

ARTF Performance Assessment Matrix (PAM)
Progress and Challenges
March 30, 2009

The Performance Assessment Matrix is intended to provide a broad-based assessment of the effectiveness at the centre of government by tracking trends in government and donor performance across selected areas. The PAM therefore provides a platform for dialogue based on *retrospective* performance. It is also a useful complement to the ARTF Incentive Program, which is intended to put in place financial incentives for securing *forward-looking* policy & reform progress.

This note on a selective basis summarizes and highlights areas of progress and challenges based on the updated PAM, which is attached in full below.

1. Public Financial Management

The last two years have been a time of increasing fiscal pressure on the government and challenges remain on executing the core budget.

- On **revenue mobilization**, the government raised Af 41.6 billion (US\$832 million) in SY1387 and met the revised revenue target (Af 40 billion). However, the revenue to GDP ratio was 6.9 percent, down from 7.0 percent in SY1386. The revenue to GDP ratio has now deteriorated across two consecutive years. Revenue performance affects the fiscal sustainability indicator (revenue as a percentage of operating expenditure). The fiscal sustainability indicator fell from 66 percent in SY1386 to 60 percent in SY1387;
- On **budget execution**, in absolute terms, total core development expenditures in SY1387 fell in absolute terms by 8 percent to Af 44.4 billion (US\$888 million) against SY1386. In addition, the budget execution ratio fell to 42 percent from 54 percent in SY1386. In SY1387, government had few discretionary resources for bridge financing which severely affected disbursement.
- On **budget formulation**, following the good practice of the SY1387 budget, parliament approved the SY1388 budget before the beginning of the fiscal year. Program budgeting, has seen some take-up: the number of ministries under pilot program budgeting increased from 7 in SY1387 to 14 in SY1388.
- On **procurement**, only two ministries had developed a procurement monitoring schedule (Ministry of Agriculture and Ministry of Public Works) in SY1387. This good practice needs to be expanded to all key spending ministries;
- On the **control framework**, in SY1387 about 30 percent of civil servants (135,000) were paid salaries directly through their bank accounts¹. Progress has been made in the past few years, however provinces lag in the Verified Payroll Program (VPP). Further progress of VPP is challenging due to inadequate banking facilities in provinces.

¹ Note that VPP until FY1386 was based on the total coverage of salary payments using banking (i.e. sum of DAB and Commercial Banks) channels, which included salary disbursements by DAB cashiers. Starting in FY1387, VPP is only based on salary payments using commercial banks.

Table 1: Selected PFM Indicators (Comparison between Target and Realization)

Indicators	SY1384 Actual	SY1385 Actual	SY1386 Actual	SY1387 Projection (Mar 08) 1/	SY1387 Preliminary Actual
Revenue to GDP ratio (%)	6.4	7.5	7.0	8.4 1/	6.9
Revenue to operating expenditure ratio (%)	64.6	66.8	66.2	67.9 1/	59.5
Budget execution ratio (core development)	41	54	54	Increase from SY1386	42 2/
% of staff with individual salary payments	10	23	30	55	30

1/ Government target in the SY1387 budget

2/ MoF figure is 47% as US\$367 million was excluded from MYR budget

Source: World Bank Staff

2. Aid Effectiveness

Challenges remain to secure national ownership of the reconstruction effort.

- On **improving the predictability of resources delivered through ARTF**, donors appear increasingly able to pledge a larger share of the recurrent cost window at the start of the SY. This serves to improve the predictability of ARTF funding to recurrent budget;
- However, on **increasing national ownership**, preferences have increased again as a share of total contributions, with some donors indicating real constraints in providing un-preferenced funds. The share of un-preferenced ARTF pledges declined to 51 percent in SY1387. In SY1388, the absolute value of un-preferenced contribution is projected to decrease from US\$351 million in SY1386 to US\$275 million. Direct budget support as a share of total ODA disbursed (per Paris Declaration survey) stood at 21 percent in SY1386 (almost the same as for SY1384);
- Added to this, the **flexibility of the core budget** has decreased significantly. Due to operating budget deficits, there were no discretionary resources for the core development budget in SY1387². The same scenario is projected for SY1388 and SY1389.

