



ISLAMIC REPUBLIC OF AFGHANISTAN

MINISTRY OF FINANCE

ANNUAL FISCAL REPORT 1393

Fiscal Policy Directorate

Contents

MACROECONOMIC PERFORMANCE.....	5
GDP.....	5
TRADE.....	6
PRICES	8
REVENUE	9
DOMESTIC REVENUES	9
GRANTS TO INTEGRATED CORE BUDGET.....	13
EXPENDITURE	16
BUDGET	16
EXPENDITURE	17
PUBLIC SECTOR BORROWING REQUIREMENT.....	24
PUBLIC SECTOR BORROWING REQUIREMENT	24
TREASURY SINGLE ACCOUNT (TSA)	25
STRUCTURAL BALANCE	26
GOVERNMENT DEBT.....	27
DEBT STOCK.....	27
CONCLUSION AND NEXT YEAR.....	29
RISKS	29
CONCLUSION.....	29
GLOSSARY	36

1393 Fiscal Year Highlights

The Afghan economy observed an unprecedented slowdown in its economic activities in 1393 with real growth plummeting to 2.1 percent from 6.4 percent in 1392. This economic downturn which was caused by uncertainties associated with the prolonged presidential elections and security transition in 2014 also adversely affected the government's fiscal performance. Among GDP's components, only the agriculture sector had slow but positive growth, while the service and industrial sectors experienced major drops with negative growth that largely reduced the overall economic growth.

Trade and foreign exchange were also adversely affected by the economic downturn, as the imports which were 14 times more than the exports, reduced by 7 percent in 1393 (imports were Afs 443 billion), while exports were Afs 32 billion that showed slight improvement. Meanwhile, Afghani slightly depreciated by 4 percent against the dollar and other international foreign exchanges (which was fluctuated between 56.5 and 58 per USD).

Inflation, presented a more positive picture, not only remaining in single digits in 1393, but further declining from the performance last year, with period average inflation of 2.6 percent compared to 7.4 percent in 1392. The fall in inflation was due to reduction in international commodity prices mainly oil and local rental prices for accommodation.

Domestic revenues collections were badly affected by the economic downturn and a large shortfall (around 25 percent) in revenue collection subsequently led to very bad cash crises for the government. Total domestic revenues of Afs 100.3 billion were collected against the budget target of Afs 133.8 billion. Major reduction in revenue collection was due to fall in imports (which caused by political uncertainties) and tax revenues.

Total grants to the core budget were Afs 178.8 billion in FY 1393 compared to Afs 196 billion in FY 1392, a reduction of Afs 17.2 billion. Operating grants receipts were Afs 119.1 billion whilst grants to development budget were Afs 59.7 billion.

The cash crisis resulted from shortfall in revenues also badly affected the finance for the government's discretionary spending. In order to reduce and fill the financing gap, the government adopted austerity measures and cut spending (codes 22 and 25) for some of the discretionary spending items. Total gross core budget expenditures were Afs 300.1 billion in 1393 compared to Afs 273.9 billion in 1392.

The government's overall balance for 1393 was a deficit of Afs 20 billion, as compared to net surplus in 1392. The reduction in overall balance was due to lower revenue collection during the year.

The public debt stock was at Afs 135.4 billion in 1393. It was estimated that this level would have further fallen due to Russian debt forgiveness. The main stakeholders for the public debt include World Bank and Asian Development Bank which will continue to provide their concessional loans.

Table 1 – Fiscal Summary for Fiscal Years 1392-1393

Code	In millions of Afghanis	1392		1393		1393	
		Prelim. Actual	% GDP	Prelim. Actual	% GDP	Final Budget (4)	% of Final Budget
OPERATING BUDGET							
	Operating Budget Revenues	249,814	31.9	219,479	19.1	285,906	-23.2
1	Domestic Revenues	109,732	14.0	100,378.9	8.7	133,800	-25.0
1-19	Operating Grants	140,082	17.9	119,099.7	10.4	152,106	-21.7
	Operating Budget Expenditures	193,715	24.7	227,406	19.8	280,472	81
	Operating Budget Balance (3)		0.0				
	Excluding Grants	-83,983	-10.7	-127,027	-11.0	-146,672	87
	Including Grants	56,099	7.2	-7,927	-0.7	5,434	-146
	Indicator of Fiscal Sustainability (domestic revenues/operating expenditures)	57%	0.0	44%		48%	
DEVELOPMENT BUDGET							
	Development Grants (1)	56,291	7.2	59,703	5.2	115,985	51
	Development Expenditures	80,201	10.2	72,649	6.3	67,773	107
	Development Budget Balance (3)	-23,910	-3.1	-12,946	-1.1	48,212	-27
INTEGRATED BUDGET							
	Revenues (1)	306,105	39.1	279,182	24.3	401,891	69
	Domestic Revenues	109,732	14.0	100,379	8.7	133,800	75
	Grants (1)	196,373	25.1	178,803	15.5	268,091	67
	Expenditures	273,917	35.0	300,055	26.1	348,245	188
	Integrated Budget Balance		0.0				
	Excluding Grants	-164,185	-21.0	-199,676	-17.4	-214,445	93
	Including Grants (3)	32,188	4.1	-20,873	-1.8	53,646	-39
	Financing Requirement						
	Balance Including Grants	32,188		-20,873			
	Sale of Land and Buildings	36		35			
	Lending/Borrowing	32,225		-20,837			

Source: AFMIS Database as at 12 March 2015

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. 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

- One method of looking at fiscal sustainability is the coverage of the budget expenditure by domestic revenues, and the final outturn expenditure coverage by domestic revenues collected. Improving fiscal sustainability has been and continues to be one of the primary goals of the government, and as part of this it is our long term aim to rely less on donor support, and increasingly on own resources. This year the domestic resources covered a third of total expenditure, a fall on last year when 40 percent was covered.
- Operating expenditures have also increased significantly in the last few years, and it is expected that government operating expenditure will increase further in the future. This will be due to the rise in security spending, other fiscal pressures (education, health), and also because the Government is likely to progressively take on more responsibility for the recurrent implications of the external budget. In order to continue to make progress towards fiscal sustainability, continuous efforts will be required to make sure domestic revenues increase at a faster rate than operating expenditures. Between 1392 and 1393 salaries costs increased by 11 percent.
- Debt remains of limited concern with the cost of debt service taking up less than 0.1 percent of total expenditure, and was only originally budgeted at half a percent of the overall budget.

Macroeconomic Performance

GDP

In the fiscal year 1393 the macro-economic environment was marked by a prolonged slowdown which was the result of the elections. 1393 saw both a presidential election, which went through to a second round, and a security transition; both of these events together created an uncertainty which reduced business and economic activities, reduced imports, and reduced FDI and donor support. Unrest in the political climate has caused a reduction in potential economic growth over the past 10 years, and this was particularly marked last year. The economy also remains very reliant on donor support, and continues to have a large informal economy, particularly in agriculture. Real economic growth was 2.1 percent by end of 1393, in line with the Government's forecast for the year of 1.9 percent, while economic growth during fiscal year 1392 was 6.4 percent.

The slowdown in growth was marked across all sectors of the economy, with drops in Manufacturing, Agriculture and Services. Historically productive industries like the textiles manufacturing sector, and wood production fell dramatically; and finance and retail both fell. Finance fell for the second year in a row marking a continued correction in that sector following the Kabul Bank crisis. Agriculture growth had slow, but not negative performance. Agriculture growth has been historically volatile, varying in line with changes in the climate and prices. In recent years this has stabilized, in part due to efforts to irrigate, and in part the result of a more favorable climate. However, due to falling in international prices in commodities, significant growth in this sector is not likely going forward.

In nominal terms the contribution of service sector to nominal GDP growth was not significantly changed from the previous fiscal year; and nominal growth overall fell significantly from 10 percent down to 1 percent, reflecting large falls in prices.

Table 2 – Real and Nominal GDP

In percentage change Unless otherwise noted	Historic 1393	Current 1394	Budget 1395	Outer Years 1396 1397	
Real GDP Growth	2.1%	4.0%	6.1%	6.6%	6.7%
Nominal GDP Level (Afs bn)	1209.2	1292.0	1434.5	1591.9	1775.8

Source: Fiscal Policy Directorate and CSO

Figure 1 – Real GDP (Percentage Growth)

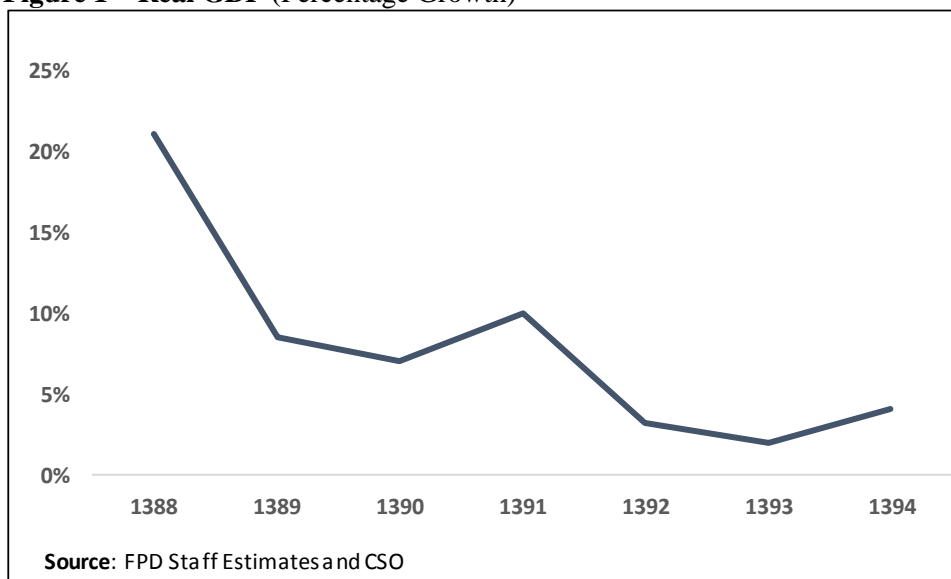
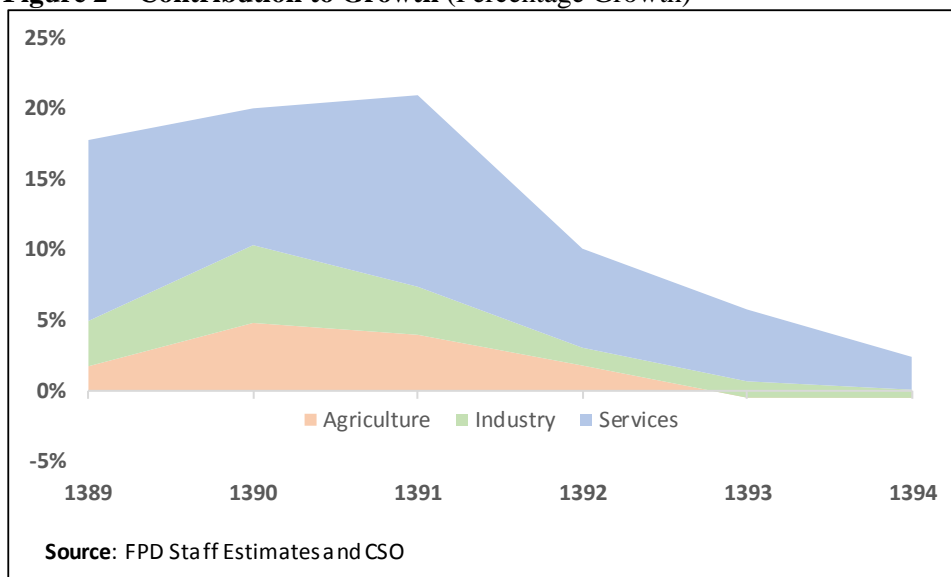


Figure 2 – Contribution to Growth (Percentage Growth)



Trade

Slowdown in economic activities caused due to election and unrest in political environment also had impacts on trade and forex. However, despite many challenges, the Afghani remained relatively stable against foreign exchange particularly USD, it was fluctuated between 56.5 and 58 which shows about 4.0 percent depreciation. While this still reflects a drop, the rate of decline has slowed.

Afghanistan import is almost 14 times higher than their exports, creating a significant trade deficit, reflective of the small scale of domestic industry, and the large inflows from aid. During fiscal year 1393, total exports were Afs 32 billion, while the imports were Afs 443 billion. The exports were slightly higher than the previous

year. However, imports declined by 7.0 percent as local consumer reduced purchases of luxury items as the political and economic environment created lack of confidence in the market.

