

## Scaling up Technical Assistance and Capacity Development in Afghanistan

### 1. Introduction

There has been recent heightened interest among donors and government about the scope for a national civilian technical assistance plan<sup>1</sup> coupled with a widening discussion of a civilian technical assistance surge. The major problem of these approaches is that they are driven by the need to show quick results on the ground. While superficially attractive experience shows from other countries e.g. Iraq, Sierra Leone, that unless they are part and parcel of a longer term and more incremental approach they can undermine capacity, weaken institutions and are difficult to coordinate and manage. The accent is on getting the job done rather than building the capacity of Afghan counterparts to do the job themselves. As a result

- Training and institutional development often takes a back seat.
- It undermines sovereignty and leads to resentment on the part of Afghans who see a second and more advantaged 'civil service' developing.
- In addition, with limited Afghan capacity already it puts additional strains on already fragile institutions and overworked key officials who have to manage the TA.

Nevertheless, in spite of the risks, the challenge to look for innovative ways to improve public services as rapidly as possible is enormous. In large parts of Afghanistan there are no public services to speak of. This undermines citizens' faith in government and opens the door to the Taliban. While long term, incremental development is necessary it is not sufficient to meet the challenge. This paper points out the risks and identifies some key opportunities/ modalities for scaling up civilian technical assistance. The overwhelming requirement is that it should be Afghan lead and build as much as possible on what exists already-institutions, processes and programs rather than come up with entirely new modalities.

There is nothing new about talk of a civilian surge. Since 2002 there has been an ongoing civilian surge to plug capacity gaps and get tasks done in Afghanistan. Thousands of individuals have come and gone and come again and billions of dollars have been spent. In 2004 alone the OECD/DAC estimated donor spending on TA in Afghanistan at \$460m representing more than 20% of total ODA to the country in that year. Key Afghan ministries all have their enclaves of international and local TA. The Ministry of Finance for example has 300 national TA and 71 international TA. This TA is hired in a variety of different ways with different remuneration packages and with different management and oversight arrangements depending on the Ministry and department. The experience to date has been varied, some have done an

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<sup>1</sup> See the Government's Civilian Technical Assistance Plan, June 2009

excellent job and others have been poorly managed<sup>2</sup>. The problem with ‘surges’ is that they require good logistics, management and especially coordination. The military are good at this but civilian agencies less so –they are less task driven and there are usually competing interests, incentive structures and ‘turf’ wars between them. What also happens is yet more coordination mechanisms are created to manage the additional TA which undermine existing institutions and mechanisms. This has been a major problem of Afghanistan’s development to-date.

The argument for improved service delivery through capacity building is strong but we should not confuse task delivery with capacity development. The two are different and require different approaches. If the priority is to get the job done then capacity development will take a back seat. Getting clarity on this is important because many capacity development programs fail because TA brought in to develop capacity end up performing executive tasks. This may be inevitable given the depth of the capacity gap in Afghanistan today but we should at least start with clarity about ends. We also need to better define the ‘capacity problem’ we are trying to solve. Building up the capacity of governors’ offices, for example, in order to improve service delivery at provincial level will not, alone, fix the problem, governors are important for coordination but line ministries deliver services. Ideally, the two need to be fixed together.

Before proceeding with a major new initiative to boost technical assistance in order to strengthen capacity, it would be helpful to review the extent to which technical assistance already exists within government and the areas where it has been successful or less successful. If we want to see quick results on the ground is lack of TA the main constraint or is it lack of coordination, clear objectives and leadership. This can only be judged by an in-depth look at the institutions and ministries concerned. Throwing additional TA at the problem without fully understanding current arrangements and constraints may only exacerbate the problem.

What we need to answer is

- Whose Capacity and for What?
- How best to view capacity development?
- What has been the experience in the country to-date?
- What are the potential entry points for new programs?

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<sup>2</sup> Serge Michailof: Review of Technical Assistance and Capacity Building in Afghanistan. Discussion paper for the Afghanistan Development Forum, April 2007.

## 2. Whose Capacity and for What?

In the current discussion, capacity development (CD) is largely applied in the narrow context of public organizations rather than in the wider context of fostering the private sector's competitiveness and civil society's ability to hold government accountable. Capacity refers to public officials' competence to perform their tasks, and acquire skills that have been eroded during the long years of conflict. The end goal of support to CD is better services to the Afghan people. We support that CD which increases public officials' skills to manage and monitor funds, personnel and materials that can enable public organizations to deliver better services.

