



ANNUAL PROGRESS REPORT

2019

Afghanistan Extractive Industries Transparency Initiative (AEITI)

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ABBREVIATIONS:

EITI: Extractive Industries Transparency Initiative.

AEITI: Afghanistan Extractive Industries Transparency Initiative.

MSG: Multi-Stakeholder Group.

IA: Independent Administrator.

WP: Work Plan.

WB: The World Bank Office of Afghanistan.

EU: Delegation Office of the European Union in Afghanistan.

GIZ: The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (MinGov Project).

MoMP: Ministry of Mines and Petroleum.

MoF: Ministry of Finance.

MoCI: Ministry of Commerce and Industries.

SAO: Supreme Audit Office.

SOE: State Owned Enterprise.

NSIA: National Statistics and Information Authority.

CSOs: Civil Society Organizations.

CSJWG: Afghanistan Civil Society Joint Working Group.

ACCI: Afghanistan Chamber of Commerce.

AOGRA: Afghanistan Oil and Gas Regulatory Authority.

PS: Private Sector.

1. INTRODUCTION:

As Afghanistan remains suspended following the 2017 Validation, the stakeholders of AEITI have been making great efforts to recover in the areas which were marked as “unsatisfactory” in the Validation report. The Government has been more active since then and has prioritized EITI successful implementation. The Government, MSG and the AEITI secretariat continues to taking considerable measures for successfully implementing EITI in Afghanistan amid the numerous challenges. Following Afghanistan’s suspension, the government’s commitment has further strengthened and a drastic change has been witnessed with regard to the ongoing reforms within the sector. The MoMP has been going through major reforms and is now more open and accountable than ever. Each policy which is being formulated within MoMP is now being communicated to CSOs and relevant stakeholders before being approved and going in effect. Under the leadership of the acting Minister of Mines and Petroleum who is also the chair of the MSG, the MoMP has been able to bring each stakeholder on one page including bringing additional support from other government agencies/ministries to work with AEITI to achieve its goals.

The MSG has now a more robust operational oversight of the process and is undertaking greater efforts to comply with EITI standard, partnering Government and Private Sector on the road ahead to get Afghanistan off the suspension list of EITI. And for this purpose has made considerable progress which have started to reflect in certain areas of the extractive sector including good governance, public trust, access to information , establishment of transparency portal and cadastral system, beneficial ownership and PEPs definition and Road-map, open Data Policy, systematic Disclosure, license and contract Registry, revenue Management and expenditures, social expenditures by companies, revision of legal framework and mining law, ring-fencing and mining regulations.

During the first and subsequent quarters of the year 2019, major steps taken towards restoring Afghanistan’s candidacy in the first place and compliance with the EITI requirements in the next place include but are not limited to strengthening government revenue collection system and company disclosures, drafting Artisanal Small-scale Mining (ASM) mining strategy to cope with illegal mining. Besides these steps, the secretariat and the MSG have also undergone certain changes including the systemization of MSG and the secretariat documentation and scope of work. These include the approval of Standard Operating Procedures and ToR for MSG and secretariat among others.

This Annual report outlines almost all of the considerable activities and initiatives undertaken during the year 2019. The report is prepared to inform the stakeholders and general public of the recent developments with regard to AEITI’s involvement in the extractive sector and transparency, good governance and other unique new initiatives the government has undertaken as per the requirements of the EITI standard, validation and previous AEITI reports recommendations and further actions ensuring transparency and accountability.

2. GENERAL ASSESSMENT OF YEAR’S PERFORMANCE:

The current administration is fully committed to implementing EITI in Afghanistan; under the leadership of the acting minister of mines and petroleum who is also the chair of the MSG is committed to EITI successful implementation and has brought major

reforms within the ministry of mines and petroleum - these include bringing reforms within the areas of contract management, good governance, legal framework, institutional growth, geological context, transparency and accountability and enabling environmental.

Following the Validation, the functions of the AEITI has drastically been improved; all the stakeholders have been brought onto one page and have been efforts to bring other department/agencies representatives to the MSG as observers. Some of the government agencies/departments which could play a key role within AEITI i.e. National Statistics and Information Agency, Supreme Audit Office, Afghanistan Oil and Gas Regulatory Agency and State-owned Enterprises were brought to the MSG.

With support commitment, the Multi Stakeholder Group supported by the AEITI Secretariat has undertaken the following corrective measures and processes:

a) Institutionalization growths

- Institutional governance has been strengthened in AEITI, by supporting revision of AEITI organizational structure and funding AEITI secretariat's operations by the kind support of the World Bank.
- Development of a joint action plan based on the corrective actions and recommendations from Validation Report, The plan is overseen and assessed through weekly meetings chaired by H.E. Minister of Mines and Petroleum.
- The MSG has developed a new work plan taking into consideration the principles of EITI, requirements of EITI standard and Validation indicators where Afghanistan has demonstrated little progress.
- Revision of the legal framework, including the mineral law, hydrocarbon law, and mining regulations.
- Establishing standard documentation in regards to MSG governance, AEITI operation and communication outreach where financial assistance from GIZ MinGov Project and technical assistance from the EU is being provided to support the AEITI in this regards.
- A Standard Operating Procedure (SOP) for MSG has been developed with support of EU and approved which will regularize how the MSG operates.
- For the secretariat to better conduct its business, a new secretariat ToR has been developed and approved by the MSG.
- In line with EITI standard 2019, a gender balance has been observed in the MSG with introduction of female members to the MSG and to give them an opportunity to actively participate in the business of the MSG.
- A new AEITI communication strategy with the support of EU has been developed and approved taking into account the local practices and approaches.
- Establishment of Working Groups among the MSG as per ToR – four working group committees have been formed where each will work, oversee and handle matters related to different field of expertise.
- MoMP plans to prioritize establishing protective mining areas as part of its policy.
- Development and publication of the 6th AEITI Report by the MSG as well as development of ToR for the 7th EITI Report planned for 2020.

b) Systematic Discloser

- Launch of Transparency Portal and Cadastral System to ensure disclosure of bidding, licensing, contracting processes as well as statistical information and is linked with MoMP's website.
- Continuous improvements to the "Transparency Portal" and "Cadastral System" to ensure disclosure of bidding, licensing, contracting processes as well as statistical information.
- MoMP has published the natural resource and other contracts as a condition for their validity.
- Cadastral and revenue collection software is continuing being rolled out across the Ministry with support from GIZ MinGov and RDF.
- Artisanal and Small Scale Mining Formalization Strategy has been developed by MoMP to regularize the artisanal and small scale mining which would help with EITI requirement on artisanal and small scale mining.
- MoF has been working on Mechanisms for effective community benefit from legal mining, linked to community monitoring where the new mining law stipulates that 5-8 percent of the revenue would be contributed to the provinces.
- Access to Information and efforts for wider public trust and good governance.
- Systematic disclosures through online publication of the extractive sector data, including production value and volume and export data.
- MoMP has published the natural resource and other contracts as a condition for their validity.
- The MSG is considering adopting the reporting of project-level extractive sector payment and production figures in its next AEITI report.
- Systematic disclosure of key financial statement on the two state-owned enterprises (NCE and AGE).
- Systematic disclosure of production data (volumes and values, disaggregated by commodity and project).
- Systematic disclosure of non-tax revenue information.
- Systematic disclosure of Beneficial Ownership data.
- Efforts are being taken to assess the exact export data with the help of ACCI, MoMP, NSIA and MoF and with regard to other aspect of contextual data, transparency portal has been very help and progress has been made.
- Mines Protection Commission & Committee has been established and operationalized.
- Initial survey of 6 provinces has been completed and two more are ongoing.
- MoMP MVCA report has been released and is being implemented.
- Donor Community benchmarks have been adopted and implemented.
- Contract's Management is being monitored and continuously improved.
- MCAS and NTRS have been implemented and are being monitored.
- MoU signed with MoF to connect Ministry with ASYCUDA and SIGTAS.
- The MSG is considering adopting the reporting of project-level extractive sector payment and production figures in its next AEITI report.
- All of the financial and technical criteria are publicly announced along with bidding documents for each project.

3. ASSESSMENT OF PERFORMANCE AGAINST TARGETS IN THE WORK PLAN:

AEITI has made great progress in 2019 with regard to implementation of annual work plan for the year 2019 - the work plan consists of 6 objectives and 47 activities and 40 deliverables; all the activities but 7 have been completed. The 7 activities which remain to be completed were mainly due to the budgets delay and AEITI office's relocation from MoF to MoMP - the said activities have been re-planned in 2020 Work Plan and are expected to be completed within the first half of the 2020.

COMMUNICATION AND PUBLIC OUTREACH:

During 2019 and in line with AEITI Work Plan, the communication strategy has been revised and approved by the MSG - the strategy has been developed in consultation with MSG and will act as the guiding document of all AEITI public and outreach activities. The communication strategy was presented to the MSG for approval in April 2019 – and came into effect following its approval by the MSG. In the meanwhile, AEITI has undertaken outreach activities in line with the previous communication strategy. Nonetheless the secretariat has proposed committees within the MSG including a committee for communications and outreach. Besides CSO constituency, in coordination with the Communication Working Group, had been tasked to improve its engagement approach with MSG and the extractive sector by planning outreach events and workshops for broader CSOs in 2019 to ensure promotion of public debate, dissemination of information to the right parties and creating trust between the public and government. The activity saw a setback for some time due to budget issues but CSOs promised that they will cover the activity as planned. A series of meetings had already been held and the secretariat is in close coordination with CSOs to ensure that it got completed within the timeline.

The following outreach events were held during the year 2019:

Workshops on EITI Standards and Validation Process:

AEITI held two one day workshops at the Ministry of Mines and Petroleum on January 15, and 22nd 2019; participants from Ministry of Finance, Ministry of Mines and Petroleum, Civil Society Organizations and Private Sector attended the workshop.

The workshop was part of the action plan to raise awareness about AEITI and to build the capacity of the stakeholders on EITI and its standards. During the first session of the workshop, the participants were introduced to EITI and its implementation in Afghanistan where they were informed on “what EITI is and how it is being implemented in Afghanistan” along with achievements and the developments of the initiative.

The aim of providing a detailed overview of the standards was also important because mostly the participants were key stakeholders of AEITI i.e. from different directorates of MoMP and MoF and who were also the reporting entities within both these ministries. So

it was important that these participants were fully briefed on the standards to avoid any confusion in term of compliance and the reporting process in the future.

The participants were told to bring any extractive related matters to the table of the MSG where the MSG would certainly address and follow-up these issues with Government. Later at the closing of the workshops, a copy of Validation guide was distributed to the participants to enable them understand how the process worked and how they will be able to address the challenges and meet the EITI Standards.

<http://aeiti.af/en/news/workshop-on-eiti-standards-and-validation-process>

[Journalists and CSOs Workshop on the MoMP Online Transparency Portal:](#)

On 12th March 2019, a workshop for journalists and representatives from Civil Society Organizations took place at the Ministry of Mines and Petroleum (MoMP) in Kabul. In total, more than 24 people participated.

The focus of the workshop was on the MoMP's Online Transparency Portal, aiming at increasing media coverage on the Afghan mining sector and make information more accessible. The MoMP, the Afghan-German Cooperation and AEITI facilitated the workshop with RDF as an implementation partner.

The Online Transparency Portal is fed with update information of MoMP's internal digital mining cadastre and represents an essential step in Afghanistan's EITI validation process. It has been officially launched in November 2018, but has received little attention since although the data is greatly required by the Afghan public to be better informed on the mining sector. Throughout all committed discussions the participants had at workshop, one fact was confirmed by all participants, trainers and organizers alike with great confidence and dedication that the MoMP Online Transparency Portal in itself was a formidable source of information that holds immense potential for the Afghan mining governance process and involvement of the national and international public.

<http://aeiti.af/en/news/journalists-and-csos-workshop-on-the-momp-online-transparency-portal>

[Roundtable Session on Capacity Development of AEITI Stakeholders:](#)

On 20th July, AEITI with kind support of GIZ MinGov project held a one day capacity building roundtable session for AEITI MSG, Ministry of Mines and Petroleum, Ministry of Finance, Civil Society Organizations and Private Sector but also representatives from Supreme Audit Office, National Statistics and Information Agency and Ministry of Commerce and Industries participated in the session.

