

## **Foreword and Acknowledgement**

I am pleased to present the Quarterly Fiscal Bulletin for the second quarter of fiscal year 1391. This edition of the bulletin highlights detailed assessments of recent fiscal and budgetary developments including trends in domestic revenue and expenditures performance, transactions related to the acquisition of non-financial assets and how the measured surplus / deficit is financed. The bulletin also provides a snapshot of the budget execution rates during the reporting period whilst section five includes an interesting article on fiscal implications of Exchange Rate.

I would like to extend my appreciations to the Fiscal Policy Directorate for drafting this bulletin. I would also like to extend my gratitude to the Budget Department, Revenue Department, Treasury Department, and other departments for their input and support. We would value your comments and feedback shared with Mr. Hafizullah Momandi, Acting Head of Fiscal Policy Directorate of the Ministry of Finance at [hafizlm@yahoo.com](mailto:hafizlm@yahoo.com).

I hope you will find this publication useful and interesting. It will soon be available on the budget department's website ([www.budgetmof.gov.af](http://www.budgetmof.gov.af)).

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# *Quarterly Fiscal Bulletin, Quarter 2, 1391*

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# 1 SUMMARY OF FIRST QUARTER DEVELOPMENTS

**Table 1.1 – Budget Summary**

Code	In millions of Afghanis	1390	1390	1391	1391	1391	1391 Comparison to 1390 YTD		1391 Budget	1391 YTD as
		Qtr 2 Actual Qtr	Qtr 2 Actual YTD	Qtr 1 Prelim Qtr	Qtr 2 Prelim Qtr	Qtr 2 Prelim YTD	Change	% (+/-)	Revenue or Expenditure Target	% of Targets/ Budget
<b>OPERATING BUDGET</b>										
<b>Revenues</b>		<b>37,473.5</b>	<b>78,285.6</b>	<b>51,544.0</b>	<b>54,094.3</b>	<b>105,638.3</b>	<b>27,352.7</b>	<b>34.9</b>	<b>221,241.1</b>	<b>47.7</b>
Domestic Revenues (1)		23,843.3	47,293.6	25,384.0	24,920.7	50,304.6	3,011.1	6.4	87,909.9	57.2
Operating Grants		13,630.2	30,992.0	26,160.0	29,173.6	55,333.6	24,341.6	78.5	133,331.2	41.5
<b>Expenditures</b>		<b>35,661.5</b>	<b>58,794.1</b>	<b>30,834.4</b>	<b>44,528.6</b>	<b>75,362.9</b>	<b>16,568.8</b>	<b>28.2</b>	<b>157,081.6</b>	<b>48.0</b>
<b>Budget Balance</b>										
Including Grants		1,812.0	19,491.5	20,709.6	9,565.7	30,275.4	10,783.9	55.3	64,159.5	
Excluding Grants		-11,818.2	-11,500.5	-5,450.4	-19,607.9	-25,058.3	-13,557.8	117.9	-69,171.7	
<b>Fiscal sustainability indicator (%) (2)</b>		<b>66.9</b>	<b>80.4</b>	<b>82.3</b>	<b>56.0</b>	<b>66.7</b>	<b>-13.7</b>	<b>-17.0</b>	<b>56.0</b>	
<b>DEVELOPMENT BUDGET</b>										
<b>Grants (3)</b>		<b>4,991.2</b>	<b>9,522.5</b>	<b>4,675.8</b>	<b>10,450.8</b>	<b>15,126.6</b>	<b>5,604.1</b>	<b>58.9</b>	<b>76,333.9</b>	<b>N/A</b>
<b>Expenditures</b>		<b>11,730.6</b>	<b>16,922.3</b>	<b>7,557.9</b>	<b>19,234.7</b>	<b>26,792.6</b>	<b>9,870.3</b>	<b>58.3</b>	<b>110,254.9</b>	<b>24.3</b>
Discretionary Budget		2,885.6	4,133.3	2,067.7	5,217.7	7,285.4	3,152.1	76.3	34,248.9	21.3
Non-discretionary Budget		8,845.0	12,789.0	5,490.2	14,016.9	19,507.1	6,718.2	52.5	76,006.0	25.7
<b>Budget Balance (3)</b>		<b>-6,739.3</b>	<b>-7,399.8</b>	<b>-2,882.1</b>	<b>-8,783.9</b>	<b>-11,666.0</b>	<b>-4,266.2</b>	<b>57.7</b>	<b>-33,921.1</b>	
<b>INTEGRATED BUDGET</b>										
<b>Revenues (3)</b>		<b>42,464.7</b>	<b>87,808.1</b>	<b>56,219.8</b>	<b>64,545.1</b>	<b>120,764.8</b>	<b>32,956.8</b>	<b>37.5</b>	<b>297,575.0</b>	<b>N/A</b>
Domestic Revenues		23,843.3	47,293.6	25,384.0	24,920.7	50,304.6	3,011.1	6.4	87,909.9	57.2
Grants (3)		18,621.4	40,514.5	30,835.8	39,624.4	70,460.2	29,945.7	73.9	209,665.1	
<b>Expenditures</b>		<b>47,392.1</b>	<b>75,716.4</b>	<b>38,392.2</b>	<b>63,763.2</b>	<b>102,155.5</b>	<b>26,439.1</b>	<b>34.9</b>	<b>267,336.5</b>	<b>38.2</b>
<b>Balances</b>										
Excluding Grants		-23,548.8	-28,422.8	-13,008.3	-38,842.6	-51,850.8	-23,428.1	82.4	-179,426.7	
Including Grants (3)		-4,927.4	12,091.7	17,827.5	781.8	18,609.4	6,517.7	53.9	30,238.4	
<b>Financing</b>										
Balance Including Grants		-4,927.4	12,091.7	17,827.5	781.8	18,609.4	6,517.7	53.9		
Sale of Land and Buildings		9.2	31.9	98.1	57.8	156.0	124.1	388.5		
Sale of State Owned Enterprises		0.0	0.0	0.0	0.0	0.0	0.0	N/A		
<b>Lending/Borrowing</b>		<b>-4,918.1</b>	<b>12,123.6</b>	<b>17,925.7</b>	<b>839.7</b>	<b>18,765.3</b>	<b>6,641.7</b>	<b>54.8</b>		

Source: FPD using AFMIS data downloaded on the 12 December 2012

1. In the published budget document, Afs 7.6 billion in domestic revenues are allocated to the development budget in 1391. In order to ensure comparability with actuals, all domestic revenues shown under the development budget in the published budget document have been re-allocated to the operating budget in the above table.
2. Fiscal sustainability is measured as domestic revenues as a percentage of operating budget expenditures
3. Actual figures are not comparable to the development/integrated budget grants or balances shown in budget documentation, as grants/balance in budget documentation also includes loans. Loans are shown as a financing item in the above table.

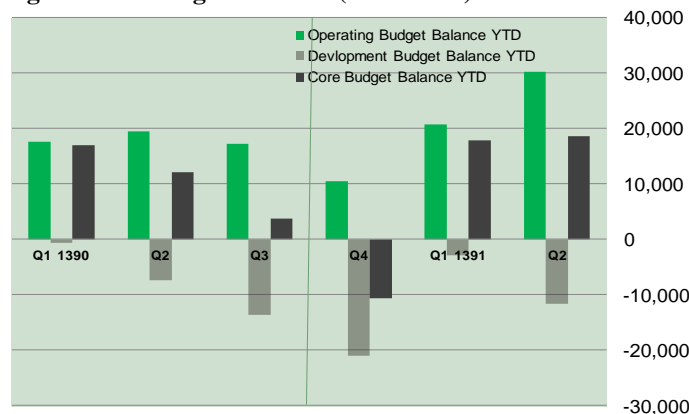
## 1.1 Overall fiscal position

The core budget balance including grants for the 2<sup>nd</sup> quarter 1391 was in a surplus of Afs 782 million (compared to deficit of Afs 4.9 billion in 2<sup>nd</sup> quarter 1390), of which operating budget surplus was Afs 9.6 billion, and the development budget deficit was Afs 8.8 billion. The operating budget surplus shows an increase of around Afs 7.8 billion over Afs 1.8 billion operating surplus for the same period of 1390 (as given by table 1.1).

The surplus in operating balance was mainly due to receipts of higher amount of operating grants. In contrast, the development budget shows a higher deficit of Afs 8.8 billion which is more associated with the lack of available funds (for higher non discretionary expenditures). The higher operating budget surplus was enough to offset such a large development budget deficit, so Integrated budget

was also in slight surplus of about Afs 782 million during 2<sup>nd</sup> quarter 1391.

**Figure 1.1 – Budget balances (Afs billion)**



## 1.2 Domestic Revenues and Grants

### Domestic Revenues

During the 2<sup>nd</sup> quarter 1391, total domestic revenues collected were Afs 24.9 billion (10 percent of GDP) as compared to Afs 23.8 billion (11 percent of GDP), it shows a small increase of Afs 1.1 billion or (4.6 percent), but not in terms of GDP. It is worth mentioning that 2<sup>nd</sup> quarter has not included duties collected by Kandahar custom offices (yet to be posted to AFMIS system). While total YTD revenue for 2<sup>nd</sup> quarter were Afs 50.3 billion as compared to Afs 47.3 billion, an increase of Afs 3.0 billion or 6.4 percent.

The collected revenues for 2<sup>nd</sup> quarter missed both quarterly target of Afs 29 billion and YTD target of Afs 57.1 billion. Despite all this poor performance, most of the increases in revenues (for

### Grants

Total grants received in 2<sup>nd</sup> quarter 1391 were Afs 39.6 billion (15.3 percent of GDP) as compared to Afs 18.6 billion (6.6 percent of GDP) received in same period 1390, an increase by Afs 21 billion. Of this total grants, operating were Afs 29.2 billion (compared to Afs 13.6 billion in 1390) and development were Afs 10.5 billion (compared to Afs 13.6 billion). While for the YTD, total grants receipts in 1391 were Afs 70.5 billion compared to Afs 40.5 billion received in the same period 1390, an increase by Afs 30 billion. Most of the increase in operating grants come from increase in grants mainly channelled through ARTF, LOTFA and CSTC-A (with more detail in their respective section).

## 1.3 Expenditures

Total core budget for the FY 1391 (9 months) is Afs267.3billion, (about 34 percent of projected GDP), of which Afs157.1 is allocated for operating budget and Afs110.3 billion has been allocated for development budget. The year to date core expenditures during the second quarter 1391 were Afs102.2 billion or 38 percent of total core budget for the year. Moreover, expenditures for the second quarter 1391 were Afs63.8 billion, whilst expenditures over the same period in previous year were Afs47.4 billion only, which shows an increase of 34 percent.

this quarter) is mainly attributed to collection by tax revenues' category.

Figure 1.2 – Total Domestic Revenues

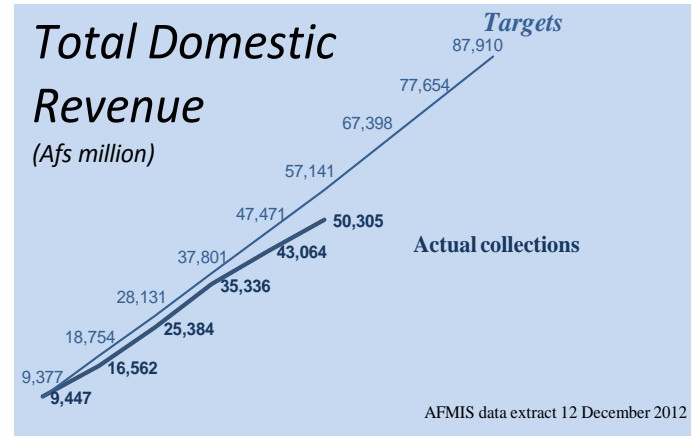
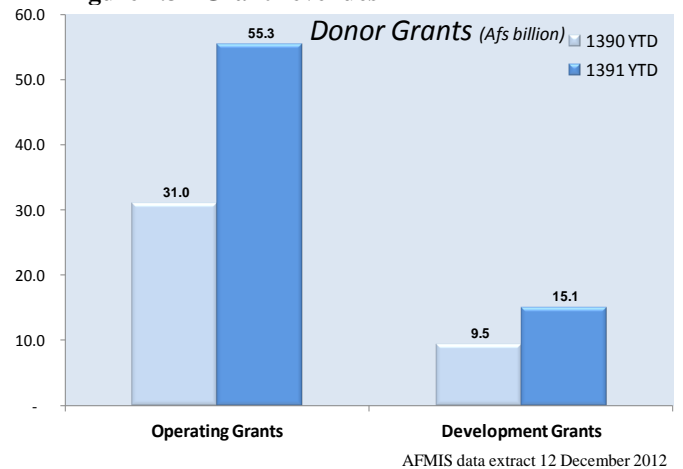


Figure 1.3 - Grant revenues



## Operating Budget

Operating budget has risen consecutively over the past decade. Total operating budget for the FY 1391 (9 months budget) is Afs157.1 billion, this rose by 5.0 per cent compared to actual operating expenditures of Afs149.4 billion for the FY 1390; however, when compared to nine month budget of FY 1390, this has jumped by 40.0 percent. The rapid rise in operating expenditures is caused mainly due to expansion in military and civil servants personal and implementation of constructive reforms in government agencies. Operating expenditures in the second quarter 1391 was Afs44.5 billion, which shows an increase of 25 percent compared to the same period last year (Afs35.6 billion). The increase in operating expenditure is due to higher wage bill for the civil servants, increase in security forces strengths both ANA & ANP and implementation of reforms in the public sector.

## Development Budget

Development budget constitute one of the major part of government budget and its execution is of great concern. For 1391 Afs 110.3 billion was allocated for development expenditure including supplementary and carry forward from previous year, this amount accounts for 10.5% of GDP. The development budget for 1391 is higher by Afs 9.1 billion (or 9%) when compared to Afs 101.2 billion in 1390, also recalling the 9 month fiscal year of 1391. Development budget execution in first two quarters of 1391 was 24.3% which totals to Afs 26.5 billion, this is higher by Afs 10 billion (59%) when compared to Afs 16.5 billion development expenditures in the same period of previous fiscal year. Of the total expenditure only Afs 19.2 billion (17.4 % of total development budget) was spent in the second quarter of 1391.

Figure 1.4 – Operating Budget

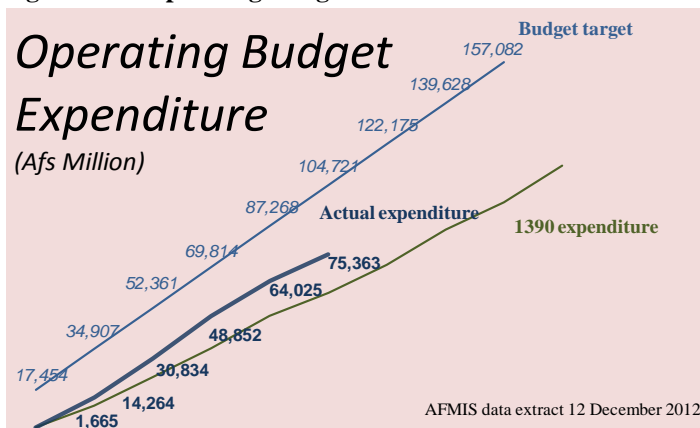
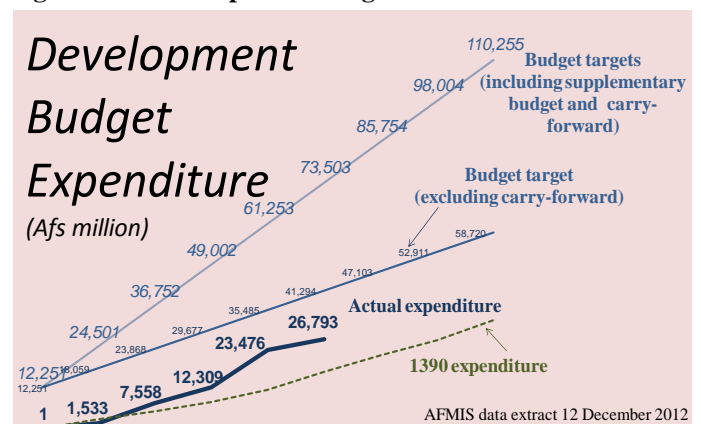


Figure 1.5 – Development Budget



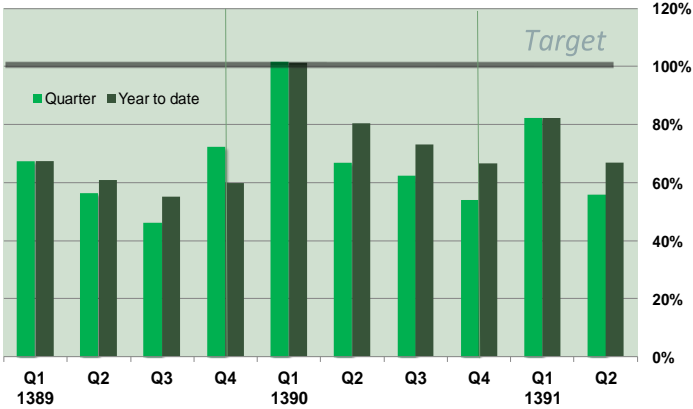
## 1.4 Fiscal sustainability

Fiscal sustainability (in Afghanistan's context) is defined as total operating expenditures being fully funded by total domestic revenues. Fiscal sustainability has remained as one of the key objectives under the Government and IMF's proposed new economic program, the Extended Credit Facility.

In the 2<sup>nd</sup> quarter 1391, the fiscal sustainability indicator was at 56 percent, this indicates that around 56 percent of the total operating expenditure

(Afs 44.5 billion) in 2<sup>nd</sup> quarter was financed by total domestic revenues of 24.9 billion. The fiscal sustainability indicator has deteriorated and went down from 82% in the 1<sup>st</sup> quarter to 56% in the 2<sup>nd</sup> quarter 1391. This shows that increase in the collection of domestic revenues during this quarter was quite lower than the rise in operating expenditures.

**Figure 1.6 – Fiscal sustainability: Domestic revenues as a percentage of Operating Expenditures**



## 2 CORE BUDGET REVENUES

Table 2.1 – 1391 Q2 revenues

Code	(In millions of Afghanis)	1390	1390	1391	1391	1391	1391 Comparison to		YTD	Target	Annual	%
		Qtr 2 Actual Qtr	Qtr 2 Actual YTD	Qtr 1 Prelim Qtr	Qtr 2 Prelim Qtr	Qtr 2 Prelim YTD	1390 YTD Change % Increase		1391 Qtr 2 YTD	Target - Actual % (+/-)	Target (2)	Annual Target
<b>CORE BUDGET</b>												
1	REVENUES including grants (1)	42,464.7	87,808.1	56,219.8	64,545.1	120,764.8	32,956.8	37.5				
1-19	REVENUES excluding grants	23,843.3	47,293.6	25,384.0	24,920.7	50,304.6	3,011.1	6.4	57,141.4	-12.0	87,909.9	57.2
<b>DOMESTIC REVENUES (2) (3)</b>												
11	Tax Revenues	10,540.4	19,918.2	11,305.3	12,808.6	24,113.9	4,195.7	21.1	26,914.6	-10.4	41,407.1	58.2
111	Fixed Taxes	2,503.8	4,799.9	2,549.0	2,560.9	5,110.0	310.1	6.5	6,547.0	-21.9	10,072.3	50.7
112	Income Taxes	2,577.4	5,421.7	3,600.7	4,333.7	7,934.4	2,512.8	46.3	7,176.4	10.6	11,040.6	71.9
113	Property Taxes	86.2	189.3	99.5	60.6	160.1	-29.2	-15.4	171.1	-6.4	263.2	60.8
114	Sales Taxes	4,583.8	8,193.0	4,277.7	5,350.8	9,628.5	1,435.4	17.5	11,085.6	-13.1	17,054.8	56.5
116	Other Taxes	634.0	1,022.4	687.5	399.0	1,086.5	64.1	6.3	1,500.4	-27.6	2,308.3	47.1
117	Tax Penalties and Fines	155.4	291.8	90.8	103.6	194.4	-97.4	-33.4	434.1	-55.2	667.9	29.1
12	Customs Duty, Import Taxes	8,058.1	15,907.6	7,193.0	6,867.6	14,060.6	-1,847.1	-11.6	20,018.6	-29.8	30,797.9	45.7
13	Non Tax Revenue	4,338.5	10,059.9	6,256.0	4,113.1	10,369.1	309.2	3.1	8,542.0	21.4	13,141.5	78.9
131	Income from Capital Property	68.2	2,548.7	2,583.2	72.3	2,655.5	106.9	4.2	161.5	1,544.8	248.4	1,069.1
132	Sales of Goods and Services	1,165.2	2,431.5	1,189.4	1,874.8	3,064.1	632.6	26.0	3,239.2	-5.4	4,983.3	61.5
133	Administrative Fees	2,881.3	4,610.8	2,215.0	1,935.5	4,150.5	-460.3	-10.0	4,793.2	-13.4	7,374.2	56.3
134	Royalties	67.3	109.0	76.1	49.1	125.2	16.1	14.8	23.2	439.7	35.7	350.8
135	Non Tax Fines and Penalties	128.2	319.4	133.8	140.3	274.1	-45.3	-14.2	195.0	40.6	299.9	91.4
136	Extractive Industry	28.2	40.5	58.5	41.1	99.6	59.1	146.1	130.0	-23.4	200.0	49.8
14	Miscellaneous Revenue	217.0	199.7	33.4	256.9	290.3	90.6	45.3	474.1	-38.8	729.4	39.8
17	Social Contributions	689.2	1,208.1	596.3	874.4	1,470.8	262.7	21.7	1,192.1	23.4	1,834.0	80.2
<b>GRANTS (1)</b>												
191	Foreign Governments	14,296.6	32,030.1	26,322.4	32,194.3	58,516.6	26,486.5	82.7				
192	International Organisation	4,182.1	8,341.6	4,510.4	7,422.7	11,933.1	3,591.5	43.1				
193	Other Government Units	142.8	142.8	3.0	7.4	10.5	-132.3	-92.7				
<b>TOTAL OPERATING BUDGET REVENUE</b>												
	Domestic Revenues	23,843.3	47,293.6	25,384.0	24,920.7	50,304.6	3,011.1	6.4	57,141.4	-12.0	87,909.9	57.2
	as percentage of total	63.6	60.4	49.2	46.1	47.6	11.0					
	External Grant Support	13,630.2	30,992.0	26,160.0	29,173.6	55,333.6	24,341.6	78.5			133,331.2	41.5
	as percentage of total	36.4	39.6	50.8	53.9	52.4	89.0					

Source: FPD using AFMIS data downloaded on the 12 December 2012

- Actual figures are not comparable to the development/integrated budget grants or balances shown in budget documentation, as grants/balance in budget documentation also includes loans. Loans are shown as a financing item in above table.
- Revenues exclude proceeds from the sale of fixed assets (150), and loans (18). These items are included under financing.
- In the published budget document, Afs 7.6 billion in domestic revenues are allocated to the development budget in 1391. In order to ensure comparability with actuals, all domestic revenues shown under the development budget in the published budget document have been re-allocated to the operating budget in the above table.

