

2. THE SUB-NATIONAL INSTITUTIONAL STRUCTURE: MAIN ELEMENTS, KEY ISSUES

A. TERRITORIAL AND INSTITUTIONAL OVERVIEW

2.1 **Territorially, Afghanistan is divided into 34 provinces, 2 of which were created by the Karzai administration immediately before the Presidential election of May 2004.** There is disagreement about the number of districts, with different ministries and government agencies disputing both overall numbers and boundaries. As of April 2007, the Central Statistics Office considered that there were 364 rural districts, and 34 provincial urban centres, some of which are subdivided into *nahia* or urban districts. The Ministry of Interior and Afghanistan Geodesy and Cartography Head Office (AGCHO) recognize different boundaries and numbers. There is also disagreement about the number of municipalities. However, a commonly agreed figure is that there are a total of 217 provincial and rural municipalities with a population of more than 5000 people. According to the household listing exercise (2003-2005) there are an estimated 40,020 rural villages, but some ministries estimate figures very different from that.⁸

2.2 As administrative units were mostly formed for political, rather than technical, administrative reasons, the population and land area of each of these units vary enormously. They also vary significantly in terms of terrain. All of this has implications for the development of the subnational systems and the delivery of services. The largest province, Kabul, has an estimated population of nearly 2.5-3.5 million, and the provinces of Ghazni, Herat, Helmand and Nangahar all have estimated populations of over 1 million. Nimroz and Panjshir, on the other hand, have populations of less than 120,000. The situation is the same for districts – with districts in the same province ranging from populations of less than 6,000 to nearly 100,000.⁹ Administrative units also cover vastly different geographical areas – estimates suggest that Helmand covers more than 57,000 km², whereas Panjshir covers less than 4,000 km². Some rural districts cover less than 50 km², whereas others are nearly 600 km².¹⁰

2.3 **The institutional structure of governance and administration in Afghanistan can be divided into four main levels, each of which is discussed in detail below:**

- a. The *provincial level*, which comprises
 - Provincial Line Departments (PDs), with basic service delivery responsibility in key sectors (health; education etc.);
 - Provincial Governors (PGs, or OOGs), appointed by the President, with considerable formal and informal powers, including sign-off on expenditures, participation in procurement, and certain powers of appointment;
 - Provincial Councils (PCs), elected, with advisory, monitoring and conflict resolution roles;
 - Provincial Development Committees (PDCs), with limited co-ordinating and planning functions.
- b. The *district level*, which comprises
 - District Offices (DOs) of some central ministries with limited functional responsibilities;

⁸ These estimates can vary quite dramatically. For example, estimates of 25,000-30,000 are not uncommon.

⁹ Source: provisional estimates from household listing exercise conducted in 2003-05

¹⁰ Source: unofficial estimates from satellite images.

- District Governors (DGs), appointed by the President, with a relatively limited formal role.
- c. The *municipal level*, which comprises Municipal administrations led by mayors, currently appointed by the President, with functional and service-delivery responsibility mainly for urban services.
- d. The *village level*, which comprises CDCs (currently in about two-thirds of the country), elected according to different systems in different areas, responsible for local infrastructure development and some administrative functions.

2.4 **Provinces and districts are graded**, determined largely by population, but with the influence of additional political factors. Grade 1 is the largest, and Grade 3 is the smallest. The grade of a province or district affects the size of the governor’s office, as well as the position grades of the staff. This formal governmental structure is complemented by a large and substantial additional service-delivery and development infrastructure including NGOs, PRTs, and other initiatives.

2.5 **The 1382 Constitution provides the overarching legal framework for subnational government, establishing Afghanistan as a unitary state**, but stating (article 137) that “The government, while preserving the principle of centralism, shall delegate certain authorities to local administration units for the purpose of expediting and promoting economic, social, and cultural affairs, and increasing the participation of people in the development of the nation.” It mandates the establishment of elected provincial, district, municipal and village councils, and the election of mayors.

2.6 **The legal framework below the constitution is rather unclear** with a variety of old and new laws and decrees which impinge in different ways on the institutions of subnational government. The 1379 Law for Local Administrations (issued under the Taliban) made minor revisions to various earlier local government laws. Revision of this law has been underway for several years but is currently stalled as key decisions, such as the institutional location of provincial governors, are under discussion. Relevant new laws include the 1384 Provincial Council Law and its recent revision, the 1384 Civil Service Law, and the 1385 Procurement Law. A recent by-law has also started the process of institutionalizing the CDCs (discussed in detail below).

B. THE PROVINCIAL LEVEL

Provincial Line Departments

2.7 **The most active departments at provincial level are those of MOF, MOPH, MOE, MRRD, MOPW, MAAHF and MOI** (which includes the governors’ offices), with members of the judiciary and security services present as well. Recently the Ministry of Economy has been expanding into the provinces and now has representatives in every province. The presence of other ministries depends on the size or grade of the province or specific circumstances or locations.

2.8 **Some departments of ministries follow a standard structure and size across the provinces, and others vary.** However, most provincial departments are led by a department head, a grade 1 or 2 official, with deputies under him/her responsible for different areas. In Kapisa, for example, the education department has a total administrative staff of 280, and 2617

teachers. The health department, which in this province directly delivers health services (see below), has a total staff complement of 396.

2.9 Line departments are responsible for delivery of most services in Afghanistan. Two basic models predominate - direct delivery by the centralized state (as in the education sector), and contracting out of service delivery to NGOs and other entities (as in the health sector). These different models emerged as a result of the situation in relation to existing service delivery in 2001 and particular donor interests, coupled with the strength of leadership in the ministries. The different models display a different mix of constraints and challenges, but with many commonalities.

2.10 In education, 97% of Afghan students are enrolled in public schools operated by civil servants under the management of the Ministry of Education (MoE).¹¹ However, even in a sector where the majority of delivery is through the centralized state, donors also provide some inputs ‘in-kind’ or provide salary top-ups and direct payments, which has often reduced the ability of the Government to assess needs accurately and ensure an equitable distribution of resources. Indeed a recent review suggests that the Government has direct control over only 62% of the funds spent on education.¹² NGOs are also very important donors and service providers in the education sector and their activities cover a variety of areas from school supplies, supporting teachers’ salaries, building school infrastructure, assisting in curricula design, and implementing national education programmes.

2.11 Until recently, management of education delivery had been highly centralized. The MoE in Kabul has managed everything from curriculum development to teacher training, approval of the recruitment of teachers and administrative staff, development, production and distribution of textbooks, and especially the planning and management of the budget. Schools, for example, have had very little access to non-salary budget allocations. Table 2.1 below shows functional responsibilities by level.

Table 2.1: Current functional responsibilities in primary education¹³

Level of Governmental Administration	Key Functions
Central (Kabul)	<ul style="list-style-type: none"> ➤ Development of policy and strategies ➤ Budget preparation and execution ➤ Staff allotments, funding of salaries, material, equipment ➤ Staff appointments above grade 6 ➤ School registration, coordination of school construction & rehabilitation ➤ Development and implementation management of teacher training ➤ Curriculum and textbook development
Provincial Education Department (PED)	<ul style="list-style-type: none"> ➤ Staff appointment for grade 6 & below ➤ Distribution of materials ➤ Inspection of schools ➤ Academic supervision
District Education Department (DED)	<ul style="list-style-type: none"> ➤ Inspection of schools ➤ Identification of needs for teachers, material, equipment, construction and repair
Schools	<ul style="list-style-type: none"> ➤ Provision of education

¹¹ World Bank (2005) “Afghanistan: Managing Public Finances for Development” Vol 1. World Bank: Washington DC

¹² Oxfam International (2006) “Free Quality Education for Every Afghan Child” Briefing Paper. November 2006

¹³ Taken from World Bank “Stock-take PAR at MOE” November 2006

2.12 In practice, it seems greater authority is already being exercised at lower levels in some places. In Kapisa, for example, the provincial head of department is responsible for maintaining schools from his operating budget (Afs 3.5m for 152 schools), although decisions are subject to general provincial-level approval processes discussed below.¹⁴

2.13 **The health sector has a very different approach**, with the delivery of services mostly outsourced to NGOs and the private sector, with close supervision and regulation by the Ministry of Public Health (MoPH). In early 2002, the MoPH and major donors developed the Basic Package of Health Services (BPHS) which has been delivered through a variety of contracting mechanisms with a number of international and national NGOs, as well as directly by the MOPH in three provinces. Independent evaluations show improvements in quality of care, improved health indicators, and increased management capacity in MoPH.¹⁵

2.14 In the three ‘strengthening-mechanism’ provinces, where the PHO is contracted to deliver services directly, the department exercises more authority than other line departments. The PHO is directly responsible for the running, equipping and supplying of all the health facilities, as well as the immunization and vector control programmes. Although all drugs are procured centrally, most other procurements up to a limit of Afs 250,000 are the responsibility of the PHO, although subject to the general provincial approval process.

2.15 In reality, most sectors have a hybrid system of service delivery as a result of history, the influence of donors and the imperatives of service delivery. Different levels of deconcentration have developed over time and in different programmes, even within the same ministry. For example, in MRRD, some decisions about NSP, particularly in relation to the location of CDCs, were devolved at the beginning of the project. Yet, with the exception of Khandahar, MRRD remains extremely centralized in its procurement practices, and is likely to remain so for the foreseeable future.

