

Management Response to Recommendations in the Chr. Michelsen Institute Report on Vulnerabilities to Corruption

Recommendations

The CMI review team developed three sets of recommendations: (1) to the RDE in Kabul regarding internal risk and corruption management; (2) to the RDE concerning their work with the larger donor community and national authorities in Kabul and; (3) to the MFA in Copenhagen.

The fundamental recommendation, however, is for Denmark to continue implementing and further developing its current risk management system. The visits to partners and the use of third-party monitoring agencies that are able to visit projects in all parts of Afghanistan constitute important aspects of the RDE's risk management system.

Internal Risk and Corruption Management in the RDE/Kabul:

- 1. Maintain and strengthen the support to anti-corruption actors and initiatives, both in the public and non-state sectors, and develop a strategic approach in line with GIRoA priorities and coordinate with the international community regarding medium-term results.*

The underlying causes and drivers of corruption in Afghanistan are broad and Danish programming will focus on three pillars of engagement to support anti-corruption actors and initiatives. These three pillars aim to target key areas in the anti-corruption agenda that maximize both Denmark's experience and resources.

First, The Danish Embassy (RDE) contributes to institutional strengthening, in line with GIRoA priorities. It does so by supporting the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC), by providing assistance to the Anti-Corruption Justice Centre (ACJC) and contributing to the UN Electoral Support Project which aims to reduce vulnerabilities and opportunities for fraud in the forthcoming elections in 2018 and 2019. Furthermore, the RDE has been collaborating closely with the international community and GIRoA in the promulgation of the new National Anti-Corruption Strategy for Afghanistan (released in October 2017).

The second pillar aims to promote best practices in the stewardship of Danish development assistance and manage the risks that corruption represents to Danish development funds. The study undertaken by CMI was an important initiative to examine vulnerabilities to corruption in Danish aid programming in Afghanistan. The report has been shared widely amongst the national and international development community in Afghanistan and a round table discussion has been held to discuss how the international community can cooperate together to combat the potential for corruption in development aid.

The objective of the third pillar is to enhance the agency of Afghan civil society to hold the Government to account on issues of corruption and thus help to end the culture of impunity. The RDE is currently seeking to establish an a pilot Afghan Anti-Corruption Civil Society Fund to help Afghanistan Civil Society Organizations (CSOs) and media/journalists to advocate for improved transparency and accountability to fight corruption in Afghanistan, particularly in relation to implementing the Access to Information Law.

- 2. Introduce an annual review of all RDE supported projects/programmes, to establish and record status and risk for each activity and decide if further support or attention is required and what that in case will imply for finance and allocation of own staff resources.*

External and internal reviews are commissioned by the implementing partners on all Danish multilateral engagements. Another layer of oversight is reviews and audits commissioned by organisations such as the Special Inspector General for Afghanistan Reconstruction (SIGAR). In delegated cooperation agreements (DCAs), the UK (as the Lead Donor) conducts an annual review of the CARD F Programme which is shared with the RDE. The majority of the RDE's bilateral engagements, for example, with the MEC and the Free and Fair Election Foundation (FEFA) are supported in concert with other donors and the reviews conducted by the different donors (including the RDE) are shared and follow up actions taken based on the recommendations.

- 3. Consider if the present delegated authority agreements are adequate to the Afghan context, and if they could include a clause that allows RDE/Danida to initiate its own third party monitoring and reviews.*

The RDE is informed by, and enters into; DCAs based on the Nordic+ DCA guidelines. These guidelines include the Lead Donor taking responsibility for administrative and managerial matters of a project (in consultation with the Co-Donor). However, given the increasing resource challenges faced in Kabul, the RDE will review if the DCA modality is optimal for rigorous oversight and management of Danish-funded projects.

- 4. Ensure that vacancies at the Embassy are filled and new staff given training in detecting and mitigating corruption risks.*

All new staff are required to complete mandatory online anti-corruption courses at the commencement of their employment. Furthermore, the Anti-Corruption Focal Point at the RDE provides training to all new employees. In addition, the Focal Point also provides comprehensive training to the RDE's implementing partners.

