
ANNUAL PROGRESS REPORT

2018

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.

NSIA: National Statistics and Information Authority.

CSOs: Civil Society Organizations.

ACCI: Afghanistan Chamber of Commerce.

AOGRA: Afghanistan Oil and Gas Regulatory Authority.

PS: Private Sector.

1. INTRODUCTION:

Afghanistan presents a unique set of challenges when implementing the EITI Standard. Challenges that include (but not limited to), a dynamic political system, security tensions, legacy laws and legacy financial management systems as it moves to a market economy.

Transparency and accountability are key themes currently being addressed through reforms across Government, supported by funding and technical support from multilateral & bilateral donors: World Bank, GIZ and EU amongst others have incentivized the achievement of EITI Validation, and progress is being made in this regard.

Since its admission as a Candidate country, Afghanistan has published annual reports covering the fiscal years from 2009 to 2015 and is preparing to publish the EITI report covering the year 2016 and 2017 respectively. In October 2017 AEITI underwent a formal Validation by the EITI International Secretariat.

Validation was originally scheduled for July 2017, delayed until October 2017 and completed in February 2018. The Initial Assessment report was released in August 2018 and activity immediately started on corrective actions.

The 2017 Validation Report found that out of 28 Indicators required to meet the EITI Global Standard (2016) Afghanistan achieved satisfactory progress in 14 of them, meaningful progress in 13 indicators and inadequate or no progress in only **two** indicators.

In January 2019, the final validation report had been published and the EITI board suspended Afghanistan for 18 months.

The Independent Validator's Assessment of Compliance

Result of Validator's (post October 2017) assessment

EITI Requirements		LEVEL OF PROGRESS				
		No progress	Inadequate	Meaningful	Satisfactory	Beyond
Categories	Requirements					
MSG oversight	Government engagement (#1.1)					
	Industry engagement (#1.2)					
	Civil society engagement (#1.3)					
	MSG governance (#1.4)					
	Work plan (#1.5)					
Licenses and contracts	Legal framework (#2.1)					
	License allocations (#2.2)					
	License register (#2.3)					
	Policy on contract disclosure (#2.4)					
	Beneficial ownership (#2.5)					

With the renewed political will and commitment of the government, currently under the leadership of the H.E. Acting Minister of Mines and Petroleum, MSG chair, Afghanistan Extractive Industries Transparency Initiative (AEITI) is taking concrete steps to ensure that Afghanistan fully complies with EITI standard and for that purpose a new joint action plan for Ministry of Mines and Petroleum (MoMP), Ministry of Finance (MoF) and National Secretariat has been developed to address not only all of the corrective actions from Validation Report but also the recommendations from 5th AEITI report as well recommendations from donors and stakeholders studies and assessments of the sector.

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 revision of the legal framework, initiating collection and disclosure of Beneficial Ownership (BO) and Politically Exposed Persons (PEP), establishment of a Cadastral System including launch of Afghanistan Transparency Portal helping the AEITI MSG in adhering to the EITI requirements related to the disclosure of the licensing, bidding, contracting and beneficial ownership; strengthening government revenue collection system and company disclosures, drafting Artisanal Small-scale Mining (ASM) mining strategy to cope with illegal mining, and systematic disclosures to ensure compliance with the EITI principles, standard and its requirements.

This Annual Progress Report (APR) outlines almost all of the considerable activities and initiatives undertaken during the year 2018. The APR is prepared based on the EITI suggested template and provides information on AEITI MSG achievements in relation to 1- general assessment of the year's performance, 2- assessment of performance against the work plan, 3- assessment of performance against the EITI standard, 4- overview of AEITI MSG responses against the recommendations from Validation and EITI reports, and 5- discussion of the activities beyond the MSG constituency.

2. GENERAL ASSESSMENT OF YEAR'S PERFORMANCE

The current government has declared its strong political will and commitment to achieve compliance status and good progress has been made towards improved transparency, accountability and compliance to the EITI Global Standard 2016. Under the leadership of the H.E. Ms. Nargis Nehan, Acting Minister of Mines and Petroleum and Chair of the Multi-Stakeholder Group (MSG), the MSG of Afghanistan Extractive Industries Transparency Initiative (AEITI) has been taking concrete steps to ensure that Afghanistan fully complies with EITI standard in near future.

