



The Effectiveness of the State, Intergovernmental Relations, and the Success or Failure of the International Strategy in Afghanistan

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In the run-up and aftermath of President Hamid Karzai's election to a second term in office, increasing attention is being paid to the ineffectiveness and dysfunction of the public sector in Afghanistan. The close relationship between the Afghan government's effectiveness and the international military strategy in Afghanistan was recently highlighted by U.S. Ambassador Karl Eikenberry, who advised President Barack Obama not to deploy more U.S. troops to Afghanistan unless President Karzai reined in the bribery and graft that have crippled his administration. Secretary of State Hillary Clinton called for the launch of a major crimes tribunal and an anticorruption commission, stating that the United States is "looking to see tangible evidence that the government, led by the president but going all the way down to the local level, will be more responsive to the needs of the people [and] will deliver the services that the people of Afghanistan want."¹

Of course, corruption is not the root cause of the Afghan government's problems but rather a symptom of a wider dysfunction of the public sector. Corruption is the manifestation of structural weaknesses in the Afghan state's organization. Even as the state struggles to establish central control over its own territory, its centralized structure hinders the improvements in public service delivery that—one hopes—will increase state legitimacy and stability. Indeed, the current intergovernmental architecture of Afghanistan's public sector indirectly feeds the ongoing conflict: it gives rise to popular dissatisfaction with the state not only due to the countless opportunities for corruption it creates, but as it causes a wider failure of the state to deliver responsive public services across the country.

Although it falls beyond the mandate of the military to promote long-term, sustainable development, international military forces in Afghanistan have recognized a clear link between the direct and tangible development benefits that the populace receives and their support for the international security and counter-insurgency efforts. This aspect of the international counterinsurgency doctrine is well-publicized and provincial reconstruction teams are relied on across Afghanistan to deliver local development schemes to communities where there is a U.S. or NATO military presence. This effort does not, however, resolve the paradox that strengthening the Afghan state requires its central authorities to share some power and authority over public service delivery with subnational levels. This Policy Brief describes the characteristics of the current intergovernmental system and the burden it places on the delivery of citizen-focused services. Suggestions for steps that donors can take to address the paradox of having excessive central control in a state that is very weak are suggested at the conclusion.

A brief overview of Afghanistan's territorial-administrative structure

Structure of the Afghan public sector. Like in the United States and elsewhere around the world, the practical responsibility for the delivery of key public services in Afghanistan—such as primary education, basic health services, and rural development—falls at the state (provincial) and local (district) level. Unlike most countries around the world, however, the public sector in Afghanistan does not have any elected subnational governments. Instead, a defining feature of Afghanistan's public sector is that the Afghan Constitution specifies that central line ministries are the primary administrative units of the state, while provinces are only recognized as administrative subdivisions of the central government. As a result, provinces are merely deconcentrated administrative units of the central government without any autonomous executive or legislative decisionmaking authority, and with no ability to set their own priorities or experiment with their own programs.

Afghanistan's 34 provinces are further administratively subdivided into 398 districts.² Provinces and districts are generally poorly resourced, and the administrative capacity at the district level is particularly weak. Many district offices of government ministries have few or no staff and no real operating budget, and there are no elected bodies at the district level.³ This structure provides no formal downward accountability to citizens, but instead encourages district officials to be in good favor with higher authorities from whom all resources flow.

Vertical deconcentration. Within this deconcentrated organizational structure, the public sector in Afghanistan is managed in a highly centralized and hierarchical, yet sectorally fragmented manner. Provincial governors are appointed by the president (through the Independent Directorate for Local Government, IDLG) as the most senior representatives of the central

authority at the provincial level, while elected provincial councils essentially only have advisory powers.

In the current intergovernmental structure, however, the role of provincial governors is also limited, largely confined to a playing an administrative and coordinating role, as the provincial departments of sectoral line ministries (and in turn, district-level line departments) form an integral part of their respective ministry's organization structures (rather than reporting to the governor). As a result, public service delivery at the subnational level is organized in a sectorally fragmented, vertically deconcentrated manner, which is also referred to as a "stove-piped" deconcentration or a "silo" structure.