Table 2: Selected Aid Effectiveness Indicators (Comparison between Target and Realization)

Indicators	SY1384 Actual	SY1385 Actual	SY1386 Actual	SY1387 Projection (Mar 08)	SY1387 Preliminary Actual
% of ARTF estimated recurrent need for FY committed or pledged at start of FY	25	60	70	100	100
% of un-preferenced pledge (ARTF)	73	70	53	Increase over previous year	51
Direct budget support as % of total ODA disbursed 1/	20	-	21	-	-

1/ Per Paris Declaration Survey

² Excluding drawdown from deposits in the central bank.

3. Public Administration Reforms (PAR)

The situation in PAR reflects the complexity and challenge of the reform – but implementation of this core reform is now underway.

- **Size and Cost of the Civil Service:** The size of the civil service has been maintained at below 300,000 civil servants, of which c. 170,000 are teachers.³ The cost of the civil service has grown moderately by 3.3 percent (in real terms) in SY 1387, mainly as a result of an increase in teacher salaries. Over the coming four years the roll out of the Pay and Grading reform (P&G), combined with the recruitment of an additional 37,000 teachers, will put upward pressure on wage bill expenditures. It is critical for MOF and the Independent Administrative Reform & Civil Service Commission (IARCSC) to actively manage these pressures to ensure P&G implementation stays within the parameters set in the Medium Term Fiscal Framework (MTFF) and is adjusted should the overall fiscal framework change; for example should shortfalls in revenues occur.
- **Implementation of P&G:** Progress in this area has been slower than planned, but momentum is now picking up. A total of about 30,000 non teaching positions (Tashkeel) have been regraded in the first five ministries (MOF, MOE, MOJ, MRRD, and MAIL) and regrading of the entire teaching force is underway. For SY1388 MOF has allocated US\$32.8 million to P&G implementation which would cover roughly 80,000 civil servants (including teachers) who are planned to migrate to the new structure.
- **Merit based appointments:** In SY 1387 the Independent Appointments Board (IAB) processed 744 senior level appointments and oversaw 4,205 lower level recruitments, which is a significant drop from previous years. The slow down is caused by IAB's revised review procedures of ministry submissions that has led to a higher rejection rate. Going forward, the roll out of P&G will place additional demands on the IAB structure as all positions – except those at grade 8 – will have to undergo merit based appointment procedures.

4. Education

The Afghan Government has continued to deliver on national access to education. Gross enrollment increased to 89 percent in SY1386 and is projected to increase to 120 percent in SY1387⁴. Student numbers increased by almost 60 percent between SY1383 and SY1387 - with female students increasing by 70 percent to 2.2 million. The percentage of schools with School Management Committees (SMCs) reached 100 percent (of registered schools) in SY1387. Considerable room for improvement remains, however, with regards quality of education, especially with regards teacher training.

5. Health

The Afghan Government continues to deliver steady progress with regards health indicators. Improved access to Basic Package of Health Services (BPHS) is observed in the improved (i) % population of districts with financing and organizational arrangements to deliver BPHS (improved from 85 percent in SY1386 to 87 percent in SY1387) and (ii) balanced score card (improved from 70 percent in SY1386 to 72 percent in SY1387).

³ Including around 37,000 contract teachers.

⁴ The enrollment rates can exceed 100 percent as students include outside school ages.

AFGHANISTAN PERFORMANCE ASSESSMENT MATRIX (updated as of March 29, 2009)

Public Financial Management (1/3)

Broad Area	Objective	Specific Objective	Indicators	Actual (SY1384-86), Preliminary Actual (SY87) and Projection (SY88-89)					
				SY1384 (Baseline)	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Pre. Act.)	SY1388 (Pro.)	SY1389 (Pro.)
Moving Toward Fiscal Sustainability	Revenue mobilization	Revenues cover operating costs	Revenue to GDP ratio	6.4%	7.5%	7.0%	6.9%	7.3% 1/	7.9% 1/
			Revenue to Operating expenditure ratio	64.6%	66.8%	66.2%	59.5%	53.8% 1/	58.3% 1/
	Medium-Term Fiscal Framework	Progress toward fiscal sustainability on expenditure	Operating expenditures to GDP ratio	9.9%	11.2%	10.6%	11.5%	13.6% 1/	13.6% 1/
Improving Service Delivery: PFM Aspects	Spending mix for service delivery	Appropriate share of non-salary spending	% of non-salary in total civilian recurrent expenditure	35%	39%	35%	34% (as of Feb 09)	n/a	n/a
			% of non-salary spent in provinces	25%	25%	27%	19% (as of Feb 09)	n/a	n/a
	Linkage between budget & strategy	Budget reflects ANDS priorities	No. of costed sector strategies, business plans	-	-	3	All (excl. security)	Improved process	Improved process
Improving Public Financial Management Performance and Combating Corruption	Budget Formulation	Timely and effective budget process	New budget schedule adhered to	Delay in budget approval	Delay in budget approval	Delay in budget approval	Budget approved on time	Budget approved on time	Budget schedule adhered to
			Participation in program budgeting	-	-	3 ministries	7 ministries	14 ministries	About 20 ministries
	Budget Execution	Performance in relation to annual budget targets	Execution ratio (operating)	96%	98%	93%	95%	100%	100%
			Execution ratio (development)	41%	54%	54%	42% 2/	Increase over previous year	Increase over previous year

