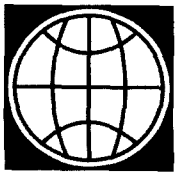


A Guide to Government in Afghanistan



Anne Evans, Nick Manning, Yasin Osmani,
Anne Tully and Andrew Wilder



THE WORLD BANK



Afghanistan Research
and Evaluation Unit

A Guide to Government in Afghanistan

**Anne Evans, Nick Manning, Yasin Osmani,
Anne Tully and Andrew Wilder**



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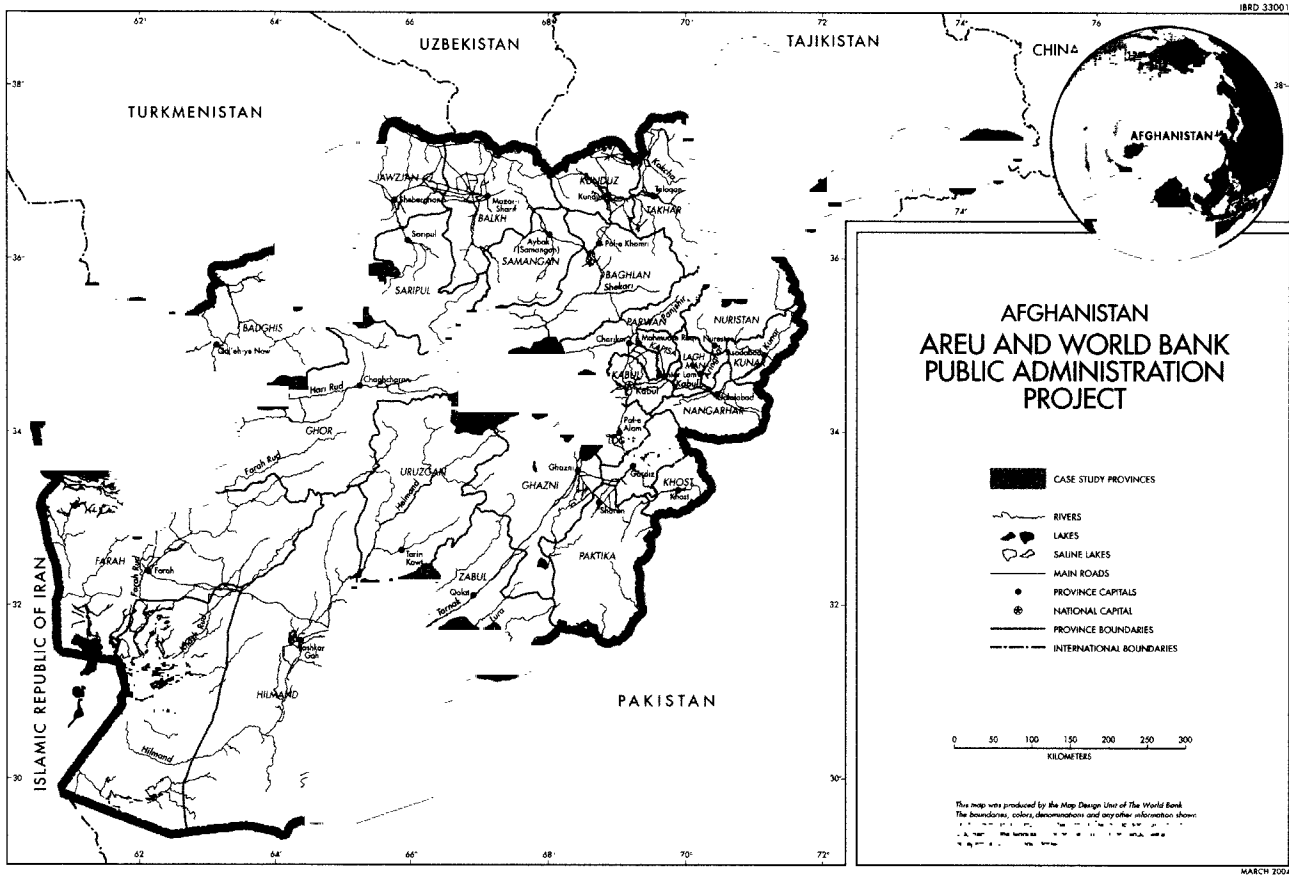


Figure 1: Map of the Six Case Study Provinces

GLOSSARY AND DEFINITIONS

Dari Terms

| | |
|---------------------------------------|--|
| <i>Agir</i> | Government staff hired on fixed-term contracts |
| <i>'Alaqadar</i> | Subdistrict administrator |
| <i>Arbobs</i> | Village headmen |
| <i>Babs</i> | The six major expenditure codes: 1000 Personal emoluments 2000 Services 3000 Tools and materials 4000 Maintenance and repairs 5000 Land and structural equipment (capital) 7000 Subsidies, grants, contributions, and pensions |
| <i>Fasils</i> | The more detailed line item expenditure codes, such as overtime, fuel, office supplies, and so forth |
| <i>Furmaan taknini</i> | Legislative decrees approved by the president and Cabinet |
| <i>Hawza</i> | Region or zone |
| <i>Loya jirga</i> | "Grand council." The institution, which is centuries old, is a similar idea to the Islamic shura, or consultative assembly. |
| <i>Karmand</i> | Permanent, tenured government staff |
| <i>Ma'arif</i> | Head of a provincial education department |
| <i>Ma'arif-qachkol</i> | "Education alms bowl" initiative |
| <i>Mafawk-i-rutba</i> | Beyond grade |
| <i>Meshrano Jirga</i> | House of Elders; upper house of the National Assembly (Arabic: "fighters") In Afghanistan, the guerrilla rebel fighters who opposed invading Soviet forces and the Afghan communist government (1979–92). |
| <i>Mujahidin</i> | |
| <i>Mustoufiat</i> | The provincial department of finance |
| <i>Mustoufie velayat or Mustoufie</i> | The provincial agent of the Ministry of Finance |
| <i>Qawm</i> | Network of affiliations deriving from families or occupations |
| <i>Rasmi gereeda</i> | Official publication of the Ministry of Justice akin to an official gazette |
| <i>Rawabit</i> | Advocate or someone who can procure a favor or a special service |
| <i>Safayi</i> | Municipal service charge and property tax |
| <i>Sharwali uluswali</i> | Rural municipality |
| <i>Sharwali welayat</i> | Provincial municipality (Article 111 of the 1964 Constitution indicated that municipal councils are to be established by "free, universal, direct, secret election." Article 6, Chapter 8 of the new constitution notes that municipalities shall be established to administer city affairs.) |
| <i>Shura</i> | Council or association |
| <i>Takhsis</i> | Budget allotment |
| <i>Tashkeel</i> | Staffing establishment or list of sanctioned posts |

| | |
|---------------------|---|
| <i>Tashkeelat</i> | The department, currently in the Office of Administrative Affairs, that authorizes department structures and establishments |
| <i>Ulema</i> | Islamic scholars |
| <i>Uluswal</i> | District administrator |
| <i>Uluswali</i> | District administrations (Article 108 of the 1964 Constitution indicated that "subdivisions are to be fixed by law," and this is elaborated in the Law of Basic Organization of Afghanistan. Article 140, Chapter 8 of the new 2004 Constitution makes reference to districts and villages.) |
| <i>Wali</i> | Provincial governor |
| <i>Wasita</i> | Personal relationships through which favors may be obtained |
| <i>Wolayat</i> | Province (Article 108 of the 1964 Constitution provided that "the unit of local administration is the province. The number, area, subdivisions, and organization of the provinces shall be fixed by law." The law enacted under these provisions and remaining in force during the period of the 1964 Constitution is the Law of Basic Organization of Afghanistan, 20 Mizan 1344. Articles 34-46 deal with local administration. Article 42 names 28 provinces, as well each of the districts. Article 1, Chapter 8 of the new 2004 Constitution specifies that the local administrative unit is the province.) |
| <i>Wolesi Jirga</i> | House of People; lower house in the National Assembly established by the 2004 Constitution. |

Historical Terms

| | |
|-----------------------------|---|
| <i>Mustoufie al mamalik</i> | Head of finance, in Kabul |
| <i>Ra'is-i tanzimiya</i> | Governor general of a region (four or five provinces) |

Technical Terms

Terminology is notoriously difficult in relation to state institutions. In describing organizational aspects of the Transitional Islamic State of Afghanistan (TISA), this paper uses the following conventions:

Government is used in the European rather than the United States sense to refer to senior decision-makers in the executive, excluding the judiciary and the National Assembly. In other jurisdictions this group is often referred to as the Cabinet or Council of Ministers.

Ministries refer to central government entities headed by a member of Cabinet or a minister. They are without any separate corporate status, and are subject to the general provisions of civil service and public finance law. These features distinguish them from the various commissions and "independent bodies" that are also considered government entities, as well as the many government enterprises.

Presidency is the generic term for the principal administrative unit within ministries.

Central agency refers to the organizations in the executive that coordinate the activities of, and provide guidance to, the line ministries and agencies. Central agencies in Afghanistan are the President's Office, the Office of Administrative Affairs, the Ministry of Finance, the Ministry of Labor and Social Affairs, the Civil Service Commission, and the former Afghanistan Assistance Coordination Authority.

Department refers to the provincial outposts of central government ministries. Sometimes, for emphasis, these are referred to as *provincial departments*.

District subdepartment is used to refer to the outposts of provincial departments located in the districts.

Other Terms

| | |
|---|---|
| <i>Allowances</i> | Current rewards other than base pay. These can be provided as part of the employment contract (transportation and food allowances), or can be provided on a non-contractual basis including intangible rewards (trips abroad or training). |
| <i>Bonded trustees</i> | Agents who transport cash for salary payments from the provincial capital to a budget unit. |
| <i>Civil service census</i> | A check on the actual numbers of staff in position. Censuses typically use one or some combination of three methods: <ol style="list-style-type: none">1. <i>Physical headcounts or staff audits.</i> These typically involve trained teams traveling to various parts of the census area. Individual employees are required to present themselves with identification or other documentation. This can be logistically challenging at the best of times.2. <i>Employee Questionnaires.</i> These can be distributed to employees or agency heads, who submit the information back up the line and take responsibility for its accuracy.3. <i>Payroll reconciliation.</i> This involves reconciling the payroll against alternative data sources, including individual personnel files or service books, or the establishment register. Reconciliation can be extremely time-consuming. |
| <i>Civilian central government (as employment category; excludes education,</i> | Employees in the central executive and legislative administration, in departments directly dependent on the head of state or the parliament, together with all other ministries and administrative departments of central |

| | |
|---|--|
| <i>health, and police)</i> | government, including autonomous agencies paid by central government. The exceptions are education, health, and police employees, who are accounted for in other employment categories. |
| <i>Compression ratio</i> | The ratio of the highest to the lowest salary on a salary scale. The Organization for Economic Cooperation and Development (OECD) measures wage compression in OECD countries as the mean of ninth decile salaries divided by the mean of first decile salaries. The OECD's approach ensures that a handful of salaries will not dramatically skew the compression ratio. However, all compression ratio approaches can be misleading if there are significant monetary allowances not captured in the calculations, or if the perceived value of non-monetary rewards represents a significant proportion of total rewards. |
| <i>Defined benefit pension systems</i> | A pension scheme in which pension value depends on years of membership in the scheme and some measure of earnings. |
| <i>Defined contribution pension systems</i> | A defined contribution pension plan is one in which each employee's pension is based on the amount contributed for the employee and earnings on that amount. |
| <i>Grade creep</i> | The regrading of staff into higher grades in order to provide pay rises. |
| <i>Job evaluation</i> | A process that compares jobs with each other, against a common or accepted set of criteria, and placed in rank order. |
| <i>Job grading</i> | The grouping together of jobs within a range of similar quality or job weight. |
| <i>Lateral entry</i> | Entrance to the civil service by external recruitment or otherwise, rather than through promotion or transfer from within the service. Arrangements for lateral entry are generally most widespread in position-based systems where the emphasis is placed on selecting the best-suited candidate for each position to be filled, whether by external recruitment or via internal promotion or mobility. |
| <i>Length of service credit</i> | An additional number of years that an employee is deemed to have served in government, as the result of academic qualifications, qualifying them for early promotion. |
| <i>Nominal roll</i> | A detailed list of legitimately employed staff. |

| | |
|--|--|
| <i>Pay-as-you-go</i> | Pension schemes in which the accrued pension liabilities of former employees are funded by current taxpayers or other government revenues. |
| <i>Personal grade</i> | The grade that the individual post holder has reached through promotion. |
| <i>Position grade</i> | The civil service grade assigned in the <i>tashkeel</i> to a particular post. |
| <i>Rank-in-person appointment system</i> | A system of advancement where promotions take an employee up through various grades while they remain in the same post. This is in contrast to a rank-in-post system, where promotion is generally to a new job. All systems have some mixture of the two systems – the issue is one of appropriate balance. |
| <i>Rank-in-post appointment system</i> | A system of advancement where promotion is generally to a new job. This is distinct from a rank-in-person system. |
| <i>Replacement ratio</i> | Pensions as a proportion of final salary. |

Calendar

Afghanistan uses the Solar *Hejra* Calendar. This calendar has twelve months, corresponding to dates in the western calendar as follows:

| Solar month | Western month and date (begins) | |
|--------------------|--|----|
| Hamal | March | 21 |
| Saur | April | 21 |
| Jawza | May | 22 |
| Saratan | June | 22 |
| Asad | July | 23 |
| Sonbola | August | 23 |
| Mizan | September | 23 |
| Aqrab | October | 23 |
| Qaus | November | 22 |
| Jadi | December | 22 |
| Dalv | January | 21 |
| Hoot | February | 20 |

Hamal 1, 1381 corresponds to March 21, 2002. The solar year 1382 began on March 21, 2003.

Currency

All financial figures are provided in new afghanis (afs.) except where noted. The most significant exception to this are the development budget data, which are officially published in U.S. dollars, and so are also provided in U.S. dollars in this report. The conversion rate current at the time of printing is 49.1 afs. per U.S. dollar.

ABBREVIATIONS AND ACRONYMS

| | |
|--------|--|
| AACA | Afghanistan Assistance Coordination Authority (now abolished) |
| ABC | Afghan basic competency materials |
| ADB | Asian Development Bank |
| AFMIS | Afghanistan Financial Management Information System |
| AKDN | Aga Khan Development Network |
| ANA | Afghan National Army |
| ANHRA | Afghanistan National Health Resources Assessment |
| AREU | Afghanistan Research and Evaluation Unit |
| ARI | Acute respiratory infection |
| ARTF | Afghanistan Reconstruction Trust Fund |
| ASI | Adam Smith Institute |
| BHC | Basic health center, a small facility, offering the same services as a health post, but with more complex outpatient care |
| BPHS | Basic package of health services |
| CBG | Capacity-building group |
| CCA | Cooperation Center for Afghanistan |
| CDC | Community development committee, elected village-level bodies formed under the NSP |
| CHC | Comprehensive health center; they cover an area of 30,000 to 60,000 people and offer a wider range of services than basic health centers. In addition to assisting normal deliveries, the comprehensive health center can handle some complications, grave cases of childhood illness, treatment of complicated cases of malaria, and inpatient and outpatient physiotherapy for disability. |
| CHW | Community health worker, which, together with TBAs, deliver basic health services out of their own homes, which function as community health posts. CHWs offer limited curative care, including: diagnosis and treatment of malaria, diarrhea, and ARIs; distribution of condoms and oral contraceptives; and micronutrient supplementation. In addition to delivering the BPHS, CHWs will be responsible for treating common illnesses and conditions in children and adults. |
| CIDA | Canadian International Development Agency |
| CoAR | Coordination of Afghan Relief |
| CSA | Civil Service Administration (now abolished – replaced by the IARCSC) |
| CSC | Civil Service Commission (now abolished – replaced by the IARCSC) |
| CSO | Central Statistical Office |
| DAB | Da Afghanistan Bank (central bank) |
| DACAAR | Danish Committee for Aid to Afghan Refugees |
| DAD | Donor Assistance Database |
| DfID | Department for International Development |
| EPI | Extended program of immunization |
| HIS | Health information system |
| IAM | International Assistance Mission |
| IARCSC | Independent Administrative Reform and Civil Service Commission |
| ICRC | International Committee of the Red Cross |
| IDP | Internally displaced person |
| IMF | International Monetary Fund |
| IT | Information technology |

| | |
|--------|---|
| IOM | International Organization of Migration |
| LOTFA | Law and Order Trust Fund for Afghanistan |
| MAC | Ministerial Advisory Committee |
| MCH | Maternal and child health clinics |
| MoE | Ministry of Education |
| MoF | Ministry of Finance |
| MoFA | Ministry of Foreign Affairs |
| MoH | Ministry of Health |
| MoI | Ministry of Interior |
| MoLSA | Ministry of Labor and Social Affairs |
| MoPH | Ministry of Public Health |
| MoU | Memorandum of understanding |
| MoWA | Ministry of Women's Affairs |
| MRRD | Ministry of Rural Rehabilitation and Development |
| MSH | Management Sciences for Health |
| NCA | Norwegian Committee for Afghanistan |
| NDB | National Development Budget |
| NDF | National Development Framework |
| NDP | National Development Program |
| NEEP | National Emergency Employment Program |
| NGO | Nongovernmental organization |
| NSC | National Security Council |
| NSP | National Solidarity Program |
| OAA | Office of Administrative Affairs |
| ODI | Overseas Development Institute |
| OECD | Organization for Economic Cooperation and Development |
| PAREM | Public Administration Reform and Economic Management (program) |
| PBU | Primary budget unit – there are 40 including all the Kabul ministries |
| PED | Provincial education department |
| PFO | Pension fund organization |
| PHD | Provincial health department |
| PIP | Public investment program |
| PMU | Policy Management Unit in the Office of the President |
| PPU | Procurement Policy Unit |
| PRR | Priority Reform and Reconstruction Decree, which authorizes enhanced salaries for restructured ministries and departments |
| PWC | Price Waterhouse Coopers |
| SBU | Secondary budget unit (including provincial departments) |
| SCA | Swedish Committee for Afghanistan |
| SOE | State-owned enterprise |
| TB | Tuberculosis |
| TBA | Traditional birth attendant, which focus on providing care for normal deliveries, identifying danger signs, and referring women to health centers |
| TISA | Transitional Islamic State of Afghanistan |
| U.N. | United Nations |
| UNAMA | United Nations Assistance Mission in Afghanistan |
| UNDP | United Nations Development Program |
| UNHCR | United Nations High Commissioner for Refugees |
| UNICEF | United Nations Children's Fund |
| UNIFEM | United Nations Development Fund for Women |
| UNO | University of Nebraska at Omaha |
| UNOPS | United Nations Office for Project Services |
| USAID | United States Agency for International Development |
| WB | World Bank |
| WFP | World Food Program |

PREFACE

The Purpose of this Guide

This guide has three objectives:

First and foremost, it seeks to provide newcomers to the administrative and political scene in Afghanistan with a basic guide to the structures and processes of government. In providing this guide, it intends to convey a sense of respect for the nuanced institutional arrangements that constitute the public sector in Afghanistan. The simplistic assertions that the state collapsed in Afghanistan, or that the public sector is an institutional blank slate, are not borne out by the facts. Politically, there was undoubtedly a collapse. The presence of conflict from 1978 onwards stopped any further consolidation of central authority, and there is a continuing crisis of political legitimacy in much of the country. But the administrative structures of the state have proven to be fairly resilient. The arrangements are strongly centralized, but provide a coherent management and accountability framework. The administrative practices are basically sound, and those practices are well understood and consistently followed.

Second, and related, it intends to provide reformers with some understanding of how to work "with the grain" of the existing institutional arrangements. The coherence of the fiscal and administrative systems, the common understanding of how they are intended to work, and the entrenched discipline of staff, are valuable resources. The overarching principle that must underpin all assistance to the public sector is to work with these strengths, nurturing the discipline that has remained despite the many years of conflict. In any setting, reform proposals that cut across existing, well-entrenched and well-understood procedures present serious risks of confusion and parallel structures. In a setting where the overwhelming majority of administrative and fiscal procedures are not written, but are well known to most serving officials, the introduction of new arrangements must pay very careful attention to how these will overlay existing practices.

Third, this report seeks to pay tribute to the remarkable people who have kept the system running and who are now reforming it. Credit belongs to two main groups. There are the many civil servants who, during more than two decades of turmoil and bloodshed, have nevertheless respected basic administrative and fiscal procedures. They emphasize that the pejorative implication so often associated with the term "bureaucrat" is misplaced. Bureaucracy, with its rules-based procedures, has been the only source of consistency in an otherwise chaotic and unpredictable environment. There is also the new staff in government – politicians, administrators and advisers – who have achieved some remarkable victories in a short period. The achievements in maintaining a small and fiscally cautious government that is disciplined in recruitment and pay policy, while also achieving significant improvements in planning and budgeting capacity, are impressive.

In pursuing these objectives, this guide attempts to set out these underlying strengths of the public sector, describing the evolution of the Afghan state, the current political context, and the administrative and organizational components of the

government. It sets out the legal basis and organizational responsibilities for key fiscal tasks including revenue collection, budget preparation and execution, and accounting and audit. It also describes the organizational structures in the provinces, the way in which the staffing establishment is determined, and the structure of pay and grading. In particular, it looks at the arrangements for service delivery in the education and health sectors.

This guide is supported by detailed case studies of the six provinces that can be found on the World Bank websites on Administrative and Civil Service Reform and on Decentralization at:

<http://www1.worldbank.org/publicsector/civilservice/subcases.htm>

<http://www1.worldbank.org/publicsector/decentralization/topic2.htm>

and on the AREU web site at:

<http://www.areu.org.af>

A companion paper, “Subnational Administration in Afghanistan: Assessment and Recommendations for Action,” outlines some specific recommendations resulting from these studies.

Data Sources

This guide draws its data from many sources, but rests largely on a major program of provincial assessments undertaken by the Afghanistan Research and Evaluation Unit (AREU) and the World Bank. The six provincial assessments (Badakhshan, Bamyan, Faryab, Herat, Kandahar and Wardak) were undertaken between December 2002 and July 2003. Provincial assessment teams consisted of national and international public administration, public finance, health, and education specialists who interviewed relevant government employees, NGO staff, and local community leaders in provincial capitals as well as in several districts in each province.

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The team members, their agencies and the provincial assessments to which they contributed were as follows:

Badakhshan

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Bamyan

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| Fishstein, Paul | MSH |
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| Safi, Yusaf | USAID/BearingPoint |
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Faryab

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| Fishstein, Paul | MSH |
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Herat

| | |
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| Bosch, Christophe | World Bank |
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| Evans, Anne | ASI |
| Johnson, Chris | ODI/World Bank |
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| Majeed, Sayed Ezatullah | UNICEF |
| Manning, Nick | World Bank |
| Miwa, Keiko | World Bank |
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| Taaj, Abdul Ghani | Ockenden International |

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| Evans, Anne | AREU Consultant |
| Fishstein, Paul | MSH |
| Joyenda, Mir Ahmad | AREU |
| Miwa, Keiko | World Bank |
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| Wilder, Andrew | AREU |

Wardak

| | |
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| Fritsche, Gyuri | SCA |

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| Middlebrook, Peter | World Bank |
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| Rafiqi, Khaliq | UNICEF |
| Thier, Alex | Asia Foundation |
| Tully, Anne | World Bank |
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Additional technical guidance was provided by many patient experts:

| | |
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| ARTF monitoring agents (PWC) | Data on payroll delays |
| Carnahan, Michael (Ministry of Finance) | Evolution of the budget process |
| Christensen, Asger (World Bank) | National Solidarity Program |
| Cox, Aidan (UNDP) | Development budget implementation |
| Esmail, Talib (World Bank) | National Solidarity Program |
| Goga, Soraya (World Bank) | Kabul municipality |
| Goldsworthy, Diana (DfID) | Proposals for supporting cabinet |
| Guimbert, Stephane (World Bank) | Allotments and budget execution data |
| Hirabayashi, Kunihiro (UNICEF) | Health sector issues |
| Lee, Jonathan (AREU Consultant) | Civil servant profiles |
| Lister, Sarah (Institute of Development Studies) | Political economy |
| Loevinsohn, Benjamin (World Bank) | Health sector issues |
| Lwin, Than (USAID/BearingPoint) | Allotment data |
| Middlebrook, Peter (World Bank) | Sectoral budget analysis; development budget implementation |
| Prasad, Satyendra (World Bank) | Capacity building and the PRR decree |
| Prince, Keir (ASI/DfID) | All details of public sector employment totals |
| Salama, Peter (UNICEF) | Health sector issues |
| Scott, Graham (Southern Cross International/World Bank) | Health sector contracting |
| Weinbaum, Marvin (Middle East Institute) | History |
| Wilson, Greg (DfID) | Civil service legislation |
| Wilson, Julian (DfID) | Proposals for supporting cabinet |
| Winkler, Don R. (World Bank) | Post-conflict education reform |
| Venner, Mary (USAID Treasury Advisor, USAID/BearingPoint) | Allotment procedures |

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| Ebel, Robert (World Bank Institute) | Intergovernmental relations/post conflict |
| Leader, Nicholas (formerly UNAMA) | Political economy |
| Stevens, Michael (World Bank) | Public administration |

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1. THE HISTORICAL AND POLITICAL CONTEXT

The Evolution of the Afghan State

Afghanistan became a nation-state, with its present boundaries, in response to pressures from the expanding British Empire to the south, and the Russian Empire to the north. The country's efforts to resist subjugation were largely successful, though Britain, for a time, asserted the right to control Afghanistan's foreign policy. By 1919, this vestige of foreign interference was removed, and Afghanistan became a member (in many cases a founding member) of the United Nations (U.N.) and other international bodies. Throughout its development, the centralized state structure has co-existed uneasily with a fragmented, decentralized traditional society. The interplay – and at times conflict – between the two has been one of the recurrent themes of modern Afghan history.

Early state-building

King Amir Abdur Rahman Khan (1880-1901) laid the groundwork for the modern Afghan state by establishing a standing army and by instituting a more efficient administration that enhanced tax assessments and collection, and improved trade, roads and basic education. He re-organized civil administration and extended it beyond the capital by dividing the country first into six provinces, each headed by an appointed governor, and then into smaller divisions and subdivisions, led by government-named officials. These newly prescribed lines of authority, however, were mediated by deep personal loyalties, ethnic and tribal solidarities, and Shari'a and customary laws.

Abdur Rahman's government sought to penetrate, rather than displace, local political structures. Judges retained their posts, but became salaried and regulated officials of the state. Appointed provincial officials worked through community councils and tribal assemblies, relying on local agents (*arbobs*) as intermediaries. Larger landowners, traditional leaders, and the ulema were granted wide autonomy in exchange for their cooperation.

Successor Afghan rulers gradually added to the state's administrative goals and capacity, and cautiously attempted modernization.

While much of **Amir Habibullah Khan's (1901-1919)** reign was spent fending off foreign encroachment and protecting royal power, he accomplished several educational and cultural reforms. He cultivated the rise of a progressive and nationalist elite, and launched the country's first genuine (bi-weekly) newspaper. He opened a high school to meet the increasing manpower requirements of the central government, and founded a military academy to create an officer's corps.

Amanullah (1919-1929), who assumed power after his father's assassination, introduced the country's first constitution. The 1923 Constitution formed a modern executive, but kept legislative powers in the hands of the king and his seven-member cabinet. It granted virtual equality to women, abolished slavery and gave rights to non-Muslim minorities, while abolishing many traditional executive privileges and limiting the power of religious court judges. Primary education

was declared compulsory in a system of national schools, while intermediate and secondary schools were set up in Kabul and in provincial capitals. The state also subsidized private industries and encouraged the expansion of trade and private investment. Municipal and provincial councils were formed for the first time. Amanullah instituted direct taxation of farmers and traders, and regular budgeting and accounting procedures. But his attempts to use state administration to impose these reforms prompted opposition from conservative religious and tribal leaders. In 1929, a Tajik peasant rebel group seized control of the capital and forced Amanullah to step down.

Mohammad Nader Shah (1929-1933) - the eldest of the five prominent Musabihan brothers - restored the rule of the royal family. He pursued a reformist agenda by promoting small-scale industry and by initiating a modern banking system in hopes of expanding foreign trade. He invested state revenues (now mostly from taxes on imports and exports) in improved civil and military administration, communications, and transport. He re-opened schools that had been closed during the 1929 rebellion, invited foreign teachers, and opened Kabul University, including a school of medicine.

After Nader Shah's assassination in 1933, his young son, **Mohammad Zahir Shah (1933-73)**, assumed the throne. For the next 20 years, the king's uncles ran the government and did little to further greater political expression or social innovation. Though government expenditures on education were high, second only to those for the military (about 12 percent of the total budget in 1948-49), (see Wilber, 1956:169), Afghanistan's 100,000 students represented less than 10 percent of school-age children, and only 20 percent of the nation's schools were located outside of Kabul. The government added faculties of law, theology, and letters to Kabul University, but enrollment remained low.

Throughout this period the state administration remained centralized, financed through indirect taxes on commercial agricultural exports including karakul, cotton, raisins, and fruit. In the 1950s, the extraction of taxes from the rural areas had declined markedly, and the revenue barely covered local expenses (see Schurmann, 1962: 234-5). This was in marked contrast to the situation that prevailed under Amanullah, when land and animal taxes represented two-thirds of government revenue (see Fry, 1974: 155-156).

It was the king's first cousin, **Mohammad Daoud Khan**, who became prime minister in 1953, who recognized a new opportunity for state expansion. Politically repressive and aggressively nationalist, Daoud prioritized economic growth and made the critical decision to accept Soviet and East European economic and military aid (see Ghani, 1987).¹ Capitalizing on Cold War competition, Daoud also attracted more modest amounts of American and European assistance (see Dupree, 1971: 21-23).² Together, these foreign loans and grants, totaling more than \$1 billion,³ covered most of the country's development projects through the mid-1960s (Dupree, 1971:1)

Such external assistance allowed the state to expand. Foreign aid and (after 1968) natural gas exports allowed the expansion of government projects and services,

including education, roads, and dams, and also strengthened the military. The civil service that was approximately 10,000 employees in 1955 grew to nearly 60,000 by 1963.

Daoud also made earnest attempts at professionalizing public administration. Ministries were reorganized and preference in recruitment and promotion was given to those with foreign technical or professional training. Most officials in positions of higher authority were Persian-speaking ethnic Pashtuns, who were regularly assigned outside their home provinces.

However, officials sent to rural areas often viewed the local population with contempt, a feeling reciprocated by villagers who considered the government's representatives overbearing and corrupt (see Barfield, 1984: 172-173).

Provincial and local administration also became more functional during this time. The country's regions, provinces, divisions, districts, and subdistricts were headed by governor-generals, governors, commissioners, district governors, and *alaqadar*. The provincial governors, who exercised considerable autonomy, were appointed directly by the prime minister; all administrative heads were named by and responsible to the central government. The country's districts became its key administrative units, and the only government with which most citizens came into contact. In a step toward popular participation, cities of more than 10,000 were allowed to elect city councilmen and mayors every four years. However, the provincial governments could veto candidates and, in practice, the elections were not uniformly held.

Central government powers were also expanded in tribal areas, though actual government control varied (see Box 1). Government garrisons were posted only to the larger administrative units, making implementation of government policies elsewhere difficult and sporadic. For example, in more remote areas, the government made no effort to collect taxes, and tribal governance continued unimpeded. The still sizeable nomadic community was linked to government administration only tenuously. Several large eastern tribes that straddled the Pakistan border retained many of their own military, economic, and administrative functions. Among other

Box 1: Early Centralization

"(In the 1930s, provincial officials) ... were almost always outsiders -- usually Pashtuns from the south -- and they were frequently transferred to prevent them developing personal power bases. As a result, they had little knowledge of the areas under their jurisdiction, and they had little interest in creating close ties with local leaders. In addition, administrative distance was encouraged by the centralized government organization. All major decisions were referred to higher officials in Kabul. All provincial recruitment and staffing were done through the ministries in Kabul, and each ministry maintained a separate chain of command that precluded easy cooperation at the local level. In general, an official was more concerned with keeping good communications with his superiors in Kabul than in having good relations within his district...

In sum, the weakest link in the government chain of command was between the subprovincial administration and the villages, where the government was faced with indigenous political structures and where its own agents were not well respected."

Source: Barfield, 1984: 172-174.

prominent tribes, many of their leaders were co-opted, brought to Kabul, and given sinecure posts in the executive or the military. Some were appointed as governors, but always to provinces other than their own.

For all of his accomplishments, including educational and modest cultural reforms, the autocratic Daoud was ill-equipped to pursue any of the far-reaching initiatives advocated by an expanding urban, educated elite. More pointedly, it was Daoud's "Pashtunistan" policy – agitation in favor of irredentist claims on Pakistan – that closed the border, disrupted trade and precipitated King Zahir Shah's decision, in 1963, to take the reins of government away from his prime minister.

The 1964 Constitution

In 1964, King Zahir Shah convened a *loya jirga* (grand assembly) to ratify a new constitution that envisaged a constitutional monarchy with a bi-cameral parliament comprising a popularly elected lower house and a partially elected upper chamber. Though the powers reserved for the king were less than democratic, those elected from the country's districts were given an opportunity to participate in the state's decision-making process and accorded wide access to the bureaucracy in Kabul. In addition, the constitution's expansion of civic rights and protection of minorities went far beyond any previous provisions.

The laws and regulations that followed reinforced the centralized administrative and fiscal nature of the government structure. Officials working in the country's 27 provinces⁴ were to work closely under Kabul's supervision. Provincial and district administrations were designed as miniature replicas of their respective ministries in Kabul, bringing to the countryside programs affecting economic development, education, health, and culture. Though they did not always follow Kabul's orders, they did maintain regular relations with the central government by sending weekly, monthly or quarterly reports to their ministries, and by asking for instructions from the center on issues they could not solve. Though the constitution allowed for district councils (*shuras*) or consultative bodies, the law establishing them was never passed and the concept was not applied in all parts of the country.

In 1964, Afghanistan also witnessed improvements in irrigation, agricultural modernization, increased enrollment in basic and higher education, and investment in small and large industry. To handle the increased funding and activity, the central government underwent enormous growth, expanding to 15 ministries (eight concerned with development activities alone), and creating state institutions such as banks, construction and insurance companies, two regional development agencies, a national airline, and new higher educational institutions in public health and the sciences (see Newell, 1981:86-88).

For all of the development gains, however, the 1964 Constitution's democratic experiment was foundering. Successive governments were unable to address mounting economic and social problems or deal with a politically radicalizing urban population. Legislative paralysis arrested social and administrative reforms. What few laws came into being were enacted during the parliament's recesses by

government decree. Such promised legislation as land reform and a progressive income tax were never addressed. Corruption and nepotism were widespread.

Judicial administration reform offered a somewhat brighter picture. The formal court system had become visible in the larger cities and provincial capitals, and the associated legal cadres of judges, prosecutors, and attorneys were gaining prominence. Inspired, in part, by the 1964 Constitution, judicial administrators emphasized both modernization and respect for traditional Islamic jurisprudence. Progress in resolving the incompatibilities between customary and religious legal norms and secular law in new legal codes was leading toward co-existence in a dual legal system, though in practice, administration of justice was often indiscriminate, inappropriate, and biased. Even so, the strides made in judicial administration set a positive example for other Afghan political institutions and suggested that many of the excesses in Afghan democracy could be moderated.

The Daoud republic and the communists

Increasingly polarized politics, policy stagnation, and a crippling drought during 1971-1972, set the stage for the return of Daoud to power in a military-led, communist-assisted coup in 1973. Abolishing the 1964 Constitution and the monarchy, Daoud declared Afghanistan a republic with himself as president. Daoud soon distanced himself from the socialist ideas that originally motivated backers of the coup. He sought instead to broaden and intensify relationships with other Muslim countries, even while repressing the country's Islamists. By reaching out to Iran and Pakistan as well as the Arab states, Daoud hoped to attract development financing and lessen his country's now 20-year economic dependence on the Soviet Union.

Most government structures were kept largely intact. Bureaucrats speak fondly of this period as a time when the basic administrative systems worked comparatively smoothly and when some serious efforts were made to reduce corruption. This included significant amendments to the civil service legislation of 1970 that created the basis for a transparent and coherent system of public employment.

The same year, Daoud proposed a new constitution to replace the "pseudo-democracy" of the monarchy with a "new democracy." In reality, Daoud had little interest in expanding domestic freedoms. He allowed only one political party, appointed a cabinet of sycophants and friends, and failed to implement a strong development program. The communist factions, in particular, felt bitter and marginalized, and united to mount anti-government demonstrations and, with support from the pro-Soviet military, staged a full-fledged coup in April 1978, killing Daoud.

The new communist regime, led by **Nur Mohammad Taraki and Hafizullah Amin**, aimed to reform Afghan society and reorient its economy. Using inherited administrative structures but classic Marxist rhetoric, the communist government decreed a wide range of programs that included land reform, elimination of landless peasant's debts, and equal rights for women. However, the government underestimated the alienating effect these reforms would have on a conservative

population, which perceived them as socially and economically disruptive and a threat to traditional culture. Populations were further antagonized by the dispatch of young party activists to the provinces and by the communists' use of military-backed political repression that included arbitrary arrests and detention, secret trials, and executions without trial. Localized revolts, most carrying the banner of Islam, broke out in the summer of 1978 and soon spread throughout the country.

With the Afghan army near collapse and the communist leadership in disarray, the Soviet Union sent troops to Afghanistan in December 1979 to subdue the rebellion and defend its perceived regional strategic interests. Amin, who was never fully trusted in Moscow, especially after ousting Taraki, was killed in the takeover. The invaders installed **Babrak Karmal**, a communist with a reputation for loyalty to his Soviet patrons, as prime minister. Karmal, the Soviets naively assumed, would soon be able to accommodate the government's enemies and stabilize the country.

By the early 1980s, much of the countryside stood outside the central government's effective control. Kabul continued to appoint governors, but their full writ extended only in the vicinity of provincial capitals. Most districts and villages were under the influence of Islamic *mujahidin* factions, strongly supported by Pakistan, the United States and Saudi Arabia. As the state structures gradually crumbled, various nongovernmental organizations (NGOs) and the U.N. delivered basic services to the population by forging direct relations with local leaders and mujahidin commanders, and creating de-facto decentralization.

Determined to neutralize the opposition, whether by force or enticements, Moscow sought fresh leadership in Afghanistan, and installed **Najibullah**, former head of the secret police, as president in November 1986. Najibullah introduced a new constitution the following year that was intended to put a more politically pluralistic, Islamic face on the government. Though Soviet and Afghan militaries devised new tactics against the mujahidin, they made little headway and, in 1988, peace accords in Geneva were signed that specified a timeframe for the Soviet army's withdrawal.

Mujahidin and Taliban rule

The last Soviet troops departed Afghanistan in early 1989, leaving the Afghan communist regime to struggle on in a civil war. Without its benefactor, Najibullah's government survived longer than expected, but eventually collapsed in April 1992. An interim mujahidin government took control of Kabul, while regional militias, financed by foreign backers, arms smuggling and drug trafficking, took over most of the rest of the country. Over the next four years, the state largely ceased to exist, its economy in ruins. The various mujahidin parties battled among themselves for control of the capital, while anarchy reigned elsewhere. Militia leaders and regional warlords exacted road taxes and transit fees from cross-border traffic, and engaged in various other forms of extortions, including kidnapping. The delivery of food from international aid organizations and the U.N. became indispensable.

Order was largely restored and authority centralized with the emergence of the Taliban. However, the Taliban showed little interest or aptitude for governing aside from enforcing their strict, uncompromising notions of Islam. The Taliban

leadership appointed relatively few people to administration, except in the areas of security and law enforcement. In Kabul, most major services such as water, sanitation, health and food deliveries were handled by aid organizations.

The only institution-building enterprise considered by the Taliban, the construction of a gas pipeline, never progressed. Negotiations with an American-Saudi consortium during the mid-1990s to build the pipeline and bring revenues to the government and jobs to the economy were stalled for security and political reasons. The completion and operation of the pipeline would require that the Taliban defeat their opposition in the north and pacify much of the country. The already risky foreign investment became a political target for those who viewed any agreement as an unconscionable sanctioning of Taliban rule.

Post-Taliban rule

The Taliban's ouster in November 2001 left the newly installed Afghan authorities with the major goals of restoring security and directing the country's rehabilitation and reconstruction. Following the signing of the Bonn Agreement on December 22, 2001, an interim administration was established under the leadership of Chairman Hamid Karzai. This was replaced by a transitional authority and the appointment of Hamid Karzai as president, following the Emergency Loya Jirga in June 2002. The Bonn Agreement reinstated the provisions of the 1964 Constitution, unless they were amended by the Bonn Agreement itself.⁵

The Bonn Agreement laid down the timetable for national elections to be held in mid-2004. Broadly in line with this timetable, a new constitution was debated and endorsed by the Constitutional Loya Jirga, which started on December 14, 2003 and concluded on January 4, 2004. The new constitution provides for an elected president (along with his/her nominated two vice presidents) and a national assembly comprising two houses – the *Wolesi Jirga* (the House of People) and *Meshrano Jirga* (House of Elders). Members of the Wolesi Jirga are to be elected by the people in free and fair elections. Members of the Meshrano Jirga are to be elected or appointed as follows: each provincial council elects one member for a period of four years; from among the district councils in each province one member is elected for a period of three years; and the president appoints the remaining one-third of the members for a period of five years from experts and persons of appropriate stature (including two representatives representing the disabled and impaired and two representatives from the Kuchis), with 50 percent of these to be women.

Efforts are now underway to prepare for elections of the president and national assembly although it is not clear that these will happen simultaneously.

Current Administrative and Fiscal Structures

The consequence of this complex history is that the structure of government is unitary; all political authority is vested in the government in Kabul. The powers and responsibilities of the provincial and district administrations are determined (and therefore may be withdrawn) by central government. Though provinces and districts are legally recognized units of subnational administration, they are not

intended to be autonomous in their policy decisions other than through some flexibility in implementing centrally determined programs. However, there have been some attempts at establishing local participative bodies (see Box 2). Article 3, Chapter 8 of the 2004 Constitution specifies that a provincial council is to be formed in every province, with elected members, and Article 5, Chapter 8 specifies that district and village councils are to be elected.

There are four types of subnational administration:

- 32 provinces (*wolayat*)
- Approximately 355 districts (*uluswali*) – each province contains between 3 (the minimum) and 27 districts
- Provincial municipalities (*sharwali wolayat*) – each province, in principle, contains one such municipality
- Rural municipalities (*sharwali uluswali*) – each district contains, at most, one rural municipality, but some have none.

Municipalities are, in principle, a separate level of government in that they have some limited autonomy in budget execution and in budget preparation. However, the Ministry of Interior (MoI) controls their staffing establishment and approves their budgets.

Organizationally, central government in Afghanistan is comprised of 30 ministries, two constitutional agencies (the Office of the President and the Supreme Court), eight independent bodies and other central government agencies (Central Statistics Office including the Afghan Computer Center, Geodesy & Cartography Office, National Security Agency, Narcotics Eradication Agency, Science Academy, National Olympics Committee, Civil Service Commission, and the Office of the Attorney General). There are ambiguities in the status of the Attorney General's Office; although this was established as a separate office in the 1980s, the Minister of Justice (MoJ) disputes the constitutionality of this move. Annex 1 provides further details.

**Box 2: Participative Bodies at the Provincial Level:
Historical Context**

Article 109 of the 1964 Constitution set out provisions concerning provincial councils, including a provision that the councils shall take part in the "realization of development targets in a manner specified by law" and that members' salaries shall be fixed by law. Article 43 of the Law of Basic Organization of Afghanistan, 20 Mizan 1344, provides for a provincial council whose members shall be elected by the residents of the province "in a free, direct and secret election."

However, Article 44 provides that the organization and duties of the provincial *jirga* will be regulated by law, emphasizing that another implementing law would be needed. No such law was ever enacted. A previous Law of Advisory Councils, 8 Aqrab, 1336, was so neglected as to have been effectively repealed.

The Law of Provincial Administrative Councils, 28 Qaus 1343, enacted with the first laws after the 1964 Constitution, created a council of provincial officials – the governor, the deputy governor, the mustoufie, and a security commander.

While there are understandable reasons for the current number of Cabinet ministers, a large Cabinet is by no means the norm. Previous administrations were smaller: the Daoud Cabinet, for example, comprised only 15 ministers.

Central/local relationships

To place these structures in context, it should be noted that unitary governments with strong political centralization can still have some administrative and fiscal decentralization. Afghanistan, however, is strongly centralized along both administrative and fiscal lines. The fact that a large proportion of the public sector workforce is located within Kabul emphasizes this centralization. Table 1 provides a summary of the formal relationships between central and local government in Afghanistan.

| Table 1: Formal Central-Local Relationships in Afghanistan | | | | |
|---|---|---|--|---|
| | Administrative arrangements | | Fiscal arrangements | |
| | Structure | Personnel | Revenue | Expenditure |
| Province | The departmental structure mirrors the ministry structure in Kabul – although not all ministries have corresponding departments. | The governor approves junior staff appointments and transfers (<i>karmand</i> grade 6 and below and <i>agir</i> staff at grade 3 and below), the relevant minister approves <i>karmand</i> staff from grades 3-5, and senior staff (grade 2 and above) are appointed by the president. | All tax and customs levels are set by central government statute. All revenues are collected on behalf of Kabul. Subsequent fiscal transfers to the province are made as per-line department budget allocations. Actual cash transfers reflect the difference. | The “ordinary” and development budgetary allocations for the provinces are the sum total of the administrative decisions made by the various Kabul ministries concerning the allocations to their provincial departments. |
| District | The structure mirrors the departmental structure in the province – although not all departments have corresponding units in the district. | The governor approves junior staff appointments and transfers (<i>karmand</i> grade 6 and below and all <i>agir</i> staff), the relevant minister approves <i>karmand</i> staff from grades 3-6, and the senior staff (<i>uluswal</i> and judge) are appointed by the president. | Districts collect minor business taxes; rates are reviewed by a review committee of district and provincial representatives every three years. Revenues are remitted to the province. | The “ordinary” and development budgetary allocations for the districts are the sum total of the administrative decisions that have been made by the various provincial departments concerning the allocations to their district subdepartments. |
| Provincial municipality | The municipality structure (departments and numbers of staff) is set by the Ministry of Interior, with the agreement of the governor. | The governor approves the appointment and promotion for <i>agir</i> grade 3 and below. The governor approves other junior staff appointments and transfers (<i>karmand</i> grade 6 and below and <i>agir</i> grade 2 and above), the relevant minister approves <i>karmand</i> staff from grades 3-5, and the senior staff (grade 2 and above) are appointed by the president. | All tax and fee rates are set in Kabul. Revenues remain in the municipality and fund all municipal expenditures. | The “ordinary” and development budgetary allocations for the municipality are processed by the municipality and approved by the Ministry of Interior (municipalities general presidency), with the agreement of the governor. |
| Rural municipality | The structure is set by the Ministry of Interior, with the agreement of the provincial municipality and governor. | These are district staff, therefore the governor approves junior staff appointments and transfers (<i>karmand</i> grade 6 and below and all <i>agir</i> staff), the relevant minister approves <i>karmand</i> staff from grades 3-5, and any senior staff are appointed by the president. | All tax and fee rates are set in Kabul. Revenues remain in the rural municipality and fund all expenditures. | No formal budgetary allocations are made other than salary payments. Development budget expenditures are agreed ad hoc and administered by the municipality. |

Source: AREU/WB staff assessment.

In terms of the framework set out in Table 2, Afghanistan comes closest to the model of "deconcentration." But even on this scale, the formal control by Kabul of the day-to-day administrative decisions appears highly centralized. Despite this, the practical reality is that, politically, the center's authority is limited, given the regional strengths of some commanders who control substantial revenues and military power. The 2004 Constitution, with its provision for elected provincial, district and village councils, could conceivably contribute to the emergence of a more "delegated" model over time.

| | Political features | Fiscal features | Administrative features |
|----------------------------------|---|---|--|
| Deconcentration (minimal) | <ul style="list-style-type: none"> • No locally elected governmental authority. • Local leadership is vested in local officials, such as a governor or mayor, who are appointed by and accountable to the central government. | <ul style="list-style-type: none"> • Local government is a service-delivery arm of the central government, and has little or no discretion over how or where service is provided. • Funding is provided by the central government through individual ministry budgets. • There are no independent revenue sources. | <ul style="list-style-type: none"> • Staff working at the local level are employees of the central government and are fully accountable to the center, usually through their respective ministries. |
| Delegation (intermediate) | <ul style="list-style-type: none"> • Government at the local level is led by locally elected politicians, but they are accountable, or partially accountable, to the central government. | <ul style="list-style-type: none"> • Spending priorities, program norms, and standards are set centrally; local government has some management authority over allocation of resources to meet local circumstances. • Funding is provided by the central government through transfers, usually a combination of block and conditional grants. • There are no independent revenue sources. | <ul style="list-style-type: none"> • Staff could be employees of the central or local government, but pay and conditions of employment are typically set by the center. • Local government has some authority over hiring and location of staff, but is less likely to have authority over firing. |
| Devolution (substantial) | <ul style="list-style-type: none"> • Government at the local level is led by locally elected politicians who are fully accountable to their electorate. | <ul style="list-style-type: none"> • Subject to meeting nationally set minimum standards, local government can set spending priorities and determine how to best meet functional obligations. • Funding can come from local revenues, revenue-sharing arrangements and transfers (possibly with broad conditions) from central government. | <ul style="list-style-type: none"> • Staff are employees of the local government. • Local government has full discretion over salary levels, staffing numbers and allocation, and authority to hire and fire. • Standards and procedures for hiring and managing staff, however, may still be established within an overarching civil service framework covering local governments generally. |

Source: Evans and Manning, 2003.

The new constitution, ratified on January 4, 2004 by the Constitutional Loya Jirga, explicitly allows a measure of decentralization by stating that "the government, while preserving the principle of centralism – in accordance with the law – shall delegate certain authorities to local administration units for the purpose of expediting and promoting economic, social, and cultural affairs, and increasing the participation of people in the development of the nation" (2004 Constitution, Article 2, Chapter 8).

Many countries have pursued policies of decentralization, and a well-developed body of literature examines different aspects of decentralization, including its advantages and disadvantages, and strategies for implementation. Decentralization is, in fact, a complex, multi-dimensional concept that affects all facets of government. No one right approach fits all situations. While there is a commonly held view that decentralization is associated with improved service delivery at the local level, this must be balanced against the important benefits to be gained from a strong central government, such as uniform access to basic services regardless of location. In Afghanistan, a modest shift towards deconcentration – a very limited form of decentralization – could give the center more practical control over local operations. This is not an argument for reform to the basic unitary nature of the Afghan state.

