

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

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Anne Tully and Andrew Wilder**



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A Guide to Government in Afghanistan

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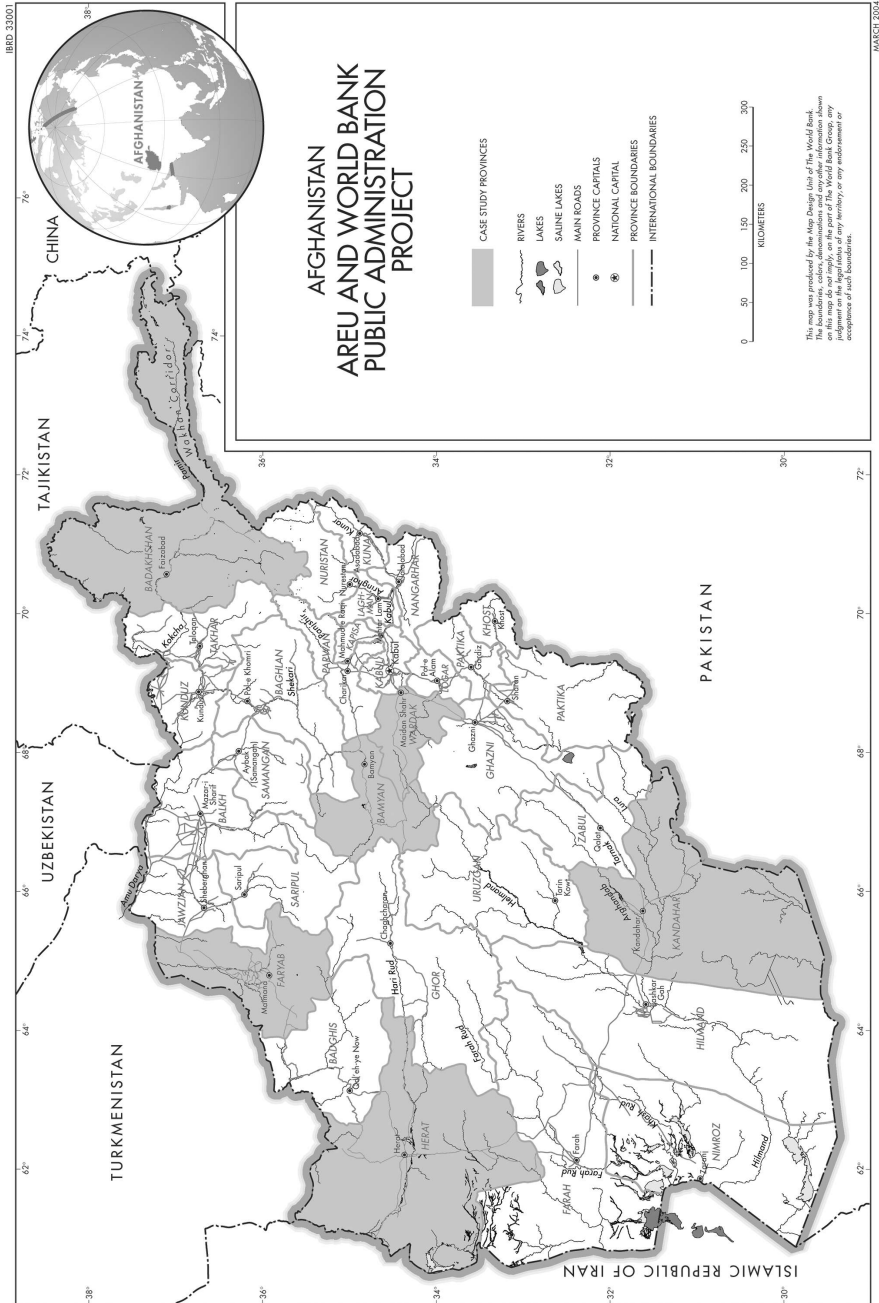
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Figure 1: Map of the Six Case Study Provinces



GLOSSARY AND DEFINITIONS

Dari Terms

<i>Agir</i>	Government staff hired on fixed-term contracts
<i>'Alaqa'dar</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</i>	The provincial agent of the Ministry of Finance
<i>Mustoufie</i>	
<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

Allowances 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).

Bonded trustees Agents who transport cash for salary payments from the provincial capital to a budget unit.

Civil service census A check on the actual numbers of staff in position. Censuses typically use one or some combination of three methods:

1. *Physical headcounts or staff audits.* 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. *Employee Questionnaires.* These can be distributed to employees or agency heads, who submit the information back up the line and take responsibility for its accuracy.
3. *Payroll reconciliation.* 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.

Civilian central government (as employment category; excludes education, 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, Bamyán, 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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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.

