Annual Project Report 2006

United Nations Development Programme
Afghanistan
Law and Order Trust Fund for Afghanistan (Phase IV)
01-04-2006 / 31-03-2007 (Afghan fiscal year)

Police Officers in front of Bamyan Police HQ, 2006.

Project ID:	00052084
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Component (MYFF):	2.7 Public Administration Reform and Anti-Corruption
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Unfunded:	US $ 45,101,773
Implementing Partners /	Ministry of Interior

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Acronyms

AIAF	Afghanistan Interim Authority Fund
ANCOP	Afghan National Community Order Police
ANDS	Afghanistan National Development Strategy
ANP	Afghan National Police
ANAP	Afghan National Auxiliary Police
CPAP	Country Programme Action Plan
CSTC-A	Combine Security Transition Command – Afghanistan
EFT	Electronic Fund Transfer
EPS	Electronic Payroll System
FRU	Family Response Unit
FY	Fiscal Year
GMS	General Management Support
HQs	Head Quarters
JCMB	Joint Coordination and Monitoring Board
LOTFA	Law and Order Trust Fund for Afghanistan
MoI	Ministry of Interior
MoF	Ministry of Finance
MYFF	Multi Year Funding Framework
SDC	Swiss Agency for Development and Cooperation
UNAMA	United Nations Assistance Mission to Afghanistan
UNDP	United Nations Development Programme

Executive Summary

In 1385 FY (1st April 2006—31st March 2007) LOTFA IV paid salaries of 64,070 Afghanistan National Police staff in all 34 provinces on a regular basis. During the reporting period, LOTFA transferred a total of US $ 96 million to the Ministry of Finance.

The Electronic Payroll System (EPS) had been deployed in 33 provinces. In addition, EPS was also installed in 65 locations at various departments of MOI and Kabul police stations in Kabul. Establishing a cadre of trained and motivated trainers is a prerequisite for ensuring the sustainability of EPS. During the reporting period 160 police officers were trained in computerization of payroll and personnel data entry. In addition, eight computer specialists from MoI headquarters were trained to provide support to provinces in operation and maintenance of EPS. Individual payment processes using Electronic Fund Transfer (EFT) with thel support of the EPS has been introduced in three provinces and Kabul. As a result, 10,597 police officers received salaries through payments to individual bank accounts.

The project has initiated a recruitment campaign to attract women to the police force with the objective of recruiting 300 women in two years. To date, 19 female recruits have joined the police force. The Family Response Unit is operational at Kabul Provincial Police HQs.

The funding requirement for police remuneration for the 1385 fiscal year (1st April 2006 – 31st March 2007) has been revised down to USD 99 million due to the delays in implementation of the Pay and Rank Reform in the Ministry of Interior (MOI) and the slower than expected pace of recruitment and training of patrolmen both for ANP and ANAP. As a result of this revision and additional donor commitments, LOTFA finished 1385 FY with a surplus of around USD 25 million.

Although ten countries provided funding to LOTFA-Stage IV, the fund is still heavily dependant on the two major donors, namely the European Commission and the United States. LOTFA has secured sufficient funding to cover police remuneration in 1385 FY but still failed to maintain a constant funding "buffer" through the course of the year. This was caused to a large extent by the internal funding allocation procedures of the donor countries.

The improvement of the payment system remains a major implementation issue. It is expected that the expansion of EFT, which has commenced this year, and utilization of EPS by MoI will bring visible improvements to the police payroll procedures. However, insufficient ownership of the EPS by MoI could undermine the sustainability of results.

The security restrictions have adversely impacted the project ability to verify the adherence to proper payroll procedures at the districts level. LOTFA has commenced discussions with DynCorp and SCTC-A seeking their support in monitoring payment of police salaries. It is expected that assistance from the American police advisors based in provinces and mobile military teams might substantially expand the monitoring coverage both at the provincial and district levels.

Joint monitoring missions (by MoI, UNDP, and LOTFA) visited 10 provinces to ensure proper accountability and transparency of expenditures at the provincial level. Results were achieved through a precise and careful annual work plan, timely receipt of donor contribution to the Trust Fund and effective coordination and communication among the stakeholders, as well as timely technical support from UNDP country office.

1. Context

The Afghan people and international community consider that improved security is a very high priority in the short term for Afghanistan and an essential prerequisite for reconstruction, economic development and private investment, as well as for aid effectiveness. The re-establishment of law and order has been called for after decades of conflict that included terrorist activities, feuding warlords, illegal trade in narcotics and weapons and only minimal rights protection for its citizens.

Rebuilding the national civilian police force for national security and recovery represents one of the Government's highest priorities. The Afghanistan National Development Strategy (ANDS) envisions a professional, disciplined and reinvigorated police force that is responsible and loyal to MoI, widely visible to and respected by the public, so as to create an environment that enables the development of civil society and the protection of rights and effectively combat terrorism, insurgency and drug traffickers.

