

LACK OF HUMAN CAPACITY IN THE PUBLIC AND PRIVATE SECTORS

Background paper prepared for the Enabling Environment Conference by:

Dr. Sarah Lister
Consultant

I. INTRODUCTION

A lack of human capacity¹ is a major challenge as Afghanistan recovers from years of civil strife, with most individuals having lost years of opportunities for education, and vocational and professional training. An important component of establishing an enabling environment for the growth of the private sector is ensuring the provision of education, and vocational and professional training.

There is widespread agreement that the private and public sectors in Afghanistan mostly lack the capacity to support private sector development and growth. However, there is relatively little systematic information, beyond anecdote, as to where the greatest skills deficits lie and which issues should be addressed as priorities. This paper will look at what we know about capacity issues at two levels: (a) the enterprise level and (b) the capacity of Government to put in place an enabling environment for private initiative.

The paper makes the following key points:

- ◆ The low level of skills and education in Afghanistan's workforce damages productivity and competitiveness, hence reducing growth and employment opportunities.
- ◆ There is a critical need for improved labour market information, based on analysis of the sources and trajectories of economic growth. This information will likely come from both training institutions and centralised mechanisms.
- ◆ Training activities (whether provided by NGOs, private sector or Government) need to be better linked to the labour market, and appropriately regulated and accredited.
- ◆ Government and the private sector should further explore creative arrangements to draw on the resources of the private sector, especially international business, in skills development.
- ◆ The ability of government officials to support the private sector is limited and the need for such support is often poorly understood. Capacity-building initiatives for the civil service have generally been slow to show results, and attention is also required to ensure that the specific skills needed to support the private sector are developed. This will require increased attention to the Public Administration Reform (PAR) process, including improved political leadership.
- ◆ Government and donors should urgently review how Technical Assistance (TA) can be better used to develop sustainable capacity in the public sector.

II. CAPACITY CONSTRAINTS WITHIN THE PRIVATE SECTOR

The diagnosis

The skills and competencies of Afghan citizens are, in general, very low. Decades of war, a collapsed education system and emigration have undoubtedly left Afghanistan's workforce of 10 million with extremely low levels of education:

- ◆ The overall completion rate for primary education in the population is estimated at 45 percent.² Literacy levels are correspondingly extremely low. Overall literacy is estimated at 23.5 percent, with strong gender disparities – men have a literacy rate of 32.4 percent, but women only 12.6 percent.³
- ◆ There are also strong geographical and urban-rural disparities. High levels of illiteracy are found in a belt which runs from Jawzjan and Faryab in the north via Ghor and Badghis in Central Afghanistan, to Uruzgan, Zabul and Helmand in the south.⁴
- ◆ Only about one-third of the workforce in Afghan enterprises has a secondary education or higher. Indeed, only 62 percent of Afghan managers have secondary or higher education compared with 96 percent and 98 percent in Pakistan and India respectively.⁵ Unsurprisingly, a 2003 survey found a correlation between educational achievement and occupation. Farmers and unskilled workers had a literacy rate of five percent, whereas craft/trade and service/shop workers had a 24 percent literacy rate. The literacy rate of business owners was 43 percent.⁶

The poor education and experience level of the Afghan workforce inhibits productivity, and hence competitiveness, in three main ways:

- ◆ The low level of skills reduces the absolute quality and quantity of goods produced or services provided. For example, in many overseas markets, Afghan raisins face strong competition from Californian raisins which are of a consistently higher quality, and subjected to much more stringent phyto-sanitary checks. Afghan farmers have limited experience in newer technologies, such as drip irrigation and some approaches to pest control, and the processors and packagers also have less manufacturing and administrative experience than their Californian counterparts.⁷
- ◆ The lack of capacity inhibits the ability of businesses to grow and to take advantage of opportunities that exist. In particular, there are serious shortages in general management skills, strategic thinking capabilities and administrative support functions, such as marketing and supply chain expertise. These deficits were highlighted in a

2004 survey, in which almost all business managers/owners responded that they would like to participate in training programmes, especially in business plan development, marketing, customer service and basic business skills.⁸ Some argue that, even if individuals are studying business or economics at universities, they are not being taught the practical skills needed for writing a business plan or analysing growth opportunities. A recent case study of a failed flour mill in Kabul highlighted how a general lack of experience in agricultural lending in Afghanistan, coupled with the lending bank's failure to analyse the business plan properly, and the lack of manufacturing experience of the operators (along with dishonest practices) led to a failed loan and a missed business opportunity.⁹ Other businesses report that they struggle to obtain investment capital because they cannot demonstrate that they have the appropriate people to manage such investment.

