



ISLAMIC REPUBLIC OF AFGHANISTAN

MINISTRY OF FINANCE

ANNUAL MACRO FISCAL REPORT 1394

Macro Fiscal Performance
General Directorate

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1394 Fiscal Year Highlights

The Afghan economy's recovery from its downturn was not promising as expected to bounce back in 1394, as slowdown in its economic activities continued, with real growth fell further down to 0.9 percent from 1.3 percent in 1393. However, the overall effects from the slowdown in economic activities and uncertainties on fiscal performance were less in 1394 compared to 1393. Among GDP's components, the agriculture sector has not performed well, and had a negative growth, whereas the service and industrial sectors experienced slight positive growth, but not well enough to propel the overall economic growth compared to 1393.

The foreign exchange was adversely affected as Afghani has observed more depreciation against US dollar and other international currencies, and around 5 percent against US dollar. Meanwhile, Trade was also adversely affected by the economic downturn, as the imports which were 14 times more than the exports, reduced by around 1 percent in 1394 (imports were Afs 440.2 billion) , while exports were around Afs 33 billion that showed slight improvement.

Inflation was not only in single digits in 1394, but went down to negative (deflation) for most part of the year in 1394. The period average inflation was -1.6 percent compared to 2.6 percent in 1393. The fall in inflation was due to reduction in international commodity prices mainly oil and local rental prices for accommodation.

Unlike Fiscal Year 1393, domestic revenues performed well, and collections were around 22 percent higher, and total domestic revenues of Afs 122.4 billion were collected against the revised budget target of Afs 114 billion. Major increase in revenue collection was due to increase in imports, tax revenues, and non-tax revenues by ministries.

Total grants to the core budget were Afs 178.6 billion in FY 1394 compared to Afs 178.8 billion in FY 1393, with small reduction of Afs 0.2 billion. Operating grants receipts were Afs 122.8 billion whilst grants to development budget were Afs 82.4 billion.

Total gross core budget expenditures were Afs 317.5 billion in 1394 compared to Afs 300.1 billion in 1393, with Afs 82.4 billion development spending and Afs 235.2 billion operating spending.

The government's overall balance for 1394 was a deficit of Afs 16.5 billion, as compared to deficit of Afs 20.8 billion in 1393. The improvement in overall balance was due to relatively better revenue collection during the year.

The public debt stock was at Afs 134.4 billion in 1394. It was estimated that the level would have further fallen down with 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 1393-1394

Code	In millions of Afghanis	1393 Actual	1393 % GDP	1394 Prelim. Actual	1394 % GDP	1394 Final Budget (4)	1394 % of Final Budget
OPERATING BUDGET							
	Operating Budget Revenues	219,479	18.4	245,253	20.4	272,277	-9.9
1	Domestic Revenues	100,379	8.4	122,435	10.2	122,969	-0.4
1-19	Operating Grants	119,100	10.0	122,818	10.2	149,309	-17.7
	Operating Budget Expenditures	227,406	19.1	235,167	19.5	271,011	87
	Operating Budget Balance (3)						
	Excluding Grants	-127,027	-10.6	-112,732	-9.4	-148,042	76
	Including Grants	-7,927	-0.7	10,086	0.8	1,266	797
	Indicator of Fiscal Sustainability (domestic revenues/operating expenditures)	44%		52%		45%	
DEVELOPMENT BUDGET							
	Development Grants (1)	59,703	5.0	55,769	4.6	137,320	41
	Development Expenditures	72,649	6.1	82,383	6.8	163,267	50
	Development Budget Balance (3)	-12,946	-1.1	-26,613	-2.2	-25,947	103
INTEGRATED BUDGET							
	Revenues (1)	279,182	23.4	301,022	25.0	409,598	73
	Domestic Revenues	100,379	8.4	122,435	10.2	122,969	100
	Grants (1)	178,803	15.0	178,587	14.8	286,629	62
	Expenditures	300,055	25.1	317,549	26.4	434,278	137
	Integrated Budget Balance						
	Excluding Grants	-199,676	-16.7	-195,115	-16.2	-311,309	63
	Including Grants (3)	-20,873	-1.7	-16,527	-1.4	-24,680	67
	Financing Requirement						
	Balance Including Grants	-20,873	-1.7	-16,527			
	Sale of Land and Buildings	35	0.0	25			
	Lending/Borrowing	-20,837	-1.7	-16,502			

Source: AFMIS Database as at 3 April 2016

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

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

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

4/ Final Budget figures for expenditure available from AFMIS, except for interest (code 23) and subsidies and transfers (code 24), as AFMIS data includes contingency reserves in these categories. Reconciliation of budget figures between categories is also not finalized, and so total of each category does not add to total budget of Budget of Afs 271 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 around half of the expenditure (52 percent), which shows significant increase compared to (44 percent) last year.
- 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. Salaries costs have increased only by 1.4 percent between 1393 and 1394.
- Debt remains of limited concern with the cost of debt service taking up only 0.1 percent of total expenditure, and was only originally budgeted at half a percent of the overall budget.

Macroeconomic Performance

GDP

The weakening security environment and persisting political uncertainty continued to weaken private sector confidence and distress economic activities in Afghanistan. The delay in the cabinet formation of unity government continued to fuel uncertainty and effected investors' confidence in the first quarter of 1394. Emigration, energy shortages, reduction of donor support, FDI and trade pressurized the economy and caused slow economic growth in the year 1394. Real economic growth was 0.9 percent by end of 1394, significantly lower than the Government's forecast for the year of around 2 percent as well as actual growth of 1.3 percent in 1393.

Though, the industrial and service sectors improved, Agriculture, which is the third largest contributor to GDP growth after services, declined by a projected 14 percent in 1394. With population growth estimated at 3 percent per year and 45 percent of the poor relying on agriculture for their livelihood, slow GDP growth and a decline in agriculture production put continuous upward pressure on poverty. Declining job opportunities and growing insecurity have also driven up migration in 1394.

Table 2 – Real and Nominal GDP

In percentage change Unless otherwise noted	Historic 1393	Est. 1394	Budget 1395	Outer Years 1396 1397	
Real GDP Growth	1.3%	0.9%	3.7%	4.0%	4.1%
Nominal GDP Level (Afs bn)	1150.8	1204.8	1291.3	1388.3	1483.6

Figure 1 – Real GDP (Percentage Growth)

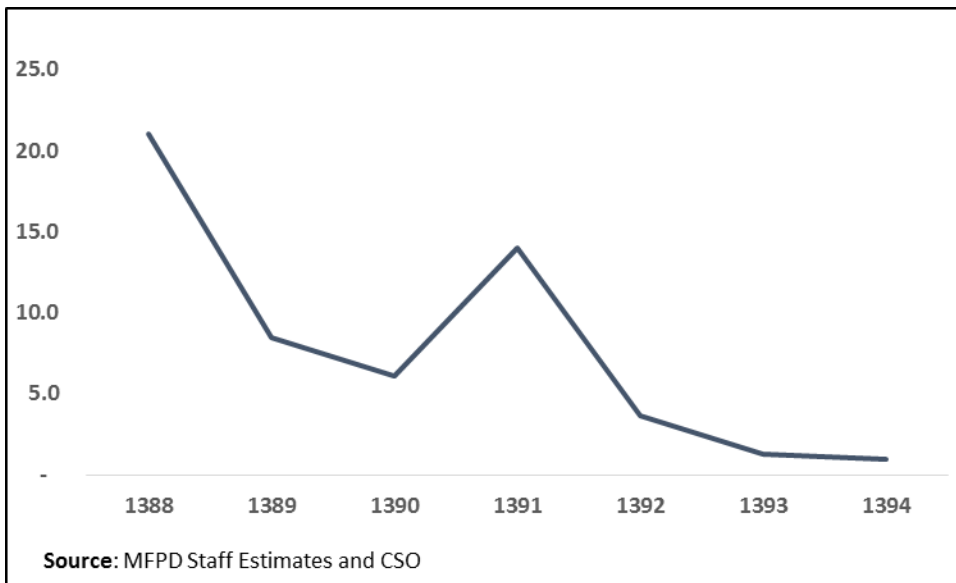
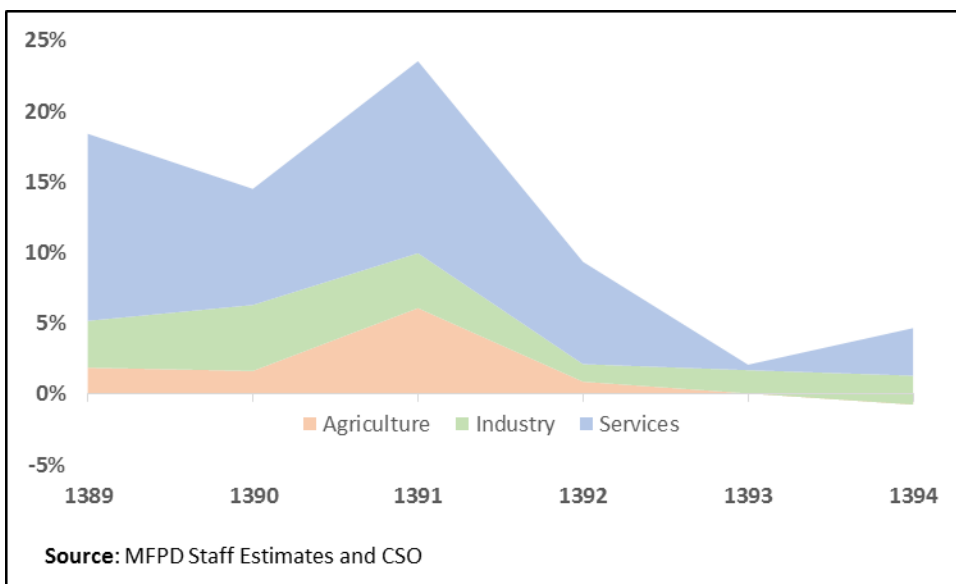


Figure 2 – Contribution to Growth (Percentage Growth)



Trade

The political instability and uncertainty had impacts on Trade and forex. Decline in donors’ fund, lesser supply of Dollar to Market by Central bank, dollar outflow, and decrease in FDI were the

reasons which pressurized Afghani and depreciated against foreign currencies, particularly USD. It was fluctuated between 58 and 65 which shows 12 percent depreciation.

As usual, the trade situation of Afghanistan remained in deficit in the year 1394, but trade deficit decreased. Imports of Afghanistan decreased to Afs 440,203 Billion in 1394 from Afs 443,341 Billion in 1393, and Export increased to Afs 32,570 Billion from Afs 31,993 Billion, so the trade deficit decreased in 1394 and trade balance has improved. Trade deficit pressurizes domestic currency to depreciate against foreign currencies. Imports declined as local consumer reduced purchases of luxury items and giving priority to use domestic products instead of imported ones.

