WORLD BANK GROUP

Sector Note

Urban Municipal Service Delivery in Afghanistan: Citizens' Perceptions following the Political Transition in 2021

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Acknowledgements

This sector note was prepared by Tahir Akbar (Task Team Leader, Senior Urban Specialist), Kabeer Dawani (Consultant), Maximilian Fischbach (Urban Specialist), Stephen Karam (Consultant) and Amena Raja (Senior Urban Specialist). The note is based on a detailed study carried out by UNOPS and a team of consultants from Assess, Transform, Reach (ATR) consultancy, who carried out the Citizen's Perception Survey, Focus Group Discussions, and Key Informant Interviews during the period July-August 2023. The main objective of the assignment was to assess the status of urban service delivery in Afghanistan following the transition in political leadership from the Islamic Republic of Afghanistan (IROA) to the Interim Taliban Administration (ITA). The team would like to express its thanks to the many Afghan citizens, officials, and staff for providing their views and relevant data that enabled this work. The team is grateful to Jon Kher Kaw, Philipp Petermann, and Nandya Yuwono for their valuable comments.

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Introduction

Urbanization in Afghanistan has been rapid over the last two decades and presents several challenges. The share of urban population is estimated to be 25 percent and was growing annually at 4 percent over the last five years (2018-2022).[1] City growth has been uneven and largely informal, with unequal and insufficient delivery of affordable and quality basic services.[2] This pattern of urban development poses challenges for the country in terms of providing adequate services, livelihood opportunities, and resilience to climate risks for its growing urban population.

Afghan cities underwent a severe shock in the wake of the collapse of the Islamic Republic of Afghanistan (IROA) and the Taliban's return to power in August 2021. Since the takeover by the Interim Taliban Administration (ITA), a number of key elements of municipal functions have been impacted. Almost immediately, the political crisis caused a significant decline in business activity; international sanctions imposed on the new regime severely impacted business and public institution financial transactions, and over time employment and the economy continue to suffer. The impact of the economic crisis that followed the political transition is still being felt by the people of Afghanistan especially women. The country's current rate of urbanization, if sustained, will continue to put pressure on the country's municipalities to sustain, and even expand services with fewer resources.

The immediate impact of the Taliban takeover has been felt on several levels by municipalities. Many skilled and experienced municipal employees abandoned or were relieved of their positions (particularly women), resulting in a critical loss of human resources to deliver urban services as their replacements did not have the same capacity. Technical functions at municipalities were impacted more severely, especially financial management systems that could no longer be operated and have since deteriorated without personnel knowledgeable about how to operate them. Civil service wages, including at the municipal level, have been reduced under the fiscal austerity measures adopted by the ITA, disincentivizing staff to fulfill their functions. Municipal revenues were also affected by the broader economic contraction and its impact on local level tax revenues, in addition to a nearly complete cessation of donor funding for development programs. Intergovernmental fiscal transfers ceased, but as these were limited and irregular prior to the ITA, the impact of their cuts appears to be meager.

The objective of this note is to foster the understanding of the World Bank, other development partners and non-governmental organizations in an evolving urban context. Given the political transition, the note assesses the status of urban service delivery and changes that have occurred, especially the impact on women. The note contributes to our understanding of the needs of the cities in Afghanistan and may help inform future programming and reforms.

This note uses primary and secondary data to examine urban municipal functioning and service delivery in Afghanistan. Primary data was collected using a mixed method approach, with quantitative and qualitative data collected across seven large and medium-sized Afghan cities over the July-August 2023 period. The cities include Kabul, Mazar-i-Sharif, Herat, Jalalabad,

[1] Estimate from World Bank Open Data Platform.
[2] UN-Habitat. 2015. "The State of Afghan Cities 2015." UN-Habitat: Kabul.

