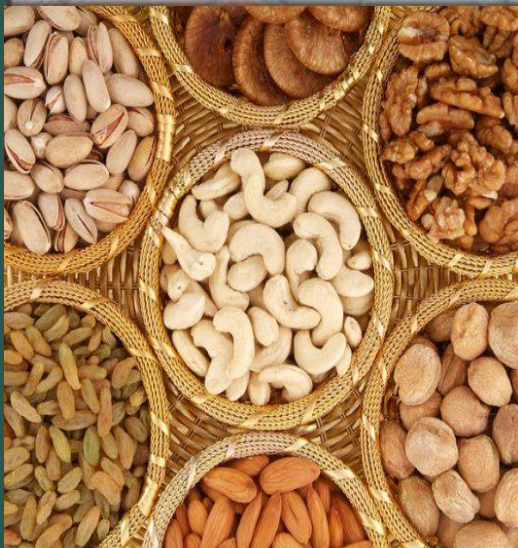


ANNUAL MACRO FISCAL PERFORMANCE REPORT

Fiscal Year 1396



Islamic Republic of Afghanistan

MINISTRY OF FINANCE

Macro Fiscal Performance Directorate General (MFPD)



Ministry of Finance
Islamic Republic of Afghanistan

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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, and 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 out-workers, 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

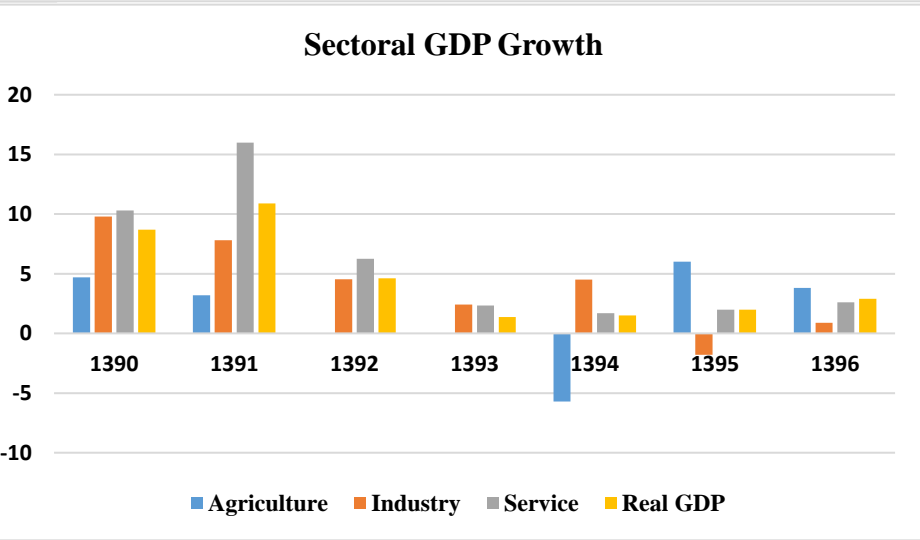
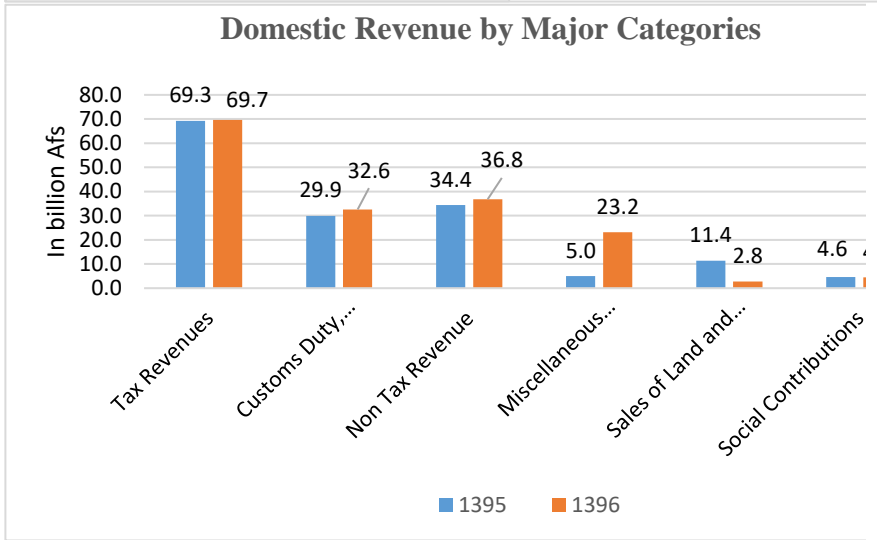
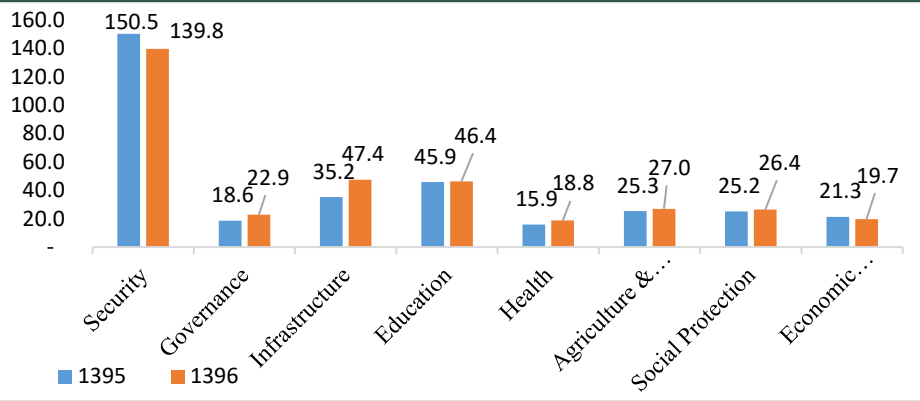
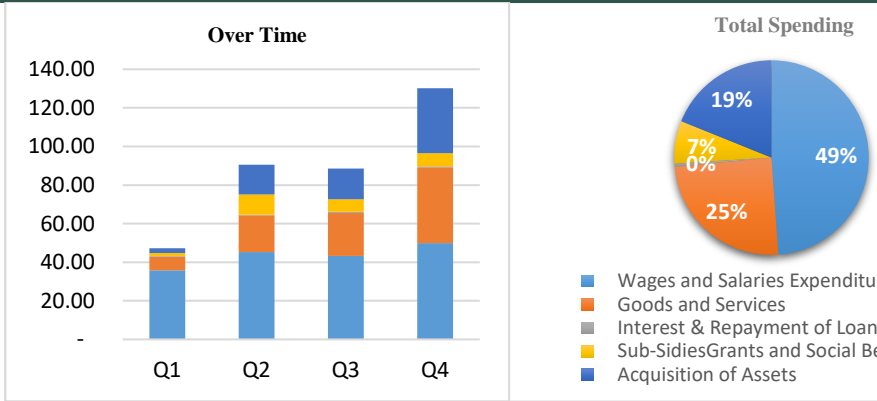
Subsidies Payments made to State-Owned Enterprises to help them cover their costs

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
Euro trace	The computer database system for recording and classifying customs transactions



Executive Summary

Macroeconomic Highlights

- In Fiscal Year 1396, Afghanistan produced Afs 508,101 billion worth of goods and services, which has improved significantly from the previous year. The economic growth increased from 2 percent in the Fiscal Year 1395 to 2.9 percent Fiscal Year 1396. Services and agricultural sector declined in 1396. Industrial sectors improve Industrial sector improvement is attributed to growth in mining and quarrying, and food and beverage. Furniture, textile and leather manufacturing also improved in 1396. The positive growth rate of the service sector is partly reflected improved investor confidence through most of 1396 that attributed to high performance of wholesale and retail trade, restaurants and hotels. Growth in agriculture declined because of drought and bad weather conditions. Growth in cereal and fruit production has considerably declined.
- The average inflation rate for the Fiscal Year 1396 was 4.4, which is lower than year 1395 percent. The lowest prices in Sartan and higher inflation in the next months show that prices fluctuated during the year 196. It was lower in the first and last quarter and higher in the second and third quarter.
- Exchange rate fluctuated between Afs 66.3/USD to Afs 68.9/USD during the year. It stabilized on Afs 67/USD at the end of the year, which shows a 5.7 percent depreciation of Afghani as compared to the Fiscal Year 1395.
- Afghanistan export increased from USD 569 million to USD 832 million, which shows 39.5 percent growth. Export growth was driven by the establishment of new air corridor to India. Imports also grew substantially from USD 6,534 million in FY1395 to USD 7,792 million in FY1396. The trade deficit remained stable at around 40 percent of GDP reflecting offsetting import growth driven by higher energy prices and increased food imports in the context of drought. In the Fiscal Year of 1396, Afghanistan's major import partner countries were Iran and Pakistan, while – unlike the previous years during which Pakistan was the major supplier – supply of goods increased to Afghanistan from Iran, China and Kazakhstan, reducing reliance on Pakistan. Major goods exported from Afghanistan were asafetida, grapes, and dried fruits. Major goods imported were wheat, vegetable oil, sugar, cement, and petroleum.

Fiscal Highlights

- The National Budget approved by the Parliament was Afs 429.4, which was 3.4 percent less than the previous year. Of the total budget, 62.5 percent was operating budget, and 37.4 percent was development budget respectively. The Final Budget as a result of changes during the mid-year review was reduced to Afs 417.1, in which the development and operating budget decreased to Afs 149.4 and 267.7 b billion respectively. The Final Budget makes up 25.4 percent of the GDP.
- 62 percent of the budget which makes Afs 258.8 billion was planned to be financed from donor funds, and the remaining 37 percent makes Afs 152.5 billion planned from domestic sources. Budget balance, excluding grants, amounts to Afs 275.4 billion.
- Revenue target was Afs 153 billion. The revenue collection remained strong for the third consecutive year in 1396 reached to Afs 169 billion. Revenue collection shows 18.7 percent increase compared to Afs 143.1 billion collections in FY1395. Domestic revenue constitutes 12.1 percent of GDP. Tax revenue followed by non-tax revenue and customs were the major sources of revenue collection.
- The Government expended Afs 356.236 billion, which makes up 83.2 percent of the Final Budget. The execution rate was 91.8 percent of operating budget and 67.8 percent for development budget. The government spending makes 33.9 percent of GDP. Net acquisition of Non-Financial Assets was Afs 67,842.8 billion (6.5% of GDP), in which purchase of land and building was the major components. Net acquisition of Financial Assets decreased by Afs 1%.

1. Macroeconomic Performance

1.1. GDP Growth

In 1396, Afghanistan's real GDP growth improved and produced Afs 508,101 billion worth goods and services in real terms.¹ The amount is slightly higher compared with FY1395. The real GDP growth rate excluding opium was 2.9 percent, which is significantly higher than the growth rate of 2.0 percent in 1395.

Table 1. Economic Growth

Nominal and Real GDP		1394	1395	1396
Without Opium	Nominal GDP Level (in billions of Afs)	1,233,338	1,326,103	1,385,036
	Real GDP Level (in billions of Afs)	484,315	493,849	508,101
	Real GDP Growth (%)	1.5	2.0	2.9
With Opium	Nominal GDP Level (in billions of Afs)	1,260,009	1,373,181	1,463,764
	Real GDP Level (in billions of Afs)	502,658	520,548	557,854
	Real GDP Growth (%)	-1.8	3.6	7.2

Source: Central Statistic Organization (CSO), 1397

The main reason behind the slow economic recovery during 1394 to 1396 are: the worsening security situation, decline of aid levels associated with drawdown of international security forces in 2014 (from US\$12.5 billion in 2009 to around US\$8.8 billion in 2015), and political instability associated with the 2014 prolonged election that created uncertainty and led the economy to the lowest growth in 1394. Since 1395, the country experienced slight recovery, with growth accelerated to 2.0 percent in 1395 and continued to increase to 2.9 percent in 1396.

Sectoral Performance and Contribution to GDP

In 1396, service sector along with industrial sector growth jumped up, while agriculture sector growth declined significantly. Industrial sector recovered remarkably from -1.8 percent in 1395 to 0.9 percent growth in 1396. The significant industrial growth in 1396 is attributed to growth in mining and quarrying, and food, beverage and tobacco. Compared to 1395, wood production for furniture, and textile, wearing apparel and leather manufacturing improved as well. During 1395 and 1396 manufacturing of both mentioned items growth were negative, -17.1% to -3.9%, and -14.8% to -5.1% respectively. Compared to 1395, the growth of mining and quarrying in GDP has improved from 10.4 percent to 13.6 percent in 1396.

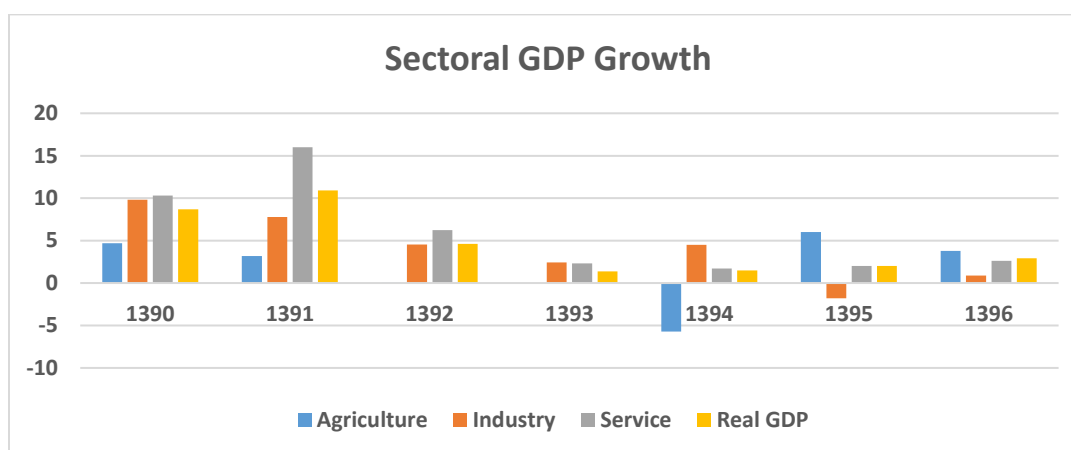
Similarly, services sector grew by 2.6 percent, which is 0.6 percent more than the growth rate of 1395. The positive growth rate of the service sector is partly reflected improved investor confidence through most of 1396 that attributed to high performance of wholesale and retail trade,

¹ Growth rate was 2.1 percent based on the calendar year as published by CSO, however if converted based on adjustments to fiscal year the growth rate increased to 2.2 percent.

restaurants and hotels. While finance growth rate had fallen from 19.6 percent in 1395 to negative 47.2 percent in 1396.

On the other side, GDP growth of Agriculture sector in 1396 was declined to 3.8 percent from 6.0 percent in 1395. Agriculture in Afghanistan is mostly reliant on weather conditions, as due to less rain falls and snow in the country that bring drought in most of the provinces, agriculture production were quite less compared with 1395. Cereal production growth declined from -4.7 percent to -10 percent, following fruits production also declined massively from 32.1 percent in 1395 to 25.4 in 1396.