The session was meant to strengthen member's knowledge of EITI standard 2019 and discussing the needs of AEITI stakeholders, increasing the effectiveness of their engagement, providing recommendations on addressing the needs of AEITI stakeholders and improving the involvement and ownership of EITI implementation in the country.

The session was opened by Deputy Minister of Policy of Ministry of Mines and Petroleum, welcoming the participants to the session and expressing hope that it would strengthen the engagement and participation of AEITI stakeholders in the process. After the formal opening the session, Mr. Sayes, the national coordinator of AEITI presented the new EITI standard 2019 introducing participants to the changes within the EITI standard. A plenary session followed where the results of the 6th AEITI report which was published on 30th June 2019 were presented.

Overall the roundtable session was a good platform for each member to express his ideas and suggestions openly and would also contribute to the effective implementation of EITI in Afghanistan.

<http://aeiti.af/en/news/roundtable-session-on-capacity-development-of-aeiti-stakeholders>

Promoting Good Governance in the Extractive Sector – Data-Exchange and Cooperation:

The Extractive Industries Transparency Initiative (EITI) secretariat Afghanistan and the GIZ MinGov conducted a workshop. 50 representatives from the government, private sector and civil society participated. The event was held to re-establishing proper cooperation and to ensure data exchange between relevant stakeholders in the mining sector and efforts to produce reconciled data on mining in Afghanistan, a requirement for the helping the country in the upcoming EITI validation.

The Acting Minister of Mines and Petroleum, Ms. Narghis Nehan, emphasised, ‘Our Ministry is willing to work further in this regard. For successful EITI validation, we have established the Online Transparency Portal which provides live mining and revenue data to be shared with our partners and used in the EITI process’.

The AEITI secretariat identified a lack of cooperation and data-sharing as well as general unawareness of the standard among stakeholders as obstacles to validation. Several units from line ministries as well as mining companies are responsible for collecting required data. The workshop aimed at achieving efficient communication and knowledge sharing between them. At the event, Mr. Hashmatullah Sayes, the national coordinator, stressed that ‘knowledge of EITI standard is necessary. We can only hope for successful results, if we all play well together.’

Afghanistan’s EITI validation would imply huge improvements in the mining sector, with revenue collected in due diligence and accountably contributing to Afghanistan’s development. Data transparency shall curb corruption, strengthening the government’s image as a trustworthy and fair administrator and attracting international investors.

<https://www.ez-afghanistan.de/en/news/promoting-good-governance-extractive-sector-%E2%80%93-data-exchange-and-cooperation>

Presentation to the Members of the Environment and Natural Resources Commission

The Secretariat of the Afghanistan Extractive Industries Transparency Initiative (AEITI) conducted a one-day workshop for the members of Environment and Natural Resources Commission of the Lower House of the National Assembly of Afghanistan on October 31st 2019.

The presentation focused on three key issues such as AEITI history/background in Afghanistan, how it's implemented and EITI global standard and its requirements – these topics were comprehensively and complementarily explained. In this session, the members were also briefed about the findings of the independent administrator from 6th AEITI report and achievements of AEITI's MSG.

<http://aeiti.af/en/news/presentation-to-the-members-of-the-environment-and-natural-resources-commission>

AEITI Outreach Campaign at Kabul:

A two day public awareness workshop was held in Kabul with the financial support of GIZ MinGov Project on 1st and 2nd December 2019. The workshop was attended by 45 representatives from different CSOs' networks.

The objective of the outreach was to raise awareness among the local residents of Kabul, through local and regional CSO representatives, about Afghanistan Extractive Industries Transparency Initiative (AEITI), the Multi-Stakeholder Group (MSG) and MSG CSO constituency, the roles and responsibilities of the MSG-CSOs, Mining Sector CSOs and the general public in improving governance of the mining sector which is a part of the outreach activities outlined in AEITI's Work Plan for the year 2019.

CSO constituency of the MSG in collaboration with AEITI educated and informed the public on MSG governance and government's activities in the sector, stimulate public debate and public involvement in the sector, and also establish realistic public expectations of sector development. The program was supported financially by GIZ mining governance project.

<http://aeiti.af/en/news/aeiti-holds-a-public-awareness-workshop-for-csos-representatives>

SYSTEMATIC DISCLOSURE AND EITI REPORTING:

Systematic disclosure is one of the EITI 2019 standard's key requirements and also a priority of the AEITI 2019 work-Plan, in this regard MSG members addressed the issue of mapping for systematic disclosure and to identify a known source of information for the AEITI reports, public disclosure of mandatory social expenditure and community development plan, type of payment and beneficiary detail.

MOMP and MOF are now more closely coordinating and working for creating an enabling environment to implementing EITI effectively. Both MOMP and MOF are jointly exploring the use of extractives specific GFS classifications from its EITI summary data tables together with its per-license tax ID numbers, as a means of disaggregating extractives revenues in MoF systems.

An explanation about prevailing rules and practices related to SOEs' retained earnings, reinvestment, and third-party financing has been disclosed and is available on MoMP website. A comprehensive assessment of transactions between SOEs and government entities to ensure that the reporting process comprehensively addresses the role of SOEs, including transfers between SOEs and other Government agencies has now been completed. A comprehensive account of any loans or loan guarantees extended by the state or SOEs to mining, oil and gas companies have also been published and are available on MOMP website.

A disclosure of comprehensive information about the extractive industries' contribution to the economy in relative and absolute terms, including to GDP, government revenues, exports and employment has also made public through relevant line ministries and is included in the 6th AEITI report.

MoMP is working to ensure that production volumes and values for all extractive commodities produced are publicly accessible, and where comprehensive disclosure of production figures for all minerals produced aren't technically feasible i.e. for security, reasons will be indicated.

It will be made sure that reasons for non-disclosure (if any) are clearly explained and that publicly available estimates are comprehensively disclosed and assessed.

The export volumes and values for all extractive commodities exported are now publicly accessible where export data's disclosure has been complete while work is underway on imports data. Meanwhile in the absence of reliable official data, Afghanistan will at least ensure that estimates are comprehensively disclosed and compared.

Ring Fencing:

AEITI Secretariat reported to the MSG that the issue of ring fencing was raised in the validation comments and AEITI considered it as corrective action in its action plan. After months of discussions in AEITI weekly meetings, due to technical issues that the TINs were only issued to natural/legal persons and couldn't be issued to projects, it was decided that MoMP to send a list of companies possessing more than one project / contract so that MoF can ask those companies for per-project reporting basis. The process, as per the MSG Chair's instruction, was conveyed to the EITI International secretariat to analyze if it could meet the EITI requirements. However, EITI international secretariat stated that MSG needed to define the term first and then see how it can implement the ring fencing. The ring fencing refers to implementation of the procedures that prevent a company which has more than one project from misusing the tax system; the issue under the discussion was whether the MoF issues separate TINs to the projects or one TIN to the company; Mr. Panah, the representative of MoF said that the TINs were issued to individuals and therefore couldn't be issued to each separate project. AEITI

Secretariat was tasked by the MSG to send a letter to MoF Revenue Directorate and seek their technical advice on the issue and its management and share the result in the next MSG meeting for decision. In its follow-up the secretariat received a response from MoF which referred this case to its technical committee and as per the committee's decision which was received by the secretariat, stated that based on the provisions of the enforced laws, mining companies are single legal persons and operating through a single license. Therefore, it is not feasible to issue separate TINs for each of the projects or contracts. In addition, based on the provision of the article 79 of the Income Tax Law, mining companies were required to present separate tax returns for each of their contracts. The Revenue Directorate should ensure that companies can file tax returns based on separate codes or any other changes into the system.

Based on the committee's response, it was agreed that MoMP will send the multi-project companies list to MoF on quarterly basis to address the issue and ensure adequate ring fencing.

Proposed Reforms within Systematic Disclosure:

AEITI secretariat had requested the MSG dated 28th November 2019, to decide on the systematic disclosure where the secretariat presented recommendations of the EU consultant on the systematic disclosure who had been working in this area. The recommendations were as follow;

- a) Exploration data (new and existing licenses, pending applications, progress reports, relinquished licenses, etc.) from SOEs and private mining companies
- b) Mining license data (change of ownership, applications for expansion or reduction of the license area, etc.)
- c) Mining production data (collection of monthly production and export data, stockpiles, as applicable)
- d) Mining revenue data (value of monthly production, actual sales, method of calculation used for value determination)
- e) Social and environmental expenditure by SOEs and mining companies, disaggregated by province, gender, etc.

The members agreed with the recommendations of the EU consultant and asked MoMP to prioritize the recommended activities to ensure systematic disclosure based on the above definition.

Data Validation and Contract Award Audit:

With regard to the quality assurance of the data provided by the reporting companies in the 6th AEITI report, AEITI Secretariat informed the MSG members that SAO has audited both of the reporting SOEs which form major portion of the data reported in the 6th AEITI report. Therefore, the MSG members were requested if they would rely on the SOEs audit and consider the data validation addressed. The audit of SOEs by the Government (SAO) met with criticism by the CSO members, citing that Government won't be able to identify issues and might cover some of the critical aspects and therefore agreed that an independent firm should be hired. The decision was reversed in the next MSG meeting dated 31st December 2019, after the secretariat reported that budget transfer from MoF

to MoMP and time constrains, it would be wise that MoMP together with MSG should complete the assignment as it was critical for the re-validation and further delay would be risky as per the above timeframes and the post award review process being part of the 6th AEITI Report Addendum. In addition, Mr. Sayes reported that Mr. Pablo from EITI International secretariat and Mr. Sridar from World Bank both have suggested that the assignment should be referred to the Cadaster Department which was refuted by said department, in the previous AEITI Weekly Meeting, stating conflict of interest but suggested that the internal audit department is assigned to map it out and presents the findings to the MSG. The MSG members have discussed the issue in details to see if the activity was an audit or review of the process and concluded that it was review and mapping the contract award processes.

Recognizing the gravity of the situation, the members agreed that cadaster together with legal department should map out the legal and obligatory process and present its report/findings along with any none-trivial deviation to the MSG working group to decide any further action.

Quasi-fiscal Expenditures and Justifications:

EITI standard requires quasi-fiscal expenditures to be disclosed and accordingly the secretariat asked the SoEs directorate to disclose those expenditures as per EITI standard. To address the recommendation, the SoE Directorate of MoMP proposed a definition for quasi-fiscal expenditures comprising of partial IMF's and EITI's definitions but the MSG members, after due deliberation, agreed on adopting the IMF's definition of the quasi-fiscal expenditures highlighting that the items which are not applicable in Afghanistan can be applicable in the coming years and wherever the SOEs report, they can simply tick the irrelevant items as not applicable for now.

Therefore, it was agreed that SOEs directorate will report any quasi-fiscal expenditure during the reporting period of the 6th AEITI report in its addendum based on the IMF's definition.

Production Data:

On the basis of the mineral law and license awarded, the companies are obliged to pay either for the actual or planned production – the issue of publishing the actual and planned production value and volume were discussed in the MSG meeting dated 28th November 2019 where the Option for publishing both actual and planned production value and volume was agreed, alongside providing a description of methodology used for calculating the values.

Therefore, the Cadaster directorate was tasked to publish the production volume and value for both planned and actual production data along with justifications and methodology of how the value of the production data has been calculated.

Volume and Export Data:

EITI standard requires the implementing countries to publish its export data publicly. It also suggests that Afghanistan may wish to use EITI reporting as a diagnostic tool to identify discrepancies in export data from different sources and support the government's efforts to curb smuggling and in response to this action, MoF has agreed to use EITI report continuously and has signed MoUs with some countries (to curb smuggling) while MoUs with other countries are in process. Besides to ensure that export volumes and values for all extractive commodities exported are publicly accessible, the MoF has helped in this regard and it can be found at the link below:

<https://customs.mof.gov.af/afghanistan-customs-statistics-reports/>

MSG Oversight of the MoMP Reform Strategy:

In recent developments with regard to the MoMP reform strategy and M&E mechanism' oversight, the MSG, in its meeting dated 28th November 2019, decided that it won't be able to fully monitor the strategy and because mostly remote projects were involved, the AEITI would lobby to hire 2-3 M&E Specialists or consider budget for the relevant MSG Committee Members to effectively monitor the implementation process of the MoMP's Reform Strategy, using the document as TOR and to report to the MSG's based on the findings from the sites.