- ◆ The shortage of skilled labour has a structural effect on the economy, affecting wages, which affects output relative to costs. As a result of the shortage of skilled labour, and fuelled by strong competition from the donor community as well as the distorting effect of the opium and aid economies, wages are significantly higher in Afghanistan than in neighbouring countries. In the manufacturing sector, average hourly wages exceed those paid in Pakistan and Iran by a factor of 2.3 and 1.2 respectively. The wage gap is even wider for managers and professionals. While annual salaries for this category of staff are US\$ 3,600 - US\$ 8,000 in neighbouring countries, they are about US\$ 12,000 in Afghanistan.¹⁰ Until the shortage of skilled labour is solved, and wages are brought down, it will be extremely difficult for Afghan firms to compete against imports or on the export market.¹¹ As well as affecting competitiveness, high wages also mean that semi-skilled and skilled labour is imported from neighbouring countries, especially Pakistan, depriving Afghans of jobs. While this is partly because of the lack of skilled Afghans, it is also because Pakistani workers are prepared to accept significantly lower daily rates, often working for half the amount demanded by Afghans.¹² There is thus a vicious cycle of skill shortages, high wages, imported labour and lack of opportunities for Afghans.

Although it is widely understood that there are serious capacity issues, there is little systematic information about what skills are lacking in Afghanistan, and hence where efforts should be targeted and which activities should be prioritised. The limited research that is available, in addition to anecdotal evidence, suggests that there are significant shortages of experienced managers, as well as skilled technicians such as plumbers and

electricians. However, there is a lack of information about which skills are needed to match the demand of employers or market opportunities. The urgently needed improvements in labour market information should occur once the Labour Market Information and Analytical Unit, proposed under the Government's National Skills Development Programme (NSDP), is established in the Ministry of Labour and Social Affairs (MOLSA). This unit will work together with the Central Statistics Office (CSO) to collect and analyse labour market information. The unit is scheduled to be established by September 2007, with collection and analysis beginning by April 2008. The project has, however, been subject to certain delays. Additional local-level information could also be gathered by training institutions, although it is recognised that using organisations which have an interest in the results can compromise the objectivity of the information gathered.

Not only is there a shortage of labour market information, there is a more fundamental shortage of comprehensive and realistic analysis of the sources and expected trajectory of growth in the Afghan economy, which would help predict future demand for different types of labour. As the Interim Afghanistan National Development Strategy (I-ANDS) notes, "Insufficient analysis on the needs of the private sector and potential employment growth areas limits the effectiveness of skills development projects currently operating and prevents a comprehensive strategy from being developed."¹³ Until such analysis is conducted at different levels, it will be almost impossible to predict areas of employment growth (both nationally and locally) and plan how these can be served through skills development initiatives. However, very complex and costly efforts are probably not needed – the Afghan Investment Support Agency (AISA) as well as the Chambers of Commerce may well prove to be good sources of proxy information which could be better analysed than at present.

In the absence of appropriate economic analysis and labour market information, the main method to date of ascertaining need has been through surveys of demand, but some of the data from such surveys may not be very useful in assessing and prioritising need. There is always a demand for training, and questions in surveys that ask people whether they would like training nearly always elicit a positive response. Moreover, many of the surveys have asked individuals to rank their requests in terms of priorities, and the need for training opportunities often take a lower position than other more apparently pressing needs.¹⁴ A recent World Bank survey found that only 9 percent of surveyed employers in urban areas viewed the level of skills and education of the workforce as a severe

constraint. Electricity, access to land, corruption and access to finance were the issues most often cited as either severe or major constraints.¹⁵

However, this might simply mean that other issues are seen as relatively more critical, or further from the respondents' control and more in need of government or international agency intervention. A number of surveys have also noted the tendency to under-report skill deficiencies.¹⁶ Perhaps, therefore, the most useful lesson to be gathered from these "one-off" surveys is that there is a critical need to gather consistent and reliable labour market information, linked to economic analysis of the sources and projected trajectory of economic growth.