The International community support to rebuild Afghan police force has started with the establishment of the Afghan Interim Government in 2002 as envisaged by the Bonn Agreement. Donors' resources covered the salaries of police in Kabul for the first six months of 2002 through the UNDP managed AIAF. In May 2002, at the request of the Government and UNAMA, UNDP established a Law and Order Trust Fund for Afghanistan (LOTFA) to enable the police to return to operation throughout the country. The trust fund has provided a mechanism for receiving contributions from many donors with the principle purpose to cover police salaries. LOTFA is a major pillar in rebuilding Afghanistan's civilian police force.

LOTFA is envisaged to cover the Government's police-related costs and undertake project activities in the following order of priorities:
1) Remuneration and payment of police;
2) Procurement, operations and maintenance of non-lethal police equipment;
3) Rehabilitation, reconstruction, operations and maintenance of police facilities;
4) Gender orientation (selection, recruitment and training of police); and
5) Institutional development.

In line with its priorities, as agreed upon by the Government of Afghanistan in consultation with its international partners, LOTFA applies undesignated contributions to the reimbursement of police remunerations until annual costs are covered. Remaining undesignated contributions are then applied to the subsequent four priority areas. Activities in these priority areas can only be implemented as needs are identified and funds become available. Two new activities for LOTFA phase III under "Recruitment & Training'' and "Institutional development" include gender promotion, female police recruitment and the development and distribution of national ID cards.

The European Commission, the United States, the United Kingdom, Canada, Netherlands, Germany, Switzerland, Japan, Finland, Australia are the major contributors to LOTFA.

The project has been implemented in four phases. The first three phases have already been completed and the project is currently in phase IV, which covers 1385-1386 Fiscal Years.

LOTFA is nationally implemented (NEX) by the Ministry of Interior. The MoI Chief of Staff serves as National Director of LOTFA and is closely involved in all operational issues of the project. The Ministry of Finance acts as an implementing partner for the purpose of reimbursement of National Budget expenditures and the individualized payments to police personnel.

2. *Performance Review*

2.1 Progress Review

Overall progress towards the CPAP outcome and output

LOTFA expected outcome "A better trained and appropriately resourced Afghan National Police contributing to the return of law and order across the country, in turn promoting national, regional and global security" is pursued in line with UNDP Country Programme Action Plan (CPAP) Outcome 1 "Strengthening democratic state and government institutions" and UNDP Service Line 2.7 "Public administration reform and anticorruption".

This outcome is consistent with the Afghanistan National Development Strategy (ANDS) and Afghanistan Compact, which envisage creation "By end-2010, a fully constituted, professional, functional and ethnically balanced Afghan National Police and Afghan Border Police with a combined force of up to 62,000 will be able to meet security needs of the country effectively and will be increasingly fiscally sustainable". Subsequently, in response to increased insecurity in the South and South-East of the country, JCMB has allowed to temporarily increase the 62,000 to a maximum of 82,000 policemen, which will be reviewed on a 6-monthly basis.

In the long term, the strengthening of the law enforcement capability is expected to result in an improvement of the security situation in the country as well as in a substantial annual increase in the targeted poppy eradication, amount of drugs seized and destroyed and processing facilities dismantled. In the short term, the visibility of the police in all 34 provinces is expected to improve human security and to strengthen the legitimacy of the elected government.

LOTFA has ensured that Afghan National Police across the country has been paid on a regular basis. Over the last twelve months, the Ministry of Interior with the assistance from Germany and the United States has vigorously worked on the reformation of the Afghanistan National Police. LOTFA has also played an active role in the process. The restructuring of MoI includes significant changes to the current pay and rank structures of police. The targeted size and structure of the police force have been governed not only by the interests of national security but they have also been influenced by the existing and anticipated fiscal constraints. The Project has substantially contributed to initiating a recruitment campaign to attract women to police force with the objective to recruit 300 women in two years.

The Fund is strategically positioned to play a vital role in achieving benchmarks and targets promulgated both in ANDS and Afghanistan Compact. In particular, LOTFA is crucial for expediting implementation of police reform and addressing the issue of gender mainstreaming in the police force.

Capacity Development

The issue of capacity development is central to achieving the objectives of the Electronic Payroll System (EPS) component of the project. The success of the capacity development programme will determine whether the benefits form the implementation of EPS are short-lived or sustainable.

To ensure a proper penetration of EPS across the whole country a large number of police officers from the provincial financial and HR departments need to be trained by the project. Therefore, establishing a cadre of trained and motivated trainers is a prerequisite for insuring the sustainability of EPS. During the reporting period 160 police officers attended various training courses in EPS as well as on-the-job training. In addition, eight computer specialists from MoI headquarters were trained to provide

support to provinces in operation and maintenance of EPS. Although the training proved to be relatively successful, the refresher training, especially at the provincial level, is required to be undertaken next year given the extremely low level of the initial computer skills of the trainees.