Effective civil servants however require effective institutions: even competent officials with the most up-to-date knowledge and skills can contribute only marginally to their organizations' effectiveness when their institutional environment is unsupportive. For this reason the establishment of legal frameworks, improvement of organizational structures, holding the merit line in recruitment and other aspects of institution-building must be part and parcel of capacity development.

## 3. A framework for viewing capacity development

Afghanistan's overall capacity deficit and the divergence between different donors' approaches are both very large. The Inter-ministerial Commission for Capacity Development (ICCD) which was mandated by the ANDS to serve as a single reporting point on capacity building for both government and donors has made little headway since it was established by Presidential decree in 2007. Because the topic is so wide, developing a framework to organize our thoughts and structure our analysis is useful. One way is to categorize CD needs according to the *level of public officials*: goal setters at the highest (cabinet) level, goal achievers the senior managerial level, and task performers at the front-line such as teachers and extension workers.

Capacity needs of the cabinet are loosely termed as leadership skills and pertain to cabinet's ability to set goals by weighing between costs and benefits of policy options in order to prioritize between them, and to develop consensus within cabinet around those choices. Individually, ministers need to set the vision and strategy for their own ministries. Provincial governors also need similar skills in order to play their intended role of coordination at the provincial level.

Senior officials and managers achieve the goals of government by keeping business processes running. They require capacity to perform what are termed 'common functions' in Afghanistan i.e. policy and strategy development, project management, financial management,

procurement and human resource management and monitoring. In addition, some senior officials require specialized sector expertise such as in tax policy, health interventions.

Front-line task performers require knowledge and skills related to their own functions which are unique to their sector. Teachers need pedagogical skills and knowledge of the syllabus, while agricultural extension workers need to know about fertilizers and crops. Given Afghanistan’s long years of isolation from modern public management, these officials also require orientation towards citizen’s needs.

While not wanting to push this analytic too far what it usefully does is differentiate between ‘common functions’ and more sectorally specific themes related to a particular ministry or line department. The former more naturally lends itself to development of national programs e.g. on leadership, public financial management, etc., while the latter to more institutionally specific programs on health, education, agriculture etc.. Building on this analytic maybe useful in the design of capacity development programs. So, for example, you might design a national capacity development program for senior and middle level managers around delivering ‘common functions’ which cuts across specific line departments, while other programs will be more institutionally specific and related to particular sector expertise.

#### 4. The experience to-date

The Government has had extensive experience with the use of technical assistance for capacity development since 2002. The impact of these practices on government capacity remains unclear at best. Today the public sector in Afghanistan remains characterized by an array of remuneration and employment arrangements; some introduced by government and others implemented in a largely ad hoc manner by donors (Box 1). This has commonly come to be known as the problem of the “second civil service”. In reality the civil service is drawing upon a range of options with regard to staffing support including: (i) regular civil servants on normal government terms and conditions; (ii) civil servants receiving higher salaries or top-ups via government or donor funded initiatives; (iii) contract positions within the civil service filled by national or international consultants, and (iv) national staff in NGOs, UN and international agencies, on secondment to government.

| <b>Box. 1 Remuneration and Employment Initiatives in Government</b> |  |   |  |
|---|--|---|--|
| <b>Initiative</b>   | <b>Description</b>                                   | <b>Rates</b>                                | <b>Status</b>  |
| Current pay scale   | Paid to civil servants not otherwise provided for.   | \$56-206/month across 12 grades.            | Approx. 300,000 civil servants. In part reimbursed by ARTF recurrent window. |
| Priority Reform and Restructuring (PRR).                            | Interim Additional Allowances (IAA) paid to staff in | PRR – \$80-\$235 per month across 6 grades. | Currently 31,000 staff receiving IAA. PRR decree had been abolished July     |