## 2.1 Domestic Revenues

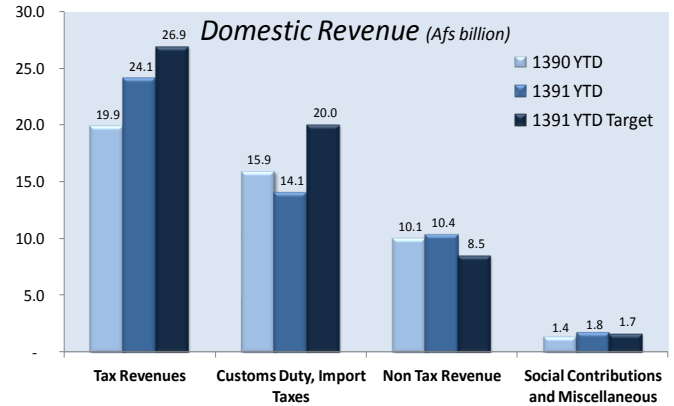
Total revenue target for fiscal year 1391 (for 9 months)<sup>1</sup> is estimated Afs 87.9 billion (11.3 percent of GDP). The revenue target of Afs 87.9 billion shows an increase of 23.1 percent over total actual revenue collections of Afs 71.4 billion (11percent of GDP) in 1390 (for 9 months).

The composition of revenue items in 1391 is the same as in 1390. It is assumed that 32% of annual revenues will be collected in Q1, 33% in Q2, 35% in Q3. This means that the year to date revenue target till 2<sup>nd</sup> quarter 1391 of Afs 57.1 billion accounts for 65% of the annual revenue target.

During the 2<sup>nd</sup> quarter, total amount of Afs 24.8 billion (about 10 percent of GDP) was collected compared to Afs 23.8 billion (11.0 percent of GDP) the same period 1390. This shows decline in revenue performance in 2<sup>nd</sup> quarter.

On year to date, around Afs 50.3 billion were collected compared to Afs 47.3 billion till end of 2<sup>nd</sup> quarter 1390, an increase of 6.4 percent. However, comparing with its quarterly and YTD targets for 1391, total actual revenues fell behind their respective targets by 14 percent and 12 percent respectively. Overall, most of the increase in revenue collection was attributed to tax revenues and lesser amount of social contribution. Yet, other major category custom duties had underperformed in this quarter. The details for each category will be explained in their respective sections.

Figure 2.1 Domestic Revenues (1391 vs 1390 YTD)



AFMIS data extract 12 December 2012

<sup>1</sup> Transition year due to change in fiscal year (which begins from 1<sup>st</sup> Jadi instead of 1<sup>st</sup> Hamal for FY 1392).



## 2.2 Provincial Distribution of Revenues

Table 2.2 shows revenue collections by category based on location classification (Provinces and Line Ministries).

Total YTD revenues collected by all **Provinces** were Afs 27.3 billion compared to Afs 29.2 billion collected in 1390. This shows a reduction by 6.5 percent. While **Central Ministries** collected Afs 22.8 billion for YTD Q2 1391, and this shows an increase by 26.2 percent over Afs 18.1 billion collected in the same period in 1390.

For the **Total Provinces**, all major categories such as **Custom Duties**, and **non tax revenues** declined (while comparing YTD Q2 1391 with YTD Q2 1390). Whereas **Taxation Revenues** and **Other Revenues** slightly increased and collected Afs 10.6 billion and Afs 932 million in YTD Q2 1391 compared to Afs 10.1 billion and Afs 702 million respectively in the same period in 1390. Tax revenues collected by Nangarhar and Balkh increased while from Herat decreased.

While for the **Central Ministries**, revenues from **Taxation** category largely increased and collected Afs 13.5 billion as compared to Afs 9.8 billion in YTD Q2 1390, an increase by Afs 3.7 billion. Meanwhile, revenues from **Non tax** category also increased that collected Afs 7.4 billion compared to Afs 6.7 billion collected the same period in 1390, an increase by Afs 0.7 billion.

Table 2.2 – 1391 Provincial Revenues

In millions of Afghanis	Total Revenues			Taxation Revenues		Customs Duties		Non Tax Revenues		Other Revenues	
	1390	1391	%	1390	1391	1390	1391	1390	1391	1390	1391
	Qtr 2	Qtr 2	Increase	Qtr 2	Qtr 2	Qtr 2	Qtr 2	Qtr 2	Qtr 2	Qtr 2	Qtr 2
	Actual YTD	Prelim YTD		Actual YTD	Prelim YTD	Actual YTD	Prelim YTD	Actual YTD	Prelim YTD	Actual YTD	Prelim YTD
<b>TOTAL REVENUE</b>	47,293.6	50,304.6	6.4	19,918.2	24,113.9	15,907.6	14,060.6	10,059.9	10,369.1	1,407.8	1,761.1
<b>Total Provinces</b>	29,205.7	27,491.4	-5.9	10,140.3	10,578.0	14,996.6	13,018.7	3,366.8	2,963.1	702.0	931.5
Nangarhar	5,187.3	5,393.6	4.0	1,813.9	2,194.8	2,981.6	2,801.1	317.3	307.7	74.5	90.1
Balkh	4,575.5	5,001.6	9.3	1,589.9	1,850.6	2,562.2	2,590.0	315.1	392.4	108.2	168.6
Kandahar	1,722.8	170.4	-90.1	586.1	75.8	857.1	62.8	227.3	29.7	52.2	2.1
Herat	10,107.5	8,845.8	-12.5	3,368.5	3,182.8	5,890.9	4,764.5	760.4	777.4	87.7	121.1
Nimroz	1,804.9	2,329.0	29.0	686.9	963.2	958.0	1,261.1	150.9	212.3	9.0	-107.6
Other Provinces	5,807.7	5,751.0	-1.0	2,095.0	2,310.8	1,746.9	1,539.2	1,595.6	1,243.7	370.2	657.3
<b>Central Ministries</b>	18,087.9	22,813.2	26.1	9,777.9	13,535.8	911.0	1,041.9	6,693.2	7,406.0	705.9	829.5

Source: FPD using AFMIS data downloaded on the 12 December 2012

## 2.3 Tax revenues

Tax revenue consists of fixed taxes, income taxes, property taxes, sales taxes, other taxes and tax penalties and fines. Tax collection in the second quarter was Afs 12.8 billion (4.9 percent of GDP). This was Afs 2.3 billion or 22 percent higher than actual collection for the same period in 1390, but it was lower as compared to its quarterly budget.

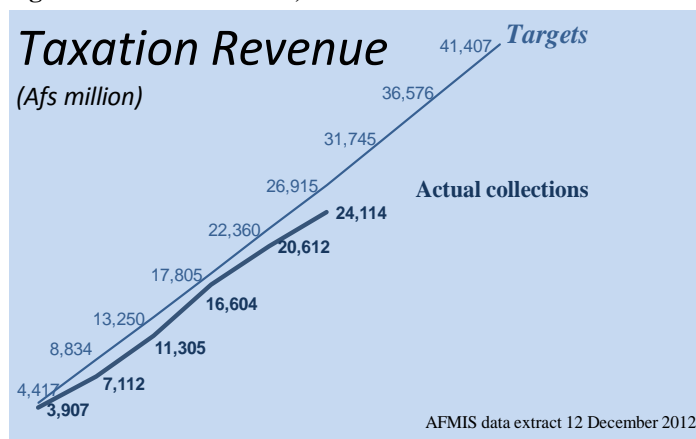
Looking at the figure 2.1, total YTD tax collection was Afs 24.1 billion which was (21 percent) higher than the same YTD level collected in the previous year. However, it missed the target by about 10.4 percent. The major contribution in collection was from income tax, sales taxes and fixed taxes.

- In the 2<sup>nd</sup> quarter, the **fixed tax collection** was around Afs 2.6 billion compared to Afs 2.5 billion for the same time 1390, while for the YTD it was around Afs 5.1 billion which was 6.5 percent higher than the same time collection in 1390.
- During this time, the **income tax** collection was Afs 4.3 billion compared to Afs 2.6 billion, an increase of around 65.4 percent. Most of the increase (about Afs 858 million) was due to increase in income tax revenue

from *employees' wages and salaries*. On YTD basis revenue from the income tax was Afs 2.5 billion (or 46 percent) higher than the same time collection in 1390. This amount was also higher (about 10.6 percent) compared to its budget target.

The other largest tax component was *sales taxes* that was collected around Afs 5.4 billion compared to Afs 4.6 billion collected the same period in 1390, an increase of Afs 0.8 billion. Sales tax revenue from *Business receipt tax (BRT) on the private entities* in the second quarter increased by Afs 733 million or 53.7 percent over Afs 1.4 billion collected during the same period in 1390 (as given by below table). Meanwhile, *BRT on import* and *BRT on services* had slight increases (around 1.6 percent and 0.3 percent) respectively.

Figure 2.2 - Tax revenues, Afs billion



Major increases in Specific Tax Revenues				
Main Components of Tax Revenues	1390	1391	Difference	% Increase
	2nd Quarter	2nd Quarter		
All Values in million Afghanis				
Imports by Licensed Business (Fixed Taxes)	1,929	1,960	31	1.6%
Employees Salaries & Wages (Income Taxes)	1,437	2,295	858	59.7%
2% BRT on Imports (Sales Taxes)	2,017	2,049	31	1.6%
BRT on Services 10 % (Sales Taxes)	1,199	1,203	4	0.3%
Receipts Pvt Entities 2% BRT (Sales Taxes)	1,365	2,098	733	53.7%

## 2.4 Customs duties and import taxes

Customs duties that accounted for 24 percent of the total domestic revenues in the 2nd quarter 1391 were collected in the amount of Afs 6.9 billion or 2.7 percent of GDP (not including custom duties from Kandahar custom office)<sup>2</sup> compared to Afs 8.1 billion (3.7 percent of GDP) during the same period in 1390. Over the last two quarters, revenue from custom duties has largely declined compared to custom's collection in previous year.

On year to date, custom duties of Afs 14.1 billion were collected till the end of the second quarter. This shows a reduction around 11.6 percent compared to the total collection of Afs 15.9 billion at the same time in 1390.

The main reasons given for this reduction were poor performance by administration, and also overall decline in imported goods at various custom offices. In addition, ban on vehicles (with 10 year old), decline in demand for certain imported goods (mainly luxury goods) and decline in imports for construction materials and others due to uncertainty involving transition in 2014 were some other causes for duties' reduction.

Almost 83% of the customs revenues come from the major custom offices in five provinces (Herat, Nangarhar, Balkh, Kandahar, Nimroz) and the remaining 17 percent is collected from the line ministries and other custom offices in the country.

- Herat customs office collected Afs 2.3 billion in the second quarter of 1391 compared to Afs 2.9 billion collected in the same period 1390; this was 68 percent of the total quarterly target to be collected by Herat custom offices. However, the decline in custom duties was partially attributed to the ban on old-model vehicles that were imported via Herat customs and also ban on some Iran-made products imported to Afghanistan.
- Nangarhar customs office collected Afs 1.3 billion of custom duties compared to Afs 1.3 billion (same amount) during the same period in 1390; while it collected about 79 percent of the quarterly target of Afs 1.7 billion.
- Balkh customs office collected Afs 1.2 billion, while its duties collection was Afs 1.3 billion in the same period in 1390. The custom duties also fell behind its quarterly target of Afs 1.7 billion by 29 percent
- Kandahar customs collected some amount, though it is not posted into the AFMIS systems due to technical problems in the AFMIS system.
- Nimroz customs office collected Afs 635.0 million of custom duties compared to Afs 491 million collected the same period in 1390. However, its quarterly target was missed by 70 percent.

In view of bad performance by custom offices, the Government has taken remedial measures in order to improve custom collection for the current year as well as years to come. As this underperformance by custom will have negative impact on the overall good performance by revenue (had a positive trend over the past years), and it will also undermine the Government's initiative to mobilize more domestic resources for financing its overall expenditures (in particular recurrent expenditures) so that come closer for achieving fiscal sustainability.

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<sup>2</sup>It has not been posted to AFMIS system due to technical problem in AFMIS system in that province.

Figure 2.3 – Custom duties

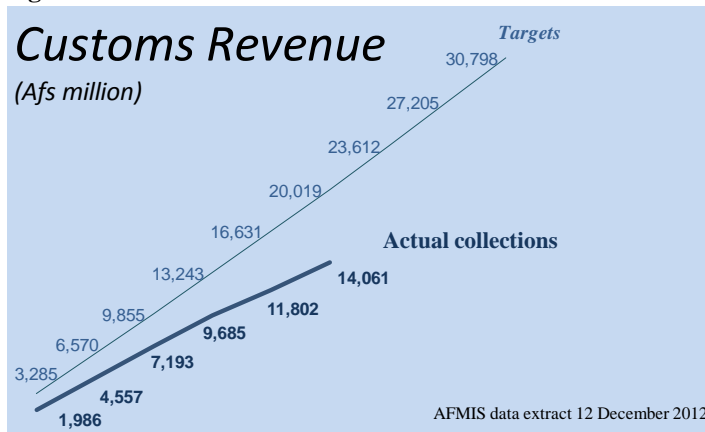
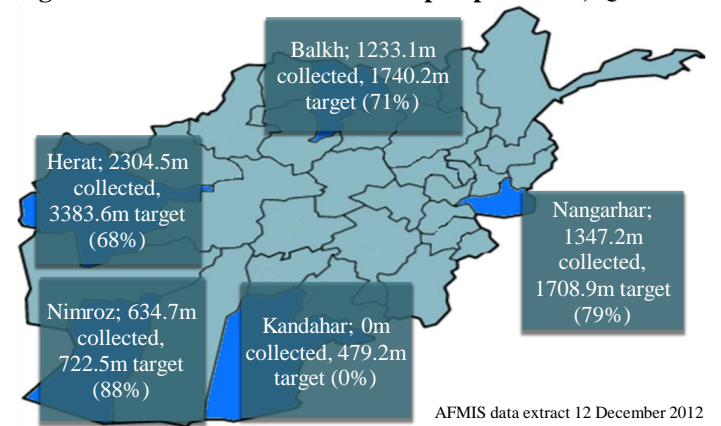


Figure 2.4 - Customs revenues in 'top 5' provinces, Q2



## 2.5 Non-tax revenues

Non-tax revenues consist of income from capital property, sales of goods and services, administrative fees, royalties and non-tax penalties and fines.

In the 2nd quarter 1391, total non-tax revenue collection was around Afs 4.1 (1.6 percent of GDP) billion as compared to Afs 4.3 billion (1.2 percent of GDP) collected during the same time in the previous year, a reduction by 5.0 percent. However, on year to date basis the non-tax revenue collection was around Afs 10.4 billion, which was (about Afs 309 million or 3.0 percent) higher as compared to the actual of Afs 10.1 billion for the same period in 1390.

The main contributors of non- tax revenues were *sales of goods and services* that collected Afs 1.9 billion (of which *Mobile Telephone and Service* contributed Afs 445 million and *Railway Services* contributed Afs 599 million) compared to Afs 1.2 billion the same period in 1390, an increase by 61 percent.

Figure 2.5 – Non-tax revenues, Afs millions

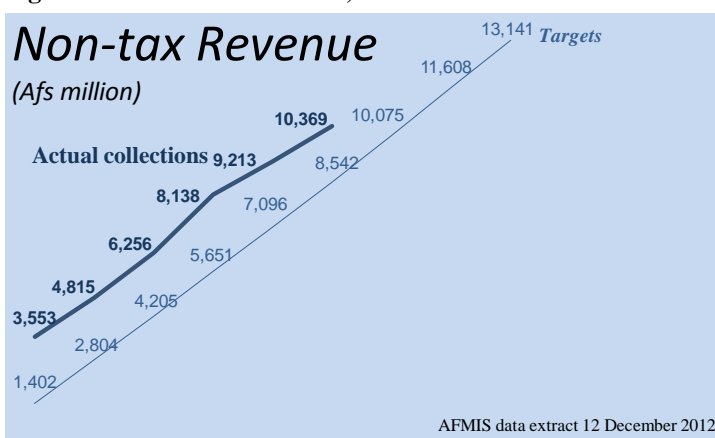
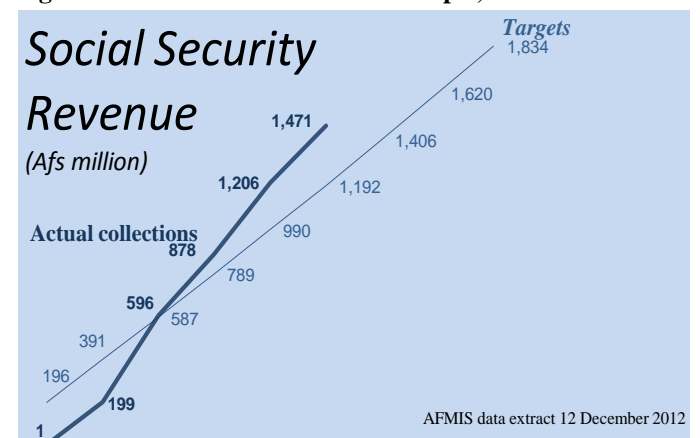


Figure 2.6 – Social Contribution receipts, Afs millions



## 2.6 Social Contributions

Social contributions include government employees' contributions for retirement and pension purposes to fund the well being of retired employees in the future. Revenues collected from the social contribution were Afs 874.4 million (0.3 percent of GDP) in the 2<sup>nd</sup> quarter of 1391, this shows 26.9 percent increases over Afs 689.2 million (0.3 percent of GDP) collected during the same period in 1390. While for the YTD, total amount of Afs 1.5 billion collected compared to Afs 1.2 billion for actual YTD Q2 1390, an increase by 25 percent.

As given by Pension Regulation, there has to be a separate pool of funds for social contribution that will help a lot in bringing stability in the new pension scheme, this is done through keeping the surpluses built up (and saved) in earlier years in order to make them available to fund pension expenditure in the later years. In the event that these surpluses that are built up in the early years are exhausted (not saved), the Government will be required to pay additional payments for the future years.

## 2.7 Domestic Revenues by Collection Agency

Total YTD revenue collection by the *Ministry of Finance* was in the amount of Afs 39.9 billion (made up 79 percent of total collected revenues) as compared to Afs 38.3 billion (made up 81 percent of total collected revenues), this shows an increase by 4.0 percent.

Revenue collection by *Customs offices and Mustofiats* declined during this period, and it shows a reduction by 6.4 percent and 5.8 percent respectively (compared to previous year's level); however, *Larger Tax Payer Offices (LTO)* and *Medium Tax Payers Office (MTO)* contributed significantly that accounted for 33.3percent and 42.6 percent increases over actual collection for YTD Q2 1390. Most of the increases in Tax revenues come from *LTO* and *MTO* (about Afs 2.0 billion from LTO and Afs 1.4 billion from MTO).

Total YTD revenue by *Other Ministries* were Afs 10.4 billion, and it shows an increase of 16.5 percent over Afs 8.9 billion collected the same period in 1390. Large increases (by around 328 percent) come from the collection by the *Ministry of Foreign Affairs* that mainly contributed to *Non tax* category. Collection by *Other Budgetary Units* also increased by Afs 1.3 billion or 38.3 percent over Afs 3.3 billion collected the same period in 1390. In contrast; the Ministry of Interior did not perform well and collected Afs 1.4 billion, a decrease by 37% below Afs 2.1 billion collected the same period in 1390.

