3. CENTRAL/LOCAL FISCAL RELATIONSHIPS

Overview

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

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

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

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

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

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

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

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

Revenue Collection

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

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

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

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

Table 21: Revenues Collected, 1381 (afs.)

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

Notes: Includes provincial and district revenues, but not municipal revenues.
*Breakdown by code is for 10 months only for Herat.

Source: Provincial mustoufiats.

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

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

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

Table 22: Summary of Provincial Revenues and Expenditures for 1381 (afs.)

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

Notes: * UNDP salary payments included in allocation for Wardak only.
** Note that budget allocations and expenditures have not traditionally been aggregated on a provincial basis, as expenditures are established and tracked through each separate central ministry-provincial department reporting line.
Source: Provincial mustoufiats.

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

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

Budget Preparation

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

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

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

Box 16: Budget Planning in Kandahar

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

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

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

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

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

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

Table 23: First Quarter Ordinary Budget Allotment to Provinces, Salary vs. Non-Salary Split, 1382

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

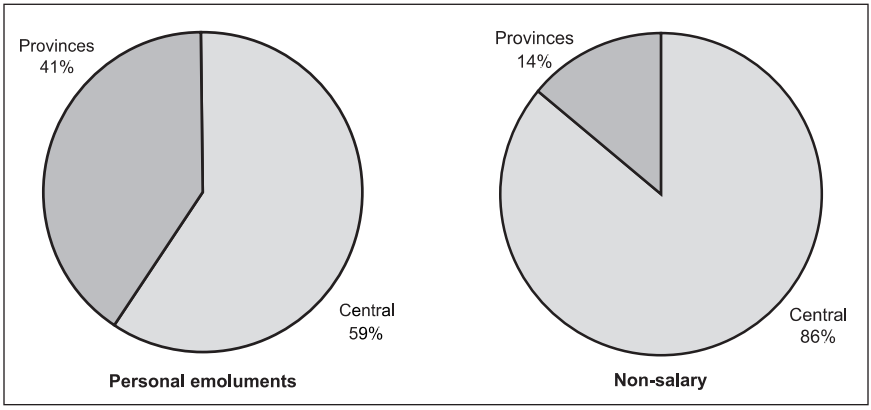
Women's Affairs	3,350,600	594,350	3,944,950	15.1%
Agriculture	44,886,777	2,384,725	47,271,502	5.0%
Irrigation and Water Resources	6,535,545	2,560,500	9,096,045	28.1%
Public Works	6,102,000	2,743,500	8,845,500	31.0%
Rural Rehabilitation and Development	8,556,240	3,159,618	11,715,858	27.0%
Martyred & Disabled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

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

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

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

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



Source: AFMIS.

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

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

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

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

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

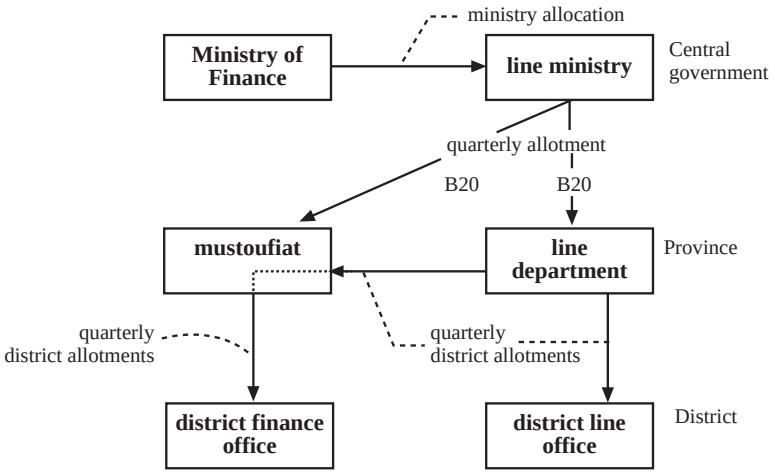
Note: * Represents a special allotment to the governors of large provinces with respect to entertaining obligations. It is known as the "tablecloth" allotment.
Source: Ministry of Finance (AFMIS).

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

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

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

Figure 8: Approval Hierarchy for Budget Allocations



Source: AREU/WB staff assessment.

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

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

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

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

Box 17: Tashkeel vs. Takhsis

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

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

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

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

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

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

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

The strategy to be used by NSP has three dimensions:

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

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

Phase 1:
Oversight consultant representatives, based in the provinces, will provide the summary plans of CDCs to the district-level representatives of each ministry and the district administrator on an annual basis, so that this information can be provided to line ministries in time to inform the annual budget exercise. These plans will be provided for information purposes only and no direct action is required on the part of district officials in approval of plans or in fund transfers to CDCs. However, district officials may use this information to coordinate the efforts of aid agencies operating or planning to operate in the district in question.

Phase 2:
After CDCs have developed some experience in implementing their plans and managing funds, they will be encouraged to be more proactive in demanding services from district government and in monitoring the quality of services delivered at the village level. Specifically:

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

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

Budget Execution

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

Payroll process

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

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

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

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

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

Box 19: Managing the Payroll in Remote Districts

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

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

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

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

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

Table 25: Responsibilities and Problems in the Payroll Process

Text in italics refers to the most significant delays

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

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

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

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

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

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

Non-payroll expenditure process

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

Table 26: Traditional Process for Executing Non-Salary Payments

Stages	Provincial department	District office
Establishing the allotment	Provincial departments receive their quarterly allotments (usually after the start of the quarter).	Districts receive their quarterly allotments (usually after the start of the quarter).
	The cash for the quarterly allotment is received in the provincial branch of the DAB.	Cash for the district quarterly allotment is sent to the district finance office and held by the treasurer in a safe.
Authorizing the purchase	The provincial department prepares a proposal and submits it to the governor. A purchasing mission is appointed by the department head. In some provinces, governors appoint the mission and approve every retail purchase. Where the cost of the purchases is higher than 500,000 afs., purchases are done by a commission appointed by the governor. 1. If the price of a commodity or the cost of a required service is up to 20,000 afs., the purchase can be done by a single member of the purchasing mission. 2. If the price or the cost is from 20,000 to 100,000 afs., the purchase can be done by two members of the purchase mission. 3. If the price or the cost is from 100,000 to 500,000 afs., purchase can be done by the whole three members of the purchasing mission. Price quotations from three sellers or service providers are required.	The district office prepares a proposal and submits it to the uluswal.
	The governor approves the proposed purchase, and appoints a representative from the governor's office to participate in the purchase.	The uluswal approves the proposed purchase and appoints a representative from the uluswal's office to participate in the purchase.

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

Note: This table assumes that there is cash available.
Source: AREU/WB staff assessment.

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

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

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

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

1381 expenditure results

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

Table 27: Total Provincial Expenditure Shares by Category, 1381

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

Source: Provincial mustoufiats.

Table 28 displays actual expenditures for 1381, by department.

Table 28: Provincial Expenditures by Department, 1381

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

Source: Provincial mustoufiats.

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

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

Table 29: Provincial Budget Execution by Expenditure Category, 1381						
Category (bab)	**Badakhshan**	**Bamyan**	**Faryab**	**Herat**	**Kandahar**	**Wardak**
	Expenditures as percent of allotment					
Personal emoluments	386%	372%	168%	154%	356%	103%
Services	37%	na	60%	32,568%	629%	68%
Tools and materials	101%	na	60%	347%	915%	99%
Maintenance and repairs	75%	na	78%	7,283%	3,730%	65%
Land structural equipment	79%	na	85%	2,110%	3,299%	67%
Subsidies, grants, contributions, & pensions	74%	na	80%	18,936%	22,798%	na
Subtotal, non-salary expenditures	104%	62%	64%	3,654%	2,714%	83%
Total	**327%**	**299%**	**149%**	**583%**	**1,049%**	**99%**

Source: Ministry of Finance (AFMIS).

Budget execution for the first quarter, 1382

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

Table 30: Provincial Budget Execution by Expenditure Category, First Quarter 1382						
Category (bab)	**Badakhshan**	**Bamyan**	**Faryab**	**Herat**	**Kandahar**	**Wardak**
	(Expenditures as percent of allotment)					
Personal emoluments	10%	5%	67%	113%	0%	20%
Services	1%	0%	2%	76,202%	0%	44%
Tools and materials	47%	21%	1%	632%	0%	33%
Maintenance and repairs	0%	0%	2%	4,156%	0%	33%
Land structural equipment	0%	0%	8%	3,656%	0%	28%
Subsidies, grants, contributions, & pensions	0%	0%	0%	380%	0%	133%
Subtotal, non-salary expenditures	36%	12%	2%	5,783%	0%	34%
Total	**15%**	**6%**	**54%**	**1,055%**	**0%**	**22%**

Source: Ministry of Finance (AFMIS).

