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MUNICIPAL GOVERNANCE STRATEGIC FRAMEWORK FOR MUNICIPALITIES IN THE ISLAMIC REPUBLIC OF AFGHANISTAN



February-April 2008

This publication was produced for review by the United States Agency for International Development (USAID). It was prepared under contract with Checchi and Company Consulting, Inc. and its Subcontractor through USAID's Afghanistan "Services under Program and Project Offices for Results Tracking" (SUPPORT) project. The report was prepared by Glen Wright, Team Leader, and Ernest Leonardo, (both under contract with The Louis Berger Group, Inc).



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List of Acronyms

AGCHO	Afghanistan Geodesy and Cartography Head Office
AIMS	Afghanistan Information Management System
ASGP	Afghanistan Sub-National Governance Program
CDC	Community Development Councils
CSC	Civil Service Commission
DMA	Directorate of Municipal Affairs
EDO	Economic Development Office
GIS	Geographic Information System
I-ANDS	Interim Afghanistan National Development Strategy
IARCSC	Independent Administrative Reform and Civil Service Commission
ICT	Information and Computer Technology
IDLG	Independent Directorate of Local Governance
IRoA	Islamic Republic of Afghanistan
LGDP	Local Government Development Program
LoM	Law on Municipalities
M&E	Monitoring and Evaluation
MEDP	Municipal Economic Development Partnerships
MIS	Management Information System
MoF	Ministry of Finance
MoI	Ministry of Interior
MoJ	Ministry of Justice
MoUD	Ministry of Urban Development
NGOs	Non Governmental Organizations
PAR	Public Administration Reform
PCU	Program Coordinating Unit
PG	Provincial Governor
PMU	Program Management Unit
PRTs	Provincial Reconstruction Teams
PWG	Program Working Group
SFIMG	Strategic Framework for Improving Municipal Governance
SNG	Sub-National Governance
SOP	Strategic Operation Plans
UNDP	United Nations Development Program
USAID	United States Agency for International Development

MUNICIPAL GOVERNANCE STRATEGIC FRAMEWORK FOR MUNICIPALITIES IN THE ISLAMIC REPUBLIC OF AFGHANISTAN

I. EXECUTIVE SUMMARY

Purpose of the Municipal Governance Strategic Framework

The importance and interest in developing the sub-national level of governments in the Islamic Republic of Afghanistan (IRoA) is becoming increasingly apparent. There is a strong belief that empowering these levels of government, particularly the municipal level, will help solve some of the political, social and economic problems facing the country in a time of insecurity and conflict. This report is focusing on the municipal level of government, even though there is recognition that the municipalities are part of the broader sub-national system of governance that needs to be addressed.

The need to develop the sub-national level is recognized in the major policy documents of the IRoA, including the Afghanistan Compact and the Afghanistan National Development Strategy. In support of this effort, the government created the Independent Directorate for Local Governance (IDLG) in August 2007 to undertake to develop the policy and legal frameworks, the implementation of capacity building programs, and the improvement of the public administration capacity at all levels of the sub-national governance system. The IDLG has begun this effort by developing its Five Year Strategic Work Plan for 1387-1391. This document provides the blue print for developing the sub-national level and includes some important requirements and activities to improve governance at the municipal level.

The IDLG Strategic Work Plan identifies over 35 key expectations to be achieved in the next five years and there are a substantial number that are specific to the municipalities. These include the following:

- By end of 1388 (March 2010) a law on municipal governance
- By end of 1392 (end of 2013) development of public administration reform (PAR) processes for municipalities
- By end of 1389 (March 2011) municipalities will have institutional and administrative capacity to manage basic service delivery
- By end of 1392 (March 2013) municipalities will have basic facilities and amenities in the office space
- By end of 1392 (end of 2013) adequate municipal budgets will be ensured for priority reforms, Revenue Improvement Programs and Infrastructure Investment Plans, and Institutional Reform Action Plans will be implemented in major municipalities.
- By end of 1389 (2010) Elections will be held for Municipal Councils and Mayors and every three years thereafter.

These key expectations, along with other activities identified in the report, provide the guidance for developing this Municipal Governance Strategic Framework document and to support the IDLG in these efforts. Consequently, this report is prepared in close cooperation with the IDLG, and other organizations that are stakeholders in improving the municipal governance capabilities. These include the UNDP Afghanistan Sub-National Governance Program (ASGP), which has undertaken to improve the capacity of some pilot municipalities in revenue collection, service delivery, and organizational structure.

Assessment of the Municipal Governance Situation

Municipalities want to know what activities they can do on their own without restriction, and further which activities require approval from above, or which are the responsibility of provincial government, but for which municipalities must be consulted. They want to be able to address public needs as expressed by their residents, either by having the full responsibility to do projects, or by having the right to participate and be consulted on all work in their jurisdictions. And, of course, they want to know how services and projects are to be funded.

Unfortunately, the current legal framework lacks clarity on both the functions and revenue sources permitted municipalities under law. The Law of Municipalities 1379 (2000), while seemingly permitting a wide array of functions, qualifies almost every use: municipalities can “take measures towards participation in construction” or do xyz “according to the law”, or “through relevant offices”, or “based on relevant regulation”. While the current Law of Municipalities does not mention municipal revenue sources, the City Charges Act lists 83 fees/user charges/taxes, which municipalities may collect, thus addressing the issue indirectly. However, we have heard from municipalities who have tried to collect revenues based on the list and who have had their efforts rejected out of hand by higher levels of government. The level of confusion about the roles, responsibilities and revenues of municipalities is considerable.

Other aspects of the Law of Municipalities require both a technical and political discussion. For instance, the issue has been raised by USAID and IDLG as to what criteria should be used to designate municipalities. The current law stipulates a minimum population of 5,000 and the “possibility of implementing a Master Plan” A strict interpretation of the law would mean that more than half of the current confirmed list of 138 municipalities would fail one or both of the criteria (98 do not have a master plan to implement, 19 were established after 2000 but do not have the minimum 5,000 population).

Clearly there is a disconnect between the law as written and the reality on the ground. More importantly, the criteria in the current law may not reflect the desires of small communities to have the representation and empowerment to solve their own problems which comes with their designation as a municipality. Understanding that such small municipalities would have very limited capacities to provide services, Herat and Jalalabad municipalities work with their smaller provincial municipalities to share technical capacities and equipment such that a minimum level of public services can be provided even in the smallest communities. The alternative to denying small communities municipal status is to have them revert to being under the administrative command of District government which has little capacity to provide services.

Not surprisingly, the range of structures and capacities to deliver public services differ significantly according to the size and revenue capacity of the municipalities. Pul-e-Khumri, with a population of perhaps a half million, is building roads, completing a stadium and collecting/disposing of the trash of the city with some effectiveness. Mazar-e-Sharif, about the same size of Pul-e-Khumri, has a small planning department, which is working with the Ministry of Urban Development to significantly expand the Master Plan to annex fast growing settlements as far as 4 kilometers to the west and 16 kilometers to the east. The revenue collection department of Mazar-e-Sharif, with capacity building assistance from UNDP, posted a 49% increase in revenues last year adding considerably to the municipality's ability to improve services. Herat and Jalalabad have shown considerable capacity in designing and implementing development projects.

At the same time, the Mayor of Mir Bacha Kot District Municipality in Kabul Province with a population of about 40,000 is struggling to find the resources to purchase park benches for the lovely tree-lined park in the center of town.

As part of its Afghanistan Sub-national Governance Program (ASGP), UNDP has begun to assess the structure and performance of core and optional functions of municipalities. An initial analysis of Mazar-e-Sharif Municipality acknowledged the challenges in achieving functioning local administrations: "No meaningful and/or coherent [reform and restructuring] interventions have so far reached the municipalities". The report concludes that "administrative structure is especially weak and mandated services are not properly provided to those in demand... at the same time, the essentiality to maintain and strengthen the functionality of municipal administrations as engines of socio-economic growth is recognized."

The analysis of the existing organizational structure of Mazar-e-Sharif Municipality identified a number of deficiencies that could be addressed in a capacity building approach focused on:

- department restructuring
- reorganization of personnel assignments based on functional needs and to-be-developed job descriptions
- capacity building including training to enhance the skill sets of department managers and staff focused initially on techniques to improve revenue collection and solid waste management services.

The intent of this initial limited capacity building approach is to gain an early buy-in of municipal government officials through efforts that could achieve early success. There is, however, a need and an expressed interest for a more comprehensive capacity building program that could provide technical assistance, training, mentoring, and systems development to supplement the ASGP initiative.

Municipalities have few support systems and facilities to do the work they are responsible to do. With several exceptions, the cities we have visited have no computers or management information systems, no service delivery equipment, few vehicles, and often no electricity in the dilapidated offices in which they work. Support programs are vitally needed.

While the ambiguous legal authority of municipalities curtails their ability to implement local revenue policies, the capacity to collect local revenues is severely limited by human resources, and the awareness of citizens of the need to pay their taxes and fees to support municipal services is not well developed.

The following highlights some of the areas of constraint on municipal level decision-making that has been identified in the interviews that have been conducted with municipal mayors and staffs.

- The approval of the municipal budget, regardless of the size of the municipality, is subject to review, approval and control at the district, provincial, IDLG, and Ministry of Finance (MoF) levels with each level signing off on the proposed revenues, operating and development expenditures and staffing of the municipal offices.
- Approval of new revenues sources is also tightly controlled with little possibility that the municipalities that might want to add new local fees and charges can implement them, even though the citizens of the municipality are willing to pay such new fees and charges.
- The municipalities are limited to only being able to make payments of less than 250 Afs, approximately \$5, for goods and services purchases, or 500 Afs, \$10, for construction materials, under the procurement law.
- The application of the 45%-55% ordinary to development budget ratio prescribed in the Law on Municipalities is not applied consistently and is leading to situation where some municipalities are spending more funds in the development budget at the expense of meeting their recurrent requirements.
- Many municipalities are unable to adjust their expenditures during the budget year because of the belief that they are not able to make any changes to the approved budget, thus limiting their budget execution flexibility.

Another key area of concern with the municipal level of governments in particular is the lack of a transfer of funds from the central to the municipal level to equalize the financial resources and service delivery capabilities across the municipalities. As a World Bank report points out this is producing a substantial inequality among the municipalities on a per capita comparison basis. The development of an intergovernmental relations system, defining the organizational levels, the authorities and the transfer of financial resources, is one of the key challenges facing the IRoA in developing an effective system of sub-national governance.

Another important area where the strength of the sub-national governance system needs to be improved is in the development of means to involve citizens in the decision-making process. The traditional system of the Gozars and Wakil-i-gozar is still very strong and the direct participation of citizens is limited through this system. In addition, processes for citizen involvement have been created outside the governmental structures. These include the citizen's development councils, district and provincial level councils that operate outside the governmental structures. The methods to involve citizens through municipal boards, commissions, and committees directly linked to the municipal level will improve the citizen's opinion of the municipal level authorities.

Strategic Framework For Improvement of Municipal Governance

This Strategic Framework for the Improvement of Municipal Governance addresses issues critical to municipal governance at policy, legal, programmatic and projects levels. SFIGM focuses primarily on three critical concerns: clarifying the lines of authority between national, municipal and other sub-national governments; enhancing the structure, systems and skill sets of the municipalities and their officials/staff; and, outlining an approach to sustain the sources, levels and improved management of the fiscal base required for effective municipal governance.

SFIMG comprises six key areas of consideration that taken together provide a comprehensive approach for the design and implementation of a municipal governance improvement agenda:

1. Policy Framework
2. Legal Framework
3. Service Delivery Capacities
4. Fiscal Framework
5. Inter-governmental Relations
6. Participation in Municipal Governance

Policy Framework

To develop a coherent program of building the capacity of municipalities to better deliver needed public services, it is important to frame, debate and decide critical policy options. A well-defined Policy Framework can serve as a process to engage stakeholders and as an expression of the general purpose and more specific objectives of a municipal governance program.

To be effective, a policy framework for municipal governance must be both comprehensive and strategic. The set of components below represents a fairly complete universe of the critical issues that need to be addressed in the process of developing a policy framework:

- Building capacity to develop policies to guide a program of governance improvement
- Clarifying/reorganizing the roles, structures and functions of Municipalities
- Providing a comprehensive program of capacity building activities
- Providing the resources required to do the work of Municipalities
- Setting performance incentives/sanctions
- Partnering to gain inter-governmental commitments needed to effect a change agenda
- Fostering citizen participation in local governance
- Achieving sustainability of governance improvement initiatives

Legal Framework

The patchwork of formal but out-of-date legal authorities and regulations, and informal/traditional customs/arrangements/understandings about the roles and structure of local government results in a fragmented approach both in the delivery of public services and the attempts to improve local governance. A new legal framework is needed to set the parameters for

the delegation and regulation of the responsibilities of municipalities based on the deliberations and recommendations of the policy framework. Suggestions are made as to the changes that would be required to the Law of Municipalities to clarify/strengthen/make explicit the delegation of responsibilities, authorities, and sources of revenues for municipalities in Afghanistan.

Service Delivery Capacities

Building effective municipal governance will require more than grand policy statements or redefined legal definitions. Assistance is needed to: restructure and better organize core and service delivery functions; build the capacities of municipal officials, managers and technicians; and provide supporting systems, equipment and facilities.

One of the major objections to increased delegation of public service delivery to municipalities is the concern by IROA and donors of potential misuse of funds. It is a critically important task to establish enough capacity locally to build the systems and culture necessary to avoid corruption in all the work for which municipalities are responsible. A comprehensive anti-corruption program of prevention, education and enforcement is required.

Municipalities need to learn to better communicate what they are doing and why. Public outreach should be a core component of any capacity building program. A carefully designed communication and public outreach strategy can also help citizens understand the importance that government places on transparent, effective, democratic local government and economic growth.

All Mayors we have met have expressed a need to update their master plans, and to modernize the process to do so, either through in-house or contracted capacities, or through better service by, and coordination with, MoUD. GIS can be a useful tool for planning. A simple off-the-shelf GIS package can significantly upgrade a municipality's ability to manage planning efforts. Such systems can as well serve as the basis for a land records management system, a critical issue in every municipality we visited. GIS applications using aerial photography may be the only effective way to define municipal boundaries, a prerequisite for identifying voter registration rolls for the coming elections.

For the larger municipalities with more substantial capacities, there is an opportunity to build an in-house capacity for an economic development office. Effective local economic development requires the active participation of three key constituencies -- the private sector, local government, and citizens. Afghanistan's economy has failed to grow and diversify in part because its local governments do not understand the role of municipalities in economic development and do not have the capacity to play that role effectively.

Service functions require better management, which in turn requires better training, structures, systems and standards.

A central point of direction is needed to: provide leadership on policies governing service delivery; better manage the service operations of municipality; and, better communicate the

purposes and needs of service departments to the Mayor, Council (when they are elected) and to the public. The introduction of a Managing Director for Service Delivery on performance contract, and professionally trained and certified, could ensure a higher level of service delivery performance.

There is no substitute for having dedicated, well-trained, compensated, and motivated workforce. Significant efforts are underway, but more needs to be done. IDLG is working with the Civil Service Commission (CSC) and the PAR (Public Administration Reform) program to better recruit and maintain (pay) quality staff in a limited number of municipalities. These efforts need to be expanded to cover all municipalities. As well, consideration must be given as to how to sustain the cost of the program. CSC now covers the top-up costs for the first year of the program, after which the Municipalities are responsible. This may be too sudden a transition. A sliding scale of top-up support over five years would give municipalities the time they need to develop new and improved revenue collection efforts to secure the funding required to sustain PAR.

Though elections for Mayors and Municipal Councils may not be held for some time, there will be a need to provide sustained capacity building in leadership, ethics, and communications. If change is to come to Afghanistan's municipalities, change management skills sets must be developed. Managing change through leadership requires that officials have, and communicate well, a vision of a better future, that they be proactive in influencing citizens to support a change agenda, and have a management style to work with people to achieve results. Management training is needed in a variety of capacities. A variety of technical skills training is required to improve service delivery. The specific skills requiring capacity building need to be determined in the Strategic Operations Plan for each municipality.

All municipalities need to be provided with a base package of ICT systems (desktop or laptop computers with word and data processing software), service equipment (trash trucks, road graders, etc.), and office facilities that are carefully matched to service operations. Base systems can be expanded in time when there is evidence that more advanced systems can/will be used.

Delegation of authority to municipalities to deliver public services must be based on an approach that guarantees that the different levels of the unitary government of Afghanistan work together to ensure effective service delivery. A key issue is who sets standards and monitors performance.

Setting standards and providing incentives/applying sanctions to improve performance of municipal functions is critical. It has been noted that line ministries often voice concerns about the quality of the work of municipalities. The work of Ministries to set and monitor standards for effective development and public service delivery must go hand-in-hand with the delegation of authority to municipalities. Incentives for individuals (ie., merit pay), and for municipalities (ie., funding support) for good performance coupled with serious sanctions for poor performance are needed.

Fiscal Framework

Improving the fiscal framework for the municipalities will be one of the key areas of activity to be undertaken in the next five years. The IDLG Five Year Strategic Framework addresses the need for improving the fiscal framework with the three following key expectations:

- Revenue Improvement Programs in Municipalities by end of 1391 (2013)
- Municipalities Have Adequate Budgets by end of end of 1391 (2013)
- Infrastructure Investment Plans for Major Municipalities by end of 1391 (2013)

This Five Year Strategic Municipal Governance Framework identifies some actions and a timeline for meeting these key expectations over the next five years. The Framework identifies the key actions that need to be taken within this timeframe in which the key policy issues in each of these areas will need to be addressed. These include:

- A New Law on Municipal Revenues
- Implementation of Modernized Property Tax System
- Capacity of the Municipalities Increased to Collect Revenues

Another key development will be the improvement of the budget process at the municipal level. The basis of this will be the implementation of program budgeting as follow through to its implementation at the national and provincial levels, which are already in progress. The implementation of program budgeting to make these decisions has been undertaken in many municipalities throughout the world and is supported by the donor community. The IDLG also indicates that a key expectation is that the municipalities will have adequate budgets by the end of 1391 (2013). The most important requirement to achieve this would be to implement program budgeting which relates the expenditures to specific service delivery programs, identifies performance indicators for the delivery of these services, and provides a basis for evaluating the efficiency, effectiveness and transparency of these services.

To further improve the budgeting process and procedures at the municipal level, a very strong effort needs to be undertaken to improve the planning and decision-making process for the selection of infrastructure investment plans. The development of infrastructure investment plans for the major municipalities by the end of 1391 (2013) is another key expectation of the IDLG Five Year Strategic Work-Plan.

In order for this to be achieved at least two baseline requirements are necessary. The first is the defining of the political and administrative boundaries of the municipalities and their adjustment as necessary to account for new settlement patterns. Secondly, the updating of the master plan for the municipalities must be accomplished for planning the infrastructure improvements based on existing physical structures and the future planned developments can be realistic and achievable.

Given that these are achieved, the development of infrastructure investment plans based on multi-year investment planning methods, prioritization of projects, and financing methods for large and expensive projects can be undertaken.

Intergovernmental Relations System

Finally, the need for development of intergovernmental fiscal relations to address the growing inequities of financial resources available across the provinces and the municipalities needs urgent and serious attention. The continuation of this system in which the municipalities do not receive adequate revenues or transfers to provide an equitable level of service delivery, particularly for health and education, can create further political and social unrest.

Ultimately, the intergovernmental relations system should result in the following:

- The clear definition of responsibilities and authorities between the central, provincial, district and municipal levels for delivery of services and revenue resources
- A system of transfers between the central and municipal level for specific categories of services, such as health, education, and infrastructure
- A general transfer to compensate those municipalities lacking sufficient revenue resources to meet the basic service requirements of the municipality

Governance and Citizen Participation

There is a substantial need to increase the capacity of the municipal mayors and staff in the coming years even prior to the holding of municipal elections. This should be undertaken with efforts to provide a more regular forum for mayors from the provinces and districts to meet and get the information on the national level policies and regulations. The IDLG should initiate these meetings every six months to provide this opportunity. Study tours should be considered to give provincial level mayors the opportunity to see the development of legal frameworks and the management of municipal functions is organized in other countries. The establishment of an association of municipalities should be a high priority and could be realized based on the support already being envisioned under the USAID Capacity Development Program. The design and development of training courses for municipal mayors and staff should be considered as well based on the identification of need and interest to support by the donor community.

Finally, to complete the development of the municipal level, the involvement of the citizens must be greatly strengthened and the opportunity for them to be heard, prior to decisions being made, is a critical area for the government to demonstrate its connection to the citizens. There are a number of opportunities to provide for the municipal citizens to participate more actively and fully in the decision-making process. The application of the program budgeting method and the updating of the master plan and subsequent infrastructure investment plans are excellent opportunities for the citizens to participate through public hearings dealing with these issues.

The holding of public hearings prior to decisions, particularly the municipal budget, needs to be developed. In addition, the opportunity to hold open neighborhood forums for the citizens and

for nongovernmental organizations will be an important area for the municipal governments and the donor community to focus efforts. The development of citizen participation is the basis for effective and responsive municipal governments that should be a high priority in the coming years.

Interim Policy Options/Recommendations

This IDLG Five Year Strategy Work Plan and this Strategic Framework for Improvement of Municipal Governance in the IRoA presents ambitious and challenging program for implementation in the coming years. Until such time as the activities outlined in the IDLG Work Plan and this Strategic Framework, there is a great need to undertake some interim actions that would further the development of the municipalities. Ten actions have been identified that could be undertaken in the coming months or within the next year to support the municipalities and lay the foundation for the implementation of the programs and activities envisioned by both IDLG and USAID.

Establish a Program Working Group

The capacity of the IDLG to maintain the focus on improving the municipalities would be enhanced by the creation of a Program Working Group within the IDLG for this purpose. This would provide an organizational structure to address some of the policy, legal, service delivery and fiscal issues that are identified in this report.

Forums for Provincial and District Municipality Mayors

The need for providing an opportunity for mayors to meet, interact and have input into the development of policy and the legal framework is very great. This was a consistent point made by the mayors who were interviewed for this report. The IDLG should take the initiative, along with donor support, to facilitate the holding of forums and out of these forums develop policy positions and an association of municipalities to further represent the interests of the municipalities.

Study Tours for Provincial Municipality Mayors

The provincial municipality mayors are in critical positions to support the development of municipalities in their provinces. The exposure of these mayors to international experiences from other countries by a study tour to selected countries should enable them to understand the role and responsibilities of municipalities in governmental systems, efficient and effective methods of delivery services and improving their financial conditions. It is recommended that a number of study tours be undertaken to provide the provincial municipality mayors with this opportunity.

Moratorium on Establishment of New Municipalities

There is still some difficulty in establishing the number of municipalities based on the existing records and information and whether these municipalities meet the criteria established under the present Law on Municipalities of 2000. In this interim period, it seems that there are certain districts of provinces, such as in Baghlan Province and others that have the intention of applying for municipal status. Because the present legal framework is confusing and the criteria that would be established under a new Law on Municipalities cannot be known, it is recommended that the IDLG consider not establishing any new municipalities.

Recertification of Municipalities

During this interim period and based on the difficulty of determining the status of the present municipalities, there is a need to undertake a recertification process to verify that the municipalities meet the requirements under the existing laws and that a final list of certified municipalities can be established. A procedure for dealing with those municipalities that no longer meet the criteria should be established by the IDLG and implemented in a transition period by Presidential Decree.

Master Plan Updates

Many of the municipalities have outdated master plans or no master plans. There is a need to undertake a capacity building effort to support the municipalities to have updated or new master plans. Donor assistance will be very critical in this area and the acquisition of new technology will be important, along with the training and technical assistance that will be required.

Clarification of Revenue Sources

The municipalities are increasingly concerned about enhancing their revenue collection and increase their financial resources. There are two major efforts that could be undertaken in this interim period. The first is to support the development of revenue collection practices and procedures to increase the capacity of the municipal staff to collect on existing taxes and fees. This is being successfully done through a program supported by the UNDP Afghanistan Sub-National Governance Program and the expansion of this program to other municipalities is highly recommended.

The second area for improving the revenue sources is to clarify the authority of the municipalities to impose and collect new taxes. There is evidence that municipalities wish to add additional fees, such as occurred in Balkh Municipality, but that this effort has been thwarted at the provincial level. Additionally, there is confusion over the continuation of the rental property tax that many municipalities utilize as a stable source of local revenues. The legal status of this tax should be clarified and the possible impact on the municipalities assessed if this tax is not continued.

Removal of Expenditure Level Restrictions Based on the Procurement Law

The existing provisions of the procurement law substantially inhibit the authority of the mayors and municipalities to obtain needed goods, services and construct facilities. Under the provisions of the procurement law, the expenditure authority of the municipality is limited to 250 Afs, or \$5, for goods and services, and 50 Afs, or \$10, for construction materials. This is unrealistic under the present cost and inflation situation. A proposal to the Special Procurement Commission to remove this limitation and increase the expenditure authority level to a much higher amount would be a very important improvement for the municipalities.

Clarification of the 45%-55% Rule for Ordinary and Development Budget

The Law on Municipalities specifies that the budget should be allocated on a basis of 45% for the ordinary budget and 55% for the Development Budget. Some municipalities interpret this as a strict rule to be followed, while other municipalities focus on minimizing the ordinary budget amount and shifting as much funding as possible to the development budget. The usefulness of this rule as well as the impact that it is having on the municipal budget should be examined to determine if a clarification or change need to be made so that all municipalities have the same understanding of this provision in the law.

Flexibility on Budget Execution

It was mentioned in many of the interviews with municipal mayors and officials that if an unexpected need should arise or there is sufficient funding to make some additional expenditures beyond those planned; the municipality cannot meet this need since only those items that are in the submitted and approved budget can be executed. Several municipalities indicated they simply wait until the following year to put these expenditures in the budget even though there is a present need and the funding is available. There is need to provide clarification on the flexibility of the municipalities to execute the budget to meet the changing needs and improve financial management. One of the most important capabilities to provide to the municipalities is to allow more flexibility in executing the budget and enabling the municipalities to manage their financial resources.

II. INTRODUCTION

This report identifies and describes the requirements for implementing a system of municipal governance for the Islamic Republic of Afghanistan (IRoA) over the next five years. This is done with full recognition of the already existing and formidable challenges facing the IRoA in providing political and economic security to its citizens. Consequently, the implementation of a municipal governance system, within the development of a larger sub-national system, requires considerable thought and planning prior to implementation to not negatively impact the progress that has already been and is being made in the IRoA.

The IRoA in a number of its strategic policy documents recognizes the importance of the sub-national levels of government, which comprise the provincial, district, municipal and village levels. Such important policy documents such as the Interim Afghan National Development Strategy (I-ANDS) and the Afghanistan Compact have important passages emphasizing the need to develop the capacity of the sub national level.

The Afghanistan Compact indicates that “By end of 2010: Municipal governments will have the strengthened capacity to manage urban development and to ensure that municipal services are delivered effectively, efficiently, and transparently.” (Afghanistan Compact, p 9)

More importantly, the commitment of the IRoA to meeting these policy goals has become deeper with the creation of the Independent Directorate for Local Governance (IDLG) in August 2007. The IDLG has the purpose of defining the legal and policy requirements for an effective sub-national governance (SNG) system and addressing the capacity building needs of these governmental units to implement these laws and policies to meet the financial requirements, the infrastructure development and public services needs of the citizens.

As a first step in meeting these mandates of the IDLG, it has undertaken to develop a strategy document that describes the existing obstacles and challenges facing the development of SNG system and identifies a number of key actions and expectations within a timeframe to achieve an effective, efficient and responsive SNG for the IRoA.

1. Five Year Strategic Work-Plan 1387-1391

The IDLG has prepared a **Five Year Strategic Work-Plan 1387-1391** that focuses a substantial effort on developing the municipal governance system. The work-plan indicates that the municipal level will be strengthened by the “implementation of ‘National Urban Policy,’ adequate municipal budgets for priority reforms which are in line with the National Urban Policy and meet the immediate needs of upgrading, Revenue Improvement Program for 34 provincial and major municipalities developed with supportive capacity building components, Infrastructure Investment Plans prepared for 34 provincial and major municipalities with necessary capacity building programs and, enhanced institutional capacity supported by Institutional Reform Action Plans for effective urban governance in 34 provincial and other major municipalities.” (IDLG Five Year Strategic Work-Plan 1387-1391, February 2008)

2. Purpose of Municipal Governance Strategic Framework

A strategic framework is a necessary prerequisite to linking intentions and purposes to achievable actions. For the development of an SNG the framework must address the following:

- the creation of the appropriate legal framework, clearly empowering sub-national governments and describing their rights and responsibilities vis-à-vis the central authorities, local communities, the courts, and other important stakeholders;
- public administration and other institutional reforms of central and sub-national government, needed to align these bodies' organizational structures with new functions;
- training, technical support, and other capacity building measures for appropriate sub-national (and central) government civil servants; and
- support for civil society and private sector partners who can ensure local government accountability and help realize improved delivery of local public services. (*Fiscal Decentralization in Transition Countries: Case Studies from the Balkans and Caucasus*, p8-9)

The above requirements reflect the basic ingredients for achieving a sub-national system of governance. But identifying these ingredients is not sufficient to ensure that they will be put into the correct order of actions to achieve the intended consequences. Equally important to the identifying the ingredients is the order in which they are blended. This sequencing of actions over a timeframe ensures that the final product will be what was intended.

