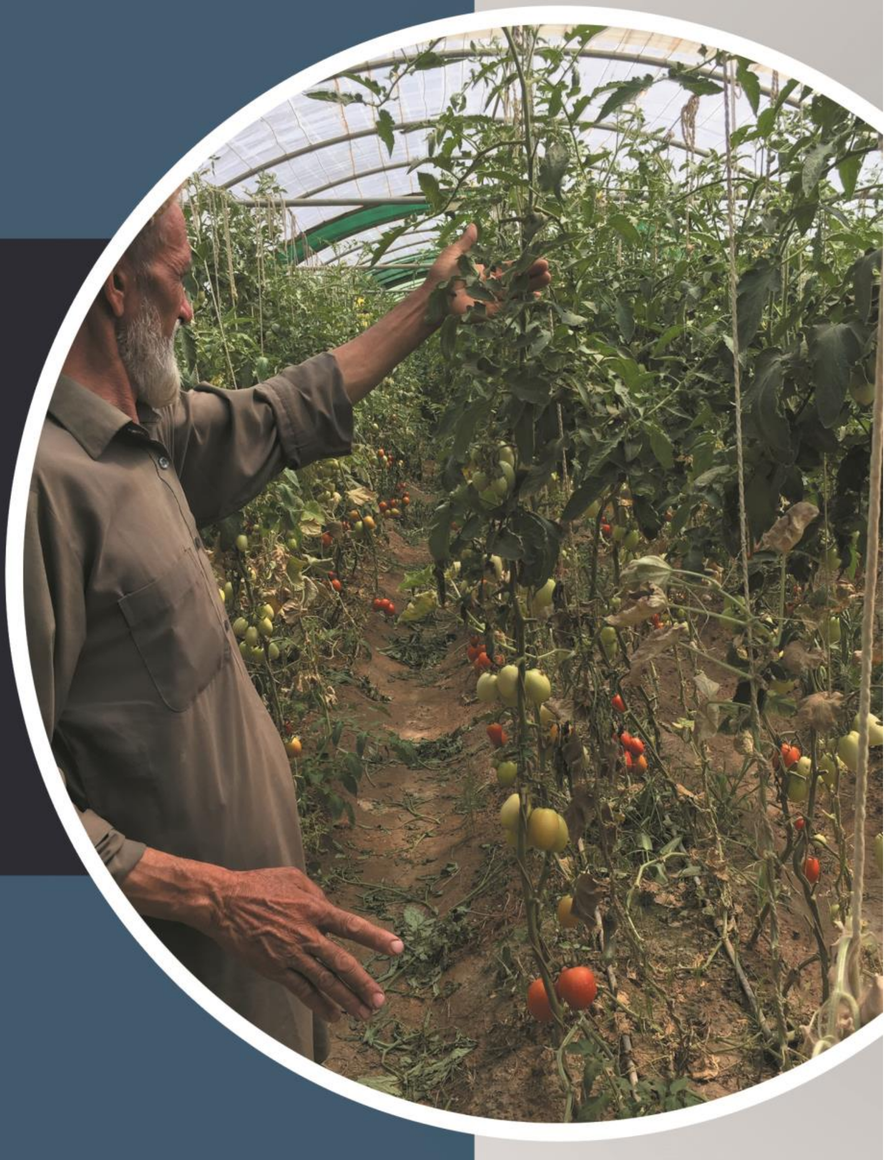
Independent Joint Anti-Corruption Monitoring and Evaluation Committee

October

2017

Inquiry into the

Comprehensive Agriculture and Rural Development Facility (CARD-F) Program



Kabul, Afghanistan

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ACRONYMS

CARD-F	Comprehensive Agriculture and Rural Development Facility
DANIDA	Danish International Development Agency
DFID	Department for International Development of the United Kingdom
ED	Executive Director
EDP	Economic Development Package
GIRoA	Government of the Islamic Republic of Afghanistan
GDP	Grant Disbursement Plan
HR	Human Resources
IMC	Inter-Ministerial Committee
MAIL	Ministry of Agriculture, Irrigation and Livestock
MCN	Ministry of Counter Narcotics
MEC	Independent Joint Anti-Corruption Monitoring and Evaluation Committee
MoF	Ministry of Finance
MoLSAMD	Ministry of Labor, Social Affairs, Martyrs and Disabled
NOL	Non-Objection Letters
MRRD	Ministry of Rural Rehabilitation and Development
MU	CARD-F Management Unit
NGO	Non-Government Organization
NOL	Non-Objection Letter
PCR	Project Completion Report
TA	Technical Assistance
TSC	Technical Steering Committee
USD	United States dollar (currency)

I. SUMMARY OF THE CARD-F INQUIRY

MEC has conducted an inquiry into concerns about the operation of the Comprehensive Agriculture and Rural Development Facility (CARD-F) Program. This inquiry was initiated by allegations from five separate whistleblowers, all of which were investigated, plus significant information provided by others.

CARD-F aims to increase rural employment, incomes and business opportunities through the design and implementation of Economic Development Packages (EDPs). The program is implemented by an Afghan Management Unit (MU) while an Inter-Ministerial Committee provides strategic guidance. CARD-F reports to a Technical Steering Committee (TSC), which consists of the Deputy Ministers for Technical Affairs from the Ministry of Agriculture, Irrigation and Livestock (MAIL), Ministry of Rural Rehabilitation and Development (MRRD) and the Ministry of Counter Narcotics (MCN), plus DFID, representing the donors, in respect of more detailed technical matters. The Program is funded off-budget by DFID and DANIDA.[1]

The program is in two Phases. Phase I (30 million British Pounds (BP)) started in 2009 and ended in 2014. This was followed by Phase II (60 million BP), which will continue until December 2018. Because this report is the result of an inquiry into possible malpractice, whether past or current, some of the findings relate to Phase I, and some relate to Phase II. Where relevant, this is made clear in the report.

MEC approached the main donors, DFID and DANIDA, to better understand the issues, and learned from DFID that they themselves had previously received information from one whistleblower,[2] who made 29 whistleblower complaints related to CARD-F. DFID told MEC that they had commissioned a major forensic audit in response to this. According to DFID, "23 of the 29 allegations were either deemed unproven or false, or if true, unlikely to have had a major impact; three where the impact or veracity is unclear, and three that could appear to be true." However, the donors declined to share the audit report with MEC, or any part of it, citing confidentiality as the reason.

This inquiry does not examine the benefits of the program for Afghanistan's farmers. It is focused purely on concerns about poor practices and possible corruption. The CARD-F program has some impressive achievements. According to the CARD-F Management Unit, the program has established 6,294 agricultural enterprises across 14 provinces. It has created or safeguarded 59,956 employment opportunities, and it has increased the net income of Afghan farmers by AFN 1.2 billion.

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[1] Off-budget means that "aid assistance is provided (directly) by a donor and/or implementing agency that bypasses the core national budget." Definition of the MoF Directorate General of Budget, http://www.budgetmof.gov.af/

[2] Information from CARD-F Management Unit responses to MEC, comment number 4; September 30, 2017.

Findings

1. Nepotism and cronyism in the CARD-F Management Unit

Allegations about malpractice in the MU have been made by several sources. MEC's findings show that at least some of these allegations were justified. The former Executive Director (ED)[3] was hiring and promoting staff based at his own discretion, interpreting the applicable HR Manual to his own benefit. He used the following mechanisms in this regard:

- Headhunting approach for hiring targeted people without going through the formal recruitment process.
- Promotion of staff based on a business memo issued by the HR Department on the instruction of the ED. This is also a violation of the HR Manual, which requires promotions to be based on the results of annual performance reviews.

As a result of this practice, for example, 15 percent of the employees are from the same province and many of them from the same district as the former ED. A significant number of drivers, office cleaners and guards who are originally from the province of the former ED are employed to work in Herat, Kabul and Helmand Provinces. CARD-F could easily hire support staff from the respective provinces and does not need to deploy people from another province. Exporting junior staff from the province of the former ED to jobs in another province is nepotism.

