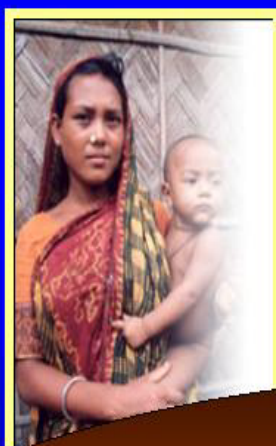30864

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ASSYMETRIC REFORMS:
AGENCY-LEVEL REFORMS IN
THE AFGHAN CIVIL SERVICE

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ASYMMETRIC REFORMS: AGENCY-LEVEL REFORMS IN THE AFGHAN CIVIL SERVICE

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SUMMARY

The public administration context in Afghanistan is characterized by a high degree of informality, weak central government agencies, extremely limited human resource capacities across Government departments and agencies, a serious and a widening disconnect between the center and subnational levels of administration, the continued pressures exerted on government structures by poorly coordinated donor initiatives, 'warlordism' and an informal economy dominated by the opium economy. In such a context, the conventional approaches to public administration reform that emphasize formality and uniformity of reforms and their consistent implementation across government has been found wanting. Alternative ways of responding to the challenge of administrative reform are necessary, but risky.

The Priority Reform and Restructuring ('PRR') framework adopted by the Government of Afghanistan in 2003 marks a somewhat heroic departure from the conventional approaches to public administration reform. Largely through lack of apparent alternatives, reforms in Afghanistan have largely been at the level of individual agencies or departments - with staff being placed on higher salaries as a committee of government ministers approves their business/restructuring plans.

The approach breaks a cardinal rule that in weak environments civil service reforms should be even-handed and prima facie is running the risk that if pay awards are authorized at the agency level on a discretionary basis then the process will inevitably be politically captured. The approach has some elements in common with the more advanced reforms implemented by many Organization for Economic Cooperation and Development (OECD) countries - although there is an awareness in government and amongst donors and advisers that the ingrained discipline in the behavior of civil servants and politicians assumed in these OECD reforms is largely absent in Afghanistan.

Despite the very real risks, there are some grounds for modest optimism. However, the level of technical assistance and capacity building in both the IARCSC and ministries/agencies to implement and oversee the PRR process will need to be increased substantially over the coming months in order to manage what now appears to be an exponential increase in the uptake of PRR.

CONTEXT

GOVERNMENT IN AFGHANISTAN[1]

Organizationally, central government in Afghanistan is comprised of 30 ministries, 2 constitutional agencies (the Office of the President and the Supreme Court), 8 independent bodies and other central government agencies (Central Statistics Office, Geodesy & Cartography Office, National Security Agency, Narcotics Eradication Agency, Science Academy, National Olympics Committee, Independent Administrative Reform and Civil Service Commission and the Office of the Attorney General).

The current structure of government is unitary with all political authority vested in the government in Kabul. The powers and responsibilities of the provincial and district administrations are determined (and therefore may be withdrawn) by central government. Thus although provinces and districts are legally recognized units of subnational administration, they are not intended to be autonomous in their policy decisions other than through some flexibility in

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[1] This section borrows significantly from (Evans, Manning, Osmani, Tully and Wilder: 2004)

implementing centrally determined programs. Municipalities are, in principle, a separate level of government in that they have some limited autonomy in budget execution and in budget preparation. However, the Ministry of Interior controls their staffing establishment, and approves their budgets.

Overall, Afghanistan is strongly centralized along both administrative and fiscal lines. The large proportion of the public sector workforce that is located within Kabul emphasizes this centralization. The new constitution, ratified on January 4, 2004 by the Constitutional Loya Jirga, states that 'the government, while preserving the principle of centralism – in accordance with the law – 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.' (Chapter 8, article 2).   Article 3, chapter 8 of the 2004 constitution specifies that a provincial council is to be formed in every province, with elected members. The constitution therefore allows for a measure of deconcentration but this is not, in practice, likely to lead to significant shifts in the structures of sub-national administration in the near-term.

DE JURE VS. DE FACTO

Although in theory Afghanistan is one of the most highly centralized states in the world, in reality, during the past 25 years of conflict, Afghanistan has become, politically, highly decentralized with factional leaders operating in relatively distinct geographic areas.

Several recent changes appear to represent a centralization of politics. First, in some areas of the administration, Kabul's authority appears to be growing as the centralized administrative structures are restored and strengthened (especially in terms of appointment of staff and fiscal authority). Second, many of the factional leaders (or their representatives) who enjoy power in the provinces have moved to Kabul and are sitting in the Cabinet.   It is likely that the new Constitution, as well as national elections scheduled for later in 2004, will contribute to a further centralization of politics.

However, although the *de jure* state exists throughout the territory in the administrative structures of the Afghan state, which have not completely collapsed at the sub-national level, the *de facto* states in most areas outside Kabul are controlled by regional warlords and local commanders. Their make-up and operation vary from province to province, but they are built on power that is based on financial and military strength, as well as personal, factional and/or historical loyalties, supported by the current political economy of Afghanistan. The situation is complicated by the fact that some individuals are influential within both the *de jure* state and a *de facto* state. Indeed they owe their *de jure* positions to their *de facto* power, and use the latter to influence the *de jure* structures according to their interests, at both central and local levels.

Box 1 summarizes the degree of alignment between the *de jure* and *de facto* states in Afghanistan. The administrative relationships between Kabul and the provinces are the most aligned; the basic rules, such as the staffing quotas and grades contained within *tashkeels* (staff allotments) are well understood and remarkably well adhered to. There is also a general acceptance of the rule that all senior staff positions have to be approved by Kabul, although it is often the de facto rather than the de jure power of senior officials in Kabul that influenced the approval of provincial appointments. There is some alignment in terms of fiscal relationships as the basic budget rules of the de jure state are understood and accepted at the provincial level. However, there is less alignment when it comes to practice especially with regard to the remittance of locally raised revenues to the center.

Box 1: The Degree of Alignment Between the de Jure and de Facto States

	de Jure	**de Facto**
Administrative central/provincial relationships	Strong de jure administrative centralization, with virtually all administrative decisions made at the center	• Most provinces accept that Kabul has a role to play in approving senior level appointments, but there are significant departures from this for some provinces, particularly with regards to police • All provinces accept the basic rules of the administrative game concerning grades, tashkeels etc.
Fiscal central/provincial relationships	Strong de jure fiscal centralization, with no own-source revenues or authority over expenditures at the subnational level	• Provinces do report and transfer locally raised revenues to the Ministry of Finance; however, there are significant amounts of unreported (and locally withheld) revenues • All provinces accept the basic rules of the fiscal game concerning budget preparation and execution.
Political central/provincial relationships	Strong de jure political centralization, with all subnational political positions appointed by the national government, and no mandatory regional representation in the national government	• Self-evidently, politically there is major de facto decentralization, with regional warlords or local commanders setting policy.

Source: (Evans, Manning et al: 2004)

CIVIL SERVICE EMPLOYMENT AND MANAGEMENT

The underlying arrangements for recruiting and promoting staff stem from the 1970 (SY1349) Law on the 'Status and Condition of Government Employees', as amended by the 1977 (SY 1356) Decree No. 1433.[2] The 1970 Law and amendments provided for a system of centralized recruitment, and established a system of job classification and grading that provides the underpinning for managing pay policy within the public sector. The law also confirmed the distinction between *karmand* staff who are considered to be regular and permanent, and *agir* staff who are, in principle, hired on fixed term contracts.[3]

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[2] Afghanistan uses the Solar Hejra Calendar. This calendar has twelve months, each commencing of on the 21st of the equivalent Western calendar month. Hamal 1, SY1381 corresponds to March 21, 2002. The current solar year, SY1383, began on March 21, 2004.

[3] This is murky legal territory however. There is also a 1977 Staff Regulation No. 12.3 (SY1356) which contains many regulations that duplicate the contents of the 1970 Law, particularly those that relate to salary and other benefits, promotion, and resignation. The Regulation cancels other regulations published in 1969, but it does not mention the 1970 Law.
In any event, it appears that the 1988 Law on Government Workers (SY1367) Decree No. 666 superseded this law. However, this latter Law appears to cover karmand staff only. The 1988 Law was in turn overtaken by the Taliban Employment and Labor Relations/personnel law. The date of passage of this law is apparently 1998, but the latest edition was published by the Ministry of Justice in the official gazette, Rasmi Gereeda, in 1999. It is broadly consistent with the previous Laws – although it omits reference to two key issues that underpin the structure of government employment: the distinction between karmand and agir staff, and the concept of promotion in post. It is possible that the

A new civil service law is under preparation. It will *inter alia*:
- define the civil service and the role and responsibilities of civil servants;
- define the relationships between civil servants and Ministers (and other elected officials);
- codify ethical standards and lay down the principles of service to the public;
- set out the underpinning principles of civil service employment.

For the moment, it is important to note that employment within government is regarded as a homogenous whole. There is no distinction made between employees of a commercial government enterprise with government ownership greater than 50%, and those of a central government ministry. Similarly, there is little effective distinction between the terms and conditions of permanent staff and those on contracts. The result seems to be that all staff are effectively permanent and staff can, with permission, transfer between government enterprises and other positions in government. In practice, it seems that staff mobility is quite modest.

Until very recently, no single agency or ministry had responsibility for managing the public service. Human resource management functions including recruitment, promotion and staff placement were spread out among different organizations – the Ministries of Labor and Social Affairs and Finance, and the Administrative Affairs Office. In addition, there were other functions, such as organizational restructuring and public administration reform, which were not performed at all. Consequently, there has been no place within government where civil service policy is made, precluding any opportunity for considered policy action.

The Bonn Agreement provided for the establishment of an independent Civil Service Commission. This was established by Decree no. 257 (03/02/1381). Subsequently, the passage of Decree no. 25 and the associated regulations in the form of Decree no. 26 (03/20/1382) amended and extended the responsibilities of the Civil Service Commission into that of an Independent Administrative Reform and Civil Service Commission (IARCSC). The decree and regulation gave the IARCSC responsibility for:
- *Appointments and Appeals*. The IARCSC is the current home of the Independent Appointments Board (IAB), charged with the appointment of senior civil servants based on merit (and with oversight of merit-based appointments at lower levels), and the Independent Appeals Board which, when fully established, will hear complaints from civil servants against unfair, illegal or discriminatory practices in the workplace.
- *Civil Service management*. The Civil Service Management Department is responsible for developing, and overseeing the implementation of, a new Civil Service legislative framework (including a Code of Ethics), modern human resources management policies and procedures, and more efficient and effective institutional structures, administrative systems and procedures.
- *Administrative Reform*. The Commission is the focal point within government for oversight, coordination and management of the Public Administration Reform Program –

omission of this distinction in the Taliban law has led to some confusion about the current practice. The Taliban 1999 law, in its final article, cancelled Decree 666. The Taliban Law is widely considered to include a ban on the employment of women but a reading of the Law does not suggest this is so. In any event the Bonn Agreement and subsequent Presidential Decree no.66, nullified any legal instruments that were inconsistent with the 1964 Constitution. That Decree, promulgated in 2001 (SY1380), annuls all Laws, Orders, Regulations and Articles inconsistent with the Bonn Agreement and requests the Ministry of Justice to review all Laws and legislative documents passed before SY1380.
There is also a Labor Law promulgated in 1987, but this appears to apply exclusively to the private sector enterprises and those companies with up to 50 per cent of government ownership.

one of the 12 priority National Development Programs in the government's National Development Framework.