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

1. Procuring Services of Independent Administrator for preparation of 6th AEITI report covering 2016 and 2017 fiscal years to save time for the next AEITI report and avoid meeting close deadlines that could compromise the quality of the reports and data assurance on the other.
2. Minister of Mines and Petroleum is appointed as the new chair of the Afghanistan Multi Stakeholder Group (MSG) by H.E. the President.
3. The development of a joint action plan based on the corrective actions and recommendations from Validation Report, EITI reports and donor / stakeholders assessments of the sector. The plan is overseen and assessed through weekly meetings chaired by H.E. Minister of Mines and Petroleum.
4. 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 no or little progress.
5. Launch of Transparency Portal and Cadastral System to ensure disclosure of bidding, licensing, contracting processes as well as statistical information.
6. Revision of the legal framework, including the mineral law, hydrocarbon law, and mining regulations.
7. Establishing standard documentation in regards to MSG governance, AEITI operation and communication outreach where technical assistance from the EU is being provided to support the AEITI in this regards.
8. Cadastral and revenue collection software is being rolled out across the Ministry with support from GIZ and RDF.
9. Systematic disclosures through online publication of the extractive sector data, including production value and volume and export data.
10. Institutional governance is being strengthened in AEITI supporting revision of AEITI organizational structure and funding AEITI secretariat operations by the generous support of the World Bank.

11. Outreach activities across government departments and civil society has started and feedback has been encouraging.
12. In December 2018, the secretariat's new head was also appointed after the position being vacant for more than a year.
13. Operationalizing the MSG and AEITI in terms of establishing standard rules and procedures to ensure on time achievements of the target results directly contributing to complying with EITI standard.

Key activities are discussed in greater detail in the proceeding section:

2.1.6TH EITI REPORT:

The EITI 2016 standard requires implementing countries to publish their EITI Reports in a timely manner. The 6th EITI Report for Afghanistan failed to meet the publication deadline of 31st December 2018.

While the required TORs had been developed in June 2018, procurement delays at the Ministry of Finance together with the low responses received for the Expression of Interests (EOIs) contributed to the delays in appointing an Independent Administrator (IA) which has made AEITI MSG to place its request for an extension of time for publication of the report at the end of June 2019.

It is expected that a good quality reports will be prepared by the Independent Administrator before end of June 2019 that will provide a good base for consideration of Afghansitan's request for re-validation by the EITI board as well as provide comprehensive insight for the secretariat review and next validation.

2.2.SYSTEMATIC DISCLOSURE:

The Government of Afghanistan recognizes that data disclosures are key to effective governance. This has led to changes to the Mineral & Hydrocarbons Law of Afghanistan in 2018 which allowed for the disclosure of relevant information such as publication of contracts, beneficial ownership amongst others. The changes to the law have led to the availability of data disclosure.

MOMP have used the technology provided by GIZ/RDF- the MCAS (Mining Cadastre) & NTRS (Non Tax Revenue) systems to enable for real time availability of information via a Transparency Portal. This is at an early stage as systems and procedures are being developed. This system is in 'beta' stage and available <https://afghanistan.revenuedev.org>

These innovations will enable improved extractives sector governance, as well as enhance EITI implementation in the country moving forward as further enhancements are being added to increase the amount of quality data available to the public.

Beneficial Ownership (BO) and Politically Exposed Persons (PEP) were recognized in the 2018 mineral Law and during 2018 the MSG actively worked on expanding the scope of beneficial ownership and has determined a definition for both beneficial ownership and PEPs through a process of stakeholder agreement and consensus.

2.3. AEITI ACTION PLAN:

Following the 2017 Validation, the AEITI (supported by GIZ) held a workshop in Dubai 2018 for Senior Government officials and MSG members. The purpose of which was to:

- Help MSG members understand the findings from the Validation
- Identify corrective actions
- Determine scope and materiality for the 6th EITI Report
- Develop an action plan to address the corrective actions

As a result of this workshop, the action plan is managed by the AEITI Secretariat and this outlines activity, responsibility and deadlines for completion of corrective actions. This Action Plan is overseen weekly by the Minister of Mines and Petroleum and Senior government officials from the relevant ministries, thereby improving both vertical and horizontal communication within the Ministry and outside and has become a key management tool in ensuring compliance with the EITI standard and addressing corrective actions.

The MSG fully expects that all corrective actions will be achieved by December 2019 and will be able to place a request for revalidation re-validation in the beginning of 2020.

2.4. CSO INCLUSIVENESS AND NOMINATION PROCEDURE:

To better ensure transparency and to give other Civil Society Organizations (CSOs) the opportunity to be part of the MSG, the present members in their meeting dated 25th November 2018, discussed and agreed on developing a procedure for CSOs inclusiveness in future elections for CSOs constituency.

At the same time a procedure for MSG members' participation was also approved to improve the MSG governance. This is a major step in moving forward to ensure that the CSOs participation is transparent process and governed under the charter of EITI standard.

This measure is intended to increase the CSOs participation in the process and will provide a more robust and effective platform for wider CSOs to join the initiative and oversee the implementation of EITI in Afghanistan under an atmosphere of independency, trust and freedom of expression.

2.5.COMMUNICATION AND PUBLIC OUTREACH:

In line with AEITI Communication Strategy and 2018 Annual Work Plan, communication activities were successfully carried out in order to address the need of public awareness and increasing the participation of the masses in the EITI process in Afghanistan.

