



ISLAMIC REPUBLIC OF AFGHANISTAN

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MINISTRY OF FINANCE

**ANNUAL FISCAL REPORT**  
**1392**

FISCAL POLICY DIRECTORATE

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## 1392 Fiscal Year Highlights

Contrary to the strong performance over last few years, the Afghan economy did not perform well in FY 1392 with real GDP growth of 3.1 percent compared (14 percent in 1391), with service sector contributing the highest at 2.5 percent among all sectors. The industrial sector contributed 0.6 percent, while the agriculture's sector's share fell to -0.1 percent (from 3.6 percent in 1391).

In 1392, inflation (period average) was only 6.2 percent compared to 8.5 percent in 1391, the reduction was mainly attributed to fall inflation for non food items as well as some food items.

Total domestic revenues collected were Afs 109.7 billion in FY 1392 compared to annualized revenue collection of Afs 108.9 billion in FY 1391, showing small increase of Afs 0.8 billion or 1 percent, but missed the revenues target of Afs 114 billion by Afs 4 billion or 4 percent. The cause for shortfall was fall in the volume of taxable imports, and decline in tax revenues because of uncertainties mainly due to the transition and withdrawal of foreign troops in 2014.

Total grants to core budget were Afs 196.3 billion in FY 1392 compared to Afs 101.5 billion in FY 1391, a large increase of about Afs 95 billion. Operating budget grants were about Afs 140 billion while development budget grants were Afs 56.3 billion.

Total gross core budget expenditures were Afs 273.9 billion (24 percent of GDP) in 1392 compared to Afs 189.4 billion (23.3 percent of GDP) in 1391 (with 9 months). Net operating budget balance increased from a surplus of 1.4 percent of GDP in 1391 to 4.9 percent of GDP in 1392.

The public debt stock (current and non-current) increased from Afs 126.5 billion (11.6 percent GDP) in Q3 1391 to Afs 138.1 billion (12.1 percent GDP) by end of Q3 1392, showing an increase of Afs 11.6 billion.

Note: Fiscal Year 1391 was nine months (March 21 2012 – December 20 2012), so all figures used in the reports represent 9 months of data for 1391.

Table 1 – Fiscal Summary for Fiscal Years 1391 (9 months) – 1392

Code	In millions of Afghanis	1391		1392		1392	
		Prelim. Actual	%GDP	Prelim. Actual	%GDP	Final Budget (4)	% of Final Budget
<b>OPERATING BUDGET</b>							
	<b>Operating Budget Revenues</b>	<b>147,387</b>	<b>18.1</b>	<b>249,814</b>	<b>21.9</b>	<b>201,229</b>	<b>24.1</b>
1	Domestic Revenues	81,672	10.0	109,732.2	9.6	114,000	-3.7
1-19	Operating Grants	65,715	8.1	140,082.1	12.3	87,229	60.6
	<b>Operating Budget Expenditures</b>	<b>135,780</b>	<b>16.7</b>	<b>193,715</b>	<b>17.0</b>	<b>206,585</b>	<b>94</b>
	<b>Operating Budget Balance (3)</b>	<b>0.0</b>					
	Excluding Grants	-54,108	-6.6	-83,983	-7.4	-92,585	91
	Including Grants	11,607	1.4	56,099	4.9	-5,356	-1,047
	<b>Indicator of Fiscal Sustainability</b> (domestic revenues/operating expenditures)	<b>60%</b>	<b>0.0</b>	<b>57%</b>		<b>55%</b>	
<b>DEVELOPMENT BUDGET</b>							
	<b>Development Grants (1)</b>	<b>35,795</b>	<b>4.4</b>	<b>56,291</b>	<b>4.9</b>	<b>121,922</b>	<b>46</b>
	<b>Development Expenditures</b>	<b>53,610</b>	<b>6.6</b>	<b>80,201</b>	<b>7.0</b>	<b>141,660</b>	<b>57</b>
	<b>Development Budget Balance (3)</b>	<b>-17,815</b>	<b>-2.2</b>	<b>-23,910</b>	<b>-2.1</b>	<b>-19,738</b>	<b>121</b>
<b>INTEGRATED BUDGET</b>							
	<b>Revenues (1)</b>	<b>183,181</b>	<b>22.5</b>	<b>306,105</b>	<b>26.8</b>	<b>323,150</b>	<b>95</b>
	Domestic Revenues	81,672	10.0	109,732	9.6	114,000	96
	Grants (1)	101,510	12.5	196,373	17.2	209,150	94
	<b>Expenditures</b>	<b>189,390</b>	<b>23.3</b>	<b>273,917</b>	<b>24.0</b>	<b>348,245</b>	<b>150</b>
	<b>Integrated Budget Balance</b>	<b>0.0</b>					
	Excluding Grants	-107,718	-13.2	-164,185	-14.4	-234,245	70
	Including Grants (3)	-6,208	-0.8	32,188	2.8	-25,095	-128
	<b>Financing Requirement</b>						
	Balance Including Grants	-6,208		32,188			
	Sale of Land and Buildings	177		36			
	<b>Lending/Borrowing</b>	<b>-6,032</b>		<b>32,225</b>			

Source: AFMIS Database as at 4 March 2014

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

2/ Actuals are interest Only. However, budget figures include principal repayments and interest.

the operating and development budget, and development budget balance in budget documentation includes loans.

4/ Final Budget figures for expenditure available from AFMIS, except for interest (code 23) and subsidies and transfers (code 24), as AFMIS data includes contingency reserves in these categories. Reconciliation of budget figures between categories is also not finalized, and so total of each category does not add to total budget of Budget of Afs 196.3 billion.

## Fiscal Sustainability

- Fiscal sustainability is defined as “Domestic Revenue covers the operating budget expenditures”. Achieving fiscal sustainability has been and continues to be one of the primary goals of the government. Over the past two years, lower revenue growth and rising operating expenditure led the fiscal sustainability indicator to trace downward trend. For FY 1392, it was 57 percent compared to 60.1 per cent for 1391.
- Preliminary actual data for FY 1391 shows that domestic revenue collection was Afs 109.7 billion, which shows a slight increase if compared with total annualized amount for 1391. Domestic revenue collections has missed the revised budget target of Afs 114 and had a shortfall of Afs 4.3 billion by end of fiscal year 1392.
- Operating expenditures shows increase trend over the past few years, and it is expected that government operating expenditure will increase further in the future. This will be due to the rise in security spending, other fiscal pressures (education, health), and also because the Government is likely to progressively take on more responsibility for the recurrent implications of the external budget. In order to continue to make progress towards fiscal sustainability, continuous efforts will be required to make sure domestic revenues

## 1. Macroeconomic Performance

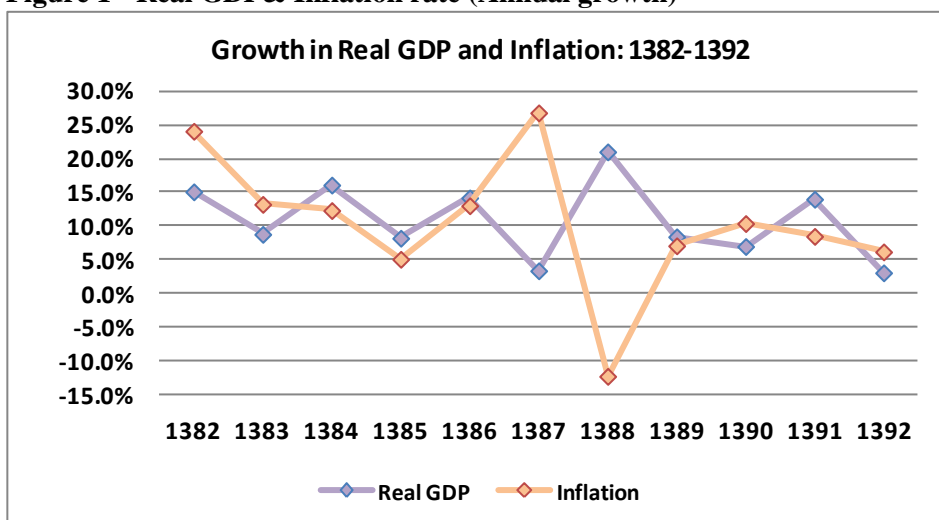
Economic growth in fiscal year 1392 was very slow and stands at only at 3.1 percent, while the Afghan economy experienced a higher economic growth of 14.0 percent in the previous year, slower economic growth in the economy has been caused mainly as a result of concerns in the market and political environment because of foreign troops withdrawal by end of 2014, and the presidential election. These factors have negative consequences on foreign and domestic investment and private consumptions during the year; delaying investments and reducing consumer confidence. The inflation rate was maintained in single digits at 6.2 percent in 1392 moderation from 8.5 percent in 1391, and the exchange rate depreciated slightly by 4.2 percentage points in 1392 compared to 1391.

### Macroeconomic indicators for Fiscal Years 1382 – 1392

	1382	1383	1384	1385	1386	1387	1388	1389	1390	1391	1392
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Prelim. Actual
<b>Real GDP Growth</b>	15.1%	8.8%	16.1%	8.2%	14.2%	3.4%	21.0%	8.4%	7.0%	14.0%	3.1%
Contribution to Growth											
- Agriculture	7.8%	-3.9%	3.1%	-3.6%	5.4%	-5.9%	9.7%	-1.7%	-1.8%	3.6%	-0.1%
- Industry	1.3%	6.3%	5.7%	5.1%	2.1%	1.9%	1.8%	1.6%	2.5%	2.1%	0.6%
- Services	5.2%	6.1%	5.9%	6.7%	6.1%	6.8%	8.0%	8.1%	6.0%	7.6%	2.5%
- Indirect taxes	0.8%	0.3%	1.4%	0.0%	0.7%	0.6%	1.5%	0.3%	0.3%	0.6%	0.1%
<b>Nominal GDP Growth</b>	21.1%	18.7%	24.9%	19.6%	25.7%	23.9%	15.3%	18.7%	23.9%	23.6%	10.4%
Nominal GDP (Million Afs)	217,388	257,993	322,231	385,489	484,626	600,493	615,082	729,905	862,840	1,033,591	1,140,584
<b>Inflation (period average)</b>	24.1%	13.2%	12.3%	5.1%	13.0%	26.8%	-12.2%	7.1%	10.4%	8.5%	6.2%
<b>Exchange rate (Afs/US\$)</b>	49.0	47.8	49.7	49.9	49.8	51.0	49.3	45.8	47.8	51.6	55.4

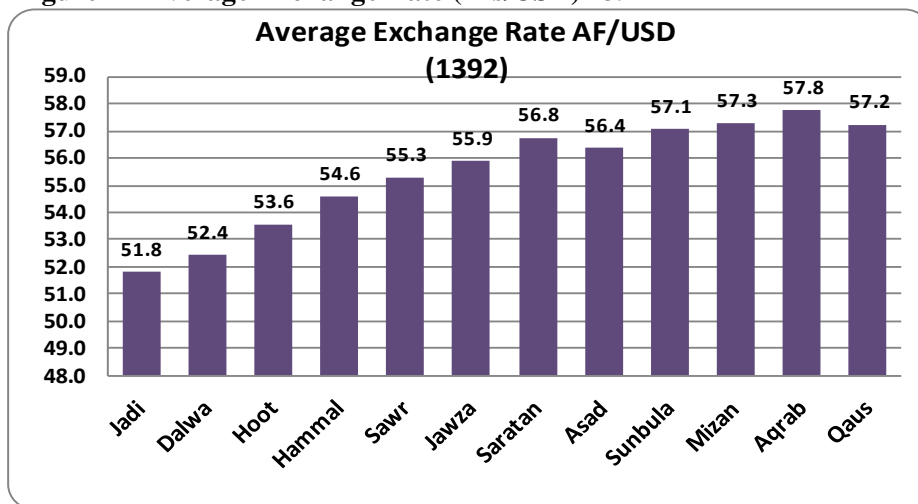
The Service and Industry sector was also affected by slower economic growth and their contribution was only 2.5 percent and 0.6 percent to overall real economic growth in fiscal year 1392. However, in the past year these sectors had contribution of 7.6 and 2.1 percent respectively. Industry sector contribution was also very minor and just contributed less than a percent in overall real economic growth. Inflation rate remain at one digit, the period average inflation rate in 1391 was 6.2 percent when compared to 8.5 percent in 1391.

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



The average exchange rate depreciated over the past one year by 5.9 percentage points from 51.3 in 1391 to 57.2 by the end of 1392 against US dollars, this devaluation mainly caused due to higher demand for US dollars in the market as negative speculation spread because of the presidential election, the Bilateral Security Agreement negotiation with US and overall uncertainty in the economy. However, the Central Bank of Afghanistan intervened in the stock market through an auction - selling US dollars and purchasing Afghani in order to stabilize the local currency against foreign exchange; this could help to avoid huge volatility. Da Afghanistan Bank conducted monetary policy and Currency in Circulation increased from Afs 137.8

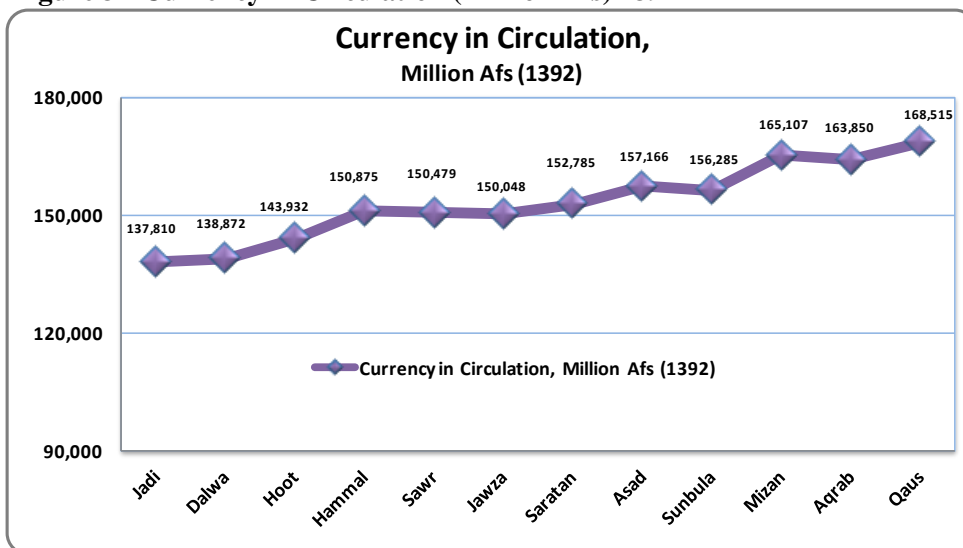
Figure 2 - Average Exchange Rate (Afs/USD) 1392



FPD using data provided by DAB

billion in 1391 to Afs 168.5 billion by the of fiscal year 1392. Hence, currency growth was about 22.3 percent over the past year.

Figure 3 - Currency in Circulation (Million Afs) 1392



Afghanistan’s foreign trade position somehow affected during FY 1392. Preliminary data shows total exports were USD 433.9 million in fiscal year 1392 and imports jumped up to USD 9453 million. However, when

compared trade position with the fiscal year 1391, exports fall down by 8.7 percent but imports increased by 4.5 percent during fiscal year 1392.

## 2. Revenues

### Domestic Revenues

Afghanistan collected Afs 109.7 billion in domestic revenues which constituted 9.6% percent of GDP during FY 1392. This shows an increase of about Afs 10.7 billion compared to FY 1390 and about Afs 28.1 billion in FY 1391. However this was lower compared to revised target of Afs 113.4 billion by Afs 3.7 billion in FY 1392. As mentioned this shortfall is attributable to different reasons such as the lower imports and less economic activities caused by uncertainty pertaining to withdrawal of troops and the transition of power subject to election outcomes.

Tax revenues contributed Afs 52.4 billion or to total domestic revenues in FY 1392. This was higher by Afs 13.9 billion compared to tax revenues collected in FY 1391. Custom duties was the second highest category that contributed Afs 28.3 billion to domestic revenues in FY 1392 followed by non-tax revenues which contributed Afs 21.9 billion. Social contribution and miscellaneous revenues contributed Afs 3.8 billion and Afs 3.4 billion respectively.