Chart 1: Sectoral GDP Growth



Source: CSO Statistical Yearbook, 2017/18

Although overall agriculture growth is significantly higher, but its share in total GDP remains very small, as its contribution was projected to increase in 1396. Agriculture share was 20.3 percent of the GDP in 1396, while the share of services and industry to GDP were higher to 52.7 and 22.2 percent respectively. The detailed breakdown of growth performance is presented below:

Chart 1. Sectoral GDP Growth

Table 2. Sectorial performance (%) in 1396

Agriculture (average % growth)	3.8
Cereals	-10.0
Fruits	25.4
Livestock *	0.1
Others **	5.3
Industry (average % growth)	0.9
Mining and quarrying	13.6
Manufacturing	0.7
Food, beverage & tobacco	2.1

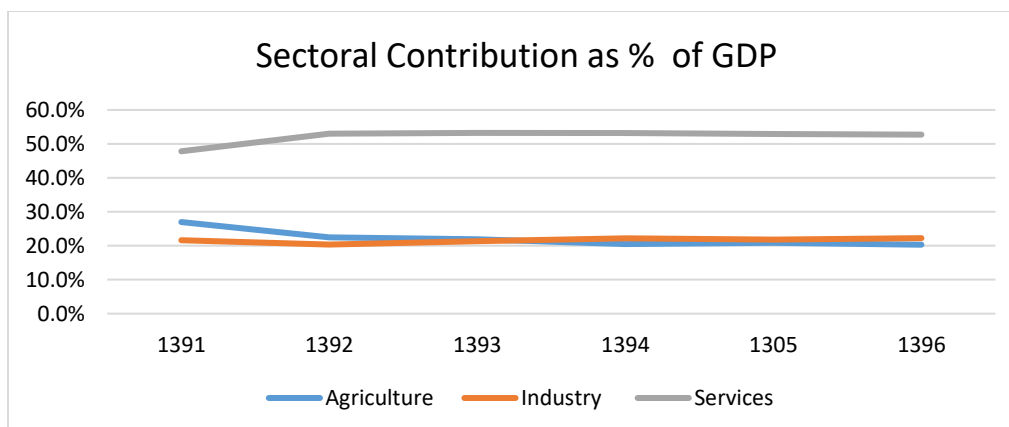
Textile, wearing apparel & leather	-5.1
Wood & wood production including furniture	-3.9
Paper, paper production, printing and publishing	4.8
Chemicals , petroleum, coal, rubber and plastic	-51.8
Non-metallic minerals except petroleum & coal	-8.9
Basic metal	4.3
Electricity, gas and water	2.0
Construction	0.4
Services (average % growth)	2.6
Wholesale & retail trade, restaurants & hotels	10.6
Wholesale & retail trade	12.6
Restaurants & hotels	2.0
Transport, storage and communication	3.0
Transport & storage	1.3
Post and telecommunication	5.2
Finance, insurance, real estate and business	-46.9
Finance	-47.2
Insurance	1.4
Real estate and business services	2.2
Ownership of dwellings *	3.2
Community, social and personal service *	0.0
Government services	5.5
Other services	-5.1

Source: CSO Statistical Yearbook, 2017/18

The service sector is the largest contributor to GDP growth followed by Industry and Agriculture becoming the lowest share contributor to GDP. Service sector by contributing 52.7 percent to GDP in 1396. Contrary to service sector agriculture share remains 20.3 percent of GDP, as 70 percent of Afghan workforce are involve in this sector, which makes a home to most citizens living under poverty line. Hence, it remains an important sector as a source of livelihoods for the rural poor, in influencing the affordability of basic food items for the population, and its significant inputs into the manufacturing sector.

Growth in the agriculture sector is vital for the Afghan economy and will have a direct impact on the standard of living of Afghan farmers and potentially helping them to live above the poverty line.

Chart 2. Sectoral Composition of GDP

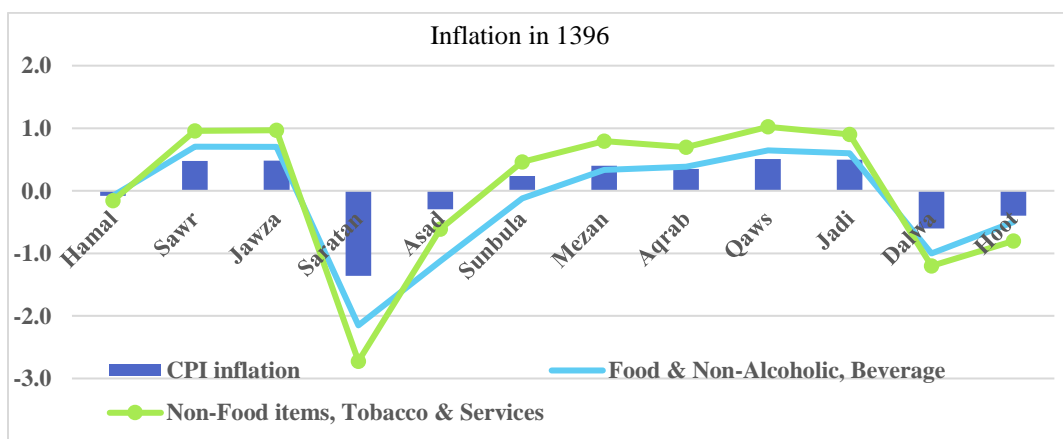


Source: CSO Statistical Yearbook, 2017/18

1.2. Prices

Inflation rate measured by the overall consumer price index (CPI) for the country was averaged 4.4 percent in FY1396 – slightly lower than 4.9 percent in FY1395. The lowest average inflation was recorded in the month of Saratan by -1.4 percent but jumped higher in the next months of the year. Having a negative trade balance with neighboring countries, especially with Pakistan due to several time of border closure for the longer time, Afghanistan remains vulnerable to price shocks. The significant increase in the prices in 1396 was due to increased global oil prices, food price, and lagging effects of the depreciation of Afghani against foreign currencies.

Chart 3. Inflation in Fiscal Year 1396



Source: CSO website, 1397

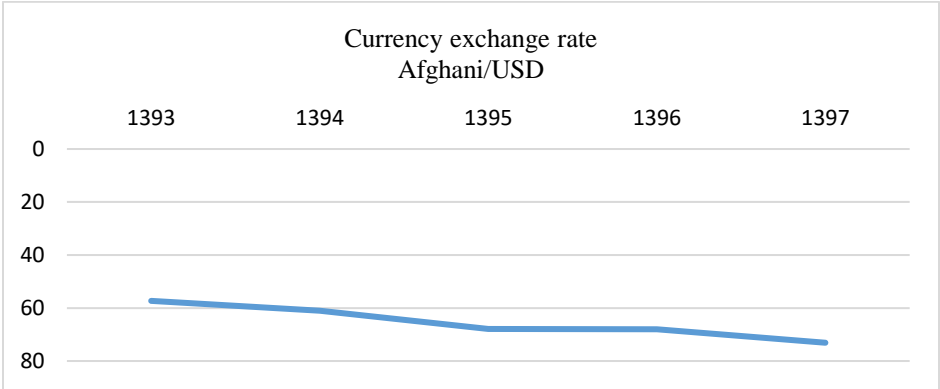
Note: The base year for the calculation of CPI has changed from 1389 to 1390.

1.3. Exchange Rate

The Afghani currency gradually depreciated against the US dollar from 57.3 in 1393 to 68.0 in 1396. Despite increased US dollar sales by Da Afghanistan Bank, aimed at stabilizing the currency, depreciation against the US dollar accelerated in the last quarter of 1396 and reached to 69.3,

driven mostly by general strengthening of the US dollar but potentially reflecting capital outflows associated with political uncertainties. The decline in donors' fund is another factor that depreciated Afghani against US dollar currency and other foreign currencies. It is projected that in the coming year, the Afghani currency will depreciate massively and might reach 72 per US dollar, due to the parliamentary election, and political instability in the country.

Chart 4. Exchange Rate Trend



Source: Da Afghanistan Bank website, 1397

1.4. Current Account and Trade Balance

Afghanistan’s export increased from USD 596 million in the FY1395 to USD 832 million in the FY1396, representing 39.5 percent growth. This amount does not include smuggling and re-export. Export growth was driven by starting of air corridors to India, the improvement of border issue that constrains trade with Pakistan during FY1395, and gradual depreciation of local currency against foreign trading currencies. To be added, the value of re-export is USD 16.8 million from all boundaries of Afghanistan.

The value of imported goods officially recorded during the FY1396 was USD 7,792 million which was excluding smuggling and duty-free goods. However, the imported value was recorded USD 6,534 million in the FY1395.

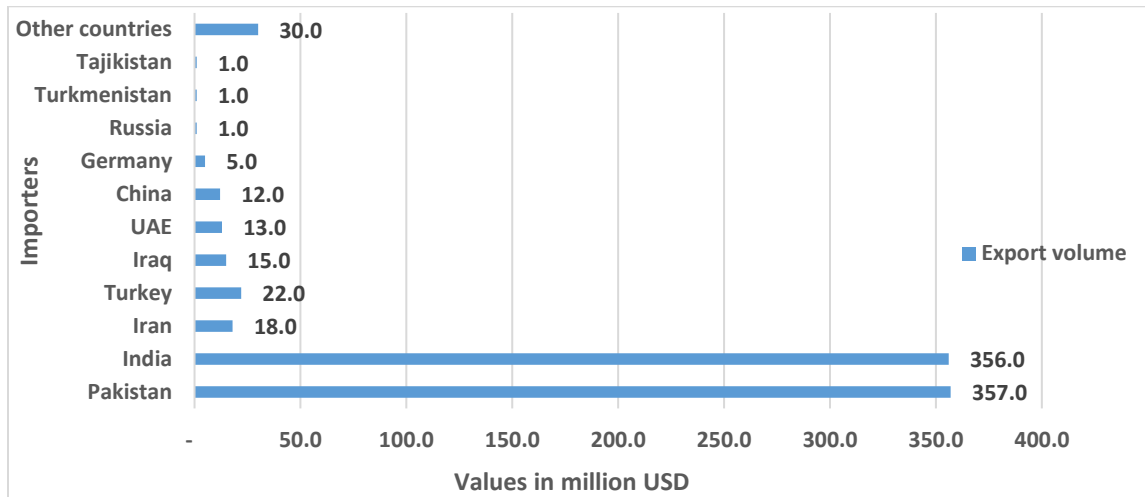
The export-import trade balance was USD -6,961 million, which shows a huge trade gap. The balance of trade is understood to show the strength of a country’s economy in comparison to other countries. Afghanistan is heavily influenced by agricultural sector, but during this year faced difficulty in developing and modernizing this sector due to poor infrastructure, insecurity, and low performance. The trade balance shows a large deficit due to the high volume of agriculture needs imported to the country, not domestically available. The income and transfers account is positive partly due to remittances from family members outside of Afghanistan.

Afghanistan’s Trade Partners

Afghanistan’s major trade partners are Pakistan and India. Both exports and imports in Afghanistan are exposed to political, security and economic shocks. Although FY1396 saw a surge in exports, but the trade deficit continues to grow. Continuous trade deficit has depreciated domestic currency against foreign currencies and exposed Afghans domestic food and non-food prices to price shocks to exporting countries.

Pakistan and India are the two top importers of Afghanistan products with USD 357 million and USD 356 million values. Iran is in third place as major importer for Afghan products after Pakistan and India. The graph below shows major destinations for Afghan exports.

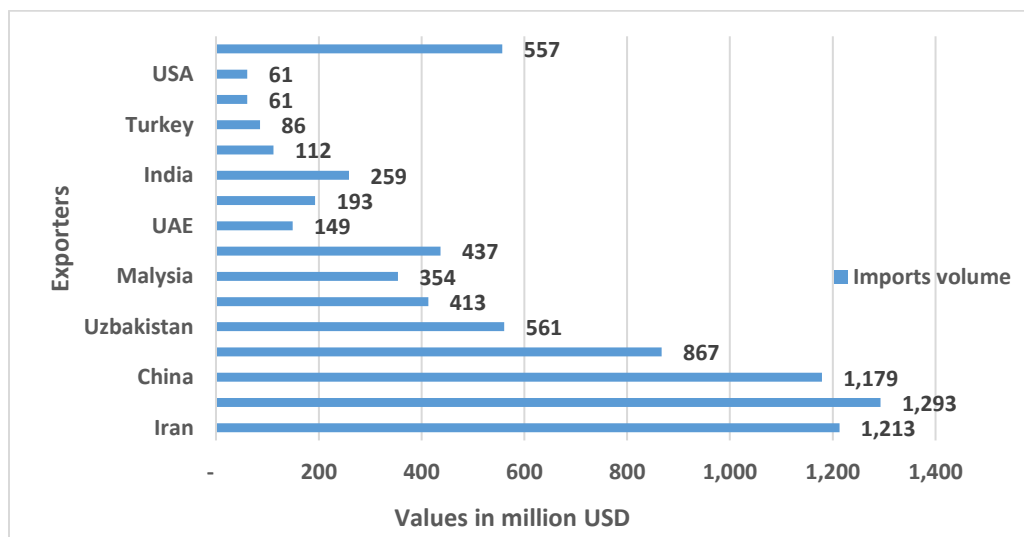
Chart 5. Major Importers from Afghanistan



Source: CSO Statistical Yearbook, 2017/18

Similarly, exports volume also increased in FY1396 compared with FY 1395. Pakistan as always is the top exporter to Afghanistan with USD 1,293 million; Iran, China, and Kazakhstan are the other top exporters after Pakistan. The reason for the increase of exports volume is the opening alternative trade routes with Iran, Central Asia and China through Hairatan and Chababar. The following table presents major suppliers to Afghanistan.

Chart 6. Major Exporters to Afghanistan



CSO Statistical Yearbook, 2017/18

Main Exported and Imported Items during 1396

During FY1396, Asafoetida was recorded as the top exported item by USD 100.5 million, grapes and dried fig with an export value of over USD 80 and 90 million were the top three export items. On the export side, wheat, vegetable oil, and sugar were the top three imported items during FY1396. The table below presents the top 15 exported and imported items in FY1396 as per their value.