The project has also introduced financial capacity training, which includes the principles and rationale for budgeting and financial discipline. The current level of skills of financial officers in provinces is sufficient to generate the required Government financial forms and reports. At the same time, the majority of finance officers require further training in the application of proper budgeting principles and procedures.

Impact on direct and indirect beneficiaries

The project's direct beneficiaries are Afghanistan's national police officers and personnel, who benefit from the timely and accountable payment of salaries and provision of food allowance, and the MoI as a whole.

The public and private security needs of Afghan women are well documented. Afghan women will benefit from the gender mainstreaming in policing, which is a strategy for creating a critical mass of equal and empowered police women in Afghanistan National Police with a view to contributing to the security of women in their public and private lives, and to providing access to justice for female victims of violence in all its manifestation.

Indirect beneficiaries include all citizens of Afghanistan who experience improved security and regional and international community whose security is also increased as a result of peace and stability in Afghanistan.

Implementation strategy review

Participatory/consultative processes

The Project is coordinated by the Steering Committee (SC) chaired by the Minister of Interior, with representation from the Ministry of Finance, UNAMA, UNDP, Germany, the lead nation for police and law enforcement, and major donors. The Steering Committee meets quarterly to provide policy guidance over project implementation and is instrumental in fostering consultations between the Government of Afghanistan and its international partners.

All major stakeholders regularly attended meetings and actively participated in deliberations of the Committee. The Steering Committee made a number of important decisions regarding eligibility of the reimbursable expenditure and funding of the MoI projects. The Committee meetings served as an effective mechanism for securing donors' funding. The Steering Committee has also proved to be a valuable forum for exchanging views on the progress of police reform between the Government and international stakeholders. The decisions made by SC have assisted and governed MoI in expediting the implementation of the reform.

Quality of partnerships

The project collaborates with other donors' initiatives implemented at MoI. Over the last twelve months, with the support by the USA and Germany, MOI has been working vigorously over the reformation of ANP. LOTFA has also played an active role in the MOI reform process and contributed to CSTC-A's initiative to ensure close coordination between MoI and MoF for the gradual implementation of individualized payment of salaries to police personnel. The restructuring of MoI expects significant changes to the current pay and rank structure of the police.

The MoF acts as an implementing partner for the purpose of reimbursement of National Budget expenditures and the individualized payments to police personnel. LOTFA and MoF have undertaken combined efforts towards improving the quality and timeliness of reporting. Following serious discussions, a joint proposal on the eligibility of the reimbursable expenditure has been presented to the Steering Committee and salary and food allowance related expenditure codes in budget allotments have been finally separated.

The introduction of the Electronic Funds Transfer (EFT) for police provides an example of a successful collaboration between MoF, MoI, SCTC-A, MoI ID cards project, Da Afghanistan Bank, Kabul Bank and LOTFA. This initiative enables police officers to receive salaries through the individual bank account.

National Ownership

MoI is the UNDP's implementing partner for the project. MoI implements the project under the National Execution Modality (NEX). The MoI Chief of Staff serves as National Director of LOTFA and is closely involved in all operational issues of the project. The Minister and the First Deputy Minister, as well as senior financial officers of MoI, provide overall guidance to the project implementation through the active participation in the deliberations of the Steering Committee.

Nevertheless, it is important to emphasize still insufficient ownership of the process by MoI. In particular, MoI failed to take over the Electronic Payroll System developed by LOTFA and installed at provincial police stations across the country and MoI headquarters. The provincial police are reluctant to utilize the system for generating police payroll, which creates a serious impediment to the improvement in accountability and transparency of payment of police salaries and food allowances.

Sustainability

LOTFA was intended to fund recurrent costs during the transition and consolidation period, with this coverage ceasing when domestic revenue should have recovered sufficiently for the Government of Afghanistan to finance most or all of its recurrent costs from such revenue. The Bonn agreement foresees the "return to normality" occurring in the period 2006-2011. The Afghanistan Compact envisages that the transformation of Afghan National and Border Police into a fully constituted, professional, functional, ethnically balanced and increasingly fiscally sustainable force will be completed by 2010. The Phase IV of the project covers the Afghan Fiscal Years 1385 and 1386 and may be extended subject to evaluation at the end of the project period.

At this stage, the Government of Afghanistan does not have the ability to cover core remuneration costs for ANP from its revenue sources. Therefore, the continuous, increased donor funding of police through LOTFA is a vital element in ensuring the continued operation of national police. Insufficient donor funding support might make it difficult to achieve LOTFA objectives, outputs and outcomes as delineated in the project document.

The financial situation can be exacerbated by additional funding requirements caused by the raise in the number of policemen from 62,000 to 82,000 accompanied by the proposed salary increase for police.