After a considerable period of uncertainty about its role and responsibilities, the establishment of the IARCSC in June 2003 was a significant milestone on the path to more modern public administration. From a standing start, the IARCSC now has almost 60 staff (just over one-third of its projected complement), and is beginning to make progress on some of its core responsibilities. IAB members and Appeals Board members have been appointed, and work on a new legal framework and on merit-based recruitment procedures is well under way.[4]

STAFFING NUMBERS FOR GENERAL CIVILIAN GOVERNMENT[5]

Total general civilian government employment is approximately 350,000 including some 60,000 police. There is a significant range of uncertainty, but it remains important to emphasize that even the largest estimates place Afghanistan at the low end of public employment relative to population, at around 1.3% of the assumed population of around 22 million.[6] However, this must be seen in the context of the weak capacity of government; relative to its capability, this is not a small government. A large proportion (around 30%) of this relatively small workforce is located within Kabul.

The uncertainty over numbers arises for two reasons. First, there is no list of legitimately employed staff (*nominal roll*), either in Kabul or decentralized in the provinces. The payrolls are prepared afresh each month, and thus there is no data from which to deduce the total numbers that could be paid in a given month.   Second, there has been historically considerable variation in the numbers of staff paid each month in each ministry or provincial payroll. However, recent efforts by the Ministry of Finance to record and report monthly headcount and salary payments on an accruals basis have indicated that, overall, there are few signs of any significant increases in staffing at the Kabul or provincial levels since early SY1381.

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[4] The draft Civil Service Law envisages a separation between the civil service management function and the Appointments and Appeals Boards functions that are all undertaken currently by the IARCSC. In the short term, getting the Boards up and running was a more important priority than the important but more nuanced questions of separating the oversight tasks from the tasks of civil service management. For the IAB, making the first merit based senior appointment through open competition in probably 2 decades was a significant landmark.

[5] General civilian government refers to civilian staff at the national and provincial levels. It excludes state owned enterprise staff, and all military and security staff. See http://www1.worldbank.org/publicsector/civilservice/cross.htm#1 for further details of public sector employment categories.

[6] In recent years, general civilian government employment (i.e. public sector employment excluding the military and excluding state owned enterprises) has accounted for about 2.5% of the population in countries in the Asia and the Pacific region. Of this, the social sectors (education, higher education and health) typically account for 40%, except for the Former Soviet Union where social sector employment averages at around 70% of general civilian government.

Figure 1: Estimated Underlying Totals for Public Employment

Population (2003 est.)	21.8 million
Civilian Central Govt. as % of Population	1.3%
Education	0.5%

TOTAL PUBLIC EMPLOYMENT
356,048

STATE OWNED ENTERPRISES
5,000

GENERAL GOVERNMENT
351,048

ARMED FORCES
56,700

CIVILIAN CENTRAL GOVERNMENT
291,348

MUNICIPAL ADMINISTRATION
3,000

Based in KABUL
90,088

Based in the PROVINCES
201,261

of which:			total
education	**18,419**	**83,360**	**101,779** education
health	**9,047**	**10,348**	**19,395** health
police	**16,814**	**41,147**	**57,962** police

Source: World Bank Afghanistan public employment and wages model as at June 4, 2004

THE PUBLIC ADMINISTRATION REFORM PROGRAM IN AFGHANISTAN[7]

A Public Administration Reform (PAR) Program has been developed to provide a framework for a series of programs and projects that, together, will build a sound legal, administrative and physical environment in which civil servants can function efficiently and effectively, and be held to account for their performance.

The PAR Program, which is embedded in the current National Development Budget, consists of seven major components:
- Civil service legal framework
- Personnel management
- Institutional and functional streamlining and development
- Financial management and accountability
- Policy management and machinery of government
- Administrative efficiency
- Physical infrastructure improvement.

Overall responsibility for coordinating and managing implementation of the PAR Program, and providing support for cross-cutting initiatives, rests with the IARCSC through its Administrative Reform Secretariat. An inter-ministerial committee, the Ministerial Advisory Committee on

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[7]   This section borrows significantly from ("Securing Afghanistan's Future: Accomplishments and the Strategic Path Forward": 2004)

Public Administration Reform (the 'MAC'), supports the Chairman of the IARCSC in managing the Program. Its role is to provide advice on reform proposals and on dealing with problems and issues that may hamper progress. Membership of the MAC includes all the core central Ministries and, on a rotating basis, line ministries at the forefront of reform. The MAC therefore provides an important degree of political legitimacy for the difficult choices that must inevitably be made. In addition, focal points in ministries have been designated to facilitate the collection and dissemination of information on the PAR program. The MAC is also advised by the Public Administration Reform Consultative Group (PAR-CG) that includes relevant donors.

The PAR program management arrangements are illustrated in Figure 2. The effectiveness of these arrangements is heavily dependent on the capacity of the Administrative Reform Secretariat. Whilst the Secretariat has made significant progress it is not yet fully up and running with a full complement of good-quality, properly trained staff. Furthermore efficient systems for documenting and monitoring reforms are still being developed and effective working relationships with Ministries are still being built.

Figure 2: PAR Program Management Arrangements
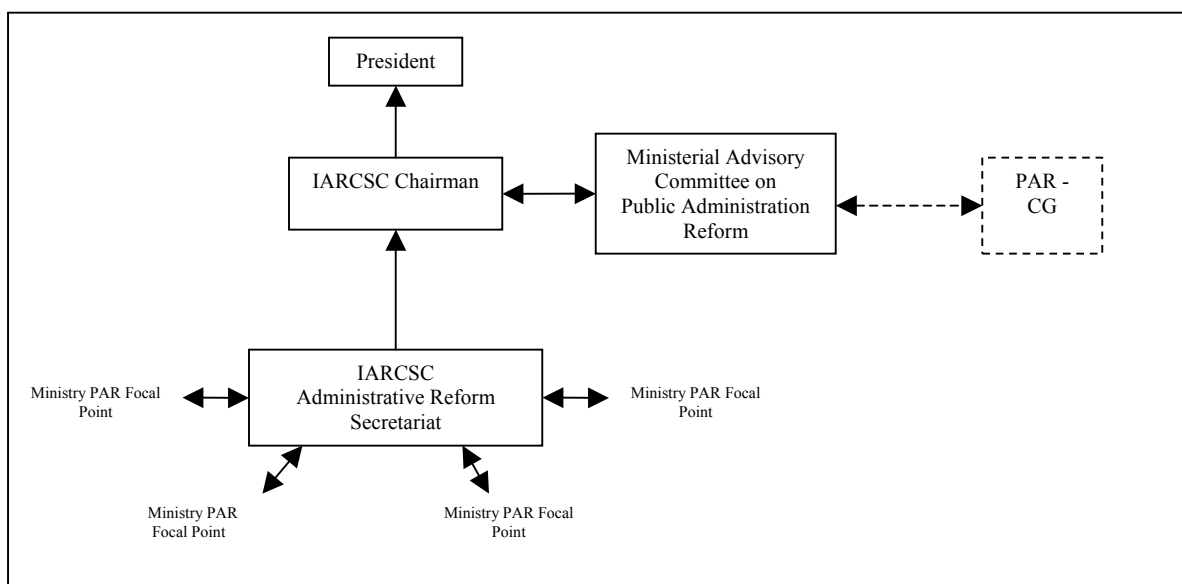
SUBOPTIMAL - BUT UNAVOIDABLE

THE "RIGHT" THING TO DO IN WEAK INSTITUTIONAL ENVIRONMENTS

To the extent that any consensus exists among observers of public sector reform, it is that many reforms rest on an ingrained discipline in the behavior of civil servants and politicians that has become entrenched in the organizational culture of public sector agencies and in the political culture. Discipline means, in essence, formality – that actual behavior follows the written rules, and that the budget on paper that parliament agreed bears a close relationship to the budget that is executed (Schick: 1998).

This formality can be most easily recognized in two areas: personnel management and budget management. In personnel matters, the difference between strong and weak institutional environments can be stark – in the former, recruitment, promotion, and pay determination are based on explicit rules monitored by a central agency and, in the latter, personal connections often determine who gets hired and how much they get paid. In budget management, there are

clear differences between a formal budget process in which policy choices are made by politicians and disciplined by budget realities, and an informal process whereby the budget is made and remade constantly during execution, as well as between a formal budget agreed in advance by parliament and an informal process driven by the availability of cash.

Formality is a necessary base on which other public management reforms can be built. When behavior follows the rules then changing the rules changes behavior. The logic of most early civil service reforms is to build on existing formality - however weak - in order to further entrench fiscal and administrative discipline. Thus, basic or first generation administrative and civil service reforms tend to comprise a reasonably standard set of elements (Manning and Parison: 2003):

- In public expenditure management reforms, the basics include hardening the budget constraint as part of a more top-down approach to budget formulation and strengthening the discipline with which input-oriented line-item budgeting is enforced.[8] Other basic public expenditure management reforms at this stage include the strengthening of cash accounting capacity through training and improved remuneration to attract competent staff, and strengthening traditional financial and compliance audit.[9]
- In civil service personnel management reforms, basic reforms include enhancing job security, strengthening protection from political interference, and creating a legally defined civil service cadre with common terms and conditions. Reforms that affect individual incentives in the civil service include the standardized application of promotion and reward rules and the encouragement of long-term careers within the civil service, building a relatively closed career system.[10]
- In reforming the structure of the executive, basic reforms include the simplification and consolidation of ministry structures.[11] There is a very limited use of performance contracts between government and some arm's length agencies. If public agencies are given targets, then they tend to be indicative within annual plans, with no automatic consequences if they are not achieved.
- Basic reforms are likely to include some minor changes of responsibility among levels of government and some equally minor reductions in service provision. In these first generation reforms, contracting out is restricted to the easily specified support tasks.

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[8] In some cases, this hardening of budget constraints is accompanied by actual top-down budget reductions in particular sectors. This is equivalent to "cheese-slicing" because it entails a top-down reduction in the funds available for several sectors by a relatively small proportion of the total.