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|-------------------------|--|---|---|
|                         | departments/ministries who have undertaken reform of structure, job descriptions and recruitment.  |   | 08. Article 42 of CS Law allowed IARCSC to continue equivalent scheme. Old law was reinstated June 09 to allow MoF to make payments. PRR managed by CSMD. 4000 positions received new IAA in first quarter of 1388 across 23 ministries. Paid from code 95 in first year and ministry budgets subsequently. |
| PRR Superscale          | Additional allowance intended to retain exceptionally well qualified staff. Supporting evidence of prevailing salaries in national/Regional market should be provided. | \$300-\$2000 per month  | 1786 positions in approx 26 ministries. Majority go to IARCSC and MoF. IARCSC manages. Charged to code 95 first year, code 21 second year. Current estimate (incl. Pres. Awards) \$3.13m/year.  |
| Presidential Awards     | Awards made to individuals on Presidential order.  | \$2000-\$12,500 per month.  | Currently 117 positions, managed by IARCSC. Primarily members of Parliament. From code 95.  |
| Other gov't Allowances. | Cadre or special allowances for selected professional groups.  | Cadre allowance paid on basis of education – up to 25afs per month. Special allowances for university teachers lawyers in SC and office of Attorney General. Range 1200Afs to 2800Afs per month | Understood education allowance would determine position on scale not additional allowance.  |
| Pay and Grading Reform. | Implementation of new grading and pay  | \$100-\$663 across 8 grades.  | Approximately 16,000 staff regraded across first  |

|                                   |   |  |   |
|-----------------------------------|---|--|---|
|                                   | structure throughout government. Those already appointed through merit under PRR essentially automatically transferred  |  | five ministries and should receive payment soon. Overseen by IARCSC. \$30m for first year.  |
| Management Capacity Program       | Consultants filling grade 1-4 in line positions in core functions for 2-3 years. Merit based competition.   | \$1000-\$7500/month across 4 grades, plus some expatriate benefits.  | First \$10 million committed to 70-75 positions in 12 ministries, with approx. 42 committed. Funded by ARTF – overall \$35 million cost of approx 240 positions.                          |
| Salary top ups to civil servants. | Training, travel, hardship, secondment and other allowances made to civil servants working on donor projects/programs.  | Variable and donor dependent. Both on and off development budget. Generally in IDA/ARTF operations range from \$170-969/month. | Extensive throughout govt. Sometimes funded through PIUs, facilitating partners. In IDA projects generally paid as DSA, training, hardship allowances.                                    |
| Bilateral staffing assistance.    | National and international consultants filling or advising line management positions in govt. Estimated at costing around \$106m over last three years, but this does not take account of numbers funded through projects or third parties. | UNDP up to \$3400. EQUIP up to \$6000, NSP approx \$5400, AREDP - \$5771.  | Extensive use of project paid staff for key positions in government. MoE has over 1200 consultants in non teacher positions costing approx. \$15m out of \$30m non teacher salary budget. |

Government programs such as PRR/PRR superscale, LEP and MCP were introduced in order to level the playing field between the international agencies and the government as competing employers. These programs were intended to provide a mechanism, rationale and remuneration range for rationalizing the various pay and employment arrangements in government, and were intended to be time limited. Longer term, as the economy and government capacity grew, salary levels were expected to reduce relative to per capita GDP. A comprehensive pay policy would lead to a rational pay structure and be applied evenly to all

staff working for government. It would also take account of the need to retain distinctive technical and managerial skills within government. In 2008, the Government approved a new pay and grade policy which it plans to apply across the civil service over the next four years. Pay scales under this new policy range from \$100 - \$650 per month – up from the current levels of approximately \$40-\$200 per month. In addition, in order to exert some control over salary supplements and ad hoc payments to civil servants, Government put in place in 2003 a decree for the management of salary supplements and reimbursable expenditures. This was not implemented. Rather, the implementation of the new pay and grade reform has been slower than anticipated and as a result ministries and donors proceeded with their own arrangements for staffing up programs and ministries – either with technical assistance or salary supplements - in a largely ad hoc manner.

