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### *Acronyms*

<b>AFMIS</b>	Afghanistan Financial Management Information System
<b>ARTF</b>	Afghanistan Reconstruction Trust Fund
<b>BPET</b>	Budget Planning and Expenditure Tracking
<b>CBE</b>	Community-Based Education
<b>DAB</b>	Da Afghanistan Bank
<b>DFID</b>	Department for International Development (UK aid agency)
<b>EMIS</b>	Education Management Information System
<b>GDP</b>	Gross Domestic Product
<b>IARCSC</b>	Afghanistan's Independent Administrative Reform and Civil Service Commission
<b>MoE</b>	Ministry of Education
<b>MoF</b>	Ministry of Finance
<b>NESP</b>	National Education Sector Plan
<b>NGO</b>	Non-Governmental Organisation
<b>PACE-A</b>	Partnership Advancing Community-Based Education Afghanistan
<b>PED</b>	Provincial Education Directorate
<b>PER</b>	Public Expenditure Review
<b>PFM</b>	Public Financial Management
<b>P&amp;G</b>	Pay and Grade
<b>SEPAP</b>	Second Emergency Public Administration Reform Project
<b>SMS</b>	Short Message Service
<b>TA</b>	Technical Assistance
<b>TMS</b>	Teacher Management System
<b>TVET</b>	Technical and Vocational Education and Training
<b>USAID</b>	United States Agency for International Development



## 1 Introduction

This case study, which was undertaken as a desk-based rapid review of recent publicly available English-language literature (academic and grey), provides an overview of the teacher remuneration system in Afghanistan, with particular attention paid to the institutional systems, or 'cogs', which work together to enable teachers to be paid adequately and on time. The case study is meant to give a clear understanding of how such a system actually works (or is prevented from working) in a unique country context and is framed by the issues discussed in the larger policy paper (Dolan et al., 2012), which examines teacher remuneration in countries that are affected by fragility and/or conflict and provides potential solutions to address the challenges that governments and donors face in developing and implementing an effective system. The case study was completed during the first half of 2011, so any developments that have taken place or been documented since then have not been referenced.

### 1.1 Critical cogs of an effective teacher salary system

Strong financial and information management systems and resources are critical cogs for the building of an effective teacher remuneration system (Goldsmith, 2010). Where such cogs are not in place, governments struggle to meet the demands of teacher salaries. The financial resources necessary for the proper functioning of these cogs include the national government, communities and donors. The important elements of each of these systems are described in Table 1 below.

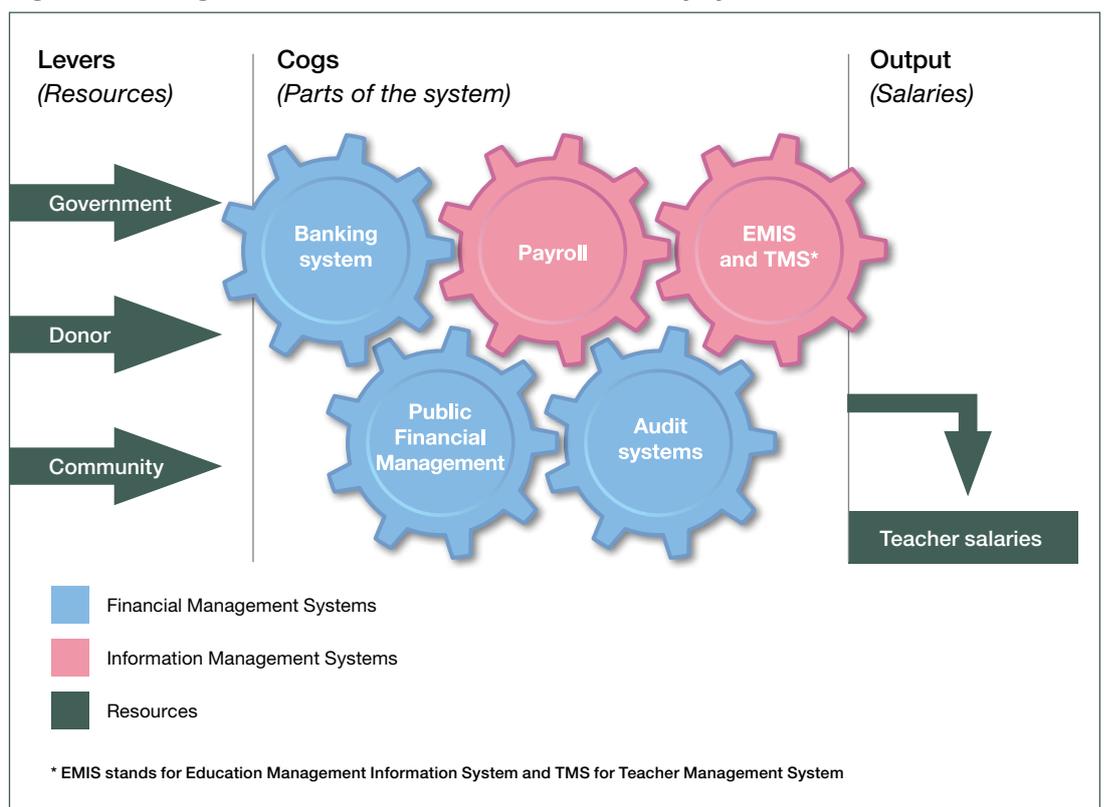
Table 1: Summary description of the parts of an effective teacher salary system	
Components	Purpose
<b>Financial management systems</b>	
<b>Banking system</b>	Provides reliable records and is relatively safe (i.e. less leakage than cash delivery) so is preferred mechanism for distributing teacher salaries
<b>Public Financial Management (PFM) system</b>	Helps to make public financial transactions transparent and accountable, reduces leakages and ensures that money is used for its intended purpose
<b>Auditing systems</b>	Help to strengthen PFM; internal and external auditing are important for tracking public expenditures
<b>Information management systems</b>	
<b>Education Management Information System/ Teacher Management System (EMIS/TMS)</b>	Collects and disseminates information necessary to ensure the efficient and effective practice of paying teacher salaries, i.e. information on teacher qualifications, years teaching, days present/absent, etc.
<b>Payroll</b>	Records names and numbers of teachers, salary and other important information for salary payment