Kabul Polytechnic University: AEITI secretariat with kind support of GIZ, held a lecture session in Kabul Polytechnic University attended by over 150 students and their lecturers from the Mining Faculty. This resulted in a positive discussion while also discussing challenges facing the sector; and AEITI initiatives such as publishing BO information was warmly received.

Regional Workshop on AEITI with focus on Beneficial Ownership:

AEITI held a public information campaign with focus on BO in mining contracts during 2018.

The AEITI team held a workshop for members of civil society and private sector of Kabul, Logar, Parwan, Kapisa and Wardak provinces, where discussion as to which information of a BO should be disclosed and made transparent, an issue in which the participants strongly agreed with.

During these workshops, participants asked the Government to take action in making the extractives sector more transparent. The participants were informed that in line with the EITI standards, Ministry of Mines & Petroleum was committed to establishing either a clause or regulation of BO in all mining contracts by January 2020. The Ministry has started its efforts in this section and created a roadmap for this in the first place with BO information being available through the MOMP website.

Outreach Campaign in Northern Provinces:

In its public information campaign supported by GIZ in the northern region of Afghanistan, the AEITI Communications Team invited representatives from civil society, Government and private sector for a one-day Round table discussion at Mazar e Sharif.

The attendees were mostly from Balkh and Jawzjan, Sar-e-pul, Samangan and Baghlan provinces. The topic discussed was about the challenges of transparency in the extractives sector in their

areas. The discussions were very open and fruitful, with government employees sharing their issues, which created a common understanding amongst attendees.

A workshop in Balkh Province was held specifically for the female employees of the Ministry working in the mining, oil and gas departments. At this workshop employees were informed about EITI and transparency as well as highlighting the role of women in Afghanistan's extractive sector.

Workshop for Herat Academia:

The trip was carried out in accordance with the communication plan of AEITI to raise awareness about AEITI on provincial level aiming at understanding, how much the academia of Herat knew about AEITI and in broader context what other areas it was covering under the new EITI Standard. A one-day workshop was held in Herat to inform Academics and other influential people to explain EITI, its implementation, Beneficial Ownership. The workshop included an open discussion where the views and concerns of attendees about BO & PEP data were addressed.

The participants present in the workshop expressed a belief that greater transparency and accountability will ultimately benefit their country.

It must be noted that these comments and feedback was collected and collated and used to inform further outreach activities.

2.6. EFFORTS TO STRENGTHEN THE IMPACT OF EITI

For better and efficient implementation of the EITI in Afghanistan, H.E. the President of Afghanistan has assigned the Minister of Mines and Petroleum to Chair of the MSG and be the 'Champion' for EITI. And to enable efficient cooperation with the MSG, the AEITI Secretariat also relocated to the Ministry of Mines and Petroleum.

In another decree issued by H.E. the President, based on the recommendation of MSG Chair, all the Government representatives are required to participate in the MSG meetings regularly and if they miss more than two meetings, their membership will be suspended and replaced by new members.

The National Coordinator for AEITI has now been hired, and the longstanding stalemate around the recruitment has been resolved.

In reference to EITI Requirements 1.2, 1.3, 1.4 and 1.5, the Private Sector and CSOs are actively engaged in the EITI process with Secretariat support, and the MSG is working in accordance to its ToR. Regarding the CSOs inclusiveness and election procedures/policies, in an MSG meeting decision made that CSOs should develop a procedure/policy on CSOs' inclusiveness and their internal election.

The MSG is also working on open invitation to all parties in the future MSG meeting; which is in respect to the EITI requirements. Similarly, the MSG with support of Secretariat planned to create technical working groups (TWGs) from MSG member to work on specific EITI topics to resolve them, and thereafter discuss in the next MSG meeting, for example when selecting an IA for the Recon Report.

In its upcoming report (6th AEITI report), the IA has been tasked to ensure that the allocation of extractives revenue not recorded in the national budget are explained, with links to provide for relevant financial reports as applicable.

Additionally, 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. The MoMP created a tab in their website for the articles and studies on the SOEs that have been uploaded and disclosed publicly.

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.

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.

CSO constituency, in coordination with the incoming Communication Working Group, has 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.

3. ASSESSMENT OF PERFORMANCE AGAINST THE WORK PLAN

Objective	Progress
Publication of a complete and accessible EITI Report	<p>During the year 2018, it was expected that AEITI would publish its 6th report covering fiscal years 1395 and 1396 but issues with procurement delays and receiving responses to the EOI resulted in delays, and therefore, MSG requested EITI Board for granting of an extension until June 2019.</p> <p>As of writing of this report, an IA has been hired and the report is in progress. The MSG expects to publish this report in June 2019.</p>
Communications and outreach activities conducted, including to the regions	<p>In line with AEITI Communication Strategy and Annual Work Plan, communication activities were successfully carried out in order to address the need of public awareness and increasing the participation of the masses in the EITI process in Afghanistan.</p> <p>These activities are described in Section 2.5 of this document.</p> <p>The year 2018 was a busy year for AEITI outreach campaigns with the Secretariat holding awareness workshops within government ministries as well as creating public debate around EITI, social payments (in provinces) and Beneficial Ownership.</p>

