

Report
Annual

FY 1398

**MACROECONOMIC AND FISCAL
POLICY DIRECTORATE GENERAL
(MFPD)**



Ministry of Finance
Islamic Republic of Afghanistan

Sunbula 1399

Annual Macroeconomic and Fiscal Bulletin

FY1398

Afghanistan's Macroeconomic and Fiscal Performance

Macroeconomic and Fiscal Policy Directorate General (MFPD)

Ministry of Finance, Afghanistan

Sunbula 1399 (September 2020)

Preface

The Annual Macroeconomic and Fiscal Bulletin (AMFB), which is published annually in a fiscal year, outlines the country's macroeconomic and fiscal performance during a year and compare the fiscal performance of current year with the previous year. It covers recent economic developments, revenue collection performance, budget execution by sector, province and inputs, and presents the government financing of the year.

The Annual Macroeconomic and Fiscal Bulletin is intended for a wide audience, including policy makers, the donor community, the private sector, and the community of analysts and professionals engaged in Afghanistan's economy.

This document was prepared by the economists and Experts of Macroeconomic and Fiscal Policy Directorate General of the Ministry of Finance of Afghanistan. The topics and sections were written by Tamim Karimi, Mohammad Moin Ibrahim, Ansarullah Rizai, and Frozan Darwish under supervision and guidance of Hasib Rahman Hakimzay, and Lutfullah Lutf. The authors are grateful for the cooperation, comments and suggestions received from the Government officials with respect to sharing of the data and statistics.

Table of Contents

Executive Summary.....	1
Macroeconomic Performance	3
GDP Growth.....	3
Sectoral Performance and Contribution to GDP	3
Prices	5
Exchange Rate	6
Current Account and Trade Balance.....	7
Afghanistan’s Trade Partners	7
Main Exported and Imported Items during 1398	9
Fiscal Performance Overview	9
Budget	12
Domestic Revenue.....	14
Tax Revenue	16
Non-Tax Revenue	17
Revenue from Mustofiats	17
Tax Expenditures	17
Expenditure	20
Expenditure Summary.....	20
Expenditure by Sector	21
Government Financing.....	25
Treasury Single Account (TSA).....	25
Government Debt.....	26
Debt Stock	27
Appendix	28

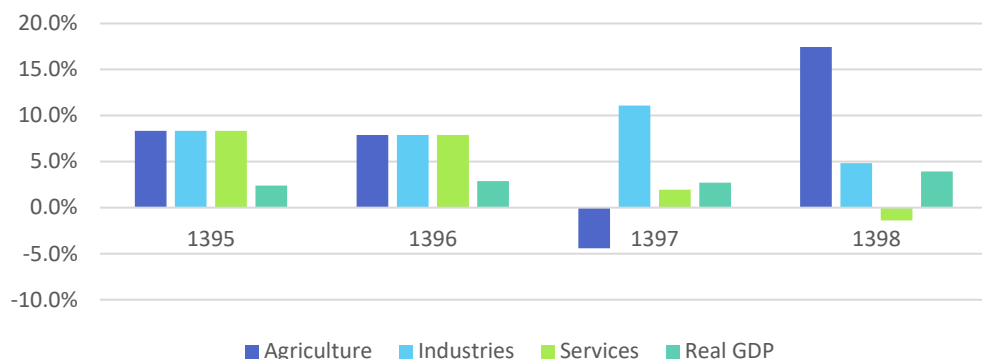
Glossary

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.

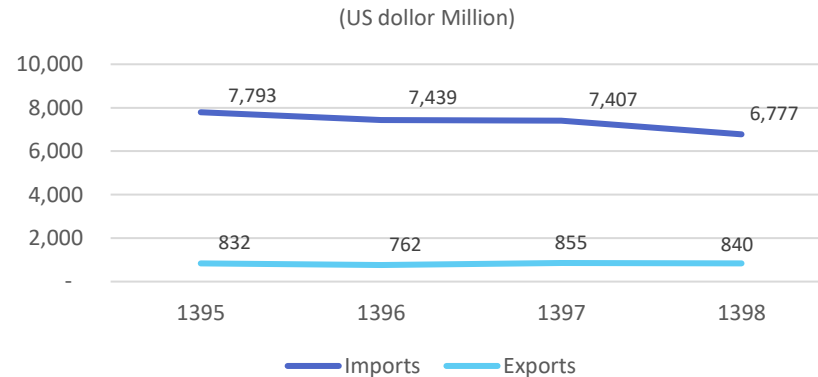
Revenues	Domestically raised revenues and donor grants (excludes loans)
Domestic Revenues	Revenues raised by the Government of Afghanistan (excludes donor grants). These are mainly revenues raised by the Afghanistan Revenue Department (taxes, customs duties etc.), and revenues rose by other Government 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

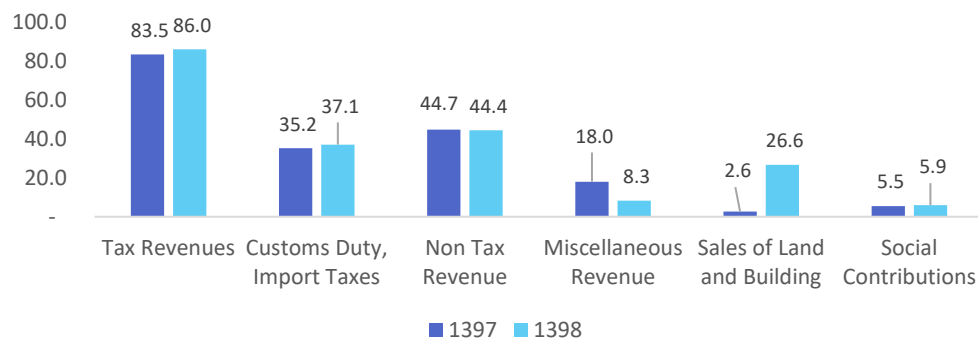
Sectoral GDP Growth



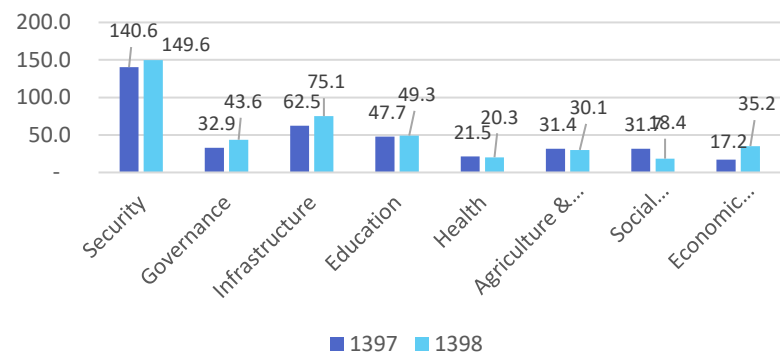
Exports & Imports



Domestic Revenue Collection by Major (Afs Billion)



Budget vs Actual Expenditure (Afs Billion)



Executive Summary

Macroeconomic Highlights

- Afghanistan's economy continued to face political uncertainty. The result of Presidential elections are unknown yet, and preliminary results have been challenged by two candidates. With this insecurity continued and insurgent operations imposed rising civilian casualties. Peace agreements between the US and the Taliban have recently been started, but prospects and outcomes for political settlement were unclear. Therefore, the duration and extent of continued support of international security and grants is being questioned. Although international grants continued to finance 75 percent of governments spending, but major donors aims to reduce their supports to the government. With this context of uncertainty, the economic growth and investment will constrain by weak confidence.
- The Afghan economy continued to recover during FY1397 and FY1398 and the GDP growth reached to 3.9 percent. The agriculture sector grew dramatically with the ease of recent drought conditions and higher precipitation and snowfall during winter season. Agriculture sector was estimated to have grown by 17.5 percent due to improved agriculture production. Increases political uncertainty, however, are expected to have continued to reduce private sector confidence and investment. On the other hand, industry sector grown very slow by 4.8 percent, due to weak confidence and high political uncertainty, while service sector growth declined to negative 1.4 percent which was reflected by weak confidence for investment and business activities associated with political uncertainties and continued insecurity in the country.
- Political uncertainty, insecurity, and drought condition impacted highly poverty during FY1398. The internal displacement continued to rise with close to 400,000 internal displaced people due to insecurity conflict and returnees mainly from Iran.
- Inflation rate continued to remain moderate, with CPI growth estimated to reach 1.7 percent by end of the year. Food prices fluctuated during the year and recorded to 2.4 percent by end of the year. Food price increased mainly driven by moderate increase in international grain prices. Non-food items prices remained stable and increased by only 1 percent mainly due to decline of energy prices in the global market.
- The Afghani currency strengthened slightly against the Pakistani Rupee and Iranian Toman reflecting economic problems with both countries. The Afghani currency continued to depreciate against the US dollar by 9.2 percent during the year 1399. Depreciation of local currency was largely driven by global strengthening of the US dollar. The Afghani currency depreciated from 71 in 1397 to 77.5 in 1398. The local currency stabilized against US dollar during FY 1398, despite the elevated political uncertainty around the Presidential Election.
- Trade balance continued to remain deficit by around 33 percent of GDP in 1398 due to less volume of exports and continued increases in imports. Fragile security and political uncertainty

situation has significantly reduced trade in Afghanistan. Both export and import experienced weak performance and continued to widen the merchandise trade deficit during 1398. Continued trade deficit exposed domestic food and non-food prices to price shocks to exporting countries. Export decreased from US\$ 875.2 million in FY1397 to US\$ 863.8 million in FY1398, registered 1.3 percent lower growth. Export performance has deteriorated throughout 1398, due to trade tensions with Pakistan and the strengthening of the Afghani currency to major international trading currencies. Similarly, imports decreased in FY1398 with US\$ 6,776.8 million from 7,406.6 million in FY1397 (8.5 percent lower). Weak imports of goods were mainly due to weak economy wide and political uncertainty, decline of imported grains and vegetables from neighboring countries.

Fiscal Highlights

- In the beginning of FY 1398, government estimated the national budget at Afs 399 billion, representing 25 percent of GDP. During the year, various changes took place in the national budget and finalized to 451.6 billion. Out of which, Afs 302 billion for operating budget and Afs 149 billion for development budget. In the Final Budget, Afs 202 billion (56.2 percent) of budget was planned to be financed from donor grants, and remaining of the budget through domestic sources.
- Despite slow economic growth, domestic revenue continued higher collection of Afs 208.3 billion, as the target was Afs 208.9 billion. The record performance partly reflected large one-off revenues, including transfers from Da Afghanistan Bank of totaling Afs 24 billion. Strengthening tax administration and government reforms also played significantly in avoiding collapse in revenue collection. Revenue collection increased 9.9 percent compared with the last year, and constitute 15.8 percent of the GDP.
- Overall government expenditures increased to Afs 420.1 billion makes 93 percent of the final budget. Both operating and development budget expenditure amounted to Afs 281.1 billion and Afs 139 billion. The execution rate for operating and development expenditures were 93 percent. Total budget spending increased by 8.1 percent compared with last year budget. The government spending makes 31.8 percent of the GDP.

1. Macroeconomic Performance

1.1. GDP Growth

The Afghan economy continued to recover during FY1397 and FY1398 and the GDP growth reached to 3.9 percent. The agriculture sector is estimated to have grown by 17.5 percent, driven by the easing of drought condition and improved agriculture production. Increases political uncertainty, however, are expected to have continued to reduce private sector confidence and investment. On the other hand, industry sector grown very slow by 4.8 percent, due to weak confidence and high political uncertainty, while service sector growth declined to negative 1.4 percent which is reflected by weak confidence for investment and business activities associated with political uncertainties and continued insecurity in the country. The growth is projected to gradually decline due to pandemic issue and COVID-19 crisis which will impact highly on the global economy. The Afghan economic growth in FY1399 might reach to around negative five percent of GDP, but will recover gradually in the medium-term.