These practices were not detected, despite several layers of monitoring, audit and control established by the donors – Fund Manager (Atos Consulting Ltd.), the Independent Monitoring Agent (Crown Agents in Phase I) Technical Reviewer (Coffey International in Phase II) and the auditors (first KPMG and since 2016, Ernst & Young (E&Y)). These control units were either not doing their job or were impeded by the blurred lines of responsibilities. In addition, MEC learned from one of the whistleblowers of allegations against other senior members of the MU. MEC has not pursued this particular set of allegations.

These issues cover the periods of both Phase I and II. Donors have informed MEC that the control weaknesses that allowed this to happen have been corrected, but MEC has not done any assessment of the improvements.

2. There have been Irregularities in the awarding of grants and procurement contracts

In order to implement the EDPs, CARD-F enters into contracts with private companies. It

[3] The whistleblower reports that MEC received concerned the nepotistic conduct of the ED who was in office when MEC started this inquiry. The ED then resigned from his position at the end of June 2017. Therefore, this report refers to him as the former ED.

also supports investors in the agriculture business through the provision of grants. The applicable manuals for the procurement of goods and services, and the provision of grants were developed by Atos for Phase I and amended by the MU, reviewed by Atos and then approved by the TSC for Phase II. The Monitoring Agent (Crown Agents in Phase I) was in charge of providing NOLs for the procurement contracts. MEC's findings show irregularities and violations of the applicable manuals and related Afghan national laws. These irregularities include:

- Use of contracting companies that are debarred by the Afghan National Procurement Authority,
- Accepting informal proposals, edited by hand,
- Accepting biding documents beyond the closing date,
- Accepting different and contradicting ownership documents, and
- Accepting different bank statements after the deadline.

These irregularities should not have occurred in any project; especially not given the presence and the approval procedures of International Monitoring Agents.

3. Funds in Phase 1 went primarily to international contractors

The complicated governance structure has led to the inefficient expenditure of the funds and weak control mechanisms during Phase I. The plan for Phase I was for 60 percent of the total budget to go to the end users, with the rest roughly equally spent between project management and TA. However, only 33percent reached the end users, instead of 60 percent. The foreign contractor (Atos) received the bulk of the funds. The budget for TA in Phase I was also overspent by 64 percent, resulting in substantially less funds being available for EDP investments.

Expending 64% percent of the Phase I budget on 'support and assistance,' which then goes almost entirely to foreign firms, is a very poor of donor funds. However positive may be the impact of the remaining 33 percent for Afghan farmers, practices such as this reinforces a belief held by Afghans that donor money is largely for the benefit of the donors and their contractors.

This matter has been examined by MEC in respect of Phase I. It may or may not be true for Phase II, as MEC has not followed this up further.

Donors have responded that the numerical figures are misleading or incorrect, and that MEC is not considering the difficulties encountered with establishing the program, or the amount of capacity building that was required in the early stages to build the Management Unit.[4] MEC has re-examined all the numbers used and corrected any incorrect figures. Donors further comment that MEC should first conduct a complete value for money assessment before

[4] DFID comment number 13, in response to MEC's second draft of this inquiry report.

drawing any conclusions[5], which is an impractical suggestion for an inquiry.

4. There have been conflicts of Interest for the international contractor in Phase 1

In Phase I, Atos had a conflict of interest that was not controlled. Atos was simultaneously managing the funds of CARD-F on behalf of DFID, hiring the CARD-F local staff and providing Technical Assistance (TA) to CARD-F's MU. In this triple role, Atos had wide discretion in determining the need and quantity of TA at least during Phase I, therefore had an incentive to maximize its benefits from the arrangement. This was evident from the 100 percent overspend on TA in Phase I.

MEC has been informed by DFID that new measures have been adopted in Phase II to monitor the discretionary power of Atos, but it is not part of this inquiry for MEC to confirm any new arrangements.

5. The donors' externally-commissioned forensic audit lacks credibility

After receiving the 29 allegations from the whistleblower, the donors contracted E&Y to conduct a major forensic audit and check all these allegations. MEC was informed by DFID and other core MEC donors that the results of the E&Y audit were largely clean.

However, MEC was not informed until the end of this inquiry that the allegations were all from a single whistleblower. This suggests that the allegations of the other whistleblowers, including those who had left or not been fired, had not been sought out or even noted.

MEC made attempts to obtain and review the forensic audit report without breaching any confidentiality issues – by offering to see the report after redacting all the names, or by seeing it only – but these offers were not accepted.

MEC therefore had to intuit the content of the forensic audit from others. In doing this, MEC was informed by two senior sources, one of who had read the forensic audit report, that this audit was a compliance audit than a forensic audit. MEC is of course unable to verify whether this is true.

Overall, this 'major forensic audit' therefore lacks credibility.

Also a conflict of interest may exist, because one organization, E&Y, carried out both the regular audits and the forensic audit, though they were from different offices. Detection of impropriety would have possibly indicated negligence of E&Y in its auditor's responsibility. The donors have informed MEC that this was not a conflict of interest, because "a separate E&Y office (Dubai) was contracted to conduct the audit, which was considered to be materially different from the financial compliance audit role E&Y Pakistan."

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[5] DFID comment number 27, in response to MEC's second draft of this inquiry report.

6. The governance arrangements are complex and were poorly monitored in Phase 1

Because CARD-F is operating as a 'program,' rather than as an established legal entity, it has the disadvantage that it cannot enter into any contractual agreements.[6] This contractual arrangement resulted in an inefficient structure of the program,[7] possible conflicts of interest among the foreign contractors used (see below) and ineffective oversight. The complex governance arrangements also led to a smaller proportion of funds going to the Afghan contractors in Phase I, with the rest going to the foreign contractors (see below).

The complex governance structure is still in place, but donors have assured MEC that the monitoring and control arrangements are now much stricter in the current Phase II. Donors, as evidence, provided MEC with significant material, including a report and follow up on Future Governance Options, and details of audit recommendations and their improvement for the period 2016-2017.[8] MEC has not evaluated these changes.

7. There is possible illegality in employee contracting

Because DFID has to contract with a foreign entity to operate CARD-F, the foreign contractor, in turn, has to subcontract a separate Afghan entity, because the foreign contractor is not registered in Afghanistan and has no bank account in Afghanistan. This means that Atos cannot hire any national or international staff. The contractor, Atos, therefore subcontracted the financial management aspects to an Afghan company (Afghan Image Business Development).

The Afghan subcontractor applied for work permits at the Ministry of Labor, Social Affairs, Martyrs and Disabled (MoLSAMD) presenting itself as the employer.[9] However, this employment relation does not actually exist.

MEC also followed up this issue with the relevant tax office in Kabul and found out that no income taxes were paid by Afghan Image for "the company's" international consultant.

MEC considers that this technical device for gaining work permits may be illegal, as the substance of the work being done is different from the legal application.

This matter is relevant for both Phase I and II.

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[6] Article 5 of the MoU between the Government of the United Kingdom of Great Britain and Northern Ireland acting through the Department for International Development ("DFID") and the Government of the Islamic Republic of Afghanistan, acting through the Ministry of Finance together called "the Participants" United Kingdom / Afghanistan: Comprehensive Agriculture and Rural Development Facility (CARD-F) Technical Cooperation Grant 2014-18.

[7] DFID as the lead donor had contracted a foreign company (Atos Consulting Ltd, in the UK) to provide financial management services, hire national staff for the program and provide services. A second foreign company (Crown Agents, also in the UK) was contracted in Phase I to monitor and evaluate the program.

[8] DFID comment number 58, in response to MEC's second draft of this inquiry report.