Efforts to achieve sub-national systems have generally been expected to be as described in the following: “ the sequence should begin with (i) establishing a strategic vision for decentralization; it would be followed by (ii) putting in place the constitutional and legal basis needed to realize this vision; then (iii) realigning the central government's institutional and regulatory framework in line with (i) and (ii); (iv) devising the appropriate local government institutional and regulatory framework; and (v) putting in place the partnership mechanisms needed for civil society and private sector participation.” (*Fiscal Decentralization in Transition Countries: Case Studies from the Balkans and Caucasus*, report, p 12-13)

3. Approach to Developing Municipal Governance Strategic Framework

This section briefly describes the approach that has been taken in developing a five-year municipal governance strategic framework. It is important to emphasize at the outset that the focus of this strategic framework is the municipalities of the IRoA, although it is recognized that these municipalities are part of a larger sub-national system that is being developed as well. Consequently, while the development of the framework is addressed to the municipalities, there is recognition that there are important connections and consequences of this strategic framework with the other central and sub-national levels, particularly the provincial and district levels.

IDLG Strategic Work-Plan

The development of the municipal governance strategic framework does not begin without a baseline of already considerable thought and consideration to what should be within this strategic

framework. The IDLG has already developed this baseline through its IDLG Five Year Strategic Work-Plan 1387-1391 of February 2008. This strategy documents provides the detailed outline and timeframe for achieving the requirements of a SNG system. It is the purpose of this report to put more definition and detail to what has already begun with the IDLG strategy document.

IDLG Functions

The IDLG has organized its efforts into four major categories as follows: (1) Core Policy Functions, (2) Core Institutional Development Functions, (3) Broader Governance Functions, and (4) Support Functions. The first three of these functions have direct connection to the development of municipal systems.

Key Expectations

The IDLG Five Year Strategic Workplan 1387-1391 identifies over 35 Key Expected Results that recognizes the broad range of problems that must be addressed in the development of a SNG system. There are a number of these Key Expected Results that specifically mention the municipalities and identify the requirements for the legal and policy development, the service delivery functions, and the capacity building requirements of the municipalities. Among these are the following:

- By end of 1388 (March 2010) a law on municipal governance
- By end of 1392 (end of 2013) development of public administration reform (PAR) processes for municipalities
- By end of 1389 (March 2011) municipalities will have institutional and administrative capacity to manage basic service delivery
- By end of 1392 (March 2013) municipalities will have basic facilities and amenities in the office space
- By end of 1392 (end of 2013) adequate municipal budgets will be ensured for priority reforms, Revenue Improvement Programs and Infrastructure Investment Plans, and Institutional Reform Action Plans will be implemented in major municipalities.
- By end of 1389 (2010) Elections will be held for Municipal Councils and Mayors and every three years thereafter.

The above IDLG functions and key expectations represent an ambitious program and provide the starting point for the development of the five year municipal governance strategic framework. These expectations and components have already been programmed into a timeline over the next five years. However, the starting and intermediate action needed to reach the implementation of these expectations is yet to be developed.

This report will thus continue this process of identifying and defining these actions and place them in a proper sequence of actions that will achieve the intentions of the IDLG Strategic Vision and Goals and build a municipal governance system in Afghanistan.

III. ASSESSMENT OF CURRENT SITUATION OF MUNICIPALITIES IN AFGHANISTAN

A review of various reports, studies, laws, regulations and guidelines together with discussions with Mayors, municipal staff, Provincial and District Governors, and central ministry officials and donor representatives have helped to assess various factors which affect the capacities and performance of municipal government.

1. Assessment of the Legal Framework of Municipal Governance

Chart 1 below summarizes key aspects and issues of the current Law of Municipalities – Decree No. 29, 1379 (2000), which replaced the antiquated Law of Municipalities from 1336 (1957). Later in Section IV of this report, comparisons are made with similar laws in unitary Islamic and other states, and suggestions are given to address the more critical issues.

One of most frequently mentioned problems with the existing legal framework is the lack of clarity on both the functions and revenue sources permitted municipalities under law. The highlighted text box presented later in this chapter, “Functions Permitted in the Law of Municipalities, 1379” lists the wide breadth of activities seemingly allowed. However, the Law of Municipalities qualifies almost every use: municipalities can “take measures towards participation in construction” or do xyz “according to the law”, or “through relevant offices”, or “based on relevant regulation or on Islamic tradition”.

The prior law, which has its own problems of irrelevance (Article 10 requires municipalities to ensure that windows sills are cleared of flower pots which may pose a hazard to pedestrians walking by), used more straightforward, definitive language: municipal duties include “planning for the future”, and “constructing public toilets” or “supplying drinking water”. As well, the 1957 law provided a level of flexibility, permitting municipalities the discretion to do “within its financial capacity, anything which is for the benefit of the people”.

Municipalities want to know what they can do on their own without restriction, what requires approval from above, what is the responsibility of provincial government in consultation with municipalities. They want to be able to address public needs as expressed by their residents, either by having the full responsibility to do projects, or by having the right to participate and be consulted on all work in their jurisdictions.

While the current Law of Municipalities is blank on the subject of revenue sources exclusive to municipalities, the City Charges Act lists 83 fees/user charges/taxes, which municipalities may collect, thus addressing the issue indirectly. Other administrative law and regulations supplement that list. But knowledge on the ground is scarce. Balkh Municipality proposed in its current budget two taxes/fees new to the municipality, a billboards fee and a taxi tax. Both were rejected out-of-hand by the provincial assembly though both are clearly listed in the City Charges Act.

Other aspects of the Law of Municipalities require both a technical and political discussion. For instance, the issue has been raised by USAID and IDLG as to what criteria should be used to designate municipalities. The current law stipulates a minimum population of 5,000 and the

“possibility of implementing a Master Plan” (the former law permits a grouping of 500 houses within a 3 kilometer diameter area to become a municipality). It is apparent from Table A below that a strict interpretation of the law would mean that more than half of the current confirmed list of 138 municipalities would fail one or both of the criteria (98 do not half a master plan to implement, 19 were established after 2000 but do not have the minimum 5,000 population).

Clearly there is disconnect between the law as written and the reality on the ground. More importantly, the criteria in the current law may not reflect the desires of small communities to have the representation and empowerment to solve their own problems, which comes with their designation as a municipality.

Some officials have spoken of a desire to permit municipalities in villages with as few as 250 households, which in fact, are the criteria in Lebanon. Understanding that such small municipalities would have very limited capacities to provide services, the Lebanese Ministry of Municipalities allows for the formation of Federations of Municipalities which are provided national funding to supplement meager local revenues and support projects that jointly benefit Federation members. Herat and Jalalabad municipalities work with their smaller provincial municipalities to share technical capacities and equipment such that a minimum level of public services can be provided even in the smallest communities. The alternative to denying small communities municipal status is to have them revert to being under the administrative command of District government, which has little capacity to provide services.

While this report can assess some of the advantages/disadvantages of such a choice, or provide comparison from other countries, ultimately IDLG must decide what is best for Afghanistan.

Table A: Municipalities Meeting Legal Criteria

Population From	To	# of Municipalities	# with Master Plan	# without Master Plan	# after (2000)
---	5,000	24	4	20	19
5,001	10,000	14	2	12	11
10,001	25,000	23	9	14	5
25,001	50,000	27	10	17	7
50,001	75,000	3	3	0	0
75,001	100,000	9	3	6	4
100,001	125,000	7	2	5	2
125,001	150,000	4	2	2	1
150,001	200,000	6	3	4	1
200,001	---	13	7	5	3
unknown		8	0	8	3
Total		138	45	93	56

Chart 1: Summary of the Law of Municipalities – Decree No.29, 1379 (2000)

	Current Legal Framework	Key Issues
Definition of Municipality	<p>Municipality is a legal public entity which functions through implementing its activities based on the orders of this law.</p> <p>Provincial municipalities are a part of provincial administration working under Ministry of Interior.</p>	<p>However, the law is incomplete and ambiguous. More specific language and a more comprehensive determination of activities/revenue sources are required.</p> <p>Aside from the out-of-date allusion to MoI, the issue is what the language means that municipalities are part of provincial administration? Have municipalities any independence?</p>
Criteria to Become a Municipality	<p>Municipalities will be established in local administrative divisions (Province and Districts) based on the following conditions:</p> <ul style="list-style-type: none"> - has 5,000 residents - has possibility to implement Master Plan 	<p>What is the intent in stating that municipalities are established in local administrative jurisdictions? Old law=500 houses/diameter 3 km. Can/should smaller areas work as municipalities? Criteria of having “possibility to implement a Master Plan” are very ambiguous.</p>
Organization of Municipality	<p>Organization chart is to be prepared by the Mayor, endorsed by the Administrator Council and submitted to the Council of Ministers for approval.</p>	<p>Organizational structure alluded to is not defined, core and optional structures for the different classes of municipalities is not mentioned. Requirement that the department structure of municipalities requires approval of the national Council of Ministers is severe.</p>
Financial Affairs	<p>Organization chart and budget of Municipality is prepared by the Mayor, endorsed by the Administrator Council, assessed by the Ministry of Finance, presented in the National Budget and submitted to the Council of Ministers for approval.</p> <p>Budget consists of Ordinary (operational) and Development budgets.</p> <ul style="list-style-type: none"> - Ordinary budget is funded from 45 % of fixed revenues - Development budget is funded from the remaining 55 % <p>In exceptional cases where the implementation of the Municipal Development Plan is not possible from the Municipal budget, the Government will offer assistance from its own National Development Budget</p>	<p>National approval for local budgets is very restricted. Would it suffice to have Provincial Assembly approval and MoF sign-off merely that it meets all MoF fiscal policies/requirements?</p> <p>Growing municipalities may require a higher percent for their development budgets to build roads and water supply, should this not be permitted?</p> <p>This would be welcomed if it were real. How can a Law of Municipalities require line ministries of the national development budget to supplement municipal revenues?</p>

	Current Legal Framework	Key Issues
Revenue Sources	No mention is made in the English translation copy we have. We will try to verify this. The City Charges Act stipulates rates/fees/charges permitted, but does not have language specifically permitting municipalities under law the right to collect such taxes.	The Old Law specifically states that municipalities are permitted to collect revenues from: a percent of national taxes/revenues taken from municipalities; property rent; permit fees; report fees; charges for public services (user charges); property-house-construction taxes; fines for non/late tax payment; income from businesses (hotels, etc); advertisement fees. Can the new law be updated to be as specific?
Responsibilities & Authorities	Responsibilities and authorities are included for: Health, Welfare and Security; Housing, Land and Asset Management; Parks, Physical Development, Financial Affairs, Economic Development, Transport, and, Other	Language detailing specific responsibilities is often qualified. The Law does not specify exclusive responsibilities, nor attempts to clearly chart the relationships between the different levels of government as to the activities of municipalities.
Planning Functions	<p>Municipalities' activities are based on City Master Plan.</p> <p>The design and amendment of the General Master Plan is carried out by the Ministry of Urban Development (MoUD) in consultation with municipalities. It would be applicable upon endorsement of Council of Ministers and approval of the Government.</p> <p>Control and supervision of implementation of Master Plans is the responsibility of the Master Plan designer (MoUD) and municipalities.</p>	<p>Given Master plans are out-of-date, this requirement is irrelevant.</p> <p>Requirement for endorsement of the national Cabinet of Ministers and approval by the "Government" (IDLG?) is severe and ambiguous.</p> <p>What is the specific relationship in terms of implementation of the Master Plan?</p>
Coordination	Police offices, education, city transport, water supply, energy, urban development and housing and other relevant offices are obliged to help municipality in order to implement City Master Plan and other public services	Implies that line ministries are required to consult municipalities for work in municipalities. Is this requirement detailed in the corresponding laws for line ministries and their respective provincial offices? Certainly, this requirement is not always in practice on the ground.
Associations	Municipalities can liaise with municipalities of foreign countries in order to establish cooperation.	The former Law stated that Federations of Municipalities (domestic) are directly permitted. Officials spoke of informal contact with their peers elsewhere in Afghanistan, but formal recognition and development of federations/association could prove useful.

2. Assessment of Organizational Structure and the Capacity to Deliver Public Services

Functions Permitted in the Law of Municipalities, 1379

Health, Welfare and Security:

- cleanliness and sanitation
- construction/ maintenance of drains
- monitor cleanness of public baths, restaurants, hotels, food sellers, etc.
- collaborate with health institutions to prevent the outbreak of diseases
- protection of environment
- construction/maintenance of drinking water systems
- implementation of the price list
- assist food stuff distribution
- control of prices and tools of measurement
- assist in law enforcement

Housing:

- the provision of living facilities
- setting prices of houses
- construction of residential areas

Land/Asset Management:

- distribution of land for housing and commerce
- land acquisition
- assessment of bids, agreements, obligations, contracts for lease of municipality properties.

Parks:

- develop and preserve green areas

Physical Development:

- construct/maintain streets, playgrounds, public toilets and baths, markets, cultural centers
- construction of residential areas
- preservation/maintenance of historical/cultural sites
- demolition of dilapidated buildings
- prevention of unauthorized construction

Continued on next page.

Not surprisingly, the range of structures and capacities to deliver public services differ significantly according to the size and revenue capacity of the municipalities. Pul-e-Khumri, with a population of perhaps a half million (census estimates vary considerably), is building roads, completing a stadium and collecting/disposing much of the trash of the city with some effectiveness. Mazar-e-Sharif, about the same size of Pul-e-Khumri, has a small planning department, which is working with the Ministry of Urban Development to significantly expand the Master Plan to annex fast growing settlements as far as 4 kilometers to the west and 16 kilometers to the east. With leadership by the Mayor, Mazar-e-Sharif has obtained private sector support to implement a key feature of its current Master Plan, a series of grand traffic circles at major intersections, each with a landscaped setting for a monument and each with signage designating the corporate sponsor. As well, the revenue collection department of Mazar-e-Sharif, with capacity building assistance from UNDP, posted a 49% increase in revenues last year and is forecasting a similar increase this year.

At the same time, the Mayor of Mir Bacha Kot District Municipality in Kabul Province with a population of about 40,000 is struggling to find the resources to purchase park benches for the lovely tree-lined park in the center of town. Many of the municipalities in Herat province, which has had a policy of establishing new municipalities in very small communities, have only one or two employees. Presumably, their capacity to deliver public services is minimal.

As noted earlier in the assessment of the existing legal framework for municipalities, municipalities are enabled to perform a broad and varied program of public service delivery (see text boxes adjacent and on following page). How they are organized to perform, and how well they perform these permitted functions appear to be a matter of the leadership of key officials (Governors and Mayors), the skill and dedication of department managers, and the resources and support systems available.

Permitted Functions (continued)**Transport:**

- improvement of city transportation
- constructions of traffic infrastructure

Financial:

- fixing the rent of the municipal properties
- collecting taxes for city services
- management/implementation of budget
- acceptance of assistance, funds and donations
- giving business licenses

Economic Development:

- taking measures to improve livelihoods
- improving the general education and vocational training
- establishment of slaughterhouses
- giving business licenses

Other:

- promote sports
- assist in collection of demographics
- fight illiteracy, improve general education and vocational training
- development of social services networks and libraries
- collection and registration of reliable statements of marriage, birth, death
- assist in defending the legal rights of residents
- cooperate in construction of society and strengthening of Islamic rule

As part of its Afghanistan Sub-national Governance Program (ASGP – from our current research, the only systematic capacity building program that targets municipalities), UNDP has begun to assess the structure and performance of core and optional functions of municipalities. An initial analysis of Mazar-e-Sharif Municipality acknowledged the challenges in achieving functioning local administrations: “No meaningful and/or coherent [reform and restructuring] interventions have so far reached the municipalities”. The report concludes that “administrative structure is especially weak and mandated services are not properly provided to those in demand... at the same time, the essentiality to maintain and strengthen the functionality of municipal administrations as engines of socio-economic growth is recognized.”

The analysis of the existing organizational structure of Mazar-e-Sharif Municipality, including functional and process flow charts, personnel profiles, and service delivery systems, identified a number of deficiencies that could be addressed in a capacity building approach developed in collaboration with the regional Independent Administrative Reform & Civil Service Commission (IARCSC) office and which includes the following components:

- department restructuring to reduce “duplication of functional departments and unnecessary horizontal and vertical differentiation” (for instance, Mazar-e-Sharif has separate revenue collection and arrears collection offices, these could be consolidated);
- reorganization of personnel assignments based on functional needs and to-be-developed job descriptions;
- capacity building including ASGP training to enhance the skill sets of department managers and staff focused initially on techniques to improve revenue collection and solid waste management services, and from the IARCSC, a program in English and basic computer applications training, as well as a significantly enhanced compensation package for merit based recruitment and promotion.

The intent of this initial limited capacity building approach is to gain an early buy-in of municipal government officials through efforts that could achieve early success (as for instance with the significant increase in revenues collected in Mazar-e-Sharif). As well, ASGP has wanted to document to IDLG the “potential cost implications and re-structural requirements” of

a rollout of a national capacity building program based on the program in Mazar-e-Sharif and other municipalities in the Balkh and Baglan provinces.

While our own observations confirm that a go-slow approach is not unreasonable given the existing extremely weak capacities and meager resources, there is, however, a need and an expressed interest for a more comprehensive capacity building program that could provide technical assistance, training, mentoring, and systems development to supplement the ASGP initiative. The components of a longer term (ie, five year) more systematic capacity building approach could target the following areas, each of which has been mentioned in our discussions with municipal officials (these areas are discussed in more detail in Section IV of this report):

1. Development and Master Planning with corresponding assistance in Geographic Information Systems (GIS)
2. Anti-Corruption prevention, education and enforcement programs
3. Economic Development including land/asset management and investment planning

There is one final aspect of building effective legitimate government that has been commented on in discussions we have held. As capacities to deliver public services are developed in municipalities, there needs to be a corollary reduction of independent projects by Provincial Reconstruction Teams (PRTs) or non-governmental organizations (NGO), which is to say, there needs to be better integration with Municipalities when projects in municipalities are proposed and carried out if municipalities are to demonstrate to their residents that they are listening, producing, and achieving results.

3. Assessment of Fiscal Capacity

The present situation with regard to the fiscal capacity of the municipalities reflects many of the problems typical of transition and conflict countries in developing this important level of sub-national governance. The legal framework is incomplete and unclear, the authority of municipalities is critically curtailed to implement local revenue policies, the capacity to collect local revenues is severely limited by human resources, and the awareness of citizens of the need to pay their taxes and fees to support municipal services is not well developed.

The following highlights some of the areas of constraint on municipal level decision-making that has been identified in the interviews that have been conducted with municipal mayors and staffs.

- The approval of the municipal budget, regardless of the size of the municipality, is subject to review, approval and control at the district, provincial, IDLG, and Ministry of Finance (MoF) levels with each level signing off on the proposed revenues, operating and development expenditures and staffing of the municipal offices. In some cases, the municipality budget is reviewed and approved at the provincial municipality, such as Jalabad and Herat. The main provincial municipality exercises a great amount of review and control over the lesser municipalities in the province.

- Approval of new revenues sources is also tightly controlled with little possibility that the municipalities that might want to add new local fees and charges can implement them, even though the citizens of the municipality are willing to pay such new fees and charges.
- The municipalities are limited to only being able to make payments of less than 250 Afs, approximately \$5, for goods and services on a sole source basis and 500 Afs, or \$10, for construction projects under the Procurement Law.
- The municipalities have to utilize the competitive procurement process to meet local needs, but this is tightly controlled at the provincial and central level regardless of the size of the project.
- The provisions of the Public Finance and Expenditure Management Law are not effectively utilized to improve the fiscal situation of the municipalities
- The provision of the Law on Municipalities of 2000 to allocate 45% to the ordinary budget and 55% to the development budget has created a situation where many municipalities are allocating a limited percentage to the ordinary budget and larger amounts to the development budget.

Assessments of the municipal revenue situation have been examined in a paper by Erlito Pardo titled “An Assessment of the Existing Municipal Revenue Generation in the Islamic Republic of Afghanistan” prepared for the Afghanistan Sub-National Governance Program (ASGP) of the United Nations Development Program (UNDP) and in the report by the World Bank titled “Service Delivery and Governance at Sub-National Level in Afghanistan” issued in July 2007.

Revenue Sources

The imposition of taxes and fees are confused within the laws dealing with municipal revenues. The main problem is that there are a multitude of charges, over 30 that are primarily fees imposed on certain economic activities, which are imposed at the municipal level, but require approval from the Ministry of Finance for the actual rates that the municipality imposes. Therefore, municipalities do not have clear legal authority or autonomy over the imposition of local revenue sources. There is a need for further development of the legal frameworks that would be incorporated into laws on local revenues, fees and charges.

The property tax, which should be the major source of municipal revenues, is under utilized due to several reasons. Among these is the poor situation with regard to the property boundaries and ownership, the poor evaluation methods and lack of qualified assessors for properties, and the confiscation of private property by the municipalities themselves that are then sold off to the business interests. Consequently, the municipalities are relying more on the sale of their property than on the imposition of a property tax system that would be more financially sustainable policy for the municipality.

The main source of revenues for the municipalities turns out to be a fee imposed for street cleaning (the safayi) and the sale of municipal property. The reports cited above provide examples of how these are being utilized and in most cases under collected by the municipalities.

A Case Study of Revenue Enhancement in Mazar-e-Sharif Municipality

Through the assistance of the UNDPASGP, the municipality has undertaken to dramatically increase the collection of revenues from the existing sources and improve the revenue collection procedures in the municipality. The revenues increased from 34m Afs in 1384, to 49m Afs in 1385, to 74m Afs in 1386. There are several reasons for this improvement that serve as a case study for other municipalities to apply.

The municipal revenue officer began by examining the number of revenues that the municipality was collecting. The revenue officer identified 22 existing revenue sources that were being collected. But based on a review of the city charges law, the revenue officer identified four more revenue sources that could be added. These were the collection of 1% of the business profit tax, which had not been collected for many years, even though it was allowed. Secondly, a parking tax was applied to parking areas within the municipality and this was collected and enforced. A 1% fee was applied to the transfer of property development rights on plots of land on which the owner was not able to build, but was willing to sell the right to another person. And, fourth, increase in the number of business licenses on large companies operating in the municipality as a result of better communication and coordination with the Ministry of Commerce. This resulted in an increase of business license collection from approximately 100 to 500 businesses for the 280 business types that were identified.

In addition to these revenue sources, the municipality also increased the collection of the safayi tax on the businesses and residences. There are an estimated 45,000 residential houses, but in 1385, only 4,500 were paying the safayi tax. This was increased to 9,000 houses in 1386. The properties were also revalued based on updated land and building values to increase the amount of the tax. The revenue officer also increased the effort to collect on tax arrears and fines for late payments. The revenue collectors were also required to promptly turn in the revenue they collected within 10 days as opposed to holding these revenues for many months or up to a year in some cases.

The municipality also intends to develop a campaign to improve the citizens understanding and acceptance of the requirement to pay taxes and the benefits they will receive from the improved revenue collection.

Other important local revenues include a tax equivalent to one-month rental of those properties that are rented and also a business license fee. There is some confusion about the rental property tax with some municipalities indicating that this tax will be abolished and have stopped collecting the tax, while other municipalities are continuing to collect the tax. Some municipalities are also collecting a parking fee and market place fees.

Fortunately, there is a great interest among the municipalities to increase and diversify their revenue generation. The municipalities are required to prepare Revenue Generation and Resource Mobilization Plans as part of their efforts to focus on greater revenue collection. The IDLG Five Year Strategic Work-Plan 1387-1391 identifies a Revenue Improvement Program to be developed over the coming years in major municipalities. However, the major improvements that need to be made include the resolution of the property titling and ownership situation, the application of better technology, such as GIS, that will facilitate the identification of property boundaries and the use of property, and the improvement in the revenue collection through training and qualification of assessors and collection procedures by the municipalities.

The text box to the left represents a situation where a municipality has undertaken a successful effort to increase its revenue sources.

However, not all attempts to improve the revenue situation of a municipality has been successful, even though the municipality's citizens and officials are willing to impose additional revenues to improve the financial situation and provide more services to the citizens. The following box illustrates the difficulty that one municipality encountered when it attempted to impose additional fees and charges.

A Case Study in Attempting to Increase Municipal Revenue Sources in Balkh District Municipality.

The historical municipality of Balkh was willing to further increase its local revenue through imposing some additional local taxes and fees. There was a consensus in the municipal area that they people were willing to pay more in order to fund some badly needed improvements. So, the municipality proposed that a 5 Afs per day charge be applied to the 60-700 taxis that operate in the municipality. A charge was also to be applied to the portable shops operating the park near the mosque that was on municipal property. And, finally a billboard tax was to be imposed at a certain rate to increase the revenues to the municipality. The total increase in the revenue for the municipality from these sources would have amounted to 50m Afs a year. The municipal mayor proposed these fees and the district governor approved them. The proposal was then sent to the provincial administrative assembly composed of representatives of the various central ministries in the province.

At the provincial assembly, which reportedly is composed of 66 central ministry representatives, the proposal to apply the taxi charge and fee on the portable shops was objected to by the representatives of the Ministry of Haji and Pilgrimages and the Ministry of Transportation. The Ministry of Haji and Pilgrimages objected on the basis that the area around the mosque belonged to them, even though this was not true, and that they objected to the fee on this basis. The Ministry of Transportation representative indicated that only they could apply the taxi charge. The billboard tax was withdrawn as the municipality felt they had no chance to get this approved under the circumstances.

Municipal Budget Process

As the World Bank reports indicates: "The municipal budget process is subject to a confusedly number of oversight checks, or interference processes, on the part of MoF, MoI, and PGs." (World Bank Report Service Delivery and Governance at the Sub-National Level in Afghanistan" p.22) The development of municipal budgets is also subject to review and approval by the Ministry of Finance and is largely an approval of the operating budget for salaries and other operating expenses. The process of developing an investment budget is also highly controlled by the central ministries and involves the municipality providing a list of projects that will be approved or rejected by the central ministries and the funding by the Ministry of Finance.

The municipal budget process is subject to a standard submission format that does not vary from municipality to municipality regardless of the size of the municipality or the requirements. The budget document is organized into several sections consisting of a revenue section, an expenditures section for operating and development items, and a listing of the personnel, (tashkeel), positions that are approved or disapproved by the reviewing authorities. There is no narrative explanation or justification of the budget request to support the estimates. In some reported cases, the revenue and expenditure estimates are unrealistic and not based on reasonable

assumptions or projections of the revenue that can be collected or the expenditures that can be accomplished. The mayor has an opportunity to present the budget to the provincial assembly and some changes may be made based on the comments of the ministry representatives to the provincial council. The budget is then submitted to the IDLG which primarily reviews the tashkeel positions and either approves or disapproves the position or the increase in grade or pay for the position. The MoF clears the budget for the funding to be allocated to the municipality. Finally, the president signs the budget for its final approval. The whole process seems to take about one to two months. At each stage the appropriate organizational level, province and central level sign off on the budget.

The budget review by the MoF seems to be rather perfunctory in that the funding allocation of the ordinary budget is checked against the tashkeel to determine the accuracy of the calculation. The revenue projections are more carefully scrutinized to see if they are realistic and this has led to some municipal budgets being rejected by the MoF. Generally, the revenue projections are considered to be too low based on the previous municipal revenue collections. These are sent back to the IDLG to be resolved. Of the 127 municipal budgets reviewed for 1387, the budget department staff indicated that only about 12 municipal budgets were rejected.

The inflexibility within the budget process is creating problems for the municipalities to fund projects and provide services to the local residents. Several municipal officials interviewed for this report indicated that if some need should arise during the year for which they have sufficient funds to pay for the project, they tend to defer the expenditure to the next year's budget. For example in Pul-e-Khumri, as well as Balkh District Municipality, they indicated that due to the belief that the provincial and central level would not approve any expenditures not in their submitted budget, they had not been able to acquire a funeral hearse to transport the deceased to the cemeteries. This was despite the fact that they had sufficient funding within their budget and could have made the purchase in that budget year. If any emergencies should arise, the municipal officials do not feel that they can get any expenditure approved if the item is not within the submitted budget.

On the other hand, some municipalities, such as Jalalabad and Herat, have exceeded the budget limits and have undertaken to build community infrastructure that is not funded by the municipal budget or transfers from the central level. For example, Jalalabad has incurred a debt of nearly \$10m that is not funded and the municipality has requested this to be funded by the central government. Herat funded in some way the construction of a hotel for which there is some dispute on the source of the funding. Fiscal discipline needs to be increased or other municipalities may follow this example and create substantial debt problems for their municipalities and the central level.

