

Civilian Wage Bill Management Five-Year Policy: ١٣٩٨-١٤٠٢

This policy presents key issues and a series of principles to guide the management of the civilian wage bill over the next five years. The policy is informed by a detailed analysis of current wage expenditure included within Annex A and summarized below under *Key Considerations*. This policy presents a strategy to manage the civilian wage bill in the context of a period of peace building and fiscal transition. Current employment levels are protected, although pay adjustments are limited. Future wage growth will be used to compensate civil servants with verified competencies.

The verification of competencies will be completed through several channels. Highly qualified technical personnel will have opportunities to join a professional cadre. Non-technical professionals will have opportunities to receive additional pay tied to competency testing. Low-grade non-professional staff are protected through a modest unconditional pay supplement. However, personnel without competency verification (*except for personnel targeted by the unconditional pay supplement*) or biometric enrollment in Human Resource Management Information System (HRMIS) will not receive any increases in wages. Real wages for unqualified personnel will fall every year with inflation.

Implementation of this policy will require a phased approach and ongoing analysis and review. It is recommended that a High-Level Pay Committee be established to oversee implementation supported by a Working-Level Technical Committee. These bodies are described under *Implementation Arrangements*.

Key Considerations:

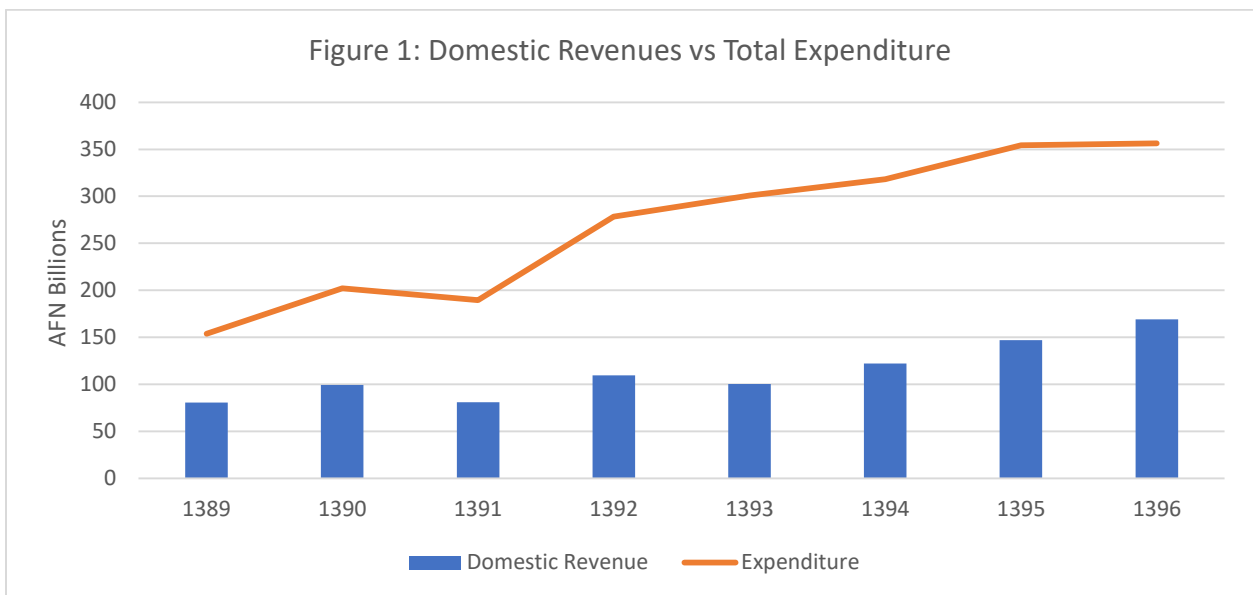
- Civil service compensation should be sufficient to attract and retain qualified staff while remaining fiscally sustainable in the context of diminishing external financing.
- Nominal base pay has not increased since the introduction of P&G scales in ٢٠٠٨. Real wages have fallen with inflation. At the upper end of the scale, wages are not competitive for technical positions. At the lower end of the pay scale, many households headed by a civil servant live in poverty.
- The civil service has grown from approximately ٢٠٠,٠٠٠ personnel in ٢٠٠٢ to ٤٠٠,٤٣٩ in ٢٠١٧. This large headcount limits the affordability of a universal pay increase through an amendment to the P&G scale. Within this total headcount, it is difficult to distinguish between qualified and unqualified staff.
- A variety of allowances have been introduced to supplement base pay for certain positions. However, the application of these allowances is uneven across ministries, management is ad hoc, and little systematic data is available on the efficacy of this approach.
- Thousands of externally-financed positions now use parallel pay structures, which serve as an upper bound on most pay arrangements. These pay structures are perceived as a continued requirement to staff key technical positions in the absence of other alternatives. However, the associated wages are unsustainable without donor financing.
- If no changes are made, real wages will continue to fall for most civil servants.

Five-Year Policy Approach (۱۳۹۸-۱۴۰۲):

Given the context summarized above, policy measures are divided into four categories. Cost savings are required to provide fiscal space to support improved compensation for other employment groups. Cadres will target a relatively small group of elite technical professionals, while a competency allowance will reward verified competencies in other professional groups such as teachers. Finally, the poorest civil servants working in non-professional positions will be eligible for an unconditional pay supplement.

۱. Create Fiscal Space through Cost Control

In the context of Afghanistan's ongoing transition to self-reliance, controlling expenditure on wages and salaries is a priority. Figure ۱ illustrates the significant gap between domestic revenues and total expenditure. In fiscal year ۱۳۹۶ (۲۰۱۷), total expenditure reached AFN ۳۰۶ billion against domestic revenues of AFN ۱۶۹ billion, with the balance financed by grants and loans.



Within this challenging fiscal context, this policy seeks to maintain expenditure on total civilian compensation at ۰ percent of GDP (*see Annex A for additional analysis*). The current policy therefore balances cost saving measures with compensation increases.

Pay and Grading (P&G)

- The P&G grade and step structure will continue to be used as the single harmonized salary spine to classify all civil servant positions. The P&G grade and step system is already well understood by employees and retaining it will ensure continuity of current organizational structures and job classifications. Grade and step will continue to determine differentiation of total pay for all civil servants, supporting the principle of “equal pay for equal work.” To preserve this principle, independent ministry-level salary scales and other salary increase schemes not prescribed within the current policy are to be prohibited upon the policy's adoption.
- Pay increases introduced through this policy will not involve changes to current P&G rates of pay or the development of independent ministry-level salary schemes. Instead, P&G will be used as the basis for various multipliers and allowances that can be tailored to meet specific ministry-

level and/or professional group compensation needs and intricacies, as described in further sections. Fiscal space will be created each year through inflation, as nominal base pay falls. This space will be used to support competency-based increases in pay at higher grades and unconditional supplements for low grades as described in this policy. This process will support a gradual transition towards fair and competency-based pay in the civil service.

Pay increases introduced through this policy (in the form of multipliers, allowances and supplements) will not have an impact on civil servant pensions. In accordance with the Pension Reform Policy Paper approved by Cabinet on April 7, 2018, civil servant pension contributions are determined on the basis of P&G rates of pay only. However, introduction of a voluntary defined contribution pension scheme (outlined in the Pension Reform Policy Paper) is planned. Voluntary contributions under this scheme can supplement retirement savings.

Parallel Pay Structures:

- Parallel Pay Structures will be gradually phased out in sequence with the establishment of cadres. The parallel pay structures that will be phased out include:

I. National Technical Assistance (NTA) Staff

- The NTA grade and step structure will remain unchanged, mirroring the P&G structure.
- The NTA rates of pay will remain unchanged. This will allow real NTA salaries to continue to fall with inflation.
- The Technical Committee will develop a plan for selective and strategic use of technical assistance, commencing from the start of fiscal year 1398 (2019). This requires an initial review of existing parallel structures and staffing levels, both on and off budget. The Technical Committee will review the number, type, and distribution of technical assistance within each government entity and across all financing sources relative to overall Tashkeel (including civil servants compensated through parallel pay structures). This one-time process is expected identify and recommend the discontinuation of sub-optimal and/or redundant NTA positions.
- Beyond 1398 (2019), most NTA positions will be progressively replaced by the introduction of professional cadres, as described in further sections of this current policy. This medium-term phase out will be guided by an institutional self-reliance plan to be led by the Technical Committee.

II. Human Resource Capacity Injection Program Civil Servants

- Civil servants recruited through human resource capacity injection programs, namely the Capacity Building for Results (CBR) Facility and the Tackling Afghanistan's Government HRM and Institutional Reforms (TAGHIR), will continue to be compensated based on the NTA scale.
- A financing partnership and strategy for these positions has been agreed with the World Bank in line with fiscal space considerations. This involves orderly transition over a three-year period of priority CBR/TAGHIR civil servant positions to full budget financing as professional cadres, complementing civil service professionalization efforts.

- This arrangement will help to avoid a disruption in government operations with nearly half of the currently project-financed posts key Director General and Director level positions responsible for priority policies and programs.

III. Super Skill Scale Civil Servants

- The Super Skill Scale will immediately be closed to new entrants upon adoption of the current policy.
- Existing Super Skill Scale civil servants will be gradually phased out based on annual renewal assessments led by the Technical Committee, commencing from the start of fiscal year 1398 (2019).
- Phased out Super Skill Scale civil servants will be regularized within P&G or introduced into professional cadres where relevant.

Other Allowances:

- Allowances will be consolidated and rationalized. Table 1 summarizes current allowances, annual costs as of fiscal year 1396 (2017), and proposed actions. In summary:
 - Ad hoc, unclassified and allowances replaced by new measures (such as cadres) will be discontinued upon adoption of this policy. These include: interim additional allowance, professional and cadre allowance, other allowances (cash) and civilians equivalent to army (incentive).
 - Bonus payments, currently used to reward exemplary job performance, will also be discontinued upon adoption of the current policy. Performance-based pay increases will instead be better consolidated and harmonized within the annual performance appraisal cycle through step increments (up to the maximum step for the relevant grade).
 - Incentive payments, overtime, and hazard or regional pay will be continued. However, criteria governing their eligibility will be developed by the Technical Committee to ensure fair and efficient use.
 - “Assist payments to employees” and “Special operative and hidden expense” (prescribed by Presidential Decree) will also be continued but on a highly selective and exceptional basis, in line with specific criteria to be developed by the Technical Committee.
 - All other current allowances will remain unchanged, including cash and in-kind food and transportation allowance except for food coupons already discontinued ahead of the current policy.

Table 1: Summary of Allowances, 1396 (2017)

Object Code	MoE	All Others	Grand Total	Description	Way Forward
21124 Overtime	3,120,720,438	2,778,937,021	5,899,657,459	Charges for the expenditure of hours worked in excess of the legally prescribed number of working hours.	Continued – with specific conditions and criteria governing eligibility to be developed by the Technical Committee.
21121 Professional and cadre allowance	1,702,413,773	1,943,248,947	3,645,662,719	Allowances paid to non-uniformed employees as a result of attainment of diplomas, licenses, or other evidences of special training and skills.	Discontinued upon adoption of the current policy – this allowance contradicts with cadre and competency allowances introduced by the current policy.
21200 Food for employees	39,972,303	2,894,822,127	2,934,794,430	Food provided to employees, in lieu of cash, as part of their salary entitlements.	Continued – only for employees not receiving other forms of food allowance.
21127 Food allowance	1,821,834,474	882,007,093	2,703,841,567	Allowance paid in cash to employees not receiving other forms of food allowance. Does not include subsistence allowance paid to employees while in travel status.	Continued – only for employees not receiving other forms of food allowance.
21100 Overseas employees	11,731,147	2,439,107,707	2,450,838,854	Wages for locally engaged staff working in Afghan missions abroad.	Continued – locally engaged staff working in Afghan missions abroad are not civil servants and therefore not subject to this current policy. These are contracted staff whose pay and allowances are governed on the basis of their contracts.
21130 Special Operative and hidden Expense		2,797,837,237	2,797,837,237	Special operative and hidden expense of military and civilian organizations prescribed by Presidential Decree.	Continued <i>on a highly selective and exceptional basis</i> – with specific conditions and criteria governing eligibility to be developed by the Technical Committee..
21202 Transportation services	94,817,713	1,714,000,702	1,808,818,415	Transportation provided to employees, in lieu of cash, as part of their salary entitlements.	Continued – only for employees not receiving other forms of transport allowance.
21122 Interim additional allow (PRR)	139,201,924	1,280,917,277	1,420,119,201	Interim additional allowances paid to occupants of positions which have been approved by the Independent Administrative Reform and Civil Service Commission under the Priority Reform and Restructuring (PRR) program.	Discontinued upon adoption of the current policy –PRR is no longer eligible (and lacks legal basis). PRR recipients are to be immediately regularized into P&G.
21403 Family payment on death	88,130,020	1,122,182,300	1,210,312,320	Expenditure made to families of deceased employees per Article 134.	Continued
21400 Assist payments to employees	31,330,708	1,390,000,870	1,421,331,578	Payments to employees as part of social assistance benefits (not as part of salary).	Continued <i>on a highly selective and exceptional basis</i> – with specific conditions and criteria governing eligibility to be developed by the Technical Committee.
21104 Assembly and Jirga members	-	1,238,704,770	1,238,704,770	Basic salaries of elected and appointed members of government assemblies and Jirgas.	Continued
21126 Bonus	23,073,914	940,871,021	963,944,935	Bonuses paid to employees to reward exemplary job performance.	Discontinued upon adoption of the current policy – performance-based pay increases to be consolidated within annual performance appraisal cycle through step increments.

