

EXECUTIVE SUMMARY

Context and Prospects for Reform

1. Building an effective state - that can provide security and services to the people, while protecting their rights - has always been at the heart of the reconstruction effort in Afghanistan. A lot has been achieved over the past five years. Most importantly, the economy has grown strongly and social conditions have improved in many parts of the country. Some progress has also been made in building up a more professional, merit-based civil service - which can start to take on the core functions of a "lean state". However, many functions expected of government are still performed by the international community or not performed at all. Realistically, this will remain the case for many years to come. Yet, despite the difficult political and security situation, it is important to persevere with the longer-term task of building an effective state - which can gradually take on more responsibility for Afghanistan's future. This report looks at the implications for public administration reform over the next 5-10 years, and proposes a priority agenda for action by the Government of Afghanistan (GoA) and the donor community.

2. The review of international experience in Chapter I confirms that PAR is difficult under the best of conditions. In Afghanistan - where informal power relationships are stronger than formal government systems, and large parts of the country are insecure - it is a daunting challenge indeed. With the urgent need to show progress on a broad development agenda, PAR sometimes seems like a luxury that will have to wait for more normal times. The trouble with this view is that it leaves Afghanistan with a very weak state - that cannot deliver public services without large amounts of external expertise. This inevitably weakens local ownership and leadership of the development agenda. So a balanced approach is needed: one which finds innovative ways to improve service delivery as quickly as possible, while sustaining progress on PAR over the longer term. All government and donor agencies supporting PAR need to recognize it is a long-term task, which requires sustained support for institutional change and capacity building over the next decade and beyond.

3. PAR in Afghanistan is often equated with civil service reform. Indeed, civil service reform is essential to build a professional, merit-based bureaucracy - which can deliver public services in an effective and efficient manner. But this should not be interpreted as solely building a strong, centralized bureaucracy in Kabul. Much of the reform effort will have to be directed at deconcentrating line ministry authority to provinces and districts, and improving the capacity and coordination of government activities at the sub-national level. This is where most services are delivered - and where the credibility of government will be won or lost. Similarly, civil service reforms are unlikely to work unless there are ways for the Afghan people to express their demand for public services and hold the government accountable for results. Hence the importance of broader reforms to build trust in the effectiveness of parliament and the judiciary, and to involve civil society and communities in decisions affecting them.

4. Against this backdrop, the rest of the report reviews the prospects and priorities for public administration reform in three key areas:

- ***Building an effective civil service:*** The GoA is about to embark on a major reform of the civil service pay and grade structure. This is seen as important for attracting and retaining quality human resources. However, it will be a challenge to implement a merit-based system in the face of widespread patronage and corruption. Furthermore, to lead to improved civil service performance and service delivery, higher pay will have to be linked to other reforms in ministry roles, functions, structures and processes. Chapter II looks at how such a program might be implemented: the sequencing of reform actions, the role of the IARCSC and line ministries, and ways to monitor progress.
- ***Improving local governance and service delivery:*** There has been growing debate over the past year, within the GoA and the donor community, about the role of sub-national administration. While Afghanistan is a unitary state, the Constitution provides flexibility to delegate functions to

provincial and district government units. Chapter III looks at the major challenges facing sub-national administration in Afghanistan, their impact on governance and service delivery at the local level, and the implications for public administration reform.

- ***Making government accountable to the people:*** Some of the checks and balances on government power come from internal controls, including through better public financial management. However, most successful states recognize the importance of external controls on executive power, formally through the judiciary and parliament, and informally through the role of civil society and the media. Chapter IV explores what can be done to make government more accountable to the people, through better information flows and transparency, as well as institutional development of parliament and the judiciary.

Building an Effective Civil Service

5. Civil service reform is vital for sustaining the state in Afghanistan. A civil service, that serves the public's interest rather than its own, is important for Government's credibility within the country. An effective civil service can equally reassure donors that their support is being credibly spent.

6. The Afghan Government has controlled the civil service's size through considerable discipline in establishment control. Since the start of reconstruction, it has reduced the number of ministries from 30 to 25. The civil service pyramid is characterized by a broad base and narrow-tip, respectively explained by the pressure on government to generate employment and severe scarcity of professionals in the civil service and society at large. How the government chooses to deliver services affects its size and shape now and in the future. Consistent with the Education Ministry's retention of most of the service delivery functions, it is the government's biggest employer. The Ministry of Public Health, having delegated the delivery of its Basic Package of Health Services largely to NGOs, has much fewer staff. Drawing upon alternate service delivery models being used in other developing countries, Afghanistan could to select service delivery models most appropriate for its different sectors.

7. Functional overlap between organizations complicates the scope of government. For example, both the Ministry of Urban Development and Kabul Municipality claim responsibility for planning, zoning, and building regulations within the city. Equally, gaps in agency coordination exist in some critical areas of government. Although 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. Greater synchronization between the Ministry of Interior (police) and the Attorney General's office (prosecutors) will help improve rule of law.

