Corruption & Anti-Corruption Issues in Afghanistan

February 2012
Foreword to the Compendium

This volume combines the outputs of a series concerning corruption and anti-corruption efforts in Afghanistan produced by Knowledge Managers (KMs) from the Civil-Military Fusion Centre (CFC). This series was motivated by requests and suggestions from personnel working with civilian and military organisations in Afghanistan. Each of the reports in this series – and in this compendium – highlight not only the problem posed by corruption but also the steps being taken to detect, discourage, penalise and prevent it. I suggest that readers review the enclosed pieces not only to better understand the challenge posed by corruption but also to see what opportunities and entry points exist for addressing it.

Further information on this topic is available at www.cimicweb.org, and source documents used in producing this compendium can be accessed by clicking on any of the hyperlinks embedded within each of the following chapters. As with all CFC publications, your feedback is greatly appreciated and can be sent to us at Afghanistan@cimicweb.org. We would welcome input not only on this series but also recommendations for other topics, issues and trends to be addressed by the CFC’s Afghanistan Team. Upcoming series will focus upon Peace & Reintegration (March-April) and Counter-Narcotics (May-June), though we are open to suggestions from our readers and all relevant stakeholders.

For those readers who find the information in this compendium useful, we encourage you to explore the full range of resources provided by the CFC. These include a weekly update on events in Afghanistan known as the “Afghanistan Review” newsletter as well as sector-specific reports drafted by KMs on issues pertaining to economic development, governance and rule of law, security and force protection and, lastly, social and strategic infrastructure. In addition, the CFC’s web portal, CimicWeb, provides additional resources, including a database of more than 200 provincial-level indicators and a web page dedicated to the December 2011 Bonn Conference on Afghanistan. Lastly, the CFC provides a request for information (RFI). Individuals who subscribe to our CimicWeb portal have the opportunity to submit RFIs to our KMs and receive tailored responses. These responses range from short e-mail replies to comprehensive reports. To enjoy all of these resources and to receive notices about CFC publications and products, sign up by clicking here.

Steven A. Zyck
Afghanistan Team Leader
February 2012
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Disclaimer

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Chapter 1
An Overview of Corruption in Afghanistan

Eray Basar

Corruption in Afghanistan has become widely recognised as a key challenge for governance and rule of law and as an obstacle for sustainable, private-sector-led economic growth, says the Centre for International Private Enterprise (CIPE). The Afghan government has made several commitments to address corruption at previous conferences and within the scope of the Afghan National Development Strategy (ANDS). However, the problem is still widespread, according to major non-governmental organisations (NGOs) such as Integrity Watch Afghanistan (IWA) and Transparency International.

Definitions & Types of Corruption

Corruption can be defined in numerous ways. An article in the Systemic Practice and Action Research journal points out that the corruption generally involves “agent-client relationships, misuse of public offices…and violations of public interest.” The article notes that corruption not only applies to an individual who, for instance, accepts a bribe but also to the person who induces corruption by offering the bribe in exchange for special treatment.

Transparency International describes corruption as the “abuse of entrusted power for private gain”. This broad definition is widely accepted, according to the article “Corruption Across Borders”. Moreover, Transparency International notes that corruption generally takes two different forms. The first form, which Transparency International calls “according to the rule” corruption, involves the payment of a bribe in exchange for regular-but-preferential treatment. For instance, a bribe may be paid to enable documents such as a business license to be processed more quickly than normal. The second form, which Transparency International calls “against the rule” corruption, the bribe is paid to make someone do something that they are not allowed to do, such as letting a criminal out of jail or overlooking regulatory infractions.

Other major international organisations have, despite the broad acceptance of Transparency International’s framework, put forward their own definitions. The Asian Development Bank (ADB), an international financial institution active in Afghanistan, notes that corruption involves behaviour in which officials (including those in the private sector) improperly and unlawfully enrich themselves and/or those close to them – or induce others to do so – by misusing their position of power. The notion that corruption affects both the public and private sectors was echoed in a statement by Afghan President Hamid Karzai in January 2009. He told BBC News that corruption affected the Afghan government as well as international organisations, aid agencies and private-sector firms involved in reconstruction and development activities in the country.

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In December 2010, a journal published by United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) differentiated between high-level and low-level corruption. High-level corruption is the name given to the misconduct by high ranking officials or politicians, who are already wealthy and privileged due to their post. On the other hand, UNESCAP indicates that low-level corruption occurs when civil servants engage in corrupt behaviour in order to supplement their low salaries.

Causes of Corruption

Beyond definitions and categories of corruption, the varied causes of corruption have also received significant attention. The United Nations Office on Drugs and Crime (UNODC), which launched a major online resource for tracking corruption, notes that corruption is not just a form of criminality but is also reflective of “deeper social, cultural and economic factors, which must also be addressed” in order to mitigate this problem. A selection of such factors is provided below.

UNESCAP notes that officials’ desire to remain in a position of authority leads many to engage in high-level corruption in order to earn political favours or campaign financing, for instance. Low-level corruption, on the other hand, appears to be a “need driven” process, says UNESCAP. Low wages paid to public-sector officials, including police officers, are believed to force them to seek supplemental sources of money through bribery. Furthermore, building upon this division between causes of high and low-level corruption, UNESCAP lists conditions under which a corrupt system is likely to emerge. One such condition is the existence of burdensome laws, rules, regulations and administrative procedures. Such a situation reportedly leads citizens, businesses and others to offer bribes in order to navigate the maze of regulations. UNESCAP also says that corruption becomes problematic where administrators are given a great deal of flexibility to interpret regulations and rules (e.g., when, where, how and to whom rules apply). In such a situation, the subjectivity of regulatory enforcement can create opportunities for corruption and bribe-seeking, which is also commonly referred to as “rent-seeking behaviour”. A third condition under which corruption is likely to develop is a system that has weak enforcement mechanisms and is unable to hold the administrators and others accountable when corruption is suspected or found.

The United Nations Development Programme (UNDP) presents the causes of corruption in terms of governmental and private sector systems’ vulnerability to corruption. According to the UNDP, high levels of discretionary power and/or lack of competition makes the systems more vulnerable to corruption. In contrast, the existence of accountability, high levels of ethics/integrity and transparency make a system more resistant to corruption. UNDP emphasises that corruption is fundamentally caused by a lack of good and effective governance.

In addition, UNDP offers a list of commonly cited causes of corruption aside from the causes mentioned above. This list includes: (i) a lack of rules, oversight and enforcement; (ii) institutional weaknesses in legislative and judicial systems; (iii) low incomes for public officials; (iv) high rewards compared to risks for corrupt behaviour; and (v) a low likelihood of having corruption detected. Such a finding is validated and supplemented by Integrity Watch Afghanistan’s 2010 Corruption Survey, which lists perceived causes of corruption in Afghanistan: 63% of Afghan believe it is caused by weak accountability systems; 57% say low civil servant salaries play a key role; and 49% believe that corruption is enabled by the large sums of money in circulation in Afghanistan.
Effects of Corruption

Transparency International examines the political and economic costs and effects of corruption. Politically, corruption is described as an impediment to the development and sustainment of democracies; it causes the units of the democratic system to lose their credibility, legitimacy and accountability. As the World Bank wrote more than a decade ago, “[s]ystemic corruption undermines the legitimacy of governments, especially in democracies”. For instance, Khalis Shinwari, a volunteer inspector assigned by the local elders in Jalalabad to identify cases of bad craftsmanship in development projects, told The Washington Post that “the people are angry…but to whom they can complain?” This sort of mounting discontentment, particular when it is not accompanied by an outlet, poses a major challenge for relatively young political systems such as those in Afghanistan.

Economically, corruption reportedly contributes to the misuse of national wealth by a small segment of the population. Unequal distribution of wealth, which often results from corruption, may lead to public spending which ignores the needs of the average citizen and primarily serves the interests of a narrow band of elites. Transparency International also notes that corruption distorts fair market competition and, thus, deters investments, particularly by large and reputable firms. In addition, a report by the International Monetary Fund (IMF) lists some major economic consequences of corruption as the following: (i) hindrance of economic growth; (ii) misallocation of talent given that connected rather than qualified individuals receive coveted positions; (iii) reduction in the effectiveness of international assistance; and (iv) loss of tax revenue given that bribes may be paid to evade taxes and customs. The IMF report highlights that corruption may also lead honest and capable individuals to avoid public sector employment. It also says that large-scale projects are more vulnerable to corruption than smaller, scattered projects; as such, corruption has reportedly been associated with poorly-built infrastructure (i.e., since contracts may be awarded to bribe-paying firms which are not necessarily the most qualified or scrupulous).

Building upon the consequences of corruption noted above, UNDP examines the way in which corruption undermines social service delivery and thus increases poverty. According to UNDP, corruption increases the price of public services and lowers their quality. Government budgets may focus more upon issues important to the wealthy and politically connected and may marginalise social service delivery. Furthermore, the imposition of bribes within the public service means that the average household may have to pay in order to receive ostensibly free public services.

Corruption in Afghanistan

A range of surveys and studies, discussed below, demonstrate that corruption poses a major challenge for Afghanistan. Moreover, there is an increase in the extent of corrupt behaviour. In 2010, 55% of Afghans surveyed said that corruption was “a major problem in their daily lives”, up from 42% in 2006 (see additional statistics in Table 1, next page). A portion of the approximately USD 60 billion in foreign aid provided to Afghanistan in the last decade has been dedicated to strengthening governance and countering corruption. However, research by Afghanistan experts Andrew Wilder and Stuart Gordon shows how large aid flows to Afghanistan have inadvertently helped to fuel corruption; large amounts of money have reportedly been spent so quickly as to prevent adequate anti-corruption, transparency and accountability controls and safeguards.
Table 1. Corruption Perception Indicators for Afghanistan, 2005-2010

<table>
<thead>
<tr>
<th>Source / Indicator</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency International, Corruption Perceptions Index</td>
<td>117/158</td>
<td>-</td>
<td>172/179</td>
<td>176/180</td>
<td>179/180</td>
<td>176/178</td>
</tr>
<tr>
<td>(Afghanistan’s Rank/Out Of)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World Bank, Worldwide Governance Indicators, Control of Corruption Percentile (0 lowest/100 highest)</td>
<td>2.0</td>
<td>2.9</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Asia Foundation Surveys, (% of Afghans who see corruption as a problem)</td>
<td>-</td>
<td>18%</td>
<td>16%</td>
<td>14%</td>
<td>17%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Source: To access the source documents, please follow the hyperlinks in the row headings.

Traces of corruption can be seen in various aspects of life in Afghanistan. A respondent to a UNODC survey, entitled “Corruption in Afghanistan: Bribery as Reported by Victims”, reported the following:

“There are people known as ‘employed on commission’ who operate in front of government buildings. They approach us saying that they can solve any kind of issue in a short time and then they quote the price. For example, if you need a passport or driving license or are paying taxes and customs duties, they can give you the final receipt which has been processed through all official channels in a matter of days, a process which takes usually weeks. Then they will take the money and share it with those who are sitting inside offices.”

Corruption manifests itself in different forms, institutions and sectors. Integrity Watch Afghanistan reports that Afghans, whom they surveyed in 2007, thought that the following four sectors are affected most from corruption: justice, security, municipal government and customs. Such a finding is largely validated by other research which particularly highlights the role of corruption within the Afghan National Police (ANP) and the Afghan judiciary. Moreover, the respondents of Integrity Watch Afghanistan’s 2007 survey identified the most common types of corrupt behaviour as:

- Petty bribery – Asking for small Baksheesh (gifts) in exchange for favours or special treatment;
- Position buying – Awarding sought-after employment opportunities based on bribes rather than merit;
- Nepotism, favouritism and clientelism – Awarding positions or other benefits based on personal relationships or ethnic or kinship networks rather than on the basis of qualifications;
- Offering and asking for preferential treatment – Paying bribes or using connections in order to engage in special treatment (e.g., expedited processing of business documents) or normally impermissible favours (e.g., the ability to purchase or use government-owned land); and
- Grand corruption – Corruption involving and benefiting networks of elites, often on a large scale within the Afghan government or international institutions.