Table 1. Economic Growth

	Historic 1397	Current 1398	Outer Years		
			1399	1400	1401
Real GDP Growth	2.7%	3.9%	-5.0%	3.6%	3.7%
Nominal GDP Level (Afs bn)	1,270.2	1,319.9	1,344.2	1,430.0	1,535.6
NGDP by Sector (Afs bn)					
Agriculture	320.2	376.1	412.4	439.9	478.6
Industries	155.3	162.8	152.8	158.7	168.6
Services	730.8	720.6	709.6	765.8	826.1
GDP Deflator	0.6%	2.2%	7.7%	2.8%	3.6%
CPI Inflation	0.8%	2.8%	5.1%	4.3%	4.1%

Source: Macro-Fiscal Model (MFM) 2020

The steady recovery was led by the agriculture and industry sectors; as well as by taking macroeconomic management and reforms. The growth recovery was slightly lost in 1397, due to some political instability and parliamentary election which created low business confidence and persistent political uncertainty, but in FY1398 growth reshaped and economy improved moderately. The withdrawal of International Security Force and the decline in donor aid also extremely impacted in economic growth.

Sectoral Performance and Contribution to GDP

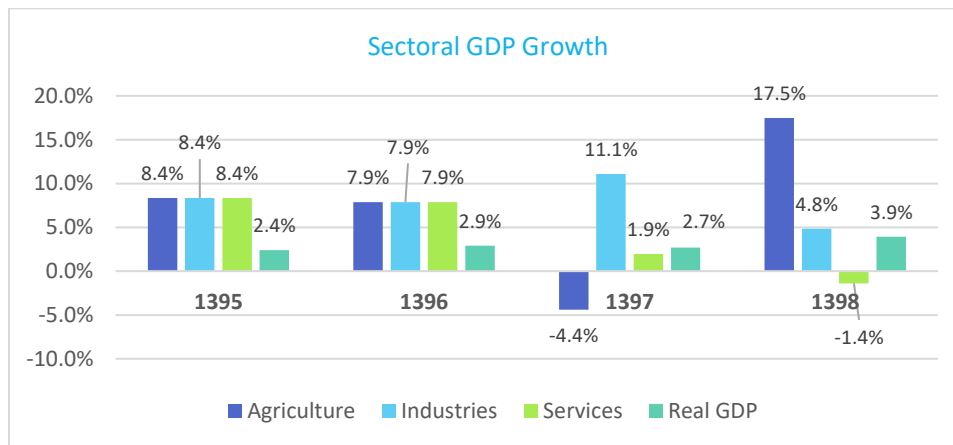
During 1398 with the ease of drought condition and favourable weather, agriculture sector recovered and production increased highly. Agriculture growth increase from negative 4.4 percent to 17.5 percent. The significant agricultural growth in FY 1398 was attributed to growth in dry and fresh fruits by 25.5 percent, cereals by 14.4 percent and other vegetables by 24 percent respectively. Snowfall in the north-central provinces during the planting season of FY1398

resulted in increased rain-fed wheat cultivation. Favourable weather condition also resulted in increasing fruit and industrial crop production. Moreover, growth in vegetables and other agricultural crops productions increased during the year.

Growth in industry sector highly declined from 11.1 percent in FY1397 to 4.8 percent in FY1398. Slow growth in industry sector reflected by weak confidence in the context of unknown presidential election till mid of the year which resulted to political uncertainty and increased insecurity. The weak confidence during 1398 expressed more negative view on business environment for all types of businesses, as a result the trade sectors have been affected heavily.

On the other hand, service sector continued to be higher contributor to GDP but its growth declined by an estimate of negative 1.4 percent after growing at 1.9 percent in 1397. This is mainly driven by weak confidence and political uncertainty that resulted to negative sentiment of private sector, especially among small and medium companies.

Figure1: Sectoral GDP Growth



Source: Macro-Fiscal Model (MFM) 2020

In 1398, agriculture growth increased highly from negative 4.4 percent to 17.5 percent. The high improvement and growth was mainly in fruits production, cereals and vegetables during this year. Industrial growth decreased from 11.1 percent 1397 to 4.8 percent in FY1398, and similarly service sector decreased to negative 1.4 percent from 1.9 percent in 1397. The details breakdown of sectorial growth performance is listed in table below:

Table 2. Sectorial performance (%) in 1398

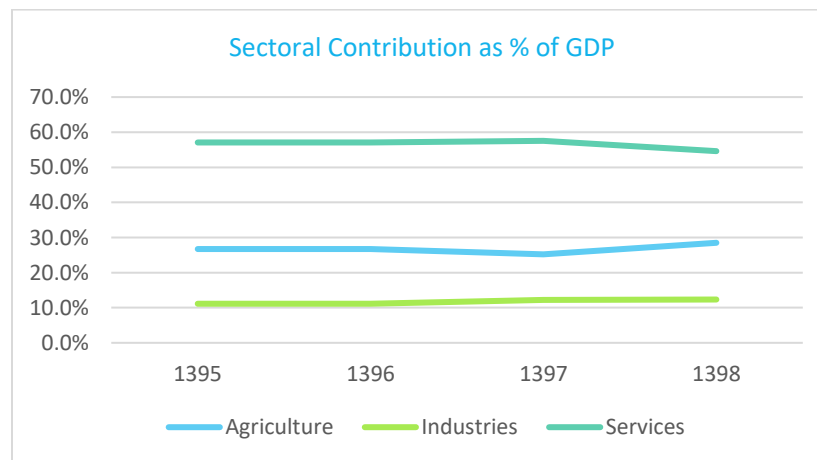
Average Percentage Growth	1398
Agriculture	17.5%
Cereals	14.4%
Fruits	25.5%
Livestock	0.7%

Others	24.5%
Industry	4.8%
Mining and quarrying	14.8%
Manufacturing	6.4%
Electricity, gas, and water	2.4%
Construction	-1.8%
Services	-1.4%
Wholesale & retail trade	4.4%
Restaurants & hotels	0.2%
Transport & storage	-7.6%
Post and telecommunications	1.8%
Finance, insurance, real estate and business	-12.7%
Ownership of dwellings	2.2%
Community, social and personal service	0.4%
Producers of Government Services	-26.7%
Other services	0.1%

Source: Macro-Fiscal Model (MFM) 2020

The service sector continued to be the highest contributor to GDP growth followed by industry and agriculture sectors. Agriculture sector contribution to GDP recovered and reached 28.5 percent. Service sector contribution to GDP slightly declined by 54.6 percent while it was 57.5 percent in previous year. Industry sector contribution to GDP remained same by 12.3 percent respectively. Contrary to service sector, the share of agriculture remains lower to 28.5 percent of GDP, whereas more than 70 percent of Afghan population are involve in this sector, which increased 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.

Figure 2. Sectoral Composition of GDP



Source: Macro-Fiscal Model (MFM) 2020

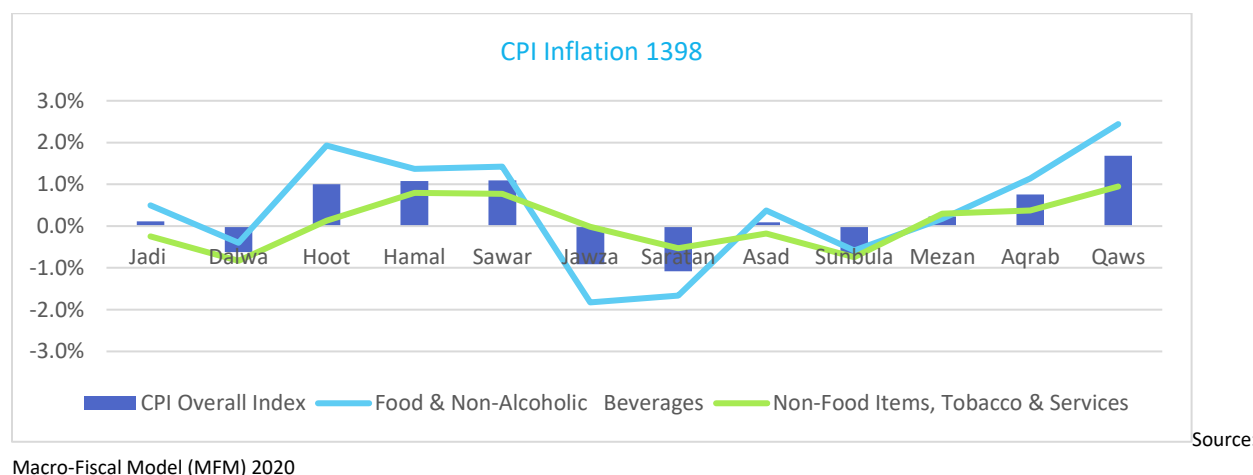
1.2. Prices

Inflation rate measured by the overall consumer price index (CPI) and accelerated slightly through FY1398. Consumer prices index growth increased throughout the first half of the year and began to decline from month of Jawza. Consumer prices growth reached their lowest point of -1.1 percent year on year in month of Saratan and reached top point of 1.7 percent growth in final month of the fiscal year 1398.

Fluctuations in CPI overall index were mainly driven by increased food prices, especially cereal prices due to rising global prices, despite strong recovery in domestic production. On the other hand, vegetable and spices prices saw a sharp decline during FY1398 reflecting changes of imports valuation by Pakistan customs for vegetable imports that resulted in lower vegetable exports compared with FY1397.

Food prices have been climbed up with vegetable price recovery during the first half of the year. Non-food prices started to increase in month of Hoot and reach to top point of growth 0.8 percent in month of Sawar, mainly driven by transportation prices, but fluctuate in the second half of the year and declined to -0.7 percent in month of Meezan, but reached to 0.9 percent by end of the fiscal year. The main issue behind the food prices were the impacts of drought conditions and currency stabilization against two neighbour countries that results in increased imports of food items during the year.

Figure 3. Inflation in Fiscal Year 1398

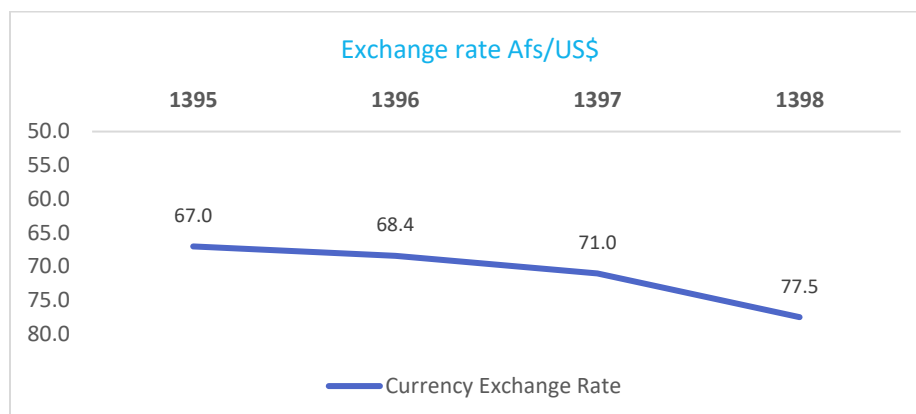


1.3. Exchange Rate

The Afghani currency continued gradually depreciation against the US dollar during FY1397 to FY1398. It depreciated by 9.2 percent against the US dollar throughout 1398, largely driven by global strengthening of the US dollar. The local currency depreciated from 71 in 1397 to 77.5 in 1398. Compared to the currencies of major trade partners, the Afghani has strengthened against the Pakistani Rupees by 11.5 percent and Iranian Toman by 12 percent respectively.

The local currency stabilized against US dollar during FY 1398, despite the elevated political uncertainty around the Presidential Election.