Development Budget Planning

One of the key features of a development budget is to plan projects and the required funding to support these projects into future years. This is particularly vital if the infrastructure, particularly water, sanitation, streets, and other municipal services are to be carefully planned and implemented. The municipality of Pul-e-Khumri illustrates the present situation with regard to

the lack of capital investment planning beyond the immediate budget year. The municipality is proud of the infrastructure improvements they have made over the past years. In 1385, they built a park, a stadium for football with running track, and acquired two trucks for garbage collection and a tanker truck for septic tank cleaning. In 1386, the municipality removed 90,000 cubic meters of garbage and cleaned 2.4km of streets, cleaned 890 meters of water canal areas, and improved cleaning and repair of drainage areas. When asked if they had plans for infrastructure projects into future years, they indicated that they only plan for the coming budget year and submit these projects in the budget. These projects are based only on some cost estimates without regard to prioritization of these projects, economic analysis or feasibility of the projects, and without reference to the current master plan development of the municipality.

Program Budgeting and Capital Investment Budgeting

There is substantial potential to improve and deepen the development of the budgets from the provincial to the municipal level through the implementation of program budgeting, which has already been initiated at the central government level, and the implementation capital investment planning that would be connected to the master plans developed by the municipalities. This effort is already being taken to the provincial level for budgeting and the municipal level is a natural extension of this programming budget process. This will be a critical step, as the services delivered by the municipalities will increase in the coming years.

The IDLG Strategic Work-plan state “by the end of 2013 adequate municipal budgets will be ensured for priority reforms which are in line with the National Urban Policy.” (IDLG Five Year Strategic Work-plan 1387-1391, p. 29) One of the important initiatives that should be undertaken with the municipalities over the five-year framework would be to introduce the methods of program budgeting and capital investment budgeting.

Public Finance and Expenditure Management Law

The Public Finance and Expenditure Management Law contain several provisions that applies to the municipalities. Article 23 titled Assistance of the State to Municipalities indicates that the “municipalities may receive assistance [transfers] from the government budget if a justifiable need exists.” However, in an interview with the Budget Department staff of the MoF, it was indicated that no such transfer has ever been made.

The provision for borrowing by the municipalities is contained in Article 24; paragraph 3 though there seems to be no underlying procedures or regulations for doing this. The Budget Department also indicated that while some requests for borrowing had been received to MoF, none had been approved.

Finally, the reporting of budget execution by the municipalities is provided for in Article 25, which requires reports at least every six months. This is apparently not occurring on the basis stated in the law, but is provided after eight months to the MoF to review and project to the end of the budget year.

Procurement Law at Municipal Level

The Procurement Law enacted in October 2005, and as implemented by the Rules of Procedure for Public Procurement of April 2007 has some significant impact on the ability of the mayors and municipalities to provide financial support to the operations and service delivery in the municipalities. There are various opinions expressed about the operation of the procurement law from the interviews conducted with the mayors and local officials in the provinces visited. In Mazar-e-Sharif, the mayor complained that he his authority to personally authorize direct purchase of goods and services expenditures was only up to 250 Afs, or \$5 USD for goods and services and 500 Afs, or \$10 USD, or construction projects. This is an insignificant amount for a person with such responsibility. These are particularly small amounts for those mayors of large municipalities that need to undertake larger service delivery projects.

The mayor Jalalabad indicated that the municipality bypasses the procurement law by having the provincial governor authorize the payments up to 1m Afs. Mayors in smaller municipalities did not indicate any particular problems, although they indicated the proposals have to be cleared by the provincial authorities. The existing procurement law refers to the Ministry of Interior for some responsibilities even though this authority has been transferred to the IDLG. The flexibility of the municipalities to use certain bidding procedures is limited. For example, the use of request for quotes (RFQ) is not provided to the municipalities in the annex to the law.

For projects that exceed the thresholds there is requirement for approval by the Procurement Commission that is supported by the Ministry of Finance. The Minister of Finance is the Chair of the Commission, with the Minister of Justice and Minister of Economy composing the other members of the commission.

The provisions of the law appear not to be well understood at the municipal level, but an effort is being made in the coming months to provide training at the provincial level. It also seems that the provincial and municipal authorities do not understand that they can request a change in the threshold amounts for direct purchases of goods, services and civil works to the Special Procurement Commission that has authority to increase these threshold amounts. This is an issue that needs to be addressed by the IDLG.

4. Assessment of Intergovernmental Relations

It is surprising that the municipalities are left to their own financial resources to carry out the limited services that they are responsible to deliver. The municipalities are estimated to have approximately 20% of the population and have sustained substantial changes in population over the past years as people have sought more security and protection. This migration has undoubtedly placed a substantial burden on the municipal levels to provide any services, control the development of housing and land use in their areas, and support the social and economic services that this population shift has put on them.

As the World Bank report points out this financial situation has resulted in a very inequitable distribution of resources and a serious problem for the alignment of the financial resources from

the central to sub-national level. The inequity of the distribution of resources is described in the report with reference to Kabul and Jalalabad. The 1386 budget for Kabul, the per capita expenditure was approximately \$7, but in Jalalabad it amounted to \$2.5 per capita. Additional research is needed with respect to the distribution of resources at the municipal level and how this has impacted their capacity to deliver services as well as the distortion this has caused with respect to revenue collection of often illegal or unauthorized taxes, the sale of land by the municipality, and the use of supposed “donations” to the municipality from the private sector.

The coordination of an intergovernmental system that is largely based on the central ministries connection to the provincial and district levels has also left out the municipal levels. The central ministries offices are primarily located at the provincial level with little connection to the needs or services to the municipalities other than possibly for technical advice on some infrastructure projects, such as roads. Also, the development councils that represent the potential for bottom-up development are basically limited to the community, district and provincial levels. So, besides the lack of an intergovernmental fiscal transfer system for the municipalities, there is also an absence of the organizational and structural coordination that is needed for an effective intergovernmental system.

5. Assessment of Governance Capacity and Citizen Participation

The capacity building of mayors and municipal staffs to perform their functions needs some attention. The mayors indicated a need to have more interaction with other mayors and national level officials to have an opportunity to hear the latest information on municipalities. Some mayors indicated that due to the conflict they had little opportunity to continue their education and now lack some of the management skills that are needed to manage their work. The opportunity for mayors to go on study tours and participate in an association of municipalities where they could attend workshops and seminars would be very valuable. Further support could be provided to the municipal staff through professional associations and other training opportunities

While there has been substantial effort to involve citizens in community decision -making, particularly through the Community Development Councils, the District Development Assemblies and the Provincial Development Councils, it appears this has not been accomplished within the municipal governments. The municipalities have been left out of the grass roots citizen participation efforts of these development councils. There is some evidence that the Provincial Reconstruction Teams when they do some projects within a municipality make an effort to determine the citizens’ priorities. This is also the case with the USAID sponsored Community Development and Local Government project that is working in several municipalities.

When municipal officials that were interviewed for this assessment about how citizens could be involved in the municipal decisions, they indicated that the neighborhoods had a representative that met with the citizens and then reported to the municipal authorities the problems and concerns of the citizens. The neighborhoods (gozars) have a municipal appointed person (wakil-i-gozar) who deals with many of the administrative issues, such as birth and death certificates, as

well as some of the neighborhood conflicts. The wakil-i-gozaar acts as the neighborhood liaison with the municipal authorities on the problems of garbage collection, and other services, such as health and education. This is a highly organized effort and is based on the traditional methods that citizens communicate with their local authorities. As the Deputy Mayor of Kabul indicated, these district and neighborhood representatives come to the municipal building to report any problems and that at least twice a year, all the 22 district representatives in Kabul meet to present the priorities and needs as expressed by their neighbors.

Other than this neighborhood interaction with the municipality, there is not a practice of utilizing the citizens' input in the development process. As the World Bank report indicates: "...there is no forum for development needs to be taken from the district level of the municipality for incorporation into the municipality's broader development agenda, and the city planners largely ignore this system of representation, except when the municipality requires district officers and the wakils to mediate the impact of plans and property expropriations." (World Bank Report "Service Delivery and Governance at the Sub-National Level in Afghanistan", page 22)

There is no formalized or institutionalized method by which the municipalities communicate with their citizens. Within the existing municipal laws, there is no requirement for the municipal authority to hold public hearings, budget hearings, or regularly communicate through media methods with the citizens. There is no tradition of this within the municipal level of government.

The IDLG Five Year Strategic Work-Plan 1387-1391 has within its programs an effort to support participatory governance methods and public participation in the local government public service delivery systems. This is a commendable effort and should lead to some donor supported programs that can support the legal and practical realization of citizens participating in the municipal decision making process, particularly for the improvement of services and infrastructure development.

IV. A STRATEGIC FRAMEWORK FOR THE IMPROVEMENT OF MUNICIPAL GOVERNANCE

This Strategic Framework for the Improvement of Municipal Governance (SFIMG) addresses issues critical to municipal governance at policy, legal, programmatic and projects levels. The SFIMG focuses primarily on three critical concerns: clarifying the lines of authority between national, municipal and other sub-national governments; enhancing the structure, systems and skill sets of the municipalities and their officials/staff; and, outlining an approach to sustain the sources, levels and improved management of the fiscal base required for effective municipal governance.

As well, SFIMG is driven by the assessments, detailed in Section III, that have concluded:

- there is no overall coherent, strategic plan to improve municipal governance
- the authority, roles and responsibilities of municipalities are not well defined
- the incentives/support systems required to modernize municipalities are inadequate
- capacities to deliver municipal services are severely constrained by limited resources
- there is a desire for more open public participation in local governance

Vision of Municipal Governance in Islamic Republic of Afghanistan

The municipal level of government in the Islamic Republic of Afghanistan has a critical role to play in the political, economic and social development of the country. To achieve this critical role a strategic vision of the role, responsibilities, and resources of the municipal governments must be defined. It is envisioned that municipalities will have the following characteristics that will be developed as the country progresses to a full democratic system of governance.

- Municipalities will have elected officials responsive to the needs and desires of the citizens they are to serve;
- Municipalities will have the legal authority to exercise the full scope of their duties and responsibilities;
- Municipalities will have the commitment, support and high level of coordination required from other levels of government to deliver public services as enabled under law;
- Municipalities will provide those services they are most capable of delivering and desired by the citizens in an economical and efficient manner;
- Municipalities will have the financial resources to ensure that delivery of services can be accomplished in the most effective, responsive and transparent means;
- Municipalities will be able to adequately plan their future economic and social progress through involvement of citizens in decisions affecting these areas of development.
- Municipalities will have clearly defined authorities, responsibilities and functions within an intergovernmental relations system.

Goals of a Strategic Framework for Improvement of Municipal Governance

The goals of a strategic framework for improvement of municipal governance in the Islamic Republic of Afghanistan will be to achieve the following:

- Ensure the definition of the legal and regulatory framework that will enable the municipalities to achieve their full potential
- Ensure that municipal elected and professional officials capacity building needs are identified and that the resources to enable them to fulfill their duties and be responsive to the needs of the citizens can be accomplished;
- Ensure that the services and functions of the municipalities are clearly defined and within the capabilities of the municipal resources to provide to the citizens;
- Ensure that an adequate and responsive financial management system is defined and that the municipalities are capable of fulfilling the requirements of the system;
- Ensure that an intergovernmental system with appropriate levels of government, clear definition of authorities and responsibilities, and the distribution of financial resources from the various levels are distributed in the most equitable and rational method possible is achieved.

Challenges and Opportunities for a Successful Municipal Governance Strategy

This effort to describe and define a municipal governance strategic framework is a starting point in meeting the numerous challenges that the IDLG and the municipal governments will face in the next five years. There are numerous challenges that must be faced and the need to resolve these in a more defined framework for the municipalities must be addressed at the policy levels at the national, central, district and municipal level. These include the following:

Outdated and Contradictory Laws. There are presently some outdated laws with contradictory provisions that need to be addressed in a new legal framework for the municipal level of government. Local officials in interviews for this report have demonstrated some contradictory understanding of the financial management and planning responsibilities of the municipalities and have applied these laws differently in their municipalities. Some officials have chosen to go beyond the legal limits and undertake some activities that go beyond their authority and responsibilities.

Definition/Classification of Municipalities. The Law on Municipalities is one of those laws that needs to be updated particularly with respect to the definition and classification of the municipal system and incorporate some functional assignments and capacities that recognize the differences in population and economic resources of the municipalities. The definition of municipalities based on the population of 5,000 and ability to implement a master plan does not recognize the differences that exist among the municipalities.

Master Plan Development. As a consequence of the conflict that has affected the country over the past 30 years, the master plans of the municipalities are out of date given the dramatic changes in the population shifts to the municipal areas and the land use detailed in the master plans are no longer relevant or practical given these changes.

Boundaries of Municipalities. Because of the population shift and the land use associated with these shifts, the boundaries of the municipalities must be adjusted to account for these changes and bring within the municipal boundary these areas, often of

informal settlements and market areas, to ensure that the municipal authorities can serve the larger populations that are now a part of their economic and political influence.

Service Delivery. The service delivery requirements of the municipalities are detailed in the existing laws, but the practical capabilities to deliver these services is very limited. The main service delivery function being carried out by the municipalities is for garbage collection. In addition to this service, the municipalities are largely confined to setting and monitoring the prices in the markets for food, inspection of meat and other foods that are sold to the public, and maintenance of some streets and drainage areas within the municipality. The staffing levels and the financial resources of practically all municipalities are so limited that they are unable to deliver the services defined by the law. The variation in the capabilities and resources indicates a need to define the service delivery responsibilities according to the characteristics of the municipalities and develop some classification systems that aligns these to the service requirements.

Financial Planning. The limited financial resources of the municipalities are a major challenge facing the municipalities. Many of the municipalities interviewed for this report are attempting to increase the collection of taxes, fees, and charges to improve their financial situation. The multitude of charges available to the municipalities presents some confusion of what is allowed and what rates can be set. The municipalities need more authority and flexibility to establish the base and the rate of the tax, fee or charge without this being set by the central level. Also, the municipalities need to have better capacity and methods to utilize the revenues that are available to them to plan their budgets and spend their financial resources. Some methods, such as program budgeting and capital improvements planning, need to be introduced to the municipalities to improve their financial planning and management.

Lack of Information on Municipalities. New policies and laws that will enable the municipalities to assume an increased role in meeting the needs of their citizens must be based on adequate and accurate information on the political, economic and social conditions. There is a need to develop some methods such as municipal profiling that examines all aspects of the conditions in the municipalities, financial reports that provide information across the municipalities that can be analyzed and compared to determine the degree of resources and inequities that exist, and social and economic data that provide information on the populations that live within the municipal boundaries.

Baseline Requirements. Census and Boundary Definition. The baseline requirements for developing the municipal level of government will be to undertake a census of the population and define the political boundaries of the municipalities. Without these baselines, the election of municipal mayors and councils, development of strategic plans for the future of the municipality, master plans for development, service delivery determination, and infrastructure improvements will be nearly impossible.

Functional Components of a Municipal Governance Strategy

SFIMG comprises six key areas of consideration that taken together provide a comprehensive approach for the design and implementation of a substantive municipal governance agenda:

1. Policy Framework
2. Legal Framework
3. Service Delivery Capacities
4. Fiscal Framework
5. Inter-governmental Relations
6. Participation in Municipal Governance

At the conclusion of the discussion of each of these key areas of consideration, the SFIMG presents an outline for program/project implementation, including a phasing schedule.

1. Policy Framework

To develop a coherent program of building the capacity of municipalities to better deliver needed public services, it is important to frame, debate and decide critical policy options. A well-defined Policy Framework can serve as a process to engage stakeholders and as an expression of the general purpose and more specific objectives of a municipal governance program. As presented following, the Policy Framework for Municipal Governance in Afghanistan comprises a field of activities which are required to achieve an agenda of change and improvement and which will serve as the basis for government and donor decisions on programs and projects that can make change happen.

This report outlines a number of components, described below, which are recommended to be included in the Policy Framework that IDLG and its partners will develop over the next six months. Several principles have guided the development of the Policy Framework:

- **Consider The Past, Understand The Present.** New initiatives should be informed from past efforts to improve municipal governance, what has worked, what has failed, and why. Knowledge of current political and economic circumstances that could support the change agenda is critical.
- **This is NOT the time for business as usual.** Given the considerable challenges to effect change in Afghanistan, shaping a better future for Afghan municipalities will require creative thinking, sustained efforts and a sense of urgency and commitment if the status quo is to be overcome.
- **Not everything will/can be done today.** A municipal governance improvement program must be aggressively pursued but realistically phased. The challenges are enormous. The race to achieve results will have to be a marathon, not a sprint.
- **One size does not fit all.** The size, composition, and interests of Afghanistan's municipalities vary considerably. Programs must be tailored for the different classes or levels of municipalities.

- **Change management requires strong leadership.** Buy-in of leaders who can articulate a clear vision of the public benefits to be gained from improved local governance will be critical for the success of the program. Program elements must be designed to the strengths and interests of the champions of change.
- **Communities must participate in the design of their futures.** The legitimacy of local governance is directly correlated to the participation of local officials and citizens. Their input is required at all levels of program design and implementation.

To be effective, a Core Policy Function Framework for Municipal Governance must be both comprehensive and strategic. The set of components below represents a fairly complete universe of the critical issues that need to be addressed in the process of developing a policy framework:

- Building capacity to develop policies to guide governance reform
- Clarifying/reorganizing the roles, structures and functions of Municipalities
- Providing a comprehensive program of capacity building activities
- Providing the resources required to do the work of Municipalities
- Setting performance incentives/sanctions
- Partnering to gain inter-governmental commitments to effect a change agenda
- Fostering citizen participation in local governance
- Achieving sustainability of governance improvement initiatives

Building the Capacity of IDLG and Its Partners to Develop/Implement Governance Policy

IDLG is moving quickly to build its own capacity to develop policies on sub-national governance including municipal governance. IDLG has established an internal working group, and is waiting for approval from the Office of the President for the appointment of a high level inter-governmental Task Force to address sub-national governance policy issues. Given the complexity of the issues and the self-imposed aggressive timeline of completing a Policy on Municipal Governance within the next six months, IDLG is seeking additional immediate support to assist them in understanding best practices in successful municipalities in Islamic/Middle East regions or elsewhere as may be appropriate.

The long-term viability of IDLG to implement a governance reform program is dependent to a great extent on the strength of IDLG's own capacities to develop policies, build capacities and oversee the work of the municipalities. IDLG recognizes this factor. The funding/staffing/training of a dedicated management structure within the Directorate of Municipal Affairs (DMA) of IDLG could prove critical to the success of IDLG. A Program Working Group (PWG) disengaged from the day-to-day operations of the DMA, and with staff on performance contracts could focus exclusively on three key activities: developing the Policy and Legal Frameworks; working with municipal leaders on interim guidelines to solve immediate problems; and, partnering with donors to develop, fund and implement the capacity building program required to create effective municipal governance.

Clarifying/Reorganizing the Roles, Functions and Structures of Municipalities

The patchwork of formal but out-of-date legal authorities and regulations, and informal/traditional customs/arrangements/understandings about the roles and structure of local government results in a fragmented approach both in the delivery of public services and the attempts to improve local governance. The Policy Framework must seek a balance of time, place and method to minimize confusion and at the same time enable municipalities to in the transition to more effective municipal governance.

As noted in the assessment section, the current Law of Municipalities (1379/2000) states two criteria to qualify to become a municipality: a minimum of 5,000 residents; and a more vague criteria, “ the possibility of implementing a Master Plan”. The former law (1336/1957) simply required a minimum of 500 houses within an area of three kilometers. The policy issue to be decided is whether smaller areas work as municipalities?

Given the increase in minimum size in the new law, one can imagine that a concern was raised at the time of the drafting of the new law that municipalities of 500 houses (~2,500 people at average household size) were too small to be able to effectively deliver public services. However, as we have seen in Jalalabad and Herat where the provincial municipality was structured to take smaller district municipalities under their wing and provide a variety of support and oversight, district municipalities can function well and have been able to initiate modest projects and provide communities with better representation and basic services. Lebanon allows municipalities to be designated with as few as 250 households but allows for voluntary federation of municipalities to create a critical mass to deliver public services jointly.

The issue then is whether there should be different classes of municipalities based on size/capacities/locations (whether in the center of a province or district) such to distinguished different responsibilities and authorities, and whether the law should enable formal or informal/voluntary federations to ensure sufficient size/capacity to operate.

It is our recommendation that the Policy Working Group immediately deliberate on the subject of minimum size and/or other criteria (vague criteria should be deleted) and the formal establishment of classes and structures to assist the smaller classes in carrying out their responsibilities. Further, all criteria should be easy to administer ie, number of occupied houses that would be easier to count than residents given the difficulties in administering a census.

Above all, clarity is needed. Of vital concern to Mayors with whom we have met is the issue of “responsibility without authority”, a perception that the array of functions and relationships between and among the different levels of government is so confusing that they may on the one hand be arbitrarily stopped from pursuing local activities by higher levels of government while at the same time be accused of residents that they are not delivering critically needed public services which may not be in their mandate to deliver. The Policy Framework should assess each responsibility, authority and relationship across the varying functions as outlined in the illustrative chart following:

	Identify	Design/Engineer/Program	Fund	Approve	Implement
Construct Municipal Roads	Mayor and/or municipal staff work with residents to identify/prioritize road sites	In larger municipalities (ie, Class A), which have an engineering capacity, they design the road for bids. In smaller municipalities (ie, Class B), the Mayor requests assistance from MPW.	Municipality pays, or if National Municipal Development Fund is created, municipalities receive a matching contribution from the Fund.	Budget follows normal approval process. Design must meet engineering standards of MPW. MoUD approves whether road is in Master Plan.	In larger municipalities which have a procurement capacity, they bid/manage the project. Smaller municipalities use MPW to bid/manage the project.

Suggestions have been made that new functions may need to be enabled in legislation. Larger, more developed municipalities could benefit from an economic development capacity. Smaller more rural municipalities may want to develop an alternative energy program; indeed, Arjil Municipality outside of Herat is already talking about wind power. IDLG and the PWG need to carefully assess these possibilities.

Concern has also been raised that municipalities are sometimes established more on political initiative than legal process. IDLG does have an internal process of approval based on the criteria in the law, but it may be useful to strengthen and formalize the procedures of the approval process.

The Legal Framework, described in the following section, will address specific issues relating to the drafting of a comprehensive modern Law of Municipalities, which sets the parameters for the delegation and regulation of the responsibilities of municipalities based on the deliberations and recommendations of the Policy Framework. A constant dialogue is needed between the team developing the policy framework and the team that will draft the Law of Municipalities. Ideas/suggestions of the policy team must be checked for compliance with the Constitution of IRoA, with existing or contemplated changes to legal policy and precedents, and against the myriad legal regulations, which would require corresponding updates to ensure a consistent legal structure.

IDLG is open to introducing new structures for municipal government. Currently, Mayors (who are appointed by the central government and thus accountable only to the government) serve as both non-elected but official representative, and overall manager of the programs, projects and staff of the municipalities. An elected Mayor, but with limited management responsibilities, matched with a City Manager (Town Clerk in Commonwealth parlance) may be a useful model that could ensure accountability to the municipality and a higher level of professionalism and performance (City Managers generally work on performance contract, are professionally trained and certified, and are hired/fired at the discretion of elected municipal councils). Other models for the structure of municipalities should be studied as to their usefulness and acceptability in Afghanistan.

Providing a Comprehensive Program of Capacity Building Activities

IDLG has been working closely with UNDPs Afghanistan Sub-national Governance Program (ASGP) on the basic structure and substance of a capacity building program for local government including municipalities. A comprehensive program to improve the performance of municipal governance should include: a significant training and component to improve the administrative, management, technical skill sets of both the officials and staff of the municipalities; technical assistance and grants to provide a minimum support base of systems, facilities and equipment; and, a commitment to address recruitment and compensation issues which continue to keep municipalities from finding/keeping quality people. To date, the focus has been more on provincial capacities, but there has been training and some technical assistance operating in Mazar, though the training has been limited to improving solid waste management and revenue collection. Additional training specific to the special circumstance and functions of municipalities would be required of a more comprehensive capacity building program.

IDLG understands the need for a phased program that provides useful and appropriate technology (software and hardware) tied to a corresponding training/mentoring/learn-by-doing program and introduced in a realistic way to municipalities who have the interest and capacity to make use of the new systems.

Municipalities need modern facilities in which to work and equipment (vehicles, communication, service equipment) to do the work effectively and efficiently. But caution is needed. There is awareness that some municipalities put the construction of status town halls ahead of the need to deliver public services. A balance is needed to develop functional facilities required to fully operationalize an administrative center while maximizing the services provided to citizens.

Local governments have identified problems with recruiting and retaining skilled staff at lower levels of government. Training staff and equipping municipalities will, in fact, do little good if municipalities cannot retain quality employees. More technical assistance and a stronger commitment from the IRoA are required to develop and properly fund an improved recruitment capacity and an employee compensation package that is competitive across different levels of local government and with the private sector.

Providing the Resources Required For The Work of The Municipalities

The progress of local governance reform cannot be sustained unless the political will is found to move forward with an innovative and strategic approach to ensure that municipalities have the means to better deliver critical public services. The need is great, the issue is broad in scope, and the results cannot be predicted. But the effort must begin.

Any such initiative must start with municipal revenue enhancement. A program that uses technology to improve revenue collection efforts, realistically updates and makes buoyant (i.e., tax on business such that as business activity expands, revenues increase) rates and fees, and is tied to a civic education program to begin to educate the public on their responsibilities as

citizens to carry a fair share of the costs of public services and facilities, can achieve results. Building the fiscal capacity of municipalities is discussed in more detail later in this report.

Public asset management, particularly land sales/leases, is a major problem at all levels of government in Afghanistan. Technical assistance is required to design and implement a system that directly addresses this key issue. More transparent land records, accounting systems, and procurement/auction policies can make it more difficult for officials to grab land. Obviously, strengthened enforcement/penalties are also required.

Intergovernmental transfers must be addressed. For instance, a competitive “Efficiency Grant” fund that leverages local matching funds and is specifically designed to help provide for an initial round of technology/facility improvements for municipalities could prove useful in advancing the governance reform agenda. Assessments would have to be carefully made to determine whether efficiencies claimed were real. Other potential transfer mechanisms are discussed later in this report under the Fiscal Framework.

Setting Performance Incentives/Sanctions

Properly conceived/implemented incentives/sanctions for performance or lack thereof, applied to either/both individuals or to the municipalities themselves have proven to be a useful tool to further an agenda of governance reform. A program that rewards local governance managers under performance contracts, which include clauses for dismissal for poor performance, can provide significant incentive to do better. A Municipal Development Fund could provide for additional development grants to municipalities where prior funds were well and wisely spent.

For both mechanisms, careful and transparent monitoring and evaluation of performance is key to successful implementation. Quality control is achieved from the inception program throughout its life, and further, institutionalized into the government system by: developing through a consultative process with stakeholders an easy to use M&E manual, including an M&E checklist and scoring system; pre-testing the manual in all municipalities; training to internalize and operationalize the manual; and, the development of a sustainable Management Information System (MIS) to integrate the collection, analysis, storage and application of data.

Partnering to Gain Inter-Governmental Commitments Needed to Affect a Change Agenda

Achieving the IRoA goal of higher levels of public service delivery will require significant political and fiscal support as functions and resources are delegated to municipalities. This process needs to be carefully designed/implemented to be consistent (and acceptable) within the context of the unitary structure of government in Afghanistan. For instance, a program of local economic development can make projects happen on the ground in cities, which have the potential to become economic engines in their regions. Cooperation from all levels of government is required, and all levels of government will in turn benefit from a growing economic, increased tax rate, and more and better jobs for its citizens.

Fostering Citizen Participation in Local Governance

“If people have an opportunity to participate in shaping their future, they are apt to make change work. People support what they help to create.”

Effective public decision-making is dependent on public participation. Participants in decision-making processes can express their views, listen to others and be heard. Everyone may not be involved in making the ultimate decision, but input, ideas and concerns of all interested stakeholders are critical for lasting change. Each person who participates brings “knowledge, values and experience” to dialogue and decision-making. These approaches are all grounded in the assumption that democratic processes, rather than hierarchy or bureaucracy, are the best ways to create effective change.

IDLG recognizes that a primary objective of any governance improvement program must be building the capacity of citizens to participate in the design of their futures. Several strategies to institutionalize the process of seeking input and opening decision-making to public review are discussed in more detail in Section IV in this report.

Achieving Sustainability of Governance Improvement Initiatives

To sustain expected success of the municipal governance reform program, newly learned/achieved capacities must be institutionalized. In particular, capacities to provide expert advice, analysis and services that assist municipalities in improving their performance must be provided through an institution such as an “**Institute of Local Government Innovation**” or an “**Association of Local Governments**” essentially a technical support organization that would be a resource of ideas, concepts and innovations on a broad range of local government issues. The entity might be “owned” by local governments for the purpose of carrying forward the governance reform policies through efforts to improve resource allocation effectiveness, and management and service delivery performance. The organization could establish an archive of relevant documents providing best practices in matters of interest to local governments and which would be available on demand through online access and consultancies. The organization should initially be supported through government and donor grants, but would as well develop its own business plan in order to become self-sustaining.

Expected Results from the Development of a Policy Framework

- Agreed guidelines on the formation and structures, roles and responsibilities, of Municipalities.
- Input to the drafting of a new Law of Municipalities and supplementary schedules/regulations.
- Strengthened policy guidance on the revenues sources permitted municipalities including resolution of the issue of potential intergovernmental transfers.
- Effective dialogue among stakeholders, which clarifies intergovernmental coordination needed to effect improvement in the delivery of needed public services.