Table 3 – Exports and Imports

Afs Millions	1388	1389	1390	1391	1392	1393	1394
Exports	20,060	20,927	18,189	24,528	28,527	31,993	40,674
Imports	169,837	244,778	309,930	453,501	473,898	443,341	513,130

Source: Fiscal Policy Directorate and CSO

Figure 3 - Average Exchange Rate (Afs/USD)

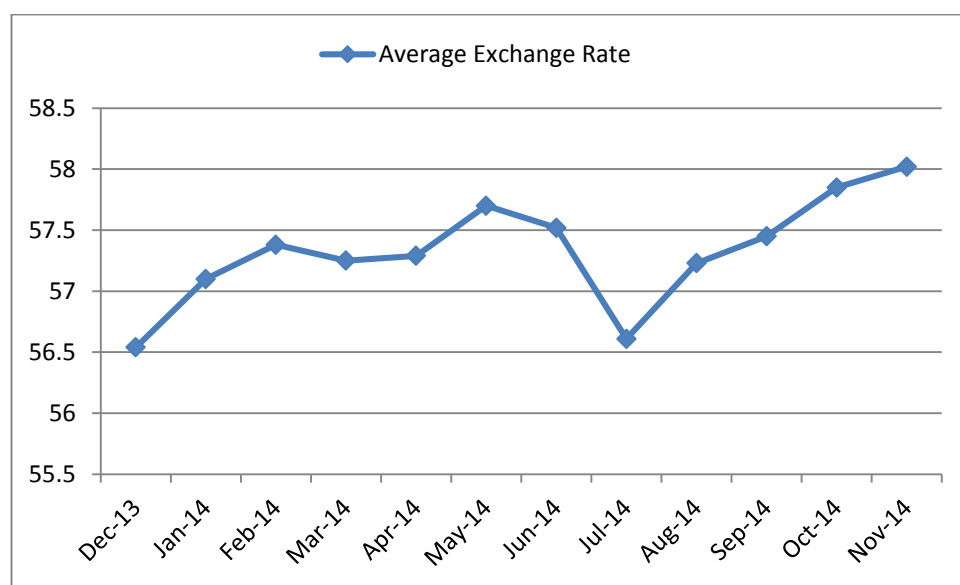
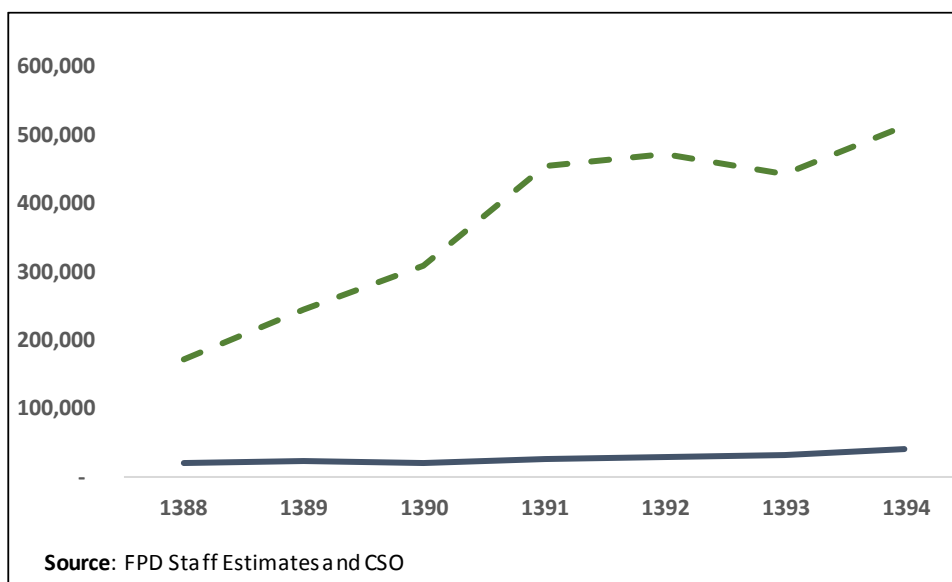


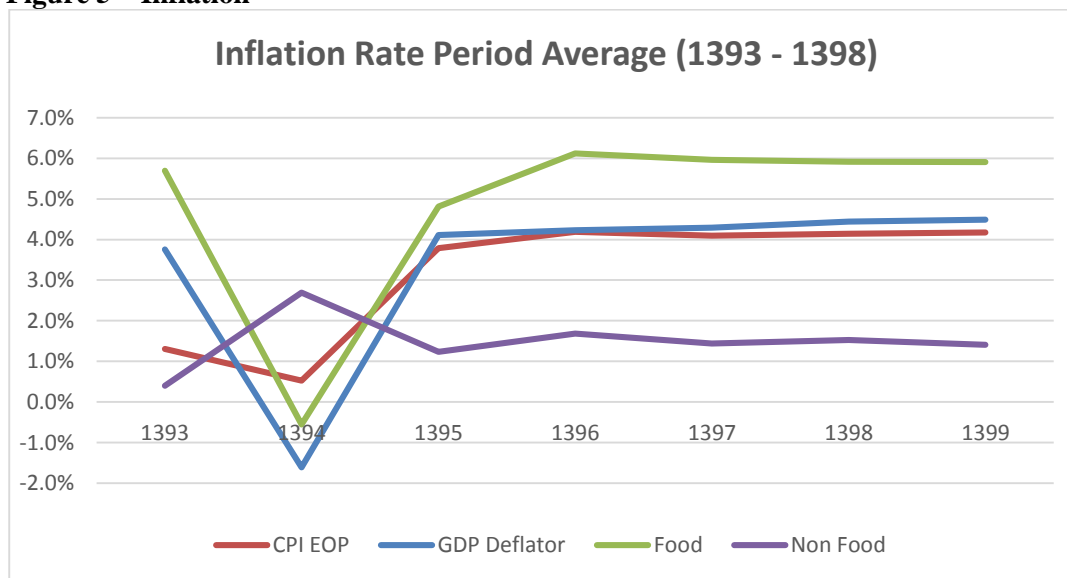
Figure 4 – Trade (Afs Billions)



Prices

The overall inflation rate for the year 1393 was only 1.3 percent, a fall from the 7.24 percent in the year 1392. This low inflation rate was mainly the result of lower commodities prices particularly oil prices in local and international markets, and falls in the price of rental accommodation in Kabul early in the year. It is expected that this low rate of inflation will continue into 1394, given the falls in prices in the initial months of the year, and continued falls in international oil prices now feeding through into local prices. The long run inflation forecast remains between 4-5%.

Figure 5 – Inflation



Revenue

Domestic Revenues

Domestic Revenue collection in 1393 was Afs 100.3 billion in total, against a budget target of Afs 133 billion. This budget target for the last stages of the ECF program was revised down to Afs 114 billion during the FY 1393, in agreement with the IMF. It was initially revised to Afs 128 billion and eventually down to Afs 114 billion, when it became clear that it was unlikely that the higher targets would be achieved.

- **Tax revenues** continue to be on the major contribute to total revenues. It constituted about 48 percent of the entire revenue collection.
- **Custom revenues** hold second position when it comes to its share in total revenues. In FY 1393, the entire custom revenues made up about 26 percent of total revenues.
- The high level uncertainty in the economy was one of the main reason the revenues didn't perform as expected. The prolonged election process resulted in low economic growth. This further multiplied with decreasing imports due to foreign troop withdrawal. Hence, lower economic growth and decreasing imports led to lower revenues.

Figure 6 - Domestic Revenues by major categories, 1392

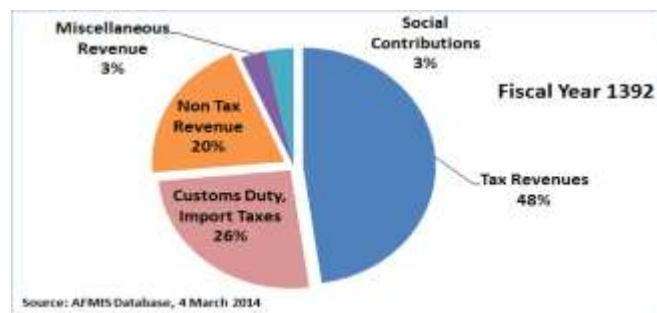


Figure 7 - Domestic Revenues by major categories, 1393

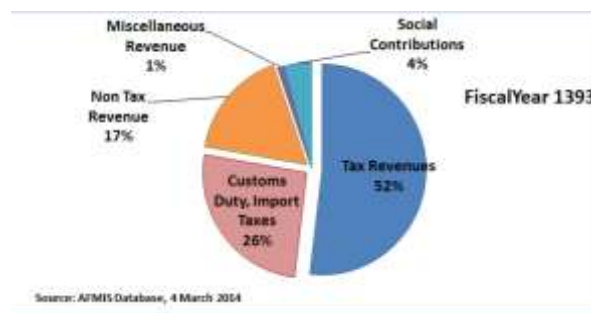
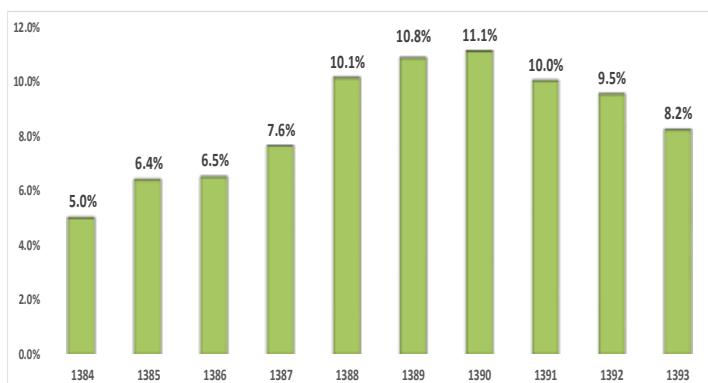


Figure 8 – Domestic Revenue as percentage of GDP, 1384 - 93



Tax Revenue

The tax policy of the government remained unchanged during FY 1393. There were no additional taxes imposed nor were changes in the tax rates. As a result, in FY 1393, owing to high lever uncertainties, tax revenues slightly declined by Afs 52.1 billion compared to Afs 52.4 billion in FY 1392. However, when compared to its annual target, it underperformed by about 16.5 percent. The annual target for tax revenues were Afs 62.3 billion.

The lower performance in tax revenues are mainly due to decline in economic activities in the Afghan economy which were caused to prolonged elections and the security transition during FY 1393.

- **Fixed taxes:** Total revenues from fixed taxes were about Afs 10.8 billion in FY 1393. In previous fiscal year, revenues from this line were about Afs 12 billion. As a result, revenues from fixed taxes decreased by about Afs 1.2 billion or 11 percent.
- **Income Taxes:** Revenues from income taxes were about Afs 18.7 billion. However in FY 1392, they were Afs 19.7 billion in total. Hence, the revenues income taxes also increased by Afs 1 billion or 5 percent.
- **Sales Taxes:** Revenues from Sales Taxes had declined by 6.7 percent during 1393. In FY 1393, total revenues from this line were Afs 16.6 billion, while in FY 1392 they were Afs 17.8 bn, resulting in a decline of Afs 1.2 billion.
- **Customs Duties:** Custom duties collected the highest revenue among all the minor codes during FY 1393. Custom Revenues in FY 1393 were Afs 25.9 billion, while in FY 1392, they were Afs 28.3 billion, resulting in increase of Afs 2.4 billion or 8.5 percent.

Figure 9 –Domestic Revenues by minor codes 1392

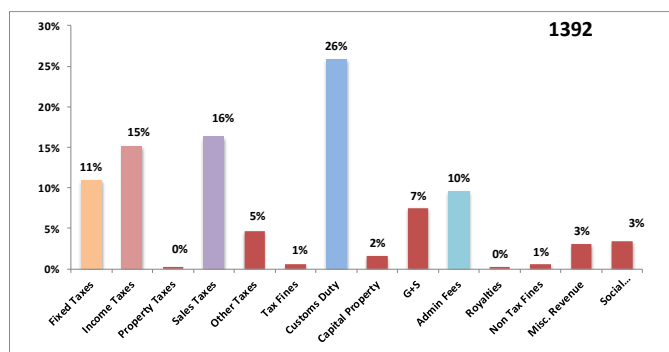
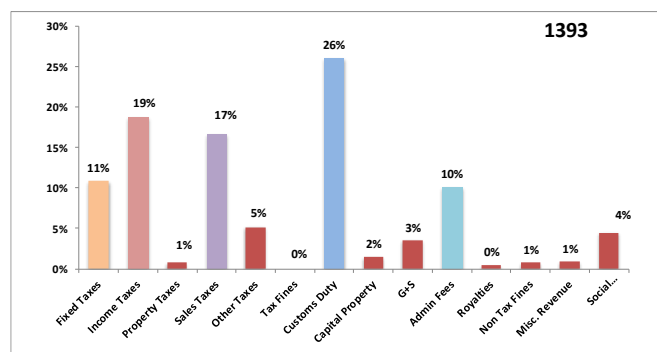
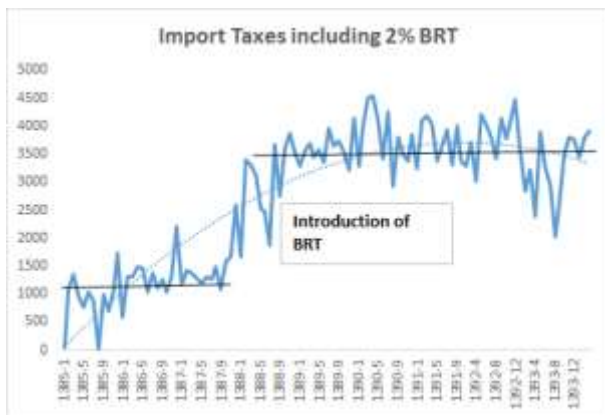


Figure 10 - Domestic Revenue by minor codes 1393



Box. Longer Run Tax Performance in Afghanistan

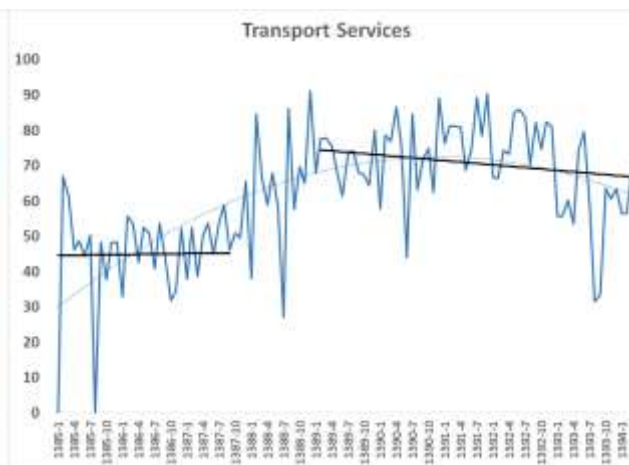
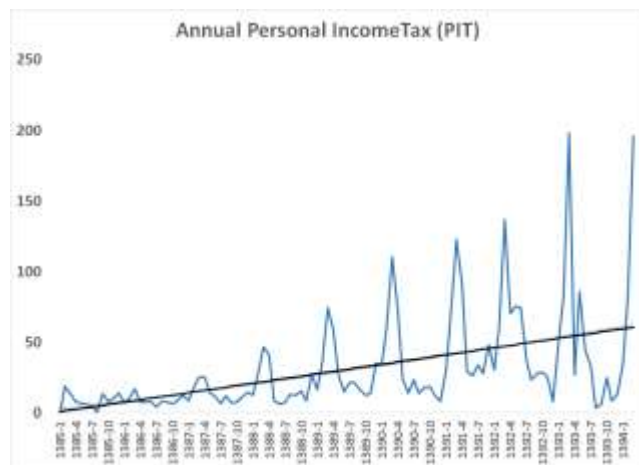
In recent years tax collection in Afghanistan has flat-lined and even declined in a number of key lines. This includes, particularly, collection from customs. In part this is the result of downturns in 1393 in the level of imports, as firms use inventories instead of importing new goods, and general market demand declined. While reliance on the customs tax line has reduced, Afghanistan remains dependent on funds from only a few key sources, many of which are correlated with each other.