Object Code	MoE	All Others	Grand Total	Description	Way Forward
21107 Doctors	-	778,298,092	778,298,092	Basic salaries of doctors serving Government health institutions.	Continued – only until adoption of new Ministry of Public Health mechanism for doctors' wages.
21401 Severance payments	144,738,987	379,114,202	523,853,188	Pay and cash allowances granted due to termination of employment, including for leave time earned but not used.	Continued
21123 Other allowances - cash	29,479,098	1,718,129,720	1,747,608,818	Any other allowance paid in cash which is not classified elsewhere.	Discontinued upon adoption of the current policy – unclassified and ad hoc allowances are no longer eligible.
21120 Civilians equivalent to Army (incentive)		50,199,387	50,199,387	Allowances provided to civilianized positions in MoD and MoI, where employees lost previous uniformed allowances.	Discontinued – upon regularization of <i>civilianized</i> security sector positions into P&G.
21204 Payment for Transportation	13,500	471,473,712	471,487,212	Allowance paid in cash to employees not receiving other forms of transport allowance. Does not include subsistence allowance paid to employees while in travel status.	Continued – only for employees not receiving other forms of transport allowance.
21112 Pay Salary Differences	143,747,024	40,104,799	183,851,823	Retroactive incremental payments resulting from delayed payment of salary increases (e.g. due to performance appraisal increment).	Continued
21125 Hazard or regional pay	378,830	199,784,040	200,162,870	Allowances paid in cash to employees as special compensation for serving in posts officially designated as involving hardships beyond the normal call of duty.	Continued – with specific conditions and criteria governing eligibility to be developed by the Technical Committee.
21998 Exchange Fluctuation of Salaries		28,230,007	28,230,007	Payments to compensate salary deterioration resulting from exchange rate fluctuations, based on indexation mechanism.	Discontinued upon adoption of the current policy – salaries are denominated and disbursed in local currency and as such exchange rate fluctuations lack relevance.
21402 Sickness and maternity payment	370,200	579,738	949,938	Pay and cash allowances granted during periods of absence resulting from sickness or maternity. Guaranteed per Article 134.	Continued
21203 Food coupon	-	727,248	727,248	Cost to the employer of goods provided to employees at a reduced cost under a Coupon Scheme.	Discontinued – removed ahead of current policy.
21201 Housing for employees	21,000	739,804	760,804	Housing provided to employees as part of their salary entitlements per Article 134.	Continued – housing allowance provision applies to Higher Level Officials and not to civil servants and is therefore not subject to this current policy.
Grand Total	7,442,051,447	20,240,327,071	27,682,378,518		

Υ. Compensation for Technical Professional Staff - Cadres

As envisaged in the amended Civil Servants Law (Υ·\Λ), a series of professional cadres will be introduced to enhance civil service professionalization. Cadres are envisaged as small groups of technical professionals in common service or functional sectors, to be recruited in batches (at entry), and are not planned for expansion to the entire civil service.

Creation of a Cadre

- The amended Civil Servants Law (Υ·\Λ) provides the legal framework for cadre development. The amendment of the Civil Servants Law also includes provisions to bring the position of Deputy Minister into the civil service, possibly through a Senior Executive Cadre. A Policy on Establishing Civil Service Cadres is currently being developed by IARCSC. Each cadre group will also require a specific regulation.
- IARCSC will oversee the cadre development process but initiation of each group is to be driven by the relevant sponsoring government entity (*home-base*).
- The justification for the creation of a cadre should be approved by the Pay Committee based on a narrative of the requirement for its introduction and a standardized estimate of recurrent costs. The creation and funding of cadres will be required to be included in the annual budget cycle.
- The creation of cadre groups for Customs and Procurement is currently in process. Table Υ provides an *indicative* listing of anticipated cadres and their expected size and grade composition.

Cadre Compensation

- Compensation will include a cadre allowance which will be a multiple of base P&G pay. Within a cadre group, a single multiplier for all grades or grade-specific multipliers can be used as appropriate.
- In addition to the cadre allowance, employees will continue to receive base P&G pay.
- The Technical Committee will recommend cadre multipliers in consultation with the relevant sponsoring government entity (*home-base*) on the basis of the nature of the employment group and labor market and fiscal space considerations.
- The Pay Committee will approve the creation or adjustment of multipliers for submission into the budget process.

Entry to a Cadre

- Entry into the cadre will be based on a verification of qualifications of each member by the IARCSC and should be conditional on biometric registration and entry into the IARCSC HRMIS. In addition to external entrants, current NTAs and civil servants including Super Skill Scale, CBR and TAGHIR civil servants, will be eligible for entry into relevant cadre groups.
- Each government entity (*home-base*) receiving a cadre must phase out all NTA in that professional area within three years of cadre establishment.

Table 7: Indicative List of Cadres

#	o	Grade								u
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Senior Executive		300								
Horticulture		1	3	5	8	38	8			
Procurement		1	17	121	378	394	373			
Extension		1	14	37	57	572	783			
Diplomatic		27	94	170	252	100	99	1		
Health		4	70	412	2077	3394	3728			
Customs		2	21	57	200	970	707			
Husbandry		1	4	49	122	404	182			
Finance (PFM)		17	140	728	1910	3480	3442			
Human Resources		10	94	473	971	1057	1067			
Legal & Legislation and Academic		37	537	1703	7473	712	73			
Engineering (civil)		2	97	173	1184	182	98			
Water Management			4	47	320	90	7			
Mining		1			200					
Total		300								

7. Compensation for Non-Technical Professional Staff – Competency Allowance

Non-technical staff will also be eligible for competency-based pay measures. The largest category of employees under this heading are primary and secondary school teachers.

Creation of a Competency Allowance

- The justification for a competency allowance should be approved by the Pay Committee based on a narrative of the requirement for its introduction and a standardized estimate of recurrent costs. All allowances must be included in the budget process to be funded.

Competency Allowance

- Compensation will include a competency allowance which will be a multiple of base P&G wages.
- In addition to the competency allowance, employees will continue to receive base P&G pay.
- In education, the Technical Committee in consultation with MoE will set four qualification allowance levels based on the competency framework developed by MoE and the labor market.
- This will help to address teacher qualification deficiencies, incorrect usage of overtime to supplement low base pay, and the current practice of grade promotion for teachers that results in high-grade concentration (particularly within Grade 7). Each of these practices is to be discontinued upon introduction of the competency allowance.
- The Pay Committee will approve or adjust multipliers for submission into the budget process.

Eligibility for Payment

- In order to receive a competency allowance, employees must have completed:
 - Biometric enrollment in the IARCSC HRMIS.
 - IARCSC verification of specified competency.

ξ. Non-Professional Staff in Low Wage Positions – Unconditional Supplement

To address the issue of low compensation levels of the civil service in lower grades where limited competency evaluation is possible (Grades ρ through ^), an unconditional livable wage supplement is to be introduced.

Creation of the Unconditional Supplement

- The justification for this supplement should be approved by the Pay Committee based on a narrative of the requirement for its introduction and a standardized estimate of recurrent costs. The supplement must be included in the budget process to be funded.

Compensation

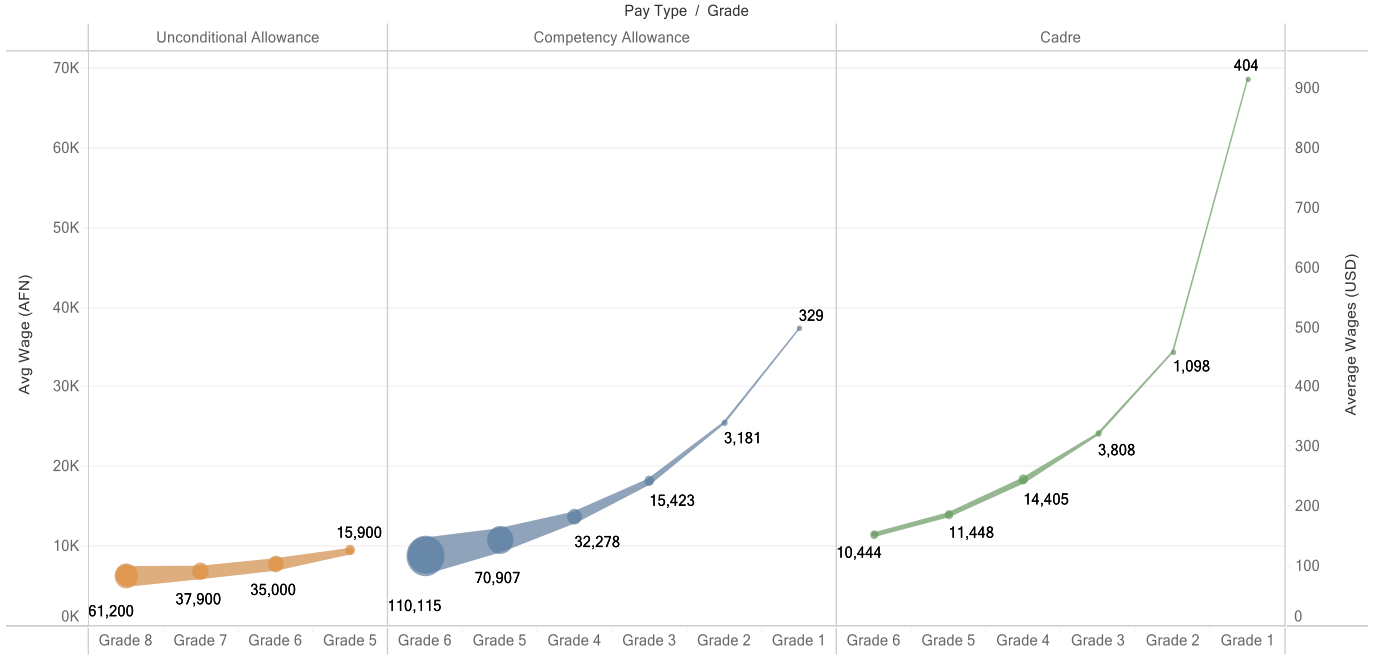
- The P&G scale will remain unchanged. A supplement to base pay will be provided for this purpose.
- This pay supplement will raise minimum pay to AFN 1,000 per month, while maintaining modest stratification of wages by grade and step.
- The minimum pay level and corresponding stratification of lower grade wages can be adjusted over time as approved by the Pay Committee.

Eligibility

- All Grade ρ – ^ employees.

Comparison of *Potential* Total Cadre, Competency, and Unconditional Allowances with Average Wages

Civil Servants by Compensation Types



Implementation Arrangements:

High-Level Pay Committee

- A high-level standing Pay Committee is to be established to periodically review civilian compensation.
- This body will consist of head of agency representation from the Ministry of Finance (MoF), Independent Administrative Reform and Civil Service Commission (IARCSC), and the Ministry of Labor, Social Affairs, Martyrs and Disabled (MoLSAMD). A standing working level Technical Committee, comprised of relevant representatives of these entities, will inform this body with analysis and recommendations.
- The Pay Committee will be responsible for balancing cost savings and compensation increases within the fiscal space available.
- Based on the available fiscal space and informed by consultations across the public sector, the Pay Committee will propose changes in compensation as part of the budget process. This will include rates of pay and adjustments to allowances, including recommendations on NTA and on cadre-specific rates of pay.
- Approved adjustments in pay will be submitted as part of the budget process for Parliamentary approval.
- The Pay Committee would additionally consider the impact of compensation on the gender composition of the civil service.

Working-Level Technical Committee

- A standing working level Technical Committee comprised of relevant representatives of MoF, IARCSC and MoLSAMD will provide analysis and recommendations to inform the Pay Committee. Other ministries will be consulted by the Technical Committee as required. The Technical Committee will maintain a civilian wage bill model that will be used for all fiscal forecasts of new compensation measures such as cadres, competency allowances and unconditional supplements.

Human Resources Management Information System (HRMIS)

- The planned introduction of an HRMIS integrated with payroll, the Afghanistan Financial Management Information System (AFMIS) and e-payments will allow for improved establishment control and payroll management. Line ministries will be able to recommend their required staffing levels, with the Tashkeel providing authorization tracked by the HRMIS. Organizational structures will be linked to the functions of ministries, clearly identifying the level of each position and job responsibilities.
- Establishing an HRMIS will help to end ad hoc arrangements outside of the authorized Tashkeel. It will also inform progress towards gender targets to address staffing imbalances. HRMIS will significantly help to restrict payroll to personnel assigned to specific authorized positions, ensuring changes to rates of pay and the Tashkeel are implemented in practice, enhancing overall monitoring of enforcement of reforms. Ministry-level discretion to determine allowances and overtime will in turn be limited.

