

# ARTF PERFORMANCE ASSESSMENT MATRIX PROGRESS AND CHALLENGES

(As of March 11, 2008 – for discussion 19 March, 2008)

This note on a selective basis summarizes and highlights areas of progress and challenges based on the updated ARTF Performance Assessment Matrix (PAM) which is attached (see Attachment 1). The original covering note for the PAM also is attached for information and reference (Attachment 2). This summary focuses on public financial management (PFM) and aid effectiveness, but also discusses briefly the other categories (education, health, and public administration reform).

## 1. Public Financial Management

- On **revenue mobilization**, the revenue to GDP ratio turned out to be 7.8 percent in SY1385<sup>1</sup>. The SY1386 revenue was planned to reach 8.2% of the GDP, the government did not change this revenue target (US\$ 715 million) at the mid-year review (MYR). However, the preliminary actual revenue realization for the year SY1386 (US\$ 683 million) did not meet the target and fell short by 5 percent or only 7.8 percent of the GDP. Revenue performance affects the fiscal sustainability indicator (**the revenue to operating expenditure ratio**).
- On **budget execution**, in absolute terms total core development expenditure in SY1385 increased by 54 percent over SY1384, reaching US\$712 million, an impressive achievement. The budget execution ratio of core development expenditures in SY1385 was 54 percent<sup>2</sup>. In SY1386, the execution ratio was projected to increase to 55 percent. Preliminary results for SY1386 as of May show that the actual core development expenditures for SY1386 were US\$970 million, 54 percent of the revised budget<sup>3</sup>.
- On the **control framework**, the percentage of staff with Individual Salary Payment the Verified Payroll Program (VPP) continues to improve. However, in SY1386, the progress had been very slow (the projection was revised downward from 45 percent to 30 percent) and only a 25 percent of staff had been covered by the verified payroll plan (VPP). This was mainly due to (i) slow progress especially in Ministry of Defense and Ministry of Education and (ii) inability of commercial banks to provide adequate facilities in provinces. The VPP is projected to cover around 35 percent of staff in SY1387.
- On the **linkage between budget and strategy**, the ANDS includes the fiscal envelope for the next 5 years (SY1387-SY1391). Costing of the 3 sectors (health, education and roads) was completed in SY1386. The government plans to complete costing of other sectors by November 2008 so that the costings are fully integrated into SY1388 budget.

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

Indicators	SY1384 actual	SY1385 actual	SY1386 Estimates (Oct 2007)	SY1386 Revised Estimates (Mar 2008)	SY1386 Preliminary Actuals (May 2008)
Revenue to GDP ratio <sup>1/2/</sup>	6.1%	7.8%	8.2%	8.2%	7.8%
Revenue to operating expenditure ratio <sup>2/</sup>	65%	67%	67%	65%	67.2%
Budget execution ratio (core development)	44%	54%	Above 50%	55%	54%

<sup>1</sup> Revised from 7.0 percent mainly due to the changes in GDP

<sup>2</sup> This is partly due to the government ambitious target on core development expenditures.

<sup>3</sup> Core development budget was revised from the originally approved \$1,540m to \$1,744m due to carryover from the previous year.

% of staff with Verified Payroll Plan	10%	23%	45%	30%	25%
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1/ the ratios are revised due to the change in GDP figures

2/ From the Mid Year Review (MYR)

Source: World Bank Staff

## 2. Aid Effectiveness and Mutual Accountability

**Some improvements were achieved in aid effectiveness in SY1386** (see Table 2).

- On the **government's PFM system**, a second assessment of PEFA PFM performance ratings was conducted in early 2008, following the first assessment in 2005.<sup>4</sup> Preliminary results show significant improvements of the government PFM system.
- On **predictability of ARTF funding**, significant dialogue has occurred, and progress has been made in establishing an annual schedule of payments of ARTF. As a result, 91 percent of the total ARTF pledge was deposited by donors by the end of February 2008.