The graph on the left shows the performance of import-related revenues over time. The introduction of BRT on imports in 1388 caused a jump in import revenues, however since then collection has remained stagnant.



Withholding tax on salaries and wages saw substantial growth through the period 1387 to 1391, but has slowed since. The slowdown is in part the result of declines in general economic activity, and in donor activity. The below charts show two other key revenue lines, PIT has grown strongly over time (but slowed last year), and remains volatile. Transport services have started to slow with reduced trade activity.



Non-tax revenues

Table 5 – Integrated Core Budget Revenues for Fiscal Years 1392 – 1393

Code	In millions of Afghanis	1392 Actual	1392 %GDP	1393 Prelim.	1393 %GDP	1393 Target (Original)	1393 Target (revised)	1393 % Greater/Less than target
1	REVENUES including grants (1)	306,105.3	33.6	279,182.0	23.0	401,891.0	401,891.0	N/A
1-19	REVENUES excluding grants (2)	109,732.2	12.0	100,378.9	8.3	133,800.0	133,800.0	-25.0
11	Tax Revenues	52,392.0	5.7	52,085.4	4.3	62,351.8	62,351.8	-16.5
111	Fixed Taxes	11,971.8	1.4	10,829.4	0.9	13,806.8	13,806.8	-21.6
112	Income Taxes	16,610.4	1.9	18,717.9	1.5	19,741.4	19,741.4	-5.2
113	Property Taxes	295.0	0.0	833.2	0.1	399.5	399.5	108.6
114	Sales Taxes	17,809.1	2.1	16,622.3	1.4	23,246.1	23,246.1	-28.5
116	Other Taxes	5,109.7	0.6	5,082.7	0.4	4,482.4	4,482.4	13.4
117	Tax Penalties and Fines	596.0	0.1	0.0	0.0	675.7	675.7	-100.0
12	Customs Duty, Import Taxes	28,305.4	3.3	25,964.7	2.1	36,073.7	36,073.7	-28.0
13	Non Tax Revenue	21,881.4	2.5	17,009.3	1.4	27,593.1	27,593.1	-38.4
131	Income from Capital Property (2)	1,739.3	0.2	1,530.5	0.1	3,315.5	3,315.5	-53.8
132	Sales of Goods and Services	8,127.3	0.9	3,476.3	0.3	10,745.9	10,745.9	-67.7
133	Administrative Fees	10,567.0	1.2	10,092.7	0.8	11,995.8	11,995.8	-15.9
134	Royalties	318.3	0.0	460.9	0.0	360.4	360.4	27.9
135	Non Tax Fines and Penalties	630.4	0.1	751.0	0.1	773.8	773.8	-2.9
136	Extractive Industries	499.1	0.1	697.9	0.1	401.6	401.6	0.0
14	Miscellaneous Revenue	3,406.7	0.4	949.8	0.1	3,560.4	3,560.4	-73.3
17	Social Contributions	3,746.7	0.4	4,369.7	0.4	4,221.1	4,221.1	3.5
19	Grants (1)	196,373.1	22.8	178,803.1	14.7	268,091.0	268,091.0	N/A
	<i>of which operating budget</i>	140,082.1	16.2	119,099.7	9.8	152,106.0	152,106.0	-21.7
191	Foreign Governments	140,082.1	16.2	119,310.6	9.8			
192	International Organisation	56,291.0	6.5	59,492.5	4.9			
193	Other Government Units							

Source: AFMIS Database as at 12 March 2015

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 taxes yielded collection of approximately Afs 17 billion. This line of revenue was much lower than Afs 21.9 billion collected in FY 1392. Within non-tax revenues, the administrative fees, returned Afs 10.1 billion, making up the largest component of the collection again. Although, revenue in this line was slightly more than the previous year's it failed to achieve its target and by around 15.9 percent. Sales of Good and Services, resulted in Afs 3.5 billion in FY 1393. This was much lower than Afs 8.1 billion collected in FY 1392, and is the primary cause for the falls in collection. The reduction in retail activity during the year (a fall of 2.9 percent) is partially the cause of this drop. Revenues from extractive industry remain low at about Afs 0.5 billion, and may not materialising in large values in the medium term.

Tax Expenditures

The Government has a number of tax expenditures; tax expenditures are tax incentives that the Government provides for particular types of provision of services, or goods, or to encourage a particular activity in line with policy goals

As part of the commitment to full policy transparency some of these are set out here, and some estimated costs of revenues foregone for trade tax expenditures are also provided below:-

- An exemption on BRT for the provision of non-profit health services
- An exemption on BRT for the provision of non-profit education services
- There are BRT exemptions for financial and insurance services (in line with Article 65 of the Income Tax Law)
- Income received from renting a residential property to a natural person for more than 6 months of the tax year is exempt from BRT.
- Each of: religious services, humanitarian aid, G+S to the Government for natural disaster reconstruction, and physical education and sports are all exempt from BRT providing they are non-profit entities.

Certain firms incorporated under the Afghanistan Investment Law can also get exemptions on firm profit through depreciating the cost of assets on an accelerated time line – buildings can be depreciated over 4 years, other assets over 2 years.

Exports are not taxed by the Government, as part of a policy towards export promotion. If they were sold locally they would be eligible for the local sales tax (Business Rates Tax – BRT), which is charged at 2, 5 and 10 percent. Exports were estimated at Afs 40 billion in 1393, which would yield around Afs 800 million if they were all eligible for taxation at the lower 2 percent rate.

Of these tax expenditures the easiest area to get information on the revenue foregone is through the ASYCUDA reports for import exemptions. The Government records each import, the size of the tax paid on it, or if none is paid the exemption/reason applied and the amount of tax foregone as a result of that:

Table 6 – Trade Tax Expenditures (1392 data)

Area	Revenue Foregone
Live animals, animal products (01-05)	0.2
Vegetable products (06-14)	104.7
Fats and Oils, waxes (15)	25.8
Prepared foodstuffs (16-24)	577.3
Wood, cork straw (44-46)	92.2
Mineral Products (25-27)	10,714.0
Products of Chemical industries (28-38)	104.3
Plastics and articles thereof (39-40)	163.1
Raw Hides and Skins, Leather (41-43)	7.3
Pulp of wood, paper, paperboard (47-49)	53.9
Textiles and textile articles (50-63)	47.1
Footwear, headgear, umbrellas (64-67)	5.7
Articles of stone, plaster, cement (68-70)	707.2
Pearls, precious stones (71)	(0.0)
Arms and ammunition (93)	717.0
Base metals and articles of base metals (72-83)	347.4
Machinery (84-85)	294.4
Vehicles, aircraft, transport equipment (86-89)	1,061.4
Optical, photographic, medical, surgical, clocks, musical (90-92)	416.0
Miscellaneous manuf. articles (94-96)	3.7
Total	15,442.6

The identified trade policy exemptions therefore cost the Government approximately Afs 15 billion in revenue foregone. This works under the assumption that the exempted imports would be taxed at the same average rate as the billed imports were, and uses the data from 1392.

Grants to Integrated Core Budget

Total grants received from donors in FY 1393, were Afs 178.8 billion. This was lower when compared to Afs 196 billion in previous fiscal year. Of the total grants received in FY 1393, Afs 119.1 billion were utilized to fund operation budget. The remaining Afs 59.7 billion were used to fund development budget of the government

The execution rate for development support to the budget was 59 percent, compared to only 20 percent for the discretionary development budget. Typically the development budget as a whole executes around 50 percent each year, this year it fell slightly lower at 46 percent, largely as a result of the cut backs reducing the discretionary development expenditure.

Operating Budget Grants

The increase in operational grant support is mainly the result of higher spending and the expansion of security personnel through the Combined Security Transition Command Afghanistan (CSTC-A), Law and Order Trust Fund (LOTFA) for the Afghan National Army (ANA) and Afghan National Police (ANP).

Total operating grants received in FY 1393 were Afs 119 billion. This was lower by Afs 21 billion when compared to the receipts of operating budget grants of Afs 140 billion in FY 1392.

The Law and Order Trust Fund for Afghanistan (LOTFA)

Law and Order Trust Fund mainly provides financing for the ANP's wages, compensation, food cost and prison department which was previously under the Ministry of Justice. Total grants from LOTFA were Afs 25.9 billion during FY 1393, this was less than previous compared to Afs 27.5 billion in FY 1392.

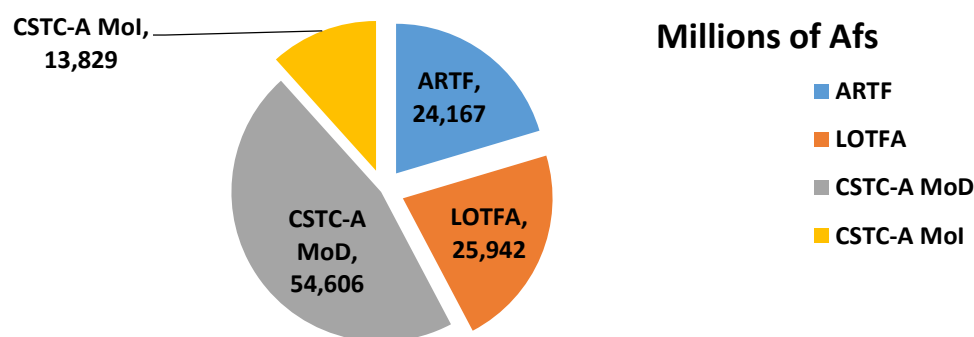
The Combined Security Transitional Command – Afghanistan (CSTC-A)

CSTC-A grants mainly support ANA and a small portion of this grants allocate for the ANP. Total grants receipts from CSTC-A in 1393 was Afs 68.4 billion of which 54.6 billion was received by Ministry of Defense (MoD) and the remain Afs 13.8 billion was used by Ministry of Interiors (Mol). These receipts were Afs 97.7 billion only in FY 1392.

Operating grants from the Afghanistan Reconstruction Trust Fund (ARTF)

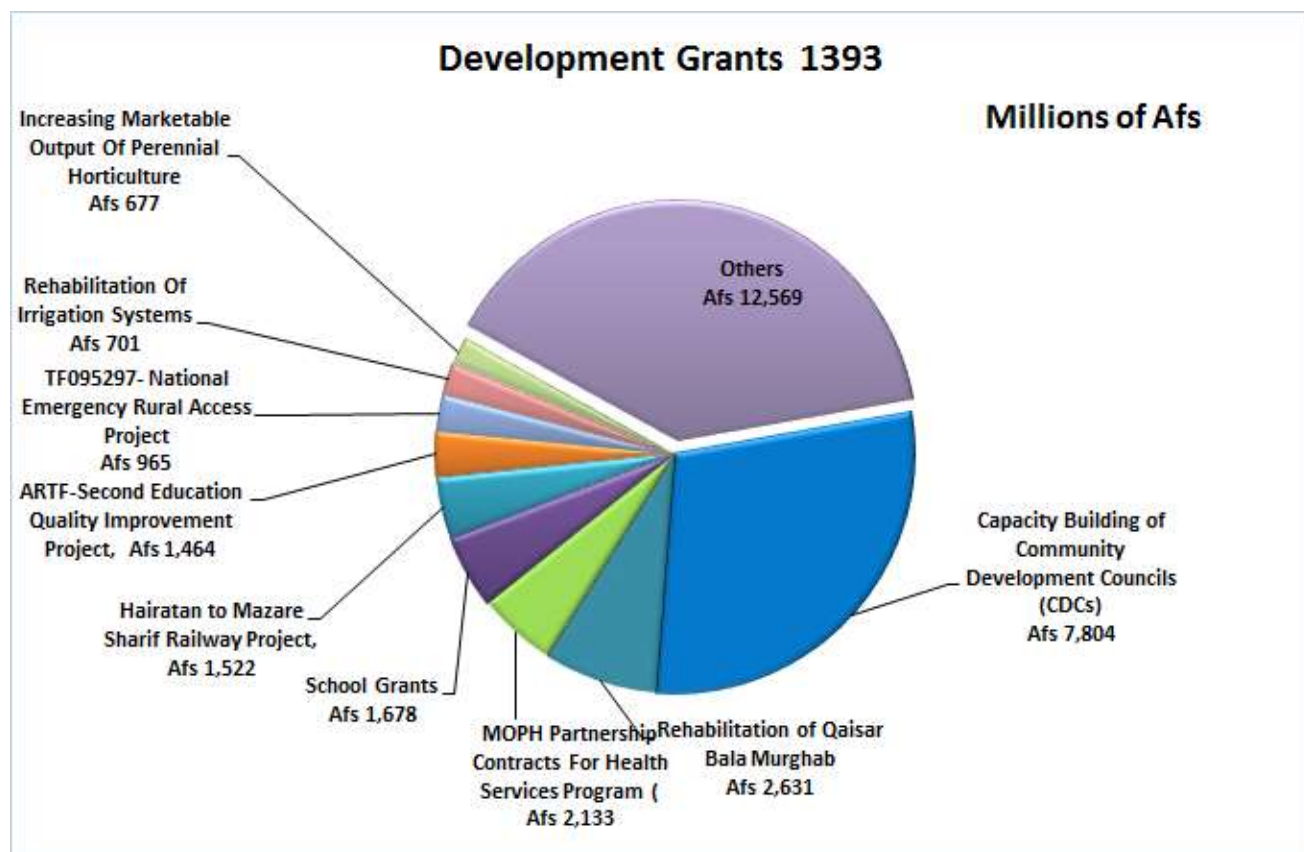
The Afghanistan Reconstruction Trust Fund is administered by the World Bank ARTF grants are used to support salaries of un-uniformed civil servants. ARTF grants are scheduled to decrease gradually over the medium term as the government accepts increased responsibilities. Total receipts of ART in FY 1393 were Afs 24 billion compared to Afs 81.6 billion.