**Table 2.3 – 1391 Revenues by Collection Agency**

In millions of Afghanis	Total Revenues			Taxation Revenues		Customs Duties		Non Tax Revenues		Other Revenues	
	1390	1391	%	1390	1391	1390	1391	1390	1391	1390	1391
	Qtr 2	Qtr 2	Increase	Qtr 2	Qtr 2	Qtr 2	Qtr 2	Qtr 2	Qtr 2	Qtr 2	Qtr 2
	Actual	Prelim		Actual	Prelim	Actual	Prelim	Actual	Prelim	Actual	Prelim
	YTD	YTD		YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD
<b>11 TOTAL REVENUE</b>	<b>47,293.6</b>	<b>50,304.6</b>	<b>6.4</b>	<b>19,918.2</b>	<b>24,113.9</b>	<b>15,907.6</b>	<b>14,060.6</b>	<b>10,059.9</b>	<b>10,369.1</b>	<b>1,407.8</b>	<b>1,761.1</b>
<b>Ministry of Finance</b>	<b>38,368.9</b>	<b>39,909.4</b>	<b>4.0</b>	<b>19,534.0</b>	<b>23,205.8</b>	<b>15,907.6</b>	<b>14,060.6</b>	<b>2,232.5</b>	<b>1,846.1</b>	<b>694.8</b>	<b>796.9</b>
Mustofiat (1)	3,942.9	3,716.2	-5.8	1,811.1	1,754.5	0.0	0.0	1,533.2	1,179.3	598.6	782.4
Customs (1)	24,757.6	23,177.6	-6.4	8,219.7	8,493.2	15,907.6	14,060.6	618.8	610.3	11.3	13.5
Large Taxpayer Office (LTO)	6,099.8	8,129.1	33.3	6,094.2	8,123.6	0.0	0.0	5.5	4.6	0.2	0.8
Medium Taxpayer Office	3,425.8	4,886.5	42.6	3,408.9	4,834.4	0.0	0.0	16.8	51.9	-0.0	0.2
Small Taxpayer Office	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Ministry of Finance	142.8	0.0	-100.0	0.0	0.0	0.0	0.0	58.1	0.0	84.7	0.0
Total taxation collections by ARD (2)				11,698.4	15,620.7						
Total LTO collections as % of total taxation collections by ARD				52.1	52.0						
<b>Other Ministries</b>	<b>8,924.7</b>	<b>10,395.3</b>	<b>16.5</b>	<b>384.2</b>	<b>908.1</b>	<b>0.0</b>	<b>0.0</b>	<b>7,827.5</b>	<b>8,523.0</b>	<b>713.0</b>	<b>964.2</b>
Ministry of Transport and Aviation	1,877.7	2,023.0	7.7	1.6	0.0	0.0	0.0	1,876.1	2,022.8	0.0	0.2
Ministry of Interior	2,139.7	1,351.7	-36.8	374.7	727.7	0.0	0.0	1,755.6	623.2	9.3	0.8
Ministry of Communication	759.7	799.9	5.3	0.0	0.0	0.0	0.0	759.6	799.8	0.0	0.1
Ministry of Foreign Affairs	184.7	790.6	328.0	0.0	0.0	0.0	0.0	183.8	789.7	0.9	1.0
Ministry of Martyrs, Disabled and Social A	647.9	846.9	30.7	0.0	0.0	0.0	0.0	70.7	89.7	577.3	757.1
Other Budgetary Units	3,315.0	4,583.1	38.3	8.0	180.4	0.0	0.0	3,181.7	4,197.8	125.4	205.0

Source: FPD using AFMIS data downloaded on the 12 December 2012

(1) All revenue collections for Object codes 11106,11107,11109,11110,11140,12000-12007,13331,13348 have been reallocated to the Customs office given these revenues are collected at the border, however in AFMIS these revenues are sometimes allocated under Mustofiat.

(2) Afghanistan Revenue Department taxation revenues (ARD) are measured as total taxation revenues minus Customs Office taxation revenues

## 2.8 Grants

Donor grants comprise a crucial part of the National Budget. Donor grants finance major expenditures items in the operating budget, especially security related expenditures and almost all the development budget is donor financed (a small proportion of the development budget is also financed by concessional loans).

Total grants received till the second quarter 1391 YTD are Afs 69.5 billion (58.1 percent of the total revenue including grants) compared to Afs 40.5 billion (46.1 percent of total revenue including grants) received in 1390 same period; the grants received in 1391 is Afs 29 billion more than it was in last year same period.

### Operating Grants

The government main fiscal objective is to attain fiscal sustainability. This means that the government proposes to gradually take over more responsibility for the operating budget from its domestic revenues, and rely less on donor grants.

The total operating grants received in the second quarter 1391 is Afs 29.2 billion, which is Afs 15.7 billion more than the grants received last year over the same period. The operating grants receipt comprises of Afghanistan Reconstruction Trust Fund (ARTF), Law and Order Trust Fund for Afghanistan (LOTFA), and Combined Security Transition Command – Afghanistan (CSTC – A). ARTF, LOTFA, CSTC – A contribution to the receipt were Afs 5.1 billion, 9.4 billion, and 14.5 billion respectively.

ARTF, LOTFA, and CSTC – A grants increased respectively by Afs 9.1 billion, Afs 1 billion, and Afs 14.3 billion by second quarter YTD as compared last year same period.

Figure 2.7 - Operating grant revenues, Afs billions

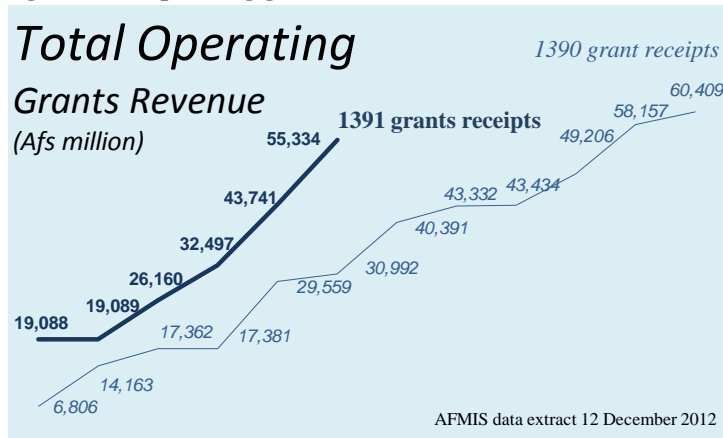


Table 2.4 - Operating grants, Afs millions

All Values are in Million Afs		1390	1390	1390	1391	1391	1391	1391
		Qtr 2	Qtr 2	% of Total	Qtr 1	Qtr 2	Qtr 2	% of Total
		Qtr	YTD		Qtr	Qtr	YTD	
10001	Afghanistan Reconstruction Trust Fund (ARTF)	0	1,117	4%	5,066	5,178	10,244	19%
10002	Law & Order Trust Fund (LOTFA)	5,944	12,011	39%	3,558	9,436	12,994	23%
10004	Combined Security Transitional Command Afghanistan (CSTC-A) MoD	7,622	13,597	44%	14,098	10,936	25,034	45%
10005	Combined Security Transitional Command Afghanistan (CSTC-A) Mol	0	4,203	14%	3,437	3,603	7,040	13%

AFMIS data extract 12 December 2012

### Development Grants

Total development grants receipts were Afs 14.2 billion in the Q2 1391, this is Afs 4.7 billion more than the grants received at the same quarter last year. The development grants receipts increased by 49.5 percent during this period in YTD terms, Afs 9.5 billion was collected by Q2 1390.

Table 2.5 shows the ten largest development grants received in the Q2 1391

- The highest grant (Afs 1.6 billion from USAID) was received for the Good Performance Initiative (GPI) is a Government of Afghanistan initiative aimed at providing high-impact development assistance to those provinces that have eliminated or significantly reduced poppy cultivation, or demonstrated other effective counter narcotics achievements. The objective of the Good Performance Initiative is to support continued progress towards poppy elimination and maintenance of poppy free provinces through the provision of financial support for priority development projects.
- The next highest (Afs 1.5 billion) was received for Afghanistan Road Network Development Investment Program, Project 2. The primary objective of the Project is to improve the road network, which comprises the following: 1. Rehabilitation of the Qaisar-Bala Murghab section (90km) of Herat-Andkhoy road, including the related civil works, overall project and contract management, construction supervision and monitoring, security arrangements and related community development works. 2. Construction of the Bala Murghab-Laman section (approximately 143km), including the related civil works, overall project and contract management, construction supervision and monitoring, security arrangements and related community development works.

Figure 2.8 - Development grant revenues, Afs billions

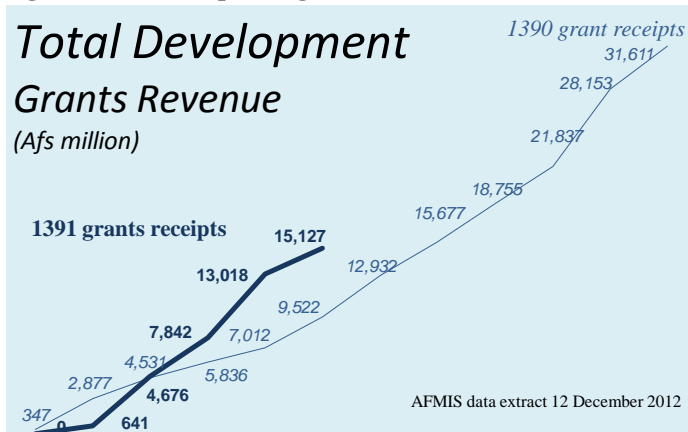


Table 2.5 - 10 largest development grant receipts in Q2, Afs million

TF098459-AF Third Emergency National Solidarity Project	ARTF	1,912
INL on budget disbursements for good Performers Initiative 5-6-2012	US & USAID	1,639
Grant 0291-AFG Road Network Development Investment Program Project 2	Asian Development Bank	1,552
MOPH Partnership Contracts For Health Services Program ( SOAG 306-07-00 II#7 )	US & USAID	751
0012-Qaisar- Bala Murghab Road Project	Asian Development Bank	682
0244-Road Network Dev Investment Program Project 2	Asian Development Bank	620
TF095297- National Emergency Rural Access Project	ARTF	341
93962-Second Education Quality Imporvement Project	ARTF	252
H6360 Additional Financing for National Emergency Rural Access Project	World Bank - Others	240
TF010024 AF-Second Public Financail Management Reform Projct	World Bank - Others	223

AFMIS data extract 12 December 2012



### 3 CORE BUDGET EXPENDITURES

Table 3.1 – 1391 Q2 expenditures

Code	(In millions of Afghanis)	1390	1390	1391	1391	1391	Comparison to Budget			1391 Comparison to 1390 YTD	
		Qtr 2 Actual Qtr	Qtr 2 Actual YTD	Qtr 1 Prelim Qtr	Qtr 2 Prelim Qtr	Qtr 2 Prelim YTD	Original Budget Ceiling (3)	Current Allocated Budget (4)	% Allocated Budget	Change	% Increase
<b>2</b>	<b>TOTAL GROSS EXPENDITURES</b>	<b>47,392.1</b>	<b>75,716.4</b>	<b>38,392.2</b>	<b>63,763.2</b>	<b>102,155.5</b>	<b>267,336.5</b>	<b>270,209.0</b>	<b>37.8</b>	<b>26,439.1</b>	<b>34.9</b>
	Operating Budget	35,661.5	58,794.1	30,834.4	44,528.6	75,362.9	157,081.6	157,551.3	47.8	16,568.8	28.2
	Development Budget	11,730.6	16,922.3	7,557.9	19,234.7	26,792.6	110,254.9	112,657.7	23.8	9,870.3	58.3
	Discretionary Budget	2,885.6	4,133.3	2,067.7	5,217.7	7,285.4	34,248.9	32,847.6	22.2	3,152.1	76.3
	Non-discretionary Budget	8,845.0	12,789.0	5,490.2	14,016.9	19,507.1	76,006.0	79,810.1	24.4	6,718.2	52.5
<b>2*</b>	<b>TOTAL NET EXPENDITURES (2)</b>	<b>47,382.8</b>	<b>75,684.4</b>	<b>38,294.1</b>	<b>63,705.4</b>	<b>101,999.5</b>				<b>26,315.1</b>	<b>34.8</b>
<b>2-25</b>	<b>RECURRENT EXPENDITURES</b>	<b>40,030.5</b>	<b>64,430.6</b>	<b>33,822.2</b>	<b>53,169.1</b>	<b>86,991.3</b>	<b>N/A</b>	<b>195,086.2</b>	<b>44.6</b>	<b>22,560.7</b>	<b>35.0</b>
<b>21</b>	<b>Compensation of Employees</b>	<b>28,264.2</b>	<b>48,084.0</b>	<b>25,509.4</b>	<b>34,391.0</b>	<b>59,900.4</b>	<b>102,172.4</b>	<b>102,693.4</b>	<b>58.3</b>	<b>11,816.4</b>	<b>24.6</b>
	Operating Budget	28,264.2	48,084.0	25,509.4	34,391.0	59,900.4	102,172.4	102,693.4	58.3	11,816.4	24.6
	Development Budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	0.0	N/A
<b>22</b>	<b>Use of Goods and Services</b>	<b>9,372.5</b>	<b>12,903.3</b>	<b>5,728.4</b>	<b>15,825.2</b>	<b>21,553.6</b>	<b>N/A</b>	<b>76,058.9</b>	<b>28.3</b>	<b>8,650.3</b>	<b>67.0</b>
	Operating Budget	4,647.3	6,738.0	2,557.0	6,353.7	8,910.7	30,898.7	30,898.7	28.8	2,172.7	32.2
	Development Budget	4,725.2	6,165.4	3,171.4	9,471.5	12,643.0	N/A	45,160.2	28.0	6,477.6	105.1
<b>23</b>	<b>Interest (1)</b>	<b>7.2</b>	<b>44.7</b>	<b>40.4</b>	<b>6.3</b>	<b>46.7</b>	<b>550.0</b>	<b>550.0</b>	<b>8.5</b>	<b>2.0</b>	<b>4.5</b>
	Operating Budget	7.2	44.7	40.4	6.3	46.7	550.0	550.0	8.5	2.0	4.5
	Development Budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	0.0	N/A
<b>24</b>	<b>Subsidies and Transfers</b>	<b>2,386.6</b>	<b>3,398.6</b>	<b>2,543.9</b>	<b>2,946.6</b>	<b>5,490.5</b>	<b>15,784.0</b>	<b>15,784.0</b>	<b>34.8</b>	<b>2,091.9</b>	<b>61.6</b>
	Operating Budget	2,386.6	3,398.6	2,543.9	2,946.6	5,490.5	15,784.0	15,784.0	34.8	2,091.9	61.6
	Development Budget	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	0.0	N/A
<b>25</b>	<b>ACQUISITION OF ASSETS</b>										
<b>25</b>	<b>Gross Acquisition of Nonfinancial Assets</b>	<b>7,361.6</b>	<b>11,285.7</b>	<b>4,570.1</b>	<b>10,594.1</b>	<b>15,164.2</b>	<b>N/A</b>	<b>75,122.7</b>	<b>20.2</b>	<b>3,878.5</b>	<b>34.4</b>
	Operating Budget	356.2	528.8	183.6	831.0	1,014.6	7,676.5	7,625.3	13.3	485.8	91.9
	Development Budget	7,005.4	10,756.9	4,386.5	9,763.1	14,149.6	N/A	67,497.5	21.0	3,392.7	31.5
<b>25*</b>	<b>Net Acquisition of Nonfinancial Assets (2)</b>	<b>7,352.3</b>	<b>11,253.8</b>	<b>4,471.9</b>	<b>10,536.3</b>	<b>15,008.2</b>				<b>3,754.4</b>	<b>33.4</b>
	Operating Budget	346.9	496.9	85.5	773.1	858.6				361.7	72.8
	Development Budget	7,005.4	10,756.9	4,386.5	9,763.1	14,149.6				3,392.7	31.5

Source: FPD using AFMIS data downloaded on the 12 December 2012

1/ Interest Only. Does not include loan principal payments

2/ Proceeds from sale of fixed assets are netted off from the total

3/ Budget and MYR figures of core budget are not available for goods and services (code 21) and capital (code 25) as the published development budget is not broken down into these categories.

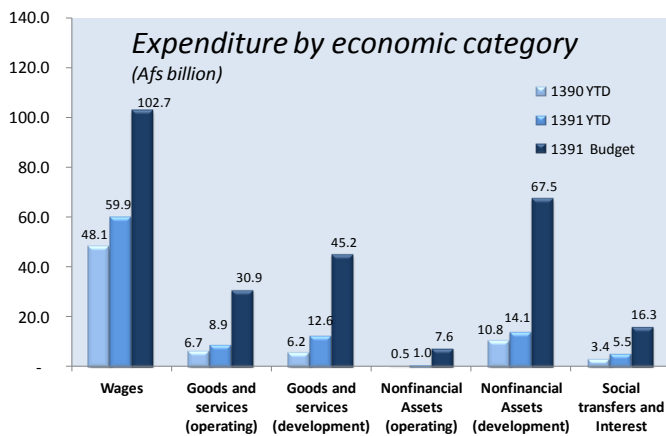
4/ Total allocated budget is the same as the Budget ceiling. However, individual items for current allocated Budget do not add up to total published budget as they do not include contingency reserves not yet transferred to budgetary units. Published budget figures are used for interest (code 23) and subsidies and transfers (code 24).

#### 3.1 Overview of Core Budget and Expenditures

Core budget for the FY 1391 is Afs267.3billion, (about 34 percent of GDP), of which Afs157.1 is allocated for operating budget and Afs110.3 billion has been allocated for development budget. The year to date core expenditures during the second quarter 1391 was Afs102.2 billion or 38 percent of total core budget for the year. However, expenditures for the second quarter 1391 was Afs63.8 billion, while expenditures over the same period last year were Afs47.4 billion only, it shows an increase of 34 percent.

Gross operating expenditures in the second quarter 1391 was Afs44.5 billion, which shows an increase of 25 percent compared to the same period last year (Afs35.6 billion). The increase in operating expenditure is due to higher wage bill for the civil servants, increase in security forces strengths both Afghan National Army and Afghan National Police and implementation of reforms in public sector; while, development expenditures during the second quarter 1391 was Afs19.2 billion which shows an increase of 64.0 percent compared to the second quarter 1390 (Afs11.7 billion).

**Figure 3.1 – Total Expenditures by Economic category (1390 and 1391 YTD)**



AFMIS data extract 12 December 2012

### 3.2 Operating Budget by Economic Category

Operating budget has risen consecutively over the past decade. Total operating budget for the FY 1391 (9 months) was Afs157.1 billion, this rose by 5.0 percent when compared to actual operating expenditures of Afs149.4 billion for the FY 1390; however, when compared to nine month budget of FY 1390, this has jumped by 40.0 percent. The rapid rise in operating expenditures is mainly due to expansion in military and civil servants personal and implementation of some reforms in government agencies.

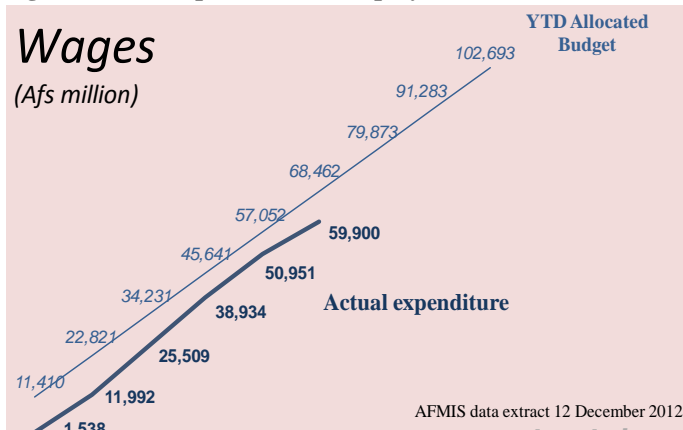
#### *Compensation of Employees*

Compensation of employee includes wages and salaries, food, transportations, advance payments and some other social benefits. In the second quarter of 1391, huge expenditures occurred in employees wage bill which reached up to 34.4 billion or about 13.0 percent of GDP, this rose by Afs6.1 billion or 21 percent more compared to second quarter 1390, the increase in wage bill also caused due civil servants tashkeel expansion, implementation of reforms and winding up in wage expenses for the security personnel. During second quarter 1391 year to date wage expenses for the Ministry of Defense and Ministry of Interior rose by 30 and 23 percent respectively (Afs20.3 and Af16.7 billion).

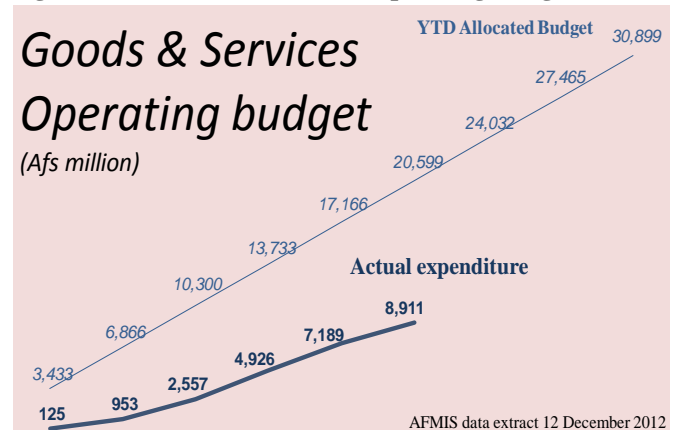
#### *Goods and Services*

This category includes travel, communication, contracted services, repairs and maintenance, utilities and fuel. Operating expenses on goods & services in the second quarter 1391 was Afs6.4 billion, while this was Afs4.6 billion only in the second quarter of 1390, which jumped by 36 percent, higher expenses in this category occurred mainly due to huge expenses on travels, fuel, communication and other use of goods and services.