Table 1: Summary description of the parts of an effective teacher salary system	
Components	Purpose
<b>Resources/Funding</b>	
<b>Government</b>	Ideally the primary source of funding for salaries, but often weakened/compromised in FCAS
<b>Community</b>	Can provide cash/in-kind contributions to teacher salaries
<b>Donors</b>	Play a significant role in providing funding and/or technical support for teacher salaries

Figure 1 illustrates the interdependent relationship between each of these cogs:

**Figure 1: The cogs and levers of an effective teacher salary system**



Of course, it is important to understand that each of the cogs above do not operate within a vacuum, but are very much impacted by external factors unique to the country within which they operate. The following sections will therefore discuss the background and development of the Afghanistan teacher remuneration system and will provide an assessment of the current system by analysing each of the critical cogs defined above.



While Afghanistan has established policies and practices to help support teacher salaries over the past several years, a number of barriers prevent the development of a fully efficient and effective compensation system. This case study will examine the status of various ‘cogs’ that are necessary in teacher compensation systems and identify challenges the Ministry of Education has faced in planning and implementing such a system. Chapter 2 will set the context through a brief discussion of Afghanistan’s education system and teacher salaries. Chapter 3 will provide an overview of Afghanistan’s teacher compensation system, with an analysis of the five cogs that ensure its proper functioning. Chapter 4 will identify four challenges involved in implementing an effective compensation system and discuss various interventions that have been put in place to solve these challenges. The paper will conclude with a brief discussion regarding the role of donors in addition to possibilities for future interventions.



## 2 The context of Afghanistan

### 2.1 Background

The education system in Afghanistan has greatly expanded since the fall of the Taliban in 2001. To accommodate the large increase in primary school enrolment (growing from 1.1 million in 2001 to over 6 million in 2010), large numbers of teachers were recruited and hired, increasing the total national teaching force to 114,000 in 2010 from an estimated 11,708 in 2001 (Venner, 2010; Afghanistan MoE, 2010; UNESCO, 2011; Kirk, 2008). Although Afghanistan's student to teacher ratio is comparable to ratios in nearby countries (43:1, versus 41:1 in Pakistan and 44:1 in Bangladesh), variations by province reveal significant inequality in teacher placement (UNESCO, 2011). The Afghan Ministry of Education (MoE) reports that student to teacher ratios are between 30 and 50:1 in 25 out of the 34 Afghan provinces, but range from 21:1 (Nuristan) at the lowest to 70:1 (Helmand) at the highest (Venner, 2010).

### 2.2 History of teacher salaries in Afghanistan

Teacher salaries in Afghanistan are relatively low compared with other countries in the region, particularly given the proportion of the operational budget (90 per cent) and of the combined operational, development and external budgets (49 per cent) reserved completely for salaries (Venner, 2010). In addition, more than 80 per cent of the core budget is allocated to operating expenditures, specifically teacher salaries (Afghanistan MoE, 2011). Teacher salaries fall under the civil servant salary scale, which was inherited from the pre-Taliban era and until pay and grade reforms were initiated in 2007, did not include performance incentives and emphasised seniority rather than competence and qualification for pay and grade increases (Venner, 2010; World Bank, 2010). Salaries were quite low and ranged from US\$25 per month for beginning teachers with the least number of years in the classroom up to US\$65 for those with the most (Venner, 2010). The World Bank notes that because these compressed salaries remained unchanged throughout the conflict years, the government arranged a complex system of allowances – including food allowances, regional allowances, hazard pay, and special pay for female teachers – that increased overall salaries to an estimated average of US\$75 per month (Venner, 2010; World Bank, 2010).<sup>1</sup>

In an effort to curb corruption and boost the reputation of teachers and other civil servants, a new nationwide civil servant salary scale was approved in 2007 by the Afghanistan Cabinet (World Bank, 2010). The new scale simplifies the grading scale, moving from a 12 grade to an 8 grade system and places greater emphasis on competence and qualification rather than on years of experience. The new scale reportedly ranges from US\$100 to \$650 a month, although other sources note that the salary scale excluding MoE administration staff and unique to teachers ranges from US\$120 to US\$428 a month (Arnoldy, 2009; World Bank, 2010). A variety of multilateral and bilateral donors – including the World Bank, USAID and DFID among others – have provided support to this Pay and Grade (P&G) reform, which has been housed under Afghanistan's Independent Administrative Reform and Civil Service Commission (IARCSC) as a part of the World Bank's Second Emergency Public Administration Reform Project (SEPAP) (World Bank, 2011). As a part of the implementation process and to monitor the quality of the teaching force, a competency test was administered in 2009 to 42,000 teachers to establish their place on the scale (Arnoldy, 2009). Additional testing has encountered difficulties, including opposition from teachers who are afraid of losing their pay grade under the old pay scale, as well as technical difficulties in scheduling, administering and grading additional tests. As a result, the transition process to the new pay scale has been quite slow (Venner, 2010).

<sup>1</sup> This estimated average includes the wages of administrative MoE staff as well as teaching staff (Venner, 2010).



### 3 The teacher salary payment system in Afghanistan

This section will provide a brief overview of Afghanistan's teacher payment system, including a discussion of the various categories of teachers, the general framework of the flow of salary funds from donors to government to teachers, and an analysis of the building blocks that comprise it.

