

4. ADDRESSING THE SUB-NATIONAL CHALLENGE

A. STRATEGIC FRAMEWORK

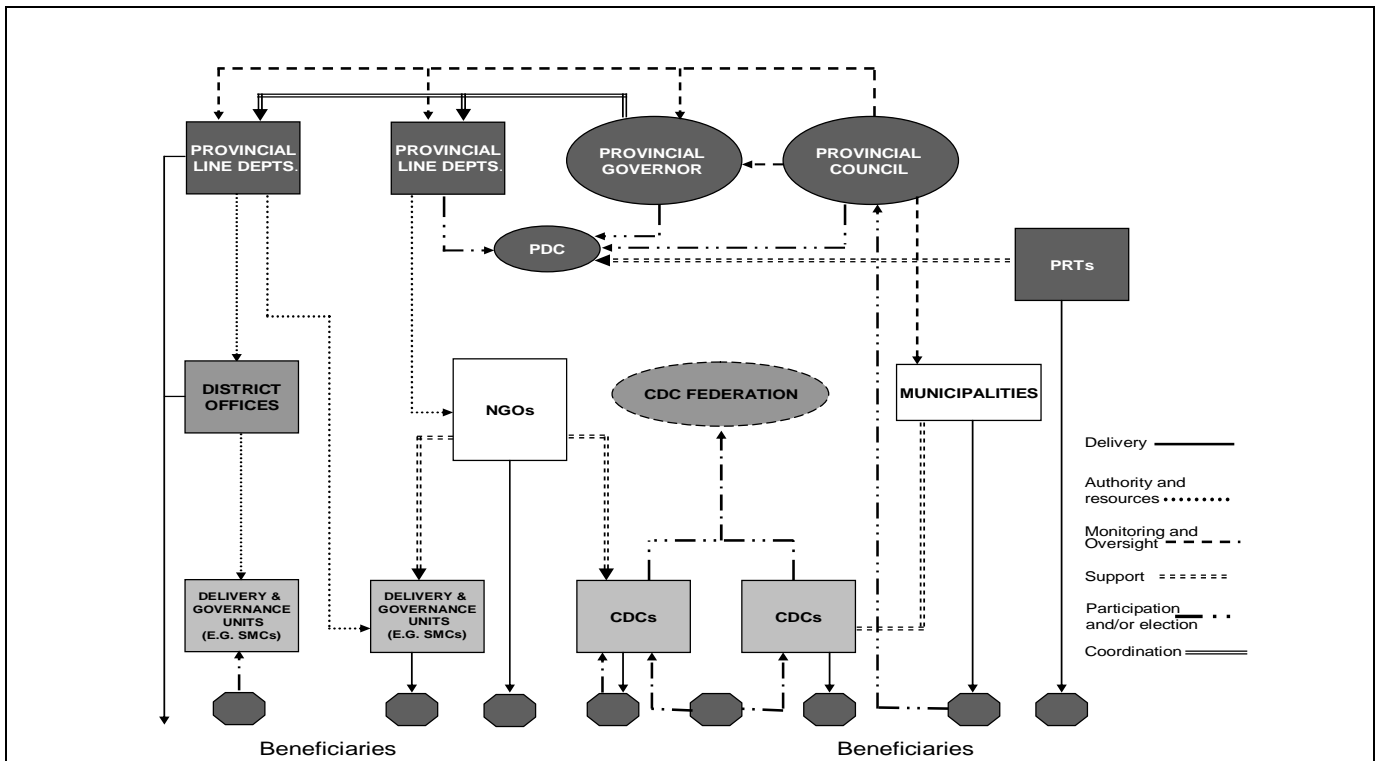
4.1 The IANDS places three core pillars at the centre of the Government's overall poverty reduction strategy: security, governance and development. It has become increasingly clear that if progress is to be made on these fronts, two cross-cutting public sector themes need consistently to be dealt with: service delivery and institutional capacity. These are related: sustained service-delivery is not possible without stronger public sector institutions and service-delivery activities provide the catalyzing processes through which such institutions can be strengthened.