2.16 **The PAR process and associated restructuring and re-appointment of staff through ‘priority reform and restructuring’ (PRR) has generally had limited impact to date in line ministries at the provincial level**, with the exception of MRRD and MoPH. Moreover, it appears that the restructuring undertaken to date across ministries has not included a consideration of the division of functions and responsibilities between central and provincial levels - the initial restructuring plans that ministries were required to submit under the PRR process did not explicitly address this question.

2.17 The new proposed ‘post-PRR’ Bank operation (\$20.4 million over 3-4 years) will help to continue reform and restructuring in four ministries. Other donors are also supporting similar initiatives and there should shortly be a considerable expansion of efforts into line ministries at the subnational level. For example, ADB is currently funding reform of the mustoufiat in seven provinces, ensuring restructuring and some capacity development, and it is hoped to expand this pilot effort to other provinces, although a new donor may need to be found.

2.18 **Generally speaking, in their relationships to their head offices, provincial departments have little autonomy** in key areas such as budget planning and execution, human resources and procurement. Thus:

¹⁴ Interview with Head PDE, Kapisa.

¹⁵ Waldman, R., Strong, L. and Wali, A. (2006) “ Afghanistan’s Health System Since 2001: Condition Improved, Prognosis Cautiously Optimistic” Briefing Paper AREU: Kabul

- Provincial departments are secondary budget units and the budget for each provincial department is largely determined in Kabul. The provinces have, however, recently been given greater flexibility to shift expenditure allotments between minor codes.¹⁶ In practice, this change is implemented in varying ways across provinces with the mustoufie retaining different levels of control;¹⁷
- Provincial departments have no final authority over civil service appointments: above Grade 5, this authority is held by the Ministry (3-5) or the Appointments Board of the IARCSC (1-2); below grade 5, the Provincial Governor plays the overriding role;
- The 1385 Procurement Law gives provincial department heads the right to initiate a procurement process up to Afs. 20m (for Works), and Afs. 10m (for Goods and Services), but (i) it has yet to be implemented in the provinces; (ii) bids are assessed by a committee on which the PD has minority representation.

2.19 **In response to the organizational inefficiencies resulting from this highly centralized structure, some strong Ministers have started to move ahead with significant reforms at all levels, including steps towards greater intra-Ministry deconcentration.** MoE, for example, has begun considering how best to devolve some administrative and financial controls to lower levels. In particular, attempts are beginning to delegate key administrative functions, such as operations and maintenance of school buildings and management of associated expenditure, school mapping and selection of construction sites, and implementation of teacher training activities, to province, district, and school levels. The MoE has also started the process of overhauling the management and organizational system. Moreover, the World Bank funded Education Quality Improvement Program (EQUIP), with a strong emphasis on community-managed schools, has been declared the national education program of the country covering all 34 provinces. This program promotes School Management Committees (SMC) responsible for their own funds for infrastructure, teaching and learning activities, monitoring teacher attendance, and keeping their schools safe from violence.

2.20 However, the MoE has encountered a number of constraints in attempting to move ahead with deconcentration initiatives. These include:

- Low levels of internal capacity and systems
- Some disagreements with the IARCSC about the appropriate way forward
- Poor quality of candidates for appointments at the subnational level
- Attempts to influence subnational appointments from a variety of sources, including individual MPs, the National Assembly as a whole, and provincial governors.

2.21 One promising attempt to increase the involvement of provincial departments in decision-making and make their parent ministries in Kabul more sensitive to provincial needs has been **the provincial budgeting initiative** (see box 2.1). Although provinces did have some involvement in the budget preparation process during the Soviet period, recently there has been a highly centralized budget preparation and execution system. As mentioned above, line ministries are responsible for developing budgets with generally very limited input from provincial departments. Staff in Kabul decide how much funding they will request from MOF, how it will be split between the central offices and the subnational departments and the share across different

¹⁶ Historically, allotments have been broken down into major codes and minor codes and only the parent ministry in collaboration with the MOF has been able to change these allocations. Since 2004, the MOF has been issuing allotments at the major code level only and it is up to the provincial departments to decide how these funds are allocated at the minor spending code level.

¹⁷ For a discussion of this issue, see Evans, A. and Osmani, Y. (2005) "Assessing Progress: Update Report on Subnational Administration in Afghanistan" AREU:Kabul

provinces. Allotments are released on a quarterly basis, and the mustoufiat releases funds against requests, with the sign-off of the provincial governor. The provincial budgeting initiative, although limited so far in scope, is an attempt to improve the sensitivity of ministry budgets to provincial needs, as well as strengthen the co-ordination of investments across ministries at a provincial level. As it expands, it will enhance the ability of MOF to improve the equity and transparency of allocations across provinces and report accurately on provincial expenditures to the National Assembly and others. It may also correct some of the misperceptions created by reporting systems about the balance of spending between the centre and provinces.

BOX 2.1 : THE PROVINCIAL BUDGETING PILOT

The provincial budgeting pilot is intended to improve the budgetary efficiency and inter-departmental co-ordination of line ministries. Through program and provincial budgeting, the Ministry of Finance, in partnership with others, is (i) attempting to make the central ministries more sensitive to provincial imperatives; (ii) address process, procedure and system constraints; (iii) begin to take on the question of equity in the distribution of fiscal resources, both vertically (between the centre and provinces) and horizontally (between provinces).

Pilot ministries were selected on the basis of their impact on the I-ANDS and provincial development, and their capacity to implement reforms. Selected pilot ministries were MRRD, the MAAHF, and MoE. Three provinces were chosen for the pilot - Balkh as a province with good capacity, Panjshir as a newly established province, and Kandahar as a southern province with security problems. The pilot was conducted during the 1386 budget preparation process covering the period from July 2006 to February 2007.

The Ministry of Finance prepared general budget instructions as part of the annual budget process and requested additional information on the proposed provincial allocations of line ministries. Detailed additional instructions were provided to those ministries participating in the pilot. Provincial directorates, after consultation with the PDCs, sent a budget proposal to their respective ministries, reflecting provincial needs both within and across ministries. After revision, the ministries returned a budget proposal to be approved by the PDC. In case of disagreement, the line ministries retained an override authority, so budget authority remained essentially centralized, although with much greater input from the provincial level. Provincial allocations of line ministry budgets for the pilot ministries were then included in the budget documentation presented to the National Assembly.

The outcomes of the provincial budgeting pilot projects were generally encouraging. Important lessons were learnt and the pilot project will be expanded for 1387 budget preparation from 3 ministries to 8. Identified candidates are the Ministries of Public Works, Urban Development, Energy and Water, Agriculture and Finance. The MOF is further planning to decentralize the management of the ministries' goods and services budget as part of the expansion of the pilot.

However, the pilot highlighted the following systemic constraints and issues:

- The provincial governance structure has limited legal authority, and roles and responsibilities in budget formulation and execution are unclear.
- Pilot ministries currently do not have the capacity to communicate clearly their strategies, policies and procedures to their provincial directorates.
- Provincial Development Plans (PDPs) were still in an early stage in all three pilot provinces and the planning process had already started without clear objectives or methodology, often resulting in unclear goals and unrealistic expectations. Furthermore it is not clear how the PDP process will fit with budget processes (see below).
- Complete and consistent information on the development needs and priorities of the provinces was not available. Some provinces had a provincial profile and/or District Development Plans (DDP). However, these DDPs were in the process of being consolidated into Provincial Development Plans so inadequate information was available at the time of the pilot.
- Information on the provincial allocation of some programs and projects was often not readily available.
- There is disagreement between MOF and the ANDS Secretariat on whether there will be a provincial budget ceiling. The MOF intends only to provide ministry ceilings.

Drawn from GoA (2007) *“Provincial Development, Provincial Budgeting and Integration of the Provincial Development Plans into the Afghan National Development Strategy” Draft discussion paper for the ADF April 2007*, and interviews with MoF.

2.22 In sum, although the system is formally centralized, substantially different levels of deconcentration have begun to emerge in different ministries. In some cases, this is the result of a deliberate strategy. In others it is emerging as a result of decisions made about individual programmes, with inconsistencies even between programmes within the same ministry. There is a lack of clear cross-government policies relating to the appropriate levels for functional responsibilities. While a few ministries are experimenting with deconcentration, overall sentiment for centralized decision-making remains strong.

2.23 It may also be noted that the formal centralized decision-making of line ministries is attenuated by the role of other actors, particularly the provincial governor. This is discussed in detail below, but provincial governors exercise considerable influence on the appointments of line department officials, as well as approving all expenditures of departments. The power of the governor can also be strengthened by the tendency for strong inter-ministerial rivalries at all levels, exacerbated by the unclear divisions of responsibility in some areas. Further deconcentration within ministries therefore carries with it the risk of increasing the influence of governors on the day-to-day operations of line ministries, unless parallel action is taken to deal with the institutional contradictions in the system.

