



INDEPENDENT REVIEW

AFGHANISTAN DRAFT NATIONAL BUDGET FISCAL YEAR 1398



EPD | EQUALITY
for Peace and
Democracy

EQUALITY FOR PEACE AND DEMOCRACY

Acronyms

AEITI	Afghanistan Extractive Industries Transparency Initiative
AFN	Afghani (currency)
ANPDF	Afghanistan National Peace and Development Framework
AoMD	Administration of Martyrs and Disabled
AREU	Afghanistan Research and Evaluation Unit
ARTF	Afghanistan Reconstruction Trust Fund
ASYCUDA	Automated Systems for Customs Data
BC	Budget Circular
BRT	Business Receipts Tax
BU	Budget Unit
CAA	Civil Aviation Authority
CASA	Central Asia-South Asia Electricity Transmission and Trade Project
DCD	Development Cooperation Dialogue
ECF	Extended Credit Facility
EPD	Equality for Peace and Democracy
FY	Fiscal Year
GDP	Gross Domestic Product
GIRoA	The Government of the Islamic Republic of Afghanistan
GPMEs	Government-wide Performance Monitoring and Evaluation System
GRB	Gender Responsive Budgeting
GRS	Gender Responsive Statement
IARCSC	Independent Administrative Reform and Civil Service Commission

IDLG	Independent Directorate for Local Governance
IFAD	International Fund for Agriculture Development
IMF	International Monetary Fund
M&E	Monitoring and Evaluation
MAIL	Ministry of Agriculture, Irrigation, and Livestock
MBAW	Making Budgets and Aid Work
MoC	Ministry of Communication
MoD	Ministry of Defense
MoE	Ministry of Education
MoEc	Ministry of Economy
MoEW	Ministry of Energy and Water
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoHE	Ministry of Higher Education
MoIA	Ministry of Interior
MoLSA	Ministry of Labor and Social Affairs
MoPW	Ministry of Public Works
MoUD	Ministry of Urban Development
MRRD	Ministry of Rural Rehabilitation and Development
NDS	National Directorate of Security
NEPA	National Environmental Protection Agency
OAAP	Office of Administrative Affairs of Presidential
PRTs	Provincial Rehabilitation Teams
ToR	Terms of Reference
TWG	Technical Working Group

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1. Introduction

1.1 Summary

Since 1391 (2012), Equality for Peace and Democracy EPD has been conducting a review of the draft National Budget presented to Parliament, to provide brief insights to parliament, and to assist them in the review of Afghanistan National Budget. This yearly process also allows civil society and citizens to understand their role in the whole process of National Budget from planning, to execution, monitoring, and reporting. The goal is to present a coherent and simple review of the National Budget to people so they can understand how the national budget

can change their daily lives while allowing them to understand the quality of services through budget execution underneath Government organizations. This independent review report for FY 1398-2019 National Budget will provide parliament with necessary details in the review and approval of the national budget. Additionally, it will allow civil society and citizens to understand what National Budget for 1398 has for them. Furthermore, it will also talk about the efforts of the Government in ensuring better service delivery and higher execution of the budget through reforms implementation in the public financial management.

1.2 Methodology

The team working on a review of the draft National Budget 1398 initiated the process with a desk review of Public Financial Management reforms, the process of its implementation, national budget decree 1398, national budget history for past up to 10 years. Moreover, EPD developed questionnaires customized for different interviews with officials from Ministry of Finance, Directorate General of Revenue, Directorate General Budget, Directorate

of Large Tax Payers, Directorate of Budget Reforms and Policy, Directorate of Aid Management, Provincial Budgeting Unit, Gender Responsive Budgeting Unit, and officials from Line Ministries. EPD also hosted a roundtable discussion on the subject with civil society activists. The statistics are derived from draft National Budget Decree 1398 sent to Parliament in November 2018. The percentages mentioned in the report are rounded to the nearest whole number.

2. Economic outlook

Economic growth is forecasted to be 3% for 1398 showing an increase of 0.8% compared to FY 1397. Although, proposed national budget 1398 shows economic growth is forecasted to be 3% for 1398 showing a decrease of 1.7% compared to FY 1397¹. The prediction of gross domestic product for FY 1398 is 3% with the assumption that the agriculture production will improve; the execution of development budget by the government will increase, which causes an increased demand for activities related to construction,

energy, gas, and water resulting in growth of economic activities. Economic growth in Afghanistan mainly depends on the non-industrial-agriculture sector (fruits and crops). Currently, agriculture makes 21 % of the total gross domestic product of Afghanistan. This percentage is likely to increase to 24 % by FY 1401 as shown in

Table 1 Economic Outlook-Afghanistan 1396-1401; it is assumed that the medium-term economic growth will reach 4.5 %² by 1401.

	Previous 1396	Current 1397	Budget 1398	Coming Years		
				1399	1400	1401
Real gross domestic product growth-market price	2.9%	2.2%	3.0%	3.6%	3.8%	4.5%
Gross domestic product nominal size (billion AFN)	1384.9	1485.6	1564.0	1689.3	1849.6	2037.0
First - Agriculture	281.5	286.5	321.6	361.8	406.5	455.6
Second - Industry	307.5	344.4	350.0	362.9	388.9	427.2
Third - Services	729.0	817.1	852.9	919.0	1002.3	1096.5
Deflator	0.9%	4.9%	2.2%	4.2%	5.4%	5.4%
Average inflation of consumer price index	5.1%	4.6%	6.3%	3.9%	3.9%	4.2%
AFN to USD Exchange Rate	68.4	75.9	76	77	78	79

Note: The above exchange rate above show the value changes of Afghani Currency in comparison with US Dollars from 1396 through 1400 in the market. The currency exchange rate of AFN/USD for FY1398 national budget is fixed to 74.4 AFN for each US Dollar.

Table 1 Economic Outlook-Afghanistan 1396-1401

¹ National Budget Decree 1398

² National Budget Decree 1398

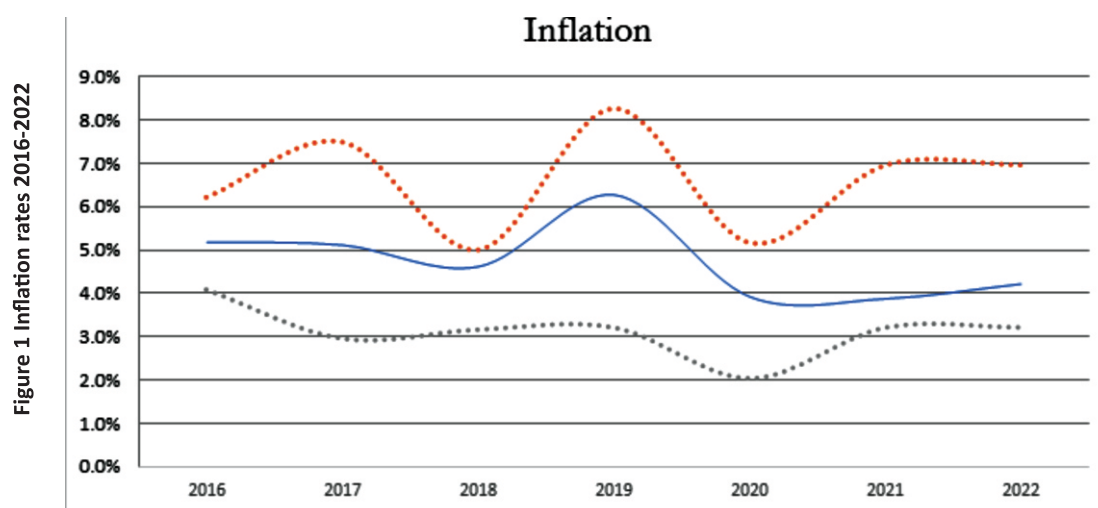
2.1 Medium-term economic growth Hypothesis

- It is assumed that climate will be suitable for agriculture and it will not have unwanted damage to irrigated agriculture. Production in the agriculture sector will increase from AFN 286.4 billion in 1397 to AFN 321.6 billion in 1398 with an increase of 12.3%. Agriculture sector productivity growth is forecasted to be 12% in medium-term for which there can be no reason seen, to collapse.
- Because of lack of assurance and unknown circumstances, the construction field overall has been negatively affected resulting in the growing downfall of construction activities; it is assumed that construction related activities will remain stable, but these activities will be slow compared to FYs 1391-1393 when international aid was at its high.
- Average inflation rate during 1398 will be 6.4% which is higher compared to previous years. However, it is assumed that there will be a visible risk of decline with a forecasted average of 4.3 % in the medium-term.

2.2 Inflation

Afghanistan vastly relies on imports of commodities from other countries; any change in the price of imported goods is reflected in the total commodities used to calculate local inflation rates. Using previous data, the inflation rate is projected to remain at an average of 4% in the medium-term. Changes in international assistance can affect the inflation rate projection. Figure 1 shows the inflation rate projection for 1395-1401, or 2016-2022. There are two major risk factors to the economy of Afghanistan in the medium term. First, the external

budget from international assistance is going to decline in the coming years which will have a direct effect on the market value of Afghanis against US Dollars. This will negatively affect the purchasing power of the people. Secondly, during the upcoming presidential elections in Afghanistan, due to the lack of a stable security situation and government strategy, internal demand for goods and services is expected to decline. Therefore, it is expected to have a lower average number for inflation in the medium-term.



