



**Independent Joint Anticorruption  
Monitoring and Evaluation Committee  
(MEC)**

# **Vulnerability to Corruption Assessment of Municipalities Revenue Collection**

By VCA Team

Kabul, July 2016



## **ABBREVIATIONS/ACRONYMS**

ACCI	Afghanistan Chamber of Commerce and Industries
CP	Construction Permit
DABS	Da Afghanistan Breshna Sherkat
GDMA	General Directorate of Municipality Affairs
GIRoA	Government of the Islamic Republic of Afghanistan
HOO	High Office of Oversight and Anticorruption
IARCSC	Independent Administrative Reform and Civil Service Commission
IDLG	Independent Directorate of Local Governance
KM	Kabul Municipality
MEC	Independent Joint Anticorruption Monitoring & Evaluation Committee
MOPH	Ministry of Public Health
MUD	Ministry of Urban Development
NDS	National Directorate of Security
PPP	Public-Private Partnership
RAMP UP	Regional Afghan Municipalities Program for Urban Populations
USAID	United States Agency for International Development
VCA	Vulnerability to Corruption Assessment
AOP	Administrative Office of the President

## **DEFINITIONS**

Hanafi	Islamic sect
Layeha	The legally adopted table of fees
Safae tax	A municipal tax charged on the cleaning done by the city
Tahjaye	A municipal tax assessed on goods brought into the city
Tashkil	The institutional structure, or organizational chart of an entity

## 1. Executive Summary

Municipalities are the institutions in Afghanistan that are responsible for taxing citizens, responsibly prioritizing and budgeting these funds, and then providing all the necessary services to those living in urban areas. Unfortunately, municipalities are failing in standard service delivery to citizens, are running budget deficits, and in many cases are unable to collect revenues. This has resulted in a high level of dissatisfaction by the citizenry with the performance of their municipal governments, resulting in some residents refusing to pay their required tax. For these reasons, the MEC performed a vulnerability to corruption assessment (VCA) of the process of municipality revenue collection. To conduct this review, the VCA Team studied the legislative and administrative documents, conducted interviews, held a focus group discussion, consultation meetings and observed the branches of Municipality of Kabul, General Directorate of Municipal for Local Governance, Municipalities of Mazar-e-Sharif, Herat, Aibak, Kandahar, Char-i-kar, Pul-i-khumry, and District Municipalities of Jabul Saraj, Khenjan and reviewed the performance of municipal employees on five different revenue collection processes.

This VCA shows that during the past 14 years, the government has not undertaken effective efforts to improve these institutions. The interviewees believe that undue influence of the government and political stakeholders has created a level of dysfunction that has resulted in few reforms and a lack of economic growth. Municipalities also have unelected mayors, many of whom are appointed as a result of political interference. Documentation also shows that more than 62% of mayors are not qualified, most having received a high school education and some less than that. There is evidence that for political reasons the central government has appointed and supported them, and then delegated to the municipalities unlimited and uncontrollable authorities, which has led to some mayors misusing municipal revenues.

The VCA also reveals that not having a proper legislative framework to guide municipal affairs has led to a serious lack of cooperation among governmental organizations. Further hampering municipal performance is a low capacity of human resources, lack of standard work equipment in branches of these institutions, lack of standardized mechanisms for revenue collection, illegal interventions in the affairs of municipalities, and the lack the necessary supervision over both the revenue collection process and the expenditure of these revenues. These vulnerabilities provide opportunities for corruption causing revenue loss, budget deficits and then the unfortunate shortcomings in urban service delivery.

This assessment shows that the above mentioned vulnerabilities expose municipalities to a loss of substantial revenue. This is due to lack of transparency in revenue collection, political influence in employee recruitment, tax evasion, illegal budget expenses, and embezzlement of collected revenues. This increase in corruption and low level of revenue collected has resulted in fewer services provided to citizens. A UN-Habitat assessment shows that the failure of municipalities in providing necessary services has caused dissatisfaction of approximately 70% of the public from municipalities.

This report shows that municipalities are not able to collect a large portion of their expected revenues. Municipalities need fundamental and comprehensive reform, a comprehensive and responsive legal framework, balanced and proportionate organizational structures to the workload, introduction of modern human resource to build capacity and administrative skills, equipped systems with information technology, office supplies, and standard working equipment.

## 2. Introduction

Afghanistan's city populations have grown rapidly, and the growth continues at a rate of almost 4% annually. This is due to several factors: the influx of returnees from neighboring countries, the lack of security in remote villages, and the attraction of available public services in urban compared to rural areas. Due to this unexpected growth, particularly in the large cities, municipalities are under pressure to provide services to more citizens. Providing these ever-expanding complex municipal services requires not only the collection of adequate revenue, but the correct budgeting, allocation, and expenditure of these funds. It is important to note that municipalities are self-sustaining, their level of expenditure correlates to the revenues they collect, so the delivery of services depends on revenues. If the funds are collected and managed properly, the services will be supplied efficiently.

The findings show that Municipalities have faced many challenges in recent years and many of which could have been avoided if the existing plans for revenue collection had actually been implemented. Not collecting revenues, according to a municipality's stated plan has led to the budget deficits of these institutions. These grievances have prompted MEC to assess the process of municipality revenue collection.

Since the sources of revenue for municipalities are almost two hundred, in this report MEC chose to focus on five major sources: Safaee<sup>1</sup> (city cleaning charges) revenue; property revenue; Tahjaye<sup>2</sup> (city entrance charges) revenue; construction licenses; and business/brand licenses.

## 3. Methodology

Information was collected for this VCA through group meetings, as well as interviews with a large number of stakeholders and those involved in anti-corruption activities, and include the following:

1. Central and District Departments of Municipalities
2. General Directorate of Municipalities/Local Governance or IDLG
3. Municipalities of Kabul, Mazar-e-Sharif, Herat, Pul-e-Khumri, Aibak, Jabal Saraj, Balkh, Khinjan, and Parwan and Kandahar Merchants in the cities of Kabul, Mazar-e-Sharif, Herat, Pul-e-Khumri, Aibak, Jabal Saraj, and Kandahar
4. Afghanistan Chamber of Commerce and Industries, Kabul
5. Property owners in Kabul, Mazar-e-Sharif, Herat, Pul-e-Khumri, Aibak, Jabal Saraj, Balkh, Khinjan, Parwan and Kandahar
6. Residents in Kabul, Mazar-e-Sharif, Herat, Pul-e-Khumri, Aibak, Jabal Saraj, Balkh, Khinjan and Kandahar in relation to Safaee tax municipal services
7. Civil entity of Kabul Servants
8. Individuals with municipality experience
9. UN-HABITAT
10. SHAHR Project of USAID Program.

In addition, the VCA Team visited municipalities, specifically looking at the operations of entrance gates and other municipal facilities, including parks, shops, and business centers. The Team also looked at rental properties owned by municipalities, and monitored the methods of collecting municipality revenue by officials.

## 4. Legal Framework

The legal framework for the municipal revenue collection process is covered by the following:

- 2004 Constitution
- 2000 Municipality Law

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<sup>1</sup> A municipal tax charged on the cleaning done by the city.

<sup>2</sup> A municipal tax assessed on goods brought into the city.

- Presidential Decree No. 74 on Administrative Regime and Hierarchy of Municipalities

#### **4.1. 2004 Constitution**

In the Constitution of the Government of the Islamic Republic of Afghanistan (GIROA), Article 141 relates to municipalities, and states: "To administer city affairs, municipalities shall be established. The mayor and members of municipal councils shall be elected through free, general, secret [ballot] and direct elections."

There are three key provisions of the Article, and the government is required to implement all of them: 1) The municipality administration should be formed in cities; 2) Mayors need to be elected in a transparent election; 3) A special law for institutional affairs and municipalities performance must be enacted.

However, GIROA has failed for 14 years to fully implement this Article. So far, in most cities of the districts, there is no established municipality. At the current time, all cities in the country have appointed mayors, not elected ones. And the Municipality Law has not been reviewed and amended based on the Constitution 2004. Interviewees believe that some of the major challenges in municipalities stem from the non-execution of this Constitutional Article.

#### **4.2. 2000 Municipality Law**

Even though the law of the land is the 2004 Constitution, some laws from earlier periods are still in effect. According to the 2000 Municipalities Law, municipalities are public legal entities that provide services for the welfare of citizens. This is an existing 90 years-old law which was amended by the Taliban-regime government in 2000, and was enacted to both regulate municipalities and help shape their performance. It is noteworthy that this law was based on the theory of a planned economy, and has seen occasional amendments and revisions by successive regimes over many years. The Taliban amendments to the law in 2000 were mainly to correct articles that contradicted Islamic jurisprudence (Hanafi). Legal experts believe that the revision of the previous regime, including the last adjustment which is currently in force, is no longer responsive to the current situation.