Figure 4 - Domestic Revenues by major categories, 1391

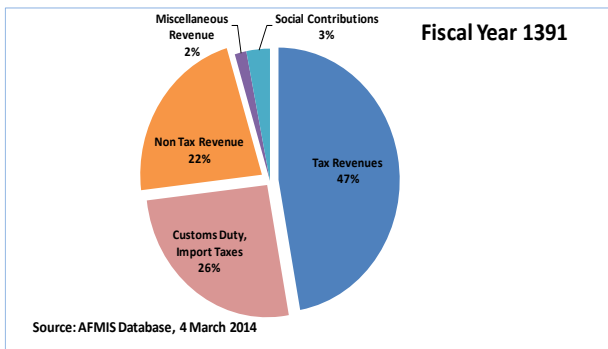


Figure 5 - Domestic Revenues by major categories, 1392

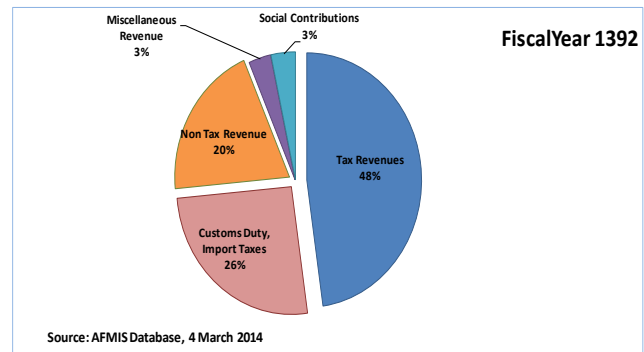
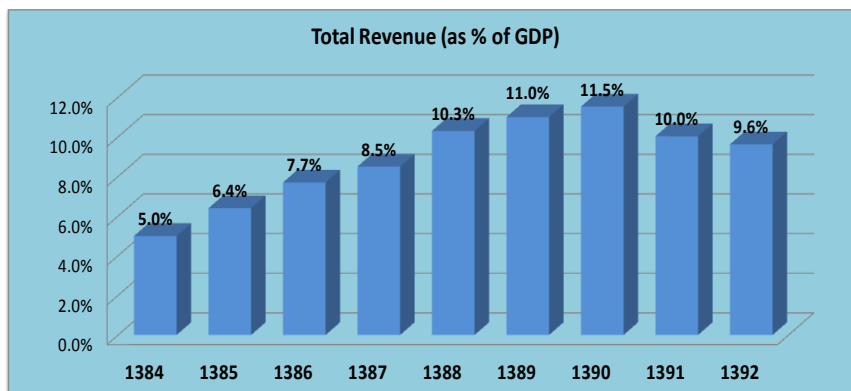


Figure 6 – Total Revenue as percentage of GDP, 1384 - 92



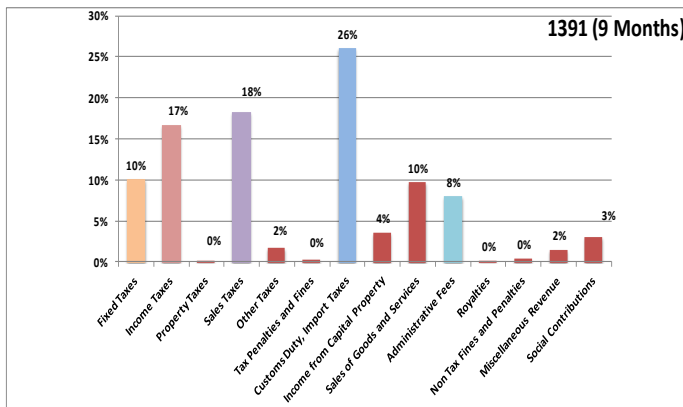
**A. Tax revenue**

Tax revenues comprises of fixed taxes, income taxes, property taxes, sales taxes and other similar small taxes. Tax revenue collection was Afs 52.4 billion in FY 1392 compared to Afs 38.5 billion. Tax revenues collected in FY 1392 as percent of GDP was 4.6 percent of GDP. This has contributed about 47.8 percent to total domestic revenues this percentage was 47.1 during FY 1391. Tax revenues collection was lower than the revised target of Afs 59.3 billion for FY 1392 by Afs 6.9 billion (or 11.6 percent).

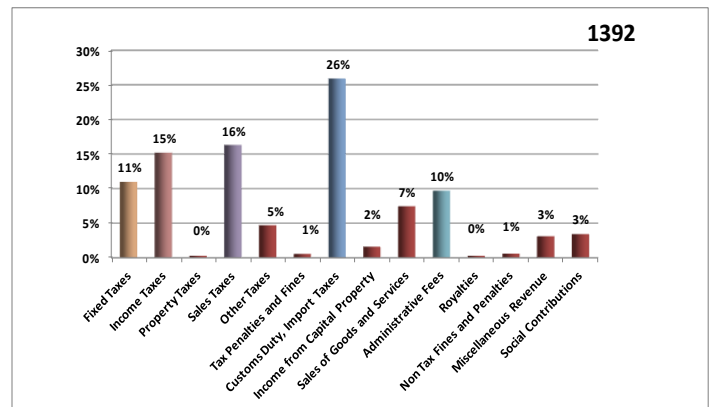
Of the total tax revenues that collected in FY 1392, about 54.5 percent was collected from fixed taxes and income tax.

- i. **Fixed taxes** collected in 1392 were about Afs 12 billion, which is an increase of Afs 3.8 billion compared to Afs 8.2 billion collected in FY 1391. There are two main taxes within fixed taxes such as the taxes on imports by licensed business which collected Afs 9.1 billion and tax on imports by unlicensed business which collected Afs 596 million during FY 1391.
- ii. During FY 1392 Afs 16.6 billion was collected through **income taxes**. This was an increase of Afs 3.1 billion (or 22.9 percent) compared to Afs 13.5 billion collected in FY 1391. Within this category the Employees’ wages and salaries account for more than half of the revenue collected.
- iii. **Sales Taxes** comprised Afs 17.8 billion of total revenue in FY 1392 which makes 16.2 percent of total revenue. This was an increase of Afs 3 billion compared to Afs 14.8 billion collected in FY 1391. Within sales tax, the 2 percent Business Receipt Tax on imports comprised Afs 9.3 billion; this is slightly higher compared to Afs 9 billion which was collected in FY 1391.

**Figure 7 –Domestic Revenues by minor codes 1391 (9 months)**



**Figure 8 - Domestic Revenue by minor codes 1392**





## B. Custom duties

C. Custom duties, includes custom duties on imports, custom fines and other fees. It has generated a total of Afs 28.3 billion in FY 1392 in revenues. Custom duties contributed about 25.7 percent to total domestic revenue similar to what was contributed to domestic revenue in FY 1391. Moreover, custom duties as percent of GDP was 2.5 percent in FY 1392, while it was 2.6 percent in FY 1391 and 3.5 percent in FY 1390. Since the revenue from customs depends on imports, the increasing decline is due decline in imports, particularly in vehicles, and other luxury items.

## Non-tax revenues

**Table 2 – Integrated Core Budget Revenues for Fiscal Years 1390 – 1392**

Code	In millions of Afghanis	1390 Actual	1390 %GDP	1391 Actual	1391 %GDP	1392 Prelim. Actual	1392 %GDP	1392 Target (Original)	1392 Target (revised)	1392 % Greater/Less than target
1	REVENUES including grants (1)	191,369.8	22.2	183,181.4	22.5	306,105.3	26.8	332,150.4	323,150.4	N/A
1-19	REVENUES excluding grants (2)	99,349.4	11.5	81,671.5	10.0	109,732.2	9.6	123,000.0	114,000.0	-3.7
11	Tax Revenues	44,835.1	5.2	38,505.6	4.7	52,392.0	4.6	56,749.5	59,702.8	-12.2
111	Fixed Taxes	10,044.7	1.2	8,166.6	1.0	11,971.8	1.0	12,367.6	12,014.9	-0.4
112	Income Taxes	12,557.2	1.5	13,500.0	1.7	16,610.4	1.5	17,938.9	21,744.1	-23.6
113	Property Taxes	373.3	0.0	221.3	0.0	295.0	0.0	397.7	358.2	-17.7
114	Sales Taxes	18,605.6	2.2	14,840.3	1.8	17,809.1	1.6	22,692.3	22,718.6	-21.6
116	Other Taxes	2,709.3	0.3	1,449.6	0.2	5,109.7	0.4	2,768.7	2,332.1	119.1
117	Tax Penalties and Fines	545.0	0.1	327.8	0.0	596.0	0.1	584.2	534.9	11.4
12	Customs Duty, Import Taxes	30,546.4	3.5	21,219.1	2.6	28,305.4	2.5	34,887.4	30,362.8	-6.8
13	Non Tax Revenue	20,150.9	2.3	18,129.2	2.2	21,881.4	1.9	26,125.5	19,160.4	14.2
131	Income from Capital Property (2)	2,775.7	0.3	2,925.2	0.4	1,739.3	0.2	3,921.0	635.6	173.7
132	Sales of Goods and Services	7,373.0	0.9	7,907.3	1.0	8,127.3	0.7	10,518.4	7,833.0	3.8
133	Administrative Fees	8,884.7	1.0	6,563.9	0.8	10,567.0	0.9	10,442.6	9,787.7	8.0
134	Royalties	279.5	0.0	187.2	0.0	318.3	0.0	314.0	297.0	7.2
135	Non Tax Fines and Penalties	671.2	0.1	404.4	0.0	630.4	0.1	720.0	607.1	3.8
136	Extractive Industries	166.7	0.0	141.3	0.0	499.1	0.0	209.6	215.7	0.0
14	Miscellaneous Revenue	831.7	0.1	1,268.8	0.2	3,406.7	0.3	1,470.3	744.9	357.3
17	Social Contributions	2,985.4	0.3	2,548.7	0.3	3,746.7	0.3	3,767.3	4,029.1	-7.0
19	Grants (1)	92,020.4	10.7	101,509.9	12.5	196,373.1	17.2	209,150.4	209,150.4	N/A
	<i>of which operating budget</i>	<i>60,409.1</i>	<i>7.0</i>	<i>65,715.4</i>	<i>8.1</i>	<i>140,082.1</i>	<i>12.3</i>	<i>87,228.8</i>	<i>87,228.8</i>	<i>60.6</i>
191	Foreign Governments	67,132.8	7.8	71,720.6	8.8	140,082.1	12.3			
192	International Organisation	24,672.9	2.9	28,781.5	3.5	56,291.0	4.9			
193	Other Government Units	214.6	0.0	1,007.7	0.1	0.0	0.0			

Source: AFMIS Database as at 4 March 2014

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

2/ Revenues exclude proceeds from the sale of fixed assets (150), and loans (18). These items are included under financing.

Non-tax revenue is another important category of domestic revenues. Revenues from non-tax items were Afs 21.9 billion in FY 1392, while this amount was Afs 18.1 billion in FY 1391. On the other hand the contribution to domestic revenues was about 20 percent and 22 percent in FY 1392 and FY 1391 respectively. Non-tax revenues were less by Afs 4.2 billion (or 16.2 percent) to what was originally budgeted, however it was more than the mid-year revised target of Afs 19.1 billion.

Revenue from not-tax is mainly comprised of the following taxes.

- D. Sales of Goods and Services collected Afs 8.1 billion in FY 1392, this was more by Afs 0.3 billion (or 3.8 percent) compared to revised budget of Afs 7.8 billion. The revenue collected from sales of goods and services were more than Afs 7.9 billion and Afs 7.4 billion that was collected in FY 1391 and FY 1392.
- E. Administrative fees collected Afs 10.6 billion in revenues during FY 1392. This was more by Afs 0.8 billion compared to the revised target of Afs 9.8 billion for FY 1392.

- F. Social Contribution collected a total of Afs 3.8 billion during FY 1392, this was less than the revised target of Afs 4 billion. The Social Contribution category as percent of GDP was 0.3 percent during FY 1392 same as what was in FY 1391.

### ***Grants to Integrated Core Budget***

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

In fiscal year 1392, total grants receipts to the core budget were Afs 196.4 billion, of which Afs 114.8 billion was allocated for finance operating budget and the remain Afs 81.6 billion was allocated for finance development budget.

### **Operating Budget Grants**

As mentioned earlier, total grants for the operating budget was Afs 114.8 billion, this was higher by Afs 49.2 billion compared to Afs 65.6 billion that was allocated during FY 1391. The increase is mainly attributed to the higher spending and the expansion of security personnel through Combined Security Transition Command Afghanistan (CSTC-A), Law and Order Trust Fund (LOTFA) for the Afghan National Army (ANA) and Afghan National Police (ANP).

#### ***A. The Law and Order Trust Fund for Afghanistan (LOTFA)***

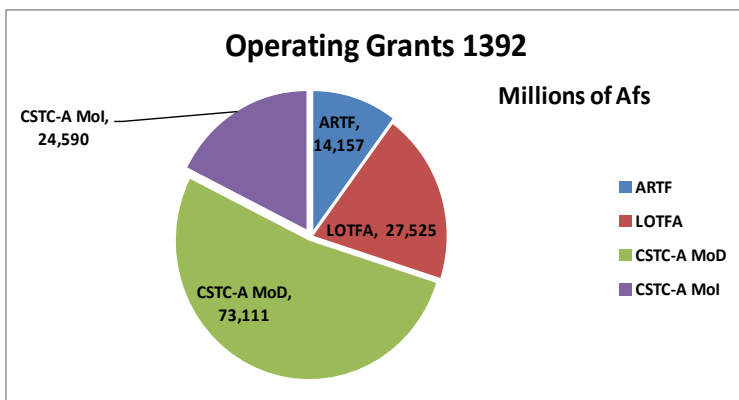
Law and Order Trust Fund mainly provide financing for the ANP's wages, compensation, food cost and prison department which was previously under the Ministry of Justice. Total grants from LOTFA were Afs 27.5 billion during FY 1392, this was more by Afs 8.7 billion compared to Afs 18.8 billion that was allocated in FY 1391.

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

CSTC-A grants mainly support ANA and a small portion of this grants allocate for the ANP. Total grants receipts from CSTC-A in 1392 was Afs 97.7 billion of which 73.1 billion was received by Ministry of Defense (MoD) and the remain Afs 25.6 billion was used by Ministry of Interiors (MoI). These receipts were Afs 32.5 billion only in FY 1391.

#### ***C. Operating grants from the Afghanistan Reconstruction Trust Fund (ARTF)***

The Afghanistan Reconstruction Trust Fund is administered by the World Bank ARTF grants are used to support salaries of un-uniformed civil servants. ARTF received Afs 81.6 billion during FY 1392 in grants. A grant from this program was Afs 14.2 billion in FY 1391. ARTF grants are scheduled to decrease gradually over the medium term as the government accepts increased responsibilities.

**Figure 1 – Operating Budget Grants 1392 (Afs millions)**

## Development Budget Grants

Development budget is an important part of the core budget that is used to finance the development projects by line ministries. The development grants, while playing a key role in the core budget, are at the moment largely facilitated by the donors. A small margin is funded by domestic revenues, concessional loans and other domestic resources, and the Government aims to both improve the execution rate of the development budget and begin to finance more using domestic resource. Total development grants disbursed for 1391 budget were Afs 32.1 billion during 1392, while the same amount was 35.9 billion in 1391. This shows that Afghanistan received about Afs 3.8 billion (or 10.5 percent) less in FY 1392.

### Execution of core Development budget grants

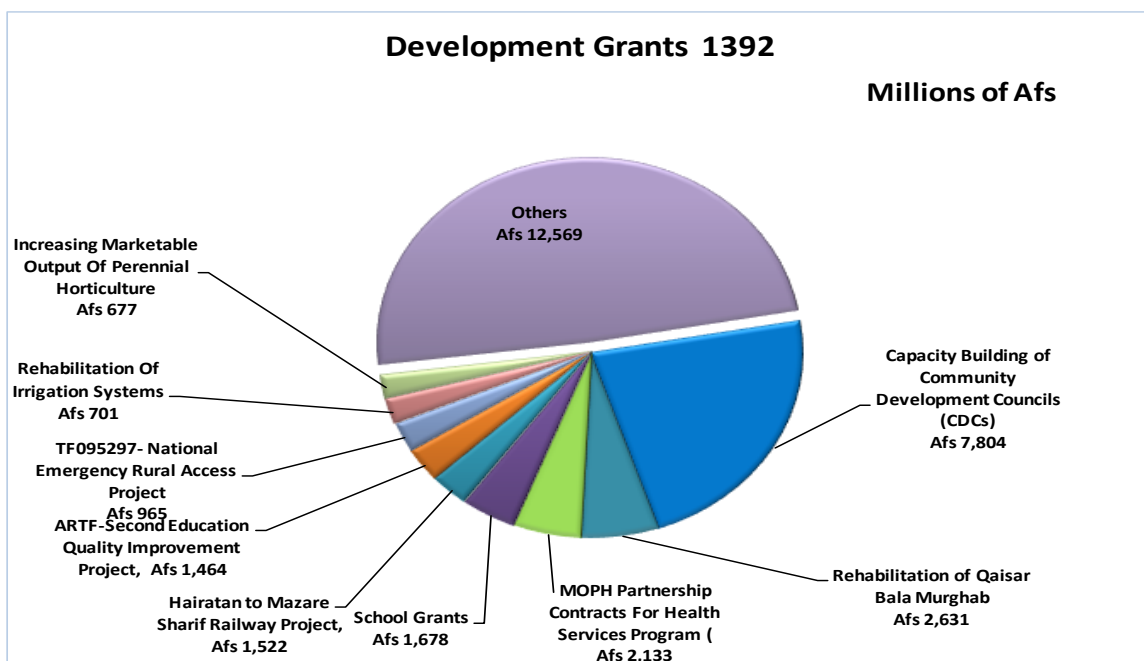
The development budget execution rate in 1392 was 57 percent. The execution rate was 50 percent during FY 1391. The alignment of fiscal year with Gregorian calendar has improved the execution rate by 7 percent as compared to the average execution rates of previous fiscal years. This alignment of calendar will help further in coming years as the financial years of Afghanistan and donor countries align with each other.

