

# Second Validation of Afghanistan: Final assessment by the EITI International Secretariat

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## 1. Summary

Afghanistan's EITI implementation has changed pace since the period reviewed in its first Validation under the EITI Standard, particularly since October 2018. The country's temporary suspension following the first Validation led to a significant shift in government commitment at the operational level, aligning technical engagement with high-level political support. While donor budget support conditionalities related to EITI have played a role in reinvigorating and sustaining government commitment, the development of government systems for the systematic disclosure of extractive industry data in the past 18 months is helping to institutionalise the EITI in an environment of state-building.

The EITI addresses issues of national strategic importance in a volatile context. There is significant illegal mining activity across the country. Revenues collected by non-state actors are between five and ten times higher, depending on the estimate, than the USD 45m in formal government revenues from the extractive industries. Mining is considered a key pillar of the government's economic diversification strategy. The majority of the government's current extractives revenues come from two state-owned enterprises in coal and natural gas whose financial management and reporting have only recently been digitized. As noted in the first Validation, the EITI does not cover illegal mining activity, yet the EITI is nevertheless providing a valuable platform for discussing extractive industry governance, including in the illegal mining sector.

In many cases Afghanistan EITI (AEITI) has addressed corrective actions from Validation through systematic disclosures of data through reforms in government systems. The Transparency Portal provides sufficient data for users to make their own assessments of companies' adherence to their contractual non-tax payment obligations, with timely public data on production, fiscal terms and non-tax payments per license disclosed in real time. The portal also provides beneficial ownership information on all mining, oil and gas license-holders registered since January 2020. The publication of the statutory rules governing SOEs' financial relations with the state and their financial statements for 2016-2017, audited for the first time by the Supreme Audit Office (SAO), allows users to assess the efficiency of the two SOEs. The implementation of ring-fencing of tax liabilities per mining license is expected to lead to improvements in tax administration.

The AEITI's focus on technical disclosures has been matched with proactive efforts at dissemination, with the production of summaries and infographics as well as outreach workshops in provincial capitals. Yet while Afghanistan has made progress in improving the multi-stakeholder nature of its EITI process, the new election procedures for MSG representatives have yet to be implemented. There is more work to be done to clarify the social, environmental and quasi-fiscal expenditures of extractives companies and SOEs.

With increasingly systematic disclosures of essential information, Afghanistan has an opportunity to transition toward a higher value-added EITI implementation that provides more analysis and policy proposals. By participating in the EITI's pilot on alternative approaches to reporting, Afghanistan is playing a welcome role in encouraging innovation in EITI implementation.

**The International Secretariat's assessment is that Afghanistan had fully addressed 13 of the 19 corrective actions and had made "meaningful progress" with considerable improvements in addressing the remaining six corrective actions at the commencement of Validation.** However, subject to the Board's consideration of new information published subsequent to the start of Validation, **the**

**International Secretariat's assessment is that Afghanistan has fully addressed 14 of the 19 corrective actions and has made "meaningful progress" with considerable improvements in addressing the remaining five corrective actions.** The outstanding gaps relate to MSG oversight (Requirement 1.4), SOE transactions (Requirement 4.5), social and environmental expenditures (Requirement 6.1), quasi-fiscal expenditures (Requirement 6.2) and public debate (Requirement 7.1).

The draft assessment was sent to the multi-stakeholder group (MSG) on 7 August 2020, with the Dari language translation following on 21 August. Following comments from the MSG on 14 September 2020, the assessment was finalised for consideration by the EITI Board.

## 2. Scorecard

EITI Requirements		Level of progress					Direction of Progress
Categories	Requirements	No progress	Inadequate	Meaningful	Satisfactory	Outstanding	
<b>Afghanistan second Validation scorecard</b>							
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)						=
	Contract and license allocations (#2.2)						→
	License register (#2.3)						→
	Policy on contract disclosure (#2.4)						=
	Beneficial ownership (#2.5)						N/A
	State participation (#2.6)						→
Monitoring production	Exploration data (#3.1)						=
	Production data (#3.2)						→
	Export data (#3.3)						→
Revenue collection	Comprehensiveness (#4.1)						→
	In-kind revenues (#4.2)						=
	Barter agreements (#4.3)						=
	Transportation revenues (#4.4)						→
	SOE transactions (#4.5)						→
	Direct subnational payments (#4.6)						=
	Disaggregation (#4.7)						=
	Data timeliness (#4.8)						=
	Data quality (#4.9)						→
Revenue allocation	Distribution of revenues (#5.1)						→
	Subnational transfers (#5.2)						=
	Revenue management & expenditures (#5.3)						
Socio-economic contribution	Social and environmental expenditures (#6.1)						=
	SOE quasi-fiscal expenditures (#6.2)						→
	Economic contribution (#6.3)						→
	Environmental impact (#6.4)						
Outcomes and impact	Public debate (#7.1)						→
	Data accessibility and open data (#7.2)						N/A
	Recommendations from EITI (#7.3)						→
	Outcomes & impact (#7.4)						→

**Commented [IS1]:** Subject to the Board's consideration of new information disclosed subsequent to the start of Validation.

**Commented [IS2]:** Subject to the Board's consideration of new information disclosed subsequent to the start of Validation.

*Legend to the assessment card*

	<b>No progress.</b> All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.
	<b>Inadequate progress.</b> Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.
	<b>Meaningful progress.</b> Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.
	<b>Satisfactory progress.</b> All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.
	<b>Outstanding progress.</b> The country has gone beyond the requirement.
	This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
	The MSG has demonstrated that this requirement is not applicable in the country.

### 3. Background

Afghanistan joined the EITI in February 2010. Afghanistan's first Validation under the EITI Standard concluded in January 2019, in which the EITI Board found that Afghanistan had made 'inadequate progress' in implementing the EITI Standard.<sup>1</sup>

Afghanistan's second Validation commenced on 1 July 2020. The EITI International Secretariat has assessed the progress made in addressing the 19 corrective actions established by the EITI Board following Afghanistan's first Validation in January 2019. The 19 corrective actions relate to:

1. Government engagement (Requirement 1.1),
2. MSG governance (Requirement 1.4),
3. Work plan (Requirement 1.5),
4. License allocations (Requirement 2.2),
5. License register(s) (Requirement 2.3),
6. State participation (Requirement 2.6),
7. Production data (Requirement 3.2),
8. Export data (Requirement 3.3),
9. Data comprehensiveness (Requirement 4.1),
10. Transportation revenues (Requirement 4.4),
11. SOE transactions (Requirement 4.5),
12. Data quality (Requirement 4.9),
13. Distribution of revenues (Requirement 5.1),
14. Social expenditures (Requirement 6.1),
15. SOE quasi-fiscal expenditures (Requirement 6.2),
16. Economic contribution (Requirement 6.3),
17. Public debate (Requirement 7.1),

<sup>1</sup> EITI (January 2019), 'The EITI Board agreed that Afghanistan has made inadequate progress overall in implementing the 2016 EITI Standard', accessed [here](#).

18. Follow-up on recommendations (Requirement 7.3),
19. Outcomes and impact of implementation (Requirement 7.4).

Afghanistan has undertaken a number of activities to address the corrective actions, including:

- The MSG met six times in 2017, six times in 2018, nine times in 2019 and two times in the first half of 2020.<sup>2</sup>
- AEITI held two one day workshops at the Ministry of Mines and Petroleum on 15 and 22 January 2019.<sup>3</sup>
- On 12 March 2019, AEITI held a workshop for journalists and civil society representatives on the new Transparency Portal at the Ministry of Mines and Petroleum (MoMP) in Kabul.<sup>4</sup>
- On 5 May 2019, AEITI held a workshop for 50 representatives from the three constituencies to agree improvements to EITI implementation, with support from GiZ-MinGov.<sup>5</sup>
- The 6<sup>th</sup> Afghanistan EITI Report, covering 1395-1396 (21 December 2015 to 20 December 2017 – 2016-17) was published on 30 June 2019.<sup>6</sup>
- On 20 July 2019, AEITI held a one-day capacity-building workshop for MSG members, supported by GiZ-MinGov.
- On 31 October 2019, AEITI held a one-day workshop for the members of Environment and Natural Resources Commission of the Lower House of the National Assembly to raise awareness about EITI implementation.<sup>7</sup>
- Afghanistan EITI held a pre-Validation self-assessment workshop with the International Secretariat and the World Bank in Dubai, United Arab Emirates, on 4-7 November 2019, supported by GiZ-MinGov.
- On 1-2 December 2019, AEITI held an outreach workshop for 45 civil society representatives in Kabul, supported by GiZ-MinGov.<sup>8</sup>
- In January 2020, the MOMP website published the 1395-1396 (2016-17) financial statements of Afghan Gas Enterprise and North Coal Enterprise, audited by the Supreme Audit Office for the first time, as well as related documentation.<sup>9</sup>
- In February 2020, the industry and civil society constituencies agreed their respective MSG member election procedures and published them on the AEITI website.
- Afghanistan EITI published an addendum (and appendices) to the 6<sup>th</sup> EITI Report on 19 May 2020, addressing weaknesses identified in the MSG's November 2019 pre-Validation workshop.<sup>10</sup>
- On 14 September 2020, the MSG submitted comments on the draft assessment that highlighted the publication of new information on the licensing process in 1395-1396 (2016-

<sup>2</sup> Afghanistan EITI website, 'MSG meeting minutes 2015-2020', accessed [here](#) in June 2020.

<sup>3</sup> Afghanistan EITI (January 2019), 'Workshop on EITI Standards and Validation Process', accessed [here](#) in June 2020.

<sup>4</sup> Afghanistan EITI (March 2019), 'Journalists' and CSOs Workshop on the MoMP Online Transparency Portal', accessed [here](#) in June 2020.

<sup>5</sup> GiZ (May 2019), 'Promoting Good Governance in the Extractive Sector – Data-Exchange and Cooperation', accessed [here](#) in June 2020.

<sup>6</sup> Afghanistan EITI (July 2019), 'Roundtable Session on Capacity Development of AEITI Stakeholders', accessed [here](#) in June 2020.

<sup>7</sup> Afghanistan EITI (November 2019), 'Presentation to the Members of the Environment and Natural Resources Commission', accessed [here](#) in June 2020.

<sup>8</sup> Afghanistan EITI (December 2019), 'AEITI Holds a Public Awareness Workshop for CSOs' Representatives', accessed [here](#) in June 2020.

<sup>9</sup> Ministry of Mines and Petroleum website, 'SOE transparency' section, accessed [here](#) in June 2020.

<sup>10</sup> Afghanistan EITI (May 2020), '6<sup>th</sup> EITI Report addendum', accessed [here](#) in June 2020. Page number references are to numbers on the printed page.

2017) and on quasi-fiscal subsidised loans by SOEs and quasi-fiscal subsidies on natural gas sales by AGE.

The following section addresses progress on each of the corrective actions. The assessment covers the corrective actions established by the Board and the associated requirements in the EITI Standard. The assessment follows the guidance outlined in the Validation Guide.<sup>11</sup> In the course of undertaking this assessment, the International Secretariat has also considered whether there is a need to review additional requirements, i.e. those assessed as “satisfactory progress” or “beyond” in the 2016 Validation. While these requirements have not been comprehensively assessed, in the Secretariat’s view there is no evidence to suggest progress has fallen below the required standard and no additional issues that warrant consideration by the EITI Board. The International Secretariat has also reviewed provisions introduced to the EITI Standard in June 2019. Requirement 2.5 on beneficial ownership, Requirement 6.4 on environmental impact and Requirement 7.2 on data accessibility are covered in Section 5.

## 4. Effectiveness and impact of EITI implementation

### Impact and effectiveness

*EITI objectives linked to national priorities:* The objectives for Afghanistan’s EITI work planning appear to be in line with national priorities, particularly in the 2020 AEITI work plan onwards. The key objectives for EITI implementation under the 2020 work plan based on a new results-based framework are to establish an effective multi-stakeholder oversight of transparency and accountability in the extractive industries, to improve the transparency and accountability of the legal and institutional framework for the extractive industries and to empower Afghan citizens to effectively oversee the use of natural resources. The new results-based framework effectively breaks down the work plan into ultimate, intermediate and immediate outcomes, outputs and activities as a powerful planning tool for achieving these objectives. While there is some concern from some civil society members that the consultation process for developing the EITI work plan objectives was not as inclusive as the “co-creation” approach adopted through the Open Government Partnership (OGP), stakeholder consultations revealed broad support for the AEITI work plan objectives. These objectives for EITI implementation appear aligned with the national priorities for the extractive industries described in the MOMP’s National Mining Policy and the government’s commitments under the Geneva Mutual Accountability Framework (GMAF). The government’s commitments under international donor benchmarks focus on the rule of law and transparency in the mining sector, in which the AEITI is central to achieving many of the targeted benchmarks.

*Impact of EITI:* A review of publicly available evidence and stakeholder consultations point towards tangible impacts of EITI implementation, particularly in the two years since the first Validation. These concrete outcomes and impacts can be viewed through the lens of progress in meeting the objectives set out in the AEITI work plan. While stakeholder views on the EITI’s impact differed significantly across different constituencies, there appeared to be some consensus that the EITI had had an impact.

With regards to the objective of establishing effective multi-stakeholder oversight of extractive industry transparency and accountability, it appears that the EITI has resulted in some outcomes and impacts. The AEITI has effectively established a platform for consultations between government, industry and

<sup>11</sup> EITI (2019), ‘EITI Validation Guide’, available at: <https://eiti.org/document/eiti-validation-guide>

civil society on issues of extractive industry governance. This was particularly demonstrated in the MSG's input to the development of the 2018 Minerals Law and 2019 Mining Regulations, with transparency provisions related to the EITI Standard. The 6<sup>th</sup> AEITI Report addendum highlights the MSG's newfound role in participating in the monitoring of implementation of reforms under the government's National Mining Policy. The MSG has enabled discussions on the management of mining licenses, the quality of production data and the traceability of extractives revenues. EITI Reports have served as regular diagnostics to assess progress on reforms. Review of MSG meeting minutes indicates that some trust has been built between the three constituencies on the MSG, even if a legacy of mistrust in government systems and company adherence to legal and contractual obligations persists. Stakeholder consultations confirmed that there had been an improvement in relations between the three constituencies since the period assessed in the first Validation. However, friction between some civil society groups and government officials in 2019 over the revision of civil society MSG nominations procedures reveal the still-fledgling nature of this emerging trust.

With regards to the objective of improving the transparency and accountability of the legal and institutional framework for the extractive industries, a number of tangible outcomes and reforms linked to the follow-up on EITI recommendations in the 2018-2020 period highlight an emerging impact of EITI on government oversight and disclosure mechanisms. The publication of all mining, oil and gas contracts in 2018 was an important outcome of EITI implementation, that ensured that all stakeholders including government revenue-collecting agencies and the general public gained full understanding of the mining companies' contractual obligations. The transfer of extractive companies to the Revenue Department's Large Taxpayer Office (LTO) in 2019, together with the implementation of ring-fencing of tax liabilities per extractives licenses from 2020 onwards, should help improve tax administration in the extractive industries. The launch of the MOMP's non-tax revenue system (NTRS) in 2019, with data publicly accessible through the Transparency Portal, should help improve administration of non-tax revenue collection by government. The integration of the NTRS into government systems through the automatic exchange of information with the SIGTAS tax administration system and the ASYCUDA customs management system should further improve coordination between government revenue-collecting agencies in their oversight of the extractive industries. The 6<sup>th</sup> AEITI Report addendum highlights the importance of the Transparency Portal in improving institutional governance and accountability, providing opportunities for improved business practices and investment. Finally, follow-up on EITI recommendations has led to the SAO's first audit of the two extractive SOEs' financial statements, highlighting challenges both in record-keeping and financial management at the level of Afghan Gas Enterprise and North Coal Enterprise. These new disclosures have provided key diagnostics to support the government's corporatisation of the two SOEs, which were restructured under the National Development Company in March 2020.

While transparency in the governance of the extractive industries has improved in the past two years in particular, it is questionable whether these newfound gains have yet translated into accountability improvements. Stakeholders consulted from all constituencies expressed concern over the scope for individual discretion in the oversight of the extractive industries, with several concerns raised over allegations of a recent centralisation of decision-making related to the extractive industries at the level of the Presidency. Stakeholder consultations revealed concerns from civil society in particular over the limits to government oversight of the extractive industries in an environment where significant illegal mining activities are controlled by non-state actors.

With regards to the objective of empowering Afghan citizens to effectively oversee the use of natural resources, it appears that EITI implementation has led to the development of public-access tools yielding transparency in the management of the extractive industries, even if the public's use of these new instruments remains unclear. The MOMP Transparency Portal provides a powerful tool for users to form their own assessments of companies' adherence to their contractual obligations, particularly

in their non-tax payments to government. The new publication of beneficial ownership information for extractive licenses awarded since January 2020 provides a basis for understanding who ultimately benefits from the extraction of Afghanistan's natural resources. The 6<sup>th</sup> AEITI Report addendum highlights AEITI's role in strengthening participatory processes for debate and decision-making on the extractive industries, as a prerequisite for changing behaviour and practices. There has been extensive outreach, dissemination and capacity-building on EITI findings driven by the AEITI Secretariat to encourage use of both EITI data and the systems for public oversight of the extractive industries, such as the Transparency Portal. While this outreach has led to discussions at the subnational level on the governance of the extractive industries, the limited engagement of MSG members in this outreach has limited the use of EITI data to inform public debate. Nonetheless, plans for enhanced civil society outreach at the subnational level, including a community-based monitoring programme to be implemented by Integrity Watch Afghanistan, could help empower greater citizen oversight of the use of natural resources.

*Prospects for greater EITI impact:* In many ways the EITI remains shy of its potential, even in the challenging security and political context in Afghanistan. The focus of stakeholders involved in EITI implementation, particularly MSG members, has been on the technical aspects of disclosures rather than the proactive use of EITI data and findings to inform public debate and public policy-making. The development of systematic disclosures by government entities in the past two years creates an opportunity for Afghanistan's EITI to transition from a process focused on data collection and collation to higher value-added analysis of extractive industry data. There is clear scope for the MSG to become an active agent in using data to undertake analysis, influence decision makers and direct information to wider set of users. Drawing on a decade of EITI data on extractive revenues, AEITI has a growing body of evidence on which to draw in developing analysis and policy recommendations to decision-makers. The publication of all extractive contracts provides the basis for modelling specific extractive projects and to start developing open-access revenue forecasting models.

There is also scope for the EITI to collate different estimates on illegal mining and unrecorded trade in extractive commodities. With formalised mining accounting for only a share of actual mining activities in the country, the EITI could start by providing an overview of various estimates of illegal mining activities to support the government's efforts to formalise a greater share of mining activities countrywide.

*Innovations beyond EITI Requirements:* Afghanistan's EITI implementation has included a number of innovations beyond the minimum requirements of the EITI Standard, primarily with regards to procedural and governance aspects rather than expanding the scope of EITI reporting to other areas. These procedural and governance improvements have been implemented primarily in the past 18 months. The MSG has developed and agreed a new results-based framework for its annual EITI work planning, with a view to improving both the execution of the annual work plan and facilitating the MSG's assessment of outputs, outcomes and impacts. The revisions to the MSG's internal governance documents have included a set of standard operating procedures for the MSG and AEITI Secretariat, a handbook for MSG members and attempts to ensure that the institutional memory of outgoing MSG members is transferred to their replacements.

The MSG's approach to addressing many of the corrective actions from the country's first Validation through systematic disclosures on government portals rather than in standalone EITI reporting is a welcome step in deepening and institutionalising EITI disclosures in an environment of state-building supported by development partners. The integration of license data, production data, fiscal terms, non-tax revenue data and beneficial ownership information on a per-license basis through the MOMP Transparency Portal presents data required under the EITI Standard in an accessible manner. This provides a powerful instrument for enabling the public to move from assessing whether government

receives what companies have paid to evaluating companies' adherence to their legal and contractual obligations. However, AEITI's attention to systematic disclosures through government systems has not yet been matched by a commensurate attention to extractive companies' disclosures. The government appears to be building on early experience of disclosures of such information on the extractive industries to drive transparency improvements in other sectors. Thus, the government has committed to disclose the beneficial ownership of all government contractors as part of the IMF's Rapid Credit Facility agreed in May 2020.

Finally, AEITI is considering innovative approaches to outreach and dissemination of EITI findings in a socially inclusive manner. The MSG has agreed a gender policy in 2020, which covers both balanced representation in EITI activities (and the MSG) as well as the collection and publication of gender-disaggregated data. Building on civil society organisations' experience and networks at the subnational level, GIZ-MinGov signed a contract with Integrity Watch Afghanistan to support AEITI by developing a community-based monitoring programme to support the AEITI process, which will strengthen citizen oversight of issues including extractive industry management.

***Conclusions, lessons learnt and recommendations:*** Afghanistan's EITI has led to more tangible outcomes and impacts in the 2018-2020 period than in the first eight years of implementation. These impacts have been primarily at the level of reforms in government systems and efforts to promote the use of data, rather than in the EITI data driving a robust public debate on extractive industry governance in Afghanistan. With systematic disclosures becoming more robust on the part of the government, there is a clear opportunity for AEITI to transition from a focus on data collection and publication towards higher value-added data analysis and formulation of policy recommendations. The initial focus on disclosures of EITI data could graduate towards more analysis of the systems underpinning both government and company disclosures to address widespread stakeholder concerns over the comprehensiveness and reliability of official government data on the extractive industries.

## Sustainability

***Funding:*** There has historically been significant support from development partners for EITI implementation in Afghanistan. A key condition of successive mutual assistance frameworks agreed between Afghanistan and its international partners, the sustainability of the EITI is dependent on the sustaining of broader international support to Afghanistan. Several development partners consulted highlighted significant financial support from the World Bank through the Afghanistan Gas Project (AGASP), a USD 52.5m grant that includes support for EITI implementation until 2024 as one of its components. Technical assistance from development partners including GIZ and the EU is expected to be extended beyond the current end date of December 2020. While funding from development partners seems reasonably assured over the medium term (for the next four years), over-reliance on one source of funding (through the World Bank's grant) may pose sustainability challenges over the longer term. Several development partners noted the importance of the government taking over primary responsibility for supporting and institutionalising EITI implementation over the medium term. The next Ministerial-level pledging conference on Afghanistan is planned for November 2020 in Geneva and will provide more visibility on international development partners' commitment to support for Afghanistan over the coming four years.

***Institutionalisation:*** While the EITI is institutionalised through Presidential Decrees in Afghanistan, the government has included transparency provisions aligned with EITI requirements in its sector legislations and regulations, including the 2018 Minerals Law and the 2019 Mining Regulations. These legal provisions, combined with the development of systematic disclosure mechanisms such as the MOMP's Transparency Portal, indicate some institutionalisation of EITI within government policy and systems. While the longer-term institutionalisation of the EITI in Afghanistan is linked to broader

questions about the political outlook, the EITI seems sufficiently institutionalised to ensure continued implementation over the short to medium term. Stakeholders consulted from civil society and development partners raised concerns over the longer-term institutionalisation of the EITI, but considered that this was linked to the broader political outlook for the country.

## 5. Review of corrective actions

As set out in the Board decision on Afghanistan's first Validation, the EITI Board agreed 19 corrective actions.<sup>12</sup> The Secretariat's assessment below discusses whether the corrective actions have been sufficiently addressed. The assessments are based on the 2019 and 2020 work plans, the 2016-2017 EITI Reports and their addendum, the 2018 and 2019 annual progress reports, publicly accessible data on government websites and portals as well as minutes of the MSG meetings from November 2017 to 1 July 2020, alongside various documents submitted by the national secretariat to the International Secretariat, e-mail correspondence, and stakeholder consultations (in-person and via skype).

### 5.1 Corrective action 1: Government engagement (#1.1)

In accordance with Requirement 1.1, Afghanistan should ensure that a senior individual that has the confidence of all stakeholders, authority to coordinate action and mobilise resources provides consistent government leadership of the EITI. Afghanistan should also ensure that engagement is consistent across government departments. In accordance with requirement 8.3.c.i, the government constituency is requested to develop and disclose an action plan for addressing the deficiencies in government engagement documented in the initial assessment within three months of the Board's decision, i.e. by 18 April 2019. To strengthen implementation, Afghanistan is encouraged to ensure that government representatives on the MSG attend meetings regularly. AEITI should also consider inviting representatives from SEC and Presidential advisors given their apparent influence over extractives issues. Institutional disagreements over leadership of the EITI process should be addressed to ensure that the government is able to improve implementation at the operational level and use the EITI as a platform for reform. Given the importance of the Mutual Accountability Framework in the Afghan context, the government and development partners are encouraged to identify targets that will help Afghanistan address challenges to the sector through the EITI rather than continuing to focus on compliance.

#### Findings from the first Validation

The first Validation concluded that Afghanistan had made meaningful progress in implementing this requirement. Validation found that the government had not been fully, actively engaged in the EITI process between 2015 and 2017 and noted concerns from various stakeholders that more recent engagement by the government may not be sustained in the long-term. However, Afghanistan nominated the Minister of Mines and Petroleum to lead the EITI process in 2017 after a two-year gap and had made regular statements of support over time. The government participated in MSG meetings, although frequent changes in representatives were a problem. The commitment reflected in the months leading to Validation coupled with strong commitment expressed at the highest levels were signs that the government had renewed its commitment to the EITI. The extent to which the

<sup>12</sup> EITI (January 2019), 'The EITI Board agreed that Afghanistan has made inadequate progress overall in implementing the 2016 EITI Standard', accessed [here](#).

government sustained this commitment to use the EITI as an instrument to drive reforms was considered key to the prospects for EITI implementation.

### Progress since Validation

Government officials have continued to make high-level policy commitments to EITI in the 2018-2020 period. While opinions of stakeholders consulted varied with regards to whether government commitment to EITI was genuine, with some development partners and civil society representatives considering that commitment was driven by donor funding conditionalities, there was consensus that the government had reiterated its commitment regularly and matched this with consistent operational engagement. Although some development partners raised questions around the government's commitment to EITI after the completion of Validation, several government officials emphasised the genuine nature of the government's commitment to EITI implementation.

The government has provided more effective leadership and engagement in EITI in practice during this period, at all levels. From the receipt of the draft Validation report in August 2018, the government's EITI Champion, former Minister Nargis Nehan, frequently chaired MSG meetings. The December 2018 Presidential Order transferring the AEITI Secretariat from MOF to MOMP aligned support for the MSG with the high-level championing of implementation. Upon his nomination in October 2019, Acting Minister Enayatullah Momand continued this engagement, systematically assigning his Deputy Minister for Policy and Programs Waliullah Zadran to chair MSG meetings on his behalf. He has consistently been copied on all major communications on EITI implementation.

At an operational level, all key Directorates within the MOMP and MOF have improved their engagement in the 2018-2020 period. Government participation in the period led the other two constituencies, at 35% compared to 33% from industry and 32% from CSOs in 2019. Analysis of MSG meeting attendance in 2019-2020 indicates that representatives from departments within MOF and MOMP have consistently attended meetings. MSG meeting minutes reflect the government representatives' active engagement. There is evidence of government input to the design of EITI implementation and reporting. Government has participated in dissemination and outreach activities (see *Requirement 7.1*). Stakeholders consulted from different constituencies considered that government MSG members' attendance had improved in line with effective meeting chairing by the Acting Minister of Mines and Petroleum or Deputy Minister Zadran.

Officials have acted on EITI recommendations and implemented reforms, such as in the implementation of more consistent Tax Identification Numbers (TINs), the ring-fencing of taxes per project and the launch of the MOMP Transparency Portal. While several CSOs consulted expressed concern that similar recommendations had been included in successive EITI Reports, there is evidence of government follow-up on specific recommendations and the implementation of tangible reforms (see *Requirement 7.3*). Government MSG representatives have engaged their broader constituency, as evidenced by engagement with the Supreme Audit Office to audit the two extractive SOEs' financial statements and with Parliament for outreach and dissemination.

### Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on government engagement has been addressed and considers that Afghanistan has made satisfactory progress on Requirement 1.1. The government has continued to make high-level statements of commitment to EITI, but has increasingly matched that with effective operational oversight and engagement of EITI implementation in practice. Government representation in EITI implementation has become more balanced between

the Ministry of Mines and Petroleum and the Ministry of Finance, alongside other relevant government entities. Officials have been effectively engaged in all aspects of implementation in the 2018-2020 period, including the design and implementation of EITI reporting, as well as in outreach and dissemination. While several stakeholders from different constituencies expressed concern that the government's commitment to and engagement in EITI was driven by donor funding conditionalities, there was consensus among stakeholders consulted that the government's effective leadership and engagement in EITI had improved significantly since the period reviewed by the first Validation.

To strengthen implementation, Afghanistan is encouraged to consider whether guidelines for the government constituency may further improve government engagement in all aspects of EITI implementation and ensure effective coordination across different relevant government departments.

## 5.2 Corrective action 2: MSG oversight (#1.4)

In accordance with Requirement 1.4, Afghanistan should ensure that any deviations from the MSG's ToR are adequately and publicly codified. The MSG should ensure that its lack of per diem practice is publicly clarified. To facilitate compliance with the ToR, the MSG may wish to consider simpler and less prescriptive ToR while ensuring that all the elements in Requirement 1.4 are covered. This is to ensure that the invitation to participate in the group is open and transparent, that the nomination process is independent and free from any suggestion of coercion, and that civil society MSG members are operationally, and in policy terms, independent of government and companies. Bearing in mind the desirability of pluralistic and diverse representation, CSOs and industry may wish to consider ways of encouraging women to participate in the EITI process. To help planning, encourage participation of all stakeholders and ensure that papers are submitted in time, the MSG may wish to agree dates of quarterly meetings that are aligned with the EITI's reporting timeframes. To help members engage more actively, MSG members should consider working and publishing in local languages rather than English. The MSG should also ensure that there is sufficient advance notice of meetings and timely circulation of documents prior to their debate and proposed adoption.

### Findings from the first Validation

The first Validation concluded that Afghanistan had made inadequate progress in implementing this requirement. The MSG had Terms of Reference that addressed the minimum requirements in the Standard, and these had been reviewed on a number of occasions. The MSG did not follow its ToRs in practice, however, and this appeared to have had an impact on its ability to exert adequate oversight over the reporting process as stakeholders did not have sufficient time to review draft reports before publication. Although each stakeholder group had the right to appoint its own representatives and constituencies had developed procedures to nominate their members, there were concerns that the selection process followed by civil society was not representative nor open to CSOs that were not affiliated with IWA or ENMRN. Although constituencies were adequately represented, frequent turnover in the government constituency was generally recognised as a challenge. Work plans, EITI Reports and annual progress reports were approved by the MSG, but there were concerns that short deadlines did not allow for meaningful engagement.

### Progress since Validation

There has been a gear-change in constituencies' engagement in the MSG and EITI more broadly since the first Validation.

Industry and civil society have formalised their respective MSG membership election procedures. In so doing, each constituency has broadened its outreach to new participants. In the first half of 2020, the industry and civil society constituencies mandated the AEITI Secretariat to review and update constituency membership lists by contacting the hundreds of registered extractive companies and several hundred CSOs. Based on these updated constituency membership lists, MSG members from the two constituencies contacted their broader constituencies to provide updates on EITI implementation and invite them to participate in the constituencies' MSG member nomination procedures. However, stakeholder consultations confirmed that challenges in coordination of the civil society and industry constituencies in particular, compounded by the impact of the Covid-19 crisis from March 2020 onwards, hampered the process for nominating new MSG members from these constituencies. Since 2020, there is evidence of more consideration for gender balance in MSG representation from within each of the three constituencies. While there are only three women represented on the MSG as of 2020, the MSG's focus on gender issues since 2019 marks a significant evolution since the period reviewed in the first Validation, when no discussions on gender balance in representation was discussed. Overall, the MSG has developed solid foundations for its membership renewal to include appropriate stakeholders, once it becomes feasible to hold in-person meetings. In consultations, civil society stakeholders confirmed that they considered their MSG representatives to be independent in operational and policy terms from government and companies in the 2018-2020 period.

Overall, the MSG appears to have provided effective oversight of EITI implementation in the 2018-2020 period through participation at MSG meetings. There has been growing attention to capacity building for MSG members, both in work planning and implementation more broadly. In practice, review of MSG meeting attendance, the 6<sup>th</sup> AEITI Report addendum's description of attendance and stakeholder consultations indicate that attendance by MSG members from all three constituencies has been more consistent in the 2018-2020 period, compared to frequent changes in attendees and ad hoc delegation to proxies in the period reviewed in the first Validation.

The MSG's Terms of Reference are in line with Requirement 1.4.b and appear to be broadly followed in practice, including with regards to internal governance rules. The MSG's decision-making appears to have respected all three constituencies as equal partners in the 2018-2020 period. While meeting minutes indicate that the MSG has taken decisions by voting in this period, there was consensus among stakeholders consulted that no constituency had been over-ruled in the MSG's decision-making. There was consensus among stakeholders consulted that the frequency of MSG meetings, advance notification of meetings and circulation of relevant documents were all in line with internal governance provisions of the MSG's ToR. MSG members consulted considered that these practices were adequate to ensure that MSG members were well prepared for meetings and had sufficient time (and capacity) to provide effective oversight of all aspects of implementation.

There is evidence of outreach by MSG members towards their broader constituencies, despite logistical and security-related challenges both in Kabul and the provinces. However, stakeholders from different constituencies confirmed that MSG members' engagement in other aspects of implementation, such as dissemination and outreach activities, have been driven primarily by the AEITI Secretariat. Although stakeholders consulted confirmed that the AEITI Secretariat led outreach and dissemination activities in accordance with the AEITI work plan and communications strategy, several noted that participation of MSG members had been limited in the 2018-2020 period.

There is no indication of any breach of the EITI Code of Conduct by EITI officeholders in Afghanistan. The relationship between the MSG and Secretariat appears to have improved, even if some civil society representatives continue to express frustration at the national secretariat over allegations that the secretariat is too closely aligned with government. Overall, the MSG appears to have provided

effective oversight of EITI implementation in the 2018-2020 period through participation at MSG meetings.

There was consensus among stakeholders consulted that the frequency of MSG meetings, advance notification of meetings and circulation of relevant documents were all in line with internal governance provisions of the MSG's ToR. MSG members consulted considered that these practices were adequate to ensure that MSG members were well prepared for meetings and had sufficient time (and capacity) to provide effective oversight of all aspects of implementation.

### Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on MSG oversight has been partly addressed and considers that Afghanistan has made meaningful progress on Requirement 1.4. The MSG has been formed and includes self-appointed representatives from each stakeholder group with no suggestion of interference or coercion. While the statutory procedures for civil society and industry nominations to the MSG agreed in 2020 appear to ensure that the nominations processes would be open and transparent, delays in the two constituencies' election procedures initially due to challenges in constituency coordination and subsequently the impact of the Covid-19 crisis have meant that these nominations procedures have yet to be implemented in practice. Thus, while the different constituencies have formalised their nomination procedures, MSG membership had not been renewed on the basis of these procedures as of the commencement of Validation. Nonetheless, civil society members of the MSG appear to have been operationally and in policy terms independent from government and companies in the period under review. Information on nominations procedures is publicly available. The MSG's ToR addresses all aspects of Requirement 1.4.b, including with regards to gender diversity, and stakeholders have not highlighted any significant deviations from the ToR in practice. Meetings are convened with sufficient advance warning and MSG members generally appear to have sufficient time to review documents ahead of meetings. Attendance of most MSG members appears to have been broadly consistent in the 2018-2020 period. However, outreach to the respective constituencies and EITI dissemination activities appear to have been driven primarily by the AEITI Secretariat during the period under review, with insufficient evidence of MSG members' active and effective participation in all aspects of EITI implementation.

In accordance with Requirement 1.4.a.ii, Afghanistan should ensure that the renewal of MSG members in practice follows the nominations procedures agreed by each constituency, in line with open, fair and transparent procedures. In accordance with Requirement 1.4.b.iii, MSG members should liaise with their constituency groups.

### 5.3 Corrective action 3: Work plan (#1.5)

In accordance with Requirement 1.5, the MSG should ensure that its work plans are fully costed, updated regularly, consistently published online and are aligned with the reporting and Validation deadlines established by the EITI Board. In order to ensure that objectives are met, Afghanistan is encouraged to ensure that the AEITI procurement plan agreed with the World Bank and other sources of funding reflects the objectives of the MSG as explained by the AEITI annual work plan.

### Findings from the first Validation

The first Validation concluded that Afghanistan had made meaningful progress in implementing this requirement. Except for the 2017 work plan, which was primarily an update of the 2016 work plan,

the MSG updated its work plans annually, including its objectives. Work plans were endorsed by the MSG and there was some, albeit limited, consultation with key stakeholders. Work plans included measurable and time-bound activities to achieve the agreed objectives. Although they were usually published on the national EITI website, the 2018 work plan had not been published on the website at the time of review and is currently only available on the EITI International website. Work plans included a timetable for implementation that was aligned with the reporting and Validation deadlines established by the EITI Board that took into account administrative requirements such as procurement processes and funding. However, the lack of consistent costings and identification of funding sources for all activities in the work plans was a concern. It was also a concern that work plans were not reflected in the AEITI procurement plan, meaning that there was no coherence between AEITI's budget and the MSG's objectives.

### Progress since Validation

The MSG has agreed an annual EITI work plan that has been made publicly accessible and appears to have been the product of consultations with the broader constituencies. For the first time in the 2020 AEITI work plan, the MSG transitioned to a results-based framework for its work planning, which has served to more closely align activities and projected outputs with broader work plan objectives, while allowing for more robust monitoring and evaluation. Several stakeholders including development partners highlighted the consultations that had gone into developing the 2020 AEITI work plan, including a MSG workshop on the new results-based framework. One civil society representative called for an even more inclusive process for developing the annual EITI work plan in future, drawing on the "co-creation" approach adopted for developing Open Government Partnership action plans.

The 2020 AEITI work plan's objectives appear aligned with national priorities. It includes measurable and time-bound activities to achieve the agreed objectives, with clear costings and funding sources for each activity. It includes plans for capacity-building for both MSG members and key constituencies such as the media, university students and civil society. While it includes cursory plans to overcome legal and regulatory obstacles to EITI implementation, these are more narrowly focused on regulatory aspects that are internal to EITI governance rather than barriers to broader improvements in extractive industry transparency and accountability.

From the 2020 work plan in particular, the MSG has laid out clear activities related to extending the scope of EITI implementation, particularly with regards to the transition to systematic disclosures of EITI data. The work plan includes plans to follow up on recommendations from EITI reporting and Validation, both as a standalone activity and in the detail of many activities related to stakeholder engagement, disclosures, dissemination and outreach. Several work plan activities relate to gender considerations in stakeholder engagement, dissemination and outreach as well as the disclosure of gender-disaggregated data. A development partner highlighted the gender-related activities in the 2020 work plan, noting the discussions on gender that had taken place after the MSG's pre-Validation workshop in November 2019.

### Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on the work plan has been addressed and considers that Afghanistan has made satisfactory progress on Requirement 1.5. Afghanistan's 2020 EITI work plan is publicly accessible, produced in a timely manner and updated annually, with objectives aligned with national priorities. The work plan includes measurable and time-bound activities that are fully costed with associated funding sources. It comprises specific activities to follow up on recommendations from EITI reporting and Validation and to extend the scope of EITI

implementation, including with regards to systematic disclosures. It includes activities related to gender-disaggregated data and gender considerations in stakeholder engagement, outreach and dissemination. The three constituencies appear to have consulted their broader constituencies in preparing annual work plan. Delays in work plan implementation appear reasonable given security and Covid-19 related constraints.

To strengthen implementation, Afghanistan may wish to consider ways of further institutionalising consultations with the broader government, industry and civil society constituencies on the development of the annual EITI work plan. Afghanistan may wish to draw on its experience in developing Open Government partnership action plans based on a principle of co-creation.

#### 5.4 Corrective action 4: License allocations (#2.2)

In accordance with Requirement 2.2, Afghanistan should ensure that the number of licenses awarded and transferred in the year(s) under review in both mining and oil and gas be publicly accessible, alongside 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. Afghanistan should clarify the technical and financial criteria (and their weightings) used for assessing license allocations and transfers. Afghanistan may also wish to comment on the efficiency of the current license allocation and transfer system as a means of clarifying procedures and curbing non-trivial deviations.

#### Findings from the first Validation

The first Validation concluded that Afghanistan had made inadequate progress in implementing this requirement. The 2014-15 EITI Report listed 30 mining licenses awarded in the period under review, but did not clarify the procedures followed for their award in practice. It was unclear whether any mining licenses were transferred in this period. The report provided 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 referred to the existence of bid criteria for license awards and did not describe technical and financial criteria nor provide guidance on accessing bid criteria or a list of unsuccessful bidders for the 30 mining licenses awarded in 2014-15. While the report did not clearly state whether any hydrocarbons contracts were awarded or transferred in 2014-15, there was no indication of any award or transfer of oil and gas licenses in the period under review.

#### Progress since Validation

Since Afghanistan's first Validation, the MOMP has launched a cadastral management system developed by the Revenue Development Foundation (RDF) in November 2018 and migrated the license application and award process online. While the MOMP Transparency Portal does not provide an overview of the license allocation process itself, nor the specific technical and financial criteria assessed in license applications, it does provide public access to information on the submission and processing of license applications to registered users (it is free to register). Several government officials and development partners consulted described plans to integrate more information on the license allocation process followed in practice for each license in the Transparency Portal in 2020, to enable users to assess for themselves any non-trivial deviations from the statutory procedures for license awards and transfers.

The 6th AEITI Report covers a period (2016-17) prior to the launch of the cadastral management system. There is however conflicting information between the EITI Report and its May 2020

addendum over the number of mining licenses awarded in this period, with the former listing 187 new license awards and the latter citing the number of 120 (construction materials) mining license awards. Stakeholders consulted from various constituencies however confirmed that the figure of 187 new mining license awards in the 6<sup>th</sup> AEITI Report was erroneous and confirmed that there were 120 awards of small-scale mining licenses (for construction materials) in 2016-2017. All public sources confirm the lack of new oil and gas license awards in this period, and the lack of license transfers in either mining or oil and gas.

The 6<sup>th</sup> AEITI Report and its addendum describe the statutory procedure for awarding and transferring licenses in 2016-17, under the 2014 Mining Law and 2008 Mining Regulations for mining and under the 2009 Hydrocarbons Law and its 2010 implementing regulations for oil and gas. However, the existence and nature of technical and financial criteria considered in license awards and transfers in both mining and oil and gas remain unclear from AEITI documentation published to date. For both mining and oil and gas, the 6<sup>th</sup> AEITI Report and its addendum refer to pre-qualification and tender criteria for license awards in 2016-17, without defining the criteria assessed. Several government officials and development partners consulted explained that the criteria assessed for small-scale mining license awards in the 2016-2017 period were not onerous however, given that the objective of the mineral regulations then in force was to encourage the formalisation of mining activities. Indeed, several small-scale mining licenses were awarded to individuals in this period. Nevertheless, the specific technical and financial criteria assessed for license allocations in 2016-2017 remain unclear from publicly-available documents. For mining, the addendum describes reforms under the 2018 Mining Law and its 2019 implementing regulations. The 2019 regulations, published on the MOMP website, describe the technical and financial criteria assessed in mining license awards and transfers, although these are not retroactive to the 2016-2017 period. For oil and gas, the 6<sup>th</sup> AEITI Report addendum briefly describes reforms under the 2017 Hydrocarbons Law. Available online, the 2017 law provides an overview of the types of evidence expected to demonstrate bidders' technical and financial capacities as part of the pre-qualification process. The 2017 law only notes the requirement that Cabinet approval is required for the transfer of oil and gas contract rights, without clarifying whether the same criteria are assessed as for license awards. With regards to the MSG's assessment of non-trivial deviations in mining license awards in 2016-17, the 6<sup>th</sup> AEITI Report confirms the lack of deviations without clarifying the methodology on which this assessment was based. As noted in the addendum however, the MSG mandated the MOMP Cadastre Department to undertake a performance audit of the process followed for the award of ten mining licenses in 2016-17 in practice, confirming the lack of non-trivial deviations.

The 6<sup>th</sup> AEITI Report addendum confirms the lack of mining license awards through competitive bidding in the 2016-17 period.

There was considerable debate and criticism of the process for awarding licenses under the 2018 Mining Law during stakeholder consultations. Representatives from all constituencies highlighted the time-consuming nature of the new system, where even small-scale mining licenses were subject to two separate reviews by the (Cabinet-level) High Economic Council (HEC). The new license allocation process typically now took between 5 months and 2.5 years to complete. All stakeholders consulted considered the resumption of license allocations after the moratorium on licensing instituted in 2016, but considered the new system inefficient. Several questioned the value of developing a robust mining cadastral management system through MCAS when the licensing process still relied on such high-level approvals. One development partner explained that there was often a challenge in Afghanistan of delays in issuing implementing regulations following legal changes like the 2018 Mining Law.

In its comments on the draft assessment, the MSG confirms the addendum's correction of the 6<sup>th</sup> AEITI Report typo, that the actual number of extractive license awards in 1395-1396 was 120, all

small-scale mining licenses. It also confirms the lack of license transfers. It provides a link<sup>13</sup> to the a list of documents that applicants had to submit under the 1393 Minerals Law, noting that it constituted the only basis under which applications were assessed at the time. The MSG confirms that new technical and financial criteria have been adopted in the 2018 Minerals Law and the 2019 Mining Regulations.

### Secretariat's Assessment

The International Secretariat's assessment was that the corrective action on license allocations had been partly addressed and considers that Afghanistan had made meaningful progress on Requirement 2.2 at the commencement of Validation. Since the first Validation, Afghanistan has launched an online cadastral management system (MCAS), which now handles license award and transfer applications and provides a public user interface. The latest EITI Report however covers a period (2016-17) pre-dating both the launch of the new cadastral system and the implementation of new regulatory frameworks for mining (2018 Mining Law and its 2019 implementing regulations) and oil and gas (2017 Hydrocarbons Law). Despite the factual inaccuracies of the 2016-17 EITI Report about the number of mining licenses awarded in this period, there was consensus among stakeholders consulted that the 6<sup>th</sup> AEITI Report addendum published in May 2020 provided the accurate figure of 120 small-scale mining license awards for construction materials. Public documents confirm the lack of new oil and gas license awards and of mining, oil and gas license transfers in 2016-17. The EITI Report and its addendum provide an overview of the process for awarding and transferring licenses in the mining, oil and gas sectors, although the specific technical and financial criteria assessed in awards and transfers are only alluded to, without being described in detail. Government officials explained that the technical and financial criteria were not onerous under the 2010 Mining Regulations and the 2014 Mineral Law, although the specific technical and financial criteria assessed for mining license allocations in 2016-2017 are unclear from publicly-available documentation. The 2019 Mining Regulations and 2017 Hydrocarbons Law effectively define the technical and financial criteria assessed for mining, oil and gas license awards and mining license transfers, even if the types of criteria assessed for oil and gas license transfers remain unclear. The Secretariat thus considers that weaknesses in Afghanistan's EITI reporting of technical and financial criteria in extractive license awards and transfers have been addressed through subsequent regulatory reforms. The lack of public information on criteria assessed for oil and gas license transfers are not considered material for the period under review, given the lack of such license transfers in practice. The report provides an overview of the identity of companies receiving and its addendum confirms the lack of non-trivial deviations in these awards, based on a risk-based performance audit of a sample of the mining license awards in 2016-17. The addendum confirms the lack of license awards through competitive bidding in this period. The MOMP published a note subsequent to the start of Validation providing the list of documents that applicants had to submit under the 2014 Minerals Law, and confirmed that technical and financial criteria were now clearly described in the 2018 Minerals Law and the 2019 Mining Regulations. Thus, subject to the Board's consideration of new information disclosed subsequent to the start of Validation, the International Secretariat's assessment is that the corrective action on license allocations has been fully addressed and considers that Afghanistan has made satisfactory progress on Requirement 2.2.

In accordance with Requirement 2.2.a.ii, Afghanistan should ensure that the statutory technical and financial criteria assessed in the award and transfer of mining licenses is publicly clarified. Afghanistan is encouraged to implement the systematic disclosure of the specific award and transfer

<sup>13</sup> MOMP (September 2020), Technical and Financial criteria for awarding construction materials mining license according to the Mineral law 1393, accessible [here](#).

process followed in practice through the Transparency Portal, with a view to facilitating the public's assessment of the efficiency of license allocations and transfers and any non-trivial deviations from the statutory process.

## 5.5 Corrective action 5: License register(s) (#2.3)

In accordance with Requirement 2.3, Afghanistan should maintain a publicly available register or cadastre 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. The MSG should work with the MOMP to ensure all license information listed in Requirement 2.3.b is available for all extractives licenses active in the period under review.

### Findings from the first Validation

The first Validation concluded that Afghanistan had made meaningful progress in implementing this requirement. On mining, while the recently launched MOMP Transparency portal offered an overview of over 900 licenses, the comprehensiveness of these licenses remained unclear at the time of the first Validation. While the portal did not appear to list the four oil and gas licenses, the information on oil and gas licenses was provided in the full-text of the four oil and gas production-sharing contracts published on the MOMP website.

### Progress since Validation

The MOMP Transparency Portal, launched in November 2018, provides all information listed under Requirement 2.3.b for all mining, oil and gas licenses, including historical data on lapsed and cancelled licenses. This includes, for each extractive license, the name of the license, identity of the license-holder (company or individual), dates of application, award and expiry, license coordinates and commodity(ies) covered. As of July 2020, the MOMP Transparency Portal listed 113 active mining licenses and three oil and gas licenses that were active at the time.

In addition to basic license data, the MOMP Transparency Portal provides additional information for each license including the fiscal terms (e.g. royalty rate, which differs per license), production volumes for licenses in production (see *Requirement 3.2*), non-tax payments such as royalty (see *Requirement 4.1*) and beneficial owners (see *Requirement 2.5*). This information provides a basis for users to estimate non-tax liabilities and ownership for each license.

The EU and GiZ have supported the gradual roll-out of the MOMP's cadastral management system to provincial MOMP branches. By July 2020, the MCAS system had been rolled out to 10 of 34 provincial branches of MOMP, with three branches having completed training and actively using the system. One of the EU benchmarks involves roll-out to five more provinces by the end of March 2021.

Stakeholders consulted confirmed that all mining, oil and gas licenses held by companies considered material for the 6th AEITI Report were listed on the MOMP Transparency Portal. All contracts held by the MOMP head office and all provincial branches had been uploaded onto the MCAS system.

### Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on license registers has been addressed and considers that Afghanistan has made outstanding progress on Requirement 2.3. The

MOMP Transparency Portal, launched in November 2018, provides all information listed under Requirement 2.3.b for all mining, oil and gas licenses, including both active and non-active licenses. Afghanistan has made efforts to go beyond the minimum required by focusing on the accessibility of license and associated information, including in real-time and on a per-license basis information on license data, beneficial ownership information, fiscal terms, production volumes and non-tax payments to MOMP. This provides a powerful basis for public analysis of mining companies' adherence to contractual obligations.

## 5.6 Corrective action 6: State participation (#2.6)

In accordance with Requirement 2.6, Afghanistan should provide an explanation of the prevailing rules and practices related to SOEs' retained earnings, reinvestment and third-party financing. The government should also ensure annual disclosure of any changes in government ownership in SOEs or their subsidiaries, and provide a comprehensive account of any loans or loan guarantees extended by the state or SOEs to mining, oil, and gas companies. AEITI may wish to align reporting with the government's corporatisation strategy for the two extractives SOEs with a view to providing annual diagnostics to support reforms. As a first step and in the absence of publicly available information on the SOEs, AEITI may also wish to pursue the publication of existing studies of SOEs that have been conducted for the MOF and MOMP but that are not currently available to the public

### Findings from the first Validation

The first Validation concluded that Afghanistan had made inadequate progress in implementing this requirement. The 2014-15 EITI Report listed two SOEs in the extractive industries, but did 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 did 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 was evidence that the MSG requested details of loan repayments and interest on loans from the two SOEs, the report did not categorically state whether any loans or loan guarantees from the state or SOEs to extractives companies existed in the years under review.

### Progress since Validation

The 2016-17 EITI Report and its addendum confirm the materiality of two extractive SOEs, Afghan Gas Enterprise (AGE) and North Coal Enterprise (NCE). The two are strategic operators in their respective sectors (natural gas and coal), accounting for a combined two thirds of government extractives revenues in 2016-17. AGE is the key domestic natural gas producer, a company on which Afghanistan's broader plans to develop a domestic natural gas market to supply power plants are based. NCE has accounted for over half of government extractive revenues in the 2008-2017 period covered by EITI reporting. It plays a strategic role in buying thermal coal production from informal miners, which represented around 95% of NCE's coal sales in 2016-17.

Building on the experience and recommendations of EITI reporting, the MOMP has clarified the rules and practices related to the two SOEs' financial relations with government through systematic disclosures on its website. A 'SOE transparency' tab on the MOMP website, together with the EITI Report, provide comprehensive information on the rules governing the two SOEs' financial relations with government, including distribution of profits, retained earnings, reinvestments and third-party funding.

In terms of the practice of the SOEs' financial relations with government, the MOMP's SOE webpage also publishes the 2016-17 financial statements for AGE and NCE, audited by the SAO for the first time, as well as mine coordinates, memorandums of association and other legal documents. The 2016-17 EITI Report had published summaries of the two SOEs' balance sheets and profit and loss statements for the two years, alongside its description of the practice of financial relations. NCE was the only of the two to pay dividends to government in the period under review (see Requirement 4.5), although both are involved in commodity sales on their own account. While the SOEs were statutorily required to transfer 75% of their net profits to Treasury, they transferred 100% of their profits in practice given the lack of implementing regulations for establishing the earmarked funds for each SOE. Several stakeholders consulted from all constituencies highlighted the restructuring and corporatisation of the two extractive SOEs, which were transferred to a new National Development Company (NDC) in March 2020. This new structure means that AGE and NCE dividends (75% share of net profits to the MoF) will be transferred to NDC, which will transfer its own (net) dividends to the MoF.

Several stakeholders commented on the practice of NCE purchasing coal from informal miners and selling it at a lower price than NCE's own production (see Requirement 6.2). Several stakeholders consulted including the IA noted the rudimentary nature of SOE financial management systems. A development partner noted that the QuickBooks accounting software had recently been introduced to NCE. Several stakeholders consulted from all constituencies considered that there was scope for the two SOEs to be profitable but that they had been impaired by mismanagement.

While the 2016-17 EITI Report quotes the MOMP's assurances that SOEs did not provide loans to extractives companies in 2016-2017, its annexes list the two SOEs' loans to other companies, including a number of NCE loans to extractive companies.<sup>14</sup> The detail of these loans includes values, interest rate, and outstanding values. While the maturity and repayment modalities are not clarified in the EITI Report annexes nor the audited financial statements of NCE, stakeholders consulted including the IA noted that there was no clear maturity nor repayment modalities for these NCE loans. One auditor consulted explained that this system of cross-subsidies between SOEs dated back decades (see Requirement 6.2).

In addition to publishing the audited financial statements of AGE and NCE, the MOMP website published an overview of the management and oversight of the extractive SOEs, the status of their finances, operations and quasi-fiscal expenditures. The Memorandums of Association and related legal documents for AGE and NCE are published on the MOMP website.

There was considerable attention in stakeholder consultations to the recent restructuring of governance and oversight arrangements for AGE and NCE in 2020. The two SOEs have been transferred to a new corporatized structure under the newly established National Development Company (NDC).

In their comments on the draft assessment, a civil society coalition called for the systematic publication of SOEs' financial statements, raising concerns that the publication of SOEs' 1395-1396 financial statements may have been a 'one-off' publication. Another CSO's comments called for the audit of these financial statements by an independent external auditor, rather than the SAO.

<sup>14</sup> The NCE is a lender to Jabil Saraj Cements, Goree Cements, Afghan Gas, Anaw Cement Company, Office of the Ministry of Mines, Shabar gahan Hydrocarbons, and the Head of solid mines in Baghlan according to Annex 4 of the 2016-17 EITI Report.

## Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on state participation has been addressed and considers that Afghanistan has made satisfactory progress on Requirement 2.6. Afghanistan has made efforts to systematically disclose information on SOEs in the extractive industries. Both EITI reporting and reports published on the MOMP website's SOE transparency section demonstrate the materiality of AFE and NCE and provide comprehensive information on the rules and practices related to the financial relations between the two SOEs and the government. EITI implementation led to the first-ever audit of the two SOEs' financial statements by the SAO and their publication on the MOMP website. The EITI Report provides evidence of NCE's outstanding loans to AGE and several domestic cement producers. The report provides the repayments and outstanding value of the loans in each year, with confirmation that the interest rate is zero. While the maturity and repayment modalities for NCE's loans are not provided in AEITI reporting, stakeholders explained that these loans were extended in a flexible way and that it was not customary to set maturities and repayment modalities for such loans. Afghanistan has also made efforts to disclose information on the two SOEs' corporate governance and corporatisation plans.

To strengthen implementation, Afghanistan is encouraged to clarify the practice of state-owned enterprises such as North Coal Enterprise extending loans to other extractives companies, including any repayment schedules where applicable, with a view to clarifying any quasi-fiscal forms of subsidised lending (see Requirement 6.2). Afghanistan is encouraged to implement plans for follow-up audits of Afghan Gas and North Coal Enterprises including soliciting management responses, with a view to supporting the corporatisation of the two SOEs.

### 5.7 Corrective action 7: Production data (#3.2)

accordance with Requirement 3.2, Afghanistan should ensure that production volumes and values for all extractive commodities produced are publicly accessible. Where comprehensive disclosure of production figures for all minerals produced is not technically-feasible (e.g. for security reasons), Afghanistan should ensure that the reasons for non-disclosure are clearly explained and that publicly-available estimates are comprehensively disclosed and assessed. Afghanistan may wish to use EITI reporting to explain challenges in the production of official production statistics and track the implementation of key reforms in the MOMP's mine inspection and oversight

## Findings from the first Validation

The first Validation concluded that Afghanistan had made inadequate progress in implementing this requirement. The 2014-15 EITI Report provided 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 were significant concerns from all constituencies consulted over the reliability of official production statistics. The report did not provide values for any of the production volumes reported, although it did indirectly provide some information on the location of production.

## Progress since Validation

While the 2016-17 EITI Report only provided production volumes and values per commodity for five of the 19 mineral commodities, as well as for both crude oil and natural gas, the MOMP website published a table of production volumes and values for each of the extractive companies at the

production phase in 2016-17. This data is disaggregated by individual company, commodity and year and covers all extractive commodities produced in Afghanistan. Official government production data only covers production data under active mining, oil and gas licenses, not illegal mining production under the control of non-state actors, including of gemstones.

The MOMP Transparency Portal systematically discloses production volumes on a quarterly basis for the 2015-2020 period, disaggregated per individual license. The MOMP website has also published a note clarifying the methodology for calculating official government statistics for mineral production values. Afghanistan's publicly-disclosed production data is thus disaggregated by location and project. The Transparency Portal also provides other information per license including fiscal terms and non-tax payments (e.g. royalties) to the MOMP, enabling users to form their own assessments of any discrepancies between notional and actual royalty payments by company and by project/license. While stakeholders consulted from all constituencies (including government) expressed scepticism over the reliability of official government extractives production data due to allegations of weak verification processes for companies' self-reporting, there was consensus among stakeholders consulted that the data available both through the MOMP website and the Transparency Portal represented official government production data for the extractive industries.

This production data is of high relevance to stakeholders in Afghanistan, including government (MOMP and MoF) for calculating the basis for payments to government, as well as civil society seeking to strengthen citizen oversight of natural resource extraction and contribution to the national economy. Given that the MOMP Transparency Portal provides the key fiscal terms for each extractive license (which vary depending on the license/contract) alongside license-level production data, it is possible for users to estimate royalty impositions for specific licenses in particular years, while cross-referencing with actual royalty payments provided on the Transparency Portal.

## Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on production data has been addressed and considers that Afghanistan has made satisfactory progress on Requirement 3.2. Both the MOMP website and the Transparency Portal provide production volumes and values for each extractive commodity produced in 2016-17, as well as more recent data up to 2020, disaggregated by company and license/contract. This production data is thus disaggregated by location. Alongside systematic disclosures of contractual fiscal terms and extractive non-tax revenue data, users of the Transparency Portal are able to undertake assessments of any discrepancies between notional and actual royalty payments by company and by project/license. There are significant stakeholder concerns (from all constituencies) over the reliability of official extractives production data, while the official government statistics cover formalised mining activity under licensed areas.

To strengthen implementation, Afghanistan may wish to consider additional work on quality assurances underpinning the reliability of official government mineral production statistics in response to widespread scepticism over official mining production data published on the MOMP website.

## 5.8 Corrective action 8: Export data (#3.3)

In accordance with Requirement 3.3, Afghanistan should ensure that export volumes and values for all extractive commodities exported are publicly accessible. In the absence of reliable official data, Afghanistan should at a minimum ensure that estimates are comprehensively disclosed and compared. Afghanistan may wish to use EITI reporting as a diagnostic tool to identify discrepancies in export data from different sources and support the government's efforts to curb smuggling. Given the

apparent purchase of oil by local small refineries, AEITI should consider data requests to such refineries.

### Findings from the first Validation

The first Validation concluded that Afghanistan had made no progress in implementing this requirement. The 2014-15 EITI Report quoted the MOF's statement that extractives export data was not currently available, despite evidence of publicly-accessible (yet inconsistent) third-party sources for mineral export data. While the report provided civil society estimates of informal lapis lazuli export volumes and values, there was no evidence of the MSG tackling the issue of export data in preparing the 2014-15 EITI Report.

### Progress since Validation

While the 2016-17 EITI Report provides export volumes and values for the five mineral commodities exported in the period under review, while confirming the lack of oil and gas exports, the government has transitioned to systematic disclosures of export data. The Afghan Customs Department has published disaggregated export volumes and values for each of mineral commodity(ies) exported in the 2016-2019 period, albeit not in open data format (in PDF).

Afghanistan's EITI reporting has broken down 2016-17 export data to more granular levels in terms of export destination and customs office, disaggregated for each of the material companies in the 6th AEITI Report. Export data is of particular significance in Afghanistan, given the levels of cross-border mineral smuggling with neighbouring countries such as Pakistan and Iran, documented in various government, civil society and development partner reports.<sup>15</sup> Disaggregation of export data by destination country enables analysis and comparison with neighbouring countries' customs data on imports from Afghanistan, such as Pakistan's online trade database.<sup>16</sup> There was widespread scepticism expressed in stakeholder consultations over the comprehensiveness of official government mineral export statistics, given allegations of smuggling of minerals to neighbouring countries, particularly Pakistan. Nonetheless, there was consensus among stakeholders consulted that the mineral export data published on the Customs Department website represented official government export data on the extractive industries.

### Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on export data has been addressed and considers that Afghanistan has made satisfactory progress on Requirement 3.3. Afghanistan's Customs Department now systematically discloses export volumes and values for each mineral commodity exported for the 2016-2019 period. While confirming the lack of oil and gas exports in 2016-17, Afghanistan's most recent EITI reporting has also provided more granular information on mineral exports for companies in the scope of the EITI Report, providing information on export destinations and relevant customs offices that can provide the basis for comparison with neighbouring countries' official import statistics. Concerns expressed by stakeholders from all constituencies over the reliability of official mineral export data are noted.

<sup>15</sup> Independent Joint Anti-Corruption Monitoring and Evaluation Committee (May 2017), 'Progress Monitoring Report, Ministry of Finance Anti-Corruption Plan Review', accessed [here](#) in June 2020; United States Institute of Peace (June 2017), 'Industrial-Scale Looting of Afghanistan's Mineral Resources', accessed [here](#) in June 2020.

<sup>16</sup> Pakistan Federal Board of Revenue, Trade Statistics: Imports, accessed [here](#) in June 2020.

To strengthen implementation, Afghanistan may wish to consider additional disclosures on the underlying assurances procedures underpinning official mineral export statistics with a view to addressing widespread concerns over the reliability of official export data.

## 5.9 Corrective action 9: Comprehensiveness (#4.1)

In accordance with Requirement 4.1, Afghanistan should ensure that all companies selected in the scope of reporting comprehensively report all material payment flows and that decisions on the materiality of revenue flows are based on government unilateral disclosure of total extractives revenues, including those not statutorily-mandated but nevertheless collected. Afghanistan should also ensure that full unilateral government disclosure of material revenues from non-material companies is presented disaggregated by revenue flow rather than by company. The MSG is encouraged to consider revisiting the materiality threshold for payments to strike a balance between the comprehensiveness of disclosures and the quality of reporting considering limited resources at their disposal.

### Findings from the first Validation

The first Validation concluded that Afghanistan had made meaningful progress in implementing this requirement. Validation raised several issues of interpretation of the EITI Standard. On the one hand, the MSG and IA had made a commendable attempt at ensuring that reports were comprehensive given the absence of reliably comprehensive government license and revenue data. The 2014-15 EITI Report included the MSG's definition of the materiality thresholds for payments and companies to be included in reconciliation based on payments to government, including a justification for the specific thresholds based on a targeted reconciliation coverage. The review of the revenue streams covered in the EITI Report against the applicable laws and regulations gave assurance that no statutory revenue streams had been omitted from the scope of the report. All material government entities appeared to have reported all revenues despite challenges in data collection (particularly from MOF Customs) and the government appeared to have disclosed all extractives revenues, including from non-material companies, albeit disaggregated by company rather than by revenue stream. The companies that did not report were named and the value of their payments to government was provided relative to government-reported revenues. The share of non-reporting companies appeared to be significant in 2014, but not in 2015. On the other hand, inconsistencies in government record-keeping raised questions over the comprehensiveness of government revenues disclosed, and thus the reconciliation coverage. The lack of assessment of the materiality of payments prior to data collection also left scope for excluding significant ad hoc payments not described in sector regulations.

The challenges in demonstrating satisfactory progress in meeting Requirement 4.1 in Afghanistan were recognised as fundamentally linked to weaknesses in government record-keeping. It would be unreasonable to conclude that the MSG should be expected to resolve these before making materiality decisions. Validation considered that given these restraints, the MSG and the IA had sought to follow a process that allows for a considerable amount of certainty under the circumstances. At the same time there were additional steps that the MSG could have made to ensure that all companies selected would report comprehensively, that any non-statutory government extractives revenues were also identified where relevant and that all government entities unilaterally disclose all extractives revenues collected.

## Progress since Validation

There is evidence that the MSG approved materiality thresholds for the selection of both revenue streams and extractive companies to be included in the scope of reconciliation.

While the MSG only selected three revenue streams as material, the materiality threshold of 1.07% of total government extractive revenues effectively ensured that all material revenues received by governments from oil, gas and mining companies have been comprehensively disclosed and reconciled. The exclusion of revenue streams listed under Requirement 4.1.c is adequately justified on materiality grounds (based on their low contribution to government extractive revenues). All revenue streams, including non-material ones, are listed and described in the EITI Report.

The MSG's calculations of materiality are based on a set of revenues that excludes dividends from SOEs. While Afghan Gas Enterprise did not pay any dividend in 2016-17, North Coal Enterprise paid dividends worth 12.77% (AFN 239.99m) and 27.07% (AFN 615.37m) of (respectively) 2016 and 2017 government extractive revenues on which the MSG's materiality calculations were based. Nonetheless, it is possible to adjust the materiality calculations based on data in the EITI Report and confirm that the materiality decisions would have been the same. Neither the IA nor other stakeholders consulted could explain the lack of reconciliation of NCE dividends in the 6<sup>th</sup> AEITI Report. One Secretariat staff noted that the focus of reconciliation had been on company payments to government, not SOE dividends. The lack of reconciliation of NCE's dividends with MoF receipts is assessed under SOE transactions (see *Requirement 4.5*).

The MSG's approach to defining materiality for companies is based on both a quantitative threshold based on the value of their payments to government as well as a risk-based approach to selecting companies making smaller payments to government. This approach ensured that all companies accounting for more than 1% of government extractives revenues were included in the scope of reconciliation, while adding a sample of smaller taxpayers in response to stakeholder demand.

All material companies and government entities are listed in the EITI Report and comprehensively reported their payments to government and government extractive revenues. The government has also provided full unilateral government disclosures of all tax and non-tax revenues. In addition, the MOMP Transparency Portal launched in November 2018 discloses government (MOMP) non-tax revenues collected from mining, oil and gas companies in real time, disaggregated by license/contract.

The 2016-17 EITI Report reflects the MSG's threshold for investigating discrepancies and the reconciliation results indicate that unreconciled discrepancies did not impact on the comprehensiveness of the EITI Report. The EITI Report includes the Independent Administrator's assessment that the reconciled financial data is comprehensive.

The two extractive SOEs, Afghan Gas Enterprise and North Coal Enterprise, which together accounted for around two thirds of government extractive revenues in 2016-17, published their audited financial statements for the first time. However, other extractive companies' financial statements do not appear to be publicly accessible. Nonetheless, the IA reviewed the audit and assurance practices of material companies as part of its overall approach to the reliability of reconciled financial data (see *Requirement 4.9*).

## Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on comprehensiveness has been addressed and considers that Afghanistan has made satisfactory progress on Requirement 4.1. The 2016-17 EITI Report includes a definition of the materiality thresholds for payments and companies to be included in reconciliation, including a justification for why the thresholds were set at the agreed levels. The lack of reconciliation of North Coal Enterprise's material dividends to the Ministry of Finance is assessed under SOE transactions (see Requirement 4.5). The MSG was involved in setting the materiality threshold for payments and for companies. All material companies and government entities reported comprehensively all material payments and revenues in the 2016-17 EITI Report and full unilateral government disclosure of extractive revenues was provided. The EITI Report includes the IA's assessment that reconciled financial data is comprehensive. The two extractive SOEs, accounting for two-thirds of government extractive revenues in 2016-17, published their audited financial statements for the first time, although other extractive companies have not.

To strengthen implementation, Afghanistan may wish to consider working with the industry constituency to consider means of systematically disclosing extractive companies and government entities' financial statements, audited where available.

### 5.10 Corrective action 10: Transport revenues (#4.4)

In accordance with Requirement 4.4, Afghanistan should ensure that its assessment of the materiality of any revenues from the transportation of oil, gas and minerals be publicly documented and that any such material revenues be disclosed disaggregated to levels commensurate with the reporting of other payments and revenue streams.

## Findings from the first Validation

The first Validation concluded that Afghanistan had made inadequate progress in implementing this requirement. The MSG appeared to have considered the existence of transportation arrangements in the extractive industries in general, although the 2014-15 EITI Report referred to four arrangements that did not give rise to transportation revenues. Yet Validation found 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 were likely immaterial, the lack of clear assessment of the materiality of such road-use fee revenues was a concern.

## Progress since Validation

The 2016-17 EITI Report and its addendum confirm that the government does not collect revenues from the transportation of extractive commodities. While the report notes that the MOMP collects a flat fee of AFN 5000 (around USD 73) per bill of lading issued for shipments of extractive commodities, the issuance of bill of lading cannot be considered a form of transportation revenues but rather a fee-based government revenue related to an administrative procedure.

Stakeholders including the IA noted that the issue of checkpoint payments by those transporting extractive commodities was a sensitive issue, given that it involved payments to non-stake actors and insurgents. The IA noted that the categorisation of checkpoint payments as a form of transportation payments in previous EITI Reports was an error by previous IAs.

## Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on transport revenues has been addressed and considers that Requirement 4.4 was not applicable in Afghanistan in the period under review (2016-17). The 2016-17 EITI Report and its addendum confirm the lack of government revenues from the transportation of extractive commodities.

To strengthen implementation, Afghanistan is encouraged to reassess the existence of transport revenues on an annual basis, with a view to ensuring that material transport revenues collected by government is disclosed in future.

### 5.11 Corrective action 11: Transactions related to state-owned enterprises (#4.5)

In accordance with Requirement 4.5, Afghanistan should undertake a comprehensive assessment of transactions between extractives SOEs and government entities to ensure that the reporting process comprehensively addresses the role of SOEs, including transfers between SOEs and other government agencies.

## Findings from the first Validation

The first Validation concluded that Afghanistan had made meaningful progress in implementing this requirement. Stakeholders confirmed that neither of the two extractives SOEs collected any tax or non-tax revenues from mining, oil and gas companies, even if this was not clearly stated in the 2014-15 EITI Report. While the MSG's assessment of the materiality of SOE payments to government was unclear, it was clear that SOE payments to government were considered material and both SOEs were included in the scope of reporting. However, the report did not clearly distinguish payments from SOEs to MOF that were specific to SOEs from those common to all extractives companies and the comprehensiveness of SOE reporting is unclear. Uncertainty over the comprehensiveness of SOEs' reporting of transactions with government were linked to weaknesses in their record-keeping.

## Progress since Validation

The MSG has determined that AGE and NCE are the only two extractive SOEs considered material in 2016-17, given that Kod-e-Barq (KB) produces fertiliser and does not engage in upstream mining while the Jabal al-Saraj (JS) cement company was not considered to make material payments to government in this period. The 2016-17 EITI Report demonstrates the materiality of the two SOEs' payments to government, accounting for a combined 80.47% and 79.02% of government extractives revenues in 2016 and 2017 respectively.

Afghanistan's EITI reporting confirms that the two SOEs did not collect any revenues from extractive companies in 2016-17, as confirmed by a review of their audited financial statements for this period.

The report confirms that the two SOEs are subject to the same requirements of payments to government as private extractive companies. These statutory extractive company payments to government are covered under the assessment of comprehensiveness (see Requirement 4.1). The report also confirms that SOEs are required to transfer 75% of their net profits to the Ministry of Finance as a form of dividends. While the report confirms the lack of such dividend payments by AGE in 2016-17, it only provides unilateral disclosure by NCE of its dividend payments to MOF in 2016-17. These NCE dividends are not reconciled, despite amounting to 12.77% (AFN 239.99m) and 27.07%

(AFN 615.37m) of government extractive revenues in 2016 and 2017 respectively. Although NCE's income statements for 1395-1396 published on the MOMP website provide figures for NCE's payments of dividends ('profit transferred to government budget') that are substantially different from the MOF figures disclosed in the EITI Report, at AFN 803.036m in 1395 and AFN 563.610m in 1396. Neither the IA nor any other stakeholder consulted could explain the lack of reconciliation of NCE's dividend payments to the MoF in the 6<sup>th</sup> AEITI Report.

Neither Afghanistan's EITI reporting nor the two SOEs' audited financial statements identify any other ad hoc transfers to government entities in 2016-17.

### Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on SOE transactions has been addressed and considers that Afghanistan has made meaningful progress with considerable improvements on Requirement 4.5. The 2016-17 EITI Report and the two extractive SOEs' financial statements published online demonstrate the materiality of the two SOEs, Afghan Gas Enterprise and North Coal Enterprise. While the report confirms the lack of company payments to the two SOEs and the lack of AGE dividend payments to government, the significant dividend payments from NCE to the Ministry of Finance (equivalent to 12.77% and 27.07% of government extractive revenues in 2016 and 2017 respectively) are only unilaterally disclosed by the MoF, not reconciled with NCE disclosures. There is no evidence of any other ad hoc payments from the SOEs to government, nor of government transfers to the two SOEs in the period under review.

In accordance with Requirement 4.5, Afghanistan should ensure that all material SOE transfers to government entities, including their transfers of a share of their net profits to the Ministry of Finance, should be comprehensively and reliably disclosed.

### 5.12 Corrective action 12: Data quality (#4.9)

In accordance with Requirement 4.9, Afghanistan should ensure that the ToR for the IA is in line with the standard ToR approved by the EITI Board and that agreement on any deviations from the standard ToR be properly documented. Afghanistan should ensure that a review of actual auditing practices by reporting companies and government entities be conducted before agreeing procedures to ensure the reliability of EITI information. Afghanistan should ensure that the quality assurances agreed for EITI reporting be clearly documented, that compliance with agreed procedures by reporting entities be clearly assessed and that the IA provide a clear assessment of the comprehensiveness and reliability of EITI reporting. The MSG should also ensure that summary data tables for all EITI Reports are prepared in a timely manner in line with requirements of the Board-approved IA's ToR.

### Findings from the first Validation

The first Validation concluded that Afghanistan had made meaningful progress in implementing this requirement. As with Requirement 4.1, the assessment of this requirement raised questions of interpretation of the EITI Standard. Validation recognised the efforts made by the MSG and the IA to make decisions on data quality assurance on the basis of the prevailing low institutional capacity and virtually-non-existent statutory audit requirements. The ToR for the IA was generally in line with the Board-approved template, albeit omitting the MSG's materiality decisions, and the recruitment of the IA was approved by the MSG. The MSG approved reporting templates for the 2014-15 EITI Report as part of its approval of the scoping study, and the MSG approved the quality assurances required from

reporting entities. While the summary data tables for the 2014-15 EITI Report had not been published as of the start of Validation (1 November 2017), there was evidence that the IA prepared summary data tables for the report and that these would be published once finalised. The report also included a summary of the IA's general review of audit and assurance procedures in 2014-15, with stakeholder consultations confirming the report's assessment of widespread weaknesses in such assurance procedures in practice. Validation consequently focused the assessment on the extent to which the procedures set out by the MSG and the IA had been followed. Validation noted that the report was unclear on the level of compliance with agreed quality assurance procedures, and the IA did not provide any assurances on the comprehensiveness and reliability of the reconciled data presented in the report.

### Progress since Validation

Afghanistan has used its EITI implementation to generate reforms in broader public-sector audit practices. Acting on AEITI recommendations, the Supreme Audit Office (SAO) completed the first audit ever of Afghan Gas Enterprise and North Coal Enterprise's financial statements for 2016 and 2017. The MOMP website hosts a page dedicated to the extractive SOEs, including their financial statements, memorandums of association and other related legal documents. Meanwhile the MOMP's Transparency Portal discloses non-tax revenue data disaggregated by license, which while being unaudited is nonetheless released in near real time. This, alongside the project-level production data and fiscal terms, provides a powerful tool for research and analysis.

The broader environment for audit and assurances is however weak in Afghanistan. Few extractives companies are subject to annual audit of their financial statements. In the 6<sup>th</sup> AEITI Report, the Independent Administrator has designed a reporting process that puts the onus on more robust audit and assurance procedures for government data. The SAO is strengthening its audit and assurance capacity beyond auditing the government's Qatia statements.

In practice, the MSG has effectively overseen the production of the 2016-17 EITI Report. It agreed ToR for the production of the EITI Report consistent with the standard ToR agreed by the EITI Board and oversaw the procurement of the Independent Administrator. The IA appears to have applied international professional standards in its work, including mechanisms for preserving confidentiality of information pre-publication.

The 2016-17 EITI Report provides an overview of the audit and assurances procedures and practices of government, SOEs and extractives companies. The MSG agreed quality assurances for EITI reporting, which included external audit certification of companies' reporting templates and SAO certification of government and SOE reporting templates.

More broadly, the SAO is expanding its financial audits of government entities, including SOEs. Having completed three financial audits of government entities in 2019, it was planning on undertaking ten audits in 2020. This included audits of Afghan Gas Enterprise and North Coal Enterprise's financial statements for 1395-1396 published in January 2020 and those for 1397-1398 expected by the end of 2020.

The report is transparent about challenges in ensuring adherence to the agreed quality assurances by both companies and government. Companies complied with only three of the six quality assurances, but did not submit external auditor certification of their reporting templates. While SAO certification of government and SOE reporting templates was still marked as "ongoing" at the time of publication of the EITI Report (in June 2019), it completed this work in Q4 2019 as confirmed in the 6<sup>th</sup> AEITI Report addendum. Nonetheless, despite the fact that SAO certification of government EITI reporting was not

complete by the time of publication of the EITI Report, the IA still included a clear assessment that the overall comprehensiveness and reliability of reconciled financial data was satisfactory. In consultations, the IA explained that it had some confidence in the reliability of the data given that final unreconciled discrepancies were narrowed to a minimal value. Given that it had been working closely with the SAO in this work, the IA explained that it had confidence in the reliability of figures on the government side. The final reconciliation coverage is confirmed as 91% and 87% of extractives revenues in 2016 and 2017 respectively. None of the stakeholders consulted expressed concern over the reliability of reconciled financial data in EITI Reports, in contrast to their widespread distrust of official mining production figures.

A number of strategic recommendations related to improving extractive revenue data are included in the 2016-17 EITI Report. These include improving the MOF and MOMP's record-keeping and financial systems, as well as improving the assurance procedures for reporting by both government and companies. The report also provides follow-up on past EITI recommendations and a new set based on the 2016-17 exercise.

### Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on data quality has been addressed and considers that Afghanistan has made satisfactory progress on Requirement 4.9. The reconciliation of payments and revenues has been undertaken by an IA, appointed by the MSG, and applying international professional standards. The MSG agreed ToR for the production of the 2016-17 EITI Report consistent with the standard ToR and agreed upon procedures issued by the EITI Board, and applied these ToR and procedures in practice. The approach to data reliability is focused on more robust assurances from government than from companies. The final report provides a clear statement from the IA on the comprehensiveness and reliability of the reconciled financial data, alongside an informative summary of the work performed by the IA, the limitations of the assessment provided, and the final reconciliation coverage.

To strengthen implementation, Afghanistan is encouraged to consider reforms designed to strengthen government audit and assurance systems, including the ability to undertake both financial and performance audits of government extractive oversight. Afghanistan may wish to build on its EITI reporting to address weaknesses in record-keeping in government and extractive company systems.

### 5.13 Corrective action 13: Distribution of extractive industry revenue (#5.1)

In accordance with Requirement 5.1, Afghanistan should ensure that the allocation of extractives revenues not recorded in the national budget are explained, with links provided to relevant financial reports as applicable. Afghanistan may wish to explore the extent to which it could use 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

### Findings from the first Validation

The first Validation concluded that Afghanistan had made inadequate progress in implementing this requirement. The 2014-15 EITI Report did not clearly define what extractives revenues were recorded in the national budget, but raised serious concerns about government record-keeping and accounting. While the 2014-15 EITI Report included some information on weaknesses in government record-

keeping, there was a general lack of clarity among stakeholders consulted over whether all tax and non-tax extractives revenues were recorded in the national budget.

### Progress since Validation

The 2016-17 EITI Report and its addendum confirm that all extractive revenues are transferred to the single Treasury account. The Directorate General of Budget at the Ministry of Finance publishes the annual national budget<sup>17</sup> and quarterly budget performance report<sup>18</sup> on its website. The national budget documents include the '*Citizen's Budget*', a simplified version of each of the 1392-1399 national budgets.<sup>19</sup> The Supreme Audit Office publishes government Qatia accounts for 2007-2018 on its website.<sup>20</sup>

The MOMP website includes a page on SOE transparency, which includes the financial statements of both SOEs, AGE and NCE. These reveal a high discrepancy in the reported value of NCE's dividends to MOF between figures in NCE's financial statements and those in the EITI Report (see *Requirement 4.5*).

### Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on distribution of extractive industry revenue has been addressed and considers that Afghanistan has made satisfactory progress on Requirement 5.1. Afghanistan's EITI reporting has confirmed that all extractive revenues are transferred to the single Treasury account. There is some publicly-available budget information on government websites (Directorate General of Budget and Supreme Audit Office). However, review of NCE's financial statements reveal a large discrepancy in the value of its dividend (*net profit to the MoF*) compared to figures reported by the MoF in the EITI Report.

To strengthen implementation, Afghanistan may wish to strengthen financial disclosures by extractive SOEs that generate significant revenues to government. Afghanistan is encouraged to use its EITI reporting as an annual diagnostic of the implementation of revenue classification reforms.

### 5.14 Corrective action 14: Social expenditures (#6.1)

In accordance with Requirement 6.1, Afghanistan should ensure that a clear definition of any mandatory social expenditures is publicly provided and assess the materiality of such expenditures in the period under review. The MSG may wish to consider the extent to which disclosure of Community Development Agreements (or review of key terms) would be necessary to provide a comprehensive assessment of the existence of mandatory social expenditures. Afghanistan should ensure that public disclosure of mandatory social expenditures be disaggregated by type of payment (distinguishing cash and in-kind) and beneficiary, clarifying the name and function of any non-government (third-party) beneficiaries of mandatory social expenditures.

<sup>17</sup> Directorate General of Budget website, National budget documents, accessed [here](#) in June 2020.

<sup>18</sup> Directorate General of Budget website, Quarterly budget performance report, accessed [here](#) in June 2020.