Management effectiveness review

Quality of monitoring

Periodic monitoring and evaluation is undertaken in accordance with UNDP standards and procedures and the UNDP Handbook on Monitoring and Evaluation of Results, including field visits, the preparation of quarterly project reports and the annual project report.

During the reporting period, joint monitoring missions (MoI, UNDP, LOTFA) have visited 10 provinces. The joint missions have verified the payment of salary and food allowance expenditure in provincial police headquarters and checked allotments at the local mustofiats (MoF provincial branches). Recommendations regarding improvement in efficiency and consistency in following the MoF procedures have been communicated to finance, HR and procurement departments of the provincial police during the field visits. The findings and recommendations of the monitoring missions are recorded in monitoring missions' reports.

Unfortunately, due to the security situation in Afghanistan, monitoring missions were mainly limited to provincial headquarters and did not cover district police stations. In addition, the security restrictions did not allow missions to visit the majority of the provinces in the South. These restrictions have adversely affected the project ability to verify the adherence to proper payroll procedures at the districts level.

Timely delivery of outputs

The Government and the international community agree that the initial success of all efforts to re-establish the authority and capacities of the national police force relies, in large measure, on the timely payment of salaries to the police. The project ensures that the capacity of the Afghan Government to pay police remuneration in all 34 provinces is improved. The project has also computerized the payroll system for the police in Kabul and provinces, which enable MoI to generate accurate and timely data for salary payments.

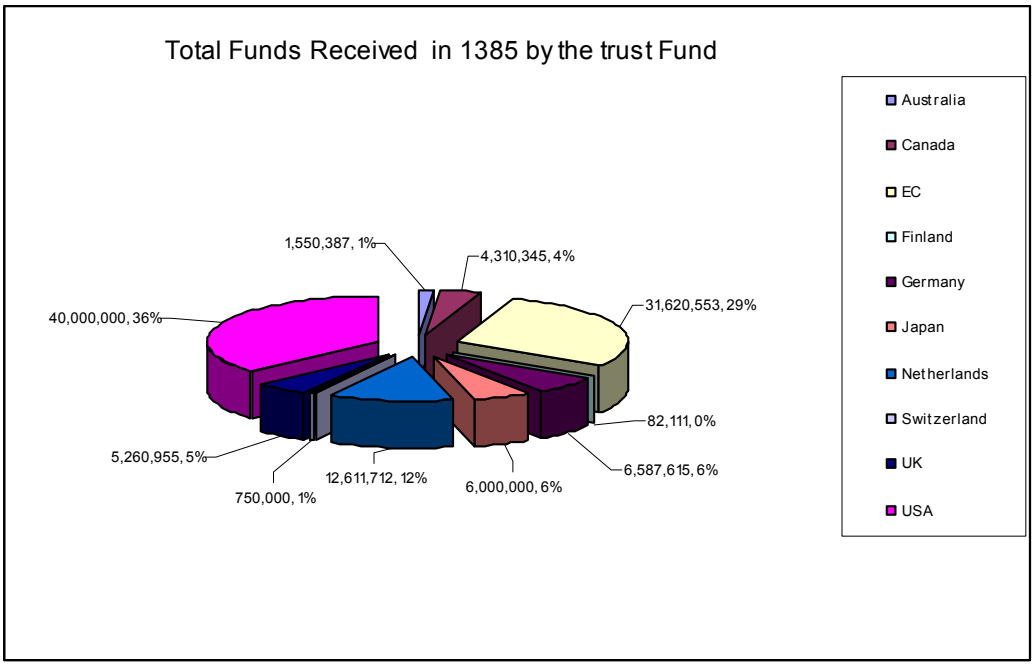
The procurement of equipment and rehabilitation of police facilities have been implemented as funding allowed. The implementation of the gender mainstreaming project at MoI has already commenced.

Resource Allocation and Cost-effective use of inputs

Payment of salaries is priority one. Un-earmarked contributions to LOTFA will therefore be applied in priority to the reimbursement of police remunerations until annual costs are covered; remaining undesignated contributions will then be applied to the subsequent four priority areas. Other activities will be implemented as needs are identified and funds available. The Steering Committee approves the schedule of implementation at regular intervals. All reasonable cost associated with the operational needs of the police force can also be covered by the project through reimbursement to MoF, provided funding allows and they fall within the five above priorities and the National Budget.

Specific activities to be funded under the Project will be selected on the basis of MoI established priorities as incorporated in the National Development Framework and the National Budget. In addition to reimbursing MoF for relevant expenditures, activities may be carried out by the MoI related to each Output of the Project, as funding allows. Allocation of funds within the project either for the purpose of reimbursing police related expenditures to MoF, or for the purpose of funding specific projects or activities through MoI or its implementing partners, will be further decided by the Project's Steering Committee. In particular, the Steering Committee will ensure that sufficient funds are assigned to meet the personnel and operational costs needed to build the required capacity for management of the project within the designated institution.