**Figure 3.2 - Compensation of employees**



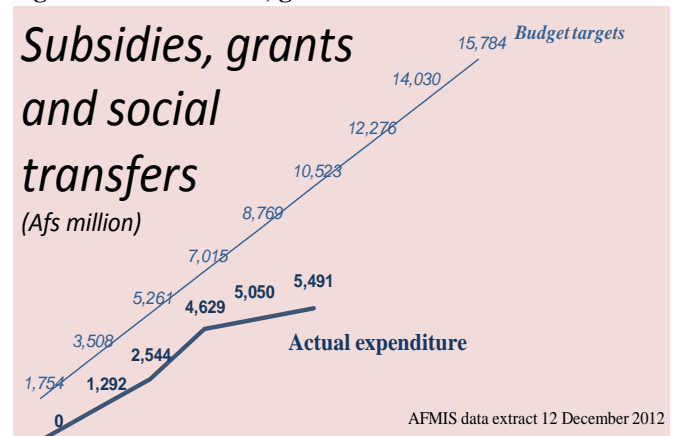
**Figure 3.3 Goods and Services (Operating Budget)**



**Subsidies, Grants, Social Transfers**

This category includes pension payments to both civil servants and military retired personnel, subsidies to state owned enterprises and capital transfers to municipalities. In the second quarter of 1391, total expenditures on this category were Afs2.9 billion. Although, this was Afs2.4 billion at the same time in the past year, this shows an increase of 23 percent when compared to the second quarter 1390.

**Figure 3.4 – Subsidies, grants and social transfers**



**Interest Payments**

This category is only a small portion of the total operating expenditures of the Government, specified that, Government has only small amount of concessional loans. These loans are most of the time given to the Afghan Government on concessional basis to support them to finance its development projects. This excludes principal repayments. During second quarter 1391, year to date spending on this category was almost Afs47 million. Interest payments for the second quarter 1391 winding down by 14 percent compared to second quarter 1390.

**Acquisition of Non-Financial Assets**

Spending on this category occurs mainly from development budget. Meanwhile, there is also some small amount of expenditures on the acquisition of non-financial assets from operating budget as well. During the second quarter 1391, gross acquisition of non-financial assets from the operating budget was about Afs831 million, however, this was only Afs 356 million in second quarter 1390 as shown in Figure 3.4.

### 3.3 Operating Budget by ANDS Sector and Ministry

Afghanistan National Development Strategy (ANDS) is Afghan Government development strategy to reduce poverty, accelerate economic growth, and strengthen security and good governance to the public. Afghanistan National Budget is aligned with ANDS priorities; this is classified in eight sectors which covers all the budgetary units and ministries to show volume of spending by major economic codes.

**Table 3.2 – Operating Expenditures by Sector and Largest Ministry (1390 and 1391 YTD)**

In millions of Afghanis	Total Operating Expenditures					Compensation of Employees		Goods and Services		Gross Acquisition of Non financial assets		Other Expenditures (1)	
	1390	1391	%	Current	1391	1390	1391	1390	1391	1390	1391	1390	1391
	Qtr 2	Qtr 2	Change	allocated	YTD as	Qtr 2	Qtr 2	Qtr 2	Qtr 2	Qtr 2	Qtr 2	Qtr 2	Qtr 2
	Actual	Prelim		Budget	% of	Actual	Prelim	Actual	Prelim	Actual	Prelim	Actual	Prelim
	YTD	YTD		1391 (2)	Budget	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD
<b>TOTAL</b>	<b>58,794.1</b>	<b>75,362.9</b>	<b>28.2</b>	<b>157,081.6</b>	<b>48.0</b>	<b>48,084.0</b>	<b>59,900.4</b>	<b>6,738.0</b>	<b>8,910.7</b>	<b>528.8</b>	<b>1,014.6</b>	<b>3,443.4</b>	<b>5,537.3</b>
<b>Total Security</b>	<b>34,066.6</b>	<b>46,928.0</b>	<b>37.8</b>	<b>100,396.8</b>	<b>46.7</b>	<b>31,513.9</b>	<b>40,807.4</b>	<b>2,304.1</b>	<b>4,336.2</b>	<b>248.6</b>	<b>784.3</b>	<b>-0.0</b>	<b>1,000.0</b>
Ministry of Interior	14,481.2	20,005.2	38.1	41,438.4	48.3	13,574.5	16,740.6	821.0	1,868.8	85.7	395.7	-0.0	1,000.0
Ministry of Defence	16,154.8	21,911.7	35.6	51,199.7	42.8	15,557.8	20,334.2	454.2	1,218.0	142.8	359.4	0.0	0.0
General Directorate of National Security	2,032.1	3,313.7	63.1	4,989.3	66.4	1,501.1	2,715.7	524.0	582.0	7.0	16.0	0.0	0.0
Ministry of Foreign Affairs	958.8	1,197.6	24.9	1,968.7	60.8	529.3	601.7	417.6	583.2	11.9	12.7	0.0	-0.0
Other Ministries	439.7	499.9	13.7	800.8	62.4	351.1	415.3	87.2	84.2	1.3	0.5	0.0	0.0
<b>Total Governance, Rule of Law and Human Rights</b>	<b>5,546.3</b>	<b>5,219.3</b>	<b>-5.9</b>	<b>9,323.7</b>	<b>56.0</b>	<b>3,345.0</b>	<b>3,511.1</b>	<b>1,919.1</b>	<b>1,254.2</b>	<b>102.8</b>	<b>114.8</b>	<b>179.4</b>	<b>339.2</b>
Legal Training Center	4.1	0.0	-100.0	0.0	0.0	2.9	0.0	1.2	0.0	0.0	0.0	-0.0	-0.0
Presidents Office	692.1	741.8	7.2	1,397.6	53.1	461.9	536.6	223.1	197.3	7.1	7.9	0.0	-0.0
Administrative Affairs	792.0	927.7	17.1	1,238.0	74.9	242.2	248.9	283.9	330.0	86.5	27.3	179.4	321.6
Supreme Court	556.7	623.6	12.0	970.9	0.0	2.9	0.0	1.2	0.0	0.0	0.0	-0.0	0.0
Ministry of Justice	900.0	236.9	-73.7	424.7	55.8	540.1	183.0	359.9	53.3	0.0	0.5	0.0	-0.0
Other Ministries	2,601.4	2,689.3	131.4	5,292.5	-127.8	2,095.1	2,542.6	1,049.8	673.6	9.1	79.0	0.0	17.6
<b>Total Infrastructure and Natural Resources</b>	<b>1,385.7</b>	<b>1,720.2</b>	<b>24.1</b>	<b>3,191.2</b>	<b>53.9</b>	<b>819.3</b>	<b>951.2</b>	<b>429.0</b>	<b>738.1</b>	<b>137.4</b>	<b>30.9</b>	<b>-0.0</b>	<b>0.0</b>
<b>Total Education</b>	<b>11,060.8</b>	<b>13,352.4</b>	<b>20.7</b>	<b>23,087.0</b>	<b>57.8</b>	<b>9,900.4</b>	<b>11,887.5</b>	<b>1,146.1</b>	<b>1,427.8</b>	<b>14.3</b>	<b>37.1</b>	<b>-0.0</b>	<b>-0.0</b>
Ministry of Education	9,724.7	11,666.1	20.0	19,917.4	58.6	9,088.6	10,901.4	626.1	746.6	10.1	18.2	-0.0	-0.0
Ministry of Higher Education	912.5	1,184.3	29.8	2,237.5	52.9	562.3	696.5	348.3	474.9	1.9	12.9	0.0	-0.0
Other Ministries	423.6	501.9	-29.0	932.2	-53.7	249.5	289.6	171.7	206.3	2.3	6.0	-0.0	0.0
<b>Total Health</b>	<b>912.0</b>	<b>1,010.0</b>	<b>10.8</b>	<b>2,088.8</b>	<b>48.4</b>	<b>775.8</b>	<b>772.6</b>	<b>135.5</b>	<b>230.4</b>	<b>0.7</b>	<b>7.0</b>	<b>0.0</b>	<b>0.0</b>
Ministry of Public Health	912.0	1,010.0	10.8	2,088.8	48.4	775.8	772.6	135.5	230.4	0.7	7.0	0.0	0.0
<b>Total Agriculture and Rural Development</b>	<b>794.6</b>	<b>828.6</b>	<b>4.3</b>	<b>1,408.8</b>	<b>58.8</b>	<b>638.0</b>	<b>657.4</b>	<b>143.5</b>	<b>165.0</b>	<b>3.1</b>	<b>6.1</b>	<b>10.0</b>	<b>0.0</b>
Ministry of Agriculture	523.0	517.7	-1.0	912.6	56.7	451.2	441.9	61.6	72.4	0.2	3.4	10.0	0.0
Other Ministries	271.5	310.9	5.3	496.2	2.1	186.8	215.5	81.9	92.6	2.8	2.7	-0.0	0.0
<b>Total Social Protection</b>	<b>3,809.2</b>	<b>5,001.5</b>	<b>31.3</b>	<b>6,482.5</b>	<b>77.2</b>	<b>426.3</b>	<b>595.1</b>	<b>272.5</b>	<b>317.0</b>	<b>11.3</b>	<b>6.0</b>	<b>3,099.0</b>	<b>4,083.4</b>
Ministry of Martyrs, Disabled and Social Affairs	3,450.3	4,636.8	34.4	5,815.8	79.7	213.8	381.1	134.0	170.7	3.5	1.7	3,099.0	4,083.4
Other Ministries	358.9	364.7	-3.1	666.7	-2.6	212.5	214.1	138.5	146.3	7.9	4.3	0.0	0.0
<b>Total Economic Gov. and Private Sector</b>	<b>1,219.0</b>	<b>1,303.0</b>	<b>6.9</b>	<b>6,850.0</b>	<b>19.0</b>	<b>665.3</b>	<b>700.4</b>	<b>388.2</b>	<b>442.0</b>	<b>10.6</b>	<b>28.3</b>	<b>155.0</b>	<b>132.3</b>
Ministry of Finance	926.7	964.4	4.1	5,048.9	19.1	460.5	472.3	305.0	335.4	6.3	24.4	155.0	132.3
Other Ministries	292.3	338.6	2.8	1,801.1	-0.1	204.8	228.1	83.2	106.5	4.3	3.9	0.0	0.0

Source: FPD using AFMIS data downloaded on the 12 December 2012

(1) Interest, and Subsidies and Transfers

(2) For individual Ministries (not the total budget), allocated operating Budget may not equal the approved budget, as funds are allocated from contingency reserve during the year. Allocated budget for the development budget is the same as the latest approved budget. Total current allocated budget is the approved budget.

**Security sector** is the largest sector in operating budget, total year to date expenditures during second quarter 1391 was about Afs47 billion (9.0 percent of GDP), while this was only Afs34.1 billion (5.0 percent of GDP) when compared to year to date expenditures in second quarter of 1390. The Ministry of Defense and Ministry of Interior covered above 90 percent of expenditures in this sector and spent Afs21.9 and Afs20.0 billion respectively, which rose by 37 percent compared to year to date expenses in second quarter of 1390.

**Education sector** is the second highest sector, the year to date expenditures during the second quarter 1391 is almost Afs13.4 billion. However, this was only Afs11.1 billion at the same period last year; this shows a spike of 20 percent, Ministry of Education spending was higher in this sector compared to other ministries which reached up to 11.7 billion, this is mainly due to recruitment of additional 10,000 new teachers each year, and implementation of P&G reform which covered almost 90 percent of teachers and currently they receives their salaries under pay and grading scheme.

**Governance, Rule of Law & Human Rights** was the third largest sector in term of spending under ANDS pillar, the year to date expenditures was Af5.2 billion out of total allocated budget (Afs9.3 billion), however, this

shows a decrease of 6.0 percent compared to the year to date expenditures during second quarter 1391, while at the end of the year major part of allocated budget in the sector will be spend.

The remaining sectors such as, Social Protection, Infrastructure, Economic Governance, Health and Agriculture sectors has spent 5.0, 1.7, 1.3, 1.1, and 0.83 billion respectively, looking to the trend of operating budget expenditures, almost above 90 percent of operating budget by sectors has been executed by the end of the fiscal year, because about 65 percent of total operating budget ha been allocated for employees compensation.

### **3.4 Development Budget by Economic Category**

For year 1391 total Afs 110.3 billion was allocated for Development Budget for 1391 this accounts for 10.5% of GDP in FY 1391. Of this development budget, Afs 34.2 billion was allocated under discretionary budget and Afs 76.1 billion was allocated under the Non-discretionary budget.

Of the total development budget allocated in 1391, Afs 19.2 billion was spent in second quarter of 1391 alone, while combined with expenditures of first quarter of 1391 about Afs 26.8 billion has been spent in total which is Afs 9.9 billion (or 58.6%) higher compared to expenditures during the first two quarters of 1390. Expenditure in second quarter of 1391 also showed significant increase of Afs 11.6 billion compared to Afs 7.6 billion expenses incurred in first quarter of 1391. Moreover, development expenditures in second quarter of 1391 were also higher by Afs 7.5 billion (or 64%) compared to the second quarter of 1391; over the past two quarters during 1391 about 24% of the allocated budget has been executed.

#### ***Goods and services***

Goods and Services include expenses incurred on construction equipments, engineering and design services, consulting firms, services of Non-governmental organization, tools and materials for project implementation, project management services and project monitoring and evaluations.

During the second quarter of 1391, total expenditures were Afs 9.5 billion, compared to Afs 3.1 billion spent in same category in the first quarter of 1391, expenditures in this quarter were higher by three times. However development budget expenditures on goods and services fell drastically behind budget by Afs 12.5 billion while YTD expenditures in this year compared to the same period last year were higher by Afs 6.5 billion (or 105%). It is likely that by the end of fiscal year 1391, whole budget under this category will not be spent and we will have surplus of budget.

#### ***Acquisition of Non-financial Assets***

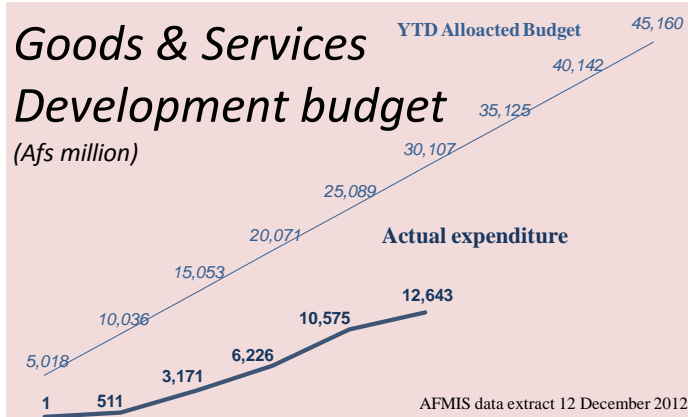
The acquisition on non-financial asset also commonly termed as “Capital Expenditure” include expenses incurred on purchase of land, construction or refurbishment of buildings, machinery and all other equipments valued above Afs 50,000.

In first two quarters of 1391 more than Afs 45 billion was budgeted for the acquisition on non-financial assets, of which about Afs 14.2 billion (or 31.5% of allocated budget) was executed during the past six months.

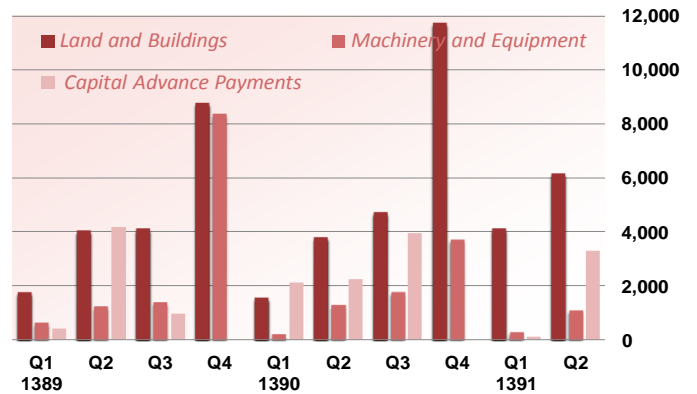
During second quarter Afs 22.5 billion was allocated for acquisition of non-financial assets out of which only Afs 9.8 billion was spent. However, there was significant increase while comparing to first quarter of this year and when compared to the expenditures incurred on acquisition of non-financial asset during the same period in 1390.

Of the allocated budget more than Afs 6.1 billion was utilized on the purchase of refurbishment of Land and Buildings followed by Capital Advance Payment which utilized 3.3 billion and purchase of machinery and equipments which executed more than Afs 1.1 billion.

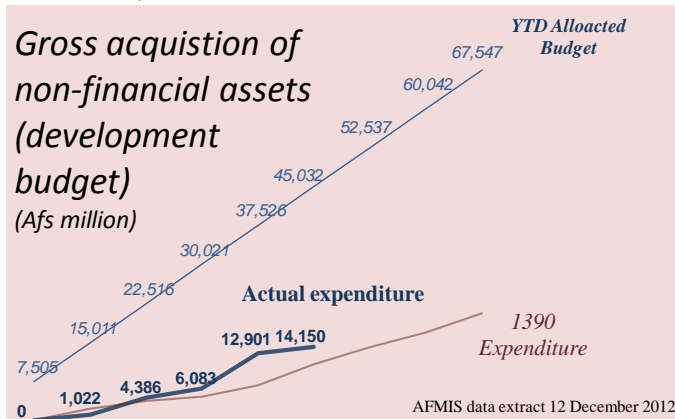
**Figure 3.5 – Goods and Services, Afs millions**



**Figure 3.6- Acquisition of non-financial assets by quarter, Afs millions, 1389 - 1391**



**Figure 3.7 - Acquisition of non-financial assets by quarter, Afs millions, 1390 - 1391**



### 3.5 Development Budget by ANDS Sector and Ministry

Table 3.3 considers the operating budget expenditures at the same stage of 1390 and 1391 by ANDS sector and largest development budget ministries. According to the Afghanistan National Development Strategy, national budget is also allocated among eight different sectors under which the Infrastructure and Natural Resources is allocated bulk national budget and has been allocated Afs 43.2 billion. However of the total allocated budget year to date expenditures was only Afs 12.7 billion (or 29.4% of allocated budget) in first two quarters of 1391, which is half of the budgeted amount.

On the other hand this expenditure is higher by Afs 6.6 billion when compared to Afs 6.1 billion spent in the same period in FY 1390 in this sector. This shows an improvement in execution of budget from 13.8% in 1390 to 29.4% in 1391.