Figure 11 – Operating Budget Grants 1393 (Afs millions)



The Government's development budget is split into two components, a discretionary and a non-discretionary budget. Development budget is an important part of the core budget that is used to finance the development projects by line ministries. Hence, development grants has played a key role in the core budget, which is almost entirely facilitated by the donors, whilst a small margin is funded by domestic revenues, concessional loans and other domestic resources.

Figure 12 – Development Budget Grants 1393 (Afs Millions)



Expenditure

Budget

The **integrated core budget** of the Government is comprised of **operating** and **development budgets**. The operating budget covers the day-to-day costs for the Government, for instance the cost of salaries, fuel, text books, and medicines. 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 national budget is comprised of operating and development budgets. For the FY 1393 the original total national budget (both operating and developing) was Afs 354.1 billion of which Afs 280.5 billion was operating and Afs 73.6 billion was development. The final national budget declined to a total of Afs 348.2 billion in which the operating budget was maintained at same level of Afs 280.5 billion while development budget was reduced to Afs 67.8 billion; reflecting a reprioritization during the year.

The development expenditures declined on last year as a result of the cash problems that occurred during the second half of 1393. This led to a reduction in the discretionary development budget which was reduced by around Afs 5 billion, along with other cutbacks to expenditures on Goods and Services. Both of these reduced the overall development expenditures significantly, as did a reduction in donor grant support to development during the year.

The reason for the cash problems was the uncertainty due to the prolonged political transition and international forces withdrawal from the country, both of which caused revenue to significantly underperform relative to the target. The lower domestic revenue generation led to expenditures having to be made from the cash balances, reducing funds available. The revenue target was revised from an original of Afs 133 billion to Afs 114 billion, the target was revised again from and set at Afs 105 billion. However, the end of the fiscal year 1393 total revenue collection only reached to a total of Afs 100 billion.

The cash problems resulted in consuming the next fiscal year's opening balance and additional need of USD 162 billion.

Expenditure

The overall preliminary spending in 1393 was Afs 300.1 billion of which Afs 227.4 billion were operating expenditures and Afs 72.6 billion were development expenditures. Total expenditures were 26.1 percent of the GDP in 1393. The execution rate in the operating budget was 81 percent while the overall development expenditure execution rate was 98.6 percent. The higher execution rate was due to the lower development budget due to the unavailability of cash

Table 7 - Integrated Core Budget Expenditures 1392 – 1393

Core	In millions of Afghanis	1392 Actual	1392 %GDP	1393 Prelim. Actual	1393 %GDP	1393 Original Budget (5)	1393 Final Budget (6)	1393 Actual as % of Final Budget
2	TOTAL GROSS EXPENDITURES	273,916.9	35.0	300,054.6	26.1	436,173.0	437,248.5	68.6
	Operating Budget	193,715.4	24.7	227,405.6	19.8	280,472.3	280,896.3	81.0
	Development Budget	80,201.4	10.2	72,648.9	6.3	155,700.7	156,776.1	46.3
2	TOTAL NET EXPENDITURES (1)	273,880.7	35.0	300,019.1	26.1			
	Operating Budget	193,679.3	24.7	227,370.2	19.8			
	Development Budget	80,201.4	10.2	72,648.9	6.3			
2-25	RECURRENT EXPENDITURES (excludes 25)	224,791.0	28.7	254,483.6	22.1	184,702.6	324,688.8	78.4
	Operating Budget	185,362.0	23.7	217,974.5	19.0	268,376.0	265,190.8	82.2
	Development Budget	39,429.0	5.0	36,509.0	3.2	N/A	59,498.0	61.4
21	Compensation of Employees	135,445.1	17.3	150,173.8	13.1	162,602.6	157,888.5	95.1
	Operating Budget	135,445.1	17.3	150,173.8	13.1	162,602.6	157,888.5	95.1
	Development Budget	0.0	0.0	0.0	0.0	-	-	-
22	Use of Goods and Services	77,641.9	9.9	84,676.0	7.4	N/A	144,700.3	58.5
	Operating Budget	38,213.0	4.9	48,226.3	4.2	83,673.3	85,611.2	56.3
	Development Budget	39,429.0	5.0	36,449.7	3.2	N/A	59,089.1	61.7
23	Interest (2)	268.1	0.0	349.3	0.0	2,400.0	2,400.0	14.6
	Operating Budget	268.1	0.0	349.3	0.0	2,400.0	812.4	43.0
	Development Budget	0.0	0.0	0.0	0.0	-	1,587.6	-
24	Social Transfers (3)	11,435.9	1.5	19,284.4	1.7	19,700.0	19,700.0	97.9
	Operating Budget	11,435.9	1.5	19,225.1	1.7	19,700.0	20,878.7	92.1
	Development Budget	0.0	0.0	59.3	0.0	-	1,178.7	5.0
25	Gross Acquisition of Nonfinancial Assets	49,125.8	6.3	45,571.0	4.0	N/A	112,983.6	40.3
	Operating Budget	8,353.4	1.1	9,431.1	0.8	12,096.4	15,705.4	60.0
	Development Budget	40,772.4	5.2	36,139.9	3.1	N/A	97,278.2	37.2
25	Net Acquisition of Nonfinancial Assets (1)	49,089.7	6.3	45,535.5	4.0			
	Operating Budget	8,317.3	1.1	9,395.7	0.8			
	Development Budget	40,772.4	5.2	36,139.9	3.1			

Source: AFMIS Database as at 12 March 2015

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

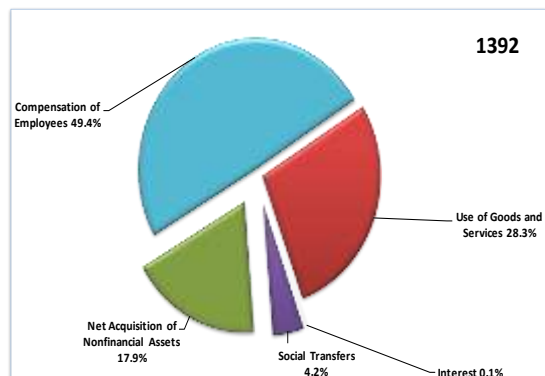
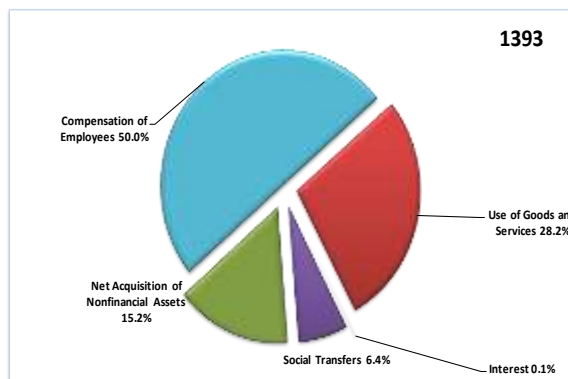
2/ Actuals are interest only. However, budget figures include principal repayments and interest.

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

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

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

Expenditure by Economic Category

Figure 13 - Operating Budget Expenditures by major codes, 1392 (Million Afs)**Figure 14 - Operating Budget Expenditures by major codes, 1393 (Million Afs)**

Expenditures on **Good and services** as a total were slightly increased in 1393 compared to 1392. The total expenditure on this item was increased to Afs 84.7 billion in 1393 from actual expenditures of Afs 77.6 billion in 1392, which shows an increase of Afs 7.1 billion. This item includes spending on communications, travel, fuel, utilities and maintenance etc. Expenditures on goods and services accounted for around 37.2 percent of the total operating expenditure (Afs 227.4 billion) or around 9.9 percent of GDP. Expenditures on goods and services in the operating budget accounted for 40.1 percent in 1392 compared to 34.6 percent in 1391.

Ministry of Finance spent Afs 5.6 billion in 1393 compared to Afs 3.3 billion spent in 1392.

Table 8 – Expenditures on Employee Compensation: Major Changes between 1392 and 1393

In millions of Afghanis	1392 Actual	1393 Prelim. Actual	Increase	% Increase
Employee Compensation				
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
Total	98,369.4	139,475.2	41,105.8	41.8

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 1393, Afs 349.3 million was paid as interest, shows an increase of Afs 81.2 million compared to 1392. 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 8.4 percent of the total operating expenditures in 1393. Total expenditures on this category were Afs 19.3 billion or 1.5 percent of the same year's GDP. With comparison to 1392, expenditures on Social Transfers increased by 69.3 percent in 1393 due to rise in number of people receiving pension and increase in the number of handicaps and martyrs.

The **Gross Acquisition of Non-financial Assets** was budgeted at Afs 112.9 billion in 1393. The Operating expenditures on this category shows an increasing trend over the medium term of 1390-1392. It accounted for 20 percent of the total operating expenditures in 1393 while it was 25 percent in 1392.

Expenditure on this category was about 4.0 percent of the GDP during 1393, which is slightly decreased from the year 1392 (6.3 percent of GDP) while if we compare the actual expenditures, operating expenditures on this category decreased by 7 percent in 1393. This is because the expenditures on machinery and equipment were lower in 1393 comparing to 1392.

Expenditure by Budget Categories

The Afghanistan National Development Strategy (**ANDS**) was the Government's five year development plan; 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. The ANDS ended in 2012, and at the moment there is not a replacement development strategy in place; however the categories set out in the ANDS are used in this report for clarity.

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 budget allocated to this sector Afs 50.1 billion of which the sector executed Afs 28.1 billion this shows an overall execution rate of 55 percent. The sector's development budget execution rate is 46.5 percent. The lower development budget execution rate in this sector was due to the reason that the sector has a big chunk of the development budget and development projects and executing development budget has always been a problem in the country.

Ministry of Public works is the largest spending ministry in that sector, with a spending of Afs 14.8 billion. This represents a budget execution rate of 52.4 as a percent of the final budget. The Ministry of Public Works develops and builds highways, railways, and other national resource corridors connecting Afghanistan to central Asia and south Asia.

Construction of Qiasar Balamurghab-Laman Road (233 KM) was the largest spending project under the Ministry of Public Works. For 1393 its budget was Afs 3.2 billion while it spent Afs 1.6 billion, which had an execution rate of 51 percent. **National Rural Access Program (NRAP)** is the second large spending project, it spent Afs 4.2 billion out of its allocated budget of Afs 5.7 billion in the year 1393; the National Rural Access Program had a robust execution rate of 73.7 percent.

The construction project of **Chaghcharan – Gardandiwal Road** is currently at its second phase with a total budget of Afs 791.2 million, the level of spending was Afs 48.3 million, which is around 6.1 percent execution of the fund.

The **Ministry of Energy and Water** is the second large spending ministry in that sector. It has spent Afs 4.5 billion out of the total allocated budget of Afs 12.5 billion, which represents an execution rate of 35 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 791.2 million for the year 1393 while 649.2 million execution rate of 82.1 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 1.5 billion and spent 1.1 billion, which results to 73.3 percent execution rate over the year.

The **Ministry of Communication** has an allocated budget of Afs 2.9 billion while its spending is Afs 0.9 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 30.5 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 largest project in the sector is the **National Solidity Program (NSP)** with a budget of Afs 19.4 billion. Execution of the program during the FY 1393 was robust and stands at Afs 14.7 billion (execution rate of 75.8 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.

Education: is the third large sector in the development expenditures, with a total spending of Afs billion in 1393. The total spending of education sector in 1393 was Afs 37.9 billion, which was Afs 8.7 billion more 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 46.6 billion, 82.5 percent of the sector's budget. Development expenditure of the Ministry in 1393 was Afs 14.5 billion, an execution rate of 46.8 percent.

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 1393 was Afs 9.7 billion, with expenditures of Afs 9.1 billion (93.8 percent execution rate). Expenditure was Afs 1.9 billion more than in 1392.

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.

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 3.0 billion (execution rate of 81 percent). The **Social Protection sector development budget** was Afs 1.1 billion, with expenditure of Afs 352 million (execution rate of 32 percent). The **Security** sector Development budget was Afs 39.2 billion, with expenditures of 3.9 billion (execution rate of 9.9 percent).