The Political Context

The focus of this study is on the administrative and fiscal structures and processes of government in Afghanistan at the national and subnational level. These relationships are not only based on technical and procedural issues, but operate within a political context and shape and are shaped by complex political dynamics. The strengthening of subnational administration must therefore be seen as a political process of institution-building that will be affected by the current distribution of power in Afghanistan and will have political effects on the establishment of legitimate authority throughout the country. The following section briefly outlines the political context within which the detailed discussions and recommendations about the administrative and fiscal structures of the state in this study must be understood.

The de jure state vs. the de facto states

This chapter has already highlighted the unitary nature of the Afghan state and the fact that, in political and fiscal terms, it is formally one of the most highly centralized states in the world (its administrative centralization, although striking, is less unusual).⁶ In reality, however, during the past 25 years Afghanistan has become highly decentralized, with factional leaders operating in relatively distinct geographic areas and, at times, organizing loose alliances to gain control of, or to resist, the center. In this context, the challenge for policymakers is to take steps to centralize the de facto reality of a highly decentralized state while promoting measures to help decentralize what is now an overly centralized state in theory.

This section incorporates significant material provided by Sarah Lister, Research Fellow, Institute of Development Studies, Sussex, U.K.

Since 2002, during the tenure of the Afghanistan Transitional Administration, significant changes have taken place that appear to represent a centralization of politics. First, Kabul's authority seems to be growing, particularly in areas such as appointment of staff and fiscal authority, as the centralized administrative structures are restored and strengthened. Second, many of the factional leaders (or their representatives) who enjoy power in the provinces have moved to Kabul and are sitting in the Cabinet. Additionally, it is likely that the new constitution and the upcoming national elections (scheduled for June 2004) will further centralize politics. However, this apparent shift of politics towards the center has not yet been matched by a corresponding increase in the power and authority of the central government in the provinces.

To better understand this apparent contradiction, it is helpful to move away from an analysis of power based on local and central, or decentralization and centralization distinctions. Instead, it is useful to make a conceptual distinction between *de jure* and *de facto* states. *De jure* states exist by fiat of the international community, which recognizes them as sovereign entities whether or not they have a government that can effectively control or administer the territory. *De facto* states actually administer a territory (a distinction made by Jackson, 1990: 1001-1023). States that enjoy international recognition and exercise control through strong institutions are both *de jure* and *de facto*.

In Afghanistan, the *de jure* state, currently led by President Karzai and his government, has very weak institutions and a lack of both military and administrative control in large parts of the country. The *de facto* states that exist in most areas outside Kabul are controlled by regional warlords and local commanders. Their make-up and operation vary from province to province, but they are built on power that is based on financial and military strength, as well as personal, factional, and historical loyalties supported by the current political economy of Afghanistan. The situation is complicated by the fact that some individuals were given *de jure* positions based on their *de facto* power and use the latter to influence the *de jure* structures according to their interests at both the central and local levels (see Box 3).

Box 3: Who Controls Subnational Administration?

District and provincial officials interviewed felt that Kabul's influence was very limited at the subnational level:

"It's only in name that we have a system of government – it doesn't exist in reality. I'm the acting governor but I have no authority. I can only sign but have no feeling of responsibility – I don't have the power to say 'no.'" (*Acting provincial governor*)

"Mujahidin commanders still hold power. All the mujahidin groups are getting stronger again because they don't think the government will do anything against them." (*Provincial governor*)

"The international community made a big mistake by giving a clear mandate and strong support for regional warlords to rebuild their bases of power. Mujahidin commanders were appointed to some key positions. Within 18 months, the government couldn't change governors, commanders, chiefs of police." (*Provincial mayor*)

The structures of subnational administration are some of the major sites of struggle between these different sources of power and authority in Afghanistan. One provincial governor clearly saw the "zero-sum" nature of the relationship, expressing it as a struggle between "warlord" and "central" power:

The most negative point of the government is keeping warlords strong in the regions. Most Cabinet members are warlords and leaders of previous parties that are responsible for all the problems of this country. I have had very bad experiences with the interference of central ministers in our province and districts... If the government is going to be successful, ministers shouldn't be commanders and shouldn't have the right to do whatever they want... If the government moves against a warlord there won't be a vacuum of power. The central government will step into power when they remove local warlords. Keeping warlords in power is weakening the government. The more the government pays them off, the stronger they will become and the weaker the government will be.

The best example of the lack of power of the central government at the subnational level is in Herat, where Governor Ismail Khan has claimed significant political and fiscal autonomy. Ismail Khan's power is derived from his control of both military and civil administration, supported by large amounts of customs revenues, particularly from trade with Iran and Turkmenistan and the reverse traffic from Kandahar and Pakistan. The central government has worked hard to reduce Ismail Khan's power by pressuring him to remit customs revenues to the center, by publicly rejecting his self-appointment as "Emir of Western Afghanistan," and by acknowledging only his control over civil administration as governor and not over the military. However, his strong financial position means that he is largely in a position to ignore demands from Kabul. Herat is different from most other provinces in that while the structures of the central state are not subject to political control by central government, and are instead dependent on the patronage of Ismail Khan, these structures are still heavily relied on to provide services to residents of the area.

In the other provinces visited during this study, subnational government structures had been rendered largely irrelevant in important political decisions that affected the area. In Faryab Province, for example, the governor only dealt with day-to-day civil affairs. Major issues, particularly ones related to security, were referred first to General Dostum or his representatives rather than directly to Kabul. According to a former deputy governor of that province, General Dostum's "special representative" title bestowed on him by President Karzai legitimized his involvement in civil affairs and his title of "deputy defense minister" legitimized his involvement in military affairs.

Aligning the de jure and de facto states

"There is currently a paradoxical situation where the international community and government of Afghanistan want to bring security to Afghanistan through those people who don't want security and have been the greatest cause of insecurity. How can the government be successful with this strategy?"
(District governor)

One of the major policy challenges for the Afghan government and its supporters is how to more fully align the de facto states operating in Afghanistan under the authority of the de jure state. Box 4 illustrates the current degree of alignment between the de jure and de facto states in Afghanistan. A key finding of this study has been that the de jure state has maintained a foothold at the subnational level through the administrative structures, and that procedures of the Afghan state have proven to be remarkably resilient. The basic rules, such as the staffing quotas and grades contained within *tashkeels* (staff allotments), are well understood and relatively well adhered to. There is also a general acceptance of the rule that all staff positions above grade 6 have to be approved by Kabul, though it is often the de facto rather than the de jure power of senior officials in Kabul that influences the approval of provincial appointments (see Chapter 4 for a discussion on the politics of appointments). There is some alignment in terms of fiscal relationships as the basic budget rules of the de jure state are understood and accepted at the provincial level. However, there is less alignment when it comes to practice, especially with regard to the remittance of locally raised revenues to the center. As discussed above, the study found strong de facto political decentralization and very limited political power for the de jure state at the subnational level.

| Box 4: The Degree of Alignment Between de Jure and de Facto States | | |
|--|---|--|
| | de Jure | de Facto |
| Administrative central/provincial relationships | Strong de jure administrative centralization, with virtually all administrative decisions made at the center | <ul style="list-style-type: none"> Most provinces accept that Kabul has a role to play in approving senior level appointments, but there are significant measures from this for local appointments, particularly with the police All provinces accept the basic rules of the administrative game concerning grades and <i>tashkeels</i>. |
| Fiscal central/provincial relationships | Strong de jure fiscal centralization, with no own-source revenues or authority over expenditures at the subnational level | <ul style="list-style-type: none"> Provinces do report and transfer locally raised revenues to the Ministry of Finance, however, there are significant amounts of unreported (and possibly withheld) revenues. All provinces accept the basic rules of the fiscal game concerning budget preparation and execution. |
| Political central/provincial relationships | Strong de jure political centralization, with all subnational political positions appointed by the national government, and no mandatory regional representation in the national government | Self-evidently, politically there is major de facto decentralization, with regional warlords or local commanders setting policy. |

Source: AREU/WB staff assessment.

While the resilience of the administrative structures of the de jure state remains an important finding of this study, it is clear that these structures are often controlled by the de facto power-holders at the local level. Technocratic interventions to strengthen subnational administration that fail to understand the political context could therefore result in strengthening de facto power holders rather than the de jure state.

To date, there has not been a clearly discernible political strategy to rebuild the Afghan state so that it enjoys both de jure and de facto power. Instead, there has been an over-reliance on reconstruction projects to try to legitimize and strengthen the central government. Due, in part, to shortsighted communications strategies, the expectations of Afghans for reconstruction assistance have been raised to unrealistic levels. The inevitable perception of the majority of Afghans that they are not receiving enough assistance means that too much reliance should not be placed on reconstruction activities alone to strengthen the legitimacy and authority of the de jure state. Instead, a political strategy must integrate the critical need for security sector reform (particularly disarmament), and the need for the de jure state to control most state revenues (and limit illicit revenues), with reconstruction strategies and state-building strategies that enhance the effectiveness and authority of the de jure state.

The recently announced Afghanistan Stabilization Program (ASP) could be an important component of a political strategy to align the de jure and de facto states at the subnational levels. The ASP is comprised of integrated security, governance and reconstruction components to be implemented at the provincial and district levels. The importance of the integrated approach of the ASP was highlighted in the field research conducted for this study, which identified three key areas that a political strategy to strengthen the authority of the de jure state at the subnational level would need to address.

Disarm local commanders and armed groups

“Disarmament is the top priority – the administrative system can’t function as long as people are armed because you have to do what the armed people tell you to do, not what the rules tell you to do.” (*Deputy governor*)

The strongest and most consistently articulated issue raised in interviews in all provinces was that if the effectiveness and authority of the de jure state is to be restored, disarmament of commanders and their armed groups was the top priority (see Box 5). There was considerable criticism of the international community and the government for doing so little about an issue of such great importance, especially because many felt that disarmament would not be that difficult to achieve due to the strong public support and demand for disarmament, combined with the fact that the vast majority of commanders were not very strong and were so unpopular.

Many provincial- and district-level government staff emphasized that until disarmament puts an end to the "rule of the Kalashnikov," the rule of law and authority of the central government could not be restored. In Badakhshan, in particular, the difference between the quality of local administration in the districts

Box 5: The Importance of Disarmament

- “In one district the head of the education department was replaced. But because he had armed supporters he was reappointed in three days.” (*Teacher*)
- “If you want good administration, the first thing you need to do is disarmament. There’s a big difference between saying and doing. We’ve heard a lot about disarmament on the radio, but we are seeing nothing.” (*Citizens group*)
- “The two biggest issues are disarmament and salaries. Until there is disarmament we won’t get good security, and until government employees earn enough to survive on and get paid regularly the government system cannot function properly. If these two things are done the law will be ruling – today the Kalashnikov is the law.” (*Deputy head of police*)
- “If I don’t have a commander around, immediately I become strong and get respect. If there are armed people around, I can’t say anything.” (*District governor*)
- “If higher authorities accept disarmament then lower authorities will. If higher authorities don’t accept, lower ones won’t either. If those who have power at the center agree to disarmament, everyone lower down the chain of command will accept. Those with power to construct and destruct at the center are the problem, not those at the provincial and district levels.” (*District governor*)
- “Unless the commander issue is dealt with no one will be successful in rebuilding Afghanistan.” (*Deputy governor*)

where disarmament had taken place and those districts still dominated by local factional commanders was striking. In one district, where two commanders had been fighting each other, the new district governor was able to get troops in from Kunduz who disarmed the two commanders in three days. The result was that the district became one of the most peaceful districts in the province. In the words of the district governor:

Before I came to [this district] there was no district administration. All NGO assistance and humanitarian assistance – about where to build schools, clinics, etc. – used to go through the commanders. Land disputes went to the commanders to be solved. Since I’ve been here and the commanders were disarmed, people now come to the administration to resolve their problems. When I came, no one thought the administration could make a difference. People really want a powerful administration system and a reduced role for the commanders, but we need higher salaries and some budget for furniture.

All provincial administrators are very aware of the importance of other aspects of security sector reform, particularly the need to reform provincial and district police as a means of strengthening subnational administration. As discussed in more detail in Chapter 4, large numbers of fighters from factional militias being incorporated into the police are politicizing the police force and strengthening the hand of local, de facto power holders by legitimizing the positions of their armed followers.

Understand and address the political economy of subnational power

“We warned people we would punish them if they grew poppy, but in some areas local commanders encouraged farmers to grow, saying central government is weak and won’t do anything. They have their own interests in mind as they tax the poppy. There’s now no war on so commanders are looking for alternative livelihoods.” (*Provincial governor*)

The financial resources that underpin the control exerted by regional and local commanders come from a variety of sources, including the narcotics trade, customs revenues, revenues from mineral and natural resources such as mines, oil and gas fields, land and water, and unofficial taxation levied by local commanders. Not only do the financial resources provide the commanders with the opportunity to arm themselves and resist the authority of the de jure state, they enable them to engage in more "legitimate" activities designed to win support, such as providing equipment or salary supplements to government employees. Ensuring that higher percentages of customs and other revenues on licit activities raised by the provinces are remitted to the center and pursuing more aggressive strategies against the growing opium economy will have the dual effect of providing further resources for disbursement by the center to the provinces while weakening the position of commanders as local patrons.

Disbursement of funds from the center to the provinces and districts could be used as a strategy to create a new political economy dynamic at the subnational level that could help link districts and provinces back to the center. Currently, administrators have no option but to look for sources of revenue elsewhere and the legitimacy of the de jure state is called into question when it has no resources to do anything. In the absence of budgeted government resources, the role of local administrators has become that of intermediaries, able to refer difficulties to NGOs or commanders, but without the resources to tackle problems themselves. Receiving financial resources from the center could prove to be an effective way of linking these provinces back to the center, especially in resource-poor provinces.

One of the most serious threats to the de jure state in Afghanistan, and one of the biggest challenges it faces in increasing its authority at the subnational level is the dramatic spread of the opium economy. The U.N. Office on Drugs and Crime (UNODC), in its Afghanistan Opium Survey for 2003, reported that poppy cultivation had increased from 18 provinces in 1999 to 28 of Afghanistan's 32 provinces in 2003. The report estimated that the \$2.3 billion opium economy amounted to about half of Afghanistan's GDP in 2003. The UNODC director made a point of highlighting that "out of this drug chest, some provincial administrators and military commanders take a considerable share" (BBC, 2003).

Provincial administrators speak of the alleged involvement in the narcotics trade by elites at all levels, including government ministers, commanders, police, and provincial and district governors. For example:

"Poppy cultivation and processing is strongly supported by commanders and police. They are very involved and take their share. No one could produce poppy if they did not allow it... opium and heroin is transported in vehicles with official plates." (*District administrator*)

"The poppy business is linked to important people in Kabul and there is no support from Kabul to fight with commanders – they have more money than we do." (*General of provincial garrison*)

In some areas, the ability to tax the drugs trade at all stages is considered to be payment in lieu of a reasonable government salary.

Staffing

Establishment

Tashkeels

The tashkeel is an essential component in the whole budgetary and payroll process. The tashkeels provide the organizational chart for the ministry detailing staffing positions and levels. Historically, ministries prepared their tashkeels and then sent them to the Civil Servant Organizations Department of the Ministry of Finance for verification. The Ministry of Finance was authorized to make some reasonable modifications. Preparation of the tashkeels was regarded as one element of preparing the overall budget. During the mujahidin period, this responsibility was moved out of the Ministry of Finance and the tashkeels are now approved by a department in the Office of Administrative Affairs (OAA).

All budget units must have a tashkeel agreed to at the beginning of the budget year before they can execute payroll and recruit staff. Provincial departments and district offices receive their tashkeel for the year from their respective ministries.

The other component needed by ministries and departments for processing payrolls, is the *takhsis*. The takhsis is the staff allotment for the budgetary unit, which is provided by the line ministry based on allotments provided by the Ministry of Finance for the ministry as a whole.

No tashkeels were issued in 1381, and the tashkeels for 1382 were issued late – many districts still had not received them by mid-year – and they are occasionally inconsistent with the allotment.

There is no reason why the takhsis should match the tashkeel. It is quite common to have a situation where fiscal constraints result in a level of funding that cannot cover all approved positions. In these situations, managers must decide which approved positions are to be funded. However, for Afghanistan, this would be a dramatic departure from current practice, where traditionally the tashkeel has been the sole control on staff, and the line ministries in Kabul make all decisions about the tashkeel. Switching to a system where the takhsis was the controlling number would mean that managers at the provincial level would have to choose which positions are to be funded – a significant change in delegated authority. While this is certainly possible in principle, provincial staff would need training before taking on this new authority.

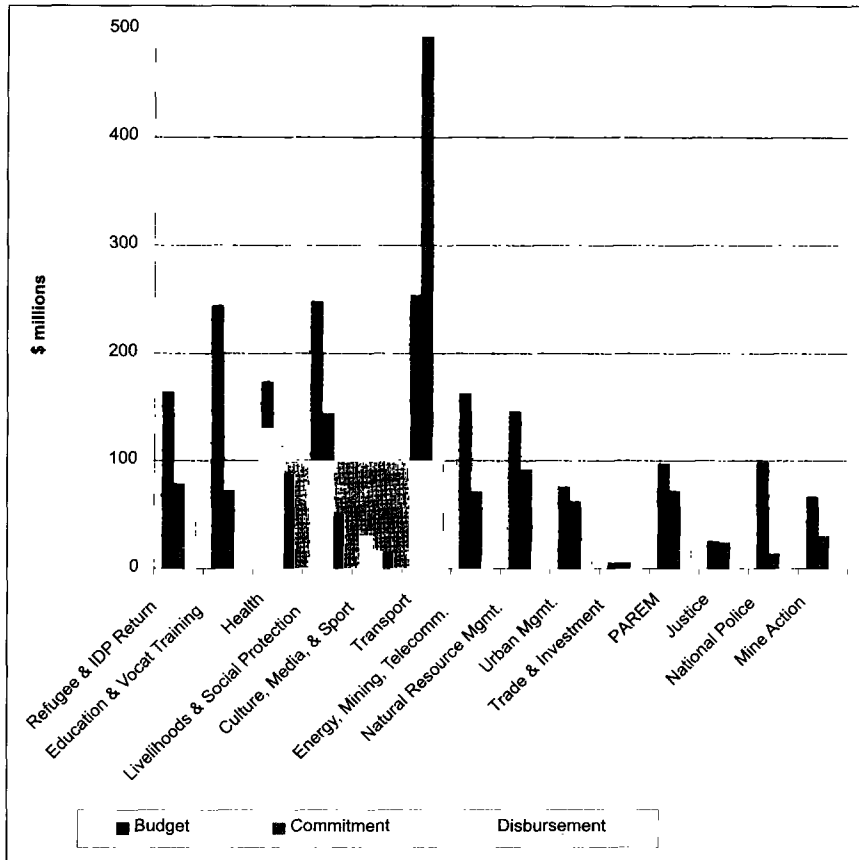
Staffing numbers

General civilian government

Reasonable estimates put the total general civilian government employment anywhere between 250,000 and 350,000 people. The uncertainty over numbers arises for two reasons. First, there is no list of legitimately employed staff (nominal roll), either in Kabul or decentralized in the provinces. Second, there is considerable variation in the numbers of staff paid each month in each ministry or provincial payroll. A primary reason for such variation is the delay in submitting and

allocation by NDB sector; (d) the geographic spread of the budget; and (e) analysis of the costs of execution through the U.N., NGO, or private sector.

Figure 3: Execution of the Development Budget, 1382



Source: Development Assistance Database cited in the "Mid-Term Budget Review," September 19, 2003.

In addition, the execution of the development budget has been constrained by poor security conditions around the country, and limited capacity in line ministries with respect to project and program management, procurement, and financial management. Figure 3 above demonstrates the slow pace of execution. By September 2003, only \$223 million is recorded in the DAD as having been disbursed against an overall budget requirement of \$1.7 billion for 1382. This also reflects some difficulty faced by the database in capturing all donor commitments and disbursements.

| National Development Framework | 1381 | 1382 | 1383 | Three-Year Total |
|--|--------------|--------------|--------------|-------------------------|
| Pillar I: Human and social capital | 909 | 865 | 1293 | 2,867 |
| Pillar II: Physical reconstruction and natural resources | 426 | 622 | 1179 | 2,227 |
| Pillar III: Security and rule of law | 139 | 231 | 207 | 577 |
| Total | 1,474 | 1,718 | 2,680 | 5,671 |

Source: Ministry of Finance.

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Guidance recently issued for the 1381 development budget emphasizes that the 1383 public investment program will reflect more detailed information on needs and enhancements in the management and coordination mechanisms. During the 1383 PIP preparation it is hoped that the CGs will take a more active role.

To ensure predictability and sustainability in the development budget, the finalized 1383 National Development Budget (NDB) will only include those projects that have attracted sufficient funding by February 26, 2004. Donors were requested to confirm by February 26, 2004 which projects set out in the draft PIPs they wished to support. At this point, the status of funding to all projects will be reviewed and any discretionary government resources allocated. Those projects that have not received sufficient financial commitments may be removed from the 1383 NDB.

During the course of 1383, there will be opportunities at fixed time periods for projects that could not be included in the 1383 budget or for new projects to be reviewed and, if approved, included in the 1383 budget.

Executing the development budget

Most of the financial support provided by donors to the national budget remains in the hands of donors, and is not available as cash or otherwise fungible resources to the government. As such, monitoring the execution of the development budget has been complex. A number of programs such as the National Emergency Employment Program (NEEP) and the National Solidarity Program (NSP) are funded through the national budget, but are implemented through contracts to NGOs supervised by government ministries.

The Donor Assistance Database (DAD) has been established to assist with aid coordination and, increasingly, expenditure tracking. The analysis provided by the database has been limited to tracking donor commitments with some information on disbursement, but little is known about service delivery. The reporting that does exist remains highly aggregated and little analysis has yet been conducted regarding (a) the long term recurrent implications of the development budget; (b) the level of recurrent financing inherent within the development budget; (c) provincial

Each NDP is currently supported by a sectoral coordination group (also called a "consultative group" or CG) chaired by the relevant ministry and supported by a donor or agency. The objective of the CG process is to increase the effectiveness and efficiency of aid coordination in support of the national development and poverty reduction objectives through the implementation of the national budget.

The government has identified three ways in which donors can fund Afghan programs:

- By direct contribution to the government for designated purposes, to be administered by the Ministry of Finance;
- Through trust funds administered by international organizations before being channeled to the Ministry of Finance, such as the ARTF; and
- By direct support to private sector organizations to carry out government-identified priority projects (Ministries of Planning, Reconstruction, and Finance, 2002).

Donors are requested to focus their financial support to government and to improve cohesion and focus investment towards particular results and activities by limiting their contributions to three sectors. Large donors can "buy" into additional sectors with a \$30 million contribution, if their commitment to their other three chosen sectors is at least that large.

Discussion within the CGs is intended to help the ministry prioritize project areas, within which donors may propose to fund and implement projects. Advisory groups on humanitarian issues, gender, environment, and human rights have also been established to allow common issues to be integrated into national policy and budget preparation; working groups in key national security areas such as counter narcotics and disarmament were also established.

In preparing the development budget for 1382, a call circular was extended to the 12 lead ministries associated with the national development programs requesting that public investment programs (PIPs) be developed for each NDP, in consultation with cooperation partners. Tradeoffs are required as the Ministry of Finance set some expenditure limits for each NDP, based on the assumed absorptive capacity of the sector.

The total funding requirement was estimated at \$1.7 billion in 1382, rising to more than \$2.6 billion in 1383 and \$3.6 billion in 1384 as large projects get underway. Table 4 presents the distribution of external financing to the three pillars of the NDF, for 1381, 1382 and 1383. The figures for 1381 remain indicative, as the budget was only presented in draft. The 1382 budget was agreed by Cabinet on the March 17, 2003, and the figures for 1383, are rolling budget estimates prepared by the lead ministries.

which projects had been approved. The department then prepared detailed cost estimates that were submitted to the ministry in Kabul. The ministry reviewed this and gave the department a specific allocation. The department then informed the respective districts, as appropriate.

Per previous practice, a number of ministries had submitted development budgets to the Ministry of Finance through the Ministry of Planning in 1381, but these were never funded.

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Policymakers took a different approach when preparing the development budget for 1382. The NDF was prepared by the

AACA and presented to donors by then-Chairman Karzai at a donor conference in April 2002. The NDF provided general guidelines and priorities for development expenditures. It presented 12 NDPs, with six national priority subprograms under three broad pillars (see Box 8). Subsequently, a number of national security programs were also added to the overall framework.

The NDF was designed to address the risk that a large Cabinet, coupled with an equally large and diverse donor community, would lead to an uncoordinated approach to the allocation and management of major expenditures. In essence, the development budget, and the supporting NDPs, were established to focus financing on national priority programs, as well as to improve government and donor coordination. It sought to discipline donors as they spend their money on projects that, despite generally good government ownership, donors would largely consider their own, implemented according to their own donor procedures and timetables. The objective was to link the operating and development budgets – to include operating and maintenance expenditures for completed development projects in the operating budget, and provide sufficient capacity to assist in the implementation of development budget projects. However, for practical purposes, there is currently little connection.

Box 8: The National Development Framework

Pillar 1: Human Capital and Social Protection

Refugee & IDP Return
 Educational & Vocational Training
subprogram – National Primary Health & Education
 Health & Nutrition
 Livelihoods & Social Protection
subprogram – National Solidarity Program & Emergency Public Works
 Cultural Heritage, Media & Sports

Pillar 2: Physical Infrastructure and Natural Resources

Transport
subprogram – National Transport (Roads & Airports)
 Energy, Mining & Telecommunications
 Natural Resource Management
subprogram – National Water Resource Investment
 Urban Management
subprogram – National Urban Infrastructure

Pillar 3: Enabling Environment for Development

Trade & Investment
 Public Administration Reform and Economic Management
subprogram – National Governance Infrastructure
 Justice
 Security and Law and Order Program

Procurement

The procurement regulations require a decentralized approach to public procurement; each entity handles its own procurement needs. However, later versions of the regulations refer to the possible designation by an entity to carry out centralized procurement of common-use items. No central entity has yet been designated within government to undertake procurement. Prior to its abolition in October 2003, the Afghanistan Assistance Coordination Authority (AACAA) provided assistance to ministries undertaking major procurement, particularly under donor financed programs. The procurement unit is now part of the Afghanistan Reconstruction and Development Services (ARDS) and is supervised jointly by the Ministry of Planning (MoP) and the Ministry of Reconstruction (MoR).

Articles 90 and 91 in a draft procurement law, now under discussion, establishes a Procurement Policy Unit (PPU). The PPU is intended to assist the government in monitoring procurement activity, setting policy, and guiding the professional development of procurement officials. The placement of the PPU within the government is now under consideration. Establishing the PPU as an autonomous entity, reporting directly to the president, firmly divorces the unit from major procurement activities, but might equally remove a key area of policy from direct government control. Locating the PPU within the Office of the President would make it highly vulnerable to political direction. If the PPU is to be housed within a ministry then, in principle, the Ministry of Finance with its overarching stewardship role must be a prime candidate.

Audit

The control and audit office accepts its responsibility to audit government financial statements for 1381. Audits for the government accounts are required by law to be submitted by September 21 – six months after the start of the solar year. Accounts for the Afghanistan Reconstruction Trust Fund (ARTF), a mechanism for financing national development programs (see the budget preparation section below), have been submitted to the auditor general and the audit of these accounts has begun.

Currently a systems review of the Ministry of Finance accounting system and a pilot certification audit of Ariana, the national airline, are underway. This will assist with the preparation of accounts for the first time for more than 10 years. A new audit law is under development.

The Development Budget

Budget preparation

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Previously, development funds were budgeted for the Kabul ministries by the Ministry of Finance but through the Ministry of Planning. Sometime early in the fiscal year, provincial departments submitted a request for specific capital projects to their respective ministries in Kabul. The line ministry reviewed these requests against their available development budget, and informed the provincial departments

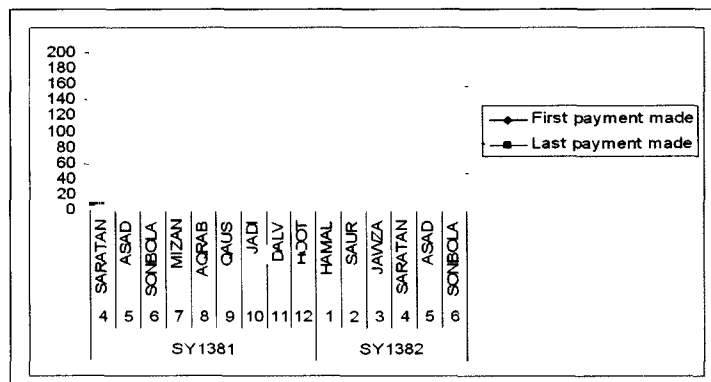
Payroll

The Ministry of Finance in Kabul now processes all payrolls. While the Ministry of Finance has always processed Kabul ministry payrolls, this is a new procedure for provinces, introduced since the collapse of the Taliban regime. Previously, provincial payrolls were consolidated and authorized for payment at the mustoufiat in each province; now, mustoufiats must forward the payroll to Kabul for authorization.

Following significant delays in processing payrolls in 1381, particularly for the provinces, the timeliness of payroll execution appears to have improved in 1382. Figure 2 measures delays as the average number of days between the date on which provincial pay was due, and the date on which the Treasury Department in the Ministry of Finance issued checks to the province. However, this presents only part of the picture. There could be extensive delays at the "retail" end, for example, from the governor via bonded trustee to the budget unit and individual. The figure shows the delays in processing the first checks and in processing the last check issued. As each province submits many separate payrolls for processing each month (typically around 300), delays are measured for the first and last payments processed.

The delays in initiating the payroll have gradually diminished. However, the delays in making the last payment significantly increased at the beginning of 1382 and have only resumed a significant downward trend. The fact that the delays were limited to less than 20 days toward the end of 1381 suggests that the system is indeed capable of timely payments. This should be a target.

Figure 2: Delays in Salary Payments for the Provinces, Excluding Police (days)



Source: PWC, ASI, and World Bank staff calculations.

Non-uniformed staff of the Ministry of Interior are paid through the payroll in the usual way. However, payrolls for uniformed police are submitted to the Ministry of Interior without checking with the mustoufiat. There are very significant delays in salary payments for police as September 2003 payroll reports indicated that slightly fewer than 50 percent of police had been paid for Jawza (May 22–June 21).

Box 7: Budgets, Allotments, and Execution

In Afghanistan, annual budgets are approved for all primary budget units (PBUs) – primarily ministries. Once the annual budget is approved, PBUs prepare quarterly allotments for their secondary budget units (SBUs) – primarily their provincial departments. Historically, the quarterly allotments were advanced in cash to the *mustoufiat* in each province. Salaries and non-salary expenditures were paid out of this advance, and proper expenditure reports were sent to Kabul. Allotments could be adjusted on a quarterly basis if necessary to reflect budget adjustments or cash flow needs.

Salary allotments were determined based on the *tashkeel*, or staffing establishment, which was developed by ministries but approved by the Ministry of Finance as part of the budget process.

However, today no advance is provided to provinces for salaries. Instead, provinces must submit their payroll documentation to the Ministry of Finance in Kabul, after which payment is made. Nevertheless, the *tashkeel* is still issued (but not necessarily reviewed in detail by the Ministry of Finance), and quarterly allotment amounts for provincial departments are still issued by ministries as the formal authority to the province to spend. As a consequence, provinces must receive their allotment – now simply a document authorizing spending for the quarter, rather than a cash advance – before submitting their payroll documentation to Kabul for payment.

This is further complicated by the fact that the *tashkeel* and salary allotment do not necessarily match for individual provincial departments, as they had in the past. As a result, when allotments are delayed beyond the start of the fiscal year, provincial departments are often in a position of having to ration an allotment that may be smaller than the *tashkeel*, after the staff have already earned their pay.

Therefore, the role of salary allotments to provinces has changed. It is no longer the basis for providing an advance to provinces; instead its only purpose appears to be to ensure that the payroll is kept within budget limits, on the assumption that the *tashkeel* cannot be considered a reliable financial control mechanism. However, if this is the intention, provinces need to be informed of this change, and be trained on how to manage a staffing complement that is subject to overriding budget controls – a function they have never been required to perform in the past. It is also critical that the salary allotment information be provided to provinces early enough in the process so that it does not simply frustrate the budget execution process.

In the future, it will be important to move to an annual budget system with the provinces, especially if they are to take on increasing responsibility for managing their payroll within financial limits, in order to give them adequate time to plan.

Similarly for non-salary expenditures, the quarterly allotment to provinces is no longer a cash advance, but is simply a document providing formal authority to spend. Until August 2003, practices varied, but generally those provinces that had access to revenue would use this to make non-salary purchases, and those without access to revenue either purchased on credit or just did not spend. At the very end of the fiscal year 1381, Kabul did provide some cash to some provinces. In August 2003, the tools for a more regularized payment process were established with the setting up a single expenditure and revenue account in each province, and each expenditure account was "seeded" with 1 to 2 million afs. from which non-salary expenditures could be made. Once proper expenditure reports are submitted, these funds are to be replenished.

No data are yet available on how well this process has worked. However, if this system of advances is funded based on the actual quarterly allotment amounts and replenished in a timely manner, it should address many of the earlier concerns about lack of access to non-salary funds.

As with the salary allotment, future consideration should be given to moving to an annual allotment or budget, consistent with increased planning responsibilities at the provincial level. In the meantime, however, the system of quarterly allotments can also serve as an incentive for provincial performance, in that the quarterly allotment for non-salary expenditures could be adjusted depending on whether a particular province is meeting its performance targets.

Executing the ordinary budget**Appropriations and allotments**

All appropriations, which are the approved annual budgets of PBUs, are made according to *fasils* (the more detailed line item codes) and *babs*. Allotments are sent only by *babs*. Appropriations are made at the PBU level and are effected through the passage of the Budget Law (schedule 1). In effect, the budget provides political authority for the PBUs to spend – a delegated appropriation – subject to conditions. The conditions include the requirement that the PBUs prepare salary allotments for their central and provincial units, and that the Ministry of Finance agrees to these. Section 4 of the 1382 Budget Decree stipulates that, "No expenditures will be permitted by any ministry until allotments have been submitted to and agreed by the Ministry of Finance, including allotments authority distributed to provincial components of each ministry." Table 3 outlines the annual allotment procedures.

| | |
|---------------------------|---|
| Before the first quarter | Annual allotments are made by the Ministry of Finance for the PBUs. Each PBU prepares the quarterly allotments for each of its secondary budget units, and submits them to the Ministry of Finance. |
| Before the second quarter | Primary budget units submit revised quarterly allotments for each of their secondary budget units. The Ministry of Finance retains 25 percent of agreed allotments pending submission of expenditure reports. |
| Before the third quarter | Similar to above arrangements. |
| Before the fourth quarter | Similar to above except that the Ministry of Finance retains 50 percent of agreed allotments pending submission of expenditure reports. |

Primary budget units can transfer allotments between their secondary budget units. However, transfers between *babs* and any proposed increase in total primary budget unit budgets requires re-appropriation and must be authorized by the finance minister. Box 7 provides details on how budgets and salary allotments are determined, approved, and executed.

presented to donors. All work on budget preparation was done at the central ministry level; provinces had no involvement.

The key challenges in preparing the budget were to balance the proposed spending and staffing on security (including defense and police) with spending in other areas, and to ensure that the non-wage components in the key social sectors, such as health and education, were adequately funded. For reasons of political pragmatism, the defense budget was somewhat loosely defined.⁷

An additional challenge was to assess the scale and nature of expenditure that was occurring off budget. This included expenditure that could come on budget in a quite straightforward way, such as the use of revenues earned in embassies overseas to fund those embassies and the foreign ministry more broadly, expenditure from revenues collected at provincial level that were not reported to the center, and expenditure from assistance provided by neighboring countries.

The 1381 ordinary budget was approved for \$460 million, of which \$150 million was for staffing, and against which domestic revenue totaled \$83 million or 18.5 percent. The balance was financed through external donor assistance.

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The 1382 budget process was somewhat different than that of 1381. Late in 1381, ministries were required to first re-estimate their likely spending needs for 1381 and then to calculate the implications for 1382 on the assumption of no policy changes. Any changes to the estimated "ordinary" budget needs were to be justified by a separate estimate for each policy change along with some indicative performance information, or expected results. From a provincial perspective, this new budget process had little or no impact in terms of their involvement in the process – they continued to be completely excluded.

Time and capacity did not allow any training to be provided by the finance ministry to spending ministries. The major instruction provided by the finance ministry to the spending ministries was a request that they prepare and issue a staffing chart. No guidance was provided for operations and maintenance or capital expenditures.

The overall expenditure level for the operating budget for 1382 was initially set at \$450 million, by the Ministry of Finance, or around 10 percent of estimated GDP. Because of the relatively low level of domestic resource mobilization, it was recognized that donor financing would be needed for a large portion of the budget. This meant that budget documentation had to not only be available in English, but also had to be prepared to a standard that provided donors with sufficient comfort to allow them to support the operating budget. The budget was agreed by Cabinet on March 17, 2003.

The approved 1382 ordinary budget was equivalent to \$550 million – a 19 percent increase over spending in 1381. Domestic revenue forecasts were set at \$200 or 36.4 percent of the budget, requiring more than \$350 million in external assistance.

The Ordinary Budget

Budget preparation

As discussed above, central government ministries and institutions are primary budgetary units (PBUs) with specific budgets determined by law, while the provincial departments of the central government ministries are secondary budgetary units, and receive allotments at the discretion of the primary budget unit.

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The ordinary budget was designed to provide operating expenditure, including wages and salaries, operations and maintenance, and some capital expenditure to the PBUs.

The preparation for the 1381 budget was complicated by the short period of time that was available to the AIA (see Box 6). A one-month appropriation bill was prepared to cover the first month, while a more comprehensive full-year budget was developed. Information was poor, particularly in relation to staffing, with widespread confusion about the actual number of staff in post and authorized establishment, or number of positions. The choice of exchange rate also presented problems. Because the budget was more than 70 percent donor funded, there were arguments for presenting the budget in U.S. dollars. However, because the majority of expenditures were on local purchases – particularly local wages – the political priority was to maintain the nominal value of the wage that civil servants collected on a monthly basis.

The first stage of the actual budget preparation process involved ministries proposing staffing structures to the budget department in the Ministry of Finance, and then bargaining over these staffing numbers. The second stage entailed international advisers working with the proposed staffing structures and compiling a budget document that could be

Box 6: Passage of the 1381 Budget

The finance minister prepared a draft budget for consideration, but time was not sufficient for detailed consideration of the budget by Cabinet members. Accordingly, Cabinet agreed to the recommendation of the finance minister that one-thirteenth of the draft annual appropriation should serve as the appropriation for the first month of 1381.

During that first month, Cabinet debated the budget for the remainder of 1381. In some cases, there was quite detailed agreement over the budget, including staffing levels. However, in other areas, such as defense, agreement was looser. A budget decree, with the appropriation schedule attached, was agreed to by Cabinet on April 6, 2002 (17 Hamal 1381).

The decree included a number of general policy pronouncements, including the requirement that no wage raises could occur until reform of the public sector had begun. This was effectively reversed six weeks after the passage of the decree by the decision to introduce an additional lunch allowance. However, a clause forbidding overdraft financing has been rigidly enforced. Summary material, including the budget decree and the appropriation schedule, were provided to donors in English. The appropriation schedule and decree were circulated to ministers in Dari.

The recent history of the organizational arrangements for policy management support to Cabinet in Afghanistan is complex. It appears that the pre-Soviet arrangements were relatively orthodox: the Prime Minister's Office provided cabinet secretariat functions, and a relatively small personal office supported the president. The Soviets introduced a classic "*apparat*" – tasked with overseeing the line ministries' implementation of Moscow-driven sectoral policies. This was placed within the Office of the President. Support for Cabinet was provided by the Prime Minister's Office. The Taliban abolished the Prime Minister's Office, requiring that the Cabinet support function be moved to the Office of Administrative Affairs. The Afghanistan Interim Administration (AIA) reestablished the Prime Minister's Office and established the National Security Council (NSC), followed by an Office of the National Security Council Adviser, which seems to have some significant influence in the preparation of cabinet submissions.

As a result, Afghanistan's government today comprises the following array of central agencies:

- A Prime Minister's Office with few apparent functions but with about 300 staff (approximately half of the original, pre-abolition total). The Prime Minister's Office has recently been subsumed under the Office of the President as a budget unit, though still appears to function as an organizational unit.
- An Office of Administrative Affairs with about 1,200 staff with domestic and logistical functions, and a further 300 staff with professional duties, including support to Cabinet. This office:
 - Oversees the activities of all ministries through five sectors, each staffed with 20 sectoral experts;
 - Reviews all requests for senior staff appointments with, seemingly, the authority to veto ministries' recommendations; and
 - Organizes the meeting of ministers, including agenda-setting and sending out the decisions to line ministries.
- A small, but growing, Office of the President, with a small Policy Management Unit (PMU) of up to 12 staff that:
 - Provides expert advice to the president on policy issues, enabling the president to enter into informed dialogue with the relevant ministry;
 - Liaises with independent commissions established under the Bonn Agreement (including the Judicial Commission and the Human Rights Commission), and advises the president on cross-cutting issues; and
 - Monitors the implementation of the president's decisions.
- A small but growing Office of the NSC Adviser.

There appear to be some rivalries and organizational tensions concerning responsibility for Cabinet support, including managing the process for preparing submissions and managing the Cabinet agenda. In addition, Cabinet faces an accumulation of some 482 overlapping regulations relating to decision-making authority and responsibility. Despite this overload of regulations, there are significant gaps. There are, for example, no consistent criteria concerning what requires a presidential decree vs. a cabinet decision.

- used for recruitment and promotion for civil servants below grade 2 carried out by ministries and government agencies.
- The Independent Appeals Board will review appeals by current civil servants and applicants for civil service employment.
- The Civil Service Management Department
 - The Civil Service Management Department will establish and implement policies on employment and management of civil servants and administrative efficiency, including professional development and human resource management information systems.
- The Administrative Reform Secretariat
 - The secretariat within the IARCSC will support the Ministerial Advisory Committee (MAC) and the chairman of the IARCSC in leading and managing the administrative reform program, including the review of programs and projects. Members of the MAC include the ministers of foreign affairs, interior, finance, justice, labor, and social affairs, and up to three other ministries on an annual rotating basis, appointed for one year.

Prior to the establishment of the IARCSC, the Ministry of Labor and Social Affairs had responsibility for all staffing records. It also had – and continues to have – responsibility for managing staff being considered for redundancy. In principle, such staff should join a surplus list maintained by the ministry for six months, while attempts are made to find them employment in other ministries. This amounts to a flat rate six-month salary payment for any retrenched staff.

Policy management in the center of government

Government policies in Afghanistan, as elsewhere, are disseminated in several forms. First, strategic policies are signaled through personal announcements by the president and by ministers. Second, policies are conveyed, particularly at the sector level, by the operating and development budgets. Third, government can issue various laws and decrees. On the latter, the usual hierarchy applies:

- Legislative decrees (*furmaan taknini*) approved by the president and Cabinet
- Decrees of an administrative nature passed within the president's sole authority
- Regulations adopted by Cabinet
- Legislative documents under a variety of names (rules, directives, guidelines, and so forth) passed by individual ministers.

The National Assembly, re-established by the 2004 Constitution, has the authority to ratify, modify, or abrogate laws and legislative decrees, thus placing the laws that it passes at the top this hierarchy of policy instruments.

Policy management is crucial to ensuring that government is seen to be consistent and predictable in all these policy pronouncements. The phrase "policy management" is used deliberately. Policies are generally *made* in the sector ministries and *managed* at the center; there is little advantage to the Cabinet office or other central agency second-guessing technical proposals from the ministries.

Until recently, no single agency or ministry had responsibility for managing the public service. Human resource management functions, including recruitment, promotion, and staff placement, were spread out among different organizations – the Ministry of Labor and Social Affairs, the Ministry of Finance, and the administrative affairs office. In addition, there were other functions, such as organizational restructuring and public administration reform that were not performed at all. Consequently, there has been no place within government for making civil service policy, precluding any opportunity for considered policy action.

The Bonn Agreement provided for the establishment of an independent Civil Service Commission. This was established by Decree No. 257, dated 1381/3/2 (May 23, 2002). Subsequently, the passage of Decree No. 25 and the regulations in the form of Decree No. 26 on 1382/3/20 (June 10, 2003) amended and extended the responsibilities of the Civil Service Commission into that of an Independent Administrative Reform and Civil Service Commission (IARCSC). The decree and regulation gave the IARCSC responsibility for:

- *Appointments and appeals.* In order to fulfill its mandate under the Bonn Agreement, the Commission will recruit and promote candidates for senior civil service posts on merit, and will develop and oversee the application of merit-based recruitment procedures for the remainder of the civil service. The Commission will also hear appeals and deal with grievances from civil servants. Two independent boards are being appointed for these purposes.
- *Civil service management.* The Commission will develop a new civil service law, will review and amend, as necessary, existing legislation on civil service employment, and will develop personnel policies and procedures to ensure the legislation is applied in practice. The Commission, in consultation and collaboration with ministries, will be responsible for conducting reviews of institutional structures and administrative processes to improve the efficiency and effectiveness of government business. It will also develop strategies for enhancing the use of modern information technology throughout government. A civil service management department is being formed to carry out these tasks.
- *Administrative reform.* The Commission is the focal point within government for oversight, coordination, and management of the Public Administration Reform Program, one of the 12 priority National Development Programs (NDP) in the government's National Development Framework (NDF).

The IARCSC is headed by a chairman, who is directly responsible to the president. Currently, the chairman is one of the four vice presidents appointed as part of the Transitional Authority. Structurally, the commission comprises:

- The Independent Appointments Board and the Independent Appeals Board, with five and three members, respectively, appointed by the president for periods of between one and three years, renewable at the discretion of the president for one additional period of three years:
 - The Independent Appointments Board will identify and recommend to the president recruitment of civil servants at grade 2 and above (or equivalent in any new grading structure), and will review the procedures

Staffing

The underlying arrangements for recruiting and promoting staff stem from the 1970 (1349) Law on the Status and Condition of Government Employees, as amended by the 1977 (1356) Decree No. 1433. The 1970 law and amendments provided for a system of centralized recruitment, and established a system of job classification and grading that underpins the management of pay policy within the public sector. The law also confirmed the distinction between karmand staff, who are considered to be regular and permanent, and agir staff, who are hired on fixed-term contracts.

This is murky legal territory however. There is also a 1977 Staff Regulation No. 12.3 (1356) which contains many regulations that duplicate the contents of the 1970 law, particularly those that relate to salary and other benefits, promotion, and resignation. The 1977 regulation cancels previous regulations published in 1969, but it does not mention the 1970 law.

It appears that the 1988 Law on Government Workers (1367) Decree No. 666 superseded this law. However, this latter law appears to cover karmand staff only. The 1988 law was, in turn, overtaken by the Taliban Employment and Labor Relations and Personnel Law. The date of passage of this law is apparently 1998, but the latest edition was published by the Ministry of Justice in the official gazette, *Rasmi Gereeda*, in 1999. Though broadly consistent with the previous laws, it omits reference to two key issues that underpin the structure of government employment: the distinction between karmand and agir staff, and the concept of promotion in post. It is possible that the omission of this distinction in the Taliban law has led to some confusion about the current practice. The Taliban 1999 law, in its final article, cancelled Decree 666.

The Taliban law is widely considered to include a ban on the employment of women but a reading of the law does not suggest this is so. Regardless, the Bonn Agreement and the subsequent Presidential Decree No. 66 nullified any legal instruments that were inconsistent with the 1964 Constitution. That Decree, promulgated in 2001 (1380), annuls all laws, orders, regulations and articles inconsistent with the Bonn Agreement and requests the Ministry of Justice to review all laws and legislative documents passed before 1380.

There is also a labor law that was promulgated in 1987, but this appears to apply exclusively to private sector enterprises and those companies with up to 50 percent of government ownership. Annex 3 sets out the range of public sector legislation that has been identified to date.

It is important to note that employment within government is regarded as a homogenous whole. There is no distinction made between employees of a commercial government enterprise with government ownership greater than 50 percent, and those of a central government ministry. Similarly, there is little distinction between the terms and conditions of permanent staff and those on contracts. The result seems to be that all staff are effectively permanent and staff can, with permission, transfer between government enterprises and other positions in government. In practice, it seems that staff mobility is quite modest.

and in the past has been the primary source of information for the preparation of the budget for the following fiscal year. The Presidency is also undertaking "external" audits in the provinces.

- It requires that pre-audit be conducted by representatives from the Ministry of Finance who must pre-approve expenditures prior to distributing of salaries, procurements, and purchasing supplies, and prior to signing any contracts.
- It also provides for ministries to have an internal audit department – though in practice these departments are largely ineffective.

Primary responsibility for implementing the Budget Law lies with the Ministry of Finance in Kabul, and the ministry's network of provincial agents (the *mustoufie velayat*, also known just as the *mustoufie*). The organizational structure for the Ministry of Finance is somewhat over-elaborate but unremarkable, including departments for financial and economical analysis (responsible for macroeconomic projections), budget, revenue, customs, treasury, and accounting. Pensions' administration has recently been transferred to the Ministry of Labor and Social Affairs (MoLSA), although responsibility for pension policy remains in the Ministry of Finance.

The Procurement Regulations were first issued in 1977, and modifications have consisted primarily of periodic adjustments to the monetary thresholds. In addition, there is a parallel set of Construction Works Regulations. These are both, in principle, more or less adequate, covering the procurement of goods, works, and services at all levels of public administration. The latter regulations are much closer to international standards, though there are some significant shortcomings in the procurement arrangements:

- Ideally, all procurement regulations should be enshrined in law rather than regulations.
- There is some ambiguity concerning procurement carried out using extra-budgetary funds and the permissible breadth of national security exclusions.
- The regulations do not provide general conditions of contract, standard bidding documents, or guidance on ethics and penalties.
- The regulations allow for – and indeed encourage – auctions and open bidding, with contracted prices subject to further negotiation, and provide unfair advantages to nationalized industries and disadvantages to foreign bidders.

A new draft procurement law is currently being discussed with the Ministry of Justice. Meanwhile, draft regulations have been prepared and draft standard bidding documents are under preparation.

Central government ministries and institutions are primary budgetary units with specific budgets determined by law. The provincial departments of the central government ministries are secondary budgetary units, and receive allocations at the discretion of the primary budget unit. The net effect of these arrangements is that, in principle, the budgetary allocations for the provinces are simply the sum of the administrative decisions that have been made by the various Kabul ministries concerning the allocations to their provincial departments. There is no concept of a consolidated provincial budget.

2. CENTRAL ADMINISTRATION

Legal Basis and Organizational Responsibilities

Fiscal management

There are four main pieces of legislation that govern Afghanistan's fiscal mechanisms: the Budget Law (1983), the Accounting Manual (date uncertain), the Control and Audit Regulation (issued under the Budget Law in 1985) and the Procurement Regulations (1977).

