



Independent Joint Anti-Corruption  
Monitoring and Evaluation Committee

## BACKGROUND

### **AISA's Ambiguous Legal Status and Lack of Accountability Lead to Mismanagement of Government Resources**

*The Afghanistan Investment Support Agency (AISA) was created by the High Commission on Investment to support the development of the private sector in Afghanistan*

- Economic development is necessary to ensure that Afghanistan has a sustainable future without reliance on development aid.
- The *Law on Domestic and Foreign Private Investment in Afghanistan* was adopted in 2002 to encourage investment and established the High Commission on Investment as the focal point for Government investment policy.
- In 2004, AISA, also known as the Office of Private Investment, was established within the framework of the Ministry of Commerce and Industries (MoCI) to serve as the High Commission's Secretariat and to implement the law's provisions.

***MEC discovered that AISA asserts its independence as a limited liability corporation or alternatively as a Government entity, whichever is more advantageous. Furthermore, AISA has not had to account to the Government for its income and expenses and has not been audited by the Supreme Audit Office (SAO) since 2006***

- The Ministry of Finance considers AISA to be a Government budgetary unit due to its responsibility for public funds.
- Nevertheless, AISA has not fulfilled the requirements of a Government budgetary unit and, except in 2005, there has never been an audit conducted by SAO. Moreover, the 2005 audit revealed many deficiencies in the financial and accounting sections of AISA.
- This lack of oversight has permitted AISA to spend money collected for public services on, among other things, exorbitant salaries and other unnecessary expenses.
- The lack of accountability has been justified on the ground that AISA is a limited liability company, as specified in the 2005 *Law on Private Investment* (which replaced the 2002 law), but AISA does not even satisfy the accountability requirements for such companies under Afghan law, creating a significant accountability gap.

***The lack of accountability is of greater concern with the transfer of responsibility for the development of industrial parks***

- A presidential decree ordered MoCI to separate the responsibility for development of industrial parks from its organizational structure and to integrate that responsibility within AISA.



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- MEC has received information indicating that the transfer procedures have not been transparent and have resulted in the loss of their civil service jobs for some of the existing MoCI staff and allegations that some new AISA staff have been hired based on nepotism rather than open competition or merit.

### ***MEC issued recommendations to address these concerns related to AISA***

- There is a need for an independent external financial and performance audit of AISA to clarify allegations of questionable practices and to verify AISA's performance with respect to the requirements set out in law.
- AISA's legal status should be reviewed and reorganized, since AISA has failed to meet the basic requirements of either the *Law on Private Investment* or the *Law on Business Corporations and Limited Liability Companies*. The High Commission on Investment should update all relevant establishment instruments related to AISA.
- MoCI, in cooperation with the Ministries of Justice and Finance, should review the legitimacy of the transfer of MoCI's responsibility for industrial parks to AISA and submit the findings to the Council of Ministers.
- The decision-making of the High Commission on Investment should be more transparent and all AISA-related decisions, such as annual performance, structure, budget, and previous internal audits should be made available to the public.

### ***MEC was established to independently monitor national and international efforts to fight corruption in Afghanistan***

- MEC is comprised of three national and three international senior anti-corruption experts.
- MEC monitors and evaluates national and international anti-corruption efforts.
- Based on these evaluations, MEC develops anti-corruption recommendations and benchmarks, then monitors them to ensure their effective implementation.
- MEC reports to the public, the National Assembly, the President, and the international community every 6 months.

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