Addressing Capacity Constraints – Responses to Date

Government provision of vocational education and training is divided between the Ministry of Education (MoE), whose Department of Vocational Education deals with formal technical and secondary education, and MOLSA. In 2004, recognising the importance of skill development, President Karzai announced a National Skills Development Programme (NSDP) and designated the Ministry of Labour, Social Affairs, Martyrs and Disabled (MOLSAMD) as the lead ministry, in partnership with the Ministries of Education, Women's Affairs, Food and Light Industries, and supported by other ministries and donors. However, many are concerned that the problems of overlapping jurisdiction and fragmented responsibilities between ministries cannot be solved by a programme which is seen to be anchored to one of the main ministries. It is important that, as anticipated, the NSDP develops into an autonomous entity: the National Vocational Education and Training Authority (NVETA).

The Government is now establishing a framework for capacity development.¹⁷ This framework designates responsibilities to different ministries and agencies:

- ◆ Capacity building of the public service is facilitated and coordinated by the Independent Administrative Reform and Civil Service Commission (IARCSC).
- ◆ Capacity building of the private sector and non-government sector is facilitated and coordinated by the Ministry of Economy and the Ministry of Labour, Social Affairs, Martyrs and Disabled.
- ◆ Capacity building of the larger Afghan society is facilitated and coordinated by the Ministry of Education and Higher Education.

Increasingly the role of the Government is seen to be the provision of the overall policy framework, as well as the regulation and accreditation of skills training. In this context, the majority of skills development activities will come from private initiative – either for-profit or non-profit organisations. In many other countries, it is normal for the private sector to train the workforce it needs. In Slovakia, for example, Peugeot-Citroën is training all the workers needed for its recently established factory, and is even providing vocational training courses at local high schools.¹⁸ Across Central and Eastern Europe, Johnson & Johnson has trained thousands of middle managers in the last decade in health care management, even sending a number of outstanding managers to study at INSEAD and the London School of Economics (LSE). However, according to a World Bank survey, only just over five percent of Afghan firms currently offer training.¹⁹

In some cases, however, training by firms has been successful, particularly when it has been closely linked to job requirements and follow-up has been provided. Both Roshan and the Kabul Serena Hotel, for example, made strategic decisions to employ bright, young Afghans and train them – rather than look for already trained employees. They have used a mix of in-house training supplemented with study abroad to develop a cadre of junior managers who are expected to take on significant responsibilities in the near future. They have also provided training in a number of relevant skills for a broader pool of employees. In the Serena's case, progress while undergoing training has been successfully linked to career promotion prospects. Some manufacturers are now also beginning to look at establishing themselves in Kabul and offering relevant training (see Box 1).

In Afghanistan's difficult investment environment for international business, are there new models of cooperation which could be explored, perhaps with requirements for training as part of the partnership arrangements? The case of HOV is one such example, where aid is being combined effectively with international business to support private sector development and training. Other models are also available from elsewhere in the world. In March 2006, for example, the Grameen Group (a microfinance lender) and Groupe Danone (a French dairy conglomerate) entered into a joint venture in Bangladesh. A small factory will be built by Danone to make cheap yogurt, and local people will be trained in the process. Loans will be offered to help local people buy cows to supply milk. The project will use solar and other environmentally-friendly energy sources, and profits from the venture will be reinvested in order to develop the project across the country. Danone's chief

executive noted "we want to test this economic model; if it works we can think about [using it in] countries where our classic model doesn't work."²⁰

Box 1: Private Sector-led Training: the case of HOV

Heidelberger Druckmaschinen Osteuropa Vertriebs GmbH (HOV) has formed a public-private partnership (PPP) project with GTZ to build a training centre for print and pre-press services. HOV is aiming not only to provide a solid training for its own employees but also to give local employees an opportunity to obtain vocational training leading to recognised qualifications, another example of industry-based certification.