The five largest development projects which are listed below comprise about 44 percent of the entire development grants disbursement during FY 1392.

- Capacity Building of Community Development Councils (CDCs) received about Afs 7.8 billion. This constitutes about 24.3 percent of the development grants. These program functions as local administration of its districts, through the CDCs. The residents can get involved in their community and work towards enhancement of well-being in the community
- Rehabilitation of Qaisar Bala Murghab was the second largest and accounted for Afs 2.6 billion during FY 1392. The objective of this project is to assist the government to promote economic and social development and reduce poverty by rehabilitating the primary road network destroyed over the past three decades of war.

- Ministry of Public Health Partnership Contract for Health Service Program received about Afs 2.1 billion. This program provides on budget support for the delivery of the Ministry of Public Health’s Basic Package of Health Services (BPHS) and the Essential Package of Hospital Services (EPHS)
- Hairatan to Mazare Sharif railway project grants disbursement was Afs 1.5 billion. The impact of this project means greater economic activities and increase in trade between Afghanistan and the region; Moreover, an efficient, safe and sustainable railway transport network will increase transport volumes and reduce transport costs.
- School Grants Accounted for Afs 1.7 billion during the FY 1392.  
The remaining Afs 17 billion Afs which comprises about 66 percent of the development grants was allocated in other medium and small scale projects such as the National Emergency Rural Access Project, Rehabilitation of Irrigation Systems and etc.

Figure 2 – Development Budget Grants by project 1392 (Afs millions)



### 3. Expenditure

### ***Budget***

The **integrated core budget** of the Government is comprised of **operating** and **development budgets**. Operating budget covers the day-to-day operations cost for instance the cost of salaries, fuel, text books, and medicines while the development budget covers expenditures on development projects such as road building, irrigation systems, and the National Solidarity Program.

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

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

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

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

**Development Budget** – covers capital and development projects, for example road building, civil service reform, school construction, irrigation projects etc. This is made up of about 1/3 recurrent spending, and 2/3 capital spending. This is almost entirely funded by donor grants and loans.

The 1392 core budget was Afs 273.9 billion, an increase of 8.5 percent from the 1391 Afs 252.4 billion budget expenditure (It should be taken into account that 1391 was a nine month year, therefore the figure Afs 252.4 billion is an estimate for one complete year, made on basis the of nine months). The major increase occurred in the development budget expenditures as a result of allocating the development budget on the basis of National Priority Programs (NPPs), leading to more donors funding being channeled through the national budget.

The 1392 original budget of Afs 265.3 billion was increased with the inclusion of supplementary projects from 1391 to Afs 354.1 billion in which the operating budget was remained the same at 196.3 billion while the development budget was increased from Afs 68.9 billion to Afs 157.8 billion as most of the supplementary projects were development projects rather than operating.

Government operating revenue was Afs 203.5 billion in 1392, consisting of Afs 100.7 billion from domestic revenues and Afs 102.8 billion from the donor grants. Actual domestic revenues were less than projected revenues by Afs 4.3 billion, due to decreasing of efficiency in tax administration and in the overall volume of imports because of a declining confidence over the economy due to international security forces withdrawal and political instability.

## Total Expenditure

Core budget expenditure for 1392 was Afs 273.9 billion (24 percent of GDP), a surplus of Afs 80.2 billion. The execution rate for the operating budget was 98.7 percent with expenditures of Afs 193.7 billion. The operating budget constitutes salaries, goods and services, pension and other operating expenditures. The execution rate for the developing budget was 50.8 percent with expenditures of Afs 80.2 billion. There is a slight increase in the development budget execution rate over 1391's rate of 49.5 percent. The difference in execution rates is due to higher development budget spending in 1392 relative to 1391.

**Table 3 - Integrated Core Budget Expenditures 1391 – 1392**

Core	In millions of Afghanis	1390 Actual	1390 %GDP	1391 Actual	1391 %GDP	1392 Prelim. Actual	1392 %GDP	1392 Original Budget (5)	1392 Final Budget (6)	1392 Actual as % of Final Budget
<b>2</b>	<b>TOTAL GROSS EXPENDITURES</b>	<b>201,956.9</b>	<b>23.4</b>	<b>189,389.7</b>	<b>23.3</b>	<b>273,916.9</b>	<b>24.0</b>	<b>354,077.1</b>	<b>348,245.0</b>	<b>78.7</b>
	Operating Budget	149,289.3	17.3	135,779.9	16.7	193,715.4	17.0	196,327.0	206,585.0	93.8
	Development Budget	52,667.5	6.1	53,609.9	6.6	80,201.4	7.0	157,750.1	141,660.0	56.6
<b>2</b>	<b>TOTAL NET EXPENDITURES (1)</b>	<b>197,836.1</b>	<b>23.0</b>	<b>189,212.9</b>	<b>23.2</b>	<b>273,880.7</b>	<b>24.0</b>			
	Operating Budget	145,168.6	16.8	135,603.0	16.7	193,679.3	17.0			
	Development Budget	52,667.5	6.1	53,609.9	6.6	80,201.4	7.0			
<b>2-25</b>	<b>RECURRENT EXPENDITURES (excludes 25)</b>	<b>167,506.8</b>	<b>19.4</b>	<b>153,781.5</b>	<b>18.9</b>	<b>224,791.0</b>	<b>19.7</b>	<b>166,386.5</b>	<b>273,508.2</b>	<b>82.2</b>
	Operating Budget	146,597.6	17.0	131,964.3	16.2	185,362.0	16.3	193,882.2	200,706.7	92.4
	Development Budget	20,909.2	2.4	21,817.2	2.7	39,429.0	3.5	N/A	72,801.5	54.2
<b>21</b>	<b>Compensation of Employees</b>	<b>111,698.6</b>	<b>13.0</b>	<b>98,369.4</b>	<b>12.1</b>	<b>135,445.1</b>	<b>11.9</b>	<b>142,156.1</b>	<b>143,525.8</b>	<b>94.4</b>
	Operating Budget	111,698.6	13.0	98,369.4	12.1	135,445.1	11.9	142,156.1	143,525.8	94.4
	Development Budget	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
<b>22</b>	<b>Use of Goods and Services</b>	<b>46,764.7</b>	<b>5.4</b>	<b>47,001.0</b>	<b>5.8</b>	<b>77,641.9</b>	<b>6.8</b>	<b>N/A</b>	<b>107,166.9</b>	<b>72.4</b>
	Operating Budget	25,855.5	3.0	25,183.8	3.1	38,213.0	3.4	27,495.7	44,658.3	85.6
	Development Budget	20,909.2	2.4	21,817.2	2.7	39,429.0	3.5	N/A	62,508.6	63.1
<b>23</b>	<b>Interest (2)</b>	<b>92.0</b>	<b>0.0</b>	<b>90.4</b>	<b>0.0</b>	<b>268.1</b>	<b>0.0</b>	<b>1,500.0</b>	<b>1,300.0</b>	<b>20.6</b>
	Operating Budget	92.0	0.0	90.4	0.0	268.1	0.0	1,500.0	1,300.0	20.6
	Development Budget	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
<b>24</b>	<b>Social Transfers (3)</b>	<b>8,951.5</b>	<b>1.0</b>	<b>8,320.7</b>	<b>1.0</b>	<b>11,435.9</b>	<b>1.0</b>	<b>22,730.4</b>	<b>21,515.4</b>	<b>53.2</b>
	Operating Budget	8,951.5	1.0	8,320.7	1.0	11,435.9	1.0	22,730.4	11,222.5	101.9
	Development Budget	0.0	0.0	0.0	0.0	0.0	0.0	-	10,292.9	-
<b>25</b>	<b>Gross Acquisition of Nonfinancial Assets</b>	<b>34,450.1</b>	<b>4.0</b>	<b>35,608.3</b>	<b>4.4</b>	<b>49,125.8</b>	<b>4.3</b>	<b>N/A</b>	<b>92,142.7</b>	<b>53.3</b>
	Operating Budget	2,691.7	0.3	3,815.6	0.5	8,353.4	0.7	2,444.8	11,181.9	74.7
	Development Budget	31,758.4	3.7	31,792.7	3.9	40,772.4	3.6	N/A	80,960.8	50.4
<b>25</b>	<b>Net Acquisition of Nonfinancial Assets (1)</b>	<b>30,329.3</b>	<b>3.5</b>	<b>35,431.4</b>	<b>4.4</b>	<b>49,089.7</b>	<b>4.3</b>			
	Operating Budget	-1,429.0	-0.2	3,638.7	0.4	8,317.3	0.7			
	Development Budget	31,758.4	3.7	31,792.7	3.9	40,772.4	3.6			

Source: AFMIS Database as at 4 March 2014

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

2/ Actuals are interest only. However, budget figures include principal repayments and interest.

3/ Budget figures for code 24 only includes budgeted pensions from contingency reserve, therefore actual expenditure may be larger than budget.

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

6/ Final Budget figures available from AFMIS, except for interest (code 23) and subsidies and transfers (code 24), as AFMIS data includes contingency reserves in these categories. Reconciliation of budget figures between categories are also not finalized, and so total of each category does not add to total budget of Budget of Afs257.2 billion.

## Expenditure by Economic Category

Operating expenditures on *Employee Compensation* (spending on wages and salaries) and on *goods and services* have been growing over years with an annual growth of 33.9 and 37.7 percent respectively in 1391 (considering 9 month of the year) and 1392. Employee compensation accounts for around 69.9 percent of the total operating expenditures while it was 74.8 percent in 1391 and 72.4 percent in 1392.

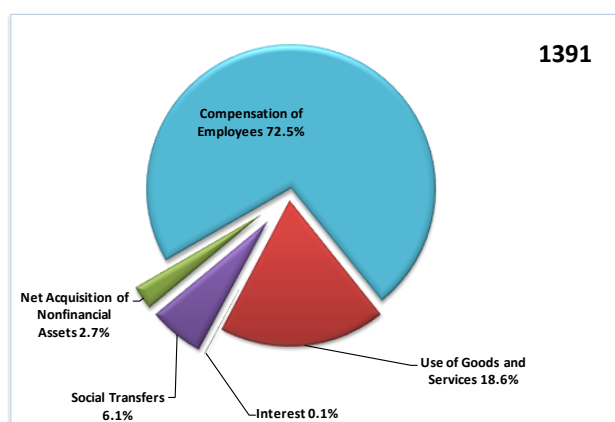
Operating expenditures on *this category* were Afs 135.4 billion in 1392. As per the incremental trend over years it depicts an upward slope when taken as a percentage of GDP for 1391 and 1392; it was 9.1 percent in 1391 while increased to 11.9 percent of GDP in 1392. In a whole term it increased to Afs 135.4 billion from Afs 98.4 billion, it should be however noted that 1391 was a transition and a

nine months year; this initiative was taken by the MoF to align the Fiscal Year with the donor's in order to achieve efficiency in financial planning, grants receipts and budget execution.

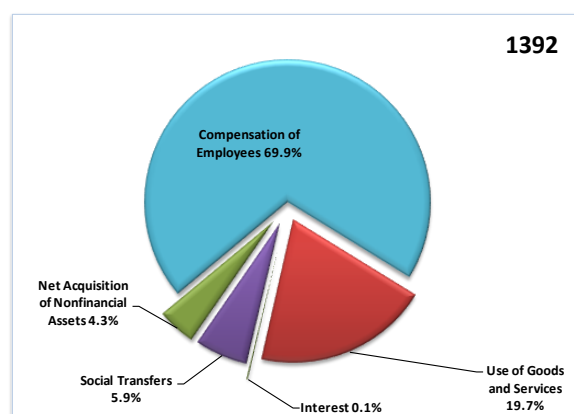
The three highest spending ministries are Interior, Defense, and Education, they together account for over 75 percent of the total expenditure in this item. The Ministry of Interior spent Afs 37.4 billion in 1392 whereas it spent Afs 28.3.3 billion in 1391. Similarly, the Ministries of Defense and Education spent Afs 45.2 billion and Afs 26.5 billion respectively in 1392 likewise they spent more than their level of spending in 1391; the increments in the spending were attributed to the number of months in the year 1392.

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

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



**Figure 4 - Operating Budget Expenditures by major codes, 1392 (Million Afs)**



Expenditures on *Good and services* as a total were greatly increased in 1392 compared to 1391. The total expenditure on this item was increased to Afs 77.6 billion in 1392 from actual expenditures of Afs 47 billion in 1391, which shows an increase of Afs 30.6 billion. This item includes spending on communications, travel, fuel, utilities and maintenance etc. Expenditures on goods and services accounted for around 40.1 percent of the total operating expenditure (Afs 193.7 billion) or around 6.8

**Table 5 – Expenditures on Employee Compensation: Major Changes between 1391 and 1392**

In millions of Afghanis	1391 Actual	1392 Prelim. Actual	Increase	% Increase
<b>Employee Compensation</b>				
Ministry of Interior	28,266.5	37,355.0	9,088.4	32.2
Ministry of Defence	32,485.3	45,199.2	12,713.8	39.1
Ministry of Education	18,321.3	26,489.1	8,167.8	44.6
Other Budgetary Units	19,296.2	30,432.0	11,135.7	57.7
<b>Total</b>	<b>98,369.4</b>	<b>139,475.2</b>	<b>41,105.8</b>	<b>41.8</b>

percent of GDP. Expenditures on goods and services in the operating budget accounted for 34.6 percent in 1391 compared to 31.3 percent in 1390.

The Ministry of Finance spent Afs 3.3 billion in 1392 compared to Afs 4.6 billion spent in 1391. Whereas, the Ministries of Defense, Education, Agriculture, Public Health, Rural Rehabilitation and Development (MRRD), and Higher Education expenditures' on this category were increased in 1392 compared 1391 while this was decreased for Ministries of Commerce and Industries (MoCI) in the same period. Moreover, expenditures of the other Budgetary Units were also increased by 62.8 percent, the primary reason of which is that 1391 was a nine-month year.

**Table 6 – Expenditures on Goods and Services: Major Changes between 1391 and 1392**

In millions of Afghanis	1391 Actual	1392 Prelim. Actual	Increase/ Decrease	% Increase/ Decrease
<b>Goods and Services</b>				
<b>Major Increases in expenditure</b>				
Ministry of Finance	4,575.6	3,336.6	-1,239.0	-27.1
Ministry of Defence	3,841.3	9,548.7	5,707.4	148.6
Ministry of Commerce	1,134.1	137.0	-997.0	-87.9
Ministry of Education	1,826.0	2,653.1	827.1	45.3
<b>Major Decreases in expenditure</b>				
Ministry of Agriculture	199.5	463.2	263.6	132.1
Ministry of Public Health	507.4	1,102.6	595.2	117.3
Ministry of Rural Rehabilitation and Development	121.3	184.3	62.9	51.9
Ministry of Higher Education	1,030.5	1,316.2	285.8	27.7
<b>Other Budgetary Units</b>	<b>11,948.0</b>	<b>19,452.6</b>	<b>7,504.6</b>	<b>62.8</b>
<b>Total</b>	<b>25,183.8</b>	<b>38,194.3</b>	<b>13,010.5</b>	<b>51.7</b>

**Interest payments** account for around 0.01 percent of the GDP. This is because Afghanistan is heavily reliant on donor grants to finance its national budget and hence borrows internationally on highly concessional rates. In 1392, Afs 268.1 million was paid as interest, shows a huge increase than Afs 90.4 million in 1391. The interest payments are expected to rise in future years as the grace period of the existing loans expires.

Operating expenditures on **Social Transfers** (subsidies, grants and pension) accounted for 5.9 percent of the total operating expenditures in 1392. Total expenditures on this category were Afs 11.4 billion or 1.0 percent of the same year's GDP. With comparison to 1391, expenditures on Social Transfers increased by 37.4 percent in 1392 primarily because of the fact that 1391 was only a nine month year. However, if you look at the nine months expenditures of 1392 you will notice that it increases by 3.4 percent due to growing number of retired civil servants and military officers that were entitled to receive pension benefits.

The **Gross Acquisition of Non-financial Assets** was budgeted at Afs 92.1 billion in 1392. The Operating expenditures on this category show an increasing trend over the medium term of 1390-



1392. It accounted for 4.3 percent of the total operating expenditures in 1392 while it was 2.8 percent in 1391 and 1.8 in 1390.

