

**FIGHTING CORRUPTION IN AFGHANISTAN**  
**A ROADMAP FOR STRATEGY AND ACTION**

(Draft for Discussion, February 16, 2007)

Informal Discussion Paper by staff of

Asian Development Bank  
UK Department for International Development  
United Nations Development Programme  
United Nations Office on Drugs and Crime  
The World Bank

# **FIGHTING CORRUPTION IN AFGHANISTAN** **A ROADMAP FOR STRATEGY AND ACTION**

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## **EXECUTIVE SUMMARY**

Corruption (defined as “the abuse of public position for private gain”) is a very important and quite likely a growing problem in Afghanistan. This paper (a joint informal product of staff of ADB, DFID, UNDP, UNODC, and WB) provides background on corruption in Afghanistan and lessons from international experience, highlights key policy issues, lays out a suggested roadmap for action, and proposes a work program – including for developing an anti-corruption strategy forming part of the Afghanistan National Development Strategy (ANDS).

Based on available indicators, Afghanistan appears to fall near the bottom internationally in terms of the seriousness of its corruption problem. The very large opium economy is widely considered to be the most important source of corruption in the country. However other illicit activities (the economy is dominated by the informal sector), as well as the unprecedented large inflows of international assistance and the pressures to spend money quickly, carry associated vulnerabilities to corruption. Other, more “normal” sources and forms of corruption, related to government roles in service delivery and regulation, appear to be increasing as state activities and capacity are being scaled up. As the political system is progressively developed, there is a serious risk of political corruption. There are important contextual issues about the definition and scope of corruption in Afghanistan, and Afghan perceptions must be taken into account in designing and implementing an effective anti-corruption strategy that is suited to the country.

Corruption has multiple and severe adverse effects on Afghanistan. In addition to the direct financial costs of corruption (higher costs of contracts and public services, loss of public funds due to theft or misuse of government facilities and assets) there are substantial costs related to time devoted to corrupt practices as well as, especially in the case of the security sector, the human costs (e.g. of threats, intimidation, victimization by security forces). Widespread corruption deters and distorts private investment. Perhaps most important, are the adverse implications of corruption, and popular perceptions of widespread corruption, for the effective functioning, credibility, and legitimacy of the state.

International experience provides useful lessons about corruption and efforts against it:

- ***Corruption is to varying degrees present in all countries***, and although progress in reducing corruption certainly is possible, expectations need to be kept somewhat modest. Time, effort, and sustained political will are required, especially in countries with weak institutions.
- ***A balanced and sequenced approach to fighting corruption, making use of different instruments, is essential.*** Prevention, detection, prosecution and sanctions, and awareness raising, as well as behavioral and perceptual changes – all are necessary. In particular, due attention needs to be given to prevention – i.e. ensuring that government institutions, systems, and processes are working well enough to minimize vulnerabilities to corruption.
- ***The institutional framework for fighting corruption needs to be sound.*** Specialized anti-corruption agencies set up by many developing countries (most industrialized countries do not have such agencies) typically fail to achieve their objectives and often become obstacles. Prospects for success can be improved by giving such agencies a focused rather than a very broad mandate, commensurate resources, strong leadership, and appropriate independence.
- ***A strategic vision is needed on how to break out of entrenched corruption, and for high-level leadership and effective coordination of anti-corruption efforts.*** Targeted, focused approaches can yield better results than ambitious and broad-based strategies lacking in implementation and staying power.

- ***The political dimension of anti-corruption cannot be ignored.*** Corruption is not only an outcome of failure of state institutions but also a means for enrichment and empowerment of political elites. Understanding the structure and networks of political and economic power is essential for designing an effective anti-corruption strategy.
- ***A focused assessment and understanding of corruption issues for individual sectors, agencies, and functions is required.*** This will provide the basis for concrete actions against corruption which while individually small can add up to significant progress in aggregate.

Although corruption is a critical issue for the stability and development of Afghanistan, a number of important building blocks against corruption have been put in place over the last five years. These include consistent public recognition of the corruption problem on the part of the Government leadership; some initial institutional measures (e.g. setting up an anti-corruption agency); establishing a legislative and institutional foundation for public administration; significantly raising fiduciary standards; taking some measures for sound management of state assets (although not yet implemented); initial efforts to put checks and balances in place (through External Audit, Parliament); an initiative to simplify government processes which is currently underway; and visible efforts to investigate and prosecute individual corruption cases (notably by the Attorney-General's office). While impressive in many respects, however, the progress made pales against the difficult challenges that Afghanistan faces in its fight against corruption.

Building on the progress achieved, taking into account lessons from international experience, and responding to key challenges, this paper proposes a roadmap for action. This should not be confused with an overall anti-corruption strategy, which can be developed only over time, based on a more thorough review and better understanding of corruption in Afghanistan and building consensus and leadership on the way forward. The proposed roadmap includes seven elements:

- ***Solidifying the Government's commitment against corruption,*** including through an action plan including meaningful yet achievable short-run actions that the Government commits itself to taking (see pp. 19-20). This will not only enable progress to occur but will also enhance the credibility of the Government's commitment against corruption
- ***Clarifying the institutional framework for anti-corruption,*** initially clarification of existing institutional mandates and responsibilities (to avoid overlaps, confusion, tensions). Later, as the anti-corruption strategy is further developed, there would need to be a thorough review and design of a suitable institutional and legal framework to implement the strategy.
- ***Understanding better the context, problems, actors, and dynamics of corruption in Afghanistan,*** so as to better inform anti-corruption strategy and policies.
- ***Assessing vulnerabilities to corruption in key sectors, agencies, and functions*** (through preparation of Vulnerabilities to Corruption Assessments – VCAs, and corruption risk mitigation plans), taking appropriate actions, and monitoring progress in anti-corruption efforts at the sector, agency, and function level.
- ***Resolutely pursuing key cross-cutting reforms:*** (i) public administration reform; (ii) judicial reform; (iii) counter-narcotics strategy (a “smart” strategy against drugs); and (iv) strengthening external accountability (through Parliament, media, civil society).
- ***Developing a national anti-corruption strategy,*** as part of the ANDS process.
- ***Fostering support from the international community around a harmonized approach, while ensuring that leadership is firmly in Government hands.***

Based on this roadmap, the paper presents a proposed work program for the Government with support from international partners, including suggested responsibilities and timelines (Table 2).

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## **I. Introduction and Historical Background**

By all indications corruption (defined as “the abuse of public position for private gain”) is a very important and quite likely a growing problem in Afghanistan. This paper provides summary background on corruption in Afghanistan and lessons from international experience, highlights some key policy issues, lays out a suggested roadmap for action, and proposes a program of work – including for development of an anti-corruption strategy which would form part of the Afghanistan National Development Strategy (ANDS) – by the Government with support of international partners. A joint informal product of staff of the Asian Development Bank, UK Department for International Development, United Nations Development Programme, United Nations Office on Drugs and Crime, and the World Bank, the paper builds on several earlier products prepared by these agencies as well as other work,<sup>1</sup> and also on productive discussions with the Government.

The rest of this section of the paper summarizes the historical background, especially the links between corruption and the state-building agenda. The next section provides an overview of corruption in Afghanistan, focusing on key problems and issues. Lessons from international experience are then summarized. After outlining achievements and challenges in Afghanistan’s fight against corruption, the paper puts forward a roadmap for action. The final section proposes a work program for the Government with support from international partners, to achieve meaningful progress in the fight against corruption while maintaining realism about the likely pace of progress and managing expectations.

Corruption is generally considered to be a symptom and outcome of weak governance, in the case of Afghanistan reflecting in large part the legacy of a quarter-century of conflict and erosion of state institutions, irregular financing of the conflict from various sources, worsening tensions among ethnic and tribal groups, and the growth of informal/illicit economic activities. Hence in the Afghan context corruption has been intimately linked with the development (and destruction) of the state (see Box 1 for a brief history). Since 2001 the burgeoning drug economy (combined with unintended adverse side effects of counter-narcotics efforts) and large inflows of aid have greatly increased opportunities for corruption, including, to some extent, through the revival of the economy (in that regulations and red tape provide scope for corrupt activities).

Corruption has multiple and severe adverse effects on Afghanistan. In addition to the direct financial costs of corruption (higher costs of contracts and public services, loss of public funds due to theft or misuse of government facilities and assets) there are substantial costs related to time devoted to corrupt practices by government officials,

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<sup>1</sup> These include, among others: “Entry Points for Anti-Corruption Measures in Afghanistan” (prepared by Karen Hussman and Donald Bowser, September 13, 2006); “Fighting Corruption in Afghanistan: Draft Concept Note” (World Bank, October 4, 2006); “Vulnerabilities to Corruption Assessments” (ADB, UNDP, World Bank, October 16, 2006); and “For the JCMB Report: Brief Overview of Issues and Bottlenecks for the Fight against Corruption” (ADB, UNDP, World Bank, October 17, 2006).

private businesses, and the public as well as, especially in the case of the security sector, the human costs (e.g. of threats, intimidation, victimization of people by security forces). Moreover, widespread corruption (or perceptions about the level of corruption in Afghanistan) deters and distorts private investment. But perhaps most important, are the adverse implications of corruption, and popular perceptions of widespread corruption, for the effective functioning, credibility, and legitimacy of the state. A particular problem in this regard is drug-related corruption, allegedly involving senior Government officials, which interacts destructively with corruption in the security sector (especially the police) and justice sector. And finally, corruption in Afghanistan, which is morally rejected on the grounds of being against the basic principles of Islam, further undermines the social fabric and erodes trust, possibly contributing to persistence or resurgence of conflict. All in all, corruption comprises one of the main obstacles to state-building and development in Afghanistan and, indeed, threatens the overall success of the ambitious program of political normalization, reconstruction, and development now underway.

### **Box 1: Brief History of State Building and Corruption in Afghanistan**

Afghanistan developed some of the trappings of a modern state during the last 120 years, starting with the reign of Abdul-Rahman Khan (1880-1901) and continuing in the reigns of Kings Amanullah (1919-1929) and Zahir Shah (1933-1973). However, the state coexisted with a strongly entrenched and tribal traditional society – which successfully resisted all efforts at wholesale modernization, and the state’s reach and power were quite limited. The Afghan state did not collect sufficient revenue to finance its activities, instead relying on external resources – subsidies (“protection payments”) from the British Empire, then aid from both the USSR and USA during the Cold War. Nor did it deliver public services to the bulk of the population. As a result Afghanistan’s social indicators were among the lowest in the world even before the recent period of conflict.