The Budget Law and Accounting Manual, while somewhat complex, are sound and provide appropriate checks and balances. The Budget Law provides some elements of very good practice, in particular in its requirement that the full cost of donor projects should be reflected in the government's budget. It also has some significant shortcomings:

- It makes a separation between the development and "ordinary" budgets, rather than the more straightforward distinction between recurrent and capital budgets. The law does not reflect the current budget structure. It is divided into central and rural budget, development budget, social welfare budget, and confidential budget.
- It does not reflect the current institutional structure of Afghanistan, with frequent references to the Revolutionary Council as the budget appropriation and amendment institution.
- It prescribes a Soviet-style budget preparation procedure, based on indices in the five-year development plan, and detailed input cost norms.
- It fails to establish a consistent framework for internal control, internal audit and external audit.
- It does not include any provisions for financing of the budget, guarantees or other below-the-line operations.

The Accounting Manual establishes the "...legal requirements, organization, policies, procedures and rules concerning the accounting system of the Royal Government of Afghanistan." Though the document is not dated, it was promulgated after 1962 as it makes reference to a loan issued in that year. There is a separate Treasury Manual.

The Control and Audit Regulation recognizes three types of audits:

- It makes the General Control and Inspection Presidency of the Council of Ministers the supreme audit authority for the whole of government, under the auditor general, providing ex-post external audit. This presidency audits the Final Account of Revenues and Expenditures of the Ministry of Finance. The "Final Account" contains the appropriations of the primary budgetary units, the allocations that are issued during the fiscal year, and the revenues collected and expenditures made by government entities. The Final Account is prepared by the accounting, treasury, and revenue departments of the Ministry of Finance

in these conditions – we feel ashamed," said a member of a district elders' shura, referring to the office of the district governor. Deprived of resources, civilian administrators have little with which they can demonstrate the relevance and importance of central government.

Efforts to boost the prestige and capacity of subnational administration must go beyond simple "bricks and mortar" interventions. The importance of hiring qualified personnel into key positions at the subnational level was highlighted in numerous interviews:

"For a good administrative system you must hire professional people. Even in Islam it says professional people should be hired to do duties. The governor should look at ability and experience before hiring people." (*Member of civil society group in Badakhshan*)

"Work should be given to qualified people – now illiterate people have power which is why nothing gets done." (*District shura in Badakhshan*)

Staffing provincial and district governments with trained administrators who are appointed according to their competence will have the dual effect of weakening local power-holders and increasing the legitimacy of local government structures.

Conclusions

This chapter has outlined the evolution of the Afghan state and described the current political context of misalignment and political struggle between the de jure state in Kabul and de facto states at the subnational level. Afghanistan's current political context is very different from the history of tension between a centralizing state and a decentralized society based on the power of traditional institutions with substantial legitimacy. Today, there is a widespread desire for the power of the central government to be extended to the provinces, replacing the currently illegitimate de facto states run by local and regional commanders. While these wishes are often expressed in terms of a desire for a centralized state, this does not necessarily imply a centralization of the rules of operation with all activities based in Kabul. Some modest delegation may be necessary, but such increases in delegated authority should not be taken to mean broad-based decentralization. The task is to make a deconcentrated system work, not to seek heroic or destabilizing radical change.

The integrated nature of the current political, security, fiscal, and administrative problems facing Afghanistan means that strategies to legitimize and strengthen the de jure state that rely solely on reconstruction strategies will be inadequate. Instead, there is a need for an overarching political strategy that provides for integrated responses that promote the rule of law and security, especially through disarmament, along with reconstruction activities and measures to undermine the political economy supporting the commanders and warlords of Afghanistan. Strengthening national and subnational administration, the focus of the remainder of this study, will both result from and contribute to a political strategy to align the de jure and de facto states in Afghanistan.

Take advantage of the strong sentiment for central authority

“The administrative system is controlled by commanders, and many officials are linked to commanders. For example, the governor is from Jamiat [a factional group led by former President Burhanuddin Rabbani] and the Chief of Police is from Hezb-i-Islami [a factional group led by Gulbuddin Hekmatyar]. But 90 percent of people support the central government – they are unhappy with rule by commanders. Overall control of Badakhshan is by Rabbani, but if disarmament took place power would be transferred to the people. People are really looking forward to democracy and want to support the center. For example, people voted for me to be a Loya Jirga delegate even if I was opposed by commanders.” (*Provincial official and Emergency Loya Jirga delegate*)

Centralized state institutions in Afghanistan have historically co-existed uneasily with a fragmented, decentralized, and traditional society. The conflict of the past 25 years, however, has changed the nature of politics both at the local level and between the local and national levels. One of the most significant changes is that decentralized power, which previously rested largely in the structures of customary institutions (primarily tribal and religious) with considerable legitimacy, today rests on control of military and financial resources generated by participation in the conflict and war economy. The increasing gap between traditional customary institutions and power at the local level, the nostalgia for the days of relative peace under King Zahir Shah, and the bad experience local communities have had with the decentralization of power to warlords in recent years have seriously eroded the legitimacy of decentralized power.

Interviewees in all six provinces were virtually unanimous in their support for the restoration of central political authority over provincial and district administration. This sentiment was often expressed most passionately by those who in some way owed their appointments to warlords and commanders, suggesting that these loyalties may not be strong. Other poll-based research has also provided evidence that there is a strong attachment to the idea of central government – for many it would be their first port of call, even though citizens are all too aware of its limited capacity (The Human Rights Research and Advocacy Consortium, 2003:29-30). Many interviewees expressed considerable frustration at how little had been done by the international community and the current government to assert its influence, especially in view of the widespread popular support there would be for such a move.

In keeping with this concern to rebuild the central state, administrators and others in the provinces and districts were keen to see the prestige of the civil administration rebuilt.

“The poorer government is at the district level, the bigger the gap between central government and the people. Uluswal offices are 90 times less adequate than NGO or commander offices, so the prestige of the uluswal is going down while that of commanders and NGOs increases. Either get rid of uluswals or strengthens them – it’s better to have no government than a weak government that ruins the reputation of government.” (*District governor*)

Interviewees considered the current conditions disgraceful and politically damaging to the reputation of the government: "It is shameful for the government to work

The narcotics trade not only provides financial resources to warlords and commanders to support their de facto power, the failure of central government to control both the growth of poppy and the processing and transportation of opium is a visible sign of the weakness of the central administration and its inability to enforce its edicts. To quote one district administrator:

We received a letter from Kabul about not growing poppy which we announced to the people, but we can't stop farmers from growing poppy with 40 soldiers...If smuggling continues the prestige of the administration will be reduced – both at the national and international levels, as well as the local level. Smugglers always try to hurt and weaken the administration system.

It is not just the illicit economy, however, that is supporting the de facto decentralized states in Afghanistan. As discussed elsewhere, revenues from customs duties are considerable, especially in Herat and Kandahar, and the process of revenue remittance to Kabul is regarded as one of "negotiation." The study teams were told that revenues from the Daulatabad salt mines in Faryab and the lapis lazuli mines in Badakhshan were all captured by commanders and not remitted to the government. There are many other sources of unofficial taxation by commanders at all levels, including taxes on productive and transport activities. Furthermore, some regional warlords are reportedly still funded by neighboring and regional states seeking to increase their influence in the country.

Power holders often manipulate the structures of subnational government to ensure the continued access to resources that underpin their control. For example, four northern districts of Faryab Province have been taken over by the neighboring province of Jawzjan. The deputy governor explained that while these four districts were "administratively" still part of Faryab Province, they were "operationally" part of Jawzjan Province, the home province of General Dostum. While geographical considerations could be used to justify this change, as these districts are more accessible from the provincial capital of Jawzjan than Faryab, the opportunity for resource capture was behind this. The four northern districts include the major carpet trading town of Andkhoi and, more importantly, the Turkmenistan border customs post at Aqina.

Anecdotally, there is some evidence that as municipalities become more vibrant administrative centers, a "commanderization of municipalities" is taking place. As explained in greater detail in Chapter 5, provincial and rural municipalities are the only structures of subnational administration that are legally permitted to retain and spend revenues from taxes and fees raised locally. In several districts, the study teams found that mayors of rural municipalities wielded more power and prestige than district governors, and often were the ones to provide hospitality because they had access to revenues. More significantly, the dramatic increase in land prices in urban areas has created tremendous rent-seeking opportunities in provincial municipalities (and even more so in Kabul). Urban land mafias, often under the control of the factional leaders of the de facto states, are reportedly muscling their way into the municipalities of the major cities of Afghanistan to gain control of the lucrative revenues raised through the illegal rental and sale of state-owned properties.

processing the provincial payrolls. However, the average numbers of staff paid per month is gradually stabilizing. Overall, there are few signs of any significant increases in staffing at the Kabul or provincial levels since early 1381.

Although this government is quite small in employment terms (see Box 9) relative to its capability, this is not a small government given

the weak capacity of government. A large proportion (around 40 percent) of this relatively small workforce is located within Kabul. This is potentially problematic, because it suggests that any moves toward adequate staffing in the provinces without corresponding reductions in staff in Kabul could produce a large government, which would be both unnecessary and unsustainable.

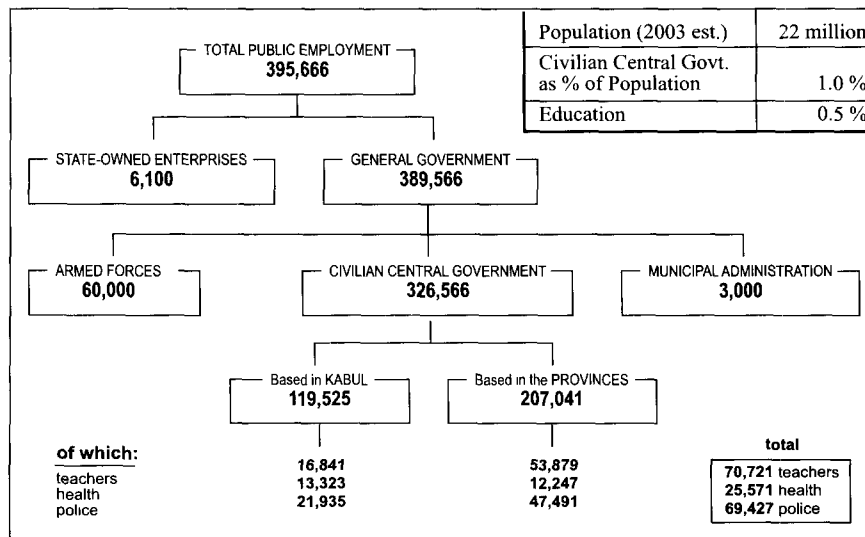
Box 9: Small Government

Even the largest of reasonable staffing estimates places Afghanistan at the low end of public sector employment relative to population compared to its regional neighbors.

Public sector employment in Afghanistan is between 1.1 percent and 1.6 percent of an assumed population of 22 million. In recent years, general civilian government employment (i.e. public sector employment excluding the military and state-owned enterprises) has accounted for about 2.5 percent of the population in countries in the Asia and the Pacific region. Of this, the social sectors (education, higher education and health) typically account for 40 percent, except in states that were part of the former Soviet Union, where social sector employment averages at around 70 percent of general civilian government.

Figure 4 sets out a current estimate for the underlying total of public employment.

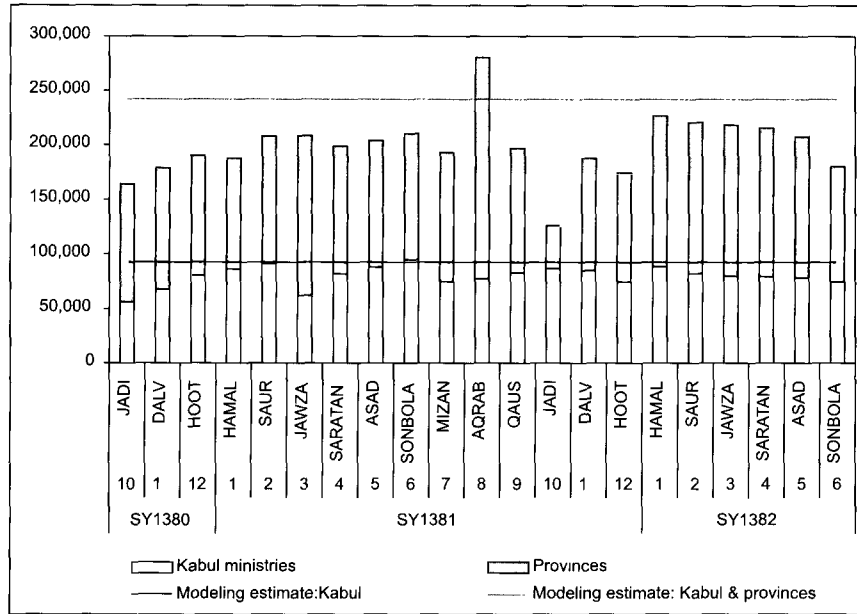
Figure 4: Estimated Underlying Totals for Public Employment



Source: World Bank Afghanistan Public Employment and Wages Model.

Figure 5 shows the numbers of staff for whom salaries have been paid in civilian central government (excluding police), set against the estimated underlying totals. There is no certainty that these numbers reflect the actual number of staff who have received their pay.

Figure 5: Civilian Government Staff for Whom Salaries Have Been Paid, Excluding Police



Notes: Requests for salary payments for the six pay periods from December 22, 2001, to June 21, 2002 (inclusive), and received before July 31, 2002, were processed and paid by the UNDP before they closed their payroll operation on August 15, 2002. Requests for salary payments for periods from June 22 onwards were processed by the Treasury Presidency in the Ministry of Finance and funded from the budget. These data, for the period to March 21, 2003, were collated and provided by Price Waterhouse Coopers. The "modeling estimates" provide the assumed underlying totals for civilian government employment that are used in the World Bank Afghanistan public employment and wages model. These include estimated totals for Herat, but the monthly data do not.

Sources: 1380 and 1381 – UNDP payroll data and treasury data (collated by the ARTF monitoring agents, Price Waterhouse Coopers); 1382 – Adam Smith Institute.

Box 10: Civil Service Working Hours

Civil servants work a six-day week. Civil service working hours are from 8 a.m. to 4 p.m. five days a week (Saturday –Wednesday) with an hour for lunch. On Thursday, working hours are from 8 a.m. to 1 p.m. Some provinces, such as Kandahar and Jalalabad, have summer working hours from 7 a.m. to 2 p.m., with no lunch or tea breaks during the hot season.

In practice, working hours in the provinces are shorter than in Kabul. With the exception of the provincial governors and senior officials, most provincial officials work up to 1 p.m. On Thursdays, many senior officials will take the complete day off to return to their home areas. Many civil servants at the district level work less. This part-time tradition is long-standing. It was the norm in the time of King Zahir Shah and President Daoud even though it was technically illegal. However, the tradition has become institutionalized, and now justified on the basis of low salaries.

Teachers work 24 hours per week. In the north, the school calendar runs from March to the end of November. In the south, the school calendar runs from September to the end of May. Schools are completely closed outside of these dates.

However, many dedicated officials, particularly in the administration and education departments, work longer hours than they are, in principle, paid for. A typical case is that of the deputy finance officer of a district in Faryab province who has been working overtime and on weekends for many months trying to re-record and re-register the land and other holdings of the whole district after the archives of the uluswali were burned and looted by the Taliban.

Teachers

There are some uncertainties in relation to the numbers of particular categories of staff. The number of teachers estimated in the Rapid Assessment of Learning Spaces (Ministry of Education and UNICEF update, 31 July, 2002) was 73,074. On the assumption that 60 percent of the staff of the Ministry of Education (MoE) is made up of teachers, as reported by the Ministry of Finance, then the Ministry of Education's total staff estimate of 120,000 appears correct. This estimate is further validated by analysis of the expenditures from 1381 and the 1381 second quarter allotments. The expenditures for the last five months of 1381 on emoluments would have paid for a total of 113,051 staff in the Ministry of Education. The allotments for the first quarter of 1382 would pay for 142,530 staff. This seems consistent with the modeling estimate allowing for a controlled increase in teacher staffing numbers.

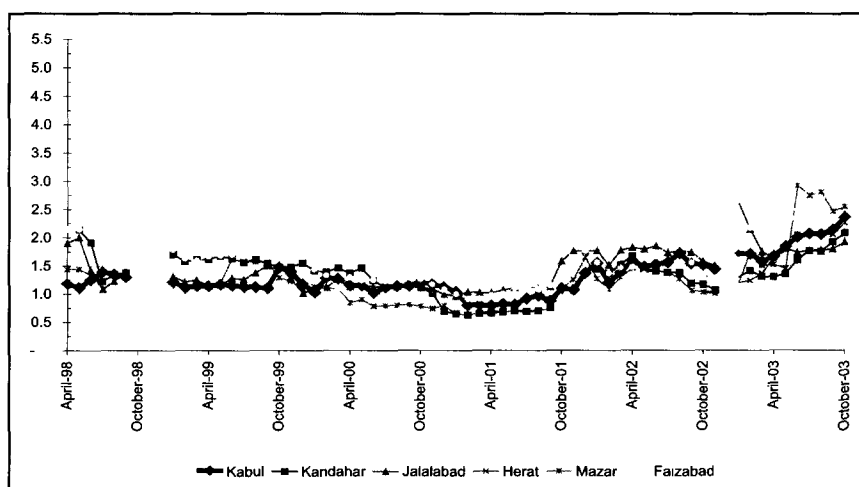
However, there are some uncertainties. The Ministry of Education reports that they have 105,000 teachers, larger than other estimates for teacher numbers, but less than the total staff of the ministry. Also, in the six provinces visited for this study, there are significant disparities between provincial reports and the Ministry of Education payroll data. The payroll records for the first month of 1382 show 814 teachers on payroll for Bamyan, while the province says that they actually have 2,202. Payroll records in Kabul show 2,545 teachers in Kabul, against a provincial report of 4,086. Payroll records for Wardak report 1,431 teachers, while the province report 2,763. Some provinces are undoubtedly having problems with late payments of salaries, and some teachers, though recorded as government staff,

are de facto employees of NGOs, such as the Swedish Committee for Afghanistan, or paid from unreported revenues held in the province. It could also be the case that, because of delays in the payroll, provincial reports have yet to show up in Kabul data.

Other provinces are reporting significantly lower totals than those reflected on the payroll data. Payroll records show that for the first month of 1382, in Badakhshan, 7,097 staff were paid in the Ministry of Education. Provincial education department staff report that they in fact have 5,646 staff. Similarly, payroll records suggest 3,747 for Faryab, while the province says that they have 2,930. In these cases, it is possible that the province is reporting data from last year, whereas payroll is reflecting the actual numbers following some extensive hiring.

In the recorded staff totals, there is a consistent trend towards increasing numbers of Ministry of Education staff in Kabul (see Figure 6).

Figure 6: Ministry of Education Staff in Kabul



Source: AREU/WB staff assessment.

Police

There are more significant problems in the accurate identification of police totals. Totals from the Law and Order Trust Fund for Afghanistan (LOTFA), the funding mechanism supporting police reform, suggest there are 55,000 uniformed police (reduced from 63,000 last year) but these exclude data for Zabul, Uruzgan, Herat, and Khost. Allowing for these provinces might bring the total number of uniformed police funded from the budget to 61,000. If an assumption is made that, as reported in 1381, there is an additional 13,600 police paid completely from local revenues and therefore are not accounted for by LOTFA, this would suggest that the total number of police might be around 75,000.

Although all *agir* and other civilian staff in the Ministry of Interior are paid according to the regular process, uniformed police are being funded through mechanisms that bypass the *mustoufiat* as their payroll is signed by the head of police and by the governor in each province, and sent to the Ministry of Interior in Kabul directly. For Bamyan, payroll records for the first month of 1382 show 97 Ministry of Interior staff, while the province reported that they have 737. In Faryab, the province reported 1,025 Ministry of Interior staff, against payroll data for 213. Similarly, Kandahar payroll records show 491 staff against a provincial report of 3,207. However, in other provinces, the lower numbers seem to reflect the facts. Records in Wardak show 195 Ministry of Interior staff against payroll numbers of 129, and Badakhshan records report 145 against payroll records of 285.

Payroll records in Kabul suggest that there were 11,300 non-uniformed employees in the Ministry of Interior.

State enterprises

In principle, the above employment estimates exclude state-owned enterprise (SOE) staff. Government policy is to require enterprises to pay for their own staff from own-source revenues, and not to fund them through the government budget. There are signs, however, that some enterprise staff are migrating to the parent ministries. So while apparent payments to enterprise staff are declining, there is a small increase in the numbers of staff funded through the parent ministries.

Recent work undertaken by Adam Smith Institute found 51 functioning and 19 defunct state enterprises and 76 of unknown status (Adam Smith Institute, 2003). The budget contingency for government enterprise salaries reduced the numbers of enterprise staff that the budget was planning on funding from 25,000 in 1381, to around 1,400 in 1382. However, the 1382 budget also made provision for an allowance for payments to SOEs. If this were all used for salaries rather than as a subsidy for other operating costs, then this would have provided for an additional 4,600 employees.

On the same basis, the expenditures indicated that an average of 17,100 SOE employees were paid in the last five months of 1381, reducing the number to an average of 3,000 for the first five months of 1382. However, the combined expenditures for the ministries of Light Industries and Food and Mines and Industry have increased significantly over this period. The emoluments (salary) budgets for these ministries have increased from a level that would have funded fewer than 600 employees to funding for more than 800 staff. But expenses increased more significantly by a level of around 7,600 employees in the last five months of 1381 and by a level that would, on the same basis of estimation, have funded an average of 3,100 additional staff in the first five months of 1382 (an increase probably funded by the budgeted contingency). In addition, payments of 107 million *afs.* have been made for "subsidies" from the Ministry of Food and Light Industries, and it is probable that these are used for funding recurrent costs in SOEs. These subsidies could fund 5,000 employees over 12 months.

Overall, the 1382 budget planned a reduction in budget funding for SOE employees from 25,000 to a maximum of 6,000. Early signs based on these estimates are that

the total numbers being funded from the budget have indeed decreased from about 24,700 to about 6,100. However, there is considerable uncertainty regarding the totals, and it is possible that there are salary payment arrears for enterprise staff.

Other staff

Defense and security staff numbers cannot be estimated with any accuracy from available data. The budget, allotment, and expenditure data for 1382 are inconsistent, precluding any estimate of the likely underlying totals.

In addition to the permanent (karmand) and contract (agir) staff, there are a small number of daily paid employees. Daily paid employees are hired according to private market rates for their services, and are not hired against an establishment list or assigned an employment grade. It is believed that there are very few daily paid employees in the provinces. Exceptions to this are larger municipalities with substantial public works projects (for example, Herat City).

Pay and grading

General civilian government

Every public employee has a personal grade. This is true of employees based in Kabul, the provinces, or at district level. Two base pay scales – one for karmand staff and one for agir staff – apply equally, everywhere in Afghanistan. The two base pay scales are almost identical (see Table 5). The same food allowances apply to both.

"Outside of grade" is used for ministers, the attorney general and the auditor general as these have the status of minister. It also applies to the vice presidents, the mayor of Kabul and, previously, to parliamentarians. Previously the governors of the larger provinces were also "outside of grade," but recently all governors' positions have been downgraded to "beyond grade."

The original intention of the 1970 Law on State Employees was to provide for promotion in post for karmand but not for agir staff. However, the distinction between the two categories has largely disappeared. Promotion in post is subject to:

- Completion of three years of service in the same grade
- Good performance and activity record

| <i>Grade/step</i> (highest to lowest) | <i>Karmand</i> | <i>Agir</i> |
|--|----------------|-------------|
| "Outside of grade" | 455 | |
| "Beyond grade" | 210 | |
| "Above grade" | 170 | 128 |
| 1 | 130 | 113 |
| 2 | 110 | 102 |
| 3 | 95 | 93 |
| 4 | 78 | 76 |
| 5 | 70 | 68 |
| 6 | 62 | 60 |
| 7 | 57 | 55 |
| 8 | 51 | 49 |
| 9 | 46 | 43 |
| 10 | 40 | 30 |

Note: Different terms are used which translate as "steps" for karmand and "grades" for agir positions. Although this refers to the same idea, namely that advancement is triggered through a combination of academic qualifications and years of experience, the distinction seemingly is designed to emphasize that the nature of the educational requirements differs between karmand and agir staff.

Source: AREU/WB staff assessment.

- Complete and regular attendance
- Adequate education levels (There are academically-based restrictions on working in higher position grades before having been promoted. A high school graduate can work only two levels above his/her personal grade, with a bachelors' degree he or she can work four levels above and with a masters' degree 6 levels above. There are no restrictions for PhDs.)
- Endorsement of the promotion by the immediate manager and by the higher approving authorities.

If a karmand staff meets all these legal requirements, he/she could have a grade increase every three years until he/she reaches grade one. Promotion from grade one to "above grade" and from "above" to "beyond grade" requires four years of service.

- While karmand employees have the prospect of a reasonably assured promotion every three years, advancement through the grade (and pay) structure for many agir positions is capped at a particular level (for instance, drivers cannot be promoted beyond grade 2); however, higher skilled agir employees can advance to the top of the agir scale.
- Agir employees are not entitled to receive a professional bonus in addition to salary.

Contract employment through agir status provides some flexibility – as evident in the education sector – but, in practice, most agir employees remain in government for many years and follow a career path very similar to that of karmand staff. All police officers and sergeants are regarded as karmand staff. Police patrolmen are agir.

The regular promotions in post require a distinction to be drawn between a "position grade" (the grade assigned in the tashkeel to that particular post), and the "personal grade" (the grade which the individual post-holder has reached). Through years of service and regular promotions, staff in lower positions of authority can occupy a higher grade (and earn a higher salary) than their managers. This is known as a rank-in-person arrangement – distinct from the more common rank-in-post. These disparities are masked by wage compression, but in any pay reform this will need to be addressed.

Pay policy is set centrally for all public employees in Afghanistan. In addition to the base pay set out in Table 5, there is also a complex set of allowances, outlined in Table 6.

The 1970 Law on State Employees states the circumstances under which additional remuneration is possible for additional hours and work in extreme or dangerous conditions. In practice, public employees do not receive overtime pay in Afghanistan today. Hazard pay, if it exists, is extremely rare.

The underlying base pay scale offers a reasonably well-structured scale for base pay. However, as Table 7 shows, the real salary scale for public employees is very compressed, as food allowances (given equally to all public employees) account for more than 90 percent of monthly pay.

| | |
|-----------------------------------|---|
| Base pay | Payable to all staff |
| Food allowance | Payable to all staff |
| Second food allowance | The second food allowance was introduced on 5 May, 2002. In principle, this is not payable to teachers. |
| Transport allowance | Payable only to public employees in Kabul |
| Professional allowance | There is no direct link between employment grade and the professional allowance. In the education sector, a professional allowance of 8 afs. is paid to those who have completed secondary school; 12 afs. for completing two additional years of schooling (grade 14); 15 afs. for a university degree; 17.5 afs. for an additional year beyond university; 20 afs. for a master's degree; and 25 for a doctorate. Only those who have completed high school can be hired as karmand teachers (others can be hired as agir). It is believed that the same rules for the professional allowance apply to government employees of other sectors. |
| Additional professional allowance | 157.5 afs., payable to "beyond grade" karmand staff |
| Scientific allowance | 1,400 afs., payable to "beyond grade" karmand staff |
| Special allowances | There are two special allowances (200 and 300 afs.) that are available only to "beyond grade" employees for special duties. |

Source: AREU/WB staff assessment.

| Steps | Base Pay | Food allowance | 2nd food allowance | Transport | Professional | Total pay | Allowance as % of total pay |
|---------|----------|----------------|--------------------|-----------|--------------|-----------|-----------------------------|
| Outside | 455 | 1,200 | 440 | | | 2,095 | 78.3% |
| Beyond | 210 | 1,200 | 440 | 130 | 15 | 2,019 | 89.6% |
| Above | 170 | 1,200 | 440 | 130 | 8 | 1,955 | 91.3% |
| 1 | 130 | 1,200 | 440 | 130 | 8 | 1,908 | 93.2% |
| 2 | 110 | 1,200 | 440 | 130 | 8 | 1,888 | 94.2% |
| 3 | 95 | 1,200 | 440 | 130 | 8 | 1,873 | 94.9% |
| 4 | 78 | 1,200 | 440 | 130 | 8 | 1,856 | 95.8% |
| 5 | 70 | 1,200 | 440 | 130 | 8 | 1,848 | 96.2% |
| 6 | 62 | 1,200 | 440 | 130 | 8 | 1,840 | 96.6% |
| 7 | 57 | 1,200 | 440 | 130 | 8 | 1,835 | 96.9% |
| 8 | 51 | 1,200 | 440 | 130 | 8 | 1,829 | 97.2% |
| 9 | 46 | 1,200 | 440 | 130 | 8 | 1,824 | 97.5% |
| 10 | 40 | 1,200 | 440 | 130 | 8 | 1,818 | 97.8% |

Note: See Table 6 for details of eligibility for these allowances.
Source: AREU/WB staff assessment.

Schedule 11 of the 1382 Budget Decree consolidated the various allowances into base pay, but did not increase total pay. This has proved to be something of a change in nomenclature only. In practice, staff still consider that their pay comprises a small base pay element and then a larger series of allowances.

Generally, pay rates are very low, especially for the higher steps or grades. One of the possible factors contributing to the absence of massive hiring is the low pay. Many government employees have other jobs, and see their government salary as an added bonus rather than their main income.

Some foodstuffs are also provided to government employees (Box 11). This is quite separate to the monetary food allowances that are part of their pay.

Box 11: The History of the Food Baskets

Food was first provided to civil servants in Afghanistan around 1937. Ration books allowed a government worker to receive both food and non-food items. The amounts provided have varied. Ration books printed in the 1990s refer to entitlements of 56 kg. of wheat per month. Other items included in the ration books are flour, sugar, tea, powdered milk, rice, cooking oil, soap, and razor blades.

At first, the commodities were provided free. Subsequently, they were sold at subsidized prices. In 1989, the Najibullah government reverted to the distribution of free commodities to civil servants. In 1992, under the Rabbani government, this was stopped and civil servants were given monetized benefits – in the form of transportation and meal allowances.

The AIA, with the support of the U.N. secretary-general's special representative to Afghanistan, made a special appeal to the World Food Program (WFP) to include a food ration for civil servants in its emergency operation that began on April 1, 2002. WFP's emergency appeal subsequently included a special program of food assistance for up to 270,000 civil servants from March to September 2002. The United States Office of Food for Peace provided 100 percent of the civil service food supplement, plus additional quantities of vegetable oil to be provided to teachers after assistance to other civil servants was to finish in September. The quantities provided under the U.S.-supported program (comprising 12.5 kg. of lentils and 5 liters of oil per month) is estimated to have provided a boost in the purchasing power of civil service salaries by 20 to 25 percent.

The U.S.-supported program through WFP and the Department of Rations ended in September 2002, except for teachers who continue to receive U.S.-supported food assistance as a salary supplement (10 liters of oil per month, in theory) through WFP and the Ministry of Education. The Ministry of Commerce (department of rations) has contracted to provide some rations, including tea, soap, and oil – supplemented by donated contributions of supplies from some countries such as Pakistan (sugar). However, it appears that the government has determined that these supplies are to be sold to government employees in Kabul at cost.

Current pay reforms*Police*

A new salary scale was proposed by the Ministry of Interior for police officers and sergeants and approved by Cabinet in early 1382, effective from Jawza 1382 (May 22 to June 21). The pay rise for police officers has resulted in the pay scale shown in Table 8.

There are significant disparities in the average salary levels between provinces. In Hamal 1382 (March 22 – April 21), the average ranged from 800 afs. to 1,700 afs. This was before the pay raise and the disparity probably reflected some combination of different ratios of officers/sergeants and patrolmen, and varying use of own source revenues. However, following the implementation of the raise, the early signs are of remarkable differences in average pay. It appears that this is a consequence of the uneven introduction of the new pay scales and the consequent need to pay arrears.

In 1382, police have also been paid significant arrears that accrued in 1381. Budget code 30600 (a food allowance code) was used to pay the arrears for police who had not received pay at all in 1381 due to irregular appointment procedures but who have since been confirmed in position. Code 70600 (an exceptional transfers code) was used to pay the arrears for the 13th month salary for 1381 for Kabul police and for some provinces.

Teachers

Teachers have historically been paid in line with other civilian government staff. Teachers are, in principle, not entitled to a second food

| Grades | | Before 1382 | From 1382 |
|--------|---|-------------|-----------|
| | Officers | | |
| Beyond | Four-star general | 1,625 | 5,625 |
| Above | Lt. general (<i>Dagar general</i>) | 1,625 | 5,250 |
| 1 | Major general (<i>Touran general</i>) | 1,625 | 4,950 |
| 2 | Brigadier (<i>Bread general</i>) | 1,625 | 4,650 |
| 3 | Colonel (<i>Dagarwal</i>) | 1,615 | 4,425 |
| 4 | Lt. colonel (<i>Dagarman</i>) | 1,615 | 4,200 |
| 5 | Major (<i>Jaglan</i>) | 1,615 | 3,975 |
| 6 | Senior captain (<i>Jeak touran</i>) | 1,608 | 3,750 |
| 7 | Captain (<i>Touran</i>) | 1,608 | 3,525 |
| 8 | First lt. (<i>Lowmlai breatman</i>) | 1,608 | 3,300 |
| 9 | Second lt. (<i>Dowahum breatman</i>) | 1,608 | 3,150 |
| 10 | Third lt. (<i>Drayam breatman</i>) | 1,608 | 3,000 |
| | Sergeants (<i>Satanmanans</i>) | | |
| | <i>Sar satan man</i> | 1,603 | 3,500 |
| | <i>Lomari satan man</i> | 1,603 | 3,100 |
| | <i>Do ham satan man</i> | 1,603 | 2,800 |
| | <i>Daryam satan man</i> | 1,603 | 2,500 |
| | Police academy students | | |
| | First class | 75 | 75 |
| | Second class | 150 | 150 |
| | Third class | 225 | 225 |
| | Patrolmen | | |
| | Maximum | 600 | 600 |
| | Minimum | 800 | 800 |

Source: LOTFA

| Qualification | Allowance |
|--------------------------|-----------|
| Masters degree or higher | 1,500 |
| Bachelors' degree | 1,300 |
| Grade 14 complete | 1,100 |
| Grade 13 complete | 1,000 |
| Grade 12 complete | 900 |
| Less than 12 yrs. | 800 |

Source: AREU/WB staff assessment.

allowance (see Table 6), but in practice it appears that they do receive this. Recent teacher pay raises increase the professional allowance significantly, from 15 afs. per month for "above" and "beyond," and 8 afs. per month for other lower graded staff, to 1,300 afs. per month for teachers if they have a bachelors' degree (see Table 9). Increasing teacher salaries via a professional allowance rather than through an increase in base pay complicates matters as it requires detailed data on staff and their qualifications. Table 10 provides details of teacher qualifications in three provinces. It is probable that teacher qualifications in Kabul are higher than elsewhere.

| Percentages | Ministry of Education estimates | Herat (karmand only) | Kandahar | Wardak |
|----------------------|---------------------------------|----------------------|----------|--------|
| Masters or higher | 0.4 | 0.3 | 0.1 | 0.0 |
| Licentiate/bachelors | 8.8 | 6.2 | 1.2 | 2.2 |
| Grade 14 and higher | 18.0 | 19.5 | 4.0 | 3.1 |
| Grade 13 | 17.8 | 4.9 | 1.2 | 0.7 |
| Grade 12 | 54.2 | 64.5 | 27.8 | 94.0 |
| Less than grade 12 | 0.7 | 4.5 | 65.7 | 0.0 |
| Total | 99.9 | 99.9 | 100 | 100 |

Source: Provincial departments of education.

Priority Reform and Restructuring Decree

The Priority Reform and Restructuring (PRR) Decree was signed by President Karzai on 10 July 2003. Ministries and government agencies may apply for PRR status, which is granted on the basis of the quality of the proposed business plan for a ministry or agency. PRR status allows some staff to be placed on higher salaries, for a fixed term, if they are undertaking high priority tasks and have a demonstrated track record of competence. The higher salaries are provided through an interim additional allowance (IAA), which is additional to base salary but which replaces all other allowances.

As Table 11 indicates, the IAA scale provided for by the PRR decree has seven steps, intentionally designed to deter simplistic transfers of existing staff onto the new grades without consideration of their

| Post level | Minimum | Maximum |
|------------|--|---------|
| A | 11,045 | 11,750 |
| B | 9,635 | 10,240 |
| C | 8,225 | 8,930 |
| D | 6,815 | 7,520 |
| E | 5,405 | 6,110 |
| F | 3,995 | 4,700 |
| U | Unchanged (existing salary and allowances) | |

Source: AREU/WB staff assessment.

responsibilities. In effect, staff are regraded as they are moved into the new positions created when a department is awarded PRR status.

Ministries' proposals for PRR status undergo a robust but straightforward two-stage process. In stage one, proposals to be considered for PRR status must be made in writing to the chairman of the IARCSC with relatively simple documented evidence that urgent reform of the function is required, and that a suitably skilled task force is available to lead and manage the reform and restructuring process. The Ministerial Advisory Committee on Administrative Reform makes the decision to allow the application to proceed to stage 2.

Stage 2 requires a more detailed proposal, including the expected improvements in efficiency and cost-effectiveness, with documented evidence that the relevant function has been comprehensively reviewed, identification of the posts recommended for transfer to the IAA scale, and a full costing of the proposed changes, with evidence that these have been discussed and agreed with the Ministry of Finance.

The PRR decree should provide for some relief from the very compressed wage structure for ministries and departments undertaking important functions. As of January 31, 2004, there were 26 functions that had received stage 2 approval, and a further 16 had received stage 1 approval.

Health

Although there is no health sector pay reform intended, the "contracting out" exercise adopted by the Ministry of Health (see Chapter 7) is likely to set the pay for health sector staff within government. Table 12 sets out the base salary scales that NGOs working in the Afghanistan health sector have agreed to follow under donor and government-funded programs.

In addition, incentives are given as percentage increases on these base salaries according to hardship scores. These scores are determined by criteria that reflect district-specific conditions (physician density, girls enrolled in primary education, midwife density, population of district), and facility-specific conditions (distance to provincial center, distance students must walk from the clinic to a primary school where female students are enrolled, living amenities including housing provided by NGO, safe water source available next to housing, population of immediate community, population that can reach facility in less than 30 minutes' walk, indication of potential for private practice, closest functioning hospitals, and days cut off per year due to snow in winter). The resulting hardship scores increase salaries proportionately as shown in Table 13.

If it is assumed that the average incentive will be 75 percent of base pay, then an administrator in a first level referral hospital would receive 17,500 afs. (\$350) per month. Within government, such an employee might reasonably be on grade two and would be currently receiving 10 percent of that (1,888 afs. per month). In order to ensure some minimum level of parity with these NGO packages, it is anticipated that provincial health departments will apply for PRR status. If awarded to them, it is likely that a senior administrator might be placed at grade D on the interim additional allowance scale. This would result in the administrator being paid 9,056 afs. (\$181.12) per month. This disparity will be difficult to sustain over

| Table 12: Maximum Base Salary Scales for NGOs Working in the Afghan Health Sector (June 15, 2003 – June 14, 2004) | | |
|--|--------------------------------------|---|
| Categories | Monthly Base Salary (U.S. \$) | Comments |
| General practitioner/MD (CHC) | \$170 | Based on five hours of daily work in a standard health facility |
| Medical and nursing specialists | not yet determined | |
| Surgeon (first level referral hospital) | \$450 | Postgraduate diploma in surgery. Based on eight hours of daily work including on-call rotation |
| Surgeon (first level referral hospital) | \$600 | Postgraduate diploma in obstetric surgery. Based on eight hours of daily work including on-call rotation |
| MD (first level referral hospital) | \$200 | Based on eight hours of daily work including on-call rotation |
| Dentist | \$170 | University-level training; based on five hours of daily work in a hospital out patient department setting |
| Dental technician | \$100 | Between two and three years basic medical training; based on five hours of daily work |
| Dental technician | \$90 | Between 6 and 18 months of basic medical training; based on five hours of daily work |
| Nurse | \$110 | 18 or more months of basic medical training; based on five hours of daily work |
| Assistant nurse | \$90 | Between 12 and 18 months of basic training; based on five hours of daily work |
| Midwife | \$140 | Three years of midwifery training; based on five hours of daily work |
| Auxiliary/community midwife | \$125 | Between 1.5 and 2 years of basic training; based on five hours of daily work |
| Pharmacist | \$140 | University-level training |
| Pharmacy technician | \$100 | Between 12 and 18 months of basic medical training; based on eight hours of daily work |
| Lab technician (first level referral hospital) | \$120 | More than 18 months basic training; based on eight hours of daily work |
| Assistant lab technician | \$100 | Between 12 and 18 months of basic training; based on eight hours of daily work |
| Assistant lab technician | \$80 | Between 6 and 18 months of basic medical training; based on five hours of daily work |
| X-ray technician | \$150 | Assumed between 6 and 18 months of basic medical training; based on eight hours of daily work |
| Anesthetist | \$150 | Assumed between 6 and 18 months of basic medical training; based on eight hours of daily work |
| Physiotherapy technician | not yet determined | Assumed between three and six months of basic training |
| Health inspector/sanitarian | not yet determined | |
| CHW | no salary | To be determined by community, advise maximum \$21 per month |
| Vaccinator | \$80 | Based on five hours of daily work (including outreach activities) |
| TBA | no salary | Receives some payments for services rendered by clients |
| Categories not mentioned in the BPHS | | |
| Administrator (CHC) | \$100 | Based on five hours of daily work |
| Administrator (first level referral hospital) | \$200 | Based on daily eight hours of daily work |
| Guards, cooks and other support staff | for NGO to decide | |

Notes: Recommended BPHS health worker categories; scale based on a six-day work week.

Source: Salary Policy Working Group, 2003.

the longer term, and it is probable that there will be considerable pressure for increasing the IAA scales – doubling them would be necessary to achieve something close to parity with the NGO health sector administrators' salaries.

Other pay reforms

In November 2003, Cabinet agreed to a pay increase for civil servants (excluding the military, police, and teachers). The increase amounted to a 600 percent increase in the base salary for all grades (see Table 14). The case for this pay increase is convincing – not least because unless some relief is offered, ad hoc pay increases are inevitable.

| Score | Classification | Essential medical staff | |
|----------|-----------------------|-------------------------|--------|
| | | Male | Female |
| 0 - 24 | Urban/semi-urban | 0% | 0% |
| 25 - 49 | Small towns | 25% | 50% |
| 50 - 74 | Rural | 50% | 100% |
| 75 - 100 | Deep rural and remote | 100% | 200% |

Source: as Table 12.

The reform will decompress the wage scale: since the increase for grade "beyond" is 64 percent and only 13 percent for grade 10, the ratio of pay (base plus allowance) for "beyond" will increase from 1.1 to 1.6 times the pay for grade 10. This is an important outcome: salary levels for professional staff will be more attractive for the civil service to retain qualified staff, even though the pay increase brings salary levels for unskilled labor at a level beyond those observed in the private sector. However, this pay somewhat reduces the incentives provided by the IAA, by giving a pay increase to departments without any reform program.

In addition to the full year costs of 950 million afs. from this reform, the pay increase for police agreed in Jawza 1382 (May 22 –June 21) will entail full year costs of 800 million afs. (assuming there are close to 18,000 officers and 7,000 sergeants that benefit), more than doubling the previous wage bill for police.

Assuming that 10 percent of teachers have a master's or bachelor's degree, and that 65 percent have completed grade 12 or less, then the teacher pay reform has increased the total annual wage bill for teachers from 1.2 billion afs. to 2.7 billion afs. The annual budget for salaries (1000 code) for teacher salaries is 2 billion afs. (the total amount budgeted for salaries in the Ministry of Education is 3.4 billion afs. but 41 percent of this amount is necessary to cover that proportion of administrators), so these teacher pay increases must be coupled with a decrease in teacher numbers unless more resources are identified.

The costs of the PRR decree depends on the assumptions employed about the re-grading of staff and the numbers affected. If two-thirds of all civilian, non-teaching, non-police departments and agencies were to go onto PRR status, then the annual wage bill would increase by 3.9 billion afs., though the estimation is highly sensitive to assumptions concerning shifting staff from the current structure onto the PRR grades. If it is assumed that 5,000 staff might go onto PRR over the next 12 months, then on the same assumptions, the increase in the annual wage bill would be some 200 million afs., or \$4 million.

| Grade | Standard allowances | Previous | | | Revised | | |
|---------|---------------------|----------|-----------|--------------------------|----------|-----------|--------------------------|
| | | Base pay | Total pay | Allow. as % of total pay | Base pay | Total pay | Allow. as % of total pay |
| Outside | 1,640 | 455 | 2,095 | 78.3% | 3,185 | 4,825 | 34.0% |
| Beyond | 1,809 | 210 | 2,019 | 89.6% | 1,470 | 3,279 | 55.2% |
| Above | 1,785 | 170 | 1,955 | 91.3% | 1,190 | 2,975 | 60.0% |
| 1 | 1,778 | 130 | 1,908 | 93.2% | 910 | 2,688 | 66.1% |
| 2 | 1,778 | 110 | 1,888 | 94.2% | 770 | 2,548 | 69.8% |
| 3 | 1,778 | 95 | 1,873 | 94.9% | 665 | 2,443 | 72.8% |
| 4 | 1,778 | 78 | 1,856 | 95.8% | 546 | 2,324 | 76.5% |
| 5 | 1,778 | 70 | 1,848 | 96.2% | 490 | 2,268 | 78.4% |
| 6 | 1,778 | 62 | 1,840 | 96.6% | 434 | 2,212 | 80.4% |
| 7 | 1,778 | 57 | 1,835 | 96.9% | 399 | 2,177 | 81.7% |
| 8 | 1,778 | 51 | 1,829 | 97.2% | 357 | 2,135 | 83.3% |
| 9 | 1,778 | 46 | 1,824 | 97.5% | 322 | 2,100 | 84.7% |
| 10 | 1,778 | 40 | 1,818 | 97.8% | 280 | 2,058 | 86.4% |

Source: AREU/WB staff assessment.

Taken together, the agreed pay reforms represent a 50 percent increase on the current civilian wage bill. There are two significant risks. First, there is the possibility of growing, contingent liabilities and the implications for pension liabilities of these pay increases must be considered (see the section on pensions below). There is an associated risk that increased pensions might increase the pressures for recruiting staff into the lower, unskilled grades of the civil service as income security for staff and their families will significantly raise the perceived value of public sector employment.

Second, uncoordinated pay reforms could support competitive leapfrogging between sectors. The PRR is intended to be the first step towards a new pay and grading system to operate across government. As Table 15 indicates, there is considerable inconsistency between the recent pay increases, but the PRR rates are sufficiently in excess of other recent pay reforms to provide a unifying framework. However, the PRR rates are likely to be under some pressure from the more generous payments allowed in the health sector. There will be some upward pressure on wages because of the economic effects of poppy growing, and the related construction boom in the urban areas.

Early analysis of the limited labor market data suggests that the PRR rates are reasonable for general staff who operate purely within the Afghan labor market, and that pay rates at the lower, unskilled end should not be raised.

For unskilled jobs, for which a primary education (or less) is required, the current government compensation package of 1,813 afs. per month is comparable with the casual daily wage which grosses up to between 1,300-2,000 afs. per month for a 20-day working month. It also compares with the average family income, from two to three workers or sources, of 2,400 afs. per month. At this level, it seems

probable that pay for low level civil servants is, if anything, rather high for unskilled and, in some cases, illiterate staff. However, as noted in the discussion of provincial pay and grading on page 103, there are some signs that unskilled labor rates are rising.

At the other extreme, the proposed pay range of 11,000-11,750 afs. per month for top civil servants is considerably below the U.N. pay levels, but it appears on par with the earnings of self-employed and small businessmen in "professional" and "managerial" occupations. Survey evidence points to a top income of 13,000 afs. per month in Kabul (International Rescue Committee, 2003).

As for the mid-level, restructured government jobs, pay scales appear comparable with the informal sector, although it must be noted that there is considerable variation in informal sector business incomes, with incomes as high as 17,500 afs. per month and as low as 5,000 afs. per month for the professional categories (International Rescue Committee, 2003). As a general rule, incomes are lower outside Kabul.

Table 15: Current and Planned Pay Levels (afs. per month)

| Table 15: Current and Planned Pay Levels (afs. per month) | | | | | | | | | | |
|---|-------------------|--------------------------------------|-------------------|---------------------------------------|-----------|-----------------------|--------------------|------------------|---|-----------|
| Current pay levels | | | | | | | Planned pay levels | | | |
| Civil servants | | Police pay reforms (from Jawza 1382) | | PRR reformed departments ^a | | Teachers ^b | | Recent pay raise | Health administrators in NGOs under contract to government ^c | |
| Grade | Current total pay | Grade | Current total pay | IAA scale | Total pay | Minimum | Maximum | Total pay | Grade | Total pay |
| "beyond" | 2,019 | 4 Star General | 5,625 | a | 13,417 | 2,819 | 3,519 | 3,279 | | |
| "above" | 1,955 | Lt. General (Dagar General) | 5,250 | b | 11,893 | 2,755 | 3,455 | 2,975 | | |
| 1 | 1,908 | Major General (Touran General) | 4,950 | c | 10,486 | 2,708 | 3,408 | 2,688 | | |
| 2 | 1,888 | Brigadier (Bread General) | 4,650 | d | 9,056 | 2,688 | 3,388 | 2,548 | Administrator in a first level referral hospital | 17,500 |
| 3 | 1,873 | Colonel (Dagarwal) | 4,425 | d | 9,041 | 2,673 | 3,373 | 2,443 | | |
| 4 | 1,856 | Lt. Colonel (Dagarman) | 4,200 | e | 7,614 | 2,656 | 3,356 | 2,324 | | |
| 5 | 1,848 | Major (Jaglan) | 3,975 | e | 7,606 | 2,648 | 3,348 | 2,268 | | |
| 6 | 1,840 | Senior Captain (Jeak Touran) | 3,750 | f | 6,188 | 2,640 | 3,340 | 2,212 | | |
| 7 | 1,835 | Captain (Touran) | 3,525 | f | 6,183 | 2,635 | 3,335 | 2,177 | | |
| 8 | 1,829 | 1st Lt. (Lowmlai Breatman) | 3,300 | f | 6,177 | 2,629 | 3,329 | 2,135 | | |
| 9 | 1,824 | 2nd Lt. (Dowahum Breatman) | 3,150 | u | 1,824 | 2,624 | 3,324 | 2,100 | | |
| 10 | 1,818 | 3rd Lt. (Drayam Breatman) | 3,000 | u | 1,818 | 2,618 | 3,318 | 2,058 | | |

Notes: a/ The distribution of PRR grades shown is illustrative. There is intentionally no simple mapping of PRR grades onto the existing pay scales as the intention is that staff should be considered individually as new job descriptions are prepared.

b/ The range of teacher pay arises because individual qualifications can vary at each grade.

c/ The NGO pay scales are very detailed covering various other medical staff. However, the administrator posts offer a ready point of comparison with other civil servants.