Complications arise, such as the contradiction between Article 6 of the Municipal Law and Article 141 of the Constitution. Based on Article 6, a mayor is appointed by a presidential order while according to Article 141 the only means of choosing a mayor is by election.

According to paragraph 14 of Article 16 of this law, one of the responsibilities of municipalities is to control prices in the markets, which is a clear infringement of Article 10 of the Constitution and is contrary to the concept of a market economy. Another anomaly is that on the basis of a Council of Ministers' resolution, the Department of Price Control changed its name to the Department of Regulating Markets.

In general, this law has numerous deficiencies and contradictions, any one of which provides the opportunity for administrative corruption. Of note, dealing with certain articles has been suspended due to resolutions of the Council of Ministers and presidential decrees, but in practice, these documents could never scale down opportunities for corruption. Legal experts who have been consulted believe that the only way to reduce opportunities for corruption in municipal institutions is to significantly amend this law or propose new legislation.

In addition, the VCA Team reviewed the draft of the new Municipalities Law. Some of the articles in this draft are vulnerable to administrative corruption, and before rendering any decision as to its effectiveness, more details and explanation are needed. For example; Article 12, section four explains: "Issuance of work permit for contractor employees of international organizations, government and non-governmental organization, private sector, is the duty of Municipalities." But Afghanistan Labor Law assigned MOLSAMD to issue work permits for foreign and national citizens.

This is a contradiction between the Municipal Law and Labor Law. Articles 2, 5, 7, 8, and Article 15, section nine, need more explanation, and section 12 Article 12, and sections two and three, Article 13, have contradictions.

#### **4.3. Presidential Decree No. 74 on Administrative System and Hierarchy of Municipalities**

The inclusion of provincial and district municipalities in the organizational structure of the Independent Directorate of Local Governance (IDLG) was directed by Presidential Decree No. 74. According to the Decree, appointments of provincial and district mayors are authorized by IDLG until such time that the election of mayors can take place. The General Directorate of Municipality Affairs (GDMA) has been set up within the structure of IDLG and one of its tasks is to oversee the appointment of provincial and district mayors.

Therefore, Afghanistan currently has two types of municipal legal systems, each one of these systems based on two separate legislative documents. Kabul Municipality (KM) was created based on the Municipalities Law. Two other types of municipalities, provincial and district, were established by Decree No. 74, which guides their operations. In general, this lack of a standard legal framework for municipalities creates disorder between these entities in the course of their performance.

### **5. Municipality Organizational Structure and Human Resources**

#### **5.1. Approval of Municipal Tashkil and Budgets**

Out of 181 municipalities, currently 153 are registered with the GDMA as “active municipalities.” One of the major determinants of whether a municipality is active is if it has an approved budget for the financial year. Any municipality that has failed to adopt its own budget is not considered to be an active municipality.

A municipality’s budget is developed and approved based on several factors: the projected fixed revenues, projected non-fixed revenues, and funds in the bank. Usually 45% of the projected fixed revenues are allocated to the normal budget of a municipality, which includes salaries and other administrative costs, and the rest of the projected revenues and funds in the bank go to the development budget. The provincial municipality budgets are approved by the Municipalities Directorate of IDLG. In 2015, some municipalities, such as Chariakar, had to wait almost six months before the Municipalities Directorate approved both the Tashkil and budget. According to municipality authorities and experts, the performance of the existing Municipalities Directorate has proven inadequate and is considered to be a failed experiment. In fact, significant delays by the Municipalities Directorate have provided yet another excuse for provincial and district municipalities to justify their failures. Experts say that the GDMA is responsible for the slowness and recklessness in the process of municipality activities, as it has the responsibility for the approval for all budgetary, structural, recruitment, and development plans.

#### **5.2. Lack of coordination between municipalities and relevant institutions**

Experts say that Kabul Municipality and the Ministry of Urban Development (MUD) have failed to agree on the scope of their respective responsibilities concerning land development in Kabul and the issuance of licenses to townships for tall buildings under construction by the private sector. The MOUD issued licenses to more than 20 townships, while the Kabul Municipality regards these licenses as illegal since it believes the issuing of such licenses to be their responsibility. This disharmony could provide opportunities for an expansion in the scale of land usurpation.

This is not the only evidence of a lack of coordination. There are other examples, such as the Kabul Municipality and its lack of cooperation with the police. Municipality officials argue that due to their

lack of enforcement powers, in many cases they are unable to enforce the municipality's policies on offenders. To strengthen their claim, they cite an example that if the electricity bill is not paid by the consumer, Da Afghanistan Breshna Sherkat (DABS) can cut off power to the non-paying customer, but if the municipality tax is not paid, the municipality is powerless. But critics of Kabul Municipality believe that the municipality may overcome these problems by signing agreements with the relevant institutions such as the police or DABS. In their view, the claim made by Kabul Municipality is a confession of inept management and shows a lack of capacity in the leadership of the institution. In general, the result of this dysfunction paves the way for widespread administrative corruption, the wasting of public money, and the loss of substantial revenues.

Lack of coordination among the relevant entities is not unique to Kabul, for there is tension between mayors and governors, and district governors and mayors, on how to use municipality resources. In some districts and even provinces, part of municipalities' financial resources are taken and used by governors and districts governors for entertaining at their own events. Evidence shows that the lack of coordination between police and municipalities is more visible in the Jabal Seraj Charikar district of Parwan province, which leads to the loss of municipality revenue. Additionally, the police were not able to arrest those individuals and entities that refused to pay the municipality tax.

### **5.3. Responsiveness of municipalities' organizational structure compared to their workload**

Structural inflation is prevalent in Afghanistan's major municipalities. In offices, usually multiple employees carry out a task which could be accomplished with minimal effort by just one employee. This shortcoming was mostly observed in cities such as Herat, Kabul, Mazar-e-Sharif and Kandahar. However, it can also be the case that in certain municipalities of lesser-populated provinces and in some districts, there has been structural contraction, where there are too few workers. For example, in the Municipality of Charikar in Parwan Province, district directors work with a manager and no extra staff.

### **5.4. Reform in municipalities<sup>3</sup>**

The GDMA, human resources department of IDLG, Independent Administrative Reform and Civil Service Commission (IARCSC), offices of provinces and districts, and presidential office are the entities which are somehow involved in the process of recruiting municipality staff and their management.

During the past 14 years, as a consequence of sharing the spoils of municipality hiring privileges among high-ranking government officials, municipalities have been subject to political interference and administrative challenges. Interviewees and experts cite many factors, such as the exclusion of municipalities from the process of reform and the existence of land mafia activities, which maintain the current situation which benefits the interests of a small few. For over a decade, there has been a level of passivity by all three branches of government in relation to the reform of the municipalities. Municipality budgets are considered self-sufficient units, but they claimed otherwise, that their existing resources will not meet the needs for reform and weak mayors in these institutions give rise to the continuation of the current situation in municipalities.

Interviewees believe that reform requires developing procedures in different working areas of each entity which will lead to standard organizations, transparency and accountability in the process of their performance. A municipality is the level of government closest to the people and bringing about needed reforms should be given priority by GIROA. In the final analyze it can be said that the lack of reforms implementation in Municipalities are not logical. So, according to the interviewees, "lack of Municipalities reform is the mother of all Municipalities' challenges."

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<sup>3</sup> Refer to samples in: Annex (1) Kabul Municipality Organizational Structure Chart; Annex (2) Mazar Municipality Organizational Structure Chart Annex; and (3) Balkh District Municipality Organizational Structure Chart.

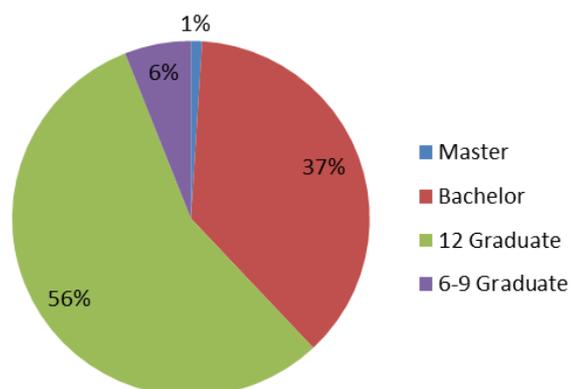
## 5.5. Employment and Recruitment practices in municipalities

Based on Article 141 of the Constitution, mayors are recruited through a democratic and transparent election process, however, based on Article 6 of the current Municipal Law, the mayor should be recruited by the President, and practically the mayors are selected by the President. Based on Presidential Decree No. 74, IDLG was established, in which the municipality is also included in the structure of IDLG. It is worth mentioning that prior to the election process; the IDLG is responsible for the recruitment of mayors at the provincial and district levels. Based on this hierarchy Kabul Municipality is directly reporting to the Administrative Office of the President, while the provincial and district level municipalities are reporting to IDLG.

