afghanis	1390 Actual	1390 %GDP	1391 Prelim. Actual (9 Months)	1391 %GDP	1391 Revised Budget (5)	1391 Final Budget (6)	1391 Actual as % of Final Budget
2	TOTAL GROSS EXPENDITURES	201,961.2	23.4	189,389.7	24.4	265,320.7	265,320.7	71.4
	Operating Budget	149,293.6	17.3	135,779.9	17.5	157,970.6	157,970.6	86.0
	Development Budget	52,667.5	6.1	53,609.9	6.9	107,350.1	107,350.1	49.9
2	TOTAL NET EXPENDITURES (1)	201,902.2	23.4	189,212.9	24.4			
	Operating Budget	149,234.7	17.3	135,603.0	17.5			
	Development Budget	52,667.5	6.1	53,609.9	6.9			
2-25	RECURRENT EXPENDITURES (excludes 25)	167,511.1	19.4	153,781.5	19.8	119,395.4	199,896.6	76.9
	Operating Budget	146,601.9	17.0	131,964.3	17.0	150,294.1	152,337.8	86.6
	Development Budget	20,909.2	2.4	21,817.2	2.8	-	47,558.8	45.9
21	Compensation of Employees	111,698.6	12.9	98,369.4	12.7	102,172.4	114,553.0	85.9
	Operating Budget	111,698.6	12.9	98,369.4	12.7	102,172.4	114,553.0	85.9
	Development Budget	0.0	0.0	0.0	0.0	-	-	-
22	Use of Goods and Services	46,764.7	5.4	47,001.0	6.0	N/A	68,120.7	69.0
	Operating Budget	25,855.5	3.0	25,183.8	3.2	30,898.7	28,113.6	89.6
	Development Budget	20,909.2	2.4	21,817.2	2.8	N/A	40,007.1	54.5
23	Interest (2)	92.0	0.0	90.4	0.0	550.0	550.0	16.4
	Operating Budget	92.0	0.0	90.4	0.0	550.0	550.0	16.4
	Development Budget	0.0	0.0	0.0	0.0	-	-	-
24	Social Transfers (3)	8,955.8	1.0	8,320.7	1.1	16,673.0	16,673.0	49.9
	Operating Budget	8,955.8	1.0	8,320.7	1.1	16,673.0	9,121.2	91.2
	Development Budget	0.0	0.0	0.0	0.0	-	7,551.7	-
25	Gross Acquisition of Nonfinancial Assets	34,450.1	4.0	35,608.3	4.6	N/A	64,472.5	55.2
	Operating Budget	2,691.7	0.3	3,815.6	0.5	7,676.5	3,734.5	102.2
	Development Budget	31,758.4	3.7	31,792.7	4.1	N/A	60,738.0	52.3
25	Net Acquisition of Nonfinancial Assets (1)	34,391.1	4.0	35,431.4	4.6			
	Operating Budget	2,632.8	0.3	3,638.7	0.5			
	Development Budget	31,758.4	3.7	31,792.7	4.1			

Source: AFMIS Database as at 12 March 2013

1/ Proceeds from sale of fixed assets are net off from the total.

2/ Actuals 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.

5/ Budget and Revised Budget 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 two categories.

6/ 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 are also not finalized, and so total of each category does not add to total budget of Budget of Afs257.2 billion.

Expenditure by Economic Category

Operating expenditures on *Employee Compensation* (spending on wages and salaries) and on *goods and services* have been growing over the years and the year-over-year growth rates were 17.4 and 33.9 percent respectively in 1391. Employee compensation accounts for around 72.5 percent of the total operating expenditures while it was 75 percent in 1390 and 72 percent in 1389.

Operating expenditures on this category were Afs 102.2 billion in 1391. Contrary to the incremental trend over the past, it depicts a downward slope when taken as a percentage of GDP for 1390 and 1391; it was 13 percent in 1390 and decreased to 10 percent of GDP in 1391. The level decreased to Afs 98.4 billion from Afs 111.7 billion.

The three highest spending ministries are Interior, Defense, and Education; they together account for over 80 percent of the total expenditure in the operating expenditure item. The Ministry of Interior spent Afs 28.3 billion in 1391 whereas it spent Afs 32.3 billion in 1390. Similarly, the Ministries of Defense and Education spent Afs 32.5 billion and Afs 18.3 billion. They spent lesser than their level of spending in 1390; the decrements in the spending were attributed to a shorter fiscal year.

It is likely that expenditures on employees' compensation will continue to grow in coming years as additional soldiers; police and teachers are recruited each year together with the implementation of Pay and grading reform.

Figure 3 - Operating Budget Expenditures by major codes, 1391 (Million Afs)

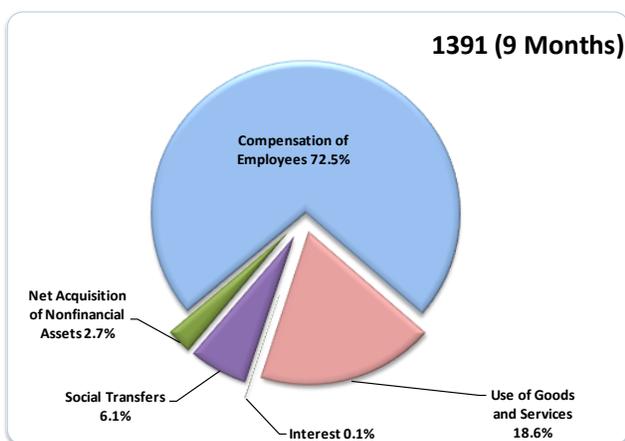
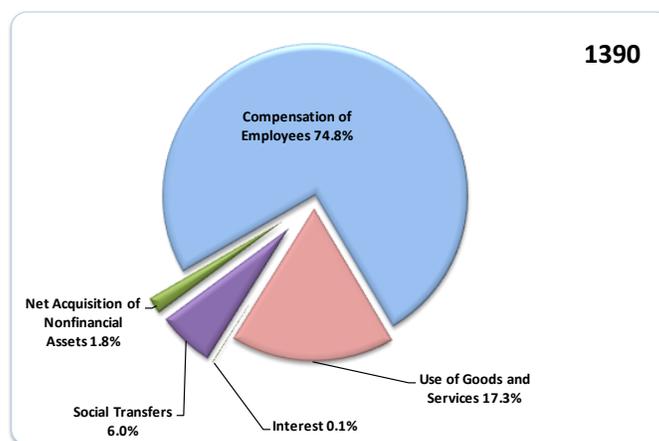


Figure 4 - Operating Budget Expenditures by major codes, 1390 (Million Afs)



Expenditures on *Good and Services*, as a total, decreased slightly from 1390. The total expenditure on this item decreased to Afs 25.1 billion in 1391 from Afs 25.8 billion in 1390, which shows a decrease of Afs 700 million. Expenditures on goods and services accounted for around 18.5 percent of the total operating expenditure (Afs 25.2 billion) or around 2.4 percent of GDP. Expenditures on goods and services in the operating budget accounted for 18.6 percent in 1391,

Table 5 – Expenditures on Employee Compensation: Major Changes between 1390 and 1391

In millions of Afghanis	1390 Actual	1391 Prelim. Actual	Increase	% Increase
Employee Compensation				
Ministry of Interior	32,273.7	28,265.0	- 4,008.6	-12.4
Ministry of Defence	36,780.2	32,505.5	- 4,274.6	-11.6
Ministry of Education	21,056.3	18,321.2	- 2,735.1	-13.0
Other Budgetary Units	21,588.4	19,299.2	- 2,289.2	-10.6
Total	111,698.6	98,391.0	- 13,307.6	-11.9

compared to 17.3 percent in 1390.

The Ministry of Finance expended Afs 4.5 billion in 1391 compared to Afs 4.2 billion spent in 1390. Expenditures for ministries of Defense, Education, Agriculture, and Public Health on this category increased slightly 1391 over 1390. Spending for Ministries of Commerce and Industry (MoCI) and MRRD decreased on a year-over-year basis - 27.9 percent and 28.7 percent respectively. Expenditures of the other budgetary units also decreased by 14.2 percent, the primary reason of which is 1391 was a nine-month year.

Table 6 – Expenditures on Goods and Services: Major Changes between 1390 and 1391

In millions of Afghanis	1390 Actual	1391 Prelim. Actual	Increase/ Decrease	% Increase/ Decrease
Goods and Services				
Major Increases in expenditure				
Ministry of Finance	4,260.6	4,575.6	315.1	7.4
Ministry of Defence	2,859.7	3,841.3	981.6	34.3
Ministry of Commerce	1,573.2	1,134.1	-439.2	-27.9
Ministry of Education	1,813.2	1,826.0	12.8	0.7
Major Decreases in expenditure				
Ministry of Agriculture	176.5	199.5	23.1	13.1
Ministry of Public Health	482.8	507.5	24.7	5.1
Ministry of Rural Rehabilitation and Development	170.1	121.3	-48.8	-28.7
Ministry of Higher Education	603.3	1,030.5	427.2	70.8
Other Budgetary Units	13,916.0	11,946.4	- 1,969.7	-14.2
Total	25,855.5	25,182.3	- 673.2	-2.6

Interest payments account for around 0.01 percent of the GDP and 0.05 percent of total expenditures. This is because Afghanistan is heavily reliant on donor grants to finance its national budget and hence borrows internationally on highly concessional rates. More fundamentally, Afghanistan received debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. In 1391, Afs 90.4 million was paid as interest, slightly less than Afs 92.0 million in 1390. The interest payments are expected to rise in future years as the grace period of the existing loans expires.

