



**Independent Joint Anti-Corruption
Monitoring & Evaluation Committee**

B A C K G R O U N D E R

**Writing Off the Unpaid Electricity Bills of Government Entities and
Influential Individuals Contributes to Corruption
in the Electricity Sector**

Da Afghanistan Breshna Sherkat (DABS) is an independent company established under Afghanistan's Corporation and Limited Liabilities Company Law

- DABS is a limited-liability company established under the *Corporation and Limited Liabilities Company Law* and its shares are owned by the Government of Afghanistan.
- DABS replaced Da Afghanistan Breshna Moassassa (DABM) as the national power utility in 2008 and it is responsible for the management and operation of all electric-power assets nationwide.

MEC started to review the practices and procedures at DABS due to allegations of DABS writing off billions of Afghanis from the balance sheet of the company

- MEC initially received information alleging that DABS wrote off the debts of some government institutions, private companies, and powerful individuals.
- MEC has received from DABS an official list of clients who are not paying their electricity bills, but these clients are not officially exempted.
- However, MEC has not found any case in which DABS has made any policy or decision that would standardize a policy condoning such practices.

MEC found that 1,889,105,190 Afghanis billed for electricity services by DABS have not been paid

- From October 2009 to March 2012, DABS collected only 247,891,631 Afghanis from all customers, leaving approximately 1,889,105,190 Afghanis unpaid.
- This failure to collect such a large amount of money has deprived the Afghan government of a significant source of revenue.
- As of this summer, the DABS Board of Directors was planning to write off the 1,889,105,190 Afghanis from the balance sheet of the company and consider it as a corporate loss. This action would not exempt debtors from repaying their outstanding amounts; it would only mean that such debts would be considered as losses in the books of the shareholders.
- If DABS can receive this money from its customers, it would be considered as additional income for the company.



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MEC has concerns about writing off debts without an adequate attempt to recover the amounts owed from customers

- Writing off debts has the effect of discouraging DABS from making any attempt to collect these debts.

To address these important issues within DABS, MEC asks DABS and the SAO to take action

- MEC recommends that DABS: take affirmative actions to collect unpaid debts, including the setting of strict deadlines and the investigation of allegations of corruption among its staff; develop and implement an annual procurement plan; create transparent record-keeping procedures, especially with regard to procurement and collection issues; formulate stricter internal-control mechanisms; and take accurate stock of its inventory so as to enhance accountability and transparency.
- MEC also asks the SAO to conduct a forensic audit of DABS covering the period from 2009-2014.

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