Municipalities have yet to experience significant reforms. Their staff and especially mayors, continue to be hired on the basis of political or financial interest. Interviewees believe that there is no mechanism for merit in the recruitment process of appointing mayors and staff. More than 62% of the mayors have grade 12 educations or lower. Of the remaining, 37% have higher education and only 1% of mayors have earned a master's degree or higher.<sup>4</sup>

(For more on mayors' education see Figure 1.)

Figure 1: Mayors' Educational Degree



It has been observed that the educational level of municipality employees is very low, specifically in Kabul, Mazar-e-Sharif, Herat, Pul-i-Khumri and Kandahar. It is also worth noting that there are few young employees, who would typically be more familiar with modern management and office software. The VCA Team has learned that there are methods in the recruitment process which prevent the hiring of young, qualified employees. This practice excludes the younger generation from the opportunity of entry-level employment and thus the potential to bring much needed innovation to the organizations. Interviewees indicate that there is also the problem of older staff in municipalities who continue working even though they have reached their retirement age.

Lack of reform and transparency in the recruitment process results in the employment of members of the same family in many municipalities. Also, it is not atypical that staff who are paid the standard low municipal salary live far beyond their means, acquired by embezzlement and bribes in collusion with tax payers.

## 5.6. The Capacity of Municipality Employees

Interviewees believe that despite claims by IDLG of setting up capacity building programs in municipalities and several years of efforts by international institutions, the working capacity of municipalities' employees has not improved. In the first phase of USAID's RAMP UP project, programs were executed in certain provincial municipalities, but due to the lack of self-sustaining capacity in municipal offices, the project's efforts were not sufficiently utilized. Mazar-Sharif, Pul-e-Khumri and Aibak municipality officials have expressed dissatisfaction with the project and believe instead that the UN-Habitat program has been more useful to municipalities. However, this belief is based on the observation that the UN-Habitat project constructed some buildings. One concern with RAMP UP and similar projects is that high-priced consultants were provided, but at the end of the project and the departure of the consultants, the municipalities did not have the funds to pay replacements that were of the same caliber.

<sup>4</sup> This according to the list that the VCA Team received from IDLG.

The VCA Team's observations indicate that the majority of employees across municipalities have low working capacity. Some of the municipality officials believe that municipality's officers are more intelligent than those consultants who have been hired by the RAMP UP project to enhance their capacity. The analysis of VCA Team indicates that the ineffectiveness of capacity building programs in these institutions could be the inability of most staff to pick up new information, the lack of preparation or previous education, and the reluctance to adopt any new administrative or management system.

Consequently, the situation of municipalities in terms of human resources is extremely worrying and change is necessary. This requires a strong will along with the necessary measures for fundamental reform. The staffs' resistance to administrative reforms in order to defend their positions is not the only challenge – low salaries, political interference, conflicts of interest, and interference by land mafias all place obstacles in the way of reform.

## **6. De facto Practices of the Process<sup>5</sup>**

Although the revenue collection procedures differ depending on the source of revenue, they are also different in terms of municipality structure and organization. The process of revenue collection in district municipalities (capitals of second and third grade provinces) is easier and generally requires one or two people, compared to the municipalities of large cities (Kabul, Mazar-e Sharif and Herat) where the process is complicated and time consuming.

### **6.1. Bureaucracy**

By definition, bureaucracy is the creation of excessively complicated administrative procedures, and it is one of the most common practices in Afghanistan, including in the offices of municipalities. Most interviewees criticize municipal officials without exception for their complicity in creating bureaucracy. But the VCA Team's observations indicate that bureaucracy differed in municipalities and is most egregious in major cities, particularly Kabul, Herat and Mazar-e-Sharif. According to experts, bureaucracy stems from three factors: 1) the old system is not responsive, therefore, in order to get rid of their responsibilities, officials try to share duties among several persons by requiring signatures and easing the burden of tasks; 2) auditors, regulators, prosecutors and administrative staff are accustomed to destructive bureaucracy in the process of service delivery and many will extend the process by citing every rule and regulation and taking as much time as possible; and 3) opportunities for introducing innovation, particularly for lower-level staff in the administrative system, are extremely limited, and thus the only experience learned is that of the current traditional bureaucracy.

According to municipality experts, resistance by officials to the process of administrative reform is due to the existing bureaucracy, mostly resulting from their own efforts to pave the way for bribery and the misappropriation of revenues.

### **6.2. Office equipment in municipalities**

One of the observations of the VCA Team during visits to municipalities is that municipality offices are outdated. Most are not equipped with modern business equipment, including computers and software. Even though the international community has equipped some municipalities with photocopiers, printers and computers, there is an erratic power supply during working hours, and a lack of familiarity with computers and technology. Unfortunately, there is a low level of interest in

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<sup>5</sup> Refer to Annex (4) Municipalities Revenue Collection Report (2014); Annex (5) Kabul Municipality Revenue Collection Report year (2014-2015).

actually using the new equipment and in many instances; computers are only used to write letters. Experts believe that without fundamental reforms in legislation, organizational structures, employment practices, human resource capacity building, and office equipment, there is no hope for a better public service or for improving municipalities' revenue management.

### 6.3. Major sources of revenues for municipalities

As mentioned in the introduction section of this VCA report, the focus is on five important sources of municipality revenues and each one is reviewed in detail below.

#### 6.3.1. Municipality Tax for Cleaning Services (Safae):

According to Article 4 of the Regulation of Safae, there are four kinds of municipality tax:

1. For residential houses, the tax is 0.3% of the total value of the property
2. For government buildings, the tax is 0.6% of the total value of the building
3. For manufacturing and industrial buildings, the tax is 1% of the total value of the building
4. For commercial buildings, the tax is 0.75% of the total value of the building

According to this regulation, all citizens are required to obtain a cleaning (Safae) manual.

##### 6.3.1.1. The process of obtaining a municipality cleaning tax (Safae) payment book

The municipality tax procedures manual adopted is different from municipality to municipality. The basic process of obtaining a municipality cleaning tax manual is as follows:

Step	Explanations
<b>Application</b>	In order to obtain a manual, applicants submit their application to the department in their relevant district, and then the application is referred to the relevant office.
<b>Compare property with registry book</b>	The Property Directorate checks the applicant's documents, and then provides information concerning the registration of the property. If the property is registered and documents are valid then the documents are referred to the Engineering Directorate.
<b>Form the assessment team</b>	The Engineering Directorate forms a team including the Assessment Directorate and Safae Directorate in order to assess the applicant's property value.
<b>Property assessment</b>	The designated team, together with the claimant, goes to the property and assesses the value of the house. <sup>6</sup>
<b>Bank tariff</b>	Once the property value is determined, the applicant is given a bank tariff, which they then pay at the bank.
<b>Obtaining manual</b>	Once the applicant submits a bank receipt for the tariff to the relevant district, the municipality tax (Safae) payment book is given to him in exchange for AFN 20.

The procedure set forth in the table above lists only the key steps in the process of obtaining a Safae manual, though there may be more or fewer steps depending on the municipality. In any case, the multitude of steps provides an opportunity whereby landowners are forced to pay bribes.

<sup>6</sup> Property Price Fixing table: Municipality Tax Regulation, Article 14.

#### **6.3.1.1.1. Vulnerability to corruption of some steps**

Interviewees confirm that in most cities, especially in Kabul, the more steps in a bureaucratic process, the more opportunity for corruption. The vulnerability to corruption can be minimal in some steps, and significant in others. For example, staff of the Property Directorate, on the pretext that there is a requirement for an applicant's deed to be compared to the documents in their archive, delays the processing of the application. But then the staff can suggest a bribe be given and once this is paid by the applicant, suddenly the comparability requirement is no longer necessary and the process is truncated.

According to interviewees, the most important point which is vulnerable to corruption is sending the assessment Team to the area to visit the property. In an attempt to encourage people to pay bribes, the Team will write a Safaee amount in accordance with the law and then in collusion with the applicant and after a bribe is paid, the Safaee is reduced. This not only deprives the municipality of revenue, but it is also a crime involving two parties. The evidence of this is common in all municipalities, but especially in Herat and Kabul.