Table 31: Provincial Budget Execution by Department, First Quarter, 1382						
Department	**Badakhshan**	**Bamyan**	**Faryab**	**Herat**	**Kandahar**	**Wardak**
	(Expenditures as percent of allotment)					
President's Office	na	na	na	0%	0%	na
Courts	0%	0%	46%	10%	0%	60%
Mustoufiat	0%	0%	39%	58%	0%	127%
Defense	na	0%	na	850%	0%	na
Foreign Affairs	na	0%	na	8%	0%	na
Religious Affairs & Hajj	0%	0%	89%	7%	0%	0%
Commerce	0%	na	53%	82%	0%	na
Interior	82%	47%	16%	29%	0%	46%
Education	0%	0%	66%	38%	0%	16%
Higher Education	0%	na	55%	58%	0%	na
Refugees	0%	0%	31%	100%	0%	24%
Planning	na	0%	na	50%	0%	na
Mines & Industry	na	na	na	na	0%	na
Communications	0%	0%	56%	74%	0%	79%
Information and Culture	0%	0%	71%	56%	0%	23%
Public Health	0%	0%	38%	35%	0%	13%
Women's Affairs	0%	0%	66%	82%	0%	0%
Agriculture	0%	0%	78%	71%	0%	30%
Irrigation & Water	0%	0%	65%	39%	0%	18%
Public Works	0%	0%	69%	123%	0%	na
Rural Rehabilitation & Development	0%	0%	55%	107%	0%	35%
Martyred & Disabled	0%	0%	81%	204%	0%	54%
Transport	0%	0%	39%	59%	0%	15%
Frontiers	0%	0%	16%	11%	0%	0%
Labor & Social Affairs	0%	0%	64%	82%	0%	0%
Civil Aviation	0%	0%	33%	34%	0%	na
Urban Development	na	0%	na	35%	0%	na
Justice	0%	0%	45%	85%	0%	0%
Narcotics Control	0%	na	na	65%	0%	na
National Olympics	0%	0%	44%	62%	0%	0%
Geodesy & Cartography	0%	na	46%	49%	na	na
Central Statistics	0%	0%	39%	40%	0%	60%
Prosecutor/Attorney General	0%	0%	80%	100%	0%	29%
Total	**15%**	**6%**	**54%**	**1,055%**	**0%**	**22%**

na= no allotment and no expenditures.
Source: Ministry of Finance (AFMIS).

Cash Management and Treasury Operations

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

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

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

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

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

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

Table 32: Non-Salary Budget Allotment, First Quarter, 1382

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

Source: Ministry of Finance (AFMIS).

Accounting and Audit

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

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

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

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

Conclusions

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

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

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

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

4. CENTRAL/LOCAL ADMINISTRATIVE RELATIONSHIPS

Legal Basis and Organizational Responsibilities

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

Table 33: Employment Authorities for Staff

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

Source: AREU/WB staff assessment.

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

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

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

Table 34: District Administrations by Province

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

Source: Ministry of Interior.

Administrative Divisions

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

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

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

Box 20: Proliferating Districts

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

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

> During the resistance period, *Hezb-i-Wahdat* [a Hazara mujahidin faction] created a second district in Yakawlang, but it's never been made official. Many of today's administrative problems are a result of this second, unofficial district. Either the second district should be made official or they should get rid of it as there shouldn't be two parallel districts. That district has an unofficial uluswal and, unofficially, the governor gives some of Yakawlang resources to this unofficial district. I'm trying to get some support for this unofficial district to be a subdistrict so that it can legally get some resources.
>
> Forty percent of the resources of Yakawlang 1 (the official district) were sent to Yakawlang 2 (the unofficial district) in 1381. They sent in the M41 for their staff in Yakawlang 1, according to their tashkeel, but 40 percent of their salaries were sent to the other district. As salaries for 1382 haven't been received, we don't know what will happen this year. The uluswal and departments of Yakawlang 1 had no jurisdiction over Yakawlang 2 in 1381, but it was still unclear if this situation would continue in 1382 as the government had not made the district official.

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

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

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

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

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

The Politics of Appointments

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

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

Box 21: The Politics of the Appointment System

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

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

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

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

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

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

Box 22: The Politicization of the Police

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

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

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

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

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

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

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

Box 23: The Sale of Civil Service Positions

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

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

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

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

Organizational Structures in the Provinces

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

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

Staffing Establishment

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

Table 35: Summary of Tashkeel by Province, 1382

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

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

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

Table 36: Staffing by Department, 1382

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

Note: * For 1381
Source: Provincial governments.

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

Table 37: Staffing Number Highlights: Comparison of Different Data Sources

Province	Total/ selected departments	1382 Staffing levels								1381 Staffing levels		
		Estimated staffing levels,[a] based on Q1 allotments		Staffing caps reported by Ministry of Finance		From ASI accounting entry module, 1st month 1382		Reported by the mustoufiat/ governor/ provincial departments[b]		Reported by the mustoufiat/ governor[c]		Reported by health & education departments[d]
Badakhshan	Total	10,722		9,358		9,005				3,355		
	o/w Education		7,030		6,766		7,097				1,236	5,644
	o/w Public Health		953		842		337				506	na
	o/w Finance		189		164		125				219	
	o/w Interior		1,088		na		285				149	
	o/w Agriculture		301		302		188				156	
Bamyan	Total	5,482		2,883		1,501		3,979				
	o/w Education		975		1,826		814		2,318			
	o/w Public Health		295		194		49		224			
	o/w Finance		54		45		38		48			
	o/w Interior		467		na		97		807			
	o/w Agriculture		115		109		55		69			
Faryab	Total	6,068		5,695		5,295				5,724		
	o/w Education		3,689		4,031		3,747				2,930	3,000
	o/w Public Health		452		365		221				501	225-256
	o/w Finance		179		154		81				85	
	o/w Interior		516		na		213				1,025	
	o/w Agriculture		194		192		160				206	
Herat	Total	24,652		22,075				11,790		11,773		
	o/w Education		14,483		18,174				8,511		7,174	7,151
	o/w Public Health		1,080		887				620		933	935
	o/w Finance		372		327				299		290	
	o/w Interior		794		na				188		133	
	o/w Agriculture		408		418				303		413	
Kandahar	Total	15,793		11,244		4,741		9,788				
	o/w Education		6,115		8,640		2,545		4,222			
	o/w Public Health		755		611		455		505			
	o/w Finance		203		188		109		168			
	o/w Interior		904		na		491		3,404			
	o/w Agriculture		224		242		166		319			
Wardak	Total	6,569		6,369		2,332		3,742		2,863		
	o/w Education		4,914		5,194		1431		2763		1,124	2,947
	o/w Public Health		15		26		125		146		140	130
	o/w Finance		80		72		40		44		36	
	o/w Interior		447		na		195		129		988	
	o/w Agriculture		14		13		125		168		100	

Notes: a/ As indicated in the 1382 payroll allotment. Staff numbers were calculated by dividing 1/3 of quarterly budget payroll allotment by the average monthly salary taken from ASI accounting entry module data for 1st month of 1382.
b/ Staff totals taken from provincial payroll data for 12th month of 1381.
c/ Staff numbers reported during recent AREU/WB missions. Source: mustoufiat or governor's office. For Herat, data are from follow-up mission, August 2003.
d/ Staff numbers reported by the health and education departments during recent AREU/WB missions.

Source: As noted above and Ministry of Finance.

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

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

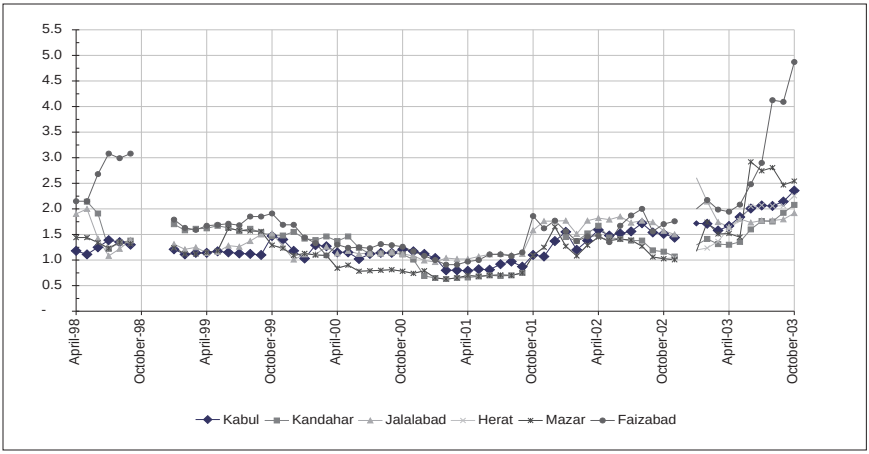
Pay and Grading

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

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

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

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



Source: World Food Program, Afghanistan.

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

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

Box 24: Salary Top-Ups in Kandahar

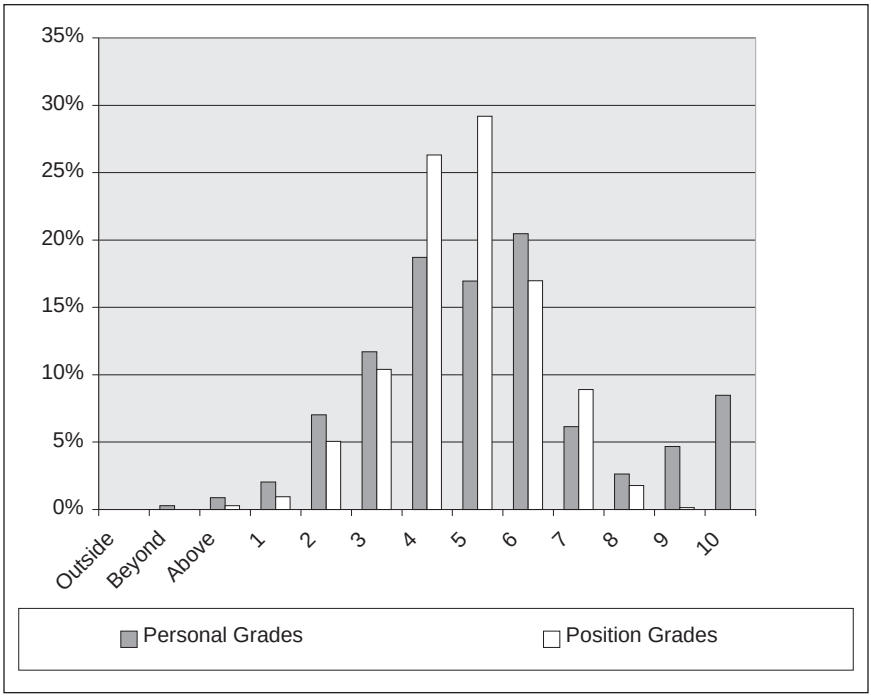
In Kandahar, the governor was so concerned with the low salary levels that he unilaterally increased all karmand staff salaries by 70 percent (including allowances) and agir salaries by 55 percent. This practice continued through the first nine months of 1381, until Kabul ordered an end to the practice.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