Although the veneer of a rules-based public service existed, in practice nepotism, patronage, and clientelism were widespread, and the best positions tended to be occupied by members of the royal family, with minority ethnic groups marginalized. Relationships between the public and private sectors also tended to be governed by patronage and personal connections. However, according to anecdotal observations, while petty corruption was common, large-scale corruption was rarer.

The period of the Soviet occupation (1980-1989) introduced a further veneer of central planning and centralized personnel practices, with an expanded role of the public sector in the economy, giving rise to associated opportunities for corruption. At the same time, the legitimacy of the state was severely eroded in the eyes of most of the population, a resistance movement gathered strength, and much of the countryside was not under meaningful government control.

After the withdrawal of Soviet forces in 1989 and a three-year interim period of continuing rule by the Najibullah regime, the mujahideen forces took Kabul, and there followed a decade of civil war. During the first part of this period the state apparatus was further severely eroded, and the government as well as individual ministries were contested by different factions. It should be noted that traditional forms of authority and justice were also eroded, and similarly often contested and captured by factional commanders.

The Taliban movement which began in 1994, captured Kabul in 1996, and by 2001 controlled some 90% of Afghanistan’s territory, constituted a reversion to theocratic rule. Although the Taliban brought security and order, they did nothing to revive or strengthen the state. Throughout the conflict but especially in the mid- to late 1990s, the opium economy burgeoned and became a large source of revenue for different factions including (until their production ban in 2000) the Taliban regime.

The erosion of the state, and its contestation and capture by different factions, meant that in effect the public sphere (and public positions) were appropriated (and misused) for private (including factional) gain through most of the period of conflict. Hence it is not very meaningful to try to delineate a concept of “corruption” within this nexus of state capture, state failure, and “privatization” of state functions including especially security – although power politics and factional objectives were as often involved as pecuniary gain, and were intertwined with the latter.

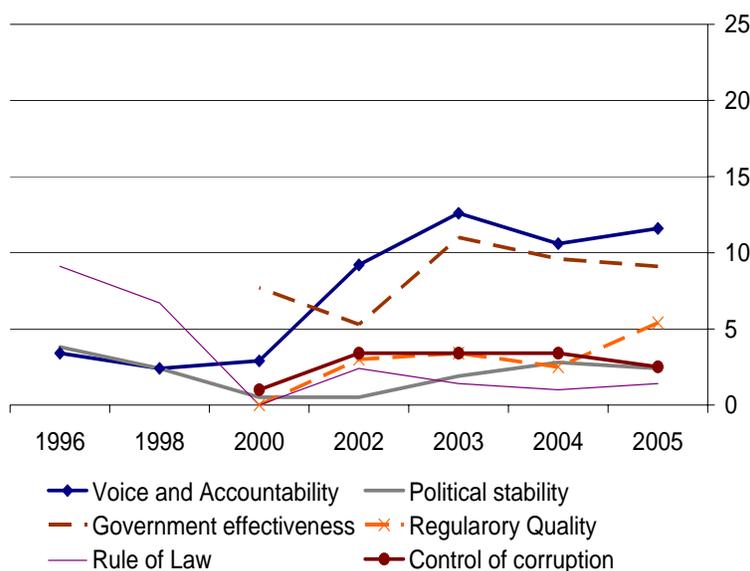
## **II. Corruption in Afghanistan**

In any country corruption by its nature raises difficult data issues. In Afghanistan the challenges in building knowledge about corruption are multiplied – by the paucity of economic and other information in general as well as the country’s recent emergence from nearly a quarter-century of conflict, worsening insecurity in parts of the country, logistical difficulties in conducting surveys, conceptual issues, etc. Nevertheless, the

standard international indicators of governance and corruption do shed some light on where Afghanistan stands at least roughly in relation to other countries. Caution is called for, however, in interpreting such indexes.<sup>2</sup>

Afghanistan’s ratings according to one of the most widely-used international indexes are shown along with recent changes in Figure 1. These governance indicators, prepared by the World Bank Institute, show Afghanistan as fairly close to the bottom among countries in terms of the seriousness of the corruption problem. For control of corruption, this indicator ranks Afghanistan in the 2<sup>nd</sup> or 3<sup>rd</sup> lowest percentile of the distribution.<sup>3</sup> According to the Corruption Perception Index of Transparency International, which is widely used but included Afghanistan only in 2005, Afghanistan ranked 117<sup>th</sup> out of 159 countries. Another indicator of the seriousness of corruption comes from the Investment Climate Assessment for Afghanistan (2005), in whose survey 53% of enterprises cited corruption as a major or severe constraint, making corruption – along with electricity, access to land, and access to finance – one of the top four constraints cited by businesses.

**Figure 1: Governance Indicators for Afghanistan (percentile)**



Source: Kaufmann D., A. Kraay, M. Mastruzzi (2006) *Governance Matters V: Governance Indicators for 1996-2005*.

More important than imperfect indicators of the absolute level of corruption are the forms, sources, and implications of corruption in Afghanistan. Based on available information, current thinking on these aspects is summarized in Annex 1. (This will be refined and elaborated as further analytical work is conducted.)

Not surprisingly, the basic **forms of corruption in Afghanistan** appear to be broadly similar to those found in other countries. These include petty corruption and bribery, extortion, outright theft of government assets, patronage (although not necessarily included in the definition of corruption – see discussion below), and corruption in

<sup>2</sup> The pitfalls in compiling and using cross-country corruption indicators are discussed in Stephen Knack (2006), “Measuring Corruption in Eastern Europe and Central Asia: A Critique of Cross-Country Indicators” (World Bank Policy Research Working Paper, 3968).

<sup>3</sup> This set of indicators also provides the “standard deviation” of the ratings, which is a statistic on the measurement uncertainty around these indicators. For example, the standard deviation for Afghanistan’s “control of corruption” rating suggests that the country could rank between the 1<sup>st</sup> and 20<sup>th</sup> percentile of the distribution.

government procurement. A useful broader distinction can be made between what is commonly called “administrative corruption” (referring to misuse of their public position by government officials for private gain) and “state capture” (referring to political elites manipulating state policies and structures, often for political as well as personal gain). Examples of the former in Afghanistan include the apparently common practice of demanding money from the public for required forms and documents; bribery in return for obtaining an electricity connection, uninterrupted power service, or under-assessment of electricity bills; theft of fuel in municipal sanitation departments, and the like. Examples of state capture include the compromising of some elements of the state apparatus by the drug industry, and distortions of government policies with respect to underground resources for the benefit of non-state actors.

The relative importance and specific modalities of corruption in Afghanistan, however, are likely to differ from patterns in other countries. For example, corruption in the security sector – which was greatly fragmented and in effect largely “privatized” during the long period of conflict – appears to be a very serious problem, whereas corruption in service delivery may have been more limited since most government service delivery (such as it was) collapsed during the conflict. As the building of the Afghan state moves forward, it can be expected that the “normal” forms of corruption that are associated with state activities in other countries will correspondingly become more common in Afghanistan. As the political system is progressively normalized, there is a serious risk that political corruption and vulnerabilities of the legislative branch to corruption will become entrenched. Indeed, it is very important to strive to reduce vulnerabilities to corruption before it gets entrenched and “institutionalized” in government activities as they scale up, and in the political system as it gets fully established.

**Sources of corruption** are somewhat specific to Afghanistan. Even those that are similar to other countries, for example corruption in the management of underground resources, which by law belong to the State, have slightly different symptoms. Indeed, the fact that some significant resources (e.g. copper, iron) have not yet been exploited on a substantial scale means that corruption is likely to be more in relation to initial contracting / leasing and outright appropriation of resources by corrupt actors inside and outside the Government, rather than in relation to diversion of royalty payments due to the state, etc.

A striking feature of Afghanistan is the enormous importance of the drug economy (accounting for close to one-third of GDP); **drug-related corruption** appears to be a dominant source of corruption in the country, and **drug-financed corruption** appears to be undermining the state and political system (through so-called “grand corruption” and “state capture”). Recent research<sup>4</sup> indicates that some government agencies particularly at the provincial and local level have been compromised by drug interests.<sup>5</sup> Thus drug-related and drug-financed corruption comprise an extremely important threat to the broader state-building agenda, which interacts destructively with corruption in the security sector (especially the police) and justice sector. Moreover, corruption in counter-narcotics efforts has inadvertently contributed to making the drug industry

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<sup>4</sup> See UNODC and the World Bank, *Afghanistan’s Drug Industry: Structure, Functioning, Dynamics, and Implications for Counter-Narcotics Policy* (2006).

<sup>5</sup> In fact these activities constitute a greater risk of corruption in the context of rebuilding a state than with a non-functioning state during conflict. For example, opium production and trade essentially comprised a legal activity during most of the Taliban period, whereas drug-related corruption burgeoned in the post-Taliban period, which was characterized by a rebuilding state and significant albeit uneven counter-narcotics efforts.

stronger (more consolidated, with fewer, powerful players with strong political connections), severely compromising parts of the Government.

Another unusual (compared to many other countries) potential source of corruption is the **unprecedentedly large inflows of international assistance**, accompanied by much pressure to spend resources quickly. In addition to development and humanitarian aid, this includes large inflows and contracts related to international military forces and their activities, as well as international and domestic security firms and aid to Afghan security forces.

Other important enabling factors for corruption in Afghanistan also tend to be found in other countries with similar histories of conflict and ethnic fragmentation. **Non-functioning institutions and severely limited capacity in the Government**, reflecting the legacy of the long period of conflict, are important enabling factors. Weak capacity and reported corruption in the justice sector, in addition to being important problems for the justice sector itself, comprise a major constraint hindering prosecution and punishment of corruption in other sectors. Fragmentation of the society during the conflict, in particular along ethnic lines, resulted in more reliance on traditional and especially conflict-generated patronage networks, with associated corruption.

Another factor that may be encouraging corruption in Afghanistan is political or other forms of uncertainty, or other factors, that result in **short time horizons** of government servants, senior officials, international community representatives (who typically have short assignment periods in Afghanistan and go through rapid turnover), and non-state actors with public power. This is common in countries facing political instability, insurgency or other forms of conflict, where there are uncertainties about what will be happening administratively (e.g. when a civil service reform is in the cards), or where security and other considerations result in short assignment periods (less than two years) for international community staff.