LEGAL FRAMEWORK:

Mining Regulations:

As the new mineral law had already been approved and is in effect through a Presidential Decree, the legal department of MoMP has been working on developing the Mining Regulations. According to legal department, the regulations have been drafted and till now 4 versions of the regulations have been developed which has been shared with wider stakeholders for feedback and comments. MoMP receives comments, it shares them with the relevant experts for review and then they are shared with the relevant legal firm to ensure that the comments are not contradicting other laws and are necessary to be incorporated. The regulations were in the consultative process yet and have to be sent to Ministry of Justice. The consultative period was still open and the ministry had been planning to hold a consultative session consisting of wider stakeholders including CSOs where they will be given the opportunity to provide their inputs on the draft regulations.

Mandatory Social Expenditure:

The issue of Mandatory Social Expenditure was discussed; a definition for Mandatory Social Expenditure has been developed and presented to the MSG meeting dated 25 Dec 2019. Where the MSG members commented that consultation with the local communities

should also be included in the definition. After incorporating the comments and it would be shared with MSG for approval.

Beneficial Ownership Threshold:

The AEITI Secretariat requested the MSG members to specify the Beneficial Ownership threshold in the light of the new mineral law. The issue of BO threshold had also been discussed and finalized in April 2018 meeting, but, despite the determination of the threshold previously, for more clarity the issue was submitted to the technical board to be finalized in consultation with Legal Directorate of MoMP.

In follow up to this issue AEITI Secretariat shared this issue with the President's advisor's office so that they can revise the definition. Instead, the President's advisor's office shared the relevant texts of the law referring to the provisions about BO and PEP (Politically Exposed Persons) where the same was shared with EITI International secretariat for their comments which was declared that the law included BO and PEP related provision to some extent but more could be done to ensure better compliance.

In its meeting dated 31st December 2019, the MSG, the BO and PEPs definitions were presented before the MSG where the MSG noted that the BO and PEPs definitions have already been approved by them and have been even included in the mineral law so the provision of the Mineral Law was considered final in term of the MSG business.

The relevant MoMP directorates have adapted the procedures for collecting the BO information for both the new and existing companies. The MoMP has been collecting the required BO information based on the developed forms from the companies where the companies are mandated to at least sign off the forms by their management to comply to the requirements of the EITI standard.

Ombudsperson's Office:

MOMP's is considering hiring an ombudsperson's office, which was welcomed by CSOs who emphasized on the independency and seniority of the ombudsperson saying that indeed it was a welcome decision by the MoMP. As per the sources, the Natural Resources and Environmental Protection Committee (NRCE) of the Parliament was considering bringing changes in the mineral law and the matter was under discussion and the CSOs who were interested in providing their suggestions, could directly share it with the committee. The setting-up of a working group meeting was proposed to draft their recommendations and share it with the committee. The initiative would empower the MSG and would make it more efficient to hold Government accountable and bring pressure on MoMP where it is required.

IMPROVE MSG PARTICIPATION AND GOVERNANCE:

The AEITI Secretariat reported to the MSG on standardizing the process of MSG work and activating the Secretariat in a way to comply with EITI standards and to improve the mining governance, hence, an EU consultant was given the responsibility for preparing the key documents such as TORs for MSG and AEITI Secretariat, the operational procedures for MSG, AEITI organizational chart including comprehensive working / operational plan.

MSG ToR, Members' Participation and Establishment of Working Groups:

MSG Terms of Reference (ToR) outlines how the MSG conducts its business – the ToR was duly approved by MSG in its meeting in April 2019. The development of the ToR will also act as a guideline for the MSG on how they will carry out their duties within their respective areas in implementing EITI in the country. With regard to the members' participation in the MSG meetings, the co-chair of the MSG has instructed the members to actively participate in the meetings because it was a directive from the President which requires all of the members to actively and regularly participate in the MSG meetings; the same directive also said that any member missing more than two MSG meetings would be subject to dismissal from the MSG membership and be replaced. It was suggested during the meeting that if a member couldn't participate in the meeting, he/she should inform the secretariat of the reason or send his/her backup.

AEITI secretariat has highlighted the importance of establishment of committees as per the MSG TOR at this critical time where the committees needed to work on developing TORs for reconciliation of the 1393 and 1394 data gaps. Based on the MSG decision, four working group committees were established - the committees include:

- Validation and Reconciliation Working Group (G-1)
- Communication Working Group (G-2)
- Financial Working Group (G-3)
- Technical Working Group (G-4)

Secretariat's Terms of Reference (ToR):

The secretariat's ToR which is a document meant to regulate the day to day business of the secretariat has been developed and approved by the MSG in April 2019 in its meeting - the AEITI secretariat has discussed the CSOs recommendations which proposed some changes including hiring a social development specialist for the secretariat as well as revised number of AEITI Secretariat staffs with changes to the last version of the TOR shared with MSG members; the chart and the CSOs recommendations were presented before the MSG and it was agreed to give the secretariat authority to manage its internal resources and functions to be able to meet the overall responsibility and cope with the load of work. However, the condition, as per the previous MSG meeting decision, was to consider gender equality where staffs of the secretariat should consist of at least 30% females.

Civil Society Organizations Involvement:

According to MoMP, the CSOs comments which were made before the previous validation have been taken into consideration, i.e. with regard to the progress on publication of production value and volume; the Cadaster department reported that MoMP has published all the information online. The production volume was already in transparency portal, regarding the production value, ARD was working on it and it would be completed by the end of February 2020 for the years 1397 and 1398 respectively by companies and revenue streams. On the current status of the Mineral Law, the legal department reported that the new law is enforced and published by the Ministry of Justice of Afghanistan. On the CSOs comments made before the previous validation - it was reported that that majority of the eight recommendations made by CSOs were taken into consideration and therefore addressed by MoMP. The MOMP has developed computerized systems (NTRS, MCAS and Transparency Portal) to establish an effective register of contracts. CSOs provide some recommendations in their note to be included in the relevant legislations. The government is now working on a comprehensive Mining Regulation and these recommendations will be taken into consideration.

In addition, the CSOs have also made effective participation in terms of drafting and implementation of the AEITI outreach workshops as stated above. The CSOs have discussed major issues within the extractive sector and brainstormed local and regional CSO members on the roles and responsibilities they could play at mining sites as well as in the locality to further educate the general public on their roles and responsibility and how to take active part in ensuring good governance of the extractive sector and assist both the government and private sector in delivery of the mining contracts / projects based on the laws, regulations, and contractual terms.

Nonetheless, as stated above, the CSOs have also taken effective part in the MSG Working Group where at least two to three CSO representatives have volunteered to become members of the 4 above mentioned working groups. They have also carried out works as members of the working groups and actively participated in each of the meetings of the groups by taking part in decision making and carrying out relevant assignment.

CSOs Election Procedure:

As the current MSG's tenure is coming to an end by February 2020, the members discussed the transition of MSG – in their commitments to transparency of the process as commented by the AEITI validator, the CSOs insisted that they didn't want monopoly within the process. They were volunteer and were contributing their time and energy towards the process insisting that the previous members of the MSG from the CSOs constituency had also came through transparency election process. The representatives of the CSOs said that there was no conflict within the CSOs and they have started their preparations for the upcoming elections of the MSG members – saying that the CSOs has planned to invited all other (relevant) CSOs who are interested to join MSG and they assured the members of open, fair and transparent elections of the CSOs constituency in the upcoming MSG elections.

The draft CSOs election procedure has been developed after a series of consultations with different stakeholders – the document was also shared with EITI secretariat where the latter has raised concern over the document – stating that the documents only allows two CSOs networks to be able to participate in MSG elections which was against the EITI requirements which ensured open access of all the CSOs to MSG.

It should be noted that the EITI international secretariat has expressed their concern over the document limiting the accessibility of other CSOs who may wish not to join any of these networks but still be able to join MSG. This was a concern which was discussed in the MSG, where the CSOs constituency defended this issue as they said that these two mining networks consisted of other CSOs and were currently the biggest networks monitoring mining sector.

The CSOs highlighted the fairness of election and said that they would ensure that each CSO is given a fair chance in the upcoming elections and that the CSOs election procedure had already been finalized, adding that every CSO interested who meets the eligibility requirements can participate. It was agreed in the MSG meeting dated 28th November 2019, that AEITI CSOs, in case of having issues with opening the election procedure, will send a letter to EITI [CSO Board Constituency] explaining inclusiveness of the CSO election procedure following which it was promised that CSOs will share the revised election procedure within next week with the MSG and secretariat.

In MSG Meeting 45 on Dec 31, 2019, the secretariat informed the MSG members of receiving a revised (comprehensive) draft for CSOs election procedure which would be reviewed by the secretariat to be shared with wider networks and receive feedback on it for improvements. The procedure will be shared in the Civil Society Joint Working Group (CSJWG) meeting where AEITI Secretariat would brainstorm the group members about EITI process and the AEITI MSG so that they are well aware of the nature of the MSG business before approving / revising the new CSO election procedure.

Standard Operating Procedure (SOP):

In order to regulate the business of the MSG and the secretariat, an SOP has been developed which details the procedures to be adopted by the AEITI MSG in its day-to-day operation, governance, and decision-making process. It applies to the AEITI MSG, the AEITI National Secretariat, and any MSG working committees, and sub-committees that may be established as provided. The SOP is to be read in context of the MSG ToRs, the National AEITI Secretariat ToRs, and the EITI Standard and would detail the processes that the Multi Stakeholder Group (MSG) will follow to ensure transparency and accountability in the AEITI decision-making process in all MSG meetings, and meetings of sub-committees and working groups are productive and efficient. The SOP will also enshrine the participation of CSOs, private sector, and government (through their representatives of their broader constituencies at the MSG) in the AEITI decision making process and would ensure that templates, minutes of meetings, resolutions, and other documents, are standardized as far as possible across the various organs of AEITI.

EITI Global Conference June 2019:

EITI held its 8th Global Conference in Paris, France from 17th to 19th June 2019 under the theme of Open Data Build Trust. The Conference accommodated election of new EITI Board Members, National Coordinators' Meeting, EITI Members Meeting, National Innovation Exchange, and many other side meetings and events. AEITI MSG along with AEITI Secretariat was invited to attend the conference where AEITI National Coordinator and one representative from Civil Society and Private Sector attended the conference and represented Afghanistan.

MSG Champion, Government and Civil Society representatives have been the key speakers in the EITI Global Conference over the two (18th and 19th) days of the conference. Although H. E. the Minister of Mines and Petroleum, the AEITI MSG Champion was not able to attend the conference, a short video clip was presented to the conference's audience to deliver her speech on the EITI Implementation and systematic disclosures resulting in strengthening mining governance. The meeting mainly concentrated on group presentation on regional achievements, EITI implementation status, achievements and challenges. The meeting also included speech by the outgoing and incoming EITI chairs and various aspects of EITI implementation were discussed among the National Coordinators.

Every Implementing Country was provided a time slot and resources by the EITI International Secretariat so that the countries can present their experience with the implementation of the EITI standard including their achievements, challenges and innovations. AEITI had delivered a presentation on the Transparency Portal including the NTRS and MCAS systems, how these systems worked together, what was displayed to the public, and how did it affect the mining governance and its contributions to the governments' commitments to ensure transparency and accountability.

Self-Assessment Workshop, Dubai, UAE:

AEITI held a 4 days self-Assessment workshop in Dubai UAE on Nov 04, 2019. In this workshop two individual groups, one under the lead of deputy minister of policy and programs for MoMP and second group led by the chairman of the Natural Resources Committee of Parliament, as well as donors, Independent Audit, AEITI Advisors, GIZ MinGov project and EITI international secretariat staffs participated.

The workshop was aimed to assess EITI standards implementation, 6th AEITI report and setting deadlines for requesting Afghanistan's membership suspension, as well as the issues of disclosure of contracts and their processing of transactions between the government and SOEs, improvement the production of figures and exports at extractive and industries sectors were main agenda of the workshop. The workshop also focused on helping lifting off Afghanistan's suspension with EITI board and increase capacity of the participants on AEITI requirements.