Table 3 – Exports and Imports

Billion Afs	1389	1390	1391	1392	1393	1394
Exports	20,927	18,189	24,528	28,527	31,993	32,570
Imports	244,778	309,930	453,501	473,898	443,341	440,203

Source: CSO and MFPD staff estimates

Table 4 – Detailed Imports

No.	Item	Value
I	Live animals, animal products (01-05)	12,968.78
II	Vegetable products (06-14)	40,233.36
III	Fats and Oils, waxes (15)	22,736.44
IV	Prepared foodstuffs (16-24)	28,545.11
IX	Wood, cork straw (44-46)	6,190.81
V	Mineral Products (25-27)	57,656.85
VI	Products of Chemical industries (28-38)	14,520.98
VII	Plastics and articles thereof (39-40)	13,750.69
VIII	Raw Hides and Skins, Leather (41-43)	380.34
X	Pulp of wood, paper, paperboard (47-49)	6,040.70
XI	Textiles and textile articles (50-63)	31,016.12
XII	Footwear, headgear, umbrellas (64-67)	1,809.68
XIII	Articles of stone, plaster, cement (68-70)	4,142.56
XIV	Pearls, precious stones (71)	192.10
XIX	Arms and ammunition (93)	564.42
XV	Base metals and articles of base metals (72-83)	39,039.34
XVI	Machinery (84-85)	16,077.48

XVII	Vehicles, aircraft, transport equipment (86-89)	21,729.80
XVIII	Optical, photographic, medical, surgical, clocks, musical (90-92)	258.81
XX	Miscellaneous manuf. articles (94-96)	1,515.78
XXI		318.06

Figure 3 – Trade (Afs Billions)

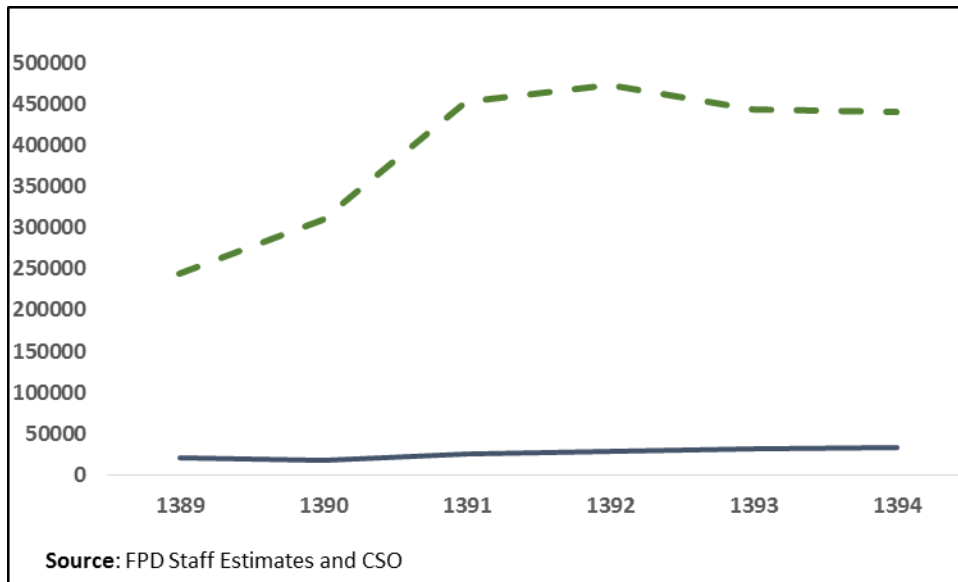
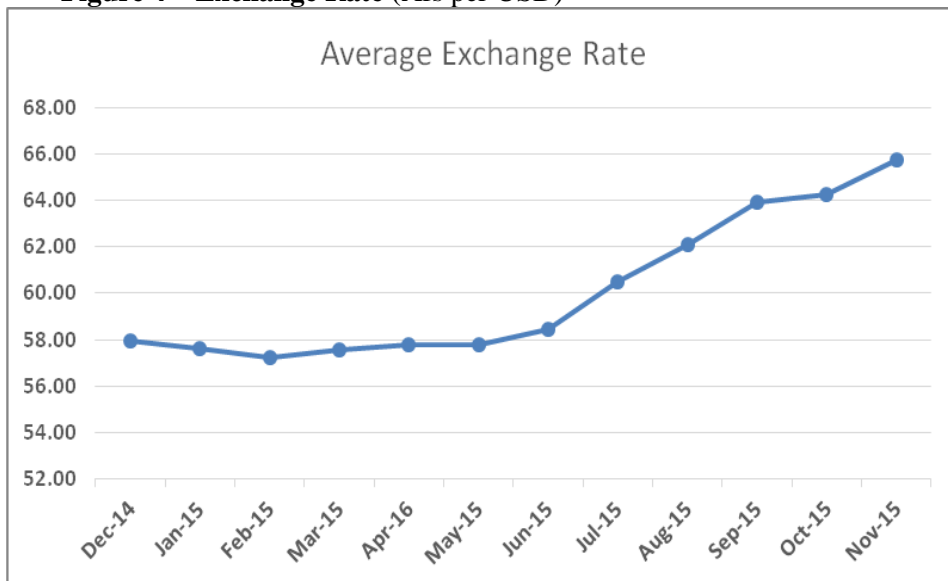


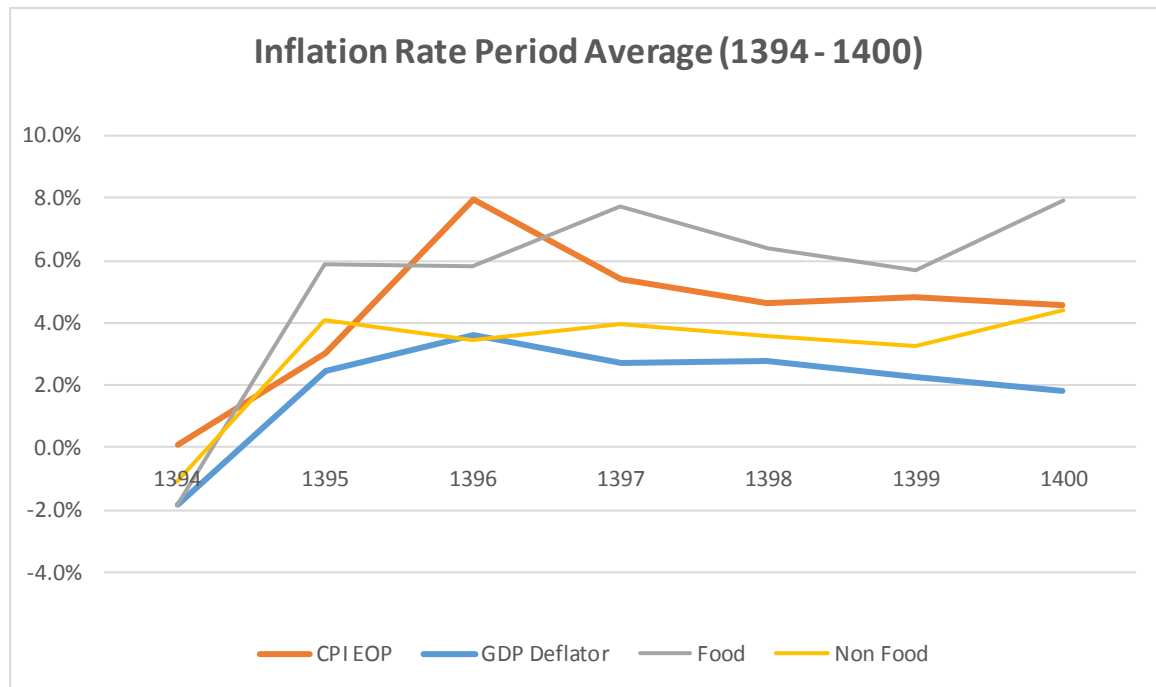
Figure 4 – Exchange Rate (Afs per USD)



Prices

As it was expected, the low inflation rate continued to 1394 from 1393. In general, inflation rate for the year 1394 was negative. The inflation rate for the year 1394 was -1.55 percent. This low inflation rate was mostly the effect of lower commodities prices, particularly oil prices in local and international markets, and fall in aggregate demand due to the decrease in economic activities during the year within the country.

Figure 5 – Inflation



Revenue

Domestic Revenues

Domestic Revenue collection in 1394 was Afs 122.4 billion in total, against a budget target of Afs 123.01 billion, and revised target of Afs 114 billion. This shows around 22 percent increase compared to Afs 100.3 billion collection in 1393.

- Tax revenues continued to be the major contributor to the total revenues. It constituted about 48 percent of the entire revenue collection.
- Custom revenues was the second largest revenue item, making up about 24 percent of the total revenues.

The higher increase in the revenue collection, in addition to the implementation of new tax measures¹, was also due to improvement in collection by the administration, enforcement, compliance, and gains from exchange rate depreciations.

Non Tax Revenue had observed significant increase (57 percent) in the collection in FY 1394 as compared to the 1393. Large increase in overflight Revenue was due to increase in the Overflight revenue fee. There has been increase in collection from departure fee, Axel fee and Fuel fee. Revenue from other non-tax items such as Transport services, railway services, passport fee, and telecommunication services (10% TopUp Fees on Mobile) also increased.

Figure 6 - Domestic Revenues by major categories, 1393

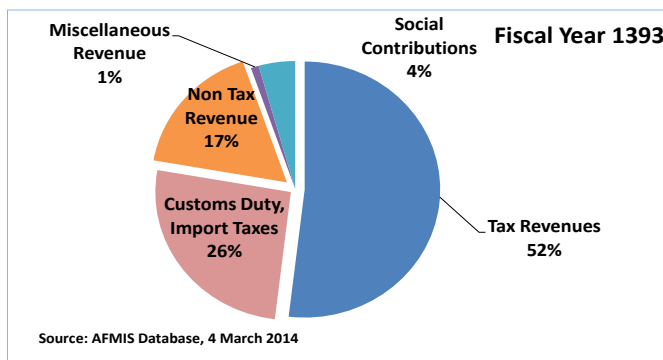
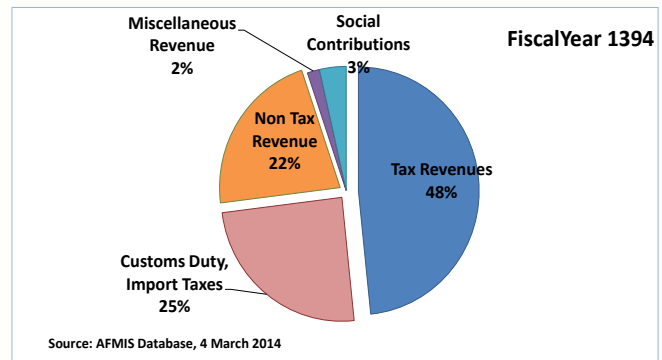
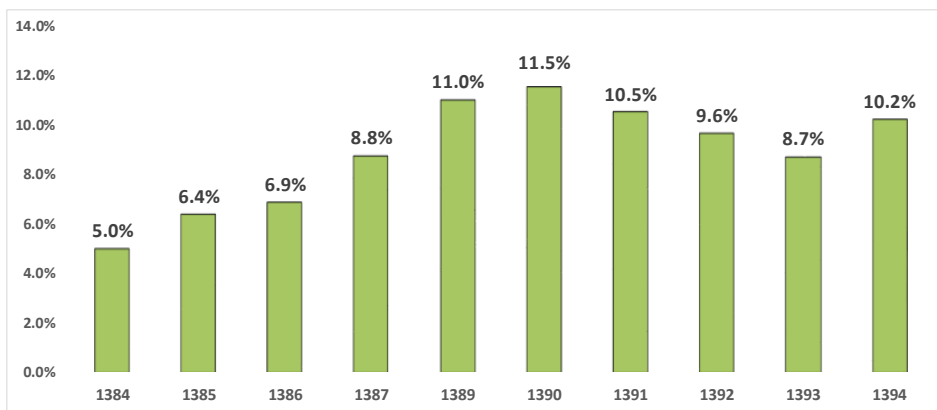


Figure 7 - Domestic Revenues by major categories, 1394



¹ New tax measures including 10% Telecom fee, BRT 4%, Fuel Fee 2 Afs/litter, Overflight revenue, and Tariff increase for import items

Figure 8 – Domestic Revenue as percentage of GDP, 1384 - 94

Domestic Revenue as a percent of GDP improved and reached to double digit of 10.2 percent in FY 1394, while compared to 9.6 percent and 8.7 percent in 1392 and 1393 respectively.

Tax Revenue

Due to changes in the tax policy, and new tax measures there has been increase in the collection of domestic revenues. In FY 1394, the tax revenue collection was Afs 59.2 billion as compared to Afs 52.08 billion in FY 1393. However, while compared to its annual target Afs 50 billion, it was higher about 18.4 percent.

The Major tax components include:

Fixed taxes: Total revenues from fixed taxes were about Afs 10.3 billion in FY 1394. In previous fiscal year, revenues from this line were about Afs 10.83 billion. As a result, revenues from fixed taxes decreased by about Afs 507 million or -4.7% percent.

Income Taxes: Revenues from income taxes were about Afs 22 billion. However in FY 1393, they were Afs 18.72 billion in total. Hence, the revenues income taxes also increased by Afs 3.33 billion or 18% percent.

Sales Taxes: In FY 1394, total revenues from this line were Afs 21 billion, while in FY 1393 they were Afs 16.6 billion, showing an increase by 26.5 percent.

Customs Duties: Custom duties collections were Afs 30.2 billion, while in FY 1393, they were Afs 25.96 billion, an increase of Afs 4.2 billion or 14 percent.