Annex A – Analysis of the Civilian Wage Bill

Introduction

Civil service compensation should attract and retain qualified and diverse staff to deliver public services while remaining fiscally sustainable. Good international practice calls for a forward-looking civil service with sufficient capacity and continuity to deliver high quality services. This requires data on the workforce and functional accountability structures. Management should be sufficiently agile and innovative to respond to changing needs and priorities. To achieve this balance, institutional arrangements should regularly assess competitiveness and adequacy for service delivery objectives and forecast future costs as part of a medium-term fiscal framework. Flexibility is required to maintain a competitive, cost-effective civil service over the longer term.¹

However, civil service reform in fragile states is constrained by complex social and political realities. Large groups of employees unqualified to deliver basic services are often an enduring legacy of conflict. For example, employees may occupy positions based on political settlements which are serving to distribute central government revenues rather than deliver efficient services. Reforms in a fragile state carry higher risks of social unrest if these arrangements are disrupted. Central agencies and line ministries may also have limited functional authority to implement reforms or control staffing. In this context, a pragmatic approach is required to chart incremental reforms with sufficient political momentum and incentives to be implemented.²

At the direction of the Presidency, the Ministry of Finance (MoF), the Independent Administration Reform and Civil Services Commission (IARCSC) and the World Bank formed a committee to review the civilian wage bill and produce a series of recommendations. Primary data sources include the Tashkeel (staffing structure), the current civil service headcount, and data on actual civil service expenditures. Data was provided by IARCSC, the Central Statistics Office (CSO), MoF, and the Ministry of Education (MoE).

While significant reforms have been implemented in Afghanistan, core civil service compensation arrangements are inadequate. The demand for skilled labor created by an influx of international assistance over the past fifteen years has resulted in significant labor market distortions. A “parallel civil service” of externally financed national and international advisors has emerged. To attract civil servants to key positions, a variety of arrangements have been used to supplement on-budget salaries. However, these approaches have not been integrated in the civil service compensation framework and the sustainability of this approach is unclear.

Pressure is rising to contain the costs of the civil service. Afghanistan has targeted self-sufficiency as a national priority. Approximately 70 percent of the budget is currently financed externally, and international assistance is expected to decline in coming years. Nominal costs have risen with the recruitment of additional teachers and the implementation of increased nominal salaries. The future pension liabilities of the civil service remain un-costed and remain as an unknown liability.

¹ OECD (2014). “Strategic HRM and compensation.” <http://www.oecd.org/gov/pem/strategic-hrm-and-compensation.htm>

² Blum, Ferreiro-Rodriguez and Srivastava (forthcoming). “Building Public Services in Post Conflict Countries.”

Historical Context

Many features of the modern civil service were defined in the 1970s, when a centralized system of recruitment and job classification was established. Centralized control was reinforced during the Soviet and Taliban periods, and the Civil Service Commission was abolished in favor of direct Presidential control of staffing and pay. A single pay scale was implemented for the civil service and state-owned enterprises. Pay scales were highly compressed – as inflation eroded basic pay, and fixed food allowances became the primary means of compensation. This system was based on a rank-in-person scale in which individuals progressed up ten-level pay scale irrespective of position. Overall rates of pay were low – by 2002, average pay was about \$20 per month, complemented by a WFP food basket valued at about \$16 for each civil servant. The net result of this system was a nearly universal rate of pay for all civil servants with no possibility for lateral entry to higher positions.³

Following the 2001 Bonn Agreement, a Civil Service Commission was established, a new civil service pay scale was agreed, and the legal framework was revised. To move towards a merit-based civil service, the Independent Administrative Reform and Civil Service Commission (IARCSC) was created in 2002 with a mandate to lead these reforms. The initial stages of civil service reforms began in 2003, targeting legal, administrative and pay reforms within the position-based compensation framework at that time.⁴ A Civil Service Reform Program began in 2005, implementing a new system of Pay and Grading (P&G) and to provide additional training to civil servants. Under P&G, pay rates were decompressed and raised significantly. A merit-based system was introduced in which all posts are subject to open competition, including external candidates. Rates of pay increased with the implementation of P&G in 2008, with monthly wages rising from \$200 on the former scale to \$1000 on P&G.

The P&G reform has largely been implemented, but with limited long-run results. By 2018, most ministries had adopted P&G and most civil service positions had been reclassified.⁵ However, P&G wage rates have never been adjusted. As real wages have declined, wages have been gradually recompressed. If this situation persists, it will lead to the same outcome experienced in previous decades – limited pay differences between grades with little incentive to take on more responsibility in higher grades. With a single P&G structure across government, many civil servants have expressed frustration with limited opportunities for career progression. This is particularly evident for technical positions in public financial management, where externally-financed positions are often the only avenue for progression. With little differentiation between categories of public servants, the P&G system may be over-simplistic.

Afghanistan faces significant challenges in managing the civil service workforce. Data on the civil service has gradually improved, including some ministry level staff headcounts and disaggregated AFMIS expenditure data. However, it remains impossible to systematically validate the identity of the civil servants on the payroll and ‘ghost workers’ remain a recurrent public sector management challenge. Without a universal Human Resources Management Information System (HRMIS), it is not possible to

³ Manning, N, Van Gelder, L and Wanjohi, H (2002). “The Civil Service in Afghanistan.”

⁴ The Priority Restructuring and Reform program (PRR) and Public Administration Reform Program (PAR) supported reforms from 2003-08.

⁵ Hogg, R (2013). “Building Government Capacity: Key Issues and Emerging Challenges.” In *Afghanistan in Transition: Looking Beyond 2014*. World Bank. The Ministry of Foreign Affairs, the Administrative Office of the President and the civilian positions in the Ministry of Defense and Ministry of Interior have not been converted to P&G.

accurately validate appointments, measure performance, or project the cost of future pension obligations. Institutional arrangements to monitor and adjust the size and compensation of the civil service remain weak. Overall public sector compensation exceeds that of the private sector. However, civil service pay for high-skill positions in central ministries remains uncompetitive with the private sector and international organizations. P&G salaries are not regularly adjusted, and real salaries have fallen since their introduction in 2008. This situation has resulted in a variety of salary supplement programs discussed in this current policy, including the Capacity Building for Results (CBR) Facility.

Size and Composition of the Civil Service

Control Regime

The structure of the civil service is defined in the Tashkeel (list of authorized positions). The IARCSC approves the detailed Tashkeel, including the organizational structure and list of individual positions by department within each ministry/agency. Based on their responsibilities, ministries and agencies propose a provincial and central Tashkeel within their overall budget ceiling. The IARCSC maintains the approved Tashkeel and monitors ministry compliance. The CSO maintains statistics on the civil service based on ministry level headcounts and the approved tashkeel.

The budget provides a hard constraint for the overall employment ceiling. The national budget controls civil service composition through the aggregate authorized expenditure on wages and salaries by ministry/agency and through an aggregate ceiling on the total number of authorized positions by ministry/agency. However, the detailed structure of each ministry/agency is not presented in the budget. The Budget Committee reviews Tashkeel requests for inclusion in the budget.

In some cases, the hard budget constraint is the main control mechanism for staffing in line ministries. For example, the actual staffing within the Ministry of Education (MoE) does not match its authorized Tashkeel positions, and the ministry uses budgetary space created by unstaffed high-grade positions to fund large numbers of lower level or contracted staff that are not in the Tashkeel. The legal precedent for this operational practice has not yet been interrogated.

Rates of Pay

Following the introduction of P&G, Afghanistan uses an eight-grade structure for the civil service, with five steps in each grade. The system is position-based, with appointment criteria established for each grade. The highest positions are Grade 1 and the lowest are Grade 8. In addition, three levels above these grades are primarily used for political appointees – Above, Beyond, and Out of grade. The lowest Grade 9 and 8 positions are generally unskilled labor called contract workers. While seniority can be used to progress between steps, it cannot be used to progress between grades except in the teaching cadre.

Recruitment is a shared responsibility of the IARCSC and ministries and agencies. All recruitment is competitive. Ministries or agencies are directly responsible for recruitment for positions of Grade 9 or below under the supervision of the IARCSC Appointment Board. Ministries and agencies also recruit

Grade 1 and 2 staff, with observation by the IARCSC Appointment Board.⁷ At this time, responsibility for this recruitment process for Grade 1 and 2 staff is being moved back to the IARCSC with participation of the relevant hiring entity.

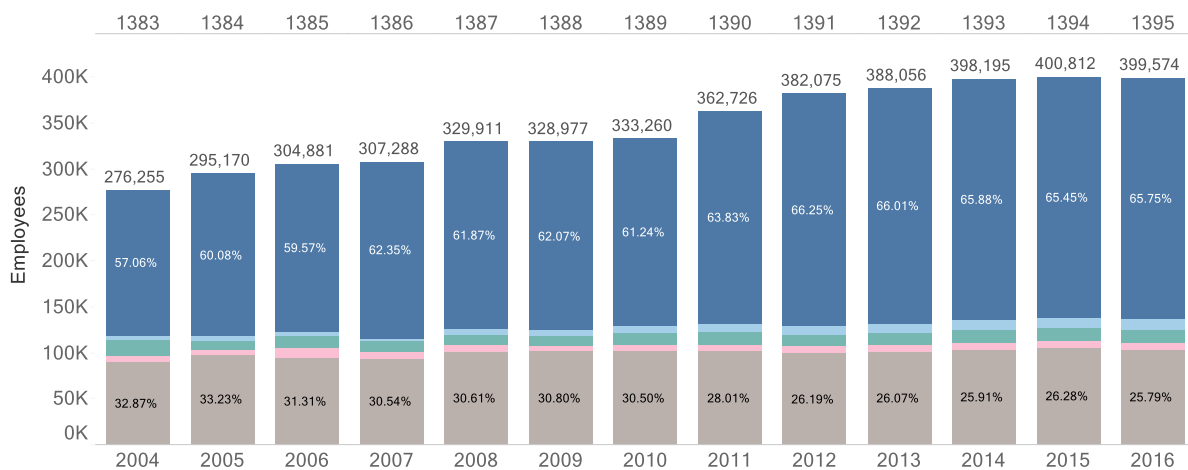
Size of the Civil Service

The civil service in Afghanistan grew from 276,000 in 2008 to approximately 400,000 by 2016 (Figure 1: Civil Service by Ministry, 2008-2016 (Headcount)). The civil service in Afghanistan includes teachers. Based on the headcounts submitted to the CSO, indicate that the Ministry of Education (MoE) was by far the largest employer, accounting for 70.7 percent of civil service employees. The health sector workforce has only shown modest growth, as primary health services have largely expanded through contracts with NGO service providers and MoPH remains a relatively modest employer (3.4 percent of civil service). The next largest employers were the Ministry of Higher Education (MoHE, 3.0 percent) and the Kabul Municipality (2.1 percent). A significant number of temporary staff are recruited and are part of the approved establishment. Although police and soldiers are part of the public sector, they are not included in the definition of the civil service in Afghanistan.

The growth of the civil service is primarily the result of the recruitment of teachers. The MoE accounts for 80 percent of the growth of the civil service over this period. In 2016, the authorized Tashkeel further increased to approximately 417,000 as new teacher positions were opened and additional civilian positions were created at the Ministry of Defense.

⁷ Hashimi, S, Lauth G (2016) "Civil Service Reform in Afghanistan: Roles and Functions of the Civil Service Sector." Afghanistan Research and Evaluation Unit.