8. Similar to the structure of government as a whole, individual organizations need restructuring as they had become very informal during the conflict years. The Priority Reform and Restructuring (PRR) program was the principle vehicle for restructuring and rationalizing individual government organizations. Ministries that underwent restructuring started to look like modern ministries, and merit-based recruitment was introduced.

9. IARCSC, the organization mandated to lead civil service reform and organizational restructuring, itself has conflicting roles and functions. Two distinctly separate personnel functions are merged within IARCSC: a ministry in charge of personnel, and a traditional Public Service Commission to provide the necessary check and balance between government and employees. Having to perform all aspects of Afghanistan's civil service management has created a serious capacity crisis in the Commission. Meanwhile, neither practice nor the provisions of the Basic Civil Service Law lay down the Commission's independence. The current arrangements create conflicts even within the IARCSC's own structure.

10. Because the IARCSC is responsible for leading civil service reform, it needs to start serious monitoring of reform's progress against the Compact's benchmarks. This will enable the Commission to point out to the Cabinet and line ministries those areas where more concerted effort is needed. It will also enable the Commission to highlight its own achievements (such as the number of civil servants trained, the number of high level recruitments made by the Appointments Board etc) to partly offset leaders' unhappiness with the IARCSC's role in reducing patronage.

11. 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 virtually non-existent in 2001. International technical assistance flowed into the vacuum at a rate that government was largely unable to plan for, or effectively control and coordinate. Some leaders have observed that there is little to show for the estimated US \$1.6 billion that has been spent on technical assistance since 2002. The government has since been trying to balance initiatives on three fronts: managing technical assistance; conducting in-house training to strengthen current employees; and planning for longer term improvements in competence through schooling, training institutes and higher education. An Inter-ministerial Capacity Development Committee has been established to monitor and compile information on various capacity building interventions.

12. Even competent civil servants, employed in well-structured organizations do not comprise an effective civil service unless their institutional environment motivates their accountability and high level of performance. Informality in government administration during the conflict years distorted whatever civil servants' incentive structure might have existed prior to the conflict. As a result, at the start of reconstruction in Afghanistan, there was very little discipline or competence within the civil service, and no high level consensus that it should be politically neutral. In February 2005, the President and Cabinet approved a Basic Civil Service Law. Key regulations and procedures to implement the law still need to be finalized; otherwise the law will remain only a lofty ideal.

13. Merit basis in appointments is at the heart of effective civil service management. But the volatility of decades of conflict 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. With the establishment of an Appointments Board in the

IARCSC to process recruitment at high levels, there has been significant progress in this area. But 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.

14. 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 (such as qualifications and seniority) and process rather than outputs. Pay scales for qualified staff are completely out of line with prevailing market conditions and severely compressed. These created incentives for donors to intervene with a wide range of ad hoc top-ups and supplements, providing further distortions in the incentives system. The new pay and grade 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, ranging from \$100 to \$650 per month, are significantly higher than current senior salaries, but could be still be inadequate in cases 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.

15. 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. The introduction of regrading and new pay scales has been postponed by a year to SY 1387. This will require compressing the implementation timetable if its synchronization with the MTFP 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. With elections scheduled in Afghanistan in less than two years from now, the same pressures that led to units making superficial

PRR-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 and line ministries have limited competence to ensure that structures, job descriptions and trained staff are in place at the right time in ministries, which can then implement the new structure in a systematic way.

Improving Local Governance and Service Delivery

16. Civil service reforms will inevitably impact on sub-national administration, as ministries devolve responsibilities and strengthen their capacity at the provincial and district levels. However, there are many other formal and informal power structures that influence the way government works at the sub-national level. Attention to these sub-national issues has risen markedly over the past year - reflecting concerns about the effectiveness of local investment and service delivery programs, and the growing influence of militia commanders and criminal elements in some parts of the country. This has brought home the point that the key question surrounding the character of the state in Afghanistan is not that of a strong center versus a strong periphery. Rather it is whether the current de jure (and hollow) state at the periphery can become a de facto state at the periphery; whether robust and institutionalized systems of government can be expanded and deepened within the provinces and below.