Operating expenditures on **Social Transfers** (subsidies, grants and pension) accounted for 6.1 percent of the total operating expenditures in 1391. Total expenditures on this category were Afs 8.3 billion or 0.8 percent of GDP. Compared to 1390, expenditures on this category decreased by around 0.1 percent primarily because of the shorter fiscal year. When compared with nine months of 1390, the figure reveals an increase of 21 percent due to growing number of retired civil servants and military officers that were entitled to receive pension benefits.

The **Gross Acquisition of Non-financial Assets** was budgeted at Afs 3.8 billion in 1391. The Operating expenditures on this category show an increasing trend over the medium term of 1389-1391. It accounted for 2.8 percent of the total operating expenditures in 1391 while it was only 1.8 percent in 1390 and 1.3 in 1389.

In 1391, expenditure was about 0.4 percent of GDP, a slight increase from the year 1390 (0.3 percent of GDP). There was an increase of 42 percent in 1391 due to acquisition of machinery and equipment.

Expenditure by Afghanistan National Development Strategy (ANDS) Categories

The Afghanistan National Development Strategy (ANDS) is a five-year pathway of the Government of Afghanistan towards development; alleviating poverty, accelerating economic growth through a vibrant and self sustaining private sector, improving security, combating terrorism, and improving governance for better service delivery are the core of the ANDS. The NPPs were designed after the Kabul Conference in July 2010 to better implement this strategy. H.E. President Hamid Karzai and the Cabinet had approved the strategy in April 2008. It has eight sectors.

Infrastructure and Natural Resource sector: Infrastructure and Natural Resource is the largest spending sector in the development budget expenditures. Expenditure in this sector includes the Ministry of Public Works, Ministry of Energy and Water, and the Ministry of Communication and Information Technology.

The total expenditure for this sector in 1391 was Afs 23.4 billion, an increase of 1.5 percent over 1390 expenditure of Afs 21.9 billion. Despite the fact that 1391 expenditure is only for nine months, which is 51 percent of the allocated budget of Afs 45.8 billion. The execution rate of 51 percent is quite low. Some of the reasons are:

- Low capacity in line ministries;
- Lack of security in rural and remote areas of the country;
- Lengthy procurement process;
- Improper follow-up with donors' procedures;
- Delay in signing grant agreements.

Ministry of Public works is the largest spending ministry in this sector, with spending of Afs 12.7 billion. The budget execution rate was 57.6 percent. The reasons for low execution are cited above.

Railway line from Hairatan to Mazar and **National Rural Access Program (NRAP)** are the largest spending projects in the Ministry of Public Works. The railway project was completed in 1391 with spending of Afs 1.7 billion out of its allocated budget of Afs 2.1 billion, showing an execution rate of 80 percent while the NRAP spending was Afs 1.6 billion out of its allocated budget of Afs 2.2 billion. The NRAP reached an execution rate of 72 percent.

The design and construction project of Chaghcharan – Gardandiwal road is currently at its second phase with a total budget of Afs 945 million, the level of spending was Afs 558 million, which is around 59 percent execution of the fund. The Qaisar – Bala Murghab – Laman road with a length of 233 km has a budget of Afs 5.5 billion and executed Afs 4.4 billion, which represents an execution rate of 80 percent.

The **Ministry of Energy and Water** is the second large spending ministry in this sector. It has spent Afs 4.8 billion out of the total allocated budget of Afs 10.6 billion, which represents an execution rate of 45.1 percent.

The *Western Basin Integrated Water Resource Management project* aims to improve rural livelihoods through strengthened integrated water resources management (IWRM); improved irrigation service; and enhanced agricultural practices to increase the productivity of irrigated agriculture in Western Basins of Afghanistan (Badghis, Ghor and Herat provinces), mainly comprising the Hari-Rud river basin which includes Herat, and the Murghab basin. The project allocated budget is Afs 780.3 million for the year 1391 with a robust execution rate of 90 percent.

The *Extension of Distribution Electricity Networks* in Aybak, Pol-e-Khomri, Doshi, Khenjan, Charikar, Gulbahar, and Jabul Seraj and Rehabilitation of Naghlu and Mahipar substation projects started in 1386 with a budget of Afs 1.8 billion while executed only 16 percent of its budget, the low execution was due to the low capacity of the ministry along with problems of security, resource availability and donor commitment.

The **Ministry of Communication and Information Technology** has a budget of Afs 1.9 billion while its spending stood at Afs 866 million. Over the past few years, it was the sole spending ministry that had the highest execution rate in development projects however its execution rate for the reporting year stands at 46 percent.

The **Agriculture and Rural Development** is the second large sector in the development budget. The 1391 budget was Afs 27.5 billion while its execution was Afs 15.8 billion (execution rate of 57.5 percent). This is Afs 1.8 billion more than what was spent last year.

The **Ministry of Rural Rehabilitation and Development** constitutes almost 75 percent of expenditures in this sector, with expenditure of Afs 12.7 billion. The **Ministry of Agriculture, Irrigation and Livestock (MAIL)** accounted for the remaining amount of Afs 4 billion.

The largest project in the sector is the *National Solidity Program (NSP)* with a budget of Afs 15.2 billion. Execution of the program during the FY 1391 was also sound (12.4 billion with an execution rate of 81.6 percent). The high execution rate is due to the reasons that the project management is proactively focusing on designing activities for future planning and implementation.

Among the other significant projects, *Agricultural Rural Enterprise Development Program (AREDP)* has a budget of Afs 1.1 billion. Execution was low at Afs 318.6 million (execution rate of 31.5 percent).

The low execution rate in the sector is due to security constraints in the provinces, management constraints in the implementing ministries and weak financial planning of programs.

Education: is the third large sector in the development expenditures, with a total spending of Afs 4.3 billion 1391. The total spending of education sector in 1390 was Afs 5.5 billion, which was Afs 1.3 billion more than what was spent in fiscal year 1391.

The **Ministry of Education** is the largest ministry in this sector, with a total core budget of Afs 31.6 billion, 82.5 percent of the sector's budget. Development expenditure by the Ministry in 1391 was Afs 2.8 billion, an execution rate of 33.3 percent.

Of the 66 development projects in the Education sector, only 15 projects have an execution rate higher than 50 percent.

The reasons for low execution are similar and include low capacity in line ministries, security, poor financial planning, lack of accountability between contractors and line ministries.

Health: The total development budget of this sector in 1391 was Afs 8.3 billion, with expenditures of Afs 4.6 billion (55.3 percent execution rate). Expenditure was Afs 291 million less than in 1390.

The *Basic Package of Health Services (BPHS)*, *Improving Quality of Hospital Services (IQHS)* and *National Immunization Program (NIP)* are some of the larger projects, with expenditure of Afs 2.5 billion (72.1 percent execution rate), Afs 976 million (94 percent execution rate) and Afs 42 million (63 percent execution rate) respectively. The high execution rate 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.

While the projects "Improvements of Health Services Delivery through Expansion of the Health System Strengthening Efforts" and "Surveillance and Response to Avian and Pandemic Influenza by Afghan Health Institute" are the low spending projects with an execution rate of 2 percent and 18 percent respectively.

The low execution rate is attributed to delays in designing the projects.

Of the remaining sectors, the **Economic Governance and Private Sector Development** sector budget was Afs 4.9 billion, with expenditure of Afs 2.8 billion (execution rate of 58.1 percent). The **Governance, Rule of Law and Human Rights** sector budget was Afs 2.7 billion, with expenditures of 1.3 billion (execution rate of 47.9 percent). The **Social Protection budget** was Afs 1.1 billion, with expenditure of Afs 688 million (execution rate of 60.3 percent). The **Security** sector Development budget was Afs 889 million, with expenditures of 566 million (execution rate of 63.7 percent).