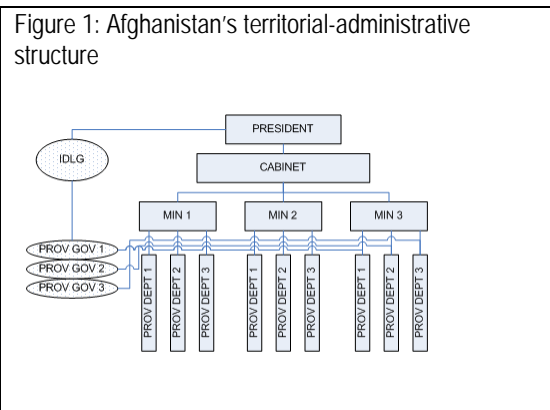


Figure 1 highlights that public services are delivered through the provincial departments of line ministries and that, unlike in the United States and many other countries, there is no unified organization entity at the provincial level in Afghanistan.

Since provincial line departments are merely administrative units of the central government, neither provinces nor districts have their own budgets. Instead, the resources for provincial line departments are part of their respective sector's ministerial budgets. As such, the budgetary resources spent in each province are actually scattered across the national budget within the respective ministerial budgets.

The highly centralized but uncoordinated management of Afghanistan's public sector extends to the municipal level. While the Afghan Constitution makes provisions for an elected and potentially autonomous municipal government, in practice municipalities operate as another deconcentrated tier of central government. No municipal elections have been held since the adoption of the new Constitution in 2004.

Overcentralization results in systemic service delivery failures. Given the country's vertically deconcentrated administrative structure, all budgetary decisions and decisions surrounding public service delivery in Afghanistan are highly centralized.

In theory, if, say, a school were in need of additional teachers or school books, these resources would have to be budgeted as part of the Ministry of Education budget in Kabul. For the public sector to be responsive to local needs, requests for additional resources would have to pass from the school to the district, to the provincial level, up to the line ministry in Kabul, and find a way to be reflected in the central budget formulation process, itself considerably rushed and disordered. In response, resources would have to be added to the ministry's annual budget, and these resources would have to be disbursed and flow back down, roughly through the same hierarchical chain.

In practice, and unsurprisingly, given the many links in the chain between the service delivery units at the local level and central government decisionmakers in Kabul, school books or teachers in our example above do not get delivered or assigned in a responsive manner. Instead, government resources are easily diverted along the way while provincial and district officials are disempowered.⁴

The need to localize the benefits of development assistance in Afghanistan

Much of the emphasis of the development efforts delivered by military forces—using such mechanisms as the Commanders Emergency Response Program (CERP)—has been to quickly get infrastructure projects “on the ground,” such as classrooms, small roads, or irrigation schemes. These worthy efforts are intended to be highly visible and to produce immediate benefits to the local community.

However, winning the hearts and minds of the Afghan people—one village at a time—will require more sustainable empowerment and more durable local benefits. Sustainable improvements in public service delivery can often only be attained by combining the new infrastructure with improved governance and sources of finance. In addition to bricks and mortar, Afghanistan needs a well-functioning public sector.

For a new school or health clinic to hold value for the local community in a way that establishes the legitimacy of the Afghan government, the Afghan government and its international development partners will not only have to provide the infrastructure and security for the new facility, but the delivery of services will require the provision of an ongoing and reliable supply of recurrent resources, such as teachers, school books, and so on. While this challenge is not unique to Afghanistan, the penalty for failing to deliver the benefits from public services and international aid in a coordinated manner is much higher in Afghanistan than in nonconflict development settings.

Current development approaches are undermining the Afghan public sector

While the international development community and its Afghan government partners have recognized that the centralized public sector in Afghanistan is incapable of being responsive to the people's needs in delivering public services, the development responses that it has come up with are

structurally undermining the Afghan public sector.

Going around the public sector. The first approach that the international development community has followed in response to the weakness of the central government has been to avoid working through the public sector. Despite the availability of the Afghanistan Reconstruction Trust Fund (a World Bank–managed multidonor budget support modality), a substantial share of the development assistance is directed to extra-budgetary development programs.