17. The analysis in Chapter III identifies five important features of the "sub-national problem" in Afghanistan:

- **First, the overall structure is characterized by significant systemic contradiction.** On the one hand, formal functional and budget authority for the delivery of most key services in the provinces is held by highly centralized line ministries, which work in vertically integrated silos with weak linkages between them. On the other hand, this highly centralized line ministry system co-exists with the Provincial Governor (PG) system, which allows the PGs to intervene in the affairs of line ministries and other agencies (such as municipalities) through a number of informal channels for influencing staffing and resource decisions.
- **Second, even given the choice of a centralized inter-governmental structure for Afghanistan, existing institutional arrangements are often highly inefficient.** In particular, line ministries tend to be over-centralized, with their central offices in Kabul retaining functions which could be more efficiently performed at the provincial level (teacher recruitment in the case of education, for example). To some extent, this problem is not unrelated to the one discussed above. So long as line ministries perceive that deconcentration of authority to their Provincial Departments is likely to make them subject to greater influence by the PGs, they are unlikely to do so.
- **Third, the current system is both asymmetric and inequitable.** Different institutional models being used in different provinces (due to accidents of history or varying donor practices) are likely to introduce significant strains and tensions as the sub-national system consolidates and attempts to cohere. An even more pressing set of problems arises from the inequitable distribution of resources across sub-national jurisdictions (in sectors such as education and health). Afghanistan does not as yet have strong enough mechanisms for citizen voice in setting local priorities. And large aid flows further distort resource allocations between and within provinces.
- **Fourth, the most autonomous elements of the sub-national system of governance and service delivery - the municipalities and CDCs - face issues of their own.** Until municipal elections are held, the potential for municipalities to deliver accountable local government in their areas will be highly circumscribed. In addition, the fiscal and functional framework governing them is both unclear and constraining of effective and efficient service delivery. CDCs face questions about their future funding, and the possible extension of their role from planning and implementing community projects to taking on broader governance functions at the local level.
- **Finally, like the rest of the Afghan state, the entire sub-national structure is afflicted by the sorts of problems characteristic of fragile states:** severe human resource weaknesses, an absence of

properly functioning operational systems, shortages of equipment, and spares supporting infrastructure (such as power and phone systems) necessary to get things functioning properly. Afghanistan is particularly badly affected by these, and they will inevitably impact on any effort to reform and strengthen the sub-national system.

18. The political climate in Afghanistan precludes any significant reform to the underlying inter-governmental structure in the short to medium term. The Constitution refers to "preserving the principles of centralism", and it is also clear that the current political establishment is firmly committed to the current centralized structure and has no appetite for a substantial political devolution to sub-national levels. The basic intent of any sub-national strategy, therefore, must be to improve the functioning of the current system, rather than to restructure it. True, this structure has intrinsic weaknesses from the service delivery and governance perspectives - especially in a large, poorly-linked country with a thinly spread population. However, notwithstanding these difficulties, the emerging structure does allow for improved performance with appropriately focused reforms. These reforms should address four broad challenges:

- **Challenge 1: Establish an overall direction for sub-national reform which, while building on the current system, diminishes the existing levels of systemic contradiction.** This direction should be based on the broad allocation of roles and responsibilities outlined in Figure 3.1. Two directions of reform stand out: (a) in order to reduce systemic contradiction, strengthen and consolidate the role of the PG's Office in the areas of coordination and planning, while limiting its functional, budget and operational authority to deliver services, which falls under the Provincial Departments; and (b) in order to enhance accountability, strengthen the oversight and supervisory role of the Provincial Councils, to provide checks and balances on the activities of the delivery agencies.
- **Challenge 2: Strengthen the performance of the main service delivery agencies by improving their organizational structures.** One key, cross-cutting activity in this area is for line ministries to ensure

that functions are properly divided between their central offices and Provincial Departments. In a number of cases this is likely to involve the deconcentration of various powers and functions from the central to provincial level. In fact, in some cases this is already underway; the Ministry of Education, for example, is currently in the process of deconcentrating teacher recruitment to the provincial level. The pace of such deconcentration will be determined, among other things, by capacity constraints and appropriate service delivery models in different sectors. For example, deconcentration may be of less relevance in the health sector, which relies more on contracting out to NGOs.

- **Challenge 3: Provide sufficient resources for the key organs of sub-national governance and service delivery to play their ascribed roles.** For example, CDCs face a fundamental threat as their access to funding under NSP is due to end, and without the funds necessary for their development activities, they will wither and die. At the provincial level, organs such as the Provincial Councils need to gain access to sufficient funds to conduct their operations as envisaged under the recently amended law; while at the municipal level, an overall fiscal framework which provides a rational, equitable and affordable solution to the fiscal gap they face needs to be developed. A further dimension of the "fiscal problem" is moving towards a more equitable distribution of resources across the country. Arguably, this is a second generation problem which can only really be addressed once greater stability and predictability are established in vertical and sectoral flows, including those funded by aid. But it cannot be neglected indefinitely.
- **Challenge 4: Enhance the operational performance of all sub-national organs by providing them with the systems and capacities they need.** In some areas (e.g., some PG Offices) substantial progress is being made; in others (e.g., Provincial Councils) it has really only just begun. Needs obviously vary across organizations, but certain generic themes can be identified (training, IT, offices, communications etc.). Moreover, it

should be possible to handle some of these needs on a modular basis, i.e., to define a package of "basic needs" equipment for Provincial Councils, for example, and to roll this out to PCs across the country.

19. In order to address these challenges, a number of concrete initiatives are proposed in Section E of Chapter III. Some of these proposals are new but many leverage off activities which are already in place or are planned. It should be stressed that the proposals made cover a wide area and there is no expectation that they will - or should - all be embarked upon at once. Rather, incremental movement will be required on as many fronts as is feasible at any one time. However, to bring some order to the process, there is an urgent need for a clear policy framework for the desired institutional structure of the sub-national system, and a strategy to guide actions to realize it. While the Constitution and other legislation provide a legal framework for a number of sub-national institutions, such as Provincial and Municipal Councils, this tends to be broad and ambiguous, and often begs more questions than it answers about who should be doing (and is accountable for) what, the resource flows that are necessary for the effective exercise of powers and functions, and the implementing mechanisms that need to be put in place.

