

# Assessing Progress: Update Report on Subnational Administration in Afghanistan



**Anne Evans and Yasin Osmani**

**June 2005**

Afghanistan Research and Evaluation Unit

Issues Paper Series

**Assessing Progress:**  
Update Report on  
Subnational Administration in Afghanistan

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Funding for this study  
was provided by the World Bank  
with support from the UK  
Department for International  
Development.

June 2005



## About the Report

This paper was commissioned and funded by the World Bank on the basis of a jointly agreed Terms of Reference, as part of the World Bank's ongoing Public Finance Management (PFM) Review for Afghanistan. Additional support was provided by the UK Department for International Development (DFID). An earlier version of this paper was circulated by the World Bank as a discussion draft. The findings, interpretations, and conclusions in the paper are the authors' and do not necessarily reflect those of the funding institutions.

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Current funding for AREU is provided by the European Commission (EC), the United Nations Assistance Mission in Afghanistan (UNAMA), the United Nations High Commissioner for Refugees (UNHCR), Stichting Vluchteling (SV), the World Bank, the United Kingdom Department for International Development (DFID), and the governments of Sweden, Switzerland and Denmark. Funding for this study was provided the World Bank with additional support from DFID.

## Acknowledgements

The authors would like to express their great appreciation to the numerous provincial and district officials in Bamyan, Badakhshan, Faryab, Herat, Kandahar and Wardak who met with the study team, and provided us with considerable data and commentary. The team would also like to thank Peter Muir, BearingPoint advisor to the Ministry of Finance Treasury Department, who provided access to the AFMIS database as well as comments on an early draft, and Mary Venner, BearingPoint advisor to the Ministry of Finance Budget Department, who provided 1383 allotment data and comments on an early draft. The paper has also benefited from comments from Sarah Lister (AREU) and William Byrd, Stéphane Guimbert, Nick Manning, Peter Middlebrook, S.M. Quamrul Hasan, Satendra Prasad, Philippe Auffret, and Anne Tully, all of the World Bank. Finally, the study team would like to thank the staff at AREU who managed the considerable logistical arrangements for the six provincial missions.

# Table of Contents

MAP OF THE SIX STUDY PROVINCES.....	i
GLOSSARY OF TERMS.....	ii
1. INTRODUCTION .....	1
FINDINGS AND RECOMMENDATIONS FROM THE ORIGINAL STUDY .....	1
THE GOVERNMENT'S RESPONSE .....	2
ASSESSING PROGRESS .....	3
SUMMARY OF MAIN FINDINGS .....	3
2. OVERALL SUPPORT FOR PROVINCES .....	5
3. PROVINCIAL ALLOTMENTS AND BUDGET EXECUTION .....	7
THE SINGLE REVENUE AND EXPENDITURE ACCOUNTS.....	7
TIMELINESS OF RECEIPT OF TAKHSIS (ALLOTMENT) .....	9
ADEQUACY OF POSITIVE BALANCES IN THE SINGLE EXPENDITURE ACCOUNT .....	11
GREATER FLEXIBILITY TO MANAGE EXPENDITURES.....	13
TIMELY REPORTING TO THE CENTRE.....	14
4. EXECUTING THE PAYROLL .....	15
TIMELINESS OF RECEIPT OF TASHKEEL (STAFFING ESTABLISHMENT) .....	16
MANAGING THE PAYROLL FOR TEACHERS .....	17
REPORTING ON NUMBERS OF PAID EMPLOYEES .....	18
5. NON-SALARY EXPENDITURES.....	19
ADEQUACY OF ALLOTMENTS.....	19
PROCUREMENT .....	20
6. AUDIT PRACTICES .....	23
7. BUDGETING AND COORDINATION MECHANISMS.....	24
8. STAFFING ADMINISTRATION .....	27
MERIT-BASED APPOINTMENTS .....	27
PRR .....	27
9. MUNICIPALITIES.....	29
10. CONCLUSIONS AND RECOMMENDATIONS.....	31
ANNEX 1: ANALYSIS OF PROVINCIAL BUDGET EXECUTION .....	35
ANNEX 2: ANALYSIS OF SALARY VS. NON-SALARY SPLIT OF PROVINCIAL EXPENDITURES .....	38
ANNEX 3: MUNICIPAL DATA .....	41

## BOXES

Box 1: Kandahar's "Semi-Official" Tax on Imports and Exports.....	7
Box 2: Managing Bamyan's Education Payroll .....	18
Box 3: Two National Initiatives Focused on Subnational Development .....	24
Box 4: Bamyan's "Fair Futures" Council .....	25
Box 5: Examples of Provincial Expenditures Funded by Municipal Revenues .....	29

## FIGURES

Figure 1: Non-Uniformed, Civilian Government Staff for Whom Salaries Have Been Paid .....	5
Figure 2: Non-Uniformed, Civilian Government Staff for Whom Salaries Have Been Paid – Excluding Education .....	5
Figure 3: Non-Salary Expenditures as a Share of Total Expenditure by Province, 1383 Compared to 1381 .....	6
Figure 4: Budget Spending as a Percent of Allotment by Province, 1381 to 1383 .....	10
Figure 5: Positive Balances at Month End as a Ratio of Average Monthly Spending .....	12
Figure 6: Share of Ordinary Budget Allocated to Provinces .....	19

## TABLES

Table 1: Non-Salary Expenditures, 1381 – 1383 (million af\$) .....	6
Table 2: Total Provincial Expenditure Shares by Category, 1st 9 Months of 1383.....	8
Table 3: Provincial Budget Spending as a Percent of Allotment by Expenditure Category, 1382 ....	8
Table 4: Provincial Budget Spending as a Percent of Allotment by Expenditure Category, 1st 9 Months of 1383 .....	8
Table 5: Provincial Budget Spending as a Percent of Allotment by Ministry, 1st 9 Months of 1383 .....	10
Table 6: Addressing the Delays in Processing the Payroll.....	15
Table 7: Share of 1383 3Q Salary and Non-Salary Allotment Provided to Provinces, by Ministry ...	20
Table 8: Process for Executing Non-Salary Payments.....	21
Table 9: Provincial Municipalities: Revenues and Expenditures, 1382 .....	30
Table 10: Provincial Municipalities: Staffing Structure for 1383 .....	30
Table 11: Summary of Recommendations.....	32
Table 12: Badakhshan: Analysis of Budget Execution, 1383 .....	35
Table 13: Bamyan: Analysis of Budget Execution, 1383 .....	35
Table 14: Faryab: Analysis of Budget Execution, 1383.....	36
Table 15: Herat: Analysis of Budget Execution, 1383 .....	36
Table 16: Wardak: Analysis of Budget Execution, 1383.....	37
Table 17: Initial, Full Year Ordinary Budget Allocation to Provinces, Salary vs. Non-Salary Split, 1383.....	38
Table 18: Ordinary Budget 9 Month Allotment in Provinces by Ministry, Salary vs. Non-Salary Split, 1383.....	39
Table 19: Ordinary Budget 9 Months Expenditures in Provinces by Ministry, Salary vs. Non-Salary Split, 1383.....	40
Table 20: Faizabad (Badakhshan) Municipality's Revenues and Expenditures by Category.....	41
Table 21: Faizabad (Badakhshan) Municipality Tashkeel for 1383 .....	41
Table 22: Bamyan Municipality's Revenues and Expenditures by Category .....	42
Table 23: Bamyan Municipality Tashkeel for 1383.....	42
Table 24: Maimana Municipality (Faryab) Staffing Structure 1383.....	43
Table 25: Maimana Municipality (Faryab) Expenditures for 1382 .....	43
Table 26: Maimana Municipality (Faryab), Revenues and Expenditures by Category, 1383.....	44
Table 27: Herat Municipality Tashkeel for 1383 .....	44
Table 28: Herat Municipality's Revenues and Expenditures by Category.....	45
Table 29: Municipality of Kandahar, Revenues and Expenditures, 1382 .....	46
Table 30: Kandahar City and District Municipalities Tashkeel (1382) .....	47
Table 31: Municipality of Maidan Shahr (Wardak), Revenues and Expenditure for 1382 and 1383 ..	47
Table 32: Municipality of Maidan Shahr (Wardak) Staffing Structure for 1383.....	48
Table 33: Summary of Activities in Municipalities.....	49





# Glossary of Terms

## Dari Terms

<i>Agir</i>	Government staff hired on fixed-term contracts
<i>Babs</i>	The six major expenditure codes
<i>Fasil</i>	More detailed line expenditure code, such as overtime, fuel, office supplies
<i>Karmand</i>	Permanent, tenured government staff
<i>Mustoufiat</i>	The provincial department of finance
<i>Mustoufie</i>	The provincial agent of the Ministry of Finance
<i>Shura</i>	Council or association
<i>Takhsis</i>	Budget allotment
<i>Tashkeel</i>	Staffing establishment or list of sanctioned posts
<i>Uluswal</i>	District administrator

## Abbreviations and Acronyms

AREU	Afghanistan Research and Evaluation Unit
ARTF	Afghanistan Reconstruction Trust Fund
ASP	Afghanistan Stabilisation Programme
CDC	community development council
DAB	Da Afghanistan Bank
DID	District Infrastructure Development
IARCSC	Independent Administrative Reform and Civil Service Commission
ISP	individualized salary payment
MRRD	Ministry of Rural Rehabilitation and Development
NSP	National Solidarity Programme
PRR	Priority Reform and Restructuring decree
PRT	Provincial Reconstruction Team

# 1. Introduction

## Findings and recommendations from the original study

In 2002, the Afghanistan Research and Evaluation Unit (AREU) and the World Bank jointly undertook a study of subnational administration in Afghanistan. A central part of this study included missions to six provinces—Badakhshan, Bamyan, Faryab, Herat, Kandahar and Wardak. These missions took place between November 2002 and July 2003. The findings and recommendations from this study were presented at a workshop in October 2003 attended by more than 100 provincial officials. The study results were published in two reports:

- (1) Evans, Anne, Nick Manning, Yasin Osmani, Anne Tully and Andrew Wilder. 2004a. *A Guide to Government in Afghanistan*. Kabul: AREU and the World Bank.
- (2) Evans, Anne, Nick Manning, Anne Tully, with Yasin Osmani and Andrew Wilder. 2004b. *Subnational Administration in Afghanistan: Assessment and Recommendations for Action*. Kabul: AREU and the World Bank.

The overarching conclusion of the study was that, despite the many political challenges, there was a basic bureaucratic structure at the subnational level that could be made to function. But this opportunity was time limited; if no action were taken soon, the skills, experience and commitment to public service would have completely drained from the system. Key issues addressed by the recommendations included:

- Inadequate salaries—too low and too late
- Delays in staff appointments
- Outdated *tashkeel* (staffing establishment)

- Lack of training and knowledge of procedures
- Low levels of non-salary cash flow
- Lack of central government presence in the provinces and districts
- Lack of adequate office facilities
- Central policy decisions bypassing existing structures
- Changing district and provincial boundaries
- Need for some “new blood” in the civil service.

The report proposed a two-pronged strategy. One strand called for the centre to commit itself to delivering some basic support for provinces, districts, and provincial municipalities in their functional role as service provider or commissioner, and in their political role as local representative of the unitary state. The second strand of the strategy was comprised of tailored incentives for subnational administrations that reflect their institutional and historical roots. Effective incentives at the subnational level would entail providing valued resources that are triggered by simple measures of administrative effort, and tailoring the incentives to suit the different circumstances faced by provinces, districts, and provincial municipalities.

Specifically, the report proposed commitments from the national government in Kabul to:

- Complete the pay and pension reform.
- Build confidence in the central agencies by demonstrating progress in the Independent Administrative Reform and Civil Service Commission (IARCSC) and by increasing Treasury authority over payroll, by providing

procedural guidance from the Ministry of Finance, and by enhancing oversight of the ordinary and development budgets.

- Build loyalty to Kabul by removing delays in processing the payroll and in staff appointments, by updating the tashkeel, increasing the levels of non-salary cash flow, by improving Kabul presence in the field and re-orienting Kabul ministries, and by stabilising district jurisdictions.
- Restore provincial dignity and capacity by physical reconstruction and priority support for provincial health and education departments.
- Revive districts by physical reconstruction and support for a return to written procedures.

The study proposed matching these commitments with conditional incentives for subnational administration, based on a combination of grants, modest delegation, and technical assistance, with triggers based on simple measures of administrative effort. The underlying approach proposed was one of modest and selective deconcentration to give the centre more practical control over local operations.

## The government's response

Since the original subnational study was conducted, the government has taken a number of actions that address issues in the report. For example:

- It has launched the Afghanistan Stabilisation Programme, which will provide funding for priority provincial projects through the Provincial Stabilisation Fund, provide buildings for district administrations, and

support capacity building at the provincial and district levels.

- It approved the Priority Reform and Restructuring (PRR) Decree, which provides a packaged approach to restructuring government units and providing improved pay levels for key leadership positions.
- It has introduced a number of reforms in the Ministry of Finance, such as:
  - re-decentralisation of the payroll;
  - improved cash management;
  - clarified budget procedures; and
  - revenue collection reforms.
- It has established the IARCSC to oversee the administrative reform agenda, and manage merit-based recruitment for staff at grade 2 and above.

In addition, the Ministry of Finance is reviewing the *mustoufiat's* (provincial department of finance) structure, roles and responsibilities. Although some elements are still undecided, such as the reporting structure for the revenue and treasury functions, it appears one of the innovations being considered will be to establish a budget coordination unit that would support provincial departments in preparing budget requests, and more generally help with coordinating provincial planning.

While these actions are important, positive steps, in other areas issues raised in the original report persist. In particular, there are several ongoing initiatives at the provincial and district levels that operate outside the subnational administrative structures of government. For example,<sup>1</sup> there are Provincial Reconstruction Team (PRT)-related processes at the provincial level, including

<sup>1</sup> For a fuller discussion see Lister, Sarah, 2005, *Caught in Confusion: Local Governance Structures in Afghanistan*, Kabul: Afghanistan Research and Evaluation Unit (AREU).

Provincial Reconstruction Offices in some provinces, and proposed Provincial Development Committees developed with the Ministry of Finance to coordinate National Priority Programmes. There are now also provincial and district planning/coordination mechanisms being set up as part of the counter-narcotics effort. Although there is some coordination between these various structures and subnational administration, in many cases the linkages are very weak.

Issues related to district and provincial boundaries also remain. In Faryab in particular, the four districts along the border continue to operate largely through the province of Jawzjan. The tashkeel for these districts is sent to Faryab Province, but their *takhsis* (budget allotment) is sent through Jawzjan, the payroll and non-salary expenditures are processed through Jawzjan, and the revenues are also collected through Jawzjan. Since the original report was published, the government has also created two new provinces.

### Assessing progress

Now that more than two years have passed since the first provincial mission to Herat, the World Bank has commissioned AREU on the basis of jointly agreed Terms of Reference to conduct a review of progress to date—what reforms have taken place, but more importantly, what has been the impact at the subnational level.

This review has been conducted by Anne Evans and Yasin Osmani, two of the researchers involved in the original study. The review has been a focused one, examining a number of specific questions in the area of budget and financial management as well as issues of staff appointment procedures. The research effort involved revisiting the six provinces reviewed in the original report; these missions took place between November 2004 and January 2005.

### Summary of main findings

One of the main conclusions of this current review is that financial management at the provincial level has improved significantly since the original study was done:

- In most cases pay is now received monthly, and on time.
- Access to cash balances for non-salary expenditures is much improved, particularly in the very poor provinces.
- Financial reports are being submitted on time (mostly).
- The single expenditure and revenue accounts are working well.
- Audits are being done—although it was unclear what effect these audits were having.

But there are still significant issues to be addressed:

- Low pay continues to be a major complaint.
- The *takhsis* and *tashkeel* arrive late in many cases, and in the case of the *takhsis* it causes delays in pay; there is also a disconnect between the line ministry's version of the *takhsis* and the *mustoufiat*'s version.
- The system of transferring positive balances into the provincial single expenditure account, while effective in getting cash out to provinces, is still placing unnecessary constraints or delays on spending.
- Non-salary allotments are still low, and there continue to be inequities between provinces.
- There is still a lack of written manuals, and more training is needed.
- Management of the education budget is still a major issue.