Some commentators and organisations have argued that many of the forms of corruption noted above are somehow part of the fabric of Afghan culture and society and that they are acceptable to many Afghans.

Former Commander of NATO’s International Security Assistance Force (ISAF) in Afghanistan General David

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2 This 2010 survey included responses from more than 7,600 Afghans.
Petraeus drew criticism in 2010, according to the *Christian Science Monitor*, for saying that corruption had always been a part of Afghan history and culture. Such comments added to an on-going debate concerning what level and types of corruption might be acceptable to Afghans and which they considered unacceptable. Integrity Watch Afghanistan provides some insight into this issue through its *2010 Afghanistan survey*. The chart below (Figure 2) shows the types of corrupt behaviour which Afghans said they find acceptable and unacceptable. As the data itself shows, it does not appear as if any particular form of corruption is – based on the local population’s own survey responses – acceptable to Afghans.

![Figure 2. Afghans’ Tolerance of Various Types of Corruption](image)

*Source: Integrity Watch Afghanistan, 2010 Survey*

With an awareness of the nature and effects of corruption within Afghanistan, the remainder of chapters in this volume provide insight into specific effects of corruption upon different sectors – governance, education, infrastructure, investment and security – in Afghanistan and what is being done to address them.
Chapter 2
Afghanistan’s Anti-Corruption Institutions
Stefanie Nijssen

A primary hurdle in the development of post-conflict countries has been overcoming widespread levels of corruption, reports Transparency International. In Afghanistan, the fight against corruption continues through both international and national governmental efforts. This chapter offers a general overview of anti-corruption institutions in Afghanistan and then expand upon the roles and responsibilities of the High Office of Oversight and Anti-Corruption (HOOAC).

The United Nations states that the “good governance” framework often utilised in reconstruction efforts requires adherence to the highest standards of transparency, integrity and openness as well as strong criminal justice systems. As a result anti-corruption efforts have become “a core component for the reinvigoration of the state’s institutional capacity,” according to Alan Doig and Stephen Riley’s article entitled “Corruption and Anti-Corruption Strategies: Issues and Case Studies from Developing Countries.” In fact, improving a state’s capacity to tackle corruption often relies on one or numerous anti-corruption institutions or commissions. However, a training guide issued by a Norwegian-based anti-corruption consortium called U4, says anti-corruption often remains “vaguely embedded” amidst other core governmental reforms. Moreover, a 2007 article in Public Administration and Development says organisationally young institutions, such as anti-corruption institutions, often suffer from significant expectations in terms of what is demanded in anti-corruption work.

Box 1. Proposed Anti-Corruption Reforms

Civil service reform: This may include increasing civil servants’ wages and tying pension packages with their track record.

Reducing discretionary benefits: Reducing the benefits under the control of officials.

External bodies and whistle-blower statutes: This should include an independent judiciary from lower-level judges to the Supreme Court and protection for whistle-blowers.

Increased transparency: A free press, coupled with freedom of information laws and few constraints on the operation of watchdog organisations is vital.

Integrated approach: Reform efforts should be integrated across institutions. Increase in civil service wages, for example, should go hand-in-hand with credible monitoring systems.

Less intervention: Eliminate programmes known to have high levels of corruption.

Competition and market forces: Policies that lower controls on foreign trade can improve economic competition and reduce the bargaining power of officials.

Clear rules, simple processes: Clarifying and streamlining laws will contribute to increased transparency.


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Anti-Corruption Institutions in Afghanistan

According to the 2008-2013 Afghanistan National Development Strategy (ANDS), anti-corruption efforts should focus on the following: (i) enhancing government anti-corruption commitment and leadership; (ii) raising awareness of corruption and evaluating the effectiveness of anti-corruption measures; (iii) mainstreaming anti-corruption into government reforms and national development; and (iv) strengthening the legal framework for fighting corruption while building an institutional capacity for effective implementation of the United Nations Convention against Corruption (UNCAC), of which Afghanistan is a signatory. Some recent initiatives include forums to promote inter-ministerial coordination and the development of concrete counter-corruption recommendations, according to a United States Department of Defense (DoD) report to Congress. In 2008, Afghan government leaders started to hold monthly high level meetings on anti-corruption, the Chicago Tribune reported. Since the First Bonn Conference on Afghanistan in 2001, Afghanistan, with support from the international community, has put in place a number of commissions in government to address the challenges of corruption. Requirements under UNCAC include subjecting public servants to codes of conduct, raising public awareness of corruption and criminalising offences committed in support of corruption such as money-laundering and obstructing justice. In order to fulfil its commitment to the ratification process, Afghanistan integrated anti-corruption into its 2004 Constitution and established an anti-corruption institution, known as the HOOAC, which is the focus of much of this chapter.

The High Office of Oversight and Anti-Corruption

In 2006, President Hamid Karzai established the Inter-Institutional Committee on Corruption, also known as the “Azimi Committee”, which was tasked with assessing corruption and recommending possible remedies, reports the Organisation for Economic Cooperation and Development (OECD). The resulting “Azimi report” came to be known as the National Anti-Corruption Strategy and ultimately recommended the abolition of the existing General Independent Administration for Anti-Corruption and the creation of a new anti-corruption body, the HOOAC. Subsequently, the HOOAC was established by Presidential Decree in July 2008 as the highest authority for anti-corruption in the Government of Afghanistan (GIRoA) and was accompanied by the HOOAC’s 2011-2013 Strategic Plan. The HOOAC has been mandated to coordinate and supervise implementation of the National Anti-Corruption Strategy and act as the focal point for overseeing policy development and implementation of anti-corruption strategies. The aforementioned Public Administration and Development article says anti-corruption institutions generally have three functions – prevention, investigation and enforcement; each of these three tasks also includes elements related to awareness and education.

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4 Most of the case studies that examine anti-corruption bodies in post-conflict countries conclude that corruption patterns vary widely and that contextual factors can greatly impact the success of anti-corruption efforts. Hong Kong, on the other hand, was one of the few success stories in anti-corruption efforts because it enjoyed a distinctive city-state culture, a highly efficient administrative machine, sustained high economic growth and an anti-corruption body that was well-staffed, according to Doig and Riley.

5 These include anti-corruption tribunals in the Supreme Court and a Corruption Prosecution Unit in the Attorney General’s Office.

6 See Article (7), item (3) of Article (75) and Article (142) relating to corruption.

7 The HOOAC was not operational until September 2008.
**Prevention**

The HOOAC’s website reports that its [prevention department](#) was established to strengthen accountability, transparency and integrity in close collaboration with the Independent Administrative Reform and Civil Service Commission ([IARCSC](#)) and the Ministry of Justice ([MoJ](#)). Tasked with simplifying bureaucratic procedures and enhancing e-governance, the prevention department claims to be in charge of assessing corruption vulnerabilities within government offices, suggesting corrective policies and reviewing organisational structure. In 2009, [Radio Free Europe/Radio Liberty](#) reported how the HOOAC, together with the Ministry of Interior ([MOI](#)) and the Afghanistan Transportation Department, aimed to reduce corruption by changing the [vehicle registration process](#). Registering a vehicle used to require 51 step process (with the potential for bribes totalling hundreds of dollars and lasting three to six months). It was replaced by a new three-step process that takes less than three days and requires no money to exchange hands; all fees are now deposited to a local bank, not to a government official. The Asia Foundation reported in 2009 that this new preventative measure was expected to [generate millions of dollars](#) of revenue for the Afghan government while significantly countering bribery.

![Figure 1. HOOAC Complaint Process](#)

**Complaints**

The HOOAC website highlights various ways for Afghan citizens to [file a complaint](#): Afghans and other persons reporting corruption by an Afghan civil servant can call a telephone hotline, submit a complaint through an online form, send an email complaint or participate in a face-to-face interview. According to a United Nations Office on Drugs and Crime ([UNODC](#)) survey, however, only one [third of citizens](#) in urban areas claim to have access to information necessary to adequately understand many basic governmental administrative procedures. People have the ability to file a complaint anonymously, though the HOOAC website says that doing so will impact how they can proceed with the complaint and that the outcome of the complaint will [not be communicated](#) to the person submitting the original complaint. Several complaints offices located within government agencies do already exist. The HOOAC says having a complaints department in each agency that is integrated into a wider national complaint network is important.

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8 According to UNDP, e-governance involves the investment of public funds into information and communication technologies to strengthen governance processes.

9 The Asia Foundation’s [Survey of the Afghan People](#) shows only a small proportion of Afghan households own a computer (9%); this is true for nearly four times more urban respondents (22%) than their rural counterparts (6%).
because it builds on the agency’s overall integrity while ensuring accountability for complaints that are transferred between agencies. The complaints department works on designing regulations and processes for informant protection and reward in collaboration with other agencies, as required by the law, reports the department website.

Detection, Prosecution & Enforcement

According to an email interview with Jeffrey Coonjohn, Senior Adviser to the HOOAC, the oversight body has no clear legal authority to conduct investigations. Similarly, on its website, the HOOAC notes the importance of detection and punishment of corruption but indicates that it is primarily focused on enacting preventative measures. The responsibility for bringing changes in administrative related issues and amendments in laws and regulations are with each government office, the former HOOAC director Mohammed Yasin Osmani stated in a presentation on updates in the HOOAC. A 2009 audit from the US government’s Special Inspector General for Afghanistan Reconstruction (SIGAR) says that if a case is flagged as a case of corruption, it is referred to the Attorney General’s Office (AGO) for investigation, after which the HOOAC’s case tracking department is supposed to follow the case through investigation, prosecution and sentencing. Despite the fact that the AGO undertakes prosecutorial investigations, the HOOAC website affirms it is tasked to ensure that due legal processes are not corrupted and that timely action is taken.

Table 1. HOOAC Involvement with Other Organisations

- Financial Tracking/Intelligence Unit within the Central Bank
- Interpol and/or Major Crimes Taskforce within the Ministry of Interior
- Corruption, Narcotics and Terrorism Unit within the Ministry of Foreign Affairs
- Property Registration and Management Unit within Municipalities
- Attorney General’s Office and Courts
- Land Registry Unit within the Ministry of Agriculture
- Office of the Administrative Affairs of the President

Source: HOOAC website

HOOAC’s Communication Strategy

The Asia Foundation reported that, after its formation, the HOOAC launched a country-wide TV and radio anti-corruption campaign. A UNODC survey completed in 2010, however, says many people still lack access to governmental administrative procedures and attributes that to “a lack of communication between the administration and the citizens.” More recently, the HOOAC’s Public Outreach and Education department has attempted to make public outreach a responsibility of the various government agencies and to

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10 Jeffrey Coonjohn approached the CFC after the release of the first report in the Afghanistan corruption series and offered to help the author better understand the HOOAC and its recent efforts. Subsequently, the CFC emailed Mr. Coonjohn a set of seven questions. Mr. Coonjohn’s reply to these questions has been made available to Cimicweb account holders. If you do not have an account but would like to access additional resources such as this interview transcript, please click here to sign up.

11 As of November 2011, a training document revealed that 85% of government offices have produced their plans.

12 The Asia Foundation’s 2011 Survey of the Afghan People shows that more than four fifths (81%) of respondents say they have a functioning radio in their household.
coordinate these public education campaigns with key players in civil society, rather than try to “control” them. The HOOAC Director conducts weekly television broadcasts to disseminate information about corruption to the general public and Mohammad Amin Khuramji, the HOOAC’s Chief Deputy, also has a weekly television program in which he encourages people to call the Corruption Hotline or to report complaints in another manner, according to the abovementioned interview with Mr. Coonjohn. The Asia Foundation reported that the HOOAC was able to convince several ministers to complete their asset registration forms via live television broadcast. According to the article, “Developing a Strategic Implementation Plan for Anti-Corruption” written by HOOAC director Azizullah Lodin and Coonjohn, however, ill-timed advertising campaigns can give the people unrealistic expectations of the government’s capabilities, often “[resulting] in long-term damage to the credibility of the government its anti-corruption institutions it is trying to develop. In countries like Afghanistan where political will is somewhat problematic, the ad campaign reinforces people’s disdain for corruption.”