The main discussions of the workshop are broken down as below:

Corrective actions and AEITI Action plan:

The session was led by Mr. Pablo Valverde (from the EITI International Secretariat) where the participants were divided into different groups who discussed the corrective actions undertaken according to the AEITI action plan on the areas still needing further actions. The gaps were listed in an action plan assigning relevant entities as responsible bodies. Mr. Pablo said that EITI standards were only a guideline for initiation of the process; the rest is up to the MSG of the relevant countries to decide on issues such as definition of beneficial ownership, transportation revenue, SOEs and so on. MSG needs to tell us what the law says, what requirements are set in terms of data quality, constituency election requirements, what is done and where the gaps are. If MSG does not do any of these, then we have to go to the broader picture from international perspectives and apply what is best practice in other countries. There was also an open floor discussion regarding EITI process and the findings of the 6th EITI report among the participants.

Validation and its impact:

Mr. Alex Gordy explained to the workshop participants that the validation will focus on corrective actions outlined from previous validation and gauge the progress on them, as well as checking whether there has been back-sliding on progress achieved previously. He also described that the validation will be based on the recent EITI Report published by Afghanistan and Validation will consider both financial and non-financial areas. Systematic disclosure of information is crucial and may be flagged in the validation process to get a good score on it.

Reflection of Government progress towards implementation of EITI requirements into 6th EITI report:

Mr. Hedi, Independent Administrator (IA) for the 6th AEITI report, pointed out the difficulties faced by IA while preparing the 6th report and asked the participants for their views on the gaps listed in the report. Then representatives from EITI International had some comments in regard to the contents of the report. Mr. Pablo asked for clarification whether payments included in the report were statutory and Mr. Alex said that MSG should be critical to data quality to the data which is not realistic. Furthermore, Mr. Alex said that EITI report once a year should reflect the companies and government accounting and audit practices.

Reports provided by SOEs should be audited and approved by MSG and then published to the public and if it is not done, the reason should be clearly explained. Production data published online needs further elaboration and. MoF Custom website had taken down the data on exports which needs to be restored to comply with the EITI standard. The participants agreed that the matter should be raised in the MSG which would direct the SOEs directorate to clarify and publicly disclose the transactions and payments to the government and among themselves.

Then the recommendations of IA were discussed where issuance of TIN to all companies has gaps and it was agreed that MCAS and SIGTAS are integrated and MoMP new invoice format should include TIN and a joint committee of MoMP and MoF to be made to work on this.

The result of the workshop was positive in terms of meaningfulness of the progress Afghanistan has made during 2019 and it was suggested that Afghanistan can even move to the Satisfactory Progress stage if more concentration is made on greater transparency.

PRODUCTION AND PUBLICATION OF AEITI REPORTS:

6th AEITI Report:

Afghanistan EITI published its 6th AEITI report on 30th June 2019 – the report summarizes information about the reconciliation of fiscal and non-fiscal revenues from the extractive sector in Afghanistan as part of the implementation of the EITI standard 2016 for the years 1395 and 1396 (2015/16 – 2016/17) respectively. In this context, companies and Government Agencies report payments and revenues respectively. In addition, this report includes a reconciliation of revenues paid by State-Owned Enterprises (i.e. Afghan Gas Enterprise - AGE and North Coal Enterprise - NCE) and the cash flows contributed to the State budget.

The report is aimed to assist the Government of the Islamic Republic of Afghanistan in identifying the positive contribution that mineral resources make to the economic and social development of the country and to realize their potential through improved resource governance that encompasses and fully implements the requirements of the EITI Standard.

The decision to publish the 6th AEITI report publicly was taken the MSG meeting dated 30 June 2019, where the MSG approved the report to be published publicly - the report provides individual recommendations to Government ministries/departments for present issues and challenges for extra transparency in the extractive sector; among many is the implementation of EITI Standard. The Government of Afghanistan is seeking for developing policies and legal frameworks which will help the economy of the country and increase within its revenues from the sector. Along the lines, strengthening the revenue management, transparency within the sector and access to information by public is also the priority of the Afghan Government.

Unlike previous reports, the 6th AEITI report sets precedence over other AEITI reports in quality and coverage of the extractive sector of Afghanistan where the MSG along with MoMP and other stakeholders have gone beyond EITI standard in disclosing data of the extractive sector – the report also covers information on the beneficial ownership which was required post EITI standard 2016.

According to the data collected from Ministries, revenues generated from the extractive sector totaled AFN 3.27 billion¹ in 1396 and AFN 1.87 billion² in 1395 after the reconciliation work, hence an increase of 42%. The main reconciled revenues were

royalties collected by the Ministry of Mines and Petroleum (MoMP) and Corporate Income Tax (CIT) and Business Receipts Tax (BRT) 4% collected by the Ministry of Finance (MoF). These revenues totaled AFN 2.40 billion³ in 1396 and AFN 1.35 billion⁴ in 1395.

Hiring of consultancy firm for resolving discrepancies found in the 4th & 5th AEITI Report

Delay in hiring a firm for resolving the discrepancies of the previous reports was due to budget transfer from MoF and MoMP. A firm is expected to be hired in the beginning of the 2020 that will be responsible to investigate the current discrepancies of previous AEITI reports (3-5th AEITI report) and provide its results to the MSG. The MSG is expected to decide based on the recommendation of the firm for whether or not the government should take action in light of the findings of the discrepancy resolving report.

7th AEITI Report

The 7th Report TOR has been developed and shared with the Reconciliation Working Group committee on 26 August 2019 where it was discussed and the comments of the committee members were integrated in it. Afterwards the ToR was shared MSG, for their comments, following the discussion, the ToR of the 7th AEITI report was approved unanimously in principle – the changes which the EITI international secretariat brought in the document were integrated and the ToR handed over to Ministry of Finance’s procurement department for announcement but procurement procedure which got delayed because of the budget transfer process form Ministry of MOF of MOMP, where relevant outstanding activities in AEITI 2017 country work Plan including (Presentation and Approval of the 7th EITI report (MSG Meeting), Publishing of the 7th EITI Report (Launch) and Workshop - lessons learned from 7th EITI Report and disseminate findings/learning and prepare case studies) are also postponed due to budget issue .

4. ASSESSMENT OF PERFORMANCE AGAINST EITI STANDARD:

Requirement	Progress
Oversight by MSG	In the light of the approved MSG Terms of Reference (ToR) and Standard Operating Procedures (SOP), the MSG is now more active and involved in the oversight of the implementation of EITI in Afghanistan, both those documents govern and regulates the internal business of the MSG – the Government has reiterated its commitment to the process – the President has issued a decree directing all MSG members to actively participate in the meeting following which more active participation of the members has been seen. The CSOs and Private Sector has also been independently involved in the

	<p>process now and are more vocal and acknowledging MSG as a platform for promoting openness and access to information and conveying their voices to the Government on issues and challenges. The MSG had prepared and published costed workplan for the year 2019 which have almost been thoroughly implemented and is available publicly on the AEITI website to give an insight into the MSG oversight of the process.</p>
<p>Legal and institutional framework, including allocation of contracts and licenses</p>	<p>Although the mineral law has been approved and the ministry of Mines and Petroleum has been working on the regulations, as per sources, the “Natural Resources and Environmental Protection Committee” (NRCE) of the Parliament has been considering bringing changes in the mineral law.</p> <p>In addition, the MoMP has drafted mining regulation in close consultation with the private sector and civil society organizations. In its meeting dated 28th November 2019, the MSG decided to set-up a working group meeting to propose and draft their recommendations so that CSOs and Private Sector voice is heard and their recommendations are addressed. The current law and regulations cover all the legal aspects of EITI standard in terms of governing license, transfers, license allocation and contracts.</p> <p>The draft mining regulations has been approved by the cabinet law committee. This draft regulation is designed and set out to determine the size of field activities and encourages ministry staff in field activities.</p> <p>It was decided by the cabinet law committee that the Ministry of Mines and Petroleum Officers' Field Activity Privileges Draft Regulation would be submitted to the Government Cabinet for subsequent steps.</p> <p>http://aeiti.af/en/news/cabinets-law-committee-meeting-held</p> <p>A transparency portal has been developed which contains mining license and contract along with beneficial ownership data. The MoMP also provided bidding documents and procurement requirements for prospective bidders. To address the EITI requirement on establishing a publicly available license register, the MoMP website offers comprehensive information on all mining, oil and gas licenses including license holder name, dates of application, award and expiry, commodity covered, beneficial ownership and geological coordinates.</p>

	<p>A comprehensive assessment of transactions between SOEs and government entities to ensure that the reporting process comprehensively addresses the role of SOEs, including transfers between SOEs and other Government agencies have now been completed and included in the 6th AEITI report. Where further information is planned to be included in the addendum to the 6th AEITI report to be published in 2020.</p>
<p>Exploration and Production</p>	<p>As the EITI requires the countries to disclose the exploration, production and exports, AEITI has been able to drift MoMP and MoF towards complying with this standard – in the previous 6th EITI report, data on these areas was published comprehensively including the export data, which had long been ignored in the previous reports, the cause for not being able to publish it previously could be traced back to the customs law and some uncertainties within the practices and exports of the country with regard to extractive materials. The export data was removed from the MoF website temporarily due to these uncertainties, however, as per the request of the AEITI, the data is restored and is available on the MoF custom website.</p> <p>https://customs.mof.gov.af/afghanistan-customs-statistics-reports/</p> <p>On the basis of the mineral law and license awarded, the companies are obliged to pay for the actual or planned production – the issue of publishing the actual and planned production value and volume were discussed in the meeting. The MSG approved the option where both actual and planned production value and volume would be published alongside providing a description of methodology used for calculating the values. This action would further bring transparency and would have a huge impact on the relationship of the Government and Companies.</p> <p>https://momp.gov.af/index.php/small-mines-projects-details</p>
<p>Revenue Collection</p>	<p>This requirement has been fully addressed in the 6th AEITI report, which provides a comprehensive disclosure of taxes and revenues.</p> <p>On the level of disaggregation, AEITI has been in consultation with MoMP and MoF to ensure it is met.</p> <p>The AEITI has always been committed to data timeliness and has ensured to publish its report within the deadlines provided by</p>

	<p>EITI board. The 2018 annual progress report and the 6th AEITI reports have been published in line with the allowable deadlines.</p> <p>With regard to the quality assurance of the data provided by the reporting companies in the 6th AEITI report, AEITI Secretariat informed the MSG members that SAO has audited both of the reporting SOEs which form major portion of the data reported in the 6th AEITI report and has found discrepancies in the reports which goes to show the reforms within the revenue collection.</p> <p>EITI standard also requires quasi-fiscal expenditures to be disclosed and accordingly the secretariat in line with the AEITI action plan has asked the SoEs directorate to disclose those expenditures as per EITI standard. To address the recommendation, the SoE Directorate of MoMP proposed a definition for quasi-fiscal expenditures comprising of partial IMF's and EITI's definitions but the MSG members, after due deliberation, agreed on adopting the IMF's definition of the quasi-fiscal expenditures highlighting that the items which are not applicable in Afghanistan can be applicable in the coming years and wherever the SOEs report, they can simply tick the irrelevant items as not applicable for now. The quasi-fiscal expenditure, although included in the 6th AEITI report, has to be revised and published in the addendum to the 6th AEITI report in the first quarter of 2020.</p>
Revenue Allocations	<p>As Afghanistan has a single treasury account, where all the government revenues are collected, this issue has long been a matter of discussion. The revenue collection and allocation procedure applicable in Afghanistan doesn't allow for a separate account for mining revenues despite the fact that the 1393 (2014) mining law requires the government to allocate 5% of the mining revenue to the applicable provinces.</p> <p>The MSG recognizing the importance of this condition has requested the government (MoF) to justify why the 5% of the mining revenue was not allocated based on the 1393 mining law and what the government plan is to allocate 5% and 8% of the extractive sector revenue based on the current mining law.</p> <p>The MoF has been working on preparing the justification to answer requirements of the previous law and disclosure of its plan for allocation of the 5% and 8% forecasted in the current</p>

	<p>mining law. The justification and governments plan will part of the addendum to the 6th AEITI report.</p>
<p>Social and Economic Spending</p>	<p>With the help of National Statistics and Information Agency and MoF, the 6th Report contains the information on the contribution of the mining industry to the GDP of the country and social expenditures by extractive companies.</p>
<p>Outcomes and Impact</p>	<p>The 6th AEITI report has a number of recommendations which could bring reforms within the sector and would have huge impact on the sector. The recommendations of the previous reports have been taken into consideration and corrective actions proposed where most of the activities and recommendations have been met.</p> <p>Some of the Outcomes and Impacts are as below:</p> <ul style="list-style-type: none"> • Afghanistan has used EITI reporting to explain challenges in the production of official production statistics and track the implementation of key reforms in the MOMP’s mine inspection and oversight. • Export volumes and values for all extractive commodities exported are publicly accessible through https://customs.mof.gov.af/afghanistan-customs-statistics-reports/ • A comprehensive assessment of transactions between extractives SOEs and government entities to ensure that the reporting process comprehensively addresses the role of SOEs, including transfers between SOEs and other government agencies. • Explored the extent to which it could use extractives-specific GFS (Government Finance Statistics) classifications from its EITI summary data tables (together with its per-license tax ID numbers) as a means of disaggregating extractives revenues in MOF systems. • The extent to which disclosure of Community Development Agreements (or review of key terms) would be necessary to provide a comprehensive assessment of the existence of mandatory social expenditures – the CDP is included in regulations. • A comprehensive review of all expenditures undertaken by extractives SOEs that could be considered quasi-fiscal has been included in the 6th AEITI report and the newly MSG adapted definition based report will be included in the addendum report.