Table 9 - Integrated Core Budget Expenditures by ANDS Pillars 1392 - 1393

In millions of Afghanis	1392	1392	1392	1393	1393	1393	1393	1393
	Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Final Budget (1)	Actual as % of Final Budget
Security	131,413	47.3	16.8	143,939	48.2	12.5	225,602	63.8
Operating Budget	122,336	61.9	15.6	140,052	61.8	12.2	186,357	75.2
Development Budget	9,077	11.3	1.2	3,887	5.4	0.3	39,245	9.9
Governance, Rule of Law & Human Rights	14,362	5.2	1.8	14,425	4.8	1.3	17,935	80.4
Operating Budget	12,564	6.4	1.6	13,449	5.9	1.2	14,008	96.0
Development Budget	1,798	2.2	0.2	976	1.3	0.1	3,927	24.9
Infrastructure & Natural Resources	33,080	11.9	4.2	28,019	9.4	2.4	54,641	51.3
Operating Budget	4,956	2.5	0.6	6,245	2.8	0.5	7,748	80.6
Development Budget	28,124	35.1	3.6	21,774	30.1	1.9	46,893	46.4
Education	41,258	14.8	5.3	44,238	14.8	3.8	56,514	78.3
Operating Budget	33,701	17.0	4.3	35,870	15.8	3.1	37,078	96.7
Development Budget	7,556	9.4	1.0	8,368	11.6	0.7	19,436	43.1
Health	10,285	3.7	1.3	12,898	4.3	1.1	13,781	93.6
Operating Budget	3,115	1.6	0.4	3,828	1.7	0.3	4,035	94.9
Development Budget	7,169	8.9	0.9	9,070	12.5	0.8	9,746	93.1
Agriculture & Rural Development	24,649	8.9	3.1	26,745	8.9	2.3	28,120	95.1
Operating Budget	2,303	1.2	0.3	1,796	0.8	0.2	1,874	95.8
Development Budget	22,346	27.9	2.9	24,948	34.5	2.2	26,246	95.1
Social Protection	13,171	4.7	1.7	21,205	7.1	1.8	23,477	90.3
Operating Budget	12,419	6.3	1.6	20,853	9.2	1.8	22,367	93.2
Development Budget	752	0.9	0.1	352	0.5	0.0	1,110	31.7
Economic Governance & Private Sector Development	9,688	3.5	1.2	7,417	2.5	0.6	9,089	81.6
Operating Budget	6,351	3.2	0.8	4,377	1.9	0.4	3,075	142.3
Development Budget	3,338	4.2	0.4	3,040	4.2	0.3	6,014	50.5
Extrabudgetary Activities	0	0	-	0	0	-	315	-
Operating Budget	0	0	-	0	0	-	0	N/A
Development Budget	0	0	-	0	0	-	315	-
Unallocated contingency reserves	0	0	0	0	0	0	0	-
Operating Budget	0	0	0	0	0	0	0	N/A
Development Budget	0	0	0	0	0	0	0	-
TOTAL (1)	277,906	100	35.5	298,886	100	26.0	429,474.8	69.6
Operating Budget	197,746	100	25.2	226,471	100	19.7	276,543.0	81.9
Development Budget	80,160	100	10.2	72,415	100	6.3	152,931.8	47.4

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.

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 below charts and table provide a brief sectoral overview of gross government expenditures in the core budget by COFOG sector:

The COFOG classification differs from the ANDS and other classifications of budget, the COFOG classifies the budget by categories of General Public; Defense; Public Order and Safety; Environmental Protection; Economic Affairs; Housing and Communal Amenities; Recreation, Culture, and Religion; Education; and Social Protection. The level of expenditures under different categories is provided in the graph and table, which compares the level of expenditures under each COFOG category between 1392 and 1393.

Figure 15 – Expenditure breakdown by COFOG Classification, 1392

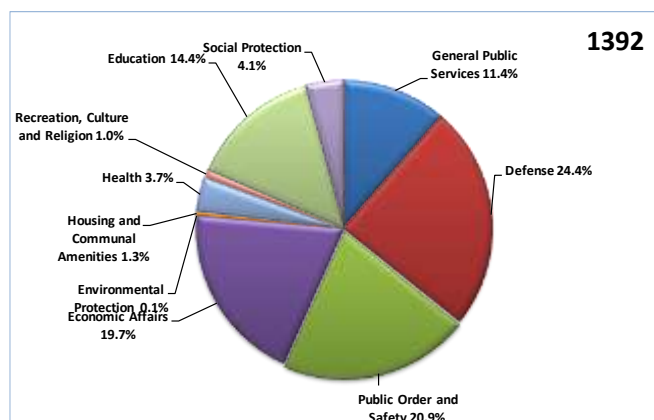


Figure 16 – Expenditure breakdown by COFOG Classification, 1393

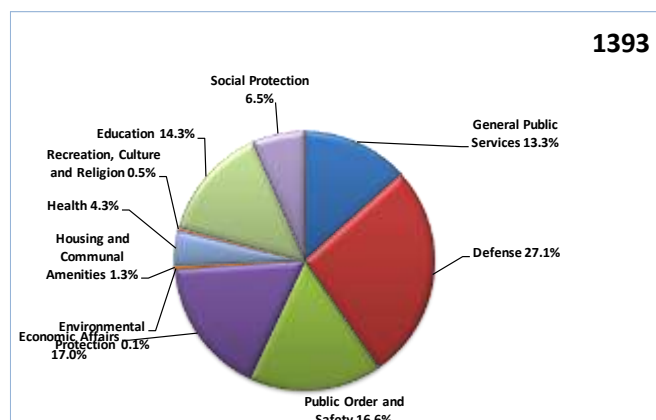


Table 10 - Integrated Core Budget Expenditures by COFOG Sector 1392 – 1393

Code	(In millions of Afghanis)	1392	Percent	1393	Percent
		Actual	of total	Prelim. Actual	of total
2	TOTAL NET EXPENDITURE	273,880.7		300,019.1	
232	Repayment of Foreign Loans - Principal	0.0		0.0	
150	Sale of Land and Buildings	36.1		35.4	
2+232	TOTAL GROSS EXPENDITURE	274,983.5	100.0	299,705.2	100.0
+150					
701	General Public Services	31,256.182	11.4	39,838.3	13.3
702	Defense	67,214.532	24.4	81,191.0	27.1
703	Public Order and Safety	57,360.433	20.9	49,764.3	16.6
704	Economic Affairs	54,047.282	19.7	50,814.1	17.0
705	Environmental Protection	139.037	0.1	161.7	0.1
706	Housing and Communal Amenities	1,238.660	0.5	1,106.6	0.4
707	Health	10,093.244	3.7	12,797.6	4.3
708	Recreation, Culture and Religion	2,641.594	1.0	1,545.9	0.5
709	Education	39,666.645	14.4	42,882.7	14.3
710	Social Protection	11,325.925	4.1	19,603.1	6.5

Source: AFMS Database as at 12 March 2015

Extra-Budgetary Funds

The Government operates very few extra-budgetary funds (i.e. off budget funds which receive and expend Government revenues, typically in line with Government policy priorities – these funds can have separate management and accounting/PFM systems, and typically receive funds from hypothecated Government revenues, or from donor support).

The Government operates a Telecommunications Development Fund (**TDF**) which was set up in 2003 as a way of ensuring expanded access to telecoms infrastructure, particularly to attempt to roll out further connections to rural areas. It is overseen by the Afghanistan Telecoms Regulatory Authority (**ARTA**), and is financed in part through donor support as well as primarily through a levy of 2.5% charged on telecoms operators' net revenue, as part of their GSM agreements. The Fund has been used for a number of purposes including providing subsidies for the expansion of telecoms infrastructure.

Public Sector Borrowing Requirement

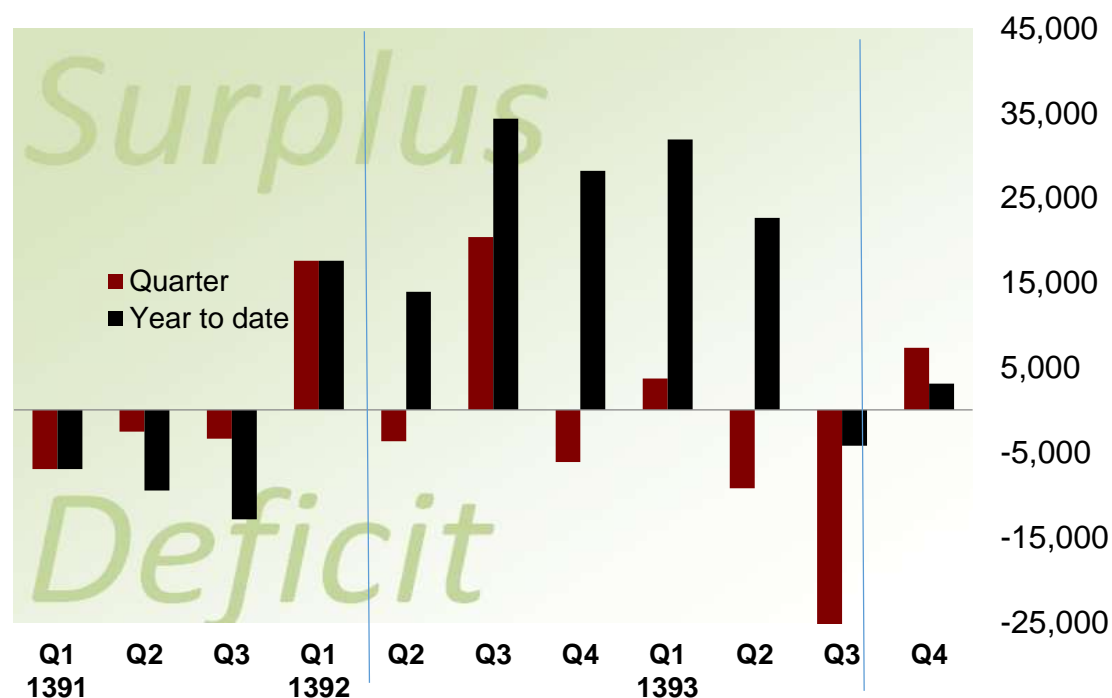
Public Sector Borrowing Requirement

For Fiscal Year 1393, the Government's overall balance for the whole year was a deficit of around Afs 20 billion, as compared to net surplus in 1392. The reduction in the overall balance was due to the low revenue performance during 1393. In addition, a reduction in the receipt of grants for the core budget was another reason that led to higher deficit in the 3rd quarter of 1393.

However, in the first quarter 1392 government observed surplus of Afs 3.7 billion which was lower than Afs 17.6 billion in the first quarter of 1392, which is explained by lower spending at the beginning of the year, whereas the fourth quarter was relatively higher surplus of Afs 7.3 billion. The reason for the deficits in 2nd and 3rd quarters of 1393 was as a result of economic uncertainty which reduce business activities, import and sales, and as a result revenue collection declined which lead to the use of funds from the TSA.

The net acquisition of financial assets in 1393 was decreased to Afs 16.2 billion (by 1.4 percent of GDP), which include an decrease of Afs 21 billion in the Treasury Single Account and accumulation of Afs 2.6 billion in the donor account and giving of Afs 2.3 billion in loan. Meanwhile, the net acquisition of financial liabilities was Afs 5.1 billion during this quarter.

Figure 17 – Public Sector Borrowing Requirement (PSBR)



Treasury Single Account (TSA)

The balance in the Treasury Single Account increased from Afs 64.3 billion at the start of 1392 to Afs 65.4 billion at the start of 1393, an increase of Afs 1.1 billion. It implies that both higher grant receipts and revenue collection contributed to overall increase in the Treasury Single Account. Where at the end of 1393 the treasury single account declined to Afs 49.7 billion due to the slowdown in donor grants and revenue collection which caused by the uncertainty through the election and transitions

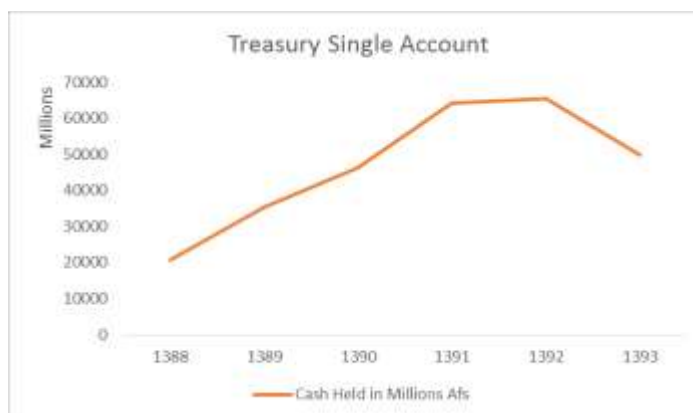


Table 11 - Budgetary Balance, Financial Source/Requirement and Net Financing Activities

Code	In millions of Afghanis	1392 Actual	1392 % GDP	1393 Prelim	1393 % GDP
TRANSACTIONS AFFECTING NET WORTH					
1	Revenues including Grants	306,105.3	39.1	279,182.0	24.3
2-25	Expenditures (Recurrent)	224,791.0	28.7	254,483.6	22.1
23	Interest	268.1	0.0	349.3	0.0
	Net Operating Balance (1-2-25)	81,314.3	10.4	24,698.5	2.1
	Primary Operating Balance (1-2-25+23)	81,582.3	10.4	25,047.8	2.2
			0.0		
TRANSACTIONS IN NONFINANCIAL ASSETS					
			0.0		
			0.0		
25	Net Acquisition of Nonfinancial Assets	49,089.7	6.3	45,535.5	4.0
	Net Lending-Borrowing (1-2)	32,224.5	4.1	-20,837.1	-1.8
			0.0		
	Financing (3+4+5)	-32,224.5	-4.1	20,837.1	1.8
			0.0		
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES					
			0.0		
			0.0		
3	Net Acquisition of Financial Assets	-6,245.0	-0.8	16,200.9	1.4
4	Net Acquisition of Financial Liabilities	-22,109.1	-2.8	5,052.5	0.4
			0.0		
5	RETAINED EARNINGS	-20.2	0.0	0.0	0.0
	Discrepancies (Financing-3-4-5)	-3,850.2		-416.3	

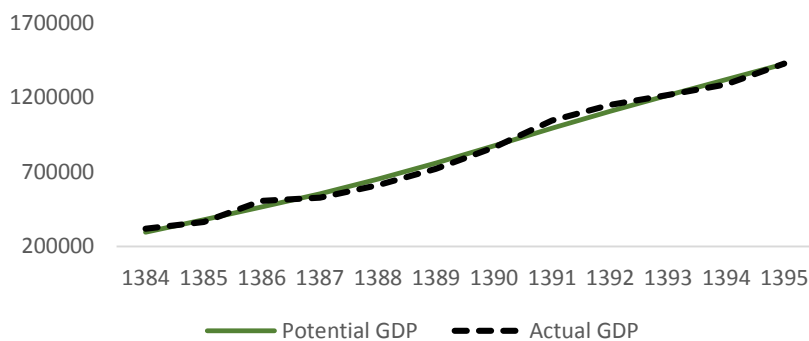
Structural Balance

Structural balance the difference between the government revenue and expenditures adjusted for the position of the economic cycles.