Box 3. Other Anti-Corruption Initiatives in Afghanistan

Outside of the HOOAC, Afghanistan’s AGO also receives on-going assistance from UNODC in creating and implementing the Code of Ethics and Professional Standards for prosecutors, the first of which was launched in August 2009, UNODC reported. This sets the standards for judicial actors’ performance in office and details an internal disciplinary mechanism for investigation, adjudication and appeal of complaints against prosecutors by the public. Moreover, UNODC has also provided technical and financial support to the AGO for comprehensive training for prosecutors in all 34 provinces and helps build compliance to UNCAC by creating and disseminating handbooks for the judicial branch on codes of conduct, one requirement under UNCAC.

Challenges Facing the HOOAC

Coonjohn states that ambiguity about the HOOAC’s role remains; whether the HOOAC should be a body focused on prevention or enforcement has not yet been decided. Coonjohn says that this issue “has left the organisation lacking a strategic implementation plan.” According to the aforementioned Public Administration and Development journal article, a common dilemma that arises when anti-corruption bodies are established is that if the body fails to live up to expectations, “then both governments and donors are faced with the problem of credibility.” In fact, Lodin and Coonjohn say that an ad hoc initiative such as starting a hotline can be detrimental because the complaints can overload the infrastructure necessary to process and prosecute all of the cases with the result that “people report instances of corruption and see no consequence to the wrong-doer which reinforces their belief that all government is corrupt and that the system doesn’t work.” In 2011, Chairman of Anti-corruption Prosecution Office General Abubakr Rafii told Tolo News that “[o]ut of 30 cases we received from HOOAC, we had to close and save four of them because of poor investigative work.” The article states that overall, however, the AGO’s “Anti-corruption Prosecution Office has […] received nearly 1000 corruption cases from investigative bodies out of which 500 cases have been submitted to attorney general.”

Furthermore, inadequate cooperation between Afghanistan’s government offices and a lack of clarity on the roles of government offices led to a lack of trust among government entities, Osmani stated in 2009. An

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13 The HOOAC is also in the beginning stages of developing a strategic communications plan which will be integrated into a larger strategic anti-corruption implementation plan.

14 See Lodin and Coonjohn’s paper “Developing a Strategic Implementation Plan for Anti-Corruption” for a discussion on interagency coordination and monitoring and evaluation.
article by *The Washington Post* highlighted how American efforts to curb corruption in Afghanistan prior to 2010 had largely focused on high-level corruption and only recently turned to local alternatives. The HOOAC’s 2011-2013 Strategic Plan acknowledges that a key obstacle to anti-corruption lies partly with the broader challenge of improving subnational governance.\(^{15}\) However, recent efforts to build subnational forms of government are also sensitive to corruption because decentralisation endows local governments with more discretion in hiring and firing of local staff. In fact, the governor of Jowzjan province told *Pajhwok Afghan News* that his provincial government departments were “rife with graft.” Moreover, a U4 report on subnational corruption states that “when adequate controls and safeguards are not in place, this can lead to widespread practices of clientelism, favouritism and nepotism in local human resource management.”\(^{16}\)

**Box 4. External Support to the HOOAC**

A [June 2011 factsheet](#) details US Agency for International Development (USAID)’s Assistance for Afghanistan’s Anti-Corruption Authority project (4A). Also called 4A, the project seeks to develop a HOOAC that is institutionally sustainable by assisting in budget planning, in developing a staffing plan that will identify gaps in capabilities, by providing technical assistance to help the HOOAC meet performance goals and to aid with monitoring and oversight, verification and personal asset disclosure.

In addition, the United Nations Development Program (UNDP) supports the HOOAC in capacity building efforts through the Accountability and Transparency Project (ACT) which involves UNDP staff assessing the state of the complaints and investigations in various ministries and agencies. UNDP supported the establishment of the international and independent Monitoring & Evaluation Committee (MEC) which was created after the Kabul International Conference on Afghanistan to track and report on the progress of anti-corruption benchmarks and to provide recommendations and guidance for overcoming obstacles to enforcement. The MEC initiated its quarterly meeting in Kabul on 11 November 2011 and has since met with HOOAC leadership on several occasions including the International Community Transparency and Accountability Working Group (ICTAWG).

The aforementioned 2009 SIGAR audit said the HOOAC was “greatly understaffed, and many of its employees are either inexperienced or lack basic skills, such as computer use and information gathering techniques.”\(^{17}\) SIGAR further reported in 2009 that “the HOO[AC] suffered from a limited operational capacity [and] lacked the independence required to meet international standards for an oversight institution.” According to the aforementioned *Public Administration and Development* journal article, however, most anti-corruption commissions suffer from staff shortages and high turnover.\(^{18}\)

In years past, the lack of capacity at the HOOAC combined with “issues of political will in the Attorney General’s Office and corruption within the judiciary resulted in continued growth of corruption and no

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\(^{15}\) The challenge of implementing anti-corruption policy more locally is not, however, a problem confined to Afghanistan, according to research by Doig, Watt & Williams. They point out that in Tanzania, for instance, the Prevention of Corruption Bureau was not only undermanned, but also “lacked the resources to investigate petty corruption at the local level.”

\(^{16}\) Alternatively, a [UNDP User’s Guide to Measuring Local Governance](#) says that anti-corruption agencies created at the local level can serve as watchdog for local government and can disseminate information regarding the ethics rules and regulations. However, a U4 report points out that decentralisation requires a strong central entity to provide the overall framework.

\(^{17}\) An advisor for the prevention department told SIGAR that he often needed to borrow staff from other departments in order to perform the department’s tasks.

\(^{18}\) Capacity building efforts have also had their share of setbacks. According to a 2011 *McClatchy News* article, a USD 25 million legal reform project, headed by American consulting firms, had been delayed for over a year; progress included a three-day training session for judges, a two-day female recruitment forum, the donation of six computers to an anti-corruption tribunal and a re-launch of the Afghanistan Supreme Court website.
perceptible enforcement,” says Coonjohn. The US Department of State (DoS) has said that the AGO “has made little progress in prosecuting high-level officials because it lacks the political will to do so.” The Guardian described how the AGO arrested Mohammad Zia Salehi, a Karzai aide, on bribery charges but was released not long after in 2010; a similar story ran in early 2011. More recently, however, the US Department of Justice (DoJ), is said to be unaware of any prosecutions of high-level officials in the third quarter of 2011, reports SIGAR. “Unfortunately when it comes to high-ranking government officials, we can’t do anything,” an official at the AGO told The Guardian. In 2010, U.S. investigators told The Wall Street Journal that they believed top Afghan officials had been sending “billions of diverted U.S. aid and logistics dollars and drug money to financial safe havens abroad.” Questions also surrounded the appointment of Lodin as head of the HOOAC since he had been closely associated with the highly controversial 2009 presidential election in Afghanistan, which was plagued by accusations of vote-rigging and fraud, according to The Guardian.

The United States Agency for International Development (USAID) reported in 2011 that a proposed revision to the HOOAC’s founding legislation that would expand the HOOAC’s prosecution authority could also reduce its independence. SIGAR says that this would not only be unconstitutional, but could also “lead to serious abuses.”

Conclusion

Although the previously-referenced presentation by Osmani states that current laws, regulations and policies in place to battle anti-corruption are inadequate, U4 reports that the government is drafting a penal code on anti-corruption which is presently pending final review. In fact, the aforementioned interview with Coonjohn states that a national anti-corruption policy and a corresponding comprehensive legal framework that is currently being developed will pave the way for a complete restructuring of the HOOAC in order to enable it to carry out its legal mandate. To complement the policy, the HOOAC will also develop a strategic implementation plan predicated upon recent adjustments to the National Anti-corruption Strategy. The proposed restructuring is being developed by HOOAC in collaboration with the Monitoring and Evaluation Committee (MEC) and other stakeholders.

According to the interview with Coonjohn, HOOAC has also started imbedding anti-corruption teams within various ministries. Though these teams are currently located in five ministries and focused on operational issues, the HOOAC looks to expand the number of ministries in which these teams operate and re-direct these teams from operational issues to implementation of Business Process Management—that is analysis and re-design. The UK Foreign and Commonwealth Office (FCO) reported that the MoI already anti-corruption teams

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19 SIGAR recalled how in May 2011, two AGO “prosecutors were transferred to remote provinces” within two week after interrogating a former governor of Kapisa on suspicion of embezzlement.

20 At the same time, a former British soldier working for a UK security firm was found guilty of paying a USD 25,000 bribe to a government official for the release of impounded bombproof cars; his defence argued that he thought he was paying a legitimate fine for a licensing irregularity.

21 SIGAR also notes that Lodin had previously chaired a special commission established by President Karzai to investigate the corruption at Kabul Bank. Although the resulting report revealed that certain political figures received fraudulent loans, the commission absolved the half-brother of President Karzai and the brother of Afghanistan’s first vice president.

22 If criminal investigative powers remain under the exclusive purview of the Attorney General, then the AGO will be the lead agency in the battle against corruption and the HOOAC will have an equally important but supporting role in prevention and education. If the criminal investigative powers are delegated to the HOOAC, then it will be the lead agency in the battle against corruption.

23 See also “A Primer on Models and Strategies for Anti-Corruption Agencies: Preparing Afghanistan for Anti-Corruption Reform” written by Jeffrey Coonjohn to facilitate discussion within HOOAC about its role.
in place in June 2011. The hope is that these teams will identify internal weaknesses and build processes that reduce opportunities for corruption. SIGAR also notes that asset verification has become a larger focus of the HOOAC.

Long-term plans are also in the works to develop offices in all 34 provinces in Afghanistan. In the meantime, the HOOAC is developing seven regional zones and a Provincial Task Force which is deployed from the central office in Kabul. As of this date, five of those zones have been staffed and are conducting oversight operations. At the 2010 Kabul Conference President Karzai also agreed to set up an anti-corruption tribunal and a major crimes task force (MCTF), both funded partly by the UK’s Department for International Development (DFID), reports The Guardian. Successes can be fleeting, however. For instance, Coonjohn and Lodin warn that while the aforementioned vehicle registration initiative proved to be a success by many; almost immediately, a new problem arose: “Bank tellers began demanding payments to make the deposit and provide a copy of the deposit slip. As one mole was pushed into its hole, another emerged.”
Chapter 3

Corruption & Afghanistan’s Education Sector

Dr Matthew Hall

Corruption is widely perceived to be a key obstacle to development in Afghanistan. The importance of implementing corruption reform programmes is being increasingly stressed as the Afghan transition process becomes reality. Like most facets of society, the education sector is prone to corruption, and Afghanistan is certainly no exception. Over the last several years, the Afghan government has implemented a number of reform efforts in order to reduce corruption and improve the quality of education at all levels (i.e., from primary to tertiary). This chapter examines corruption in Afghanistan’s educational sector and describes current reform efforts being taken by the Afghan government, especially the Ministry of Education (MoE) and Ministry of Higher Education (MoHE) with the support of the international community.

Corruption and Education: A Broad View

Corruption in the education sector in developing countries is widespread and harmful. The U4 Anti-Corruption Resource Centre, a Norway-based institution that assists international development professionals in addressing corruption, indicates that education is particularly susceptible to corruption given that it is often the largest or second largest public expense in most countries. Hence, the sector’s large budgets present opportunities for corruption and other forms of misappropriation. U4 identifies more than 20 forms of corruption that can take place in the education sector, including those related to bribery, embezzlement, favouritism and the exploitation of students and parents. In its report, U4 distinguishes the types of corruption that occur at different levels, from grand corruption at the highest level down to petty corruption at the local level (see Figure 1).