Figure 5 - Spending by ANDS pillars, 1390 – 1391

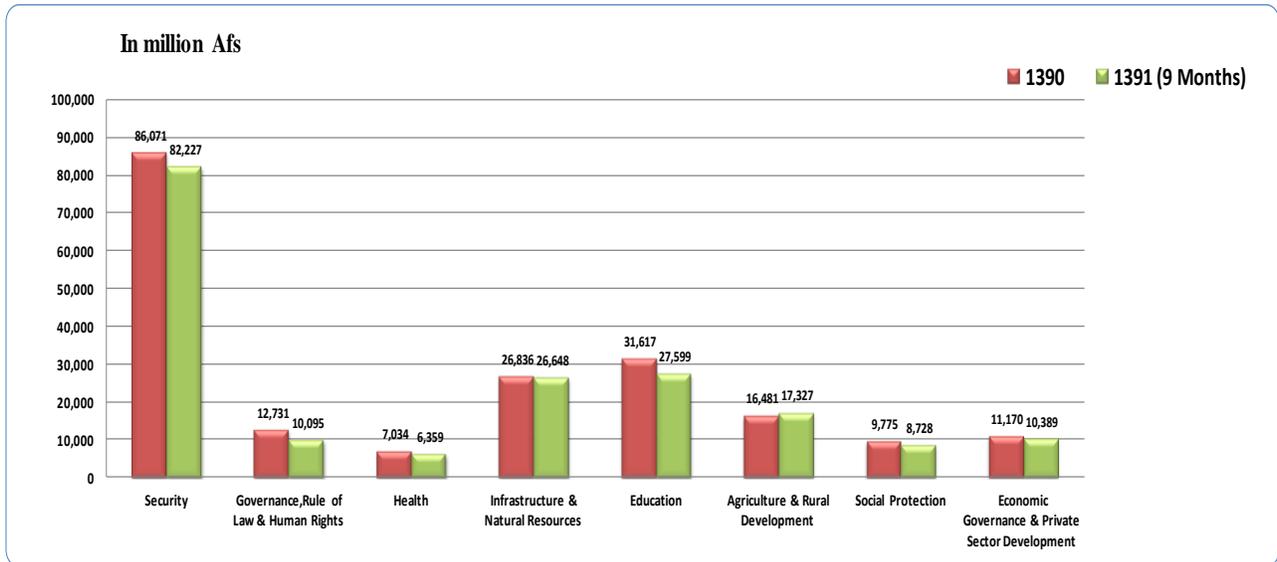


Table 4 - Integrated Core Budget Expenditures by ANDS Pillars 1390 - 1391

In millions of Afghanis	1390 Annual Actual	1390 % of Total Spending	1390 % GDP	1391 Prelim. Annual Actual	1391 % of Total Spending	1391 % GDP	1391 Original Budget	1391 Final Budget (1)	1391 Actual as % of Final Budget
Security	86,071	42.7	10.0	82,227	43.4	10.6	101,484	91,058	90.3
Operating Budget	85,504	57.3	9.9	81,661	60.1	10.5	100,595	90,169	90.6
Development Budget	567	1.1	0.1	566	1.1	0.1	889	889	63.7
Governance, Rule of Law & Human Rights	12,731	6.3	1.5	10,095	5.3	1.3	10,481	13,927	72.5
Operating Budget	11,121	7.4	1.3	8,821	6.5	1.1	7,815	11,262	78.3
Development Budget	1,610	3.1	0.2	1,274	2.4	0.2	2,666	2,666	47.8
Infrastructure & Natural Resources	26,836	13.3	3.1	26,648	14.1	3.4	48,817	51,158	52.1
Operating Budget	4,952	3.3	0.6	3,121	2.3	0.4	2,986	5,327	58.6
Development Budget	21,884	41.7	2.5	23,527	43.9	3.0	45,831	45,831	51.3
Education	31,617	15.7	3.7	27,599	14.6	3.6	34,794	38,360	71.9
Operating Budget	26,067	17.5	3.0	23,340	17.2	3.0	22,727	26,294	88.8
Development Budget	5,550	10.6	0.6	4,259	7.9	0.5	12,066	12,066	35.3
Health	7,034	3.5	0.8	6,359	3.4	0.8	10,331	10,963	58.0
Operating Budget	2,180	1.5	0.3	1,799	1.3	0.2	2,081	2,713	66.3
Development Budget	4,855	9.3	0.6	4,560	8.5	0.6	8,251	8,251	55.3
Agriculture & Rural Development	16,481	8.2	1.9	17,327	9.1	2.2	28,897	30,298	57.2
Operating Budget	2,541	1.7	0.3	1,427	1.1	0.2	1,396	2,798	51.0
Development Budget	13,940	26.6	1.6	15,900	29.7	2.0	27,501	27,501	57.8
Social Protection	9,775	4.8	1.1	8,728	4.6	1.1	2,721	10,271	85.0
Operating Budget	9,176	6.1	1.1	8,041	5.9	1.0	1,581	9,131	88.1
Development Budget	599	1.1	0.1	687	1.3	0.1	1,140	1,140	60.3
Economic Governance & Private Sector Development	11,170	5.5	1.3	10,389	5.5	1.3	6,836	12,819	81.0
Operating Budget	7,754	5.2	0.9	7,569	5.6	1.0	1,981	7,964	95.0
Development Budget	3,416	6.5	0.4	2,819	5.3	0.4	4,855	4,855	58.1
Extrabudgetary Activities	0	0	-	0	0	-	277	277	-
Operating Budget	0	0	-	0	0	-	0	0	N/A
Development Budget	0	0	-	0	0	-	277	277	-
Unallocated contingency reserves	0	0	0	0	0	0	20,683	6,188	-
Operating Budget	0	0	0	0	0	0	16,808	2,313	N/A
Development Budget	0	0	0	0	0	0	3,875	3,875	-
TOTAL (1)	201,715	100	23.4	189,372	100	24.4	265,320.7	265,320.7	73.1
Operating Budget	149,294	100	17.3	135,780	100	17.5	157,970.6	157,970.6	87.2
Development Budget	52,421	100	6.1	53,592	100	6.9	107,350.1	107,350.1	49.9

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.

Sectoral Analysis of Government Expenditures by COFOG Classification

The internationally recognized Classification of Functions of Government (COFOG) can also be used to classify expenditure by function. The accompanying charts and tables provide a sectoral analysis of gross government expenditure in the core budget by COFOG sector.

- Expenditure classified under the Economic Affairs sector makes up the largest portion of expenditure. Expenditure decreased slightly from Afs 44.6 billion in 1390 to Afs 44.1 billion in 1391. Nevertheless, as a share of total gross expenditure, it increased by 1.3 percentage points (from 22.1 percent in 1390 to 23.3 percent in 1391).
- Defense was the second large sector with expenditures of Afs 43.7 billion during 1391, with an increase of 4.9 percent compared to 1390.
- Expenditures on Public Order and Safety fell to Afs 38.9 billion in 1391 compared to Afs 40.7 billion.
- The fourth large sector by spending was Education. in 1391 which accounts for Afs 26.7 billion compared to Afs 30.9 billion in 1390 a decrease of 13.4 percent
- Expenditure on General Public Services sector was Afs 19.2 billion, while spending in 1390 was Afs 21.5 billion, a decrease of 10.8 percent.
- Health sector spending was Afs 6.4 billion in 1391, a 10.2 percent decrease compared to 1390.
- The remaining sectors, Social Protection, Recreation, Culture and Religion and Housing and Communal Amenities accounted for Afs 7.2, Afs 1.7 and Afs 945 million respectively. Recreation, Culture and Religion and Social Protection expenditure in 1391 were lower than in 1390, while expenditure in Housing and Communal Amenities was higher.

Figure 14 – Expenditure breakdown by COFOG Classification, 1391

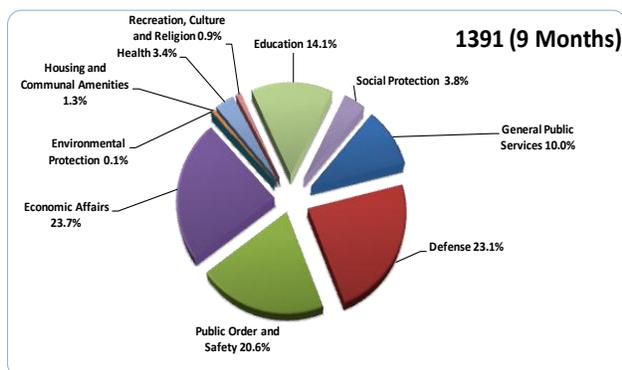


Figure 15 – Expenditure breakdown by COFOG Classification, 1390

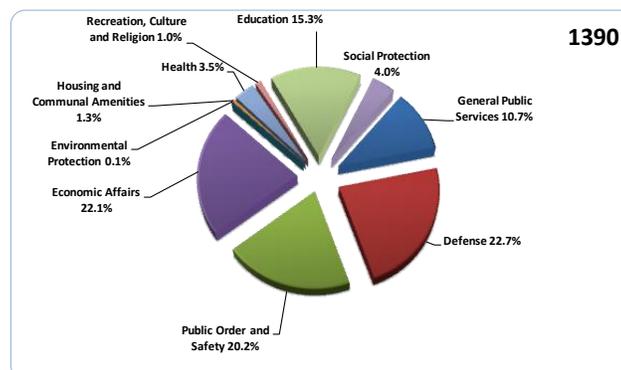


Table 5 - Integrated Core Budget Expenditures by COFOG Sector 1390 – 1391

Code	(In millions of Afghanis)	1390 Actual	Percent of total	1391 Prelim. Actual	Percent of total
2	TOTAL NET EXPENDITURE	201,902.2		189,212.9	
232	Repayment of Foreign Loans - Principal	0.0		0.0	
150	Sale of Land and Buildings	59.0		176.8	
2+232+150	TOTAL GROSS EXPENDITURE	201,961.2	100.0	189,389.7	100.0
701	General Public Services	21,546.290	10.7	18,861.0	10.0
702	Defense	45,934.0	22.7	43,655.7	23.1
703	Public Order and Safety	40,727.1	20.2	38,926.7	20.6
704	Economic Affairs	44,613.9	22.1	44,800.2	23.7
705	Environmental Protection	185.9	0.1	162.5	0.1
706	Housing and Communal Amenities	836.7	0.4	945.8	0.5
707	Health	7,148.7	3.5	6,418.3	3.4
708	Recreation, Culture and Religion	1,998.8	1.0	1,673.8	0.9
709	Education	30,925.9	15.3	26,735.6	14.1
710	Social Protection	8,043.9	4.0	7,210.1	3.8

Source: AFMIS Database as at 12 March 2013

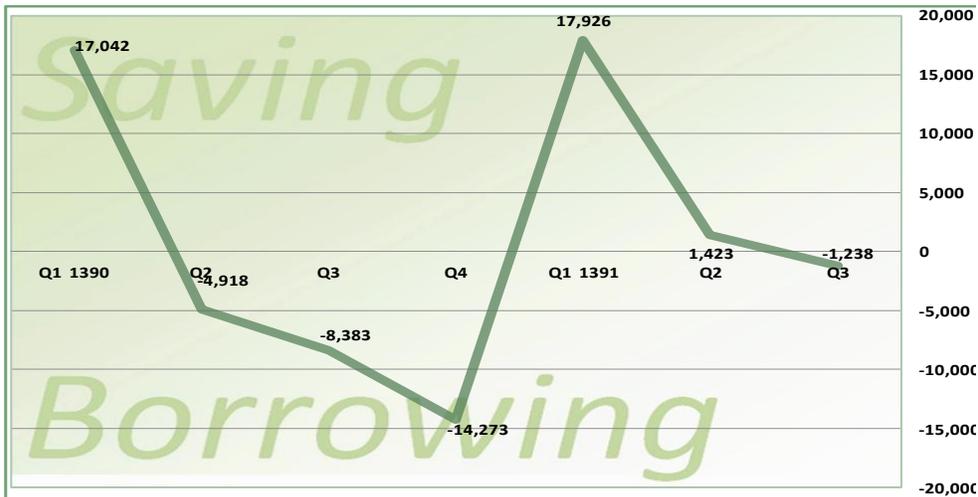
4. Public Sector Borrowing Requirement

For fiscal year 1391, on year-to-date basis, the Government’s overall balance was a net surplus of Afs 18.1 billion, as compared to a net deficit of Afs 10.5 billion in 1390. The surplus in 1391 was due to shorter time period for budget execution (as FY 1391 had 9 months), and larger receipt of grants although revenues lagged behind target.

