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# CONTEXT AND PROSPECTS FOR REFORM



# 1

## CONTEXT AND PROSPECTS FOR REFORM

### A. Introduction

1.1 Building an effective state - that can provide security and services to the people, while protecting their rights - has always been at the heart of the reconstruction effort in Afghanistan. At the end of 2001, after more than two decades of wars and civil strife, the political system had largely collapsed, with power dispersed in the hands of regional warlords and local commanders. Although the Taliban had taken control over most of the country, prior to being overthrown in late 2001, they did nothing to build a modern state other than imposing, through harsh measures, a certain degree of order. While many of the formal structures of public administration remained in place, appointments were based more on loyalty than merit, procedures followed the old-style soviet model, and officials lacked the financial resources and motivation to do their job. Therefore the new government faced a severe challenge: to restore security and take charge of running the country, while also rebuilding the very limited capacity of the public administration.

1.2 This Chapter will review progress over the past five years in building an effective public administration in Afghanistan (for what we mean by public administration reform, see Box 1.1). It will draw some lessons from successes and failures in Afghanistan -- as well as from research and experience in other countries (especially fragile states). And it will outline the context and prospects for accelerating public administration reforms and improving the delivery of public services. This is not intended to be a comprehensive review of recent developments in Afghanistan, which are well covered in other references.<sup>1</sup> Rather it is intended to set the stage for

the rest of the report, which will develop reform proposals in three key areas: (a) building an effective civil service; (b) improving local governance and service delivery; and (c) making government accountable to the people. The final Chapter will pull this together into an agenda for public administration reform, and chart a way forward that is both relevant and realistic in the current Afghan environment.

### B. Rebuilding after the Taliban<sup>2</sup>

1.3 Afghanistan has long been one of the poorest countries in the world, falling near the bottom in terms of per capita income and UNDP's Human Development Index. Nevertheless, Afghanistan was at peace between the 1930s and the late 1970s, and underwent a modest degree of economic and social development. Modernization was concentrated in the cities and towns, however, and most rural areas retained their traditional mores, governance structures and social practices. The Afghan state remained relatively weak and had limited outreach in most of the country. More than two decades of conflict after 1978, compounded by a prolonged drought, resulted in widespread human suffering and massive displacement of population (both within Afghanistan and as refugees in neighboring countries). By 2001, an estimated 7 million people were vulnerable to famine. Afghanistan's infrastructure had been destroyed or degraded, and its human resource base severely depleted.

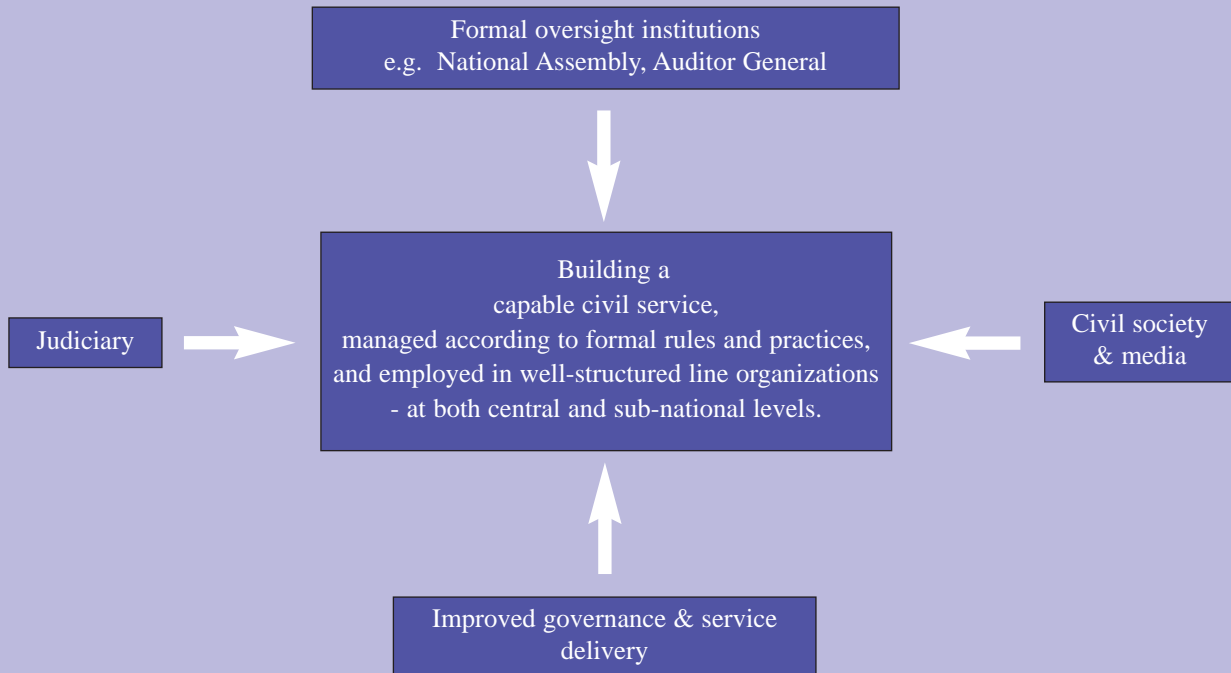
1.4 While many of the formal structures of public administration were still intact, they had become largely dysfunctional as the state broke down under previous regimes. According to the Preliminary Needs Assessment released in early 2002:<sup>3</sup>

<sup>1</sup> See, for example, the Preliminary Needs Assessment prepared ADB, UNDP and World Bank 2002 for the situation immediately after the fall of the Taliban. An excellent review of development challenges is provided in the Afghanistan National Development Strategy 2006. Also see World Bank 2005a on *Afghanistan: State Building, Sustaining Growth, and Reducing Poverty* and World Bank 2006d *Managing Public Finances for Development*.

<sup>2</sup> This section draws heavily on World Bank 2005a and other references as noted. For an historical review of government in Afghanistan, see Evans, Manning, Osmani, Tully and Wilder 2004.

<sup>3</sup> ADB, UNDP and World Bank 2002, 15.