<sup>19</sup> Directorate General of Budget website, National budget documents, accessed [here](#) in June 2020.

<sup>20</sup> Supreme Audit Office website, Government Qatia accounts, accessed [here](#) in June 2020.

## Findings from the first Validation

The first Validation concluded that Afghanistan had made inadequate progress in implementing this requirement. While the 2014-15 EITI Report stated 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 and no explanations were provided.

## Progress since Validation

### Social expenditures

The 2016-17 EITI Report confirms the existence of mandatory social expenditures. While it references provisions of the 2018 Minerals Law as the legal basis for these social expenditures, which was enacted subsequent to the period under review, the IA's review of clauses of four randomly-selected extractive (two mining and two oil and gas) contracts active in 2016-17 revealed provisions related to mandatory social expenditures. The 6th AEITI Report addendum notes that contractual provisions requiring mandatory social expenditures have only recently been formalised.

Material companies were requested to report mandatory social expenditures with a de facto materiality threshold of zero. In addition, reporting templates requested details of voluntary social expenditures. Three companies reported mandatory social expenditures in 2016 and 2017. Another three companies reported voluntary social expenditures.

It is unclear from the 6<sup>th</sup> AEITI Report whether the six companies that did not report any social expenditures for 2016-17 did not undertake any social expenditures, or failed to include these in their reporting templates. The comprehensiveness of reporting of social expenditures is thus unclear. Most stakeholders consulted could not explain this low number of companies reporting mandatory social expenditures. Some stakeholders considered that requirements for social expenditures were only formalised in the more recent contracts. A development partner highlighted that additional features were expected to be added to the MOMP Transparency Portal to disclose social expenditure requirements by license.

The report presents the three companies' mandatory social expenditure disclosures disaggregated by payment type, cash and in-kind expenditures, with the nature of in-kind payments provided. The identity of beneficiaries is provided for some, but not all, of the mandatory social expenditures. Similar information is reported for the three companies' voluntary social expenditures.

However, the MOMP published a review of mandatory social expenditures on its website in early 2020, which included a comprehensive review of contractual requirements to undertake social expenditures in all material companies' operating contracts. The review highlights mandatory social expenditure requirements in the contracts of eight of the 14 material companies. Based on a review of company reports to MOMP provincial offices, the MOMP review clearly distinguishes mandatory social expenditures and provides the value of some, but not all, social expenditures by eight material companies in the period under review. These expenditures are disaggregated between cash and in-kind expenditures for some, not all, expenditures and the identity of non-government beneficiaries is highlighted for some, but not all, social expenditures.

Secretariat staff consulted explained that several mining contracts included social expenditures requirements without clear timeframes, which complicated the MOMP's oversight of adherence to these contractual requirements as companies often claimed that they were allowed to postpone all social expenditures until the final year of the contract's term.

In its comments on the draft assessment, the MSG confirmed its view that the disclosures in the MOMP's review of mandatory social expenditures in 1395-1396 were comprehensive. However, the MSG's comments did not disclose some of the missing beneficiaries of mandatory social expenditures.

### Environmental expenditures

The 2016-17 EITI Report explains that mining, oil and gas companies are required to pay Environmental Licence Fees and Environmental Licence Renewal Fees to the National Environmental Protection Agency (NEPA). In addition, oil and gas companies are required to pay for Waste Management Licenses. However, as confirmed in stakeholder consultations, these environmental payments to government were introduced under the 2018 Minerals Law.

The report also describes provisions for mining companies to provision Environmental Bonds with the MOMP. Bonds would be considered forms of guarantees rather than payments to government.

The approach to materiality described under the assessment of comprehensiveness (see Requirement 4.1) confirms that these environmental payments to government were not considered material by the MSG in 2016-2017.

In its comments on the draft assessment, the MSG confirmed that revenues collected from extractive companies by NEPA in 1395-1396 were not considered material and thus not included in the scope of reconciliation in the 6<sup>th</sup> AEITI Report.

### Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on social and environmental expenditures has been partly addressed and considers that Afghanistan has made meaningful progress on Requirement 6.1. Afghanistan's 2016-17 EITI Report describes mandatory social expenditures in both mining and oil and gas and discloses them for three of the material companies. However, the MOMP published a review of material companies' mandatory social expenditures in early 2020, which provides a comprehensive review of contractual social expenditure requirements in material companies' operating contracts and discloses their mandatory social expenditures based on reports to MOMP provincial offices. The information provided includes disaggregation between cash and in-kind, deemed value and the identity of non-government beneficiaries for some, but not all, mandatory social expenditures. While the MSG's comments on the draft assessment confirmed the MSG's views that the MOMP's additional disclosures on mandatory social expenditures in 1395-1396 were comprehensive, they did not disclose some of the missing beneficiaries of mandatory social expenditures. The report describes environmental payments to government, although the MSG's approach to materiality means that these were not included in the scope of disclosures. The MSG's comments on the draft assessment confirmed the MSG's view that NEPA-collected extractive revenues in 1395-1396 were not considered material.

In accordance with Requirement 6.1, Afghanistan should undertake a comprehensive review of all mandatory social expenditures and environmental payments mandated by law or contract. Afghanistan should ensure that public disclosures of mandatory social expenditures and environmental payments in future EITI Reports be disaggregated between cash and in-kind expenditures, by type of payment and beneficiary, clarifying the name and function of any non-government (third-party) beneficiaries. Afghanistan may wish to ensure that mandatory social expenditure requirements are more clearly codified in mining contracts with set timeframes to ensure more efficient monitoring and oversight.

## 5.15 Corrective action 15: Quasi-fiscal expenditures (#6.2)

In accordance with Requirement 6.2, Afghanistan should undertake a comprehensive review of all expenditures undertaken by extractives SOEs that could be considered quasi-fiscal. The MSG should develop a reporting process for quasi-fiscal expenditures with a view to achieving a level of transparency commensurate with other payments and revenue streams.

### Findings from the first Validation

The first Validation concluded that Afghanistan had made no progress in implementing this requirement. The 2014-15 EITI Report did not refer to quasi-fiscal expenditures and there was insufficient information on SOEs in the report to determine the existence of any such expenditures. 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 warranted additional work from the MSG.

### Progress since Validation

The MSG has worked on the issue of quasi-fiscal expenditures throughout 2019. The 2016-17 EITI Report and its addendum describe the MSG's work in clarifying the existence of quasi-fiscal expenditures in Afghanistan, even if the comprehensiveness of disclosures is unclear.

The addendum explains Afghan Gas Enterprise's tiered subsidised sales price to the Kod E Barq gas-fired power plant. The figures provided represent total natural gas sales values, rather than the share of quasi-fiscal subsidy. Equally, there is no further explanation of the relationship between AGE and Kod E Barq.

The addendum states that NCE does not undertake any quasi-fiscal expenditures aside from its extensive lending to 39 companies in 2016-17, including some extractive companies (e.g. NCE to AGE). It lists these loans and provides a list of loan values, beneficiaries, value of repayments in 2016-2017 and outstanding loan value, while confirming that all of these loans from NCE are interest-free (and do not include any other form of profit-sharing).

The addendum also describes NCE's sales of coal to the domestic market at different prices, one for coal purchased from illegal miners (some 95% of NCE's sales) at AFN 1500 per ton and the other for coal produced by NCE itself at AFN 2100 per ton. The existence of any quasi-fiscal subsidies on these coal sales to the domestic market is not clarified in the 6<sup>th</sup> AEITI Report or its addendum.

There was consensus among stakeholders consulted that the two extractive SOEs did not receive any budget transfers or compensation from government for any losses related to sales of commodities to the domestic market at below market prices (see Requirement 2.6). Several stakeholders consulted including the IA, development partners and a government auditor considered that NCE's sales of thermal coal and AGE's sales of natural gas at below market rates could represent forms of off-budget subsidies to the entities they supplied, although they noted that there was little public information on the two SOEs' financial management aside from the audited financial statements for 2016-2017. However, a government official explained that NCE did not target subsidies to any particular group of customers but explained that it had to pay higher royalty to MOMP on sales of coal sourced from illegal miners than for sales from its own production.

With regards to AGE's sales of natural gas to the Kod e Barq integrated fertiliser and power plant, a government auditor stated categorically that these were significantly below market prices and represented a form of subsidy to the Kod e Barq company. The auditor explained that Kod e Barq was

a plant developed by the Russians that was now inefficient and depended on subsidies on natural gas supplies, but considered that AGE should not be concerned with the profitability of the Kod e Barq company. These de facto subsidies should be transformed into budgeted subsidies paid directly by government. A development partner noted that AGE was expected to become more profitable with the start of natural gas sales to the two independent power plants (IPPs) in northern Afghanistan, which would purchase natural gas at near market prices. The auditor explained that Kod e Barq owed AGE some AFN 400m in arrears in payment for natural gas deliveries, which explained AGE's significant cash flow problems and AGE's AFN 600m in arrears in payments to government as its sole shareholder.

Stakeholders consulted including the IA, a development partner and a government auditor considered that extensive lending by NCE to third-parties at zero interest or profit-sharing could represent a form of subsidised lending by NCE to other parties, including extractive companies and government entities. The auditor explained that cross-subsidies between SOEs was a legacy of previous decades and had been widespread since the 1990s. A government official explained that NCE's interest-free loans to other companies (including AGE) consisted of two types of loans. The first represented "loans for good deeds" under Sharia law, which were loans without any element of interest or profit-sharing between the two parties. The other type of loan represented arrears in payment for NCE's coal sales, which was counted as a loan in NCE's financial statements.

In its comments on the draft assessment, the MSG confirmed that it considered these three types of SOE activities (subsidised sales of natural gas and coal as well as subsidised SOE loans) as quasi-fiscal expenditures. The MSG's comments referred to new disclosures on the AEITI website<sup>21</sup> that sought to quantify the value of quasi-fiscal expenditures in 1395-1396, disaggregated by beneficiary and by year. With regards to SOE subsidised lending to third-parties, the new AEITI note calculates the value of the quasi-fiscal expenditure by comparing the interest-free nature of the SOE loans to the prevailing lending rate in Afghanistan during this period (15% per annum) and estimates the value of quasi-fiscal expenditures as AFN 191,530,752 (USD 2,901,981) in 1395 and AFN 217,913,935 (USD 3,301,726) in 1396. The value of quasi-fiscal expenditures on each loan is provided, disaggregated by beneficiary and year. With regards to AGE subsidised natural gas sales to Kod-e-Barq and Pradafca Wells, the new AEITI note calculates the value of the quasi-fiscal expenditures by comparing the gas sales price to these customers to the gas sales price to the new Mazar IPP, which is considered a proxy for market prices. The value of quasi-fiscal gas subsidies on sales to Kod-e-Barq and Pradafca Wells is provided as USD 6.17m in 1395 and USD 6.88m in 1396. The value of quasi-fiscal expenditures on natural gas sales is provided disaggregated by beneficiary and year. Finally, with regards to quasi-fiscal subsidies on NCE's coal sales, the new AEITI note explains that it is not possible to compare NCE coal sales prices at mine-gate to a prevailing domestic market price since no other coal mining company sells at mine gate and recommends that a 'cost-plus' approach is adopted in future to calculate the quasi-fiscal subsidy on NCE coal sales.

## Secretariat's Assessment

The International Secretariat's assessment was that the corrective action on quasi-fiscal expenditures had been partly addressed and considered that Afghanistan had made inadequate progress on Requirement 6.2 at the start of Validation. While the MSG has agreed a definition of quasi-fiscal expenditures and considered some forms of quasi-fiscal expenditures, it has not yet undertaken a comprehensive review of all possible types of quasi-fiscal expenditures. The 2016-17 EITI Report and addendum describe the MSG's definition of quasi-fiscal expenditures, consistent with the EITI

<sup>21</sup> AEITI (September 2020), 'Calculations of Quasi-fiscal Expenditures (Requirement 6.2)', accessible [here](#).

Standard and the IMF's definition in the Fiscal Transparency Manual. While the report and its addendum provide some coverage of SOEs' quasi-fiscal expenditures in 2016-17, for instance subsidies provided by AGE and NCE, they do not provide disclosures to levels of disaggregation commensurate with other payments and revenues. There appear to be three potential types of quasi-fiscal expenditures in the extractive industries, including subsidised commodity sales by AGE and NCE and subsidised financing of third-parties by NCE. Consultations showed significant stakeholder interest on the issue of off-budget subsidies on commodity sales and SOE lending to third parties. However, after the start of Validation the MSG published a note with calculations of the value of quasi-fiscal expenditures for two of the three types of activities it considered quasi-fiscal in 1395-1396, i.e. subsidised loans by SOEs and subsidised natural gas sales by AGE. The MSG concedes that NCE's sales of coal to the domestic market are quasi-fiscal activities but notes that more work on a 'cost-plus' valuation would be required to estimate the value of these quasi-fiscal expenditures. Thus, subject to the Board's consideration of new information disclosed subsequent to the start of Validation, the International Secretariat's assessment is that the corrective action on quasi-fiscal expenditures has been partly addressed and considers that Afghanistan has made meaningful progress on Requirement 6.2.

In accordance with Requirement 6.2, Afghanistan should undertake a comprehensive review of all expenditures funded by extractives revenues that are not transferred to the Treasury that could be considered quasi-fiscal, particularly related to any subsidies on the sale of coal and natural gas as well as subsidised lending by the SOEs. Afghanistan should develop a reporting process with a view to achieving a level of transparency on quasi-fiscal expenditures that is commensurate with other payments and revenue streams.

### 5.16 Corrective action 16: Contribution to the economy (#6.3)

In accordance with Requirement 6.3, Afghanistan should disclose comprehensive information about the extractive industries' contribution to the economy in relative and absolute terms, including to GDP, government revenues, exports and employment

#### Findings from the first Validation

The first Validation concluded that Afghanistan had made inadequate progress in implementing this requirement. Acknowledging constraints in comprehensiveness, the 2014-15 EITI Report provided official estimates of the mining sector's contribution to GDP, government revenues, and limited information on exports (only one mineral), although it provided no estimate of extractives employment nor exports of minerals other than lapis lazuli.

#### Progress since Validation

Information on the contribution of the extractive industries is provided in the 2016-2017 EITI Report, including the absolute and relative value of their contribution to GDP, government revenues, exports and employment. The employment data is provided by function, but not by gender or role. In consultations, the IA confirmed that the figure in the 6th AEITI Report regarding the extractive industries' contribution to government revenues included the contribution of NCE transfers of net profits (dividends) to MoF. An industry representative and a development partner noted that it was extremely rare for women to participate in the mining sector in Afghanistan given cultural norms and that there was no gender-disaggregated employment data for the extractive industries. The

development partner highlighted the MSG's plans to publish the first gender-disaggregated data in 2020, as reflected in the AEITI's 2020 work plan and gender policy.

The MOMP Transparency Portal presents information on production, fiscal terms and non-tax payments to government per individual license, with a map-based user interface.

The MOMP published a report on illegal mining, alongside its artisanal and small-scale mining formalisation strategy. These documents, referenced in the 6th AEITI Report addendum, provide some information on informal mining activities. There was particular interest in informal and illegal mining activities from most stakeholders consulted from all constituencies. Several stakeholders highlighted that formalised mining under the government's control represented a small share of total mining activity, including informal mining and illegal mining by insurgent groups such as the Taliban. One government official referred to a recent report to the North Atlantic Treaty Organization (NATO) estimating mining revenues collected by the Taliban to exceed USD 400m in 2020. A development partner highlighted the MOMP's publication in early 2020 of estimates of the areas of illegal mining, which was considered an important step in seeking to formalise such activities. The partner alluded to plans to reflect informal mining activities through the Transparency Portal in future. A development partner noted ongoing work by the US Geological Survey (USGS) to estimate areas where illegal mining was taking place, although this work did not extend to estimating revenues from illegal mining activity. Aside from mining activities controlled by insurgent groups, a government official explained that politically exposed persons were engaged in illegal mining, particularly of gemstones such as emeralds and lapis lazuli. He noted that this illegal mining was often highly formalised under the control of either warlords or insurgent groups. The government official called for the government to develop an action plan to combat illegal mining, drawing an explicit link between mining and the financing of terrorism and insurgency. One industry representative considered that delays in mining licensing since 2018 could be linked to rises in informal mining activities.

## Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on contribution to the economy has been addressed and considers that Afghanistan has made satisfactory progress on Requirement 6.3. The 2016-17 EITI Report and its addendum provide, in absolute and relative terms, the extractives industries' contribution to GDP, government revenues, exports and employment, albeit not disaggregated by gender. The MOMP provides granular information on extractives licenses in a map-based user interface. Although gender-disaggregated employment data does not appear to be publicly available for the extractive industries, several stakeholders noted that women participation in extractive activities was extremely rare due to cultural norms in Afghanistan and that such disaggregated data was therefore not available. Nonetheless, the MSG has included plans to publish gender-disaggregated data in line with the AEITI's 2020 work plan and gender policy. The official government data on the extractive industries' contribution to the economy are limited to the areas licensed by government and thus do not reflect the significant illegal mining in the country. Nonetheless, the MOMP has published some information on estimates of illegal mining on its website, alongside the government's strategy for formalisation of artisanal and small-scale mining. Despite the concerns over official estimates, other independent estimates of informal mining exist to support some public debate on the issue.

To strengthen implementation, Afghanistan may wish to consider additional work in mapping illegal mining activities across the country and estimating mining revenues collected by non-state actors, in response to significant stakeholder interest in unrecorded mining activities that appear widespread in Afghanistan.

## 5.17 Corrective action 17: Public debate (#7.1)

In accordance with requirement 7.1, Afghanistan should ensure that EITI reports are comprehensible, actively promoted, publicly accessible and contribute to public debate. Taking into account the security situation, the MSG should continue to seek to carry out outreach events to spread awareness of and facilitate dialogue about the EITI Report across the country whenever possible. The MSG may wish to consider linking the AEITI communications strategy more closely to the work plan and tailoring key messages to sector priorities rather than to EITI implementation more broadly. The MSG is also encouraged to ensure that the open data policy is posted online and that EITI reports are available in open data format.

### Findings from the first Validation

The first Validation concluded that Afghanistan had made meaningful progress in implementing this requirement. Afghanistan's EITI Reports were circulated and translated into local languages, although there were concerns that the pace of communications and outreach had slowed significantly over the last 3 years. The MSG had agreed an open data policy, although it was a concern that this was not publicly available. In spite of the limitations posed by the security situation in the country, outreach events were carried out to the provinces and to key stakeholders such as parliamentarians, although these were not carried out as regularly as envisioned in AEITI work plans. AEITI had developed a communications strategy, however it was not clear how it was being followed in practice.

### Progress since Validation

Afghanistan has published one EITI Report since the conclusion of its first Validation, the 6th AEITI Report covering 1395-1396, in June 2019 and an addendum to this EITI Report in May 2020. Since 2019, the AEITI Reports have been actively promoted through the AEITI website, email chains, social media and hard copies of the full EITI Report and its summaries distributed at outreach and dissemination events.

In December 2019, the MSG updated the AEITI communications strategy for 2020-2021, identifying key stakeholders and objectives for the AEITI's communications and outreach activities. The MSG intends to develop a community outreach strategy later in 2020. In line with the AEITI's 2018-2020 communications strategy, the MSG produced infographic summaries of the 4th, 5th and 6th AEITI Reports, with support from GiZ. The MSG has also produced summary reports for all six of the AEITI Reports produced to date. These have been published on the AEITI website, on social media (Facebook in particular) and disseminated at outreach and communications workshops.

The AEITI has held a total of 30 dissemination and outreach activities in the 2016-2020 period, including one six in 2018, 14 in 2019 and five in Q1 2020. These activities included MSG workshops, outreach and dissemination events in the regions and Kabul and activities targeting CSOs, journalists, representatives of companies operating in the region and parliamentarians. Many of the MSG's outreach and dissemination activities listed above include capacity-building components focused on the use of EITI data. Press releases on the AEITI website describe these dissemination and outreach events, which are comprehensively listed and summarised in the 6th AEITI Report addendum. Development partners highlighted the improvement in proactive outreach and dissemination of EITI data in the 2018-2020 period, with an estimated 40,000 people reached through EITI dissemination both online and through in-person events and workshops. While the impact of the Covid-19 crisis led to the postponement of two further outreach events planned for 2020, development partners and Secretariat staff explained that communication efforts had continued after March 2020 through

online channels. The frequency and location of these dissemination and outreach events is particularly noteworthy given the prevalent security situation in Afghanistan. A development partner explained that it was not possible to hold such events in all provinces given the existence of areas controlled by insurgent forces. However, the partner explained that participants were invited to outreach events from provinces under insurgent control, provided they could travel to the provincial capitals where the outreach events were held.

In the MSG's December 2019 exit survey of outgoing MSG members, there was consensus that outreach and dissemination activities had increased with the appointment of a new national coordinator, Hashmatullah Sayes, in 2018. However, a majority was indifferent about whether these activities had promoted public debate, with only 18% agreeing. Stakeholders consulted from all constituencies confirmed that EITI outreach and dissemination events were primarily driven by the AEITI Secretariat supported by development partners, even if these were included in the annual EITI work plan approved by the MSG. Most stakeholders considered that MSG members' engagement in outreach and dissemination remained limited, with only a few civil society representatives having participated in such events in the 2018-2020 period (see *Requirement 1.4*). Nevertheless, the Integrity Watch Afghanistan CSO is implementing a project supported by GiZ for community-based monitoring programme in 2020-2021, which will strengthen local communities' citizen oversight of mining in certain provinces.

AEITI Website and social media (Facebook) user statistics are disclosed and summarised in the 6th AEITI Report addendum. While website and social media traffic appears to have broadly grown in the 2019-2020 period, AEITI's social media following (e.g. Facebook, Twitter) remains fledgling.

Despite these significant efforts at outreach and dissemination by the AEITI Secretariat, in accordance with the AEITI's 2019 and 2020 work plans as well as its communications strategy, the limited engagement of MSG members in these efforts appears to have limited the impact of such communications. Indeed, there is little public evidence of use of AEITI data in research and analysis, advocacy campaigns or other public communications by the constituencies represented on the MSG.

In its comments on the draft assessment, the MSG argued that the robust public debate was generated in the various AEITI outreach and dissemination events in the 2019-2020 period, despite weaknesses in some MSG members' participation. The MSG's comments refer to unspecified dissemination events organised by the civil society and industry constituencies respectively. In its comments on the draft assessment, a civil society coalition raised concerns over the publication of key materials, such as mining contracts, in English language only and explained that this hampered broader use of this information.

## Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on public debate has been partly addressed and considers that Afghanistan has made meaningful progress with considerable improvements on Requirement 7.1. EITI data is easily accessible in a range of both digital and paper-based communications materials have been produced and disseminated. The AEITI Secretariat has led many outreach and dissemination events in the capital city and key mining regions, within broader security and logistical constraints. While evidence of MSG members and their broader constituencies' engagement in outreach and dissemination events is limited and stakeholder views confirmed that these events were driven primarily by the AEITI Secretariat, these weaknesses in multi-stakeholder engagement in outreach are covered in the assessment of MSG oversight of implementation (see *Requirement 1.4*). The relative disengagement of MSG members from outreach and dissemination activities has however led to limitations in the impact of the EITI to date. The MSG noted in its

comments on the draft assessment that the AEITI outreach and dissemination events have generated robust public debate, albeit without further indications of the types of debate and discussions that were held.

In accordance with Requirement 7.1, Afghanistan should ensure that outreach events, whether organised by government, civil society or companies, are undertaken to facilitate dialogue and spur debate about the governance of extractive resources, building on EITI disclosures across the country in a socially inclusive manner.

### 5.18 Corrective action 18: Follow-up on EITI recommendations (#7.3)

In accordance with Requirement 7.3, Afghanistan should take steps to act upon lessons learnt with a view to strengthen the impact of EITI implementation on natural resource governance. In particular the MSG should consider improving its procedures to process recommendations. Taking into consideration the importance of the MAS and the IMF's ECF review frameworks in an Afghan context, the MSG is encouraged to encourage the development of "smart deliverables" that issue from EITI recommendations and serve to prioritise these.

#### Findings from the first Validation

The first Validation concluded that Afghanistan had made meaningful progress in implementing this requirement. There was evidence that the government and the MSG had taken some steps to act upon lessons learned and investigate and address the causes of discrepancies in EITI reporting, although these efforts had been hampered by lack of coordination between the MSG and relevant government agencies. There did not appear to be a system in place to discuss, prioritise and adequately process recommendations from EITI reports, nor any indication that the findings of working groups set up to address specific recommendations were followed up. As a result, the only recommendations that appeared to be consistently followed up were the ones that were selected for inclusion in the different accountability frameworks that the government had committed to, although there was no mechanism for the MSG to provide input to the selection of these recommendations.

#### Progress since Validation

The AEITI MSG has established an effective mechanism for consistent follow-up on past recommendations from EITI reporting and corrective actions from Validation. The MSG has a working group on recommendations and discrepancies in reconciliation, which consistently triages and follows up on recommendations and reports back to the MSG. The MSG also provides effective oversight of this follow-up on recommendations.

With regards to narrower recommendations related to EITI operations and implementation in itself, the lessons learned have been incorporated into MSG and secretariat organisational management procedures.

Several civil society representatives consulted expressed criticism of the government's follow up on EITI recommendations as they considered that similar recommendations were included in successive EITI Reports without evidence of follow-up or implementation. However, there was consensus among stakeholders consulted that there was a mechanism for following up on EITI recommendations both through the MSG's technical working group and the MSG's regular updates on follow-up on recommendations at its quarterly meetings. A development partner explained that the 6<sup>th</sup> AEITI Report addendum had built on the checklist of actions agreed by the MSG to follow up on recommendations

from past EITI reporting and Validation. The partner highlighted that the new results-based framework for the AEITI work plan would facilitate tracking of progress in following up on specific EITI recommendations.

With regards to broader sector reforms, there have been several reforms in government system as a direct consequence of EITI implementation. For instance, in 2019 the staff of the two SOEs (AGE and NCE) participated in 19 trainings for 4000 staff on digitising record-keeping, a key recommendation from AEITI reporting. Also, in 2019, the MoF Large Taxpayer Office (LTO) was given responsibility for all mining, oil and gas companies' taxes, another key recommendation of AEITI reporting. The launch of the MOMP Transparency Portal, audits of SOEs' (AGE and NCE) financial statements, and beneficial ownership register are all important reforms initiated as a result of follow-up on EITI recommendations (see Section 4 on Effectiveness and impact).

Several stakeholders from government, development partners and the AEITI Secretariat highlighted tangible reforms in government systems that had been implemented as a result of follow-up on EITI recommendations, including the launch of the Transparency Portal, the audit of extractive SOEs' financial statements, the ring-fencing of tax liabilities per mining license and transparency provisions of the 2018 Minerals Law and the 2019 Mining Regulations.

### Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on follow-up on EITI recommendations has been addressed and considers that Afghanistan has made satisfactory progress on Requirement 7.3. Afghanistan has made progress in implementing recommendations made in EITI Reports, even if there remains concern from some civil society stakeholders over the repetition of similar recommendations in successive EITI Reports. There is clear evidence of consistent follow-up on recommendations particularly since the publication of the latest EITI Report in June 2019. The MSG has taken steps to act upon lessons learned and monitoring progress with the implementation of recommendations from EITI reporting and Validation. Together with the IA and through a dedicated technical working group, efforts have been made to identify, investigate and address the causes of discrepancies in EITI reporting.

To strengthen implementation, Afghanistan may wish to consider ways of strengthening the public accountability of its follow-up on EITI recommendations through more regular public disclosures of its progress in following up on recommendations and implementing reforms.

### 5.19 Corrective action 19: Review of Outcomes and impact of EITI implementation (#7.4)

In accordance with Requirement 7.4, Afghanistan should ensure that all stakeholders are able to participate in the production of the annual progress report and review the impact of EITI implementation. Stakeholders beyond the MSG should be able to provide feedback on the EITI process and have their views reflected in the annual progress report. The MSG should ensure that an assessment of progress with achieving the objectives set out in its work plan is carried out, including the impact and outcomes of the stated objectives. The MSG may wish to use the APR template provided by the International Secretariat to ensure that the different tools to review progress are harmonised. The MSG is encouraged to ensure that the APR, the MSG's action plan and any other management tools are used to feed into the annual work plans.