Figure 4. Exchange Rates Trend



Source: Da Afghanistan Bank website, 2020

1.4. Current Account and Trade Balance

During FY1398, trade balance of Afghanistan improved slightly and trade deficit gap narrowed as imports declined higher than the exports. The trade deficit in 1398 recorded US\$ 5,913 million which equals to 32.8 percent of GDP by end of FY1398, while it was 37.8 percent of GDP in FY1397.

Afghanistan's export of goods decreased from US\$ 875.2 million in FY1397 to US\$ 863.8 million in FY1398. The registered exports in the FY1398 compared to the FY1397 decreased by 1.3 percent. Export performance has deteriorated throughout 1398, due to trade tensions with Pakistan and the strengthening of the Afghani currency to major international trading currencies. It is worth mentioning that during 1398, the value of re-export is US\$ 6.7 million from all borders of Afghanistan.

The officially recorded import of goods in FY1398 was US\$ 6,776.8 million excluding smuggled and duty-free goods. The registered imports in FY1398 compared to the FY1397 decreased by 8.5 percent (from US\$ 7,406.6 million to US\$ 6,776.8 million). Weaker imports were largely driven by; (i) weak economy wide demand due to political uncertainty; (ii) decline of imported grains and vegetables due to improvement of agriculture sector which recovered from recent drought condition.

Afghanistan's Trade Partners

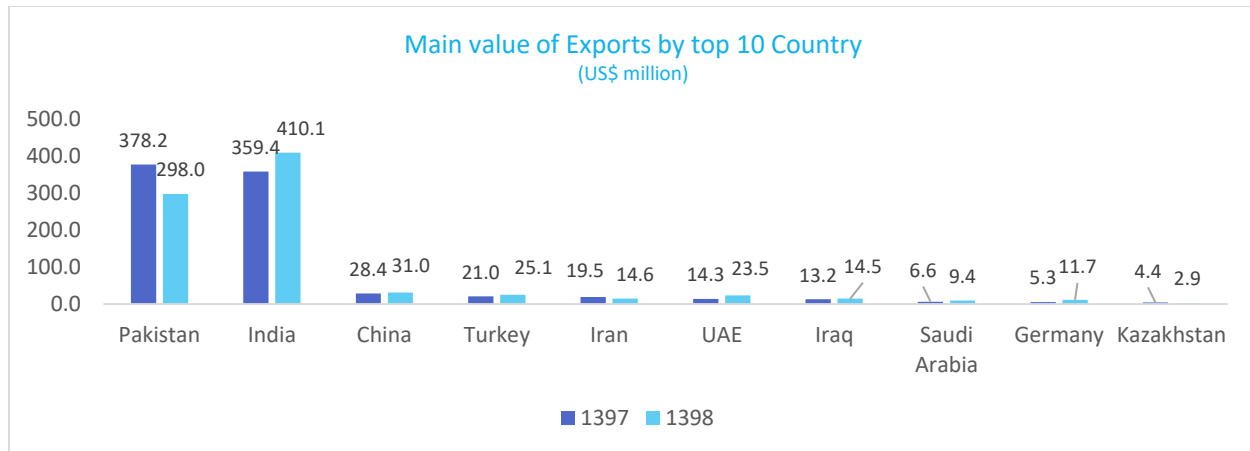
Fragile security and political uncertainty situation has significantly reduced trade in Afghanistan. In FY1398, both export and import experienced weak performance and continued to widen the merchandise trade deficit. Continued trade deficit exposed domestic food and non-food prices to price shocks to exporting countries.

Pakistan and India continued the two main trading partners of Afghanistan on export side. Export to India has increased to US\$ 410 million in FY1398, an increase of 14 percent, while value of export to Pakistan decreased in FY1398 to US\$ 298 million compared to US\$ 378.2 million in FY1397 (21 percent decrease). Pakistan has imposed several superfluous regulatory barriers to trade. Such policies plummeted Pakistan's trade relationship with Afghanistan. China is the third major export trader with Afghanistan after India and Pakistan with the value of US\$ 31 million.

Total export remained limited and are concentrated in a narrow range of commodities (dried fruits, nuts, and textiles) with a value equal to around 8 percent of GDP. Establishing air corridors with India, Turkey and UAE reflected a growth of 5 percent in exports.

The chart below presents top 10 destinations for Afghan product exports.

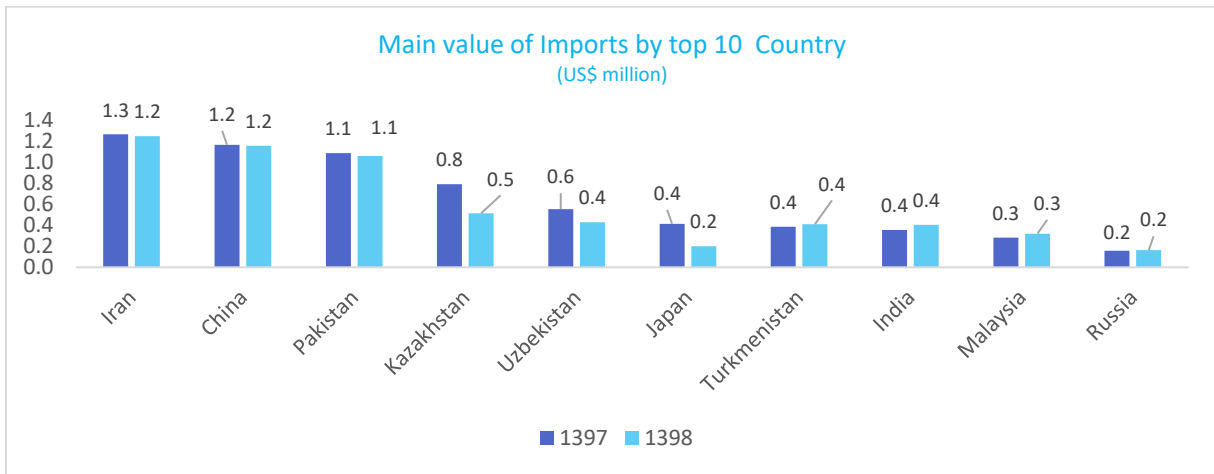
Figure 5. Export value by countries



Source: ASYCUDA database, 2020

On the other hand, total imports volume decreased slightly in FY1398 compared with FY1397. The slow growth of imports was driven by weak domestic demand, unnecessarily shut down of Chaman and Torkham borders imposed by Pakistan on multiple occasions and a sharp decline in regional food prices. The development of trade with Central Asia could increase exports along with the opening of new railway linking China to Afghanistan via Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan. Recently, the government opened the Lapis Lazuli Transit and Transport Route with a view to enhance regional economic integration and trade-based connectivity between Afghanistan, Turkmenistan, Azerbaijan, Georgia, and Turkey. This corridor will also expand the range of economic opportunities for the citizens of the involved countries. This project is vital to Afghan economy, as more than 80 percent of goods from Afghanistan to Europe will be transited through it. The following table presents major suppliers to Afghanistan.

Figure 6. Import values by countries

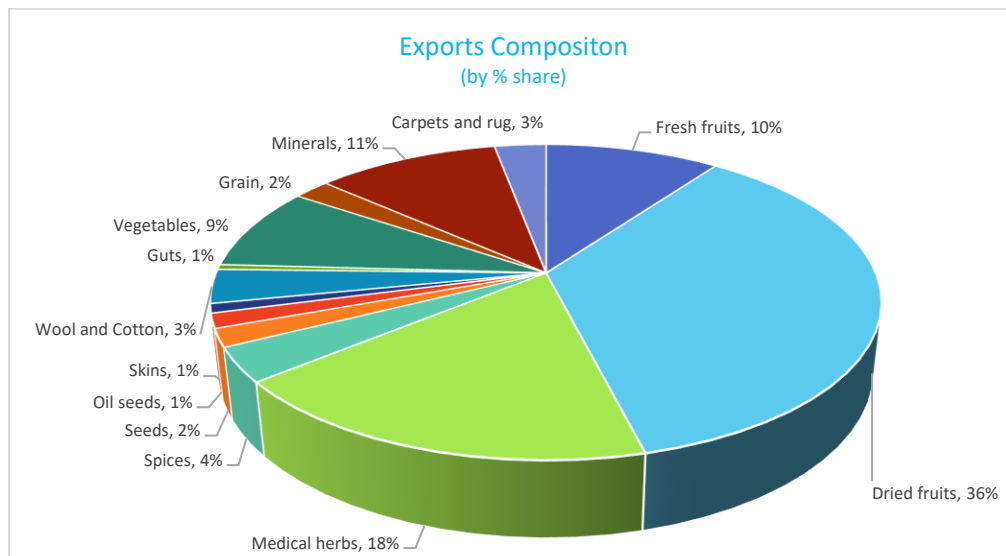


Source: ASYCUDA database, 2020

Main Exported and Imported Items during 1398

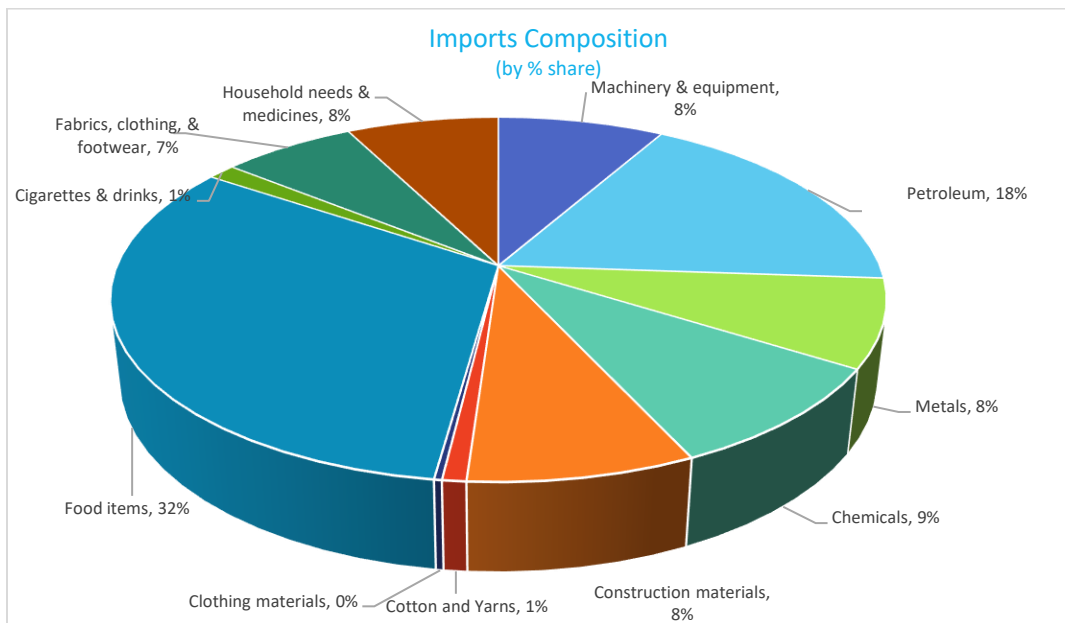
During FY1398 fruits products, which include fresh and dry fruits constituted 46 percent of total exports was recorded as the top exported item. The high volume of fruit exports is driven by surplus domestic production and supported by the highly subsidized air corridors, dry and fresh fruits exports amounted to US\$ 386.7 million in FY1398. Medical herbs, Mineral and vegetables reached 18 percent, 11 percent, and 9 percent accordingly. The table below presents the top 15 exported and imported items in FY1398 as per their value.

Figure 7. Export and Import compositions of trade for Afghanistan



Source: ASYCUDA database, 2020

Imports of goods declined to US\$ 6,776 million in FY1398 (8.5 percent lower than in FY1397). Overall decline in imports reflected a 36 percent decrease in machinery and equipment, 16 percent in metals, 15 percent in food items, 22 percent in cigarettes and drinks, 27 percent in fabrics and clothing, 13 percent in household needs, 9 percent in cotton and yarns, and 6 percent in clothing materials. While imports of petroleum, chemicals, and construction materials increased by 11 percent, 25 percent and 10 percent respectively. Below is the chart for the commodities imported to Afghanistan by percent shared.