Table 3. Main export and import components of trade for Afghanistan

Main exported items	Amount (Thousand USD)	Main imported items	Amount (Thousand USD)
Asafoetida	100,577	Wheat and wheat flour	908,319
Grapes	90,111	Vegetable oil	476,705
Dried fig	81,552	Sugar	396,195
Pip of pistachios	30,533	Cement	337,491
High-quality caraway	27,082	Petrol	293,695
Black Raisin	25,896	Imports of electricity	284,229
Carpet	23,754	Machinery	274,466
Green Raisin	23,411	T one oil	230,880
Pip of almonds	23,248	Motor spare parts	191,039
Dried apricot	19,108	Electrical appliances	177,515
Apple	15,087	Rice	165,418
Red Raisin	12,472	Other iron nec	156,473
Cotton	12,405	Iron plates and sheet	139,136
Pomegranate	8,899	Passenger car	66,356

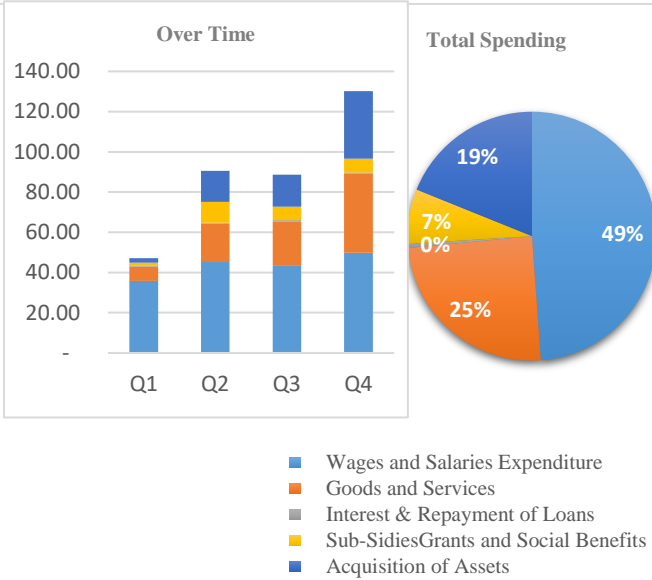
2. Fiscal Performance Overview

Fiscal Summary for Fiscal Years 1395-1396

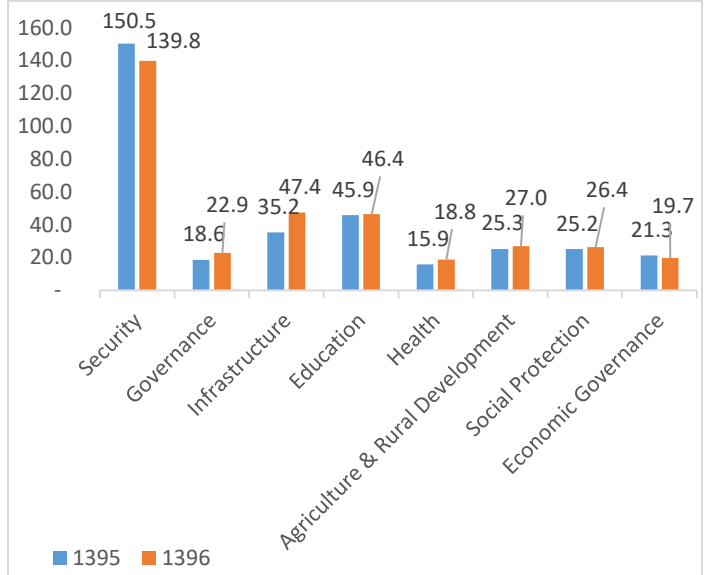
Summary Fiscal Outturn – End of Fiscal Year, 1396
Domestic Revenue including mining: Of Afs 153.5 billion planned revenue, the government collected Afs 169.5 billion from domestic sources.
Total Spending: The total spending of the government was planned to be Afs 429.4 billion, of which Afs 356.2 billion was spent.
Donor Support: Donors committed Afs 218.8 billion towards the budget, Afs 181.6 billion was actually spent.
Mining Revenue: The total revenue collected from the extractive industry was Afs 2.02 billion.

The following figures are all in billions of Afghanis

Spending on Inputs

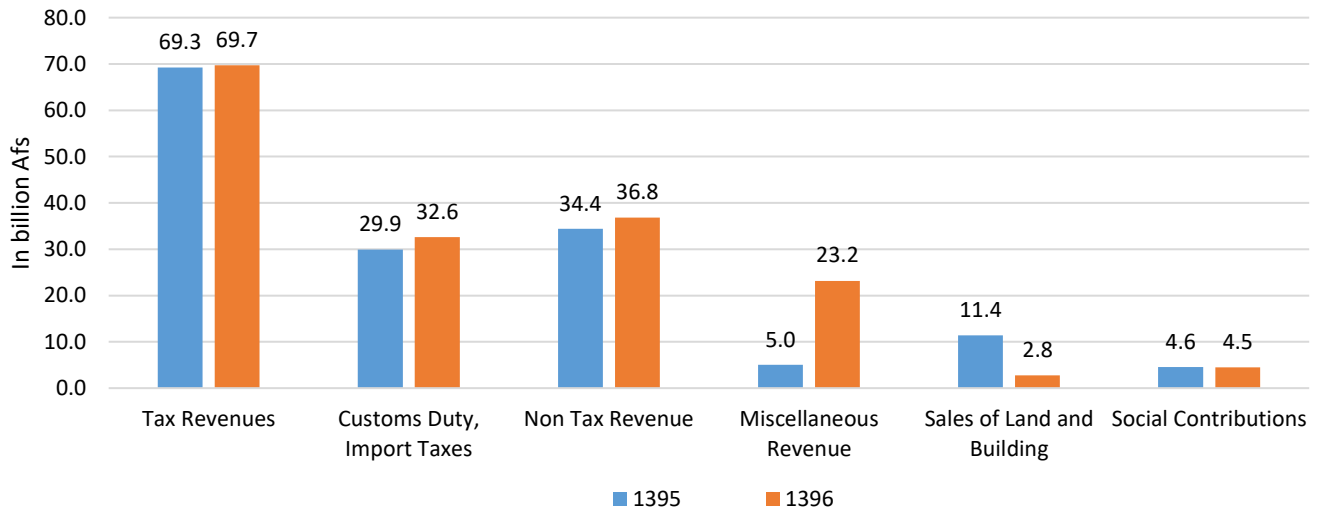


Spending on Sectors



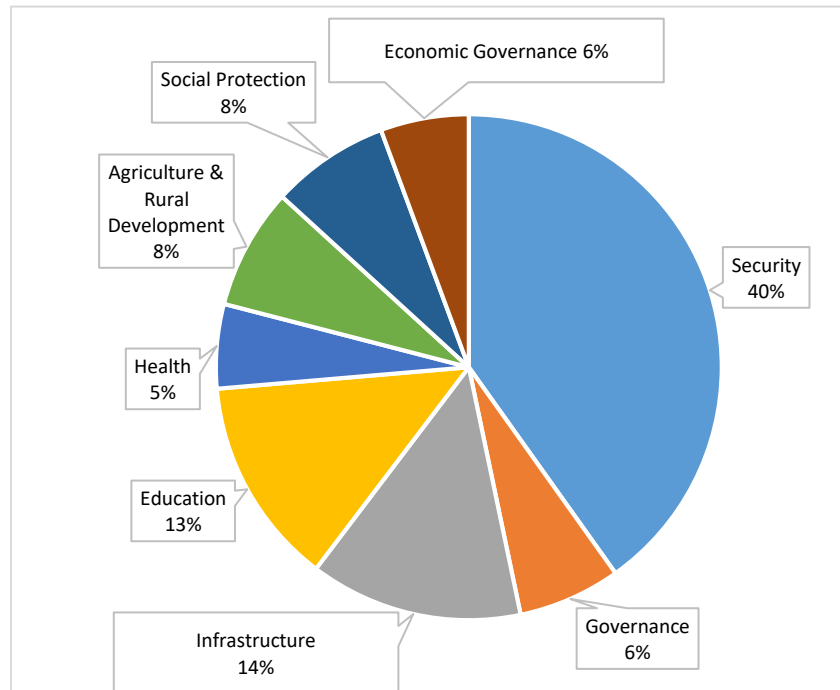
Domestic Revenue from Sources

Domestic Revenue by Major Categories



A portion of Budget Spent:

Spending on Sectors



2.1 Budget

The **National Budget** of the Government of Afghanistan consists of two types of budget. First, **Operating Budget** which covers the operating expenditure of the government, i.e. wages and salaries, fuel, and day to day expenditures. Second, **Development Budget** which covers the expenditures on all development projects such as road building, construction, rehabilitation of irrigation systems, and the National Priority Programs.

In another classification, expenditures can also be divided into two categories; **recurrent** and **capital** expenditures (see box below for details).

Box 1.

Recurrent Expenditures - *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 for the FY1396 prepared and approved by the Parliament was Afs 429.4 billion, which was 3.4 percent less than the approved National Budget for the FY1395. The national budget was divided into operating and development budget as Afs 268.4 billion (62.5% of total) and Afs 161 billion (37.4% of total) respectively. Both operating and development budget for the FY1396 were reduced compared to FY1395 budget. The reduction in national budget was due to less amount of external resources (donor grants). During the mid-year review, changes took place in the national budget which called as final budget as decreased to Afs 417.1 billion. The operating and development budget components decreased to Afs 267.7 billion and Afs 149.4 billion respectively. A modest positive change has occurred in both operating and development budget (Final Budget), but reduction in development budget is due to the less donor grants received towards development projects on infrastructure, rehabilitation, energy and water.

The targeted revenue for the Fiscal Year 1396 was Afs 153 billion (excluding grants). In the Final Budget of the Fiscal Year of 1396, Afs 258.8 billion (62% of the final budget) was received through donor financing, of which Afs 120.5 billion and Afs 138.2 billion were planned for Operating Budget and Development Budget respectively. Afs 152.5 billion (37% of the final budget) was planned to be financed by domestic sources. Operating Budget balance including grants shows a deficit of Afs 16.6 billion which would be financed through debt financing. Budget balance excluding grants shows a deficit of Afs 275.4 billion. The table below presents Budget summary for the Fiscal Year of 1396.

Table 4. Summary of Budget for Fiscal Year 1396

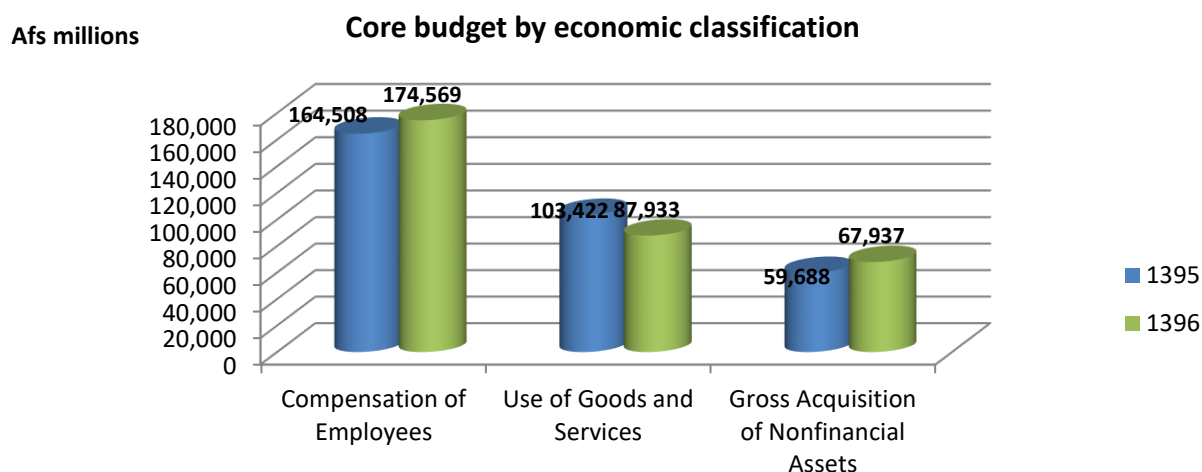
In millions of Afghanis	1395 Actual	1395 %GDP	1396 Prelim. Actual	1396 %GDP	1396 Final Budget (4)	1396 % of Final Budget
Operating Budget Revenues	297,613	22.3	287,473	20.5	273,129	5.3
Domestic Revenues	154,512	11.6	169,105	12.1	152,576	10.8
Operating Grants	143,101	10.7	118,368	8.5	120,553	-1.8
Operating Budget Expenditures	258,420	19.4	252,682	18.0	275,237	92
Operating Budget Balance (3)						
Excluding Grants	103,907	-7.8	-83,576	-6.0	-122,662	68
Including Grants	39,193	2.9	34,791	2.5	-2,108	-1,650
Indicator of Fiscal Sustainability (domestic revenues/operating expenditures)	60%		67%		55%	
Development Grants (1)	60,564	4.5	63,306	4.5	138,249	46
Development Expenditures	93,749	7.0	103,555	7.4	152,752	68
Development Budget Balance (3)	-33,185	-2.5	-40,250	-2.9	-14,503	278
Revenues (1)	358,177	26.9	350,778	25.1	411,378	85
Domestic Revenues	154,512	11.6	169,105	12.1	152,576	111
Grants (1)	203,665	15.3	181,673	13.0	258,803	70
Expenditures	352,168	26.4	356,237	25.4	427,989	160
Integrated Budget Balance						
Excluding Grants	197,656	-14.8	-187,132	-13.4	-275,413	68
Including Grants (3)	6,008	0.5	-5,458	-0.4	-16,611	33
Financing Requirement						
Balance Including Grants	6,008	0.5	-5,458			
Sale of Land and Buildings	1,119	0.1	94			
Lending/Borrowing	7,127	0.5	-5,364			

Source: AFMIS Database, 17th February 2018

Notes:

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
3. Does not equal the budget balances shown in budget documentation, as balances in budget documentation also include domestic revenues transferred between 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), 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 Afs 271 billion.

Chart 7. Core Budget by Economic Classification



2.2 Revenue

Domestic Revenue

During the fiscal year 1396, total domestic revenue collection increased remarkably, for the third consecutive year in a row. In FY1396 domestic revenue collection including one-off receipts was Afs 169.8² billion in total – given a target of Afs 153 billion. This shows around 18.7 percent increase compared to Afs 143.1 billion collections in FY1395. Domestic revenue constitutes 12.1 percent of GDP for the fiscal year 1396.