The company is largely handling local implementation itself: HOV is building the centre, developing the training concepts, conducting the courses and supplying the necessary experts. On behalf of the German Government, GTZ is providing important start-up aid, sharing the costs of the courses and ensuring coordination with the Ministry of Labour and Social Affairs.

In the medium term, the aim is to develop the centre into a national print training centre, training qualified print workers for the entire country. The new training courses offer both solid basic knowledge on working with modern machinery and specialist knowledge. For women, there are appealing and socially acceptable job opportunities in the area of pre-press work.

As a result of this effort, it is expected that future print orders will no longer have to be placed abroad.

www.gtz.de

Most vocational training is not provided by firms, and its quality and relevance is very varied. A survey conducted in 2003 in Central, Eastern, Northern and Western regions found that the largest providers of vocational training were NGOs (57 percent), followed by private organisations (24 percent) and Government (19 percent). Craft and trade-type occupational courses were most common and 70 percent of all vocational training was for women. Some 65 percent of the businesses surveyed had been offered on-the-job training.

NGOs as training providers:²¹ Many NGOs have taken on training as a new activity, as donor funding priorities have shifted, but most do not have specialised skills in this area. While there are exceptions, in general the standard of training is poor, and in many cases pedagogically untrained instructors are being drawn from the local bazaar to deliver low quality, unsystematic and undocumented training courses. Few such courses are designed to take account of the labour market situation.

Private training providers: Private sector training provision as an enterprise is developing, but mostly in the areas of information and communications technology (mainly the use of computers) and English language training. Estimates suggest there are 100 to 200 such schools. Course fees tend to be high, so access is limited to those who already have significant education and money to pay.

However, despite the numerous training providers and the many training activities currently taking place, there are a number of key failures in existing initiatives:

- ◆ The quality of training is often very low, as in general, trainers are not pedagogically trained and are not using a structured or standardised curriculum.
- ◆ There is no policy or framework for vocational education and training, so institutions themselves are not affiliated, courses are not validated and therefore any certificate or credit for learning is arbitrary and does not provide any guarantee of standard for future employers. There is currently no accreditation body that can set and monitor quality and register quality providers.
- ◆ Consistency and coordination within and among the various training providers are also poor and there is little information regarding the kind and impact of training being delivered, and which organisations are delivering it.

Indeed, the current situation in the vocational education and training sector has recently been described as “one of chaos, with a myriad of unregulated, unqualified and inexperienced organisations providing what is often an arbitrary range of vocational education and training activities which ignore the needs of the labour market, waste resources, and leads to disillusionment of the trainees.”²² Other anecdotal evidence supports this analysis, with both employers and employees expressing widespread dissatisfaction with the usefulness of training on offer.

Recommendations for action

Improve labour market information

The most urgent need is undoubtedly for improved labour market information. At the moment, there is insufficient data to suggest what needs should be prioritised, and where Government or other efforts should be specifically targeted. The immediate critical requirement is therefore the provision of up-to-date and gender disaggregated labour market information, based on sound economic analysis and

projections. This is essential to enable training activities to be linked much more closely to projected market demands.

*Reform the vocational education and training sector, in line with the NSDP strategy*²³

There is currently no national policy on technical and vocational education and training. The first step is therefore to develop a national policy on technical and vocational education and training as a framework within which all initiatives will operate.

It is important to establish a national system of registration and accreditation for training providers, which will assess providers on their curriculum, the training of their staff, the quality of the training they deliver and their ability to place graduates in employment. In this context, industry-based certification initiatives are also very important and should be encouraged. For example, CISCO (a leading supplier of networking equipment and network management) has set up three centres in Kabul and awards CISCO network certification.

As planned (in the medium term), it is important to develop the programme implementation unit of the NSDP into a National Vocational Education and Training Authority, with responsibility for policy and planning, standards of delivery and accreditation of training providers. In the medium-long term, it may also be useful, as is currently being considered, to establish Industry Training Advisory Boards in five sectors – agriculture, business and commerce, building and construction, service industries and mining and manufacturing. These boards will be the source of information about existing and emerging skills shortages within industries, and will also be involved in the development of training curriculum.