	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 departures from this for some provinces, particularly with regards to 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 locally 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	<ul style="list-style-type: none"> • 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.

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.

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

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.

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

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.

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.

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

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.

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 "*apparatus*" – 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.

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.

1381

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.

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.

1382

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.

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.

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.

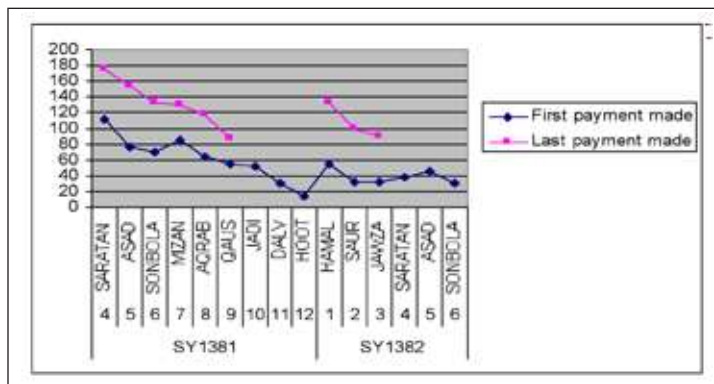
Payroll

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).

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 (AACA) 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

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.

1382

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

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.

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.

1383

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.

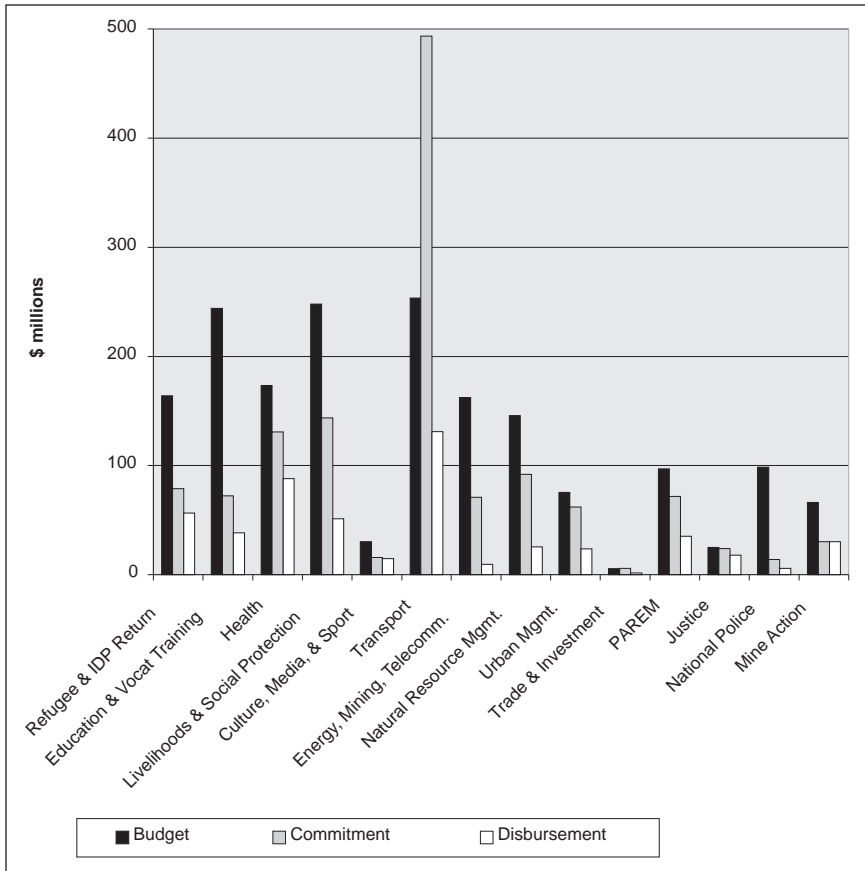
Executing the development budget

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

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.

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

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.