[9] MEC has received some of these contracts including the application forms and work permits of Atos Consulting Ltd employees. The contracts are signed by both parties and define Afghan Image Business Development as the employer and the foreign citizens (who actually work for Atos) as the employee. According to the contracts, the foreign citizen is hired as a consultant with Afghan Image.

The donors and Atos have informed MEC that they believe that these arrangements are legal. The contractor, Atos, has commented that the structure was established with the help of professional advisers.[10]

8. Donors oppose examination of their own practices

MEC had hoped that donors would respond positively to an independent examination of possible corruption concerns in a major donor-funded program. However, MEC's inquiry was opposed by donors until a late stage. The existence of the donors 'major forensic audit' was cited by donors as a key reason why MEC should not be concerned. Yet MEC had independent whistleblower information, and the donor audit appears to have been less comprehensive than MEC was given to believe. The right response would surely have been to welcome such scrutiny, as has been the case in recent MEC analyses of the Ministries of Public Health and Education.

Donor responses and overall system improvements

Donors raised the question to MEC whether this inquiry constitutes an assessment of Phase II. The answer is clear: it does not. This is an inquiry responding to concerns raised by whistleblowers – whether the allegations occurred in Phase I or Phase II. This inquiry does not constitute a systematic evaluation of either Phase I or Phase II.

Donors have stated to MEC that they have put in place significant governance improvements since the end of Phase I and after the findings of the forensic audit, and have provided documents to this effect. MEC has no reason to doubt any of this evidence. However, it is not the role of this inquiry to assess the integrity of the overall current system.

Conclusions

In conclusion, MEC has confirmed that many of the concerns of whistleblowers about problems in CARD-F were justified, with significant instances of malpractice and potential illegality in the governance and operation of the CARD-F Program. At least two of the whistleblowers were fired, and others felt they had to leave, and left. MEC recommends that DFID examines how it can build a culture in its projects and programs that genuinely welcomes and protects whistleblowers and is open to discussion of potential weaknesses.

Second, while it is clear that Phase II is operating differently from Phase I, which has closed, and that governance practices in Phase II are better than in Phase I, many things remain the same and many individuals who were party to the earlier failures are still in place. Some of the concerns identified in this inquiry are of an ongoing nature e.g., the doubtful validity and possible illegality of the employment contracts and the EDP contracting process. MEC expects that DFID will want to commission an independent external review on the totality of Phase II integrity.

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[10] DFID comment number 20, in response to MEC's second draft of this inquiry report.

II. Introduction

CARD-F Program

The CARD-F Program was established in 2009[11] with the financial support of the United Kingdom Department for International Development (DFID) to increase rural employment, incomes and business opportunities through the design and implementation of projects called Economic Development Packages (EDPs). These projects are intended to identify gaps in the agriculture value chain and introduce appropriate measures to address these gaps. The individual components of each EDP can vary from one province to another. It can include infrastructure projects (roads and irrigation canals) for districts, provision of grants to producers and processors, establishment of greenhouses and poultry farms trainings for farmers, and promoting markets and market linkages.

CARD-F is working under an Inter-Ministerial Committee (IMC) that is comprised of the Ministers of MAIL, MRRD, MCN and the Minister of Finance (MoF). Additionally, CARD-F reports to a TSC, which consists of the Technical Deputy Ministers of MAIL, MRRD and MCN as well as DFID, representing the donors.

Phase I of CARD-F was almost entirely funded by DFID with 30 million BP, while the Danish International Development Agency (DANIDA) stepped in later by providing 1 million BP for an EDP. Of these 31 million BP, 26.8 million BP was eventually spent. Phase II is financed by both DFID (30 million BP) and DANIDA (31 million BP).

CARD-F is a program, not a legal entity. As a result, CARD-F is not entitled to sign legal contracts of any kind in Afghanistan, cannot hold a bank account, or sign the employment contracts of its own staff.

DFID hired an external company, Atos, to provide financial management services to CARD-F. Atos is also in charge of hiring the local staff of CARD-F, providing TA to CARD-F and reports directly to DFID. A different international company (Crown Agents) was also contracted by DFID as Monitoring Agent in Phase I to monitor the procurement checks on all EDP expenditures and conduct compliance checks on financial reports produced by CARD-F.

In Phase II, DFID has adopted some measures to bring about improvements in the governance structure, based on the recommendations of the semi-annual compliance audits, the lessons learned from Phase I and the annual reviews conducted by DFID. These measures include the replacement of the Monitoring Agent (Crown Agents) through an Independent Technical Reviewer (Coffey International) who provides monthly monitoring reports. A second company (WYG) is now contracted to provide evaluation reports. A

[11] This is the official start year, but the program really was only operative from 2010. DFID comment that 'August 2009 is not the actual start date of CARD-F. DFID's Business Case for Phase I was approved in August 2009. After a business case approval, it usually takes minimum of six months for DFID to carry out an open bidding process and complete procurement for a service provider. This would take the start-up date of Phase I to around the beginning of 2010. The first EDP was approved in Q3 2010 by IMC indicating investment in EDPs started in early 2010.' (DFID comment number 6, DFID responses to this inquiry report, September 30, 2017)

program board, consisting of donors, the MU, Atos and Coffey was established to discuss program delivery, finances, HR procurement and other issues on a monthly basis.

MEC's mandate and analyses

According to Article 5 of MEC's Terms of Reference (ToR), the Committee has the responsibility to "Monitor and evaluate the anti-corruption efforts in Afghan government organizations and entities of international community in Afghanistan." According to Presidential Decree 115, Article 3, **"All the government organizations and international institutions while offering their full cooperation are obliged to provide the Independent Joint Anti-Corruption Monitoring and Evaluation Committee with the statistics and information needed for the evaluation…**"[12] Beside its analytical work on corruption vulnerabilities and its review of ministries' anti-corruption plans, MEC also carries out inquiries for more in-depth analysis of both the Afghan Government and International Community performance and related anti-corruption measures.

MEC's analytical work is most commonly in form of 'Vulnerability to Corruption Assessments' (VCAs), but it also does smaller studies, termed 'inquiries' when there are specific or general concerns raised about some project or organization. This study is one such inquiry.

Whistleblower allegations regarding CARD-F

MEC understood from DFID that they had received complaints from whistleblowers, who had made 29 complaints related to CARD-F, and that a 'major forensic audit' had been commissioned in response to this.[13] It subsequently emerged that there was only one whistleblower making all 29 complaints.

MEC independently received complaints five whistleblowers regarding CARD-F. These complaints had been made in writing to one of the Ministers. MEC followed up in detail to explore the evidence with all five of them, and some of that evidence is referred to in this inquiry. In addition, MEC received, and followed up, information from others, who did not make any formal complaint to the Minister or to CARD-F.

Cooperation

MEC would like to express its appreciation to those in the CARD-F MU who cooperated with MEC throughout the inquiry, providing assistance and the necessary information in a timely fashion.

The former ED of CARD-F, who was in office when the inquiry started but had already submitted his resignation, also declared his unconditional cooperation and instructed his staff to provide all necessary information to MEC. Additionally, MAIL and MRRD showed the necessary level of cooperation with MEC and supported the inquiry team throughout the

[12] The original Decree and an English translation are available at www.mec.af
[13] Email from DFID Country Director to MEC, August 14, 2017.

process.

The donors initially placed considerable pressure on MEC not to conduct this inquiry. They citied multiple reasons, such as this would be a duplication of effort and therefore a waste of their taxpayer's money, and also threatening that donor senior management "might review their engagement with MEC"[14] if MEC proceeded with the inquiry. However, after initial opposition, DFID did support that MEC conduct this inquiry. DFID did not share the requested audit report with MEC, citing confidentiality reasons, despite previous assurances that some sharing of the report would be possible. Also, DFID did not share its contracts with the Financial Manager (Atos) as well as the contract with the Monitoring Agent of Phase I (Crown Agents), both of which are British companies. A review of these contracts was an important aspect of this inquiry and would have shed more light on the complicated governance structure of CARD-F. Therefore, MEC sought to obtain the necessary information in face-to-face interviews from the CARD-F MU, other stakeholders and from other project documents.