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

Payroll Arrangements

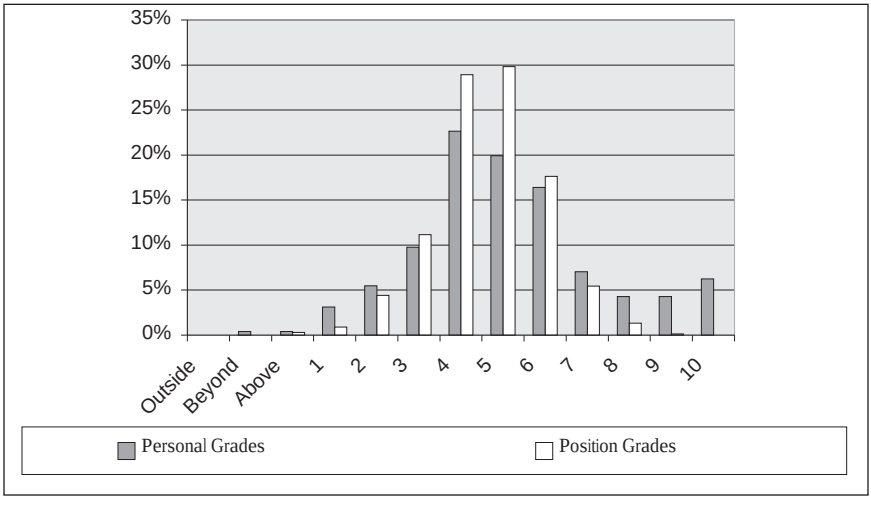
As noted in the section on budget execution, payroll processing and approval has now been centralized in Kabul. The timeliness of salary payments is a major concern. Many provinces have begun a practice of accumulating salary arrears for three months before requesting the financial disbursements from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

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



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

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



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

Conclusions

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

Box 25: The Staff View

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

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

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

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

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

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

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

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

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

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

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

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

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

5. MUNICIPALITIES

Structure

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

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

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

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

Fiscal Autonomy

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

Table 38: Herat Municipality's Revenues by Category for 1381

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

Source: Herat municipality.

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

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

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

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

Table 39: Faryab Province, Municipality of Maimana, Revenues and Expenditures for 1381 (afs.)

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

Source: Municipality of Maimana.

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

Expenditures

Functional responsibilities

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

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

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

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

Expenditure management

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

Table 40: Provincial Municipalities: Revenues and Expenditures for 1381 (afs.)

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

Source: Provincial municipalities.

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

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

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

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

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

Staffing

Establishment

Article 3, Chapter 1 of the Legislation on Municipalities notes that, administratively, municipalities other than Kabul are subordinate departments of the Ministry of Interior. The practical significance of this is that the Ministry of Interior approves the tashkeel. However, the number of filled positions is dependent on the municipality's ability to raise adequate revenues. Available data on staff numbers in the provincial municipalities of the six case study provinces are shown in Table 41. Although these data are incomplete, a lack of funding, certainly in the cases of Faizabad, Bamyan, and Maidan Shahr, has had a significant impact on the number of staff. This situation is further exacerbated when the government in Kabul approves increases in pay, since municipal staff are paid on the same pay scale as other public sector employees.

Table 41: Provincial Municipalities: Staffing Structure for 1381

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

* For 1382
Source: Provincial municipalities.

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

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

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

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

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

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

The special case of Kabul

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

Capacities

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

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

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

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

Box 26: Organizational Restructuring Needed in the Kabul Municipality

The following are examples of opportunities for restructuring:

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

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

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

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

Likely Way Forward

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

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

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

6. EDUCATION SERVICE DELIVERY

Introduction

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

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

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

Table 42: Access to Government-Funded Education Resources

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

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

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

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

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

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

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

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

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

System Overview

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

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

Table 43: Provincial Departments of Education: Summary of Key Statistics, 1382

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

Note: * 1381 data.
Source: Provincial departments of education.

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

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

Table 44: Share of Students Attending Primary School									
	Grades 1-6 (primary)			Grades 7-12			% of Students in primary school		
	Boys	Girls	Total	Boys	Girls	Total	Boys	Girls	Total
Badakhshan	76,461	50,202	126,663	17,412	6,925	24,337	81.5%	87.9%	83.9%
Bamyan	21,820	12,043	33,863	16,764	4,785	21,549	56.6%	71.6%	61.1%
Faryab	67,792	22,304	90,096	8,067	2,600	10,667	89.4%	89.6%	89.4%
Herat*	142,298	90,393	232,691	16,155	7,513	23,668	89.8%	92.3%	90.8%
Kandahar	91,448	17,503	108,951	5,492	64	5,556	94.3%	99.6%	95.1%
Wardak	64,720	17,503	82,223	10,064	7	10,071	86.5%	100.0%	89.1%

Note: *1381 data.
Source: Provincial departments of education.

Current Circumstances at the Provincial and District Level

Provincial structures and responsibilities

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

Table 45: Functional Responsibilities in Education			
Level of governmental administration	**Funded internally (governmental budget)**	**External provider**	**Funded externally (wholly or partially)**
Ministry of Education	• Education policy and strategies • Staff appointments above grade six • School registration, school construction, and rehabilitation • Curriculum development, and textbook selection • Staff allotments, funding of salaries, materials, and equipment	NGOs Donor agencies UNICEF	• Textbook printing • Technical assistance (education policy and strategies, curriculum development, textbook selection) • School construction and rehabilitation • Salaries, materials, and equipment

Provincial education department (PED)	• Staff appointment for grade six & below • Distribution of materials • Inspections • Academic supervision	NGOs UNICEF	• Provision of supplies • Supervision • Teacher training (in-service) • Salaries, materials, and equipment • School construction, and rehabilitation
District education office (DEO)	• Inspection • Identification of needs for teachers, materials, equipment, construction, and repair • Distribution of supplies	NGOs	• Provision of supplies • Supervision • Teacher training • Salaries, material, and equipment • School construction, and rehabilitation
Schools	• Provision of education	Communities	• School construction, rehabilitation, and maintenance (provision of land, labor, and materials) • Teacher salaries

Source: AREU/WB staff assessment.

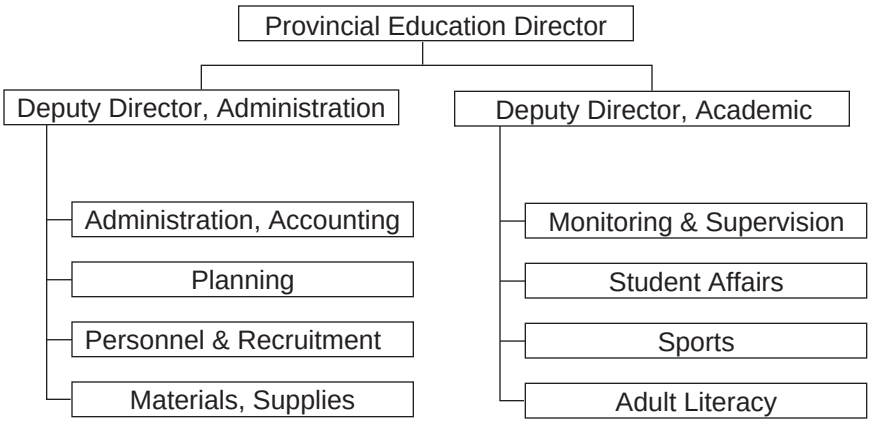
funds 22 schools in Badakhshan, and together with CARE, provide virtually all education opportunities for girls in Wardak. Islamic Relief supports 42 schools in Kandahar with school building rehabilitation, educational supplies, teacher training, and establishing parent teacher associations (PTAs). Other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

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

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

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

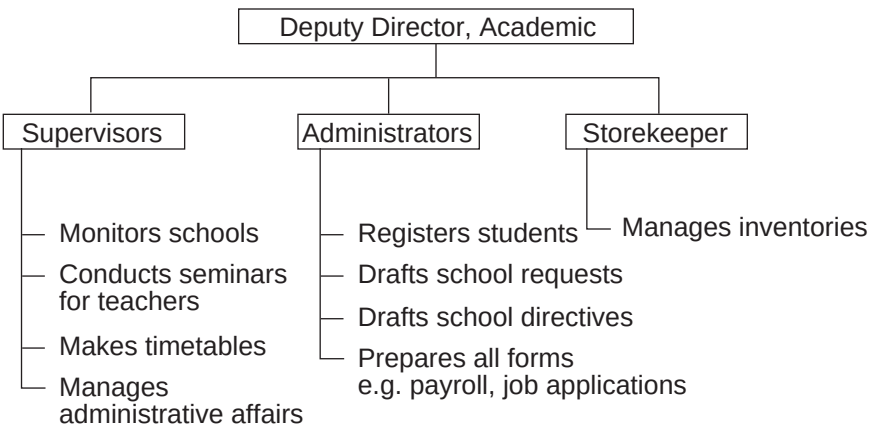
Figure 12: Typical Structure of Provincial Education Department



Source: AREU/WB staff assessment.

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

Figure 13: Typical Structure of District Education Office



Source: AREU/WB staff assessment.

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

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

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

Planning and budget preparation

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

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

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

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

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

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

Staffing and salary payments

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

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

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

Table 46: Number of Education Employees

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

Source: Provincial departments of education.