Collectively, the Government and donors have not put in place a transition strategy with regard to ad hoc arrangements for both providing staffing support and salary supplementation in government. The various arrangements to compete for and remunerate scarce skills have continued at pace (Box 2), without a clear framework and without sun set arrangements. In addition, the government and donors are now anticipating a further influx of TA into government without any idea of how to manage, place or monitor these inputs for clear results or to ensure that capacity is transferred sustainably.

| <b>Box. 2. Estimated Numbers of TA in Key Ministries</b> |                    |                         |
|--|--------------------|-------------------------|
| <b>Ministry</b>  | <b>National TA</b> | <b>International TA</b> |
| Education  | 1248               | 11                      |
| Finance  | 300                | 71                      |
| Commerce   | 25                 | 16                      |
| President’s Office                                       | 90                 | 10                      |
| MRRD   | 1134               | 49                      |

These practices are detrimental to overall incentives and capacity development objectives. There is little consistency in the amounts paid to consultants (Box 3) across donors, the positions supported, or the means of recruitment – let alone in efforts to phase these positions out. There is limited transparency in the prioritization of positions or individuals selected, and virtually no monitoring of the number or nature of positions receiving extra normal support in government. There are exceptions. The Ministry of Finance and Ministry of Education have both developed a mechanism to monitor the numbers – if not the cost – of technical assistance in their ministries. In many of the government supported programs, such as PRR Superscale or MCP, there are political pressures placed upon the IARCSC with regard to individual appointments, and the IARCSC continues to run parallel programs with duplicating purposes e.g. PRR applications still being processed across government while IARCSC is rolling out the new pay and grade reform. There is limited or no accountability for the performance of staff supported under various schemes. Only a few ministries, such as MoF and MoE, have expressed intent to pursue a transition strategy to something that is sustainable in the long term.

| <b>Box 3. Salary ranges for Management positions supported by donors in Government US\$</b> |                 |           |                                      |           |                     |
|---|-----------------|-----------|--------------------------------------|-----------|---------------------|
| Management Level  | World Bank/ARTF | DANIDA    | UNDP/UNESCO/UNI CEF without benefits | USAID     | Current Govt. Scale |
| Lower   | 100-1000        | 100-1040  | 220-830                              | 150-350   | 75-80               |
| Middle  | 1000-2500       | 1100-3000 | 650-3000                             | 1250-2000 | 85-90               |
| Senior/Higher   | 2500-7500       | 3000-5000 | 1800-6000                            | 3500-6000 | 100-1000            |

*Note: Info based upon MoF, MRRD, MCP and MoE data. Other than the above, donors fund a number of positions in the Independent Department of Local Government [IDLG] and the Secretariat of the ANDS. Salary ranges from USD 200 at the lowest level to USD 9600 at the highest, on monthly basis. Highest rate for Govt. pay scale relates to Above and Beyond scale – usually deputy ministers.*

The scope and cost of these practices within ministries cannot be underestimated. In some ministries, core technical assistance (not including PRR Superscale or MCP staff) are essentially running the ministry and adding significant amounts to the implicit recurrent costs of the ministry (Box 4).

| <b>Box 4. National Consultants Relative to Civil Service Staff and Costs</b> |                             |                  |                             |                            |
|--|-----------------------------|------------------|-----------------------------|----------------------------|
|  | No. of Staff                | 1387 Salary Exp. | No. Local consultants       | Estimated Cost/Yr          |
| Ministry of Finance  | 2036 (HQ)                   | US\$3.9m         | 300 project                 | Min. US\$5.4m <sup>3</sup> |
|  | 5116 (Total)                | US\$9.7m         | 11 MCPs in place or planned | \$511,000                  |
| Ministry of Education  | 40,000 (incl. 30,000 agirs) | US\$12.9m        | 1261                        | US\$15m                    |
| One more   |                             |                  |                             |                            |

In addition, proposed salary levels for the upper civil service under the government’s new pay and grade reform are well below those being paid to staff and consultants on comparable posts through various donor funded schemes. Equivalences across similar positions have not been established, since terms of reference for each position are generally subject to the approval of the particular donor, rather than across government. As a result there is considerable variation among designated positions that have similar responsibilities (Box 5.) The wide variation in pay across comparable jobs additionally blatantly undermines the intent of the pay and grade reform itself – and creates a perception among the core civil service, that it is outclassed and out-paid, and that corruption is a valid means of leveling the playing field in this regard. Because these salaries are considerably higher than pay and grade salaries, this creates further pressures for topping up salaries for civil servants. Key civil servants are able to negotiate

<sup>3</sup> Conservatively based upon average salary of \$1500 per month.

individual top up packages from donors and their own managers. Where they are unable to do so, they withhold support for implementation of donor programs.