In terms of recruitment and staff appointments, however, little has changed. Senior appointments are going through the IARCSC, but still, political and ethnic considerations appear to feature prominently in recruitment. There has also been some small movement towards introducing PRR at the provincial level, but so far it is only seen as a means to increase pay, and those left out are resentful.

There is some coordination going on at the provincial level, but it is unclear how effective it is. And in some places the National Solidarity Programme (NSP) appears to be successful, especially in building community identity.

Many of the issues identified in this report can be addressed relatively easily. A summary of the study's recommendations is contained in the conclusions and recommendations section at the end of this report.

## 2. Overall Support for Provinces

As noted earlier, the original study was critical of the central government in terms of its support to subnational administration, and by extension, to mechanisms supporting service delivery. A starting point for assessing the extent to which the central government has improved its overall support for the subnational administration is to look at trends in staffing and in the provision of non-salary expenditures.

Figure 1 shows that, after discounting for end of year anomalies and lags in reporting at the provincial level, the general trend in staff numbers seems to be a reduction of staff based in Kabul, and an increase in staff at the provincial level.

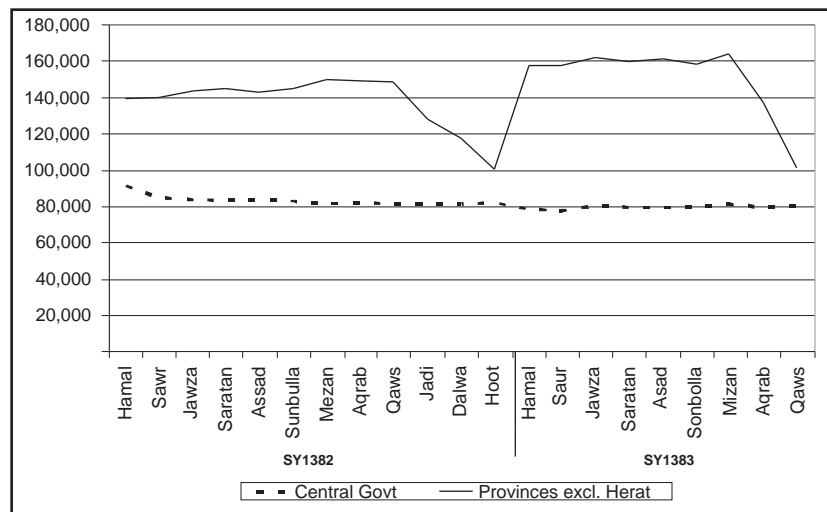
However, as Figure 2 shows, the increase in staff numbers at the provincial level is in fact only happening in education, and for other departments the trend is flat or slightly downwards. This conclusion was supported in interviews conducted in the case study provinces. And, once education figures are taken out, there continues to be more staff employed at the centre than in all the provinces combined.

While there is no doubt that education is an important priority for the government, there is clearly still scope to shift the balance of staff

numbers in other ministries closer to the points of service delivery.

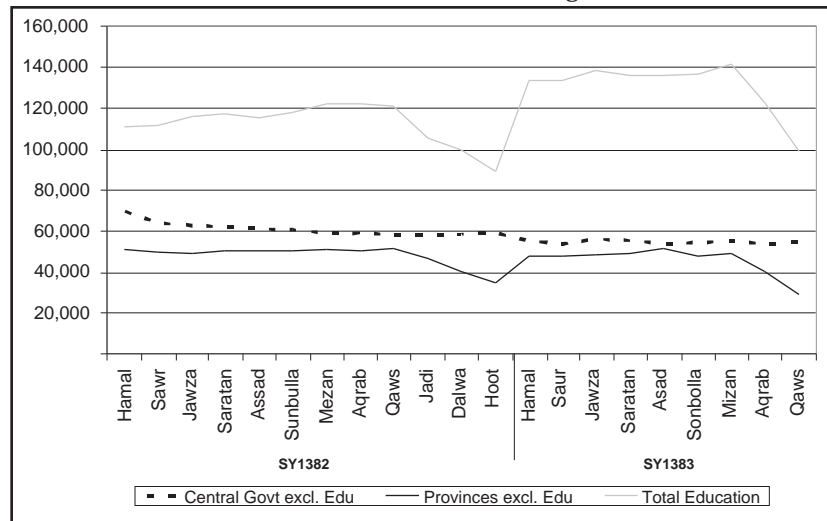
A major issue identified in the original subnational study was the lack of access to non-salary expenditures, particularly in provinces without access to revenues, and

Figure 1: Non-Uniformed, Civilian Government Staff for Whom Salaries Have Been Paid



Note: Herat data were not available for 1382, and so are excluded from the 1383 data. Source: Headcount database, ARTF Monitoring Agent

Figure 2: Non-Uniformed, Civilian Government Staff for Whom Salaries Have Been Paid – Excluding Education



Note: Herat data was not available for 1382, and so is excluded from the 1383 data. Source: Headcount database, ARTF Monitoring Agent



in districts generally. The adequacy of allotments was discussed, and evidence suggested that a disproportionate share of non-salary expenditures was kept at the centre. Still, the overriding issue was the lack of physical cash; provinces without access to revenues were not able to spend even the low level of allotment they were given, because the limited amount of physical cash that was transferred was received only at the very end of the year.

The issue of availability of physical cash has largely been resolved. There are still issues with respect to access to positive balances

in the province's single expenditure account, which are discussed later in the paper. But still, non-salary spending has improved significantly since 1381, for the "revenue-poor" provinces. Table 1 summarises the reported spending on non-salary expenditures in 1381 and 1382, along with allotments for 1383, and Figure 3 shows the change in non-salary spending as a share of total expenditure in each of the six case study provinces.

In other respects, support from the centre to subnational administration has improved, particularly in the area of financial and fiscal management. Through the issuance of budget and treasury circulars, finance is providing clearer instructions to the mustoufiats. Training seminars are taking place, particularly where new or revised procedures are being introduced. And a BearingPoint consultant has been placed in each mustoufiat to facilitate the introduction of new procedures and computerised technologies.

While there is certainly room for improvement in the quality of these support mechanisms, they have been beneficial.

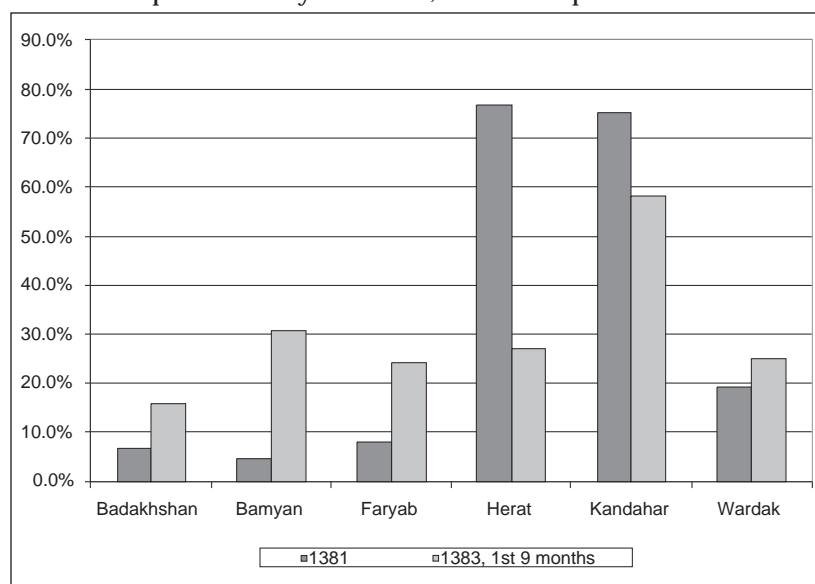
The next several sections focus on some of the specific issues from the original study, and the changes that have taken place.

Table 1: Non-Salary Expenditures, 1381–1383 (million afs.)

	1381 Expenditures	1382 Expenditures	1383 Full Year Allotment
Badakhshan	16.0	49.2	76.7
Bamyan	2.8	40.3	35.4
Faryab	6.2	28.2	48.8
Herat	745.0	1,549.1*	111.3
Kandahar	508.0	646.8	121.8
Wardak	11.6	33.9	29.7

\* In Herat, in 1382, a large payment was made in the Ministry of Reconstruction before the implementation of the Treasury Single Account.  
Source: Ministry of Finance Ministries' B10 forms and AFMS database

Figure 3: Non-Salary Expenditures as a Share of Total Expenditure by Province, 1383 Compared to 1381



Source: Evans, Manning et al: 2004a; Ministry of Finance AFMS database, as of December 15, 2004.

### 3. Provincial Allotments and Budget Execution

#### The single revenue and expenditure accounts

In the original subnational study, one of the main findings was that the pattern of expenditures at the provincial level varied dramatically depending on whether a particular province had access to revenues. An analysis of 1381 data from that report showed that for those provinces that were largely or completely dependent on Kabul for cash, most expenditures went to salaries; in the case of Bamyan, the ratio was as high as 95.1 percent. Only those provinces that had access to customs duties incurred substantial non-salary expenditures, *and significantly overspent their allocation*.

However, in the summer of SY1382, the government introduced single revenue and expenditure accounts.<sup>2</sup> With this system, all revenues formally collected in a particular province are now deposited into a single revenue account. This revenue account is controlled by the Ministry of Finance in Kabul, and the provincial administration has no authority to access these funds. Provinces can only draw funds from the expenditure account, and the balance in this account is controlled by the Treasury Presidency in the Ministry of Finance. The result of this reform has been to cut provinces off from any access

to the officially collected revenues, and their spending is limited by the allotment and cash management controls of the Ministry of Finance.

While this is a significant step forward, it does not mean that these provinces no longer have any access to “unofficial” revenues. But the general view is that these reforms have made it much more difficult to access additional sources of revenues. Still, these activities do go on. Box 1 describes one example from Kandahar.

On the expenditure side, the overall impact of introducing the single revenue and expenditure accounts has been to reduce dramatically the inequities in spending that were documented in the original study. Table 2 shows the actual expenditures for each of the six provinces in the study for the first nine months of 1383.

Similarly, the pattern for budget execution has also improved. Tables 3 and 4 show budget execution (actual expenditures as a percentage of the allotment) by category for the six provinces for 1382 and 1383, respectively. While in 1382 there continued to be significant overspending in the “revenue rich” provinces of Kandahar and Herat, for the first nine months of 1383 all six provinces show a more comparable rate of expenditure.

#### Box 1: Kandahar’s “Semi-Official” Tax on Imports and Exports

It was reported that Kandahar collects a semi-official tax on exports and imports. This revenue is in addition to the legal custom duties imposed on traders. The money is deposited in a specific account in a Kandahar branch of Da Afghanistan Bank (DAB). According to the DAB director, this fund is spent on reconstruction activities and is not being processed through the mustoufiat. The deputy governor issues the checks and he is the sole authority who can withdraw the funds. The total amount collected for the first seven months of 1383 was 146 million afs.

<sup>2</sup> The provinces do have other accounts, but these must be approved by the Ministry of Finance. Typically, there will be separate accounts for pension payments (through the Ministries of Labour and Social Affairs, and Martyrs and Disabled), and an account to hold deposits of merchants involved in the procurement process. Although the DAB holds other accounts such as NSP or other development budget funds, the mustoufiat is not involved.



	Badakhshan	Bamyan	Faryab	Herat	Kandahar	Wardak
Personal Emoluments	84.2%	69.2%	75.9%	72.9%	41.9%	75.1%
Services	0.5%	2.1%	0.7%	2.5%	0.5%	1.1%
Tools and materials	12.1%	10.2%	13.1%	22.8%	15.7%	6.2%
Maintenance and repairs	1.6%	1.8%	1.9%	1.0%	0.5%	11.2%
Land, structures and equipment	1.4%	1.4%	2.6%	0.8%	39.9%	1.7%
Subsidies, grants, contributions and pensions	0.2%	15.2%	5.9%	0.1%	1.4%	4.6%
Total, non-salary expenditures	15.8%	30.8%	24.1%	27.1%	58.1%	24.9%
Grand Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Ministry of Finance AFMIS database, as of December 15, 2004.

	Badakhshan	Bamyan	Faryab	Herat	Kandahar	Wardak
Personal Emoluments	77.3%	91.4%	88.9%	92.4%	87.7%	80.8%
Services	31.7%	56.3%	38.8%	850.7%	130.4%	75.7%
Tools and materials	108.3%	101.9%	68.2%	243.7%	102.5%	111.3%
Maintenance and repairs	98.2%	93.9%	74.8%	859.8%	2054.7%	108.7%
Land, structures and equipment	57.1%	98.5%	59.2%	1389.2%	276.6%	84.9%
Subsidies, grants, contributions and pensions	44.8%	99.8%	102.0%	225.3%	127.3%	101.1%
Total, non-salary expenditures	96.1%	96.8%	69.2%	663.1%	235.5%	101.5%
Grand Total	80.0%	92.8%	85.0%	232.0%	134.5%	85.1%

Source: Ministry of Finance AFMIS database

	Badakhshan	Bamyan	Faryab	Herat	Kandahar	Wardak
Personal Emoluments	73.5%	49.4%	58.3%	79.9%	58.9%	73.1%
Services	33.5%	65.7%	19.0%	62.5%	37.3%	56.0%
Tools and materials	96.3%	80.4%	71.1%	97.6%	100.1%	74.7%
Maintenance and repairs	59.1%	39.9%	43.2%	44.1%	34.1%	153.4%
Land, structures and equipment	68.4%	72.7%	93.1%	49.3%	84.3%	66.0%
Subsidies, grants, contributions and pensions	2.3%	72.5%	66.0%	1.5%	64.5%	75.6%
Total, non-salary expenditures	60.5%	70.9%	63.6%	73.5%	85.3%	94.6%
Grand Total	71.1%	54.5%	59.5%	78.1%	71.8%	77.5%

Source: Ministry of Finance AFMIS database, as of December 15, 2004.

Figure 4 compares total budget execution to 1381, as reported in the original study. Table 5 shows budget execution for the first nine months of 1383 for six provinces, broken down by ministry.

While this analysis points to a significant improvement in budget execution over the last two years, there are still major issues that continue to constrain or delay budget execution at the provincial level. Specific issues related to payroll are discussed in a separate section. The balance of this section deals with the timeliness of the receipt of the provincial allotment, and the adequacy of transfers into the single expenditure account. In addition, the impact of providing provinces with more flexibility to manage their allotments is discussed, as well as improvements in provincial reporting practices.

### Timeliness of receipt of takhsis (allotment)

As documented in the original study, provinces cannot execute any expenditure until they have received their quarterly allotment (takhsis) from the centre. Past practice had been for each ministry to send the quarterly allotment to each of their provincial departments on form B20. At the same time, the line ministry would send a copy of the form B20 to the provincial mustoufiat. The mustoufiat would only authorise payments once it had a copy of this form. While the timing of the receipt of the takhsis was not identified as an overriding problem in the original study given other issues at the time, delays in communicating the takhsis was a constraining factor.