Figure 9 –Domestic Revenues by minor codes 1393

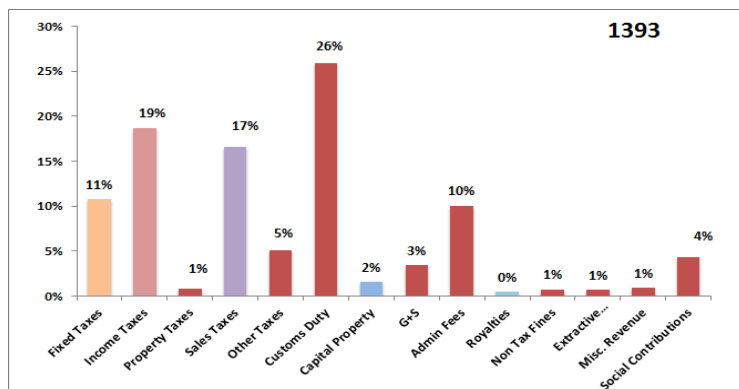


Figure 10 - Domestic Revenue by minor codes 1394

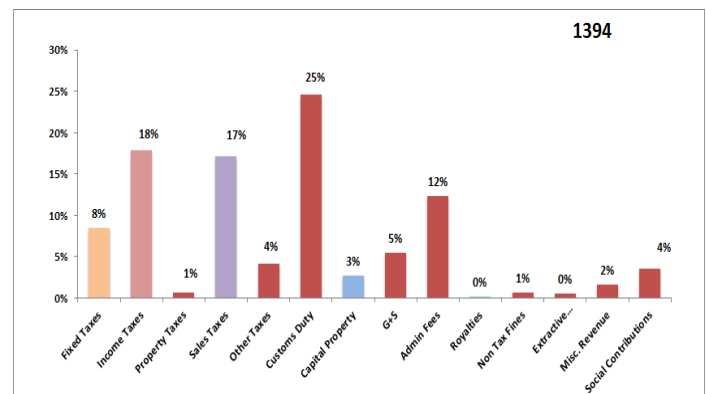


Table 5 – Integrated Core Budget Revenues for Fiscal Years 1393 – 1394

Code	In millions of Afghanis	1393 Actual	1393 %GDP	1394 Prelim.	1394 %GDP	1394 Target (Original)	1394 % Greater/Less than target
1	REVENUES including grants (1)	279,182.0	23.4	301,022.2	25.0	409,597.6	N/A
1-19	REVENUES excluding grants (2)	100,378.9	8.4	122,434.7	10.2	122,968.8	-0.4
11	Tax Revenues	52,085.4	4.4	59,223.2	4.9	50,028.5	18.4
111	Fixed Taxes	10,829.4	0.9	10,322.5	0.9	9,275.9	11.3
112	Income Taxes	18,717.9	1.6	21,955.8	1.8	19,101.0	14.9
113	Property Taxes	833.2	0.1	800.9	0.1	691.6	15.8
114	Sales Taxes	16,622.3	1.4	21,030.3	1.7	16,939.6	24.1
116	Other Taxes	5,082.7	0.4	5,113.8	0.4	4,020.4	27.2
12	Customs Duty, Import Taxes	25,964.7	2.2	30,174.2	2.5	27,529.7	9.6
13	Non Tax Revenue	17,009.3	1.4	26,692.3	2.2	40,405.8	-33.9
131	Income from Capital Property (2)	1,530.5	0.1	3,276.7	0.3	2,965.8	10.5
132	Sales of Goods and Services	3,476.3	0.3	6,724.8	0.6	5,785.8	16.2
133	Administrative Fees	10,092.7	0.8	15,140.9	1.3	12,345.5	22.6
134	Royalties	460.9	0.0	154.5	0.0	143.2	7.9
135	Non Tax Fines and Penalties	751.0	0.1	785.7	0.1	773.3	1.6
136	Extractive Industries	697.9	0.1	609.7	0.1	621.4	0.0
	Other non-taxes					17,770.8	
14	Miscellaneous Revenue	949.8	0.1	1,985.9	0.2	1,230.0	61.5
17	Social Contributions	4,369.7	0.4	4,359.1	0.4	3,774.8	15.5
19	Grants (1)	178,803.1	15.0	178,587.5	14.8	286,628.8	N/A
	<i>of which operating budget</i>	<i>119,099.7</i>	<i>10.0</i>	<i>122,818.1</i>	<i>10.2</i>	<i>161,783.7</i>	<i>-17.7</i>
191	Foreign Governments	119,310.6	10.0	122,818.1	10.2		
192	International Organisation	59,492.5	5.0	55,769.4	4.6		

Source: AFMIS Database as at 3 April 2016

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

Non-tax revenues

Non tax revenue has largely rose up, and collected in the amount of around Afs 26.93 billion, as compared to Afs 17.0 billion collected in FY 1393. Within non-tax revenues, the administrative fees collected Afs 15.1 billion, which making it up one of the largest component of this category. Revenue in this line was more than the previous year's, even exceeded its annual target by around 22 percent. Revenue from Sales of Good and Services were Afs 6.7 billion in FY 1394, which was higher than Afs 3.5 billion collected in FY 1393. Revenues from extractive industry were lower at about Afs 0.6 billion.

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.

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 [4%] percent.

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

Chapter Code	Chapter Name	1393			1394		
		Value	Duty	Duty Rate (%)	Value	Duty	Duty Rate (%)
I	Live animals, animal products (01-05)	254.02	13.89	5.47	237.70	12.49	5.25
II	Vegetable products (06-14)	16,665.36	2,837.00	17.02	18,153.69	3,415.08	18.81
VIII	Raw Hides and Skins, Leather (41-43)	941.63	43.96	4.67	672.57	43.94	6.53
XI	Textiles and textile articles (50-63)	2,339.55	207.72	8.88	2,118.24	339.75	16.04
XV	Base metals and articles of base metals (72-83)	397.75	13.48	3.39	438.78	9.09	2.07
XVI	Machinery (84-85)	708.90	65.64	9.26	116.07	10.21	8.79
XVII	Vehicles, aircraft, transport equipment (86-89)	614.03	94.03	15.31	502.95	35.13	6.99
		21,921.23	3,275.72		22,240.00	3,865.68	

Grants to Integrated Core Budget

Total grants received from donors in FY 1394, were Afs 178.6 billion, compared to Afs 178.8 billion in FY 1393. The From the total grants, operating grants disbursements were Afs 122.8 billion, while the remaining Afs 55.8 billion were for the development expenditures. The execution rates for the development budget were 56 percent as compared to 50 percent in the previous year.

Operating Budget Grants

The increase in operational grant support was 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 1394 were Afs 122.8 billion. This was Afs 3.8 billion higher than the receipts of operating budget grants, Afs 119 billion in FY 1393.

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 27.5 billion during FY 1394.

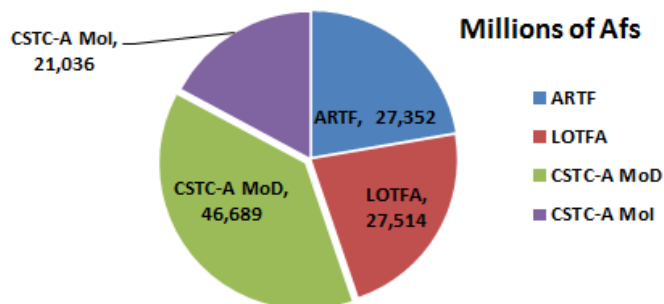
The Combined Security Transitional Command – Afghanistan (CSTC-A)

CSTC-A grants mainly support ANA and a small portion of this grants allocate for the ANP. Total grants receipts from CSTC-A for Ministry of Defence (MoD) in 1394 were Afs 46.7 billion, while for Ministry of Interior (MoI) were Afs 21 billion.

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 increase gradually over the medium term as the government accepts Decrease responsibilities. Total receipts of ARTF in FY 1394 were Afs 27.4 billion compared to Afs 24.2 billion in the previous year.

Figure 11 – Operating Budget Grants 1394 (Afs millions)



Development Budget Grants

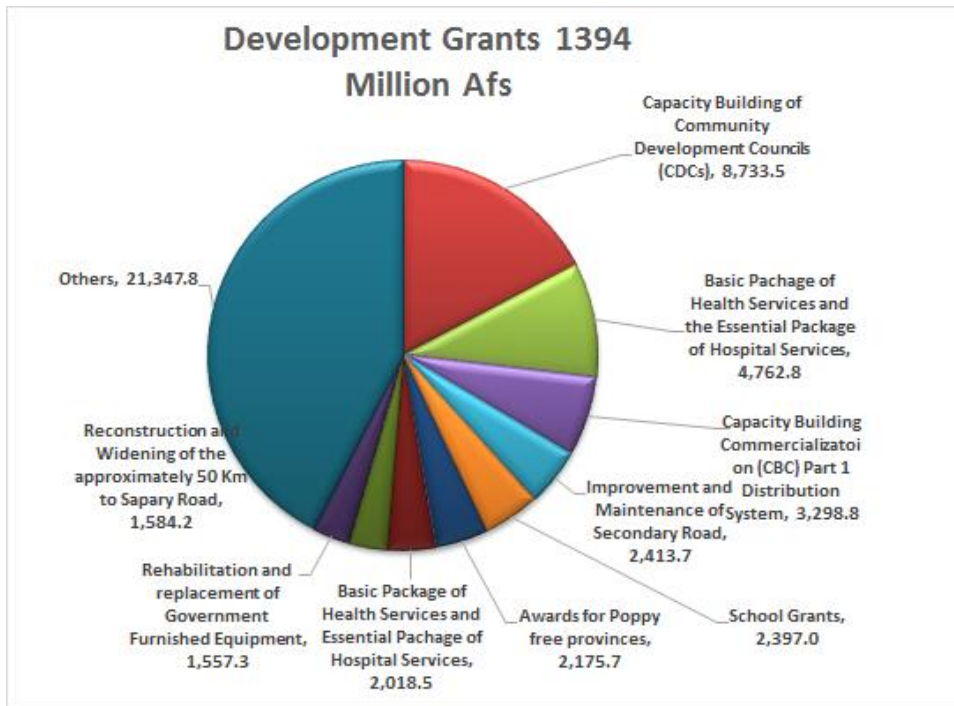
The Government's development budget is split into two components, a discretionary and a non-discretionary budget. The former is financed through the discretionary resources. Development budget is an important part of the core budget that is used to finance the development projects by line ministries. Hence, development grant 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.

Execution of core Development budget grants

Development budget execution rate in 1394 was 50 percent, while in 1393 was the same 50 percent. The five largest development projects which are listed below comprise about 42 percent of the entire development grants disbursement during FY 1394.

- Capacity Building of Community Development Councils (CDCs) received about Afs 8.7 billion. This constitutes about 17 percent of the development grants. These program functions as local administration of its districts, through the CDCs. The residents can get involved in their community and work towards enhancement of well-being in the community.
- Ministry of Public Health Partnership Contract for Health Service Program, which was the second largest and received about Afs 4.8 billion. This program provides on budget support for the delivery of the Ministry of Public Health's Basic Package of Health Services *BPHS) and the Essential Package of Hospital Services (EPHS).
- Capacity Building Commercialization was the other largest grants recipients' project that received around Afs 3.3 billion.
- Improvement and Maintenance of Secondary road has received Afs 2.4 billion.
- School Grants Accounted for Afs 2.4 billion during the FY 1394.
- The remaining Afs 21 billion which comprises about 42 percent of the development grants was allocated in other medium and small scale projects such as the National Emergency Rural Access Project, Rehabilitation of Irrigation Systems and etc.

Figure 12 – Development Budget Grants by project 1394 (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 1394 the original total national budget (both operating and developing) was Afs 436,066.8 million, (1.8%) increase as compared to the year 1393. A 21% rise in domestic revenue through increasing tax and tariff rates have significantly contributed to the overall national budget. Out of the total budget, Afs 283,486.3 million was operating budget and Afs 152,580.5 million was development budget. The final national budget declined to a total of Afs 434,278 million, in which the operating budget was reduced to Afs 271,011.3 million while development budget was increased to Afs 163,266.7 million; reflecting a reprioritization during the year.

The overall development expenditures increased (3%) in year 1394. In the year 1394, total budget is comprised of 65% operating budget and 35% development budget, which is almost similar to 1393. A modest positive change has occurred in both operating and development budget, but increase in development budget is because of the particular reorientation towards infrastructure and energy and

water sector development. The actual figures on spending show that the government largely controlled spending on wages and acquisition of assets.

For fiscal year 1394, operating budget deficit, excluding grants, was Afs157,973 million, while development budget deficit was (11,556). The government of Afghanistan intends to finance its deficit, among other things, by applying the traditional fiscal policy (Tax rate). Levying tax rate on telecommunication services gave a remarkable boost of 21% to Afghan National Budget. Moreover, domestic taxes, which includes (fixed taxes, income taxes, property taxes, and sale taxes) also witnessed modest positive change. Besides, non-tax revenue also experienced incremental change in 1394.

Expenditure

The overall preliminary spending in 1394 was Afs 317,549.4 million of which Afs 235,166.8 million were operating expenditures and Afs 82,382.6 million were development expenditures. Total expenditures were 27.6 percent of the GDP in 1394. Expected growth rate of development expenditures was 5%. The execution rate in the operating budget was 81 percent while the overall development expenditure execution rate was 50 percent.