2.3 International Economic Outlook

Average economic growth for Afghanistan's major trading partners was 4 % in 1397-(2018). It was projected to be 4.1 and 4.2 % in 1396 and 1397. Among Afghanistan's trading partners, for 1397-2018, China and India had the highest growth with 6.6% and 7.4% respectively. On the other hand, England and Saudi Arabia had the lowest economic growth at 1.6% and 1.7% respectively.

India is an important trading partner with Afghanistan. The recent air corridor between Afghanistan and India has opened doorways to more trade between the two economies. Improvement in cargo services will improve Afghanistan's trade relations with the region and rest of the world and improvement in the production of agriculture and handmade carpet.

Iran has experienced a visible decline in their economic activities, mainly production and construction. It is

projected that Iran's economy will experience more decline with the recent US sanctions on Iran. US sanctions on Iran will have an indirect impact on Afghanistan's economy. Smuggling US Dollars from Afghanistan to Iran will result in a decline in the market value of Afghanis against US Dollars.

Pakistan has experienced a decline in various sectors in recent years including exports. Overall, considering the planned investments in the energy sector and regional trade, the forecasts are positive. Pak Rupees have experienced a decline against Afghanis, meaning that Afghanistan's economy will be impacted the least from Pak Rupees. In the past, Afghanistan relied on Pakistan for their major imports. However, with the new trade routes opening with neighbors, i.e., Turkmenistan, Kazakhstan, Uzbekistan and Iran-Chahbahar, Afghanistan's trade dependency on Pakistan has declined.

2.4 National Economic Outlook

Afghanistan's economic growth's main driver has been international assistance. Between 2003 and 2012 Afghanistan was a significant recipient of donors' assistance. The average annual growth rate for these years was 9.4%. Economic growth visibly declined to an average of 2.1 % between 2014 and 2018. This decline was mainly because of a decline in the amount of assistance from donors-mainly off-budget, and partly because of political factors.

In mid-term, international donors' assistance is anticipated to decline further. Subsequently, the national budget will tighten further. This means

that relying on international assistance will no more be a dependable option. Afghanistan government shall focus on other alternatives to ensure economic growth. In medium-term, an option will be to cease resources to projects/programs with poor delivery and allocate resources to projects/programs with better delivery which directly responds to the needs of the society.

The economic growth outlook will remain steady considering the 3% real growth in 2019 and its increase to 4.5 % in 2021. Additionally, re-allocation of resources to projects/programs with better delivery can result in an

even better economic growth outlook. Because of improvement in agriculture activities, the government has decided to make long-term investments in infrastructure projects, i.e., energy and linkage to domestic markets leading to a shift in economic growth.

2.4.1 Funding National Budget:

In the past years, a major portion of the Afghan national budget (Operational and development) has been funded by donors. A large sum of this aid was spent through external budget by International NGOs, foreign companies and PRTs. A relatively small portion of this donor's fund was spent through national budget and government treasury. The trend has been changing in recent years. Donor organizations have been spending their funds through MoF treasury as

However, all these depend on or can be negatively impacted by some internal issues that can negatively impact economic growth. These internal issues are mainly the upcoming presidential elections and internal peace and security.

on-budget. However, foreign aid has been remarkably declining since 2014. The Afghan government is focusing on strengthening its domestic revenue sources in years to come.

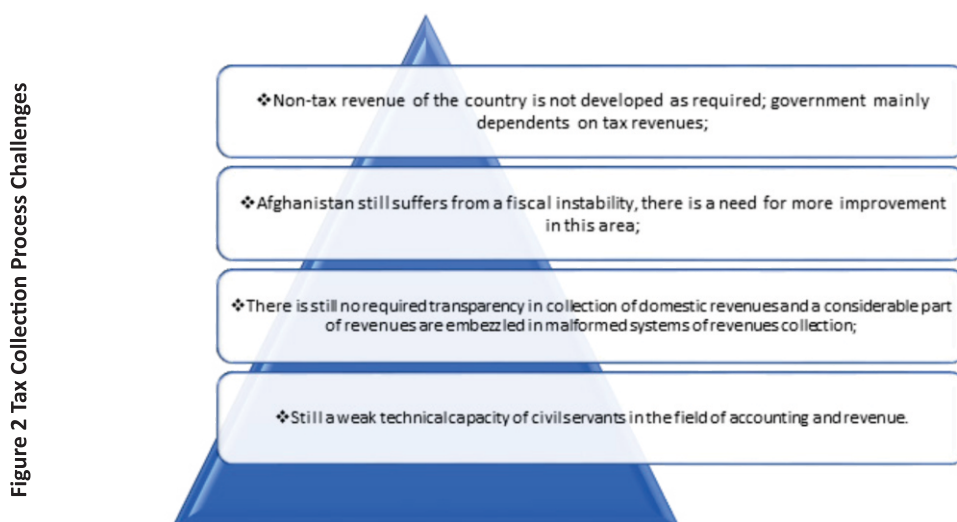
In FY 1398 Proposed national budget, Afghanistan will be funding 49% off from its domestic revenue, while donors' grant and loan fund the rest 51%. This shows considerable growth in the country's domestic revenue.

2.4.2 Factors Causing Increase in Domestic Revenue:

- Positive amendments in income tax law and Tax administrative laws with close coordination of private sectors.
- Increase in business received tax (BRT) from 2% to 4%, and application of 10% tax on telecommunication.
- There are Changes in policies and tax collection procedures, and manuals in coordination with the private sectors recording online tax declaration by the taxpayers and sending it to the relevant office, resulting in transparency in the process.
- Capacity improvement of the revenue relevant staff by providing necessary training programs
- Provision of incentives to the employees, who work in the field of revenue collection.
- Gradual habituation and reliance of people on the culture of taxpaying: To some extent, people are starting to undertake their tax responsibilities.
- Installation of modern equipment in the customs and other taxes collection offices.
- Amendment in the penalty range article: The maximum range of penalty over taxes will be 100% of the tax amount.
- External pressures, particularly pressures from IMF, World Bank, and foreign donors in achieving revenue targets.

2.4.3 Challenges in Tax Collection:

Factors ³that affect tax collection and revenue generation are shown in Figure 2 Tax Collection Process Challenges below:



2.5 Afghanistan's Fiscal Strategy:

2.5.1 Fiscal Strategy

A credible and coherent fiscal strategy is a pre-condition for the success of the Government's self-reliance vision. The Government is adopting a more structured approach to fiscal planning with the long-term goal of ensuring sustainable finances to support economic growth and development. The Government's fiscal strategy set out in the Afghanistan National Peace and Development Framework-ANPDF

includes three policy assumptions⁴:

1. The Government will use fiscal policy as the primary tool for economic management;
2. The Government will, over the time, collect enough revenue to meet operational and more of Afghanistan's development needs, gradually reducing international development assistance over the next fifteen years; and

³ Interview with officials at MoF

⁴ Afghanistan National Peace and Development Framework 2017-2021

3. The Government will balance the budget over the medium to long-term, without borrowing unsustainably. Any borrowing will be concessional and by the agreements with the International Monetary Fund-IMF.

The foundation of the Afghanistan government's fiscal strategy is the pursuit of self-reliance. This means in fiscal terms achieving economic and social goals through sustainable means: not spending too much, not accepting too much aid, and making the best use of available resources. To do this, the Government will continue its ongoing fiscal reform agenda that will enable a much greater focus on increasing fiscal space in all five dimensions:

1. Being more efficient with the way the government does business - including by preventing, detecting and combating corruption;
2. Raising domestic revenue to higher levels;
3. Seeking concessional debt and innovative financing for high impact-lower risk investments;
4. Using aid more responsibly and effectively; and
5. Looking into the future to prioritize policies and improve financial performance over time.

2.5.2 Economic and Fiscal Goals

The Government has set goals in short to medium-term, to guide the budget in identifying necessary investments. The following three aspirational goals guide the preparation of the budget:

1. Achieve average growth of 5 % per year until 2020;
2. Increase development budget

expenditures by 10-15 % each year as we expand delivery of education and health services in the medium-term; and

3. Grow domestic revenue by up to 12 % annually, with the overarching goal of having domestic revenues account of 14% of the GDP by 2020.

3. An Overview of National Budget:

Afghanistan's National Budget mainly consists of two parallel budgets; Core Budget and External Budget. The External Budget are resources spent directly by the donors. On the other hand, the core budget consists of the resources, both domestic revenue and international assistance, that stream through the Ministry of Finance within the Afghanistan Public Financial and Expenditure Management Law

framework. It is further divided into Operating Budget and Developmental Budget. The Operating Budget covers the ordinary government expenditures such as wages, salaries, goods & Services, and Acquisition of Assets to keep the ministries' operating while the developmental budget is mainly used for developmental and reconstruction purposes.