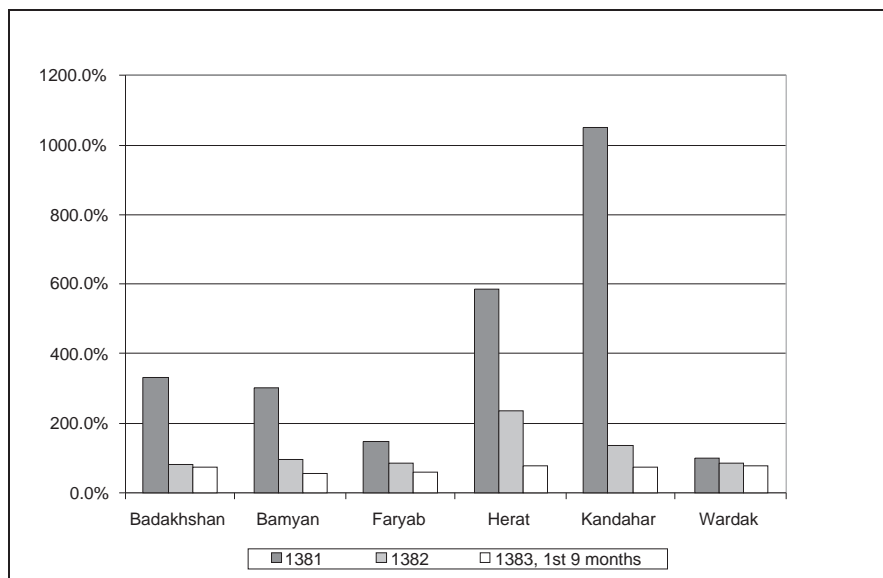
One of the improvements implemented for 1383 is that the Ministry of Finance is now responsible for sending the form B20 directly to the mustoufiats, whereas in the past this was the responsibility of the line ministries. However, ministries continue to be slow in submitting the B20 form to finance. Based

on interviews with provincial officials, very few ministries manage to submit forms before the start of the quarter, as required. Some provincial departments receive their allotments during the first month of the quarter; a significant number are sent the allotments during the second month, and a few even receive them only in the last month of the quarter. This is further complicated by the fact that allotments for the second, third and fourth quarters are issued in two parts. As a result, the Ministry of Finance must send monthly updates to the allotment to the mustoufiat. Officials from the mustoufiats consistently cited the delays in receipt of the takhsis as the most common reason for delays in processing both the payroll and non-salary expenditures.

Once the allotments are sent to provincial departments, provinces reported that the allotment data received by the department (from the line ministry) sometimes differed from the details in the form B20 received by the mustoufiat (from the Ministry of Finance). It is not clear why this has been occurring, but it may be due to the timing of when various forms are sent. However, the form B20 that the mustoufiat receives is the official record of the allotment, and the *mustoufie* (provincial agent of the Ministry of Finance) enforces this amount. (However, it was reported in one instance that the *mustoufie* used whichever figure was lower.)

The practice of sending the takhsis through the Ministry of Finance to the *mustoufie* is a significant improvement over past practice, but to be truly effective it is essential that all ministries comply with the deadlines, and ideally, the takhsis should be communicated to provinces in advance of the quarter. A proposal is under consideration that the Ministry of Finance create an annual financial plan for each secondary budget unit (including provinces) based on ministry input, and then using this plan, issue the quarterly allotments directly to mustoufiats at the start of each quarter. Ministries could make adjustments during the year, but these would not delay

Figure 4: Budget Spending as a Percent of Allotment by Province, 1381 to 1383



Source: Ministry of Finance AFMIS database, as of December 15, 2004; Evans, Manning et al: 2004a.

Table 5: Provincial Budget Spending as a Percent of Allotment by Ministry, 1st 9 Months of 1383

	Ministry	Badakhshan	Bamyan	Faryab	Herat	Kandahar	Wardak
110	Supreme Court	87.50%	67.30%	61.20%	76.10%	71.80%	98.40%
200	Finance	78.80%	86.20%	66.60%	66.10%	71.30%	98.60%
220	Defence	93.40%	41.90%	53.20%	101.70%	40.80%	93.90%
230	Foreign Affairs		60.00%		75.00%	10.70%	
240	Religious Affairs and Hajj	75.70%	78.50%	64.10%	56.10%	48.10%	63.20%
250	Commerce	95.60%		49.80%	55.60%	50.50%	
260	Interior	89.10%	72.30%	84.90%	83.30%	92.60%	105.10%
270	Education	73.00%	51.00%	55.60%	77.20%	76.90%	77.20%
280	Higher Education	64.50%	60.60%	40.80%	68.40%	61.70%	
290	Return of Refugees	60.40%	68.30%	57.70%	56.20%	44.40%	65.70%
310	Planning		65.80%		42.40%	58.40%	
320	Mines and Industry				78.70%		
330	Food and Light Industry				73.50%		
340	Communication	51.50%	51.90%	42.10%	61.50%	36.00%	36.90%
360	Information and Culture	57.00%	35.60%	45.40%	72.00%	33.30%	69.20%
370	Public Health	49.10%	33.20%	38.50%	78.60%	43.30%	17.80%
380	Women's Affairs	55.50%	67.20%	51.80%	53.80%	43.50%	42.80%
390	Agriculture and Animal Husbandry	92.90%	84.50%	77.70%	92.60%	82.00%	71.30%
400	Irrigation and Water Resources	70.10%	51.50%	50.90%	70.50%	43.30%	67.00%
420	Public Works	90.00%	92.30%	32.60%	58.00%	42.00%	
430	Rural Rehabilitation and Development	42.30%	34.70%	40.90%	57.50%	44.40%	50.00%
440	Martyrs and Disabled	2.90%	73.10%	65.20%	2.70%	65.70%	73.90%
450	Transport	74.20%	66.90%	63.80%	86.90%	60.40%	59.50%
460	Borders	20.20%	55.90%	43.70%	38.80%	67.00%	60.50%
470	Labour and Social Affairs	63.40%	95.00%	28.40%	78.60%	64.70%	33.70%
480	Civil Aviation	40.10%	73.40%	74.20%	64.10%	21.30%	
490	Urban Development				53.20%	60.70%	
500	Justice	73.40%	39.00%	61.50%	129.30%	138.90%	75.00%
510	Attorney General	78.40%	65.40%	57.60%	77.60%	79.80%	76.60%
803	National Olympics Committee	81.50%	72.40%	53.90%	49.50%	28.50%	40.50%
805	Geodesy and Cartography Office	57.80%		52.60%	56.00%	81.60%	
806	Central Statistics Office (CSO)	57.80%	88.00%	38.60%	61.40%	55.60%	60.10%
808	Disaster Management Organization				5.60%	25.80%	
	Total	71.10%	54.50%	59.50%	78.10%	71.80%	77.50%

Source: Ministry of Finance AFMIS database, as of December 15, 2004.

the issuing of each quarterly allotment. Implementing this process would effectively eliminate the issue of late allotments to provinces.

### Adequacy of positive balances in the single expenditure account

Once the mustoufiats have received the quarterly allotments for the provincial departments, the mustoufiats can proceed to process payroll and non-salary expenditures. However, before checks can be issued against the allotment, mustoufiats must also confirm that there is an adequate balance in the single expenditure account to cover the amount of the check.

The Treasury Presidency in the Ministry of Finance is responsible for transferring positive balances into the single expenditure account.<sup>3</sup> According to Finance Circular No. 8/1383, the Treasury is to transfer positive balances based on the allotment to the province's single expenditure account no later than the 20th of each month. Based on this transfer advice, the DAB is to ensure that physical cash is available no later than the 25th of the month. In order to ensure provincial compliance with reporting requirements, the timing of transfer of positive balances is also dependent on mustoufiats submitting monthly expenditure and revenue reports on time.

In fact, the set of procedures put in place by the Treasury Presidency to regularise the flow of funds and support budget execution at the provincial level is a very significant improvement compared to 1381 and early 1382. As part of implementing these new procedures, the Treasury Presidency has developed a monitoring system which tracks provincial payments based on monthly expenditure reports (form M23), the dates these forms are received, and accumulated

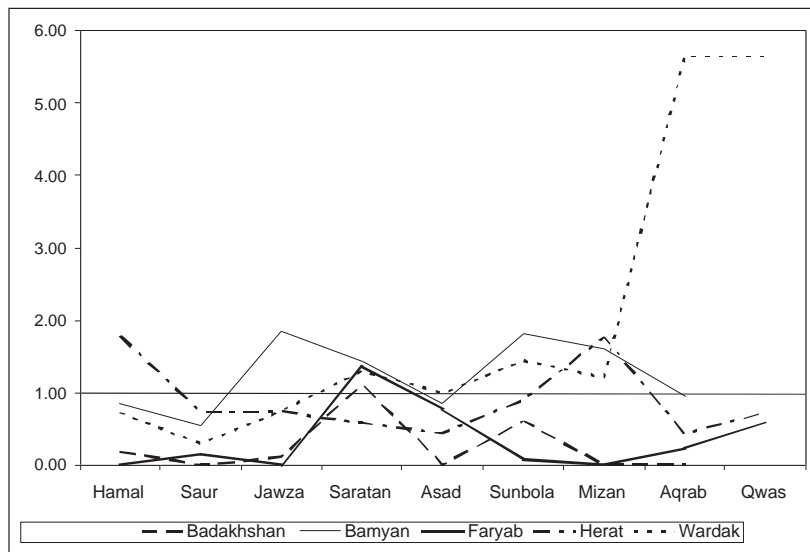
positive balances in provincial expenditure accounts. The Treasury uses these data to adjust the amount transferred to the expenditure account to also take into account actual spending patterns.

The intent underlying this monitoring system—to ensure adequate positive balances while minimising the accumulation of excess balances—is clearly a sound one. However, during the provincial missions, it quickly became apparent that the implementation of this system was causing serious problems for some of the provinces. Their complaint was that in some months the transfer of positive balances was too little to cover all expenditures for the month, or the transfer happened so late in the month that all payments for the month could not be processed. In analysing the flow of payments, it became clear that the problem with the Treasury's monitoring system was that it did not take into account current expenditures. Because the system relies on the monthly reporting form (M23) to record expenditures, which comes in after the end of the month, there is always a delay in reported expenditures, while the information on positive balances is current. So the monitoring system will always be reporting more cash balances than the reality. When this fact is coupled with substantive swings in month to month spending levels, it becomes a very poor predictor of cash flow needs in the provinces. To document this problem, data on monthly expenditure reports and transfers of positive balances to provincial single expenditure accounts were collected from the case study provinces.<sup>4</sup> From these data, it was possible to calculate the actual positive balances at the end of each month. The details of this analysis are contained in Annex 1, and summarised in Figure 5. The results show that for the five provinces for which data were collected, seven times out of ten,

<sup>3</sup> Provincial officials referred to this transfer of positive balances as *darai* or "spending authorisation". It does not refer to physical cash.

<sup>4</sup> Data are not available for Kandahar.

Figure 5: Positive Balances at Month End as a Ratio of Average Monthly Spending



the positive balance at the end of the month was lower than the average monthly spending. On average, the transfer of positive balances was received on the 18th of the month, but in many cases it was only received within the last five days of the month.

During the provincial missions, officials from the mustoufiat as well as many others cited this issue as a major problem. In Faryab, the researchers were told that normally they process expenditure documents for non-salary payments between the first and the 15th of the month, they process the payroll between the 15th and 25th of the month, and then prepare the monthly reports during the last days of the month. So with low end-of-month balances, and with replenishment of these balances only happening towards the end of the month, problems of insufficient funds are likely to arise. Other provinces could have different schedules, or simply process payments when they are ready or needed, but the issue remains the same. Since the general practice is not to issue checks until there are sufficient funds in the account, many payments cannot be processed until the next month. When these situations have occurred, mustoufies reported that payments have been processed on a first-come-first-

serve basis, although clearly the mustoufie could choose which payment to process. It is also worth noting that the lack of physical cash—a major problem during the original study—was generally not an issue.

Some of the mustoufies felt that transfers of positive balances to the expenditure accounts equal to the quarterly allotment should occur at the beginning of the quarter. While this solution would make it

difficult for the Treasury to manage account balances effectively, even transferring amounts equal to the monthly allotment would ease the problem considerably.

The World Bank's draft paper on allotments (referred to earlier) acknowledges this problem, and also proposes that the Ministry of Finance move towards fully funded allotments. If issuing fully funded allotments on a quarterly basis is likely to cause cash flow problems, allotments could be issued for shorter periods, but this would be a preferred solution to withholding funding of approved allotments.

The remaining problem, which is a very important concern for the Treasury Presidency, is the significant degree of fluctuation in spending levels from one month to the next. This fluctuation can be explained to some extent by delays in receipt of takhsis and constraints caused by low expenditure account balances, but not entirely by these factors. For all of the five provinces for which data are available, for example, there was no or virtually no spending reported for the first month of the fiscal year. Lack of takhsis cannot explain all of this. An analysis of monthly spending patterns by provinces is necessary, but such an analysis will be more



informative once these two major influences are taken out of the equation.

## Greater flexibility to manage expenditures

One of the significant changes that affected provinces this year<sup>5</sup> has been the decision to give provinces greater flexibility to shift expenditure allotments between minor codes.

Historically, allotments to provinces have been broken down into major codes (*babs*) and minor codes (*fasils*). These allocations are determined by the parent ministry in Kabul, with no input from the provincial department or mustoufiat. If provinces wanted any changes to these allotments during the year, they had to request permission through their ministry, and ultimately, the Ministry of Finance in Kabul. This approval procedure could cause significant delays and other problems for provincial officials and could even lead to disruptions in service delivery. And given the number of requests for adjustments that come through each year, this process placed a considerable administrative burden on the Ministry of Finance. There is also the belief that controls of this sort provide opportunities to elicit rents or bribes.

To address this issue, the Ministry of Finance is now issuing allotments at the major code level only. It is then up to provincial departments to decide how these funds are to be allocated to the minor spending codes. Reporting on actual expenditures, however, is still required at the *fasil* (or minor code) level.

To facilitate the introduction of this change, training seminars were given for all affected staff in the provinces. Despite this, implementation has varied considerably across provinces and ministries. Kandahar, for example, requires its departments to submit

to the mustoufie their allocation at the *fasil* level at the start of the quarter, and then enforces this allocation during the quarter. Other provinces generally leave this up to the departments. In Bamyan, the mustoufie requires departments to submit and “register” their allocation of allotment to *fasils* with the mustoufiat, and to submit requests for changes, but the mustoufie does not reject any requested changes. In a few cases, ministries continue to provide their allotment at the *fasil* level. In Faryab, for instance, it was noted that the Ministries of Education and Interior continue to issue allotments at the *fasil* level, so the mustoufiat does enforce these allocations. In Badakhshan, the Ministries of Rural Rehabilitation and Development and Education were cited as ministries providing allotments at the *fasil* level. In these cases, the mustoufiat enforces the allocation, and any changes to the allocation between *fasils* must be approved by the respective ministry.

The provincial perspective on this change was very mixed. While some officials liked the change, most often those in line departments, the officials in the mustoufiat generally viewed this change negatively, as it was believed to lead to abuse. For example, a head of department could allocate extra funds to his or her office at the expense of more pressing needs. Within *bab* 10000 (Salaries and Allowances), there is potential to switch funds from basic salaries to bonuses and overtime. While provincial departments have not normally had funds to pay staff overtime or bonuses, during the missions the researchers found that in at least two provinces, the same provincial department was paying both overtime and salary bonuses to staff. During the course of the provincial missions, some alternatives were suggested, where the allocation at the *fasil* level could be controlled at the provincial level by the

<sup>5</sup> This change was formally introduced for the 1382 budget year; however, provinces did not report any change in practice until 1383. It is possible that ministries, who were still responsible in 1382 for transmitting the B20 forms to provinces, continued to provide allotments in *fasils*.

mustoufie or even the governor, but still concern was raised that the decision-makers could be influenced by the opportunity for personal gain.

Nevertheless, this move to less central control over line items is in place, and will soon be extended further by consolidating the non-salary, non-capital babs into a single classification. This practice is consistent with international standards, and is also consistent with the principle that local managers know better what their mix of expenditure needs are. In addition, it eliminates the transaction costs of getting approval from Kabul for every small adjustment.

However, delegating control over the distribution of expenditures to different fasils is challenging in a context where there is a lack of alternative accountability mechanisms and good management practices at the provincial level. Equipping managers with the skills needed to take on this type of delegated authority should be an important focus for future training programmes. In addition, mechanisms for building accountability are needed; it will be important, for instance, to monitor spending patterns across ministries and provinces to ensure that no gross abuse is happening.