1/ MTFF as of February 2009, 2/ MoF states 47% due to cancellation of some projects after MYR

Public Financial Management (2/3)

Broad Area	Objective	Specific Objective	Indicators	Actual (SY1384-86), Preliminary Actual (SY87) and Projection (SY88-89)					
				SY1384 (Baseline)	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Pre. Act.)	SY1388 (Pro.)	SY1389 (Pro.)
Improving Public Financial Management Performance and Combating Corruption (continued)	Procurement	Implement new Procurement Law	No. of Ministries with procurement planning	-	regulations approved and gazetted	3 ministries	2 ministries (MAIL and MoPW)	6 ministries (including all key spending ministries)	6 ministries (including all key spending ministries)
	Control Framework	Improving fiduciary standards	ARTF eligibility ratio (salary)	84.4% salary eligibility	92.5% salary eligibility	89.2% salary eligibility	94.7% (as of Feb 09)	Maintain / improve	Maintain / improve
			ARTF eligibility ratio (non-salary)	73.3% non-salary eligibility	64.6 % non-salary eligibility	62.0% non-salary eligibility	18.7% ⁵ (as of Feb 09)	Maintain / improve	Maintain / improve
			% of staff with Individual Salary Payment	10% VPP	23% VPP	30% VPP	30%VPP ⁶	45% VPP	53% VPP
	Legal framework against corruption	Establish an effective legal framework against corruption	The existence of relevant legislation and reports from monitoring mechanism	n/a	n/a	UN convention against corruption ratified	National legislation adapted	A monitoring mechanism is in place to oversee implement	A monitoring mechanism is in place to oversee implement
External Accountability, Audit, Scrutiny	Timely availability of Audited Financial statements and review by Parliament	Month financial statement & audit for previous year' review by Parliament	Statement: July Audit: Dec	Statement: July Audit: N/A	Statement: July Audit: Sep	Statement: July Audit: Sep	Statement: July Audit: Sep	Statement: July Audit: Sep	

⁵ Note that this reflects the fact that due to the change in procurement law in SY1387, all non-salary expenditure was considered ineligible for ARTF reimbursement and was not reimbursed. The one exception being pension payments, reflected in this number. The law has now been amended and non-salary expenditures are once again considered eligible.

⁶ Note that VPP till FY1386 was based on the total coverage of salary payments using banking (i.e. sum of DAB and Commercial Banks) channels, which included salary disbursements by DAB cashiers. However, starting in FY1387, VPP is only based on salary payments using commercial banks.

Public Financial Management (3/3)

Broad Area	Objective	Specific Objective	Indicators	Actual (SY1384-86), Preliminary Actual (SY87) and Projection (SY88-89)					
				SY1384 (Baseline)	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Pre. Act.)	SY1388 (Pro.)	SY1389 (Pro.)
Capacity Development and Reform of PFM Institutions	MoF reform strategy	Implement MoF reform strategy, including at provincial level	No. of Mustufiats reformed	None	Reform plan developed (July 2006)	2 Mustufiats reformed	7 Mustufiats reformed		
	PFM reform & capacity in line ministries	Effective financial management capacity in line ministries	No. of ministries with effective Financial Management/ Budget Units	TBD	TBD	1	Waiting for information	Waiting for information	Waiting for information