20. To this end, the recent decision to establish the Independent Directorate of Local Governance (IDLG), reporting directly to the President, is a welcome move. The IDLG is essentially a merger of the structures of civil administration under the Ministry of Interior and provincial relations under the Office of Administrative Affairs (OAA). Its basic role is to supervise the affairs related to Provincial and District Governors, as well as municipalities (except Kabul). To be effective, the IDLG will need consistent political support from the President. It will also have to build up political credibility with the powerful and disparate interests working at the sub-national level, and the technical capacity to tackle complex institutional and policy issues. To support this effort, consideration should be given to forming an Inter-Ministerial Committee, chaired by the President or Vice President, with IDLG acting as the secretariat, to establish a framework for sub-national strengthening and reform. In the short to medium term, this should focus on providing clear direction for the evolution of the sub-national system. In

the longer term, it could oversee a more thoroughgoing policy exercise, culminating in a new Local Government Law (a process which began some time ago, but which now appears to be in a state of suspended animation).

21. The IDLG warrants strong support from the donor community. In the past, donor activities at the sub-national level have been poorly coordinated. The extensive funding, which flows to sub-national initiatives outside government systems, has compounded this problem. Recent efforts to establish a donor working group on sub-national governance are therefore welcome. This provides a useful forum for formulating common donor views on sub-national issues and approaches, which should be fed into the Sub-National Governance Donor and Government Working Group under the ANDS mechanism. The IDLG should probably take over the chairmanship of this group from the IARCSC. One of its first tasks will be to set appropriate benchmarks for developing a clear policy framework for the sub-national system, and a strategy for guiding reforms, along the lines mentioned above.

Making Government Accountable to the People

22. Thirty three years after the last election in Afghanistan, 6 million citizens went to the polls in September 2005 to elect the lower house of the National Assembly (*Wolesi Jirga*) and 34 Provincial Councils. Citizens have other indirect means of holding the executive to account. Restraints on the executive are exerted formally by the National Assembly (NA), Control and Audit Office, and independent agencies at arm's length from government. However, these organizations and individuals are not generally trusted by citizens. Afghan media and civil society organizations (CSOs) comprise a less formally organized oversight mechanism.

23. Public accountability is the least advanced among the three elements of Afghanistan's PAR strategy. The first Constitution of 1923 did not introduce formal checks and balances on the King's powers. The 1964 Constitution, while giving the status of a Constitutional body to the traditional *Loya Jirga*, also gave the King the power to dissolve it. In the 1977 Constitution, the Party was the guarantor of power and all branches were accountable to the party, including the President. Public accountability also has had a slow

start in the reconstruction. The extreme 'capacity deficit' inevitably ignored the 'accountability deficit' during the early days of reconstruction. Humanitarian and reconstruction needs were so immense and immediate, and government's capacity so sparse relative to the challenge, that the objective of donor-assisted reconstruction was to first get the system back on its feet before fine tuning its performance. The security deficit-like the capacity deficit-also ignored the accountability deficit. Donors' reconstruction priorities were short-term, but long-term effort is required to build institutions of public accountability.

24. The National Assembly has started asserting its role of oversight on executive power. It rejected some Presidential nominees for cabinet, and for the Chief and judges of the Supreme Court. However, parliamentary scrutiny of the government's budget and accounts has been impeded by NA members' unfamiliarity with presentation of public financial management information. Passing of the SY 1385 and SY 1386 budgets by the NA were delayed by several weeks. Although the NA receives the CAO's annual report of audit of government accounts, it has no established system of scrutiny of public expenditure and response to these audit reports. Parliamentary effectiveness is reduced by the absence of strong and effective political parties. Third party groups form the balance between pro and anti-government factions. Without party discipline to keep members in the house, many sessions have to be canceled for lack of quorum. An adversarial relation sometimes develops between the NA and the executive.

25. Justice institutions are probably the least developed among formal oversight organizations. Stronger legislative capacity and skills in legislative methods and techniques will be required in the NA, the Cabinet and the Ministry of Justice; and greater coordination between the Cabinet and the NA. Customary law prevails widely, and most disputes are settled in non-state forums, but customary law and informal justice systems are biased against women, who are not represented. At the same time, confidence in the formal justice institutions is low, and strengthening the sovereignty and integrity of the Afghanistan courts will require transparency of courts' operations and procedures, uniform application of law with predictable and credible decision-making, and

courts' capacity to deliver services and manage resources. The role of the judiciary, especially the Supreme Court, in enforcing constitutionality of laws and regulations and reviewing legality of administrative decisions needs to be strengthened.

