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# **BUILDING AN EFFECTIVE CIVIL SERVICE**



# 2

## BUILDING AN EFFECTIVE CIVIL SERVICE

### A. Introduction

2.1 The previous chapter presented the background necessary for the rest of the report to explore three key components of Afghanistan's public administration reform: an effective civil service; local governance and service delivery; and Government's accountability to the people. The present chapter will examine in detail the first of those three areas—the civil service. Using the analytical framework referenced earlier and drawing lessons from recent reform experience, this chapter's intent is to develop proposals for building an effective civil service that functions at Compact-mandated standards<sup>28</sup>.

2.2 The civil service is being examined first because this piece of Afghanistan's public administration is comparatively more developed than the other two. However, its success in serving the public depends on the other two components: local governance and public accountability—which are discussed in the next two chapters. The Government's PAR framework explains that a capable civil service is not restricted to central government. Because the bulk of public functions are delivered at the sub-national level, the capability of civil servants working in provincial and district governments is important along with local participation for monitoring delivery of services. But even a civil service, strong at both the central and local levels, becomes self-serving unless stimulated by a 'demand' upon government for good administration and public services. Some of these checks and balances on government come from the National Assembly and from the judiciary, while the public and media have a role in monitoring government's performance and holding it accountable. Thus, institutions of public accountability are very important for building an effective civil service.<sup>29</sup>

2.3 Civil service reform is vital for building and sustaining an effective state in Afghanistan – one that has Afghans at the center of determining policy and guiding utilization of public resources. An effective civil service can reassure donors that their financial support is being credibly spent. More importantly, an effective civil service underpins government's credibility throughout the country. The civil service is the 'face' of Government seen by citizens, whose expectation now from their Government is that it will provide security and public services. Unless citizens perceive that civil servants are serving the larger public interest rather than their own, the Government's trustworthiness will be eroded leading to large scale dissatisfaction, and perceptions that outside actors are managing the state.

2.4 The civil service's wide extent, cutting across all sectors of Government, makes its progress both essential and hard to achieve. Improving the civil service means dealing with individual organizations as well as the whole apparatus of government. But even more challenging than the scale of reform is its nature. Since the 1990s, both developed and developing governments' roles have shifted—away from being sole provider of public services and towards policy setting and regulation—while allowing other agents to actually deliver the services. This shift in governments' priorities has meant reorienting many government organizations and their officials towards different goals, and to perform a different set of tasks. Such transformation is difficult anywhere: Afghanistan's circumstances enlarge the magnitude of the challenge. At the start of reconstruction, organizational structures were still based on functions of the Afghan government established during the 1960s and before. Their sizes had grown considerably during

<sup>28</sup> At a conference in London on January 31, 2006, the Government of Afghanistan presented the Interim Afghanistan National Development Strategy (I-ANDS) to its development partners. It set out the government's political and economic plans and priorities for the following five years up to the end of SY 1389. The framework for co-operation that resulted from consultation on the I-ANDS at the London conference is referred to as the Afghanistan Compact.

<sup>29</sup> This is part of the PAR framework approved on April 3, 2007 by the Government's PAR Steering Committee.

the Soviet period, and defunct and bloated structures were overlaid with arbitrary changes imposed during the conflict years. Civil service reform also means introducing performance incentives along with accountability mechanisms for civil servants employed within these organizations. This latter is slow and painful because it involves changing officials' behaviors. In Afghanistan, the merit principle sits uncomfortably on a tradition of administration based on *wasita* (exchange of favors): in spite of discussions on this issue, the Bonn Agreement in 2001 did not come out with any definite statement about a merit-based civil service.<sup>30</sup> Progress in this area is also compounded by a serious lack of local competence and the continued uncoordinated and distortionary behavior of donors in attempting to fill that void through short-term arrangements. At the sub-national level, increasing competition with anti-government forces with significant resources or influence at their disposal also creates serious impediments to improving government performance and legitimacy.

The World Bank's experience and research has shown that effective governments have, first, deliberately selected what functions they will perform, and then, discharged those functions satisfactorily. The first step is to match the state's role to its capabilities. The next is to raise state capability by reinvigorating public institutions. Fukuyama 2004 has described state performance in terms of the same two dimensions, which he has named—only slightly differently from World Bank 1997—as scope of state activities, and strength of state power. The same logic of scope and strength also determine civil service effectiveness. A civil service can be a well-performing, effective tool of government when its extent (scope) is compatible with how well public organizations perform their tasks (strength). The civil service's strength is determined by whether or not public officials have the competence to perform their tasks, and whether personnel management rules and practices induce behavior and performance consistent with the goals of a professional politically neutral civil service. Thus the civil service's

#### Box 2. 1: Compact Goals for an Effective Civil Service

The London Compact contained specific goals of civil service reform to be achieved by SY 1389 (end 2010). The Compact stated:

With respect to scope of Government, Government machinery (including the number of ministries) will be restructured and rationalized to ensure a fiscally sustainable public administration; the civil service commission will be strengthened; and civil service functions will be reformed to reflect core functions and responsibilities.

With respect to civil servants' competence, requisite support will be provided to build the capacity of the civil service to function effectively

With respect to personnel management and incentives, a clear and transparent national appointments mechanism will be established within 6 months, applied within 12 months, and fully implemented within 24 months for all senior level appointments to the central government and the judiciary, as well as for provincial governors, chiefs of police, district administrators and provincial heads of security.

By end-2006, in furtherance of the work of the civil service commission, merit-based appointments, vetting procedures and performance-based reviews will be undertaken for civil service positions at all levels of government, including central government, the judiciary and police. Annual performance-based reviews will be undertaken for all senior staff (Grade 2 and above) starting by end-2007.

Source: The Afghanistan Compact at

<http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1134650705195>

2.5 The ingredients of an effective civil service are the same as those that make an effective state. These were outlined in Chapter I (paragraphs 1.18 to 1.22).

effectiveness is described by the scope of government, and the competence and incentives of civil servants.

<sup>30</sup> Rubin 2007.

2.6 The rest of this chapter explores the Afghan civil service's current and future performance in terms of its scope and strength. The government's scope is evaluated in Section B in terms of its size and shape, how it is arranged to accommodate differences between service delivery models in different sectors, and the structure of individual organizations. The chapter then probes the civil service's strength in terms of civil servants' competence to do their work (Section C) and the incentives created by the laws and rules for personnel management (Section D). The last section (E) outlines conclusions from the analysis, and proposes directions for maintaining the reform agenda.

2.7 Clarifying terminology here can avoid confusion arising later in the chapter. The word 'capacity' is used very often in Afghanistan. This chapter uses the word 'competence' instead of the wider 'capacity' to mean the narrower idea of civil servants' skills to perform their tasks. The term TA is used in Afghanistan to mean both technical assistance as well technical assistants hired from donor funds. In this chapter, TA means only the support provided by donors, while the individual contractors providing the assistance have been referred as consultants. The Priority Reform and Restructuring program may have been unpopular, but it has made the term PRR so prevalent that it is used in Afghanistan both as a verb (describing the process that ministries undertook) as well as an adjective describing the ministry's status (whether PRR-ed or not).

## B. The Civil Service's Scope

### *Whole of Government*

2.8 The Afghan government has displayed considerable discipline in establishment control and civil service growth that is rare in post-conflict countries. In Cambodia, for example, the civil service's size ballooned during reconstruction because the political coalition following the peace accord required expanding the civil service to absorb functionaries from parties joining the coalition. Close budget management has helped control the

establishment in Afghanistan. During every budget's preparation, the staffing demand of each ministry and department is examined and approved, often with reductions, during the budget formulation process. The salary bill is released according to this approved *tashkeel*, and ad hoc, mid-year increases are not easy to extract from the Ministry of Finance. The persistence of security threats and the resulting steady growth of the security sector have acted as another check on civil service growth. The approved strength of police and para-military forces combined is currently 62,000; but the JCMB has recently agreed a higher figure of 82,000. Growing security sector expenditure constrains the rise of general civilian government's wage bill. In SY 1386, the security sector's salaries and allowances accounted for nearly half of the operating budget (48 percent) compared with the 27 percent for education and health sectors combined.<sup>31</sup>

2.9 The Government has controlled its scope and the civil service's size by reducing the number of ministries—from 30 at the start of reconstruction in 2002 to the current number of 25. Though this reduction may have been driven by political considerations rather than rationalization of government's structure, it was a notable achievement. The Afghan delegation at the 2001 Bonn negotiations had refused to eliminate any of the existing 29 ministries, and instead added one more, a ministry for Women's Affairs<sup>32</sup>. In addition to the 25 ministries, there are 11 independent departments, 2 Constitutional agencies and 8 other independent organizations that do not report to any ministry. The current structure of Government offers further scope for rationalization. For example, there have been proposals within Government to merge the Ministry of Returnees and Refugees and the Ministry of Women's Affairs into the Ministry of Labor and Social Affairs; and to merge both the Ministry of Religious Affairs and *Haj*, and the Olympic Committee Department into the Ministry of Information and Culture. Another proposal was to fold the Ministry of Counter Narcotics and the National Security Department into the Ministry of Interior<sup>33</sup>.