4.2 Against this general backdrop, **the assessment given above suggests that at the sub-national level, four broad challenges need to be addressed if service delivery and governance are to be improved.** The strategic framework proposed here focuses on these. Later, the report suggests a range of concrete initiatives directed at specific sub-national organs, all of which contribute in some way to addressing one or more of these challenges.

4.3 It is important to stress that, given the reform environment discussed above, **the basic thrust, or intent, of any SN strategy must be to improve the functioning of the current system rather than to restructure it.** True, this structure has intrinsic weaknesses from both service-delivery and governance perspectives. A strongly de jure centralized state in a large, poorly linked country with a relatively thinly spread population – mainly rural, but rapidly urbanizing – inevitably confronts problems with regard both to organizational efficiency and accountability. It also imposes strong constraints on co-ordination and integration between different agencies. However, notwithstanding these difficulties, the emerging structure allows for improved performance in respect both of accountability and effectiveness/efficiency with appropriately focused reforms. Such *intra-structural* reform efforts need to be designed with two sorts of impact in mind: first, they need to strengthen specific elements of the system (organizational impacts); second, they need to ensure that the functionality of the system as a whole improves (systemic impacts). Again, these are related: specific elements of the system cannot function optimally if the system as whole does not improve (e.g. if increasing discretion is deconcentrated from the centre to provincial offices within Line Depts., increasing scrutiny of the activities of these Departments is required at the Provincial Level). Conversely, the system as a whole cannot function if its particular elements remain weak.

4.4 **Challenge/Activity Area 1.** *Establish an overall direction for reform of the SN institutional system which, while building on the current one, diminishes the existing levels of systemic contradiction and begins to reduce the unproductively “mixed” character of current arrangements.* This direction should be based on the broad allocation of roles and responsibilities outlined in Figure 4.1 and the accompanying explanatory text. Among other things, this suggests two particularly important orientations for reform. First, in order to reduce the current levels of systemic contradiction, it is important to strengthen and consolidate the role of the office of the Provincial Governor in the areas of co-ordination and planning, while limiting it with respect to the exercise of functional, budget and operational authority in the delivery of main services which fall under the Provincial Line Departments. Second, in order to enhance accountability, it involves strengthening the oversight and “supervisory” role of the PCs to provide checks and balances over the activities of the delivery agencies.

Figure 4.1: Roles and Responsibilities of Sub-National Institutions - Proposed Directions



- **Responsibility for direct service delivery in sectors such as health, education, water and roads, should fall under the operational jurisdiction of the Line Ministries** (and, in their areas, CDCs and municipalities) using a variety of different service delivery models. These organizations need to improve their internal organizational efficiencies through increasingly deconcentrating functions and expenditure responsibilities from the central offices to provincial departments. Their internal operations, should become increasingly less permeable to the interventions of external agencies, particularly the Provincial Governors’ offices. PRTs will also play a key investment role for the foreseeable future. Their activities need to be increasingly aligned with those of the organs of government and/or directed in a way which does not negatively impact institutional development processes.
- In the absence of district and municipal elections (and except in respect of CDCs) **the basic “bottom-up” accountability function in the provinces should be exercised through the Provincial Councils**. In essence this means that their monitoring and oversight functions in respect of both the provincial offices of the Line Departments and of the PG offices need to be expanded and consolidated. Going forward, their capacity to play this role needs to be strengthened through increasing their resources, improving their systems and making them increasingly self-sufficient in performing this function. A further dimension of the oversight role of the PCs is the approval power they hold in respect of provincial planning and budgeting, which appears now to be appropriately defined. At the community level, CDCs are structured in a downwardly accountable manner, hence exercise this function in respect of the activities which they undertake. They may also support the PC accountability role through providing information and so on. “Top-down” accountability for delivery agencies (e.g. the provincial offices of the line Ministries) is exercised through existing institutional processes and fiduciary mechanisms within the line departments and the mustofiat (at the provincial level), municipalities, and CDCs.
- **Co-ordination of the activities of the provincial line departments and provincial planning** is the core responsibility of the Provincial Governors in and through the institutions which fall under his jurisdiction (e.g. Provincial Administration Assemblies) or over which he presides (e.g. the PDCs.) Given that budget, functional and operational authority lie with the line Ministries/Departments the lateral co-ordination links will be institutionally “soft” rather than “hard” in character. Nonetheless they are important, and the province-level planning and co-ordination function needs to be strengthened by properly resourcing the key organizations which are responsible for it, particularly the Provincial Governors’ offices and the PDCs. At lower levels, CDCs and Municipalities have planning responsibility for their areas. Federations or alliances of CDCs may be able to play a planning role at the District level, e.g. through the National Area Based Programme Initiative.
- **Conflict resolution** is dealt with by a combination of bodies, mainly PCs, CDCs and the District Governor - depending on the type and scale of the conflict. These bodies need to be resourced to be able to play this role more effectively.

