



QUARTERLY PROJECT REPORT [1st Quarter, 1386]

**United Nations Development Programme
Afghanistan
Law and Order Trust Fund for Afghanistan (Phase IV)
[01-04-2006 – 31-03-2007]**



Colonel Jan Mohammad, Commander of guard, PPD Kabul prepares his guard for security tasks. 3 April 2007, Provincial Police Department Kabul

Project ID:	00052084
Duration:	2 years
Component (MYFF):	2.7 Public Administration Reform and Anti -Corruption
Total Budget:	USD 189,832,834 (1386 FY)
Unfunded:	USD 30,560,931
Implementing Partners/Responsible parties:	Ministry of Interior

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I. PROJECT IMPLEMENTATION CHALLENGES

1. UPDATED PROJECT RISKS AND ACTIONS

1.1 Potential Funding Shortage

At this stage, the Government of Afghanistan does not have the ability to cover core remuneration costs for Afghan National Police (ANP) from its internal revenue sources. Further, as a result of the increase in the number of policemen from 62,000 to 82,000, as per the agreement of the recent Joint Coordination & Monitoring Board (JCMB) and the proposed salary increase of Afghan National Police (up to the Afghan National Army level), additional funding will be required for LOTFA for these new costs. The current funding shortfall has been estimated at around USD 30 million based on the expectations that all pledges will crystallize into commitments.

All major donors have been alerted about the potential funding shortage. In addition, the project manager has approached a number of donors on bi-lateral basis. Following the Steering Committee final decision on the police pay increase, the forecast will be further revised and letters will be circulated to selected embassies to inform them of the additional funding requirement for LOTFA, and to request their support.

1.2 Verified police force

The approved increase in the number of police from 62,000 to 82,000 including ANAP by JCMB is subject to the verification of the existing police force. The international community has raised concerns about ghost police in ANP and the need for verifiable present/for-duty strength data. They have also raised issues regarding the ever-present risk of corruption within MoI and the police force across different levels, which can only be measured through some sort of verification exercise. The JCMB has thus recommended an independent body/task force to verify the present numbers of police force.

The US military Task Force Phoenix has begun the verification exercise to physically count policemen present on duty down to the district level across all of Afghanistan. It is expected that this task will be completed by mid-September, and major findings will be shared with the international community.

LOTFA has approached MoI with a suggestion to consider conducting a *Vulnerabilities to Corruption Assessment (VCA)* of the Ministry. The decision on the assessment will be made in September 2007.

1.3 EPS utilization

While an Electronic Payroll System (EPS) for generating police payroll has been introduced in 33 out of 34 provinces, the provincial police HQ are reluctant to implement it despite a 20-day training provided to a selected group of officers from the Human Resources and Finance department of the provinces. This reluctance of the provincial police will also cause delays in implementing measures to improve the payment systems for police, which in turn might adversely affect timely payments as well as the building of a transparent system of police salary payment.

The issue has been communicated to the Steering Committee members as well as to the MoI. A letter from the Minister of Interior has been circulated to all provinces, directing them to comply with the generation of an electronic payroll, which is used as a corporate tool and as such is mandatory for all provinces. Unfortunately, the system is still not being utilized by the majority of the provinces. The Steering Committee might consider making the approval of pay parity with ANA, for senior police

officers, conditional upon the full utilization of the EPS system, including the submission of reports to Mol HQ on a regular basis.

The transfer of trained officers from one duty station to another as well as re-assignment to new tasks is an issue. Based on the information collected by LOTFA, 52 out of 98 provincial police officers trained in EPS have been shifted to other duty stations or other jobs. During their visit to provinces, the monitoring team insisted that the provincial police authority not reassign the trained officers as they had been particularly trained to produce Electronic Payroll. The issue was raised at several meetings with the stakeholders and Mol. Despite these efforts, the loss of the EPS trained staff remains an issue. The only viable solution appears to be the re-training of personnel following the completion of the pay and rank reform. It may also been necessary to seek a firm commitment from Mol to transfer the trained officers only on an exceptional basis.