Timeline/Activities to Implement the Policy Framework

The Strategic Framework for Improvement of Municipal Governance as outlined above will be of no use if it does not move off of paper and into the offices of municipalities. While it is understood that restructuring government is not an easy or quick proposition, there must be a sense of urgency and commitment if the status quo is to be overcome. An Implementation Plan will be required that presents a critical path that sequences the reorganization of municipalities and outlines specific initiatives and products expected during the first five year of implementation.

It is the recommendation of this mission that IDLG and the donor community consider a pilot program of no more than fifty municipalities with which to introduce a comprehensive, well-funded reform agenda. With success, a follow-up rollout to all municipalities could be considered. Municipalities for the pilot should be chosen of the bases of representing diverse locations, sizes, existing capacities, and ethnic considerations, with an underlying criteria that there is a commitment from the municipality to succeed, and a more objective assessment of implementation feasibility that suggests real potential to achieve results on the ground where it matters most.

Table 1: Timeframe to Implement Policy Framework

Policy Framework Activities	1386 2008		1387 2009		1388 2010		1389 2011		1390 2012		1391 2013	
1. Advisory Council Appointed/Deliberate	X	X										
2. Conduct of Study Tour		X										
3. IDLG Advisors/Staff Develop Draft		X										
4. Input from Government, other Stakeholders	X	X										
5. Draft Policy Framework – to Circulate		X										
6. Revise Draft		X										
7. IDLG Municipal Governance Policy Framework- used as input to legal reform and program development		X	X	X								
8. Update as may be Required					X	X						

Donor Support Assistance to Develop the Policy Framework

Donor assistance will be vital in developing both the policy and legal frameworks envisioned in this report. Advisors are needed immediately to work with the Policy Working Group. An important part of their work would be the conduct of study tours that will allow for the task force members and staff to get first hand knowledge on how municipal governments are legally formed, and made effective instruments of service delivery through the elaboration of clear and consistent policy framework.

2. Legal Framework

As noted earlier, there are significant problems in the current Law on Municipalities with the level of specificity, ambiguous language, lack of definition of classes, lack of mention of certain current important functions, lack of mention of permitted revenue sources, and an overall disconnect in the responsibilities and the authorities/empowerment required to be effective. Chart 2 below summarizes specific issues and corresponding suggestions to be addressed in the development of a new Law of Municipalities. The substance of these and other issues must be dealt with as the Policy Framework is developed. As that process is concluded and decisions are made on key issues, provisions of the current law will have to be rewritten.

What is critical in terms of developing a new, more comprehensive legal framework is the level of, and commitment to, the recognition and empowerment of Municipalities. The basic Law of Municipalities should be made clear as to the role assigned Municipalities within the unitary Islamic Republic of Afghanistan. That role should reflect both the ability of Municipalities to best represent the direct interests of residents where they live, and the capacity to be responsive to their needs in the delivery of basic public services.

The new legal framework must be the enabling base for the Law on Municipalities, and directed and specific in the supplementary legal schedules, regulations and administrative laws that will guide the activities of Municipalities.

It has also been made very clear in our visits with municipalities that there is a great deal of misunderstanding about the legal environment within which municipalities function. A new legal framework must from the start include an outreach program that can clearly disseminate the new laws and explain/orientate Mayors, Councils, other officials, and key staff to the legal provisions, requirements and guarantees of the law.

Chart 2: Suggestions for the New Legal Framework for Municipalities

	Issues with the Current Legal Framework	Suggestions for a New Legal Framework
Definition of Municipality	Language states that municipalities are part of provincial administrations, but little definition is given to what this means.	The new Law on Municipalities should include a schedule with clear language describing specific functions and services delegated to each sub-national level of government (provincial, district and municipal), and as well a schedule which outlines the relationships among/between the different levels of sub-national government including various approvals required, and points of coordination and representation (see main text for reference).
Criteria to Become a Municipality	Current law requires a minimum of 5,000 residents. Former law only required 500 houses. Policy issue to be decided is whether smaller areas work as municipalities?	Small municipalities if given the proper support, could initiate modest projects and provide communities with better representation and some services. Lebanon

	<p>Different sizes/locations (whether in the center of a province or district) are not distinguished as to responsibilities and authorities. Criteria to define different classes are not in the LoM but in an outdated Administrative law.</p> <p>Criteria of having “possibility to implement a Master Plan” are very vague.</p> <p>Process of how areas apply and are approved is not stipulated in the LoM, though it is elsewhere noted that approval of the Council of Ministers is required.</p>	<p>allows municipalities to be designated with as few as 250 households but allows for voluntary federation of municipalities to create a critical mass to deliver public services jointly. Different classes of municipalities should be clearly delineated.</p> <p>Vague criteria should be deleted. Criteria should be easy to administer (ie, number of occupied houses that would be easier to count than residents).</p> <p>Process of approval should be delegated to IDLG with clear guidelines as to the criteria, and the procedures to determine whether the criteria are met.</p>
Organization of Municipality	<p>LoM provides for a Mayor, Deputy Mayor, “Heads of Departments” and an administrative council comprise of those officials, but do not specify core and optional structures.</p> <p>There is a requirement that the department structure of municipalities requires approval of the national Council of Ministers.</p>	<p>Enabling language should be included to define core and optional structures (departments, agencies, offices, etc.) for the different classes of municipalities.</p> <p>Department structures should be able to get final approval by IDLG.</p>
Financial Affairs	<p>Requiring national approval of local budgets is very restricted.</p> <p>Very specific requirement that the operating budget accounts for 45% of revenues collected, development budget the remaining 55% is too restricting. Growing municipalities may require a higher percent for their development budgets to build roads and water supply.</p> <p>LoM notes that line ministries can/should supplement municipal revenues from the national development budget to fund critical development projects that municipalities may not be able to afford.</p> <p>There is no mention of specific anti-corruption requirements governing the accounting, procurement, treasury, etc., functions of municipalities.</p>	<p>Municipal budgets should be approved by IDLG subject to MoF sign-off that all MoF fiscal policies/requirements are met.</p> <p>To avoid having municipalities spend all of their revenues on salaries, but allow for flexibility for growing towns, a minimum requirement of 55% (+-) should be set.</p> <p>Obviously, this isolated attempt at an intergovernmental transfer program needs to become part of the larger policy framework addressing the resources available to municipalities.</p> <p>This could be included in the supplemental schedule of intergovernmental relationships.</p>
Revenue Sources	<p>There is no mention of revenue sources permitted municipalities in the current LoM. The Old Law specifically states that municipalities are permitted to collect revenues from: a percent of national taxes/revenues taken from municipalities;</p>	<p>Following decisions in the Policy Framework, the new LoM should specify which taxes/fees/user charges/investments/businesses ventures/etc., are permitted municipalities. Additional schedules such as with the City</p>

	property rent; permit fees; report fees; charges for public services (user charges); property-house-construction taxes; fines for non/late tax payment; income from businesses (hotels, etc); advertisement fees.	Charges Act can continue to be used to specify rates.
Responsibilities & Authorities	Language detailing specific responsibilities is often qualified. The Law does not specify exclusive responsibilities, nor attempt to clearly chart the relationships between the different levels of government as to the activities of municipalities.	More direct language is required. A more comprehensive list of functions should be developed, ie, functions for economic development (entering into public-private partnerships, promotion, micro-financing, IT training, etc) or for anti-corruption, require new language. As noted earlier, a supplementary schedule delineating intergovernmental relationships is critically needed.
Planning Functions	<p>Requiring that a municipality's "activities be based on its Master Plan" is laudable but given almost all such plans are out-of-date, and exclusively physical in nature, this requirement is inappropriate.</p> <p>Requirement that Master Plans are endorsed by the national Cabinet of Ministers and approved by the "Government" (IDLG?) is severe and ambiguous.</p> <p>What is the specific relationship in terms of implementation of the Master Plan?</p>	<p>There should be several requirements relating to planning. Development plans, assessing expansion options and providing for the more complete social and economic development of the municipality, should be required in addition to Master Plans, which are merely the physical layout of the town. Requiring that Master Plans be updated every ten years is essential.</p> <p>Plans should be simply approved by MoUD.</p> <p>Again, the intergovernmental relationship schedule should address how line ministries can work together with municipalities to effectively implement in a timely manner approved Master Plans.</p>
Coordination	LoM implies that line ministries are required to consult municipalities for work in municipalities.	The intergovernmental relationship schedule must address this issue directly.
Associations	The former Law stated that Federations of Municipalities (domestic) are directly permitted. Officials spoke of informal contact with their peers elsewhere in Afghanistan, but formal recognition and development of federations/association could prove useful.	Specific language should be included to permit domestic associations of municipalities. IRoA should consider the Lebanese model of Federations of Municipalities whereby Mayors choose to voluntarily come together to form a Federation, which is then provided funds from the Ministry of Municipalities for projects of shared benefit to federation members.

Expected Results of the Development of a New Legal Framework

- Law on Municipalities is enacted by Parliament
- Development/adoption of supplementary laws/decrees/regulations as required
- Development of rules, regulations, and procedures for the implementation of municipal governance legislation

Table 2: Timeframe to Implement Legal Framework

Legal Framework Activities	1386 2008	1387 2009	1388 2010	1389 2011	1390 2012	1391 2013
1. IDLG to convene working group with Ministry of Justice (MoJ) to deliberate and draft new Legal Framework and Law of Municipalities based on the Policy Framework		X	X			
2. IDLG to convene working group with Ministry of Justice and other relevant ministries/agencies to draft supplementary new Administrative Law			X	X		
3. IDLG to convene working group with Ministry of Justice, Ministry of Finance and other relevant ministries/agencies to draft new schedule of Revenue Sources Permitted Municipalities					X	X
4. IDLG to convene working group with MoJ and Ministry of Finance (MoF) to draft new supplementary Public Finance and Expenditure Management Law as related to municipalities					X	X
5. IDLG to convene working group with MoJ and MoF to draft new Schedule of Rates including a buoyancy formula for municipal taxes, fees, user charges					X	X
6. IDLG to convene working group with Ministry of Justice, the National Election Commission and other relevant ministries/agencies to draft updated Law of Elections as relates to the election of Mayors and Municipal Councils				X	X	
7. Input from Government, other Stakeholders		X	X	X		
8. Law of Municipalities introduced/adopted by Parliament				X		
9. Development of rules, regulations, and procedures for implementation of new Law on Municipalities				X	X	
10. Adoption/dissemination (through a substantive outreach campaign) of new Law of Municipalities and accompanying administrative, fiscal, and electoral laws and regulations				X	X	X

Donor Assistance

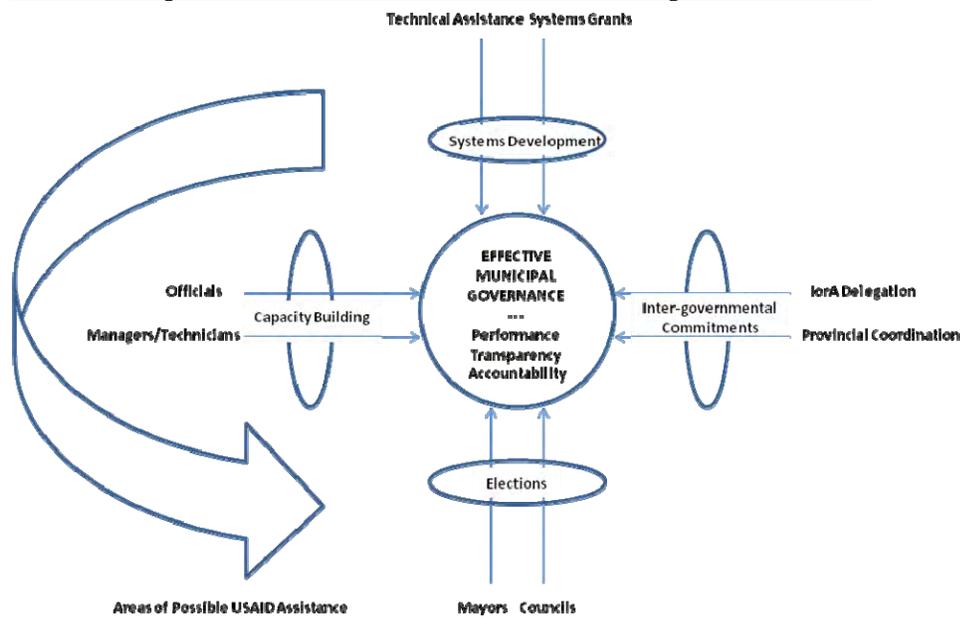
Significant support will be needed to help IDLG, MoJ and other relevant agencies prepare the new comprehensive legal framework, new basic Law of Municipalities, supplementary laws and regulations on revenues, financial management, elections, etc., and an umbrella administrative law which provides the details on the processes and procedures to implement the legal framework. Lawyers and experts in local governance, fiscal reform and administrative regulations must be provided almost immediately for a period of at least one year and embedded within IDLG’s Program Working Group.

In addition, study tours elsewhere in the Middle East and in other countries with Islamic unitary governments should be conducted.

3. Improving Municipal Service Delivery

Effective municipal governance is government that performs – delivers needed public services – in a transparent and accountable manner. Improved performance will require more than grand policy statements or redefined legal definitions. As shown below in Chart 3 below, a comprehensive program is needed to: develop the structures and systems to organize government to more effectively and efficiently deliver services; build the skill sets of municipal officials, managers and technicians to better do their jobs; and, provide critical support systems – Information and Computer Technology (ICT), service equipment, vehicles, offices and other facilities. As well, and as noted later in the strategic framework, specific efforts are needed to strengthen fiscal capacities, to build inter-governmental partnerships required to delegate meaningful authority and resources to municipalities, and to involve citizens in the design and operation of their government.

Chart 3: Requirements to Achieve Effective Municipal Governance



Structuring Municipal Service Delivery Functions

Ensuring that municipal service delivery is responsive to the needs of local citizens and communities is the most fundamental issue of a reform agenda for municipal governance. Ongoing efforts by IoRA including the Public Administration Reform (PAR) effort, and UNDP's Afghanistan Sub-national Governance Program (ASGP) have begun to address key concerns. This section of the Strategic Framework presents a comprehensive overview of critical restructuring and reorganization elements needed to improve service delivery.

Conduct Organizational Audits/Prepare Strategic Operations Plans

The first step of an institutional development program for municipalities is to conduct individual baseline organizational audits of current structures and capacities as a prerequisite for preparing municipal Strategic Operations Plans (SOPs). ASGP has begun to describe the functionality of municipalities in Balkh province. The Civil Service Commission, in collaboration with IDLG, is also working in the province to assess the potential for merit recruitment/merit pay programs. These nascent efforts are important in the wider effort that is needed to custom tailor SOPs that address the following issues:

- **Service functions.** As introduced earlier in this report, it is important that IDLG develop a greater understanding of the possible service functions that different classes/sizes of municipalities can reasonably be expected undertake. Once there is agreement on the services each municipality will provide, the technical assistance team can work with the municipality to develop a one-to-five year operations plan to determine the level of service, cost and means to deliver the services.
- **Structure and organization of service departments.** SOPs must provide for the rationalization of service structures, and the internal organization of those structures, dependent on the class/size of the municipality. Smaller communities may require only one generic service delivery department that performs park maintenance and solid waste collection/disposal. Class A larger cities may have full departments for planning, roads, solid waste management, parks and public facilities, economic development, etc. The internal organization of a department must include a mission statement, a personnel schema with clear job descriptions/assignments and lines of authority/communication, goals for/indicators of service performance, and streamlined administrative and management processes and procedures.

Structure/Enhance Core Functions

Improved core functions are a prerequisite for improved service delivery.

- **Financial Management.** The later section dealing with the Fiscal Framework discusses some aspects of the budget system, expenditure levels, revenue sources and other requirements to improve the fiscal capacity of the municipalities.

- **Management Information Systems (MIS).** Various MISs capacities can be introduced for the different classes of municipalities. Computerized accounting/budgeting systems can probably be utilized in all levels of municipalities. These are discussed in the “Fiscal Framework”. Geographic Information Systems (GIS) can be a useful tool for many service delivery activities.

In Hairatan, the map hanging on the wall in the Mayor’s office was a crayon map of existing roads and facilities drawn from memory, incomplete, inaccurate and of little use in enabling the municipality to deal with issues relating to the rapid expansion of the town. Even for small municipalities like Hairatan, a simple off-the-shelf GIS package (ie, ArcView which sells for ~\$500), can significantly upgrade a municipality’s ability to plan and engineer the physical development of the town. Larger cities have the potential to use full-scale GIS packages, which include a variety of map applications for planning and engineering purposes.

GIS parcel overlays can serve as the basis for a land records management system, a prerequisite to improved land/asset management. GIS applications using aerial photography may be the only effective way to define municipal boundaries needed for identifying voter registration rolls for the coming elections. GIS can also provide road and utility engineers with an accurate base map for project design.

IDLG is working with the Afghanistan Geodesy and Cartography Head Office (AGCHO) and UNDP’s Afghanistan Information Management System (AIMS) to provide provincial governments in the north with a set of digital base maps. This work can be extended to municipalities as part of a GIS capacity building program.

- **Anti-corruption.** One of the major objections to increased delegation of public service delivery to municipalities is the concern by IRoA and donors of potential misuse of funds. It is a critically important task to build the systems and culture necessary to avoid corruption in all the functions for which municipalities are responsible. A comprehensive program of prevention, education and enforcement is required. Because corruption can occur at virtually any point in the public service delivery process, anti-corruption activities must span across a broad range of activities, which will require close interaction with all of the other levels of government.
- **Media and Communications.** Municipalities need to learn to better communicate what they are doing and why. Public outreach should be a core component of any capacity building program. A carefully designed communication and public outreach strategy can also help citizens understand the importance that government places on transparent, effective, democratic local government and economic growth.

Structuring/Enhancing Service Delivery Management

Service functions require better management, which in turn requires better structures, systems and standards.

- **Management structure.** As noted earlier, the introduction of a City/Town Manager may be a useful model that could ensure a higher level of service delivery performance (City Managers work on performance contract, are professionally trained and certified, and are hired/fired at the discretion of elected municipal councils). Be it a formal City Manager position, or more simply a Managing Director for Service Delivery that oversees all service departments, a central point of direction is needed to: provide leadership on policies governing service delivery; better manage the service operations of municipality; and, better communicate the purposes and needs of service departments to the Mayor, Council (when they are elected) and to the public.

The primary responsibilities of City Manager or Services Managing Director would be to:

- provide administrative leadership
 - oversee the coordination of all service improvement/capacity building initiatives
 - directly oversee the work of the service departments and their managers
 - direct the preparation of the services component of the annual budget
 - advise the Mayor/Council on all matters related to service delivery
- **Service Standards, Performance and Coordination.** Delegation of authority to municipalities to deliver public services must be based on an approach that guarantees that the different levels of the unitary government of Afghanistan work together to ensure effective service delivery. It has been noted that line ministries often voice concerns about the quality of the work of municipalities. A key issue is who sets standards and monitors performance. The Ministry of Urban Development (MoUD) claims that it can act as a supporting service agency to the municipalities to establish standards for proper development and master planning, and as well to provide those services directly where needed and when requested. Similarly, the Ministry of Public Works offers to help train and support municipal engineers in road construction and maintenance.

However, the Ministries themselves require capacity building to update/modernize standards. For instance, planning standards in the MoUD are stuck in a rigid, Soviet era notion of physical master planning that does not well accommodate private sector development, nor modern environmental concerns. Rather than rely exclusively on a hierarchical set of Ministry imposed/monitored standards, which may or may be appropriate for municipalities, new thinking is required. Technical assistance to assess and develop a new set of service standards that deal realistically with conditions on the ground within the different classes of municipalities and with the constraints of limited resources, should be a significant part of IDLGs municipal capacity building program.

Annex A of this report, “MGSF Management Plan”, presents a chart which presents for each recommended capacity building activity an assessment of identified needs/opportunities, expected/desired outcomes and possible indicators of performance/success. This chart can provide guidance as an initial starting point for a larger effort to introduce standards with indicators as part of an ongoing, routine performance measurement function of municipal government.

Structuring/Building Capacity of New/Expanded Functions

Municipal functions will change over time as the needs of citizens' change. Municipalities have identified a need to enhance Urban Management and Planning functions/structures and begin to do Economic Development.

- **Urban Management and Planning.** Every Mayor met with has offered to show us the municipality's Master Plan, all on ruffled very old blueprint paper, all originally designed prior to the Soviet invasion by the predecessor Ministry of Urban Development (MoUD), none fully implemented, none updated to current circumstances. Each Mayor has understood that they have a responsibility to provide their residents with a vision of a better future, and that the Master Plan is one mechanism with which to do so. All expressed a need to update their plans, and to modernize the process, either through in-house or contracted capacities, or through better service by, and coordination with MoUD.

To design useful Master Plans, essentially layouts for the physical design of the city, it will be necessary to first prepare development plans with strategies and actions for the social and economic development of the municipalities. The World Bank has funded such a process for Mazar-e-Sharif Municipality, but it was our understanding that this was unique to Mazar-e-Sharif and that the World Bank has no intention to continue this initiative in other cities. Significant capacity building effort is needed both at the Ministry and municipality levels to create new standards, new technical resources, and new processes of participatory planning.

The preparation of development and master plans will require considerable technical skills in a variety of disciplines – planning, engineering, architecture, economics, social science, etc. Some cities already have capable staff; other cities will have to decide what specialists they require and can afford. All will require some level of training and systems development.

Effective public decision-making is dependent on public participation. Participants in decision-making processes can express their views, listen to others and be heard. Everyone may not be involved in making the ultimate decision, but input, ideas and concerns of all interested stakeholders are critical for lasting change. Each person who participates brings “knowledge, values and experience” to dialogue and decision-making. These approaches are all grounded in the assumption that democratic processes, rather than hierarchy or bureaucracy, are the best ways to create effective change.

The process of seeking input and opening decision-making to public review is critical. Several strategies can institutionalize this process (this subject is addressed in more detail in the last section of this report, “Governance Capacity and Citizen Participation):

- **Public Information Centers.** Providing shared "information" is critical for informed public debate of issues. A resource center with maps, reports, laws, etc. should be part of any participatory planning effort.
- **Public Hearings requirements.** All preliminary public resource management and planning decisions should see the light of day in various rounds of public hearings as appropriate. UN Habitat has created community councils in such municipalities as Kabul, Mazar, and Kandahar for this purpose as part of their community development planning efforts. These forums have proven to be a useful venue for public consultation, and should be replicated in other municipalities.

Better urban management requires more than just better public participation. Implementation of plans is critical. Integration of planning, budgeting and project management must start immediately. Significant capacity building will be required to enable quicker, better development of the public infrastructure of municipalities.

The structure and internal organization of an Urban Management function must be carefully designed for the different classes/sizes/capacities of municipalities. A smaller municipality may simply have one technical person on staff to oversee development projects. A mid-size municipality could have a modest Urban Management Department staffed with several engineers and planners to build/maintain streets, parks, water supply systems, etc. Cities like Herat or Jalalabad can have full size individual departments for these and other specialty functions such as a **Cultural Heritage Office**, which in a city like Herat could serve a critically needed role in maintaining spectacular historic sites like the Citadel of Alexander the Great.

- **Economic Development.** For the larger municipalities with more substantial capacities, there is an opportunity to build an in-house capacity for an economic development office. Effective local economic development requires the active participation of three key constituencies – the private sector, local government, and citizens. Afghanistan’s economy has failed to grow and diversify in part because its local governments do not understand the role of municipalities in economic development and do not have the capacity to play that role effectively.

In Balkh Municipality for instance, the Mayor has an idea to restore the ramshackle hotel across from the park in the center of town. Balkh is a town of significant history, less than a kilometer from the center park is the former city walls dating to the time of “visitors” including Genghis Khan and Tamerlane. Balkh was also home to Zoroaster, founder of the first great monotheistic religion. Today, Balkh gets the occasional tourist, but in time when there is more security in the region and with a proper tourism plan to promote the district, there is real possibility that the hotel could be a viable operation. In Mazar-e-Sharif, there is talk of developing food processing plants to make jam from the locally grown orchard fruits, but finance and sites are needed. The Governor and Mayor of Jalalabad are proposing a transportation/industrial hub/park for the import/export trade with Pakistan.

To realize these and all of the potential economic growth projects in Afghanistan's municipalities, the role of local government needs to be better understood and better developed. For larger municipalities, training and resources should be provided to establish an Economic Development Office (EDO). Smaller municipalities could join together to form regional offices that would have the critical mass needed to pursue economic development initiatives.

Each EDO would have the capacity to perform the following functions:

- **Advocacy** – Act as a coherent voice for economic development within the community and to the outside world.
- **Project Preparation/Entrepreneurship Development** – Perform scoping and budgeting of public-private economic development projects and EDO led activities such as promotion and investment outreach. As well, provide role models and training for youth and women entrepreneurs, and establish business support services to assist/support business start-ups.
- **Investment Development** – Promote and guide the distribution of resources for economic development through linkages to the Diaspora community, new public-private partnerships, donor and other investment resources.
- **Sector and Business Association Development** – Promote and guide efforts to improve the products, marketing and distribution of targeted sectors.

Skilled staff will be required to run the EDOs. Targeted capacity building for economic development skills should include: organizing/managing local public-private partnerships; roles and responsibilities for business attraction, retention, and expansion; marketing and promotion; revenue generation to support economic development initiatives; youth and women employment; and public communications and outreach.

EDOs should have access to resources in a Development Fund that would enable municipalities and local businesses to carry out joint projects that will create job opportunities and economic growth, and will reinforce the importance of coordinated public-private efforts.

Expected Results for Restructuring Municipal Service Delivery Functions

- Preparation of Strategic Operations Plans for each municipality providing guidance and direction for improved service delivery
- Professional core administrative, fiscal and management functions to support improved service delivery
- Anti-corruption initiatives in municipalities such to significantly reduced corruption in line with national objectives
- Preparation of new and/or updated Development/Master Plans
- Upgrading of the public physical infrastructure of municipalities
- New offices of Urban management and/or Culture/Historic Preservation as appropriate
- Community Economic Development Offices and Plans for all major cities

Table 3: Timeframe for Restructuring Municipal Service Delivery Functions

Restructuring Service Delivery Functions Activities	1386 2008		1387 2009		1388 2010		1389 2011		1390 2012		1391 2013	
1. Conduct Organizational Audit/Prepare Strategic Operations Plan	X	X	X	X								
2. Structure/Enhance Core Functions - Build Financial Management capacities - Build MIS/GIS capacities - Build Anti-Corruption capacities	X	X	X	X	X	X	X	X				
3. Structure/Enhance Service Functions Management - Build Management Structures - Develop Standards and Performance Measurement mechanisms	X	X	X	X	X	X	X	X				
4. Structure/Build Capacity of New/Expanded Functions - Urban Management - Planning - Culture/Historic Preservation - Economic Development	X	X	X	X	X	X	X	X	X	X	X	X

Donor Assistance to Help Restructure Service Delivery

Technical assistance is needed to assess and redesign the structure and internal organization of municipal departments.

Technical assistance and training is required to prepare individual Strategic Operations Plans using templates developed initially for the different (three?) classes of municipalities which can then be custom tailored to the circumstance of specific municipalities.

Systems development and capacity building training is required to enhance core/administrative municipal in the following areas:

Financial Management. This is discussed in the following Fiscal Framework section.

Management Information Systems: Financial management systems can be introduced almost immediately in all municipalities (see following section, Fiscal Framework). GIS applications will require a custom fit for the different classes of municipalities.

Anti-corruption. Technical assistance to: design the structure, policies, and procedures of an Anti-Corruption program; present a comparative assessment of other models of anti-corruption programs in the Middle East; review relevant Afghan law and identify modifications that may be required to ensure consistency with the national anti-corruption program.

Technical assistance and training will be critical to develop new and better management structures, and, in collaboration with initiatives to build capacities in various ministries, set new standards, design performance incentive and monitoring mechanisms, and improve intergovernmental coordination (discuss in more detail later in this report).

Various capacity building initiatives are required to enhance municipal functions as follows:

Urban Management, Planning, Culture/Historic Preservation. Different Classes of municipalities will require different levels of capacity building. For instance, major cities like Jalalabad or Herat with a large engineering staff have the basis to plan for the physical development of their communities, but may need assistance to due prerequisite development/strategic planning, or more specific environmental planning assistance, and would certainly benefit from training in community participatory planning. Small municipalities may only require the latter as they consult with the Ministry of Urban Development to produce a master plan on their behalf.

Economic Development. All municipalities can benefit from technical assistance, training and an economic development grants fund in support of the establishment of Economic Development Offices (EDO).

Building the Skill Sets of Municipal Officials, Managers, and Technicians

There is no substitute for having dedicated, well-trained, compensated, and motivated workforce. Significant efforts are underway, but more needs to be done.

Human Resources Development

IDLG is working with the Independent Administrative Reform & Civil Service Commission (IARCSC) and the PAR (Public Administration Reform) program to better recruit and maintain (pay) quality staff in a limited number of municipalities. These efforts need to be expanded to cover all municipalities. As well, consideration must be given as to how to sustain the cost of the program. The IARCSC now covers the top-up costs for the first year of the program, after which the Municipalities are responsible. This may be too sudden a transition. A sliding scale of top-up support over five years would give municipalities the time they need to develop new and improved revenue collection efforts to secure the funding required to sustain PAR.