Source: AREU/WB staff assessment.

Salary top-ups

To improve accountability and reduce the perception that government staff in receipt of salary top-ups from donors and NGOs (cash or other supplements to

normal salary levels for civil servants) are more concerned about their relationship with the donor than with the implementation of government policy, the government has passed a "Decree On Regulating Externally Funded Reimbursements and Allowances for Civil Servants" (the "top-ups decree"), which would regulate the additional externally-funded payments in cash or in kind received by government employees.⁹ A reasonable level of additional payments will be permitted for specified purposes for a limited period of time. A process of consultation with NGOs and donors will be required prior to full implementation of the decree.

The decree responds to the concern that staff who receive significant funding from donors, in addition to their salaries, are accountable to two different employers. The decree seeks to resolve this problem of dual reporting for staff. Following a consultation period while government determines the appropriate sector and provincial caps on top-ups staff may receive, financial limits will be placed on reimbursements and allowances that government employees may receive from donors and NGOs for field work and international travel; and the levels of these will be progressively reduced. The financial limits will be determined following a review of the labor market situation within different sectors of the public service, and consultation with key players.

Once the new financial limits come into effect, government officials who accept additional payments other than as prescribed in this decree will be deemed to have resigned from government employment.

Capacity building groups (CBGs)

There is continuing interest within government and some donors in funding capacity-building groups – an elite corps of ministerial advisors to be posted to sector ministries to develop capacity in technical issues and in policy formulation. These staff would be paid higher salaries and placed on contract to the IARCSC, while retaining their underlying tenure as government employees. As yet, the numbers of staff in CBGs has been very limited and it is not clear that this initiative will be sustained in the context of other initiatives in train to build capacity within ministries.

Pensions

Two pension schemes are currently operating in Afghanistan. The first, in principle, covers employees of all formal sector organizations, except for public banks, and is administered by the new Pension Fund Organization (PFO), a recently-established semi-independent branch of the Ministry of Labor and Social Affairs. The second one, covering public bank employees, is run by the Da Afghanistan Bank (DAB). Both are currently "pay-as-you-go" defined benefit systems. Most likely, the two schemes will remain separate schemes in the immediate future.

The first scheme appears to apply to all government employees, both karmand and agir. There are a few daily paid employees, hired according to private market rates for their services, and are not hired against an establishment list or assigned an employment grade. It appears that they do not have pension rights. It is also not

clear if municipal employees are covered by the pension scheme. The basic pension arrangements are set out in Table 16.

| Table 16: Pension Eligibility and Benefits | | | |
|---|-----------------------------------|---|---|
| Event | Relevant section of pension rules | Benefit payable | |
| Upon attaining retirement age (apparently 65 for both men and women) | 12 16 | Less than five years' service | Lump sum of two months' last drawn pensionable salary for each complete year of service |
| | | More than 5 years service but less than 10 | Lump sum of three months' last drawn pensionable salary for each complete year of service |
| | | 10 years service or more | Monthly pension equal to 40 percent +2 percent for each year in excess of 10 of the last drawn pensionable salary (maximum 100 percent). Incomplete periods of six months or more is taken as a year. |
| Loss of 60 percent or more of energy due to illness, accident or disability | 12 16 18 | Monthly pension of 100 percent of last drawn pensionable salary, irrespective of service. Under Section 21 of the pension rules, the loss of energy, disability, etc. has to be approved by a medical commission. Once the disability has ended, the employee has to return to work. Disability due to intake of narcotics is excluded under section 22. | |
| Death of active employee | 12 | Monthly pension of 100 percent of last drawn pensionable salary, irrespective of service. Pension payable to heirs. Rules do not specify when the pension payable to heirs ceases. Death due to intake of narcotics is excluded under section 22. | |
| After rendering 25 years of service | 13 | Employee may apply for early retirement, under which full pension as per the formula applicable for normal retirement may be payable; there is no reduction indicated for early retirement. | |
| If an employee has been terminated under "final order" | 13 | Not clear what "final order" refers to. It does not seem to refer to retrenchment and is possibly a termination for disciplinary reasons. Pension may not be payable in the case of such termination, except for concession to apply for pension which is applicable to those who have been imprisoned for more than six months, or to take care of dependents. | |
| Death of pensioner | 42 | Pension divided among legal heirs. Rules do not specify when the pension payable to heirs ceases. | |

Source: Rules for retired employees' rights as per government regulation No. 791, dated 9 Zilqad 1420, translated, and analyzed by Omer Morshed (Morshed Associates Pvt. Ltd., Karachi) for the World Bank.

Pensions are calculated on the basis of the last drawn pensionable salary. The employee's contribution is 3 percent of the pensionable salary plus:

- 25 percent of the pensionable salary in the first month of his employment.
- 50 percent of any increment in the first month in which the revised salary is received.

The employer's contribution is 8 percent of the pensionable salary.

Section 41 of the rules seems to indicate that pensions will increase at the same rate as pay increases, but qualifies this by stating that this will be at the discretion of management.

A PFO was established in April 2003 as a semi-independent body within the Ministry of Labor and Social Affairs. The PFO is overseen by a committee that includes representatives of the ministries employing most of the insured persons (Ministry of Labor and Social Affairs, Ministry of Finance, Ministry of Education, Ministry of Justice, and Ministry of Defense). The PFO has small branches in the provinces. Currently, 50,026 people are eligible for the benefits in the PFO scheme, but only about 4,000 are receiving them. The average monthly pension is about 75 afs. (\$1.50). Benefit levels are so small that many pensioners do not collect them.

The pension scheme that covers employees of the public banking system is run by the Pensions Department of the DAB. The DAB scheme pays pensions to 1,511 pensioners, about 80 percent of whom live in Kabul. Pension payments amounted to 398 thousand afs. during the first six months of the current fiscal year, implying average monthly pension of 44 afs.

Both pension schemes are governed by rules developed under the Taliban regime and came into effect in 2000. They largely repeat earlier pension legislation passed under President Daoud in the 1960s, with only minor changes. Anecdotal evidence suggests that the rules are often not followed and that eligibility for benefits as well as their levels is in many cases determined arbitrarily.

Currently, pensionable salary constitutes only a small portion of the public sector employees' remuneration, i.e. the base pay, which varied from 3 – 10 percent of total remuneration prior to the recent pay increase, and which now ranges from 15 – 45 percent (see Table 14). A question remains about the possible implications for pension liabilities of the recent pay increases. Since the replacement ratio (pensions as a proportion of final salary) is currently close to 100 percent, these increases have potential significant long-term implications. However, the decree authorizing the pay increases states that pensions should continue to be calculated on the basis of the previous base pay levels.

Schedule 11 of the 1382 budget decree consolidated the various allowances into base pay. This would have had a very significant impact on the pension liabilities of government. The normal way of avoiding salary increases having an effect on pension liability is to modify the benefit determination mechanism. This can include increasing the normal retirement age, modifying the formula itself, or reducing indexation of the pension itself, post-retirement. However, under the circumstances, the budget decree adopted the pragmatic approach of freezing pension payments at their previous levels. In practice, pay is still universally regarded as comprising base pay and various allowances.

Staff composition

Although there undoubtedly has been some grade creep, driven by the semi-automatic increase in the personal grade every three years, overall the grading composition of the civilian government workforce is reasonably broad (see Table 17).

| | Ministry of Education | | Ministry of Interior | | Other civilian staff | |
|---------|-----------------------|------------------|----------------------|------------------|----------------------|------------------|
| | All provinces | Kabul ministries | All provinces | Kabul ministries | All provinces | Kabul ministries |
| Outside | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Beyond | 1.7% | 2.1% | 1.4% | 1.6% | 1.0% | 0.3% |
| Above | 2.2% | 4.1% | 4.7% | 4.2% | 2.0% | 0.4% |
| 1 | 2.7% | 4.3% | 4.0% | 4.8% | 2.9% | 1.5% |
| 2 | 2.8% | 4.9% | 6.5% | 7.6% | 7.1% | 5.9% |
| 3 | 4.3% | 6.4% | 10.7% | 12.9% | 14.2% | 24.3% |
| 4 | 5.7% | 8.4% | 12.6% | 14.9% | 15.0% | 11.1% |
| 5 | 6.6% | 9.3% | 12.8% | 13.5% | 15.3% | 10.2% |
| 6 | 5.6% | 10.2% | 17.1% | 12.1% | 21.0% | 10.1% |
| 7 | 12.2% | 10.3% | 10.4% | 9.2% | 5.3% | 2.6% |
| 8 | 7.5% | 9.4% | 9.5% | 5.7% | 2.4% | 3.2% |
| 9 | 20.6% | 18.8% | 5.6% | 8.2% | 8.3% | 27.8% |
| 10 | 28.0% | 11.8% | 4.7% | 5.3% | 5.7% | 2.6% |

Source: World Bank analysis of the ASI headcount data for Sonbola 1381.

There is extremely limited data available on the proportions of women in the civil service. Initial estimates from the Central Statistics Office and UNIFEM estimate that in 1381 approximately 27,742 women held karmand positions within government. A further 5,753 were employed as agirs. The very limited available evidence on educational qualifications suggests that these women are significantly less educated than male civil servants (see Table 18).

| | Women | | | | All staff in Kabul | |
|---|---------------|--------------|---------------|---------------|--------------------|-------|
| | Agir | Karmand | Total | Proportion | Proportion | |
| Uneducated | | 2,536 | 2,536 | 7.6% | 8.0% | |
| Private | 1,608 | 625 | 2,233 | 6.7% | | |
| Primary School | 3,830 | 1,731 | 5,561 | 16.8% | | |
| Vocational Schools | 3,077 | 423 | 3,500 | 10.5% | | |
| Vocational Baccalaureate | 5,508 | 111 | 5,619 | 16.9% | | |
| <i>Total with less than high school diploma</i> | <i>14,023</i> | <i>5,426</i> | <i>19,449</i> | <i>58.6%</i> | | |
| Baccalaureate | 10,932 | 245 | 11,177 | 33.7% | | 66.9% |
| Over Baccalaureate | 1,809 | 76 | 1,885 | 5.7% | | |
| <i>Total with high school diploma</i> | <i>12,741</i> | <i>321</i> | <i>13,062</i> | <i>39.3%</i> | | |
| University Graduate | 660 | 6 | 666 | 2.0% | | 20.0% |
| Master | 18 | | 18 | 0.1% | 5.0% | |
| Doctorate | | | 0 | 0.0% | 0.1% | |
| Total | 27,442 | 5,753 | 33,195 | 100.0% | 100.0% | |

Source: MoWA and Afghan Audit Office reported by BBC Monitoring South Asia, August 19, 2003.

UNICEF surveys indicate that 27 percent of teachers, and more than 50 percent of the teachers in Kabul, are female.

There are few details available on the proportionate splits between karmand and agir staff. Table 19 suggests that, although generally there are roughly equal numbers, provincial education departments have, somewhat counter-intuitively, fewer contractual staff than other departments.

| | Faryab | | Wardak | | Unweighted average of these provinces | |
|----------------------------------|---------|------|---------|------|---------------------------------------|------|
| | Karmand | Agir | Karmand | Agir | Karmand | Agir |
| All departments except education | 44% | 56% | 45% | 55% | 44% | 56% |
| Education only | 82% | 18% | 77% | 23% | 79% | 21% |

Source: Provincial administration.

Selection and appointment

As noted earlier, the IARCSC is now responsible for oversight of appointments and promotion, civil service management and administrative reform. Historically, in Afghanistan, the question of how the merit principle in recruitment should be protected has been a source of some dispute. The 1970 Law on the Status and Condition of Government Employees (Article 6) established two bodies with responsibility for public administration: the Civil Service Commission (CSC) and the Civil Services Administration (CSA). This is a relatively orthodox arrangement in which an arms-length commission acts as a check on the executive in its hiring practices, while a body within the executive is responsible for administrative reform. This law was amended in a 1977 (1355) decree that merged both functions in the Central Administration of Employees and Administrative Reforms, reporting to the prime minister, effectively ending the arms-length oversight.

This centralization of recruitment was exacerbated during the 10 years of Soviet occupation that followed. The Central Administration was abolished, while the OAA within the Presidency grew in authority, with a responsibility to ensure that the line ministries under the prime minister implemented "approved" policy. This allowed extensive political control over senior appointments. The Soviet period also saw an increasing role for the Ministry of Labor and Social Affairs in its responsibility for maintaining full employment.

After the end of the Soviet occupation, the U.N., in a 1991 report on public administration suggested re-establishing the 1970 CSA reporting to the prime minister. It was also the intention of the government at the time to merge the administration section of the Ministry of Finance with the re-established CSA. However, nothing was implemented and the CSA was dissolved again when the Taliban took power in 1996.

Currently, the rules for selecting and appointing public employees in a post vary according to the grade. In theory, the president must approve the appointment of the most senior staff (grades 2 and above).

Formally, all new recruits should pass through Ministry of Labor and Social Affairs as shown in Table 20. In principle, the Ministry of Labor and Social Affairs has a duty to find employment within government for all new graduates. In practice, there are multiple routes to appointment to a vacancy in the public sector, including direct communication with the department director or the provincial governor. In selection and appointment, politics and connections clearly play their part. In addition, staff enter government employment at different grades/steps according to their occupational group and educational background. Teachers, who have completed high school for example, enter at grade 10. Those with a university degree enter at grade 9 and also gain two years service credit. Those with a master's degree enter at grade 8 and those who have completed their doctorate enter at grade 8 with 2 years of service credit.

| | |
|--|---|
| Ministry of Labor and Social Affairs, Human Resources Department | Receives from schools a list of new graduates in baccalaureate, bachelors and university degrees.* Also receives a list of vacancies from various ministries. |
| | Graduates that meet the required qualifications are tested and interviewed. |
| | If applicant is qualified, a letter of introduction is given to the ministry concerned. |
| | The applicant goes to the ministry concerned together with the letter of introduction. |
| Ministry concerned | Screens applicant. |
| | If qualified, processes appointment papers (P2) of the applicant. The P2 contains the following information about the employee: grade, position, vocational privileges. |
| | Appointment papers are distributed within the ministry to: the departments of personnel, administration, finance, and to the office where he/she will be assigned. |
| | Based on copy of appointment paper, the finance section prepares the M40 personnel record. |

Note: * Only new graduates have to pass through the ministry; other applicants, particularly those with previous work experience, can apply directly to a ministry.

Source: AREU/WB staff assessment.

The formal employing authorities vary according to the grade, and according to whether the person is karmand or agir.

Staff records

The manpower department in the Ministry of Labor and Social Affairs theoretically holds the appointment records of all government employees, including contract

workers and laborers. As noted, all government employees are supposed to go through this department to have their qualifications certified and to be "introduced" to the relevant ministry for employment. The manpower department files in Ministry of Labor and Social Affairs should contain basic biographical information and a record of the educational qualifications of all new government employees. In practice, however, records are not complete because not all new employees go through the manpower department. Ministries also

hire directly, and record no information about the position or grade the employee is hired into, or any ongoing personnel information such as promotions.

Historically, the personnel departments in the line ministries held personnel files for all the employees in the ministry, organized by major department within the ministry. These personnel files should contain basic biographical data and departmental personnel information, such as evaluations and promotions. They should also contain the appointment papers (form P2) of the employee, which includes the original grade and position of the employee. However, as Box 12 indicates, the records are in poor shape.

Box 12: Personnel Records

The organization and condition of the personnel files are of varying quality in the Kabul line ministries. In the education ministry, the building housing the personnel records is in total disrepair, with windows missing, floors and ceilings cracked and sagging, water seepage, and dust everywhere. The records are housed in filing cabinets, on which the locks and often the doors are broken. Thus there is no security guaranteeing the integrity or safety of the personnel files. Many files are undoubtedly missing or misplaced in some way, with many others only partially complete.

Conditions are better in the Ministry of Health. The templates for the personnel files are the same as those used in the Ministry of Education, as they are standard across the government. An important difference in the Ministry of Health was that each employee is given a personnel code and records are filed according to this number. While the storage system and the files themselves were not observed, officials said that the records are well managed, and information such as age, date of birth, and basic biographical information, could be retrieved easily.

Achievements and Challenges in the Central Administration

The basics are in place

Progress in budgeting

Budget making in Afghanistan has undoubtedly evolved considerably over the last two years, with government taking increasing control over the allocation of resources. The first budget was little more than an attempt to describe what was happening – particularly in the case of bilaterally funded development or reconstruction projects. However, as the level of technical sophistication and understanding increased over time, the budgets have become more prescriptive and used as a tool to allocate both cash and in-kind contributions to the government's highest priority tasks. Overall, the budget process has done significantly more than prepare an expenditure plan for the government. It is the major tool that built the capacity of the government decision-making process, as expenditure decisions were the first ones that the government was required to make. It is also playing a major role in defining the structure of the government and is the catalyst that is forcing the discussion of major policy issues.

Additional support has been provided to the provincial mustoufiats, including finance advisers and computer packages to assist in budget management. During recent months, a number of mustoufies have been replaced by the Ministry of Finance for poor performance.

Independent Administrative Reform and Civil Service Commission (IARCSC)

The IARCSC, officially established in June 2003, is now formally responsible for both appointing senior civil servants based on merit and designing, organizing, leading, and implementing the overall reform program in order to bring about an efficient public administration system. After some considerable period of uncertainty about the role and responsibilities of the Commission, it is now in place with a well-considered structure and remit.

This is a solid foundation, but some additional technical and policy actions are necessary to ensure that the Commission delivers on its new responsibilities quickly. In particular, it is important that the Commission is seen to have an independent appointments board in place, with the capacity to identify and recommend to the president for recruitment, civil servants in grade two and above. This might be undertaken by some contracting out of the initial testing and recruitment to a reputable external firm.

Ministerial Advisory Committee (MAC) on Public Administration Reform

The MAC established on June 3, 2003, provides a sounding board for reform proposals and offers political legitimacy for the difficult choices that must be made concerning departmental restructuring and the approval of PRR status.

The chairman of the IARCSC has an overall responsibility for leading and managing the administrative reform program.

It is important to ensure that the MAC is provided with regular progress reports that can subsequently be sent to the president for endorsement before publication.

Early steps in pay reform

The Decree on Priority Reform and Restructuring within Ministries and Government Agencies of October 7, 2003 (the PRR decree), now allows targeted pay increases, avoiding the previous problem that pay raises for some staff amount to raises for all. The key actions needed to build on this development are the wide distribution of the full details of the PRR decree and a summary of the method of application. The implications of the PRR decree for the provinces are complex, as questions of pay comparability are likely to be considerably more sensitive.

Staff who receive significant funding from donors, in addition to their salaries, are accountable to two different employers. The "top-ups decree" mentioned above seeks to resolve this problem of dual reporting for staff. Overall, there is little justification for higher pay than the PRR grades allow for – and seemingly every reason not to raise pay at the lower unskilled end of the civil service. However, the data are as yet so limited that where particular skill groups can only be recruited and retained within government with higher pay than allowed for in the PRR grades, then this should be entertained. However, this is an empirical point and evidence that staff cannot be recruited and retained should be set out.

The recent series of ad hoc sector-specific pay reforms are unhelpful but not fiscally disastrous, and can be pulled back into one common system over time if the indicative PRR limits are honored. There is, however, a risk that the health sector reforms could set up problems of comparability, which could lead to significant pressure for further sector-specific pay increases and continuing leapfrogging and catch-up problems.

Major challenges and actions needed

The establishment of the broad-based IARCSC has provided a locus for reforms, and the Public Administration Reform and Economic Management (PAREM) program developed under the National Development Budget has identified the major tasks to be pursued in this sector and allocated them to the relevant lead agencies (see Box 13). This section flags the priorities for action within this broad agenda. They are set out in more detail in the companion policy paper *Subnational Administration in Afghanistan: Assessment and Recommendations for Action*.

| Box 13: PAREM Program | | | |
|---|--|--|--|
| The Public Administration Reform and Economic Management (PAREM) program comprises three key subprograms: public administration reform, governance, and economic and financial management. Each subprogram has a separate development budget. | | | |
| Subprograms | Civil service reform and training | Financial macro policy and reform | Governance |
| Major activities | <ul style="list-style-type: none"> • Development and implementation of primary and secondary legal framework; • Personnel management (pay scales, policies, retrenchment, capacity-building, personnel database); • Streamlining of institutional and functional structures (of CSC and of central government structures); • Cabinet processes, policy formulation, capacity building, and machinery of government systems; and • Administrative efficiency (reviews and IT). | Support and capacity building to develop systems and processes for: <ul style="list-style-type: none"> • Operating and development budgets; • Office of the minister for finance; • MoF provincial offices; • Revenue (customs) office; • Da Afghanistan Bank; • Aid Coordination Unit; MoF; • Financial capacity of govt.; • Procurement; and • Women in senior economic management. | <ul style="list-style-type: none"> • Projects to support gender analysis and balance across government; • National population census; • Planning, preparation, and implementation of the Constitutional Loya Jirga and election; • Geodesy, cadastral, and cartographic survey and mapping; • Capacity building for the CSO; • Capacity Building Groups project (supporting all ministries); • Support for the (now defunct) AACA; and • Coordination of national physical infrastructure of government project (Kabul and provinces). |
| Lead agencies | CSC, Office of the President | MoF, DaB | MoF, CSO, IARCSC, MoWA, MoFA, Geodesy and Cartography Office, independent elections commission |

Source: National Development Budget 1382, Ministry of Finance.

Further pay and pension reform

Current salary levels continue to present a serious problem at the senior levels. There are still no labor market surveys that provide any robust comparators, but there is every reason to assume that at the higher levels of the civil service, and in skilled professional areas, salaries are insufficient to attract or retain qualified and competent staff. This was particularly the case when many government staff were being recruited by donors, the U.N., and NGOs, though the worst of this phenomenon is already over as many of the best staff have already left government service. Most immediately, a labor market survey is essential to improve the quality of the debate on potential pay raises for staff, and to provide a rational basis for planning. Any meaningful salary decompression will first have to remove many anomalies through a comprehensive job evaluation and re-grading exercise. Currently, the skills do not exist within the Afghan civil service to undertake this sort of exercise. A training program will have to be developed to enable ministries and other civil service bodies to carry out their own re-evaluations. This will require a major program of staff training in staff inspection techniques, focusing particularly on grading and job evaluation; manuals will also need to be developed.

The recent pay increases are a step in the right direction. It is important, however, that they are fiscally sustainable in light of budget savings elsewhere, accompanied by a government commitment to avoid further ad hoc, sector-specific pay increases, and accompanied by a clear decision that all agreement to any changes in staffing levels (tashkeel) is made within the budget process. While pay reform is a highly sensitive topic – politically and fiscally – any further delays will exacerbate two major risks:

- *Expectations are growing.* Many staff see their current pay as merely a place holder – an IOU from government that will be redeemed when the substantial comprehensive pay reform that is widely regarded as inevitable, actually arrives.
- *A link is being established between pay and cost of living.* While this is tempting and may seem logical, it is a dangerous approach for several reasons, not least because the cost of living is an elusive concept requiring sophisticated economic approaches not currently available in Afghanistan. Overall, however, the principal concerns in over-stressing this connection are, first, that the cost-of-living approach will undermine the need to start from fiscal realities in determining the wage bill. Second, it may undermine the relationship between remuneration and the value of the job and the level of effort.

Pay reform implies a longer-term vision concerning the future of the civil service. A reasonable working assumption is that the opening provided by the PRR decree will lead to a two-tier civil service, with higher-paid, professional career civil servants at one level, and a broader range of support staff on a second level. This might replace the now somewhat confused karmand and agir distinction.

Reform of the pension arrangements is increasingly urgent, as the increase in base pay is likely to fuel expectations of an increase in pensions. Administration of the scheme is also subject to a great deal of discretion, and there is undoubtedly opportunity for corruption. Against this context, and given the limited capacity to administer any pension scheme at the moment, the option of providing a flat

pension to all those currently entitled to draw a pension, while offering a cash "buy-out" to current civil servants in lieu of future pension benefits and winding down the existing scheme, is a reasonable way forward. This could allow a breathing space in which government could consider options that are coordinated with both overall pension policy and civil service reform.

In any of these options, new entrants to the civil service would have no pension rights for the medium term. Consultation will need to be careful and thorough as the issues are sensitive. Many older civil servants would like to retire, and some are already beyond retirement age but have not been allowed to do so, even though they have petitioned government. There are many complaints about the lack of new policies concerning retirement, pension levels and rights for retiring officials. Staff concerns reflect the reality that civil servants who entered government service in the time of King Zahir Shah or President Daoud Khan were implicitly promised 100 percent salary as pension. A proportion of this was payable after the official's death to his or her descendants until the youngest child was 18 years old, depending on the number of children. In addition, the family continued to receive the normal food coupons and, in some cases, a gift of irrigated land.

In the longer term, once a final pension package is agreed, a pension can add to disciplinary controls for civil servants. Few civil servants expect to be well-paid, but they expect to have a significant period of secure employment (often a lifetime). Their pension expectations, and conversely the threat of losing these if they are dismissed for disciplinary reasons, can be a significant incentive to follow the rules.

Confidence building in the new structures

The establishment of the IARCSC is undoubtedly a major step forward. However, as noted above, it is important that the Independent Appointments Board is in place and that progress reports on public administration reform are provided for the MAC, as soon as possible.

Short-term capacity injection

Systematic rebuilding of the administrative structures is necessary but insufficient to achieve a noticeable increase in the policy or implementation capacity of the government within the short term. In addition to the range of capacity-building initiatives already launched (see Box 14), and as a short-term kick-start to improved policy formulation and program management within Kabul ministries and provinces, it is essential to recruit a significant number of national staff on contractual terms, at remuneration levels that are sufficient to attract experienced managerial staff from national and regional NGOs and private sector organizations (lateral entry staff on contract). Sustaining the capacity improvement provided by this short-term fix will require the massive training of new staff for fast-track entry at junior levels. This implies a very significant investment in training facilities. More modest approaches include training for identified high flyers within the existing staff and the recruitment on contract and retraining of recently retired staff.

Paying such national contract technical assistance (TA) staff more than their national counterparts in government generates understandable resentment and tensions within the ministries. The problems of resentment are exacerbated by the fact that most international staff providing technical assistance have national support

staff working for them – as translators, data entry clerks, and general office support – that are also paid considerably more than their ministry counterparts. The pay issue is being ameliorated by what is becoming intensive use of the PRR decree (see Box 14). Although this does not take national government staff to levels that are comparable with international staff, it does represent a significant proportionate increase and also clearly signals that this rolling program is available to other departments that undertake reforms. Serving civil servants should consider the rates of pay for these national consultants to be clearly exceptional and not benchmarks to be compared with their own salaries. It is important that the claim of contract staff to international rates of pay is credible and that they demonstrate they are marketable within an international or at least regional labor market.

Allowing these contract staff to report outside of the line management structure can make them difficult to control or to hold accountable for their work. The issue of dual accountability can be mitigated by requiring that all contract staff funded through technical assistance have a single employer – and in particular cannot go around managerial decisions by appealing to their funding body. This effectively places such TA-funded consultants into two groups. The first group comprises those whose funding body is prepared to ensure that the staff operate as if they were subject to civil service management and discipline. This means that the consultants can be removed or have their work program redirected by their line manager with no appeal to the funding body. To assist in creating the right incentives, these consultants should have very little prospect of further employment from the funding agency (and ideally none). For consultants in this group, the traditional caveat against TA-funded consultants acting in line positions no longer applies. The second group comprises TA-funded consultants whom the government feels cannot be directed (and effectively disciplined) by a line manager within the civil service. The work of these staff is likely to be considered as useful suggestions from external agencies, but not regarded as core to the agency's business. It is important that these consultants are not liable to regularization without further recruitment procedures, as they have been appointed on the basis of criteria laid down by their funding agency and not by government.

Box 14: Current Capacity-Building Initiatives

PRR (Priority Reform and Restructuring) Program

Departments in the Ministry of Finance, IARCSC, and the Ministry of Public Works have already been approved for PRR. Departments within the health, education, foreign affairs, communications, irrigation, audit, and control ministries are all seeking to be approved for PRR.

PRR will shortly have some impact in the provinces. The Ministry of Public Works PRR is being extended to four provinces. The provincial health departments proceeded to PRR status in December 2003 and should have begun implementing PRR across all provinces in January 2004. Ultimately, it could also be extended to the districts alongside other initiatives to improve facilities there, including the UNAMA district government buildings pilot project.

National Civil Service Management Training Institute

The rehabilitation of existing IARCSC buildings to develop an IT training center has begun and a public administration training policy and program is being developed. Donor commitments have been made to begin construction of a full-scale training institute in 2004.

Capacity Building Groups (CBG)

In the short term, the IARCSC will use the CBG initiative to respond to urgent needs of government departments for training in IT, language, and procurement. It may also use some CBG staff to support the rollout of PRR to the provinces.

Contracted Management Firms

The Ministry of Finance, IARCSC and key ministries have explored the use of management firms in key ministries to scale up the reconstruction effort as capacity is being developed through other means. Management firms may help design and supervise large investment programs and support policy and strategy development.

ARTF Expatriate Component Fund

This fund has been approved by the World Bank and will be managed by the IARCSC. Its key purpose is to identify and recruit highly qualified expatriate Afghans to work as advisors to support key investment projects and programs, and to develop capacity in specific areas within departments.

IOM Return of Qualified Afghans Program

This program has been used to attract qualified Afghans from abroad by paying them higher salaries and by covering their re-location expenses.

UNDP TOK 10

The "Transfer of Knowledge Through Expatriate Networks" scheme managed by the UNDP has also been used to attract senior professionals for senior management positions across the civil service. These professionals are being paid a volunteer's allowance that is substantially higher than civil service salaries.

Accelerated Direct Recruitment

The Ministry of Finance has initiated a scoping study being carried out by the UNDP to see if government capacity can be improved through direct recruitment of expatriate Afghans into civil service at higher than PRR rates of pay, lateral entry into civil service of recent retirees, and fast tracking of a cadre of young managers.

Direct Ministry Level and Other Capacity-Building Initiatives

Many key ministries have also introduced training programs that address specific ministry needs. These training programs have typically been implemented through consulting firms.

Even with this careful positioning, there will be a need to provide all TA-funded contract staff with training on how government works. Although they may be experienced managers with much to offer, a speedy orientation to the workings and nuances of the system will have to be provided in order for them to be effective contributors who can motivate and lead staff.

For some of the larger ministries with significant capital works programs, program management is a particular and pressing area for capacity building (see Box 15). Program management comprises four key elements:

- Preparing and prioritizing multi-year investment programs;
- Setting technical standards for project design;
- Contracts administration (designing terms of reference, undertaking bid evaluations, negotiations, supervision); and
- Financial management (managing the payments to consultants and civil works contractors, accounting, financial reporting).

Box 15: Building Program Management Capacity

At a workshop entitled, "Capacity Building for National Development Programs in Selected Infrastructure Sectors," held on October 23, 2003, and organized by the Transitional Islamic State of Afghanistan, the World Bank, and the Asian Development Bank, it was noted that rapid improvement in program management capacity is a necessary condition for the achievement of large-scale results.

H.E. Minister Ashraf Ghani Ahmadzai pointed out that there is a menu of options available to the ministries for acquiring capacity, including contracting-in consulting firms to support program management and coordination, contracting-out management of reconstruction activities and twinning with foreign public sector authorities. He indicated that any and all of these options could be supported by PRR to strengthen ministry structures and staffing. To proceed, ministries need to determine which options are best for them and quickly progress to implementation. He added that the government's Design and Feasibility Studies Unit (DFSU) could help finance and support some of the necessary short-term measures.

The workshop highlighted that there were some sensitive areas to consider:

- The hiring of management firms may create conflicts, since they may become privy to confidential information about other firms who may be bidding for various reconstruction activities. This needs to be addressed carefully during the preparation of TORs.
- Consultants must seek to involve government staff in all aspects of their work; capacity building cannot be forgotten in the rush to implement programs.
- Some functions, such as information technology, span ministries, and it might be more efficient to address these functions in a unified manner.

Basic payroll and human resource management systems

Currently there is no "nominal roll," or list of legitimately employed staff against which salary payments can be validated. When payrolls are processed, there is no record of the staff that should be paid. Construction of a database should begin with the data that are automatically provided to the Ministry of Finance through the payroll. The proposed addition of a computerized payroll module onto the Afghanistan Financial Management Information System (AFMIS) would automatically generate such a nominal roll in that it would generate a list of names known to be working regularly in that department, and would require justification through change reports for any inclusions or exclusions. Subsequently, a civil service census should be conducted to substantiate the information in the human resources database.

The Ministry of Finance is taking determined action to address the problem of payroll delays. Three different pilots are being introduced:

- Pilot 1: M41 (payroll) data are telephoned or radioed to Kabul, avoiding the need for time-consuming journeys by the mustoufie. Payrolls are subject to subsequent random audit.
- Pilot 2: M41s (payroll) are processed and approved at the provincial level, initially with teams from the Treasury Department in the Ministry of Finance, and subsequently within the province.
- Pilot 3: Bonded trustees are dispensed with as the central bank arranges payments to individuals.

Longer-term challenges include placing the bonded trustees on a more transparent footing, by paying them an explicit fee, as opposed to a civil servant salary in

addition to any "deductions" taken from salaries for expenses incurred by the bonded trustees, such as travel costs, and providing social monitoring oversight (announcement of the names of staff and the amounts of salary that they have disbursed via the local mosque, for example). These might be precursors to contracting out this task.

As noted above, the Ministry of Finance is also considering the introduction of a payroll module, associated with the treasury AFMIS, which could assist in generating automated and "completed" payroll forms that only need to be updated or corrected. If this were coupled with improved communications technology in the districts, then the payroll module could even avoid the need for the mustoufie to physically take the payrolls to Kabul.

Reforms to the civil service legal framework

The basic laws that underpin the civil service are not clear. Arguably, this is not a major problem in the very short term, as there is sufficient consensus on the nature of public employment to allow for basic managerial control. However, some of implications of the legal uncertainty have been masked by the lack of tough managerial decisions and the ability of the president to issue somewhat arbitrary decrees. No major retrenchment or significant re-postings of staff have been attempted. If major reforms involving these or other painful reforms were to be introduced, it is doubtful that a presidential decree would be seen to embody sufficient legitimacy to carry public opinion. In the longer term, detailed personnel policies and procedures cannot be developed without clarity on the underlying legislation.

Policy management

Whatever the eventual shape of the organizations that support the president and Cabinet, a dedicated unit of professional civil servants is required to:

- Prepare the Cabinet weekly agenda and longer-term forward program
- Ensure quality in Cabinet submissions
- Prepare summaries for the president and the official Cabinet minutes
- Follow up on implementation of Cabinet decisions.

The unit should also be responsible for preparing the government's legislative program, prioritizing government decrees and ensuring they are consistent with the budget and with each other. In the longer term, this will include preparing the government's legislative program, ensuring consultation and coordination between ministries, and providing a means of identifying and resolving conflicts and competing priorities (in particular, ensuring that the financial implications of policy proposals are agreed with the Ministry of Finance).

In parallel, the OAA requires radical restructuring. There is no continued justification for departments that supervise policy implementation in the line ministries, as was the custom in Soviet-style governments. The tashkeelat, the department in the OAA that authorizes department structures and establishments, should be abolished in its present form. Approval of establishment totals should be transferred to the Ministry of Finance budget department. Responsibility for the provision of advice on organizational structure and efficiency improvements should pass to the IARCSC.

3. CENTRAL/LOCAL FISCAL RELATIONSHIPS

Overview

To assess the fiscal relationship between the central government and the subnational levels, in essence the degree of fiscal centralization, one must look at both expenditures and revenues.

From an expenditure perspective, it is difficult to develop good comparative statistics since the amount of discretion is more relevant than the amount of spending; the former can be difficult to judge and also can vary between different sectors. However, by any standard, there is clearly very little discretion as to how expenditures are made at the subnational level in Afghanistan. Though there is government spending in the provinces, all district and provincial expenditures are made on behalf of central government.

The structure of revenues provides a more robust picture of fiscal decentralization, and in the case of Afghanistan outside of central government, the only tax autonomy is at the municipal level, and even then autonomy is minimal. All tax and fee rates are set in Kabul, but the revenues do remain at the municipal level and fund all municipal expenditures.

Overall, the high degree of fiscal centralization in Afghanistan sets it apart from most countries. Drawing on available data, the only countries known to have such limited tax autonomy and minimal fiscal transfers are Latvia and Lithuania, but they are still considerably more decentralized than Afghanistan (see Ebel and Yilmaz, 2002).

As noted earlier, central government ministries and institutions are primary budgetary units with specific budgets determined by law, while the provincial departments of the central government ministries are secondary budgetary units, and receive allotments at the discretion of the primary budget unit. The net effect of these arrangements is that, in principle, the budgetary allocations for the provinces are simply the sum total of the administrative decisions that have been made by the various Kabul ministries concerning the allotments to their provincial departments. There is no concept of a provincial budget, as such. And as noted above, provinces do not have any independent authority to borrow. The Budget Law, Sections 8.2 and 8.3, indicates that "local organs of government" can prepare a plan that includes borrowing as a resource, but this is submitted to central government in the budget preparation process (and presumably such proposals must be formulated on a sectoral basis). Government enterprises, however, are apparently authorized to borrow.

Districts are tertiary budget units and as a result are even more dependent on administrative decisions; their budgetary allotments depend on the decisions made by the relevant provincial level departments (secondary budget units) of the Kabul ministries (primary budget units).

Municipalities are largely self-sustaining entities with responsibility for providing some services (trash collection, recreation, and park services, for example) and

collecting minor revenues from local service charges and retail licenses. (Municipalities are discussed in more detail in Chapter 5.)

Revenue Collection

The Budget Law effectively requires that nearly all revenues (excluding municipal revenues) be remitted to the central government for inclusion within the single national budget:

- *The provinces* collect a range of locally generated revenues on behalf of the central government, the most significant of which is the customs tariff. All tax and customs rates are set by the central government. The revenues are to be held by the mustoufiat in an account of the DAB, and periodically remitted to Kabul.
- *The districts* collect minor taxes on business premises. The rates are based on location and property values, and are assessed every three years by a three-person committee (comprised of district and provincial staff) that reviews the value of each property. The revenues from this tax are sent to the provincial mustoufiat. Generally, these revenues are not significant. Last year in Badakhshan Province, for instance, district revenues totaled only 477,016 afs., less than 14 percent of total provincial revenues.

Table 21 presents the level and sources of revenues from each of the provinces visited during the study.

The legislation makes it clear that all revenues collected by provinces and districts are national revenues, and provinces are merely the tax collectors. For some provinces, practice has been consistent with this view. In Bamyan and Wardak, for instance, all officially collected and reported revenues are remitted to Kabul, and both provinces are fully dependent on Kabul for funding. In Faryab and Badakhshan, provincial revenues have been used to help fund non-salary expenditures, apparently with the approval of Kabul. It is likely only an issue of convenience that these two provinces operate differently from Wardak and Bamyan, given their more remote location. In none of these cases, however, is there any discretion at the provincial level on how these revenues are to be spent.

| Code | Category | Badakhshan | Bamyan | Faryab | Herat* | Kandahar | Wardak |
|------|--|------------------|----------------|------------------|----------------------|--------------------|------------------|
| 1000 | Direct taxes | 1,793,214 | na | 1,430,395 | 213,834,848 | 33,575,093 | 255,025 |
| 2000 | Indirect taxes (incl. customs) | 279,722 | na | 203,069 | 1,466,394,535 | 403,114,507 | 192,701 |
| 3000 | Revenue from govt. properties | 738,953 | na | 3,485,147 | 91,908,743 | 37,402,056 | 415,739 |
| 4000 | Revenues from licenses | 381,858 | na | 773,469 | 140,001,770 | 34,729,026 | 42,484 |
| 5000 | Government property rent | 14,000 | na | 142,770 | 16,791,466 | 7,419,046 | 470,191 |
| 6000 | Arrears | 138,911 | na | 249,098 | 741,566 | 84,931,519 | 70 |
| 7000 | Other | | | | | 2,289,180 | |
| 8000 | Pensions | 154,466 | na | 320,561 | 5,036,591 | 26,195,462 | 0 |
| | Revenues from all sources collected for the last two months (Herat only) | | | | 696,254,788 | | |
| | Total | 3,501,124 | 563,170 | 6,604,509 | 2,630,964,307 | 629,655,889 | 1,376,210 |
| | Index: Badakhshan=100 | 100 | 16 | 189 | 75,146 | 17,984 | 39 |

Notes: Includes provincial and district revenues, but not municipal revenues.

*Breakdown by code is for 10 months only for Herat.

Source: Provincial mustoufiats.

In Herat and Kandahar, on the other hand, revenues far exceed budget allocations primarily due to the prominence of customs duties. In these two provinces, all provincial expenditures are funded through local revenues, and there are no transfers received from Kabul. The excess revenues are supposed to be transferred to Kabul, but until recently there has been no regular process for doing so; rather, it is done on an ad hoc basis when requested by Kabul. In fact, provincial officials in these provinces tend to view these revenues as "provincial" rather than national, and the process of revenue remittance has been described as one of negotiation. The Ministry of Finance has begun efforts to enforce its claim to these revenues. One of these actions has been to freeze all existing provincial revenue and expenditure accounts as of August 1, 2003, and replace them with one of each type. All revenues are now supposed to be deposited in the revenue account, and only Kabul can authorize the transfer of funds to the expenditure account.

Another reform proposed by the Ministry of Finance is the creation of a "large taxpayer office" in Kabul to focus on domestic revenue collection from the "top 100" tax-paying entities. In addition, there are plans to create "model offices" in the provinces that would handle medium size taxpayers. However, these offices would be totally separate from the mustoufiat, and would be outside the normal provincial structure that reports through the governor. There is a precedent for this type of provincial department to function outside the normal mustoufiat-governor reporting relationships. The Ministry of Foreign Affairs, for example, has offices in some of the larger provinces, but they are totally separate from other provincial operations. The mustoufiat does not manage their payroll or budget, and staffing procedures are separate.

Table 22 summarizes the revenues reported by the six case study provinces during 1381, together with the provinces' original budget allocation, and actual expenditures. The dramatic difference in spending pattern between Kandahar and Herat on the one hand, and the other four provinces on the other, speaks directly to the perceived "provincial ownership" of revenues.

| Province | Revenues collected | Ordinary budget allocation* | Actual expenditures** |
|------------|--------------------|-----------------------------|-----------------------|
| Badakhshan | 3,501,124 | 44,392,098 | 145,140,102 |
| Bamyan | 563,170 | 19,271,700 | 57,620,850 |
| Faryab | 6,604,509 | 53,890,379 | 80,025,452 |
| Herat | 2,625,927,716 | 166,389,042 | 969,618,246 |
| Kandahar | 629,655,889 | 63,696,206 | 668,244,884 |
| Wardak | 1,376,210 | 62,040,793 | 61,276,417 |

Notes: * UNDP salary payments included in allocation for Wardak only.

** Note that budget allocations and expenditures have not traditionally been aggregated on a provincial basis, as expenditures are established and tracked through each separate central ministry-provincial department reporting line.

Source: Provincial mustoufiats.

Anecdotal evidence found that not all revenues are being reported, both from customs revenues and other sources, such as revenues from mining operations. There are extensive reports of significant sums, often cited at around \$70 million (3 billion afs.) annually, accruing to Herat as customs duties. Revenues from the

Daulatabad salt mines in Faryab are a source of income for one of General Dostum's commanders, and are not reported to the center. Similarly, revenues from the lapis mines in Badakhshan are captured by *Shura-i-Nazar* commanders. Some local commanders reportedly levy unofficial taxation, including taxes on productive and transport activities. In addition, the narcotics trade has provided substantial revenues.

Budget Preparation

In the past, particularly during the Soviet period, provinces did have some involvement in the budget preparation process. At some point before the beginning of the fiscal year, provincial departments would be asked by their ministries to develop a budget request for the upcoming budget year. Some of the older staff interviewed recall this process. Not only did departments routinely prepare a budget request, but also in some provinces, the governor and heads of department would review the various department requests before they were submitted to the respective ministry. This group was sometimes referred to as the "budget board" or "administrative council." Even some districts reported that they used to prepare budget requests and review them collectively before they were submitted to the various provincial departments.

This practice no longer occurs. While a few interviewees from provincial health and education departments reported receiving information requests intended to feed into the 1382 budget process, in most cases these requests were limited to statistics on current resources, rather than an assessment of needs.

To the extent that these information requests occur at all, this is the only point of involvement for the provinces in the preparation of the recurrent budget. (See Box 16 for a case where the center actually ignored a proactive attempt at provincial budgeting.) Budget development occurs in the ministry head offices in Kabul. Staff in these central offices determine how much funding they will request from the Ministry of Finance, how it will be split between the central offices and the subnational departments, and how the subnational share will be split among different provinces. Once each ministry has completed its consolidated budget request, it is submitted to the Ministry of Finance.

Box 16: Budget Planning in Kandahar

In reviewing the budget preparation experiences of the case study provinces, Kandahar provides an interesting, if somewhat atypical, illustration of the lack of provincial involvement.

According to the mustoufi, prior to the 1381 fiscal year, Kandahar's mustoufiat prepared a combined budget request in a process involving all provincial departments. This was done without direction from Kabul. The completed budget request was sent to Kabul through the various ministries, but no one in the province received any response or feedback. The only communication received from Kabul was the formal transmission of the approved allocation to each department.

While it is not surprising to find the approved allocation was significantly lower than the request, it is unfortunate that no attempt seems to have been made to take Kandahar's circumstances into account. It is also worth noting that Kandahar's expenditures for 1381 were close to their original budget request, far exceeding their approved allocation, and slightly exceeding reported revenues in the province.

When asked if they would participate in a similar budget process initiated by Kabul and subject to provincial expenditure ceilings, the reply was yes – if the ceiling was large enough.

Once the budget allocations for all ministries have been approved, each ministry prepares the quarterly budget allotments for each of its provincial departments and sends this information to the provinces, usually well after the beginning of the quarter. How this allotment is determined is not clear. Uncertainties in the assignment of responsibilities to different levels of administration only add to these challenges. In education, responsibilities are relatively clear (see Table 45). In health, on the other hand, the allocation of functional responsibilities is considerably more ambiguous (see Table 49). There is extensive overlap between the functions of hospitals at the provincial and district levels, and external funding from NGOs and donors is pervasive. The health sector also faces the potential confusion arising from the shadowy existence of the "region" as a coordinating layer of administration. In preparing budgets and plans for the health sector, staff and managers face far more uncertainty and potential conflict in assigning responsibilities (and therefore budgets), and are correspondingly more uncertain about their accountabilities than their colleagues in education.

Table 23 provides an analysis of the first quarter budget allotments to the provinces for 1382, in terms of the split between salary (personal emoluments) and non-salary expenditures. These data have been compiled from a new Afghanistan Financial Management Information System (AFMIS) database that tracks allotments assigned to each provincial department by their respective ministries, as well as expenditures. The table shows the total split across all ministries to be 77 percent for salaries compared to 23 percent for non-salary expenditures. However, the ministry-by-ministry split varies considerably.

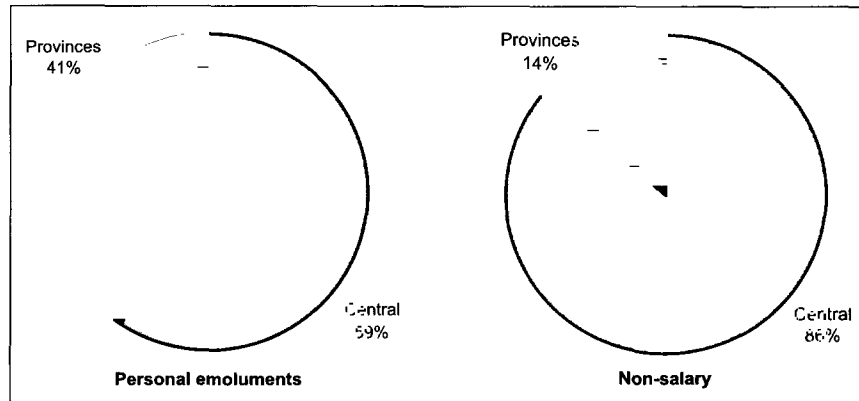
| Ministry/department | Personal emoluments | Non-salary expenditures | Total | Non-salary expenditures as % of total |
|--------------------------|---------------------|-------------------------|-------------|---------------------------------------|
| | (afs.) | | | |
| President's Office | 113,400 | 0 | 113,400 | 0.0% |
| Supreme Court | 7,032,750 | 1,077,300 | 8,110,050 | 13.3% |
| Finance | 28,769,000 | 7,074,500 | 35,843,500 | 19.7% |
| Defense | 242,056,149 | 80,048,114 | 322,104,263 | 24.9% |
| Foreign Affairs | 1,279,019 | 6,844,425 | 8,123,444 | 84.3% |
| Religious Affairs & Hajj | 39,545,900 | 5,125,000 | 44,670,900 | 11.5% |
| Commerce | 552,633 | 146,810 | 699,443 | 21.0% |
| Interior | 112,942,600 | 148,863,800 | 261,806,400 | 56.9% |
| Education | 589,744,800 | 30,165,890 | 619,910,690 | 4.9% |
| Higher Education | 20,250,000 | 16,120,250 | 36,370,250 | 44.3% |
| Return of Refugees | 4,321,355 | 2,247,625 | 6,568,980 | 34.2% |
| Planning | 400,750 | 269,000 | 669,750 | 40.2% |
| Mines and Industry | 107,623 | 61,102 | 168,725 | 36.2% |
| Communications | 9,102,425 | 1,718,275 | 10,820,700 | 15.9% |
| Information and Culture | 9,320,725 | 4,356,750 | 13,677,475 | 31.9% |
| Public Health | 93,098,546 | 53,476,551 | 146,575,097 | 36.5% |

| | | | | |
|--------------------------------------|----------------------|--------------------|----------------------|--------------|
| Women's Affairs | 3,350,600 | 594,350 | 3,944,950 | 15.1% |
| Agriculture | 44,886,777 | 2,384,725 | 47,271,502 | 5.0% |
| Irrigation and Water Resources | 6,535,545 | 2,560,500 | 9,096,045 | 28.1% |
| Public Works | 6,102,000 | 2,743,500 | 8,845,500 | 31.0% |
| Rural Rehabilitation and Development | 8,556,240 | 3,159,618 | 11,715,858 | 27.0% |
| Martyred & Disabled | 4,505,100 | 937,750 | 5,442,850 | 17.2% |
| Transport | 2,565,950 | 827,436 | 3,393,386 | 24.4% |
| Frontiers | 4,058,589 | 5,297,682 | 9,356,271 | 56.6% |
| Labor & Social Affairs | 12,583,250 | 1,853,400 | 14,436,650 | 12.8% |
| Civil Aviation | 2,084,400 | 908,410 | 2,992,810 | 30.4% |
| Urban Development | 1,170,000 | 690,000 | 1,860,000 | 37.1% |
| Justice | 11,100,406 | 4,858,850 | 15,959,256 | 30.4% |
| Narcotics Eradication Commission | 383,614 | 158,242 | 541,856 | 29.2% |
| National Olympics Committee | 856,372 | 398,725 | 1,255,097 | 31.8% |
| Geodesy & Cartography | 1,794,539 | 720,595 | 2,515,134 | 28.7% |
| Central Statistics | 1,037,500 | 699,125 | 1,736,625 | 40.3% |
| Attorney General | 11,128,293 | 1,264,500 | 12,392,793 | 10.2% |
| Total | 1,281,336,850 | 387,652,800 | 1,668,989,650 | 23.2% |

Source: Ministry of Finance allotment data (from AFMIS).