Figure 1: Civil Service by Ministry, 2004-2016 (Headcount)



Ministry
 ■ 27 Ministry of Education
 ■ 28 Ministry of Higher Education
 ■ 37 Ministry of Public Health
 ■ 79 Kabul Municipalities
 ■ All Others

Top Ten Ministries by Headcount – 1390 (2017)	
Ministry/Agency	Employees
Ministry of Education	262,702
Ministry of Public Health	13,491
Ministry of Higher Education	12,071
Kabul Municipalities	8,279
Ministry of Haj and Religious Affairs	8,270
Ministry of Finance	7,777
Ministry of Agriculture	7,728
Ministry of Martyrs, Disabled and Social Affairs	7,897
Ministry of Interior	7,208
Supreme Court	7,229
All Others	59,977
Grand Total	399,074

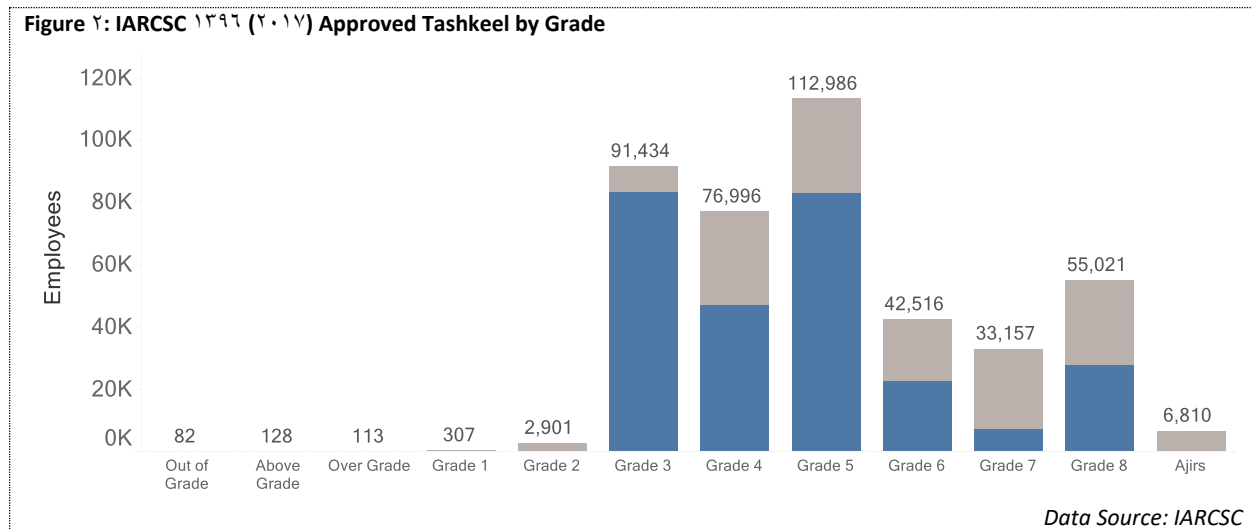
Data Source: CSO

The modest increase in the size of the civil service has supported service delivery. Additional teacher recruitment was essential to address a significant increase in the number of enrolled students. Student enrollment has increased faster than teacher recruitment, and despite the additional recruitment, the pupil-teacher ratio increased from 18 in 2011 to 27 in 2017. The recruitment of teachers and implications for service delivery are further discussed in a forthcoming Teacher Policy Study.

Data on the distribution of civil servants by grade is inconsistent, pointing to an urgent need for a reliable Human Resource Information Management System (HRMIS) across the civil service. Overall staffing numbers by ministry are authorized in the annual budget. The IARCSC maintains the authorized Tashkeel of positions by ministry/agency. By 2017, this list also included a breakdown of positions by grade. Ministries report on the composition of their workforce to the CSO annually. However, comparing

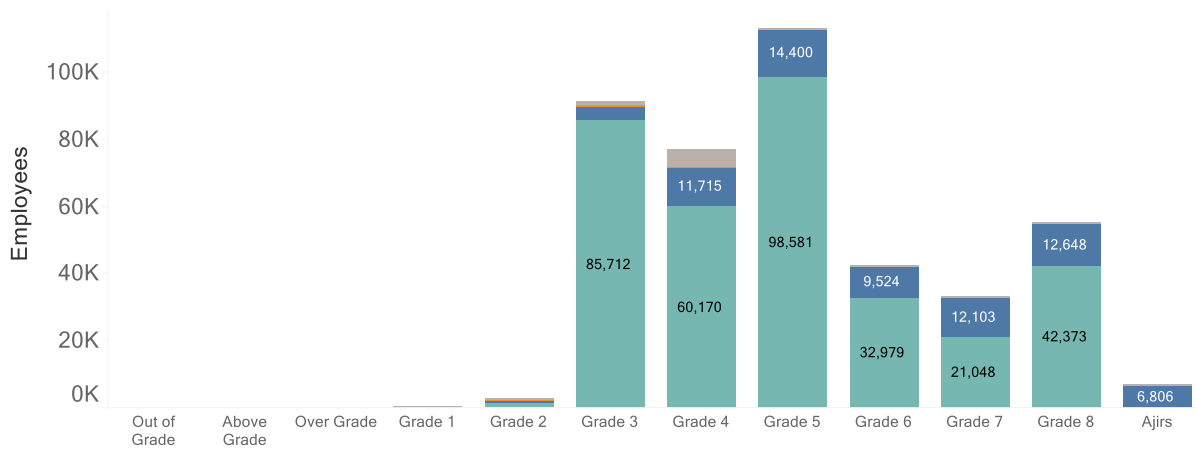
this authorized Tashkeel against payroll data suggests inconsistencies, particularly for the MoE; the largest civilian employer.

The IARCSC authorized Tashkeel suggests a clustering of staff from Grade ۳-۶ (Figure ۲). These mid-level grades account for approximately ۶۸ percent of the total workforce. Senior management (Grade ۷ and above) comprises a relatively small component of the Civil Service. Particularly notable is the large concentration of MoE staff at the Grade ۳ level. As the P&G rates of pay have not been adjusted since their introduction, inflation has eroded the value of salaries. One reported explanation for this distribution is that MoE staff have been allowed progress to higher level grades on the basis of seniority, to a maximum of Grade ۳. The legal framework governing this arrangement is unclear. As a result, there is a clustering of over ۸۳,۰۰۰ MoE staff at this level in the authorized Tashkeel. However, payroll data from the MoE does not support this explanation – this is discussed below.



IARCSC data indicates that the majority of the civil service (۷۶,۵ percent) is located in the provinces (Figure ۳). However, wage and salary expenditure data from ۱۳۹۵ (۲۰۱۶) indicates that only ۵۶,۶ percent of civilian wages and benefits were paid at provincial level. This suggests a disconnect between distribution of personnel and payments, possibly explained by the concentration of higher level positions and the use of special premiums in central ministries. This is discussed further under Civil Service Compensation.

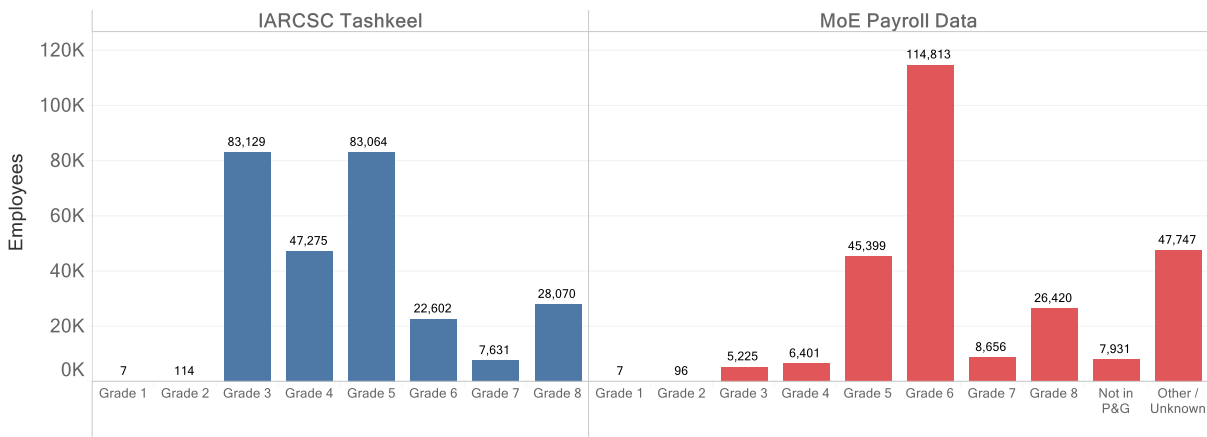
Figure ٣: IARCSC ١٣٩٦ (٢٠١٧) Approved Tashkeel by Location



Data Source: IARCSC

The IARCSC authorized Tashkeel data differs significantly from MoE payroll data (Figure Figure ٤: Distribution of MoE Employees by Grade – Conflicting Data,). MoE payroll data from ٣٤ provinces combined with Tashkeel positions at the central ministry indicates a much different distribution of employees by grade. In MoE data, employees are assigned to lower grades, with a large clustering of personnel at Grade ٦ and Grade ٥. This data may be more reliable than the Tashkeel, as it is based on payroll and is more plausible when compared to AFMIS expenditure data. Nevertheless, the significant differences indicate an urgent need to identify all Tashkeel positions and all employees by grade. This would require a reliable HRMIS with roles for the IARCSC and MoE.

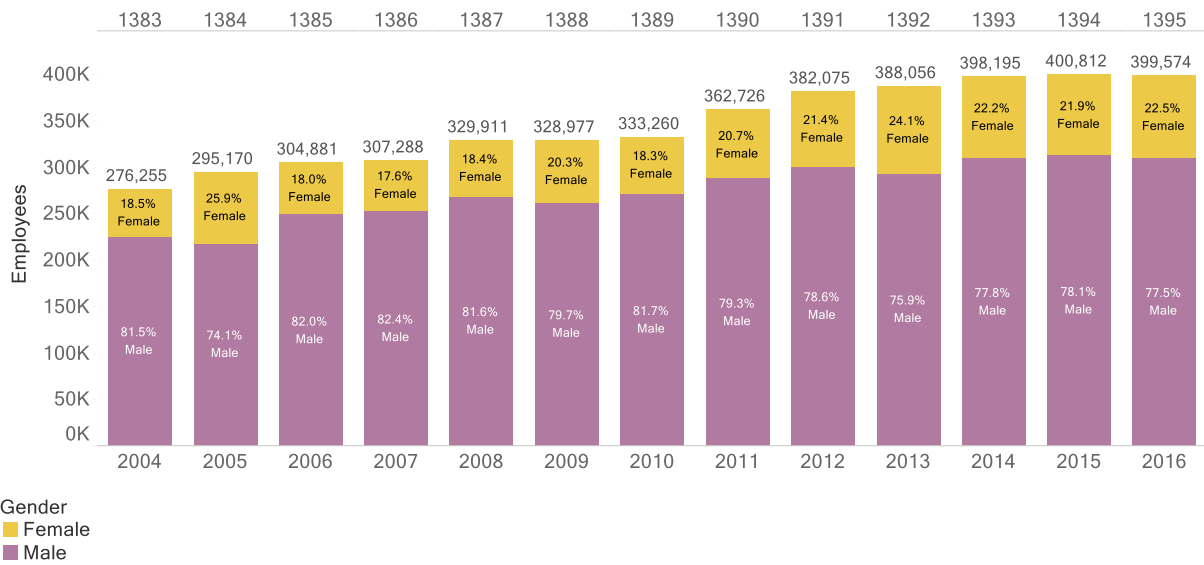
Figure ٤: Distribution of MoE Employees by Grade – Conflicting Data, ١٣٩٦ (٢٠١٧)



Source: Visualization based on IARCSC and MoE data

Data suggests that female participation in the civil service is low, accounting for approximately ٢٢,٥ percent of the civilian workforce (Figure ٥). Available data indicates that female participation has risen slightly over the past decade. However, large year-over-year adjustments in the gender ratio suggest that the quality of data submitted by ministries and agencies may be somewhat unreliable, as the civil service composition does not change significantly on a year-by-year basis.

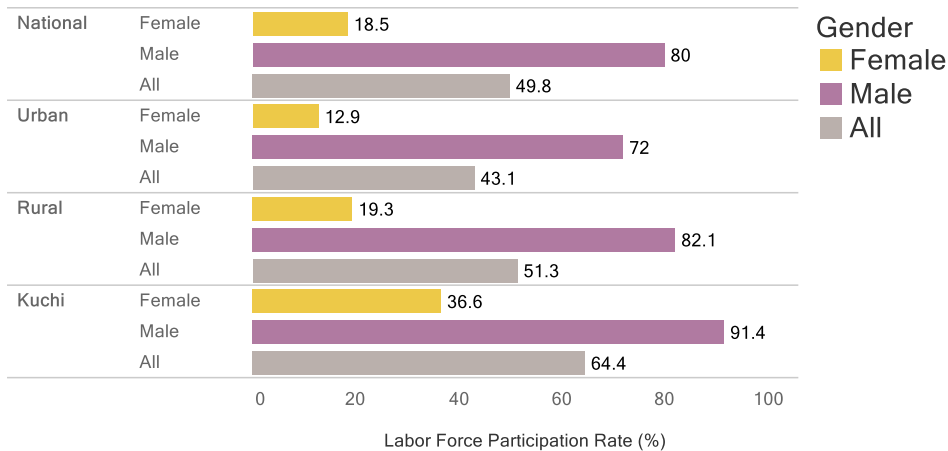
Figure 6: Civil Service Gender



Data Source: CSO

The civil service is a significant source of formal sector employment for females. Data from the latest publicly released Afghanistan Living Conditions Survey (ALCS) of 2013-14 indicates that only 18.0 percent of females participate in the labor force, compared to 80.0 percent of men (Figure 7). Within this small employed population, only 13 percent of female labor is in salaried positions, suggesting that female participation in the civil service is an important anchor for female participation in formal sector salaried employment.

Figure 7: Total Labor Force Participation Rate by Gender



Data Source: ALCS 2013-14

*Kuchi is the name of a nomadic group in Afghanistan

Female participation rates vary significantly by grade and ministry. Gender disaggregated data by grade available for approximately 10,000 positions indicates that female participation in high grade positions is limited. (Figure 8). Participation varies significantly between Ministries (Figure 9). While females comprise the majority of the Ministry of Women's Affairs and the Ministry of Labor, Social Affairs, Martyrs, and Disabled, they are underrepresented in all other ministries.