	<ul style="list-style-type: none"> • Reporting process for quasi-fiscal expenditures with a view to achieving a level of transparency commensurate with other payments and revenue streams has been included in the 6th AEITI report confirmed by IA. • Disclosure of comprehensive information about the extractive industries' contribution to the economy in relative and absolute terms, including to GDP, government revenues, exports and employment. • Proposed reforms of EU on systematic disclosure adopted by MSG <p>The AEITI secretariat has initiated and implemented a Survey for the AEITI MSG members to review and assess EITI impact during the current term of the MSG. As the term of the current MSG ends within the first quarter of 2020, a survey was conducted among the MSG members to know their views and impressions on the EITI impact. The result of the survey is included in the 6th AEITI addendum report.</p> <p>In addition, the MSG working group (G4) was also tasked to assess the impact of the EITI process as a result of the implementation in 2019. The committee has conducted an overall assessment of the implementation process and prepared its report on the impact of the EITI implementation which is attached as Annex-A to this report.</p>
Public Debate	<p>AEITI has been producing paper copies of its EITI reports since publishing of its first EITI report – these reports are being regularly distributed across the country. Besides the dissemination of hard copies, the reports are also made public online on AEITI and MoMP websites. The CSOs constituency of the MSG actively promotes and hold debates on the published reports. Following the publishing of the 5th AEITI report, IWA held a media conference on the report paving the way for debate on the gaps and asked the government to ensure that those gaps were bridged. Each AEITI report when it is published generates a debate among the CSOs' constituency and media and opens new dimensions of dialogue on the governance of the extractive sector. AEITI has an open data policy and all the information in these reports can be reused without prior consent – these reports are published in open data and machine readable formats in local as well as English languages on AEITI and MoMP websites.</p> <p>During the 2019, the following outreach events were held by AEITI:</p> <ol style="list-style-type: none"> 1. Workshop on EITI Standards and Validation Process

	<ol style="list-style-type: none"> 2. Journalists’ and CSOs Workshop on the MoMP Online Transparency Portal 3. EITI Global Conference June 2019 4. Towards Afghanistan’s Extractive Industries Transparency Initiative (EITI) Re-Validation 5. Promoting Good Governance in the Extractive Sector – Data-Exchange and Cooperation 6. Roundtable Session on Capacity Development of AEITI Stakeholders 7. AEITI Self-Assessment Workshop 8. AEITI Outreach Session for CSOs Representatives <p>The above mentioned events were held in partnerships with GIZ MinGov project and were to ensure promotion of public debate, dissemination of information to the right parties, building capacity of AEITI stakeholders and creating trust between the public and government and AEITI.</p>
<p>Data Accessibility</p>	<p>AEITI has each year been producing summary of its AEITI reports including in local languages – the lately published AEITI 6th report’s summary reports have also been produced and published online. These reports have been produced in line with the EITI requirement 7.2. Besides, AEITI has also been working on developing the info-graphic versions of these reports which will further summarize the information and make it easy for public understanding.</p> <p>The following capacity building events have been held for AEITI stakeholders:</p> <ol style="list-style-type: none"> 1. Journalists’ and CSOs Workshop on the MoMP Online Transparency Portal 2. Towards Afghanistan’s Extractive Industries Transparency Initiative (EITI) Re-Validation 3. AEITI Self-Assessment Workshop 4. Workshop on EITI Standards and Validation Process 5. Roundtable Session on Capacity Development of AEITI Stakeholders
<p>Discrepancies and Recommendations from EITI reports</p>	<p>All the AEITI reports provides recommendations, post suspension, AEITI created an action plan taking into consideration each recommendation from all AEITI reports, weekly meetings under the Minister of Mines and Petroleum also MSG chair are held on the progress of each activity in the action plan. The developments and follow-up is reviewed with</p>

	<p>each department and most of the recommendations have now been addressed. This has very positive impacts on the governance of the extractive sector. These recommendations have found very helpful in identifying the gaps which needs to be bridged and will reform the extractive sector. Besides AEITI has also been a tool to bring the government’s attention towards several areas which were previously ignored including legal framework. These are now been actively considered by MoMP and MoF.</p> <p>Regarding the discrepancy of the previous reports, AEITI to announce the ToR for resolving the discrepancy of the previous report which yield no result as no qualified company could be found. However, due to budget shift from MoF to MoMP, the project is to be re-announced in the year 2020.</p>
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5. MSG’S RESPONSES TO THE RECOMMENDATIONS FROM RECONCILIATION AND VALIDATION:

<p>The AEITI MSG has prepared a work plan for 2018-2019 and specifically an action plan that is derived from the recommendations of the 2017 Validation, 5th and 6th AEITI reports, donors and other stakeholders’ recommendations.</p> <p>The details of these actions and the progress made during the reporting period are described one by one as per the following.</p>	
<h3 style="color: green;">Recommendations from 5th AEITI Report</h3>	
Recommendation:	Status/progress:
Weak Understanding of EITI requirement in MOMP and MOF in order to prepare for 6 th AEITI report	In this regard during 2019 three workshops (two at MOMP on 15 th and 22 nd of January and one supported by GIZ MinGov on 4 th May have been conducted to introduce the relevant directorates’ staff of mentioned ministries on AEITI 2016 and 2019 standard, EITI validation process, and government’s actions in regards to implementations of the EITI standard.
As per requirements of EITI standard 2016 implementing countries are to publish their EITI report and as per schedule Afghanistan should publish its 6 th EITI report till Dec. 2018	The 6 th AEITI report for the years 2016 and 2017 was due by December 2018 which required AEITI to publish its 6 th AEITI report within the deadline. The procurement of the IA took a long time and faced various issues such as lack of interest by the qualified international auditing companies to bid for the opportunity. Recognizing the challenges to publish the report within the deadline, AEITI MSG through its chair and the Acting Minister of Mines and Petroleum

	<p>sent a letter to the EITI secretariat and EITI board requesting an extension for publication of the AEITI 6th report by end of June 2019, and AEITI was able to publish the report within the EITI board approved extension deadline of 30th June 2019.</p> <p>http://aeiti.af/en/news/aeiti-publishes-6th-afghanistan-eiti-report</p>
<p>As a requirement EITI implementing countries are to publish their revenue from extractive sector as well as information on license holders and etc.</p>	<p>MoMP has officially launched transparency portal on November 25th 2018. The transparency portal includes information such as payments made by the companies, information on ownership of licenses and contracts, information on dates, status, duration, location etc, information on beneficial ownership and politically exposed persons.</p> <p>https://transparency.mom.gov.af/</p>
<p>Demonstrate progress across the EITI scorecard:</p>	<p>After suspension of Afghanistan, the AEITI MSG was able to address majority of the recommendations from the validation as well as previous AEITI reports and held a Self-Assessment workshop to assess the result of its progress which was declared (unofficially) as meaningful progress considering the fact that AEITI could get satisfactory score if it is able to ensure greater compliance with the EITI standard provisions prior to the next validation.</p> <p>In accordance with its action plan, the AEITI together with MoMP, MSG and other stakeholders held a pre-validation exercise to ensure that corrective actions were properly addressed in the 6th AEITI report. As of writing of the report, the progress across the EITI scorecard (as a result of the self-assessment workshop) has been published as a news item on EITI website.</p> <p>http://aeiti.af/en/news/aeiti-self-assesment-workshop-held</p> <p>A description of the actual allocation and transfer process (including the roles of relevant government entities) and any non-trivial deviations from statutory procedures in practice has been provided on MoMP website. In further developments, an MSG working group has been tasked to improve this process on the current license allocation and transfer system.</p> <p>https://momp.gov.af/dr/طرزالعمل-ها-و-چارچوب-های-کاری</p> <p>The MSG will work with MoMP to ensure that all license information listed in Requirement 2.3b is available for all</p>

extractives active licenses through the Transparency Portal and MOMP website.

A comprehensive assessment of transactions between SOEs and government entities to ensure that the reporting process comprehensively addresses the role of SOEs, including transfers between SOEs and other Government agencies have now been completed.

A comprehensive account of any loans or loan guarantees extended by the state or SOEs to mining, oil and gas companies have also been published and are available on MOMP website.

<https://momp.gov.af/soes>

The MSG has ToR that address the minimum requirements in the Standard and these have been reviewed on a number of occasions. The MSG does not follow its ToR in practice, however, and this appears to have had an impact on its ability to exert adequate oversight over the reporting process as stakeholders have not had sufficient time to review draft reports before publication. Although each stakeholder group has the right to appoint its own representatives and constituencies have developed procedures to nominate their members, there are concerns that the selection process followed by civil society is not representative or open to CSOs that are not affiliated with IWA or ENMRN. Although constituencies are adequately represented, frequent turnover in the government constituency is generally recognized as a challenge. Work plans, EITI Reports and annual progress reports are approved by the MSG, but there are concerns that short deadlines do not allow for meaningful engagement. The MSG does not practice a per diem policy, although this is not explicitly stated publicly.

To avoid future issues and improve MSG elections and the way the MSG operates MSG and Secretariat governance documents including the MSG TOR were revised and updated in accordance with EITI Standards and best practice in public sector governance and MSG TOR has been approved initially on 5th of March and final version on 9th of April.

MSG also took notice of members' attendance at the MSG meeting organized on Nov 25, 2019 and agreed that the members needed full and active participation in the MSG meetings and those who have missed MSG meetings were mainly unaware of the procedures and requirements. Therefore, AEITI secretariat was tasked to convey the importance of their attendance to the new MSG members and ensure they participate regularly and actively.

The transparency of the MSG elections had been a long-standing issue within the CSOs networks with complaints about a CSO dominating and leading MSG discussions resulting in complaints about transparency and collusion.

The draft CSOs election procedure has been developed after a series of consultations with different stakeholders – the document was also shared with EITI secretariat where the latter has raised concern over the document – stating that the documents only allows two CSOs networks to be able to participate in MSG elections which was against the EITI requirements which ensured open access of all the CSOs to MSG.

In MSG Meeting 45 on Dec 31, 2019, the secretariat informed the MSG members of receiving a revised comprehensive draft CSOs election procedure which would be reviewed by the secretariat to be shared with wider networks and receive feedback on it for improvements. The procedure will be shared in the Civil Society Joint Working Group (CSJWG) meeting where AEITI Secretariat would participate and brainstorm the members about the EITI requirements and MSG membership.

The per diem policy has been set in the revised MSG TOR- which says that “**no per diems will be paid to members**”.