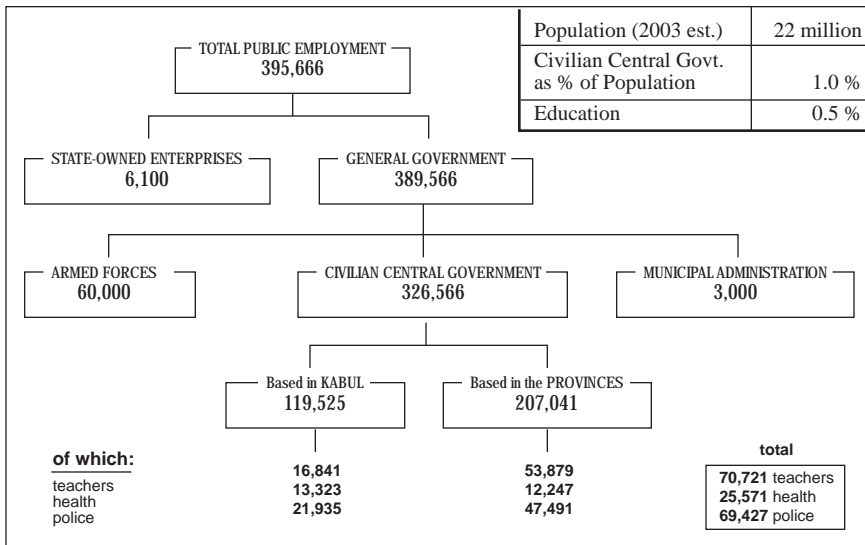
Box 9: Small Government

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.

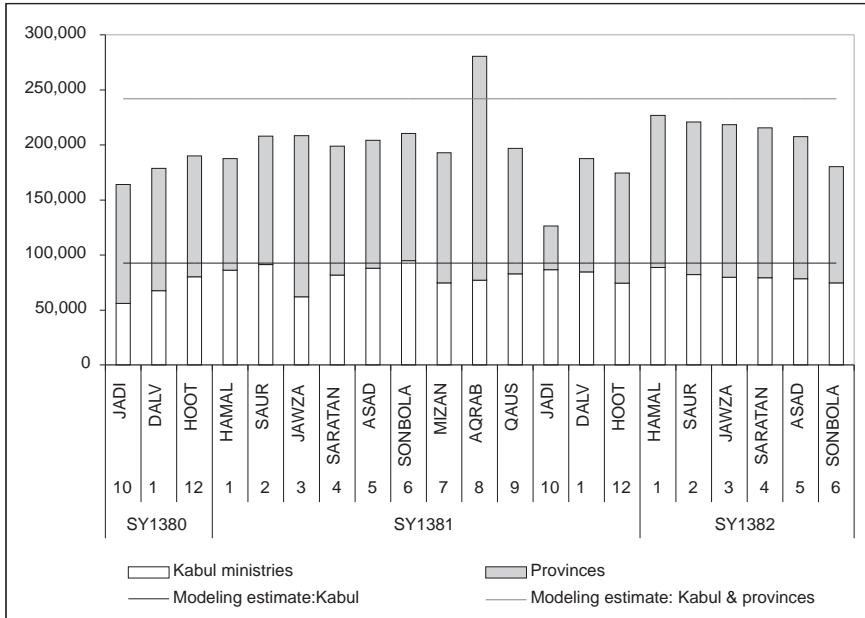
Figure 4: Estimated Underlying Totals for Public Employment



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.

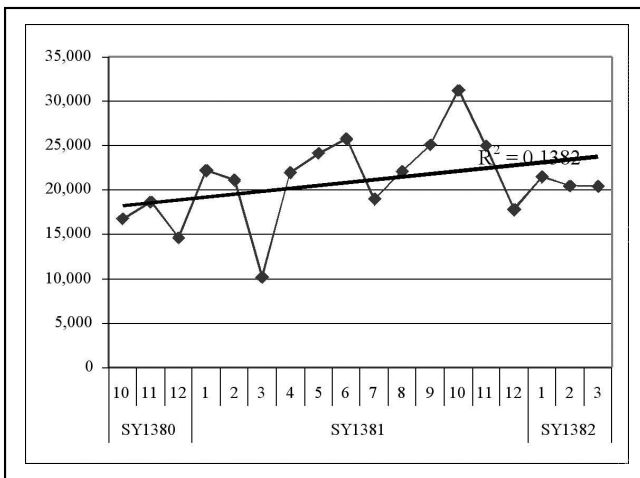
However, there are some uncertainties. The Ministry of Education reports that they have 105,000 teachers, larger than other estimates for teacher numbers, but less than the total staff of the ministry. Also, in the six provinces visited for this study, there are significant disparities between provincial 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

Table 8: Police Pay Scale (from 1382, afs.)

Grades		Before 1382	From 1382
	<i>Officers</i>		
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
Grades not known	<i>Sergeants (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
	<i>Police academy students</i>		
	First class	75	75
	Second class	150	150
	Third class	225	225
	<i>Patrolmen</i>		
Maximum	600	600	
Minimum	800	800	

Source: LOTFA

Table 9: Education Qualification Allowance (monthly, afs.)

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.

Table 14: Increase in Base Pay

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)

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.

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%	
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>	<i>8.0%</i>
Baccalaureate	10,932	245	11,177	33.7%	
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>	<i>66.9%</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.

Table 20: Procedures for Recruiting Graduate Staff	
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.

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.

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.

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.

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