Capacity Building for Officials

Though elections for Mayors and Municipal Councils may not be held for some time (2011+?), there is an immediate need to provide capacity building in leadership, ethics, and communications for municipal officials. If change is to come to Afghanistan's municipalities, change management skills sets must be developed. Managing change through leadership requires that officials have, and communicate well, a vision of a better future, that they be proactive in

influencing citizens to support a change agenda, and have a management style to work with people to achieve results. Because there is a frequent turnover of municipal officials, any capacity building initiative has to be designed from the start to be sustainable.

Capacity Building for Managers

Management training is needed in a variety of capacities, including but not limited to:

- Planning: Deciding what must be done, when, and by whom;
- Organizing: Scheduling the effective use of resources – people, materials, and equipment to implement plans;
- Leading: Influencing the actions of individuals and groups in order to obtain the desired results;
- Team-Building: Developing your workers into a cohesive team; fostering a sense of independence and partnership among your work group;
- Decision-making: Providing workers with the opportunity to make contributions and feel a part of the decision-making process; exhibiting both the firmness of decisive action and decision-making flexibility depending on the situation;
- Problem-Solving: Identifying problems, gathering and analyzing relevant facts, and selecting best alternatives; ability to cope with complexity;
- Coordinating: Building and maintaining good relations with the public; working cooperatively with other agencies and departments;
- Overseeing, directing, and managing others to meet employee and organizational goals as effectively and efficiently as possible;
- Motivating: Inspiring others; proving employees with work environment;
- Principle of Communication: Facilitating the flow of ideas, information, and understanding between and among individuals.

Capacity Building for Technicians

A variety of technical skills training are required to improve service delivery. The specific skills required for each municipality need to be determined in the Strategic Operations Plan.

Expected Results of Building the Skill Sets of Officials, Managers, and Technicians

- Recruitment of better new staff
- Better compensation of staff to keep high performing employees
- More responsive, skilled municipal officials
- More effective managers who can better implement programs/projects
- Better skilled technicians for service design and delivery

Table 4: Timeframe to Build Skill Sets of Municipal Officials, Managers, and Technicians

Capacity Building Activities	1386 2008		1387 2009		1388 2010		1389 2011		1390 2012		1391 2013	
1. HR Development/Implementation	X	X	X	X	X	X	X	X	X	X	X	X
2. Capacity Building of Municipal Officials	X	X	X	X	X	X	X	X	X	X	X	X
3. Capacity Building of Municipal Managers	X	X	X	X	X	X	X	X	X	X	X	X
4. Capacity Building of Municipal Technicians	X	X	X	X	X	X	X	X	X	X	X	X

Donor Assistance for Capacity Building of Officials, Managers and Technicians

Municipalities may need funding assistance to phase in higher compensation packages, which are vitally necessary to maintain key personnel.

Training programs for officials, managers and technicians will require significant donor assistance for the foreseeable future.

Providing Adequate Support Systems (Information and Computer Technology (ICT), Service Delivery Equipment, Office Facilities, etc.)

As one official remarked to us, to get from A to B in Afghanistan, you need a good car, a knowledgeable driver and a tank full of gas. Capacity building can train the driver, but municipalities will need a good car and a lot of gas if they are to become more effective agents in the delivery of local public services.

Today in Afghanistan, municipalities have few support systems and facilities to do the work they are responsible to do. With several exceptions, the cities we have visited to date have no computers or management information systems, very little service delivery equipment, few vehicles, and often no electricity in the dilapidated offices in which they work. Support programs must be designed for the different classes of municipalities and must provide complete systems including training and maintenance so that computers delivered today are not flowerpot stands tomorrow.

Inventory Existing Support Systems, Assess Needs

An initial survey to identify specific needs and the capacities to absorb/use new systems is critically needed. In the areas in the north where they are providing capacity building assistance, ASGP through AIMS is conducting an assessment of the potential to provide ICT systems and service delivery equipment/vehicles, as well as assessing minimum requirements to renovate and upgrade municipal offices. Downstream assistance can be designed to the needs determined in this inventory/assessment phase of assistance.

Systems Provision/Development Matched to Operations Plan through Leveraged Grants Program

All municipalities need to be provided with a base package of ICT systems (desktop or laptop computers with word and data processing software), service equipment (trash trucks, road graders, etc.), and office facilities that are carefully matched to service operations. Base systems can be expanded in time when there is evidence that more advanced systems can/will be used. For instance, standard computers with Excel spreadsheets could be the initial package used for budgeting/accounting purposes in smaller municipalities (a significant upgrade from hand written budgets we have seen) and later more robust financial management applications such as FMIS could be introduced. Similarly, basic GIS programs such as laptop-based ArcView could be a first step towards using far more advanced ArcInfo. Such packages must, of course, be tailored according to the class/size of municipalities and be phased in a way that there is time to adequately learn to use the systems.

Donor funded programs to provide these support systems can be leveraged with government matching funds at an appropriate and affordable rate to help ensure the systems/equipment/facilities are, in fact, needed, wanted and will be used.

Expected Results in Providing Adequate Support Systems

- Provision of base level of ICT systems by 2011 to all municipalities
- Provision of critical financial/administrative Management Information Systems to appropriate municipalities by 2011
- Provision of critical planning Geographic Information Systems to appropriate municipalities by 2011
- Provision of base level of offices and office equipment by 2011
- Provision of base level of service equipment by 2011

Table 5: Timeframe to Provide Adequate Support Systems

Provide Support Systems Activities	1386 2008		1387 2009		1388 2010		1389 2011		1390 2012		1391 2013	
1. Inventory Existing Systems	X	X	X									
2. Systems Provision/Development Matched to Operations Plan	X	X	X	X	X	X	X	X	X	X	X	X
- ICT base level												
- ICT advanced level												
- Service equipment												
- Offices												
3. Leveraged Grants Program			X	X	X	X	X	X	X	X	X	X

Donor Assistance to Provide Adequate Support Systems

Leveraged funding assistance is needed to directly support the broader capacity building program by providing critically needed support systems, equipment and facilities.

4. Fiscal Framework

The lack of a clear legal and regulatory framework for revenue and expenditure assignments indicates the need for a new approach to increasing the fiscal capacity of the municipalities. The problems of the fiscal framework have been identified in Section II above and are documented in the reports cited as well as verified in the municipalities visited by the mission team.

This Five Year Strategic Municipal Improvement Governance Framework identifies some actions and a timeline for meeting these key expectations over the next five years. The Framework identifies the key actions that need to be taken within this timeframe in which the key policy issues in each of these areas will need to be addressed.

Improved Revenue Assignment and Collection Capacity

The ultimate objective of this strategic framework as it relates to the municipal fiscal framework is to achieve the following new initiatives in addition to those identified in the IDLG Strategic Work Plan:

- A New Law on Municipal Revenues
- Implementation of Modernized Property Tax System
- Capacity of the Municipalities Increased to Collect Revenues

The process of achieving this is to begin with a more comprehensive assessment of the revenue resources available to the municipalities. At present there is largely sample data and anecdotal information gained from various studies that reveal the weaknesses in the fiscal capacity of the municipalities. The present main sources of municipal revenues is the safayi or cleaning tax, the property tax, and the charges to the local shop keepers and market place fees for selling. The sale of land is used in many of the larger municipalities, but this is not a sustainable or wise policy in many cases, and is open to many illegal practices and corruption. There is also a substantial level of inequality in the revenue resources that are available across the municipalities and this needs to be addressed within the framework of a new intergovernmental fiscal relations system that will be addressed separately in this report.

Therefore, the first step in the development of a new fiscal framework is to undertake a more comprehensive assessment of the revenue resources in the municipalities. The municipalities are required to through their budget submissions and regular financial reports to the Ministry of Finance to provide this information. Analysis of this data should be undertaken at the outset to define more precisely the revenue situation of the municipalities.

Following this analysis, the formulation of new policy on revenue generation can be undertaken. While this report cannot address all the policy issues it should at a minimum address the following:

1. A clearer definition of what constitutes taxes, fees and charges within the law

2. The autonomy to fix the tax, fee and charges base and rate setting by the municipality within national level oversight, but without approval of the central authorities for certain classifications of municipalities
3. The structure for reporting of revenues from various sources, including the sale of land, property taxes, and other sources
4. The sharing of certain taxes between the central, provincial and municipal levels.
5. The revenue collection capacity of the municipalities or sharing of this capacity among municipalities or with the provincial level

A key requirement for improving the revenue resources of the municipality will be the development and reliance on the implementation of a property tax system. The Ministry of Finance has already recognized the importance of the property tax for the municipalities. In a policy report prepared by the Ministry of Finance it states: “The importance of the property taxes collected at the local level should not be underestimated since they support financing the operations and functioning of the municipalities; because the central government does not co-finance or transfer central government revenues to the municipalities.” (Policy Directions and Strategies for Sustainable Sources of Revenue for Afghanistan: Official Tax Policy Framework and Revenue System Strategy, p. 52)

This effort should be coordinated with the progress of registration of land titles and resolution of any land and property title disputes that is envisioned in the IDLG Five Year Strategic Work Plan. There will need to be an implementation of a modern computer based property tax record system based on the proper registration and transfer of land and property titles. This should follow after the land registration system has been accomplished. There will need to be a large investment in the hardware and software for the implementation of the property tax and the need for piloting and testing of the system prior to its full implementation.

Finally, a very heavy emphasis will need to be given to improving the human resource capacity of the municipalities to collect the existing and new revenue sources. This is particularly the case with regard to the implementation of the property tax, as this will require the training of assessors or evaluators of the land and property registered to the owner and the recording of sales of property and new assessments of the value of the property. This will require a large training and capacity building effort prior to the full-scale implementation of the property tax.

Expected Results

The IDLG Five Year Strategic Framework addresses the need for improving the fiscal framework with the three following key expectations:

- Revenue Improvement Programs in Municipalities by end of 1391 (2013)
- A New Law on Municipal Revenues by end of 1391 (2103)
- Implementation of Modernized Property Tax System by end of 1391 (2013)
- Capacity of the Municipalities Increased to Collect Revenues by end of 1391 (2013)

The time frame for achieving a new revenue resources and collection system is as follows:

Table 4: Revenue Improvement Programs Timeframe

	1386 2008	1387 2009	1388 2010	1389 2011	1390 2012	1391 2013
1. Assessment of Municipal Revenue Resources		X				
2. Conduct of Study Tour on Revenue Policy		X				
3. Formulation of Policy Governing Municipal Revenue Generation and Resource Management (IDLG)			X	X		
4. Registration of Land Titles and Resolution of Disputes in Municipalities (IDLG)	X	X				
5. Design/Development of Property Tax System				X	X	X
6. Implementation of Computerized Property Tax System					X	X
7. Capacity Building for Property Tax Implementation					X	X
8. Revision of Local Fees and Charges/Rates						X
9. Capacity Building for Revenue Collection of Local Fees & Charges					X	X
10. Drafting Updated Laws, Rules and Regulations Governing Generation, Management and Accountability for Resources (IDLG)						X
11. Law on Municipal Revenues						X
12. Revenue Improvement Programs in Municipalities (IDLG)						X
13. Establishment of Appropriate Oversight, Transparency Reporting and Accountability Mechanisms for Revenue Generation and Resource Management (IDLG)						X

Donor Assistance Support

Donor assistance support would be valuable in the areas of assessment of the municipal revenue resources and the formulation of policy options on the development of revenue. This would encompass the development of appropriate municipal revenue sources in the areas of taxes, fees and charges that could be incorporated into a new municipal revenue law.

The implementation of a property tax system would require substantial amount of donor assistance in the design and development of the property registration system, the application of hardware and software for property tax records on the ownership and transfer of property. A key area for donor support would be to assist in the capacity development of the municipal staff in utilizing market based assessment methods to properly value property for tax purposes. The existing support provided by USAID in the land titling and registration process provides a natural extension and platform for the development of a property tax system.

Improved Budget and Financial Management in the Municipalities

Along with the development and implementation of program budgeting at the central and provincial level in the coming years, there is also a need to improve the methods of budgeting at the municipal level. As the municipality will take on the responsibility for the delivery of more services, have increased revenues from the new revenue sources, the complexity of the making budget decisions at the municipal level will greatly increase. The implementation of program budgeting to make these decisions has been undertaken in many municipalities throughout the world and is supported by the donor community. The IDLG also indicates that a key expectation is that the municipalities will have adequate budgets by the end of 1391 (2013). The most important requirement to achieve this would be to implement program budgeting which relates the expenditures to specific service delivery programs, identifies performance indicators for the delivery of these services, and provides a basis for evaluating the efficiency, effectiveness and transparency of these services.

While implementing program budgeting is a difficult and complex process requiring several years for full scale implementation, the extension of program budgeting within the existing plans of the Ministry of Finance to roll out this budget method to all central ministries and organizations and to the provincial level over the next several years does provide an opportunity to extend this to the municipal level as well. The experience developed in the implementation at these central and provincial levels and the coordination of this effort across these government levels should provide for some ease of implementation at the municipal level. The municipalities are already following the classification of expenditures of the ordinary budget at the central level, and, therefore, the continuation of this with the program budget effort is a logical extension of this present unitary budget approach.

This implementation of program budgeting will require a substantial amount of capacity building at the municipal level as well as direct technical assistance to the municipalities. The most logical approach is to introduce this on a pilot basis in a selected number of municipalities based on established level of financial management capacity. This pilot implementation approach can then be utilized to develop the training materials and instructions that can be applied by the other municipalities as they develop their financial management capacity.

Expected Results

- Municipalities Have Adequate Budgets by end of end of 1391 (2013)
- Program Budgeting is piloted and implemented in selected municipalities by end of 1390 (2012)
- Law on Municipal Budgets enacted by end of 1391 (2013)

A timeframe for implementation of an improved municipal budgeting system based on the introduction of program budgeting is provided in the following.

Table 5: Improved Municipal Budgeting Timeframe

	1386 2008	1387 2009	1388 2010	1389 2011	1390 2012	1391 2013
1. Provincial Planning and Budgeting Process (IDLG)				X		
2. Review and Assessment of Municipal Budgeting Processes		X				
3. Conduct of Study Tour on Program Budgeting for Municipalities		X				
4. Design and Develop Program For Municipal Budget Improvement			X			
5. Implement Pilot Program Budgeting in Selected Municipalities			X	X	X	X
6. Develop Capacity in Municipalities to Implement Program Budgeting					X	X
7. Law on Municipal Budgets Enacted						X
8. Municipalities Have Adequate Budgets (IDLG)						X

Donor Assistance Support

Technical assistance support will need to be provided to the municipalities in the introduction of the program budgeting methods. A donor program directed at piloting the method, based on its continuation to the Provincial Government level by other international donors, should be undertaken. The development and delivery of training with preparation of training manuals, handbooks and other materials will need to be undertaken as well. Training delivery to the selected municipalities as well as to all municipalities will require some institutional capacity with the training centers already established in the region. The program budgeting training can be integrated into the training programs at these training centers.

Policy support will need to be provided for the development of the municipal budget law and this could encompass a study tour to a country where municipalities have successfully implemented program budgeting methods and this has been integrated into the provincial and national level budget processes.

Infrastructure Investment Plans

The improvement of the infrastructure, particularly water, sanitation, electricity, and transportation at the municipal level must be a high priority for the coming years. The lack of revenue resources, outdated master plans for development, and the technical capacity at the municipal level makes this a formidable challenge for the governmental systems in the IRoA. The development of infrastructure investment plans for the major municipalities by the end of 1391 (2013) is another key expectation of the IDLG Five Year Strategic Work-Plan.

In order for this to be achieved at least two baseline requirements are necessary. The first is the defining of the political and administrative boundaries of the municipalities and their adjustment as necessary to account for new settlement patterns. Secondly, the updating of the master plan for the municipalities must be accomplished for planning the infrastructure improvements based on existing physical structures and the future planned developments can be realistic and achievable.

Given that these are achieved, the development of infrastructure investment plans based on multi-year investment planning methods, prioritization of projects, and financing methods for large and expensive projects can be undertaken.

The approach to this will be to initiate an integrated program in which the development of the political boundaries and master plan updating will follow with the introduction of the multi-year investment planning methods. The present budgeting methods for infrastructure at the municipal level is basically a “wish list” of projects without sufficient input from the community, lack of economic and technical evaluation of the project, prioritization of the competing projects, and definition of the long term financial resources needed for implementation of the project. Just as the implementation of program budgeting is achievable with coordination between the central, provincial and municipal levels, there is an even stronger need for this coordination for the development of the infrastructure investment plans. Ultimately, the financing of these projects in the next five years will have to come from more funds from the central level through grants and other financing mechanisms, such as a municipal development fund supported by donors and channeled through the central government structures. A municipal development fund, based on donor support, will necessitate a very structured project approval process based on the technical and economic analyses that support the financing of these infrastructure projects. Consequently, it is in the interests of the central government and the municipalities to undertake the process of implementing multi-year investment planning methods.

Again, the initial stages of this infrastructure investment planning would best be undertaken with the implementation of the methods in some pilot municipalities where the political boundaries are well defined and the master plan has been updated. These can be selected based on these criteria as well as consideration of the local infrastructure conditions, such as the condition of the water, sanitation, transport and electricity services.

Expected Results

- Infrastructure Investment Plans for Major Municipalities by end of 1391 (2013)
- Updated Master Plans by beginning of 1388 (2010)
- Municipalities have capacity to implement infrastructure investment plans by end of 1391 (2013)
- Implementation of Infrastructure Grants Program for Municipalities by beginning of 1391 (2013)
- Design and Implementation of Municipal Development Fund by end of 1391 (2013)

The timeframe for implementing a development of the infrastructure investment plans is presented following:

Table 6: Infrastructure Investment Plans Timeframe

	1386 2008		1387 2009		1388 2010		1389 2011		1390 2012		1391 2013	
1. Political and Administrative Boundary Mapping Completed (IDLG)				X								
2. Updated Master Plans of Municipalities					X							
3. Review and Assessment of Municipal Development Budgets					X							
4. Design and Development of Infrastructure Investment Planning & Budgeting Processes/Methods						X						
5. Implement Pilot Infrastructure Investment Planning and Budgeting in Selected Municipalities							X	X	X	X		
6. Develop Capacity in Municipalities to Implement Infrastructure Investment Planning and Budgeting									X	X	X	X
7. Draft and Issue Regulations Related to Municipal Infrastructure									X	X		
8. Design of Infrastructure Grants System for Central Ministries									X	X		
9. Implementation of Infrastructure Grants Program for Municipalities										X	X	
10. Infrastructure Investment Plans for Major Municipalities (IDLG)												X
11. Design and Development of Municipal Development Fund										X	X	X

Donor Assistance

Donor assistance support will need to be provided in developing the capacity of the municipalities to develop a capital improvements planning process and utilize techniques of economic analysis to identify and prioritize the needed infrastructure improvements. A pilot program will be helpful to select a set of municipalities of different sizes, needs, and capacities to test the process and implement the planning methods.

Policy level assistance will be needed to help structure an infrastructure grants program for the central ministries to utilize in providing financial support to the municipalities. The design and development of a Municipal Development Fund, utilizing donor funding and passed through the MoF to the municipalities, based on formula based criteria and transparent methods of allocation will require additional donor support.

5. Intergovernmental Relations

The structuring of an intergovernmental relations system is one of the most complex issues in governance. This involves the authority and financial relationships among the different levels of government. These vary widely among countries and are influenced by whether the country adopts a unitary or federal system of government, and then defines the functional assignments and distribution of the revenue resources. Consequently, the development of the intergovernmental relations system requires careful analysis and consideration at all levels of government and society. However, an intergovernmental system represents the completion of a process that will ensure that citizens, public officials and civil servants understand their roles and responsibilities within the constitutional and legal framework of the country.

The requirement at the municipal level to be fully functional and capable of delivery services to its citizens is in need for further clarification. The control and oversight of the municipalities by the central ministries, particularly the Ministry of Finance, and the Provincial Governors and Assemblies, must be formalized in the intergovernmental system and placed into a Law on Intergovernmental Relations. At the moment, there is substantial interaction without the formal legal authority for these purposes, particularly at the provincial municipal level.

Finally, the need for development of intergovernmental fiscal relations to address the growing inequities of financial resources available across the provinces and the municipalities needs urgent and serious attention. The continuation of this system in which the municipalities do not receive adequate revenues or transfers to provide an equitable level of service delivery, particularly for health and education, can create further political and social unrest.

Ultimately, the intergovernmental relations system should result in the following:

1. The clear definition of responsibilities and authorities between the central, provincial, district and municipal levels for delivery of services and revenue resources
2. A system of transfers between the central and municipal level for specific categories of services, such as health, education, and infrastructure
3. A general transfer to compensate those municipalities lacking sufficient revenue resources to meet the basic service requirements of the municipality

A working group to deal with the issues of the intergovernmental system should be created to identify the specific issues to address and to develop the initial assessment of the problems from a service delivery and financial resources perspective. This assessment should detail the inequities of service delivery and financial resources to meet the defined functions based on the classification of municipalities. Because of the complexity of the issue and the need to look at the experiences from other countries, a study tour to selected countries with similar character and experience to IRoA should be undertaken at the early stages of this process.

There is also a need for extensive level of consultations between the various levels of government and the citizens as well. Public hearings and discussions should be held once a draft

of the Law on Intergovernmental Relations is completed, and should be continued, as each new draft is prepared.

Expected Results

- Law on Intergovernmental Relations will be enacted by end of beginning of 1391 (2013)

A timeframe for completing a Law on Intergovernmental Relations is as follows.

Table 7: Intergovernmental Relations Timeframe

	1386 2008	1387 2009	1388 2010	1389 2011	1390 2012	1391 2013
1. Assessment of Municipal Revenues and Expenditures to Per Capita Equities/Service Delivery Costs		X	X			
2. Identification of Issues on Design of Intergovernmental Relations System			X			
3. Study Tour Examining Intergovernmental Relations System			X			
4. Development of Policy Framework for Design Of IGR System			X	X	X	
5. Consultations with Ministries/Provinces/Municipalities on Policy Framework for Design of IGR System				X	X	X
6. Drafting of Law on Intergovernmental Relations				X	X	X
7. Final Consultations on Draft Law on Intergovernmental Relations				X	X	
8. Submission of Draft Law on Intergovernmental Relations						X
9. Law on Intergovernmental Relations Enacted						X

Donor Assistance Support

Because intergovernmental relations is one of the most complex issues in the governance area and requires substantial political analysis the donor community will need to support this effort through some study tours and assessments of various forms of designing intergovernmental relations systems based on international experience. The implications of existing constitutional provisions, laws and regulations will need review and determination if any new proposed system of intergovernmental relations is compatible with the present structures and what changes in constitution or laws will be needed to implement a revised system of governance.

6. Governance Capacity and Citizen Participation

Assistance to Municipal Appointed and Elected officials

There is a need at present and in the future to provide support and assistance to the presently appointed municipal officials and the future elected mayors and councils. The conditions for implementing the municipal elections will require the delineation of municipal boundaries, the conduct of a census and voter registration processes present a significant challenge, but the work of the municipalities must continue with the present appointed and in some cases elected mayors, such as in Herat Province. A census is to be completed by the end of 2008 and the drawing of political boundaries is to be completed by end of 2009. The voter registration and linking to polling stations is also to be completed by end of 2009.

At present there appears to be very little attention given to building the capacity of the municipal level mayors and other appointed staff. It would be prudent to provide some training assistance to this group of people as many of them could be expected to continue in their positions past the date of the municipal elections. In the interviews conducted for this report the mayors indicated that they had very little contact with each other and any opportunities to interact with central level ministries to get information on the policies in such areas as budgeting, revenue sources, and procurement requirements. The confusion that was evident in the municipalities over the legal framework, the expenditure approval levels, budget process, and procurement processes indicates a need for a more formalized and regular basis for mayors to have an opportunity to meet collectively and to hear from national ministries about the policies and plans they have for the municipal level of government. They expressed a need for an interest in having regular meetings, at least once every six months, in which they could interact with other mayors and get information on municipal management methods and national level policies affecting their municipalities.

The importance of providing an organizational structure which can represent the interests of the municipalities in the coming development of the urban policies and the legal frameworks is very critical. Without an organizational structure the development of municipal policy and important laws and regulations the experience of the municipalities will not be well developed, coordinated, and all points of view be given an opportunity to be expressed in the decision making process. For the reason, the establishment of an association of municipalities will be a critical development. An association can provide not only the input to the formulation of policy, but also provide a structure to organize training and other capacity building measures that can be provided to the mayors and municipal staff. There is also a need to organize professional associations for the municipal staff, such as finance officers, personnel, urban planners, and economic development personnel.

With the increasing responsibilities and authorities being given to the municipalities as they provide more services to the citizens, the need for the mayors to be trained in management topics, such as human resources, budgeting, economic development, public relations and other skills will increase. In the interviews conducted for this report, the mayors indicated that they had few higher education opportunities due to the conflict in the country over the past decades.

While they are all dedicated to serving the interests of their citizens, they will need a substantial amount of training in management and finances to enable them to institute changes that will be needed in the coming years if the municipalities are to assume projected service responsibilities.

Expected Results

- Mayors will have regular meetings and opportunity to interact with national level ministries
- Mayors will have input into the development of urban policy development and the drafting of the Law on Municipalities
- Mayors will have an established national level association of municipalities to coordinate and support the interests of the municipal level of government
- Mayors will have on ongoing program of training in municipal management skills
- Mayors will have an opportunity to learn from international experiences about the functioning of municipalities, including legal status, service delivery, financing, and citizen participation in the decision-making process.
- Municipal staff in professional fields, such as finance, urban planning, and economic development will have access to professional development opportunities through establishment of professional associations.

Table 9: Assistance to Municipal Appointed and Elected Officials

	1386 2008	1387 2009	1388 2010	1389 2011	1390 2012	1391 2013
1. Regular meetings of Provincial Mayors	X	X	X	X	X	X
2. Regular meetings of Mayors in provinces	X	X	X	X	X	X
3. Conduct of Study Tour for Provincial Municipal Mayors on Legal Authorities and Functions of Municipal Governments	X	X				
4. Mayors provide input to national urban policy	X	X	X			
5. Training Courses Developed and Delivered for Mayors		X	X	X	X	
6. Creation of an Association of Municipalities		X				
7. Law on Municipal Governance			X			
8. Holding of Municipal Elections			X			
9. Creation of Profession Associations for Municipal staff		X	X	X		

Donor Assistance Support

The IDLG should take the lead in organizing the regular meetings of the provincial municipal mayors on a regular basis. However, this could be supported with organizational or financial assistance from the donors.

The donor community should take the lead in promoting the establishment of an association of municipalities to ensure that the municipalities can have input into the policy process in the coming year. The Capacity Development Project of the USAID, implemented by BearingPoint, Inc., has initiated some efforts toward creating this association. This effort may need additional impetus and support from IDLG in the coming months as they sponsor the meetings of the mayors on a regular basis.

The design and delivery of training for the mayors and municipal staff is another area where the donor community can provide assistance and support. A well-designed training program delivered through the association of municipalities would serve to support the capacity building of the association and the municipalities as well.

Engagement with Representative Bodies

The participation of the citizens within the municipalities has been limited within the traditional gozar and wakil systems. While other areas, particularly the rural areas, have had the influence of the Community Development Councils (CDCs), the District Development Assemblies, and Provincial Development Councils as means to raise the level of citizen and community participation in the issues affecting their areas, it appears that this system has largely bypassed the municipal levels.

However, there are a number of opportunities to provide for the municipal citizens to participate more actively and fully in the decision making process. The application of the program budgeting method and the updating of the master plan and subsequent infrastructure investment plans are excellent opportunities for the citizens to participate through public hearings dealing with these issues.

Therefore, with the development of the improved municipal budgeting process and the updating of the master plan, there should be regulations and instructions from the central authorities to require that these be subject to provisions of information to the citizens and the holding of public forums and hearings prior to any municipal council decisions.

Further efforts to increase community participation should be encouraged with the regular holding of forums for youth and civil society organizations to deal with specific interests of these groups. These can be initiatives of the municipal level officials, but also can be spontaneously organized by the civic and neighborhood groups as the need arises. Support to these organizations in holding these forums, publishing of materials and other informational means is needed and can be supported by the donor community in the municipalities that have not received such support.