Collaboration with National Authorities and Donor Community in Kabul:

- 5. Encourage all donors to adopt the recent OECD guidelines for their development cooperation in Afghanistan.*

As a donor and supporter of the Anti-Corruption Justice centre, the RDE has been engaged in regards to discussions on asset recovery and adherence to the OECD guidelines. The

RDE recently presented at the OECD Integrity Forum in Paris on how the RDE is implementing and innovating new systems to ensure that OECD Recommendation #5 is fully operationalised in terms of active and systematic assessment and management of corruption risks.

Regular coordination and sharing takes place on anti-corruption issues in various anti-corruption working groups in which the RDE is an active member.

6. Agree to include assessments of corruption risks of implementing organisations' systems to mitigate these as a standard component of all evaluations.

The Danish Ministry of Foreign Affairs has recognised some special needs related to programming in high-risk and conflict-affected settings. For its development programming in Afghanistan, the RDE has identified a need to operationalise and adapt the overarching risk management guidelines (e.g. the Copenhagen Circles) to the unique and dynamic context of the country. To respond to this challenge, the RDE has developed iterative approaches to managing corruption risks. In 2016, the Afghanistan programme developed risk workbooks as a tool for managing each development engagement in the Country Programme. The workbooks identify risks, treatments, controls, next actions and who is responsible for the actions. The treatments and controls can be standard interventions such as audits, third party monitoring and administrative reviews, but the workbooks also allow for more *ad hoc* treatments that are specifically tailored for the context of each project. Guidance for identifying risks and tracking mitigations in the workbooks is provided in a set of Standard Operating Procedures tailored for programme officers and for managers

7. Encourage a common donor approach on core issues that address corruption risks, and in particular encourage the NUG to pursue a civil service reform in all ministries, with a priority for those implementing the Citizens Charter.

The RDE recognises the importance of a common donor approach on core issues that address corruption risks. In the Nordic+ configuration, there have been strong efforts to ensure that key issues such as civil service reform are given strong support at key forums such as the JCMB. Denmark has taken the lead country role in the Nordic+ on anti-corruption.

In concert with the EU and Germany, the RDE led on preparations for the Governance Panel at the Senior Officials Meeting (SOM) held on 5 October 2017. The key messages and issues identified focused on fighting corruption and improving security as mutually reinforcing prerequisites to Afghanistan's progress towards self-reliance. Under these two overarching themes, the session focused on four areas: (i) improved human resource management focussing on merit-based recruitment and retention of well-qualified staff; (ii) the strengthening of national and sub-national governance structures; (iii) awareness-raising regarding corrupt practices, as well as the comprehensive prosecution of corruption cases on all levels of Government and; (iv) Implementation of key reforms in the Ministry of Interior/Afghan National Police.

Exploit the flexibility of RDE programming to responding quickly to new opportunities for addressing corruption, and encourage more joint action with likeminded donors in areas with common interest and/or where the risks of engaging might be shared among a larger group.

The RDE does have flexibility to respond quickly to emerging opportunities. This is important in the dynamic context of Afghanistan. Some recent examples of this flexibility have been the ability to support a scoping mission to assess the institutional and funding needs of the ACJC and the funding of an Anti-Corruption Summer School at the American University of Afghanistan.

8. *Undertake an external evaluation of the Monitoring Agents and other compliance actors that have supervisory functions over large donor-funded programmes, assessing in particular their methodology for data collection and risk identification, and to what extent this includes corruption risks throughout the entire activity cycle.*

The RDE (collaborating closely with other members of the international donor community) regularly engage with large multilateral institutions (for example the World Bank - ARTF and UNDP) to access the Monitoring and Supervisory Agents findings and methodologies. It is beyond the scope of resources at the RDE to evaluate large supervisory functions in these multilateral institutions. However, the RDE has been a strong advocate to increase the supervisory oversight services on the ARTF.

9. *Make use of media to communicate best practices in corruption management.*

Recognising the large percentage of Danish funds that are dedicated to the ARTF and the need to both engage closely on ARTF activities and communicate results, the RDE has recently recruited a Senior Economist to manage the ARTF portfolio.

Possible Steps for the MFA/Copenhagen:

10. *Raise Denmark's concerns with UNDP and the WB at HQ level regarding their handling of corruption risks in the projects funded.*

MoFA will continue its already initiated regular dialogue with UNDP and WB on their handling of corruptions risks.