Project Information Document/
Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 23-Apr-2018 | Report No: PIDISDSC24319
### BASIC INFORMATION

#### A. Basic Project Data

<table>
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<tr>
<th>Country</th>
<th>Project ID</th>
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<tr>
<td>Afghanistan</td>
<td>P166978</td>
<td></td>
<td>Tackling Afghanistan’s Government HRM and Institutional Reforms (P166978)</td>
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<td>Jun 21, 2018</td>
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<th>Implementing Agency</th>
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<td>Investment Project Financing</td>
<td>Islamic Republic of Afghanistan</td>
<td>Independent Administrative Reform and Civil Service Commission</td>
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**Proposed Development Objective(s)**

To contribute to the professionalization of the Afghan Civil Service through support to human resource management and institutional reform.

**Financing (in USD Million)**

#### SUMMARY

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<td><strong>Total Project Cost</strong></td>
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#### DETAILS

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<td>World Bank Lending</td>
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**Environmental Assessment Category**: Not Required

**Concept Review Decision**: Track I-The review did authorize the preparation to continue
B. Introduction and Context

Country Context

1. There have been substantial improvements in development outcomes in Afghanistan since 2001, particularly in expanded access to basic services such as water, sanitation, and electricity, and improved outcomes in education and health. However, some gains are now being eroded due to growing insecurity. Between January and September 2017, 2,640 people were killed and around 5,380 injured. The number of Internally Displaced People has increased at an alarming pace: in the first half of 2017 alone, more than 200,000 people have been displaced internally due to conflict and more than 296,000 refugees have returned from Iran and Pakistan. The increased conflict appears to be affecting business and consumer confidence as economic activity is continuing to stagnate. The annual economic growth rate is projected at 2.6 percent in 2017, increasing slightly from the 2.2 percent recorded in 2016. Growth is expected to edge up to 3.2 percent in 2018, but only assuming no further deterioration in the security environment. While this constitutes a moderate improvement compared to 2014 and 2015, it is still significantly below the 9.6 percent average annual rate recorded between 2003 and 2012. In the medium term, growth is expected to remain muted, increasing modestly to 3.6 percent by 2020.

2. Poverty rate in Afghanistan increased from 36 percent in 2011/12 to 39.1 percent in 2013/14 and is expected to remain high in the medium-term, driven by weak labor demand (despite an increasing labor force) and security-related constraints on service delivery. Rural poverty and living conditions are particularly acute. The unemployment rate is estimated at 22.6 percent. Unemployment is particularly severe amongst women, low-skilled and illiterate workers. With an average annual population growth rate of 3 percent and with an estimated 400,000 Afghans entering the labor market each year, much higher economic growth is required to improve per capita incomes and to provide quality employment opportunities for the expanding workforce.

3. Stronger growth is predicated on improvements in security, political stability, steady progress with reform, and continued high levels of aid flows. Growth could also be enhanced with the right combination of fiscal and policy reforms, including improving budget execution, and reorienting budget expenditures towards labor-intensive and community-based programs that directly reach the population with the greatest needs and with the highest marginal propensity to consume.

Sectoral and Institutional Context

4. State capacity is central to Afghanistan’s self-reliance agenda, however, significant challenges must be overcome. State capacity has been constrained by instability, heavy dependence on donor financing, and the dominance of the security sector. The security sector accounted for approximately 42.8% of the government budget in 2016 – among the highest as a proportion of government expenditure in the world – leaving limited fiscal space for the Government to maintain and expand a competitive and well-paid civil service responsive to increasing service delivery needs. Meanwhile, systematic reforms have been limited by political divisions, complex political settlements, and a multitude of public sector reform entities with often competing objectives.

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5. **Until recently, public sector reform involved (amongst others):** the Administrative Office of the President (AOP), the Independent Administrative Reform and Civil Service Commission (IARCSC), the Ministry of Finance (MoF), the Ministry of Economy (MoEc), and the Independent Directorate of Local Governance (IDLG). This large number of entities blurs accountability, while inter-agency debates on areas of authority detracts from the time available to support line ministries. Duplication of functions between ministries extends beyond public sector reform bodies. Both inter-and-intra ministry mandates also remain unclear in critical areas (e.g. water, land management, health etc.), which leads to unclear lines of accountability for activities, affecting progress in these areas. Several ministry mandates and Tashkeel (or establishment) are unaligned with their activities and programs.