Atos was prepared to cooperate with this inquiry only if MEC signed a non-disclosure agreement with them. For MEC, this was an unreasonable demand, not something that other bodies have ever required of MEC. Because MEC intended to publish the inquiry report, information shared under a non-disclosure agreement is of no assistance.

Potential Conflict of Interest for MEC

Since the two CARD-F donors also provide a significant portion of the core funds for the operation of MEC, conducting this inquiry was a potential conflict of interest for MEC.

MEC faced the dilemma of retaining and defending its independence on the one hand and maintaining its continued good relations with its donors on the other. But this was a clear decision for the MEC Committee members and they were united in their decision to proceed with the CARD-F inquiry and demonstrate that MEC, as an independent institution, will continue working without any pressure. To have abstained from conducting this inquiry would undermine its credibility, and would provide a precedent for future interference in the conduct of MEC. Clear independence of MEC is surely in the best interest of both donors and the Afghan people.

[14] Telephone call March 6, 2017, 2.25 p.m., DFID to MEC, contemporaneous notes.

2. Methodology

An ‘inquiry,’ as noted in the introduction, is not a systematic assessment of vulnerabilities, as are the ‘VCA’s that MEC typically conducts. In an inquiry, MEC is following expressed concerns to see if they have validity, and if they show up other issues. The approach is both interview-based and fact-based. Where the approach hears opinions, these are not taken into account without corroboration from others.

The first stage of the inquiry benefited from collecting all documents about the project from all stakeholders; amounting to some 1,600 pages. The second stage in the inquiry followed up on the expressed concerns about potential wrongdoing and explored related or causal vulnerabilities. It was imperative to map all projects and people associated in the CARD-F program. In addition, the inquiry examined allegations raised by former and current employees of CARD-F, as well as other stakeholders.

MEC has benefited from good collaboration with the MU, who provided most of the requested documents and the financial figures. In response from donors, they have stated that some of the financial figures used in this inquiry are incorrect. MEC received the data from the CARD-F MU, so in most cases has not changed the figures. Where there is clearly a significant difference, MEC has referenced this as a footnote.

Step I, Document Collection

The MEC inquiry team collected the required information to substantiate or disprove the allegations raised by several whistleblowers. The methods of document collection included desk research, sending enquiry letters to the CARD-F MU as well as interviews with current and former employees, members of the TSC and other stakeholders. The documents included all the HR files of the MU, as well as project and bidding documents for specific projects. Project Inception Reports and Annual Review Reports of DFID were also part of the documents reviewed by the inquiry team.

Step II, Document Analysis

The inquiry team analyzed the collected information and documents to identify the areas which required deeper consideration. Priority was given to the HR-related documents and the two companies hired by DFID (one Independent Monitoring Agent, and one Fund Manager and TA Provider) and possible conflicts of interest in that regard. The analysis included gauging possible nepotistic conduct in the appointment and promotion/termination of the staff. The process for determining which employees were nominated for trainings abroad was also examined.

The project/bidding documents were analyzed to determine whether there were violations of the bidding requirements. The scrutiny of the documents of unsuccessful bidders was part of this analysis, as well as an examination of possible relations of the successful bidders and/or grant receivers.

Step III, Interviews and Side Visits

The inquiry included trips to both Parwan and Kandahar Provinces to visit the project sites, interview beneficiaries and contractors, and verify the implementation of the projects. In order to substantiate the findings of Step II of the methodology, the inquiry team also conducted interviews with former employees, unsuccessful applicants and terminated employees.

Step IV, Report Writing

An interim report was provided to the MEC Committee for comments. The comments of the Committee were incorporated, along with additional findings as the inquiry evolved. The draft final report was shared with the major interested parties – ministries, donors and CARD-F – for 10 days before publication. The purpose of this was to allow interested parties a chance to inform MEC if specific facts were incorrect or contested, based on additional evidence they provided. As there was substantial feedback, MEC also engaged in a second round of comments, plus circulating the revised final draft with the donors. MEC also shared a copy of the draft final report with the Administrative Office of the President, following their request.

MEC has finalized the report taking into account the feedback received.

3. Findings of the Inquiry

3.1 Governance Structure, employment contracts and spending

CARD-F is a program, not a legal entity. As such, CARD-F cannot legally enter into any contracts with its counterparts, including its own employees, and cannot maintain a bank account. CARD-F can, and does, use its own procedures and policies for carrying out its core functions such as Project Design, Procurement and Contract Management, Grants Management, Monitoring and Evaluation, HR, and Finance. All these policies, procedures and manuals have been reviewed and approved by the donors and the TSC.

All of CARD-F's contracts are entered into by one of the following:

- The MRRD, in case of works contracts for infrastructure;
- The MAIL, in the case of implementing contractors while CARD-F is signing on behalf of the Minister of Agriculture under a delegated authority in the case of certain lower value contracts;
- The CARD-F Executive Director signs grant agreements with grantees and grant package supply contracts with suppliers on behalf of DFID Afghanistan; and
- The Fund Manager (Atos), who makes all payments, contracts all CARD-F staff, and contracts for all the operational costs of CARD-F.

DFID employed an external company (Atos) to manage the program's funds and provide TA to the MU, and hired a different company to provide independent auditing and monitoring.

This complicated governance structure of CARD-F raises concerns regarding the efficiency of the program, and the application of and adherence to Afghan laws. Although the Memorandum of Understanding signed between the GIRoA and DFID on behalf of UK Government for the establishment of CARD-F states that "**All financial disbursements will be through DFID's appointed agent,**"[15] there seem to be two major problems with the DFID/Atos arrangement:

Atos is a British company not registered in Afghanistan. In order to provide the services in Afghanistan, Atos employees need to actually come to Afghanistan and for that they need to apply for a visa and a work permit. According to the Regulation on Foreign Citizens' Employment, a work permit is granted to foreign citizens who work for an organization (public or private) that is stationed in Afghanistan. Based on this Regulation, the MoLSAMD is in charge of issuing work permits to foreign citizens.[16] According to Article 10 of the Regulation, foreign citizens hired in Afghanistan are subject to taxes in accordance with the

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[15] Article 5 of the MoU Between The Government of the United Kingdom of Great Britain and Northern Ireland acting through the Department for International Development ("DFID") and The Government of the Islamic Republic of Afghanistan, acting through the Ministry of Finance together called "the Participants" United Kingdom / Afghanistan: Comprehensive Agriculture and Rural Development Facility (CARD-F) Technical Cooperation Grant 2014-18.

[16] Article 7 of the Regulation on Foreign Citizens' Employment.

Afghanistan Income Tax Law. Based on Article 10.2, the employing agency is obliged to withhold the taxes from the monthly salary of the foreign citizens and submit it to the appropriate tax office.

In practice, foreign citizens working in Afghanistan first travel to Afghanistan with a single-entry visa. After signing the contract with the Afghan company, they apply for a work permit at MoLSAMD. Both employer and employee commit *inter alia* to withhold the income taxes from the monthly salary of the foreign citizen and pay it to the tax office. Once a foreign citizen obtains the work permit, he/she can then apply for a multi-entry Afghan visa.