2. UPDATED PROJECT ISSUES AND ACTIONS

2.1 Reimbursement of ANAP salaries

The GoA and the international community have agreed to recruit additional Afghan National Auxiliary Police (ANAP) force (numbering 11,274) to support police operations in the insecure regions of the country. They are temporary in nature (maximum period of two years), perform mainly community-based maintenance of order roles and receive less training than the ANP. The Steering Committee made a decision to compensate ANAP members only USD16 while they are undergoing training. The existing reporting on police numbers and salaries in the Afghanistan Financial Management Information System (AFMIS), which is an official source for LOTFA for eligible police remuneration expenditures, does not currently make a distinction between ANP and ANAP. In order to address this issue, LOTFA has requested MoF to introduce a new object sub-code to the government chart of accounts, in order to track ANAP expenditures.

2.2 Monitoring

LOTFA monitoring missions have been restricted to provincial capitals due to security restrictions. The verification of police presence on duty and salary payments were, during the reporting period, limited to small sample tests and verbal interviews. Discussions with DynCorp and Task Force Phoenix have been held to seek their assistance in confirming the regular payment of police salaries and to support ongoing monitoring modalities.

2.3 Loss of project staff

LOTFA has employed four national finance specialists with Mol to provide assistance to the financial staff both in the centre and provinces in improving the system of budgeting, accounting, cash management, payment processing, and to address other issues of financial management. The first course in basic computer knowledge has been delivered to fifteen staff members of the Budget and Finance Department of Mol. Unfortunately, three staff members have left the project. The terms of reference of the financial specialists have been revised and vacant positions were re-advertised. The interview process will commence in September 2007.

II. IMPLEMENTATION PROGRESS

OUTPUT 1: IMPROVED INTEGRITY, RELIABILITY AND IMAGE OF POLICE PERSONNEL AND FORCE

Activity 1.1: Reimbursement of expenses related to police remuneration to the Ministry of Finance

The first priority of LOTFA is to reimburse Ministry of Finance (MoF) for remuneration of Afghan National Police across the country and to ensure the timely and accountable payment of the police force.

In the first quarter of 1386, LOTFA has funded police remuneration in all 34 provinces. The actual payments took place through the regular government payroll system and funds were channeled to provinces by the Treasury Department of MoF. As agreed by the Steering Committee, the eligible expenditures were limited to salaries and food allowances under this priority. The amount eligible for reimbursement is based on the actual expenditure derived from the Afghanistan Financial Management Information System (AFMIS) maintained by MoF.

During the reporting period, the Fund transferred the following amounts to MoF:

- USD 21,950,815, which represents the outstanding obligations related to the expenditure incurred in 1385 Fiscal Year.
- USD 20,861,067 as an advance towards the expenditure of 1386 Fiscal Year. This transaction fully covered the police remuneration expenditure of USD19.5 million incurred in the 1st Quarter 1386 FY and provided a partial advance of USD1.4 million towards the 2nd Quarter 1386 FY.

As a result, the funding buffer established by the close of accounts last year in conjunction with the bulk of newly received contributions to date, has already been utilized. Unless additional funds are received in the nearest future, LOTFA will not be able to make a timely payment to MoF for the 2nd Quarter 1386FY.

Following discussions with MoF, it was agreed to introduce a separate object sub-code in the government chart of accounts for the Afghanistan National Auxiliary Police (ANAP) in order to improve transparency of payments to different types of police force.

Activity 1.2: Electronic Payroll System

The support provided by LOTFA to the implementation of the Electronic Payroll System (EPS) is a critical initiative in creating an efficient and transparent system of police payment, which has been supported by the Swiss Agency for Development and Cooperation (SDC). The objectives of this activity are to have an efficient and transparent payroll system and reliable personnel data by improving timelines, efficiency and accountability of the national police salary payment system.

The system developed by the Management Support Unit (MSU) enables electronic configuration of the payroll system. The new system has four components; 1) Interfacing; 2) Personnel records collection; 3) Budget, revenue; and non-salary expenditures and 4) Attendance, salary and allowances.

The system has already been successfully installed in 33 out of 34 provinces. In addition, EPS had also been installed in 65 locations at MoI departments, Kabul police stations and police stations of Kabul province. During the reporting period, EPS installation commenced for 8 provincial border police battalions, border police HQ and 5 regional command centres.

As part of the EPS implementation, MSU procured 15 computers and printers for district police stations in Kabul province.