	<p>A series of individual meetings with senior government officials on implementing EITI standards were held</p>
<p>Key findings of the report are identified and acted upon</p>	<p>After the receipt of the validation findings in the draft validation report, the MSG has been following up on the recommendations and findings of the report with relevant agencies/departments.</p> <p>In addressing the corrective actions, MOMP created a joint action plan involving other Ministries alongside with regular reporting on action plan progress and issues requiring cooperation from other Ministries.</p>
<p>5th EITI Report highlights the wider reform needs and work in progress</p>	<p>The report highlighted areas of weakness but has also identified areas for greater reform which are being actively worked upon. Some of these reforms are part of the larger government reform agenda.</p>
<p>Income from tax and non-tax revenues are disclosed and publicly available in a comprehensive and easy-to-understand format and apart from the EITI Report</p>	<p>There are currently five systems related to the income tax and non-tax in both MOMP and MOF – all on air. MoF uses ASYCUDA, SIGTAS and RMIS, while the MoMP just finalized the MCAS, NTRS and Transparency Portal which disclose information about income from tax and non-tax revenues.</p> <p>Information on contracts are now publicly available via the Transparency Portal and the MOMP website which is being updated to reflect the reform strategy at MOMP.</p> <p>An Open Data Policy document has been approved by MSG along with “Access to Information Act.” which will further pave the way for disclosing such information more easily available to public.</p>
<p>Relevant legal framework that governs extractive sector is checked for compliance with global EITI standards</p>	<p>In line with requirements, the mineral law of Afghanistan has been revised and approved by Parliament in 2018.</p> <p>Necessary amendments to the Mining Law to allow/require the publication of mining contracts, the identification of the mining companies’ beneficial owners was completed in the first half of 2018.</p> <p>Work on the creating a fiscal regime is currently underway and further strengthening EITI through regulation is underway.</p>

<p>Up-to-date license and contract registry is comprehensive and publicly available in an easy-to-understand format</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.</p> <p>A publicly available license register contains comprehensive information on all mining, oil and gas licenses including license holder name, dates of application, award and expiry, commodity covered and geological coordinates have been published on MoMP website.</p>
<p>Revise MSG structure, function and processes</p>	<p>MSG institutional governance has been improved through the development of a revised TOR for the MSG and the Secretariat. A new structure for the Secretariat has been developed and this includes identifying roles and responsibilities</p> <p>In addition, an MSG manual has been produced which contains written procedures which formalize the way in which AEITI functions.</p> <p>Procedures have been drafted for disclosure of any conflicts of interest as well as document control procedures implemented.</p>
<p>Build the capacity of MSG, National Secretariat and key AEITI Stakeholders</p>	<p>Due to budget constraints and demands of validation, little capacity building was carried out.</p> <p>Following the Validation GIZ supported an AEITI Workshop for MSG members and Senior Government officials to</p> <ul style="list-style-type: none"> • Help MSG members understand the findings from the Validation • Identify corrective actions • Determine scope and materiality for the 6th EITI Report • Develop an action plan to address the corrective actions <p>The result of this workshop was that MSG members had a better understanding of EITI, its requirements and their responsibilities as MSG members.</p>
<p>Improve MSG progress monitoring and performance</p>	<p>During the year 2018, five MSG meetings were held. In each of these meetings various aspects of improvement in mining governance were discussed.</p>

	<p>Meetings are documented, circulated and made publicly available.</p> <p>Where action is required the MSG utilizes Technical Working Groups (TWGs) to oversee MSG activities, prepare critical documents and address or assist in addressing various validation and EITI report comments.</p> <p>For more details, please refer to the minutes of MSG meetings published on AEITI website (www.aeiti.af).</p>
<p>Implementation of Afghanistan's EITI Report recommendations</p>	<p>The mineral regulation has been drafted by the MoMP legal directorate, and shared with the AEITI for comments and recommendations. The AEITI suggested that the EITI relevant standards to be included in this regulation. However, the regulation will be finalized during 2019 after consultation with MSG members and other related parties.</p> <p>Regarding creating a financial system compliant to EITI standard, GIZ through RDF are reviewing the financial systems and databases to ensure this.</p> <p>A key issue, in previous EITI report was the quality of data being provided. Therefore, to solve this issue a working group to cleanse data and double check has been formed in the MoMP and is actively working on data cleansing before uploading to the website.</p> <p>In reference to the recommendation about record-keeping, MoMP and MoF have both planned to provide training to their employees on how improve the record keeping and filing system in both Ministries. The MoF has computerized filling system in ASYCUDA and SIGTAS; but for the MoMP training will be provided during 2019. In this regard SAO reported continuation of training and will be completed to all of their employees during 2019.</p>

In order to have a classification of the Large Taxpayers, the MoF will keep record of all major corporate mining, oil and gas taxpayers and details of relevant transaction. This will help us easily access to the large taxpayers information.