Some of these factors can interact with each other to further heighten the risk of corruption. For example, the combination of limited capacity in Government, pressure to spend resources quickly, and short time horizons may well disproportionately worsen the corruption situation.

Available data on perceptions and anecdotal evidence indicate that **corruption is seen to be very widespread, and most likely increasing in recent years** (from the apparently relatively low base under the Taliban regime pre-2001, reflecting among other factors more limited opportunities for corruption at that time due to small resource flows and the de-facto quasi-legal status of the opium economy).<sup>6</sup>

Irrespective of its actual incidence and level, public perceptions of widespread corruption result in disenchantment with the Government. This applies particularly to corruption faced by people in their daily lives, e.g. corruption in gaining access to and paying for water and power services; paying more than the mandated fees for licenses and certificates; paying teachers for extra school time or for grade promotions, paying doctors for extra care, etc. These perceptions (and the reality underlying them) hinder efforts to

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<sup>6</sup> Even the effectively implemented ban on opium poppy cultivation imposed by the Taliban in 2000 did not apply to trade in opium or its products.

strengthen the Government's credibility and legitimacy, and more generally the state-building agenda. Popular discontent with perceived corruption is combining with perceptions that the Government is not delivering services to the people, and that international assistance is being wasted. These considerations call for timely and meaningful actions by the Government, both against corruption directly and to reverse the deterioration in public perceptions. However, welcome pressures for action from various stakeholders including Government leaders need to be tempered by realism in expectations about what can be done, and over what timeframe.

A survey of perceptions of corruption conducted in 2006 by Integrity Watch Afghanistan found that corruption is perceived to be widespread and damaging. For example, half of the respondents in the survey indicated that they had paid bribes within the last six months, and the majority felt that corruption erodes the moral fabric of society and undermines the legitimacy of the state. Corruption is perceived to be prevalent in justice, security, customs, and municipalities, as well as service delivery agencies (health, education, electricity) Selected findings of the survey are briefly summarized in Box 2.

### **Box 2: Perceptions of Afghans about Corruption**

According to a survey conducted by Integrity Watch Afghanistan, *corruption is endemic*, with two-thirds of respondents considering corruption to be an established practice. The survey, conducted in 13 provinces in August and September 2006, focused on Afghans' perceptions about administrative corruption (bribery, obstruction, nepotism).

The *low pay of civil servants* is considered the main root cause of corruption in the public sector. The majority of respondents also indicated that they tolerate this kind of corruption. Weaknesses in the administrative system, the lack of sanctions, and a general culture of impunity are cited as the main facilitating factors for corruption.

As perceived by respondents to the survey, the most common practice of corrupt behavior of civil servants is to *delay service delivery unless a bribe is paid* (*mushkiltarashi*). A large majority of respondents indicated that 50-100% of government services commonly sought require some sort of corrupt practice. Half of the respondents indicated that they had paid bribes within the last six months. Reasons cited for paying bribes include to fast-track delivery of services (33%), the absence of relations needed to obtain services by other means than bribing (36%), and lack of access to higher authorities (21%). More than 90% of respondents believe that connections determine the recruitment of civil servants, with only 8.3% citing merit as the main factor for obtaining a government position.

The *justice sector* (41%), the *security sector* (20%), *customs* (15%), and *municipalities* (13%) were considered to be most corrupt institutions. Corruption is also perceived to be prevalent in *service delivery institutions* (health, education, electricity).

About two-thirds of respondents have seen their *families suffer financially* over the last year due to corruption, with the poor suffering disproportionately. The majority (54%) believe that corruption erodes the moral fabric of society and undermines the legitimacy and effectiveness of the state (57%). Some 65% of respondents also cited corruption as having a direct impact on their personal security.

A large majority (81%) of respondents consider that the *application of the Sharia (Islamic Law)* would be an effective tool to combat corruption, while only a quarter believe that administrative reform could reduce corruption. The *media and provincial councils* are considered important mechanisms in the fight against corruption.

*Source: Afghan Perceptions of Corruption – A Survey Across Thirteen Provinces, Integrity Watch Afghanistan, January 2007 (preliminary draft).*

Although as seen above the knowledge base about corruption in Afghanistan is improving, nevertheless there are major gaps in our understanding the **contextual issues** related to corruption in Afghanistan. For example, Government jobs are widely seen as sinecures (*wazifa*), with not much of a tradition of responsibility for service delivery, and considerable latitude to derive private benefits from such positions, as long as the level of extraction is not seen as predatory.

There are some issues around the **definition and scope of corruption in the context of Afghanistan**. First, should corruption refer only to activities that are illegal? What about activities that are widely considered acceptable by the various stakeholders but are illegal, or on the other hand activities that are not illegal but widely considered to be

corrupt? For example, there is some survey evidence that many Afghans consider small payments to expedite transactions with the government – which are clearly illegal – as justifiable (as long as payments are not unreasonable in amount), on the grounds that low-paid government officials are “poor” due to their low salaries. At the opposite end, even though all required procedures may have been followed and there is no illegality, many Afghans may resent and consider corrupt high salaries and benefits for international consultants, expatriate Afghans, NGO employees, etc.

Public perceptions may also vary sharply from legal and procedural distinctions as far as government hiring is concerned. In particular, as government jobs continue to be seen in many quarters as “rewards” of some kind and not necessarily as carrying out public service delivery and other responsibilities, what are perceived to be “fair” allocations of government jobs across ethnic and tribal groupings, even if not fully merit-based, may be acceptable to many in the public and thus not considered as corruption.

Given the weakness of the state in Afghanistan and the corresponding importance of various non-state actors, the issue of whether the term “corruption” should be applied to irregular and criminal activities between private entities (i.e. not involving government) is relevant. More generally, the dominance of the informal sector in the economy as well as in other spheres such as justice further complicates the context.

These conceptual and definitional issues are mirrored in the terminology in Afghanistan. There are a number of terms in the local language (Dari) that refer to different aspects of corruption. For example administrative corruption (*fisad-i-edari*) is distinguished from other forms of corruption (notably political and “moral” corruption). There are also several other words in Dari related to corruption, some (*bakhsheesh*—small gift, *chai*—tea money, *sifarish*—recommendation e.g. for appointments, *wasita*—relationship, *dawat*—invitation of officials, etc.) with somewhat milder but still negative connotations and others (*rishwat*—bribe, *ekhtelas*—fraud, *jazia*—extortion and as mentioned above *fisad-i-edhari*—administrative corruption, as well as *fisad-i-siasi*—political corruption and *fisad-i-akhlaqi*—moral corruption) with strong and emotive negative connotations.

Although they may not provide clear answers (and are often debated in other countries as well), such **definitional issues must be factored into thinking about anti-corruption strategy and actions in Afghanistan.** Overall, however, popular condemnation of corruption (as perceived) appears to be increasingly strong and virulent in many quarters, which needs to be kept in mind. Some traditional attitudes of acceptance may well have been eroding with wider exposure through mass media etc., and also if (as seems possible) larger and more predatory exactions have become the trend. Clearly, more understanding of the context in Afghanistan and of people’s attitudes toward different forms of corruption is needed, and to a large extent must come from Afghans themselves.

### **III. Lessons from International Experience**

Among the lessons from international experience with corruption and efforts to fight against it is that **corruption is to varying degrees present in all countries.** While the experience of some countries has demonstrated that progress against corruption is indeed possible, expectations must be kept realistic. It is impossible to completely eliminate

corruption, especially in low-income developing countries which like Afghanistan are suffering from conflict, insecurity, lack of rule of law, ethnic or other fragmentation among their populations, weak institutions, fragile states, etc. Making progress against corruption requires, among other things, much time and sustained political commitment.

A widely used framework for thinking about anti-corruption strategy is based on a minimalist approach to government, which links corruption to monopoly in some activity or its regulation, the scope for discretion on the part of government officials, and (negatively) the degree of accountability of officials.<sup>7</sup> In this regard, a framework for analyzing anti-corruption strategies would include the following main categories of actions: (i) reducing the number of transactions vulnerable to corruption; (ii) reducing the gains from corrupt transactions; (iii) increasing the probability that those who are corrupt get caught; and (iv) increasing the magnitude of penalties for corruption (see Table 1).

**Table 1: A Framework for Analyzing Anti-Corruption Strategies  
(based on influence on decision-making by potentially corrupt officials)**

<b>Reduce Number of Corrupt Transactions</b>	<b>Reduce Gains from Corrupt Transaction</b>	<b>Increase Probability of Being Caught</b>	<b>Increase Magnitude of Penalties</b>
Change bureaucratic culture / streamline services / introduce competition for service provision / decentralize	Change bureaucratic culture (results-oriented; ethics and leadership)	Change civil service rules (asset declaration; protection of whistle blowers; rules for promotion and rotation)	Change bureaucratic culture (results-oriented; ethics and leadership) / Increase disciplinary penalties
Create / raise public service standards	Raise public sector wages and reduce wage compression		
Reduce public employment / public sector size			
Liberalize financial sector / other economic reform (e.g. privatization)	Economic reform (more competitive environment)		Laws and regulations with penalties (civil service, procurement, etc.)
Increase transparency (financial management; procurement; assets) and reporting	Adjust procurement rules; scale down individual projects	Improve financial management, transparency, control framework, reporting	Popular pressure (public opinion surveys; public awareness seminars; political system; independent media)
Introduce and enforce penalties for bribers (private sector; drug traffickers)		Oversight (Parliament; external auditor; independent media; etc.)	
Reform political processes		Create anti-corruption agency / ombudsman / ethics office	
		Judicial independence, rule of law	Capable judicial system for prosecution

*Source:* “Fighting Corruption in Afghanistan: Draft Concept Note” (World Bank, October 4, 2006), based on Huther and Shah, “Anti-corruption Policies and Programs: A Framework for Evaluation” (World Bank Policy Research Working Paper No. 2501, 2000).