#### 3.1 Overview of the current system

##### 3.1.1 Teacher categories in Afghanistan

Often, a teacher's title or contract significantly impacts his or her position in the pay scale or whether he or she is paid at all. In Afghanistan, teachers are distinguished primarily as either nationally registered teachers or community-based education (CBE) teachers. Recent efforts have been made to transition CBE teachers from being paid primarily by non-governmental organisations (NGOs), external donors or communities (or in some cases not being paid at all) to being registered and paid under the national pay scale, although the transition process has been quite slow.<sup>2</sup> Nationally registered teachers are employed as civil servants, are on the national payroll with full benefits and are further designated according to the type of school in which they teach: General Education, Islamic Education, Teacher Training and Technical and Vocational Education and Training (TVET). In some communities, the MoE also employs contract teachers, called Agir teachers, who do not meet the minimum qualifications for nationally registered teachers, but are deemed alternatively qualified for a variety of reasons, including being nominated by their communities to teach. In cases where the Agir teachers do not receive compensation through the government, they are instead paid directly by their communities through fees or through in-kind donations, or by local or international NGOs. Although the MoE is moving to make qualification and competence a factor in position on the pay scale (which is not yet widely implemented), the old system only emphasises years spent teaching. Table 2 below provides an illustration of the different types of teachers (Venner, 2010). Note that Agir teachers can fall under either category ('paid by government' and 'paid by NGOs, communities or donors'):

	General education	Islamic education	Teacher training	TVET	Agir
Paid by government					
Paid by NGOs, communities or donors	CBE teachers	Agir			

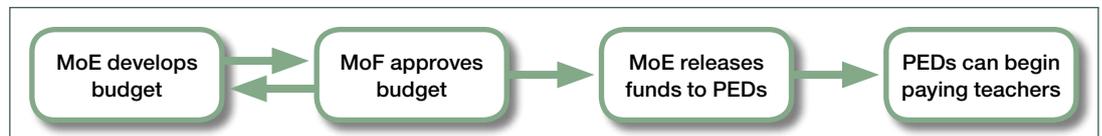
<sup>2</sup> USAID's PACE-A programme, which is the largest non-government programme that works with community-based education, has been completely transitioned to the government, although recent reports state that the Ministry of Finance has not yet begun the process to transition teachers to the government payroll system (Interview with Malcom Phelps, Senior Education Advisor, Office of Afghanistan and Pakistan Affairs, USAID, January 2011).



### 3.2 Budget process and flow of funds

The budget for teacher salaries (i.e. operational budget) is developed on an annual basis through the MoE budgeting office, which analyses teacher registration, qualification and new hiring needs to determine allocation requirements. Once the budget is complete, the MoE submits it to the Ministry of Finance (MoF) for review, which often cuts various expenditures and returns it to the MoE for resubmission. This process may be repeated several times. Once the MoF approves the final budget, the MoE releases the funds to the Provincial Education Directorate (PED), or the local education authority, which can then begin to pay teacher salaries (Venner, 2010). This path is illustrated in Figure 2 below.

**Figure 2: Budget development process**

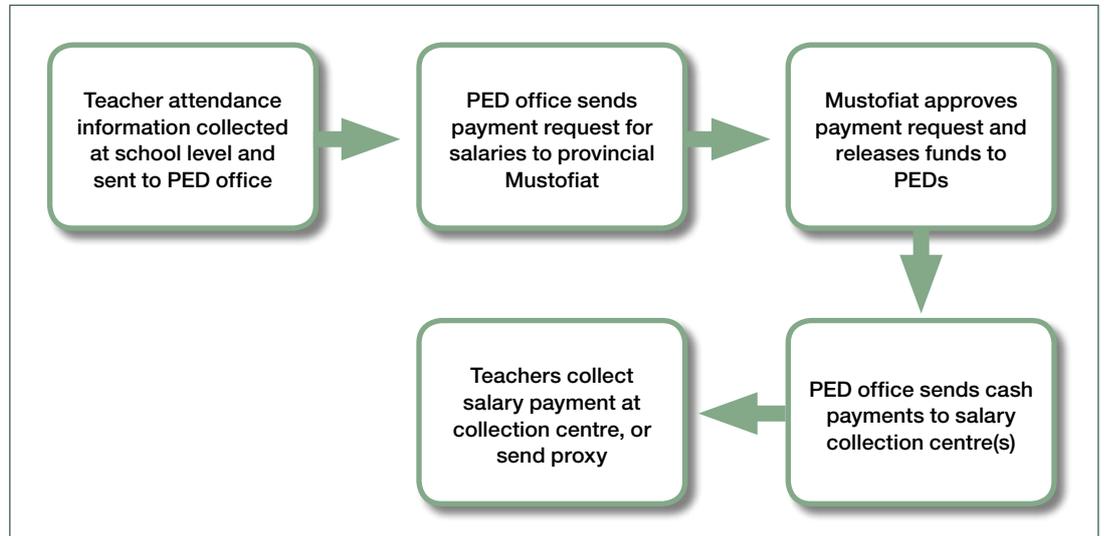


The process of distributing salaries is also complex. Delays in salary payments are encountered at the local as well as the central level. School level attendance reports are collected and sent to PEDs, who then send payment requests to provincial Mustofiat – MoF agents – whose approval is required for all salary payments. Once the Mustofiat approve the payment request, they release the appropriate funds to the PEDs, who are then able to disburse salaries to teachers. This process can take some time – up to several months, since salary information must travel from the school to the PED office to the Mustofiat and then back to the PED office, and as a result teacher salaries are not always disbursed in a timely manner (Venner, 2010).

Once a month, teachers are required to travel to a central location within the province to collect their salaries, where their ID is confirmed before witnesses and they are paid in cash. Teachers in rural areas who are not able to collect their salaries in person are allowed to send proxies in their stead, or they can collect several months of payment at one time. This system is notorious for providing incentives for corruption – proxies often extract a travel or hazard fee and teachers typically do not receive their full salary. In some cases – mostly in Kabul and urban centres – teachers are paid directly through national banks and the MoE estimates that 21 per cent of its employees currently receive their salaries through the banking system (Afghanistan Ministry of Education, 2011). The MoE has expressed intentions to establish bank-payment as the primary form of salary disbursement in the future, although a current lack of banking branches in rural and insecure regions has made this process difficult (Venner, 2010). This process is also illustrated in Figure 3.

