

ANNUAL FISCAL BULLETIN FY1399

General Directorate of
Economic, Fiscal Forecasting
& Reporting

Hoot 1400



Ministry of Finance
Islamic Republic of Afghanistan

Annual Macroeconomic and Fiscal Bulletin

FY 1399

Afghanistan's Macroeconomic and Fiscal Performance

General Directorate of Economic, Fiscal Forecasting & Reporting

Ministry of Finance, Afghanistan

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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, and 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 Economic, Fiscal Forecasting & Reporting General Directorate of the Ministry of Finance of Afghanistan. The topics and sections were written by Tamim Karimi, Frozan Darwish and Mohammad Haroon Saffay. Under supervision and guidance of Director General, Salma Alokozai and Director Fiscal Policy, Hasib Rahman Hakimzay. The authors are grateful for the cooperation, comments and suggestions received from the Government officials with respect to sharing of the data and statistics.

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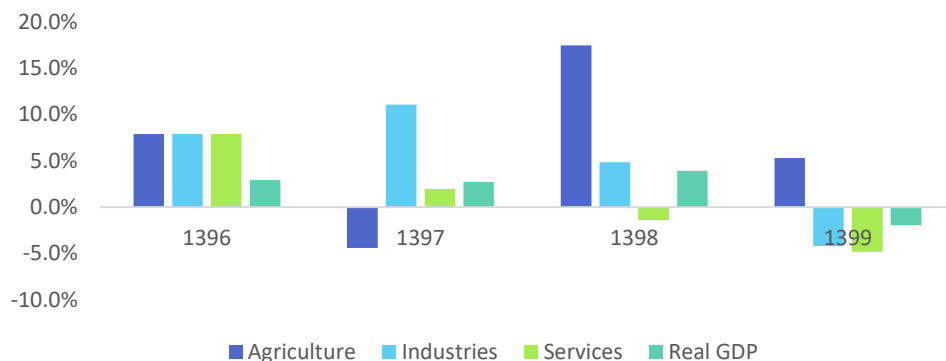
Glossary

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

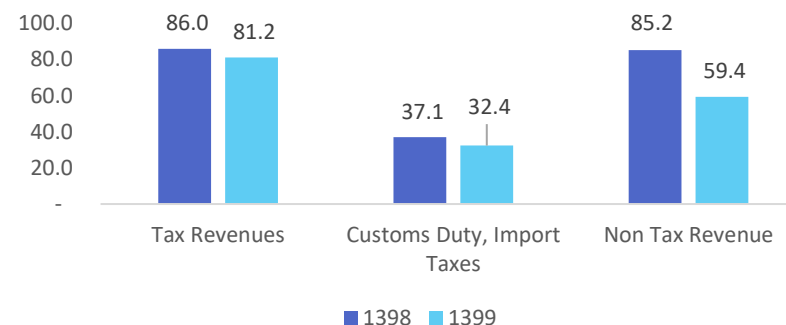
Financial assets	A financial claim on an asset that is usually documented by some type of legal representative. Examples include bonds and shares of stock, but not tangible assets such as real estate or gold. These are included below the line as financing items.
Revenues	Domestically raised revenues 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

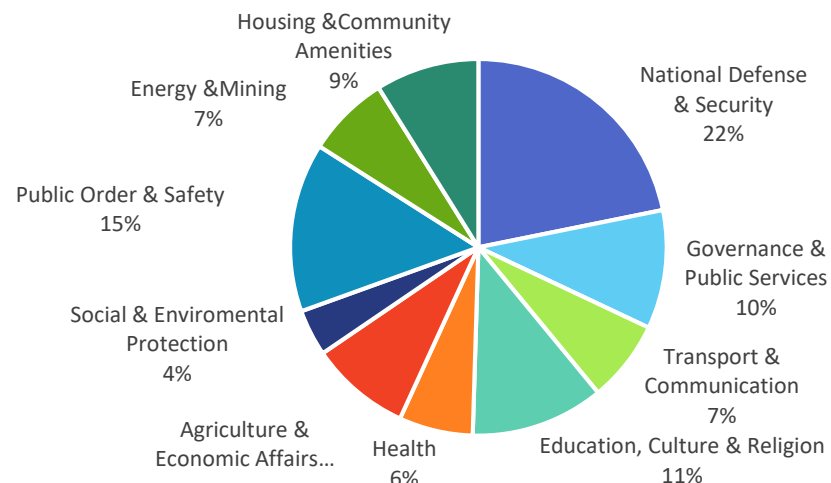
Sectoral GDP Growth



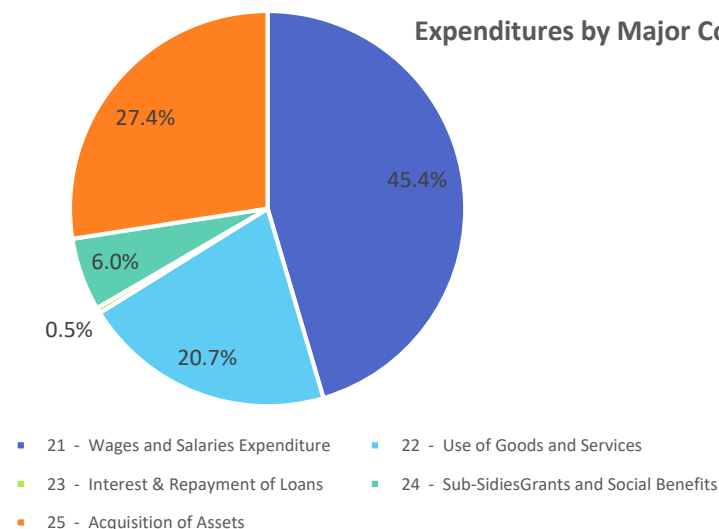
Domestic Revenue Collection by Major (Afs billion)



Sectoral Expenditures by percent



Expenditures by Major Code



Executive Summary

Macroeconomic Highlights

- Afghanistan's economy experienced substantial improvement in development outcomes since 2001, mainly in expanded access to water, sanitation, electricity, education, and health sectors. The country's macroeconomic management remains strong, domestic revenue have increased dramatically since FY1393 (2014) and major public financial management reforms have been implemented. But continued political uncertainty, and unknown peace agreement between the Afghan government and the Taliban 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.
- Afghanistan's economy grew by 3.9 percent in FY1398, driven mainly by strong growth in agriculture sector following recovery from drought. At the same time, the country continued to experience insecurity and political uncertainty. During the first half of FY1399, Afghanistan's economy has been hard-hit by the spread of the COVID-19, which mainly impacted on consumption, exports, and remittance. The economy contracted sharply over the first half of the year, where GDP growth was expected to reach to negative 5 percent. With favorable weather condition in the country, wheat production and other agriculture crop have supported in agriculture growth, but both industry and service outputs have hardly impacted due to lockdowns, restrictions, and border closures. Based on the final data from the National Statistic and Information Authority (NSIA), the GDP growth reached to -1.9 percent during FY1399.
- The government gradually eased restrictions and lockdown in the second half of FY1399. All borders and air-corridors were reopened, where trade (export and imports) activities accelerated with international markets. These all led to a notable increase in economic growth that improved economic activities, consumptions, trade activities, investments during the second half of the year.
- Household consumption has highly declined due to a sharp reduction in household's incomes, disruption to services and retail activities. In addition, investment has also been affected negatively due to the COVID-19 crisis. Poverty rate is expected to have worsened after the COVID-19 pandemic that hugely impacted the living condition of households. And is expected to remain high, driven by weak labor demand and security-related constrains on service deliver.

- Prices during FY1399, rapidly increased due to the vast spread of the COVID-19 crisis. Food items were highly affected by border closers and pandemic issue, which increased to an average of 5.9 percent during FY1399 from 2.3 percent in average in FY1398. In the food index, inflation increased to 11 percent on average in FY1399 from 5.8 percent in FY1398. The higher inflation rate in FY1399 was mainly driven by border closures and restrictions, where Afghanistan is heavily depends on imported food items which resulted to higher prices of food items. Overall inflation in non-food category increased to an average of 1.1 percent from 0.94 percent in FY1398.
- Price stability is an ultimate goal of the country. During FY1399, Afghani currency slightly depreciated against the Euro and Swiss France, but appreciated against Indian rupee, Pakistani Rupee, US dollar, and major international currency that are exchange in the Afghan markets. Currency exchange rate remained fluctuated against the US dollar in between Afs 76 to Afs 77 during FY1399.
- Trade balance continued to remain deficit by around 29 percent of GDP in FY1399. Trade sector was highly impacted by the effect of COVID-19 crisis, where custom borders were closed during the lockdown and quarantine period. Total export reached US\$ 777 million, while it was YS\$ 863 million in FY1398. At the same time, total import reached US\$ 6,538 million, while it was US\$ 6,776 million in FY1398. Both export and imports hardly hit by the impact of COVID-19 due weak economy and border closures during quarantine period.

Fiscal Highlights

- In FY1399, government estimated the national budget at Afs 428 billion, representing 33 percent of GDP. During the year, various changes took place in the national budget and finalized to 506 billion. Out of which, Afs 310.2 billion for operating budget and Afs 196.3 billion for development budget. In the final budget, Afs 230 billion (45.4 percent) of budget was planned to be financed from donor grants, and remaining of the budget through domestic sources.
- Domestic revenue performance continued to be strong till end of FY1398 with total collection of Afs 207.3. Domestic revenue for FY1399 was targeted Afs 209 billion, but due to COVID-19 crisis around the country and globe, the target was declined to Afs 177 billion. The collection in the first half of FY1399 had rapidly deteriorated driven by reduced economic activity, restrictions on international trade, and deteriorating compliance, core domestic revenues were lower by 34 percent against the target. Total government's revenue collection including grants till the end of FY1399 was Afs 374 billion, of which Afs 173 billion were collected from domestic sources. Domestic revenue collection reached 16.9 percent lower than the same period in FY1398 driven by the impact of COVID-19, weak confidence, political uncertainty, and continued insecurity in the country.

- Government's total spending by the end of year reached Afs 433 billion. Recurrent spending reached Afs 274 billion with an execution rate of 88.3 percent. The development expenditure reached Afs 160 billion, with an execution rate of 81.2 percent spending. The government spending makes 33.5 percent of the GDP.
- Overall operating balance was positive in this year. Total revenue including grants was Afs 374.7 billion, while total recurrent expenditures were Afs 314.5 billion. Total budget allocation for both operating and development was Afs 506 billion, which shows higher allocation due to COVID-19 spending.

1. Macroeconomic Performance

1.1. GDP Growth

The Afghan economy after a year of drought and intensifying insecurity, showed some signs of recovery from 2.7 percent GDP growth in FY1397 to 3.9 percent in FY1398. Economic recovery was mainly driven by better performance in agriculture crop and productivity. But in FY1399, the overall economy has been hard-hit by the outbreak of the COVID-19 virus and pandemic issue. The continued insecurity and political uncertainty also highly impacted the economy in the country during the year. GDP growth declined significantly and based on the National Statistic Information Authority (NSIA), GDP growth declined to -1.9 percent in FY1399. The impact of COVID-19 considerably effect on economic activities and investment that resulted to lower outputs on industry and service sectors and less revenue collection.

Impacts of COVID-19 crisis on the agriculture sector have been limited due to favorable weather condition for production especially for the wheat production, but still agriculture sector declined with 5 percent growth only. Both industry and service sectors have strongly impacted by the spread of the COVID-19 in the country during the FY1399. Where both sectors growth declined to -4 percent of GDP. The impact of COVID-19 was severe during the first half of 1399, as all the cities were on lockdown and restrictions due to pandemic issue.

The government gradually eased restrictions and lockdown during the third quarter of FY1399. All borders and air-corridors were reopened, where trade (export and imports) activities accelerated with international markets. These all led to a notable increase in economic growth that improved economic activities, consumptions, trade activities, investments by beginning of second half of FY1399.

It is expected with the post pandemic global economic recovery and normal situation in the country, economic growth is projected to pick up to 3.6 percent in FY1400, subject to the post pandemic global economic recovery. Real GDP growth is expected to increase to 4 percent during the medium-term if the country do not face any serious crisis such as COVID-19.

Household consumption has highly declined due to sharp reduction in household's incomes, disruption to services and retail activities. In addition, investment has also been affected negatively due to the COVID-19 crisis. Poverty rate is expected to have worsened after the COVID-19 pandemic that hugely impacted the living condition of households. And is expected to reach between 61 to 72 percent rate based on the World Bank's projection in FY1399. It is mainly driven by weak labor demand and security-related constraints on service delivery.