**Table 2: Selected Aid Effectiveness Indicators (Target versus Realization)**

Indicators	SY1384 actual	SY1385 actual	SY1386 Estimates (Oct 2007)	SY1386 Revised Estimates (Mar 2008)
% of ARTF estimated recurrent need committed at start of year*	47%	37%	53%	53%
% of un-preferenced pledges (ARTF)	73%	70%	57%	53%
Discretionary resources as share of total core dev budget	42%	29%	32%	16%

Source: World Bank Staff

\*Recurrent cost fund balance plus unallocated cash balance of parent trust fund

**There are, however, a number of challenges.**

- On **increasing the flexibility of ARTF resources**, the share of un-preferenced ARTF pledges decreased from 73 percent in SY1384 (US\$294 million) to 70 percent in SY1385 (US\$316 million). Although the absolute amount is expected to increase to US\$381 million, the share has decreased to 53 percent in SY1386. A stronger advocacy on the part of the Government for un-preferenced ARTF contributions may be needed, including not letting such advocacy be undercut by line ministries requesting donors to indicate preferences for their programs.
- On **increasing flexibility of all core budget assistance**, discretionary resources as a share of total core development budget has continued to decline from 42 percent in SY1384 to 16 percent in SY1386. This is mainly due to the increase in the size of core development expenditures<sup>5</sup>. In absolute values, discretionary resources (the sum of budget supports and core operating budget surplus) are constant at around US\$200 million.

## 3. Education

**Progress against the education indicators has been on track.** Gross enrollments have been progressing well and is planned to reach 107 percent in SY1386<sup>6</sup>. The Ministry of Education is a bit delayed with respect to in-service training of male and female teachers. A third of teacher ID

<sup>4</sup> The Public Expenditure and Financial Accountability (PEFA) indicators were developed by the multi-agency international PEFA group, and are intended to provide a comprehensive and comparable (both over time and across countries) snapshot of the performance of a country's PFM system.

<sup>5</sup> SY1386 core development expenditures is as of the revised budget. With the lower disbursement ratio (55 percent), the ratio would be about 30 percent.

<sup>6</sup> In the October 2007 PAM, Gross Enrollment Rates were projected to reach 100 percent in SY1388.

and registration process has been completed. Also, the Human Resources Management Information System (HRMIS) and the Human Resources (HR) system are under preparation, and the competency framework for pre-service teacher training development is being piloted.

#### **4. Health**

**Good Progress on Health Indicators.** The coverage of preventive services and utilization of curative services has been rapidly increasing based on independent surveys. Third party surveys also show large year-on-year improvements in quality of care. The increase in quality of health services is happening at the same time as a large increase in the number of health facilities and availability of female health workers. The latest household survey (late 2006) found an under-5 mortality rate of 191, a 26% decrease from estimates in 2002 but still high by international standards.

#### **5. Public Administration Reforms**

**Progress on key indicators has been as follows:**

- On **structure of government**, 19 ministries and 15 Independent Agencies have come under the reform process (PRR stage 2), which exceeded the earlier expectation of 28. The remainders are under PRR stage 1.<sup>7</sup> The overall quality of this progress is being reviewed as a precursor to beginning pay and grading reforms in ministries.
- On **civil service management**, a new Civil Servants Law has been drafted and is currently with parliament. This will create a legal framework for the implementation of the Pay and Grade reforms due to start in SY1387. IARCSC and MoF are confirming the overall fiscal cost of this reform in light of clarifications made in the law and some proposed revisions to pay scales. An action plan to improve the effectiveness of the Civil Service Appointments Board was prepared and the first phase implemented.
- The number of **civil service appointments** through merit-based procedure reached 16,265, lower than the earlier estimates of 30,000 due to the delay in the implementation of the Pay and Grade reforms, and constraints in capacity within the Appointments Board. Capacity building within the Appointments Board is underway.
- On **capacity development**, the ARTF Civil Service Capacity Development Project (AEP & LEP) has now been fully committed, the successor Management Capacity Project (MCP) has recruited the international technical assistance to guide implementation and ministry proposals will be processed from the beginning of SY1387. This should provide a centralized mechanism for supporting extra normal positions within government, and reduce the need for individual salary top ups by donors of government staff.
- IARCSC is testing a **monitoring mechanism** in line ministries that will track progress on key civil service reform issues including those related to structure of government and civil service management. This will be presented to donors as soon as possible.