**Box 1. 1: What do we mean by Public Administration Reform?**



The objective of public administration reform (PAR) is to deliver public services in a more efficient and effective manner. Much of the effort towards this objective has focused, to date, on establishing a well-performing, merit-based civil service. But good service delivery requires more than competent civil servants. It requires management processes and practices that focus organizational units and their staff on delivering the services for which they are responsible, and restructuring of government organizations to respond to their modern-day functions. Meanwhile, there is growing interest in sub-national administration, including deconcentration of responsibilities within line ministries, and efforts to improve capacity and coordination at the local level. Taken together, they constitute traditional public administration 'supplied' by government and are depicted by the diagram's middle box.

But this core of public administration tends to become self-serving unless stimulated by the 'demand' from the Afghan people for good administration and public services (expressed through elections, civil society groups, the media etc), and the 'checks and balances' provided by formal oversight institutions (such as the National Assembly) and the judiciary-institutions that hold the government accountable.

Given Afghanistan's security situation, and donors' heavy presence in both security and civil administration, any discussion of civilian public administration inevitably expands to include security issues. However this report does not discuss security forces per se. It references security issues only in so far as they impact on government performance.

*Source:* Adapted from World Bank (2007) and GoA PAR Framework (discussed in Chapter II).

"Even at the central level in Kabul, ministries or departments are war-damaged shells, without even the most basic materials or equipment, and with few experienced staff. Before the Taliban, 43 percent of government employees were women, most of whom were dismissed. Similarly, in other walks of life women were largely prohibited from work. Government staff has been paid intermittently, if at

all, and many of the senior personnel have either left the country or sought alternative part-time employment."

1.5 The new Constitution, adopted in January 2004, refers to "preserving the principles of centralism", and there is little appetite, at least in Kabul, for a substantial devolution of political power

to sub-national levels.<sup>4</sup> As a result, on paper, Afghanistan is one of the most centralized states in the world:

- Politically, Afghanistan is a unitary state, with all formal authority vested in the government in Kabul. Provincial governors, for example, are appointed by the center, which also determines their powers and responsibilities. Municipal mayors are also approved by the center - but based on candidates proposed by local elders and the Governor.
- Fiscally, Afghanistan is also highly centralized. Expenditures at provincial and district levels are made through national programs carried out by provincial arms of central ministries. No fiscal transfers as such go to sub-national levels. With 44 percent of the civil service workforce in Kabul, funds are concentrated at the center. Budgets of provincial governments are set in Kabul, and approval from Kabul is required for even minor changes. On the revenue side, Afghan districts and provinces have no independent authority to impose taxes. The only expenditure autonomy is at the municipal level. Although all tax and fee rates are set in Kabul, revenues and fees collected by municipalities remain there and fund municipal spending.
- Administratively, provincial and local governments have only a very modest formal role in decisions concerning their own structure, recruitment of senior staff, size of establishment, composition of workforce etc. Such decisions are made by each ministry in Kabul, in conjunction with the Office of Administrative Affairs (OAA), and signed off by the head of the Independent Administrative Reform and Civil Service Commission (IARCSC). The ministry in Kabul or the President makes staff appointments at middle to senior grades, while the provincial governor appoints junior staff down to the district level.

1.6 Despite this very high degree of *de jure* centralization, the *de facto* reality is that central control is very weak, given the strength of regional

and local warlords, who command sub-national revenues and military power. Governors often make resource allocation decisions except on basic salaries. Staff appointments from Kabul are often rejected in favor of those loyal to regional factions, and even Kabul-based appointments often reflect loyalties and ethnic ties, rather than merit. Factional loyalties have been strengthened by a general lack of financial support from the center. With the exception of offices which have been through PRR, pay levels are generally low, especially for middle-level and senior staff. Non-salary budgets for provinces and districts have also been inadequate in recent years, and allocations are very uneven across provinces. The end result is a very inefficient and inequitable system of sub-national administration.

1.7 This *de facto* reality reflects the long-standing tension in Afghanistan between traditional regional models of administration, based on loyalty to the ruler, and tribal and family relations, and newer European models based on service to the public and merit-based appointments. In Afghanistan, the exchange of obligations and service among different clans, tribes and families follows a set of norms known loosely as *wasita*, which literally means “connection”.<sup>5</sup> Those in government are expected to provide a valuable point of contact and financial support for the entire extended family. As the capacity of the state was steadily eroded over the past twenty years, there were paradoxically pressures to expand its role: “driven by the logic of creating positions to accommodate interests, rather than the delivery of public services.”<sup>6</sup> The next chapter discusses how *wasita* plays out in all aspects of civil service management, and how the basic tension between patronage and merit-based models lies at the heart of the PAR agenda in Afghanistan.

1.8 Another complicating factor was the rapid expansion of the international military and civilian presence in Afghanistan after 2001. Learning from experience in other fragile states, the UN adopted a “light footprint” approach, where the assistance mission had no direct administrative responsibilities and Afghan staff were used as much as possible. Even

<sup>4</sup> See Rubin 2007 for a discussion of the political dynamics underlying the preference for a strong central state. Understandably, there is an unease about anything which could encourage “fissiparous tendencies”.

<sup>5</sup> This situation is not unique to Afghanistan. According to North, Wallis and Weingast 2006, most societies “provide order by using the political system to limit economic entry to create rents, and then using the rents to stabilize the political system and limit violence.” They call this the “natural state”. Only a handful of countries since WWII have transitioned to “open order states”, where open access and entry into economic and political organizations sustains economic and political competition.