Table 1. Economic Growth

	Current	Outer Years			
	1399	1400	1401	1402	1403
Real GDP Growth	-1.9%	3.6%	4.1%	4.2%	4.3%
Nominal GDP Level (Afs bn)	1,294.4	1,723.3	1,854.2	2,003.8	2,228.5
NGDP by Sector (Afs bn)					
Agriculture	396.1	453.5	487.1	530.0	564.5
Industries	155.9	205.7	215.3	230.8	276.9
Services	686.4	999.7	1090.9	1185.2	1332.1
GDP Deflator	5.8%	10.7%	3.5%	3.8%	6.7%
CPI Inflation	8.7%	9.3%	4.9%	4.0%	5.8%

Source: Macroeconomic & Fiscal Model (MFM) 2021

Sectoral Performance and Contribution to GDP

During the FY1398, agriculture growth significantly increased after the ease of drought condition. Agriculture growth increased to 17.5 percent, but declined to 5.3 percent during FY1399. COVID-19 crisis impacted limited on agriculture sector as favorable weather condition supported production especially in wheat productions. While production of fresh and dry fruits for processing and export, have negatively impacted due to disruption to supply chains and closure of international markets and export routes during quarantine and pandemic period. Cereals, fruits, and other agriculture crop growth by only an average of 5 percent respectively.

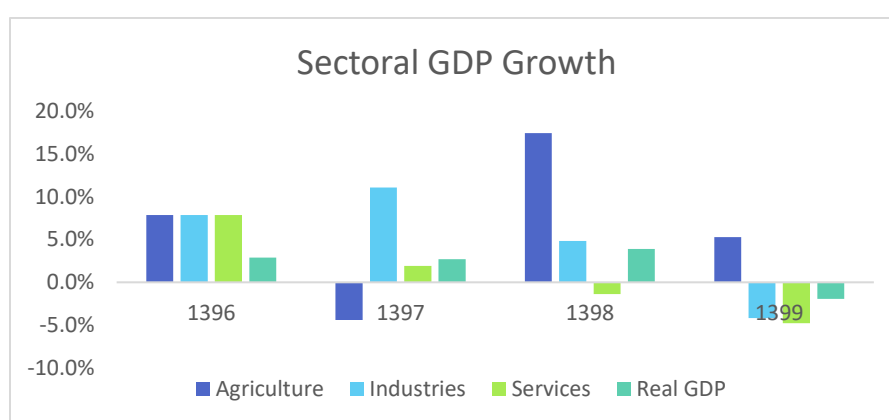
Growth in industry sector significantly declined from 4.8 percent in FY1398 to -4.2 percent in FY1399. The impact of COVID-19 highly declined investment and industry sector activities, where most of companies and industries activities were stopped and or slowed due to restrictions and lockdowns during the first half of the year. Besides uncertainties and insecurity continued to increase weak confidence during the year which expressed more negative view on business environment for all types of businesses, as a result the industry and trade sectors have been affected heavily.

Service sector continued to be the higher contributor to GDP, but during FY1399 impacted highly by the spread of COVID-19 virus around the country. Service sector growth declined from -1.9

percent in FY1398 to -4.7 percent in FY1399. Restrictions and pandemic closed and limited restaurants and hotels activities during the quarantine period, where its growth declined extremely to -23.8 percent. Moreover, other service components such as transport, finance an insurance, and real state growth declined significantly. Political uncertainty and insecurity increased weak confidence for private sector especially among SOEs as well.

Border closures and banned of international markets impacted highly on export companies and those that rely on imported inputs. Business activities also negatively impacted by contraction in customer demand during this period. Demand for goods and services declined highly due to lockdown measures.

Figure1: Sectoral GDP Growth



Source: Macroeconomic & Fiscal Model (MFM) 2021

During FY1399, agriculture growth increased declined from 17.4 percent to 5.3 percent. Due to the impacts of COVID-19, agriculture growth limited compared with industry and services sectors. Although favourable weather condition helped productions of fruits, cereals and vegetables.

Both industry and service sectors highly declined due COVID crisis and reached to below -4 percent. The details breakdown of sectorial growth performance is listed in table below:

Table 2. Sectorial performance (%) in 1399

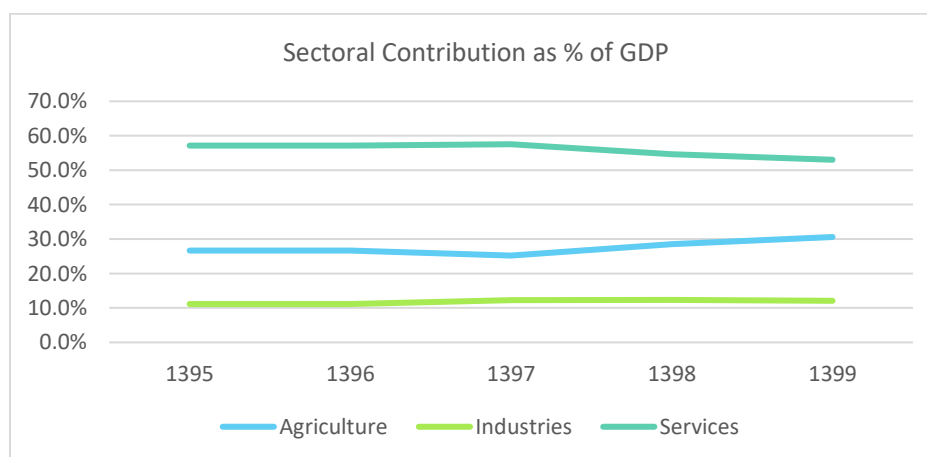
Average Growth Percentage	FY1399
Agriculture	5.3
Cereals	5.6
Fruits	5.6
Livestock	5.7
Others	4.6
Industry	-4.2
Mining and quarrying	-8.3

Manufacturing	-3.5
Electricity, gas, and water	-3.8
Construction	-3.4
Services	-4.8
Wholesale & retail trade	-1.2
Restaurants & hotels	-23.8
Transport & storage	-5.2
Post and telecommunications	0.9
Finance and Insurance	-8.2
Real Estate	-13.4
Education	-18.1
Health and Social Services	5.5
Other Service*	-2.0
Plus Import Duties	-7.2
Totals / GDP at Market Prices	-1.9

Source: Macroeconomic & Fiscal Model (MFM) 2021

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 27 percent. Service sector contribution to GDP slightly increased by 56 percent while it was 55.4 percent in previous year. While Industry sector contribution to GDP slightly declined to 12.4 percent respectively. Contrary to service sector, the share of agriculture remains lower to 27 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



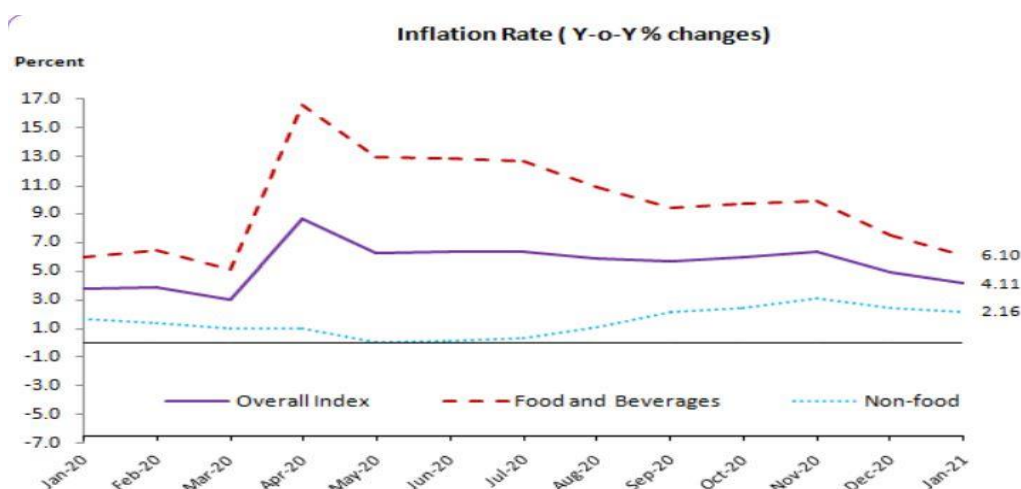
Source: Macroeconomic & Fiscal Model (MFM) 2021

1.2. Prices

Consumer price index (CPI) measurement has been revised by the National Statistics and Information Authority (NSIA) from the base price of 2011 to base price of 2015. As per data from the NSIA and analysis of Da Afghanistan Bank (DAB), following results are observation in consumer price index of Afghanistan.

Overall inflation, year on year measure of changes in the CPI showed an increase stand at 5.9 percent on average during the FY1399. As per available data, the headline inflation measured on year-over-year basis, increased to 5.9 percent from 2.3 percent average in FY1398. In the food index, inflation increased to 11 percent on average in FY1399 from 5.8 percent in FY1398. In the food index, the inflationary pressures came from higher prices of bread and cereals, milk, cheese and eggs, oil and fats, fresh and dried fruits, and vegetables. The higher inflation rate in FY1399 was mainly driven by border closures and restrictions, where Afghanistan is heavily depends on imported food items which resulted to higher prices of food items. Overall inflation in non-food category increased to an average of 1.1 percent from 0.94 percent in FY1398. The slight increase was mainly due to higher prices of tobacco, clothing, and housing increased over the one-year period.

Figure 3. Inflation in FY1399



Source: Da Afghanistan Bank website, 2021

The CPI rate increased dramatically during the FY1399. Higher CPI rate was mainly driven by higher food prices in the international and local markets due to the impact of COVID-19 crisis which increased by 9 percent in the second quarter, but declined to -6.7 percent growth during the third quarter of the year. On the other hand non-food items were almost stable during the year with no effect of COVID-19. It increased to 1 percent only in second quarter, while it declined again slightly to 0.6 percent growth in the third quarter of the year. Food prices were increased mainly due to the impact of COVID-19 and pandemic issues.

Table 3. Average Inflation Growth by Q-o-Q

% - Q-o-Q	1399			
	Q1	Q2	Q3	Q4
Overall Index (average)	121.4	126.5	123.4	125.2
CPI Rate (average growth)	1.7%	4.2%	-2.4%	1.2%
Food	4.0%	9.0%	-6.7%	-0.2%
Non-Food	0.2%	1.0%	0.6%	2.6%

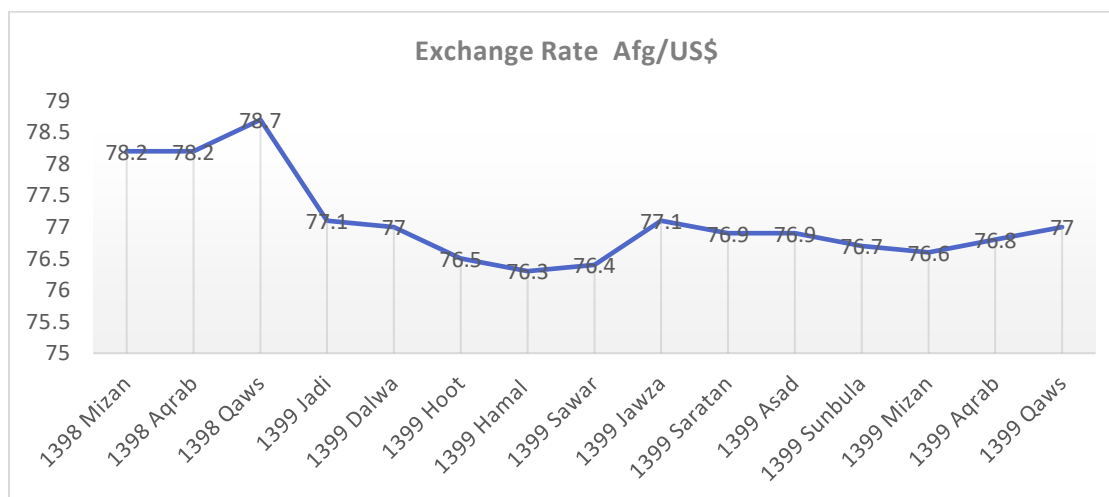
Source: Da Afghanistan Bank Website, 2021

1.3. Exchange Rate

During FY1399, the Afghani currency remained stable against major international currencies, but fluctuated slightly against the US dollar. During all three quarters of FY1399, the Afghani currency appreciated by 1.5 percent against the Euro currency, driven by lower imports and increased demand for Afghani in province bordering Pakistan. Afghani currency remained stable against the US dollar between Afs 76 to 77 per US dollar, due to the central bank limited foreign exchange interventions.

A weaker exchange rate tends to make exports more competitive, as Afghan products will be less expensive for foreigners to buy. However, in Afghanistan, the exchange rate plays an insignificant role to help the BoP because of supply deficiencies. Due to unexpected decline in the foreign aid, there is possibility that Afghani will depreciate annually by 1.5 percent in the medium term.

Figure 4. Exchange Rates Trend



Source: Da Afghanistan Bank website, 2021

1.4. Current Account and Trade Balance

During FY1399, trade sector in Afghanistan also highly impacted by the effect of COVID-19 crisis, where custom borders were closed during the lockdown and quarantine period. Both road and air trade corridors were banned where it highly impacted trade sector of the country.

Trade deficit in FY1399 recorded US\$ 5,761 million which equals to 29 percent of GDP. Due to a much sharper decline in imports relative to exports, the trade deficit narrowed by about four percent to 29 percent of GDP in 1399 compared to 32.8 percent in 1398.

Afghanistan's export of goods decreased from US\$ 863 million in FY1398 to US\$ 777 million in FY1399. The registered exports in the FY1399 compared to the FY1398 decreased by 10 percent. Export performance has deteriorated throughout 1399, due to border closures during quarantine period.