Table 5. Revenue Summary

In millions of Afghanis	1395 Actual	1395 %GDP	1396 Actual	1396 %GDP	1396 Target (Original)	1396 % Greater/Less than target
REVENUES including grants (1)	358,176.8	26.9	350,778.5	25.1	411,378.0	-14.7
REVENUES excluding grants (2)	154,512.1	11.6	169,105.2	12.1	152,575.5	10.8
Tax Revenues	69,257.2	5.2	69,692.3	5.0	73,849.3	-5.6
Fixed Taxes	10,995.0	0.8	11,269.7	0.8	12,081.8	-6.7
Income Taxes	24,036.7	1.8	24,772.8	1.8	25,310.6	-2.1
Property Taxes	427.1	0.0	408.6	0.0	448.3	-8.8
Sales Taxes	28,492.1	2.1	30,549.0	2.2	30,414.3	0.4
Other Taxes	5,306.3	0.4	0.0	0.0	5,594.3	-100.0
Tax Penalties and Fines	0.0	0.0	2,692.1	0.2	0.0	#DIV/0!
Customs Duty, Import Taxes	29,930.0	2.2	32,596.9	2.3	36,902.9	-11.7
Non Tax Revenue	34,384.5	2.6	36,807.4	2.6	36,229.7	1.6

² This figure also includes gain from exchange rate by Central Bank and arrear receipts by Ministry of Finance. Exact calculation of this effects can be found here <https://www.usip.org/publications/2017/02/revenue-growth-afghanistan-continues-strong-future-uncertain>

Income from Capital Property (2)	1,840.1	0.1	1,728.8	0.1	1,923.9	-10.1
Sales of Goods and Services	5,720.0	0.4	7,727.8	0.6	6,039.9	27.9
Administrative Fees	24,361.5	1.8	24,210.7	1.7	25,675.2	-5.7
Royalties	262.9	0.0	379.8	0.0	281.9	34.7
Non Tax Fines and Penalties	1,119.4	0.1	731.8	0.1	1,180.5	-38.0
Extractive Industries	1,080.5	0.1	2,028.5	0.1	1,128.3	0.0
Other non-taxes		0.0		0.0	0.0	
Miscellaneous Revenue	5,008.7	0.4	22,712.8	1.6	824.1	2,656.1
Sales of Land and Building	11,375.5	0.9	2,776.3	0.2		
Social Contributions	4,556.3	0.3	4,519.5	0.3	4,769.5	-5.2
Grants (1)	203,664.7	15.3	181,673.2	13.0	258,802.5	-29.8
<i>of which operating budget</i>	<i>143,100.9</i>	<i>10.7</i>	<i>118,367.6</i>	<i>8.5</i>	<i>120,553.3</i>	<i>-1.8</i>
Foreign Governments	143,100.9	10.7	118,468.9	8.5		
International Organization	60,563.8	4.5	63,204.4	4.5		

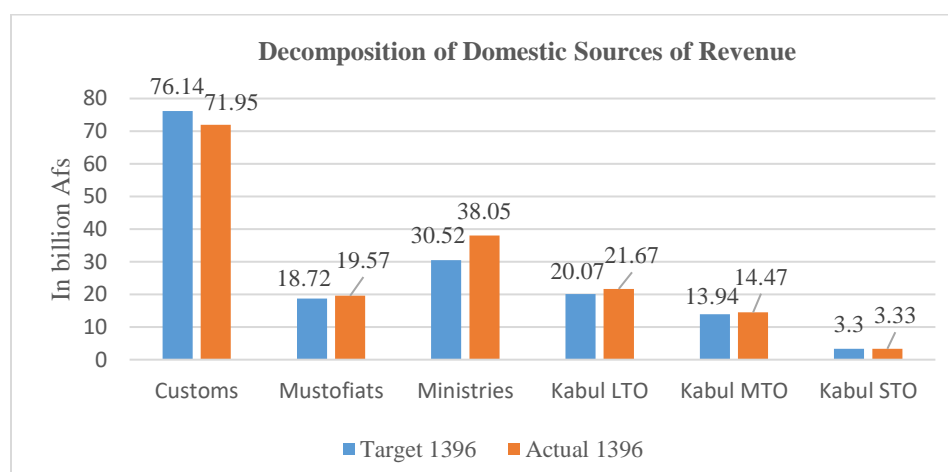
Source: AFMIS Database - 25 May 2018

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.

The main contributors of revenue collection are tax revenue, non-tax revenue followed by customs revenue. Tax revenues as always is to be the major contributor to the total revenues collection. It constitutes 41.1 percent of the total domestic revenue, followed by non-tax revenue, which constitutes 21.7 percent of total domestic revenue. Tax revenue collection shows an increase of only 0.5 percent over the fiscal year 1395, while customs revenue and non-tax revenue have increased highly by 8.6 percent and 7.2 percent.

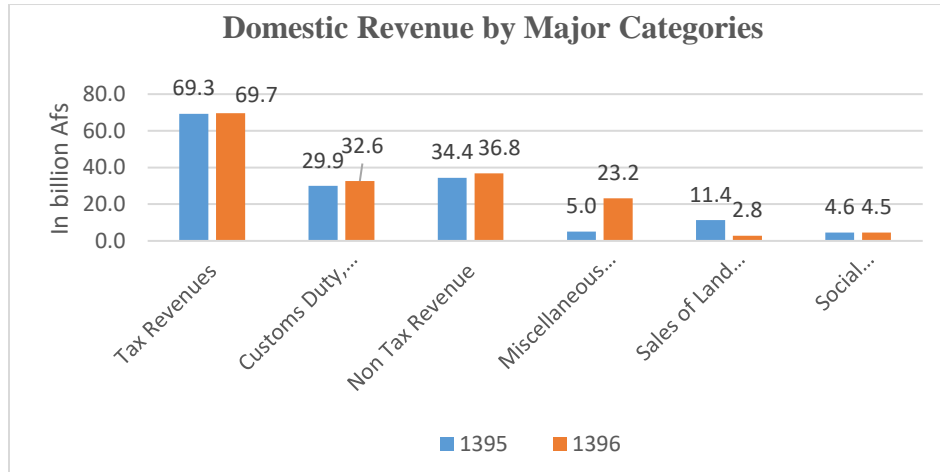
The higher increase in the revenue collection, in addition to the implementation of new tax measures, was also due to improvement in the collection by the administration, enforcement, compliance, better system, and gains from exchange rate depreciation. The figure below shows the performance of domestic sources of revenue collection against their target for the year 1396. Ministries, Kabul LTO, Kabul MTO, and Mustofiat have slightly higher collection comparing to customs, and Kabul STO.

Chart 8. Share of revenue lines



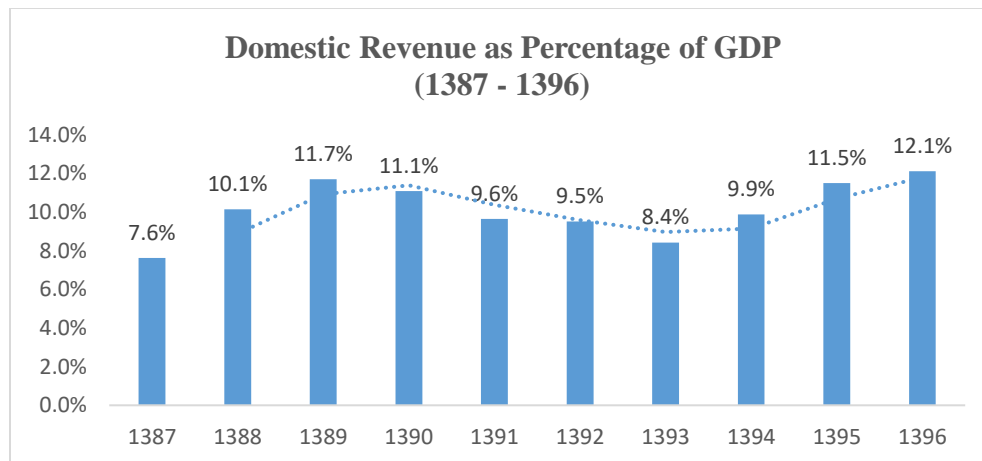
Comparing figures of FY1396 with FY1395, it becomes clear that share of tax revenues in total revenue collection has increased slightly from 69.3 percent to 69.7 percent, and the same stands true about customs duty and import taxes, and non-tax revenue. The chart below clearly describes these differences of two years collections.

Chart 9. Revenue collection by major categories during FY1395 - FY1396



Although the share of domestic revenue as a percentage of Gross Domestic Product (GDP) remains low, in 1396 this share marks the highest percentage, 12.1%, in the past decade. Total domestic revenue collection as a percentage of GDP indicates the share of a country's output that is collected domestically. This ratio measures the extent to which the government controls the economy's resources and moves toward the path of self-dependence.

Chart 10: Annual domestic revenue as percentage of GDP

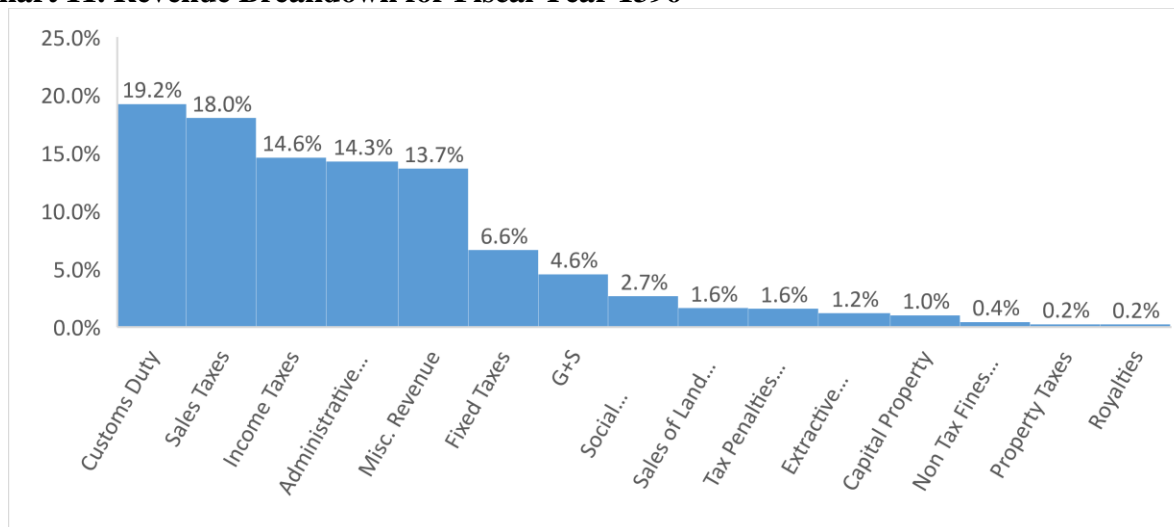


Tax Revenue

The high portion of revenue collection comes from tax revenue. Higher tax revenue indicates a strong revenue-collection, the economic health of the country and an assurance of fiscal sustainability. As a result of reforms and changes in the tax policy, and introduction of new tax measures, there have been increases in the domestic revenue collection in general. In the FY1396,

tax revenue collection was Afs 69.7 billion compared to Afs 69.3 billion in FY1395. Although the share of tax revenue in total domestic revenue collection has decreased from 44.7 to 41.1 percent in 1396, the absolute amount has risen by more than 0.5 percent.

Chart 11. Revenue Breakdown for Fiscal Year 1396



The Major tax components include:

- **Fixed taxes:** Total revenue from fixed taxes was Afs 11.2 billion in FY 1396. In the previous fiscal year, revenue from this line was about Afs 11 billion. As a result, revenues from fixed taxes increased by Afs 1.2 billion and its share in total domestic revenue was 6.6 percent.
- **Income Taxes:** Revenue from income taxes was about Afs 24.7 billion. However, in FY 1395, it was Afs 24 billion in total. Hence, income tax revenue increased by Afs 0.7 billion and the share in total revenue was 14.6 percent.
- **Sales Taxes:** Revenue from sales tax constitute the second largest tax component in 1396. Total tax revenue in FY 1396 from sales tax was Afs 30.5 billion, while in the previous year, sales tax was 24.4 billion. The share in total revenue was 18 percent.
- **Customs Duties:** Custom duties collections is the largest tax component as it was Afs 32.5 billion in 1396, while in FY1395, it's collection was Afs 29.9 billion – showing an increase of marginal Afs 2.5 billion, and its share in total revenue was 19.2 percent.

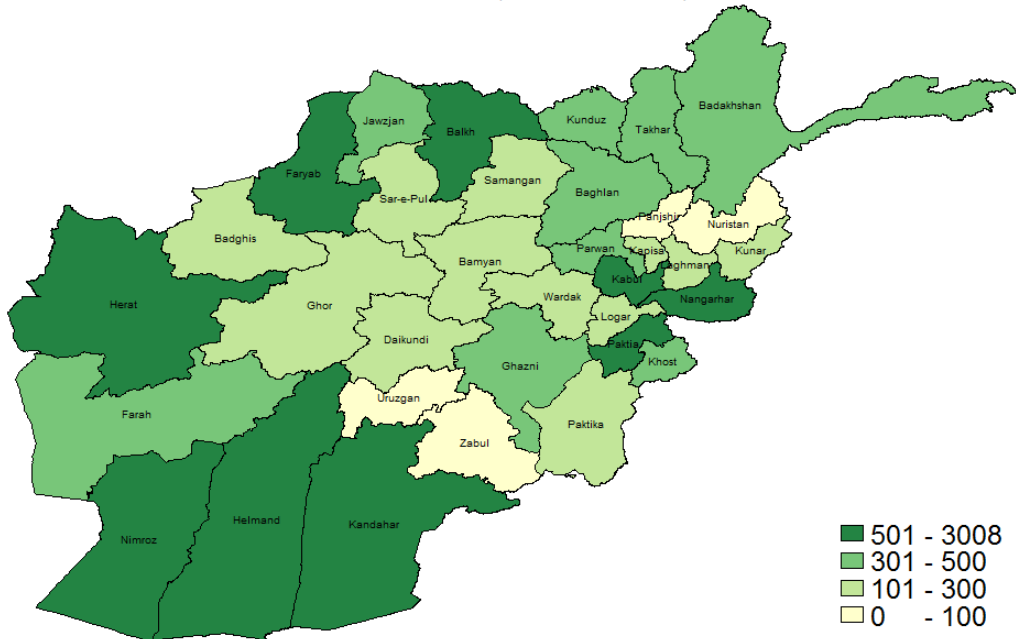
Non-Tax Revenue

Non-tax revenue collection was Afs 36.8 billion in FY1396. This shows a significant increase compared to Afs 34.3 billion collected in FY1395. Within non-tax revenue, the administrative fees collected, of Afs 24.2 billion, makes the fees the largest contributor to non-tax revenue. Following revenue from Sales of Goods and Services has increased in FY1396 to Afs 7.7 billion in comparison to Afs 5.7 billion collected in FY1395. On the other hand, income from capital property has slightly declined in revenue collection (Afs 1.7 million) compared to Afs 1.8 billion collected in FY1395.

Revenue from Mustofiats

Revenue from Mustofiats along with other domestic sources constitute an important part of the revenue stream for government. Mustofiats revenue does not include revenues from provincial customs, Large Tax Payer (LTO), Medium Tax Payer (MTO), and Small Tax Payer (STO) organizations. In FY 1396 the total revenue from Mustofiats were Afs 19.5 billion against the target amount of Afs 18.7 billion. The map below shows the dispersion of provincial revenue

REVENUE COLLECTION AT PROVINCES (MUSTAWFIATS), VALUES IN MILLIONS AFN



collections.

Tax Expenditures

The Government has a number of tax expenditures, which are tax incentives that the Government provides for particular types of provision of services, 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:

Trade Tax Expenditure

- An exemption on BRT for the provision of non-profit health services.
- An exemption on BRT for the provision of non-profit educational 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.

- Religious services, humanitarian aid, G+S to the Government for natural disaster reconstruction, physical education and sports are all exempt from BRT providing as 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 timeline – buildings can be depreciated over four 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 [4%] percent. Of these tax expenditures, the easiest way 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.