6. **While the size of the Afghan civil service remains modest by regional standards, increasing wages and salaries present a fiscal constraint.** The non-security civil service grew from approximately 200,000 in 2002 to 398,863 in 2016, primarily the result of teacher recruitment which accounted for 82% of the net change over this period. Notwithstanding the growth in teacher numbers, the ratio of civil servants to population, at 1.29%, is lower in Afghanistan than in neighboring countries. However, the cost of wages and salaries of the Government grew to 53% of total budget expenditure in 2017, limiting fiscal space for operational and capital expenditures.

7. **Despite the sharp growth in size of the public administration over the last 10-15 years, the pool of qualified and educated core civil servants is limited.** Development budget execution rates are low for key service delivery ministries, reflecting low capacity in budgeting, procurement, and management. The average level of education in the civil service remains low, limiting effectiveness. For example, in the Ministry of Agriculture, Irrigation and Livestock (MAIL), 42% of staff hold only a primary education². MAIL is not an exception; low levels of education and capacity affect all ministries. In addition to these challenges, subnational capacity is constrained due to inflexibility in the establishment control system. Currently, annual ceilings for all budgetary entities are set by the budgeting committee led by MoF (with the participation of IARCSC and MoEc) based on the historical trends and budget limitations. In the absence of government policy, strategic directives, or multi-year projections guiding fair allocation, the Tashkeel is often not aligned with the ground realities, especially in provinces, resulting in uneven staffing levels and difficulties in mapping employees to positions in the Tashkeel. As a result, line ministries face the added challenge of variable provincial level staffing structures. Civil servants have also frequently been targets of the insurgency making their access to large parts of the country difficult.

8. **Recruitment processes have to a large extent failed to facilitate the recruitment of more qualified and competent civil servants.** While the legal framework provides for merit-based recruitment, this has not yet been institutionalized. The 2008 Civil Servants Law introduced open and competitive recruitment with posts required to be tied to objective, merit-based criteria. However, recruitment processes remain convoluted and vulnerable to political intervention, with senior appointments particularly subject to political bargaining. The redress mechanism of appeals is similarly open to political influence and remains cumbersome, contributing to delayed selections. Recruitment processes have also largely failed to overcome traditional barriers constraining gender equity/equality in civil service recruitments. Women account for approximately 21.9% of the civil service and only 6.6% of senior positions.

9. **Donor-funded technical assistance has helped to address short-term capacity gaps, but has contributed to keeping talented staff beyond the reach of the public sector.** In the context of weak civil service capacity, many donor-funded programs have hired non-civil service staff (known as a “parallel civil service”) to support urgent development objectives. Approximately 20,141 National Technical Assistance (NTA) contracted staff and advisors are employed by Government through on-budget donor financing and from own development budget. An additional 8,000 advisors are

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² MAIL Capacity Building for Results (CBR) Facility Proposal (CBRP)
estimated to be employed off-budget.\(^3\) NTA has often been used to directly administer core Government functions rather than building long-term state capacity, limiting ownership and accountability of policy reform. NTA salaries are generally between 6-16 times higher than comparable grades in the core civil service (representing 4% of the total budget) with the high demand for limited high-skilled staff being the major cause of this differential.\(^4\) Therefore, as aid volumes decline, the sustainability of donor-funded programs and by extension, technical assistance is at risk.\(^5\) Moreover, while Pay and Grading (P&G) is the dominate scale for the core civil service and the NTA for donor-funded staff, there remain over ten different pay skills in use across the public sector. This not only undermines the principle of equal pay for equal work but contributes to fragmentation and lack of transparency of the overall civil service.