Earmarked contributions are possible in principle but, depending on the scale, could jeopardize the aim and function of an open trust fund. Should a donor wish to finance priorities other than Priority 1 (police remuneration), MoI and MoF will be consulted accordingly by the donor. If so decided and required, MoF will make the requisite changes to the National Development Budget. In doing so any funds to be tapped from LOTFA will be in full accord with the mandate and areas of engagement as outlined in the Terms of Reference of LOTFA. Earmarking or expressed preferences will be accepted to the extent they are within the requirements of the National Budget and the five priority areas.



3. *Project Results Summary*

Priority1: Police Remuneration

The first priority of LOTFA is to reimburse MoF for remuneration of Afghan National Police across the country and to ensure timely and accountable payment of police force. The headcount report prepared by the Personnel Department of MoI at the end of 1385 Fiscal Year, stated that the number of the Afghanistan National Police is 64,070. The breakdown is as follows: 17,611 officers, 5,909 sergeants and 40,550 patrolmen. In addition, 8,400 members of Afghanistan National Auxiliary Police have been employed during 1385 FY.

In 1385, LOTFA has funded police remuneration in all 34 provinces for twelve months. The actual payments took place through the regular government payroll system and funds were channeled to provinces by the Treasury Department of MoF. The issue of eligibility of different police allowances (e.g. bonuses, professional and cadre allowances etc) was discussed at the LOTFA Steering Committee meeting in October 2006. It was agreed that eligible expenditure would be limited to salaries and food allowances. In 1385, the salaries and food allowance of police up to March 2007 have been paid. These payments were reimbursed by transactions from LOTFA to MoF.

During the reporting period, the Fund transferred the following amounts to MoF: US $11 million in July 2006, US $29 million in October 2006, US $15.4 million in December 2006, US $18.6 million in February 2007 and US $22 million in May 2007 to MoF to cover the outstanding obligation for 1385 Fiscal Year. Although the actual expenditure for police remuneration has reached nearly US $98 million, LOTFA and MoF has reached an agreement that the actual LOTFA contribution in 1385 for police remuneration will be limited to US $96 million, which represents 100% of the amount committed by LOTFA to the National Budget.

Priority 2: Procurement of Non-Lethal Equipment

LOTFA has procured the following equipment to assist the implementation of EPS in Kabul police stations, MoI departments and provincial police headquarters.

Table 3.1

S/N	Item Name	Unit	Distributed Qty
1	Dell Optiplex Branded Latest Version Computer (CPU, Monitor, Mouse, Key Board)	Set	96
2	UPS 1000 Watt	Set	97
3	Printer HP 1320	Set	98
4	USB Flash Drive at least 256 MB	Set	183
5	Power Generator Honda Elemax 7000	Set	19
6	Copier Machine Toshiba 2860 or 1560 or Canon 7161	Set	18
7	Computer Desk	PCs	42
8	Revolving Chair	PCs	42
9	Motorized Power Stabilized 2000 Watt	PCs	96
10	Power Extensions	PCs	145
11	Generator Power Extensions Cables	Meter	350
12	A4 White Paper for printers	Ream	1500

Beside this, office equipment and furniture items were procured for the purpose of establishment of Family Response Units in Provinces.

Table 3.2

Sr No	Items	Unit	Kabul	Kundoz	Mazar	Herat	Jalalabad	Total
1	Office Desk	Two	6	6	4	4	2	22
2	Office Chair	Two	6	6	4	4	2	22
3	Cell Phone	One	3	3	2	2	1	11
4	Desktop Computer	Two	6	6	4	4	2	22
5	Printer	Two	6	6	4	4	2	22
6	Paper Shredder	One	3	3	2	2	1	11
7	Sofas	One	3	3	2	2	1	11
8	File Cabinets	Two	3	3	2	2	1	11
9	File Cabinets	Two	3	3	2	2	1	11
10	Digital Camera	One	2					2
11	Telephone		3	3	2	2	1	11
12	Memory Sticks 512 MB	Two	6	6	4	4	2	22
13	Video Projector		2					2
14	Video Camera		2					2
15	UPS (uninterrupted power supply)		6	6	4	4	2	22
16	Stabilizers	Two	6	6	4	4	2	22
17	Heater (Gas/Electric)		3	3	2	2	1	11
18	File Chart		3	3	2	2	1	11
19	Laptop Computer		2					2
20	Screen		2					2
21	Software Win XP		2					2

Priority 3: Construction and Rehabilitation of Police Facilities

The LOTFA Steering Committee has approved funding for the police sports facility in Kabul. The Request for Proposal has been sent to engineering companies to bid for undertaking the feasibility study.