Explore how to draw further on the resources of international business to support skills development

As discussed above, many developing countries develop partnerships with multinational business to support skills development and training. However, multinational corporations are mostly reluctant to commit to investment in an environment perceived as unstable, with weak governance and uncertain regulatory frameworks. Nonetheless, it is important to explore whether innovative public-private partnerships and other arrangements between different players could be further used to support skills development and job creation in Afghanistan, even if international business is currently reluctant to make significant, long-term commitments.

Businesses employing internationals should also ensure that the transfer of skills to nationals is considered a significant part of their job. Experience to date suggests that this should be prioritised, although it can be problematic finding international business people with such a mentality. As one senior manager in the private sector commented, “The problem has not been the willingness among young Afghans to learn. It has been that we haven’t found the same willingness from international staff to teach.”²⁴ The requirement to train counterparts should be written into job descriptions and evaluated as part of job performance.

Additionally, donors can ensure that they procure as many products and services locally as possible, helping their Afghan suppliers to meet the necessary standards. This will provide local firms with experience and support in bidding against international companies.²⁵

III. THE ABILITY OF GOVERNMENT TO SUPPORT THE PRIVATE SECTOR

The diagnosis

The November 2006 report of the Joint Coordination and Monitoring Board (JCMB) highlighted the limited capacity of government institutions at all levels, the inadequate progress made so far in capacity development, the high cost of technical assistance and the performing of line ministry functions by consultants. This section explores the critical importance of the capacity of government officials and bodies in supporting the private sector.

- ◆ In general, there are very low levels of skills in the civil service. In 2003, it was estimated that eight percent of civil servants in Kabul had less than a high school diploma, 67 percent had a high school diploma, 20 percent were university graduates and five percent had Masters degrees or above.²⁶ In a 2005 survey, 26 percent of civil servants in the provinces indicated they had a “university education”, with 55 percent reporting only secondary education.²⁷ Since officials in Kabul generally have higher levels of education than those in the provinces, this suggests that the situation has improved somewhat in the last few years.
- ◆ The same survey found that Grades 1 to 2 (senior executives) identified their primary skills needs as being in management, administration and ethics. Grades 3 to 4 (middle managers) requested training in management, administration, ethics, governance

and ICT, with a particularly strong demand for training in management skills. Grades 4 to 5 (general service categories) prioritised training in ethics and governance, as well as skills related to dealing effectively with the public.

- ◆ The difficulties of dealing with government officials are undoubtedly a deterrent to potential investors. As one employee of an international organisation involved in business enterprises commented, “It is nearly impossible to do business in a professional way. The rules are always changing, staff are changing and everybody wants extra fees...you want to throw up your hands and walk away. If you don’t have deep pockets and a lot of time, then forget it.”

The public administration reform programme (PAR) is attempting to address all areas of reform in the civil service, including capacity-building. However, the PAR process has run into numerous problems, and progress so far has generally been slow. According to a number of reviews of PAR and the Priority Reform and Restructuring (PRR) programme (responsible for the reform of ministries), much reform has been “cosmetic”, with superficial restructuring of ministries and an emphasis on higher pay rather than fundamental change. One major issue has been the slow establishment and weak capacity of the Independent Administrative Reform and Civil Service Commission (IARCSC), the main body responsible for steering and overseeing PAR. Ministries have also had very limited capacity to implement reform, and there has not been sufficient competent technical assistance (TA) to help them do so. Targets and timetables have been unrealistic, and coordination among donors has been poor.²⁸

To date, training of civil servants has tended to be ad hoc and uncoordinated. Providers of training include:

- ◆ Training and Development Department of the Independent Administrative Reform and Civil Service Commission (TDD- IARCSC)
- ◆ Different donor initiatives
- ◆ Afghanistan Stabilisation Programme
- ◆ UNAMA/ UNDP
- ◆ Various non-governmental organisations.