10. The long-term sustainability of the civil service is further undermined by disconnected Human Resource Management (HRM) practices. Ambiguity over HRM is even more pronounced at the sub-national level. Career development is not encouraged by the current system of civil service management. Lack of a functional and updated Human Resource Management Information System (HRMIS) for civil servants makes it extremely difficult to understand the actual number of active civil servants and to validate their identity. This adds to the concerns regarding ghost employees (especially teachers) and continues to obstruct efforts at an automated payroll system linked to the Afghanistan Financial Management Information System (AFMIS). Performance appraisal and training are also often not well coordinated. Training programs have often focused on NTA staff, and no comprehensive training program has been designed for core civil servants.\(^6\) Investments in NTA staff have often been lost, as short-term contracts result in high turnover. There are exceptions to this pattern in some line ministries, although training remains piecemeal and unsystematic. For example, teachers have been trained through Teacher Training Centers (TTCs), although there appears to be little oversight and considerable variation in training quality.\(^7\) The Afghanistan Civil Service Institute (ACSI) – the IARCSC’s training arm – has been unable to undertake major training initiatives due to its own capacity limitations.

11. The Government of Afghanistan (GoA) recognizes that it is critically important to address these challenges, all of which impact negatively on service delivery. In this regard, the GoA’s overriding strategic vision target for the next phase of civil service support, is that of “Establishing, maintaining and improving professionalization (of the civil service)”. This is derived from the development priority on “Building a responsive and effective public administration system” of the 2017-2021 Afghanistan National Peace and Development Framework (ANPDF). The ANPDF highlights the need for Afghanistan to establish a civil service that is responsive to national development needs and promotes the balanced participation of Afghan men and women. It notes however, that first Afghanistan must overcome a deeply politicized legacy permeated by patronage and corruption, and that has led to large numbers of unqualified staff in the civil service. Reforms must uproot deeply embedded practices and convince powerful political figures that the interest of Afghanistan is best served by building a professional civil service that creates more value than it consumes. The IARCSC, through its new Strategic Plan, has been tasked by GoA to translate these goals and targets set under the ANPDF into tangible action. The proposed TAGHIR Project which constitutes the consolidated implementation arm of the IARCSC’s Strategic Plan, is intended to provide critical inputs in support of IARCSC’s planned civil service professionalization reforms.

\(^3\) There has been no systematic tracking of such data due also to the difficulty to monitor off budget NTA.
\(^4\) A preliminary survey conducted at the largest donor-funded ministries (non-security) highlighted that on-budget NTA comprising just 4% of the total staff number in these ministries cost almost 20% of the combined wage-bill of civil servants and NTA in 2013.
\(^5\) External aid has declined following the gradual military withdrawal of international forces, and it is expected to fall even further in the coming years, to about 25 percent of GDP by 2018. Afghanistan Systematic Country Diagnostic (SCD), World Bank, 2015.
\(^6\) The World Bank has provided formal and on the job training for public finance officials through successive financial management projects. USAID has similarly routed considerable development resources for improving the skills of civil servants through its projects. Development partners such as Japan, India, UK, Malaysia and other countries have also provided financial support for civil servants to pursue short term, undergraduate and graduate programs in their universities.
\(^7\) Critical Administrative Constraints to Service Delivery. World Bank, May 2014.
Relationship to CPF

12. **TAGHIR is aligned with Pillar 1 of the Country Partnership Framework (CPF) 2017-2021 - Building Strong and Accountable Institutions.** The overall objective of this pillar is to contribute toward the Government’s long-term goals of state building and self-reliance, and tackling the underlying drivers of fragility by strengthening the institutional and regulatory framework for service delivery, strengthening planning, and fiscal and public financial management (PFM). The project is closely aligned with all three objectives within this pillar, namely: improved public financial management and fiscal self-reliance; improved performance of key government ministries and municipalities; and improved service delivery through enhanced citizen engagement with the state.

C. Proposed Development Objective(s)

To contribute to the professionalization of the Afghan Civil Service through support to human resource management and institutional reform.