## Timely reporting to the centre

Another finding from the original study was that provinces were doing a poor job of reporting on revenues and expenditures in a timely and accurate way. This was viewed in Kabul as a very serious problem, especially given the lack of other controls and information sources at the provincial level.

This situation has improved dramatically. The Treasury Presidency has issued clear instructions on reporting procedures, including a requirement that reports be submitted by the 10th of the following month. In the absence of receiving these reports, transfer of positive balances to the single expenditure account is withheld. As a result, in most cases provinces are submitting reports on time. This was confirmed both by provincial officials and officials in the Treasury Presidency.<sup>6</sup> In some cases, delays in submitting reports continue to result from the lack of modern communications facilities, but in most cases provinces are able to send reports in with someone who is traveling to Kabul anyway, often the mustoufie himself or the BearingPoint consultant who has been assigned to each mustoufiat. Still, this is not a sustainable solution, and efforts are needed to modernise communications arrangements.

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<sup>6</sup> See Annex 1 for details on when expenditure reports have been submitted in five of the case study provinces.

## 4. Executing the Payroll

One of the most compelling issues reported in the original study was the delay in processing the payroll, particularly at provincial and district levels. That report identified seven main reasons for payroll delays. Many of these reasons for delays have been addressed by re-decentralising the payroll (provinces are no longer required to submit payroll documents to the Ministry of Finance for approval before receiving authorisation to process the payroll), and to a large extent reinstating procedures that had been in place for many years.

As a result, the current procedures for processing the payroll are well understood and work smoothly. As long as the takhsis has been issued, and there are adequate balances in the expenditure account, staff are paid each month, usually before the end of the month. Even in districts, once the physical cash is received from the mustoufiat, it takes at most 4–6 days for staff in remote areas to receive their pay. In the six case study provinces, there were only a few exceptions. In Bamyan, all district staff have agreed to be paid quarterly, due in part to logistical constraints, but also because of equity concerns when some departments have their takhsis and others do not. In Badakhshan, monthly pay is still not feasible in the very remote districts of Darwaz, Wakhan and Keranmunjan. And in winter, conditions may pose some additional delays. But in all six

provinces, including Bamyan, it was consistently reported that staff are happy with the current payroll arrangements.

In re-decentralising the payroll, it could be argued that the controls on payroll processing have been weakened, despite the fact that the added controls imposed by a centralised process were in practice ineffective. But ensuring that regular audits of the payroll are conducted as part of the Auditor General's normal audit agenda should address this risk.

Table 6 summarises the actions that have been taken to address the seven main reasons for payroll delays, as identified in the original study. The reasons for delays in processing

Reason for Delays from the Original Study	What Has Been Done
1. Some provincial staff, who are not confirmed in their position by their parent Kabul ministry, are rejected from the payroll	P While no specific action has been taken to address this, it is no longer viewed as a significant issue
2. The tashkeels (staffing establishment) are issued late	PO Departments can use 1382 tashkeels to authorise payroll if the 1383 tashkeel is not available
3. The line ministries issue takhsis that are inconsistent with the tashkeels, at least at the provincial level	PO In 1383, the inconsistency has been minimised, but a serious problem still exists within education
4. Provinces and districts are under the impression that they should only be preparing the M41s (payroll) every quarter	P With very few exceptions, payrolls are now processed monthly, facilitated by the re-decentralisation of the payroll
5. The mustoufie must make what is often a laborious and time-consuming journey to take the payrolls to Kabul	P The re-decentralisation of the payroll has eliminated this issue
6. Provinces report that many forms are repeatedly rejected by the Treasury Presidency for very minor reasons	P The re-decentralisation of the payroll has eliminated this issue
7. There are extensive delays in the DAB moving the cash to the provincial branches	P Improved systems in the DAB have virtually eliminated this issue



the payroll now centre on the delays in issuing the takhsis, and the lack of adequate balances in the expenditure account; these issues have already been discussed in the preceding section.

While the improvements to date in processing the payroll comprise a very positive development, more needs to be done to ensure that government employees receive their full salary entitlement. In Kabul, the Individualized Salary Payment (ISP) programme is being phased in, where staff can receive their pay directly from the DAB. While there is optimism in some quarters that the ISP programme can be extended to provinces and even districts, on-the-ground circumstances dictate that such a roll-out is a long way off, with the possible exception of a few of the larger provincial centres. It may be more realistic in the short to medium term to build up the bonded trustee model by formalising the relationship and strengthening the rules, so that the risk of abuse is reduced.

The balance of this section will discuss the remaining issues of late tashkeels (staffing establishment) and specific problems with the payroll for teachers. And finally, some discussion of issues with reporting staff numbers will be presented.

### Timeliness of receipt of tashkeel (staffing establishment)

The formal rules for approving the tashkeel for a ministry require that all ministries submit their proposed tashkeel to the Tashkeelat Office<sup>7</sup> three months prior to the start of the fiscal year. The Tashkeelat Office is then supposed to approve all tashkeels before the start of the fiscal year. The tashkeel includes organisational structures, number of posts and job descriptions for each position. The review of the tashkeel is coordinated with the budget process. The head of the Tashkeelat sits in on budget discussions, and part of his responsibility is

to check that the total tashkeel and the total takhsis for a ministry are consistent. Based on reports from the case study provinces, the tashkeel and takhsis do in fact match in most cases. The major exception to this is the Ministry of Education, which will be discussed below. Once the tashkeel has been approved, it is the responsibility of each ministry to communicate the tashkeel to each provincial department. The departments then give a copy of the tashkeel to the mustoufiat, which checks the payroll against the tashkeel as part of its pre-audit process.

However, despite the requirement to meet the deadlines noted above, many ministries are very late in issuing their tashkeel. According to the Head of the Tashkeelat, as of December 2004, some ministries, including the Ministries of Borders, Interior, Education, and Labour and Social Affairs, had still not submitted their proposed tashkeel for 1383 to the Tashkeelat Office. The provinces also reported that in many cases the tashkeels were received very late. The tashkeel for the mustoufiat only arrived in the sixth month of 1383 in some provinces.

This delay in issuing the 1383 tashkeel has not affected the processing of the provincial payroll. Budget Circular No. 7/1383, issued on May 10, directed provinces to process the payroll based on the 1382 tashkeel until the 1383 tashkeel is received (this is expected to be repeated at the beginning of 1384). This process was reasonable given that provincial departments have no control over the issuance of the tashkeel. But it did pose some risk if the new tashkeel resulted in a reduction of staff. In practice, however, in cases where there was a reduction in posts, it was possible to reassign staff to vacant posts.

Nevertheless, the delays in issuing the tashkeel are a problem that needs to be addressed. While the impact this year may have been minimal, when more extensive restructuring starts to take place the impacts could be significant. The requirement for

<sup>7</sup> The Tashkeelat Office is part of the Office of Administrative Affairs, reporting directly to the President.

ministries to submit their tashkeel on time needs to be enforced; given its relation to the budget process, it could be a required part of the overall ministry budget submission, and once received by the Ministry of Finance, the proposals could be redirected to the Tashkeelat Office for review. In addition, a copy of the approved tashkeel could be sent to the mustoufiats from the Ministry of Finance, as is currently done with the B20 forms (allotment). It has been recommended by the World Bank that the Office of the Tashkeelat should be moved to the Ministry of Finance. On its own, this move does not guarantee that the tashkeel process will move any faster, but it would reinforce efforts to integrate the process into the budget cycle, and dramatically increase compliance by ministries.

Over the longer term it will be desirable to reform the tashkeel process more generally, but it plays such a fundamental role in administrative practices that for now the better course is to make it work as effectively as possible. In the future, delegating some of the more detailed aspects of the tashkeel (that do not affect the number of staff) to ministries and even provincial departments could be considered.

## Managing the payroll for teachers

In the case study provinces, the review team encountered significant problems with data and issues related to teachers. One problem was a general lack of qualified teachers, which means there are large numbers of unqualified teachers being put on contract, instead of filling permanent posts.

More significantly, from a financial point of view, the number of teachers in many cases greatly exceeded the provision for salaries in the allotment. The reason for this was that there was excess demand for teachers in these provinces, and the departments felt they had no choice but to hire. The Ministry of Education's position on this is not clear, but based on interviews in the provinces, it appears that the ministry is sympathetic at

a minimum, and has done little to discourage this hiring.

The manifestation of this issue varied in each province. In Faryab, for example, the excess number of teachers was offset by vacancies in administrative and *agir* (staff on fixed-term contracts) posts in the education department, so that overall the salary allotment for education was adequate, even if the specific number of teaching posts was not approved.

In Herat, the excess teacher issue was more significant. According to figures provided by the local education department, there are 10,629 teachers and administrative staff in the department. But the salary allotment is based on a tashkeel of only 7,970. They have temporarily managed the situation by not paying district teachers for as many as three months. However, all city teachers and HQ staff have been paid to date. The estimate given to the research team was that there was an outstanding payroll liability of around 95 million afs. as of the date of the mission.

In Bamyan, it was reported that the Ministry of Education had officially given them a tashkeel of 2,250 (teachers and administration) which matches current employment, but the salary allotment only covers a staffing level of around 1,823. All 2,250 staff have been paid to date, but they have done so by "borrowing" from the next quarter's allotment (see Bos 2). The mustoufiat staff were fully aware of this, and agreed there is no obvious solution to this short of getting more allotment from the Ministry of Education. In Badakhshan the situation was similar to Bamyan, where the excess teachers were paid by "borrowing" from the next quarter's allotment. However, by the time the Badakhshan visit took place, they had received an additional allotment of 50 million afs., sufficient to pay for the excess teachers.

While this issue of hiring more teachers than provided for through the allotments was

### Box 2: Managing Bamyán's Education Payroll

For the first quarter of 1383, according to Bamyán's Education Department, they had an approved tashkeel of 1,823 staff, including teachers, administration and agirs. The actual number of staff was the same. The HQ staff and city teachers were paid for three months in the third month, because they did not receive their takhsis until then. District staff and teachers were paid for three months in the fourth month.

In the second quarter, they reported that they received a revised tashkeel of 2,251 from the Ministry of Education, and quickly hired new teachers (presumably on contract) up to that level. But, the salary allotment was not increased to match the new tashkeel. Still, the HQ staff and city teachers were paid each month, and the district staff and teachers were paid for three months in the sixth month. But with the increase number of teachers, it was necessary to "borrow" from the third quarter allotment.

As of the eighth month, the HQ and city teachers had been paid up to date. The department was planning to process the M41s for three months' pay for the district staff and teachers, but there is not enough salary allotment, so did not know what the mustoufie would do.

consistent across the six provinces, varying only in degree, overall the Ministry of Education has been unable to spend its budget, and in fact the budget for education was cut at the Mid-Year Review. Clearly, there is a need for better planning on the part of education at the provincial level, and making a more realistic assessment during future budget deliberations of the provincial distribution of salaries and staff. In addition, there is a need for implementing better monitoring and enforcement mechanisms to ensure that only an affordable number of teachers are hired.

### Reporting on numbers of paid employees

With the re-decentralisation of the payroll, the Ministry of Finance instituted a new reporting requirement dealing with summary payroll data, to be submitted as an attachment to the monthly expenditure report (form M23). This reporting requirement covers numbers of staff who have been paid each month, by department. Previously, this information had been submitted to Kabul as part of the payroll data required for payment authorisation. Among other uses, these data are used to create a headcount database managed by the Afghanistan Reconstruction Trust Fund (ARTF) Monitoring Agent. This

database provides valuable information that can usefully inform planning and budgeting processes.

However, during the provincial missions, numerous problems were encountered when trying to reconcile information on staffing levels provided by provincial officials with figures produced by the headcount database. Although there was not sufficient time to resolve these issues, it was possible to conclude that the monthly fluctuations in the headcount database are not due to changing staff levels. In most cases, staff levels do not change significantly from one month to another. In education's case, additional teachers may be hired, but they do not experience significant drops from one month to the next. The most likely explanation for these fluctuations in the data is that provinces are having considerable difficulty filling out the new form and are creating errors, particularly when dealing with situations where pay is delayed, and therefore individuals are being paid for two or more months at once. It is strongly recommended that this form be reviewed so that it more clearly deals with situations where staff are paid for two or more months at once. In addition, it would be beneficial to provide clear written instructions on how to fill out this form.

## 5. Non-Salary Expenditures

### Adequacy of allotments

With the exception of only one department where staff acknowledged that their allotments were sufficient, provincial officials in the case study provinces reported that the non-salary allotment to provinces and districts is still very low. While there has been some improvement in some areas, this is still a big issue. And for Herat and Kandahar, lack of access to revenues collected within the province has had a dramatically negative impact by forcing them to keep spending levels within their allotment. The lack of non-salary expenditures is especially problematic for those ministries that receive little or no assistance through the development budget for such things as refurbishing their offices.

The availability of non-salary expenditures in districts varied somewhat in the case study provinces, but generally they continue to receive little or no allotment. District officials recounted many examples of lack of firewood, and lack of vehicles and/or fuel for transportation. What they do receive is either in kind, or they might get some cash for a

particular purchase. In these cases, they do not submit monthly expenditure reports (except for payroll), but instead provide documentation for each purchase as it occurs.

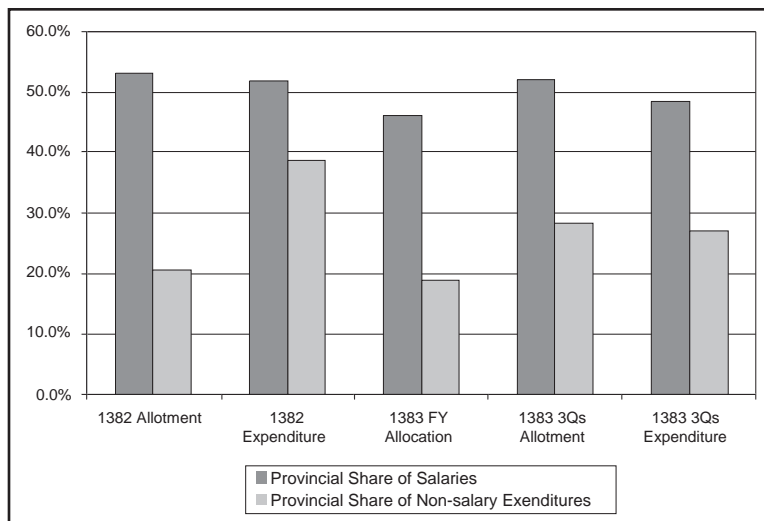
As was the case in the original study, it is very difficult to assess from the data available whether the current provincial allotments for non-salary expenditures are in fact adequate. For this, a more detailed review at the ministry level is necessary. However, an examination of the share of non-salary expenditures that is allocated to provinces, compared to the share of salary expenditures allocated to provinces, did strongly point to a disproportional distribution. In the original study, the only data available were the allotments for the first quarter of 1382; these data indicated that provinces received only 14 percent of non-salary expenditures, compared to 41 percent of salaries.

Figure 6 provides more current comparisons. This chart indicates that the provincial share of non-salary expenditures has increased, but it also suggests that there is still room to improve. Table 7 breaks out the comparison of the provincial share of salaries to provincial share of non-salary expenditures by ministry, for the first nine months of allotment for 1383.

As noted already, the only way to truly assess the appropriate level of non-salary expenditures at the provincial level is to do a detailed review in each ministry, which is well beyond the scope of this paper.

One of the innovations of the 1383 budget preparation process was to present to the government an analysis showing the distribution of the then proposed budget to provinces, by ministry. Although the

Figure 6: Share of Ordinary Budget Allocated to Provinces



Source: Ministry of Finance Ministries' B10 forms (1383 allocation) and AFMIS database (for 3Q allotments and expenditures, used YTD figures as at December 15, 2004).



decision on how much provinces receive remains with the respective ministries, this increase in transparency may be motivating ministries to better justify their decisions on provincial allocations. For the 1384 budget, this practice of examining the provincial impacts of ministry budget decisions should continue.