Figure 1. Types of Corruption by Level

<table>
<thead>
<tr>
<th>Policy Level</th>
<th>Corruption causes low allocation of funds and favours easily corruptible funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Ministry Level</td>
<td>Funds diverted and siphoned off before reaching schools</td>
</tr>
<tr>
<td>School and Administrative Level</td>
<td>Petty bribery by parents, educators for hiring, promotions, access, grades and graduation</td>
</tr>
</tbody>
</table>

Source: U4 Resource Centre, Corruption in the Education Sector

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According to a report on education and corruption in the Sectoral Perspectives on Corruption series commissioned by the United Stated Agency for International Development (USAID), “pervasive, petty” corruption at a low level produces the most serious consequences. This type of corruption trains generation after generation of students to view personal success as a function of “favouritism, bribery, and fraud” rather than effort and ability, according to USAID.

The aforementioned U4 Report also distinguishes between common categories of corruption in the education sector. Each of these categories is briefly described below.

- **Planning & School Management**: In this category, planning and funding decisions made for personal and political reasons rather than based on objective technical criteria.
- **Procurement**: Poor quality materials and equipment are purchased due to corrupt bidding process. This form of corruption also influences hiring of contractors to build and rehabilitate school buildings.
- **Accreditation**: Public and private institutions pay bribes to gain accreditation which they otherwise may not have received.
- **Admissions/Examinations**: Corrupt practices become routine, particularly during oral tests and entrance exams, which are particularly vulnerable to bribery.
- **Teacher Management & Professional Conduct**: Unqualified personnel are hired, retained and promoted due to systematic bribery rather than on the basis of merit. Misconduct by bribe-paying teachers and other education professionals may go unpunished.

Stephen Heyneman and others in an article in the Comparative Education Review argue that rapid decentralisation can greatly enable corruption due to sub-national officials’ lack of experience and their lack of familiarity with regulating private educational institutions, in particular. According to Heyneman, decentralisation leads to regional and local education offices with greater responsibility but little experience in working with sectors such as private education, which had formerly been managed by central government institutions. This situation can lead to all forms of education (but particularly higher education) being insufficiently regulated, thereby allowing for corruption to emerge.

The USAID report also highlights that successful education sector reform programmes must include provisions intended to increase objectivity in measurement and transparency in addition to incorporate civil society involvement in education. Elsewhere, Shinichiro Tanaka of the Japanese international development consulting firm PADECO adds that corruption reform strategies for education should be preventative, tailored to local circumstances and customs but focused on the primary goal of protecting students. Preventative strategies, Tanaka argues, work by systematically anticipating and preparing for potential problems, which allows for advanced diagnoses of and preparation for local conditions. Student protection is the primary goal because students are directly and indirectly vulnerable to “corrupt practices of teachers in the classroom”.

**Corruption in the Afghan Education Sector: Have Things Changed?**

The problem of corruption in the education sector in Afghanistan appears to be significant. The International Institute for Education Planning (IIEP), in its research paper “Education and Fragility in Afghanistan”, calls corruption “entrenched in the education system”. It identifies two types of corrupt practices common to Afghan education: teachers having to pay bribes to their superiors to receive salaries and the phenomenon of “ghost teachers”. “Ghost teachers” are those who do not come to work but who nonetheless receive a salary or those who are double-registered and thus receive two salaries for a single day’s work. According to IIEP, the
existence of “ghost teachers” results in large classroom sizes given that a school has far fewer teachers than policymakers and high-level civil servants may perceive based on payroll records. The lack of teachers within schools also results in classes being cancelled and contributes to a “general lack in faith in an educational system”. IIEP notes that, with the education system being one of the most common and visible manifestations of the Afghan government, corruption within local schools tends to breed a broader lack of trust in the country’s public institutions.

In addition to “ghost teachers”, a USAID report titled “Assessment of Corruption in Afghanistan” lists several additional ways in which corruption affects education directly. The most common are work disincentives (inadequate salaries driving teachers to focus more on private tutoring), bribes for grades and lack of teacher competency. Furthermore, the study notes the higher the level of education (e.g., primary, secondary and tertiary), the worse corruption tends to be. For instance, students can, according to USAID, buy both entrance into and graduation from many universities in Afghanistan. With regard to teacher salaries, the report notes that payments were, until recently, made in cash, which led to money being “siphoned off” at each step of the distribution process between the Ministry of Education (MoE), provincial offices, district offices and individual schools. The same document also points out these problems have been exacerbated by the dramatic increase in the number of students enrolled in public schools since the overthrow of the Taliban. The report indicates that under the Taliban, there were less than one million students in public schools given that girls were barred from school and given that insecurity led families to hold their children back from school or leave Afghanistan. The number of students in Afghan schools has increased to approximately six million since 2001.

During this same time period, the Afghan government has sought to decentralise education. According to a 2004 report on education development by the Afghan MoE, the educational system inherited from the Taliban was centralised. The ministry sought to decentralise in order to get local communities, especially parents, more involved in education. As noted earlier in this chapter, such rapid decentralisation has the potential to enable corruption given that resources pass from office to office (e.g., from the ministry to the provincial education department to the districts, etc.) and given that local officials may be inexperienced with education sector management.

An article in the Kandahar based newspaper Surghar Daily provides illuminating details about education in Kandahar province. According to the article, Kandahar’s education sector is “mired in corruption”. The article says talented students are held back by corrupt practices that favour connections, bribes, influence and power. Several problems are identified, such as inadequate curriculum, students bribing their teachers for good grades, corrupt officials, incompetent teachers and excessive absenteeism by students, teachers and officials alike. The piece highlights that the effects of corruption on the education system in Kandahar are compounded by the lack of local security. Another article from February 2004 by Daniel Del Castillo of The Chronicle of Higher Education focuses upon university exams. Del Castillo finds that cheating on the exams was widespread – and recognised by authorities – but that it was rarely punished. The former Minister of Higher Education, Mohammad Sharif Fayez, acknowledged that many of the applicants who sit for the university entrance exam are not even high school graduates. The minister further noted that one-third of medical students were expelled for having been found to have falsified entrance documents.

Despite the examples of widespread corruption in Afghanistan’s education sector noted above, a January 2010 report by the United Nations Office on Drugs and Crime (UNODC) reported that bribery within the Afghan education sector is less common than in many other sectors. According to the report, the percentage of survey respondents claiming to have paid at least one bribe to a teacher over the last 12 months was less than 5%, compared to over 25% for police officers and close to 15% for doctors. The average bribe paid to teachers was about USD 60, compared to over USD 100 for police officers and over USD 200 for judges. The survey also
found that while more men than women report having paid a bribe – 53% vs 39%, respectively – women have to pay bribes more often than men in the education and health sectors specifically. A February 2011 report on Afghanistan published by a coalition of NGOs notes that a recent national survey found that 11% of all Afghans say corruption plays a role in education. The NGO report, like the UNODC publication, notes that the amount of corruption in education is low relative to other sectors but describes its prevalence as “still deeply concerning”.

Anti-Corruption Efforts in the Education Sector

The Afghan government has publicly recognised the problem of corruption in education and acknowledged the need to make institutional reforms intended to reduce and prevent its occurrence. The government has created a number of overlapping programmes involving multiple ministries, including the MoE, the MoHE and the Ministry of Finance (MoF), many of which are supported by the international community. The Afghan National Development Strategy (ANDS) serves as Afghanistan’s Poverty Reduction Strategy Paper (PRSP) as part of efforts to reach the Millennium Development Goals (MDGs) set by the United Nations; as such, it is the guiding document for development efforts in Afghanistan. The ANDS treats corruption as a cross-cutting issue and notes the issue is being “addressed with institutional strengthening programs in all Ministries” and adds that accounting and procurement procedures are being implemented as well. The Afghan government has put in place multiple education reform programmes. For instance, the Office of Social Sector Development (OSSD) has begun a number of programmes, including the Basic Education Support Systems for Teachers (BESST) programme as well as specific initiatives designed to modernize the university entrance exam system, develop an electronic bank transfer system for teacher salaries and create forgery-proof university diplomas. The MoHE was able to push through legislation on the MoHE’s oversight responsibilities for “nascent” private universities, as noted in the USAID Assessment of Corruption in Afghanistan report. The MoE has developed an Education Management Information System (EMIS), which monitors education indicators and planning; it also registers employees by position, profession and duty station in order to address the previously discussed challenge of “ghost teachers”. The MoE is working to expand EMIS capabilities to the local schoolhouse level to cover student enrolment, exam scores, attendance and teacher attendance. The MoE has also incorporated the Afghanistan Financial Management Information System (AFMIS) created and implemented by the Ministry of Finance (MoF), “to track expenditure on education programs at national and sub-national level”.

The MoE, additionally, produced a National Education Strategic Plan (NESP) for the years 2010-2014.\textsuperscript{25} Corruption reform is a recurring theme throughout the document. The NESP is divided into five programmes. While four of the programmes deal with general educational issues, much of the fifth programme – Education Management – is designed to tackle problems related to corruption. The NESP also devotes a chapter to implementation and monitoring and evaluation, again specifically singling out the need to attack corruption. As part of the NESP, for instance, an Education Academic Council is to be created, with significant responsibility in reducing corruption.

\textsuperscript{25} The National Education Interim Plan for 2011-2013 is intended to serve as an achievable baseline level of institutional reform as a stepping stone to implementing the NESP. It too gives extensive attention and priority to items intended to address corruption reform.
A corruption scandal in Paktika province involving more than USD 1 million led to teachers in the Waza Kwah school district not being paid. The teachers threatened a mass walkout; in response the Paktika Director of Education, Ehsanullah, and Governor Moheebullah Samim responded quickly in order to ensure that the teachers were paid, thereby preventing the walkout. Ehsanullah created a registration system for all area teachers and principals that increased efficiency and transparency. According to Ehsanullah, “Corrupt officials no longer have a role in the process and will not have an opportunity to steal the pay”. Governor Samim then made sure the teachers were provided back pay they were owed.

**Basic Education Support Systems for Teachers (BESST)**

The BESST programme is a USAID-funded initiative, designed to reform education via systems intended to aid, train and evaluate teachers. While not described as an anti-corruption initiative, many of BESST’s specific components pertain to corruption. For instance, the programme addresses low teacher pay, a lack of standardisation and transparency and non-merit-based hiring, all of which typify or enable corruption within the education sector. The programme was designed to be completed in August 2011 but would continue after that with follow-up projects and activities. Among the items undertaken by BESST were management training for principals, creating and administering competency tests for principals and teachers, developing organisational charts and human resource databases and manuals, creating human resource policies and standardising job descriptions in addition to developing community involvement via “school improvement councils”.

**The ACT Programme**

According to a July 2011 UNDP quarterly report, the Accountability and Transparency (ACT) programme, which was broadly designed and being implemented by the Afghan government and international community, is centred around four components: (i) institutional reforms intended to bolster the national anti-corruption strategy; (ii) activities aimed to increase “accountability, transparency and integrity”; (iii) public awareness initiatives intended to educate citizens regarding corruption; and (iv) enhanced monitoring capabilities. While most efforts appear to be aimed at non-educational sectors, there have been some very significant developments in education. One of these was the establishment of the Office for Anti-corruption Implementation Plan at the MoE. The UNDP quarterly report describes another development as the creation of six complaint offices in Kabul in the following directorates and ministries: Directorate of City Education, Deputy Ministry of Technical and Vocational Education, the Kabul Province Education Directorate, the Deputy Ministry of Islamic Education, and the Deputy Ministry of Literacy and Teacher Training Directorate. These offices were collectively able to “properly resolve” 168 out of 216 new complaints received in the second quarter of 2011, the most common of which concerned delays in service, abuse of power and bribery. Complaint offices in Herat, Mazar-e Sharif and Jalalabad were expected to be completed by the end of the third quarter of 2011.