Table 7 - Integrated Core Budget Expenditures 1393 – 1394

Core	In millions of Afghanis	1393 Actual	1393 %GDP	1394 Actual	1394 %GDP	1394 Prelim. Actual	1394 %GDP	1394 Original Budget (5)	1394 Final Budget (6)	1394 Actual as % of Final Budget
2	TOTAL GROSS EXPENDITURES	300,054.6	34.7	317,549.4	40.5	317,549.4	27.6	436,066.8	434,278.0	73.1
	Operating Budget	227,405.6	26.3	235,166.8	30.0	235,166.8	20.5	283,486.3	271,011.3	86.8
	Development Budget	72,648.9	8.4	82,382.6	10.5	82,382.6	7.2	152,580.5	163,266.7	50.5
2	TOTAL NET EXPENDITURES (1)	300,019.1	34.7	317,524.2	40.5	317,524.2	27.6			
	Operating Budget	227,370.2	26.3	235,141.6	30.0	235,141.6	20.4			
	Development Budget	72,648.9	8.4	82,382.6	10.5	82,382.6	7.2			
2-25	RECURRENT EXPENDITURES (excludes 25)	254,483.6	29.5	265,136.4	33.8	265,136.4	23.1	184,099.6	324,664.5	81.7
	Operating Budget	217,974.5	25.2	227,382.6	29.0	227,382.6	19.8	268,407.9	265,861.3	85.5
	Development Budget	36,509.0	4.2	37,753.8	4.8	37,753.8	3.3	N/A	58,803.2	64.2
21	Compensation of Employees	150,173.8	17.4	152,255.3	19.4	152,255.3	13.2	157,506.6	161,847.5	94.1
	Operating Budget	150,173.8	17.4	152,255.3	19.4	152,255.3	13.2	157,506.6	161,847.5	94.1
	Development Budget	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
22	Use of Goods and Services	84,676.0	9.8	92,077.4	11.8	92,077.4	8.0	N/A	145,307.0	63.4
	Operating Budget	48,226.3	5.6	55,623.5	7.1	55,623.5	4.8	84,308.3	86,503.8	64.3
	Development Budget	36,449.7	4.2	36,453.9	4.7	36,453.9	3.2	N/A	58,803.2	62.0
23	Interest (2)	349.3	0.0	628.1	0.1	628.1	0.1	2,400.0	2,400.0	26.2
	Operating Budget	349.3	0.0	628.1	0.1	628.1	0.1	2,400.0	2,400.0	26.2
	Development Budget	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
24	Social Transfers (3)	19,284.4	2.2	20,175.6	2.6	20,175.6	1.8	24,193.0	15,109.9	133.5
	Operating Budget	19,225.1	2.2	18,875.7	2.4	18,875.7	1.6	24,193.0	15,109.9	124.9
	Development Budget	59.3	0.0	1,299.9	0.2	1,299.9	0.1	-	-	-
25	Gross Acquisition of Nonfinancial Assets	45,571.0	5.3	52,413.0	6.7	52,413.0	4.6	N/A	102,602.2	51.1
	Operating Budget	9,431.1	1.1	7,784.2	1.0	7,784.2	0.7	15,078.4	15,729.2	49.5
	Development Budget	36,139.9	4.2	44,628.8	5.7	44,628.8	3.9	N/A	86,873.0	51.4
25	Net Acquisition of Nonfinancial Assets (1)	45,535.5	5.3	52,387.8	6.7	52,387.8	4.6			
	Operating Budget	9,395.7	1.1	7,759.0	1.0	7,759.0	0.7			
	Development Budget	36,139.9	4.2	44,628.8	5.7	44,628.8	3.9			

Source: AFMIS Database as at 3 April 2016

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 Afs434.3 billion.

Expenditure by Economic Category

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

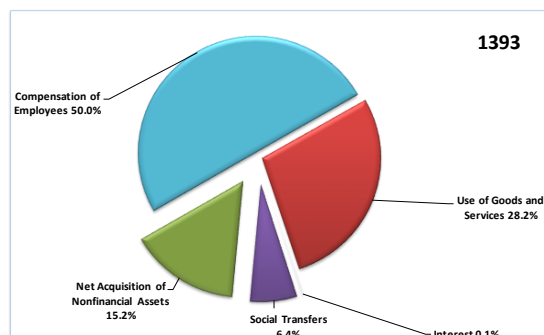
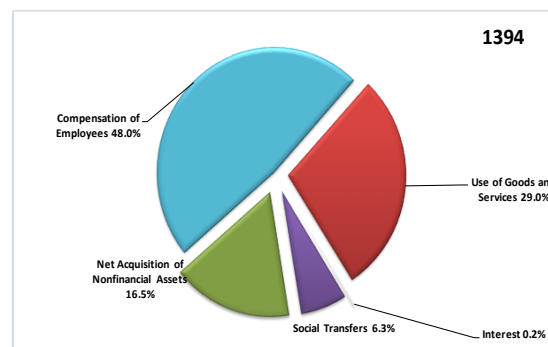


Figure 14 - Operating Budget Expenditures by major codes, 1394 (Million Afs)



Expenditures on *Good and services* as a total were greatly increased in 1394 compared to 1393. The total expenditure on this item was increased to Afs 92.1 billion in 1394 from actual expenditures of Afs 84.7 billion in 1393.

This item includes spending on communications, travel, fuel, utilities and maintenance etc.

Expenditures on goods and services accounted for around 29 percent of the total expenditure around 8 percent of GDP.

Table 8 – Expenditures on Employee Compensation: Major Changes between 1393 and 1394

In millions of Afghanis	1393 Actual	1394 Prelim. Actual	Increase	% Increase
Employee Compensation				
Ministry of Interior	41,354.4	41,402.8	48.4	0.1
Ministry of Defence	45,624.3	44,920.4	- 703.9	-1.5
Ministry of Education	28,585.2	28,125.0	- 460.2	-1.6
Other Budgetary Units	34,609.8	37,807.1	3,197.3	9.2
Total	150,173.8	152,255.3	2,081.5	1.4

Interest payments account for around 0.1 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 1394, from Afs 2400 million allotted, Afs 628 million was repaid compared to Afs 349.3 million in 1393. It is expected that interest payments will rise in future years as the grace period of the existing loans expires.

Operating expenditures on **Social Transfers** (subsidies, grants and pension) accounted for around 2 percent of GDP in 1394. Total expenditures on this category were Afs 20,175.6 million in 1394 compared to Afs 19,700.7 which becomes 1.7 percent of the GDP.

The **Net Acquisition of Non-financial Assets** was at Afs 52,688 million in 1394, which was 4.3 percent of the GDP. The Operating expenditures on this category has slightly decreased since 1393 and was accounted for 0.6 percent of the GDP compared to 0.8 percent in 1394.

Expenditure by Afghanistan National Development Strategy (ANDS) Categories

The Afghanistan National Development Strategy (**ANDS**) was the Government's five year development plan. It was designed to achieve nationwide stabilization, strengthen the rule of law and ensure respect for human rights. Under this five-year plan, Afghan government also intends to work for sustainable development, economic and social development through a private sector-led market economy. It is the first poverty reduction strategy paper for Afghanistan. The National Priority Programs (NPPs) were designed after the Kabul Conference in July 2010 to better implement this strategy.

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. Infrastructure and Natural Resource Sector has experienced a significant rise from Afs 29,117 million in 1393 to Afs 37,367 million in 1394. Total share of the development expenditures on infrastructure and (natural resources) increased from 25 percent to 39.1 percent in 1394. Development budget on energy and water also experienced significant rise in 1394, which was 3,930 million in 1393, but rose to 4,931 million in 1394. Similarly, the percentage of development budget on energy and water has increased from 5.4 percent to 6.2 percent in 1394. Afghan government has been struggling with the execution of the allocated budget to this sector. The most discernable factor for low execution rate in this sector is natural resource mafia.

Ministry of Public works is the largest spending ministry in that sector, with total expenditure stood at Afs 15310 million in 1394 compare to Afs 14,793 million in 1393. The development spending has increased by 6 percent compared to Afs 10,867 million in 1393.

The **Ministry of Communication** had an allocated budget of Afs 899 million in 1393, but there has been almost double increase around Afs (1,919) million in 1394. On the same token, its spending percentage in the

overall budget has gone up from 0.3 percent to 0.6 percent in 1394. This sector has witnessed a considerable amount of increase in its development budget from the previous year Afs (453) million.

The **Agriculture and Rural Development** is the second largest sector in the development budget expenditures. The expenditure was Afs 26,745 million in 1393 compared to Afs 24,410 million in 1394. As a percentage of GDP, it has declined from 2.2 percent to 2 percent in 1394.

Education is the third largest sector, with a total spending of Afs 36,274 million in 1394 (3 percent of the GDP) compared to Afs 37,963 million in 1393. The development spending was Afs 5.9 billion in 1394 compared to Afs 6.8 billion in 1394, which shows reduction of around 14 percent. Low capacities in line ministries, insecurity, poor financial planning, lack of accountability between contractors and line ministries caused the execution rate to be low in this sector.

Health: The total development budget of **Health sector** in 1394 was Afs 14,667 million, while for 1393 it was Afs 12,898 million.

The *Basic Package of Health Services (BPHS)*, *Improving Quality of Hospital Services (IQHS)* and *National Immunization Program (NIP)* are the sector's largest projects, with expenditure of Afs 418.4 million (89.9 percent execution rate), Afs 890.6 million (95.8 percent execution rate) and Afs 85.1 million (94 percent execution rate) respectively. The high execution rate is attributable to good program management as well as effective program implementation by NGOs and other counterparts, timely access to program funds, and the monitoring and evaluation systems which assess the implementation and timely respond to the constraints and risks identified.

Economic Governance and Private Sector Development sector spending was Afs 9,025 million (0.7 percent of GDP) in 1394, while in 1393 it was Afs 7,417 million (0.6 percent of GDP).

The **Governance, Rule of Law and Human Rights** sector spent around Afs 16,187 million (5.2 percent of GDP) in 1394, as compared to Afs 14,695 million (4.8 percent of GDP) in 1393. The **Social Protection** spending was Afs 19,621 million in 1394 (1.8 percent of GDP), whereas it was Afs 21,205 million (1.6 percent of GDP) in 1393.

Table 9 - Integrated Core Budget Expenditures by ANDS Pillars 1393 - 1394

In millions of Afghanis	1393	1393	1393	1394	1394	1394	1394	1394	1394
	Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Original Budget	Final Budget (1)	Actual as % of Final Budget
Security	143,939	47.9	12.1	147,150	47.0	12.2	192,156	187,477	78.5
Operating Budget	140,052	61.6	11.7	146,350	62.7	12.1	191,101	186,422	78.5
Development Budget	3,887	5.3	0.3	799	1.0	0.1	1,055	1,055	75.8
Governance, Rule of Law & Human Rights	14,695	4.8	1.2	16,187	5.2	1.3	15,908	17,460	92.7
Operating Budget	13,449	5.9	1.1	14,613	6.3	1.2	12,728	14,280	102.3
Development Budget	1,246	1.5	0.1	1,574	2.0	0.1	3,180	3,180	49.5
Infrastructure & Natural Resources	29,117	8.2	2.1	37,367	11.9	3.1	65,151	65,646	56.9
Operating Budget	6,245	2.7	0.5	6,220	2.7	0.5	5,940	6,434	96.7
Development Budget	22,871	25.0	1.5	31,147	39.1	2.6	59,211	59,211	52.6
Education	44,238	14.7	3.7	44,447	14.2	3.7	55,737	56,518	78.6
Operating Budget	35,870	15.8	3.0	36,103	15.5	3.0	35,652	36,433	99.1
Development Budget	8,368	11.5	0.7	8,344	10.5	0.7	20,085	20,085	41.5
Health	12,898	4.3	2.4	14,667	4.7	1.2	18,501	18,501	79.3
Operating Budget	3,828	1.7	0.7	3,504	1.5	0.3	3,020	3,020	116.0
Development Budget	9,070	12.5	1.7	11,163	14.0	0.9	15,481	15,481	72.1
Agriculture & Rural Development	26,745	8.9	2.2	24,410	7.8	2.0	41,188	41,268	59.2
Operating Budget	1,796	0.8	0.2	1,740	0.7	0.1	1,696	1,776	98.0
Development Budget	24,948	34.3	2.1	22,670	28.5	1.9	39,492	39,492	57.4
Social Protection	21,205	7.1	1.8	19,621	6.3	1.6	3,604	20,795	94.4
Operating Budget	20,853	9.2	1.7	19,176	8.2	1.6	2,355	19,546	98.1
Development Budget	352	0.5	0.0	444	0.6	0.0	1,249	1,249	35.6
Economic Governance & Private Sector Development	7,417	2.5	0.6	9,025	2.9	0.7	9,598	9,871	91.4
Operating Budget	4,377	1.9	0.4	5,549	2.4	0.5	2,843	3,116	178.1
Development Budget	3,040	4.2	0.3	3,476	4.4	0.3	6,756	6,756	51.4
Extrabudgetary Activities	0	0		0	0		1,564	1,564	N/A
Operating Budget	0	0		0	0	-	0	0	N/A
Development Budget	0	0		0	0	-	1,564	1,564	N/A
TOTAL (1)	300,254	98	26	312,873	100	26.0	437,301.9	434,293.3	74.7
Operating Budget	226,471	99	19	233,255	100	19.4	274,035.2	271,026.6	86.1
Development Budget	73,783	95	7	79,618	100	6.6	163,266.7	163,266.7	48.8

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

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 1393 and 1394.