Kandahar Khost, and Bamyan. Quantitative data was gathered using a citizen perception survey with a sample size of 1,245 across the seven cities, with thirty percent of respondents being women. Sampling was targeted to collect data from formal and informal settlements and to include all sub-regions in each city surveyed. As there is no data available on actual service delivery, the citizen perception survey was supplemented by qualitative data to triangulate findings. Qualitative data was collected through 53 focus groups discussions (FGDs) and key informant interviews across the seven cities. FGD participants and key informant interviewees were selected based on their expertise and experience and included municipal staff members, gozar officials, community members and residents, and relevant stakeholders from non-government organizations and the private sector. The insights from primary data are complemented by secondary data, including an analysis of municipal budgets which were provided by the municipalities.[3]

Section 1 of this note examines changes to urban service governance and institutions; Section 2 analyzes citizen perceptions of service delivery across the seven cities; Section 3 evaluates the state of municipal finances over time; and Section 4 discusses a way forward for Afghan cities.

Urban Governance and Institutions

Few but significant changes have been made in the institutional set-up and functions in the municipal sector under the new regime. The most prominent of these is the transformation of the national-level Independent Directorate of Local Governance (IDLG) from an independent, quasi-ministerial agency into a non-cabinet position under the office of the ITA Prime Minister, now referred to as the General Directorate of Coordination for Municipal Affairs (GDCMA). Since its establishment in 2007, IDLG had been the advocate for and national-level champion of local government affairs and initiated or supported many of the short to medium term reform and development programs undertaken in the municipal sector to improve its governance, effectiveness, and efficiency. IDLG in collaboration with the Ministry of Urban Development and Land led the development of Strategic Development Frameworks (SDFs) for the six largest cities (Herat, Jalalabad, Kabul, Kandahar, Khost and Mazar-i-Sharif), which articulate a vision and roadmap for investments in cities and their growth. In contrast, the GDCMA operates with a significantly smaller workforce and holds lower authority within the office of the ITA Prime Minister. It remains to be seen how GDCMA will lead the urban agenda as compared to IDLG.

Most laws and regulations governing municipal affairs from the IROA period remain effective with a few exceptions. There is an ongoing review of all national laws, including municipal laws, to ensure their alignment with the Sharia Law. Once completed, this review may result in broader changes to the legal and regulatory framework governing municipalities. At this moment in time, however, two key changes to municipal laws have been made. These are the abolishment of fines for non-payment of municipal taxes, fees or other local level legal infractions to align with Sharia principles, and the institution of new payment arrangements for municipal services, taxes, and fees, which were previously collected manually and are now made directly by citizens through bank payment facilities.

[3] Municipal finance data was not received from Kabul municipality.

National decrees affecting women and girls had a limited impact on the delivery of urban services but resulted in a lack of access to public spaces and employment in the municipal sector.[4] A November 2022 decree banned women from visiting public parks as part of a broader effort to restrict women's presence in public space. This likely impacted women's responses on the urban services citizen's perception survey, where nearly 70 percent of women indicated that parks and green areas had not improved. Women were also more likely than men to indicate that such parks and green spaces are a critical need. The study also found that many female employees at Kabul municipality were removed from their positions.

There is a general perception that municipal capacity has declined since the ITA takeover. Overall, municipal organization structures and staffing levels have not changed significantly, according to FGDs. However, respondents state that the loss of technical staff has been coupled with municipal appointments from the ranks of the Taliban who have limited, if any, experience for the positions they now hold. Despite these capacity constraints, the new leadership is perceived by respondents to be less bureaucratic and more action-oriented, which, for some, is expected to contribute to improved municipal functioning. Respondents strongly suggested that human resource capacity building, particularly for the ITA, will be essential for improved municipality service delivery.