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26 No details of what caused the corruption scandal were given in the article.
27 It is not clear from publicly available information if BESST was completed on time.
Conclusion

This chapter has described the situation regarding corruption in the Afghan education sector. Corruption presents a significant challenge for this sector, according to publications from USAID, UNODC, NGOs, the Afghan government and a range of other sources. However, as this chapter has demonstrated, the Afghan government, with the help of the international community, recognises the challenge and has over the past several years put in place many institutional reforms intended to respond to this situation.
Chapter 4

Corruption & Infrastructure in Afghanistan

Rainer Gonzalez Palau

In January 2010 the United Nations Office on Drugs and Crime (UNODC) released a report titled “Corruption in Afghanistan”. The report showed that, in 2009, Afghans paid USD 2.5 billion in bribes and kickbacks, an amount equivalent to 23% of the country’s Gross Domestic Product (GDP). This figure is close to the level of income generated by the opium trade in Afghanistan, which is estimated at USD 2.8 billion. As Antonio Maria Costa, UNODC Executive Director, stated in the aforementioned report, “drugs and bribes are the two largest income generators in Afghanistan”. Furthermore, the United States Agency for International Development (USAID) issued an “Assessment of Corruption in Afghanistan” which found that corruption is undermining security, development and state and democracy-building objectives.

As outlined in Chapter 1 of this volume, corruption is a multi-sectorial problem that can be found at several levels, from the national to the local, and in the private sector, public sector and international community. The infrastructure sector is often host to several of these forms of corruption, as is noted throughout this paper.

Figure 1. Factors Facilitating Corruption, by Level

Project Level
- Absence of anti-corruption systems
- Nature of infrastructure projects (i.e. large amounts of money increases the risk of irregular practices)
- Contractual structure (e.g., role of sub and sub-sub-contractors)
- Diversity of skills and integrity standards within the industry
- Project phases (i.e. the more numerous, the more opportunities for corruption)
- Size of projects (i.e. the larger the project, the easier to hide bribes or inflated claims)
- Uniqueness of projects (i.e. infrastructure projects which are particularly unique may lack standards or best practices for identifying and preventing corruption)
- Complexity of projects
- Concealed work (e.g., approval of finished products that are not observable such as steel concealed in concrete)
- Lack of transparency
- Extent of government involvement
- Acceptance of the status quo (very extended across the industry)

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Corrupt Practices in the Infrastructure Sector

The British consulting firm Carillon indicates that corruption commonly occurs because individuals are willing to use illicit means to maximise personal or corporate profit. The Global Infrastructure Anti-Corruption Centre (GIACC), a non-profit organisation, identifies three categories of factors that facilitate corruption (Figure 1).

A World Bank paper entitled “Setting Standards for Communication and Governance: The Example of Infrastructure Projects” characterises corruption in the infrastructure sector as a supply- and demand-driven problem. According to the paper, supply represents the behaviour and motivations of a supplier (who offers or pays a bribe) and a demander (who requests or is willing to accept a bribe). Only when there is both a “supplier” and a “demander” will corruption occur. The World Bank also notes there are various points within the infrastructure project cycle at which vulnerability to corruption is highest. These are depicted through the Vulnerability Project Cycle proposed by O’Leary in “The Role of Transparency International in Fighting Corruption in Infrastructure” (Figure 2).

The aforementioned World Bank paper highlights that corruption most frequently occurs within the procurement and contract administration processes by means of bid rigging and kickbacks. As shown in an Asian Development Bank (ADB) newsletter, “The Governance Brief”, the complexities and interlocking relations of many procurement processes creates several points at which bribery and corruption may emerge. The ADB also finds that decentralisation results in more government structures – including lower-level ones with less experience in procurement – being involved in decision-making and public expenditure. While doing so enabled decision-making at the local government level and may improve governance, decentralisation may also create new opportunities for corruption in places such as Afghanistan.

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### National Level
- Corruption in the government
- Lack of consistent anti-corruption policy within the government
- Insufficient reporting of corruption
- Insufficient prosecution of corruption
- Vulnerability of project owner’s officials to corruption
- Vulnerability of other government employees to corruption
- Lack of publicly available data on corruption convictions
- Lack of sufficient data regarding national infrastructure
- Lack of sufficient data regarding comparative costing infrastructure projects, materials and methods

### International Level
- Lack of inter-governmental cooperation
- Lack of pro-active steps by funders to limit corruption in projects
- Lack of coordinated action between contractors, consultants and businesses and professional associations
- Lack of debarment of corruption companies

Source: Adapted from the Global Infrastructure Anti-Corruption Centre.
Corruption in the Infrastructure Sector in Afghanistan

Consistent with global research findings, the main reported cases of corruption in Afghanistan’s infrastructure sector are related to irregular practices during procurement processes. As reported by *The Washington Post*, the US government’s Commission on Wartime Contracting estimates that between USD 30 billion and USD 60 billion in American funding have been wasted due to fraud, corruption and weak reporting and accountability mechanisms in Iraq and Afghanistan. The same article notes that corruption not only involved Afghan officials and private companies but also foreign personnel within Afghanistan. For instance, the article describes the case of a former US Army Reservist Captain who had been accused of soliciting USD 1.3 million in bribes from contractors bidding and working on reconstruction projects. Moreover, an Australian national working for the International Organisation for Migration (IOM) is awaiting extradition to the United States accused of seeking a USD 191,000 bribe from an undercover agent of a project funded by USAID, reported *ABC News*.

The road sector in Afghanistan has been described as vulnerable corruption, particularly given the volume of international assistance which has been provided to road construction and rehabilitation. Spending on roads in Afghanistan as of 2009 had exceeded USD 1.3 billion. Currently, donors have the primary responsibility for financing, procuring and implementing the arrangement of road projects. However, as long as the transition moves on, these responsibilities will be progressively transferred to the ministries. There are seven ministries having competences on the road sector:

- **Ministry of Public Works (MPW):** plans, manages and maintains road assets;
- **Ministry of Rural Rehabilitation and Development (MRRD):** provides rural roads giving access to markets and other services;
- Ministry of Urban Development and Municipalities (MUDM): construction of all city roads (except for the Kabul municipality);
- Ministry of Finance (MoF): collects fees from roads, involved in approval of awarding contracts and responsible for realising payments to contractors;
- Ministry of Foreign Affairs (MFA): issues road passes for commercial vehicles registered in third countries;
- Ministry of Commerce and Industries (MoCI): issues and renews domestic and foreign business licenses; and
- Ministry of Economy (MoEc): assists the MPW in the procurement processes of externally funded road projects.

A World Bank report titled “Fighting Corruption in Afghanistan” focuses on the main vulnerabilities to corruption in Afghanistan’s road construction sector (Table 1). In line with many of the documents discussed above, the paper’s authors outline the four major corrupt actions which may be most commonly perpetrated by public officials involved in procurement processes: (i) leaking of bid information for a bribe or contractors submitting false claims which are approved in exchange for a bribe; (ii) awarding of work contracts to construction firms owned by power-holders; (iii) submitting false and damaging information on competing bids; and (iv) favouring a bidder of a certain region or ethnicity regardless their qualification, background or proposal.

Table 1. Vulnerabilities to Corruption in Afghanistan’s Road Construction Sector

<table>
<thead>
<tr>
<th>Organizational Structure of the MPW</th>
<th>The key monitoring bodies such as the audit office and monitoring do not report directly to the Minister, which can shade corruption at lower levels.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Finance Management</td>
<td>The different ministries involved in the road sector do not have the capacity to design, control and implement new projects as well as maintain existing infrastructure. Hence, the need to externalise facilitates corruptive activities;</td>
</tr>
<tr>
<td></td>
<td>The offices in charge of auditing (Controller and Auditor General’s Audit Office, the General and Independent Administering of Anti-Corruption and Bribery and the Attorney General’s Office) lack the capacity and procedures to carry out their role;</td>
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<tr>
<td></td>
<td>The external monitoring and evaluation of road projects is almost non-existent;</td>
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<td></td>
<td>The fact that many projects are constructed under external budgets without the involvement of the main ministerial stakeholders entails to a great variation of the final costs and quality of road projects; and</td>
</tr>
<tr>
<td></td>
<td>The weak collaboration between the donors and the main governmental stakeholders.</td>
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<tr>
<td>During the Project Cycle</td>
<td>The numbers of bidders are limited, which makes prices to exceed the estimated costs in exchange of low quality projects;</td>
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<td></td>
<td>The complex procurement processes;</td>
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<td></td>
<td>The weak oversight during project implementation;</td>
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<td></td>
<td>The complex payment systems;</td>
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<td></td>
<td>The insecurity surrounding projects; and</td>
</tr>
<tr>
<td></td>
<td>The poor record systems for payment and invoice control.</td>
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<tr>
<td>Procurement and Contract Awarding</td>
<td>The limited number of contractors facilitates bidders’ collusion in order to share market, increase project prices and/or agree a “losers’ fee”;</td>
</tr>
<tr>
<td></td>
<td>In addition, the limited number of bidders provides opportunities to influence in the procurement process over the committees set by the Minister;</td>
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<tr>
<td></td>
<td>Construction companies are awarded based on connection and influences;</td>
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<tr>
<td></td>
<td>Multiple sub-contracting layers facilitate corruption and disrupt the accountability chain; and</td>
</tr>
<tr>
<td></td>
<td>Security protection generates more corruption opportunities as a result of multiple extra contracts and payments.</td>
</tr>
<tr>
<td>Construction and Quality Control</td>
<td>Monitoring and oversight of project contractors and consultants is weak;</td>
</tr>
<tr>
<td></td>
<td>Government officials commonly accept, and subsequently pay, ended projects which...</td>
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</table>
are not constructed according to the specifications in exchange for bribes;

- Lack of effective punishments mechanisms for corruptive officials and contractors;
- Supervision consultants collide with contractors in exchange for bribes; and
- Despite the fact that the Afghan government has a contractor’s blacklist, some of them who have been blacklisted are still getting new contracts.


Another form of corruption is the diversion of international reconstruction funding to the insurgency. On May 2011, The New York Times described a road construction project that would connect the cities of Gardez and Khost. Since the beginning of construction, the project has been jeopardized by insurgent attacks. Therefore, in an effort to avoid further incidents, the construction company sub-contracted security to a local powerbroker known to have strong connections with the local insurgent group, the Haqqani Network. The cost of this informal protection is estimated at around USD 1 million per year, with evidence that part of this money is directly benefitting insurgents.

Approaches & Mechanisms to Reduce Corruption in the Infrastructure Sector

The World Bank paper “Setting Standards for Communication and Governance: The Example of Infrastructure Projects” proposes an anti-corruption strategy revolving around communication, which it describes as “the basis of Transparency, which is the basis of Accountability, which in turn is the basis of Integrity”. An appropriate communication strategy is vital in bringing all stakeholders involved in a project together in order to build consensus around the project and to manage corruption. The World Bank publication noted above references a number of anti-corruption tools proposed by Transparency International. These include the following: National Integrity Pacts (NIPs), Business Principles for Countering Bribery (BPCB) and Integrity Pacts for Public Procurement (IPs).

- NIPs: An approach in which all organisations involved in an infrastructure project, including civil society, work together to develop good governance practice to fight corruption.
- BPCP: A tool in which the private sector agrees to combat bribery on the basis that “integrity and a level playing field are good for business”. For instance, in April 2006, eleven water pipe manufacturers in Colombia signed a sectorial anti-bribery agreement, which led to a decrease of 30% in tender prices.
- IPs: Agreements between a public entity and all bidders for a public contract. It is designed as a code of conduct, setting rights and obligations to the effect that neither side will: pay, offer, demand or accept bribes; collude with competitors to obtain the contract; or engage in such abuses while executing the contract. Transparency International has tested the IP in more than fifteen countries. For instance, an IP was agreed between the Karachi Water and Sewerage Board and the companies bidding for the Pakistan Greater Karachi Water Supply Scheme. The well-managed procurement process led to a total cost that was 18.5% lower than the one estimated initially by the Pakistani government.