Figure V: Civil Service Headcount by Gender and Grade (Limited Data), 1390 (2016)

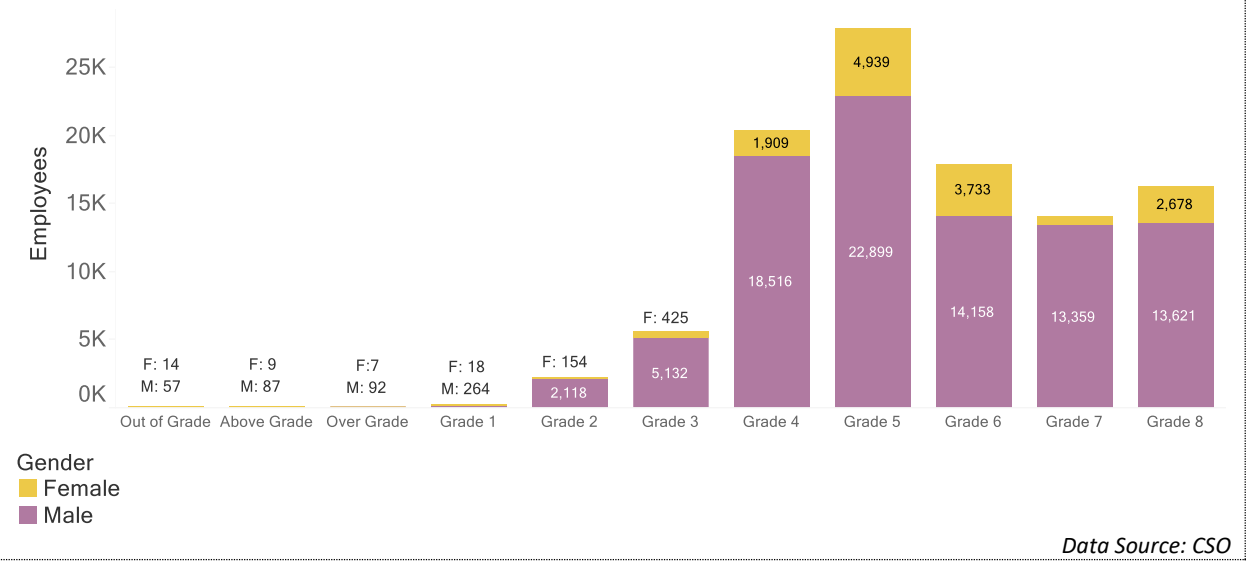
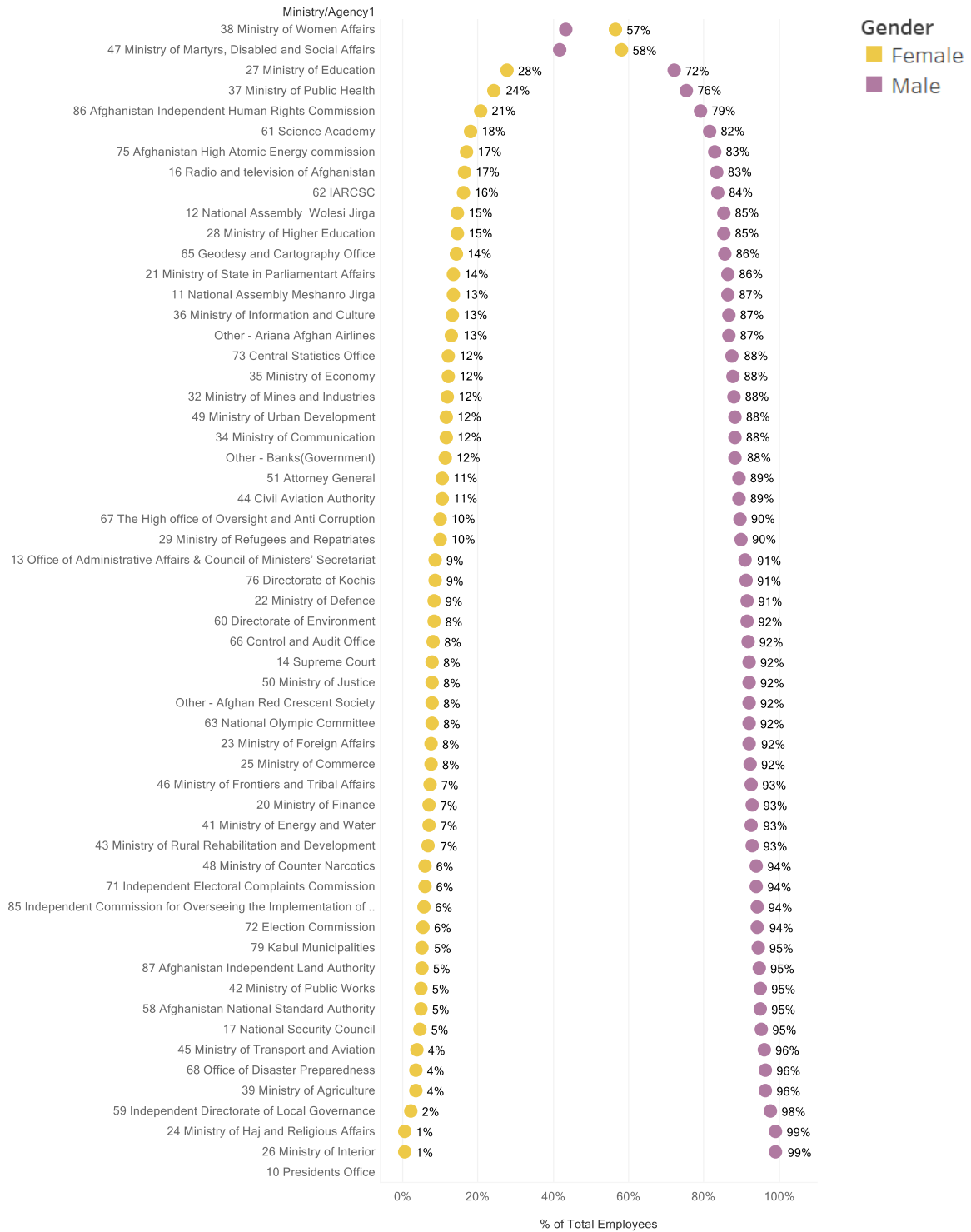


Figure ۸: ۱۳۹۰ (۲۰۱۶) Civil Service Headcount – Gender Breakdown by Ministry

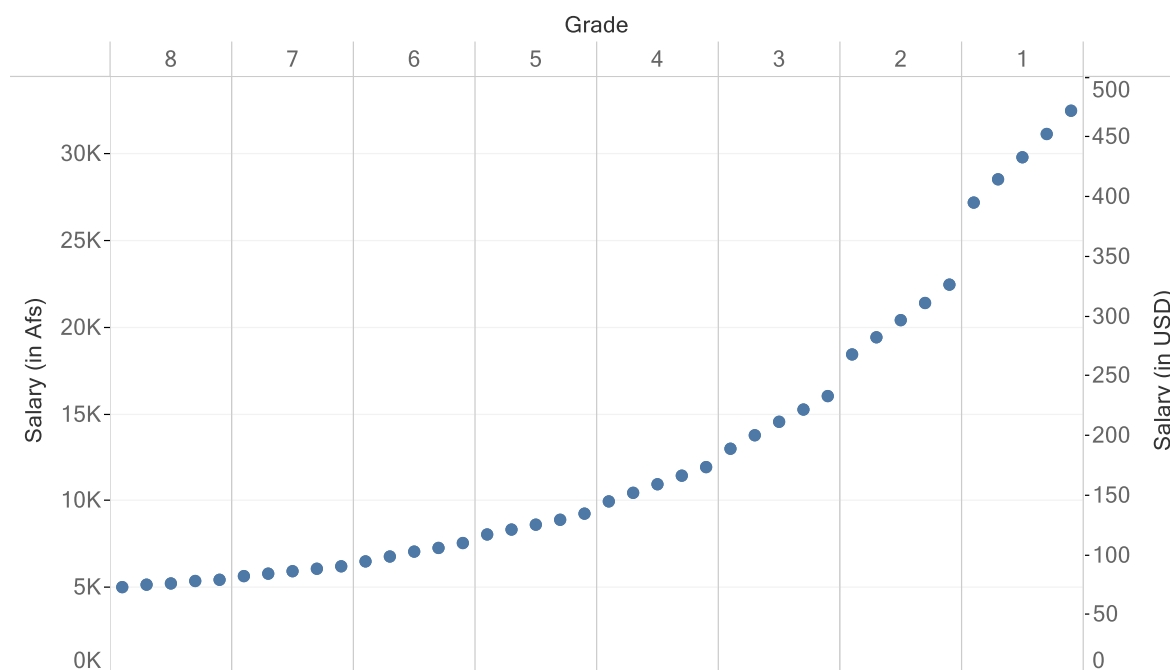


Data Source: CSO

Civil Service Compensation

Base salaries are set along eight grades, each subdivided into five steps (Figure 9). This pay scale was progressively implemented in all line ministries and agencies as part of the 2008 P&G reform. P&G reform required that a job profile be created for each position. Complete data on the total number of positions within line ministries and agencies is not available. However, it is estimated that at least 80 percent of all positions have been converted from the previous ten-grade pay scale. Monthly rates of pay on this scale begin at AFN 5,000 (\$53) at Grade 8 and progress up to AFN 32,000 (\$378) for the most senior Grade 1 positions. Salaries above the pay scale are not defined in the P&G grading.

Figure 9: Civil Service Monthly Rates of Pay



Data Source: Calculations based on P&G Pay Scale

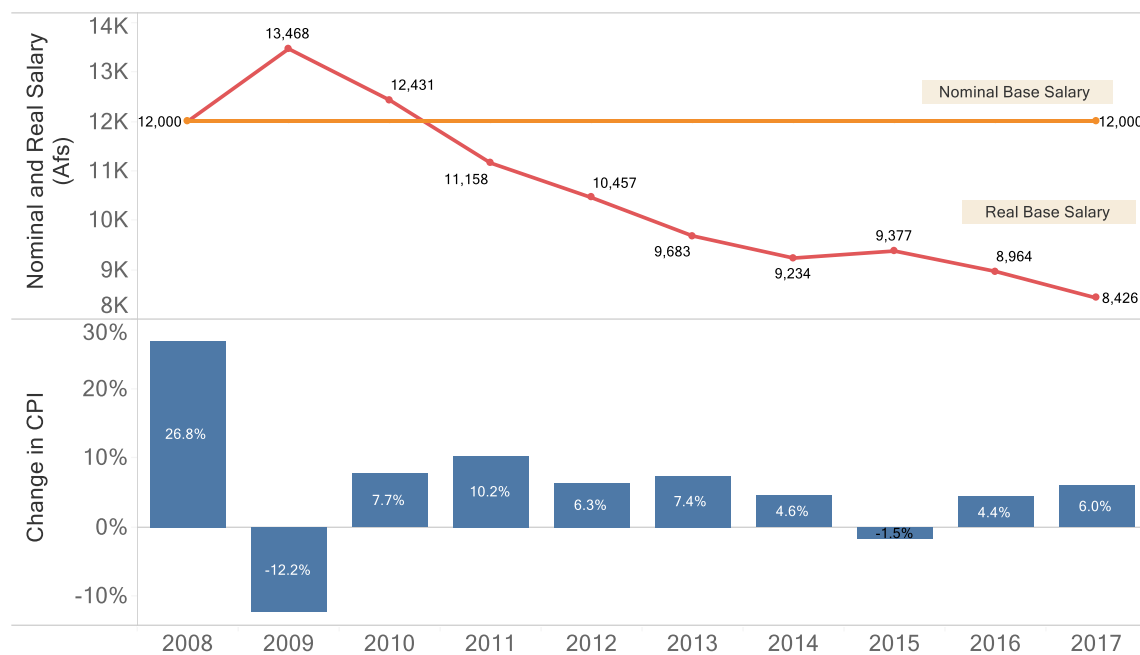
In addition to base salary, allowances are an important component of civil service compensation.

Under previous pay regimes, allowances were the principle means of civil service compensation after inflation eroded the value of base pay, which was not regularly adjusted. Under P&G salaries, food allowances can be provided in cash or in kind. In-cash allowances are paid monthly with salary payments, while in-kind compensation can be provided through meal services within the ministries. As in the past, allowances continue to be used to address the declining purchasing power of the civil service although no systematic guidance on their application is available. As in the previous pay regimes, a transport allowance continues to be provided for most civil servants in Kabul, offsetting higher costs of living in this city. A table of the most significant allowances is provided in the section that follows.

The P&G salary scale has not been adjusted since its creation in 2008 and base salaries are declining in real terms (Figure 10). There are currently no systematic increases in base salaries, and there is no central entity responsible and empowered to regularly review salaries and fiscal constraints to propose changes. There are currently no labor unions among the civil service and no negotiation or bargaining processes. Base salaries have been eroded by inflation as a result. For example, a nominal salary of AFN 12,000 in 2008 would have an equivalent real value of only AFN 8,276 in 2017 when year-over-year CPI

is used to adjust purchasing power. International good practice does not recommend indexing pay scales to CPI inflation, as this can result in wage levels inconsistent with available fiscal space. However, regular review and adjustment of wage levels within the fiscal context is essential to maintaining a workable system of compensation.