26. The Government of Afghanistan has taken several high-level steps to fight corruption: Constitutional provision, creation of the General Independent Administration against Corruption, adoption of the Anticorruption Roadmap, and ratification of the UN Convention Against Corruption. These ideals are not reflected in ground reality. Drugs and unprecedented large inflows of international assistance are dominant sources of corruption. Confusion stems from lack of clarity of what corruption actually means in the Afghan context, blurred lines of responsibility among agencies responsible for fighting corruption, and the large number of uncoordinated complaint mechanisms at all levels.

27. Recent tensions between the media and government are evidence that the media has started playing its role in public accountability. The new media law has provisions that can be potentially used to restrict the media's freedom through classifying some material as prohibited through the constitutionally mandated supremacy of Afghanistan's religious beliefs over other laws. As the media acquires capacity to play the public accountability role, the government is also adjusting to having its actions being scrutinized by the media. There have been stand-offs between the executive and media over allegations of misquoting and corruption. The concept of investigative journalism still has not taken root in large parts of the media and government. Accountability of government institutions has received marginal media coverage, and more than half of published information was attributed to government sources. Considering this very low base from which media development started during reconstruction, its growth in volume is impressive. However, the print media is still a long way from financial independence. A majority of the population depends on radio for news and information.

28. There is little contact and communication between media and civil society organizations. The media ignores thousands of *shuras*, associations and NGOs as news sources; while these groups also do not use the media to voice their concerns. Afghanistan had little or no tradition of formalized community

participation in political decision-making or development planning, either at the national or local level. *Shuras'* top-down model and patriarchal structure impedes efforts to include female members—thus impeding the whole community's involvement in discussion and debate on civil society.

29. The current role of most Afghan CSOs is more that of project implementer than defender of public accountability. Demands of the donor community and their emergency aid programs led to relocation of Afghan NGOs from Pakistan to Kabul, and mushrooming of several new Afghan NGOs all over the country. They have carved their own niche in delivering the very much-needed humanitarian aid throughout the country while following international organizations' policies and practices. Arising partly from the general population's frustration and jealousy for NGOs' access to resources, many hold a deep mistrust for "NGOs," and perceive them as a foreign phenomenon that has gained control over the money meant for Afghans. CSOs' capacity to play the role of monitoring government is not fully developed. Few CSOs themselves have the capacity to analyze the reports and inform the public. CSOs rarely lobby the National Assembly or the Executive. Security conditions not only threaten the opportunities for international NGOs to assist in developing Afghan civil society, but are also diminishing the ability of local NGOs to enhance their own capacity and legitimacy. Local perceptions about association with internationals, particularly the Provisional Reconstruction Teams, are adversely affecting the security of NGOs.

30. There is no clear answer as to which amongst the current CSOs organizations has the most potential for being effective participants in local level governance—in district level planning and prioritization, as well as monitoring of services. There is a large gap between the mandate of a traditional community *shura* and a local community development association. Religious leaders and networks have always played a prominent role as civil society forces in Afghanistan, but the question is how the Taliban experience may have affected traditional Islamic leaders' potential as civil society forces in Afghanistan. CDCs, being elected bodies and having more women's representation than traditional *shuras*, could potentially evolve into district level governance organizations, but could potentially lose the people's voice if they become part of the establishment. While the NSP has delivered

actual results on the ground, the advocacy of those with political stakes in the NSP, and NGOs that functioned as implementing partners may have been overstated. It also remains to be tested how CDCs perform outside their currently limited remit of planning and implementing small infrastructure projects, and with less funding than provided under NSP.

31. Timely and reliable information is essential for public accountability. Weak communications, the steep learning curve of parliamentarians, and relatively undeveloped CSOs make it quite impractical to expect that either parliamentarians or civil society groups can even demand the relevant information, let alone analyze it to hold government to account. Therefore, rather than waiting for demand to emerge, government and donors should take the initiative to publicize their activities. This could include, for example, information on budget preparation and execution, public financial management and procurement, and project objectives, spending and achievements. Special attention should be given to monitoring the outcomes of government programs, so that the public can see whether they're getting value for their money and the government can make mid-course corrections when programs fail to achieve their stated objectives. Better information flows - even among government organizations - can also bolster anti-corruption efforts.

A Twelve-Point Agenda for Public Administration Reform

32. This report has made the case that public administration reform in Afghanistan is both very important and very difficult: very important because it will provide the Government of Afghanistan with the capacity to respond to popular demands for good governance and improved service delivery; very difficult, because of the inherent challenges of institutional change, especially in the current political and security situation in Afghanistan. PAR in Afghanistan is nothing less than rebuilding an effective state after more than two decades of conflict and administrative decay.

33. Afghanistan's experience over the past five years, as well as lessons from other fragile states, provide some clues about how to go about public administration reform. The resulting challenges, and possible responses, have been summarized above.

Chapter V of this report attempts to distil the main points into a twelve-point agenda. There is nothing magical or immutable about this list. It is simply intended to help shape the PAR debate within the GoA and with the donor community - with the objective of speeding up progress on reforms and realizing tangible benefits for the Afghan people over the longer term.