The government should also be strongly encouraged to publish the annual allocations and expenditures by province as well as by ministry. This requirement could be explicitly included in Section 22 of the draft Public Finance and Expenditure Management Law. The need to be more transparent about spending patterns on a provincial and even district level will only grow, especially once parliament and local councils are established.

## Procurement

The procurement procedures are detailed in regulation, and have not changed in the last two years, except to amend the limits relating to the types of purchases. The current procurement procedures are outlined in Table 8.

These procedures have been in place with little change for many years; as a result, provincial and district officials are well versed in these rules, and generally adhere to them. Nevertheless, some of the rules are regularly “bent”. For instance, it is common practice to obtain three quotes from the same merchant, under different names.

Ministry	Provincial Share of Total Salaries	Provincial Share of Non-Salary Allotment
Administrative Affairs	0.7%	0.1%
Supreme Court	50.6%	8.6%
Finance	51.1%	9.1%
Defence	38.0%	18.3%
Foreign Affairs	0.6%	2.3%
Religious Affairs and Hajj	64.4%	50.0%
Commerce	3.2%	1.6%
Interior	48.0%	41.8%
Education	82.8%	50.5%
Higher Education	39.6%	35.4%
Return of Refugees	40.0%	21.6%
Planning	17.2%	23.7%
Mines and Industry	66.6%	0.0%
Food and Light Industry	29.7%	0.0%
Communication	47.0%	26.8%
Information and Culture	34.5%	28.8%
Public Health	58.5%	19.5%
Women's Affairs	54.0%	35.7%
Agriculture	58.4%	13.0%
Irrigation and Water Resources	47.6%	50.4%
Public Works	33.4%	22.9%
Rural Rehabilitation and Development	62.9%	41.6%
Martyrs and Disabled	48.2%	77.6%
Transport	31.1%	30.3%
Borders	25.8%	35.7%
Labour and Social Affairs	31.7%	14.0%
Civil Aviation	20.3%	13.4%
Urban Development	12.9%	9.1%
Justice	49.8%	26.6%
Attorney General	56.3%	38.3%
National Olympics Committee	16.6%	3.8%
Geodesy and Cartography Office	31.7%	24.7%
Central Statistics Office (CSO)	22.7%	13.9%
Disaster Management Organization	18.0%	6.0%

Source: Ministry of Finance AFMIS database, YTD figures as at December 15, 2004. Note that only ministries with a provincial presence are listed.

While the bulk of the procurement activity occurs at the provincial level, districts do undertake some smaller purchases. They do not in practice receive their own allotments as such, but if a purchase is required, and the province feels it makes more sense to

make the purchase locally, the districts will be given funds for the purchase. In these cases, the districts will go through the procurement procedures, and will send in the documentation for the completed purchase to the mustoufiat.

Table 8: 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). (See note.)
	An adequate positive balance is transferred into the single expenditure account, and the physical cash 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. (See note.)
Authorising the purchase	The provincial department prepares a proposal and submits it to the governor.	The district office prepares a proposal and submits it to the <i>uluswal</i> (district administrator).
	For “retail” purchases, a purchasing mission of up to five people is appointed, one appointed by the department head, one by the mustoufie, and three by the governor.  1. If the price of a commodity or the cost of a required service is up to 10,000 afs., the purchase can be done by a single member of the purchasing mission.  2. If the price or the cost is from 10,000 to 50,000 afs., the purchase must be done by two members of the purchase mission.  3. If the price or the cost is from 50,000 to 200,000 afs., the purchase must be done by three members of the purchasing mission.  4. If the price or the cost is from 200,000 to 1,000,000 afs., the purchase must be done by all five members of the purchasing mission. For “bulk” purchases, the governor appoints a commission to oversee an open bidding process.	Districts follow the same procedures as provinces, if they make purchases at all.
	The governor authorises the proposed purchase.	The <i>uluswal</i> approves the proposed purchase and appoints a representative from the <i>uluswal</i> '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 authorises the proposal.	The proposal also goes to the finance office, where the audit department does a pre-audit of the purchase proposal. The finance office authorises the proposal and appoints a representative to participate in the purchase.

Stages	Provincial department	District office
Executing the purchase	Usually, the mustoufie issues a check to the department in advance of the retail purchase so that the purchase can be made in cash. Sometimes, purchases are made before the cash has been received in the	Usually, the treasurer gives cash to the department in advance so that the purchase can be made in cash.
	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 the check will be honored. Alternatively, a purchase contract might be signed with a merchant, but no payment made until the cash arrives.	
	In the case of retail purchases, the mission goes to the market and gets three quotes for the purchase. See above about the limits.	In the case of retail purchases, the mission 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.	
	For "bulk" purchases over 1,000,000 afs., an open bidding process is conducted by a commission appointed by the governor. As part of the bidding ceremony, participants have to deposit three percent of the whole estimated price of the purchase in a specific account on a temporary basis. The winner is announced on the radio, and anyone can choose to make a lower bid. After this second round, the bidding mission will sign the contract with the winner, and is finalised with the approval of the authorised authority (as defined in the procurement regulation).	
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: The receipt of district quarterly allotments and cash is traditional practice, and does not happen currently.  
Source: Updated from Evans, Manning, et al: 2004a.

## 6. Audit Practices

There are a number of audit activities happening in the provinces. First, there is a pre-audit function in the mustoufiat that checks every salary and non-salary transaction before it is executed. This pre-audit unit is separate from the drafting unit, which keeps the tashkeel and takhsis documentation, reconciles the M41 forms (detailed payroll prepared by line departments) with the tashkeel and prepares the M16 form (summary payroll). The pre-audit process rechecks the accuracy of all forms, including whether the expenditure is allowed within the specific bab (major code) within the takhsis, and in the case of payroll, whether it is consistent with a department's tashkeel.

In addition, a number of ministries have conducted internal audits of their provincial departments in the last year, including the Ministries of Finance, Rural Rehabilitation and Development and Education. Presumably other ministries have done the same.

The Auditor General's office has sent out audit teams to the provinces. These teams have been trained with the assistance of PKF

Consulting. Their audit methodology has been simplified, and they use a check-list form that focuses on specific standards of performance and other points of compliance. While in a province, the team will audit procedures of 11–12 departments at a time. The results of the audit are later sent back to the departments, and during follow-up visits the team will check to see if deficiencies have been corrected.

However, there was no clear evidence that any of these audit processes were resulting in improved practices. In the case of Bamyan Municipality, for example, where improper expenditures were knowingly being paid (see Box 5 on page 29), the results of an audit by the Auditor General's Office carried out six months before the mission had still not been communicated.

In addition, it is worth noting that the governor of Faryab has authorised the provincial prosecutor to conduct audits of any department in the province, although this function is not formally within the prosecutor's area of responsibility.



## 7. Budgeting and Coordination Mechanisms

There continues to be very little involvement by the subnational administration in budgeting and planning activities. In the case of the ordinary budget, departments have been asked to propose tashkeels, but their view is that this information has been ignored—their recommendations are not accepted, and they receive no response or explanation. However, both education and health departments reported that they have already prepared and submitted a budget request for the 1384 budget year, at the request of their ministries. This is an improvement, and hopefully all ministries will do this in the course of the 1384 budget preparation process; the budget preparation instructions have directed ministries to do this, but there is no enforcement mechanism.

The development budget process also does not involve the provincial authorities, not only in terms of budget preparation, but also in terms of execution, which continues to be predominantly donor-managed or coordinated. The Provincial Stabilisation Fund of the Afghanistan Stabilisation Programme was intended to give some development funds to the governor to be spent on local priorities, but even here final approval of the projects rests with the Cabinet. Beyond this, programmes have been launched that use parallel administrative structures not necessarily coordinated with the provincial administration; most prominent among these is the National Solidarity Programme (NSP) (see Box 3).

### Box 3: Two National Initiatives Focused on Subnational Development

#### Afghanistan Stabilisation Programme

Generally, the first pillar of the Afghanistan Stabilisation Programme (ASP)—the Provincial Stabilisation Fund—is underway in all provinces visited. Under the fund, each province is to receive US\$1 million for large development projects that fit certain criteria, with no one project to exceed US\$250,000. The original concept was to give governors some discretionary funding to address local priorities, to be identified through a consultative process involving local leaders. Although the practice has varied somewhat across provinces, generally there has been a coordination committee in place to review the projects, and a consultant from the Ministry of Interior assigned full-time to the programme. The coordination committee typically involved representatives from international organisations and NGOs, as well as the key ministries involved in the programme. As of the dates of the provincial missions, the status was that provinces had identified projects for funding, but they were still waiting to hear which projects had been approved by Kabul, and in fact it was understood that the Cabinet would make the final approvals.

The second pillar is the District Infrastructure Development (DID) programme, which will provide funding and support for the construction of district government offices. Across the country, 78 districts had been assessed at the time of the missions, and construction was either being planned or underway. Under the third pillar, capacity building, some preliminary activity has begun, with forms being distributed to staff in departments and districts. Based on this information, training programmes will be developed. The fourth pillar, dealing with PRR, is still some time off.

#### National Solidarity Programme (NSP)

The NSP provides funding for small infrastructure projects in local communities. To obtain funding, communities must form Community Development Committees (CDCs), and the CDCs propose projects and manage implementation. NSP was active in all provinces visited. Reaction was generally very positive, particularly in terms of the community involvement aspect of the programme. However, concerns about implementation were also voiced.

The programme is managed through the provincial MRRD office. NGOs, usually with experience in the particular region, are employed as facilitating partners and assist in developing CDCs that identify projects and manage their implementation. Projects that are proposed by the CDCs are reviewed by the supervising NGO, and then forwarded to the provincial MRRD office. They must then go to Kabul for final approval, which can normally take a couple of months. (In Badakhshan, MRRD had not received approval of their projects until the ninth month of the year, too late to begin work until the spring.) Apart from MRRD, there is no provincial or district involvement in the programme. However, if projects are being considered that have some connection to other government departments, there should be some consultation. But for most projects, such as wells, ditches, latrines, etc., the ongoing upkeep would be minimal and could be done by the local community without additional financial support, so consultation was not necessary. For each CDC that has projects approved, an account is set up in the DAB, and the representative of the CDC can withdraw funds.

In addition to these various budgeting and programme processes—and arguably to provide some linkages between them—there are a number of coordinating mechanisms at the subnational level. There continues to be an administrative council of all heads of department in each province, led by the governor. It meets weekly or every two weeks to deal with administrative issues cutting across provincial departments. Beyond this, some provinces have a sectoral coordination committee, comprised of the main NGOs and international organisations, the main department heads, and the governor. This group deals with various planning and coordination issues; in some cases, ASP projects have been discussed. There are also Provincial Reconstruction Team (PRT) processes in place or proposed, various shura structures and ad hoc initiatives. Box 4 describes one such example from Bamyan. But these coordination mechanisms often

have their own agendas, and are generally not focused on strengthening the role of subnational administration.

The negative impact of these various disconnected mechanisms to date has probably not been profound, as reform efforts within subnational administration have been focused on re-establishing normal procedures, centring on the ordinary budget. Going forward, however, efforts at the centre to integrate the ordinary and development budgets will demand parallel actions at the provincial level. To prepare subnational administration, and particularly the mustoufiat, efforts should be made to channel programme funds that fall outside the ordinary budget through provincial channels. That was the original intent of the ASP; but there was no indication during the provincial missions that this was to happen. In fact, most mustoufies had very little knowledge of the ASP programme details.

#### Box 4: Bamyan's "Fair Futures" Council

In Bamyan, there is a broad, community-based council that meets once a year, called "Fair Futures". It is comprised of senior provincial and district officials, and community leaders from the villages. They discuss priorities for the province, and at some time following the meeting a delegation will take their conclusions from the meeting to Kabul and meet with President Karzai. What is not clear is how various planning decisions around such programmes as ASP fit with this group, as the ASP projects had already been agreed to at the provincial level at the time of the mission to Bamyan, while this council was scheduled to meet a few weeks later.

While the intent of the ASP and various other coordinating mechanisms is to give governors and other local leaders some say in provincial priorities, these mechanisms are outside the main decision process for the development budget. Rather than giving governors a say over a separate budget, it would be more effective in the longer term to engage the governors in discussions on the whole development budget, as it pertains to their province. And with the establishment of the Parliament, as well as local councils, the pressure for this broader engagement will only grow.

As it now stands, consideration is being given to increase funds flowing to the subnational level through the ASP, a consolidation of NSP, and/or through new counter-narcotics efforts. If no action is taken to integrate these

processes into the existing financial mechanisms within the mustoufiat, subnational administration will become increasingly less relevant as a national government presence at the local level.

The Ministry of Finance is currently reviewing the structure, role and responsibilities of the provincial mustoufiat offices. One of the innovations being considered is the establishment of a budget unit within the mustoufiat, which would provide support to provincial departments in preparing budget requests, and more generally would help with coordinating provincial planning. This reform could provide the vehicle for incorporating these separate programmes into the single expenditure account, and should be actively supported.

## 8. Staffing Administration

The original subnational study identified a number of issues in the area of staffing administration. In particular, the selection and appointment process was viewed as cumbersome and centralised, subject to nepotism and staffed with many unqualified personnel. Some responses to these issues are under development, such as the capacity building component of the ASP, but generally, very little has changed in this area. The rules regarding appointments of staff remain unchanged; all *karmand* (permanent, tenured government staff) appointments at grade 6 and above, and *agir* appointments at grade 2 and above must still be sent to Kabul, and all others must be approved by the governor. The delays in getting approval from Kabul vary significantly, but probably the average is about one to two months, and some approvals take up to five or six months. However, there were not as many complaints about this issue as before, with many interviewees saying that they realise the process does take time. However, there was support for implementing the recommendation in the original study that a two-month time limit be placed on approving appointments.

The staffing reforms being implemented at the centre, regarding merit-based appointments managed by the IARCSC and the PRR programme, are just beginning to move out to the provinces, but very slowly.

### Merit-based appointments

In most of the provinces visited, staff had some awareness that senior appointments (grades 2 and up) are to be done on the merit basis, and supervised by the IARCSC; but in many cases, there had been no recent appointments at this level. In some provinces, a representative from the IARCSC had visited, and explained the new recruitment procedures. (Reportedly, in a few provinces a local representative of IARCSC had established an office, but only recently, and

apparently to review the structure of the governor's office, not to deal with recruitment.)

The study team did interview some newly appointed heads of department who had gone through the new process. In Bamyan, for instance, the head of the education department had been appointed three months earlier. His appointment was first proposed by the governor, and this proposal was sent to the Ministry of Education, and then to the IARCSC. Apparently, the Commission did an analysis and checked the incumbent's background and qualifications. They also interviewed him. Finally, his appointment was approved by President Karzai. In Faryab, the *uluswal* in the district of Pashtun Cote said he was recruited through the IARCSC, and had two interviews with the Commission, including one conducted by Vice President Arsala's deputy.

But the general view was that most appointments are still based on factors other than merit, such as ethnic or regional connections.

### PRR

The level of awareness about the PRR programme was mixed; some senior officials had no knowledge at all about the programme. There were only two situations in the six case study provinces where PRR had been applied:

- The Public Works Department in Kandahar had recently implemented PRR. They provided staff with a table detailing the new salary levels for all the *karmand* staff. A test was given to the employees of the department, but the mission was told that the marks of many of those employees who failed were adjusted upwards to a passing grade. In the end, 14 staff were awarded the new pay levels.

- In Bamyan, the MRRD department was in the process of implementing PRR. A mission had come from the MRRD in Kabul to implement the process. They advertised all the existing posts on the local radio, but no candidates came forward. The existing employees were then given an oral test, developed in Kabul, with questions that varied by department and by grade level. At the time of the study mission, they had not received any results yet, but they were shown the new pay scales for each position.

In neither of these two cases was any restructuring of the department planned. Although it is early for judgments, from the Kandahar experience it is clear there has been some resentment by other staff that the application of PRR pay rates is unfair. And given the view that the programme is only a means of increasing salaries of current employees, with no restructuring or fair application of the merit test, this perception is not surprising. In MRRD's case, that department is already seen to benefit from preferential treatment; awarding PRR salary rates is likely to reinforce this perception.