Expected Results

- Citizens will be fully involved in the development of the Master Plan for their municipalities

- Citizens will be fully informed of the municipal budget and services that will be provided through the budget expenditures
- Regulations will be drafted and implemented to ensure access to information by the citizens by the end of 1388 (2010)
- Popular representation and people's participation in sub-national governance will be in place by end of 1389 (March 2011)
- Definite Mechanisms will be provided for youth and civil society organizations to participate in the sub-national governance to be in place by end of 1389 (March 2011)

Table 8: Engagement with Representative Bodies

	1386 2008	1387 2009	1388 2010	1389 2011	1390 2012	1391 2013
1. Develop Informational Requirements for Citizens on Updating of Municipal Master Plans and Issue Regulations		X	X			
2. Requirements to Hold Public Hearings on Updated Master Plan		X	X			
3. Develop Budget-in-Brief Manual and Pilot in Selected Municipalities			X			
4. Hold Public Budget Hearings in Selected Municipalities			X			
5. The Right to Access to Information is Established				X		
6. Develop Regulations for Appointment of Citizens to Municipal Committees, Boards and Commissions			X	X		
7. Establish Neighborhood Councils For Discussion of Issues				X	X	
8. Draft Regulations for Holding Public Hearings Before Municipal Council Decisions				X	X	
9. Popular Representation and People's Participation in Sub-national Governance is Established					X	
10. Develop and Implement Civic Forums for Civil Society Organizations on Municipal Issues			X	X		
11. Develop and Implement Forums for Youth Organizations				X	X	
12. Create Youth Councils and Model Youth Municipal Councils				X	X	
13. Mechanisms for Youth and Civil Society Organizations to Participate in Sub-National Governance					X	

Donor Assistance Support

The donor community can provide support for implementing the citizen participation methods in the areas of master plan development and public budget hearings. These methods will build on existing traditional systems, but provide a more formalized process and institutionalization of the methods to inform the public. International experiences with developing budgets-in-brief, conduct of public hearings, and other methods, such as citizen scorecards, can be introduced through technical assistance and training.

V. INTERIM POLICY OPTIONS/RECOMMENDATIONS

This municipal governance strategic framework presents a comprehensive set of policy and legal framework recommendations, service delivery capacity improvements and changes to the fiscal framework that will empower municipalities to meet the needs of their citizens. These recommendations are based on the IDLG Strategic Framework that presents a bold and challenging program to implementing improvements in the sub-national governance system in the IRoA. The achievement of many of these actions, such as the conduct of a census, holding of elections, redrawing the boundaries of the sub-national units, will require a great amount of political will and resources to accomplish all that is planned.

There are a number of policy options/recommendations that can be implemented in the period prior to the implementation of some of the recommendations in this municipal governance strategy that will greatly increase the possibility that the actions planned in the IDLG Strategic Framework can be more easily accomplished. These policy options/recommendations are briefing addressed in this section.

Establish a Program Working Group

To oversee/implement interim policies, guidelines and programs, it will be necessary to build the internal capacity of IDLG's Directorate of Municipal Affairs (DMA). A Program Working Group (PWG) disengaged from the day-to-day operations of the DMA, and with staff on performance contracts supplemented by donor provided advisers, could focus exclusively on three key activities: developing the Policy and Legal Frameworks; working with municipal leaders on interim guidelines to solve immediate problems; and, partnering with donors to design the capacity building initiatives required to create effective municipal governance.

Conduct Forums of Provincial and District Municipality Mayors

This is an activity that can be conducted in this interim period to provide more information and clarification of many national level policy and laws that are not well understood at the municipal level. The mayors interviewed for this report repeatedly indicated that they would like more contact and interaction with other mayors and the national level policy makers on issues affecting their municipalities. This was particularly the case with some issues related to the budget, procurement, and revenues issues that appear to be not well understood at the municipal level.

Conduct Study Tour for Provincial Municipality Mayors

Study tours could be organized to take the provincial level mayors to several countries that have experienced the problems of associated with transitional and conflict states that will enable the mayors to see how other countries and have dealt with the challenges in circumstances similar to the situation in the IRoA. These study tours could provide the ideas for input into the development of the national level policies and the legal frameworks that will be developed in the coming months.

Moratorium on Establishment of New Municipalities

The municipal governance assessment team has attempted to clarify the number and size of municipalities as they were created either prior to the Law on Municipalities of 2000 after the Law was enacted. There is still a lack of clarity about the number of municipalities despite comparing several lists of municipalities and making field contacts to verify the information. It was also learned in the field interviews that there are a number of provinces where additional requests to have municipalities established are being submitted to IDLG.

The IDLG should consider imposing a moratorium on establishment of new municipalities until such time as the existing number of municipalities along with the criteria for their establishment is clarified. It may well be that some existing municipalities do not meet the requirements as established under the existing law. A summary table presented in this report indicates a number of municipalities that do not meet the threshold of 5,000 populations and have no master plan. Continuing this situation into the future can only complicate the development of the future municipal law and the intergovernmental relations system.

Recertification of Municipalities

As a follow up to the policy option of placing a moratorium on establishment of new municipalities, the process of recertification of municipalities to determine if they meet the legal requirements under the Law of Municipalities of 2000, or prior Law of 1957, should be initiated. This process can begin with those municipalities that are presently not in a confirmed status based on the review conducted by the municipal assessment team. An effort to substantiate the authority for the certification of the municipalities, such as Ministry of Interior, the Provincial Governor, or other authority needs to be undertaken. Prove of the certification should be provided by any of these authorities or the municipalities. Some municipalities indicated that they do not have a copy of the certification document, but that it is kept at the provincial municipality.

For those municipalities that may not meet the requirements of being a municipality under existing laws, the process of transferring their status and function should involve the transfer of their personnel to the provincial level, the continuation of the delivery of services by these transferred personnel within the former municipal area, and the elimination of the mayor position in a transition period as determined by IDLG and issued in a Presidential Decree.

Master Plan Updates

The capacity to prepare master plans in the municipalities is very limited at the national and municipal level. The Ministry of Urban Development has been unable to respond to the number of municipalities that have requested master plans and there is no capacity from non-governmental or private sector firms to provide this service to the extent that is needed.

In this interim period, there should be a major effort to increase the capacity in both professional and technical skills, as well as with software and hardware technology, to improve this situation. This is a major area for donor support that might be provided by the PRTs and other USAID or Donor programs that are capable of providing satellite imagery or other methods to provide some of the mapping for the master plans. The UNDP Afghanistan Information Management Systems has the capability to provide some support for the development of geographic information systems training in the municipalities. A combination of resources could be mobilized to provide this support to many of the municipalities that presently have outdated master plans, which could be updated quickly.

Clarification of the Revenue Sources

Until such time as a new law on Urban Service Charges or Municipal Revenue Law is enacted, some clarification and changes to the revenue sources available to the municipalities could be implemented. The first of these clarifications is with regard to the rental tax that municipalities have collected. Some municipalities have expressed great concern that this tax has been or will be abolished. Some are continuing to collect this tax, while others have stopped collecting in the belief that it is no longer permitted. The exact status of this tax needs to be clarified and disseminated to the municipalities. Prior to this the impact of removing this tax as a source of revenue for the municipalities needs to be studied. This is an important revenue source for the municipalities and removing this tax will have some significant impacts on some municipalities.

It has also been learned that in some provinces, such as Balkh, the municipalities have proposed local taxes, such as tax on taxis, market place fees, and others that are seemingly allowed under the law. However, the provincial assembly due to objections from the central ministry representatives did not allow the proposed taxes. There needs to be some clarification to the municipalities of what taxes they can implement and not have the provincial assemblies over ride these proposals.

Removal of Expenditure Level Restrictions Based on the Procurement Law

Another area where clarification or change is required concerns the amounts that the municipal mayors can expend under the provisions of the procurement law. The application of this law, according to some mayors, is that they have to have approval and go through a competitive procurement process if the amount exceeds 250 Afs, or about \$5 for sole sourcing of goods and services and 500 Afs, or \$10, if it is for construction. This is too restrictive on the mayors and municipal staff to purchase many items, such as office supplies and other materials. There are other provisions of the procurement law, such as municipalities cannot ask for request for quotes, that need to be reviewed, clarified and changed. There is a mechanism for making these changes by asking the Special Procurement Commission as established under the procurement law to revise these expenditure requirements. This should be pursued as a priority in the next months.

Clarification of the 45%-55% Budget Rule under the Law of Municipalities of 2000

There is some confusion among the municipalities as to whether the provision stated in the law that 45% of the revenues should be allocated to the ordinary or recurrent budget, and 55% should be allocated to the development budget. While there seems to be flexibility in the law allowing for reallocation of these percentages, some mayors believe that it has to be strictly observed and prepare their budgets on that basis. A review of some of the financial information from municipalities indicates that the rule is not strictly followed. It appears that the municipalities are more willing to cut their ordinary budget expenses much below the 45% and allocate more funding to the development budget. Based on financial information for 1386, only 45 municipalities out of 127 exceeded the 40% level for their ordinary budget expenditures. Some municipalities had exceedingly low levels of expenditure for their ordinary budget. For example, Sari pul city, based on this financial information, only spent 1.55% of its total budget on the ordinary budget expenditures. Based on the financial information for 127 municipalities in 1386, the national average for the allocation to the ordinary budget was only 22%. Out of the 127 municipalities, 71 had budget surpluses at the end of the year that could have been used toward supporting the hiring of more staff, or at some time increasing the pay of the municipal staff.

The usefulness of this rule as well as its application needs to be assessed in the coming months with a clarification of its application being made known to the municipalities.

Flexibility in Budget Execution

Another issue raised during the interviews with the municipalities is that there is no flexibility in changing the budget during the year if some unexpected need arises or there are additional resources or less expenditure than planned. Most of the municipalities indicated that they are not able to spend for any new activities if it is not in the approved budget. They simply wait for the next budget year to make the proposed expenditure. One municipality indicated that they would like to purchase a funeral hearse to take the deceased to the cemetery. Even though they had sufficient funds to cover this expenditure, they did not believe they could make the expenditure, as it was not an item in the current year budget. This inflexibility in budget execution is not conducive to providing the municipalities with the capacity to manage their financial resources.

Conclusion

These policy options and recommendations would provide an opportunity for the IDLG to push forward the development of the municipalities in their capacity levels and initiating new service delivery approaches prior to further definition of their legal status and new responsibilities as envisioned in this municipal governance strategy.

Annex A: Table of Activities, Outcomes and Indicators

Activities	Opportunities/Issues	Expected Outcomes	Indicators	Timeframe
A. Policy Framework				
<p>1. IDLG to convene an inter-ministerial Task Force and fund/staff a dedicated Policy Working Group (PWG), to conduct study tours, deliberate and then develop key policy guidelines for municipal governance as follows:</p> <p>a. Definition of a Municipality – Assess/decide status of municipalities as “distinct entities” within a unitary Islamic Republic under the authority of IDLG (not “part of provincial administrations”)</p> <p>b. Criteria to Be a Municipality – Decide minimum size – Decide size ranges for Classes – Decide any additional criteria – Decide specific approval process, identify final authority (IDLG?) to approve</p> <p>c. Municipal Service Responsibilities/Authorities – For each Class, assess the roles/functions relative to other levels of government (ie, for each proposed function, who plans, designs, funds, implements, operates, approves, etc.)</p>	<ul style="list-style-type: none"> Guidelines are needed for a new Law of Municipalities and for IDLG development of governance capacities of municipalities Current legal language suggest Municipalities are appendages of provincial government, this sentiment carries forward with respect to oversight/coordination Size issue must balance concern for effective service delivery with the fact that small communities want direct representation and more capacity to solve their own problems. Classes needed to better clarify roles and responsibilities. Municipalities of varying sizes need to better understand their roles and responsibilities. Existing responsibilities and authorities need to be updated/expanded to allow municipalities to perform new functions to provide for citizen needs, ie, do economic development to grow jobs. 	<ul style="list-style-type: none"> More effective municipal governance including improved service delivery, financial management, citizen relations Municipalities have stronger “standing” with regard to higher levels of government and thus better able to be more directly responsive to needs of residents Allows for more municipalities, which in turn can ensure government is more directly responsive to citizen concerns for basic services. Classes will help clarify responsibilities and authorities based on potential. More practical, feasible roles and responsibilities tailored to the different capacities/sizes of municipalities. Flexibility to take on new functions as needed to serve residents. Increased understanding/reduced confusing of municipal authorities to deliver public services. 	<ul style="list-style-type: none"> Citizen Satisfaction measured in surveys; Transparent Financial Management evaluated by annual independent audit. Increased Cooperation with higher levels of government as measured in a survey of Mayors. Growth in Number of Municipalities. Improved Understanding of their roles and responsibilities as measured in a survey of Mayors 	<p>April '08 – January '09</p> <p>April-May '08</p> <p>April-May '08</p> <p>April-November '08</p>

<ul style="list-style-type: none"> - For each Class, decide list of core service functions required/expected without restriction - For each Class, decide list of optional functions enabled/permitted without restriction - For each Class, decide functions permitted with restrictions and define any/all restrictions/approvals required (Ministerial and Provincial) - Define process, identify final authority to approve (IDLG?) function additions/modifications 				
<p>d. Organization of a Municipality</p> <ul style="list-style-type: none"> - For each Class, define core structure of officials (Mayor, Deputy Mayor, Council) and Departments (fiscal, legal, administrative, etc.) - For each Class, define organization of basic activities (service and development) - Define process, identify final authority to approve (IDLG?) organization charts/positions 	<ul style="list-style-type: none"> • Current systems are outdated, modern structures are required if municipalities are to better deliver public services. Flexibility and responsiveness is key, streamlining approval through IDLG is critical. 	<ul style="list-style-type: none"> ✓ Municipalities will develop more responsive structures, and be able to adapt as needed to changing conditions and circumstances on the ground. 	<ul style="list-style-type: none"> ❖ Efficiency of Municipal Operations as assessed in survey of Mayors 	<p>April-November '08</p>
<p>e. Revenues Sources/Systems</p> <ul style="list-style-type: none"> - For each Class, determine exclusive/shared revenue sources permitted, and rate schedule (in supplementary schedule) 	<ul style="list-style-type: none"> • Municipalities require improved systems to collect existing permitted revenues, and new sources if they are to effectively deliver basic public services. 	<ul style="list-style-type: none"> ✓ Sufficient revenue generated to perform needed public services 	<ul style="list-style-type: none"> ❖ Increased Revenues 	<p>May-November '08</p>

<p>f. Financial Management</p> <ul style="list-style-type: none"> - For each Class, determine budget requirements for ordinary/development budgets - For each Class, define requirements for accounting, procurement, disbursement 	<ul style="list-style-type: none"> • Improved controls/systems needed to ensure transparency and effective/efficient service delivery 	<ul style="list-style-type: none"> ✓ More effective management of municipal revenue collection, budgeting and expenditures 	<ul style="list-style-type: none"> ❖ Transparent Financial Management evaluated by annual independent audit 	<p>May-November '08</p>
<p>g. Citizen Participation</p> <ul style="list-style-type: none"> - For each Class, define formal/informal points of contact with citizens, and rights of citizens to assess information (budgets, master plans, etc.) 	<ul style="list-style-type: none"> • Citizen input can help ensure their needs are directly addressed 	<ul style="list-style-type: none"> ✓ More citizen participation and thus more accountability in the operations of municipalities 	<ul style="list-style-type: none"> ❖ Citizen Involvement in municipal governance as measured in citizen surveys 	<p>July-December '08</p>
<p>2. Program Working Group (PWG) to develop interim working guidelines to deal with problems requiring immediate attention. PWG can convene bi-annual meetings of Mayors to discuss key issues.</p>	<ul style="list-style-type: none"> • Many issues confront municipalities. Interim guidelines can help municipalities deal with immediate concerns. Problems of lack of knowledge of current policies and regulations can be addressed with regular meetings. 	<ul style="list-style-type: none"> ✓ Interim solutions to immediate problems, better communication between IDLG and municipalities, and among municipal officials. 	<ul style="list-style-type: none"> ❖ Progress in dealing with immediate bureaucratic obstacles measured in survey of Mayors 	<p>May '08 +</p>
<p>3. Prepare/circulate DRAFT Policy Framework</p>	<p>---</p>	<p>---</p>	<p>---</p>	<p>January '09</p>
<p>4. FINAL Policy Framework adopted by IDLG, endorsed by Council of Ministers, approved by President</p>	<ul style="list-style-type: none"> • Policy Framework to be used as input to new Law of Municipalities including supplementary schedules 	<ul style="list-style-type: none"> ✓ Clear Policies to guide the development of effective municipal governance. 	<ul style="list-style-type: none"> ❖ Understanding/Acceptance of Municipal Governance program by Mayors and other municipal officials as measured in surveys 	<p>May -09</p>
<p>5. PWG periodically updates Policy Guidelines as needed</p>	<ul style="list-style-type: none"> • Policies are not static, continuous updates are required. 	<ul style="list-style-type: none"> ✓ Policies remain current 	<ul style="list-style-type: none"> ❖ Satisfaction of municipal officials that they have the policies they need to effectively deliver needed public services as measured in surveys. 	<p>May '10 + as needed</p>

Activities	Opportunities/Issues	Expected Outcomes	Indicators	Timeframe
B. Legal Framework				
6. IDLG to convene working group with Ministry of Justice (MoJ), with advisers, to conduct study tour, deliberate and draft new comprehensive Law of Municipalities based on the Policy Framework	<ul style="list-style-type: none"> • New Law of Municipalities and supplementary administrative and fiscal laws are critically needed to resolve the confusion, ambiguity, and inconsistencies of current laws. 	<ul style="list-style-type: none"> ✓ Clarity of the responsibilities, authorities, structures and resources enabled in law to municipalities such to foster more effective municipal governance 	<ul style="list-style-type: none"> ❖ More Effective Municipal Governance as measured by follow-up research. 	June '08 – May '09
7. IDLG to convene working group with Ministry of Justice and other relevant ministries/agencies to draft supplementary new Administrative Law on Municipal Governance	<ul style="list-style-type: none"> • In addition to the enabling Law of Municipalities, an updated administrative law is required to provide the systematic regulatory basis for the day-to-day operations of municipalities. 	<ul style="list-style-type: none"> ✓ Clear regulations and procedures governing municipalities disseminated and monitored by IDLG 	<ul style="list-style-type: none"> ❖ More Effective Municipal Governance as measured by follow-up research. 	June '08 – May '09
8. IDLG to convene working group with Ministry of Justice, Ministry of Finance and other relevant ministries/agencies to draft new schedule of Revenue Sources Permitted Municipalities	<ul style="list-style-type: none"> • It is critically important to enable a specific set of revenues sources to municipalities to avoid the current situation of confusion, which prevents them from fully realizing needed revenues. 	<ul style="list-style-type: none"> ✓ Formal enabling authority for specific revenue sources that cannot be rejected by Provincial or other level of government. A more sustainable funding base for municipalities. 	<ul style="list-style-type: none"> ❖ Sustained, increased Funding for municipalities 	June '08 – May '09
9. IDLG to convene working group with MoJ and Ministry of Finance (MoF) to draft new supplementary Public Finance and Expenditure Management Law as related to municipalities	<ul style="list-style-type: none"> • Current financial management law and regulations are ambiguous, poorly communicated, and inconsistently applied. A thorough revision is needed. 	<ul style="list-style-type: none"> ✓ Clarity in the regulatory practices governing municipal finances, which can improve the transparency and accountability of municipal fiscal operations. 	<ul style="list-style-type: none"> ❖ Transparent Financial Management evaluated by annual independent audit. 	June '08 – May '09
10. IDLG to convene working group with MoJ and MoF to draft new Schedule of Rates including a buoyancy formula for municipal taxes, fees, user charges.	<ul style="list-style-type: none"> • The current rate structure is out of date and not sufficiently buoyant to sustain the revenues municipalities require. 	<ul style="list-style-type: none"> ✓ Sustainable, adequate revenues for municipalities. 	<ul style="list-style-type: none"> ❖ Sustained, increased Funding for municipalities 	June '08 – May '09

<p>11. IDLG to convene working group with Ministry of Justice, the National Election Commission and other relevant ministries/agencies to draft updated Law of Elections as relates to the election of Mayors and Municipal Councils</p>	<ul style="list-style-type: none"> • There are a number of inconsistencies in the current law, ie, current law allows voting in municipalities of 1,000 houses whereas criteria in Law of Municipalities is a minimum of 5,000 people. Definition is also needed for municipal boundaries. 	<ul style="list-style-type: none"> ✓ Consistency of Law of Municipalities and Electoral Law 	<ul style="list-style-type: none"> ❖ Clarity in the Administration of Municipal Elections assessed in research 	<p>June '08 – May '09</p>
<p>12. IDLG and MoJ to introduce complete package of new Laws/Schedules related to municipal governance to the National Assembly for approval</p>	<ul style="list-style-type: none"> • A comprehensive package of Laws/Schedules on municipal governance adopted as part of an overall agenda of sub-national governance reform is needed. 	<ul style="list-style-type: none"> ✓ A strong, unified, consistent legal environment within which municipalities can operate. 	<ul style="list-style-type: none"> ❖ More Effective Municipal Governance as measured by follow-up research. 	<p>June '09</p>
<p>13. Adoption/dissemination (through a substantive outreach campaign) of new Law of Municipalities and accompanying administrative, fiscal, and electoral laws and regulations</p>	<ul style="list-style-type: none"> • The drafting of new laws should not take place in a vacuum; rather, continuous consultation with various ministries and assembly representatives is needed to ensure swift adoption by the Assembly. 	<ul style="list-style-type: none"> ✓ Swift approval of critically needed legislation. Greater understanding of the law through an outreach campaign targeted to provincial and municipal officials and managers. 	<ul style="list-style-type: none"> ❖ More Effective Municipal Governance as measured by follow-up research. 	<p>March' 10</p>
<p>14. IDLG and MoJ shall develop as needed additional supplementary rules, regulations, and procedures for implementation of new Laws related to municipal governance</p>	<ul style="list-style-type: none"> • IDLG and MoJ need to maintain a close working relationship to continuously update as needed the regulatory environment that governs municipalities 	<ul style="list-style-type: none"> ✓ Laws and regulations which remain current such to foster effective municipal governance. 	<ul style="list-style-type: none"> ❖ More Effective Municipal Governance as measured by follow-up research. 	<p>May '10+</p>

Activities	Opportunities/Issues	Expected Outcomes	Indicators	Timeframe
C. Service Delivery Performance				
Structuring Service Delivery				
15. Conduct Organizational Audit/Prepare Strategic Operations Plan – Structure of Departments – Organization of Departments	<ul style="list-style-type: none"> The institutional development of municipalities requires individual analysis of current structures and capacities to prepare critically needed strategic operations plans 	<ul style="list-style-type: none"> ✓ An understanding of current capacities and needs of individual municipalities, and guidance in the Strategic Operations Plan to improve service delivery. 	<ul style="list-style-type: none"> ❖ Improved Service Delivery Capacity as measured against baseline survey. 	April '08 – April '11
16. Enhance Core Functions – Financial Management – MIS – Anti-corruption – Media and Communications	<ul style="list-style-type: none"> Improved core functions are a prerequisite for improved service delivery. 	<ul style="list-style-type: none"> ✓ Improved financial and administrative support of service delivery operations. 	<ul style="list-style-type: none"> ❖ Improved Service Delivery Capacity as measured against baseline survey. 	April '08 – April '11
17. Structure/Enhance Service Delivery Management – Service functions – Management structure – Standards, Performance and Coordination	<ul style="list-style-type: none"> Service functions require better management, which in turn requires better structures and tools – systems and standards. 	<ul style="list-style-type: none"> ✓ Modern management practices/systems in place to effect needed service improvements. 	<ul style="list-style-type: none"> ❖ Improved Service Delivery Capacity as measured against baseline survey. 	April '08 – April '11
18. Structure/Build Capacity of New/Expanded Functions – Planning – Urban Management – Culture/Historic Preservation – Economic Development	<ul style="list-style-type: none"> Municipal functions will change over time as the needs of citizens' change. Municipalities have identified a need to enhance Urban Management/Planning and begin to do Economic Development. 	<ul style="list-style-type: none"> ✓ Municipal government that is more responsive to the changing needs of their constituents. 	<ul style="list-style-type: none"> ❖ Improved Service Delivery Capacity as measured against baseline survey. 	April '08 – April '11
Building Skills Sets				
19. Human Resources Development – Merit recruiting/compensation – Professional development	<ul style="list-style-type: none"> Municipalities to work with Civil Service Commission program to better recruit, and maintain staff. 	<ul style="list-style-type: none"> ✓ Better-recruited staffs, which in turn are better paid, better trained and thus work better, stay longer. 	<ul style="list-style-type: none"> ❖ Performance and Longevity of Staff as measured in follow-up research. 	April '08 – April '11

<p>20. Capacity Building for Officials</p>	<ul style="list-style-type: none"> • Leadership, ethics and communications skills are critical for all municipal officials. 	<ul style="list-style-type: none"> ✓ Officials with improved skill sets to lead. 	<ul style="list-style-type: none"> ❖ Citizen Satisfaction in Officials Leadership, measured in surveys prior to elections, and in election results thereafter. 	<p>April '08 – April '11</p>
<p>21. Capacity Building for Managers</p>	<ul style="list-style-type: none"> • Management training is needed in decision-making, employee conflict resolution, presentation and communication skills, planning, and time management 	<ul style="list-style-type: none"> ✓ Managers who have fully developed skill sets to manage people and programs. 	<ul style="list-style-type: none"> ❖ Performance of Managers as measured in follow-up research. 	<p>April '08 – April '11</p>
<p>22. Capacity Building for Technicians</p>	<ul style="list-style-type: none"> • A variety of technical skills training is required for functions such as Development/Master Planning, and Economic Development 	<ul style="list-style-type: none"> ✓ Key technical personnel in place and properly trained to accomplish their responsibilities. 	<ul style="list-style-type: none"> ❖ Performance of Technicians as measured in follow-up research. 	<p>April '08 – April '11</p>
<p><i>Providing Support Systems</i></p>				
<p>23. Inventory Existing Support Systems, Assess Needs</p>	<ul style="list-style-type: none"> • All municipalities lack the systems, equipment, facilities needed to function properly. An initially survey to identified specific needs and capacities to absorb/use new systems. 	<ul style="list-style-type: none"> ✓ An identification of specific needs and realistic plans to acquire needed support systems. 	<ul style="list-style-type: none"> ❖ Improved Service Delivery Capacity as measured against baseline survey. 	<p>April '08 – April '11</p>
<p>24. Provision/Development of Support Systems Matched to Operations Plan through Leveraged Grants Program</p> <ul style="list-style-type: none"> - ICT base level - ICT advanced level - Service equipment - Offices 	<ul style="list-style-type: none"> • ICT systems, service equipment (trash trucks, road graders, etc.), buildings and facilities must be carefully integrated with service operations. Donor funded programs to provide needed support systems can be leveraged with government matching funds at an appropriate and affordable rate to help ensure the systems/equipment/facilities are needed and will be used. 	<ul style="list-style-type: none"> ✓ Provision of Support Systems that can measurably improve service delivery. 	<ul style="list-style-type: none"> ❖ Improved Service Delivery Capacity as measured against baseline survey. 	<p>April '08 – April '11</p>

Activities	Opportunities/Issues	Expected Outcomes	Indicators	Timeframe
D. Fiscal Framework				
<i>Revenue Improvement Activities</i>				
25. Assessment of Municipal Revenue Resources	<ul style="list-style-type: none"> Assessment of data on existing revenue resources will help identify specific problems and opportunities for improvement. 	<ul style="list-style-type: none"> ✓ Better understanding of areas requiring capacity building 	<ul style="list-style-type: none"> ❖ Number of policy issues identified and methods of improving the municipal revenue situation 	Jan '09 – June '09
26. Conduct of Study Tour on Revenue Policy	<ul style="list-style-type: none"> Understanding of best practices in regions/countries with a similar context as Afghanistan. 	<ul style="list-style-type: none"> ✓ Better understanding of policy makers of the possibilities and benefits of updating revenue policies 	<ul style="list-style-type: none"> ❖ Number of improved methods of revenue collection and increase in amount of revenues collected 	Jan '09 – Jun '09
27. Formulation of Policy Governing Municipal Revenue Generation and Resource Management (IDLG)	<ul style="list-style-type: none"> Critically needed to ensure that municipalities have the revenues they need to effectively/efficiently deliver public services. 	<ul style="list-style-type: none"> ✓ Increased and better managed municipal revenues 	<ul style="list-style-type: none"> ❖ Increased Revenues; improved Financial Management measured in research 	Jul '09 – Jun '10
28. Registration of Land Titles and Resolution of Disputes in Municipalities (IDLG)	<ul style="list-style-type: none"> A prerequisite for an accurate land records management system on which to base the property tax revenue collections. 	<ul style="list-style-type: none"> ✓ Increased, sustainable municipal revenues 	<ul style="list-style-type: none"> ❖ Increased Property Tax Revenues 	Jul '08 – Jun '09
29. Design/Development of Property Tax System	<ul style="list-style-type: none"> Property tax is the most widely used municipal tax mechanism; its establishment can help ensure sustainable municipal revenues. 	<ul style="list-style-type: none"> ✓ Increased, sustainable municipal revenues 	<ul style="list-style-type: none"> ❖ Increased Property Tax Revenues 	Jan '10 – Jun '11
30. Implementation of Computerized Property Tax System	<ul style="list-style-type: none"> Critical for effective property tax collections. 	<ul style="list-style-type: none"> ✓ Increased, sustainable municipal revenues 	<ul style="list-style-type: none"> ❖ Increased Property Tax Revenues 	Jan '11 – Jul '13
31. Capacity Building for Property Tax Implementation	<ul style="list-style-type: none"> Training and systems required to upgrade current limited capacities. 	<ul style="list-style-type: none"> ✓ Better trained staff using modern systems to increase revenues 	<ul style="list-style-type: none"> ❖ Increased Property Tax Revenues 	Jan '12 – Jun '13

