

# AEITI Annual Activity Report

# 2017

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## **Foreword:**

This report looks at the progress and summary of various completed by the MSG and the secretariat during the year 2017.

As of present when this report is being written, the AEITI MSG has drafted a new country work plan along with finalization of the BO definition and its roadmap and Recommendations' Matrix i.e. planning and distribution of tasks within different stakeholders to bring major reforms within the extractive sector including but not limited to transparency only and which is a step forward in the effective management of the industry bridging the gaps within the revenue collection systems , thanks to EITI. The MSG has worked on setting a timeline how to implement those reforms and to make AEITI more effective.

During the MSG workshop at India, the AEITI country workplan was discussed extensively and the plan has been updated along with working on other important EITI requirements including finalizing Beneficial Ownership definition and Road-map. Nevertheless another priority for the MSG was to set a timeline for addressing the recommendations of the previous reports which would greatly contribute to the extractive industry of Afghanistan. A recommendations' matrix was drafted and tasks were distributed by the MSG among themselves to work and follow-up on those recommendations.

Another major breakthrough was to provide a free fair opportunity for all the parties interested to take part in the MSG; with completion of the MSG membership term, elections were held in February 2018 for attaining the membership of the MSG where after a rigorous and transparent process, the members were elected to the MSG members.

Closing the foreword, I would like to thank the MSG for their dedication to EITI. Besides it would be unfair not to extend a token of gratitude to GIZ, German Embassy and The World Bank Group for their continuous and unconditional support whenever the secretariat needed it the most.

Abdul Rahman Farhan,

Acting National Coordinator of AEITI secretariat

## **Introduction**

Afghanistan announced its intent to implement the EITI in March 2009, and became an EITI Candidate country on 10 Feb, 2010 following which the secretariat was established within the Ministry of Finance in July 2010 to take the lead of EITI implementation in Afghanistan.

In Afghanistan, the extractive sector is expected to contribute a significant and growing proportion of Government revenues for the country's development. In light of this, GOIRA has fully committed to EITI implementation to ensure that all payments and receipts in the extractive industry are made in an effective and transparent manner. So far five Reconciliation Reports have been published by the secretariat which gives an overview of the whole extractive sector of Afghanistan; the publication of these reports is intended to give public access to the information about the extractive industry and the revenue generated each year from the extractive industry by the Government of Afghanistan.

Afghanistan till yet remains an EITI candidate country and has forgone 3 validations since its implementation, the recent of which was in February 2018 and the result of which is expected by June 2018. Nevertheless AEITI has made great progress and has made several achievements including reforms within the extractive industry. AEITI is currently working on implementing the recommendations of the previous reports which will pave the way for major reforms within the Extractive Industry and especially Ministry of Mines and Petroleum of the country contributing to the transparent and effective management of the revenues of the sector.

### **MSG Elections:**

For better and enhanced implementation of EITI's standards, Afghanistan Extractive Industries Transparency Initiative (AEITI) planned an election for the selection of new MSG members in February 2017. The MSG in total has 18 members, a consisting of 6 members each from private sector, government and the civil society.

CSOs election took place to fill in the six seats of the MSG for CSO constituency; in this election besides the CSO coalition under the lead of Integrity Watch Afghanistan (IWA), ENRMN a new network of CSOs working in the extractive sector of Afghanistan also took participation. Before the election all the CSOs were briefed on the roles and responsibilities of the MSG. After the briefing, the election was held for three MSG seats. Three others were elected by ENRMN network. For Private Sector, an election for the selection of new MSG members from the private sector was held on February 8th, 2017. Through the mentioned election, the private sector elected and introduced six new representatives for MSG membership. The new members were from MCC/MJAM, CNPC, Core Drillers, ACCI, Misaq Sharq and Khoshak Brothers companies. Besides realizing the importance of the newly established directorate of central business registry at the Ministry of Commerce and Industries, the MSG also extended an invitation to the Ministry to join MSG which was accepted and the DG central business registry was introduced to the MSG as a full member.