The IARCSC has already re-considered its approach in provinces, and work has begun on trying to restructure the governor's office by developing a model that can be applied across provinces in a more coordinated fashion. This would certainly be an improvement over the apparent ad hoc approach experienced to date. Looking forward, applying PRR in provinces must recognise the close connections across the various departments that exist at the provincial level. PRR can be a positive tool if used to help shift the provincial administrations towards a more unified and coordinated entity. But if simply overlaid on the existing structures, in a piecemeal fashion reflecting current vertical lines of authority, PRR is more likely to be counterproductive. An approach worth considering is to target PRR initially on the governor's office (this has already begun) and the mustoufiat, in a coordinated initiative across provinces. These two departments are points of central leadership at the provincial level, and are both important places to start reforming subnational administration. For the same reason, reforming these offices first would likely be more acceptable to other provincial staff.

## 9. Municipalities

The functioning of municipalities has not changed since the last round of provincial visits. In the provinces where the district municipalities were subservient to the provincial municipality (Herat and Kandahar) this practice continues, and in those provinces where the district municipalities were operating independently, that too has not changed.

According to the Ministry of Interior, the current legislation stipulates that all municipalities are independent units, and are responsible for the execution of their budgets, including both revenue collection and expenditures. Ministry officials were not aware of the situation in Herat and Kandahar, where those provincial municipalities collect the revenues from the district municipalities, approve their budgets and process their payrolls. They told the study team that they would immediately send a directive to these two provinces to comply with the law, but it is not known what the impact has been.

There has also been some question about whether the wording in the new constitution, which says that “every kind of tax, duty and income collected shall be delivered to the State account,” changes the financial independence of municipalities. The view of

the Ministry of Interior was that municipalities will continue to have access to their revenues, and that any new legislation will confirm the assignment of municipal revenues to municipalities. However, the draft Public Finance and Expenditure Management Law appears to be silent on this issue. The draft does say that municipalities can impose taxes and fees, and that their expenditures must not exceed the total of taxes and fees collected or the budget issued by the central government, but it does not say that municipalities can keep any revenue that they do not spend, and how these excess revenues are to be spent.<sup>8</sup> This should be clarified.

During the provincial visits, comments were frequently made that municipal revenues were being used by the governor or others in the province for their own purposes. And as provinces find it increasingly difficult to access provincially collected revenues, the municipal revenues become increasingly attractive. Box 5 gives examples of the sorts of expenditures that municipalities are being required to pay. To help avoid this occurring, clear instruction should be given to governors and mustoufiats on rules regarding municipal revenues, and regular audits should be conducted.

### Box 5: Examples of Provincial Expenditures Funded by Municipal Revenues

- An eight-person foreign mission visited a province; the governor gave each person a rug worth US\$120, and sent the bill to the municipality
- Meals for guests of the governor or deputy governor are routinely paid by the municipality
- The hotel costs (US\$1380) of a mission from the Ministry of Interior was paid by the municipality, by order of the governor
- Costs of the inauguration of a provincial university were paid by the municipality

<sup>8</sup> Draft Public Finance and Expenditure Management Law for Afghanistan dated May 1, 2004.



Table 9: Provincial Municipalities: Revenues and Expenditures, 1382

	Faizabad (Badakhshan)*	Bamyan City (Bamyan)*	Maimana (Faryab)	Herat City (Herat)**	Kandahar City (Kandahar)***	Maidan Shahr (Wardak)
Revenues	3,780,337	1,856,000	na	30,169,244	74,338,836	737,295
Expenditures	2,552,862	1,856,000	3,501,093	33,261,931	78,157,644	484,010
Surplus/(deficit)	1,227,475	0	na	-3,092,687	-3,818,808	253,285

\* 1382 figures were not available, 1383 forecast provided

\*\* Note that Herat expenditures include 2,064,551 afs. in respect of district municipalities

\*\*\*Kandahar revenues and expenditures includes figures for the district municipalities

Source: Provincial Municipalities

Table 9 provides a summary of revenues and expenditures for the six provincial municipalities, for 1382. It should be noted that based on the data provided by Herat and Kandahar municipalities, they both show deficits for 1382. The mission team was not able to confirm why this occurred, but it is likely that both were able to draw on surpluses from previous years. Table 10 provides a summary of staffing in each provincial municipality.

Because the size of municipalities varies significantly, and consequently the available revenues, the types of activities that municipalities are able to perform also varies considerably. But there appear to be a number of core functions across all municipalities, even if the extent of the activity may differ. These core functions include: cleaning the city, construction and repair of municipal buildings and infrastructure, provision of water, municipal planning, supervision of transport services, and tax collection. Table

Table 10: Provincial Municipalities: Staffing Structure for 1383

	Positions Filled	Tashkeel
Faizabad (Badakhshan)	34	40
Bamyan City (Bamyan)	22	na
Maimana (Faryab)	Na	66
Herat City (Herat)	567	567
Kandahar City (Kandahar)*	537	635
Maidan Shahr (Wardak)	59	59

\* Data are for 1382

Source: Provincial municipalities

33 in Annex 3 provides details of activities performed by each of the provincial municipalities visited.

Detailed tables of revenues, expenditures and staffing are also included in Annex 3.

## 10. Conclusions and Recommendations

As stated at the beginning of this paper, the main conclusions of this review are that financial management at the provincial level has improved significantly since the original study was done, but there are still important issues to be addressed. Some of these issues, such as the management of positive balances in the single expenditure account, have only arisen now that the system has been implemented, and can be fixed relatively easily.

In terms of recruitment and staff appointments, however, little has changed. Senior appointments are going through the IARCSC, but still, political and ethnic considerations continue to feature prominently in recruitment. There has also been some small movement towards

introducing PRR at the provincial level, but so far it has only been seen as a means to increase pay, and those left out are resentful.

As an overarching recommendation, the conclusion of this study is that the package of reforms in the areas of financial management and staffing administration should continue, and efforts should be focused on ensuring effective implementation. While the improvements that have been seen at the subnational level are encouraging, there is still a risk that the gains will be effectively lost if growing reliance on mechanisms outside the provincial administration's budget and planning processes begins to marginalise these structures. Specific recommendations contained in this report are summarised in Table 11.



Table 11: Summary of Recommendations

Objective	Issue	Early Actions (within the next six months)	Actions Beyond Six Months
<b>Overall Support to Provinces</b>			
	Insufficient participation of provinces in budget formulation	<ul style="list-style-type: none"> <li>Build a consultative mechanism that allows provinces to review the provincial implications of the development budget, and identify their priorities. This mechanism could be fashioned based on the coordinating mechanism used for the Provincial Stabilisation Fund.</li> </ul>	<ul style="list-style-type: none"> <li>For the 1385 budget, enforce the requirement that ministries seek input from provincial departments on their budget submission—both for the ordinary and development budgets.</li> </ul>
	Training/documentation	<ul style="list-style-type: none"> <li>Require, with the introduction of all new procedures, that written instructions be provided in addition to training seminars; for more significant changes, assessment of implementation and follow-up training where necessary should be undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>Accelerate the planned training of provincial staff that is currently tied to the third and fourth pillars of the ASP programme.</li> </ul>
	Inadequate non-salary allotments	<ul style="list-style-type: none"> <li>During the 1384 budget process, provide the Cabinet with an analysis of the distribution of ministry expenditures across provinces.</li> <li>Make the publication of annual provincial allotments in budget documentation an explicit requirement under Section 22 of the draft Public Finance and Expenditure Management Law.</li> </ul>	<ul style="list-style-type: none"> <li>Publish the annual provincial allotments as part of the budget documentation.</li> </ul>
	Use of parallel planning/programme mechanisms bypassing provincial administration	<ul style="list-style-type: none"> <li>Ensure that the execution of the Provincial Stabilisation Fund is managed through the mustoufiat and governor's offices, as originally planned.</li> </ul>	<ul style="list-style-type: none"> <li>As existing programmes such as the NSP are expanded, or new programme proposals developed, programme design should avoid any parallel structures, and instead build on the existing structures within the mustoufiat.</li> </ul>
<b>Smooth Budget Execution</b>			
	Delays in receipt of takhsis	<ul style="list-style-type: none"> <li>Ensure that the quarterly allotments (takhsis) are issued through the Ministry of Finance at the beginning of each quarter, for all provincial departments.</li> </ul>	
	Low balances in single expenditure account	<ul style="list-style-type: none"> <li>Increase the transfer of positive balances into provincial single expenditure accounts to more closely reflect monthly or quarterly allotments.</li> </ul>	<ul style="list-style-type: none"> <li>Once the issues of delays in issuing takhsis and inadequate cash balances have been addressed, undertake a review of provincial spending patterns in order to improve the predictability of expenditure cash flows.</li> </ul>

Objective	Issue	Early Actions (within the next six months)	Actions Beyond Six Months
	<p>Inconsistent implementation of authority to move funds across fasils</p>	<ul style="list-style-type: none"> <li>Issue clearer directions to ministries and provinces on the procedures for managing allotments across fasils at the provincial level.</li> </ul>	<ul style="list-style-type: none"> <li>Develop mechanisms for accountability for department heads to minimise the potential for abuse in allocating funds. For example, publicise the allocation of expenditures at the provincial and district level.</li> </ul>
	<p>Delays in receipt of tashkeel</p>	<ul style="list-style-type: none"> <li>Enforce requirement that tashkeels be distributed to provinces before the start of the fiscal year.</li> <li>Consider requiring that the proposed tashkeel be submitted as part of the ministry's budget submission; the proposed tashkeel could then be directed to the Tashkeelat Office for review.</li> <li>Consider distributing the approved tashkeel to provincial mustoufiats through the Ministry of Finance, as is currently done for the quarterly allotments.</li> <li>These latter two recommendations could be facilitated by moving the Tashkeelat Office to the Ministry of Finance.</li> </ul>	<ul style="list-style-type: none"> <li>Begin a review of the tashkeel process, with the objective of delegating some of the detailed decisions encompassed by the tashkeel to subnational administration.</li> </ul>
	<p>Hiring teachers beyond available takhsis</p>	<ul style="list-style-type: none"> <li>During the 1384 budget deliberations, require the Ministry of Education to make a realistic assessment of the number of additional teachers required in each province.</li> <li>Require the Ministry of Education to impose controls on provincial education departments, to ensure that in the future no teachers are hired beyond the approved limits.</li> </ul>	
	<p>Inaccurate reporting of monthly headcount data and reliance on BearingPoint staff for reporting</p>	<ul style="list-style-type: none"> <li>Review the Summary Payroll form that accompanies the monthly expenditure report (M23). Develop instructions that clearly explain how to complete the form, particularly with regards to the reporting of payments of two or more months of pay for individual employees.</li> </ul>	<ul style="list-style-type: none"> <li>Implement plan to integrate BearingPoint staff into regular Ministry of Finance staff.</li> </ul>
Sound Control Framework			
	<p>Limited follow-up to audit findings</p>	<ul style="list-style-type: none"> <li>Require audit findings to be communicated to provincial departments within two months of the completion of the field visit.</li> </ul>	<ul style="list-style-type: none"> <li>Once Parliament and the local councils have been established, provide reports to these bodies on audits conducted by the Auditor General.</li> </ul>

Objective	Issue	Early Actions (within the next six months)	Actions Beyond Six Months
<b>Municipalities</b>			
	Lack of clarity regarding financial independence of municipalities	<ul style="list-style-type: none"> <li>Amend Section 18 of the draft Public Finance and Expenditure Management Law to clarify that municipalities keep all revenues that they collect, and any revenues not spent in a fiscal year are kept by the municipality for use in future years.</li> </ul>	
	Inappropriate access to municipal revenues	<ul style="list-style-type: none"> <li>Provide clear instruction to governors and other provincial officials that they have no authority to access municipal revenues.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct regular audits of municipal revenues to ensure funds are used appropriately.</li> </ul>
<b>Sound Human Resources Management</b>			
	Merit-based appointments	<ul style="list-style-type: none"> <li>Build on the progress made to date on reviewing senior appointments through the IARCSC by fully enforcing the requirement that all provincial appointments at level 2 and above be supervised by the IARCSC.</li> </ul>	
	Application of PRR in the provinces	<ul style="list-style-type: none"> <li>End the practice of “ad hoc” ministry applications.</li> <li>Reassess the application of PRR in the provinces.</li> <li>Consider coordinated proposals with IARCSC oversight that take a systematic approach across provinces, beginning in strategic areas such as the governor’s office or the mustoufiat.</li> </ul>	

## Annex 1: Analysis of Provincial Budget Execution

	Quarterly Allotment	Month	Monthly allotment	Transfer of Positive Balance	Date Transfer of Positive Balance Received	Payments (M23)	Date M23 Report Sent to Kabul	Account Balance at the End of Each Month
1st Quarter	113,488,142	Hamal	37,829,381	7,499,600	11-1-83, 26-1-83	883,535	1-2-83	6,616,065
		Saur	37,829,381			6,613,209	6-3-83	2,856
		Jawza	37,829,381	61,777,038	12-3-83	57,632,601	11-4-83	4,147,293
2nd Quarter	145,102,584	Saratan	48,367,528	63,299,400	7-4-83,	26,324,132	6-5-83	41,122,561
		Asad	48,367,528	27,999,800	30-4-83 26-5-83	68,965,116	7-6-83	157,245
		Sunbola	48,367,528	64,999,800	22-6-83	42,493,821	9-7-83	22,663,224
3rd Quarter	156,622,920	Mizan	52,207,640	20,000,000	21-7-83	42,566,341	2-8-83	96,883
		Aqrab	52,207,640	50,000,000	13-8-83, 21-8-83	50,095,755	7-9-83	1,128
		Qwas	52,207,640	na		na		na
Total	415,213,646		415,213,646	295,575,638		295,574,510		
Monthly Average	46,134,850			36,946,955		36,946,814		

Source: Badakhshan Mustoufiat

	Quarterly Allotment	Month	Average Monthly allotment	Transfer of Positive Balance	Date Transfer of Positive Balance Received	Payments (M23)	Date M23 Report Sent to Kabul	Account Balance at the End of Each Month
1st Quarter	41,094,215	Hamal	13,698,072	4,999,800	1-1-83	-	7-2-83	12,499,600
				7,499,800	27-1-83			
		Saur	13,698,072			4,489,911	9-3-83	8,009,689
2nd Quarter	73,652,987	Jawza	13,698,072	20,199,800	9-3-83	10,707,209	31-3-83	26,962,080
				9,459,800	24-3-83			
		Saratan	24,550,996	14,999,800	27-4-83	20,964,944	7-5-83	20,996,936
3rd Quarter	54,928,757	Asad	24,550,996	13,299,800	25-5-83	21,800,982	8-6-83	12,495,754
		Sonbola	24,550,996	39,999,800	22-6-83	25,890,137	7-7-83	26,605,417
3rd Quarter	54,928,757	Mizan	18,309,586	8,777,500	8-7-83	11,885,225	7-8-83	23,497,692
		Aqrab	18,309,586	11,592,475	21-8-83	21,303,545	14-9-83	13,786,622
		Qwas	18,309,586					
Total	169,675,959			130,828,575		117,041,953		
Monthly Average	18,852,884			16,353,572		14,630,244		

Source: Bamyān Mustoufiat

Table 14: Faryab: Analysis of Budget Execution, 1383

	Quarterly Allotment	Month	Monthly allotment	Transfer of Positive Balance	Date Transfer of Positive Balance Received	Payments (M23)	Date M23 Report Sent to Kabul	Account Balance at the End of Each Month
1st Quarter	na	Hamal	na	0		0		0
		Saur	na	9,999,600	26-2-83	6,536,405	31-2-83	3,463,195
		Jawza	na	39,480,000	6-3-83	42,942,243	28-3-83	952
2nd Quarter	na	Saratan	na	55,249,400	8-4-83	21,562,535	11-5-83	33,687,817
		Asad	na	17,849,800	27-5-83	32,479,951	3-6-83	19,057,666
		Sunbola	na	4,274,800	5-6-83	21,374,188	30-6-83	1,958,278
3rd Quarter	na	Mizan	na	23,999,800	2-7-83	25,757,041	3-8-83	201,037
		Aqrab	na	61,275,000	13-8-83	55,731,160	9-9-83	5,744,877
		Qwas	na	25,000,000	25-9-83	16,012,530	5-10-83	14,732,347
Total			237,128,400		222,396,053			
Monthly Average				29,641,050		27,799,507		

Source: Faryab Mustoufiat

Table 15: Herat: Analysis of Budget Execution, 1383

	Quarterly Allotment	Month	Monthly allotment	Transfer of Positive Balance	Date Transfer of Positive Balance Received	Payments (M23)	Date M23 Report Sent to Kabul	Account Balance at the End of Each Month
1st Quarter	41,094,215	Hamal	13,698,072	39,999,800	21-1-83			99,999,600
				59,999,800	30-1-83			
		Saur	13,698,072	0		58,972,118	10-3-83	41,027,482
		Jawza	13,698,072	5,600,000	12-3-83	57,404,797	20-4-83	41,222,685
52,000,000	26-3-83							
2nd Quarter	73,652,987	Saratan	24,550,996	40,000,000	28-4-83	48,796,616	8-5-83	32,426,069
				29,050,000	9-5-83			
		Asad	24,550,996	40,000,000	22-5-83	76,985,145	4-6-83	24,490,924
				8,082,900	4-6-83			
		Sunbola	24,550,996	60,000,000	17-6-83	42,156,055	8-7-83	50,417,769
3rd Quarter	54,928,757	Mizan	18,309,586	40,348,900	22-7-83			98,849,569
				8,082,900	23-7-83			
		Aqrab	18,309,586	30,000,000	20-8-83	87,378,685	6-8-83**	24,197,755
				50,000,000	20-8-83			
		Qwas	18,309,586	80,000,000	12-9-83	63,637,016	5-10-83	40,560,739
Total	169,675,959			543,164,300		502,603,561		
Monthly Average	18,852,884			67,895,538		62,825,445		

\* Excludes payment of 24,560,800 afs. to the martyred account, date of payment is not known.