2.24 Finally, serious capacity and systems constraints characterize all Ministries, particularly at lower levels. An assessment conducted in 2005¹⁸ found that few government employees at the subnational level have more than a high school education, nor do they understand the functions of the institution that they work for and most are also unclear about their own role within it. There is also a lack of internal procedures and systems, as well as poor office facilities, including lack of space, equipment and basic utilities.

Offices of Provincial Governors (OOGs)

2.25 Provincial Governors are appointed by the President as his representative in the province, but are formally part of the MOI. The exact relationship with the MOI is somewhat unclear, and is currently under discussion. Moreover the level of support provided by the MOI to the governors' offices is minimal, due to the unreformed nature of that ministry and its overall emphasis on security, rather than sub-national administration issues.

2.26 The provincial governor typically has a staff of between 20-55, although exact figures are difficult to come by as the staff of district offices are formally included in the headcount of the OOG. The OOGs receive very limited non-salary budget allocations. In general, governors' offices also have limited capacity, particularly in terms of organisational infrastructure and systems.

2.27 The governor has significant authority over the police in the province, and direct authority over the district governors. The various duties and authorities of the governor are formally laid out in the 1379 Law for Local Administrations. Other old and new laws and decrees also stipulate certain powers in different areas for the governor, but in general there is a lack of clarity about the exact legally prescribed powers. Nonetheless, the governor is seen to be the central figure and the direct representative of the president and is usually held in great esteem. In reality in most provinces, he or she (there is one female governor in Bamian) plays a pivotal role in provincial affairs, although this depends partly on his own influence and personality, and his relationship with other local powerholders.

¹⁸ IARCSC and UNDP (2005) "Subnational Training Needs Assessment Report".

2.28 Provincial Governors exercise considerable influence over the day-to-day operational activities of the line departments. It is commonly understood that the directors of provincial line departments have a dual reporting line – to their ministry in Kabul and to the provincial governor. The governor signs off on all provincial expenditures over Afs1,000, although for sums over Afs 50,000 he has to refer the matter to the provincial administrative assembly (PAA, see below) which he chairs. There is some confusion over the extent to which this is a legally mandated authority; nonetheless, it is universally accepted. The 1385 Procurement Law also gives the governor a seat on the 3-person provincial procurement committee.

2.29 The governor is also influential in appointments and other management issues. According to Article 15 of the Civil Service Law, PGs have recommendation powers over appointments to Provincial Departments at grades 3-5 and approval powers over grades 6-10.¹⁹ It is also widely known that they exercise strong informal influence over the appointments that are made, supposedly objectively and on merit by the Appointments Board, to grades 1 and 2.

2.30 One of the key mechanisms through which some governors exercise their influence is as chair of the Provincial Administrative Assembly (PAA). PAAs have long existed in many provinces as coordinating entities between the heads of department and the governor, although they vary in membership and function across the country. In some provinces they do not meet at all, or the governor is not involved. In others, they are a weekly administrative meeting of heads of department under the chairmanship of the governor. In some places, much of the PAA's time is spent on spending and procurement issues, but they also deal with other administrative matters, as well as security. This is clearly a forum which the governor can use to exert considerable influence over the activities of line departments, as well as ensure his involvement in all procurement decisions.

2.31 The governor also chairs the provincial development committee (PDC), discussed in more detail below (though he may sometimes delegate this responsibility). There is potentially some overlap in functions between the PDC and the PAA. In the agreed plans for reorganization of the provincial governors' offices through PRR, the PAA is conceptualized as a higher body with a broader membership which includes issues such as security, and the PDC as one of several sub-committees of the PAA with a mandate limited to development and planning. The actual relationship between PAAs and PDCs seems to vary.

2.32 Although the governors receive limited non-salary budget allocations, many governors receive additional funding from other sources, or have influence over the spending of additional sums. In some cases this leads the governor to become active in service delivery. Some governors have always had access to considerable sums through personal networks which have enabled them to strengthen and equip their own offices while increasing their power of patronage. However, additional sources of funds have emerged since 2001. In particular, many PRTs support activities initiated by the governors.

2.33 Until recently, governors in insurgency-affected provinces have received 'special operating funds' of up to \$5million per year through the 'Governors' Discretionary Fund'. This is being phased out although there will likely be a provision to ensure that governors have small amounts of money for the travel and entertaining necessary for their job. In general, there is currently an emphasis (strongly supported by donors) on ensuring improved transparency and accountability

¹⁹ These powers will be further entrenched when the draft Regulations to the Civil Service Law, which endorse them, are promulgated.

for all sums from the government budget allocated to governors. There is also ongoing consideration by some donors (mainly USAID) as to whether funding can be used as an incentive to strengthen links to the centre, and encourage ‘good behaviour’.

2.34 The reform of the OOGs through PRR is being coordinated by the IARCSC, who have completed reform processes in Balkh and Herat, have initiated efforts in the other northern provinces of Jawzjan and Samangan, and are currently working in 7 provinces in the central region. The experience of reform in the OOG in Balkh is described in Box 2.2 below. As with PRR in all units, the process in the OOGs involves restructuring, including the development of an organogram and job descriptions, appointment of staff on the basis of merit and some capacity-building and training. The basic agreed structure for the OOG (as shown below in figure 2.1) has two major organizational departments under the governor and his deputy: the office of the chief of staff and the office of the executive director. The office of the executive director is responsible for day-to-day operational responsibilities and activities of the local administration. It has three major divisions: a sectoral technical services division; a local government operations division; and a finance and administrative division. There is also a separate internal audit office, reporting directly to the governor. The total civil service staff in the provinces which have completed restructuring is about 54.

BOX 3.2: REFORM OF THE GOVERNOR’S OFFICE - BALKH

Recognizing the need for reform in the OOGs, starting in 1383, the IARCSC and MoI worked together for over a year to develop new structures and related job descriptions in line with the functions of the governor for grade 1, grade 2 and grade 3 provincial and district governors’ offices. The implementation of this was piloted through the PRR process in Balkh, Jawzjan and Samangan provinces and Dehdadi district in the northern region. Reform of the governor’s office in Balkh province (Grade 1) began in 1384 and is the most advanced of the pilots. The process in Balkh was facilitated by a high level of understanding of and commitment to the reform process by the governor and his old staff and recognition of the need for competent staff.

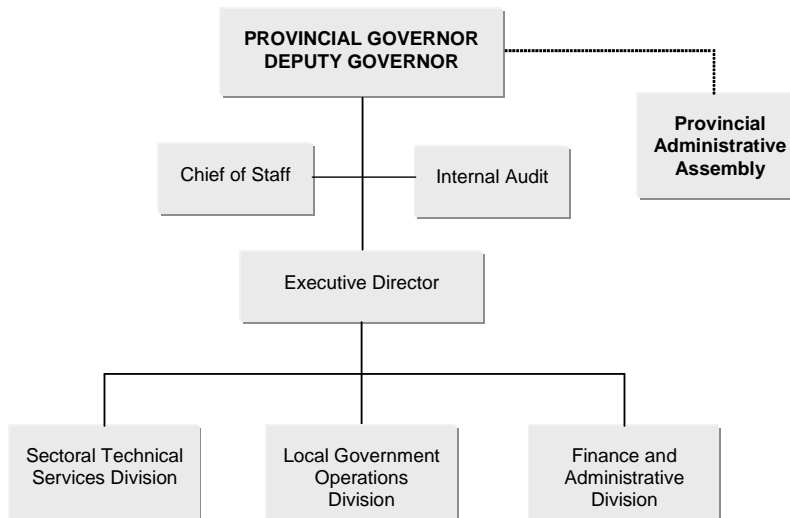
A merit-based appointment process to fill each position under the new structure was completed in line with the 1384 Civil Service Law. It appears that, overall, merit-based procedures were observed as approximately 70% of old staff were deemed unqualified for positions under the new structure. Prior to the reforms, only 2 staff had degrees. Following the merit based appointments process, there are now 21 staff with bachelors degrees and two with masters degrees.

While there has been no extensive review of the impact of the reforms to date, overall coordination of development activity seems to have improved. For example, a database with the profile of the province has been established. Communication between the Governor’s Office, Provincial Council, line ministries and the centre is also reported to have improved. Revenue collection and transfer back to the center has increased.

The reform is therefore generally considered to have been a success. However, coupled with the more general issues related to the role of the governor highlighted in this report, there are three issues in the OOG reform process that particularly need to be addressed:

- The role of the Technical Services Department (TSD). Establishment of this department possibly encroaches upon the mandate of sub-national line ministries, although there may be scope for the short-term establishment of such a department until capacity of line ministries is increased. Further consideration of the structure and mandate of the TSD is required to ensure that downstream problems between ministries are avoided.
- The lack of a retrenchment policy. Former staff understood the need for qualified personnel but there was great concern as to what would happen to those who were not qualified under the new structure. In the end, positions were found for these staff in unreformed ministries in the province. However, a longer-term solution to this issue across the civil service is urgently required.
- Capacity of IARCSC regional offices. The seven IARCSC regional offices are overstretched. As rollout of reform is expanded across the country, it will be necessary to increase staff numbers to ensure the IARCSC can provide the required support, particularly for provinces with low capacity.