<sup>31</sup> Ministry of Finance's budget estimates for 1386.

<sup>32</sup> Rubin 2007.

<sup>33</sup> Until recently, the Ministry of Interior was in charge of provincial and district administration, with an unspecified coordination role for Governors. A Presidential Decree on August 30, 2007 established the Independent Directorate of Local Governance (IDLG) as an independent directorate under the Office of the President. The IDLG is essentially a merger of the structures of civil administration under Ministry of Interior (excluding registration of births and deaths - *tashkera*) and provincial relations (provincial councils) under the Office of Administrative Affairs (OAA).

### Box 2. 2: The Civil Service's Size

Looking at the civil service as a whole, its size appears small by international standards. The proportion of the population employed in government (1.9 percent) is lower than the average of other countries in the South Asian region.

The estimated figure of 348,000 for a general civilian government includes 138,000 teachers, 10,000 employees of municipal administrations and approximately 63,000 police but does not include employees of public enterprises, the military and other uniformed personnel.

Teachers comprise half of the non-uniformed civil service; and nearly half of the non-teacher civil servants are contract employees (*agirs*). However, these distinctions make little difference to civil service management or the salary bill because *agirs* have the same status, rights and benefits as civil servants.

Equally, the 25,000 employees of state owned enterprise (SoEs) also have civil servants' status, thus extending the size of the civil service. Although a majority (56 out of 65) of the SoEs has been earmarked for divestiture, their auctions—especially of their fixed assets—have been unsuccessful. The enterprises that were selected to be restructured and retained in government employ nearly 11,000 employees, with DABM (6,660) and Millie Bus (2,146) being the two largest employers.

*Source:* Ministry of Finance, Verified Payroll Project.

2.10 This civil service's shape is a very broad-based pyramid, populated at the base by employees in low-skill positions, at the tip by managers in the higher grades, and with the technical qualified staff distributed in between. The pyramid's broad base and narrow-tip are explained by the pressure on government to generate employment and severe scarcity of professionals in the civil service and society at large. The narrow tip of the civil service pyramid may be even leaner than it appears. Following earlier civil service management rules and practices, many officials have been promoted in post, to higher grades, based on their academic qualifications and years spent in each grade. So, there are officials with low skills occupying positions in higher grades. The recently approved, new grade-pay structure attempts to restore some order to the previous inept civil service structure through classifying government positions into 8 grades based on those positions' job descriptions and responsibilities. The proposed, new distribution is not expected to radically alter the civil service's shape. It will still generate a very broad-based pyramid, with about three-fourth of positions at the bottom, not unlike other civil service pyramids in the South Asian region. But even this structure may turn out to be hard for the civil service to achieve as it is extremely difficult to find skilled persons to fill technical and managerial positions in the civil service. In addition, unless donors and government can collectively address the accountability and incentive problems created by the

“second civil service”<sup>34</sup> then government will continue to be thwarted in its ability to build in-house competence at these important levels.

2.11 How the Government chooses to deliver services should affect its scope and shape now and in the future, as well as the level of competence that is needed. Apart from the general needs of fiscal sustainability and transparency, Afghanistan's approach to service delivery would expect to be strongly determined by central government's limited reach and capacity, and even more limited resources and capacity at sub-national levels. These constraints would typically suggest that central government focus primarily on planning, support, and oversight of service delivery, while delegating the actual delivery function outside of central government. Since Afghanistan has extremely limited capacity at the provincial level to which central government can delegate, it is especially pertinent to utilize alternate models such as NGOs and public-private partnerships to deliver specific kinds of services, and make use of community engagement to help monitor and guide performance.

2.12 The difference between service delivery models in Afghanistan's education and health sectors is reflected in the scope of government in these areas, although not necessarily in the underlying organization and structure of relevant ministries. Unlike many other post-conflict countries, Afghanistan very quickly

<sup>34</sup> The second civil service is described in Chapter I (paragraph 1.8) as an army of "externally-funded consultants and advisers, many of them only loosely supervised if at all by the government."

returned to the pre-conflict centralized organization of education after 2001. The sector's model so far has been to bring schools, including the ones run by NGOs<sup>35</sup>, into the ministry's fold, through the provision of standardized textbooks and curriculum, and by putting all teachers on the government's payroll. Some administrative and financial controls and teacher recruitment are being examined for delegation from the national level to deconcentrated units of the ministry at provincial, district and school levels. NGOs participation is restricted to where they have a

prioritization or community contributions. There have been no formal evaluations undertaken to assess different service delivery models, and there is virtually no data on education outcomes. The Ministry has recently prepared a five-year education strategy and is beginning implementation of organizational and human resource management policies designed to improve performance. Along with these, the ministry could usefully examine the scope for increased partnerships with NGOs/communities in various parts of the education process.

### Box 2. 3: Using Communities instead of Government Mechanisms to Deliver Education

Guatemala's PRONADE, which started in 1992, and now extends to 4,100 communities and 445,000 children in remote rural indigenous areas, is an example of government's contracting out the actual delivery of primary education.

The Ministry of Education is responsible for strategic planning, financial management, and monitoring and evaluation of primary education. It contracts communities to deliver the service. Each community participating in this program is represented by a parent-run school committee, COEDUCA. Eligible contractors are communities located at least 3 kilometers from the nearest public school, having at least 25 primary school-aged children, and which have located a site and demonstrated ability and interest in managing the new school. Government funding covers teacher salaries, learning materials and school snacks. Teachers and parents are trained on how to manage their community schools by NGOs, contracted by the ministry.

In 2003, PRONADE schools accounted for 15.2 percent of the primary enrollment nation-wide. Fewer PRONADE schools had access to water, latrines and electricity than government schools. However, on average, PRONADE students spent more time in classroom instruction than traditional rural schools. PRONADE students were in school for 180 days during the year compared with much fewer school days of traditional schools' years. Parental participation in school activities and contact with teachers and principals was higher in PRONADE schools than in the control schools.

*Source:* Rojas 2005

comparative advantage relative to government, such as in-service training for some teachers, early childhood education, and community-based schooling for girls in remote areas<sup>36</sup>. Consistent with the Education Ministry's retention of most of the service delivery functions, it is the government's biggest employer with 143,000 teachers and 38,000 staff in administrative and other categories. Until recently, it has lagged behind other key ministries in terms of administrative reforms; resulting in poor planning, budgetary, monitoring and technical (including teaching) capacity. Despite the high level of donor engagement, financial sustainability will be challenging without greater

2.13 In contrast, the Ministry of Public Health has delegated, through grants and contracts, the delivery of its Basic Package of Health Services (BPHS) to NGOs in roughly 80 percent of the rural areas of Afghanistan<sup>37</sup>. As reported in Chapter (see paragraph 1.12), independent assessment of the quality of health care shows a significant percent improvement in NGO-provided services. The ministry is also experimenting with contracting *in* management (called the ministry's Strengthening Mechanism) to run publicly-financed services. In 3.5 provinces, senior managers of the ministry were recruited at market rates, salaries were increased through the Government's PRR process, and

<sup>35</sup> Currently estimated at between 15, 000 to 25,000 schools, many of which survived the conflict years.

<sup>36</sup> In 4 out of the 14 provinces where the World Bank's Emergency Education Program and the on going Education Quality Improvement Program are being implemented, NGOs have been contracted by the ministry as facilitating agencies.

<sup>37</sup> As part of its support to Afghanistan's health sector, the World Bank finances Performance-based Partnership Agreements (PPAs) between the ministry and the NGOs.

performance bonuses were paid according to the results of independent assessments. Both quality of care and coverage have also increased considerably in these provinces where the Strengthening Mechanism is being implemented.<sup>38</sup> All in all, and in relation to other post-conflict countries at similar periods, Afghanistan's health sector is regarded as relatively functional; characterized by a strong policy framework, clear guidelines for service providers, a formal evaluation plan, and reasonable access. The Ministry itself is regarded as the star performer of PRR which it utilized

continuing belief within parts of the ministry, especially at provincial levels, that the future of Afghanistan's health system is public sector service delivery. There is still some ambiguity about the role of provincial health offices in the context of the delivery of services, and gaps in capacity at this level to monitor NGO performance or oversee vertical disease control programs. Financial sustainability of both hospital-based services and the BPHS without some consideration being given to user charges, and ministry reorganization/staffing will be a challenge.