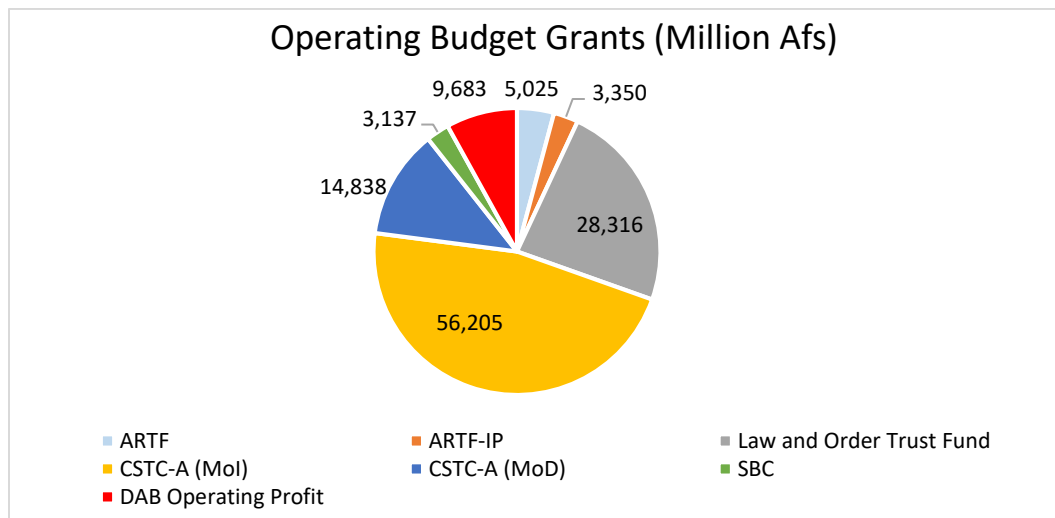
Grants to Integrated Core Budget

Total external resource received in the Fiscal Year 1396 amounts to Afs 256.1 billion, which constitutes about 61 percent of the national budget and 18 percent of GDP.

Operating Budget Grants

Total operating grants received in FY 1396 were Afs 120.5 billion. This constitutes 45 percent of funding sources of operating budget. The highest amount of grant in the operating expenditure is spent in the security sector. The following chart presents components of the operating grants in the Fiscal Year 1396.

Chart 12. Operating Grants in 1396 (values in millions of Afs)



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 28,316 million during FY 1396.

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

CSTC-A grants mainly support ANA and a small portion of this grant is allocated for the ANP. Total grants receipts from CSTC-A for Ministry of Defense (MoD) in 1396 were Afs 14,838 million, while for Ministry of Interior (MoI) were Afs 56,205 million.

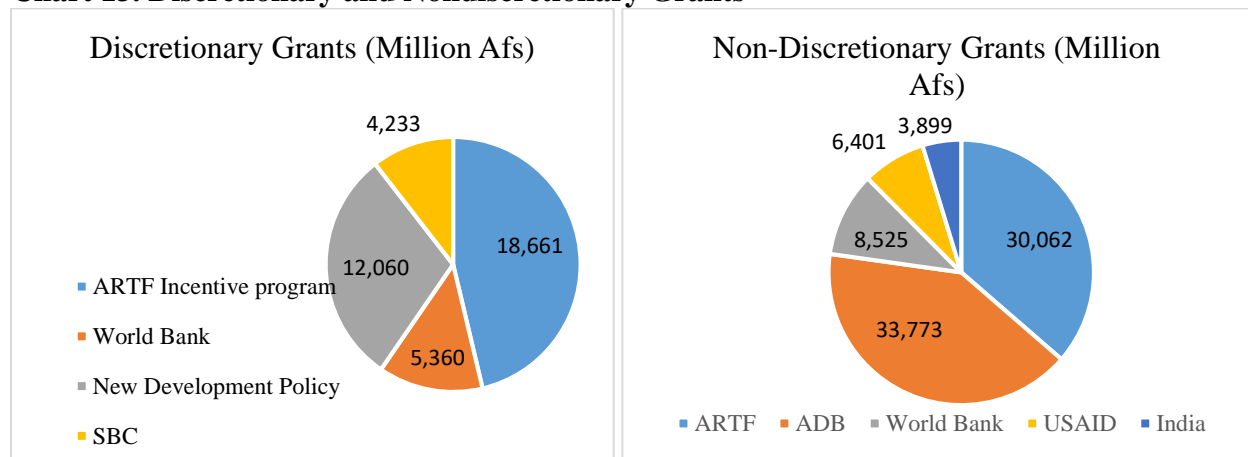
Operating Grants from the Afghanistan Reconstruction Trust Fund (ARTF)

The ARTF which is administered by the World Bank is used to support salaries of un-uniformed civil servants. Total receipts of ARTF in FY 1396 were Afs 5,025 million.

Development Budget Grants

In the Fiscal Year 1396, the total grants for development budget amounts to Afs 138.2 billion (2.0 billion USD). This funds 86 percent of the FY 1396 development budget. From the above mentioned amount Afs 40.3 billion was discretionary grants and Afs 95.2 billion was non-discretionary grants. The charts below show sources of discretionary and non-discretionary sources.

Chart 13. Discretionary and Nondiscretionary Grants



2.3 Expenditure

Expenditure Summary

The Government budget consists of operating and development budgets. The final budget for the fiscal year 1396 was Afs 427.9 billion, and total spending was Afs 356.236 billion (83.2% of the Final Budget). Operating Budget and Development Budget spending amounts to Afs 252.681 billion (91.8 % of the Operating Budget) and Afs 103.555 billion (67.8% of the Development Budget) respectively. Total budget spending increased by 7 percent compared to the Fiscal Year 1395 (76.2% in FY 1395), the Operating Budget performance increased by 2.3 percent and Development Budget performance increased by 13.8 percent in 1396. Total spending in the Fiscal Year 1396 amounts to 33.9 percent of the real GDP.

Table 6. Expenditure Summary

In millions of Afghanis	1395 Actual	1395 %GDP	1396 Actual	1396 %GDP	1396 Original Budget (5)	1396 Final Budget (6)	1396 Actual as % of Final Budget
TOTAL GROSS EXPENDITURES	352,168.4	26.4	356,236.8	33.9	429,413.7	427,988.9	83.2
Operating Budget	258,419.6	19.4	252,681.6	24.1	268,412.2	275,237.1	91.8
Development Budget	93,748.9	7.0	103,555.2	9.9	161,001.5	152,751.9	67.8
TOTAL NET EXPENDITURES (1)	351,049.6	26.3	356,142.4	33.9			
Operating Budget	257,300.8	19.3	252,587.2	24.1			
Development Budget	93,748.9	7.0	103,555.2	9.9			
RECURRENT EXPENDITURES (excludes 25)	292,480.4	21.9	288,299.6	27.5	236,817.0	265,046.6	108.8
Operating Budget	253,563.5	19.0	247,412.7	23.6	236,817.0	265,049.7	93.3
Development Budget	38,916.9	2.9	40,886.9	3.9	N/A	3.1	1,318,826.6
Compensation of Employees	164,507.6	12.3	174,569.0	16.6	173,250.1	181,294.0	96.3
Operating Budget	164,507.6	12.3	174,569.1	16.6	173,250.1	181,297.1	96.3
Development Budget	0.0	0.0	-0.1	0.0	-	3.1	3.2
Use of Goods and Services	103,422.2	7.8	87,932.8	8.4	36,917.3	57,103.0	154.0
Operating Budget	65,238.9	4.9	47,956.8	4.6	36,917.3	57,103.0	84.0
Development Budget	38,183.3	2.9	39,976.0	3.8	-	-	-
Interest (2)	580.5	0.0	450.6	0.0	1,830.8	1,830.8	24.6
Operating Budget	580.5	0.0	450.6	0.0	1,830.8	1,830.8	24.6
Development Budget	0.0	0.0	0.0	0.0	-	-	-
Social Transfers (3)	23,970.1	1.8	25,347.2	2.4	24,818.8	24,818.8	102.1

Operating Budget	23,236.5	1.7	24,436.2	2.3	24,818.8	24,818.8	98.5
Development Budget	733.6	0.1	911.0	0.1	-	-	-
Gross Acquisition of Nonfinancial Assets	59,688.1	4.5	67,937.2	6.5	N/A	10,190.5	666.7
Operating Budget	4,856.1	0.4	5,268.9	0.5	7,348.3	10,190.5	51.7
Development Budget	54,832.0	4.1	62,668.3	6.0	-	-	-
Net Acquisition of Nonfinancial Assets (1)	58,569.3	4.4	67,842.8	6.5			
Operating Budget	3,737.3	0.3	5,174.5	0.5			
Development Budget	54,832.0	4.1	62,668.3	6.0			

Source: AFMIS Database 1 March 2017

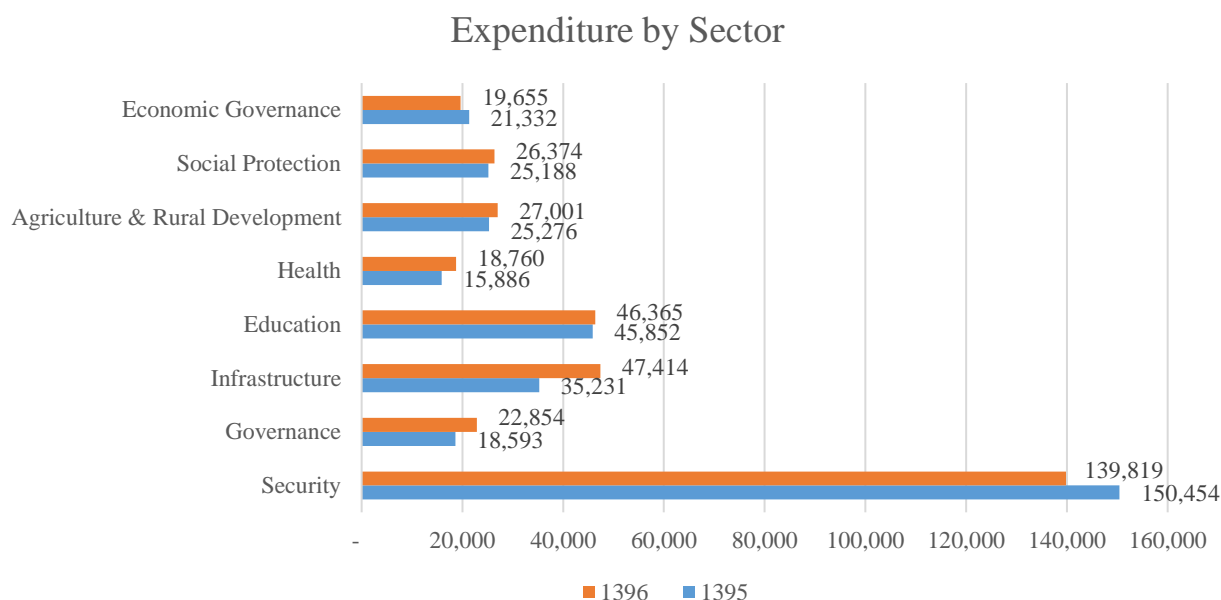
1. Proceeds from sale of fixed assets are net off from the total.
2. Actuals are interest only. However, budget figures include principal repayments and interest.
3. Budget figures for code 24 only includes budgeted pensions from contingency reserve, therefore actual expenditure may be larger than budget.
4. 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.
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 are also not finalized, and so total of each category does not add to total Budget of Afs434.3 billion.

Expenditure by Sector

In the Brussels Conference on Afghanistan, the National Unity Government presented the Afghanistan National Peace and Development Framework (ANPDF), which replaces the ANDS. The Afghanistan National Peace and Development Framework presents government's strategic framework to achieve self-reliance and increase the welfare of people. Beside other objectives, the government will build a productive and broad-based economy that creates jobs. While the sectors under the ANPDF remain the same as the ANDS, the approach towards attaining the objectives set differs significantly. Although the ANPDF was created in 1395, the actual implementation started in 1396 (2017) with the establishment of the Development Councils (DCs).

The chart and table below present expenditure by sector under the ANDS classification in the Fiscal Year 1395 and 1396.

Chart 14. Expenditure by Sector



Source: AFMIS database, March 2017

Security Sector

Although, the share of spending on Security Sector reduced by 4.4 percent compared to the Fiscal Year 1395, but still security sector remained the largest spending sector in Afghanistan. A major portion of expenditure was on Security Sector. A total of Afs 139.819 billion was spent in this sector, which makes 40.1 percent of the total spending and 10 percent of GDP. Out of Afs 135.5 billion allocated to this sector, 103.1 percent was spent. The Major share of spending in the Security Sector (98.7%) is operating in nature, which is mainly financed through donor financing. Ministry of Interior, Ministry of Defense and General Directorate of National Security are the main agencies under the Security Sector. In the Fiscal Year 1396, these three agencies spent Afs 58.2 billion, 59 billion and Afs 15.2 billion respectively. Other agencies are the Ministry of Foreign Affairs and presidential protective services.

Education Sector

The Education Sector includes the Ministry of Education, Ministry of Higher Education and Ministry of Culture Affairs. This sector is the second largest Operating Budget spending sector. In the Fiscal Year 1396, it spent a total of Afs 46.36 billion, out of which Afs 39.36 billion was Operating spending and Afs 6.9 billion was Development spending. The data shows that the spending in this sector increased as compared to the previous year.

Table 7. Expenditure by Sector

In millions of Afghanis	1395	1395	1395	1396	1396	1396	1396	1396
	Annual Actual	% of Total Spending	% GDP	Prelim. Annual Actual	% of Total Spending	% GDP	Final Budget (1)	Actual as % of Final Budget
Security	150,454	44.5	11.3	139,819	40.1	10.0	135,554	103.1
Operating Budget	149,183	58.1	11.2	138,106	55.4	9.9	134,499	102.7
Development Budget	1,271	1.6	0.1	1,713	1.7	0.1	1,055	162.4
Governance, Rule of Law & Human Rights	18,593	5.4	1.4	22,858	6.6	1.6	18,140	126.0
Operating Budget	17,066	6.6	1.3	19,422	7.8	1.4	14,960	129.8
Development Budget	1,527	1.8	0.1	3,436	3.5	0.2	3,180	108.1
Infrastructure & Natural Resources	35,231	9.0	2.6	47,414	13.6	3.4	65,278	72.6
Operating Budget	5,885	2.2	0.4	6,189	2.5	0.4	6,067	102.0
Development Budget	29,346	27.2	2.2	41,225	41.6	2.9	59,211	69.6
Education	45,852	13.6	3.4	46,365	13.3	3.3	59,483	77.9
Operating Budget	37,410	14.6	2.8	39,368	15.8	2.8	39,398	99.9
Development Budget	8,442	10.5	0.6	6,998	7.1	0.5	20,085	34.8
Health	15,886	4.7	1.2	18,760	5.4	1.3	18,600	100.9
Operating Budget	3,531	1.4	0.3	4,217	1.7	0.3	3,118	135.2
Development Budget	12,356	15.3	0.9	14,543	14.7	1.0	15,481	93.9
Agriculture & Rural Development	25,276	7.5	1.9	27,001	7.8	1.9	41,885	64.5
Operating Budget	1,924	0.7	0.1	2,273	0.9	0.2	2,392	95.0
Development Budget	23,352	28.9	1.8	24,729	24.9	1.8	39,492	62.6
Social Protection	25,188	7.5	1.9	26,374	7.6	1.9	25,956	101.6
Operating Budget	24,203	9.4	1.8	25,158	10.1	1.8	24,706	101.8
Development Budget	985	1.2	0.1	1,216	1.2	0.1	1,249	97.3
Economic Governance & Private Sector Development	21,332	6.3	1.6	19,655	5.6	1.4	9,566	205.5
Operating Budget	16,767	6.5	1.3	14,372	5.8	1.0	2,811	511.4
Development Budget	4,565	5.7	0.3	5,283	5.3	0.4	6,756	78.2
Extra budgetary Activities	0	0		0	0	-	1,564	N/A
Operating Budget	0	0		0	0		0	N/A
Development Budget	0	0		0	0		1,564	N/A
TOTAL (1)	337,812	98	25	348,246	100	24.9	391,218.9	92.6
Operating Budget	255,967	100	19	249,105	100	17.8	227,952.2	109.3
Development Budget	81,845	92	6	99,142	100	7.1	163,266.7	60.7

Source: AFMIS, March 2017

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.
2. Total spending in this sector constitutes 13.3 percent of the National Budget and 3.3 percent of GDP. The sector spent all of its allotted Operating Budget and 34.8 percent of its Development Budget. In the Fiscal Year 1396, spending on education compared to the Fiscal Year 1395, reduced both as a share of total spending and GDP by

0.2 and 0.1 percent. Spending on education has positive effects on the formation of human capital and can boost economic growth while promoting equity and reducing poverty.