The officially recorded import of goods in FY1399 was US\$ 6,538 million excluding smuggled and duty-free goods. The registered imports in FY1399 compared to the FY1398 decreased by 3.53 percent (from US\$ 6,777 million to US\$ 6,538 million). Weaker imports were largely driven by poor economic conditions during pandemic period of covid-19 and decreased domestic demand, resulting in a 3.5 percent decline in imports (USD 239 million) year over year.

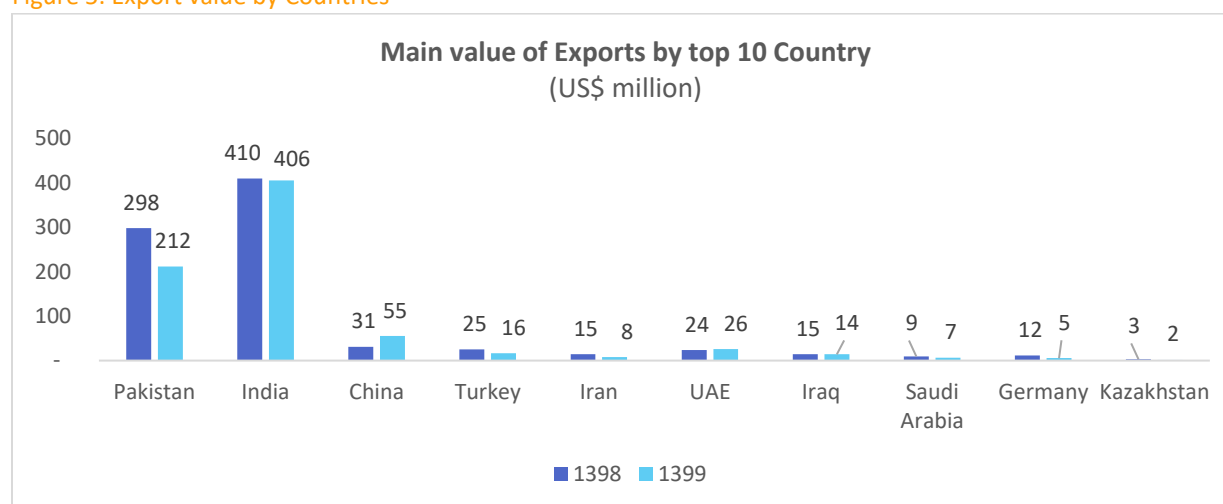
Afghanistan's Trad Partners

The impact of COVID-19 crisis significantly reduced trade sector in Afghanistan. In FY1399, both export and import experienced weak performance and the trade deficit narrowed by four percent.

Pakistan and India continued the two main trading partners of Afghanistan on export side. Export to India has decreased to US\$ 406 million in FY1399, a decrease of 1 percent, and value of export to Pakistan also decreased in FY1399 to US\$ 212 million compared to US\$ 298 million in FY1398 (28 percent decrease). China is the third major export trader with Afghanistan after India and Pakistan with the value of US\$ 55 million (77 percent increase from 1398).

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

Figure 5. Export value by Countries



Source: ASYCUDA database, 2021

Total export remained limited and are concentrated in a narrow range of commodities (dried fruits, nuts, and textiles) with a value equal to around 3.9 percent of GDP.

Dried Fruit exports continued to increase by 3.5 percent compared with FY1398, due to favourable weather condition in the country where fruit products were increased dramatically during the year, while commodities such as carpets, minerals, skins, oil seeds, medicine plants were significantly declined. Export of other commodities such as spices, seeds, and wool & cotton were increased during the fiscal year 1399.

The chart below presents main commodities of exports to international markets.

Figure 6. Export value by goods



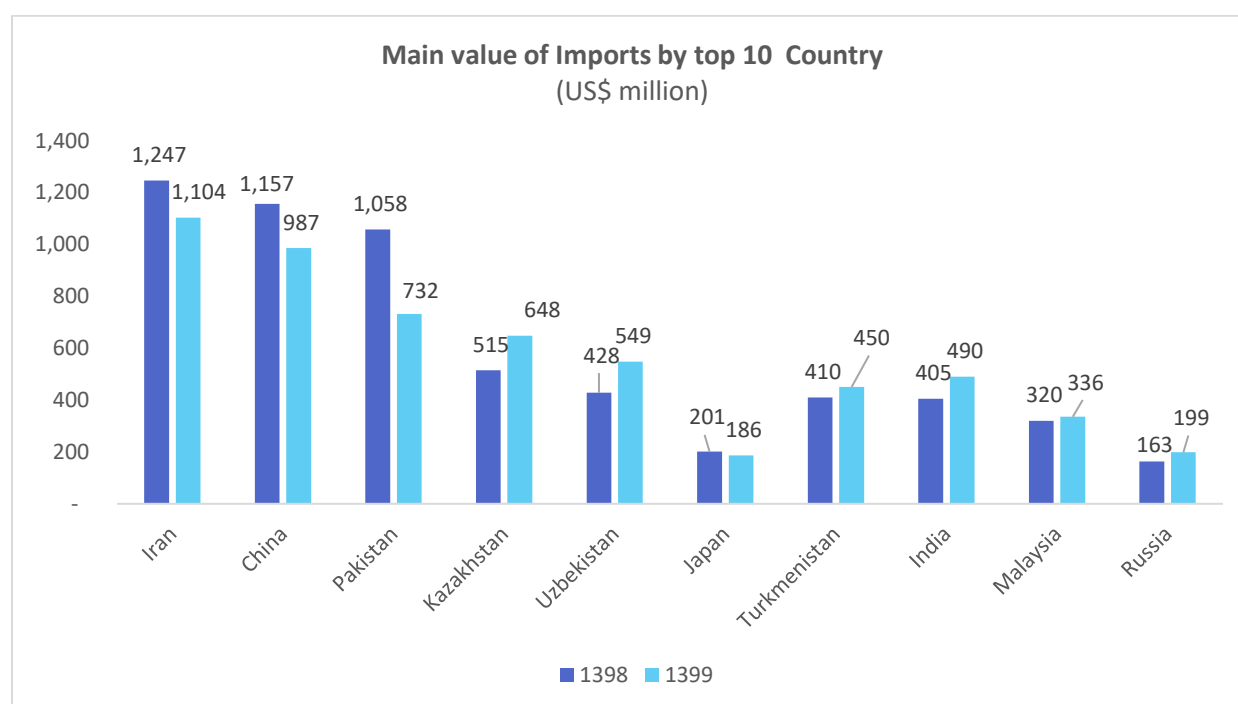
Source: NSIA calculation, 2021

On the other hand, total imports volume decreased highly by 3.5 percent in FY1399 compared with FY1398. The slow growth of imports was driven by the impact of COVID-19 crisis and border closures during the quarantine period in the country. The impact of COVID-19 crisis created weak domestic demand, which resulted to lower import goods.

On the import side, Afghanistan's three main trading partners remained Iran, China, and Pakistan. In FY1399, imports from Iran, China, and Pakistan fell to US\$ 1,104 million, US\$ 987 million, and US\$ 732 million, respectively.

The following Chart presents major suppliers to Afghanistan.

Figure 7: Import values by countries

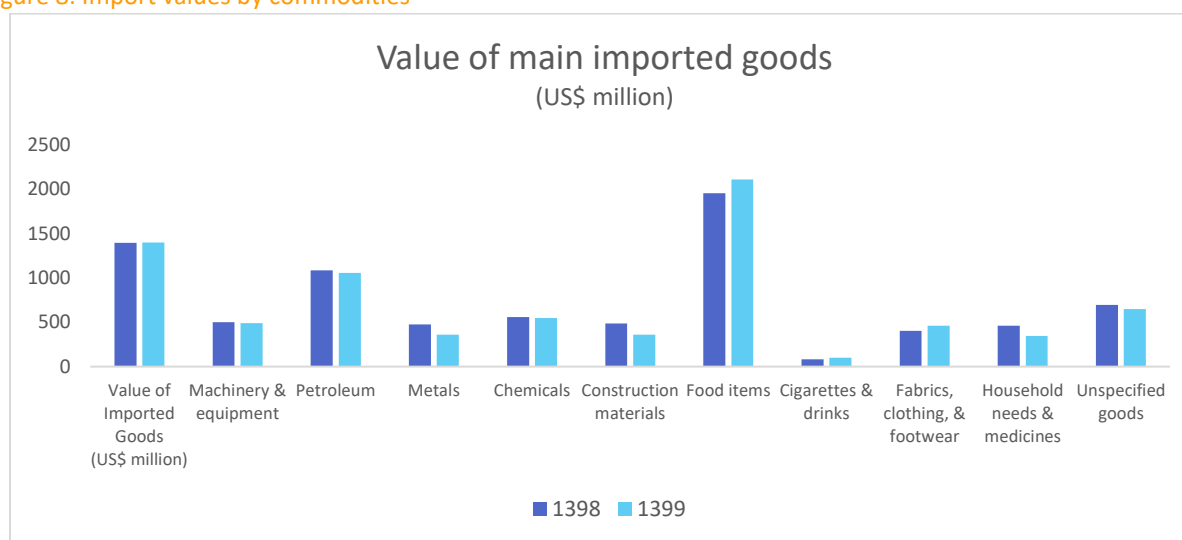


Source: ASYCUDA database, 2021

Food items continued to be higher imported goods with 7.8 percent growth, while other commodities such as machinery, base metals, petroleum, and other imported items are declined during FY1399.

Below charts presents comparison of imports of goods items during FY1398 and FY1399.

Figure 8: Import values by commodities



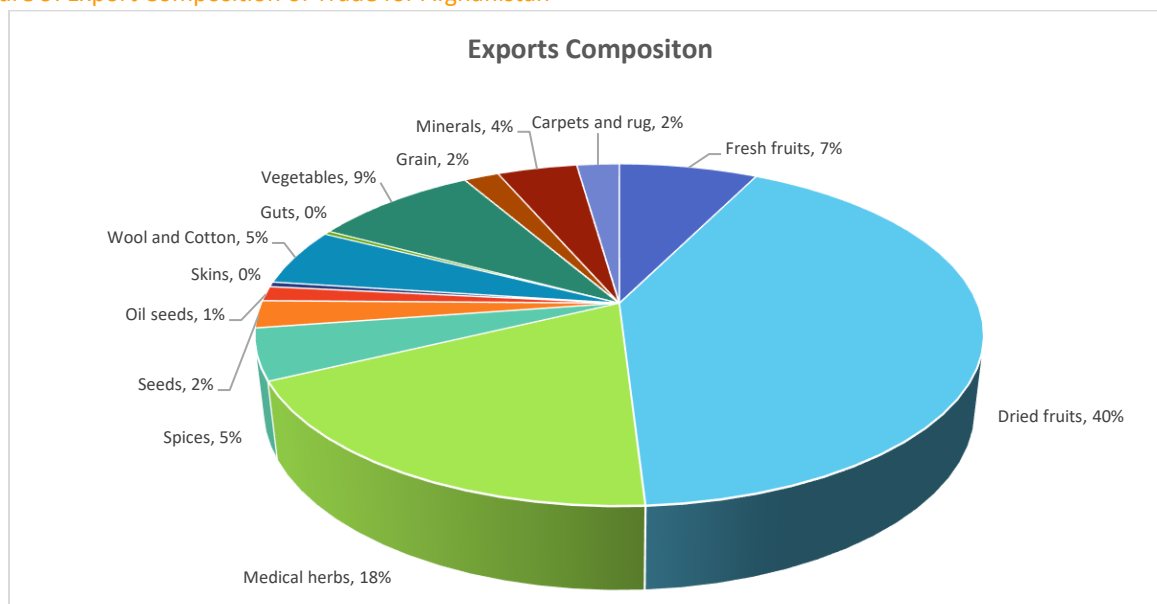
Source: NSIA calculation, 2021

Main Exported and Imported Items during 1399

During FY1399 fruits products, which include fresh and dry fruits constituted 47 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\$ 368 million in FY1399. Medical herbs, Vegetables and Spices are reached 18 percent, 9 percent, and 5 percent accordingly.

The figure below presents the top 14 exported items in FY1399 as per their share.