32. Revision of Local Fees and Charges/Rates	<ul style="list-style-type: none"> • Fees/charges/rates have not been updated in some time and thus need to be made current. 	<ul style="list-style-type: none"> ✓ Fees/charges/rates structure that can sustain the cost of services provided. 	<ul style="list-style-type: none"> ❖ Increased Fees/Charges/Rates 	Jul '12 – Dec '12
33. Capacity Building for Revenue Collection of Local Fees & Charges	<ul style="list-style-type: none"> • Training and systems required upgrading current limited capacities. 	<ul style="list-style-type: none"> ✓ Modern revenue collection system operated by trained, motivated staff 	<ul style="list-style-type: none"> ❖ Increased Fees/Charges/Rates 	Jan '12 – Jun '13
34. Drafting Updated Laws, Rules and Regulations Governing Generation, Management and Accountability for Resources (IDLG)	<ul style="list-style-type: none"> • Current financial management law and regulations are ambiguous, poorly communicated, and inconsistently applied. A thorough revision is needed. 	<ul style="list-style-type: none"> ✓ Clarity in the regulatory practices governing municipal finances, which can improve the transparency and accountability of municipal fiscal operations. 	<ul style="list-style-type: none"> ❖ Transparent Financial Management evaluated by annual independent audit. 	Jan '13 – Jun '13
35. Law on Municipal Revenues	<ul style="list-style-type: none"> • It is critically important to enable a specific set of revenues sources to municipalities to avoid the current situation of confusion which prevents them from fully realizing needed revenues 	<ul style="list-style-type: none"> ✓ Formal enabling authority for specific revenue sources that cannot be rejected by Provincial or other level of government. A more sustainable funding base for municipalities. 	<ul style="list-style-type: none"> ❖ Sustained, increased Funding for municipalities 	Jan '13 – Jun '13
36. Revenue Improvement Programs in Municipalities (IDLG)	<ul style="list-style-type: none"> • Training and systems required upgrading current limited capacities. 	<ul style="list-style-type: none"> ✓ Modern revenue collection system operated by trained, motivated staff 	<ul style="list-style-type: none"> ❖ Increased Fees/Charges/Rates 	Jul '13 – Dec '13
37. Establishment of Appropriate Oversight, Transparency Reporting and Accountability Mechanisms for Revenue Generation and Resource Management (IDLG)	<ul style="list-style-type: none"> • New systems, procedures, management capacities are needed to improve current limited financial management capacities 	<ul style="list-style-type: none"> ✓ Improved financial management practices, which can improve the transparency and accountability of municipal fiscal operations. 	<ul style="list-style-type: none"> ❖ Transparent Financial Management evaluated by annual independent audit. 	Jul '13 – Dec '13
Budget/Financial Management				
38. Provincial Planning and Budgeting Process (IDLG)	<ul style="list-style-type: none"> • There is a need to improve the methods of budgeting to provide a more transparent basis for decisions on public services 	<ul style="list-style-type: none"> ✓ Improved budgeting practices, which can improve the transparency and accountability of municipal fiscal operations. 	<ul style="list-style-type: none"> ❖ Transparent Budgeting evaluated by annual independent audit. 	Jan '13 – Jun '13

39. Review and Assessment of Municipal Budgeting Processes	<ul style="list-style-type: none"> This is a prerequisite to understanding current problems and identifying practical solutions and the possibilities for introducing appropriate best practices. 	<ul style="list-style-type: none"> ✓ Better understanding of the systems and personnel skill sets requiring capacity building 	<ul style="list-style-type: none"> ❖ Number of municipalities implementing program budgeting 	Jan '09 – Jun '09
40. Conduct of Study Tour on Program Budgeting for Municipalities	<ul style="list-style-type: none"> Understanding of best practices in regions/countries with a similar context as Afghanistan. 	<ul style="list-style-type: none"> ✓ Better understanding of the possibilities and benefits of improved budgeting processes 	<ul style="list-style-type: none"> ❖ Number of methods implemented to improve municipal budgeting 	Apr '09
41. Design and Develop Program For Municipal Budget Improvement	<ul style="list-style-type: none"> The introduction of program budgeting relating expenditures to specific service delivery programs, and including performance indicators, is critical for effective program management. 	<ul style="list-style-type: none"> ✓ More effective, transparent budget allocations and improved service delivery program management 	<ul style="list-style-type: none"> ❖ Resident Satisfaction with cost and level of public service delivery as measured against baseline of resident surveys 	Jul '09 – Dec '09
42. Implement Pilot Program Budgeting in Selected Municipalities	<ul style="list-style-type: none"> A pilot program can test applications and work out problems that may develop on the ground. 	<ul style="list-style-type: none"> ✓ New standards for program budgeting appropriate for all Afghanistan municipalities. 	<ul style="list-style-type: none"> ❖ Resident Satisfaction with cost and level of public service delivery as measured against baseline of resident surveys 	Jul '09 – Jun '11
43. Develop Capacity in Municipalities to Implement Program Budgeting	<ul style="list-style-type: none"> All municipalities would benefit from program budgeting capacities. 	<ul style="list-style-type: none"> ✓ Effective rollout of pilot program to all municipalities. 	<ul style="list-style-type: none"> ❖ Prevalence of the Use of program budgeting from survey 	Jul '11 – Dec '12
44. Law on Municipal Budgets Enacted	<ul style="list-style-type: none"> Current law and regulations are outdated. 	<ul style="list-style-type: none"> ✓ Formal enabling authority for program budgeting that can ensure a sound legal basis for requiring all municipalities to adhere to the new standard. 	<ul style="list-style-type: none"> ❖ Prevalence of the Use of program budgeting from survey 	Jan '13 – Jun '13
45. Municipalities Have Adequate Budgets (IDLG)	<ul style="list-style-type: none"> Critically needed to ensure effective public service delivery. 	<ul style="list-style-type: none"> ✓ More effective, transparent budget allocations. 	<ul style="list-style-type: none"> ❖ Prevalence of the Use of program budgeting from survey 	Jul '13 – Dec '13

Infrastructure Investment Plans				
46. Political and Administrative Boundary Mapping Completed (IDLG)	<ul style="list-style-type: none"> • Required as investment planning jurisdiction baseline that defines municipalities and accounts for new settlement patterns 	<ul style="list-style-type: none"> ✓ Clarity on jurisdiction for investment plans; match of political, legal, administrative and physical municipal boundaries 	<ul style="list-style-type: none"> ❖ Accurate Base Maps as assessed in survey of users 	Jul '09 – Dec '09
47. Updated Master Plans of Municipalities	<ul style="list-style-type: none"> • Required to make current the desired/required physical layout of municipalities on which to based an investment plan. 	<ul style="list-style-type: none"> ✓ Realistic and achievable investment planning and capital programming 	<ul style="list-style-type: none"> ❖ Progress (%) achieving Master Plan 	Jan '10 – Jul '10
48. Review and Assessment of Municipal Development Budgets	<ul style="list-style-type: none"> • This is a prerequisite to understanding current problems and identifying practical solutions and the possibilities for introducing appropriate best practices. 	<ul style="list-style-type: none"> ✓ Better understanding of the problems/opportunities for strengthening development budgeting systems and processes 	<ul style="list-style-type: none"> ❖ Number of capital investment plans and budgets developed by municipalities 	Jan '10 – Jul '10
49. Design and Development of Infrastructure Investment Planning & Budgeting Processes/Methods	<ul style="list-style-type: none"> • The development of infrastructure investment planning/budgeting capacities based on multi-year investment planning methods, prioritization of projects, and financing methods is critical. 	<ul style="list-style-type: none"> ✓ Improved capacities to identify/implement high value infrastructure investment projects 	<ul style="list-style-type: none"> ❖ Progress (%) achieving Master Plan 	Jul '10 – Dec '10
50. Implement Pilot Infrastructure Investment Planning and Budgeting in Selected Municipalities	<ul style="list-style-type: none"> • A pilot program can test applications and work out problems that may develop on the ground. 	<ul style="list-style-type: none"> ✓ New standards for investment planning and budgeting appropriate for all Afghanistan municipalities. 	<ul style="list-style-type: none"> ❖ Prevalence of the Use of new standard of investment planning and budgeting from survey 	Jan '11 – Dec '12
51. Develop Capacity in Municipalities to Implement Infrastructure Investment Planning and Budgeting	<ul style="list-style-type: none"> • All municipalities would benefit from strengthened investment planning and budgeting capacities. 	<ul style="list-style-type: none"> ✓ Effective rollout of pilot program to all municipalities. 	<ul style="list-style-type: none"> ❖ Prevalence of the Use of new standard of investment planning and budgeting from survey 	Jan '12 – Dec '13

52. Draft and Issue Regulations Related to Municipal Infrastructure	<ul style="list-style-type: none"> • Required to provide technical standards for various infrastructures. 	<ul style="list-style-type: none"> ✓ A standardized approach to the design, costing and budgeting of infrastructure for investment planning 	<ul style="list-style-type: none"> ❖ Higher Quality infrastructure and Greater Consistency for all municipalities in project design and implementation as measured in surveys 	Jan '12 – Dec '13
53. Design of Infrastructure Grants System for Central Ministries	<ul style="list-style-type: none"> • Critically necessary if municipalities are to build the infrastructure identified in master plans 	<ul style="list-style-type: none"> ✓ Sustainable funding for vital municipal infrastructure 	<ul style="list-style-type: none"> ❖ Increased Funding for municipal infrastructure; Progress (%) achieving Master Plan 	Jan '12 – Dec '12
54. Implementation of Infrastructure Grants Program for Municipalities	<ul style="list-style-type: none"> • Critically necessary if municipalities are to build the infrastructure identified in master plans 	<ul style="list-style-type: none"> ✓ Sustainable funding for vital municipal infrastructure 	<ul style="list-style-type: none"> ❖ Increased Funding for municipal infrastructure; Progress (%) achieving Master Plan 	Jul '12 – Jun '13
55. Infrastructure Investment Plans for Major Municipalities (IDLG)	<ul style="list-style-type: none"> • Critically necessary if municipalities are to build the infrastructure identified in master plans 	<ul style="list-style-type: none"> ✓ Sustainable funding for vital municipal infrastructure 	<ul style="list-style-type: none"> ❖ Increased Funding for municipal infrastructure; Progress (%) achieving Master Plan 	Jul '13 – Dec '13
56. Design and Development of Municipal Development Fund	<ul style="list-style-type: none"> • Critically necessary if municipalities are to build the infrastructure identified in master plans 	<ul style="list-style-type: none"> ✓ Sustainable funding for vital municipal infrastructure 	<ul style="list-style-type: none"> ❖ Increased Funding for municipal infrastructure; Progress (%) achieving Master Plan 	Jul '12 – Dec '13

Activities	Opportunities/Issues	Expected Outcomes	Indicators	Timeframe
E. Intergovernmental Relations				
57. Assessment of Municipal Revenues and Expenditures to Per Capita Equities/Service Delivery Costs	<ul style="list-style-type: none"> This is a prerequisite to understanding current problems and identifying practical solutions and the possibilities for introducing appropriate best practices. 	<ul style="list-style-type: none"> ✓ Better understanding of the problems and opportunities requiring capacity building 	<ul style="list-style-type: none"> ❖ Number of policy issues identified and methods to improve municipal transfers 	Jul '09 – Jun '10
58. Identification of Issues on Design of Intergovernmental Relations System	<ul style="list-style-type: none"> This is a prerequisite to understanding current problems and identifying practical solutions and the possibilities for introducing appropriate best practices. 	<ul style="list-style-type: none"> ✓ Better understanding of the problems and opportunities requiring capacity building 	<ul style="list-style-type: none"> ❖ Number of policy options and methods to implement new intergovernmental system 	Jan '10 – Jul '10
59. Study Tour Examining Intergovernmental Relations System	<ul style="list-style-type: none"> Understanding of best practices in regions/countries with a similar context as Afghanistan can prove beneficial. 	<ul style="list-style-type: none"> ✓ Better understanding of policy makers of the possibilities and benefits of different intergovernmental systems 	<ul style="list-style-type: none"> ❖ Number of policy options presented and proposed for new intergovernmental relations system 	Jan '10 – Jun '10
60. Development of Policy Framework for Design Of IGR System	<ul style="list-style-type: none"> Required to ensure that citizens, public officials and civil servants understand their roles and responsibilities within the constitutional and legal framework of the country. 	<ul style="list-style-type: none"> ✓ Less confusion about the specific roles and responsibilities of municipalities, greater intergovernmental cooperation 	<ul style="list-style-type: none"> ❖ Clarity on the roles/responsibilities of municipalities; Increased Intergovernmental Cooperation measured in surveys of municipal officials 	Jan '10 – Jun '11
61. Consultations with Ministries/Provinces/Municipalities on Policy Framework for Design of IGR System	<ul style="list-style-type: none"> A close working relationship with the various levels of government is key to ensuring the buy-in that is needed for the implementation of a new IGR system 	<ul style="list-style-type: none"> ✓ Buy-in/cooperation of all levels of IoRA government to the new IGR 	<ul style="list-style-type: none"> ❖ Increased Commitment by national/provincial levels of government to support municipalities, measured in survey of municipal officials 	Jan '11 – Jun '12

62. Drafting of Law on Intergovernmental Relations	<ul style="list-style-type: none"> • Needed to formalize the new IGR 	<ul style="list-style-type: none"> ✓ Formalization of the respective roles and responsibilities of municipalities with respect to national/provincial levels of government; less confusion about the specific roles and responsibilities of municipalities, greater intergovernmental cooperation 	<ul style="list-style-type: none"> ❖ Clarity on the roles/responsibilities of municipalities; Increased Intergovernmental Cooperation measured in surveys of municipal officials 	Jan '11 – Jun '12
63. Final Consultations on Draft Law on Intergovernmental Relations	<ul style="list-style-type: none"> • Same as above 	<ul style="list-style-type: none"> ✓ Same as above 	<ul style="list-style-type: none"> ❖ Same as above 	Jul '11 – Jun '12
64. Submission of Draft Law on Intergovernmental Relations	<ul style="list-style-type: none"> • Same as above 	<ul style="list-style-type: none"> ✓ Same as above 	<ul style="list-style-type: none"> ❖ Same as above 	Jan '12 – Jun '12
65. Law on Intergovernmental Relations Enacted	<ul style="list-style-type: none"> • Same as above 	<ul style="list-style-type: none"> ✓ Same as above 	<ul style="list-style-type: none"> ❖ Same as above 	Jul '12 – Jun '13

Activities	Opportunities/Issues	Expected Outcomes	Indicators	Timeframe
F. Governance Capacity and Citizen Participation				
<i>Assistance to Municipal Officials</i>				
66. IDLG to convene regular meetings of Provincial Municipal Mayors	<ul style="list-style-type: none"> • There is an opportunity for IDLG to disseminate policy guidelines, and other information; Mayors can interact with each other to discuss problems/progress. 	<ul style="list-style-type: none"> ✓ Better understanding of: current policy guidelines, solutions to immediate problems, and opportunities to improve operations 	<ul style="list-style-type: none"> ❖ Increased Capacity to deal with immediate problems, measured in survey of Mayors 	Jul '08 – Dec '13
67. Regular meetings of municipal mayors in provinces	<ul style="list-style-type: none"> • Mayors have indicated that they had very little contact with each other and lack the opportunity to interact with each other to discuss problems/progress. 	<ul style="list-style-type: none"> ✓ Better understanding of solutions to immediate problems, and opportunities to improve operations 	<ul style="list-style-type: none"> ❖ Increased Capacity to deal with immediate problems, measured in survey of Mayors 	Jul '08 – Dec '13
68. Conduct of Study Tour for Provincial Municipal Mayors on Legal Authorities and Functions of Municipal Governments	<ul style="list-style-type: none"> • Understanding of best practices in regions/countries with a similar context as Afghanistan can prove beneficial. 	<ul style="list-style-type: none"> ✓ Better understanding of possibilities to improve municipal governance 	<ul style="list-style-type: none"> ❖ Increased Understanding of the possibilities to improve municipal governance, measured in survey of Mayors 	Jul '08 – Dec '09
69. Mayors provide input to national urban policy	<ul style="list-style-type: none"> • Mayors have considerable on-the-ground experience and can significantly informed the discussion/debate on critical urban policy issues 	<ul style="list-style-type: none"> ✓ A more realistic national urban policy 	<ul style="list-style-type: none"> ❖ Satisfaction of Mayors with the new national urban policy, measured in surveys 	Jul '08 – Jun '10
70. Training Courses Developed and Delivered for Mayors	<ul style="list-style-type: none"> • Would be beneficial to provide training assistance to current Mayors as many of them could be expected to continue in their positions past elections. 	<ul style="list-style-type: none"> ✓ More effective Mayors 	<ul style="list-style-type: none"> ❖ Citizen Satisfaction with the work of Mayors, measured in surveys 	Jan '09 – Dec '11

71. Creation of an Association of Municipalities	<ul style="list-style-type: none"> The importance of providing an organizational structure which can represent the interests of the municipalities in the coming development of the urban policies and the legal frameworks is very critical. 	<ul style="list-style-type: none"> Municipal policy, laws and regulations will be well developed, coordinated, and all points of view be given an opportunity to be expressed in the decision making process. 	<ul style="list-style-type: none"> Urban policies and municipal governance laws Responsive to the needs of municipalities, as measured in a survey of Mayors 	Jan '09
72. Law on Municipal Governance	<ul style="list-style-type: none"> New Law Municipal Governance is critically needed to resolve the confusion, ambiguity, inconsistencies of current laws 	<ul style="list-style-type: none"> Clarity of the responsibilities, authorities, structures and resources enabled in law to municipalities such to foster more effective municipal governance 	<ul style="list-style-type: none"> More Effective Municipal Governance as measured by follow-up research. 	Jan '10
73. Holding of Municipal Elections	<ul style="list-style-type: none"> Elections will establish the legitimacy of municipal government and strengthen the responsiveness of government to the needs of the residents. 	<ul style="list-style-type: none"> Legitimate, more responsive municipal government 	<ul style="list-style-type: none"> Citizen Satisfaction with the responsiveness of Mayors and municipal government, as measured in surveys 	Jan '10
74. Creation of Profession Associations for Municipal staff	<ul style="list-style-type: none"> An organizational structure is needed that can serve the interests of municipal staff and organize training and other capacity building measures. 	<ul style="list-style-type: none"> Better representation of the interests of staff in the agenda for municipal governance reform; better-trained staff. 	<ul style="list-style-type: none"> Responsiveness of the municipal governance reform agenda to the interests and needs of staff, as measured in a survey of staff. 	Jul '09 – Dec '10
<i>Engagement with Representative Bodies</i>				
75. Develop Informational Requirements for Citizens on Updating of Municipal Master Plans and Issue Regulations	<ul style="list-style-type: none"> The participation of the citizens within the municipalities has been limited within the traditional gozar and wakil systems; new, more open systems to raise the level of citizen participation in the issues affecting their areas are needed. 	<ul style="list-style-type: none"> More direct opportunities for citizen participation in the decisions on the delivery of public services 	<ul style="list-style-type: none"> Citizen Satisfaction with their ability to participate in municipal governance and express their views, as measured in surveys 	Jul '09 – Jun '10

76. Requirements to Hold Public Hearings on Updated Master Plan	<ul style="list-style-type: none"> • There is an important opportunity for citizens to participate more actively in decision making process of developing a Master Plan; regulations should require the holding of public forums and hearings and that information be provided to citizens. 	<ul style="list-style-type: none"> ✓ More opportunities for public participation, and increased involvement of citizens in the public affairs of their communities 	<ul style="list-style-type: none"> ❖ Citizen Satisfaction with their ability to participate in municipal governance and express their views, as measured in surveys 	Jul '09 – Jun '10
77. Develop Budget-in-Brief Manual and Pilot in Selected Municipalities	<ul style="list-style-type: none"> • The development and dissemination of public information materials is a necessary and important requirement of good governance. 	<ul style="list-style-type: none"> ✓ More involved, better informed citizenry 	<ul style="list-style-type: none"> ❖ Citizen Knowledge of local budgets, as measured in surveys 	Jan '10 – Jun '10
78. Hold Public Budget Hearings in Selected Municipalities	<ul style="list-style-type: none"> • Public budget hearings are a necessary and important requirement of good governance. 	<ul style="list-style-type: none"> ✓ More involved, better informed citizenry 	<ul style="list-style-type: none"> ❖ Citizen Knowledge of local budgets, as measured in surveys 	Jan '10 – Jun '10
79. The Right to Access to Information is Established	<ul style="list-style-type: none"> • The public right to have access to public information is a necessary and important requirement of good governance. 	<ul style="list-style-type: none"> ✓ More involved, better informed citizenry 	<ul style="list-style-type: none"> ❖ Citizen Knowledge of local budgets, as measured in surveys 	Jul '10 – Dec '10
80. Develop Regulations for Appointment of Citizens to Municipal Committees, Boards and Commissions	<ul style="list-style-type: none"> • Representative government requires rules and regulations on citizen appointments to ensure fair and open representation. 	<ul style="list-style-type: none"> ✓ Fair, open representation of citizens on public advisory and decision making boards 	<ul style="list-style-type: none"> ❖ Citizen Satisfaction with their representation in municipal governance, as measured in surveys 	Jan '10 – Dec '10
81. Establish Neighborhood Councils For Discussion of Issues	<ul style="list-style-type: none"> • Municipal Neighborhood Councils as established in the UN Habitat community-planning program have proven to be a useful and well-attended forum for community involvement in the planning of their neighborhoods. 	<ul style="list-style-type: none"> ✓ More involved, better informed citizenry 	<ul style="list-style-type: none"> ❖ Citizen Satisfaction with their ability to participate in municipal governance and express their views, as measured in surveys 	Jul '10 – Jun '11

82. Draft Regulations for Holding Public Hearings Before Municipal Council Decisions	<ul style="list-style-type: none"> Public hearings are a necessary and important requirement of good governance. 	✓ More involved, better informed citizenry	❖ Citizen Knowledge of community issues and municipal deliberations, as measured in surveys	Jul '10 – Jun '11
83. Popular Representation and People's Participation in Sub-national Governance is Established	<ul style="list-style-type: none"> A fundamental requirement of good governance is the people's right to have fair, open representation and to participate in the discussions and decisions affecting their future. 	✓ More involved, better informed citizenry	❖ Citizen Knowledge of community issues and municipal deliberations, as measured in surveys	Jul '11 – Dec '11
84. Develop and Implement Civic Forums for Civil Society Organizations on Municipal Issues	<ul style="list-style-type: none"> The involvement of civil society can help inform the debate on public issues and ensure the accountability of public resource management. 	✓ More open, better informed public debate and decision making	❖ Citizen Knowledge of community issues and municipal deliberations, as measured in surveys	Jan '10 – Dec '10
85. Develop and Implement Forums for Youth Organizations	<ul style="list-style-type: none"> Community participation should be encouraged with the regular holding of forums for youth to deal with their specific interests 	✓ Better informed, more involvement of youth in public affairs	❖ Youth Involvement in public affairs, as measured in surveys	Jul '10 – Jun '11
86. Create Youth Councils and Model Youth Municipal Councils	<ul style="list-style-type: none"> Same as above. 	✓ Same as above.	❖ Same as above.	Jul '10 – Jun '11
87. Mechanisms for Youth and Civil Society Organizations to Participate in Sub-National Governance	<ul style="list-style-type: none"> Same as above. 	✓ Same as above.	❖ Same as above.	Jan '11 – Jun '11

Annex B: List of Municipalities

Source: Compiled from information provided by Municipalities Department, IDLG, and additional information provided by UNDP-ASGP and The World Bank

Province	Municipality	Province /District	Date Established	Mayor	# of Staff	Contact	Population	Master Plan - Updated, Not Updated, None	Donors 2002-2007
Badakhshan	Faiz Abad	P	1335	Abdul Ahmad	49	799272706	8,600	None	None
Badakhshan	Darayem	D	1381	M.Amin	6	779012984	10,000	None	None
Badakhshan	Jurm	D	1335	Mir Khan	?	772442373	30,000	None	None
Badakhshan	Baharak	D	1381	Abdur Rauf	?	799767936	6,000	None	None
Badakhshan	Argo	D	1381	Salahudin	?	700728176	40,000	None	None
Badakhshan	Kushm	D	1334	Fazal Ahmad	17	7007404075	21,170	None	None
Badghis	Qala-e-Naw	P	1336	M.Naeem	34	799474346	20,000	NU	None
Badghis	Bala Murghab	D	1343	Ab.Shakoor	8	412811621	10,000	NU	None
Badghis	Qadis	D	1384	Ab.Rahim	4	None	5,000	None	None
Badghis	Ghormach	D	1384	Wali Dad	4	50683135	5,000	NU	None
Baghlan	Pul-e-khumri	P	1318	Safaar Mohamad	42	700275664	1(30,000) 2(400,000)	None	PRT, UNDP, Agha Khan Foundation
Baghlan	Central baghlan	D	1326	Mohamad Hashim	42	799651143	30,000	None	None
Baghlan	Sanaty baghlan	D	1328	Mohamad Nasir	10	798147043	30,000	None	None
Baghlan	Khanjan	D	1382	Baba Mir	4	707108960	27,000	NU	None
Baghlan	Nahrin	D	1318	Mir Ahmad	5	799620924	60,000	U	None
Baghlan	Doshi	D	1381	Abdul Shakir	6	700766669	85,000	None	None
Baghlan	Deh Salah	D	1385	Abdul Rasol	15	707515971	4,000	None	None
Baghlan	Dahana Ghori	D	1381	Abdul Latif	6	700704654	5,000	None	None
Baghlan	Borka	D	1372	Gul Agha	7	798009153	22,000	None	None
Baghlan	Khost	D	1374	Abdul Hafiz	6	6273070024	24,000	None	None

Province	Municipality	Province /District	Date Established	Mayor	# of Staff	Contact	Population	Master Plan - Updated, Not Updated, None	Donors 2002-2007
Balkh	Mazar-e-Sharif	P	1300	M.Yunis Muqim	295	700508171	800,000	NU	IOM, UNDP, UN Habitat
Balkh	Balkh	D	1318	Ghulam Rabani	20	700521100	30,000	NU	USAID, IOM, ACTED
Balkh	Dowlat Abad	D	1341	Amrullah	9	778673915	15,000	NU	None
Balkh	Sholgara	D	1377	Abdul Mohamad	15	799404762	136,000	None	None
Balkh	Khulm	D	None	Habibullah	24	799404763	40,000	None	None
Bamyan	Bamyan	P	1340	Mohamad zahir	16	799028309	27,000	None	None
Bamyan	Panjab	D	1385	Mohamad Hussain	3	232813917	5,500	None	None
Bamyan	Kahmurd	D	1385	Mohammad Sami	2	None	5,000	None	None
Bamyan	Yakkawlang	D	1385	Mohammad Nabi	4	776188536	5,500	None	None
Dikundi	Neli City	P	1385	M.Haron	6	777050505	90,000	NU	None
Farah	Farah City	P	1327	Noor Ahmad	104	7007551441	130,000	NU	None
Faryab	Maimana City	P	?	Abdul Wahab	72	799250945	100,000	None	None
Faryab	Dawlatabad	D	1374	Sayfuddin	6	799726185	2,000	NU	None
Faryab	Sherintagab	D	1347	Ghulam Hyder Khan	7	799651263	15,000	NU	None
Faryab	Qaisar	D	1348	M.Sadiq	13	797805060	200,000	None	None
Faryab	Andkhai	D	1311	Ghulam Farooq	35	799029849	50,000	None	None
Ghazni	Ghazni City	P	1335	Hakimulah	122	777637609	300,000	NU	None
Ghazni	Jagori	D	1380	M.yonis	6	799692929	4,000	None	None
Ghor	Chighchiran City	P	?	Ghulam Usman	21	Nil	11,000	NU	None