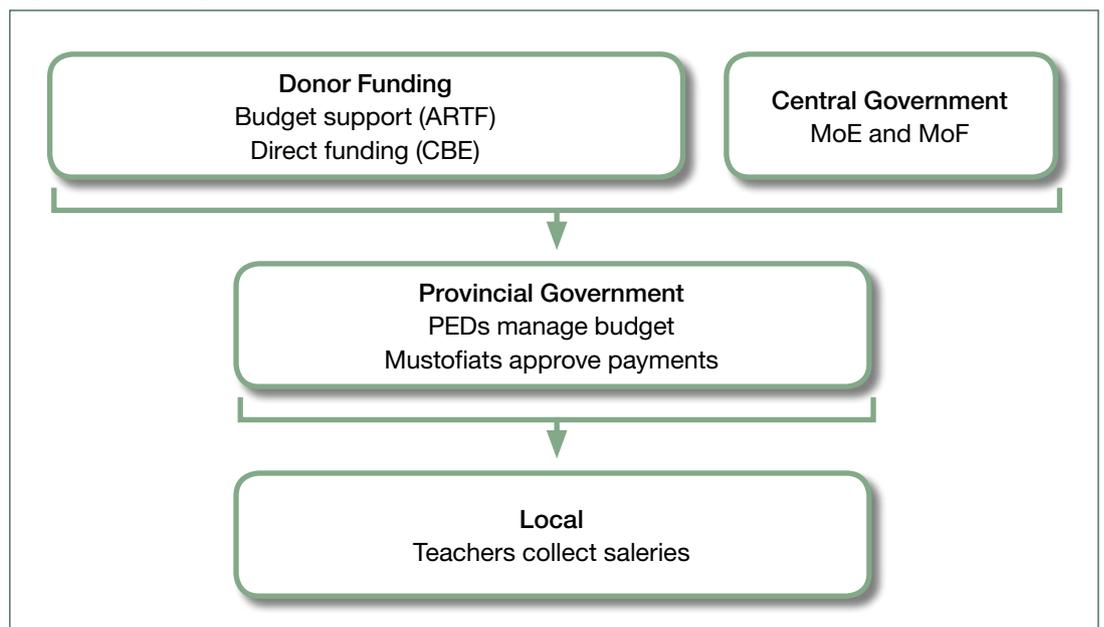


Figure 3: Teacher salary payment process



Tracing the flow of funds for salary payments can be a complex process. Because the government has trouble raising revenue to cover the costs of civil servant salaries, external donors are reported to pay – directly or indirectly – up to 70 per cent of all teacher salaries in Afghanistan.<sup>3</sup> The majority of donor contributions fall under the World Bank-administered Afghanistan Reconstruction Trust Fund (ARTF), which provides 55 per cent of the MoE’s annual operational budget (Venner, 2010). To a lesser extent external donors also contribute to teacher salaries indirectly, typically through CBE initiatives.<sup>4</sup> The process is further illustrated in Figure 4, below:

Figure 4: Funding flow



<sup>3</sup> Interview with Malcom Phelps, Senior Education Advisor, Office of Afghanistan and Pakistan Affairs, USAID, June 2011.

<sup>4</sup> The Partnership Advancing Community-Based Education Afghanistan (PACE-A) is one of the more well-known examples of CBE initiatives.



### 3.3 Afghanistan teacher compensation system cogs

#### 3.3.1 Public Financial Management

Afghanistan's Public Financial Management (PFM) has improved significantly since the PFM review in 2005 (World Bank, 2010). The role of PEDs in budget management and administration has been enhanced and the MoE has improved its donor coordination system to align the external budget with the priorities under the National Education Sector Plan (NESP). There has also been an effort to improve the quality of education, through better teacher qualifications and training (Venner, 2010).

A Public Expenditure Review (PER) was released in 2010 by DIFD and the World Bank (Venner, 2010). Its main findings are summarised below:

- The rapid expansion in enrolment has increased pressures on government finance and created greater donor dependence.
- Following the 2005 PFM review, the MoE has made significant progress, creating the NESP and devolving authority over some areas to the PEDs.
- Challenges to development include a shortage of competent and qualified teachers, a lack of human and financial resources and capacity, poor infrastructure and insecurity.
- PFM reform has been implemented, although outcomes are still uncertain.
- Education expenditures have increased in absolute value, but have decreased as a share of Gross Domestic Product (GDP).
- The MoE's 'reform direction' is fully supported by the PER.

A computerised PFM system called the Budget Planning and Expenditure Tracking Database (BPET) was initiated in 2009 in an effort to monitor MoE expenditures (Venner, 2010). Not all provinces have access to this database however, and actual use is fairly low. A separate tracking database is used through the MoF to monitor expenditures relating to salaries. The Afghanistan Financial Management Information System (AFMIS) is used by 16 of the 34 Mustofiat and the rest use manual ledgers which they submit to the centre and are often one to two months behind real time (Venner, 2010).

The core operational budget and most financial management functions are developed and performed internally. However, the Afghanistan MoE uses external Technical Assistance (TA) to manage and implement the development budget, provide specialised knowledge and institutional capacity and to assist with the decentralisation of service delivery and program management to the PEDs. Development projects are for the most part implemented by external parties who also provide all of the funding (Venner, 2010).

Blockages within the PFM have significant impacts on other payment system cogs. For example, the laborious and inefficient budget approval and implementation process interferes with the ability of the PEDs to manage payroll. Unreliable and inconsistent use of the digital PFM system can also interfere with the PEDs' ability to adequately manage teacher information or interface with the nation's EMIS.



### 3.3.2 Audit system

The Control and Audit Office is tasked with conducting audits of the central government's financial and budgetary issues, although the MoE also has an internal auditing office that is tasked with managing more detailed audits within the education system (SIGAR, 2010; Venner, 2010). The MoE auditing office was established in 2008 and places an auditor in each province to handle specific provincial tasks and report to the central MoE office (Venner, 2010). Initiatives that are currently covered under the audit office include financial management, procurement, administration of development and operational budgets. The office intends to undertake programme policy, management and performance in the future.