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

Box 27: A Governor's Financial Contributions

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

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

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

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

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

Recruitment

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

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

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

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

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

Management and staff development

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

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

Box 28: Teacher Quality in Badakhshan

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

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

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

Infrastructure and non-salary expenditures

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

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

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

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

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

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

Implications for Provincial Education Service Delivery

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

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

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

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

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

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

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

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

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

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

7. HEALTH SERVICE DELIVERY

The National Context

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

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

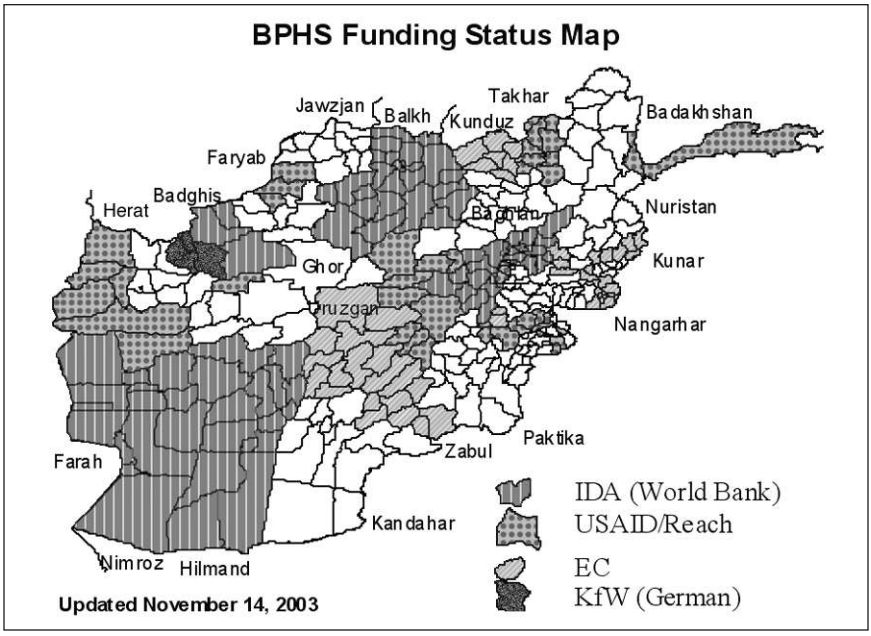
The health development budget for 1382 is $173.5 million and funds are committed for 75 percent of this amount (Government Donor Assistance Database [DAD], as of October 28, 2003). In addition, the ordinary budget for health is 1.25 billion afs. ($29 million) for 1382.

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

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

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

Figure 14: Distribution of Health Service Delivery Contracts by Donor



Source: Ministry of Health, UNICEF.

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

The Case for Contracting Out Health Service Delivery

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

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

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

Table 47: Key Statistics, Public Health Sector

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

Notes: a/ CSO 2003/04 estimate.
b/ National Health Resources Survey, September 2002, MoPH/USAID/AHSEP.
c/ 1381 actuals / 2000 population stats.
Source: Provincial health departments, MoF, and as above.

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

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

Current Circumstances at the Provincial and District Level

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

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

Provincial structures and responsibilities

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

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

Table 48: Intended Functional Responsibilities of Different Health Facilities

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

Source: AREU/WB staff assessment.

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

Table 49: Functional Responsibilities in Health

Level of administration	Budget-funded	Funded externally
Ministry of Health (Kabul)	• Health policy-making • Authorizing "organigram" (staffing) • Recruitment of staff: grades 1-5 • Contracts with NGOs • Private sector regulation	External funding is pervasive across the sector and is found at all levels of administration and for all functions.
Regional health departments (western provinces only)	• Aggregating health data • Donor coordination (within the region)	
	Regional hospital services: • Outpatient services • Inpatient services • Surgery • Antenatal care • Delivery • Postnatal care • Immunization • Rehabilitation • Health Education • X-ray • Diagnostic Lab	
Province	• Reallocation of staff between facilities • Recruitment of staff: grades 6-10 • Contracting of services • Procurement of drugs and supplies • Quality control of services • Facilities mgmt: buildings, vehicles • Provincial health plans • Collecting basic health data • Quality control of services • Primary health care	
	Provincial hospital services: • Outpatient services • Inpatient services • Surgery • Antenatal care • Delivery • Postnatal care • Immunization • Rehabilitation • Health education • X-ray (sometimes) • Nutrition • Diagnostic lab	
	Rehabilitation facilities: • Surgery • Rehabilitation	
District	District health plans	
	District hospital services: • Outpatient services • Inpatient services • Surgery • Antenatal care • Delivery • Postnatal care • Immunization • Some nutrition services • Health education • Some X-ray services • Diagnostic Lab	
	Basic health centers: • Outpatient services • Some limited surgery • Antenatal care • Some delivery • Postnatal care • Immunization • Some nutrition services • Health education • Some diagnostic services	
	Sub-health centers: • Outpatient services • Some limited surgery • Some antenatal care • Some postnatal care • Immunization • Health education	
	Maternal and child health clinics (MCH): • Outpatient services • Antenatal care • Postnatal care • Immunization • Nutrition • Health education	
	Expanded program of immunization (EPI) clinics: • Immunization • Some nutrition services	

Source: AREU/WB staff assessment.

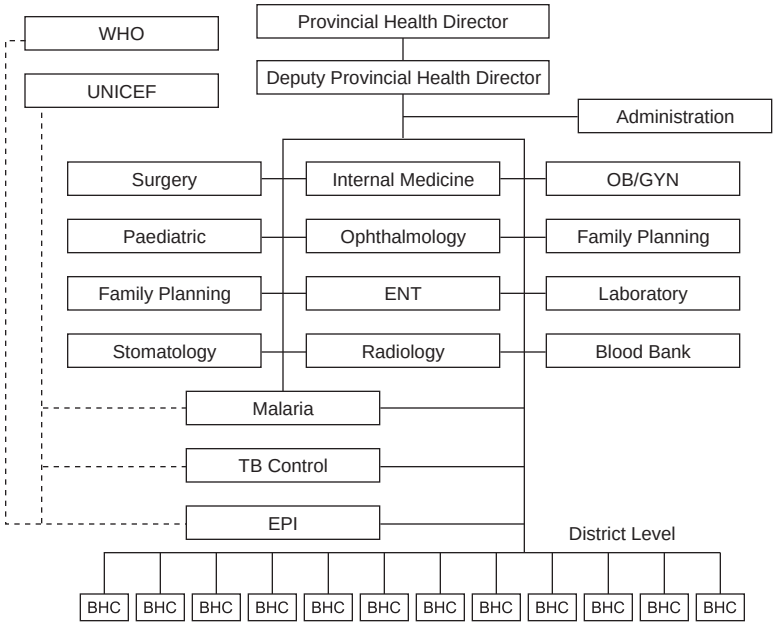
Prior to the introduction of the health service delivery contracts, the allocation of responsibilities both within government and between government and donors and NGOs was very unclear, with the former problem exacerbating the latter. Government and NGO agreements are in the form of memoranda of understanding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

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

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

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

Figure 15: Structure of Faryab Provincial Health Department



Source: Faryab Department of Health.

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

Planning and budget preparation

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

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

Salary payments and staffing

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

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

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

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

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

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

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

Recruitment

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

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

Management and staff development

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

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

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

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

Infrastructure and non-salary expenditures

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

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

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

Implications for Provincial Health Care Administration

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

Short term

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

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

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

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

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

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

The third short-term issue concerns the management of staff within the provincial health department. The number of staff varies significantly across provinces (see Table 50 for health staff numbers for the six case study provinces), but probably averages around 500. Once the contracting out strategy is implemented, these staff will de facto have no service delivery responsibilities at all in the short term, apart from some of the provincial hospitals, because service provision of primary care and secondary care up to first level referral hospitals will be provided through the lead NGOs. There will be both a planning function and a coordination function – although it must be recognized that currently the grants and contracts management unit in the Kabul Ministry of Health, along with the respective donors, undertakes most of the negotiation with the lead NGOs. This leaves a significant number of staff with no jobs.

Table 50: Ministry of Health Staffing Structure, 1382

	Filled positions	Vacancies	Total positions (tashkeel)
Badakhshan[a, b]	506	492	998
Bamyan	224	0	224
Faryab[a, b]	501[c]	1	502
Herat	620	0	620
Kandahar	505	0	505
Wardak	146	157	303

Notes: a/ Includes staff of malaria depts.
b/ For 1381.
c/ This figure was reported by the governor's office, but the health department reported a lower figure of 225-256.
Source: Provincial governments.

As retrenchment is politically implausible in the short term, there are three options for these staff. Some with clinical skills and qualifications will be hired by the NGOs. Others will be content to remain effectively unemployed but continuing to receive their current civil service salary. A small number will be needed to form the basis of a provincial level contract management unit that will take over these responsibilities at some point in the future. Ensuring that the PHD retains competent staff for this purpose will be challenging, and will require urgent application of the PRR decree to ensure that adequate salaries can be paid within a restructured PHD.

Long term

The longer-term issues are dependent on the future shape of the institutional arrangements for the sector. If it is assumed that the current level of donor funding and technical assistance is transitional – and that in the future more resources and more technical capacity must be found within government – then one likely scenario is that PHDs become the funding and planning agencies with service provision remaining with NGOs. Currently, the funding and planning function is within the lead agency in the World Bank PPA model, and is within the contractor (MSH) in the USAID model. This function would need to be gradually separated from the service provision role and either placed within the restructured PHD, or this function could itself be contracted out – leaving the PHD as the "purchaser of the purchaser."

If this is the future of the sector, then the PHD – as the planner and purchaser of local primary health care services or as the agent responsible for managing the contract with the purchasing body – will have some challenging tasks to perform.

First, it is highly probable that there will be some moves away from outcome contracting to purchase of outputs, or even inputs. Outcome contracting is a highly sophisticated technique and there is a lack of capability in the Ministry of Health and PHDs to measure and monitor outcomes. Although third party validation will provide some measures in the short term, it is possible that these might not be affordable or sustainable in the longer term. Thus providers might be contracted to provide X staff or Y services, rather than be provided with incentives to achieve Z results. Refining the nature of the contracts will require considerable capacity.