Province	Municipality	Province /District	Date Established	Mayor	# of Staff	Contact	Population	Master Plan - Updated, Not Updated, None	Donors 2002-2007
Herat	Herat City	P	1308	M.Rafiq	618	79940003	1,500,000	NU	None
Herat	Shindand	D	1333	Ab.Salam	23	799636301	700,000	NU	None
Herat	Zanda Jan	D	1379	Ab.Ghafoor	3	799360873	85,000	NU	None
Herat	Torghundi	D	1362	Ab.Jabar	5	797504517	25,460	None	None
Herat	Pashton Zarghon	D	1380	Ab.Hadi	3	797426937	143,000	None	None
Herat	Obeh	D	1359	Ab.Basir	10	797219020	122,000	None	None
Herat	Enjil	D	1383	Ghulam Sakhi	8	799387182	500,000	None	None
Herat	Guzarah	D	1381	Ghulam Rabani	6	799580859	200,000	None	None
Herat	Karakh	D	1347	Aziz Ahmad	2	797605630	120,000	None	None
Herat	Ghoryan	D	1312	M.Asalam	10	799387605	206,000	None	None
Herat	Farsi	D	1383	Abdul Rasol	2	?	50,000	None	None
Herat	Kask Kuhnah	D	1381	Mula Mohamad	2	?	75,000	None	None
Herat	Rubat Sangi	D	1367	Arif	2	?	40,000	None	None
Herat	Gulran	D	1372	Sher Ahmad	3	?	60,000	None	None
Herat	Kahsan	D	1381	Abdul Rahman	18	?	40,000	None	None
Herat	Adraskan	D	1371	Ab.Khaliq	3	799757972	85,000	NU	None
Hilmand	Lashkargah	P	1341	Ghulam Mahaiuddin	155	799177807	50,000	NU	None
Hilmand	Nawa	D	1383	M.Ibrahim	?	None	5,000	NU	None
Hilmand	Nad Ali	D	1383	?	?	None	5,500	None	None
Hilmand	Grishk	D	1340	Nor Ali Shah	31	797152100	20,000	NU	None
Jozjan	Shibirghan	P	1302	Abdul Hakim	108	774417959	450,000	NU	None
Jozjan	Aqcha	D	1320	Baz Mohammad	33	799107007	90,000	NU	None
Jozjan	KhwajaDoko	D	1383	Abdul Jalil	5	799246790	17,500	NU	None
Jozjan	Qarqeen	D	1360	M.Murad	?	None	27,000	None	None
Jozjan	Manjigak	D	1386	NO Mayor	2	None	None	None	None
Jozjan	Darzab	D	1349	Abdul Mahdi	5	452815222	47,753	None	None
Kabul	Kabul City	P	?				4,000,000	None	None
Kabul	Mirbacha kot	D	1335	Khwaja Maqsod	6	700165876	55,000	NU	None
Kabul	Qarabagh	D	?					None	None
Kabul	Sorobi	D	1386	Mirza.M	4	700621312	5,000	None	None

Province	Municipality	Province /District	Date Established	Mayor	# of Staff	Contact	Population	Master Plan - Updated, Not Updated, None	Donors 2002-2007
Kandahar	Kandaha City	P	1299	Gulam Haider	589	700169811	700,000	NU	None
Kandahar	Khak raiz	D	1385	None	13	None	1,000	None	None
Kandahar	Arghandab	D	1385	Karimullah	13	None	5,000	None	None
Kandahar	Maiwand	D	1385	Nil	13	None	2,000	None	None
Kandahar	Zirai	D	1384	Abdullah	13	None	10,000	None	None
Kandahar	Panjwayee	D	1382	Haji Mahmod	14	None	2,000	None	None
Kandahar	Boldak	D	1381	None	30	None	50,000	None	None
Kapisa	Kapisa City	P	1371	Abdl Saboor	28	798219955	50,000	NU	None
Kapisa	Tagab	D	?	Khalilurahman	?	797587313	1,000	None	None
Kapisa	Hese (2) Kohistan	D	1383	Zalmai	5	772023506	50,000	U	None
Kapisa	Nijrab	D	1382	Sha Agha	3	799669812	250,000	NU	None
Kapisa	Hese (1) Kohistan	D	1385	Ghulam sakhi	5	799543235	120,000	NU	None
Khost	Khost City	P	1335	Eng.Sakhi Mirullah	96	700604312	200,000	NU	USAID
Khost	Baak	D	1383	Babri	?	797205180	3,000	None	None
Khost	Jaji Maydan	D	?	Roze Khan	?	None	2,000	None	None
Khost	Domande	D	1383	M.younis	6	799885255	15,000	None	None
Khost	AliShir	D	1383	?	?	?	2,000	None	None
Khost	Yaqobi	D	1382	Sayed Hasan	7	774629379	15,000	None	None
Kunar	Asuad Abad City	P	1328	Haji .Sayeed Amin	31	700641940	28,300	None	None
Kunduz	Kunduz City	P	1315	Abdul wahid	90	799200688	120,000	None	None
Kunduz	Chardarah	D	1352	M.Ibrahim	6	799522055	6,000	NU	None
Kunduz	Khan Abad	D	1312	Habibullah	35	799579716	20,000	None	None
Kunduz	Dasht Archi	D	1340	Abdul Ahad	16	797134625	12,000	None	None
Kunduz	Ali Abad	D	1381	Abdul Dayan	7	779457260	5,000	None	None
Kunduz	Qala-e-Zaal	D	1350	M.Ewaz	6	Nil	5,000	None	None
Kunduz	Emamsahib	D	1320	Abdul Manan	41	799605333	20,000	None	None
Laghman	Mehterlam City	P	1320	M.Rahim	50	700266295	15,000	NU	None
Laghman	Alishing	D	1383	Abdul Wali	5	799178242	1,000	None	None
Laghman	Alingar	D	1383	Gul Mohamad	5	None	2,200	None	None
Laghman	Qarghayee	D	1382	Azizurahman	8	799181658	1,500	None	None

Province	Municipality	Province /District	Date Established	Mayor	# of Staff	Contact	Population	Master Plan - Updated, Not Updated, None	Donors 2002-2007
Logar	Pul Alam	P	1344	Mohammad.Hashim	40	797170750	94,400	NU	None
Logar	Mohamad Agha	D	1372	Abdul Ghafor	3	77765500	20,000	None	None
Logar	Azra	D	1372	?	?	?	13,200	None	None
Logar	Baraki Barak	D	1348	Habibullah	3	799099138	60,000	NU	None
Logar	Charkh	D	1372	Shir Ahmad	3	799793088	39,700	None	None
Logar	Khoshi	D	?	Nor Ahmad	2	?	?	None	None
Maidanwardak	Maidanshar City	P	1352	Enayetullah	49	799619577	40,000	U	None
Nangrahar	Jalalabad	P	1316	Lal Agha	405	700017587	600,000	NU	UNDP, PRT, UN Habitat, USAID
Nangrahar	Chaprahar	D	1384	Aqa Gul	4	774584720	7,000	None	None
Nangrahar	SurkhRod	D	1384	Abdul Qayoom	4	700604042	30,000	None	PRT
Nangrahar	Ghani Khil	D	1378	Hamidullah	11	700602064	30,000	None	None
Nangrahar	Kama	D	1384	Kiramat shah	5	700633299	Unknown	None	None
Nangrahar	BatiKot	D	1384	Mohammad.Hasan	6	799276642	285,800	None	None
Nangrahar	Khogyani	D	1342	Mohammad.Bashir	8	798136761	30,000	NU	None
Nangrahar	Shenwari	D	1375	Abdul Rashid	11	None	156,766	None	None
Nangrahar	Torkham	D	1372	Hamidullah	32	None	100,000	?	?
Nangrahar	Rodat	D	?	?	4	?	1,500	?	None
Nimroz	Zarang City	P	1345	Najibullah	57	799611811	120,000	NU	None
Nimroz	Khashrod	D	1384	Eng.M.Ali	9	799821275	120,000	None	None
Noristan	Paron	D	1386	Sher Ali	10	700495665	None	None	None
Paktia	Gardez City	P	1336	Agha.M	72	None	200,000	None	None
Paktia	Sayed Karam	D	1386	Mamor jan	3	799535234	6,000	None	None
Paktika	Sharan City	P	1345	Eng.momin	28	799176499	50,000	NU	USAID
Paktika	Urgoon	D	1325	Noor.Mohammad	7	799533863	190,000	NU	None
Paktika	Sorobi	D	1375	Gulajan	3	None	190,000	NU	None
Paktika	Khirkot	D	1312	Mohamad Sarwar	?	797537116	?	None	None
Panjshir	Bazarak City	P	1383	Abdul Khabir	23	None	50,000	U	USAID

Province	Municipality	Province /District	Date Established	Mayor	# of Staff	Contact	Population	Master Plan - Updated, Not Updated, None	Donors 2002-2007
Parwan	Jabalsaraj City	P	1349	Fazalulah	8	799369300	68,000	NU	None
Parwan	Charikar	D	1318	Ghulam sediq	70	700213698	50,000	NU	USAID
Parwan	Ghorband Siyagerd	D	1383	M.Asif	16	776435687	88,400	None	None
Parwan	Bagram	D	1383	Ab.Maruf	7	778877668	5,000	NU	None
Samangan	Aibak City	P	1313	Abdul Haq	70	799102364	11,000	NU	None
Samangan	Hazrat Sultan	D	1384	Rohullah	4	55814716	10,000	None	None
Samangan	Dara-e-suf payeen	D	1384	khosh.M	10	None	6,500	None	None
Samangan	Darasuf Bala	D	1384	No mayor	?	None	6,000	None	None
Saripul	Saripul City	P	1367	Ab.Malik	50	7992470052	180,000	NU	None
Saripul	Sozma Qala	D	1383	Khan.M	9	799381568	50,000	None	None
Saripul	Sang Charak	D	1384	M.Azam	14	799381286	100,000	None	None
Saripul	Balkhab	D	1382	Mohamad Husin	8	56812326	11,200	None	None
Saripul	Gospandi	D	1384	Mohamad Karim	8	799021820	22,000	None	None
Takhar	Taluqan City	P	1334	Subhan Qul	106	700737305	105,800	None	None
Takhar	Cha aab	D	1342	Abdullah	23	700740762	20,000	None	None
Takhar	Rus Taaq	D	1330	Qayamuddin	17	774181592	Unknown	None	None
Takhar	Farkhaar	D	1332	Zainul Abiddin	4	774180536	13,000	None	None
Takhar	Chal	D	1384	Jan Mohamad	?	None	53,000	None	None
Takhar	Kalafgan	D	1385	Abdul Baqi	2	None	52,000	None	None
Takhar	Yangi Qala	D	?	Nazarullah	18	None	59,000	None	None
Takhar	Ashkamish	D	?	Abdul Hanan	9	None	8,000	None	None
Takhar	Khwaja Bahawdin	D	1376	Azizullah	17	799176499	45,000	None	None
Uruzgan	Tarinkot	P	1343	Abdul wahid	20	797059420	20,000	NU	USAID
Zabul	Qalat City	P	None	Janat gul	24	707234200	140,000	NU	None

Annex C: List of References:

Afghanistan in 2007: A Survey of the Afghan People, The Asia Foundation, 2007

Afghanistan: Sub-national Administration in Afghanistan, Vol 1: Assessment and Recommendations for Actions, Report No. 28435-AF, The World Bank, April 1, 2004

Afghanistan Sub-national Governance Programme (ASGP), Programme Brief, UNDP, April 2006

An Assessment of Sub-National Governance in Afghanistan, The Asia Foundation, May 2007.

City Charges Act

Electoral Law for Municipalities, November 2003, Decree 81

Fiscal Decentralization in Transition Economies: Case Studies from the Balkans and Caucasus, Regional Bureau for Europe and CIS, UNDP, Bratislava, Slovak Republic, 2005.

Five Year Strategic WorkPlan 1387-1391, The Independent Directorate for Local Governance (IDLG), Islamic Republic of Afghanistan (IRoA), February 2008.

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Law on Municipalities of Afghanistan, 1379 (2000), Decree No. 29

Pardo, Erlito. An Assessment of the Existing Municipal Revenue Generation in the Islamic Republic of Afghanistan, UNDP/ASGP, December 2006

Policy Directions and Strategies for Sustainable Sources of Revenue for Afghanistan: Official Tax Policy Framework and Revenue System Strategy, Ministry of Finance, Islamic Republic of Afghanistan, May 2007.

Republic of Indonesia, Law No 11/2006 on the Governing of Aceh, with Explanatory Notes, Forbes Damai, Aceh, Indonesia, 2006

Service Delivery and Governance at the Sub-National Level in Afghanistan, World Bank, July 2007

The Local Governments Act, 1997, Uganda, 1997

Annex D: List of Donor Programs for Strengthening Municipalities

1. The UNDP Afghanistan Sub-national Governance Program (ASGP) is the main donor funded program specifically focused strengthening the organizational and financial management of the municipalities. The program provides support for development of functional analysis of municipal organization structure, revenue enhancement support, and service delivery capacity improvement primarily in the area of solid waster disposal. The municipal component of the program has operated in the five northern provinces of Balk, Jozjan, Saripul, Faryab, and Samangan since July 2007. Additional provinces that will be added in the coming months include Baghlan and Kunduz provinces. There is possibility to extend the number of provinces to Kunar, Kandahar, Baghlan, and Dikundi. The long-term intention is to roll out the program to 33 provincial capitals. The program is intended to operate over the 2007-2011 timeframe. The budget for 2008 is \$3.3m with funding only projected on a yearly basis. Future funding is not certain for the roll out beyond those mentioned for those provinces indicated for 2008.
2. UN-Habitat operated a City Profiling and Municipal Strategic Action Plan project from 2005-2007. While this activity is no longer functioning it indicates an important element of a municipal capacity building program. The programme operated in five municipalities under funding by the European Commission. These municipalities were Mazar-e-Sharif, Kandahar, Jalalabad, Heart, Foryab. DFID funded the program in the municipality of Lashkagar. The total funding for the project that lasted one and one-half years from 2005-2007. The total funding was approximately \$1m.

Annex E: List of Persons Interviewed

Sayed Abrar
Kholm District Governor

Mirwais Ahmadzai
Coordinator, Reform Implementation & Management Unit
Ministry of Finance

Taimor Anwar
Head of Municipalities
Independent Directorate of Local Governance

Sayeed Husain Anwari
Provincial Governor, Herat Province

Mr. Amrullah
Mayor of Dawlatabad District Municipality

Shahzad Gul Aryobee
Project Development Manager
Institutional Relations Development
Afghanistan Information Management Services
United Nations Development Programme

Moh. Faqir Bahram
Deputy Mayor of Kabul

Aziz Babakarkhail
Economic Development Specialist
United Nations Development Programme

Jon Bormet
International City Management Association
Local Government Development Program, USAID

John F. Brown
Business Development Advisor
Afghanistan Information Management Services
United Nations Development Programme

Taimor Shah Fayaz
Balkh District Governor

Karine L. Fourmond
Water and Sanitation Specialist, SASEI
The World Bank

Richard Geier
Urban Development Advisor
United Nations Human Settlements Programme
UN-HABITAT, Afghanistan

Amy Gill
Capacity Development Component
Management Mentor
Afghanistan Sub-National Governance Program (AGSP)
United Nations Development Programme

Ghulam Habi
Mayor of Guzara Municipality

Mr. Habibullah
Mayor, Kholum District Municipality

Ramon H. Hagad
Senior Public Administration Advisor
Afghanistan Sub-National Governance Programme (AGSP)
United Nations Development Programme

Nasir Hamidi
Municipal Management Specialist
Afghanistan Sub-National Governance Program (ASGP)
United Nations Development Programme

Hashmat Hijran
Coordinator Component Two
Afghanistan Sub-National Governance Programme (AGSP)

James Hope
Program Director
Provincial Reconstruction Team (PRT), USAID

Lal Agha Kaker
Mayor of Jalalabad, Nangahar Province

Barna Karimi
Deputy Director for Policy
Independent Directorate of Local Governance

Atwar Khan
Deputy Head of Hairatan Town

Paul Lundberg
Manager, Afghanistan Sub-National Governance Program (ASGP)
United Nations Development Programme

Robert Maffin
Association Team Leader
Capacity Development Program, USAID

Khwaja Maqsood
Mayor, Mir Bacha Kot district municipality

Shahmahmood Miakhel
Governance Officer, Office of DSRSG-II
United Nations Assistance Mission in Afghanistan

Mohammad Younis Moqin
Mayor, Mazar-e-Sharif

Ahmad Jawid Omary
Senior Procurement Liaison Officer
Procurement Policy Unit
Ministry of Finance

Yosuf Pashton
Minister of Urban Development

Ghulam Jailani Popal
Director, Independent Directorate of Local Governance

Ghulam Sayed Prishan
Mayor, Qarabagh District Municipality

Ghulam Rabbani
Mayor, Balk District Municipality

Abdul Qayum
Mayor Sorkhrod District Municipality

Mohammad Rafiq
Financial Management Officer
Reform Implementation & Management Unit
Ministry of Finance

Mr. Rodwal
Head of Finance
Ministry of Public Works

Ghulam Sakhi
Mayor of Enjil Municipality

Zdravko Sami
Private Sector Advisor
Office of Economic Growth
USAID

Mohammad Salim
JICA Project Manager
Urban Development Group
United Nations Development Programme

M. Mamoon Sarwary
Monitoring and Evaluation Consultant
Reform Implementation & Management Unit
Ministry of Finance

Abul Kareem Shahi
Deputy Mayor
Pul-e-Khumri City

Gul Agha Sharzoy
Governor of Nangahar Province

Mahesh Shukla
Senior Governance Advisor
Afghanistan Sub-National Governance Program (AGSP)
United Nations Development Programme

Dana Stinson
Field Program Manager
Provincial Reconstruction Team (PRT)
USAID

Sayed Mohammad Taqi
Northern Region Director
Civil Service Commission

Abdul Rahman Ulfat
National Community Relations Coordinator
Urban Development Group
United Nations Development Program

George Varughese
Country Representative
The Asia Foundations

Shah wali Zami
Head of Municipalities
Independent Directorate of Local Governance

Annex F: Municipal Assessment Team Statement of Work

Statement of Work
MUNICIPAL GOVERNANCE STRATEGIC FRAMEWORK
FOR
AFGHAN MUNICIPALITIES

I. PURPOSE:

To provide USAID and the Independent Directorate for Local Governance (IDLG) with recommendations for strengthening municipal governance in Afghanistan that includes:

- Identifying and articulating existing and emerging issues, including opportunities and constraints, affecting municipal governance in Afghanistan;
- Identifying and articulating options for addressing such issues;
- Providing recommendations for revising and strengthening the municipal governance legal and policy framework; and
- Based upon the recommended legal/policy framework, formulating a proposed five-year municipal governance strategic framework including time-bound benchmarks and a workplan plan for achieving the strategic framework.

II. BACKGROUND:

A critical ingredient for the attainment of national unity and a viable Islamic Republic of Afghanistan (IRoA) is an effective system of sub-national governance, which includes provincial, district, municipal, and village government. The importance of sub-national governance has been articulated in several key IRoA documents, beginning with the Constitution of Afghanistan, which reserves strong authority for the central government, but also delegates significant roles and authorities to provincial, district, municipal, and village levels. The Interim Afghan National Development Strategy (I-ANDS) and the Afghanistan Compact of 2006 highlight the importance of sub-national governance for the achievement of national political and development goals. Both documents emphasize the need to establish structures, which contribute to development planning, coordination, and representation at the provincial and district levels.

Local administration is the first and sometimes only point of contact between the majority of Afghan citizens and the National government. The performance of sub-national government in delivering services and responding to the needs of local populations is therefore a critical factor in public perceptions of IRoA.

In August 2007, President Karzai established the Independent Directorate for Local Governance (IDLG). IDLG's mandate is to improve governance at the sub-national governance (SNG) level. IDLG's work will focus on two main areas (1) formulate and implement sub-national

governance (SNG) policy and legal framework reforms and (2) strengthen the capacity of SNG entities, such as municipalities, in order to improve service delivery and security at the SNG-level.

As part of its mandate, IDLG will seek to improve stability in insecure provinces such as those in the south and east, by establishing better relationships with district tribal leaders and building stronger sub-national governance institutions, including reform of Governors' offices, restructuring of provincial administrations (e.g. line ministries) and strengthening SNG entities (e.g. Governors, Provincial Councils, District Governments, Municipalities). This will contribute to improved accountability between the central Government and citizens and lead to an increase in stability and IRoA legitimacy.

Municipalities

The 1957 Law on Municipalities governs Afghan municipalities as updated by the 2000 Law on Municipalities. Municipalities are vaguely defined as “an institution having independent status, which is required to meet local needs and provides for the needs of the people living in the area of the municipality.” In order to form a municipality an area must meet two conditions (1) must be an administrative area with a minimum of 5,000 residents and (2) where there is a possibility of implementing a City Master Plan as defined by law.

Municipal governments have the authority to raise, retain, and expend revenues. Presently 20% of the national population lives in municipalities, and municipalities are expected to grow rapidly as the economy grows, making them a key part of the SNG system. The existing Municipal Law lists a total of 44 functions of municipalities. Some of them are listed in *Table 1*.

Table 1: Sample Responsibilities of Municipalities

Service Delivery	<ul style="list-style-type: none"> • Public health and environmental protection, notably sanitation and sewage treatment and solid waste management • Street lighting and greenery • Provision and maintenance of parks and recreational amenities • Assistance in the maintenance of law and order
Planning	<ul style="list-style-type: none"> • Implementation of master plans • Management of public land and buildings • Distribution of lots for residential and commercial purposes • Expropriation of land for development • Prevention of informal buildings
Revenue Generation and Management	<ul style="list-style-type: none"> • Collection of revenues from municipal properties and taxes from shops, markets, and residential buildings • Complaints and complaint resolution • Setting and control of prices

	<ul style="list-style-type: none"> • Licensing • Data collection • Provision of legal support
Governance	<ul style="list-style-type: none"> • Promotion of public involvement in city services • Strengthening of capacity in society

While there are varying lists of municipalities, IDLG, presently, estimates that there are approximately 144 municipalities in Afghan (list attached).

Some of the constraints faced by municipalities are as follows:

- Years of economic decline have rendered ordinary citizens unable to afford even the most basic public services, thus seriously limiting the municipalities' capacity to generate revenue to fund basic public services. While the existing regulation stipulates that 55% of municipal revenues are to be allocated to development, including service delivery, current revenues are actually just barely enough to defray ordinary/recurring expenses, mainly salaries.
- The destruction wrought by decades of war and the absence of any substantial reconstruction in its wake have given rise to a huge investment gap in the provision of essential public infrastructure facilities and services.
- Under the existing government setup, municipalities have no direct fiscal lifeline to the central government and could not, therefore, expect assistance even for their most urgent needs. Before, even MOI admits to having no fast and reliable communication links with sub-national government levels.
- The range of the municipalities' responsibilities is quite extensive; some require competencies that are not easy to acquire and/or resources that are not within their reach. In the absence of a coherent, overall sub-national governance framework, the delineation of responsibilities among different levels of government has been largely subject to the discretion of concerned government officials.
- The available expertise, along with operating practices and procedures, are mostly outdated and are not attuned to the demands of contemporary Afghan cities. Attention toward upgrading urban bureaucracies has also been negligible relative to what has been directed toward rural rehabilitation and development.

IV. TASKS:

1. Meet with a range of stakeholders to assist with developing a municipal governance strategic framework and workplan. USAID estimates that at a minimum 7-10 stakeholder meetings will be held in Kabul and at a minimum 7-10 stakeholder meetings will be held in the provinces. These do not include the 1 in-brief and 1 out-brief with USAID, IDLG and UNDP.
2. Review and analyze the existing municipal governance legal and policy framework, and provide recommendations for strengthening both.
3. Identify and articulate issues or problems that are preventing municipalities from generating revenue and delivering services, and, provide recommendations for resolving these issues or problems.

4. Develop an overview or snapshot of on-going or planned municipal governance programs in Afghanistan.
5. Answer the following key questions:
 - a. How would you recommend revising the existing municipal governance policy and legal framework?
 - b. What criteria should be used to create a municipality?
 - c. How can the fiscal framework be revised to allow municipal governments to better deliver public services?
 - d. What equipment and infrastructure must be in place to allow municipal governments to provide public services?
 - e. Clarify what municipal functions separate a municipality from other sub-national governance entities or propose a list of clear functions for municipalities.
 - f. How do you give legal (formal) recognition to existing municipalities? Should existing municipalities, which cannot meet the revised criteria for formalizing a municipality be reverted back to a district? If so, what procedures should be developed for this process?
 - g. Given that there are varying numbers of municipalities, how many municipalities are there in Afghanistan?
 - h. What indicators could best be used to measure the developmental progress of Afghan municipalities?

V. DELIVERABLES

The following deliverables should be completed and provided to USAID as part of this task order:

1. A completed review and analysis of the existing 1957 and 2000 Laws on Municipalities, existing policy regulations, and government structures. As a result of this review and analysis comprehensive list of recommended of improvements are provided.
2. A minimum of 18 stakeholder meetings are held both in Kabul and in the provinces.
3. Approximately 22 days into the team's work in Afghanistan, the team will present to IDLG, USAID, UNDP and other stakeholders for comments, clarifications and feedback a DRAFT municipal governance strategic framework and workplan including realistic goals, activities and expected results.
4. Based upon comments received, the team will organize follow-up meetings with stakeholders, as necessary, and revise the municipal governance strategic framework and workplan. This document will be submitted to IDLG, USAID, UNDP and other stakeholders as part of the final report submitted 5 full days prior to the team leader's departure from Afghanistan allowing for additional comments in the out brief.
5. Clear and concise responses to the questions listed in the above "Tasks" section of this document.
6. The production of an overview or snapshot (2-3 sentences max.) of existing municipal assistance/strengthening programs (type of program/implementing agency/value of the program/name of municipality) and any planned municipal assistance/strengthening

programs type of program/implementing agency/value of the program/name of municipality and/or province, if municipality unknown).

7. Using the best information available compile a comprehensive listing of all municipalities in the country. The list should include the province, name of municipality and name/contact information of the mayor.
8. A near finalized report detailing deliverables 1-5 above to be submitted to USAID/IDLG/UNDP 5 full days prior to the expatriate team leader's departure from Afghanistan.
9. A final comprehensive report detailing deliverables 1-7 above submitted to USAID/IDLG/UNDP no later than 10 days after the expatriate team leader's departure from Afghanistan.
10. One in-brief and 1 out-brief with USAID/IDLG/UNDP should be organized/held by the team. The out-brief should be held 1 day prior to the expatriate team leader's departure from Afghanistan.

VI. PERSONNEL

Proposed Level of Effort

Implementation of this municipal governance assessment calls for a team of three municipal governance specialists, and one translator/administrative support for the following level of effort:

Team Leader (1 expat) – 45 days work in country
 2-4 days travel
 2 days U.S. preparation
 10 days follow up and report finalization

Team Member (1 expat) – 45 days work in country
 2-4 days travel
 2 days U.S. preparation
 3 days follow up and report finalization

Team Member (1 local) - 45 days work in country
 2 days of preparation
 3 days follow up and report finalization

Translator/Administrative Support (1 local) 45 days work in country

Team Member Experience

Team Leader: A sub-national governance specialist with an advanced degree in a relevant discipline. At least five years experience in sub-national governance research and/or programming is required. Experience in leading sub-national governance assessments and designing sub-national governance programs is critical, with experience in post-conflict and

fragile states is highly desirable. Regional experience and/or country specific knowledge is critical. Knowledge of USAID and particularly of DG and fragile and transformational development states policy guidance would be helpful.

Team Member (1 expat): A sub-national governance specialist with an advanced degree in a relevant discipline. At least five years experience in sub-national governance research and/or programming is required. Experience in sub-national governance assessments and designing sub-national governance programs is critical, with experience in post-conflict and fragile states is highly desirable. Regional experience and/or country specific knowledge is critical. Knowledge of USAID and particularly of DG and fragile and transformational development states policy guidance would be helpful.

Team Member (1 local): A sub-national governance specialist with experience in the sub-national governance sector in Afghanistan is desirable. Minimum degree BA/BS. Good understanding of political dynamics and political actors in Afghanistan is essential. Links into the research community would be useful. At least five years' work experience in the governance and/or development sector required. Knowledge of USAID and other donor sub-national governance programs in Afghanistan is critical.

Team Member/Translator/Administrative Support (1 local): Ability to translate interviews and discussions from local languages (Pashto, Dari) into English and from English into local languages (Pashto, Dari) is required. Ability to provide light administrative support.

Time Line

The work called for in this statement of work will start o/a February 2008 and will be completed approximately eight weeks later.

V. LOGISTICS

The team as a whole or its individual members will observe the actual operations of some municipal government administrations and the implementation of ongoing support programs/projects for municipalities. They are likewise expected to consult with provincial and local stakeholders to identify their concerns and priorities.

At present, IDLG has requested that the team visit (1) 1-2 rural municipalities in/near the Kabul area, (2) the Kabul provincial municipality, (3) Balkh provincial municipality and 1-2 rural(smaller) municipalities in Balkh province, (4) the provincial municipality in Jalalabad, (5) the provincial municipality in Herat, and (6) the provincial municipality in Baglan.

For planning purposes, the team should also plan on holding 7-10 stakeholder meetings in Kabul including with IDLG, the Ministry of Finance, the Ministry of Urban Development, and donors.

The team will be responsible for making their own logistics arrangements with minimal support from IDLG, UNDP and USAID. Provincial Reconstruction Team (PRT) lodging and logistical support cannot be guaranteed, particularly for Afghan Nationals. Lodging in the provinces is

basic. Transportation during the winter months is sporadic, and can be delayed or cancelled. Arrangements should be made early. UNDP has agreed to provide logistical support in Balkh, where possible. IDLG has agreed to provide logistical support in other provinces including staying at the IDLG guesthouses. PRT AIR or UNOPS maybe used for air transportation, where available.

A contact list will be prepared and provided to the team upon arrival.

VI. DESKTOP REVIEW DOCUMENTS

1957 Law on Municipalities

2000 Law on Municipalities

IDLG's Strategic Framework

The Asia Foundations Sub-National Governance Assessment

The World Bank's Service Delivery and Governance at the SNG Level

Afghanistan Millennium Development Goals

The Afghanistan Compact

Afghanistan National Development Strategy (ANDS)