**Table 3.3 – Development Expenditures by Sector and largest Minsitry (1390 and 1391 YTD)**

In millions of Afghanis	1390	1390	1390	1391	1391	1391	1391	1391	1391 Comparison to	
	Approved Budget	Qtr 2 Actual YTD	YTD. as % of Budget	Approved Budget	Qtr 2 Prelim YTD	YTD. as % of Budget	Unspent Budget	% of Total Unspent	Change	% Increase
<b>TOTAL</b>	<b>102,336.5</b>	<b>17,866.8</b>	<b>17.5</b>	<b>110,254.9</b>	<b>26,801.5</b>	<b>24.3</b>	<b>83,453.5</b>	<b>100.0</b>	<b>50.0</b>	<b>-86.4</b>
<b>Total Infrastructure and Natural Resources</b>	<b>44,482.4</b>	<b>6,134.1</b>	<b>13.8</b>	<b>49,355.2</b>	<b>12,741.8</b>	<b>25.8</b>	<b>36,613.4</b>	<b>43.9</b>	<b>6,607.7</b>	<b>107.7</b>
Ministry of Public Works	18,123.4	2,326.4	12.8	22,519.2	9,005.5	40.0	13,513.7	16.2	6,679.0	287.1
Ministry of Transport and Aviation	1,456.4	247.6	17.0	2,089.3	453.5	21.7	1,635.8	2.0	205.9	83.2
Ministry of Energy and Water	12,394.5	2,853.1	23.0	12,123.0	1,403.1	11.6	10,719.9	12.8	-1,450.0	-50.8
Water Supply and Canalization Corporation	901.9	0.0	0.0	559.5	0.0	0.0	559.5	0.7	0.0	N/A
Ministry of Communication	1,817.1	64.8	3.6	2,050.1	53.1	2.6	1,997.0	2.4	-11.7	-18.1
Geodesy and Cartography Office	164.7	0.0	0.0	175.1	0.0	0.0	175.1	0.2	0.0	N/A
Other Ministries	9,624.4	642.2	6.7	9,839.0	1,826.7	18.6	8,012.3	9.6	1,184.5	-193.7
<b>Total Agriculture and Rural Development</b>	<b>23,453.8</b>	<b>5,675.5</b>	<b>24.2</b>	<b>25,380.7</b>	<b>7,391.1</b>	<b>29.1</b>	<b>17,989.6</b>	<b>21.6</b>	<b>1,715.7</b>	<b>30.2</b>
Ministry of Agriculture	4,714.1	962.8	20.4	6,935.6	1,617.2	23.3	5,318.3	6.4	654.5	68.0
Ministry of Rural Rehabilitation and Development	18,500.1	4,683.5	25.3	17,895.2	5,654.9	31.6	12,240.3	14.7	971.4	20.7
Other Ministries	239.6	29.2	12.2	550.0	119.0	21.6	431.0	0.5	89.8	-58.5
<b>Total Education</b>	<b>12,001.5</b>	<b>1,719.5</b>	<b>14.3</b>	<b>10,315.9</b>	<b>1,785.1</b>	<b>17.3</b>	<b>8,530.8</b>	<b>10.2</b>	<b>65.7</b>	<b>3.8</b>
Ministry of Education	9,514.3	1,379.4	14.5	6,501.5	1,419.8	21.8	5,081.7	6.1	40.4	2.9
Other Ministries	2,487.2	340.1	13.7	3,814.4	365.3	9.6	3,449.0	4.1	25.3	0.9
<b>Total Economic Gov. and Private Sector Deve</b>	<b>5,494.1</b>	<b>851.5</b>	<b>15.5</b>	<b>6,066.6</b>	<b>1,199.1</b>	<b>19.8</b>	<b>4,867.5</b>	<b>5.8</b>	<b>347.6</b>	<b>40.8</b>
Ministry of Finance	3,508.3	634.3	18.1	4,365.8	889.0	20.4	3,476.8	4.2	254.7	40.2
Other Ministries	1,985.8	217.2	10.9	1,700.8	310.0	18.2	1,390.8	1.7	92.8	0.7
<b>Total Health</b>	<b>7,817.2</b>	<b>1,772.4</b>	<b>22.7</b>	<b>9,106.3</b>	<b>2,488.7</b>	<b>27.3</b>	<b>6,617.6</b>	<b>7.9</b>	<b>716.3</b>	<b>40.4</b>
Ministry of Public Health	7,817.2	1,772.4	22.7	9,106.3	2,488.7	27.3	6,617.6	7.9	716.3	40.4
<b>Total Governance, Rule of Law and Human Ri</b>	<b>3,405.1</b>	<b>1,475.0</b>	<b>43.3</b>	<b>3,352.5</b>	<b>560.6</b>	<b>16.7</b>	<b>2,791.9</b>	<b>3.3</b>	<b>-914.3</b>	<b>-62.0</b>
Independent Directorate of Local Governance	1,223.9	937.9	76.6	872.8	143.0	16.4	729.8	0.9	-795.0	-84.8
Other Ministries	2,181.2	537.0	24.6	2,479.7	417.6	16.8	2,062.1	2.5	-119.4	22.8
<b>Total Social Protection</b>	<b>1,119.5</b>	<b>179.5</b>	<b>16.0</b>	<b>1,201.9</b>	<b>399.8</b>	<b>33.3</b>	<b>802.1</b>	<b>1.0</b>	<b>220.3</b>	<b>122.8</b>
<b>Total Security</b>	<b>1,038.6</b>	<b>59.4</b>	<b>5.7</b>	<b>1,325.0</b>	<b>235.2</b>	<b>17.8</b>	<b>1,089.8</b>	<b>1.3</b>	<b>175.7</b>	<b>295.6</b>
<b>Total Unclassified</b>	<b>3,524.4</b>	<b>0.0</b>	<b>0.0</b>	<b>4,150.7</b>	<b>0.0</b>	<b>0.0</b>	<b>4,150.7</b>	<b>5.0</b>	<b>0.0</b>	<b>N/A</b>

Source: FPD using AFMIS data downloaded on the 12 December 2012

Within the **Infrastructure and Natural Resources** sector the Ministry of Public Works seize 45.6% of the allocated budget for this sector and has the highest allocated development budget among all ministries. Total allocated budget in 1391 for MoPW was Afs 22.5 billion and has executed Afs 9 billion or 40% of its allocated budget. Execution in this quarter was higher by Afs 6.7 billion (or 291%) when compared to Afs 2.3 billion expense incurred in same period in 1390 by MoPW.

**Ministry of Energy and Water** has the second highest development budget of Afs 12.1 billion within this sector, of which only Afs 1.4 billion or 11.6% of its allocated budget has been executed. When compared to the expenditure in same period of last year, MoEW year to date execution decreased from 23% allocated budget to 11.6%. The recurring lower execution rate by MoEW is mainly due to lower absorption capacity of the ministry, poor financial planning etc.

**Ministry of Information and Communication** has third highest budget of Afs 2 billion within this sector. MoIC has spent Afs 53.1 million in first two quarters of 1391 or 2.6% of the allocated budget. Considering the execution of MoIC in previous years, the MoIC is expected to reach a higher execution rate in the final quarter of 1391.

### **Agriculture and Rural Development**

The Agriculture and Rural Development sector is also one of leading sector considering the allocated budget in 1391. Total allocated budget in 1391 was Afs 25.4 billion for this sector, which was higher by almost Afs 2 billion only. However, only Afs 7.4 billion was spent in first two quarters or 29.1% of the total allocated budget in this sector, below are the main ministries operating under this sector.

Total allocated development budget for **Ministry of Agriculture, Irrigation and Livestock** in 1391 was Afs 6.9 billion while in 1390 this budget was Afs 4.7 billion only. Of the allocated development budget in 1391, Afs 1.6 billion was spent in 1391 which represents only 23% of the execution, an improvement of 2.9% over last year's execution rate.

The **Ministry of Rural Rehabilitation and Development** has allocated budget of Afs 17.9 billion in 1391, which has the highest budget within its sector and second highest among all ministries. MRRD has spent Afs 5.7 billion in first two quarters of 1391, which is 31.6% of the entire allocated budget and increase of mere 6.3% over the execution rate of 25.3% (Afs 4.7 billion) in 1390. The MRRD is expected to increase the execution rate in third quarter of fiscal year because most of the payments to contractors are made in final quarter of the year.

The **Education** sector has a budget of Afs 10.3 billion in 1391, of which only Afs 1.8 billion (or 17.3% of allocated budget) has been spent in the first two quarters. This shows an increase of 3% in execution rate, however, in absolute term there is no significant increase in expenditures when compared to the first two quarter of 1390, in this sector, Ministry of Education is one of the main ministries which has allocated budget of Afs 6.5 billion in 1391, where this ministry has executed its development budget about 21.8 percent in first two quarters of this fiscal year.

**Health** sector is another main sector to which a higher portion of development budget has been allocated. Health sector was assigned a budget of Afs 9.1 billion in 1391. Its budget was higher by Afs 1.3 billion when compared to previous fiscal year. During the first two quarter 27.2% of the allocated budget was executed. This is higher by 4.6% (or 0.7 billion) when compared to the same period of fiscal year 1390.



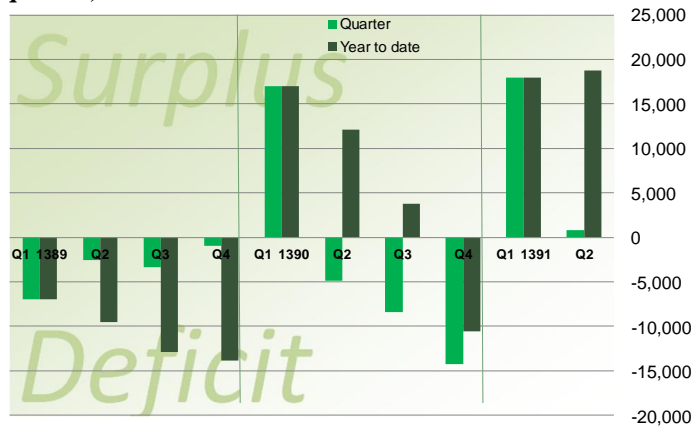
## 4 FINANCING OF THE CORE BUDGET

### 4.1 Public Sector Borrowing Requirement

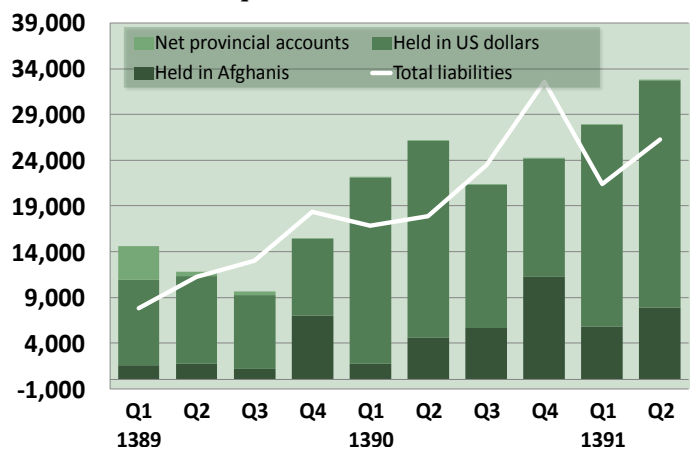
The public sector borrowing requirement is the integrated budget balance. However, it also adds any revenues the sale of non-financial assets to obtain a true picture of the budget financing requirement. In comparison, the core budget balance presented in chapter one only considers the *gross* acquisition of non-financial assets. Unless there is major asset sale, the public sector financing requirement will be very similar to the core budget balance (including grants). If there are any net sales of non-financial assets, the public sector borrowing requirement will be higher than the core budget balance.

Refers to the figure 4.1 as follow, government saving during second quarter 1391 has reached up to Afs18.8 billion. The savings during second quarter 1391 occurred due to lower execution rate and slow implementation of development projects by line ministries and higher amount of grants receipts. In addition, domestic revenue performance in this period was also good compared to the same period in past year, which rose by Afs1.1 billion. While as, the savings have been allocated to the Government’s Treasury Single Account (TSA) and provincial accounts; this will be spent in the coming quarters where a lot of disbursement taking place when year end.

**Figure 4.1 – Public Sector Borrowing Requirement by quarter, Afs millions**



**Figure 4.2 - Balance of Treasury Single Account, Afs million at end of quarter**



### 4.2 Treasury Single Account

Figure 4.2 reflects the changes in the Treasury Single Account (TSA) between second quarter 1391 and second quarter of 1390. It is likely that the balance increases if there is a surplus, and decrease if there is a deficit. While, liabilities are also crucial in determining movements in the TSA, given that some of the funds in the TSA might be used to pay off outstanding loans and arrears.

During second quarter 1391, TSA stood about Afs32.8 billion, this has been increased by Afs6.7 billion compared to second quarter 1390 (Afs26.1 billion). However, liabilities rose up to Afs26.2 billion at the end of second quarter 1391 in comparison to Afs17.9 billion by closing account of second quarter in 1390. The increases in liabilities are due to accumulation of outstanding loans and arrears. Nonetheless, the repayments of liabilities would have impacts on Treasury Single Account to wind down in the following quarters.

## 5 What is the right exchange rate regime for Afghanistan?

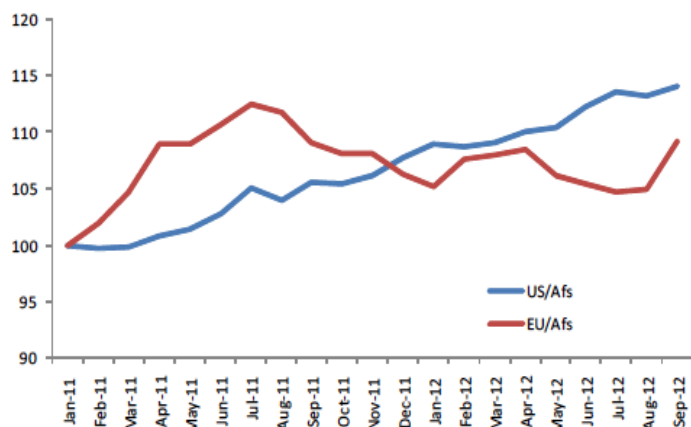
### 1. Introduction:

Exchange rate fluctuations have important implications for fiscal balance and discipline, it is therefore worthwhile to look into the current exchange rate regime in Afghanistan and to discuss what could be a potentially optimal system. However, it is important to note the caveat that the choice of a particular exchange rate regime any country could adopt is the function of several determining factors that include the degree of financial integration, economic diversification, trade orientation and macroeconomic policy tradeoffs etc.

### 2. Issues with the Existing Exchange Rate System:

Currently Afghanistan has a managed float exchange rate system. The Afghanistan Bank intervenes in the market from time to time to maintain the currency exchange rate against the US dollar at a rate around 50 Afs per 1 USD. DAB uses its reserves to supply dollars to the market and buy Afs when depreciation of Afghani requires an intervention. The usual timing of the release of reserves to the market is once at least each month through an auction where the dollars are sold to the FOREX dealers. This has strong implications for the depletion of the reserves. Thus, causing a note of concern. Besides, this does not seem to be a sustainable course for maintaining the exchange rate. Currently, the monetary policy is applied to maintain price stability.

In the wake of transition of security from international forces to Afghanistan and the likely reduction in aid



dollars, there is a predicted decrease in the overall level of aid coming to Afghanistan and the contracts and economic activities generally associated with foreign forces previously. Thus, the transition is definitely going to have implications for exchange rate regime. Most importantly, the issue of speculations has already appeared to be a cause of concern and the flight of dollars from Afghanistan as most businesses and households tend to save their money and tend to invest less their concern about what is likely to happen post transition. Therefore, it

has had a negative impact on the confidence in the currency. This would require a stronger response from government in confidence building and mechanisms and an adaptation of the exchange rate regime.

### 3. Reserve Implications:

Growth in international reserves has been 23 % from 2011 to 2012. The projected growth for next year is only 0.57% according to IMF program estimates. However, the rate at which central bank sells reserves through a FOREX auction is quite high, the aim of which is ultimately the stabilization of currency. For instance, from September 2012 to 18 December 2012, 1106 Million dollars have been sold to get Afs in return. This does not seem to be a sustainable pattern and has alarming implications for reserve depletion if

continued at this pace and it is likely to continue so given the speculative cycles. Therefore, there is a need for a comprehensive review of current mechanism and recommendations for a more viable exchange rate stabilization mechanism.

#### **4. Fiscal Impact:**

Grants made 52% of overall government budget in 1391 Most of this money is committed in US dollars. At the time of budgeting, all these amounts are included as equivalent Afghani in the budget. However, once the year starts, the in-year fluctuations in the dollar price causes varying effects depending on the upward or downward pressure on Afghani.

Besides, the impact of fiscal policy is also diminished when the floating exchange rate is used. It is an important tool that the government can use to influence economic activity in Afghanistan. While under a fixed exchange rate regime, fiscal policy will have more room to maneuver economic activity.

#### **5. Template:**

Using Husain (2006) template, we have outlined below a number of analytical considerations that could be used to suggest whether Afghanistan should peg its currency or continue with a form of floating currency regime.

##### **5.1 Economic Integration:**

The degree of Afghanistan's trade with its partners can give us indications for an exchange rate regime that could save transactions costs. The simplest measure we can use to determine Afghanistan's trade orientation is to use the ratio of its exports plus its imports to GDP. This ratio indicates whether nominal exchange rate stability through a pegged regime will benefit Afghanistan in terms of trade gains by avoiding the variability in exchange rates. For Afghanistan in 1391, the total exports and imports were 11.9 and 366 billion Afs respectively. The ratio of trade thus to GDP was 44%. Exports made a very small percentage of trade in 1390, 1.5% of total GDP. Given the low export levels in overall trade, we can suggest that Afghanistan won't benefit much from a fixed exchange rate regime given its low level of integration in world economy.

##### **5.2 Economic Diversification:**

A pegged system is usually prescribed to countries that have a diversified economy. Because in the case of diversified economies, countries are less prone to terms of trade shocks and are hence less likely to require exchange rate flexibility in order to adjust to external shocks.

The measure used in template to assess the level of economic diversification is to look at share of primary commodities in a country's exports and GDP. For Afghanistan, the share of primary commodities in exports is 31% and the share of primary commodities in GDP is only 0.43% for the year 1390. This shows that Afghanistan has very low exports base and is also more reliant on primary commodities in its exports composition, which are dry fruits mainly and carpets in second category. Therefore, for a less economically diversified country like Afghanistan, the case for a pegged regime is not very strong because in a floating regime, it will be able to absorb shocks more compared to a pegged system while the country is reliant on primary commodity in its export sector.

### 5.3 Financial Integration

Financial integration is an indicator of a country's exposure to global markets and the risks associated with it. The method used in the template is the one introduced by Rogoff and others (2004) by assessing whether an economy has access to private external capital by virtue of whether or not it is included in the Morgan Stanley Capital International (MSCI) emerging markets index or other indexes of capital markets. Another quantitative measure is the ratio of the countries' stock market capitalization and/or annual stock market turnover to GDP.

Afghanistan is not included in any of the major indices and is poorly integrated in global markets and access to global capital is thus limited because of the nascent financial development and non-existence of capital markets. Based on this consideration and since Afghanistan does not have exposure to global capital markets, a pegged case could be argued moderately as its exposure to global capital market volatilities is limited.

### 5.5 Fear of Floating/Balance Sheet Effects

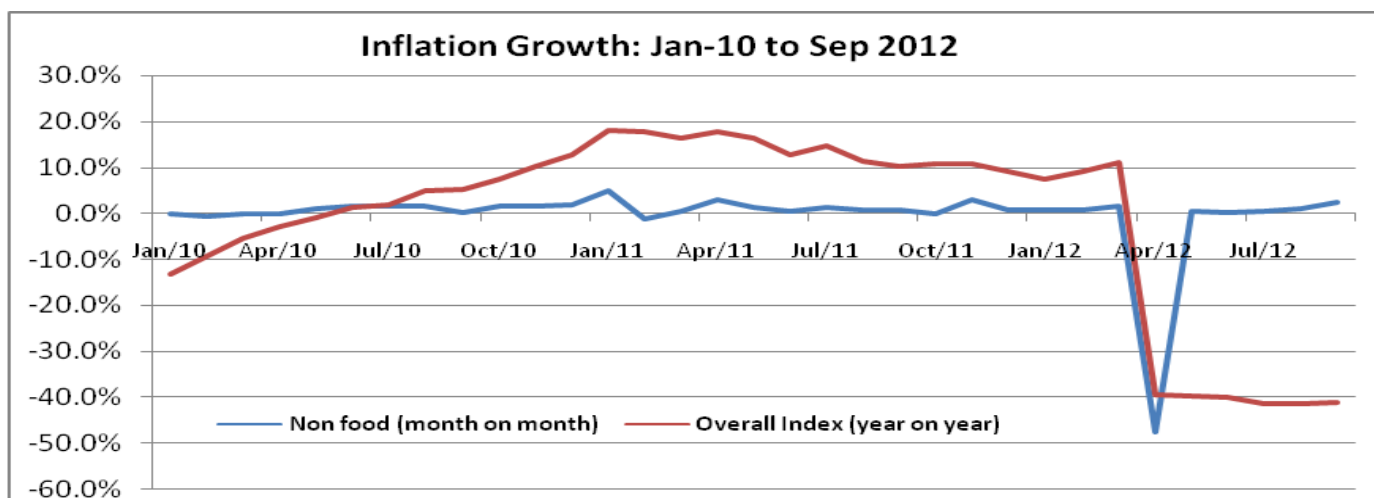
Reinhart, Rogoff, and Savastano (2003) evaluate the extent of dollarization in an economy and gives us a summary composite measure which has information on the share of bank deposits in foreign currencies, the share of domestic debt denominated in or indexed to a foreign currency.

In Afghanistan, loan dollarization is 76.5% and deposit dollarization is 66.6 % of GDP. This represents a very high level of dollarization in the economy particularly on the liability side, which shows Afghanistan is among the highly dollarized economy. Although there has not been much exchange rate pass-through to inflation, the high level of dollarization suggest that Afghanistan should have a pegged system to stem potential pass-through from exchange rate changes owing to speculations or other confidence falling events.

### 5.6 Credibility/Nominal Anchor

Countries that have a history of high inflation might benefit from a pegged regime because of the credibility that is lent by the being pegged to another currency.

Inflation in Afghanistan has mostly been contained and there have been only few episodes of high inflation in 1387. Therefore, the case for pegged regime based on these criteria is not appealing.



## **5.7 Conclusion:**

Based on the preliminary analysis above, it can be concluded that the debate for revisiting the current exchange rate system in Afghanistan is valid and that the sense of urgency in paying attention to implications of exchange rate fluctuations is justified. This is particularly relevant in the wake of impending transition and draw down in aid inflows.

With respect to the arguments for a pegged or non-pegged exchange regime, it seems obvious from the above analysis that the majority of the analytical considerations suggest a form of pegged regime for Afghanistan and that the current mechanism of stabilizing the exchange rate is not sustainable. Thus, more analysis is warranted on the type of fixed regime that can be adopted for Afghanistan.