However, the weakness of the TDD- IARCSC has meant that the Government has not played a strong central coordinating role. Similar uncoordinated approaches to training of the civil service have been

seen in other post-conflict contexts, such as Kosovo, where a multitude of uncoordinated trainings were offered and “training fatigue” became apparent and eventually had a negative impact on capacity building.²⁹ Some donors are now suggesting that a National Capacity Development Programme, linked to a Capacity Development Facility, is the most appropriate way forward.³⁰

Building the specific skills needed for civil servants to support private sector development is an additional challenge; particularly as in many cases this requires a change of mindset. The World Bank notes, “Promoting private sector development in an era of globalisation requires a good understanding of international and domestic market trends, sectoral knowledge and appreciation of the needs of business.”³¹ The World Bank and others have identified the following specific areas where capability needs to be built:

- ◆ Policy analysis in the Ministry of Commerce and Industries
- ◆ Investment promotion and facilitation capacity in Afghan Investment Support Agency (AISA)
- ◆ Understanding and facilitation of a market-based provision of business development services and vocational training
- ◆ Ability to liaise with the private sector, in particular the development of an effective channel to get feedback from the private sector on the investment climate
- ◆ Improving the statistical basis for monitoring developments in the private sector and in the investment climate

There have been some initiatives to improve the skills and competencies of government officials and bodies in dealing with the private sector. However, even those departments or agencies that are seen to be relatively successful still suffer from staff with very low levels of ability. Enquiring into their “success” usually reveals that there are one or several dynamic individuals, often (but not always) internationals, who are shouldering the workload. Usually little longer-term and widespread sustainable competence has been developed.³² A three year DFID-funded capacity-building initiative is currently underway in the Ministry of Commerce and Industries. This will establish a private sector development directorate. However, the problems experienced to date in establishing the directorate and getting the staff in place have meant that the time remaining for training and other capacity-building activities has been reduced.

As the situation in the Ministry of Commerce and Industries suggests, the problems with the public sector’s ability to support the private sector are broader than simply the failure of training initiatives. Rather, the problems encountered with the whole PAR process have meant that the appropriate structures are not in place, and mechanisms for hiring qualified and motivated staff are not being properly implemented. Many see this as an absolute prerequisite for development of public sector capacity to support the private sector. They argue that if there are no professional officials with some measure of job security working in appropriately structured and sized teams, then most training efforts will not be useful. Those departments that are now relatively useful in supporting the private sector, such as the Large Taxpayers’ Office in the Ministry of Finance, have successfully been through the Priority Reform and Restructuring (PRR) process.

One other area requires urgent action by development actors in Afghanistan. A changed understanding and monitoring of international technical assistance (TA) is needed to ensure a focus on building sustainable capabilities within the civil service. There is sometimes a necessary trade-off, between “getting the job done” and building local capacities, and there is often no “perfect” balance between the two. However, building capacity in developing countries is central to the Paris Declaration on Aid Effectiveness and it is the responsibility of all signatories to ensure that aid is spent in a way that maximises capacity development.³³ There are many ways that donors can contribute to this, including improved coordination and better monitoring, careful design of “capacity-building” projects and incorporating capacity-building requirements into the terms of reference of consultants.

An increased focus on mentoring and building the capacity of counterparts might yield significant results, and it would certainly reduce the dependence on training as the primary means of capacity-building. Figures for expenditure on technical assistance and cooperation in Afghanistan are not very reliable, but some estimates suggest that in 2004 it reached US\$ 460 million.³⁴ It is certainly very substantial, and it is clear that it needs to be better deployed, used and assessed. However, there is something of a vicious circle – domestic capacity is so low that it is hard to manage, absorb and deploy TA and difficult for it to translate into development of sustainable government capacity.

Recommendations

Accelerate efforts to achieve reform under the PAR process

There are a number of decisions on policy and government structure that must be taken to accelerate the PAR process. However, as many observers comment, the most urgent need is for increased political support to the process.³⁵ If these broader issues related to PAR are not addressed, the Afghan private sector will continue to encounter a public administration that is poorly functioning, often corrupt and unable to provide it with the support it needs.

Prioritise the development of a private sector development policy

There is still no overarching policy framework for private sector development, toward which activities to support private sector development can be channelled, and which can be used to ensure coordination between the different actors. This has had a number of detrimental effects, one of which is that capacity-building efforts to improve public sector capacity to support the private sector are ad hoc and often more influenced by the whims of particular donors than their contribution to an overall plan. The urgent development of such a policy is therefore a priority.