However, while important this framework is only a starting point, for two reasons. First, it is static rather than dynamic in its mind-set (for example, where corruption is entrenched, those involved have a strong incentive to maintain or increase the complexity of procedures and their scope for discretion – making it difficult to streamline regulations

<sup>7</sup> This is the well-known “Klitgaard formula” according to which “Corruption = Monopoly + Discretion – Accountability” (Klitgaard, “International Cooperation Against Corruption”, Finance and Development, March 1998).

and reduce the scope for discretion in the absence of other actions to reduce corruption). Moreover, where narrow, monopolistic elites have captured the state, it is unrealistic to expect the political commitment required for anti-corruption reforms. A more realistic, longer-term approach, which fully takes into account dynamic factors and how to break out of entrenched corruption, will be needed.

Second, it does not encompass all forms of corruption, in particular those related to the political system and the interactions between political and economic elites trying to maintain the status quo through state capture and / or rent seeking. The political context cannot be ignored in designing an effective anti-corruption strategy.

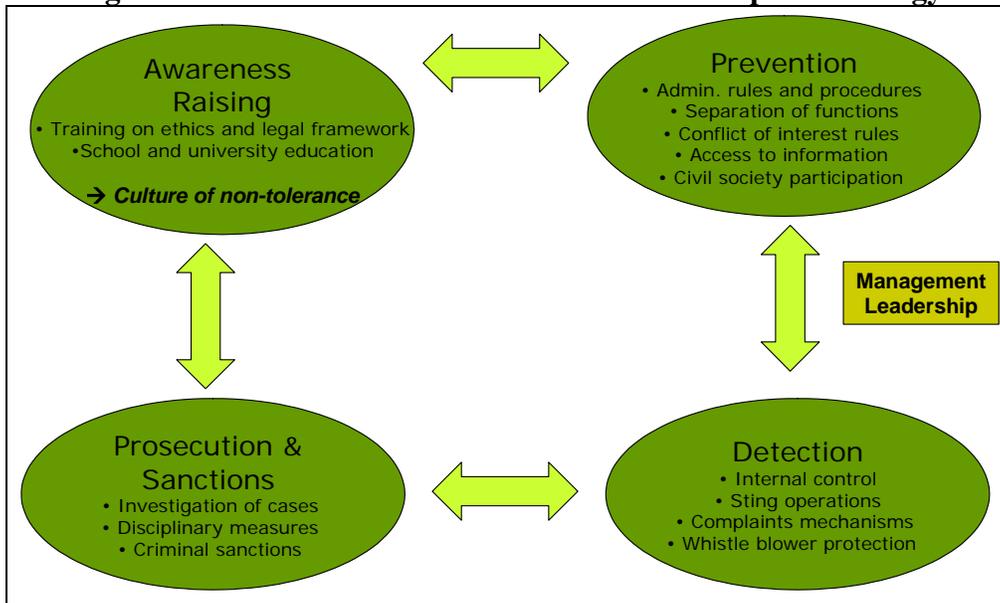
And third, it is based on the assumption that institutions in general have the capacity to implement the required reforms. This is not the case in many developing countries, however, as institutions tend to be relatively weak and already overwhelmed with modernizing and/or state-building reforms.

Another important lesson from international experience is **the need for an appropriately balanced, sequenced, and realistic approach**, making use of the different main instruments for fighting corruption. In particular, due attention needs to be given to **prevention** – i.e. ensuring that government institutions, systems, and processes are working sufficiently well to minimize associated vulnerabilities to corruption.

Anti-corruption instruments and measures can be divided into four main categories, as shown in Figure 2: prevention, detection, prosecution and sanctions, and awareness raising. Often there tends to be more focus on investigation/prosecution/punishment of corruption cases, and relative neglect of the other three categories. This may reflect in part a desire among politicians and other stakeholders for timely, visible, and seemingly decisive actions against corruption, which might be best achieved through spectacular law enforcement activities rather than through much less visible – but likely more effective and sustainable – prevention measures. However, a more balanced approach which includes all four categories, especially prevention (in particular through improving institutions and systems, with a focus on behavioral change), is required to achieve sustained progress against corruption over the medium term. In addition behavioral changes engendered by an anti-corruption strategy are critical – in particular fostering an environment in which people no longer accept or tolerate corruption, and in which citizens better understand their entitlements as well as their responsibilities vis-à-vis corruption issues. The choice of the mix and balance of anti-corruption instruments should reflect country-specific factors, requiring an adequate knowledge base.

While a minimum critical mass of actions and progress in these four categories is needed for a credible, effective, anti-corruption strategy, there is also a need for realism, particularly in more difficult situations like that faced in Afghanistan. In this context managing expectations among the various stakeholders will be important as a complement to awareness raising.

**Figure 2: Main Elements of a Holistic Anti-Corruption Strategy**



Source: “Entry Points for Anti-Corruption Measures in Afghanistan” (prepared by Karen Hussman and Donald Bowser, September 13, 2006)

Beyond near-term actions, the **institutional framework** for fighting corruption is crucial. The key to reducing corruption in any country is for institutions and systems to work – both on the prevention side (budget process, financial controls, procurement) and in terms of detection, investigation, prosecution, and punishment. Although pursuing individual cases can help by sending a signal of the Government’s commitment to fight corruption (as long as there is not perceived to be political, ethnic, or other systematic bias), institutions and systems – including at the sectoral level – will be essential for sustained progress over the medium term.

Thus core Government agencies (finance and revenue, law enforcement, prosecution, etc.) and line ministries (especially those with major service delivery, infrastructure, regulatory, or contracting functions) inevitably will be the key elements of the institutional framework for fighting corruption. However, and building on the positive experience of Hong Kong, Singapore, and a few other countries, many developing countries facing serious corruption problems have created specialized agencies to push forward the fight against corruption and signal the Government’s commitment in this regard. In fact there are now dozens of specialized anti-corruption agencies around the world, the bulk of them in developing countries. International experience with specialized anti-corruption agencies<sup>8</sup> has been decidedly mixed, however, with lack of success encountered much more frequently than success, and in some cases such agencies even becoming an obstacle in the fight against corruption, including through becoming corrupt themselves. In particular, anti-corruption agencies have not been very successful in the countries surrounding Afghanistan, as well as in many countries elsewhere.

<sup>8</sup> International experience with anti-corruption agencies, and more generally with the institutional framework for fighting corruption, is analyzed and summarized in *Institutional Arrangements to Combat Corruption: A Comparative Study* (UNDP, 2005). Also see Patrick Meagher, “Anti-Corruption Agencies: Rhetoric Versus Reality” (*The Journal of Policy Reform*, March 2005), and “Measuring ‘Success’ in Five African Anti-Corruption Commissions” (U4, May 2005).

There are important lessons for countries considering whether to establish such an agency, and in designing its structure and responsibilities. These include the need for the anti-corruption agency to focus on a relatively narrow set of responsibilities, for it to have adequate resources and capacity in relation to the designated mission, for it to have strong leadership, and for it to have meaningful authority and independence to carry out its activities. Conversely, anti-corruption agencies can fail for a variety of reasons, ranging from insufficient political will and political backing to political interference (including use of corruption allegations for political ends), unrealistic expectations, excessive reliance on enforcement as opposed to prevention, an overload of past cases, failure to win over the public, loss of morale, and more generally inadequate resources and capacity in relation to excessive responsibilities (see Box 3).

### Box 3: Why Anti-Corruption Agencies Fail

Anti-corruption agencies can fail because of:

- **Weak political will** – vested interests and other pressing concerns overwhelm the leadership
- **Lack of resources** – there is a lack of appreciation for the cost-benefits of a “clean” administration and of the fact that an effective anti-corruption agency needs proper funding;
- **Political interference** – the anti-corruption agency is not allowed to do its job independently, least of all to investigate officials at the higher and highest levels of government;
- **Fear of the consequences** – a lack of commitment and a readiness to accommodate the status quo lead to agencies losing independence, resources, or both;
- **Unrealistic expectations** – fighting systemic corruption is a long-term exercise; citizens and politicians often do not have a full understanding of the role or scope of such agencies and expect too little or too much.
- **Excessive reliance on enforcement** – the effective preventive capacities of the agencies are not adequately developed;
- **Overlooking the elimination of opportunities** – relying on enforcement after the event, while corruption levels continue unabated;
- **Inadequate laws and lack of enforcement of the legal regime** – without enforceable and effective legal regimes, an anti-corruption agency will be ineffective;
- **Being overwhelmed by the past (historical legacies)** – a new anti-corruption agency, usually small and needing to settle in, can be overwhelmed by inheriting the total backlog of unfinished business from other enforcement agencies, crippling it from day one;
- **Lack of clear processes and monitoring of outcomes** – this, combined with mandates that typically are excessively broad – can result in inability to determine whether the anti-corruption agency is doing its job and how it is performing.
- **Failure to win the involvement of the community** – lack of public awareness campaigns to create a demand for effective anti-corruption action;
- **Insufficient accountability** – if the anti-corruption agency is not itself accountable in appropriate ways, it can become a Commission for persecuting government critics;
- **Loss of morale** – as people lose confidence in the anti-corruption agency, its staff lose morale; and
- **The anti-corruption agency itself becomes corrupt.**

Unfortunately, anti-corruption agencies more often have been failures than successes (so why do we suppose it will work in Afghanistan? Let’s say why?). One suspects that anti-corruption agencies have been established in many countries with perhaps no real expectation of their ever tackling difficult cases at senior levels of government. They have been staffed and resourced accordingly. Some have done good work in attacking defects in integrity systems, but only at junior levels. However, most have had a negligible impact on tackling “grand corruption”. Even when Agencies or Commissions are well-resourced and established under model legislation, to be wholly successful they still have to rely on other institutions. If the judicial system is weak and unpredictable, then efforts to provide remedies through the courts will be problematic. So where corruption is widespread, an anti-corruption agency alone will not provide the complete answer but can be an important part of a broader national plan of action.

*Source: Adapted from "Namibia's Anti-Corruption Bill: An Anti-Corruption Commission cannot fight corruption on its own" (Jeremy Pope, Executive Director of Transparency International).*

Another important aspect of the institutional framework, since corruption is a major cross-cutting issue, is **coordinate and oversight** of the efforts of the various agencies with significant anti-corruption and regulatory responsibilities, as well as to provide overall government leadership. In many countries this is the responsibility of the specialized anti-corruption agency itself; however, given the many problems that are

frequently encountered as discussed above, this may not work very well. In particular, when there are overlapping responsibilities (e.g. for investigation of cases), competition rather than cooperation may characterize the relationships among agencies including the anti-corruption agency (which often has a junior status compared to other key actors like ministries). Thus it may be desirable to have a high-level inter-agency committee to provide overall leadership, oversight, and coordination of the anti-corruption effort. Many countries have a committee to provide oversight to the work of the anti-corruption agency, but an inter-agency committee with broader oversight and leadership responsibilities may be required. As will be discussed later in this paper, such a high-level committee may make good sense in the current difficult context of Afghanistan. It can be particularly important when developing a new strategy or a major change in policy. In addition to other benefits, effective oversight and coordination can result in better management of inter-agency relationships and rivalries.

