

QUARTERLY PROJECT REPORT [2nd Quarter, 1386]

**United Nations Development Programme
Afghanistan
Law and Order Trust Fund for Afghanistan (Phase IV)
[01-07-2007 – 30-09-2007]**



(Left to Right) Major Gul Ghutai and Lieutenant Pashtoon during uniform parade that took place at Serena Hotel during the 1st International Islamic Police Women Conference in Kabul

Project ID:	00052084
Duration:	2 years
Component (MYFF):	2.7 Public Administration Reform and Anti -Corruption
Total Budget:	USD 189,832,834
Unfunded:	USD 146,229,851
Implementing Partners/Responsible parties:	Ministry of Interior (Mol)

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I. IMPLEMENTATION PROGRESS

During the second quarter of Fiscal Year 1386, the implementation of the Law and Order Trust Fund (LOTFA) project proceeded in accordance with the annual work plan. The details of the project progress towards the achievement of the outputs are articulated under each output below:

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 reimbursing remuneration of Afghanistan National Police (ANP) to the Ministry of Finance (MoF) and ensuring that the payments to the police force in all 34 provinces are made in a timely and transparent manner.

The police remuneration expenditure eligible for remuneration comprises salaries in cash and payments for the provision of food for police (salaries in kind). The actual payment of police remuneration took place through the regular government payroll and non-salary payment system. The funds were channelled to provinces by the Treasury Department of Ministry of Finance (MoF).

The amount eligible for reimbursement was based on the actual expenditure derived from the Afghanistan Financial Management Information System (AFMIS) maintained by MoF, which has been verified by the LOTFA Management Support Unit (MSU). In the second quarter of FY 1386, the combined expenditure for police salaries and food allowance totalled USD 31,732,032.

During the second quarter of 1386, LOTFA received no new contributions from donor countries. In addition, the funding buffer established at the end of the last year was fully depleted during the first quarter. As a result, LOTFA was not able to make any payments to MoF towards the reimbursement of the eligible expenditures incurred in the second quarter 1386.

Following the discussions between LOTFA and MoF, the latter has introduced a separate object sub-code in the whole of government chart of accounts for 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 Electronic Payroll System (EPS) is an important activity of Support to Law & Order Project, which is 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.

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

The system had already been successfully installed in 33 out of 34 provinces. During this quarter, EPS had also been installed in 10 provincial border police battalions and 13 remote districts of Kabul province. As a result, the total number of police payroll stations with EPS has reached 115 locations at

Mol departments, police stations in the city of Kabul and Kabul province, border police and special units.

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

During the second quarter, 32 finance officers and computer operators of Afghanistan Border Police (ABP) attended a 20 days training course in computer basics and EPS.

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, CSTC-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 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, 4,160 new bank accounts for police officers were opened in Kabul Bank, including three more provinces (Khost, Kunar and Jawzjan), which brings the total number of provinces participating in EFT to 13.

The number of policemen who are receiving their salary through bank payments to individual bank accounts has increased from 12,716 to 16,847. It is anticipated that 100% of policemen in Kabul province and Mol headquarters will be receiving their salaries through EFT process by the end of third quarter of 1386.

LOTFA recruited two new national finance and accounting specialists to replace staff resigned since the beginning of the year. It is envisaged that new recruits will be engaged in providing on-the-job training on the financial, budgeting and accounting procedures as well as promote and improve computer literacy of the Mol Financial and Budget Department staff.

LOTFA conducted monitoring visits to the Police HQ of Kunduz, Bamyan and Takhar provinces. The missions have recommended to timely process attendance reports to avoid delays with salary payments, improve the proper utilization as well as 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 Mol Chief of Staff, who is also performing duties of LOTFA National Director. The Presidential approval for the procurement has been received. Following the bidding process, the contract was awarded to a national company. The vehicle is expected to be delivered in November 2007.

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). During the first quarter of FY1386, 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

LOTFA and Mol identified 18 provinces, which will be targeted for recruiting women in police. As a next step, Mol will appoint a focal point in each of these provinces to assist the recruitment campaign at provincial level.

LOTFA drafted ToRs for advertising materials to be developed under the electronic media campaign. The tender was announced and Kite Communication Company was awarded a contract to produce two 45 seconds TV spots, 25 minute documentary film on importance of female police in Afghanistan featuring five female police of different ranks and 15 minute movie tour of the National Police Academy focusing on female students.

