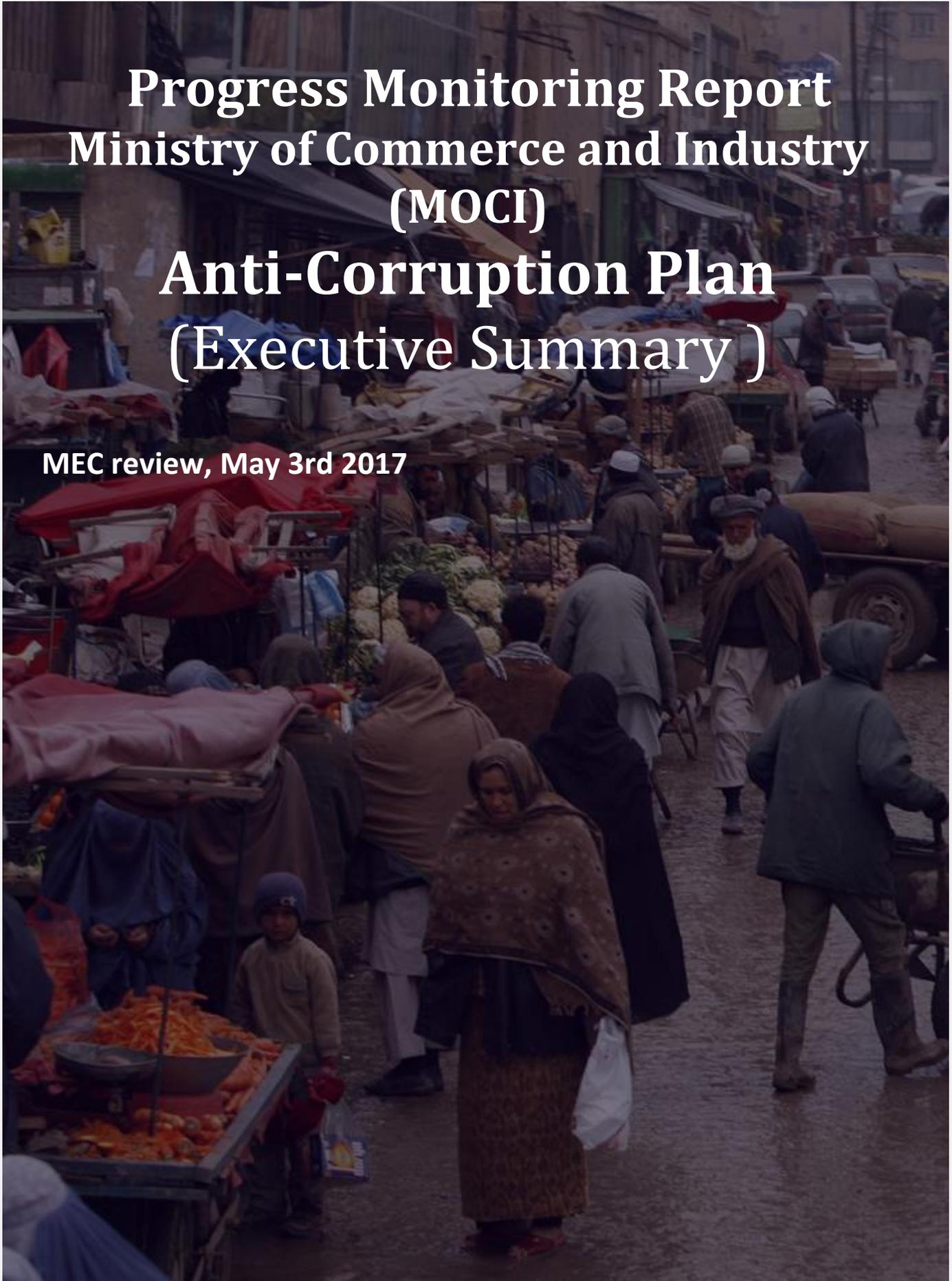


**Progress Monitoring Report**  
**Ministry of Commerce and Industry**  
**(MOCI)**  
**Anti-Corruption Plan**  
**(Executive Summary )**

MEC review, May 3rd 2017



## EXECUTIVE SUMMARY

Last year, almost all Ministries of Afghanistan developed their Anti-Corruption Plans and announced their commitment to fulfilling them. Ministry of Commerce and Industries was amongst them. MEC is reviewing each of these plans and is releasing here its first review of the Ministry of Commerce and Industries (MoCI)'s Anti-Corruption Plan.

MEC's review was carried out in the period January to April 2017. MOCI's plan consists of 23 actions across 5 priority areas: Trade attaches, etc. Approximately 27 interviews were conducted, together with reviews of many documents. The Ministry was mostly extremely cooperative towards the MEC team. However, two parts of the Ministry were quite uncooperative: Regulating and revising procurement process area and oil and petroleum products enterprises. MEC's findings are expressed in two broad areas: the general nature of the MOCI plan, and the detailed progress of the action items in the plan.