(1) Recognize that PAR is a long-term task - which will require persistent effort over time, as well as innovative approaches to improve service delivery in the short and medium terms.

34. It will inevitably take time to build up the capacity and credibility of the state in Afghanistan. That is why it is important to initially limit the role of the state to core functions in line with existing capacity. This is consistent with the government's commitment to a "lean state" and the use of non-governmental delivery mechanisms (such as in health). Innovations in service delivery should be evaluated carefully over time - to help define the appropriate role of the state in different sectors and hence the priorities for PAR in different line ministries. This bottom-up approach should constantly challenge the top-down directions of PAR. The real litmus test must be: how will these reforms contribute to better governance and service delivery?

35. In many ways, the opportunistic approach adopted under PRR is still very much relevant to Afghanistan today. It is impossible to implement a broad-based, long-term agenda in a comprehensive systematic way - especially in a country like Afghanistan where capacity is very weak and the government has limited reach outside Kabul. Rather the framework for reform must be comprehensive and coherent, and short-term actions must be consistent with that framework. At any point in time, there must be a clear idea of priority areas requiring attention, and those which can be sorted out later.

(2) Provide strong political leadership and effective coordination to implement the PAR agenda.

36. Because PAR is a broad-based effort, it must be led from the top with effective coordination across institutions. This leads to the following recommendations:

- Strong leadership is needed from the President - to provide a clear message about the direction of reform and to manage conflicting political interests. The President should personally take

responsibility for explaining the importance of the reforms to Parliament and the public at large, and also reporting on the results achieved.

- Important issues need to be discussed and decided at Cabinet level (the Cabinet's PAR Sub-Committee provides a convenient vehicle) to build a consensus view even when different interests are being advocated by different agencies. Implementing agencies should also report back to Cabinet on a regular basis on progress made and issues to be addressed.
- Instead of attempting to implement reforms in all ministries by itself, IARCSC needs to increasingly focus on guiding and overseeing ministries' implementation, while allowing ministries take responsibility of their own respective reforms.

(3) Ensure that donor support is adequate and consistent with the PAR framework set by the Government of Afghanistan.

37. Although Afghanistan has received large amounts of development assistance since the fall of the Taliban, very little of this has been directed specifically at the PAR agenda. Indeed, it is hard to know exactly how much assistance has been received for PAR, given the different categorizations used by different donors, and the difficulty of separating PAR components from projects with broader objectives. Getting a better picture of donor support for different parts of the PAR agenda would be useful in itself. But even more important is effective coordination of donor assistance by the Government of Afghanistan, in line with its own PAR priorities. This should be done within the overall framework provided by the I-ANDS and the Afghanistan Compact. Responsibility for donor coordination should then be delegated to the relevant government agency: for example, IARCSC for civil service reform and IDLG for sub-national reform.

38. Most of the donor support for PAR is in the form of technical assistance. Initially, many had believed that the gap-filling need for civil servants' competence would last 2-3 years, and that short-term imported consultants would simultaneously train and coach their replacements while performing in-line functions. However, these assumptions proved to be overly optimistic. Furthermore, the higher salaries paid to externally-funded consultants and advisers have attracted some of

the best talent away from the government and bid up the cost of scarce talent in the country. Therefore, in the future, more attention will have to be given to the objectives of TA, with a clearer distinction between gap filling and capacity development. Donor funding of salary top-ups for civil servants will also have to be carefully managed and phased out over time.

(4) Match higher salaries from the new pay-grade scheme with other civil service reforms - to improve government performance and service delivery.

39. The new grade structure's purpose is to bring formality into civil service management by reducing inconsistencies and scope for arbitrary actions, while the new pay scales are intended to attract, retain and motivate well-qualified staff. Even though the new pay scales are significantly higher than the existing ones, they still cannot match what donors pay; and upon receiving higher salaries, civil servants will not automatically start performing better. The following cautions are advised in the implementation of the new grade-pay structure:

- Draw upon the lessons of PRR. The same issues that overcame the earlier exercise i.e., allowing higher pay scales to all staff could also engulf implementation of the new scheme. Therefore, IARCSC needs to prepare job descriptions carefully, and line ministries need to closely match incumbents' skills to these job descriptions. Unlike the PRR exercise, line ministries should be in charge of their own implementation while IARCSC plays a guidance and oversight role.
- Recognize that even within this clearly defined role, IARCSC is undertaking a task of magnitude and complexity that it has never encountered before. Strengthen its management capacity, and provide it high level political support.
- The "second civil service" is directly paid for by donors. Because of the continuing scarcity of qualified human resources, donors are likely to continue funding salary top-ups to civil servants from project budgets, thus rendering even the new pay scales inadequate to draw necessary skills into the civil service.

(5) Re-examine the IARCSC's role - to focus on

core functions and remove conflicts of interest within its structure.