4.5 It is important to stress, however, that these are suggested as broad orientations to guide a process of ongoing activity. There is no expectation that, in a country characterized by a weak central state, ethnic complexity, an attenuated and dispersed settlement pattern and a history of political decentralization, specific steps in furtherance of these directions will be easily agreed or implemented. Moreover, as pointed out elsewhere, it appears that some of the current reform efforts cut against rather than in favour of this overall orientation. However, without some movement in this direction the service-delivery apparatus that is currently being built, and which has achieved some apparent recent success, is likely to run into increasing operational difficulties and the forward movement that has been established in a number of areas may be jeopardized.

4.6 **Challenge/Activity Area 2.** *The second major reform area is to focus on strengthening the performance of the main service-delivery agencies through improving their organizational structures.* One key, cross-cutting activity in this area is for Line Ministries to ensure that functions are divided between their Central offices and the Provincial Departments in order to improve their organizational efficiency. In a number of cases this is likely to involve the deconcentration of various powers and functions of the Line Ministry from Central to Provincial Department level. In fact, in some cases this is already underway – MoE, for example, is currently in the process of deconcentrating teacher recruitment to the provincial level. The rate and pace of such deconcentration will be determined, among other things, by capacity constraints – but it should also be recognized that, in the absence of functional deconcentration, capacity at the sub-national level will not built. Ultimately, functional deconcentration drives capacity-building, not the other way round.

4.7 Four important observations may be made here. First, the current PRR/PAR process is directly relevant. A new phase of PAR is currently being planned, in terms of which a number of affected Ministries have to develop a new proposed organizational structure which will provide the basis for a staffing plan. For those Ministries active at the provincial level, one key decision that will need to be made as part of this planning process concerns the division of functions between central and provincial offices. As proposed below, this process should be used as an opportunity to ensure that more organizationally efficient structures emerge. Second, notwithstanding this point, any deconcentration process should be crafted flexibly enough to allow different Ministries to implement the service-delivery models which are most conducive to success in their areas. For example, whereas deconcentration may be of significant benefit to MoE, which relies on a delivery model based largely on direct delivery via the state, the same may not be as true of MoPH, which relies on contracting out to NGOs and where centralized contracting authority could remain of importance. Third, Ministries could consider asymmetric approaches. MRRD, for example, has deconcentrated significant functions – procurement, for example- to its Provincial Office in one province (Kandahar), an experiment which appears to be going well.⁶⁶ Other Ministries could similarly pilot deconcentration in this manner. Fourth, Challenge 2 must be addressed in the context of Challenge 1. In other words, the extent to which Line Ministries deconcentrate to Provincial Departments will need to be moderated by the degree to which this risks the ‘capture’ of Departments by Provincial Governors. There is little point in trying to improve organizational efficiency through vertical deconcentration if this makes the delivery agencies more vulnerable to the exercise of a horizontal power which inhibits operational effectiveness. The central-provincial dimensions of the restructuring of the Line Ministries under PAR will clearly need to be carefully considered.

⁶⁶ Interview with Minister RRD, 05/20/07.

4.8 Finally, it is important to note that this Challenge/Activity Area relates as much to the Municipalities as it does to the Provincial Departments.⁶⁷ As the Municipal Report points out, the organizational structures of municipalities are fundamentally problematic and in need of reform. However, municipalities are not subject to PAR, so alternative initiatives will be necessary in this area.

4.9 **Challenge/Activity Area 3.** *The third major challenge is to provide sufficient resources for the key organs of SN governance and service-delivery to play their ascribed roles.* For example, as is pointed out later, CDCs face a fundamental threat as their access to funding under NSP is due to terminate, and without the funds necessary for their development activities they will wither and die. Establishing a modest annual fiscal transfer for these entities is thus a necessary condition of their continued existence.