Since Atos is not registered in Afghanistan, it cannot hire any national or international staff.[17] To overcome this, Atos entered into a relationship with its Afghan subcontractor, Afghan Image Business Development. The Afghan subcontractor signs an employment contract with Atos staff and applies for a work permit at MoLSAMD. MEC has received copies of these contracts including the application forms and work permits of Atos employees. We understand from Atos that these are not employment relationships, but are 'independent subcontractor agreements' between a consultant (not an employee) and Afghan Image. However, when MEC examined some of these contracts, they were signed by both parties and define Afghan Image as the employer and the foreign citizens (who actually work for Atos) as the employee. According to the contracts, the foreign citizen is hired as a consultant with Afghan Image. MEC regards this as a false employment relationship which does not exist in substance and is therefore potentially illegal. In feedback that MEC received from Atos, it was after their professional advisors (KPMG Afghanistan) approved this structure that Atos entered into these contracts, so they therefore regard it as fully legal. This is clearly a point of disagreement and MEC expects that DFID or Atos will clarify this as a matter of urgency.

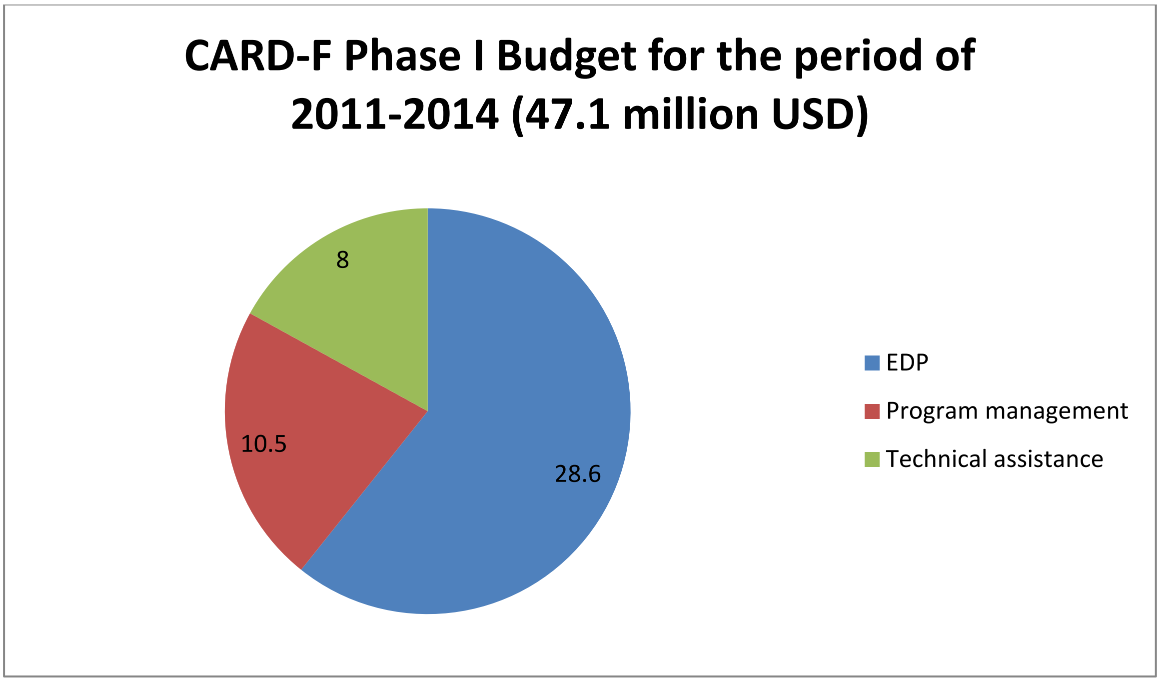
MEC followed up this issue with the relevant Afghanistan tax office and found out that no income taxes were paid by Afghan Image for "the company's" international consultant.

Overspending and spending control

Based on the interviews conducted with the MU and other stakeholders, Atos in its role as provider of financial management services had wide discretionary power in determining the general need, amount and time of TA, certainly in Phase I. Since the company was also providing the TA, the two different roles gave Atos an incentive to provide the maximum amount of (unnecessary) technical assistance without taking into account the need and absorptive capacity of the MU. As a result, a significant portion of the total project budget was spent for TA and financial services, both provided by Atos.

[17] Based on the Labor Law Article 14 (1), "The employment contract shall constitute a written agreement between the Employee and the Administration or Employer." And according to the Labor Law Article 3 (7), "employer means a natural or a legal person" and a company earns a 'legal personality' upon its' registration in Afghanistan. Since Atos is not registered in Afghanistan and hence does not have legal personality, it cannot perform as an employer.

Chart 1 and 2 below show the composition of total project budget and expenditures for Phase I:



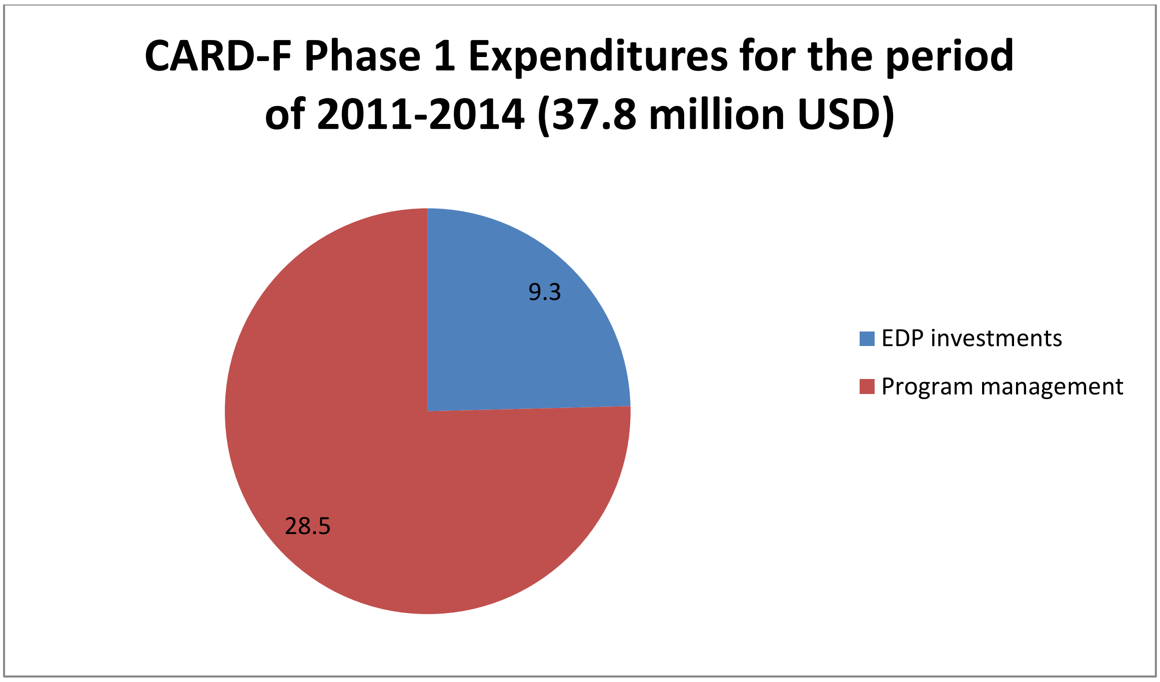


Chart 1 and 2, *CARD-F Phase I, 2009-2014 Budget and Expenditures. Source: CARD-F Project Document, August 22, 2011 v.5.0., page 19, and DFID Programme Completion Report of CARD-F, March 2015, p. 17.*[18]

[18] Since the program budget is in BP and the expenditures are reported in USD, BP has been converted with an approximate average exchange rate of 1.58 USD to one BP.

The MEC inquiry team requested the contracts and Terms of Reference of the foreign companies that provided services to CARD-F during 2009-2014 to determine the expenditures of these funds. DFID did not provide these contracts, citing confidentiality reasons.

Therefore, using the documentation available, MEC attempted to delineate three categories, based on other project documents and interviews conducted with the MU.; These figures have been re-checked against additional information provided by donors and the MU.