Municipality experts believe that to reduce corruption and prevent interference of the Price Estimation Committee it is necessary that all residential homes, commercial properties, industries and governmental properties should be registered in the database. When an owner sells his property, or a property owner gets the cleaning payment book, the municipality should determine his tax by referring to the database without sending the delegation for a price estimation of the property.

#### **6.3.1.1.2. Lack of uniformity in performance**

Interviewees claim and studies by the VCA Team show that the bureaucratic steps are not the same in all areas. For instance, in Herat, the assessment Team is comprised of representatives of the Municipality Attorney's Office, Engineering Directorate, and Safaee Directorate. While in Kabul, there is no representative from the Attorney's Office as a member of the Team. Municipality experts believe that an attorney can cover legal issues and in the case of a conflict between a municipality and a property owner, they could provide a potential resolution. However, the participation of an attorney could give rise to a conflict of interest. According to the law, there is no place for an attorney as a member of the assessment Team, and it is totally out of the scope of an attorney's normal work. Interviewees stated that the only justification for the participation of an attorney is to provide yet another participant to solicit bribes.

#### **6.3.1.2. Municipalities' passive approach towards Safaee payment book distribution**

A passive approach means that unless the taxpayers themselves initiate the registration of their property or home, nothing gets done. As has been explained, there are various options for the municipalities: they can take no action at all, require bribes in order to register the property, or in some cases the municipality can even rebuff the taxpayer, refusing to process any registration or payment. Such practices are not particular to municipalities; it is noticeable in most agencies that are responsible for collecting revenue, registration or licensing. For example, in Kabul, a large portion of residential homes, due to the fact they are located in unplanned townships, have not yet been registered with municipalities and lack Safaee payment book. In other words, the owners of these homes do not have any obligation to pay Safaee and municipalities have not taken any action.

This passive approach has resulted in the non-collection of Safaee from most unregistered and non-planned areas and townships, with the average loss of about 41% of all homes in Kabul. If this is true, then it means that approximately 59% of Kabul Municipality revenue, in terms of Safaee, has not been collected for the past decade.

Municipality experts see the factors behind municipalities' passive approach pertaining to collecting revenue being incompetence and the lack of initiative. In the past 10 years, the mayors in Afghanistan have lacked innovation, and thus have squandered opportunities for creating robust revenues necessary for improvements and self-sufficiency. The provision of services in all cities is now at its lowest level, since any real efforts made by municipal authorities in the past decade are mostly focused on collecting just enough revenue to cover their basic administrative expenditures.

#### **6.3.1.3. Organizations failure to pay taxes**

Government departments are required to pay municipal taxes. However, both interviews and the review of documents show that government departments do not pay certain municipality taxes and this lingering tax liability is merely transferred from one year to the next. This issue is most prevalent in the large Afghan cities, particularly Herat, Kabul, Mazar-e-Sharif and Maimana.

According to a table provided by the GDMA of IDLG, the total outstanding debt of government departments due to non-payment of the municipal tax and other services in provinces amounts to AFN 502,431,459. Among the government entities which have not paid their municipality tax are the following: Agriculture Department of Faryab; Baghlan Military Court; Department of High Office of Oversight and Anti-Corruption (HOO) in the city of Mazar-e Sharif; Logar Provincial Court; the National Directorate of Security (NDS) in Mazar-e-Sharif; the Herat Education Department (the municipality tax for several schools); and the Appeal Prosecution Office in Sharana City in Paktika Province.

#### **6.3.1.4. Evasion of some of the property owners from paying Safae taxes**

Interviews conducted by the VCA Team revealed that some land owners use their residential houses for commercial purposes, and in some urban areas such as Herat and Kabul, the residential houses are rented by industrial enterprises. The commercial or industrial entities should pay more municipality tax while homeowners should pay less. Unfortunately, in many cities, the proper rate of municipal tax is not collected from the majority of these houses. For example, in the cities of Faizabad, Aibak, Pul-e-Khumri, and Kandahar, evidence of such exemptions is most noticeable. The municipality's failure to identify and record these houses, their lack of standard mechanisms to register properties with municipalities, the existence of non-planned properties and persuading municipality employees by paying them bribes are the factors that create this anomaly.

### **6.3.2. Procedure for selling/renting municipal properties**

One of the important sources of municipality revenue is from leasing or renting out properties. In Afghanistan, almost all municipalities own real estate such as shops, markets, parks, or vacant land. Proper and standard management of municipality's properties, and transparency in the process of leasing them out would significantly increase the revenue of municipalities. The Kabul Municipality has received AFN 238,311,737 from real estate leases in 2014.

#### **6.3.2.1. Selling of immovable properties**

Interviewees and the observation of the VCA Team show that in some provinces, including Herat, Kandahar, Baghlan and Nangarhar, mayors sold a significant amount of land, at a very reasonable price, in exchange for a bribe. This is not the only source of revenue for powerful mayors; they misuse all revenue sources of the municipalities. Some of the interviewees in Pul-e-Khumri city shared their concern regarding the illegal selling of government land with the assessment Team, and the Director of Agriculture in Pul-e-Khumri city accepted those allegations and also mentioned that the municipality of Pul-e-Khumri city distributed 1,000 jeribs of land without considering the legal

steps. It is not the only case of illegal selling of land by mayors, there are many such cases across the country.

### 6.3.2.2. Procedure for renting or leasing municipal properties

The municipalities' leasing process is mostly similar all over the country. The following steps are required for leasing a property in Kabul Municipality:

Step	Description of Steps
Bid Announcement	The details of the real estate and legal requirements of the applicants mention in the announcement. The announcement is published in print, and broadcast on radio and television.
Collecting Offers	The applicants submit their offers to the respected authority, who then records all offers.
Opening Offers	The sealed offers are opened in the presence of the applicants.
Vetting Offers	A vetting committee assesses each offer to ensure it qualifies, considering all conditions mentioned in the bid announcement. The results are then submitted to the officer in charge (governor, mayor, or local administration director).
Approval of Contract	After reviewing the vetting committee report, if the officer in charge is satisfied that the process followed all conditions, then the winning offer is approved.
Signing the Contract	If the winning offer is not rejected, the contract is signed.

Mentioned above are the major steps of the process. However, in practice each step consists of many more steps and signatures –the opposite of Afghanistan procurement procedures. Most often this process can go on for a year, where the bidding occurs many times and the winning offers do not get approved for various reasons. One of the challenges is the absence of updated laws in relation to property sales practices. However, the regulation of the distribution and sales of residential and commercial land, dates back 40 years to the time of the Communist regime. These legal documents are not responsive to the current standards and increase opportunities of corruption.

### 6.3.2.3. Bypassing Article 8 of lease amount specification regulation

Based on this Article a tenant on a municipal property is prohibited from subletting the property to someone else, or dividing the property into new leases. In Kabul, Mazar-e-Sharif, and Herat, this is the practice of many tenants who have gained extra income by renting out all or portions of their shops to others, with no revenue going to the municipality.

### 6.3.2.4. Improper Interpretation of Article 10 of lease amount specification regulation

This Article states: “If the municipality wants to rent its property again after the contract period is completed, the initial tenant has the priority.” Municipality officials interpret this Article as “the tenant has the right to stay in the rental property as long as the municipality is renting it,” while this Article is actually giving priority to the initial tenant over other bidders.

### **6.3.2.5. The difference between municipality and private property rental rates**

Some instances have been observed in Kabul, Herat, Mazar-e-Sharif and Pul-e-Khumri, where there is a difference between the rental rates; mostly the municipality rents are lower than the private sector. The VCA Team assessment of some shops of Kabul, Mazar-e-Sharif, Herat and Pul-e-Khumri municipalities shows that the rents of these shops are 3-5 times lower than adjacent private shops.

### **6.3.2.6. Partnership with the private sector**

Public-private partnerships (PPPs) can have a significant role in the development of cities if certain requirements are met, including having a specific law covering the partnership of municipalities with the private sector.

Most of the interviewees believe that due to over a decade of insecurity in Afghanistan, the government has been unable to update the relevant legislative documents, especially the Municipal Law. Every municipality is using its own methods for individual PPPs, and on its face this could be seen as positive, but this could also be an opening for corruption. The VCA Team visited both Aibak and Mazar-e-Sharif Municipalities and conducted an assessment regarding the PPP contracts of both municipalities. There were differences in the working methods of the two municipalities. The municipality of Mazar-e-Sharif believes that their PPP method has been the most successful experience of the municipality, and they have shared their experienced PPP method with some the municipalities in Balkh province districts and bordering provinces.