4.10 Similar issues arise with respect to other elements of the SN structure. At the provincial level, organs such as the PCs need to gain access to sufficient funds to allow them to conduct their operations as envisaged under the recently amended law; while at municipal level an overall fiscal framework which provides a rational, equitable and affordable solution to the fiscal gap they face needs to be developed. A number of efforts will be needed to address these different needs.

4.11 A further dimension of the fiscal resource issue is *moving towards a more equitable distribution of fiscal resources across the country.* The specific conditions of Afghanistan make this uniquely difficult: there is an understandable tendency to concentrate expenditures in those areas which are most vulnerable to security threats, and the large off-budget flows (PRT funding and the like) distort distributional outcomes, whatever efforts are made in respect of the core budget. Arguably, too, this is a second generation issue which can only really be addressed once greater stability and predictability is established in vertical and sectoral flows – but it is ultimately an important question which should not be neglected indefinitely.

4.12 **Challenge/Activity Area 4.** *The final challenge is to enhance the operational performance of all of the various organs at the sub-national level through providing them with the systems and capacities that they require.* In some areas (e.g. some OOGs) substantial progress is being made; in others (the Provincial Councils), it has really only just begun. Needs obviously vary across organizations, but certain generic themes can be identified. Training is one; IT, offices and communications systems are others. Moreover, it should be possible to handle some of these needs on a modular basis i.e. to define a package of “basic needs” equipment for Provincial Councils, for example, and to roll this out to PCs across the country fairly efficiently. As with the three challenge areas above, specific proposals in this area are made in the section below.

B. SPECIFIC ACTIVITIES

4.13 **In order to address these challenges, a wide range of concrete initiatives will need to be undertaken.** This section makes proposals for these with reference to each of the main organs of sub-national service delivery and governance. Some of these proposals are new but many leverage off activities which are already in place or are planned. The matrix in Annex I categorises the proposed initiatives in each of the four general challenge/activity areas identified under the strategic framework outlined above. It also provides some (incomplete) reference to activities that are already underway and some summary comment on what is needed, thus

⁶⁷ Districts are part of Provincial Departments so are not separately considered.

outlining a rough and provisional “gap analysis” as a basis for future discussion and dialogue with the government and donor communities.⁶⁸ It should be stressed that the proposals made here cover a wide area and there is no expectation that they will – or should – all be embarked on at once. Rather, incremental movement will be required on as many fronts as is feasible at any given time.

Provincial Line Departments

4.14 Broadly speaking, Provincial Line Departments are overcentralized, suffer too much interference from Provincial Governors in their day-to-day operational activities, and are undercapacitated. **Their performance needs to be improved through a combination of capacity development and reorganisation, with specific reference to the division of powers and functions between central and provincial offices in order to enhance efficiency.** This needs to be designed and implemented as appropriate to the service-delivery model prevailing in each specific sector. In general, however, it is likely to involve both vertical intra-ministry deconcentration and increasing operational autonomy from provincial governor offices at the horizontal level. Ministries which demonstrate a willingness to pursue reform in this overall direction should receive concentrated support. More specifically:

- a. Cross-cutting PAR reforms should be accelerated at the sub-national level, with appropriate coordination with the development of the capacity development plan for the common functions.⁶⁹ *Ministries formulating restructuring plans under PAR (particularly the new phases) should explicitly address the division of powers and functions between central and lower levels in areas such as budgeting and expenditure authority, including procurement and contracts and facilities supply; planning; HR recruitment, deployment and management; and facilities management.* In order to ensure cross-ministry learning and smooth implementation, the ability of both IARCSC and line ministries to engage with each other must be increased.
- b. *Reform Implementation and Management Units (RIMU) should continue to be established to manage and oversee ministerial reforms, although care should be taken that RIMUs do not become a large structure parallel to the civil service and a substitute for sustainable capacity development of staff in line positions.*
- c. *The provincial budgeting process should be deepened and expanded, with the proposed expansion in numbers of ministries and provinces, as well as management at the local level of ‘goods and services’ and ‘asset acquisition’ allocations, as planned.*
- d. *Other PFM reforms at the subnational level should be continued and expanded to ensure a strengthened oversight and monitoring role for the MoF. If the ADB does not continue its current funding for mustoufiat reform after May 2008, then an alternative donor should be found.*

⁶⁸ The list of existing activities is partial and is based only on information that the authors were able to collect during the time available to them. It needs to be expanded and improved.