#### Box 2. 4: Alternate Delivery of Health Services in Rwanda

While re-building its health services, Rwanda at first re-adopted the district health system model in which provincial and district health management teams in the public sector were given complete responsibility for running health services. In 2001, the annual public budget for health was \$3 per capita of which it is estimated only \$1 made it to the frontline facilities which generated 60-80% of their revenues from user-fees.

A series of contracting efforts were started in different parts of the country. Resources were given to health centers, not as a fixed amount but one based on performance. An international NGO, working as intermediary, worked with funds from a bilateral agency in two health districts of Butare province with a combined population of 388,000 served by 19 rural health centers. These health centers had previously received a fixed budget and per diems used to be paid to health workers regardless of their productivity.

Management committees in each health center signed contracts with the NGO that provided the health centers specified amounts based on the provision of five key services. The services and the amount provided for each one were: (i) institutional delivery - almost US\$5; (ii) antenatal care (as measured by tetanus toxoid at least 2 doses) - \$0.50; (iii) family planning new acceptor - \$2; (iv) immunization (completion of measles and DTP3) - \$1; and (v) curative care consultations - \$0.10 for each new one. The management committees had considerable autonomy in how they used the funds they received.

The performance initiative cost an additional \$0.24 per capita per year of which 62% went to the health centers, 27% went in incentives to the district and provincial staff, and 11% to cover the transaction costs of the new scheme. There were large improvements achieved in the intervention areas of Butare province in almost all the services designated in the contracts. The median double difference was 12.9 percentage points.

*Source:* Loevinsohn 2008.

liberally to attract well qualified candidates to the civil service, including at provincial levels. It has also benefited from a high level of well managed national and international technical assistance which have been influential in determining policy directions and guiding donors. It is not clear, however, that these radical changes have had a significant impact on the ministry's wider structure and organization. The Strengthening Mechanism model has in part been a result of

2.14 Functional overlap of some organizations complicates understanding the true scope of government. Because of ambiguous and contradictory provisions in the legal framework, both the Ministry of Urban Development and Kabul Municipality claim responsibility for planning, zoning, and building regulations within the city. This not only leads to conflicting planning and development in parts of the city, but also stalemates in project implementation—

<sup>38</sup> These and other findings are contained in Islamic Republic of Afghanistan, Ministry of Public Health 2006.

both government and donor supported. Resolution occurs on a case by case basis, often only with the intervention of the Mayor and Minister of Urban Development. Water being an important subject in Afghanistan, 3 ministries (Energy and Water, Mines, and Agriculture) and one department attempt to control equipment and funds for hydrological studies. The current arrangement is that when the water in question is potable, the Ministry of Energy and Water controls the hydrological studies to determine aquifers and water deposits. When the water is meant for irrigation, the Ministry of Agriculture conducts the studies. The Ministry of Mines, on the other hand, conducts hydrological studies when it needs soil data to identify mineral deposits and the water data to avoid flooding of mine tunnels and pits. The Department of Environmental Protection also conducts hydrologic studies to determine location of dumpsites and sanitary landfills, avoiding seepage into a water vein/deposit being used by people for drinking purposes. A quick review of organizational mandates within each sector can help identify overlaps and lacunae.

2.15 While some government functions are being performed by more organizations than is necessary or economic, other critical areas of government need greater coordination between organizations to cover gaps. Even though policy making is the most important function of the center of government, there exists no institutional arrangement to coordinate policy development across ministries prior to their submission to Cabinet for consideration. The concept of a Cabinet Liaison Officer for each ministry, as a focal point for the ministry's submissions to the cabinet, and for implementation of relevant Presidential decrees emanating from Cabinet meetings has been introduced only very recently. Greater coordination between the Ministry of Interior (police) and the Attorney General's office (prosecutors) will help improve rule of law. Recent laws have generated confusions and tensions by changing the responsibility for criminal investigations. Historically, the police in Afghanistan had been responsible for both discovery and investigation of crimes, but that responsibility has now been assigned to the Attorney General's office. Now the police do not have the authority to investigate crime. Instead, they send the file to the Prosecutor, who does not have the

capacity to investigate<sup>39</sup>. The result is that investigation suffers.

### *Scope of Individual Organizations*

2.16 The structure of individual organizations is especially important to Afghanistan's scope of government because structures had become very informal during the conflict years. There was little clarity about the functions of ministries and agencies, and even less about their constituent units. The Priority Reform and Restructuring program, introduced in July 2003, was the principle vehicle for introducing some restructuring and rationalization of individual government organizations. As already described in Chapter I, the PRR, was an unconventional initiative for a weak environment like Afghanistan's, but it was the only way possible at that time. The asymmetrical approach allowed higher pay to staff of selected departments of ministries performing high priority functions in exchange for restructuring those departments. The initiative was more in line with practice in developed countries, where the sense of discipline is ingrained. But in 2002, this was attempted in Afghanistan because there was not much alternative: neither any assigned organization in government to undertake more comprehensive organizational restructuring, nor any organization that had the capacity to undertake the restructuring of its entire structure<sup>40</sup>.

2.17 The PRR program enabled ministries that underwent some restructuring in key departments start to look more like modern ministries, and provided an incentive to begin recruiting staff on a merit basis. It also provided temporary relief from the very compressed wage structure for ministries and departments undertaking important functions. Indeed, the proposed regrading of the civil service and assignment of new pay scales could not have been considered if the PRR program had not installed, in the first place, some rational organization of ministry structures and production of job descriptions. The program encouraged efforts to reform and restructure in at least 32 of the 44 ministries and agencies, plus several Governor's offices, and approved 44,000<sup>41</sup> positions for higher allowances. Some departments and ministries inevitably used this process more rigorously than others.

<sup>39</sup> Wilder 2007.

<sup>40</sup> Hakimi et al 2004.

<sup>41</sup> As of 31 July, 2007.

2.18 The program's success in achieving some degree of restructuring in return for higher salaries was diminished when the program was expanded in 2004 to encourage "whole of ministry" approach rather department by department applications. Because it created inequities within ministries—between departments restructured and not—its replacement by a broad, across-the-board reform had been politically inevitable. The program was concentrated at the national level. Of all positions that have been PRR-ed, 44 percent are located in Kabul<sup>42</sup>. Even at national level, ministries' weak HR departments were unable to keep pace with recruitment plans; and departmental units located at sub national levels were often excluded during the program's early days. Real reform of line ministries' provincial departments was hampered by the lack of IARCSC's presence in the provinces and competence gaps at provincial levels to implement reforms. Later, however, provincial components were added to approved PRR applications of the Ministries

responsibilities were not able to sufficiently monitor or guide implementation of PRR reforms within ministries. The new task forces, popularly called Reform Implementation Management Units (RIMUs), will have their staffing supplemented by both national and international consultants for 18-30 months to diagnose and recommend changes. In addition, reform plans are expected to give greater attention to responsibilities at central and sub-national levels as well as to opportunities for improving service delivery or operational performance through business process improvements.

### *IARCSC's Own Functions and Structure*

2.20 In spite of being the organization mandated to lead civil service reform and organizational restructuring, the IARCSC itself has conflicting roles and functions. The Commission is overloaded with having to perform all aspects of Afghanistan's civil service management, creating a serious capacity crisis. Other Public Service Commissions with much longer

## Box 2. 5: Creation of the IARCSC

Even the unusually structured IARCSC almost didn't happen. The Bonn Agreement's original draft proposed a powerful Public Service Commission to process merit-based recruitment at the national, provincial and district level. But all representatives opposed any attempt to curtail their authority to appoint whomever they wanted to government posts. In the end, the Agreement stated that the Commission would "provide the Interim Authority and the future Transitional Authority with shortlists of candidates for key posts in the administrative departments (ministries), as well as those of governors and *uluswals* (district administrators), in order to ensure their competence and integrity." The Agreement did not impose on the government any obligation actually to appoint officials from among the candidates on these short lists. In practice, the Commission never compiled or submitted such lists. Instead it defined its purpose as "reform" of the system. While the core role was reduced, the IARCSC started performing other civil service functions generally performed by line ministries.

*Source:* Rubin 2007

of Public Works, Public Health, Rural Development and the *mustoufiat* offices of the Ministry of Finance.