Expenditure was about 0.7 percent of the GDP during 1392, which is slightly increased from the year 1391 (0.4 percent of GDP) while if we compare the actual expenditures, operating expenditures on this category grew by 118.9 percent in 1392. This is because the expenditures on machinery and equipments were higher in 1392 comparing to 1391.

### ***Expenditure by Afghanistan National Development Strategy (ANDS) Categories***

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

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

The total development expenditure for this sector in 1392 was Afs 28.1 billion, an increase of 19.5 percent over 1391 expenditure of Afs 23.5 billion. This is because the year 1391 was only for nine months. The sector's execution rate was at 60 percent, which shows a rise of 36.6 percent over the previous year. However, it's still below the desired level the reasons for which are as follow:

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

**Ministry of Public works** is the largest spending ministry in that sector, with a spending of Afs 13.9 billion. This represents a budget execution rate of 60.7 percent. The reasons for low execution in these projects are:

- Delay in the procurement;
- Improper or no follow up with the donor procedures;
- Contractor vs. Ministries conflict.

*Construction of Qiasar Balamurghab-Laman Road* (233 KM) was the largest spending project under the Ministry of Public Works. For 1392 its budget was Afs 3.5 billion while it spent Afs 2.4 billion, which had an execution rate of 68.6 percent. *National Rural Access Program (NRAP)* is the second large spending project, it spent Afs 2.5 billion out of its allocated budget of Afs 3.1 billion in the year 1392; the National Rural Access Program had a robust execution rate of 80.6 percent.

The construction project of *Chaghcharan – Gardandiwal Road* is currently at its second phase with a total budget of Afs 865.4 million, the level of spending was Afs 369.4 million, which is around 43 percent execution of the fund.

The **Ministry of Energy and Water** is the second large spending ministry in that sector. It has spent Afs 5.8 billion out of the total allocated budget of Afs 11.9 billion, which represents an execution rate of 48.7 percent.

The *Western Basin Integrated Water Resource Management project* aims to improve rural livelihoods through strengthened integrated water resources management (IWRM); improved irrigation service delivery; and enhanced agricultural practices to increase the productivity of irrigated agriculture in Western Basins of Afghanistan (Badghis, Ghor and Herat provinces), mainly comprising the Hari-Rud River Basin which includes Herat, and the Murghab River Basins. The project allocated budget is Afs 972.6 million for the year 1392 while 903.9 million execution rate of 92.9 percent.

The *Irrigation Restoration and Development Project (IRDP)* is to increase to increase agriculture productivity and production in the project areas. The program is a key thrust to support agriculture recovery and has achieved visible results on the ground. The IRDP would scale up the program's impact and will fund: (a) rehabilitation of irrigation systems covering about 300,000 ha of irrigated areas; (b) the design and construction of a limited number of multi-purpose small dams and appurtenances, and associated irrigation conveyance and distribution systems in closed river basins; (c) establishment of hydro-meteorological facilities and services; and (d) technical assistance for project management as well as capacity building of Ministry of Energy and Water (MEW) and beneficiary communities. The project is slated for co-financing from the Afghanistan Reconstruction Trust Fund (ARTF) in accordance with the financing strategy endorsed by the GoA and ARTF donors. The budget of IRDP for 1392 was 1.2 billion and spent 1.1 billion, which results to 91.7 percent execution rate over the year.

The **Ministry of Communication** has an allocated budget of Afs 2.5 billion while its spending is Afs 1.3 billion. Over the past few years it was the sole spending ministry that had the highest execution rate in development projects however its execution rate for the reporting year stands at 53.4 percent.

The **Agriculture and Rural Development** is the second large sector in the development budget by expenditures. The 1392 budget was Afs 26.2 billion while its execution was Afs 22.3 billion (execution rate of 85.1 percent). This is Afs 6.4 billion more than what was spent last year.

The **Ministry of Rural Rehabilitation and Development (MRRD)** constitutes almost 65.9 percent of expenditures in this sector, with expenditure of Afs 16.5 billion. The **Ministry of Agriculture, Irrigation and Livestock (MAIL)** accounted for the remaining amount of Afs 6.6 billion.

The largest project in the sector is the *National Solidity Program (NSP)* with a budget of Afs 14.7 billion. Execution of the program during the FY 1392 was also quite good and stands at Afs 13.7 billion (execution

rate of 93.2 percent). The high execution rate is due to the reasons that the project management is proactively focusing on designing activities for future planning and implementation.

Among the other significant projects, *Agricultural Rural Enterprise Development Program (AREDP)* has a budget of Afs 1.2 billion, its expenditure has been relatively low at Afs 414.6 million (execution rate of 34.6 percent).

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

**Education:** is the third large sector in the development expenditures, with a total spending of Afs 7.6 billion in 1392. The total spending of education sector in 1391 was Afs 4.3 billion, which was Afs 3.3 billion less than what was spent in fiscal year 1392.

The **Ministry of Education** is the largest ministry in this sector, with a total development budget of Afs 14.5 billion, 74.7 percent of the sector's budget. Development expenditure of the Ministry in 1392 was Afs 5.7 billion, an execution rate of 39.5 percent.

Of the 66 development projects in Education sector, only 15 projects have an execution rate higher than 50 percent, the rest all were having a weak performance in the year 1392.

Low capacity in line ministries, security, poor financial planning, lack of accountability between contractors and line ministries are the reasons for the low execution rate in this sector.

**Health:** The total development budget of **Health sector** in 1392 was Afs 9.7 billion, with expenditures of Afs 7.2 billion (74.2 percent execution rate). Expenditure was Afs 2.6 billion more than in 1391.

The *Basic Package of Health Services (BPHS)*, *Improving Quality of Hospital Services (IQHS)* and *National Immunization Program (NIP)* are the sector's large projects, with expenditure of Afs 418.4 million (89.9 percent execution rate), Afs 890.6 million (95.8 percent execution rate) and Afs 85.1 million (94 percent execution rate) respectively.

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

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

The low execution rate is attributed to delays in designing the projects. Of the remaining sectors, the **Economic Governance and Private Sector Development** sector budget was Afs 6.1 billion, with expenditure of Afs 3.3 billion (execution rate of 54.1 percent). The **Governance, Rule of Law and Human Rights** sector budget was Afs 3.9 billion, with expenditures of 1.8 billion (execution rate of 46.1 percent). The **Social Protection budget** was Afs 1.1 billion, with expenditure of Afs 752 million (execution rate of 67.7 percent). The **Security** sector Development budget was Afs 39.2 billion, with expenditures of 9.1 billion (execution rate of 23.2 percent).

Figure 5 - Spending by ANDS pillars, 1391 – 1392

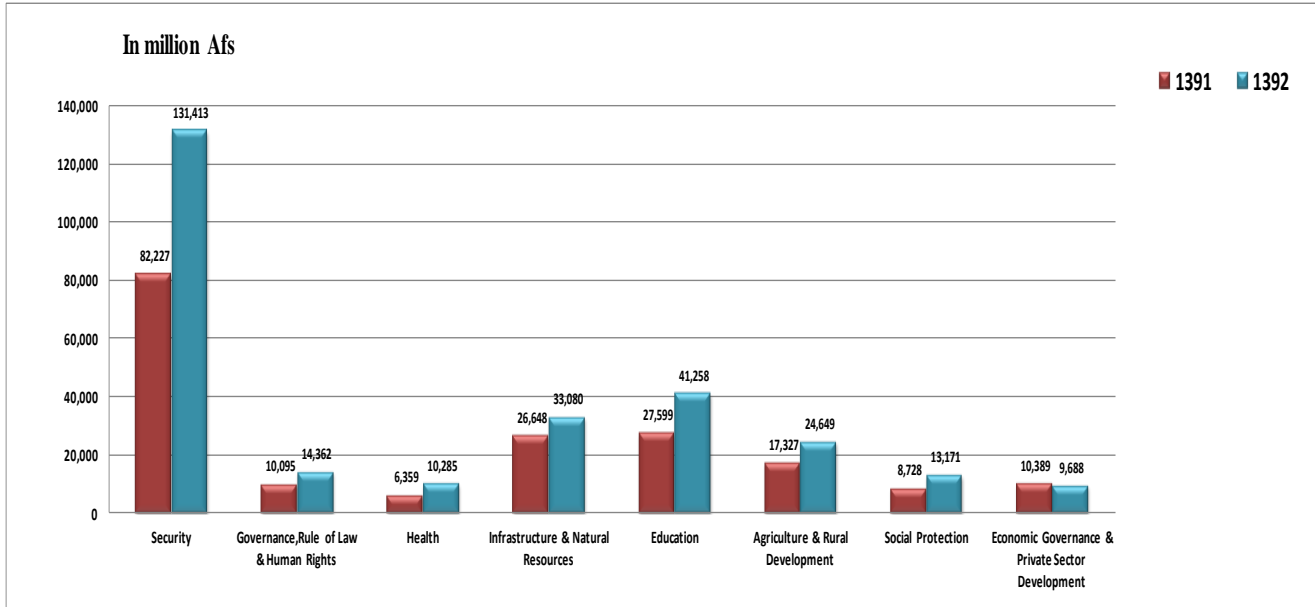


Table 4 - Integrated Core Budget Expenditures by ANDS Pillars 1391 - 1392

In millions of Afghanis	1391 Annual Actual	1391 % of Total Spending	1391 % GDP	1392 Prelim. Annual Actual	1392 % of Total Spending	1392 % GDP	1392 Original Budget	1392 Final Budget (1)	1392 Actual as % of Final Budget
<b>Security</b>	<b>82,227</b>	<b>43.4</b>	<b>10.1</b>	<b>131,413</b>	<b>47.3</b>	<b>11.5</b>	<b>152,336</b>	<b>173,225</b>	<b>75.9</b>
Operating Budget	81,661	60.1	10.0	122,336	61.9	10.7	113,091	133,980	91.3
Development Budget	566	1.1	0.1	9,077	11.3	0.8	39,245	39,245	23.1
<b>Governance, Rule of Law &amp; Human Rights</b>	<b>10,095</b>	<b>5.3</b>	<b>1.2</b>	<b>14,362</b>	<b>5.2</b>	<b>1.3</b>	<b>15,105</b>	<b>15,981</b>	<b>89.9</b>
Operating Budget	8,821	6.5	1.1	12,564	6.4	1.1	11,178	12,053	104.2
Development Budget	1,274	2.4	0.2	1,798	2.2	0.2	3,927	3,927	45.8
<b>Infrastructure &amp; Natural Resources</b>	<b>26,648</b>	<b>14.1</b>	<b>3.3</b>	<b>33,080</b>	<b>11.9</b>	<b>2.9</b>	<b>50,126</b>	<b>52,187</b>	<b>63.4</b>
Operating Budget	3,121	2.3	0.4	4,956	2.5	0.4	3,233	5,294	93.6
Development Budget	23,527	43.9	2.9	28,124	35.1	2.5	46,893	46,893	60.0
<b>Education</b>	<b>27,599</b>	<b>14.6</b>	<b>3.4</b>	<b>41,258</b>	<b>14.8</b>	<b>3.6</b>	<b>53,485</b>	<b>53,456</b>	<b>77.2</b>
Operating Budget	23,340	17.2	2.9	33,701	17.0	3.0	34,050	34,020	99.1
Development Budget	4,259	7.9	0.5	7,556	9.4	0.7	19,436	19,436	38.9
<b>Health</b>	<b>6,359</b>	<b>3.4</b>	<b>0.8</b>	<b>10,285</b>	<b>3.7</b>	<b>0.9</b>	<b>13,142</b>	<b>13,221</b>	<b>77.8</b>
Operating Budget	1,799	1.3	0.2	3,115	1.6	0.3	3,396	3,475	89.6
Development Budget	4,560	8.5	0.6	7,169	8.9	0.6	9,746	9,746	73.6
<b>Agriculture &amp; Rural Development</b>	<b>17,327</b>	<b>9.1</b>	<b>2.1</b>	<b>24,649</b>	<b>8.9</b>	<b>2.2</b>	<b>28,282</b>	<b>28,718</b>	<b>85.8</b>
Operating Budget	1,427	1.1	0.2	2,303	1.2	0.2	2,036	2,473	93.1
Development Budget	15,900	29.7	2.0	22,346	27.9	2.0	26,246	26,246	85.1
<b>Social Protection</b>	<b>8,728</b>	<b>4.6</b>	<b>1.1</b>	<b>13,171</b>	<b>4.7</b>	<b>1.2</b>	<b>3,435</b>	<b>13,746</b>	<b>95.8</b>
Operating Budget	8,041	5.9	1.0	12,419	6.3	1.1	2,326	12,636	98.3
Development Budget	687	1.3	0.1	752	0.9	0.1	1,110	1,110	67.7
<b>Economic Governance &amp; Private Sector Development</b>	<b>10,389</b>	<b>5.5</b>	<b>1.3</b>	<b>9,688</b>	<b>3.5</b>	<b>0.8</b>	<b>8,802</b>	<b>8,819</b>	<b>109.9</b>
Operating Budget	7,569	5.6	0.9	6,351	3.2	0.6	2,788	2,805	226.4
Development Budget	2,819	5.3	0.3	3,338	4.2	0.3	6,014	6,014	55.5
<b>Extrabudgetary Activities</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>315</b>	<b>315</b>	<b>-</b>
Operating Budget	0	0	-	0	0	-	0	0	N/A
Development Budget	0	0	-	0	0	-	315	315	-
<b>Unallocated contingency reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29,049</b>	<b>0</b>	<b>-</b>
Operating Budget	0	0	0	0	0	0	24,230	0	N/A
Development Budget	0	0	0	0	0	0	4,818	0	-
<b>TOTAL (1)</b>	<b>189,372</b>	<b>100</b>	<b>23.3</b>	<b>277,906</b>	<b>100</b>	<b>24.4</b>	<b>354,077.1</b>	<b>359,668.7</b>	<b>77.3</b>
<b>Operating Budget</b>	<b>135,780</b>	<b>100</b>	<b>16.7</b>	<b>197,746</b>	<b>100</b>	<b>17.3</b>	<b>196,327.0</b>	<b>206,736.9</b>	<b>95.7</b>
<b>Development Budget</b>	<b>53,592</b>	<b>100</b>	<b>6.6</b>	<b>80,160</b>	<b>100</b>	<b>7.0</b>	<b>157,750.1</b>	<b>152,931.8</b>	<b>52.4</b>

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

### ***Sectoral Analysis of Government Expenditures by COFOG Classification***

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

The worldwide-recognized COFOG classification is used to classify expenditure by sector. The below charts and table provide a brief sectoral of gross government expenditures in the core budget by COFOG sector.

- Expenditure classified under the Defense sector makes up the largest portion of expenditure in 1392. This expenditure increased from Afs 35.6 billion in 1391 to Afs 67.2 billion in 1392. Moreover, as a share of total gross expenditure, it increased by 5.4 percentage points (from 18.8 percent in 1391 to 24.2 percent in 1392).
- Public Order and Safety was the second large sector with expenditures of Afs 57.4 billion during 1392, which depicts an increase of 41.9 percent compared to 1391 expenditures of Afs 40.4 billion.
- Expenditures on Economic Affairs were Afs 56.2 billion in 1392 compared to Afs 44.7 billion in 1391 which shows an increase of Afs 11.5 billion or 25.6 percent.
- The fourth large sector by spending was Education in 1392 which accounts for Afs 40.2 billion compared to Afs 28.4 billion in 1391 an increase of 41.6 percent.
- Expenditure on General Public Services sector was Afs 31.1 billion, while spending in 1391 was Afs 24.6 billion, an increase of 26.4 percent.
- Health sector spending was Afs 10.5 billion in 1392, a 61.7 percent increase compared to 1391.
- The remaining sectors, Social Protection, Recreation, Culture and Religion and Housing and Communal Amenities accounted for Afs 11.3, Afs 2.6 and Afs 1.3 billion respectively. Recreation, Culture and Religion and Social Protection expenditure in 1391 were more than in 1391, the main reason of which is because 1391 was for nine months.