<sup>6</sup> Rubin 2007, 4. This is one of the background papers commissioned by the World Bank for this report.

so, Afghanistan was and is highly dependent on foreign aid. In SY 1385, the international community provided US\$1.5 billion of development assistance, almost three times the level of domestic revenues.<sup>7</sup> This high dependency on aid, much of which is implemented outside the government budget, has created a “second civil service” of externally-paid consultants and advisers, many of them only loosely supervised if at all by the government. Not only has this second civil service taken some of the best talent from the government and bid up the cost of scarce talent, but with the relatively small share of resources at its disposal, it is a constant challenge for the government to stay “in charge” of the development agenda. This situation is perhaps inevitable in a situation where local capacity has been decimated, and both the government and the international community share an interest in showing that progress is being made. But it also creates an environment in which the long-term agenda of institution building is often sacrificed to short-term imperatives.<sup>8</sup> Indeed, some have argued that the prominent foreign presence undermines the very objective of building a credible and legitimate Afghan state.<sup>9</sup>

6

1.9 Faced with these daunting conditions, the new Government of Afghanistan, in June 2003, established the new Independent Administrative Reform and Civil Service Commission (IARCSC). It opted for an “asymmetric” approach to public administration reform, which was more opportunistic than systematic. This reflected the reality that the central government had little reach beyond Kabul and, because of internal divisions, could not build any meaningful consensus around the key elements of a comprehensive PAR program. As argued in Hakimi, Manning, Prasad and Prince 2004, 11:

“Under such difficult circumstances, where central government has very little traction over the public sector that it seeks to reform and must, at all costs, avoid wholesale, painful reforms which would further alienate civil servants, and probably the population as a whole, the only option, other than total inaction, is to stimulate modest, targeted incremental reform of key functions

within government departments and agencies. Priority must be given to those transformations and changes that would enhance the legitimacy of the center rather than undermine it and which both exploit and nurture the appetite for reform that does exist within certain areas of the government administration.”

1.10 The asymmetric approach was reflected in the Priority Reform and Restructuring (PRR) process, which allowed staff in key departments and agencies to be placed on an elevated pay scale for a fixed term in exchange for restructuring. This was intended to jump start the reform process, until more fundamental issues of civil service pay, grading and structure etc could be sorted out. By March 2007, new job descriptions had been written for over 43,000 positions, and 7,800 of these had been filled through the new “merit-based” selection process. There is little doubt that ministries that have gone through a serious PRR process, such as the Ministry of Public Health (MoPH) and the Ministry of Rural Rehabilitation and development (MRRD), have benefited in terms of higher pay and better performance. However, there were also growing concerns about the asymmetric approach: with highly differentiated pay scales within ministries and the difficulty of working within dysfunctional ministerial constraints. As a result, the program was expanded in late 2004 into a more ambitious ministry-wide program. In general, while many staff have been approved for higher salaries, progress on restructuring has been slower than promised in the PRR proposals. And the merit-based selection process, managed by IARCSC, has been criticized for being both slow and subject to political bias and patronage.<sup>10</sup>

1.11 More fundamentally, the PAR program has been criticized for focusing too much on building technical capacity, primarily in Kabul, while downplaying issues of political legitimacy, especially at the local level. The presumption was that increased capacity would improve service delivery and thereby help to build political legitimacy throughout the country. However, Lister has argued that “powerful international and domestic actors have tended to see ‘state building’ as creating organizations and structures

<sup>7</sup> Substantial external assistance to the security sector is excluded from these numbers.

<sup>8</sup> It also creates resentment among Afghans who have lived through many years of conflict, at very low pay levels, and see many of the best-paying jobs going to English-speaking Afghans returning from overseas.

<sup>9</sup> See, for example, Suhrke 2007. Others argue that the foreign role has been too light to achieve its objectives (see Maley 2006 for a summary of these arguments). One such example is the initial decision to limit the ISAF military role to Kabul. This provided a window for the Taliban to re-establish in the South, and complicate the current task of providing security and development in these conflict-affected areas.

<sup>10</sup> See Michailof 2007a.

and have ignored the very interventions that would have contributed to supporting the introduction and establishment of a different set of rules constraining powerful interests. In this they have contributed to the failure of both local government reform and the wider state-building agenda in Afghanistan.”<sup>11</sup> She goes on to argue that more attention to key institutional changes – such as disarmament, reform of the police and judicial system, and merit-based senior appointments – would have helped to change the rules of the game in Afghanistan from informal patronage-based systems to more formal and professional state systems. “Instead their neglect at a critical period has enabled local powerhouses to continue to use the state as a means to exercise power, resisting or co-opting attempts to create new structures and impose bureaucratic rules.”<sup>12</sup>

1.12 Faced with severe capacity constraints, the government had little option but to develop a “lean state” focused on core functions. Consistent with this aim, the number of ministries has been reduced from 30 to 25. The number of civil servants has grown slightly, from 327,000 in 2004 to 348,000 in 2007, mainly due to the addition of more teachers. But at just over 1 percent of the estimated population, this is still a relatively small civil service by regional and international standards. The government has also adopted some innovative mechanisms for program delivery. Two notable examples show what can be achieved under difficult conditions:

- Delivery of health services in rural areas was always very limited in Afghanistan, with a heavy dependence on NGOs during the war years. After the fall of the Taliban, the MoPH formulated a basic package of health services (BPHS) that is largely delivered in rural areas by NGOs through grants or contracts. Independent assessments by Johns Hopkins University show a 21 percent improvement in the quality of health care from 2004 to 2006. MoPH has also experimented with a “contracting-in” management model to run publicly-financed health services. This model has also shown significant improvements in quality of care, with as good coverage as in provinces using the NGO delivery model. While “contracting-in” model has

been applied in relatively easier provinces near Kabul, with better security, the good results probably also reflect talented management and competition from NGOs. (Broader issues of service delivery models, across sectors and over time, are discussed in Chapter II.)

- The National Solidarity Program (NSP) was introduced in 2003 to: (a) lay the foundations for a strengthening of community-level governance; and (b) support community-managed sub-projects that improve access of rural communities to basic infrastructure and services. By the end of 2006, the program had reached more than two thirds of Afghanistan’s estimated 24,000 villages across all of the country’s 34 provinces. A key component of NSP was the establishment of Community Development Councils (CDCs) to develop a Community Development Plan, select sub-projects for funding under NSP, and manage their implementation, operation and maintenance. A mid-term evaluation by the University of York in 2005-06 showed that communities reached by NSP had empowered CDCs, improved community relations and increased public faith in government. (Emerging issues around the role and funding of CDCs are taken up in Chapter III.)