⁶⁹ See GoA “Capacity Development Plan for the Civil Service in Afghanistan” draft paper produced for the ADF April 2007

Offices of the Governors

4.15 OOGs are defined by a simultaneous ability to become deeply involved in the affairs of the service-delivery agencies in the provinces and a lack of any structured accountability for the performance of those agencies. **The core reform initiatives here thus need to focus on consolidating the role and capacity of the OOGs for co-ordination and planning at the inter-departmental level, while reducing their incentive and ability to become involved in the operational functions and activities of the line agencies.** Given the historical and political context and the important role that governors currently play in provincial affairs, change in this area is likely to be slow and incremental. However, the proposed initiatives are closely in line with the GOA's own identified areas for reform:⁷⁰

- a. *Regulatory reform is needed to ensure consistency between the powers given to different institutions at the provincial level so that line departments are able to operate effectively.* For example, the sign-off powers of the governor on line department expenditures should be eliminated, or at least reduced. In time, a revised Local Government Law (see below) should clarify the co-ordination role of the OOGs at the inter-departmental level while reducing the scope for their involvement in intra-departmental matters. Other laws, such as procurement, civil service laws and so on, as well as PAR guidelines and IARCSC initiatives, should – again, over time – be amended in line with this overall institutional direction.
- b. *In order to avoid conflicting with the mandate of line ministries, donors should not make substantial sums available to provincial governors for service delivery activities.*
- c. *The capacity of governors to play a co-ordination and development planning role in line with the overall institutional framework should be strengthened* through the continued roll out of reform of the OOGs through the PAR process. It is important that the specifics of the models being implemented and the capacity provided is reviewed in order to ensure that the OOGs are not being built and supported in a manner which encourages and allows for their deepened involvement in intra-departmental activity, particularly at the operational level. For example, the core need of governors is for organizational infrastructure and some technical support on planning and other issues, and they do not need technical sector specialists to become involved in line department functions.
- d. In this context, *an in-depth review of the Balkh experience* should be carried out, and the actual impact on institutional issues at the provincial level should be assessed.

Provincial coordination and planning: PDCs/PAAAs and PDPs

4.16 In the current institutional structure, **PDCs and PAAAs are the only fora where cross-sectoral co-ordination and province-wide development planning can take place.** PDCs are also developing an important role in the MOF provincial budgeting initiative, participating in the formulation of budgets. However, practices vary widely across the country and capacity is generally weak, particularly as PDCs are supported by a weak ministry. While PDPs are emerging as central to the planning process at the provincial level, there remains a need to clarify exactly what PDPs are – and can achieve – and to manage expectations around the process. Specifically:

⁷⁰ See page 21 of GoA “Provincial Development, Provincial Budgeting and Integration of the Provincial Development Plans into the Afghan National Development Strategy (ANDS)” Draft discussion paper for the ADF. April 2007

- a. *The PDCs need to be given sufficient support to play their mandated role in development planning and budgeting*, according to the overall institutional framework. This mainly requires support in basic systems and organizational infrastructure, as well as institutionalization of internal practices through the development of standard practices and manuals, and so on. Donors over time should withdraw from providing the secretariat function to the PDCs.
- b. *The role of the MoEc* is a matter for the Government to decide but, assuming that it has a continued role in planning, then it is important that it should be supported to fulfil this function, rather than constantly circumvented, as is currently the case.
- c. *The relative roles of the PAA and PDCs should be reviewed*, as there is currently the potential for overlap and duplication of effort. The PAA, under the leadership of the governor, could have a stronger reporting role to central government on provincial affairs.
- d. *The active and direct participation of the governors in the PDCs* needs to be strengthened through provision of appropriate support and by strong encouragement from the Office of the President. Over time, the secretariat and support function for the PDCs could be moved away from a central ministry into the governors' offices to cement this participation, although this not a priority reform.
- e. Given the problems with linking PDPs directly to resources or institutional action within the existing framework, *PDPs should be seen less as costed plans and more as strategic documents* giving some sense of priority issues to guide line ministry and donor decision-making in the provinces. PDP processes should therefore be supported with due regard to their limitations and what is likely to come out of them. It is also important that information about what the PDPs can and cannot achieve is widely disseminated to ensure that expectations are lowered.