Despite capacity constraints, FGD participants generally noted a reduction in corruption. Businessmen indicate that they can now operate more freely and in commercially viable ways since the ITA came into power, as they are not facing constant pressure for under-the-table payments to the officials. Others indicate that the measure taken to bypass local administration officials from collecting municipal fees and taxes by having citizens pay directly at commercial banks has been a major factor in improving local administration revenue collection. This is validated by municipal finance data showing that municipal revenue yields have indeed increased during the ITA.[5]

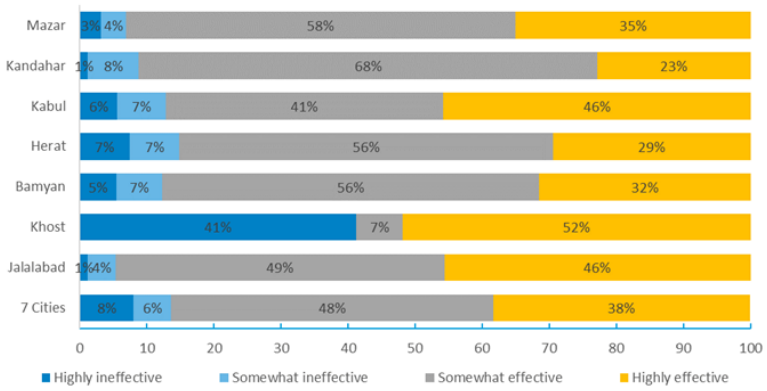
Local level political representation and involvement in decision-making about local affairs is perceived to be declining. The role of urban community organizations, such as Community Development Councils (CDCs), once heralded as an important landmark initiative to mobilize and engage local communities into participatory processes of local governance, has been limited to advising on program selection and monitoring of implementation of the development schemes.[6] Under the IROA, CDCs were responsible for the entire project cycle, encompassing project identification, selection, and implementation, as well as financial and procurement management, and monitoring. In the current context, the role of Wakil Gozar (district level representative) has become more prominent in urban decision making and connecting people to authorities. Essentially, this represents an effort at consolidation of participatory mechanisms of governance at a higher decision-making level. Nevertheless, Wakil Gozar's continue to be elected by their

[4] As the survey was restricted to perceptions about services provided by the municipalities, it does not analyze the impact on women (and others) with regards to health, education, etc.
[5] See 'Municipal Finances' section for details.
[6] CDCs and other community level structures have a more proactive role in donor funded programs (depending on the project design). For example, the Community Resilience and Livelihoods (CRL) Project funded by the Afghanistan Resilience Trust Fund (ARTF) requires active involvement of CDCs in the selection and implementation of interventions under the project. There have been recent indications that the CDC structure may be reformed. At the time of this note, it is too early to tell what implications this will have on the functioning of CDCs.

communities, and more than half of the respondents (57 percent) of the citizens survey reported participating in their election.

Despite the perception that community organizations have a diminished role, they have been effective in working with partners on urban service delivery. Citizens tended to have strong satisfaction with community organizations working in municipalities, as shown in Figure 1 below. Across the seven cities, 86 percent of respondents rated community organization as either 'highly effective' or 'somewhat effective'. There was variation across cities, with 95 percent of Jalalabad respondents rating community organizations as effective and the lowest proportion who agreed was in Khost at 59 percent.

Figure 1: Effectiveness of Community Organizations Working with Municipalities, by City