Figure 2.1 : Organizational Structure of the Provincial Government Administration (Balkh Model)



2.35 **The Afghanistan Stabilisation Programme (ASP)**, a national programme which has suffered a number of problems since its inception in 1383, has recently been revived and is also working to strengthen the OOGs, through the provision of technical advisors, training and facilitation skills. The ASP has advisors in every province, but is particularly focusing on the four provinces in the south receiving attention from the Policy Action Group (PAG) - Kandahar, Helmand, Uruzgan and Zabul. The activities of this programme appear to be poorly coordinated, although not directly overlapping, with the activities of the IARCSC.

2.36 **The issues surrounding the roles and responsibilities of the Governors' Offices are some of the most difficult in the Afghan sub-national system today.** In addition to their role in provincial planning and interdepartmental co-ordination, Governors are also (de jure and de facto) other intimately involved in the day-to-day operational activities of the line departments: they sign-off on expenditures, are involved in almost all procurement decisions, and have key powers in respect of appointments. But they do all this in the absence of an accountability structure which could incentivise service delivery or governance performance. Moreover, the flow of additional funds from a variety of sources to the governors' offices has the potential to strengthen the tendency of some governors to engage in informal service delivery. This runs the risk of establishing parallel service delivery mechanisms at the provincial level – with the governors' office duplicating the efforts of line ministries and working at cross purposes with them.

Provincial coordination and planning: PDCs and PDPs

2.37 **Provincial Development Committees (PDCs) are emerging across the country as the main coordinating mechanism for development activities and planning.** In November 2005, a Cabinet decision mandated the establishment of PDCs, with the secretariat held by the Ministry of the Economy. This brought some order to a confused situation in which different coordinating bodies with different names had appeared across the country – some with their roots in previously

established UNAMA-supported provincial coordination bodies, and others initiated by governors, or donors or PRTs.²⁰

2.38 MRRD and various donors, including UNAMA, have assisted in forming PDCs, and they have now been established in almost all provinces in different forms. Particularly where the provincial governor chairs, there are indications that they are becoming increasingly effective, at least as an information and management co-ordination mechanism. Annex II provides a list of dates of establishment, the main actors involved and their progress in developing PDPs. The main roles of the PDCs are understood to be²¹:

- to coordinate activities of the line ministries
- to prepare Provincial Development Plans (PDPs)
- to improve donor coordination
- to monitor the implementation of development projects; and
- to enhance the capacity of the provincial administration for public service delivery.

2.39 **As of April 2007, 21 provinces had completed PDPs, four had not started, and a further nine were in the process of developing them.** However, the PDPs that have been completed vary considerably in quality and many consist entirely of project ‘wish lists’ with few attempts at prioritization. They also vary enormously in their scope and scale. The case of the Kandahar PDP which requested US\$ 3bn has become legendary. Balkh province requested US\$ 970m over 5 years, Herat has asked for US\$ 284m for 1386. Bamian, on the other hand, only initially requested US\$5 m. Other PDPs are deliberately not costed. The Governor of Kapisa, for example, understands that PDPs are not linked to a hard budget and therefore sees the Kapisa PDP as simply a broad priority list to be presented to donors and the PRT. For that reason, it has not been costed.²²

2.40 **The PDP process has now been strongly linked into the ANDS process** and is being seen as a way of ensuring ‘bottom-up’ participation in national planning processes. However, there is a lack of agreement between the ANDS secretariat and the MOF about the exact nature of PDPs and their usefulness. Partly to resolve these differences, a joint technical committee made up of MoEc, MRRD, MOF and the ANDS secretariat has been created and to date has met twice. Its mission includes:

- Defining a unified vision of the objectives and financing mechanism for PDPs;
- Defining a mandatory common methodology to be used by all provinces for the preparation of their PDPs;
- Preparing a common format (template) for submission of PDPs to ANDS and MoF.

2.41 A number of difficulties surround the PDCs and PDPs. First, much of the motivation and impetus for provincial development planning has come from donors, particularly the PRTs, who are looking for projects to fund quickly to meet political and military as well as short-term development objectives. **However, as is evidenced from the wide variety of the outputs thus far, there is considerable confusion about the nature of PDPs, how they link to other processes, and what they are expected to achieve.** Most importantly, PDPs to date have not been tied to any budget or resource envelope. While there have been increasing calls to make them “budget constrained”, it is not clear what budget is being referred to, nor how helpful this

²⁰ See Lister, S. (2005) “Caught in Confusion: Local Governance Structures in Afghanistan” Briefing Paper Kabul:AREU and Lister, S. and Nixon, H. (2006) “Provincial governance structures in Afghanistan: from confusion to vision?” Briefing Paper Kabul:AREU

²¹ GoA “Provincial budgeting.....” ibid

²² Interview with PG, Kapisa.

prescription can possibly be. If PDPs are tightly linked to the core budget, they become largely meaningless as the core budget is dwarfed by the external budget insofar as development funding is concerned. If, on the other hand, they are linked to the external budget the term “constraint” becomes a little oxymoronic as the external budget, by definition, is only very loosely constrained and is largely programmed by donors. This dilemma is intractable. It springs directly from the nature of the Afghan budget and aid flows to Afghanistan, and an appreciation of its implications is fundamental to developing a constructive concept of what PDPs should really be.

2.42 Second, **how PDPs are meant to be produced with respect to “bottom up” (participatory) and “top down” (central) planning processes is unclear.** The reality is that PDPs have been formulated without much structured connection to bottom up planning processes (e.g. at District level) – nor is it clear how, under current conditions, they could or should be. And, while they are now linked into the ANDS it remains to be seen how any tensions emanating from this linkage (e.g. a disagreement between the ANDS and one or more PDCs on planning priorities for given provinces) will be resolved. Although the GOA has committed itself to abolishing parallel planning mechanisms, and despite the formation of a joint technical commission to look at such issues, some of these issues may be inherently unresolvable within current institutional arrangements.

2.43 Third, there are **many differences between PDCs being established in different provinces.** The composition of membership varies, as does meeting regularity and capacity. In some places PC members are invited to attend, in others they are not. In some places, donors and other international actors, particularly PRTs are dominant, but in others they seldom participate. If PDCs are given increasing roles in budget approval (as the provincial budgeting pilot proposes) increasing tensions with the trend towards full membership of international actors may emerge.

2.44 Finally **PDCs have few resources to enable them to fulfil their functions.** The original cabinet decision on their formation specified that PDCs should not have separate budgets or additional staff as they are only a coordination mechanism for existing staff. However, in practice some minimal resources are necessary to enable them to carry out their roles, particularly given the weakness of the Ministry of Economy in the provinces. At present they often receive logistical or practical support from the PRTs, and in some places UNAMA is effectively providing the secretariat.

Provincial Councils

2.45 **The election of 34 provincial councils (woleyati shuras) in September 2005 marked the establishment of Afghanistan’s first elected provincial-level institutions.** Each council has between nine and 29 members depending on the population of the province. Across the 34 PCs there are 420 members. Members are elected in a single provincial constituency, meaning that all districts may not be represented on a council. The election law states that a quarter of the seats on a PC should be reserved for women. Each PC elects a Head, a Deputy and a Secretary for the period of one year.

2.46 **The original law and supporting regulations ascribing their roles gave PCs mainly weak advisory functions and a role in provincial-level development planning.** A revision to the PC law has recently been signed into law by the President which responds to some of the PC demands for greater authority and gives them ‘oversight’ of the provincial administration and its financial resources. It remains unclear what this precisely should amount to in practice, but there is a general acceptance that this involves a widened role for the PCs in holding both the Provincial Governors and the Provincial Departments to account for their performance. In

recognition of this, PCs have already established Monitoring and Oversight Committees in some provinces. A recent presidential decree also instructs provincial governors to make development plans jointly with the PCs and to ensure that there is an ‘enabling environment’ for their activities and implementation of their oversight functions.

2.47 The revision to the PC law has increased the mandate of the PCs, but knowledge of the revision as well as the recent presidential decree is not widespread within the government, and the implications of it are poorly understood. There is an understanding in some parts of government that the revised law empowers the PCs to sign off on development budgets, including the budgets of each line ministry. However, senior staff at the MOF have not been aware of this to date, and it has not been factored into plans for expansion of the provincial budgeting pilot.

2.48 The passing of the revised PC law and issuing of the decree has also been **accompanied by an institutional shift whereby PCs now relate to the Minister for Parliamentary Affairs in the Office of Administrative Affairs (OAA)**. Previously they had a split relationship between OAA and MOI. The President has also expressed a desire to meet regularly with the heads of all PCs. The OAA understands that any serious complaints about the performance of provincial administrations should be brought to the attention of the President.

2.49 **Substantial capacity and resource constraints have inhibited the PCs’ abilities to operate effectively and carry out even their earlier limited mandate.** In January 2006, all 34 councils noted inadequate working space and finances among their main problems.²³ Attempts are now being made to allocate more resources to the PCs and their budget allocation has increased from Afs 120m to Afs 170m, or around US\$ 3.4million. This is apparently a reduction of the original full allocation of US\$4m promised in the previous year, which they did not receive. The increase in actual funds, however, still leaves them relatively few unallocated funds once the members’ monthly allowances of US\$400/month have been paid. The sum available is insufficient for establishing even basic systems and providing transport and other elements which will enable them to fulfill their functions effectively. Moreover, the budget allocations have been sent to PCs by OAA with standard line item allocations for expenses and equipment which are almost the same for each council. This clearly neither reflects the specific needs of the councils and the provinces they serve, nor makes any adjustment for the size of the council. Nonetheless, it is an improvement on last year that the councils have been informed of the money they have available for operating costs. Last year, many councils neither knew how much money was available, nor how to access it.

