



**Islamic Republic Of Afghanistan
Kabul Municipality**



FISCAL MANAGEMENT POLICY
FINANCE AND ADMINISTRATION DEPARTMENT

H.E Mohammad Yonus Nawandesh

Signature: _____



Islamic Republic Of Afghanistan Kabul Municipality



1. Purpose and Objective

For the sake of optimal service to its citizens, Kabul Municipality is committed to a balanced budget, so that available funds will not remain unspent, no projects need to be put on hold due to cash flow problems, and no delays in paying the salaries of municipal civil servants or creditors will occur. This requires the fulfillment of the functions detailed in section 3-5 of this document, under the responsibility of the Finance and Administration Department.

2. Scope

This policy is related to, but different from the following municipal policies:

- The financial management policy, which concerns itself with procurement, cash management by the treasury unit, accounting (including the *قاعه qati'ah*, the end-of-year report), audit and control, and in general lower level and short term issues.
- The budget policy, which focuses on the annual budget procedure, and requires annual revenue and spending forecasts.
- The policy on the Capital Improvement Plan. This policy covers capital spending obligations that are large and incurred for the long term.

3. Analysis of the economic development of Kabul City

The Finance and Administration Department shall maintain, in a systematic manner, statistics and other information relevant to the economic development of Kabul City in general, and its revenue potential and spending needs in particular. This includes figures:

- on the growth of nominal and real non-agricultural Gross Domestic Product;
- on Kabul's population size and population growth;
- on Kabul's revenue potential: properties assessed under the *safā'ī* charge, properties revaluated, numbers of businesses licensed, construction permits issued and surface area (in m²) covered by these permits, numbers of billboards and other public advertisements, number and annual rent value of properties rented out; parcels of land sold measured in *djarībs*;
- on Kabul's municipal outputs (kilometers of roads and sidewalks paved, parks measured in *djarībs*, tons of garbage collected etc.);

All for the city as a whole and as much as possible disaggregated per district.

The annual budget document will start with an analysis of Kabul's economic development in the year before the budget year.

4. Analysis of actual revenue and spending figures

Kabul Municipality will monitor budget execution continuously. It will produce budget execution reports on a monthly basis. Districts will be required to submit their semi-annual



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revenue reports in Hamal and Mīzān supported by a narrative explaining cases of over- or underperformance as compared to the target. The municipal report will also analyze deviations in spending.

5. Analysis of revenue options; forecasting of revenue and spending; MTFF

As a part of budget preparation and as an input into the policy making process, Kabul Municipality will analyze options for revenue reform. These options may concern

- The annual adjustment of the valuation norms for the *safā'ī* charge, of the business license fee rates and of rent levels for inflation;
- Measures to ensure that fee rates are cost covering;
- Other possible revenue policies and reform measures in revenue administration.

Kabul Municipality will engage in structural constructive dialogue with national government and other stakeholders to improve the quality of policies and legislation with respect to municipal revenue. Kabul Municipality will continuously monitor the strengths and weaknesses of its revenue system and of its various revenue sources.

Every year the budget will contain a revenue forecast. This forecast will be derived from, among other things, district level Revenue Improvement Action Plans (RIAPs), which will be agreed between the centre and the districts and will be monitored. Forecasts will avoid unrealistic optimism, to protect the credibility of the budget. Revenue forecasts will not be based on spending needs.

Kabul Municipality will each year update its Medium Term Fiscal Framework (MTFF), with forecasts for revenue and spending over the three years to come. This Medium Term Fiscal Framework will be published along with the budget. The spending forecast will partly depend on the Capital Improvement Plan.

6. Consequences of Violations

Willful or blatant violation of this policy may result in disciplinary action, in line with the disciplinary procedures of Kabul Municipality.

7. Policy Evaluation

This policy shall be evaluated once every year to ensure it is enabling and effectively moving Kabul Municipality towards the purpose stated above in § 1.

8. Entry into Force of this Policy

The contents of this policy shall enter into force after approval by His Excellency the Mayor.