There is also a need for a **strategic vision on how to break out of entrenched corruption**, and for high-level leadership of anti-corruption efforts. Targeted and practical approaches – including a focus on specific sectors, agencies, and functions – can yield better results than very ambitious and broad-based strategies lacking in implementation and staying power. It is critical that a country’s political leadership be seen as seriously committed to combating corruption, and that such high-level political commitment is sustained.

The **political dimension** of anti-corruption cannot be ignored. Corruption is not only a failure of state institutions but also a means for enrichment and empowerment of political elites. Understanding the structure and networks of political and economic power is essential for designing an effective anti-corruption strategy, which must include a sober assessment of the political constraints and areas of opportunity, options for mitigating political opposition, and the true degree of actual and potential political commitment behind reforms.

A more focused assessment and understanding of **corruption at the level of individual sectors, agencies, and functions** is required. International experience and process assessments can be brought to bear in the analysis of corruption in specific sectors (e.g. energy, roads, education, health) and government activities (e.g. civil service recruitment, procurement, financial controls, budgeting) as well as individual agencies. This will provide the basis for concrete actions against corruption which although individually small can add up to significant progress in aggregate.

#### **IV. Achievements and Challenges**

Although corruption remains a critical issue for the stability and development of Afghanistan, it must be recognized that a number of important building blocks against corruption have been put in place over the last five years.

*First, the Government has consistently recognized corruption as a critical issue* and has taken meaningful actions in terms of overall policies as well as some degree of institutional development. Although the Government’s commitment against corruption is sometimes questioned, it should be remembered that the word “corruption” has often

been taboo in other countries. In Afghanistan the Government has been frank and open in discussing its concerns about corruption and its commitment to fight against corruption. From President Karzai's speech at the Tokyo Conference in January 2002 to the I-ANDS prepared last year, fighting corruption has been emphasized as a critical issue. In 2004, the Government signed the United Nations Convention against Corruption (UNCAC), and a law against corruption and bribery was promulgated. In the same year the General Independent Administration for Anti-Corruption (GIAAC) was established. The Afghanistan Compact agreed between the Government and international community in January 2005 included anti-corruption benchmarks. In 2005 the Government introduced an "Accountability Week" where ministers have to defend their achievements. In 2006, a high-level Inter-Institutional Committee was formed by the President to look into administrative corruption and develop recommendations on how to fight it.

***Second, some progress has been made in the area of public administration.*** A new Civil Service Law, gazetted in 2005, establishes (i) the principle of open competition and merit for all civil service appointments; (ii) the Independent Administrative Reform and Civil Service Commission (IARCSC, including independent appointment and appeal boards); (iii) the basis for a number of regulations and procedures to be developed (including human resource regulations and appointments procedures); and (iv) the Administrative Reform Secretariat (ARS) as the focal point for public administration reform. The Independent Appointment Board has now processed 1,500 senior appointments using merit-based recruitment processes. Even though the quality of the process has been imperfect, this represents a critical mass of experience for the future.

***Third, fiduciary standards have been significantly raised.*** This is the result of a number of actions taken by the Ministry of Finance in particular. The Public Expenditure and Financial Management Law, gazetted in 2005, establishes (i) a sound budget preparation framework with comprehensive and transparent documentation; (ii) requirements for accounting and regular reporting in line with international standards; and (iii) an independent review of the annual financial statements for presentation to the National Assembly. The Procurement Law, also gazetted in 2005, establishes (i) transparent and competitive procurement procedures with contestable mechanisms based on objective and verifiable selection and award criteria, and (ii) the responsibilities of government officials involved in procurement. The internal audit function is now being reformed; moreover, since 2002 the ARTF Monitoring Agent has been playing an extensive monitoring role (akin in many respects to internal audit) vis-à-vis all recurrent expenditures in the core budget that are submitted by the Government for reimbursement by the ARTF. Fiduciary performance in this regard has been generally improving (as demonstrated, for example, by relatively low ineligibility ratios of expenditures submitted to the ARTF for reimbursement) Recently, at the request of the Ministry of Finance, the ARTF Monitoring Agent has started reviewing financial management processes (payments, controls, collection, etc.) for the core budget as a whole. And finally, an assessment conducted by the World Bank of Afghanistan's performance in public financial management, using indicators developed by the Public Expenditure and Financial Accountability (PEFA) multi-agency partnership program,<sup>9</sup> found that despite

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<sup>9</sup> See World Bank (2005), *Afghanistan: Managing Public Finances for Development*, Volume I, Chapter 2, and also, for more details, Volume II, Part 1.

numerous problems, Afghanistan's PEFA ratings are now comparable to those of other low-income developing countries, which represents a considerable achievement as compared with the low base from which the country started in 2001-2002.

*Fourth, measures have been taken for sound management of state assets.* A restructuring strategy for state-owned enterprises (SOEs) has been approved to ensure transparent management of the process of privatizing or liquidating SOEs. In the area of natural resources, modern Minerals and Hydrocarbons laws were approved in 2005, although the latter has shortcomings that need to be addressed. The Government has committed to good governance in the underground resources sector, including by: (i) adopting regulations and model contracts to implement the laws; (ii) establishing an International Advisory Council to review transactions; (iii) using the services of an international firm to build the cadastre and grant licenses; and (iv) endorsing the principles of the Extractive Industry Transparency Initiative. However, these initiatives have been slow to be implemented, and as a result increasing levels of potential national revenue probably are being siphoned to private entrepreneurs and their powerful sponsors, with no record or tax, royalty, or license payments in accordance with legal provisions.

*Fifth, some initial efforts are being made to put in place checks and balances.* Although much remains to be done, the Parliament has now been established and can hold the Executive to account. For the first time in 2006, the external auditor (the Control and Audit Office) was able to audit the Government's accounts, and its report was transmitted by the Government to the National Assembly. In the area of taxation, a system of appeals has been set up. Fiscal transparency has been enhanced by the publication of all annual budgets since 2003 and of monthly fiscal reports since 2005. Much interest in corruption issues has been expressed in Parliament, which held a workshop on corruption in November 2006.

*Sixth, simplification has been initiated to reduce scope for corruption.* The establishment of the Afghanistan Investment Support Agency (AISA) as a one-stop shop for business registration in 2003 has improved the enabling environment for the private sector, although much regulation and red tape remain, with associated risks of corruption, in other processes gone through by businesses. The tax code has also been simplified and the number of bands for import duties reduced. The Government last year initiated a simplification drive to ease the burden of regulatory processes on citizens and businesses, and thereby reduce opportunities for corruption. For example, the process of getting a driver's license has been simplified, reducing associated vulnerabilities to corruption.

*Finally, visible efforts have been made to prosecute individual corruption cases, although the results are not yet clear.* While the motivation has been laudable, the weakness of the judicial system (as well as reported corruption in the justice sector itself) have hindered prosecutions. Meaningful progress could be achieved in the near future by removing corrupt officials from their government positions.

While impressive in many respects, **the progress made pales against the difficult challenges that Afghanistan faces in its fight against corruption.** While in many areas institutional frameworks and reforms have been designed, promulgated, and in some cases put in place, implementation has often been slow or negligible. Moreover, anti-

corruption efforts have lacked a strong knowledge base and vision on how to address the problem. Some of the main challenges are summarized below.

First, a matter for serious concern is signs that **corruption in many areas may well be growing** (a hypothesis that needs to be confirmed by further analytical work), and **that it may be getting embedded** in regular day-to-day practices. Petty corruption associated with service delivery is very visible in Afghans' lives. In this context, the opportunity of the Pay and Grading reform in the civil service needs to be exploited to remove "poverty of officials" as a "moral" justification for corruption.

Another serious issue is the **combination of high expectations and widespread cynicism and doubts** about the Government's commitment against corruption. This implies the need for the Government to make credible commitments to taking meaningful yet feasible actions against corruption, and to follow through on them. But overly ambitious claims that exacerbate the problem of high expectations should be avoided as they would further weaken the Government's credibility in the fight against corruption. While efforts to investigate and prosecute individual corruption cases are commendable, the considerable publicity given to them may unduly raise expectations, inevitably leading to disappointment and loss of Government credibility later.

A critical challenge facing Afghanistan is the **drug industry**: it is certainly the largest source of corruption in monetary terms, which moreover carries serious risks of high-level corruption, state capture, and entrenchment of the drug industry and the insecurity (and weak state) which is the environment in which it thrives. Thus the success of Afghanistan's fight against corruption very much hinges on making progress against corruption associated with the drug industry.

Corruption in the **justice sector and security forces** constitutes another major challenge, closely related to the drug industry in some respects. Corruption in these parts of the state directly affect both people and their perceptions (justice and security are commonly listed among the greatest areas of corruption in surveys of perceptions of corruption), and the credibility and legitimacy of the state. At the extreme, failure to contain corruption in the administration of justice and in the security sector could contribute to the success of the insurgency in the south.

Another serious challenge is the **aid and other inflows of resources from the international community that occur outside Government channels**. It should not be assumed that these funds are somehow immune to corruption. In fact, there are allegations and perceptions of corruption, or at least serious waste, in donor-executed contracting processes (such as sole-sourcing), cascading layers of contracts and sub-contracts (with overheads at each level), in international community expenditures on security (for example in the way that local security firms and guards are contracted), etc.

A key challenge is the **recruitment and appointment process for government officials**. This provides fertile ground for corruption when not handled well, but if done better could be a foundation of good governance. However, reforms in this area need to be fully informed of the local context (including historical background and cultural aspects). It would be better to aim for realistic and achievable improvements that work and have good prospects of being sustained.

Another challenge is **reducing corruption in management of state resources and assets**: underground resources, state-owned enterprises, land, and other assets (vehicles, equipment, etc.).