29 Other organisations have developed their own programs, systems and tools. For instance, GIACC has developed Anti-Corruption Programmes for Governments, Funders, Project Owners, Companies and Professional Associations as well as systemised Project Anti-Corruption Systems (PACS). Furthermore, the GIACC Resource Centre lists a wide range of Anti-Corruption Tools such as Claims Code, Contract Terms, Codes, Due Diligences, Employment Terms, Gifts and Hospitality Policy, Procurement, Reporting, Rules, Training and Transparency, that can help to tackle irregular activities at the project, national and international level.
Furthermore, Charles Kenny, in a paper titled “Infrastructure Governance and Corruption”, notes the importance of having clear roles and responsibilities in infrastructure projects. Kenny suggests that a single individual should in many cases be empowered and allocated the necessary technical and financial tools to monitor a project from start to finish. Such a person would also be held responsible should problems, including corruption or fraud, emerge in the project. Kenny remarks that diffuse responsibility for projects may prevent adequate accountability and prevent individuals from being held accountable when problems emerge. In addition, Kenny highlights the potential for communities or locally elected bodies to monitor projects and reduce corruption. He also suggests that providing local communities and institutions direct control over development projects (and associated resources) through “community-driven approaches” to development could also play a major role in preventing corruption.

Privatisation of state-owned enterprises, which is common in many conflict-affected environments, is also viewed as one area which is particularly vulnerable to corruption. As a Transparency International paper on “Corruption of Infrastructure in Developing Countries” details, politicians and business leaders are one and the same in many developing countries. Even where political and business leaders are separate, economic and political ties are often closely linked, which may lead to corruption. Likewise, the paper argues that the privatisation process itself can bring enormous opportunities for irregular and corrupt practices at multiple steps, including: planning, tender/bidding and contracting. For those reasons overall, privatisation may at times be counterproductive in those states or societies which lack the adequate level of maturity in terms of good governance. Kenny, in “Infrastructure Governance and Corruption”, argues that the impacts of privatisation will vary considerably by country and sector. Indeed, despite the global evidence linking privatisation and corruption, the privatisation of mobile phone service in Afghanistan appears to have led to a reduction in some forms of corruption. As the United States Institute of Peace’s (USIP) special report entitled “Can You Help Me Now?” outlines, increased telecommunication infrastructure has completely removed waiting-lists, and hence the need of bribery to get a connection in Afghanistan.

Decentralisation has also been proposed as a response to corruption. As the authors of the 2005 paper entitled “Decentralisation, Corruption and Government Accountability” note, opinions regarding the effects of decentralisation on corruption are diverse. Many argue that corruption results from excessive centralisation of state authority within the civil service. As the World Bank’s World Development Report for 2000 highlighted, decentralisation processes have been a worldwide trend in the last two decades. The ADB indicates that decentralisation puts procurement decision-making in the hands of those responsible for service delivery, who may be more accountable to the local citizenry. However, excessive decentralisation may generate inconsistent local policies, such as those related to procurement, which could hinder effective public administration. In addition, the U4 Anti-Corruption Resource Centre observes that, in the case of Afghanistan, risks associated with decentralisation (such as a weak state, lack of resources and skills, lack of accountable and responsive culture in general), could worsen irregular, corrupt practices. Therefore, as the aforementioned ADB’s newsletter points out, it is important to set up central bodies that promote and regulate standardised procurement processes capable of being implemented and operated accountably at the local level.

While factors which lead to corruption have been identified by experts, so too have anti-corruption strategies. One report, “Fighting Corruption in Afghanistan”, propose a series of key recommendations which target corruption in the road and transport sector but which also appear to have broader relevance to infrastructure rehabilitation across the country. Key recommendations from this report are cited below (Table 2).
Table 2. Key Recommendations for Addressing Corruption in the Road Sector

<table>
<thead>
<tr>
<th>Capacity Building</th>
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<tbody>
<tr>
<td>▪ Capacity building should be more than just training in areas of contract management, supervision of contracts and consultants internal auditing as well as monitoring of road projects, engineering design and supervision capacity; and</td>
</tr>
<tr>
<td>▪ Experts/consultants should be transitionally placed at the MPW to work hand-to-hand with Afghan officials and, their work should be outputted in local languages to facilitate dissemination.</td>
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<table>
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<tr>
<th>Organisational Structure of the MPW</th>
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<tr>
<td>▪ The MPW should be restructured in order to make its performance more effective and efficient, in particular, in the regulatory role;</td>
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<tr>
<td>▪ To make clearer the duties of each individual, the policy department should be divided into four sections: planning, procurement, contract administration and financial management and funding arrangement;</td>
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<tr>
<td>▪ Control of visits to the field and payment approved by the supervision consultants should be improved;</td>
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<tr>
<td>▪ Records management department should be more accessible and efficient;</td>
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<tr>
<td>▪ Organisational issues such as selection of review committee, internal accountability, administrative processes and core function and processes must be enhanced; and</td>
</tr>
<tr>
<td>▪ Integration of Project Implementation Units, aiming at handling several projects with two major functions: contract administration and procurement and financial management.</td>
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<tr>
<th>Institutionalise Corruption Control</th>
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<tr>
<td>▪ Provide guidelines defining structures, values, procedures and codes of conduct;</td>
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<tr>
<td>▪ Establishing contractual anti-corruption commitments between the main project stakeholders;</td>
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<td>▪ Disseminate amongst staff awareness regarding corruption and its legal consequences;</td>
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<tr>
<td>▪ Enforce internal and external auditing of the accounts; and</td>
</tr>
<tr>
<td>▪ Asset declaration and monitoring for high-level government officials and their families.</td>
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<th>Procurement</th>
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<tr>
<td>▪ Changing contract designs to performance-based contract designs;</td>
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<tr>
<td>▪ Develop national codes and standards;</td>
</tr>
<tr>
<td>▪ Training of government staff in procurement procedures; and</td>
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<tr>
<td>▪ Integrate mainstream transparency and accountability measures in procurement in the MPW operational dynamics.</td>
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<tr>
<th>Establishing Transparency Mechanisms</th>
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<tr>
<td>▪ Establishing processes whereby public and civil society as a whole have access to the related documentation of road projects;</td>
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<tr>
<td>▪ Reliable systems for sharing reports and audits with the President and the National Assembly; and</td>
</tr>
<tr>
<td>▪ Set up mechanisms to enable civil society to engage in reporting on road projects.</td>
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<tr>
<th>Improving Accountability Mechanisms</th>
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<tbody>
<tr>
<td>▪ As the current system does not work, there is a need for an external independent regulatory body linked to the highest level of government. This body should report and monitor on projects throughout their life cycle on an on-going basis.</td>
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</tbody>
</table>


Conclusion

This chapter has reviewed the corruption vulnerabilities and challenges that the infrastructure sector in Afghanistan, with a particular focus on contracting and procurement. A wide range of approaches and mechanisms to minimize corruption and its impacts have been proposed. Nevertheless, in order to combat corruption, any of these approaches will have to be implemented according to the particular socioeconomic, cultural and ethnic complexities of Afghanistan.
Chapter 5

Corruption & Investment in Afghanistan

Eray Basar & Steven A. Zyck

Foreign Direct Investment (FDI), according to the Organisation for Economic Co-operation and Development (OECD), is defined as the following: “a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor.” More simply stated, FDI involves an individual or enterprise from one country investing in the economy of another country. This chapter highlights the benefits of FDI for developing and conflict-affected countries but also cites research which shows that investors may be deterred by corruption.

FDI is viewed as one of the premier forms of financing for development for a wide range of reasons, according to an article by Prakash Loungani and Assaf Razin in the journal Finance & Development. These include the fact that FDI does not only comprise financial resources but also frequently includes the transfer of new technologies and capacities (skills) to the recipient nation. In addition, unlike development assistance or other forms of foreign aid, FDI creates substantial tax revenues for the recipient nation’s government. The journal Central Asia further notes that FDI has been associated with increases in productivity, employment creation and the transfer of managerial and technical skills as well as innovative production techniques. Foreign direct investors are reportedly interested in long-term investments in the productive sectors of host states, according to an article by Padma Mallampally and Karl P. Sauvant in Finance & Development. Other resource flows to developing countries, including loans and grants, may be provided according to short timelines which rarely apply to FDI. Finally, a foundational article by Barry P. Bosworth and Susan M. Collins, entitled “Capital Flows to Developing Economies”, indicates that FDI spurs domestic investment in businesses at a ratio of one-to-one, thus serving as a catalyst for additional investment and growth. Taken in sum, research suggests that FDI is a crucial source of financing in order to enable developing countries such as Afghanistan to alleviate poverty and generate jobs.

FDI inflows to developing countries around the world rose from USD 481 billion in 1998 to USD 636 billion in 2006, according to Economy Watch. While the global financial crisis of 2008 led to a sharp decline in FDI, it increased sharply, up 12% to USD 574 billion, between 2009 and 2010. In addition, a sub-set of developing countries, those identified as “transitioning” from conflict to peace, also reflect impressive growth in the course of the past decade. These trends are reflected in Figure 1 (below), which notes that the majority of FDI (52%) in 2010 went to developing and transitioning economies rather than developed countries.

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30 Eray Basar is an Assistant Knowledge Manager at the CFC. He can be contacted at Afghanistan@cimicweb.org. Steven A. Zyck is the CFC Afghanistan Team Lead. He can be contacted at steve.zyck@cimicweb.org.
Factors Encouraging & Discouraging FDI

There are many policies and factors determining the decisions of potential foreign investors, particularly corruption. The OECD provides an extensive list of policies and factors which not only affect the potential foreign investors but which also influence established foreign investors (those who have already invested in a developing economy) and the responses of domestic firms. Table 1 (next page) presents a selection of the most significant factors affecting new foreign investors.

One of the most significant of these factors is corruption. An article published by the Cato Institute, a public policy think tank, highlights a complex relationship between corruption and FDI inflows. In addition to presenting a financial and legal risk for would-be investors, corruption also has an adverse effect on many other factors that investors consider. These include the recent level of investment, public investment, infrastructure quality, healthcare, education and income inequality.\(^{31}\) The same article also notes that bribes paid by the foreign investors for obtaining licenses or government permits decrease the expected profitability of investment. Moreover, because corruption agreements are not enforceable in the courts of law – and because the forms and extent of bribery cannot necessarily be predicted – corruption increases uncertainty and risk for would-be investors.

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\(^{31}\) These points build upon many of those made in other chapters of this volume. For instance, infrastructure quality is likely to be limited if contracts are awarded to firms which are not the most qualified. Similarly, corruption in the education sector may reduce the credibility of secondary school diplomas and university degrees. Such factors, which stem from corruption, would be factored into investors’ decision making, notes the Cato Institute.
Table 1. Factors Affecting Inward FDI

<table>
<thead>
<tr>
<th>Economic policies largely under domestic control</th>
<th>Other Policies and Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial Policies</strong></td>
<td><strong>Macro-economic Policies</strong></td>
</tr>
<tr>
<td>(1) Efficient administrative procedures and rules on ownership</td>
<td>(1) Availability of Infrastructure and a skilled workforce</td>
</tr>
<tr>
<td>(2) Developing key sectors (agglomeration/clustering)</td>
<td>(2) Privatization opportunities</td>
</tr>
<tr>
<td>(3) Developing export platforms (Export Processing Zones)</td>
<td>(3) No impediments to trade of goods and services</td>
</tr>
<tr>
<td>(4) Location</td>
<td>(4) Absence of corruption</td>
</tr>
</tbody>
</table>

Source: OECD, Government Policies Towards Inward Foreign Direct Investment in Developing Countries

Levels of FDI in Afghanistan

The data on FDI inflows to Afghanistan is difficult to ascertain and not currently available to the public for years beyond 2008. However, the Afghanistan Investment Support Agency (AISA), an Afghan government body tasked with facilitating FDI, provides such data for registered businesses between 2003 and 2008. A downward trend can be observed in AISA FDI data, with the exception of 2006. According to Radio Free Europe/Radio Liberty, such a decline comes despite an overall upward trend in FDI for Central Asia during the same time period. AISA further notes that the FDI data should be interpreted with care given that a significant portion of FDI has been provided to contractors and logistics firms which are used by the international civilian and military stakeholders; hence, it is not clear what percentage of the FDI is likely to remain within the country (versus which percentage may be withdrawn as the international community scales down its presence in Afghanistan).