Priority 4: Gender Mainstreaming (Selection, recruitment and training of police)

The resources requested in the revised project proposal are US $ 1,030,000 over two years to achieve the flowing outputs:

- Recruit 300 women into the Afghan National Police in 2 years.
- Establish a gender unit in the MOI within the recently established Human Rights Department.
- Create a gender statistical system for planning and evaluation purposes.
- Assist in replicating the pilot Family Response Unit already in existence in District 10, Kabul, and 5 FRUs in five provinces (regional centres).

Gender mainstreaming in policing is a strategy for creating a critical mass of equal and empowered policewomen in the Afghan National Police with a view to contributing to the security of women in their public and private lives, and to providing access to justice for female victims of violence in all its manifestations.

The first installment for Gender Mainstreaming of US $ 750,000 has been received by the trust fund from the Swiss Agency for Development and Cooperation (SDC) in the second quarter of 1385 FY. As an initial step, the recruitment of national and international staff took place for 4 positions (1 international and 3 national). Director Recruitment Campaign, Assistant Director Recruitment Campaign and Assistant Director Gender Mainstreaming have been recruited. The selection process of Implementation Director (international) is still in progress.

The latest MoI's headcount has shown that 232 women are currently employed as police personnel: 92 officers, 117 sergeants and 23 patrolwomen. During the reporting period, additional 19 female recruits have joined the police force and are undergoing training.

LOTFA provides incentive payments to female recruits under training:
11 sergeants in Baghlan province;
2 sergeants in National Police Academy, Kabul; and
6 officer cadets in National Police Academy, Kabul

In addition, 16 women are expected to be recruited at sergeant level in Badakshan and 17 in Ghore provinces.

The new FRU has been inaugurated in March 2007 at the Kabul Police Provincial HQs with financial support from LOTFA.

Priority 5: Institutional development

a) Management Support Unit

(i) Ministry of Finance

Following discussions with MoF, it was agreed to separate salary and food allowance related expenditure codes in budget allotments for 1386 FY.

(ii) Finance and Budget Department of MoI

In November 2006, LOTFA together with DynCorp conducted a three days workshop in financial, human resources and EPS procedures for 150 personnel from provincial police HQs.

Four national finance specialists were recruited to provide assistance to the MoI financial staff both in the centre and provinces in improving the system of budgeting, accounting, cash management, payment processing and address other issues of financial management. They will also provide on-the-job training on the financial, budgeting and accounting procedures as well as promote and improve computer literacy of the MoI staff. The first course in the basic computer knowledge has been delivered to fifteen staff members of the Budget and Finance Department of MoI.

(iii) Internet Connection for MoI

The new internet system in MoI with the capacity of 110 users is functional including the firewall protection. The contracted company NEDA and the Information and Communication Technology Department of the Ministry of Interior are responsible for its maintenance. LOTFA has fully funded the internet connection for 1385 FY.

In the meeting held on August 29th 2006, the LOTFA Steering Committee approved funding for the MoI website. The contract has been awarded to a local company to develop and host the website, as well as establish a mailing server, which would initially enable 100 MoI employees to use the official email facility, this will enable MoI employees in provision of timely information sharing and support effective communication. The website called http://moi.gov.af is currently under construction but still can be visited through the mentioned link.

b) Electronic Payroll System (EPS)

The Electronic Payroll System (EPS) is an important activity of the Support to Law & Order Project, which is supported by the Swiss Agency for Development and Cooperation (SDC). This activity will contribute to an efficient and transparent payroll system and reliable personnel data by improving timelines, efficiency and accountability of the National Police salary payment.

In order to achieve these objectives, Management Support Unit in UNDP has developed software which 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.

(i). Training

During the reporting period, 160 staff members from 65 MoI departments and Kabul police stations received training in EPS during seven training stations. Representatives from 14 provincial police HQs and ANCOP attended a 20 days training course, while members of MoI departments, Kabul police stations and Kabul district police stations received six days training.

In addition, a comprehensive two-day workshop was conducted for eight computer specialists contracted to facilitate generation of payroll reports in provinces. Another two-day workshop on operation and maintenance of EPS was held for 10 LOTFA national staff.

In addition, EPS operators are provided with on-the-job training during installation and updating missions. The training and technical support are also provided, on ad hoc basis, either in person or by phone. The development of EPS is to produce electronic payroll, this will expedite the process and prepare base for accountably and transparency. In order to operate the system and produce electronic payroll the training to MoI officers has been designed and conducted.

(ii) Installation

The system has already been successfully installed in 33 provinces. In addition, EPS has also been installed in 65 locations at MoI departments, Kabul police stations and police stations of Kabul province.

EPS implementation includes:

- Office equipment set up and software installation
- Upload of payroll information into computers (Data Entry Process)
- On-the-job training to EPS Operators
- Monthly payroll generation

(iii) Electronic Funds Transfer (EFT)

The process of paying police officers through EFT or Individual Salary Payments (ISP) system is a joint initiative of MoF, MoI, SCTC-A, MoI ID Cards Project, Da Afghanistan Bank, Kabul Bank and LOTFA.