**Corruption in revenue generation and diversion of state revenues** from government coffers constitute another serious challenge to the Government's fight against corruption which, through hemorrhage of revenue directly threatens the state-building agenda, in addition to constituting a burden on the private sector and taxpaying public.

A key challenge is bringing to bear **Government leadership** in the fight against corruption and gaining coherence around an effective institutional structure for this purpose.

And finally, there is the difficult challenge of **enhancing transparency and developing effective public communication** of the anti-corruption strategy, which must include strong efforts at awareness raising and behavioral change. In this context a parallel challenge is to develop the role of the "demand side" in controlling corruption, though stronger civil society organizing, building the capacity of media, ensuring accountability to and of Parliament, etc.

## **V. A Roadmap for Action**

Building on the progress achieved, taking into account lessons from international experience, and responding to the challenges outlined above, a roadmap for action is laid out in this section. It would be unrealistic to expect that corruption, which appears to be increasingly entrenched in many parts of Afghanistan's public sector, can be quickly or easily eliminated. However, it is very important to make concrete progress both to begin to reduce corruption and to enhance the credibility of the Government's anti-corruption effort with the public as well as the international community. The seven main priorities and areas of focus of the work program outlined at the end of this paper are as follows.

*A. Solidifying the Government's commitment against corruption.* Given the seriousness of the corruption problem and indications that it may be getting worse, and going beyond the actions already taken that were described in the previous section, the Government could take some forceful, practical steps which would be meaningful in themselves and moreover signal its strong commitment to combat corruption.

An attractive option in this regard would be an action plan including a list of time-bound measures that the Government commits itself to taking. While the actions included in the list need to demonstrate credible commitment, they should be feasible, and there is considerable flexibility as to which specific actions get included in the action program as long as, taken as a whole, they add up to something meaningful so as to enhance the Government's credibility in this very difficult area. Possible candidates for such a time-bound action plan might include, among others, the following:<sup>10</sup>

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<sup>10</sup> This list is not intended to be exhaustive, and nor is it intended to imply that all of the items on the list are of equal importance.

- ***Follow-up on audit findings:*** The Control and Audit Office identified 17 cases of fraud and corruption in its audit of the budget for 1385, on which the Government could commit to follow up and take action.
- ***Asset declaration:*** The Constitutional provisions requiring declaration of assets by top Government officials need to be implemented within a reasonable period of time, including the Constitutional provision that asset declarations be made public. This will require establishing or designating a suitable agency (with an appropriate level of independence) to be a custodian for asset declarations and for a suitable review process to be put in place.
- ***Effectively implement the agreed vetting process for political appointments:*** An Advisory Board for Political Appointments has been established, and TORs for its work prepared. The vetting process should be implemented promptly and effectively, along with pro-active public communication about the process. A clear delineation between political and administrative appointments should be made with a view to reduce the political pressure on the Appointment Board.
- ***Ratification of the United Nations Convention Against Corruption (UNCAC):*** An Afghanistan Compact benchmark, ratification of UNCAC will send an important signal but will need extensive follow-up later.
- ***Legislative follow-up after UNCAC ratification:*** While reviewing and adjusting Afghanistan's laws so that they are consistent with UNCAC will take time, this effort should start in 1386 (2007/08), with attention focused on completing a few high-priority legislative items in this year. These include a Law on International Judicial Cooperation and amendments to the Penal Code from Article 254 to Article 279, in accordance with Chapters III and IV UNCAC. These revisions will constitute an important step toward full implementation of the UNCAC.
- ***Instituting/improving complaints mechanisms:*** The Government needs to establish a transparent, accessible, and effective public complaints mechanism as well as creating public awareness of its existence and purposes. While the existing complaints mechanism in GIAAC needs to be strengthened and systematized, instituting effective complaints and feedback mechanisms for individual sectors and agencies will be essential. These include opportunities for consumer complaints in relation to public service provision (electric power, water, health), mechanisms for public complaints and feedback in regulatory processes, public hearings, media publicity about complaints mechanisms at the sector level, etc.
- ***Parliamentary oversight:*** This should be welcomed and encouraged by the Government. In particular, the external audit reports should be reviewed and hearings on its findings held with the Government.
- ***Expanded role of ARTF Monitoring Agent:*** As mentioned earlier, the Government has decided to expand this monitoring to cover core budget expenditures not reimbursed by ARTF. Given the weak capacity of the Internal Audit Department of MoF, the expanded role of the ARTF Monitoring Agent could be continued for a specified period of time while the Internal Audit Department builds up adequate capacity to effectively handle these functions.
- ***Reviewing and acting on recommendations of Inter-Institutional Committee,*** which are expected to be forwarded to President Karzai soon.
- ***Enabling transparency in procurement:*** As planned by the Ministry of Finance, a simple website should be quickly set up to make available a critical mass of information on procurement activities throughout the Government (bid requests;

contract awards). In parallel, MoF should develop a mechanism to track procurement processes and assess potential issues. Similarly, procurement also needs to become more transparent in State-Owned Enterprises.

- ***Enhancing the effectiveness of the work of the justice and law enforcement institutions:*** The impact of this work could be monitored and transparently publicized, for example through making available statistics on prosecutions, convictions, punishments, etc.
- ***Communicating effectively the Government’s commitment, actions, and plans, and enlisting civil society:*** This requires a strong communication component, which hitherto has been largely missing. In particular, the Government has not sufficiently communicated to the public about some of the actions it has already taken against corruption, as described in the previous section. In addition, efforts need to be made to enlist civil society in anti-corruption efforts – watch-dog groups, support for additional beneficiary surveys on the delivery of public services, budget monitoring, use of religious leaders or other “leaders of thought” to focus attention on anti-corruption, etc. This might include some kind of “external relations” unit in the Government’s anti-corruption agency, and also support for strengthening civil society’s capacity and roles.

Another way in which the Government can signal its strong commitment against corruption is by clarifying and strengthening the institutional framework for anti-corruption, discussed below.

***B. Clarifying the institutional framework.*** Changing institutions takes time, and the institutional framework for anti-corruption should be designed to help implement the anti-corruption strategy rather than being fixed in advance. Nevertheless, there is an immediate need for some clarification of institutional mandates and responsibilities to reduce existing problems and tensions. Then a thorough review of the institutional and legal framework should occur as Afghanistan’s anti-corruption strategy is developed. Key aspects include necessary revisions to the law against corruption and bribery, reforms to improve the existing specialized anti-corruption agency, and establishing a mechanism for high-level leadership, oversight, and coordination.

Afghanistan established a specialized anti-corruption agency, the General Independent Administration for Anti-Corruption (GIAAC) in 2004. Based on the decree under which it was formed, GIAAC has wide-ranging responsibilities. However, an expansive mandate and apparent confusion about its roles (especially vis-à-vis other agencies with anti-corruption responsibilities); lack of leadership; questionable high-level political support; extremely modest resources and capacity; and coordination problems as well as possibly its limited degree of independence, have hindered the progress of the GIAAC. Rather than bringing energy, dynamism, and strong leadership to the anti-corruption effort as intended, the GIAAC appears to have inadvertently muddied the institutional waters giving rise to confusion and uncertainty.

In the meantime, a high-level Inter-Institutional Committee (Chaired by the Chief Justice of the Supreme Court) was established in August 2006 on the order of President Karzai, to provide a report and recommendations on anti-corruption initiatives for the Government. This Committee has been meeting regularly and is working on its recommendations, which have not yet been made public. However, its mandate is strictly

temporary, raising questions about the high-level leadership, oversight, and coordination of the anti-corruption effort in the future as well as successor institutional arrangements.

Near-term priorities for clarifying the institutional framework for fighting corruption include (i) clarifying and narrowing the roles / responsibilities of the GIACC, and providing it with capacity to carry out its (more realistic and narrower) mandate, and (ii) strengthening high-level leadership and coordination of the fight against corruption.

More specifically, GIAAC needs strong leadership, a more focused mandate (for example, with more attention to awareness raising, monitoring, and coordination), clear political backing combined with meaningful autonomy, and resources and capacity commensurate with its (narrower) set of responsibilities. The leadership of this institution must rise to the highest of ethical and professional standards. Cooperation and teamwork – rather than turf battles – will need to characterize the relationship between GIAAC and other agencies with important roles in anti-corruption. And finally, the GIAAC may be a good candidate to serve as the secretariat / anchor for the high-level oversight and coordination of anti-corruption efforts that is proposed below, but it cannot be seen to be driving the agenda to the exclusion of inputs from other key agencies.

There would appear to be a continuing important role for a high-level body to exercise leadership and coordination of the anti-corruption effort, given that this is such an important cross-cutting issue for Afghanistan. Thus the Government could consider options such as: (i) extending the term of the Inter-Institutional Committee to cover the next several years, with a mandate that includes coordination, oversight, and monitoring of anti-corruption efforts, as well as continuing its present roles of making assessments and providing strategic recommendations; (ii) establishing a new multi-agency committee with such a mandate, including membership broadly similar to that of the Inter-Institutional Committee; (iii) establishing a Cabinet Committee / Subcommittee for this purpose (however it would be important that non-Cabinet organizations such as the Supreme Court and GIAAC also participate); or possibly, (iv) designating an existing Cabinet Committee / Subcommittee to take on this responsibility (provided its membership is appropriate and its workload is not already too large).

### ***C. Understanding better the context problems, actors, and dynamics of corruption.***

There is still much that is not known, or not known reliably, about corruption in Afghanistan. Moreover, the present context and historical and cultural background need to be taken into account in designing the anti-corruption strategy and specific measures. Thus knowledge building and analytical work also comprise near-term priorities. Key areas for continuing policy-oriented analytical work to deliver meaningful technical inputs for the Government in response to demand include the following:

- Following the ongoing survey work and focus group meetings organized by Integrity Watch Afghanistan (supported by UNDP), ***knowledge should be further built about common views on corruption***, including which kinds of “irregular” activities are seen as corruption, which not, and whether and under what circumstances some forms and levels of corruption (conventionally defined) may be seen as justifiable by significant numbers of people in Afghanistan. In addition, ***national and local traditions that can be used to promote values and principles such as honesty, integrity, and accountability will be identified*** in order to

integrate them into anti-corruption efforts. On this basis, an overview paper would be prepared, and a shared understanding would be developed (between Government and international partners) of the contextual factors that need to be taken into account in the anti-corruption strategy.