\*\* Report for the 7th month of spending, but payment was not actually made until month 8.

Source: Herat Mustoufiat

Table 16: Wardak: Analysis of Budget Execution, 1383

	Quarterly Allotment	Month	Monthly allotment	Transfer of Positive Balance	Date Transfer of Positive Balance Received	Payments (M23)	Date M23 Report Sent to Kabul	Account Balance at the End of Each Month
1st Quarter	40,988,059	Hamal	13,662,686	12,499,600	10-1-83, 26-1-83	554,709	25-2-83	11,944,891
		Saur	13,662,686	0		6,993,982	13-3-83	4,950,909
		Jawza	13,662,686	32,499,453	10-3-83	24,969,368	8-4-83	12,480,994
2nd Quarter	68,638,777	Saratan	22,879,592	24,999,800	28-4-83	15,853,044	6-5-83	21,627,750
		Asad	22,879,592	12,599,800	21-5-83	17,644,563	4-6-83	16,582,987
		Sunbola	22,879,592	28,051,500	5-6-83	20,581,993	6-7-83	24,052,494
3rd Quarter	79,286,145	Mizan	26,428,715	16,525,750	29-7-83	20,475,563	12-8-83	20,102,681
		Aqrab	26,428,715	100,000,000	20-8-83	26,018,120	2-9-83	94,084,561
		Qwas	26,428,715	0		0		94,084,561
Total	188,912,981			227,175,903		133,091,342		
Monthly Average	20,990,331			28,396,988		16,636,418		

Source: Wardak Mustoufiat



## Annex 2: Analysis of Salary vs. Non-Salary Split of Provincial Expenditures

Table 17: Initial, Full Year Ordinary Budget Allocation to Provinces, Salary vs. Non-Salary Split, 1383

Ministry	Personal Emoluments	Non-Salary Expenditures	Total	Non-Salary Expenditures as a % of Total
100 Administrative Affairs	493,580	125,000	618,580	20.2%
110 Supreme Court	65,969,400	2,767,000	68,736,400	4.0%
200 Finance	140,765,000	43,780,000	184,545,000	23.7%
220 Defence	0	0	0	
230 Foreign Affairs	3,331,926	15,339,900	18,671,826	82.2%
240 Religious Affairs and Hajj	146,040,000	13,700,000	159,740,000	8.6%
250 Commerce	2,404,450	675,200	3,079,650	21.9%
260 Interior	1,239,830,000	664,166,000	1,903,996,000	34.9%
270 Education	3,996,695,888	419,398,764	4,416,094,652	9.5%
280 Higher Education	72,239,000	50,677,500	122,916,500	41.2%
290 Return of Refugees	17,632,312	13,982,040	31,614,352	44.2%
300 Repatriates	0	0	0	
310 Planning	3,749,172	2,926,000	6,675,172	43.8%
320 Mines and Industry	63,349,417	0	63,349,417	0.0%
330 Food and Light Industry	8,880,066	0	8,880,066	0.0%
340 Communication	91,859,378	58,189,400	150,048,778	38.8%
360 Information and Culture	52,600,000	31,170,000	83,770,000	37.2%
370 Public Health	400,943,045	130,970,567	531,913,612	24.6%
380 Women's Affairs	24,260,000	6,870,000	31,130,000	22.1%
390 Agriculture and Animal Husbandry	206,086,184	25,355,500	231,441,684	11.0%
400 Irrigation and Water Resources	34,600,000	10,968,000	45,568,000	24.1%
420 Public Works	33,770,016	16,899,000	50,669,016	33.4%
430 Rural Rehabilitation and Development	80,291,072	17,390,188	97,681,260	17.8%
440 Martyrs and Disabled	25,258,148	9,785,000	35,043,148	27.9%
450 Transport	15,281,959	4,982,032	20,263,991	24.6%
460 Borders	32,453,564	32,640,000	65,093,564	50.1%
470 Labour and Social Affairs	72,259,200	163,893,000	236,152,200	69.4%
480 Civil Aviation	8,391,600	6,424,958	14,816,558	43.4%
490 Urban Development	2,920,000	3,120,000	6,040,000	51.7%
500 Justice	187,742,620	70,808,600	258,551,220	27.4%
510 Attorney General	70,660,776	20,803,000	91,463,776	22.7%
803 National Olympics Committee	4,996,853	2,358,600	7,355,453	32.1%
805 Geodesy and Cartography Office	7,798,680	3,739,475	11,538,155	32.4%
806 Central Statistics Office(CSO)	7,308,000	952,400	8,260,400	11.5%
808 Disaster Management Organization	894,216	570,000	1,464,216	38.9%
Grand Total	7,121,755,522	1,845,427,124	8,967,182,646	20.6%

Source: Ministry of Finance, Ministry B10 forms

Table 18: Ordinary Budget 9 Month Allotment in Provinces by Ministry, Salary vs. Non-Salary Split, 1383

Personal	Non-Salary Emoluments	Ministry Expenditures	Total	Non-Salary Expenditures as a % of Total
100 Administrative Affairs	370,185	85,938	456,123	18.8%
110 Supreme Court	56,171,954	2,222,250	58,394,204	3.8%
200 Finance	105,526,009	29,179,524	134,705,533	21.7%
220 Defence	708,178,325	270,983,327	979,161,652	27.7%
230 Foreign Affairs	2,600,815	9,529,902	12,130,717	78.6%
240 Religious Affairs and Hajj	119,445,000	13,608,737	133,053,737	10.2%
250 Commerce	1,878,341	440,543	2,318,884	19.0%
260 Interior	1,012,794,000	855,075,646	1,867,869,646	45.8%
270 Education	3,333,520,666	292,079,156	3,625,599,822	8.1%
280 Higher Education	59,186,250	54,503,347	113,689,597	47.9%
290 Return of Refugees	15,513,941	11,851,808	27,365,749	43.3%
300 Repatriates	--	--	--	
310 Planning	2,909,879	2,194,486	5,104,365	43.0%
320 Mines and Industry	51,206,062	--	51,206,062	0.0%
330 Food and Light Industry	6,959,049	--	6,959,049	0.0%
340 Communication	70,810,534	44,181,967	114,992,501	38.4%
360 Information and Culture	53,948,000	38,845,445	92,793,445	41.9%
370 Public Health	337,478,040	87,955,812	425,433,852	20.7%
380 Women's Affairs	18,862,000	4,639,000	23,501,000	19.7%
390 Agriculture and Animal Husbandry	172,243,048	19,502,656	191,745,704	10.2%
400 Irrigation and Water Resources	31,438,826	10,251,250	41,690,076	24.6%
420 Public Works	28,511,157	9,668,835	38,179,992	25.3%
430 Rural Rehabilitation and Development	56,599,384	10,154,390	66,753,774	15.2%
440 Martyrs and Disabled	20,153,611	455,202,849	475,356,460	95.8%
441 Martyrs and Disabled Pension	--	--	--	
450 Transport	12,557,414	3,478,352	16,035,766	21.7%
460 Borders	24,340,174	24,476,125	48,816,299	50.1%
470 Labour and Social Affairs	54,299,800	109,33,874	163,635,674	66.8%
480 Civil Aviation	6,804,645	4,153,851	10,958,496	37.9%
490 Urban Development	2,271,000	1,417,496	3,688,496	38.4%
500 Justice	132,501,965	68,233,514	200,735,479	34.0%
510 Attorney General	76,071,346	12,297,548	88,368,894	13.9%
803 National Olympics Committee	3,950,639	1,547,791	5,498,430	28.1%
805 Geodesy and Cartography Office	6,643,297	2,455,986	9,099,283	27.0%
806 Central Statistics Office (CSO)	5,481,000	603,304	6,084,304	9.9%
808 Disaster Management Organization	670,662	303,746	974,408	31.2%
Grand Total	6,591,897,018	2,450,460,455	9,042,357,473	27.1%

Source: Ministry of Finance, Ministry B10 forms

Table 19: Ordinary Budget 9 Month Expenditure in Provinces by Ministry, Salary vs. Non-Salary Split, 1383

Ministry	Personal Emoluments	Non-Salary Expenditures	Total	Non-Salary Expenditures as a % of Total
100 Administrative Affairs	286,504	98,750	385,254	25.6%
110 Supreme Court	48,062,812	1,394,925	49,457,737	2.8%
200 Finance	78,499,292	17,308,473	95,807,765	18.1%
220 Defence	542,364,572	284,850,450	827,215,022	34.4%
230 Foreign Affairs	1,926,928	4,526,482	6,453,410	70.1%
240 Religious Affairs and Hajj	79,681,950	8,463,662	88,145,612	9.6%
250 Commerce	1,428,794	137,123	1,565,917	8.8%
260 Interior	882,736,448	893,225,101	1,775,961,549	50.3%
270 Education	2,371,703,626	103,691,548	2,475,395,174	4.2%
280 Higher Education	54,929,744	33,682,651	88,612,395	38.0%
290 Return of Refugees	9,766,049	4,601,767	14,367,816	32.0%
300 Repatriates	239,821	--	239,821	0.0%
310 Planning	1,933,949	844,838	2,778,787	30.4%
320 Mines and Industry	47,496,493	--	47,496,493	0.0%
330 Food and Light Industry	6,272,015	--	6,272,015	0.0%
340 Communication	40,266,303	15,836,716	56,103,019	28.2%
360 Information and Culture	33,113,040	18,763,980	51,877,020	36.2%
370 Public Health	159,044,970	54,634,688	213,679,658	25.6%
380 Women's Affairs	10,650,307	2,334,623	12,984,930	18.0%
390 Agriculture and Animal Husbandry	151,448,838	11,177,294	162,626,132	6.9%
400 Irrigation and Water Resources	28,872,649	5,478,952	34,351,601	15.9%
420 Public Works	18,167,330	3,696,458	21,863,788	16.9%
430 Rural Rehabilitation and Development	25,129,135	5,232,580	30,361,715	17.2%
440 Martyrs and Disabled	14,347,482	215,442,974	229,790,456	93.8%
441 Martyrs and Disabled Pension	80,336	8,280,000	8,360,336	99.0%
450 Transport	9,317,909	1,288,868	10,606,777	12.2%
460 Borders	11,228,317	14,124,755	25,353,072	55.7%
470 Labour and Social Affairs	44,444,330	53,622,634	98,066,964	54.7%
480 Civil Aviation	4,520,957	1,387,849	5,908,806	23.5%
490 Urban Development	1,677,928	840,009	2,517,937	33.4%
500 Justice	77,892,102	72,065,763	149,957,865	48.1%
510 Attorney General	61,309,957	7,253,632	68,563,589	10.6%
803 National Olympics Committee	2,562,227	914,515	3,476,742	26.3%
805 Geodesy and Cartography Office	5,293,453	1,037,836	6,331,289	16.4%
806 Central Statistics Office (CSO)	3,227,802	350,161	3,577,963	9.8%
808 Disaster Management Organization	135,152	48,087	183,239	26.2%
Grand Total	4,830,059,521	1,846,638,144	6,676,697,665	27.7%

Source: Ministry of Finance, Ministry B10 forms

## Annex 3: Municipal Data

Table 20: Faizabad (Badakhshan) Municipality's Revenues and Expenditures by Category

Title	1383 Forecast/ Allotment (full year)	1383 (eight months)
<b>Revenues:</b>		
House cleaning fees	222,425	0
Shop cleaning fees	119,144	0
Sale of valued documents	4,000	1,000
Revenue collection forms	15,000	5,000
Small business licenses	211,058	11,058
One month house rents	90,000	0
One month shop rents	652,667	0
Marketplace rents	1,500,000	735,000
Municipality's shop rents	180,000	90,000
Livestock market rent	590,000	442,500
Fines	53,303	25,000
Drinking water fees	142,740	95,160
<b>Total Revenues</b>	<b>3,780,337</b>	<b>1,404,718</b>
<b>Expenditures:</b>		
1000 - Personal emoluments	1,000,412	482,852
2000 - Services	284,700	245,794
2000 - Vehicle repair	167,000	135,250
3000 - Materials	86,250	12,000
4000 - Road and vehicle purchases	1,014,500	392,734
5000 - Purchase of glass	0	174,730
<b>Total Expenditures</b>	<b>2,552,862</b>	<b>1,443,360</b>
<b>Surplus/(Deficit)</b>	<b>1,227,475</b>	<b>-38,642</b>

Source: Faizabad Municipality

Table 21: Faizabad (Badakhshan) Municipality Tashkeel for 1383

Position	Grade	Posts	Employees	Vacancies
<b>Karmand</b>				
Mayor	1	1	1	0
Deputy Mayor	2	1	1	0
Admin	3	1	1	0
Accounting	3	1	1	0
Water supply	3	1	1	0
Materials	3	1	0	1
Construction	3	1	0	1
Buildings	4	1	1	0
Control	5	1	1	0
Cleaning	6	1	1	0
City zones	7	6	4	2
Water supply supervisor	6	1	1	0
<b>Total Karmand</b>		<b>17</b>	<b>13</b>	<b>4</b>
<b>Agir</b>				
Store keeper	3	1	1	0
Hotel manager	3	1	1	0
Driver	3	1	1	0
Typist	3	1	1	0
Revenue collection polices	7	3	3	0
Cleaning workers	8	13	11	2
Office attendant	8	1	1	0
Water supply office attendant	6	2	2	0
<b>Total Agir</b>		<b>23</b>	<b>21</b>	<b>2</b>
<b>Grand Total</b>		<b>40</b>	<b>34</b>	<b>6</b>

Source: Faizabad Municipality

Table 22: Bamyan Municipality's Revenues and Expenditures by Category

Title	1383 Forecast	1383 (eight months)
<b>Revenues:</b>		
Cleaning fees	91,000	71,000
Small business licenses	100,000	90,000
Go-down (storage) charges	80,000	75,000
Sales of shops	910,000	810,000
Shop fees	250,000	200,000
Fines	5,000	5,000
Marketplace fees	7,000	7,000
City service fees	330,000	330,000
Hand sellers fees	3,000	3,000
House rents	80,000	60,000
<b>Total Revenues</b>	<b>1,856,000</b>	<b>1,651,000</b>
<b>Ordinary Budget:</b>		
Karmand salaries	80,640	na
Agir salaries	63,840	na
Professional allowances	1,248	na
Bonus	40,000	na
Food allowances	434,272	na
Travel expenses	150,000	na
Overtime	50,000	na
Personal Emoluments:	820,000	na
Communications	5,000	na
Advertisements	6,000	na
Licenses	40,000	na
Receptions	300,000	na
Valued documents	10,000	na
Office materials	30,000	na
Stationery	25,000	na
Firewood	40,000	na
House rent	30,000	na
Fuel	100,000	na
Building maintenance	200,000	na
Repair	150,000	na
Carpets	30,000	na
Donations	70,000	na
Non-salary Expenditures	1,036,000	na
<b>Total Ordinary Budget</b>	<b>1,856,000</b>	<b>na</b>
Surplus/(Deficit)	0	na

Source: Bamyan Municipality

Table 23: Bamyan Municipality Tashkeel for 1383

Department	Position/Employees*	
	Number of Karmand	Number of Agir
Mayor	1	2
Administration	2	1
Revenue	2	1
Engineering	1	0
City cleaning	2	1
Accounting	2	1
Licensing	1	0
Waste collection	1	4
<b>Total</b>	<b>12</b>	<b>10</b>

\* All posts are reported to be filled.