2.50 While venues and some other basic resources such as furniture were found for the inauguration of the councils in almost all provinces, in most places all resources were initially allocated through the offices of the provincial governors, over whom the PCs were supposed to be exercising some measure of oversight. In many places, resources are still provided through OOGs, but now the situation is a bit more mixed.²⁴ In some provinces, such as Nangarhar, Bamian and Panjshir, the PCs continue to use government buildings provided by the governor. In other places, the PCs have made their own arrangements. In Daikundi, Balkh, Sar-i-pul, Baghlan, Kunduz and elsewhere, the PCs rent property using their limited allocation. In Parwan, the PC made arrangements to purchase land, on the understanding that the PRT would construct a building. However, there are questions about ownership of the building, operating costs and so on. Transportation is also a serious constraint for PCs. Many councils received one or two

²³ Lister and Nixon (2006) *ibid*.

²⁴ The authors are grateful to ALGAP for providing much of this detailed information on the current operation of the PCs.

Russian jeeps donated by UNOPS/UNDP after the elections, but many of these were unusable and the councils generally do not have the resources to run them.

2.51 Some donors have also provided limited resources to the PCs. Aside from logistical and practical support that has been provided by the PRTs and others, the USAID-funded ALGAP project has provided technical assistance to PCs and PC members by organizing regional and national conferences to discuss the issues and share experiences, as well as assisting site visits of PC members within their provinces.²⁵

2.52 Donors are also beginning to provide more assistance. Although the USAID-funded ALGAP project is closing, the National Democratic Institute is rolling out a programme which will continue to provide training and support to the PCs. The UNDP Afghanistan Subnational Governance Program (ASGP) is also planning to work with PCs. Additionally, the US-funded Afghans Building Capacity (ABC) program to be implemented by Bearing Point could also contribute substantial sums. Numerous other donors are interested in supporting aspects of the PCs.

2.53 In April 2006, a joint government-donor working group was established to facilitate policy dialogue and the exchange of information, to improve cooperation in relation to the PCs, and to ensure improved coordination between donors. It was primarily composed of representatives from OAA, MOI, the Ministry of Parliamentary Affairs (MoPA), and the Meshrano Jirga, and those members of the donor community with support projects for the PCs. However, this ceased to function for various reasons. Attempts are now being made to revitalize it.

2.54 Despite the severe lack of resources and basic systems, PCs are beginning to play their roles increasingly effectively in some places. They are particularly active in dispute resolution, working to resolve conflicts between government and citizens and between different local powerholders. There are also examples of PCs beginning to exercise their oversight function, taking up issues with governors and local officials as well as reporting problems to the Meshrano Jirga. A small number of councils are even beginning to work with the mass media, including producing newsletters, in order to inform their constituents about important issues.

2.55 Research suggests that the actual relationships between governors and PCs vary from province to province, depending on local condition and individuals, with the security situation also influencing the dynamic between PCs and provincial governments. Recent work by the Asia Foundation found that in some places there was a significant degree of conflict between the governor and PC, much of it due to the lack of clarity about respective roles and mandates.²⁶

2.56 The most fundamental point about the PCs is that, aside from CDCs, they are the only source of bottom-up accountability in the subnational system in Afghanistan. While their role in this area remains limited, and they have no service-delivery or administrative functions themselves, it is an important one. From a legal standpoint this role has recently deepened. The critical challenge that PCs now face is to expand their resources and capacities in order to ensure that the role now described in law is realized in practice.

2.57 A related question concerns their independence. The provision of resources through the governors' offices, and the de facto approval right that PGs have over all PC expenditures, greatly curtails their ability to exercise their oversight and accountability role in respect of the OOGs. To

²⁵ Noted in TAF (2007) *ibid*.

²⁶ TAF, *ibid*

some extent, this has now been rectified with the provision of budgets through OAA and the trend towards PCs arranging their own office accommodation. But these important constraints still need to be properly addressed. In addition, at the national level, there is some disquiet that PCs may now be effectively be subordinated to the OAA and this may be an issue that should be addressed in the medium-long term.

C. THE DISTRICT LEVEL: DISTRICT GOVERNORS, DISTRICT OFFICES, AND DISTRICT DEVELOPMENT ASSEMBLIES

2.58 *Uluswals/woluswals* (district governors) are appointed by the President and represent the Ministry of Interior at the district level. District governors report to the provincial governor and their role is primarily to represent the government at the district level and to coordinate ministry activities. They are also responsible for civil registration of births, deaths and marriages. They may also assist in conflict resolution, through referral to the police or the local shura. They do not have primary authority over the district police who report primarily to the provincial police chief, nonetheless district governors are usually heavily involved in security issues. Some research suggests that most citizens' interactions with the district governor are around security issues. District governors have limited formal limited influence over other civil servants who are responsible to their respective ministries.

2.59 **Capacity at the woluswal level is extremely weak.** An estimated 40 percent of woluswals have not completed elementary school and they are generally very poorly resourced.²⁷ Although there has been some office-building through the ASP, and individual donor and PRT initiatives, some still have no offices. Many have no staff and no real operating budget.

2.60 However, as with provincial governors, **district governors often have more actual influence through their own personal relationships than they are formally ascribed**, and district governors have often been observed playing a 'gatekeeper' role between citizens and other authorities. Moreover woluswals are able to exert control over many activities in their districts, and for that reason, it is commonly understood that some district governorships are 'sold' since opportunities for benefiting from illegal activities in a district can be plentiful. This informal power and the opportunities for personal gain appear to have slowed reform efforts at the district level. In 2006, when there were plans to submit district governorships to more transparent, merit-based recruitment processes, the district governors used their connections to various power brokers, including the National Assembly, to block reforms.

2.61 **Staffing for the District Offices of the Line Ministries varies significantly**, depending on various factors, including the size of the district and levels of security. MRRD, MoE, MOPH, and MAAHF are the most commonly represented, but these offices are tertiary offices of the central Ministries, with limited implementation responsibilities and individual representatives have little decision-making authority. In districts where there are no education or health representatives, personnel in the basic health clinics and village schools report directly to the provincial departments.

2.62 Although mandated in the constitution, **district council elections have been postponed indefinitely**. Given the many difficulties and costs involved, it is very unlikely that there will be any directly elected accountability structure at the district level for the foreseeable future.

²⁷ TAF (2007) ibid

2.63 There has been relatively little government or donor activity to build institutional capacity at the district level. The IARCSC's plans to roll out reform of the district governors' offices have not progressed as originally planned. Indeed, it may be that the agreed structure for district governors' offices is rather ambitious and staff-heavy, given the limited capacity and resources at this level. According to the Balkh model, the new organizational design includes a district executive director (DED) with three sections reporting directly under him/her: a sectoral technical services section, a local government operations section, and an administrative and finance section. The ASP is also involved in some capacity-building and training activities in the district governors' offices, but only in a limited number of districts and provinces.

2.64 Some ministries are currently attempting to increase their staff at the district level. For example, MRRD is placing two social organizers in every district who will be responsible for facilitating rural development activities, in particular village and district development planning. The MOE is also trying to strengthen its district representation.

2.65 The most widespread initiative related to district institutions is MRRD's National Area-Based Development Programme (NABDP), which is forming District Development Assemblies of CDC representatives and facilitating their planning at a district level. This programme too has experienced delays but, as of April 2007, about 156 district development plans (DDPs) had been developed. However, as discussed above, these have not been integrated into other planning processes such as PDP processes. Moreover, the programme is also not always well integrated into the initiatives of other national programmes, such as the NSP.

2.66 There are other donor-funded initiatives working at the district level, but none of these have national coverage and they do not always work to an agreed institutional framework. The EC-funded work of GTZ on the Project for Alternative Livelihoods in Eastern Afghanistan is working with ASP to build the capacity of the wuluswal's office. However this project only covers 3 provinces. JICA has also been supporting initiatives in 4 provinces.

2.67 At the district level there is a glaring gap in terms of both an agreed overall institutional framework and activities to either create or strengthen such a framework. While there is some (albeit limited) consensus developing on roles and relationships at the provincial and community levels, and considerable activities and funding directed towards these levels, there is little clear idea of how the district level fits into the overall picture, and how best to link communities with provinces. Key questions here concern the number of Districts and whether there is room for District consolidation, their functional role, and their future in the context of the trend towards CDC federation (see below). In addition, some argue that it will never be fiscally sustainable for the state in Afghanistan to maintain a substantial presence at the district level, and it simply cannot afford so many layers of government. Others argue that the district level is the only level which can truly aggregate citizen interests and pass them 'upwards' and it is vital that there is capacity at this level. What is clear is that the role of the district governor needs to be clarified and better supervision put in place.

2.68 In this situation, and given that there is unlikely to be a directly elected body at this level for some time to come, it may well be that the most appropriate coordinating fora will be the DDAs. However it is important that it is clear how such efforts fit into other upward and downward processes, and that donors supporting this initiative are working to an agreed framework.