It could be argued that working around the public sector is the only way to get anything done in Afghanistan, improving the situation for citizens now, rather than later. However, whether extra-budgetary development programs have been more effective than on-budget development efforts remains unclear. While comparisons of the budget performance of different development programs indicate that there are significant variations across sectors, there is little or no evidence to suggest that program performance is categorically better for extra-budgetary programs than for on-budget spending in Afghanistan. Arguably the most effective and popular development program in Afghanistan, the National Solidarity Program, which has provided grants to thousands of elected community development committees (CDCs) across the country, is an on-budget program managed by the Ministry of Rural Rehabilitation and Development (MRRD).

An additional problem with extra-budgetary development programs in Afghanistan is that they are often only weakly coordinated with the Afghan government and may even provide line ministries an incentive to create duplicative structures around the public sector, thus detracting from the public sector’s effectiveness rather than improving service delivery.

In many ways, USAID and other development agencies in Afghanistan have relied on traditional development project

approaches that are geared toward delivering public infrastructure or public services in a highly centralized manner through contractors, non-governmental organizations (NGOs), or the private sector. Much less attention has been paid to strengthening the legitimacy of the state, improving the state’s ability to effectively deliver public services in the current conflict environment, or achieving responsiveness in public service delivery. Many extra-budgetary donor programs are implemented by NGOs or private-sector implementing partners that contribute little or nothing to the government’s ability to deliver public services in a sustainable manner. To the extent that international development efforts are effective at improving public service delivery (such as in the case for health services), the metrics are unavailable to measure the impact of such efforts on citizens’ satisfaction and on public perceptions of the legitimacy of the state.

Moving resources to the provincial governor. A second way in which the international development community has sought to improve public service delivery in Afghanistan has been to direct international aid closer to the people by working at the provincial level.

In recognition of the need to get the benefits of public sector services to the people more quickly, international development partners—in particular from those countries with forces in harm’s way—are increasingly moving to support the role of the provincial governors. International military forces have been particularly receptive to this approach, as the provincial governors are the military’s main interlocutors for the provincial reconstruction teams (PRTs).

This approach has been advocated at the central level by the Independent Directorate for Local Governance (IDLG), which was established by presidential decree in August 2007. It should not be a surprise that the empowerment of provincial governors is supported by the president and IDLG, as

governors are presidential appointees who report to him through IDLG.

A recent and significant example of this trend toward direct support for governors is the introduction of the donor-funded Performance-Based Governors' Fund (PBGF), which provides interim, extra-budgetary assistance to governors so that they can meet operational and community outreach needs, enhance their relationships with citizens, and improve their overall management capacity.

However, the PBGF—and the strategy to engage governors more broadly—is only a partial and temporary solution to a much wider problem. In fact, in assessing the role of provincial governors in Afghanistan, it is important to remember that, in sharp contrast to their counterparts in the United States, governors in Afghanistan are not the chief executive officers of autonomous subnational jurisdictions; instead, other than certain administrative functions, governors largely stand outside the public service delivery apparatus.

Although provincial governors have a coordinating role at the provincial level, governors themselves have no direct responsibility for the delivery of public services. Furthermore, provincial governors in Afghanistan are appointed by the president rather than elected, and therefore are only weakly accountable to the population. In the absence of mechanisms to hold provincial governors accountable, providing governors with direct access to funds may *weaken* rather than strengthen accountability over the use of public resources.⁵

In addition, providing direct funding to provincial governors is shifting the power balance between the president and cabinet, as governors hold allegiance to the president without having concomitant service delivery responsibilities, which lie solely with the central line ministries. As such, increasing the reliance on the provincial governors in an attempt to shift public resources closer to

the people may reduce the resources available for public-sector service delivery. Awkwardly, the timing of the introduction of the Performance-Based Governors' Fund could be seen to reward President Karzai and his provincial allies, despite the extensive criticism that has accompanied his re-election.