Figure 9: Export Composition of Trade for Afghanistan



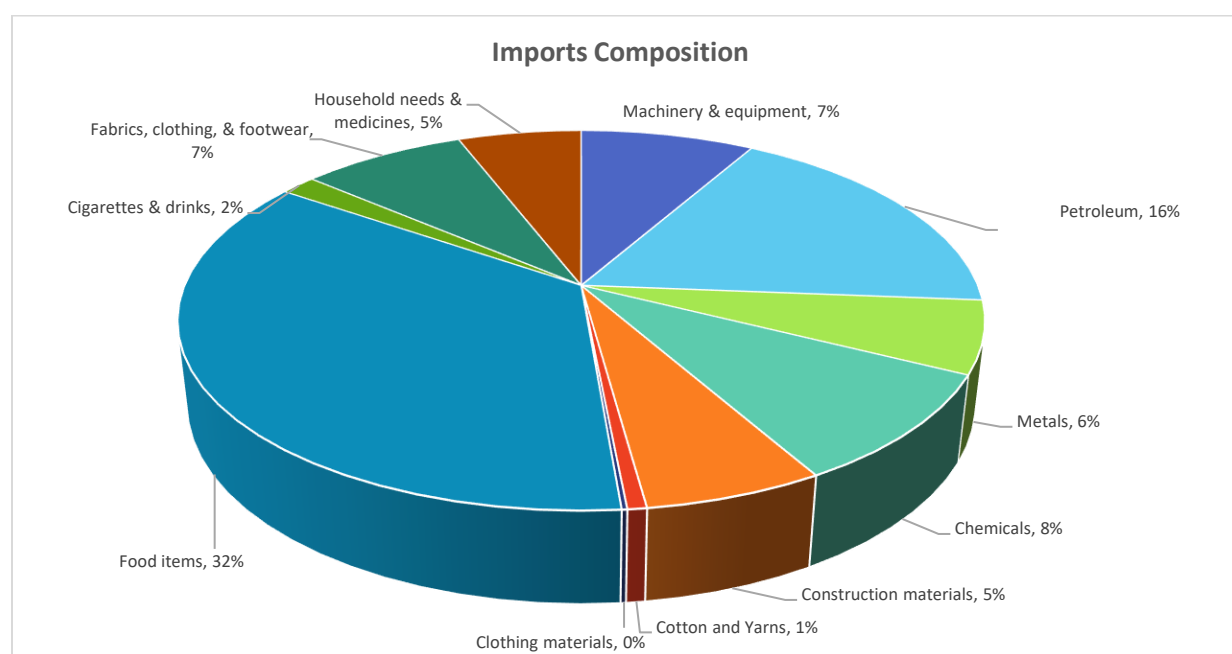
Source: ASYCUDA database, 2021

In FY1399, goods imports fell to US\$ 6,537 million (3.5 percent lower than in FY1398). Imports fell by 34 percent in clothing materials, 26 percent in construction materials, 25 percent in cotton and yarns and household needs and medicines, 24 percent in metals, 3 percent in machinery and equipment, and 3 percent in petroleum.

In 1399, imports of cigarettes and drinks increased by 19 percent, fabrics by 14 percent, clothing and footwear by 14 percent, and food items by 8 percent.

The figure below presents the top 12 imported items in FY1399 as per their share.

Figure 10: Import Composition of Trade for Afghanistan



Source: ASYCUDA database, 2021

2. Fiscal Performance Overview

Fiscal Summary for FY 1398-1399

Summary Fiscal Outturn – End of Fiscal Year 1399

National Budget (Final): Afs 506,594 million

Operating Budget (Final): Afs 310,212 million

Development Budget (Final): Afs 196,382 million

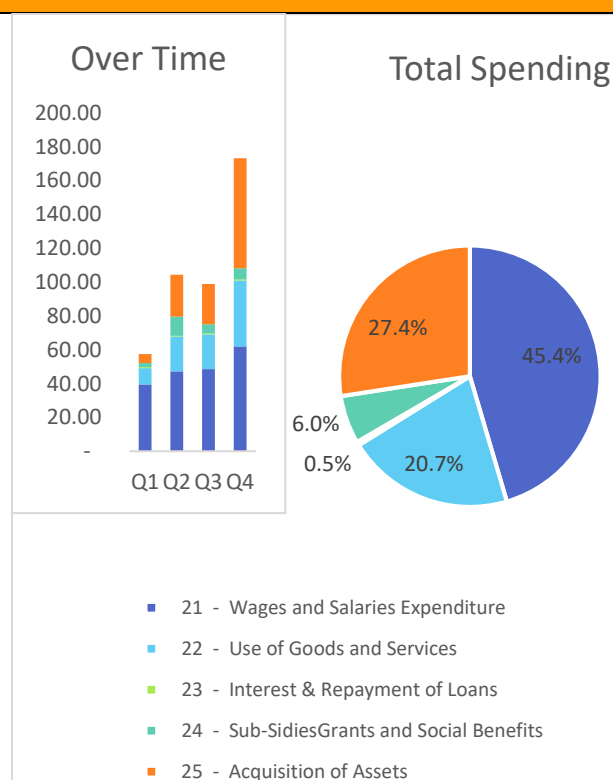
Total Domestic Revenue: Of Afs 177,280 million targeted revenue, total revenue collection was Afs 173,085 million,

Total Expenditure: Total government expenditure was planned Afs 506,594 million, of which Afs 433,386 million was spent (85.5 percent of budget execution). Operating spending was Afs 273,946 million and development spending was Afs 159,449 million by end of the fiscal year.

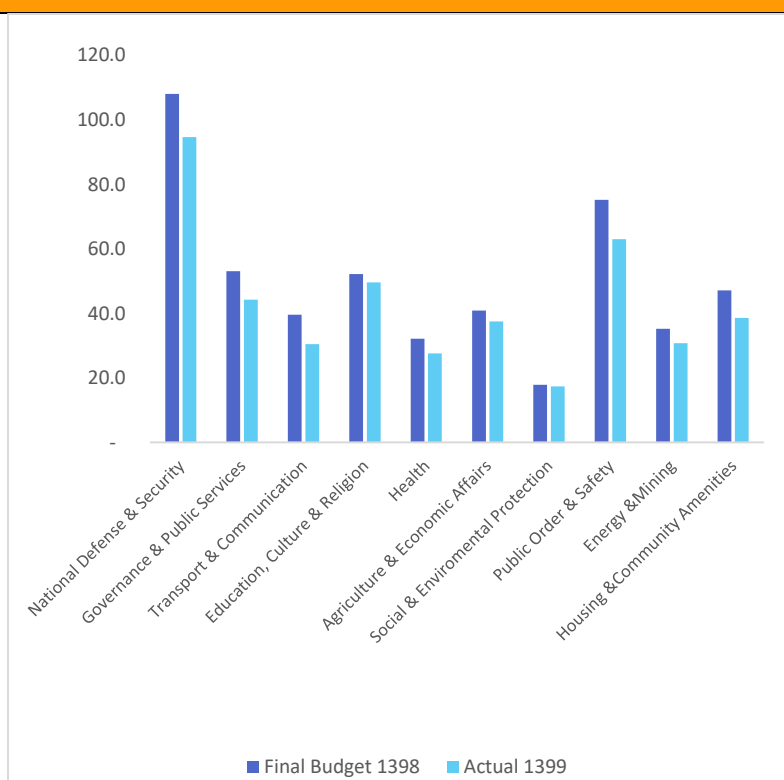
Donor grants: Donors commitments was planned Afs 230,183 million towards the budget, of which Afs 201,555 million was actually spent.

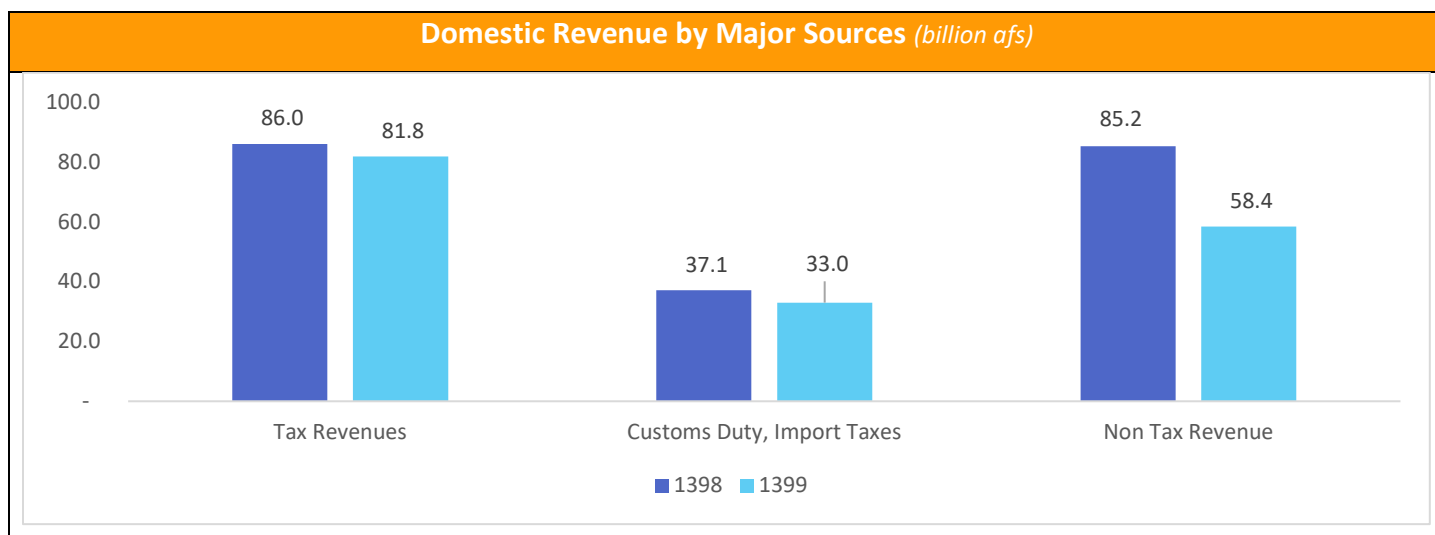
The following figures are all in billions of Afghanis

Spending by Inputs



Spending by Sectors





2.1 National Budget

Budget and fiscal planning are significantly important as an essential tools in budget process. This has led to put more efforts every year to improve the budgeting and fiscal planning process. Taking into consideration the continuity of reforms of the budgetary and fiscal planning initiated in FY1397 with main focus on brining improvements in government fiscal planning. The FY1399 budget was prepared according to the international standards and presented by consolidating operating and development budgets.

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 FY1399, government estimated the national budget at Afs 428 billion, representing 33 percent of GDP. During the year, various changes took place in the national budget and finalized to 506 billion. Out of which, Afs 310.2 billion for operating budget and Afs 196.3 billion for development budget. In the final budget, Afs 230 billion (45.4 percent) of budget was planned to be financed from donor grants, and remaining of the budget through domestic sources.

The budget for FY1399 represents a significant shift in the Government's approach to fiscal planning. 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 FY1398 was estimated at Afs 428 billion, representing 33 percent of GDP, which includes Afs 281 billion for operating and Afs 147 billion for development budget. During the year, various changes took place in both operating and development budgets. Finally by end of the year, the total national budget was finalized and increased to Afs 506.5 billion, out of which Afs 310.2 billion was included in the operating and Afs 196.3 billion in development budget, respectively. A modest positive change has occurred in both operating and development budget (Final Budget). Operating budget for FY1399 increased 10.3 percent, while development budget increased by 33.5 percent compared to the initial budget.

The targeted revenue for FY1399 was initially set Afs 208.9 billion (excluding grants), but the target was declined to Afs 177.2 billion during the year. The decline in revenue target was due to impact of COVID-19 crisis which hard hit the economy and revenue collection during the first half of the year. In the Final Budget of FY1399, Afs 201 billion (39.8% of the final budget) was received through donor financing, of which Afs 136 billion were received for operating expenditures, and remaining Afs 65.5 billion were received for development expenditures 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 1399.

Table 4. Summary of Budget for Fiscal Year 1399

In millions of Afghanis	1398 Actual	1398 %GDP	1399 Prelim. Actual	1399 %GDP	1399 Final Budget	1399% of Final Budget
OPERATING BUDGET						
Operating Budget Revenues	300,754	22.8	309,075	23.9	269,234	14.8
Domestic Revenues	208,309	15.8	173,085.0	13.4	177,281	-2.4
Operating Grants	92,445	7.0	135,990.0	10.5	91,953	47.9
Operating Budget Expenditures	281,164	21.3	274,545	21.2	310,212	89
Operating Budget Balance (3)						
Excluding Grants	-72,855	-5.5	-101,460	-7.8	-132,931	76
Including Grants	19,590	1.5	34,530	2.7	-40,978	-84
Indicator of Fiscal Sustainability (domestic revenues/operating expenditures)	74%		63%	0.0	57%	
DEVELOPMENT BUDGET						
Development Grants (1)	87,518	6.6	65,565	5.1	138,230	47
Development Budget Expenditures	138,957	10.5	159,048	12.3	196,382	81
Development Budget Balance (3)	-51,439	-3.9	-93,482	-7.2	-58,152	161
INTEGRATED BUDGET						
Revenues (1)	388,272	29.4	374,640	28.9	407,464	92
Domestic Revenues	208,309	15.8	173,085	13.4	177,281	98
Grants (1)	179,963	13.6	201,555	15.6	230,184	88
Expenditures	420,121	31.8	433,593	33.5	506,594	86
Integrated Budget Balance						
Excluding Grants	211,812	-16.0	-260,508	-20.1	-329,314	79
Including Grants (3)	-31,850	-2.4	-58,953	-4.6	-99,130	59
Financing Requirement		0.0				

Balance Including Grants	-31,850	-2.4	-58,953
Sale of Land and Buildings	211	0.0	96
Lending/Borrowing	-31,639	-2.4	-58,857

Source: AFMIS database, 2021

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.

2.2 Revenue

Domestic revenue performance continued to be strong since the security transition in FY1393. Despite political uncertainties and insecurity, revenue performance significantly improved till 1398. Revenue collection increased from 3 percent of GDP in 2002 to 15.7 percent of GDP in 2019, which equals with the average of low-income countries. But, due to the spread of COVID-19 virus in 2020, revenue performance significantly declined. The impact of COVID-19 hardly hit the economy of the country and globe, due to which the country experienced low economic activities including restrictions on international trade, border closure, weak businesses and investments activities, and low compliance.