Majority of the mining contractors/companies does not follow the International Financial Reporting Systems. To enable compliance to international financial standards, MOMP's Legal Directorate is working on the mineral regulations where the IFRS necessary compliance also included, which will be finalized during 2019.

During 2018, the MoMP conducted a training need assessment in the area of revenue monitoring and general aspect trainings; based on this assessment HR department will provide some capacity building training to the MoMP employees during 2019.

To build the capacity needs of MoMP and revenue monitoring of MoF, MOMP human resources department has prepared an action plan to conduct a training needs assessment.

MoMP and revenue monitoring and evaluation (MOF) with AEITI has examined areas where GIZ IS report identifies revenue to the government with a view to seeking to incorporate them into EITI reporting prior to next AEITI report.

The MSG is planning to commission further work to examine flows from the extractive sector to sub national government to seek to quantify them and to determine the extent to which these are material.

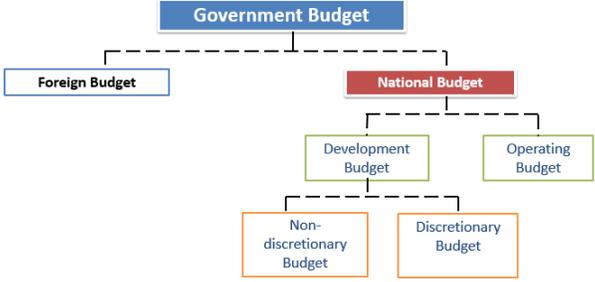
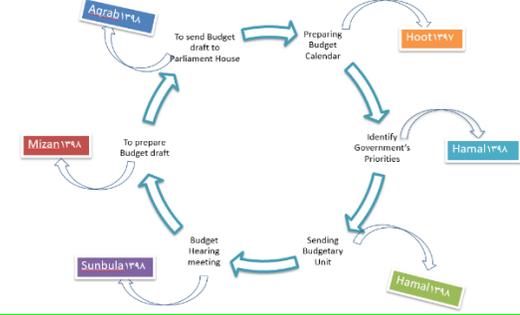
Few financial discrepancies have highlighted by the Validation report, to resolve this discrepancies, the AEITI plans to hire an accountant to investigate this further.

	For the reliable data of the extractive sector, the MoMP created column in the transparency portal for the production volume and data uploaded on 31 Dec 2018; while the production values will be uploaded during 2019.
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4. ASSESSMENT OF PERFORMANCE AGAINST EITI STANDARD

Requirement	Progress
1.5 Work plan	<p>Taking into account the validation comments as well as requirements of the EITI 2016 standard, the MSG developed a new workplan in December 2018 and takes into account the EITI standard and all its requirements.</p> <p>The draft Work Plan is well aligned as per the requirements of the standard including identification of internal and external sources, costings and estimated budgets, relevant of its objectives with that of EITI principles and plans for addressing corrective actions from the drat validation report, EITI reports and other assessments and suggestions of the stakeholders.</p>
2.4 Contracts.	<p>With the rolling out of transparency portal, MoMP allows for the disclosure of licenses and contracts publicly, including REOIs, list of companies which has submitted EOI and proposals and publication of bidding criteria.</p> <p>Various contracts and licenses (active and expired) have been published on the transparency portal which is publicly available.</p>
2.5 Beneficial ownership.	<p>As a part of reform process undertaken by a new Mineral Law as well as Hydrocarbon Law of Afghanistan were drafted and enacted into law by President in 2018.</p> <p>The new Laws conforms and meets the requirements of the EITI Standard, and now requires disclosure of BO, PEP, mining contracts amongst others.</p> <p>In line with the law MoMP is working on Mining and Hydrocarbon Regulations to supplement the law. These regulations will be completed</p>