Corruption has been a significant problem with the Afghanistan audit system and has had widespread implications for other compensation system cogs.<sup>5</sup> Money transferred through the banking system disappears due to 'lost' or delayed paperwork, for example. Some Mustofiaty involved in the PFM system will only complete a certain number of transactions a day unless otherwise persuaded through the payment of bribes (Venner, 2010).

### 3.3.3 Banking system

Afghanistan's commercial banking system is highly centralised. The Da Afghanistan Bank (DAB) is the state-owned and operated primary institution that is authorised to register, regulate and monitor commercial banks (Pavlovic & Charap, 2009). DAB registers both state-owned and privately run banks, which are typically operated from Kabul with branches in other provinces. As of 2008, Afghanistan listed 15 licensed banks with 183 branches in 20 out of 34 provinces (Pavlovic & Charap, 2009). The banks have had trouble extending their services into provinces because of security issues, which has left a significant percentage of the population without access to any form of formal banking system.

A post-Taliban-era mistrust of the banking system still lingers in many parts of the country. This mistrust is marked by the ongoing use of the traditional Hawala money exchange system, which functions essentially as an informal network of agents (Hawaladiran) that transfer and receive money (Pavlovic & Charap, 2009). Hawala is perceived as being faster, more creditable, more trustworthy and more adaptive to local circumstances than the formal banking system, since it requires limited paperwork and does not require the use of bribes to enact financial transactions (Pavlovic & Charap, 2009). Hawala has a long historical presence in Afghanistan – some experts estimate that the practice of Hawala has been in place in Kabul for over 80 years (Maimbo, 2003). The lack of a formal banking presence in insecure regions also encourages the ongoing use of the informal Hawala system and indeed many experts have accused the Hawaladiran in aiding with the financial transactions of illicit actors in these regions (Maimbo, 2003).

An alternative and quickly growing sector of the informal banking system is M-Paisa, the Afghan form of the popular Kenyan M-Pesa that provides access to financial services to millions of 'unbanked' people through the use of mobile phones. M-Paisa is a software platform run through the mobile phone network that allows users to safely transfer or cash money, add airtime on their phones or use in stores and restaurants to buy food, other material goods and in some cases even airplane tickets (Munford, 2010). Afghanistan's mobile network penetration is 85 per cent and given the increasing access to mobile technology, M-Paisa represents a viable innovation in banking system reform for the future (Shah, 2011).

As discussed above, under the new salary scale banks are intended to be the primary method for distributing teacher salaries, although this is only the case for a small percentage of teachers, mainly those in urban centres such as Kabul (Venner, 2010).<sup>6</sup> The MoE estimates that 21 per cent of its employees are currently paid this way (Afghanistan MOE, 2011).

<sup>5</sup> The issue of corruption is one of the most significant cross-cutting challenges to achieving an effective teacher compensation system and will be discussed in greater depth in a later section.

<sup>6</sup> Interview with Zahir Khoja, Executive Director for M-Paisa, Roshan, June 2011.



The process of transferring funds from central government to civil servant is similar in other civil service sectors. Those in urban centres are paid in cash or through the formal banking system and rural civil servants are paid in cash. Some sectors are experimenting with payment of salary through the M-Paisa platform, which holds particular promise for regions that are outside of the formal bank system. M-Paisa registers each individual under its payment system and issues them an ID card. Once a pay period, they are sent a short message service (SMS) as notification that their payment is available, after which they can go to a registered store, show their SMS and ID card and are given cash. Parts of the police force in several different provinces receive their salaries through mobile phone transfer, and pilot projects in other ministries are currently under way.<sup>7</sup>

Blockages in the banking system have implications mainly for the ability of the payroll to be processed smoothly, particularly for teachers who receive their salary through bank transfers. The lack of an established banking system in every province for example, makes it difficult for payroll institutions to provide consistent services, since they are required to manage multiple methods of salary disbursement.

### **3.3.4 Education Management Information System (EMIS)/Teacher Management System (TMS)**

Afghanistan's EMIS was developed after the fall of the Taliban with external financial and technical support, mostly from UNICEF and the World Bank (MoE, 2010). The first data was collected in 2005 primarily by external agents with the assistance of the MoE. Data is now collected on an annual basis directly by the MoE and its EMIS agents at the provincial level through field surveys and is analysed, published and made publicly available through the MoE website. Although it is centrally managed, the EMIS also requires participation in the process of data collection at the provincial and local level. Information collected on individual teachers includes gender, category (General Education, Islamic Education, Teacher Training, TVET and most recently Community Based Education), and qualification levels (MoE, 2010).

The procedure for data collection is fairly simple. After the survey questionnaire has been developed and approved (most surveys are based on those implemented the previous year), EMIS agents at the provincial level are assigned a number of schools to visit. After training the principal or headteacher in completing the survey, the agents oversee the survey administration process, then move on to the next assigned school. An overseer is tasked with visiting the EMIS local agent once a week to ensure that they are administering surveys to their assigned schools appropriately and in a timely manner. Once the survey administration phase is complete, the surveys are collected and analysed, and the information is used to inform education policies as well as the operating and development budget for the following year.

A separate system is conducted more frequently and collects information for teacher payrolls which is then submitted through local Mustofiat to the AFMIS for payment (Venner, 2010). Afghanistan's EMIS is not currently linked to payroll data. Teacher employment files are stored manually, although this will probably change as the MoE intends to digitise most of its functions in the future (Venner, 2010).

<sup>7</sup> Interview with Zahir Khoja, Executive Director for M-Paisa, Roshan, June 2011.



With technical assistance from external agents, the Afghanistan MoE has been largely successful in administering and managing its EMIS and teacher management systems. The most significant challenge involves collecting accurate data from insecure regions of the country, a task which the MoE has not yet been able to accomplish. Lack of information has significant implications for other compensation system building blocks. Without information regarding the number and qualification levels of teachers, numbers of students, condition of facilities, and so forth, the MoE cannot accurately manage provincial budgets, register teachers for payroll or transfer salaries through the banking system.