D. THE MUNICIPAL LEVEL²⁸

2.69 **Municipalities are regulated predominantly by the Municipal Law of 2000²⁹** which creates Kabul Municipality as an entity with municipal status, provincial municipalities in each of the provincial capitals, and has allowed for the creation of in excess of 180 “rural” municipalities, most of which operate without guidance or regulation with an informal client relationship to a nearby provincial municipality. The emergence of rural municipalities appears to be related to inadequate – and unapplied – criteria for their creation.³⁰ This factor, as well as the differences between de jure and de facto administration of municipal areas and tensions between the Constitution and the Municipal Law, point to the need for establishing clearer criteria for municipal status and legislation governing the status of different sorts of settlement.

2.70 **Municipalities are responsible for the management of their areas and for the delivery of basic infrastructure and services** such as roads, drains, solid waste collection and disposal, sanitation and so on. In some cases (e.g. networked water supply, power) they play this role together with state utilities, such as the Central Authority for Water Supply and Sanitation, while the Line Ministries deliver the services for which they are responsible (education, health etc.). Municipalities are meant also to play a co-ordinating role around service delivery in their areas. However both this role, and the direct service delivery function, is made difficult by a lack of clarity over functional responsibility in law, and the absence of service delivery frameworks. For this reason – and many others (insufficient finance, lack of capacity etc.) – service coverage in municipal areas is low and the quality of service-delivery is poor. For example, only 10.2% of municipal dwellers have access to piped water; 61% of urban dwellers access their homes on unpaved roads, and there is no primary state-provided solid waste collection for 80% of the population in Kabul.

2.71 **Historically, municipalities in Afghanistan have been self-reliant and are meant to finance their activities through own-source revenues.** While this has established important autonomy for municipalities, it has also created a number of significant problems. First, municipalities are subject to unfunded mandates, with existing revenue sources being insufficient to cover the costs of a reasonable level of service delivery within their areas. Thus Kabul’s budget for 1386 was US\$ 30m for a city of 3.2m, or roughly \$7/capita, while that for Jalalabad was \$2.5/capita. These are both far below averages for other cities in the South Asia region. Second, the own-source revenue structure itself is very problematic: municipalities have proliferated a wide range of often illegal taxes and user-fees, which are not properly regulated at the centre; land sales, which are intrinsically unsustainable, have comprised a significant share of total income, and revenue administration is very weak (revenue yield thus significantly lags behind revenue potential). Moreover, notwithstanding the commitment to fiscal “self-sufficiency”, substantial funds are transferred to Kabul municipality, which relies on such transfers for over 40% of its total income. In the absence of any clear, rules-based system for distributing central transfers among municipal entities, this sort of flow is intrinsically inequitable, inefficient and vulnerable to a politicized allocation process.

²⁸ Most of the material for this and subsequent decisions on the Municipalities is drawn from an internal Bank report on the Municipalities drafted by Soraya Goga and Mihaly Kopanyi, June 2007, which contains much more detail on the issues discussed here.

²⁹ 11 other laws also apply, but the Municipal Law is the key one. There are a number of contradictions between the Constitution and the Municipal Law, some of which receive attention below.

³⁰ Municipal status is granted largely if the core settlement has more than 5000 inhabitants and there is capacity for implementing city master plan (Article 8 ML), though master plan often nonexistent.

2.72 Budgeting, accounting and financial management at the municipal level are all extremely weak. The municipal budget process is subject to a confusing number of oversight checks, or interference processes, on the part of the MoF, MoI and PGs,³¹ and there is seldom much relationship between municipal budgets and actual performance, particularly on the revenue side (see Table 2.2). Accounting systems are poor, and systems which allow for adequate control during budget execution (e.g. to manage cash flows and working capital) are essentially non-existent. Financial and accounts personnel lack the skills necessary to exercise their basic functions.

Table 2.2: Actual and Budgeted Income (Million Afs.)

City	Actual Income 1383	Budget Income 1384	Actual Income 1384	Budget Income 1385	Actual Income 1385
Kabul*	529.56	700.00	730.00	1000.00	1120.00
Mazar	10.87	25.36	39.78	406.00	N.A.
Jalalabad*	N.A.	700.00	69.00	864.00	84.60*
Kunduz	24.39	55.63	23.06	66.96	N.A.
Kandahar	120.47	369.73	110.19	238.00	N.A.
Herat	N.A.	N.A.	N.A.	390.00	N.A.

* for first 9 months of 1385.

2.73 The accountability framework governing municipalities is highly problematic. The most obvious difficulty is that, whereas the Constitution calls for the Mayors and Governing Councils of municipalities to be elected, no such elections have yet been held and both the Mayors and the Councils are appointed (the former by the President.) The allocation of functions between the Mayor and Councils is also unclear. Allocation of functions between the Mayor and the Councils is regulated by section 17 of the Municipal Law which suggests that the Municipal Council is the major governing body and “resident ... institutions are obliged to implement the decision of the council”. However, the section remains silent on the role of the Mayor. Legally there is thus no clear hierarchy between the mayor and the council. De-facto, however, the Mayor runs the council. He appoints the council members and they serve at his pleasure.

2.74 At lower levels within the municipalities (particularly Kabul), there are mechanisms for allowing for the expression of voice and determining community needs. Each neighborhood (*gozar*) has a *wakil-i-Gozar* who is appointed and paid by the municipality as their representative. The *wakil-i-Gozar* attends to the local administrative and management requirements of the municipality including registration of births and deaths, registration of land, dispute resolution between neighborhood residents etc. They are also the neighborhoods’ primary link in accessing services including trash collection, donor support, education, health etc., primarily through interaction with the District Office. However, there is no forum for the development needs to be taken from the district level to the central level of the municipality for incorporation into the municipality’s broader development planning agenda, and city planners largely ignore this system of representation, except when the municipality requires District officers and the wakils to mediate the impact of plans and property expropriations. Consequently, there is a considerable fracture between the two parts of what should be considered a pyramid of representation and the institutional response to the needs of residents.

³¹ Widespread accounts of deep PG involvement in the determination of municipal budgets were confirmed in the course of discussions with the Mayor and municipal officials during the field visit to Kapisa.

2.75 **Recent and older³² project experiences (e.g. the Bank funded Kabul Urban Reconstruction Project and the EU funded UNHABITAT EC 3 & 5 Project), have indicated some potential for CDCs and the *wakils* to co-exist, with the former playing a role as a mechanism for needs assessment, planning and monitoring and the latter focusing on management and administration. However, a number of issues would need to be resolved, including the sustainability of the CDCs themselves, the precise nature of the *wakil*-CDC interface, particularly around management roles, and the fracture between the system for determining community needs and ensuring that these are linked to actual budgetary and planning decisions.**

E. THE VILLAGE LEVEL AND CDCs³³

2.76 **The Malik or Arbab³⁴ has been the traditional representative of a village to the government and the community point person for dealing with community problems, although he can also call upon the help of the village elders' Shura.³⁵** The situation varies considerably in different parts of the country, and even from village to village, but in many parts of the country, maliks are still the day-to-day link between the people and district authorities. They are officially recognized by local authorities and authorized to refer issues to the government.

2.77 **CDCs are local representative bodies, established at the village level.** Assisted by facilitating agencies, they plan and execute basic infrastructure projects in sectors such as transport, water supply, power and education. They were introduced as the main vehicles for implementation of the NSP in 2003, and by the end of December 2006 covered over two thirds of Afghanistan's estimated 24,000 villages across all of the country's 34 provinces.³⁶ Table 2.3 summarizes the position:

Table 2.3: CDCs as of end December 2006

No. of Community Development Councils elected	16,072
No. of Community Development Plans completed	15,487
No. of sub-projects financed	20,038
No. of CDCs financed	10,873
No. of sub-projects completed	8,843
Total amount of block grants disbursed (in US\$)	\$249.5m
Total amount of block grants committed (in US\$)	\$278m
No. of districts reached by NSP	248

³² The forerunner of the CDCs in Afghanistan were the urban 'community fora' established by UN Habitat during the Taliban regime.

³³ Much of the information for this section was drawn from a recent Bank report on CDCs authored by Asger Christensen and Asta Oelsen.

³⁴ The old system of Malik/Arbab was replaced with Qaryadar (elected representative of people from Qarya or "village") by the 1964 constitution and then the whole system was replaced by community based councils, by Daud Khan (1973-78). However, in many places Maliks continue to play important roles, and the reality is that most villages have a hybrid system of authorities.

³⁵ L. Dupree, 1966, "Aq Kupurak: A Town in Northern Afghanistan," South Asia Series, cited in TAF report.

³⁶ NSP Quarterly Report for October 1st to December 31st, 2006. MRRD.

2.78 **A second NSP has recently become effective and intends to cover an additional 4,300 communities**, which, together with the target of 17,600 for the first NSP would achieve coverage of 21,900 villages, comprising 91% of Afghanistan’s estimated total.

