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Karzai rejects US request to replace minister

BRETT J. BLACKLEDGE and RICHARD LARDNER

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Afghan President Hamid Karzai refused to remove a former warlord from atop the energy and water ministry despite U.S. pressure to oust the minister because Washington considered him corrupt and ineffective.

Secret diplomatic records showed the minister — privately termed "the worst" by U.S. officials — kept his perch at an agency that controls \$2 billion in U.S. and allied projects.

The refusal to remove the official despite threats to end U.S. aid highlights how little influence the U.S. has over the Afghan leader on pressing issues such as corruption.

Reining in graft is seen as vital to Afghanistan's long-term stability.

President Barack Obama last month cited an urgent need for political and economic progress even as military successes have blunted the insurgency in some regions.

The State Department correspondence was written as Karzai was assembling a Cabinet shortly after his 2009 re-election.

But U.S. aid to Afghanistan has continued despite the dispute over the former warlord, Ismail Khan.

U.S. Ambassador Karl Eikenberry pressured Karzai to remove Khan, a once powerful mujahedeen commander, from the top of the energy and water ministry, according to two State Department reports written at the time by U.S. Embassy officials in Kabul. They were disclosed last month by WikiLeaks.

A Dec. 19, 2009, memorandum distributed internally under Eikenberry's name described Khan as "the worst of Karzai's choices" for Cabinet members. "This former warlord is known for his corruption and ineffectiveness at the energy ministry," the memo said.

Even with U.S. threats to withhold aid, Karzai rejected requests to replace Khan. "Our repeated interventions directly with Karzai ... did not overcome Karzai's deeply personal bonds with Khan," one of the reports said.

Asked earlier in 2010 about the corruption allegations, Khan, during a brief interview with The Associated Press, did not respond directly to a question asking whether he was profiting personally from the ministry. He denied any widespread problems of corruption or mismanagement.

"No money is missing from the ministry," he said. "All the income goes directly to the bank."

Khan said he was unaware of any complaints against him or the ministry. "If there have been complaints, nobody has come to me to tell me," he said.

The U.S. continued pouring hundreds of millions of dollars into new energy and water projects that the ministry used to help generate tens of millions in customer fees. Many of those fees are lost each year partly due to corruption, according to U.S.-funded reviews of the ministry's operations.

The U.S. diplomatic cables do not outline specific graft accusations against Khan, but detail several days of back-and-forth and consternation over Karzai's decision to keep him. U.S. officials have declined to comment on issues described in the WikiLeaks-released cables and criticized the group for making them public.

Karzai told U.S. officials in a Dec. 14, 2009, meeting that Khan had remained his choice for energy minister. Karzai said Secretary of State Hillary Rodham Clinton had agreed to the choice after Karzai had said he would appoint "competent deputy ministers" under Khan.

Eikenberry disputed that. He said keeping Khan in the post could jeopardize future aid because U.S. policy prohibits investing "in ministries not competently led" and Congress was concerned about U.S. spending in Afghanistan.

"If incompetent and corrupt ministers were appointed, it would provide a good reason for them to limit funding," the document quoted Eikenberry as saying in the meeting.

Karzai said he would reconsider. He eventually stuck with Khan.

Concerns about Khan and his ministry surfaced soon after he took over the agency in 2004. Consultants hired to identify problems in the ministry estimated that corruption contributed to the loss of \$100 million or more each year from the country's electricity system that should go back to the Afghan government, according to reports produced for the U.S. Agency for International Development.

Khan had a troubled history before heading the ministry. As governor of Herat province in 2003, he refused to turn over millions in monthly customs fees to the central government. Karzai has embraced several former warlords in his efforts to unify the country.

Khan's financial disclosure statements, now required of Afghan officials, list two houses in Herat, a hotel, a garden and \$240,000 in cash. He reported a monthly government income of about \$3,650, which includes his salary and \$1,250 in food allowance, and rental income of about \$3,000 a year.

Interviews conducted by the AP looking into allegations of corruption at the ministry found several instances when former officials or international officials cited mismanagement, poor practices or graft at the ministry.

Jalil Shams, a former deputy to Khan at the energy ministry who now heads the country's power utility, said he thought most ghost employees, considered a longtime problem at the ministry, had been removed from the payroll, but that much make-work employment, where people are paid for little or no work, remained.

"You are employed, but you really are not producing anything," Shams said. "Work that could be done by one person is done by five."

The ministry deals in tens of millions of dollars in cash annually. Each year, however, it reports collecting far less in revenue than the retail value of the electricity it produces for customers. Khan has explained the gap by saying it cost more to produce the electricity than customers pay.

As much as 20 percent of the shortfall is the result of electricity lost due to a substandard distribution and transmission system, according to a report from USAID.

Widespread corruption and mismanagement are worse problems, according to reports produced by international donors.

The depth of the corruption was uncovered when efforts began to wrest the country's utility from the ministry's control.

Investigators discovered more than 100 bank accounts without any documentation identifying the money coming in or why it was going out. The accounts were used to

handle everything from customer utility payments to the limited financial support the ministry received from some countries and aid organizations, an international official familiar with the effort told the AP. The official spoke on condition of anonymity because the official was not authorized to talk publicly about the matter.

Nearly all transactions in Afghanistan take place with cash, so there are no personal checks or credit card trails to document utility payments.

A \$48.7 million U.S. project is intended to create a modern accounting system that would serve a new, independent electric utility for the country — one of several moves that would reduce the minister's power.