Figure 15 – Expenditure breakdown by COFOG Classification, 1393

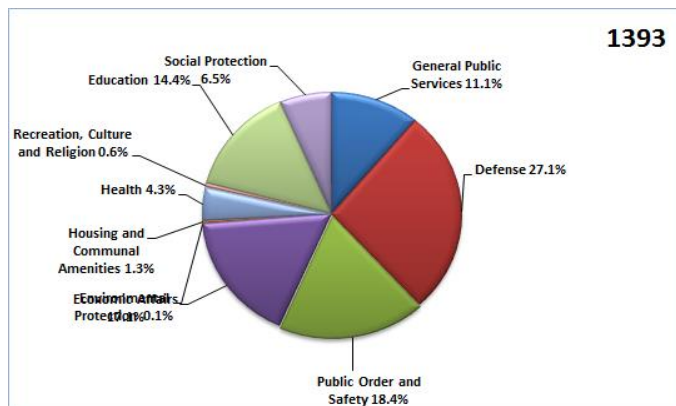


Figure 16 – Expenditure breakdown by COFOG Classification, 1394

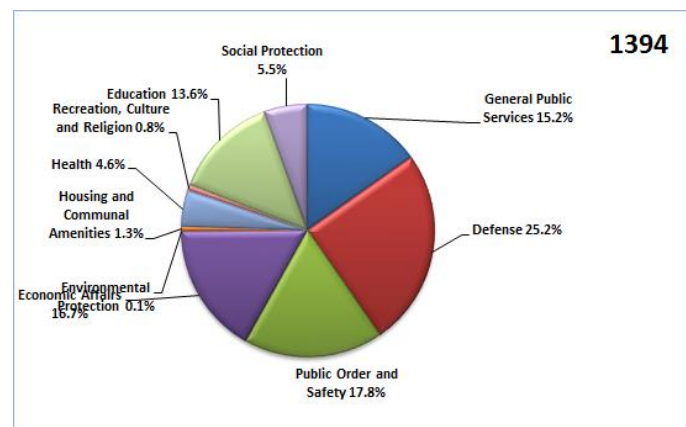


Table 10 - Integrated Core Budget Expenditures by COFOG Sector 1393 – 1394

Code	(In millions of Afghanis)	1393	Percent of total	1394	Percent of total
		Actual		Prelim. Actual	
2	TOTAL NET EXPENDITURE	300,435.4		317,524.2	
232	Repayment of Foreign Loans - Principal	0.0		0.0	
150	Sale of Land and Buildings	35.4		25.2	
2+232 +150	TOTAL GROSS EXPENDITURE	300,470.9	100.0	318,097.3	100.0
701	General Public Services	33,349.5	11.1	48,259.6	15.2
702	Defense	81,428.0	27.1	80,051.6	25.2
703	Public Order and Safety	55,288.4	18.4	56,714.4	17.8
704	Economic Affairs	51,414.2	17.1	53,032.2	16.7
705	Environmental Protection	236.3	0.1	339.0	0.1
706	Housing and Communal Amenities	1,109.1	0.4	1,679.4	0.5
707	Health	12,973.2	4.3	14,725.5	4.6
708	Recreation, Culture and Religion	1,707.2	0.6	2,542.1	0.8
709	Education	43,402.4	14.4	43,266.9	13.6
710	Social Protection	19,562.6	6.5	17,486.6	5.5

Source: AFMIS Database as at 3 April 2016

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.

State Owned Enterprises

The Government has a number of state owned enterprises (**SOEs**) operating in order to help the Government achieve policy priorities.

Public Sector Borrowing Requirement

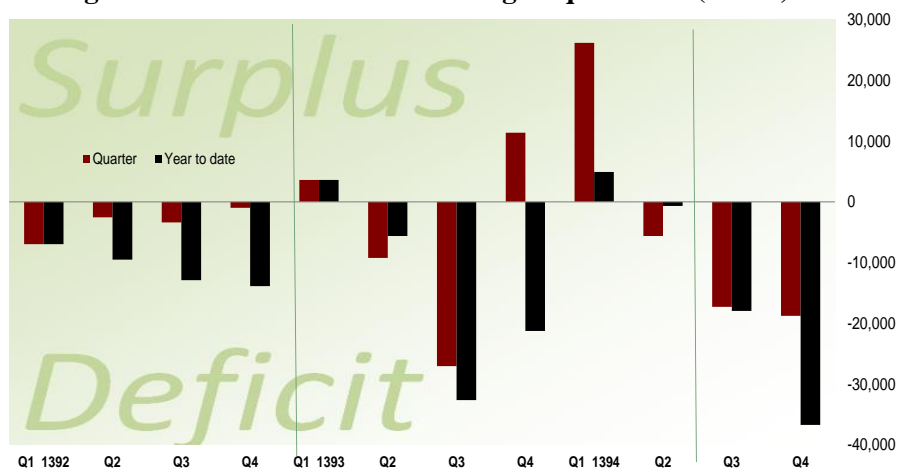
Public Sector Borrowing Requirement

For Fiscal Year 1394, the Government's overall balance on the year to date basis was in net deficit of Afs 36.7 billion, as compared to net deficit of Afs 21.2 billion in 1393. The deficit was due to the lower revenue performance and higher expenditure during 1394. In addition, a reduction in the receipt of grants for the core budget was another reason that led to deficit in 1394.

However, on quarterly basis, in the first quarter 1394 observed surplus of Afs 26.1 billion which was much higher than Afs 3.6 billion in the first quarter of 1393, which is explained by lower spending at the beginning of the year, whereas the fourth quarter was relatively higher deficit of Afs 18.7 billion. Similarly, the 2nd and 3rd quarters of 1394 faced higher deficit and the reason for deficits was as a result of higher expenditure and 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 1394 was decreased to Afs 5.8 billion (by 0.5 percent of GDP), which include accumulation of Afs 2.6 billion in the Treasury Single Account and decrease of Afs 5.8 billion in the donor account. Meanwhile, the net acquisition of financial liabilities was Afs 9.6 billion during this quarter.

Figure 17 – Public Sector Borrowing Requirement (PSBR)



Treasury Single Account (TSA)

The balance in the Treasury Signal Account (TSA) initially was started with Afs 8.6 billion at the start of the year. The TSA amount rapidly increased to Afs 29.4 billion at the 1st quarter, and continued to increase more Afs 3.0 billion by the 2nd quarter. While during the 3rd quarter it has declined to 16.8 billion, and the cash flow of TSA continued to decline to almost its initial stage at 9.0 billion at the 4th quarter. The rapid decline was due to draw down in the treasury balance, associated with more spending in the latter quarters than the collection of domestic revenue as well as receipt of donor grants.

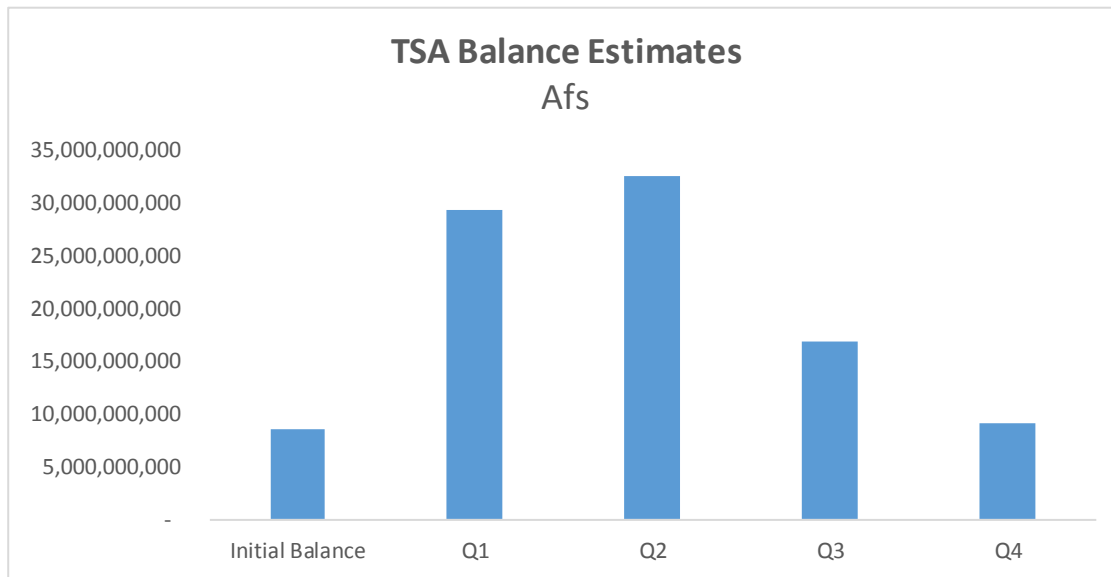


Table 11 - Budgetary Balance, Financial Source/Requirement and Net Financing Activities

Code	In millions of Afghanis	1393 Actual	1393 % GDP	1394 Actual	1394 % GDP
TRANSACTIONS AFFECTING NET WORTH					
1	Revenues including Grants	279,182.0	23.4	302,047.3	25.1
2-25	Expenditures (Recurrent)	254,899.9	21.4	265,136.4	22.0
23	Interest	349.3	0.0	628.1	0.1
	Net Operating Balance (1-2-25)	24,282.1	2.0	36,910.8	3.1
	Primary Operating Balance (1-2-25+23)	24,631.4	2.1	37,538.9	3.1
TRANSACTIONS IN NONFINANCIAL ASSETS					
25	Net Acquisition of Nonfinancial Assets	45,535.5	3.8	52,387.8	4.3
	Net Lending-Borrowing (1-2)	-21,253.4	-1.8	-15,477.0	-1.3
	Financing (3+4+5)	21,253.4	1.8	15,477.0	1.3
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES					
3	Net Acquisition of Financial Assets	16,200.9	1.4	5,806.3	0.5
4	Net Acquisition of Financial Liabilities	5,052.5	0.4	9,670.7	0.8
5	RETAINED EARNINGS	0.0	0.0	0.0	0.0
	Discrepancies (Financing-3-4-5)	0.0		0.0	

Source: AFMIS Database as at 3 April 2016

Government Debt

Debt Stock

Total external debt during 1394 was Afs 166.410 billion, which is almost equal to that of 1393. The main stakeholders from International organizations are World Bank and Asian Development Bank as they continue to provide concessional loans. Total IMF lending commitment to help Afghanistan maintain economic stability and begin laying the basis for fiscal sustainability and economic growth, for the year ending 1394 amounted to Afs 9,084.8 million. In 1394 the total accessed loan amounted to Afs 7,472 million, showing loans outstanding equivalent at around 18% of IMF quota as a result of borrowing under two ECF programs. An agreement for a new ECF program amounting to Afs 3032.5 million shall be signed by middle of 1395. The new ECF will support structural reforms to facilitate private sector development, policies to preserve macroeconomic and financial stability, to curb corruption and reform the banking sector.

Central Government Debt Stock			Change
In Million Afs	1393	1394	YoY
EXTERNAL	135,434	135,414	0%
International Organisations	73,345	75,522	3%
IMF	7,472	6,112	-18%
World Bank	24,096	24,153	0%
Islamic Development Bank	2,158	3,107	44%
Asian Development Bank	39,516	42,043	6%
Others	103	108	5%
Foreign Governments	62,089	59,892	-4%
Russian Federation	54,520	54,556	0%
Saudi Fund	2,669	2,947	10%
Others	4,899	2,389	-51%
DOMESTIC	30,996	30,996	0%
Bonds (Non-Tradable)	30,996	30,996	0%
Commercial Banks	-	-	
TOTAL CENTRAL GOVERNMENT DEBT	166,430	166,410	0%
<i>In Percent</i>			
Portion Short Term Debt 1	0	0	
Implied Maturity of Debt (Years)	206.6	206.6	0.0%
Implied Interest Rate of Debt	0.1%	0.1%	0.0%

1/ Less than one year

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

Afghanistan achieve certain economic and social benchmarks as defined by Heavily Indebted Poor Countries (HIPC) initiative and maintain certain programs with international organization such as IMF, World Bank, etc.