## 6 Tables

Table 6.1 - Core Budget Revenues

Code	(In millions of Afghanis)	1390	1390	1391	1391	1391	1391 Comparison to		YTD Target		Annual Target (2)	% Annual Target
		Qtr 2 Actual Qtr	Qtr 2 Actual YTD	Qtr 1 Prelim Qtr	Qtr 2 Prelim Qtr	Qtr 2 Prelim YTD	1390 YTD		1391 Qtr 2 YTD	Target - Actual % (+/-)		
<b>CORE BUDGET</b>												
1	REVENUES including grants (1)	42,464.7	87,808.1	56,219.8	64,545.1	120,764.8	32,956.8	37.5				
1-19	REVENUES excluding grants	23,843.3	47,293.6	25,384.0	24,920.7	50,304.6	3,011.1	6.4	57,141.4	-12.0	87,909.9	57.2
<b>DOMESTIC REVENUES (2) (3)</b>												
11	Tax Revenues	10,540.4	19,918.2	11,305.3	12,808.6	24,113.9	4,195.7	21.1	26,914.6	-10.4	41,407.1	58.2
111	Fixed Taxes	2,503.8	4,799.9	2,549.0	2,560.9	5,110.0	310.1	6.5	6,547.0	-21.9	10,072.3	50.7
112	Income Taxes	2,577.4	5,421.7	3,600.7	4,333.7	7,934.4	2,512.8	46.3	7,176.4	10.6	11,040.6	71.9
113	Property Taxes	86.2	189.3	99.5	60.6	160.1	-29.2	-15.4	171.1	-6.4	263.2	60.8
114	Sales Taxes	4,583.8	8,193.0	4,277.7	5,350.8	9,628.5	1,435.4	17.5	11,085.6	-13.1	17,054.8	56.5
116	Other Taxes	634.0	1,022.4	687.5	399.0	1,086.5	64.1	6.3	1,500.4	-27.6	2,308.3	47.1
117	Tax Penalties and Fines	155.4	291.8	90.8	103.6	194.4	-97.4	-33.4	434.1	-55.2	667.9	29.1
12	Customs Duty, Import Taxes	8,058.1	15,907.6	7,193.0	6,867.6	14,060.6	-1,847.1	-11.6	20,018.6	-29.8	30,797.9	45.7
13	Non Tax Revenue	4,338.5	10,059.9	6,256.0	4,113.1	10,369.1	309.2	3.1	8,542.0	21.4	13,141.5	78.9
131	Income from Capital Property	68.2	2,548.7	2,583.2	72.3	2,655.5	106.9	4.2	161.5	1,544.8	248.4	1,069.1
132	Sales of Goods and Services	1,165.2	2,431.5	1,189.4	1,874.8	3,064.1	632.6	26.0	3,239.2	-5.4	4,983.3	61.5
133	Administrative Fees	2,881.3	4,610.8	2,215.0	1,935.5	4,150.5	-460.3	-10.0	4,793.2	-13.4	7,374.2	56.3
134	Royalties	67.3	109.0	76.1	49.1	125.2	16.1	14.8	23.2	439.7	35.7	350.8
135	Non Tax Fines and Penalties	128.2	319.4	133.8	140.3	274.1	-45.3	-14.2	195.0	40.6	299.9	91.4
136	Extractive Industry	28.2	40.5	58.5	41.1	99.6	59.1	146.1	130.0	-23.4	200.0	49.8
14	Miscellaneous Revenue	217.0	199.7	33.4	256.9	290.3	90.6	45.3	474.1	-38.8	729.4	39.8
17	Social Contributions	689.2	1,208.1	596.3	874.4	1,470.8	262.7	21.7	1,192.1	23.4	1,834.0	80.2
<b>GRANTS (1)</b>												
191	Foreign Governments	14,296.6	32,030.1	26,322.4	32,194.3	58,516.6	26,486.5	82.7				
192	International Organisation	4,182.1	8,341.6	4,510.4	7,422.7	11,933.1	3,591.5	43.1				
193	Other Government Units	142.8	142.8	3.0	7.4	10.5	-132.3	-92.7				
<b>TOTAL OPERATING BUDGET REVENUE</b>												
	Domestic Revenues	23,843.3	47,293.6	25,384.0	24,920.7	50,304.6	3,011.1	6.4	57,141.4	-12.0	87,909.9	57.2
	as percentage of total	63.6	60.4	49.2	46.1	47.6	11.0					
	External Grant Support	13,630.2	30,992.0	26,160.0	29,173.6	55,333.6	24,341.6	78.5			133,331.2	41.5
	as percentage of total	36.4	39.6	50.8	53.9	52.4	89.0					

Source: FPD using AFMIS data downloaded on the 12 December 2012

- Actual figures are not comparable to the development/ integrated budget grants or balances shown in budget documentation, as grants/ balance in budget documentation also includes loans. Loans are shown as a financing item in above table.
- Revenues exclude proceeds from the sale of fixed assets (150), and loans (18). These items are included under financing.
- In the published budget document, Afs 7.6 billion in domestic revenues are allocated to the development budget in 1391. In order to ensure comparability with actuals, all domestic revenues shown under the development budget in the published budget document have been re-allocated to the operating budget in the above table.

**Table 6.2 - Core Budget Domestic Revenues by Province**

Code	(In millions of Afghanis)	1390	1390	1391	1391	1391	1391 Comparison to		YTD Target		Annual Target	% Annual Target
		Qtr 2 Actual	Qtr 2 Actual	Qtr 1 Prelim	Qtr 2 Prelim	Qtr 2 Prelim	1390 YTD		1391 Qtr 2 YTD	Target - Actual		
		Qtr	YTD	Qtr	Qtr	YTD	Change	% Increase	YTD	% (+/-)		
<b>1-19</b>	<b>REVENUES excluding grants</b>	<b>23,843.3</b>	<b>47,293.6</b>	<b>25,384.0</b>	<b>24,920.7</b>	<b>50,304.6</b>	<b>3,011.1</b>	<b>6.4</b>	<b>57,141.5</b>	<b>-12.0</b>	<b>87,910.0</b>	<b>57.2</b>
01	Kabul	593.6	1,010.8	561.5	438.8	1,000.2	-10.6	-1.1	2,835.5	-64.7	4,362.3	22.9
02	Kapisa	32.1	42.1	20.2	22.1	42.3	0.2	0.4	49.7	-15.0	76.5	55.3
03	Panwan	42.9	58.5	21.1	54.8	75.9	17.4	29.7	96.0	-21.0	147.7	51.4
04	Wardak	28.8	53.4	38.1	52.1	90.2	36.9	69.1	58.8	53.5	90.4	99.8
05	Logar	26.3	38.4	16.9	25.9	42.7	4.3	11.3	62.1	-31.1	95.5	44.8
06	Nangarhar	2,391.7	5,187.3	2,791.8	2,601.9	5,393.6	206.4	4.0	7,258.7	-25.7	11,167.2	48.3
07	Laghman	40.3	62.9	21.9	37.9	59.8	-3.1	-4.9	71.1	-15.9	109.4	54.6
08	Pangsher	23.1	30.7	6.3	8.2	14.4	-16.3	-53.1	32.4	-55.6	49.9	28.9
09	Baghlan	57.3	85.7	63.0	63.7	126.7	41.0	47.8	126.0	0.5	193.9	65.3
10	Bamyan	21.2	28.1	10.9	22.6	33.5	5.5	19.5	43.1	-22.1	66.3	50.6
11	Ghazni	63.6	99.1	66.9	65.6	132.4	33.4	33.7	125.0	6.0	192.3	68.9
12	Paktika	25.9	39.1	17.5	33.9	51.4	12.3	31.5	63.1	-18.6	97.1	52.9
13	Paktiya	103.7	183.0	134.6	162.2	296.7	113.7	62.1	198.7	49.3	305.7	97.1
14	Khost	345.3	651.5	241.2	251.4	492.5	-159.0	-24.4	651.1	-24.3	1,001.6	49.2
15	Kunar	610.9	628.5	14.4	37.5	52.0	-576.5	-91.7	234.6	-77.8	360.9	14.4
16	Nuristan	4.6	4.7	0.2	7.3	7.4	2.7	58.5	18.2	-59.0	27.9	26.6
17	Badakhshan	59.4	73.2	21.4	84.6	106.0	32.8	44.7	114.4	-7.3	176.0	60.2
18	Takhar	91.5	118.7	41.2	70.3	111.5	-7.2	-6.1	135.4	-17.7	208.4	53.5
19	Kunduz	374.9	742.7	299.1	280.9	580.0	-162.7	-21.9	744.0	-22.0	1,144.6	50.7
20	Samangan	26.4	42.5	19.0	25.8	44.9	2.3	5.5	48.1	-6.7	74.0	60.6
21	Balkh	2,302.5	4,575.5	2,654.2	2,347.4	5,001.6	426.1	9.3	6,797.3	-26.4	10,457.4	47.8
22	Saripul	20.2	26.0	16.7	19.5	36.2	10.2	39.2	34.7	4.2	53.4	67.7
23	Ghor	25.9	34.8	18.8	19.3	38.1	3.2	9.2	39.8	-4.4	61.2	62.2
24	Dikondy	10.0	12.7	4.7	20.8	25.5	12.8	101.2	24.2	5.5	37.2	68.6
25	Uruzgan	12.2	16.9	2.9	13.4	16.3	-0.6	-3.8	27.7	-41.3	42.7	38.2
26	Zabul	37.9	46.4	7.8	15.3	23.1	-23.3	-50.2	62.1	-62.8	95.6	24.1
27	Kandahar	926.1	1,722.8	170.4	0.0	170.4	-1,552.5	-90.1	2,343.0	-92.7	3,604.7	4.7
28	Jawzjan	40.2	77.4	45.3	64.4	109.8	32.4	41.8	93.1	17.9	143.3	76.6
29	Faryab	555.2	923.9	562.8	898.5	1,461.3	537.4	58.2	1,094.0	33.6	1,683.0	86.8
30	Helmand	183.2	247.7	66.5	129.6	196.1	-51.6	-20.8	253.3	-22.6	389.7	50.3
31	Badghis	19.2	26.1	15.1	23.1	38.2	12.1	46.3	33.1	15.4	50.9	75.0
32	Herat	5,076.1	10,107.5	4,565.8	4,280.0	8,845.8	-1,261.7	-12.5	10,247.4	-13.7	15,765.2	56.1
33	Farah	237.7	402.2	208.8	237.1	445.9	43.8	10.9	333.8	33.6	513.5	86.8
34	Nimroz	933.5	1,804.9	1,148.0	1,181.0	2,329.0	524.2	29.0	2,319.4	0.4	3,568.2	65.3
90	Central Ministries	8,500.3	18,087.9	11,489.2	11,324.0	22,813.2	4,725.3	26.1	20,472.6	11.4	31,496.3	72.4
95	Offshore Payments	0.0	0.0	0.0	0.0	0.0	0.0	N/A	0.0	N/A	0.0	N/A

Source: FPD using AFMS data downloaded on the 12 December 2012

**Table 6.3a - Core Budget Expenditures**

Core	(In millions of Afghanis)	1390	1390	1391	1391	1391	Comparison to Budget			1391 Comparison to	
		Qtr 2 Actual Qtr	Qtr 2 Actual YTD	Qtr 1 Prelim Qtr	Qtr 2 Prelim Qtr	Qtr 2 Prelim YTD	Budget Ceiling (3)	Current Allocated Budget (4)	% Allocated Budget	Change	% Increase
<b>2</b>	<b>TOTAL GROSS EXPENDITURES</b>	<b>47,392.1</b>	<b>75,716.4</b>	<b>38,392.2</b>	<b>63,763.2</b>	<b>102,155.5</b>	<b>267,337</b>	<b>270,209</b>	<b>37.8</b>	<b>26,439.1</b>	<b>34.9</b>
	Operating Budget	35,661.5	58,794.1	30,834.4	44,528.6	75,362.9	157,082	157,551	47.8	16,568.8	28.2
	Development Budget	11,730.6	16,922.3	7,557.9	19,234.7	26,792.6	110,255	112,658	23.8	9,870.3	58.3
	Discretionary Budget	2,885.6	4,133.3	2,067.7	5,217.7	7,285.4	34,249	32,848	22.2	3,152.1	76.3
	Non-discretionary Budget	8,845.0	12,789.0	5,490.2	14,016.9	19,507.1	76,006	79,810	24.4	6,718.2	52.5
<b>2*</b>	<b>TOTAL NET EXPENDITURES</b>	<b>47,382.8</b>	<b>75,684.4</b>	<b>38,294.1</b>	<b>63,705.4</b>	<b>101,999.5</b>				<b>26,315.1</b>	<b>34.8</b>
<b>2-25</b>	<b>RECURRENT EXPENDITURES</b>	<b>40,030.5</b>	<b>64,430.6</b>	<b>33,822.2</b>	<b>53,169.1</b>	<b>86,991.3</b>	<b>N/A</b>	<b>195,086</b>	<b>44.6</b>	<b>22,560.7</b>	<b>35.0</b>
<b>21</b>	<b>Compensation of Employees</b>	<b>28,264.2</b>	<b>48,084.0</b>	<b>25,509.4</b>	<b>34,391.0</b>	<b>59,900.4</b>	<b>102,172</b>	<b>102,693</b>	<b>58.3</b>	<b>11,816.4</b>	<b>24.6</b>
	<i>of which operating budget</i>	<b>28,264.2</b>	<b>48,084.0</b>	<b>25,509.4</b>	<b>34,391.0</b>	<b>59,900.4</b>	<b>102,172.4</b>	<b>102,693</b>	<b>58.3</b>	<b>11,816.4</b>	<b>24.6</b>
211-3	Wages and Salaries	28,034.7	47,712.9	25,327.6	34,131.4	59,459.0				11,746.0	24.6
214-5	Social Benefits	229.5	371.0	181.8	259.6	441.4				70.4	19.0
<b>22</b>	<b>Use of Goods and Services</b>	<b>9,372.5</b>	<b>12,903.3</b>	<b>5,728.4</b>	<b>15,825.2</b>	<b>21,553.6</b>	<b>N/A</b>	<b>76,059</b>	<b>28.3</b>	<b>8,650.3</b>	<b>67.0</b>
	<i>of which operating budget</i>	<b>4,647.3</b>	<b>6,738.0</b>	<b>2,557.0</b>	<b>6,353.7</b>	<b>8,910.7</b>	<b>30,898.7</b>	<b>30,899</b>	<b>28.8</b>	<b>2,172.7</b>	<b>32.2</b>
221	Travel	352.9	615.3	274.0	640.1	914.1				298.8	48.6
222	Communications	207.2	302.8	0.0	0.0	0.0				-302.8	-100.0
223	Contracted Services	3,442.3	4,551.2	1,808.6	7,678.2	9,486.8				4,935.6	108.4
224	Repairs and Maintenance	609.4	777.3	128.2	284.8	413.0				-364.3	-46.9
225	Utilities	831.5	1,099.5	769.3	2,300.9	3,070.2				1,970.7	179.2
226	Fuel	593.9	854.0	438.0	1,125.0	1,563.1				709.1	83.0
227-9	Other Use of Goods and Services	3,335.3	4,703.4	2,310.2	3,796.3	6,106.5				1,403.1	29.8
<b>23</b>	<b>Interest (1) - operating budget</b>	<b>7.2</b>	<b>44.7</b>	<b>40.4</b>	<b>6.3</b>	<b>46.7</b>	<b>550.0</b>	<b>550</b>	<b>8.5</b>	<b>2.0</b>	<b>4.5</b>
<b>24</b>	<b>Social Transfers - operating budget</b>	<b>2,386.6</b>	<b>3,398.6</b>	<b>2,543.9</b>	<b>2,946.6</b>	<b>5,490.5</b>	<b>15,784.0</b>	<b>15,784</b>	<b>34.8</b>	<b>2,091.9</b>	<b>61.6</b>
242	Subsidies	0.0	0.0	0.0	1,000.0	1,000.0				1,000.0	N/A
245	Grants	22.7	28.6	1.1	13.8	14.9				-13.7	-47.9
247	Social Security	2,187.0	3,177.5	2,236.4	1,910.4	4,146.8				969.3	30.5
248-9	Other Social Transfers	176.9	192.5	306.4	22.5	328.9				136.4	70.8
<b>25</b>	<b>ACQUISITION OF ASSETS</b>										
<b>25</b>	<b>Gross Acquisition of Nonfinancial Assets</b>	<b>7,361.6</b>	<b>11,285.7</b>	<b>4,570.1</b>	<b>10,594.1</b>	<b>15,164.2</b>	<b>N/A</b>	<b>75,123</b>	<b>20.2</b>	<b>3,878.5</b>	<b>34.4</b>
	<i>of which operating budget</i>	<b>356.2</b>	<b>528.8</b>	<b>183.6</b>	<b>831.0</b>	<b>1,014.6</b>	<b>7,676.5</b>	<b>7,625</b>	<b>13.3</b>	<b>485.8</b>	<b>91.9</b>
<b>25*</b>	<b>Net Acquisition of Nonfinancial Assets (2)</b>	<b>7,352.3</b>	<b>11,253.8</b>	<b>4,471.9</b>	<b>10,536.3</b>	<b>15,008.2</b>				<b>3,754.4</b>	<b>33.4</b>
150	Sale of Land and Buildings	-9.2	-31.9	-98.1	-57.8	-156.0				-124.1	388.5
251	Buildings and Structures	3,712.5	5,281.0	4,134.2	6,168.2	10,302.3				5,021.3	95.1
252	Machinery / Equipment (>50,000)	1,299.5	1,523.5	304.0	1,117.4	1,421.4				-102.2	-6.7
257	Valuables	3.0	3.1	0.0	12.2	12.2				9.1	293.9
258	Land	115.7	129.2	22.1	3.7	25.8				-103.4	-80.1
259	Capital Advance Payments	2,230.9	4,348.9	109.9	3,292.6	3,402.5				-946.4	-21.8

Source: FPD using AFMIS data downloaded on the 12 December 2012

1/ Interest Only. Does not include loan principal payments

2/ Proceeds from sale of fixed assets are netted off from the total

3/ Budget and MYR figures of core budget are not available for goods and services (code 21) and capital (code 25) as the published development budget is not broken down into these categories.

4/ Total allocated budget is the same as the approved Budget ceiling. However, individual items for current allocated Budget do not add up to total published budget as they do not include contingency reserves not yet transferred to budgetary units. Published budget figures are used for interest (code 23) and subsidies and transfers (code 24).



**Table 6.3b - Operating Budget Expenditures**

Core	(In millions of Afghanis)	1390	1390	1391	1391	1391	Comparison to Budget			1391 Comparison to	
		Qtr 2 Actual Qtr	Qtr 2 Actual YTD	Qtr 1 Prelim Qtr	Qtr 2 Prelim Qtr	Qtr 2 Prelim YTD	Original Budget Ceiling	Current Allocated Budget (3)	% Allocated Budget	Change	% Increase
2	<b>TOTAL GROSS EXPENDITURES</b>	35,661.5	58,794.1	30,834.4	44,528.6	75,362.9	157,081.6	157,551.3	47.8	16,568.8	28.2
2*	<b>TOTAL NET EXPENDITURES (2)</b>	35,652.3	58,762.2	30,736.2	44,470.7	75,206.9					
2-25	<b>RECURRENT EXPENDITURES</b>	35,305.3	58,265.3	30,650.7	43,697.6	74,348.3	149,405.1	149,926.0	49.6	16,083.0	27.6
21	<b>Compensation of Employees</b>	28,264.2	48,084.0	25,509.4	34,391.0	59,900.4	102,172.4	102,693.4	58.3	11,816.4	24.6
211-3	Wages and Salaries	28,034.7	47,712.9	25,327.6	34,131.4	59,459.0				11,746.0	24.6
214-5	Social Benefits	229.5	371.0	181.8	259.6	441.4				70.4	19.0
22	<b>Use of Goods and Services</b>	4,647.3	6,738.0	2,557.0	6,353.7	8,910.7	30,898.7	30,898.7	28.8	2,172.7	32.2
221	Travel	298.5	540.1	229.7	532.4	762.1				222.0	41.1
222	Communications	173.0	254.5	0.0	0.0	0.0				-254.5	-100.0
223	Contracted Services	66.5	118.9	104.7	189.7	294.4				175.5	147.6
224	Repairs and Maintenance	559.6	710.5	120.5	239.5	359.9				-350.6	-49.3
225	Utilities	830.3	1,098.1	758.7	2,209.9	2,968.6				1,870.5	170.3
226	Fuel	579.2	835.8	434.0	1,104.3	1,538.4				702.5	84.0
227-9	Other Use of Goods and Services	2,140.2	3,180.0	909.4	2,077.9	2,987.3				-192.7	-6.1
23	<b>Interest (1)</b>	7.2	44.7	40.4	6.3	46.7	550.0	550.0	8.5	2.0	4.5
24	<b>Social Transfers</b>	2,386.6	3,398.6	2,543.9	2,946.6	5,490.5	15,784.0	15,784.0	34.8	2,091.9	61.6
242	Subsidies	0.0	0.0	0.0	1,000.0	1,000.0				1,000.0	N/A
245	Grants	22.7	28.6	1.1	13.8	14.9				-13.7	-47.9
247	Social Security	2,187.0	3,177.5	2,236.4	1,910.4	4,146.8				969.3	30.5
248-9	Other Social Transfers	176.9	192.5	306.4	22.5	328.9				136.4	70.8
25	<b>ACQUISITION OF ASSETS</b>										
25	<b>Gross Acquisition of Nonfinancial Assets</b>	356.2	528.8	183.6	831.0	1,014.6	7,676.5	7,625.3	13.3	485.8	91.9
25*	<b>Net Acquisition of Nonfinancial Assets (2)</b>	346.9	496.9	85.5	773.1	858.6				361.7	72.8

Source: FPD using AFMIS data downloaded on the 12 December 2012, and Central Statistical Office for GDP data.