The EPS system has proved to be a vital tool for the implementation of the Electronic Funds Transfer (EFT) system. The process of paying police officers through EFT is a joint initiative of MoF, Mol, SCTC-A, Mol ID Cards Project, Da Afghanistan Bank, Kabul Bank and LOTFA. This process has substantially improved the timely payment of the Mol employees in a more transparent and accountable manner. The EPS team plays the leading role in EFT process at Mol. EPS team has been involved in opening bank accounts and generating monthly police payroll for EFT. In the future, the process in provinces will be supported by the EPS operators of Mol.

During the reporting period, 6,738 new bank accounts were opened for police officers at Kabul Bank, including in two new provinces (Kandahar and Badakshan), bringing the total number of provinces participating in EFT to 10.

The number of policemen receiving their salary through bank payments to individual bank accounts has increased from 10,597 to 12,716.

Following the establishment of the Afghanistan National Civil Order Police (ANCOP) within the Mol structure, five ANCOP finance officers were trained in EPS/EFT.

The national finance specialists employed by MSU continued to provide on-the-job training on the financial, budgeting and accounting procedures as well as promote and improve computer literacy of the staff of the Mol Financial and Budget Department staff.

LOTFA conducted a monitoring visit to the Police HQ of Kabul province. The mission made recommendations on the improvement, proper utilization, and maintenance of the equipment donated for EPS.

OUTPUT 2: RESPONSIVENESS, MOBILITY AND VIABILITY OF THE POLICE FORCE INCREASED COUNTRY-WIDE.

Activity 2.1: Procurement of transportation equipment for Mol

In June 2007, the Steering Committee has approved the procurement of one armoured vehicle for the Mol Chief of Staff, who is also performing duties of the LOTFA National Director. The Presidential approval for the procurement has been received and following the bidding process, the contract has been awarded to the national company.

OUTPUT 3: INCREASED EFFICIENCY AND MORALE OF THE POLICE FORCE THROUGH IMPROVEMENT OF THEIR WORKING AND LIVING CONDITIONS

Activity 3.1: Construction of police facilities

Mol has designated a site for the construction of police sports facilities at the Central Region Command Centre (CRCC). The contract to undertake a feasibility study and design of the facility has been awarded to a local company. The study is expected to be completed by October 2007. The facility will be used to improve the physical conditions of police force.

OUTPUT 4: HIGHER STANDARDS, A MORE COMPETENT AND REPRESENTATIVE POLICE FORCE PROMOTED

Activity 4.1: Enhancement of ethnical and gender composition

4.1.1 Recruitment campaign

The female recruitment steering committee, comprised of international stakeholders and Mol senior staff responsible for recruitment and training, has been established at Mol. The steering committee has already met twice. The female recruitment strategy and campaign action plan has been developed and endorsed by the steering committee. Mol has formed two recruitment teams to facilitate the recruitment campaign.

The latest Mol's headcount has shown that 232 women are currently employed as police personnel: 60 officers, 138 sergeants and 28 patrolwomen. During the reporting period, LOTFA has paid the incentive of female recruits, who have joined the police force and are undergoing training:

- 11 sergeants in Baghlan province have completed the four months training and been recruited by Mol.
- 2 sergeants have completed the course and 2 more are currently attending training at the National Police Academy in Kabul.
- 7 officer cadets are enrolled in the four years course at the National Police Academy.
- 26 female sergeants have commenced the police training in Badakshan province.

4.1.2 Gender Mainstreaming Unit

The Gender Mainstreaming Unit (GMU) has been included in the new Mol structure. The unit will become operational once the Pay and Rank Reform has been completed.

The initial action plan for GMU has been finalized. Job descriptions, operating procedures and basic training materials have been developed and ready for the use by GMU once it is operational.

III. FINANCIAL STATUS AND UTILISATION

FINANCIAL STATUS

Table 1: Contribution Overview LOTFA 1386 (April 2007 – March 2008)

DONOR NAME	CONTRIBUTIONS		CONTRIBUTION BALANCE	Earmarking	Remarks
	Committed	Received			
LOTFA Phase IV 1385 Closing Balance	18,115,280	18,115,280	-	N/A	
European Commission	8,174,387	-	8,174,387	N/A	Final forecast payment. Total commitment of EUR 30m signed Mar 06
Canada (DFAIT)	4,310,345	4,310,345	-	I	Total Commitment for Phase IV is CDN 10million
Canada (DFAIT)	18,867,925	-	18,867,925	I	For Apr 07-Mar 08 (1386) LOTFA expenses
Finland	1,366,120	1,366,120	-	I	Total commitment 2006-2009 is EUR 3.4million
Finland (expected at the beginning of 2008)	1,362,398	-	1,362,398	I	Total commitment 2006-2009 is EUR 3.4million
Netherlands	12,500,000	-	12,500,000	I	
Switzerland	280,000	-	280,000	IV	Total Commitment for 1385 and 1386 was USD 1,030,000
TOTAL	64,976,454	23,791,744	41,184,709		