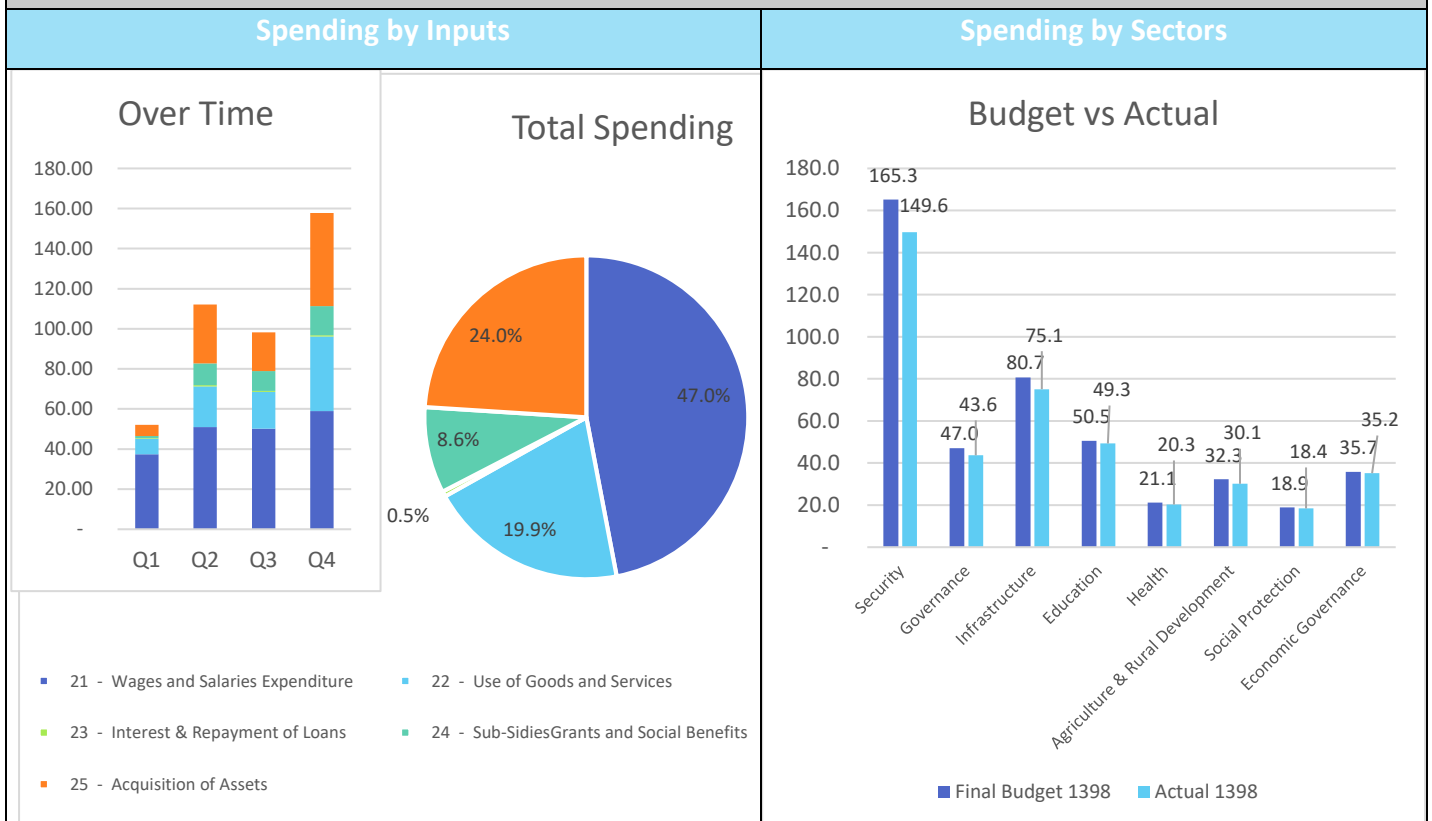
Source: ASYCUDA database, 2020

2. Fiscal Performance Overview

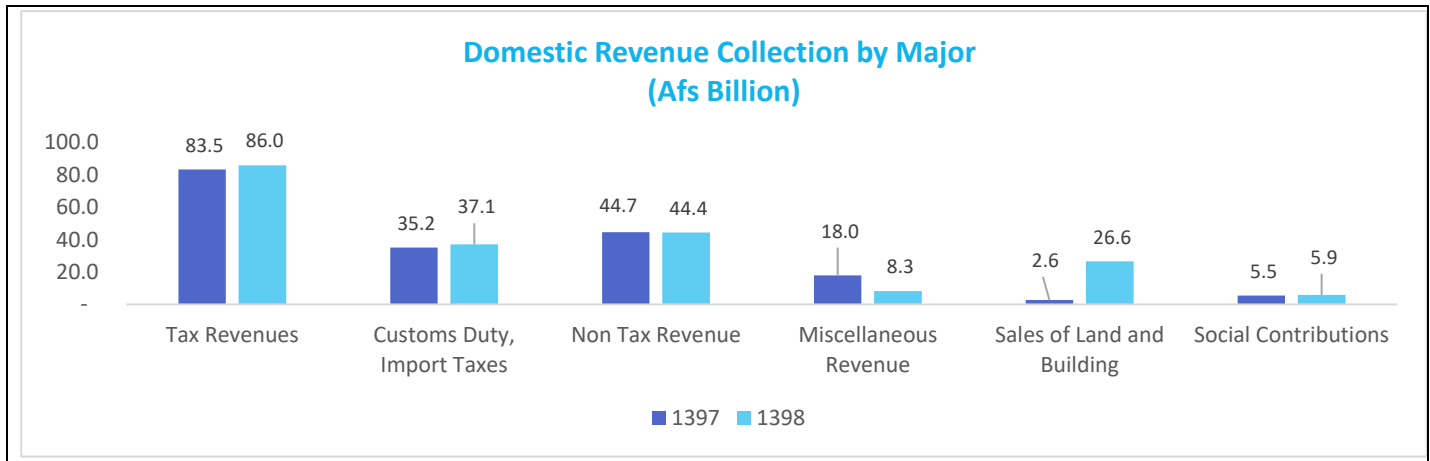
Fiscal Summary for FY 1397-1398

Summary Fiscal Outturn – End of Fiscal Year 1398	
National Budget (Final):	Afs 451,578 million
Operating Budget (Final):	Afs 302,205.9million
Development Budget (Final):	Afs 149,371.7 million
Total Domestic Revenue:	Of Afs 208,999 million targeted revenue, total revenue collection was Afs 208,310 million,
Total Expenditure:	Total government expenditure was planned Afs 451,578 million, of which Afs 420,190 million was spent (93 percent of budget execution). Operating spending was Afs 281.1 billion and development spending was Afs 139 billion by end of the fiscal year.
Donor grants:	Donors commitments was planned Afs 202,834 million towards the budget, of which Afs 190,666 million was actually spent.

The following figures are all in billions of Afghanis



Domestic Revenue by Sources



2.1 National 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.

The budget for FY1398 represents a significant shift in the Government's approach to fiscal planning. For the first time, the Government presents a consolidated national budget over the medium-term with both the operating and development budgets in line with good international practices. The government is committed to open accountable and credible management of the national budget. These budget reforms will reduce corruption and strengthen public financial management.

Initially total budget expenditure for 1398 was estimated at Afs 399 billion, representing 25 percent of GDP, which includes Afs 275 billion for operating and Afs 124 billion for development budget. During the year, various changes took place in both operating and development budgets. In the mid-year review, national budget was revised to Afs 424.4 billion, whereas operating budget changed to Afs 297 billion and development budget to Afs 127 billion. Finally by end of the year, the total national budget was finalized and increased to Afs 451.6 billion, out of which Afs 302 billion was included in the operating and Afs 149 billion in development budget, respectively. A modest positive change has occurred in both operating and development budget (Final Budget). Operating budget for FY1398 increased 15.3 percent, while development budget increased by 18.1 percent compared to FY1397 budget.

The targeted revenue for FY1398 was Afs 208.9 billion (excluding grants). In the Final Budget of FY1398, Afs 190.6 billion (42.2% of the final budget) was received through donor financing, of which Afs 101.6 billion and Afs 88.9 billion were planned for Operating Budget and Development Budget respectively. Integrated Budget balance including grants shows a deficit of Afs 39.7 billion

which would be financed through debt financing. Budget balance excluding grants shows a deficit of Afs 242.6 billion. The table below presents budget summary for the Fiscal Year of 1398.

Table 3. Summary of Budget for Fiscal Year 1398

In millions of Afghanis	1397 Actual	1397 %GDP	1398 Prelim. Actual	1398 %GDP	1398 Final Budget (4)	1398 % of Final Budget
Operating Budget Revenues	309,894	24.4	309,979	23.5	307,843	0.7
Domestic Revenues	189,562	14.9	208,310	15.8	208,999	-0.3
Operating Grants	120,332	9.5	101,669	7.7	98,844	2.9
Operating Budget Expenditures	262,156	20.6	281,172	21.3	302,206	93
Compensation of Employees	185,990	14.6	197,469	15.0	206,448	96
Use of Goods and Services	38,017	3.0	40,034	3.0	50,269	80
Interest (2)	2,002	0.2	2,203	0.2	2,203	100
Social Transfers (3)	29,949	2.4	35,687	2.7	35,895	99
Gross Acquisition of Nonfinancial Assets						
(4)	6,198	0.5	5,779	0.4	7,391	78
Operating Budget Balance (3)						
Excluding Grants	-72,594	-5.7	-72,862	-5.5	-93,207	78
Including Grants	47,738	3.8	28,807	2.2	5,637	511
Indicator of Fiscal Sustainability (domestic revenues/operating expenditures)	72%		74%		69%	
Development Grants (1)	85,301	6.7	88,996	6.7	103,990	83
Development Budget Expenditures	126,460	10.0	139,018	10.5	149,372	93
Development Budget Balance (3)	-41,159	-3.2	-50,021	-3.8	-45,381	116
		0.0				
Revenues (1)	395,194	31.1	398,976	30.2	411,833	96
Domestic Revenues	189,562	14.9	208,310	15.8	208,999	100
Grants (1)	205,633	16.2	190,666	14.4	202,834	93
Expenditures	388,616	30.6	420,190	31.8	451,578	93
Integrated Budget Balance						
Excluding Grants	-199,054	-15.7	-211,880	-16.1	-242,579	87
Including Grants (3)	6,578	0.5	-21,214	-1.6	-39,744	61
Financing Requirement						
Balance Including Grants	6,578	0.5	-21,214			
Sale of Land and Buildings	22	0.0	211			
Lending/Borrowing	6,601	0.5	-21,003			

Source: AFMIS database, September, 2020

Notes:

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

2.2 Revenue

Domestic Revenue

The total domestic revenue collections increased remarkably during the FY1398, for the fifth consecutive year in a row. In FY1398 domestic revenue collection including one-off receipts was Afs 208.3¹ billion in total – given a target of Afs 208.9 billion. This shows around 9.9 percent increase compared to Afs 189.6 billion collections in FY1397. Domestic revenue constitutes 15.8 percent of GDP for FY1398.