Use aid more effectively to support the development of civil service capacity

Measures such as ministry-wide monitoring and oversight of TA should be considered. These would provide regular feedback on the performance of TA, improve coordination and could ensure that a stronger capacity-building focus is maintained. Additionally, donors should require all TA that they fund to report on their capacity-building objectives, activities and impact. Such a focus on capacity-building might mean that donors need to reassess their own time scales and expected outputs.

Prioritise the areas for capacity-building which have already been identified

These are:

- ◆ Policy analysis in the Ministry of Commerce and Industries
- ◆ Investment promotion and facilitation capacity in AISA

- ◆ Understanding and facilitation of a market-based provision of business development services and vocational training
- ◆ Ability to liaise with the private sector, in particular the development of an effective channel to get feedback from the private sector on the investment climate
- ◆ Improvement of the statistical basis for monitoring developments in the private sector and in the investment climate

IV. CONCLUSION

The low level of skills and education in Afghanistan's workforce damages productivity and competitiveness, reducing growth and employment opportunities. It is clear that long-term efforts to improve the skills and competencies of Afghans must be focused on rebuilding the education system, from primary through to secondary and tertiary, and including vocational training. Indeed, this is one of the seven key areas of concern to members of the Afghan International Chamber of Commerce.³⁶ Many initiatives are already underway in these fields. However, it is equally clear that this task will take decades, and Afghanistan cannot afford to wait. It is important to consider what can be done in the short- to medium-term to improve the situation.

There is undoubtedly a need for a variety of skills development initiatives that would target different sectors of the population – senior and middle management, technical skills, business development skills, training for small businesses in both rural and urban areas, and so on. Most of these training activities will be carried out by private initiative.

However, this paper has sought to highlight how dependent such activities are on government initiative:

- ◆ The overall regulatory and rule of law environment must be improved, so that international business feels confident in investing (and training) in Afghanistan. Furthermore, private sector and non-profit training activities must be linked into government plans and frameworks, drawing on improved labour market information.
- ◆ Training must be better linked to the labour market, and appropriately regulated and accredited by the Government.
- ◆ Overall government capacity to support the private sector must be urgently increased, through expanded efforts to achieve reform through the

PAR process. Only once restructuring and reform efforts take place, will most training of civil servants prove effective.

- ◆ Donors must also urgently review their coordination of activities, and work with the Government to improve the use of technical assistance.

vocational training; liaising with the private sector, particularly in the development of an effective channel to get feedback from the private sector on the investment climate; and the statistical skills for monitoring developments in the private sector and the investment climate.

V. SUMMARY OF RECOMMENDATIONS

Improve Capacity within the Private Sector

- ◆ Improve labour market information to provide up-to-date and gender disaggregated labour market information, based on sound economic analysis and projections.
- ◆ Reform the vocational education and training sector, in line with the NSDP strategy, including developing a national policy on technical and vocational education and training, and establishing a national system of registration and accreditation for training providers.
- ◆ Explore how to draw further on the resources of international business to support skills development, including whether innovative public-private partnerships and other arrangements between different players could be further used to support skills development and job creation.
- ◆ Make the transfer of skills to nationals a significant part of the jobs of international employees of businesses.

Improve Capacity within Government

- ◆ Accelerate efforts to achieve reform under the PAR process, including garnering increased political support for the process.
- ◆ Prioritise the development of a private sector development policy.
- ◆ Use aid more effectively to support the development of civil service capacity, which includes introducing ministry-wide monitoring and oversight of TA. Donors should also require all TA that they fund to report on their capacity-building objectives, activities and impact.
- ◆ Prioritise capacity-building in: policy analysis in the Ministry of Commerce and Industries; investment promotion and facilitation in AISA; understanding and facilitating market-based provision of business development services and

¹ There are numerous definitions of the term “capacity”. The DAC, for example, has defined it as “the ability of people, organisations and society as a whole to manage their affairs successfully”. (DAC Network on Governance (2006) “The Challenge of Capacity Development: Working Towards Good Practice”). UNDP defines it as “the ability of individuals, institutions and societies to perform functions, solve problems, and set and achieve objectives in a sustainable manner.” UNDP (2006) “Capacity Development Practice Note”.

² Islamic Republic of Afghanistan (2005) “Millennium Development Goals Country Report: Vision 2020” Kabul, p32

³ National Risk and Vulnerability Analysis 2005 data. Pers. comm...from NRVA team. October 2006.