### **Publishing of 5th Reconciliation Report:**

The 5<sup>th</sup> report was published at the end of April 2017 within EITI deadline through AEITI website; the report discloses the revenues and activities of the extractive sector of Afghanistan and has provided 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.

The report was translated to local languages being translated to Dari language two months later at the beginning of August and Pashto translations were done at the end of September 2017.

### **Info graphics of the Report:**

The Info graphics of 4<sup>th</sup> Report were finalized in May 2017 and then published via AEITI website and AEITI social media; they were shared with MSG, members of the Parliament and other stakeholders during different outreach campaigns.

### **MSG Meetings:**

In the year 2017, 6 MSG Meetings were held which discussed critical topics and matters on hand; one among many was to bring reforms within the financial systems which were very critical to successfully implementing the initiative and which were also recommended in all previous EITI reports. The MSG

raised the issue of upgrading the databases to digital/computerized systems but said that they hadn't witnessed it yet despite the assurances of MoMP which according to MSG was also hindering the implementation of EITI in Afghanistan. MSG noted that if these systems weren't upgraded, AEITI would not be able to provide accurate and definitive data. Expressing concerns with regard to fulfilling the EITI requirements and recommendations of 4<sup>th</sup> and 5<sup>th</sup> Report, the MSG noted that apart from these systems, the 5 percent revenue within MoF revenue department and the capacity building of the companies has also been neglected and it needed serious attention to comply with EITI. According to MSG, the question was how to strengthen the MSG and what role it could play to make the implementation better.

### **Follow-up on the Recommendations of the Previous EITI Reports and Reforms:**

During the Dehli workshop in December 2017, the MSG developed a matrix for follow-up and implementing the recommendations of the previous reports; in this matrix, roles and responsibilities of the different members of the MSG and other relevant agencies were distributed. It was agreed that the activities will be followed-up by the assigned members and to assess the progress made against those activities and it will enable the MSG to have a picture of overall progress made with regard to each recommendation.

Nevertheless several technical meetings were held with both the officials of MoMP and MoF on implementing the recommendations and as a result of those meetings, provincial and central non-tax revenue streams were aligned and joined together which would pave the way for major reforms and would strengthen revenue management.

During these meetings, another milestone for AEITI was the decision of MoMP and MoF to collect tax revenue of the extractive sector on provincial level which was ignored in the past; in the same meetings, the agreement of both MoF and MoMP to activate the financial systems and to activate the SIGTAS codes on provincial level was also a measure much needed to bring reforms within the sector and strengthening revenue management.

### **MSG's Technical Committee on Pre-Validation and Self-assessment:**

After the Validation team shared a self-assessment with AEITI for sharing it with stakeholders, AEITI has so far held 5 MSG's technical committee meetings on pre-validation and self-assessment at the MoMP. These meetings were chaired by DM Admin/Finance and addressed the challenges faced during the previous Validation and to prepare responses and supplemental information for Validation. This committee has also prepared a hard-copy file which contains all the documents which suffices and completes the information required by Validation.

### **Beneficial Ownership:**

AEITI's MSG has developed a road-map for beneficial ownership which was approved by the MSG. The MSG also has discussions on the definition of BO and in its Dehli workshop concluded a single definition for BO in the country with regard to extractive sector; AEITI would like to express its gratitude to MoCI which has assisted the secretariat and MSG in the BO process and has pledged their support in future to provide information. The central business registry is under the MoCI which will be dealing with future BO cases and has been tasked by H.E. the president to implement BO all over the country.

In the year 2017, Jakarta conference on beneficial ownership (BO) on 23-24 October 2017 was held. The EITI Conference on Beneficial Ownership Transparency "Opening-up ownership: sharing practice, building systems" More than 300 participants from 52 EITI countries were participated. The Conference was the largest event yet for practitioners to share best practice on how to build systems for beneficial ownership disclosure. From Afghanistan Deputy Minister Ghazal Habibyar, her advisor Ali Reza Jafari, two persons from AEITI Farhan and Asem, two MSG member Ramin Rahi from private sector and Afzal Sherzad from civil society, Tariq Sarferaz from MoCI, one person from presidential office and Mr. Fischer and Sultani from GIZ were member of delegation from Afghanistan at the conference.