Figure 7 goes on to examine the split of the total salary allotment for the first quarter of 1382 between the center and the provinces, compared to the split of the total non-salary expenditures between the center and the provinces. These data show that considerably more of the non-salary allotment has been planned to be spent by the center. The split on average for non-salary expenditures is in fact 86 percent to the center vs. 14 percent to the provinces, compared to a salary split of roughly 60 percent to 40 percent. In other words, the head offices in Kabul tend to keep a large share of the non-salary budget for themselves. It is possible that some expenditure attributed to the center is in fact provincial, but these data certainly argue for a careful review.

Previously, once the funds were allotted to the primary budgetary units (PBUs), the Ministry of Finance had no further interest in how they chose to allocate them between their provincial departments. However, now the quarterly allotment of budget funds to the secondary budgetary units (SBUs) must be submitted to the Ministry of Finance before it can be sent out to provinces. Arguably, it is less than ideal for the Ministry of Finance to be involved in what might be regarded as a high level of detail concerning the relationship between the Kabul ministries and their provincial departments.¹⁰ On the other hand, this leverage available to the Ministry of Finance could be used to increase the provincial allotments.

Figure 7: Distribution of 1382 First Quarter Allotments, Center vs. Provinces

Source: AFMIS.

The information on provincial department budgets contains an organizational chart detailing all staffing positions and levels (tashkeel), as well as the budget allotment (takhsis).

The budget allotment is given to the provinces via form B20, one copy of which is provided to the line departments, while another copy goes directly to the mustoufiat. In the past, the B20 contained a detailed breakdown by expenditure category, including babs, the major codes, such as "personal emoluments" and "services," and fasils, the more detailed line items, such as overtime, fuel, and office supplies. For 1382, allocations are being provided at the bab level only; however, provincial departments are still expected to report at both the bab and fasil level. This change is significant; it gives provinces more flexibility to move funding around within a particular bab – and arguably more room for abuse.¹¹

It is noteworthy that the transmission of the official allotments on form B20 to the mustoufiat is the first point of involvement for the mustoufiat in the budget process, as provincial departments provide budget requests (if they are prepared at all) directly to their respective ministries without the involvement of the mustoufiat. In fact, the mustoufiat receives no allotment information directly from the Ministry of Finance. Generally, the mustoufiat also does not typically use these forms to draw up a consolidated budget on one piece of paper. Table 24 shows the first quarter allotments for 1382 by department for the six case study provinces prepared from the AFMIS database.

Table 24: Provincial Ordinary Budget Allotment by Department, First Quarter, 1382

| Ministry/department | Province | | | | | |
|--------------------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|-------------------|
| | Badakhshan | Bamyan | Faryab | Herat | Kandahar | Wardak |
| President's Office* | 0 | 0 | 0 | 28,350 | 28,350 | 0 |
| Supreme Court (Courts) | 226,500 | 226,400 | 226,400 | 420,250 | 236,400 | 226,400 |
| Finance (Mustoufiat) | 1,201,000 | 406,000 | 1,142,000 | 2,330,000 | 1,401,500 | 566,000 |
| Defense | 0 | 14,458,894 | 0 | 37,533,231 | 46,863,879 | 0 |
| Foreign Affairs | 0 | 1,180,292 | 0 | 1,204,250 | 1,205,560 | 0 |
| Religious Affairs & Hajj | 1,944,530 | 1,219,790 | 1,344,120 | 3,022,145 | 1,768,420 | 1,286,760 |
| Commerce | 22,568 | 0 | 49,526 | 73,979 | 76,848 | 0 |
| Interior | 12,762,500 | 4,627,500 | 6,885,300 | 11,014,500 | 11,991,900 | 6,964,700 |
| Education | 37,766,100 | 5,686,650 | 20,102,700 | 77,801,700 | 35,212,500 | 27,346,650 |
| Higher Education | 920,000 | 0 | 1,022,000 | 2,977,500 | 1,875,000 | 0 |
| Return of Refugees | 170,500 | 199,750 | 199,750 | 423,100 | 423,100 | 114,875 |
| Planning | 0 | 89,250 | 0 | 111,750 | 96,750 | 0 |
| Mines & Industry | 0 | 0 | 0 | 1,070,871 | 168,725 | 0 |
| Communications | 467,624 | 205,337 | 412,796 | 1,092,500 | 534,861 | 128,712 |
| Information and Culture | 475,000 | 216,625 | 480,500 | 9,038,007 | 692,000 | 199,500 |
| Public Health | 8,090,880 | 2,197,109 | 3,692,689 | 136,600 | 6,501,086 | 3,981,768 |
| Women's Affairs | 139,600 | 127,000 | 129,500 | 2,253,656 | 144,600 | 90,300 |
| Agriculture | 1,643,619 | 614,076 | 1,065,102 | 581,161 | 1,349,047 | 696,899 |
| Irrigation & Water Resources | 294,943 | 108,515 | 256,661 | 639,050 | 260,812 | 108,292 |
| Public Works | 77,550 | 135,800 | 123,800 | 355,026 | 362,050 | 0 |
| Rural Rehabilitation and Development | 355,026 | 355,026 | 355,026 | 207,550 | 355,026 | 355,026 |
| Martyred & Disabled | 204,550 | 146,550 | 161,100 | 364,300 | 197,050 | 145,050 |
| Transport | 41,313 | 56,513 | 116,562 | 551,662 | 174,812 | 47,725 |
| Frontiers | 296,185 | 192,003 | 268,264 | 1,116,500 | 618,070 | 143,335 |
| Labor & Social Affairs | 383,750 | 147,850 | 452,750 | 315,063 | 646,500 | 126,225 |
| Civil Aviation | 159,431 | 87,990 | 144,583 | 315,000 | 486,239 | 0 |
| Urban Development | 0 | 199,750 | 0 | 77,408 | 296,750 | 0 |
| Justice | 1,040,889 | 285,078 | 526,045 | 840,598 | 806,562 | 336,132 |
| Narcotics Eradication Commission | 77,408 | 0 | 0 | 44,836 | 77,408 | 0 |
| National Olympics Committee | 33,987 | 33,987 | 33,987 | 191,267 | 52,137 | 34,087 |
| Geodesy & Cartography | 130,223 | 0 | 118,652 | 0 | 0 | 0 |
| Central Statistics | 40,125 | 38,875 | 39,000 | 89,125 | 76,500 | 37,625 |
| Attorney General (Prosecutor) | 599,392 | 276,250 | 426,280 | 500,800 | 533,013 | 386,745 |
| Total | 69,565,193 | 33,518,860 | 39,775,093 | 156,721,735 | 115,513,455 | 43,322,806 |
| Index: Badakhshan=100 | 100 | 48 | 57 | 225 | 166 | 62 |

Note: * Represents a special allotment to the governors of large provinces with respect to entertaining obligations. It is known as the "tablecloth" allotment.

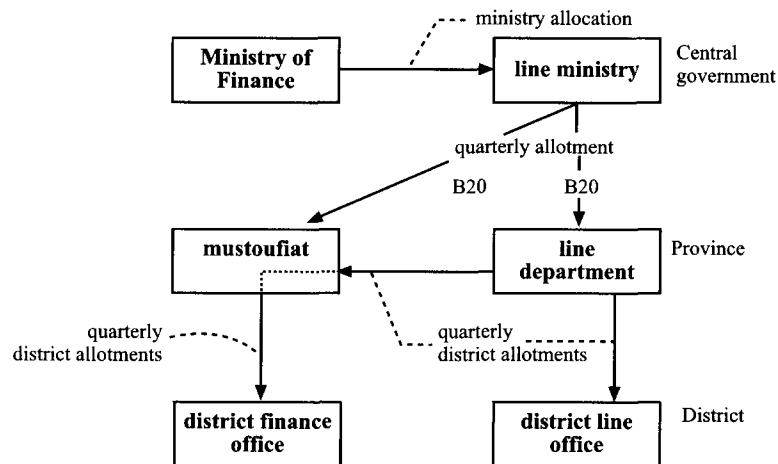
Source: Ministry of Finance (AFMIS).

Once the provincial departments have received notification of their quarterly allotments, they are supposed to prepare similar quarterly allotments for their district offices or subdepartments. These allotments should be provided to the district office of the ministry, and a copy should also be provided to the mustoufiat. The mustoufiat then would prepare a combined set of allotments for all the offices in a particular district, and then provide this information to the district finance office.

In reality, however, this generally does not happen. Just as Figure 7 suggests that provinces receive a relatively low share of non-salary expenditures, with some rare exceptions, provinces do not provide districts with any non-salary allocation. In some cases, particularly district health offices, some goods are provided in-kind, such as hospital supplies, but no cash is transferred. More typically, districts simply do not receive any support beyond salaries. This is true as much in Kandahar, where there is significant over-spending, as in revenue-poor Badakhshan or Faryab.

Figure 8 describes the formal communications flow for disseminating official budget allocations.

Figure 8: Approval Hierarchy for Budget Allocations



Source: AREU/WB staff assessment.

There have been surprisingly few provincial concerns expressed about the top-down, Kabul-centered process for preparing the budget. Provincial departments are well accustomed to a system in which they have virtually no involvement until they begin to receive their organizational charts with staffing levels, and their first quarter funding allotments. They generally accept and expect a strong leadership role from the center, but there is a significant concern that the center is not listening to provincial needs. A more responsive center would be welcome.

There are indications that this "acceptance" of the center's role is beginning to erode. Concerns over the low level of non-salary allotment have been frequently voiced – and more specifically the lack of cash in some provinces that has made it very difficult to actually spend the small allotment they receive. However, a more significant issue has surfaced since the start of 1382. The tashkeels that set the staff levels of all ministries and provincial departments and districts have become disconnected from the takhsis (see Box 17). Historically, the tashkeels were prepared in a presidency within the Ministry of Finance, and their preparation was regarded, very correctly, as one element of preparing the overall budget.

During the mujahidin period, this responsibility was moved out of the Ministry of Finance and the tashkeels are now agreed to by joint committees of the respective line ministry and the OAA in the President's Office, under the oversight of a vice president and head of the Civil Service Commission. This process provides the OAA with authority to agree to the tashkeels without the prior agreement of the Ministry of Finance as to the budgetary commitment that they represent.

The 1382 budget decree sought to remedy this problem by requiring that ministries advise the Ministry of Finance of their proposed employment totals in advance of the financial year for both their Kabul and provincial departments (Budget Decree, Section 6, 1382).¹² However, while the Ministry of Finance did submit proposed caps to cabinet, they were never approved. Ministries have now submitted numbers of posts by province. While they do conform to the overall ministry caps proposed by the Ministry of Finance, there is no guarantee that this consistency holds at the provincial department level.

This problem did not appear to surface in 1381, probably because many tashkeels had not been updated and provincial allotments were not enforced. But during the project's last mission to Bamyan in July, when first quarter payrolls were being processed, the problem became all too apparent. The most dramatic example was from the department of education. The approved tashkeel for Bamyan's education department was estimated at 7 million afs. for the first quarter, but the quarterly allotment provided only 5 million afs. Moreover, the quarterly allotment was only received towards the end of the quarter, and the mustoufie was faced with denying pay to many hundreds of teachers.

In the future, the budget planning process will be further complicated by the operations of the NSP. The program will be giving development funds to elected community development committees (CDCs). These locally-elected committees will be identifying and prioritizing local projects including irrigation projects,

Box 17: Tashkeel vs. Takhsis

The point of coordination between the tashkeels (staff requirements) and the takhsis (budget allotment) is the line ministry. The Ministry of Finance does not seem to be in any position to enforce consistency. It appears that the Ministry of Education has released tashkeels and takhsis that are dramatically inconsistent. This might be (a) confusion; (b) part of their determined bid for expansion; or (c) the consequence of uncertainty about the numbers of teachers who are being paid by the Swedish Committee and other NGOs. (On the latter point, the positions for such teachers should not be included in the tashkeel, as the positions are not government posts. However, last year many teachers "double dipped," allegedly being paid from both sources, so doubtless it has become very unclear. Everyone has had an interest in maintaining this particular confusion because the additional teacher salaries have supposedly been shared within the departments as a general top-up.)

In one province, this phenomenon was playing itself out at the time of the mission, and the mustoufie – whether through political calculation or otherwise – was maximizing the damaging impact of the confusion. Once it had become clear that the tashkeel and the takhsis did not correspond, his strategy was to pay all teachers on a first come first served basis as the districts submitted their payrolls. It was therefore inevitable that he would run out of funds – and was predicting that he would not be able to pay teachers from the last two out of six districts to submit their payrolls, representing a total of 50 schools.

wells, local roads, and school construction, among others. However, as these projects are completed, some will require ongoing operating costs. There will also be a need to ensure these local projects are complementary to ministry budget plans. As a direct result of this study, the design of the NSP is taking this reality into account, to ensure there are linkages with the normal budget planning process at the district and higher levels within the relevant ministries (see Box 18).

Box 18: NSP: A Strategy for Linking CDCs and Subnational Administration

The strategy recognizes that government is taking action to strengthen subnational administration and improve service delivery in some key sectors such as health and education. The NSP therefore must be flexible enough to adapt to these reforms; the NSP should not inadvertently duplicate or create incentives that unwittingly undermine the objectives of other programs.

The strategy to be used by NSP has three dimensions:

1. Encouraging elected CDCs to create a demand for better services from subnational government (district and provincial).
2. Encouraging CDCs to use their allocation of direct block grants (particularly the second- and third-year allocations) to leverage additional resources from provincial and district levels through the normal budgetary process.
3. Encouraging CDCs to monitor the quality and timeliness of service delivery by subnational government.

The strategy will be implemented in two phases. The first phase covers a short-term period of about one to two years. The second phase covers the period after that.

Phase 1:

Oversight consultant representatives, based in the provinces, will provide the summary plans of CDCs to the district-level representatives of each ministry and the district administrator on an annual basis, so that this information can be provided to line ministries in time to inform the annual budget exercise. These plans will be provided for information purposes only and no direct action is required on the part of district officials in approval of plans or in fund transfers to CDCs. However, district officials may use this information to coordinate the efforts of aid agencies operating or planning to operate in the district in question.

Phase 2:

After CDCs have developed some experience in implementing their plans and managing funds, they will be encouraged to be more proactive in demanding services from district government and in monitoring the quality of services delivered at the village level. Specifically:

- CDCs in a given district will be invited to unite. This would enable them to exert greater voice on district level government to demand specific improvements in services.
- CDCs can determine whether to use their second- and third-year allocations individually, or as federated entities, to leverage additional resources from district government. Federated CDCs could leverage resources for possible large-scale investments, such as secondary or tertiary roads linking villages or towns.
- CDCs will be asked to provide quarterly monitoring reports to district officials of the Ministry of Education and Ministry of Health. The reports will be simple and will essentially report on attendance of teachers and health professionals and availability of text books, teaching materials, and medicines. Report formats (for example, report cards) will be developed by the Ministry for Rural Rehabilitation and Development in collaboration with Ministry of Education and Ministry of Health.

Moreover, the creation of locally elected CDCs in the NSP program might encourage more coherent citizen oversight of government activities.

Budget Execution

Provincial departments only have the authority to spend once the mustoufiat has officially received the quarterly allotment for each of the line departments. Once this is in place, the main activity regarding budget execution is the payroll.

Payroll process

As noted above, processing payrolls in Kabul is a new procedure introduced since the collapse of the Taliban. Previously, payrolls were consolidated and authorized for payment at the mustoufiat. The mustoufiat would receive the cash with respect to the quarterly allotment in advance, so that once the payroll had been verified, payment could proceed. Payroll processing has now been centralized and all information is sent to the Treasury Presidency in the Ministry of Finance in Kabul. The payroll, which is prepared by each line department using form M41, provides detailed information on each employee, including position, grade, salary, and attendance record. The department submits the payroll to the mustoufiat, and the provincial governor approves it. Once the governor's approval is received, the payroll is then sent to the Treasury Presidency in the Ministry of Finance in Kabul for payment.

The purpose of centralizing the payroll was to audit its accuracy; however, no provincial staff interviewed had experienced any occasion where the payroll had been amended in any substantive way (though, at times, the forms would be rejected for a minor infraction). Provinces wait for authorization from the Ministry of Finance before payment is received. Provincial staff travel to Kabul and wait for authorization. This can take up to a month. Although payrolls may be submitted and paid monthly, most provinces have switched to submitting their payroll after every three months, mainly due to the time commitment required for each trip.

In the districts, the process is similar, but there are significant variations. The standard practice is for the payroll to be prepared by each district subdepartment, which then submits this information to the district finance office. The district finance office compiles the payroll information for all subdepartments, and gains the approval of the district administrator (uluswal). The district payroll is then sent to the provincial mustoufiat; once the governor has approved it, the payroll is sent on to the Treasury Presidency within the Ministry of Finance in Kabul. However, in many cases, the role of the district finance office is more limited; many subdepartments, particularly the larger ones, will bypass the finance office and submit their payroll directly to their respective provincial department, once the uluswal has approved it. In some provinces even individual schools will submit payrolls separately. Additionally, many districts only submit employee lists and attendance records, and the payroll forms are prepared by the provincial department. In the extreme case (Panjwayee District in Kandahar is an example), the district finance office has no expenditure-related responsibilities. It is not involved in any way with the payroll of other subdepartments, and only submits attendance records for its own staff. In this case, the only function of the finance office is to collect and submit revenues.

Once the payroll is approved, the Treasury Presidency in Kabul issues the checks to the province or district, and these are cashed at the local branch of the central bank. Each entity collects the cash from the bank and pays the employees in a public forum in front of witnesses.

For many districts, and even some of the more remote provinces, the payroll process is subject to significant delays (see Box 19). One reason that many provinces and districts have switched to a three-month cycle is the time it takes to prepare and submit the paperwork, wait for approval, and then collect the cash and distribute it. In some cases, especially where the roads are poor or even non-existent, the trip into the provincial capital can take a few days or even weeks, and this must be repeated once the cash is ready for pick up. Staff interviewed in Badakhshan in April had not been paid in five months. In snow-bound districts the delays can be longer.

In fact, the physical obstacles are one of a series of obstacles at all stages of the payroll process. Table 25 shows the steps in the centralized payroll process and flags the major problems. The major delays in the payments to provincial and district staff seem to arise at seven points:

- Some provincial staff, who are not confirmed in their position by their parent Kabul ministry, are rejected from the payroll
- The OAA provides the tashkeels late
- The line ministries issue takhsis that are inconsistent with the tashkeels, at least at the provincial level
- Provinces and districts are under the impression that they should only be preparing the M41s (payroll) every quarter
- The mustoufie must make what is often a laborious and time-consuming journey to take the payrolls to Kabul
- Provinces report that many forms are repeatedly rejected by the Treasury Presidency for very minor reasons
- There are extensive delays in the DAB moving the cash to the provincial branches.

Box 19: Managing the Payroll in Remote Districts

Darwaz District is situated at the north end of Badakhshan bordering on Tajikistan and provides an extreme example of some of the difficulties associated with managing payroll in remote districts. There are no roads connecting it to the rest of Badakhshan; the only way to reach Faizabad (the provincial capital) directly is to walk, and this can take weeks, and it has no communications facilities.

To notify Darwaz that the cash for the payroll is ready to pick up, the mustoufie has to notify the Afghan embassy in Tajikistan, which sends someone to Darwaz with the message. Then, most likely, the persons who will collect the cash will cross over to Tajikistan, travel to the border point at Ishkeshim, and then travel down to Faizabad.

As the table indicates, these delays will require systemic improvements at both the "wholesale" (authorization and transfer of cash) and "retail" (check preparation and cash payout) ends of the payroll process.

| Table 25: Responsibilities and Problems in the Payroll Process | | | | |
|---|---|---|--|---|
| <i>Text in italics refers to the most significant delays</i> | | | | |
| Stage | Responsibility for taking action <i>Common problems</i> | | Associated fiduciary risk | |
| | Kabul ministry | Provincial departments | | |
| "Wholesale" | Staff confirmed in position | Kabul ministry | Kabul ministry <i>Some provincial staff, who are not confirmed in their position, are rejected from the payroll.</i> | Might be a source of rents to have positions confirmed. |
| | Tashkeels provided for the year ¹³ | Department of Administrative Affairs <i>Tashkeels often provided late – and payrolls cannot be prepared without the tashkeel.</i> | | Tashkeels could be a source of rents (proportion of payroll levied in order to receive the tashkeel). |
| | Budget allotment provided for the quarter | Accounting and budget departments, Ministry of Finance | Accounting and budget departments, Ministry of Finance <i>Payrolls cannot be submitted unless there are adequate funds in the quarterly allotment; these are reportedly sometimes inconsistent with the tashkeel at the provincial level.</i> | Quarterly allotments could be a source of rents (proportion of payroll levied in order to receive the tashkeel). |
| | Payroll preparation (M41) | Individual organizational units within ministries | Districts and provincial departments <i>Provinces and districts have been under the impression, until recently, that they should only be preparing the M41s every quarter.</i> | The impression that payrolls should only be prepared quarterly might be deliberately fostered in the provinces to create a demand for salaries, raising the level of bribes that must be paid if salaries are to be received. |
| | Payroll pre-audit and verification (1) | M41s sent to the comptrollers within the ministry prior to authorization by the relevant minister. | M41s sent to the comptrollers under the mustoufiat prior to authorization by the governor. | No nominal roll maintained at the ministry or provincial level – fictitious staff could be placed on the payroll. |
| | | Ministry of Finance department prepares M16s (summaries). | Drafting department of the mustoufiat prepares M16s (summaries). | |
| | Transfer to Treasury Presidency | Ministry sends one complete set of M41s & M16s to the Ministry of Finance. | Mustoufie takes one complete set of M41s & M16s to the Ministry of Finance in Kabul. <i>Laborious and time-consuming journey.</i> | As the mustoufie must take a levy on the payroll to travel to Kabul, there is a risk that this levy might be more than just covering costs. |
| Payroll pre-audit and verification (2) | Treasury Presidency in the Kabul Ministry of Finance checks the accuracy of the M16s. | Treasury Presidency in the Kabul Ministry of Finance checks the accuracy of the M16s against allotments. <i>Provinces report that many forms are repeatedly rejected for very minor reasons.</i> | Possible that rents are being charged (levies on the payroll) in exchange for having the payroll approved. | |

| | | | | |
|----------|--|--|---|--|
| "Retail" | Preparation of checks | Ministry of Finance prepares checks for each ministry. | Treasury issues a lump sum check for the whole provincial payroll. <i>This check is handed to the bonded trustee of the mustoufiat. Bonded trustee deposits check in the provincial mustoufiat's bank account. Reportedly there can be delays in providing the check.</i> | |
| | Moving cash with the DAB | Central bank | Provincial branch of the Central bank <i>There are extensive delays in moving the cash to the provincial branches.</i> | Possible that rents are being charged (levies on the payroll) in exchange for having the cash made available in the provinces. |
| | Payroll pre-audit and verification (3) | Comptrollers within the ministry confirm that the checks correspond with M16s. | Comptrollers in the mustoufiat confirm that the checks correspond with M16s. | |
| | Distribution to departments | Bonded trustees collect their checks. Trustees cash the check at the DAB, and return to the departments with the cash. | Mustoufiat's disbursement office issues checks for each provincial department and district. Bonded trustees of the departments and districts receive their checks. Trustees cash the check at the provincial branch of DAB, and return to the departments/ districts with the cash. | Possible rents are being charged by the bonded trustees for their role in the process. |
| | Distribution of individual payments | Trustee disburses the salaries to the staff in front of witnesses. Employees sign on M41 for acknowledgement. | | It is not clear whether identification is required at the time of collecting pay – and whether identification is robust – raising the possibility of ghosts and double payments. It is also not clear that employees are fully aware of their entitlements. |

Note: The payrolls for some departments are not processed through the normal process, in particular the police, the national security department, and foreign affairs.

Source: AREU/WB staff assessment.

The pilot reforms being implemented by the Ministry of Finance mentioned earlier offer some possibilities for addressing some of the more significant concerns.

If implemented, the payroll module and pilots 1 and 2 would largely respond to the "wholesale" payroll problems (although the payroll module could, in principle, automatically generate a pay slip that would inform employees of their full entitlement – a stage at the very end of the retail phase), and pilot 3 proposals would respond to "retail" problems. However, even if they are successful, none of these developments would resolve the issues at the start of the wholesale phase,

including delays in staff being confirmed in position, delays in tashkeels, or mismatched tashkeels and takhsis. To resolve these problems, policy actions are needed to remedy the fact that provincial staff are left unconfirmed in their position for long periods by their parent department. This could be achieved by indicating that staff, whose positions are not confirmed but who continue to be employed, are automatically regarded as legitimate employees if notification is not received within two months of the request. Similarly, policy actions are necessary to avoid delays in the issuing of tashkeels, by requiring that all Kabul ministries issue all tashkeels to all secondary and tertiary budget units before the start of the fiscal year.

Non-payroll expenditure process

For expenditures other than payroll, the process for executing payments at both the provincial and district level is outlined in Table 26.

| Stages | Provincial department | District office |
|-----------------------------------|--|--|
| Establishing the allotment | Provincial departments receive their quarterly allotments (usually after the start of the quarter). | Districts receive their quarterly allotments (usually after the start of the quarter). |
| | The cash for the quarterly allotment is received in the provincial branch of the DAB. | Cash for the district quarterly allotment is sent to the district finance office and held by the treasurer in a safe. |
| Authorizing the purchase | <p>The provincial department prepares a proposal and submits it to the governor.</p> <p>A purchasing mission is appointed by the department head. In some provinces, governors appoint the mission and approve every retail purchase.</p> <p>Where the cost of the purchases is higher than 500,000 afs., purchases are done by a commission appointed by the governor.</p> <ol style="list-style-type: none"> 1. If the price of a commodity or the cost of a required service is up to 20,000 afs., the purchase can be done by a single member of the purchasing mission. 2. If the price or the cost is from 20,000 to 100,000 afs., the purchase can be done by two members of the purchase mission. 3. If the price or the cost is from 100,000 to 500,000 afs., purchase can be done by the whole three members of the purchasing mission. <p>Price quotations from three sellers or service providers are required.</p> | The district office prepares a proposal and submits it to the uluswal. |
| | The governor approves the proposed purchase, and appoints a representative from the governor's office to participate in the purchase. | The uluswal approves the proposed purchase and appoints a representative from the uluswal's office to participate in the purchase. |

| | | |
|-------------------------------|---|---|
| | The proposal also goes to the mustoufiat, where the audit department does a pre-audit of the purchase proposal. The mustoufie approves the proposal and appoints a representative from the mustoufiat to participate in the purchase. | The proposal also goes to the finance office, where the audit department does a pre-audit of the purchase proposal. The finance office approves the proposal and appoints a representative to participate in the purchase. |
| Executing the purchase | Usually, the mustoufie issues a check to the department in advance of the purchase so that the purchase can be made in cash. Sometimes, purchases are made before the cash has been received in the province; in this situation, the mustoufiat might issue a check for the purchase, but the seller must wait for the cash to arrive in the bank before check will be honored. Alternatively, a purchase contract might be signed with a merchant, but no payment made until the cash arrives. | Usually, the treasurer gives cash to the department in advance so that the purchase can be made in cash. |
| | The representatives from the governor's office, from the mustoufiat and a representative from the department make up the purchasing council. The three-member council goes to the market and gets three quotes for the purchase. See earlier notes about the limits. | The representatives from the uluswal's office, from the finance office, together with a representative from the district office make up the purchasing council. The three-member council goes to the market and gets three quotes for the purchase. If the purchase is under 10,000 afs., only one quote is needed. |
| | Based on the lowest quote, the purchase is made. | Based on the lowest quote, the purchase is made. |
| | Sometimes the purchase is done in the form of a contract to supply goods or services over a period of time. These contracts may be reviewed and approved by the administrative council of the province. | |
| Settling the accounts | The receipts are taken to the mustoufiat, and the account is settled (if the purchase price was less than the advance, the difference is returned, if it is more, the difference is reimbursed). | The receipts are taken to the finance office, and the account is settled (if the purchase price was less than the advance, the difference is returned, if it is more, the difference is reimbursed). |

Note: This table assumes that there is cash available.

Source: AREU/WB staff assessment.

As the table's title suggests, this process is the traditional practice. The current reality is in flux. In 1381, provinces that had no access to revenues, or that chose not to spend their revenues without permission from Kabul, were unable to make any non-salary expenditures until cash was sent late in the year. In some cases, where expenditures were considered unavoidable, some provinces made purchases on credit. At the start of 1382, Kabul stipulated that no cash would be sent to provinces for non-salary purchases until expenditure reports were received. But for provinces with no access to revenues, this requirement effectively shut down

access to their allocation. There is now some attempt to forward some small portion of the non-salary quarterly allotment to the provinces in advance, but this remains a serious issue. For example, by the end of the first six months of 1382, of the 755 provincial departments, 426 (or 54 percent) had recorded only salary payments. In 13 provinces, salary payments accounted for more than 90 percent of total expenses.

Because most districts have had no access to non-salary expenditures for some time, there is little experience with this process in practice at the district level. In some instances, district-level requests for a non-salary purchase are reportedly sent to the appropriate provincial department. Once the purchase is made, then the goods are sent to the district office. In this situation, the district finance office has no involvement in the process. Sometimes, goods are sent to the district without having made any request. For example, a shipment of firewood might arrive in the late fall, or a supply of paper may be received at the start of the year.

For districts, there is no delegated authority to make purchases within their budget allocation; the governor must approve all purchases. In fact, districts may simply receive the requested goods (as noted above), or they may be required to make the purchase and then submit the bill to the mustoufiat for reimbursement. This approval process also applies to the development budget. But in most districts visited, the approval process for non-salary expenditures was a moot point, as there was no non-salary allocation.

1381 expenditure results

Table 27 summarizes 1381 expenditures by major expenditure category (bab) for the six case study provinces. For those provinces that are largely or completely dependent on Kabul for cash, most expenditures went to salaries – in the case of Bamyan, as much as 95.1 percent. Only those provinces that had access to customs duties incurred substantial non-salary expenditures – and overspent their approved allocation.

| Code | Category (bab) | Badakhshan | Bamyan | Faryab | Herat | Kandahar | Wardak |
|------|---|---------------|---------------|---------------|---------------|---------------|---------------|
| 1000 | Personal emoluments | 93.4% | 95.1% | 92.2% | 23.2% | 24.0% | 81.0% |
| 2000 | Services | 0.2% | na | 0.5% | 34.4% | 1.0% | 0.2% |
| 3000 | Tools and materials | 3.4% | na | 2.5% | 4.7% | 14.8% | 11.7% |
| 4000 | Maintenance and repairs | 0.6% | na | 1.3% | 20.1% | 27.0% | 6.7% |
| 5000 | Land structural equipment | 1.2% | na | 1.7% | 6.4% | 7.8% | 0.4% |
| 7000 | Subsidies, grants, contributions & pensions | 0.2% | na | 1.8% | 11.1% | 14.3% | 0.0% |
| 9000 | Reserve funds | | | | | 11.1% | |
| | Reconstruction | 1.1% | | | | | |
| | Subtotal, non-salary | 6.6% | 4.5% | 7.8% | 76.8% | 76.0% | 19.0% |
| | Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: Provincial mustoufiats.

Table 28 displays actual expenditures for 1381, by department.

| Table 28: Provincial Expenditures by Department, 1381 | | | | | | |
|--|--------------------|-------------------|-------------------|--------------------|--------------------|-------------------|
| Department | Badakhshan | Bamyan | Faryab | Herat | Kandahar | Wardak |
| Judicial Court | 1,853,715 | 835,543 | 1,254,041 | 3,192,572 | 1,217,159 | 840,334 |
| Finance | 2,632,841 | 1,205,066 | 2,813,342 | 6,363,688 | 7,460,891 | 3,240,667 |
| Defense | 313,233 | | 860,084 | | 0 | 234,368 |
| Foreign Affairs | | | | 461,426 | 556,089 | 0 |
| Religious Affairs & Hajj | 754,987 | 4,096,728 | 3,188,936 | 10,376,624 | 1,537,266 | 5,065,013 |
| Commerce (Licensing) | 190,967 | | 91,416 | 170,788 | 288,743 | 0 |
| Interior | 20,926,341 | 5,826,144 | 5,515,129 | 729,604,660 | 509,630,663 | 19,544,678 |
| Education | 94,859,323 | 32,810,596 | 45,451,152 | 148,545,439 | 84,979,518 | 21,285,594 |
| Higher Education | 1,175,480 | | 1,597,974 | 11,274,353 | 8,331,166 | 0 |
| Refugees | 333,520 | 413,577 | 227,356 | 1,698,127 | 1,643,712 | 177,319 |
| Planning | | 222,929 | | 309,652 | 422,370 | 0 |
| Mines & Industries | | | | 53,572 | 734,285 | 0 |
| Communications | 1,305,679 | 603,541 | 1,588,253 | 5,829,107 | 2,570,647 | 592,322 |
| Information and Culture | 1,883,582 | 495,572 | 1,522,484 | 2,856,173 | 3,992,143 | 270,013 |
| Public Health | 6,985,338 | 2,048,522 | 4,647,147 | 21,962,106 | 18,176,621 | 2,752,968 |
| Women's Affairs | 14,834 | 377,865 | 409,129 | 184,712 | 465,091 | 0 |
| Agriculture | 2,746,048 | 1,072,014 | 3,767,898 | 8,386,180 | 9,294,803 | 2,280,304 |
| Irrigation & Water | 463,566 | 221,395 | 638,870 | 789,863 | 606,590 | 304,100 |
| Public Works | 657,565 | 788,392 | 376,164 | 2,381,978 | 5,387,250 | 0 |
| Rural Rehabilitation and Development | 1,407,352 | 959,047 | 667,246 | 2,078,280 | 1,347,788 | 658,513 |
| Martyred & Disabled | 728,422 | 874,836 | 564,994 | 723,065 | 1,169,298 | 362,077 |
| Transport | 99,051 | 401,933 | 359,717 | 907,967 | 668,670 | 86,204 |
| Frontiers (Ethnics) | 44,840 | | 34,498 | 251,340 | 927,737 | 0 |
| Labor & Social Affairs | 1,532,420 | 664,690 | 1,570,130 | 4,395,720 | 677,157 | 0 |
| Civil Aviation | 258,065 | 758,275 | 192,759 | 392,276 | 1,390,933 | 0 |
| Justice | 548,256 | 425,087 | 720,141 | 1,006,484 | 972,795 | 572,702 |
| Narcotics Eradication | 121,047 | | | 1,093,087 | 290,843 | 0 |
| National Olympics | 90,995 | | 57,106 | 238,160 | 199,082 | 0 |
| Geodesy & Cartography | 277,087 | | 232,648 | 181,870 | 868,492 | 0 |
| Central Statistics | 107,600 | 43,078 | 69,103 | 464,493 | 247,207 | 69,209 |
| National Security | 417,528 | 318,978 | 410,850 | 186,286 | 153,725 | 665,536 |
| Urban Development | | | | | | |
| Prosecutor/Attorney General | 2,410,420 | 902,947 | 1,196,885 | 2,925,882 | 2,036,150 | 2,274,496 |
| Municipality | | 656,886 | | | | |
| Central Workshop | | | | 316,150 | | |
| Disaster Prevention | | | | 16,166 | | |
| Unallocated | | 597,209 | | | | |
| Total (civilian) | 145,140,102 | 57,620,850 | 80,025,452 | 969,618,246 | 668,244,884 | 61,276,417 |
| Index: Badakhshan=100 | 100 | 40 | 55 | 668 | 460 | 42 |

Source: Provincial mustoufiats.

Table 29 shows budget execution (expenditures as a percent of allotment) for each of the six case study provinces. With the exception of Wardak, all provinces were significantly over budget last year. But once again, the picture is dramatically different depending on access to revenues. Those provinces without significant

revenues overspent only on payroll. And to some degree this can be explained by the fact that, except for Wardak, provinces did not include the UNDP salary funding in their reported allotments. But for those with revenues, significant overspending also occurred on non-salary expenditures (the overspending on salaries is not out of line with the other provinces).

| Category (bab) | Badakhshan | Bamyan | Faryab | Herat | Kandahar | Wardak |
|--|--------------------------------------|-------------|-------------|-------------|---------------|------------|
| | Expenditures as percent of allotment | | | | | |
| Personal emoluments | 386% | 372% | 168% | 154% | 356% | 103% |
| Services | 37% | na | 60% | 32,568% | 629% | 68% |
| Tools and materials | 101% | na | 60% | 347% | 915% | 99% |
| Maintenance and repairs | 75% | na | 78% | 7,283% | 3,730% | 65% |
| Land structural equipment | 79% | na | 85% | 2,110% | 3,299% | 67% |
| Subsidies, grants, contributions, & pensions | 74% | na | 80% | 18,936% | 22,798% | na |
| Subtotal, non-salary expenditures | 104% | 62% | 64% | 3,654% | 2,714% | 83% |
| Total | 327% | 299% | 149% | 583% | 1,049% | 99% |

Source: Ministry of Finance (AFMIS).

Budget execution for the first quarter, 1382

For 1382, provincial data on allotments and expenditures is being tracked centrally through the AFMIS database. Table 30 and Table 31 summarize the rate of expenditure execution for the six case study provinces, using the AFMIS database. However, the AFMIS data are not designed for this purpose and so only track when payouts are made, not when expenditures are incurred. While there appears to be a very low execution rate in most cases, extreme caution should be used in drawing any firm conclusions.

| Category (bab) | Badakhshan | Bamyan | Faryab | Herat | Kandahar | Wardak |
|--|--|-----------|------------|---------------|-----------|------------|
| | (Expenditures as percent of allotment) | | | | | |
| Personal emoluments | 10% | 5% | 67% | 113% | 0% | 20% |
| Services | 1% | 0% | 2% | 76,202% | 0% | 44% |
| Tools and materials | 47% | 21% | 1% | 632% | 0% | 33% |
| Maintenance and repairs | 0% | 0% | 2% | 4,156% | 0% | 33% |
| Land structural equipment | 0% | 0% | 8% | 3,656% | 0% | 28% |
| Subsidies, grants, contributions, & pensions | 0% | 0% | 0% | 380% | 0% | 133% |
| Subtotal, non-salary expenditures | 36% | 12% | 2% | 5,783% | 0% | 34% |
| Total | 15% | 6% | 54% | 1,055% | 0% | 22% |

Source: Ministry of Finance (AFMIS).

| Department | Badakhshan | Bamyan | Faryab | Herat | Kandahar | Wardak |
|------------------------------------|--|-----------|------------|---------------|-----------|------------|
| | (Expenditures as percent of allotment) | | | | | |
| President's Office | na | na | na | 0% | 0% | na |
| Courts | 0% | 0% | 46% | 10% | 0% | 60% |
| Mustoufiat | 0% | 0% | 39% | 58% | 0% | 127% |
| Defense | na | 0% | na | 850% | 0% | na |
| Foreign Affairs | na | 0% | na | 8% | 0% | na |
| Religious Affairs & Hajj | 0% | 0% | 89% | 7% | 0% | 0% |
| Commerce | 0% | na | 53% | 82% | 0% | na |
| Interior | 82% | 47% | 16% | 29% | 0% | 46% |
| Education | 0% | 0% | 66% | 38% | 0% | 16% |
| Higher Education | 0% | na | 55% | 58% | 0% | na |
| Refugees | 0% | 0% | 31% | 100% | 0% | 24% |
| Planning | na | 0% | na | 50% | 0% | na |
| Mines & Industry | na | na | na | na | 0% | na |
| Communications | 0% | 0% | 56% | 74% | 0% | 79% |
| Information and Culture | 0% | 0% | 71% | 56% | 0% | 23% |
| Public Health | 0% | 0% | 38% | 35% | 0% | 13% |
| Women's Affairs | 0% | 0% | 66% | 82% | 0% | 0% |
| Agriculture | 0% | 0% | 78% | 71% | 0% | 30% |
| Irrigation & Water | 0% | 0% | 65% | 39% | 0% | 18% |
| Public Works | 0% | 0% | 69% | 123% | 0% | na |
| Rural Rehabilitation & Development | 0% | 0% | 55% | 107% | 0% | 35% |
| Martyred & Disabled | 0% | 0% | 81% | 204% | 0% | 54% |
| Transport | 0% | 0% | 39% | 59% | 0% | 15% |
| Frontiers | 0% | 0% | 16% | 11% | 0% | 0% |
| Labor & Social Affairs | 0% | 0% | 64% | 82% | 0% | 0% |
| Civil Aviation | 0% | 0% | 33% | 34% | 0% | na |
| Urban Development | na | 0% | na | 35% | 0% | na |
| Justice | 0% | 0% | 45% | 85% | 0% | 0% |
| Narcotics Control | 0% | na | na | 65% | 0% | na |
| National Olympics | 0% | 0% | 44% | 62% | 0% | 0% |
| Geodesy & Cartography | 0% | na | 46% | 49% | na | na |
| Central Statistics | 0% | 0% | 39% | 40% | 0% | 60% |
| Prosecutor/Attorney General | 0% | 0% | 80% | 100% | 0% | 29% |
| Total | 15% | 6% | 54% | 1,055% | 0% | 22% |

na= no allotment and no expenditures.

Source: Ministry of Finance (AFMIS).

Cash Management and Treasury Operations

Although all revenues are formally collected on behalf of the central government in Kabul, the system seeks to avoid the physical movement of cash, given the obvious transportation challenges. In essence, provinces spend cash that they have collected as revenue before seeking transfers from Kabul. Some provinces in close proximity to Kabul, such as Wardak and Bamyán, do send all revenues directly to Kabul. Revenues from rural districts are placed in the provincial revenue account. When the collected revenues are insufficient to cover even non-salary expenses, the Treasury Presidency of the Ministry of Finance may make transfers for non-salary costs from the account of the Ministry of Finance to the mustoufiats on request. The payroll, however, is transferred on a more regular basis, as described above. For other provinces – Herat and Kandahar being clear examples – no cash transfers are made at all. Even in these cases, however, provincial payouts from allotments must and do wait for authorization from Kabul.

Transfers to Kabul arise when revenues raised in a province are in excess of the approved budget, and these are supposed to be transferred to the government budget account at the end of the fiscal year on the basis of the monthly income report provided by the mustoufiat to the Ministry of Finance (on form M29). The Treasury Presidency in the Ministry of Finance also has the authority to request that such surplus revenues be paid to the government account during the fiscal year. The reality, however, is decidedly murky, and Kabul must in effect negotiate payment. Efforts are underway to address this situation, but a sustainable solution seems unlikely in the short term.

Cash transfers are made through the central bank. Transfers from Kabul are placed in the mustoufiat expenditure account in the central bank branch in the province. The mustoufiat authorizes the drawing of cash from the central bank by issuing checks.

Traditionally, provinces and districts have held at least one expenditure account and one revenue account in the provincial DAB branch. Revenues collected locally go into the revenue account, and expenditures are paid by check out of the expenditure account. Typically, provinces would run a positive balance in the expenditure account, and transfer funds from the revenue account as needed (or request transfers from Kabul). Many provinces, however, have had multiple accounts, both for revenues and for expenditures. But sound cash management principles argue for one treasury account for all operations. Reforms in the Ministry of Finance are moving in this direction; in one of the first steps in this process, the government froze all existing bank accounts in the provinces on August 1, and replaced them with two accounts – one for revenue and one for expenditures.

However, it appears that implementation of this change was less than smooth. When the accounts were frozen on August 1, mustoufiats were immediately denied access to the revenues sitting in local accounts, and were also left with limited information on how to operate the new accounts.

About 10 days after the accounts were frozen, small amounts were transferred into the expenditure accounts of each province – 1 million afs. for small provinces and 2 million afs. for large provinces, to be used for non-salary expenditures. The intent is to replenish these amounts on receipt of proper expenditure reports. However, as Table 32 suggests, these amounts are very low given the level of allotment in the six case study provinces.

| Province | Afs. |
|------------|------------|
| Badakhshan | 13,637,476 |
| Bamyan | 6,026,975 |
| Faryab | 8,377,410 |
| Herat | 26,036,453 |
| Kandahar | 27,380,221 |
| Wardak | 7,814,723 |

Source: Ministry of Finance (AFMIS).

Accounting and Audit

For those provinces that have customs houses, they must report to the mustoufiat on collections once a month. Departments also report to the mustoufiat once a month on actual spending, and this report includes a breakdown by district. Subsequent reporting to Kabul on budget execution is the responsibility of the provincial mustoufiat, who submits reports on all actual expenditures and revenues to the Ministry of Finance Treasury Presidency within 10 days of the end of each month and within one month of the end of the fiscal year. Districts are similarly required to report to the mustoufiat within 10 days of the end of the month (on form M23).

The existing clerical system for accounting for revenues and expenditures and for establishment control at the provincial and district level appears to be largely intact and generally understood by staff. Formal limits imposed under the system, such as budgetary allocations and establishment limits, are also being respected, although there are notable exceptions, particularly for teachers. In Bamyan, there appears to be a broader problem, where ministries have rejected the number of existing staff, but the Ministry of Finance has paid their salaries up to the end of 1381, nevertheless. For 1382, this will no longer be the case, as the Ministry of Finance is enforcing allotment ceilings.

The overall state of telecommunications is very poor, and is contributing significantly to failures in the existing system.

The mustoufiat undertakes pre- and post-auditing for the provinces in its capacity as the provincial representative of the Ministry of Finance. Before 1979, the Office of the Prime Minister undertook ex-post audits.¹⁴

Conclusions

From this analysis of the six case study provinces, it is clear that there are a number of deficiencies in the fiscal arrangements faced by provinces and districts that severely limit their ability to deliver services:

- Despite some actions to increase central control over revenues, provinces with large customs revenues continue to enjoy significantly higher expenditure levels.
- Provinces have virtually no input into the budget process, either the recurrent or development budget.

- There is no "provincial" budget routinely prepared or reviewed.
- The tashkeel does not appear to be aligned with the takhsis, at least at the provincial level.
- Both the quarterly allotments and the tashkeel are being sent to provinces late in the quarter.
- Payment of salaries to the provinces and districts continues to be slow (although there may be signs that this is improving).
- Flow of payrolls through the DAB appears to be adding to the delays in payment.
- Non-salary allotments to provinces appear low relative to the portion kept in Kabul.
- The available non-salary allotment is not getting spent in "low-revenue" provinces due to limited access to cash.
- Provinces, in turn, provide no non-salary allotments to districts.
- Instructions and guidance on financial procedures are unclear or absent.
- The lack of district allotments is fast eroding the districts' financial management capacity.
- Extremely poor communications and transportation links are contributing to the ability to send in payroll and expenditure reports on time.

As noted in Chapter 1, these fiscal problems have political implications, as the control of regional warlords and local commanders over the structures of subnational administration is strengthened by these difficulties. The lack of financial resources at the subnational level is a critical weakness that undermines attempts by the central government to assert control, giving influence to those who have local resources. In particular, the fact that administrators have limited or no non-salary allotment plays directly into the hands of those with the financial capacity to offer alternative resources.

4. CENTRAL/LOCAL ADMINISTRATIVE RELATIONSHIPS

Legal Basis and Organizational Responsibilities

Afghanistan is a unitary state. The provinces are not distinct political entities in any legal sense and have a very modest role, formally, in decisions concerning their own structure, recruitment of senior staff, size of establishment and workforce composition. In effect, each province is a collection of deconcentrated branches of the central government ministries. All decisions on provincial staffing establishments are made in Kabul by the parent ministry in negotiation with the OAA, and with oversight by the head of the IARCSC. Although the governor approves junior staff appointments and transfers (karmand grade 6 and below and all agir staff below grade 2), the relevant minister approves karmand staff from grades 3-5, and senior staff (in the districts this is just the uluswal and the judge) are appointed by the president (see Table 33).

Table 33: Employment Authorities for Staff

| Karmand grade | Central government | | Province | | District | | Municipality | |
|---------------------------------|-----------------------------|-----------|---|-----------|--|-----------------|--|----------------------|
| | Selection | Appoint. | Selection | Appoint. | Selection | Appoint. | Selection | Appoint. |
| "Beyond" "Above" 1 2 | Minister | President | Minister or governor | President | Minister or governor | President | Urban mayor (for rural municipality) or governor | President |
| 3 4 5 | Minister | Cabinet | Provincial head of department or governor | Minister | District officer or provincial head of department or governor | Sector minister | Mayor or governor | Ministry of Interior |
| 6 7 8 9 10 | Department head or minister | Minister | Provincial head of department or governor | Governor | District officer or provincial department or governor | Governor | Mayor or governor | Governor |
| Agir grade | | | | | | | | |
| "Beyond" "Above" | Minister | Cabinet | Minister or governor | Cabinet | District officer, provincial department head, governor or minister | Cabinet | Mayor, governor, or minister | Cabinet |
| 1 2 | Department head | Minister | Provincial head of department or governor | Minister | District officer, provincial head of department, or governor | Minister | Mayor or governor | Minister of Interior |
| 3 4 5 6 7 8 9 | Department head | Minister | Provincial head of department | Governor | District officer, or provincial head of department | Governor | Mayor | Governor |

Source: AREU/WB staff assessment.

Administrative and fiscal arrangements between the province and districts replicate the center-provincial relationship. However, provincial officials have relatively little discretion with regards to districts, as the central ministry in Kabul determines the district staffing allocations.

To complete the picture, the Ministry of Interior oversees municipalities (albeit with significant influence by the governor in some provinces). The Ministry of Interior in Kabul must sanction the staffing numbers and budget of each municipality, despite the fact that municipalities are entitled to collect and retain their own tax revenues. In some provinces, Herat and Kandahar being examples, rural municipalities also have a reporting relationship with the provincial municipality, as noted above in the chapter on fiscal arrangements.