40. The Commission's mandate both overloads it and creates conflicts of interest. A thorough restructuring of the Commission may not be possible in the short term, and especially not now as it embarks upon the huge challenge of leading the implementation of the new grade pay structure. But some short-term steps could alleviate the problem:

- To demonstrate the IARCSC's "independence," the Cabinet Sub-Committee's and PAR Steering Committee's supervision of the Commission could be explicitly limited to its policy-making functions, and excluded from appointments and appeals.
- The Appeals Board and the Civil Service Institute could be distanced from the Commission's own line structure. Distancing the Appeals Board will have the advantage of upholding its credibility with civil servants whom it is meant to serve. Distancing the Civil Service Institute, currently buried three layers deep within the Commission's structure, will allow it to negotiate with donors for their support.
- Clarify the respective roles and responsibilities of the Office of Administrative Affairs (OAA) and IARCSC in civil service management, and especially in finalizing ministries' tashkeel (establishment).
- Donors that support civil service management could design their projects so that IARCSC's role is more of a facilitator than project implementer. This will not only reduce strain on an already overloaded IARCSC, it will allow line ministries to take control of their own human and financial management functions as is intended in the Compact and I-ANDS.

(6) Monitor progress on PAR - and be willing to rethink reforms when they're not meeting their goals.

41. The Government and IARCSC now have a systematic and well-thought out approach to PAR's first element: civil service reform. The Compact benchmarks make clear what is to be achieved; while the Government's PAR Strategy, the ANDS-assisted sector strategy, and the costed civil service

implementation plan have formulated how this can be achieved over the next three years. Thus, IARCSC needs to establish a monitoring system that regularly produces findings that are judged valuable by ministries, the PAR Steering Committee, cabinet and donors. It also needs to monitor line agencies' compliance with government-wide rules and regulations.

- IARCSC needs to become the powerful champion within government that generates line ministries' demand for monitoring civil service reform. Because of ministries' lack of awareness, their demand to understand how well or not they are performing their own restructuring and personnel management is weak. IARCSC needs to make available the tools and their potential uses, and also create incentives for ministries to monitor.
- The structural arrangements to monitor PAR should be clarified and strengthened. The current arrangements require one line unit of the Commission to judge the performance of the whole Commission and its Chairman's leadership. Also, it does not have the profile to influence other ministries, or to attract donor resources.
- The monitoring system should not be over-engineered; rather the emphasis should be on reliable data systems. What is required is a set of intermediate benchmarks leading up to the Compact's targets. The need for ministries to report on their compliance with new personnel guidelines and regulations could be reinforced through an appropriate government regulation and procedures.

(7) Develop a clear policy framework for the sub-national system - and a strategy for guiding sub-national reforms.

42. Without a clear policy framework, initiatives to improve sub-national governance and service delivery will remain piecemeal and often at odds with each other. Two directions of reform stand out:

- In order to reduce systemic contradiction, strengthen and consolidate the role of the Provincial Governor's Office in the areas of planning and coordination, while limiting its

authority to deliver services, which falls under the Provincial Departments.

- In order to enhance accountability, strengthen the oversight and supervisory role of the Provincial Councils, to provide checks and balances on the activities of the delivery agencies.

43. The recent decision to improve the central oversight of sub-national issues with the establishment of the IDLG is a welcome move. Next steps on sub-national issues should aim to:

- Build up the political credibility and technical capacity of IDLG. To this end, an Inter-Ministerial Committee, chaired by the President or Vice President, with IDLG acting as the secretariat, could be formed to establish a framework for sub-national strengthening and reform.
- Build on recent efforts to improve donor coordination. In particular, the IDLG should probably take over chairmanship of the Sub-National Governance Donor and Government Working Group under the ANDS mechanism. One of the first tasks of this group should be to set appropriate benchmarks for developing the sub-national policy framework and reform strategy.

(8) Strengthen the performance of the main service delivery institutions by improving their organizational structures - and providing adequate resources to do their job.

44. Line ministries will have to ensure that their functions are properly divided between their central and provincial offices. These decisions should be built into the organizational plans being prepared by line ministries as part of the PRR/PAR process, and guided by the following considerations:

- Any deconcentration process should be crafted flexibly enough to allow different ministries to implement service delivery models which are most conducive to success in their sectors.
- Ministries should consider asymmetric approaches: experimenting with different degrees of deconcentration with different functions.

- The extent to which line ministries deconcentrate will need to be moderated by the degree to which this risks capture of Provincial Departments by Provincial Governors.

45. Improvements in organizational structures need to be matched by the provision of adequate resources for key organs of sub-national governance and service delivery to play their roles. Initially, this means meeting basic needs for training, IT, offices, communications etc. Over the longer term, it means moving towards a more equitable distribution of fiscal resources across the country.

(9) Address the particular issues facing municipalities and CDCs: the most autonomous elements of the sub-national system of governance and service delivery.