Besides some major work on BO was done at India Workshop in December 2017 when the MSG reviewed the road-map and the definition of the Beneficial Ownership and agreed on a single definition for BO and which is to be presented to the MSG in its next agenda for approval. (Please note that the definition of BO was already agreed at the time of writing this report in June 2018).

### **Open Data Policy:**

The Government of Afghanistan also expressed in Brussels that it places great importance on implementing the EITI Standard and identifies EITI as a tool to improve systems and promote transparency within the extractive sector of the country. This commitment to EITI principles also was expressed in the Self-Reliance Through Mutual Accountability Framework (SMAF), which states that amendments to the Mining Law submitted to parliament should include measures such as requiring the publication of mining contracts, the identification of the mining companies' beneficial owners by first half of 2018, and the development of mineral fiscal regime by 2018.

The extractives sector has no comprehensive framework for data collection, documentation and storage. Data is mostly kept in non-electronic formats across the relevant ministries, departments and agencies, making easy access, use, reuse and distribution a challenge. In addition, there often is secrecy regarding beneficial ownership of natural resource companies, worsening the industry's vulnerability to corruption. Tax evasion is also common due to accounting malfeasance. Afghanistan has bodies mandated to promote transparency and accountability. The High Office of Oversight and Anti-Corruption and the Anti-Corruption Justice Center combat corrupt practices and promote the accountability of public officers. An Open Data Policy is expected to support the efforts of these bodies.

The Open Data Policy was approved by the MSG in December 2016 and is modeled on the EITI Open Data Policy Document (<https://eiti.org/standard/open-data-policy>), which was approved by the International EITI Board on December 9, 2015. The EITI Open Data Policy Document builds on lessons emerging from national level implementation and international best practices following a global movement focused on open data.

### **MSG Workshops and Development of New Country Work Plan:**

Several MSG workshops were held in India, Dubai, Turkey and Kabul where AEITI work plan, Action plan, Recommendations and BO were discussed. During India workshop, the MSG developed a new country work plan which was in a response to several requests made by CSOs to create a new work plan from scratches to better implement EITI in Afghanistan.

#### **Kabul Workshop:**

During the visit of EITI international secretariat's team to Kabul, a workshop was held at Khyber Hall where the MSG was briefed on the changes in the EITI standards and other areas which were required by EITI adopted by the board itself. In this workshop the MSG was updated on those requirements and also a short pre-assessment exercise was done in the presence of the EITI team. In this workshop the EITI team also gave a presentation on Beneficial Ownership and its importance as an EITI requirement to be implemented soon by the EITI, to curb corruption and enable transparency in the sector.

#### **Dubai Workshop:**

The workshop was held with the kind support of GIZ, in this workshop the MSG discussed the Work Plan and had a self-assessment pre-validation exercise focusing on areas where there were gaps and which needed immediate attention of the MSG to better prepare AEITI for Validation. In this exercise all the areas requiring attention of the MSG with regard to EITI requirements were reviewed one by one and the MSG used it as a self-analysis tool to project the progress made and the areas which were neglected. After the workshop, the MSG was able to identify the gaps and included it in the work plan to work on those areas. Besides the workplan, the MSG with the help of an external expert on BO, discussed BO and how to better implement in Afghanistan. Some great suggestions and recommendations were provided and as the topic of BO was an extensive, they MSG agreed to discuss it in a follow-up workshop to agree on its definition as well.