The municipality experts interviewed believes that in some areas PPPs have led to corruption by allowing municipalities to be taken advantage of. As an example, interviewees suggest that the underground markets that have sprung up around the Blue Mosque (Rawza-e-Mubarak), often benefit a specific circle and proper transparency has not been practiced in the bidding process. This is not the only example of these questionable practices; the same allegations are made by the residents of Herat, Kandahar, Kabul and other province.

In the Mazar-e-Sharif Municipality, the 114 shops in the dry fruit market and two large warehouses are the property of the municipality, which has been renovated by the private sector. The municipality has leased the market to the private sector for a specific time to recoup their expenses from 50% of the shops' leases, and then the market will be turned over to the municipality. Two other markets in Mazar-e-Sharif which have been constructed on municipal land have agreements with the municipality to receive the annual rents for 16 and 30 years until the private sector pays for their expenses, at which time they will turn over the buildings to the municipality.

Additionally, the market warehouses in four zones of Kabul Municipality were contracted to the Shaba Construction Company on December 31, 2003, each with an average price of AFN 11,267,194. There are 15 market warehouses of different sizes and prices which will be constructed based on Kabul Municipality's approved plan. In all four zone markets a total of 60 warehouses will be constructed. So the total price of the project will increase to AFN 676,031,640. Based on Article 8 of the conditions letter, 20% of the total revenue of the markets will go to the Shaba Construction Company and 80% of the revenue will be going to the municipality account.<sup>7</sup> This will continue until the Shaba Construction Company recoups its total expenses. This contract was ended and based on the Council of Ministers' resolution of March 7, 2013, and the municipality could not extend the contract.

Interviews with national goods-suppliers and observations by the VCA Team show that the warehouses have not been built in accordance with the specified prices and the quality of construction is not fulfilling the requirements of the conditions stated in the contract. In spite of this, the Shaba Construction Company has used the Tahjaye revenue. Additionally, due to the lack of required services in these warehouses, the suppliers are not using them. Therefore, Kabul

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<sup>7</sup> The signed contract signed document for Storage and Hangars construction in markets at four zones of Kabul city between Kabul Municipality and Shaba Construction Company, December 31, 2003.

Municipality has not seen the significant amount of Tahjaye revenues that was supposed to flow to it through these warehouses, due to them being left vacant and not being used properly.

Usually when the private sector wants to build a residential town in partnership with a municipality on the property of the municipality, the private sector is obligated to give 16% of the built apartments to the municipality. We can see many examples of these kinds of partnerships in cities throughout Afghanistan amongst the private sector and municipalities like Shahrak Aria.

But there is a big difference among the percentages in the partnerships of municipalities. For example, the National Union of Afghanistan Workers and Employees signed a contract with Kohi Alburz Construction Company to build a residential town in Tapa Maranjan. Those two entities agreed that this construction company would build the town on the property of the Union and give 40% of the built apartments to the Union. This shows the corruption in the signing of contracts of municipalities with private sector entities.

### **6.3.3. Municipality Charges for Transportation of Goods into the City (Tahjaye)**

Tahjaye, or the tax on the transportation of goods into a city, is another source of revenue for municipalities. This applies to transporting goods on the city streets, which are considered city property. The basis for the tax is the City Services Tax Law, which states: "Monetary amount that is being taken from real or legal persons for doing business on the municipalities properties."<sup>8</sup> This tax has also been amended by a Council of Ministers Resolution.<sup>9</sup> Based on this amendment, any trading activity being done on municipality property, especially in markets, city entrances and exit gates are subject to Tahjaye.

In Kabul Municipality, a private company was responsible for collecting Tahjaye until 2012, and after the subtraction of the administrative fees charged by the private company a total of AFN 599,451,937 was collected. But in 2014, Kabul Municipality had this responsibility itself and collected only around AFN 510,039,678, which shows a reduction of almost AFN 89 million. The lower yearly proceeds in 2014 shows the possibility of corruption in the process of collecting Tahjaye. In other big cities, significant deductions in collecting Tahjaye have been observed as well.

#### **6.3.3.1. Methods of collecting Municipality charges for Tahjaye**

The amount of Tahjaye for municipalities is based on the City Services Tax Law. This law was amended by a Council of Ministers resolution (dated May 25, 2014). Based on this resolution, a specific amount is being taken for different types of goods.

Three years ago, Kabul, Mazar-e-Sharif and some other municipality gates were contractually leased to the private sector. But then, a resolution of the Council of Ministers (dated February 25, 2013) revoked this contract, and the responsibility of collecting Tahjaye now is with the municipalities. Some of the municipalities do not have a Tashkil for this purpose and are instead using employees from other sections of the municipal government. This was pointed out in VCA Team interviews in the Mazar-e-Sharif Municipality.

Specifically, the practice is that the municipality assigns one or two of their employees to the city gates and they take Tahjaye for commercial packages as they enter the city. In some municipalities this money is being taken in markets from the owners of commercial goods. Municipalities face challenges in this regard, and some of the interviewees, especially the businessmen, see potential for improvement through privatization. The lack of a standard system for collecting this tax has paved the way for corruption for the officials assigned to this section. The interviewees add that

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<sup>8</sup> Paragraph 8, Article 3 of the City Services Tax Law, sequence number 1377,794

<sup>9</sup> Council of Ministers Resolution regarding amendment of annex 2 of the City Services Tax Law (Tahjaye tax), May 25, 2014

most often the officers record both a value and volume of the goods which is less than the real volume and value, and the collusion with the drivers puts extra money in their pockets.

In some areas, especially in the gates of Kabul, Kabul Municipality employees make the businessmen unload their good in markets and then send the goods to other places after paying the tax.

The observation of the VCA Team indicates that in Herat Province the municipality Team, in collusion with the drivers who carry goods, records the weight less than the actual weight and distributes the money amongst each other. There is no doubt that this obligation is a serious problem for the businessmen and makes them pay bribes to the officials to avoid unloading their goods. To prevent this kinds of collusion, the municipality should establish a system which prevents the direct contact of the client with the municipality employees.

#### **6.3.4. Revenue from Construction Permits (CP)**

Issuance of permits in general, and specifically construction permits, is another important source of revenue for municipalities. According to the Layeha (the legally adopted table of fees), engineers' fee and any building constructed, renovated or exceeding original plans are to receive construction permit in commercials, skyscrapers, and few floored houses. But it seems that many residential and commercial buildings have been built in Kabul without a permit. One of the reasons that building owners did not obtain construction permits in 2010, was the long delays in the permit process and demands of bribe payments by Kabul Municipality officials.<sup>10</sup> The revenue generated from this source in 2014, was AFN 23,298,005.

Based on the claims of Kabul Municipality, the simplification of this process is ongoing, and currently, after registering their application, an applicant can expect to receive his/her license in around 1-3 days if he/she accept the typical design from KM, and if the design is submitted by the applicant, it might take about 26 days to get the CP, and CP for high raise buildings vary from 10 months to two years. It is obvious that if the process for construction permits is standardized, the revenue generated by municipalities will increase up to 50% due to issuing more permits. However, the simplification process has taken more than five years and is an issue of concern for most of the interviewees.

#### **6.3.5. Municipality Revenue from Trades Licenses**

Based on paragraph 38 of Article 16 of the Municipalities Law, all trades in a municipality are obliged to obtain licenses. The licensing process was assessed by the HOO in 2010, and at that time required around 86 steps and from one to three weeks to obtain a license from the Markets Arrangement Department.<sup>11</sup> Currently, Kabul Municipality is issuing licenses for more than 200 types of trades, and in 2014, had received AFN 84,104,538 from the issuance of licenses.

Based on resolution 1125 of the Council of Ministers (dated October 27, 2014), the license fees table was amended and based on that more than 100% fee increase was applied. Mazar-e-Sharif Municipality concerned in this regard because it is hard to get the trades to pay this premium. Interviewees believe that the increase in the license fees is unfair and not justified. The interviewees suggest that the Afghan Government have another look at this resolution and revise the fees for trade licenses in order to prevent damage to the municipalities and to ensure a stable licensing process.

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<sup>10</sup> For more information refer to the Annex of "HOO Analytical Report on Issuance of Construction Licenses in Kabul Municipality"

<sup>11</sup> The details of document processing to receive activity permits can be found in the report "HOO Analytical Report on Issuance of Construction Licenses in Kabul Municipality"

There is no doubt that with good leadership of this revenue section two issues can be improved: 1) The revenue of municipalities, especially Kabul Municipality, will increase; 2) Services provided by trades in the city will be more responsible and all trades will fall under the municipality authority.