## Findings from the first Validation

The first Validation concluded that Afghanistan had made meaningful progress in implementing this requirement. Validation found that Afghanistan had undertaken limited efforts to review the outcomes and impact of EITI implementation on natural resource governance. It was a concern that the MSG was not able to provide input to the drafting of annual progress reports. The MSG regularly published timely annual progress reports, which included cursory summaries of the EITI's activities for the year, including an evaluation of implementation of the beneficial ownership roadmap. There was no evidence that annual progress reports were used to actively assess progress with achieving the objectives set out in AEITI work plans or to assess progress made in addressing recommendations from reconciliation and Validation. However, there was evidence that the MSG had developed other tools such as the MSG action plan for this purpose. There was little evidence however that the MSG's action plan served to inform annual work plans, and it was unclear how progress against the MSG's action plan was monitored. There was also no evidence of the MSG assessing the impact of EITI implementation, either through annual progress reports or through other public documents.

## Progress since Validation

The 2019 AEITI APR provides all information listed under Requirement 7.4.a.i-v, including a summary of EITI activities in 2019, an assessment of progress in meeting requirements, the MSG's follow-up on EITI recommendations, progress in meeting work plan objectives, and a narrative description of EITI impacts to date and efforts to strengthen the impacts of implementation. In addition to the APR, the 6th AEITI Report addendum published in May 2020 provides an overview of impacts of EITI implementation to date.

The 2019 APR describes the MSG's efforts to take gender consideration and inclusiveness into account, including plans to disaggregate disclosures of social and environmental expenditures as well as employment by gender, and efforts to improve the MSG's gender inclusiveness.

There is evidence of consultations with the constituencies represented on the MSG in the development of both the 2019 APR and the sections of the 6th AEITI Report addendum that describe impact. The MSG undertook a survey of MSG members in December 2019, which it plans to repeat annually, to gather feedback on issues including impact of MSG activities. Review of MSG meeting minutes indicates that MSG members were provided time to consult with their broader constituencies based on drafts of the 2019 APR and the 6th AEITI Report addendum. The 2019 APR describes the AEITI Secretariat's coordination of the production of the APR, including outreach to the broader constituencies. The 6th AEITI Report addendum confirms that constituencies on the MSG actively participated in the preparation of the 2019 EITI annual progress report.

## Secretariat's Assessment

The International Secretariat's assessment is that the corrective action on outcomes and impact has been addressed and considers that Afghanistan has made satisfactory progress on Requirement 7.4. The 2019 annual progress report, combined with the 6th AEITI Report addendum, provide coverage of all aspects of Requirement 7.4 including reviewing outcomes and impacts of EITI implementation to date. Adequate opportunities appear to have been provided for different stakeholders to provide input. Both the annual progress report and the addendum provide an anecdotal review of the impact of EITI implementation. Thus, the broader objective of regular public monitoring and evaluation of implementation appears to have been fulfilled.

To strengthen implementation, Afghanistan may wish to consider undertaking a comprehensive impact evaluation study to better document the extent to which Afghanistan EITI has contributed to reforms, changing behaviour and improving the management of the extractive sector for the benefit of all citizens after a decade of implementation.

## 6. Assessment of other Requirements

In the course of undertaking this assessment, the International Secretariat has also considered whether there is a need to review additional requirements, i.e. those assessed as “satisfactory progress” or “beyond” in the first Validation. While these requirements have not been comprehensively assessed, the Secretariat’s view is that there is no evidence to suggest progress has fallen below the required standard on any Requirements assessed as “satisfactory progress” or “beyond” under the first Validation. In addition, the International Secretariat has also reviewed provisions introduced to the EITI Standard in June 2019. These include Requirement 2.5 on beneficial ownership, Requirement 6.4 on environmental impact and Requirement 7.2 on data accessibility.

### 6.1 Assessment of beneficial ownership (#2.5)

#### Findings from the first Validation

Implementing countries were not yet required to address beneficial ownership and progress with this requirement did not yet have any implications for a country’s EITI status at the time. Nonetheless, Afghanistan was considered to have made some progress in agreeing a three-year beneficial ownership roadmap, even if beneficial ownership reporting had yet to begin. While the company register (ACBR) provided information on legal owners of some extractive companies, there were gaps in information on shareholding of some material companies.

#### Progress since Validation

Adherence to Requirement 2.5 on beneficial ownership is assessed in Validation as of 1 January 2020 as per the framework agreed by the Board in June 2019.<sup>22</sup> The assessment consists of a technical assessment focusing on initial criteria and an assessment of effectiveness.

#### Technical assessment

The technical assessment is included in Annex A.

Afghanistan has agreed definitions of the terms “beneficial ownership” and “politically-exposed person” that cover direct and indirect ownership and control. However, there are inconsistencies between the definitions of beneficial ownership in the 2018 Minerals Law and in the 2018 amendments to the 2004 Anti-Money Laundering and Proceeds of Crime. There is no evidence in meeting minutes of the MSG discussing these inconsistencies in different legal definitions of beneficial ownership. The 2018 Minerals Law provides a clear list of politically-exposed persons (PEPs). A senior government official confirmed that the MSG adopted the AEITI’s definitions of beneficial ownership and PEP in full alignment with those in the 2018 Minerals Law, and that the MSG had provided substantive input to the development of that sector legislation.

<sup>22</sup> Board decision 2019-48/BM-43: <https://eiti.org/board-decision/2019-48>.

The government's policy on beneficial ownership disclosure was enshrined in the Self-Reliance Through Mutual Accountability Framework (2017/2018) agreed at the Brussels Conference in 2016, following similar commitments by the government at international conferences in Tokyo and London. Afghanistan made 18 commitments at the 2016 London Anti-Corruption Summit, five of which concerned beneficial ownership transparency. The AEITI's three-year beneficial ownership roadmap laid out a concrete plan for establishing systematic beneficial ownership disclosure mechanisms by January 2020, which was broadly implemented in practice. More recently in May 2020, the government committed to disclosing the beneficial ownership of companies awarded procurement contracts in Covid-19 related government expenditures as part of its application for the IMF's Rapid Credit Facility.

A legal framework for beneficial ownership disclosure has been established through the 2018 Minerals Law, which requires beneficial ownership disclosure for companies applying or bidding for all types of mining licenses and for companies receiving licenses that are transferred. The 2018 Minerals Law sets a threshold for reporting beneficial ownership at 5% of ownership. It is a legal requirement for beneficial ownership information to be disclosed through the government's license register.

Since January 2020, the MOMP has begun systematically requesting beneficial ownership reporting by companies applying or bidding for mining licenses, with the data disclosed through the MOMP Transparency Portal. As of May 2020, a total of 127 mining companies had disclosed their beneficial ownership information, published both on the MOMP Transparency Portal and in a standalone document on the MOMP website. However, the MSG has been transparent in the 6th AEITI Report addendum that companies have only been requested to report their beneficial ownership information based on ownership, not non-equity control, to date. The ownership details requested include nationality, country of residence, PEPs, national identity number, date of birth, residential or service address, contact. However, only the beneficial owner's name, ownership type, country(its) of residence and citizenship, gender, position and political affiliation are disclosed on the Transparency Portal.

Quality assurances requested for beneficial ownership disclosures consist of signatures by the reporting company's management, as confirmed in the 6th AEITI Report addendum.

While the 2018 Minerals Law and 2019 Mining Regulations require beneficial ownership disclosures for companies applying or bidding for mining licenses, a review of pending applications on the MOMP Transparency Portal indicates that beneficial ownership information is available for some, but not all, of the companies that applied for a mining license since January 2020.

Information on the stock exchange where companies are listed is not provided for extractive companies that are wholly owned subsidiaries of publicly listed companies, nor are links to relevant stock exchange filings. However, none of the companies holding mining, oil and gas licenses, including those considered non-material for EITI reporting, appear to be wholly owned subsidiaries of publicly listed companies.

The Afghanistan Central Business Registry (ACBR) provides legal ownership information for companies registered in Afghanistan. Based on the Tax Identification Numbers (TIN) provided for license-holders and applicants in the MOMP Transparency Portal, it is possible to freely access details of legal ownership information for extractive license-holders. There is no publicly-accessible review or assessment of the comprehensiveness of legal ownership information on extractives companies accessible through the ACBR.

## Assessment of effectiveness

The government's commitment at international conferences in Tokyo and London was operationalised at the October 2016 Brussels Conference on Afghanistan by requiring the identification of beneficial owners of parties to mining contracts.

Despite provisions in the 2005 and 2014 Mineral Laws prohibiting politicians and senior government officials from holding mining assets, several independent studies have revealed connections between PEPs and key mining contracts.<sup>23</sup> Article 154 of Afghanistan's Constitution and Article 12 of the Law on Overseeing Implementation of Anti-Administrative Corruption Strategy require the HOOAC to register and publish assets of high-ranking officials. The government published a first set of asset declarations by top-ranking officials in 2015<sup>24</sup>, albeit with significant gaps from a large number of non-reporting officials. By May 2018 however, the Special Inspector General for Afghanistan Reconstruction (SIGAR) noted that asset disclosure requirements for senior officials had been fully enforced, even if continuous monitoring and enforcement was recommended.<sup>25</sup> Afghanistan was removed from the list of jurisdictions no longer subject to the FATF's on-going global Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) compliance process in June 2017.

The 2018 Minerals Law establishes the legal framework for requesting beneficial ownership information not only from license-holders, but of companies at the license application stage to ensure that the beneficial ownership of companies applying for, but not receiving, extractive licenses.

The MSG appears to have reviewed the level of beneficial ownership disclosures to date in the 6<sup>th</sup> AEITI Report addendum, as of May 2020. The addendum is transparent that 127 mining companies have disclosed their BO to date and notes that data collection has focused on direct and indirect ownership, not control.

The most significant barriers to effective beneficial ownership disclosures appear to be the narrow definition of PEP, inconsistencies in legal definitions of beneficial owner and weak quality assurances for disclosures. The early publication of the BO data since January 2020 is nonetheless a significant achievement in line with the timeline in Requirement 2.5.c.

Several stakeholders consulted including government officials, civil society, the IA and development partners noted that the issue of beneficial ownership was sensitive given allegations of PEPs owning mining companies and security considerations. An industry representative welcomed the new BO disclosures because it had led to a crack-down on PEP ownership of mining licenses. Other stakeholders recounted examples of PEPs having transferred their mining assets to a member of their entourage. A government official criticised the definition of PEP and BO for being too narrow for the extended family structures in Afghanistan.

## Secretariat's Assessment

The International Secretariat's assessment is that Afghanistan has made satisfactory progress on Requirement 2.5. AEITI has agreed appropriate definitions for the terms "beneficial owner" and "politically exposed person" (PEP), even if there are inconsistencies across different national legislation, and requested data from extractive companies making material payments in 2016-17 as

<sup>23</sup> United States Institute of Peace (January 2015), 'Afghanistan's Emerging Mining Oligarchy', accessed [here](#) in June 2020; and United States Institute of Peace (June 2017), 'Industrial-Scale Looting of Afghanistan's Mineral Resources', accessed [here](#) in June 2020.

<sup>24</sup> IMF (July 2016), 'IMF Loan for Afghanistan to Support Growth, Catalyze Donor Aid', accessed [here](#) in June 2020.

<sup>25</sup> SIGAR (November 2019), 'SIGAR 20-06 Audit Report - Afghanistan's Anti-Corruption Efforts: The Afghan Government Made Progress in Meeting its Anti-Corruption Strategy Benchmarks, but Serious Challenges Remain to Fighting Corruption', accessed [here](#) in June 2020, p.9.

well as of all companies applying or bidding for mining licenses since January 2020. The 2018 Minerals Law sets a threshold of 5% ownership for reporting beneficial ownership. The MSG also agreed assurances that reporting companies were requested to provide. As of May 2020, a total of 127 mining companies had disclosed details of their beneficial ownership information, published on the MOMP Transparency Portal that acts as a beneficial ownership register for extractive companies. The MSG has undertaken a review and cursory assessment of the beneficial ownership disclosures to date through the 6<sup>th</sup> AEITI Report addendum. Information on legal owners of extractive companies is publicly accessible through the ACBR, which can be cross-referenced based on TINs provided on the MOMP Transparency Portal.

To strengthen implementation ahead of the second phase of Validation of Requirement 2.5 from January 2022 onwards, Afghanistan should undertake a review of the comprehensiveness and reliability of BO disclosures through the Transparency Portal, including of all applicants for mining, oil and gas licenses. Afghanistan may wish to consider revisiting its definition of PEP and ensuring that the legal definition of beneficial ownership is aligned across different legislation and with international best practice.

## 6.2 Assessment of environmental impact (#6.4)

### Findings from the first Validation

This requirement was introduced in the 2019 EITI Standard and was thus not reviewed in Afghanistan's first Validation in 2018.

### Progress since Validation

The 6<sup>th</sup> AEITI Report addendum provides some information on the legal regime for environmental aspects of extractives, in the Environmental Law. The NEPA website provides the full text of environment laws and regulations, in Dari language. The 6<sup>th</sup> AEITI Report addendum describes the licensing regime and requirement to submit an environmental impact to NEPA assessment as part of the application process.

### Secretariat's Assessment

Implementing countries are not required to address environmental impact and progress with this requirement does not have any implications for a country's EITI status. It is encouraging that Afghanistan has made efforts to disclose aspects of environmental laws, regulations and procedures.

To strengthen implementation, Afghanistan may wish to consider using EITI disclosures as a diagnostic of company adherence to statutory environmental management and provisioning provisions.

## 6.3 Assessment of data accessibility (#7.2)

### Findings from the first Validation

Implementing countries were not yet required to address data accessibility and progress with this requirement did not yet have any implications for a country's EITI status at the time. Nonetheless,

Validation found that AEITI's open data policy and practice in regularly publishing summary reports provided a good starting point in making information more accessible to the public. However, the lack of publication of EITI Reports in machine-readable formats was a concern.

### Progress since Validation

The MSG has agreed a policy on the access, release and reuse of EITI data, which appears in line with Afghanistan's OGP commitments and Requirement 7.2.a of the EITI Standard. Government agencies and AEITI appear to publish data under an open license in practice. For instance, the MOMP Transparency Portal publishes timelier license-level data on non-tax payments per company and per license in open format.

The EITI Reports have been published in open data format both on the AEITI website and on the Afghanistan country page of the EITI website. The annexes of detailed reconciliation tables per company and revenue stream have been published as standalone .csv files on the AEITI website. The AEITI was one of the first countries to prepare summary data using the updated version of the summary data template launched by the EITI International Secretariat in July 2019. Summary data files are available for all fiscal periods covered by Afghanistan's EITI Reports to date.

### Secretariat's Assessment

The International Secretariat's assessment is that Afghanistan has made satisfactory progress on Requirement 7.2. Afghanistan has agreed an Open Data Policy in accordance with Requirement 7.2.a and has made data available in an open data format online, publicising its availability. Government agencies have started publishing some data in an open format, even if company systematic disclosures lag behind. Summary data files have been prepared for each fiscal year covered by the EITI in accordance with the template approved by the EITI Board.

To strengthen implementation, Afghanistan is encouraged to expand its engagement with extractive companies and relevant government entities to ensure routine systematic disclosures of data required under the EITI Standard in an open data format.

## 7. Conclusion

Having reviewed the steps taken by Afghanistan to address the 19 corrective actions requested by the EITI Board as of the commencement of its second Validation (1 July 2020), it could be reasonably concluded that 13 of the 19 corrective actions had been fully addressed and that Afghanistan had made satisfactory progress on the corresponding requirements of the EITI Standard. However, subject to the Board's consideration of new information published subsequent to the start of Validation, the International Secretariat's assessment is that Afghanistan has fully addressed 14 of the 19 corrective actions and has made "meaningful progress" with considerable improvements in addressing the remaining five corrective actions. The outstanding gaps relate to MSG oversight (Requirement 1.4), transactions related to state-owned enterprises (Requirement 4.5), social and environmental expenditures (Requirement 6.1), quasi-fiscal expenditures (Requirement 6.2) and public debate (Requirement 7.1).

## Annexes

### Annex A: Progress in addressing individual EITI Requirements

#### Requirement 1: MSG oversight

Government oversight of the EITI process (#1.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The government has issued a public statement of its intention to implement the EITI (#1.1.a)	The Government of the Islamic Republic of Afghanistan has made public commitments to EITI on several occasions. These include the Self-Reliance Through Mutual Accountability Framework (2017/2018) at the Brussels Conference in 2016 and in President Ashraf Ghani's public pronouncements on the mining sector. President Ghani's address at his inauguration in March 2020 reiterated his administration's commitment to extractives reform, formalization and transparency. Then Minister of Mines and Petroleum Nargis Nehan reiterated the government's commitment to EITI at the 7 <sup>th</sup> EITI Global Conference in Paris, June 2019. The MOMP website includes a page with Acting Minister of Mines and Petroleum Enayatullah Momand's commitment to EITI.	Self-Reliance Through Mutual Accountability Framework (2017/2018), Brussels Conference (2016) ( <a href="#">here</a> ). President Ghani on Transparency in Afghanistan Mining Sector, May 2016 ( <a href="#">here</a> ). President Ashraf Ghani's inauguration address, March 2020 ( <a href="#">here</a> ). 2019 EITI Global Conference: Plenary Livestream ( <a href="#">here</a> ). MOMP website, AEITI Endorsement ( <a href="#">here</a> ). 2016-17 EITI Report addendum ( <a href="#">here</a> ), p.52. Ministry of Mines and Petroleum's 2019 Mining Sector Roadmap ( <a href="#">here</a> ), pp.55,56,66.	There was consensus among stakeholders consulted that the government had continued to make high-level statements of political commitment to EITI implementation, even if views about the government's motivation varied. While several development partners and civil society representatives considered that the government's commitment was driven by donor funding conditionalities, several government officials and other development partners considered that the government's commitment was genuine.	< satisfactory progress >	To strengthen implementation, Afghanistan is encouraged to consider whether guidelines for the government constituency may further improve government engagement in all aspects of EITI implementation and ensure effective coordination across different relevant government departments.

Government oversight of the EITI process (#1.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	The 6 <sup>th</sup> AEITI Report addendum emphasises the government's commitment to EITI in the context of its anti-corruption efforts. Commitment to EITI is a key aspect of the Ministry of Mines and Petroleum's 2019 Mining Sector Roadmap.				
The government has appointed a senior individual to lead on the implementation of the EITI (#1.1.b)	<p>The EITI Champion and MSG Chair has been Acting Minister of Mines and Petroleum Mohammad Haroon Chakhansuri since June 2020, having replaced Enayatullah Momand as Acting Minister. Prior to October 2019, the EITI Champion was then Acting Minister of Mines and Petroleum Nargis Nehan. On 2 December 2018, President Ghani issued a Decree transferring AEITI from the MoF to MOMP, thereby aligning the national secretariat under the EITI Champion, the Minister of Mines and Petroleum.</p> <p>The 6<sup>th</sup> AEITI Report addendum notes that the AEITI Secretariat office changed locations, including initial MoF offices and then three different offices under the auspices of the MoMP.</p>	<p>2016-17 EITI Report addendum (<a href="#">here</a>), pp.32,39-40.</p> <p>Presidential Order transferring AEITI from MoF to MOMP, December 2018, 6<sup>th</sup> AEITI Report addendum appendix 1.1 (<a href="#">here</a>), pp.9-10.</p>	<p>There was consensus among stakeholders consulted that the successive Acting Ministers of Mines and Petroleum had provided effective leadership for EITI implementation since October 2018. Indeed, several stakeholders from government, civil society and development partners noted that the Acting Ministers had chaired several MSG meetings. This active leadership had commenced during the period when the EITI Board was considering the findings of Afghanistan's first Validation. Several stakeholders consulted highlighted the importance of the transfer of the AEITI Secretariat from the Ministry of Finance to the Ministry of Mines and Petroleum as an important step in aligning the operational support for</p>		

Government oversight of the EITI process (#1.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
			implementation with the EITI Champion. While some civil society representatives consulted considered that the Acting Ministers could be more engaged, since they rarely attended MSG meetings in their entirety, several stakeholders from government, civil society and development partners confirmed that Deputy Minister of Mines and Petroleum (for Policy and Programs) Wali Zadran provided an effective proxy for the Acting Minister in chairing MSG meetings. It was confirmed that Deputy Minister Zadran had attended all MSG meetings in the 2019-2020 period.		
The government is fully, actively and effectively engaged in the EITI process (#1.1.c)	The 6 <sup>th</sup> AEITI Report addendum emphasises that government engagement has increased in line with the MOMP's strategic reforms. The 6 <sup>th</sup> AEITI Report addendum notes that the five pillars of the MoMP Mining Sector Reform Strategy align with the EITI Standard. It notes regular consultations on sector reform within the MSG. Table 20 in the	2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.39,52,56-57,131-136. MoMP Mining Sector Reform Strategy ( <a href="#">here</a> ). AEITI website, "Events" page ( <a href="#">here</a> ).	There was consensus among stakeholders consulted that the past frictions between the MOF and MOMP with regards to EITI implementation had subsided, given the transfer of primary responsibility for EITI to the MOMP. However, a civil society representative consulted considered that the MOF now took a back seat to implementation, leaving the lead		

Government oversight of the EITI process (#1.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>6<sup>th</sup> AEITI Report addendum provides an overview of all legal and regulatory requirements related to EITI disclosures, demonstrating that an enabling regulatory framework has been established for EITI disclosures. The AEITI events webpage reflects increased engagement of the different relevant government directorates in EITI implementation in the 2019-2020 period, as highlighted in the 6<sup>th</sup> AEITI Report addendum. The 6<sup>th</sup> AEITI Report addendum notes that all 42 of the MOMP's benchmarks under three donors agreements were met in 2019-2020. These benchmarks were related to rule of law and mining sector transparency. Review of MSG meeting attendance indicates that key government officials regularly attend MSG meetings, which are effectively chaired by Deputy Minister of Mines and Petroleum Wali Zadran. Review of press coverage of AEITI dissemination and outreach indicates that government officials, particularly from MOMP, have attended</p>		<p>to MOMP. One development partners stated that he had not seen this level of effective government engagement and enthusiasm for EITI in other areas and considered that this represented effective engagement. At the operational level, several stakeholders from government, industry and development partners considered that Deputy Minister Zadran provided an effective operational lead for implementation, and that government MSG members were effectively engaged in all aspects of EITI implementation since early 2019. Several stakeholders considered that government officials' engagement in EITI had grown with the effective leadership of successive Acting Ministers of Mines and Petroleum. They considered that this kind of strong leadership was required to ensure effective operational engagement of government representatives. Some CSOs consulted considered that there was a risk of government</p>		

Government oversight of the EITI process (#1.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	several dissemination and outreach events in the 2019-2020 period.		representatives dominating MSG discussions, although there was a recognition that this engagement was effective in practice. In line with scepticism about the genuine nature of the government's high-level commitment, several CSOs consulted expressed concern that the government was only engaged in "box-ticking" with regards to EITI and considered that the government's engagement in EITI was not seen as a means of improving the governance of the extractive industries. As one example, these CSOs criticised what they considered to be a lack of follow-up on past EITI recommendations, noting that some recommendations remained the same in successive EITI Reports (see Requirement 7.3). Despite development partners' general concerns about the factors driving the government's high-level political commitment to EITI, they did consider that government officials effectively engaged in EITI implementation		

Government oversight of the EITI process (#1.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
			at the operational level, not least given the significant technical assistance being provided by development partners.		
Senior government officials are represented on the MSG (#1.1.d)	The MSG has been chaired by Acting Minister of MoMP Mohammad Haroon Chakhansuri since June 2020. Previously, Acting Minister of MoMP Enayatullah Momand chaired the MSG since October 2019. He replaced Nargis Nehan, who was equally engaged. The alternate MSG Chair is Wali Zadran, Deputy Minister of Policy, MoMP, who has effectively overseen the more practical aspects of implementation. The MSG Co-Chair is Minister of Finance Abdul Hadi Arghandiwal. Review of MSG meeting attendance indicates that key government MSG members have attended all MSG meetings in the 2019-2020 period, with more consistency and less ad hoc representation by different proxies.	2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.36,40.	There was consensus among stakeholders consulted that the appropriate government officials have been represented on the MSG and have broadly attended MSG meetings and EITI events with consistency in the 2019-2020 period. Several stakeholders from different constituencies highlighted the challenges in ensuring efficient communications across different government departments, including within the same Ministries, but considered that all of the relevant government departments were effectively represented on the MSG. It was highlighted that ensuring representation of these key government departments was considered a priority in the renewal of MSG membership in 2020.		