3.1 FY 1398 Proposed Budget

FY1398 budget totals to AFN 399.42 billion, of which AFN 275.22 billion is allocated for the ordinary budget which constitutes 69% of the core budget. The

developmental budget has a smaller share of the FY 1398 budget that totals to AFN 124.19 billion constituting 31% of the core budget, illustrated in Figure 3

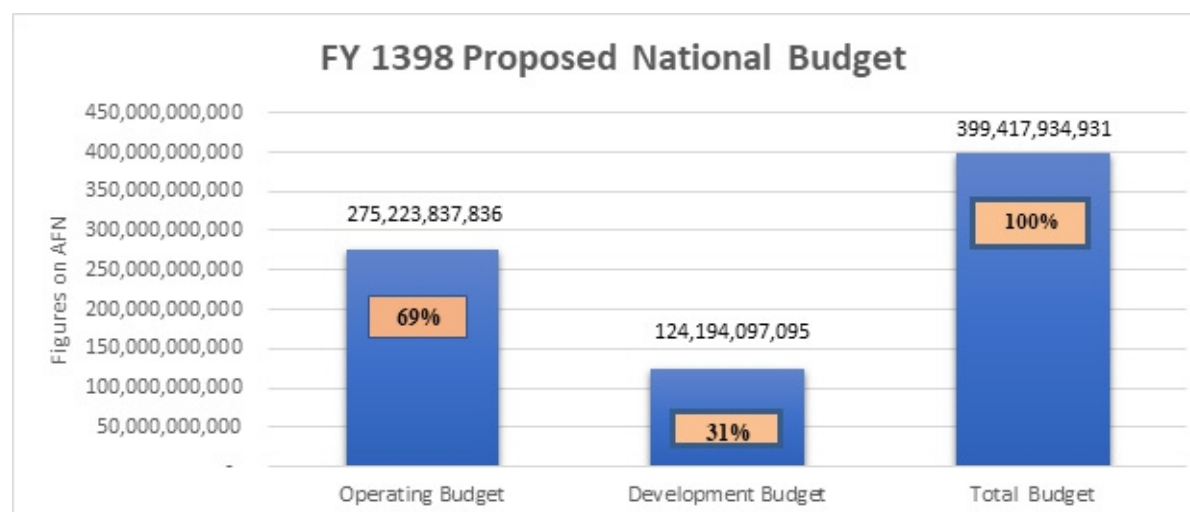


Figure 3 Proposed National Budget FY 1398

3.2 Comparison of National Budget 1397-1398:

The proposed budget for FY 1398 has been decreased by AFN 13.79 billion Compared to the national budget FY 1397. Additionally, this comparison reveals that the proportion of 1398

operating budget has been decreased by 2% and the development budget by 7%.⁵ Table 2 and Figure 4 below shows a comparison of the two years in details.

⁵ National Budget Decree 1398

Table 2 Comparison National Budget 1397-1398

Comparison between 1397 and 1398 National Budget figures						
(Figures in AFN)						
Details	1397 Budget	%	1398 Budget	%	Difference	Diff in %
Total Operating Budget	280,262,039,681	68%	275,223,837,836	69%	-5,038,201,845	-2%
Total Development Budget	132,944,631,707	32%	124,194,097,095	31%	-8,750,534,612	-7%
Total Budget	413,206,671,388	100%	399,417,934,931	100%	-13,788,736,457	-3.45%

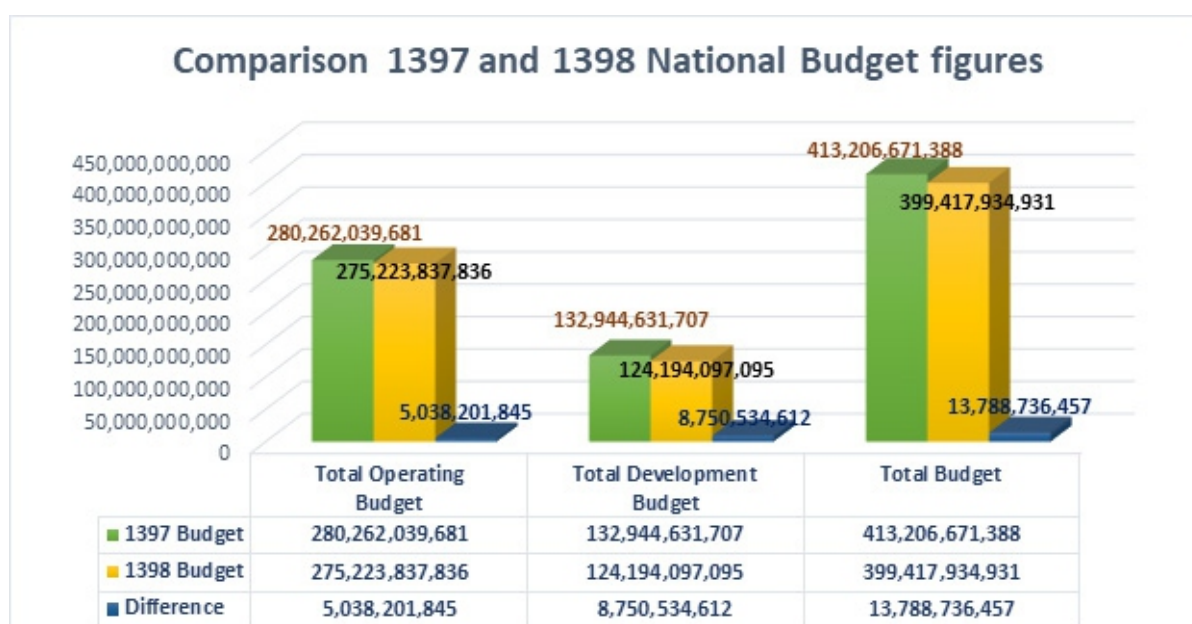


Figure 4 1397 Vs 1398 Budget Comparison

3.3 1398 operating budget review:

Operating budget of government comprises of Wages and Salaries of government staff, Goods and Services, and acquisition of assets to keep the government machinery running. Security consumes most of

the operating budget followed by the education, health and other sectors respectively. Illustrated in Table 3 below is the funding of major operating budget items.

Table 3 Funding Sources FY1398 Operating Budget

Details	Figures in Million AFN	% of Funding
Operating Budget of 1398		
Total Operating Budget	275,224	100%
Funding Sources of 1398 Operating Budget		
Funding of the Operating Budget from Domestic Revenue	188,006	68%
Funding of the Operating Budget from Donor Assistance	98,843	36%
Total Funding Sources	286,849	104%
Surplus/deficit of the 1398 Operating Budget	11,625	4%

The table above indicates that the total amount of operating budget for FY1398 is AFN 275,224 million, out of which, an amount of AFN 188,006 million is funded through domestic revenues and an amount of AFN 98,843 million

is funded through foreign assistance. In addition, the total funding amount of the operating budget of the year is AFN 286,849. It indicates a surplus of AFN 11,625 million.

3.4 Operating Budget Allocation FY 1398:

Ordinary budget allocation is mostly based on the government Tashkil staff and other operational priorities. As indicated in Table 4, ten budgetary units have the highest number of government employees, totaling to

764,357 out of total 891,448 tashkil staff. Ordinary budget allocation to these ten budgetary units is 81.39%, while 18.61% of the ordinary budget is allocated to the remaining 49 budgetary units.

Table 4 High (Ordinary) Budget Allocation-10 Budgetary Units

No	Budget Unit	Allocated budget in AFN	Percentage
1	MoD	78,773,483,009	28.62%
2	Mol	54,100,546,778	19.66%
3	MoEd	35,128,666,469	12.76%
4	NDS	17,997,694,000	6.54%
5	MoLSA	8,321,241,014	3.02%
6	AoMD	7,125,595,000	2.59%
7	Office of Administrative Affairs	6,613,877,000	2.40%
8	MoFA	5,972,331,920	2.17%
9	MoHE	5,680,685,000	2.06%
10	President Office	4,290,649,000	1.56%
Total budget for the 10 Budget units		224,004,769,190	81.39%
Total ordinary budget		275,223,837,836	

3.5 Comparison of the ordinary budget for years 1390-1398:

Figure 5 below indicates the government operating budget during FY 1390-1398⁶. The operating budget was the lowest at AFN 155.49 billion in FY 1390. Whereas, it was recorded the highest at AFN 280.49 billion in FY 1393. With

the decreasing international assistance each year, the government need to adjust its operating budget based on the available funds and resources.

