



**Islamic Republic Of Afghanistan  
Kabul Municipality**



# **FISCAL MANAGEMENT STANDARD OPERATING PROCEDURE**

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# Islamic Republic Of Afghanistan

## Kabul Municipality



**Applicability:** This Standard Operating Procedure, based on Kabul Municipality's Fiscal Management Policy, applies to all Kabul Municipality central and district offices.

### Contents

The following procedures shall be applied for fiscal management.

1. Analysis of the economic development of Kabul City
2. Analysis of actual revenue and spending figures
3. Analysis of revenue options; forecasting of revenue and spending; MTF

### 1. Analysis of the economic development of Kabul City

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

- 1) on Kabul's population size and population growth;
- 2) on labor force participation and employment and unemployment in Kabul;
- 3) on Kabul's municipal outputs (kilometers of roads and sidewalks paved, parks measured in *djaribs*, tons of garbage collected etc.);
- 4) on Kabul's revenue potential, per year: number and value of properties assessed under the *safā'ī* charge, number of properties (re)valuated, numbers of businesses licensed, numbers of construction permits issued and surface area (in m<sup>2</sup>) covered by these permits, numbers of billboards and other public advertisements, numbers and annual rent values of properties rented out; parcels of land sold measured in *djaribs*;

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

The annual budget document (drafted by the Department for the Current and Development Budget) will start with an analysis of Kabul's economic development in the year before the budget year.

With respect to the factors underlying Kabul's revenue potential (item 4), districts shall report them to the best of their ability (depending on their degree of their computerization) to the center on a quarterly basis, in revenue reports that are accompanied by a narrative.

### 2. Analysis of actual revenue and spending figures

The Department for the Current and Development Budget will monitor budget execution continuously. It will produce budget execution reports, on the basis of FMIS, on a monthly basis. Districts will be required to submit their quarterly revenue reports supported by a narrative explaining cases of over- or underperformance as compared to the target and as compared to the same period one year ago. The municipal financial report, published annually, will contain an analysis of deviations in revenue (to be provided by the General Directorate Revenue) and in spending (by the Department for the Current and Development Budget).



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### 3. 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, the General Directorate Revenue 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.

The General Directorate Revenue 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. The General Directorate Revenue will continuously monitor the strengths and weaknesses of its revenue system (legislation, procedures, skills of staff, equipment) and of its various revenue sources.

Every year the budget will contain a revenue forecast. This forecast will be derived from, among other things, annual district level Revenue Improvement Action Plans (RIAPs), which will be agreed between the center and the districts by the end of Saratan (month 4) 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, before the start of the budget year. The spending forecast will partly depend on the Capital Improvement Plan.

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