On a quarterly basis, (Figure 16), the first quarter of 1391 observed a big surplus of Afs 17.9 billion which was almost the same as Afs 17.0 billion in 1390, which is explained by lower spending at the beginning of the year, whereas the third quarter was relatively small deficit of Afs 1.2 billion as compared to larger deficit of Afs 8.4 billion in Q3 1390. The reason for this difference in deficit was attributed to lower collection of domestic revenues, lower budget execution (spending), and more receipt of grants in Q3 1391.

The net acquisition of financial assets in 1391 was Afs 16.8 billion, which include an increase of Afs 18.7 billion in the Treasury Single Account (compared to Afs 5.9 billion in the same period 1390), increase of Afs 1.6 billion in the value of Other Deposit accounts, but a decrease of Afs 2.8 billion in Donor Accounts. Meanwhile, the net acquisition of financial liabilities was Afs 1.3 billion during third quarter of FY 1391.

Figure 16 - Public Sector Borrowing Requirement (In Million Afs)



Treasury Single Account (TSA)

The balance in the Treasury Single Account increased from Afs 5.9 billion in 1390 to Afs 18.7 billion in 1391, an increase of Afs 12.8 billion. Most of the increase in TSA was in TSA account denominated in US dollar, and also TSA accounts in Afghani. It implies that both higher grant receipts and revenue collection contributed to overall increase in the TSA.

Figure 17 shows the trends in net level of reserves in the government account (TSA) and also total liabilities between 1390 and 1391. Total liabilities declined from Afs 20.6 billion in 1390 to Afs 17.4 billion in 1391, a reduction of Afs 3.2 billion (15.5 percent). Increase in the balance of TSA led to decrease in the liability in Q3 1391, as shown by chart below (Figure 17).

Figure 17 - Reserve in the Treasury Single Account

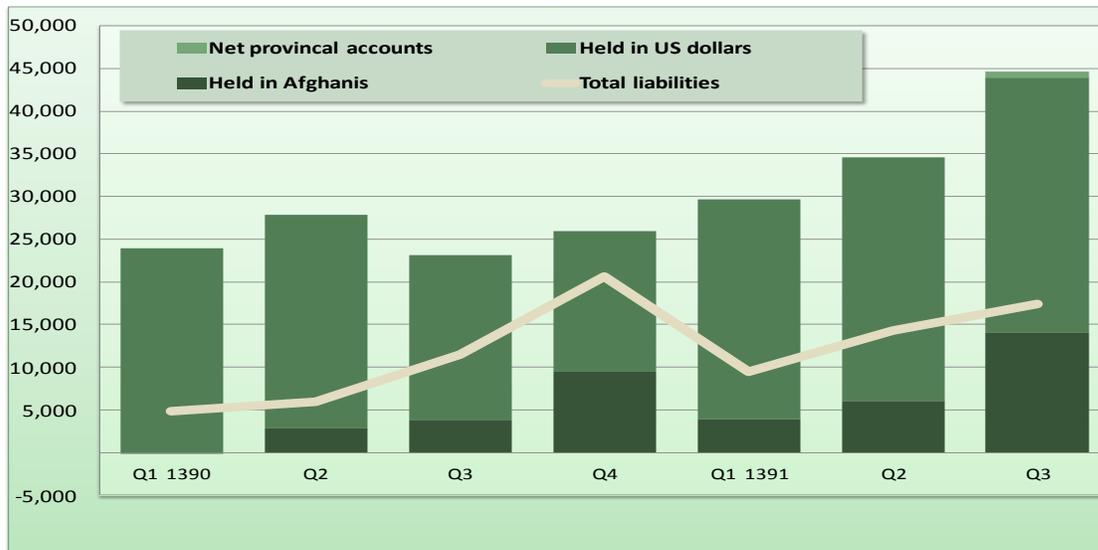


Table 6 - Budgetary Balance, Financial Source/Requirement and Net Financing Activities

Code	In millions of Afghanis	1390 Actual	1390 % GDP	1391 Prelim (9 Months)	1391 % GDP
TRANSACTIONS AFFECTING NET WORTH					
1	Revenues including Grants	191,369.8	22.2	183,181.4	23.6
2-25	Expenditures (Recurrent)	167,511.1	19.4	153,781.5	19.8
23	Interest	92.0	0.0	90.4	0.0
	Net Operating Balance (1-2-25)	23,858.7	2.8	29,399.9	3.8
	Primary Operating Balance (1-2-25+23)	23,950.7	2.8	29,490.3	3.8
TRANSACTIONS IN NONFINANCIAL ASSETS					
25	Net Acquisition of Nonfinancial Assets	34,391.1	4.0	35,431.4	4.6
	Net Lending-Borrowing (1-2)	-10,532.4	-1.2	-6,031.5	-0.8
	Financing (3+4+5)	10,532.4	1.2	6,031.5	0.8
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES					
3	Net Acquisition of Financial Assets	-5,297.8	-0.6	-21,019.3	-2.7
4	Net Acquisition of Financial Liabilities	15,784.7	1.8	27,071.3	3.5
5	RETAINED EARNINGS	45.5	0.0	-20.4	0.0
	Discrepancies (Financing-3-4-5)	0.0		0.0	

Source: AFMIS Database as at 12 March 2013

5. Government Debt

Afghanistan's total public debt stood at Afs126.5 billion by the end of FY 1391 showing an increase of nearly Afs 8 billion, when compared to Afs 118.5 billion in 1390. Of the total debt, Afs 122.2 billion is from current loans and the remaining Afs 4.3 billion is being held from non-current loans.

Afghanistan owes Afs 53.5 billion to the Russian Federation, the largest creditor, followed by Asian Development Bank from which Afghanistan's government holds around Afs 35.8 billion in the form of loans.

Most of these debts are in the form of concessional loans; either a rate of zero or a very marginal interest rate has been charged. Largest bilateral creditors such as Russian Federation, Germany and USA as member of the Paris club has pledged to give Afghanistan 100 percent debt relief, given that Afghanistan received relief under the HIPC initiative.

Table 7 - Outstanding Debt Stock at the end of each period during Fiscal Years, 1389 and 1391

In millions of Afghanis	1389	1390	1390	1390	1390	1391	1391	1391
	4th Qtr Actual	1st Qtr Actual	2nd Qtr Actual	3rd Qtr Actual	4th Qtr Actual	1st Qtr Actual	2nd Qtr Actual	3rd Qtr Actual
Stocks at end of period								
IDA	18,895	18,896	20,178	20,372	20,505	21,443	21,694	22,111
ADB	28,404	28,882	31,413	31,469	32,185	34,308	35,601	35,775
IsDB	527	531	573	572	1,016	1,215	1,282	1,424
Saudi Fund	2,139	2,139	2,281	2,314	2,321	2,429	2,438	2,443
Russian Fed	45,358	46,863	50,443	51,197	51,574	54,064	56,730	53,497
US	-	-	-	-	-	-	-	-
Germany	-	-	-	-	-	-	-	-
OPEC Fund	90	90	96	97	98	103	103	93
IMF	5,382	5,382	5,729	6,623	6,651	6,909	6,882	6,854
Total (Current Loans)	100,795	102,782	110,713	112,644	114,349	120,471	124,731	122,198
Bulgaria	2,372	2,388	2,508	2,538	2,552	2,634	2,551	2,555
Croatia	-	-	-	-	-	-	-	-
Iraq	-	-	-	-	-	-	-	-
Kuwait Fund	1,018	1,060	1,077	1,094	1,128	1,142	1,142	1,181
OPEC Fund	-	-	-	-	-	-	-	-
Iran	461	461	491	499	502	526	530	530
Total (Non-Current Loans)	3,851	3,909	4,076	4,130	4,182	4,303	4,223	4,266
Total Debt (Current+Non Current)	104,645	106,691	114,789	116,774	118,532	124,774	128,954	126,464
Growth over period	-0.5%	2.0%	7.6%	1.7%	1.5%	5.3%	3.3%	-1.9%

6. Conclusion and way forward

During fiscal year 1391 macroeconomic indicators performed well amid the transition and transformation period with a strong real GDP growth of 11.1 percent, which is the highest in the region. Among all the sectors, agriculture sector experienced the highest growth. Inflation was eased to 6.1 percent in 1391 from 10.4 in the previous year. Average exchange rate of Afghani against USD depreciated to Afs 51.3 compared to Afs 47.8 in 1390. The macro indicators show that despite the growing concerns and speculation regarding 2014, the economy expanded strongly in 1391.

In 1391, total revenues collected amounted to Afs 81.7 billion showing 14.4 pc growth over the previous year, however, missing the budget target of Afs 87.9 billion falling short by Afs 6.57 billion mainly because of the lower volume of taxable imports.