- ***A mapping of political, economic, and social actors should be undertaken*** with a view to identifying more clearly the actual power structure in the country, the different underlying networks, and their interests, as well as their roles in and relationships to the most important forms of corruption. This would enable the anti-corruption strategy to be informed by a better understanding of the political context, constraints, and opportunities.
- ***Continue to monitor and analyze corruption associated with the drug industry***, building on earlier work by UNODC and the World Bank.<sup>11</sup> This analytical work may focus on (i) high-level corrupt relationships between drug traffickers and sponsors in government; (ii) the impact of drug-related corruption on the police, including in the light of recent improvements in high-level police appointments; and (iii) further evolution of the drug industry and implications for drug-related corruption, including in relation to ongoing and future counter-narcotics efforts. A policy paper on drug-related corruption would be prepared summarizing recent developments and current issues, and putting forward some recommendations for action.
- ***Additional work on vulnerabilities of external budget activities to corruption.*** Initial work has been undertaken by Integrity Watch Afghanistan on the road sector, and some related work has been done by other agencies on various sectors,<sup>12</sup> which needs to be followed-up. Self-assessments by donor agencies of their processes and associated vulnerabilities will be helpful in this regard.
- In addition ***short papers and policy notes would be prepared*** distilling available and newly generated knowledge on specific topics in response to demand and emerging needs that come out of the ongoing dialogue with the Government and in the process of development of the Government's anti-corruption strategy. Some of these products would come out of the Vulnerabilities to Corruption Assessments (VCAs), discussed below.

***D. Assessing vulnerabilities to corruption in key areas, taking appropriate actions, and monitoring.*** In addition to the analytical work outlined above, major efforts are being initiated to build concrete knowledge about corruption in specific government functions, agencies, and sectors, leading to recommendations for action. It is at the sector-specific level that much corruption occurs, including notably corruption in service delivery that directly affects (and is readily perceived by) the population, as well as in sector-specific contracting, regulatory, procurement, and expenditure functions. Thus it is at this level that much progress can be made through concrete measures at the sector level.

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<sup>11</sup> See UNODC and the World Bank, 2006, op. cit.

<sup>12</sup> For example, although not focused on corruption directly, the report *Afghanistan: Managing Public Finances for Development* (World Bank, 2005) analyzed unit costs of projects in the external and core budgets, notably in the health and highways sectors.

As a practical way forward, quick “vulnerability to corruption assessments” (VCAs) for key government processes and programs are underway (see Annex 2 for generic TORs for VCAs and Annex 3 for a list of them including responsibilities and timelines). The VCAs are taking a thematic or sectoral lens to the issue of corruption with a view to providing a practical knowledge base for specific actions to reduce vulnerabilities to corruption in key sectors, agencies, and government functions. Each VCA is expected to include a set of recommendations for action as well as proposals for regular information gathering and monitoring as necessary.

More specifically, VCAs will include the following elements: (i) identify the key sector development and business processes which are potentially most vulnerable to corruption; (ii) conduct a review of these business processes, including identifying the underlying laws, regulations, and guidelines, the main steps, and assessing strengths and vulnerabilities to corruption for each step; (iii) assess key vulnerabilities to corruption in each sector through focus groups (notably involving “clients” of the sector); (iv) based on the focus group approach and review of processes, summarize key vulnerabilities to corruption, and develop options to mitigate these vulnerabilities to corruption; and (v) develop questionnaires and other monitoring instruments to assess progress in mitigating these vulnerabilities.

While some VCAs will take longer than others, and each will be tailored to the characteristics and context of the particular sector / agency / function concerned, it is expected that a number of VCAs will be conducted and will be yielding findings and recommendations in the next several months (see Annex 3).

Finally, simple survey instruments and monitoring mechanisms will be developed on the basis of the VCAs to build knowledge and monitor the situation and progress for specific areas of corruption. Given the associated logistical issues as well as security problems in some parts of the country, the priority in the short run is to generate useful information and knowledge on several selected areas.

***E. Resolutely pursuing key cross-cutting reforms that will have substantial impacts on corruption.*** These include: (i) public administration reform; (ii) judicial reform; (iii) counter-narcotics strategy – a “smart” strategy against drugs; and (iv) strengthening of external accountability mechanisms (legislative oversight, community involvement, role of civil society – including media, private sector) These areas encompass important elements of the anti-corruption work, although they also go considerably beyond it, and they are critically important and will have an important influence on the success of anti-corruption efforts. Moreover, these cross-cutting reforms can themselves be jeopardized by corruption, leading to significant dynamic interactions. Work is proceeding in these areas, including on public administration reform. However, reform of the judicial system has lagged and needs to be forcefully pursued, although much of it lies beyond the scope of the anti-corruption strategy.

***F. Developing an anti-corruption strategy (as part of the ANDS).*** The Afghanistan National Development Strategy (ANDS), which is expected to be completed in early 2008, will include an anti-corruption component, since corruption has rightly been designated as a key cross-cutting issue for Afghanistan’s development. The linkage with the development strategy is very important and underlines that fighting corruption should

be seen in the context of the end-goals of the ANDS, which are peace, stability, poverty reduction, and broad-based economic growth. It is clear that Afghanistan needs to have a well thought-out, holistic anti-corruption strategy that provides guidance as to the effective deployment and sequencing of the different anti-corruption instruments as well as coordination, leadership, and institutional development. It is also essential that the anti-corruption strategy adequately reflects the context in Afghanistan and responds appropriately to popular attitudes, while maintaining realism about prospects for progress. Ensuring that the anti-corruption strategy is truly a Government-wide strategy, with full buy-in and participation by all agencies that have significant roles in this area, also will be essential. These considerations point to the need for a diverse, multi-agency team to prepare the anti-corruption strategy.

While target date for completion of the ANDS (March 2008) provides a useful basis for focus and discipline, like the ANDS as a whole the anti-corruption strategy should be seen as a “living document” rather than being set in stone, with scope for adjustments and refinements in the light of experience and further information and analysis. Keeping this and the need to be consistent with the ANDS target date in mind, a possible sequence of steps would be as follows:

- First, the Inter-Institutional Committee is expected to produce a report with recommendations in March-April 2007; these could provide a basis for further work on developing the anti-corruption strategy.
- The institutional framework for anti-corruption needs to be initially clarified, pending a thorough review of both institutional and legal framework later, as the anti-corruption strategy gets more fully developed.
- A small but diverse and well-qualified Afghan-led team (encompassing the main agencies concerned) could then be constituted (in May 2007) to prepare a draft anti-corruption strategy (by September 2007).
- Within-government and public consultations around a draft or outline should occur (by October 2007), to ensure full engagement and buy-in across the Government and to obtain feedback from outside the Government as well.
- A revised anti-corruption strategy document (prepared by November/December 2007) would then serve as an input and component for the ANDS.

The need for high-level government political leadership and support for the development of a holistic anti-corruption strategy is critical. The proposed time-bound action plan discussed earlier would provide a signal of political support, but such support and leadership needs to be sustained during the strategy formulation process.

***G. Priorities for the international community.*** The international agencies involved will support different parts of the proposed action plan. More broadly, the international community should encourage and support the Government in its efforts to effectively take on the challenge of corruption, while maintaining realistic expectations about the likely pace of progress. It is critically important that leadership of the fight against corruption remains firmly in the Government’s hands, with strong support from international partners in a fully harmonized manner. In addition to constructive encouragement through dialogue and provision of effective technical assistance, support from international partners can also take the form of tangible measures to enhance transparency in their own programs (for example disclosure of bid requests and contract awards and of audited financial accounts, in parallel with the similar actions undertaken

by the Government). In parallel with the Government's actions to solidify its commitment (see above), early efforts by the international community to ensure such transparency would have a good demonstration effect of its emphasis on good governance.

The near-term priorities discussed above will need to be translated into a program of work for the next six months to one year. A proposed work program is put forward for consideration in Table 2.

**Table 2: Proposed Anti-Corruption Work Program [subject to revision]**

<b>Area / Work Item</b>	<b>Task / Action</b>	<b>Timeframe</b>	<b>Responsibility</b>
<b>Solidifying Government commitment</b>	Report and recommendations of Inter-Institutional Committee	March 2007 [tbc]	Inter-Institutional Committee
	Time-bound near-term action plan developed	April 2007	Government with advice from partners
	Action plan approved by Cabinet and publicly presented	May 2007	Government
<b>Clarifying and improving the institutional framework</b>	Initial clarification of institutional mandates and responsibilities	April 2007 (could be part of action plan)	Government, with advice from partners
	Thorough review of institutional and legal framework	September 2007	Government with advice from partners
	Decisions made on institutional and legal changes in line with strategy	October/November 2007	Government
<b>Understanding, knowledge-building, monitoring</b>	Generate information and build knowledge about the context	March-June 2007 [tbc]	UNDP / IWA; ADB/WB
	Prepare paper distilling contextual knowledge, and building a shared understanding	August 2007 [tbc]	Joint, Government
	Prepare study on corruption associated with the drug industry	September 2007	UNODC / WB [tbc]
	Short papers and policy notes	As needed	Agencies designated as appropriate
<b>Assessing Vulnerabilities to Corruption in key areas</b>	VCAs initiated for a number of sectors / agencies / functions	Some started, rest by March 2007	Concerned agencies (Annex 3)
	Some VCAs completed	March / April 2007	Concerned agencies
	Rest of VCAs completed, beginning of implementation of recommendations	June 2007	Concerned agencies
	Improving institutions and regulatory mechanisms and building capacity at the sector level	Continuing	Government, concerned agencies
	Review and stocktaking of VCA exercise	September 2007	Government and partners
<b>Moving forward reforms in key cross-cutting areas</b>	Public administration reform	PAR work schedule	IARCSC, WB
	Judicial reform	To be determined	Government agencies; UNDP?
	Counter-narcotics strategy	To be determined	Government with advice from partners
	Development of external accountability mechanisms [to be specified]	To be determined	Government agencies; UNDP; WB
<b>Developing an anti-corruption strategy</b>	Inter-Institutional Committee report and institutional review provide inputs	March/April 2007	Government, Inter-Institutional Committee
	Assembly of team to prepare anti-corruption strategy	May 2007 [tbc]	Government, support by partners
	Preparation of draft strategy	September 2007	Team
	Consultations on draft within and outside Government	October 2007	Team / Government
	Revised anti-corruption strategy to serve as component/input for ANDS	November/December 2007	Government / ANDS team