Infrastructure Sector

Infrastructure investment is vital to growth in Afghanistan, but making a lasting impact will depend not on “how much” but “how well.” The Infrastructure Sector is the third largest spending sector (total budget) and the first largest Development Budget spending sector. This sector includes the key ministries such as the Ministry of Public Works, Ministry of Transportation and Civil Aviation, Ministry of Energy and Water, Ministry of Urban Development, Ministry of Mines and Petroleum and some other relevant agencies. In the Fiscal Year of 1396, out of the total budget of Afs 65.278 billion, the sector spent Afs 47.4 billion. Out of this spending, Afs 6.06 billion was Operating expenditure and Afs 59.2 billion was Development expense. Development spending in this sector constitutes 69.6 percent of total development spending and 2.9 percent of GDP. Total spending in this sector constitutes 3.4 percent of the GDP. In the Fiscal Year 1395, the sector spent 72.6 percent of its allotted budget. The share of spending on infrastructure in total spending and GDP increase from 9 percent and 2.6 percent in the Fiscal Year 1395 to 13.3 percent and 3.3 percent, respectively, in the Fiscal Year 1396.

Agriculture and Rural Development

The Agriculture and Rural Development Sector includes the Ministry of Agriculture, Irrigation and Livestock (MAIL), the Ministry of Rural Rehabilitation and Development (MRRD) and Ministry of Counter Narcotics. Followed by Infrastructure Sector, this sector is the second largest Development Budget spending sector. Out of Afs 41.8 billion total budget allotted to this sector, it spent Afs 27 billion (64.5%), and of Afs 39.4 billion Development Budget, it spent Afs 24.7 billion (62.6%). The total spending and development spending in this sector constitutes 7.8 percent of the National Budget. Similarly, the total spending in this sector constitutes 1.9 percent of GDP. The share of spending on Agriculture and Rural Development in total spending increased from 7.5 percent in 1395 to 7.8 percent in 1396, and as percentage of GDP, it remained the same (1.9%), in the Fiscal Year 1396.

Agriculture is the primary driver of economic growth in Afghanistan. The contribution of agriculture sector in employment and exports is more than any other sector.

Health Sector

The Ministry of Public Health (MoPH) is the only agency in the Health Sector. Out of Afs 18.6 billion allotted budget in the National Budget for Fiscal Year of 1396, the MoPH spent Afs 18.7 billion (100.9%). It spent 135.2 percent of its operating budget of its Operating Budget and 93.9 percent of its Development Budget. In this year, the share of spending on health in total spending and the GDP was 5.4 percent and 1.3 percent respectively. The Basic Package of Health Services (BPHS), Improving Quality of Hospital Services (IQHS) and National Immunization Program (NIP) is the sector’s largest projects.

Health is an important determinant of economic development; a healthy population means higher productivity, thus higher income per head. Investments on health can lead to an increase in labor productivity, thus increase in incomes and subsequent increase in the wellbeing of the population.

Social Protection

Social protection includes key ministries and agencies such as the Ministry of Labor, Social Affairs, Martyred and Disabled (MoLSAMD), the Ministry of Refugees and Returnees, the Ministry of Frontiers and Tribal Affairs, Ministry of Women Affairs, Directorate of Kochis and Office of Disaster Preparedness. Total spending of this sector in the Fiscal Year of 1396 was Afs 26.3 billion, of which Afs 25.15 billion was Operating and Afs 1.2 billion was Development spending. Because of the influx of returnees, increase in the number of civilian and military casualties and increase in number disabled due to the on-going war in the country, the share of spending on this sector in total spending and the GDP has increased over time. In the Fiscal Year 1396, compared to the previous year, the share of spending on this sector in total spending increased from 7.5 to 7.6 percent and as percentage of GDP, it remained the same (1.9%).

Social protection has positive impacts on growth at local level through the multiplier effects of increased local consumption and improved labor market outcomes. In addition, it allows the government to more effectively bring about other economic reforms that have positive effects on economic growth.

Economic Governance and Private Sector Development

The key ministries and agencies included in the Economic Governance and Private Sector Development Sector are the Ministry of Finance, the Ministry of Commerce and Industries (MoCI), the Ministry of Economy, the Supreme Audit Office (SAO), the Central Statistics Organization (CSO) and the Afghanistan National Standards Authority (ANSA). The sector spent Afs 19.6 billion in total, of which Afs 14.3 billion was Operating and Afs 5.2 billion was Development spending. In the Fiscal Year of 1396, the share of spending on this sector in total government spending decreased from 6.3 percent to 5.6 percent, and as percentage of the GDP, it decreased from 1.6 to 1.4 percent compared to 1395.

The Governance, Rule of Law and Human Rights Sector

The ministries and agencies included in the Governance, Rule of Law and Human Rights Sector are the National Assembly (Upper and Lower Houses), the Ministry of State for Parliamentary Affairs, the Attorney General Office, the Ministry of Haj and Religious Affairs, the Election Commission and several other agencies. In the Fiscal Year 1396, this sector spent Afs 22.8 billion, of which Afs 19.4 billion was Operating and Afs 3.4 billion was Development spending. An important component of Development Budget for this sector is the Public Financial Management Reform Project, funded by the World Bank. The share of spending on this sector in the total spending and the GDP was 6.6 percent and 1.6 percent, respectively, which increased from 5.4 and 1.4 compared to the Fiscal Year 1395.

Extra-budgetary Activities

The Government operates very few extra-budgetary funds (i.e. off-budget funds which receive and expand 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 telecom infrastructure, particularly attempting to roll out further connections to rural areas. It is overseen by the Afghanistan Telecoms Regulatory Authority (ARTA), and is financed primarily through a levy of 2.5% charged on telecoms operators' net revenue, as part of

their GSM agreements, and in part through donor support as well. The Fund has been used for a number of purposes including providing subsidies for the expansion of telecoms infrastructure.

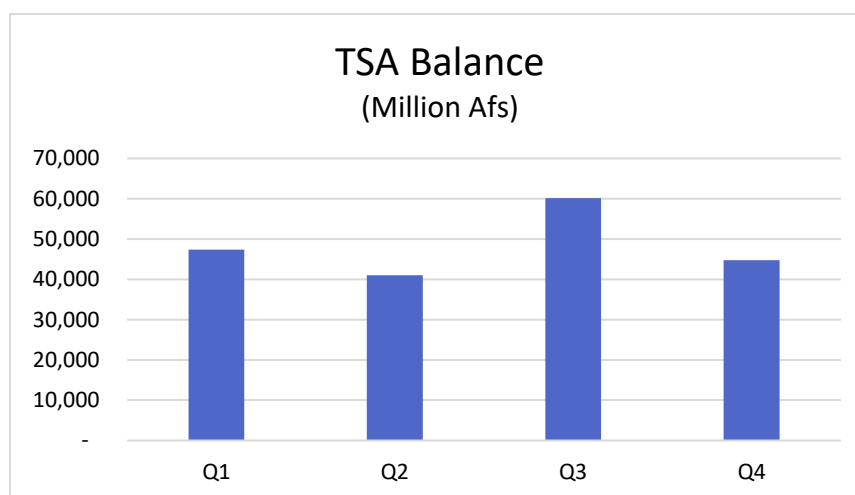
For details of expenditure please refer to Appendix.

3. Government Financing

Treasury Single Account (TSA)

The balance in Treasury Single Account is reduced by 9% in 1396 as compared to 1395. There are two important justifications for the reduction assets in Treasury Single Account: in the last three-four years, the government successfully enhanced the administrative capacity of the tax collection authorities, due to which the revenues streams made a considerable contribution to the public purse. However, that tool at the hand of the government has exhausted, and the government can no longer use it to increase assets in TSA. Secondly, foreign aid (on-budget support) constituted the considerable part of TSA, but it is on the decline, due to which negative change occurred in the overall balance of TSA. On the quarter basis, the government usually realize large amount of treasury balances through revenue collection in the first quarters. The last quarters show a decline in treasury balance because government institutions commit more spending at the later stage of the year as compared to the revenue.

Figure 15. TSA Balance Estimation



The overall net acquisition of nonfinancial assets in the Fiscal Year of 1396 improved modestly as compared to last year. This means that the purchase and sale of land and buildings, real estate and machinery gained some momentum. The ratio for net acquisition of non-financial assets to GDP reached 4.8 percent. A significant portion (70%) of the Net Acquisition came from Purchase of Land and Buildings. The second largest component in the outflow of funds due to the acquisition of non-financial assets was Acquisition of Machinery of Equipment. The data for the Sale of State-Owned Enterprises is not available.

On the other hand, transactions in Financial Assets and Liabilities in the Fiscal Year 1396 shows a negative balance or 20% reduction. The data for 1396 shows that there is a considerable decrease in currency and deposits in the economy. Treasury Single Account has also suffered from negative

change. Donor accounts, lendings and other assets are other categories also contributed to the overall average performance of the this section.

Table 8. Net Acquisition of Non-Financial Assets

In millions of Afghanis	1395	1395	1396	1396	1396	1396
	Actual	% GDP	Actual	% GDP	Prelim Actual	% GDP
NET ACQUISITION OF NONFINANCIAL ASSETS	58,569.3	4.4	67,842.8	4.8	67,842.8	4.8
Land and Buildings	39,157.7	2.9	42,031.2	3.0	42,031.2	3.0
Purchase of Land and Buildings	40,276.6	3.0	42,125.7	3.0	42,125.7	3.0
Sale of Land and Buildings	-1,118.8	-0.1	-94.5	0.0	-94.5	0.0
Sale of State-Owned Enterprises	0.0	0.0	0.0	0.0	0.0	0.0
Machinery and Equipment (>50,000)	14,300.4	1.1	15,416.7	1.1	15,416.7	1.1
Valuables	3.8	0.0	1.4	0.0	1.4	0.0
Other Acquisitions	5,107.3	0.4	10,393.4	0.7	10,393.4	0.7

Source: AFMIS Database 1 March 2017

In the Fiscal Year 1396, liabilities dramatically increased from one percent to 7 percent of GDP. There are concerns that this will keep on increasing to unsustainable levels, mainly owing to some new policies announced by the government in social sectors of the economy. The new pension policy is yet to be fully operationalized, which will test the government's financing ability. On the other hand, the Afghan economy is also experiencing a gradual structural change, in which the increasing level of loans in the overall portfolio will be the main component. This entails interest payments, which will principally increase the government's liability.

Table 9. Transactions in Financial Assets

(In millions of Afghanis)	1395	1395	1396	1396	1396	1396
	Actual	% GDP	Prelim	% GDP	Prelim	% GDP
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES	-5,568.3		5,011.7		5,011.7	
NET ACQUISITION OF FINANCIAL ASSETS	-6,363.5	-0.5	-5,233.6	-0.4	-5,233.6	-0.4
Domestic	-6,363.5	-0.5	-5,233.6	-0.4	-5,233.6	-0.4
Currency and Deposits	-3,415.2	-0.3	-518.1	0.0	-518.1	0.0
Treasury Single Account	-5,675.2	-0.4	-521.7	0.0	-521.7	0.0
Donor Accounts	2,260.0	0.2	3.5	0.0	3.5	0.0
Other Deposit Accounts	0.0	0.0	0.0	0.0	0.0	0.0
Loans (Lendings)	-2,741.3	-0.2	-4,543.5	-0.3	-4,543.5	-0.3
Other Accounts Receivable	1,463.2	0.1	7,587.0	0.5	7,587.0	0.5
Other Assets	-1,670.2	-0.1	-7,759.0	-0.6	-7,759.0	-0.6
Foreign	0.0		0.0		0.0	0.0

NET ACQUISITION OF LIABILITIES	795.3	0.1	10,245.3	0.7	10,245.3	0.7
Domestic	2,236.9	0.2	10,906.7	0.8	10,906.7	0.8
Accounts Payable	-263.7	0.0	1,847.6	0.1	1,847.6	0.1
Pension Liabilities	2.3	0.0	181.8	0.0	181.8	0.0
Other Payables	0.7	0.0	1.8	0.0	1.8	0.0
Other Liabilities	2,497.7	0.2	8,875.5	0.6	8,875.5	0.6
Foreign	-1,441.6	-0.1	-661.5	0.0	-661.5	0.0
Foreign Currency	-950.6	-0.1	-50.9	0.0	-50.9	0.0
Loans (Borrowings)	-491.0	0.0	-610.5	0.0	-610.5	0.0

Government Debt

Debt Stock

Total Government debt stock during the Fiscal Year 1396 was Afs 165 billion, which is 7 percent more than the debt stock in the Fiscal Year 1395. 91 percent of the debt stock in the Fiscal Year 1396 was received from external sources and only 9 percent from domestic sources. 54 percent of the external debt was received from International Organizations, in which ADB and the World Bank have the largest share; and 46 percent from foreign countries, in which Saudi Arabia has the largest share.

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 1396 amounted to Afs 5246 million, or 6% less as compared the Fiscal Year of 1395. Currently, most of these debts are in the form of concessional loans; either a rate of zero or a very marginal interest rate. However, increase in interest rate is expected in the future loan arrangements between the government of Afghanistan and the creditors. The 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, conditional to achieve certain economic and social benchmarks as defined for 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.