1.13 Similarly, a lot of progress has been made in building up the government’s public financial management systems under the direction of the Ministry of Finance (MOF).<sup>13</sup> The World Bank’s assessment under the Public Expenditure and Financial Accountability (PEFA) program in November 2005 “portrays a public sector where financial resources are, by and large, being used for their intended purposes as authorized by a budget which is processed with transparency and has contributed to aggregate fiscal discipline.”<sup>14</sup> These achievements are commendable compared to experience in other post-conflict countries. However, the assessment also notes that these improvements have to a large extent been dependent on external capacity brought in on an emergency basis to get things going (renting rather than building capacity). The development of

<sup>11</sup> Lister 2007, 15.

<sup>12</sup> Ibid, 16.

<sup>13</sup> Issues of public financial management were recently covered in World Bank 2006d, and are not a specific focus of this report.

<sup>14</sup> World Bank 2006d, 22.

sustainable core government capacity for key public finance functions has barely begun, and there are daunting weaknesses in public financial management in the line ministries. More fundamentally, there is still a wide gap between public expectations and the actual delivery of public services.

1.14 While the PAR agenda is largely focused on developing an effective civil service, this objective won't be achieved without stronger institutions of public accountability. Politically, Afghanistan has come a long way since the Bonn Conference in establishing the basic institutions for a "broad-based, gender-sensitive, multi-ethnic and fully representative government." A new constitution was adopted in January 2004. Hamid Karzai, previously head of the transitional administration, became Afghanistan's first popularly elected President in December 2004. Elections for the *Wolesi Jirga* (the lower house of the National Assembly) and for Provincial Councils took place in September 2005. The inauguration of the National Assembly in December 2005 marked the formal conclusion of the Bonn process, a major achievement. However, Parliament's performance to date has been constrained by its fragmentation and lack of experience. The normalization and professionalization of political culture, including trust between individuals and groups, has a long way to go before Parliament can achieve its objectives of representing Afghan citizens and holding the executive to account.

1.15 Similarly, despite some signs of progress over the past two years, including the appointment of a more reform-minded and professional Supreme Court in 2006, the justice sector in Afghanistan is still very weak. According to a recent review by the United Nations Assistance Mission in Afghanistan (UNAMA):

"The justice system still lacks sufficiently qualified officials, adequate legal education, and the necessary administrative tools and physical infrastructure to administer justice properly, fairly or effectively. The absence of strong state institutions, particularly in rural areas, low salaries for judges and prosecutors, rampant corruption, the ominous influence of warlords and local commanders, and the failure to ensure a secure environment of courts, judicial personnel, victims and witnesses also continues to severely undermine the capacity of the legal system to act independently and

impartially, and contributes to the low level of public trust and confidence in these institutions.... Traditional dispute resolution mechanisms, especially in rural areas, remain dominant to the detriment of women and children in particular."<sup>15</sup>

1.16 During the war, non-governmental organizations (NGOs) often substituted for a weak or non-existent state by providing basic health and education services. As noted above, this model has now been formalized to some extent in the health sector. Civil society and the media have also been widely used for the purpose of civic education, in order to secure the success of the electoral process in the post-Taliban period. However, as NGO dependence on aid has increased, their local support and responsiveness to local concerns has sometimes been reduced. There are only two organizations – Integrity Watch Afghanistan and the Afghan Civil Society Forum – monitoring government performance and working on integrity issues. According to Integrity Watch Afghanistan, while the media has wide ownership and relative autonomy in Afghanistan, compared to other countries in the region, it lacks the investigative skills to put effective pressure on the Executive. And journalists are often threatened for raising politically sensitive issues, including cases of corruption.

1.17 It is against this backdrop that this report looks at the priorities and prospects for public administration reform in Afghanistan over the next five years. However, before returning to that agenda, it is perhaps useful to step back, and learn from experience in other countries about what has worked and has not worked in public administration reform, and how to increase the chances for success in Afghanistan.

### C. Lessons from Research and Country Experience

1.18 The World Bank has done considerable research on the role of the state and reforming public administration over the past ten years. The 1997 World Development Report on *The State in a Changing World* proposed a two-part strategy for building an effective state:

- "Matching the state's role to its capability is the first element in this strategy. Where state capability is weak, how the state intervenes – and where – should

<sup>15</sup> UNAMA 2007, 1.

be carefully assessed. Many states try to do too much with few resources and little capability, and often do more harm than good. A sharper focus on the fundamentals would improve effectiveness. But here it is a matter of not just choosing what to do and what not to do – but of how to do it well.

- But capability is not destiny. Therefore the second element of the strategy is to *raise state capability by reinvigorating public institutions*. This means designing effective rules and restraints, to check arbitrary state actions and combat entrenched corruption. It means subjecting state institutions to greater competition, to increase their efficiency. It means increasing the performance of state institutions, improving pay and incentives. And it means making the state more responsive to people's needs, bringing government closer to the people through broader participation and decentralization.<sup>16</sup>

1.19 Fukuyama 2004 builds on this framework to “distinguish between the scope of state activities, which refers to the different functions and goals taken on by governments, and the strength of state power, or the ability of states to plan and execute policies and to enforce laws cleanly and transparently – which is now commonly referred to as state or institutional capacity.”<sup>17</sup> He then develops a matrix (see Figure 1.1) to show how different countries rank in terms of the scope of state activities and the strength of capacity, as well as how these rankings change over time. According to Fukuyama, the dominant trend in recent years has been to consolidate the scope of state activities, with much less attention to (and success in) building state capacity. Afghanistan would probably be close to the axis on Figure 1.1, with both limited scope and capacity. The challenge is obviously to build the state's strength, including through public administration reform, before embarking upon any major expansion of state activities.