During the reporting period, LOTFA has paid the incentive to female recruits, who have joined the police force and are undergoing training:

- 23 patrolwomen completed a two months training course in Herat.
- 2 sergeants 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 continued the police training in Badakhshan province.

The members of the National Recruitment Team visited Herat province, where they launched a recruitment campaign with a target of around 30 female sergeants. LOTFA procured four sets of protocol uniforms for the members of the recruitment team.

4.1.2 Gender Mainstreaming Unit

Two female officers were appointed within the Human Rights Department to oversee gender mainstreaming issues at Mol. LOTFA has started building their capacity in gender mainstreaming, languages and computer skills.

The preparation has commenced to deliver a gender awareness workshop at Mol headquarters.

II. 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 would be required. The estimated current

funding shortfall has surged to US \$67 million and can even reach US \$77 million if the Steering Committee approves the back pay and severance pay for police.

All major donors have been alerted about the potential funding shortage. Following the Steering Committee's final decision on the police pay increase, the forecast will be further revised and letters will be circulated to selected embassies seeking additional funding for LOTFA.

2. UPDATED PROJECT ISSUES AND ACTIONS

2.1 Monitoring

LOTFA monitoring missions have been restricted to provincial capitals due to the security restrictions. The verification of police presence on duty and salary payments was limited to small sample tests and verbal interviews. The discussions with DynCorp and Task Force Phoenix seeking their assistance to confirm the regular payment of police salaries and determine monitoring modalities are still ongoing.

2.2 Loss of project staff

The project experiences problem with retaining national staff due to the strong competition from other international agencies.

Last year, LOTFA 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.

Unfortunately, three members of the staff have left the project. The terms of reference of the financial specialists have been revised, vacant positions were re-advertised and two new national finance specialists were employed.

The deputy project manager and an EPS specialist have also left the project. The position of the deputy project manager was re-advertised as well as positions of four national EPS trainers. The recruitment process will be completed in the third quarter.

2.3 Verified police force

The approved increase in the number of police from 62,000 to 82,000 including ANAP by JCMB is however subject to the verification of the existing police force. The International Community has raised concerns about the eligible police in ANP and the need for verifiable present/for-duty strength data.

The US military Task Force Phoenix completed the verification exercise to physically count policemen present on duty up to the district level across all of Afghanistan by mid September and major findings were shared with the international community.

UNDP approached Mol with a suggestion to consider conducting Vulnerabilities to Corruption Assessment (VCA) of the Ministry. The purpose of VCA is to examine the business process within an institution as well as review the current organizational and legal structure. The VCA will result in recommendations for improvements in areas or processes susceptible to corruption. The Minister of Interior has approved, in principle, the proposal.

2.4 EPS utilization

While an Electronic Payroll System (EPS) for generating police payroll has been introduced at 33 out of 34 provinces, the provincial police HQs are reluctant to fully utilize it despite a 20 day training provided to a selected group of officers from Human Resource and Finance departments of the provinces. Although 25 provinces are using EPS to generate form M22, only one province (Balkh) submits these reports to Mol HQs. This reluctance of the provincial police causes delays in implementing measures to improve the payment systems for police, which in turn might adversely affect timely payments as well as building a transparent system of police salaries payment.

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 on the provincial police authority not to reassign the trained officers as they had been particularly trained for the purpose of producing an electronic payroll.

The problems facing EPS were communicated to the Steering Committee members as well as to the Mol. The Ministry sent a number of letters to provinces directing them to submit EPS reports to Mol and prohibiting them to transfer officers trained in EPS to another positions. Despite of all these efforts, the loss of the EPS trained staff remains an issue.

LOTFA has proposed to conduct a two days workshop for finance officers and computer operators from all provinces. The workshop will enable Mol to further enforce EPS reporting from provinces. The workshop will also allow LOTFA to assess the requirement in re-training of provincial personnel in EPS. In addition, LOTFA has approached DynCorp seeking the assistance from police mentors based in provinces to facilitate the provision of EPS reports to Mol.