Domestic revenue for FY1399 was initially targeted Afs 209 billion, but due to COVID-19 crisis around the country and lower revenue collection based on monthly target during the first half of the year, the target was declined to Afs 177 billion.

Total revenue including grants reached Afs 374.6 billion in FY1399, while it was Afs 388.2 billion in FY1398. Revenue collection including grants decreased by 3.5 percent. Although, higher grant received Afs 201 billion, but domestic revenue collection was lower than the previous year.

Domestic revenue collection dramatically declined during FY1399 that reached Afs 173 billion. The collection makes 13.4 percent of GDP compared to 15.7 percent in FY1398. Unlike previous years, revenue performance in 1399 could not reached the overall revenue budget target due to the impact of COVID-19 crisis and pandemic issue.

Table 5. Revenue Summary

In millions of Afghanis	1398 Actual	1398 %GDP	1399 Actual	1399 %GDP	1399 Target (Original)	1399 Target (revised)	1399 % Greater/Less than 1398
REVENUES including grants (1)	388,271.6	29.4	374,640.4	28.9	434,383.5	407,464.1	-3.5
REVENUES excluding grants (2)	208,309.0	15.8	173,085.0	13.4	208,900.0	177,280.6	-16.9
Tax Revenues	85,757.9	6.5	81,759.0	6.3	82,696.4	63,801.9	-4.7
Fixed Taxes	13,598.0	1.0	12,326.0	1.0	14,901.8	9,649.2	-9.4

Income Taxes	32,393.6	2.5	31,748.0	2.5	28,395.4	24,330.7	-2.0
Property Taxes	574.5	0.0	575.5	0.0	515.7	436.8	0.2
Sales Taxes	35,725.5	2.7	33,620.5	2.6	37,026.8	27,751.0	-5.9
Tax Penalties and Fines	3,466.3	0.3	3,489.0	0.3	1,856.6	1,634.2	0.7
Customs Duty, Import Taxes	37,109.0	2.8	32,960.0	2.5	42,450.9	26,586.5	-11.2
Non Tax Revenue	44,387.8	3.4	39,934.0	3.1	44,521.2	36,417.9	-10.0
Income from Capital Property	2,447.7	0.2	1,298.0	0.1	2,332.4	2,088.8	-47.0
Sales of Goods and Services	8,716.7	0.7	9,612.0	0.7	9,258.0	7,707.8	10.3
Administrative Fees	30,564.5	2.3	25,859.0	2.0	28,694.3	23,527.5	-15.4
Royalties	0.0	0.0	0.0	0.0	540.9	389.9	#DIV/0!
Non Tax Fines and Penalties	812.3	0.1	785.0	0.1	690.0	537.4	-3.4
Extractive Industries	1,846.7	0.1	2,380.0	0.2	3,005.5	2,166.4	28.9
Other non-taxes							
Miscellaneous Revenue	8,563.1	0.6	5,143.0	0.4	39,231.6	30,997.8	-39.9
Sales of Land and Building	26,604.2	2.0	13,289.0	1.0	0.0	19,476.5	-50.0
Social Contributions	5,886.9	0.4	0.0	0.0	0.0	0.0	-100.0
Grants (1)	179,962.6	13.6	201,555.4	15.6	225,483.5	230,183.5	12.0
<i>of which operating budget</i>	<i>92,445.0</i>	<i>7.0</i>	<i>135,990.0</i>	<i>10.5</i>	<i>94,953.2</i>	<i>91,953.2</i>	<i>47.1</i>
Foreign Governments	92,445.0	7.0	135,990.0	10.5			
International Organization	87,517.6	6.6	65,565.4	5.1			

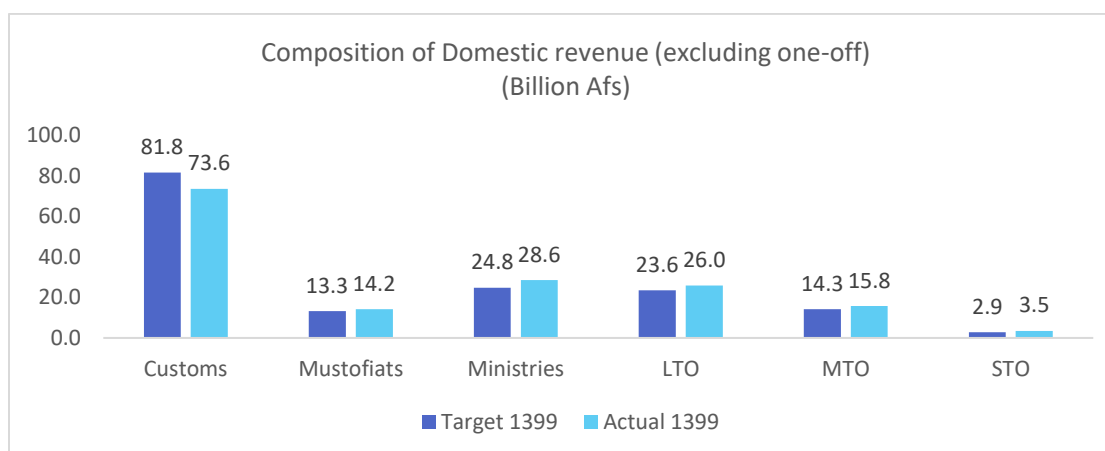
Source: AFMIS database, 2021

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 impact of COVID-19 crisis which hardly hit overall economy of the country and due to which the country experienced lower economic activities, restrictions on international trade, weaker compliance, political uncertainty, and continued insecurity; domestic revenue performance deteriorated. The collection decreased by almost 17 percent compared with previous year.

All revenue collection agencies performance were low during FY1399 due to the impact of COVID-19 crisis. Mainly Customs could not reached its target, due to border closures during the quarantine period. Customs houses collected Afs 8.2 billion less than its target. While, LTO, MTO, STO, and mustofiats reached their targets. But compared with previous year, all agencies performance were lower.

Figure11. Share of domestic revenue lines



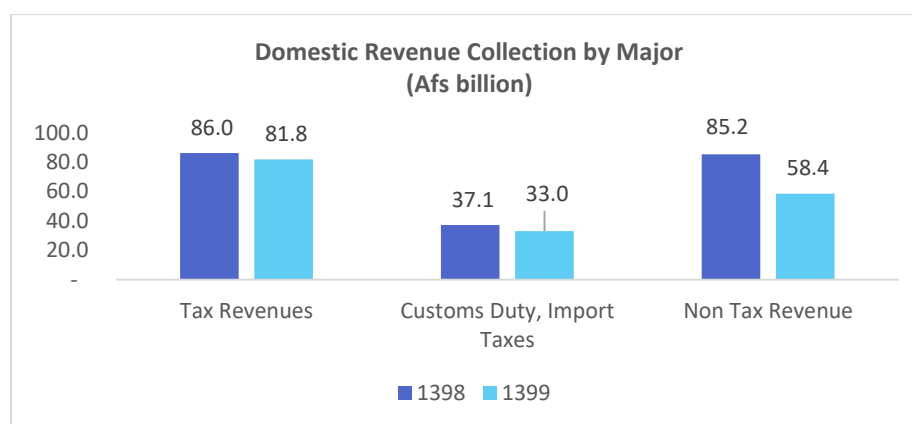
Source: AFMIS database, 2021

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 47.2 percent of the total domestic revenue, followed by non-tax revenue, which constitutes 23.1 percent of total domestic revenue in 1399. Tax revenue collection has decreased by 4.7 percent over the fiscal year 1398, customs revenue has decreased by 11.2 percent and non-tax revenue also decreased 10 percent compare to the previous year. Comparing figures of FY1398 with FY1399, it becomes clear that share of tax revenues and non-tax revenues in total revenue collection have decreased during FY1399 due to the impact of COVID-19 crisis.

The figure below shows the performance of domestic sources of revenue collection against their target for the year 1399.

The chart below present a comparison of domestic revenue component within FY1398-FY1399.

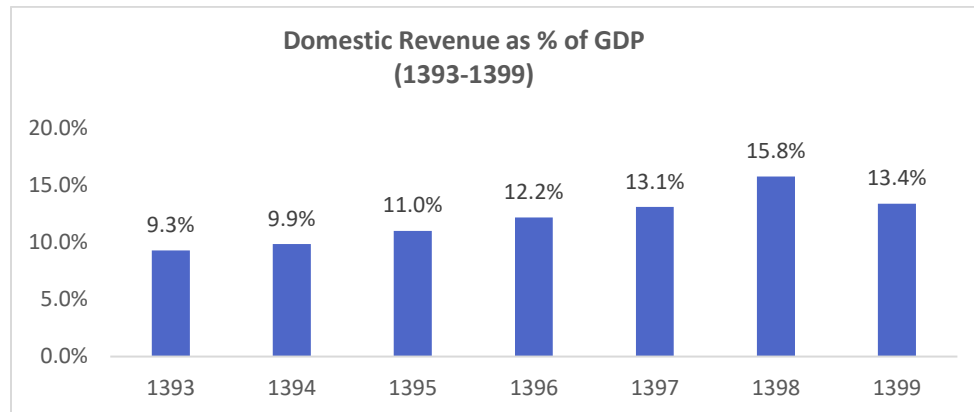
Figure 12. Revenue collection by major categories during FY1398 - FY1399



Source: AFMIS database, 2021

The share of domestic revenue as a percentage of GDP has slightly decreased in FY 1399 to 13.4 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 13: Annual domestic revenue as percentage of GDP

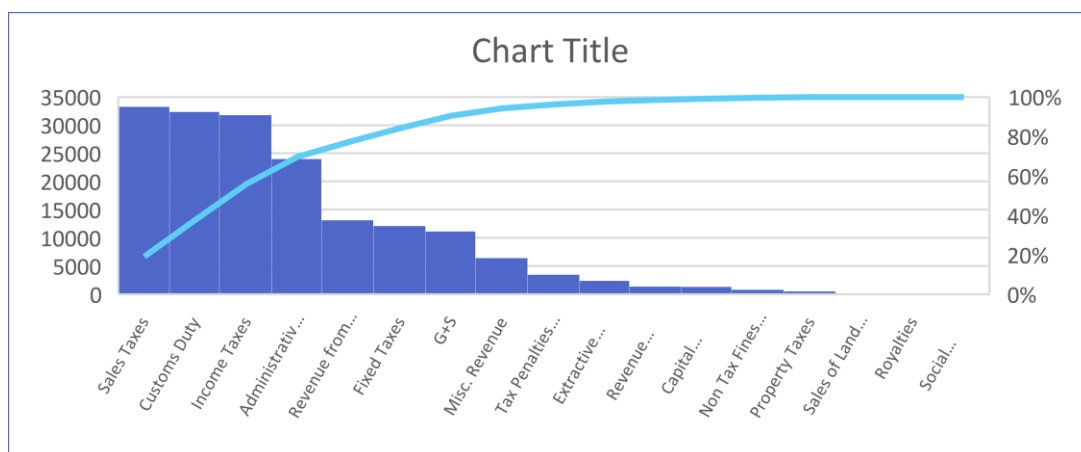


Source: Macroeconomic & Fiscal Model (MFM), 2021

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 particularly since few years ago. In FY1399, tax revenue collection was Afs 81.7 billion compared to Afs 85.8 billion in FY1398. The share of tax revenue in total domestic revenue collection has increased from 41.2 percent to 47.2 percent in FY1399.

Figure 14. Revenue Breakdown for Fiscal Year 1399



Source: AFMIS database, 2021

The Major tax components include:

- **Fixed taxes:** Total revenue from fixed taxes was Afs 12.3 billion in FY1399. In the previous fiscal year, revenue from this line was Afs 13.6 billion. In FY1399, the share of fixed taxes in total domestic revenue was 7 percent.
- **Income Taxes:** Revenue from income taxes constitute the second largest tax component of the tax revenues. Revenue collected from income taxes in FY1399 amounts to Afs 31.7 billion as compared to 32.3 billion in FY1398. Income tax revenue decreased by Afs 9.4 billion compared to the previous year and it constitutes 18 percent of total revenue collections.
- **Sales Taxes:** Total tax revenue in FY1399 from sales tax was Afs 33.6 billion, whereas it was 35.7 billion in the previous year. The share in total revenue was 19 percent.
- **Customs Duties:** Custom duties collections is the largest tax component as it was Afs 33 billion in FY1399, while in FY1398, it's collection was Afs 37.1 billion – showing an decrease of marginal Afs 4 billion, and its share in total revenue was 19 percent.

Non-Tax Revenue

Non-tax revenue collection was Afs 40 billion in FY1399. This shows a decrease of 16 percent compared to Afs 44.3 billion collected in FY1398. Within non-tax revenue, the administrative fees collected, of Afs 25.8 billion, makes the fees the largest contributor to non-tax revenue. The revenue collected from Sales of Goods and Services has increased from Afs 8.7 billion in FY1398 to Afs 9.6 billion in FY1399. The revenue collected from extractive industries has also increased from Afs 1.8 billion in FY1398 to Afs 2.3 billion in FY1399. Income from capital property has decreased in FY1399 to Afs 1.2 billion from Afs 2.4 billion in FY1398.