⁴ Islamic Republic of Afghanistan (2005) “Millennium Development Goals Country Report: Vision 2020” Kabul, p34

⁵ World Bank (2005) “The Investment Climate in Afghanistan: Exploiting Opportunities in an Uncertain Environment” Washington, DC: World Bank

⁶ IRC (2003) “Afghanistan Labour Market Information Survey”.

⁷ Lister, S, Brown, T. and Karaev, Z. (2004) “Understanding Markets in Afghanistan: a case study of the markets in raisins” AREU Working Paper Kabul: AREU

⁸ Centre for International Private Enterprise (2004) “Report on the Supply of and Demand for Business Development Services in Afghanistan”. Unpublished document.

⁹ “Case Study – Flour Mill” developed by ShoreBank International

¹⁰ IMF (2006) “Islamic Republic of Afghanistan: Selected Issues and Statistical Appendix” Country Report 06/114. March Washington D.C.: IMF

¹¹ World Bank (2005) *ibid*.

¹² See Johnson, C (2004) “Labour Intensive Works Programme Evaluation.” Unpublished document. The extent of this is not known as there is little reliable data, and there is some evidence that foreign workers also receive a package of other benefits. Personal communication, Stephen Vardigans, MOLSA

¹³ Islamic Republic of Afghanistan (2006) “Afghanistan National Development Strategy”. p5

¹⁴ When community leaders were asked to choose the most important areas for government intervention in their village/district, only 1.8 percent of male shuras and 9.5 percent of female shuras included vocational training in their top three priorities, with a significantly higher proportion in urban than rural areas. Source NRVA 2005.

¹⁵ World Bank (2005) *ibid*

¹⁶ See IARCSC (2005) “Subnational Training Needs Assessment Report” October. Unpublished document

¹⁷ See IARCSC (2007) “Development of a National Capacity Development Framework for the Public Service in Afghanistan”. Discussion paper. January

¹⁸ Source: press clippings and personal communication from TA in the Ministry of Commerce.

¹⁹ In comparison, in India almost 17 percent of small firms train. Source: World Bank (2005) “The Investment Climate in Afghanistan: Exploiting Opportunities in an Uncertain Environment” Washington DC: The World Bank

²⁰ Source: <http://www.grameen-info.org/dialogue/dialogue63/regularf12.html> and press reports

²¹ Ministry of Labour, Social Affairs, Martyrs and Disabled (2006) “National Skills Development Strategy” draft 24 September 2006

²² Personal communication from international expert.

²³ See MOLSA (2006) *ibid*.

²⁴ Pers. Comm.. Manager, International Company, Kabul, 19 Oct 2006

²⁵ The work of the Peace Dividend Trust in facilitating this process is particularly notable. See <http://www.peacedividendtrust.org> for further details.

²⁶ Statistics from MOWA and Afghan Audit Office, cited in Evans, A., Manning, N, Osmani, Y., Tully, A., and Wilder A. (2004) “A Guide to Government in Afghanistan” Kabul and Washington DC: AREU and the World Bank

²⁷ IARCSC (2005) “Subnational Training Needs Assessment Report” October. Unpublished document.

²⁸ For a broad review of issues related to public administration reform, see Lister, S (2006) “Moving Forward? Assessing Public Administration Reform in Afghanistan.” Briefing Paper. Kabul: AREU

²⁹ IARCSC (2005) *ibid*.

³⁰ See Ponzio, R. (2006) “Capacity Development in Afghanistan 2001-06: emerging strategies for sustainable progress”. Paper for the UNDP Capacity Development Group. Draft for discussion 10 Sept.

³¹ World Bank (2005) *ibid*, pxi.

³² Several examples were provided while preparing the paper. For sensitivity reasons, the departments or agencies are not named.

³³ DAC Network on Governance (2006) “The Challenge of Capacity Development: Working Towards Good Practice”

³⁴ World Bank (2006) “Afghanistan: Improving Management of Technical Assistance”. Unpublished note. Draft 19 June.

³⁵ These are laid out in Lister (2006) *ibid*.

³⁶ Afghan International Chamber of Commerce (2006) “National Business Agenda” August. Kabul: AICC