Table 10. Government Debt

Central Government Debt Stock			Change
In Million Afs	1395	1396	YoY
EXTERNAL	140,578	150,023	7%
International Organizations	75,380	80,949	7%
IMF	5,577	5,246	-6%
World Bank	23,221	25,214	9%
Islamic Development Bank	3,065	3,327	9%
Asian Development Bank	43,517	47,162	8%
Others	0	0	0%
Foreign Governments	65,198	69,074	6%
Russian Federation	60,045	62,425	4%
Saudi Fund	2,987	4,372	46%
Others	2,166	2,276	5%
DOMESTIC	22,999	15,070	-34%
Bonds (Non-Tradable)	22,999	15,070	-34%
Commercial Banks			
TOTAL CENTRAL GOVERNMENT DEBT	163,577	165,093	1%
<i>In Percent</i>			
Portion Short Term Debt 1	0	0	
Implied Maturity of Debt (Years)	206.6	206.6	0.00%
Implied Interest Rate of Debt	0.10%	0.10%	0.00%

1/ Less than one year

4. Appendix

Table 2a. Integrated Core Budget Expenditures 1395 - 1396

Core	In millions of Afghanis	1395 Actual	1395 %GDP	1396 Actual	1396 %GDP	1396 Original Budget (4)	1396 Final Budget (5)	1396 Actual as % of Final Budget (5)
2	TOTAL GROSS EXPENDITURES	352,605.9	26.4	356,236.8	25.4	429,413.7	427,989	83.2
2	TOTAL NET EXPENDITURES (1)	351,487.0	26.4	356,142.4	25.4			
	RECURRENT EXPENDITURES							
2-25	(excludes 25)	292,917.8	22.0	288,299.6	20.6			
21	Compensation of Employees	164,507.6	12.3	174,569.0	12.5	173,250.1	181,294.0	96.3
211-3	Wages and Salaries	155,843.0	11.7	166,245.8	11.9			
211	Wages and Salaries in Cash	134,651.2	10.1	140,552.2	10.0			
212	Wages and Salaries in Kind	21,304.7	1.6	25,623.4	1.8			
213	Wages and Salary Advance	294.8	0.0	318.4	0.0			
214-5	Social Benefits	8,664.6	0.6	8,323.2	0.6			
219	Return of Salaries	-407.7	0.0	-248.3	0.0			
22	Use of Goods and Services	103,422.2	7.8	87,932.8	6.3	36917.3	57,103.0	
221	Travel	2,993.0	0.2	3,114.7	0.2			
222	Communications	3,970.5	0.3	3,814.0	0.3			
223	Contracted Services	30,817.1	2.3	32,309.7	2.3			
224	Repairs and Maintenance	8,350.1	0.6	6,894.3	0.5			
225	Utilities	5,053.9	0.4	6,115.9	0.4			
226	Fuel	25,235.2	1.9	10,951.8	0.8			
227-9	Other Use of Goods and Services	27,002.5	2.0	24,732.4	1.8			
23	Interest (2)	580.5	0.0	450.6	0.0	1830.8	1,830.8	24.6
24	Social Transfers (3)	24,407.5	1.8	25,347.2	1.8	24,818.8	24,818.8	102.1
242	Subsidies	1,400.0	0.1	1,389.2	0.1			
245	Grants	553.6	0.0	592.5	0.0			
	Grants to Foreign Government -							
244	Capital	437.4	0.0	405.5	0.0			
	Grants to other Government Units -							
245	Current	116.2	0.0	187.0	0.0			
247	Social Security	21,429.6	1.6	22,102.6	1.6			
248-9	Other Social Transfers	1,024.3	0.1	1,263.0	0.1			
248	Social Assistance	195.4	0.0	186.7	0.0			

249	Advance Subsidies, Grants	828.9	0.1	1,076.3	0.1		
	Gross Acquisition of Nonfinancial						
25	Assets	59,688.1	4.5	67,937.2	4.9	7348.3	10,190.5
	Net Acquisition of Nonfinancial Assets						
25	(1)	58,569.3	4.4	67,842.8	4.8		
150	Sale of Land and Buildings	-1,118.8	-0.1	-94.5	0.0		
251	Buildings and Structures	39,287.2	2.9	41,732.3	3.0		
252	Machinery and Equipment (>50,000)	14,300.4	1.1	15,416.7	1.1		
257	Valuables	3.8	0.0	1.4	0.0		
258	Land	989.3	0.1	393.4	0.0		
259	Capital Advance Payments	5,107.3	0.4	10,393.4	0.7		

Source: AFMIS Database as at 3 April 2016

Table 2b. Operating Budget Expenditures 1395 - 1396

In millions of Afghanis	1395 Actual	1395 %GDP	1396 Prelim. Actual	1396 %GDP	1396 Original Budget	1396 Final Budget (4)	1396 Actual as % of Final Budget (4)
TOTAL GROSS EXPENDITURES	258,419.6	19.4	252,681.6	18.0	268,412.2	275,237.1	91.8
TOTAL NET EXPENDITURES (1)	257,300.8	19.3	252,587.2	18.0			
RECURRENT EXPENDITURES (excludes 25)	253,563.5	19.0	247,412.7	17.7			
Compensation of Employees	164,507.6	12.3	174,569.1	12.5	173,250.1	181,297.1	96.3
Wages and Salaries	155,843.0	11.7	166,245.9	11.9			
Wages and Salaries in Cash	134,651.2	10.1	140,552.2	10.0			
Wages and Salaries in Kind	21,304.7	1.6	25,623.5	1.8			
Wages and Salary Advance	294.8	0.0	318.4	0.0			
Social Benefits	8,664.6	0.6	8,323.2	0.6			
Return of Salaries	-407.7	0.0	-248.3	0.0			
Use of Goods and Services	65,238.9	4.9	47,956.8	3.4	36,917.3	57,103.0	84.0
Travel	2,493.2	0.2	2,548.7	0.2			
Communications	3,970.5	0.3	3,814.0	0.3			
Contracted Services	1,764.3	0.1	1,958.9	0.1			
Repairs and Maintenance	8,350.1	0.6	6,894.3	0.5			
Utilities	5,053.9	0.4	6,114.1	0.4			
Fuel	25,142.3	1.9	10,870.7	0.8			
Other Use of Goods and Services	18,464.6	1.4	15,756.0	1.1			

Interest (2)	580.5	0.0	450.6	0.0	1830.8	1830.8	24.6
Social Transfers (3)	23,236.5	1.7	24,436.2	1.7	24,818.8	24,818.8	98.5
Subsidies	1,400.0	0.1	1,390.0	0.1			
Grants	41.1	0.0	454.8	0.0			
Grants to Foreign Government - Capital	437.4	0.0	405.5	0.0			
Grants to other Government Units - Current	41.1	0.0	49.2	0.0			
Social Security	21,429.6	1.6	22,102.6	1.6			
Other Social Transfers	365.8	0.0	488.9	0.0			
Social Assistance	23.7	0.0	22.0	0.0			
Advance Subsidies, Grants	342.1	0.0	466.9	0.0			
Gross Acquisition of Nonfinancial Assets	4,856.1	0.4	5,268.9	0.4	7,348.3	10,190.5	51.7
Net Acquisition of Nonfinancial Assets (1)	3,737.3	0.3	5,174.5	0.4			
Sale of Land and Buildings	-1,118.8	-0.1	-94.5	0.0			
Buildings and Structures	3,138.9	0.2	2,757.9	0.2			
Machinery and Equipment (>50,000)	1,164.4	0.1	2,073.5	0.1			
Valuables	0.6	0.0	0.49	0.0			
Land	499.4	0.0	378.6	0.0			
Capital Advance Payments	52.9	0.0	58.4	0.0			

Table 2c. Development Budget Expenditures 1395 - 1396

In millions of Afghanis	1395 Actual	1395 %GDP	1396 Prelim	1396 %GDP	1396 Original Budget (5)	1396 Final Budget (6)	1396 Actual as % of Final Budget (4)
TOTAL GROSS EXPENDITURES	93,748.9	7.0	103,555.2	7.4	161,001.5	152,751.9	68
TOTAL NET EXPENDITURES (1)	93,748.9	7.0	103,555.2	7.4			
RECURRENT EXPENDITURES (excludes 25)	38,916.9	2.9	40,886.9	2.9			
Compensation of Employees	0.0	0.0	-0.1	0.0	-	-	3.1
Wages and Salaries	0.0	0.0	-0.1	0.0			
Wages and Salaries in Cash	0.0	0.0	0.0	0.0			
Wages and Salaries in Kind	0.0	0.0	-0.1	0.0			
Wages and Salary Advance	0.0	0.0	0.0	0.0			
Social Benefits	0.0	0.0	0.0	0.0			
Return of Salaries	0.0	0.0	0.0	0.0			
Use of Goods and Services	38,183.3	2.9	39,976.0	2.9	0.0	-	-

Travel	499.8	0.0	566.0	0.0			
Communications	0.0	0.0	0.0	0.0			
Contracted Services	29,052.8	2.2	30,350.8	2.2			
Repairs and Maintenance	0.0	0.0	0.0	0.0			
Utilities	0.0	0.0	1.7	0.0			
Fuel	92.9	0.0	81.1	0.0			
Other Use of Goods and Services	8,537.8	0.6	8,976.4	0.6			
Interest (2)	0.0	0.0	0.0	0.0	-	-	-
Social Transfers (3)	733.6	0.1	911.0	0.1	-	-	-
Subsidies	0.0	0.0	-0.8	0.0			
Grants	75.1	0.0	137.8	0.0			
Grants to Foreign Government - Capital	0.0	0.0	0.0	0.0			
Grants to other Government Units - Current	75.1	0.0	137.8	0.0			
Social Security	0.0	0.0	0.0	0.0			
Other Social Transfers	658.5	0.0	774.0	0.1			
Social Assistance	171.7	0.0	164.7	0.0			
Advance Subsidies, Grants	486.8	0.0	609.4	0.0			
Gross Acquisition of Nonfinancial Assets	54,832.0	4.1	62,668.3	4.5	0.0	-	-
Net Acquisition of Nonfinancial Assets (1)	54,832.0	4.1	62,668.3	4.5	-		
Sale of Land and Buildings	0.0	0.0	0.0	0.0			
Buildings and Structures	36,148.3	2.7	38,974.4	2.8			
Machinery and Equipment (>50,000)	13,136.1	1.0	13,343.2	1.0			
Valuables	3.2	0.0	0.9	0.0			
Land	489.9	0.0	14.7	0.0			
Capital Advance Payments	5,054.4	0.4	10,335.1	0.7			

Table X. Integrated Core Budget by Ministry

In millions of Afghanis	1395	1395	1395	1396	1396	1396	1396	1396
	Annual	% of		Prelim.	% of		Final Budget (1)	
	Actual	Total	% GDP	Annual	Total	% GDP		Actual as %
		Spending		Actual	Spending			of Final
								Budget
Ministry of Interior	60,399	17.9	4.5	58,269	16.7	4.2	58,822	99.1
Operating Budget	60,068	23.4	4.5	57,580	23.1	4.1	58,435	98.5
Development Budget	331	0.4	0.0	689	0.7	0.0	388	177.8
Ministry of Defence	70,602	20.9	5.3	59,075	17.0	4.2	69,454	85.1
Operating Budget	70,602	27.5	5.3	58,967	23.7	4.2	69,454	84.9
Development Budget	0	0.0	0.0	109	0.1	0.0	0	N/A
Ministry of Foreign Affairs	5,131	1.5	0.4	5,594	1.6	0.4	5,449	102.7
Operating Budget	4,422	1.7	0.3	4,901	2.0	0.4	5,008	97.9
Development Budget	708	0.9	0.1	693	0.7	0.0	441	157.1
Presidential Protective Service	1,483	0.4	0.1	1,661	0.5	0.1	1,702	97.6
Operating Budget	1,366	0.5	0.1	1,556	0.6	0.1	1,602	97.1
Development Budget	117	0.1	0.0	105	0.1	0.0	100	105.1
General Directorate of National Security	12,839	3.8	1.0	15,220	4.4	1.1	127	12,017.0
Operating Budget	12,724	5.0	1.0	15,103	6.1	1.1	0	N/A
Development Budget	115	0.1	0.0	117	0.1	0.0	127	92.7
Security	150,454	44.5	11.3	139,819	40.1	10.0	135,554	103.1
Operating Budget	149,183	58.1	11.2	138,106	55.4	9.9	134,499	102.7

Development Budget	1,271	1.6	0.1	1,713	1.7	0.1	1,055	162.4
President's Office	0	-	0.0	0	-	0.0	163	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	163	0.0
National Assembly Meshrano Jirga	486	0.1	0.0	529	0.2	0.0	590	89.7
Operating Budget	480	0.2	0.0	514	0.2	0.0	532	96.5
Development Budget	6	0.0	0.0	15	0.0	0.0	58	26.6
National Assembly Wolesi Jirga	1,525	0.5	0.1	1,672	0.5	0.1	1,663	100.6
Operating Budget	1,518	0.6	0.1	1,644	0.7	0.1	1,647	99.8
Development Budget	7	0.0	0.0	28	0.0	0.0	16	179.9
Supreme Court	3,534	1.0	0.3	3,525	1.0	0.3	3,559	99.1
Operating Budget	3,412	1.3	0.3	3,398	1.4	0.2	3,335	101.9
Development Budget	122	0.2	0.0	127	0.1	0.0	224	56.9
Ministry of Justice	885	0.3	0.1	994	0.3	0.1	1,162	85.5
Operating Budget	620	0.2	0.0	693	0.3	0.0	740	93.7
Development Budget	265	0.3	0.0	301	0.3	0.0	423	71.2
Administrative Affairs	5,108	1.5	0.4	5,812	1.7	0.4	5,217	111.4
Operating Budget	4,749	1.8	0.4	5,270	2.1	0.4	5,175	101.8
Development Budget	359	0.4	0.0	542	0.5	0.0	42	1,297.3
Ministry of State and Parliamentary Affairs	160	0.0	0.0	160	0.0	0.0	197	81.0
Operating Budget	143	0.1	0.0	147	0.1	0.0	153	96.5
Development Budget	17	0.0	0.0	13	0.0	0.0	45	28.1

Ministry of Haj and Religious Affairs	1,093	0.3	0.1	1,572	0.5	0.1	1,616	97.3
Operating Budget	879	0.3	0.1	1,152	0.5	0.1	1,360	84.7
Development Budget	215	0.3	0.0	419	0.4	0.0	255	164.2
Attorney General	1,354	0.4	0.1	2,247	0.6	0.2	329	682.2
Operating Budget	1,238	0.5	0.1	2,080	0.8	0.1	102	2,045.1
Development Budget	115	0.1	0.0	167	0.2	0.0	228	73.5
Election Commission	207	0.1	0.0	361	0.1	0.0	6	6,338.6
Operating Budget	207	0.1	0.0	361	0.1	0.0	0	N/A
Development Budget	0	0.0	0.0	0	0.0	0.0	6	0.0
IARCSC	411	0.1	0.0	1,086	0.3	0.1	391	277.8
Operating Budget	340	0.1	0.0	416	0.2	0.0	0	N/A
Development Budget	71	0.1	0.0	669	0.7	0.0	391	171.2
Independent Commission for Overseeing the Implementation of Cons	340	0.1	0.0	66	0.0	0.0	0	N/A
Operating Budget	66	0.0	0.0	66	0.0	0.0	0	N/A
Development Budget	274	0.3	0.0	0	0.0	0.0	0	N/A
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-Corruption	168	0.0	0.0	143	0.0	0.0	128	112.3
Operating Budget	113	0.0	0.0	137	0.1	0.0	0	N/A
Development Budget	55	0.1	0.0	6	0.0	0.0	128	4.9