## Annex 1: Causes, Forms, and Implications of Corruption in Afghanistan – A Framework

Causes	Forms	Petty corruption and bribery	Extortion	Financial leakages – embezzlement etc.	Patronage	Corruption in procurement	Grand corruption
<b>Poor capacity and service delivery; complex business processes, discretionary power</b>		Bribery at the service provider level to get things done	Misuse of police powers for financial gain	Some (but may not be very much) when PFM are too complex	Likely if limited capacity to implement merit-based processes	Likely if there is weak procurement and weak private sector participation	
<b>Weak accountability mechanisms</b>		Lack of monitoring by communities and very limited media influence	Weak justice system has no remedies for extortion	Lack of transparency mechanisms; Parliamentary oversight; press	Lack of media / civil society; Parliament & other elected bodies may push patronage	Lack of transparency mechanisms	No asset declaration or other transparency mechanisms; weak private institutions
<b>Large amounts of aid spent quickly</b>		Possible, including because of pressure to deliver results quickly	Threat of insecurity to extract resources from aid funds	Multiple layers of overheads, difficult to monitor, pressure to spend	Tendencies toward patronage in “second civil service”	Use of non-competitive processes; lack of transparency	Possible, including because of pressure to deliver results quickly
<b>Drug industry (and other criminal activities)</b>		Bribery in the police and justice sector at the local level	Extortion by law enforcement agencies to avoid eradication etc.		Senior police appointments may be tied to drug industry		Large resources for influencing state (including at high levels)
<b>Infrastructure and Natural Resource Development</b>		Access to infrastructure and jobs in the sectors		SOEs operating poorly, no oversight, private interests involved	Choice of projects, geographical location	Non-competitive tenders, irregular awards	Behind the scene contracting for large projects and assets
<b>Underground resources (and other public assets)</b>		Corruption in allocation of public land (sometimes can be large)	Threat of seizure of private land as a means of extortion	Appropriation of public assets by non-legitimate actors		High vulnerability to corruption in tendering/licensing	Likely
<b>Structural issues (fragmentation of society, traditions, etc.)</b>		Tribal / ethnic favoritism; cultural views of “backsheesh”	Extortion by powerful groups in a locality or region		Tradition of family / tribal / ethnic based patronage / loyalties	Favoritism; maybe politicized decisions on procurement; “dividing the pie”	
<b>Implications of different forms of corruption, which all have negative effects on (i) Government legitimacy and (ii) sound economic competition and growth. Most forms of corruption impose uncertainty and time burden.</b>		Direct losses of funds (relatively small)	Insecurity and financial losses for individuals	Direct losses of funds (and waste)	Reduces effectiveness of civil service	Raises costs of and imposes delays in projects	Amounts can be truly large (and long-term impact e.g. of licenses)
		Culture of corruption established in civil service	Higher cost of doing business for firms	Reinforces culture of corruption	Undermines PAR and creation of merit-based civil service	Can adversely affect quality and value of projects	Undermines political normalization, state building
		Worse quality of public services; undermines cost recovery	Undermines rule of law; reinforces culture of violence			For larger projects and contracts, can reach point of “grand corruption”	“Capture” of state by drug or other interests; resulting policy distortions

## **Annex 2: Generic TORs for Vulnerabilities to Corruption Assessments**

### **1. Context of the Anti-Corruption Analytical Work**

The Government of Afghanistan (GoA) has requested its international partners to support the development, adoption, and implementation of an anti-corruption strategy. In this context, the Asian Development Bank, United Nations Development Programme, and World Bank are conducting a series of sectoral and functional analyses, for which this note provides draft terms of reference (particularly for the reviews focused on the Ministry of Finance).

These Vulnerabilities to Corruption Assessments (VCAs) will be complemented by a number of additional pieces of work: (i) other thematic analysis (on grand corruption; external accountability; etc.); (ii) possibly a survey dedicated to issues of corruption; and (iii) implementation support, notably in the area of public finance management, public administration reform, communication, etc. They will also be backed up by systematic stakeholders' participation (to contribute to and review these assessments and to disseminate the findings and recommendations for risk mitigation). The background of these studies is explained in more detail in: "Fighting Corruption in Afghanistan: Concept Note" (World Bank, October 4, 2006); "Institutional Corruption Risk Assessments and Corruption Management Plans" (Donald Browser for ADB); and "Accountability and Transparency Project" (UNDP, August 24, 2006).

### **2. Objective**

The objective of these assessments is first to identify key vulnerabilities to corruption in selected sectors, both through a stakeholder assessment of the sector and a review of business processes / regulations / policies (corruption is defined as the abuse of public office for personal gain). On this basis, the final objective is to develop options to mitigate these vulnerabilities and a questionnaire to assess progress in mitigating these vulnerabilities

### **3. Methodology and Work Content**

The methodology includes the following components:

- (i) Identify key business processes (e.g. payment process in Treasury, prequalification and tendering in road sector, etc.). This will be based on an expert assessment of the processes potentially most vulnerable to corruption.
- (ii) Conduct a review of business processes (desk review by expert):
  - a. Identify the underlying laws, regulations, and guidelines for each process (e.g. procurement regulations);
  - b. Identify key steps of each business process, including the key stakeholders / decision makers / managerial responsibilities (e.g. signature required to approve a recruitment) and the tools to hold them accountable (e.g. forms; computerized accounting systems);
  - c. Assess strengths and vulnerabilities to corruption for each step (based on weakness in the formal system or weakness in the capacity / incentive to implement the formal system); this last step can be largely based on experts or could involve discussions with staff (do they actually know the processes? Do they implement it? Do they have the tools / capacity to implement it?).
- (iii) Assess key vulnerabilities to corruption in each sector through focus groups (notably involving "clients" of the sector); participants will be asked to identify all the opportunities for corruption in their sector (for policy preparation to implementation

- and for project identification to implementation) – it will also be important to document areas where vulnerabilities have already been mitigated;
- (iv) Based on the focus group approach and the desk review of processes, summarize key vulnerabilities to corruption, and develop options to mitigate these vulnerabilities to corruption (this can initially be done through as a desk exercise, and should then be validated through group discussions); and
  - (v) Develop questionnaires to assess progress in mitigating these vulnerabilities (also to be validated through group discussions). Depending on sectors, this could be a self-assessment tool for staff (e.g. self-assessment of Treasury's adherence to its processes) or a quick survey questionnaire for clients (e.g. survey of line ministries / vendors on Treasury's performance with respect to corruption).

It is noted that steps (ii) and (iii) can be done in parallel.

#### **4. Timeframe**

This work will be quickly initiated to complete this review for the MoF-related processes by the end of March 2007, with prioritization to seek a few visible quick wins. Annex 1 includes a preliminary list of key business processes for MoF, with a clarification of responsibilities. Annex 2 provides a preliminary mapping for some of these business processes. Annex 3 puts forward a summary work program for the business process reviews in all sectors likely to be covered, along with responsibilities.



### Annex 3: Work Program for Vulnerabilities to Corruption Assessments

(Updated as of February 15, 2007)

#### Key Processes in Ministry of Finance

Processes	MoF Department (lead in bold)	Donor Support (lead in bold)	To be completed by	Progress
<b>Budget Preparation and Appropriation</b>	<b>Budget</b> , FPU, IAD	<b>UNDP</b> [tbc], WB, DFID	tbd	UNDP, DFID/ASI, and WB to follow up as appropriate
<b>Allotment Process</b>	<b>Budget</b> , Treasury, IAD	WB, <b>UNDP</b> [tbc]	tbd	Linked to above
<b>Payment Process (wage / non wage)</b>	<b>Treasury</b> , IAD	<b>WB</b> , ARTF MA	March 2007	Work by ARTF Monitoring Agent underway
<b>Procurement Process [to be broken down by type of procurement]</b>	<b>PPU</b> , Budget, Treasury, IAD	<b>WB</b>	March 2007	Draft process map done; further work undertaken
<b>Bank account reconciliation</b>	<b>Treasury</b> , Budget, FPU, IAD, Customs, Revenues, CAO	<b>WB</b> , ARTF MA	March 2007	Work by ARTF Monitoring Agent underway
<b>Asset Management</b>	<b>Treasury</b> , Budget	<b>WB</b>	March 2007	Simple analysis / proposal done; under review
<b>Customs valuation and payment</b>	<b>Customs</b> , Treasury, IAD	<b>ADB</b> , WB	[tbd]	Consultant identified but was not found suitable by Government; search for another consultant underway
<b>Revenue department ( tax assessment and payment)</b>	<b>Revenue</b> , Treasury, IAD	<b>ASI / DFID</b>	March 2007	TOR done; consultant identified; mission in February
<b>Internal audit [from work programming to implementation]</b>	<b>IAD</b> , Treasury	<b>WB</b>	March 2007	TORs prepared, consultant contracted
<b>Internal administrative processes</b>	<b>Admin.</b>	<b>UNDP</b>	[tbc]	Requires follow-up

## Broader Work Program for Vulnerabilities to Corruption Assessments

Sector	Agency (lead in bold)	Donor Support (lead in bold)	To be completed by	Progress
External Auditor	CAO	WB	March 2007	TORs prepared, consultant contracted
Recruitment and other HR processes	IARCSC, line ministries	WB	March 2007	Initial draft VCA under preparation, follow-up work being initiated
Underground assets (tendering; licensing; revenue collection)	MMI	WB	March 2007	Work underway
Health	MoPH	WB	June 2007	Consultant being sought; TORs prepared
Education	MoE	WB	June 2007	For MoE recruitment and appointment process TORs prepared and consultant contracted; for other processes work not yet initiated
Roads (highways)	MoPW, MoT	ADB	March 2007	Preliminary list of vulnerabilities
Power / Energy	MEW	ADB, WB	March 2007	Draft VCA soon ready for discussion
Justice	MoJ, Attorney General's Office	UNDP	[tbd]	Requires follow-up
Police	MoI	UNAMA?	[tbd]	Requires follow-up
Center of Government? (Cabinet Secretariat / President's Office)?	President's Office [tbc]	DFID? [tbd]	[tbd]	Requires follow-up
Infrastructure contracts in external budget	MoF, sectoral ministry	[tbd]	[tbd]	[use data on road sector; get list of PRT projects from ISAF?]