	<p>shortly in 2019, where the next step will be to formalize these regulations into work procedures.</p> <p>The new Mining Law has extensive provisions on Ownership particularly beneficial ownership and PEP.</p> <p>It addresses the four types of ownerships namely; Owner, Majority Owner, Substantial Owner and Beneficial Owner.</p> <p>The Law defines Beneficial Ownership as <i>“Beneficial Ownership means the natural persons who ultimately enjoy a share of ownership or control whether formally or informally and whether directly or indirectly, including by holding shares in a Legal Entity or as beneficiaries of a trust but shall be deemed not to extend to Persons who hold shares in a Publicly Listed Company provided that the Listing Details are identified”</i>.</p> <p>MOMP is now required to publish, alongside mining concessions, beneficial ownership of the concessions and license holder within 14 days after execution and publish quarterly report about beneficial ownership of all concessions and license holders, within 60 days after each quarter.</p> <p>According to the law, applicants, bidders, concessioner and license holders at all stages are required to disclose to the ministry, their beneficial ownership and any subsequent changes to it.</p> <p>A transparency portal has been established including the open data policy adopted which allows for the disclosure of licenses and contracts publicly, including REOs, list of companies which submitted EOI and proposals and publication of bidding criteria as well as bidders Beneficial Ownership data.</p> <p>A publicly available license register or cadaster system with timely and comprehensive information on all mining, oil and gas licenses including license holder name, dates of application, award and expiry, commodity (ies) covered and coordinates have been published on MoMP website.</p>
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<p>4.4 Transportation revenues.</p>	<p>MOMP derives no revenue from transportation, instead, MOMP provides a Bill of Lading (BoL), for shipping extractive materials and commodities within the country, with a fixed amount of cost which is 5000 Afghani and ARD collects this directly through the issuance of a BoL.</p>
<p>5.2 Subnational transfers.</p>	<p>All revenues generated go directly to the National Account. Hence there are no subnational transfers.</p>
<p>5.3 Revenue management and expenditures.</p>	<p>Revenue is collected into the National Account and then becomes part of the Afghanistan’s budget process/cycle is as below:</p> <p>Budget Planning – Budget Approval – Budget Execution - Budget monitoring and audit.</p> <p><u>National Budget structure:</u></p>  <p><u>Budget Planning</u></p>  <p>For more details about all financial documents such as “national budget book, budget midyear review and budget calendar, the Budget</p>

	<p>Directorate of Ministry of Finance could be accessed through the following link: http://www.budgetmof.gov.af/index.php/en/2012-12-06-22-51-13/national-budget</p> <p>And for audit process of the budget, the Qatia audit reports for the years 1395 – 1396 can found in the link below: http://sao.gov.af/Content/files/Qatia%20Statement%20for%201395-%200English%20Revised%20%20version.pdf</p> <p>http://sao.gov.af/Content/files/Qatia(3).pdf</p> <p>For latest information from the government on issues of revenue sustainability and resource dependence, the “Fiscal Strategy Papers” which presents the government’s revenue sustainability and resource dependence.</p> <p>The forecasts and assumptions underpinning the budget cycle and revenue forecasts could be found in the below link: http://mfpd.mof.gov.af/#fsp</p> <p>Fiscal bulletins are published annually, quarterly, and monthly where the budget, revenue and expenditure of the fiscal period and its comparison with the previous period are available could be accessed through below link: http://mfpd.mof.gov.af/#bulletin</p>
<p>6.1 Social expenditures extractive companies. by</p>	<p>All the mining companies are obliged to support the relevant local communities. Some of the companies distribute cash to local poor people, but often build Masjids, bridges, roads and other infrastructures, and in some instances provide some element of social service to their community.</p> <p>A clear definition of any mandatory social expenditure and the assessment of the materiality of such expenditures has been defined and accepted by the MSG for the period under review.</p>

<p>7.3 Discrepancies and recommendations from EITI Reports.</p>	<p>MOMP has developed a joint action plan which was shared in the MSG which addresses the issues pertaining to the discrepancies and gaps in the previous reports.</p> <p>This action plan addresses in detail all those areas corrective actions are required</p> <p>The previous Validation was a lesson learned for MOMP and MSG in identifying the areas where corrective actions were needed:</p> <ul style="list-style-type: none"> • Data quality, • SoEs, • Record-keeping, • Legislation <p>The action plan is regularly monitored, and the chair of the MSG regularly holds weekly meetings with relevant agencies on the progress made against each area.</p> <p>An overview and update of these meetings is presented in MSG and in the light of that overview decisions are made in the MSG.</p>
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5. MSG'S RESPONSES TO THE RECOMMENDATIONS FROM RECONCILIATION AND VALIDATION

As explained above, the AEITI MSG has prepared a work plan for 2018-2019 and specifically an action plan that is derived from the recommendations of the 2018 Validation, 5th EITI report, donors and other stakeholders' reports.

The action plan consists of one or more than one actions regarding each of the comments / recommendations made in the above stated reports.

The details of these actions and the progress made during the reporting period are described one by one as per the following.

Recommendation:	Status/progress:
Lack of required coordination between the AEITI Championship and the AEITI secretariat lowered the effectiveness of efforts in meeting the EITI requirements.	As previously the secretariat was located within ministry of finance while the champion of AEITI was Minister of Mines and Petroleum, this affected the coordination; with the directive of H.E. the President to relocate the secretariat to MoMP, the coordination has now been improved.
The AEITI secretariat function obviously affected negatively by lack of National Coordination in position	As of writing of this report, the position of the national coordinator of AEITI has been filled and the secretariat's functionality has resumed to its normal.
As per requirements of EITI standard 2016 implementing countries are to publish their EITI report and as per schedule Afghanistan should publish its 6th EITI report till Dec. 2018	<p>The Government of Afghanistan initiated the recruitment process of an Independent Administrator in the month of July 2018 by issuing an open and competitive international tender but unfortunately received only one expression of interest which based on the Afghan Procurement legislation it was not allowed to proceed with that only one company. As the consequence Ministry of Finance changed the procurement method and sent the REOI to a limited number of national and International companies and as the result, the contract concluded with a qualified company in the December 2018.</p> <p>AEITI MSG through its champion and the Acting Minister of Mines and Petroleum sent a letter to the EITI secretariat and EITI board requesting extension for publication of the AEITI 6th report until June 2019.</p>
As a requirement EITI implementing countries are to publish their revenue from extractive sector as well as	<p>MoMP has officially launched transparency portal in 25/Nov/2018.</p> <p>Reference Links: http://mom.gov.af/fa/news/338063</p>