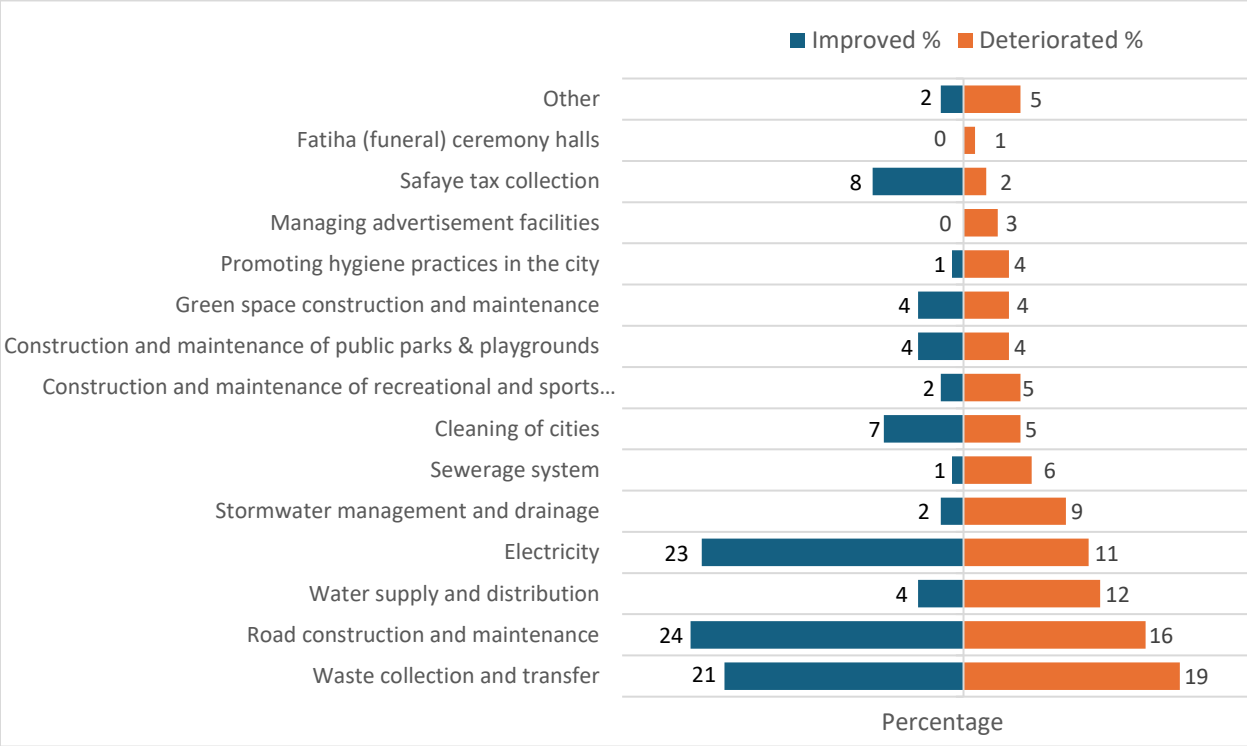
Source: 2023 Urban Services Citizen Perception Survey

Citizen's Perceptions of Urban Service Delivery

Survey data shows that perceptions of urban service delivery remain mostly positive, and some citizens perceive improvements in service delivery. More than half (53 percent) of the survey respondents reported improvements in urban services generally and 60 percent reported satisfaction with current service delivery. Both satisfaction and reports of improvement were slightly lower among women respondents as compared to men.

Overall, citizen perception of changes to specific urban services in the IROA-ITA transition were mixed. While most respondents expressed overall satisfaction with the municipal services, 63 percent of respondents nationwide felt that overall service delivery was inadequate. Perceptions were also divided on some of the leading urban services identified to have improved or deteriorated. These sometimes contradictory results present the variation in service specific experiences across cities and within cities. A positive development in Afghanistan in the past two years was the significant improvement in the security situation and may have had an overall 'halo effect' on the perceptions of urban service delivery.

Figure 2: Perceptions of specific services' improvement and deterioration[7]



Source: 2023 Urban Services Citizen Perception Survey

Breaking down urban services by service type presents a more granular – but still mixed – picture of service improvements and where services may be declining. When asked which services had deteriorated, 52 percent of respondents selected one or more services that had deteriorated; similarly, when asked which services had improved, 62 percent said that at least one service had improved. As shown in Figure 2, at the service specific level, respondents indicated improvements to be greater than service deterioration in a range of areas, including waste disposal, road construction and maintenance, street cleaning, electricity and, importantly, Safayi tax collection.[8] By contrast, water supply and sewage systems, delivered by a national agency, and storm water drainage were viewed as having deteriorated under the ITA. This variation in the findings could have been influenced by the uneven basis on which services are delivered in different cities, as well as other positive perceptions about general improvements since the ITA took power.