1.20 But Fukuyama also warns about the “black hole of public administration”. By this he means that there are no globally-valid rules for public-sector organization, and that the field of public administration is “more of an art than a science.” While most good solutions to public administration problems will have

certain common features of institutional design, they will also have to incorporate a great deal of context-specific information. Fukuyama therefore concludes:

“If we really want to increase the institutional capacity of a less-developed country, we need to change the metaphor that describes what we hope to do. We are not arriving in the country with girders, bricks, cranes and construction blueprints, ready to hire natives to help build the factory we have designed. Instead, we should be arriving with resources to motivate the natives to design their own factory and to help them figure out how to build and operate it themselves. Every bit of technical assistance that replaces a comparable capability on the part of the local society should be regarded as a two-edged sword and treated with great caution. Above all, the outsiders need to avoid the temptation to speed up the process by running the factory themselves.”

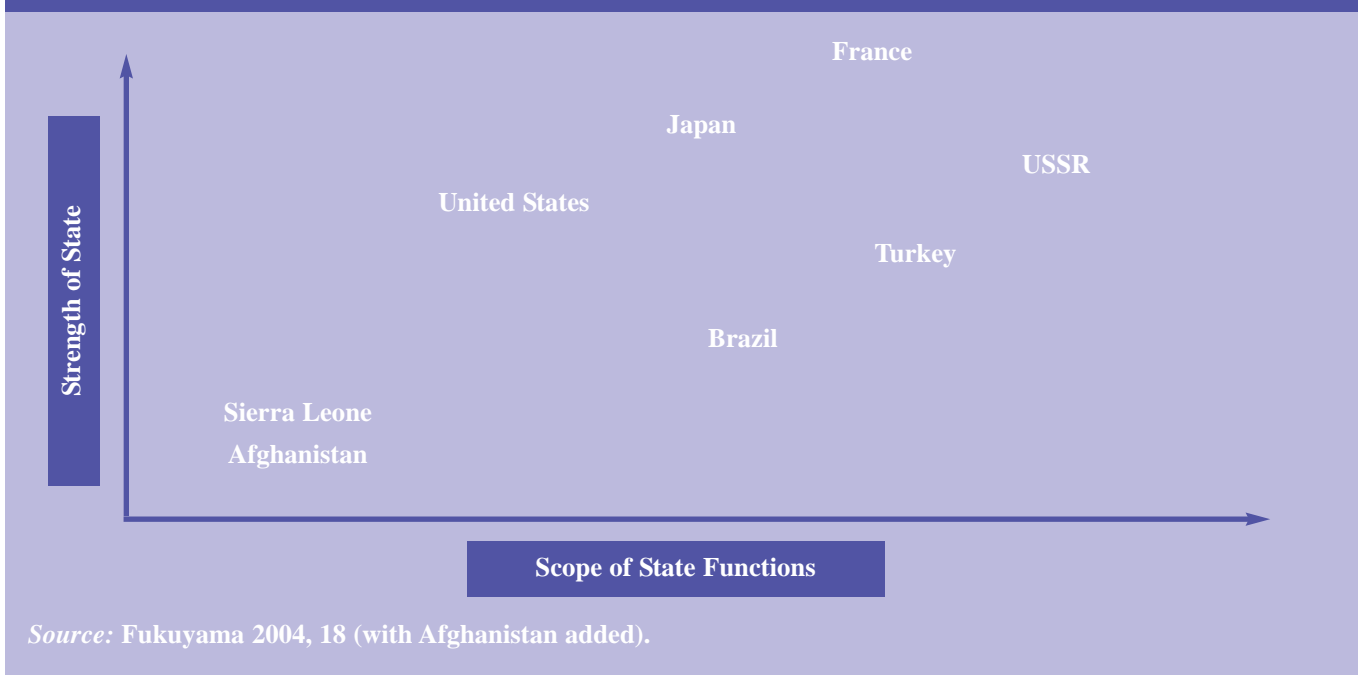
1.21 Fukuyama also draws on the analytical and historical framework developed by Pritchett and Woolcock 2002 to understand why there is an absence of a uniform consensus on *how* to improve service delivery. They distinguish between two aspects of public sector services: their transaction intensity (the number of decisions that need to be made by organizations) and their discretionary character (requiring judgment of imperfect or incomplete information by a skilled decision maker). A traditional, centralized approach to public administration makes most sense when it is easy to monitor a few decisions based on good information, such as running a central bank. But this approach becomes more difficult when many decisions are needed and there is little information to monitor performance. Education is a case in point, where outputs are hard to measure and it is virtually impossible to hold individual teachers accountable. Pritchett and Woolcock develop eight different models of service delivery – including supplier autonomy, contracting out, decentralization and community-driven development – which may provide better outcomes than a centralized civil service depending on local conditions.

1.22 This approach was further developed in the 2004 World Development Report on *Making Services Work for Poor People*. It provided a framework for thinking about

<sup>16</sup> World Bank 1997, 3.

<sup>17</sup> Fukuyama 2004, 9.

Figure 1.1: State Scope and Strength



relationships between clients, providers and policymakers, and alternative models for delivering services depending on whether: (a) the political system is pro-poor or captured by vested interests; (b) clients are homogenous or heterogeneous; and (c) services are easy or hard to monitor. This framework was applied to Afghanistan in World Bank 2006d, as shown in Figure 1.2. This report goes on to draw some lessons for Afghanistan:

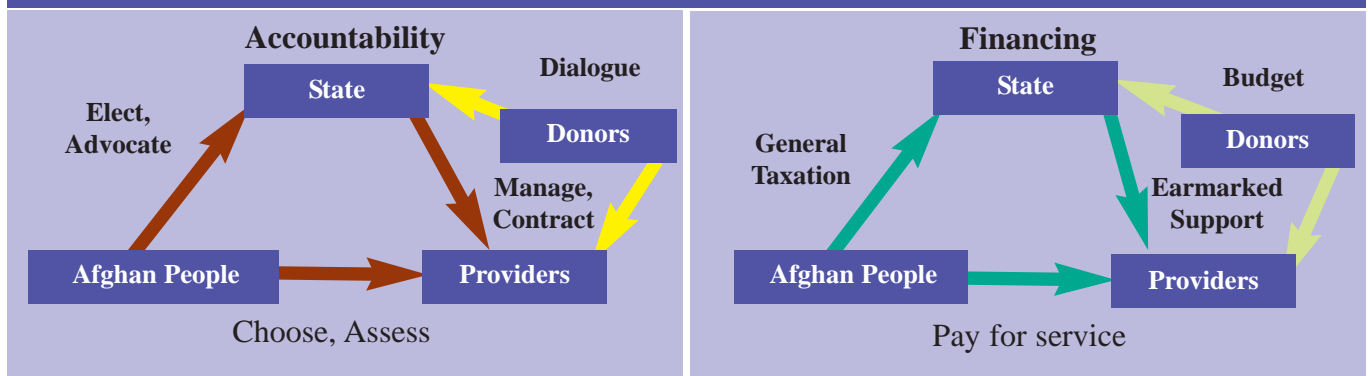
- One size does not fit all: different approaches can and should be used depending on the characteristics of the service concerned and the context in which it is being delivered. However, it is essential that the underlying accountability relationships support and encourage adequate service provision.
- Service providers need to be made more accountable directly to consumers/beneficiaries: through enhanced channels for voice, choice of providers or, in some cases, by paying directly for the service and thereby having a greater incentive to be concerned about quality.
- Different models of service delivery have different implications for state building. Several dimensions are important in this regard: (a) the actual role played by government (policy, financing, management, provision etc); (b) the visibility of the government to consumers/beneficiaries; and (c) the

effectiveness of the services (access, quality, inclusiveness etc).

- Where possible, competition (or at least contestability) among providers can play a useful role. Mobile telecommunications is a notable example of competition resulting in major improvements in access, quality and efficiency of service delivery.
- In Afghanistan, the lack of capacity in traditional centralized service delivery systems provides an opportunity to rethink, modify or even move away from this model – although this could seriously constrain service delivery in the short run. Alternatives include deconcentration within the government structure, more use of commercialized modes of provision, and private sector participation.

1.23 The 2006 *Global Monitoring Report* prepared by the World Bank and IMF has a special focus on monitoring governance. In an expanded background paper, Levy 2006 concludes: “Top-down reforms of bureaucracies and checks and balances institutions generally take a long time before they help improve the front-line performance of governments. Low-income countries seeking to turnaround their performance thus confront a dilemma. Maintaining the momentum of

Figure 1.2: Service Delivery Framework for Afghanistan



Source: World Bank 2006d, 99.

turnaround may depend on achieving major gains in service provision in the short-to-medium term. But reforming their top-down state accountability system to the point that it can provide the requisite combination of accountability and responsiveness is a task which will only bear fruit over the long-run.” Levy goes on to argue that top-down initiatives can be undercut insofar as they are not underpinned by a change in the incentives of political and bureaucratic actors. “Engaging at the front-line has the potential to alter this equation – achieving development results quite quickly, while also potentially helping to accelerate the pressure and momentum for deeper top-down reforms.”<sup>18</sup>

1.24 World Bank evaluation results confirm the difficulty of implementing reform programs in public administration and public financial management. According to the *Annual Review of Development Effectiveness 2006*, while assistance has led to improvements in the quality of public sector management processes in some countries, this has not usually translated into improvements in the perceived quality of governance. Yet recent progress in perceived governance quality in some countries in Eastern and Central Europe shows that it is possible to make progress in a limited time when there is strong country commitment:

“Public sector reforms of a technocratic nature, such as modernizing personnel practices, can succeed when they build on political commitment. Bulgaria’s achievement in professionalizing its civil service, for instance, has been the product of both donor-supported reforms in pay and recruitment and broad political interest in meeting conditions for European

Union (EU) accession. But many reform programs have been undermined by lack of political support. The extent of political opposition is often underestimated at the time of design. In Bolivia and Yemen, Bank-supported reforms in civil service management achieved little, because there was no commitment to ending the traditional role of the public service as a vehicle for large-scale patronage appointments. When political conditions are not ready for wholesale reforms, it is advisable to proceed gradually, identifying opportunities for less-contentious reforms in order to build coalitions across affected interests and to gradually gain momentum.”<sup>19</sup>

1.25 State building has always had a central role in the World Bank’s work on fragile states. In a 2005 Board paper on Good Practice in Country Assistance Strategies it is noted: “Fragile states, as the name implies, are fragile because state institutions have limited capacity to deliver services to their citizens, to control corruption, or to provide for sufficient voice and accountability. In the long-term, therefore, a successful exit from fragility will only come about through stronger and more accountable state institutions which are resilient to political and economic shocks. Building state institutions means not only focusing on state capacity, but also on the responsiveness and accountability of state institutions to the population at large, civil society and the private sector.”<sup>20</sup> The paper goes on to stress the importance of calibrating assistance to weaknesses in existing capacity and accountability and to the risk of conflict or instability.

1.26 Cliffe and Manning, in a forthcoming paper for the International Peace Academy, look in more depth at the challenges of building state institutions after conflict. They argue that “effective institutions are now widely

<sup>18</sup> Levy 2006, x-xi.

<sup>19</sup> World Bank 2006e, xv.

<sup>20</sup> World Bank 2005d, 3.

viewed as critical to address both the ‘capacity deficit’ and the ‘legitimacy deficit’ faced by fragile states – since only strong national institutions can ensure that the state is associated with provision of positive services to the population, and can be held to account by its citizens.” Yet the track record on building state institutions in post-conflict societies is mixed at best. Four particular problems are identified:

- First, many reconstruction efforts have been insufficiently informed by what institutions already exist, and so have tended to reinvent the wheel, rather than build on the pre-existing institutional architecture. Transitional arrangements should be as light as possible, and as reliant as possible on national capacity.
- Second, efforts to support institution-building have typically been quite diffuse, spread across all sectors and all areas of the state, without a clear sense of priorities or sequencing over time. The initial focus should be on key functions and outcomes that are necessary for the survival of the state and sufficient to restore credibility to the state.
- Third, there has been little attention to the relation between transitional oversight and delivery mechanisms and long-term national institutions. Some sectors (army, health) are more amenable to the use of international models and capacity than others (police, education).
- Fourth, donors’ own good intentions to support rapid recovery after a conflict have all too often unintentionally undermined long-term institution-building, by sapping the skills base available to national institutions and bypassing national decision making structures.