The EPS team plays the leading role in EFT process at MoI. Its responsibilities include:

- Coordination of opening bank accounts for police officers through the following process:
- Preparing a list of police officers based on their police IDs that verifies their actual existence
- Preparing a soft copy of individual police personal information with photo and signature from ID Card Project.
- Transferring personal information of eligible police personnel to Kabul bank
- Screening of police personal data for monitoring purposes
- Computerization of payroll based on individual bank accounts, ID Card data and attendance reports.
- Preparation of all reports related to payroll, including Bank Transfer Reports
- Online Reporting to MoF on individual salary transfers after final approval of payroll by MoI.
- Timely updating all payroll station's computers based on the information received from the Bank and ID Cards Database.

This process supports effective administration, thus contributing to a timely payment of the MoI employees in a more transparent and accountable manner.

By the end of the1385 FY, 10,597 police officers received their salaries through EFT to their individual bank accounts. EFT has already being implemented in Kabul, Balkh, Herat and Nangarhar provinces. In addition, ANCOP police also received their salaries through EFT.

4. Implementation Issues

The implementation has proceeded relatively smooth so far; there are no major issues to block the implementation of the project related activities. Nevertheless, the following areas of concern have been identified:

- Although ten countries provided funding to LOTFA-Stage IV, the fund is still heavily dependant on the two major donors, namely the European Commission and the United States. LOTFA has secured sufficient funding to cover police remuneration in 1385 FY but still failed to maintain a constant funding "buffer" through the course of the year. This was caused to a large extent by the internal funding allocation procedures of the donor countries.

- Delays in implementing measures to improve the payment systems for police, which might undermine the reliability of the police force and potentially the achievement of the outcome. It is expected that the expansion of EFT, which has commenced this year, and utilization of EPS by MoI will bring visible improvements to the police payroll procedures.

- Insufficient ownership of the process by MoI, which threatens to undermine the sustainability of results and increase dependency of the national institution on external support. In particular, the project faced reluctance of the provincial police HQs to utilize EPS for generating police payroll. In addition, some of the police officers trained in EPS were relocated from their duty stations. Those factors resulted in MoI continue to manually process police payroll. Following the LOTFA request, MoI senior management sent orders to the provincial police requesting them to apply EPS to generate police payroll. Unfortunately, the majority of the provinces have not followed these directives.

- The security restrictions have adversely impacted the project ability to verify the adherence to proper payroll procedures at the districts level. LOTFA has commenced discussions with DynCorp and SCTC-A seeking their support in monitoring payment of police salaries. It is expected that assistance from the American police advisors based in provinces and mobile military teams might substantially expand the monitoring coverage both at the provincial and district levels.

5. Lessons Learnt and Next Steps

5.1. Lessons learnt

LOTFA has proven to be an efficient mechanism for accumulating donor contributions and channeling them to police. The Fund is strategically positioned to play a vital role in achieving benchmarks and targets promulgated both in ANDS and Afghanistan Compact. In particular, LOTFA is crucial for expediting implementation of police reform and addressing the issue of gender mainstreaming in the police force.

At this stage, the Government of Afghanistan does not have the ability to cover core remuneration costs for ANP from its revenue sources. Therefore, the continuous, increased donor funding of police through LOTFA is a vital element in ensuring the continued operation of national police. Insufficient donor funding support might make it difficult to achieve LOTFA objectives, outputs and outcomes as delineated in the project document.

The financial situation can be exacerbated by additional funding requirements caused by the raise in the number of policemen from 62,000 to 82,000 accompanied by the proposed salary increase for police.

The reluctance at the provincial level to utilize EPS has imposed a serious impediment to both improvement in payroll procedures and better accountability and transparency of payment of police salaries. MoI senior management needs to undertake further steps to ensure proper utilization of EPS at the provincial level and reporting to the centre.

5.2. Recommendations

LOTFA needs to continue collaborating with all other stakeholders involved in organizational restructuring, pay and rank reform, provision of physical infrastructure, capacity building and decision-making processes at MoI.

The project team should focus on ensuring that national counterparts' ownership of project outcomes/outputs is further enhanced.

Additional donors' commitment should be sought to meet an increased funding requirement for police remuneration in 1386 FY.