Table 4. Revenue Summary

In millions of Afghanis	1397 Actual	1397 %GDP	1398 Actual	1398 %GDP	1398 Target (Original)	1398 % Greater/Less than 1397
REVENUES including grants (1)	395,194.5	31.1	398,975.6	30.2	411,833.1	0.2
REVENUES excluding grants (2)	189,561.8	14.9	208,309.7	15.8	208,998.9	9.9
Tax Revenues	83,484.6	6.6	86,007.9	6.5	90,565.2	3.0
Fixed Taxes	12,691.5	1.0	13,598.7	1.0	14,251.0	7.1
Income Taxes	34,625.9	2.7	32,642.9	2.5	36,572.2	-5.7
Property Taxes	527.6	0.0	574.5	0.0	575.8	8.9
Sales Taxes	33,305.1	2.6	35,725.5	2.7	36,721.2	7.3
Tax Penalties and Fines	2,334.5	0.2	3,466.3	0.3	2,445.1	48.5
Customs Duty, Import Taxes	35,192.2	2.8	37,109.0	2.8	39,499.2	5.4
Non Tax Revenue	44,724.4	3.5	44,386.7	3.4	48,065.6	-0.8
Income from Capital Property (2)	2,358.6	0.2	2,447.7	0.2	2,427.9	3.8
Sales of Goods and Services	9,438.4	0.7	8,716.1	0.7	10,075.3	-7.7
Administrative Fees	29,466.2	2.3	30,564.5	2.3	31,579.4	3.7
Royalties	432.9	0.0	0.0	0.0	511.2	-100.0
Non Tax Fines and Penalties	728.0	0.1	811.6	0.1	781.5	11.5
Extractive Industries	2,300.2	0.2	1,846.9	0.1	2,690.4	-19.7
Other non-taxes						
Miscellaneous Revenue	18,024.3	1.4	8,315.1	0.6	15,734.7	-53.9
Sales of Land and Building	2,639.2	0.2	26,604.2	2.0	9,017.3	908.0
	22.3	0.0	210.9	0.0	24.1	
	2,616.9	0.2	26,393.3	2.0	8,993.3	
Social Contributions	5,497.1	0.4	5,886.9	0.4	6,116.9	7.1
Grants (1)	205,632.7	16.2	190,665.8	14.4	202,834.2	-8.7
of which operating budget	120,332.1	9.5	101,669.4	7.7	98,843.9	-15.5
Foreign Governments	120,332.1	9.5	101,669.4	7.7		
International Organization	85,300.6	6.7	88,996.4	6.7		

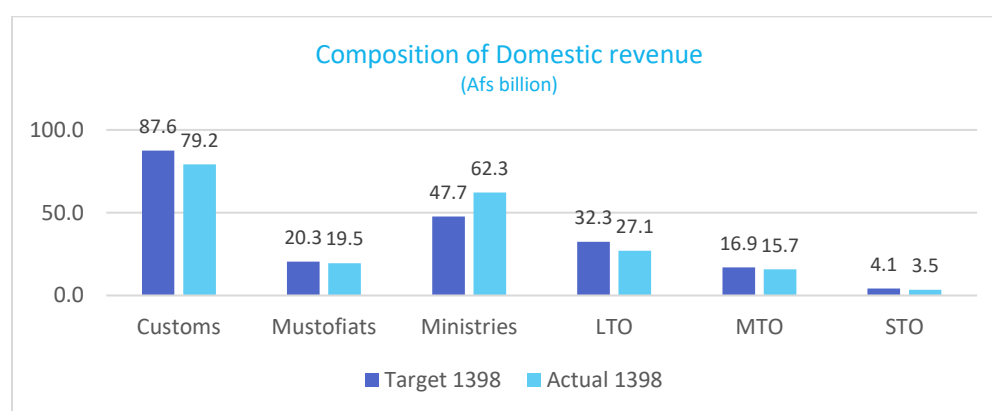
Source: AFMIS database, September, 2020

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

¹ 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>

Domestic revenue increased to a record of Afs 208.3 billion in FY 1398, equivalent to 15.8 percent of GDP, a nominal increase of 9.9 percent increase over FY 1397. The strong performance of revenue mainly driven by one-off revenue collections at around Afs 32 billion, of which Afs 24 billion were transfers from Da Afghanistan Bank (DAB) as operating profits, and the remaining comes from other governmental agencies. Core tax revenue remained flat due to poor performance of the large taxpayer office (LTO), small taxpayer office (STO), and customs points. All the revenue agencies (Customs, Mustofiats, LTO, MTO, and STO) could not reached their final target due to their underperformances. Customs revenue collected Afs 8.4 billion less than its target. Similarly, Mustofiats collected less Afs 8 million, LTO collected Afs 5.2 billion than their targets.

Figure 9. Share of domestic revenue lines

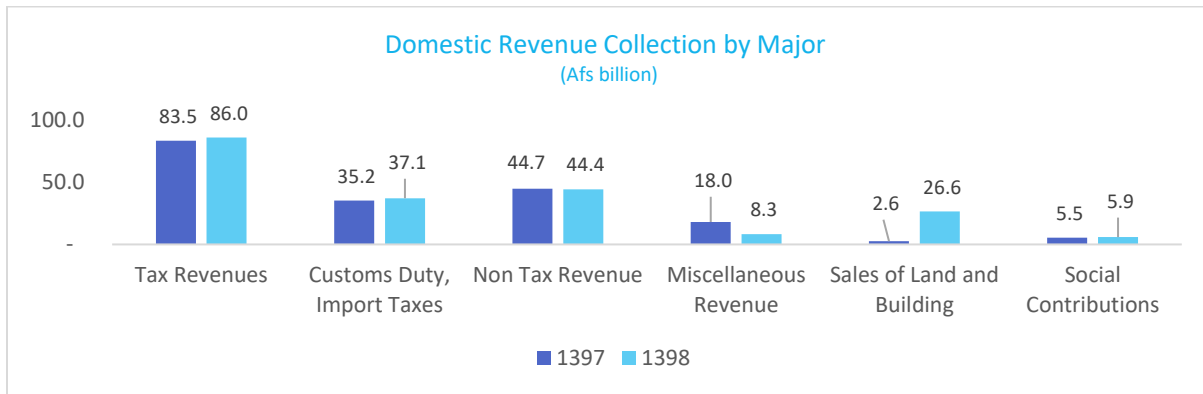


Source: AFMIS database, September, 2020

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 41.3 percent of the total domestic revenue, followed by non-tax revenue, which constitutes 21.3 percent of total domestic revenue. In 1398, tax revenue collection has increased by 3 percent over the fiscal year 1397, customs revenue has increased by 5.4 percent and non-tax revenue collections were almost similar to the previous year. Comparing figures of FY1398 with FY1397, it becomes clear that share of tax revenues in total revenue collection has increased slightly from Afs 83.5 billion to Afs 86 billion, and the same stands true about customs duty and import taxes, and sale of assets.

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 1398. The chart below clearly describes these differences of two years collections.

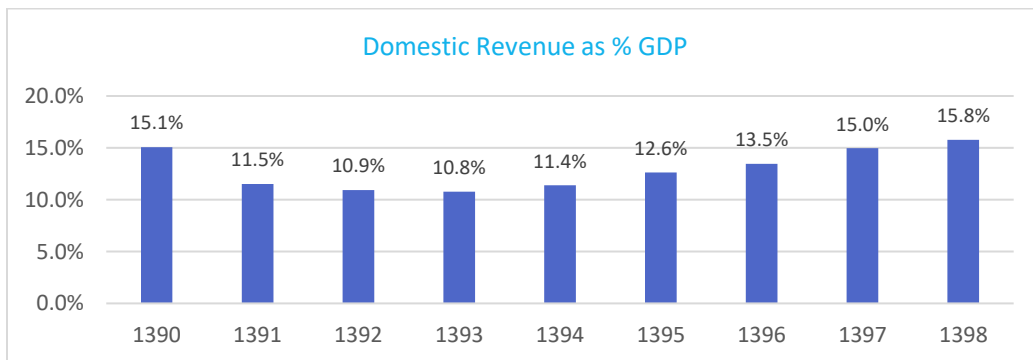
Figure 10. Revenue collection by major categories during FY1397 - FY1398



Source: AFMIS database, September, 2020

The share of domestic revenue as a percentage of GDP has slightly increased in FY 1398 to 15.8 percent. 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.

Figure 11: Annual domestic revenue as percentage of GDP

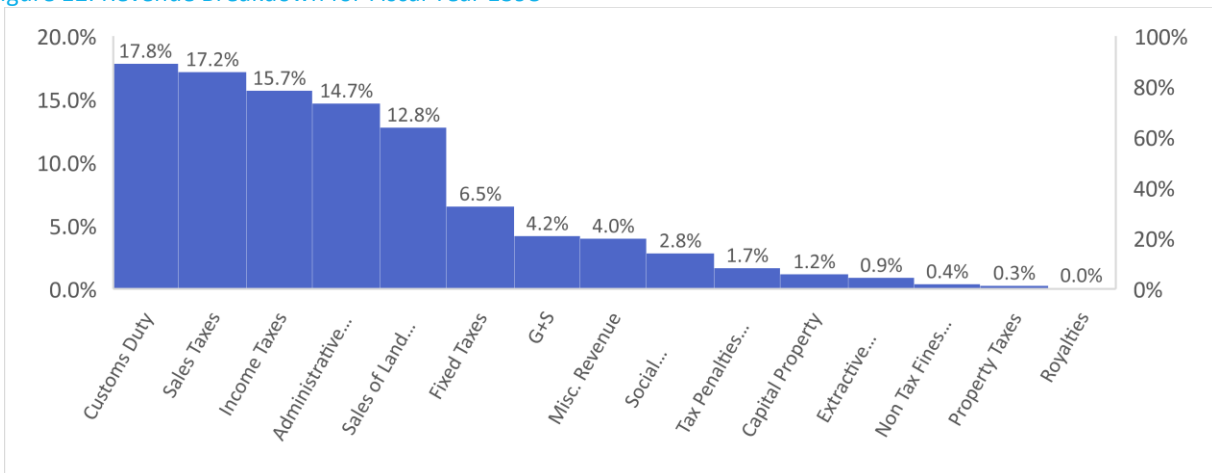


Source: Macro-Fiscal Model (MFM), 2020

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 FY1398, tax revenue collection was Afs 86 billion compared to Afs 83.5 billion in FY1397. However, the share of tax revenue in total domestic revenue collection has decreased from 44 percent to 41.2 percent in 1398.

Figure 12. Revenue Breakdown for Fiscal Year 1398



Source: AFMIS database, September, 2020

The Major tax components include:

- **Fixed taxes:** Total revenue from fixed taxes was Afs 13.6 billion in FY 1398. In the previous fiscal year, revenue from this line was Afs 12.7 billion. In 1398, the share of fixed taxes in total domestic revenue was 6.5 percent.
- **Income Taxes:** Revenue from income taxes constitute the second largest tax component of the tax revenues. Revenue collected from income taxes in FY1398 amounts to Afs 32.6 billion as compared to 34.6 billion in FY1397. Income tax revenue decreased by Afs 1.9 billion compared to the previous year and it constitutes 15.6 percent of total revenue collections.
- **Sales Taxes:** Total tax revenue in FY1398 from sales tax was Afs 35.7 billion, whereas it was 33.3 billion in the previous year. The share in total revenue was 17.1 percent.
- **Customs Duties:** Custom duties collections is the largest tax component as it was Afs 37.1 billion in 1398, while in FY1397, it's collection was Afs 35.2 billion – showing an increase of marginal Afs 1.9 billion, and its share in total revenue was 17.8 percent.

Non-Tax Revenue

Non-tax revenue collection was Afs 44.3 billion in FY1398. This shows a slight decrease compared to Afs 44.7 billion collected in FY1397. Within non-tax revenue, the administrative fees collected, of Afs 30.6 billion, makes the fees the largest contributor to non-tax revenue. The revenue collected from Sales of Goods and Services has decreased from Afs 9.4 billion in 1397 to Afs 8.7 billion in 1398. Income from capital property has increased in 1398 to Afs 2.4 billion from Afs 2.3 billion in FY1397.