[9] In addressing the basics, a general performance orientation has been usefully given to the budget through circulating some information on performance, and this provides a reminder that ultimately it is service delivery rather than simple compliance with the budget that is the goal. However, at this level of reforms, performance information has relatively few direct implications for resource allocation at the center, and this performance orientation is generally achieved simply by the greater dissemination of performance monitoring data. Despite the widespread use of terms such as output-based budgeting or performance-based budgeting, there are few examples of mechanical connections being made between measures of performance and budget allocations.

[10] In some countries, particularly at the early stages of reform, the priority has been to create a small, senior-level, civil service–wide cadre. The intention has been to reduce fragmentation, provide strengthened civil service management capacity, and provide a better basis for civil service management development. Senior executive services can be one of the leading players in the further development and implementation of reforms.

[11] The structure of the executive, and the allocation of functions to Departments and Ministries, is often referred to as "machinery of government." This is primarily an Anglo-Commonwealth phrase, though it also has some resonance in other settings. In the United States its meaning is more political.

The "right thing to do" according to the assumptions behind these first-generation reforms is essentially concerned with standardization driven from the center - developing systems that will achieve greater efficiency and more responsiveness to central mandates. The logic that underpins these reforms is that there is some discipline within the system that can be used to leverage more and also that there is cross-government support at the highest levels for such reforms.

NO ALTERNATIVE BUT TO DO THE "WRONG" THING

In the Afghan context there are a number of problems in pursuing systemic standardized public administration reforms driven by the center. Above all, the problem is that there is little formality within the public sector to build on.

Politically, the legitimacy and reach of the center remains weak and is largely confined to central government ministries and agencies in Kabul. Thus centrally driven reforms would inevitably focus on improvements to agencies in Kabul in the near term. This would almost certainly worsen the existing divisions between the centre and the provinces. Even within central government, current political divisions and rivalries render impossible any meaningful consensus on even the key policy elements of a comprehensive administrative reform program, let alone practical implementation of such a program.

Administratively, Government administration during years of conflict became more informal:
- There are no job descriptions and little clarity about functions of units and agencies;
- Legal administrative changes have only been partly operationalized;
- Contradictions between different sets of administrative laws were never clarified
- Administrative practices that related to different legal regimes co-exist within the system.
- Ad-hoc administrative changes have been implemented by individual ministries, which although these are well meaning and intended to deliver quick results, they often fail to take adequate account of existing administrative and legal provisions.
- It is difficult to quantify the financing package necessary to fund any administrative reforms as precise staffing numbers are very difficult to determine and even the most basic information about civil servants, such as age and length of service, is not consistently available.

The absence of adequate communication facilities exacerbates this informality - as instructions rarely reach the administrative units of government in the same form that they left the central agencies making them.

In addition, a comprehensive, standardized reform program would inevitably need to address the issue reducing staff levels or replacing existing staff with more skilled employees. Public perceptions about possible downsizing and early retirement would undoubtedly undermine support for, and hence the authority of, an already weak central government.

In highly informal settings such as this, there is little discipline with which to work. Despite the frequently pejorative use of the term, the problem in such circumstances is that there is too little bureaucracy, not too much (Evans: 1995). In highly informal settings, it is of course easy to make matters worse as changing rules is unlikely to change behavior - and new rules that are seen to have no impact on behavior undermine the credibility and authority of those that remain.

Under such difficult circumstances, where central government has very little traction over the public sector that it seeks to reform and must, at all costs, avoid wholesale, painful reforms which would further alienate civil servants, and probably the population as a whole, the only option, other than total inaction, is to stimulate modest, targeted incremental reform of key functions within government departments and agencies. Priority must be given to those transformations and changes that would enhance the legitimacy of the center rather than undermine it and which both exploit and nurture the appetite for reform that does exist within certain areas of the government administration.

SIMILARITIES WITH "ADVANCED" REFORMS

Clearly, the danger of selecting individual agencies or departments for reform is that it establishes are more complex and a less homogenous civil service - the reverse of the logic of standardization that the weak institutional environments call for. Perversely, though, such asymmetry is the hallmark of "advanced" reforms, such as those advocated by the more radical OECD reformers (Manning and Parison: 2003).

As Table 1 illustrates, in career management, many advanced reformers are decreasing tenure and making terms and conditions more equivalent to those found in the private sector. The unity of the civil service is being reduced through fragmented and diversified pay arrangements that are determined at agency level. Annual performance targets increasingly inform individual incentives, although the use of performance-related pay remains limited and controversial.

In the Anglophone OECD countries, particularly Australia, the UK and New Zealand, the direction of reform has been most striking in reducing security of tenure and downplaying seniority in promotion and career advancement. In these settings, the unity of the civil service has also been reduced somewhat as individual agencies become more akin to separate private sector employers with divergent terms and conditions for their staff.

In advanced reforms to the organizational structure of the executive, many more specialized, single-purpose agencies have been created. Increasing use has been made of contract-like mechanisms within the public sector, and agencies have been given specific binding targets, with real consequences for the tenure of the agency head if these are not met.

Table 1 flags that in three key areas of civil service reforms (fragmenting and diversification of pay arrangements, moves toward position-based systems with encouragement of lateral entry and increasing use of agency level monitorable performance targets) there are strong similarities between advanced reforms and the asymmetric reforms in Afghanistan.

Table 1: The Elements of Basic, Advanced and Asymmetric Reforms

		Basic reforms intended to achieve or strengthen public sector discipline	*Advanced reforms*	*Asymmetric Reforms in Afghanistan*
Public expenditure management reforms	*Aggregate cost reductions*	Hardening budget constraints	Block or frame budgeting	Not attempted
	Efficiency improvements	Input-oriented, line-item budgeting—perhaps circulating some performance information	Changing format of the budget to link it to future plans	Imbue individuals with a sense of purpose for their particular department
	Accounting reforms	Strengthening cash accounting	Introducing double-entry bookkeeping and accrual accounting	Basic work on agreeing the Chart of Accounts
	Auditing reforms	Strengthening traditional financial and compliance audit and undertaking some performance auditing	Institutionalizing performance auditing in the supreme audit institution and in internal audit	Basic compliance auditing
Civil service personnel management reforms	*Career management*	Enhancing job security and protection from political interference	Decreasing tenure	External oversight to attempt to deter political interference
	Unity of the civil service	Creating a legally defined cadre with common terms and conditions	Fragment and diversify pay arrangements	Fragment and diversify pay arrangements
	Individual incentives	Mechanical application of standard promotion and reward rules	Annual performance targets	'Informal' individual contracts pegged to simple performance targets
	Openness	Encouraging career development within a closed system	Moves toward position-based systems, with encouragement of lateral entry	Moves toward position-based systems, with encouragement of lateral entry
Organiz-ational structure of the executive	*Agency size*	Simplify and consolidate ministry structures	Specialized, single-purpose agencies	Simplify and consolidate departments and units within ministries
	Contractual-ization	Limited use of performance contracts between government and some arm's length agencies	Extensive use of contracts across the public sector	No formal contracts
	Specification of agency targets	Indicative targets and annual plans	Specific binding targets	Gradual use of monitorable agency performance targets.
Role and policy load carried by government	*Political decentralization*	Minor changes of responsibility	Major reallocation of responsibilities from central to subnational government	None attempted
	Service shedding	Some minor reductions in service provision	Major shedding of previously accepted government tasks	Some minor reductions in service provision, clearly defining service provision role
	Contracting out	Contracting out of the easily specified support tasks	Contracting out of strategic or hard-to-specify tasks, such as payroll management or policymaking	None attempted

AGENCY LEVEL REFORMS IN AFGHANISTAN - THE PRR FRAMEWORK

PROCESS

The Priority Reform and Restructuring Decree, on July 10th, 2003, was passed despite serious political concerns especially about the possibility of redundancies, consolidation of ministries and unfair differentials in pay between, and even within, ministries and agencies. Ministries and government agencies may apply for PRR status for their entire organization. The PRR process allows the staff of entire ministries and agencies or selected departments undertaking particular, high priority functions to be placed on an elevated pay scale for a fixed term in exchange for restructuring. PRR status is granted on the basis of the quality of the proposed strategy and implementation plan. Staff placed on the PRR pay scale must have a demonstrated track record of competence and /or be recruited through a competitive process.

Table 2: General Civil Service Pay Levels (Afs. per month)

Grade	Standard allowances	Base pay	Total pay
Outside	1,640	3,185	4,825
Beyond	1,809	1,470	3,279
Above	1,785	1,190	2,975
1	1,778	910	2,688
2	1,778	770	2,548
3	1,778	665	2,443
4	1,778	546	2,324
5	1,778	490	2,268
6	1,778	434	2,212
7	1,778	399	2,177
8	1,778	357	2,135
9	1,778	322	2,100
10	1,778	280	2,058

Crucially, the PRR Decree provides considerable relief from the very compressed wage structure for ministries and departments undertaking important functions. Table 2 shows the current pay rates for general civil servants (i.e. excluding the military, police, and teachers), approved by Cabinet in the 8th month of 1382.

As Table 3 indicates, the Interim Additional Allowance (IAA) scale provided for by the PRR decree has seven steps, intentionally designed to deter simplistic transfers of existing staff from the current 12 grades onto the new grades without consideration of their responsibilities. In effect, staff are regraded as they are moved into the new positions created when a department is awarded PRR status.

Applications for PRR status undergo a robust but straightforward two-stage process. In stage one, proposals to be considered for PRR status must be made in writing to the Chairman of the IARCSC with relatively simple documented evidence that urgent reform of the function is required, and that a suitably skilled task force is available to lead and manage the reform and restructuring process. The Administrative Reform Secretariat of the IARCSC evaluates the application and submits its recommendation for approval or rejection to the Chairman. In consultation with Ministerial Advisory Committee on Administrative Reform ('MAC'), the Chairman makes the final decision whether or not to allow the application to proceed to stage two.

Table 3: Interim Additional Allowance Scale (Afs. per month)

Post level	Minimum	Maximum
A	11,045	11,750
B	9,635	10,240
C	8,225	8,930
D	6,815	7,520
E	5,405	6,110
F	3,995	4,700
U	Unchanged (existing salary and allowances)	

Stage two requires a more detailed proposal, including the expected improvements in efficiency and cost-effectiveness, with documented evidence that the relevant function has been

comprehensively reviewed, identification of the posts recommended for transfer to the IAA scale, and a full costing of the proposed changes, with evidence that these have been discussed and agreed with the MoF. Stage two proposals are evaluated and either approved or rejected through the same formal channels as stage one applications.