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 FY1399, the total revenue collected from Mustofiats were Afs 14.2 billion which is 6.8 percent more than the target amount of Afs 13.3 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 39.8 percent of the final national budget and 15.6 percent of GDP.

Table 6. Grants in 1399

Grants (in million Afs)	1398	1399
Operating Fund	92,445	135,990
Recurrent Operating	12,912	36,464.64
Lotfa	23,451	24,461.50
CSTCA Mod Fund	45,264	52,443.39
CSTCA Moi Fund	2,095	5,761.17
221060-NATO ANA Trust Fund	22	-
European Commission (EC) OB Fund	8,702	8,724.50
Other Donors	-	8,134.84
Discretionary Fund for Development	19,522	17,717
Non-discretionary Fund for Development	67,996	47,848
ARTF	20,878	7,278
WORLD BANK	18,293	14,478
Global Financing Facility	1,139	1,674
ASIAN DEVELOPMENT BANK	18,505	20,361
LOTFA, UNITED NATIONS & OTHER UN AGENCIES	230	119
UK & EUROPEAN COMMISSION	-	-
US & USAID	5,250	1,427
MULTI DONOR GRANTS	3,701	2,511
Total Grant	179,963	201,555

Source: AFMIS database, 2021

Operating Budget Grants

Total operating grants received in FY1399 were Afs 136 billion. This constitutes 44 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 FY1399.

- **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 24.4 billion during FY1399.
 - **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 1399 were Afs 52.4 billion, while for Ministry of Interior (Mol) were Afs 5.8 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 FY1399 were Afs 7.3 billion.

Development Budget Grants

The total grant for development budget is Afs 65.6 billion in FY1399. This accounts for 33.4 percent of development budget for the fiscal year 1399. Discretionary grants totaled Afs 17.7 billion in fiscal year 1399, while non-discretionary grants totaled Afs 47.8 billion. Sources of discretionary and non-discretionary grants are shown in the charts above.

2.3 Expenditure

The Government budget consists of operating and development budgets. The total budget for the fiscal year 1399 was initially estimated at Afs 428.3 billion. But, due to the spread of COVID-19 pandemic the budget was revised to Afs 506.6 billion, out of which 61 percent was set for operating budget (Afs 310 billion) and remaining Afs 186 billion as development budget. And overall government spending reached Afs 433.4 billion, equivalent to 33.5 percent of GDP in FY1399. Recurrent expenditures reached Afs 273.9 billion and development budget expenditures reached Afs 159.4 billion respectively. Government performance in budget execution shows 85.5 percent by the end of the year with growth rate of 3.2 percent compared to previous year spending.

Table 7. Expenditure Summary

In millions of Afghanis	1398 Actual	1398	1399 Actual	%GDP	1399 Original Budget	1399 Final Budget	1399 Actual as % of Final Budget
TOTAL GROSS EXPENDITURES	420,121.1	31.8	433,386.1	33.5	428,380.1	506,594.2	85.5
Operating Budget	281,164.3	21.3	273,946.1	21.2	281,310.2	310,211.9	88.3
Development Budget	138,956.8	10.5	159,440.0	12.3	147,070.0	196,382.2	81.2
TOTAL NET EXPENDITURES (1)	419,910.2	31.8	433,482.0	33.5			
Operating Budget	280,953.4	21.3	274,042.0	21.2			
Development Budget	138,956.8	10.5	159,440.0	12.3			
RECURRENT EXPENDITURES (excludes 25)	319,322.1	24.2	314,512.0	24.3	306,450.1	357,034.8	88.1
Operating Budget	275,385.7	20.9	266,062.0	20.6	271,231.4	294,134.9	90.5
Development Budget	43,936.4	3.3	48,450.0	3.7	35,218.7	62,899.9	77.0
Compensation of Employees	197,467.3	15.0	197,089.0	15.2	201,817.4	210,634.2	93.6
Operating Budget	197,467.3	15.0	197,089.0	15.2	201,817.4	210,634.2	93.6
Development Budget	0.0	0.0	0.0	0.0	-	-	-
Use of Goods and Services	83,495.6	6.3	89,641.0	6.9	83,288.7	117,857.3	76.1
Operating Budget	40,028.3	3.0	41,767.0	3.2	49,914.0	56,094.0	74.5
Development Budget	43,467.3	3.3	47,874.0	3.7	33,374.7	61,763.3	77.5
Interest (2)	2,203.4	0.2	1,957.0	0.2	-	1,957.5	100.0
Operating Budget	2,203.4	0.2	1,957.0	0.2	-	1,957.5	100.0
Development Budget	0.0	0.0	0.0	0.0	-	-	-
Social Transfers (3)	36,155.8	2.7	25,825.0	2.0	21,344.0	26,585.7	97.1
Operating Budget	35,686.7	2.7	25,249.0	2.0	19,500.0	25,449.2	99.2
Development Budget	469.1	0.0	576.0	0.0	1,844.0	1,136.5	50.7
Gross Acquisition of Nonfinancial Assets	100,799.0	7.6	118,874.1	9.2	106,833.6	144,311.0	82.4
Operating Budget	5,778.6	0.4	7,884.1	0.6	10,078.8	12,133.0	65.0
Development Budget	95,020.4	7.2	110,990.0	8.6	96,754.8	132,178.0	84.0
Net Acquisition of Nonfinancial Assets (1)	100,588.1	7.6	118,970.0	9.2			
Operating Budget	5,567.7	0.4	7,980.0	0.6			
Development Budget	95,020.4	7.2	110,990.0	8.6			
Contingency Code					15,096.4	5,248.4	

Source: AFMIS database, 2021

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 Af\$434.3 billion.

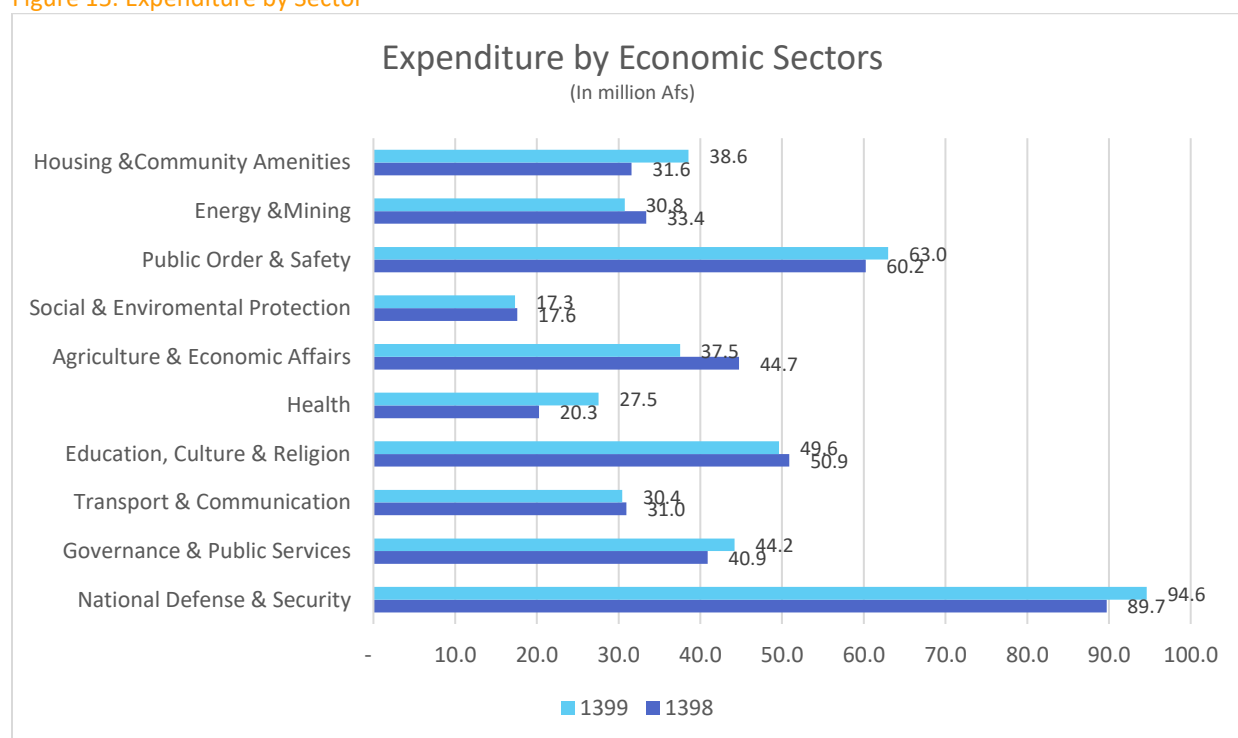
Expenditure by Sector

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 FY1398 and FY1399. The ten economic sectors are National Defense and Security, Governance and Public Services, Transport and Communication, Education, Culture and Religion, Health, Agriculture and Economic Affairs, Social and Environmental Protection, Public Order and Safety, Energy and Mining, Housing and Community Amenities. Looking at the expenditure chart, shows that the national defense and security sector and public order and safety sector have the highest spending, where the health sector and social and environmental protection have the lowest spending compared with other sectors.

The sector-wise expenditure is provided both for operating and development budget. Operating budget expenditures shows a decrease of 2.4 percent and development budget expenditures shows an increase of 14.4 percent compared with the previous year. Looking at the expenditure chart, shows that the execution performance of sectors like National Defense and Security, Governance and Public Services, Health, Public Order and Safety and Housing and Community Amenities improved while the remaining five sectors had less spending compared with the FY1398.

The chart and table below present expenditure by economic sector in FY1398 and FY1399.

Figure 15. Expenditure by Sector



Source: AFMIS database, 2021

National Defense and Security Sector

National defense and Security Sector remained the largest spending sector in Afghanistan and. A total of Afs 94.6 billion was spent in this sector, which makes 21.8 percent of the total spending and 7.3 percent of GDP. The allocated budget in this sector was Afs 108 billion, and the execution reached to 87.6 percent. The Major share of spending in the Security Sector (99.7%) is operating in nature, which is mainly financed through donor financing. Ministry of Defense, General Directorate of National Security, Presidential Protective Service and National Security Council are the agencies under the Security Sector.

Governance and Public Services Sector

The ministries and agencies included in the Governance and public services Sector are the National Assembly (Upper and Lower Houses), Administrative Office of the President, Independent Directorate of Local Governance, Ministry of State for Parliamentary Affairs, IARCS, Independent Election Commission, Ministry of justice, State Ministry For Peace and several other governance related agencies. In FY1399, this sector spent Afs 44.2 billion, of which Afs 23.4 billion was operating and remaining 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 3.4 percent respectively during the FY1399.

Table 8. Expenditure by Economic Sector

In millions of Afghanis	1398 Annual Actual	1398 % of Total Spending	1398 % GDP	1399 Annual Actual	1399 % of Total Spending	1399 % GDP	1399 Final Budget (1)	1399 Final Budget % GDP	1399 Actual as % of Final Budget
National Defense and Security	89,711	21.3	6.8	94,614	21.8	7.3	108,020	8.3	87.6
Operating Budget	89,405	31.8	6.8	94,328	34.4	7.3	107,704	8.3	87.6
Development Budget	306	0.2	0.0	286	0.2	0.0	316	0.0	90.4
Governance and Public Services	40,889	19.3	3.1	44,200	18.4	3.4	53,089	4.1	83.3
Operating Budget	26,873	22.6	2.0	23,384	20.6	1.8	25,754	2.0	90.8
Development Budget	14,017	12.0	1.1	20,816	14.7	1.6	27,335	2.1	76.2
Transport and Communication	30,952	7.4	2.3	30,443	7.0	2.4	39,542	3.1	77.0
Operating Budget	2,621	0.9	0.2	4,279	1.6	0.3	4,256	0.3	100.6
Development Budget	28,331	20.4	2.1	26,164	16.5	2.0	35,286	2.7	74.1
Education, Culture and Religion	50,896	12.1	3.9	49,632	11.4	3.8	52,132	4.0	95.2
Operating Budget	45,967	16.3	3.5	44,311	16.1	3.4	45,936	3.5	96.5
Development Budget	4,929	3.5	0.4	5,321	3.3	0.4	6,196	0.5	85.9
Health	20,261	4.8	1.5	27,550	6.4	2.1	32,135	2.5	85.7
Operating Budget	4,482	1.6	0.3	6,458	2.4	0.5	7,116	0.5	90.8
Development Budget	15,779	11.3	1.2	21,092	13.3	1.6	25,020	1.9	84.3
Agriculture and Economic Affairs	44,747	10.6	3.4	37,514	8.7	2.9	40,917	3.2	91.7
Operating Budget	32,635	11.6	2.5	19,800	7.2	1.5	20,400	1.6	97.1
Development Budget	12,111	8.7	0.9	17,714	11.1	1.4	20,517	1.6	86.3
Social and Environmental Protection	17,601	4.2	1.3	17,340	4.0	1.3	17,807	1.4	97.4
Operating Budget	16,423	5.8	1.2	16,368	6.0	1.3	16,738	1.3	97.8

Development Budget	1,177	0.8	0.1	972	0.6	0.1	1,070	0.1	90.9
Public Order and Safety	60,223	7.9	2.5	62,978	7.1	2.4	75,174	5.8	87.3
Operating Budget	59,193	0.5	0.1	1,391	0.5	0.1	74,686	5.8	88.9
Development Budget	1,031	22.9	2.4	29,363	18.5	2.3	487	0.0	87.2
Energy and Mining	33,368	0.6	0.2	30,754	1.0	0.3	35,241	2.7	87.3
Operating Budget	1,538	-	-	0	-	-	1,566	0.1	88.9
Development Budget	31,830	1.7	0.2	4,372	2.7	0.3	33,676	2.6	87.2
Housing and Community Amenities	31,574	8	2	38,568	9	3	47,071	4	82
Operating Budget	2,027	1	0	1,624	1	0	1,895	0	86
Development Budget	29,547	21	2	36,944	23	3	45,176	3	82
Extra-budgetary Activities	0	0	0	0	0	0	0	0	0
Operating Budget	0	0	0	0	0	0	0	0	0
Development Budget	0	0	0	0	0	0	0	0	0
Unallocated contingency reserves	0	0	0	0	0	0	5,248	0	-
Operating Budget	0	0	0	0	0	0	3,944	0	-
Development Budget	0	0	0	0	0	0	1,304	0	-
TOTAL (1)	420,223	100	27	433,593	100	29.0	506,376.6	38.7	86.5
Operating Budget	281,164	100	17	274,545	100	16.4	309,994.4	23.7	89.6
Development Budget	139,058	100	11	159,048	100	12.6	196,382.2	15.1	81.4

Source: AFMIS database, 2021

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.