Second, and related, the roles of the Ministry of Health, PHD and the NGO service providers will need some recalibration in relation to the rationalization and reconfiguration of hospitals and health centers. Under the current arrangements, the Ministry of Health decides on the number of new first referral hospitals, comprehensive health centers and basic health centers that a province requires based on the number of existing facilities, its population, density, and geography. However, the capital investments needed for new facilities may be outside of the basic contract for services, and will require some careful linking of the investment and ordinary budgets. The current uncertainties concerning the ownership of facilities and equipment will also need to be resolved.

A final challenge that will need careful attention is the very real risk that some parts of the country will not be covered. The current process relies on NGOs to bid on contracts, but so far no NGOs have shown interest in some of the very difficult and remote districts, such as those in Nuristan. The main reason for this is that these contracts are performance based, so there is reluctance to bid where logistics and access to services is not easy. If funding for the sector were to be significantly reduced, then it is probable that there would be more areas not covered by PPAs. Ultimately, as noted above, government might be forced back into the role of direct employer for some health staff in order to ensure comprehensive coverage.

Based on this assessment, there are some specific actions required and areas for assistance in order for the PHDs to be effective contributors to health care service delivery in the future:

In the short term:
- Ensure that sufficient numbers of staff are trained locally to guarantee that supply matches demand and that pressures for increases in wage rates are controlled.
- Manage monopoly behaviors of the lead NGOs.
- Undertake a self-transformation that will entail the movement of clinically skilled staff to the new NGOs, developing and retaining a small number of staff to form the basis of a provincial-level contract management unit, and managing the residual unskilled group who will have no tasks.

In the long term:
- Separate the funding and planning function from the service provision role either by assuming this task, or by contracting it out.
- Manage a shift from outcome contracting to purchase of outputs.
- Determine how capital investment decisions will be made, and resolve the uncertainties concerning the ownership of facilities and equipment.
- Ensure coverage in all districts.

8. CONCLUSIONS

Handle the Existing Arrangements with Care

This report began with an assertion that the procedures and institutional arrangements within government, while undeniably awkward and often ignored in practice, form a coherent framework. Failing to take them into account in reform design is unlikely to be productive.

Achieving the balance between respect for the past and a drive for change in the immediate future is perhaps captured in five basic proposals:

Continue to embrace a modest role for government

Given the self-evident historical socio-ethnic fragility of Afghanistan, the fiscal and administrative centralization of the state has some logic: local and regional elites have to refer to the central government for financing and the authority to deliver public activities. However, the corollary is that the central government should limit itself to a relatively minimal set of activities and functions. Moreover, the fiscal reality of extremely limited financial resources over the medium term means that government will have to limit activities to essential service delivery.

Overall, the ambitions of the sector ministries and their provincial and district departments must continue to be constrained by the vision of a lean, competent bureaucracy in Kabul, supporting a provincial and district administration overseeing the delivery of core services.

Respect the institutional architecture

In the past, Afghans have spoken of a "six-mile rule," meaning that government funds were rarely used on projects located more than six miles outside of major urban centers. Reaching rural areas throughout Afghanistan is a key goal of the Transitional Islamic State of Afghanistan, in order to ensure fairness, spur widespread development, and extend central government influence. In addition, expectations are that a new government, with access to significant levels of donor resources, will ensure greater access to basic social services throughout the country than was feasible or expected several decades ago.

Reaching the underserved areas will require a significant scaling up of activities in the provinces and districts. Focusing resources through provincial and district administration offices, and providing them with the capacity to direct, monitor, and support – if not deliver – the extension of services will ensure that resources are reaching rural areas and not remaining concentrated in urban areas. It is important to keep in mind that the logic of the current arrangements is that provinces and districts deliver (or contract for service delivery), while Kabul ministries act as their "back office support." The donor focus on Kabul has created a sense that service delivery will be made or broken in Kabul. The binding constraint is in the provinces and the districts – and the task of Kabul is to help the provinces, districts

and municipalities overcome difficulties – not to bypass them.

Be pragmatic about service provision

This study observes that the education and health sectors are taking very different tacks for improving service delivery. On service delivery, education is broadly reincorporating donor activities back into the public sector (noting that development projects will undoubtedly remain largely funded by donors and executed outside of government). Health is heading in the opposite direction, with significant contracting out of service delivery responsibilities to NGOs and others.

In general terms, both of these approaches may be reasonable; the challenge is to ensure that they are determined by pragmatism and not by dogma. Continued participation of NGOs in the education sector, at least in some areas, may help the government meet a level of demand for education that it could otherwise not meet in the short term, at least at any reasonable level of quality. In the health sector, given the low level of government service provision and the already high presence of NGOs, the use of contracting models may be expedient at the moment, assuming that appropriate conditions can be created to support the contracting approach. But over the longer term, a health care system that must be sustainable without external funding may necessarily include direct service delivery by government once more.

Promote transparent government

There is a well-established tradition of using "social monitoring" techniques to inform the public of the costs and benefits of development projects – putting signs on public works programs, for example, indicating the costs and who to contact for further details. The tashkeel and quarterly allotments system within Afghanistan offers the opportunity to take this one stage further and to provide the public with information on core public sector activities. For example, if all public offices had their tashkeel and quarterly allotments prominently displayed, the public (and staff from other departments) could see at-a-glance which positions are sanctioned in the department, and the resources that the department is disbursing. This might be particularly effective in the health and education sectors where there is high community demand for service provision from government. If consolidated provincial budgets were publicly available, informed debate of how subnational resources are allocated could be promoted.

Pursue fairness, not uniformity

Over the last 20 years, unity and fairness in the Afghan civil service has been maintained by a common pay scale and shared terms and conditions. This uniformity has been disrupted by the arrival of large numbers of advisors and other consultants on relatively high pay scales, and ad hoc top-ups provided to civil servants by donors and NGOs in some sectors. This disparity has been the source of some resentment. A second level of disparity has been introduced between Kabul and the provinces. The differential pay arrangements for provinces and Kabul, along

with major delays in payments to the provinces, have given provincial staff a distinct sense that they are second best.

One plausible model is of a stratified public service with differential pay levels, comprised of a small, elite "civil service," and a larger and more easily accessible, "government service." The civil service could be subject to distinctive employment legislation with tight codes of conduct and some significant restrictions on personal activity (no involvement in politics, regular asset declarations).

The National Agenda

Following that suggested approach, there are five areas where cross-cutting institutional reforms are necessary.

Pay and pension reform

Despite recent pay reforms, current salary levels still present a serious problem. Pay reforms will have some recurrent fiscal impact in the short and longer terms, not least because there are few opportunities to trade off staff numbers against pay. Retrenchment is politically implausible – and would save very little as current salaries are low.

Confidence building in the new structures

After some considerable period of uncertainty about the role and responsibilities of the IARCSC, it is undoubtedly a major step forward to have it in place with a well-considered structure and remit. This is a solid foundation, but some additional technical and policy actions are necessary to ensure that the Commission delivers on its new responsibilities quickly.

Short-term capacity injection

Systematic rebuilding of the administrative structures is necessary but insufficient to achieve a detectible increase in the policy or implementation capacity of government within the short term. As a short-term kick-start to improved policy formulation and program management within Kabul ministries and provinces, it is essential to recruit a significant number of staff on contractual terms at remuneration levels that are sufficient to attract experienced managerial staff from national and regional NGOs and private sector organizations (lateral entry staff on contract).

Basic payroll and human resource management (HRM) systems

Construction of a database should begin with the establishment data that are automatically provided to the Ministry of Finance through the payroll. Subsequently, a civil service census should be conducted to substantiate the information in the human resource database.

Reforms to the civil service legal framework

The basic laws that underpin the civil service are not clear. No major retrenchment or significant repostings of staff have been attempted to date; but if major reforms involving these or other painful reforms were to be introduced, it is doubtful that a presidential decree would be seen to embody sufficient legitimacy to carry public

opinion. In the longer term, detailed personnel policies and procedures cannot be developed without clarity on the underlying legislation.

The Subnational Agenda

The lesson of more than a century of governance in Afghanistan has been that progress toward stability and development is most likely to occur when the center possesses both the capacity to enforce its will on the provinces and the acumen needed to exercise that power pointedly and selectively. There is an urgent need to find ways to rebuild a degree of loyalty between Kabul and the provinces/districts if staff at that level are to be effective agents of government, and central government de facto control is to be strengthened throughout the country. The analysis presented above of a distant and hostile central administration that cannot provide pay or guidance to its staff in the provinces and districts in a timely manner serves only to emphasize the need for action on various fronts. Staff at the provincial and district levels urgently need the resources and support necessary to do their jobs. In turn, mechanisms are needed at all levels of government to ensure that real accountability for service delivery is built into the administrative system. Additionally, it must be recognized that local control exercised by warlords and commanders is both a cause and effect of the weakness of subnational administration. Administrative and fiscal reforms must be accompanied by disarmament, security reform, and reform of the political economy, as discussed in Chapter 1 of this study.

Key areas for administrative and fiscal action are outlined below, but are discussed in more detail in the companion policy paper *Subnational Administration in Afghanistan: Assessment and Recommendations for Action.*

Build loyalty to Kabul

Delays in processing the payroll, and a high-handed and unresponsive approach from Kabul, are turning provincial and district staff into active critics rather than loyal supporters of government. The actions needed are primarily policy reforms within government, requiring that payroll stages are completed within specified periods, and that payroll processing is returned to the provincial level as soon as practicable. However, some investments are needed in the establishment of radio networks with data transmission capabilities by radio or phone between Kabul and the provinces. Addressing the delays in staff appointments, and amending outdated tashkeels are policy actions requiring little new investment.

The low levels of non-salary cash flow available to the provinces and the districts are damaging to morale and service delivery. The issue can be resolved through policy actions including monthly advances to mustoufiats and districts and a tighter requirement on ministries to justify their split of non-salary expenditures between the central ministry and the provinces. This move will have some recurrent fiscal impact and there are development budget costs associated with the necessary improvements to the DAB facilities.