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 8.660 billion from 1393, and by the end of fiscal year 1394 the closing cash balance reached Afs 10.775 billion.

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 import falls	MEDIUM	MEDIUM
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
Macroeconomic: low rainfall or hail during the spring impact crop performance, reducing agriculture growth.	Low	MEDIUM
Macroeconomic: continued high level of immigration reduces the value of the Afghani.	MEDIUM	MEDIUM
Macroeconomic: depreciation of the Afghani causes increases in food prices, and the CPI	LOW	MEDIUM
Rating Changed/Newly Added		
Fiscal: Government cash reserves remain very low, and mismatches between revenue and expenditure could precipitate another cash shortage.	MEDIUM	HIGH

Conclusion

This year's outturn performance showed rather an improvement in revenue collection and slight rise in expenditures with the government continued with austerity measures to ensure the Government did not run substantial arrears. This led to the execution rate on overall development expenditures rise to around 50 percent.

Fiscal year 1394 started with substantial balance, Afs 8.6 billion in the TSA – providing more flexibility in terms of liquidity management compared to fiscal year 1393.

Large Expenditures on the budget this year were made to meet the requirements from the security sector - still in a large part covered by support from the LOTFA and CSTC-A programs. In addition, the Government has spent rising amounts on education, health and on pensioners' payments and Martyred and disabled over the previous year.

Though there was some improvement in political and investment environment in 1394, yet the economic growth has underperformed at 0.9%, the reduction mainly attributed to shortfall in cereal harvest. The Afghani currency was under pressure, and continued to depreciate more against dollar, as there was more dollar outflow due to migration to European countries, and slowdown in donor aid to Afghanistan. The inflation remained lower, with recorded deflation, reflecting both international conditions and increased stability in local markets.

Table 14 - Operating Budget Expenditures 1393 – 1394

In millions of Afghanis	1393 Actual	1393 %GDP	1394 Prelim. Actual	1394 %GDP	1394 Prelim. Actual	1394 %GDP	1394 Original Budget	1394 Final Budget (4)	1394 Actual as % of Final Budget (4)
TOTAL GROSS EXPENDITURES	227,405.6	19.1	235,166.8	19.5	235,166.8	19.5	283,486.3	271,011.3	86.8
TOTAL NET EXPENDITURES (1)	227,370.2	19.1	235,141.6	19.5	235,141.6	19.5			
RECURRENT EXPENDITURES (excludes 25)	217,974.5	18.3	227,382.6	18.9	227,382.6	18.9			
Compensation of Employees	150,173.8	12.6	152,255.3	12.6	152,255.3	12.6	157,506.6	161,847.5	94.1
Wages and Salaries	144,159.1	12.1	145,148.0	12.0	145,148.0	12.0			
Social Benefits	6,014.8	0.5	7,107.3	0.6	7,107.3	0.6			
Use of Goods and Services	48,226.3	4.0	55,623.5	4.6	55,623.5	4.6	84,308.3	86,503.8	64.3
Travel	1,620.6	0.1	2,011.2	0.2	2,011.2	0.2			
Communications	3,915.8	0.3	4,125.6	0.3	4,125.6	0.3			
Contracted Services	1,318.1	0.1	981.2	0.1	981.2	0.1			
Repairs and Maintenance	15,331.0	1.3	11,322.9	0.9	11,322.9	0.9			
Utilities	5,431.2	0.5	5,101.0	0.4	5,101.0	0.4			
Fuel	10,474.0	0.9	23,476.4	1.9	23,476.4	1.9			
Other Use of Goods and Services	10,135.7	0.8	8,605.3	0.7	8,605.3	0.7			
Interest (2)	349.3	0.0	628.1	0.1	628.1	0.1	2400.0	2400.0	26.2
Social Transfers (3)	19,225.1	1.6	18,875.7	1.6	18,875.7	1.6	24,193.0	15,109.9	124.9
Subsidies	450.0	0.0	846.7	0.1	846.7	0.1			
Grants	17.8	0.0	207.8	0.0	207.8	0.0			
Social Security	18,728.3	1.6	17,593.9	1.5	17,593.9	1.5			
Other Social Transfers	29.0	0.0	227.3	0.0	227.3	0.0			
Net Acquisition of Nonfinancial Assets (1)	9,395.7	0.8	7,759.0	0.6	7,759.0	0.6			
Sale of Land and Buildings	-35.4	0.0	-25.2	0.0	-25.2	0.0			
Buildings and Structures	6,062.0	0.5	4,706.6	0.4	4,706.6	0.4			
Machinery and Equipment (>50,000)	2,751.4	0.2	2,456.0	0.2	2,456.0	0.2			
Valuables	0.3	0.0	0.1	0.0	0.1	0.0			
Land	451.3	0.0	613.9	0.1	613.9	0.1			
Capital Advance Payments	166.1	0.0	7.5	0.0	7.5	0.0			

Source: AFMIS Database as at 3 April 2016

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 271 billion.

Table 15 – Development Budget Expenditures 1393 – 1394

Code	In millions of Afghanis	1393 Actual	1393 %GDP	1394 Prelim	1394 %GDP	1394 Prelim	1394 %GDP	1394 Original Budget (5)	1394 Final Budget (6)	1394 Actual as % of Final Budget (4)
	TOTAL GROSS EXPENDITURES	72,648.9	6.1	82,382.6	6.8	82,382.6	6.8	152,580.5	163,266.7	50
2	TOTAL NET EXPENDITURES (1)	72,648.9	6.1	82,382.6	6.8	82,382.6	6.8			
2-25	RECURRENT EXPENDITURES (excludes 25)	36,509.0	3.1	37,753.8	3.1	37,753.8	3.1			
21	Compensation of Employees	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
211-3	Wages and Salaries	0.0	0.0	0.0	0.0	0.0	0.0			
214-5	Social Benefits	0.0	0.0	0.0	0.0	0.0	0.0			
22	Use of Goods and Services	36,449.7	3.1	36,453.9	3.0	36,453.9	3.0	N/A	58,803.2	62
221	Travel	363.9	0.0	256.8	0.0	256.8	0.0			
222	Communications	44.1	0.0	0.0	0.0	0.0	0.0			
223	Contracted Services	27,155.3	2.3	29,455.4	2.4	29,455.4	2.4			
224	Repairs and Maintenance	302.7	0.0	0.0	0.0	0.0	0.0			
225	Utilities	278.2	0.0	0.0	0.0	0.0	0.0			
226	Fuel	85.5	0.0	76.5	0.0	76.5	0.0			
227-9	Other Use of Goods and Services	8,220.1	0.7	6,665.2	0.6	6,665.2	0.6			
23	Interest (2)	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
24	Social Transfers (3)	59.3	0.0	1,299.9	0.1	1,299.9	0.1	-	-	-
242	Subsidies	0.0	0.0	0.0	0.0	0.0	0.0			
245	Grants	59.3	0.0	1,299.9	0.1	1,299.9	0.1			
247	Social Security	0.0	0.0	0.0	0.0	0.0	0.0			
248-9	Other Social Transfers	0.0	0.0	0.0	0.0	0.0	0.0			
25	Net Acquisition of Nonfinancial Assets (1)	36,139.9	3.0	44,628.8	3.7	44,628.8	3.7	-		
150	Sale of Land and Buildings	0.0	0.0	0.0	0.0	0.0	0.0			
251	Buildings and Structures	17,139.9	1.4	32,116.5	2.7	32,116.5	2.7			
252	Machinery and Equipment (>50,000)	3,627.1	0.3	9,209.6	0.8	9,209.6	0.8			
257	Valuables	0.0	0.0	8.8	0.0	8.8	0.0			
258	Land	119.9	0.0	217.0	0.0	217.0	0.0			
259	Capital Advance Payments	15,253.0	1.3	3,077.0	0.3	3,077.0	0.3			

Source: AFMIS Database as at 3 April 2016

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

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

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

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

5/ Final Budget figures available from AFMIS, except for interest (code 23) and subsidies and transfers (code 24), as AFMIS data includes contingency reserves in these categories. Reconciliation of budget figures between categories is also not finalized, and so total of each category does not add to total budget of Budget of Afs 163.3 billion.

Table 16 – Integrated Core Budget Expenditures by COFOG sectors, 1393– 1394

Code	In millions of Afghanis	1393	Percent	1394	Percent
		Actual	of total	Prelim. Actual	of total
2	TOTAL NET EXPENDITURE	300,435.4		317,524.2	
150	Sale of Land and Buildings	35.4		25.2	
2+150	TOTAL GROSS EXPENDITURE	300,470.9	100.0	317,549.4	100.0
	RECURRENT EXPENDITURE	254,899.9	84.8	265,136.4	83.5
	CAPITAL EXPENDITURE	45,571.0	15.2	52,413.0	16.5
701	General Public Services	33,349.5	11.1	47,711.6	15.0
701- Ret	Recurrent Expenditure	27,732.0	9.2	37,815.4	11.9
701- Cap	Capital Expenditure	5,617.4	1.9	9,896.2	3.1
702	Defence	81,428.0	27.1	80,051.6	25.2
702- Ret	Recurrent Expenditure	73,639.3	24.5	77,306.2	24.3
702- Cap	Capital Expenditure	7,788.6	2.6	2,745.4	0.9
703	Public Order and Safety	55,288.4	18.4	56,714.4	17.9
703- Ret	Recurrent Expenditure	54,068.9	18.0	53,689.6	16.9
703- Cap	Capital Expenditure	1,219.4	0.4	3,024.8	1.0
704	Economic Affairs	51,414.2	17.1	53,032.2	16.7
704- Ret	Recurrent Expenditure	23,768.7	7.9	22,635.8	7.1
704- Cap	Capital Expenditure	27,645.5	9.2	30,396.4	9.6
705	Environmental Protection	236.3	0.1	339.0	0.1
705- Ret	Recurrent Expenditure	176.4	0.1	185.8	0.1
705- Cap	Capital Expenditure	59.9	0.0	153.3	0.0
706	Housing and Communal Amenities	1,109.1	0.4	1,679.4	0.5
706- Ret	Recurrent Expenditure	404.3	0.1	437.8	0.1
706- Cap	Capital Expenditure	704.8	0.2	1,241.6	0.4
707	Health	12,973.2	4.3	14,725.5	4.6
707- Ret	Recurrent Expenditure	12,683.0	4.2	13,381.1	4.2
707- Cap	Capital Expenditure	290.3	0.1	1,344.4	0.4
708	Recreation, Culture and Religion	1,707.2	0.6	2,542.1	0.8
708- Ret	Recurrent Expenditure	1,541.1	0.5	1,992.0	0.6
708- Cap	Capital Expenditure	166.1	0.1	550.1	0.2
709	Education	43,402.4	14.4	43,266.9	13.6
709- Ret	Recurrent Expenditure	41,330.9	13.8	40,261.5	12.7
709- Cap	Capital Expenditure	2,071.6	0.7	3,005.4	0.9
710	Social Protection	19,562.6	6.5	17,486.6	5.5
710- Ret	Recurrent Expenditure	19,555.3	6.5	17,431.2	5.5
710- Cap	Capital Expenditure	7.3	0.0	55.4	0.0