Applying agencies need to demonstrate that similar functions have been grouped together, functional responsibilities are clearly identified, reporting lines are clear, managerial spans of control are equivalent, and legal issues relating to the reorganization have been dealt with. Although not a formal requirement, the MAC now requires applying agencies to demonstrate that they have a developed a broader strategic plan for the ministry as a whole. This allows MAC to have a better view of how the specific PRR proposal helps to promote the agency in achieving its longer term goals and objectives.

The agency is required to write clear job descriptions with simple performance assessment criteria for each position that it wants transferred to the higher interim additional allowances. There is no automatic transfer of existing staff to the IAA scale. All positions are filled through open competition and appointments made by the Independent Appointments Board. Appointees are then placed on a 3-month probationary period and their appointments have to be reviewed annually. The bar is higher in instances where the applying agency makes a case for higher than the top rates under IAA. This is referred to as the 'superscale'. Applications for superscale require the agency to provide supporting evidence of prevailing public sector salaries in national and regional markets.

Table 4: Design Features of the Priority Reform and Restructuring Decree		
Key design features	**Interim Additional Allowances under PRR**	**PRR superscale**
Parameters	Restricted to key officials in PRR agencies	
Salary range	Up to $300 per month	Up to $2000 per month
Other benefits	Same as other civil servants,	
Contractual	One year initially, extension subject to performance evaluation	2-3 years and then to revert to normal position based on pay and grading recommendations.
Recruitment	Grade B and above through open competition under the IAB, grade B and below by the agency through an internal competition.	IAB assisted by technical assistance and dedicated IAB commissioners appointed through MAC recommendation
Method of recruitment	Mainly within the civil service, some recruitment from outside.	Open competition with focus on regional and NGO market
Numbers	1383, possibly 15,000 civil servants will be transferred to IAA scale	Year 1: 1000 Year 2: 500 Year 3: 500
Indicative Costs	$35 million in 1383 Civil Service Reform Fund (CSRF)	$10 million from CSRF.
Reporting and accountability	Line ministry with individual contracts	Line ministry and performance based contract. Probationary period:3 months
How to initiate request	Agency seeks approval of the MAC for PRR.	Where PRR is already approved, agency seeks approval for each position proposed for superscale.

A monitoring tool is being developed which will enable the IARCSC and the MAC take stock at regular intervals of the quality of implementation and impact of PRR. Table 5 sets out the current state of play. As of April 13th, 2004 forty-two functions within nine ministries, one department within Kabul Municipality, Da Afghanistan and the IARCSC had received stage two approval, resulting in 3,497 posts which have received PRR approval. A further twenty-two functions in ten ministries, three departments in the Central Statistics Office and the Office of Audit and Control had received stage one approval.

Initial assessments indicate that PRR can be an effective tool for structural and functional reform, but that many ministries and agencies require technical assistance to formulate credible plans for reform and restructuring.

Table 5: PRR Status Table as of MAC Meeting on April 13th, 2004	
Stage 1 Approved	**Stage 2 Approved**
Agriculture • Agricultural Development *Office of Audit and Control* *Civil Aviation and Tourism* • Kabul Airport *Central Statistics Office* • Social Statistics and Demography • Economic Statistics • National Accounting *Commerce* • Office of the Minister *Education* • Recruitment Department *Finance* • Accounting • Internal Audit • Office of the Minister • Administrative Services *Foreign Affairs* • Protocol • Strategic Research • Women International Relation & Human Rights *Interior* • Office of the Minister • Office of the Governor of Nangahar • Office of the Governor of Kandahar • Office of the Governor of Kunduz • Office of the Governor of Ghazni • Office of the Governor of Balkh *Irrigation, Water Resources & Environment* • Project Management • Reorganization Support Services *Labor and Social Affairs* • Human Resource Management • Publications • Policy *Martyrs and Disabled* • Planning	*Communications* • Board of Regulation • Radio Monitoring • Telecommunications • Post • Project Management and International Relations *Da Afghanistan Bank* *Education* • Teacher Training • Curriculum *Finance* • Budget • Customs • Revenue • Treasury *Foreign Affairs* • Office of the Minister • Laws and Treaties • Office of the Spokesman • Consulate Department • Diplomatic Institute • IT & Archives • UN Department • Culture Department • Economic Relations • Political Department (5 divisions) *IARCSC* *Irrigation, Water Resources and Environment* • Water Resources *Kabul Municipality* • Policy Coordination *Public Health* • Provincial Health (in 32 provinces) • Policy and Coordination *Public Works* • Road Maintenance (Kabul) • Road Maintenance (Salang) • Road Maintenance (south-west region) *Rural Development*

Social Services	Livelihoods
IT	Infrastructure and Technical Services
Urban Development	Evaluation and Monitoring of Equality
Water Supply Filtration	Planning
Urban Development	Contracts
Construction	Finance
Women's' Affairs	Human Resources
Women's' Rights	Provincial Development
Provincial Relations	*Urban Development*
	Scientific Research

The objectives and justification for PRR status vary widely. Several PRR applications have requested PRR status on the basis of reforms which are significantly more substantial than the minimum requirements under the provisions of the PRR decree. The Revenue Department of Ministry of Finance, for example, has used PRR to establish an entirely new function - "Large Taxpayers Office". On the other hand, the Ministry of Public Works has used the PRR route to reactivate its Kabul road maintenance department. Overall, approved PRR proposals range from creating new agencies to restoring basic operational services. PRR is thus being used as a flexible tool to achieve a range of outcomes.

In positioning their requests within an overall strategy, some applicants, such as those in the Ministries of Finance and Communications, have demonstrated a clear strategic vision and a major reform agenda. Others, including Justice, Urban Development and Foreign Affairs, are proceeding with more modest initial reforms as they develop their overall strategic policy and institutional strengthening proposals.

Table 6: Examples of PRR Reforms					
PRR Agency	**Key reforms**	**Staff changes**			**Type of monitoring criteria**
		PRR position grades created		**Surplus staff re-deployed**	
		a-b	**c-f**		
Large Taxpayers Office – Ministry of Finance	New entity with clear management structures and streamlined functions, to focus on tax revenue from 150 large taxpayers	19	17	New entity	Credible merit-based recruitment arrangements
Treasury Department – Ministry of Finance	Systems re-engineering with reduced number of departments. Major changes to management structure and streamlined functions	4	79	64	Credible merit-based recruitment arrangements. Evidence of reduced processing times for payments
Road Maintenance Department- Kabul- Ministry of Public Works	Reduced functions, streamlined reporting and management.	2	83	131	Credible merit-based recruitment arrangements Evidence of improved service.
Water Resources Department - Ministry of Water Resources and Environment	New entity with new function of water resource management created.	18	54	New entity	Credible merit-based recruitment arrangements
Department of Consular	Systems re-engineering with changes to management	3	27	0	Credible merit-based recruitment

Affairs – Ministry of Foreign Affairs	structure and streamlined functions				arrangements. Evidence of administrative efficiency improvements
Telecommunications Department – Ministry of Communications	Systems re-engineering with changes to management structure, streamlined functions and improved staff training.	3	147	250	Credible merit-based recruitment arrangements Evidence of improved service.
Customs Department – Ministry of Finance	Systems re-engineering with changes to management structure, streamlined functions and computerization.	45	2,100	Some	Credible merit-based recruitment arrangements Evidence of improved service.

FINANCING PRR

Under section 8J of the schedule to the PRR decree applicants must provide: "A full costing of the proposed changes, with evidence that these have been discussed and agreed with the Ministry of Finance." The intention of this is that the applicant does not necessarily have to finance their own reforms by an equivalent saving - they just have to show that the Ministry of Finance is comfortable with the proposals. The PRR decree does not require a reduction in staff - although there is a general assumption in that direction. However, if there is a strategic reason for a staffing increase - then this can and should be argued.

The budget decree sets up a "Civil Service Reform Fund" (CSRF).[12] The purpose of the fund is "placing specified posts on an Interim Allowance scale within departments which have been granted priority reform and restructuring upgraded status ". As per the PRR decree, the budget decree also indicates that amounts will be authorized for use by Ministries "only when that ministry has met the requirements set forth by the Independent Administrative Reform and Civil Service Commission for the use of these funds."

In 1382 (2003), $18 million was allocated within the operating budget for implementation of PRR. A very small proportion of this had been used by the end of the financial year. This is largely on account of the delay in the approval of PRR decree and the slow start of the Ministerial MAC. Technical advisers to support the PRR process were also thin on ground as was the capacity within the IARCSC. These obstacles no longer exist in 1383 (2004). Schedule 1 attached to the 1383 budget decree specifies that an amount of 1.7 billion Afghanis has been allocated to the Civil Service Reform Fund for use in 1383. This amount is intended to cover the cost of interim allowances for 30,000 positions during the course of the fiscal year. However, as Table 7 indicates, the actual number anticipated is estimated, more realistically, to be 15,000.[13]

Financing for PRR is currently limited to the salary component. This means that resources, for items such as office equipment, key hardware, office refurbishment and structured training, that may be necessary to enable reformed agencies to perform at higher levels of efficiency, and in

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accordance with modern standards, have to be either secured through the existing operating budget, or referred to the subsequent year's budget. This issue is becoming increasingly significant, particularly as ministries and agencies look to implement deeper reform both in Kabul and in the provinces.

<table>
<tr><th colspan="14">Table 7: Assumptions and Estimated Costs for the PRR Program</th></tr>
<tr><th rowspan="3"></th><th colspan="7">Assumptions /a</th><th colspan="6">Employment Costs (US$ million)</th></tr>
<tr><th colspan="4"># employees entering program</th><th colspan="2">Total pay ($/month)</th><th>Av. duration</th><th rowspan="2">1383</th><th rowspan="2">1384</th><th rowspan="2">1385</th><th rowspan="2">1386</th><th rowspan="2">1387</th><th rowspan="2">On-going</th></tr>
<tr><th>1383</th><th>1384</th><th>1385</th><th>Total</th><th>Min</th><th>Max</th><th>Months</th></tr>
<tr><td>Interim Allowance under PRR</td><td>15,000</td><td>45,000</td><td>55,000</td><td>**115,000**</td><td>131</td><td>296</td><td>open-ended</td><td>15</td><td>61</td><td>117</td><td>117</td><td>117</td><td>117</td></tr>
<tr><td>PRR superscale</td><td>1,000</td><td>500</td><td>500</td><td>**2,000**</td><td>1,000</td><td>2,000</td><td>12</td><td>18</td><td>9</td><td>9</td><td>0</td><td>0</td><td>0</td></tr>
</table>

/a: The following assumptions are also made:
    No police or teachers receive Interim Allowances under PRR.
    Staff receiving Interim Allowances under PRR are graded in the following proportions:-

Grade A	2%
Grade B	5%
Grade C	5%
Grade D	21%
Grade E	30%
Grade F	38%

    Existing Grade 9 and 10 employees are not placed on Interim Allowances under PRR.

