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Independent Joint Anti-corruption Monitoring and Evaluation Committee

Press Release

Follow-Up Report of the Vulnerability to Corruption Assessment on Importation of Fuel & Liquid Gas

Kabul, Afghanistan, 16 June 2019:

Today, the Independent Joint Anti-Corruption Monitoring & Evaluation Committee (MEC) publishes its Follow-Up Report of the VCA on Importation and Supply of Fuel and Liquid Gas. In 2016, MEC conducted a comprehensive assessment of the Fuel and Liquid Gas Importation and Supply Process and identified several weaknesses and vulnerabilities to corruption. The identified vulnerabilities included the existence of unclear legal and institutional arrangements with overlapping responsibilities of the involved entities, the discretionary implementation of the related laws and regulations, the sloppy quality control at the borders as well as the lengthy and inefficient implementation of the tax exemption process of the fuel and gas imported for international military forces.

As a result of this VCA, MEC issued 36 recommendations to 6 institutions, including Ministry of Commerce and Industry (MoCI), the Afghanistan Fuel and Liquid Gas Enterprise (AFLGE), the Afghanistan National Standards Authority (ANSA) and Ministry of Finance (MoF). Now, more than two years after the release of the original VCA Report, the government in general and the involved institutions in particular, have taken some concrete steps to reform and rearrange the institutional and legal framework and close the identified gaps.

On 5th September 2017, the **new Hydrocarbon Law** was endorsed by the President. Based on the new Law, the **Afghanistan Oil and Gas Regulating Authority** (AOGRA) should be established as an independent budgetary unit and AFLGE should be merged with AOGRA; its entire HR *Tashkiel* and budget for 1397 (2018) should be transferred to the new authority (AOGRA). The new Hydrocarbon Law will also abolish the overlap and duplications in responsibilities of the involved institutions, including ANSA, Ministry of Mine and Petroleum, the (still to be established) AOGRA, and MoCI.

In November 2017 the Afghan Cabinet, in order to harmonize the level of imposed custom duties and other fees on fuel and gas, decreased the custom tariffs from 12% to 6% and adjusted the set prices to the actual market prices. Additionally, the MoF was assigned to procure two user licenses of PLATTS South Asia¹ in order to adjust the set prices for levying custom tariffs on real market prices and update the prices on a quarterly basis.

Despite the above-mentioned reform of the legal and institutional framework, the real implementation of these efforts doesn't seem realistic before the 2019 Presidential election, although the reforms are urgently needed. Lack of technical capacity in the national institutions is another important issue, which will require contracting international companies to provide the necessary services. The process of exempting fuel and liquid gas from taxes and other fees, imported for international security forces as well as MoD and MoI are still lengthy, inefficient, susceptible to misuse, and at the same time, contribute to market turbulence.

MEC will closely monitor the realization of the reform initiatives in the sector and continue to report on the implementation of its recommendations in the future.

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¹ Platts South Asia is a benchmark for the region provided by S&P Global Platts, a provider of energy and commodities information and a source of benchmark price assessments in the physical energy markets.