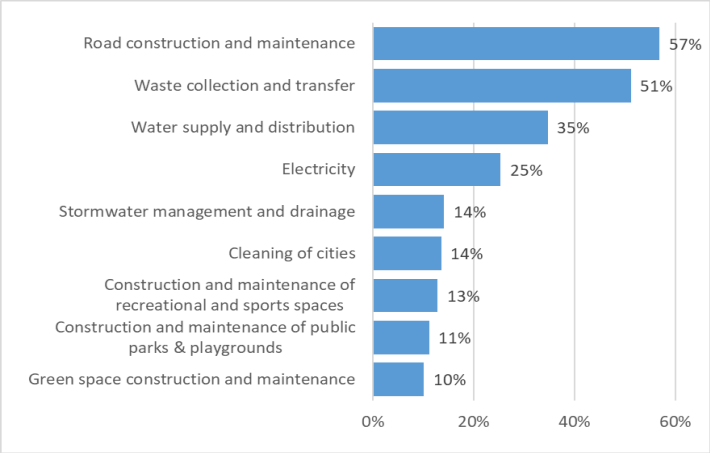
While there is significant variation across the seven cities in terms of service needs and delivery over the past two years, some common needs can be identified. Figure 3 shows that road construction and maintenance, waste collection and transfer, water supply and distribution, and electricity were the most important service needs identified by the respondents**.** Differences also emerge when disaggregating women from men respondents on the question of the most vital

[7] This figure shows the results from two different questions: (i) "Which of the following services have improved in the last two years? (multiple choice question)"; and (ii) "Which of the following services have deteriorated in the last two years? (multiple choice question)". The totals for the two questions are not a 100 because respondents could pick multiple answers.

[8] Safayi tax is a levy towards the cost of local infrastructure and service provision and is akin to Property Tax.

services. Women, for instance, were slightly more likely than men to identify electricity, and construction and maintenance of public parks and playgrounds as critical service need in their cities.

Figure 3: Critical service needs across the seven cities



Source: 2023 Urban Services Citizen Perception Survey

Municipal Finances

Municipal finances and budgeting have traditionally been a neglected policy area in Afghanistan. During much of the IROA period, municipal revenues have been insufficient to cover even some of the most basic urban services. While efforts had increased in the waning years of IROA to improve and strengthen the intergovernmental fiscal system, these changes were piecemeal and had largely inconsequential impact.

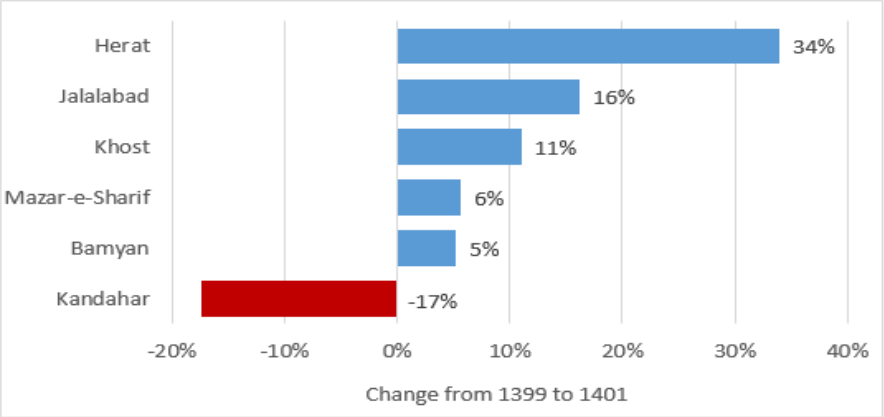
Fiscal management is an ongoing struggle with a declining economy while service demands are increasing. Facing a daunting economic contraction, the ITA is reported to have moved quickly to restore revenue collection, with revenue performance steadily improving since the transition, both at the national level[9] and at the municipal level.[10] Most of the public revenues was generated at borders while inland revenue collection lagged significantly. Customs revenues benefitted from reduced corruption and leakages that prevailed under the prior regime. Strong revenue collection continued into 2022 with monthly collections reaching AFN 13 billion on average during January–March 2022, which slightly exceeds the monthly average in the first quarter of 2020, prior to the transition.