During the economic downturn, it would be expected that GDP would be operating below potential (e.g. 1394 GDP is expected to operate below potential as a result of the economic slowdown) and as a result revenue would be lower than it could be. This means that the deficit is bigger than it would have been had the economic slowdown not occur, we want to differentiate between economic factor effecting the deficit and policy factor effecting the deficit as we have more direct control over the policy factors.

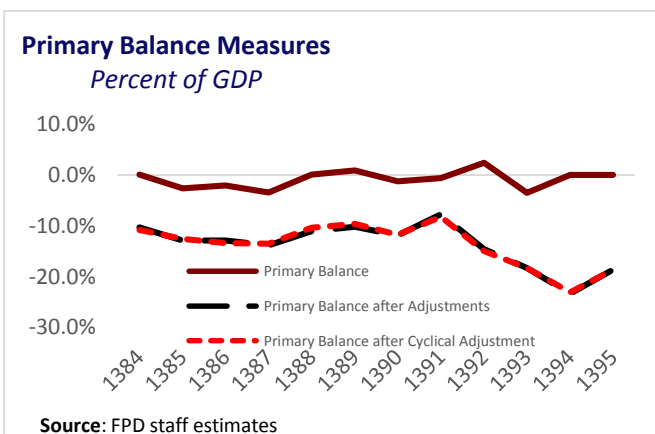
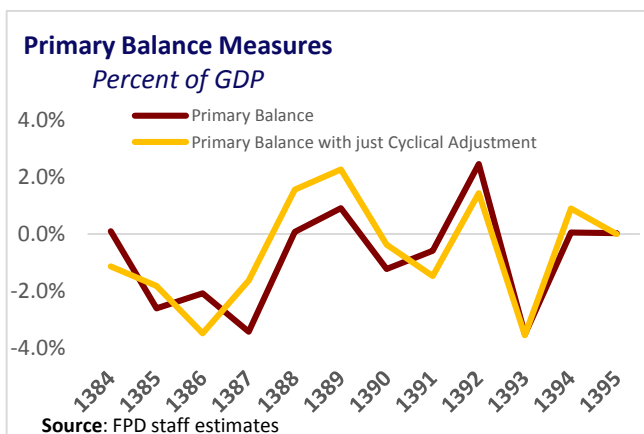
Actual GDP Vs Potential GDP

Million Afs



The primary balance measures chart shows the primary with and without taking in to account the cyclical adjustment. As it can be seen the chart above, in 1394 we are running a zero primary balance however where the economy is operating at the potential we would be running a surplus. This implies the underline policy factors are relatively stronger.

The chart below shows the balance after revenue adjustment and cyclical adjustment. The revenue adjustments remove aid support and fund from the sale of assets and the cyclical adjustment is the same as before. This highlights the government finances are more influence by aid flow than any other factor. If it were not for aid flows and for the economic factors, we will be running a deficit of 23 percent, whereas if we were to account just for economic factors we will be running a possible surplus of almost one percent.



The chart above and left assume that aid flow also follow the economic cycle while this may not be completely true, however it may likely be true for the incentive and salary support. However, it also worth noting that some aid may increase when economy slow and it complecate this calculation. Chart above/right shows that cyclical adjustment does not affect the deficit to a significant degree when we do not include aid revenue this again because we are more dependent on aid than domestic revenue.

Government Debt

No updated data for the Quarter 4 of 1393 was made available; figures for the Q3 are estimates.

Debt Stock

Total external debt during 1393 is Afs 135.4 billion; we estimate this should have fallen further during as a result of Russian debt forgiveness. The main stakeholders from International organizations are World Bank and Asian Development Bank as they continue to provide concessional loans. We have loans outstanding equivalent at around 50 percent of our IMF quota as a result of borrowing under two ECF programs. In this second program however we have not borrowed the full entitlement, maintaining a low debt to the Fund.

Table 12 - Debt Stock

Central Government End of Year Debt Stock			
In Million Afs	1392	1393	YoY
EXTERNAL	134,558	135,434	1%
International Organizations	72,452	73,345	1%
IMF	7,374	7,472	1%
World Bank	23,841	24,096	1%
Islamic Development Bank	2,044	2,158	6%
Asian Development Bank	39,090	39,516	1%
Others	103	103	0%
Foreign Governments	62,106	62,089	0%
Russian Federation	54,520	54,520	0%
Saudi Fund	2,696	2,669	-1%
Others	4,890	4,899	0%
DOMESTIC	30,996	30,996	0%
Bonds (Non-Tradable)	30,996	30,996	0%
Commercial Banks	-	-	-
TOTAL CENTRAL GOVERNMENT DEBT	165,554	166,430	1%
<i>In Percent</i>			
Portion Short Term Debt ¹	0	0	-
Implied Maturity of Debt (Years)	245	206.6	45.10%
Implied Interest Rate of Debt	0.10%	0.10%	- 13.70%

1/ Less than one year

The public sector borrowing requirement is the integrated budget balance. However, it also adds any revenues from the sale of non-financial assets to obtain a true picture of the budget financing requirement. If there are any net sales of non-financial assets, the public sector borrowing requirement will be higher than the core budget balance. The high Treasury Single Account (TSA) financing reflects the use of “cash in the bank” throughout the year to meet the revenue shortfall; initially the Government started with a carry forward of Afs 20 billion from 1392, however by the end of this fiscal year all but Afs 8.6 billion has been expended.

The high positive transactions in previous quarters represented the need to raise resources this year to meet the deficit; the high negative value now and in 1392 represents, in large part, a saving made to the accounts due to the cutbacks in spending at the end of the year.

Conclusion and Next Year

Risks

The key risks for the upcoming year include:

Risk	Likelihood	Impact
Rating Maintained		
Fiscal: Revenue slowdown as a result of continued import slowdown	MEDIUM	HIGH
Fiscal: Exchange rate depreciation causes cost increase for Government imports	MEDIUM	MEDIUM
Fiscal: Interest rate increase creates additional debt costs	LOW	LOW
Fiscal: Aid slowdown (commitments don't materialize)	MEDIUM	HIGH
Fiscal: O&M costs are calculated as higher than anticipated	LOW	MEDIUM
Macroeconomic: depreciation of the Afghani causes increases in food prices, and the CPI	MEDIUM	MEDIUM
Rating Changed/Newly Added		
Fiscal: Government cash reserves remain very low, and mismatches between revenue and expenditure could precipitate another cash shortage.	HIGH	HIGH

Conclusion

This year's outturn performance was marked by the election – a downturn in revenue collection forced a reduction in expenditures, and emergency measures to ensure the Government did not run substantial arrears. The Government cut back expenditures in the lines with more freedom to adjust – including capital expenditure and spending on Goods and Services. This led to a fall in the discretionary development expenditures, and the execution rate on overall development expenditures fell to 46 percent.

For 1394 this means the year started with substantially reduced balance in the TSA – restricting the flexibility in terms of liquidity management. This presents a substantial risk, as noted in this report, of new cash constraints in 1394; and reduces the scope for error should revenues fail to perform as expected.

Expenditures on the budget this year were again largely taken up by the requirements from the security sector, however this is still in a large part covered by support from the LOTFA and CSTC-A programs. The Government increased expenditures on education and health on the previous year, despite the restrictions; and both Governance and Rural Development expenditures were effectively ring fenced to the values in 1392.

While this year had a number of marked challenges, economic growth still remained positive, at 2.1% and inflation, and inflation expectations going forward, remain low, reflecting both international conditions and increased stability in local markets.

Table 13 - Operating Budget Expenditures 1392 – 1393

In millions of Afghanis	1392	1392	1393	1393	1393	1393	1393	1393
	Prelim. Actual	%GDP	Prelim. Actual	%GDP	Original Budget	Revised Budget	Final Budget (4)	Actual as % of Final Budget (4)
TOTAL GROSS EXPENDITURES	193,715.4	24.7	227,405.6	19.8	280,472.3	280,472.3	280,896.3	81.0
TOTAL NET EXPENDITURES (1)	193,679.3	24.7	227,370.2	19.8				
RECURRENT EXPENDITURES (excludes 25)	185,362.0	23.7	217,974.5	19.0				
Compensation of Employees	135,445.1	17.3	150,173.8	13.1	162,602.6	162,602.6	157,888.5	95.1
Wages and Salaries	133,718.1	17.1	144,159.1	12.5				
Social Benefits	1,727.0	0.2	1,201.6	0.1				
Use of Goods and Services	38,213.0	4.9	48,226.3	4.2	83,673.3	83,673.3	85,611.2	56.3
Travel	1,828.3	0.2	1,620.6	0.1				
Communications	3,885.8	0.5	3,915.8	0.3				
Contracted Services	1,531.5	0.2	1,318.1	0.1				
Repairs and Maintenance	9,501.7	1.2	15,331.0	1.3				
Utilities	3,024.8	0.4	5,431.2	0.5				
Fuel	5,640.0	0.7	10,474.0	0.9				
Other Use of Goods and Services	12,801.0	1.6	10,135.7	0.9				
Interest (2)	268.1	0.0	349.3	0.0	2400.0	2400.0	812.4	43.0
Social Transfers (3)	11,435.9	1.5	19,225.1	1.7	19,700.0	19,700.0	20,878.7	92.1
Subsidies	900.0	0.1	450.0	0.0				
Grants	233.3	0.0	17.8	0.0				
Social Security	10,299.2	1.3	18,728.3	1.6				
Other Social Transfers	3.4	0.0	29.0	0.0				
Net Acquisition of Nonfinancial Assets (1)	8,317.3	1.1	9,395.7	0.8	12096.4	12096.4	15705.4	

Source: AFMIS Database as at 12 March 2015

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 14 – Development Budget Expenditures 1392 – 1393

Code	In millions of Afghanis	1392	1392	1393	1393	1393	1393	1393
		Prelim	%GDP	Prelim	%GDP	Original Budget (5)	Final Budget (6)	Actual as % of Final Budget (4)
	TOTAL GROSS EXPENDITURES	80,201.4	10.2	72,648.9	6.3	155,700.7	156,776.1	46
2	TOTAL NET EXPENDITURES (1)	80,201.4	10.2	72,648.9	6.3			
2-25	RECURRENT EXPENDITURES (excludes 25)	39,429.0	5.0	36,509.0	3.2			
21	Compensation of Employees	0.0	0.0	0.0	0.0	-	-	-
211-3	Wages and Salaries	0.0	0.0	0.0	0.0			
214-5	Social Benefits	0.0	0.0	0.0	0.0			
22	Use of Goods and Services	39,429.0	5.0	36,449.7	3.2	N/A	59,089.1	62
221	Travel	364.0	0.0	363.9	0.0			
222	Communications	106.4	0.0	44.1	0.0			
223	Contracted Services	23,751.5	3.0	27,155.3	2.4			
224	Repairs and Maintenance	102.9	0.0	302.7	0.0			
225	Utilities	194.9	0.0	278.2	0.0			
226	Fuel	169.5	0.0	85.5	0.0			
227-9	Other Use of Goods and Services	14,739.8	1.9	8,220.1	0.7			
23	Interest (2)	0.0	0.0	0.0	0.0	-	1,587.6	-
24	Social Transfers (3)	0.0	0.0	59.3	0.0	-	1,178.7	5.0
242	Subsidies	0.0	0.0	0.0	0.0			
245	Grants	0.0	0.0	59.3	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			
25	Net Acquisition of Nonfinancial Assets (1)	40,772.4	5.2	36,139.9	3.1	-	12,096.4	

Source: AFMIS Database as at 12 March 2015

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 Af 157.8 billion.