Key Results (From PCN)

13. **The key results of TAGHIR are based around the priorities and related key objectives set out in IARCSC’s Strategic Plan.** These are as follows:

- **Strengthening the legal and regulatory framework for civil service professionalization.** This includes amendments to the Civil Servants Law, which will establish provisions for: (a) reform of Pay and Grading (P&G) and other pay structures across government; (b) implementation of a transparent and more accountable merit-based appointment process; (c) development and institutionalization of a modern system for human resources management; and (d) promoting equity in the civil service by optimizing the participation of women through provisions for an inclusive and gender-sensitive merit based recruitment system.

- **Enhancing civil service planning capacity and operational performance:** civil service size and cost projections to inform annual budget process and pay reviews more effectively and transparently.

- **Strengthening the leadership, policy, regulatory and oversight role of the IARCSC.** This includes: (a) strengthening the Afghanistan Civil Service Institute to improve its training delivery performance; and (b) enhancing the independence, transparency, accountability and capacity of the Civil Service Complaints Board (CSCB) and Civil Service Appointments Board (CSAB) and their respective committees.

- **Enhancing operational performance at the central, ministry and sub-national levels.** This includes: (a) optimizing the functions and organizational structures of ministries and agencies to work more effectively, for example, through updating the HRMIS to create a robust employee identification system; and (b) strengthening the human resources capacities of ministries and agencies, at all levels.

D. Concept Description

14. **TAGHIR would support the next steps in professionalizing the Afghan civil service.** It would build incrementally upon and look to address the gaps and shortcomings in the important initiatives already made, rather than radically changing directions of travel. This is proposed through the following components:

**Component 1: Legal and Policy Framework for Civil Service Professionalization [5m].** This component would facilitate technical assistance (global practices) to support further development of legal and policy frameworks of direct relevance and enabling importance to planned interventions. Proposed legislative measures are intended to help lay strong foundations for: (a) the priority reforms government plans to help professionalize the civil service, including the
introduction of professional cadres and bringing into the civil service ranks, the position of Deputy Minister; and (b) preserving the integrity of the civil service, through institutionalizing merit-based appointment, clarifying establishment control and removing pay disparities, which if implemented, would strengthen resilience to political change or interference. Key legislative and policy frameworks targeted for further development include:

- **Civil Servants Law** to provide a legal framework that enables a mixed career and position based system, merit and tailored-based recruitment to the civil servant, renewal of civil service, transfers, sanctions and a transparent grievance redress, and positive gender discrimination.
- **HRM policy.** This would include: (a) provisions for an institutionalized, stratified, inclusive and gender-sensitive merit-based recruitment system; and (b) a cohesive training, transfer, and promotion (career) framework.
- **Policy on establishing harmonized and standardized structure for core common functions** in the public administration, including professional cadre and permanent Deputy Minister positions for Administration and Finance.
- **Policy for Establishment (Tashkeelat) Management, and Review and Revision of Pay Structures.**

**Component 2: Institutional Strengthening [$35m].** This component would provide investment inputs to support the improved structure and strengthened capacity of priority line ministries and independent agencies (LMAs). Support to LMAs would be predicated on carry-out of functional reviews for which technical assistance would also be provided under this component. Functional reviews supported by the World Bank are currently ongoing in the Ministry of Public Health (MoPH) and Ministry of Education (MoE). Key amongst the entities to be supported under this component is IARCSC under which the GoA has recently consolidated all of: establishment control; recruitment oversight; recruitment complaints handling; career and performance management; training; and pay. This consolidation while significantly helpful in addressing the duplication of responsibilities previously involved in civil service management, requires as a prerequisite, a strengthened and reconstituted IARCSC, the professionalization of which will also be important to help it become less vulnerable to potential attempts at politicization. Guided by a recently completed World Bank functional review, a number of functional areas within the IARCSC’s mandate will be targeted, including:

- **Policy analysis** including research, and monitoring and evaluation of public administration reforms.
- **Public outreach** including communications capacity and networks for public administration reforms, both internally and in relation to the Government at-large, as well with respect to the donor community.
- **Civil service planning** including improved capacity for wage-bill modelling, allowing Government to better monitor the size and cost of the civil service. This would also serve to inform the annual budget process, helping to mitigate constraints in Government’s ability to plan pay adjustments due to lack of predictability of donor funding for the medium term.
- **Civil servant registration and payroll integration** through establishment a fully functioning (all-of-government) biometric supported and payroll-linked HRMIS, in collaboration with MoF and the Ministry of Education (MoE) which employees 66% of the civil service.
- **Appointments and Appeals oversight** including organizational capacities (staff, systems including ICT, and procedures) of IARCSC’s Independent Appointments and Appeals Boards and their sub-committees/secretariats’.
- **Civil Service Training** including the development of a comprehensive training strategy, and facilitation of an institutional twinning arrangement that supports the capacitation of ACSI and avails targeted common function in-service training on ACSI’s behalf in the interim.