Government's total expenditures reached Afs 189 billion or 24.3 percent of GDP of which Afs 135 billion were operating expenditures and Afs 53 billion were development expenditures. The execution rate for development budget didn't increase significantly over the previous year and remained at 51.4 percent.

The increase in operating budget is due to reforms in civil service personnel and expansion of security sector and education sector followed by Operations & Maintenance (O&M) costs coming on to budget. Net operating budget balance moved from a surplus of 2.8 percent of GDP in 1390 to 3.8 percent of GDP in 1391.

Fiscal reforms will remain a policy priority to achieve greater economic growth and fiscal sustainability in the outer years, including by directing the budget toward investments in social safety nets, education, health and critical infrastructure sectors. Strengthening and improving performance and efficiency of domestic revenues through new policy and structural measures will also remain a priority over the medium- to long-term to cover the operating budget and finance growing development-spending need of the country.

Sustained high rates of growth over the medium term cannot be taken for granted, and the pressures coming on to national budget after the complete withdrawal of ISAF by taking additional O&M and security related expenditures. These pressures pose a risk to high economic growth maintained in the last decade with the strong support of international community.

Immediate steps to attain fiscal sustainability and cover operating budget with domestic revenues in the short term are not possible without donor grants. Exit strategy from currently aid dependent country to a long-term fiscal and macroeconomic stable country requires properly managed and monitored revenues generation from the rich mining sector. However, current fiscal and monetary policies should be maintained to build confidence, support economic activity, drive growth, absorb aid and without negatively affecting the aggregate demand.

Table 8 - Operating Budget Expenditures 1390 – 1391

In millions of Afghanis	1390 Prelim. Actual	1390 %GDP	1391 Prelim. Actual (9 Months)	1391 %GDP	1391 Final Budget (4)	1391 Actual as % of Final Budget (4)
TOTAL GROSS EXPENDITURES	149,293.6	17.3	135,779.9	17.5	157,970.6	86.0
TOTAL NET EXPENDITURES (1)	149,234.7	17.3	135,603.0	17.5		
RECURRENT EXPENDITURES (excludes 25)	146,601.9	17.0	131,964.3	17.0		
Compensation of Employees	111,698.6	12.9	98,369.4	12.7	114,553.0	85.9
Wages and Salaries	110,881.9	12.9	97,613.1	12.6		
Social Benefits	816.7	0.1	756.3	0.1		
Use of Goods and Services	25,855.5	3.0	25,183.8	3.2	28,113.6	89.6
Travel	1,407.2	0.2	1,149.2	0.1		
Communications	731.0	0.1	0.0	0.0		
Contracted Services	1,796.5	0.2	525.7	0.1		
Repairs and Maintenance	3,790.0	0.4	1,141.5	0.1		
Utilities	4,069.2	0.5	6,977.0	0.9		
Fuel	2,262.8	0.3	4,647.0	0.6		
Other Use of Goods and Services	11,798.8	1.4	10,743.5	1.4		
Interest (2)	92.0	0.0	90.4	0.0	550.0	16.4
Social Transfers (3)	8,955.8	1.0	8,320.7	1.1	9,121.2	91.2
Subsidies	1,099.6	0.1	1,000.0	0.1		
Grants	51.5	0.0	194.9	0.0		
Grants to Foreign Government - Capital	4.3		148.9	0.0		
Grants to other Government Units - Current	47.2		46.0	0.0		
Social Security	7,429.6	0.9	6,804.7	0.9		
Other Social Transfers	375.2	0.0	321.1	0.0		
Social Assistance	271.7	0.0	151.0	0.0		
Advance Subsidies, Grants	103.5	0.0	170.2	0.0		
Gross Acquisition of Nonfinancial Assets	2,691.7	0.3	3,815.6	0.5	3,734.5	102.2
Net Acquisition of Nonfinancial Assets (1)	2,632.8	0.3	3,638.7	0.5		
Sale of Land and Buildings	-59.0	0.0	-176.8	0.0		
Buildings and Structures	739.3	0.1	1,503.3	0.2		
Machinery and Equipment (>50,000)	1,332.3	0.2	2,105.9	0.3		
Valuables	1.3	0.0	11.9	0.0		
Land	527.5	0.1	186.7	0.0		
Capital Advance Payments	91.3	0.0	7.7	0.0		

Source: AFMIS Database as at 12 March 2013

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/ Actuals 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 157.9 billion.

Table 9 – Development Budget Expenditures 1390 – 1391

Code	In millions of Afghanis	1390 Prelim	1390 %GDP	1391 Prelim. Actual (9 Months)	1391 %GDP	1391 Mid Year Review Budget (5)	1391 Final Budget (6)	1391 Actual as % of Final Budget (4)
	TOTAL GROSS EXPENDITURES	52,667.5	6.1	53,609.9	6.9	107,350.1	107,350.1	50
2	TOTAL NET EXPENDITURES (1)	52,667.5	6.1	53,609.9	6.9			
2-25	RECURRENT EXPENDITURES (excludes 25)	20,909.2	2.4	21,817.2	2.8			
21	Compensation of Employees	0.0	0.0	0.0	0.0	-	-	-
211-3	Wages and Salaries	0.0	0.0	0.0	0.0			
214-5	Social Benefits	0.0	0.0	0.0	0.0			
22	Use of Goods and Services	20,909.2	2.4	21,817.2	2.8	N/A	40,007.1	55
221	Travel	357.7	0.0	385.4	0.0			
222	Communications	169.7	0.0	0.0	0.0			
223	Contracted Services	16,049.2	1.9	15,975.3	2.1			
224	Repairs and Maintenance	756.9	0.1	154.6	0.0			
225	Utilities	25.4	0.0	208.7	0.0			
226	Fuel	72.2	0.0	71.8	0.0			
227-9	Other Use of Goods and Services	3,478.3	0.4	5,021.3	0.6			
23	Interest (2)	0.0	0.0	0.0	0.0	-	-	-
24	Social Transfers (3)	0.0	0.0	0.0	0.0	-	7,551.7	-
242	Subsidies	0.0	0.0	0.0	0.0			
245	Grants	0.0	0.0	0.0	0.0			
244	Grants to Foreign Government - Capital	0.0	0.0	0.0	0.0			
245	Grants to other Government Units - Current	0.0	0.0	0.0	0.0			
247	Social Security	0.0	0.0	0.0	0.0			
248-9	Other Social Transfers	0.0	0.0	0.0	0.0			
248	Social Assistance	0.0	0.0	0.0	0.0			
249	Advance Subsidies, Grants	0.0	0.0	0.0	0.0			
	Gross Acquisition of Nonfinancial Assets	31,758.4	3.7	31,792.7	4.1	N/A	60,738.0	52
25	Net Acquisition of Nonfinancial Assets (1)	31,758.4	3.7	31,792.7	4.1			
150	Sale of Land and Buildings	0.0	0.0	0.0	0.0			
251	Buildings and Structures	20,507.1	2.4	22,091.2	2.8			
252	Machinery and Equipment (>50,000)	5,709.8	0.7	3,556.9	0.5			
257	Valuables	3.0	0.0	1.1	0.0			
258	Land	132.4	0.0	131.9	0.0			
259	Capital Advance Payments	5,406.0	0.6	6,011.5	0.8			

Source: AFMIS Database as at 12 March 2013

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/ Actuals 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 107.4 billion.

Table 14 – Integrated Core Budget Expenditures by COFOG sectors, 1390– 1391

Code	In millions of Afghanis	1390 Prelim. Actual	Percent of total	1391 Prelim. Actual	Percent of total
2	TOTAL NET EXPENDITURE	201,902.2		189,212.9	
150	Sale of Land and Buildings	59.0		176.8	
2+150	TOTAL GROSS EXPENDITURE	201,961.2	100.0	189,389.7	100.0
	RECURRENT EXPENDITURE	167,511.1	82.9	153,781.5	81.2
	CAPITAL EXPENDITURE	34,450.1	17.1	35,608.3	18.8
701	General Public Services	21,546.3	10.7	18,861.0	10.0
701- Rec	Recurrent Expenditure	18,686.3	9.3	15,793.9	8.3
701- Cap	Capital Expenditure	2,860.0	1.4	3,067.2	1.6
702	Defence	45,934.0	22.7	43,655.7	23.1
702- Rec	Recurrent Expenditure	45,274.3	22.4	42,404.5	22.4
702- Cap	Capital Expenditure	659.7	0.3	1,251.2	0.7
703	Public Order and Safety	40,727.1	20.2	38,926.7	20.6
703- Rec	Recurrent Expenditure	39,424.3	19.5	36,940.1	19.5
703- Cap	Capital Expenditure	1,302.8	0.6	1,986.6	1.0
704	Economic Affairs	44,613.9	22.1	44,800.2	23.7
704- Rec	Recurrent Expenditure	17,900.3	8.9	18,337.0	9.7
704- Cap	Capital Expenditure	26,713.6	13.2	26,463.1	14.0
705	Environmental Protection	185.9	0.1	162.5	0.1
705- Rec	Recurrent Expenditure	138.7	0.1	132.2	0.1
705- Cap	Capital Expenditure	47.2	0.0	30.3	0.0
706	Housing and Communal Amenities	836.7	0.4	945.8	0.5
706- Rec	Recurrent Expenditure	380.5	0.2	343.8	0.2
706- Cap	Capital Expenditure	456.2	0.2	602.1	0.3
707	Health	7,148.7	3.5	6,418.3	3.4
707- Rec	Recurrent Expenditure	6,864.0	3.4	6,120.3	3.2
707- Cap	Capital Expenditure	284.8	0.1	298.0	0.2
708	Recreation, Culture and Religion	1,998.8	1.0	1,673.8	0.9
708- Rec	Recurrent Expenditure	1,596.7	0.8	1,265.4	0.7
708- Cap	Capital Expenditure	402.1	0.2	408.4	0.2
709	Education	30,925.9	15.3	26,735.6	14.1
709- Rec	Recurrent Expenditure	29,390.7	14.6	25,410.9	13.4
709- Cap	Capital Expenditure	1,535.1	0.8	1,324.6	0.7
710	Social Protection	8,043.9	4.0	7,210.1	3.8
710- Rec	Recurrent Expenditure	7,855.3	3.9	7,033.3	3.7
710- Cap	Capital Expenditure	188.6	0.1	176.8	0.1