Source: AFMIS Database as at 3 April 2016

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

Table 17 - Integrated Core Budget Expenditures by Ministries, 1393 – 1394

Code	In millions of Afghanis	1393	1393	1393	1394	1394	1394	1394	1394	1394
		Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Original Budget	Final Budget (1)	Actual as % of Final Budget
26 Ministry of Interior		59,221	19.7	5.0	64,453	20.6	5.3	72,084	72,084	89.4
Operating Budget		58,775	25.8	4.9	63,914	27.4	5.3	71,696	71,697	89.1
Development Budget		447	0.6	0.0	539	0.7	0.0	388	388	139.0
22 Ministry of Defence		68,657	22.8	5.8	65,798	21.0	5.5	103,503	98,018	67.1
Operating Budget		65,916	29.0	5.5	65,798	28.2	5.5	103,503	98,018	67.1
Development Budget		2,741	3.8	0.2	0	0.0	0.0	0	0	N/A
23 Ministry of Foreign Affairs		3,838	1.3	0.3	3,756	1.2	0.3	3,295	4,106	91.5
Operating Budget		3,214	1.4	0.3	3,635	1.6	0.3	2,854	3,665	99.2
Development Budget		624	0.9	0.1	121	0.2	0.0	441	441	27.5
15 Presidential Protective Service		1,092	0.4	0.1	1,132	0.4	0.1	1,250	1,245	91.0
Operating Budget		1,076	0.5	0.1	1,105	0.5	0.1	1,150	1,145	96.5
Development Budget		15	0.0	0.0	27	0.0	0.0	100	100	27.1
64 General Directorate of National Security		11,131	3.7	0.9	12,010	3.8	1.0	12,025	12,024	99.9
Operating Budget		11,071	4.9	0.9	11,897	5.1	1.0	11,898	11,897	100.0
Development Budget		60	0.1	0.0	112	0.1	0.0	127	127	88.8
Security		143,939	47.9	12.1	147,150	47.0	12.2	192,156	187,477	78.5
Operating Budget		140,052	61.6	11.7	146,350	62.7	12.1	191,101	186,422	78.5
Development Budget		3,887	5.3	0.3	799	1.0	0.1	1,055	1,055	75.8
10 Presidents Office		1,807	0.6	0.2	361	0.1	0.0	1,965	524	68.8
Operating Budget		1,733	0.8	0.1	361	0.2	0.0	1,802	361	99.9
Development Budget		74	0.1	0.0	0	0.0	0.0	163	163	0.0
11 National Assembly Meshanro Jirga		530	0.2	0.0	505	0.2	0.0	556	548	92.2
Operating Budget		530	0.2	0.0	460	0.2	0.0	498	491	93.7
Development Budget		0	0.0	0.0	46	0.1	0.0	58	58	79.0
12 National Assembly Wolesi Jirga		1,369	0.5	0.1	1,450	0.5	0.1	1,382	1,465	99.0
Operating Budget		1,369	0.6	0.1	1,448	0.6	0.1	1,366	1,449	99.9
Development Budget		0	0.0	0.0	2	0.0	0.0	16	16	15.9
14 Supreme Court		3,127	1.0	0.3	3,264	1.0	0.3	3,184	3,184	102.5
Operating Budget		3,024	1.3	0.3	3,111	1.3	0.3	2,960	2,960	105.1
Development Budget		104	0.1	0.0	154	0.2	0.0	224	224	68.7
50 Ministry of Justice		637	0.2	0.1	745	0.2	0.1	1,023	1,037	71.9
Operating Budget		542	0.2	0.0	567	0.2	0.0	600	614	92.4
Development Budget		95	0.1	0.0	178	0.2	0.0	423	423	42.1
13 Administrative Affairs		1,803	0.6	0.2	4,091	1.3	0.3	774	3,719	110.0
Operating Budget		1,635	0.7	0.1	3,919	1.7	0.3	732	3,677	106.6
Development Budget		168	0.2	0.0	172	0.2	0.0	42	42	412.6
21 Ministry of State and Parliament Affairs		92	0.0	0.0	116	0.0	0.0	110	125	93.3
Operating Budget		92	0.0	0.0	74	0.0	0.0	65	80	92.1
Development Budget		1	0.0	0.0	43	0.1	0.0	45	45	95.5
24 Ministry of Haj and Religious Affairs		822	0.3	0.1	991	0.3	0.1	1,063	1,085	91.3
Operating Budget		755	0.3	0.1	775	0.3	0.1	808	830	93.4
Development Budget		66	0.1	0.0	216	0.3	0.0	255	255	84.7
51 Attorney General		1,173	0.4	0.1	1,190	0.4	0.1	1,300	1,363	87.3
Operating Budget		1,095	0.5	0.1	1,096	0.5	0.1	1,073	1,135	96.5
Development Budget		78	0.1	0.0	94	0.1	0.0	228	228	41.2
72 Election Commission		114	0.0	0.0	205	0.1	0.0	151	251	81.5
Operating Budget		114	0.1	0.0	205	0.1	0.0	146	246	83.4
Development Budget		0	0.0	0.0	0	0.0	0.0	6	6	0.0
62 IARCS		482	0.2	0.0	459	0.1	0.0	721	738	62.1
Operating Budget		330	0.1	0.0	331	0.1	0.0	330	348	95.2
Development Budget		152	0.2	0.0	128	0.2	0.0	391	391	32.7
85 Independent Commission for Overseeing the		330	0.1	0.0	44	0.0	0.0	40	50	87.9
Operating Budget		60	0.0	0.0	44	0.0	0.0	40	50	87.9
Development Budget		270	0.4	0.0	0	0.0	0.0	0	0	N/A
69 Anti-Corruption Commission		0	-	0.0	0	-	0.0	0	0	N/A
Operating Budget		0	-	0.0	0	-	0.0	0	0	N/A
Development Budget		0	0.0	0.0	0	0.0	0.0	0	0	N/A
The High office of Oversight and Anti										
67 Corruption		165	0.1	0.0	213	0.1	0.0	228	251	85.0
Operating Budget		136	0.1	0.0	119	0.1	0.0	100	123	96.9
Development Budget		28	0.0	0.0	94	0.1	0.0	128	128	73.6
Independent Directorate of Local										
59 Governance		2,246	0.7	0.2	2,552	0.8	0.2	3,354	3,061	83.3
Operating Budget		2,035	0.9	0.2	2,104	0.9	0.2	2,208	1,916	109.8
Development Budget		211	0.3	0.0	447	0.6	0.0	1,145	1,145	39.0
74 Legal Training Center		0	-	0.0	0	-	0.0	58	58	0.0
Operating Budget		0	-	0.0	0	-	0.0	0	0	N/A
Development Budget		0	0.0	0.0	0	0.0	0.0	58	58	0.0
Governance, Rule of Law & Human Rights		14,695	4.8	1.2	16,187	5.2	1.3	15,908	17,460	92.7
Operating Budget		13,449	5.9	1.1	14,613	6.3	1.2	12,728	14,280	102.3
Development Budget		1,246	1.5	0.1	1,574	2.0	0.1	3,180	3,180	49.5

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 7 - Integrated Core Budget Expenditures by Ministries (Continued, 1393 – 1394)

Code	In millions of Afghanis	1393	1393	1393	1394	1394	1394	1394	1394	1394
		Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Original Budget	Final Budget (1)	Actual as % of Final Budget
42	Ministry of Public Works	14,793	4.9	1.2	15,310	4.9	1.3	29,007	29,302	52.3
	Operating Budget	3,927	1.7	0.3	3,765	1.6	0.3	3,552	3,846	97.9
	Development Budget	10,867	15.0	0.9	11,546	14.5	1.0	25,455	25,455	45.4
45	Ministry of Transport and Aviation	903	0.3	0.1	287	0.1	0.0	328	355	80.7
	Operating Budget	255	0.1	0.0	259	0.1	0.0	260	287	90.1
	Development Budget	648	0.9	0.1	28	0.0	0.0	68	68	41.4
34	Ministry of Communication	899	0.3	0.1	1,919	0.6	0.2	789	819	234.5
	Operating Budget	445	0.2	0.0	491	0.2	0.0	468	497	98.8
	Development Budget	453	0.6	0.0	1,428	1.8	0.1	321	321	444.3
41	Ministry of Energy and Water	4,478	1.5	0.4	5,480	1.8	0.5	10,564	10,587	51.8
	Operating Budget	549	0.2	0.0	549	0.2	0.0	561	583	94.2
	Development Budget	3,930	5.4	0.3	4,931	6.2	0.4	10,004	10,004	49.3
82	Water Supply and Canalization Corporation	549	0.2	0.0	382	0.1	0.0	574	574	66.5
	Operating Budget	0	-	0.0	0	-	0.0	0	0	N/A
	Development Budget	549	0.8	0.0	382	0.5	0.0	574	574	66.5
83	Da Brishna Shirkat	3,930	5.4	0.3	7,942	2.5	0.7	15,475	15,475	51.3
	Operating Budget	0	-	0.0	0	-	0.0	0	0	N/A
	Development Budget	3,930	5.4	0.3	7,942	10.0	0.7	15,475	15,475	51.3
49	Ministry of Urban Development	460	0.2	0.0	941	0.3	0.1	1,773	1,810	52.0
	Operating Budget	238	0.1	0.0	267	0.1	0.0	250	287	93.3
	Development Budget	222	0.3	0.0	674	0.8	0.1	1,523	1,523	44.2
84	Independent Board of new Kabul	85	0.0	0.0	100	0.0	0.0	110	110	90.9
	Operating Budget	0	-	0.0	0	-	0.0	0	0	N/A
	Development Budget	85	0.1	0.0	100	0.1	0.0	110	110	90.9
32	Ministry of Mines and Industries	1,263	0.4	0.1	3,133	1.0	0.3	2,811	2,885	108.6
	Operating Budget	507	0.2	0.0	548	0.2	0.0	500	574	95.6
	Development Budget	756	1.0	0.1	2,584	3.2	0.2	2,311	2,311	111.8
65	Geodesy and Cartography Office	120	0.0	0.0	139	0.0	0.0	147	149	93.4
	Operating Budget	113	0.0	0.0	123	0.1	0.0	126	128	96.1
	Development Budget	7	0.0	0.0	16	0.0	0.0	21	21	77.0
60	Directorate of Environment	198	0.1	0.0	204	0.1	0.0	251	260	78.7
	Operating Budget	183	0.1	0.0	185	0.1	0.0	185	194	95.5
	Development Budget	16	0.0	0.0	19	0.0	0.0	65	65	29.1
75	Afghanistan High Atomic Energy Commission	29	0.0	0.0	31	0.0	0.0	39	38	82.5
	Operating Budget	29	0.0	0.0	31	0.0	0.0	39	38	82.5
	Development Budget	0	0.0	0.0	0	0.0	0.0	0	0	N/A
79	Municipalities	1,409	0.5	0.1	1,498	0.5	0.1	3,282	3,282	45.6
	Operating Budget	0	-	0.0	0	-	0.0	0	0	N/A
	Development Budget	1,409	1.9	0.1	1,498	1.9	0.1	3,282	3,282	45.6
	Infrastructure & Natural Resources	29,117	8.2	2.1	37,367	12	3.1	65,151	65,646	56.9
	Operating Budget	6,245	2.7	0.5	6,220	3	0.5	5,940	6,434	96.7
	Development Budget	22,871	25.0	1.5	31,147	39	2.6	59,211	59,211	52.6
27	Ministry of Education	37,963	12.6	3.2	36,274	11.6	3.0	46,668	47,146	76.9
	Operating Budget	31,164	13.7	2.6	30,411	13.0	2.5	30,163	30,641	99.3
	Development Budget	6,799	9.4	0.6	5,863	7.4	0.5	16,505	16,505	35.5
28	Ministry of Higher Education	5,372	1.8	0.5	6,925	2.2	0.6	7,670	7,861	88.1
	Operating Budget	3,898	1.7	0.3	4,740	2.0	0.4	4,601	4,792	98.9
	Development Budget	1,474	2.0	0.1	2,185	2.7	0.2	3,068	3,068	71.2
36	Ministry of Information and Culture	518	0.2	0.0	600	0.2	0.0	688	731	82.0
	Operating Budget	456	0.2	0.0	481	0.2	0.0	450	493	97.6
	Development Budget	63	0.1	0.0	119	0.1	0.0	238	238	49.8
61	Science Academy	177	0.1	0.0	200	0.1	0.0	181	222	90.2
	Operating Budget	172	0.1	0.0	195	0.1	0.0	171	212	91.9
	Development Budget	5	0.0	0.0	6	0.0	0.0	10	10	55.5
63	National Olympic Committee	208	0.1	0.0	448	0.1	0.0	530	558	80.4
	Operating Budget	181	0.1	0.0	276	0.1	0.0	267	295	93.8
	Development Budget	27	0.0	0.0	172	0.2	0.0	263	263	65.3
	Education	44,238	14.7	3.7	44,447	14.2	3.7	55,737	56,518	78.6
	Operating Budget	35,870	15.8	3.0	36,103	15.5	3.0	35,652	36,433	99.1
	Development Budget	8,368	11.5	0.7	8,344	10.5	0.7	20,085	20,085	41.5
37	Ministry of Public Health	12,898	4.3	1.1	14,667	4.7	1.2	18,501	18,501	79.3
	Operating Budget	3,828	1.7	0.3	3,504	1.5	0.3	3,020	3,020	116.0
	Development Budget	9,070	12.5	0.8	11,163	14.0	0.9	15,481	15,481	72.1
	Health	12,898	4.3	2.4	14,667	4.7	1.2	18,501	18,501	79.3
	Operating Budget	3,828	1.7	0.7	3,504	1.5	0.3	3,020	3,020	116.0
	Development Budget	9,070	12.5	1.7	11,163	14.0	0.9	15,481	15,481	72.1
39	Ministry of Agriculture	6,576	2.2	0.6	6,818	2.2	0.6	9,143	9,193	74.2
	Operating Budget	1,123	0.5	0.1	1,074	0.5	0.1	1,042	1,091	98.4
	Development Budget	5,453	7.5	0.5	5,743	7.2	0.5	8,102	8,102	70.9
48	Ministry of Counter Narcotics	1,387	0.5	0.1	974	0.3	0.1	1,616	1,621	60.1
	Operating Budget	161	0.1	0.0	172	0.1	0.0	169	175	98.4
	Development Budget	1,227	1.7	0.1	802	1.0	0.1	1,447	1,447	55.4
	Ministry of Rural Rehabilitation and Development	18,781	6.3	1.6	16,619	5.3	1.4	30,429	30,454	54.6
	Operating Budget	513	0.2	0.0	494	0.2	0.0	485	510	96.8
	Development Budget	18,268	25.1	1.5	16,125	20.3	1.3	29,944	29,944	53.9
	Agriculture & Rural Development	26,745	8.9	2.2	24,410	7.8	2.0	41,188	41,268	59.2
	Operating Budget	1,796	0.8	0.2	1,740	0.7	0.1	1,696	1,776	98.0
	Development Budget	24,948	34.3	2.1	22,670	28.5	1.9	39,492	39,492	57.4