2.19 The restructuring process initiated by PRR is far from complete. After completing an initial phase of restructuring, a number of ministries are now looking at forming units / task forces that are dedicated to making further refinements of their organizational structures and overseeing implementation of the reform process, including improved human resource management practices. These units replace the old PRR task forces whose ad hoc nature and temporary membership by senior civil servants with other

operating histories than IARCSC (4 years) and functioning in stronger institutional environments than today's Afghanistan, perform fewer functions.

2.21 Two distinctly separate personnel functions are merged within IARCSC: a ministry in charge of personnel and a traditional Public Service Commission providing the necessary check and balance between government and employees. Functioning as Afghanistan's Personnel Ministry, the Commission is perceived as a "doer" organization more than a "facilitator" or "oversight" organization. It was

<sup>42</sup> The Services Group 2007.

entrusted with actual reorganization tasks of line ministries in the PRR process instead of being a facilitator of an exercise led by line ministries themselves. Unsurprisingly, this resulted in overstressing the Commission's capacity and limited success where the line ministry was not actively involved or sufficiently motivated. On the other hand, if the Commission functioned as a real Personnel Ministry, it would logically play a major role in establishment control—not only its own but of the whole government. But current practice is that the Ministry of Finance agrees each line ministry's *tashkeel* only with inputs from the *Tashkeelat* Directorate in the Office of Administrative Affairs but leaving the Commission out. While expected to perform both executive and check-and-balance functions, the Commission enjoys neither executive authority nor independence from the executive. Trying to perform executive functions without being backed by Cabinet-level authority slows it down. Meanwhile, although the Basic Civil Service law states that the Commission is independent in its performance and directly responsible to the President's Office, in practice its status is unclear. Rather, the Commission reports to a Cabinet Sub-committee, with supervision coming from a PAR Steering Committee, the latter including a Deputy Minister and an Advisor to the President. Thus the IARCSC is supposed to be unbiased in all its actions, while being vulnerable to pressure from within the Government. Finally, there are conflicts of interest even within IARCSC's own structure. While one part of the Commission (Appointments Board) handles recruitment, another part (the Appeals Board) can stay those proceedings. Similarly, the Appeals Board can also rule against any directive from the Commission's Civil Service Management Department. These could pit different parts of the Commission against each other.

2.22 The IARCSC is responsible for monitoring civil service reform's progress. This is not easy for the Commission to accomplish because a majority of the reform activities are being undertaken outside of itself and by the line ministries. The ministries themselves, lacking awareness about the usefulness of monitoring, have no incentives to monitor. Yet, it is in the Commission's own interest to do this systematically and generate useful and timely information, to identify areas of progress and stagnation, and organizations that

are lagging in the reform effort. This can help IARCSC position itself as an able steward of the reform effort. Without it, the Commission will find itself explaining and defending all achievement shortfalls at the end of the Compact period. Currently, the Commission is refining a set of monitorable indicators for the civil service reform effort, in line with the Compact Benchmarks. The Human Resource Policy Department (HRPD) of the IARCSC is responsible for monitoring the compliance of personnel management policies and practices across government. At this point in time, little monitoring takes place, although the HRPD sends out monitoring teams to determine the extent to which new regulations are being complied with in ministries. The Appointment Board attempts to monitor performance assessments and appointments at senior levels. The extent to which it can monitor general appointments depends upon the ability of their staff to regularly observe ministry level recruitments.

### C. The Civil Service's Competence

2.23 Reforming the structure of government and its various ministries and agencies provides the necessary framework within which the civil service can function, but the best of structures would not result in good service delivery without competent civil servants working in these organizations. This required level of competence among civil servants was quite non-existent in 2001. Afghanistan had suffered a serious exodus of trained and experienced persons, and the education system had not replaced those who left or were victims of violence. Skills and practices of those civil servants who had stayed behind had not been systematically upgraded to match evolving demands of a modern society: rather policies and practices of the latest pre-reform regime placed obstacles in the way of modernization. This left the government at the start of reconstruction in a very weak position to establish control over its own finances and build public confidence in its ability to serve its redevelopment needs through its own efforts. As in many other post-conflict reconstructions, international technical assistance flowed into the vacuum at a rate that government was largely unable to plan for, or effectively control and coordinate. In addition, donors have attempted to compensate for the lack of capacity in government to manage programs and projects, through an array of salary top-ups to civil servants, replacing normal government implementation

arrangements with the use of private contractors and NGOs, and competing away whatever competent staff are available to government in order to manage their own projects/programs. This has effectively created a “second civil service” with perverse incentives for reforms within ministries and unclear accountabilities for those staff receiving salary supplements. The government has since been trying to balance initiatives on a number of fronts: managing technical assistance; recruiting more competent staff under PRR and other schemes; conducting in-house training to strengthen current employees; and plan for longer term improvements competence through schooling, training institutes and higher education.

assistance to the country. Speaking in Washington during the World Bank Annual Meetings in September 2006, the Minister of Finance observed that since 2002 an estimated \$1.6 billion had been spent on technical assistance and capacity building projects, with little result. This estimate did not take into account the technical assistance provided through development projects and capital expenditure (investment TA) nor TA provided by many NGOs operating in Afghanistan. Therefore, annual donor spending in Afghanistan on technical assistance could well be in the range of a half a billion US dollars. This roughly amounts to the government’s tax receipts, or about one half of government’s on-budget expenditure. Building in-

### Box 2. 6: Types of TA and their Perceived Strengths and Weaknesses

- TA that is embodied in a capital investment operation, such as site engineering. This practice is generally perceived positively because it buys international best practice for a specific task for a limited duration with no expectations beyond the completion and functioning of the capital involved.
- TA that constitutes all or a significant part of the management of an investment operation, such as in a Project Implementation Unit. Offering advantages in terms of focus on results and experience in project management, it generally creates institutional arrangements that run in parallel with regular government operations, distort incentives, and reduces the sustainability of the project in its post-investment operations stage.
- Operational TA delivered by contractors that directly substitutes for civil service in line positions. While justified in emergency situations, it is very costly, distorts the labor market, and discourages capacity building by creating dependency. It is also difficult to effectively determine when the emergency has been sufficiently calmed to begin to reduce this dependency.
- Advisory TA, also delivered by contractors, that advises managers and policy makers but is not involved in implementation. The distinction between the provision of advice on performing a function and actually performing the function itself can be quickly blurred.
- TA that functions as coaches, trainers, and third party analysts, without involvement in operations or capital investment. This is the least intrusive form of TA, but its success is difficult to standardize and measure.

Source: Michailof 2007b

### *Managing Technical Assistance (TA) to Augment Civil Service Competence*

2.24 Five years into reconstruction, the challenge now before government is how to manage TA so that there is sufficient to fill competence gaps, while replacing it with less costly and more manageable in-country-grown and national capacity on the other. OECD’s Development Assistance Committee has estimated that donor spending on technical cooperation in Afghanistan reached almost \$460 million in 2004<sup>43</sup> representing more than 20 percent of total donor

country competence and experience, is likely to be less costly, but it will require time and has its own risks that are discussed in the next sub-section.

2.25 Dissatisfaction with the result of TA has been wide and vocal. Among all types of technical assistance (see Box 2.6), the government is facing the greatest challenge in managing operational technical assistance. The earlier expectation had been that donor-funded consultants would function as advisors while civil servants in line positions would manage the

<sup>43</sup> Annual figures are \$19 million for 2001, \$226 million for 2002, \$407 million for 2003 and \$459 million for 2004.

operations. For this reason, the Afghan Expatriates Program (AEP) and Lateral Entry Program (LEP), funded from the multi-donor Afghanistan Reconstruction Trust Fund (ARTF), were expected to recruit knowledgeable Afghans that would return as advisors, and use their experience outside Afghanistan to introduce modern methods and practices in ministries and agencies. Progressively, however, the real demand for their competence, and that of most TA-funded consultants, was to act as operational line officers. The persisting need to fill gaps in management of key ministerial and agency functions has now been explicitly recognized in the new Management Capacity Program, which follows on the former AEP and LEP. Making explicit the demand has allowed suitable attention to accountability, transparency and management arrangements for the consultants that are being engaged, although an exit strategy for these programs has yet to be fully conceived. Apart from this advisory versus in-line dilemma, many had believed that the gap-filling need for civil servants' competence would last 2-3 years,<sup>44</sup> and that short-term, imported consultants would simultaneously train and coach their replacements while performing in-line operations. These assumptions had been overly optimistic, considering the unprecedented length and depth of the conflict from which Afghanistan was emerging and its relatively low level of development pre-conflict.