Resolution of the difficulties caused by the lack of field presence of the Kabul ministries, and the absence of data on Kabul ministry administrative performance can be resolved through policy actions with no significant costs associated.

Similarly, the demoralization associated with the politically motivated changes to district and provincial boundaries, the undermining of municipal autonomy, and the disconnect between the community-level planning procedures of the NSP and the existing district and provincial budget and planning processes, can be resolved through policy actions with minimal associated costs.

Build on existing municipal arrangements

Municipalities represent the only subnational level of more or less autonomous government in Afghanistan. Cautiously reasserting municipal autonomy, with a careful strategy of disentangling the lines of accountability (district municipalities should not be reporting through provincial municipalities) and specifying service expectations for municipalities with differing revenue raising capacities, could offer a promising vehicle for scaling up local services.

Provide tools to do the job

The absence of procedures can be resolved at minimal cost through the development of procedural manuals and training programs for staff in key provincial and district positions. Major investment expenditures are necessary to provide adequate office facilities, particularly for district staff; some initial piloting is already planned. Once provinces and districts are meeting certain performance expectations, a second, more advanced set of improvements could be provided. The performance expectations could include establishing a good record of timely reporting of expenditures, revenues, and payroll.

Ensure public oversight of the budget

The lack of public awareness of government functioning is chronic and must be addressed if government is to feel under pressure to perform. Publication of the national and provincial consolidated ordinary budgets, annual staffing limits by department and by province, and data on budget execution are all important – and do not suggest any major cost. For the development budget, improved public monitoring that allows expenditure tracking against commitments with more precise analysis of long-term recurrent implications and the level of recurrent financing would offer more discipline on donor activities. Crucially, for both the ordinary and development budgets, provincial-level (and ideally district-level) tracking of execution would provide the public, donors, and other development partners with a benchmark against which to evaluate the scale of the resources being provided to provinces and districts – and provide an opportunity to begin to reduce regional inequities. For the development budget, one useful step might be the establishment of a cross-cutting consultative group with a remit to focus on "regional equity," drawing from some provincial and district-level data that a significantly expanded donor assistance database might provide.

The medium-term agenda for budget oversight must, of course, include significant capacity building for the planned assembly.

Build administrative underpinning for social sector reforms

For education, the necessary improvements in planning capacity in provincial and district offices, and capacity improvements in curriculum design, teacher assessment, student assessment, data management and analysis, and policy analysis will require technical assistance. Moves towards piloting local school development plans, within the context of provincially developed education plans, will have some fiscal implications. The rollout of school-centered community support grants across the provinces, and moves toward capitation grants to schools for non-salary supplies and equipment, such as textbooks, will have larger recurrent costs.

Involving provincial and district health staff in the planned reforms in the health sector, and developing transition strategies, will require intensive technical assistance. Some sector-specific pay reforms will be necessary but ensuring that that pay levels in the NGO delivery structures are in line with anticipated post pay reform levels in the public sector require policy actions rather than investments. Major costs might arise from the expansion of the pool of educated healthcare workers, through improved educational opportunities, in order to lower labor costs.

ANNEXES

Annex 1: Central Government Bodies and Political Responsibilities

Function	Kabul level organization	Status	Cabinet members
Executive Authority	President's Office (includes the Office of Administrative Affairs)	Agency under presidential authority	• President: Hamid Karzai • Vice Presidents: Mr. Ustad Abdul Karim Khalili, Mr. Naimatullah Shahrani, Marshal Qasim Faheem, and Hedayat Amin Arsala • Deputy Security Adviser: Prof. Rasool Amin • Adviser on tribal issues and member of the National Security Council: Taj Mohammad Wardak • Security Adviser on Northern Provinces: General Abdul Rashid Dostum
	Prime Minister's Office (including the General Control and Inspection Presidency of the Council of Ministers)	Agency under prime ministerial authority, *pro tem* under the president	
Fiscal and economic policy	Ministry of Finance	Ministry	Dr. Ashraf Ghani Ahmadzai, Minister of Finance
	Ministry of Planning	Ministry	Haji Mohammad Mohaqiq, Minister of Planning
	Central Statistics Office (includes the Afghan Computer Center)	Independent body	Mohd Ali Watanyar, General Director, Central Statistics Office
	Geodesy & Cartography Office	Independent body	Eng. Abdul Raouf, General Director
Foreign Affairs	Ministry of Foreign Affairs	Ministry	Dr. Abdullah Abdullah, Minister of Foreign Affairs
Internal and external	Ministry of Defense	Ministry	Marshal Qasim Faheem, Minister of National Defense and Vice President
	Ministry of Interior	Ministry	Ahmad Ali Jalali, Minister of Interior
	Ministry of Frontiers	Ministry	Arif Khan Noorzai, Minister of Border Affairs
	National Security Agency	Independent body	Dr. Zalmai Rasool
	Narcotics Eradication Agency	Independent body	Ghulam Jaliani Sattari, Director of Narcotics Eradication Department
	Office of the Attorney General	Independent body	Abdul Mahmood Daqiq
Legal advice to government	Ministry of Justice	Ministry	Abdul Raheem Karimi, Minister of Justice

Education and human resource development	Ministry of Education	Ministry	Mohammad Younis Qanooni, Minister of Education and Security Adviser
	Ministry of Higher Education	Ministry	Dr. Sharif Fayez, Minister of Higher Education
	Science Academy	Independent body	
Culture and heritage	Ministry of Information and Culture	Ministry	Sayed Makhdoom Raheen, Minister of Information and Culture
	National Olympics Committee	Independent body	Mohd Anwar Jikdalak, President
Health	Ministry of Health	Ministry	Dr. Suhaila Seddiqi, Minister of Health
Welfare and social policy	Ministry of Labor and Social Affairs	Ministry	Noor M. Qirqeen, Minister of Labor and Social Affairs
	Ministry of Martyrs and Disabled	Ministry	Abdullah Wardak, Minister of Martyrs and Disabled
	Ministry of Refugees Return	Ministry	Innayatullah Nazari, Minister of Migration
	Ministry of Rural Rehabilitation and Development	Ministry	M. Haneef Atmar, Minister of Rural Rehabilitation and Development
	Ministry of Religious Affairs and Hajj	Ministry	M. Amin Nasiryar, Minister of Hajj
	Ministry of Women's Affairs	Ministry	• Habiba Sarabi, Minister of Women's Affairs • Prof. Mahbooba Hoqoqmal, Minister of State for Women's Affairs
	Ministry of Repatriates	Ministry	Mangul Hussain Ahmadzai, Minister of Overseas Afghans Affairs
Industrial and trade policy	Ministry of Commerce (includes Chambers of Commerce)	Ministry	Mustafa Kazimi, Minister of Commerce
	Ministry of Light Industries and Food	Ministry	Alim Razim, Minister of Light Industries
	Ministry of Mines and Industries	Ministry	Mohad. Mafooz Nidae, Acting Minister of Mines & Industries
	Ministry of Water and Power	Ministry	Shakir Kargar, Minister of Water & Power
Natural resources	Ministry of Agriculture	Ministry	Sayeed Hussain Anwary, Minister of Agriculture
	Ministry of Irrigation and Water Resources	Ministry	Ahmad Yousuf Nooristani, Minister of Irrigation
Infrastructure	Ministry of Transport	Ministry	Sayeed M. Ali Jaweed, Minister of Transport

	Ministry of Civil Aviation	Ministry	Mirwais Sadiq, Minister of Civil Aviation
	Ministry of Communications	Ministry	Masoom Stanikzai, Minister of Communications
	Ministry of Urban Development	Ministry	Gul Aga Sherzai, Minister of Urban Development
	Ministry of Reconstruction	Ministry	M. Amin Farhang, Minister of Reconstruction
	Ministry of Public Works	Ministry	Eng. Abdullah Ali, Minister of Public Works
Judicial authority	Supreme Court	Independent body	Mr. Fazel Hadi Shinwari, Chief Justice and Head of Supreme Court
Oversight Commissions[24]	Independent Administrative Reform and Civil Service Commission	Independent body	Hedayat Amin Arsala, Chair of Civil Service Commission and Vice President
	Human Right Commission	Independent body	Dr. Sima Samar, Head of Afghanistan Independent Human Right Commission

Note: This table has been assembled from various sources, including a review of the new Chart of Accounts, analysis of payroll data, and interviews with senior staff. However, several ambiguities remain. First, although the attorney general was established as a separate office in the 1980s, the minister of justice disputes the constitutionality of this move (International Crisis Group, 2003). Second, the official reporting line for the general control and inspection presidency of the Council of Ministers is now directly to the President's Office rather than that of the prime minister. Third, it appears that the Prime Minister's Office has recently been subsumed as a budget unit within the President's Office.