#### **Dehli Workshop:**

In the month of December 2017, the MSG made a visit to Delhi, India for a 5 day workshop to work on the new Work Plan and also to take preparations for Validation; in this workshop the MSG developed a new Work Plan and also worked extensively on developing a matrix for implementing and following-up on recommendations of previous EITI reports. Besides these activities, the MSG also worked on Beneficial Ownership and to deliberate and agree on a single definition of Beneficial Ownership and PEPs. At the end of the workshop MSG came with a draft of new Work Plan, Beneficial Ownership road-map, beneficial ownership and PEPs definition.

### **Communication Strategy:**

During the month of October 2018, the communication department of AEITI updated the Communication Strategy; the strategy and its action plan were updated accordingly for 2018 – 2020.

### **Public Information and Outreach Campaigns:**

AEITI conducted outreach trips to Kandahar on 13 August 2017 and Herat on 27 October 2017 and Nangarhar where the local CSOs, Private Sector, Government Officials, Academia and General Public were informed about AEITI; during these workshops 5th Reconciliation Report was shared with more than 180 government officials and civil society members and Private Sector in the three provinces. The secretariat had separate meetings with government offices (Mastufiats and Directorate of Mining, with civil society organizations to highlight the importance of AEITI.

AEITI also conducted workshop at ACCI for Private Sector informing companies about AEITI: we have a presentation for about 20 members of the workshop mainly members from company who were involved in mining sector and could play a pivotal role in the industry.

A Joint workshop was arranged for members of Gender Directorate of MoMP on AEITI.

### **Outreach to Parliament Members:**

During the month of July 2017, a workshop for members of natural resources and economic committees of Lower House of Parliament was held. In this workshop, the members of the parliament were briefed on AEITI standards and mining extraction in Afghanistan. They were briefed on EITI standards and mining extraction in Afghanistan.

### **Website and Social Media:**

In the year 2017, the AEITI webpage and social media pages were regularly updated and appreciated by stakeholders for its content and look.

### **Print and Publication of Reports:**

In the month of December 2017, with kind support of GIZ, AEITI secretariat started work on printing the reports including the info-graphics and summary reports; these reports were printed and handed out in several outreach activities.

### **Validation Team's Visit:**

In the starting month of 2018, EITI Validation team visited Kabul and AEITI started preparations for organizing their meetings and other workshops and events for the team. In their preparations, AEITI



held MSG's sitting committee's meetings as well as MSG preparatory meeting before the Validation team arrived here at Kabul. AEITI had arranged for several MSG's committee's sittings in the wake of the Validation, working on the documents other documents which were likely required by Validation and to create a progress and response for the Validation team which would eventually help in Validation. In this MSG preparatory meeting, the MSG was briefed on the progresses and the stakeholder's were urged to provide any supplemental information which could help in Validation.

The meetings schedule for EITI Validation team was prepared and shared with EITI Validation team for their inputs and with MSG and other Government officials, so that they could be notified beforehand about the meetings which would take place. This schedule was finalized and all other meetings at the request of EITI Validation team.

Activities during Validation:

1. MSG's committee's meeting held on 10th January at DM Admin/Finance Office at MoMP for last preparation for the validation. The reviewed the prepared documents for validator.
2. The MSG meeting on 15th January at DM Admin/Finance Conference Room at MoMP. In that meeting, matters concerning Validation and the preparations were taken so far have discussed.
3. One day MSG workshop on 17th January prior to Validation for the MSG members to review the preparation for the validation process. The validation was already started on first November 2017 and continued till end of January 2018. Both AEITI and MSG have a reviewed the validation and the MSG members also discussed the preparation by each constituency, and have briefed all MSG on the developments undertaken by Afghan Government in the mining sector. We have brief overview to MSG about the past validations. The MSG technical committee has conducted six consecutive meetings in regard of the EITI requirements and prepared the required documents in an organized order.
4. The AEITI website was updated and the documents were uploaded which would help in Validation.

The meetings for the Validation team were organized by the communication department with MoMP, MoF, CSOs, Private sectors and MSG members separately and different issues regarding AEITI implementation, matters concerning Validation and the preparations taken so far discussed.