Figure 14 – Expenditure breakdown by COFOG Classification, 1391

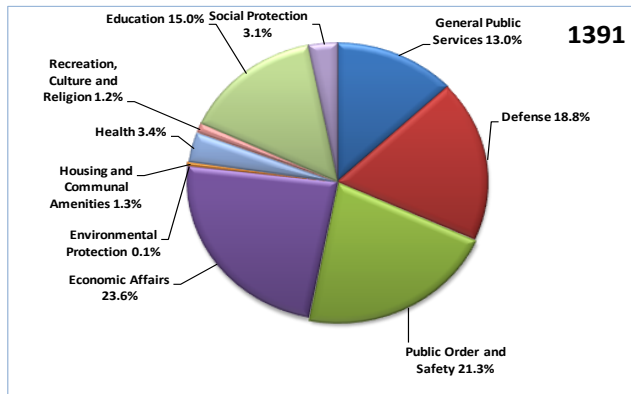


Figure 15 – Expenditure breakdown by COFOG Classification, 1392

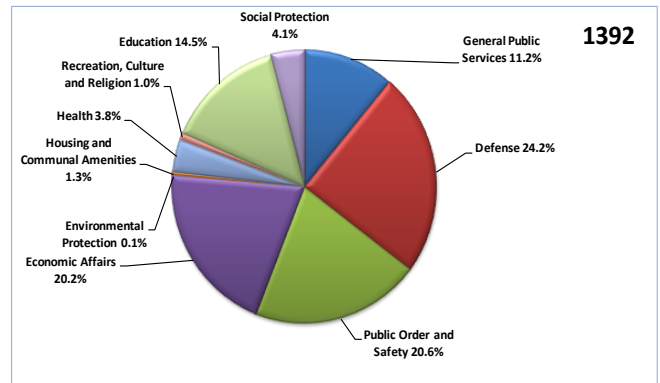


Table 5 - Integrated Core Budget Expenditures by COFOG Sector 1391 – 1392

Code	(In millions of Afghanis)	1391 Actual	Percent of total	1392 Prelim. Actual	Percent of total
<b>2</b>	<b>TOTAL NET EXPENDITURE</b>	<b>189,212.9</b>		<b>273,880.7</b>	
232	Repayment of Foreign Loans - Principal	0.0		0.0	
150	Sale of Land and Buildings	176.8		36.1	
<b>2+232+150</b>	<b>TOTAL GROSS EXPENDITURE</b>	<b>189,389.7</b>	<b>100.0</b>	<b>277,947.1</b>	<b>100.0</b>
701	General Public Services	24,603.605	13.0	31,041.4	11.2
702	Defense	35,615.9	18.8	67,214.5	24.2
703	Public Order and Safety	40,408.0	21.3	57,364.8	20.6
704	Economic Affairs	44,747.0	23.6	56,215.1	20.2
705	Environmental Protection	113.4	0.1	139.0	0.1
706	Housing and Communal Amenities	909.9	0.5	1,290.7	0.5
707	Health	6,468.4	3.4	10,459.9	3.8
708	Recreation, Culture and Religion	2,230.8	1.2	2,649.1	1.0
709	Education	28,421.0	15.0	40,246.5	14.5
710	Social Protection	5,871.7	3.1	11,326.0	4.1

Source: AFMIS Database as at 4 March 2014

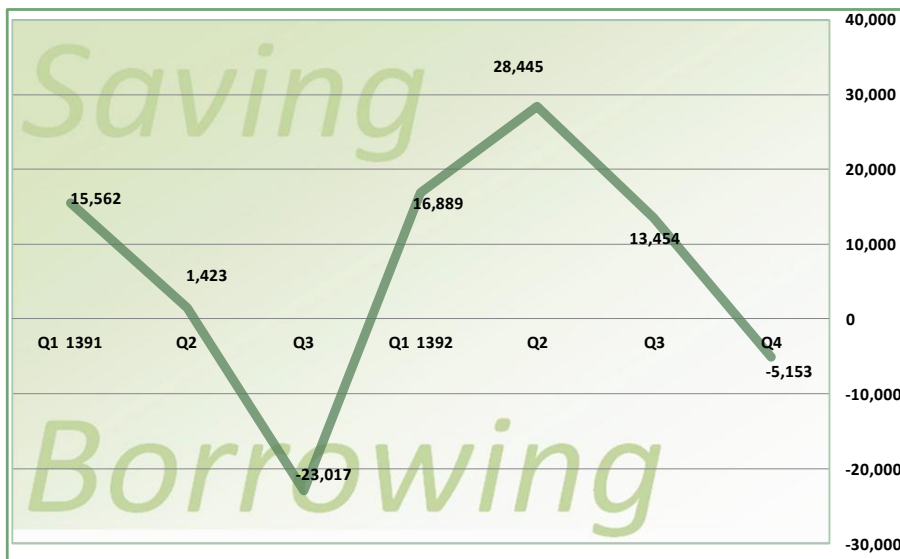
#### 4. Public Sector Borrowing Requirement

For Fiscal Year 1392, the Government's overall balance on the year to date basis was in net deficit of Afs 4.6 billion, as compared to net deficit of Afs 6.0 billion in 1391. The deficit in 1392 was due to the lower revenue performance during 1392. In addition, a reduction in the receipt of grants for the core budget was another reason that led to deficit in 1392.

However, on quarterly basis, in the first quarter 1392 observed surplus of Afs 16.9 billion which was almost the same as Afs 15.6 billion in the first quarter of 1391, which is explained by lower spending at the beginning of the year, whereas the fourth quarter was relatively smaller deficit of Afs 5.2 billion. The reason for this difference in deficit was attributed to lower collection of domestic revenues and less receipt of grants in fourth quarter of 1392.

The net acquisition of financial assets in 1391 was decreased to Afs 43.1 billion (by 6 percent of GDP), which include a decrease of Afs 49 billion in the Treasury Single Account (compared to Afs 182.3 million decrease in same period 1391). Meanwhile, the net acquisition of financial liabilities was Afs 11.3 billion during this quarter.

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





**Treasury Single Account (TSA)**

The balance in the Treasury Single Account increased from Afs 62.9 billion in 1391 to Afs 66.8 billion in 1392, an increase of Afs 3.9 billion. Most of the increase in TSA was in TSA account denominated in US dollar, and also TSA accounts in Afghani. It implies that both higher grant receipts and revenue collection contributed to overall increase in the Treasury Single Account.

Figure 17 shows the trends in net level of reserves in the government account (TSA) and also total liabilities between 1391 and 1392. Total liabilities declined from Afs 61.6 billion in 1391 to Afs 38.3 billion in 1392, a reduction of Afs 23.3 billion (a 38 percent reduction). Increase in the balance of TSA led to decrease in the liability as shown by chart below.

**Figure 17 - Reserve in the Treasury Single Account**

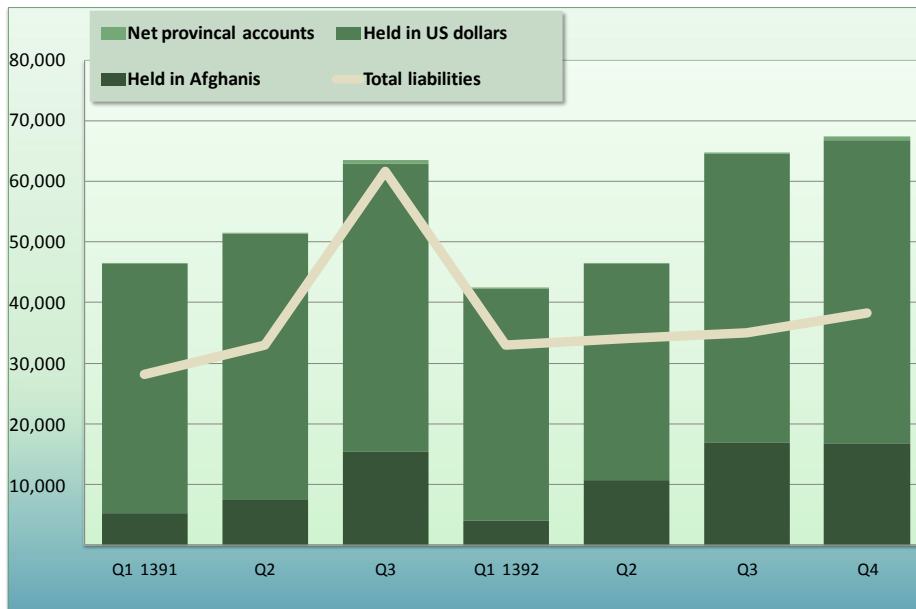


Table 6 - Budgetary Balance, Financial Source/Requirement and Net Financing Activities

Code	In millions of Afghanis	1391 Actual	1391 % GDP	1392 Prelim	1392 % GDP
<b>TRANSACTIONS AFFECTING NET WORTH</b>					
1	Revenues including Grants	183,181.4	22.5	306,105.3	26.8
2-25	Expenditures (Recurrent)	153,781.5	18.9	224,791.0	19.7
23	Interest	90.4	0.0	268.1	0.0
			0.0		
	<b>Net Operating Balance (1-2-25)</b>	<b>29,399.9</b>	<b>3.6</b>	<b>81,314.3</b>	<b>7.1</b>
	<b>Primary Operating Balance (1-2-25+23)</b>	<b>29,490.3</b>	<b>3.6</b>	<b>81,582.3</b>	<b>7.2</b>
			0.0		
<b>TRANSACTIONS IN NONFINANCIAL ASSETS</b>					
			0.0		
			<b>0.0</b>		
25	Net Acquisition of Nonfinancial Assets	35,431.4	4.4	49,089.7	4.3
			0.0		
	<b>Net Lending-Borrowing (1-2)</b>	<b>-6,031.5</b>	<b>-0.7</b>	<b>32,224.5</b>	<b>2.8</b>
			0.0		
	<b>Financing (3+4+5)</b>	<b>6,031.5</b>	<b>0.7</b>	<b>-32,224.5</b>	<b>-2.8</b>
			0.0		
<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES</b>					
			0.0		
			<b>0.0</b>		
3	Net Acquisition of Financial Assets	-21,019.3	-2.6	-6,245.0	-0.5
4	Net Acquisition of Financial Liabilities	27,071.3	3.3	-22,109.1	-1.9
			0.0		
5	<b>RETAINED EARNINGS</b>	<b>-20.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
	<b>Discrepancies (Financing-3-4-5)</b>	<b>-0.2</b>		<b>0.0</b>	

## 5. Government Debt

Afghanistan's total public debt stood at Afs 138.1 billion (or 12 percent of GDP) by the end of FY 1392, an increase of nearly Afs 11.6 billion when compared to the Afs 126.5 billion in 1391. Of the total debt Afs 133.3 billion is from current loans and the remaining Afs 4.8 billion is being held in the form of non-current (long term) loans.

Afghanistan owes Afs 53.3 billion to the Russian Federation, the largest creditor, followed by Asian Development Bank from which Afghanistan's government holds around Afs 42.5 billion and Islamic Development Bank at around Afs 24.1 billion in the form of loan.

Most of these debts are in the form of concessional loans; either a rate of zero or a very marginal interest rate has been charged. Largest bilateral creditors such as Russian Federation, Germany and the USA as members of the Paris club have pledged to give Afghanistan 100 percent debt relief, given that Afghanistan achieve certain economic and social benchmarks as defined by Heavily Indebted Poor Countries (HIPC) initiative and maintain programs with international organization such as IMF, World Bank, etc.

**Table 7 - Outstanding Debt Stock at the end of each period during Fiscal Years, 1389 and 1392**

In millions of Afghanis	1389	1390	1390	1390	1390	1391	1391	1391	1391	1392	1392	1392	1392
	4th Qtr Actual	1st Qtr Actual	2nd Qtr Actual	3rd Qtr Actual	4th Qtr Actual	1st Qtr Actual	2nd Qtr Actual	3rd Qtr Actual	4th Qtr Actual	1st Qtr Actual	2nd Qtr Actual	3rd Qtr Actual	4th Qtr Actual
	<b>Stocks at end of period</b>												
IDA	18,895	18,896	20,178	20,372	20,505	21,443	21,694	22,111	-	23,411	23,882	24,121	24,121
ADB	28,404	28,882	31,413	31,469	32,185	34,308	35,601	35,775	-	36,543	39,410	42,526	42,526
IsDB	527	531	573	572	1,016	1,215	1,282	1,424	-	1,715	1,846	2,003	2,003
Saudi Fund	2,139	2,139	2,281	2,314	2,321	2,429	2,438	2,443	-	2,636	2,700	2,676	2,676
Russian Fed	45,358	46,863	50,443	51,197	51,574	54,064	56,730	53,497	-	58,540	59,445	53,281	53,281
US	-	-	-	-	-	-	-	-	-	-	-	-	-
Germany	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEC Fund	90	90	96	97	98	103	103	93	-	100	102	101	101
IMF	5,382	5,382	5,729	6,623	6,651	6,909	6,882	6,854	-	6,911	6,740	8,567	8,567
<b>Total (Current Loans)</b>	<b>100,795</b>	<b>102,782</b>	<b>110,713</b>	<b>112,644</b>	<b>114,349</b>	<b>120,471</b>	<b>124,731</b>	<b>122,198</b>	-	<b>129,856</b>	<b>134,126</b>	<b>133,275</b>	<b>133,275</b>
Bulgaria	2,372	2,388	2,508	2,538	2,552	2,634	2,551	2,555	-	2,649	2,600	2,951	2,951
Croatia	-	-	-	-	-	-	-	-	-	-	-	-	-
Iraq	-	-	-	-	-	-	-	-	-	-	-	-	-
Kuwait Fund	1,018	1,060	1,077	1,094	1,128	1,142	1,142	1,181	-	1,237	1,252	1,265	1,265
OPEC Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Iran	461	461	491	499	502	526	530	530	-	570	583	576	576
<b>Total (Non-Current Loans)</b>	<b>3,851</b>	<b>3,909</b>	<b>4,076</b>	<b>4,130</b>	<b>4,182</b>	<b>4,303</b>	<b>4,223</b>	<b>4,266</b>	-	<b>4,456</b>	<b>4,434</b>	<b>4,792</b>	<b>4,792</b>
<b>Total Debt (Current+Non Current)</b>	<b>104,645</b>	<b>106,691</b>	<b>114,789</b>	<b>116,774</b>	<b>118,532</b>	<b>124,774</b>	<b>128,954</b>	<b>126,464</b>	-	<b>134,312</b>	<b>138,560</b>	<b>138,066</b>	<b>138,066</b>
<b>Growth over period</b>	<b>0.0%</b>	<b>2.0%</b>	<b>7.6%</b>	<b>1.7%</b>	<b>1.5%</b>	<b>5.3%</b>	<b>3.3%</b>	<b>-1.9%</b>	<b>-100.0%</b>	<b>0.06</b>	<b>3.2%</b>	<b>-0.4%</b>	<b>0.0%</b>

## 6. Conclusion and way forward

Macroeconomic indicators did not perform well during fiscal year 1392, with real GDP growth reduced to single digit 3.1 per cent from double digit growth of 14 percent in the previous year. Among all the sectors, the service sector was the best performing. Inflation fell to 6.2 per cent in 1392 from 8.5 in the previous year. Average exchange rate, Afghani against USD, further depreciated to Afs 55.5 from Afs 51.5 in 1391.

The macro indicators reveal that growing concerns and speculation regarding 2014 had its adverse impact on the economy in fiscal year 1392; while this has had a negative impact on fiscal revenues and economic performance this year it is not a cause for long term concern and we expect to see some recovery in the next year once confidence increases.

Total domestic revenues for 1392 were collected in the amount of Afs 109.7 billion showing a very small growth over annualized total for the previous year, however, missing the budget target of Afs 114 billion and fell by Afs 4.3 billion, attributed to lower volume of taxable imports, and less collection of tax revenues. The growth in revenue is estimated to remain lower, particularly during the transition period.

The government's total expenditures were Afs 273.9 billion ( 24 pc of GDP) of which Afs 193.7 billion were operating expenditures and Afs 80.2 billion were development expenditures. The execution rate for development budget didn't improve significantly over the previous year and remained at 51percent.

The increase in operating budget is due to reforms in civil service personnel, expansion of security sector, increase in teacher recruitment in education sector, and O&M costs coming on to on-budget from off-budget. Net operating budget balance fell from 1.4 pc of GDP in 1391 to 4.9 pc of GDP in 1392.

Given the constraints to the budget this year the Government views fiscal reforms to be a continuing policy priority. This will help us achieve greater economic growth and fiscal sustainability in the outer years, including by directing budget toward investments in social safety nets, education, health and critical infrastructure sectors. Strengthening and improving performance and efficiency of domestic revenues through new policy (i.e. implementing VAT) and structural measures will also remain a priority over the medium to long term to cover the operating budget and finance growing development-spending need of the country.