Additionally, the US has pledged US 40,000,000 for LOTFA Phase IV

FINANCIAL UTILIZATION

Table 2: Quarterly Expenditure by Activity

Activity	BUDGET [year]	QUARTERLY EXPENDITURE	BALANCE	DELIVERY (%)
ACTIVITY01(Police Remuneration)	20,861,067	19,468,244	1,392,823	93.32%
ACTIVITY03 (Rehabilitation & Construction)	528,202	21,971	506,231	4.16%
ACTIVITY04(Gender Mainstreaming)	707,525	89,377	618,148	12.63%
ACTIVITY05(Project Support & Staff)	1,708,600	150,121	1,558,479	8.79%
ACTIVITY06 (Electronic Payroll System)	467,386	73,363	394,023	10.76%
ACTIVITY07 (Audit & Evaluation)	158,077	99,609	58,468	63.01%
UNDP GMS (based on Donor agreements)	728,802	597,081	131,721	81.93%
Total	25,373,777	20,499,766	4,874,012	80.79%

Table 3: Quarterly Expenditure by Donor 01.04.2007 – 30.06.2007

Donors	Activity (as per approved budget)	1386 Budget	Q1 Expenditures 01.04.07 to 30.06.07	Balance as of 30.06.2007	Delivery Rare %
BELGIUM	ACTIVITY05	1,312		1,312	
GMS 3%		41		41	
BELGIUM Total		1,353	-	1,353	0.00%
FINLAND	ACTIVITY03 (Rehabilitation & Construction)	81,293	2,514	78,779	
	ACTIVITY05(Project Support & Staff)	788,696	25,356	763,340	
GMS 3%		26,907	836	26,071	
FINLAND Total		896,896	28,706	868,190	3.20%
GERMANY	ACTIVITY01(Police Remuneration)			-	
GMS 3%		(5,756)		(5,756)	
GERMANY Total		(5,756)	-	(5,756)	0.00%
NETHERLANDS	ACTIVITY01(Police Remuneration)			-	
GMS 3%		(11,020)		(11,020)	
NETHERLANDS Total		(11,020)	-	(11,020)	0.00%
NORWAY	ACTIVITY03 (Rehabilitation & Construction)	271,788	14,041	257,747	
GMS 3%		8,406	421	7,985	
NORWAY Total		280,194	14,462	265,732	5.16%
SWITZERLAND	ACTIVITY04(Gender Mainstreaming)	707,525	89,377	618,148	
	ACTIVITY06 (Electronic Payroll System)	467,386	73,363	394,023	
GMS 3%		35,247	4,882	30,365	
SWITZERLAND Total		1,210,158	167,622	1,042,536	11.71%
UNITED STATES	ACTIVITY01(Police Remuneration)	9,215,000	9,215,000	-	91.34%
	ACTIVITY05(Project Support & Staff)	918,591	124,765	793,826	
	ACTIVITY07 (Audit & Evaluation)	91,654		91,654	
GMS 3%		306,757	280,193	26,564	

UNITED STATES Total		10,532,003	9,619,958	912,045	
EUROPEAN UNION	ACTIVITY01(Police Remuneration)	7,465,033	7,465,033	0	
	ACTIVITY03 (Rehabilitation & Construction)	175,121	5,416	169,705	
	ACTIVITY07 (Audit & Evaluation)	66,423	99,609	(33,186)	
GMS 3%		231,197	227,102	4,096	
EUROPEAN UNION Total		7,937,774	7,797,160	140,615	
CANADA DFAIT	ACTIVITY01(Police Remuneration)	4,181,034	2,788,211	1,392,823	
GMS 3%		129,310	83,646	45,664	
CANADA DFAIT Total		4,310,344	2,871,857	1,438,487	
Grand Total		25,151,946	20,499,766	4,652,182	80.79%

ANNEXES

(1) Annual Work Plan