Annex 2: Central Government Structures in Perspective

Figure 16: Comparison of Current Ministry Structures with Selected European Countries

Functions	UK	Germany	France	Hungary	Macedonia	Lithuania	Afghanistan
Core functions							
Fiscal and economic policy	• H.M. Treasury	• Federal Ministry of Finance	• Ministry for the Economy, Finance and Industry	• Ministry of Finance	• Ministry of Finance	• Ministry of Finance	• Ministry of Finance • Ministry of Planning
Foreign affairs and aid management	• Foreign and Commonwealth Office • Department for International Development (DfID)	• Federal Ministry for Economic Cooperation & Development • Foreign Office	• Ministry of Foreign Affairs, Cooperation & Francophony • Ministry for Overseas Affairs	• Ministry of Foreign Affairs	• Ministry of Foreign Affairs	• Ministry of Foreign Affairs	• Ministry of Foreign Affairs
Internal and external security	• Ministry of Defense • Home Office	• Federal Ministry of Defense • Federal Ministry of the Interior	• Ministry of Defense and War Veterans • Ministry of the Interior, Internal Security & Local Freedoms	• Ministry of Defense • Ministry of Interior	• Ministry of Defense • Ministry of Interior	• Ministry of National Defense • Ministry of Interior	• Ministry of Defense • Ministry of Interior • Ministry of Frontiers
Legal advice to government	• Law Officers' Department • Department of Constitutional Affairs	• Federal Ministry of Justice	• Ministry of Justice	• Ministry of Justice	• Ministry of Justice	• Ministry of Justice	• Ministry of Justice
Relations with other levels of government	• Northern Ireland Office • Scotland Office • Wales Office		• Ministry of Civil Service, Administrative Reform & Town & & Country Planning		• Ministry of Local Self Government		

Social sectors							
Education and human resource development	• Department of Education and Skills	• Federal Ministry of Education and Research	• Ministry of National Youth, National Education and Research	• Ministry of Education	• Ministry of Education and Science	• Ministry of Education and Science	• Ministry of Education • Ministry of Higher Education
Culture and heritage	• Ministry of Culture, Media and Sport		• Ministry of Culture and Communication • Ministry of Sports	• Ministry for National Cultural Heritage	• Ministry of Culture	• Ministry of Culture	• Ministry of Information & Culture
Health	• Health	• Federal Ministry of Health & Social Security	• Ministry for Health, the Family & the Disabled	• Ministry of Health, Social Affairs & Family	• Ministry of Health	• Ministry of Health Care	• Ministry of Health
Welfare and social security	• Department for Work & Pensions	• Federal Ministry for Family Affairs, Senior Citizens, Women, and Youth	• Ministry for Social Affairs, Labor & Solidarity	• Ministry of Labor & Employment • Ministry of Children, Youth & Sports Affairs	• Ministry of Labor & Social Welfare	• Ministry of Social Security & Labor	• Ministry of Labor & Social Affairs • Ministry of Martyrs & Disabled • Ministry of Refugees Return • Ministry of Repatriates • Ministry of Rural Rehabilitation & Development • Ministry of Religious Affairs and Hajj • Ministry of Women's Affairs

Economic resources							
Industrial and trade policy	• Department of Trade & Industry	• Federal Ministry of Economics & Labor		• Ministry of Economy & Transport	• Ministry of Economy	• Ministry of Economy	• Ministry of Commerce • Ministry of Light Industries & Food • Ministry of Mines & Industries • Ministry of Water & Power
Natural resources	• Ministry for Environment, Food & Rural Affairs	• Federal Ministry for Consumer Protection, Food & Agriculture • Federal Ministry for the Environment, Nature Conservation & Nuclear Safety	• Ministry of Agriculture, Food, Fisheries & Rural Affairs • Ministry for Ecology & Sustainable Development	• Ministry of Agriculture & Regional Development • Ministry of Environment & Water Management	• Ministry of Agriculture, Forestry & Waters • Ministry of Environment & Urban Planning	• Ministry of Agriculture • Ministry of Environment	• Ministry of Agriculture • Ministry of Irrigation & Water Resources
Infrastructure	• Department for Transport	• Federal Ministry for Transport, Building and Housing	• State Ministry for Capital Works, Transport, Housing, Tourism & the Sea	• Ministry of Information Technology & Tele-communications	• Ministry of Transportation & Communications	• Ministry of Transport	• Ministry of Transport • Ministry of Civil Aviation • Ministry of Communications • Ministry of Urban Development • Ministry of Reconstruction • Ministry of Public Works
TOTALS	**17**	**13**	**15**	**14**	**14**	**13**	**30**

Source: AREU/WB staff assessment, and official government web sites.

Annex 3: The Legal Basis for Government Employment

The following list of identified public employment legislation extends from 1305 (1926) to 1381 (2002):

- 1926 1305 Employee Leave (Vacations)
- 1926 1305 Regulations of Basic Organizational Structure of Afghanistan
- 1931 1310 Basic Principles of the Afghan State
- 1934 1313 Principles of Nationality
- 1935 1314 Principles of Recruitment of Foreign Nationals in Afghanistan
- 1935 1314 Principles of Conscription for Scholars and Experts
- 1935 1314 Principles of Career
- 1949 1328 Principles of Attendance and Holidays of Employees
- 1950 1329 Principles of Paper Archives
- 1950 1329 Principles of Secretariat Offices
- 1951 1330 Principles of General Administrative Monitoring
- 1954 1333 Principles of Employees, Recruitment, Retirement, and Promotion
- 1960 1339 Principles of Marks and Medals
- 1960 1339 Principles of Budget and Accounting
- 1961 1340 Principles of Conscription of Professionals
- 1962 1341 Principles of Audit and Control – Office of the Prime Minister
- 1964 1343 Constitution of Afghanistan
- 1964 1343 Principles of Regular and Ad Hoc Employees
- 1965 1344 Law of the Basic Organization of Afghanistan
- 1970 1349 Law on the "Status and Condition of Government Employees"
- 1976 1355 Principles of Employees Health Insurance
- 1977 1356 Decree No. 1433: State Employees Statute
- 1977 1356 Staff Regulation 12.3
- 1987 1366 Law of Work of Republic of Afghanistan (Labor Law)
- 1988 1367 State Employees Statute, Decree No. 666
- 1998 1378 Taliban Employment and Labor Relations/Personnel Law (Official Gazette No.790: Officials' Law of Islamic Emirate of Afghanistan)
- 2001 1381 Decree No. 66: Cancellation of all Regulations, Articles, Laws Contrary to the Bonn Agreement
- 2001 1381 Amendment of the First Paragraph of Article No. 160 of Official Gazette No. 678 dated 1988 and also Official Gazette No. 645 dated 1986 – concerning the retirement age of women, which was 50 and should be 55
- 2002 1382 Decree No. 150 concerning re-employment of the employees retired by Taliban
- 2002 1382 Official Gazette No. 791 refers to the following (inter alia):
  - Classification, appointment (registration) promotion of agir;
  - Retirement rights of the employees;
  - Regulation on overtime;
  - Conditions for the employees who are sick and asking for additional leave;
  - Regulation on vacation in excess of 20 days vacation for karmand and agir;
  - Regulation on financial responsibilities of employees;
  - Regulation on replacing records lost due to war.

Annex 4: Key Budget and Personnel Forms

B3	Annual approved budget (yearly appropriations) of ministries and other independent budgetary units are announced by B3 prior to the start of the fiscal year. B3 is issued by the Budget Department of the MoF.
B4	Ministries provide their units with their detailed staffing structures (tashkeel) by departments, positions, grades, and respective salaries on B4.
B6	Non-salary expenditures are reported by B6.
B20	Ministries inform their relevant secondary units in the center or provinces of their budget allotments by B20. Copies of the B20s are sent to the Budget Department of the MoF. The Budget Department of the MoF sends the original or the copies of B20s to the mustoufiats.The budget allotment is given to the provinces via form B20, one copy of which is provided to the line departments, while another copy goes directly to the mustoufiat. In the past, B20 contained a detailed breakdown by expenditure category: babs are the major codes, such as "personal emoluments" and "services," and fasils are the more detailed line items, such as overtime, fuel, and office supplies. For 1382, allocations are being provided at the bab level only, however, provincial departments are still expected to report at both the bab and fasil level. This change is significant, in that it gives provinces more flexibility to move funding around within a particular bab – and arguably more room for abuse.
B23	Requests for re-appropriation between babs.
B24	Transfers from reserve fund (bab 9000).
B27	The Budget Department of the MoF issues allotments on a quarterly basis. The allotments are issued by B27 as following: First quarter 100% Second quarter 75% Third quarter 50% Fourth quarter 50%
M16	Summary payrolls.
M23	Districts are required to report expenditures to the mustoufiat within 10 days of the end of each month on form M23.
M29	Transfers to Kabul arise when revenues raised in a province are in excess of the approved budget, and these are supposed to be transferred to the government budget account at the end of the fiscal year on the basis of the monthly income report provided by the mustoufiat to the Ministry of Finance Revenue Presidency on form M29.
M40	Personnel record for individual civil servants, showing changes in position and grade throughout their career.
M41	Monthly payroll from a budget unit. The payroll provides detailed information on each employee, including position, grade, salary, and attendance record. Provincial departments submit the payroll to the mustoufiat, and the provincial governor approves it. Once the governor's approval is received, the payroll is then sent to the Treasury Presidency in the Ministry of Finance in Kabul for payment.
P2	Appointment papers for individual civil servants. The P2 contains the following information about employees: grade, position, vocational privileges, position, and grade to which they have been appointed.

Annex 5: Excerpt from the Legislation on Municipalities

Reference No. 732 in Rasmi Gereeda
Dated 15/10/1369, as amended 1379.