46. Municipalities have been established under the law, as important and self-sufficient local service delivery and governance entities. To improve their effectiveness, the following measures are needed:

- Enact new legislation which clarifies the relationship of municipalities to the central and regional governing entities, while protecting their self-reliance. Inter alia, this should provide them with solid expenditure and revenue assignments, and enhance their capacity for providing local services sustainably.
- Formulate a comprehensive financing framework for municipalities which clarifies and rationalizes own-source revenue assignments, and establishes a transparent rules-based system to allocate central transfers among municipalities. This should be matched by improved budgeting, financial management and accounting systems.
- Introduce elections for mayors and municipal councils at the earliest feasible opportunity. Institutional measures should be introduced to bridge the current gap between the bottom-up system for expression of community voice and top-down planning and budget decision making.

47. CDCs were established as community-level vehicles to deliver infrastructure in rural areas under NSP and have since started to take on a wider range of local governance functions. To sustain their effectiveness, the following issues need to be addressed:

- CDCs need to secure a regular and reliable funding flow to resource local development activities which provide their *raison d'etre*. The funding should be set at far lower levels than under NSP.

- CDCs' roles should be consolidated on the basis of the new by-law. In general, CDCs should take on only public good functions, and not compete with other local governance bodies (such as school management committees).

- The matter of "ownership" of CDCs at the central level will have to be settled within the central government by those agencies and ministries which have a core interest in the question.

(10) Demonstrate Government's will to fight corruption.

48. The public has little trust in leaders and government institutions. Despite positive rhetoric, government has not initiated action in the face of widespread and entrenched corruption. Although the Bonn accord stressed accountability of public organizations, the political process that followed stressed representation from all quarters above accountability, and peace before justice. Afghanistan is now responsible for 93 percent of total global illicit opium output. Institutional disarray and in-fighting within government, and lack of strong government leadership to confront corruption has resulted in the widely held view is that corruption is being ignored or tacitly allowed. This report recommends:

- Initial implementation of meaningful yet feasible short-run measures, with emphasis at sector and agency levels instead of spending too much effort and resources on preparing an impressive strategy, and focus on a few agencies where the public interacts most frequently with service providers. In these agencies, the number of steps, signatures and visits could be reduced.
- Clarifying institutional arrangements so that different agencies involved in anti-corruption work harmoniously. Enforcing ministries to respond to audits and involving Ministry of Finance in the response to audit reports will allow it to play a stronger oversight role.

- Strengthening the leadership of institutions involved in the fight against corruption. Much more can be done to go after key actors in the drug industry (larger and medium drug traders, and their sponsors inside and outside government). Even if weaknesses in the justice sector make prosecution and conviction very difficult, officials associated with the drug industry should at least be removed from their positions in government, which would send a strong signal of government commitment to address the drug issue.

(11) Build public trust in parliament and the judiciary - so they can provide formal oversight in an effective and credible manner.

49. In the National Assembly, work is needed to strengthen coordination between the Cabinet and NA, and to build parliamentarians' understanding of their actual role, including how they can constructively contribute to law-making and oversight of the executive. Particularly, Budget Committee members' comprehension of how government budget and accounts are prepared and presented needs to be strengthened.

50. In the justice sector this report recommends:

- Recognizing that security strengthening measures are only partially effective without accompanying strengthening of rule of law. Strengthening coordination between the Cabinet and the NA, referred in the previous paragraph, will improve legislative capacity.
- Starting small and scaling up. Both judicial reform and infrastructure creation should focus on the major cities because that is where the formal justice system is most used and most needed. But during this time the role of the judiciary, especially the Supreme Court, needs to be established in enforcing constitutionality of laws and reviewing legality of administrative decisions.
- Supporting non-state dispute resolution because it will take many years before sufficient courthouses are constructed, judges appointed and legal texts are available.

(12) Provide credible information on government programs and performance - and open up government processes to public scrutiny and participation.

51. The media and CSO sectors in Afghanistan are still finding their feet. Donor support can help to develop their capacity and effectiveness over time. But, in the area of public accountability, their role is very much dependent on their access to official information and their ability to provide feedback on government performance. Donors should support government initiatives to improve transparency, while being sensitive to the country's history, culture and politics. A number of innovative approaches have already been built into donor-funded projects to provide information to affected communities, involve them in project planning and implementation, and to monitor the impact of project interventions on economic and social conditions in the affected area. These approaches should be mainstreamed into other government programs over time. The Government should also provide the information needed to inform public debate on complex issues such as the budget and corruption, and to build public confidence in financial management and procurement processes.

52. This would be a daunting agenda in the best of circumstances. In Afghanistan, where the public administration has to be rebuilt from a low base in a very difficult reform environment, it can sometimes seem overwhelming. But some comfort can be taken from the progress to date, and the fact that small steps can build into a coherent program over time. Experience in Afghanistan and elsewhere shows that successful innovations in service delivery can be implemented - even in an environment of poor overall outcomes and when systemic problems are still to be resolved. However, over the longer term, there is no substitute for a merit-based and accountable public administration that can perform its core functions well. It will simply take a long-term commitment from the Government of Afghanistan and its international partners to stay the course. The stakes are high: only an effective public administration, that is seen to provide security and services to the people, can ensure the long-term legitimacy and credibility of the state.