Government is very mindful of the longer-term fiscal implications of PRR. IARCSC has recognized that, as PRR coverage broadens, the PRR pay scale may become de facto the new civil service pay scale. Indeed this is the basic assumption against which projections for civil service wage bill have been made in ("Securing Afghanistan's Future: Accomplishments and the Strategic Path Forward": 2004).14

RAISING THE BAR

The performance criteria against which the granting of PRR status is assessed are evolving from process indicators towards a more balanced mix of process and output indicators. The primary intention envisioned by the PRR decree was to set criteria based on the quality of the proposed new structure and improvements in administrative processes. As the system becomes institutionalized, more recent applicants are being requested to provide monitorable performance criteria.

The rationale for the initially low performance bar was that first generation changes in agencies were desperately needed both in order to re-start administrative systems and to signal across the public sector that change was possible. In some cases, as in the Road Maintenance Department, PRR helped to merely kick-start basic maintenance that had virtually ceased during the war years. In others, like the Treasury Department, PRR provided an opportunity to create a new organizational shell aligned to modern computerized treasury functions, which is being progressively filled through fresh appointments and transfers. Employees from the pre-existing treasury department are being progressively appointed to new positions and in a few instances being retired.

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14   A pay and grading model developed by the World Bank with government is now able to track the fiscal implications of pay changes. Government has accepted that this model will be used as the primary instrument for tracking fiscal implications of pay policies.

In spite of such variation, the challenge is to develop stronger mechanisms through which to ensure that reforms stay the course, and where they do not, then appropriate penalties and remedial measures are put in place.

After noting that the first generation reforms have had some effect, IARCSC and MAC are now preparing to issue new procedural requirements for PRR approvals that emphasize more rigorous assessment of the performance of reformed agencies. MAC will shortly require that applying agencies submit a simple list of performance benchmarks against which they will be evaluated 9 months following the approval of the reforms. These benchmarks will enable MAC to decide on options, including one of suspending the reform status when performance is grossly unsatisfactory.

Current discussions suggest that the following examples of monitoring requirements under discussion are likely to be broadly typical:
1. For the Road Maintenance Department of Ministry of Public Works, the Department would need to demonstrate improvements in road maintenance as a result of the reforms. This would require the Department to indicate clearly how these improvements are to be measured.
2. For the Treasury Department in the Ministry of Finance, indicators against which performance may be measured could include a clear reduction in the turnover time for approvals of payments.
3. In some other agencies, annual reviews may require IARCSC to carry out some basic customer surveys to record service delivery improvements. For Customs Department, for example, this may include seeking the views of a small sample of importers on key indicators such as processing time, simplicity of new procedures and payment of 'informal' fees.

While all applying agencies are presently required to present the argument for efficiency gains through the PRR, the additional requirements to improve discipline and oversight must ensure specific, simple targets and benchmarks that are well understood by the applying agency.

Box 2: Design Choices in Asymmetric Reforms[15]

In other settings, asymmetric reforms have been pursued in different ways. The key design questions are:
1. What is the unit of reform - individual, agency or civil service group/cadre?
2. How precisely is the end state defined - has a comprehensive pay and grading exercise been undertaken which the asymmetric reforms are incrementally implementing?
3. How are the pay reforms financed?

The Unit of Reform
In the Tanzania Selective Accelerated Salary Enhancement (SASE) scheme, individual posts are identified for enhanced pay and the post-holders are placed on individual contract. The agreements are evaluated every six months and the respective supervisor recommends whether the post holder merits, on the basis of assessed performance, to remain on the scheme or not.

Under SASE, salary enhancement is targeted at posts that are likely to have the greatest impact on service delivery, on the reform effort and on the strategic outputs of government - within agencies that have particularly leading roles in change management, service delivery or economic growth and which have well-advanced strategic plans ready for implementation.

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[15] This section draws many of its comparators from (Valentine: 2002) and from personal communication from Mr. George Yambesi Director of Policy Analysis and Research - Civil Service Reform, Tanzania.

Similar schemes are also being implemented in Bolivia and Zambia, and under consideration for implementation in Mozambique. In each of these countries, the targeted recipients are equal to about 3% of the total civil service workforce. Objective and transparent criteria for the selection of SASE-scheme funded positions are crucial.

For Afghanistan, it was considered that the challenges of evaluating individual post-holders' performance, were greater than those involved in assessing the performance of entire departments or agencies.

In principle, cadres could be the objects of reform - with, for example, teachers being prioritized for pay enhancement followed by, say, the police. However, the experience in Afghanistan has been that this leads to competitive leapfrogging in pay between sectors.

Prior Definition of the End State
In the Tanzania SASE scheme, parallel pay and grading reforms will eventually bring all the pay scales into line - so that the SASE post holders will no longer be exceptional. Similarly in Afghanistan pay and grading reforms, underpinned by a major program of job evaluation, are planned.

In principle such pay and grading work could be completed prior to the launch of the scheme - which would then in essence represent a phased implementation of a comprehensive salary scheme. However, in Afghanistan the likely timescale for such a major exercise precludes this. Cabinet has endorsed an IARCSC request to proceed with a comprehensive service wide pay and grading review. This is likely to commence in late 2004 and implementation to commence in early 2006. Initial labor market surveys do suggest that PRR pay scales, especially at the top end are about right in relation to relevant comparators. When a pay and grading review is completed, it is anticipated that the IAA scales will cease and the PRR upper scales will represent the top of a new civil service pay scale.

Alternative Financing Arrangements
In Afghanistan, financing for the PRR is from an identified fund within the government budget - with no separately identified source of donor-funding. In the case of Mozambique, the money is similarly provided by donors as additional Budget Support.

This is in contrast to the Zambia SASE scheme where pooled donor funds have been created that are effectively earmarked, preventing any reappropriation. Similarly, in Bolivia and Tanzania, bilateral donors are providing earmarked financial support for national SASE schemes. This support is in addition to the support provided under other programs.

In Afghanistan the CSRF represents an attempt to ensure that the costs of the scheme are clearly specified within the budget, without constraining government's ability to plan and implement through the budget.

EARLY CONSEQUENCES

POSITIVE OUTCOMES AND OPPORTUNITIES

Tackling the Problems of Civil Service Pay
One of the most immediate and critical issues facing the government has been the very low level of pay for public sector employees, and the high degree of compression. To begin to address these issues, a series of general and sector specific pay reforms have been implemented during 1382 - there have been some sector specific pay increases for teachers, police, the Office of Audit and Control, and a more comprehensive but very modest pay rise for other civil servants in the 8th month of 1382. Teachers have historically been paid in line with other civilian government staff, but as a result of the recent pay rise, the professional allowance for teachers was increased significantly, from 8-15 Afs per month to, for example, 1,300 Afs per month for teachers with a BSc. A new salary scale was proposed by the Ministry of Interior for police officers and sergeants and approved by the Cabinet in early SY1382, effective from the third month of 1382.

The general pay increase for civil servants (excluding the military, police, and teachers), approved by Cabinet in the 8th month of 1382, resulting in a 600% increase in the base salary for staff at all grades. This reform has decompressed the wage scale significantly, with the ratio of pay for highest ('beyond') grade increasing from 1.1 to 1.6 times the pay for the lowest grade

('10'). This is an important outcome as salary levels for professional staff are more attractive and should help to retain middle ranking qualified staff.

Taken together, the combination of agreed pay reforms represent a 50 per cent increase on the current civilian wage bill. Growing contingent liabilities because of the implications for pensions is a major and, as yet unquantified, risk.

PRR is intended to be the first step towards a new, comprehensive pay and grading system to operate across government. As Table 8 indicates, there is now considerable inconsistency between pay levels. However, the PRR salary levels are sufficiently in excess of those introduced through other recent pay reforms and can therefore provide a solid basis for a unifying framework. That said, the PRR rates are likely to be under some pressure from the more generous payments allowed in the health sector. There will also be some upward pressure on wages because of the economic effects of poppy growing, and the related construction boom in the urban areas.

Table 8: PRR Pay Scales in Context (Afs per month)									
Civil servants		Police		Teachers[1]		Health administrators in NGOs under contract to government[2]		PRR reformed depts.[3]	
Grade	*Total pay*	*Grade*	*Current total pay*	*Min.*	*Max.*	*Grade*	*Total pay*	*PRR scale*	*Total pay*
'beyond'	3,279	4 Star General	5,625	2,819	3,519			A	13,417
'above'	2,975	Lt. General (Dagar General)	5,250	2,755	3,455			B	11,893
1	2,688	Major General (Touran General)	4,950	2,708	3,408			C	10,486
2	2,548	Brigadier (Bread General)	4,650	2,688	3,388	Administrator in a first level referral hospital	17,500	D	9,056
3	2,443	Colonel (Cagarwal)	4,425	2,673	3,373			D	9,041
4	2,324	Lt. Colonel (Dagarman)	4,200	2,656	3,356			E	7,614
5	2,268	Major (Jaglan)	3,975	2,648	3,348			E	7,606
6	2,212	Senior Captain (Jeak Touran)	3,750	2,640	3,340			F	6,188
7	2,177	Captain (Touran)	3,525	2,635	3,335			F	6,183
8	2,135	1st Lt. (Lowmlai Breatman)	3,300	2,629	3,329			F	6,177
9	2,100	2nd Lt. (Dowahum Breatman)	3,150	2,624	3,324			U	1,824
10	2,058	3rd Lt. (Drayam Breatman)	3,000	2,618	3,318			U	1,818

Notes:
1. The range of teacher pay arises because individual qualifications can vary at each grade.
2. The NGO pay scales are very detailed covering various other medical staff. However, the administrator posts offer a ready point of comparison with other civil servants.
3. The distribution of PRR grades shown is illustrative. There is intentionally no simple mapping of PRR grades onto the existing pay scales as the intention is that staff should be considered individually as new job descriptions are prepared.
Source: (Evans, Manning et al: 2004)

Therefore, the next key step in pay reform is to carry out a comprehensive, cross-government pay and grading review. This is likely to commence in the summer of 2004. Such a review will need to pay particular attention to the implications of PRR for the provinces, as questions of pay comparability are likely to be more sensitive at this level and the implementation and management of the reforms more demanding.

Early analysis of the limited labor market data suggests that the PRR pay scale is reasonable for general staff who operate purely within the Afghan labor market (International Rescue Committee with the Ministry of Labor and Social Affairs: 2003). However, the PRR payments for top civil servants still leaves their total earnings considerably below the UN pay levels – though they are roughly on par with the earnings of self-employed and small businessmen in the "professional" and "managerial" occupations. The PRR "superscale" assists in addressing this point, but it leaves the reality that for many very specialist skills, government is dependent on donor-funded technical assistance - and that much of the technical assistance is of moderate quality with little direct control by government.