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

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

Table 8 - Operating Budget Expenditures 1391 – 1392

In millions of Afghanis	1391 Prelim. Actual	1391 %GDP	1392 Prelim. Actual	1392 %GDP	1392 Original Budget	1392 Final Budget (4)	1392 Actual as % of Final Budget (4)
<b>TOTAL GROSS EXPENDITURES</b>	<b>135,779.9</b>	<b>16.7</b>	<b>193,715.4</b>	<b>17.0</b>	<b>196,327.0</b>	<b>206,585.0</b>	<b>93.8</b>
<b>TOTAL NET EXPENDITURES (1)</b>	<b>135,603.0</b>	<b>16.7</b>	<b>193,679.3</b>	<b>17.0</b>			
<b>RECURRENT EXPENDITURES (excludes 25)</b>	<b>131,964.3</b>	<b>16.2</b>	<b>185,362.0</b>	<b>16.3</b>			
<b>Compensation of Employees</b>	<b>98,369.4</b>	<b>12.1</b>	<b>135,445.1</b>	<b>11.9</b>	<b>142,156.1</b>	<b>143,525.8</b>	<b>94.4</b>
Wages and Salaries	97,613.1	12.0	133,718.1	11.7			
Social Benefits	756.3	0.1	1,727.0	0.2			
<b>Use of Goods and Services</b>	<b>25,183.8</b>	<b>3.1</b>	<b>38,213.0</b>	<b>3.4</b>	<b>27,495.7</b>	<b>44,658.3</b>	<b>85.6</b>
Travel	1,149.2	0.1	1,828.3	0.2			
Communications	0.0	0.0	3,885.8	0.3			
Contracted Services	525.7	0.1	1,531.5	0.1			
Repairs and Maintenance	1,141.5	0.1	9,501.7	0.8			
Utilities	6,977.0	0.9	3,024.8	0.3			
Fuel	4,647.0	0.6	5,640.0	0.5			
Other Use of Goods and Services	10,743.5	1.3	12,801.0	1.1			
<b>Interest (2)</b>	<b>90.4</b>	<b>0.0</b>	<b>268.1</b>	<b>0.0</b>	<b>1500.0</b>	<b>1300.0</b>	<b>20.6</b>
<b>Social Transfers (3)</b>	<b>8,320.7</b>	<b>1.0</b>	<b>11,435.9</b>	<b>1.0</b>	<b>22,730.4</b>	<b>11,222.5</b>	<b>101.9</b>
Subsidies	1,000.0	0.1	900.0	0.1			
Grants	194.9	0.0	233.3	0.0			
Social Security	6,804.7	0.8	10,299.2	0.9			
Other Social Transfers	321.1	0.0	3.4	0.0			
<b>Net Acquisition of Nonfinancial Assets (1)</b>	<b>3,638.7</b>	<b>0.4</b>	<b>8,317.3</b>	<b>0.7</b>			
Sale of Land and Buildings	-176.8	0.0	-36.1	0.0			
Buildings and Structures	1,503.3	0.2	4,400.0	0.4			
Machinery and Equipment (>50,000)	2,105.9	0.3	3,379.3	0.3			
Valuables	11.9	0.0	1.4	0.0			
Land	186.7	0.0	565.4	0.0			
Capital Advance Payments	7.7	0.0	7.3	0.0			

Source: AFMIS Database as at 4 March 2014

1/ Proceeds from sale of fixed assets are net off from the total. If sales are greater than incurred expenditure, net expenditure will be negative.

2/ Actuals are interest only. However, budget figures include principal repayments and interest.

3/ Budget figures for code 24 only includes budgeted pensions from contingency reserve, therefore actual expenditure may be larger than budget.

4/ Final Budget figures available from AFMIS, except for interest (code 23) and subsidies and transfers (code 24), as AFMIS data includes contingency reserves in these categories. Reconciliation of budget figures between categories is also not finalized, and so total of each category does not add to total budget of Budget of Afs 196.3 billion.

Table 9 – Development Budget Expenditures 1391 – 1392

Code	In millions of Afghanis	1391 Prelim	1391 %GDP	1392 Prelim	1392 %GDP	1392 Original Budget (5)	1392 Final Budget (6)	1392 Actual as % of Final Budget (4)
	<b>TOTAL GROSS EXPENDITURES</b>	<b>53,609.9</b>	<b>6.6</b>	<b>80,201.4</b>	<b>7.0</b>	<b>157,750.1</b>	<b>141,660.0</b>	<b>57</b>
<b>2</b>	<b>TOTAL NET EXPENDITURES (1)</b>	<b>53,609.9</b>	<b>6.6</b>	<b>80,201.4</b>	<b>7.0</b>			
<b>2-25</b>	<b>RECURRENT EXPENDITURES (excludes 25)</b>	<b>21,817.2</b>	<b>2.7</b>	<b>39,429.0</b>	<b>3.5</b>			
<b>21</b>	<b>Compensation of Employees</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	-	-	-
211-3	Wages and Salaries	0.0	0.0	0.0	0.0			
214-5	Social Benefits	0.0	0.0	0.0	0.0			
<b>22</b>	<b>Use of Goods and Services</b>	<b>21,817.2</b>	<b>2.7</b>	<b>39,429.0</b>	<b>3.5</b>	<b>N/A</b>	<b>62,508.6</b>	<b>63</b>
221	Travel	385.4	0.0	364.0	0.0			
222	Communications	0.0	0.0	106.4	0.0			
223	Contracted Services	15,975.3	2.0	23,751.5	2.1			
224	Repairs and Maintenance	154.6	0.0	102.9	0.0			
225	Utilities	208.7	0.0	194.9	0.0			
226	Fuel	71.8	0.0	169.5	0.0			
227-9	Other Use of Goods and Services	5,021.3	0.6	14,739.8	1.3			
<b>23</b>	<b>Interest (2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	-	-	-
<b>24</b>	<b>Social Transfers (3)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	-	<b>10,292.9</b>	-
242	Subsidies	0.0	0.0	0.0	0.0			
245	Grants	0.0	0.0	0.0	0.0			
247	Social Security	0.0	0.0	0.0	0.0			
248-9	Other Social Transfers	0.0	0.0	0.0	0.0			
<b>25</b>	<b>Net Acquisition of Nonfinancial Assets (1)</b>	<b>31,792.7</b>	<b>3.9</b>	<b>40,772.4</b>	<b>3.6</b>	-		
150	Sale of Land and Buildings	0.0	0.0	0.0	0.0			
251	Buildings and Structures	22,091.2	2.7	32,486.3	2.8			
252	Machinery and Equipment (>50,000)	3,556.9	0.4	4,738.9	0.4			
257	Valuables	1.1	0.0	0.0	0.0			
258	Land	131.9	0.0	40.3	0.0			
259	Capital Advance Payments	6,011.5	0.7	3,506.9	0.3			

Source: AFMIS Database as at 4 March 2014

1/ Proceeds from sale of fixed assets are net off from the total. If sales are greater than incurred expenditure, net expenditure will be negative.

2/ Actuals are interest only. However, budget figures include principal repayments and interest.

3/ Budget figures for code 24 only includes budgeted pensions from contingency reserve, therefore actual expenditure may be larger than budget.

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

5/ Final Budget figures available from AFMIS, except for interest (code 23) and subsidies and transfers (code 24), as AFMIS data includes contingency reserves in these categories. Reconciliation of budget figures between categories is also not finalized, and so total of each category does not add to total budget of Budget of Afs 157.8 billion.

Table 14 – Integrated Core Budget Expenditures by COFOG sectors, 1391– 1392

Code	In millions of Afghanis	1391 Prelim. Actual	Percent of total	1392 Prelim. Actual	Percent of total
<b>2</b>	<b>TOTAL NET EXPENDITURE</b>	<b>189,212.9</b>		<b>273,880.7</b>	
150	Sale of Land and Buildings	176.8		36.1	
<b>2+150</b>	<b>TOTAL GROSS EXPENDITURE</b>	<b>189,389.7</b>	<b>100.0</b>	<b>277,947.1</b>	<b>100.0</b>
	RECURRENT EXPENDITURE	153,781.5	81.2	228,821.3	82.3
	CAPITAL EXPENDITURE	35,608.3	18.8	49,125.8	17.7
<b>701</b>	<b>General Public Services</b>	<b>24,603.6</b>	<b>13.0</b>	<b>31,041.4</b>	<b>11.2</b>
701- Rec	Recurrent Expenditure	22,852.3	12.1	28,010.4	10.1
701- Cap	Capital Expenditure	1,751.3	0.9	3,031.0	1.1
<b>702</b>	<b>Defence</b>	<b>35,615.9</b>	<b>18.8</b>	<b>67,214.5</b>	<b>24.2</b>
702- Rec	Recurrent Expenditure	34,324.7	18.1	63,043.0	22.7
702- Cap	Capital Expenditure	1,291.2	0.7	4,171.6	1.5
<b>703</b>	<b>Public Order and Safety</b>	<b>40,408.0</b>	<b>21.3</b>	<b>57,364.8</b>	<b>20.6</b>
703- Rec	Recurrent Expenditure	37,240.5	19.7	51,240.5	18.4
703- Cap	Capital Expenditure	3,167.5	1.7	6,124.3	2.2
<b>704</b>	<b>Economic Affairs</b>	<b>44,747.0</b>	<b>23.6</b>	<b>56,215.1</b>	<b>20.2</b>
704- Rec	Recurrent Expenditure	18,602.1	9.8	24,860.1	8.9
704- Cap	Capital Expenditure	26,144.9	13.8	31,355.0	11.3
<b>705</b>	<b>Environmental Protection</b>	<b>113.4</b>	<b>0.1</b>	<b>139.0</b>	<b>0.1</b>
705- Rec	Recurrent Expenditure	92.5	0.0	137.3	0.0
705- Cap	Capital Expenditure	20.9	0.0	1.7	0.0
<b>706</b>	<b>Housing and Communal Amenities</b>	<b>909.9</b>	<b>0.5</b>	<b>1,290.7</b>	<b>0.5</b>
706- Rec	Recurrent Expenditure	301.4	0.2	340.4	0.1
706- Cap	Capital Expenditure	608.4	0.3	950.2	0.3
<b>707</b>	<b>Health</b>	<b>6,468.4</b>	<b>3.4</b>	<b>10,459.9</b>	<b>3.8</b>
707- Rec	Recurrent Expenditure	6,170.3	3.3	10,101.0	3.6
707- Cap	Capital Expenditure	298.1	0.2	358.9	0.1
<b>708</b>	<b>Recreation, Culture and Religion</b>	<b>2,230.8</b>	<b>1.2</b>	<b>2,649.1</b>	<b>1.0</b>
708- Rec	Recurrent Expenditure	1,464.6	0.8	1,998.1	0.7
708- Cap	Capital Expenditure	766.3	0.4	651.0	0.2
<b>709</b>	<b>Education</b>	<b>28,421.0</b>	<b>15.0</b>	<b>40,246.5</b>	<b>14.5</b>
709- Rec	Recurrent Expenditure	27,049.2	14.3	37,934.4	13.6
709- Cap	Capital Expenditure	1,371.8	0.7	2,312.1	0.8
<b>710</b>	<b>Social Protection</b>	<b>5,871.7</b>	<b>3.1</b>	<b>11,326.0</b>	<b>4.1</b>
710- Rec	Recurrent Expenditure	5,683.9	3.0	11,156.0	4.0
710- Cap	Capital Expenditure	187.8	0.1	170.0	0.1

Source: AFMIS Database as at 4 March 2014

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

Table 11 - Integrated Core Budget Expenditures by Ministries, 1391 – 1392

Code	In millions of Afghanis	1391	1391	1391	1392	1392	1392	1392	1392	1392
		Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Original Budget	Final Budget (1)	Actual as % of Final Budget
<b>26 Ministry of Interior</b>		<b>36,338</b>	<b>19.2</b>	<b>4.5</b>	<b>50,565</b>	<b>18.2</b>	<b>4.4</b>	<b>59,602</b>	<b>69,931</b>	<b>72.3</b>
Operating Budget		36,207	26.7	4.4	50,270	25.4	4.4	42,668	52,996	94.9
Development Budget		131	0.2	0.0	296	0.4	0.0	16,935	16,935	1.7
<b>22 Ministry of Defence</b>		<b>37,488</b>	<b>19.8</b>	<b>4.6</b>	<b>66,389</b>	<b>23.9</b>	<b>5.8</b>	<b>78,604</b>	<b>88,744</b>	<b>74.8</b>
Operating Budget		37,465	27.6	4.6	58,083	29.4	5.1	57,108	67,248	86.4
Development Budget		22	0.0	0.0	8,305	10.4	0.7	21,496	21,496	38.6
<b>23 Ministry of Foreign Affairs</b>		<b>2,453</b>	<b>1.3</b>	<b>0.3</b>	<b>3,511</b>	<b>1.3</b>	<b>0.3</b>	<b>3,117</b>	<b>3,544</b>	<b>99.1</b>
Operating Budget		2,094	1.5	0.3	3,249	1.6	0.3	2,650	3,077	105.6
Development Budget		359	0.7	0.0	262	0.3	0.0	467	467	56.0
<b>15 Presidential Protective Service</b>		<b>812</b>	<b>0.4</b>	<b>0.1</b>	<b>1,226</b>	<b>0.4</b>	<b>0.1</b>	<b>1,092</b>	<b>1,281</b>	<b>95.7</b>
Operating Budget		805	0.6	0.1	1,137	0.6	0.1	873	1,062	107.0
Development Budget		8	0.0	0.0	89	0.1	0.0	218	218	40.6
<b>64 General Directorate of National Security</b>		<b>5,136</b>	<b>2.7</b>	<b>0.6</b>	<b>9,722</b>	<b>3.5</b>	<b>0.9</b>	<b>9,921</b>	<b>9,725</b>	<b>100.0</b>
Operating Budget		5,089	3.7	0.6	9,597	4.9	0.8	9,793	9,597	100.0
Development Budget		47	0.1	0.0	125	0.2	0.0	128	128	97.8
<b>Security</b>		<b>82,227</b>	<b>43.4</b>	<b>10.1</b>	<b>131,413</b>	<b>47.3</b>	<b>11.5</b>	<b>152,336</b>	<b>173,225</b>	<b>75.9</b>
Operating Budget		81,661	60.1	10.0	122,336	61.9	10.7	113,091	133,980	91.3
Development Budget		566	1.1	0.1	9,077	11.3	0.8	39,245	39,245	23.1
<b>10 Presidents Office</b>		<b>1,534</b>	<b>0.8</b>	<b>0.2</b>	<b>1,919</b>	<b>0.7</b>	<b>0.2</b>	<b>2,188</b>	<b>2,287</b>	<b>83.9</b>
Operating Budget		1,324	1.0	0.2	1,765	0.9	0.2	1,717	1,816	97.2
Development Budget		209	0.4	0.0	154	0.2	0.0	471	471	32.8
<b>11 National Assembly Meshanro Jirga</b>		<b>385</b>	<b>0.2</b>	<b>0.0</b>	<b>579</b>	<b>0.2</b>	<b>0.1</b>	<b>657</b>	<b>662</b>	<b>87.5</b>
Operating Budget		370	0.3	0.0	513	0.3	0.0	531	535	95.9
Development Budget		15	0.0	0.0	65	0.1	0.0	127	127	51.7
<b>12 National Assembly Wolesi Jirga</b>		<b>917</b>	<b>0.5</b>	<b>0.1</b>	<b>1,275</b>	<b>0.5</b>	<b>0.1</b>	<b>1,251</b>	<b>1,254</b>	<b>101.7</b>
Operating Budget		917	0.7	0.1	1,259	0.6	0.1	1,223	1,225	102.8
Development Budget		0	0.0	0.0	16	0.0	0.0	28	28	55.4
<b>14 Supreme Court</b>		<b>1,117</b>	<b>0.6</b>	<b>0.1</b>	<b>1,615</b>	<b>0.6</b>	<b>0.1</b>	<b>1,609</b>	<b>1,797</b>	<b>89.9</b>
Operating Budget		1,034	0.8	0.1	1,511	0.8	0.1	1,320	1,508	100.2
Development Budget		83	0.2	0.0	105	0.1	0.0	289	289	36.2
<b>50 Ministry of Justice</b>		<b>465</b>	<b>0.2</b>	<b>0.1</b>	<b>684</b>	<b>0.2</b>	<b>0.1</b>	<b>1,026</b>	<b>1,032</b>	<b>66.3</b>
Operating Budget		412	0.3	0.1	582	0.3	0.1	606	613	94.9
Development Budget		54	0.1	0.0	103	0.1	0.0	419	419	24.5
<b>13 Administrative Affairs</b>		<b>1,397</b>	<b>0.7</b>	<b>0.2</b>	<b>2,141</b>	<b>0.8</b>	<b>0.2</b>	<b>977</b>	<b>2,143</b>	<b>99.9</b>
Operating Budget		1,312	1.0	0.2	1,949	1.0	0.2	724	1,890	103.1
Development Budget		85	0.2	0.0	192	0.2	0.0	253	253	75.9
<b>21 Ministry of State and Parliament Affairs</b>		<b>121</b>	<b>0.1</b>	<b>0.0</b>	<b>117</b>	<b>0.0</b>	<b>0.0</b>	<b>115</b>	<b>129</b>	<b>90.6</b>
Operating Budget		121	0.1	0.0	100	0.1	0.0	89	103	97.0
Development Budget		0	0.0	0.0	17	0.0	0.0	26	26	65.1
<b>24 Ministry of Haj and Religious Affairs</b>		<b>610</b>	<b>0.3</b>	<b>0.1</b>	<b>863</b>	<b>0.3</b>	<b>0.1</b>	<b>997</b>	<b>1,018</b>	<b>84.7</b>
Operating Budget		494	0.4	0.1	711	0.4	0.1	743	763	93.1
Development Budget		116	0.2	0.0	152	0.2	0.0	255	255	59.6
<b>51 Attorney General</b>		<b>734</b>	<b>0.4</b>	<b>0.1</b>	<b>1,080</b>	<b>0.4</b>	<b>0.1</b>	<b>1,235</b>	<b>1,223</b>	<b>88.3</b>
Operating Budget		707	0.5	0.1	999	0.5	0.1	1,017	1,005	99.4
Development Budget		27	0.1	0.0	82	0.1	0.0	218	218	37.5
<b>72 Election Commission</b>		<b>83</b>	<b>0.0</b>	<b>0.0</b>	<b>129</b>	<b>0.0</b>	<b>0.0</b>	<b>146</b>	<b>143</b>	<b>90.0</b>
Operating Budget		81	0.1	0.0	112	0.1	0.0	127	124	90.4
Development Budget		1	0.0	0.0	17	0.0	0.0	19	19	87.7
<b>62 IARCSC</b>		<b>458</b>	<b>0.2</b>	<b>0.1</b>	<b>671</b>	<b>0.2</b>	<b>0.1</b>	<b>819</b>	<b>825</b>	<b>81.3</b>
Operating Budget		231	0.2	0.0	316	0.2	0.0	322	327	96.7
Development Budget		227	0.4	0.0	354	0.4	0.0	497	497	71.3
<b>85 Independent Commission for Overseeing the</b>		<b>54</b>	<b>0.0</b>	<b>0.0</b>	<b>69</b>	<b>0.0</b>	<b>0.0</b>	<b>82</b>	<b>86</b>	<b>80.3</b>
Operating Budget		54	0.0	0.0	69	0.0	0.0	82	86	80.3
Development Budget		0	0.0	0.0	0	0.0	0.0	0	0	N/A
<b>69 Anti-Corruption Commission</b>		<b>0</b>	<b>-</b>	<b>0.0</b>	<b>0</b>	<b>-</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>
Operating Budget		0	-	0.0	0	-	0.0	0	0	N/A
Development Budget		0	0.0	0.0	0	0.0	0.0	0	0	N/A
<b>The High office of Oversight and Anti</b>										
<b>67 Corruption</b>		<b>145</b>	<b>0.1</b>	<b>0.0</b>	<b>173</b>	<b>0.1</b>	<b>0.0</b>	<b>164</b>	<b>172</b>	<b>100.4</b>
Operating Budget		105	0.1	0.0	141	0.1	0.0	133	142	99.5
Development Budget		40	0.1	0.0	32	0.0	0.0	31	31	104.6
<b>Independent Directorate of Local</b>										
<b>59 Governance</b>		<b>2,074</b>	<b>1.1</b>	<b>0.3</b>	<b>3,047</b>	<b>1.1</b>	<b>0.3</b>	<b>3,774</b>	<b>3,146</b>	<b>96.8</b>
Operating Budget		1,657	1.2	0.2	2,537	1.3	0.2	2,543	1,916	132.4
Development Budget		417	0.8	0.1	509	0.6	0.0	1,230	1,230	41.4
<b>74 Legal Training Center</b>		<b>0</b>	<b>-</b>	<b>0.0</b>	<b>0</b>	<b>-</b>	<b>0.0</b>	<b>64</b>	<b>64</b>	<b>0.0</b>
Operating Budget		0	-	0.0	0	-	0.0	0	0	N/A
Development Budget		0	0.0	0.0	0	0.0	0.0	64	64	0.0
<b>Governance, Rule of Law &amp; Human Rights</b>		<b>10,095</b>	<b>5</b>	<b>1.2</b>	<b>14,362</b>	<b>5.2</b>	<b>1.3</b>	<b>15,105</b>	<b>15,981</b>	<b>89.9</b>
Operating Budget		8,821	6	1.1	12,564	6.4	1.1	11,178	12,053	104.2
Development Budget		1,274	2	0.2	1,798	2.2	0.2	3,927	3,927	45.8