2.26 On the other hand, gap-filling has been highly successful where the objective of the TA had been clear and focused. Through a series of grants<sup>45</sup>, the Ministry of Finance has received direct operational assistance in managing treasury, budget, procurement and internal/external audit operations. This has allowed the government to absorb and account for an expanding operational and development budget, meeting acceptable international standards<sup>46</sup>. In this case it was quite clear at the outset that the technical assistance was intended to maintain a set of public financial management functions at an international standard for

transparency and accountability. Training and personnel development were secondary objectives and achieved little success via this assistance: what did result was an assessment of training needs for civil servants who would later work in these public financial management areas. Similarly, TA intended to assist the Government in reforming the structure and organization of ministries and agencies was clearly mandated and achieved a successful outcome. For example, the PRR program executed through the IARCSC was almost entirely executed by international contracted experts because at the program's start IARCSC was new and not equipped to undertake the mandate. It succeeded in establishing a credible base for further self-directed agency reforms and the proposed civil service pay reform.

### *Acquiring Civil Servants' Competence through Staff Training and Development*

2.27 One of the earliest initiatives of the IARCSC was to propose policies for civil servants' training and a strategy to be implemented by its Training and Development Department. This strategy proposed a menu of targeted skills-building activities, to be undertaken after in-ministry needs assessments, and to be provided in traditional classroom settings located within training centers in ministries and agencies<sup>47</sup>. A Civil Service Institute, built with donor assistance from the Republic of Korea has begun to operate. The result of this effort to remediate basic knowledge gaps has been relatively modest compared to the huge need for transfer of skills. The UNDP-supported Civil Service Leadership Development program, for example, is expected to reach only about 10 percent of officials in top and senior grades of the civil service<sup>48</sup>. Training in basic English and computer skills are reaching a fairly modest number of individuals compared to the size of the civil service: current results represent about 15 percent of staff in grades 5 and above, assuming that only staff in these grades will use English and computers. The cost of scaling up such retail training

<sup>44</sup> The Emergency Public Administration Project (EPAP) (H-155) financed by IDA and DFID provided direct operational support for treasury, procurement, and audit functions of the Ministry of Finance. Its objectives were "to put in place key public administration capacity to facilitate better use of public resources, including donor funds." Unfortunately, the project also explicitly stated that this could probably be eliminated in about 3 years, based on other post-conflict recovery experience.

<sup>45</sup> World Bank Emergency Public Administration Project, World Bank Second Emergency Public Administration Project, and World Bank Public Administration Capacity Building Project supported by DFID, USAID, UNDP and ADB.

<sup>46</sup> Afghanistan's public financial management functioning was rated as average and acceptable by the 16 PEFA criteria used to rate public financial management performance.

<sup>47</sup> IARCSC 2005.

<sup>48</sup> As of June, 2006, there were about 5,800 staff in the most senior level positions, graded above 3 in the current scale, while UNDP's program aims to cover 500 officials.

to establish a critical mass is high, but perhaps unavoidable given the very limited pool of private training schools to which this could be outsourced.

2.28 The United Nations Development Program (UNDP) has introduced a new Coaches and Advisors Program (CAP) as an alternative to in-class training for civil servants. The CAP assigns a coach/mentor to an official to advise on the daily work, operating methods and resolution of issues, and generally act as a source of at-hand information that the Afghan official may lack. UNDP's international experience with this approach suggests its suitability in situations like Afghanistan where the government official is new to the job and inexperienced in the management process or becoming confronted with a range of new situations (as opposed to a single task function), and where there may be uncertainty in how to proceed. Similar programs in Kosovo and Timor-Leste have been short lived, but were generally successful in transferring experience and know-how. Through making the coach / mentor available for only 6 to 12 months, CAP avoids the risk of the coach acting as line manager as was the case under the AEP. Coaches are provided on demand, currently being sourced from among civil servants in India. Twelve are already in place and five more being processed<sup>49</sup>. Risks, however, remain because language limits communication, and differences between the culture, background and worldview of the mentor and Afghan official reduces the sharing of concepts.

2.29 In reaction to the general discontent with using TA and growing awareness that TA is not well managed, government and donors proposed to examine the prospects of a more coordinated and planned approach to capacity building. A concept note was presented at the Afghanistan Development Forum, April 2007, to provoke thinking on a possible Capacity Development Plan for Common Functions (hereafter Plan) for the Civil Service. The concept of capacity advanced was fairly broad, and included training, knowledge sharing, coaching, mentoring, experience building, while recognizing the importance of a sound enabling environment (uncluttered organization, clear job descriptions, adequate incentives) to allow knowledge and skill to be used effectively. The Plan identified 5 sets of common functions for which capacity

should be built: policy and strategy development, project management, financial management, procurement and human resource management, along with a lead agency or ministry whose legal mandate establishes its primacy in the field. A proposal to establish an Inter-ministerial Capacity Development Committee to monitor and compile information on various capacity building interventions has been made and would be helpful as knowledge sharing. While the concept paper, Plan and an Inter-ministerial Committee could be helpful in raising awareness and the focus on capacity, and serving as an information clearinghouse, there are inherent risks in formalizing this unit. Without a clear definition of the objectives of a capacity building policy and standards by which to monitor achievement, the Committee would readily establish bureaucratic procedures and become overly constraining and regimenting of capacity building activities when these require creativity, flexibility and responsiveness.

### *Acquiring Competent Civil Servants from Afghan Society at Large*

2.30 The civil service in most countries hires personnel from among graduates of universities, training schools and the general education system, directly, to fill government functions. The government's role thereafter has been to perfect job skills required for the efficient functioning of the service through specialist in-house training. The common belief has been that the Afghan education system has not been able to produce the graduates needed to fill the demand.

2.31 The Ministry of Education, with international assistance is attempting to reform the quality and educational achievement of the basic education system. Additional projects are being launched to raise standards of the University of Kabul, and establish a new National Institute of Management targeting the development of senior levels of the civil service. The Civil Service Institute is expected to continue playing a role in both pre-service training, such as awarding a pre-service certificate for readiness for civil service employment, and post-employment professional training. Unfortunately, generating candidates from the education system and hiring them into the civil

<sup>49</sup> Notes and updates from UNDP staff by e-mail.

service, while vital for the long term stability of government functions, is at best only a long term solution. This means that current practices for recruiting competence (TA and MCP) and in-house training are likely to remain.

2.32 For the school and university system to be effective and efficient in providing a source of future civil servants, important issues will have to be resolved. For example, the respective roles of the university system's general courses in public administration, the role of specialized institutes, and the role of the CSI will need to be clarified to minimize duplication, particularly in Afghanistan's resource scarce environment. Some general agreement between university, institute and CSI authorities and government on benchmark standards for entering the civil service at different levels would be required to assist in curriculum development and setting graduation standards. To date, little has been done in this regard. It would be incorrect to say that there are no graduates at any level, available in the market. Over the past two years, the LEP was able to hire more than 300 individuals with adequate qualifications for relatively responsible positions. IARCSC has also been managing a graduate entry scheme. Donor-funded projects have been able to recruit national graduates at almost all levels to implement their activities. Most embassies and legations have had little problem in recruiting national staff. Clearly, the Government cannot pay the salaries offered by these agencies. But the Government can certainly manage its own recruitment better by improved management and wide publicity of the job openings in Government.

#### **D. Civil Servants' Incentives**

2.33 The previous section explored competence as an element of the civil service's strength. But even competent civil servants, employed in well-structured organizations do not comprise an effective civil service unless their institutional environment motivates their high level of performance and accountability. Therefore, this present section examines whether the laws and rules to manage Afghan civil servants can induce behavior and performance consistent with the goals of a civil service that is professional, politically neutral, and unified across government.

<sup>50</sup> Rubin 2007.

2.34 A legally defined civil servants' cadre with predictable terms and conditions, protection from political micro-management and standardized application of recruitment can motivate both employees and employers to perform according to agreed standards and for agreed purposes. Collectively these take the form of an ingrained discipline that becomes entrenched in the organizational culture of public sector agencies, and a political culture where actual behavior is close to the written rules.

2.35 Informality in government administration during the conflict years distorted whatever civil servants' incentive structure might have existed prior to the conflict<sup>50</sup>. There were no job descriptions for civil servants and little clarity about the functions of different units and agencies. As a result, at the start of reconstruction in Afghanistan, there was very little discipline or capacity within the civil service, and no high-level consensus that it should be politically neutral. The Government's response was to stimulate modest, targeted incremental reform of key functions within organizations, through PRR. As patience with the asymmetric approach waned, and Compact benchmarks have laid down specific standards of civil service management to be achieved by 2010, Government has turned its attention to accelerating the adoption of a more comprehensive reform of civil service management.