There are no comparative data on administrative decentralization, but from recent work it would appear that Afghanistan is far from unusual in its administrative centralization (Evans and Manning, 2003).¹⁵

Administrative Divisions

Table 34 shows details of the provinces and districts according to grade. The grade is determined largely by population, but there are additional political factors that play into the assignment. Grade 1 is the largest and grade 3 is the smallest. The grade of a province or district will affect the size of governor's office and district office, as well as the position grades of the staff.

In the six provinces visited during this study, administrative divisions were being altered in a variety of ways in favor of different power holders. While there are certainly areas where administrative boundaries will need to be altered, these changes should only be made after a new constitution has been ratified as well as a new population census completed. Without accurate population data, it is inevitable that local political interests, rather than national interests, will be the

Table 34: District Administrations by Province

| Province | Grade of Province | Number of Districts | | | Total number of districts |
|---------------|-------------------|---------------------|------------|------------|---------------------------|
| | | Grade 1 | Grade 2 | Grade 3 | |
| Kabul | 1 | 4 | 5 | 5 | 14 |
| Kapisa | 2 | 4 | 1 | 1 | 6 |
| Parwan | 2 | 3 | 7 | 3 | 13 |
| Wardak | 3 | 2 | 4 | 2 | 8 |
| Logar | 3 | 0 | 4 | 2 | 6 |
| Ghazni | 2 | 5 | 6 | 7 | 18 |
| Paktya | 2 | 2 | 6 | 2 | 10 |
| Nangarhar | 1 | 5 | 13 | 3 | 21 |
| Laghman | 3 | 1 | 2 | 1 | 4 |
| Kunar | 3 | 0 | 4 | 10 | 14 |
| Badakhshan | 1 | 1 | 15 | 11 | 27 |
| Takhar | 2 | 3 | 6 | 7 | 16 |
| Baghlan | 2 | 2 | 6 | 6 | 14 |
| Kunduz | 1 | 3 | 3 | 0 | 6 |
| Samangan | 3 | 2 | 2 | 2 | 6 |
| Balkh | 1 | 5 | 9 | 0 | 14 |
| Jawzjan | 2 | 1 | 2 | 6 | 9 |
| Faryab | 2 | 5 | 5 | 3 | 13 |
| Badghis | 3 | 1 | 5 | 0 | 6 |
| Herat | 1 | 5 | 7 | 3 | 15 |
| Farah | 2 | 0 | 8 | 2 | 10 |
| Nimroz | 3 | 0 | 4 | 0 | 4 |
| Hilmand | 2 | 3 | 7 | 2 | 12 |
| Kandahar | 1 | 2 | 9 | 4 | 15 |
| Zabul | 3 | 0 | 5 | 4 | 9 |
| Uruzgan | 3 | 2 | 6 | 0 | 8 |
| Ghor | 3 | 1 | 4 | 4 | 9 |
| Bamyan | 3 | 2 | 2 | 2 | 6 |
| Paktika | 3 | 0 | 5 | 13 | 18 |
| Nuristan | 3 | 0 | 2 | 5 | 7 |
| Saripul | 3 | 1 | 3 | 1 | 5 |
| Khost | 3 | 0 | 5 | 7 | 12 |
| Totals | | 65 | 172 | 118 | 355 |

Source: Ministry of Interior.

driving force behind many changes (see Box 20). For example, there has been speculation that the upcoming elections, as well as the possibility that district councils along with provincial councils will have a role in electing members to the *Meshrano Jirga* (upper house), will increase pressures to create new districts.

Box 20: Proliferating Districts

Until the early 1990s, Badakhshan was divided into 13 administrative districts plus the municipality of Faizabad. When Professor Rabbani was president, 14 new districts were created in his home province, reportedly based on population size as well as the time required to travel to the district center. Political considerations, such as the need to accommodate influential local commanders or different political factions, also played a part as some districts were created (for example, Zebak) that certainly did not meet the criteria on population size or distance to the district center. These 14 new districts have now been officially recognized.

In other provinces there are categories of "official districts" and "unofficial districts." Unofficial districts were often created by local power holders to increase their influence, but have created complications for local administration. The case of Yakawlang District in Bamyan Province, as recounted by two provincial officials, illustrates the problem:

During the resistance period, *Hezb-i-Wahdat* [a Hazara mujahidin faction] created a second district in Yakawlang, but it's never been made official. Many of today's administrative problems are a result of this second, unofficial district. Either the second district should be made official or they should get rid of it as there shouldn't be two parallel districts. That district has an unofficial *uluswal* and, unofficially, the governor gives some of Yakawlang resources to this unofficial district. I'm trying to get some support for this unofficial district to be a subdistrict so that it can legally get some resources.

Forty percent of the resources of Yakawlang 1 (the official district) were sent to Yakawlang 2 (the unofficial district) in 1381. They sent in the M41 for their staff in Yakawlang 1, according to their *tashkeel*, but 40 percent of their salaries were sent to the other district. As salaries for 1382 haven't been received, we don't know what will happen this year. The *uluswal* and departments of Yakawlang 1 had no jurisdiction over Yakawlang 2 in 1381, but it was still unclear if this situation would continue in 1382 as the government had not made the district official.

The advantages of becoming a district include getting a school, clinic, and market. It also reduces the travel distance for many villages to the district headquarters and to access government services. The downside, however, is that these additional districts, especially those with very small populations, will be an added financial burden on the state. In Badakhshan, there was a stark contrast between the older, more established districts, which generally have government buildings and basic furnishing, and the newly established districts that have virtually nothing.

Administrative divisions have also been manipulated to ensure continued access to the resources that underpin their control. As mentioned in Chapter 1, four northern districts of Faryab Province, while "administratively" still part of Faryab Province, are "operationally" part of Jawzjan Province (General Dostum's home province). The four northern districts include the major carpet trading town of Andkhoi and, more importantly, the Turkmenistan border customs post at Aqina.

All revenues collected from these districts are sent to Jawzjan Province, and the district payrolls are also processed through Jawzjan.

There are also rumors circulating that several new provinces might be created. In Badakhshan, there were reports that the province will be divided into two, with the new province being called "Baharistan." The reasons given for creating a new province were to accommodate the political divisions between the powerful factions of *Jamiat* and *Shura-i-Nazar*, on the one hand, and *Hezb-i-Islami* on the other. Another explanation given was that the Ismaili community of Badakhshan wanted a separate province. The third explanation is that Badakhshan is the largest province in Afghanistan and the mountainous terrain makes traveling from some remote districts to the provincial capital a journey of several days. There were other reports that Uruzgan Province would be divided into a southern and a northern province, and that there has been strong lobbying for a new province of Panjshir.

Since coming to office, the administration of President Karzai, in an effort to reduce the influence of regional rivals to the central government, has worked hard to de-legitimize the unofficial civil administrative division of "zones" or "regions." While unofficial, these have had de facto status in some regions for many years and have tended to coincide with ethnic boundaries as well as the areas of influence of regional warlords and/or political factions. The most striking example of a zone has been the western region under the effective administrative and military control of Governor Ismail Khan. In Kandahar, former Governor Gul Aga viewed himself as the head of the southwestern region, established commissions for the southwestern region, and paid salary top-ups to government employees in Zabul, Hilmand and Uruzgan Provinces, in addition to Kandahar.

The Politics of Appointments

While in theory Kabul retains the authority to appoint staff at grades 5 and above, in those provinces with strong governors or local commanders, this formal authority is frequently circumvented. In provinces dominated by warlords and commanders, most senior government employees owe their employment, and therefore their loyalties, to local and regional power-holders rather than the central government. In Herat, for example, all district governors were reported to be in their positions because they had fought in the *jihad* with Governor Ismail Khan. In other areas where overall command is less clear, there is either conflict, or those in authority try to maintain stability by splitting the major appointments between rival factions. For example, in the province of Badghis, where Ismail Khan exercises considerable influence but does not have overall control, there were two chief commanders, one appointed by central government and one by Ismail Khan. In Ghor Province, the governor was appointed by the center while the deputy was loyal to Ismail Khan. This inevitably led to a struggle for control of the province and for a while the governor could not even visit Chaghcharan, the provincial capital.

The influence of commanders over civilian appointments often prevents the appointment of qualified and competent bureaucrats and technical staff. The lack of professional staff and the presence of large numbers of untrained, former combatants in government positions was a frequently heard complaint (see Box 21).

Box 21: The Politics of the Appointment System

"The governor, the head of police, etc ... are all from [a certain faction]. National unity in Afghanistan will come when outsiders head each department in each province. It's difficult to implement the policies of the government with the current structures."
(Provincial head of national security)

"Commanders still try to influence appointments and transfers. If Kabul appoints someone, they should insist that that person get appointed – not give in to commanders who are resisting these appointments. We need support from our departments to resist the influence of commanders. If people thought I wasn't supported by the governor and (the local commander) they could maybe replace me. I am trying to cut my close relations with (the local commander) and get my support from the governor, but still if people think I don't have the support of (the local commander) they might start disobeying me." *(District governor)*

"Those with knowledge are marginalized and unqualified *jihadis* are appointed. When I became governor I tried to train them how to work with the government system but the people are useless – they don't know anything about government and how it should function. I established sectoral working groups with NGOs and tried to appoint heads from government, but then the NGOs complained about these people. I tried to replace some, but each minister is trying to keep the other happy." *(Provincial governor)*

"All these people with fighting backgrounds don't have professional skills. They know their authority but not responsibilities. I'm not saying that they all get thrown out but that they should be given some training." *(Deputy provincial governor)*

"Decision-making on hiring heads of departments should be done in Kabul, but because our governor is someone who does everything through arms, it doesn't work like this. For example, the head of the agriculture department is an illiterate mullah. Kabul appointed another qualified head but because the current head is supported by the governor, he refused to accept Kabul's appointee." *(Deputy provincial governor)*

Local political control over administrative structures through appointments is most evident in the police (see Box 22). Civilian administrators are unable to rely on competent and loyal police forces to maintain security within their provinces. Local commanders often appoint senior police officers, and large numbers of former combatants are being absorbed into the police force.

Box 22: The Politicization of the Police

Many interviewees expressed their concern at police forces being weakened and politicized because of the common practice of giving fighters from various factional groups jobs in the police force, even though they may not be appropriately trained or qualified.

A district police chief without a background in one of the factional parties, who had just two weeks prior replaced a police chief who was still a commander for one of the factions, expressed his concerns and frustrations as follows:

I have 28 officers in my tashkeel, of which 18 are in post who have been approved temporarily by the Ministry of Interior. All are former jihadis and totally unqualified. There is not a single trained police officer in the district other than myself. When

I arrived in this office a mujahid administrative system, not a proper government system, was in place. I'm trying to change the office from a *mujahid* commander's office into a proper government office. For example, I put in chairs and a table. But I have no communications systems, no transportation, no trained police, and most of my officers and soldiers are illiterate and are still loyal to the factional commanders. It's difficult for me to have no authority and to work with officers with no qualifications. Either trained, experienced police need to be sent here, or educated officers here need to be sent for training. With the present situation it's very difficult to have an effective police force. We need some authority to transfer or remove those who don't work. After one year we should be given authority to remove those who don't work or aren't effective or else we won't be able to change this jihadi culture. If you're not going to change the character of the police then we should forget about the police. I'm a professional police officer – if there's no change I will be blamed for running an ineffective police force. But you shouldn't expect anything from me if no support is provided.

One district governor noted with concern that the police force in his province was dominated by members of factional groups and that when others were appointed by the Ministry of Interior they would not be allowed to take up their posts:

Most heads of police departments used to be commanders and are mostly illiterate. When the center has tried appointing more qualified heads of police they are not accepted. These positions have been occupied by force. For example, the Head of Police in this district received a transfer letter [from the Ministry of Interior]. Another person was appointed who had no jihadi background so he hasn't been able to take up his new position.

The system for approving appointments from the center is also dependent on political connections and patronage networks. Where there are strong political connections to the center, then appointments are approved rapidly; however, where there are weak political connections, local authorities struggle to get their appointments approved (see Box 23).

Box 23: The Sale of Civil Service Positions

The power of personal relationships over impersonal institutions is built into the Afghan tradition of sharing with one's own *qawm* (network of affiliations deriving from families or occupations) and of deciding public matters on the basis of *wasita* (personal relationships through which favors may be obtained) and *rawabit* (advocate or someone who can procure a favor or a special service). This tradition has long been applied to the power and benefits of public office.

Appointments for government posts are not, and have never been, advertised publicly. The way into government service is often through *wasita*, which in turn leads very often to naked nepotism. Government posts are usually deemed to be the gift of individual ministers, governors, and heads of departments. Government officials can exploit their position by offering their services as an advocate or *wasita*, to those seeking positions in return for financial or other "incentives." In other words, positions can be sold.

It seems the *wasita* system used to be less pervasive than it is now. The previous system of automatic employment within government for individuals who were finishing school or university reduced the need for *wasita* as an entry route. Under the *wasita* system, individuals are appointed, or at least selected for interview, on the basis of their relationship (whether financial or familial) to a person already working inside the government. Relationships between ex-mujahidin combatants form a particular type of *wasita* arrangement. The *wasita* is approached privately, usually at his or her house or through a third party, and offered financial or other inducements in return for a position.

Attempts have been made to transfer government employees away from their home areas, thus cutting their ties to their networks and supporters. Historically, this policy was used to ensure that government employees did not build up their own power bases. The reintroduction of this policy had widespread acceptance among interviewees. However, the attempts made so far have only been partially successful, and have not managed to break the power of commanders. In Badakhshan, for example, when a policy was announced to transfer all district governors to different districts, only 10 of the 27 district governors – those without strong jihad party backgrounds or commander connections – were transferred. Apart from the political reasons, most staff are very reluctant to relocate, as the low pay can only be sustainable when living at home, possibly with access to other sources of income.

Organizational Structures in the Provinces

Provinces have little latitude in determining their own structure. The parent ministry, in negotiation with the OAA, determines the internal structure of each department. Some ministries have departments in all provinces, and follow a standard structure and size. The presence of others depends on size or grade of the province or specific circumstances.

State enterprises report to the ministry or department in their respective sector. For example, the head of a coal mine would report to the provincial department of mines and industry as well as the ministry in Kabul. There are no provincially owned enterprises, as such, and financial reporting is generally kept separate.

Staffing Establishment

To the extent that any requests are made for funding at the start of the budget preparation process, provincial departments may also request changes to their organizational structure. These requests are prepared and returned to the line ministries in Kabul. The line ministries compile the requests from all provinces along with their own needs, and submit a budget request to the Ministry of Finance. After the budget has been passed by the Government, each ministry prepares the budget allotments for each provincial department, and sends the tashkeel – a document detailing all staffing positions and levels – along with the budget allotment for the first three months of the fiscal year, to each of the provincial departments. The process for establishing the tashkeel is described above. Few positions have formal job descriptions. Table 35 provides a summary of the staffing information collected during the provincial missions.

| | Positions filled | | | Vacancies | | | Total (tashkeel) | | | % of positions filled | | |
|-------------|------------------|-------|--------|-----------|-------|-------|------------------|-------|--------|-----------------------|-------|-------|
| | K | A | Total | K | A | Total | K | A | Total | K | A | Total |
| Badakhshan* | 1,413 | 1,942 | 3,355 | 999 | 258 | 1,257 | 2,412 | 2,200 | 4,612 | 58.6% | 88.3% | 72.7% |
| Bamyan | 2,552 | 1,427 | 3,979 | 409 | 137 | 546 | 2,961 | 1,564 | 4,525 | 86.2% | 91.2% | 87.9% |
| Faryab* | na | na | 5,724 | na | na | 2,684 | 4,952 | 3,456 | 8,408 | na | na | 68.1% |
| Herat | 5,758 | 6,032 | 11,790 | 220 | 135 | 355 | 5,978 | 6,167 | 12,145 | 96.3% | 97.8% | 97.1% |
| Kandahar** | 5,123 | 4,665 | 9,788 | 1,713 | 1,309 | 3,022 | 6,836 | 5,974 | 12,810 | 74.9% | 78.1% | 76.4% |
| Wardak | 2,901 | 841 | 3,742 | 213 | 159 | 372 | 3,114 | 1,000 | 4,114 | 93.2% | 84.1% | 91.0% |

Notes: *For 1381. **Tashkeel is for 1381. K= karmand, A= agir.

Source: Provincial departments.

Table 36 details staff numbers by department, for each of the six provinces. Collecting these data during the missions proved to be very difficult. Neither a record of the numbers of paid employees nor the official tashkeels are kept in one place. Payroll data can show inexplicable swings from one month to the next. In Kandahar, it was reported that some teachers doing two shifts were recorded as both a karmand and an agir in order to receive appropriate compensation. This is just one example of a range of unusual practices that could be contributing to these patterns. In some cases, the tashkeel had been very out of date, despite the "formal" process of updating and distributing tashkeels every year with the budget process. It appears that the tashkeels have now been updated for 1382, however, that does not necessarily mean that these new tashkeels reflect the needs and realities on the ground.

| Table 36: Staffing by Department, 1382 | | | | | | |
|--|--------------|--------------|--------------|---------------|--------------|--------------|
| Department | Province | | | | | |
| | Badakhshan* | Bamyan | Faryab* | Herat | Kandahar | Wardak |
| Courts | 116 | 36 | 108 | 135 | 74 | 68 |
| Finance | 219 | 48 | 85 | 299 | 168 | 44 |
| Defense (commissary) | | 20 | | | na | |
| Foreign Affairs | | 12 | | 17 | 23 | |
| Religious Affairs & Hajj | 281 | 205 | 230 | 505 | 85 | 203 |
| Commerce (licensing) | 10 | | 15 | | | |
| Interior | 149 | 807 | 1,025 | 188 | 3,404 | 129 |
| Education | 1,236 | 2,318 | 2,930 | 8,511 | 4,222 | 2,763 |
| Higher Education | 52 | | 60 | 315 | 169 | |
| Return of Refugees | 14 | 9 | 9 | 53 | 52 | 7 |
| Planning | 9 | 9 | | 14 | 13 | |
| Mines & Industry | | | | 31 | 25 | |
| Communications | 61 | 16 | 56 | 141 | 29 | 23 |
| Information & Culture | 67 | 9 | 72 | 114 | 91 | 11 |
| Public Health | 506 | 224 | 501 | 620 | 505 | 146 |
| Women's Affairs | 25 | 17 | 25 | 22 | 24 | 9 |
| Agriculture | 156 | 69 | 206 | 303 | 319 | 168 |
| Irrigation & Water | 17 | 8 | 35 | 32 | 19 | 12 |
| Public Works | 20 | 18 | 21 | | 187 | |
| Rural Rehabilitation and Development | 85 | 21 | 46 | 40 | 66 | 31 |
| Martyrs & Disabled | 31 | 23 | 24 | 23 | 32 | 23 |
| Transport | 5 | 9 | 9 | 40 | 27 | 6 |
| Frontiers | 7 | | | 10 | 15 | |
| Labor & Social Affairs | 70 | 21 | 82 | 187 | 41 | |
| Civil Aviation | 5 | 8 | 9 | | 21 | |
| Justice | 39 | 17 | 173 | 18 | 30 | 22 |
| Narcotics Eradication | 7 | | | 8 | 8 | |
| National Olympics | 4 | | | 6 | 5 | |
| Geodesy & Cartography | 11 | | | | 27 | |
| Central Statistics | | 3 | 3 | 10 | 9 | 3 |
| Security Department | | | | | na | 74 |
| Prosecutors | 153 | 52 | | 148 | 98 | |
| Total | 3,355 | 3,979 | 5,724 | 11,790 | 9,788 | 3,742 |
| Index: Badakhshan=100 | 100 | 119 | 171 | 351 | 292 | 112 |

Note: * For 1381

Source: Provincial governments.

Table 37 illustrates that although there is some uncertainty in the underlying employment totals, there is also some broad consistency. Some of the more glaring variances can or should be explained in quick order, such as the inclusion or exclusion of police in different numbers for the Ministry of Interior. But overall, the different data sets are not totally inconsistent, and do not suggest a sweeping,

| Province | Total/ selected departments | 1382 Staffing levels | | | | 1381 Staffing levels | | |
|------------|-----------------------------|--|---|--|---|---|---|--|
| | | Estimated staffing levels, ^a based on Q1 allotments | Staffing caps reported by Ministry of Finance | From ASI accounting entry module, 1st month 1382 | Reported by the mustoufiat/ governor/ provincial departments ^b | Reported by the mustoufiat/ governor ^c | Reported by health & education departments ^d | |
| Badakhshan | Total | 10,722 | 9,358 | 9,005 | | 3,355 | | |
| | o/w Education | 7,030 | 6,766 | 7,097 | | 1,236 | 5,644 | |
| | o/w Public Health | 953 | 842 | 337 | | 506 | na | |
| | o/w Finance | 189 | 164 | 125 | | 219 | | |
| | o/w Interior | 1,088 | na | 285 | | 149 | | |
| | o/w Agriculture | 301 | 302 | 188 | | 156 | | |
| Bamyan | Total | 5,482 | 2,883 | 1,501 | 3,979 | | | |
| | o/w Education | 975 | 1,826 | 814 | 2,318 | | | |
| | o/w Public Health | 295 | 194 | 49 | 224 | | | |
| | o/w Finance | 54 | 45 | 38 | 48 | | | |
| | o/w Interior | 467 | na | 97 | 807 | | | |
| | o/w Agriculture | 115 | 109 | 55 | 69 | | | |
| Faryab | Total | 6,068 | 5,695 | 5,295 | | 5,724 | | |
| | o/w Education | 3,689 | 4,031 | 3,747 | | 2,930 | 3,000 | |
| | o/w Public Health | 452 | 365 | 221 | | 501 | 225-256 | |
| | o/w Finance | 179 | 154 | 81 | | 85 | | |
| | o/w Interior | 516 | na | 213 | | 1,025 | | |
| | o/w Agriculture | 194 | 192 | 160 | | 206 | | |
| Herat | Total | 24,652 | 22,075 | | 11,790 | 11,773 | | |
| | o/w Education | 14,483 | 18,174 | | 8,511 | 7,174 | 7,151 | |
| | o/w Public Health | 1,080 | 887 | | 620 | 933 | 935 | |
| | o/w Finance | 372 | 327 | | 299 | 290 | | |
| | o/w Interior | 794 | na | | 188 | 133 | | |
| | o/w Agriculture | 408 | 418 | | 303 | 413 | | |
| Kandahar | Total | 15,793 | 11,244 | 4,741 | 9,788 | | | |
| | o/w Education | 6,115 | 8,640 | 2,545 | 4,222 | | | |
| | o/w Public Health | 755 | 611 | 455 | 505 | | | |
| | o/w Finance | 203 | 188 | 109 | 168 | | | |
| | o/w Interior | 904 | na | 491 | 3,404 | | | |
| | o/w Agriculture | 224 | 242 | 166 | 319 | | | |
| Wardak | Total | 6,569 | 6,369 | 2,332 | 3,742 | 2,863 | | |
| | o/w Education | 4,914 | 5,194 | 1,431 | 2,763 | 1,124 | 2,947 | |
| | o/w Public Health | 15 | 26 | 125 | 146 | 140 | 130 | |
| | o/w Finance | 80 | 72 | 40 | 44 | 36 | | |
| | o/w Interior | 447 | na | 195 | 129 | 988 | | |
| | o/w Agriculture | 14 | 13 | 125 | 168 | 100 | | |

Notes: a/ As indicated in the 1382 payroll allotment. Staff numbers were calculated by dividing 1/3 of quarterly budget payroll allotment by the average monthly salary taken from ASI accounting entry module data for 1st month of 1382.

b/ Staff totals taken from provincial payroll data for 12th month of 1381.

c/ Staff numbers reported during recent AREU/WB missions. Source: mustoufiat or governor's office. For Herat, data are from follow-up mission, August 2003.

d/ Staff numbers reported by the health and education departments during recent AREU/WB missions.

Source: As noted above and Ministry of Finance.

uncontrolled and unauthorized increase in staffing. The low level of pay appears to be the more pressing issue.

The majority of mid- and senior-level provincial civil servants are in their early 50s to mid 60s. While some of them have many years of experience of management in local administration, a significant minority are relatively new to the civil service, having either worked with the mujahidin parties, or been given a position in local government as a result of their political, tribal/ethnic or familial affiliations. There are very few young people (20- and 30-year-olds) entering government service. As far as provincial administration is concerned, therefore, there is a pending human resource crisis – both in terms of staffing numbers and morale – which must be addressed within the next few years.

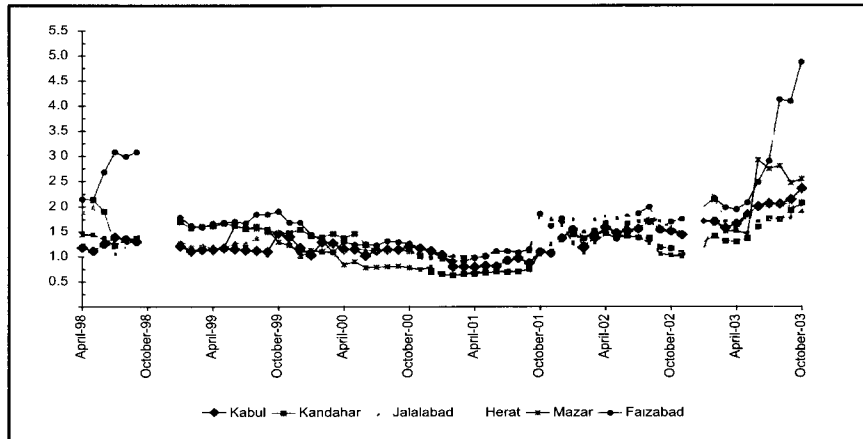
Pay and Grading

As described in detail above, civil service wage rates are established centrally, in Kabul. With the exception of recent increases for teachers and police, pay levels are uniform across all ministries and all provinces. There is very little differentiation across grades, and the level of pay is extremely low, especially for more senior or skilled positions.

Low pay and prolonged delays in receiving pay were consistently raised as the most serious issues faced by all provinces. The low pay is resulting in deteriorating morale, poor work ethic, second jobs, and increasingly, staff departures to take positions with NGOs. Additionally, it is strengthening the hands of those in a position to offer inducements in return for services or loyalty.

The recent pay increases for teachers and police have only served to further aggravate the problem for the rest of staff. Pressures continue to mount for pay increases across the board. Even for unskilled workers in the lowest grades, there is evidence to suggest that comparative private sector wages are on the rise. Figure 9 provides some survey data on unskilled wage rates in six provincial centers. While the data should be used with some caution, and certainly there are seasonality effects, the

Figure 9: Daily Wage of Unskilled Casual Labor (\$ per day)



Source: World Food Program, Afghanistan.

data suggest that rates are increasing. A significant factor is, no doubt, the influence of the narcotics industry as well as the construction boom in urban areas.

These salary levels present a particularly serious problem. In the health sector, poor pay for doctors and other health professionals has already led to a proliferation of top-ups by donor agencies and NGOs. These incentive payments are important to keep doctors working for more than an hour or two within the public clinics and hospitals (rather than leaving to provide private services). However, the fact that doctors can receive incentive payments from NGOs and others that are far larger than their public sector salaries creates serious management difficulties for those in charge of the public health system. Outside of the health sector, salary-tops for provincially based staff are rare. (Kandahar is one of these rare instances, see Box 24.)

Box 24: Salary Top-Ups in Kandahar

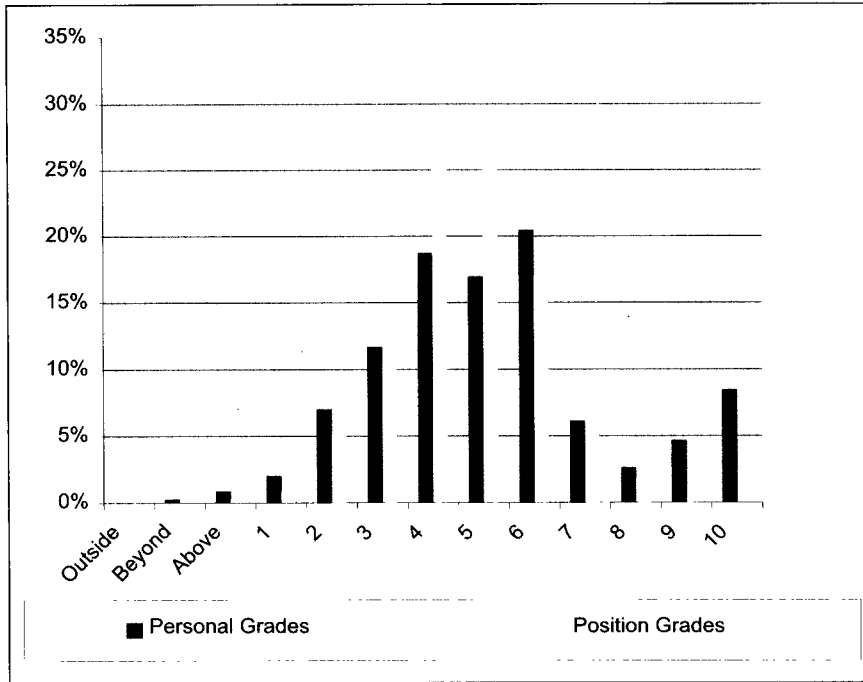
In Kandahar, the governor was so concerned with the low salary levels that he unilaterally increased all karmand staff salaries by 70 percent (including allowances) and agir salaries by 55 percent. This practice continued through the first nine months of 1381, until Kabul ordered an end to the practice. Not surprisingly, low salary levels were consistently raised as one of the biggest problems during the mission to Kandahar.

As discussed above, there are separate grades for each position, as well as personal grades assigned to each employee. While there should be considerable correlation between the two, there are a few reasons why the personal grade and position grade will differ. For instance, an employee may be hired into a position where the employee's personal grade matches the position, but over time, promotions to higher personal grades will occur even if the employee remains in the same post. In addition, employees with a lower personal grade can be appointed to a post with a position grade up to two levels higher. A third possible reason, which is particularly relevant in today's circumstances, would be that unqualified persons are being appointed to positions because there are no qualified people available. This is a common occurrence with teachers. Although it is difficult to collect reliable data on grade distribution, an analysis has been done for karmand positions in Wardak and Bamyan, using the 1382 tashkeel for position grades, and ASI payroll data for personal grades. The results of this analysis are shown in Figure 10 and Figure 11. However, because personal grades for teachers are not available, education data have been excluded. Arguably, these data show the effect of personal "grade creep" towards the higher levels as well as the hiring of junior staff into mid-level positions.

Payroll Arrangements

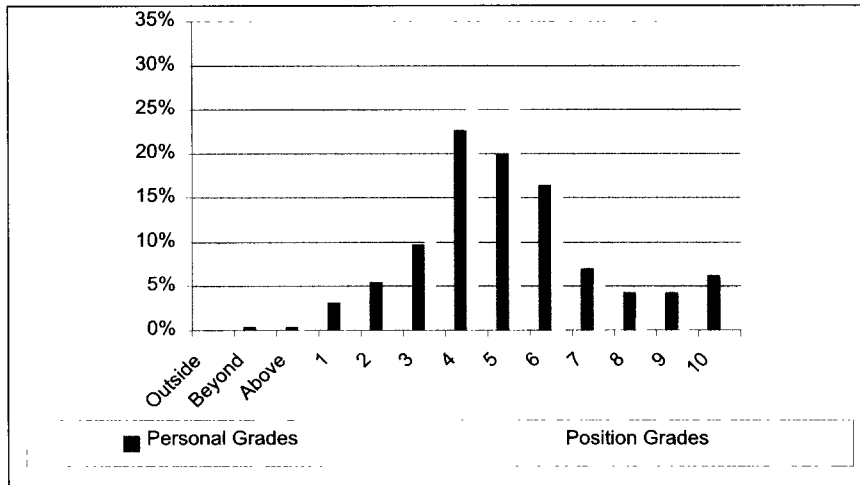
As noted in the section on budget execution, payroll processing and approval has now been centralized in Kabul. The timeliness of salary payments is a major concern. Many provinces have begun a practice of accumulating salary arrears for three months before requesting the financial disbursements from Kabul to pay the salaries. This payroll consolidation began at the district level with further consolidation occurring at the provincial level. The explanation that is provided is that the provincial mustoufiat is reluctant to undertake a two to three week trip (or longer) to Kabul that is a tedious and costly expedition.

Figure 10: Distribution of Karmand Grades for Wardak, Excluding Education



Source: Adam Smith Institute (personal grades); Wardak provincial departments (position grades).

Figure 11: Distribution of Karmand Grades for Bamyan, Excluding Education



Source: Adam Smith Institute (personal grades); Bamyan provincial departments (position grades).

Conclusions

Cynicism and despair have not completely overwhelmed pride or the sense of duty (see Box 25).

Box 25: The Staff View

Civil servants interviewed for the research conveyed a combination of pride and frustration at their present situation. The dominant themes from the interviews were:

A sense of pride – Serving in the government is a mark of distinction and something to be proud of.

Disarmament – "Disarmament is the top priority. The administrative system can't function as long as people are armed because you have to do what the armed people tell you to do, not what the rules tell you to do."

Leadership from the center – Staff want this and would welcome this. But so far, there is a real concern about the lack of any support or guidance from Kabul.

Inadequate salaries – Too little and too late. The payroll system is weak and inefficient.

Problems with selection and appointment of staff – The current system is overly centralized, cumbersome, subject to nepotism, and staffed with many unqualified personnel.

Lack of resources to do the job – Inadequate buildings, furniture, equipment, transport, communications, office supplies. Non-salary budget does not bear any resemblance to needs.

Captured revenues – What revenue is generated at the provincial level is often captured by commanders and does not enter the government coffers.

Outdated tashkeels – They are no longer relevant to the needs of the district; some departments require additional staff, such as education, while others require fewer staff. The tashkeels do not always match the takhsis.

Corruption – While the degree differed across provinces, corruption seems to be a growing problem and bribes often need to be paid at every step of the way to get government paperwork processed.

However, the difficulties noted above are undermining the remaining incentives for efficiency and responsiveness at the provincial and district level:

- Staffing allocations (tashkeels) at the provincial department, district, facility, and municipal level, including job title and grade, are determined centrally, with virtually no local input; as a result, it often does not reflect local need.
- The tashkeel is communicated very late, usually two to three months into the new year.
- All middle to senior karmand appointments (grades five and above) must be approved centrally. But in some cases powerful governors and local commanders are circumventing this authority by refusing to accept Kabul appointments.
- Approvals of individual appointments are often received months late.
- Pay rates across grades is extremely compressed, and the level of pay is very low, especially for senior staff.
- As a result, top-ups are prevalent, particularly in the health sector; in addition, many staff are leaving the civil service to take higher paying jobs with NGOs.

While there is a clear case to be made for modest moves for some delegation of authority to the provincial and even district levels to better reflect local circumstances as well as reduce unnecessary delays, such actions must be matched with improved accountability for those decisions.

5. MUNICIPALITIES

Structure

Municipalities are distinctly different from districts and provinces. Municipalities are largely self-sustaining entities with responsibility for providing some services (trash collection, recreation, and park services) and collecting minor revenues from local service charges and retail licenses. Generally, there is one provincial or primary level municipality in each province, and some districts also have "district" or "rural" municipalities. Of the seven grade 1 provinces, six have provincial municipalities that are recognized as having some distinctive capacity: Balkh (Mazar-i-Sharif), Herat (Herat City), Kabul (Kabul City), Kandahar (Kandahar City), Kunduz (Kunduz City), and Nangarhar (Jalalabad). (See Table 34 for details of provincial grades.) These provincial municipalities have populations in excess of 500,000, and between them, they house about 72 percent of the urban population. However, of these seven, only Kabul has a distinctive legal status (as a ministry) - the other provincial municipalities all have the same legal status whether they are large with significant capacity, or small in remote provinces.

There are a total of 217 provincial and rural municipalities in Afghanistan consisting of at least 5,000 people. All municipalities require approval from the Ministry of Interior for their budget and tashkeel, but beyond this are supposed to operate independently. In some provinces, however, the provincial municipality oversees or controls the actions of rural municipalities even to the extent that all revenues are often turned over to the provincial municipality, which in turn pays all expenses.

Provincial municipalities are similar to provincial departments, in that they report to a parent ministry in Kabul (the Ministry of Interior). The Ministry of Interior approves the municipality's budget, organizational structure, and staffing numbers, via the governor. However, they differ in that the budget is completely financed by a range of local revenues, which are regulated by the Ministry of Finance. The potential list of revenues is quite large, including a cleaning and sanitation tax, property taxes, property rents, business taxes, property sales, and various fees and licenses, but the extent of collection depends on capacity. As noted in Chapter 1, the dramatic increase in urban property prices has increased the amount of municipality revenues, both legal as well as illegal.

The Ministry of Interior oversees municipalities (albeit with significant influence by the governor in some provinces). The Ministry of Interior in Kabul must sanction the staffing numbers and budget of each municipality, despite the fact that municipalities are entitled to collect and retain their own tax revenues. In some provinces, Herat and Kandahar being examples, rural municipalities also have a reporting relationship with the provincial municipality, as noted below.

Fiscal Autonomy

Outside of the central government, the municipality is the only entity with any measure of autonomy, and even then it is minimal. All tax and fee rates are set in Kabul, but the revenues do remain at the municipal level and fund all municipal expenditures. Table 38 shows the revenues collected in 1381 by the Herat municipality. There are several diverse sources of revenue for the Kabul municipality, including rental tax (one month of rent per year), *safayi* tax (a service charge and a property tax), market rental, business permissions, imports, 1 percent on profits of traders and business establishments, selling of municipal property, fines, documents, the Kabul Zoo, income from cinemas and public bathrooms, and an NGO tax (apparently collected in U.S. dollars).

| Code | Title | Revenues (afs.) |
|------|-------------------------------|-------------------|
| 7105 | Cleaning taxes | 1,446,699 |
| 7110 | City service taxes | 1,123,732 |
| 7110 | Vehicle taxes | 8,555,782 |
| 7110 | Butcheries and bakeries taxes | 93,890 |
| 7110 | Service delivery taxes | 8,814,164 |
| 7110 | Cotton corporation taxes | 22,800 |
| 7405 | Small business license | 782,892 |
| 7510 | Property revenues | 8,074,536 |
| 7510 | Hotel revenues | 456,600 |
| 7510 | Tax on ice cream | 12,200 |
| 7510 | Marketplace rent | 61,000 |
| 7510 | Dried chick peas taxes | 44,550 |
| 7510 | Revenue from slaughter houses | 70,200 |
| 7110 | Construction taxes | 419,866 |
| 7405 | Engineering services | 27,388 |
| 7405 | Sale of application forms | 6,394 |
| 7505 | Arrears | 2,945 |
| 7710 | Overpayments/returns | 12,892 |
| 7715 | Fines on violators | 258,918 |
| | Total revenues | 30,287,448 |

Source: Herat municipality.

Because it must gear its budget to the available revenues, the municipality is the only subnational administration that goes through any sort of budget planning process, beginning with estimating revenues, and then compiling a budget that fits within this constraint. This budget is then submitted to the Ministry of Interior for approval. Table 39 shows the budget prepared by the municipality of Maimana (in Faryab Province) for 1381, as well as actual revenues and expenditures.

Sources of municipal revenue are varied, but they are all governed by the Legislation on Municipalities (originally approved in 1369, and amended in 1379). Rates for all taxes and fees collected by provincial municipalities are set in Kabul.

Rural or district municipalities exist where there is a large enough village and tax base to warrant it. These smaller municipalities are supposed to have the same financial and reporting relations with the Ministry of Interior as the provincial municipality. However, the practice appears to vary substantially. In Badakhshan, rural municipalities do operate as described above. In Herat, on the other hand, there is a reporting relationship between the provincial municipality and the various district municipalities. Here, the Herat City municipality approves the budget, staffing levels, and organizational structure for each of the district municipalities. However, as with the provincial municipality, district municipalities are financially

self-sufficient. If they run a surplus, by collecting more revenues than needed for their approved budget, they can hold this amount in their local bank account. Kandahar provides a third distinct model, which treats rural municipalities like district subdepartments. For example, the municipality in the district of Panjwayee sends all of its revenues to the Kandahar municipality, and in turn, its employees receive their salaries from the Kandahar municipality. Panjwayee municipality receives no non-salary allocation. Moreover, the Kandahar municipality is requiring the Panjwayee municipality to collect and remit 700,000 af. in 1382, up from the 20,000 af. collected in 1381. The only function of the Panjwayee municipality is revenue collection; it provides no local services whatsoever.

| Code | Revenues | Forecast | Actual |
|------|--|-------------------|------------------|
| 7105 | Cleaning tax | 500,000 | 5,143 |
| 7115 | Shops one month tax | 1,000,000 | 893,195 |
| 7215 | Taxes on utilizing shops | 400,000 | 166,498 |
| 7210 | Water tax | 300,000 | 221,914 |
| 7305 | Land selling | 2,000,000 | 364,722 |
| 7405 | Map price | 10,000 | 3,475 |
| 7415 | Business license | 150,000 | 41,010 |
| 7405 | Announcer | 2,000 | 130 |
| 7500 | Property rents | 6,000,000 | 2,664,000 |
| 7700 | Arrears | 3,000,000 | 582,712 |
| | Total | 13,362,000 | 4,942,799 |
| | Expenditures | | |
| 1000 | Personal emoluments | 1,222,384 | 601,829 |
| 2000 | Services | 482,000 | 304,114 |
| 3000 | Tools & materials | 385,000 | 328,524 |
| 5000 | Maintenance & repairs | 670,000 | 498,867 |
| 5000 | Land structural equipment | 3,570,000 | 2,296,674 |
| 7000 | Subsidies, grants, contributions, and pensions | 80,000 | 0 |
| | Total | 6,409,384 | 4,030,008 |
| | Surplus (deficit) | 6,952,616 | 912,791 |

Source: Municipality of Maimana.

The tax rates require review. For example, the valuation of property for the safayi tax last occurred in 1978 and the highest charge on this tax is currently \$4. Tax administration is onerous; for the taxpayer it involves several visits to several departments. The Kabul municipality appears to have no right of enforcement over nonpayment. This rests with the Ministry of Interior.

Expenditures

Functional responsibilities

Responsibilities of the municipalities include construction of canals and ditches, solid waste management, supervision of parks, preservation of green areas, paving roads, cultural services, and expansion of food markets. In cooperation with other government line ministries, municipalities can also indirectly be involved in the construction of the city sewage system, water supply, construction of prefabricated apartments, city power, communications, public health, education, and sport. A complete list of legislated responsibilities is included in Annex 5.

Provincial municipalities have responsibility for "planning," but this is based on an outdated master planning methodology. For example, Kabul has a city master plan dating from the late 1970s.¹⁶ Planners in both the Ministry of Urban

Development and Housing and the Kabul municipality view planning as a "graphic design" rather than a strategic exercise. For these planners, the "picture," and not the reality on the ground, is the end product. Most of the "planners" in the Ministry of Urban Development and Housing and the Kabul municipality are structural or civil engineers.

However, the reality is that the extent of municipal activity is significantly constrained by the resources available. Moreover, there appears to be considerable spending discretion, especially when surpluses are generated. In some of the case study provinces, access to revenues gave significant authority and prestige to the local mayor, particularly in district municipalities, where the local *uluswal* had no access to revenues.

Expenditure management

Table 40 provides a summary of revenues and expenditures for 1381 for the provincial municipalities in the six case study provinces.

| | Faizabad (Badakhshan) | Bamyan City (Bamyan) | Maimana (Faryab) | Herat City (Herat) | Kandahar City (Kandahar) | Maidan Shahr (Wardak) |
|-------------------|----------------------------------|-------------------------------------|-----------------------------|-------------------------------|---|--------------------------------------|
| Revenues | 609,000 | 359,394 | 4,942,799 | 30,287,448 | 31,256,954 | 186,753 |
| Expenditures | 552,000 | 132,048 | 4,030,008 | 29,993,881 | 20,579,158 | 163,588 |
| Surplus (deficit) | 57,000 | 227,346 | 912,791 | 293,567 | 10,677,796 | 23,165 |

Source: Provincial municipalities.

Provincial municipality budget planning appears reasonable, but extends only to the operating budget. The budget is prepared based on inputs from line departments, but is submitted to the Ministry of Interior for approval as a consolidated budget, covering salaries and non-salary operating and maintenance expenditures.

The development budget is formulated as elsewhere in government. Municipalities, in consultation with the relevant line departments, make bids for inclusion in lists of sector specific proposals for funding – which are approved by the Ministry of Finance and are largely donor-funded.

Expenditure control systems exist and records appear to be fairly well maintained. These systems are paper-based and inefficient, but can be improved quite simply. There is an often-cited concern that the fiduciary risks of using the government's processes are too great, and too much money is likely to disappear. While these risks certainly exist, municipal spending cannot exceed revenues as (a) there are no other sources of funds; (b) detailed procurement procedures do exist with points of authorization, and pre-audit and multiple bid requirements; and (c) the *tashkeel* system deters over-hiring.

In addition to fiduciary risks, there are other risks that could result in the misallocation of funds when channeled through the ordinary budget. In particular, poor revenue forecasting at the municipal level could lead to the approval of expenditure budgets

that are not realistic. In such a case, cash rationing could lead to priority programs not being funded. There is still much to be done to improve these systems.

Staffing

Establishment

Article 3, Chapter 1 of the Legislation on Municipalities notes that, administratively, municipalities other than Kabul are subordinate departments of the Ministry of Interior. The practical significance of this is that the Ministry of Interior approves the tashkeel. However, the number of filled positions is dependent on the municipality's ability to raise adequate revenues. Available

data on staff numbers in the provincial municipalities of the six case study provinces are shown in Table 41. Although these data are incomplete, a lack of funding, certainly in the cases of Faizabad, Bamyan, and Maidan Shahr, has had a significant impact on the number of staff. This situation is further exacerbated when the government in Kabul approves increases in pay, since municipal staff are paid on the same pay scale as other public sector employees.

Before the Soviet occupation, mayors were directly elected. Now, the Ministry of Interior, subject to presidential approval, appoints mayors of provincial municipalities. The Ministry of Interior does not seek any recommendation from the governor. In Kabul municipality, the president directly appoints the mayor.

Staff are selected by the mayor, but are officially appointed by the governor, the minister of interior or the president or cabinet, depending on rank. (See Table 33 for details.)

Larger municipalities with substantial public works projects have a significant number of daily paid employees. This is in contrast to other government bodies that employ very few such daily paid staff.

Mayors are advised by municipal councils. Article 111 of the 1964 Constitution indicated that municipal councils are to be established by "free, universal, direct, secret election." However, there have been no elections to the city council since 1992. Article 6, Chapter 8 of the 2004 Constitution notes that municipalities will be established to administer city affairs. It also stipulates that "the mayor and members of the municipal councils are to be elected by free, general, secret, and direct elections."

There are also municipal administrative councils that bring together heads of the various zones into which the larger cities are divided, including municipal department

**Table 41: Provincial Municipalities:
Staffing Structure for 1381**

| | Positions filled | Tashkeel |
|--------------------------|------------------|----------|
| Faizabad (Badakhshan) | 33 | 40 |
| Bamyan City (Bamyan) | 12 | 52 |
| Maimana (Faryab) | na | 54 |
| Herat City* (Herat) | na | 547 |
| Kandahar City (Kandahar) | na | 524 |
| Maidan Shahr* (Wardak) | 17 | 46 |

* For 1382

Source: Provincial municipalities.

heads, the mayor, and deputy mayor. Mayors also participate in the provincial administrative council chaired by the governor.

The special case of Kabul

The Kabul municipality is somewhat of an anomaly in the system with a far greater independence than any of the other municipalities. It has the status of a "ministry," which has a number of implications for its functioning. In particular, the president directly appoints the mayor and senior staff, with no apparent involvement from the Ministry of Interior. Unlike other municipalities, the Ministry of Finance – not the Ministry of Interior – approves its budget.

Capacities

In Afghanistan, as elsewhere, not all municipalities are equal.¹⁷ Rural municipalities are rarely independent and, as noted above, appear to fall into three broad categories:

- Autonomous bodies with a similar status to provincial municipalities;
- Bodies under the tutelage of the provincial municipality; and
- Bodies under the tutelage of the district (akin to district subdepartments).

Provincial municipalities differ primarily according to their size and status. The provincial municipalities in the "grade 1" provinces offer a credible basis on which to scale up local project implementation. Rural municipalities do not. Provincial municipalities in the smaller grade 2 and 3 provinces fall somewhere in between.

The provincial municipalities all have departments relevant to their current legal functions, but this seems to leave some major urban challenges unaddressed. Housing, new settlements and informal settlement, and urban land tenure issues do not have a natural "home" within the existing departmental structures. Some re-engineering of the municipalities' structures and some additional departments will be necessary if the municipalities are to scale up their service delivery or project implementation capacity. (See Box 26 for some examples of the Kabul municipality might be restructured.)

Box 26: Organizational Restructuring Needed in the Kabul Municipality

The following are examples of opportunities for restructuring:

Work organization: The case of the Kabul sanitation department. The Department of Sanitation (DoS) at the Kabul municipality has more than 60 employees and about 1,300 daily paid workers. The DoS owns a small fleet of solid waste collection vehicles in addition to a couple of water trucks and earth moving equipment. It also has a substantial work space.

Waste collection by the Kabul municipality is ad hoc. There is no specific routing plan assigned to each of the 40 vehicles and crew belonging to the municipality. Furthermore, the existing collection vehicles are small (3-5 cubic meter capacity) and drivers currently conduct only two trips per day. In the most accessible and visible parts of Kabul, waste is collected once per week. In other parts of the city, where streets are narrow and generally unpaved, the frequency of collection drops as low as once per month.

Skill development: The case of the Kabul construction unit. The unit is responsible for construction of canals, ditches, flood protection measures, construction, and paving of roads. However, it appears to focus mainly on roads. The skills among construction unit staff are poor. Although several employees are referred to as "engineer," several of them are technicians, rather than qualified engineers. Skills have not been kept updated and the engineers' skills are at the level of graduate + two years.

Changing mindsets: The case of the planning department. The Ministry of Urban Development and Housing is responsible for the formulation of the city master plan, while the architecture and planning unit of the municipality is responsible for its implementation and the design of buildings. There is considerable uncertainty about the respective roles of the municipality and the province.

Likely Way Forward

Municipalities operate differently than other levels of administration; they keep the revenues they raise, develop budgets, and manage their own financial and administrative responsibilities, with oversight by the Ministry of Interior.

Municipalities are key to development in several sectors, including road construction, and solid waste management. If municipalities have access to more budget funds then, in terms of small-scale projects implemented through local contractors, they can implement in areas and at a speed that is not feasible for donor-executed projects, at least in principle.