1/ Interest Only. Does not include loan principal payments

2/ Proceeds from sale of fixed assets are netted off from the total

3/ Total allocated budget is the same as the approved Budget ceiling. However, individual items for current allocated Budget do not add up to total published budget as they do not include contingency reserves not yet transferred to budgetary units. Published budget figures are used for interest (code 23) and subsidies and transfers (code 24).

**Table 6.3c - Development Budget Expenditures**

Core	(In millions of Afghanis)	1390	1390	1391	1391	1391	Comparison to Budget			1391 Comparison to	
		Qtr 2	Qtr 2	Qtr 1	Qtr 2	Qtr 2	Original	Current	%	1390 YTD	
		Actual	Actual	Prelim	Prelim	Prelim	Budget	Allocated	Allocated	Change	% Increase
		Qtr	YTD	Qtr	Qtr	YTD	Ceiling (3)	Budget (4)	Budget		
<b>2</b>	<b>TOTAL GROSS EXPENDITURES</b>	<b>11,730.6</b>	<b>16,922.3</b>	<b>7,557.9</b>	<b>19,234.7</b>	<b>26,792.6</b>	<b>110,254.9</b>	<b>110,254.9</b>	<b>24.3</b>	<b>9,870.3</b>	<b>58.3</b>
	Discretionary Budget	2,885.6	4,133.3	2,067.7	5,217.7	7,285.4	34,248.9	34,248.9	21.3	3,152.1	76.3
	Non-discretionary Budget	8,845.0	12,789.0	5,490.2	14,016.9	19,507.1	76,006.0	76,006.0	25.7	6,718.2	52.5
<b>2*</b>	<b>TOTAL NET EXPENDITURES (2)</b>	<b>11,730.6</b>	<b>16,922.3</b>	<b>7,557.9</b>	<b>19,234.7</b>	<b>26,792.6</b>				<b>9,870.3</b>	<b>58.3</b>
<b>2-25</b>	<b>RECURRENT EXPENDITURES</b>	<b>4,725.2</b>	<b>6,165.4</b>	<b>3,171.4</b>	<b>9,471.5</b>	<b>12,643.0</b>	<b>N/A</b>	<b>45,160.2</b>	<b>28.0</b>	<b>6,477.6</b>	<b>105.1</b>
	<b>Compensation of Employees</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>N/A</b>
211-3	Wages and Salaries	0.0	0.0	0.0	0.0	0.0					
214-5	Social Benefits	0.0	0.0	0.0	0.0	0.0					
	<b>Use of Goods and Services</b>	<b>4,725.2</b>	<b>6,165.4</b>	<b>3,171.4</b>	<b>9,471.5</b>	<b>12,643.0</b>	<b>N/A</b>	<b>45,160.2</b>	<b>28.0</b>	<b>6,477.6</b>	<b>105.1</b>
221	Travel	54.4	75.2	44.4	107.7	152.0				76.9	102.3
222	Communications	34.2	48.2	0.0	0.0	0.0				-48.2	-100.0
223	Contracted Services	3,375.7	4,432.3	1,704.0	7,488.5	9,192.5				4,760.1	107.4
224	Repairs and Maintenance	49.9	66.8	7.7	45.3	53.0				-13.7	-20.6
225	Utilities	1.2	1.4	10.6	91.0	101.6				100.2	7,030.9
226	Fuel	14.7	18.1	4.0	20.7	24.7				6.6	36.5
227-9	Other Use of Goods and Services	1,195.1	1,523.3	1,400.7	1,718.4	3,119.1				1,595.8	104.8
<b>23</b>	<b>Interest (1)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>N/A</b>
<b>24</b>	<b>Social Transfers</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>N/A</b>
242	Subsidies	0.0	0.0	0.0	0.0	0.0				0.0	N/A
245	Grants	0.0	0.0	0.0	0.0	0.0				0.0	N/A
247	Social Security	0.0	0.0	0.0	0.0	0.0				0.0	N/A
248-9	Other Social Transfers	0.0	0.0	0.0	0.0	0.0				0.0	N/A
	<b>Gross Acquisition of Nonfinancial Assets</b>	<b>7,005.4</b>	<b>10,756.9</b>	<b>4,386.5</b>	<b>9,763.1</b>	<b>14,149.6</b>	<b>N/A</b>	<b>67,547.5</b>	<b>20.9</b>	<b>3,392.7</b>	<b>31.5</b>
<b>25*</b>	<b>Net Acquisition of Nonfinancial Assets (2)</b>	<b>7,005.4</b>	<b>10,756.9</b>	<b>4,386.5</b>	<b>9,763.1</b>	<b>14,149.6</b>				<b>3,392.7</b>	<b>31.5</b>
150	Sale of Land and Buildings	0.0	0.0	0.0	0.0	0.0				0.0	N/A
251	Buildings and Structures	3,571.6	5,067.9	4,102.1	6,004.5	10,106.6				5,038.7	99.4
252	Machinery / Equipment (>50,000)	1,193.1	1,377.3	177.9	468.9	646.8				-730.5	-53.0
257	Valuables	3.0	3.0	0.0	1.1	1.1				-1.9	-62.2
258	Land	9.6	9.6	0.4	-0.4	0.0				-9.6	-100.0
259	Capital Advance Payments	2,228.1	4,299.1	106.0	3,289.0	3,395.0				-904.0	-21.0

Source: FPD using AFMIS data downloaded on the 12 December 2012

1/ Interest Only. Does not include loan principal payments

2/ Proceeds from sale of fixed assets are netted off from the total

3/ Budget and MYR figures of core budget are not available for goods and services (code 21) and capital (code 25) as the published development budget is not broken down into these categories.

4/ Total allocated budget is the same as the approved Budget ceiling. However, individual items for current allocated Budget do not add up to total published budget as they do not include contingency reserves not yet transferred to budgetary units. Published budget figures are used for interest (code 23) and subsidies and transfers (code 24).

**Table 6.4 – Total Core Budget Expenditures by Afghanistan National Development Strategy Pillar**

In millions of Afghanis	1390	1390	1391	1391	1391	Comparison to Budget			1391 Comparison	
	Qtr 2 Actual Qtr	Qtr 2 Actual YTD	Qtr 1 Prelim Qtr	Qtr 2 Prelim Qtr	Qtr 2 Prelim YTD	Original Budget Ceiling	Current Allocated Budget (1)	% Allocated Budget	Change	Increase %
<b>TOTAL GROSS EXPENDITURES</b>	<b>47,443.4</b>	<b>75,812.3</b>	<b>38,379.6</b>	<b>63,743.4</b>	<b>102,164.4</b>	<b>267,336.5</b>	<b>267,336.5</b>	<b>38.2</b>	<b>26,352.1</b>	<b>34.8</b>
Operating Budget	35,620.1	57,945.5	30,834.4	44,528.6	75,362.9	157,081.6	157,081.6	48.0	17,417.4	30.1
Development Budget	11,823.3	17,866.8	7,545.3	19,214.9	26,801.5	110,254.9	110,254.9	24.3	8,934.7	50.0
<b>Security</b>	<b>20,646.2</b>	<b>34,126.0</b>	<b>18,838.9</b>	<b>28,324.3</b>	<b>47,163.2</b>	<b>101,526.8</b>	<b>101,721.9</b>	<b>46.4</b>	<b>13,037.2</b>	<b>38.2</b>
Operating Budget	20,586.7	34,066.6	18,836.7	28,091.3	46,928.0	100,201.8	100,396.8	46.7	12,861.4	37.8
Development Budget	59.4	59.4	2.2	233.0	235.2	1,325.0	1,325.0	17.8	175.7	295.6
<b>Total Governance, Rule of Law and Human Rights</b>	<b>3,482.3</b>	<b>6,239.8</b>	<b>2,531.7</b>	<b>3,206.9</b>	<b>5,779.9</b>	<b>11,167.4</b>	<b>12,244.2</b>	<b>47.2</b>	<b>-459.9</b>	<b>-7.4</b>
Operating Budget	3,032.8	4,764.9	2,439.0	2,780.2	5,219.3	7,814.9	8,891.7	58.7	454.4	9.5
Development Budget	449.5	1,475.0	92.6	426.7	560.6	3,352.5	3,352.5	16.7	-914.3	-62.0
<b>Total Infrastructure and Natural Resources</b>	<b>5,470.0</b>	<b>7,452.6</b>	<b>5,111.7</b>	<b>9,350.3</b>	<b>14,462.0</b>	<b>52,341.7</b>	<b>52,546.4</b>	<b>27.5</b>	<b>7,009.4</b>	<b>94.1</b>
Operating Budget	901.6	1,318.5	590.3	1,129.8	1,720.2	2,986.5	3,191.2	53.9	401.7	30.5
Development Budget	4,568.4	6,134.1	4,521.3	8,220.5	12,741.8	49,355.2	49,355.2	25.8	6,607.7	107.7
<b>Total Education</b>	<b>8,251.0</b>	<b>12,780.3</b>	<b>5,533.4</b>	<b>9,604.1</b>	<b>15,137.5</b>	<b>33,022.5</b>	<b>33,402.9</b>	<b>45.3</b>	<b>2,357.2</b>	<b>18.4</b>
Operating Budget	6,787.6	11,060.8	5,087.2	8,265.1	13,352.4	22,706.6	23,087.0	57.8	2,291.5	20.7
Development Budget	1,463.4	1,719.5	446.2	1,339.0	1,785.1	10,315.9	10,315.9	17.3	65.7	3.8
<b>Total Health</b>	<b>1,989.4</b>	<b>2,684.3</b>	<b>786.5</b>	<b>2,712.2</b>	<b>3,498.7</b>	<b>11,186.8</b>	<b>11,195.1</b>	<b>31.3</b>	<b>814.4</b>	<b>30.3</b>
Operating Budget	527.8	912.0	409.7	600.4	1,010.0	2,080.5	2,088.8	48.4	98.1	10.8
Development Budget	1,461.6	1,772.4	376.9	2,111.8	2,488.7	9,106.3	9,106.3	27.3	716.3	40.4
<b>Total Agriculture and Rural Development</b>	<b>3,615.3</b>	<b>6,470.1</b>	<b>1,956.4</b>	<b>6,263.3</b>	<b>8,219.7</b>	<b>26,777.2</b>	<b>26,789.6</b>	<b>30.7</b>	<b>1,749.6</b>	<b>27.0</b>
Operating Budget	510.1	794.6	354.5	474.0	828.6	1,396.4	1,408.8	58.8	34.0	4.3
Development Budget	3,105.2	5,675.5	1,601.9	5,789.3	7,391.1	25,380.7	25,380.7	29.1	1,715.7	30.2
<b>Total Social Protection</b>	<b>2,678.3</b>	<b>3,988.6</b>	<b>2,698.1</b>	<b>2,703.2</b>	<b>5,401.3</b>	<b>2,783.2</b>	<b>7,684.4</b>	<b>70.3</b>	<b>1,412.7</b>	<b>35.4</b>
Operating Budget	2,542.5	3,809.2	2,591.7	2,409.8	5,001.5	1,581.3	6,482.5	77.2	1,192.4	31.3
Development Budget	135.8	179.5	106.3	293.4	399.8	1,201.9	1,201.9	33.3	220.3	122.8
<b>Total Economic Governance and Private Sector Development</b>	<b>1,311.0</b>	<b>2,070.6</b>	<b>923.0</b>	<b>1,579.1</b>	<b>2,502.1</b>	<b>8,046.2</b>	<b>12,916.7</b>	<b>19.4</b>	<b>431.5</b>	<b>20.8</b>
Operating Budget	731.0	1,219.0	525.1	777.9	1,303.0	1,979.6	6,850.0	19.0	84.0	6.9
Development Budget	579.9	851.5	397.9	801.2	1,199.1	6,066.6	6,066.6	19.8	347.6	40.8
<b>Total Unclassified</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>20,484.7</b>	<b>8,748.7</b>	<b>0.0</b>	<b>0.0</b>	<b>N/A</b>
Operating Budget	0.0	0.0	0.0	0.0	0.0	16,334.0	4,598.0	0.0	0.0	N/A
Development Budget	0.0	0.0	0.0	0.0	0.0	4,150.7	4,150.7	0.0	0.0	N/A

Source: FPD using AFMIS data downloaded on the 12 December 2012

(1) For individual Ministries (not the total budget), allocated operating Budget may not equal the approved budget, as funds are allocated from contingency reserve during the year. Allocated budget for the development budget is the same as the latest approved budget.







**Table 6.6a – Core Budget Gross Expenditures by Program (Ministries implementing Program Budgeting in 1391)**

Code	(In millions of Afghanis)	OPERATING BUDGET			DEVELOPMENT BUDGET			TOTAL BUDGET		
		1391	Comparison to Budget		1391	Comparison to Budget		1391	Comparison to Budget	
		Qtr 2 Prelim YTD	Current Allocated Budget (1)	% Allocated Budget	Qtr 2 Prelim YTD	Current Allocated Budget (1)	% Allocated Budget	Qtr 2 Prelim YTD	Current Allocated Budget (1)	% Allocated Budget
<b>27</b>	<b>Ministry of Education</b>	<b>9,728.7</b>	<b>19,917.4</b>	<b>48.8</b>	<b>1,379.4</b>	<b>6,334.5</b>	<b>21.8</b>	<b>11,108.2</b>	<b>26,251.9</b>	<b>42.3</b>
271	General and Islamic Education	8,359.5	16,667.1	50.2	942.6	2,423.1	38.9	9,302.1	19,090.2	48.7
272	Curriculum Development ,Teacher Educatio	317.0	799.6	39.7	169.9	2,672.0	6.4	486.9	3,471.6	14.0
273	Technical and Vocational Education & Train	317.1	822.9	38.5	64.0	620.0	10.3	381.1	1,442.9	26.4
274	Literacy	177.0	372.2	47.6	20.0	145.7	13.8	197.1	517.9	38.0
275	Education Management	558.1	1,255.6	44.4	182.9	473.7	38.6	741.0	1,729.3	42.9
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>39</b>	<b>Ministry of Agriculture, Irrigation and L</b>	<b>523.5</b>	<b>912.6</b>	<b>57.4</b>	<b>962.8</b>	<b>6,749.9</b>	<b>14.3</b>	<b>1,486.3</b>	<b>7,662.6</b>	<b>19.4</b>
391	Natural Resource Management	109.9	197.2	55.7	61.5	303.0	20.3	171.5	500.3	34.3
392	Agriculture ptoduction and productivity	189.5	306.8	61.8	542.1	3,747.1	14.5	731.7	4,053.9	18.0
393	Economic Regeneration	76.2	113.9	66.9	134.7	2,003.9	6.7	210.9	2,117.9	10.0
394	Change Management	147.8	294.6	50.2	224.5	695.8	32.3	372.2	990.5	37.6
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>43</b>	<b>Ministry of Rural Rehabilitation and De</b>	<b>0.0</b>	<b>0.0</b>	<b>N/A</b>	<b>4,683.5</b>	<b>16,338.6</b>	<b>28.7</b>	<b>4,683.5</b>	<b>16,338.6</b>	<b>28.7</b>
431	Local Governance	0.0	0.0	N/A	4,256.1	3,470.5	122.6	4,256.1	3,470.5	122.6
432	Rural Infrastructure	0.0	0.0	N/A	320.9	1,039.4	30.9	320.9	1,039.4	30.9
433	Economic Regeneration	0.0	0.0	N/A	106.5	11,828.6	0.9	106.5	11,828.6	0.9
434	Rural Policy, Planning and Coordination	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>41</b>	<b>Ministry of Energy &amp; Water</b>	<b>159.1</b>	<b>353.9</b>	<b>44.9</b>	<b>2,853.1</b>	<b>11,502.1</b>	<b>24.8</b>	<b>3,012.2</b>	<b>11,856.0</b>	<b>25.4</b>
411	Availability of competitively priced electricity	12.5	22.8	54.7	1,147.1	4,409.9	26.0	1,159.6	4,432.7	26.2
412	Availability of and accessibility to water for c	55.8	169.7	32.9	1,680.4	6,992.7	24.0	1,736.2	7,162.3	24.2
413	General Administration	90.8	161.4	56.3	25.6	99.5	25.7	116.4	261.0	44.6
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>20</b>	<b>Ministry of Finance</b>	<b>948.0</b>	<b>5,048.9</b>	<b>18.8</b>	<b>634.3</b>	<b>4,319.7</b>	<b>14.7</b>	<b>1,582.3</b>	<b>9,368.7</b>	<b>16.9</b>
201	Public Finance Management	263.7	3,529.2	7.5	177.0	1,523.1	11.6	440.7	5,052.4	8.7
202	Revenue Management	213.1	386.6	55.1	197.9	1,140.8	17.3	411.0	1,527.4	26.9
203	Policy Management	54.0	1,109.8	4.9	190.5	898.0	21.2	244.4	2,007.8	12.2
204	General Administration	417.2	23.3	1,790.7	69.0	757.8	9.1	486.2	781.1	62.2
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>42</b>	<b>Ministry of Public Works</b>	<b>448.9</b>	<b>1,254.6</b>	<b>35.8</b>	<b>2,326.4</b>	<b>20,261.2</b>	<b>11.5</b>	<b>2,775.3</b>	<b>21,515.8</b>	<b>12.9</b>
421	Infrastructure	7.1	36.9	19.3	2,184.1	20,112.3	10.9	2,191.3	20,149.3	10.9
422	Road Maintenance	391.3	1,106.6	35.4	0.0	0.0	N/A	391.3	1,106.6	35.4
423	Administration and Finance	50.5	111.1	45.4	142.3	148.9	95.6	192.8	260.0	74.1
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>37</b>	<b>Ministry of Public Health</b>	<b>915.4</b>	<b>2,088.8</b>	<b>43.8</b>	<b>1,772.4</b>	<b>9,242.8</b>	<b>19.2</b>	<b>2,687.8</b>	<b>11,331.6</b>	<b>23.7</b>
371	Institutional Development	34.3	61.0	56.2	112.6	2,514.2	4.5	146.8	2,575.2	5.7
372	Health Services Provision	361.3	994.8	36.3	1,659.8	6,702.8	24.8	2,021.1	7,697.6	26.3
373	Administrative Support	519.9	1,033.1	50.3	0.0	25.8	0.0	519.9	1,058.8	49.1
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>59</b>	<b>Independent Directorate of Local Govi</b>	<b>777.6</b>	<b>1,790.3</b>	<b>43.4</b>	<b>160.7</b>	<b>0.0</b>	<b>N/A</b>	<b>938.2</b>	<b>1,790.3</b>	<b>52.4</b>
591	IDLG Policy	1.3	14.4	9.3	0.0	0.0	N/A	1.3	14.4	9.3
592	Institutional Development	5.4	1,414.3	0.4	160.7	0.0	N/A	166.1	1,414.3	11.7
593	Broader Governance	650.4	361.7	179.8	0.0	0.0	N/A	650.4	361.7	179.8
594	#N/A	120.4	0.0	N/A	0.0	0.0	N/A	120.4	0.0	N/A
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>49</b>	<b>Ministry of Urban Development</b>	<b>54.9</b>	<b>143.0</b>	<b>38.4</b>	<b>196.8</b>	<b>591.2</b>	<b>33.3</b>	<b>251.7</b>	<b>734.3</b>	<b>34.3</b>
491	Planning and Urban Development	11.0	12.8	85.9	43.3	108.2	40.0	54.2	121.0	44.8
492	Housing	5.0	5.7	88.1	21.3	206.3	10.3	26.4	212.0	12.4
493	Urban Infrastructure	3.7	17.2	21.7	97.8	235.3	41.6	101.6	252.5	40.2
494	Operation and Management	35.1	107.3	32.7	34.4	41.5	82.9	69.5	148.8	46.7
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A

(1) Official data on the revised development budget by program are not available. Figures on allocated budget for the development budget are taken from budget allocations shown in AFMIS data, which differs from published data shown in Tables 6.5.  
Source: FPD using AFMIS data downloaded on the 12 December 2012

**Table 6.6b – Core Budget Gross Expenditures by Program (Ministries implementing Program Budgeting in 1391) – continued**

