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.

<table>
<thead>
<tr>
<th>Group</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan Government</td>
<td>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 the Country Workplan, and oversee the EITI implementation.</td>
</tr>
<tr>
<td>Afghanistan’s Mining Industry (private sector)</td>
<td></td>
</tr>
<tr>
<td>Afghanistan Civil Society</td>
<td>Non-governmental organisations and institutions – represent interests and will of Afghanistan’s citizens</td>
</tr>
<tr>
<td>AEITI</td>
<td>Providing technical and administrative support to apply and implement the MSG’s decisions</td>
</tr>
<tr>
<td>Independent consultants</td>
<td>Contracted through the MSG Reconcile the financial flows reported by the government and mining industry</td>
</tr>
<tr>
<td>Afghanistan citizens</td>
<td></td>
</tr>
<tr>
<td>Police &amp; Military</td>
<td></td>
</tr>
<tr>
<td>Foreign Investors</td>
<td></td>
</tr>
</tbody>
</table>
The Afghanistan Extractive Industries Transparency Initiative (AEITI)

Multi-Stakeholder Group AEITI

- Government (6 Members)
- Private Sector (6 Members)
- Civil Society (6 Members)

An independent validator is contracted

- Government discloses what was received from the companies
- Companies report what they paid to the government

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 Investment Climate
- 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

Estimated value of Afghanistan’s mineral resources

67,000,000,000

5% of the Mining income will be returned to the provinces where the extraction of resources took place

Afghanistan’s Mining Potential

Afghan-Tajik Minerals and Metals

Gemstones

Afghanistan’s Mining Potential

All natural Resources are exclusive property of the Afghan State
## Production and Core Statements

<table>
<thead>
<tr>
<th>Mineral/Resource</th>
<th>Units</th>
<th>2012</th>
<th>2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement</td>
<td>metric tons</td>
<td>37,000</td>
<td>40,000</td>
<td>+8%</td>
</tr>
<tr>
<td>Chromite</td>
<td>metric tons</td>
<td>6,000</td>
<td>6,000</td>
<td>+0%</td>
</tr>
<tr>
<td>Coal</td>
<td>metric tons</td>
<td>780,000</td>
<td>936,000</td>
<td>+20%</td>
</tr>
<tr>
<td>Gas</td>
<td>million cbm</td>
<td>150</td>
<td>160</td>
<td>+6.7%</td>
</tr>
<tr>
<td>Gypsum</td>
<td>metric tons</td>
<td>57,000</td>
<td>57,000</td>
<td>+/- 0%</td>
</tr>
<tr>
<td>Marble</td>
<td>metric tons</td>
<td>45,000</td>
<td>67,000</td>
<td>+49%</td>
</tr>
<tr>
<td>Nitrogen</td>
<td>metric tons</td>
<td>50,000</td>
<td>76,000</td>
<td>+52%</td>
</tr>
<tr>
<td>Petroleum</td>
<td>42-gallon barrels</td>
<td>80,000</td>
<td>68,000</td>
<td>-18%</td>
</tr>
<tr>
<td>Salt rock</td>
<td>metric tons</td>
<td>147,000</td>
<td>148,000</td>
<td>+0.7%</td>
</tr>
</tbody>
</table>

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

Gross Domestic Product (GDP)

2012: 1,045,744,040,000
2013: 1,110,147,480,000

Total Budget Allocation to Developing Infrastructure & Natural Resources

2012: 249,248,308,000 (21.6% of Total National Budget)
2013: 377,093,496,000 (14.2% of Total National Budget)

Ministry of Mines and Petroleum Profit from SOEs

2012: 1,859,598,400
2013: 1,905,072,000

Mining Sector’s Contribution to GDP at Market Price

2012: 10,082,160,000
2013: 10,134,540,000

Ministry of Mines and Petroleum Revenue from oil Transit

2012: 2,036,800,000
2013: 3,322,800,000

Total budget for Ministry of Mines

2012: 3,813,398,800
2013: 2,486,562,000
Financial Flows before and after Reconciliation

Initially Reported

-11,108,840

Adjustments

Unresolved differences after reconciliation

-244,138,002

-25,092,073

Net initial differences before reconciliation

-797,202,844

After Reconciliation

4,238,229,373

-230,476,234

4,007,753,139

1,980,971,465

1,230,973,755

4,249,338,213

-749,997,710

2,552,928

2,006,063,538

22,113,061

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

Where Did the Revenue Come From?

**2012**
- 2 Companies
  - 94%

**2013**
- 6 Companies
  - 83%

Private Enterprises
- 68%
  - MJAM MMC - JCL Aynak Minerals Company Ltd.
  - 32%
    - Afghan Gas Enterprise
    - Northern Coal Company

State Owned Enterprises
- 32%
  - Afghan Gas Enterprise
  - Northern Coal Company

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

Where Did the Revenue Come From?

- 2 Companies: 94%
- 6 Companies: 83%
The Licencing Process

Submit
Expression of interest
Bids
Applications

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

Awards and cancels contracts and Licences
Exploration · Exploitation
Mineral Development

Evaluation
Applications, bidders and licences

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

Minister of Finance

Minister of Foreign Affairs

Minister of Economy

Minister for Mines and Industries

Minister of Commerce

National Agency for Environmental Protection

National Standard Agency

National Security Advisor

All bidders have equal rights

Pay taxes, customs duties, fees & royalties

Hold an investment licence

Expertise for implementation of licence terms & conditions

Command of capital, machinery and equipment

Announces tenders

Concludes and proposes contracts for endorsement

Monitors and regulates all mineral activities and develops policies

Proposes further regulations

Collects royalties

Determines terms, fees and surface rentals

Provides database of mining contracts and other information to the public

Endorses the rates of the Royalty

Monitors the bidding process

Approves of the Artisanal Mining Licence procedures

Establishes guidelines on environmental protection and community development

Ensures coordination among Government institutions

Minister for Mines and Industries

National Security Advisor

Minister of Finance

Minister of Economy

Minister of Commerce

National Standard Agency

National Agency for Environmental Protection

Minister of Foreign Affairs
**Licence Types in the Afghan Mining Industry**

**Reconnaissance Licence**
- Activities: Record images, Geophysical measurements, Remove samples.
- Duration: 2 years.
- Area: 20,000 sqkm.
- Maximum number of licences: 10.

**Exploration Licence**
- Activities: Collect remove and export samples, Conduct geochemical and geophysical survey, Install equipment and machinery, Erect temporary buildings, Construct roads.
- Duration: 3 years.
- Area: 125 sqkm.
- Maximum number of licences: 10.

**Exploitation Licence**
- Activities: 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: 50 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**
- **1 SQM**

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**
- **1 H**

Quarry and Construction Materials Authorisation

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

- **5 YEARS**
- **1 H**
- **5**