| <b>Box 5. Differences in Salaries for Similarly Designated Positions</b> |                  |                            |
|--|------------------|----------------------------|
| <b>Designation</b>   | <b>Funded By</b> | <b>Net Pay (USD/month)</b> |
| Provincial Internal Auditor  | CDP/USAID        | 970.00                     |
| Provincial M&E Officer   | CDP/USAID        | 1023.00                    |
| Provincial Monitoring Officer  | World Bank/ARTF  | 655.00                     |
| Provincial Procurement Officer   | DANIDA           | 889.00                     |
| Provincial EQUIP Officer   | World Bank/ARTF  | 1105.00                    |
|  |                  |                            |
| Provincial Finance Officer   | DANIDA           | 889.00                     |
| Provincial Engineer  | CDP/USAID        | 1023.00                    |
| Provincial Engineer  | World Bank       | 925.00                     |
| Provincial Management & Education Advisor                                | CDP/USAID        | 1616.00                    |
|  |                  |                            |
| Senior Engineer  | CDP/USAID        | 1023.00                    |
| Senior Provincial Engineer   | CDP/USAID        | 1535.20                    |
|  |                  |                            |
| National Internal Auditor  | CDP/USAID        | 1023.00                    |
| National Program Officer   | CDP/USAID        | 1023.00                    |
| Project Manager  | CNTF             | 2000.00                    |
| Project Coordinator  | UNESCO           | 1535.00                    |
|  |                  |                            |
| Admin. Officer   | DANIDA           | 1306.00                    |
| Admin. Officer   | CDP/USAID        | 1023.10                    |
| Budget Officer   | DANIDA           | 1440.00                    |
| Finance Officer  | World Bank       | 1306.10                    |
|  |                  |                            |
| Junior Officer [NSP- mid-point of scale]                                 | World Bank/ARTF  | 723.00                     |
| Junior Officer [EQUIP – fixed amount]                                    | World Bank/ARTF  | 889.00                     |

IDA and ARTF financed projects have embraced these ad hoc practices in order to ensure capacity is available to implement activities. Most projects are funding national consultants, essentially, in executive positions and/or significant allowances to civil servants working on IDA/ARTF projects (Box 6). A range of salary scales are in use – not necessarily consistent with other donor salary scales within the same ministry – or across ministries for similar positions. There is little monitoring of personnel, rates or performance across projects – or of the overall costs of such support relative to development activities on the ground.

| <b>Box 6. National Consultants in IDA/ARTF Projects</b> |  |                             |
|---|--|-----------------------------|
| <b>Project</b>  | <b>No. of National Consultants</b>     | <b>Salary scale</b>         |
| EQUIP   | 450 (out of 1250 total in MoE).        | \$100 - \$6000              |
| NSP   | 716                                    | \$367 - \$5472 <sup>i</sup> |
| NERAP   | 375 TA, 268 civil servants on top ups. | \$1000-5667                 |
| MCP   | 42 in place out of 75 in first round   | \$1000 - \$7500             |
| AREDP   | 80 (incl. 39 village facilitators)     | \$100 - \$5771              |
| Avian Flu   | Approx. 109 (incl. store keepers)      | \$425 - \$6700              |
| SHARP   | 47                                     | \$1273 - \$4927             |
| PFMR  | 55                                     | \$220 - \$3418              |
| UNDP national consultants                               |  | \$737 - \$4560              |
| WB ETC Scale  | Net rate minus benefits                | \$1540 - \$5768             |

Overall, these practices have resulted in resentment between staff, between donors and government, and between Afghan citizens who feel that resources can be better used for poverty alleviation. There is competition among civil servants to move to higher remuneration packages. Motivation remains poor because of resentment against those receiving higher salaries. Distorted accountabilities within ministries contributes to administrative chaos. Even more problematic is the creation of parallel “civil services” within individual ministries – with the “topped up part” responsive and largely accountable to donors and a resentful “normal” civil service actively undermining their effectiveness rather than aiding them.

It is urgent to transition out of these ad hoc arrangements. Donors and government have expressed concern about the incidence and impact of corruption and the need for greater development effectiveness. Reducing dependence upon external technical consultants is a priority for development effectiveness. Failure to transition out of the ad hoc arrangements will eventually undermine the efforts to rationalize pay and terms and conditions to create an affordable public service.