1.27 Given these lessons from research and country experience, our approach to PAR in Afghanistan should follow the following principles:

- Initially limit the role of the state to core functions in line with existing capacity and political realities.<sup>21</sup> This is

<sup>21</sup> The criteria proposed by Cliffe and Manning forthcoming to focus on key functions and outcomes that are necessary for the survival of the state and sufficient to restore credibility to the state, are very relevant to Afghanistan. In comments on an earlier version of this chapter, Professor Rubin (NYU) questioned whether it is realistic to expect GoA to carry out even “core functions”, given the low potential for mobilizing resources and the high costs of administration, especially in insecure areas. It is certainly true that Afghanistan will be dependent on foreign resources for the foreseeable future. But, as more of these resources are channelled through the budget, there will be more scope for their management by GoA. Therefore, the capacity of the public administration is likely to remain the critical constraint on getting things done.

<sup>22</sup> Paul Fishstein (AREU) notes that the Government’s commitment to a “lean state” is more like acquiescence, as many middle-level officials see the use of non-governmental delivery mechanisms as a temporary measure only.

consistent with the government’s commitment to a “lean state” and the use of non-governmental delivery mechanisms in some sectors (such as health).<sup>22</sup>

- Recognize that real PAR will take a long time — and will not generate quick returns. It requires a steady hand and a lot of patience. Likewise, donor support has to be sustained to support long-term institutional change and capacity building.
- Look for innovative ways to respond to popular demands for better service delivery in the short and medium terms. Here Afghanistan’s own experience in health and community development provides valuable lessons, along with experience in other countries (e.g., India).
- The broad nature of PAR requires commitment to a common framework, and a clear sense of priorities and sequencing over time. PAR should build into a coherent program, even if short-term actions will often have to be opportunistic and incremental.

#### D. Looking Ahead: Challenges and Constraints

1.28 Before turning to the future, it’s important to acknowledge what has been achieved in Afghanistan over the past five years. From a state of near collapse at the end of Taliban rule, the non-opium economy grew on average by 16 percent per annum from 2001/02 to 2005/06. Progress on social indicators is also very significant: enrollments in primary schools are up from one to five million children, one-third of them girls; and the coverage of basic health services has been extended to 82 percent of the population, contributing to a 22 percent fall in the infant mortality rate from 2002 to 2006. Yet, nothing can conceal the fact that Afghanistan remains a very poor country, with per capita income around US\$300 in 2005/06. Health indicators remain among the worst in the world, just over half of the eligible students are in primary school, and only about one third of the 15-24 year old population is literate. Progress has also failed to keep up with the expectations of the population, which had

been buoyed by new-found freedoms and promises of large amounts of aid. According to a 2006 survey of citizen perceptions sponsored by the World Bank, the biggest problem facing Afghanistan was security and law and order, followed by progress on the economy, poverty and jobs. In terms of basic services, most complained about poor access and quality of electricity, sanitation and drinking water.

1.29 The Government of Afghanistan's strategy to bridge this gap is laid out in the Interim Afghanistan National Development Strategy (I-ANDS). The primary objective of the I-ANDS is "to consolidate peace and stability through just, democratic processes and institutions, and to reduce poverty and achieve prosperity through broad-based and equitable economic growth."<sup>23</sup> The strategy is based on an economic growth rate of 9 percent per annum from 2006 to 2010: to provide people with a tangible sense of improvement, while compensating for the contraction of the drugs economy. Together with investments in human development, this is expected to lead to significant progress towards achieving Afghanistan's Millennium Development Goals (MDGs). Underpinning the strategy, is a set of goals to develop an effective and accountable public administration at the central, provincial and districts levels:

"Through the Public Administration Reform program, the government will ensure that there is improved coordination between decision-making bodies within the central government. It will restructure ministries and simplify administrative procedures and business processes. The IARCSC will assist line ministries and decision-making bodies with reforms of sub-national administration and also monitor and evaluate the process. Government will work through line ministries and decision-making bodies to strengthen coordination and improve service delivery ministries. Government will create an effective, financially sustainable civil service and gradually phase out donor supplementation of salaries. The IARCSC will strengthen rules and procedures for a professionally managed civil service, including promotion of high ethical standards and establishment of disciplinary measures for corrupt or unethical practices.

<sup>23</sup> Islamic Republic of Afghanistan 2006, Executive Summary, 2.

<sup>24</sup> Ibid, Volume 1, Chapter 7, 127.

<sup>25</sup> As noted by Suhrke 2007, 11-12: "Political criteria became increasingly evident in 2006 and 2007, as President Hamid Karzai sought to co-opt potential rivals, rebels or critics by appointing them as special advisers to his office and distributing gubernatorial and police chief positions in the provinces. He came to recognize militias run by local strongmen, a move supported by the U.S. military for counter-insurgency purposes as well."