The assessment shows that the main cause of widespread corruption in this section is the direct contact of beneficiaries with municipality employees, and the best way to address this problem is to establish a system which cuts off the direct relationship between beneficiaries and staff.

#### **6.4. Monitoring Revenue Collection and Expenditures in Municipalities**

Based on the findings of the VCA Team and the statements of interviewees, municipalities in general lack a standard monitoring of their program implementation, including the management of the markets and city. This leads to revenue being embezzled or not collected.

In big cities, widespread irregularities in the markets and shops, the lack of trash removal, especially in Kabul, and the low quality of road construction are clear examples of the lack of monitoring in the municipalities.

A lack of monitoring in all the activities of municipalities has caused decreased budgets due to a lack of revenues, and also paved the way for financial and administrative corruption.

Interviewees believe that the lack of monitoring of city project implementation and market locations, especially in the capital, has caused delays in the implementation processes of projects and significant traffic problems for citizens.

### **7. Conclusion and Recommendations**

Looking at the widespread corruption vulnerabilities in municipalities, it is apparent that in the last 14 years substantial amounts of municipal revenue sources were lost, embezzled, or not collected on an annual basis. Based on VCA Team interviews, the ineffectiveness of municipalities to deliver basic services has resulted that 70% of the people have lost trust on municipalities. According to the interviewees, if required reforms are implemented in the municipalities to address the vulnerabilities identified in revenue collection, municipalities will be able to collect three times the revenues than presently, and with better management of expenditures municipalities can provide required services to their residents. This assessment shows that widespread reforms are required in all aspects of municipalities, including updated laws and regulations, work and administrative tools, capable human resources and most importantly, the establishment of transparent revenue collection mechanisms.

#### **7.1. Recommendations**

	<b>Priority based on urgency of the issue:</b>	
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	First priority	Second priority	Third priority
	Indicator	Recommendation	Base Line
1	The new law of municipalities is drafted and enacted in accordance with the provisions of the constitution.	The IDLG, in consultation with Kabul Municipality to draft the new municipality law and the private sector partnership with the municipality to be added in the new law in a separate chapter.	The current Municipality Law approved and enacted in 2000, is not applicable to today's demands and is not in line with the Constitution. The joint projects between the municipalities and the private sector have been contracted involving personal interests rather than considering transparent criteria's. The Government started to work on new draft of Municipality Law.
2	The Urban Services Law is revised and amended according to the provisions of the Constitution and new urbanization demands.	The IDLG in consultation with Kabul Municipality to reform the Urban Services Law.	The Urban Services Law was ratified in 2000, and some of its components are no longer applicable due to changes brought by the Council of Ministers' Resolutions and Presidential Orders.
3	The trade guild revenue license is revised.	The IDLG, in coordination with Kabul Municipality, reform the trade guild revenue license in a way that the charges are realistic and fair.	The high fee set for the trade guild license by the Council of Ministers' Resolution has discouraged some of the traders to renew their licenses and this negatively impacts on municipality revenues.
4	The overlapping responsibilities between the Kabul Municipality and the Ministry of Urban Development Affairs (MoUDA) are addressed.	Kabul Municipality and the MoUDA to address their overlapping responsibilities in regard to licensing of town/buildings construction.	Due to overlapping responsibilities between Kabul Municipality and MoUDA on licensing of town/buildings construction, the majority of the buildings constructed under registration of MoUDA licensing, is not approved by the Kabul Municipality.
5	Coordination between the Ministry of Interior and municipalities is in place.	Agreement to be signed between the MOI, Kabul Municipality and IDLG to effectively implement municipality policies and plans.	Weak coordination between the security entities and municipalities, especially Kabul Municipality, led to an ineffective implementation of the provisions of laws by municipalities.
6	Organizational	1. The IDLG reform, review and	Organizational structure of

	structure in municipalities reformed.	update the organizational structures of Kabul Municipality according to the today's urbanization demands. 2. The Kabul Municipality reform, review and update its organizational structure according to the Kabul urbanization demands.	municipalities in Kabul, Mazar and Herat is inflated and overstaffed while in other municipalities, such as Charikar Municipality, is limited.
7	Municipality elections conducted	According to the constitution, Independent Election Commission to organize election for choosing mayors	Municipality election has not been conducted
8	The working procedures of municipalities are reformed and unified	Kabul Municipality and IDLG to reform and unify all working procedures of licensing for construction companies, trade guild licenses, issuance of cleaning books and private partnership with municipalities and implement them in all municipalities equally.	Municipality working procedures are not unified. For instance, issuance of cleaning book, market licensing and apartment construction licensing, and private-municipality partnership differ in each province.
9	Services are provided via single source system. (one-stop shop)	Kabul Municipality to activate and provide services via single source system. (one-stop shop)	Currently the citizens of Kabul Municipality are dissatisfied with the bureaucratic process and confused about which offices provide services.

10	The bidding procedures for municipality properties are drafted and enacted.	The IDLG in coordination with Kabul Municipality design and enforce bidding procedures for rent, lease, purchase and private partnership for municipality properties to ensure transparency.	Rent, lease and purchase of the municipality properties is cheaper than the private properties and this reduces municipality revenue and paves the way for corruption.
11	The planned/ unplanned residential buildings and houses in the cities are registered online and the cleaning books are distributed to all of them.	Kabul Municipality, in coordination with IDLG, provides online registration and distribute cleaning books to all planned/unplanned houses, buildings and apartments.	Municipalities (including Kabul Municipality) has no proper registration of all houses in the country. In Kabul, around 50% of the houses have no cleaning books and they do not make cleaning payments.
12	All information regarding immovable properties in municipalities is published.	IDLG to publish all details and information regarding the immovable properties of municipalities including the properties of the Kabul Municipality (including their function and usage and the revenue) on the website.	There is no information available to the public regarding immovable properties of municipalities, (especially in Kabul Municipality) and their function and usage. Thus, there is an assumption of vulnerability to corruption and misuse of those

			properties.
13	The Kabul City cleaning plan is prepared and published.	Kabul Municipality to prepare and publish annual cleaning action plan on the website.	Municipalities' cleaning activities, (especially Kabul Municipality), is not transparent and thus can be vulnerable to corruption.
14	The trade guild database is prepared and is available online.	The Kabul Municipality, together with IDLG, to establish and provide an online registration system of the trade guild licenses.	Due to weak capacity of municipalities in monitoring and organization of the markets, many trade guilds are left unregistered, and work without a licenses. This can lead to decreases in the revenues and make the system vulnerable to corruption.
15	A transparent mechanism for collecting passage (Tahjaye) and property revenue is established and is functional.	Kabul Municipality, in coordination with IDLG, to establish a transparent mechanism for collecting passage (Tahjaye) and property revenue and deposit the money directly to the municipalities' bank account.	Currently the municipality staffs at city entrance gates collect the passage revenue in a non-transparent way that can be vulnerable to collusion with traders and corruption.
16	The road pavement contracts are published for the public.	The Kabul Municipality and IDLG to publish road pavement contracts on their websites.	The road pavement projects are usually completed in a very long duration with a low quality. This creates the environment for the municipality monitoring teams to get involved in corruption.
17	An accountability mechanism to the public is established by the municipalities.	Kabul Municipality, in coordination with IDLG, design, approve and implement an accountability mechanism to the public and share it with the rest of municipalities.	There is a 70% lack of trust and dissatisfaction among citizens in regard to providing urban services by municipalities.