However, in practice, it was clear from the six case studies that there are widely differing views on the accountability relationship of district municipalities from one province to another, despite the fact that their independence is clearly set out in legislation. This needs to be clarified and communicated to all provinces and municipalities. In some cases, where extreme dependence on provincial municipalities is the practice, training will be needed for district municipalities to reestablish administrative functions.

6. EDUCATION SERVICE DELIVERY

Introduction

Nationally, the lack of opportunities for education and the disruption of service delivery caused by war, migration and economic hardship have created entire generations with limited or disrupted education. By the end of the years of conflict, Afghanistan's education indicators ranked among the lowest in the world, with significant gender gaps and wide urban/rural and geographical disparities. The estimated gross enrollment rate of primary education (the percentage of school age children attending school) was three percent for girls and 38 percent for boys in 1999, out of an estimated primary school age population of 4.5 million (UNESCO, Education for All Report, 2000).

The potential contribution of a revitalized education system to the resolution of Afghanistan's many difficult problems is immense. Education is at the core of the long-term program to rebuild Afghanistan, enabling progress in all other development arenas as well as facilitating national unity. While the challenges facing the education system are enormous, there is a prevailing atmosphere of excitement, expectation, and determination in schools and communities throughout the country. Impressive progress has been made since the inception of the Afghanistan Interim Authority and Transitional Islamic State of Afghanistan. Tapping into the communities' excitement and commitment for education, the government launched a back-to-school campaign with UNICEF support, which resulted in more than 3 million children in school (grades 1-12) at the start of the 1381 school year, up from an original estimate of 1.7 million.

But, the current education system has very limited capacity and resources to supply basic inputs – teachers, textbooks, materials, and buildings – and achieve real learning outcomes. The total ordinary budget for education for 1382 is 5,630 million afs., up from 1,912 million afs. as budgeted in 1381. While there is no budget execution data for 1381 on a full-year basis for the country as a whole, 1381 expenditure data from the six case study provinces were available. The results are summarized in Table 42. This table shows that actual spending by the education

| | 1381 expenditures (afs.) | | | 1382 expenditures (afs.) | | Population per school |
|------------|--------------------------|-----------------|---------------------|--------------------------|-------------------|-----------------------|
| | Budget | Actual spending | Spending per capita | Budget | Budget per capita | |
| Badakhshan | 5,944,200 | 94,859,323 | 131 | 37,766,100 | 52 | 2,134 |
| Bamyan | 4,989,700 | 32,810,596 | 84 | 5,686,650 | 15 | 1,830 |
| Faryab | 19,429,741 | 45,451,152 | 57 | 20,102,700 | 25 | 2,796 |
| Herat | 81,860,560 | 148,545,439 | 123 | 77,801,700 | 64 | 3,639 |
| Kandahar | 7,443,685 | 84,979,518 | 93 | 35,212,500 | 39 | 2,929 |
| Wardak | 20,605,500 | 21,285,594 | 47 | 27,346,650 | 61 | 2,439 |

Source: Provincial mustoufiats and education departments; Ministry of Finance; population data CSO 2003/04 estimate.

In addition to the six case studies, this chapter has benefited significantly from inputs and comments from Helen Kirby of Save the Children (US), as well as a review of the provincial materials by Winkler (2003). This section was prepared in collaboration with Keiko Miwa (World Bank).

ministry in 1381 significantly exceeded budget, and will require a reduction in spending if the 1382 budget limits are met. This table also shows the variance across the six provinces in terms of per-capita spending on education, as well as the population per school.

In addition to the ordinary budget for the Ministry of Education, the required spending under the development budget for education and vocational training is \$250 million, or about twice the size of the ordinary budget for Ministry of Education.

In addition to limited resources, the system is plagued with few qualified educators, managers or technicians. There is a complete absence of any information technology, and there is no communication system to connect Ministry of Education and provincial education departments (PEDs). Physical facilities at provincial departments and district education subdepartments are very basic with little or no electricity, let alone means of communication, computers, or transport to support school activities. Furthermore, institutional capacity in the provincial education departments and district education subdepartments is limited, with little experience in priority setting, data-supported planning, or management of service delivery.

Overlaying these problems is a remarkably centralized education system; almost all key decisions are made in Kabul. Even the provincial and district offices have very limited decision-making authority, and community managed schools are unheard of, except those sponsored by NGOs and donors. From curriculum development, to teacher training, to approving the recruitment of teachers and school heads, selection and production of texts, and, especially, controlling financing and spending, the central Ministry of Education almost completely dominates decision-making. With few exceptions, a culture of dependency on the center pervades the education sector in Afghanistan.

While the principle of a highly centralized education administration is not unusual in poor and developing countries, what is surprising is the extent to which stakeholders continue to act as if Kabul were the source of all wisdom and power. Many countries in Africa and Latin America have historically imitated the highly centralized educational administration of their former colonial powers, but when the state has largely collapsed economically and administratively, local citizens have often taken it upon themselves to create, finance, and manage community schools.

As a "post-conflict" society, Afghanistan has responded differently than its counterparts on other continents. In its strong role of the center, it is more similar to the countries of the former Soviet Union immediately after the fall of socialism than it is to other low income, "post-conflict" countries. Afghanistan's functional responsibilities across the national, provincial, district, and school levels have altered very little from its pre-conflict state. In contrast to East Timor, El Salvador, Kosovo, Sierra Leone, and other post conflict societies, the pre-conflict organization of education appears not to have been discredited. In this sense, the brief window of opportunity that post-conflict regimes in other countries have enjoyed for adopting and implementing radical reforms appears to have escaped Afghanistan.

System Overview

Preliminary analysis of the recent national survey on learning spaces – primary, middle, and high schools – shows both positive trends and persistent disparities (see preliminary analysis from Ministry of Education and UNICEF, 2002). The survey indicated that 30 percent of the students in school in 1381 were girls; and out of the 73,000 teachers, 28 percent were female. Gender disparity varied significantly between geographic areas. At the lowest end of the scale was Uruzgan Province, where there were no female teachers last year, and girls constituted only two percent of children in school. In the provinces of Paktya, Kapisa, Paktika, Kandahar, Zabul and Ghor, girls made up less than 15 percent of children in school, according to the survey. In contrast, girls constituted 45 percent of the 500,000 students in Kabul City, and 65 percent of teachers there were reported to be female. At 38 percent, Herat ranked second in the survey after Kabul in terms of girls' representation in school enrollment.

Table 43 summarizes the key statistics in education for 1382 for the six case study provinces.¹⁸

| | Students | | | Teachers | | | Students per teacher | Number of schools | Students per school |
|------------|----------|--------|---------|----------|--------|----------|----------------------|-------------------|---------------------|
| | Boys | Girls | % Girls | Male | Female | % Female | | | |
| Badakhshan | 93,873 | 57,127 | 37.8% | 3,241 | 1,431 | 30.6% | 32 | 340 | 444 |
| Bamyan | 38,584 | 16,828 | 30.4% | 1,570 | 223 | 12.4% | 31 | 214 | 259 |
| Faryab | 75,859 | 24,904 | 24.7% | 2,477 | 871 | 26.0% | 30 | 284 | 355 |
| Herat* | 158,453 | 97,906 | 38.2% | 3,572 | 2,255 | 38.7% | 44 | 332 | 772 |
| Kandahar | 96,940 | 17,567 | 15.3% | 2,491 | 421 | 14.5% | 39 | 312 | 367 |
| Wardak | 74,784 | 17,510 | 19.0% | 2,243 | 151 | 6.3% | 39 | 184 | 502 |

Note: * 1381 data.

Source: Provincial departments of education.

One of the most significant findings from the survey was that approximately 50 percent of children enrolled in schools in 1381 were in grade one, due to the massive return of children to schools after a gap of many years. This resulted in large grade one classes of mixed age composition. Of all children attending school, 92 percent were enrolled at the primary, and only 8 percent at the secondary level. Comparable statistics for the six case study provinces (for 1382) are shown in Table 44.

According to the national learning spaces survey, a variety of education delivery channels exist. Out of the 6,784 "learning spaces" assessed in 32 provinces, 69 percent are government schools and 31 percent are non-formal schools, including community schools, home-based schools, mosques, and NGO schools. In Herat, for instance, out of the total of 332 "learning spaces" assessed, 35 are non-formal schools, constituting approximately 10 percent of school facilities available in the province.

| | Grades 1-6 (primary) | | | Grades 7-12 | | | % of Students in primary school | | |
|------------|----------------------|--------|---------|-------------|-------|--------|---------------------------------|--------|-------|
| | Boys | Girls | Total | Boys | Girls | Total | Boys | Girls | Total |
| Badakhshan | 76,461 | 50,202 | 126,663 | 17,412 | 6,925 | 24,337 | 81.5% | 87.9% | 83.9% |
| Bamyan | 21,820 | 12,043 | 33,863 | 16,764 | 4,785 | 21,549 | 56.6% | 71.6% | 61.1% |
| Faryab | 67,792 | 22,304 | 90,096 | 8,067 | 2,600 | 10,667 | 89.4% | 89.6% | 89.4% |
| Herat* | 142,298 | 90,393 | 232,691 | 16,155 | 7,513 | 23,668 | 89.8% | 92.3% | 90.8% |
| Kandahar | 91,448 | 17,503 | 108,951 | 5,492 | 64 | 5,556 | 94.3% | 99.6% | 95.1% |
| Wardak | 64,720 | 17,503 | 82,223 | 10,064 | 7 | 10,071 | 86.5% | 100.0% | 89.1% |

Note: *1381 data.

Source: Provincial departments of education.

Current Circumstances at the Provincial and District Level

Provincial structures and responsibilities

There is a general presumption in the education sector that the government is, and should remain, the principal provider of education services. Functional responsibilities within the sector are set out in Table 45. Some educational services are provided by other agencies such as UNICEF, UNHCR, IOM, WFP and UNOPS as well as several NGOs, such as the Swedish Committee for Afghanistan (SCA), the Norwegian Committee for Afghanistan (NCA), AfghanAid, the AKDN, Islamic Relief, and CARE. The type of activities that U.N. agencies and NGOs support varies a great deal. UNICEF directly supports PEDs with school supplies, in-service training, and office equipment. Some NGOs provide direct support to schools, including salaries for teachers, school rehabilitation and construction, and teacher training. For instance, SCA, which has a long history in the country, still

| Level of governmental administration | Funded internally (governmental budget) | External provider | Funded externally (wholly or partially) |
|--------------------------------------|--|----------------------------------|---|
| Ministry of Education | <ul style="list-style-type: none"> • Education policy and strategies • Staff appointments above grade six • School registration, school construction, and rehabilitation • Curriculum development, and textbook selection • Staff allotments, funding of salaries, materials, and equipment | NGOs Donor agencies UNICEF | <ul style="list-style-type: none"> • Textbook printing • Technical assistance (education policy and strategies, curriculum development, textbook selection) • School construction and rehabilitation • Salaries, materials, and equipment |

| | | | |
|---------------------------------------|--|----------------|--|
| Provincial education department (PED) | <ul style="list-style-type: none"> • Staff appointment for grade six & below • Distribution of materials • Inspections • Academic supervision | NGOs UNICEF | <ul style="list-style-type: none"> • Provision of supplies • Supervision • Teacher training (in-service) • Salaries, materials, and equipment • School construction, and rehabilitation |
| District education office (DEO) | <ul style="list-style-type: none"> • Inspection • Identification of needs for teachers, materials, equipment, construction, and repair • Distribution of supplies | NGOs | <ul style="list-style-type: none"> • Provision of supplies • Supervision • Teacher training • Salaries, material, and equipment • School construction, and rehabilitation |
| Schools | <ul style="list-style-type: none"> • Provision of education | Communities | <ul style="list-style-type: none"> • School construction, rehabilitation, and maintenance (provision of land, labor, and materials) • Teacher salaries |

Source: AREU/WB staff assessment.

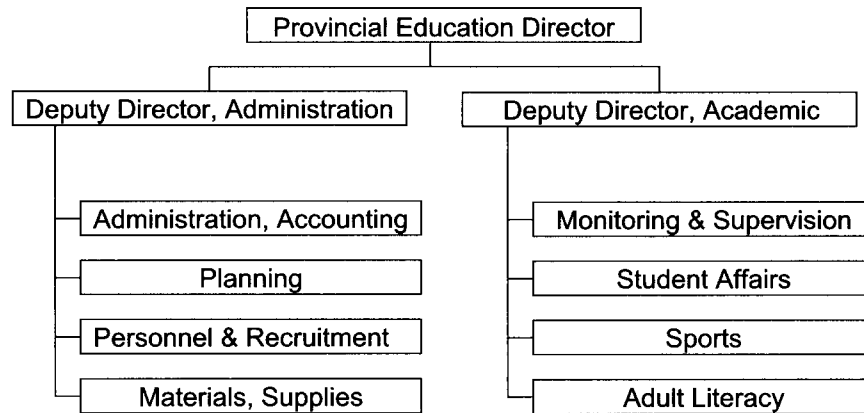
funds 22 schools in Badakhshan, and together with CARE, provide virtually all education opportunities for girls in Wardak. Islamic Relief supports 42 schools in Kandahar with school building rehabilitation, educational supplies, teacher training, and establishing parent teacher associations (PTAs). Other agencies, such as IOM and AKDN, are involved in school construction only. Local community participation provides some land and labor. Despite this broad range of external support, all actors strongly agree that the government holds overall responsibility for service delivery and for educational outputs.

The government's primary education structure consists of a primary education presidency in the Kabul Ministry of Education, which is responsible for administrative management of the system. A separate presidency is responsible for teacher training and curriculum development. Each province has an education department that is responsible for carrying out national policies and administering finances allocated by the central government.

The provincial education departments (PEDs) are formally accountable to the minister of education in Kabul but clearly in many cases have some loyalty to the provincial governors. A director heads the PED and the minister of education in Kabul approves the appointment to this position. Generally, PEDs have two (or sometimes three) deputies, with responsibilities split between administration and academic affairs. The deputies supervise department heads of which, typically, there are eight or nine. The departments under the administrative deputy director generally include planning, administration, supplies and materials, and personnel and recruitment. The departments under the deputy director for academic affairs

include monitoring and supervision, student affairs, sport, and adult literacy. Each department head manages a team of people, the largest likely to be monitoring and supervision. Figure 12 shows a standard structure for PEDs, and is illustrative of the case study provinces, though specific configurations vary.

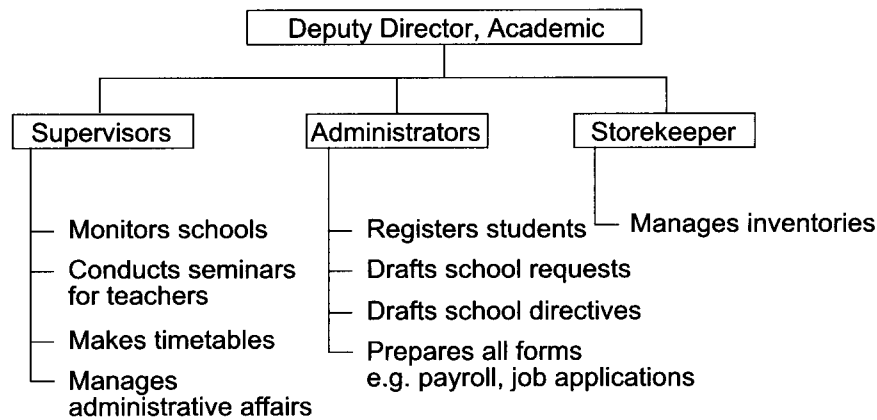
Figure 12: Typical Structure of Provincial Education Department



Source: AREU/WB staff assessment.

The director also supervises the district education subdepartments or offices (DEOs). Generally, these are comprised of a small team of between five and seven people that includes school supervisors, one or two administrators and a storekeeper, as shown in Figure 13. DEOs view themselves as the primary executioners of all government policies and decisions, and as the primary liaison between government

Figure 13: Typical Structure of District Education Office



Source: AREU/WB staff assessment.

and the school. They suggest teacher appointments to the PED, propose new schools, and maintain contact with the NGOs within the district.

The PED is required to report, in writing, on a quarterly basis to Kabul. DEOs are required to report in writing on a monthly basis to the PED, but in many cases the mission teams found little evidence of district reporting beyond the preparation of attendance sheets.

An overriding impression from discussions with education personnel is that the structure of the education service is strong and all staff are knowledgeable about how government education services should function.

Planning and budget preparation

In the past, the PEDs prepared a budget request or plan that was sent to the Ministry of Education in Kabul for approval. In at least some provinces, a provincial "budget board," made up of the various department heads, would discuss budget requests along with other department budget requests, before they were sent to Kabul. Once the Ministry of Finance in Kabul approved the education ministry's overall budget, the ministry would prepare quarterly allotments for each of the provincial education departments, based on the original request.

However, the budget planning process described above has not been followed for many years; more recent experience suggests there is a total lack of provincial or district involvement in the budget planning stage until after the allocations are decided. For the 1382 school year, some provinces were asked to provide basic information on the number of teachers, students, and schools, to be used by the ministry in Kabul as a basis for budget preparation.

While a substantial amount of information in the form of standardized reports passes from schools to district subdepartments, to provincial departments, and then onto Kabul to inform future planning, there appears to be very little, if any, formal analysis done using the information that is collected. There is also no basis for comparing enrollment to school-aged population (no data available) and no standard definition of school catchment areas (geographic area covered by a particular school). Therefore, even gross enrollment ratios are not calculated.

In the future, the planning process will be further complicated by the existence of the NSP. Under this program, community development committees will be able to identify school construction projects as a priority for funding under the NSP. However, approval must be linked to the ministry's planning for its ordinary budget, as new schools mean more teachers. If the NSP is going to build new schools, the ministry should be putting aside a number of additional teachers (and other operating costs) to support these projects. This may be a mechanism to push the ministry to engage districts more actively in the planning process.

Planning also appears to refer only to inputs such as buildings, teachers, children, books, and not to processes, such as teacher training or supervision, or to outcomes, such as number of children with the intended level of competency at each grade, or even the number of children passing an end-of-year exam.

PEDs and district education subdepartments are not involved in curriculum development, and never have been. They do not make decisions about the school timetable, such as how many hours for each subject, or about school holidays and exam scheduling timings. Such decisions are all made in Kabul.

Staffing and salary payments

Table 46 summarizes the number of education staff in the six case study provinces.

The reported salaries received by government teachers varies between 1,200 and 1,600 afs. per month.¹⁹ Such low pay is considered to be the reason why education jobs are accorded little status. Though there is a view among staff that these salary levels are too low to attract qualified teachers, low salaries have not prevented people from joining the education ranks, as has been shown in the dramatic increase in the number of teachers recruited. Teachers are paid for 12 months each year, although they have 10 weeks' break in the winter (north) or summer (south). Administrative staff and the school principal are at school full time.

There seem to be no direct top-ups or incentives for education positions given by NGOs, but UNICEF pays top-ups for some administrative positions that were originally identified to implement the Back-to-School Campaign. In Bamyan, however, NGO schools were also reported by the DEOs as government schools. Consequently, in 1381, teachers in NGO-supported schools received double salary, and the practice is continuing into 1382. It is possible that this practice has also been occurring in other provinces with NGO supported schools.

| | Teachers | | | Administrative staff | | | Total | | |
|------------|----------|--------|-------|----------------------|--------|-------|-------|--------|-------|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| Badakhshan | 3,241 | 1,431 | 4,672 | 998 | 36 | 1,034 | 4,239 | 1,467 | 5,706 |
| Bamyan | 1,570 | 223 | 1,793 | na | na | na | na | na | na |
| Faryab | 2,477 | 871 | 3,348 | 1,093 | 41 | 1,134 | 3,570 | 912 | 4,482 |
| Herat | 3,572 | 2,255 | 5,827 | 1,037 | 287 | 1,324 | 4,609 | 2,542 | 7,151 |
| Kandahar | 2,491 | 421 | 2,912 | na | na | na | na | na | na |
| Wardak | 2,243 | 151 | 2,394 | 545 | 8 | 553 | 2,788 | 159 | 2,947 |

Source: Provincial departments of education.

In Kandahar, the governor chose to provide extra support unilaterally to teachers (see Box 27); it is possible this practice has happened in other revenue-rich provinces as well.

Compared to the health sector, where doctors are able to earn a significant amount through private practice, teachers have no such source of private income. At the moment, it appears that most teachers are teaching one shift, even if the schools operate double shifts. Those who actually teach double shifts receive some extra salary. It was reported in Kandahar that some teachers who taught double shifts were listed in the payroll twice – once as a karmand and once as an agir; but this does not appear to be a widespread practice. As noted above, there has been some recent pay reform.

The typical steps for the payment of teacher salaries are similar to the general payroll process described above:

- Prepare a form (either an attendance form or the M41 payroll form) at each school listing the number of teachers for each grade/step
- Consolidate all forms from schools at the district education subdepartment
- Consolidate all subdepartments at the district finance office
- Take payroll forms to the provincial mustoufiat
- When the check is received, cash at the central bank branch in the provincial capital
- Bring the cash to the district cashier
- Pay the cash to the principal of each school (by a three-person team from different subdepartments of the district)
- Pay the teachers (carried out by the principal).

There are some variations to this process. Most obviously, in some provinces, the district education office takes the payroll to the provincial education office, which then takes the forms to the mustoufiat, rather than relying on the district finance office. In some cases, individual schools deal directly with the PED.

Recruitment

Teacher grades reflect the basic grading system found throughout the public sector. The rank-in-person arrangements mean that grade level is largely determined by seniority (length of service) rather than merit. Grade levels are not fixed for various positions and, in principle, it is possible for a director and a teacher to have the same grade level if they have the same length of service. A new teacher who has

Box 27: A Governor's Financial Contributions

In Kandahar, the former governor's personal contribution in education was emphasized in comments from both the governor himself and the head of the provincial education department. However, it seems the support from the governor has not been provided in a systematic manner. It is reported that the governor doubled teachers' salaries for a number of months in 1381, as he did for all other government employees, but the increase was only given to certain teachers, not all. He also contributed clothing and cash to a select number of female teachers on International Women's Day.

completed high school will join at grade 10, and after three years may ascend one grade level. It is seemingly very rare for a teacher not to advance a grade level for every three years of teaching. Even without a change of post, a teacher may ascend through Afghanistan's 12 public employment steps or grades – one step every three years for junior staff and one step every four years for more senior staff. School principals or administrators might therefore occupy a lower grade than some of the teachers they supervise. This is undoubtedly a deterrent to young people considering joining the education service.

The governor approves all new hires at grade six and below. If a head teacher wishes to appoint a teacher or head teacher, the application is sent via the DEO to the PED and then to the governor. There is no selection process for positions in the education service. A person is recommended by a principal, the DEO, the director, the governor, or another influential person. Teachers often start work before approval is given, despite the apparent absence of back pay. More senior positions, such as director and deputy director in the PED (grades 3 and 6) are approved by the minister of education in Kabul. Formally, the governor need not approve, but in practice, he must be in agreement.

The PED is supposed to be given an updated allocation for appointments (tashkeel) every year. The Ministry of Education in Kabul must give permission before additional posts are created. However, in 1381, provinces did not receive new tashkeels, and only belatedly received them for 1382. As a result, some provinces, such as Kandahar, have not been able to fill the increased demand for teachers due to the increased enrollment. (In the case of Kandahar, the PED did prepare and send to Kabul a request for the 1381 tashkeel before the start of 1381, as well as a request for the 1382 tashkeel. However, they never received a reply from Kabul for either request.) In many other provinces, however, the formal tashkeel for education has simply been ignored, and additional teachers hired as needed.

As discussed above, throughout 1381, the Ministry of Finance did not enforce the tashkeel limit and paid all salaries that were submitted. It also paid salaries in cases where the individual employee had not been approved into his or her position. For 1382, however, the Ministry of Finance is enforcing the rules, and this situation has been further aggravated as some provinces have discovered that, upon submitting payrolls for the first quarter of 1382, even the "approved" tashkeel exceeds the approved takhsis, meaning that there are not even enough funds to pay the approved tashkeel. This problem has been most dramatic in the education sector. Because, in part, of the delays in communicating the quarterly allotments and the tashkeels to provinces, this problem came to light only after the first quarter had passed and many teachers were not getting paid as a result.

Management and staff development

Most teachers have a very narrow range of teaching skills and gaps in subject content knowledge. Rote learning methods dominate. These problems, along with the large numbers of over-aged students (especially in the early grades), make the teaching-learning process challenging.

For most teachers, the level of education is very low. In Wardak, for instance, only 6 percent of teachers have more than a grade 12 education. In Kandahar, more than 65 percent of teachers have not completed 12th grade. Some in-service teacher training is now being provided by NGOs, but most teachers have had little or no formal teacher training over the course of their careers. Training is still lacking for education administration, head teachers and school management.

Box 28: Teacher Quality in Badakhshan

In Badakhshan, some local people are taking the issue of teacher quality into their own hands. The school education committee in Baharak District decided that although the district lacked six teachers, they would wait to fill the positions until professional teachers had been found. In Ishkeshim District, the parent-teacher committee devised a certification examination that they administered to all who had completed grade 12 and wanted to become teachers, but who had had no formal training.

There is extensive formal monitoring of teaching standards by the provinces, but little formal community oversight. (Some districts in Badakhshan are exceptions, see Box 28.) Supervisors and monitors are required to produce a report of each visit and to write in the school "inspection book." Visits consist of checking student and teacher attendance, the school building, administration, student enrollment, academic performance and teaching, and sometimes even giving model lessons.

Promotion of teachers is based on a performance evaluation after three years of service. The headmaster gives points and the PED manager reviews the supervision reports. For the permanent staff of grades 1 and 2, approval is required from the president, and for grades 3-5, approval is required from the Ministry of Education. For agrir staff of grades 1-2, the approval is required from Ministry of Education, and for grades 3-9, approval is required from the provincial governor and PED (see Table 33).

Infrastructure and non-salary expenditures

The learning environment of all schools is still very basic in the best of cases, and overcrowding is rampant in many schools. According to the learning space survey, only 29 percent of schools function in a dedicated school building. Shelters, tents, mosques, and private houses constitute another 27 percent, and 10 percent of the schools are held outside. Of the schools with buildings, 30 percent have been completely or mostly destroyed, 8 percent have sustained minor damage or only require cosmetic repair, and another 7 percent are partially destroyed. Fifty-two percent of the schools lack water facilities, and 75 percent lack sanitation facilities.

PEDs receive virtually no non-salary operating budget. As a result, the very basic inputs for education – textbooks, teaching and learning materials, and appropriate learning spaces – are severely lacking. Supply of textbooks is massively inadequate; in Faryab, for example, as few as 10 percent of children in some schools had textbooks at the end of 1381. To the extent that textbooks and other materials are available, UNICEF and various NGOs supply them, not the government.

Some PEDs have been renovated. Generally there are no communications except a telephone in the director's office, and these can only make calls within the municipality.

There used to be a system of travel and daily allowances and travel allowances are apparently still supposed to be paid, but it is an extremely small amount. Though claims have been processed, they have not been paid.

Locally generated education revenues are reported to be small. For example, following a meeting of provincial education directors in Kabul in September 2002 where Education Minister Qanooni launched the *maaref-qachkol* initiative (literally the "education alms bowl" initiative), the Faryab PED launched its own "Support to Education" campaign and raised 150,000 afs.

Historically, it is reported that there has been very little community contribution to education. This is partly attributed to poverty and partly to the strongly held belief that education should be free and provided by the state. However, this may be changing and some communities, or at least the wealthier members, have contributed to education with land, water, labor, and equipment, such as blackboards. Communities also pay *mullahs* (in cash or in kind) to educate their children in mosque schools, and increased attendance at mosque schools during the regular school winter break is common.

Implications for Provincial Education Service Delivery

Government has achieved much. There is an education service provided by government that functions – albeit inadequately – and most key positions are filled. There is thus a structure in place to deliver an education service, including a structure for monitoring and supervision, and there are regular salary payments and functioning local teacher recruitment processes. There is a very high demand for education and a growing willingness from communities to contribute.

Nevertheless, the conditions for educational development in Afghanistan, especially in terms of improving quality, do not look promising. There is no shared vision of the problems and priorities facing the education sector. There appears to be no prominent champion of reform at either the national or provincial levels, and there is a remarkable degree of complacency with the status quo. The highly centralized administration of education does not encourage innovation, and tight expenditure controls at all levels almost dictate an inefficient use of scarce resources. Community participation in the schools exists only as a result of NGO activity and will likely disappear along with donor/NGO financing. Still, even in this gloomy context, there are entry points for donors wishing to bring about quality-enhancing reforms.

While the wide variation in context across post-conflict societies makes generalizations and conclusions difficult, there are some general parallels that can be drawn (see Buckland, 2003):

- Conflict inflicts serious damage on education systems – schools and textbooks are destroyed, teachers are killed or displaced, enrollments decline.²⁰
- Schooling is surprisingly resilient – despite the loss of teachers and schools, enrollment rates quickly recover.²¹ This resiliency gives donors and the government the opportunity to pay immediate attention to education quality, not just enrollments.
- Surprisingly, teacher recruitment is not a difficult problem. Relaxing teaching credential criteria and contracting temporary teachers solves the problem

- despite seemingly low salaries. However, there is an urgent need to rebuild and modernize teacher education facilities to support quality improvement.
- International donors put greater emphasis on emergency recovery than on institution building, thereby largely missing the brief window of opportunity to introduce lasting reforms.
 - Reconstruction that starts with and emphasizes the role of the community offers the best hope for sustained education improvements. The community involvement and participation that often develops during conflict must be further nurtured post-conflict, or it will be lost.
 - The fact that recovery efforts are often led by international donors combined with the bias towards emergency relief translates into a failure to build capacity in the education ministry, resulting in a weak counterpart for donors working for longer-term educational development.

Given the Afghanistan context, as well as the lessons of post-conflict experiences in the education sector, the following are possible elements in a donor strategy that could bring about the kind of institutional development that will lead to higher quality and improved efficiency in Afghanistan. Such a strategy presumes there will be no major effort to devolve education responsibilities to the provincial or district level.

- Drive reform efforts from below by focusing on the school and the school community. There are numerous ways to do this, such as through school rehabilitation funding and school improvement plans. But such actions need to go hand-in-hand with "educating" community members in effective school practices.
- Community participation is not sustainable, however, without the government delivering on its obligations. There are lots of examples where communities found building or other structures to house a school, found teachers, and even provided basic equipment, but have waited and waited for salaries and textbooks. This means paying salaries promptly and getting the supplies out.
- Concurrent with driving demand for reform from below, engage senior educators inside and outside the government in dialogue about education reform and expose them to international experience. To yield sustained benefits, this should be a systematic 3-5 year effort supported by all donors.
- While stimulating innovations and demand from below and exposing ministry officials to international experience, encourage a bottom-up national discussion and debate on education to build a consensus around problems and priorities for change. Government, NGOs, and local communities need to be active participants in this debate.
- Move as quickly as possible to put capitation (population-based) grants to schools into practice. Funding for textbooks, for example, could be transferred to schools. For practical reasons, this will take time to implement across the system, but some initial pilots might provide some good experience on which to build.
- Focus capacity-building efforts in the national ministry of education on those areas where the central government should be involved, such as curriculum design, teacher assessment, student assessment, data management and analysis,

policy analysis, and budget preparation, while encouraging delegation of personnel and budget management responsibilities to ministry offices at the provincial and/or district level.

- Build planning capacity in provincial and district offices. This has to be a top priority, and is a precondition for successfully implementing many of the strategies listed above. They need to decide their priorities, and lay out short- and long-term plans, including financial implications with performance indicators, for expected achievements over the course of the plans. This type of planning can provide a framework for supporting reforms both at the community level and at the center.

It must be said, however, that building community-focused participation must proceed slowly, if real reform is to proceed. It must be preceded by improved awareness and understanding of appropriate education goals, such as enrollment of girls. Otherwise, the very real risk is that communities, if given more authority too quickly, will simply reinforce traditional views on education – holding back reform rather than driving it forward.

7. HEALTH SERVICE DELIVERY

The National Context

Since the end of 2001, the Ministry of Health (MoH) has made significant progress in determining the direction of the health sector and formulating policy at the national level in Afghanistan. The public investment program for health reflects the public health priorities in the country. The six major subprograms are:

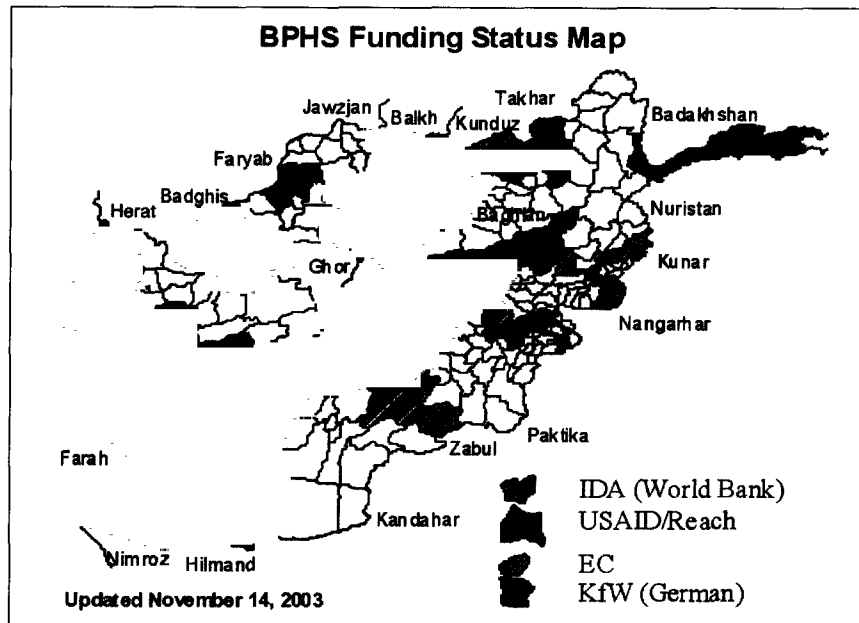
- Reduction in under-five mortality;
- Reduction in maternal mortality;
- Addressing malnutrition;
- Prevention and control of communicable diseases;
- Addressing inequitable distribution of health services; and
- Capacity building.

The health development budget for 1382 is \$173.5 million and funds are committed for 75 percent of this amount (Government Donor Assistance Database [DAD], as of October 28, 2003). In addition, the ordinary budget for health is 1.25 billion afs. (\$29 million) for 1382.

The Ministry of Health has drafted an interim health strategy, the principles of which are consistent with those of the NDF; the strategy emphasizes the ministry's stewardship role (planning, supervising, monitoring, and evaluating implementation of services) rather than direct implementation. The strategy, recognizing that Afghanistan has the fourth highest under-five mortality rate in the world and perhaps the highest maternal mortality ratio, also emphasizes the need to deliver services quickly in the most under-served rural areas. The content of such services is described in the Basic Package of Health Services (BPHS). The BPHS places an appropriate emphasis on basic primary health care, while prioritizing the building and equipping of hospital facilities that can deliver emergency obstetric care. There are four major donors in the health sector: USAID, World Bank, EC and UNICEF (which is both a donor and implementer of projects). The BPHS has been agreed by all these major donors as well as by the major NGOs in the sector.

The primary method for delivery of services will be through donors contracting NGOs for delivery of services as outlined in the BPHS. These contracts are known as performance-based partnership agreements (PPAs). While the geographic unit for each PPA has been a source of controversy among the major donors (the World Bank has proposed a province-wide unit while other donors favor a cluster of districts), there is a general consensus on the desirability of contracting through NGOs to deliver the BPHS, developing performance measures and conducting evaluations according to such measures. The Ministry of Health, through its grants and contracts management unit, is involved in the evaluation of proposals and in planning. It is envisioned that the Ministry of Health will also have a prominent role in monitoring and evaluation of such PPAs.

In addition to the six case studies, this chapter has benefited from a review of these materials by Graham Scott (Southern Cross International/World Bank), and from detailed comments from Dr. Hirabayashi and Peter Salama (both of UNICEF) and Paul Fishstein (MSH).

Figure 14: Distribution of Health Service Delivery Contracts by Donor

Source: Ministry of Health, UNICEF.

The first contracts for PPAs and PPA-like agreements have now been signed and donors have agreed on a geographical distribution of priority provinces and/or districts, as described in Figure 14. It will be noted that a number of provinces and districts are not included in the map. For some of these areas, there is some expression of interest by donors, but specifics, including funding, may not yet be in place. For instance, the Asian Development Bank (ADB) is not included on the map, as it has not decided its target districts in Badakhshan and Ghor Provinces. Even still, there are some districts where there are no plans for contracting out services.

The Case for Contracting Out Health Service Delivery

While it is not the purpose of this paper to judge the appropriateness of this policy choice, it is useful to lay out the arguments that have led to this decision. The case for contracting out the provision of primary health care rests on three points: sector investment, institutional agility and speed, and efficiency.

The first argument is easily made. The government of Afghanistan does not have enough money within its own budget to spend on health. For the 1381 ordinary budget, health sector planned spending (948 million afs.) amounted to 6.06 percent of the total budget, dwarfed by the shares to education and security. On a per-capita basis, 1381 spending on health is shown in Table 47, with Kandahar at 19.89 afs. per capita, Herat at 18.18 afs. per capita, and Bamyan and Faryab at 5.23 and 5.85 afs. per capita, respectively. For 1382, a total budget of 1,256 million afs.

has been allocated to health sector spending. While this represents a 25 percent increase over last year's budget, the problem of inadequate funding remains. Based on admittedly unreliable data, it appears that, in contrast, the resources available for the health sector from the major donors, including the World Bank, will amount to about \$4 per capita per year, or about 175 afs. (World Bank staff estimates). Arguably, this funding is only available because donors are more reassured by the fiduciary arrangements implicit in the contracting approach.

Table 47: Key Statistics, Public Health Sector

| Province | Population ^a | Active health facilities ^b | | | | Provincial expenditures 1381 (afs.) | | 1382 1Q allotment for health (afs.) |
|------------|-------------------------|---------------------------------------|---------|------------------|---------------------|-------------------------------------|----------------------------------|-------------------------------------|
| | | Hospitals | Clinics | Total facilities | Population/facility | Actual expenditures | Spending per capita ^c | |
| Badakhshan | 725,700 | 1 | 19 | 20 | 36,285 | 6,985,338 | 9.63 | 8,090,880 |
| Bamyan | 391,700 | 3 | 5 | 8 | 48,963 | 2,048,522 | 5.23 | 2,197,109 |
| Faryab | 794,100 | 3 | 7 | 10 | 79,410 | 4,647,147 | 5.85 | 3,692,689 |
| Herat | 1,208,000 | 1 | 23 | 24 | 50,333 | 21,962,106 | 18.18 | 9,038,007 |
| Kandahar | 913,900 | 8 | 13 | 21 | 43,519 | 18,176,621 | 19.89 | 6,501,086 |
| Wardak | 448,700 | 3 | 7 | 10 | 44,870 | 2,752,968 | 6.14 | 3,981,768 |

Notes: a/ CSO 2003/04 estimate.

b/ National Health Resources Survey, September 2002, MoPH/USAID/AHSEP.

c/ 1381 actuals / 2000 population stats.

Source: Provincial health departments, MoF, and as above.

Apart from the fiduciary concerns of the donors, it is unlikely that the government could spend the necessary amounts of money quickly enough to achieve any results in the short term. In 1381, there was a significant budget execution problem in health. At year end, total expenditures were only 541 million afs., or 57 percent of the total allotment. For 1382, it is likely that the execution rate will be higher as by the second quarter, 343 million or 27.3 percent had been spent. However, it does suggest that government has a problem in scaling up rapidly, especially to the level planned by donors.

The parallel argument concerning institutional efficiency is more intuitive, although it is strongly bolstered by research on Cambodia (Bhushan, Keller, and Schwartz, 2002). The results of a survey in Cambodia showed that contracted districts consistently outperformed the control districts with respect to the predefined coverage indicators. The presumption is that if the funds were simply given to government to hire more staff, then they would not spend those funds wisely – through poor hiring practices, patronage appointments, poor incentives for staff, and low attendance rates at clinics.

Current Circumstances at the Provincial and District Level

While these arguments present a strong case for action, contracting out will also have significant implications for local public administration, both in the short and medium terms, which the new arrangements must address. But before these implications can be discussed, it is useful to review the current status and issues that exist in the provincial administrative structure. Some of these are common

across the public sector and reflect the same fiscal and administrative issues raised earlier in this section. Others are unique to the health sector.

Provincial structures and responsibilities

In health, in contrast to the education sector, the current allocation of functional responsibilities is ambiguous. The Ministry of Health in Kabul has responsibility for overall policy-making, and, more concretely, for approving the organizational structures of the entities at subnational levels. The minister authorizes recruitment of all senior staff (grades 3-5).

The provincial health department (PHD) reallocates staff between facilities, within the establishment authorized by the ministry, hires staff from grades 6-10, and contracts for basic services. The region, the province, and the districts all manage hospitals. Some districts also are responsible for a combination of basic health centers, sub-health centers, maternal and child health clinics (MCH), and an expanded program of immunization (EPI) clinics. Table 48 illustrates the services that different facilities are intended to deliver. Municipal authorities have no health service responsibilities.

| | Outpatient services | Inpatient services | Surgery (any) | Antenatal care | Delivery | Postnatal care | Immunization | Nutrition | Rehabilitation | Health education | X-ray | Diagnostic lab |
|---|---------------------|--------------------|---------------|----------------|----------|----------------|--------------|-----------|----------------|------------------|-------|----------------|
| Regional hospital | x | x | x | x | x | x | x | | x | x | x | x |
| Provincial hospital | x | x | x | x | x | x | x | x | | x | some | x |
| District hospital | x | x | x | x | x | x | x | some | | x | some | x |
| Basic health center | x | | some | x | some | x | x | some | | x | | some |
| Sub-health center | x | | x | some | | some | x | | | x | | |
| Maternal and child health clinic (MCH) | x | | | x | | x | x | x | | x | | |
| Expanded program of immunization (EPI) clinic | | | | | | | x | some | | | | |
| Rehabilitation center | | | x | | | | | | x | | | |

Source: AREU/WB staff assessment.

Table 49 illustrates the overlap between the functions of hospitals at the provincial and district levels, and emphasizes that external funding from NGOs and donors is pervasive. The health sector also faces the same confusion arising from the shadowy existence of the "region" as a coordinating layer of administration. In preparing budgets and plans for the health sector, staff and managers face far more uncertainty and potential conflict in assigning responsibilities (and therefore budgets), and correspondingly more uncertainty about their accountabilities, than their colleagues in education.

| Table 49: Functional Responsibilities in Health | | | |
|--|---|---|---|
| Level of administration | Budget-funded | Funded externally | |
| Ministry of Health (Kabul) | <ul style="list-style-type: none"> • Health policy-making • Authorizing "organigram" (staffing) • Recruitment of staff: grades 1-5 | External funding is pervasive across the sector and is found at all levels of administration and for all functions. | |
| Regional health departments (western provinces only) | <ul style="list-style-type: none"> • Aggregating health data • Donor coordination (within the region) | | |
| | Regional hospital services: <ul style="list-style-type: none"> • Outpatient services • Inpatient services • Surgery • Antenatal care • Delivery • Postnatal care <ul style="list-style-type: none"> • Immunization • Rehabilitation • Health Education • X-ray • Diagnostic Lab | | |
| Province | <ul style="list-style-type: none"> • Reallocation of staff between facilities • Recruitment of staff: grades 6-10 • Contracting of services • Procurement of drugs and supplies • Quality control of services | | <ul style="list-style-type: none"> • Facilities mgmt: buildings, vehicles • Provincial health plans • Collecting basic health data • Quality control of services • Primary health care |
| | Provincial hospital services: <ul style="list-style-type: none"> • Outpatient services • Inpatient services • Surgery • Antenatal care • Delivery • Postnatal care <ul style="list-style-type: none"> • Immunization • Rehabilitation • Health education • X-ray (sometimes) • Nutrition • Diagnostic lab | | |
| | Rehabilitation facilities: <ul style="list-style-type: none"> • Surgery • Rehabilitation | | |
| District | District health plans | | |
| | District hospital services: <ul style="list-style-type: none"> • Outpatient services • Inpatient services • Surgery • Antenatal care • Delivery • Postnatal care <ul style="list-style-type: none"> • Immunization • Some nutrition services • Health education • Some X-ray services • Diagnostic Lab | | |
| | Basic health centers: <ul style="list-style-type: none"> • Outpatient services • Some limited surgery • Antenatal care • Some delivery • Postnatal care <ul style="list-style-type: none"> • Immunization • Some nutrition services • Health education • Some diagnostic services | | |
| | Sub-health centers: <ul style="list-style-type: none"> • Outpatient services • Some limited surgery • Some antenatal care <ul style="list-style-type: none"> • Some postnatal care • Immunization • Health education | | |
| | Maternal and child health clinics (MCH): <ul style="list-style-type: none"> • Outpatient services • Antenatal care • Postnatal care <ul style="list-style-type: none"> • Immunization • Nutrition • Health education | | |
| | Expanded program of immunization (EPI) clinics: <ul style="list-style-type: none"> • Immunization • Some nutrition services | | |

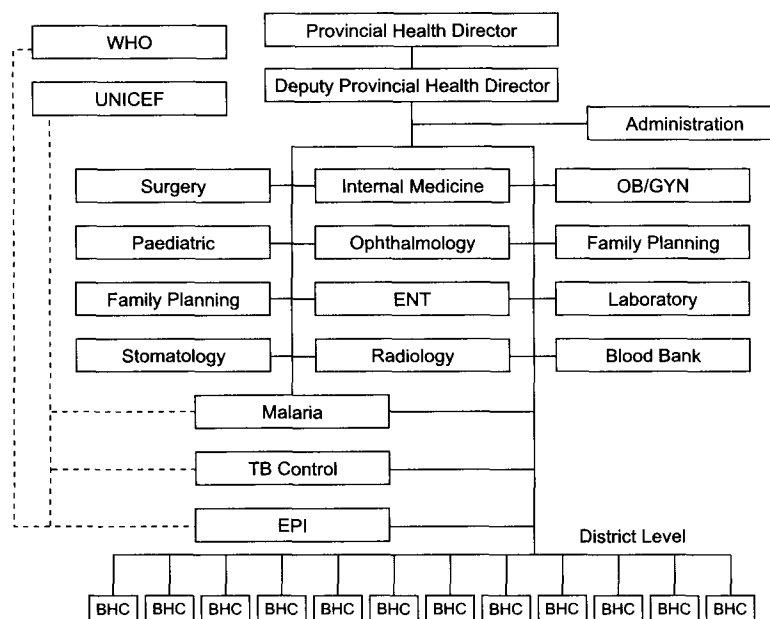
Source: AREU/WB staff assessment.

Prior to the introduction of the health service delivery contracts, the allocation of responsibilities both within government and between government and donors and NGOs was very unclear, with the former problem exacerbating the latter. Government and NGO agreements are in the form of memoranda of understanding (MoUs) and are apparently reached at the provincial level, although the central Ministry of Health seems to have a say in according permission for locations and activities of external agencies and has a registration system in place.

This multiplicity of actors is leading to some conflicts. Provincial-level decisions, such as staff reallocations, changes in the organizational structure, contracts with NGOs, and charging for drugs are ambiguous and are subject to being overruled by the Kabul Ministry of Health. Central policy requires that all health services be provided free, but many NGOs and donors insist on cost recovery either through consultation charges or partial payment (40-60 percent of the market price) for the drugs dispensed. However, some may continue to provide drugs free to the poor. Similarly, there is some confusion concerning charging for X-rays and laboratory tests. Government feels that this is inappropriate, as people are too poor to pay. However, as they need money to address urgent health problems, some districts have decided to charge fees regardless.

The formal organizational structure of PHDs is roughly as described for Faryab (see Figure 15). This seems to be typical for other provinces in the study. Although the structure shows different "departments," in reality, most of these consist of only one or two people. Moreover, in many cases, such as gastroenterology, ophthalmology, laboratory, the departments do not exist, owing to lack of staff, equipment, or material. For instance, without electricity or cooling equipment, the blood bank function can only be fulfilled when the donor and patient are present at one time. In addition, there are no supplies required for analysis and testing.

Equally typical is the fact that the PHD structure has not been revised in many years, even though it is outdated. In Kandahar, for instance, where the PHD is located in the provincial hospital, the director noted that, while there had been a lot of changes in both the structure of the PHD as well as the types and volume of cases, the Ministry of Health has not revised the tashkeel, which contains the positions that were created 30 years ago. For example, at one time there was a separate obstetrics and gynecology hospital, but now this has been absorbed into the provincial hospital without any changes in the tashkeel. Similarly, the hospital's tuberculosis control ward did not exist 20 years ago.

Figure 15: Structure of Faryab Provincial Health Department

Source: Faryab Department of Health.

Second, there is a significant bias towards physician-based and hospital-based care. In fact, many of the provincial health offices are located in the provincial hospital. There is certainly great need and demand for curative care, but the system is severely lacking in outreach. Many patient complaints could be addressed more cost effectively (in terms of financial and other material resources, patient time, opportunity costs, and human suffering) through outreach. Community health workers (CHWs) and traditional birth attendants (TBAs) are being trained, largely by NGOs whose different capabilities and philosophies translate into training of various lengths and quality. But these important workers do not appear to be integrated into the health system and so lack the steady supplies, continuous "supportive supervision," technical back up, and refresher training necessary for their effective functioning.

Planning and budget preparation

As with the education sector, officials in the PHDs are not involved in any aspect of budget preparation. They are, however, engaged in a dialogue with the Kabul Ministry of Health with regards to health planning. During annual planning exercises, the provincial health director submits an annual budget request to the Ministry of Health that includes salaries, supplies, and equipment, as well as additional requests for new service delivery or administrative positions. In past years, the Ministry of Health has consulted with the PHDs on the location of basic health centers and other facilities at the district level.

Planning is of course challenged by the problems of communication. Communications between Kabul and the provinces are typically by pouch or traveler. In general, both WHO and UNICEF provincial and regional offices have been acting as links between Kabul and the provinces, using both phone and e-mail. It seems that this system has become relatively formalized in most provinces.

Salary payments and staffing

It is considered the responsibility of the central Ministry of Health to ensure availability of human resources in terms of numbers, quality, and funding. However, some agencies have expanded the number of staff in the health system through special programs. For example, under the Ministry of Health structure, there is only one vaccinator per district. UNICEF has increased this to a team of two per health facility or about five teams per district to meet the needs of the expanded program of immunization.

NGO staff are working in many government facilities, and most front-line staff receive supplementary payments from NGOs. In some cases, NGOs have recruited staff directly and placed them in health centers. These staff are either returnees or have resigned from government service. Some government-employed doctors manage to negotiate their transfers to provinces and facilities where NGOs are active, or obtain leave without pay – the current rules allow up to three years of such leave.