3.2 Technical Assistance:

As mentioned above, Technical Assistance (TA) was provided by Atos throughout Phase I of CARD-F. According to the project documents, a total of 5.0 million BP (approx. USD 8.0 million) was budgeted for the provision of TA for 2011-2014. However, as illustrated in DFID's completion report of March 2015, USD 13.2 million was actually expended for technical analysis. This is a budget overspend of 64 percent. The TA provided by Atos to the MU included capacity building of staff as well as a review of manuals and procedures drafted by the MU. This double role of Atos gave the company clear discretionary power and control over CARD-F, with the possibility that the company was providing unnecessary TA to receive the maximum amount of funds.

This obvious conflict of interest is also supported by the Phase I completion report of DFID. The report states: "The supply of TA is predetermined through the contract rather than being based on demands from the MU or on recommendations by DFID or the Inter-Ministerial Committee. The MU stated several times during the PCR interviews that it felt that the TA provider was providing unnecessary TA in order to maximize the value of the contract."[19] Consequently, the review team of DFID recommended to "Avoid outputs that create unintended perverse incentives (e.g., to minimize expenditure on TA)."[20] This raises the question of why the Independent Monitoring Agent and the audit team in Phase I were not able to detect and stop these "perverse incentives" and the resulting overspending of funds. MEC has been informed that the demand for TA is now much more clearly regulated.

3.3 Program Management and monitoring

The second largest portion of CARD-F project expenditures in Phase I was the Program Management cost. This included the operational costs of the MU (including salaries for the MU staff), the funds spent for the contract of the Independent Monitoring Agent (Crown Agents) and the funds spent for the contract of the financial management provider (Atos). The original budget for the program management was 6.6 million BP (approx. USD 10.5 million), the final expenditures were USD 15.3 million. This is an overspending of the budget of 46 percent. The MEC inquiry team was not able to separately analyze the expenditures

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[19] Information from MU, comment number 27. They stated that this may have been true for 2009-2012. After 2013, TA was based on needs and pre-agreement. September 30, 2017.
[20] Program Completion Report of CARD-F, March 2015, p. 8.

for the individual parts of the program management due to the unavailability of data. However, the two companies, Atos and Crown Agents, absorb a large portion of these expenditures.

In its role as Fund Manager, Atos was in charge of the employment contracts of the MU, the salaries of staff and other operating costs of the MU. However, since Atos is not a registered company in Afghanistan, it cannot maintain a bank account to transfer the salaries of staff or process the payments of the operating costs. Therefore, Atos makes use of its local subcontractor, Afghan Image. As a result, Atos was signing the employment contracts of CARD-F staff and was paying their salaries through the bank account of Afghan Image. Direct invoices were submitted to CARD-F and paid by Atos through Afghan Image to the designated account of the contractor.

Crown Agents was the second foreign company providing monitoring services during Phase I. Crown Agents was supposed to complete procurement checks on all EDP expenditures and conduct compliance checks on financial reports produced by the MU. The Monitoring Agent also provided Non-Objection Letters for all procurements and monthly reports to DFID. Crown Agents' contract was terminated in 2015 for "unsatisfactory delivery" according to DFID and in 2016 DFID hired a different company (Coffey International) as Independent Technical Reviewer.

As mentioned above, Atos not only charged the program USD 16.8 million for the provision of TA, but also charged substantial fees for the provision of financial services. A major portion of the program management costs also went to Crown Agents.

3.4 Petty cash

Of particular concern is the provision of petty cash for the MU. Since neither Atos nor CARD-F itself have a bank account, petty cash is personally brought (usually in USD 10,000 amounts) by Atos to the MU in Kabul. For the provincial branches, the petty cash (usually in USD 1,500-3,000 amounts) is transferred to the private accounts of the respective admin and finance officer.

Based on the national Anti-Money Laundering Regulations, banks are required to conduct due diligence of beneficiary owners for each account in their bank. According to Article 14 of the Anti-Money Laundering and Countering Financing of Terrorism Responsibilities and Preventative Measures Regulation, Financial institutions should … monitor on an ongoing basis customer transactions and the relationship with the customer. Therefore, in many cases, the admin officers had to explain to the bank from where the funds originate. Since the bank could not believe the answer, it froze the private bank account of the finance officer. In response, MEC heard from MU staff that CARD-F is currently considering changing the house bank of their employees to a less restricted bank or even transferring the provincial petty cash through the under-regulated Hawala money transfer system.

The situation with petty cash was commented on extensively in DFID's reply to this draft inquiry. MEC was assured that the MU and Atos 'had made considerable efforts to ensure full transparency in handling and reporting petty cash transactions.'[21]

3.5 EDP Investments

The EDP investment is the aspect that is actually fulfilling the overall goal of CARD-F, which is to improve rural incomes, and encourage employment and business opportunities. According to the CARD-F project documents, 17.7 million BP (USD 28.6 million) was budgeted for investment in EDPs from 2011to 2014. However, during this period only USD 9.3 million was actually invested in the EDPs. There were two reasons for this underinvestment of funds. First, after the inception of the program, it took 3-4 years to actually establish the program. While a significant amount of money was expended for TA and program management during 2009-2011, the first investment in an EDP was not until 2012. The second reason for the underinvestment is that much of the program's total budget was over-spent on investment to the provision of TA and other services provided by foreign companies rather than to EDP investments.

3.6 Human Resources

The assessment of the Human Resource Management of CARD-F was the second major part of MEC's inquiry. Allegations have been made by several sources that there is major nepotism and favoritism in the CARD-F MU. The inquiry team therefore collected and analyzed the HR Policy of CARD-F as well as the HR files of all current and former CARD-F employees. Additionally, face-to-face interviews were conducted with the HR Department, current and former employees of CARD-F, as well as members of the TSC.

The findings show that while the applicable HR Manual of CARD-F generally regulated the recruitment process, salary/benefits as well as the performance evaluation and trainings of staff, the former CARD-F Executive Director found some methods to interpret the HR Policy to his own benefit, and hire and promote his own friends and relatives.

Below are the details on how the ED of CARD-F bypassed the HR Policy and pursued his own agenda.

Recruitment

The CARD-F HR Manual, as amended and approved in January 2015,[22] regulates the entire procedure of creating a new position or filing a vacant position. The procedure requires an objective for the position, the approval of the line manager, HR manager and the ED. The announcement of the position as well as shortlisting, interviewing, offering the job and signing the employment contract are all stipulated in the Manual.

However, the applicable HR Manual also included a provision which allowed the former ED to hire staff based on the headhunting method for hiring.[23] According to general

[21] DFID comment number 52, in response to MEC's second draft of this inquiry report.
[22] There is a later Manual, but the 2015 Manual that was provided to MEC by the MU as being the applicable Manual.
[23] Article 2.1 of the HR Manual states: Vacancies may also be filled internally or headhunted in situations where the position needs to be filled immediately.

conventions, headhunting – also called executive search – is the practice of identifying and approaching an individual who is employed by a different (potentially rival) organization and offering him a new (executive) position with more attractive conditions. This practice is common in some industries (e.g., IT or Banking) where people with specific skills are rare and every company needs their expertise. The recruitment process is reversed; the company offers someone a job, to a person who had not applied for it.

By unjustified headhunting, the former ED recruited a number of people related to him for regular positions without announcing the positions. Their competence is also questionable as some of these individuals have been appointed to high-level positions in CARD-F immediately after graduating from universities.