#### 5. The Government’s View and Response

These various initiatives have essentially been put in place to supplement or help build government capacity. At the Afghanistan Development Forum in April 2007 the government and donors agreed to a number of steps to address pressing capacity development issues (Box 7).

| <b>Box 7. Afghanistan Development Forum 2007: Capacity Development Working Group Recommendations</b> |  |
|--|--|
| i.   | The Government will create a single focal point for capacity development. This will likely take the form of an inter-ministerial committee responsible for policy and strategy issues. |
| ii.  | Donors will look at the potential for funding capacity development initiatives through ARTF.   |

- iii. A code of conduct for donors and the government to follow will be developed.
- iv. Capacity building programs implemented in the future will be developed on the basis of needs assessments conducted within government ministries and agencies.
- v. Capacity development programs will include clear outputs and outcomes, which can be easily measured and monitored.
- vi. Technical assistance will include a training element to ensure that there is an element of knowledge transfer to local personnel resulting from technical assistance, and that when those who provide technical assistance leave the country they leave behind sustainable capacity.
- vii. Lessons learned from good models already being utilized.
- viii. The need will remain to buy capacity and build capacity in certain areas.
- ix. A better mechanism for encouraging Afghan expatriates to return to work and live in Afghanistan should be established.
- x. Programs need to be designed to build the capacity of the private sector.
- xi. Capacity building and technical assistance should be linked to public administration reform.

There has been very little action on this agenda. The possible reasons include:

- The single focal group being an inter-ministerial committee was unable to drive the agenda or to focus attention of donors, and the whole of government.
- Solutions proposed so far may not have been grounded on robust evidence and understanding of the specific capacity problems;
- The one-size fit all solutions generally proposed are not appropriate and responses perhaps need to be more asymmetric by region, by sector, by skill area, by ministry,
- Government has neither the capacity nor the will to discipline donor behavior because of the large numbers of countries providing technical assistance and the array of staff who are receiving various remuneration supplements within government.

The Afghanistan National Development Strategy (ANDS) recognizes that technical and financial support provided by donors will remain underutilized unless systemic capacities are built. The ANDS advocates for use of qualified Afghan experts and relevant training programs. In addition, the recently prepared Civilian Technical Assistance Plan lays out key principles for supporting capacity development and technical assistance in government including: the need for Afghan ownership; allocation of TA in accordance with the needs of recipient ministries; a focus upon capacity development in the long term; and enhanced effectiveness of technical assistance inputs.

## 6. Relationship to the Broader Capacity Development Agenda

Technical assistance efforts in Afghanistan must be anchored in the Government's wider capacity building and public administration reform efforts and its overall development agenda, if they are to have any impact on long term capacity. Additional remuneration and financial incentives, in the context of an absolute shortage of competent staff skills will not by itself secure administrative capacity. What is currently happening is that rates are consistently being pushed up for consultants or staff whose capacities to step up to higher level positions are often limited by depth of knowledge and experience. In this case, not only are the rates unsustainable but often the services are not delivered and resources are wasted. In addition, the impact of both international and national technical assistance on civil service capacity is constrained by the lack of basic skills and other structural issues within the civil service. Much of what is presently provided produces only marginal benefits. Short training courses have their place but in the absence of a sound academic or professional training it is often difficult for participants to grasp, let alone apply, that which is being offered.

A scatter-gun approach to delivering technical assistance is unlikely to be successful without attention to other issues such as limited basic education and skills, inadequate pay and pensions, poor working conditions, absence of merit based selection, unclear organizational mandates and authorities in addition to the broader checks and balances required to oversee government performance. Improving the capacity of the civil service to deliver services and broadly meet its mandate will depend upon:

- The ability of government to develop the competence of existing staff, and a broader pool of individuals employable as civil servants over the longer term;
- Ensuring that the scope and size of the civil service, and the structure of individual organizations are consistent with the Government's development priorities, overall mandate at center and provincial/district levels, and fiscal capacity;
- The ability of the Government to recruit, retain and support competent individuals as civil servants, and provide an appropriate incentive framework for performance;
- Political will to limit adverse practices and promote consistency across government; and
- The willingness of donors to engage in a balanced approach to progressively addressing capacity constraints over time.