Aid Effectiveness and Mutual Accountability

Broad Area	Objective	Specific Objective	Indicators	Actual (SY1384-86), Preliminary Actual (SY87) and Projection (SY88-89)					
				SY1384 (Baseline)	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Pre. Act.)	SY1388 (Pro.)	SY1389 (Pro.)
PFM Performance	Government's PFM system	Improve / maintain PFM performance	PEFA PFM Performance Ratings	Review as of June 2005	Not monitored	Review as of Dec 2007	Not monitored	Plan to review in second half	No plan
Improving effectiveness of ARTF	Predictability of ARTF funding	More predictable ARTF funding on annual basis	% of ARTF estimated recurrent need for FY committed or pledged at start of FY	25%	60%	70%	100%	100%	100%
		More predictable ARTF funding on annual basis	% of total ARTF pledges deposited by donors by end of fiscal year	77%	90%	88%	92%	100%	100%
Increasing National Ownership	Increase flexibility of ARTF resources	Give the government increased ownership and flexibility to allocate resources to national priorities	% and volume of un-preferenced pledges (ARTF)	73% (\$294)	70% (\$316)	53% (\$381)	51% (\$351)	72% (\$275)	NA
	Increase flexibility of all core budget assistance	Give the government increased ownership and flexibility to allocate resources to national priorities	Discretionary resources as share of total core development budget	37%	33%	21%	0%	0%	0%
	Use of national budget channels	Increase share of aid through Core Budget	Direct Budget Support as % of total ODA disbursed (per PD Survey)	20%	n/a 1/	21%	Increase over previous year	Increase over previous year	Increase over previous year

1/ Paris Declaration survey is conducted every two years.

Education (1/1)

Broad Area	Objective	Specific Objective	Indicators	Actual (SY84-86), Preliminary Actual (SY87) and Projection (SY88)				
				SY1384 (Baseline)	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Pre. Act.)	SY1388 (Pro.)
Increase access to education in grades 1-9 ⁷	Increase Enrolment Rates in Grades 1-9.	<ul style="list-style-type: none"> Rehabilitate/construct schools close to communities and implement social mobilization programs for increased enrolment. Increase numbers of female teachers Mandate formation of School Management Committees (SMCs) 	Gross Enrollment Rates	61%	70%	89%	120%	130%
			Percentage of female teachers	n/a	26 %	27.6 %	29 %	35%
			Percentage of schools with SMCs		Formation of SMCs mandated in all public schools.	75% registered schools have functioning SMCs	100% of registered schools have functioning SMCs	n/a
Increase quality of education in grades 1-9	All public sector teachers are trained.	<ul style="list-style-type: none"> Accelerate in-service teacher training in all 34 provinces for both permanent and <i>ajir</i> teachers. Develop HR system for teachers and project teacher needs for every 2 years including identifying excesses and deficits in teaching staff 	Percentage of teachers (both permanent and <i>ajir</i>) in government schools who have received in-service training.	15,000	37,000 In-service trained teachers. ID and Registration program being developed	37,000 in-service trained teachers. ID and Registration Process one third completed. HR system and HRMIS under preparation.	Awaiting data	Awaiting data
	Qualification based hiring of teachers	<ul style="list-style-type: none"> Develop a competency based pre-service teacher training framework and syllabi for Teacher Training Colleges (TTCs). Expand/strengthen TTCs in provinces. 	Percentage of incoming permanent female and male teachers that have stipulated minimum qualifications/TTC degrees.	N/A	Competency framework for pre-service teacher training development completed.	Competency framework for pre-service teacher training being piloted.	Awaiting data	Awaiting data

⁷ Basic and compulsory education in Afghanistan is Grades 1-9 and covers primary and junior secondary schooling.

Health (1/2)