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<sup>7</sup> With the exception of Ministry of Labor and Social Affairs, Ministry of Refugees and Repatriation Affairs, the Academy of Science and the Attorney General Office.

**ATTACHMENT 1: AFGHANISTAN PERFORMANCE ASSESSMENT MATRIX (UPDATED AS OF 12 SEPTEMBER 2007)**  
**Public Financial Management (1/3)**

Broad Area	Specific Objective	Objective	Short-Run Actions	Indicators	Projections				
					SY1384 (Baseline and Actual)	SY1385 (Actual)	SY1386 (Est.)	SY1387 (Pro.)	SY1388 (Pro.)
<b>Moving Toward Fiscal Sustainability</b>	Revenue mobilization	Revenues cover operating costs	Implement Custom & Revenue plans; LTO well-functioning	Revenue to GDP ratio 1/	7.8%	7.8%	7.8%	9.3%	10.7%
	Medium-Term Fiscal Framework	Progress toward fiscal sustainability on expenditure	Strengthen MTFF, embed in budget schedule.	Revenue to Operating expenditure ratio 1/	66.9%	66.9%	67.2%	67.9%	72.5%
<b>Improving Service Delivery: PFM Aspects</b>	Spending mix for service delivery	Appropriate share of non-salary spending	Budget adequate non-salary for service delivery	Operating expenditures to GDP ratio 1/	11.7%	11.6%	11.6%	13.7%	14.7%
				% of non-salary in total civilian recurrent expenditure	35%	39%	34%	37%	36%
	Linkage between budget & strategy	Budget reflects ANDS priorities	Develop ANDS priorities to inform budget	% of non-salary spent in provinces	25%	25%	16%	Increase over previous year	Increase over previous year
<b>Improving Public Financial Management Performance and Combating Corruption</b>	Budget Formulation	Timely and effective budget process	Finalize budget schedule & start 1387 budget process with Fiscal Policy Strategy	No. of costed sector strategies, business plans	-	-	3	all	all
				New budget schedule adhered to	Budget schedule adhered to	Budget schedule adhered to			
	Budget Execution	Performance in relation to annual budget targets	Effective mid-term review in 1386	Execution ratio (operating)	95%	98%	95%	100%	100%
				Execution ratio (development)	38%	54%	54%	Increase over previous year	Increase over previous year

1/ IMF's PRGF program target

**Public Financial Management (2/3)**

Broad Area	Specific Objective	Objective	Short-Run Actions	Indicators	Baseline (SY84), Actual (SY85), Estimates (SY1386), and Projections				
					SY1384 (Baseline and Actual)	SY1385 (Actual)	SY1386 (Est.)	SY1387 (Pro.)	SY1388 (Pro.)
Improving Public Financial Management Performance and Combating Corruption (continued)	Procurement	Implement new Procurement Law	Create PPU in MoF Approve Procurement Regulations	No. of Ministries with procurement monitoring schedules & capacity	n/a	regulations approved and gazetted	3 ministries	6 ministries (including all key spending ministries)	6 ministries
		Control Framework	Implement ARTF Monitoring Agent recommendations and Verified Payroll Plan	ARTF eligibility ratio (salary) ARTF eligibility ratio (non-salary) % of staff with Individual Salary Payment/1	84.4% salary eligibility 73.3% non-salary eligibility 10% VPP	92.5% salary eligibility 64.6 % non-salary eligibility 23% VPP	92.2% salary eligibility 75% (89% for Q1-3 Act) 25% VPP	Maintain / improve Maintain / improve 55% VPP	Maintain / improve Maintain / improve 70% VPP
	Accounting and Reporting	Quality of regulatory framework and reporting and transparency	<ul style="list-style-type: none"> <li>Implementation of PFEM regulations.</li> <li>Fiscal documents available to public</li> </ul>	Compliance with PFEM law	PFEM Law approved	Financial regulations were approved	Compliance with PFEM law		
		Legal framework against corruption	Establish an effective legal framework against corruption	Ratify the UN Convention against Corruption	The existence of relevant legislation and reports from monitoring mechanism	n/a	n/a	UN convention against corruption ratified	National legislation adapted
Public Financial Management (3/3)	External Accountability, Audit, Scrutiny	Timely availability of Audit Financial statements and review by Parliament	Prepare 1385 financial statements by July & audit by Sept; 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