Figure 10: Nominal vs Real Base Salary – Example of a base salary of AFN 12,000



Data Source: Staff Calculations

To supplement base pay, a range of remuneration mechanisms are used for special categories of civil service staff. Salary supplements have been used to attract and retain personnel in key positions. These supplements are provided on a range of criteria, including political selection, negotiation, cadre-specific allowances, and competitive selection. Table 10 presents a list of the mechanisms currently in use to supplement the pay of civil servants. Data on expenditure captured in AFMIS is presented in the next section.

Table 10: Range of Civil Servants Remuneration Mechanisms

Base Pay Scale – P&G Rates

Rate: \$03-£77 per month at 2.11 exchange rates.

Description: Most civil service positions have gone through P&G reform.

Salary Allowances and Top-ups

Rate: Variable. Food allowance of approximately AFN 77 per month (\$9,70). Transportation allowance of approximately AFN 177 per month in Kabul (\$20,00).

Description: Ministry and donor specific supplementary payments. This includes various allowances for food, per diems, transport, hardship, and leave. Transportation allowance provides for civil servants in Kabul.

Cadre Allowance

Rate: Variable according to scales.

Description: Job-specific allowances for attorneys, judges, engineers, and teachers employed by the MoHE, MoPH, and Supreme Court. The modality for these allowances remains a subject of review for new legislation.

Super Skill Scale

Rate: \$300-1,000 per month

Description: To remunerate the top cadres of civil servants. Primarily for selected Grade 1-£ staff. Large ministries have 300-

ξ • Super Skill Scale civil servants on average, however the total number is not currently known.

Presidential Budget

Rate: Variable, up to \$7,000 per month

Description: Supplementary payment to individuals through presidential order. Salary levels are largely assigned through negotiations between the IDLG, IARCSC, and Office of the President.

Capacity Building for Results (CBR) Facility

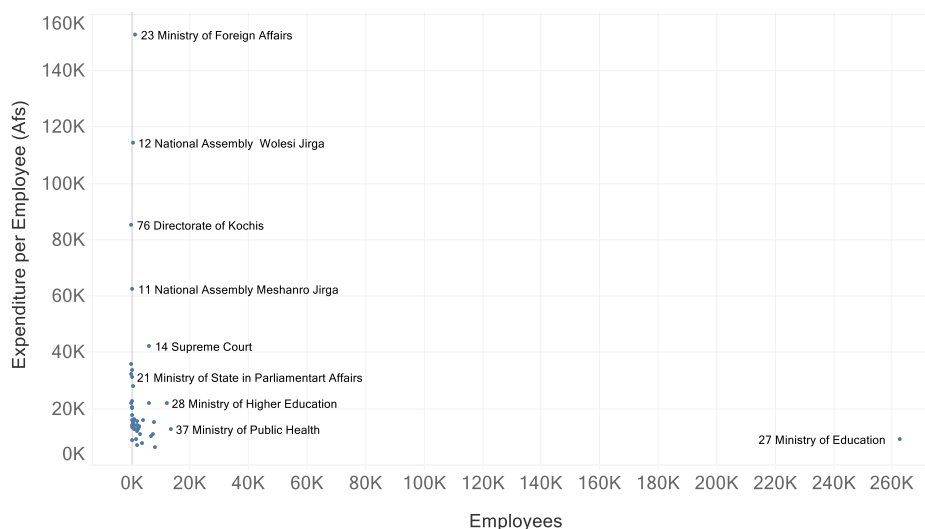
Rate: Follows the NTA scale

Description: Merit-based recruitment for civil service positions in Grade 1 and 2 positions for 2-3 years. Currently used for 100 positions.

Source: Adapted from *Afghanistan in Transition: Looking Beyond 2014*, Appendix C

As a result of these allowances and arrangements, the compensation-related expenditure per employee varies significantly between ministries (Figure 11: Monthly Compensation Expenditure Per Employee by Ministry, 1390). For example, compensation at the Ministry of Foreign Affairs is an average of AFN 102,697, largely due to allowances for overseas employees. Political bodies such as the National Assembly also have high average rates of pay. The Supreme Court, which employs all judges, has higher compensation due to cadre allowances, as does the Ministry of Higher Education. The Ministry of Education provides special allowances based on the educational qualifications of staff. The Ministry of Education has the most employees, but a lower average compensation of AFN 9,212 per month.

Figure 11: Monthly Compensation Expenditure Per Employee by Ministry, 1390 (2016)

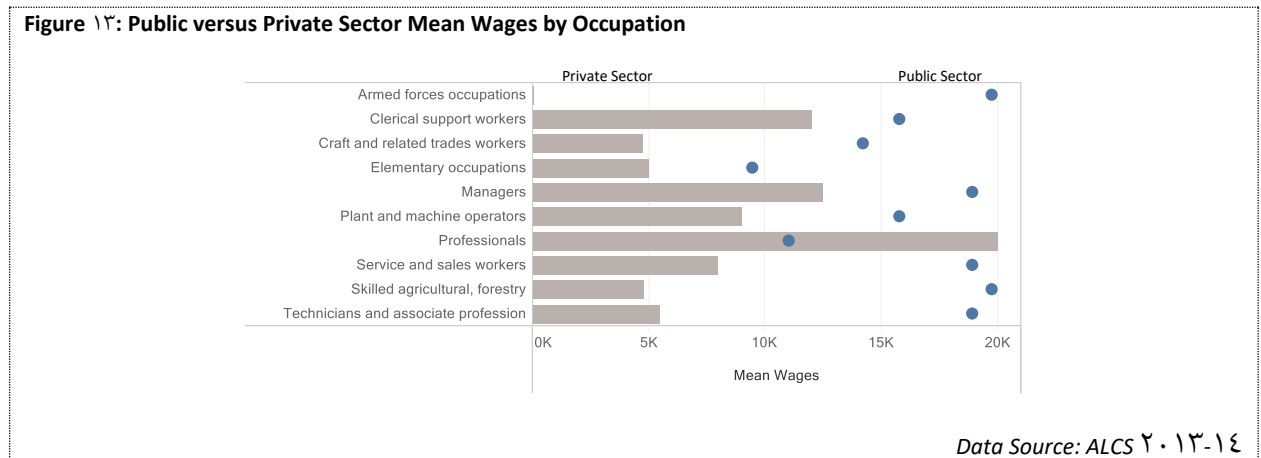
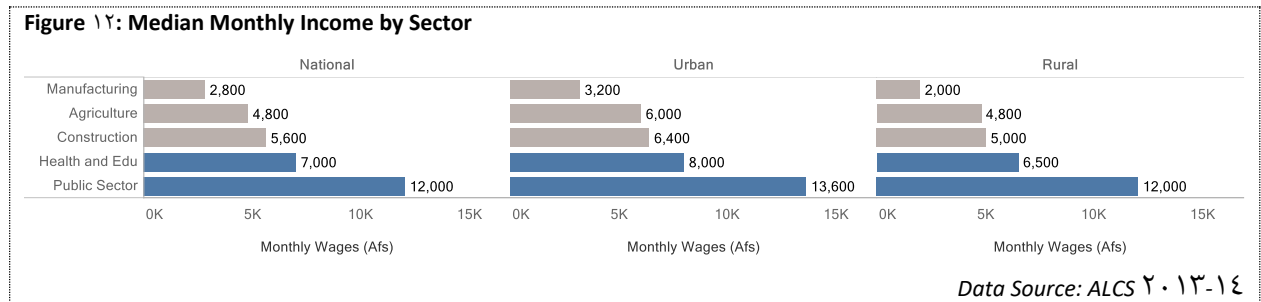


Data Source: Staff calculations based on AFMIS and CSO data

In addition to current salaries and allowances, civil servants also accumulate future pension entitlements. The pension benefits for most civil servants are outlined in regulations pursuant to the Civil Servant Law. These regulations require a 16 percent pension contribution, consisting of an 8 percent employee contribution deducted at source and an additional 8 percent employer contribution. The minimum retirement age is 55 and minimum length of service is 25 years, with exceptions for disability. Below these minimums, pensions are reduced. Normal retirement age is 60 or at 40 years of service. Hazardous jobs benefit from reduced requirements. Service under 10 years results in a lump sum payment based on years of employment. Beyond 10 years of service, final wages are multiplied by

۲ percent up to a maximum pension of ۸۰ percent of final wages. Survivor benefits are ۳-۵ years of final wages for death-in-service or ۳ years of final wages for death in retirement.^۷

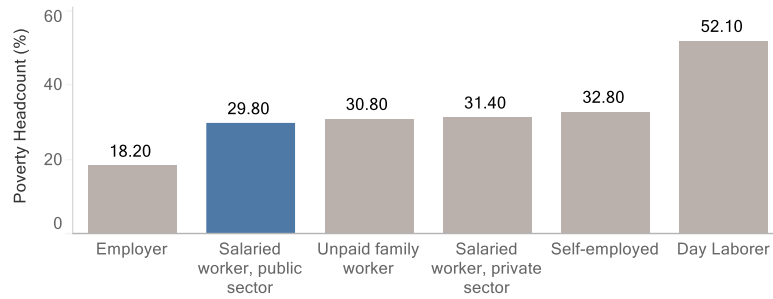
Median civil service salaries are significantly higher than the private sector, measured by household survey data. The Afghanistan Living Conditions Survey (ALCS) provides an indication of the monthly wages of those working in manufacturing, agriculture, construction, health and education, and the public sector (Figure ۱۲ and Figure ۱۳). These categories do not directly correspond to civil service employment. For example, respondents in the health and education sector could be employed by NGOs and not directly by line ministries. Nevertheless, this data provides a comparative reference point of median private sector wages.



Although median public sector pay is higher than some sectors, poverty remains a significant feature of civil servant households. Of those surveyed in the ۲۰۱۱-۱۲ ALCS, ۲۹,۸ percent of household members in households headed by a salaried public sector worker fell below the poverty line (Figure ۱۴). The large national average household size (۷,۴ people in ۲۰۱۱-۱۲) is a significant factor in considering the adequacy of public sector wages. While households headed by a public servant had a lower poverty rate than the private sector and informal sector, the absolute levels of poverty are significant.

^۷ Pension Regulation for Public Service Employees, MoLSAMD

Figure ١٤: Poverty Headcount by Labor Market Characteristic of Head of Household



Data Source: ALCS ٢٠١١-١٢

Low rates of base pay have limited the applicant pool for key civil service positions. The relationship between pay and performance is unclear in the literature and unstudied in the context of Afghanistan. However, evidence from ministry selection processes clearly shows that P&G pay alone is insufficient to attract qualified candidates to key positions. As a result, the government has turned to external financing to pay special top-ups for certain civil service positions. This is discussed in more detail in the next section.

Technical Assistance Compensation

While the civil service has grown, and its capacity has increased over the past ١٥ years, the pool of highly qualified and educated core civil servants remains limited. Development budget execution rates are low for key service delivery ministries, reflecting low capacity in budgeting, procurement, and management. The average level of education in the civil service remains low, limiting effectiveness. For example, in the Ministry of Agriculture, Irrigation and Livestock (MAIL), ٤٢ percent of staff hold only a primary education. MAIL is not an exception; low levels of education and capacity affect all ministries.

Donor-funded technical assistance has addressed short-term capacity gaps but has also competed with the public sector for staff. In the context of weak civil service capacity, many donor-funded programs have hired non-civil service staff (often referred to as a “parallel civil service”) to support urgent development objectives. Approximately ٢٠,١٤١ National Technical Assistance (NTA) contracted staff and advisors are employed by Government through on-budget donor financing and from own development budget (Table ٢). An additional ٨,٠٠٠ advisors are estimated to be employed off-budget.[^]

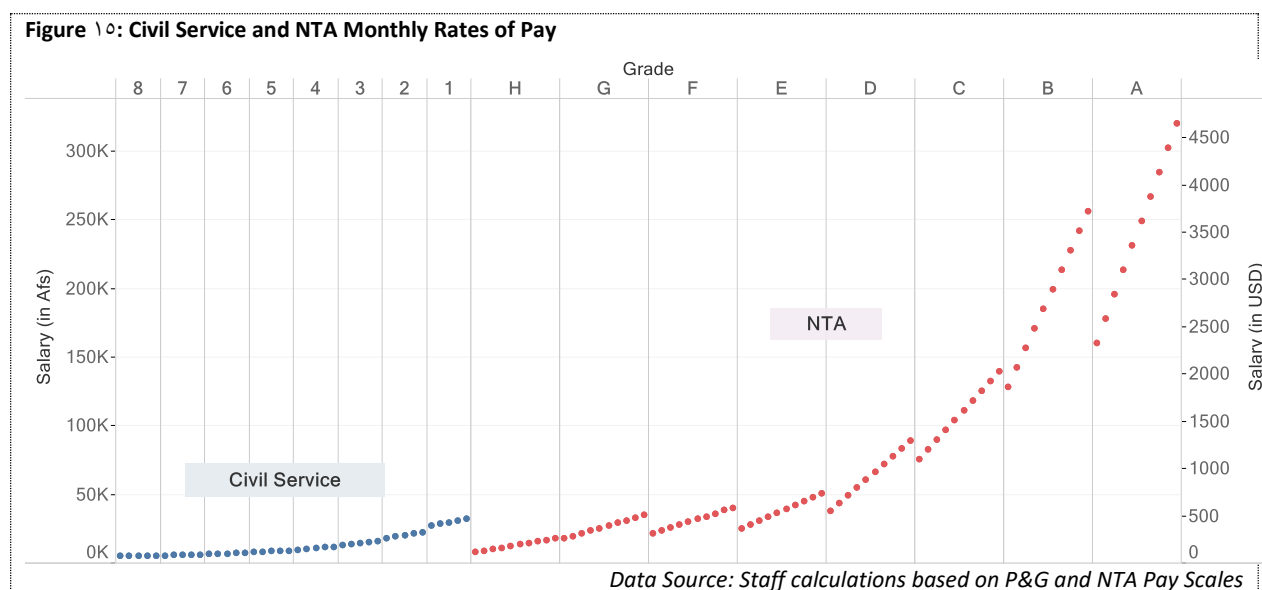
Table ٢: Size and Distribution of the Afghan “Parallel	
Ministry/Agency	NTA Staff
Ministry of Public Health	٤,٨٦٥
Ministry of Education	٢,٩٩٠
Ministry of Rural Rehabilitation and Development	٢,٨٢٨
Ministry of Urban Development	١,٩٨٥
Ministry of Agriculture, Irrigation and Livestock	١,٣٨٤
Ministry of Energy and Water	٩٦٥
Ministry of Public Works	٧٦٠

[^] There has been no systematic tracking of such data due also to the difficulty to monitor off budget NTA.