The problem of providing government with the ability to offer higher pay for staff whose skills are in particularly high demand while minimizing the risk of pay inflation is being addressed through the development of a menu of special arrangements, intended to minimize the problems of dual accountability inherent in technical assistance. The menu is set out in Appendix A. The disparity between the maximum government pay and that offered by the donors and NGOS remains large. Early experience suggests that PRR status and rewards can retain staff with skills within the public sector, but it is far from certain that it will attract staff who have left for more remunerative work in donor-funded projects. This raises the risk that the pool of applicants for positions in departments that gain PRR status will be limited - effectively guaranteeing that existing serving staff will simply move automatically into the new positions when PRR status is awarded.

Somewhat unexpectedly, PRR has helped to introduce greater discipline across government on pay issues. Prior to broad recognition of the PRR framework, the accepted practice was for Ministers and Heads of Agencies to approach the President directly to grant pay increased. In recent months, however, the President has referred such sector-specific pay claims to the IARCSC for possible accommodation within PRR.

Demonstrating Commitment to Reform

Participating in the PRR process provides ministries and agencies a formal and transparent framework within which they can demonstrate their commitment to reform and their willingness to implement changes which may not always be popular internally. As a result, obtaining PRR status is not seen simply as a way of securing additional salaries for certain key posts, but also as a mechanism for increasing their reformist credentials and hence obtaining further donor assistance or increased budget allocations. This is believed to be one of the main reasons why, although the initial uptake was slow, PRR has now captured the attention of the Government, civil servants and the donor community. Appendix B provides details of PRR reforms in key sector ministries.

A Lever For Donor Support and Aid Targeting

Donors have formally and informally used the PRR framework to leverage reform opportunities in a variety of ways. The World Bank, the ADB, USAID, EU, DFID have used technical advisers and program assistance to promote ministries' and agencies' engagement in PRR and are also increasingly targeting assistance to units and agencies that have obtained PRR status. Donors are thus both able to lever open opportunities for reform and provide modest incentives to ministries and agencies to take the initial steps. For example, ADB made its support to the irrigation, water and agriculture sectors conditional upon the relevant ministries obtaining PRR status.

Impact On The Budget Process

On the Government side, the budget has become more effective tool for policy than was the case in the past. During the hearings for the 1383 budget, held between January and February 2003, Ministry of Finance officials, including the Minister, focused on progress in PRR as a key factor in deciding how to meet requests for additional resources from ministries and agencies. Ministries and agencies that had not advanced on the reforms were significantly less likely to secure additional resource and staffing requests. This tool should work even more effectively in the 1384 budget cycle now that ministries and agencies are more acutely aware that their resource requests will need to be backed by progress on administrative reforms.

Opportunistic Reform

Formal functional reviews almost never work. A recent assessment of the impact of functional reviews concludes that they result in many complex consultant-driven methodologies - but little actual change (Manning and Parison: 2002). By contrast, the PRR approach might be leading to significant structural reform - but incrementally, keeping below the political radar screen. Most ministries have established PRR teams and senior management and ministers are involved in regular consultations and workshops on reform. This has promoted greater ownership by senior management because the scope of the initial reforms is modest and the PRR process is less disruptive and painful than they originally feared.

The PRR framework now appears to have broad cross-governmental level support. Even ministries that were initially vehemently opposed to PRR are now implementing reforms under its umbrella. Key to this change of heart is that managers now appreciate the fact that, under PRR, they are able to design bottom up reforms based on their own analysis of the real problems faced on a day-to-day basis. The PRR framework has stimulated thought amongst civil servants and their advisers at the ministry/agency level about how and where it is best to implement administrative reform. It has also afforded reformist ministries and agencies the flexibility to create new structures and functions that are tailored to meet their specific needs or the particular needs of the public they are seeking to serve. It is questionable whether such institutional arrangements could be put into place sufficiently quickly to meet pressing needs through a more conventional, highly-structured approach to public administration reform.

For example, the Ministry of Finance has established a *Large Taxpayers Office* that through a staff of highly skilled tax administrators, targets those taxpayers that represent the major source of income and services tax revenues. Such a department is commonplace in highly developed tax administrations but is unprecedented in Afghanistan. Similarly, the Ministry of Rural Reconstruction and Development has, through PRR, implemented an organizational structure that is complementary to the suite of international aid programs targeted at rural development.

Rewarding Results

The PRR process provides an opportunity for Government to establish in the minds of its employees a direct link between rewards and results. This is an important step in developing a more results-oriented public service. For example, President Karzai, while officiating at the re-opening of the Salang Tunnel, which had been repaired in time before the onset of winter, asked that the Salang Tunnel Road Maintenance department of the Ministry of Public Works be provided assistance in developing a PRR proposal as a reward for on-time completion of a difficult project. Subsequently, after submission of a satisfactory proposal, the department was awarded PRR status.

Forging Relationships And Sharing Ideas Across Ministries And Agencies

A positive consequence of the PRR process is the tendency for managers and technical advisers in various ministries and agencies to share their experiences of applying for and implementing PRR. This has created a mutually supportive network of change agents which is likely to remain intact long after individual departments' proposals have been submitted and approved.

The PRR process has also provided the Administrative Reform Secretariat of the IARCSC with a unique opportunity to develop a detailed insight into the objectives and strategies of the various ministries and agencies. Individuals working in the Secretariat have now developed close working relationships with counterparts in ministries and agencies which they will be able to leverage as they continue to progress PRR and other administrative reform initiatives.

RISKS

The approach is certainly no panacea for the multiple problems that beset the public sector in Afghanistan. It is not without significant risks - and the danger of political capture of the process is perhaps the most serious.

Overstraining Capacity in the IARCSC

Throughout 2003 to mid 2004, the IARCSC's capacity to promote PRR was very limited. A small number of external advisers supported by the UK Department for International Development (DfID) and the Afghanistan Reconstruction Trust Fund (ARTF), working together with a small team within the IARCSC was seriously overstretched. However, from mid-2004, this is to change as the World Bank, DFID and the ADB will provide a long-term pool of advisers to energize and respond to the interest in PRR. These advisers will be able to draw additional support through the ARTF. The IARCSC is working to complete the recruitment of its senior and middle level staff and has committed to the rapid training of new and existing staff.

Unequal Capacity in the Ministries and Agencies

There is substantial evidence to suggest that certain ministries which have had the support of a substantial pool of international advisers are at an advantage in PRR process. Such ministries are usually able to call upon advisers with expertise in human resources and financial management as well as general administrative reform. Such expertise is invaluable in ensuring rapid progress through the PRR application process. The IARCSC and the World Bank have worked hard to provide short-term technical assistance to ministries and agencies which lack such support but the playing field is still far from level.

Political Capture of the Process

One of the key risks of the PRR framework was that it would be politically captured by Government, and especially by the MAC to grant higher salaries and allowances without undergoing rigorous reform.

Generally, this has not proved to be the case, though it is fair to say that the standard of successful applications, particularly in the early stages, has not been uniformly high. This is partly due to the slowly developing capacity within the IARCSC evaluation team and also to some political pressure to speed up the extent and pace of PRR roll-out. However, quality control standards are continuously improving with all PRR applications now going through a rigorous evaluation. Also, significantly, the MAC has rejected applications from departments whose ministers are sitting members.

Also, the merits of recommendations for automatic transfer of existing employees in departments that receive approval for their PRR are being carefully scrutinized by the Independent Appointments Board (IAB). As the skills and confidence of the IAB are boosted, its oversight of appointments will improve.

Inability to Deal with Surplus Staff

In principle, the Ministry of Labor and Social Affairs (MoLSA) continues to have responsibility for managing staff being considered for redundancy. In principle, such staff should join a surplus list maintained by the MoLSA for 6 months, while attempts are made to find them employment in other ministries. This amounts to a flat rate 6-month salary payment for any retrenched staff. The challenges of managing surplus staff have yet to fully emerge. Currently, few departments have achieved PRR status, and any movement of surplus staff has been within the parent ministry. Opposition will be significantly greater when the issue is about moving them out of the ministry into the MoLSA or some other ministry. The first steps are now being taken to move some 30 staff from the Budget and Treasury Departments in the Ministry of Finance to MoLSA but the nature and strength of staff opposition is not yet clear.

For a while at least, it is unlikely that civil servants can be retrenched and the Government has made a very strong commitment that no involuntary retrenchments can take place. In the absence of this, stopgap measures become more attractive. One such measure under consideration by the relevant Ministries is the enhancement of pension provisions in order to encourage early voluntary retirement, but all such schemes run the risk of making the public sector more attractive as an employer, increasing rather than reducing the problem. The IARCSC has proposed a cautious retrenchment scheme for civil servants – titled Redeployment, Retraining and Reskilling (RRR). Both these are medium term options that do not deal with the problem of surplus staff from the PRR agencies in the near future.

While the issue of redeployment of surplus staff is a problem in any reform environment, it is possible that in Afghanistan any robust approach would express itself in ethnic and other highly political forms. There is some political interest in considering a modest RRR program – even though regional experiences with such schemes have been negative. However, it seems less and less likely that there will be any compulsory redundancies.   As government has shown itself to be well able to resist the temptation for significant new recruitment, internal redeployment and attrition are dealing with the problem surplus staff reasonably adequately. The Budget Dept for example has been reduced from 150 or so to around 40.

Pay Imbalances

Ministries and agencies are encouraged to apply for PRR at the individual department level. The primary reason for this is that, very reasonably, the MAC considers that with current capacity constraints no ministry or agency is able to manage whole-of-agency reforms as single project. However, this can breed resentment in ministries and agencies where some important departments and not others are receiving Interim Additional Allowances under PRR.

Senior management in some ministries and agencies prefer to maintain top-up arrangements with donors to provide additional staff incentives. Such arrangements are often more lucrative and there is little or no quality control, leaving managers free to dispense top-ups wherever they see fit. Ministries and agencies have expressed concern about this issue and it is not readily resolved by broadening the scope of PRR proposals as applications covering several departments are often of poor quality and doomed to fail. This problem should gradually reduce provided the ministries

concerned have suitable plans to bring all key departments under the PRR umbrella over time, but it undoubtedly requires careful management.

Efficiency Improvements in Ministries That Should Be Abolished

The Cabinet is currently considering proposals for major rationalization in cabinet portfolios. This presents the MAC with the problem of dealing with PRR applications from those ministries that are either earmarked already for abolition, or that should be. The MAC has shown remarkable discipline thus far, having rejected PRR applications from departments in the Planning and Reconstruction ministries on the basis that the future of both ministries is uncertain. But unless there is movement on reforming the structure of the government machinery, it will be difficult to continue to keep the PRR window closed to such ministries. Speedy progress on the reducing the number of ministries seems unlikely this side of the Presidential and national elections.