Broad Area	Specific Objective	Objective	Short-Run Actions	Indicators	Baseline (SY84), Actual (SY85), Estimates (SY1386), and Projections			
					SY1384 (Baseline and Actual)	SY1385 (Actual)	SY1386 (Est.)	SY1387 (Pro.)
Capacity Development and Reform of PFM Institutions	MoF reform strategy	Implement MoF reform strategy, including at provincial level	Implementation of MoF reform plan	Progress of implementation	MOF reform plan drafted	MOF reform plan approved (Aug 2006)	Satisfactory implementation	
			Implement Mustufiats reform plan	No. of Mustufiats reformed 2/	None	Reform plan developed (July 2006)	2 Mustufiats reformed	6 Mustufiats reformed
	PFM reform & capacity in line ministries	Effective financial management capacity in line ministries	Develop "model FM / Budget unit" in one ministry	No. of ministries with effective Financial Management/ Budget Units	TBD	TBD	1	6

**Aid Effectiveness and Mutual Accountability (1/2)**

Broad Area	Specific Objective	Objective	Short-Run Actions	Indicators	Baseline (SY84), Actual (SY85), Estimates (SY1386), and Projections				
					SY1384 (Baseline and Actual)	SY1385 (Actual)	SY1386 (Est.)	SY1387 (Pro.)	SY1388 (Pro.)
<b>PFM Performance</b>	Government's PFM system	Improve / maintain PFM performance	Finalize and approve PFM Action Plan	PEFA PFM Performance Ratings	See PFM Rev Table 2.1	Not monitored	Not monitored	Review in 2nd half 2009	
	Predictability of ARTF funding	More predictable ARTF funding on annual basis	ARTF donors to discuss and work toward this objective Q4 of every year, donors provide projection of the following fiscal year	% of ARTF estimated recurrent need for FY committed or pledged at start of FY	25%	60%	70%	100%	100%
		More predictable ARTF funding on annual basis	All pledges signed and contributed within 6 months of start of fiscal year	% of total ARTF pledges deposited by donors by end of fiscal year	77%	90%	100% (91% as of Feb 08)	100%	100%
		More predictable ARTF funding over the medium term	ARTF donors to discuss and work toward this objective	Major donors provide amount of ARTF funding committed / pledged over next 3 years/current year's level.	180 million	320 million	10% increase over previous year	10% increase over previous year	10% increase over previous year

**Aid Effectiveness and Mutual Accountability (2/2)**

Broad Area	Specific Objective	Objective	Short-Run Actions	Indicators	Baseline (SY84), Actual (SY85), Estimates (SY1386), and Projections			
					SY1384 (Baseline and Actual)	SY1385 (Prelim. Actual)	SY1386	SY1387
Increasing National Ownership	Increase flexibility of ARTF resources	Give the government increased ownership and flexibility to allocate resources to national priorities	Decrease donor preferencing in ARTF contributions	% of un-preferenced pledges (ARTF)	73% (\$294)	70% (\$316)	54% (\$381)	Increase over previous year
	Increase flexibility of all core budget assistance	Give the government increased ownership and flexibility to allocate resources to national priorities	Increasing non-project and un-preferenced funds channeled through development budget	Discretionary resources as share of total core development budget	42%	29%	16%	Increase over previous year
	Use of national budget channels	Increase share of aid through Core Budget	Follow up re Paris Declaration	Direct Budget Support as % of total ODA disbursed (per PD Survey)	20%	n/a 3/	Increase over previous year	Increase over previous year

3/ Paris Declaration survey is conducted every two years. Next survey for SY1386 is being conducted and the report is expected in late March 2008.