## 7. A Step Change in Response?

It is inevitable that government will continue to rely upon a range of short to medium term capacity inputs into government, while the broader capacity building agenda is developed. These inputs however, need to be far better aligned to specific development priorities, anchored in sector strategies and have greater consistency in approach with regard to recruitment, remuneration, monitoring, accountability, transition planning and long term fiscal sustainability.

Given the highly political nature of capacity building decisions in Afghanistan, it is important that donors maintain a high level policy dialogue with government. The World Bank and its partners need to understand specific political constraints if they want to focus the attention of the government on this problem. At a certain point, many technical assistance providers face political constraints beyond which it is impossible to navigate effectively, and which often work against the introduction of rule based systems. A garnering of the observations and experiences of TAs in this area, as well as of Afghan observers of the politico-cultural scene, could be extremely useful.

In this context, there is a need to engage with Government in a discussion on the overall staffing and remuneration strategy, not piece meal components. This should involve a continuing discussion between the World Bank (as Administrator of ARTF), donors as financiers of the wage bill through ARTF, and the Government about the overall remuneration policy of the government and the place that various programs such as PRR, PRR supercale and MCP have within this. ARTF donors are meeting a considerable portion of the recurrent costs of government<sup>4</sup> and there is both lack of clarity and contradiction between support to wages and salaries provided through the recurrent budget and the programs supported through the core and external development budget. The interim arrangements are clearly fiscally unsustainable.

Pay reform alone will not resolve these problems, but it is nevertheless important that implementation of a reasonable pay and incentives regime is supported. It is also important to ensure that modifications to this regime are consistent with an overall remuneration framework. This dialogue could be underpinned by findings from: (i) a labor market survey focusing on rates paid in relation to skills available to public service institutions; and (ii) assessments of capacity needs that are likely to remain following the implementation of the new pay and grading reforms and that may require new arrangements. This discussion should also explicitly examine the merits and feasibility of a program of phased retrenchment and re-training for some groups of civil servants, so as to help divest government of poorly qualified staff, while releasing resources that may be used to cover the otherwise unsustainable costs of the higher salaries paid to others.

A further priority is for the donors and government to explore better options for meeting long term capacity constraints. The capacity problem in Afghanistan will not be resolved by the provision of extra TA, short term training courses or additional salaries. A longer term vision is required that addresses the range of professional and technical skills needed and the various mechanisms available to build these skills up over time. In addition, achieving a significant increase in the availability of needed skills will help bring down the cost over time.

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<sup>4</sup> In 1387 ARTF reimbursed \$316 million of the Government's recurrent budget of approx. \$1.4 billion. Payroll based salary expenditures and pensions for non uniform staff were estimated at \$439 million.

8. Where are the potential entry points to improve existing arrangements/ develop new initiatives?

While a broader dialogue on administrative and pay reform and capacity development takes place, a number of initiatives could be pursued to improve functioning of existing arrangements. First, a minimal principle for Bank and donor engagement should be to limit the potential for further harm on the capacity front. TA enclaves, PIUs, salary top ups have fostered resentment and undermined local capacity. In addition, those TA that come in to government are often woefully ill equipped to transfer any knowledge and understanding, and often quickly get swept into executive functions. A more rigorous approach to selecting, preparing, supporting and supervising the myriad of consultants and other TAs who come to work in the country is needed. The MCP provides a model that might be scaleable over time in this regard.

Second, it is important to put some order into the consultant salary scales used throughout government. The World Bank and Government could agree, as a first point, a remuneration scale for local consultants recruited into line positions within government, or recruited on IDA/ARTF projects – with a view to extending this to other donors as feasible. This salary scale should rationalize rates for similar positions across the IDA/ARTF portfolio and within government run schemes, and be based both upon the market survey but also upon a more reasonable multiplier of relevant civil service salaries than currently exists.

Third, there is a need to rationalize the number of positions supported by Bank/ARTF/donor financing on projects and within government and agree to clear time bound benchmarks for winding down such support. There are differences across projects and ministries in how TA is utilized and organized. Bank support in public financial management, education and health (outside NGO support), for example, is largely focused upon the development of core capacities within respective ministries. Other programs such as NSP and NERAP are national programs with distinct management structures and operating to some degree as separate government entities. These programs may require different solutions in terms of their long term evolution and transition (Box 8). In any event, it is essential that these programs bite on this bullet and address the long term transition strategy as a core part of assistance.