The draft cabinet rationalization plans under consideration presently makes it clear that PRR should be used to 'ring fence' departments identified through the rationalization proposal and to facilitate their orderly transfer into new ministries and agencies that are likely to be established.

Potential Lack of Strategic Vision in Incremental Reform

The majority of ministries and agencies are now adopting a measured, step-by-step approach to reforming key departments under PRR. Typically, PRR applications are submitted initially for the one or two departments that are perceived to me the most critical. Once these have been approved, further applications for additional departments follow in waves. Whilst this is a pragmatic and manageable approach which is endorsed by the MAC, unless there is an overall strategic plan for the ministry/agency, there is a risk that it will lead to some inconsistency or overlap as reform spreads across the organization. Furthermore, without a sense of the strategic vision, it is difficult for the IARCSC and their advisers to evaluate applications properly.

In order to respond to this issue, the IARCSC is now insisting that all ministries and agencies provide a brief strategic plan which outlines the planned organizational structure, a rationale for this structure and an indication of the timing of its implementation. Whilst this requirement seems modest, there is a real concern that some ministries and agencies lack the capacity to develop and build consensus around strategic plans and it is possible that, without additional technical assistance, some ministries/agencies will again disengage somewhat from the PRR process. Also, such a requirement necessitates strategic direction from the Minister's office – something which is not always forthcoming. This illustrates the difficult balance the IARCSC has to strike in encouraging ministries/agencies to embrace and implement modest reform whilst maintaining control of the quality and coherence of reform at the macro level.

### *Unsupervised Application of the PRR Process Outside of Kabul*

There is mounting pressure on the IARCSC to promote the roll-out of PRR to the provinces. This has been addressed quite successfully through inclusion of provincial components to the approved applications of the Ministries of Public Works, Public Health and Rural Development and also through the applications submitted by the Ministry of Interior on behalf of Governors' offices in five provinces. However, lack of any real IARCSC presence in the provinces renders it difficult to ensure that PRR resources deployed in the provinces are addressing the real priorities and are appropriately sequenced. The subsequent monitoring of the extent and quality of implementation of PRR, in accordance with its core principle of rewarding reform and merit, will be virtually impossible in the near term.

In the medium term, however, the Afghanistan Stabilization Program and the reform of some of the key offices of Governors will inject some capacity and TA at provincial levels to provide supervision and quality control for modest reforms.

Grade Creep

The PRR process is in effect setting the scene for the larger pay and grading review that is needed. It is important that PRR establishes a firm foundation for the longer-term pay and grading arrangements. One potential area for concern is the risk of 'grade creep' through implementation of PRR – the risk that, whilst PRR is only intended to be a short-term measure to address acute pay problems, it sets a dangerous precedent by effectively raising the average grading of civil servants resulting in damaging longer-term fiscal consequences. The chart below, which compares the grade-wise distribution of PRR posts with that of non-PRR posts, indicates that there is some evidence of grade creep. However, it is important to note that a very tight lid is being kept on PRR posts in the top two grades, where the percentages are well below the current average.

Figure 3: Grade Breakdown in PRR and non-PRR Departments
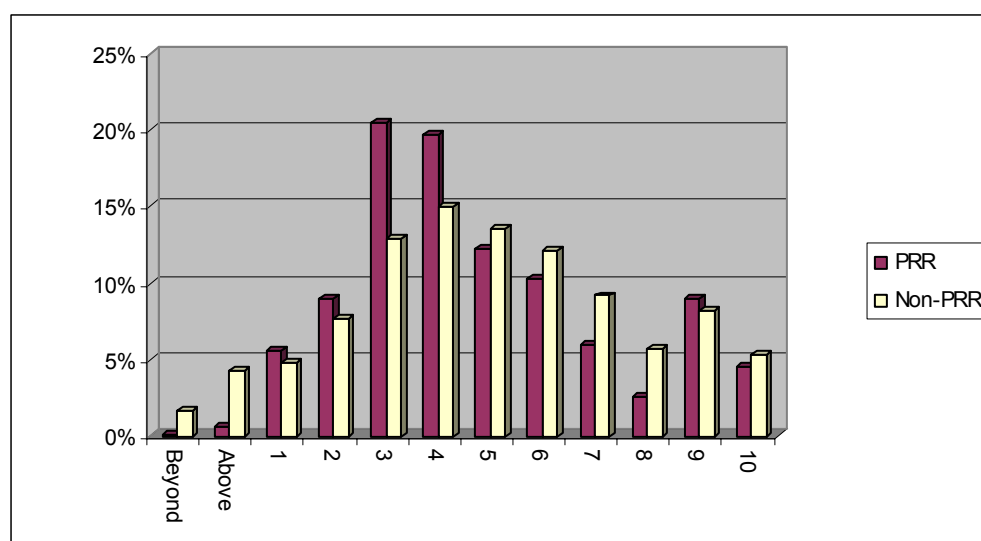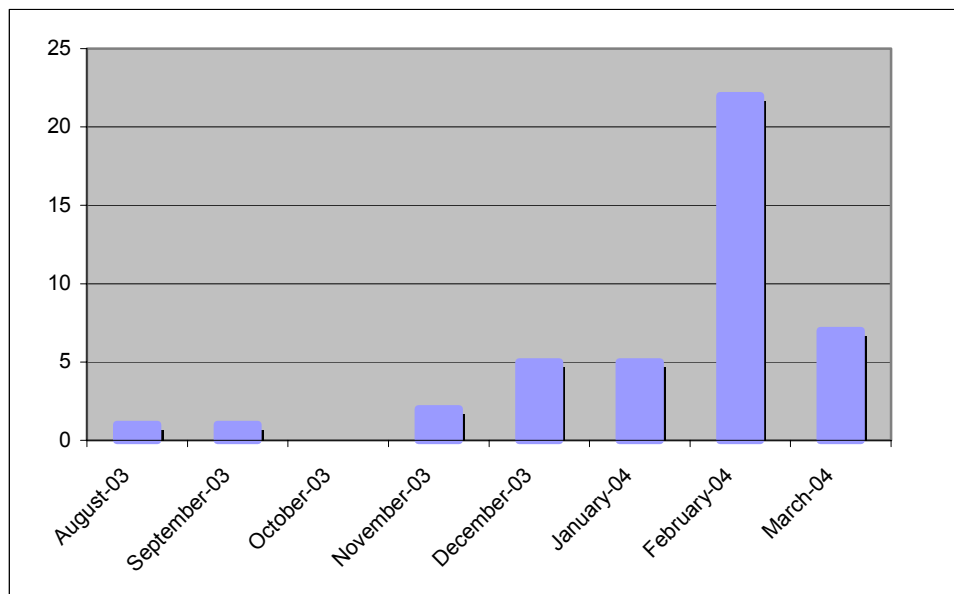

Source: IARCSC

Through the PRR process, IARCSC is implementing monitoring and evaluation mechanisms to provide early warnings of unhelpful trends, such as 'grade creep', which may undermine the longer-term objective of implementing sustainable pay and grading reform. Furthermore, experience and intelligence regarding typical positions and job responsibilities, gained through the PRR process, can be used to feed into the nascent pay and grading review.

CHALLENGES

BALANCING OPTIMISM WITH CONCERN

The uptake of PRR is accelerating across a broad range of ministries and agencies, indicating that risks and concerns are gradually being overcome. Figure 4 illustrates this increased activity, showing the number of Stage 2 proposals approved from August 2003, when the first proposal was approved, to the end of March 2004. There has been some slackening off of activity in March and early April - this is partly due to the diversions of a major reconstruction conference in Berlin and the Afghan Development Forum. However, taking into account the number of applications in the pipeline, further acceleration in the rate of Stage 2 approvals is expected.

Figure 4: Number of Stage 2 Applications Approved Per Month

Source: IARCSC

The increasing use of PRR has been accompanied by intensive monitoring from the IARCSC, careful handholding from advisers in both the IARCSC and in certain ministries/agencies, modest investments in capacity building within the IARCSC, and discipline exercised by the MAC. However, the level of technical assistance and capacity building in both the IARCSC and ministries/agencies to implement and oversee the PRR process will need to be increased substantially over the coming months in order to manage what now appears to be an exponential increase in uptake of PRR. Between August 2003 and April 2004, some 3,500 posts have been approved for payment of the higher Interim Additional Allowance scale through the PRR process.

The IARCSC estimates, probably somewhat optimistically, that it will be able to transfer an additional 26,500 employees, of which at least a third would be in the provinces to the IAA scale over the next year. With the additional resources, a substantial increase from the current levels looks realistic. The challenges are of ensuring that measurable improvements in service delivery or operational performance are driving the selection of departments for PRR, and not political patronage or favoritism.

ADDRESSING COMMON FUNCTIONS

One key area which has yet to be fully addressed in the PRR framework is the development of a mechanism to ensure that reform of common functions, such as finance, administration and human resources, is approached in a consistent and coherent manner across Government. Some work has begun in this area through informal workshops and seminars for technical advisers working on reform of common functions.

MOVING OUT OF KABUL

Much attention has been paid to the disconnection between the provinces and center and there is now a much better understanding, amongst international technical advisers, of the historical reasons that have led to this disconnection (Evans, Manning et al: 2004). Critical to the delivery

of government services beyond Kabul, and in a manner consistent with state building, is the need to enhance administrative capacities at the provincial and sub-district levels. The IARCSC and most line ministries are acutely aware of this.

Modest attempts at such capacity building in the provinces was attempted through PRR in 2003 and early 2004, mainly through the reform of three provincial road maintenance departments in the Ministry of Public Works, the Provincial Health Liaison Office of the Ministry of Public Health, the Provincial Coordination teams in the Ministry of Rural Development and, finally, the nascent reforms in the Governors' offices in the provinces of Balkh, Ghazni, Kandahar Kunduz and Nangahar.

To improve administrative capacity, and through that improve service delivery and probably loyalties to the center, the PRR framework will be used to reform the provincial Mustoufiats, the remaining provincial road maintenance departments, the remaining Governor's offices and other ministries where capacity can be guaranteed. Combined with the focus of the provincial Afghan Stabilization Program, these initiatives can make a real difference to the success of the overall development effort in Afghanistan.