Municipal revenues have increased overall for six cities since the ITA takeover.[11] At the municipal level, aggregate revenue in six of the surveyed cities increased by 10 percent in real terms in the 1401 (2022-23) financial year from its 1399 (2020-2021) level, as shown in Figure 4.

[9] World Bank. 2022. "Afghanistan Development Update: Towards Economic Stabilization and Recovery." April 2022. Washington DC.
[10] World Bank. 2023. "Afghanistan Development Update: Uncertainty after Fleeting Stability." October 2023. Washington DC.
[11] Data for Kabul was not available which, given its size and importance, can skew the overall results.

The increase is much larger (31 percent) if measured in non-inflation adjusted nominal terms. Key sources of municipal revenue included entry tax on goods entering cities (27 percent), Safayi fee (14 percent), business permit fee (5 percent) and city services tax on vehicles (4 percent). Improvement in regular tax collection was confirmed by respondents in the citizen perception survey with 68 percent of respondents stating that authorities had improved their monitoring and collection of taxes.

Figure 4: Change in Revenue from IROA to ITA by City

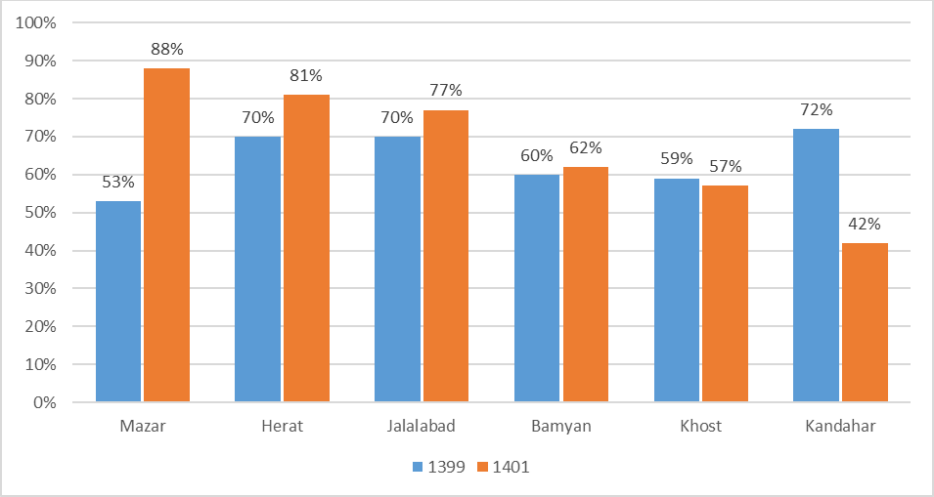


Source: World Bank analysis of municipal budgets

On the expenditure side, the aggregate municipal budget execution rate for the six cities increased by 6 percentage points in the 1401 (2022-23) financial year in comparison to the last full fiscal year of the IROA administration. This is a significant improvement over budget execution rates under the previous government, even though municipal budgets increased only by 2 percent during the same period, adjusted for inflation. As shown in Figure 5, four out of six municipalities improved their budget execution rates – Mazar-i-Sharif, Herat, Jalalabad, and Bamyan, increased their budget execution under the ITA by 35, 11, 7 and 2 percentage points respectively from FY2020/21 to FY2022/23. However, Kandahar, which had performed well under IROA, experienced a significant decline in its budget execution rate from 72 percent to 42 percent, driven in part by an exceptionally high (30 percent) increase in its approved annual budget over the same period in inflation adjusted terms.[12] Prior years indicate nominal to virtually no planned budget increases in Kandahar.