The 2014-15 EITI Report lists 30 (unidentified) mining licenses awarded in the period under review, but do not clarify the procedures followed for their award in practice. It is unclear whether any mining licenses were transferred in this period. The report provides general descriptions of the process for awarding mining licenses and hydrocarbons contracts through competitive bidding, but not of the process for transfer licenses. The report only refers to the existence of bid criteria for license awards, it does not describe technical and financial criteria nor provide guidance on accessing bid criteria and a list of unsuccessful bidders for the 30 mining licenses awarded in 2014-15. While the report does not clearly state whether any hydrocarbons contracts were awarded or transferred in 2014-15, there is no indication of any award or transfer of oil and gas licenses in the period under review. The EITI Standard requires the publication of bidding procedures, bidding criteria and the minutes of bidding decisions. (Requirement 2.2., EITI Standard, 2016)

In accordance with the EITI Standards, MOMP has published all the required information on mining contracts, including publication of bidding procedures, bidding criteria and the minutes of bidding decisions for all new and active contracts. MOMP is committed to publishing such information for future bids via its website, now all these information are available in MOMP website

<http://mom.gov.af/en>

The new laws and regulations of mining and hydrocarbon provide a comprehensive and transparent mechanism for the awarding of concessions and licenses which is also available on MoMP website.

Chapter eight of mining law “MINING CONCESSIONS AND BIDDING PROCESSES” and chapter two of the Mining Regulations adopt the applicable procedures on how a contract or license be awarded and granted.

Licenses for small-scale mining project is based on application not through bidding process, thereby ensuring a transparent and fair process for this. This is referenced under the new Mineral Law.

According to the new hydrocarbon regulatory system, hydrocarbon operations are divided into three separate levels of operations.

Every level of operation is dealt with as a separate chapter in law.

Upstream Hydrocarbon Operations (Chapter five),
Mid-stream (Chapter six)
and Downstream Operations (chapter seven).
Further details regarding awarding hydrocarbon concessions are in chapter three and six of the hydrocarbon regulations.

Regarding the process of transfer of licenses: the new Mining Law and forthcoming Mining Regulations adopt a transparent and comprehensive process for the transfer of license or interest in a license.

Article 39 of the law and 29 of the regulations contain these procedures.

Article 39 of law says:

(1) A License Holder shall not transfer a License or a License Interest unless:

*a. the License Holder has obtained the prior written approval of the Ministry in accordance with the Regulations; and
b. in the case of an Exploration License or an Exploitation License, the License Holder has complied with any additional requirements under the Mining Concession.*

(2) The Ministry shall approve the transfer of a License or a License Interest if the Ministry is satisfied that:

*a. the License Holder has complied in all material respects with this Law;
b. in the case of an Exploration License or an Exploitation License, the License Holder has complied in all material respects with the terms of the Mining Concession; and
c. in the case of an Exploration License or an Exploitation License, the transferee has adequate technical and financial capacity.*

Regarding transfer of contract/license of hydrocarbon Article 58 of Hydrocarbon Law and Article 52 and 53 of the new regulations contains the following relevant provisions.

Article 58 of Hydrocarbon law in this regard says: *“Unless approved by the Cabinet and authorized by the Authority, the Contractor shall not assign, transfer, or pledge the rights or any part thereof granted under the Contract to any other Person. This Article shall not apply to the subcontracts mentioned in Article 36 of this Law.”*

According to the new Mining law particularly Article 14 of the upcoming supplementing mining regulation, lays out the bidding process and the criteria, both technical and financial that will be used to assess the bidder’s capacity to fulfill the contract.

This information is made publicly available on the MOMP website

The 2014-15 EITI Report highlights inconsistencies between two mining license registers sourced from the MOMP, but only provides a fraction of the information mandated by Requirement 2.3.b. While the MOMP published over 1000 contracts on its website in November 2017, which include most information listed under Requirement 2.3.b aside from dates of application, the lack of clear categorization of active licenses is a concern given the significant uncertainty over the comprehensiveness of license information collected by MOMP. The report provides links to the three oil and gas PSCs awarded to date and accessible on the MOMP website, which include all information mandated under Requirement 2.3.b aside from dates of application.

The lack of a unified and central registry system within MoMP has long been an outstanding issue but now this has been addressed with the development of “Transparency Portal” which will act as central registry for MoMP.

The Transparency Portal holds a wide range of information available publicly and is searchable by:

- contract,
- holder name,
- date of application submission,
- award date,
- expiry date,
- value and volume of commodities,
- beneficial ownership,
- payments,
- license code,
- Contract status (active, non-active),
- Mines’ location.

<https://transparency.mom.gov.af/dashboard>

Also all license information listed in Requirement 2.3.b including (Date of application, date of award and duration of the license) are checked with MOMP.

AGE and NCE corporatization strategy is prepared. MoF is working on Bylaws which will be shared with MoJ for corporatizing the two extractive SOEs.

It was supposed to pursue the publication of existing studies of SOEs that have been conducted for the MOF and MOMP which is currently available online.

<https://momp.gov.af/soes>

The 2014-15 EITI Report lists two SOEs in the extractive industries, but does not describe the level of state ownership, terms associated with state equity nor any changes in state ownership in the years under review. The report does not describe statutory financial relations between the two SOEs and the state, nor any deviations in practice beyond a description of SOEs' weak accounting systems. While there is evidence that the MSG requested details of loan repayments and interest on loans from the two SOEs, the report does not categorically state whether any loans or loan guarantees from the state or SOEs to extractives companies existed in the years under review.

Profit sharing structure and retained earnings :

In regard of the profit sharing structure and retained earnings of the SOEs, an SOEs cannot retained more than a total of 25% of their annual profit and calculation of 25% funds at the end of financial year after approval of financial statement (statement of profit & loss and Balance sheet) is based on Article# 23 of the SOEs law.

SOEs shall make total 25% annual allocations to the following funds from its overall annual net profits for the purpose of growth, payment of bonuses to employees, and compensation of unexpected losses. To spend these funds, the SOEs are obliged to have the approval of the MoF.

1. Bonus Funds 15%: For payments of bonus funds after approvals of MOF, SOEs held enterprise internal committee which includes representative of all departments and decide about bonus fund distribution into two or three different parts which are as follows:

- a. Top Management
- b. Staff
- c. Labors

2. Development Fund 5% (فاند توسعوی): in each payment of development funds MOF approvals are required. For Instance, if a payment (Raw Materials) did not forecast in enterprise financial plan, then the enterprise will pay from development fund.

3. Social cultural Fund 3%: For payments of social funds MOF approvals are required. From this fund enterprise paying for different purpose occasions such as women day, athletes, seminars etc.

4. Reserve Funds 2%: In each payment of development funds MOF approvals are required. For Instance, in general if a payment did not forecast in enterprise financial plan, then the enterprise will pay from reserve fund.

By end of each financial year the SOEs must transfer the remaining (75%) of the net profit to the Ministry of Finance by the enterprise.

SOEs are not permitted to invest in any other companies or corporation except a joint venture of public and private sector. Based on Article 16 of the SOEs law, an enterprise may not invest in other enterprises. Based on Article 17 of the SOEs law, an enterprise may invest in a joint venture (combined public and private) or private undertaking upon the agreement of the Ministry of Finance.

As yet the MoMP SOEs have not invested in any other organization.

Third party financing:

SOEs have not sought financing from third party as yet but they are allowed to do so under strict conditions.

Based on Article 26 of the SOEs law, an enterprise shall finance its investments in accordance with the approved plan, from the internal resources of the enterprise, development budget of the government, and loans from banks.

According to Article 27 of the same law, an enterprise can obtain loan from banks in exceptional circumstances and that be approved by the Supreme Court of Afghanistan.

However, MoMP SOEs have not been financed by the mentioned parties.

The corporatization plan of North Coal and Afghan Gas Enterprise has been completed.

The Plan is divided in two parts; the first part is about the current financial, operational and administration activity of the enterprises. The second part is about the proposed plan of enterprises that discuss with the organization and salary structure, share of MoMP and MoF.

All other information related to SOEs can be found on the SOE tab of the MoMP website.

<https://momp.gov.af/soes>

<p>The 2014-15 EITI report provides the results of reconciliation of production volumes for minerals (including oil and gas) reported by companies and government in the years under review, albeit with significant unexplained discrepancies. There are significant concerns from all constituencies consulted over the reliability of official production statistics. The report does not provide values for any of the production volumes reported, although it does indirectly provide some information on the location of production.</p>	<p>Prior to, and during the reporting period of 2014-15 EITI Report, companies were not required to share their production value to the ministry .This has now been amended under the new Minerals Law and MOMP procedures.</p> <p>As a result, the Ministry had to develop a mechanism to calculate production values. The methodology and assumptions behind the calculations are also available on the MoMP website.</p> <p>https://momp.gov.af/index.php/small-mines-projects-details</p> <p>NOTE: According to the Inspection Department of MoMP, the value of the mineral commodities depends on location of commodities, transportation facilities, accessibility of mine sites, quality of minerals, market demand and therefore couldn't be estimated by the total value of mineral production.</p>
<p>The 2014-15 EITI Report quotes the MOF's statement that extractives export data is not currently available, despite evidence of publicly-accessible (yet inconsistent) third-party sources for mineral export data. While the report provides civil society estimates of informal lapis lazuli export volumes and values, there is no evidence of the MSG tackling the issue of export data in preparing the 2014-15 EITI Report.</p>	<p>As per the recommendation, the 2016, 2017 and 2018 extractive export data is now publicly available and can be accessible on the following website. With effect from FY 1398 this data will be quarterly updated on the mentioned site accordingly.</p> <p>https://customs.mof.gov.af/afghanistan-customs-statistics-reports/</p> <p>Also it was proposed that Afghanistan may wish to use EITI reporting as a diagnostic tool to identify discrepancies in export data from different sources and support the government's efforts to curb smuggling, in this regard Mof has agreed to use EITI report continuously and has signed MoUs with some countries (to curb smuggling) while MoUs with other countries are in process.</p> <p>At meantime a comprehensive assessment of transactions between extractives SOEs and government entities is undertaken to address the role of SOEs in reporting process, including transfers between SOEs and other government agencies.</p>

<p>The Validation Guide states that “Disclosure of material transportation revenues is expected, but not required for compliance with the EITI provisions. Where transportation revenues are material but not disclosed, the validator is expected to evaluate whether the MSG has documented and explained the barriers to provision of this information and any government plans to overcome these barriers”. The MSG appears to have considered the existence of transportation arrangements in the extractive industries in general, although the 2014-15 EITI Report refers to four arrangements that do not give rise to transportation revenues. Yet the International Secretariat finds no evidence of any such discussion by the MSG of road-use fees collected by the Ministry of Transport on all vehicles (not extractives-specific). While these are likely immaterial, the lack of clear assessment of the materiality of such road-use fee revenues is a concern.</p>	<p>Based on the meeting that Deputy Minister Rabani had with the representatives of Ministry of Transport and Aviation it is now clear that the government of Afghanistan does not have any revenue stream from transportation of minerals and oil and gas by road.</p> <p>To ensure this, the MoMP has officially requested the Ministry of Transport and Aviation to confirm if transportation revenue is applicable in Afghanistan or not. The Ministry of Transport and Aviation has confirmed that such revenue does not exist.</p> <p>It is confirmed by Ministry of Finance that instead of collection of toll fees, a fix amount is added on the imported fuel and therefore the transport revenues aren’t applicable.</p>
<p>The 2014-15 EITI Report does not clearly define what extractives revenues are recorded in the national budget, but raises serious concerns about government record-keeping and accounting. There is a general lack of clarity among stakeholders consulted over whether all tax and non-tax extractives revenues are</p>	<p>All the government revenues including extractive industry revenues are collected in Afghanistan’s single account called “<i>Treasury Single Account (TSA)</i>”.</p> <p>This account is the government’s national account, whereas by start of each fiscal year, the budget is distributed or allocated to every agency/ministry through this account, which will be recording in the national budget document.</p> <p>All the extractive industry revenues are collected in cash. All the revenues collected through the government are recorded in the national budget document.</p>

<p>recorded in the national budget.</p>	<p>For the classification of the types of revenues being collected from various mineral, MoF and MoMP have also prepared a chart-of-account which details all types of revenues from minerals.</p>
<p>While the 2014-15 EITI Report states that there were no mandatory social expenditures in the period under review, several industry stakeholders confirmed that specific mining companies had undertaken mandatory social expenditures in 2014-15. While voluntary social expenditures were included in templates, no payments were reported.</p>	<p>The Legal Directorate of MOMP have developed a Community Development Plan (CDP) as a means of further formalizing and assessing such expenditures.</p> <p>Public disclosure of mandatory social expenditures disaggregated by type of payment (distinguishing cash and in-kind) and beneficiary is now required to show the beneficiary and type of social expenditures is now being applied.</p> <p>Also a clear definition of any mandatory social expenditures is publicly provided and assess the materiality of such expenditures in the period under review. It should be noted that the MSE definition has already been shared with and confirmed by MSG.</p> <p>In addition, the companies are also required to provide any mandatory and voluntary social expenditures in the 6th AEITI report and the same expenditures are being assessed by the MoMP Audit Directorate.</p>
<p>The 2014-15 EITI Report does not refer to quasi-fiscal expenditures and there is insufficient information on SOEs in the report to determine the existence of any such expenditure. The lack of clarity from stakeholders on the existence of quasi-fiscal expenditures and publicly available evidence of subsidies on natural gas sold by AGE warrant additional work from the MSG.</p>	<p>The AEITI-MSG Technical Working group when developing the IA TOR and given the lack of technical expertise, felt that the IA was the most appropriate source to review the SOE expenditure and identify if there are any quasi fiscal expenditure by SOEs in Afghanistan.</p> <p>IA has collected the information from the relevant sources and declared that it could not make any solid conclusion whether or not such expenditure exists in Afghanistan. Therefore, the MSG in its 45th meeting approved the IMF definition of the Quasi-Fiscal Expenditure based on which the SOEs are asked to report their QFE expenditures, if any.</p> <p>The SOEs Directorate of MoMP has been drafting an addendum report which will be part of the 6th AEITI addendum report which will also disclose any QFE expenditures in line with EITI standard and the newly MSG approved definition.</p>

Acknowledging constraints in comprehensiveness, the 2014-15 EITI Report provides official estimates of the mining sector's contribution to GDP, government revenues, and limited information on exports (only one mineral), although it provides no estimate of extractives employment nor exports of minerals other than lapis lazuli.