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 FY1398, the total revenue collected from Mustofiats were Afs 19.5 billion which is almost near the target amount of Afs 20.3 billion.

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 grants received in FY1398 amounts to Afs 190.6 billion, which constitutes about 45.4 percent of the national budget and 14.4 percent of GDP.

Table 5. Grants in 1398

(In million Afs)	1397	1398
Operating Grants	127,910.30	101,669.40
<i>Recurrent Operating</i>	-	132.7
<i>ARTF</i>	27,490.20	12,805.60
<i>Lotfa</i>	25,011.60	23,450.60
<i>CSTCA Mod Fund</i>	51,943.60	45,263.80
<i>CSTCA Moi Fund</i>	7,569.60	11,292.60
<i>NATFO</i>	79.9	22.4
<i>SPAD British</i>	8,237.20	8,701.70
<i>Other Donor</i>	7,578.30	-

Development Grants	88,238.00	88,996.40
DISCRETIONARY	22,528.50	22,528.50
NON-DISCRETIONARY	65,709.50	66,467.90
ARTF	24,653.40	24,653.40
WORLD BANK	8,439.40	8,439.40
GLOBAL FINANCING FACILITY	382.7	382.7
ASIAN DEVELOPMENT BANK	22,563.10	22,563.10
LOTFA, UNS & OTHER UN AGENCIES	388.5	388.5
UK & EUROPEAN COMMISSION	-	2,082.80
US & USAID	2,082.80	3,227.20
MULTI DONOR GRANTS	3,227.20	1,524.80
OTHER GRANTS	1,524.80	2,382.10
JAPAN NON-PROJECT GRANTS	2,382.10	65.6
ADB LOANS	-	-
OTHER MULTI DONOR LOANS	65.6	758.4
TOTAL	216,148.30	190,665.80

Source: Budget Directorate, MoF, 2020

Operating Budget Grants

Total operating grants received in FY1398 were Afs 101.7 billion. This constitutes 36.2 percent of funding sources of operating budget. The highest amount of grant in the operating expenditure is spent in the security sector. The above chart presents components of the operating grants in FY1398.

- 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 23.4 billion during FY1398.
- 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 1398 were Afs 45.3 billion, while for Ministry of Interior (MoI) were Afs 11.3 billion.
- 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 FY1398 were Afs 12.8 billion.

Development Budget Grants

In FY1398, the total grants for development budget amounts to Afs 88.9 billion. This funds 64 percent of the FY1398 development budget. From the above mentioned amount Afs 22.5 billion was discretionary grants and Afs 66.5 billion was non-discretionary grants. The charts above show sources of discretionary and non-discretionary grants.

2.3 Expenditure

Expenditure Summary

The Government budget consists of operating and development budgets. The final budget for fiscal year 1398 was Afs 451.5 billion, and overall government spending reached Afs 420.1 billion, equivalent to 31.8 percent of GDP in FY1398. Driven mainly by salaries and wages for civilian and security staff. Recurrent expenditures reached Afs 281 billion and development budget expenditures reached Afs 139 billion respectively. Government performance in budget execution was great and continued to reach 93 percent by the end of the year. Total spending increased by 8.1 percent compared to previous year spending.

Table 6. Expenditure Summary

In millions of Afghanis	1397 Actual	1397 %GDP	1398 Actual	1398 %GDP	1398 Original Budget	1398 Final Budget	1398 Actual as % of Final Budget
TOTAL GROSS EXPENDITURES	388,616.0	30.6	420,189.8	31.8	424,396.4	451,577.6	93.0
Operating Budget	262,156.2	20.6	281,172.0	21.3	297,388.8	302,205.9	93.0
Development Budget	126,459.8	10.0	139,017.9	10.5	127,007.6	149,371.7	93.1
TOTAL NET EXPENDITURES (1)	388,593.8	30.6	419,978.9	31.8			
Operating Budget	262,134.0	20.6	280,961.1	21.3			
Development Budget	126,459.8	10.0	139,017.9	10.5			
RECURRENT EXPENDITURES (excludes 25)	298,902.1	23.5	319,390.9	24.2	268,914.3	342,913.7	93.1
Operating Budget	255,958.5	20.2	275,393.3	20.9	268,914.3	294,815.1	93.4
Development Budget	42,943.6	3.4	43,997.6	3.3	N/A	48,098.6	91.5
Compensation of Employees	185,990.2	14.6	197,468.8	15.0	196,746.0	206,448.3	95.7
Operating Budget	185,990.2	14.6	197,468.8	15.0	196,746.0	206,448.3	95.7
Development Budget	0.0	0.0	0.0	0.0	-	-	-
Use of Goods and Services	80,859.7	6.4	83,562.2	6.3	52,503.3	97,798.4	85.4
Operating Budget	38,016.6	3.0	40,034.5	3.0	52,503.3	50,268.7	79.6
Development Budget	42,843.0	3.4	43,527.7	3.3	61,222.1	47,529.7	91.6
Interest (2)	2,002.5	0.2	2,203.4	0.2	2,300.0	2,203.4	100.0
Operating Budget	2,002.5	0.2	2,203.4	0.2	2,300.0	2,203.4	100.0
Development Budget	0.0	0.0	0.0	0.0	-	-	-
Social Transfers (3)	30,049.8	2.4	36,156.5	2.7	17,365.0	36,463.6	99.2
Operating Budget	29,949.2	2.4	35,686.7	2.7	17,365.0	35,894.7	99.4
Development Budget	100.6	0.0	469.8	0.0	-	568.9	82.6
Gross Acquisition of Nonfinancial Assets	89,714.0	7.1	100,798.9	7.6	6,309.5	108,663.9	92.8
Operating Budget	6,197.7	0.5	5,778.6	0.4	6,309.5	7,390.8	78.2
Development Budget	83,516.2	6.6	95,020.3	7.2	-	101,273.0	93.8
Net Acquisition of Nonfinancial Assets (1)	89,691.7	7.1	100,588.0	7.6			
Operating Budget	6,175.5	0.5	5,567.7	0.4			
Development Budget	83,516.2	6.6	95,020.3	7.2			

Source: AFMIS database, September, 2020

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.

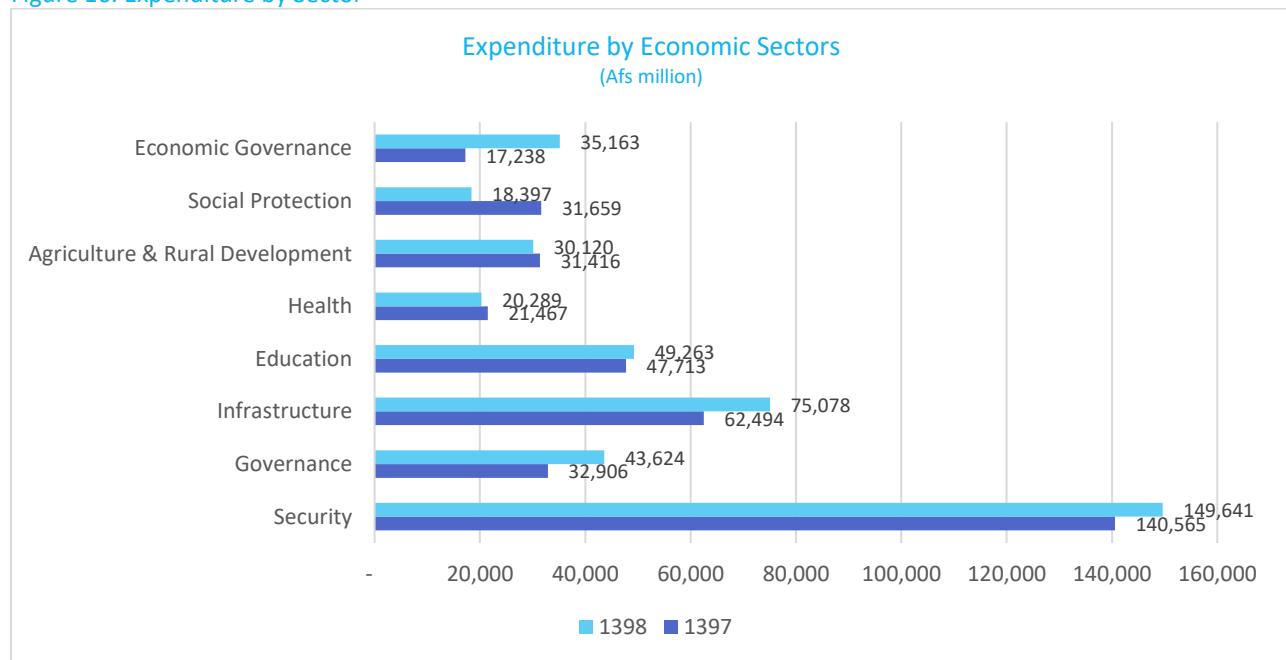
3. Budget figures for code 24 only includes budgeted pensions from contingency reserve, therefore actual expenditure may be larger than budget.
4. Budget and Revised Budget figures of development budget are not available for goods and services (code 21) and capital (code 25) as the published development 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

Government expenditures are channeled through some important sectors of the economy to promote economic growth. Below chart and table presents comparison of sector-wise expenditures for the FY1397 and FY1398. The eight economic sectors are including Security, Education, Health, Agriculture and Rural Development, Social Protection, Infrastructure, and Economic Governance that are likely have potential to move the economy forward. Looking at the expenditure table, shows that the gross expenditure in the FY1398 is 8 percent higher than the previous year. The sector-wise expenditure is provided both for operating and development budget. The operating budget expenditures shows an increase of 9 percent and development budget expenditures shows an increase of 9.3 percent compared with the previous year. The execution performance of all sectors improved, and the spending continued to increase in most of the sectors except in social protection, health, and agriculture and rural development that slightly have less spending compared with the FY1397.

The chart and table below present expenditure by economic sector under the ANDS classification in FY1397 and FY1398.

Figure 16. Expenditure by Sector



Source: AFMIS database, September, 2020

Security Sector

Security Sector continued to remain the high spending sector in the government and its share to GDP increased by 11 percent compared to FY1397. A major portion of expenditure was on Security Sector. A total of Afs 148.5 billion was spent in this sector, which makes 35.4 percent of

the total spending. The allocated budget in this sector was Afs 165.2 billion, and the execution reached to 88.5 percent. The Major share of spending in the Security Sector (97.9%) 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. 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 FY1398, it spent a total of Afs 49.1 billion, out of which Afs 44.5 billion was operating spending and Afs 4.6 billion was development spending. The data shows that the spending in this sector increased slightly as compared to the previous year.