6. *Financial Status and Utilisation*

Financial Status

Table 6.1: Contribution Overview [1 April – 31 March]

Donor	Contributions		Contribution Balance
	Committed	Received	
Australia		1,550,387	1,550,387
Canada		4,310,345	4,310,345
European Commission	7,905,138	31,620,553	39,525,692
Finland		82,111	782,111
Germany		6,587,615	6,587,615
Japan		6,000,000	6,000,000
Netherlands		12,611,712	12,611,712
Switzerland	280,000	750,000	1,030,000
United Kingdom		5,260,955	5,260,955
United States		40,000,000	40,000,000
Total	8,185,138	109,473,678	117,658,816

Table 6.2: Funding Status

Donor	Opening Balance	Received	Total	Expenditure	Project Balance	Earmarked
Australia	-	1,550,387	1,550,387	1,550,387	-	Priority 1
Canada	-	4,310,345	4,310,345	4,310,345	-	Priority 1
European Commission	490,513	31,620,553	32,111,066	24,190,908	7,920,158	Non-earmarked
Finland	146,885	782,111	928,996	33,063	895,933	Non-earmarked
Germany	-	6,587,615	6,587,615	6,587,615	-	Priority 1
Japan	-	6,000,000	6,000,000	6,000,000	-	Priority 1
Netherlands	-	12,611,712	12,611,712	12,611,712	-	Priority 1
Norway	468,022	-	468,022	187,828	280,194	Priority 3
Switzerland	968,485	750,000	1,953,680	524,680	1,429,000	Priority 4 Priority 5
United Kingdom	-	5,260,955	5,263,303	5,263,303	-	Priority 1
United States	9,369,767	40,000,000	49,369,767	38,834,218	10,535,549	Priority 1
Grand Total	11,443,671	109,473,678	121,154,893	100,094,059	21,060,833	

Financial Utilisation

Table 6.3: Annual Expenditure by Activity [1 April – 31 March]

Activity	Budget	Expenditure	Balance	Delivery Rate
ACTIVITY01: Police Remuneration	112,702,149	96,000,000	16,702,149	85.18%
ACTIVITY03: Construction	738,034	207,557	530,477	28.12%
ACTIVITY04: Gender Mainstreaming	727,500	7,883	719,617	1.08%
ACTIVITY05: Project Staff and Support	2,207,620	413,765	1,793,855	18.74%
ACTIVITY06: Payroll Computerization	1,167,570	501,515	666,055	42.95%
ACTIVITY07: Audit Evaluation	66,855	1,940	64,915	2.90%
GMS	3,545,164	2,961,399	583,765	82.71%
Total	121,154,892	100,094,059	21,060,833	82.62%

Table 6.4: Annual Expenditure by Donor [1 April – 31 March]

Donors	Activity	Budget (Year)	Expenditures	Balance	Delivery Rate
Finland	ACTIVITY03	81,366	-	81,366	0.00%
	ACTIVITY05	820,572	32,100	788,472	3.91%
	GMS	27,058	963	26,095	3.56%
Sub Total Finland		928,996	33,063	895,933	3.56%
Germany	ACTIVITY01	6,395,743	6,395,743	-	100.00%
	GMS	191,872	191,872	0	100.00%
Sub Total Germany		6,587,615	6,587,615	0	100.00%
Netherlands	ACTIVITY01	12,244,380	12,244,380	-	100.00%
	GMS	367,331	367,331	0	100.00%
Sub Total Netherland		12,611,712	12,611,712	0	100.00%
Norway	ACTIVITY03	454,678	182,357	272,321	40.11%
	GMS	13,343	5,471	7,873	41.00%
Sub Total Norway		468,022	187,828	280,194	40.13%
UK	ACTIVITY01	5,105,404	5,105,404	(0)	100.00%
	GMS	157,899	157,899	(0)	100.00%
Sub Total UK		5,263,303	5,263,303	(0)	100.00%
USA	ACTIVITY01	46,544,764	37,321,463	9,223,301	80.18%
	ACTIVITY05	1,387,048	381,665	1,005,383	27.52%
	GMS	1,437,955	1,131,090	306,865	78.66%

Sub Total USA		49,369,767	38,834,218	10,535,549	78.66%
EC	ACTIVITY01	30,906,947	23,459,179	7,447,768	75.90%
	ACTIVITY03	201,990	25,200	176,790	12.48%
	ACTIVITY07	66,855	1,940	64,915	2.90%
	GMS	935,274	704,589	230,685	75.34%
Sub Total EC		32,111,066	24,190,908	7,920,158	75.34%
Japan	ACTIVITY01	5,820,000	5,820,000	-	100.00%
	GMS	180,000	180,000	-	100.00%
Sub Total Japan		6,000,000	6,000,000	-	100.00%
SDC	ACTIVITY04	727,500	7,883	719,617	1.08%
	ACTIVITY06	1,167,577	501,515	666,055	53.97%
	GMS	58,610	15,282	43,328	27.39%
Sub Total SDC		1,953,680	524,850	1,429,000	30.54%
Australia	ACTIVITY01	1,503,876	1,503,876	-	100.00%
	GMS	46,512	46,512	-	100.00%
Sub Total Australia		1,550,388	1,550,388	-	100.00%
Canada	ACTIVITY01	4,181,035	4,181,035	-	100.00%
	GMS	129,310	129,310	-	100.00%
Sub Total Canada		4,310,345	4,310,345	-	100.00%
Total		121,154,894	100,094,060	21,060,834	82.62%