MACROFISCAL PERFORMANCE DIRECTORATE
 The Budget items shown in the total Public Budget to cover 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 8 - Integrated Core Budget Expenditures by Ministries (Continued, 1393 – 1394)

Code	In millions of Afghanis	1393 Annual Actual	1393 % of Total Spending	1393 % GDP	1394 Prelim. Annual Actual	1394 % of Total Spending	1394 % GDP	1394 Original Budget	1394 Final Budget (1)	1394 Actual as % of Final Budget
46 Ministry of Frontiers and Tribal Affairs		401	0.1	0.0	459	0.1	0.0	516	522	88.0
Operating Budget		370	0.2	0.0	379	0.2	0.0	397	403	94.0
Development Budget		30	0.0	0.0	81	0.1	0.0	119	119	67.7
Ministry of Martyrs, Disabled and Social Affairs		20,180	6.7	1.7	18,090	5.8	1.5	2,376	18,956	95.4
Operating Budget		19,881	8.7	1.7	17,829	7.6	1.5	1,408	17,988	99.1
Development Budget		299	0.4	0.0	260	0.3	0.0	968	968	26.9
29 Ministry of Refugees and Repatriates		332	0.1	0.0	253	0.1	0.0	267	301	83.8
Operating Budget		314	0.1	0.0	226	0.1	0.0	211	245	92.1
Development Budget		17	0.0	0.0	27	0.0	0.0	56	56	47.6
38 Ministry of Women Affairs		166	0.1	0.0	211	0.1	0.0	226	235	89.6
Operating Budget		162	0.1	0.0	172	0.1	0.0	185	193	88.8
Development Budget		4	0.0	0.0	39	0.0	0.0	42	42	93.2
68 Office of Disaster Preparedness		79	0.0	0.0	540	0.2	0.0	127	682	79.2
Operating Budget		77	0.0	0.0	513	0.2	0.0	95	651	78.7
Development Budget		2	0.0	0.0	28	0.0	0.0	31	31	88.5
76 Directorate of Kochis		48	0.0	0.0	68	0.0	0.0	92	98	68.9
Operating Budget		48	0.0	0.0	58	0.0	0.0	59	65	89.2
Development Budget		0	0.0	0.0	10	0.0	0.0	33	33	29.2
Social Protection		21,205	7.1	1.8	19,621	6.3	1.6	3,604	20,795	94.4
Operating Budget		20,853	9.2	1.7	19,176	8.2	1.6	2,355	19,546	98.1
Development Budget		352	0.5	0.0	444	0.6	0.0	1,249	1,249	35.6
20 Ministry of Finance		5,583	1.9	0.5	6,780	2.2	0.6	6,714	6,714	101.0
Operating Budget		3,275	1.4	0.3	4,351	1.9	0.4	1,829	1,829	237.9
Development Budget		2,308	3.2	0.2	2,429	3.1	0.2	4,885	4,885	49.7
25 Ministry of Commerce		858	0.3	0.1	1,164	0.4	0.1	835	1,116	104.3
Operating Budget		575	0.3	0.0	662	0.3	0.1	409	690	96.0
Development Budget		283	0.4	0.0	502	0.6	0.0	426	426	117.8
35 Ministry of Economy		446	0.1	0.0	393	0.1	0.0	522	508	77.4
Operating Budget		205	0.1	0.0	206	0.1	0.0	252	239	86.4
Development Budget		241	0.3	0.0	187	0.2	0.0	269	269	69.5
66 Control and Audit Office		313	0.1	0.0	398	0.1	0.0	934	935	42.6
Operating Budget		133	0.1	0.0	129	0.1	0.0	136	137	93.9
Development Budget		180	0.2	0.0	269	0.3	0.0	797	797	33.8
73 Central Statistics Office		161	0.1	0.0	180	0.1	0.0	439	444	40.4
Operating Budget		133	0.1	0.0	139	0.1	0.0	146	151	92.1
Development Budget		28	0.0	0.0	40	0.1	0.0	293	293	13.7
58 Afghanistan National Standard Authority		56	0.0	0.0	110	0.0	0.0	155	155	71.1
Operating Budget		56	0.0	0.0	62	0.0	0.0	69	70	88.9
Development Budget		0	0.0	0.0	49	0.1	0.0	86	86	56.6
Economic Governance & Private Sector Development		7,417	2.5	0.6	9,025	2.9	0.7	9,598	9,871	91.4
Operating Budget		4,377	1.9	0.4	5,549	2.4	0.5	2,843	3,116	178.1
Development Budget		3,040	4.2	0.3	3,476	4.4	0.3	6,756	6,756	51.4
80 Afghanistan Investment Support Agency		0.0	-	0.0	0	-	0.0	0	0	N/A
Operating Budget		0.0	-	0.0	0	-	0.0	0.0	0	N/A
Development Budget		0.0	0.0	0.0	0	0.0	0.0	0.0	0	N/A
81 Micro Finance Investment Support Facility for		0.0	-	0.0	0	-	0.0	1,564	1,564	0.0
Operating Budget		0.0	-	0.0	0	-	0.0	0.0	0	N/A
Development Budget		0.0	0.0	0.0	0	0.0	0.0	1,563.7	1,564	0.0
TOTAL (1)		300,471		26.1	312,873		27.2	403,407	419,100	74.7
Operating Budget		227,409		19.4	233,255		20.3	255,334	271,027	86.1
Development Budget		72,649		6.7	79,618		6.9	148,073	163,267	48.8
					0					N/A
					0					N/A
					0					N/A
86 Extrabudgetary Agencies				0.0	0	-	0.0	33,895	15,194	0.0
Operating Budget					0	-	0.0	18,701.2		N/A
Development Budget			0.0	0.0	0	0.0	0.0	15,193.6	15,193.6	0.0
99 Unspecified		216.9	0.1	0.0	0	-	0.0	0	0	N/A
Operating Budget		934.7	0.4		0	-	0.0			N/A
Development Budget		-1,134.0	-1.6	0.0	0	0.0	0.0		0.0	N/A
Total Unallocated (contingency reserve)		216.9	0.1	0.0	-	-	0.0	33,894.8	15,193.60	0.0
Operating Budget		934.7	0.4		-	-	0.0	18,701.2	-	N/A
Development Budget		-1,134.0	-1.6	0.0	-	-	0.0	15,193.6	15,193.6	0.0
TOTAL (including unclassified)		300,470.9	98.4	26.2	312,872.8	100.0	27.2	437,301.9	434,293.3	72.0
Operating Budget		227,405.7	99.9	43.2	233,255.2	100.0	20.3	274,035.2	271,026.6	86.1
Development Budget		72,649.0	93.3	13.8	79,617.6	100.0	6.9	163,266.7	163,266.7	48.8

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

Table 20 - Transactions in Nonfinancial Assets in the Integrated Core Budget, 1393 – 1394

Code	In millions of Afghanis	1393	1393	1394	1394	1394	1394
		Actual	% GDP	Actual	% GDP	Prelim Actual	% GDP
25	NET ACQUISITION OF NONFINANCIAL ASSETS	45,535.5	3.8	52,387.8	4.3	52,387.8	4.3
	Land and Buildings	23,737.7	2.0	37,628.8	3.1	37,628.8	3.1
251/8	Purchase of Land and Buildings	23,773.1	2.0	37,653.9	3.1	37,653.9	3.1
150	Sale of Land and Buildings	-35.4	0.0	-25.2	0.0	-25.2	0.0
151	Sale of State-Owned Enterprises	0.0	0.0	0.0	0.0	0.0	0.0
252	Machinery and Equipment (>50,000)	6,378.5	0.5	11,665.5	1.0	11,665.5	1.0
257	Valuables	0.3	0.0	9.0	0.0	9.0	0.0
259	Other Acquisitions	15,419.0	1.3	3,084.5	0.3	3,084.5	0.3

Table 21 - Transactions in Financial Assets and Liabilities in the Integrated Core Budget 1393 - 1394

Code	(In millions of Afghanis)	1393	1393	1393	1394	1394	1394	1394	1394	1394
		Qtr 4	Annual	%GDP	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Annual	%GDP
		Actual	Actual		Prelim	Prelim	Prelim	Prelim	Prelim	
		YTD			Qtr	Qtr	Qtr	Qtr		
3+4	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES	21,253.4	21,253.4	1.8	-26,190.2	5,611.7	17,291.4	18,764.1	15,477.0	1.3
3	NET ACQUISITION OF FINANCIAL ASSETS	16,200.9	16,200.9	1.4	-25,978.3	6,350.2	17,216.5	8,218.0	5,806.3	0.5
	Domestic	16,200.9	16,200.9	1.4	-25,978.3	6,350.2	17,216.5	8,218.0	5,806.3	0.5
	Currency and Deposits	18,442.6	18,442.6	1.5	-18,639.4	-1,848.4	22,215.1	1,476.7	3,203.9	0.3
311	Treasury Single Account	21,099.1	21,099.1	1.8	-14,034.3	-10,182.6	20,527.8	1,069.5	-2,619.7	-0.2
313	Donor Accounts	-2,656.9	-2,656.9	-0.2	-4,605.0	8,333.5	1,628.6	466.6	5,823.6	0.5
314/90	Other Deposit Accounts	0.4	0.4	0.0	0.0	0.7	58.7	-59.4	0.0	0.0
317	Loans	-2,331.0	-2,331.0	-0.2	-575.0	1,228.2	-374.1	298.8	577.8	0.0
319	Other Accounts Receivable	89.3	89.3	0.0	0.0	78.0	20.1	-233.5	-135.4	0.0
	Other Assets	0.0	0.0	0.0	-6,763.9	6,892.4	-4,644.5	6,676.0	2,160.0	0.2
	Foreign	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	NET ACQUISITION OF LIABILITIES	5,052.5	5,052.5	0.4	-211.9	-738.5	74.9	10,546.1	9,670.7	0.8
	Domestic	2,534.8	2,534.8	0.2	-341.2	-742.9	190.8	2,530.0	1,636.6	0.1
411	Accounts Payable	-12.0	-12.0	0.0	2,228.4	-891.9	-101.2	-1,599.7	-364.4	0.0
413	Pension Liabilities	0.0	0.0	0.0	8.2	-7.3	9.4	-10.4	0.0	0.0
423	Other Payables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
421	Other Liabilities	2,546.8	2,546.8	0.2	-2,577.8	156.2	282.5	4,140.1	2,001.0	0.2
	Foreign	2,517.7	2,517.7	0.2	129.3	4.5	-115.9	8,016.1	8,034.0	0.7
431	Foreign Currency	1,228.6	1,228.6	0.0	-5.2	-18.2	-42.8	4,747.2	4,681.0	0.0
181-2	Loans	1,289.1	1,289.1	0.1	134.5	22.7	-73.1	3,268.9	3,353.0	0.3

Source: AFMIS Database as at 3 April 2016

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 Macro Fiscal Report**Fiscal Year 1394**

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