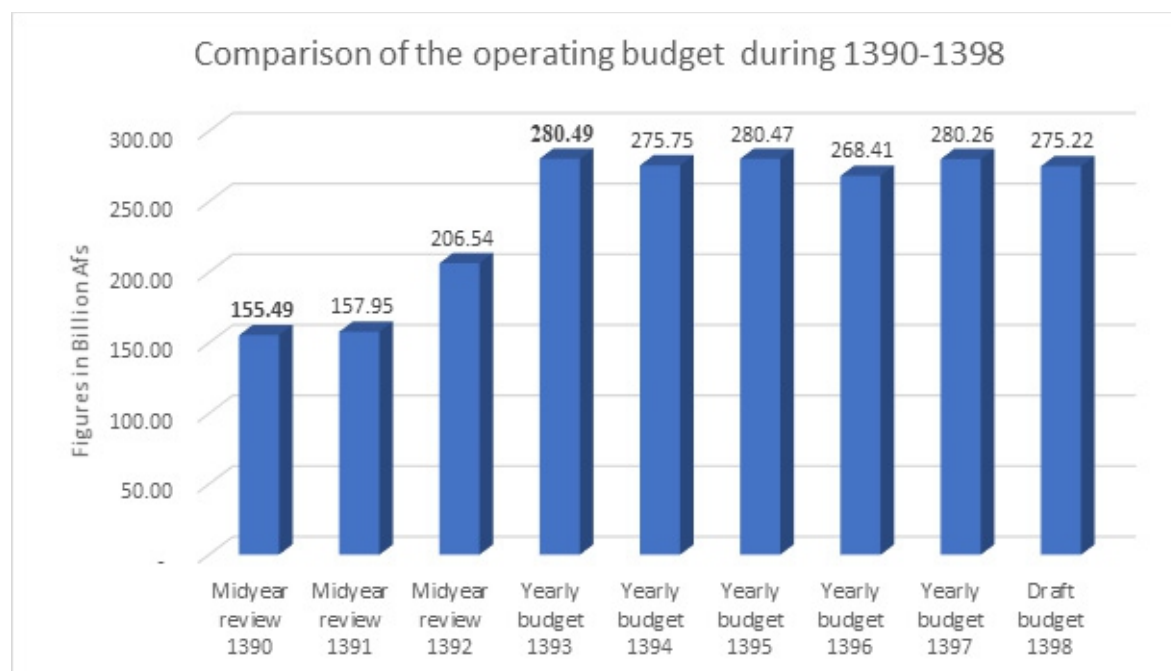


Figure 5 Operating Budget Comparison 1390-1398

3.6 Development Budget Review:

Development budget is the main policy tool of government to ensure prosperity and development of the country by achieving committed milestones of GfRoA to their citizens and international partners.

Development budget in previous years had a great amount annually in carrying forward status from each year to the next. In fact, that amount of budget allocated to the previous year and for new-year, we only judged on the amount of new development budget. During the formulation of the national

budget for FY 1397⁷, MoF introduced zero-based-program budgeting based on GFS and COFOG systems of IMF.

Total proposed development budget for FY 1398 is AFN 124.19 billion; total approved development budget for FY 1397 is AFN 132.94 billion. There is a decrease of AFN 8.75 billion in the proposed budget for FY 1398 compared to approved budget FY 1397. A total of about 51 % of the development budget is made up of the non-discretionary budget which is 6 % higher compared to 1397 approved budget. Comparison of development budget for 1398 ⁸proposed and 1397 approved is given in Table 5

⁶ Assessment documents midyear 1380-1397 & Budget decrees 1390-1398

⁷ Budget Decree 1397

⁸ Budget Decree 1398

Table 5 Discretionary Vs. Non-discretionary development budget 1397-1398

No	Approve Development Budget of 1397	Figures on AFN	%
1	Discretionary Budget	57,708,002,474	43%
2	Non-discretionary Budget	75,236,629,233	57%
Total		132,944,631,707	100%
No	Proposed Development Budget for 1398	Figures on AFN	%
1	Discretionary Budget	61,222,063,395	49%
2	Non-discretionary Budget	62,972,033,700	51%
Total		124,194,097,095	100%

3.7 1398 Development Budget Funding

Domestic revenue contributes up to 10% in financing the proposed development budget for FY1398⁹. This percentage is still very small and cannot respond to the needs of the people. Additionally, 56 % of the donors' contribution is proposed as non-discretionary projects. Only 33% of the total contributions have been appropriated to the optional/ discretionary projects.

Also, AFN 7.1 billion payment from development budget considered for Kabul Bank. In addition to that, for decreasing the development budget deficit AFN 10 billion funding source considered from the Treasury reserve fund, and AFN 9.50 billion still do not have any funding foundation. For more information see Table 6:

Table 6 Funding Source Development Budget 1398

Total Proposed Development Budget for 1398	Figures in AFN	Percentage
Development Budget	124,194,097,095	100%
Funding Sources of Development Budget	Figures in AFN	Percentage
Domestic Sources	11,625,620,492	10%
Total aid of donors (Discretionary)	37,200,000,000	33%
(Non-Discretionary) Total aid and loan of donors	62,972,033,700	56%
Total Funding Sources of Development Budget	111,797,654,192	
Deficit in Development Budget before Securing Loan	-12,396,442,903	
Payment for Kabul Bank capital decrease	-7,100,000,000	
Treasury Reserve Fund	10,000,000,000	
Deficit in Development Budget	-9,496,442,903	

9 Budget Decree 1398

3.8 Development of budget allocation

During the last ten years, the highest figures of development budget have been allocated to infrastructure sector for the obvious reason of need for better infrastructure that has been destroyed by the four decades of civil war. Infrastructure is followed by the Agriculture sector since the highest number of Afghan families dependent on agricultural productivity; however, in the proposed budget for FY 1398, all the ministries have been piled

up. Figures are not distinguishable by sector. Thus, the tables in the proposed budget only show the ministries with the highest figures for the development budget:

As indicated in Table 7, 73% of the total development budget is allotted these 10 budgetary units and the rest 27% of the budget is allocated to 44 budgetary units.

Table 7 High (Development) Budget Allocation-10 Budgetary Units

No	Budgetary Units	Allocated budget in AFN	Percentage
1	MRRD	19,006,148,822	15%
2	DABS	13,801,500,000	11%
3	MoPH	13,113,484,871	11%
4	MoPW	12,066,979,520	10%
5	MAIL	8,439,109,000	7%
6	MoEW	6,747,573,317	5%
7	MoUD	5,376,262,000	4%
8	OAAP	4,209,768,000	3%
9	CAA	3,926,584,670	3%
10	MoC	3,738,585,000	3%
Total budget for the 10 Budgetary units		90,425,995,200	73%
Total developmental budget		124,194,097,096	

3.9 Development Budget 1390 - 1398:

Every fiscal year development budget is based on the availability of domestic revenue sources; donors grant commitment and loan to the development sections. Figure 6 below shows the development portion of the

national budget for years 1391 - 1398. It shows that the lowest development budget is approved for FY 1391 with AFN 111.05 billion. Whereas, the highest approved budget during these years is for FY 1395 with AFN 168.55 billion

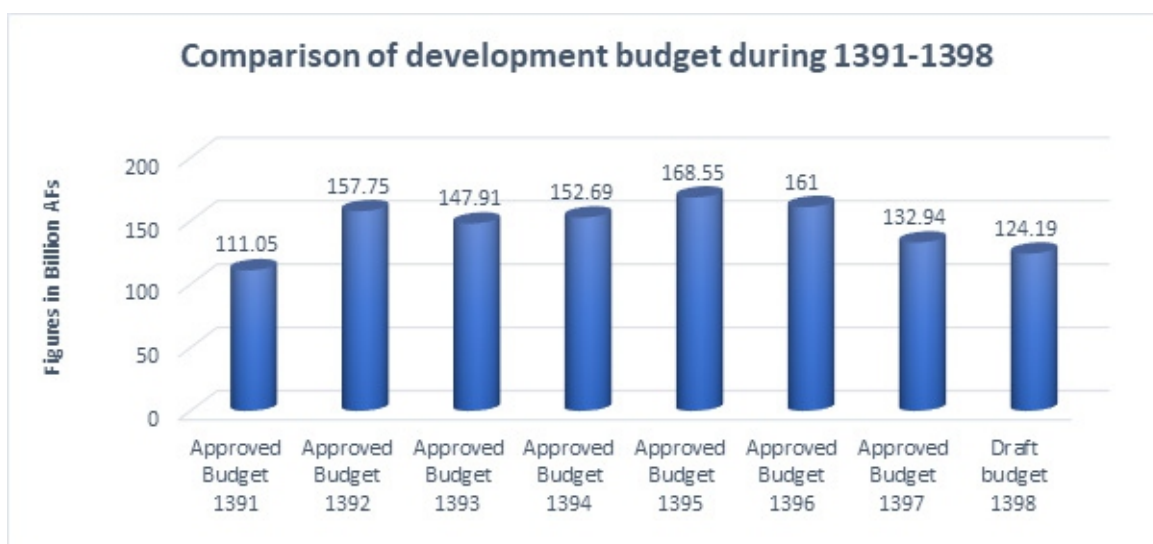


Figure 6 Development Budget Comparison 1391-1398

3.10 1398 Proposed Budget Funding:

Afghanistan national budget is financed through 3 main sources; 1) Domestic Revenues, 2) Foreign grant and 3) Foreign Loans. As explained in Table 8, 49 % of the proposed national budget

for FY 1398 is funded through domestic revenue while the rest 51 % is funded by donors' grant and loan. 1398 proposed national budget also has AFN 12.40 billion deficit.