While the Manual allows for this way of recruitment in case of immediate need, the findings of this inquiry show that the former ED frequently used this method to make use of the mentioned provisions of the HR Policy and hire people related to him. Considering the sector in which CARD-F is working and the employment situation in Afghanistan, there is no justification for CARD-F to selectively headhunt and hire based on a single source. This is nepotistic conduct is in violation of the Afghan Labor Law.[24]

Additionally, the assessment of the HR files show that 43 of the 290 employees as of June 2017, are from Takhar Province, the home province of CARD-F's former ED. This is an employee ration of 15 percent from a single province which shows an enormous concentration. Chart 2 below shows the number of CARD-F employees from 11 different provinces:[25]

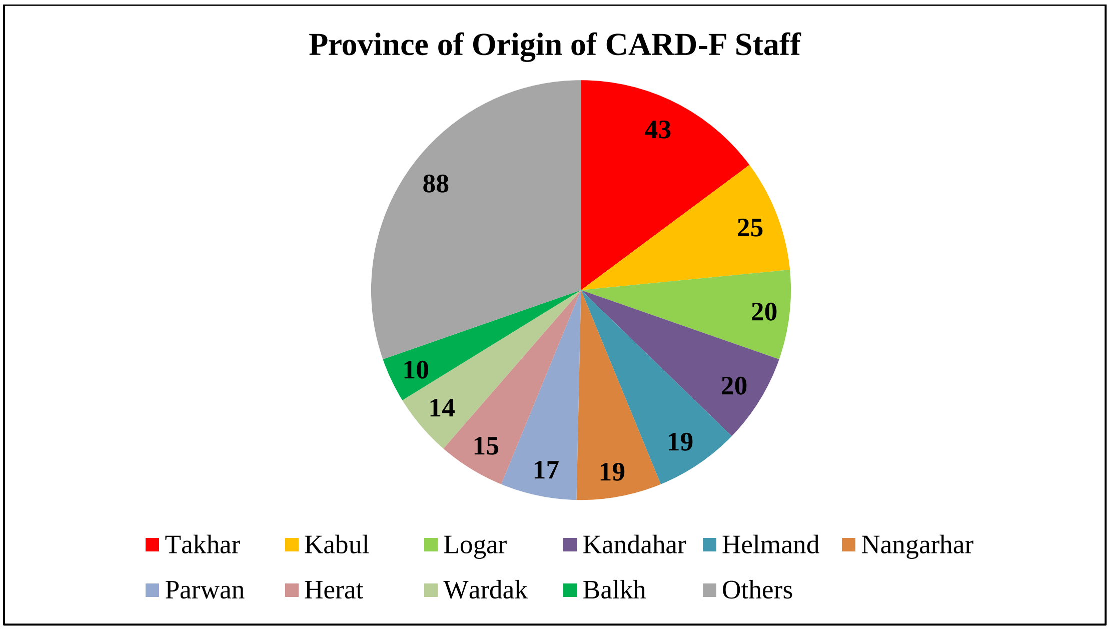

Chart 3, CARD-F employees and their province of origin

[24] Afghanistan Labor Law 2008, Article 2, Objective and Article 9, Non-discrimination in Employment.

[25] DFID provide different figures than the ones provided to MEC by the MU. DFID says that there were 294 staff as of June 2017, plus 30 interns.(DFID comment number 61).

As can be seen from the chart, Takhar Province is home to the single-largest number of CARD-F employees. Thirteen of these 43 employees have their duty station in Takhar while the remaining 30 work in all other provinces.

An unusual aspect of the 30 is that these positions include drivers, office cleaners and guards who are originally from Takhar but work in Herat, Kabul and Helmand. Since increasing local employment is one of CARD-F's objectives, CARD-F can easily hire its support staff from the respective provinces and does not need to deploy people only from one province. Exporting junior staff from the province of the former ED to another province is nepotism.

This nepotism verifies the information provided by some whistleblowers that the former ED is favoring his own friends and relatives in the recruitment and promotion of staff.

Performance Review, Promotion and Training

The HR Manual of CARD-F also regulates the responsibilities of managers and employees (referred to as "contractors") regarding performance reviews and performance. According to the Manual, the reviewing manager shall discuss and agree to five to eight SMART objectives with the employee and provide on-going feedback as well as final performance appraisal every six months.[26] The reviewing manager should among other things provide honest and timely feedback, recognize achievements and provide on-the-job training, counseling and mentoring.

However, according to MEC's findings, CARD-F in Phase I did not have promotions were not based on the results of the performance evaluation. Instead, the granting of all promotions was based on a memo which was prepared by the HR Department based on the instruction of the ED. As a result, all promotions were granted based on the instructions of the ED and in most cases the memos are signed by the ED. This is another area where the ED had huge discretion, along with the headhunting which enables the hiring and promotion of employees close and loyal to him.

According to the employees interviewed for this inquiry, in most cases the direct supervisor was not even in the picture when employees under his/her supervision were promoted. The practice is considered unfair by most of current and former employees of CARD-F.

MEC has been informed by the MU that such appraisals have been in place since 2013.[27]

A different issue, which was raised by one of the whistleblowers, the HR Department was downsized which necessitated in laying-off one of the two positions. The more qualified employee was required to leave. This surprised many because the decision was perceived to be made solely on the basis of the lesser-qualified employee's personal relation with the ED and his origin of the same district as the ED. When the MU was confronted with this obvious

[26] Article 10.4 of the CARD-F HR Manual, Version one, January 2015.
[27] Information from Management Unit, comment number 30, September 30, 2017.

unfair treatment of employees it agreed that the unsuccessful candidate had been more qualified and added that “Mr. X had been a valuable employee of CARD-F and instead of termination he should have been promoted and rewarded for his efforts.”

In regard to training opportunities, the HR Manual states that “Training for CARD-F contractors must be in accordance with the result of the performance evaluations and based on the analysis of training needs.”[28] However, the management team used expensive trainings abroad, perhaps as a nice treat for its senior staff and people close to the ED. When interviewed for this inquiry, a number of current and former employees of CARD-F complained about the unequal treatment of the staff when it comes to participating in training programs abroad. According to the documents received from the HR Department, since the establishment of CARD-F, 106 employees have been sent abroad for trainings. This also includes a small select group of employees that have been sent for training to Thailand, Dubai and European countries as many as eight times.

The most expensive of these trainings was the post-graduate diploma in Organizational Leadership for the former ED at Oxford University. CARD-F spent USD 51,000 for tuition and related traveling expenses of the ED. Additionally, the ED received USD 32,000 for other trainings in different countries over the years.

In Phase II, MEC has been informed that the training was much more organized and effective.[29]

As described in the above sections, there has been nepotism and favoritism in the CARD-F MU since its establishment.

3.7 Grants and Procurement Contracts

The stated purpose of the CARD-F Program is to increase rural employment, incomes and business opportunities through the design, implementation and facilitation of commercially viable agricultural value chains (EDPs) which are further supplemented by relevant infrastructure projects. CARD-F engages in contractual agreements with private companies for the implementation of these packages. To ensure that companies are selected in line with CARD-F objectives, the MU, with the support of Atos, developed manuals.

3.7.1 Provision of Grants

According to the CARD-F Grants Management Manual, CARD-F grants are “non-repayable assistance given by CARD-F to support farmers and private sector investors who wish to invest in the agriculture sector in targeted districts and provinces.”[30] The Manual further states that the “selection is based on predetermined criteria” and “contributions from farmers, entrepreneurs and investors towards the total cost of investments are required.” CARD-F provides four types of grants for different purposes:

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[28] Article 10.5.1 of the CARD-F HR Manual, Version one, January 2015.
[29] Information from Management Unit, comment 33. September 30, 2017.
[30] CARD-F Grants Management Manual, p. 13.

1. Micro Grants for households with total value of investment less than USD 3,000
2. Meso Grants for commercial purposes, total value of investment USD 3,000-50,000
3. Macro Grants for commercial purposes, total value of investment above USD 50,000
4. Public Goods for infrastructure projects, without threshold

The predetermined selection criteria mentioned above are specified in the Grant Disbursement Plan (GDP), which is a standard form developed by the MU. For each grant, a GDP shall be prepared by the MU and approved by the ED. All grant opportunities must be announced, in order to invite potential applicants. The submission period ranges from 5-20 calendar days, depending on the type of grant. An Evaluation Committee is established with the approval of the ED, and is responsible for reviewing all applications, scoring each application based on the predefined criteria and then selecting the eligible applicant.