Provincial Councils

4.17 **The key role of the PCs is to exercise an accountability function** – in fact, aside from CDCs, they are currently the only source of ‘bottom-up’ accountability in the subnational system in Afghanistan. The recent revision of the legal framework has strengthened the scope of the PCs’ mandate considerably, and this mandate will increase in importance as and when the Line Ministries deconcentrate. However, there are significant constraints, both financial and capacity-related, to their ability to exercise this mandate effectively. Two types of initiatives are needed – those that clarify and inform all actors about their roles and those that provide the resources and capacity to ensure that they can play these roles properly:

- a. *Ensure widespread dissemination of and training* to both councils, government bodies and other subnational actors on the roles of the councils as laid out in the revised law.
- b. *Clarify the mechanisms by which the PCs can exercise their oversight role* and act on problems that they identify. There is, for example, currently confusion about whether they should report issues to the governor, or to the President through OAA.
- c. To strengthen the accountability function, *clarify with all actors the role of PCs* in providing qualified sign-off on budgets formulated by PDCs.

- d. *Provide substantially more resources for internal systems and institutional development, also IT infrastructure, transport and so on. To ensure improved coordination in this, re-establish the joint government-donor technical working group on provincial councils, ensuring some means of PC input to it.*
- e. *Enable councils to link up with government and other (for example, PRT) data sources to enable improved monitoring and oversight.*
- f. *In the medium-long term, assess whether the current institutional location under the OAA allows the proper development of the councils as independent bodies.*

District level

4.18 There is a gap at the district level in terms of both an agreed overall institutional framework and activities to strengthen existing institutions. The reform of the offices of district governors has not proceeded as planned under the PRR initiative. It is also unlikely that there will be any directly elected bodies at this level in the medium term. The appropriate structures and roles at the district level is a topic for decision by the proposed inter-ministerial commission (see below). In the absence of an agreed framework, **limited reform at this level is possible:**

- a. *District offices of line ministries should be included in intra-ministry deconcentration initiatives.*
- b. *It is not clear that the district governor offices should be extensively strengthened in terms of staff numbers, given their limited role, the large numbers of districts and limited resources. However, it is important to ensure that *district governors are appointed in a transparent manner and are held accountable for their actions.* This will require reform at the MOI, as well as discussion with the National Assembly.*
- c. *Donors funding programmes operating at the district level and attempting to build institutions should ensure that they are establishing consistent structures across the country. Impromptu donor initiatives at the District level in the absence of a wider institutional framework should be avoided.*
- d. *Promote district level planning and service-delivery processes as they begin to develop (for example through NABDP) but ensure that planning at this level is kept relatively simple, with clear links both upwards and downwards.*

Municipalities

4.19 **The Municipal system faces challenges in a number of key areas:** the rules and criteria governing their establishment; the frameworks governing their service-delivery functions; financing; budgeting and financial management; their accountability framework and their relationship to CDCs. These could begin to be addressed through a number of broad measures:

- a. *Enact new legislation providing a clearer categorization of the different sorts of administration which should be created in order to manage different sorts of settlement, and clarifying the resources consequences and claims of these (e.g. what human resource and funding frameworks should pertain in each case, and so on).*

- b. *Clarify the functional roles, expenditure assignments and frameworks governing service-delivery for municipalities.*
- c. Formulate a *comprehensive financing framework for municipalities* which rationalizes and improves own-source revenue assignments (and clarifies municipal authorities over base and rate setting in respect of these); introduces measures to strengthen municipal revenue administration; and establishes a transparent rules-based system to allocate central transfers equitably and rationally among municipal jurisdictions.
- d. Develop *improved budgeting, financial management and accounting systems* and institute measures to build capacity to administer these systems within municipal administrations.
- e. Introduce *elections for Mayors and Municipal Councils* at the earliest feasible opportunity.
- f. Develop *institutional measures to deal with the CDC-wakil interface* and to bridge the current gap between the bottom-up system for expression of community voice and need and planning and budget decision-making.