MSG oversight of the EITI process (#1.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
Outreach to stakeholders prior to the establishment of the MSG (#1.4.a.i)	<p>The MSG was due to renew its membership in February 2020. On 4 May 2020 the MSG agreed on the constituencies' election procedures and authorized an independent Election Committee to manage the renewal process for members of the MSG's 4th term (2020–2023). The MSG agreed to hold elections via email given the Covid-19 crisis. However, in June 2020, the industry and civil society constituencies agreed to delay their elections for new MSG members until it was possible to hold in-person meetings, once the Covid-19 related restrictions were eased.</p> <p>In developing the procedures for their respective constituencies, there is evidence of outreach within each constituency published in the news section of the AEITI website. Broad outreach is confirmed at the start if all working documents published on the AEITI website (e.g. work plan, progress report, report addendum).</p>	<p>2016-17 EITI Report addendum (<a href="#">here</a>), pp.45-46,48. AEITI News, dissemination and outreach workshops (<a href="#">here</a>).</p>	<p>Several government officials and development partners described outreach efforts to the broader industry and civil society constituencies in early 2020, in preparation of the constituency elections of MSG members. Mandated by the industry and civil society constituencies respectively, the AEITI Secretariat built a database of contacts within the industry and civil society constituencies, which formed the basis of outreach ahead of the MSG member renewal planned for Q2 2020.</p>	< Meaningful progress >	<p>In accordance with Requirement 1.4.a.ii, Afghanistan should ensure that the renewal of MSG members in practice follows the nominations procedures agreed by each constituency, in line with open, fair and transparent procedures. In accordance with Requirement 1.4.b.iii, MSG members should liaise with their constituency groups.</p>
Codification of the process by which each stakeholder group nominated their representatives (#1.4.a.ii)	<p>The MSG's March 2019 ToR (Section 3.3) set MSG membership at six seats by constituency, in addition to the MSG chair (Minister of Mines and Petroleum) and MSG vice-chair (Minister of Finance). This was later revised in 2020 to nine seats for each constituency. The ToR (Section 3.4) confirms each</p>	<p>AEITI MSG ToR (March 2019) (<a href="#">here</a>). Civil society MSG election procedures (<a href="#">here</a>).</p>	<p>Several stakeholders consulted from all constituencies confirmed that the constituency election procedures for industry and civil society were developed by the respective constituencies, with facilitation from the AEITI Secretariat. Several civil society representatives explained that the process for developing</p>		

MSG oversight of the EITI process (#1.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>constituency's responsibility to select its own MSG members.</p> <p>The civil society and industry constituencies agreed and published their respective MSG member nominations procedures in the first quarter of 2020.</p> <p>The Civil Society Joint Working Group (CSJWG) led the development of CSO MSG member election procedures, which were approved on 29 January 2020. The various industry associations and leading extractive companies led the development of the industry MSG election procedures, which were agreed in February 2020. Both sets of election procedures set the criteria for MSG membership, duration of terms and criteria for replacing MSG members. The procedures ensure that MSG elections are open to all members of the respective constituencies.</p>	<p>Industry MSG election procedures (<a href="#">here</a>).</p> <p>Civil society nominations emails, 6<sup>th</sup> AEITI Report addendum appendix 6.1 (<a href="#">here</a>), pp.91-92.</p>	<p>procedures for that constituency's elections was challenging, given allegations that government officials were interfering in the constituency's internal processes by forcing the election to be open to any CSO, including beyond the two coalitions (Integrity Watch Afghanistan and Environment &amp; Natural Resources Monitoring Network) that used to hold a monopoly on nominations to the MSG. Several CSOs consulted considered that government officials had attempted to ensure that NGOs that were affiliated or friendly to them to become CSO MSG members, although they noted that these alleged attempts had been unsuccessful. Several CSOs highlighted the challenges of establishing an election process that could involve the 8000 CSOs in Afghanistan. All civil society stakeholders consulted however confirmed that they were content with the final election procedures, which they considered ensured a fair, open and transparent process if followed adequately. A development partner highlighted the importance of the recent publication (in 2020) of the civil society constituency list, which ensured transparency in the composition of the constituency. Several industry representatives consulted expressed satisfaction at the</p>		

MSG oversight of the EITI process (#1.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
			industry constituency's election procedures and considered that they ensured representation from a cross-section of industry through the allocation of seats for industry associations and mining companies for different types of mineral commodities. A development partner applauded the publication of a constituency list of several hundred companies as an important step in improving the transparency of constituency coordination. Several industry representatives not on the MSG explained that they had been contacted in early 2020 to participate in elections, even though they had never heard from EITI representatives before.		
Civil society and companies have appointed their own representatives (#1.4.a.ii)	The umbrella for CSO participation is the Afghanistan Civil Society Joint Working Group (CSJWG), which includes the two main groups focused on extractives, Integrity Watch Afghanistan (IWA) and Environment and Natural Resource Monitoring Network (ENRMN) as well as other CSOs. The 6 <sup>th</sup> AEITI Report addendum notes that the MSG election procedures for both civil society and industry in 2020 were open and transparent, representative of a consensus in the respective constituencies.	2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.35,47. AEITI News, civil society outreach workshops ( <a href="#">here</a> ). Mining Watch (MW) website ( <a href="#">here</a> )	Stakeholders from different constituencies confirmed that the civil society and industry MSG members in the 2017-2020 period were the same as under the period covered by the first Validation. All stakeholders confirmed that the civil society and industry constituencies had planned to renew their MSG membership in Q2 2020, in accordance with the new respective constituency election procedures. An attempt was made to hold elections via virtual channels (email, teleconference) in light of Covid-19 related travel restrictions. However, opinions differed		

MSG oversight of the EITI process (#1.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	The 6 <sup>th</sup> AEITI Report addendum states that civil society engagement in EITI implementation has been active, referencing articles on the AEITI website reflecting civil society workshops on EITI in December 2019-March 2020.		regarding the reasons for the virtual elections for civil society MSG members not being successful. Several CSOs and development partners noted that Internet connectivity remained a challenge for many CSOs, particularly in rural areas, which explained why the elections had to be postponed until a time when in-person meetings could be held. Other stakeholders considered that there was a financial interest for CSOs to hold in-person elections, funded by development partners. There was consensus however that the civil society election monitoring committee decided not to force the issue and to postpone the elections, a decision that was endorsed by the MSG on 4 July. A government official expressed some frustration at delays in organising civil society elections, given that the process for developing election procedures had taken seven months and the actual elections had not taken place despite being planned for February 2020. With regards to industry nominations, several company representatives confirmed that the elections had been held and that the winners were to be announced in mid-July. The constituency had had to reduce its representation by one seat, which had involved a second		

MSG oversight of the EITI process (#1.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
			round of consultations with the industry constituency.		
Internal rules for changing MSG representatives have been followed (#1.4.a.ii; #1.4.b.vi)	The MSG's March 2019 ToR (Section 3.6) defines MSG members' tenure as lasting three years and defines criteria (Section 3.7) for replacing MSG members. The industry and civil society MSG election procedures define the procedures for replacing MSG members. These procedures appear to have been followed in practice in the May-June constituency elections.	AEITI MSG ToR (March 2019) ( <a href="#">here</a> ). Civil society MSG election procedures ( <a href="#">here</a> ). Industry MSG election procedures ( <a href="#">here</a> ).	Stakeholders consulted confirmed that the renewal of MSG members had not been implemented as of the commencement of Validation, due to Covid-19 related restrictions on public gatherings and assembly. However, industry and civil society representatives consulted confirmed that they were content with the provisions on replacing MSG members in the two constituencies' respective MSG nomination procedures.		
Gender balance in each constituency's representation on the MSG (#1.4.a.ii)	The MSG's 2018 ToR set an expectation that 30% of MSG members are women. In practice, the 6 <sup>th</sup> AEITI Report addendum notes that only 3 of the 18 MSG members were women as of May 2020. There were two women representatives from government and one from civil society (none from industry). Two of the ten staff at the national secretariat are women. The addendum confirms that the MSG renewal in 2020 is meant to ensure an increasing female participation. The 6 <sup>th</sup> AEITI Report addendum notes that the MoMP is in the process (May 2020) of developing a Gender Policy funded by the GIZ, which will include a Women Empowerment Action Plan to	AEITI MSG ToR (2018) ( <a href="#">here</a> ). AEITI MSG ToR (March 2019) ( <a href="#">here</a> ). Draft AEITI Gender and Diversity Policy ( <a href="#">here</a> ). 2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.31,35,48	A development partner highlighted the conversations on gender balance in MSG representation since November 2019, when the MSG held a pre-Validation workshop in Dubai that touched on new aspects of the 2019 EITI Standard. Noting that there were only three women on the MSG currently, the partner noted that there remained a lot of work to be done to ensure better balance in representation, but highlighted the importance of starting the conversation with men on the MSG. While there were not many women working for extractive companies, the partner highlighted women considered impressive in the government (particularly MoF) and civil society constituencies.		

MSG oversight of the EITI process (#1.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>appoint female consultants to leadership positions. The addendum notes that female inclusion and participation in the extractive industries is limited.</p> <p>The MSG drafted an AEITI Gender and Diversity Policy in March 2020, ready for approval by the new MSG. The draft policy sets a target of at least 3% of MSG members being women and for due consideration of gender balance in MSG appointments.</p>				
<p>The MSG includes appropriate stakeholders and MSG members have sufficient capacity to carry out their duties (#1.4.b.i)</p>	<p>The MSG includes relevant representatives from each constituency. While the renewal of MSG membership has been delayed by the Covid-19 crisis, the procedures agreed for each constituency's nominations should ensure that the appropriate stakeholders are represented on the refreshed MSG. The MSG's ToR (Section 3.5) sets basic expectations in terms of MSG members' capacities.</p> <p>The MSG has developed and published a MSG handbook and training manual, which the 6<sup>th</sup> AEITI Report explains will be used for capacity-building of new MSG members after their selection in mid-2020.</p> <p>The 6<sup>th</sup> AEITI Report addendum notes plans for exit interviews with outgoing MSG members after the MSG refresh in</p>	<p>AEITI MSG ToR (March 2019) (<a href="#">here</a>).</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), pp.32,46,47,131.</p> <p>AEITI Standard Operating Procedures (<a href="#">here</a>).</p>	<p>Stakeholders consulted broadly considered that the appropriate stakeholders were represented on the MSG, even ahead of the renewal of MSG membership planned in 2020. AEITI Secretariat staff highlighted the importance of including the appropriate government directorates on the MSG, including different directorates within the same Ministry, given communications and coordination challenges within Ministries. A development partner highlighted the development of standard operating procedures for the AEITI as well as a draft MSG member handbook and training manual, which were aimed at developing MSG members' capacities with regards to EITI implementation. In addition, a system of mentoring of new MSG members was to be established to ensure that</p>		

MSG oversight of the EITI process (#1.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>Q2 2020, as well as a mentoring system for new MSG members. GiZ supports AEITI Secretariat and MSG capacity development.</p> <p>The 6<sup>th</sup> AEITI Report addendum notes that the relationship between the MSG and national secretariat have significantly improved, based on results from a December 2019 survey of MSG members. The addendum notes that National Coordinator Hashmatullah Sayes oversees a national secretariat of nine staff. The addendum highlights frequent national secretariat staff turnover, including 15 staff changes in the 2016-2020 period. It notes that the national coordinator position was left vacant for two years, until 2018.</p> <p>The MSG has started an annual survey of MSG members since December 2019.</p>		<p>institutional memory of MSG members was not lost. The exist survey of MSG members in December 2019 was cited as a key step in canvassing MSG members' views and ensuring a smooth handover to new MSG members. It was explained that this survey of MSG members would be conducted on an annual basis henceforth.</p>		
<p>Indications of MSG members not abiding by the EITI Code of Conduct (#1.4.b.iv)</p>	<p>The MSG developed and agreed the AEITI Grievance and Redress Handling Mechanism Policy on 30 March 2020. A review of recorded MSG meeting minutes appears to indicate that MSG members abide by the EITI Code of Conduct in practice.</p>	<p>AEITI Grievance and Redress Handling Mechanism Policy (<a href="#">here</a>). AEITI website, MSG meeting minutes 2015-2020 (<a href="#">here</a>).</p>	<p>None of the stakeholders consulted raised concerns of MSG members breaching any aspect of the EITI Code of Conduct in practice. The AEITI Grievance and Redress Handling Policy, approved by the MSG in March 2020, establishes a mechanism for managing and resolving grievances and complaints. While only recently launched, the policy appears to establish a robust mechanism for handling such complaints, which could</p>		

MSG oversight of the EITI process (#1.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
			involve allegations of breaches of the EITI Code of Conduct.		
Decision-making is conducted in an inclusive way, treating each constituency as a partner (#1.4.b.vii)	<p>The MSG updated (and published) its ToR in 2018 and again in March 2019. The ToR (Section 4.1) confirm that the MSG should take decisions by consensus. Where consensus cannot be reached, the MSG chair can call for a vote if half of MSG members are present, with decisions taken by simple majority.</p> <p>In practice, the 6<sup>th</sup> AEITI Report addendum emphasises that MSG deliberations have been inclusive, with improvements in “attendance, equal participation and collaboration”.</p> <p>Review of MSG meeting minutes indicates that all MSG decisions in the 2017-2020 period have been taken either by consensus or by vote where part of all three constituencies voted in favour.</p>	<p>AEITI MSG ToR (2018) (<a href="#">here</a>).</p> <p>AEITI MSG ToR (March 2019), 6<sup>th</sup> AEITI Report addendum appendix 6.2 (<a href="#">here</a>), pp.93-103.</p> <p>AEITI MSG ToR (March 2019) (<a href="#">here</a>).</p> <p>AEITI Standard Operating Procedures (<a href="#">here</a>).</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), p.53.</p> <p>AEITI website, MSG meeting minutes 2015-2020 (<a href="#">here</a>).</p>	<p>None of the MSG members consulted raised any concerns about any constituency being over-ruled in decisions taken in the 2017-2020 period. Review of MSG meeting minutes for this period indicates that several decisions were taken through voting, but no dissenting votes or views are noted in the meeting minutes.</p>		
The MSG’s ToR outline the role and responsibilities of MSG members and MSG	<p>The MSG updated (and published) its ToR in 2018 and again in March 2019. The ToR (Section 3.11) outline the roles and responsibilities of MSG members in accordance with Requirement 1.4.b.i.iii.</p>	<p>AEITI MSG ToR (2018) (<a href="#">here</a>).</p> <p>AEITI MSG ToR (March 2019) (<a href="#">here</a>).</p>	<p>None of the MSG members consulted raised any concerns about the quality of the ToR. AEITI Secretariat staff explained that the MSG’s ToR was updated regularly (as often as once a year) to ensure that</p>		

MSG oversight of the EITI process (#1.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
members are effectively carrying out their tasks, including outreach with constituency (#1.4.b.i-iii)	<p>The MSG met six times in 2017, six times in 2018, nine times in 2019 and two times in 2020. The 6<sup>th</sup> AEITI Report addendum notes that MSG member attendance was characterised by “high absenteeism” prior to 2017, although it notes that AEITI continued to operate at reduced capacity nonetheless. However, the situation seems to have improved since 2018. In particular, the addendum notes that, despite the Covid-19 crisis, the MSG held three virtual meetings on 20 April, 28 April and 4 May 2020. The 6<sup>th</sup> AEITI Report addendum notes equal participation from all three constituencies at the MSG’s meetings in 2019 (35% of members participating from government, 33% from industry and 32% from civil society). It highlights Presidential orders that attendance at MSG meetings is compulsory for all members. The MSG’s Reconciliation and Validation Committee has reviewed MSG meeting attendance on several occasions and sought to implement measures to mitigate reasons for absenteeism. The appendix 31.22 of the 6<sup>th</sup> AEITI Report addendum confirms that MSG members consulted with their broader constituencies in developing the 2020</p>	<p>AEITI Standard Operating Procedures (<a href="#">here</a>). MSG Operations Handbook (here). AEITI Secretariat ToR (<a href="#">here</a>) 2016-17 EITI Report addendum (<a href="#">here</a>), pp.32,40-41,43,142-143. AEITI website, MSG meeting minutes 2015-2020 (<a href="#">here</a>). Constituency consultations on work plan and annual progress report, 6<sup>th</sup> AEITI Report addendum appendix 31.22 (<a href="#">here</a>), p.123. AEITI website, MSG meeting minutes 2015-2020 (<a href="#">here</a>).</p>	<p>there were no deviations from the ToR in practice. While several CSOs consulted considered that civil society MSG members had some challenges in their technical and financial capacities, and that some members did not speak English, they did not consider that these constraints impeded CSO MSG members’ ability to effectively oversee all aspects of EITI implementation. Several stakeholders from different constituencies highlighted the challenges of undertaking outreach to the broader industry and civil society constituencies, given their fragmented nature with hundreds of extractive license-holding companies and an estimated 8000 CSOs. However, stakeholders confirmed that the AEITI Secretariat’s support in updating constituency contact lists had been key in supporting expanded outreach to the two constituencies in 2020. Several development partners consulted considered that outreach to the two broader constituencies had been sufficient in 2020, both to update membership on recent EITI developments and to set the stage for the constituency elections of MSG members. However, several stakeholders from different constituencies considered that there were some weaknesses in industry</p>		

MSG oversight of the EITI process (#1.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	work plan and 2019 annual progress report. Review of MSG meeting minutes for the 2017-2020 period indicates that MSG members are carrying out their responsibilities.		and civil society MSG members' active engagement in all aspects of EITI implementation, beyond attendance at MSG meetings. There was a tendency for outreach and dissemination to be driven by the AEITI Secretariat and development partners, rather than MSG members themselves.		
The MSG's ToR give the MSG a mandate to approve work plans, the appointment of the Independent Administrator, EITI Reports and annual activity reports (#1.4.b.v-vi)	The ToR (Section 3.1) outline the roles and responsibilities of MSG members in accordance with Requirement 1.4.b.v.vi., including approval of work plans, EITI Reports, annual progress reports and appointment of the IA. Review of MSG meeting minutes for the 2017-2020 period indicates that MSG members are fulfilling their core mandates and responsibilities.	AEITI MSG ToR (2018) ( <a href="#">here</a> ). AEITI MSG ToR (March 2019) ( <a href="#">here</a> ). AEITI website, MSG meeting minutes 2015-2020 ( <a href="#">here</a> ).	Stakeholders consulted broadly considered that the MSG's oversight of all aspects of implementation had improved in the 2018-2020 period, as a consequence of the first Validation's results. MSG members consulted confirmed that the provisions of the MSG's ToR were broadly respected in practice. While several CSOs consulted expressed criticisms of the national secretariat over allegations that they were "too close to government", they did confirm that the MSG effectively oversaw EITI implementation in practice.		
The MSG's ToR include internal governance rules and procedures, the per diem policy is public and these are followed in practice (#1.4.b.vii-ix)	The MSG's March 2019 ToR describe the internal governance rules, including decision-making, agenda-setting (including all MSG members' right to table items), advance notice of meetings and circulation of documents, frequency of meetings and record-keeping (Section 4.1) as well as the role and mandate of the MSG's four working groups (Section 4.2). These include the	AEITI MSG 25 December 2018 meeting ( <a href="#">here</a> ). AEITI MSG ToR (March 2019) ( <a href="#">here</a> ). AEITI Standard Operating Procedures ( <a href="#">here</a> ).	There was broad consensus among stakeholders consulted that internal governance provisions of the MSG's ToR were respected in practice. In particular, the frequency, advance notice of meetings and circulation of relevant documents was in line with the MSG's ToR, which several stakeholders considered to be a net improvement over the period assessed in the first Validation.		

MSG oversight of the EITI process (#1.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	Validation and Reconciliation WG, the Communications WG, the Financial WG and the Technical WG. The MSG discussed and agreed its per diem policy at its 25 December 2018 meeting, clarifying that all EITI participation is voluntary, i.e. unpaid. This is confirmed in the MSG's March 2019 ToR (Section 3.8). Review of MSG meeting minutes indicates that the MSG ToR's internal governance rules appear to have been respected in practice in the 2017-2020 period.	2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.42-43. AEITI website, MSG meeting minutes 2015-2020 ( <a href="#">here</a> ).	MSG members consulted expressed broad satisfaction about record-keeping and considered that MSG meeting minutes fairly represented the content of the MSG's discussions. There was consensus among all stakeholders consulted that the MSG does not have a practice of per diem or other monetary payment for participation in EITI activities.		

Work plan (#1.5)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The work plan includes objectives for implementation of EITI principles and national priorities and steps to mainstream EITI implementation (#1.5.a)	The 2020 AEITI work plan sets out seven objectives ("ultimate outputs"), supported by seven "intermediate outcomes". These are aligned with national priorities and include steps to transition towards systematic disclosures of EITI data. As highlighted in the 6 <sup>th</sup> AEITI Report addendum, the 2020 AEITI work plan is based on a new results-based management workplan structure to ensure that AEITI is monitoring outcomes and impacts.	AEITI 2020 work plan ( <a href="#">here</a> ). 2016-17 EITI Report addendum ( <a href="#">here</a> ), p.53.	Stakeholders consulted appeared broadly content with the objectives for implementation in the 2020 work plan. One industry representative explained that he considered the objective of EITI should be to improve the business climate in the extractive industries of Afghanistan, although this objective was not explicitly part of the AEITI work plan.	< satisfactory progress >	To strengthen implementation, Afghanistan may wish to consider ways of further institutionalising consultations with the broader government, industry and civil society constituencies on the development of the annual EITI work plan. Afghanistan may wish to draw on its experience in developing Open Government partnership action plans based on a principle of co-creation.

Work plan (#1.5)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The work plan reflects consultations with key stakeholders on objectives for implementation (#1.5.b)	The narrative 2020 AEITI work plan breakdown confirms that the work plan was the result of consultations with the three constituencies. The 2020 work plan also includes plans for broader constituency consultations on developing the 2021 AEITI work plan. The 6 <sup>th</sup> AEITI Report addendum describes a workshop for the MSG on Results Based Management on 4-5 February 2020 in Kabul. The appendix 31.22 of the 6 <sup>th</sup> AEITI Report addendum confirms that MSG members consulted with their broader constituencies in developing the 2020 work plan and 2019 annual progress report and provides sample emails as examples of these consultations.	AEITI 2020 work plan ( <a href="#">here</a> ). AEITI 2020 work plan breakdown ( <a href="#">here</a> ). 2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.50. Constituency consultations on work plan and annual progress report, 6 <sup>th</sup> AEITI Report addendum appendix 31.22 ( <a href="#">here</a> ), p.123	Several development partners and AEITI Secretariat staff explained that the 2020 work plan had been developed in conjunction with the MSG, with adequate time for MSG members to reach out to their broader constituencies. A dedicated work shop was held in late 2019 on the new results-based framework on which the 2020 work plan was developed. There had been positive feedback from the MSG members on this new results-based framework, which they considered would help their work on assessing outcomes and impacts. One CSO consulted expressed satisfaction at the 2020 work plan, but noted that the process for developing this work plan had not been as inclusive as for the OGP national action plan, which was based on the principle of “co-creation”.		
The work plan includes measurable and time-bound activities to achieve the agreed objectives (#1.5.c)	The 2020 AEITI work plan includes measurable and time-bound activities aligned with its objectives. The 6 <sup>th</sup> AEITI Report addendum explains that the MSG has changed the work plan structure to align it with Results Based Management (RBM) and Performance Measurement Framework (PMF). The addendum notes that ToR for a World Bank supported AEITI Monitoring and Evaluation Specialist	AEITI 2020 work plan ( <a href="#">here</a> ). AEITI 2020 work plan breakdown ( <a href="#">here</a> ). 2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.49-50,	Stakeholders consulted did not express any particular views on the specificity of the work plan activities.		

<b>Work plan (#1.5)</b>					
<b>EITI sub-Requirement</b>	<b>Summary of main findings</b>	<b>Source(s) of information</b>	<b>Summary of stakeholder views</b>	<b>Recommendation on compliance with the EITI provisions</b>	<b>Proposed corrective actions and recommendations</b>
	were agreed by the MSG in January 2020.				
The work plan includes activities aimed at addressing any capacity constraints identified (#1.5.c.i)	The 2020 AEITI work plan includes activities aimed at capacity building both for MSG members and broader constituencies, such as journalists, university students and reporting entities.	AEITI 2020 work plan ( <a href="#">here</a> ). AEITI 2020 work plan breakdown ( <a href="#">here</a> ).	A development partner highlighted work plan activities related to capacity development, both for MSG members and for broader constituency members, such as the media and CSOs.		
The work plan includes activities related to the scope of EITI implementation, including plans for strengthening systematic disclosures (#1.5.c.ii)	The 2020 AEITI work plan includes activities related to the scope of EITI implementation, including concrete activities to strengthen systematic disclosures.	AEITI 2020 work plan ( <a href="#">here</a> ). AEITI 2020 work plan breakdown ( <a href="#">here</a> ).	Stakeholders consulted did not express any particular views about work plan activities related to expanding the scope of EITI implementation. Several development partners however highlighted the MSG's activities in strengthening systematic disclosures of information required under the EITI Standard.		
The work plan includes activities aimed at addressing any legal or regulatory obstacles identified (#1.5.c.iii)	The 2020 AEITI work plan includes activities aimed at addressing legal and regulatory obstacles, including concluding a MoU of government agencies on EITI, the launch of a SAO audit of SOEs, and regular diagnostics of the practice of extractives oversight compared to statutory regulations.	AEITI 2020 work plan ( <a href="#">here</a> ). AEITI 2020 work plan breakdown ( <a href="#">here</a> ).	Stakeholders consulted did not highlight any particular legal or regulatory obstacles to EITI implementation.		
The work plan includes plans for implementing the	The 2020 AEITI work plan includes plans to follow up on recommendations from Validation	AEITI 2020 work plan ( <a href="#">here</a> ).	Stakeholders consulted did not express any particular views on the timeline for		

<b>Work plan (#1.5)</b>					
<b>EITI sub-Requirement</b>	<b>Summary of main findings</b>	<b>Source(s) of information</b>	<b>Summary of stakeholder views</b>	<b>Recommendation on compliance with the EITI provisions</b>	<b>Proposed corrective actions and recommendations</b>
recommendations from Validation and EITI implementation (#1.5.c.iv)	and past EITI Reports, both as a standalone activity and in the detail of activities related to systematic disclosures, stakeholder engagement, dissemination and outreach.	AEITI 2020 work plan breakdown ( <a href="#">here</a> ).	implementation of key activities in the 2020 work plan.		
The work plan includes costings and funding sources, including domestic and external sources of funding and technical assistance (#1.5.d)	The 2020 AEITI work plan includes costings and funding sources. The 6 <sup>th</sup> AEITI Report addendum notes that the new results-based workplan for 2020 is aligned with procurement and funding schedules.	AEITI 2020 work plan ( <a href="#">here</a> ). AEITI 2020 work plan breakdown ( <a href="#">here</a> ). 2016-17 EITI Report addendum ( <a href="#">here</a> ), p.53.	Stakeholders consulted did not express any particular views on the costings and funding sources for work plan activities. A development partner noted the availability of funding from donors for Afghanistan's EITI implementation, with the World Bank being the primary source of funding under the AGAS project.		
The work plan includes a timetable for implementation (#1.5.g)	The work plan and its narrative breakdown provide a clear timetable for implementation, both for each individual activity and for the work plan as a whole. The 2019 AEITI work plan states that all but seven of the activities planned for 2019 were carried out, with substantial progress on the seven outstanding activities. Progress in implementing the 2020 work plan appeared to be on track until March 2020, when the Covid-19 related restrictions on assembly and travel caused a stark slowdown	AEITI 2020 work plan ( <a href="#">here</a> ). AEITI 2020 work plan breakdown ( <a href="#">here</a> ). AEITI 2019 work plan ( <a href="#">here</a> ).	Stakeholders consulted did not express any particular views on the timetable for implementation of the work plan.		

Work plan (#1.5)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	in implementation on activities involving in-person meetings.				
The workplan has been made widely available to the public (#1.5.e)	The 2020 AEITI work plan has been published on both the AEITI website and the Afghanistan country page of the EITI website.	AEITI 2020 work plan ( <a href="#">here</a> ). AEITI 2020 work plan breakdown ( <a href="#">here</a> ).	Stakeholders consulted from various constituencies confirmed that the AEITI annual work plan was always published on the AEITI website.		
The work plan reflects the MSG's consideration of extending the detail and scope of EITI reporting (#1.5.f)	The 2020 AEITI work plan reflects consideration of extending the detail and scope of EITI reporting, including in areas related to gender-disaggregated data, beneficial ownership, and accessibility of contractual terms.	AEITI 2020 work plan ( <a href="#">here</a> ). AEITI 2020 work plan breakdown ( <a href="#">here</a> ).	A development partner highlighted the gender-related activities in the 2020 work plan and noted that there was much work to be done to ensure both better gender balance in MSG representation as well as gender-disaggregated extractives data.		

## Requirement 2: Legal and institutional framework, including allocation of contracts and licenses.

Contract and license allocations (#2.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
A comprehensive list of mining, oil and gas license <u>awards</u> has been disclosed,	The 2016-17 EITI Report provides a list of 187 <b>mining</b> licenses awarded in 2016-2017 (pp.147-152). The report implies that no	2016-17 EITI Report ( <a href="#">here</a> ), pp.49,147-152.	Several AEITI Secretariat staff, government officials and development partners confirmed that the 6 <sup>th</sup> AEITI Report provided an	< satisfactory progress>	To strengthen implementation, Afghanistan is encouraged to ensure that the statutory

**Commented [IS3]:** Subject to the Board's consideration of new information disclosed subsequent to the start of Validation.