2.79 **Various assessments have been conducted of CDCs.** Some of the main points emerging from these are:

- CDC-managed projects are significantly cheaper (around 30%) than for similar projects implemented through conventional processes;
- Economic Rates of Return are generally high (a little under 40%);
- Positive governance impacts have been substantial. CDCs have generally established legitimacy and increased public faith in the broader Afghan government;
- There is also some indication that the presence of CDCs correlates with the stabilization of local communities. For example, schools burning rates appear to be much lower for NSP-built schools than for regular schools, even in the areas where overall schools burning rates are high.

2.80 **The average CDC grant under NSP works out at between \$17-\$33 per capita per annum.**³⁷ Relative to international comparators, this is very high. The Commune/Sanghat Fund in Cambodia, for example, which targets entities quite similar to Afghan CDCs funds at the level of about \$1/capita/annum, while the very well known Kecamatan Development Programme in Indonesia funds at about \$2/capita/annum. Similar projects in East Africa come out at between \$1 and \$3 per capita per annum.

2.81 There are important reasons for the initially high funding levels of the CDCs. First, the rural infrastructure backlog in Afghanistan is particularly large. Second, investment at the local level through other channels and modalities has been very limited, and has encountered many difficulties. Third, the human settlement pattern in rural Afghanistan, combined with the way in which CDC boundaries have been drawn, means that each CDC covers, on average, a relatively small population. Per capita amounts characteristic of other countries would thus yield much smaller amounts at the CDC level, making it very difficult to identify projects of a size worth funding. At Cambodian per capita funding levels, for example, the average CDC in Afghanistan would only receive around \$1,000/annum – substantially less than the average \$8,500/annum that the average Cambodian Commune receives. These factors clearly need to be taken into account in thinking through the future of CDCs. The key point here is that at current funding levels, the NSP raises fiscal sustainability questions; however, at levels more in line with international norms, the picture changes substantially.

2.82 **There have been a number of important recent developments concerning CDCs, in particular:**

- In January this year the President signed a CDC Byelaw which gives these entities formal organizational existence over and above their relationship to NSP. In terms of this law, CDCs may receive funds from a variety of sources, have planning, allocation and project implementation powers for their areas, and are even given some limited administrative responsibilities in areas such as births and deaths registration;

³⁷ CDC report p. 7. The \$16 to \$33 range depends on whether the CDC spends its once-off allocation over 1 or 2 years, or a period in between.

- CDCs are developing relationships with line Ministries to assist with planning and implementation of sector projects e.g. planning and allocation of schools rehabilitation at the District level with MoE;³⁸
- In some areas of the country, through programmes such as the National Area Based Development Programme, they have begun to federate at the District and “cluster” level for planning, consultation and resource allocation purposes;
- CDCs are also increasingly being established in urban areas, where they co-ordinate their activities with the wakil-i-gozar.

2.83 While additional assessments of the CDC initiative are planned, three themes are becoming increasingly clear. First, while experiences are mixed and coverage of the country is still incomplete, the available data indicates that they have become important vehicles of local service delivery. Second, both from a legal viewpoint, and by virtue of their developing relations with other organs of government, CDCs are in the process of becoming institutionalized and formalized as local governance bodies at the sub-district level. Third, they have begun to provide the building blocks for growing the state upwards from the community level. In general, then the argument in favour of expanding and consolidating them appears to be a powerful one and is gaining ground.³⁹

2.84 However, at this juncture CDCs face a number of critical challenges. The first is that CDCs face an acute existential threat connected to their funding. The NSP provides a once-off grant to CDCs (which may be disbursed in more than one tranche). Aside from what they may attract from other line Departments or donors on an ad hoc basis (and there are strong constraints to this), there is no other or ongoing funding flow for these entities.⁴⁰ CDCs thus face a very uncertain future. Unless this challenge is met, it is likely that they will weaken and collapse, and the social and institutional capital that has been created will dissipate.

2.85 Second, there is the question of their role. Whereas CDCs have shown themselves to be efficient entry points for delivery of public goods (rural infrastructure), their suitability as delivery mechanisms for private goods (household livelihoods) seems more problematic. As of now, government, donors and implementing agencies do not have a common view on the roles and functions of CDCs vis-à-vis the provision of public and private goods or with respect to other delivery entities. Clarification is required to preclude the introduction of conflicting CDC ‘models’ operating in practice, as well as to avoid conflicts with other delivery mechanisms (e.g. with micro-finance institutions regarding delivery of credit for household investments in livelihoods).

2.86 Finally, there is the question of their institutional mooring within central government. To date, as a result of their association with NSP, central responsibility for CDCs has been assumed by MRRD. As they become increasingly detached from the NSP, and consolidate as local governance organs in their own right, it is not clear whether this should remain the appropriate point of central oversight and supervision. This issue will need to be addressed in concert with the two raised immediately above.

³⁸ NSP District School Construction and Rehabilitation Window

³⁹ This sense is based on numerous consultations and conversations held while conducting this study and the one which focuses specifically on CDCs, which does not imply that there is a consensus on this point. While some Ministries in GoA are clearly in favour of CDCs, others appear to be more skeptical at this point.

⁴⁰ From 2007 on about 5,500 CDCs will graduate from NSP annually and will no longer have access to any regular or predictable funding.

F. OTHER ACTORS

2.87 **The core governmental structure outlined above is complemented by a large cohort of additional service-delivery and development actors.** Two of these – the NGOs and PRTs are particularly important.

Provincial Reconstruction Teams⁴¹

2.88 **There are currently 25 PRTs in Afghanistan, led by 13 different countries:** 12 by the USA, two by Germany and one each by New Zealand, Lithuania, Italy, Canada, the UK, Norway, Sweden, Hungary, Spain, the Netherlands and Turkey.⁴² They are dispersed widely throughout the country, covering both secure and insecure areas, but tend to be less concentrated in the central and northern areas than elsewhere.

2.89 **The role of the PRTs** has attracted much comment and debate. The PRT mission statement states that “PRTs will assist the Islamic Republic of Afghanistan to extend its authority, in order to facilitate the development of a stable and secure environment in the identified area of operations, and enable Security Sector Reform and reconstruction efforts”, and the most recent edition of the PRT handbook emphasizes that “PRTs play a vital role in occupying the vacuum caused by a weak government presence and hence deterring agents of instability.” In other words, according to official sources, the role of the PRTs is both widely and diffusely defined: it is “neither a combat nor a development institution”, yet it *is* “a civil-military institution that is able to penetrate the more unstable and insecure areas because of its military component and is able to stabilize these areas because of the combined capabilities of its diplomacy, military and economic components.”⁴³ This provides substantial latitude for the PRTs to pursue a wide range of activities in the areas in which they operate.

2.90 **In this context, different PRT organizational and activity models have developed in different provinces,** driven by variations in the conditions they face and different national leadership approaches. In essence, however, PRTs do two basic development-related things: (i) they provide a protective home for bilateral donor and other government agencies which undertake development programmes and initiatives in the provinces (e.g. USAID and the US Department of Agriculture in Nangarhar; DFID in Helmand); (ii) under the overall leadership of their commanders, PRTs themselves identify and implement development projects funded from military budgets (e.g. the CERP budget in the case of the USA) or occasionally development funds.⁴⁴

2.91 It has not been possible to get comprehensive data on **PRT budgets and activities**, but an examination of CERP expenditures over the past two and half years (table below) indicates the following:⁴⁵

- The funding flows are substantial. Total expenditures (for projects completed and under implementation) over the period amount to well over \$200m;

⁴¹ PRTs are examined here from an institutional perspective as regards their relevance to the sub-national system of service delivery and governance. Other questions – such as their impact on “humanitarian space” and the like – have not been considered.

⁴² ISAF PRT Handbook, Edition 3, February 2007, Appendix 3 to Annex D.

⁴³ Ibid p 3, p 5.

⁴⁴ For example, the EC funds some ‘governance-related’ activities of European PRTs.

⁴⁵ Information extracted from the ACSP database at ISAF HQ.

- The expenditures are distributed over a wide range of activities and sectors, with fairly high expenditures in areas which are, perhaps, a little unexpected. For example, while “hard” sector expenditures are understandably high (Transport/Roads and Energy at 25 and 17 percent respectively), expenditures in the “soft” sectors are also very significant (Governance accounts for 15% of the total).

Table 2.4: CERP Expenditures by sector October 2004 – May 2007, US\$

SECTOR	PROJECTS COMPLETED	PROJECTS ONGOING	TOTAL
Agriculture	3,453,355	6,894,876	10,348,231
Capacity Bldg	1,603,613	12,740,468	14,344,081
Commerce & Industry	899,309	0	899,309
Comm Development	2,188,802	638,300	2,827,102
Education	5,391,488	15,328,168	20,719,656
Emergency Assistance	16,159,733	6,840,866	23,000,599
Energy	31,670,193	4,417,090	36,087,283
Environment	110,214	0	110,214
Governance	24,570,900	7,584,628	32,155,528
Health	3,146,964	3,155,841	6,302,805
Security	1,515,675	626,368	2,142,043
Transport	27,188,212	27,339,016	54,527,228
WatSan	1,489,248	7,990,927	9,480,175
Unknown	1,513,177	40,000	1,553,177
TOTAL	120,900,883	93,596,548	214,497,431

2.92 In addition, **the funding approval process is not necessarily conducive to effective or rational programming of development initiatives.** Typically, a US PRT commander has discretion over sums of up to \$50,000/month and is under substantial pressure to approve projects of at least half of this on a monthly basis. Projects which require larger amounts must be sent up through the chain of command for approval, and the commander has little idea as to the likely success of the application. The process thus tends to incentivise the identification and support of a multiplicity of small-scale, short-term projects over larger-scale, bulky initiatives, irrespective of the development needs of the province.