Table 7. Expenditure by Economic Sector

In millions of Afghanis	1397	1397	1397	1398	1398	1398	1398	1398	1398
	Annual	% of	%	Annual	% of	%	Original	Final	Actual
	Actual	Total	GDP	Actual	Total	GDP	Budget	Budget (1)	as % of
		Spending			Spending				Final
									Budget
Security	140,565	36.4	7.2	148,583	35.4	11.3	162,074	165,274	89.9
Operating Budget	137,656	53.5	7.1	146,593	52.2	11.1	159,851	163,114	89.9
Development Budget	2,909	2.3	0.1	1,990	1.4	0.2	2,223	2,159	92.2
Governance, Rule of Law & Human Rights	32,906	8.5	1.3	42,879	10.2	3.2	37,005	46,981	91.3
Operating Budget	24,393	9.5	1.0	29,320	10.4	2.2	28,097	32,162	91.2
Development Budget	8,513	6.7	0.3	13,559	9.8	1.0	8,908	14,819	91.5
Infrastructure & Natural Resources	62,494	16.2	2.6	74,080	17.6	5.6	58,241	80,659	91.8
Operating Budget	6,907	2.7	0.4	5,408	1.9	0.4	4,775	6,237	86.7
Development Budget	55,587	43.7	2.2	68,672	49.6	5.2	53,465	74,422	92.3
Education	47,713	12.4	3.7	49,180	11.7	3.7	49,859	50,528	97.3
Operating Budget	41,967	16.3	3.3	44,541	15.9	3.4	43,462	45,272	98.4
Development Budget	5,746	4.5	0.4	4,639	3.3	0.4	6,397	5,255	88.3
Health	21,467	5.6	1.7	20,261	4.8	1.5	16,880	21,140	95.8
Operating Budget	4,284	1.7	0.3	4,482	1.6	0.3	4,006	4,714	95.1
Development Budget	17,183	13.5	1.4	15,779	11.4	1.2	12,874	16,425	96.1
Agriculture & Rural Development	31,416	8.1	1.6	31,090	7.4	2.4	30,008	32,323	96.2
Operating Budget	2,467	1.0	0.1	1,996	0.7	0.2	2,121	2,123	94.0
Development Budget	28,949	22.8	1.4	28,114	20.3	2.1	27,887	30,201	93.1
Social Protection	31,659	8.2	0.1	18,034	4.3	1.4	17,630	18,932	95.3
Operating Budget	30,390	11.8	0.1	16,969	6.0	1.3	16,822	17,332	97.9
Development Budget	1,269	1.0	0.0	1,064	0.8	0.1	808	1,601	66.5
Economic Governance & Private Sector Development	17,238	4.5	1.1	35,897	8.5	2.7	7,487	35,742	100.4
Operating Budget	9,452	3.7	0.7	31,357	11.2	2.4	3,787	31,252	100.3
Development Budget	7,786	6.1	0.4	4,540	3.3	0.3	3,700	4,490	101.1
TOTAL (1)	385,690	100	19	420,190	100	31.8	398,648.1	451,906.5	93.0

Operating Budget	257,516	100	13	280,667	100	21.3	274,654.0	302,205.9	92.9
Development Budget	127,241	101	6	138,543	100	10.5	123,994.1	149,700.6	92.5

Source: AFMIS database, September 2020

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 12.4 percent of the National Budget and 3.3 percent of GDP. The sector spent almost all of its allotted Operating Budget and 86 percent of its Development Budget. In the Fiscal Year 1397, spending on education compared to the Fiscal Year 1396, reduced both as a share of total spending and GDP by 0.7 and 0.1 percent, respectively. 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. 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 1398, out of the total budget of Afs 80.6 billion, the sector spending reached Afs 74 billion. Out of this spending, Afs 5.4 billion was operating expenditure and remaining Afs 68.6 billion was development expenditures. Development spending in this sector constitutes 49.4 percent of total development spending and 5.2 percent of GDP. Total spending in this sector constitutes 5.6 percent of the GDP. In FY1398, the sector spent 91.8 percent of its allocated budget.

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 32.3 billion total budget allotted to this sector, its spending reached Afs 31 billion (96.2%). The amount of Afs 30.2 billion was allocated for development budget, and its spending reached to Afs 28.1 billion (91.1%). The total spending in this sector constitutes 7.4 percent of the National Budget. Similarly, the total spending in this sector constitutes 2.4 percent of GDP.

Agriculture is the primary driver of the 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 21.1 billion allotted budget in the National Budget for FY1398, the MoPH spent Afs 20.2 billion (95.8%). In this year, the share of spending on health sector in total spending reached 4.8 percent and its share to GDP reached to 1.5 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 FY1398 reached Afs 18 billion, of which Afs 16.9 billion was operating and Afs 1.1 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 FY1398, the share of spending on this sector in total spending decreased from 8.2 percent to 4.3 percent; while as percentage of GDP, it increased from 0.1 percent in FY1397 to 1.4 percent in FY1398.

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 35.8 billion in total, of which Afs 31.3 billion was operating and Afs 4.5 billion was development spending. The share of spending on this sector in total government spending increased from 4.5 percent in FY1397 to 8.5 percent FY1398, and as percentage of the GDP, it increased from 1.1 percent to 2.1 percent compared to the previous year.

The Governance, Rule of Law and Human Rights Sector

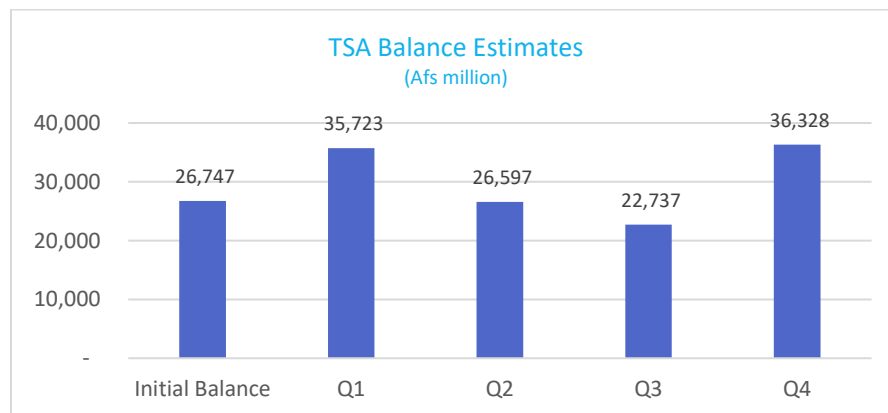
The ministries and agencies included in the Governance, Rule of Law and Human Rights Sector are the National Assembly (Upper and Lower Houses), the Ministry of State for Parliamentary Affairs, the Attorney General Office, the Ministry of Haj and Religious Affairs, the Election Commission and several other agencies. In FY1398, this sector spent Afs 42.8 billion, of which Afs 29.3 billion was operating and Afs 13.5 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 reached to 10.2 percent, and the percentage share of GDP reached to 3.2 percent respectively during the FY1398.

3. Government Financing

Treasury Single Account (TSA)

The balance in Treasury Single Account (TSA) initially was started with Afs 26.7 billion at the start of the year. The TSA amount rapidly increased to Afs 35.7 billion in the first quarter of the year, but declined in the second quarter to almost similar amount as it was in beginning of the fiscal year. It continued to decline gradually to Afs 22.7 billion, but by end of fourth quarter, the TSA reached to Afs 36.3 billion. The government usually realize large amount of treasury balances through revenue collection in the first quarters, but the second and third quarters shows a decline in treasury balance because government institutions commit more spending at the mid stage of the year as compared to the revenue. In the fourth quarter, treasury balance increased because of higher government revenue collection through one-off revenue from Da Afghanistan Bank.

Figure 17. TSA Balance Estimation



Source: Treasury Department, MoF, 2020

The overall net acquisition of nonfinancial assets in FY1398 improved modestly as compared to last year. This means that the purchase of land and buildings, and machinery and equipment gained some momentum. The ratio for net acquisition of non-financial assets to GDP reached 7.6 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 FY1398 shows a positive balance. The data for 1398 shows that there is a considerable increase in currency and deposits in the economy. Treasury Single Account has increased significantly. 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	1397	1397	1398	1398	1398	1398
	Actual	% GDP	Actual	% GDP	Prelim	% GDP
NET ACQUISITION OF NONFINANCIAL ASSETS	89,691.7	7.1%	100,588.0	7.6	100,588.0	7.6%
Land and Buildings	57,796.8	4.6%	65,678.6	5.0	65,678.6	5.0%
Purchase of Land and Buildings	57,819.1	4.6%	65,889.6	5.0	65,889.6	5.0%
Sale of Land and Buildings	-22.3	0.0%	-210.9	0.0	-210.9	0.0%
Sale of State-Owned Enterprises	0.0	0.0%	0.0	0.0	0.0	0.0%
Machinery and Equipment (>50,000)	26,196.8	2.1%	28,048.9	2.1	28,048.9	2.1%
Valuables	0.7	0.0%	0.8	0.0	0.8	0.0%
Other Acquisitions	5,697.5	0.4%	6,859.7	0.5	6,859.7	0.5%

Source: AFMIS database, September 2020

In FY1398, net acquisition of liabilities growth compared with FY1397 by 1.1 percent of GDP which reached 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)	1397	1397	1398	1398	1398	1398
	Actual	% GDP	Prelim	% GDP	Prelim	% GDP
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES	-1,899.6		19,031.3		14,076.3	
NET ACQUISITION OF FINANCIAL ASSETS	-11,717.8	-0.9%	-74.6	0.0%	-74.6	0.0%
Domestic	-11,717.8	-0.9%	-74.6	0.0%	-74.6	0.0%
Currency and Deposits	-9,402.1	-0.7%	597.1	0.0%	597.1	0.0%
Treasury Single Account	-9,402.1	-0.7%	597.1	0.0%	597.1	0.0%
Donor Accounts	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other Deposit Accounts	0.0	0.0%	0.0	0.0%	0.0	0.0%
Loans (Landings)	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other Accounts Receivable	769.0	0.1%	-671.7	-0.1%	-671.7	-0.1%
Foreign	0.0	0.0%	0.0	0.0%	0.0	0.0%
NET ACQUISITION OF LIABILITIES	9,818.2	0.8%	19,105.9	1.4%	14,150.9	1.1%
Domestic	10,316.9	0.8%	15,191.1	1.2%	10,236.1	0.8%
Accounts Payable	342.4	0.0%	639.3	0.0%	639.3	0.0%
Pension Liabilities	129.7	0.0%	0.0	0.0%	0.0	0.0%
Other Payables	0.0	0.0%	0.0	0.0%	0.0	0.0%
Foreign	-498.8	0.0%	3,914.9	0.3%	3,914.9	0.3%
Foreign Currency	-185.4	0.0%	2,980.4	0.2%	2,980.4	0.2%
Loans (Borrowings)	-313.4	0.0%	934.5	0.1%	934.5	0.1%

Source: AFMIS database, September 2020

Government Debt

Debt Stock

Total Government debt stock during FY1398 was Afs 153.4 billion, which is 8 percent less than the debt stock in FY1397. The government receive debt from both international organizations and foreign governments, where almost 53 percent of the debt stock was received from international organizations, in which ADB and the World Bank have the largest share; and remaining 47 percent from the foreign governments.