<p>information on license holders and etc.</p>	<p>https://transparency.mom.gov.af/</p>
<p>Demonstrate progress across the EITI scorecard:</p>	<p>As of writing of the report, the progress across the EITI scorecard has been published as a news item on EITI website.</p> <p>In accordance with the action plan, the secretariat together with MoMP, MSG and other stakeholders plan to hold a pre-validation exercise to ensure that corrective actions were properly addressed in the 6th AEITI report. Following the publishing of the AEITI 6th report, Afghanistan intends to request the EITI board to re-validate Afghanistan before the set deadline.</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 transparency portal. In further developments, an MSG working group has been been tasked to improve this process on the current license allocation and transfer system.</p> <p>The MSG will work with MoMP to ensure that all license information listed in Requirement 2.3b is available for all extractives active licenses through the Transparency Portal and MOMP website.</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.</p> <p>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.</p>

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.

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 and so on.

This led to a series of complaints and raised questions about the MSG ToR and CSOs representation, which found its way in the EITI Validation report and affected Afghanistan's progress negatively.

The issue has now been resolved with all parties satisfied. There was no collusion in the 2017 CSOs MSG election and it was regarded as fair and transparent with all the CSOs given the opportunity to contest for the elections.

The ToR has been developed and as of writing of this report will be approved and published in the next MSG meetings.

The MSG has unanimously agreed that the new ToR will improve the MSG governance and strengthen member rights and equal participation.

To address the concern of some MSG members that they are provided with short deadlines for documents review, a new Secretariat ToR has been developed with a revised organizational chart along with several operational procedures.

Once approved these changes will allow the Secretariat and AEITI to function in an efficient and effective manner thereby giving MSG members a greater time to review documents.

The per diem policy is expressed in the revised MSG TOR- **no per diems will be paid.**

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 active contracts. MOMP is committed to publishing such information for future bids via its website.

The new bid criteria have been developed in accordance with best practices and reviewed by international experts. These criteria are now in effect for all bids.

The new laws and regulations of mining and hydrocarbon provide a comprehensive and transparent mechanism for the awarding of concessions and licenses

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 to 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.

	<p>This information is made publicly available on the MOMP website</p>
<p>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.</p>	<p>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.</p> <p>The Transparency Portal holds a wide range of information available publicly and is searchable by:</p> <ul style="list-style-type: none"> • 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), • mine location. <p>https://transparency.mom.gov.af/dashboard</p>
<p>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</p>	<p>Profit sharing structure and retained earnings :</p> <p>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.</p> <p>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.</p>

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.

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 توسعهوي): 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.

This plan will be presented to the High Council of Economic in the first or second quarter of 2019.

With regard to account of loan or loan guarantees, the SOEs have not granted any loan to any extractive company yet.

	<p>There are two existing studies conducted by external consultants (Tetra Tech & UNICON).</p> <p>UNICON has carried out an assessment on AGE about reform of Afghanistan state gas enterprise, and Tetra Tech assessment done on Kod e Barq enterprise about the feasibility of refurbishment and replacement of power plant.</p> <p>These studies are available on the MOMP website.</p> <p>As EITI standard states, that AEITI may wish to pursue the publication of existing studies of SOEs that have been conducted for the MOF and MOMP which are not currently available to the public.</p> <p>As an additional transparency measure, MoMP has made public those existing studies of SOEs which can be found online in the link below:</p> <p>http://mom.gov.af/en/page/transparency-information/soes</p>
<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 has had to develop a mechanism to calculate production values. The methodology and assumptions behind the calculations are also available through the Transparency Portal.</p> <p>The production value and volume of 1395 and 1396 for all commodities have been collected from cadaster and provincial contracts, and a team of experts have been assigned to ensure accuracy of data; his data is then published on the transparency portal of MoMP once verified.</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.</p> <p>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>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>It is confirmed by Ministry of Finance that instead of collection of toll fees, a fix amount is added on the imported fuel.</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 recorded in the national budget.</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>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>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 person to review the SOE expenditure and identify if there are any quasi fiscal expenditure by SOEs in Afghanistan.</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.