III. FINANCIAL STATUS AND UTILISATION

Financial Status

Table 1: Contribution Overview [01 April 2007-31 March 2008]

DONOR NAME	CONTRIBUTIONS		CONTRIBUTION BALANCE
	Committed	Received	
LOTFA 1386 Opening Balance	-	20,822,914	-
Canada	21,551,724	4,310,345	17,241,379
EC	7,905,138		7,905,138
Finland	1,366,120	1,366,120	0
Netherlands	12,500,000		12,500,000
Switzerland	280,000		280,000
USA from 2003 (unbudgeted)		94,489	
Belgium from 2004 (unbudgeted)		1,353	
Canada from 2003 (unbudgeted)		45,917	
TOTAL	43,602,983	26,641,138.33	37,926,518

Financial Utilization

Table 2: Quarterly Expenditure by Activity [1 April 2007-30 September 2007]

Activity	Budget [1386]	Expenditures	Balance	Delivery Rate
ACTIVITY01 [Police Remuneration]	22,221,780	19,477,417	2,744,363	87.65%
ACTIVITY03 [Construction of Police Facilities]	530,477	2,917	527,560	0.55%
ACTIVITY04 [Gender Mainstreaming]	720,272	95,605	624,667	13.27%
ACTIVITY05 [Project Staff and Support]	1,795,167	322,100	1,473,067	16.57%
ACTIVITY06 [Electronic Payroll System]	423,075	143,126	279,949	33.83%
ACTIVITY07 [Audit Evaluation]	156,569	97,543	59,026	62.30%
3 % GMS	793,798	622,178	171,620	78.37%
Total	26,641,138	20,760,886	5,880,252	77.83%

The expenditure of US \$ 31,732,032 related to police remuneration incurred in the second quarter are not reflected in this table

Table 3: Quarterly Expenditure by Donor [01 April 2007 – 30 September 2007]

DONORS	ACTIVITY	1386 BUDGET	Expenditure	Balance	Delivery %
UNDP	ACTIVITY05: PROJECT STAFF & SUPPORT		24,708	-24,708	
3 % GMS			-	-	
UNDP Total			24,708	-24,708	
BELGIUM Total	ACTIVITY05: PROJECT STAFF & SUPPORT	1,312	-	1,312	
3 % GMS		41	-	41	
BELGIUM Total		1,353	-	1,353	
Canada	ACTIVITY01: POLICE REMUNERATIONS	44,539	-	44,539	
3 % GMS		1,378	-	1,378	
Canada Total		45,917	-	45,917	
FINLAND	ACTIVITY01: POLICE REMUNERATIONS	1,325,136		1,325,136	
	ACTIVITY03: CONSTRUCTION	81,366	-	81,366	
	ACTIVITY05: PROJECT STAFF & SUPPORT	788,472	-	788,472	
3 % GMS		67,078	-	67,078	
FINLAND Total		2,262,053	-	2,262,053	
NORWAY	ACTIVITY03: CONSTRUCTION	272,321	-3,088	275,409	-1.13%
3 % GMS		7,873	-	7,873	
NORWAY Total		280,194	-3,088	283,282	-1.10%
SDC	ACTIVITY04: GENDER	720,272	95,605	624,667	13.27%
	ACTIVITY06: ELECTRONIC PAYROLL SYSTEM	423,075	143,126	279,949	33.83%
3 % GMS		47,734	7,383	40,351	15.47%

SDC Total		1,191,081	246,114	944,967	20.66%
USA	ACTIVITY01: POLICE REMUNERATIONS	9,223,301	9,215,000	8,301	99.91%
	ACTIVITY05: PROJECT STAFF & SUPPORT	1,005,383	297,392	707,991	29.58%
	ACTIVITY07: AUDIT & EVALUATION	91,654	-	91,654	
3 % GMS		309,700	294,198	15,502	94.99%
USA Total		10,630,038	9,806,589	823,449	92.25%
EC	ACTIVITY01: POLICE REMUNERATIONS	7,447,768	7,474,206	-26,438	100.35%
	ACTIVITY03: CONSTRUCTION	176,790	6,005	170,785	3.40%
	ACTIVITY07: AUDIT & EVALUATION	64,915	97,543	-32,628	150.26%
3 % GMS		230,685	234,364	-3,679	101.59%
EC Total		7,920,158	7,812,118	108,040	98.64%
CANADA DFAIT	ACTIVITY01: POLICE REMUNERATIONS	4,181,035	2,788,211	1,392,824	66.69%
3 % GMS		129,310	86,233	43,077	66.69%
CANADA DEFIANT Total		4,310,345	2,874,444	1,435,901	66.69%
Grand Total		26,641,138	20,760,886	5,880,252	77.83%

ANNEXES

(1) Annual Work Plan