Contract and license allocations (#2.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
including information on the identity of recipients (#2.2.a)	<p>new <b>oil and gas</b> licenses were awarded in 2016-2017 (p.49). Appendix 7.3 to the 6<sup>th</sup> AEITI Report addendum states that 120 construction materials (sand, gravel, stone) licenses were issued in 2016-17.</p> <p>In its comments on the draft assessment, the MSG confirms the addendum's correction of the 6<sup>th</sup> AEITI Report typo, that the actual number of extractive license awards in 1395-1396 was 120, all small-scale mining licenses.</p>	<p>6<sup>th</sup> AEITI Report addendum appendix 7.3 (<a href="#">here</a>), pp.130-131. MOMP <a href="#">Transparency Portal</a>.</p>	<p>erroneous figure (of 187) for the number of mining licenses awarded in 2016-2017 and that the actual number of mining licenses awarded in this period was 120, as confirmed in the 6<sup>th</sup> AEITI Report addendum. The IA could not explain the source of the figure of 187 new mining license awards. There was consensus among stakeholders consulted that there had been no new oil and gas license awards in the period under review.</p>		<p>process for awarding and transferring mining, oil and gas licenses is systematically disclosures on government websites, including the specific technical and financial criteria assessed in the award and transfer process. Afghanistan is encouraged to implement the systematic disclosure of the specific award and transfer process followed in practice through the Transparency Portal, with a view to facilitating the public's assessment of the efficiency of license allocations and transfers and any non-trivial deviations from the statutory process.</p>
The process for <a href="#">awarding</a> mining, oil and gas licenses has been comprehensively disclosed, including technical and financial criteria assessed (#2.2.a)	<p><b>Mining:</b> The report describes the general process for mining license awards (pp.39-42). For mining license awards, the report refers to pre-qualification criteria (p.39) and tender evaluation criteria (pp.41,43) but does not describe them. However, while the AEITI Report states that the evaluation criteria are described on the MOMP Transparency Portal (p.43), the portal does not appear to provide the specific criteria assessed in license allocations. The 6<sup>th</sup> AEITI Report addendum confirms that mining license</p>	<p>2016-17 EITI Report (<a href="#">here</a>), pp.39-42,43,45-48,49. 2016-17 EITI Report addendum (<a href="#">here</a>), pp.61-65. MoMP (2019), Bid evaluation criteria (<a href="#">here</a>). MoMP Small-Scale Mining License applications (<a href="#">here</a>) 6<sup>th</sup> AEITI Report addendum appendix 7.3 (<a href="#">here</a>), pp.130-131.</p>	<p>Many stakeholders consulted from all constituencies highlighted the evolution in the mining license award process with the 2018 Minerals Law, but confirmed that mining license allocations in 2016-2017 were based on the 2010 Mining Regulations and the 2014 Minerals Law. Stakeholders consulted confirmed that the 120 small-scale mining licenses awarded in 2016-2017 were through the 'first-come-first-served' process. Stakeholders from various constituencies, including government, expressed significant</p>		

Contract and license allocations (#2.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>awards in the 2016-17 period were under the 2014 Mining Law and describes the license award process in force in this period. Appendix 7.3 to the 6<sup>th</sup> AEITI Report addendum provides an overview of the process for awarding mining licenses under the 2014 Minerals Law and 2010 mining regulation, albeit without defining the criteria assessed.</p> <p>In its comments on the draft assessment, the MSG provides a link to the available technical and financial criteria assessed under the 1393 Minerals Law on the MOMP website. It confirms that these are the only criteria that were assessed at the time, and that new technical and financial criteria have been adopted in the 2018 Minerals Law and the 2019 Mining Regulations.</p> <p>The 6<sup>th</sup> AEITI Report addendum describes the 2019 reforms in licensing and an outline of the bid criteria, which are published independently online but do not include a description of the technical and financial criteria</p>	<p>2010 Mining Regulations (<a href="#">here</a>).</p> <p>2014 Minerals Law (<a href="#">here</a>).</p> <p>2018 Mining Law (<a href="#">here</a>).</p> <p>2019 Mining Regulations (<a href="#">here</a>), Schedule 3.2, p.66.</p> <p>2017 Hydrocarbons Law (<a href="#">here</a>), Article 37.2.</p> <p>MOMP (September 2020), 'Technical and Financial criteria for awarding construction materials mining license according to the Mineral law 1393' (<a href="#">here</a>).</p>	<p>concern over the new mining license allocation process under the 2018 Mining Law, given that it was time-consuming (taking up to 2.5 years) and involved two separate reviews of mining license applications by the High Economic Council.</p> <p>The IA explained that it did not locate specific technical and financial criteria assessed for awards of small-scale licenses in 2016-2017. A government official explained that the award of small-scale mining licenses in 2016-2017 did not require assessment of onerous criteria, given that the priority under the previous system was to encourage the formalisation of mining activities.</p> <p>With regards to technical and financial criteria assessed for mining license awards under the 2018 Mining Law, several government and development partner stakeholders confirmed that these were codified in the 2019 Minerals Regulations. A development partner explained that the MOMP intended to regularly publish the technical and financial criteria for mining license allocations, while the MOMP</p>		

Contract and license allocations (#2.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>assessed. It notes that the MOMP has started processing license awards online. The 2018 Mining Law refers to the MOMP's evaluation of applicants' technical and financial capacities, while the 2019 Mining Regulations (Schedule 3.2) define the criteria assessed in applicants' submission of a "capability statement", which includes technical and financial criteria. Both the law and its implementing regulations are published on the MOMP website.</p> <p><b>Oil and gas:</b> The report describes the general process for oil and gas license awards (pp.45-48). For oil and gas license awards, the report refers to pre-qualification and technical and financial criteria (p.46) but does not describe them. While the report states that the evaluation criteria are described on the MOMP Transparency Portal (p.49), the portal does not appear to provide an overview of the criteria assessed for oil and gas license awards. However, the 2017 Hydrocarbons Law (Article 37.2) provides an overview of the types</p>		<p>Transparency Portal will publish the specific criteria assessed for each mining license, to enable any user to assess the existence of any non-trivial deviations for specific license awards. This change was expected to be enacted in 2020 and would cover all new mining license awards.</p>		

Contract and license allocations (#2.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	of evidence expected to demonstrate bidders' technical and financial capacities as part of the pre-qualification process.				
Information on any non-trivial deviations from the applicable legal and regulatory framework governing license <u>awards</u> has been comprehensively disclosed (#2.2.a)	<p><b>Mining:</b> The report provides the identity of the recipients of each of the 187 mining licenses awarded in 2016-2017 (pp.147-152). The report states that “no trivial deviations were noted” in relation to mining license awards (p.43) – this appearing to be a typo that should read “no non-trivial deviations” – but does not explain the basis for this assessment. While the 2016-17 EITI Report did not explain the basis of this assessment, the 6<sup>th</sup> AEITI Report addendum describes the MSG’s process of spot-checks of ten mining license awards to assess the existence of non-trivial deviations. The MoMP Cadastre Office requested information from MOMP Provincial Branches related to these ten awards and reviewed the award process for each. It did not identify any deviations from the statutory procedures (under the 2014 Mining Law) in an opinion published online. A second</p>	<p>2016-17 EITI Report (<a href="#">here</a>), pp.43,49,147-152. 2016-17 EITI Report addendum (<a href="#">here</a>), p.61. MOMP Cadastre Office assessment of deviations in ten mining license awards in 2016-17, confirmed by EU advisor (<a href="#">here</a>). Post-award process audit, 6<sup>th</sup> AEITI Report addendum appendix 30.7 (<a href="#">here</a>), pp.210-212.</p>	<p>Several stakeholders from all constituencies expressed confidence in the MOMP and EU advisor’s review of mining license allocations in 2016-2017 and their confirmation of the lack of non-trivial deviations in practice. Several government officials considered that this represented a form of performance audit of the MOMP’s mining licensing systems. While several CSOs consulted expressed concern over the lack of compliance with contractual obligations after the award of mining licenses, none of the stakeholders consulted questioned the accuracy of the 6<sup>th</sup> AEITI Report addendum’s confirmation of the lack of non-trivial deviations in the award of mining licenses in 2016-2017.</p>		

Contract and license allocations (#2.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>verification of the documents was undertaken by an external European Union advisor in an opinion published online, which confirmed the MOMP Cadastre Office's assessment.</p> <p><b>Oil and gas:</b> The report states that "no trivial deviations were noted" in relation to oil and gas license awards (p.49) – this appearing to be a typo that should read "no non-trivial deviations". It is however unclear how this assessment of deviations could be made given the report's statement that there were no oil and gas license awards or transfers in 2016-2017.</p>				
A comprehensive list of mining, oil and gas license <u>transfers</u> has been disclosed, including information on the identity of recipients (#2.2.a)	<p>The report confirms that no licenses were transferred in 2016-2017 in either <b>mining</b> (p.44) or <b>oil and gas</b> (p.50).</p> <p>In its comments on the draft assessment, the MSG confirms the lack of license transfers in 1395-1396.</p>	<p>2016-17 EITI Report (<a href="#">here</a>), pp.44,50.</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), pp MOMP <a href="#">Transparency Portal</a>.</p>	Government officials consulted confirmed the lack of transfers of either mining licenses or of participating interests in oil and gas contracts in 2016-2017.		
The process for <u>transferring</u> mining, oil and gas licenses has been comprehensively	<p><b>Mining:</b> The report describes the general process for mining license transfers (p.44), but does not refer to technical and financial criteria for license transfers.</p>	<p>2016-17 EITI Report (<a href="#">here</a>), pp.44,50.</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), pp.61-65,67-69.</p>	A government official confirmed that the technical and financial criteria assessed for mining license transfers were the same as for awards, both under the 2014		

Contract and license allocations (#2.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
disclosed, including technical and financial criteria assessed (#2.2.a)	<p>The 6<sup>th</sup> AEITI Report addendum describes the 2019 reforms in licensing. While the addendum does not specify the technical and financial criteria assessed for mining license transfers, the 2018 Mining Law refers to the MOMP's evaluation of transferees' technical and financial capacities, while the 2019 Mining Regulations (Schedule 3.2) define the criteria assessed in transferees' submission of a "capability statement", which includes the same technical and financial criteria as for license awards. Both the law and its implementing regulations are published on the MOMP website.</p> <p><b>Oil and gas:</b> The report describes the general process for oil and gas license transfers (p.50), but does not refer to technical and financial criteria for license transfers.</p> <p>The 6<sup>th</sup> AEITI Report addendum briefly describes reforms in the 2017 Hydrocarbons Law, albeit without clarifying the technical and financial criteria assessed in oil and gas license transfers. The</p>	<p>2018 Mining Law (<a href="#">here</a>).</p> <p>2019 Mining Regulations (<a href="#">here</a>), Schedule 3.2, p.66.</p>	Minerals Law and the 2018 Mining Law.		

Contract and license allocations (#2.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	2017 law, available on the MOMP website, only notes the requirement that Cabinet approval is required for the transfer of oil and gas contract rights without clarifying whether the same criteria are assessed as for license awards.				
Information on any non-trivial deviations from the applicable legal and regulatory framework governing license transfers has been comprehensively disclosed (#2.2.a)	Not applicable.	N/A			
The list of applicants and the bid criteria related to any bidding processes that took place in the accounting period covered by EITI reporting have been comprehensively disclosed (#2.2.c)	<b>Mining:</b> All license awards in 2016-2017 were of small-scale mining licenses, through a 'first-come-first-served' process. The report erroneously identifies one coal exploration license award, which would have presumably been through competitive tender in 2016-2017 (p.147), as the report states that large-scale exploration and production licenses are awarded through competitive tender (p.39). The 6 <sup>th</sup> AEITI Report addendum clarifies that all mining licenses	2016-17 EITI Report ( <a href="#">here</a> ), pp.39,40-42,43,147. 2016-17 EITI Report addendum ( <a href="#">here</a> ), p.62.			

<b>Contract and license allocations (#2.2)</b>					
<b>EITI sub-Requirement</b>	<b>Summary of main findings</b>	<b>Source(s) of information</b>	<b>Summary of stakeholder views</b>	<b>Recommendation on compliance with the EITI provisions</b>	<b>Proposed corrective actions and recommendations</b>
	awarded in 2016-17 were on a first come first served basis, not on competitive bidding.				
<i>Information on the award of licenses held by material companies not awarded or transferred in the year under review has been disclosed (#2.2.b)</i>	<i>The report does not describe the process for awarding or transferring licenses prior to 2016-2017.</i>	N/A			
<i>Additional information about the allocation of licenses has been disclosed, including commentary on the efficiency and effectiveness of these systems, a description of procedures, actual practices and grounds for renewing, suspending or revoking a contract or license (#2.2.d)</i>	<i>No assessment of efficiency in licensing provided.</i>	N/A			

License registers (#2.3)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The country maintains a publicly-accessible cadastre/register of licenses in mining, oil and gas (#2.3.b)	For <b>mining and oil and gas</b> , the report notes the launch of the Afghanistan Transparency Portal in 2018, which includes an online cadastral system and disclosure of non-tax payments on a per-license basis. The report notes that “work is ongoing to ensure the comprehensiveness of licenses covered by the portal” (p.43), but that the IA “obtained confirmation from the cadastre department that the list of mining licenses published in the transparency portal is accurate and up to date” (p.44). The AEITI Report addendum confirms that all licenses and contracts are in the MCAS system. It notes that spot-checks of licenses, TIN and coordinates were spot-checked for accuracy.	MOMP <a href="#">Transparency Portal</a> . 2016-2017 EITI Report ( <a href="#">here</a> ), p.43,144-152. 2016-17 EITI Report addendum ( <a href="#">here</a> ), p.68-72,74,85. MOMP website, SOE transparency page ( <a href="#">here</a> ).	There was consensus among stakeholders consulted that the MCAS cadastral management system was comprehensive of all contracts held at MOMP head office and provincial branches. Thus, the Transparency Portal listed all mining, oil and gas licenses, including historical data. With regards to the two extractives SOEs (Afghan Gas and North Coal), a government official and a development partner explained that the two did not hold licenses, but rather legal deeds on areas of land. These legal documents including coordinates are published on the MOMP website’s SOE transparency page. This explained why there was only one license entry for each of the two SOEs in the MCAS system/Transparency Portal, which was simply created to track their non-tax payments to government.	< outstanding progress>	
Information on the identity of license-holders has been	License information includes the name of the license holder.	MOMP <a href="#">Transparency Portal</a> .			

License registers (#2.3)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
comprehensively disclosed for all licenses held by material companies (#2.3.b.i)		2016-2017 EITI Report ( <a href="#">here</a> ), p.43,144-152.			
License coordinates have been comprehensively disclosed for all licenses held by material companies (#2.3.b.ii)	The coordinates are available through the Transparency Portal for the vast majority of licenses but not for all mining licenses.	MOMP <a href="#">Transparency Portal</a> . 2016-2017 EITI Report ( <a href="#">here</a> ), p.43,144-152.			
Dates of application, award and expiry (or duration) have been comprehensively disclosed for all licenses held by material companies (#2.3.b.iii)	The dates of application, award and expiry are available through the Transparency Portal for the vast majority of licenses but not for all mining licenses.	MOMP <a href="#">Transparency Portal</a> . 2016-2017 EITI Report ( <a href="#">here</a> ), p.43,144-152.			
Information on commodity(ies) covered by production licenses have been comprehensively disclosed for all production licenses held by material companies (#2.3.b.ii)	The commodity being produced is available for all licenses.	MOMP <a href="#">Transparency Portal</a> . 2016-2017 EITI Report ( <a href="#">here</a> ), p.43,144-152.			
The information set out in provision 2.3.b is also available for the licenses held by entities not covered by the EITI reporting process (#2.3.b-c)	The information in the Transparency Portal encompasses all licenses held by companies in the country, not just those covered by the report.	MOMP <a href="#">Transparency Portal</a> . 2016-2017 EITI Report ( <a href="#">here</a> ), pp.43,144-152.			

Beneficial ownership (#2.5)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The MSG has agreed an appropriate, publicly available definition of the term beneficial owner (#2.5.f)	<p>There are different definitions of BO in the 2018 Minerals Law and the 2018 amendments to the 2004 Anti-Money Laundering and Proceeds of Crime Law.</p> <p>A definition of beneficial ownership is included in Article 4 (34) of the 2018 Minerals Law. This definition of politically-exposed person is included in Article 4 (29) of the 2018 Minerals Law. The BO definition in the 2018 Minerals Law is as follows: <i>“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>The definition of BO under Article 3(f) of the 2018 amendments to the 2004 Anti-Money Laundering and Proceeds of Crime Law is slightly different: <i>“the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.”</i></p> <p>The 6<sup>th</sup> AEITI Report addendum provides the MSG’s approved definition of beneficial ownership, covering direct and indirect ownership or control. The MSG’s BO definition is as follows: <i>“a beneficial owner in respect of a company means the natural person(s) who</i></p>	<p>2016-2017 EITI Report (<a href="#">here</a>), p.76.</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), p.76.</p> <p>2018 Minerals Law (<a href="#">here</a>).</p> <p>2018 amendments to the 2004 Anti-Money Laundering and Proceeds of Crime Law (<a href="#">here</a>).</p> <p>2004 Anti-Money Laundering and Proceeds of Crime Law (<a href="#">here</a>).</p>	<p>A development partner commented on the discrepancies between BO definitions in the Minerals Law and AML-CP Law, calling for a clarification of this legal inconsistency. The partner also called for more clarity in the precise list of persons covered under the definition of politically-exposed persons (PEP). However, a senior government official confirmed that the MSG had adopted the definitions of “beneficial ownership” and “politically-exposed persons” in full alignment with the definitions in the 2018 Minerals Law, and that AEITI had provided substantial input in the development of these definitions in the 2018 Minerals Law.</p> <p>A government official considered that the definition of PEP was inadequate in the Afghan context, because of the extended family structures in the country.</p>	< satisfactory progress >	<p>To strengthen implementation ahead of the second phase of Validation of Requirement 2.5 from January 2022 onwards, Afghanistan is encouraged to undertake a review of the comprehensiveness and reliability of BO disclosures through the Transparency Portal, including of all applicants for mining, oil and gas licenses. Afghanistan may wish to consider revisiting its definition of politically-exposed person and ensuring that the legal definition of beneficial ownership is aligned across different legislation (e.g. Minerals Law and Anti-Money Laundering and Proceeds of Crime Law).</p>

<b>Beneficial ownership (#2.5)</b>					
<b>EITI sub-Requirement</b>	<b>Summary of main findings</b>	<b>Source(s) of information</b>	<b>Summary of stakeholder views</b>	<b>Recommendation on compliance with the EITI provisions</b>	<b>Proposed corrective actions and recommendations</b>
	<p><i>directly or indirectly ultimately owns or controls the corporate entity.</i>"</p> <p>The 6<sup>th</sup> AEITI Report confirms that the 2018 Minerals Law sets a threshold of 5% of ownership for disclosure of beneficial ownership.</p>				
<p><i>There are laws, regulations or policies in place to back establishing and maintaining a public register of beneficial owners (#2.5.a)</i></p>	<p>Articles 25, 29, 35, 40 and 43 of the 2018 Minerals Law require BO disclosure for applicants, bidders and transferees of all types of mining licenses. Additional details on the reporting of beneficial ownership data is provided in Articles 10, 34 and 54 the 2019 Mining Regulations.</p> <p>The 6<sup>th</sup> AEITI Report addendum confirms that publication of BO of all companies holding extractives licenses is collected and published through the MOMP Transparency Portal since January 2020. A total of 127 mining companies' beneficial ownership was disclosed both on the Transparency Portal and the MOMP website as of June 2020.</p>	<p>2016-17 EITI Report addendum (<a href="#">here</a>), pp.31,75.</p> <p>2018 Minerals Law (<a href="#">here</a>).</p> <p>2019 Mining Regulations (<a href="#">here</a>).</p>	<p>Several government officials and development partners highlighted the publication of BO data through the Transparency Portal. They confirmed that BO disclosures were now required as a pre-requisite for license allocations.</p>		
<p>The government's policy and multi-stakeholder group's discussion on disclosure of beneficial ownership is documented (#2.5.b)</p>	<p>The government's policy on beneficial ownership disclosure was enshrined in the Self-Reliance Through Mutual Accountability Framework (2017/2018) agreed at the Brussels Conference in 2016, following similar commitments by the government at international conferences in Tokyo and London. Afghanistan made 18 commitments at the 2016 London Anti-Corruption Summit, five of which concerned beneficial ownership transparency.</p>	<p>Self-Reliance Through Mutual Accountability Framework (2017/2018), Brussels Conference (2016) (<a href="#">here</a>).</p> <p>Afghanistan country statement, 2016 London Anti-Corruption Summit (<a href="#">here</a>).</p>	<p>Stakeholder consultations confirmed that the government had adopted a pro BO disclosure policy since 2016 and that the MSG had regularly discussed the issue at its meetings. A development partner confirmed that the government had committed to disclose the BO of all</p>		

Beneficial ownership (#2.5)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	The 6 <sup>th</sup> AEITI Report addendum describes AEITI's BO roadmap and the MSG deliberations on BO. More recently in May 2020, the government committed to disclosing the beneficial ownership of companies awarded procurement contracts in Covid-19 related government expenditures as part of its application for the IMF's Rapid Credit Facility.	AEITI 2016 Beneficial Ownership Roadmap ( <a href="#">here</a> ). 2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.27,76-77. IMF, Afghanistan : Request for Disbursement Under the Rapid Credit Facility, May 2020 ( <a href="#">here</a> ).	government procurement as part of its Rapid Credit Facility with the IMF in response to the Covid-19 crisis.		
The implementing country has requested beneficial ownership information to be publicly disclosed (#2.5.c)	The 6 <sup>th</sup> AEITI Report addendum confirms that BO information has been requested from all extractives companies since January 2020, with 127 mining companies having disclosed their BO data as of May 2020. The details of the first 127 mining companies that disclosed BO data are published on the MOMP website. The addendum confirms that BO data is disclosed through the MOMP Transparency Portal. However, the 6 <sup>th</sup> AEITI Report addendum notes that the information requested was based on ownership not control (p.77).	2016-17 EITI Report addendum ( <a href="#">here</a> ), p.75-77,85. MOMP, BO data for 127 mining companies ( <a href="#">here</a> ) MOMP <a href="#">Transparency Portal</a> .	Government officials consulted confirmed that companies were now being requested to report their BO data, with over 130 companies covered as of July 2020.		
The requested information includes the identity(ies) of their beneficial owner(s), including nationality, country of	The 6 <sup>th</sup> AEITI Report addendum confirms that BO details required include nationality, country of residence, politically exposed persons, national identity number, date of birth, residential or service address, contact. However, only the beneficial owner's name, ownership type, country(its) of residence and	2016-17 EITI Report addendum ( <a href="#">here</a> ), p.77. MOMP, BO reporting template for Core Drillers ( <a href="#">here</a> ) MOMP <a href="#">Transparency Portal</a> .	Stakeholders did not express any particular views on the granularity of BO data being reported and disclosed.		

Beneficial ownership (#2.5)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
residence, and identification of politically exposed persons, the level of ownership and details about how ownership or control is exerted (#2.5.c-d)	<p>citizenship, sex, position and political affiliation are disclosed on the Transparency Portal.</p> <p>An example of the BO reporting template (for Core Drillers) is published on the MOMP website.</p> <p>There are several constitutional and legal requirements for asset declarations by public officials, including the Constitution, the 2017 Law on Declaration and Registration of Assets of High-Ranking Officials and Employees, the 2017 Penal Code and the 2018 Anti-Corruption Strategy. In addition, Article 4 (29) of the 2018 Minerals Law provides a definition of PEP that lists specific senior government officials and government directors, including their relatives, as PEPs. The AEITI definition of politically exposed persons can thus be assumed to be the same as the list in the 2018 Minerals Law.</p>	<p>2004 Constitution of Afghanistan (<a href="#">here</a>).</p> <p>2017 Law on Declaration and Registration of Assets of High-Ranking Officials and Employees (<a href="#">here</a>).</p> <p>2017 Penal Code (<a href="#">here</a>).</p> <p>2018 Anti-Corruption Strategy (<a href="#">here</a>).</p>			
Any corporate entity(ies) that apply for, or hold a participating interest in an exploration or production oil, gas or mining license or contract have disclosed the information	A review of pending applications on the MOMP Transparency Portal indicates that beneficial ownership information is available for some, but not all, of the companies that applied for a mining license.	MOMP <a href="#">Transparency Portal</a> .	Government officials and development partners confirmed that requests for BO disclosure were now integrated into the licensing process.		
The MSG had assessed and documented gaps	The MSG appears to have reviewed the level of beneficial ownership disclosures to date in the 6 <sup>th</sup> AEITI Report addendum, as of May 2020.	2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.75-77,85.			

<b>Beneficial ownership (#2.5)</b>					
<b>EITI sub-Requirement</b>	<b>Summary of main findings</b>	<b>Source(s) of information</b>	<b>Summary of stakeholder views</b>	<b>Recommendation on compliance with the EITI provisions</b>	<b>Proposed corrective actions and recommendations</b>
or weaknesses in disclosure of beneficial ownership information (#2.5.c)	The addendum is transparent that 127 mining companies have disclosed their BO to date and notes that data collection has focused on direct and indirect ownership, not control.				
The relevant government entity or the MSG has established an approach for participating companies to assure the accuracy of the beneficial ownership information (#2.5.e)	The 6 <sup>th</sup> AEITI Report addendum confirms that beneficial ownership disclosures are required to be signed by the company's management.	2016-17 EITI Report addendum ( <a href="#">here</a> ), p.76.	A development partner confirmed that the quality assurances for BO disclosures were management attestations.		
For publicly listed companies, including wholly-owned subsidiaries, the name of the stock exchange has been disclosed and a link included to the stock exchange filings where they are listed (#2.5.f)	Information on the stock exchange where companies are listed is not provided for extractive companies that are wholly-owned subsidiaries of publicly-listed companies, nor links to relevant stock exchange filings. However, it is unclear whether any company holding mining, oil and gas licenses is a wholly-owned subsidiary of a publicly-listed company.	MOMP <a href="#">Transparency Portal</a> .			

Beneficial ownership (#2.5)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
Information about legal owners and share of ownership of applicable companies is publicly available (#2.5.g)	The Afghanistan Central Business Registry (ACBR) provides legal ownership information for companies registered in Afghanistan. Based on the TIN (Tax ID Numbers) provided for license-holders (and applicants) in the MOMP Transparency Portal, it is possible to freely access details of legal ownership information for extractive license-holders.	Afghanistan Central Business Registry, Online Verification ( <a href="#">here</a> ). MOMP <a href="#">Transparency Portal</a> .	One government official consulted noted that legal ownership information was available on the ACBR registry online.		

State participation (#2.6)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The existence of any material state-owned enterprises (SOEs) engaged in the extractive sector has been publicly documented (#2.6.a)	The report lists three SOEs in the extractives (AGE, NCE and JCE) (p.52) and provides the materiality of their payments to government in 2016-2017, clarifying that only AGE and NCE made material payments to government in 2016-17 (p.14). This is confirmed in the 6 <sup>th</sup> AEITI Report addendum.	2016-2017 EITI Report ( <a href="#">here</a> ), pp.14,52. North Coal Enterprise and Afghan Gas Enterprise financial statements ( <a href="#">here</a> ). 2016-17 EITI Report addendum ( <a href="#">here</a> ), p.78. AEITI, SOE addendum ( <a href="#">here</a> ).	There was considerable interest in the two extractives SOEs in stakeholder consultations, given their dominant share of government revenues from the mining sector. Stakeholders confirmed that these were the only two material SOEs in the year under review, since the state-owned Jabal Saraj Cement was non-operational during this period (and state-owned Kod-e-Barq is a non-extractives fertiliser and power plant).	< satisfactory progress >	To strengthen implementation, Afghanistan is encouraged to implement plans for follow-up audits of Afghan Gas and North Coal Enterprises including soliciting management responses, with a view to supporting the corporatisation of the two SOEs.

State participation (#2.6)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
An explanation of the role of material SOEs in the sector and prevailing rules regarding the financial relationship between the government and SOEs has been disclosed (#2.6.a.i)	<p>The report describes the statutory rules related to financial relations between SOEs and government, highlighting that statutory funds had not yet been constituted and that all SOE profits are transferred to Treasury (p.51). The meaning of the following sentence should be clarified: "According to the articles 16 and 17 of the SOEs law, the investment in private companies is prohibited for the SOEs without the MoF approvals and only investments made in a joint venture of public and private sector are permitted." (p.52).</p> <p>In January 2020, the MOMP website published an overview of the statutory rules related to the financial relations between SOEs and government, including distribution of profit, retained earnings, reinvestment and third-party financing. A separate 'SOE addendum' was published at the same time on the practice of quasi-fiscal expenditures.</p> <p>The MoMP website also provides the full text of all laws and regulations relevant to the extractive industries. The 6<sup>th</sup> AEITI Report addendum provides hyperlinks to the online publication of all laws and regulations related to the extractive industries.</p> <p>The 6<sup>th</sup> AEITI Report addendum describes the statutory rules governing SOEs' distribution of profits, retained earnings, reinvestment and third-party financing.</p>	<p>2016-2017 EITI Report (<a href="#">here</a>), pp.51-52.</p> <p>MOMP (January 2020), 'SOEs Retained Earning, reinvestment, third-party financing and government ownership', <a href="#">here</a>.</p> <p>MOMP (January 2020), 'Overview of State-Owned Enterprise and AEITI benchmarks', <a href="#">here</a>.</p> <p>MOMP website, SOE transparency section <a href="#">here</a>.</p> <p>MOMP website, Documents - laws and regulations (<a href="#">here</a>).</p> <p>2016-17 EITI Report</p>	<p>Stakeholders consulted expressed confidence in the description of the statutory rules on the MOMP website and summarised in the 6<sup>th</sup> AEITI Report addendum. However, several stakeholders consulted highlighted significant deviations in practice, with allegations of mismanagement and embezzlement of funds.</p> <p>Several stakeholders including the IA explained that the SOEs transferred 100% of their net profit to the MoF every year because of the lack of implementing regulations establishing the funds to which the other 25% are earmarked. A government official explained that the statutory rules governing the SOEs' financial relations with government were being reformed with their restructuring under the NDC.</p>		

State participation (#2.6)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
		addendum ( <a href="#">here</a> ), pp.78,83-84,86,96-97.			
An explanation of the prevailing practices regarding the financial relationship between the government and SOEs has been disclosed for the year under review (#2.6.a.i)	In terms of actual practice, the report confirms that AGE and NCE transferred all profits to Treasury in 2016-2017 (pp.52-53) and that JCE transferred only AFS 2.4m of its total AFS 5m in profits in 2017 (p.54). The financial statements of AGE and NCE are detailed in Annexes 2 (pp.157-159) and 3 (pp.160-162). However, the report highlights that JCE's financial statements were not provided (p.54). The NCE sales process is described (p.54), alongside the detail of sales revenues in 2016-2017 (p.53). In January 2020, the MOMP published the first-ever audited financial statements for AGE and NCE for 2016-17, audited by the Supreme Audit Office. Separate income statements, balance sheets and audit reports are published for each. The 6 <sup>th</sup> AEITI Report addendum describes the audit practices undertaken in 2016-17.	2016-2017 EITI Report ( <a href="#">here</a> ), pp.52-54. MOMP website, SOE transparency section <a href="#">here</a> . MOMP (January 2020), 'Overview of State-Owned Enterprise and AEITI benchmarks', <a href="#">here</a> . 2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.94-95. AEITI, SOE addendum ( <a href="#">here</a> ).	Stakeholders consulted from various constituencies highlighted the publication of the two SOEs' financial statements, which had been audited for the first time. Stakeholders including development partners and government officials raised questions over NCE's financial management in particular. Several development partners and government officials raised concerns over the practice of NCE purchasing coal from informal miners and selling it on the market at a lower rate. Despite reservations over the two SOEs' capacities and quality of disclosures, most stakeholders considered that disclosures on the two SOEs' financials on the MOMP website were an important step in transparency. There were calls for more updated information, including descriptions of the recent restructurings.		
The government and SOE(s) have disclosed their level of ownership in mining, oil and	The report does not provide a comprehensive list of SOE subsidiaries, if any. The terms associated with SOE equity in any subsidiaries or joint ventures is not described.	AEITI, SOE addendum ( <a href="#">here</a> ). North Coal Enterprise and	A government official confirmed that neither AGE nor NCE had any subsidiaries, joint ventures of affiliated companies.		