### **3.3.5 Payroll**

Both the MoE and the MoF are responsible for tracking and maintaining the payroll for civil servants employed by the MoE. Payroll is centrally managed, although local schools are responsible for submitting the appropriate records to their provincial Mustofiat to ensure that compensation is disbursed in a timely manner. In 2006, the MoE conducted a nationwide audit of active teachers and registered them with the MoF payroll system (Venner, 2010). Registered teachers include all teachers who are actively teaching in General Education, Islamic Education, Teacher Training and TVET, regardless of qualification status. Recently, Community Based Education teachers were also added to the national payroll system (IIEP, 2011).

Pay scales currently recognise years of service rather than competence or level of responsibility, although efforts are in place to change this (Venner, 2010). Provincial Mustofiat are charged with preparing payroll lists and payment orders to be submitted to the central MoF office, although, since the AFMIS database is unavailable during certain months and since many Mustofiat do not even have access to AFMIS but must submit payroll lists manually, salary disbursement is often delayed.

Blockages in payroll primarily impact the PFM system. The process by which teachers are registered in the payroll system is time-consuming and can delay the payment of teacher salaries. In addition, the AFMIS database is not currently linked to the PFM database, in part due to the significant number of Mustofiat who do not have access to AFMIS. A lack of communication between the two expenditure tracking systems results in duplication or differences in information, including the number of teachers on payroll, placement of teachers on the pay scale, etc.



### 3.3.6 Resources/funding

In 2008/2009, external aid amounted to 47 per cent of Afghanistan's GDP and around 90 per cent of the nation's budget was donor-financed in 2010 (World Bank, 2010). The ARTF was established to help rebuild and develop Afghanistan and a portion of this trust fund has paid government salaries directly (Scanteam, 2008). The MoE's core operating budget – from which the majority of education staff salaries are paid – is financed in part by external support, including the ARTF (55 per cent), the World Bank (18 per cent) and Denmark (11 per cent) (Venner, 2010); Afghanistan finances around 16 per cent. Around 41,000 teachers and additional MoE staff are financed strictly through the ARTF.<sup>8</sup> Until recently, external donors paid CBE teachers' salaries in full because they were not officially recognised by the MoE. CBE teacher status has changed however, thanks largely to efforts by Partnership Advancing Community-Based Education Afghanistan (PACE-A), which lobbied for the inclusion of CBE teachers on the national payroll (Venner, 2010). This process is still ongoing, although PACE-A has been formally transferred from USAID to the MoE (USAID, 2010).

Since external donors play such a significant role in the provision of financial resources, blockages in this area have widespread implications for other compensation system building blocks. For example, lack of accurate information regarding how and to what extent teacher salaries are paid by external donors can lead to duplicate payments as well as challenges in registering the appropriate teachers in the national payroll system. Sustainability is also an issue; 90 per cent of the education budget is provided by external donors, which could compromise the effectiveness and sustainability of all other programmes and services if this funding were not available in the future.

<sup>8</sup> Interview with Malcom Phelps, Senior Education Advisor, Office of Afghanistan and Pakistan Affairs, USAID, January 2011.



## 4 Key challenges

While Afghanistan's teacher payment system has improved significantly since 2001, it continues to be hampered by weak human and physical infrastructure, capacity development, governance, and financial and physical security. While the payment system is functional, blockages at various phases prevent it from being fully effective. This section identifies existing key challenges that currently prevent Afghanistan from achieving a robust and efficient teacher compensation system. These challenges include provincial insecurity, weak infrastructure and management, corruption and insufficient financial resources.

### 4.1 Corruption

Corruption is one of the most significant barriers to achieving an efficient and effective teacher compensation system in Afghanistan. This act of abusing public position for private gain has been cited as one of the key factors impacting donor engagement in fragile and conflict affected states. Particular challenges and effects on the compensation system include:

- **'Ghost' teachers**  
 'Ghost' teachers are teachers who are on the payroll but who are not actually teaching. They occur more often when teacher registration and ID information is not regularly updated, or when individuals in relative positions of authority (headteachers, principals, police officers, etc) falsify registration information and collect salaries on behalf of former or current employees. In 2008/2009 the MoE re-registered teachers on its payroll and found and removed an estimated 5,000 ghost teachers (Venner, 2010).
- **Proxy concessions**  
 Corruption may exist at the local level in the form of extensive travel fees or concessions for teachers who use a proxy to collect their salaries (Venner, 2010). Although the payment of some form of travel fee is understandable, particularly given the insecure regions through which proxies must travel, corruption occurs when such commissions become much larger than the actual cost of travel, or if the MoE already provides proxies with travelling or hazard money.
- **Bribes for paperwork**  
 Corruption is also a problem at the provincial and the central levels, where officials have been accused of demanding bribes for very basic services (SIGAR, 2009). Teachers reportedly often have to pay bribes to officials for various items including payment system registration, obtaining an ID card, and certificates for qualifications, all of which they are entitled to.

#### 4.1.1 Interventions to combat corruption

Although a commission was established in 2010 with the intent to plan and implement initiatives designed to stop corruption, and a High Office for Oversight is tasked to ensure that ministries are actively eradicating corruption, these efforts have not yet achieved tangible results (Clarke et al., 2011; Leonardo & Robertson, 2009). Other actions to combat corruption unique to the MoE include increasing the teacher salary scale in part as an attempt to remove the incentive for bribery for public services. Unfortunately this action has not been met with the desired effect: Transparency International found that in fact Afghan citizens pay bribes at twice the level they were two years before (Clarke et al., 2011).



Because it has been associated with the loss of financial resources, the problem of corruption attracts external donors and organisations who are particularly interested in implementing initiatives to tackle it. A few of these – for example, establishing an anti-corruption commission in 2010 and building the capacity of the High Office for Oversight – are high-level initiatives that are intended to help solve corruption on a broad, national level. Other innovations have been implemented at the local and provincial level in an attempt to solve corruption from the bottom up. Using the mobile money transfer platform M-Paisa in place of a banking system and as an alternative civil servant payment system is one example. M-Paisa has had a great deal of success in combating corruption at the salary disbursement level in other sectors and a pilot project for teachers is currently under way.