**Component 3: Performance Management [$60m].** This component would support a series of disbursement-linked indicators (DLIs) designed to incentivize the achievement of relevant reforms, including but not limited to those supported through investment inputs. It would serve to finance the recurrent and upfront costs associated with specific reforms e.g. civil servant salaries, revision of pay structures, civil service renewal etc., as well as the related operational costs of IARCSC.
Proposed DLIs target reforms that are primarily led by IARCSC, complementing broader all-of-government benchmarks proposed for the upcoming World Bank Incentive Program (IP) Plus. These include:

- An integrated HRMIS linked with payroll module in AFMIS established.
- x% implementation of civil servants’ renewal action plan (target may be staggered/phased).
- 100% compliance with new stratified P&G scale for civil servants (including cadres and Administration and Finance Deputy Ministers).
- Reduction of “parallel civil service” staff by x% from 2017 baseline (target may be staggered/phased).
- x number (based on wage-bill analysis) of priority (new) civil servant positions competitively selected, in line with new recruitment processes (target may be staggered/phased).
  - Promoting gender equality in civil service: at least 30% of which are women.
  - Improving capacity at sub-national level: at least 30% of which are at sub-national level.
  - Supporting establishment of cadres in common function and select technical areas: at least x% of which is cadre recruitment.
- 100% of Administration & Finance Deputy Minister positions recruited as civil servants.

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project will facilitate activities related to Human Resource Management (HRM) and institutional reforms. These will be targeted in the headquarters (Kabul) and provincial offices of the Independent Administrative Reform and Civil Service Commission (IARCSC) and other key line ministries and independent agencies. Project activities will not involve physical infrastructure or civil works.

B. Borrower’s Institutional Capacity for Safeguard Policies

IARCSC has engaged with the World Bank over many years in the implementation of public administration and civil service reform programs and projects. The project will not support physical infrastructure and civil works and therefore not trigger environmental safeguard policies. However, IARCSC's capacity on and systems for functional Grievance Redress Mechanisms (GRM) and other citizen engagement measures related to planned HRM and institutional reforms, particularly as relates to organizational restructuring, civil service renewal, recruitment, and recruitment appeals. Should any of the project interventions result in staff retrenchment or organizational rightsizing, care shall be taken to ensure adequate consultation with those affected and design of packages that adequately address HRM standards as applicable. A Social and institutional assessment will be undertaken to help IARCSC gauge potential impacts and recommend measures to address them.

C. Environmental and Social Safeguards Specialists on the Team

Shankar Narayanan, Social Safeguards Specialist
Mohammad Arif Rasuli, Environmental Safeguards Specialist

D. Policies that might apply

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<tr>
<th>Safeguard Policies</th>
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Feb 26, 2018
### E. Safeguard Preparation Plan

**Tentative target date for preparing the Appraisal Stage PID/ISDS**

**Apr 25, 2018**

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The measures taken to enhance professionalization of the Afghan Civil Service through support to human resource management and institutional reform can have positive and negative social impacts on human resources that needs to be carefully assessed and mitigation measures planned and implemented. Ahead of Appraisal, the project would undertake a Social and institutional assessment to gauge the impacts and recommend measures to address them.

### CONTACT POINT

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**Borrower/Client/Recipient**

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**APPROVAL**

<table>
<thead>
<tr>
<th>Task Team Leader(s):</th>
<th>Yousif Mubarak Elmahdi, Atiqullah Ahmadzai</th>
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**Approved By**

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<th>Ismaila B. Ceesay</th>
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<td>Abdoulaye Seck</td>
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