The MEC inquiry team studied two cases, each involving a grant provision in 2016 in Kandahar Province to determine whether the grants were provided fairly and in accordance with the Grant Management Manual.

<u>Case One:</u> Establishment of fruit processing plant in Kandahar Province

Background: CARD-F implemented pomegranate and grape value chain projects in Kandahar Province. Part of these projects required the establishment of a juice processing plant for grapes, pomegranate and other fruits to further strengthen this value chain in Afghanistan. The total investment, which did not include cost of land, was around USD 1 million, and CARD-F contributed up to USD 500,000 towards this investment depending on the proposed plan specification.

Grant Provision Process: As mentioned above, CARD-F has GDPs for each grant which shows the details of the grant packages, its selection criteria (scores are given for each criterion), the announcement text and media for publicity, and the dates for the application deadline. Pre-submission meetings are approved in this plan. These GDPs are prepared, checked and approved by CARD-F MU. The applicants submit their application to the CARD-F office and the applicant provides a receipt for their submission. These receipts should clearly state the names of the applicant and receiver, the receipt number, the submission date, grant details and should be signed by both applicant and the representative from CARD-F.

In the example of Grant One, this was announced on the selected websites, newspapers and other district buildings but not on MAIL's website. The technical criteria established for the required land for this grant was 2-4 jeribs of land deed or 20 years of leasing agreement. Further, the applicants were required to submit a bank statement showing a closing balance of USD 750,000.

Three out of five applications were received on August 29, one day after the deadline, and the receipt date of the sixth application is not clear, as the receipt is missing. Two of the receipts have not been signed by their applicants (the companies are Jan Anar and KND Red Pomegranate). The first two criteria in the GDP, with 30 marks each out of 100, state that:

1. The applicant shall have 2 jeribs land deed or leasing document for at least 20 years,

and

2. Closing bank balance of USD 750,000 on the applicants firm or own name

The Bank statement of Jan Anar Company issued on August 22, shows a closing balance of USD 109,723, which was stamped by the bank. The applicant also submitted an updated bank statement on August 25, showing a closing balance of USD 653,853.51, which was not stamped by the bank and still did not meet the required criteria of USD 750,000. The CEO of Jan Anar has provided a letter dated August 26, claiming to have more balance in the Company account but the bank would not provide him a third bank statement since the president of the Company was abroad. When the applicant was deemed to be the top scorer, his letter from the bank confirmed that he had an adequate bank balance.

The assigned Evaluation Committee obviously accepted these documents with all the errors and contradictions, and proceeded with their evaluation. Furthermore, the Evaluation Committee gave these two criteria (land ownership and bank balance) the full 30 marks each, so Jan Anar Company became the successful applicant and was awarded the grant of USD 500,000.

This raises questions regarding possible personal ties between CARD-F and/or other involved institutions and the companies receiving large grants.

<u>Case Two:</u> Establishment of two breeder farms and two hatcheries in Kandahar Province

Background: The Kandahar Mini EDP includes intervention in the poultry value chain. One of the core activities of the poultry component is the establishment of commercial breeder farms and hatcheries with capacities to provide 10,000 hatchable eggs to one hatchery with 158,400 hatching capacity to provide day old chicks to existing and newly established broiler farms. The total investment, which does not include cost of land, was USD 890,000 and Card-F would contribute USD 445,000 (50 percent) towards this investment.

Grant Provision Process: According to the Grantee Selection Report, two companies applied for the grant. The two main technical criteria for this grant were a land ownership document and a bank balance of USD 200,000, with 30 scores out of 100 for each criterion. One of the two applicants provided a land leasing agreement for 10 years. The leasing agreement was a simple written document, signed by the lessor, and the Company as the lessee. However, the CARD-F Evaluation Committee accepted the informal lease agreement and provided the full score of 30 to the applicant. This is very bad practice.

3.7.2 Procurement Contracts

CARD-F has developed a Procurement Management Manual which was reviewed by donors and approved by the TSC in December 2015. The Manual regulates the procurement of goods, works and services from the implementing contractors for the implementation of EDPs. According to the Manual, CARD-F procurement is based on the principles of integrity, transparency, accountability and competition.

The eight steps of the procurement are as follows:

1. Initiation and procurement planning
2. Bid document preparation
3. Advertisement
4. Bid opening
5. Bids evaluation
6. Negotiation
7. Preparation and signing of contract
8. Contract mobilizing meeting

An NOL is provided by the Monitoring Agent or in some cases by DFID.

3.7.3 MEC analysis

The MEC inquiry team reviewed five procurement contracts to assess whether the above-mentioned principles were met and the Manual was adhered to.[31] The findings show various cases of irregularities and violation of the applicable Manual, the national laws and procurement best practices.

- According to procurement documents reviewed, in one case CARD-F procured Milk Hygiene Kits for Balkh Province with a total value of USD 103,691 from a company which was debarred by the National Procurement Authority.
- Worse, in this case the debarment notification was received on April 4, 2017, while the contract had been awarded on April 3, 2017.[32] Such debarments are listed on the NPA website, so this timing strongly suggests that the contract was deliberately signed ahead of the official notice being received. This is in Phase II, not Phase I.
- In three additional cases, MEC noted documentary evidence that CARD-F has accepted different and contradicting bank account statements from bidders or accepted account statements beyond the closing date.

MEC was informed by the CARD-F MU that they had been able to identify several cases of fraud themselves, and they give evidence of one such example.[33] MEC is happy to note this, but the cases referred to above were different and clearly not detected.

[31] The five projects were: 1) Greenhouses in Nangahr and Kunar, contractor Bakhtar Pairoz; 2) Greenhouses in Kabul, contractor Khawar Bakhtar; 3) 100 greenhouses in Takhar; contractor Ideal Choice Construction Company; 4) 50 greenhouses in Khost; Mohamed Shafiq Company; and 5) procurement of SSN toolkit, contractor Akhwhat Bilal Poultry Company.

[32] Information from MU, comment number 8, September 30, 2017.

[33] Information from MU, comment number 13, September 30, 2017.

4. Conclusions

CARD-F was established to promote the commercialization of agriculture in Afghanistan and foster private investments in that sector. Although the program is aligned with the National Priority Programs and the National Development Strategy, this inquiry clearly illustrates how flawed oversight and poor contractual practices can undermine the efficiency of development assistance and even pave the way for corruption. The design of the program and the governance structure resulted in foreign companies receiving the majority of the funds allocated to this goal. Only 33 percent of the funds in Phase I were actually used for investment in the end users.

In feedback to MEC on the draft of this inquiry report, donors have been helpful in pointing out factual inaccuracies in the report: we are grateful to DFID for their clarification, and we have corrected the figures accordingly.

Donors also asked for clarity on whether this inquiry was considered to constitute an assessment of Phase II. The answer is clear: it does not. This is an inquiry responding to concerns – whether Phase I or II – and these concerns have been shown to be justified. This inquiry does not seek to conduct a systematic evaluation of either Phase I or II.

In conclusion, MEC has confirmed that many of the whistleblower concerns about problems in CARD-F were justified, with significant instances of malpractice and potential illegality in the governance and operation of the CARD-F Program. At least two of the whistleblowers were fired, and others felt they had to leave, and left. MEC recommends that DFID examine how it can build a culture in its projects and programs that genuinely welcomes and protects whistleblowers, and is genuinely open discussion of weaknesses.

Second, while it is clear that Phase II is operating differently from Phase I, which has closed, and that governance practices in Phase II are substantially better than in Phase I, many things do remain the same and many individuals who were party to the earlier failures are still in place. Some of the concerns identified in this inquiry are of an ongoing nature, e.g., the doubtful validity and possible illegality of the employment contracts and the EDP contracting process. MEC expects that DFID will want to commission a review by a fully external party on the totality of Phase II integrity.