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 FY1398 amounted to Afs 6,872 million, shows 33 percent higher compared to FY1397. 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 fghanistan 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	1397	1398	YoY
EXTERNAL	159,092	153,330	-4%
International Organizations	84,169	80,889	-4%
IMF	5,162	6,872	33%
World Bank	26,263	26,414	1%
Islamic Development Bank	3,422	3,345	-2%
Asian Development Bank	49,196	44,139	-10%
Others	126	120	-5%
Foreign Governments	74,923	72,441	-3%
Russian Federation	67,324	61,525	-9%
Saudi Fund	4,547	6,224	37%
Others	3,051	4,692	54%
DOMESTIC	7,170	70	-99%
Bonds (Non-Tradable)	7,170	70	-99%
Commercial Banks			-
TOTAL CENTRAL GOVERNMENT DEBT	166,262	153,400	-8%

Source: Debt Management Department quarterly reports, MoF, 2020

4. Appendix

Table 11. Integrated Core Budget Expenditures 1397 - 1398

Core	In millions of Afghanis	1397 Actual	1397 %GDP	1398 Actual	1398 %GDP	1398 Original Budget (4)	1398 Final Budget (5)	1398 Actual as % of Final Budget (5)
2	TOTAL GROSS EXPENDITURES	388,641.9	30.6	420,189.8	31.8	424,396.4	451,577.6	451,577.6
2	TOTAL NET EXPENDITURES (1)	388,619.6	30.6	419,978.9	31.8			
2-25	RECURRENT EXPENDITURES (excludes 25)	298,927.9	23.5	319,390.9	24.2			
21	Compensation of Employees	185,990.2	14.6	197,468.8	15.0	196,746.0	206,448.3	206,448.3
211-3	Wages and Salaries	177,831.2	14.0	188,162.2	14.3			
214-5	Social Benefits	8,158.9	0.6	9,306.5	0.7			
22	Use of Goods and Services	80,885.5	6.4	83,562.2	6.3	113,725.4	97,798.4	97,798.4
221	Travel	3,832.6	0.3	3,208.7	0.2			
222	Communications	4,000.5	0.3	4,440.4	0.3			
223	Contracted Services	36,045.5	2.8	36,458.1	2.8			
224	Repairs and Maintenance	6,920.2	0.5	7,394.0	0.6			
225	Utilities	8,619.1	0.7	7,967.2	0.6			
226	Fuel	5,664.8	0.4	7,006.1	0.5			
227-9	Other Use of Goods and Services	15,802.7	1.2	17,087.8	1.3			
23	Interest (2)	2,002.5	0.2	2,203.4	0.2	2,300.0	2,203.4	2,203.4
24	Social Transfers (3)	30,049.8	2.4	36,156.5	2.7	17,365.0	36,463.6	36,463.6
242	Subsidies	1,398.0	0.1	1,364.9	0.1			
245	Grants	547.8	0.0	202.0	0.0			
247	Social Security	27,335.8	2.2	26,397.7	2.0			
248-9	Other Social Transfers	768.2	0.1	1,091.8	0.1			
25	Net Acquisition of Nonfinancial Assets (1)	89,691.7	7.1	100,588.0	7.6	69,281.6	108,663.9	108,663.9
150	Sale of Land and Buildings	-22.3	0.0	-210.9	0.0			
251	Buildings and Structures	57,166.0	4.5	63,362.8	4.8			
252	Machinery and Equipment (>50,000)	26,196.8	2.1	28,048.9	2.1			
257	Valuables	0.7	0.0	0.8	0.0			
258	Land	653.1	0.1	2,526.7	0.2			
259	Capital Advance Payments	5,697.5	0.4	6,859.7	0.5			

Table 12. Operating Budget Expenditures 1397 - 1398

In millions of Afghanis	1397 Actual	1397 %GDP	1398 Prelim. Actual	1398 %GDP	1398 Original Budget	1398 Final Budget (4)	1398 Actual as % of Final Budget (4)
TOTAL GROSS EXPENDITURES	262,156.2	20.6	281,172.0	21.3	281,172.0	21.3	297,388.8
TOTAL NET EXPENDITURES (1)	262,134.0	20.6	280,961.1	21.3	280,961.1	21.3	
RECURRENT EXPENDITURES (excludes 25)	255,958.5	20.2	275,393.3	20.9	275,393.3	20.9	
Compensation of Employees	185,990.2	14.6	197,468.8	15.0	197,468.8	15.0	196,746.0
Wages and Salaries	177,831.2	14.0	188,162.2	14.3	188,162.2	14.3	
Social Benefits	8,158.9	0.6	9,306.5	0.7	9,306.5	0.7	
Use of Goods and Services	38,016.6	3.0	40,034.5	3.0	40,034.5	3.0	52,503.3
Travel	3,276.5	0.3	2,681.8	0.2	2,681.8	0.2	
Communications	3,974.7	0.3	4,380.6	0.3	4,380.6	0.3	
Contracted Services	2,209.9	0.2	2,681.5	0.2	2,681.5	0.2	
Repairs and Maintenance	6,380.9	0.5	6,660.9	0.5	6,660.9	0.5	
Utilities	8,491.7	0.7	7,778.5	0.6	7,778.5	0.6	
Fuel	5,549.4	0.4	6,804.4	0.5	6,804.4	0.5	
Other Use of Goods and Services	8,133.5	0.6	9,046.8	0.7	9,046.8	0.7	
Interest (2)	2,002.5	0.2	2,203.4	0.2	2,203.4	0.2	2,300.0
Social Transfers (3)	29,949.2	2.4	35,686.7	2.7	35,686.7	2.7	17,365.0
Subsidies	1,398.0	0.1	1,350.0	0.1	1,350.0	0.1	
Grants	447.3	0.0	201.0	0.0	201.0	0.0	
Social Security	27,335.8	2.2	26,397.7	2.0	26,397.7	2.0	
Other Social Transfers	768.2	0.1	638.0	0.0	638.0	0.0	
Net Acquisition of Nonfinancial Assets (1)	6,175.5	0.5	5,567.7	0.4	5,567.7	0.4	6,309.52
Sale of Land and Buildings	-22.3	0.0	-210.9	0.0	-210.9	0.0	
Buildings and Structures	3,285.6	0.3	939.9	0.1	939.9	0.1	
Machinery and Equipment (>50,000)	2,241.1	0.2	1,978.9	0.1	1,978.9	0.1	
Valuables	0.2	0.0	0.79	0.0	0.8	0.0	
Land	651.8	0.1	2,360.6	0.2	2,360.6	0.2	
Capital Advance Payments	19.0	0.0	498.5	0.0	498.5	0.0	

Table 13. Development Budget Expenditures 1397 - 1398

In millions of Afghanis	1397 Actual	1397 %GDP	1398 Prelim	1398 %GDP	1398 Original Budget (5)	1398 Final Budget (6)	1398 Actual as % of Final Budget (4)
TOTAL GROSS EXPENDITURES	126,459.8	10.0	139,017.9	10.5	127,007.6	149,371.7	93
TOTAL NET EXPENDITURES (1)	126,459.8	10.0	139,017.9	10.5	-		
RECURRENT EXPENDITURES (excludes 25)	42,943.6	3.4	43,997.6	3.3	-		
Compensation of Employees	0.0	0.0	0.0	0.0	-	-	-
Wages and Salaries	0.0	0.0	0.0	0.0	-		
Social Benefits	0.0	0.0	0.0	0.0			
Use of Goods and Services	42,843.0	3.4	43,527.7	3.3	61,222.1	47,529.7	92
Travel	556.1	0.0	526.9	0.0			
Communications	0.0	0.0	59.8	0.0			
Contracted Services	33,835.6	2.7	33,776.6	2.6			
Repairs and Maintenance	539.3	0.0	733.1	0.1			
Utilities	127.4	0.0	188.7	0.0			
Fuel	115.4	0.0	201.7	0.0			
Other Use of Goods and Services	7,669.2	0.6	8,041.0	0.6			
Interest (2)	0.0	0.0	0.0	0.0	-	-	-
Social Transfers (3)	100.6	0.0	469.8	0.0	-	568.9	82.6
Subsidies	0.0	0.0	14.9	0.0			
Grants	100.6	0.0	1.0	0.0			
Social Security	0.0	0.0	0.0	0.0			
Other Social Transfers	0.0	0.0	453.9	0.0			
Net Acquisition of Nonfinancial Assets (1)	83,516.2	6.6	95,020.3	7.2	62,972.0	101,273.0	93.8
Sale of Land and Buildings	0.0	0.0	0.0	0.0			
Buildings and Structures	53,880.3	4.2	62,423.0	4.7			
Machinery and Equipment (>50,000)	23,955.6	1.9	26,070.0	2.0			
Valuables	0.5	0.0	0.0	0.0			
Land	1.3	0.0	166.1	0.0			
Capital Advance Payments	5,678.4	0.4	6,361.2	0.5			

Table 14. Integrated Core Budget Expenditure by Sector 1397 - 1398

In millions of Afghanis	1397	Percent of total	1398	Percent of total
	Actual		Prelim. Actual	
TOTAL NET EXPENDITURE	388,619.6		419,978.9	
Sale of Land and Buildings	22.3		210.9	
TOTAL GROSS EXPENDITURE	387,428.0	100.0	420,189.8	100.0
RECURRENT EXPENDITURE	277,002.1	71.5	317,500.0	75.6
CAPITAL EXPENDITURE	77,464.9	20.0	100,502.3	23.9
General Public Services	63,527.8	16.4	123,942.8	29.5
Recurrent Expenditure	35,031.8	9.0	84,989.5	20.2
Capital Expenditure	28,495.9	7.4	38,953.3	9.3
Defence	86,549.5	22.3	93,363.1	22.2
Recurrent Expenditure	84,380.5	21.8	89,354.1	21.3
Capital Expenditure	2,169.0	0.6	4,009.0	1.0
Public Order and Safety	47,506.6	12.3	38,504.8	9.2
Recurrent Expenditure	45,929.7	11.9	36,653.3	8.7
Capital Expenditure	1,576.8	0.4	1,851.4	0.4
Economic Affairs	53,274.1	13.8	67,802.1	16.1
Recurrent Expenditure	19,485.8	5.0	22,521.5	5.4
Capital Expenditure	33,788.3	8.7	45,280.7	10.8
Environmental Protection	705.6	0.2	1,427.4	0.3
Recurrent Expenditure	226.9	0.1	266.6	0.1
Capital Expenditure	478.7	0.1	1,160.8	0.3
Housing and Communal Amenities	5,285.5	1.4	5,844.0	1.4
Recurrent Expenditure	1,283.5	0.3	1,559.6	0.4
Capital Expenditure	4,002.0	1.0	4,284.5	1.0
Health	21,716.1	5.6	20,389.7	4.9
Recurrent Expenditure	18,312.8	4.7	18,552.7	4.4
Capital Expenditure	3,403.4	0.9	1,837.0	0.4
Recreation, Culture and Religion	3,496.2	0.9	3,677.8	0.9
Recurrent Expenditure	2,903.4	0.7	3,242.8	0.8
Capital Expenditure	592.8	0.2	435.1	0.1
Education	43,873.1	11.3	47,162.0	11.2

Recurrent Expenditure	41,197.8	10.6	44,554.7	10.6
Capital Expenditure	2,675.3	0.7	2,607.3	0.6
Social Protection	28,532.5	7.4	15,888.5	3.8
Recurrent Expenditure	28,249.9	7.3	15,805.2	3.8
Capital Expenditure	282.6	0.1	83.3	0.0
Balance Sheet Account	32,961.1	8.5	2,187.6	0.5
Recurrent Expenditure	20,712.0	5.3	1,890.9	0.5
Capital Expenditure	12,249.1	3.2	296.6	0.1

CONTACTS

Macroeconomic and Fiscal Policy Directorate General (MFPD)
 Ministry of Finance, Government of Islamic Republic of Afghanistan (GoIRA)
 Pashtunistan Watt, Kabul-Afghanistan
 +93 20 2233330
www.mof.gov.af - www.budgetmof.gov.af

Annual Fiscal Bulletin, 1398

<i>Editor-in-Chief</i>	Lutfullah Lutf – Acting Director General, Macroeconomic and Fiscal Policy Directorate, (MFPD)
<i>Contact Person</i>	Tamim Karimi, Macroeconomic and Expenditure Analyst, (MFPD) Email: tamim.karimi@mof.gov.af
<i>Co-authors</i>	
<i>Tamim Karimi</i>	Macroeconomic and Expenditure Analyst
<i>Mohammad Moin Ibrahimi</i>	Revenue Policy Expert
<i>Ansarullah Rizai</i>	Economic Policy & Statistic Expert
<i>Frozan Darwish</i>	Fiscal Policy Analyst

About MFPD:

The Macroeconomic and Fiscal Policy Directorate is one of Ministry of Finance’s main directorates that works under the Office of Deputy Minister of Finance. The directorate is responsible for providing necessary consultation in the areas of economic and fiscal policy in overall budgeting process. It is also responsible for assessing the country’s financial and economic situation where these assessments are used annually in the budgeting process. The department will carry out economic and financial forecasts for fiscal years and use a special model that is made for financial and economic analysis.

The directorate of macroeconomic and fiscal policy will continue to update the forecasts with new data available throughout the year. The unit will make financial forecasts, including estimates of resources needed to meet government commitments in the medium term, in line with the large-scale economic framework used to fund it. The department also provides technical advice in the areas of fiscal policy, including tax and expenditure policy.