Source: AFMIS Database as at 12 March 2013

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

Table 11 - Integrated Core Budget Expenditures by Ministries, 1390 – 1391

Code	In millions of Afghanis	1390	1390	1390	1391	1391	1391	1391	1391	1391
		Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Original Budget	Final Budget (1)	Actual as % of Final Budget
26 Ministry of Interior		37,451	18.6	4.3	36,338	19.2	4.7	42,122	38,011	95.6
Operating Budget		37,322	25.0	4.3	36,207	26.7	4.7	41,837	37,726	96.0
Development Budget		129	0.2	0.0	131	0.2	0.0	285	285	45.8
22 Ministry of Defence		40,190	19.9	4.7	37,488	19.8	4.8	51,243	44,722	83.8
Operating Budget		40,182	26.9	4.7	37,465	27.6	4.8	51,216	44,694	83.8
Development Budget		7	0.0	0.0	22	0.0	0.0	27	27	81.9
23 Ministry of Foreign Affairs		2,892	1.4	0.3	2,453	1.3	0.3	2,323	3,027	81.0
Operating Budget		2,541	1.7	0.3	2,094	1.5	0.3	1,904	2,607	80.3
Development Budget		351	0.7	0.0	359	0.7	0.0	420	420	85.5
15 Presidential Protective Service		1,045	0.5	0.1	812	0.4	0.1	734	1,101	73.7
Operating Budget		976	0.7	0.1	805	0.6	0.1	641	1,009	79.8
Development Budget		69	0.1	0.0	8	0.0	0.0	93	93	8.2
64 General Directorate of National Security		4,493	2.2	0.5	5,136	2.7	0.7	5,061	4,197	122.4
Operating Budget		4,482	3.0	0.5	5,089	3.7	0.7	4,997	4,132	123.2
Development Budget		11	0.0	0.0	47	0.1	0.0	64	64	73.0
Security		86,071	42.7	10.0	82,227	43.4	10.6	101,484	91,058	90.3
Operating Budget		85,504	57.3	9.9	81,661	60.1	10.5	100,595	90,169	90.6
Development Budget		567	1.1	0.1	566	1.1	0.1	889	889	63.7
10 Presidents Office		1,690	0.8	0.2	1,534	0.8	0.2	1,729	2,196	69.8
Operating Budget		1,558	1.0	0.2	1,324	1.0	0.2	1,220	1,687	78.5
Development Budget		132	0.3	0.0	209	0.4	0.0	509	509	41.1
11 National Assembly Meshanro Jirga		408	0.2	0.0	385	0.2	0.0	446	467	82.4
Operating Budget		381	0.3	0.0	370	0.3	0.0	356	376	98.3
Development Budget		27	0.1	0.0	15	0.0	0.0	90	90	16.2
12 National Assembly Wolesi Jirga		939	0.5	0.1	917	0.5	0.1	903	929	98.7
Operating Budget		934	0.6	0.1	917	0.7	0.1	901	927	99.0
Development Budget		5	0.0	0.0	0	0.0	0.0	2	2	0.0
14 Supreme Court		1,429	0.7	0.2	1,117	0.6	0.1	1,120	1,369	81.6
Operating Budget		1,278	0.9	0.1	1,034	0.8	0.1	966	1,215	85.1
Development Budget		150	0.3	0.0	83	0.2	0.0	154	154	53.9
50 Ministry of Justice		1,830	0.9	0.2	465	0.2	0.1	728	1,938	24.0
Operating Budget		1,611	1.1	0.2	412	0.3	0.1	420	1,631	25.2
Development Budget		219	0.4	0.0	54	0.1	0.0	308	308	17.4
13 Administrative Affairs		1,526	0.8	0.2	1,397	0.7	0.2	633	1,591	87.8
Operating Budget		1,493	1.0	0.2	1,312	1.0	0.2	484	1,443	91.0
Development Budget		33	0.1	0.0	85	0.2	0.0	148	148	56.9
21 Ministry of State and Parliament Affairs		100	0.0	0.0	121	0.1	0.0	63	102	118.7
Operating Budget		100	0.1	0.0	121	0.1	0.0	63	102	118.7
Development Budget		0	0.0	0.0	0	0.0	0.0	0	0	N/A
24 Ministry of Haj and Religious Affairs		814	0.4	0.1	610	0.3	0.1	700	884	69.0
Operating Budget		705	0.5	0.1	494	0.4	0.1	537	721	68.5
Development Budget		109	0.2	0.0	116	0.2	0.0	163	163	71.3
51 Attorney General		823	0.4	0.1	734	0.4	0.1	830	789	93.1
Operating Budget		674	0.5	0.1	707	0.5	0.1	725	684	103.4
Development Budget		149	0.3	0.0	27	0.1	0.0	105	105	26.0
72 Election Commission		106	0.1	0.0	83	0.0	0.0	101	128	64.6
Operating Budget		99	0.1	0.0	81	0.1	0.0	86	113	71.8
Development Budget		7	0.0	0.0	1	0.0	0.0	15	15	9.3
62 IARCSC		706	0.3	0.1	458	0.2	0.1	563	647	70.8
Operating Budget		292	0.2	0.0	231	0.2	0.0	205	289	80.0
Development Budget		414	0.8	0.0	227	0.4	0.0	358	358	63.3
85 Independent Commission for Overseeing the		52	0.0	0.0	54	0.0	0.0	54	56	96.4
Operating Budget		52	0.0	0.0	54	0.0	0.0	54	56	96.4
Development Budget		0	0.0	0.0	0	0.0	0.0	0	0	N/A
69 Anti-Corruption Commission		0	-	0.0	0	-	0.0	0	0	N/A
Operating Budget		0	-	0.0	0	-	0.0	0	0	N/A
Development Budget		0	0.0	0.0	0	0.0	0.0	0	0	N/A
The High Office of Oversight and Anti										
67 Corruption		103	0.1	0.0	145	0.1	0.0	133	140	103.5
Operating Budget		99	0.1	0.0	105	0.1	0.0	88	95	109.9
Development Budget		4	0.0	0.0	40	0.1	0.0	45	45	89.8
Independent Directorate of Local										
59 Governance		2,199	1.1	0.3	2,074	1.1	0.3	2,428	2,634	78.7
Operating Budget		1,838	1.2	0.2	1,657	1.2	0.2	1,710	1,916	86.5
Development Budget		361	0.7	0.0	417	0.8	0.1	718	718	58.1
74 Legal Training Center		7	0.0	0.0	0	-	0.0	50	57	0.0
Operating Budget		7	0.0	0.0	0	-	0.0	0	7	0.0
Development Budget		0	0.0	0.0	0	0.0	0.0	50	50	0.0
Governance, Rule of Law & Human Rights		12,731	6	1.5	10,095	5.3	1.3	10,481	13,927	72.5
Operating Budget		11,121	7	1.3	8,821	6.5	1.1	7,815	11,262	78.3
Development Budget		1,610	3	0.2	1,274	2.4	0.2	2,666	2,666	47.8

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.

Table 13 - Integrated Core Budget Expenditures by Ministries (Continued, 1390 – 1391)