Broad Area	Objective	Specific Objective	Indicators	Actual (SY84-86), Preliminary Actual (SY87) and Projections (SY88-89)							
				SY1384 Baseline	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Est., Pre actual)	SY1388 (Pro.)	SY1389 (Pro.)		
Increase access to the Basic Package of Health Services (BPHS), with improving quality	Increase % of population with access to the BPHS	Sign partnership agreements with NGOs in uncovered areas and/or expand the MOPH strengthening mechanism	% Population of districts with financing and organizational arrangements to deliver BPHS 1/	77%	82%	85%	87%	88%	88%		
			Outpatient visits per capita per year to publicly funded clinics 1/	0.35	0.6	0.8	1.0	1.1	1.2		
	Greater coverage of preventative services	Maintain focus on improved immunization coverage and increase outreach activities	DPT3 coverage among children 12-23 months of age	16.7% (NRVA 2005)	34.6% (AHS 2006)	42%	45%	50%	55%		
			Improved access to reproductive health services	Further increase no. of skilled midwives, especially in rural areas, expand outreach activities, explore incentives for mothers to deliver in facilities	Contraceptive prevalence rate 1/	10.5% (NRVA 2005)	15.5% (AHS 2006)	22%	25%	30%	32%
					Skilled birth attendance (%) 1/	8.4% (NRVA 2005)	18.9% (AHS 2006)	25%	30%	32%	35%
	Coverage of antenatal care 1/	12.6% (NRVA 2005)	32.3% (AHS 2006)	40%	45%	50%	55%				
Improved quality of care as judged by independent survey	Continuous in-service training of health workers and systematic supervision.	Balanced score card (based on third party evaluation), median score, nationally	59.0% (Sep 2005)	65.4% 6/ (Sep 2006)	70.2% (Sep 2007)	71.7% (Sep 2008)	5% increase from previous year	5% increase from previous year			
Improve quality of care in secondary and tertiary hospitals	Improved quality of care (broadly defined) as judged by independent survey	Implement Essential Package of Hospital Services, TA to strengthen hospital management, implementation of alternative hospital management mechanisms.	A separate balanced score card on secondary and tertiary hospitals (based on third party evaluation), median score, nationally	N/A	N/A	57.1 (Oct. 2007)	65.8 (Oct 2008)	5% increase from previous year	5% increase from previous year		
			% of provinces that have initiated hospital reform process.	29% (10/34)	29% (10/34)	50% (17/34)	59% (20/34)	74% (22/34)	74% (25/34)		

1/ Projections based on ANDS targets as of SY1389 (2010/11)

Public Administration Reform (1/2)

Broad Area	Objective	Specific Objective	Indicators	Actual (SY84-86), Preliminary Actual (SY87) and Projections (SY88-89)					
				SY1384 (Baseline)	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Pre Act.)	SY1388 (Pro.)	SY1389 (Pro.)
Structure of Government	Restructured and Rationalized Civil Service	Restructured small civil service which reflects core functions and eliminates duplication of functions; standardization of new position-based grading system across government	Number of civil servants (in line with MTFE)	NA	267,148	282,829	278,947 (1)	278,947	291,447(2)
			% of positions re-graded in line with approved 8-grade structure	N/A	0%	0%	10%	60%	100%
			% of appointments made to new P&G Structure (cumulative)	0%	0%	0%	0%	25%	50%
Human Resource Management	Merit-based Appointments	All CS appointments merit-based; civil servants' skills and qualifications match requirements of the position	Number of civil service appointments made through merit-based procedure	7,462	2,221 – senior and oversight 13,101 of ministry processes for remainder	1,328 senior and oversight 13,050 of ministry processes for remainder	773 senior and oversight 4,205 of ministry processes for remainder (3)	2,500 – senior and oversight 30,000 of ministry processes for remainder (1)	2,000 – senior and oversight 90,000 of ministry processes for remainder
	Performance Management	Senior staff are performing in line with the requirements of their position	% of senior civil servants for whom annual performance evaluations are conducted	0%	0%	15%	85% senior managers are appraised in 26 min and agencies	(100%)	(100%)

- (1) Excluding 37,366 contract teachers.
- (2) Plan to recruit additional 12,500 Teachers
- (3) IAB Activity Statement 1387
- (4) Pay and Grading appointments to commence in 1388 (March 2009)

Public Administration Reform (2/2)

Broad Area	Objective	Specific Objective	Indicators	Baseline (SY84), Actual (SY85-87), and Projections (SY88-89)					
				SY1384 (Baseline)	SY1385 (Actual)	SY1386 (Actual)	SY1387 (Pre. Act.)	SY1388 (Pro.)	SY1389 (Pro.)
Capacity Development	Extra-normal Appointments to line positions	Fill key senior civil service positions central to leading the reform effort with qualified staff; reduce need for donor top-ups	Cumulative number of positions filled through LEP and MCP	N/A (81 through LEP)	N/A (100 through LEP)	135	207	360	420
	Leadership and Managerial Capacity	Civil Servants who can lead and manage the reform process and the establishment of an effective and efficient civil service	Cumulative number of female and male senior civil servants that have completed leadership training (provided by IARCSC)	140	310	450	N/A	N/A	N/A

- (1) ARTF proposal developed and approved on building administrative capacity (short-run actions for April 2007 PAM) was achieved in February 2007
- (2) Transfer delivery of training to CSI (civil service institute) (short-run actions for April 2007 PAM) was achieved in January 2007