**Education (1/2)**

Broad Area	Specific Objective	Short-Run Actions	Indicators	Baseline (SY84), Actual (SY85), Estimates (SY1386), and Projections				
				SY1384 (Baseline and Actual)	SY1385 (Prelim. Actual)	SY1386	SY1387	SY1388
<b>Increase access to education in grades 1-9<sup>8</sup></b>	Increase Enrollment Rates in Grades 1-9.	<ul style="list-style-type: none"> <li>Rehabilitate/construct schools close to communities and implement social mobilization programs for increased enrollment.</li> <li>Increase numbers of female teachers</li> <li>Mandate formation of School Management Committees (SMCs)</li> </ul>	Gross Enrollment Rates	61%	70%	107%	120%	130%
			Percentage of female teachers	n/a	27.6%	29%	30%	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
<b>Increase quality of education in grades 1-9</b>	All public sector teachers are trained.	<ul style="list-style-type: none"> <li>Accelerate in-service teacher training in all 34 provinces for both permanent and <i>ajir</i> teachers.</li> <li>Develop HR system for teachers and project teacher needs for every 2 years including identifying excesses and deficits in teaching staff</li> </ul>	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.	All (est. 140,000) in-service trained teachers. HRMIS 85% completed.	HRMIS 95% completed.

<sup>8</sup> Basic and compulsory education in Afghanistan is Grades 1-9 and covers primary and junior secondary schooling.

**Education (2/2)**

<b>Broad Area</b>	<b>Specific Objective</b>	<b>Short-Run Actions</b>	<b>Indicators</b>	<b>Baseline (SY84), Actual (SY85), Estimates (SY1386), and Projections</b>				
				<b>SY1384 (Baseline and Actual)</b>	<b>SY1385 (Prelim. Actual)</b>	<b>SY1386</b>	<b>SY1387</b>	<b>SY1388</b>
<b>Increase quality of education in grades 1-9 (Continued)</b>	Qualification based hiring of teachers	<ul style="list-style-type: none"> <li>Develop a competency based pre-service teacher training framework and syllabi for Teacher Training Colleges (TTCs).</li> <li>Expand/strengthen TTCs in provinces.</li> </ul>	Percentage of incoming permanent female and male teachers that have stipulated minimum qualifications/TT C degrees.	N/A	Competency framework for pre-service teacher training development completed.	Competency framework for pre-service teacher training being piloted.	Competency framework for pre-service teacher training implemented. d. 10,000 new female and male student teachers receive pre-service training.	20,000 new female and male student teachers receive pre-service training.

**Health (1/2)**

Broad Area	Specific Objective	Short-Run Actions	Indicators	Baseline (SY84), Actual (SY85), Estimates (SY1386), and Projections				
				SY1384 (Baseline and Actual)	SY1385 (Prelim. Actual)	SY1386	SY1387	SY1388
<b>Increase access to the Basic Package of Health Services (BPHS), with improving quality</b>	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 5/	77%	82%	85%	87%	88%
			Outpatient visits per capita per year to publicly funded clinics 5/	0.35	0.6	0.8 (Q1 SY1386)	0.9	1.0
	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)	40%	45%	50%
			Contraceptive prevalence rate 5/	10.5% (NRVA 2005)	15.5% (AHS 2006)	22%	25%	30%
	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	Skilled birth attendance (%) 5/	8.4% (NRVA 2005)	18.9% (AHS 2006)	25%	30%	35%
Improved quality of care as judged by independent survey	Continuous in-service training of health workers and systematic supervision.	Coverage of antenatal care 5/	12.6% (NRVA 2005)	32.3% (AHS 2006)	40%	45%	50%	
		Balanced score card (based on third party evaluation), median score, nationally	59.0% (Sep 2005)	65.4% 6/ (Sep 2006)	70.2% (Sep 2007)	5% increase from previous year	5% increase from previous year	

5/ Based on ANDS targets as of SY1389 (2010/11)

Balanced score-card nation-wide results: 53.2 (Sep 2004), 59.0 (Sep 2005), 65.4 (Sep 2006), 70.2 (Sep 2007)

**Health (2/2)**

<b>Broad Area</b>	<b>Specific Objective</b>	<b>Short-Run Actions</b>	<b>Indicators</b>	<b>Baseline (SY84), Actual (SY85), Estimates (SY1386), and Projections</b>				
				<b>SY1384 (Baseline and Actual)</b>	<b>SY1385 (Prelim. Actual)</b>	<b>SY1386</b>	<b>SY1387</b>	<b>SY1388</b>
<b>Improve quality of care in secondary and tertiary hospitals</b>	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  % of provinces that have initiated hospital reform process.	N/A	N/A	57.1 (Oct. 2007)	5% increase from previous year	5% increase from previous year
				29% (10/34)	29% (10/34)	50% (17/34)	59% (20/34)	74% (25/34)