Code	In millions of Afghanis	OPERATING BUDGET			DEVELOPMENT BUDGET			TOTAL BUDGET		
		1391	Comparison to Budget		1391	Comparison to Budget		1391	Comparison to Budget	
		Qtr 2	Current	%	Qtr 2	Current	%	Qtr 2	Current	%
		Prelim	Allocated	Allocated	Prelim	Allocated	Allocated	Prelim	Allocated	Allocated
		YTD	Budget (1)	Budget	YTD	Budget (1)	Budget	YTD	Budget (1)	Budget
<b>45</b>	<b>Ministry of Transport &amp; Civil Aviation</b>	<b>248.7</b>	<b>382.2</b>	<b>65.1</b>	<b>247.6</b>	<b>1,941.3</b>	<b>12.8</b>	<b>496.2</b>	<b>2,323.5</b>	<b>21.4</b>
451	Air Transport Service	109.4	167.9	65.2	243.9	1,215.3	20.1	353.3	1,383.2	25.5
452	Land Transport Services	53.2	104.2	51.1	1.7	0.0	N/A	54.9	104.2	52.7
453	Management and Operation Services	86.0	110.1	78.2	1.9	726.0	0.3	88.0	836.1	10.5
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>34</b>	<b>Ministry of Communication and Informa</b>	<b>18,543.0</b>	<b>371.3</b>	<b>4,993.6</b>	<b>-18,283.2</b>	<b>2,044.9</b>	<b>-894.1</b>	<b>259.8</b>	<b>2,416.2</b>	<b>10.8</b>
341	Electronic Afghanistan (E- Afghanistan)	13,357.9	71.6	18,661.2	-13,256.4	2,031.0	-652.7	101.5	2,102.6	4.8
342	ICT literacy	301.5	17.6	1,713.4	-290.8	0.0	N/A	10.7	17.6	60.9
343	General Administration & Management	4,883.6	282.2	1,730.8	-4,736.0	13.9	-34,087.7	147.6	296.0	49.9
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>25</b>	<b>Ministry of Commerce and Industry</b>	<b>102.2</b>	<b>1,398.4</b>	<b>7.3</b>	<b>26.3</b>	<b>303.7</b>	<b>8.7</b>	<b>128.5</b>	<b>1,702.0</b>	<b>7.5</b>
251	Private sector and industry development	20.7	24.3	84.9	4.3	176.0	2.5	25.0	200.3	12.5
252	Trade Policy and Transit	43.7	158.0	27.6	0.0	0.0	N/A	43.7	158.0	27.6
253	Admin and regulatory services	37.8	1,216.0	3.1	22.0	127.7	17.2	59.8	1,343.8	4.5
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>47</b>	<b>Ministry of Labour, Social Affairs, Mart</b>	<b>3,451.2</b>	<b>5,815.8</b>	<b>59.3</b>	<b>117.7</b>	<b>905.3</b>	<b>13.0</b>	<b>3,568.9</b>	<b>6,721.1</b>	<b>53.1</b>
471	Labor Support Program	1,590.5	2,901.8	54.8	102.8	790.1	13.0	1,693.3	3,691.9	45.9
472	Social Support Program	102.1	309.5	33.0	4.0	23.9	16.6	106.1	333.4	31.8
473	Martyrs and Disabled	1,534.3	2,031.6	75.5	0.0	50.9	0.0	1,534.3	2,082.4	73.7
474	Mangagment and Operations Program	224.3	572.9	39.1	10.9	40.4	27.1	235.2	613.3	38.4
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>22</b>	<b>Ministry of Defence</b>	<b>5.9</b>	<b>10.3</b>	<b>56.9</b>	<b>1.2</b>	<b>18.8</b>	<b>6.6</b>	<b>7.1</b>	<b>29.1</b>	<b>24.4</b>
221	Cambat forces	56.2	119.0	47.3	11.7	84.4	13.9	67.9	203.4	33.4
222	Supportive forces	83.9	185.2	45.3	74.0	589.8	12.5	157.8	774.9	20.4
999	Expenditure returns	52.9	111.9	47.3	62.6	314.0	19.9	115.4	425.9	27.1
<b>38</b>	<b>Ministry of Women's Affairs</b>	<b>31.0</b>	<b>73.3</b>	<b>42.3</b>	<b>11.4</b>	<b>275.7</b>	<b>4.1</b>	<b>42.4</b>	<b>349.1</b>	<b>12.1</b>
381	Women Support and Strengthening	693.0	1,397.6	49.6	21.5	362.3	5.9	714.6	1,759.9	40.6
382	Gender Development & monitoring of Plicy	693.0	1,397.6	49.6	21.5	362.3	5.9	714.6	1,759.9	40.6
383	Administration and Finance	0.0	970.9	0.0	0.0	201.1	0.0	0.0	1,172.0	0.0
999	Expenditure returns	0.0	970.9	0.0	0.0	201.1	0.0	0.0	1,172.0	0.0
<b>35</b>	<b>Ministry of Economy</b>	<b>0.0</b>	<b>800.8</b>	<b>0.0</b>	<b>0.0</b>	<b>109.5</b>	<b>0.0</b>	<b>0.0</b>	<b>910.3</b>	<b>0.0</b>
351	Economic Policy and Strategy and Monitorin	0.0	584.0	0.0	0.0	109.5	0.0	0.0	693.5	0.0
352	Administration and Management Services	0.0	216.8	0.0	0.0	0.0	N/A	0.0	216.8	0.0
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>10</b>	<b>President's Office</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>N/A</b>	<b>-</b>	<b>-</b>	<b>N/A</b>
101	Services to president	0.0	355.6	0.0	0.0	94.5	0.0	0.0	450.0	0.0
999	Expenditure returns	0.0	355.6	0.0	0.0	94.5	0.0	0.0	450.0	0.0
<b>28</b>	<b>Ministry of Higher Education</b>	<b>0.0</b>	<b>1,238.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>N/A</b>	<b>0.0</b>	<b>1,238.0</b>	<b>0.0</b>
281	Educate & Train Skilled Graduates	0.0	1,238.0	0.0	0.0	0.0	N/A	0.0	1,238.0	0.0
282	Lead and Manage system of Higher Educati	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
999	Expenditure returns	0.0	0.0	N/A	0.0	0.0	N/A	0.0	0.0	N/A
<b>62</b>	<b>Civil Service Commissoin</b>	<b>0.0</b>	<b>901.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>N/A</b>	<b>0.0</b>	<b>901.4</b>	<b>0.0</b>
621	Appointments and Appeals	0.0	901.4	0.0	0.0	0.0	N/A	0.0	901.4	0.0
622	Public Administration Reform	0.0	1,968.7	0.0	0.0	752.1	0.0	0.0	2,720.8	0.0
623	Capacity Building	0.0	83.1	0.0	0.0	0.0	N/A	0.0	83.1	0.0
624	Adm & operations	0.0	21.5	0.0	0.0	0.0	N/A	0.0	21.5	0.0
999	Expenditure returns	0.0	1,864.1	0.0	0.0	752.1	0.0	0.0	2,616.2	0.0

(1) Official data on the revised development budget by program are not available. Figures on allocated budget for the development budget are taken from budget allocations shown in AFMIS data, which differs from published data shown in Tables 6.5.

Source: FPD using AFMIS data downloaded on the 12 December 2012



**Table 6.7 – Total Core Budget Expenditures by COFOG Sector**

Code	(In millions of Afghanis)	1390 Qtr 2 Actual Qtr	1390 Qtr 2 Actual YTD	1390 Percent of Total	1391 Qtr 1 Prelim Qtr	1391 Qtr 2 Prelim Qtr	1391 Qtr 2 Prelim YTD	1391 Percent of Total	1391 Comparison to 1390 YTD Change	% Increase
<b>2</b>	<b>TOTAL NET EXPENDITURE</b>	<b>47,382.8</b>	<b>75,684.4</b>		<b>38,294.1</b>	<b>63,705.4</b>	<b>101,999.5</b>		<b>26,315.1</b>	<b>34.8</b> N/A
150	Sale of Land and Buildings	9.2	31.9		98.1	57.8	156.0		124.1	388.5 N/A
<b>2+150</b>	<b>TOTAL GROSS EXPENDITURE</b>	<b>47,392.1</b>	<b>75,716.4</b>	<b>100.0</b>	<b>38,392.2</b>	<b>63,763.2</b>	<b>102,155.5</b>	<b>100.0</b>	<b>26,439.1</b>	<b>34.9</b>
	RECURRENT EXPENDITURE	40,030.5	64,430.6	85.1	33,822.2	53,169.1	86,991.3	85.2	22,560.7	35.0
	CAPITAL EXPENDITURE	7,361.6	11,285.7	14.9	4,570.1	10,594.1	15,164.2	14.8	3,878.5	34.4
			<b>0.0</b>							
<b>701</b>	<b>General Public Services (1)</b>	<b>3,909.8</b>	<b>6,426.7</b>	<b>8.5</b>	<b>3,338.2</b>	<b>4,592.5</b>	<b>7,930.7</b>	<b>7.8</b>	<b>1,504.0</b>	<b>23.4</b>
	Recurrent Expenditure	3,616.4	5,919.4	7.8	2,959.8	3,862.8	6,822.6	6.7	903.1	15.3
	Capital Expenditure	293.4	507.2	0.7	378.4	729.7	1,108.1	1.1	600.9	118.5
<b>702</b>	<b>Defence</b>	<b>10,112.6</b>	<b>18,728.2</b>	<b>24.7</b>	<b>11,470.3</b>	<b>14,378.4</b>	<b>25,848.7</b>	<b>25.3</b>	<b>7,120.5</b>	<b>38.0</b>
	Recurrent Expenditure	10,015.1	18,536.8	24.5	11,343.2	14,108.3	25,451.5	24.9	6,914.6	37.3
	Capital Expenditure	97.5	191.4	0.3	127.1	270.1	397.2	0.4	205.8	107.5
<b>703</b>	<b>Public Order and Safety</b>	<b>10,975.5</b>	<b>16,405.3</b>	<b>21.7</b>	<b>7,513.2</b>	<b>13,980.7</b>	<b>21,493.9</b>	<b>21.0</b>	<b>5,088.6</b>	<b>31.0</b>
	Recurrent Expenditure	10,808.7	16,215.7	21.4	7,504.2	13,543.4	21,047.6	20.6	4,831.9	29.8
	Capital Expenditure	166.9	189.6	0.3	8.9	437.3	446.3	0.4	256.7	135.4
<b>704</b>	<b>Economic Affairs</b>	<b>9,186.3</b>	<b>14,125.9</b>	<b>18.7</b>	<b>7,031.5</b>	<b>15,561.5</b>	<b>22,593.0</b>	<b>22.1</b>	<b>8,467.0</b>	<b>59.9</b>
	Recurrent Expenditure	3,382.0	4,929.9	6.5	3,276.2	7,414.7	10,691.0	10.5	5,761.1	116.9
	Capital Expenditure	5,804.3	9,196.1	12.1	3,755.3	8,146.8	11,902.0	11.7	2,705.9	29.4
<b>705</b>	<b>Environmental Protection</b>	<b>44.3</b>	<b>67.3</b>	<b>0.1</b>	<b>29.3</b>	<b>66.6</b>	<b>95.9</b>	<b>0.1</b>	<b>28.6</b>	<b>42.5</b>
	Recurrent Expenditure	34.2	56.0	0.1	29.3	44.4	73.7	0.1	17.6	31.5
	Capital Expenditure	10.1	11.2	0.0	0.0	22.2	22.2	0.0	11.0	97.3
<b>706</b>	<b>Housing and Communal Amenities</b>	<b>202.0</b>	<b>269.3</b>	<b>0.4</b>	<b>225.4</b>	<b>441.2</b>	<b>666.6</b>	<b>0.7</b>	<b>397.3</b>	<b>147.5</b>
	Recurrent Expenditure	132.5	169.0	0.2	63.6	137.1	200.6	0.2	31.6	18.7
	Capital Expenditure	69.5	100.3	0.1	161.8	304.1	465.9	0.5	365.6	364.4
<b>707</b>	<b>Health</b>	<b>2,032.9</b>	<b>2,738.1</b>	<b>3.6</b>	<b>797.7</b>	<b>2,734.6</b>	<b>3,532.3</b>	<b>3.5</b>	<b>794.1</b>	<b>29.0</b>
	Recurrent Expenditure	1,973.5	2,650.1	3.5	760.6	2,651.1	3,411.7	3.3	761.6	28.7
	Capital Expenditure	59.4	88.0	0.1	37.0	83.5	120.5	0.1	32.5	36.9
<b>708</b>	<b>Recreation, Culture and Religion</b>	<b>600.9</b>	<b>1,143.1</b>	<b>1.5</b>	<b>247.5</b>	<b>484.2</b>	<b>731.7</b>	<b>0.7</b>	<b>-411.5</b>	<b>-36.0</b>
	Recurrent Expenditure	526.1	1,019.0	1.3	223.7	410.1	633.8	0.6	-385.2	-37.8
	Capital Expenditure	74.8	124.1	0.2	23.8	74.1	97.9	0.1	-26.3	-21.2
<b>709</b>	<b>Education</b>	<b>8,005.1</b>	<b>12,386.5</b>	<b>16.4</b>	<b>5,410.1</b>	<b>9,338.9</b>	<b>14,749.0</b>	<b>14.4</b>	<b>2,362.5</b>	<b>19.1</b>
	Recurrent Expenditure	7,254.9	11,548.4	15.3	5,344.2	8,901.1	14,245.3	13.9	2,696.8	23.4
	Capital Expenditure	750.2	838.1	1.1	65.9	437.9	503.8	0.5	-334.4	-39.9
<b>710</b>	<b>Social Protection</b>	<b>2,322.5</b>	<b>3,425.8</b>	<b>4.5</b>	<b>2,329.1</b>	<b>2,184.7</b>	<b>4,513.8</b>	<b>4.4</b>	<b>1,088.0</b>	<b>31.8</b>
	Recurrent Expenditure	2,287.1	3,386.3	4.5	2,317.3	2,096.3	4,413.6	4.3	1,027.3	30.3
	Capital Expenditure	35.4	39.5	0.1	11.8	88.5	100.3	0.1	60.7	153.5

Source: FPD using AFMIS data downloaded on the 12 December 2012

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

**Table 6.8 - Transactions in Nonfinancial Assets in the Core Budget**

Code	In millions of Afghanis	1390	1390	1391	1391	1391	1391 Comparison to	
		Qtr 2	Qtr 2	Qtr 1	Qtr 2	Qtr 2	1390 YTD	
		Actual	Actual	Prelim	Prelim	Prelim	Change	% Increase
		Qtr	YTD	Qtr	Qtr	YTD		
<b>25</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>7,352.3</b>	<b>11,253.8</b>	<b>4,471.9</b>	<b>10,536.3</b>	<b>15,008.2</b>	<b>3,754.4</b>	<b>33.4</b>
	Land and Buildings	<b>3,819.0</b>	<b>5,378.3</b>	<b>4,058.1</b>	<b>6,114.0</b>	<b>10,172.1</b>	<b>4,793.8</b>	<b>89.1</b>
251/8	Purchase of Land and Buildings	3,828.2	5,410.2	4,156.2	6,171.9	10,328.1	4,917.9	90.9
150	Sale of Land and Buildings	-9.2	-31.9	-98.1	-57.8	-156.0	-124.1	388.5
151	Sale of State-Owned Enterprises	0.0	0.0	0.0	0.0	0.0	0.0	N/A
252	Machinery and Equipment (>50,000)	1,299.5	1,523.5	304.0	1,117.4	1,421.4	-102.2	-6.7
257	Valuables	3.0	3.1	0.0	12.2	12.2	9.1	293.9
259	Other Acquisitions	2,230.9	4,348.9	109.9	3,292.6	3,402.5	-946.4	-21.8

Source: FPD using AFMIS data downloaded on the 12 December 2012

**Table 6.9 - Transactions in Financial Assets and Liabilities in the Core Budget**

Code	In millions of Afghanis	1390	1390	1391	1391	1391	1391 Comparison to	
		Qtr 2	Qtr 2	Qtr 1	Qtr 2	Qtr 2	1390 YTD	
		Actual	Actual	Prelim	Prelim	Prelim	Change	% (+/-)
		Qtr	YTD	Qtr	Qtr	YTD		
<b>3+4</b>	<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES</b>	<b>4,918.1</b>	<b>-12,123.6</b>	<b>-17,925.7</b>	<b>-860.3</b>	<b>-18,785.9</b>	<b>-6,662.3</b>	<b>55.0</b>
<b>3</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>3,276.8</b>	<b>-12,338.2</b>	<b>-7,007.6</b>	<b>-6,387.8</b>	<b>-13,395.4</b>	<b>-1,057.3</b>	<b>8.6</b>
	<b>Domestic</b>	<b>3,276.8</b>	<b>-12,338.2</b>	<b>-7,007.6</b>	<b>-6,387.8</b>	<b>-13,395.4</b>	<b>-1,057.3</b>	<b>8.6</b>
	Currency and Deposits	-328.8	-8,300.9	-918.2	-7,781.1	-8,699.3	-398.3	4.8
311	Treasury Single Account	-4,030.6	-9,556.5	-3,695.8	-4,903.3	-8,599.1	957.4	-10.0
313	Donor Accounts	4,044.6	1,578.2	2,777.6	-1,329.7	1,447.8	-130.3	-8.3
314/90	Other Deposit Accounts (1)	-342.8	-322.6	0.0	-1,548.0	-1,548.0	-1,225.4	379.8
317	Loans	1.0	18.9	10.7	4.8	15.5	-3.4	-18.1
319	Other Accounts Receivable	-52.4	371.6	425.4	397.4	822.8	451.2	121.4
	Other Assets	3,657.0	-4,427.7	-6,525.5	991.0	-5,534.4	-1,106.7	25.0
	<b>Foreign</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>N/A</b>
<b>4</b>	<b>NET ACQUISITION OF LIABILITIES</b>	<b>1,641.3</b>	<b>214.5</b>	<b>-10,918.0</b>	<b>5,527.5</b>	<b>-5,390.5</b>	<b>-5,605.0</b>	<b>-2,612.5</b>
	<b>Domestic</b>	<b>1,058.6</b>	<b>-446.8</b>	<b>-11,187.2</b>	<b>3,936.0</b>	<b>-7,251.2</b>	<b>-6,804.4</b>	<b>1,522.9</b>
411	Accounts Payable	-19.0	23.0	59.2	-165.5	-106.3	-129.3	-561.5
413	Pension Liabilities	-2.6	1.4	31.5	-30.4	11.9	10.4	731.2
423	Other Payables	850.1	850.1	0.0	1,633.7	1,633.7	783.6	92.2
451	Other Liabilities (1)	230.0	-1,321.4	-11,278.0	2,498.2	-8,779.7	-7,458.3	564.4
	<b>Foreign</b>	<b>582.8</b>	<b>661.4</b>	<b>269.2</b>	<b>1,591.5</b>	<b>1,860.7</b>	<b>1,199.3</b>	<b>181.3</b>
431	Foreign Currency	-8.8	-13.7	0.3	-6.5	-6.3	7.5	-54.4
181-2	Loans	591.6	675.1	268.9	1,598.1	1,867.0	1,191.9	176.5

Source: FPD using AFMIS data downloaded on the 12 December 2012

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

**Table 6.10 – Alternative Measures of Deficit/Surplus and Financing in the Core Budget**

Code	In millions of Afghanis	1390	1390	1391	1391	1391	1391 Comparison to	
		Qtr 2 Actual Qtr	Qtr 2 Actual YTD	Qtr 1 Prelim Qtr	Qtr 2 Prelim Qtr	Qtr 2 Prelim YTD	1390 YTD	Change % Increase
<b>TRANSACTIONS AFFECTING NET WORTH</b>								
1	Revenues including Grants	42,464.7	87,808.1	56,219.8	64,545.1	120,764.8	32,956.8	37.5
2-25	Expenditures (Recurrent)	40,030.5	64,430.6	33,822.2	53,169.1	86,991.3	22,560.7	35.0
23	Interest	7.2	44.7	40.4	6.3	46.7	2.0	4.5
	<b>Net Balance (1-2-25)</b>	<b>2,434.2</b>	<b>23,377.4</b>	<b>22,397.6</b>	<b>11,375.9</b>	<b>33,773.5</b>	<b>10,396.1</b>	<b>44.5</b>
	<b>Primary Balance (1-2-25+23)</b>	<b>2,441.4</b>	<b>23,422.2</b>	<b>22,438.0</b>	<b>11,382.3</b>	<b>33,820.3</b>	<b>10,398.1</b>	<b>44.4</b>
<b>TRANSACTIONS IN NONFINANCIAL ASSETS</b>								
25	Net Acquisition of Nonfinancial Assets	7,352.3	11,253.8	4,471.9	10,536.3	15,008.2	3,754.4	33.4
	<b>Net Lending-Borrowing (1-2)</b>	<b>-4,918.1</b>	<b>12,123.6</b>	<b>17,925.7</b>	<b>839.7</b>	<b>18,765.3</b>	<b>6,641.7</b>	<b>54.8</b>
	<b>Financing (3+4+5)</b>	<b>4,918.1</b>	<b>-12,123.6</b>	<b>-17,925.7</b>	<b>-839.7</b>	<b>-18,765.3</b>	<b>-6,641.7</b>	<b>54.8</b>
<b>TRANSACTIONS IN FINANCIAL ASSETS AN</b>								
		0.0						
3	Net Acquisition of Financial Assets	3,276.8	-12,338.2	-7,007.6	-6,387.8	-13,395.4	-1,057.3	8.6
4	Net Acquisition of Financial Liabilities	1,641.3	214.5	-10,918.0	5,527.5	-5,390.5	-5,605.0	-2,612.5
5	<b>RETAINED EARNINGS</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>20.6</b>	<b>20.6</b>		
	<b>Discrepancies (Financing-3-4-5)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		

Source: FPD using AFMIS data downloaded on the 12 December 2012

## 7 Glossary

<b>Budget</b>	An itemised 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 channelling the funding through the Government
Integrated Budget	The core budget plus the external budget
<b>Expenditure/Expense</b>	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 organisation 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.
<b>Revenues</b>	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 raised 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
<b>Balances</b>	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 6.10)	Revenues (including donor grants) minus recurrent expenditures. It measures the change in net worth resulting from transactions (excluding capital expenditure)
Primary operating balance (Table 6.10)	Net operating balance plus interest expenditures
Surplus	A positive balance (revenues are greater than expenditures)

Deficit	A negative balance (revenues are less than expenditures)
<b>Financing</b>	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 organisation 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% 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.

**Second Quarter Fiscal Bulletin**  
**Fiscal Year 1391**

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