The emphasis on supporting provincial governors fundamentally stands as a contrast to the current vertically-deconcentrated structure of the public sector, creating an undesirable competition for power, attention, and resources between the central line ministries and the Ministry of Finance on one hand, and IDLG and the provincial governors on the other hand. While competition may be a fine process in general, in this instance, it does not promote improved service delivery.⁶

Draft Subnational Governance Policy. In an attempt to clarify the role of the subnational level in Afghanistan, IDLG prepared a draft Subnational Governance Policy in September 2008. Consistent with IDLG's institutional position, the draft policy seeks to expand the role of the subnational level and seeks to strengthen the role of the provincial governor in subnational resource allocations. However, cabinet-level discussions of the draft Subnational Governance Policy have—until now—failed to lead to the adoption of a subnational governance policy.

The adoption of a coherent and consistent subnational governance policy vision is no doubt complicated by the complex political economy of intergovernmental relations in Afghanistan. Yet, until a new policy is adopted that states otherwise, it would be ill-advised to structure development interventions based on the more territorially deconcentrated model being pursued by IDLG, instead of the current vertical (or sectoral) deconcentrated structure of Afghanistan's public sector (as illustrated in figure 1).

Implications for the Way Forward

The main purpose of this short note has been to raise awareness about Afghanistan's territorial-administrative structure, and to show how the current system of intergovernmental relations in Afghanistan is hindering the effective and responsive delivery of public services. Indeed, the broader international strategy to achieve stability and development in Afghanistan is likely to fail unless the Afghan government and its international partners confront the challenges of the country's system of intergovernmental relations head-on.

Short of building a comprehensive roadmap on the refocusing of international development assistance and the reform of intergovernmental relations in Afghanistan, we suggest that a comprehensive approach includes the following three elements:

1. A systemic approach to strengthening the Afghan government recognizes the strengthening of the province and district levels as a cross-cutting development activity.

The primary development mission in Afghanistan should be to strengthen the legitimacy of the Afghan state by improving the immediate and sustainable delivery of public services.

If the main purpose of the international development agenda in Afghanistan is to improve public service delivery, village by village, district by district, and province by province, then this should be reflected in how development programs are designed and implemented. Whenever possible, this requires working with and through the public sector, rather than relying on large-scale, centralized development programs that are managed from Kabul, which often operate outside the context of Afghanistan's intergovernmental structures.

To strengthen public service delivery in Afghanistan, international development agencies should be acutely aware of—and

whenever possible, align themselves with—the public sector's vertically deconcentrated organization, and strengthen the role of provincial and district offices in delivering key public services, such as primary education, basic health services, agricultural extension, rural development, and so on. To the extent that public services cannot be effectively delivered by the public sector, care should be taken that contractors, NGOs, and other implementing partners are integrated into the current governance structures at the subnational level, rather than directly reporting to centralized agencies in Kabul.

Doing so means that subnational administration and governance should be recognized as an important policy issue that cuts across all development interventions, rather than being treated as a stand-alone topic within a donor's governance portfolio.

In order to guide which development interventions are the most important in achieving the desired policy outcomes, there is a need to have nationwide metrics that measure the success of the development interventions across geographical space in Afghanistan. As such, there is a need to produce better and more systematic feedback on citizen satisfaction and the perception of public service effectiveness.

2. Localizing the benefits of public services should be achieved within the context of Afghanistan's current unitary structure and budget systems.

To make sure that the benefits of public services are felt at the local level across the country, there is a need to work with the central government line ministries, albeit recognizing that the emphasis should be on working downstream at the provincial and district levels to ensure public services improve quickly and in a visible manner.

This assertion has important implications for the work of provincial reconstruction teams (PRTs) in Afghanistan. In addition to working with provincial governors, PRTs

should largely focus their efforts on working with, supporting, and strengthen the provincial line departments to take ownership over their public service delivery functions.

In doing so, PRTs should resist the temptation to focus exclusively on infrastructure development. After all, for public services to be delivered in a responsive manner, provincial line departments have to become proactive advocates for the needs of the communities they serve within each sector. This means that provincially based experts should assist provincial line departments to come up with realistic, short-term service delivery improvement action plans, and assist these departments in resolving the bottlenecks that need to be overcome. Many “quick win” interventions will likely focus on increasing the levels and effectiveness of funding for recurrent operations and maintenance expenditures, rather than the current focus on funding for wages and infrastructure development.