Resources:

1. Afghanistan Constitution 2004
2. Municipality Law 2000
3. City Proceeds Law 2014
4. Presidential Decree No. 74, dated 2007

5. Cleaning Law 2000
6. Greening Law 2000
7. Regulation of Distribution and Sale of Residential Land 2000
8. Council of Ministers Resolution regarding amendment of annex 2 of the City Services Tax Law (Tahjaye tax), dated May 25, 2014. Contract for Storage and Hangar Construction in Markets at Four Zones of Kabul City between Kabul Municipality and Shaba Construction Company, dated December 31, 2003
9. Analytical Report on “Simplifying Licensing Construction of Buildings of Phase 1” by HOO, September 2010
10. Analytical Report on “Pertaining Phases for Trade License” by HOO, 2010
11. Joint Report on “State of Afghan Cities” by Kabul Municipality, IDLG and MUD, published in 2015
12. Interviews with Central and District Departments of Municipality, General Directorate of Municipalities / Local Governance
13. Interviews with employees of Provincial Municipalities in Balkh, Herat, Parwan, Samangan, Baghlan, Kandahar, and Jabal- Sara
14. Visits to and interviews with employees at Entrance Gates and Municipality Facilities, including Parks, Shops, Business Centers and rented land in the targeted cities, and observations of the methods of collecting Municipality Tax by officials
15. Interviews and meetings with traders, shop owners and property owners in the Cities of Kabul, Mazar, Herat, Pul, Aybak, Jabal-Saraj and Kandahar
16. Interviews with residents in Kabul, Mazar, Herat, Pul, Aybak, Jabal-Saraj and Kandahar in relation to Safaee tax municipal services
17. Independent interviews with municipality experts
18. Interview with officials in ACCI
19. Interview with Civil Society organization (Kabul Servants organization)
20. Interview with officials in UN-Habitat
21. Consultation meeting with relevant entities and stakeholders

## **ANNEXES:**

ANNEX (1): Kabul Municipality Administration Structure

ANNEX (2): Balkh Province Municipality Organizational Structure

ANNEX (3): Balkh District Municipality Organizational Structure

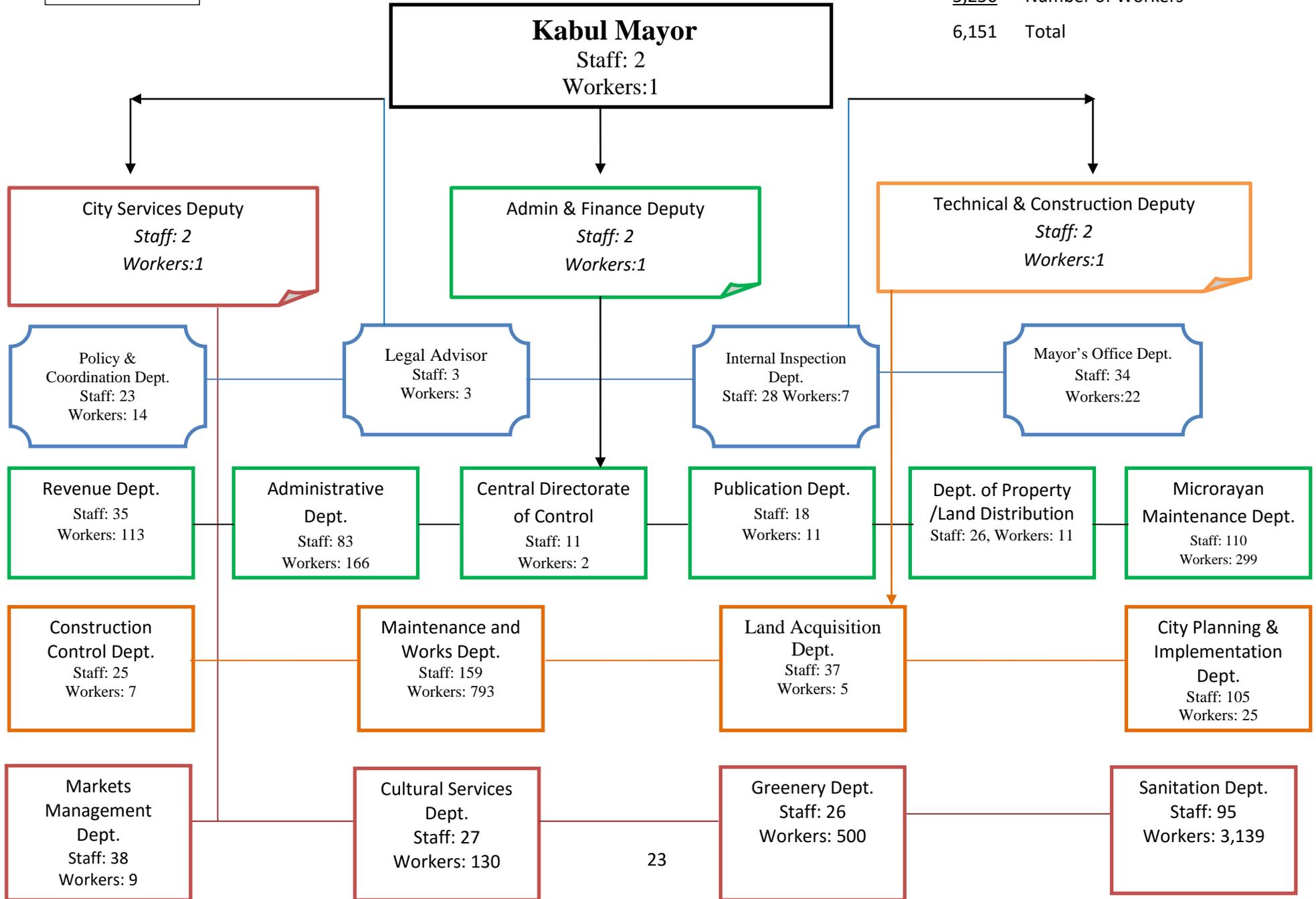
ANNEX (4): Municipalities Revenue Collection Report (2014)

ANNEX (5): Kabul Municipality Revenue Collection Report (2014-2015)

**Annex (1)**

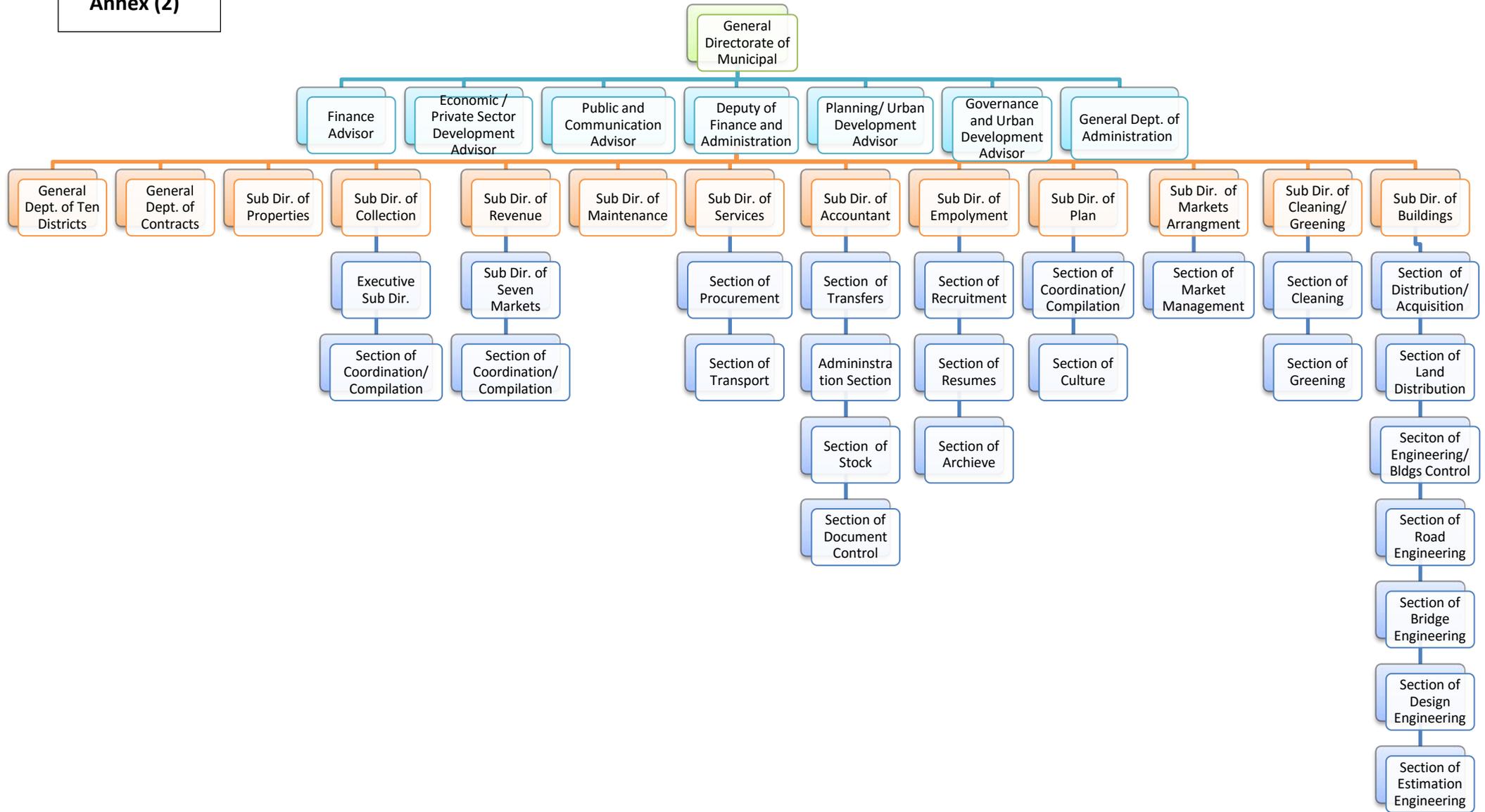
**Kabul Municipality Administration Structure**