Table 15 – Integrated Core Budget Expenditures by COFOG sectors, 1392– 1393

Code	In millions of Afghanis	1392 Prelim. Actual	Percent of total	1393 Prelim. Actual	Percent of total
2	TOTAL NET EXPENDITURE	273,880.7		300,019.1	
150	Sale of Land and Buildings	36.1		35.4	
2+150	TOTAL GROSS EXPENDITURE	274,737.5	100.0	299,190.0	100.0
	RECURRENT EXPENDITURE	227,627.3	82.9	254,363.6	85.0
	CAPITAL EXPENDITURE	47,110.2	17.1	44,826.4	15.0
701	General Public Services	31,010.1	11.3	39,323.0	13.1
701- Rec	Recurrent Expenditure	28,011.9	10.2	33,491.3	11.2
701- Cap	Capital Expenditure	2,998.2	1.1	5,831.7	1.9
702	Defence	67,214.5	24.5	81,191.0	27.1
702- Rec	Recurrent Expenditure	63,043.0	22.9	73,374.1	24.5
702- Cap	Capital Expenditure	4,171.6	1.5	7,816.8	2.6
703	Public Order and Safety	57,360.4	20.9	49,764.3	16.6
703- Rec	Recurrent Expenditure	51,238.7	18.7	48,790.8	16.3
703- Cap	Capital Expenditure	6,121.7	2.2	973.5	0.3
704	Economic Affairs	54,047.3	19.7	50,814.1	17.0
704- Rec	Recurrent Expenditure	24,482.7	8.9	23,605.9	7.9
704- Cap	Capital Expenditure	29,564.6	10.8	27,208.2	9.1
705	Environmental Protection	139.0	0.1	161.7	0.1
705- Rec	Recurrent Expenditure	137.3	0.0	112.3	0.0
705- Cap	Capital Expenditure	1.7	0.0	49.4	0.0
706	Housing and Communal Amenities	1,238.7	0.5	1,106.6	0.4
706- Rec	Recurrent Expenditure	340.4	0.1	403.5	0.1
706- Cap	Capital Expenditure	898.2	0.3	703.1	0.2
707	Health	10,093.2	3.7	12,797.6	4.3
707- Rec	Recurrent Expenditure	9,756.7	3.6	12,524.3	4.2
707- Cap	Capital Expenditure	336.5	0.1	273.4	0.1
708	Recreation, Culture and Religion	2,641.6	1.0	1,545.9	0.5
708- Rec	Recurrent Expenditure	1,998.1	0.7	1,405.5	0.5
708- Cap	Capital Expenditure	643.5	0.2	140.5	0.0
709	Education	39,666.6	14.4	42,882.7	14.3
709- Rec	Recurrent Expenditure	37,462.5	13.6	41,086.5	13.7
709- Cap	Capital Expenditure	2,204.2	0.8	1,796.2	0.6
710	Social Protection	11,325.9	4.1	19,603.1	6.6
710- Rec	Recurrent Expenditure	11,155.9	4.1	19,569.6	6.5
710- Cap	Capital Expenditure	170.0	0.1	33.5	0.0

Source: AFMIS Database as at 12 March 2015

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

Table 16 - Integrated Core Budget Expenditures by Ministries, 1392 – 1393

Code	In millions of Afghanis	1392	1392	1392	1393	1393	1393	1393	1393
		Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Final Budget (1)	Actual as % of Final Budget
26 Ministry of Interior		50,565	18.2	6.5	59,221	19.8	5.2	84,433	70.1
Operating Budget		50,270	25.4	6.4	58,775	26.0	5.1	67,498	87.1
Development Budget		296	0.4	0.0	447	0.6	0.0	16,935	2.6
22 Ministry of Defence		66,389	23.9	8.5	68,657	23.0	6.0	124,839	55.0
Operating Budget		58,083	29.4	7.4	65,916	29.1	5.7	103,343	63.8
Development Budget		8,305	10.4	1.1	2,741	3.8	0.2	21,496	12.8
23 Ministry of Foreign Affairs		3,511	1.3	0.4	3,838	1.3	0.3	3,807	100.8
Operating Budget		3,249	1.6	0.4	3,214	1.4	0.3	3,339	96.2
Development Budget		262	0.3	0.0	624	0.9	0.1	467	133.5
15 Presidential Protective Service		1,226	0.4	0.2	1,092	0.4	0.1	1,324	82.4
Operating Budget		1,137	0.6	0.1	1,076	0.5	0.1	1,106	97.3
Development Budget		89	0.1	0.0	15	0.0	0.0	218	6.9
64 General Directorate of National Security		9,722	3.5	1.2	11,131	3.7	1.0	11,200	99.4
Operating Budget		9,597	4.9	1.2	11,071	4.9	1.0	11,071	100.0
Development Budget		125	0.2	0.0	60	0.1	0.0	128	46.6
Security		131,413	47.3	16.8	143,939	48.2	12.5	225,602	63.8
Operating Budget		122,336	61.9	15.6	140,052	61.8	12.2	186,357	75.2
Development Budget		9,077	11.3	1.2	3,887	5.4	0.3	39,245	9.9
10 Presidents Office		1,919	0.7	0.2	1,807	0.6	0.2	2,503	72.2
Operating Budget		1,765	0.9	0.2	1,733	0.8	0.2	2,032	85.2
Development Budget		154	0.2	0.0	74	0.1	0.0	471	15.7
11 National Assembly Meshanro Jirga		579	0.2	0.1	530	0.2	0.0	673	78.7
Operating Budget		513	0.3	0.1	530	0.2	0.0	546	96.9
Development Budget		65	0.1	0.0	0	0.0	0.0	127	0.0
12 National Assembly Wolesi Jirga		1,275	0.5	0.2	1,369	0.5	0.1	1,358	100.8
Operating Budget		1,259	0.6	0.2	1,369	0.6	0.1	1,330	102.9
Development Budget		16	0.0	0.0	0	0.0	0.0	28	0.0
14 Supreme Court		1,615	0.6	0.2	3,127	1.0	0.3	3,293	95.0
Operating Budget		1,511	0.8	0.2	3,024	1.3	0.3	3,004	100.7
Development Budget		105	0.1	0.0	104	0.1	0.0	289	35.8
50 Ministry of Justice		684	0.2	0.1	637	0.2	0.1	1,040	61.2
Operating Budget		582	0.3	0.1	542	0.2	0.0	621	87.3
Development Budget		103	0.1	0.0	95	0.1	0.0	419	22.6
13 Administrative Affairs		2,141	0.8	0.3	1,803	0.6	0.2	1,884	95.7
Operating Budget		1,949	1.0	0.2	1,635	0.7	0.1	1,631	100.2
Development Budget		192	0.2	0.0	168	0.2	0.0	253	66.5
21 Ministry of State and Parliament Affairs		117	0.0	0.0	92	0.0	0.0	130	71.1
Operating Budget		100	0.1	0.0	92	0.0	0.0	104	88.4
Development Budget		17	0.0	0.0	1	0.0	0.0	26	2.3
24 Ministry of Haj and Religious Affairs		863	0.3	0.1	822	0.3	0.1	1,131	72.7
Operating Budget		711	0.4	0.1	755	0.3	0.1	876	86.2
Development Budget		152	0.2	0.0	66	0.1	0.0	255	26.1
51 Attorney General		1,080	0.4	0.1	1,173	0.4	0.1	1,391	84.3
Operating Budget		999	0.5	0.1	1,095	0.5	0.1	1,173	93.3
Development Budget		82	0.1	0.0	78	0.1	0.0	218	35.8
72 Election Commission		129	0.0	0.0	114	0.0	0.0	214	53.3
Operating Budget		112	0.1	0.0	114	0.1	0.0	195	58.5
Development Budget		17	0.0	0.0	0	0.0	0.0	19	0.0
62 IARCSC		671	0.2	0.1	482	0.2	0.0	850	56.6
Operating Budget		316	0.2	0.0	330	0.1	0.0	353	93.6
Development Budget		354	0.4	0.0	152	0.2	0.0	497	30.5
85 Independent Commission for Overseeing the		69	0.0	0.0	60	0.0	0.0	69	86.6
Operating Budget		69	0.0	0.0	60	0.0	0.0	69	86.6
Development Budget		0	0.0	0.0	0	0.0	0.0	0	N/A
69 Anti-Corruption Commission		0	-	0.0	0	-	0.0	0	N/A
Operating Budget		0	-	0.0	0	-	0.0	0	N/A
Development Budget		0	0.0	0.0	0	0.0	0.0	0	N/A
The High office of Oversight and Anti									
67 Corruption		173	0.1	0.0	165	0.1	0.0	188	87.5
Operating Budget		141	0.1	0.0	136	0.1	0.0	157	86.6
Development Budget		32	0.0	0.0	28	0.0	0.0	31	92.0
Independent Directorate of Local									
59 Governance		3,047	1.1	0.4	2,246	0.8	0.2	3,146	71.4
Operating Budget		2,537	1.3	0.3	2,035	0.9	0.2	1,916	106.2
Development Budget		509	0.6	0.1	211	0.3	0.0	1,230	17.1
74 Legal Training Center		0	-	0.0	0	-	0.0	64	0.0
Operating Budget		0	-	0.0	0	-	0.0	0	N/A
Development Budget		0	0.0	0.0	0	0.0	0.0	64	0.0
Governance, Rule of Law & Human Rights		14,362	5	1.8	14,425	4.8	1.3	17,935	80.4
Operating Budget		12,564	6	1.6	13,449	5.9	1.2	14,008	96.0
Development Budget		1,798	2	0.2	976	1.3	0.1	3,927	24.9

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

Code	In millions of Afghanis	1392	1392	1392	1393	1393	1393	1393	1393
		Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Final Budget (1)	Actual as % of Final Budget
42 Ministry of Public Works		16,309	5.9	2.1	14,793	4.9	1.3	28,223	52.4
Operating Budget		2,325	1.2	0.3	3,927	1.7	0.3	5,172	75.9
Development Budget		13,984	17.4	1.8	10,867	15.0	0.9	23,051	47.1
45 Ministry of Transport and Aviation		1,741	0.6	0.2	903	0.3	0.1	2,106	42.9
Operating Budget		545	0.3	0.1	255	0.1	0.0	284	89.9
Development Budget		1,196	1.5	0.2	648	0.9	0.1	1,822	35.6
34 Ministry of Communication		1,778	0.6	0.2	899	0.3	0.1	2,946	30.5
Operating Budget		462	0.2	0.1	445	0.2	0.0	481	92.6
Development Budget		1,316	1.6	0.2	453	0.6	0.0	2,465	18.4
41 Ministry of Energy and Water		6,350	2.3	0.8	4,478	1.5	0.4	12,627	35.5
Operating Budget		559	0.3	0.1	549	0.2	0.0	630	87.1
Development Budget		5,791	7.2	0.7	3,930	5.4	0.3	11,997	32.8
82 Water Supply and Canalization Corporation		317	0.1	0.0	623	0.2	0.1	513	121.5
Operating Budget		0	-	0.0	0	-	0.0	0	N/A
Development Budget		317	0.4	0.0	623	0.9	0.1	513	121.5
03 Da Brishna Shirkat		2,083	0.7	0.3	2,757	0.9	0.2	100	1,534.8
Operating Budget		0	-	0.0	0	-	0.0	0	N/A
Development Budget		2,083	2.6	0.3	2,757	3.8	0.2	180	1,534.8
49 Ministry of Urban Development		1,326	0.5	0.2	460	0.2	0.0	1,464	31.4
Operating Budget		237	0.1	0.0	238	0.1	0.0	268	88.7
Development Budget		1,089	1.4	0.1	222	0.3	0.0	1,196	18.5
84 Independent Board of new Kabul		155	0.1	0.0	85	0.0	0.0	70	122.0
Operating Budget		0	-	0.0	0	-	0.0	0	N/A
Development Budget		155	0.2	0.0	85	0.1	0.0	70	122.0
32 Ministry of Mines and Industries		1,743	0.6	0.2	1,263	0.4	0.1	2,369	53.3
Operating Budget		486	0.2	0.1	507	0.2	0.0	546	93.0
Development Budget		1,257	1.6	0.2	756	1.0	0.1	1,824	41.4
65 Geodesy and Cartography Office		191	0.1	0.0	120	0.0	0.0	2,222	5.4
Operating Budget		135	0.1	0.0	113	0.0	0.0	135	83.5
Development Budget		55	0.1	0.0	7	0.0	0.0	2,087	0.3
60 Directorate of Environment		179	0.1	0.0	198	0.1	0.0	310	64.1
Operating Budget		179	0.1	0.0	183	0.1	0.0	191	95.6
Development Budget		0	0.0	0.0	16	0.0	0.0	119	13.4
Afghanistan High Atomic Energy Commission		28	0.0	0.0	29	0.0	0.0	41	70.9
Operating Budget		28	0.0	0.0	29	0.0	0.0	41	70.9
Development Budget		0	0.0	0.0	0	0.0	0.0	0	N/A
79 Municipalities		880	0.3	0.1	1,409	0.5	0.1	1,571	89.7
Operating Budget		0	-	0.0	0	-	0.0	0	N/A
Development Budget		880	1.1	0.1	1,409	1.9	0.1	1,571	89.7
Infrastructure & Natural Resources		33,080	12	4.2	28,019	9	2.4	54,641	51.3
Operating Budget		4,956	3	0.6	6,245	3	0.5	7,748	80.6
Development Budget		28,124	35	3.6	21,774	30	1.9	46,893	46.4
27 Ministry of Education		34,930	12.6	4.5	37,963	12.7	3.3	46,629	01.4
Operating Budget		29,195	14.8	3.7	31,164	13.8	2.7	32,094	97.1
Development Budget		5,735	7.2	0.7	6,799	9.4	0.6	14,535	46.8
28 Ministry of Higher Education		4,677	1.7	0.6	5,372	1.8	0.5	7,895	68.0
Operating Budget		3,153	1.6	0.4	3,898	1.7	0.3	4,088	95.3
Development Budget		1,524	1.9	0.2	1,474	2.0	0.1	3,806	38.7
36 Ministry of Information and Culture		1,065	0.4	0.1	518	0.2	0.0	1,001	51.8
Operating Budget		903	0.5	0.1	456	0.2	0.0	484	94.1
Development Budget		162	0.2	0.0	63	0.1	0.0	517	12.1
61 Science Academy		201	0.1	0.0	177	0.1	0.0	213	82.9
Operating Budget		178	0.1	0.0	172	0.1	0.0	177	97.2
Development Budget		23	0.0	0.0	5	0.0	0.0	36	13.7
63 National Olympic Committee		385	0.1	0.0	208	0.1	0.0	776	26.8
Operating Budget		273	0.1	0.0	181	0.1	0.0	235	76.9
Development Budget		112	0.1	0.0	27	0.0	0.0	541	5.0
Education		41,258	14.8	5.3	44,238	14.8	3.8	56,514	78.3
Operating Budget		33,701	17.0	4.3	35,870	15.8	3.1	37,078	96.7
Development Budget		7,556	9.4	1.0	8,368	11.6	0.7	19,436	43.1
37 Ministry of Public Health		10,285	3.7	1.3	12,898	4.3	1.1	13,781	93.6
Operating Budget		3,115	1.6	0.4	3,828	1.7	0.3	4,035	94.9
Development Budget		7,169	8.9	0.9	9,070	12.5	0.8	9,746	93.1
Health		10,285	3.7	1.3	12,898	4.3	1.1	13,781	93.6
Operating Budget		3,115	1.6	0.4	3,828	1.7	0.3	4,035	94.9
Development Budget		7,169	8.9	0.9	9,070	12.5	0.8	9,746	93.1
39 Ministry of Agriculture		6,504	2.3	0.8	6,576	2.2	0.6	7,782	84.5
Operating Budget		1,488	0.8	0.2	1,123	0.5	0.1	1,174	95.6
Development Budget		5,016	6.3	0.6	5,453	7.5	0.5	6,607	82.5
48 Ministry of Counter Narcotics		1,040	0.4	0.1	1,387	0.5	0.1	881	157.4
Operating Budget		167	0.1	0.0	161	0.1	0.0	158	101.5
Development Budget		873	1.1	0.1	1,227	1.7	0.1	723	169.6
Ministry of Rural Rehabilitation and Development		17,105	6.2	2.2	18,781	6.3	1.6	19,457	96.5
Operating Budget		648	0.3	0.1	513	0.2	0.0	542	94.7
Development Budget		16,457	20.5	2.1	18,268	25.2	1.6	18,915	96.6
Agriculture & Rural Development		24,649	8.9	3.1	26,745	8.9	2.3	28,120	95.1
Operating Budget		2,303	1.2	0.3	1,796	0.8	0.2	1,874	95.8
Development Budget		22,346	27.9	2.9	24,948	34.5	2.2	26,246	95.1