Achieving a rapid and visible improvement in public service delivery will further require resolving systematic bottlenecks in public sector systems and operations. For instance, currently the administrative cost of incurring a small expenditure at the subnational level (such as replacing a broken window) is higher than the actual cost of replacing the window itself, as there are many obstacles to subnational public procurements and as all public sector expenditures have to be routed through the national treasury system. Yet, a proposal by the Ministry of Education to provide each school committee in the country with a small fixed allocation (of roughly US\$500 per year) for operation and maintenance expenditures has been blocked by the Ministry of Finance based on concerns related to fiduciary risk. With the right administrative guidelines to ensure accountability, such a modality would provide the responsiveness that the Afghan public sector needs. The international development community should use its technical capacity as well as its clout with

the Afghan leadership to resolve such obstacles.

3. There is a need to break the stalemate in the subnational debate by creating budget authority for provincial departments as secondary budget units.

There is currently a *de facto* stalemate in the discussion about the role that provinces should play in Afghanistan’s public sector. The Independent Directorate for Local Government (IDLG) has proposed funneling 25 percent of the development budget to the provincial level to fund “the people’s priorities” (as determined by Provincial Development Plans) rather than ministerial priorities. IDLG’s proposed policy reforms would possibly result in more ribbon-cutting by the governor, but would arguably do very little to improve the delivery of public services at the provincial level.⁷

Instead, IDLG’s proposals pit provincial interests directly against the central line ministries, who stand to lose a quarter of their funding without a concomitant reduction in responsibilities. It is therefore unsurprising that this proposal is opposed by the Ministry of Finance, which opposes moving away from a unified planning and budgeting process. Central line ministries would stand to lose power and resources by moving away from the current vertical deconcentration approach to a more provincially based “horizontal” or territorial deconcentration approach.

The proposed alternative—and, we would argue, a potentially viable compromise—would be to retain the general vertically deconcentrated structure of Afghanistan’s public sector, but designate provincial line departments as secondary budget units within each line ministry budget. This proposal directly targets the need for Afghanistan’s public sector to become more responsive: empowering provincial line departments would allow them to respond more effectively to their communities’ needs.

Following this approach, each ministerial budget would be required to reflect not only the division of resources between the central level and the provincial level, but to divide the sector's provincial resources among their provincial departments based on a series of objective sectoral service delivery norms. Provincial line departments would be given increased planning authority over sectoral allocations to the provincial level, allowing provincial line departments to ensure that all subnational public resources are budgeted and spent in accordance with sectoral guidelines as well as in accordance with provincial needs.

Adoption of this basic compromise approach with respect to Afghanistan's subnational governance structure would not only enhance the focus of line ministries on their service delivery responsibilities, but it would also give provincial governors a more constructive and meaningful coordinating role in the country's system of intergovernmental relations.⁸

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Notes

1. Interview with Secretary of State Hillary Clinton, ABC News / This Week with George Stephanopoulos, November 15, 2009.
2. Definitive demarcation of subnational jurisdictions is still not achieved, while there has been a tendency in recent decades for politicized creation of new districts.
3. The participatory mechanisms that are emerging at the local level, including community development councils (CDCs) and district development assemblies (DDAs), are not formally part of the public sector.
4. While anticorruption efforts may somewhat reduce the net expected pay-off of corruption,

maintaining the current system of intergovernmental relations will leave the window of opportunity for corrupt acts wide open.

5. Likewise, if the use of resources and appointments by the provincial governor fails to recognize the unique segmented tribal environment in each province, a greater role for the centrally appointed governor could lead to greater public resentment from excluded groups, which would easily be leveraged by anti-government forces.

6. Although political, administrative, and fiscal decentralization have been pursued to achieve improved public service delivery in other countries, structural attempts to promote a federalist system in Afghanistan could result in the geographical disintegration of the Afghan state along ethnic lines.

7. In reality, IDLG's proposal is thwarted by the fact that the large majority of development resources is allocated by highly centralized, donor-driven development programs.

8. Furthermore, designating provincial departments—including provincial governors' offices—as secondary budget units would instantly provide governors' offices with a budgetary window that would allow them to receive regular funding for operations and maintenance expenditures, rather than forcing the PBGF to be provided to governors' offices through an extra-budgetary donor modality.

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