## 4.2 Provincial insecurity

Provincial insecurity is one of the biggest challenges Afghanistan faces in establishing an efficient teacher compensation system. Attacks on schools by insurgents and criminal activity have been well documented and have resulted in large numbers of out-of-school children as well as teacher absenteeism (O'Malley, 2010; UNESCO, 2011). In 2008, 650 schools were closed due to insecurity concerns and 140 teachers were killed or wounded (Venner, 2010). Particular provinces are especially affected by insecurity, due to the heavy presence of insurgent forces and a lack of government or external security forces in addition to other factors.

Afghanistan's insecurity has presented a number of challenges for the education system in general as well as for its teacher compensation system. For example:

- **Inability to collect salaries in person**  
Traveling even short distances is considered to be dangerous and many teachers do not feel secure travelling to provincial centres to pick up their salaries once a month, or even once every few months (Venner, 2010).
- **Difficulty in collecting information for EMIS and audits**  
Provincial insecurity has made it difficult to collect information both for the annual EMIS survey as well as for payroll, teacher registration and payroll audits. In 2007 for example, EMIS agents were unable to collect data from 200 schools and were unable to verify data from an additional 400 schools (Venner, 2010).

## 4.3 Weak infrastructure and management

A third challenge involves Afghanistan's weak infrastructure and management, particularly in the education sector. Although its physical and institutional infrastructure and management capacity have been supported by a variety of external donors and have seen a great deal of improvement since 2001, major issues continue to prevent the system from performing effectively. Some of these include:

- **Limited availability and use of digital database**  
The AFMIS database used to record information for the payment of teacher salaries by Mustofiats is used in only 16 out of 34 provinces in Afghanistan, primarily due to limited computer and internet penetration and a lack of ICT-related skills necessary to operate the database. As a result, most provincial Mustofiats rely on manual reporting, which increases the time and effort involved in recording and sending information regarding teacher salaries, often resulting in a delay of actual compensation.



- **Bureaucratic inefficiencies**

As discussed above, although management of education budgets and programme implementation are intended to be decentralised by province, MoE education budgets are issued on an annual basis and must receive full approval from both the MoE and the MoF before funds are released to individual PEDs (Venner, 2010). Because the MoF often requires significant alterations to provincial budgets following review, funds for services including teacher salaries are typically delayed for up to three months into the school year (Venner, 2010). Due to the backlog in the budget approval process, teachers often wait 1–3 months before receiving their first pay cheque of the year.

#### 4.4 Insufficient financial resources

Financing teacher compensation systems is considered to be the responsibility of the government, but fragile and conflict-affected states such as Afghanistan often struggle to raise the revenue that is required to do so (INEE, 2009). Teachers' salaries are significantly supported by external financing, a situation which warrants concern for issues of sustainability and opportunities to expand the teaching cadre in order to achieve enrollment and quality goals. Several factors contribute to this situation:

- **Difficulty raising domestic revenue**

Because it still struggles with a post-conflict economy, Afghanistan does not have the tax base to raise the amount of revenue necessary for paying civil servant salaries. Although domestic revenue has increased significantly since the PFM review of 2005, core operating expenditures have also increased, contributing to concerns regarding fiscal unsustainability (World Bank, 2010).

- **External financing ultimately unsustainable**

It is estimated that a significant proportion of teacher salaries in Afghanistan are supported by external funds. While this situation is supported in the short term, it will be unsustainable for the long term. Concern is expressed over the possibility of continued reliance on external funding for compensation support creating a situation of donor-dependence, reducing the government's incentive to manage the system on its own.<sup>9</sup>

- **Difficulty transitioning current teachers to the new salary scale**

The process of transitioning current teachers from the old to the new salary scale has been quite slow, in large part due to the lack of financial support from the government. Experts estimate that the MoE budget will need to increase by US\$85.6 million by 2020 in order to accommodate the new pay scale (Venner, 2010).<sup>10</sup> The Afghan cabinet approved the expanded civil servant salary scale in 2007 but so far very few measures have been taken re-grade teachers according to qualifications and competence, or to disburse upgraded payments.

- **Difficulty expanding teaching cadre**

In order to achieve enrolment goals and accommodate school-age population growth by 2020, Afghanistan will need to hire an additional 99,000 primary school teachers and 47,000 secondary school teachers (Venner, 2010). Estimates place the additional salary costs for these additional teachers at an increase of US\$199 million, or US\$64.4 million annually (Venner, 2010). Current financial resources reserved for the operational budget and for teacher salaries do not support this increase.

<sup>9</sup> Interview with Sarah Posada, Portfolio Manager, Nike Foundation, June 2011.

<sup>10</sup> This includes increases in salary for current teachers and other staff on the MoE payroll.



## 5 Donors

As discussed above, external donors provide the majority of funding for Afghanistan's education budget in general and for teacher salaries in particular. The majority of donor funding is directed through the Afghanistan Reconstruction Trust Fund (ARTF), which supports both development activities and the payment of teacher salaries (Venner, 2010). Other top donors to the education system include the World Bank, Denmark, the United States, Japan, India, Sweden, Canada, Germany, Norway, France and others.

Strategies used to address problems in the education sector include the ARTF for civil servant salary support and indirect support, including the use of technical assistance and PFM support. These strategies are further described below.

### 5.1 ARTF

Since the ARTF was established in 2002 as a pooled fund to support the reconstruction of Afghanistan following the fall of the Taliban, it has remained the main source of external financing, contributing over US\$3 billion (as of April 2009) to the government budget (World Bank, 2009). At least 30 donors have contributed to the fund, the largest donors including the United Kingdom, Canada, the United States, Denmark, the European Commission and Germany. As of 2009, the ARTF invested US\$1.7 billion in Afghanistan's operating budget. The education sector's operating budget alone has received 40 per cent of this amount (World Bank, 2009).

The ARTF has been successful, primarily due to its large-scale, multi-sectoral approach, which has been able to reach every province in Afghanistan.