Ministry of Labor, Social Affairs, Martyrs & Disabled	٦٨٥
Ministry of Finance	٤٧٠
Independent Administrative Reform and Civil Service Commission	١٣٥
Afghanistan Independent Land Authority	١٢٢
Administrative Office of the President (including National Procurement Authority)	١١٣
Ministry of Commerce and Industry	٦٢
Others	٢,٧٦٧
TOTAL	

Source: MoF ٢٠١٨ Budget Statement.

A harmonized NTA pay scale was introduced in ٢٠١٦ as part of the CBR program to reduce wage inflation. Based on a Presidential Decree, MoF directed that all technical assistance would be paid at standardized rates, including all externally funded staff funded by international donors. The objective of this initiative was to harmonize pay rates, enhance government control over remuneration levels, and reduce unhelpful competition between donors. Furthermore, CBR salary top-ups to competitively selected officials would also follow the NTA pay scale. The NTA pay scale has eight categories (A to H), mirroring the eight civil service P&G pay grades. However, the NTA scale significantly exceeds the civil service base pay, as illustrated in Figure ١٥.



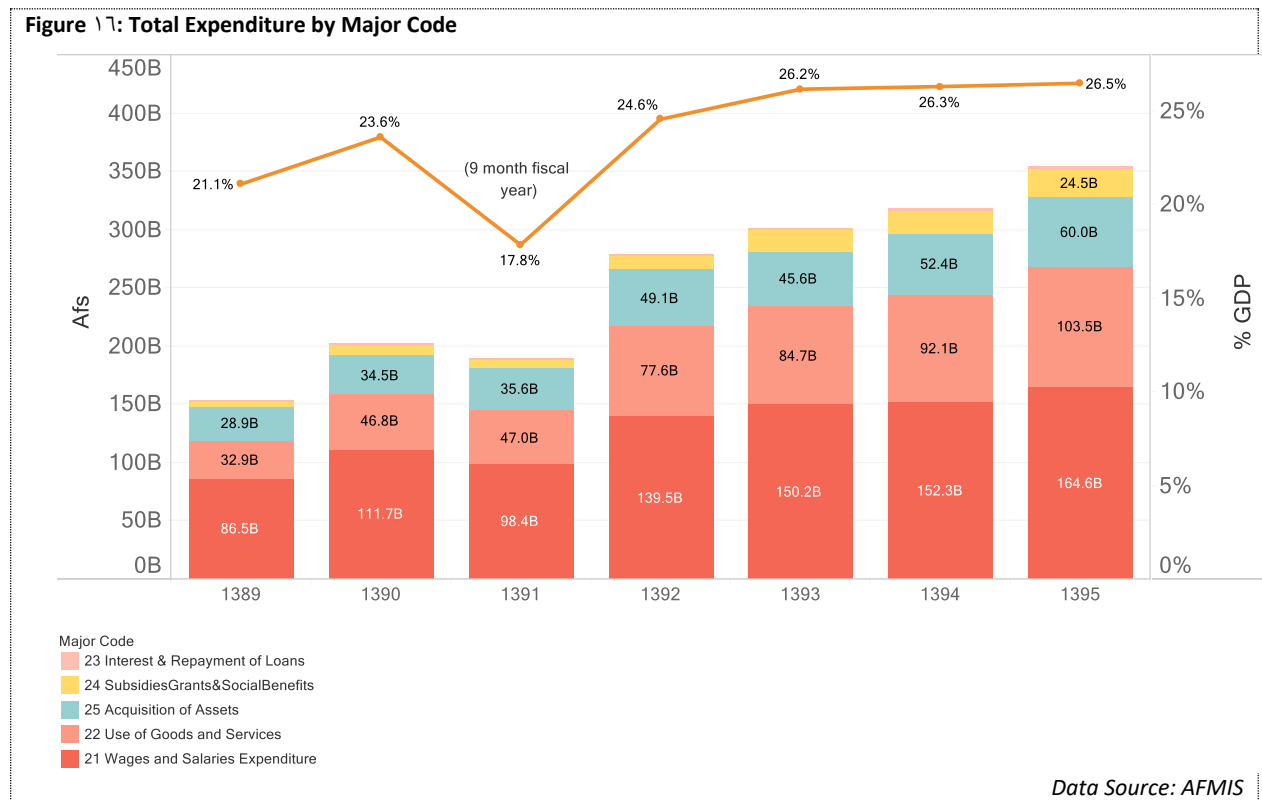
Implementation of the NTA pay scales has proceeded gradually, however, many technical assistance staff have not yet been converted to the scale. As of ٢٠١٨, ٢٠,١٤١ NTA staff are estimated to be paid on the scale. Each NTA pay category has defined skills and competence levels, minimum educational and experience requirements, and example job titles.^٩ NTA pay scales are also set in Afghani and are not indexed to inflation or any other automatic increases.

^٩ “National Technical Assistance Salary Scale and Implementation Guideline,” Ministry of Finance, ٢٠١٤.

NTA Staff are contracted directly by donors or hired by Government via a project implementation unit, either on or off the national budget. While the NTAs have narrowed critical capacity gaps, they have also generated additional challenges related to capacity development since capacity remains outside of the core civil service. Salaries are between 7-11 times higher than comparable grades in the core civil service. Consequently, NTA wage expenditures absorb a disproportionate share of the Government’s development budget.

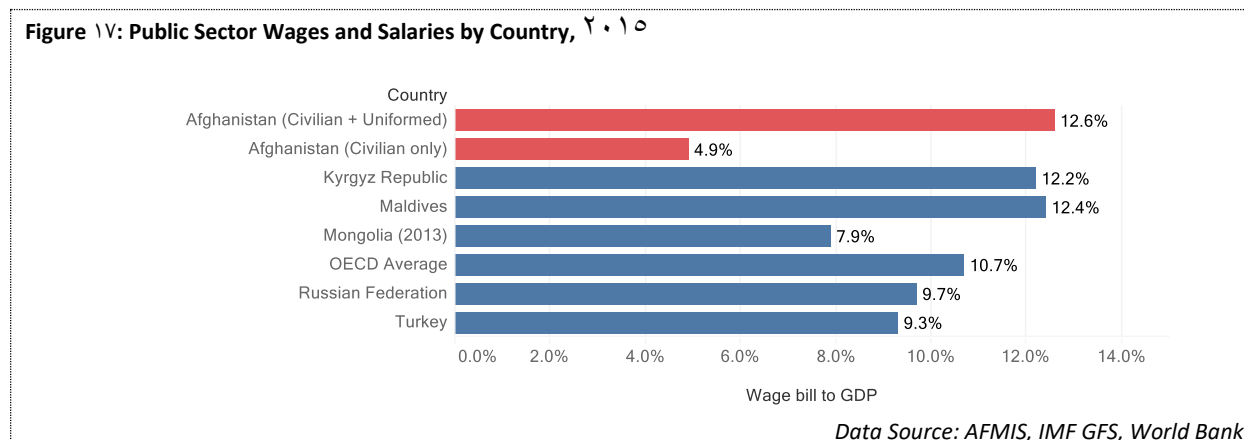
Current Fiscal Costs

Total government expenditure as a share of GDP is relatively stable. Total expenditure is 26.5 percent of GDP. Wages and salaries comprised 46.8 percent of total expenditure in Afghanistan in 2016, or 12.3 percent of GDP (Figure 16). Total expenditure on wages and salaries includes all ministries and programs, including the civilian and uniformed workforce. Changes to the definition of the fiscal year in 2012 (1391) resulted in a nine-month fiscal year that is not directly comparable to other years in all of the charts that follow. All expenditure data is taken from the Afghanistan Financial Management Information System (AFMIS).



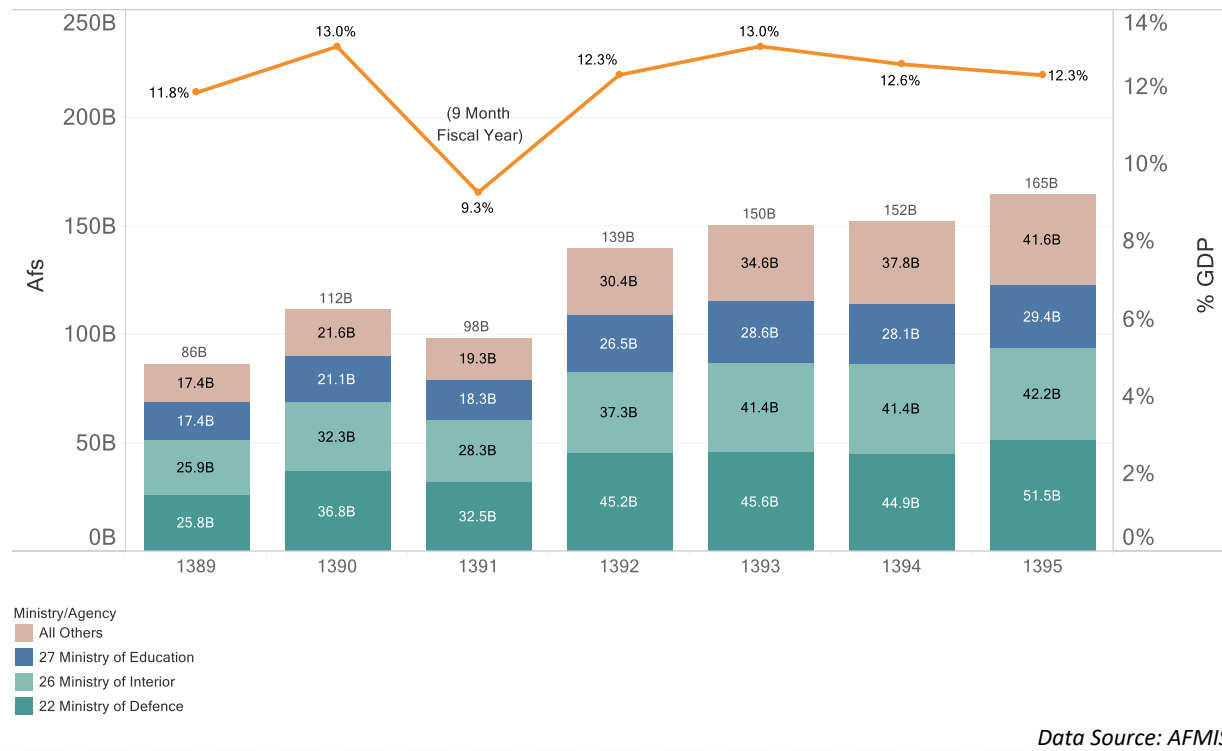
Expenditure on wages and expenditure in Afghanistan is comparable to other countries as a percentage of GDP (Figure 17). Cross country expenditure on salary and wage expenditure has significant limitations. For example, some countries measure central government expenditure while others capture general government expenditure, including subnational levels. Additionally, the use of cash or accruals accounting can create significant differences in data, as some countries measure the cost of future pension liabilities, for example. The standard measurement of *public sector* wages generally includes both civilian and uniformed personnel, while *civil service* generally refers to non-uniformed civilian workers.

There is no prescriptive inter The functions, size, geography, r e c t , administration, and policies of Government differ across countries, which make meaningful comparisons difficult without controlling for these factors. For example, the use of extensive non-government organizations to deliver basic healthcare services in Afghanistan reduces expenditure on government salaries and wages compared with countries that directly deliver these services.