<div align="center">PIUs AND VESTED INTERESTS</div>

There is considerable pressure across the government system for the establishment of project implementation units. This is seen as necessary in order to accelerate the implementation of large and especially infrastructure projects. PIU's have already been established in ministries such as Power and Water and Irrigation. These are, unhelpfully, outside the formal structure of the ministry. A major challenge for the IARCSC is to develop a modality under PRR where PIU's can be established within the ministerial structure, offering sufficient incentives to key staff and where knowledge transfer is given adequate emphasis. An IARCSC team is working closely with line ministries and donors to find ministry-specific or generic solutions. Helping this is the increasing recognition by donors and government alike that traditional PIU's have adverse impacts on capacity building.[16]

CONCLUSION

The PRR route to administrative reform makes fiscal and political sense in the Afghan context. It does challenge the public administration wisdom and is no doubt fraught with risks but, under the circumstances, the asymmetric PRR reforms underway across the Government, and now ready to be rolled out across the country, are likely to lead to measurable and visible improvements in administrative efficiency and service delivery in the short term. These improvements can and have been made with a substantial degree of Afghan ownership and with a minimum of political fall-out. Furthermore, the PRR framework provides Government with a formal and transparent mechanism to resist pressures for both sector-specific and across-the-board wage increases. Finally, perhaps PRR's most important contribution is likely to be on keeping the lid upon further and unsustainable levels of migration of large numbers of good government employees into a highly distorted post-conflict donor funded labor market – what Afghanistan's Finance Minister

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[16]   The problem of PIUs is well-documented (see footnote 17). Project Management Units are, in principle, different. The key distinction between program management support, and PIUs, is that PMU staff are: (1) "off-line" - advisory rather than filling line positions (to the extent possible, recognizing that occasionally they will have to undertake executive tasks); and (2) engaged in a range of projects and not excessively loyal to the implementation of one particular operation.

has referred to as the "parallel administration". This alone would be sufficient justification for supporting PRR.

Key design features	Interim Additional Allowances under PRR	PRR superscale	ARTF Expatriate Window	Technical Assistance and Feasibility Studies Unit (TAFSU)	Lateral Entry Program (LEP)
Parameters	Key officials in PRR agency	Restricted to key officials in PRR agencies	In exceptional circumstances where the case is clearly made and exceptional candidate available	Short term consultants where the need is clearly justified and a terms of reference submitted to TAFSU	Key positions in each ministry through basic capacity assessment
Salary range (per month)	Up to $300	Up to $2000	$3000 - $5000	$200 - $700 per day and DSA at UN rates	$1000-$2000 and in exceptional circumstances higher
Other benefits	Same as other civil servants.	Same as other civil servants	Travel, insurance, housing	Travel, insurance, logistics	Initial travel and housing
Contractual	One year initially, extension subject to performance evaluation	2-3 years and then to revert to normal position based on pay and grading recommendations.	1-2 years and non renewable. In advisory position only. Clear training plan.	Short term only, 25 days per month and no more than 100 days per calendar year	2-3 years and then may apply for new position based on pay and grading recommendations. On contract to agency and seconded to government
Recruitment	Grade B and above through open competition under the IAB, grade B and below by the agency through an internal competition.	IAB assisted by TA's and dedicated IAB commissioners appointed through MAC recommendation	Executive Committee reporting to MAC, International Organization for Migration for logistics	By TAFSU with international recruitment and a clear focus on regional markets. Sole sourcing in exceptional cases only.	Appointments confirmed by the IAB and the Minister or head of Agency and on contract to employment agency
Method of recruitment	Mainly within the civil service, some recruitment from outside.	Open competition with focus on regional and NGO market	Open web based advertising	Web based recruitment	Open competition, including Pakistan, Iran etc outlets, web and local NGO etc markets
Numbers	1383, possibly 15,000 civil servants will be transferred to IAA scale	Year 1: 1000 Year 2: 500 Year 3: 500	Approx 100 in total	40 in 1383	Year 1: 1500 Year 2: 500 Year 3: 500
Indicative Costs	$35 million in 1383 from the Civil Service Reform Fund	$10 million in 1383 from CSRF	$5-7 million in 1383 from ARTF and other donors	$4 million in 1383 from ARTF and other donors	$42 million in 1383
Reporting and accountability	Line ministry with individual contracts	Line ministry and performance based contract. Probationary period of 3 months	Line minister and monthly reports to EC and MAC. End of contract sign off by Executive Committee	To line minister	Line Minister, performance assessment reports to come to IAB. Probationary period: 6 months
How to initiate request	Agency seeks approval of the MAC for PRR	Write to MAC where PRR is already approved and justify each position. Justify new position with new PRR	Case by case as per approved procedures	Ministry makes a request with a detailed TOR to TAFSU	Ministry to write to MAC once to justify numbers requested under LEP

APPENDIX B: PRR REFORMS IN KEY SECTOR MINISTRIES

The Ministry of Finance has led the way in the application of the PRR Decree, but the need for capacity building and public administration reform is perhaps is most keenly felt in the sector ministries with responsibility for key aspects of reconstruction. Institutional reform in these ministries has thus far has been poorly coordinated. This is partly explained by the absence of a modern legislative and management framework for state owned enterprises responsible for delivering key public services. However, the varying progress in implementation of PRR also reflects varying levels of internal capacity, donor interest, ministerial commitment and technical support available in ministries. It is in these ministries where battles are being fought around the pragmatic, but institutionally unsustainable, use of Project Implementation Units and salary top-ups that tend to undermine the PRR process.[17] However, as the brief histories below illustrate, whilst progress in some of these key sector ministries in implementing PRR has been slow, many of the initial hurdles and obstacles to developing PRR proposals are progressively being overcome.

MINISTRY OF FINANCE

PRR proposals are now at various stages of development and consideration in all sectors. The example of Finance Ministry has caught the attention of many ministries. This ministry commenced the PRR process slowly but surely, placing its Customs Headquarters in Kabul through PRR process first. Having gained some hands on experience, PRR status was extended to the Revenue, Budget and Treasury departments. At the most recent MAC meeting, the Office of the Minister, and the Administration Department, were accorded PRR status. Applications from the Accounting and Internal Audit departments will almost certainly be submitted at the next meeting. Therefore, almost all of the key Ministry of Finance functions in Kabul have obtained PRR status and the ministry now plans to extend PRR to the provincial Mustoufiats. The aim is to bring the whole of the ministry within the PRR framework by the end of 2004. When this process is completed, the ministry will have achieved the following objectives:
- Improved administration and management of all key departments.
- Significant downsizing and surplus staff redeployed over the 12 month period without excessive political fallout.
- The middle and senior management capacity across the departments would have been visibly strengthened by making it possible to attract qualified candidates from outside government.
- Confirmation of actual employment and resolution of problems with ghost workers, and multiple payments of salaries.

While the PRR procedures allow Ministries to make applications for the whole ministry, the MAC has taken the view that capacity does not exist presently to enable ministries to implement ministry-wide changes and that the gradual approach adopted by Ministry of Finance is more logical and realistic.

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17   See (World Bank: 2000) for the mixed record of PIUs and http://www1.worldbank.org/publicsector/civilservice/salarytops.htm for details of the problems associated with top-ups.

CIVIL AVIATION

The ministry has taken initial steps towards reform under the PRR framework. A strategic policy document has been prepared and is being discussed by stakeholders. A PRR working group has been formed consisting of the Heads of the Administration and Planning Departments and the Director of Kabul Airport. Stage one applications for several key departments have been submitted or are at advanced stages of preparation and a stage two application for Kabul International Airport is almost complete. Progress on PRR in the Ministry was slow until a strategic policy document was prepared. A strategic plan, though not a formal requirement of the approval process, assists applying agencies to think through, prioritize and sequence agency level reforms.

IRRIGATION

After a slow start, the Ministry of Irrigation, Water Resource and Environment (MIWRE) has made considerable headway in the PRR process. It has received external technical assistance to develop PRR proposals and to help implement reforms. A PRR working group was established in November 2003. A Stage two proposal for the Water Resources Management department within the Ministry has been approved and stage one applications for support services and project management functions have also been approved. The Environment department is now preparing a stage one application.

The ministry had established a Project Implementation Unit (PIU) in November, 2003. While salaries for national staff in the PIU are broadly consistent with PRR guidelines, the PIU is a distinct entity outside the structure of the Ministry. The establishment of the PIU was driven by the pressing and over-riding need to accelerating project implementation, the Minister is now committed to bringing the PIU within the formal institutional structure of the ministry through the PRR facility. An application to transfer the PIU into the formal structure of the ministry is also likely to be submitted at the next MAC meeting.

POWER AND WATER

The IARCSC has held several meetings with the Minister and senior officials. While the Minister did express enthusiasm about the PRR process, progress has been slow. A PRR team has been established. A priority for the ministry is to establish a program management unit to deal with design, implementation and oversight of multi-donor projects. Within this, a key challenge is to ensure that this unit is established within a reformed ministry structure and that key staff are recruited under the provisions of the PRR framework. The Ministry will be submitting a proposal to establish a PMU consistent through the PRR framework to the MAC in near future..

URBAN DEVELOPMENT

A PRR working group was set up in October 2003. Stage one applications were submitted to the IARCSC covering six departments, but these were rejected by the IARCSC. PRR applications for the Urban Development, Research, Water Supply Filtration and Construction departments were subsequently re-submitted and approved for stage one. The Research department received stage two approval in March 2004. PRR proposals from the Ministry of Urban Development indicate requirements for significant non-salary expenditure to implement reform. In functions such as the Research department, initial investments to procure technical equipment, office equipment and modest office refurbishment are necessary in order to get the department working again after

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years of neglect. The IARCSC and the Ministry of Finance are examining ways of responding to non-salary costs of implementing reform.

PUBLIC WORKS

The Minister and Deputy Minister have been very enthusiastic about PRR. A PRR working group was formed in October, 2003 and stage two applications for three Road Maintenance departments (Kabul, Salang Pass and the South-west zone) have now been approved.

The ministry has engaged key donors in the development of this proposal. Its PRR working group helped to accelerate the completion of a draft strategic plan for the whole of the ministry. Technical assistants from US Army Engineering Corps, SIDA and ADB facilitated several workshops to think through the broader reform strategy. The next steps will be to submit PRR proposals for the remaining regional road maintenance departments and for a new policy and reform coordination unit. The IARCSC intends to provide additional technical assistance to the sector to develop these. The Ministry will also need assistance of the Ministry of Finance and the IARCSC to secure funding for the substantial non-salary costs of implementing the PRR. For example, in order to function at even the most basic level, the maintenance department requires communications and computing equipment, an office building and hardware necessary to develop capacity to respond to road emergencies.

PUBLIC HEALTH

Whilst progress in developing PRR proposals was initially slow, two departments have now had their stage two proposals approved. These are the Policy Coordination department and the Provincial Health department. The latter provides for roll out of PRR into all thirty-two provinces.

EDUCATION

Stage two applications for the Teacher Training and Curriculum departments have been approved as well as a stage one application from the Recruitment department. However, preparation of PRR proposals and their implementation has been slow in a ministry where senior staff are reportedly the recipients of substantial salary top-ups from donor agencies.

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