2.93 **ISAF also provides resources which are ancillary but linked to the PRTs.** One of the most valuable of these is the Afghan Country Stability Picture (ACSP), a GIS containing detailed data on development spending, project plans and implementation status across the country.

2.94 **PRTs execute their development activities through institutional modalities which operate outside of and parallel to those of the government.** While they may consult with provincial or district governors or other local bodies, PRTs ultimately decide on development priorities and projects themselves, contract directly with companies to implement these projects,

provide supervision and oversight, and so on. This inevitably gives rise to a range of problems.⁴⁶ First, it is obviously difficult to ensure that PRT-determined priorities are aligned with those of local communities and leaders, particularly when they may be driven by different imperatives and concerns. Second, development investment may be fruitless if it isn't combined with sufficient recurrent cost funding. In Nangarhar, for example, in early 2006 an administration building put up by the PRT remained empty and unused months after construction as the government funds for office furnishings, power-supply and so on were not forthcoming. Third, however imperfect they may be, it is difficult to strengthen the institutional systems of government if they remain unused and under-resourced. In fact, "government weakness" can become a self-fulfilling prophecy as skills are attracted away from the government sector by PRT and other agencies seeking to deliver physical outputs. Finally, government accountability for service delivery is attenuated. In sum, the PRTs confront a fairly typical dilemma, but in highly concentrated form: "Foreign aid that bypasses legitimate government can undermine it."⁴⁷

2.95 PRT leaders are aware of these risks and have taken a number of steps to manage them. These include:

- the production of the third edition of the PRT handbook which stresses things like "careful processes of outreach"⁴⁸;
- ESC Policy Note # 1, December 2006, which, among other things, states that "PRTs are strongly encouraged to coordinate all projects with the PDC, link them with provincial requirements and involve the relevant line ministries in all phases of the project."
- Support for the development of PDPs to provide some way of aligning PRT expenditures with priorities as determined by Afghan leaders and communities.

2.96 Notwithstanding these efforts, the core PRT dilemma remains – and will continue to remain for as long as they retain their current institutional character. One way of illustrating this is to pursue a metaphor that the PRT handbook itself introduces. "The PRT is scaffolding", the handbook says, "it is an interim structure designed to help build up the capacity of the GoA to govern and deliver essential services...Once that purpose has been fulfilled, its mission is complete and the PRT structure can be dismantled". The potential difficulty is that while the scaffolding functions as a structure onto which an increasing number of things can be loaded, precious little attention may be placed on building the wall. Moreover, the problems in attempting a shift in focus (from scaffold to wall) may well be aggravated by conventional military practices and culture, not least the six or 12 month rotations of military staff, which tend to create a short-term time horizon for action. Institution-building, on the other hand, is a long-term process.

2.97 None of this should be taken to imply that there is no need for PRTs or that they should be disbanded overnight; but it does suggest that definite measures should be taken both to manage the risks that they present and to move steadily onto an institutional track which makes them increasingly redundant.

2.98 A **final issue concerns the staffing and skills of the PRTs.** Again, robust data is not available, but anecdotal evidence suggests that while some PRTs have civilian advisors, they often do not have a great deal of dedicated capacity in areas such as governance and institutional

⁴⁶ See Alastair McKechnie, *Funding Reconstruction and Development: Provincial Perspectives and the Role of PRTs*, May 2007, for an expanded discussion of these.

⁴⁷ Ibid p 3.

⁴⁸ ISAF PRT Handbook, February 2007, p 22

development. There may thus be something of a disconnect between some of the expenditure patterns (see above) and areas of PRT comparative advantage.

Non-Governmental Organizations

2.99 **NGOs in Afghanistan have historically held an important role in Afghanistan.** Many have been operating for years in areas where other agencies have been unable to work. In the context of a collapsed state they were often the only service providers.

2.100 **There are several coordinating bodies for NGOs.** Particularly influential are the Afghan Coordinating Body for Afghanistan Relief (ACBAR) which has been operating since 1988 and now has a membership of 94 national and international NGOs, and the Afghan NGO Coordination Bureau (ANCB) which has a membership of 330 Afghan NGOs.

2.101 It is difficult to assess the total amount of money currently flowing to NGOs from different sources and through different channels. The only systematic study in recent years estimates that in 1384, **NGOs received some \$450m in grants and contracts, with 82% of their activity in the humanitarian and social protection sectors.**⁴⁹ Estimates are flawed, but the same study argues that this represents 13% of the planned development budget but - if unexpended funds, as well as those disbursed to the Army, demining and the 2005 elections are discounted - the percentage rises to 27% of what might be regarded as true development aid that year.

2.102 It is perhaps more helpful to look at specific sectors and examples of NGO involvement to gain an insight into the importance of NGOs:

- In the health sector, as of May 2006, 27 NGOs – 11 national and 16 international have participated in the contracting system, delivering the Basic Package of Health Services (BPHS). More than 21 contracts were awarded to national NGOs, 27 to INGOs, and 4 to consortia of international and national NGOs. 34% of total funds have been awarded to national NGOs, and 49% to INGOs.⁵⁰ Some estimates suggest that 90% of total health service delivery is carried out by NGOs.⁵¹
- By far the largest programme for NGOs has been the NSP. It is estimated that, once the oversight partner's fees are discounted, in 1384 NGOs accounted for the disbursement of around \$180m of NSP money.⁵²
- In 1384, MRRD spent \$12m on a rural water and sanitation programme, 80% of which was contracted through NGOs.
- In 1384, USAID spent \$80m on an alternative livelihoods programme implemented through Chemonics, of which USAID estimate around 75% was sub-contracted to NGOs.

2.103 **Despite their long history in Afghanistan, in recent years there has been something of a backlash against NGOs,** with populist political figures claiming that NGOs are using aid money which should be available to the state, and squandering it on extravagant lifestyles. This situation was exacerbated by a large number of for-profit companies (mostly construction companies) who had registered as NGOs to take advantage of tax and other concessions.

⁴⁹ Pounds, N (2006) "Where Does the Money Go? A Study on the Flow of Aid to NGOs in Afghanistan" ACBAR paper.

⁵⁰ Waldman, R., Strong, L., Wali, A. (2006) "Afghanistan's Health System since 2001: Condition Improved, Prognosis Cautiously Optimistic" Briefing Paper. Kabul: AREU

⁵¹ Pounds ibid

⁵² All figures from 1384 from Pounds

2.104 In response to the criticism of NGOs there **have been two major initiatives to clarify the definition and role of NGOs in Afghanistan**, as well as improve accountability and transparency. Firstly, legislation was passed in June 2005 which defined an NGO, stipulated permissible activities and set criteria for the establishment and internal governance of NGOs, as well as clarifying reporting requirements. Profit-making bodies registered as NGOs were allowed to re-register as businesses. Under the new regulations, some sources suggest that there are now about 830 registered national and international NGOs operating in Afghanistan,⁵³ although others put the figure lower, with 189 INGOs and 367 local NGOs registered.⁵⁴

2.105 The second initiative, led by the NGO community itself, was the development of an NGO Code of Conduct, as a self-governing mechanism to ensure commitment to transparency, accountability and professional standards from all signatories. As of September 2006, the Code had almost one hundred Afghan and international signatories.⁵⁵

2.106 In addition to the recent improvement in the regulatory environment, **as the government gains capacity in some areas, there are changing dynamics between NGOs and government agencies**. For example, in the MOE leadership there is a general trend to try to exercise more control and oversight over the activities of NGOs and other community-based groups. The Minister has stated that he will try to bring the teachers in the community education project funded by USAID and implemented by NGOs onto the MOE payroll. There are also attempts to make sure that ministry staff are used where possible, instead of contracting out tasks to NGOs. Recognizing the changing roles of NGOs and government, the Swedish Committee of Afghanistan (SCA) recently handed over 400 schools to the government, and Care International is also in the process of handing over most of its schools to the government. Similarly, in the health sector the relative success of service delivery in the SM provinces has strengthened the argument in some quarters that not all delivery tasks should be contracted out to NGOs.

2.107 **NGOs are and will remain a key feature of the service delivery framework in Afghanistan and the government has publicly stated its continued commitment to working with NGOs**. Nevertheless, the involvement of NGOs in what are still perceived to be state activities (eg delivery of health services) remains politically sensitive and many continue to believe that NGOs should be and are only temporarily involved until the government regains the capacity to be a direct service provider.

⁵³ GoA figures cited in United States International Grantmaking “Country Information: Afghanistan” October 2006.

⁵⁴ According to the ACBAR database, cited in Pounds (2006) “Where does the money go? A study on the flow of aid to NGOs in Afghanistan”.

⁵⁵ Information from AREU (2006) “The A-Z Guide to Afghanistan Assistance” Fifth edition. Kabul: AREU