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 17 - Integrated Core Budget Expenditures by Ministries (Continued, 1392 – 1393)

Code	In millions of Afghanis	1392	1392	1392	1393	1393	1393	1393	1393
		Prelim. Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Final Budget (1)	Actual as % of Final Budget
46 Ministry of Frontiers and Tribal Affairs		478	0.2	0.1	401	0.1	0.0	646	62.0
Operating Budget		372	0.2	0.0	370	0.2	0.0	449	82.4
Development Budget		105	0.1	0.0	30	0.0	0.0	197	15.4
Ministry of Martyrs, Disabled and Social Affairs		11,997	4.3	1.5	20,180	6.8	1.8	21,955	91.9
Operating Budget		11,470	5.8	1.5	19,881	8.8	1.7	21,240	93.6
Development Budget		527	0.7	0.1	299	0.4	0.0	715	41.8
29 Ministry of Refugees and Repatriates		274	0.1	0.0	332	0.1	0.0	371	89.4
Operating Budget		259	0.1	0.0	314	0.1	0.0	330	95.3
Development Budget		16	0.0	0.0	17	0.0	0.0	41	41.8
38 Ministry of Women Affairs		230	0.1	0.0	166	0.1	0.0	226	73.4
Operating Budget		189	0.1	0.0	162	0.1	0.0	189	86.0
Development Budget		41	0.1	0.0	4	0.0	0.0	37	9.6
68 Office of Disaster Preparedness		120	0.0	0.0	79	0.0	0.0	164	48.4
Operating Budget		82	0.0	0.0	77	0.0	0.0	98	78.8
Development Budget		38	0.0	0.0	2	0.0	0.0	66	3.5
76 Directorate of Kochis		72	0.0	0.0	48	0.0	0.0	115	41.7
Operating Budget		47	0.0	0.0	48	0.0	0.0	61	78.3
Development Budget		25	0.0	0.0	0	0.0	0.0	54	0.0
Social Protection		13,171	4.7	1.7	21,205	7.1	1.8	23,477	90.3
Operating Budget		12,419	6.3	1.6	20,853	9.2	1.8	22,367	93.2
Development Budget		752	0.9	0.1	352	0.5	0.0	1,110	31.7
20 Ministry of Finance		7,077	2.8	1.0	5,583	1.9	0.5	6,201	88.9
Operating Budget		5,449	2.8	0.7	3,275	1.4	0.3	1,836	178.4
Development Budget		2,428	3.0	0.3	2,308	3.2	0.2	4,445	51.9
25 Ministry of Commerce		590	0.2	0.1	858	0.3	0.1	1,035	82.9
Operating Budget		371	0.2	0.0	575	0.3	0.1	606	94.9
Development Budget		219	0.3	0.0	283	0.4	0.0	428	66.0
35 Ministry of Economy		568	0.2	0.1	446	0.1	0.0	665	67.1
Operating Budget		226	0.1	0.0	205	0.1	0.0	260	78.7
Development Budget		342	0.4	0.0	241	0.3	0.0	405	59.5
66 Control and Audit Office		291	0.1	0.0	313	0.1	0.0	565	55.3
Operating Budget		121	0.1	0.0	133	0.1	0.0	158	84.0
Development Budget		170	0.2	0.0	180	0.2	0.0	407	44.2
73 Central Statistics Office		231	0.1	0.0	161	0.1	0.0	297	54.2
Operating Budget		133	0.1	0.0	133	0.1	0.0	144	92.0
Development Budget		98	0.1	0.0	28	0.0	0.0	153	18.5
58 Afghanistan National Standard Authority		131	0.0	0.0	56	0.0	0.0	246	22.7
Operating Budget		51	0.0	0.0	56	0.0	0.0	70	80.1
Development Budget		81	0.1	0.0	0	0.0	0.0	176	0.0
Economic Governance & Private Sector Development		9,688	3.5	1.2	7,417	2.5	0.6	9,089	81.6
Operating Budget		6,351	3.2	0.8	4,377	1.9	0.4	3,075	142.3
Development Budget		3,338	4.2	0.4	3,040	4.2	0.3	6,014	50.5
80 Afghanistan Investment Support Agency		0	-	0.0	0	-	0.0	52	0.0
Operating Budget		0	-	0.0	0	-	0.0	0	N/A
Development Budget		0	0.0	0.0	0	0.0	0.0	52	0.0
81 Micro Finance Investment Support Facility for		0	-	0.0	0	-	0.0	263	0.0
Operating Budget		0	-	0.0	0	-	0.0	0	N/A
Development Budget		0	0.0	0.0	0	0.0	0.0	263	0.0
TOTAL (1)		277,906	0.0	35.5	298,886	-	26.0	429,475	69.6
Operating Budget		197,746	0.0	25.2	226,471	0.0	19.7	276,543	81.9
Development Budget		80,160	0.0	10.2	72,415	0.0	6.3	152,932	47.4
Total Unallocated (contingency reserve)		-	-	0.0	-	-	0.0	-	N/A
Operating Budget		-	-	0.0	-	-	0.0	-	N/A
Development Budget		-	-	0.0	-	-	0.0	-	N/A
TOTAL (including unclassified)		277,905.8	100.0	35.5	298,886.1	100.0	26.0	429,474.8	69.6
Operating Budget		197,745.7	100.0	25.2	226,471.0	100.0	19.7	276,543.0	81.9
Development Budget		80,160.1	100.0	10.2	72,415.1	100.0	6.3	152,931.8	47.4

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 18 - Transactions in Nonfinancial Assets in the Integrated Core Budget, 1392 – 1393

Code	In millions of Afghanis	1392	1392	1393	1393
		Actual	% GDP	Prelim Actual	% GDP
25	NET ACQUISITION OF NONFINANCIAL ASSETS	49,089.7	6.3	45,535.5	4.0
	Land and Buildings	37,456.0	4.8	23,737.7	2.1
251/8	Purchase of Land and Buildings	37,492.1	4.8	23,773.1	2.1
150	Sale of Land and Buildings	-36.1	0.0	-35.4	0.0
151	Sale of State-Owned Enterprises	0.0	0.0	0.0	0.0
252	Machinery and Equipment (>50,000)	8,118.2	1.0	6,378.5	0.6
257	Valuables	1.4	0.0	0.3	0.0
259	Other Acquisitions	3,514.2	0.4	15,419.0	1.3

Source: AFMIS Database as at 12 March 2015

Table 19 - Transactions in Financial Assets and Liabilities in the Integrated Core Budget 1392- 1393

Code	In millions of Afghanis	1391	1391	1391	1392	1392	1392	1392	1392	1392	1392	1392 Comparison to 1391 YTD	
		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	Change	% Increase	
3+4	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES	6,051.9	6,051.9	0.6	-17,758.6	3,799.9	-19,104.0	10,418.7	-22,644.0	-2.0	-28,696.0	-474.2	
3	NET ACQUISITION OF FINANCIAL ASSETS	-21,019.3	-21,019.3	-1.9	10,690.7	2,622.1	-20,188.9	6,764.0	-112.2	0.0	20,907.2	-99.5	
	Domestic	-21,019.3	-21,019.3	-1.9	10,690.7	2,622.1	-20,188.9	6,764.0	-112.2	0.0	20,907.2	-99.5	
	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	
	Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	
4	NET ACQUISITION OF LIABILITIES	27,071.3	27,071.3	2.5	-28,449.2	1,177.8	1,084.9	3,654.7	-22,531.9	-2.0	-49,603.2	-183.2	
	Domestic	21,823.0	21,823.0	2.0	-28,654.2	1,109.9	698.9	3,222.4	-23,623.0	-2.1	-45,446.0	-208.2	
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	
	Foreign	5,248.3	5,248.3	0.5	204.9	68.0	385.9	432.3	1,091.1	0.1	-4,157.2	-79.2	
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

Budget	An itemized summary of estimated intended expenditures for a given period along with proposals for financing them.
Operating Budget	The budget for operating budget expenditures. These are mainly recurrent expenditures, and include wages and salaries for all public servants, running costs for Ministries, schools, barracks etc. A small amount of capital expenditure is also included in the Operating Budget in Afghanistan. The Operating Budget is sometimes referred to as the Recurrent Budget in other countries.
Development Budget	The Government budget for development projects implemented by Government agencies. It contains recurrent and capital expenditure in Afghanistan. These projects are mainly donor funded. The Development Budget is sometimes referred to as the Capital Budget in other countries.
Core Budget	The operating budget plus the development budget
External Budget	The budget for all donor activities that are funded directly by donors, rather than channeling the funding through the Government
Integrated Budget	The core budget plus the external budget
Expenditure/Expense	The purchase of goods, services, assets. It also includes interest payments, and subsidies and transfers.
Recurrent spending	Expenditure that is ongoing rather than one off, and does not result in the acquisition of a fixed asset. For example payments for electricity or fuel, the payment for salaries etc. Often equated with the operating budget, however development budget spending contains recurrent items and vice versa
Capital spending	Spending on a capital asset, for example a tractor or irrigation pump.
Compensation of Employees	The total remuneration, in cash or kind, payable to an employee for work done during the accounting period. It consists of wages, salaries, and social contributions made on behalf of employees to social insurance schemes. Excluded are amounts paid to contractors, self-employed outworkers, and other workers who are not employees.
Goods and Services (use of)	Expenditure items such as electricity costs, maintenance and repair, consultancy services and items with a purchase value below Afs 50,000
Subsidies	Payments made to State Owned Enterprises to help them cover their costs
Transfers	Payments to a person or organization for which no service is received, for which pension payments and subsidies.
Interest payments	The interest paid on outstanding loans

Contingency Funds	Items listed in the operating and development budgets that may require funding. Throughout the year, funding from contingency reserve items may be allocated to the budgets of budgetary units during the year (increasing their original budget).
Assets	An entity over which ownership rights are enforced, and from which economic benefits may be derived by its owners by holding it or using it over a period of time.
Non-financial assets	Physical assets such as real estate and machinery
Financial assets	A financial claim on an asset that is usually documented by some type of legal representative. Examples include bonds and shares of stock, but not tangible assets such as real estate or gold. These are included below the line as financing items.
Revenues	Domestically raised revenues and donor grants (excludes loans).
Domestic Revenues	Revenues raised by the Government of Afghanistan (excludes donor grants). These are mainly revenues raised by the Afghanistan Revenue Department (taxes, customs duties etc.), and revenues rose by other Government agencies (fees and fines etc.)
Grants	Funds received from donors. Often the money can only be spent on a certain project or activities, but sometimes can be spent at the discretion of the recipient Government
Balances	The difference between revenues and expenditures
Operating Budget Balance (excluding grants)	Domestic revenues (excluding donor grants to the operating budget) minus operating budget expenditures
Operating Budget Balance (including grants)	Domestic revenues plus donor grants to the operating budget, minus operating budget expenditures
Development Budget Balance	Donor Grants to development budget minus development budget expenditures
Core Budget balances	
Balance (excluding and including grants)	Total revenues (excluding and including grants) minus total expenditures
Net operating balance	Revenues (including donor grants) minus recurrent expenditures. It measures the change in net worth resulting from transactions (excluding capital expenditure)
Primary operating balance	Net operating balance plus interest expenditures
Surplus	A positive balance (revenues are greater than expenditures)

Deficit	A negative balance (revenues are less than expenditures)
Financing	How the government funds its deficit (or invests its surplus). For example drawing down on foreign loans or withdrawing funds from the Central Bank. More generally, it describes transactions in financial assets.
Above the line	Refers to ‘real’ expenditure and revenue activities, for example the paying of salaries, the purchase of school books, the building of a dam etc.
Below the line	Refers to financing transactions, and transactions in financial assets, for example loan disbursements and repayments, transactions on the Treasury Single Account
Loans	Loans of money from foreign Governments, international organization and development banks. Afghanistan’s debt strategy allows only concessional loans to be taken out.
Concessional loans	Loans that are offered at below market rates (e.g. a low interest rate and with a long grace period).
Principal repayment	Repayment of the principal of a loan (as distinct from an interest payment)
Gross Domestic Product	The value of all the goods and services produced by a country in one year. This excludes the opium economy for Afghanistan
Budget target	The level of revenue or expenditure expected over a quarter or during the year. For expenditures we assume that the budget target for the quarter is 25 percent of the annual budget
Budget Variance	The difference between the actual outcome and the budget target
Treasury Single Account (TSA)	The main bank account of the Government. In Afghanistan, the TSA consists of the Afghani account, the US dollar account, provincial revenue and expenditure accounts, and ARTF and LOTFA accounts.
AFMIS	Afghanistan Financial Management Information System. The central database that records every transaction made by Government
Eurotrace	The computer database system for recording and classifying customs transactions.

Annual Fiscal Report**Fiscal Year 1393**

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