4th Afghanistan Extractive Industries Reconciliation Report
The mining sector in Afghanistan has the potential to generate major government revenue for the country and is recognised as a valuable source to develop the national economy.

Implementing the EITI Standard will ensure transparency and bring significant benefits to public financial management, improve the investment environment and manage the potential risk of conflict due to dissatisfaction over sharing the wealth between the Government and resource owners. Afghanistan’s natural resources should benefit all Afghans through tax revenue, infrastructure development and employment.

In countries implementing the EITI standard, companies are required to publish what they pay to governments and governments are required to publish what they receive from companies. These figures are then reconciled by an independent administrator. The process is overseen by a multi-stakeholder group in each country.

All facts and figures in this publication were collected and displayed to the best of the publisher’s knowledge and are extracted from the 4th Reconciliation Report published February 2016. Further sources were the Afghan Mineral Laws 2014, the Afghan-Tajik Phase I Tender Interim Report (August 26, 2014), the Afghanistan Economic Update (Worldbank, April 2013), Afghanistan’s Fiscal Reports 2012/2013 and USGS 2013 Minerals Yearbook (May 2015).

All monetary values displayed in this report are Afghan Afghani (AFN): 2012 1 USD = 50.92 AFN; 2013 1 USD = 55.38 AFN.
Representatives from each group (comprising of 12 government members, 10 representatives from the private sector and 12 members of civil society) establish the Multi Stake Holder Group (MSG). They develop the Country Workplan, and oversee the EITI implementation.

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**Legend**

- **Afghanistan Government**
- **Afghanistan’s Mining Industry (private sector)**
- **Afghanistan Civil Society**
  Non-governmental organisations and institutions – represent interests and will of Afghanistan’s citizens
- **AEITI**
  Providing technical and administrative support to apply and implement the MSG’s decisions
- **Independent consultants**
  Contracted through the MSG
  Reconcile the financial flows reported by the government and mining industry
- **Afghanistan citizens**
- **Police & Military**
- **Foreign Investors**
The Afghanistan Extractive Industries Transparency Initiative (AEITI)

Multi-Stakeholder Group AEITI

An independent validator is contracted

Companies report what they paid to the government

Government discloses what was received from the companies

Figures are reconciled by the independent validator, Report is compiled

Contracts & Licensing  Production  Revenue Collection  Revenue Allocation  Social & Economic Contribution

MSG meeting on the report’s integrity and completion
The Report is published to the public

Transparency

Better Governance

Inhibits corruption  Ensures transparency

Increasing Revenue for the Afghan State

Education  Health  Roads

Improved Infrastructure

Better Investment Climate
All natural Resources are exclusive property of the Afghan State.
Production and Core Statements

- **Cement**: 2012 - 37,000 metric tons, 2013 - 40,000 metric tons, +8%
- **Chromite**: 2012 - 6,000 metric tons, 2013 - 6,000 metric tons, +0%
- **Coal**: 2012 - 780,000 metric tons, 2013 - 936,000 metric tons, +20%
- **Gas**: 2012 - 150 million cbm, 2013 - 160 million cbm, +6.7%
- **Gypsum**: 2012 - 57,000 metric tons, 2013 - 57,000 metric tons, +/- 0%
- **Marble**: 2012 - 45,000 metric tons, 2013 - 67,000 metric tons, +49%
- **Nitrogen**: 2012 - 50,000 metric tons, 2013 - 76,000 metric tons, +52%
- **Petroleum**: 2012 - 80,000 42-gallon barrels, 2013 - 68,000 42-gallon barrels, -18%
- **Salt rock**: 2012 - 147,000 metric tons, 2013 - 148,000 metric tons, +0.7%

- **Chromite**: 2012 - 6,000 metric tons, 2013 - 6,000 metric tons, +0%

- **Major operating mining companies**: 24
- **Signed and active mining contracts**: 302
- **Different individual contractors**: 267
- **Different mines, deposits, occurrences & showings**: 73
- **Coal fields / known deposits**: 9 / 42
Financial Flows in the Mining Sector

**Gross Domestic Product (GDP)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,045,744,040,000</td>
</tr>
<tr>
<td>2013</td>
<td>1,110,147,480,000</td>
</tr>
</tbody>
</table>

**Profits from SOEs**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,859,598,400</td>
</tr>
<tr>
<td>2013</td>
<td>1,905,072,000</td>
</tr>
</tbody>
</table>

**Total Budget Allocation to Developing Infrastructure & Natural Resources**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>249,248,308,000</td>
<td>21.6%</td>
</tr>
<tr>
<td>2013</td>
<td>377,093,496,000</td>
<td>14.2%</td>
</tr>
</tbody>
</table>

**Revenue from Oil Transit**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2,036,800,000</td>
</tr>
<tr>
<td>2013</td>
<td>3,322,800,000</td>
</tr>
</tbody>
</table>

**Ministry of Mines and Petroleum**

**Revenue for Ministry of Mines**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3,813,398,800</td>
</tr>
<tr>
<td>2013</td>
<td>2,486,562,000</td>
</tr>
</tbody>
</table>

**Gross Domestic Product (GDP)**

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</tr>
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<td>2013</td>
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</tr>
</tbody>
</table>

**Ministry of Mines and Petroleum’s Contribution to GDP at Market Price**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>10,082,160,000</td>
</tr>
<tr>
<td>2013</td>
<td>10,134,540,000</td>
</tr>
</tbody>
</table>