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

	Actual			Projection			
	2016	2017	2018	2019	2020	2021	2022
<i>% share of GDP</i>							
Mining and quarrying	0.77	0.97	1.08	1.15	1.21	1.27	1.38

Table2: Mining revenue generated during 2016-2018, and its projection for 2019-2022

<i>In million Afs</i>	2016	2017	2018	2019	2020	2021	2022
Mining revenue	1,297.74	2,446.51	2,712.74	2,693.68	3,415.72	4,009.15	4,621.65

Total government revenue including share of mining revenue in total revenue:

<i>In million Afs</i>	2014	2015	2016	2017	2018
Total domestic revenue	110,723.39	122,245.53	148,126.04	169,159.29	189,990.48
Mining Revenues	2,858.34	764.16	1,297.74	2,446.51	2,712.74
% share of mining revenue/total revenue	2.58	0.63	0.88	1.45	1.43

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

The mining regulation is under work and will be finished in 2019.

<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>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 six 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, it was requested that the SAO provide quality assurance on the financial reporting required. This activity is in progress.</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>The MSG raised the issue and will ask the government about the status of 5% payment to sub national governments, if it's not implemented yet then the MSG will give a deadline to government for its implementation.</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</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>http://mom.gov.af/en/page/transparency-information/momp-contracts/production-value-and-volume</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>

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

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.

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. After 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 have been shared with donors and relevant stakeholders as well.

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. 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 almost all of its directorate contributed directly to the preparation of the report.

MoF – by providing progress report and information mainly for SOEs governance and 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.

AOGRA – by providing relevant information and reviewing the report.

PS - by providing information 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. ADDITIONAL COMMENTS

Improvements to SOE financial reporting:

At the end of 2018, the MOMP will coordinate with other state actors to reform the financial systems of the SOEs (NCE & AGE) through the introduction of computerized accounting systems such as Quick Books as well as ERP implementation. It is expected that this change from manual to computer-based record keeping will ensure accuracy and timeliness of data.

An explanation with regard to prevailing rules and practices related to SOEs' retained earnings, reinvestment and third-party financing has been disclosed and is available on MoMP website.

Existing studies of SOEs that have been conducted for the MOF and MoMP which weren't available previously are now available on MoMP website.

Production volume data collection:

The Mining Inspection Directorate of MOMP is tasked to collect and monitor this data through a process of inspections and in accordance with prescribed procedures.

Challenges facing the Mining Inspection Directorate are the lack of suitably qualified staff and the security situation in some areas prevent a physical inspection taking place, instead relying on reports from the company concerned.

The security aspect is a major issue and one in which the Mines Protection Committee and Mining Inspection Directorate are working closely with security forces to mitigate this issue.

Systemization of Disclosures:

MOMP also established two computerized systems for cadaster administration of Mining contracts and non-tax revenue managements. The systems are called Mines Cadaster Administration System, (MCAS) and Non Tax Revenue System (NTRS). MOMP entered all the mining and petroleum contracts to the systems and assigned a committee to verify the accuracy and reliability of the data. The committee started their job in December 2018 and functioned till End of February 2019. The committee identified a series of problems in the systems and had its recommendation on improvement of the systems while it also noted mistakes in the data entry and corrected the errors. It is worth mentioning that MOMP has revised its chart of account in 2018 based on the revenue sources that it had in the Minerals Law.

8. Membership Of The MSG During The Period

S/N	Name	Organization	Status	Email Address
1	Ahmad Reshad Popal	MoF-DG Customs	Permanent	reshad_po@yahoo.com
2	Habib Zadrان	MoF-DG Revenue	Permanent	habib.zadrان676@gmail.com
3	Eng Qaseemullah Qaderi	MoMP-Cadestre	Permanent	qaseemullah.qaderi@gmail.com
4	Abdul Wahid Jaihون	MoMP-Admin/Finance	Permanent	abdulwahed.jaihون@yahoo.com
5	Ahmad Tariq Sarfaraz	DG-ACBR-MoTCl	Permanent	tariq_af_@hotmail.com
6	Ramzan Jumazada	Parliament	Permanent	Ramzan.jumazada@gmail.com
7	Anis Panah	MoF-Revenue	Back up	m.anis_pناه@yahoo.com
8	Shamsul Ahad Alokozay	MoF-Customs	Back up	shams_alz@yahoo.com
9	Eng. Ghulam Sediq	MoMP-Cadestre	Back up	engineer.sediq@hotmail.com
10	Qadeer Popal	MoMP-Admin/Finance	Back up	ab.qadeerpopal759@gmail.com
S/N	Name	Organization	Status	Email Address
1	Nasir Timory	IWA	Permanent	naser.timory@iwaweb.org
2	Ibrahim Jafari	ENRMN	Permanent	afgeology@gmail.com
3	Javed Noorani	ENRMN	Permanent	javed.noorani@gmail.com
4	Syed Ahmad Ataee	ENRMN	Permanent	ataee10000@yahoo.com
5	Afzal Sherzad	WADAN	Permanent	afzal_sherzad2000@yahoo.com
6	Habib Nang	PETWO	Permanent	habibnang@gmail.com
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