Transport and Communication Sector

The Transport and Communication Sector includes Ministry of Communication and Information Technology, Afghanistan Railway Authority, Civil Aviation Authority, Ministry of Public Works, and Ministry of Transport. Total budget allocated to this sector was Afs 39.5 billion, Out of which Afs 30.4 billion was spend with execution rate of 77 percent. The amount of Afs 35.3 billion was allocated for development budget, and its spending reached to Afs 26.2 billion (74.1%). The total spending in this sector constitutes 7 percent of the National Budget. Similarly, the total spending in this sector constitutes 2.4 percent of GDP.

Education, Culture and Religion Sector

The Education Sector includes the Ministry of Education, Ministry of Higher Education, Ministry of Information and culture, Radio and television of Afghanistan, Ministry of Haj & Religious Affairs and several other educational agencies. This sector is the second largest Operating Budget spending sector. In FY1399, this sector had a total of Afs 49.6 billion execution, out of which Afs 44.3 billion was operating spending and Afs 4.1 billion was development spending. The share of spending r in the total national spending reached to 11.4 percent, and the percentage share of GDP reached to 3.8 percent, the data shows that the spending in this sector decreased slightly as compared to the previous year.

Health Sector

The Ministry of Public Health (MoPH) is the only agency in the Health Sector. Out of Afs 32.1 billion allotted budget in the National Budget for FY1399, the MoPH spent Afs 27.5 billion, out of which Afs 6.5 billion was operating spending and Afs 21.1 billion was development spending, this year, the execution was 85.7% of total budget and the share of spending in national expenditure reached 6.4 percent and its share to GDP reached to 2.1 percent respectively.

In FY-1399, the expenditure was 36 percent higher compared with previous year, the higher spending is driven by COVID-19 pandemic expenditure. The government of Afghanistan allocated Afs 2.6 billion to Ministry of Public Health to purchase necessary equipment for the protection, detection and prevention of the Coronavirus, and payments of salaries to the COVID-19 specialized personnel, of which, Afs 1.9 billion was spent during the fiscal year.

Agriculture and Economic Affairs Sector

The Agriculture and Economic Affairs Sector includes the Ministry of Agriculture, Irrigation & Livestock (MAIL), Ministry of Finance, Ministry of Economy, Ministry of Commerce and Industry Afghanistan National Standard Authority, Supreme and Audit office, Central Statistics organization and Micro Finance Investment Support Facility for Afghanistan. Total budget allocated to this sector was Afs 40.9 billion, and the spending reached to Afs 37.5 billion (91.7%). Out of which amount of Afs 19.8 billion (52.8%) was operating spending and Afs 17.7 billion (47.2%) was development spending. The total spending in this sector constitutes 8.6 percent of the National Budget. Similarly, the total spending in this sector constitutes 2.9 percent of GDP.

Social and Environmental Protection Sector

Social and Environmental Protection Sector includes key ministries and agencies such as the Ministry of Labor, Social Affairs, Martyred and Disabled (MoLSAMD), Ministry of Refugees and Returnees, Ministry of Frontiers and Tribal Affairs, Ministry of Women Affairs, Directorate of Koch and National Environmental Protection Agency. Total budget of this sector was Afs 17.8 billion and the spending reached to Afs 17.3 billion (97.4), of which Afs 16.4 billion (94.4%) was operating and the remaining was development spending. the share of spending on this sector in total spending was 4 percent, and the share of this sector to GDP was 1.3 percent.

Social and Environmental Protection Sector 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.

Public Order and Safety Sector

The Public Order and Safety Sector is the second largest spending sector (total budget). This sector includes the Ministry of Interior Affairs, Attorney General Office, Supreme Court, Afghanistan National Disaster Management Authority and Afghanistan Independent Human Rights Commission. In the FY1399, out of the total budget of Afs 75.2 billion, the sector spending reached Afs 63 billion. This sector constitutes 14.5 percent of total national spending, total spending in this sector constitutes 2.4 percent of the GDP. In FY1399, the sector spent 83.8 percent of its allocated budget.

Energy and Mining Sector

The ministries and agencies included in the Energy and Mining Sector are the Ministry of Mines and Petroleum, Ministry of Energy and Water, Da Afghanistan Brishna Shirkat, Afghanistan Atomic Energy. The total budget of this sector for FY-1399 was Afs 35.2 billion out of which Afs 30.7 billion was spend. The share of spending in total government expenditure decreased from 7.9 percent in FY1398 to 7.1 percent FY1399, while as percentage of the GDP, it increased from 0.2 percent to 0.3 percent compared to the previous year.

Housing and Community Amenities Sector

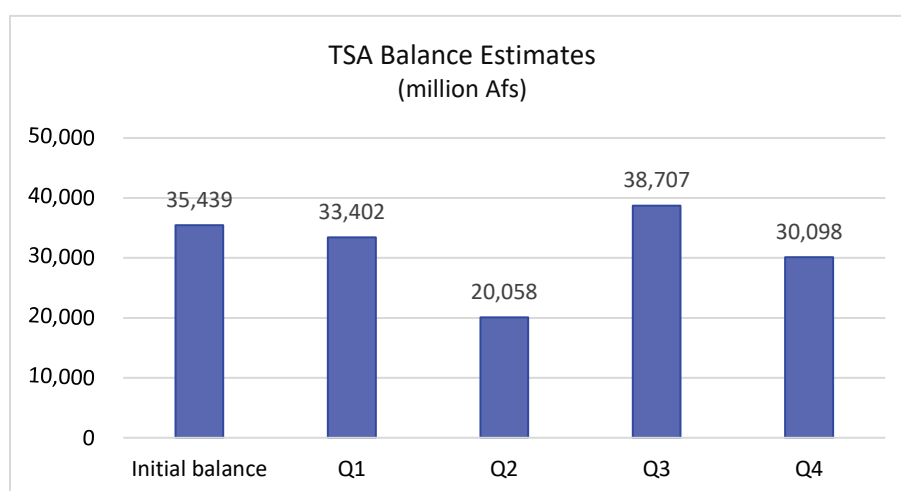
The Housing and Community Amenities includes the key ministries such as the Kabul Municipality, Capital Region Independent Development Authority, Ministry of Urban Development and Land, Urban Water Supply and Canalization Corporation and Ministry of Rural Rehabilitation and Development. In the FY1399, the total budget was Afs 47.1 and the spending reached to Afs 38.6 billion, out of which 96% was developing spending and 4% was operating spending. Total spending in this sector constitutes 8.9 percent of total national spending and 3 percent of GDP. In FY1399, the sector spent 81.9 percent of its allocated budget.

3. Government Financing

Treasury Single Account (TSA)

The balance in Treasury Single Account (TSA) initially started with Afs 35.4 billion at the beginning of the fiscal year. It slightly decreased to Afs 33.4 billion in the first quarter, the TSA amount declined rapidly to Afs 20.1 billion in the second quarter. While, during the third quarter of the year the TSA amount had a huge increase of Afs 18.6 billion, but finally declined in fourth quarter, the TSA declined by Afs 8.6 billion and reached to Afs 30.1 billion.

Figure 16. TSA Balance Estimation



Source: Treasury Department, MoF, 2021

Fiscal Balance

The overall net acquisition of nonfinancial assets in FY1399 improved modestly as compared to last year. The ratio for net acquisition of non-financial assets to GDP reached 9.2 percent. A significant portion (72%) 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 (22.8%). The overall net acquisition of nonfinancial assets in FY-1399 was 18.2% higher compared with pervious year which is mainly driven by increase in sale of land and building. The data for the sale of state-owned enterprises is not available.

Table 9. Net Acquisition of Non-Financial Assets

In millions of Afghanis	1398 Actual	1398 % GDP	1399 Actual	1399 % GDP	1399 Prelim	1399 % GDP
NET ACQUISITION OF NONFINANCIAL ASSETS	100,588.1	7.6%	118,925.2	9.2	118,925.2	9.2%
Land and Buildings	64,956.4	4.9%	85,863.3	6.6	85,863.3	6.6%
Purchase of Land and Buildings	65,167.3	4.9%	85,959.1	6.6	85,959.1	6.6%
Sale of Land and Buildings	-210.9	0.0%	-95.9	0.0	-95.9	0.0%
Sale of State-Owned Enterprises	0.0	0.0%	0.0	0.0	0.0	0.0%
Machinery and Equipment (>50,000)	29,025.6	2.2%	27,162.4	2.1	27,162.4	2.1%
Valuables	0.8	0.0%	3.2	0.0	3.2	0.0%
Other Acquisitions	6,605.3	0.5%	5,896.3	0.5	5,896.3	0.5%

Source: AFMIS database, 2021

On the other hand, transactions in financial assets and liabilities in FY1399 shows a positive balance. The data for 1399 shows that there is a considerable increase in currency and deposits in the economy, and Treasury Single Account has increased significantly.

In the Fiscal Year 1399, Liabilities increased by Afs 66.42 billion, which is high than the increase of Afs 20.09 billion in the Fiscal Year 1398. This increase is net of Afs 41.9 billion increase in domestic liabilities and Afs 24.49 billion increases in foreign liabilities.

Table 10. Transactions in Financial Assets

(In millions of Afghanis)	1398 Actual	1398 % GDP	1399 Prelim	1399 % GDP	1399 Prelim	1399 % GDP
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES	20,019.6		73,788.5		66,878.5	
NET ACQUISITION OF FINANCIAL ASSETS	-72.5	0.0%	7,369.7	0.6%	7,369.7	0.6%
Domestic	-72.5	0.0%	7,369.7	0.6%	7,369.7	0.6%
Currency and Deposits	600.0	0.0%	2,974.5	0.2%	2,974.5	0.2%
Treasury Single Account	600.0	0.0%	2,974.0	0.2%	2,974.0	0.2%
Donor Accounts	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other Deposit Accounts	0.0	0.0%	0.5	0.0%	0.5	0.0%
Loans (Lendings)	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other Accounts Receivable	-672.5	-0.1%	-2,282.4	-0.2%	-2,282.4	-0.2%
Other Assets	0.0	0.0%	6,677.6	0.5%	6,677.6	0.5%

Foreign	0.0	0.0%	0.0	0.0%	0.0	0.0%
NET ACQUISITION OF LIABILITIES	20,092.2	1.5%	66,418.9	5.1%	59,508.8	4.6%
Domestic	16,174.7	1.2%	41,923.5	3.2%	35,013.5	2.7%
Accounts Payable	2,622.8	0.2%	5,734.5	0.4%	5,734.5	0.4%
Pension Liabilities	14.9	0.0%	304.6	0.0%	304.6	0.0%
Other Payables	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other Liabilities	13,537.0	1.0%	35,884.4	2.8%	28,974.4	2.2%
Foreign	3,917.4	0.3%	24,495.4	1.9%	24,495.4	1.9%
Foreign Currency	2,980.4	0.2%	-1,082.6	-0.1%	-1,082.6	-0.1%
Loans (Borrowings)	937.0	0.1%	25,578.0	2.0%	25,578.0	2.0%

Source: AFMIS database, 2021

Table 11 shows that the government financing consists of domestic grants, domestic revenue, borrowing and sale of assets. By end of FY1399, considerable changes have occurred in the transactions which affected net worth compared to FY1398. Net acquisition of financial assets increased slightly by 0.8 percent, interest payment, net acquisition of nonfinancial assets, revenues including grants and expenditures have also increased by 0.2 percent, 12 percent, 38.6 percent, and 32.4 percent respectively. On the other hand, the gap between lending and borrowing, decreased by 6 percent, while financing, and net acquisition of financial liabilities increased by 6 percent and 6.8 percent respectively.