Table 8 National Budget 1398 Funding Sources

Summary of the 1398 National Budget and the funding sources		
Proposed 1398 National Budget		399,417,934,931
Funding Sources of the 1398 National Budget		
Details	Figures in AFN.	Percentage of funding
Domestic Sources	188,005,594,664	49%
International Sources including loans	199,015,897,364	51%
Total Funding Sources	387,021,492,028	
Budget Deficit	-12,396,442,903	

3.11 Domestic Revenue and 1398 Budget:

Investing in infrastructure, agriculture, energy, and industry through national budget in past few years has resulted in a frequent increase in domestic revenue. For instance, the growth rate of domestic revenue in 1390 was AFN 99,396 million. It reached AFN 169,057 million in 1396. The average growth

rate of domestic revenues within these time-periods is 59%. The total domestic revenues of 1396 (initially forecasted AFN 160,561 million) was AFN 169,057 which is about 9 million more than the targeted. Figure 7 Domestic Revenue 1390-1397 below illustrates revenue changes during the years.

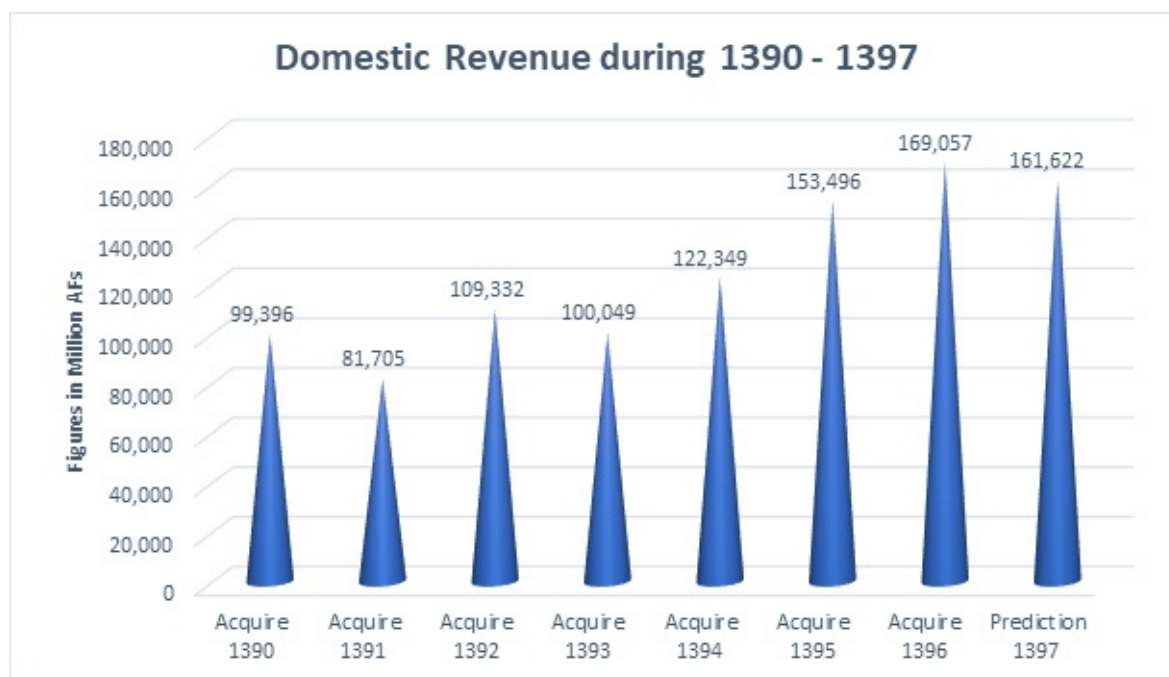


Figure 7 Domestic Revenue 1390-1397

The graph illustrates that revenue in 1396 has doubled since 1390. There has been an improvement in revenue collection. Government is constantly

looking for establishing domestic revenue sources to support the national budget. There is still a huge gap between the budget and revenue.

3.12 Foreign Assistance in National Budget for Years 1395 - 1398:

Table 9 below illustrates the contribution of donations from Afghanistan's international allies between 1393 and 1398. It is shown that the amount of foreign contributions to the operating budget has decreased from AFN 152.11 billion in 1393 to AFN 98.84 billion in 1398 with a 35% decrease. Additionally,

the amount of foreign contributions to the development budget is AFN 113.23 billion in 1393 has been reduced to AFN 100.17 billion in 1398, with a 12% decrease. In terms of the contribution of foreign donation to the total national budget, there is a decrease of about 25 % in 1398 compared to 1393¹⁰.

Table 9 Donors Contribution to Core National Budget 1390-1398

Figures in Billion AFN						
Donor Assistance	1393	1394	1395	1396	1397	1398
Assistance to Operating Budget	152.11	161.78	150.80	120.55	104.51	98.84
Assistance to Development Budget	113.23	137.32	146.44	135.59	85.86	100.17
Total Assistance to National Budget	265.33	299.10	297.23	256.14	190.37	199.01

¹⁰ National Budget Decrees 1393-1398

3.13 Foreign Loan in 1398 Budget:

One of the sources to fund national budget is through loans from major international organizations. Loans have a small contribution to the Afghanistan national budget. If used for productive projects to generate revenue and be able to pay back the loans, loans can be

a good source to rely on. However, with a high risk of corruption in the country, the government cannot rely on loans from international organizations. The contribution of loans in draft national budget is AFN 574 million. Further details are given in Table 10 below.

Table 10 Loans as Funding Source National Budget 1398

Loan Providing Sources	Loans for financing 1398 budget	
	Figures in AFN	Percentage%
Government of Italy	199,000,000	35%
Islamic Development Bank	25,000,000	4%
Saudi Development Fund	350,000,000	61%
Total Loan	574,000,000	100%

3.14 Budget Execution for Years (1386-1397)

National budget expenditure, particularly, development budget, is a good indicator of government service delivery to the people and implementation of development projects in the country. National budget execution had been a serious issue in the past. Government institutions have been unable to spend about half of their development budget. This also means poor delivery of services, losing the trust of donors and funds, and lower budget for years ahead.

In 1396¹¹, budget execution was around 67.34 % of their developmental budget. This was the highest spending rate since 1386 showing about 12% increment in the development budget execution rate compared with 1386.

MoF has introduced major reforms in budget planning, execution and reporting resulting in a tremendous uplift of budget execution percentage.

Budget execution for 1397 is forecasted to get to 90%. For 1397¹², the government has been able to spend 83.60% operating and 76.90% development budget till December 03, 2018. Table 11 and Figure 8 below show the execution of the national budget for years 1386 to 1397.

There are some challenges in budget execution resulting in poor execution. Lack of capacity has been one of the challenges. However, a major portion of the development budget consists of the non-discretionary budget in which case, capacity becomes a lesser discussed challenge. Poor planning and estimation of the budget in budgetary units is another challenge leading to low expenditure of the developmental budget throughout the years.

11 Qatia report 1386-1396

12 MoF budget execution report December 2018

Table 11 Budget Execution Rates 1386-1397

Fiscal Year	% of Ordinary Budget Expenditure	% of Developmental Budget Expenditure
1386	96.60%	55.00%
1387	92.35%	40.00%
1388	93.26%	37.00%
1389	95.61%	39.00%
1390	95.54%	49.50%
1391	86.55%	51.00%
1392	90.41%	57.00%
1393	80.99%	45.81%
1394	82.97%	54.00%
1395	90.00%	54.00%
1396	92.14%	67.34%
1397 (till 03 Dec 2018)	83.60%	76.90%