Chapter 4, Article 16
Municipality and its city zones, functions and responsibilities:

1. Taking measures towards providing living conditions for the residents living within their region;
2. Taking measures towards construction and maintenance of wells, underground waterways, pools, and other drinking water supplies through relevant departments;
3. Taking measures towards development and preservation of green areas, promotion of cleanliness and sanitation within their region, and conservation of the environment;
4. Taking measures towards construction of roads, public washrooms, public bath houses, market places, and civil and educational centers through attracting private investments according to the city plan;
5. Setting prices for residences based on regulations;
6. Setting rents on municipality properties based on regulations;
7. Taking measures towards monitoring, with the help of relevant departments, of the cleanliness of public bath houses, restaurants, hotels, guesthouses, teahouses, swimming pools, and food suppliers;
8. Taking measures towards establishing cooperation with health-care organizations in implementing policies to prevent spread of diseases and preserve the living environment;
9. Taking measures in regards to land distribution for construction of residence and business areas based on relevant regulations;
10. Confiscating of lands based on property confiscating regulations;
11. Taking measures towards participation in establishment and construction of residential quarters, maintenance of roads, streets and residential areas;
12. Taking measures towards improvement of city transportation by the relevant department;
13. Taking measures towards assistance in production and distribution of food supplies and in improvement of living services;
14. Controlling of the prices and tools of measurement, organizing and generalizing the metric system in their area;
15. Taking measures towards promotion of sports and physical education;
16. Attracting people's voluntary assistance in performing cleaning activities, keeping regions green and other activities helpful to the city;
17. Taking measures towards assisting in preservation and maintenance of historic and cultural monuments with attracting cooperation of relevant departments;
18. Taking measures towards assisting in gathering census and demographic data;
19. Collecting taxes for city services based on rules and regulations;
20. Taking measures towards effective cooperation in the fight against illiteracy, improving the general level of cultural and educational information of the community, improving civil services sectors, improving general and vocational institutions, and libraries through relevant departments, while keeping into consideration Islamic customs;
21. Approval of manuals in accordance with content of this legislation;
22. Leading relevant subordinate departments and organizations;
23. Inviting and organizing meetings in regards to the service delivery for the city;
24. Managing the implementation of annual budgetary and expenditure plans and taking measures towards preventing excess expenditure;
25. Observing and controlling the execution of administrative council decisions;
26. Making suggestions in regards to construction of traffic structures within the city;
27. Designating slaughterhouses and better regulation and observation of healthiness butcher shops;
28. Distribution of pricelists based on Islamic laws;
29. Studying contract, agreements, and leasing of properties of the municipality;
30. Constructing, repairing and cleaning of sewers and trenches in the city;
31. Receiving the public and resolving their complaints in timely and just manner and taking decisions within authority;
32. Assisting in alleviating primary and emergency needs of the public with the help of relevant authorities;
33. Designating areas for the cemeteries;
34. Taking measures in assisting in funeral and burial of unidentified or homeless individuals free of charge with the help of the Red Crescent;

35. Making decisions on destruction of buildings near demolition based on proposal by the experts' council;
36. Accepting gifts, donations, and other charitable contributions on behalf of the municipality and documenting them properly;
37. Preventing construction of structures without plan or authorization, with the help of security units of the region;
38. Granting business licenses to the small businesses;
39. Granting work permits for the workers of foreign institutions;
40. Collecting and recording of accurate information in regards to marriages, births, deaths, and relocation with the help of relevant organizations;
41. Firm implementation of the pricelist;
42. Assisting in strengthening of security, civil order and safety of public;
43. Assisting in defending the legal rights of residents of the region; and
44. Cooperating fully in construction of the society and strengthening the Islamic rule.

NOTES

1 As Ghani notes, "(f)rom 1955 on, foreign aid provided the bulk of the funds for government expenditures, with five major consequences: (1) the state became the most important economic power in the country and the major source of employment; (2) the expansion in the size of the bureaucracy gave the intellectuals who were staffing it considerable power in affecting other segments of society; (3) military officer training became increasingly concentrated in the Soviet Union; (4) socialism emerged as the slogan of a vocal group of the intellectuals...; (5) the rulers of the state failed to forge organic ties with members of the landed, merchant and religious elites in the country."

2 Afghanistan, with debt repayments of 35 percent of total exports, had one of the world's highest debt repayments. Most of the servicing of the Soviet debt was managed through the export of natural gas. For a discussion of the consequences of foreign aid on government expenditures see Ghani, 1987.

3 All dollar amounts are U.S. dollars.

4 The provinces were expanded to 27 in 1963.

5 The Bonn Agreement decreed that the following legal framework would be applicable on an interim basis until the adoption of a new constitution:

   i) The Constitution of 1964 a) to the extent that its provisions are not inconsistent with those contained in this Agreement; and b) with the exception of those provisions relating to the monarchy and to the executive and legislative bodies provided in the Constitution; and

   ii) Existing laws and regulations, to the extent that they are not inconsistent with this agreement or with international obligations to which Afghanistan is a party, or with those applicable provisions contained in the Constitution of 1964, provided that the Interim Authority shall have the power to repeal or amend those laws and regulations.

6 Afghanistan's new constitution, ratified by the 502 delegates to the Constitutional Loya Jirga on January 4, 2004, reaffirms that Afghanistan is a unitary country but states that "the government, while preserving the principle of centralism, shall – in accordance with the law – delegate certain authorities to local administration units for the purpose of expediting and promoting economic, social, and cultural affairs, and increasing the participation of people in the development of the nation" (Chapter 8, Article 2). This therefore allows for a measure of deconcentration within the constitution, but it is not, in practice, likely to lead to significant shifts in the structures of subnational administration.

7 The 1381 budget included $100 million for defense, but provided little information on how these funds were to be spent. Criticism of this lack of detail, while easy, fails to appreciate the complexities of the situation. Put simply, the views of key stakeholders around different aspects of the defense expenditure were not sufficiently aligned to make it possible to put together an explicit budget that would have kept all parties at the table. A more explicit budget would have seen at least one and possibly more key military stakeholders leave the very tenuous coalition around (then) Chairman Karzai.

8 General civilian government refers to civilian staff at the national and provincial levels. It excludes government enterprise staff, and all military and security staff. See http://www1.worldbank.org/publicsector/civilservice/cross.htm#1 for further details of public sector employment categories.

9 Decree on Regulating Externally Funded Reimbursements and Allowances for Civil Servants and its associated procedures on (September 04, 2003).

10 This has not centralized the process between the provincial and national level, as the previous decision-makers were the central ministries.

11 For instance, bab # 1000 – personal emoluments – contains such items (fasils) as "overtime and special payments," "hazard or regional pay," and "incentive bonus," in addition to basic salaries. There is a potential for these amounts to be used to top-up salaries.

12 "Each ministry and institution must present to the Ministry of Finance their proposed total employment, specified by center and province, before the beginning of the 1382 financial year. After reviewing these proposals, the Ministry of Finance will recommend a comprehensive list of employment limits for each ministry by center and province to the Council of Ministers durng Hamal 1382, and the Council of Ministers will approve the total employment limits for the ministries. Ministries and organizations should not increase the number of their employees from the level in the month of Hoot, before the Council of Ministers' review and approval."

13 A joint committee comprised of the Office of Administrative Affairs and the respective ministry reviews the proposed tashkeels. The tashkeels are then signed off by Vice President Arsala, Head of the Civil Service Commission. (Note that the number of employees for ministries and provincial departments was supposed to be reviewed by the Ministry of Finance and approved by the Council of Ministers, according to the 1382 Budget Decree, but apparently this did not happen.)

14 This was presumably undertaken by the General Control and Inspection Department of the Council of Ministers. The reason for the change is not clear.

15 From an admittedly ad hoc selection of eight countries (Benin, India, Indonesia, Mexico, Pakistan, the Philippines, Poland, and Uganda), Evans concludes that only in Indonesia and the Philippines, followed by Poland, is there real decentralization of administrative arrangements as opposed to delegation or deconcentration in the sense that local government really is the employer, with the ability to hire, fire, assess performance, set establishment ceilings, and to some limited extent, set or influence pay scales.

16 The 1978 Master Plan was not implemented fully, reportedly due to insufficient funds and lack of management and planning capacity. Unplanned shelter expansion occurred, including the construction of facilities outside of the master plan by government agencies.

17 In all countries, municipal independence is qualified; in many countries there are several categories of municipalities, based on population size, city, GDP, etc.

18 It should be noted that the reported data in the education sector is not always coherent or reliable. Data reported from different sources were often inconsistent. Some of the reasons given included the changing number of enrolled students, counting NGO schools as government schools, and counting the girls and boys sections located in the same building as separate schools.

19 This is below the lowest point on the standard pay scale because the second food allowance, introduced on May 5, 2002, is not payable to teachers.

20 In Burundi, for example, the gross enrollment rate declined from 73 percent in 1990 to 43 percent in 1996.

21 In Rwanda, the genocide of 1994 had a serious short-term negative impact on enrollment rates, but by the late 1990s enrollments had recovered their historical trend line.

22 Prior to the Transitional Administration private practice was allowed *only* if a doctor was in government service. While this stipulation has apparently been removed, there seem to be three situations for doctors currently (a) an MoH appointment and private practice; (b) an MoH appointment plus deputation to an agency with a top-up and private practice; and (c) a salaried assignment with an agency with less opportunity for private practice because of agency requirements.

23 The availability of female health workers in health facilities is a particular concern. The overall male/female gender ratio among health providers was 3 to 1 at the time of the survey. Forty percent of the 773 BPHS facilities that reported staff present have no female health provider at all. Again, the regional variations are extreme. Nuristan, for example, has only one female health worker – making the gender ratio for that province 43 to 1. Herat has a male/female health provider ratio of less than two. The male/female ratio is slightly worse in the district hospitals where it is slightly more than 5 to 1, and in malaria centers where it is 6 to 1. EPI fixed centers have a male/female ratio of 18 to 1.

24 The Bonn Agreement established four commissions that would be responsible for rebuilding the justice system, monitoring and investigating human rights violations, assisting in the preparation of a constitution, and maintaining the integrity of the civil service. The Civil Service Commission and the Human Rights Commission appear to be standing commissions that were intended to have a continuing functional task beyond the reform of existing constitutional and government structures.

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A Guide to Government in Afghanistan has three objectives: i) it seeks to provide newcomers to the administrative and political scene in Afghanistan with a basic guide to the structures and processes of government; ii) it intends to provide reformers with some understanding of how to work "with the grain" of the existing institutional arrangements; and iii) it seeks to pay tribute to the remarkable people who have kept the system running and who are now reforming it.

In pursuing these objectives, this guide attempts to set out the 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 draws the bulk of its material from six provincial case studies: Faryab and Herat, undertaken in November 2002; Badakhshan and Wardak, in April 2003; Kandahar in June 2003; and finally Bamiyan in July 2003. The guide has also benefited from additional research undertaken by AREU and the World Bank.

Subnational Administration in Afghanistan: Assessment and Recommendations for Action is the companion report to this guide, and outlines specific recommendations resulting from this study.

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