Both donor agencies and NGOs have been providing "top-ups" to government salaries, or incentives. For example, the Afghan Red Crescent Society (ARCS) paid all staff 50 percent more than their government salaries. Doctors' salaries paid by other international NGOs and agencies appear to be around \$150-\$200 per month (including the government remuneration). Nurses and midwives receive about \$120-130 per month, other paramedical staff about \$100-150, and support staff about \$80 per month. Project managers in the Ministry of Health receive about \$250-300 per month. UNICEF has an elaborate effort-based system for vaccinators involved in immunization campaigns or national immunization days, paying \$9 per campaign and \$24 per month.

The current ad hoc approach to top-ups is generating some concern regarding reporting lines. Many staff feel responsible to the donors rather than to the government. The medium-term consequence of this may be a move by staff away from government facilities to an emerging "private NGO sector."

Given this confounding situation, the government and NGOs active in the health sector have agreed to standardize the incomes of workers in the health sector by putting limits on the salaries that NGOs can pay. A document describing this policy has been prepared by the salary policy working group in the Ministry of Health (Salary Policy Working Group, 2003). If this effort succeeds, it would have the effect of reducing some top-ups.

An unusual feature of the public health system is the allowance of private practice. It applies to all employees, but is especially relevant to doctors. As long as doctors

put in their hours (usually 8am-1pm daily) in the public facility to which they are assigned, they can run a private practice afterwards. While there are allegations that doctors often work fewer hours than required in the government system as a result of this allowance, the arrangement is widely supported. It is believed to benefit the public system insofar as it ensures the availability of doctors, and reduces the pressure on the health system to pay high salaries because private practices are quite lucrative. Top doctors in the cities can apparently make \$2,000 to \$3,000 per month in private practice. Nurses and other health staff are also known to have private practices (e.g. giving injections), but often engage in other non-health related work to make ends meet. Varying levels of training among paramedics may call some of their private practices into question. In situations where qualified medical practitioners are in very short supply, paramedics have both motive and opportunity to overstep their capabilities.

Recruitment

Health sector appointments in the provinces and districts follow the same framework as for other sectors. In essence, the governor approves junior staff appointments and transfers (karmand grade 6 and below and all agir staff), the relevant minister approves karmand staff from grades 3-5, and the senior staff (grade 2 and above) are appointed by the president. The provincial health director can discipline staff by withholding or deducting amounts from salary, and can fire a person in the event of major discipline problems. A staff member who is absent for more than 20 days without leave is automatically terminated. Once an adverse comment is recorded, it becomes a fairly permanent mark on the employee's record.

It is very difficult to recruit staff to the rural areas. Despite the plethora of top-ups and incentives available, many health facilities are significantly understaffed. Prior to 1979, incentives for serving in rural areas included a higher salary than in urban areas, housing, and a vehicle. These are now replaced by NGO incentives. While medical graduates are required to work for two to three years in a rural area, the effectiveness of this has declined because of the availability of employment with NGOs. To increase human resources in rural areas, local staff interviewed advocated a rural to urban salary ratio of 2:1. It was felt that other staff (such as administrators and vaccinators) should get at least \$150-200, and more in remote areas. It should, however, be stressed that pay alone would not be enough. As in other developing countries, Afghan doctors are an urban class and have high expectations, both professional and personal. Adequately staffed, equipped and supplied health centers, and technical support are critical to their satisfaction, and facilities such as vehicles, good housing and amenities, and schooling for children are among the basics expected. In the case of women professionals (both doctors and paramedics), there are the additional needs for personal security and spousal employment.

Management and staff development

Skills and capacity for both clinical and management work are weak. Those skills that are available are inconsistent with current public health needs.

One of the first casualties of the tight resource constraints has been training. As a result, much-needed improvements in technical and managerial competence for

all cadres of workers are delayed or simply not made. Many doctors, for example, have not been for refresher training or "exposure trips" for more than 20 years, and are unfamiliar with modern medical technologies. Other than training provided by the NGOs, training for either clinical or management staff is extremely limited. In-service or on-the-job training is non-existent. Similarly, there is virtually no access to new technology or information, and new textbooks are not readily available. Even teachers are outdated in their information and techniques. Younger doctors also need training, especially to strengthen preventive health knowledge and skills. Given the strong curative orientation of the system, it is not surprising that public health skills are low.

Existing job descriptions and guidelines for staff are many years out-of-date and require revision. Work plans exist only for special efforts such as the EPI. While absenteeism is believed to be low, there is no systematic monitoring of attendance at BHCs.

Infrastructure and non-salary expenditures

Vehicles and fuel are in desperately short supply. Some buildings have been recently rehabilitated, while others remain in very poor condition.

While local procurement is possible, the lack of any non-salary operating budget means that it is difficult to purchase drugs and medical supplies. Consequently, they are in short supply. When purchases are absolutely required, such as fuel to heat water for surgery, staff are purchasing goods on personal credit from local shopkeepers, under the assumption that cash will eventually arrive from Kabul. It also appears that patients and their families are bearing the load of purchasing essential supplies. In general, the NGOs and U.N. agencies are supplying just about everything except the Ministry of Health staff salaries, including food for patients, medicines (UNICEF, ICRC), equipment, training, and a variety of salary top-ups and enhancements.

In some cases, individual clinics have been able to generate local in-kind contributions, such as land or mud bricks for clinic construction. The situation with respect to fees for service is murky with blurred distinctions between official fees and unofficial co-payments. Some clinics report that they collect fees and that the money goes to the local health committee for other activities.

Implications for Provincial Health Care Administration

With the adoption of a contracting-out strategy for the delivery of health care services, there are both short- and medium-term issues relevant to local public administration that the new arrangements must address.

Short term

In the short term, the deregulation of the health sector labor market must be managed. To the extent that government was previously the only employer, it could artificially depress wage rates in the sector. If skilled staff could not emigrate,

they had little choice but to remain in low-paying government jobs. Under the new arrangements, there are many employers and there is a risk that these new employers will compete with each other for scarce staff skills and so will contribute to wage inflation. For this reason, the health sector market remains regulated, albeit with a "lighter touch" through a standard set of maximum rates that the service providers can pay.

These rates are generous by comparison with other government salaries, and are likely contributing to pressures for pay raises elsewhere in the public sector. Nevertheless, it seems probable that the various donors will break ranks and will pay any rates (or in-kind incentives) that they feel are essential in order to attract staff to their projects. There is already some evidence that USAID will decline to be bound by the wage caps. However, the Cambodia experience suggests that the risk of creeping wage increases may be small.

The only alternative method for managing salary levels will be by increasing the supply of skilled labor. A recent survey found that there were a total of 12,107 health providers working in active facilities (Transitional Islamic State of Afghanistan, 2003). In addition, there were another 6,854 support staff recorded – bringing the total number of staff in active health facilities to just fewer than 19,000. The number of doctors per 1000 people is 0.1, against an average of 1.1 for developing countries. It is lower than Cambodia, also a post-conflict country, where it is 0.3 per 1000. However, most crucially, there is great inequality between provinces and districts. For example Balkh has 3.1 doctors per 1000 people, Uruzgan only 0.01. In total, Afghanistan has 0.3 health workers per 1000 people, varying from 0.8 in Balkh Province to 0.1 in Uruzgan and Paktika.

Although the absolute number of doctors is low, other medical staff are even more scarce and so 24 percent of all health workers are doctors. Less than a quarter of doctors are females. So training more mid-level, and preferably female, health workers is a first priority. The importance of training more staff is emphasized if, in the longer term, funding for the sector drops and government can no longer attract NGOs and others prepared to provide services under contract. Under those circumstances, arguably, it might have no alternative but to re-employ staff directly – and the labor costs will determine the coverage that it can afford.

A second short-term issue to be addressed is the risk of monopolistic behavior on the part of the NGO service providers. The "lead NGO" model might cause other NGOs to be crowded out, as the lead NGO may have incentives to dominate the provision in the province and be unwilling to subcontract with others. There are two risks with this. On the one hand, it is possible that smaller NGOs will exit, ceding the field to the lead NGOs regardless of whether they have a comparative advantage in all districts. This could lead to deterioration in service quality or coverage or both. On the other hand, smaller NGOs, who are not funded by the lead NGO, might resort to providing services "off-budget" by not placing the costs of their services within the national development budget and so undermining government planning.

The third short-term issue concerns the management of staff within the provincial health department. The number of staff varies significantly across provinces (see Table 50 for health staff numbers for the six case study provinces), but probably averages around 500. Once the contracting out strategy is implemented, these staff will de facto have no service delivery responsibilities at all in the short term, apart from some of the provincial hospitals, because service provision of primary care and

secondary care up to first level referral hospitals will be provided through the lead NGOs. There will be both a planning function and a coordination function – although it must be recognized that currently the grants and contracts management unit in the Kabul Ministry of Health, along with the respective donors, undertakes most of the negotiation with the lead NGOs. This leaves a significant number of staff with no jobs.

As retrenchment is politically implausible in the short term, there are three options for these staff. Some with clinical skills and qualifications will be hired by the NGOs. Others will be content to remain effectively unemployed but continuing to receive their current civil service salary. A small number will be needed to form the basis of a provincial level contract management unit that will take over these responsibilities at some point in the future. Ensuring that the PHD retains competent staff for this purpose will be challenging, and will require urgent application of the PRR decree to ensure that adequate salaries can be paid within a restructured PHD.

Long term

The longer-term issues are dependent on the future shape of the institutional arrangements for the sector. If it is assumed that the current level of donor funding and technical assistance is transitional – and that in the future more resources and more technical capacity must be found within government – then one likely scenario is that PHDs become the funding and planning agencies with service provision remaining with NGOs. Currently, the funding and planning function is within the lead agency in the World Bank PPA model, and is within the contractor (MSH) in the USAID model. This function would need to be gradually separated from the service provision role and either placed within the restructured PHD, or this function could itself be contracted out – leaving the PHD as the "purchaser of the purchaser."

If this is the future of the sector, then the PHD – as the planner and purchaser of local primary health care services or as the agent responsible for managing the contract with the purchasing body – will have some challenging tasks to perform.

| | Filled positions | Vacancies | Total positions (tashkeel) |
|----------------------------|-------------------------|------------------|-----------------------------------|
| Badakhshan ^{a, b} | 506 | 492 | 998 |
| Bamyan | 224 | 0 | 224 |
| Faryab ^{a, b} | 501 ^c | 1 | 502 |
| Herat | 620 | 0 | 620 |
| Kandahar | 505 | 0 | 505 |
| Wardak | 146 | 157 | 303 |

Notes: a/ Includes staff of malaria depts.

b/ For 1381.

c/ This figure was reported by the governor's office, but the health department reported a lower figure of 225-256.

Source: Provincial governments.

First, it is highly probable that there will be some moves away from outcome contracting to purchase of outputs, or even inputs. Outcome contracting is a highly sophisticated technique and there is a lack of capability in the Ministry of Health and PHDs to measure and monitor outcomes. Although third party validation will provide some measures in the short term, it is possible that these might not be affordable or sustainable in the longer term. Thus providers might be contracted to provide X staff or Y services, rather than be provided with incentives to achieve Z results. Refining the nature of the contracts will require considerable capacity.

Second, and related, the roles of the Ministry of Health, PHD and the NGO service providers will need some recalibration in relation to the rationalization and reconfiguration of hospitals and health centers. Under the current arrangements, the Ministry of Health decides on the number of new first referral hospitals, comprehensive health centers and basic health centers that a province requires based on the number of existing facilities, its population, density, and geography. However, the capital investments needed for new facilities may be outside of the basic contract for services, and will require some careful linking of the investment and ordinary budgets. The current uncertainties concerning the ownership of facilities and equipment will also need to be resolved.

A final challenge that will need careful attention is the very real risk that some parts of the country will not be covered. The current process relies on NGOs to bid on contracts, but so far no NGOs have shown interest in some of the very difficult and remote districts, such as those in Nuristan. The main reason for this is that these contracts are performance based, so there is reluctance to bid where logistics and access to services is not easy. If funding for the sector were to be significantly reduced, then it is probable that there would be more areas not covered by PPAs. Ultimately, as noted above, government might be forced back into the role of direct employer for some health staff in order to ensure comprehensive coverage.

Based on this assessment, there are some specific actions required and areas for assistance in order for the PHDs to be effective contributors to health care service delivery in the future:

- In the short term:
- Ensure that sufficient numbers of staff are trained locally to guarantee that supply matches demand and that pressures for increases in wage rates are controlled.
 - Manage monopoly behaviors of the lead NGOs.
 - Undertake a self-transformation that will entail the movement of clinically skilled staff to the new NGOs, developing and retaining a small number of staff to form the basis of a provincial-level contract management unit, and managing the residual unskilled group who will have no tasks.
- In the long term:
- Separate the funding and planning function from the service provision role either by assuming this task, or by contracting it out.
 - Manage a shift from outcome contracting to purchase of outputs.
 - Determine how capital investment decisions will be made, and resolve the uncertainties concerning the ownership of facilities and equipment.
 - Ensure coverage in all districts.

8. CONCLUSIONS

Handle the Existing Arrangements with Care

This report began with an assertion that the procedures and institutional arrangements within government, while undeniably awkward and often ignored in practice, form a coherent framework. Failing to take them into account in reform design is unlikely to be productive.

Achieving the balance between respect for the past and a drive for change in the immediate future is perhaps captured in five basic proposals:

Continue to embrace a modest role for government

Given the self-evident historical socio-ethnic fragility of Afghanistan, the fiscal and administrative centralization of the state has some logic: local and regional elites have to refer to the central government for financing and the authority to deliver public activities. However, the corollary is that the central government should limit itself to a relatively minimal set of activities and functions. Moreover, the fiscal reality of extremely limited financial resources over the medium term means that government will have to limit activities to essential service delivery.

Overall, the ambitions of the sector ministries and their provincial and district departments must continue to be constrained by the vision of a lean, competent bureaucracy in Kabul, supporting a provincial and district administration overseeing the delivery of core services.

Respect the institutional architecture

In the past, Afghans have spoken of a "six-mile rule," meaning that government funds were rarely used on projects located more than six miles outside of major urban centers. Reaching rural areas throughout Afghanistan is a key goal of the Transitional Islamic State of Afghanistan, in order to ensure fairness, spur widespread development, and extend central government influence. In addition, expectations are that a new government, with access to significant levels of donor resources, will ensure greater access to basic social services throughout the country than was feasible or expected several decades ago.

Reaching the underserved areas will require a significant scaling up of activities in the provinces and districts. Focusing resources through provincial and district administration offices, and providing them with the capacity to direct, monitor, and support – if not deliver – the extension of services will ensure that resources are reaching rural areas and not remaining concentrated in urban areas. It is important to keep in mind that the logic of the current arrangements is that provinces and districts deliver (or contract for service delivery), while Kabul ministries act as their "back office support." The donor focus on Kabul has created a sense that service delivery will be made or broken in Kabul. The binding constraint is in the provinces and the districts – and the task of Kabul is to help the provinces, districts and municipalities overcome difficulties – not to bypass them.

Be pragmatic about service provision

This study observes that the education and health sectors are taking very different tacks for improving service delivery. On service delivery, education is broadly reincorporating donor activities back into the public sector (noting that development projects will undoubtedly remain largely funded by donors and executed outside of government). Health is heading in the opposite direction, with significant contracting out of service delivery responsibilities to NGOs and others.

In general terms, both of these approaches may be reasonable; the challenge is to ensure that they are determined by pragmatism and not by dogma. Continued participation of NGOs in the education sector, at least in some areas, may help the government meet a level of demand for education that it could otherwise not meet in the short term, at least at any reasonable level of quality. In the health sector, given the low level of government service provision and the already high presence of NGOs, the use of contracting models may be expedient at the moment, assuming that appropriate conditions can be created to support the contracting approach. But over the longer term, a health care system that must be sustainable without external funding may necessarily include direct service delivery by government once more.

Promote transparent government

There is a well-established tradition of using "social monitoring" techniques to inform the public of the costs and benefits of development projects – putting signs on public works programs, for example, indicating the costs and who to contact for further details. The tashkeel and quarterly allotments system within Afghanistan offers the opportunity to take this one stage further and to provide the public with information on core public sector activities. For example, if all public offices had their tashkeel and quarterly allotments prominently displayed, the public (and staff from other departments) could see at-a-glance which positions are sanctioned in the department, and the resources that the department is disbursing. This might be particularly effective in the health and education sectors where there is high community demand for service provision from government. If consolidated provincial budgets were publicly available, informed debate of how subnational resources are allocated could be promoted.

Pursue fairness, not uniformity

Over the last 20 years, unity and fairness in the Afghan civil service has been maintained by a common pay scale and shared terms and conditions. This uniformity has been disrupted by the arrival of large numbers of advisors and other consultants on relatively high pay scales, and ad hoc top-ups provided to civil servants by donors and NGOs in some sectors. This disparity has been the source of some resentment. A second level of disparity has been introduced between Kabul and the provinces. The differential pay arrangements for provinces and Kabul, along

with major delays in payments to the provinces, have given provincial staff a distinct sense that they are second best.

One plausible model is of a stratified public service with differential pay levels, comprised of a small, elite "civil service," and a larger and more easily accessible, "government service." The civil service could be subject to distinctive employment legislation with tight codes of conduct and some significant restrictions on personal activity (no involvement in politics, regular asset declarations).

The National Agenda

Following that suggested approach, there are five areas where cross-cutting institutional reforms are necessary.

Pay and pension reform

Despite recent pay reforms, current salary levels still present a serious problem. Pay reforms will have some recurrent fiscal impact in the short and longer terms, not least because there are few opportunities to trade off staff numbers against pay. Retrenchment is politically implausible – and would save very little as current salaries are low.

Confidence building in the new structures

After some considerable period of uncertainty about the role and responsibilities of the IARCSC, it is undoubtedly a major step forward to have it in place with a well-considered structure and remit. This is a solid foundation, but some additional technical and policy actions are necessary to ensure that the Commission delivers on its new responsibilities quickly.

Short-term capacity injection

Systematic rebuilding of the administrative structures is necessary but insufficient to achieve a detectible increase in the policy or implementation capacity of government within the short term. As a short-term kick-start to improved policy formulation and program management within Kabul ministries and provinces, it is essential to recruit a significant number of staff on contractual terms at remuneration levels that are sufficient to attract experienced managerial staff from national and regional NGOs and private sector organizations (lateral entry staff on contract).

Basic payroll and human resource management (HRM) systems

Construction of a database should begin with the establishment data that are automatically provided to the Ministry of Finance through the payroll. Subsequently, a civil service census should be conducted to substantiate the information in the human resource database.

Reforms to the civil service legal framework

The basic laws that underpin the civil service are not clear. No major retrenchment or significant repostings of staff have been attempted to date; but if major reforms involving these or other painful reforms were to be introduced, it is doubtful that a presidential decree would be seen to embody sufficient legitimacy to carry public

opinion. In the longer term, detailed personnel policies and procedures cannot be developed without clarity on the underlying legislation.

The Subnational Agenda

The lesson of more than a century of governance in Afghanistan has been that progress toward stability and development is most likely to occur when the center possesses both the capacity to enforce its will on the provinces and the acumen needed to exercise that power pointedly and selectively. There is an urgent need to find ways to rebuild a degree of loyalty between Kabul and the provinces/districts if staff at that level are to be effective agents of government, and central government de facto control is to be strengthened throughout the country. The analysis presented above of a distant and hostile central administration that cannot provide pay or guidance to its staff in the provinces and districts in a timely manner serves only to emphasize the need for action on various fronts. Staff at the provincial and district levels urgently need the resources and support necessary to do their jobs. In turn, mechanisms are needed at all levels of government to ensure that real accountability for service delivery is built into the administrative system. Additionally, it must be recognized that local control exercised by warlords and commanders is both a cause and effect of the weakness of subnational administration. Administrative and fiscal reforms must be accompanied by disarmament, security reform, and reform of the political economy, as discussed in Chapter 1 of this study.

Key areas for administrative and fiscal action are outlined below, but are discussed in more detail in the companion policy paper *Subnational Administration in Afghanistan: Assessment and Recommendations for Action*.

Build loyalty to Kabul

Delays in processing the payroll, and a high-handed and unresponsive approach from Kabul, are turning provincial and district staff into active critics rather than loyal supporters of government. The actions needed are primarily policy reforms within government, requiring that payroll stages are completed within specified periods, and that payroll processing is returned to the provincial level as soon as practicable. However, some investments are needed in the establishment of radio networks with data transmission capabilities by radio or phone between Kabul and the provinces. Addressing the delays in staff appointments, and amending outdated tashkeels are policy actions requiring little new investment.

The low levels of non-salary cash flow available to the provinces and the districts are damaging to morale and service delivery. The issue can be resolved through policy actions including monthly advances to mustoufiats and districts and a tighter requirement on ministries to justify their split of non-salary expenditures between the central ministry and the provinces. This move will have some recurrent fiscal impact and there are development budget costs associated with the necessary improvements to the DAB facilities.

Resolution of the difficulties caused by the lack of field presence of the Kabul ministries, and the absence of data on Kabul ministry administrative performance can be resolved through policy actions with no significant costs associated.

Similarly, the demoralization associated with the politically motivated changes to district and provincial boundaries, the undermining of municipal autonomy, and the disconnect between the community-level planning procedures of the NSP and the existing district and provincial budget and planning processes, can be resolved through policy actions with minimal associated costs.

Build on existing municipal arrangements

Municipalities represent the only subnational level of more or less autonomous government in Afghanistan. Cautiously reasserting municipal autonomy, with a careful strategy of disentangling the lines of accountability (district municipalities should not be reporting through provincial municipalities) and specifying service expectations for municipalities with differing revenue raising capacities, could offer a promising vehicle for scaling up local services.

Provide tools to do the job

The absence of procedures can be resolved at minimal cost through the development of procedural manuals and training programs for staff in key provincial and district positions. Major investment expenditures are necessary to provide adequate office facilities, particularly for district staff; some initial piloting is already planned. Once provinces and districts are meeting certain performance expectations, a second, more advanced set of improvements could be provided. The performance expectations could include establishing a good record of timely reporting of expenditures, revenues, and payroll.

Ensure public oversight of the budget

The lack of public awareness of government functioning is chronic and must be addressed if government is to feel under pressure to perform. Publication of the national and provincial consolidated ordinary budgets, annual staffing limits by department and by province, and data on budget execution are all important – and do not suggest any major cost. For the development budget, improved public monitoring that allows expenditure tracking against commitments with more precise analysis of long-term recurrent implications and the level of recurrent financing would offer more discipline on donor activities. Crucially, for both the ordinary and development budgets, provincial-level (and ideally district-level) tracking of execution would provide the public, donors, and other development partners with a benchmark against which to evaluate the scale of the resources being provided to provinces and districts – and provide an opportunity to begin to reduce regional inequities. For the development budget, one useful step might be the establishment of a cross-cutting consultative group with a remit to focus on "regional equity," drawing from some provincial and district-level data that a significantly expanded donor assistance database might provide.

The medium-term agenda for budget oversight must, of course, include significant capacity building for the planned assembly.

Build administrative underpinning for social sector reforms

For education, the necessary improvements in planning capacity in provincial and district offices, and capacity improvements in curriculum design, teacher assessment, student assessment, data management and analysis, and policy analysis will require technical assistance. Moves towards piloting local school development plans, within the context of provincially developed education plans, will have some fiscal implications. The rollout of school-centered community support grants across the provinces, and moves toward capitation grants to schools for non-salary supplies and equipment, such as textbooks, will have larger recurrent costs.

Involving provincial and district health staff in the planned reforms in the health sector, and developing transition strategies, will require intensive technical assistance. Some sector-specific pay reforms will be necessary but ensuring that that pay levels in the NGO delivery structures are in line with anticipated post pay reform levels in the public sector require policy actions rather than investments. Major costs might arise from the expansion of the pool of educated healthcare workers, through improved educational opportunities, in order to lower labor costs.

ANNEXES

Annex 1: Central Government Bodies and Political Responsibilities

| Function | Kabul level organization | Status | Cabinet members |
|----------------------------|---|--|--|
| Executive Authority | President's Office (includes the Office of Administrative Affairs) | Agency under presidential authority | <ul style="list-style-type: none"> • President: Hamid Karzai • Vice Presidents: Mr. Ustad Abdul Karim Khalili, Mr. Naimatullah Shahrani, Marshal Qasim Faheem, and Hedayat Amin Arsala • Deputy Security Adviser: Prof. Rasool Amin • Adviser on tribal issues and member of the National Security Council: Taj Mohammad Wardak • Security Adviser on Northern Provinces: General Abdul Rashid Dostum |
| | Prime Minister's Office (including the General Control and Inspection Presidency of the Council of Ministers) | Agency under prime ministerial authority, <i>pro tem</i> under the president | |
| Fiscal and economic policy | Ministry of Finance | Ministry | Dr. Ashraf Ghani Ahmadzai, Minister of Finance |
| | Ministry of Planning | Ministry | Haji Mohammad Mohaqiq, Minister of Planning |
| | Central Statistics Office (includes the Afghan Computer Center) | Independent body | Mohd Ali Watanyar, General Director, Central Statistics Office |
| | Geodesy & Cartography Office | Independent body | Eng. Abdul Raouf, General Director |
| Foreign Affairs | Ministry of Foreign Affairs | Ministry | Dr. Abdullah Abdullah, Minister of Foreign Affairs |
| Internal and external | Ministry of Defense | Ministry | Marshal Qasim Faheem, Minister of National Defense and Vice President |
| | Ministry of Interior | Ministry | Ahmad Ali Jalali, Minister of Interior |
| | Ministry of Frontiers | Ministry | Arif Khan Noorzai, Minister of Border Affairs |
| | National Security Agency | Independent body | Dr. Zalmai Rasool |
| | Narcotics Eradication Agency | Independent body | Ghulam Jaliani Sattari, Director of Narcotics Eradication Department |
| | Office of the Attorney General | Independent body | Abdul Mahmood Daqiq |
| Legal advice to government | Ministry of Justice | Ministry | Abdul Raheem Karimi, Minister of Justice |

| | | | |
|--|--|------------------|--|
| Education and human resource development | Ministry of Education | Ministry | Mohammad Younis Qanooni, Minister of Education and Security Adviser |
| | Ministry of Higher Education | Ministry | Dr. Sharif Fayez, Minister of Higher Education |
| | Science Academy | Independent body | |
| Culture and heritage | Ministry of Information and Culture | Ministry | Sayed Makhdoom Raheen, Minister of Information and Culture |
| | National Olympics Committee | Independent body | Mohd Anwar Jikdalak, President |
| Health | Ministry of Health | Ministry | Dr. Suhaila Seddiqi, Minister of Health |
| Welfare and social policy | Ministry of Labor and Social Affairs | Ministry | Noor M. Qirqeen, Minister of Labor and Social Affairs |
| | Ministry of Martyrs and Disabled | Ministry | Abdullah Wardak, Minister of Martyrs and Disabled |
| | Ministry of Refugees Return | Ministry | Innayatullah Nazari, Minister of Migration |
| | Ministry of Rural Rehabilitation and Development | Ministry | M. Haneef Atmar, Minister of Rural Rehabilitation and Development |
| | Ministry of Religious Affairs and Hajj | Ministry | M. Amin Nasiryar, Minister of Hajj |
| | Ministry of Women's Affairs | Ministry | <ul style="list-style-type: none"> • Habiba Sarabi, Minister of Women's Affairs • Prof. Mahbooba Hoqoqmal, Minister of State for Women's Affairs |
| | Ministry of Repatriates | Ministry | Mangul Hussain Ahmadzai, Minister of Overseas Afghans Affairs |
| Industrial and trade policy | Ministry of Commerce (includes Chambers of Commerce) | Ministry | Mustafa Kazimi, Minister of Commerce |
| | Ministry of Light Industries and Food | Ministry | Alim Razim, Minister of Light Industries |
| | Ministry of Mines and Industries | Ministry | Mohad. Mafooz Nidae, Acting Minister of Mines & Industries |
| | Ministry of Water and Power | Ministry | Shakir Kargar, Minister of Water & Power |
| Natural resources | Ministry of Agriculture | Ministry | Sayeed Hussain Anwary, Minister of Agriculture |
| | Ministry of Irrigation and Water Resources | Ministry | Ahmad Yousuf Nooristani, Minister of Irrigation |
| Infrastructure | Ministry of Transport | Ministry | Sayeed M. Ali Jaweed, Minister of Transport |

| | | | |
|-------------------------------------|--|------------------|--|
| | Ministry of Civil Aviation | Ministry | Mirwais Sadiq, Minister of Civil Aviation |
| | Ministry of Communications | Ministry | Masoom Stanikzai, Minister of Communications |
| | Ministry of Urban Development | Ministry | Gul Aga Sherzai, Minister of Urban Development |
| | Ministry of Reconstruction | Ministry | M. Amin Farhang, Minister of Reconstruction |
| | Ministry of Public Works | Ministry | Eng. Abdullah Ali, Minister of Public Works |
| Judicial authority | Supreme Court | Independent body | Mr. Fazel Hadi Shinwari, Chief Justice and Head of Supreme Court |
| Oversight Commissions ²⁴ | Independent Administrative Reform and Civil Service Commission | Independent body | Hedayat Amin Arsala, Chair of Civil Service Commission and Vice President |
| | Human Right Commission | Independent body | Dr. Sima Samar, Head of Afghanistan Independent Human Right Commission |

Note: This table has been assembled from various sources, including a review of the new Chart of Accounts, analysis of payroll data, and interviews with senior staff. However, several ambiguities remain. First, although the attorney general was established as a separate office in the 1980s, the minister of justice disputes the constitutionality of this move (International Crisis Group, 2003). Second, the official reporting line for the general control and inspection presidency of the Council of Ministers is now directly to the President's Office rather than that of the prime minister. Third, it appears that the Prime Minister's Office has recently been subsumed as a budget unit within the President's Office.

Annex 2: Central Government Structures in Perspective

| Figure 16: Comparison of Current Ministry Structures with Selected European Countries | | | | | | | |
|---|--|---|--|---|---|--|--|
| Functions | UK | Germany | France | Hungary | Macedonia | Lithuania | Afghanistan |
| Core functions | | | | | | | |
| Fiscal and economic policy | • H.M. Treasury | • Federal Ministry of Finance | • Ministry for the Economy, Finance and Industry | • Ministry of Finance | • Ministry of Finance | • Ministry of Finance | • Ministry of Finance • Ministry of Planning |
| Foreign affairs and aid management | • Foreign and Commonwealth Office • Department for International Development (DfID) | • Federal Ministry for Economic Cooperation & Development • Foreign Office | • Ministry of Foreign Affairs, Cooperation & Francophony • Ministry for Overseas Affairs | • Ministry of Foreign Affairs | • Ministry of Foreign Affairs | • Ministry of Foreign Affairs | • Ministry of Foreign Affairs |
| Internal and external security | • Ministry of Defense • Home Office | • Federal Ministry of Defense • Federal Ministry of the Interior | • Ministry of Defense and War Veterans • Ministry of the Interior, Internal Security & Local Freedoms | • Ministry of Defense • Ministry of Interior | • Ministry of Defense • Ministry of Interior | • Ministry of National Defense • Ministry of Interior | • Ministry of Defense • Ministry of Interior • Ministry of Frontiers |
| Legal advice to government | • Law Officers' Department • Department of Constitutional Affairs | • Federal Ministry of Justice | • Ministry of Justice | • Ministry of Justice | • Ministry of Justice | • Ministry of Justice | • Ministry of Justice |
| Relations with other levels of government | • Northern Ireland Office • Scotland Office • Wales Office | | • Ministry of Civil Service, Administrative Reform & Town & Country Planning | | • Ministry of Local Self Government | | |

| Social sectors | | | | | | | |
|--|--|--|---|--|--------------------------------------|---------------------------------------|---|
| Education and human resource development | • Department of Education and Skills | • Federal Ministry of Education and Research | • Ministry of National Youth, National Education and Research | • Ministry of Education | • Ministry of Education and Science | • Ministry of Education and Science | • Ministry of Education • Ministry of Higher Education |
| Culture and heritage | • Ministry of Culture, Media and Sport | | • Ministry of Culture and Communication • Ministry of Sports | • Ministry for National Cultural Heritage | • Ministry of Culture | • Ministry of Culture | • Ministry of Information & Culture |
| Health | • Health | • Federal Ministry of Health & Social Security | • Ministry for Health, the Family & the Disabled | • Ministry of Health, Social Affairs & Family | • Ministry of Health | • Ministry of Health Care | • Ministry of Health |
| Welfare and social security | • Department for Work & Pensions | • Federal Ministry for Family Affairs, Senior Citizens, Women, and Youth | • Ministry for Social Affairs, Labor & Solidarity | • Ministry of Labor & Employment • Ministry of Children, Youth & Sports Affairs | • Ministry of Labor & Social Welfare | • Ministry of Social Security & Labor | • Ministry of Labor & Social Affairs • Ministry of Martyrs & Disabled • Ministry of Refugees Return • Ministry of Repatriates • Ministry of Rural Rehabilitation & Development • Ministry of Religious Affairs and Hajj • Ministry of Women's Affairs |

| Economic resources | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|
| Industrial and trade policy | • Department of Trade & Industry | • Federal Ministry of Economics & Labor | | • Ministry of Economy & Transport | • Ministry of Economy | • Ministry of Economy | • Ministry of Commerce • Ministry of Light Industries & Food • Ministry of Mines & Industries • Ministry of Water & Power |
| Natural resources | • Ministry for Environment, Food & Rural Affairs | • Federal Ministry for Consumer Protection, Food & Agriculture • Federal Ministry for the Environment, Nature Conservation & Nuclear Safety | • Ministry of Agriculture, Food, Fisheries & Rural Affairs • Ministry for Ecology & Sustainable Development | • Ministry of Agriculture & Regional Development • Ministry of Environment & Water Management | • Ministry of Agriculture, Forestry & Waters • Ministry of Environment & Urban Planning | • Ministry of Agriculture • Ministry of Environment | • Ministry of Agriculture • Ministry of Irrigation & Water Resources |
| Infrastructure | • Department for Transport | • Federal Ministry for Transport, Building and Housing | • State Ministry for Capital Works, Transport, Housing, Tourism & the Sea | • Ministry of Information Technology & Telecommunications | • Ministry of Transportation & Communications | • Ministry of Transport | • Ministry of Transport • Ministry of Civil Aviation • Ministry of Communications • Ministry of Urban Development • Ministry of Reconstruction • Ministry of Public Works |
| TOTALS | 17 | 13 | 15 | 14 | 14 | 13 | 30 |

Source: AREU/WB staff assessment, and official government web sites.

Annex 3: The Legal Basis for Government Employment

The following list of identified public employment legislation extends from 1305 (1926) to 1381 (2002):

- 1926 1305 Employee Leave (Vacations)
- 1926 1305 Regulations of Basic Organizational Structure of Afghanistan
- 1931 1310 Basic Principles of the Afghan State
- 1934 1313 Principles of Nationality
- 1935 1314 Principles of Recruitment of Foreign Nationals in Afghanistan
- 1935 1314 Principles of Conscription for Scholars and Experts
- 1935 1314 Principles of Career
- 1949 1328 Principles of Attendance and Holidays of Employees
- 1950 1329 Principles of Paper Archives
- 1950 1329 Principles of Secretariat Offices
- 1951 1330 Principles of General Administrative Monitoring
- 1954 1333 Principles of Employees, Recruitment, Retirement, and Promotion
- 1960 1339 Principles of Marks and Medals
- 1960 1339 Principles of Budget and Accounting
- 1961 1340 Principles of Conscription of Professionals
- 1962 1341 Principles of Audit and Control – Office of the Prime Minister
- 1964 1343 Constitution of Afghanistan
- 1964 1343 Principles of Regular and Ad Hoc Employees
- 1965 1344 Law of the Basic Organization of Afghanistan
- 1970 1349 Law on the "Status and Condition of Government Employees"
- 1976 1355 Principles of Employees Health Insurance
- 1977 1356 Decree No. 1433: State Employees Statute
- 1977 1356 Staff Regulation 12.3
- 1987 1366 Law of Work of Republic of Afghanistan (Labor Law)
- 1988 1367 State Employees Statute, Decree No. 666
- 1998 1378 Taliban Employment and Labor Relations/Personnel Law (Official Gazette No.790: Officials' Law of Islamic Emirate of Afghanistan)
- 2001 1381 Decree No. 66: Cancellation of all Regulations, Articles, Laws Contrary to the Bonn Agreement
- 2001 1381 Amendment of the First Paragraph of Article No. 160 of Official Gazette No. 678 dated 1988 and also Official Gazette No. 645 dated 1986 – concerning the retirement age of women, which was 50 and should be 55
- 2002 1382 Decree No. 150 concerning re-employment of the employees retired by Taliban
- 2002 1382 Official Gazette No. 791 refers to the following (inter alia):
 - Classification, appointment (registration) promotion of agir;
 - Retirement rights of the employees;
 - Regulation on overtime;
 - Conditions for the employees who are sick and asking for additional leave;
 - Regulation on vacation in excess of 20 days vacation for karmand and agir;
 - Regulation on financial responsibilities of employees;
 - Regulation on replacing records lost due to war.

Annex 4: Key Budget and Personnel Forms

| | | | | | | | | | |
|----------------|---|---------------|------|----------------|-----|---------------|-----|----------------|-----|
| B3 | Annual approved budget (yearly appropriations) of ministries and other independent budgetary units are announced by B3 prior to the start of the fiscal year. B3 is issued by the Budget Department of the MoF. | | | | | | | | |
| B4 | Ministries provide their units with their detailed staffing structures (tashkeel) by departments, positions, grades, and respective salaries on B4. | | | | | | | | |
| B6 | Non-salary expenditures are reported by B6. | | | | | | | | |
| B20 | Ministries inform their relevant secondary units in the center or provinces of their budget allotments by B20. Copies of the B20s are sent to the Budget Department of the MoF. The Budget Department of the MoF sends the original or the copies of B20s to the mustoufiats. The budget allotment is given to the provinces via form B20, one copy of which is provided to the line departments, while another copy goes directly to the mustoufiat. In the past, B20 contained a detailed breakdown by expenditure category: babs are the major codes, such as "personal emoluments" and "services," and fasils are the more detailed line items, such as overtime, fuel, and office supplies. For 1382, allocations are being provided at the bab level only, however, provincial departments are still expected to report at both the bab and fasil level. This change is significant, in that it gives provinces more flexibility to move funding around within a particular bab – and arguably more room for abuse. | | | | | | | | |
| B23 | Requests for re-appropriation between babs. | | | | | | | | |
| B24 | Transfers from reserve fund (bab 9000). | | | | | | | | |
| B27 | The Budget Department of the MoF issues allotments on a quarterly basis. The allotments are issued by B27 as following: <table style="margin-left: 40px; border: none;"> <tr> <td>First quarter</td> <td>100%</td> </tr> <tr> <td>Second quarter</td> <td>75%</td> </tr> <tr> <td>Third quarter</td> <td>50%</td> </tr> <tr> <td>Fourth quarter</td> <td>50%</td> </tr> </table> | First quarter | 100% | Second quarter | 75% | Third quarter | 50% | Fourth quarter | 50% |
| First quarter | 100% | | | | | | | | |
| Second quarter | 75% | | | | | | | | |
| Third quarter | 50% | | | | | | | | |
| Fourth quarter | 50% | | | | | | | | |
| M16 | Summary payrolls. | | | | | | | | |
| M23 | Districts are required to report expenditures to the mustoufiat within 10 days of the end of each month on form M23. | | | | | | | | |
| M29 | Transfers to Kabul arise when revenues raised in a province are in excess of the approved budget, and these are supposed to be transferred to the government budget account at the end of the fiscal year on the basis of the monthly income report provided by the mustoufiat to the Ministry of Finance Revenue Presidency on form M29. | | | | | | | | |
| M40 | Personnel record for individual civil servants, showing changes in position and grade throughout their career. | | | | | | | | |
| M41 | Monthly payroll from a budget unit. The payroll provides detailed information on each employee, including position, grade, salary, and attendance record. Provincial departments submit the payroll to the mustoufiat, and the provincial governor approves it. Once the governor's approval is received, the payroll is then sent to the Treasury Presidency in the Ministry of Finance in Kabul for payment. | | | | | | | | |
| P2 | Appointment papers for individual civil servants. The P2 contains the following information about employees: grade, position, vocational privileges, position, and grade to which they have been appointed. | | | | | | | | |

Annex 5: Excerpt from the Legislation on Municipalities

Reference No. 732 in Rasmi Gereeda
Dated 15/10/1369, as amended 1379.

Chapter 4, Article 16

Municipality and its city zones, functions and responsibilities:

1. Taking measures towards providing living conditions for the residents living within their region;
2. Taking measures towards construction and maintenance of wells, underground waterways, pools, and other drinking water supplies through relevant departments;
3. Taking measures towards development and preservation of green areas, promotion of cleanliness and sanitation within their region, and conservation of the environment;
4. Taking measures towards construction of roads, public washrooms, public bath houses, market places, and civil and educational centers through attracting private investments according to the city plan;
5. Setting prices for residences based on regulations;
6. Setting rents on municipality properties based on regulations;
7. Taking measures towards monitoring, with the help of relevant departments, of the cleanliness of public bath houses, restaurants, hotels, guesthouses, teahouses, swimming pools, and food suppliers;
8. Taking measures towards establishing cooperation with health-care organizations in implementing policies to prevent spread of diseases and preserve the living environment;
9. Taking measures in regards to land distribution for construction of residence and business areas based on relevant regulations;
10. Confiscating of lands based on property confiscating regulations;
11. Taking measures towards participation in establishment and construction of residential quarters, maintenance of roads, streets and residential areas;
12. Taking measures towards improvement of city transportation by the relevant department;
13. Taking measures towards assistance in production and distribution of food supplies and in improvement of living services;
14. Controlling of the prices and tools of measurement, organizing and generalizing the metric system in their area;
15. Taking measures towards promotion of sports and physical education;
16. Attracting people's voluntary assistance in performing cleaning activities, keeping regions green and other activities helpful to the city;
17. Taking measures towards assisting in preservation and maintenance of historic and cultural monuments with attracting cooperation of relevant departments;
18. Taking measures towards assisting in gathering census and demographic data;
19. Collecting taxes for city services based on rules and regulations;
20. Taking measures towards effective cooperation in the fight against illiteracy, improving the general level of cultural and educational information of the community, improving civil services sectors, improving general and vocational institutions, and libraries through relevant departments, while keeping into consideration Islamic customs;
21. Approval of manuals in accordance with content of this legislation;
22. Leading relevant subordinate departments and organizations;
23. Inviting and organizing meetings in regards to the service delivery for the city;
24. Managing the implementation of annual budgetary and expenditure plans and taking measures towards preventing excess expenditure;
25. Observing and controlling the execution of administrative council decisions;
26. Making suggestions in regards to construction of traffic structures within the city;
27. Designating slaughterhouses and better regulation and observation of healthiness butcher shops;
28. Distribution of pricelists based on Islamic laws;
29. Studying contract, agreements, and leasing of properties of the municipality;
30. Constructing, repairing and cleaning of sewers and trenches in the city;
31. Receiving the public and resolving their complaints in timely and just manner and taking decisions within authority;
32. Assisting in alleviating primary and emergency needs of the public with the help of relevant authorities;
33. Designating areas for the cemeteries;
34. Taking measures in assisting in funeral and burial of unidentified or homeless individuals free of charge with the help of the Red Crescent;

35. Making decisions on destruction of buildings near demolition based on proposal by the experts' council;
36. Accepting gifts, donations, and other charitable contributions on behalf of the municipality and documenting them properly;
37. Preventing construction of structures without plan or authorization, with the help of security units of the region;
38. Granting business licenses to the small businesses;
39. Granting work permits for the workers of foreign institutions;
40. Collecting and recording of accurate information in regards to marriages, births, deaths, and relocation with the help of relevant organizations;
41. Firm implementation of the pricelist;
42. Assisting in strengthening of security, civil order and safety of public;
43. Assisting in defending the legal rights of residents of the region; and
44. Cooperating fully in construction of the society and strengthening the Islamic rule.

NOTES

- ¹ As Ghani notes, “(f)rom 1955 on, foreign aid provided the bulk of the funds for government expenditures, with five major consequences: (1) the state became the most important economic power in the country and the major source of employment; (2) the expansion in the size of the bureaucracy gave the intellectuals who were staffing it considerable power in affecting other segments of society; (3) military officer training became increasingly concentrated in the Soviet Union; (4) socialism emerged as the slogan of a vocal group of the intellectuals...; (5) the rulers of the state failed to forge organic ties with members of the landed, merchant and religious elites in the country.”
- ² Afghanistan, with debt repayments of 35 percent of total exports, had one of the world’s highest debt repayments. Most of the servicing of the Soviet debt was managed through the export of natural gas. For a discussion of the consequences of foreign aid on government expenditures see Ghani, 1987.
- ³ All dollar amounts are U.S. dollars.
- ⁴ The provinces were expanded to 27 in 1963.
- ⁵ The Bonn Agreement decreed that the following legal framework would be applicable on an interim basis until the adoption of a new constitution:
 - i) The Constitution of 1964 a) to the extent that its provisions are not inconsistent with those contained in this Agreement; and b) with the exception of those provisions relating to the monarchy and to the executive and legislative bodies provided in the Constitution; and
 - ii) Existing laws and regulations, to the extent that they are not inconsistent with this agreement or with international obligations to which Afghanistan is a party, or with those applicable provisions contained in the Constitution of 1964, provided that the Interim Authority shall have the power to repeal or amend those laws and regulations.
- ⁶ Afghanistan’s new constitution, ratified by the 502 delegates to the Constitutional Loya Jirga on January 4, 2004, reaffirms that Afghanistan is a unitary country but states that “the government, while preserving the principle of centralism, shall – in accordance with the law – delegate certain authorities to local administration units for the purpose of expediting and promoting economic, social, and cultural affairs, and increasing the participation of people in the development of the nation” (Chapter 8, Article 2). This therefore allows for a measure of deconcentration within the constitution, but it is not, in practice, likely to lead to significant shifts in the structures of subnational administration.
- ⁷ The 1381 budget included \$100 million for defense, but provided little information on how these funds were to be spent. Criticism of this lack of detail, while easy, fails to appreciate the complexities of the situation. Put simply, the views of key stakeholders around different aspects of the defense expenditure were not sufficiently aligned to make it possible to put together an explicit budget that would have kept all parties at the table. A more explicit budget would have seen at least one and possibly more key military stakeholders leave the very tenuous coalition around (then) Chairman Karzai.
- ⁸ General civilian government refers to civilian staff at the national and provincial levels. It excludes government enterprise staff, and all military and security staff. See <http://www1.worldbank.org/publicsector/civilservice/cross.htm#1> for further details of public sector employment categories.
- ⁹ Decree on Regulating Externally Funded Reimbursements and Allowances for Civil Servants and its associated procedures on (September 04, 2003).
- ¹⁰ This has not centralized the process between the provincial and national level, as the previous decision-makers were the central ministries.
- ¹¹ For instance, bab # 1000 – personal emoluments – contains such items (fasils) as “overtime and special payments,” “hazard or regional pay,” and “incentive bonus,” in addition to basic salaries. There is a potential for these amounts to be used to top-up salaries.
- ¹² “Each ministry and institution must present to the Ministry of Finance their proposed total employment, specified by center and province, before the beginning of the 1382 financial year. After reviewing these proposals, the Ministry of Finance will recommend a comprehensive list of employment limits for each ministry by center and province to the Council of Ministers during Hamal 1382, and the Council of Ministers will approve the total employment limits for the ministries. Ministries and organizations should not increase the number of their employees from the level in the month of Hoot, before the Council of Ministers’ review and approval.”

- 13 A joint committee comprised of the Office of Administrative Affairs and the respective ministry reviews the proposed taskkeels. The taskkeels are then signed off by Vice President Arsala, Head of the Civil Service Commission. (Note that the number of employees for ministries and provincial departments was supposed to be reviewed by the Ministry of Finance and approved by the Council of Ministers, according to the 1382 Budget Decree, but apparently this did not happen.)
- 14 This was presumably undertaken by the General Control and Inspection Department of the Council of Ministers. The reason for the change is not clear.
- 15 From an admittedly ad hoc selection of eight countries (Benin, India, Indonesia, Mexico, Pakistan, the Philippines, Poland, and Uganda), Evans concludes that only in Indonesia and the Philippines, followed by Poland, is there real decentralization of administrative arrangements as opposed to delegation or deconcentration in the sense that local government really is the employer, with the ability to hire, fire, assess performance, set establishment ceilings, and to some limited extent, set or influence pay scales.
- 16 The 1978 Master Plan was not implemented fully, reportedly due to insufficient funds and lack of management and planning capacity. Unplanned shelter expansion occurred, including the construction of facilities outside of the master plan by government agencies.
- 17 In all countries, municipal independence is qualified; in many countries there are several categories of municipalities, based on population size, city, GDP, etc.
- 18 It should be noted that the reported data in the education sector is not always coherent or reliable. Data reported from different sources were often inconsistent. Some of the reasons given included the changing number of enrolled students, counting NGO schools as government schools, and counting the girls and boys sections located in the same building as separate schools.
- 19 This is below the lowest point on the standard pay scale because the second food allowance, introduced on May 5, 2002, is not payable to teachers.
- 20 In Burundi, for example, the gross enrollment rate declined from 73 percent in 1990 to 43 percent in 1996.
- 21 In Rwanda, the genocide of 1994 had a serious short-term negative impact on enrollment rates, but by the late 1990s enrollments had recovered their historical trend line.
- 22 Prior to the Transitional Administration private practice was allowed *only* if a doctor was in government service. While this stipulation has apparently been removed, there seem to be three situations for doctors currently (a) an MoH appointment and private practice; (b) an MoH appointment plus deputation to an agency with a top-up and private practice; and (c) a salaried assignment with an agency with less opportunity for private practice because of agency requirements.
- 23 The availability of female health workers in health facilities is a particular concern. The overall male/female gender ratio among health providers was 3 to 1 at the time of the survey. Forty percent of the 773 BPHS facilities that reported staff present have no female health provider at all. Again, the regional variations are extreme. Nuristan, for example, has only one female health worker – making the gender ratio for that province 43 to 1. Herat has a male/female health provider ratio of less than two. The male/female ratio is slightly worse in the district hospitals where it is slightly more than 5 to 1, and in malaria centers where it is 6 to 1. EPI fixed centers have a male/female ratio of 18 to 1.
- 24 The Bonn Agreement established four commissions that would be responsible for rebuilding the justice system, monitoring and investigating human rights violations, assisting in the preparation of a constitution, and maintaining the integrity of the civil service. The Civil Service Commission and the Human Rights Commission appear to be standing commissions that were intended to have a continuing functional task beyond the reform of existing constitutional and government structures.

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