Table 2. Foreign Investment Indicators for Afghanistan, 2004–2008

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tbody>
<tr>
<td>Total FDI (USD Millions)</td>
<td>234.81</td>
<td>176.92</td>
<td>409.24</td>
<td>207.36</td>
<td>108.58</td>
</tr>
<tr>
<td>Number of foreign companies registered in AISA</td>
<td>249</td>
<td>379</td>
<td>504</td>
<td>193</td>
<td>291</td>
</tr>
</tbody>
</table>


According to AISA’s latest annual report from 2008, the total FDI inflows reflected in Table 2 are distributed among the following sectors of the economy: services (39%), construction (34%), agriculture (18%) and industry (9%). In addition, AISA reports that Turkey was the largest source of FDI for Afghanistan, providing 19% of the total. It is followed by the United Arab Emirates (UAE), which provided 17% of FDI to Afghanistan, the United States with 16%, Canada with 16%, Iran with 9%, China with 8% and Pakistan with 7% of the total investment inflows. Of course, it must be acknowledged that these figures are currently out of 32 More recent data is not publicly available from AISA.
date by approximately three years and do not reflect post-2008 trends in investment. Recent and sizable investments by China in the Aynak copper mine in Afghanistan, by an American consortium in gold mining in northern Afghanistan and by India in iron ore mining (following the awarding of the Hajigak mining rights in late 2011) are likely to significantly add to these figures.

Investment & Corruption in Afghanistan

As recent Chinese and Indian investments suggest, Afghanistan has the potential to attract investment due to its geostrategic location along the ancient Silk Route and its rich mineral resources, according to Outlook Afghanistan. The challenge is thus to identify and promote those factors most likely to enable and facilitate investment. Indeed, Afghanistan appears to have certain regulations which are capable of promoting business development and hence FDI. The World Bank’s report Doing Business 2012: Doing business in a more transparent world, ranks Afghanistan 30 out of 183 countries for ease of starting a business. Officially speaking, only seven days and four procedures are formally required in order to start a business. However, despite the reported ease of starting a business in Afghanistan, the same report indicates that it is an overall daunting and problematic location in which to invest or operate a business. Afghanistan ranks 160 out of 183 countries on the 2012 Doing Business Index, which reflects a declining position from the 2011 index, when Afghanistan was rated 154 out of 183 countries.

Figure 2. Percentage of Firms in Afghanistan Identifying the Following Constraints as Major or Severe

The World Bank’s report on The Investment Climate in Afghanistan identifies the major obstacles to investment as the following: electricity, access to land, corruption and access to finance. Corruption was the third most commonly cited factor constraining business despite the fact that the survey conducted by the World Bank (see the results in Figure 2) took place in 2005, when corruption was reportedly a much less severe problem across Afghanistan. In 2005, Transparency International’s Corruption Perceptions Index (CPI) ranked Afghanistan 117 out of 158 countries surveyed; by 2011, Afghanistan was ranked 180 out of 182 countries. In
addition, several of the other obstacles cited by Afghan businesspeople, including access to land, anti-competitive behaviour and tax administration, are closely related to corruption. Land rights, for instance, are often allocated illegally (e.g., based on personal connections and corruption); enforcement of property rights also often hinges on such factors, according to a recent CFC report on “Managing Land in Afghanistan”.

In addition to surveys, narrative and case study evidence highlights the negative impact that corruption has had on FDI in Afghanistan. Reuters recently reported that foreign investors are deterred by corruption, among other factors. Yu Minghui, a Chinese investor who had hoped to establish a small steel plant and employ 80 Afghans, indicated that relevant authorities are obstructive and constantly seeking bribes. He stated the following about the process: “Even small matters like visa for technicians can be time-consuming, and additional money is sometimes demanded to make the whole process quicker.” Bribes are reportedly required not only for establishing a business but also for relevant permits, visas (as noted above), gaining access to the electricity grid and so on. As such, even investors who brave the reports of corruption (in addition to insecurity) and attempt to establish businesses in Afghanistan may still find their efforts thwarted. Reports are less available for another, and likely much larger, class of would-be investors: those who refuse to consider investment in Afghanistan due to the reports of endemic corruption.

One telling example comes from the mining sector, which is increasingly viewed as a driver for Afghanistan’s long-term growth, according to the World Bank and others. However, a report by James R. Yeager, a former advisor to Afghanistan’s Ministry of Mines (MoM), suggests that corrupt and opaque tender processes surrounding mining rights, which accompanied the awarding of the Aynak copper mine to a Chinese state-owned firm, may mean that highly qualified and reputable investors may be unwilling to bid. Indeed, Reuters noted that the world’s top mining firms, particularly Rio Tinto and BHP Billiton, have stayed away from Afghanistan’s large mineral deposits in recent years despite having been courted by leading Afghan officials.

Bribery is reportedly only one form of corruption which inhibits investments. A 2010 risk assessment by the United States Agency for International Development (USAID) for a natural gas development project in northern Afghanistan also cites “[c]ollusion between [the Afghan government] and business elite for access to capital and commercial opportunities”. These tight-knit bonds may make it difficult for foreign firms or investors to gain a foothold in particular markets which are dominated by networks of political and private-sector power-holders. For instance, the McClatchy News Agency investigated the privatisation of the formerly government-owned Ghori Cement Factory in Afghanistan. The report indicates that, with the reconstruction of Afghanistan expected to require mass quantities of cement, the factory was considered a crucial economic asset. It was ultimately sold to a firm owned by the brother of Afghan President Hamid Karzai and relatives of other leading Afghan officials. The factory was sold despite the fact that it had not formally been put up for sale and only after the minister of mines, who opposed the sale of the factory to Mahmoud Karzai and his associates, was unexpectedly replaced by his deputy.33 With the outcomes of major economic decisions being made according to political connections and without heed for technical criteria (e.g., qualifications, past track record, proven availability of capital, etc.), foreign firms and investors may decide against competing and hence investing.

Reducing Corruption, Increasing Investment

The Afghan government and international community have both taken steps, briefly discussed here, in order to counter corruption in hopes of promoting investment. First and foremost among these efforts has been the

33 The deputy, who became Minister of Mines, is the same individual who was later forced to resign amidst accusations that he had accepted bribes in exchange for awarding the rights to the Aynak copper deposit to a Chinese, state-owned firm.
establishment of AISA in September 2003. The agency describes itself as a “One Stop Shop for Investors” and has responsibility for facilitating the registration, licensing and promotion of all new investments in Afghanistan. By unifying such services within a single agency, AISA not only makes the process faster and easier – it also reduces the opportunities for corruption. Investors independently seeking authorisations, permits and licenses from a range of disparate Afghan government agencies may be more vulnerable to corruption. AISA was formalised as a governmental body through the 2005 Law on Domestic and Foreign Private Investment in Afghanistan. This law aimed to provide a non-discriminatory business environment for both foreign and domestic investors; in order to promote investment; it opened business ownership to non-Afghans. In addition, the law envisioned a High Commission on Investment (HCI) to serve as the Afghan government’s focal point for investment policy-making. The HCI, however, does not yet appear to have been established.

A wide range of other initiatives, too many to specify here, have also been taken to promote investment by, either directly or indirectly, combating corruption. These include the Afghanistan Investment Guarantee Facility (AIGF), which was created as part of a partnership between the Asian Development Bank (ADB), the UK Department for International Development (DFID) and the World Bank’s Multilateral Investment Guarantee Agency (MIGA), according to Tolo News. Established in 2003, AIGF is one of several initiatives to provide political risk insurance to investors, thus reducing the risk they face when investing in Afghanistan due to insecurity and governance deficits. A total of six guarantees have so far been underwritten with the AIGF covering the agricultural, financial, construction and telecommunications sectors.

Conclusion

As this chapter has noted, FDI is a major driver of development in developing countries and states transitioning out of conflict. Yet corruption poses a major challenge for FDI in Afghanistan. Reducing corruption is crucial for promoting investment, and important efforts are being attempted in pursuit of this objective. Despite this chapter’s focus upon corruption, it must be noted that corruption is far from among the sole obstacle facing investment. Insecurity in many parts of the country is also a crucial factor which, when combined with high rates of bribery, lead to the sort of uncertainty which deters would-be investors. Both reducing corruption and increasing security are required to grow the Afghan economy in the coming years.
Afghanistan ranks as one of the most corrupt countries in the world alongside Myanmar and Somalia, according to Transparency International in 2010. The Center for Strategic and International Studies (CSIS) notes there contemporary corruption in Afghanistan differs markedly compared to the relatively low-cost “customary” corruption of the past. According to CSIS, the scale of corruption today is far greater. Anthony Cordesman of CSIS notes that “[v]irtually all Afghans believe it cripples the government, creates a small group of ultra-rich powerbrokers and officials at the expense of the people, and empowers a far less corrupt Taliban by default.” With the transition of security responsibility, which is now in progress, from international forces to the Afghan National Security Forces (ANSF), the United Nations Office on Drugs and Crime (UNODC) asserts that corruption among the Afghan forces must be demonstrably reduced.

Figure 1. Growth of the ANSF, 2003-2011


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35 The figures for 2008 are as of October 2008, and figures for 2011 are as of September 2011. All other figures are for the end of the respective years.
An article published by NATO’s International Security Assistance Force (ISAF) notes the ANSF are slated to take full responsibility for security throughout Afghanistan by 2014. Within the ANSF, there are two main bodies responsible for civic order and protection of the people and the nation: the Afghan National Police (ANP), which reports to the Ministry of the Interior (MoI), and the Afghan National Army (ANA), which reports to the Ministry of Defence (MoD). These two institutions are the focus of this paper, which addresses corruption and bribery as well as efforts being undertaken to combat corruption within the ANSF.

Figure 2. Percent of Adults who Paid at Least One Bribe during the Last Year to the Following Types of Officials

Source: UNODC, Corruption in Afghanistan: Bribery as reported by the victims, 2010

The Afghan National Army

The mission of the ANA is to preserve peace and security and to provide for the defence of Afghanistan, says an ISAF publication from October 2010. The ANA engages in land-based military operations but includes a small Afghan National Air Force which has few assets and little experience, according to the US Department of Defense (DoD). The ANA is focused primarily upon internal counter-insurgency efforts and engages in patrols and operations both independently and jointly with ISAF.

The ANA has few opportunities to engage in corruption and bribe-seeking behaviour, according to an article in Stars & Stripes. While the lack of corruption within the ANA is partly attributable to the discipline within the force, it also reflects the fact that the ANA has relatively little interaction with the populace, particularly when compared to the ANP (discussed below). When the ANA is on patrol or engaged in operations, they are primarily concerned with their particular mission and with protecting their force. Accordingly, the ANA is described as the Afghan government institution which is least likely to solicit bribes, according to a major survey of bribery in Afghanistan conducted by the UNODC. While nearly a quarter of Afghans report paying
bribes to the ANP, only 2% had paid a bribe to the ANA (see Figure 2). The ANA’s reputation for integrity is strongest in rural areas (see Figure 3). The UNODC survey says that “[u]ltimately, the battle for Afghanistan is one of perceptions, and the fact that the ANA is perceived positively is important.”

Building upon this theme, a recent RAND study entitled “The Long March: Building an Afghan National Army” found that the counter-insurgency effort in Afghanistan ultimately hinges on the Afghan public’s support for the Afghan government and the ANSF. As such, the RAND study stated that it is crucial that the Afghan people perceive the ANA as being not only capable of ensuring security but also as free of corruption. As both RAND and CSIS reports notes, the ANA will not be able to hold onto areas cleared of insurgents unless the ANSF and other government entities can establish an effective presence and earn the people’s trust, particularly by reducing corruption.