Independent Directorate of Local Governance	3,322	1.0	0.2	4,691	1.3	0.3	3,061	153.2
Operating Budget	3,300	1.3	0.2	3,543	1.4	0.3	1,916	184.9
Development Budget	22	0.0	0.0	1,148	1.2	0.1	1,145	100.2
Legal Training Center	0	-	0.0	0	-	0.0	58	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	58	0.0
Governance, Rule of Law & Human Rights	18,593	5.4	1.4	22,858	6.6	1.6	18,140	126.0
Operating Budget	17,066	6.6	1.3	19,422	7.8	1.4	14,960	129.8
Development Budget	1,527	1.8	0.1	3,436	3.5	0.2	3,180	108.1
	1395	1395	1395	1396	1396	1396	1396	1396
In millions of Afghanis	Annual	% of	%	Prelim.	% of	% GDP	Final	Actual as
	Actual	Total	GDP	Annual	Total	% GDP	Budget (1)	% of
		Spending		Actual	Spending			Final
								Budget
Ministry of Public Works	17,089	5.1	1.3	18,313	5.3	1.3	28,654	63.9
Operating Budget	3,308	1.3	0.2	3,138	1.3	0.2	3,199	98.1
Development Budget	13,781	17.1	1.0	15,175	15.3	1.1	25,455	59.6
Ministry of Transport and Aviation	320	0.1	0.0	305	0.1	0.0	381	80.0
Operating Budget	266	0.1	0.0	290	0.1	0.0	313	92.8
Development Budget	54	0.1	0.0	15	0.0	0.0	68	21.5
Ministry of Communication	1,058	0.3	0.1	1,776	0.5	0.1	903	196.5
Operating Budget	538	0.2	0.0	567	0.2	0.0	582	97.3
Development Budget	520	0.6	0.0	1,209	1.2	0.1	321	376.3
Ministry of Energy and Water	4,678	1.4	0.4	5,804	1.7	0.4	10,939	53.1
Operating Budget	625	0.2	0.0	897	0.4	0.1	936	95.9
Development Budget	4,053	5.0	0.3	4,907	4.9	0.4	10,004	49.0

Water Supply and Canalization Corporation	625	0.2		0.0	150	0.0	0.0	574	26.2
Operating Budget	0	-		0.0	0	-	0.0	0	N/A
Development Budget	625		0.8	0.0	150	0.2	0.0	574	26.2
Da Brishna Shirkat	4,053		5.0	0.3	10,984	3.2	0.8	15,475	71.0
Operating Budget	0	-		0.0	0	-	0.0	0	N/A
Development Budget	4,053		5.0	0.3	10,984	11.1	0.8	15,475	71.0
Ministry of Urban Development	3,034		0.9	0.2	4,183	1.2	0.3	1,995	209.6
Operating Budget	286	0.1		0.0	446	0.2	0.0	472	94.4
Development Budget	2,748		3.4	0.2	3,737	3.8	0.3	1,523	245.3
Independent Board of new Kabul	118		0.0	0.0	1,079	0.3	0.1	110	979.1
Operating Budget	0	-		0.0	46	0.0	0.0	0	N/A
Development Budget	118		0.1	0.0	1,033	1.0	0.1	110	937.5
Ministry of Mines and Industries	1,894		0.6	0.1	1,321	0.4	0.1	2,877	45.9
Operating Budget	506	0.2		0.0	540	0.2	0.0	566	95.4
Development Budget	1,388		1.7	0.1	781	0.8	0.1	2,311	33.8
Geodesy and Cartography Office	154		0.0	0.0	2	0.0	0.0	21	7.7
Operating Budget	131	0.1		0.0	2	0.0	0.0	0	N/A
Development Budget	23		0.0	0.0	0	0.0	0.0	21	0.0
Directorate of Environment	221		0.1	0.0	260	0.1	0.0	65	397.6
Operating Budget	190	0.1		0.0	219	0.1	0.0	0	N/A
Development Budget	31		0.0	0.0	41	0.0	0.0	65	62.5
Afghanistan High Atomic Energy Commission	35		0.0	0.0	46	0.0	0.0	0	N/A
Operating Budget	35	0.0		0.0	46	0.0	0.0	0	N/A
Development Budget	0		0.0	0.0	0	0.0	0.0	0	N/A
Municipalities	1,952		0.6	0.1	3,192	0.9	0.2	3,282	97.3
Operating Budget	0	-		0.0	0	0.0	0.0	0	N/A
Development Budget	1,952		2.4	0.1	3,192	3.2	0.2	3,282	97.3

Infrastructure & Natural Resources	35,231		9.0	2.6	47,414		14	3.4	65,278	72.6
Operating Budget	5,885		2.2	0.4	6,189		2	0.4	6,067	102.0
Development Budget	29,346		27.2	2.2	41,225		42	2.9	59,211	69.6
Ministry of Education	37,159		11.0	2.8	37,500		10.8	2.7	49,861	75.2
Operating Budget	31,526	12.3		2.4	33,038	13.3		2.4	33,356	99.0
Development Budget	5,633		7.0	0.4	4,462		4.5	0.3	16,505	27.0
Ministry of Higher Education	7,460		2.2	0.6	7,248		2.1	0.5	8,477	85.5
Operating Budget	4,912	1.9		0.4	5,158	2.1		0.4	5,409	95.3
Development Budget	2,548		3.2	0.2	2,091		2.1	0.1	3,068	68.1
Ministry of Information and Culture	694		0.2	0.1	1,000		0.3	0.1	871	114.8
Operating Budget	517	0.2		0.0	616	0.2		0.0	633	97.4
Development Budget	177		0.2	0.0	383		0.4	0.0	238	161.1
Science Academy	205		0.1	0.0	235		0.1	0.0	10	2,302.7
Operating Budget	201	0.1		0.0	223	0.1		0.0	0	N/A
Development Budget	4		0.0	0.0	11		0.0	0.0	10	111.0
National Olympic Committee	335		0.1	0.0	382		0.1	0.0	263	145.4
Operating Budget	254	0.1		0.0	332	0.1		0.0	0	N/A
Development Budget	81		0.1	0.0	50		0.1	0.0	263	19.1
Education	45,852		13.6	3.4	46,365		13.3	3.3	59,483	77.9
Operating Budget	37,410		14.6	2.8	39,368		15.8	2.8	39,398	99.9
Development Budget	8,442		10.5	0.6	6,998		7.1	0.5	20,085	34.8
Ministry of Public Health	15,886		4.7	1.2	18,760		5.4	1.3	18,600	100.9
Operating Budget	3,531	1.4		0.3	4,217	1.7		0.3	3,118	135.2
Development Budget	12,356		15.3	0.9	14,543		14.7	1.0	15,481	93.9
Health	15,886		4.7	1.2	18,760		5.4	1.3	18,600	100.9
Operating Budget	3,531		1.4	0.3	4,217		1.7	0.3	3,118	135.2
Development Budget	12,356		15.3	0.9	14,543		14.7	1.0	15,481	93.9
Ministry of Agriculture	8,376		2.5	0.6	10,706		3.1	0.8	9,478	113.0
Operating Budget	1,207	0.5		0.1	1,334	0.5		0.1	1,376	97.0
Development Budget	7,170		8.9	0.5	9,372		9.5	0.7	8,102	115.7
Ministry of Counter Narcotics	1,013		0.3	0.1	1,007		0.3	0.1	1,686	59.7

Operating Budget	208	0.1		0.0	212	0.1		0.0	239	88.9
Development Budget	805		1.0	0.1	794		0.8	0.1	1,447	54.9
Ministry of Rural Rehabilitation and Development	15,887		4.7	1.2	15,288		4.4	1.1	30,722	49.8
Operating Budget	509	0.2		0.0	726	0.3		0.1	777	93.4
Development Budget	15,377		19.1	1.2	14,562		14.7	1.0	29,944	48.6
Agriculture & Rural Development	25,276		7.5	1.9	27,001		7.8	1.9	41,885	64.5
Operating Budget	1,924		0.7	0.1	2,273		0.9	0.2	2,392	95.0
Development Budget	23,352		28.9	1.8	24,729		24.9	1.8	39,492	62.6

In millions of Afghanis	1395	1395	1395	1396	1396	1396	1396	1396
	Annual Actual	% of Total	% GDP	Prelim. Annual Actual	% of Total	% GDP	Final Budget (1)	Actual as % of Final Budget
	Spending			Spending				
Ministry of Frontiers and Tribal Affairs	476	0.1	0.0	559	0.2	0.0	600	93.1
Operating Budget	411	0.2	0.0	449	0.2	0.0	481	93.4
Development Budget	66	0.1	0.0	110	0.1	0.0	119	92.3
Ministry of Martyrs, Disabled and Social Affairs	23,157	6.9	1.7	24,031	6.9	1.7	24,657	97.5
Operating Budget	22,511	8.8	1.7	23,288	9.3	1.7	23,690	98.3
Development Budget	645	0.8	0.0	743	0.7	0.1	968	76.8
Ministry of Refugees and Repatriates	473	0.1	0.0	535	0.2	0.0	357	149.5
Operating Budget	265	0.1	0.0	288	0.1	0.0	301	95.7
Development Budget	208	0.3	0.0	246	0.2	0.0	56	438.9
Ministry of Women Affairs	222	0.1	0.0	254	0.1	0.0	276	92.0
Operating Budget	185	0.1	0.0	224	0.1	0.0	234	95.4
Development Budget	37	0.0	0.0	31	0.0	0.0	42	72.8
Office of Disaster Preparedness	761	0.2	0.1	774	0.2	0.1	31	2,473.2
Operating Budget	756	0.3	0.1	774	0.3	0.1	0	N/A

Development Budget	5	0.0	0.0	0	0.0	0.0	31	0.0
Directorate of Kochis	99	0.0	0.0	221	0.1	0.0	33	667.8
Operating Budget	75	0.0	0.0	135	0.1	0.0	0	N/A
Development Budget	25	0.0	0.0	86	0.1	0.0	33	258.8
Social Protection	25,188	7.5	2	26,374	7.6	1.9	25,956	101.6
Operating Budget	24,203	9.4	2	25,158	10.1	1.8	24,706	101.8
Development Budget	985	1.2	0	1,216	1.2	0.1	1,249	97.3
Ministry of Finance	19,065	5.6	1.4	17,869	5.1	1.3	6,797	262.9
Operating Budget	15,275	5.9	1.1	13,302	5.3	1.0	1,912	695.6
Development Budget	3,790	4.7	0.3	4,567	4.6	0.3	4,885	93.5
Ministry of Commerce	1,103	0.3	0.1	675	0.2	0.0	1,054	64.1
Operating Budget	917	0.4	0.1	456	0.2	0.0	628	72.6
Development Budget	186	0.2	0.0	219	0.2	0.0	426	51.5
Ministry of Economy	448	0.1	0.0	536	0.2	0.0	540	99.4
Operating Budget	233	0.1	0.0	243	0.1	0.0	270	89.7
Development Budget	216	0.3	0.0	294	0.3	0.0	269	109.2
Control and Audit Office	429	0.1	0.0	316	0.1	0.0	797	39.6
Operating Budget	135	0.1	0.0	152	0.1	0.0	0	N/A
Development Budget	293	0.4	0.0	164	0.2	0.0	797	20.5
Central Statistics Office	166	0.0	0.0	150	0.0	0.0	293	51.1
Operating Budget	139	0.1	0.0	141	0.1	0.0	0	N/A
Development Budget	26	0.0	0.0	8	0.0	0.0	293	2.8
Afghanistan National Standard Authority	121	0.0	0.0	109	0.0	0.0	86	127.0
Operating Budget	68	0.0	0.0	78	0.0	0.0	0	N/A
Development Budget	53	0.1	0.0	31	0.0	0.0	86	35.9
Economic Governance & Private Sector Development	21,332	6.3	2	19,655	5.6	1.4	9,566	205.5
Operating Budget	16,767	6.5	1	14,372	5.8	1.0	2,811	511.4
Development Budget	4,565	5.7	0	5,283	5.3	0.4	6,756	78.2

Afghanistan Investment Support Agency	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	
Micro Finance Investment Support Facility for Afghanistan	0.0	-	0.0	0	-	0.0	1,564	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	0.0	1,564	0.0	
TOTAL (1)	338,029		25.3	348,246	-	24.9	376,025	92.6	
Operating Budget	256,905		19.3	249,105	0.0	17.8	227,952	109.3	
Development Budget	80,711		6.1	99,142	0.0	7.1	163,267	60.7	
				0				N/A	
				0				N/A	
				0				N/A	
Extrabudgetary Agencies		-	0.0	0	-	0.0	15,194	0.0	
Operating Budget		-		0	-	0.0		N/A	
Development Budget		0.0	0.0	0	0.0	0.0	15,193.6	0.0	
Unspecified	216.9	0.1	0.0	0	-	0.0	0	N/A	
Operating Budget	934.7	0.4		0	-	0.0		N/A	
Development Budget	-1,134.0	-1.4	0.0	0	0.0	0.0	0.0	N/A	
Total Unallocated (contingency reserve etc.)	216.9	0.1	0.0	-	-	0.0	-	15193.60	
		0.4		-	-	-		N/A	
Operating Budget	934.7								
Development Budget	-1,134.0	1.4	0.0				15,193.6	0.0	
TOTAL (including unclassified)	338,029.2		98.5	25.4	348,246.2	100.0	30.3	391,218.9	89.0
Operating Budget	256,901.8		99.9	48.8	249,104.6	100.0	21.7	227,952.2	109.3
Development Budget	80,711.3		90.7	15.3	99,141.6	100.0	8.6	163,266.7	60.7

Table 15. Expenditure by Ministry

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

In millions of Afghanis	1393 Actual	1394 Prelim. Actual	Increase/Decrease	% Increase/Decrease
Goods and Services				
<i>Major Increases in expenditure</i>				
Ministry of Finance	4,575.6	3,336.6	-1,239.0	-27.1
Ministry of Defence	3,841.3	9,548.7	5,707.4	148.6
Ministry of Commerce	1,134.1	137.0	-997.0	-87.9
Ministry of Education	1,826.0	2,653.1	827.1	45.3
<i>Major Decreases in expenditure</i>				
Ministry of Agriculture	199.5	463.2	263.6	132.1
Ministry of Public Health	507.4	1,102.6	595.2	117.3
Ministry of Rural Rehabilitation and Development	121.3	184.3	62.9	51.9
Ministry of Higher Education	1,030.5	1,316.2	285.8	27.7
<i>Other Budgetary Units</i>	<i>11,948.0</i>	<i>19,452.6</i>	<i>7,504.6</i>	<i>62.8</i>
Total	25,183.8	38,194.3	13,010.5	51.7

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About MFPD:

Macro-Fiscal Performance Directorate General is a department in the Ministry of Finance, which reports to the Finance Minister. The department is mandated to provide policy advice to the budget throughout the budget process. Furthermore, the Macro-Fiscal Policy Directorate's mandate is to provide analyses and estimates of fiscal and macroeconomic situation of the country which feeds into the budgeting process every year. It produces the macro forecast for the budget year and outer years and maintains an internal Afghan Government model to produce these forecasts. It monitors and updates these forecasts throughout the year. It also produces fiscal forecasts, consistent with the macro framework, which feed into the budget. These forecasts provide the basis of the top-down portion of the budget and set the envelope for available resources. To do the estimates and forecasting the MFPD has developed the internal model for macro-fiscal forecasting, and is consistently working to improve it. The department also undertakes expenditure analysis and planning as part of our budgetary forecasting work. Estimating the total resource needs for commitments over the medium term. This directorate also provides a policy advice role, making recommendations on tax and fiscal policy to meet overall objectives.