Community Development Councils

4.20 **CDCs face three basic challenges:** an existential threat deriving from the potential drying up of their funding as NSP terminates; a more robust definition of their role; and the question of which agency at the centre takes ownership and responsibility for them as they develop an institutional existence outside of the NSP. In order to address these, the following steps should be taken:

- a. *CDCs need to secure a regular and reliable funding flow to resource the local level development activities which provide their raison d’etre.* The primary initiative here should be to establish a dedicated fiscal transfer mechanism which gives them a source of ongoing funding which they can then allocate to local projects at their discretion. This should be distributed horizontally between CDCs according to a simple and transparent formula. Given international standards, and in order to make this sustainable, the funding level should be set substantially lower on per capita (or per CDC) basis than that under the NSP. While a donor operation, underpinned by a multi-year commitment from more than one donor source, will probably be necessary to put this system into place, the transfer should ultimately form an integral part of the intergovernmental fiscal framework in Afghanistan. A secondary initiative, equally important in the short term, should be to seek opportunities for steering funding which is meant to be dedicated to support sector-specific investments at the local or community level via CDCs, or federations of CDCs. The ARTF funded Rural Water Supply and Sanitation initiative is a good example, as are some of the projects taking place under the NABDP initiative. Such opportunities should be deepened and expanded.
- b. *As far as CDCs’ roles are concerned, these should be consolidated on the basis of the new Byelaw,* i.e. (i) allocation of their “own” funding, and planning and implementation of local projects using this funding, with a similar role being played in respect of sector-earmarked funds; (ii) a limited administration role, particularly in the areas of civil registration (e.g. births and deaths registers) and land verification; (iii) planning and allocation at the District or sub-District level where CDCs are able to federate or cluster; and (iv) providing information on service-delivery and governance to PCs to assist them with their accountability function. Insofar as the parameters of their role are concerned, CDCs should broadly take on public goods provision functions, and should not become involved in

activities such as the selection of individual micro-finance beneficiaries or livelihood assistance as this would entail risks of conflict of interest, nepotism and corruption. Finally, it is important that CDCs do not become responsible for the governance and management of local service-delivery units (such as schools) in competition with bodies, such as schools management committees, which have been specifically set up for this purpose (the allocation of general CDC resources to specific schools within their areas would, of course, be another matter – here CDCs have a legitimate role).

- c. *The matter of “ownership” of CDCs at the central level will, of course, have to be settled within the central government by those agencies and Ministries which have a core interest in this question.* It would be premature to make a substantive proposal on this question, but as a matter of procedure the best way forward would probably to have this issue specifically flagged as one of the questions that the Interministerial Committee proposed below should look into and decide.

Provincial Reconstruction Teams

4.21 **PRTs confront – in fact they constitute – a critical dilemma:** in trying to create the space for the Afghan state to develop and cohere they run the risk of undermining it. A number of steps may be identified in order to address this risk and ensure, to employ the earlier metaphor, that the scaffolding they represent does not substitute for the wall they are trying to support.

- a. *Scale down PRT activities in relatively secure areas and begin to route the resulting resources through government systems and budgets.* PRTs should really only exist where security conditions make them absolutely necessary. The ESC should undertake a review of PRT establishments in terms of this criterion and begin to phase them out, or rightsize them, accordingly, diverting the resource yield to supporting government institutions and on-budget projects and initiatives.
- b. *Each PRT commander should develop a condition-based plan for phasing his/her PRT out.* Given that PRTs are interim structures which have their own demise as their core objective,⁷¹ each PRT should formulate a description of the concrete conditions which would make the realization of this objective possible, key indicators of these conditions, and a plan for how they are to be achieved. These plans should be subject to scrutiny and oversight of the PRT ESC, which should stipulate a standard format and timetable for their production and should monitor progress against it.
- c. *PRTs should begin to move away from small-scale community-level projects and initiatives,* where the conflicts between local prioritization and governance and top-down PRT processes are likely to be most pronounced, except where there may be a need for initiatives directly related to kinetic operations. Instead, the CERP budget and other such resources should be focused increasingly on larger scale, bulk and link infrastructure, where the need is obvious and process-conflicts are likely to be much fewer. Rehabilitation and surfacing of major roads is a good example here, as is the rehabilitation of water supply and drainage systems. The budget and approval processes for CERP (and other such) funds would need to be revised to be conducive to this.
- d. *Insofar as PRTs continue to provide resources outside of the government budget, they need ensure maximum alignment with it.* This involves producing accurate and timely information