Figure 3. Percent of Adults who Paid at Least One Bribe to the Following Types of Officials, Urban versus Rural

While the prevalence of corruption within the ANA is limited, according to UNODC (see Figure 2), Afghanistan and its international partners are reportedly taking steps to further address this issue. Literacy has been identified by the US DoD as a vital component in the anti-corruption effort. An AOL News article notes that personnel who are literate can keep track of inventories and monitor salary payments accurately, thus making it easier to identify theft and corruption. Providing an example of the linkage between literacy, numeracy (the ability to engage in basic mathematics) and control of corruption, Colonel John Ferrari, the

Source: UNODC, Corruption in Afghanistan: Bribery as reported by the victims, 2010

While Figure 2 only reflected bribes paid within the past year, Figure 3 includes bribes paid to officials at any point since the fall of the Taliban and establishment of new government institutions.
deputy commander for the literacy programme at the NATO Training Mission Afghanistan (NTM-A) posed the following question: “If you have 10 radios and you don’t know what the number 10 means, how do you keep accountability of the radios?” According to the AOL News article, a literate person can take stock properly, read a pay statement and establish a bank account so that his or her salary can be paid electronically, thus removing the potential that cash payments could be skimmed by unscrupulous commanders or clerks. Ferrari further states that the late Richard Holbrooke, formerly the US Special Envoy for Afghanistan and Pakistan, was a leading advocate for improving literacy within the ANSF.

The Afghan National Police

The ANP have a different mission from that of the ANA. The Asia Foundation notes that the ANP is principally responsible for keeping the peace by ensuring security and fighting crime and violence. The ANP serves as a single, national law enforcement agency rather than being fragmented into multiple sub-national or provincial forces. The Brookings Institution’s “Afghanistan Index” of 31 October 2011 says that the ANP have suffered more casualties than the ANA and international forces combined. For instance, from January through July 2011, the ANP suffered 830 fatalities versus 325 among the ANA.

However, despite its heavy losses and sacrifice, the ANP is perceived as being particularly afflicted by corruption, as evident within Figures 2 and 3 (above). Surveys by international organisations, particularly UNODC, reveal that a significant proportion of the Afghan people perceive the ANP as both corrupt and ineffective. A CSIS report which reviews the past 10 years of conflict and intervention in Afghanistan states that “corruption is the rule in every element of the police,” including not only the Afghan Uniformed Police (AUP) but also smaller police forces such as the Afghan Border Police (ABP).

A report by the Royal United Service Institute (RUSI) on “Reforming the Afghan National Police” further notes that corruption among the ANP includes both petty bribery and complicity in insurgency and narcotics trafficking. The RUSI report states the following:

Goods are demanded from shopkeepers, ‘taxes’ levied on vehicles at highway checkpoints, and ‘fines’ imposed on the unlucky public unable to produce identification documents. Taxi drivers for example are often forced to pay traffic police in Kabul between $0.20 and $6 each day. Most deplorable of all, a police colonel and professor at the Police Academy claimed that bribes were extracted ‘from the victims [of crime] whom the police are meant to be defending, ‘as well as from the plaintiffs’... More dangerous than daily petty extortion are the payoffs extracted from criminals and insurgents in return for turning a blind eye. Similarly, in opium poppy-growing areas, police ignore drug-traffickers for a cut of the profits. Often however, the two are no different. A border police vehicle stopped outside Kabul in 2007 was found to contain 123.5 kg of heroin, valued at nearly $300,000.

A report from the United States Institute of Peace (USIP) further notes that the ANP’s mission brings it into closer contact with the people than the ANA. As a result, Afghans encounter the ANP more frequently and are more familiar with instances of corruption perpetrated by the police. This close contact also provides the ANP with greater opportunities for bribery and corruption. Corruption within the ANP, according to a RAND study, primarily takes the form of bribes. Afghan police commonly request bribes in order to supplement their low wages. The aforementioned RUSI report also suggests that ANP members are often pressured by peers and superiors to engage in corrupt practices and to solicit bribes so that they can provide some of the illicit gains to more senior officers.
Indeed, other studies have found that senior ANP officers believe that they have a right to extract revenues from the men under their command. As noted in a recent CFC report on “Mobile Phone-Based Banking in Afghanistan”, police commanders had intercepted cash intended to pay the salary of the ANP personnel under their command. However, this situation changed in certain locations in which ANP salaries were paid directly into bank accounts via officers’ mobile phones. The decline of cash-based payments for the ANP meant that some commanders were no longer able to intercept a portion of their subordinate’s salaries. In one instance, an ANP commander was no longer able to extort a portion of his subordinates’ salaries after a phone-based payment system had been introduced. To punish his men, who had subscribed for the pilot “mobile banking initiative”, the commander “took all the SIM cards from those under his command and tried to collect the money himself”, according to the aforementioned CFC report.

Anti-Corruption Efforts

While the challenge of corruption within the ANSF is significant, as the preceding sections of this report demonstrate, there are also a wide range of efforts under way to tackle this problem. A selection of these are discussed below.

_Hiring and Promotion Reform_

According to RUSI, hiring and promotion within the ANSF, particularly the ANP, are subject to excessive corruption. Higher-ranking positions are reportedly bought and sold rather than subject to objective assessments of merit. RUSI finds that some police posts can be bought for USD 200,000 to USD 300,000 given that these positions are likely to allow the post-holder to gain at least USD 400,000 annually through corruption. The institution of merit-based hiring and promotion processes – if enforced – has the potential to undo this situation.

To address this problem, a USIP report notes that the MoI launched a process to reform the ANP’s rank and pay structures. The programme aimed to do the following: (i) reduce the number of unnecessary senior officers in the ANP, which had been top heavy; (ii) institute a merit-based recruitment and promotion system by replacing the system of bribery and personnel affiliations mentioned above; and (iii) improve the pay scale and delivery of salary to police in the field. By 2009, the programme had reduced the ANP officer corps by almost 50% “with a reduction in the number of generals from 319 to 159 and colonels from 2,712 to 310 and an increase in lieutenants [pay] from $4,000 to $6,000.”

_Literacy_

As discussed earlier in this chapter, illiteracy contributes to and enables corruption in both the ANA and the ANP. ISAF reports that the ANP is being offered the same literacy programs as the ANA, and AOL News notes that the literacy rate among both army and police recruits is rising from as low as 15%. Another US DoD news article from March 2011 notes the literacy rate for incoming soldiers and police officers is as low as 14%. What began as a voluntary literacy program with less than 13,000 enrolled has become mandatory for basic army and police training, according to an ISAF press release. The _AOL News_ article suggests that expanded literacy programmes will, as mentioned above, decrease the perceived necessity for petty corruption and increase the likelihood that corrupt actors will be less able to prey on those who are illiterate.

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37 The same article notes that the literacy rate among the general Afghan population is believed to be approximately 28%.
Monitoring and Accountability

A range of national accountability and anti-corruption efforts are also underway in Afghanistan, and many are anticipated to have implications for corruption within the ANSF. For instance, the High Office of Oversight and Anti-Corruption (HOOAC) is the Afghan government institution responsible for coordinating and monitoring the implementation of the Anti-Corruption Strategy. This office, which is addressed in Chapter 2, reports directly to the Afghan president and is independent in carrying out its duties. A USAID report on corruption notes that the HOOAC plans to work with ministries and departments to reduce bureaucratic steps and opportunities for corruption and to increase public information about governmental processes and costs in order to prevent the imposition of unofficial “taxes” and fees by the ANP and others. An article in The Guardian says that the HOOAC needs to ensure that cases are brought forward and prosecuted, and are not put on hold with no action being taken. Since the HOOAC is chartered to monitor and track corruption incidents, it must hand over these findings to an organisation that has the capability to investigate and prosecute them. While such processes are intended to target the Afghan government as a whole, they apply in equal measure to the ANA and ANP.

In addition to the HOOAC, the Afghan Attorney General’s Office (AGO) has established an Anti-Corruption Unit (ACU). A report from the US government’s Special Inspector General for Afghanistan Reconstruction (SIGAR) notes the ACU develops cases against individuals suspected of violation anti-corruption statutes. A separate SIGAR report points out that the Afghan government established a Major Crimes Task Force (MCTF) as “the principal Afghan government agency responsible for investigating and processing major anti-corruption, kidnapping, and organized crime cases.” Within the MCTF, the Corruption Investigation Unit has the mission of conducting criminal investigations to substantiate corruption allegations against high-level officials throughout the Afghan government. The US government provides agents, primarily from the Federal Bureau of Investigation (FBI), who mentor and train Afghan MCTF investigators. Mentors from the Corruption Investigation Unit then provide law enforcement training to investigators, including by consulting on pending investigations and by providing advice on the use of sophisticated investigative techniques. A range of other institutions have also been developed to both monitor anti-corruption throughout the Afghan government, including within the ANA and ANP.

Specifically within the ANSF, there are programmes underway to reduce corrupt practices; an NTM-A report indicates that it is spearheading many of these efforts. For instance, fuel is died blue to reduce siphoning for personal use or resale by Afghan security personnel. Appointments to important and potentially lucrative posts are being made in a more transparent way, as are nominations to attend police and military trainings. NTM-A Staff Sgt Rachel Martinez wrote in 2010 that prosecutions and convictions within the ANSF for corruption are beginning to highlight the serious consequences of corruption and other forms of misappropriation within the security services.

Conclusion

As the preceding section of this chapter highlights, Afghanistan is taking steps to reduce corruption within the ANSF. The work of the HOOAC, the AGO/ACU, the MCTF and the courts, supported by NTM-A and other members of the international community, demonstrates the importance of this issue. To return to a report by Anthony Cordesman of CSIS, which was noted earlier in this chapter, corruption within the ANSF is not a primarily technical or administrative matter. Given that corruption within the ANA and ANP affects Afghans’ perceptions of their state and security, Cordesman and others find that addressing this issue comprises a
fundamental challenge as the international community and Afghan government proceed towards a full handover of security responsibility in 2014.
Annex A. Perceptions of Corruption in Afghanistan, by Province

Percent of the Afghan Population which Believes Corruption Is a Common Occurrence, by Province

Source: Integrity Watch Afghanistan, 2010 survey

Percent of Afghan Population which Believes Corruption Has Become a More Significant Problem over the Last 3 Years, by Province

Source: Integrity Watch Afghanistan, 2010 survey
### Annex B. Anti-Corruption Institutions in Afghanistan

<table>
<thead>
<tr>
<th>Focus</th>
<th>Institution</th>
<th>Reports To</th>
<th>Mission</th>
<th>Established</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevention</td>
<td>High Office of Oversight and Anti-Corruption</td>
<td>President</td>
<td>Coordinate and monitor the implementation of preventative measures, including the Anti-Corruption Strategy, to help limit government corruption</td>
<td>2008</td>
</tr>
<tr>
<td>Government Oversight</td>
<td>Control and Audit Office</td>
<td>President</td>
<td>Audit financial matters of the GIRoA</td>
<td>1981</td>
</tr>
<tr>
<td>Prosecution</td>
<td>Anti-Corruption Unity</td>
<td>Attorney General</td>
<td>Prosecute corruption cases</td>
<td>2009</td>
</tr>
<tr>
<td>Investigation</td>
<td>Major Crimes Task Force</td>
<td>Deputy Minister of Security (MoI), Director of Security General (NDS)</td>
<td>Investigate high-level corruption cases</td>
<td>2009</td>
</tr>
<tr>
<td>Drug-Related Law Enforcement</td>
<td>Criminal Justice Task Force</td>
<td>Counternarcotics Police of Afghanistan (MoI), Prosecutors (MoJ), Central Narcotics Tribunal (Supreme Court)</td>
<td>Investigate and prosecute drug-related crimes and corruption</td>
<td>2005</td>
</tr>
</tbody>
</table>

*Source: Adapted from SIGAR Quarterly Report to the United States Congress, 30 January 2011*
Annex C. Key Documents on Education & Corruption

Readers seeking additional materials on corruption and education, particularly in Afghanistan, may wish to review the documents listed below. To open the publication, please click on the hyperlink embedded in the document’s title.


- UNODC, “Corruption in Afghanistan Report: Bribery as Reported by the Victims”.

- USAID, “Assessment of Corruption in Afghanistan” (March 2009).

Annex D. Additional Resources on Corruption and the ANSF

The following are a number of resources which may be useful to individuals interested in reading further about corruption within the Afghan National Security Forces (ANSF).


CIVIL-MILITARY FUSION CENTRE: OUR MISSION

To facilitate the sharing of open-source information between civilian and military actors working on complex crises in order to enhance their sense of shared awareness