[12] Some municipal officials noted in interviews that mayoral authority over budgets had decreased in Kandahar. In contrast, key informants in Bamyan and Herat that mayoral authority had increased for those cities. One possible explanation, therefore, for Kandahar being an outlier with respect to lower budget execution rates is that mayoral authority has decreased over budgets. In turn, this may be because Kandahar has been the seat of the Taliban power since the ITA took over in 2021, and the center has substituted some of the municipal expenditures. However, this could not be confirmed due to the absence of data.

Figure 5: Comparison of budget execution between ITA and IROA periods



Source: World Bank analysis of municipal budgets

In line with available development aid data, key informant interviews confirm that donor aid flows have decreased significantly with severe implications for the Afghan economy and livelihoods. Respondents, including ITA officials, were aware that donors may not be able to work directly with the ITA in the short- to medium-term or potentially in the long-term.

Despite decreased aid and reduced technical capacities, municipalities operating under the ITA regime substantially increased their development spending. While current expenditure is necessary to maintain existing operations and salaries, development expenditure demonstrates a municipality's ability to improve service delivery. Development spending for capital projects as a share of total municipal expenditures increased from a two-year period average of 41 percent under IROA to 57 percent under the ITA. This may be partially attributable to both higher local revenue mobilization and improved budget execution rates overall, as operating budgets remained similar over the two periods.

Way Forward for Afghan Cities

Planning for the future: Afghanistan's cities need better planning to sustainably absorb its increasing urban population. As urbanization puts pressures on infrastructure, basic services, land, and the environment, Afghan cities will need to improve their planning to be able to grow sustainably and become resilient and livable. They can build on the SDFs developed for the six largest cities to identify investment opportunities for the better management of urbanization, climate change and disaster risks. Strategically anchoring investments will also enable cities to capture the benefits of agglomeration in the medium- to long-term and promote cities as the drivers of economic growth. Cities would also need to engage the private sector to meet growing service delivery demands, which was mentioned by a number of participants in the FGDs.

Enhancing resilience and livability: With increasing climate and disaster risks, increased resilience will be essential for Afghan cities to be livable. Climate change poses greater risks to infrastructure, and cities will need to adapt to and mitigate damage from potential disasters. The

survey work shows that many of the services that citizens perceive to be deficient or have deteriorated are those that are prone to climate risk, such as storm water drainage which could lead to greater urban flooding. When prioritizing investments, cities will need to include these factors to be sustainable and resilient and include these considerations in the future planning processes. An incremental approach may be taken, such as that adopted in the CRL Project's Additional Financing (P181622), which has incorporated an incentive for communities to select small private community works that are climate resilient.

Ensuring inclusion and strengthening community organizations: Municipalities should be gender-inclusive and diverse to thrive and achieve their full potential. While difficult in the current political climate, Afghan cities need to provide an equal opportunity for women to move freely and access public spaces such as parks, and opportunities for employment and businesses. One way to improve inclusion is through the involvement of local organizations. Experience in Afghanistan shows that the organizations such as CDCs with women's participation, have been effective in local level service delivery.

Strengthening finances and transparency: Municipal finances need to be strengthened and made more transparent for city governments to deliver services effectively. Although revenue collection has improved recently, revenues currently derive from only a few taxes. There is also a need to improve and strengthen the intergovernmental fiscal system which has in the past been inconsistent and ad hoc; having more consistent transfers will enable municipalities to plan and execute capital expenditure more effectively. Local government expenditure in Afghanistan as a share of total public expenditure is small and much lower than other low-income countries, indicating the need to further empower cities. Publicly disclosing municipal budgets regularly will strengthen transparency and accountability and align public expenditures with the needs of citizens.