Source: Bamyan Municipality

Table 24: Maimana Municipality (Faryab) Staffing Structure 1383

Position and Sections	Karmand	Agir
Mayor	1	0
Deputy Mayor	1	0
Administrator	1	0
Agir for Mayor/Administrator	0	2
Accounting section	3	1
Controller	1	0
General service section	1	0
Archive	1	0
Revenue section	3	4
Construction section	3	1
Inspection section	1	0
City cleaning section	2	32
Water supply section	2	6
Total	20	46

Note: all positions are filled.  
Source: Maimana Municipality

Table 25: Maimana Municipality (Faryab) Expenditures for 1382

Code	Title	Allotment	Expenditures
Ordinary Budget:			
1010	Karmand salary	131,396	131,396
1020	Agir salary	88,502	88,502
1070	Professional	1,867	1,867
1140	Food	1,195,230	1,073,739
1150	Trip expenses	23,560	23,560
1000	Personal Emoluments	1,440,555	1,319,064
2010	Communication	4,000	-
2020	Advertisements	5,000	-
2030	Technical services	5,000	-
2050	Energy	10,000	10,000
2110	Receptions	90,000	52,541
2000	Services	114,000	62,541
3050	Fuel	200,000	100,000
3060	Fire wood	20,000	-
3080	Office supply	25,000	14,471
3190	Printing	10,000	10,000
3000	Tools and materials	255,000	124,471
4010	Maintenance	20,000	20,000
4020	Equip. repair	30,000	30,000
4150	Building maintenance	40,000	40,000
4000	Maintenance and repairs	90,000	90,000
7060	Contributions	40,000	-
7000	Subsidies, Grants, Cont. and Pensions	40,000	-
Total Ordinary Budget		1,939,555	1,596,076
Development Budget:			
2030	Technical services	30,000	-
2050	Energy	70,000	49,920
3010	Agriculture Mat.	30,000	11,900
3050	Fuel	250,000	229,446
3060	Fire wood	10,000	-
5010	Purchase of land	4,000,000	1,430,224
5020	Vehicle parts	500,000	88,040
5100	Flooring cover	200,000	95,487
Total Development Budget		5,090,000	1,905,017
Total Expenditures		7,029,555	3,501,093

Source: Maimana Municipality



Code		Allotment (full year)	Actual, six months
	Revenues:		
7105	Cleaning fees		10,695
7115	One month rent of yearly rent of shops		155,417
7210	Fees from distribution of drinking water		114,402
7305	Sales of land and buildings		378,544
7415	Fees from designing		28,985
7410	License for small businesses		165
7500	Rents from municipality properties		1,524,594
7700	Arrears		259,874
	Total Revenues		2,472,676
	Expenditures:		
1000	Personal emoluments	1,976,120	964,606
2000	Services	465,000	78,912
3000	Tools and materials	729,000	34,037
4000	Maintenance and repairs	345,000	64,037
5000	Land structural buildings	5,100,000	1,345,672
7000	Subsidies, grants, cont. and pensions	65,068	0
	Total Expenditures	8,680,188	2,487,264
	Surplus/(deficit)		-14,588

Source: Maimana Municipality

Departments	Number of Karmand	Number of Agir
Mayor	1	0
Mayor's office	4	5
Administration	3	4
Accounting department	7	2
General service	6	57
Revenues and properties	12	1
Revenues collection	2	1
Cultural department	1	1
Inspection department	4	1
City ten zones	41	10
City cleaning	4	130
Construction department	13	5
Forestry	5	113
Butchery house	3	5
Control (per-audit)	2	1
Funeral room	1	6
Hotels	3	9
Police department	4	100
Total	116	451

Note: According to the President of Administration, all positions are filled  
Source: Herat Municipality

Table 28: Herat Municipality's Revenues and Expenditures by Category

Code	Title	1382	1383 (seven months)
<b>Revenues:</b>			
7105	Cleaning	4,843,911	7,856,013
7110	City fees	4,810,544	1,994,162
7110	Fees on butcheries and bakeries	1,553,980	864,130
7110	City services	7,308,985	4,431,651
7110	Cotton sales fees	165,171	60,528
7405	Small business licenses	1,175,777	78,239
7510	Property revenues	6,647,032	1,278,625
7510	Park hotel revenues	837,100	532,700
7510	Tax on ice cream	8,800	8,200
7510	Fees on animal skins	72,440	0
7510	Peas fees	77,300	0
7510	Butcher's house	134,642	411,026
7510	Livestock	310,853	435,776
7110	Building fees	1,536,311	6,642,261
7305	Property sales	362,452	59,074,000
7405	Labour fees	12,700	912,868
7505	Arrears	30,062	14,507
7710	Salary and expenditure return	30,184	8,743
7715	Fines	251,000	324,951
	<b>Total Revenues</b>	<b>30,169,244</b>	<b>84,928,380</b>
<b>Ordinary Budget:</b>			
1010	Karmand salaries	366,360	
1020	Agir salaries	94,782	
1070	Professional allowances	4,569	
1100	Overtimes	43,512	
1120	Incentives	968,637	
1140	Food allowances	8,891,482	
1150	Travel expenses	24,700	
1000	Personal Emoluments	10,394,042	
2010	Communications	32,413	
2020	Advertisements	26,490	
2050	Electricity expenses	5,385	
2060	Water expense	2,880	
2110	Receptions	203,385	
2000	Services	270,553	
3040	Police food	65,490	
3050	Fuel	374,720	
3060	Firewood	0	
3080	Stationery	169,996	
3090	Printing	104,700	
3000	Tools and Materials	714,906	
4010	Parts	996,600	
4050	Equipment	0	
4090	Carpets	384,746	
4150	Equipment maintenance	44,650	
4000	Maintenance and Repairs	1,425,996	
5020	Building equipment	499,980	
5000	Land, Structures and Equipment	499,980	
7060	Donations	105,580	
7000	Subsidies, Grants, Contributions and Pensions	105,580	
	<b>Total Ordinary Budget</b>	<b>13,411,057</b>	
<b>Development Budget:</b>			
3010	Tools and materials	79,590	
4150	Building equipment	98,060	
5010	Land and building purchase	19,673,224	
	<b>Total Development Budget</b>	<b>19,850,874</b>	
	<b>Total Expenditures</b>	<b>33,261,931</b>	
	<b>Surplus/(Deficit)</b>	<b>-3,092,687</b>	

Source: Herat Municipality Accounting Office

Note that 1382 expenditures includes 2,064,551 afs. for expenditures incurred by the district municipalities

Table 29: Municipality of Kandahar, Revenues and Expenditures, 1382

Table 29: Municipality of Kandahar, Revenues and Expenditures, 1382	
Revenues	
Shops rent	3,183,839
Lands sold	30,930,624
1% tax	184,822
Cow tax	3,324,150
Fines by inspectors	394,700
Tax on city first zone cleaning	257,131
Tax on city second zone cleaning	111,384
Tax on city third zone cleaning	188,750
Tax on city fourth zone cleaning	142,363
Tax on city fifth zone cleaning	605,704
Tax on city sixth zone cleaning	133,053
License taxes	215,283
Arrears collections	2,199,197
Engineering tax	3,659,239
Agricultural lands rent	1,638,502
Boldak municipality revenues	8,841,745
Municipality music revenues	155,000
House rents	1,871,017
Land rents	1,638,502
Panjwai revenue	6,500
Last year's revenue	13,010,594
Last year's revenue in national bank	1,557,019
Afghan Indians house rent	17,900
Commercial taxes	48,268
Market's construction tax	23,550
Total Revenues	74,338,836
Expenditures	
Employees salary	7,404,242
Professional allowance	2,764
Personal Emoluments	7,407,006
Other services	198,067
Publications	5,000
Ceremonies	516,755
Services	719,822
Fuel	972,000
Unprinted stationeries	20,000
Printed stationeries	145,170
Tools and Materials	1,137,170
Vehicle repairs	1,200,000
Maintenance and Repairs	1,200,000
Construction	67,629,646
Office equipment	64,000
Land, Structures and Equipment	67,693,646
Total Expenditures	78,157,644
Surplus/(Deficit)	-3,818,808

Source: Kandahar Municipality Department

Table 30: Kandahar City and District Municipalities Tashkeel (1382)

	Tashkeel			Positions (Karmand)		Positions (Agirs)	
	No. of Karmand	No. of Agir	Total	Filled	Vacant	Filled	Vacant
Mayor	1	0	1	1	0	0	0
Mayor's office	2	4	6	2	0	4	0
Admin office	5	67*	72	4	1	62	5
Accounting dept.	5	1	6	4	1	1	0
Archive office	2	2	4	2	0	2	0
General service dept.	4	11	15	3	1	10	1
Revenue dept.	4	2	6	4	0	2	0
Revenue collecting dept.	3	2	5	2	1	2	0
Property dept.	5	1	6	3	2	1	0
Inspection dept.	15	8	23	14	1	8	0
Engineering and construction presidency	18	33	51	17	1	30	3
Transport dept.	4	45	49	3	1	44	1
City cleaning and forestry dept.	3	214	217	3	0	213	1
City ten zones	50	60	110	35	15	36	24
Boldak Municipality	8	24	32	5	3	18	6
Panjwai Municipality	8	24	32	2	6	0	24
<b>Total</b>	<b>137</b>	<b>498</b>	<b>635</b>	<b>104</b>	<b>33</b>	<b>433</b>	<b>65</b>

\* Music band is composed of 12 agir employees, gardeners are 49 and other six are typists, security, driver and office attendants  
Source: Kandahar Municipality

Table 31: Municipality of Maidan Shahr (Wardak), Revenues and Expenditure for 1382 and 1383

Code	Title	1382	1383(ten months)
<b>Revenues</b>			
770	Sales of snow	12,000	11,000
7105	Cleaning fees	110,715	0
7305	Sales of lands for constructing residences	432,330	15,716,792
7705	Livestock market fees	182,000	240,451
7710	Fines	250	0
<b>Total Revenues</b>		<b>737,295</b>	<b>15,968,243</b>
<b>Expenditures</b>			
1000	Overtime	0	34,586
1000	Base salaries	22,701	64,405
1070	Professional allowance	288	320
1140	Food	158,520	201,366
	Labour wages for tech. surveying	15,000	30,000
2030	Road repair	0	600,000
2110	Receptions	78,451	150,000
2110	Care purchase	0	700,000
3050	Fuel	13,050	160,960
3060	Fire wood	20,000	25,000
3080	Office supplies	25,000	22,000
4020	Repair of municipality conference room	85,000	20,000
5110	Water distribution equipment	6,000	14,000
7060	Donations	60,000	0
<b>Total Expenditures</b>		<b>484,010</b>	<b>2,022,637</b>
<b>Surplus/(Deficit)</b>		<b>253,285</b>	<b>13,945,606</b>

Source: Municipality of Maidan Shahr (Wardak)

Title	Number of Karmand	Number of Agirs
Mayor	1	0
Admin	2	0
General services	3	0
Accounting	6	0
Revenues	7	0
Licenses	1	0
Property	4	0
Engineering	1	0
Transport	2	0
Price controlling	1	0
City cleaning	2	0
Drivers	0	1
Trustees	0	3
Office attendants	0	3
Cleaning workers	0	18
Gardeners	0	4
Total	30	29

Source: Municipality of Maidan Shahr (Wardak)

Table 33: Summary of Activities in Municipalities\*

Category of Activity	Faizabad (Badakhshan)	Bamyan City (Bamyan)	Maimana (Faryab)	Herat City (Herat)	Kandahar City (Kandahar)	Maidan Shahr (Wardak)
Cleaning	Cleans the city	Cleans the city	Cleans the city	Cleans the city	Cleans the city and removes garbage	Cleans the city
Construction and repair of buildings and infrastructure	Constructs and repairs roads, bridges Constructs new shops and marketplaces, repairs municipal clubs and buildings	Maintains bridges	Constructs and repairs roads, bridges and culverts	roads, bridges and culverts Constructs and maintains recreation parks	Constructs and repairs roads, bridges and culverts, sewers and trenches Repairs and constructs buildings, houses, markets, shops, historical places, mosques, etc. Repairs and constructs recreation parks, stadiums, parking lots and public washrooms Cooperates with departments and NGOs in city development activities	Constructs roads and bridges Constructs shops and markets
Water	Digs wells and provides drinking water	Repairs drinking water facilities and water pipes	Channels water for agriculture and other municipal uses; supplies water to 500 families	Digs wells and canals and provides drinking water	Digs canals and wells for drinking water	Digs wells and canals and provides drinking water
Planning			Prepares plans for house construction	Prepares maps for housing industries Distributes lands for developing residential areas	Designs residential areas, sells and distributes lands for housing and other purposes Prepares plans for houses and supervises construction Sells land for industries Enforces the municipality's master plan	Distributes residential areas for housing
Transportation	Arranges city transportation Prepares and distributes driving licences	Makes traffic islands and traffic signs		Keeps city transportation arranged and fixes bus fares	Controls city transportation; builds bus stops and constructs traffic lights	Controls transportation in the city and part of the Kandahar-Kabul highway Authorises drivers' licences



Category of Activity	Faizabad (Badakhshan)	Bamyan City (Bamyan)	Maimana (Faryab)	Herat City (Herat)	Kandahar City (Kandahar)	Maidan Shahr (Wardak)
Tax Collection			Collects taxes	Collects revenues from the city and district municipalities Sets rents on municipal shops and houses	Collects taxes	
Other	Cooperates with other departments for safety of marketplaces		Manages a hotel/guesthouse	Confiscates lands for redistribution Keeps marketplaces neat and secure Holds periodic meetings with city elders to discuss and solve problems Plants trees and develops greenery activities all over the city Controls prices for butcheries, bakeries and most other essential materials Cooperates with health departments and NGOs in health and sanitation programmes Prepares budgets for city and district municipalities, and appoints employees Participates in provincial administrative councils	Holds ceremonies for specific historic, religious and social events Assigns municipal music band to wedding and other social events Takes part in resolving social problems Plants trees and participates in sanitation and environmental activities Controls prices of goods and materials	

\* Activities as reported by the municipalities; it is likely that some functions, such as tax collection, are carried out but were not reported.  
Source: Provincial Municipalities



**The Afghanistan Research  
and Evaluation Unit**  
Charahi Ansari, Shahr-e-Naw,  
Kabul, Afghanistan  
Internet: [www.areu.org.af](http://www.areu.org.af)  
E-mail: [areu@areu.org.af](mailto:areu@areu.org.af)