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



Table 13 - Integrated Core Budget Expenditures by Ministries (Continued, 1391 – 1392)

Code	In millions of Afghanis	1391 Annual Actual	1391 % of Total Spending	1391 % GDP	1392 Prelim. Annual Actual	1392 % of Total Spending	1392 % GDP	1392 Original Budget	1392 Final Budget (1)	1392 Actual as % of Final Budget
<b>42</b>	<b>Ministry of Public Works</b>	<b>13,912</b>	<b>7.3</b>	<b>1.7</b>	<b>16,309</b>	<b>5.9</b>	<b>1.4</b>	<b>23,584</b>	<b>25,453</b>	<b>64.1</b>
	Operating Budget	1,204	0.9	0.1	2,325	1.2	0.2	534	2,402	96.8
	Development Budget	12,709	23.7	1.6	13,984	17.4	1.2	23,051	23,051	60.7
<b>45</b>	<b>Ministry of Transport and Aviation</b>	<b>1,306</b>	<b>0.7</b>	<b>0.2</b>	<b>1,741</b>	<b>0.6</b>	<b>0.2</b>	<b>2,359</b>	<b>2,384</b>	<b>73.0</b>
	Operating Budget	488	0.4	0.1	545	0.3	0.0	537	562	96.9
	Development Budget	818	1.5	0.1	1,196	1.5	0.1	1,822	1,822	65.7
<b>34</b>	<b>Ministry of Communication</b>	<b>1,226</b>	<b>0.6</b>	<b>0.2</b>	<b>1,778</b>	<b>0.6</b>	<b>0.2</b>	<b>2,968</b>	<b>2,962</b>	<b>60.0</b>
	Operating Budget	359	0.3	0.0	462	0.2	0.0	503	498	92.7
	Development Budget	866	1.6	0.1	1,316	1.6	0.1	2,465	2,465	53.4
<b>41</b>	<b>Ministry of Energy and Water</b>	<b>5,671</b>	<b>3.0</b>	<b>0.7</b>	<b>6,350</b>	<b>2.3</b>	<b>0.6</b>	<b>12,542</b>	<b>12,705</b>	<b>50.0</b>
	Operating Budget	332	0.2	0.0	559	0.3	0.0	545	709	78.9
	Development Budget	5,340	10.0	0.7	5,791	7.2	0.5	11,997	11,997	48.3
<b>82</b>	<b>Water Supply and Canalization Corporation</b>	<b>132</b>	<b>0.1</b>	<b>0.0</b>	<b>317</b>	<b>0.1</b>	<b>0.0</b>	<b>513</b>	<b>513</b>	<b>61.9</b>
	Operating Budget	0	-	0.0	0	-	0.0	0	0	N/A
	Development Budget	132	0.2	0.0	317	0.4	0.0	513	513	61.9
<b>83</b>	<b>Da Brishna Shirkat</b>	<b>941</b>	<b>0.5</b>	<b>0.1</b>	<b>2,083</b>	<b>0.7</b>	<b>0.2</b>	<b>180</b>	<b>180</b>	<b>1,159.3</b>
	Operating Budget	0	-	0.0	0	-	0.0	0	0	N/A
	Development Budget	941	1.8	0.1	2,083	2.6	0.2	180	180	1,159.3
<b>49</b>	<b>Ministry of Urban Development</b>	<b>932</b>	<b>0.5</b>	<b>0.1</b>	<b>1,326</b>	<b>0.5</b>	<b>0.1</b>	<b>1,445</b>	<b>1,453</b>	<b>91.3</b>
	Operating Budget	147	0.1	0.0	237	0.1	0.0	250	257	92.3
	Development Budget	784	1.5	0.1	1,089	1.4	0.1	1,196	1,196	91.1
<b>84</b>	<b>Independent Board of new Kabul</b>	<b>151</b>	<b>0.1</b>	<b>0.0</b>	<b>155</b>	<b>0.1</b>	<b>0.0</b>	<b>70</b>	<b>70</b>	<b>222.9</b>
	Operating Budget	0	-	0.0	0	-	0.0	0	0	N/A
	Development Budget	151	0.3	0.0	155	0.2	0.0	70	70	222.9
<b>32</b>	<b>Ministry of Mines and Industries</b>	<b>1,658</b>	<b>0.9</b>	<b>0.2</b>	<b>1,743</b>	<b>0.6</b>	<b>0.2</b>	<b>2,335</b>	<b>2,336</b>	<b>74.6</b>
	Operating Budget	333	0.2	0.0	486	0.2	0.0	511	512	94.9
	Development Budget	1,325	2.5	0.2	1,257	1.6	0.1	1,824	1,824	68.9
<b>65</b>	<b>Geodesy and Cartography Office</b>	<b>169</b>	<b>0.1</b>	<b>0.0</b>	<b>191</b>	<b>0.1</b>	<b>0.0</b>	<b>2,234</b>	<b>2,231</b>	<b>8.5</b>
	Operating Budget	98	0.1	0.0	135	0.1	0.0	147	144	94.4
	Development Budget	71	0.1	0.0	55	0.1	0.0	2,087	2,087	2.6
<b>60</b>	<b>Directorate of Environment</b>	<b>156</b>	<b>0.1</b>	<b>0.0</b>	<b>179</b>	<b>0.1</b>	<b>0.0</b>	<b>289</b>	<b>292</b>	<b>61.1</b>
	Operating Budget	136	0.1	0.0	179	0.1	0.0	170	173	103.1
	Development Budget	20	0.0	0.0	0	0.0	0.0	119	119	0.0
<b>75</b>	<b>Afghanistan High Atomic Energy Commission</b>	<b>26</b>	<b>0.0</b>	<b>0.0</b>	<b>28</b>	<b>0.0</b>	<b>0.0</b>	<b>36</b>	<b>38</b>	<b>73.9</b>
	Operating Budget	25	0.0	0.0	28	0.0	0.0	36	38	73.9
	Development Budget	1	0.0	0.0	0	0.0	0.0	0	0	N/A
<b>79</b>	<b>Municipalities</b>	<b>369</b>	<b>0.2</b>	<b>0.0</b>	<b>880</b>	<b>0.3</b>	<b>0.1</b>	<b>1,571</b>	<b>1,571</b>	<b>56.0</b>
	Operating Budget	0	-	0.0	0	-	0.0	0	0	N/A
	Development Budget	369	0.7	0.0	880	1.1	0.1	1,571	1,571	56.0
<b>Infrastructure &amp; Natural Resources</b>		<b>26,648</b>	<b>14</b>	<b>3.3</b>	<b>33,080</b>	<b>12</b>	<b>2.9</b>	<b>50,126</b>	<b>52,187</b>	<b>63.4</b>
	Operating Budget	3,121	2	0.4	4,956	3	0.4	3,233	5,294	93.6
	Development Budget	23,527	44	2.9	28,124	35	2.5	46,893	46,893	60.0
<b>27</b>	<b>Ministry of Education</b>	<b>23,049</b>	<b>12.2</b>	<b>2.8</b>	<b>34,930</b>	<b>12.6</b>	<b>3.1</b>	<b>44,127</b>	<b>43,993</b>	<b>79.4</b>
	Operating Budget	20,233	14.9	2.5	29,195	14.8	2.6	29,592	29,458	99.1
	Development Budget	2,816	5.3	0.3	5,735	7.2	0.5	14,535	14,535	39.5
<b>28</b>	<b>Ministry of Higher Education</b>	<b>3,352</b>	<b>1.8</b>	<b>0.4</b>	<b>4,677</b>	<b>1.7</b>	<b>0.4</b>	<b>6,997</b>	<b>7,002</b>	<b>66.8</b>
	Operating Budget	2,212	1.6	0.3	3,153	1.6	0.3	3,191	3,195	98.7
	Development Budget	1,140	2.1	0.1	1,524	1.9	0.1	3,806	3,806	40.0
<b>36</b>	<b>Ministry of Information and Culture</b>	<b>731</b>	<b>0.4</b>	<b>0.1</b>	<b>1,065</b>	<b>0.4</b>	<b>0.1</b>	<b>1,354</b>	<b>1,452</b>	<b>73.3</b>
	Operating Budget	580	0.4	0.1	903	0.5	0.1	837	935	96.5
	Development Budget	151	0.3	0.0	162	0.2	0.0	517	517	31.4
<b>61</b>	<b>Science Academy</b>	<b>139</b>	<b>0.1</b>	<b>0.0</b>	<b>201</b>	<b>0.1</b>	<b>0.0</b>	<b>192</b>	<b>190</b>	<b>105.9</b>
	Operating Budget	122	0.1	0.0	178	0.1	0.0	156	153	116.0
	Development Budget	17	0.0	0.0	23	0.0	0.0	36	36	63.8
<b>63</b>	<b>National Olympic Committee</b>	<b>328</b>	<b>0.2</b>	<b>0.0</b>	<b>385</b>	<b>0.1</b>	<b>0.0</b>	<b>815</b>	<b>819</b>	<b>47.0</b>
	Operating Budget	194	0.1	0.0	273	0.1	0.0	274	279	98.0
	Development Budget	134	0.3	0.0	112	0.1	0.0	541	541	20.7
<b>Education</b>		<b>27,599</b>	<b>14.6</b>	<b>3.4</b>	<b>41,258</b>	<b>14.8</b>	<b>3.6</b>	<b>53,485</b>	<b>53,456</b>	<b>77.2</b>
	Operating Budget	23,340	17.2	2.9	33,701	17.0	3.0	34,050	34,020	99.1
	Development Budget	4,259	7.9	0.5	7,556	9.4	0.7	19,436	19,436	38.9
<b>37</b>	<b>Ministry of Public Health</b>	<b>6,359</b>	<b>3.4</b>	<b>0.8</b>	<b>10,285</b>	<b>3.7</b>	<b>0.9</b>	<b>13,142</b>	<b>13,221</b>	<b>77.8</b>
	Operating Budget	1,799	1.3	0.2	3,115	1.6	0.3	3,396	3,475	89.6
	Development Budget	4,560	8.5	0.6	7,169	8.9	0.6	9,746	9,746	73.6
<b>Health</b>		<b>6,359</b>	<b>3.4</b>	<b>0.8</b>	<b>10,285</b>	<b>3.7</b>	<b>0.9</b>	<b>13,142</b>	<b>13,221</b>	<b>77.8</b>
	Operating Budget	1,799	1.3	0.2	3,115	1.6	0.3	3,396	3,475	89.6
	Development Budget	4,560	8.5	0.6	7,169	8.9	0.6	9,746	9,746	73.6
<b>39</b>	<b>Ministry of Agriculture</b>	<b>4,009</b>	<b>2.1</b>	<b>0.5</b>	<b>6,504</b>	<b>2.3</b>	<b>0.6</b>	<b>7,899</b>	<b>8,219</b>	<b>79.1</b>
	Operating Budget	924	0.7	0.1	1,488	0.8	0.1	1,292	1,611	92.3
	Development Budget	3,085	5.8	0.4	5,016	6.3	0.4	6,607	6,607	75.9
<b>48</b>	<b>Ministry of Counter Narcotics</b>	<b>503</b>	<b>0.3</b>	<b>0.1</b>	<b>1,040</b>	<b>0.4</b>	<b>0.1</b>	<b>864</b>	<b>872</b>	<b>119.3</b>
	Operating Budget	106	0.1	0.0	167	0.1	0.0	141	149	112.5
	Development Budget	397	0.7	0.0	873	1.1	0.1	723	723	120.7
<b>Ministry of Rural Rehabilitation and Development</b>		<b>12,816</b>	<b>6.8</b>	<b>1.6</b>	<b>17,105</b>	<b>6.2</b>	<b>1.5</b>	<b>19,519</b>	<b>19,628</b>	<b>87.1</b>
	Operating Budget	398	0.3	0.0	648	0.3	0.1	604	713	91.0
	Development Budget	12,418	23.2	1.5	16,457	20.5	1.4	18,915	18,915	87.0
<b>Agriculture &amp; Rural Development</b>		<b>17,327</b>	<b>9.1</b>	<b>2.1</b>	<b>24,649</b>	<b>8.9</b>	<b>2.2</b>	<b>28,282</b>	<b>28,718</b>	<b>85.8</b>
	Operating Budget	1,427	1.1	0.2	2,303	1.2	0.2	2,036	2,473	93.1
	Development Budget	15,900	29.7	2.0	22,346	27.9	2.0	26,246	26,246	85.1

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

Table 14 - Integrated Core Budget Expenditures by Ministries (Continued, 1391 – 1392)