#### ***Civil Servants' Legal and Regulatory Framework***

2.36 The detailed architecture of civil servants' management is usually laid down by a Civil Service Law along with secondary legislation providing regulations on how to implement the law. The purpose of the law and regulations is to prevent arbitrary actions by the executive and to define the civil service and the qualifications, duties and rights of the civil service as well as their working conditions.

2.37 Legislation for Afghan civil servants' management that existed prior to reconstruction did not contain incentives for its consistent application across

government<sup>51</sup>. There was considerable confusion over which laws were actually applicable, creating poor incentives for organizations to follow any law at all<sup>52</sup>. No institution was given clear responsibility for managing the civil service, with human resource management functions, including recruitment, promotion and staff placement spread across different organizations. This created an incentive for ministries to apply rules and regulations in an ad hoc manner. The legislation did not encourage Government to focus on its core tasks and employment within government was regarded as a homogenous whole. As such, there was little effective distinction between staff having different skills, and no incentives for qualified persons to take up government employment. The elaborate system of allowances set out in the legislation, and the nature of the grading system (as described below) meant that all staff were remunerated at effectively the same low level, reducing incentives for individual performance and career advancement.

2.38 In February 2005, the President and Cabinet approved a Basic Civil Service Law via a legislative decree (*furmann taknini*). It established the principle of open competition and merit for all civil service appointments; set up the Independent Administrative Reform and Civil Service Commission to be responsible for civil service management; and specified civil servants rights and obligations in a way that provided a clear distinction and separation of the rights from the duties of the civil servants. While these somewhat assured civil servants by detailing their expectations and clarifying their responsibilities, the law lacked some critical accountability-strengthening provisions such as conflict of interest, civil servants' participation in political affairs, and their regular performance appraisal. These provisions had been dropped from the final version of the law that was approved. A Code of Conduct for civil servants has been approved by Cabinet (with a Dari pamphlet version distributed to ministries) and appears to address conflict of interest concerns but not political impartiality.

2.39 The Civil Servants Law, separate from the Basic Civil Service Law discussed above, is intended to provide guidance for the implementation of pay and

grading. The current draft provides scope for misinterpretation. It appears to reinforce the principle of promotion within the civil service being based upon qualifications and longevity rather than on responsibilities and task, and allows for a considerable array of allowances, prizes and promotions without any indication of how their cost would be accommodated. This is in contradiction with the policy on pay and grading that the Cabinet earlier approved. After the law is passed, key regulations and procedures will need to be finalized; otherwise the law will remain only a lofty ideal. Some regulations have been drafted but not issued (appointments, appeals, performance appraisal). Others still need to be drafted (promotions, transfers, discipline, and implementing the new grade-pay structure). There is little capacity within government to implement new features of the law. For example, the law requires ministries, agencies, provincial and district offices to assume the full range of civil service management functions. But, Human Resource (HR) units in organizations have been primarily concerned with personnel administration and record keeping and are inadequately staffed to guide the implementation of new policies and procedures. Although an ideal organizational structure for HR units within line ministries has been developed along with a training schedule, this has not been implemented across the civil service thus leaving many organizations with little incentive to implement the law.

### *Merit Basis in Appointments*

2.40 The merit principle in appointments is at the heart of effective civil service management. It provides an incentive to individuals to come forward and be considered for employment within the civil service, regardless of any particular allegiance or affiliation. It also provides the institutional mechanism through which employers can recruit the best person for the job and make the best use of government resources. Selection criteria for individual positions are specified, widely communicated and contestable: failure to appoint a candidate can be appealed and reviewed against explicit specifications for the position and prescribed procedure.

2.41 The expansion of the state in Afghanistan in the seventies did enable some degree of merit based

<sup>51</sup> Arrangements for managing the Afghan civil service stem from the 1964 Constitution and include the 1970 (SY1349) Law on the Status and Condition of Government Employees as amended by the 1977 (SY 1356) Decree no 143, and relevant parts of Taliban Employment and Labor Regulations and Personnel Laws.

<sup>52</sup> Evans et al 2004.

recruitment into the civil service to take place, even though subsequent assignments and promotions were largely dependent on patronage and connections<sup>53</sup>. But the volatility of the subsequent three decades eroded the limited trust there had been with merit based recruitment as competing political factions needed loyal and known representatives within government. The lack of transparency in the recruitment process left staff dissatisfied and demoralized, and contributed to the overall capacity depletion of the civil service.

2.42 The merit principle's success depends on public perception about the credibility of the recruitment process. There has been significant progress in this area, especially considering the wide acceptance of patronage as a basis of civil service appointments. During peace discussions in Bonn in 2001, ministerial positions and the power to appoint civil servants were seen as legitimate spoils of victory by various political factions who did not want to see limits placed on their ability to use the civil service for political gain. Subsequently the Civil Service Appointment and Appeals Boards have been established and the principle of merit based recruitment defined through the 2005 Civil Service Law. A comprehensive set of Appointments procedures govern the system of appointments to the Afghanistan civil service. They have been regularly updated to reflect changes in the Civil Service Law and provide a firm framework to support merit-based recruitment.

2.43 The Appointments Board still faces considerable pressures from ministers and other leaders to appoint specific candidates, and the process and outcomes of the merit system itself have been subject to considerable criticism across government. Some lacunae arise from the Appointments Board's insufficient technical expertise. Incomplete job specification by requesting ministries, insufficient advertisement, the Board's poor interview process, and the Secretariat's inadequate reference checking have enabled ministries to favor incumbents. The Appointments Board's monitoring of appointments below the top grades, where the vast majority of appointments are made, is neither robust nor well understood, and enables the process to be bypassed by ministries in favor of patronage appointments. The

Board is not sufficiently empowered to resist these pressures. Original plans to fully establish its independence through the law have not been followed through. The only recourse at the disposal of the Board is the power to report to the Chairman on unlawful appointments; and members' freedom to resign from their positions if their advice is not followed. Meanwhile ambitious quantitative targets threaten the Board's incentive to concentrate on quality in the face of mounting pressure to clear the pipeline of PRR appointments. Since September 2003, when it started its work, the Appointments Board has appointed over 1,400 candidates for grade 2 and above and monitored over 7,500 appointments at grade 3 and below. The Appointments Board's anticipation that at full capacity it can oversee some 10,000 appointments per year at senior and junior levels seems not only wildly ambitious, it is also significantly short of those expected to be appointed or reconfirmed during the pay and grading process.

### *Grading structure and pay scales*

2.44 When civil service grade and pay structure is rational and predictable, it assures officials within the system, and observers outside, that assignment to positions is according to the predictive ability of the official to do the job, and it reduces arbitrary decisions and patronage in civil servants' pay. Like compensation for any other group of employees, civil service pay is an important determinant of employees' motivation. In Afghanistan, the civil service's pay structure is particularly relevant because it determines whether or not the civil service is able to attract and retain skills from the limited local pool.

2.45 The inherited grade-pay structure in Afghanistan did not provide adequate performance incentives for civil servants. It emphasized longevity rather than competence and responsibility and focused managers and individuals on the inputs (qualifications and seniority) and process of jobs rather than outputs. Grades were applied randomly and inequitably across ministries for similar functions. For example, under the current system, a Director of Finance in one ministry can have a different personal grade than a Director of Finance in another ministry, based upon

<sup>53</sup> Rubin 2007.

### Box 2. 7: Vulnerability to Corruption in Appointments

As the Appointments Board's volume of work is expected to increase rapidly when the new grade pay structure's implementation starts, its vulnerability to political pressure and corruption opportunities was independently assessed in January 2007. The report confirmed an earlier evaluation's finding that significant progress had been made. But it also highlighted that there was a deep dissatisfaction and sometimes strong skepticism about the way in which the overall merit-based recruitment process is handled; and especially, perceptions of:

- Inadequate and poorly respected procedures;
- Inadequate experience, competence and training of Commissioners resulting in variable application of procedures and inappropriate behavior;
- Narrow bureaucratic decision making where common sense and experience should drive the process;
- Ethnic and political bias;
- Patronage by IARCSC itself and "men of influence;" and
- Corruption is of primarily, but not exclusively, an individual (petty) nature.

To remediate issues raised in the two reviews, the IARCSC has adopted a comprehensive action plan. It includes future de-concentration of senior appointments and a monitoring mechanism to allow evidence-based evaluation; and strengthening the Appointments Board's technical competence.