⁷¹ ISAF PRT Handbook, Edition 3, p 5

on project costs and details and ensuring that government inputs are accurately costed, particularly salary and operating costs once the project is completed. At a more general level, PRTs should begin to provide regular aggregate budget and expenditure information on their development activities country-wide. Specifically, the ESC should provide a detailed annual report, with a semi-annual update, to GoA on these matters.

- e. *Finally, the ESC should issue a policy discouraging the poaching of government staff and provision of salary top-ups.* An overall orientation supporting local institutions and people to learn by doing, even at a cost in time and quality, should be encouraged, and PRTs should minimize the actions which push in the opposite direction.

C. PROCEDURAL STEPS

4.22 The strategic framework and activities outlined above provide an agenda for strengthening the SN system in Afghanistan. So far as the authors of this report are aware this is the first time that a proposal which focuses comprehensively on the overall system and the institutional arrangements which comprise it has been made. It is thus best seen as a basis for stimulating dialogue and discussion within the government and donor communities.

4.23 The matrix in Annex I summarizes the main elements of this proposal with reference to some of the key activities already underway.⁷² In doing so, it begins to point to areas where there is a significant disconnect between the things that are needed to strengthen the system and what is going on on the ground. To pick just one example, it is clear that if service-delivery and governance are to improve, bottom-up accountability needs to be strengthened, particularly if the trend towards deconcentrated organizational modalities is to intensify. Yet, with the termination of the USAID-funded ALGAP programme, the PCs, which provide the only real source of such accountability at the provincial level, will be virtually without any support of this type. This is a serious weakness which government and donors need collectively to address.

4.24 The proposal also provides substantive suggestions for the direction of institutional reform at the sub-national level. In so doing it identifies a number of policy issues for donors and government, in respect of which - explicitly or implicitly - choices will be made. These choices will inevitably influence the focus of donor activities going forward. They may also have implications for programmes which are already underway. For example, the PAR activities centered on the OOG in Balkh have largely been undertaken in the absence of a clear concept of the role of the OOG within the overall sub-national institutional structure. They have thus arguably led to the capacitation of an organizational model which is not entirely appropriate and which may aggravate, rather than ameliorate, the systemic contradictions identified earlier (in that PGs will now be encouraged to interfere more, rather than less, in the operations of the line departments). A review of a number of such programmes may be necessary by government and donors once high-level agreement on the overall way forward is reached.

4.25 In order for progress to be made on these fronts, a number of initial procedural steps are necessary:

- a. *First, an Inter-ministerial Committee, reporting directly into the President's Office, should be formed to establish a framework for sub-national strengthening and reform.* In the short to medium term, this should focus on providing clearer direction for the evolution of the sub-

⁷² This is only a partial reflection of the many activities underway. Further work would be necessary to generate a more complete list.

national system, thus guiding donor initiatives in this area. In the longer term, this sort of body should oversee a more thoroughgoing policy exercise which should ultimately lead to the development of a new Local Government Law (a project which began some time ago, but which now appears to be in state of suspended animation). This sort of proposal has been made before (most recently by The Asia Foundation), without success and the political barriers to the formation of such an entity seem to be high. But if at all possible something of this kind should be established.

- b. *A donor group focusing specifically on sub-national issues (policy questions, institutional strengthening, capacity building, funding of services and infrastructure) should also be formed.* In many other countries, where the sub-national is of critical importance, these groups have been established and have played a critical role in co-ordinating donor activities and ensuring that they support, rather than undermine, the development of a coherent institutional framework at the sub-national level.⁷³ Apparently such a group has recently met. This is encouraging, and should be encouraged.

⁷³ Examples include Uganda, Tanzania, Philippines, Indonesia, Cambodia.