According to NSIA data, the extractive sectors accounted for less than 1% to the country's GDP during the years 2016 and 2017.

Mining sector's contribution to GDP in the following tables.

Evolution and structure of SOEs revenues

Table 3 below shows that NCE contributed approximately 86% to the total SOE revenues for both FYs 1395 and 1396. The revenue generated from the extractive sector totalled **AFN 3,563.37 million**¹ in **1396** against **AFN 2,874.96 million** in **1395**.² The total sales increased by **AFN 688.41 million**³ between the two FYs 1396 and 1395.

TABLE 1: EVOLUTION OF SALES MADE BY THE SOE DURING FYS 1395 AND 1396

Company	<i>(in AFN million)</i>					
	FY 1396	%	FY 1395	%	variance in value	Variance in %
NCE	3,076.52	86.34%	2,471.11	85.95%	605.41	24.50%
AGE	486.85	13.66%	403.85	14.05%	83	20.55%
Total	3,563.37	100.00%	2,874.96	100.00%	688.41	23.95%

Source: EITI Data and SOEs Financial Statements

Revenue Generated from the Extractive Sector

The receipts reported by Government in FYs 1395 and 1396, after reconciliation, were as follows:

Evolution and Structure of Revenues collected by the Ministries

According to the data collected from Ministries, revenues generated from the extractive sector totalled **AFN 3.27 billion**⁴ in 1396 and **AFN 1.87 billion**⁵ in 1395 after the reconciliation work, hence an increase of **42%**.

The main reconciled revenues were royalties collected by the Ministry of Mines and Petroleum (MoMP) and Corporate Income Tax (CIT) and Business Receipts Tax (BRT) 4% collected by the Ministry of Finance (MoF). These revenues totalled **AFN 2.40 billion**⁶ in 1396 and **AFN 1.35 billion**⁷ in 1395.

¹ Approx. USD 52 million.

² Approx. USD 43 million.

³ Approx. USD 10 million.

⁴ Approx. USD 48 million.

⁵ Approx. USD 28 million.

⁶ Approx. USD 35 million.

⁷ Approx. USD 20 million.

The table below sets out the evolution in the extractive revenues.

TABLE 2: EXTRACTIVE REVENUES IN AFGHANISTAN DURING FYS 1396 AND 1395

Description	Ref	<i>(in AFN billion)</i>					
		FY 1396	%	FY 1395	%	Evolution in value	Evolution in %
Royalties	1	2.03	61.98%	0.99	52.71%	1.04	51.29%
Corporate Income Tax	2	0.22	6.64%	0.21	11.05%	0.01	4.65%
Business Receipts Tax	3	0.15	4.46%	0.16	8.44%	-0.01	-8.44%
Other significant payments (> AFN 7 million)	4	0.01	0.33%	0	0.00%	0.01	100.00%
Total revenues collected from in-scope companies and in-scope flows (reconciled revenues)	<i>a*=1+2+3+4</i>	2.4	73.40%	1.35	72.19%	1.05	43.67%
Revenues collected by MoF and MoMP from in-scope companies and out-scope flows	5	0.03	0.98%	0.02	0.88%	0.02	48.62%
Revenues collected by MoF and MoMP from out of scope companies	6	0.21	6.39%	0.19	9.95%	0.02	10.85%
Revenues collected by the MoIC	7	0.00	0.07%	0.00	0.09%	0.00	23.83%
Total revenues unilaterally disclosed	<i>b**=5+6+7</i>	0.24	7.45%	0.20	10.93%	0.04	15.96%
Reconciliation Rate	<i>a/(a+b)</i>	90.79		86.85			
Transfers made by SoEs to the state	<i>c***</i>	0.62	18.83%	0.29	15.70%	0.32	52.24%
Social payments	<i>d****</i>	0.01	0.32%	0.02	1.17%	-0.01	-110.90%
Total Extractive Revenues	<i>a+b+c+d</i>	3.27	100.00	1.87	100.00	1.4	42.72%

For more details related to the above figures, please refer to Section 7.5 of the report

Lack of legal base for implementation of EITI Standards and requirements in the new mining and petroleum laws.

The draft mining regulations has been approved by the cabinet law committee. This draft regulation is designed and set out to determine the size of field activities and encourages ministry staff in field activities.

It was decided by the cabinet law committee that the Ministry of Mines and Petroleum Officers' field activity privileges draft regulation would be submitted to the Government's cabinet for subsequent steps.

Both the new Mining Law and Regulations have accommodated EITI related provisions to the greatest extent as the law and regulation clearly define the conditions and boundaries for contracting, licensing, BO, PEP, Social Expenditures, revenue collection and allocation and etc.

<http://aeiti.af/en/news/cabinets-law-committee-meeting-held>

<p>Unreliability of provided information</p>	<p>In order to assure the reliability of data ministry of mines and petroleum conducted trainings for its relevant directorates to improve the manual record keeping.</p> <p>The deployment of MCAS and NTRS by cadaster directorate is a good example of ensuring robust efficient revenue collection, robust contract management and adherence of international transparency benchmark. And streamlining and digitization of cadaster system is a pre requisite for increasing transparency, improving licensing process and efficient contract management and revenue collection.</p> <p>An EU expert was assigned by the ministry to review MCAS, NTRS and TP. While these systems have been under review, the comments from different departments of MoMP are being gathered to bring recommended changes into the systems which are still under development.</p> <p>In addition, the MoMP has been working on various data quality ensuring mechanisms to ensure that the data is reviewed and validated by the relevant authorities before it is published on the websites.</p> <p>Nonetheless, for the first time, the MSG has asked the Supreme Audit Office (SAO) to conduct the audit of the two material SOEs (NCE and AGE) to ensure the reliability and validity of the data for the 6th AEITI report.</p>
<p>Record keeping in MoMP and MoF</p>	<p>In order to assure the reliability of provided data, Ministry of Mines and Petroleum conducted trainings for its relevant directorates to improve their manual record keeping. While MoF has implemented more advanced record keeping both manually and electronically i.e. AFMIS, SIGTAS and ASYCUDA.</p>
<p>Data assurance: government and companies</p>	<p>The matter has been discussed in detail with the AEITI National Coordinator by the Deputy Auditor General (Admin & Finance) and detailed inputs / action to be taken were also provided by the Deputy Auditor General (Professional).</p> <p>Further to a meeting of the SAO and the AEITI Secretariat with the World Bank, it was requested that the SAO provide quality assurance on the financial reporting required. Hence, the SAO has conducted the audit of the two extractive SOEs. The result can be found on MoMP website.</p>

	<p>Where there have been discrepancies in the payments report by the extractive companies during 3-5 AEITI reports, the MSG has to investigate differences in figures reported by MOMP and companies in respect of 1391 (Mar-Dec 2012), 1392 (2013) 1393 and 1394 (2014-2015). The procurement process for this assignment failed at the Ministry of Finance during 2019 and due to the budget transfer of AEITI to the MoMP, the process will be reinitiated so that a consultant firm is hired to identify and resolve the discrepancy.</p>
<p>COMPLETENESS OF DATA</p>	<p>In the past the collection procedure from mining projects were highly complicated and were handled manually.</p> <p>As a result the accuracy and completeness of records and revenues collected were not to standard. To improve the accuracy and quality of data a computerized system to manage this was introduced and implemented= MCAS & NTRS.</p> <p>NTRS and MCAS have been deployed in the cadaster directorate and is operational in 5 provinces, with a planned roll-out to all Provincial Offices during 2019-2020.</p> <p>All the Mining contracts data including beneficial ownership, production volume and value, non-tax payments, license area and copy of contracts has been entered into the system and is made publicly available.</p> <p>A committee was assigned to review and check the quality of the data. The assigned committee ensured quality control of the data with data entries being checked on a continual daily basis.</p>
<p>FLOWS TO SUB NATIONAL GOVERNMENT</p>	<p>There is no direct payment from the extractive companies to the sub-national government (provinces). As mentioned above, Afghanistan uses single treasury account so that all of the revenue is collected and distributed through the single treasury account.</p> <p>IA Scoping confirms sub national payment is not applicable in Afghanistan. Transfers are referenced as 5 & 8 % in the Law.</p>

<p>COMPANIES OMITTED FROM THE MOMP LIST OF REPORTING COMPANIES</p>	<p>Technical Working Group (TWG) assigned AEITI secretariat to follow up with Hart Group (the IA for 5th AEITI report) to understand why Ghazanfar Company was omitted from the list of reporting companies.</p> <p>During the scoping phase, IA obtained revenue information of extractive companies from Cadaster Directorate, Provincial Directorate (Excluding some provinces), Petroleum Directorate, Stated Owned Enterprises Directorate in Ministry of Mines and Petroleum.</p> <p>None of these reporting agencies reported collection information of any kind of revenue from Ghazanfar Group resulting in the company's omission from the AEITI 5th reconciliation report, and subsequently not reported on.</p>
<p>NON-REPORTING COMPANIES</p>	<p>The list of non-reporting companies has been shared with MOMP for further action. The MoMP has also warned all of the companies to ensure they provide their reports both to the government and AEITI and incase they don't abide by the regulations, MoMP will take legal actions against them.</p>
<p>PRODUCTION REPORTING</p>	<p>The data on production is available on the MoMP's website and can be accessed publicly through below link:</p> <p>https://momp.gov.af/index.php/small-mines-projects-details</p> <p>Prior to deploying MCAS, NTRS and Transparency Portal systems gathering volume and value of production and its' publication presented a challenge to MOMP.</p> <p>The rolling out of MCAS & NTRS systems has helped MoMP to collect production volume from central and provincial directorates for publication on the MOMP website and through Transparency Portal</p> <p>Several training workshops regarding how to use NTRS have been delivered to provincial cadaster managers on how to report production volume and how to use NTRS. Separate trainings on collecting production volume of commodities have also been provided to cadaster and provincial cadaster managers which will prove effective in quality production reporting.</p>
<p>Benchmark WB: December 2019 MIS is functioning</p>	
<p>Form working group to accompany MIS implementation process to</p>	<p>NTRS, MCAS, Transparency Portal and MoMP websites are in place to address the need. In terms of Bo road-map action has been taken determined Working groups have</p>