**Public Administration Reform (1/3)**

Broad Area	Specific Objective	Objective	Short-Run Actions	Indicators	Projections				
					Baseline (SY84) and Actual	SY1385 (Actual)	SY1386 (Est.)	SY1387	SY1388
<b>Structure of Government</b>	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	Develop plan for and commence implementation of pay and grade reform;  Develop PRR Stage Two proposals for departments, ministries and agencies;	Number of civil servants (in line with MTF)	300,000	300,000	300,000	300,000	300,000
				Number of government ministries and agencies with approved restructuring plans (PRR Stage Two) including new organizational structures with ToR (center and sub-national)	10/44	25	34 (Actual)	37	44 (all ministries and agencies)
				% of positions re-graded in line with approved 8-grade structure	N/A	0%	0%	10%	40%
				Number of Ministries with established RIMUs (Reform Implementation and Management Units)	0	1	2	10	18

**Note**

- (1) Review of RIMU at Ministry of Education (short-run measure of April 2007 PAM) was achieved in December 2006
- (2) Finalize guidelines for establishment of RIMU (short-run measures of April 2007 PAM) was achieved in June 2007

**Public Administration Reform (2/3)**

Broad Area	Specific Objective	Objective	Short-Run Actions	Indicators	Projections				
					Baseline (SY84) Actual	SY1385 (Prelim. Actual)	SY1386 (Est.) C'mltnv	SY1387 (Pro.)	SY1388 (Pro.)
Human Resource Management	Merit-based Appointments	All CS appointments merit-based; civil servants' skills and qualifications match requirements of the position	Implementation of the Appointment Board's Action Program	Number of civil service appointments made through merit-based procedure	7,462	15,000	16,265	1,500 senior and oversight of remaining numbers	2,000 – senior and oversight of ministry processes for remainder
	Performance Management	Senior staff are performing in line with the requirements of their position	Performance appraisal procedure developed; Training provided to ministry staff on performance appraisal  Piloting of performance appraisal in selected ministries	Annual independent quantitative and qualitative review of process and outcomes of merit-based appointments  % of senior civil servants for whom annual performance evaluations are conducted	Annual Review by AB	Annual Review by AB	Annual Review by AB	Annual Review by AB	Annual Review by AB
					0%	0%	15%	35%	50%

**Public Administration Reform (3/3)**

Broad Area	Specific Objective	Objective	Short-Run Actions	Indicators	Baseline (SY84), Actual (SY85), Estimates (SY1386), and Projections				
					SY1384 (Baseline and Actual)	SY1385 (Actual)	SY1386 (Est.)	SY1387	SY1388
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	<ul style="list-style-type: none"> <li>PAR SC to decide on scope over medium-term and costings;</li> <li>Implementation of MCP (management capacity program);</li> </ul>	Cumulative number of positions filled through LEP and MCP	N/A (81 through LEP)	N/A (100 through LEP)	135	250	360
	Leadership and Managerial Capacity	Civil Servants who can lead and manage the reform process and the establishment of an effective and efficient civil service	Conduct assessment of training to date;	Cumulative number of female and male senior civil servants that have completed leadership training (provided by IARCSC)	140	310	450	590	N/A
Common Functions	Ministries are able to carry out basic common functions (admin, finance, HR, policy-making, project management etc).		<ul style="list-style-type: none"> <li>Curriculum for training developed for common functions;</li> <li>Organizational structure developed for common function departments</li> <li>Strategy for development of capacity in the common functions</li> </ul>	<ul style="list-style-type: none"> <li>Number of function curriculum</li> <li>Number of common function departments</li> <li>Number of strategy for development</li> </ul>	-	-	2	5	5
					-	-	3	10	20
					-	-	2	5	5