895 Number of Staff  
 5,256 Number of Workers  
 6,151 Total



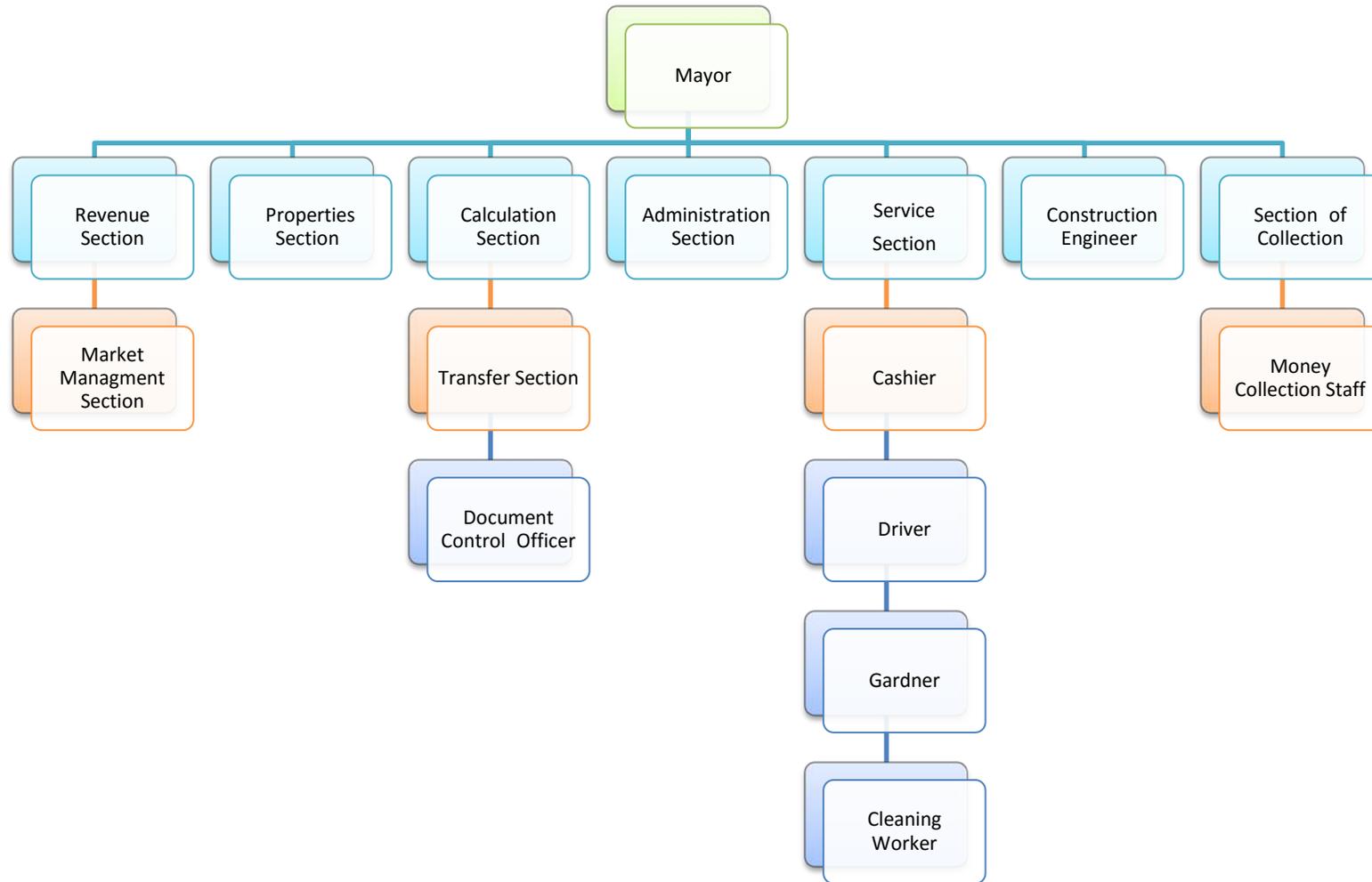
# Balkh Province Municipality Organizational Structure

Annex (2)



# Balkh District Municipality Organizational Structure

Annex (3)



## Annex (4)

## Municipalities Revenue Collection Report (2014)

S/N	Province	Estimated Revenue (in AFN)	Collected Amount (in AFN)
1	Herat	1,133,202,200	416,651,105
2	Kandahar	723,448,989	194,036,531
3	Balkh	582,648,000	350,828,780
4	Helmand	373,068,654	139,499,552
5	Nangarhar	347,450,339	203,373,205
6	Khost	263,266,035	90,161,860
7	Baghlan	179,049,234	46,495,344
8	Sare pul	158,603,639	17,082,011
9	Farah	151,388,612	146,327,848
10	Maidan Wardak	132,329,980	34,250,216
11	Ghazni	106,350,975	78,884,848
12	Samangan	86,802,677	58,575,221
13	Kunduz	86,002,008	52,617,469
14	Laghman	81,655,002	35,048,710
15	Kapisa	67,397,992	15,153,501
16	Paktika	66,935,613	12,548,753
17	Ghore	64,440,000	41,726,582
18	Takhar	50,101,680	29,243,133
19	Nimroz	46,900,000	23,703,822
20	Faryab	46,805,420	23,524,972
21	Jowzjan	36,066,275	25,581,316
22	Paktia	33,585,444	26,879,764
23	Dae kondy	32,263,000	16,038,010
24	Logar	32,058,307	19,631,445
25	Badakhshan	27,225,200	14,401,281
26	Urozgan	25,053,261	10,764,107
27	Bamyan	23,370,062	30,281,312
28	Badgis	22,788,281	12,758,731
29	Panshir	21,044,091	5,393,853
30	Parwan	21,034,167	19,717,820
31	Konar	18,128,841	18,382,714
32	Zabul	11,935,000	9,380,727
33	Noristan	781,225	
<b>Total</b>		<b>5,053,180,203</b>	<b>2,218,944,543</b>

## Annex (5) Kabul Municipality Revenue Collection Report (2014-2015)

S/N	Revenue Sources	Estimated Revenue (in AFN)	Collected Amount (in AFN)
1	Safai (cleaning ) charges	570,000,000	509,202,007
2	Business license fees	100,000,000	84,104,538
3	Arrears of Amakin (property) tax	2,500,000	2,958,737
4	Municipality property rents	245,000,000	238,311,699
5	Value scraps	2,500,000	3,282,694
6	Work permit fees	50,000	30,540
7	Billboards tax	15,000,000	16,632,556
8	Fruits and vegetable market revenue	6,200,000	6,319,387
9	Melon/watermelon market revenue	67,850,000	67,856,383
10	Cinema revenue	2,500,000	1,738,638
11	Advertisement	85000,000	82,337,664
12	Different sector violation fines	4,000,000	4,559,398
13	Kabul Zoo's income	12,500,000	12,877,499
14	Musical Band revenue	1,000,000	1,106,000
15	Hearse vehicle's income	1,000,000	1,268,000
16	Booth rental	6,000,000	6,722,466
17	Mourning halls income	1,500,000	2,298,000
18	1% title deed transfer tax	110,000,000	104,694,828
19	Residential land prices	650,000,000	320,303,263
20	Business land prices	180,000,000	103,747,021
21	Urban services fee	60,000,000	57,189,338
22	East market	325,000,000	321,721,437
23	West market	115,550,000	115,230,397
24	North market	18,000,000	16,701,876
25	South market	18,000,000	17,494,094
26	Kabul-Bagram new highway markets	40,000,000	38,891,874
27	Cattle market rent	15,800,000	15,803,345
28	Vehicle's urban services charges	485,000,000	496,078,026
29	TOWNACE	250,000	190,000
30	Business activities rental royalties	15,000,000	14,187,513
31	Sectoral violation fines	15,000,000	16,111,220
32	Map price	20,000,000	23,298,005
33	Underground rents	3,800,000	3,486,622
34	Map and sketch fees	500,000	354,275
35	Architect fee	15,000,000	14,837,930
36	Individuals	320,000,000	132,770,708
37	Blackwater tanker's income	18,500,000	18,716,343
38	City public toilet's income	4,000,000	4,045,050
39	Pollution fines (charges)	3,000,000	2,904,255
<b>Total</b>		<b>3,555,000,000</b>	<b>2,880,363,626</b>