<p>ensure that needs are addressed for EITI: Build user stories for MIS from MSG & EITI perspective,(What should be visible for Gov agencies? What could be made public?), Review status of BO road map: Identify next steps, Review last year's communications strategy and define for 2019: MSG approves 2019 communications strategy, Produce a summary report which addresses national priorities: Comprehensible and publicly available report. Training of Journalist on extractive sector, revising the AEITI communication strategy, improve of MSG members attendances</p>	<p>been tasked to finalize the issue (refer above to Beneficial ownership threshold).</p> <p>Communication strategy is revised and modified based on need, in new communication strategy communication channels and, terms of reference for the communication team and communication protocols based on internal and external communication is defined and specified.</p> <p>Additionally training of journalist occurred on 12 march 19 , in order to improve MSG members participation in MSG meeting, despite of Presidential decree an official letter from AEITI secretariat to MOCI and MOF sent separately.</p> <p>The issue of MIS implementation was discussed with the World Bank expert on EITI as there were several systems in place fulfilling the requirements of the MIS implementation which was confirmed as positive feedback on these systems can account for the MIS. The systems are MoMP (NTRS, MCAS and Transparency Portal), MoF (ASYCUDA and SIGTAS), MoF, MoMP and AEITI websites.</p>
<p>In accordance with Requirement 1.4, Afghanistan should ensure that any deviations from the MSG's ToR are adequately and publicly codified. The MSG should ensure that its lack of per diem practice is publicly clarified.</p>	<p>MSG TOR is prepared and revised and updated in accordance with EITI Standards and best practice in public sector governance, MSG TOR is approved initially on 5th of March and final version on 9th of April.</p> <p>The per diem policy is expressed in the revised MSG TOR-no per diems will be paid.</p>
<p>Bearing in mind the desirability of pluralistic and diverse representation, CSOs and industry may wish to consider ways of encouraging women to participate in the EITI process.</p> <p>Afghanistan is encouraged to ensure that the AEITI procurement plan agreed with the World Bank and other sources of funding reflects the objectives of the MSG as explained by the AEITI annual work plan.</p> <p>Afghanistan may wish to use EITI reporting to explain challenges in the production of official production statistics</p>	<p>AEITI consider Gender issues in its meeting agenda, Constituencies are to introduce women. AEITI to recruit 30% female staffs. for the 2020 AEITI planned Gender policy, EITI standard is abide by in every steps of AEITI progression, the country work Plan is developed based on EITI standard requirement.</p> <p>MSG strictly considers its affair in line with EITI standard requirement, recommendation of validation reports and World Bank and EU Benchmarks.</p> <p>Several databases and websites are in place, production data is disclosed on MoMP website, Bill of Landing is improved, and Export data is published.</p>

<p>and track the implementation of key reforms in the MOMP's mine inspection and oversight.</p>	
<p>Recommendations from IA- 6th AEITI Report</p>	
<p>All Government Agencies must use a unique TIN to record the payments received from the extractive companies. SE- • New invoice format should include TIN number to help IA for tracking companies.</p>	<p>MoMP Revenue directorate has incorporated unique TIN to record the payment received from the extractive companies so to avoid any ambiguity about the company making the payment to the government or the government to identify the exact company which has made the payment.</p> <p>All new invoice formats will include TIN numbers to help IA for tracking companies.</p>
<p>Government should ensure that the PDF is operational or set up a revenue sharing mechanism so that these revenues may be allocated towards projects</p>	<p>It was proposed that (A mechanism based on the mining law to be developed first and then the Finance Directorate to implement it in coordination with MoF) which still pending due to (mention reason). However, MoMP revenue directorate is working on preparing a PDF plan which is expected to happen in 2020.</p>
<p>MoMP and SOEs periodically (at least annually) update their system with data on employment in the extractive sector disaggregated by gender and job roles</p>	<p>SOE directorate, IT and MoMP HR all together proposed to work on the issue, (IT director follow up with HR and SOE directorates with PSU) to update their system with data on employment in the extractive sector disaggregated by gender and job roles.</p> <p>The data has been published once for the MoMP and SOEs and EITI experts feedback was requested who stated that the employment data should have been for the entire extractive sector. Therefore, the cadaster directorate was tasked to collect the employment data so that the entire extractive sector employment data for the extractive sector can be published.</p>
<p>We recommend that MSG takes the necessary steps in order to encourage the focal points of reporting entities to take more prominent roles in providing data and information as well as to give comprehensive explanations and confirm statements made in the EITI report.</p>	<p>This issue is consider by the MSG members and resolved through taking necessarily measures on cooperation of mentioned focal points in terms of providing required information on their relevance's.</p>
<p>The MSG takes the necessary steps to appoint permanent focal points for the Ministries and SOEs, to facilitate and</p>	<p>The issue of recruitment Permanent Focal points in the ministries and SOEs are resolved which are responsible to support IA on providing required reliable data and information.</p>

<p>assist the IA in providing reliable data and information</p>	
<p>MSG takes the necessary steps to assess whether quasi-fiscal expenditure was incurred by the SOEs during the periods under review. See IMF (3page) description. (30.6)</p>	<p>EITI standard requires quasi-fiscal expenditures to be disclosed and accordingly the secretariat in line with the AEITI action plan has asked the SoEs directorate to disclose those expenditures as per EITI standard. To address the recommendation, the SoE Directorate of MoMP has proposed a definition for quasi-fiscal expenditures comprising of partial IMF's and EITI's definitions but the MSG members, after due deliberation, agreed on adopting the IMF's definition of the quasi-fiscal expenditures highlighting that the items which are not applicable in Afghanistan can be applicable in the coming years and wherever the SOEs report, they can simply tick the irrelevant items as not applicable for now.</p>
<p>The MSG should consider carrying out a post award process audit by an independent consultant/firm in order to assess the veracity of any allegations of impropriety.</p>	<p>On the MSG 44 meeting was decided to hire a consultancy firm for the assignment, but in MSG 45 AEITI secretariat provide that due to the budget transfer from MoF to MoMP and time constrains, it would be wise that MoMP together with MSG should complete the assignment as it was critical for the re-validation and further delay would be risky as per the above timeframes and the post award review process being part of the 6th AEITI Report Addendum.</p> <p>In addition, the AEITI secretariat reported that Mr. Pablo from EITI International secretariat and Mr. Sridar from World Bank both have suggested that the assignment should be referred to the cadaster department which was refuted by said department, it also discussed in the AEITI Weekly Meeting, stating conflict of interest but suggested that the internal audit department is assigned to map it out and presents the findings to the MSG.</p> <p>The MSG members have discussed the issue in details to see if the activity was an audit or review of the process and concluded that it was review and mapping the contract award processes.</p> <p>Recognizing the gravity of the situation, the members agreed that cadaster together with legal department should map out the legal and obligatory process and present its report/findings along with any none-trivial deviation to the MSG working group to decide any further action.</p>

<p>MSG should investigate the unresolved discrepancies further and consider whether any action is required in the light of the comments on amounts reported relating to MoF Customs.</p>	<p>The issue of unresolved discrepancies is discussed in MSG meeting 45 , MSG members elaborated the issue and learn from the Auditing agencies representative justification in the meeting(<i>for further information to MSG 45 meeting minutes</i>)</p>
<p>We noted that the accounting systems, capacity of finance staff and audit environment in the two extractive SOEs is inadequate. MoF and MoMP should prepare a plan to improve these areas and implement the necessary actions.</p>	<p>MoMP and MoF worked to gather on finding and justifying the current gaps in regards to capacity of the mentioned SOEs, and then planned required training, currently the MoF systems are automated and MoMP has implemented several trainings to its directorates.</p>
<p>MoMP is encouraged to set up mechanisms for quality control when filing data on its website. This can be performed though systematic review of each data entered into the website.</p>	<p>Mechanism is prepared and shared with Cadaster to share it with its expert for improvement. The cadaster directorate will need to coordinate the mechanism with relevant directorates and publish it online once finalized.</p>
<p>Government Agencies and SOEs should devise a suitable process and filing system to manage the manual records and should provide training to staff on the importance of maintaining the systems. Assistance from professionals in process review should be considered, so that experience and good practice from other countries can be brought to bear</p>	<p>In this regard a one day training workshop was organized at SOEs directorate on implementation of filing system at SoEs at MoMP on October 9. The aim to arrange the one day training workshop was to comply with EITI standard and bring wider transparency within the operations of SoEs at MoMP – the workshop was attended by 6 officials of SoEs department where they were trained on the practical implementation of the filing system.</p> <p>This workshop was facilitated by the Human Resources Department of MoMP which seeks to build the capacity of the ministry’s staff in different areas and to enable them to effectively carry out their responsibilities</p> <p>http://aeiti.af/en/news/workhop-on-capacity-buidling-of-soes-staff-on-filing-system</p>
<p>MoF-LTO should be given responsibility for all major corporate mining and oil and gas taxpayers, and the Kabul-based Ministry ensures that it holds details of all relevant records and transactions relating to those companies;</p>	<p>MoF to transfer all mining companies to LTO. Cadaster and LSMU shared list of companies with MoF and the MoF has also confirmed that all of the mining companies are transferred to the LTO.</p>

<p>Given how little public information there is on exploration activities in Afghanistan other than from the US Geological Survey, the MSG should consider drafting an updated overview of the status of exploration and publishing this on its website (or, ideally, on the MOMP website).</p>	<p>Published on MoMP website. https://momp.gov.af/dr/سروی-های-E2%80%8Cگزارش-جیولوجی</p>
<h3 style="color: green;">General Recommendations</h3>	
<p>Publish Updated Work Plan online</p>	<p>All AEITI work plans are published on AEITI Website. http://aeiti.af/en/documents/category/msg-docs</p>
<p>Publication of information on licenses (procedures/non-trivial deviations, bidders etc) both online and in 6th AEITI Report</p>	<p>All information regarding the licenses (procedures/non-trivial deviations, bidders etc) are published in transparency portal and MoMP websites (https://transparency.mom.gov.af/dashboard)</p>
<p>Publicly accessible license register</p>	<p>All related to licenses registration are accessible through https://transparency.mom.gov.af/dashboard</p>
<p>Publish Summaries of Provincial contracts into English</p>	<p>MOMP Cadaster with support of IT department published information on below websites. The below link is an example for Kabul province contracts. https://momp.gov.af/kabul</p>
<p>Details of SoE retained earnings, financing, ownership, Key Financial Statements of Afghan Gas and Northern Coal to be published in 6th AEITI Report</p>	<p>The information are available in https://momp.gov.af/soes</p>
<p>Exports and Customs Data to be linked from Transparency Portal to ACD</p>	<p>RDF and MOF worked on gathering the information and MOMP IT Department were responsible to link the data with transparency portal to ACD.</p>

6. DISCUSSION OF THE ACTIVITY REPORT BEYOND THE MSG:

This Annual Progress Report is drafted by the AEITI secretariat in line with the suggested template by the EITI International Secretariat. Before drafting, the relevant constituencies and governmental offices have been approached to share the progress they have made in according with the overall EITI standard and requirements as well as expectations and suggestions of the EITI reports, donors and stakeholders. Furthermore, the relevant constituencies and governmental offices were encouraged to discuss the activities beyond their offices and constituencies and collect relevant information to ensure production of a comprehensive Annual Progress Report.

Nonetheless, after collection and consolidation of the information, the draft reported has been shared with donors and relevant stakeholders once again for their views and feedback. Lastly, the final draft of the report is shared with MSG members for their feedback and suggestions and requested to approve the report in case the MSG and the wider constituencies do not have comments.

Main contributors of this Annual Progress Report, in term of providing relevant information, reviewing information, suggesting improvements and validating the information, the relevant entities have been involved and provided considerable inputs to make the report comprehensive.

The World Bank – by funding AEITI operational activities and consultations on the quality of the report.

EU – by providing technical inputs in assisting the AEITI produce on time quality report.

GIZ – by providing feedback and reviewing the contents of the report.

MoMP – by contributing directly to the preparation of the report.

MoF – by providing progress report and information mainly for revenues.

MoCI – by providing relevant information and suggestions on the report information.

SAO – by providing relevant updates and reviewing the report.

Office of the Second Vice President – through revision of the report.

NSIA – through providing relevant information and revision of the report.

ACCI – by providing relevant information and contribution to enhancing the report.

Private Sector - by contributing and discussing the report with their wider constituencies.

CSOs – by providing information and discussion of the report with their wider constituencies.

EITI International Secretariat – by reviewing the quality of the report.

7. MEMBERSHIP OF THE MSG DURING THE PERIOD:

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