- (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

## ATTACHMENT 2

### AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF) PERFORMANCE ASSESSMENT MATRIX

#### Background and Objectives

1. The Performance Assessment Matrix (PAM) is designed to serve as a Results Framework for the ARTF. This tool, which also provides a basis for policy dialogue around the ARTF, falls fully under the umbrella of the I-ANDS (and full ANDS which is under preparation) and is in complete alignment with the Afghanistan Compact indicators. The ARTF policy dialogue and PAM focus on a subset of the comprehensive coverage of the I-ANDS and Compact – i.e. areas of particular relevance for the ARTF and ARTF donors – and in these areas the PAM is consistent with the I-ANDS and Compact.<sup>9</sup>
2. The ARTF donors, by virtue of their substantial and continuing financial contributions to Afghanistan’s Core Budget through the ARTF, rightly have an interest in reviewing progress and discussing policy issues with the Government. Correspondingly, the Government has a strong interest in maintaining predictable support to its Core Budget, including through the ARTF. However, none of the ARTF stakeholders see this process as inconsistent with or duplicative of the I-ANDS and Compact.
3. The overall objectives of the PAM and discussions around the results it illustrates are:
  - **To demonstrate the development impact of ARTF** and thereby help justify continuing donor funding and attract new pledges.
  - **To improve the predictability of donor funding** to the Core Budget.
  - **To support the Government of Afghanistan’s aid effectiveness agenda**, of which the ARTF forms an important element.
  - **To provide greater confidence to donors when providing assistance through the Core Budget** and address donors’ concerns about using this channel.
  - **To support the Government’s reform program** in areas of special relevance to the ARTF, and to engage donors in policy discussions on the reform program.
4. These objectives will not all be achieved easily or at once, and expectations about both the PAM and immediate reform outcomes should not be too high at the outset. The key is establishing a robust process that generates timely and constructive dialogue, is flexible enough to evolve over time, and is rooted in ARTF stakeholders working together.

#### Scope and Content

5. As discussed above, **the policy dialogue around the ARTF and the associated PAM will be focused on areas and issues of particular relevance to the ARTF**, under the umbrella of the ANDS and Compact. More specifically, the scope of the PAM is as follows:
  - Public Finance Management
  - Aid Effectiveness and Mutual Accountability
  - Development Sectors: Education and Health
  - Public Administration Reform

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<sup>9</sup> In cases where I-ANDS / Compact benchmarks are widely considered by concerned technical experts as too ambitious and are very unlikely to be achieved, if such benchmarks are used in the ARTF PAM the targets may be appropriately scaled back so that they are realistically achievable with strong efforts on the part of all stakeholders.

6. The justification for this choice of scope is straightforward. Adequate **public finance management** is critical for the appropriate and effective utilization of ARTF resources, and moreover the national budget process has a major impact on the prioritization of spending and results achieved. **Aid effectiveness and mutual accountability** go to the heart of the ongoing partnership between Afghanistan and the international community, with the focus being on financial aspects in the context of the ARTF; thus this part of the policy dialogue reinforces and enhances the corresponding objectives in the Afghanistan Compact as well as more broadly the Paris Declaration on Aid Harmonization. **Education and Health** are key social services for human development in Afghanistan, and the ARTF is a major funder of both (especially Education), notably through the recurrent budget. Depending on the experience with these two sectors, additional sectors may be included in the ARTF policy dialogue process and PAM later, as appropriate. **Public administration reform (PAR)** is a core element of the state building agenda: specifically with respect to the ARTF, PAR is extremely important for developing the sustainable core capacity in Government that enhances the impact of external assistance through the Core Budget and from a longer-term perspective will reduce Afghanistan's dependence on expensive and unsustainable international capacity. In addition issues such as 'preferencing' and balancing contributions to the recurrent window may also warrant discussion.
7. Turning to content, within each of these areas **the PAM is intended to be lean**, with a limited number of key indicators whose monitoring will provide a reasonable picture of progress and will highlight issues for policy dialogue. Where feasible, indicators have been selected from the I-ANDS / Compact indicators.<sup>10</sup> Indicators have been chosen and benchmarks set through full consultation between the Government, the ARTF donors, and the World Bank as ARTF Administrator. However, the PAM is a "living document" to serve as a basis for policy dialogue, and indicators as well as targeted benchmarks are not be set in stone but can be adjusted in the light of experience with the process.
8. It is important to make a clear distinction between monitoring and reporting – which is centered on the PAM and will generate short reports for donors and Government summarizing progress and shortcomings – and the actual policy dialogue itself. **The policy dialogue does not consist of a mechanical review of matrices but rather a thematic discussion between Government and donors on selected priority issues** identified for their importance and, more specifically, where it is felt that policy dialogue can help move the reform and policy agenda forward.
9. In addition to the PAM content which is periodically monitored and would serve as the basis for the regular policy dialogue, developments may arise from time to time, as well as proposals, decisions, and actions on the part of Government or donors, which would have a significant adverse effect on the ARTF (directly or indirectly). Depending on their importance, these could require a separate policy discussion between the Government and the ARTF donors. Such eventualities include the following main categories:

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<sup>10</sup> It should be kept in mind in this regard that while the Compact has some general benchmarks related to public finance management, the I-ANDS main document does not cover this area in great detail, so as a result the specific PFM indicators required for the ARTF PAM are not in the I-ANDS or Compact. However, the Compact does have a general benchmark on improving public finance management (identical to the corresponding indicator in the aid effectiveness and mutual accountability section of the PAM), which covers the whole gamut of areas in the PFM section of the PAM.

- Those that **impact on the quantity of ARTF resources required** in the current or upcoming year, e.g. events that call for an increase the size of the ARTF recurrent window.
- Those that **affect the quality of spending financed by the ARTF** in the current or upcoming fiscal year, e.g. events that shape the allocations and expenditures of the Core budget.
- Those that **affect progress toward fiscal sustainability**, i.e. achieving a position where domestic revenues cover recurrent expenditures, and therefore have implications for ARTF financing and the quality of expenditures in the future.
- In addition, **major macroeconomic developments**, which are outside the immediate remit of the ARTF but have implications for the ARTF, may also call for policy dialogue.

### **Structure and Process for Policy Dialogue**

10. **The forum for the policy dialogue itself will be the regular ARTF quarterly meetings**, which would avoid setting up a separate and additional meeting structure. It is envisioned that each of the quarterly meetings would focus on a somewhat different aspect of the policy dialogue and PAM. The meetings are also closely tied in with the Government's annual budget cycle and would both feed into, and receive information from the Working Groups and Consultative Groups under the Compact/ANDS. To ensure harmonization with the JCMB – the primary coordination structure in Afghanistan – the updated PAM and minutes from relevant meetings will be shared with the JCMB secretariat for sharing with the JCMB as appropriate. This will ensure ongoing coordination with existing processes and structures.
11. It should be emphasized that, since the bulk of the indicators in the PAM can be updated not more than once each year, there will not be new information to report on every indicator each quarter. Thus for each of the quarterly ARTF donor meetings, some updated information is likely to be available, but certainly not for the entire matrix. Where appropriate, these updates might form the basis of dialogue, even when they fall outside the schedule of sectors being discussed.
12. As indicated earlier, significant adverse developments when they occur could trigger a process of discussion between the Government and ARTF donors. The process for such policy dialogue (which would be outside the regular quarterly ARTF meetings, unless the timing happens to coincide), would be as follows:
  - The development(s) and any possible harmful implications for ARTF would be identified by the ARTF Administrator, donors, or Government and a short note prepared laying out the issues.
  - The note would be distributed to the ARTF Management Committee and responses would be sought from the ARTF donors and Government.
  - Depending on demand from ARTF donors, a special ARTF donor meeting could be held.
  - Based on the outcome of the donor meeting, policy discussions would be held with the Government through an appropriate mechanism.
  - It would be expected that a shared understanding of the issues and concerns would be reached between the Government and ARTF donors, and that mutually satisfactory approaches to addressing them would be developed.
13. Finally, it is proposed that **this process would be reviewed by the Government and ARTF donors** after it has been in place for a long enough period to assess how it is working. This review could occur in December 2007, with a view to making changes effective in July 2008.

In the meantime, as emphasized earlier, the PAM itself will be treated as a living document and minor adjustments and changes in the details will be made as required, with full transparency and information sharing.