Sources: Qatia Reports FYs 1386 - 1396 and MoF Budget execution report

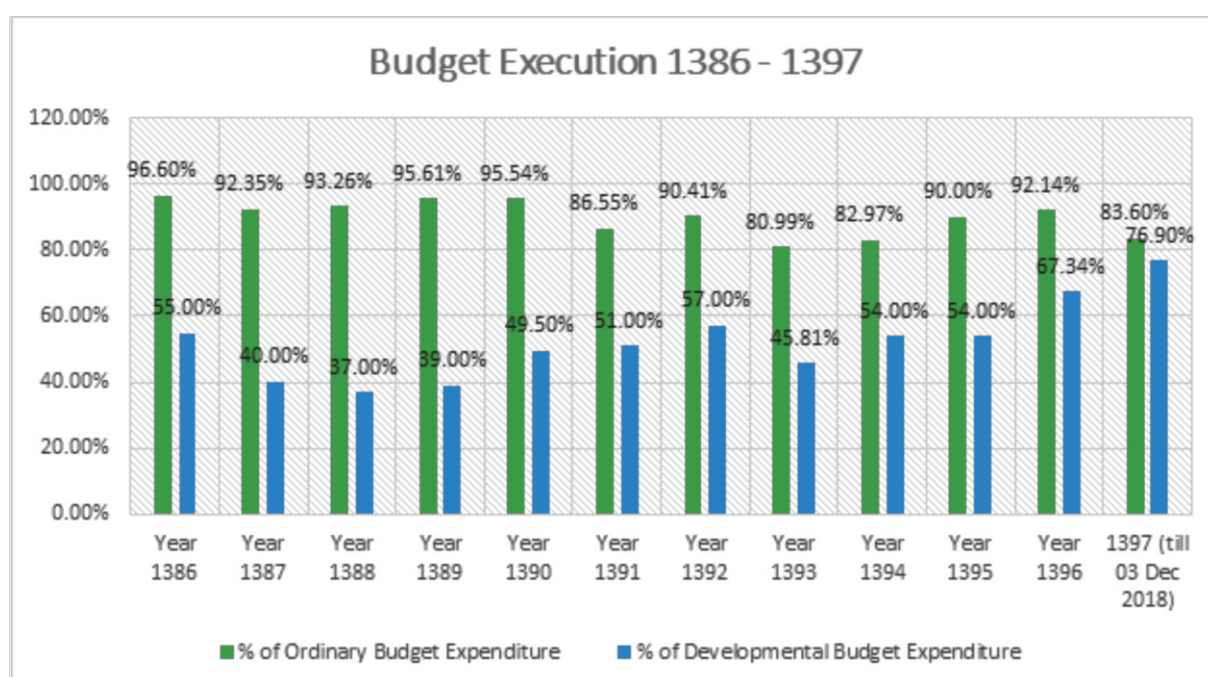


Figure 8 Budget Execution 1386 - 1397

3.15 Fiscal Sustainability

The government has constantly been working on developing domestic revenue sources to rely on. As illustrated in Figure 9 below, the government has made visible progress in domestic revenue in terms of funding national budget. The increasing slope of domestic revenue indicates the government's progress in

building domestic revenue sources. The progress has been steady; projections remain well below the required amount to meet future recurrence costs. The demands on national sources will continue to rise. For the foreseeable future, the cost of maintaining security will be beyond the capacity of the

tax system to meet. Estimated actual domestic revenue for 1398 is projected to be around AFN 188.01 billion. In addition, Afghanistan needs to direct its resources to peacebuilding and maintaining security conditions of the

country. Additionally, the government needs to support and provide an investment opportunity for foreign investors to invest in the country. This will increase the GDP and generate employment opportunities locally.

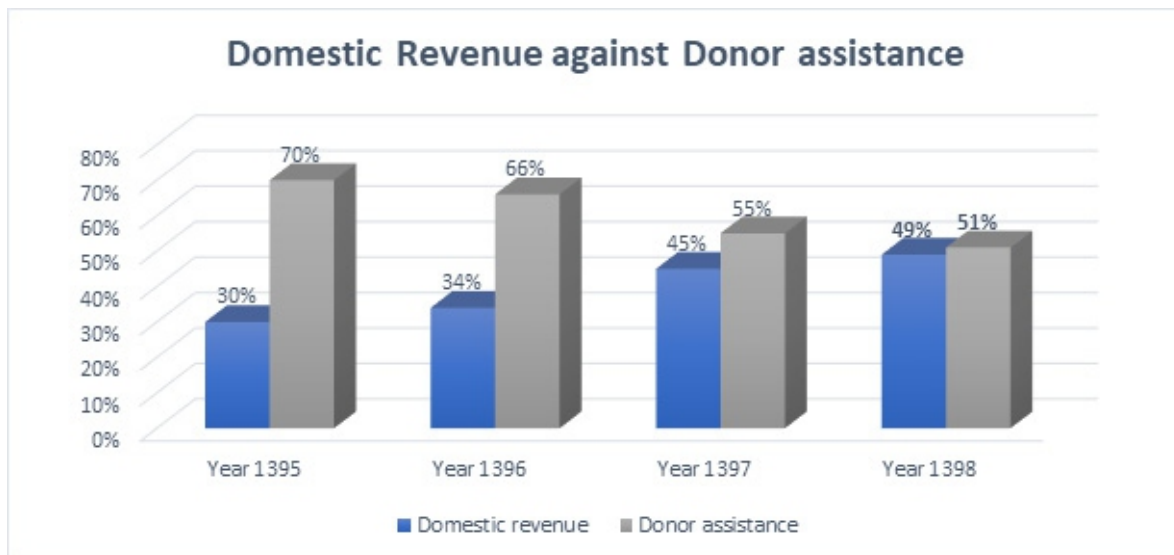


Figure 9 Domestic Revenue VS Donor Assistance 1395-1398

4. Financial Framework and Budget reform

MoF has constantly been working on streamlining budget formulation, execution and reporting processes to improve budget execution rate. The recent reforms in the budget formulation have shown a tremendous change in execution rates, getting a record

execution rate in 1396, and 1397. Shifting from carryforward program budgeting to zero-based program budgeting is one of the main reforms by MoF, through which, all line budgetary units either have to spend their allocated funds, or lose them. With this, no carryforward funds were presented in 1397 and 1398 budgets. Some funds were stuck in budget document for years without any action taken to spend them. Removing such projects and funds helped budgetary units only report funds that they could execute.

Re-allocation of funds from poor performing projects to well-performing projects was another initiative that MoF

took. During budget hearing sessions, preference was given to projects that performed well so that budgetary units have a better performance than trying to have a huge amount of budget without execution. This sustainable shift of resources also helped in better budget execution and service delivery to people.

Additionally, 1398 proposed budget has a 5 billion saving on operational cost. Operational budget is the cost of running government services; saving in operational budget means saving from the operational expenditure of the government. Instead, the savings can be used on development activities.

4.1 Transparency and Accountability

Alongside reforms, MoF has also taken initiatives to ensure transparency and accountability. Below are some of the major steps taken towards accountability and transparency of budget cycle:

- Townhall meetings: MoF initiated holding town hall meetings with the community people, civil society organizations-CSOs and local government officials. During these town hall meetings, needs of the people were discussed in detail with MoF officials, led by Deputy Minister of Finance, in the presence of CSO and local government officials. Separate women sessions were held with women to ensure women also express their opinion in what they need as an important part of society.
- Involvement of Civil Society Organizations-CSOs: CSOs are involved in different stages of budget formulation; CSO representatives had a presence in town hall meetings. They were also invited to budget hearing sessions where they even had an active role in discussing issues with budgetary units. Additionally, CSOs, i.e., EPD review and report on draft national budget yearly to aware people, civil society and parliament on what is in the budget with recommendations on how to improve them.

4.2 Funds Transfer - Contingency Code Budgetary Units

In the proposed national budget for FY 1398, for the first time, the contingency code budget is directly allocated relevant budgetary units of the government. In the previous years, the budget was kept in the contingency codes for the following three purposes

- 1) the implementation of reforms
- 2) concerns in the areas of low budget execution rate

3) limited information on the fair distribution of budget among government budgetary units.

This act will result in improvement in the budget planning process, allowing the Ministry of Finance to redesign the contingency budget allocation which will ease the access of budgetary units to funds/budget.

4.3 Changes in Sectors Structure

Based on COFOG and GFS manual instructions, MoF changed the structure of sectors. The new structure explained in Table 12 below show a total of ten sectors with some ministries in different sectors compared to the last

structure. i.e., MoI is in public order and safety sector, whereas, MoD is in defense sector along with National Directorate of Security and National Security Council.

Table 12 New Structure of Sectors

Sector	Organization
General Public services	Office of Chief of Staff for the President
	Office of Administrative Affairs of Presidency
	Ministry of Finance
	State Ministry for Parliamentary affairs
	Ministry of Foreign Affairs
	Supreme Court
	Ministry of Public Works
	Independent Administrative Reform and Civil Service Commission
	Supreme Audit office
	Ministry of Transport
	National Statistics and Information Office
	Finance Investment Support Facility for Afghanistan
	National Assembly - Mesherano Jirga
	Office of the Chief Executive
	National Assembly - Wolesi Jirga
	Afghanistan Central Civil Registration Authority
Defense	President's Protective Service
	National Directorate of Security
	Ministry of Defense
	National Security Council