Government will adopt a merit-based recruitment system that promotes gender equity and ethnic diversity. It will establish a coherent, comprehensive skills development program for existing and new civil servants. The IARCSC and MoF will better manage international technical assistance to ensure faster, more sustainable skill transfer, including in the area of project management."<sup>24</sup>

1.30 Unfortunately, while expectations are rising, the environment for implementing the I-ANDS, including proposals for reforming public administration and improving government performance, is deteriorating. A number of factors are at play:

- **Politics.** Like most post-conflict states, Afghanistan had to weigh up the relative merits of co-opting or sidelining warlords and factional leaders, some of whom have dubious pasts. Initially, a number of technocrats, often Afghans returning from overseas, were brought into key positions. However, many of these have now left, as more positions are allocated to balance ethnic and regional interests (with the notable exception of the Taliban).<sup>25</sup> This is perhaps to be expected, as different factions vie for power within a maturing democracy. Even so, many observers perceive that the overall political environment for reform has deteriorated, and this has to be factored into any assessment of the prospects for progress on PAR. Similarly, security concerns have increasingly encroached upon the objectives and modalities of bilateral aid programs. Again, this is understandable, as security operations have to be quickly backed-up with demonstrable progress on reconstruction and development. However, a quick-fire approach is unlikely to be sustainable, and is often inconsistent with longer-term goals of institution building and public administration reform.
- **Security** The security situation deteriorated in 2006, with major challenges to the Government's authority from the May riots in Kabul and the growing insurgency in the South and East. By early 2007, the violence had spread, with suicide bombings in Kabul and in other parts of the country

as well. Reports from Amnesty International suggest that at least 3,000 persons have been killed since 2002, including around 1,000 civilians in 2006 alone. More generally, law and order problems – related to criminality, drugs and warlordism — are a major concern for the population. Coordination between Afghan forces, and with international troops, is challenging, while police and judicial reforms remain elusive. Some argue that the provision of law and order is the primary function of government, and until this is done in Afghanistan, other functions will suffer. Recent attacks on schools in the South are a case in point. Others argue that establishing law and order depends on a minimum level of government presence and credibility. But, either way, it will be very difficult to build effective public institutions in an insecure environment, without the normal checks and balances of a working judicial system.

- **Drugs.** One of the major causes of insecurity in Afghanistan is the opium economy. By 2007, production had risen to an unprecedented 8,200 tons of opium, accounting for more than one quarter of the national economy,<sup>26</sup> and further enhancing Afghanistan’s role as the dominant supplier of illicit opiates to the world. Opium production is increasingly associated with insecurity, with around 70 percent of the poppy crop grown in 5 provinces along the border with Pakistan, and 50 percent from just one province: Helmand. According to a recent report by the UN Office on Drugs and Crime and the World Bank 2007, the opium economy is a massive source of corruption and undermines public institutions especially in (but not limited to) the security and justice sectors. There are also worrying signs of infiltration by the drug industry into higher levels of government and politics. Yet, there are no easy solutions. Counter-narcotics efforts – whether enforcement actions or development of alternative economic opportunities – inevitably cannot be as nimble or quick as the activities they are targeted against, and they inevitably take time to be effective. Although different strategies will be needed in different geographic areas, there is a strong

argument that enforcement efforts against poppy farmers should follow rather than precede the development of alternative income sources.

- **Corruption.** According to available statistics, Afghanistan ranks near the bottom in terms of the seriousness of its corruption problem. Although the opium economy is undoubtedly the most important source of corruption in Afghanistan, the unprecedented large inflows of international assistance, and the pressures to spend money quickly, also carry associated vulnerabilities to corruption. Other, more normal sources and forms of corruption, related to the role of government in service delivery and regulation, are likely to increase as state activities and capacity are expanded. Similarly, there is a growing risk of political corruption, as the political system is developed. Widespread corruption raises the cost of business and deters and distorts private investment. It also undermines the effective functioning and credibility of the state. The Government of Afghanistan has recently produced a draft anti-corruption roadmap. While this is an important first step, a much more cohesive and effective approach will be needed to reduce the costs of corruption in the future.<sup>27</sup>

1.31 So it is in this difficult environment that the Government of Afghanistan, supported by its international partners, has to build an effective public administration. In the following three chapters, we will look at the immediate and medium-term reform priorities in three critical areas:

- **Building an effective civil service.** The Government of Afghanistan is about to embark on a major reform of the civil service pay and grade structure – to raise salaries and decompress pay scales between the top and bottom grades. This is seen as important for attracting and retaining qualified human resources. However, it will be a challenge to implement a merit-based system in the face of widespread patronage and corruption. Furthermore, to lead to improved civil service performance and service delivery, higher pay will have to be linked to other reforms in ministry roles,

<sup>26</sup> UNODC and the World Bank 2007 estimate that drug income accounted for 26.7 percent of total (licit and illicit) GDP in 2005/06. This share has almost certainly risen since then.

<sup>27</sup> The World Bank is managing a separate work program on anti-corruption, of which the roadmap is one of the first outputs. This report refers to corruption only in so far as it’s a symptom or cause of broader weaknesses in public administration.

functions, structures and processes. Past experience with PRR suggests that political pressures for higher salaries may well overwhelm reform efforts – unless there is a strong commitment to implementing the reform program in a systematic and phased manner. Chapter II looks at how such a program might be implemented: the sequencing of reform actions, the roles of the IARCSC and line ministries, and ways to monitor progress.

- **Improving local governance and service delivery.** There has been increasing debate within the Government of Afghanistan and the donor community about the role of sub-national administration. While Afghanistan is a unitary state, the Constitution provides flexibility to delegate functions to provincial and district government units. It is at this level that most services are delivered to the people – and where the credibility of government will be won or lost. However, there are many actors at the sub-national level (including Governors, Provincial Development Committees, Provincial Councils, and Provincial Reconstruction Teams) that influence the way government works, albeit in different ways in different provinces and sectors. There are also powerful informal power structures at work, which often complement or replace government services. Chapter III will

look at the major challenges facing sub-national administration in Afghanistan, their impact on governance and service delivery at the local level, and the implications for public administration reform.

- **Making government accountable to the people.** Some of the checks and balances on government power come from internal controls, including through better public financial management. However, most successful states recognize the importance of external controls on executive power: formally, through the judiciary and parliament, as well as informally through the role of civil society and the media. Understandably, most of the PAR focus to date in Afghanistan has been on civil service reform. But issues of public accountability are likely to become more important as Afghanistan develops into a mature democracy, and experience in other fragile states suggest it is better to look at these issues sooner rather than later. Therefore Chapter IV explores what can be done now to ensure that government is held accountable to the people, including through better information flows, and institutional development of parliament and the judiciary. How can trust in these institutions be restored? And how is this likely to impact on the public administration reform and anti-corruption programs?