Code	In millions of Afghanis	1390 Annual Actual	1390 % of Total Spending	1390 % GDP	1391 Prelim. Annual Actual	1391 % of Total Spending	1391 % GDP	1391 Original Budget	1391 Final Budget (1)	1391 Actual as % of Final Budget
42	Ministry of Public Works	12,500	6.2	1.4	13,912	7.3	1.8	23,368	24,963	55.7
	Operating Budget	2,562	1.7	0.3	1,204	0.9	0.2	1,244	2,839	42.4
	Development Budget	9,938	19.0	1.2	12,709	23.7	1.6	22,123	22,123	57.4
45	Ministry of Transport and Aviation	1,555	0.8	0.2	1,306	0.7	0.2	1,972	2,339	55.9
	Operating Budget	691	0.5	0.1	488	0.4	0.1	359	726	67.3
	Development Budget	864	1.6	0.1	818	1.5	0.1	1,613	1,613	50.7
34	Ministry of Communication	1,570	0.8	0.2	1,226	0.6	0.2	2,322	2,407	50.9
	Operating Budget	446	0.3	0.1	359	0.3	0.0	369	453	79.2
	Development Budget	1,123	2.1	0.1	866	1.6	0.1	1,953	1,953	44.4
41	Ministry of Energy and Water	6,782	3.4	0.8	5,671	3.0	0.7	10,931	11,004	51.5
	Operating Budget	353	0.2	0.0	332	0.2	0.0	304	377	88.0
	Development Budget	6,429	12.3	0.7	5,340	10.0	0.7	10,628	10,628	50.2
82	Water Supply and Canalization Corporation	63	0.0	0.0	132	0.1	0.0	760	760	17.4
	Operating Budget	0	-	0.0	0	-	0.0	0	0	N/A
	Development Budget	63	0.1	0.0	132	0.2	0.0	760	760	17.4
83	Da Brishna Shirkat	1,224	0.6	0.1	941	0.5	0.1	2,977	2,977	31.6
	Operating Budget	0	-	0.0	0	-	0.0	0	0	N/A
	Development Budget	1,224	2.3	0.1	941	1.8	0.1	2,977	2,977	31.6
49	Ministry of Urban Development	810	0.4	0.1	932	0.5	0.1	1,065	1,177	79.2
	Operating Budget	234	0.2	0.0	147	0.1	0.0	137	248	59.4
	Development Budget	575	1.1	0.1	784	1.5	0.1	929	929	84.4
84	Independent Board of new Kabul	125	0.1	0.0	151	0.1	0.0	326	326	46.4
	Operating Budget	0	-	0.0	0	-	0.0	0	0	N/A
	Development Budget	125	0.2	0.0	151	0.3	0.0	326	326	46.4
32	Ministry of Mines and Industries	1,165	0.6	0.1	1,658	0.9	0.2	3,445	3,494	47.5
	Operating Budget	373	0.2	0.0	333	0.2	0.0	329	377	88.5
	Development Budget	793	1.5	0.1	1,325	2.5	0.2	3,117	3,117	42.5
65	Geodesy and Cartography Office	124	0.1	0.0	169	0.1	0.0	283	310	54.5
	Operating Budget	124	0.1	0.0	98	0.1	0.0	98	125	78.5
	Development Budget	0	0.0	0.0	71	0.1	0.0	185	185	38.3
60	Directorate of Environment	178	0.1	0.0	156	0.1	0.0	181	211	73.9
	Operating Budget	144	0.1	0.0	136	0.1	0.0	123	153	88.5
	Development Budget	34	0.1	0.0	20	0.0	0.0	58	58	34.9
	Afghanistan High Atomic Energy									
75	Commission	24	0.0	0.0	26	0.0	0.0	28	32	80.6
	Operating Budget	24	0.0	0.0	25	0.0	0.0	26	30	82.7
	Development Budget	0	0.0	0.0	1	0.0	0.0	2	2	52.1
79	Municipalities	716	0.4	0.1	369	0.2	0.0	1,160	1,160	31.8
	Operating Budget	0	-	0.0	0	-	0.0	0	0	N/A
	Development Budget	716	1.4	0.1	369	0.7	0.0	1,160	1,160	31.8
	Infrastructure & Natural Resources	26,836	13	3.1	26,648	14	3.4	48,817	51,158	52.1
	Operating Budget	4,952	3	0.6	3,121	2	0.4	2,986	5,327	58.6
	Development Budget	21,884	42	2.5	23,527	44	3.0	45,831	45,831	51.3
27	Ministry of Education	27,546	13.7	3.2	23,049	12.2	3.0	28,112	31,631	72.9
	Operating Budget	22,932	15.4	2.7	20,233	14.9	2.6	19,649	23,168	87.3
	Development Budget	4,614	8.8	0.5	2,816	5.3	0.4	8,463	8,463	33.3
28	Ministry of Higher Education	2,718	1.3	0.3	3,352	1.8	0.4	4,807	4,723	71.0
	Operating Budget	2,119	1.4	0.2	2,212	1.6	0.3	2,186	2,102	105.3
	Development Budget	599	1.1	0.1	1,140	2.1	0.1	2,621	2,621	43.5
36	Ministry of Information and Culture	744	0.4	0.1	731	0.4	0.1	1,123	1,184	61.7
	Operating Budget	650	0.4	0.1	580	0.4	0.1	594	655	88.5
	Development Budget	93	0.2	0.0	151	0.3	0.0	529	529	28.6
61	Science Academy	173	0.1	0.0	139	0.1	0.0	163	197	70.6
	Operating Budget	147	0.1	0.0	122	0.1	0.0	115	149	82.0
	Development Budget	26	0.0	0.0	17	0.0	0.0	48	48	35.8
63	National Olympic Committee	436	0.2	0.1	328	0.2	0.0	589	626	52.4
	Operating Budget	218	0.1	0.0	194	0.1	0.0	183	220	88.1
	Development Budget	218	0.4	0.0	134	0.3	0.0	406	406	33.0
	Education	31,617	15.7	3.7	27,599	14.6	3.6	34,794	38,360	71.9
	Operating Budget	26,067	17.5	3.0	23,340	17.2	3.0	22,727	26,294	88.8
	Development Budget	5,550	10.6	0.6	4,259	7.9	0.5	12,066	12,066	35.3
37	Ministry of Public Health	7,034	3.5	0.8	6,359	3.4	0.8	10,331	10,963	58.0
	Operating Budget	2,180	1.5	0.3	1,799	1.3	0.2	2,081	2,713	66.3
	Development Budget	4,855	9.3	0.6	4,560	8.5	0.6	8,251	8,251	55.3
	Health	7,034	3.5	0.8	6,359	3.4	0.8	10,331	10,963	58.0
	Operating Budget	2,180	1.5	0.3	1,799	1.3	0.2	2,081	2,713	66.3
	Development Budget	4,855	9.3	0.6	4,560	8.5	0.6	8,251	8,251	55.3
39	Ministry of Agriculture	4,549	2.3	0.5	4,009	2.1	0.5	6,673	7,890	50.8
	Operating Budget	1,900	1.3	0.2	924	0.7	0.1	907	2,124	43.5
	Development Budget	2,650	5.1	0.3	3,085	5.8	0.4	5,766	5,766	53.5
48	Ministry of Counter Narcotics	172	0.1	0.0	503	0.3	0.1	849	893	56.3
	Operating Budget	121	0.1	0.0	106	0.1	0.0	96	141	75.1
	Development Budget	50	0.1	0.0	397	0.7	0.1	752	752	52.8
	Ministry of Rural Rehabilitation and									
43	Development	11,760	5.8	1.4	12,816	6.8	1.6	21,376	21,515	59.6
	Operating Budget	520	0.3	0.1	398	0.3	0.1	393	533	74.6
	Development Budget	11,240	21.4	1.3	12,418	23.2	1.6	20,982	20,982	59.2
	Agriculture & Rural Development	16,481	8.2	1.9	17,327	9.1	2.2	28,897	30,298	57.2
	Operating Budget	2,541	1.7	0.3	1,427	1.1	0.2	1,396	2,798	51.0
	Development Budget	13,940	26.6	1.6	15,900	29.7	2.0	27,501	27,501	57.8

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.

Table 14 - Integrated Core Budget Expenditures by Ministries (Continued, 1390 – 1391)

Code	In millions of Afghanis	1390	1390	1390	1391	1391	1391	1391	1391	1391
		Prelim. Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Original Budget	Final Budget (1)	Actual as % of Final Budget
46	Ministry of Frontiers and Tribal Affairs	452	0.2	0.1	338	0.2	0.0	390	491	68.9
	Operating Budget	397	0.3	0.0	282	0.2	0.0	294	395	71.4
	Development Budget	56	0.1	0.0	56	0.1	0.0	96	96	58.6
	Ministry of Martyrs, Disabled and Social									
47	Affairs	8,683	4.3	1.0	7,863	4.2	1.0	1,700	9,022	87.2
	Operating Budget	8,316	5.6	1.0	7,410	5.5	1.0	925	8,247	89.9
	Development Budget	367	0.7	0.0	453	0.8	0.1	775	775	58.4
29	Ministry of Refugees and Repatriates	284	0.1	0.0	225	0.1	0.0	251	317	70.9
	Operating Budget	189	0.1	0.0	135	0.1	0.0	127	192	70.3
	Development Budget	95	0.2	0.0	89	0.2	0.0	125	125	71.7
38	Ministry of Women Affairs	225	0.1	0.0	193	0.1	0.0	222	250	77.0
	Operating Budget	158	0.1	0.0	121	0.1	0.0	136	163	74.4
	Development Budget	67	0.1	0.0	71	0.1	0.0	87	87	82.0
68	Office of Disaster Preparedness	81	0.0	0.0	74	0.0	0.0	95	117	63.6
	Operating Budget	76	0.1	0.0	60	0.0	0.0	67	89	67.4
	Development Budget	5	0.0	0.0	14	0.0	0.0	28	28	51.4
76	Directorate of Kochis	49	0.0	0.0	35	0.0	0.0	63	74	47.1
	Operating Budget	40	0.0	0.0	32	0.0	0.0	33	44	71.4
	Development Budget	9	0.0	0.0	3	0.0	0.0	30	30	11.0
	Social Protection	9,775	4.8	1.1	8,728	4.6	1.1	2,721	10,271	85.0
	Operating Budget	9,176	6.1	1.1	8,041	5.9	1.0	1,581	9,131	88.1
	Development Budget	599	1.1	0.1	687	1.3	0.1	1,140	1,140	60.3
20	Ministry of Finance	8,453	4.2	1.0	8,026	4.2	1.0	4,752	8,987	89.3
	Operating Budget	5,593	3.7	0.6	5,928	4.4	0.8	1,341	5,575	106.3
	Development Budget	2,860	5.5	0.3	2,097	3.9	0.3	3,412	3,412	61.5
25	Ministry of Commerce	1,799	0.9	0.2	1,438	0.8	0.2	521	2,166	66.4
	Operating Budget	1,725	1.2	0.2	1,282	0.9	0.2	245	1,890	67.8
	Development Budget	75	0.1	0.0	156	0.3	0.0	276	276	56.6
35	Ministry of Economy	413	0.2	0.0	443	0.2	0.1	632	683	64.9
	Operating Budget	191	0.1	0.0	163	0.1	0.0	179	230	70.7
	Development Budget	222	0.4	0.0	280	0.5	0.0	453	453	61.9
66	Control and Audit Office	247	0.1	0.0	145	0.1	0.0	406	418	34.7
	Operating Budget	79	0.1	0.0	64	0.0	0.0	70	82	77.4
	Development Budget	168	0.3	0.0	81	0.2	0.0	336	336	24.3
73	Central Statistics Office	174	0.1	0.0	149	0.1	0.0	246	272	54.6
	Operating Budget	123	0.1	0.0	99	0.1	0.0	99	125	78.9
	Development Budget	52	0.1	0.0	50	0.1	0.0	147	147	33.9
58	Afghanistan National Standard Authority	83	0.0	0.0	188	0.1	0.0	278	292	64.3
	Operating Budget	43	0.0	0.0	33	0.0	0.0	47	61	54.8
	Development Budget	40	0.1	0.0	154	0.3	0.0	231	231	66.8
	Economic Governance & Private Sector Development	11,170	5.5	1.3	10,389	5.5	1.3	6,836	12,819	81.0
	Operating Budget	7,754	5.2	0.9	7,569	5.6	1.0	1,981	7,964	95.0
	Development Budget	3,416	6.5	0.4	2,819	5.3	0.4	4,855	4,855	58.1
80	Afghanistan Investment Support Agency	0	-	0.0	0	-	0.0	50	50	0.0
	Operating Budget	0	-	0.0	0	-	0.0	0.0	0	N/A
	Development Budget	0	0.0	0.0	0	0.0	0.0	50.0	50	0.0
81	Micro Finance Investment Support Facility for	0	-	0.0	0	-	0.0	227	227	0.0
	Operating Budget	0	-	0.0	0	-	0.0	0.0	0	N/A
	Development Budget	0	0.0	0.0	0	0.0	0.0	227.0	227	0.0
	TOTAL (1)	201,715	0.0	23.4	189,372	-	24.4	244,638	259,133	73.1
	Operating Budget	149,294	0.0	17.3	135,780	0.0	17.5	141,163	155,657	87.2
	Development Budget	52,421	0.0	6.1	53,592	0.0	6.9	103,475	107,350	49.9
86	Extrabudgetary Agencies	0	-	0.0	0	-	0.0	20,683	3,875	0.0
	Operating Budget	0	-	0.0	0	-	0.0	16,807.7	0	N/A
	Development Budget	0	0.0	0.0	0	0.0	0.0	3,875.0	3,875.0	0.0
99	Unspecified	0	-	0.0	0	-	0.0	0.0	2,313	0.0
	Operating Budget	0	-	0.0	0	-	0.0	0.0	2,313	0.0
	Development Budget	0	0.0	0.0	0	0.0	0.0	0.0	0	N/A
	Total Unallocated (contingency reserve)	-	-	0.0	-	-	0.0	20,682.7	6,188.2	0.0
	Operating Budget	-	-	0.0	-	-	0.0	16,807.7	2,313.2	0.0
	Development Budget	-	-	0.0	-	-	0.0	3,875.0	3,875.0	0.0
	TOTAL (including unclassified)	201,714.8	100.0	23.4	189,372.3	100.0	24.4	265,320.7	265,320.7	71.4
	Operating Budget	149,293.6	100.0	17.3	135,779.9	100.0	17.5	157,970.6	157,970.6	86.0
	Development Budget	52,421.1	100.0	6.1	53,592.4	100.0	6.9	107,350.1	107,350.1	49.9