Finally, last but not least, it is clear that most capacity development efforts to-date have taken place at the center with little happening in the provinces. This is hardly surprising given the relative security of Kabul, that it is the seat of government, and that most civil servants live and work there, yet the very absence of government in rural areas is undermining its legitimacy. Increasing government visibility out of Kabul will be critical moving forward. Yet there are substantial obstacles. Many areas are unsafe to work, the rewards for working outside Kabul are insufficient (and need to be improved), and government is highly centralized. There is also the tendency of donors in the least secure areas to work through PRTs to deliver services, which does little to support the capacity and legitimacy of government. Provision of TA at the sub national level needs to enhance and support the linkages between the centre and the

province and district rather than undermining it. One clear imperative is to look at the current distribution of TA to see whether more can be shifted to the provincial and district levels. Only when this has been clearly mapped can we judge whether there is an overall deficit of TA nationally or it is just poorly distributed with too few in the provinces and too many at the centre. Second, we need to ensure that the incentive structure for civil servants living and working in remote and often insecure locations is right. This does not mean just looking at the financial package, but also whether the non-financial rewards in terms of career development are sufficient.

| <b>Box 8 Possible Transition Strategies</b>  |  |
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| <b>Regular Ministry Programs</b>   | <b>National Programs</b>   |
| IDA agrees to stop paying for consultants within 2 years.  | IDA and Government agree on life span of the national program, its functional relationship to relevant ministry, and how this will be transferred over time.   |
| Up to that time, IDA and ministry agree on phase down schedule.  | IDA and Government agree on maximum number of staff required for national programs. If national program is anticipated to merge with government functions over time, transferability of staff to the civil service needs to be addressed. Disentangle HR management of national programs from ministry management. |
| If additional consultants required ministry goes to ARTF (this will include MCP posts) with a discrete proposal.                                 | Civil Servants working on national programs should be seconded under terms and conditions of the decree on Externally Funded reimbursements and Secondments.   |
| Any renewals of contracts provided on a new scale more closely aligned to pay and grading.   | National programs to be subject to separate external audit and regular annual reports including details on staffing, pay and allowances  |
| IDA/ARTF will work with ministry on need for special schemes of service or rapid training programs.  |  |
| Any civil servants receiving top ups or seconded to projects subject to framework of decree on Externally Funded Reimbursements and Secondments. | With Monitoring by the IARCSC, MoF, ANDS Secretariat, and periodic reports to ARTF/donors/Parliament.  |

## 9. Conclusions

While technical assistance is clearly a critical component in the overall capacity building effort in Afghanistan, it cannot be addressed on its own and there are considerable downside risks. More technical assistance is not necessarily going to lead to improvements in the functioning of government and in some instances may have negative impacts. Nevertheless there is wide recognition that Afghanistan faces a serious capacity challenge and we need to think outside the box. Prior to a major additional injection of civilian technical assistance it would be valuable for government and donors to begin an open dialogue premised upon the following options

- The need for clarity on objectives. Is the TA to develop capacity or to do the job themselves? If the former then this needs to be explicit in job descriptions and regularly monitored.
- Developing guidance for prioritization, transparency and the need to inject greater capacity at the province/district levels and agreeing as much as possible to use existing programs, government financial channels and line departments to deliver assistance.
- The need to rationalize the numbers of TAs and focus on high priority areas at the same time as other administrative reform and capacity building efforts are being pursued;
- The need to get order into the salary scales through a labor market survey focusing on rates paid in relation to skills available to public service institutions.
- In the context of a discussion on the remuneration framework within government, the desirability of creating professional schemes/cadres and on their salaries and terms and conditions.
- An agreed method for applying for external TA's that ensures that requests for TA inputs are linked to strategic capacity building objectives, sector strategies and clear performance benchmarks ( if agreed this needs to be closely monitored for compliance).
- Developing clear time specific and monitorable transition strategies.
- Developing a credible and transparent mechanism for review of government, parliamentary salaries, in order to address political pressures within the civil service salary bill.
- Identifying a focal point for overseeing the quantity, quality and policy advice regarding extra normal employment and pay arrangements within government.

1 October, 2009

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