Code	In millions of Afghanis	1391	1391	1391	1392	1392	1392	1392	1392	1392
		Prelim. Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Original Budget	Final Budget (1)	Actual as % of Final Budget
<b>46</b>	<b>Ministry of Frontiers and Tribal Affairs</b>	<b>338</b>	<b>0.2</b>	<b>0.0</b>	<b>478</b>	<b>0.2</b>	<b>0.0</b>	<b>599</b>	<b>609</b>	<b>78.5</b>
	Operating Budget	282	0.2	0.0	372	0.2	0.0	402	412	90.4
	Development Budget	56	0.1	0.0	105	0.1	0.0	197	197	53.5
	<b>Ministry of Martyrs, Disabled and Social</b>									
<b>47</b>	<b>Affairs</b>	<b>7,863</b>	<b>4.2</b>	<b>1.0</b>	<b>11,997</b>	<b>4.3</b>	<b>1.1</b>	<b>2,100</b>	<b>12,340</b>	<b>97.2</b>
	Operating Budget	7,410	5.5	0.9	11,470	5.8	1.0	1,386	11,625	98.7
	Development Budget	453	0.8	0.1	527	0.7	0.0	715	715	73.7
<b>29</b>	<b>Ministry of Refugees and Repatriates</b>	<b>225</b>	<b>0.1</b>	<b>0.0</b>	<b>274</b>	<b>0.1</b>	<b>0.0</b>	<b>246</b>	<b>299</b>	<b>91.7</b>
	Operating Budget	135	0.1	0.0	259	0.1	0.0	205	258	100.1
	Development Budget	89	0.2	0.0	16	0.0	0.0	41	41	38.2
<b>38</b>	<b>Ministry of Women Affairs</b>	<b>193</b>	<b>0.1</b>	<b>0.0</b>	<b>230</b>	<b>0.1</b>	<b>0.0</b>	<b>226</b>	<b>235</b>	<b>97.7</b>
	Operating Budget	121	0.1	0.0	189	0.1	0.0	189	198	95.3
	Development Budget	71	0.1	0.0	41	0.1	0.0	37	37	110.3
<b>68</b>	<b>Office of Disaster Preparedness</b>	<b>74</b>	<b>0.0</b>	<b>0.0</b>	<b>120</b>	<b>0.0</b>	<b>0.0</b>	<b>164</b>	<b>161</b>	<b>74.6</b>
	Operating Budget	60	0.0	0.0	82	0.0	0.0	98	95	86.2
	Development Budget	14	0.0	0.0	38	0.0	0.0	66	66	57.9
<b>76</b>	<b>Directorate of Kochis</b>	<b>35</b>	<b>0.0</b>	<b>0.0</b>	<b>72</b>	<b>0.0</b>	<b>0.0</b>	<b>99</b>	<b>102</b>	<b>70.8</b>
	Operating Budget	32	0.0	0.0	47	0.0	0.0	46	48	98.2
	Development Budget	3	0.0	0.0	25	0.0	0.0	54	54	46.2
	<b>Social Protection</b>	<b>8,728</b>	<b>4.6</b>	<b>1.1</b>	<b>13,171</b>	<b>4.7</b>	<b>1.2</b>	<b>3,435</b>	<b>13,746</b>	<b>95.8</b>
	Operating Budget	8,041	5.9	1.0	12,419	6.3	1.1	2,326	12,636	98.3
	Development Budget	687	1.3	0.1	752	0.9	0.1	1,110	1,110	67.7
<b>20</b>	<b>Ministry of Finance</b>	<b>8,026</b>	<b>4.2</b>	<b>1.0</b>	<b>7,877</b>	<b>2.8</b>	<b>0.7</b>	<b>6,281</b>	<b>6,281</b>	<b>125.4</b>
	Operating Budget	5,928	4.4	0.7	5,449	2.8	0.5	1,836	1,836	296.8
	Development Budget	2,097	3.9	0.3	2,428	3.0	0.2	4,445	4,445	54.6
<b>25</b>	<b>Ministry of Commerce</b>	<b>1,438</b>	<b>0.8</b>	<b>0.2</b>	<b>590</b>	<b>0.2</b>	<b>0.1</b>	<b>795</b>	<b>807</b>	<b>73.1</b>
	Operating Budget	1,282	0.9	0.2	371	0.2	0.0	367	379	98.0
	Development Budget	156	0.3	0.0	219	0.3	0.0	428	428	51.0
<b>35</b>	<b>Ministry of Economy</b>	<b>443</b>	<b>0.2</b>	<b>0.1</b>	<b>568</b>	<b>0.2</b>	<b>0.0</b>	<b>657</b>	<b>655</b>	<b>86.8</b>
	Operating Budget	163	0.1	0.0	226	0.1	0.0	252	250	90.5
	Development Budget	280	0.5	0.0	342	0.4	0.0	405	405	84.5
<b>66</b>	<b>Control and Audit Office</b>	<b>145</b>	<b>0.1</b>	<b>0.0</b>	<b>291</b>	<b>0.1</b>	<b>0.0</b>	<b>527</b>	<b>535</b>	<b>54.4</b>
	Operating Budget	64	0.0	0.0	121	0.1	0.0	120	128	94.1
	Development Budget	81	0.2	0.0	170	0.2	0.0	407	407	41.9
<b>73</b>	<b>Central Statistics Office</b>	<b>149</b>	<b>0.1</b>	<b>0.0</b>	<b>231</b>	<b>0.1</b>	<b>0.0</b>	<b>295</b>	<b>293</b>	<b>79.0</b>
	Operating Budget	99	0.1	0.0	133	0.1	0.0	142	140	95.3
	Development Budget	50	0.1	0.0	98	0.1	0.0	153	153	64.1
<b>58</b>	<b>Afghanistan National Standard Authority</b>	<b>188</b>	<b>0.1</b>	<b>0.0</b>	<b>131</b>	<b>0.0</b>	<b>0.0</b>	<b>247</b>	<b>249</b>	<b>52.7</b>
	Operating Budget	33	0.0	0.0	51	0.0	0.0	70	73	69.7
	Development Budget	154	0.3	0.0	81	0.1	0.0	176	176	45.8
	<b>Economic Governance &amp; Private Sector</b>	<b>10,389</b>	<b>5.5</b>	<b>1.3</b>	<b>9,688</b>	<b>3.5</b>	<b>0.8</b>	<b>8,802</b>	<b>8,819</b>	<b>109.9</b>
	<b>Development</b>									
	Operating Budget	7,569	5.6	0.9	6,351	3.2	0.6	2,788	2,805	226.4
	Development Budget	2,819	5.3	0.3	3,338	4.2	0.3	6,014	6,014	55.5
<b>80</b>	<b>Afghanistan Investment Support Agency</b>	<b>0</b>	<b>-</b>	<b>0.0</b>	<b>0</b>	<b>-</b>	<b>0.0</b>	<b>52</b>	<b>52</b>	<b>0.0</b>
	Operating Budget	0	-	0.0	0	-	0.0	0.0	0	N/A
	Development Budget	0	0.0	0.0	0	0.0	0.0	52.0	52	0.0
<b>81</b>	<b>Micro Finance Investment Support Facility for</b>	<b>0</b>	<b>-</b>	<b>0.0</b>	<b>0</b>	<b>-</b>	<b>0.0</b>	<b>263</b>	<b>263</b>	<b>0.0</b>
	Operating Budget	0	-	0.0	0	-	0.0	0.0	0	N/A
	Development Budget	0	0.0	0.0	0	0.0	0.0	262.9	263	0.0
	<b>TOTAL (1)</b>	<b>189,372</b>	<b>0.0</b>	<b>23.3</b>	<b>277,906</b>	<b>-</b>	<b>24.4</b>	<b>325,028</b>	<b>359,669</b>	<b>77.3</b>
	Operating Budget	135,780	0.0	16.7	197,746	0.0	17.3	172,097	206,737	95.7
	Development Budget	53,592	0.0	6.6	80,160	0.0	7.0	152,932	152,932	52.4
	<b>Total Unallocated (contingency reserve)</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>-</b>	<b>0.0</b>	<b>29,048.7</b>	<b>-</b>	<b>N/A</b>
	Operating Budget	-	-	0.0	-	-	0.0	24,230.4	-	N/A
	Development Budget	-	-	0.0	-	-	0.0	4,818.3	-	N/A
	<b>TOTAL (including unclassified)</b>	<b>189,372.3</b>	<b>100.0</b>	<b>23.3</b>	<b>277,905.8</b>	<b>100.0</b>	<b>24.4</b>	<b>354,077.1</b>	<b>359,668.7</b>	<b>77.3</b>
	Operating Budget	135,779.9	100.0	16.7	197,745.7	100.0	17.3	196,327.0	206,736.9	95.7
	Development Budget	53,592.4	100.0	6.6	80,160.1	100.0	7.0	157,750.1	152,931.8	52.4

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

Table 15 - Transactions in Nonfinancial Assets in the Integrated Core Budget, 1391 – 1392

Code	In millions of Afghanis	1391	1391	1392	1392
		Actual	% GDP	Prelim Actual	% GDP
<b>25</b>	<b>NET ACQUISITION OF NONFINANCIAL ASSETS</b>	<b>35,431.4</b>	<b>4.4</b>	<b>49,089.7</b>	<b>4.3</b>
	Land and Buildings	23,736.3	2.9	37,456.0	3.3
251/8	Purchase of Land and Buildings	23,913.1	2.9	37,492.1	3.3
251	Buildings and Structures	23,594.5	2.9	36,886.4	3.2
258	Land	318.6	0.0	605.7	0.1
150	Sale of Land and Buildings	-176.8	0.0	-36.1	0.0
151	Sale of State-Owned Enterprises	0.0	0.0	0.0	0.0
252	Machinery and Equipment (>50,000)	5,662.8	0.7	8,118.2	0.7
257	Valuables	13.1	0.0	1.4	0.0
259	Other Acquisitions	6,019.3	0.7	3,514.2	0.3

Source: AFMIS Database as at 4 March 2014

Table 16 - Transactions in Financial Assets and Liabilities in the Integrated Core Budget 1391 - 1392

Code	In millions of Afghanis	1391	1391	1391	1392	1392	1392	1392	1392	1392	1392 Comparison to	
		Qtr 3 Actual YTD	Annual Actual	%GDP	Qtr 1 Prelim Qtr	Qtr 2 Prelim Qtr	Qtr 3 Prelim Qtr	Qtr 4 Prelim Qtr	Annual Prelim	%GDP	1391 YTD	Change
<b>3+4</b>	<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES</b>	<b>6,051.9</b>	<b>6,051.9</b>	<b>0.6</b>	<b>-17,758.6</b>	<b>3,799.9</b>	<b>-19,104.0</b>	<b>10,418.7</b>	<b>-22,644.0</b>	<b>-2.0</b>	<b>-28,696.0</b>	<b>-474.2</b>
<b>3</b>	<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>-21,019.3</b>	<b>-21,019.3</b>	<b>-1.9</b>	<b>10,690.7</b>	<b>2,622.1</b>	<b>-20,188.9</b>	<b>6,764.0</b>	<b>-112.2</b>	<b>0.0</b>	<b>20,907.2</b>	<b>-99.5</b>
	<b>Domestic</b>	<b>-21,019.3</b>	<b>-21,019.3</b>	<b>-1.9</b>	<b>10,690.7</b>	<b>2,622.1</b>	<b>-20,188.9</b>	<b>6,764.0</b>	<b>-112.2</b>	<b>0.0</b>	<b>20,907.2</b>	<b>-99.5</b>
	Currency and Deposits	-23,610.3	-23,610.3	-2.2	17,499.4	328.4	-17,077.7	-1,907.3	-1,157.1	-0.1	22,453.2	-95.1
311	Treasury Single Account	-21,357.4	-21,357.4	-2.0	21,170.9	-3,956.8	-17,750.9	532.2	-4.6	0.0	21,352.8	-100.0
313	Donor Accounts	-845.2	-845.2	-0.1	-3,671.5	4,285.2	673.2	-2,439.0	-1,152.2	-0.1	-307.0	36.3
314/90	Other Deposit Accounts (1)	-1,407.7	-1,407.7	-0.1	0.1	0.0	0.0	-0.5	-0.4	0.0	1,407.4	-100.0
317	Loans	14.5	14.5	0.0	13.2	0.9	0.9	41.5	56.6	0.0	42.1	291.4
319	Other Accounts Receivable	2,434.0	2,434.0	0.2	27.5	-157.1	-364.9	5,737.6	5,243.1	0.5	2,809.1	115.4
	Other Assets	142.6	142.6	0.0	-6,849.5	2,449.9	-2,747.3	2,892.1	-4,254.7	-0.4	-4,397.3	-3,084.5
	<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>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>27,071.3</b>	<b>27,071.3</b>	<b>2.5</b>	<b>-28,449.2</b>	<b>1,177.8</b>	<b>1,084.9</b>	<b>3,654.7</b>	<b>-22,531.9</b>	<b>-2.0</b>	<b>-49,603.2</b>	<b>-183.2</b>
	<b>Domestic</b>	<b>21,823.0</b>	<b>21,823.0</b>	<b>2.0</b>	<b>-28,654.2</b>	<b>1,109.9</b>	<b>698.9</b>	<b>3,222.4</b>	<b>-23,623.0</b>	<b>-2.1</b>	<b>-45,446.0</b>	<b>-208.2</b>
411	Accounts Payable	7.6	7.6	0.0	1,076.0	1,015.4	-1,188.2	-606.2	297.1	0.0	289.4	3,784.0
413	Pension Liabilities	0.0	0.0	0.0	0.7	-0.6	0.0	-0.1	0.0	0.0	0.0	1,489.6
423	Other Payables	1,085.8	1,085.8	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-1,085.8	-100.0
451	Other Liabilities (1)	20,729.5	20,729.5	1.9	-29,730.9	95.0	1,887.1	3,828.7	-23,920.1	-2.1	-44,649.6	-215.4
	<b>Foreign</b>	<b>5,248.3</b>	<b>5,248.3</b>	<b>0.5</b>	<b>204.9</b>	<b>68.0</b>	<b>385.9</b>	<b>432.3</b>	<b>1,091.1</b>	<b>0.1</b>	<b>-4,157.2</b>	<b>-79.2</b>
431	Foreign Currency	2,221.8	2,221.8	0.0	-10.1	-15.7	-18.6	-6.6	-51.0	0.0	-2,272.9	-102.3
181-2	Loans	3,026.4	3,026.4	0.3	215.0	83.7	404.6	438.9	1,142.1	0.1	-1,884.3	-62.3

Source: FPD using AFMIS data downloaded on the 3 February 2014

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

## Glossary

<b>Budget</b>	An itemized summary of estimated intended expenditures for a given period along with proposals for financing them.
Operating Budget	The budget for operating budget expenditures. These are mainly recurrent expenditures, and include wages and salaries for all public servants, running costs for Ministries, schools, barracks etc. A small amount of capital expenditure is also included in the Operating Budget in Afghanistan. The Operating Budget is sometimes referred to as the Recurrent Budget in other countries.
Development Budget	The Government budget for development projects implemented by Government agencies. It contains recurrent and capital expenditure in Afghanistan. These projects are mainly donor funded. The Development Budget is sometimes referred to as the Capital Budget in other countries.
Core Budget	The operating budget plus the development budget
External Budget	The budget for all donor activities that are funded directly by donors, rather than channeling the funding through the Government
Integrated Budget	The core budget plus the external budget
<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 organization for which no service is received, for which pension payments and subsidies.
Interest payments	The interest paid on outstanding loans
Contingency Funds	Items listed in the operating and development budgets that may require funding. Throughout the year, funding from contingency reserve items may be allocated to the budgets of budgetary units during the year (increasing their original budget).
Assets	An entity over which ownership rights are enforced, and from which economic benefits may be derived by its owners by holding it or using it over a period of time.
Non-financial assets	Physical assets such as real estate and machinery
Financial assets	A financial claim on an asset that is usually documented by some type of legal representative. Examples include bonds and shares of stock, but not tangible assets such as real estate or gold. These are included

	below the line as financing items.
<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 rose by other Government agencies (fees and fines etc.)
Grants	Funds received from donors. Often the money can only be spent on a certain project or activities, but sometimes can be spent at the discretion of the recipient Government
<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 9)	Revenues (including donor grants) minus recurrent expenditures. It measures the change in net worth resulting from transactions (excluding capital expenditure)
Primary operating balance (Table 9)	Net operating balance plus interest expenditures
Surplus	A positive balance (revenues are greater than expenditures)
Deficit	A negative balance (revenues are less than expenditures)
<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 organization and development banks. Afghanistan's debt strategy allows only concessional loans to be taken out.
Concessional loans	Loans that are offered at below market rates (e.g. a low interest rate and with a long grace period).
Principal repayment	Repayment of the principal of a loan (as distinct from an interest payment)
Gross Domestic Product	The value of all the goods and services produced by a country in one year. This excludes the opium economy for Afghanistan

Budget target	The level of revenue or expenditure expected over a quarter or during the year. For expenditures we assume that the budget target for the quarter is 25 percent of the annual budget
Budget variance	The difference between the actual outcome and the budget target
Treasury Single Account (TSA)	The main bank account of the Government. In Afghanistan, the TSA consists of the Afghani account, the US dollar account, provincial revenue and expenditure accounts, and ARTF and LOTFA accounts.
AFMIS	Afghanistan Financial Management Information System. The central database that records every transaction made by Government
Eurotrace	The computer database system for recording and classifying customs transactions.

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