**Total Budget for Ministry of Mines**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
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<td>3,813,398,800</td>
</tr>
<tr>
<td>2013</td>
<td>2,486,562,000</td>
</tr>
</tbody>
</table>

**Total national Budget**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
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</tr>
<tr>
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<td>377,093,496,000</td>
</tr>
</tbody>
</table>
Financial Flows before and after Reconciliation

Initially Reported

-11,108,840

-244,138,002

-25,092,073

-797,202,844

4,238,229,373

4,007,753,139

1,980,971,465

1,230,973,755

Unresolved differences after reconciliation

Net initial differences before reconciliation

Adjustments

-230,476,234

-749,997,710

-11,108,840

-244,138,002

-25,092,073

-797,202,844

2,552,928

22,113,061

After Reconciliation

4,249,338,213

4,251,891,141

2,006,063,538

2,028,176,599

2,006,063,538

2,028,176,599
Flows to Ministry of Mines and Ministry of Finance

**Private Enterprises**
- 68% Total Flows
- 3% Afghan Gas Enterprise
- 29% Northern Coal Company
- 32% State Owned Enterprises

**State Owned Enterprises**
- 69% Total Flows
- 3% Afghan Gas Enterprise
- 28% Northern Coal Company
- 31% Private Enterprises

Where Did the Revenue Come From?

2012
- 2 Companies
- 94%

2013
- 6 Companies
- 83%

Total Flows
- 2012: 3,941,755,591
- 2013: 1,249,439,319

Where Did the Revenue Come From?

2012
- 3% Afghan Gas Enterprise
- 8% Northern Coal Company
- 65% State Owned Enterprises
- 1% Private Enterprises

2013
- 3% Afghan Gas Enterprise
- 8% Northern Coal Company
- 65% State Owned Enterprises
- 1% Private Enterprises

Private Enterprises
- 2% Hashami Groups
- 5% Turkish Petroleum
- 5% Dragon Oil
- 5% AIC Coal
- 1% Other Companies

State Owned Enterprises
- 31% CNPCI-Watan Oil and Gas Afghanistan Limited
- 8% Kushak Brothers Company
- 3% Meesaq Sharq Company
- 3% Hashami Groups
- 3% Turkish Petroleum
- 3% Dragon Oil
- 3% AIC Coal
- 2% Other Companies

Total Flows
- 2012: 3,941,755,591
- 2013: 1,249,439,319
The Licencing Process

Bidders and Applicants

State Owned Enterprises (SOE)  Private Enterprises  Individuals

Submit
Expression of interest Bids Applications

Awards and cancels contracts and Licences
Reconnaissance Licences Small-Scale Mining Artisanal Mining

Ministry of Mines

The Inter-Ministerial Commission (IMC)

Awards and cancels contracts and Licences
Exploration - Exploitation Mineral Development

Beneficial Ownership is prohibited for members of government, police & military, elected politicians & civil servants

Evaluation
Applications, bidders and licences
### Requirements and Duties

**Minister of Finance**
- Hold an investment licence

**Minister of Foreign Affairs**
- Expertise for implementation of licence terms & conditions

**Minister of Economy**
- Command of capital, machinery and equipment

**Minister for Mines and Industries**
- Pay taxes, customs duties, fees & royalties
- Expertise for implementation of licence terms & conditions
- Command of capital, machinery and equipment

**National Agency for Environmental Protection**
- Present balance sheets in accordance to IAS
- Command of capital, machinery and equipment

**National Standard Agency**
- Legal age to form a binding contract
- Command of capital, machinery and equipment

**National Security Advisor**
- All bidders have equal rights
- Command of capital, machinery and equipment

### Roles and Responsibilities

**Announces tenders**
- Endorses the rates of the Royalty

**Concludes and proposes contracts for endorsement**
- Monitors the bidding process

**Proposes further regulations**
- Approves of the Artisanal Mining Licence procedures

**Collects royalties**
- Establishes guidelines on environmental protection and community development

**Determines terms, fees and surface rentals**
- Ensures coordination among Government institutions

**Provides database of mining contracts and other information to the public**
- Ensures coordination among Government institutions

**Undertakes geological research**
- Ensures coordination among Government institutions

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Licence Types in the Afghan Mining Industry

Reconnaissance Licence

- Record images
- Geophysical measurements
- Remove samples

- Duration: 2 YEARS
- Area: 20,000 SQKM

Exploration Licence

- Collect remove and export samples
- Conduct geochemical and geophysical survey
- Install equipment and machinery
- Erect temporary buildings
- Construct roads

- Duration: 3 YEARS
- Area: 125,000 SQKM
- Maximum number of licences: 10

Exploitation Licence

- Install and set up buildings, equipment and machinery for mining, storage, transporting, and processing
- Construct infrastructure and plants
- Conduct further exploration
- Remove rock, soil and minerals

- Duration: 30 YEARS
- Area: 500,000 SQKM
- Maximum number of licences: 10
Small-Scale Mining Licence

- Install and set up buildings, equipment and machinery for mining, storage, transporting, and processing
- Remove rock, soil and minerals

10 YEARS

Artisanal Mining

- Install equipment and ordinary machinery · Set up buildings and build roads
- Process the minerals extracted · Remove rock, soil and minerals from the land

5 YEARS

Quarry and Construction Materials Authorisation

- Install equipment and ordinary machinery · Erect buildings
- Process the Minerals extracted

5 YEARS