*Source:* Michailof 2007a.

longevity of service, rather than the job's content. An employee can remain in the same post and receive a grade increase every 3 years until he/she reaches

"beyond grade" level<sup>54</sup>. This "rank in person" grade and pay system, as distinct from internationally more common "rank in post" systems, has resulted in severe distortions in the grading structure, with many staff in lower level posts earning higher salaries than their supervisors. The distortion is partially masked by the acute wage compression that has prevailed, but it is a serious impediment to the development of a more effective and responsible management ethos and to the ability of government to attract, motivate and retain qualified staff. Pay scales for qualified staff are completely out of line with prevailing market conditions and severely compressed. Because base pay had essentially remained unchanged during the conflict years, a complex set of allowances, with food allowances being the predominant, had served to lower the compression ratio to around 1.01—compared to the regional average of nearly 10. The seriously compressed pay scale provides no incentive for performance or career management. This in turn has created incentives for donors to intervene with a wide range of ad hoc top-ups and supplements, providing further distortions in the incentives system.

2.46 The new grade and pay structure, approved by Cabinet on June 18, 2007 is intended to end the

practice of personal grades, make grades consistent with job content, reduce the need for ad hoc pay arrangements, and allow government to substantially raise salaries at the top end so as to recruit and retain experienced and effective staff. The proposed salary scales range from \$100 to \$650 per month. Although significantly higher than current senior salaries, there will continue to be cases where even the highest salary will not be adequate to attract the required skills and compete with the salaries offered by donors. Schemes such as the new Management Capacity Program will be required to deal with such extra-normal appointments over the medium-term. Unusually the top end of the civil service scale remains well below that of the police and the military scales. This decision was taken on grounds of the extra security risks affecting those personnel, however poses risks overall for the government, in terms of relative strengths of these arms of government.

2.47 The policy has allowed for a limited number of special cases for expanded pay scales in individual grades where there is a market related premium on particular skills, such as an expanded pay scale for grade-four doctors. There have been demands in Cabinet for such higher premiums to many other groups of employees, including education professionals. In addition, there have been pressures from within traditional segments of the civil service for retention of old practices – such as promotion based

<sup>54</sup> Except for promotion from grade one to "above grade" and from "above" to "beyond" grade, each of which requires four years service.

**Box 2. 8: Old and New Grade and Pay Structures**

Old	New
Low pay, highly compressed pay scale-little difference between highest/lowest	Higher salary and proportionate with the workload
12 grades based on qualifications and length of service	Less cumbersome 8 grades based on job responsibilities and duties
Promotion based more on length of service, and less on quality of performance	Promotion based on job performance and achieving results
Larger number of employees, low output	Reasonable number of employees with improved output
Inadequately qualified and skilled staff	Mechanisms to appoint better qualified and competent staff

upon longevity. In the current fluid political environment these pressures are inevitably difficult for the IARCSC to resist but their acceptance will seriously weaken the technical integrity of the reform.

2.48 The new structure’s test will lie in its implementation, and whether the higher pay will provide the right incentives for improved performance and service delivery. As reported in paragraph 2.35, the current version of the Civil Servants Law could issue implementation guidance that contradicts the provisions of the new grade pay structure. Introduction of regrading and new pay scales has been postponed by a year to 1387. This will require compressing the implementation timetable if its synchronization with the MTFE is to be maintained, and covering 25% of civil servants in one year. However, the IARCSC has not yet discussed any implementation plan with line ministries and donor partners. Capacity within IARCSC and line ministries is very limited in terms of ensuring that ministry structures, job descriptions and capacity are in place at the right time in order to implement the new structure, including appointments, in a systematic way. With elections scheduled in Afghanistan in less than two years from now, the same pressures that led to some units under PRR making superficial restructuring plans, abandoning the rigorous recruitment process, and migrating *all* existing staff to higher pay scales—could equally derail any logical and systematic roll-out of the new scheme. IARCSC will need to ensure frequent consistency checking as to the application of the new grading across ministries. Without a centralized HR information system, this will be challenging. Ministry of Finance could make more explicit its role as a gatekeeper to various ministries receiving new pay for re-graded positions so as to

ensure that the overall application of the new pay is fiscally sustainable. Finally, proposed salary scales will still be below those prevailing in the “second civil service” and paid directly for by donors, and unconstrained donor actions could undermine the intent of the policy. .

***Performance Evaluation***

2.49 Performance evaluation can be a key aid to good management in the civil service. International good practice requires that performance management should be task-oriented, based on results, and measuring results against pre-defined goals and targets, rather than an assessment of traits. Traditionally, performance evaluation, if conducted at all in the civil service, used a trait-based methodology – looking at behavioral factors such as neatness, punctuality etc. The employee typically did not participate and was often not told what rating they received.

2.50 A Performance Appraisal procedure and related forms for managers and employees have been drafted and piloted by the HR Policy Department of the IARCSC based on the principles of international best practice (based upon the individual’s job description, allowing for employer and employee feedback etc). If the individual civil servant is unhappy with the appraisal he or she has the right of appeal to the Appeals Board. The updated appraisal forms and process is only for merit-based appointments (PRR-ed positions). For non-PRR-ed positions, the traditional method of assessment will be used. Roll out of the new staff appraisal system across the Civil Service was originally scheduled to take place within two months of the enactment of the new Civil Service Law, but has been delayed.

2.51 Incentives do not appear to be strong for either ministries or individuals to implement the current performance appraisal mechanism across government. Both the pilots and early implementation have been difficult, technically and culturally. Managers and staff have no experience of meeting together to discuss and assess performance, and there are considerable cultural barriers to conducting an objective and honest face to face assessment of a subordinate's performance. Many ministries report the system as being complicated to manage with staff lacking understanding as to the purpose and process, despite the workshops that have been held and are planned (IARCSC 2005b). Disciplinary and reward mechanisms associated with the performance appraisal process are not clear, and the process itself is technically difficult in cases where there are no clear job descriptions with associated performance standards. The lack of functioning HR departments in ministries is a critical constraint to understanding and implementation of performance evaluation.

### *Exit Management*

2.52 Job security and pension have been inherent attractions of the civil service and have partially compensated for pay levels lower than the private sector's. Pension prospects encourage long careers in the civil service. A workable and affordable severance scheme (that might also encompass retraining, re-skilling and redeployment) can provide a useful incentive to organizations to restructure and reform their functions and enable the recruitment of more appropriate staff to new functions.

2.53 Afghan civil servants' pension, along with that of the military and police, is administered by the Pension Department under the Ministry of Labor and Social Affairs. The legal framework of this scheme is defined by Pension Rules and various decrees issued from time to time. The scheme operates on a Pay As You Go basis and is funded by individual contributions and, significantly, by transfers from the state budget. In order to receive the regular old age benefit, a civil servant must have accumulated at least 10 years of service by the time of retirement. The normal retirement age is 65 for men and 55 for women.

2.54 The rate of pension, being dependent on the base pay, and excluding various allowances, is very low providing no incentive for individuals to consider

a career in the civil service, or for those within the service to retire on time. In addition, the ad hoc adjustments in benefit administration and method of paying arrears have resulted in very different absolute pension levels for individuals retiring at nearly the same time—creating further disincentives and dissatisfaction within the civil service. For example, civil servants that retired before and after 2003 in the same rank and with the same length of service receive different pensions, on account of what length of service is considered as pensionable. Weaknesses in administration, including record keeping, and a disconnect between the process of collecting employees contributions (managed by the Ministry of Finance) and the process of assessing entitlement (managed by the Ministry of Labor and Social Affairs) have further undermined the usefulness of pensions as an effective career incentive.

2.55 Staff being considered for redundancy is the responsibility of the Ministry of Labor and Social Affairs. The legislation regarding severance of staff is unclear. The February 2007 Labor Law provides a basis for severance policy but it also refers to external provisions that are yet to be derived. There is no determination of who will pay employees "on suspension" and no referral to centralized budgets for the purpose of payments. In principle, and traditionally, such staff join a surplus list maintained by the ministry for six to twelve months while attempts are made to find them employment in other ministries. They receive "in-waiting" payments for this period, which amount to a flat rate six month salary payment for retrenched staff. Under PRR, unqualified staff are assumed to have been made surplus and suspended. A Severance and Pensions Proposal estimates the number of civil servants "suspended" under PRR at 5,000. It is not clear whether any of these civil servants have received any payments at all, and those ministries who have suspended staff have no allocated budgets to pay any ongoing salary.

2.56 In addition to providing an enhanced career incentive, there is a strong fiscal incentive to urgently reforming the pension scheme. Direct budget allocations have constituted between 75 and 81 percent of the funding source for the pension scheme in the last two years. Assuming a conservative 3 percent discount rate, the World Bank estimates that the pension debt for retirees is 2.4 percent of GDP; and outstanding pension

debt for active employees—currently 3.8 percent of GDP—will rise to 27.7 percent of GDP following the new pay structure. As the pay reform progresses and individuals retire with a new reformed base pay, pension expenses will start growing and may increase 4 to 5 times within the next ten years. If at the same time pensions of the current retirees get adjusted to be at par with the benefits of the new retirees, the immediate effect may be an 8-fold increase in the current pension spending for civil servants. In order to make any new scheme fiscally sustainable there will need to be changes in both the distribution of the Employee/Employer contribution shares and the formula for benefit calculation<sup>55</sup>.