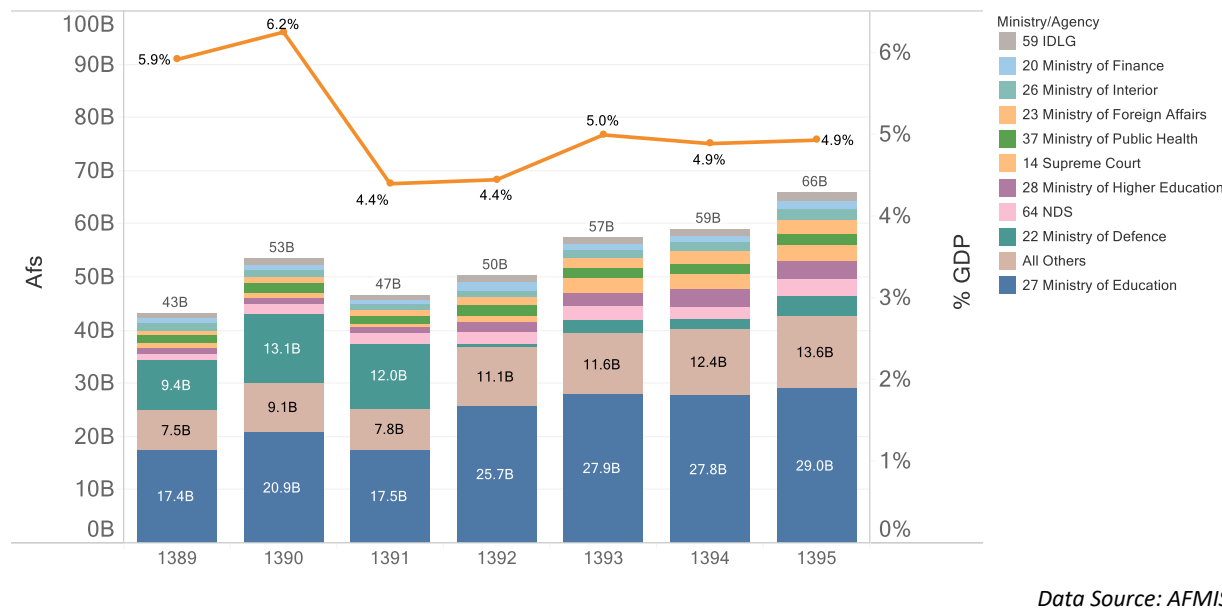
Three ministries account for the majority of expenditure on wages and salaries, which have remained stable as a percentage of GDP (Figure 18). The Ministry of Defense (AFN 51,5 billion, 3,8 percent of GDP), the Ministry of Interior (AFN 42,2 billion, 3,2 percent of GDP) and the MoE (AFN 29,4 billion, 2,2 percent of GDP) employed the largest workforces in 2016. The uniformed sector accounts for a majority of wage expenditure, although it is not the focus of this report. While nominal expenditure on wages and salaries has risen in recent years with the introduction of P&G reforms and other salary increases and allowances in the uniformed workforce, expenditure as a percentage at GDP has remained relatively stable between 11 and 12 percent of GDP.

Figure ۱۸: All Wages and Salaries by Ministry/Agency



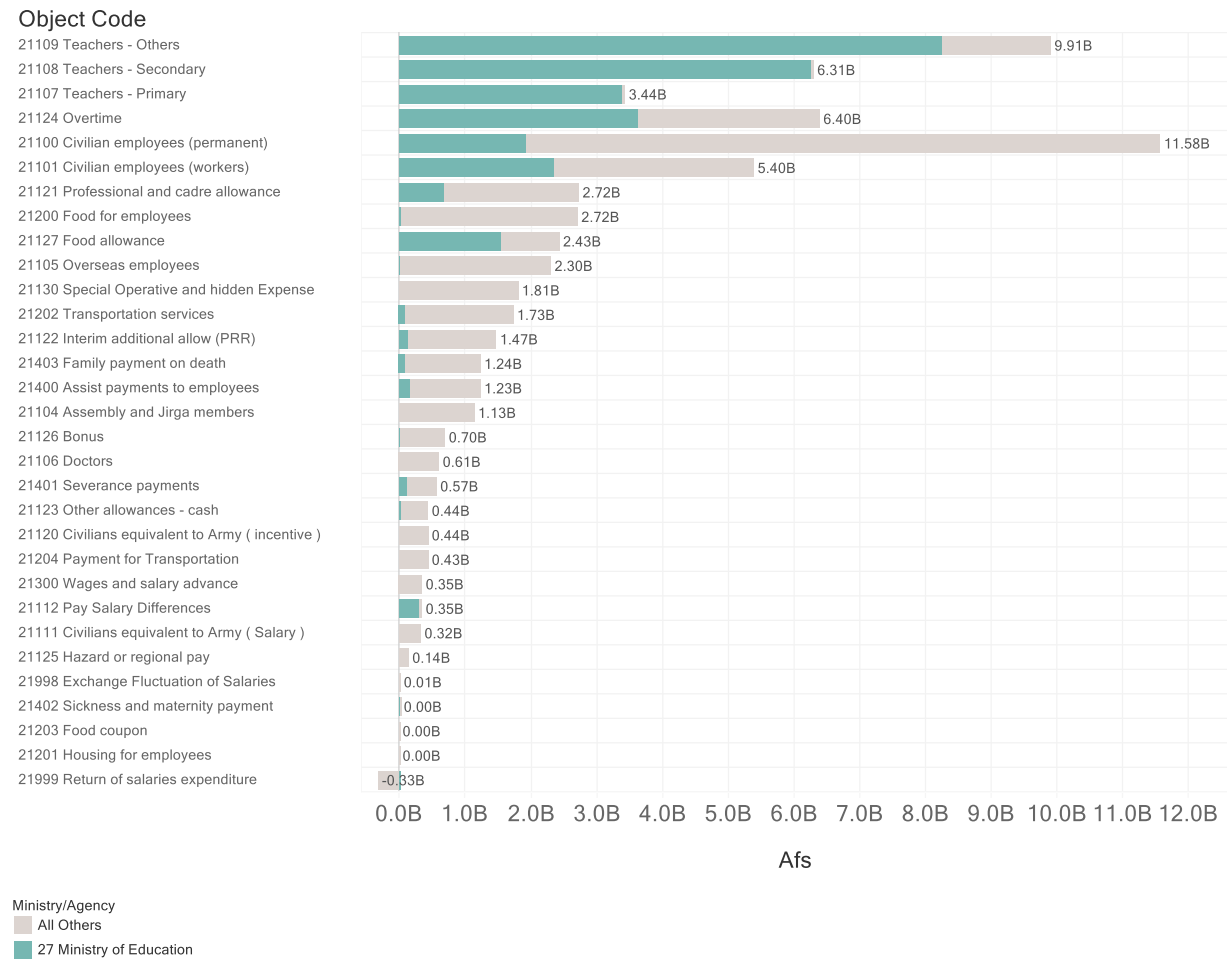
Expenditure on the civilian workforce was approximately ۴,۹ percent of GDP, or ۶۶ billion in ۲۰۱۶ (Figure Figure ۱۹: Civilian Wages and Salaries by Ministry/Agency). The MoE was by far the largest employer by expenditure, followed by civilian expenditures at the Ministry of Defense, and the NDS. With more generously paid workforces, the Ministry of Higher Education and Supreme Court were the next largest employers by expenditure.

Figure ۱۹: Civilian Wages and Salaries by Ministry/Agency



Expenditure on salaries and wages is divided between basic salaries and allowances (Figure 20). Aggregate expenditure on civilian salaries and allowances in 2016 was approximately AFN 60,84 billion. Allowances and overtime were approximately 36,3 percent of the total, and other compensation was approximately 63,7 percent of the total. This ratio illustrates the importance of compensation arrangements outside of the P&G pay scales to the total compensation of employees. AFMIS data is reflective of the long list of special compensation arrangements that have been agreed outside of P&G salary scales. For example, overtime is used extensively in the MoE (AFN 3,6 billion or approximately \$03 million), as indicated in Figure 20.

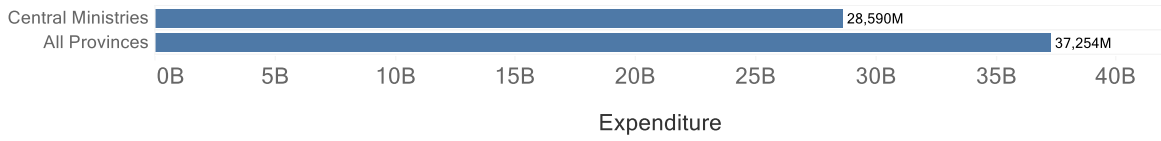
Figure 20: Civilian Wages and Salaries - Expenditure by Object Code, 1390 (2016)



Data Source: AFMIS

Although 76,0 percent of the workforce is in the provinces, only 06,6 percent of wage and salary expenditure is in the provinces (Figure 22). The concentration of expenditure in Kabul's central ministries is explained by the higher-grade positions located in the capital and by the use of extensive cadre, education, and other special allowances paid to the relatively more qualified workforce at the central level.

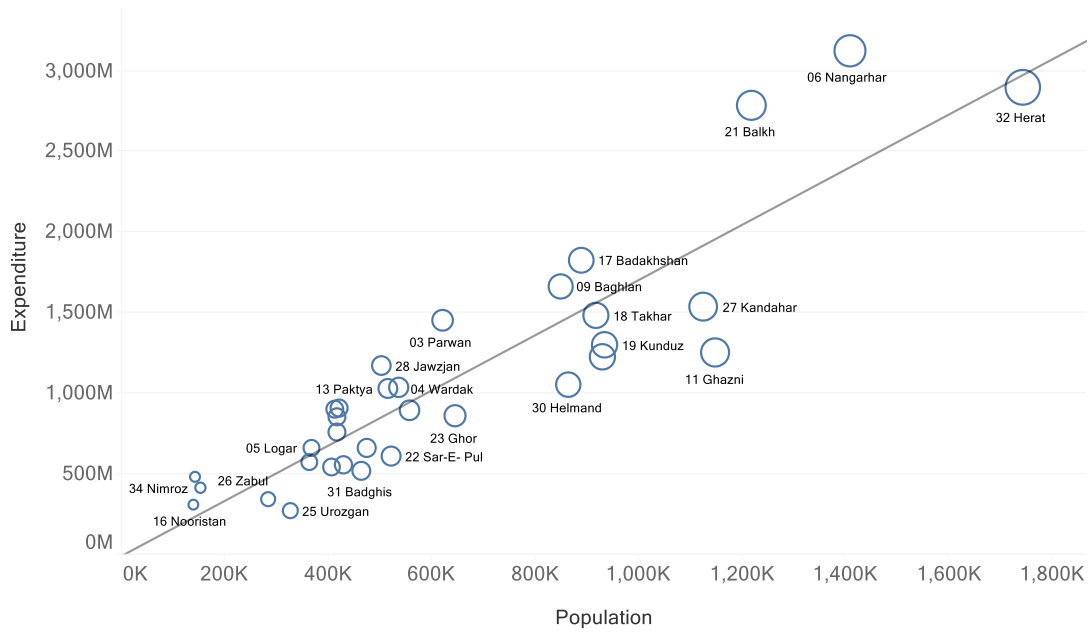
Figure ٢١: Civilian Wages and Salaries - Expenditure by Location, ١٣٩٥ (٢٠١٦)



Data Source: AFMIS

Within the AFN ٣٧,٣ billion spent in provinces, expenditure is strongly correlated to population (Error! Reference source not found.). While there are some exceptions, expenditure data suggests that the civil service is allocated in a manner proportional to the population.

Figure ٢٢: Provincial Expenditure on Wages and Salaries by Population (ex. Kabul)



Bubble size indicates population
 Data Source: AFMIS, World Bank Provincial Briefs
 ٢٠١٦/١٣٩٥ Expenditure
 ٢٠١١/١٣٩٠ Population

Conclusion - Summary of Key Issues:

- Civil service compensation should be sufficient to attract and retain qualified staff while remaining fiscally sustainable in the context of diminishing external financing.
- Nominal base pay has not increased since the introduction of P&G scales in 2008. Real wages have fallen with inflation. At the upper end of the scale, wages are not competitive for technical positions. At the lower end of the pay scale, many households headed by a civil servant live in poverty.
- The civil service has grown from approximately 200,000 personnel in 2002 to 400,439 in 2017. This large headcount limits the affordability of a universal pay increase through an amendment to the P&G scale. Within this total headcount, it is difficult to distinguish between qualified and unqualified staff.
- A variety of allowances have been introduced to supplement base pay for certain positions. However, the application of these allowances is uneven across ministries, management is ad hoc, and little systematic data is available on the efficacy of this approach.
- Thousands of externally-financed positions now use parallel pay structures, which serve as an upper bound on most pay arrangements. These pay structures are perceived as a continued requirement to staff key technical positions in the absence of other alternatives. However, the associated wages are unsustainable without donor financing.
- If no changes are made, real wages will continue to fall for most civil servants.