Public Order and Safety	Ministry of Interior
	Ministry of Justice
	Office of Attorney General
	High office of Oversight & anti-corruption
	Independent Administrative Reform and Civil Service Commission
Economic affairs	Ministry of Industry and Commerce
	Ministry of Mines & Petroleum
	Ministry of Communication and Information Technology
	Ministry of Economy
	Ministry of Agriculture Irrigation and Live Stock
	Ministry of Energy and Water
	Afghanistan Railway Authority
	Civil Aviation Authority
Environmental protection	Independent Directorate of Local Governance
	Independent Election Commission
	Independent commission for overseeing the Implementation of the constitution
	Afghanistan National Standard Authority
Housing and community amenities	Kabul Municipality
	Capital Region Independent Development Authority
	Ministry of Urban Development Affairs
	Afghanistan Independent Land Authority
	Da Afghanistan Breshna Sherkat
	Afghanistan Urban Water Supply and Sewerage Corporation
Health	Ministry of Public Health
	Ministry of Counter Narcotics
	Afghanistan Atomic Energy High Commission
Recreation, culture, and religion	National Radio Television of Afghanistan
	Ministry of Hajj and Religious Affairs
	Ministry of Information and Culture
	General Directorate of Physical Education and Sport
Education	Ministry of Education
	Ministry of Higher Education
	Academy of Sciences of Afghanistan
	Technical Vocational Education Training Authority
Social Protection	National Environmental Protection Agency
	Afghanistan National Disaster Management Authority
	Ministry of Boarders and Tribal Affairs
	Ministry of Rural Rehabilitation and Development
	Ministry of Refugees and Repatriations
	Ministry of Women Affairs
	Ministry of Labors and Social Affairs
	Independent General Directorate of Kuchi
	National Administration of Martyrs and Disabled

4.4 Gender Responsive Budgeting-GRB

“Any kind of discrimination and distinction between citizens of Afghanistan shall be forbidden. The citizens of Afghanistan, man and woman, have equal rights and duties before the law”¹³. Gender equity is one of the important issues that the Government should take into consideration in different decisions. MoF of Afghanistan has constantly been working on Gender Responsive Budgeting-GRB over the past few years.

From 1390 onwards, MoF is working with line ministries to implement gender-responsive budgeting. National budget guide/manual also contains information about Gender. GRB policy draft is complete and is at the stage of approval from the Government. MoF piloted GRB in 6 budgetary units in 1397. For 1398, pilot budgetary units have been increased to 12 including ten ministries and two independent government authorities. Due to the lack of approved policy, GRB implementation has seen no visible results. However, progress seems to have been made toward finalizing GRB policy. GRB will be implemented in all budgetary units after the approval of GRB policy. List of GRB piloting budgetary units, including 10 ministries and 2 independent government authorities is below:

1. Ministry of Finance
2. Ministry of Rural Rehabilitation
3. Ministry of Economy
4. Ministry of Education
5. Ministry of Higher Education
6. Ministry of Commerce and Industry
7. Ministry of Women Affairs

8. Ministry of Agriculture
9. Ministry of Labor,
10. Ministry of Public Health
11. IDLG
12. NEPA

During budget hearing sessions on national budget formulation 1398, MoWA representative had active participation in most meetings with budgetary units. In sessions when MoWA representatives were not present, MoF Minister would ask GRB related questions himself to ensure budgetary units have the required information in their projects and also to keep GRB as an important priority for planning in coming years.

Line Ministries follow the predefined procedure of MoF related to GRB, a number of line ministries have gender responsive committees to address all gender-related activities, during the budget preparation process the committee provide relevant details to ministries leadership and planning directorate in order to incorporate gender-related details in the annual proposed budget but still the technical knowledge, capacity and limited information is a challenge for better implementation of GRB both in line ministries and provincial levels.

MoF-GRB team evaluated all projects above USD 5 million for gender responsiveness and provided their feedback to the general directorate budget. Projects below USD 5 million were all evaluated by MoEC.

MoF and MoWA will together prepare a Gender Budget Statement-GBS by mid-year review in June 2019. This

¹³ Afghanistan Constitution, article 22

will explain gender responsiveness of the national budget. GRB team at MoF is planning to conduct a further detailed analysis after preparing GBS to understand statistics related to GRB in budget execution in more details¹⁴.

MoWA took the initiative to add two GRB support projects in the 1398 national budget in order to support GRB functions in the different sectors besides that all GRB related activities and projects are technically reviewed by both Ministry of Economy and Ministry of Finance.

Capacity still remains an issue in GRB. There is currently no capacity building initiative planned for GRB implementation for budgetary units. GRB specialists can

play an important role in capacity building of their respective government entities, but, there is still no approved plan from MoF to respond to the capacity issue.

Technical Working Groups-TWGs Terms of Reference-ToR are developed; steering committee members are

selected. But they are still to start their work on GRB officially. This is subject to the approval of the GRB policy.

Line Ministries follow the predefined procedure of MoF related to GRB, a number of line ministries have gender responsive committees to address all gender-related activities, during the budget preparation process the committee provide relevant details to ministries leadership and planning directorate in order to incorporate gender-related details in the annual proposed budget but still the technical knowledge, capacity and limited information is a challenge for better implementation of GRB both in line ministries and provincial levels.

Ministry of Women Affairs take the initiative to add two GRB support projects in the 1398 national budget in order to support GRB functions in the different sectors besides that all GRB related activities and projects are technically reviewed by both Ministry of Economy and Ministry of Finance.

4.5 New development projects in 1398 draft budget on page

For 1398 the proposed budget, the total number of development project is 581 ¹⁵in which 31 are newly included

development projects. As shown in Table 13, the total sum for new projects is AFN 2,498,232,948.

14 MoF officials interview

15 National Budget Decree 1398

New projects details:

Table 13 New Proposed Development Projects 1398

Sector	Organization	Number of New Projects	Donor	Budget (AFN)
Environmental protection	Independent Directorate of Local Governance	1	World Bank	3,720,000
Economic affairs	Ministry of Communication and Information Technology	3	GIRoA	45,000,000
	Ministry of Energy and Water	1	GIRoA	5,000,000
	Ministry of Agriculture	5	GIRoA,	295,100,000
Housing and community amenities	Ministry of Urban Development Affairs	2	GIRoA	576,000,000
Recreation, culture, and religion	National Radio Television of Afghanistan	1	GIRoA	45,000,000
Education	Ministry of Higher Education	2	GIRoA	600,000,000
Recreation, culture, and religion	Ministry of Information and Culture	3	GIRoA	36,000,000
Health	Ministry of Public Health	3	GIRoA & EU	504,199,000
Social Protection	Ministry of Labors and Social Affairs	1	World Bank	37,315,948
	Ministry of Women Affairs	1	GIRoA	30,000,000
Economic affairs	Ministry of Economy	2	World Bank & GIRoA	74,840,000
Environmental protection	Afghanistan National Standard Authority	3	GIRoA	36,058,000
General public services	National Statistics and Information Office	3	GIRoA	210,000,000
Grand Total		31		2,498,232,948

4.6 Budget Execution Guideline:

Ministry of Finance (MoF) develops a detailed budget execution guideline for the budget execution. All budgetary units are required to execute funds in accordance with the budget execution guidelines, approved by the Parliament of the Islamic Republic of Afghanistan.¹⁶

The budget execution guidelines are a complete set of instructions provided to all budgetary units in order to address their budget execution process requirements.

They can refer to these guidelines in case of any conflict with other prevailing laws, except the Constitution, the Budget Execution guidelines will still apply and are considered as a law.

The guide has been developed under four main topics (A) General Provisions (B) Variations and transfers (C) Project Management and Contracting (D) Staffing, with the total of 46 main instructions points which really help the line ministries to set up their financial management system based on the provided guideline.

¹⁶ Article 37 of the Public Financial and Expenditure Management Law

5. Government Expenditure and Provincial Allocations Based on COFOG

5.1 Government Expenditure by COFOG

This section provides details on expenditure classified by function in line with the international standard: Government Finance Statistics (GFS) Classification of Functions of Government (COFOG). This is a detailed classification of the functions or socioeconomic objectives that general government units aim to achieve through various kinds of expenditure. COFOG provides a classification of government outlays by functions - such as health, education and social protection - that are of general interest and are useful in a wider variety of analytic applications

than standard public-sector accounting approaches.

While functional assignments have been reported in previous budgets, this year the Government presents consolidated, operating and development estimates by function for 1398 and three years ahead. This also brings Afghanistan in alignment with good international practices outlined by IMF. Table 14 illustrates government expenditure for 1396 - 1401. Table 14 Government Expenditure 1396 - 1401

Table 14 Government Expenditure 1396-1401

N/O	Expenditure by Function	1396	1397	1397	1397	1398	1399	1400	1401
		Expenditures	Approved Budget	Actual up to now	yearly Budget	Forecast	Forecast	Forecast	Forecast
1	General public services	45,372,408,502	43,669,123,597	32,880,099,032	54,771,925,766	57,315,011,246	57,183,646,825	56,410,400,328	
2	Defense	76,660,019,638	80,483,201,715	67,124,789,978	100,304,831,009	105,975,901,820	111,945,244,562	118,247,310,205	
3	Public order and safety	66,517,206,154	65,855,837,713	43,819,650,071	63,330,645,804	66,810,990,922	70,448,280,654	74,264,809,551	
4	Economic affairs	67,259,690,942	60,127,060,003	55,147,344,772	67,850,533,538	66,904,211,645	62,511,036,021	56,322,970,568	
5	Environmental protection	1,372,874,195	661,946,416	440,392,660	491,207,391	499,136,726	493,658,250	481,556,529	
6	Housing and community amenities	7,915,388,018	8,314,306,464	4,744,871,500	8,279,333,663	8,131,911,781	7,538,639,808	6,712,444,195	
7	Health	18,760,338,027	15,038,486,413	15,371,886,940	17,365,523,313	17,307,577,454	16,513,590,303	15,340,669,693	
8	Recreation, culture and religion	3,065,973,412	3,108,177,534	2,102,630,636	3,272,592,679	3,389,499,243	3,467,761,551	3,529,801,974	
9	Education	46,303,337,459	51,470,183,116	35,339,299,461	50,656,109,859	53,507,438,410	55,754,852,042	57,973,621,937	
10	Social Protection	23,226,205,801	24,794,714,855	23,745,547,882	15,083,175,626	21,535,343,603	22,975,001,369	24,508,127,479	
11	No COFOG	0	23,667,165,148	0	18,012,056,283	16,420,305,030	16,295,200,024	16,338,191,700	
Total		356,453,442,148	377,190,202,974	280,716,512,933	399,417,934,931	417,797,327,878	425,126,911,410	430,129,904,158	