Table 11: Transaction Affecting Net Worth

In millions of Afghanis	1398 Actual	1398 % GDP	1399 Actual	1399 % GDP
TRANSACTIONS AFFECTING NET WORTH				
Revenues including Grants	388,271.6	29.4	374,724.2	38.6
Expenditures (Recurrent)	319,383.8	24.2	314,572.1	32.4
Interest	2,203.4	0.2	1,935.9	0.2
Net Operating Balance (1-2-25)	68,887.8	5.2	60,152.1	6.2
Primary Operating Balance (1-2-25+23)	71,091.2	5.4	62,088.0	6.4
TRANSACTIONS IN NONFINANCIAL ASSETS				
Net Acquisition of Nonfinancial Assets	100,588.1	7.6	118,925.2	12.3
Net Lending-Borrowing (1-2)	-31,700.3	-2.4	-58,773.1	-6.1
Financing (3+4+5)	31,700.3	2.4	58,773.1	6.1
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES				
Net Acquisition of Financial Assets	-72.5	0.0	7,369.7	0.8
Net Acquisition of Financial Liabilities	20,092.2	1.5	66,418.9	6.8

RETAINED EARNINGS	2.0	0.0	0.0	0.0
Discrepancies (Financing-3-4-5)	11,678.6		-15,015.4	

Source: AFMIS database, 2021

Government Debt

Debt Stock

Total Government debt stock during FY1399 was Afs 174.9 billion, which is 14 percent higher than the debt stock in FY1398. The government receive debt from both international organizations and foreign governments, where almost 58.2 percent of the debt stock was received from international organizations, in which ADB, IMF and the World Bank have the largest share; and remaining 41.8 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 FY1399 amounted to Afs 27,665 million, shows 303 percent higher compared to FY1398. 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.

Table 12. Government Debt

Central Government Debt Stock			Change
In Million Afs	1398	1399	YoY
EXTERNAL	153,330	174,911	14%
International Organizations	80,889	101,857	26%
IMF	6,872	27,665	303%
World Bank	26,414	26,578	1%
Islamic Development Bank	3,345	3,119	-7%
Asian Development Bank	44,139	44,381	1%
Others	120	114.5	-5%
Foreign Governments	72,441	73,054	1%
Russian Federation	61,525	61,240	0%
Saudi Fund	6,224	7,039	13%
Others	4,692	4,775	2%
DOMESTIC	70	167	137%
Bonds (Non-Tradable)	70	167	137%
Commercial Banks	0	0	0%
TOTAL CENTRAL GOVERNMENT DEBT	153,400	175,078	14%

Source: Debt Management Quarterly Report, MoF, 2021

4. Appendix

Table 13. Integrated Core Budget Expenditures 1398 – 1399

In millions of Afghanis	1398 Actual	1398 %GDP	1399 Prelim. Actual	1399 %GDP	1399 Original Budget (4)	1399 Final Budget (5)	1399 Actual as % of Final Budget (5)
TOTAL GROSS EXPENDITURES	420,182.8	31.8	433,593.1	32.9	428,380.1	506,594.2	85.6
TOTAL NET EXPENDITURES (1)	419,971.9	31.8	433,497.3	32.8			
RECURRENT EXPENDITURES (excludes 25)	319,383.8	24.2	314,572.1	23.8			
Compensation of Employees	197,467.3	15.0	197,173.8	14.9	201,817.4	210,634.2	93.6
Wages and Salaries	188,140.0	14.3	188,438.6	14.3			
Social Benefits	9,327.3	0.7	8,735.2	0.7			
Use of Goods and Services	83,556.6	6.3	89,836.0	6.8	83,288.7	117,857.3	76.2
Travel	3,253.9	0.2	3,107.2	0.2			
Communications	4,441.9	0.3	3,965.9	0.3			
Contracted Services	36,727.6	2.8	34,636.0	2.6			
Repairs and Maintenance	7,398.2	0.6	11,206.3	0.8			
Utilities	7,963.1	0.6	7,198.3	0.5			
Fuel	7,010.4	0.5	7,507.3	0.6			
Other Use of Goods and Services	16,761.4	1.3	22,215.0	1.7			
Interest (2)	2,203.4	0.2	1,935.9	0.1	-	1,957.5	98.9
Social Transfers (3)	36,156.5	2.7	25,626.4	1.9	21,344.0	26,585.7	96.4
Subsidies	1,364.9	0.1	1,613.0	0.1			
Grants	334.7	0.0	1,072.1	0.1			
Social Security	26,397.7	2.0	21,090.9	1.6			
Other Social Transfers	959.1	0.1	1,850.4	0.1			
Social Assistance	72.9	0.0	261.5	0.0			
Advance Subsidies, Grants	886.2	0.1	1,589.0	0.1			
Miscellaneous Transfers	7,100.0	0.5	0.0	0.0			
Gross Acquisition of Nonfinancial Assets	100,799.0	7.6	119,021.1	9.0	106,833.6	144,311.0	82.5
Net Acquisition of Nonfinancial Assets (1)	100,588.1	7.6	118,925.2	9.0	106,833.6	144,311.0	82.4
Sale of Land and Buildings	-210.9	0.0	-95.9	0.0			
Buildings and Structures	62,640.6	4.7	81,404.2	6.2			
Machinery and Equipment (>50,000)	29,025.6	2.2	27,162.4	2.1			
Valuables	0.8	0.0	3.2	0.0			

Land	2,526.7	0.2	4,555.0	0.3		
Capital Advance Payments	6,605.3	0.5	5,896.3	0.4		
Machinery and Equipment (>50,000)						
Contingency Code					15,096.4	5,248.4

Table 14. Operating Budget Expenditures 1398 – 1399

In millions of Afghanis	1398 Actual	1398 %GDP	1399 Prelim. Actual	1399 %GDP	1399 Prelim. Actual	1399 %GDP	1399 Original Budget	1399 Final Budget (4)	1399 Actual as % of Final Budget (4)
TOTAL GROSS EXPENDITURES	281,164.3	21.3	274,545.3	21.2	274,545.3	21.2	281,310.2	310,211.9	88.5
TOTAL NET EXPENDITURES (1)	280,953.4	21.3	274,449.4	21.2	274,449.4	21.2			
RECURRENT EXPENDITURES (excludes 25)	275,385.7	20.9	266,136.0	20.6	266,136.0	20.6			
Compensation of Employees	197,467.3	15.0	197,173.8	15.2	197,173.8	15.2	201,817.4	210,634.2	93.6
Wages and Salaries	188,140.0	14.3	188,438.6	14.6	188,438.6	14.6			
Social Benefits	9,327.3	0.7	8,735.2	0.7	8,735.2	0.7			
Use of Goods and Services	40,028.3	3.0	41,975.0	3.2	41,975.0	3.2	49,914.0	56,094.0	74.8
Travel	2,681.6	0.2	2,453.4	0.2	2,453.4	0.2			
Communications	4,381.0	0.3	3,595.2	0.3	3,595.2	0.3			
Contracted Services	2,707.0	0.2	2,081.0	0.2	2,081.0	0.2			
Repairs and Maintenance	6,662.5	0.5	7,256.0	0.6	7,256.0	0.6			
Utilities	7,772.9	0.6	6,860.9	0.5	6,860.9	0.5			
Fuel	6,805.9	0.5	7,368.4	0.6	7,368.4	0.6			
Other Use of Goods and Services	9,017.4	0.7	12,360.2	1.0	12,360.2	1.0			
Interest (2)	2,203.4	0.2	1,935.9	0.1	1,935.9	0.1	-	1,957.5	98.9
Social Transfers (3)	35,686.7	2.7	25,051.3	1.9	25,051.3	1.9	19,500.0	25,449.2	98.4
Subsidies	1,350.0	0.1	1,612.6	0.1	1,612.6	0.1			
Grants	333.0	0.0	847.8	0.1	847.8	0.1			
Social Security	26,397.7	2.0	21,090.9	1.6	21,090.9	1.6			
Other Social Transfers	506.0	0.0	1,500.0	0.1	1,500.0	0.1			
Social Assistance	32.6	0.0	233.7	0.0	233.7	0.0			

Advance Subsidies, Grants	473.4	0.0	1,266.3	0.1	1,266.3	0.1			
Miscellaneous Transfers	7,100.0	0.5	0.0	0.0	0.0	0.0			
Gross Acquisition of Nonfinancial Assets	5,778.6	0.4	8,409.3	0.6	8,409.3	0.6	10,078.8	12,133.0	69.3
Net Acquisition of Nonfinancial Assets (1)	5,567.7	0.4	8,313.4	0.6	8,313.4	0.6	10,078.76	12,133.0	68.5
Sale of Land and Buildings	-210.9	0.0	-95.9	0.0	-95.9	0.0			
Buildings and Structures	939.9	0.1	1,610.1	0.1	1,610.1	0.1			
Machinery and Equipment (>50,000)	1,979.0	0.1	3,756.8	0.3	3,756.8	0.3			
Valuables	0.8	0.0	1.45	0.0	1.4	0.0			
Land	2,360.6	0.2	3,053.9	0.2	3,053.9	0.2			
Capital Advance Payments	498.4	0.0	-13.0	0.0	-13.0	0.0			
Contingency Code							-	3,944.0	

Table 15. Development Budget Expenditures 1398 – 1399

In millions of Afghanis	1398 Actual	1398 %GDP	1399 Prelim	1399 %GDP	1399 Prelim	1399 %GDP	1399 Original Budget (5)	1399 Final Budget (6)	1399 Actual as % of Final Budget (4)
TOTAL GROSS EXPENDITURES	138,956.8	10.3	159,047.8	11.1	159,047.8	11.1	147,070.0	196,382.2	81
TOTAL NET EXPENDITURES (1)	138,956.8	10.3	159,047.8	11.1	159,047.8	11.1	-		
RECURRENT EXPENDITURES (excludes 25)	43,936.4	3.3	48,436.1	3.4	48,436.1	3.4	-		
Compensation of Employees	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
Wages and Salaries	0.0	0.0	0.0	0.0	0.0	0.0	-		
Social Benefits	0.0	0.0	0.0	0.0	0.0	0.0			
Use of Goods and Services	43,467.3	3.2	47,861.0	3.3	47,861.0	3.3	33,374.7	61,763.3	77
Travel	572.2	0.0	653.8	0.0	653.8	0.0			
Communications	0.0	0.0	370.8	0.0	370.8	0.0			
Contracted Services	34,020.6	2.5	32,555.0	2.3	32,555.0	2.3			
Repairs and Maintenance	735.7	0.1	3,950.4	0.3	3,950.4	0.3			
Utilities	190.2	0.0	337.4	0.0	337.4	0.0			

Fuel	204.5	0.0	138.8	0.0	138.8	0.0			
Other Use of Goods and Services	7,744.0	0.6	9,854.8	0.7	9,854.8	0.7			
Interest (2)	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-
Social Transfers (3)	469.1	0.0	575.1	0.0	575.1	0.0	1,844.0	1,136.5	50.6
Subsidies	14.9	0.0	0.4	0.0	0.4	0.0			
Grants	1.0	0.0	224.3	0.0	224.3	0.0			
Social Security	0.0	0.0	0.0	0.0	0.0	0.0			
Other Social Transfers	453.2	0.0	350.5	0.0	350.5	0.0			
Social Assistance	40.3	0.0	27.8	0.0	27.8	0.0			
Advance Subsidies, Grants	412.9	0.0	322.7	0.0	322.7	0.0			
Gross Acquisition of Nonfinancial Assets	95,020.4	7.1	110,611.8	7.7	110,611.8	7.7	96,754.8	132,178.0	83.7
Net Acquisition of Nonfinancial Assets (1)	95,020.4	7.1	110,611.8	7.7	110,611.8	7.7	96,754.8	132,178.0	83.7
Sale of Land and Buildings	0.0	0.0	0.0	0.0	0.0	0.0			
Buildings and Structures	61,700.7	4.6	79,794.0	5.6	79,794.0	5.6			
Machinery and Equipment (>50,000)	27,046.6	2.0	23,405.7	1.6	23,405.7	1.6			
Valuables	0.0	0.0	1.8	0.0	1.8	0.0			
Land	166.1	0.0	1,501.1	0.1	1,501.1	0.1			
Capital Advance Payments	6,107.0	0.5	5,909.2	0.4	5,909.2	0.4			
Contingency Code							15,096.4		

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About: Economic & Fiscal Forecasting & Reporting Directorate General

The Economic and Fiscal Forecasting and Reporting Directorate General is one of the Ministry of Finance's key directorates that works under the Office of the Minister of Finance. The general directorate is responsible for providing necessary consultation in the areas of macroeconomic and fiscal policy area in overall budgeting process. It is also responsible for assessing the country's financial and macroeconomic situation where these assessments are used annually in the budgeting process. The department will carry out macroeconomic and fiscal forecasts for the medium-terms, and use a special model that is made for fiscal and macroeconomic analysis.

The General Directorate of Economic and Fiscal Forecasting and Reporting will continue to update the forecasts with the new data available throughout the year. The directorate will make fiscal 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 general directorate also provides technical advice in the areas of fiscal policy, including tax and expenditure policy.