2.57 Both Ministry of Finance and IARCSC have incentives to put in place severance arrangements that are fiscally affordable, encourage the right people to leave the civil service, are fair and reasonably attractive, and can be utilized in the longer term for subsequent early departures from the civil service. A draft regulation and proposed benefits package for newly redundant staffing was prepared in 2005 but no action appears to have been taken on this. The Ministry of Finance has estimated (GoA Ministry of Finance 2006) that some 40,000 existing civil servants would not be qualified for their own, or any other position within the administration and would need to be retrenched and receive severance. It had earlier estimated the cost of severance payments would amount to \$1.8 million, \$3.24 million, \$3.64 million and \$3.69 million over the four-year period of implementation. A more recent analysis of civil servants length-of-service statistics by the IARCSC indicates that the cost of the *initial* ‘in waiting’ payments for these staff would be closer to \$34 million based upon existing legal provisions.

2.58 Pension and severance—policy and administration—need to be finalized alongside the new grade pay structure. Indeed, the new grade and pay structure cannot be implemented without reforming pension and deciding severance policy at the same time. Various proposals for retraining, re-skilling and redeployment have been discussed. Beyond that this matter has not received attention from Government. Government is now preparing an issues paper, that would look at the various options including early

retirement, severance payments (lump-sum, flow, mix), retraining and re-skilling (for in and out of service employment), in addition to changes in the pensions policy and administration. Any final package of options considered by the government, particularly in the severance area, needs to be administratively simple.

## E. Direction of Reform Activities

2.59 The analysis in sections B, C and D shows that some progress has been made towards meeting the Compact’s goals. But progress in both areas—scope and strength of government—has been fragile and requires sustained follow through. Through the Compact benchmarks, the Government has determined that the reform it will adopt will be comprehensive and cover all ministries. This is understandable but ambitious in the context of disparate capacity and leadership across ministries.

2.60 The overall conclusion about government’s scope is that it offers the opportunity for less government. Scope, in terms of number ministries, is unlikely to undergo serious reduction by the end of the Compact period. While there are technical reasons for recommending fewer ministries and agencies, social and political realities of governing the country are unlikely to allow for a significant compression of ministerial ranked agencies. Nevertheless, the issue could continue to have relevance in discussions of reducing the cost of government. The scope of government, in terms of the functions of individual ministries and how they organize themselves to deliver those, does provide greater room for modification. The two largely different models of service delivery shown by the Ministry of Education (sole service provider, employing all personnel as civil servants, some de-concentrated management) along with contrasting model in Ministry of Public Health (ministry staff mostly performing core functions, multiple service providers, working under a central strategic and program leadership) offer alternative concepts for other ministries to consider when deciding how to meet their client’s needs more effectively. The present reconstruction phase allows Afghanistan the luxury of a clean slate and comparatively few unwanted practices to undo when compared with other countries of the region. However, those choices need to be tempered by Afghanistan’s severe resource and capacity crisis.

<sup>55</sup> Palacios and Sluchynskyy 2007.

## Box 2.9: World Bank's support for Afghanistan's Civil Service Reform Agenda

Starting with the establishment of IARCSC, the World Bank has been supporting Afghanistan's civil service reform since the beginning of reconstruction. It has helped the Government and IARCSC develop an action agenda for the rest of the Compact period, estimate investment needs to meet the Compact targets, and indicators to monitor reform's progress. Donors are now aligning their support for elements of the commonly agreed action plan.

Organizational restructuring and rearrangement of civil servants' incentives are being supported by the World Bank's Civil Service Reform Project. This includes support to a number of key ministries as they further their restructuring efforts, support for implementing pay and grading across government, and further development of and training in new human resource management practices within government, including merit based appointment. Meanwhile, the Bank also helped shape the Management Capacity Project which provides ARTF resources for approximately 240 high level managers within government during the next 3 years.

The World Bank's support for civil service reform is not limited to assisting the IARCSC. Civil service strengthening measures are part of the Bank's ongoing interventions in the Ministries of Finance, Education, and Reconstruction and Rural Development.

Modifying the scope of individual organizations may be a more promising avenue for reducing the scope of the government as a whole than compressing ministry numbers. But the risk is that IARCSC, currently responsible for supporting and overseeing ministry reorganization, may interpret its mandate to mean controlling ministry reorganization by overly conditioning its assistance, and proscribe methodologies and operational models that in fact will discourage ministries from considering alternate options for achieving operational effectiveness and cost efficiencies.

2.61 The conclusion about civil servants' competence is that an ideal solution to the competence problem—currently framed as training a larger number of regularly employed nationals to perform an increasing number of key functions—is unlikely to be established before the end of the Compact period. In-house efforts for developing the competence of existing staff, and developing a broader pool of individuals employable as civil servants are important initiatives to be pursued, but will not deliver the critical mass of competent civil servants until well beyond the Compact period's end. Therefore, despite the disappointment with the cost, co-ordination and control being exercised over the use of much of TA, it is likely to be needed until proven alternatives start providing the same level of competence. The deployment of consultants can be made less problematic through making their terms of

reference and accountabilities more precise, the sources more competitive (for example, using more regional and national contractors), but it will not remove the need for their continued use.

2.62 The conclusion about the civil service's incentive framework is that vigorous attention to making improvements in this area offers the best short-term opportunities for strengthening the quality of the civil service within the Compact period. The introduction of formality via new laws has driven reform in the right direction, but it needs strong follow up with regulations and guidelines, and strong monitoring of the compliance of ministries with these regulations. The application of the new pay and grading policy as intended would be paramount in this effort, but needs to be supplemented by an effort on the part of donors and government to address the disincentives created by the continued practice of salary top ups and the existence of the "second civil service". Some clear guidance on the extent of donor top-ups in government and remuneration of donor project staff working within ministries would go some way to limiting the most objectionable practices. The new laws and regulations should be clear that the IARCSC has authority to hold ministries accountable for applying the regulations and specify sanctions for non-compliance.

2.63 The approach to building an effective civil service can benefit from two changes from the present

### Box 2.10: Simplification of Vehicle Registration in Kabul

*Pre-existing conditions.* The process for vehicle registration in Kabul typically involved: 30 administrative steps; more than one month to complete; visits to multiple offices at various locations; and payment of bribes at most steps in the process.

*Reform efforts.* The “Simplification of Administrative Processes Commission” established by the President undertook a four phase cycle of diagnosis, process redesign, implementation and evaluation. This methodology could be applied to the simplification of other key processes.

*Results.* A one stop shop has been established; the number of steps has been reduced; processing time has declined from around one month to two days; volumes of applications processed and revenues have increased; the unofficial cost associated with bribes has been dramatically reduced; and staff motivation has improved.

direction. First, government’s credibility will have to be demonstrated strategically and deliberately. Without some quick wins, status quo will remain the norm past the end of the Compact period. The government can create “islands of excellence” even within a weak civil service, as it did with the simplification of the vehicle registration process in Kabul (see Box 2.10). IARCSC’s quick response to the Appointments Board’s vulnerability to corruption (described earlier in Box 2.6) bolstered its credibility. Further quick wins could come from improvements in reporting and accountability, and simplifying selected administrative procedures. At the sub-national level, quick wins could also come from rapidly improving administrative capacity in Governors’ offices and municipalities. Increasing women’s access to training could increase their numbers in Government and demonstrate Government’s commitment to reform. Second, the concept that any one organization e.g. IARCSC can build an effective civil service largely through technocratic means should be rejected. Instead, visible, high-level political commitment for

civil service reform is needed, along with patience for a sustained effort to overcome resistance from those who lose from the changes. This is even more relevant in Afghanistan than in many other places because previous administrative traditions were not based on merit or formality. Technical solutions and best practice models are helpful. But even when timely and well-coordinated, they alone cannot transform the public service.

2.64 In addition to these more strategic requirements, the action that can most effectively strengthen the civil service is sound implementation of the new grade pay structure. This needs a pragmatic plan that takes available resources and competences into account, a strong leadership to manage the risks and coordinate all strands (e.g. new pension and severance schemes, civil servants’ database) into the task, and focusing resources as a priority on those ministries with the greatest likelihood of success and where the outcome is likely to be most significant in terms of potential improvements in service delivery.