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.

Table 15 - Transactions in Nonfinancial Assets in the Integrated Core Budget, 1390 – 1391

Code	In millions of Afghanis	1390		1391	
		Actual	% GDP	Prelim Actual	% GDP
25	NET ACQUISITION OF NONFINANCIAL ASSETS	34,391.1	4.0	35,431.4	4.6
	Land and Buildings	21,847.4	2.5	23,736.3	3.1
251/8	Purchase of Land and Buildings	21,906.3	2.5	23,913.1	3.1
150	Sale of Land and Buildings	-59.0	0.0	-176.8	0.0
151	Sale of State-Owned Enterprises	0.0	0.0	0.0	0.0
252	Machinery and Equipment (>50,000)	7,042.1	0.8	5,662.8	0.7
257	Valuables	4.3	0.0	13.1	0.0
259	Other Acquisitions	5,497.4	0.6	6,019.3	0.8

Source: AFMIS Database as at 12 March 2013

Table 16 - Transactions in Financial Assets and Liabilities in the Integrated Core Budget 1390 - 1391

Code	In millions of Afghanis	1390	1390	1391	1391	1391	1391	1391 Comparison to 1390 YTD	
		Qtr 3 Actual	Qtr 3 Actual YTD	Qtr 1 Prelim	Qtr 2 Prelim	Qtr 3 Prelim	Qtr 3 Prelim YTD	Change	% Increase
3+4	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES	8,381.5	-3,742.2	-17,925.7	-1,443.7	1,240.1	-18,129.3	-14,387.1	384.5
3	NET ACQUISITION OF FINANCIAL ASSETS	2,492.1	-9,846.1	-7,007.6	-7,012.0	-2,771.9	-16,791.6	-6,945.5	70.5
	Domestic	2,492.1	-9,846.1	-7,007.6	-7,012.0	-2,771.9	-16,791.6	-6,945.5	70.5
	Currency and Deposits	4,609.8	-3,691.1	-918.2	-7,781.9	-8,875.4	-17,575.5	-13,884.4	376.2
311	Treasury Single Account	4,778.3	-4,778.2	-3,695.8	-4,904.7	-10,127.5	-18,728.0	-13,949.8	292.0
313	Donor Accounts	797.6	2,375.8	2,777.6	-1,329.2	1,249.2	2,697.5	321.7	13.5
314/90	Other Deposit Accounts (1)	-966.2	-1,288.8	0.0	-1,548.0	2.9	-1,545.1	-256.3	19.9
317	Loans	1.5	20.4	10.7	4.8	-0.8	14.6	-5.8	-28.2
319	Other Accounts Receivable	396.8	768.4	425.4	-225.9	294.1	493.6	-274.8	-35.8
	Other Assets	-2,516.0	-6,943.7	-6,525.5	990.9	5,810.2	275.7	7,219.4	-104.0
	Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A
4	NET ACQUISITION OF LIABILITIES	5,889.3	6,103.9	-10,918.0	5,568.3	4,012.0	-1,337.7	-7,441.6	-121.9
	Domestic	4,710.9	4,264.1	-11,187.2	3,935.5	3,137.8	-4,114.0	-8,378.1	-196.5
411	Accounts Payable	60.9	83.9	59.2	-165.5	78.3	-28.0	-111.9	-133.4
413	Pension Liabilities	3.9	5.3	31.5	-30.4	-0.1	11.8	6.5	122.7
423	Other Payables	1,133.9	1,984.0	0.0	1,633.7	789.4	2,423.1	439.0	22.1
451	Other Liabilities (1)	3,512.3	2,190.9	-11,278.0	2,497.7	2,270.2	-6,510.0	-8,700.9	-397.1
	Foreign	1,178.4	1,839.8	269.2	1,632.9	874.2	2,776.2	936.5	50.9
431	Foreign Currency	-57.9	-71.6	0.3	-6.6	-37.6	-44.0	27.7	-38.6
181-2	Loans	1,236.3	1,911.4	268.9	1,639.5	911.8	2,820.2	908.8	47.5

Source: FPD using AFMIS data downloaded on the 12 March 2013

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

Budget	An itemized summary of estimated intended expenditures for a given period along with proposals for financing them.
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.
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.
Core Budget	The operating budget plus the development budget
External Budget	The budget for all donor activities that are funded directly by donors, rather than channeling the funding through the Government
Integrated Budget	The core budget plus the external budget
Expenditure/Expense	The purchase of goods, services, assets. It also includes interest payments, and subsidies and transfers.
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
Capital spending	Spending on a capital asset, for example a tractor or irrigation pump.
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.
Goods and Services (use of)	Expenditure items such as electricity costs, maintenance and repair, consultancy services and items with a purchase value below Afs 50,000
Subsidies	Payments made to State Owned Enterprises to help them cover their costs
Transfers	Payments to a person or organization for which no service is received, for which pension payments and subsidies.
Interest payments	The interest paid on outstanding loans
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).
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.
Non-financial assets	Physical assets such as real estate and machinery
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.
Revenues	Domestically raised revenues and donor grants (excludes loans).
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 rose by other Government agencies (fees and fines etc.)
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
Balances	The difference between revenues and expenditures
Operating Budget Balance (excluding grants)	Domestic revenues (excluding donor grants to the operating budget) minus operating budget expenditures
Operating Budget Balance (including grants)	Domestic revenues plus donor grants to the operating budget, minus operating budget expenditures
Development Budget Balance	Donor Grants to development budget minus development budget expenditures
Core Budget balances	
Balance (excluding and including grants)	Total revenues (excluding and including grants) minus total expenditures
Net operating balance (Table 9)	Revenues (including donor grants) minus recurrent expenditures. It measures the change in net worth resulting from transactions (excluding capital expenditure)
Primary operating balance (Table 9)	Net operating balance plus interest expenditures
Surplus	A positive balance (revenues are greater than expenditures)
Deficit	A negative balance (revenues are less than expenditures)
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.
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.
Below the line	Refers to financing transactions, and transactions in financial assets, for example loan disbursements and repayments, transactions on the Treasury Single Account
Loans	Loans of money from foreign Governments, international organization and development banks. Afghanistan's debt strategy allows only concessional loans to be taken out.
Concessional loans	Loans that are offered at below market rates (e.g. a low interest rate and with a long grace period).
Principal repayment	Repayment of the principal of a loan (as distinct from an interest payment)
Gross Domestic Product	The value of all the goods and services produced by a country in one year. This excludes the opium economy for Afghanistan

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
Budget variance	The difference between the actual outcome and the budget target
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.
AFMIS	Afghanistan Financial Management Information System. The central database that records every transaction made by Government
Eurotrace	The computer database system for recording and classifying customs transactions.

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