### Completion of the plan

**Of the 23 actions in the plan, 8 have been fully completed to date. MEC received no cooperation regarding 9 actions. So far, most of the challenges in the plan remain uncompleted.**

### Specific findings

MEC received good cooperation from the Ministry in three of the five MOCI priority areas:

#### 1. EXPEDITING AND ENSURING TRANSPARENCY IN THE LICENSE ISSUANCE PROCESS

On the positive side, MoCI is issuing business licenses faster than previous years. A local businessman can obtain/or renew his license in less than 8 hours.<sup>1</sup> However, this is leading to new forms of corruption: Licenses are issued and renewed by SABT MARKZAE (Central License Registry). It is one of the main revenue-hub for the Ministry of Commerce and Industries. But, a huge chunk of the money is lost due to tax evasion through bribery. Businesses that owe tax dues do not mostly renew their licenses. Instead, they pay bribe (between USD 1000 to 2000, at times even more) and obtain new ones. MEC has documented that bribery and forgery have become a widespread trend now in SABT MARKAZEE.<sup>2</sup>

#### 2. IMPROVING AND ENSURING TRANSPARENCY IN THE AFFAIRS OF TRADE ATTACHES

To foster foreign investment in Afghanistan, Ministry of Commerce and Industries was expected to hire new Trade Attaches through a transparent and fair process. However, despite the intention to make this a clean process, the recruitment has been marred by political influences and interventions.<sup>3</sup>

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<sup>1</sup> Interview with License and Control Director of Sabt Markazee, Kabul, 19 Feb.

<sup>2</sup> Fake licenses that MEC received, Kabul.

<sup>3</sup> Assessment Team's observation inside MoCI, Kabul, 12 March.

### 3. ESTABLISHING TRANSPARENCY AND SURVEILLANCE OF THE MINISTRY RELATED ENTERPRISES

The Industries Directorate (ID) of MoCI, which acts as a focal point between the Ministry and national enterprises, was supposed to identify usurped properties as part of its anti-corruption activity. ID has successfully identified around 2,265 acres of usurped properties and that recovered 696 acres of them in Balkh, Kunduz and Kandahar through the support of local governance units.<sup>4</sup> The recovery of the lands has added to the advantages of SOEs. The list of land grabbers was shared with law enforcement agencies but none of the perpetrators has been put on trial.<sup>5</sup> Currently, 1869 acres of SOEs' lands remain usurped.

**In two areas, MEC received no cooperation:**

### 4. ESTABLISHING TRANSPARENCY AND EFFECTIVENESS IN THE ACTIVITIES OF THE OIL AND PETROLEUM PRODUCTS

### 5. REGULATING AND REVERSING PROCUREMENT PROCESS

## Gaps in scope

**The MOCI plan ignores several well-known areas of corruption.** The plan does not cover the following areas:

- MoCI's Private Sector Development General Directorate (PSDGD)
- Gas/Petroleum Directorate are not in the plan. Gas and Petroleum is a very key directorate in MoCI, which regulates the petroleum sector, issues and extends licenses of gas and petroleum companies across Afghanistan.
- The HR organization of MOCI has not been included

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<sup>4</sup>List of usurped properties of SOEs recovered by MoCI, 18 April.

<sup>5</sup>Interview with the staff of Industries Directorate, Kabul, 16 April.

## RECOMMENDATIONS

NO	RECOMMENDATION
<b>LEADERSHIP</b>	
1	MoCI should set up an internal group to coordinate and track the progress anti-corruption plan and to publish regular progress reports
2	To tackle bribery and forgery in Sabt Markazee (Central License Registry), the Minister of MoCI should readily replace the top and mid-management of it.
3	The leadership of MoCI should launch a thorough assessment of all activities of MoCI and incorporate them in the second phase of its Anti-Corruption Plan for the 2018 onwards.
<b>REGARDING PRIORITY 1:</b>	
4	MoCI should immediately devise a joint database between Sabt Markazee and Ministry of Finance for issuance of business licenses.
5	MoCI should centralize the whole process of business license issuance in the provinces and replace the leadership of them.
6	MoCI should close all brokerage offices near the building of Sabt Markazee.
<b>REGARDING PRIORITY 2:</b>	
7	The recruitment process of trade attaches should be stopped. A joint-committee should be set up to appoint Trade Attaches based on merit.
8	MoCI should also include Intellectual Properties and Trade Mark Registry in the joint database of MoF to prevent forgery and bribery.
<b>REGARDING PRIORITY 3:</b>	
9	A proper mechanism should be prepared for transparent collection of SOEs revenues.