### 5.2 Indirect support

Donors are also engaging to support the Afghan teacher salary system more broadly, through technical assistance at all levels – particularly through the development and implementation of the annual development budget – and through support for the PFM system. The World Bank provided support for the PFM system through the implementation of the Afghanistan Public Financial Management Reform Project, and both UNICEF and the World Bank provided technical assistance with the development of Afghanistan's EMIS.



## 6 Possible solutions

Promising interventions to address all of the challenges discussed above are being piloted in other sectors and present significant possibilities for the education sector. Mobile money transfer platforms like M-Paisa discussed in previous sections have been used by the security sector, the Ministry of Rural Rehabilitation and Development, and a wide variety of private sector organisations, including marketing firms, private security firms, television companies and mobile phone companies, as a successful method of mobile salary payment.<sup>11</sup> In addition, USAID recently launched a partnership programme between the MoE and the mobile operator MTM that will disburse teacher salaries in 10 provinces through mobile money platforms (Shah, 2011). The remainder of this paper will examine the success of mobile money platforms as a possibility for an alternative teacher payment mechanism in the education sector.

M-Paisa was first used by members of the Afghan police force in 2009. Similar to the current teacher payment system, police members collected their salaries under the old system once a month from an agent who often skimmed a certain amount of money off of each payment as his 'commission'. Police force members were unaware of this action, or that their actual salary payments were up to 20 per cent lower than what they were supposed to receive.<sup>12</sup> The M-Paisa payment system made the middle agent obsolete, since police members could go use their M-Paisa credit to buy materials or receive cash from registered stores. In a follow-up study after initial implementation, police officers noted that they preferred M-Paisa because they were paid a larger amount of money. In fact, they were receiving their actual salary amount which only appeared to be larger due to the absence of the middle agent and their 'commission' (Munford, 2010). While M-Paisa's service territory for salary distribution is said to be currently rather small and expensive, there is hope that as additional mobile money platforms join the market the service territory will expand and the price point will decline.<sup>13</sup>

The mobile money salary payment process is generally fairly simple. When an employee registers with the provider, they are either issued a simple mobile device or use their own. The provider records basic information, including name, ID and fingerprint and employer. The provider interfaces with the employer once a pay period (usually once a month). At this time, a SMS message is sent to the registered employee's phone to tell them that their salary is available. The employee proceeds to a store that is registered with the provider, shows the agent their SMS message and ID and is given cash. With M-Paisa, the employee can also use their M-Paisa credit to buy goods and material at the store, mobile phone airtime for themselves or their families, food at affiliated restaurants or even plane tickets with registered airlines (Munford, 2010).<sup>14</sup> Although still limited in scale, M-Paisa has met with remarkable success; police force members responded with surprise after the first few payment transfers, believing that they had received a pay increase when they were actually just receiving their full salary (Munford, 2010).

The use of mobile money platforms for the education sector in Afghanistan is promising because it has the potential to address most of the challenges that the current compensation system faces. First, it can help to alleviate the impact of the security situation on the payment of salaries. Under mobile money platforms, employees do not have to travel to a central payment centre but can cash their salary at a store of their choice. The provider also prevents government agents tasked with distributing payments from having to carry around large sums of cash through insecure regions, a problem which has resulted in a large number of road-side thefts in the past.

<sup>11</sup> Interview with Zahir Khoja, Executive Director for M-Paisa, Roshan, June 2011.

<sup>12</sup> Ibid.

<sup>13</sup> Interview with Kathleen MacGowan, Senior Policy Advisor, USAID, June, 2011.

<sup>14</sup> Interview with Zahir Khoja, Executive Director for M-Paisa, Roshan, June 2011.



Second, mobile money platforms could allow for the removal of bureaucratic barriers involved in paying teachers that invariably result in delayed payments. Instead of going back and forth between PED office and the provincial Mustofiats, after receiving attendance records from the schools, the PEDs (or the Mustofiats) could notify the provider as soon as they receive the appropriate information and M-Paisa could release the funds immediately to the teachers. Inter-ministry paperwork lag-time would be significantly reduced and teachers would receive their salaries in a more timely manner.

Finally, mobile money platforms could help to cut down on the problem of corruption. Because it gets rid of the need for the 'middle man' to distribute individual salaries, actual salary payments grow larger and employees receive their full compensation amount. Mobile money platforms can also help to alleviate the problem of ghost teachers and employees because of their thorough registration process prior to the first payment transfer. All employees are vetted and registered to confirm their identification as well as their employment.

Mobile money platforms present a very exciting possibility for the teacher compensation system in Afghanistan and donors are already recognising its potential. Zahir Khoja, Roshan's director of m-money expresses interest in penetrating the education sector and admits that the main challenge involved in doing so involves arranging meetings with the MoE and building their agent network to ensure institutional capacity. He notes that while M-Paisa currently pays 10,000 salaries across Afghanistan, it has the ability to accommodate between 200,000 and 300,000. Introducing additional mobile money providers to the market, as the new USAID initiative intends to do, would increase the sector's capacity to handle an even greater number of clients, especially within the education arena.



## 7 Conclusion

Despite some improvements made by a few interventions, significant challenges remain in improving Afghanistan's teacher compensation system. For example, while allowing teachers in rural and insecure regions alternative avenues of collecting their monthly salaries has given them greater freedom and better options, this action has also increased the amount of money leaked through the system in the form of fees and concessions. In addition, a lack of communication and system inefficiency between the MoE and the MoF has led to large lags in the time it takes to distribute salaries, increasing the chances for corruption further down the line.

On the other hand, there is very good reason to hope that the system will continue to improve over the coming years. With the help of external donors, the Public Financial Management (PFM) system has been strengthened; the audit system, while still rudimentary is growing gradually; and the national and commercial banking system has expanded and is able to extend services to more Afghans. In addition, the Ministry of Education has a functioning, if still expanding Education Management Information System and Teacher Management System, payroll is continually being tightened and improved and the international community has been a significant source of funding for salaries – both directly and indirectly.



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