5.2 Development Budget Allocation Through Provinces

Ministry of Finance brought a major change in the process of budget circulars preparation, both the budget circular one and two are merged together in order to speed up the process and make the process easier

5.2.1 Provincial Budgeting

Provincial Directorate of the line ministries are fully involved in the budget planning and budget formulation process, in 1398 there is no major changes in budget formulation process in provincial level in terms of the provincial directorate role in the budget planning and budget formulation process and the procedures. Due to budget limitations, the provincial directorates are not able to receive funds based on their needs and proposed budget which is a big challenge for the provincial directorate to fulfill the requirements of the province and people which has a big impact in different sectors of the society.

The provincial budgeting reforms play a vital role in strengthening public financial management and program capacities of local administrations to identify their local needs and address them locally with the frame of PFM law and decentralized approach, in FY 1397 almost 90% was the budget execution rate in the country level which shows the good progress and the same approach will continue in FY 1398 in order to support the local government and to address some basic provincial needs.

One of the reforms in provincial budgeting was holding Town-hall meetings with the people. MoF high

and focused. Additionally, the concept note development process and format for the extended and new projects is amended based on the requirements of MoF and donors.

level officials participated in at least four town-hall meetings with community people (both men and women), CSO representatives and local government officials in four rank one provinces. As explained in 4.1, Deputy Minister for Finance, MoF participated in these meetings personally to hear basic needs of people. This initiative can help strengthen provincial planning in future.

MoF allocates US Dollar one million to provinces from contingency codes. MoF allocates this budget to provinces to strengthen PFM and program capacity of the local administrations in identifying their basic needs, and address them within the PFM frame. Projects that provinces can fund through this fund are the necessities of provinces from health hygiene, education, municipality, hygiene, water and other small-scale projects. This budget does not fund large scale projects i.e. infrastructure, transportation etc. It is worth mentioning that reporting of this allocation to provinces need to be reported in a manner to show funds allocations sector-wise, province-wise and also planning-wise. It need to be assured that this fund is allocated to the basic needs of the people, requested by the people.

6. Major Changes in the National Budget FY 1398

6.1 Line Ministries Budget Formulation Process Improvement:

Ministry of Finance (MoF) brought a major change in the process of budget circulars preparation, both the budget circular one and two are merged together in order to speed up the process and make the process easier and focused, besides that the concept note development process and format for the extended and new projects was changed based on the needs and requirements of MoF and donors.

- Domestic revenue for the FY 1398 has been forecasted about AFN 26.385 billion more than the revenues forecast of the fiscal year 1397.
- A decrease of AFN 13.788 billion in total core Budget compare to 1397 approved budget.
- Around AFN 11.712 billion decreases in 1398 budget deficit compared to approved budget 1397.
- Predicting high inflation rate for FY 1398 compares to 1397. As in 1397

approved budget the US dollar exchange rate was considered (\$ 1) =68. 34 AFN, But for FY 1398 it considered (\$1) = 74.40 AFN. Increase of AFN 6.06.

- Increasing the number of sectors at MoF for 1398 from 8 to 10 sectors. Therefore, for 1398 the budgetary units' allotments will proceed through 10 sectors.
- 31 new development projects of different budgetary units are included in the proposed budget of 1398.
- Increase in donors' discretionary fund around AFN 9.4 billion compared to donors' discretionary fund 1397.
- The decrease in loan portion for financing 1398 budget compared to the loan portion of 1397 budget. The loan decrease range is around AFN 335 million.

7. Conclusion

- Almost half of the national budget is funded through domestic revenue for FY 1398.
- GRB policy draft is shared with the government by MoF for approval.
- Pilot budgetary units implementing GRB have increased from 6 to 12.
- GRB specialists are placed in most of the budgetary units piloting GRB implementation.
- Although, some fundamental improvement has brought in 1398 proposed budget. Budget Similar to past years mainly relies on foreign funding sources and donations.
- Similar to the past fiscal years the share of operating budget in the 1398 National Budget is still high.
- A major share of the 1398 proposed ordinary budget is formed by security relevant budgetary units.
- The quantity of development budget in proportion with people's needs which is a priority is still less and lacking.
- There is a deficit of AFN 12.40 million in the development budget of 1398, but fortunately, it shows decrease comparing the start of the year 1397.
- The eight sectors have been part of the budget document considering the ANDS pillars, but in 1398 budget document the sectors have been increased to ten considering the GFS. Whereas the government policy document (ANDS) has been replaced with (ANPDF and NIP) not GFS which is a financial system; Overall through COFOG he can be benefited to know that how much the government is spending within a specific sector
- Removing the Ministry of Interior from the Security sector will have a negative impact on peace and development policy of the country.
- Agriculture Sector is another sector which is removed from the list, and their ministries are divided into few sectors, while this sector is in the top priority for the household economy of Afghans;
- Ministry of Finance has been removed from the Economic sector, whereas the Ministry of Finance is the main pillar of economic development of Afghanistan;
- The government of Afghanistan still doesn't know that how much is the requirement of resources to cover the needs for pension, disables, martyrs, and the COFOG can be used as the best tool to understand the allocation of resources within a specific sector as shown below:

8. Recommendations

In consideration of the findings of this annual budget review, EPD issues the following recommendations:

1. In the proposed 1398 draft budget the number of sectors has been increased from 8 to 10. As discussed, some ministries role seems to be different with the name of the sectors, e.g., Ministry of Energy and Water, DABS, and Ministry of Mines and Petroleum are divided under three separate sectors whereas, their roles seem to be for one sector. This can help the government in making important policy-related decisions. Similarly, Ministry of Public Works, Ministry of Transport, Civil Aviation Authority, and Railway Authority can fit under one umbrella because of their strategic directions. These recent changes based on COFOC-GFS manual, can challenge the policy discussions during the resource allocation and reporting to the Parliament, public and the donor's community on how much the government has spent under each sector.
2. Transparency and accountability in revenue collection should be enhanced; there are still issues with the revenue collection process and capacity of staff working in these areas.
3. New sustainable domestic sources of funding for National Budget should be identified and developed; the government cannot rely on decreasing international assistance.
4. Ensuring commitments of the foreign allies is a key in the medium term to funds national budget.
5. As observed that the quantity of operating budget is more than the development budget, therefore ministries and independent budgetary institutions should endeavor to avoid requesting unnecessary operating budget.
6. Avoid spending on purchasing decorative and luxury items for budgetary units, particularly in the center and major provinces.
7. According to the budget execution regulation, the budgetary institutions are not authorized to move money from restricted codes to other codes.
8. Projects should be implemented in a timely manner so that overtime or shortcomings are avoided.
9. More attention should be turned to fundamental projects which can change the status quo of the Afghan economy especially creating employment opportunities.
10. Policies and mechanisms should be considered for more investment in Afghanistan
11. CSOs should be supported to monitor and evaluate the projects' implementation; separate funds should be allocated to support CSOs in on-sight monitoring of projects to ensure transparency.

12. Procurement has always been seen as an issue with the government; for the sake of transparency, open bidding in the presence of public and CSOs should be practiced. These can help build the trust of people over the government and hold the contractor accountable in case of failure to deliver with quality and on time.
13. GRB policy should be finalized and approved; all GRB related efforts depend on the approved policy.
14. For better implementation of GRB, capacity building initiatives should be planned and implemented in center and provinces.
15. Information sharing should be more often; transparency reports, evaluation reports, contingency code funds that go to provinces, townhall meeting results and other similar information could help build people's trust on the government reforms.
16. Better coordination among provinces and center budgetary units and with MoF is a key for reflecting people's priorities in a more efficient way.
17. CSOs recommendations should be considered in national budget draft;
18. Development budget is not allocated through provinces as previous years. It is not clear yet how much of budget is allocated to which province. MoF argues that allocations will be done in B3 forms for the approved national budget for 1398. Provincial allocations at this stage can help parliament in the decision making.
19. Town-hall meetings reports need to be clear with respect to how many projects were identified, how many of them were considered for funding through national budget, how many are going to be considered in coming years' budget.



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