State participation (#2.6)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
gas companies operating within the country's oil, gas and mining sector, including those held by SOE subsidiaries and joint ventures. The terms associated with these ownership interests have been disclosed (#2.6.a.ii)	However, the SOE addendum confirms that neither of the two SOEs has any subsidiaries, as reflected in their financial statements.	Afghan Gas Enterprise financial statements ( <a href="#">here</a> ).			
Any changes in the level of SOE or state ownership during the reporting period have been disclosed, including the terms of the transactions (#2.6.a.ii)	The report confirms the lack of change in state participation in 2016-2017 (p.52). The 6 <sup>th</sup> AEITI Report addendum confirms this.	2016-2017 EITI Report ( <a href="#">here</a> ), p.52. 2016-17 EITI Report addendum ( <a href="#">here</a> ), p.86.			
Details about any loans or loan guarantees to mining, oil and gas companies operating within the country have	While the report refers to MOMP's statement that SOEs did not provide loans to any extractives companies in 2016-2017 (p.54), it provides a list of the two SOEs' loans to other companies (including extractive companies) in Annexes 4 and 5 (pp.163-164). This information	2016-2017 EITI Report ( <a href="#">here</a> ), pp.54,163-164. 2016-17 EITI Report addendum ( <a href="#">here</a> ), p.86.	Several stakeholders confirmed that NCE had made many loans to various extractives companies and government entities in the past. This included outstanding loans to Jabil Saraj Cements, Goree Cements, Afghan Gas, Anaw Cement Company, the Office of the Ministry of		

State participation (#2.6)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
been disclosed, including loan tenor and terms (i.e. repayment schedule and interest rate) (#2.6.a.ii)	is also included on a separate note on SOEs published on the MOMP website. Annex 18 to the 2016-17 EITI Report provides details of NCE's loans to other companies, including the value of the outstanding loan at the start and end of the year, and confirmation that the interest rate on all loans is zero. The maturity of the loans is not indicated, although it can be assumed to be unclear if the interest rate is zero. The 6 <sup>th</sup> AEITI Report addendum confusingly states that there is no report of any loans or loan guarantees from the state or SOEs to any mining, oil and gas companies.	MOMP (January 2020), 'Overview of State-Owned Enterprise and AEITI benchmarks', <a href="#">here</a> . Annex 18 to 2016-17 EITI Report ( <a href="#">here</a> ).	Mines, Shabar gahan Hydrocarbons, and the Head of solid mines in Baghlan in 2016-2017. One development partner and an auditor explained that a practice of cross-lending and cross-subsidising between various state-owned companies was a legacy of previous decades. Both the IA and government officials confirmed that the interest rates on NCE's lending was zero, with some considering this a form of subsidy. They confirmed that there was no particular maturity or repayment modalities for these loans, but that NCE was in general eager to collect on these loans as soon as possible. A development partner noted that the statement in the addendum to the effect that there were no loans from SOEs to extractive companies was erroneous and that the audited financial statements of the two SOEs that had been published on the MOMP website confirmed this.		
SOEs have publicly disclosed their audited financial statements, or the main financial items (i.e. balance sheet, profit/loss statement, cash flows) where	Both AGE and NCE have audited their financial statements for 2016-17 for the first time, and published these on the MOMP website. This includes, for each of the two SOEs (as separate documents), the balance sheet, income statement, audit report, and audit letter to the Board, but no management response to the auditor's adverse opinion. The MOMP website has published information on:	MOMP website, SOE transparency section <a href="#">here</a> . 2016-17 EITI Report addendum ( <a href="#">here</a> ), p.79, 102.	Many stakeholders highlighted and welcomed the first ever audit of the two SOEs' financial statements for 2016-2017. The adverse auditor opinion on the two SOEs' two years of financial statements were highlighted by many. Government officials consulted confirmed plans for the SAO to audit the two SOEs' financial statements for 1397-1398 (2018-2019).		

State participation (#2.6)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
financial statements are not available (#2.6.b)	<p>a) the restructuring of the SOEs,  b) their retained earnings,  c) reinvestments, d) third party financing and government ownership  e) report on the coal industry,  d) balance sheets and income statements,  e) SAO audit reports,  f) legal and regulatory documents  g) geo-spatial coordinates.</p>				
The country has publicly described the rules and practices related to SOEs' operating and capital expenditures, procurement, subcontracting and corporate governance, e.g. composition and appointment of the Board of Directors, Board's mandate, code of conduct (#2.6.c)	<p>In January 2020, the MOMP website published an overview of the roles of the MoMP's SOE Directorate in managing the NCE, AGE, Kod-e-Barq and Cement enterprises. This includes an overview of the management and oversight of the SOEs, the status of their finances and operations, and quasi-fiscal expenditures. The Memorandums of Association for both AGE and NCE are published on the MOMP website's SOE transparency section.  The 6<sup>th</sup> AEITI Report addendum provides an overview of the oversight of the two SOEs by the MOMP and MoF.  The MOMP's SOE Transparency webpage includes reports on the reform and restructuring plans for both AGE and NCE.</p>	<p>MOMP (January 2020), 'Overview of State-Owned Enterprise and AEITI benchmarks', <a href="#">here</a>.  MOMP website, SOE transparency section <a href="#">here</a>.  2016-17 EITI Report addendum (<a href="#">here</a>), pp.81-82.  MOMP website, SOE transparency section <a href="#">here</a>.</p>	<p>One stakeholder alleged that the two extractive SOEs had been under the influence of regional warlords, which had interfered in their management and captured rent through inefficient management of the enterprises.</p>		

## Requirement 3: Exploration and production

Production data (#3.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
Total production volumes and values by commodity have been disclosed (#3.2)	<p>Production volumes and values are presented for <b>mining</b> for the top five minerals produced (by value) (p.70), although the data on the other nine mineral commodities produced is provided only in aggregate as “other minerals”. Table 32 (p.69) sets out the average value of 14 extracted minerals, with data sourced from MOMP. Production data by commodity and company is provided (pp.124-125), albeit only for material companies.</p> <p>The MOMP website published production volumes and values, per province and company for 2016 and 2017, cross-referenced with royalty payments, as referenced in the 6<sup>th</sup> AEITI Report addendum. This data covers all 19 mineral commodities produced in 2016-17. The addendum explains significant variances in production between 2016 and 2017. The MOMP Transparency Portal provide production volumes per contract/license for the 2015-2020</p>	<p>2016-2017 EITI Report (<a href="#">here</a>), pp.68- 72, 124-125.</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), pp.87,90,92.</p> <p>MOMP, Central and provincial production value and volume information (<a href="#">here</a>)</p> <p>MOMP <a href="#">Transparency Portal</a>.</p>	<p>While stakeholders from all constituencies confirmed that the extractives production data published on the MOMP website represented official government statistics on production by mineral commodity, stakeholders (including from government) raised significant concerns regarding the reliability of these figures given weaknesses in verification of company self-reporting of production data. The IA noted significant variations in reported production data by company across 2016 and 2017, questioning the reliability of reported production data and the scope for human error. Several government officials and development partners highlighted the ongoing work supported by GiZ in training MOMP mining inspectors to improve the checks on reported production figures. Several industry representatives however considered that the checks on reported production had strengthened under the 2018 Mining Law, with monthly reports by companies and frequent visits by mining inspectors.</p>	< outstanding progress>	To strengthen implementation, Afghanistan may wish to consider additional work on quality assurances underpinning the reliability of official government mineral production statistics in response to widespread scepticism over official mining production data published on the MOMP website.

Production data (#3.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>period (on a quarterly basis), as referenced in the 6<sup>th</sup> AEITI Report addendum.</p> <p>For <b>oil and gas</b>, production volumes and values in AFN and USD are provided disaggregated by commodity (p.72).</p>				
<p>The sources of production data and information on how production data has been calculated have been disclosed (#3.2)</p>	<p>For <b>mining</b>, production data by region, commodity and reported company is detailed in annex 6 of the report (pp.165-166) using the MOMP Transparency Portal's data. This includes volume and value, but it is not clear how the value has been calculated.</p> <p>The MOMP website also published the methodology used for calculating production values for mineral commodities, mineral values and sources, as referenced in the 6<sup>th</sup> AEITI addendum. The addendum describes reforms in the MOMP's oversight of production data collection and quality assurances. It explains the legacy of inconsistent reporting of production data, with a mix of planned and actual data.</p> <p>For <b>gas</b>, production data is sourced from NSIA (table 40, p. 72).</p>	<p>2016-2017 EITI Report (<a href="#">here</a>), pp.70,72, 124-125,165-166.</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), pp.87-88,89,92.</p> <p>MOMP, Production value calculation mechanism (<a href="#">here</a>)</p>	<p>While stakeholders did not question the robustness of the MOMP Transparency Portal in publishing reported production data, there was widespread suspicion of the accuracy of companies' reporting of production data given the tendency to seek to minimise non-tax payment liabilities to government, since royalties were calculated based on reported production volumes.</p>		

Export data (#3.3)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
Total export volumes and values by commodity have been disclosed (#3.3)	<p><b>Mining:</b> Export volumes and values are provided for each of the five minerals<sup>26</sup> exported in 2016-17 (pp.72-73). Although the report only provides export volumes, not values, for lapis lazuli, it confirms that lapis lazuli exports accounted for only AFN 0.7m in 2016 and zero in 2017. The Afghan Customs Department website now publishes mineral export volumes and values, per commodity, from 2016 to the third quarter of 2019 in PDF format, as confirmed in the 6<sup>th</sup> AEITI Report addendum.</p> <p><b>Oil and gas:</b> The report confirms that all oil and gas production is consumed domestically (p.74), implying that there were no exports of oil and gas in 2016-17.</p>	<p>2016-2017 EITI Report (<a href="#">here</a>), pp.72-74.</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), pp.90,92.</p> <p>Afghan Customs Department website, Mineral export data (<a href="#">here</a>).</p>	<p>The IA confirmed that commodity export data in the 6<sup>th</sup> AEITI Report was sourced from the ASYCUDA system, and was thus comprehensive of all formal exports. Several stakeholders raised concerns over allegations of widespread smuggling of minerals to neighbouring countries, particularly Pakistan. Several industry representatives noted that exports to third countries like China were exported through Pakistan. Several stakeholders from all constituencies confirmed that all oil and gas production was consumed domestically and that there were no exports of hydrocarbons. Despite widespread concerns over the accuracy of official mineral export data, there was consensus among stakeholders consulted that the extractives export data on the Customs Department website represented official government mineral commodity export data.</p>	< satisfactory progress>	To strengthen implementation, Afghanistan may wish to consider additional disclosures on the underlying assurances underpinning official mineral export statistics with a view to addressing widespread concerns over the reliability of official export data.
The sources of export data and information on how export data has been calculated have been disclosed (#3.3)	<p><b>Mining:</b> Mineral exports are provided disaggregated by export destination, by customs office and by material company for the top 10 companies (pp.73-74). The detail of exports by company is provided in Annexes 7,8,9 and 10.</p>	<p>2016-2017 EITI Report (<a href="#">here</a>), pp.73-74.</p> <p>Annexes 7,8,9 and 10.</p>			

<sup>26</sup> Coal, talc stone, marble, alabaster stone and fluorite stone.

## Requirement 4: Revenue collection

Comprehensive disclosure of taxes and revenues (#4.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The MSG has agreed on a materiality definition for revenue streams, including any reporting thresholds, as well as the options considered and the rationale for the materiality definition (#4.1.b)	<p>The report presents the government's full unilateral disclosure of extractives revenues and materiality calculations for selecting revenue streams for reconciliation, setting a <i>de facto</i> materiality threshold of 1.07% by selecting only the top 3 revenue streams by value in 2016-17 (Royalties, CIT and BRT).</p> <p>The options considered and rationale for the agreed materiality threshold are provided.</p> <p>However, the government's unilateral disclosure of revenues from extractives companies on which the materiality decisions were based does not seem to include North Coal Enterprise's dividend payment to the Ministry of Finance, equivalent to 12.77% (AFN 239.99m) and 27.07% (AFN 615.37m) of government extractive revenues in 2016 and 2017 respectively. However, it is possible to recalculate the materiality threshold inclusive of SOE dividends based on information in the EITI Report.</p>	2016-2017 EITI Report ( <a href="#">here</a> ), pp.87-88.	All stakeholders consulted considered that the approach to defining materiality was suitable to ensure the comprehensiveness of the reconciliation of payments and revenues, which was broadly defined as a reconciliation coverage of above 90% without excluding any single revenue streams that accounted for a sizeable share of government revenues. The IA could not explain why the NCE dividends to MoF were not included in the government's unilateral disclosure of revenues, on which materiality calculations were based. However, the IA confirmed that it was possible to recalculate the materiality threshold by adding NCE's dividends to the government's disclosure of revenues on which materiality calculations were based.	< satisfactory progress>	

Comprehensive disclosure of taxes and revenues (#4.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The MSG has agreed on a materiality definition for companies, including any reporting thresholds, as well as the options considered and the rationale for the materiality definition (#4.1.b)	<p>The report presents revenue data by company for both 2016 and 2017, setting de facto materiality thresholds of 1% and 0.9% respectively with a selection of the top 6 and 8 companies by value of payments to government in 2016 and 2017 respectively (pp.89-90).</p> <p>In addition to the selection of the top companies by payments to government, the report presents the rationale for the addition of six more material companies, selected based on (a) a random selection of smaller contributors to government revenues and (b) companies whose production did not correlate to their payments to government. This resulted in a target reconciliation coverage of 90% of extractives revenues (pp.92-95).</p> <p>The options considered and rationale for the agreed materiality threshold are provided.</p>	2016-2017 EITI Report ( <a href="#">here</a> ), pp.89-90,91-95.	Most stakeholders did not express any particular views on the approach to selecting companies for reconciliation. However, several CSOs consulted considered that the sample of 12 and 14 companies selected for 2016 and 2017 respectively covered the largest taxpayers to government but did not cover the companies that could prove riskiest from a governance perspective.		
The revenue streams considered material are publicly listed and described (#4.1.b)	The three material revenue streams are listed (p.93) and described (pp.57-59) in the report.	2016-2017 EITI Report ( <a href="#">here</a> ), pp.57-59,93.			
The revenue streams listed in provision 4.1.c have been considered. Where the MSG has agreed to exclude certain revenue	While some revenue streams listed under Requirement 4.1.c were excluded from the scope of reconciliation (e.g. export duties, land rent, license fees, bidding fees, etc.), these exclusions are justified	2016-2017 EITI Report ( <a href="#">here</a> ), pp.87-88,123.			

Comprehensive disclosure of taxes and revenues (#4.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
streams from the scope of EITI disclosures, the rationale for their exclusion is clearly documented (#4.1.c).	on clear materiality grounds (pp.87-88). However, this listing of revenue streams excludes dividends from SOEs (NCE), although this issue is covered under SOE transactions (see Requirement 4.5).				
The MSG has identified the companies making material payments and whether these companies fully reported all payments in accordance with the materiality definition (#4.1.d and the IA ToR)	The report lists the material companies (p.94), confirming that all duly submitted their reporting templates (p.17).	2016-2017 EITI Report ( <a href="#">here</a> ), pp.17,94.	The IA highlighted some initial challenges in securing reporting from all material companies but explained that repeated follow-up and support from the AEITI Secretariat ensured full reporting by all material companies.		
The MSG has identified the government entities receiving material revenues and whether these government entities fully reported all receipts in accordance with the materiality definition (#4.1.d and the IA ToR)	The report lists the material government entities (p.87), confirming that all duly submitted their reporting templates (p.17).  The MOMP Transparency Portal discloses government non-tax revenues, per license and revenue flow, in real time. This is explained in the 6 <sup>th</sup> AEITI Report addendum.	2016-2017 EITI Report ( <a href="#">here</a> ), pp.17,87.  2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.93-94  MOMP <a href="#">Transparency Portal</a> .	A government official confirmed that all material government entities (primarily MoF and MOMP) had duly reported all revenues collected to the IA.		
The government fully reported all revenues, including any revenues below the materiality thresholds (#4.1.d)	The report provides full government unilateral disclosure of total revenues, including from non-material companies, for each of the revenue streams deemed material (pp.87-88). However, this full	2016-2017 EITI Report ( <a href="#">here</a> ), pp.87-88,123.	The IA could not explain the lack of inclusion of NCE dividends in the government's full unilateral disclosures but confirmed that the figure provided elsewhere in the EITI Report for NCE's dividend payments in 2016 and		

Comprehensive disclosure of taxes and revenues (#4.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	unilateral government disclosure excludes North Coal Enterprise's dividend payment to the Ministry of Finance, equivalent to 12.77% (AFN 239.99m) and 27.07% (AFN 615.37m) of government extractive revenues in 2016 and 2017 respectively, as listed in the government disclosures on which materiality calculations were based. However, it is possible to calculate full government unilateral disclosure based on data in the EITI Report.		2017 was comprehensive of all extractive SOEs' dividend payments to MoF in the period under review.		
Where companies or government entities paying or receiving material revenues have not submitted reporting templates, or have not fully disclosed all the payments and revenues, EITI reporting documents these issues and includes an assessment of the impact on the comprehensiveness of the report.	The report sets a materiality threshold for investigating discrepancies of AFS 1m per revenue stream (p.95). It finds that final unreconciled discrepancies totalled only 0.02% of total extractives revenues reported by government, both in 2016 and 2017 (p.106).	2016-2017 EITI Report ( <a href="#">here</a> ), pp.95,106.	The IA explained that there were significant discrepancies in the initial reconciliation of company payments with government revenues, although these were largely resolved during the reconciliation and adjustment process.		
In accordance with the IA ToR, a summary of the key findings from the Independent Administrator's	The report includes the IA's clear assessment that the overall comprehensiveness and reliability of reconciled financial data was satisfactory (p.17).	2016-2017 EITI Report ( <a href="#">here</a> ), pp.17,127-133.	The IA confirmed its statement that it did not uncover elements in the reconciliation process that raised questions about the comprehensiveness of reconciled financial data.		

Comprehensive disclosure of taxes and revenues (#4.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
assessment with regards to the comprehensiveness of the EITI disclosures and coverage of the reconciliation has been provided.	The report presents a set of seven new recommendations, three of which are related to strengthening the comprehensiveness of EITI disclosures. These include implementing Tax ID Numbers for extractives companies, the correct completion of reporting templates and EITI focal points in government entities.				
<i>The companies making material payments to government have publicly disclosed their audited financial statements, or the main items (i.e. balance sheet, profit/loss statement, cash flows) where financial statements are not available (4.1.e).</i>	<i>Extractives companies making material payments to government do not appear to have published their audited financial statements, nor the main items therein.</i>  <i>However, the two extractive SOEs, Afghan Gas Enterprise and North Coal Enterprise, which together accounted for around two thirds of government extractive revenues in 2016-17, published their audited financial statements for the first time.</i>	<i>North Coal Enterprise and Afghan Gas Enterprise financial statements (<a href="#">here</a>).</i>			

Transportation revenues (#4.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The MSG has agreed a definition of materiality with regards to	The report states that the MOMP "derives no revenue from transportation" (p.64) and that the IA found no significant	2016-2017 EITI Report ( <a href="#">here</a> ), pp.64,102.	Stakeholders including the IA noted that the issue of checkpoint payments by those transporting extractive commodities was a sensitive issue, given that it involved payments to non-stake actors and insurgents.	<not applicable>	

Transportation revenues (#4.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
transportation revenues (#4.4)	<p>transportation revenues in the Afghan context" (p.102).</p> <p>Nonetheless, the report states that the MOMP collects revenues from the issuance of bill of lading for shipments of extractive materials and commodities, at a fixed cost of AFN 5,000 (p.64).</p> <p>The 6<sup>th</sup> AEITI Report addendum confirms the lack of government revenues from the transportation of extractive commodities.</p>	2016-17 EITI Report addendum ( <a href="#">here</a> ), p.94.101.	The IA noted that the categorisation of checkpoint payments as a form of transportation payments in previous EITI Reports was an error by previous IAs.		
Where transportation revenues exist and are considered material, these revenue flows have been fully disclosed to levels of disaggregation commensurate with other payments and revenues streams (4.7), with appropriate attention to data quality (4.9).	N/A	N/A			
Where transportation revenues are material but not disclosed, the MSG has documented and explained the barriers to provision of this information and any	N/A	N/A			

Transportation revenues (#4.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
government plans to overcome these barriers.					
<i>EITI implementation includes additional disclosures (4.4.i-v)</i>	N/A	N/A			

Transactions between SOEs and government entities (#4.5)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The MSG have established whether SOEs make payments to the government, collect material revenues on behalf of the state, or both (#4.5)	<p>The report lists three SOEs in the extractives (AGE, NCE and JCE) (p.52) and provides the materiality of their payments to government in 2016-2017, which demonstrate that two of these (AGE and NCE) were material in the period under review (p.14-15). The 6<sup>th</sup> AEITI Report addendum confirms the materiality of AGE and NCE.</p> <p>The SOE addendum published on the MOMP website describes the roles plays by AGE and NCE in their respective sectors, further demonstrating their materiality.</p>	<p>2016-2017 EITI Report (<a href="#">here</a>), pp.14-15,52.</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), p.78</p> <p>MOMP (January 2020), 'Overview of State-Owned Enterprise and AEITI benchmarks', <a href="#">here</a>.</p>	<p>Stakeholders consulted from various constituencies confirmed that AGE and NCE were the only two material SOEs in the period under review. Stakeholders highlighted the importance of these two SOEs, given that they had consistently accounted for more than half of the government's extractive revenues in AEITI Reports to date.</p> <p>Several CSOs raised significant concerns over the two SOEs' financial management and called for greater analysis of their financial statements to improve the transparency of their financial management.</p>	< meaningful progress>	In accordance with Requirement 4.5, Afghanistan should ensure that all material SOE transfers to government entities, including their transfers of a share of their net profits to the Ministry of Finance, should be comprehensively and reliably disclosed.
The MSG has established whether financial transfers between government	The EITI Report demonstrates the materiality of the two SOEs' payments to government in its description of the MSG's approach to materiality for	2016-2017 EITI Report ( <a href="#">here</a> ), pp.89-90.			

Transactions between SOEs and government entities (#4.5)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
entities and SOEs exist and are material (#4.5)	extractive companies. NCE accounted for 78.08% and 77.21% of government extractives revenues in 2016 and 2017 respectively, while AGE accounted for 2.39% and 1.81% of government extractives revenues in 2016 and 2017 respectively. Both SOEs were included in the scope of reconciliation for both years.				
Material payments from companies to SOEs have been comprehensively and reliably disclosed (#4.5)	The comprehensive list of revenues from extractives companies in Table 55 shows that SOEs do not collect any company payments.	2016-2017 EITI Report ( <a href="#">here</a> ), pp.87-88.	Several stakeholders from government and development partners confirmed that the two SOEs were not statutorily entitled to collect any company payments on behalf of government.		
Material SOE transfers to government (including statutory and ad hoc) have been comprehensively and reliably disclosed (#4.5)	<p>The report confirms that both SOEs are subject to the same statutory payments to government as private companies, in addition to their distribution of 75% of their net profits (akin to dividends) (p.88).</p> <p>The report confirms that both AGE and NCE were required to report their dividend (75% of net profits) transfers to government for 2016 and 2017, with only NCE reporting such transfers in either year (p.123). These dividend transfers are only unilaterally disclosed by the Ministry of Finance, not reconciled with NCE reporting of these payments (p.123). Given that the value of NCE dividend transfers totalled AFN 239.99m and AFN 615.37m in 2016 and 2017 respectively</p>	<p>2016-2017 EITI Report (<a href="#">here</a>), pp.88,123.</p> <p>North Coal Enterprise and Afghan Gas Enterprise financial statements (<a href="#">here</a>).</p> <p>North Coal Enterprise income statement, 1395-1396 (<a href="#">here</a>).</p>	The IA and other stakeholders consulted could not explain the lack of reconciliation of NCE dividend (transfers of net profits to MoF) payments to the MoF in the 6 <sup>th</sup> AEITI Report. Upon discussion, stakeholders conceded that NCE's dividend payments in 2016-2017 were clearly material. None of the stakeholders consulted could explain the significant differences in the reported value of NCE's dividends to MoF between the 6 <sup>th</sup> AEITI Report and NCE's audited financial statements for this period. A Secretariat staff member explained that the significant differences between the value of NCE dividends in the 6 <sup>th</sup> AEITI Report and NCE's audited financial statements could be due to the fact that the financial statements referred to transfers of net profits based on 1395-		

Transactions between SOEs and government entities (#4.5)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>(p.123), these dividend transfers were above the materiality threshold for selecting revenue streams for reconciliation.</p> <p>The income statements for NCE published on the MOMP website provide figures for NCE's payments of dividends (75% of net profits) that are substantially different from the MOF figures disclosed in the report. Indeed, NCE's income statement provides the value of its "profit transferred to government budget" as AFN 803.036m in 1395 and AFN 563.610m in 1396.</p>		<p>1396 results that were transferred in subsequent years, or that they may have referred to transfers of several previous years of net profit in the period under review.</p> <p>The Secretariat staff explained that there had been some misunderstanding about the need to reconcile extractive SOE dividends to government as the MSG had considered that the EITI reconciliation focused only on company payments to government, not transfers of SOE dividends.</p>		
Material government transfers to SOEs have been comprehensively and reliably disclosed (#4.5)	<p>Neither the 2016-17 EITI Report, its addendum nor the SOE addendum published on the MOMP website refer to any government transfers to AGE or NCE in the period under review.</p> <p>However, the balance sheets of NCE and AGE, both in annexes 2 and 3 of the report and in the audited financial statements published separately, do not show any transfers from government to SOEs.</p>	<p>2016-2017 EITI Report (<a href="#">here</a>), pp. 157-162.</p> <p>North Coal Enterprise and Afghan Gas Enterprise financial statements (<a href="#">here</a>).</p>	<p>A government official confirmed the lack of government budget transfers to either AGE or NCE in the period under review.</p>		

Data quality (#4.9)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The MSG agreed standard procedures in accordance with the standard procedures endorsed by the EITI Board, which ensure that the payments and revenues disclosed are subject to credible, independent audit, applying international auditing standards (#4.9.a-b).	<p>ToR for the IA for the 6<sup>th</sup> AEITI Report covering 1395-1396 (2016-2017) are available on the AEITI website. The ToR were approved by the MSG at its 12 June 2018 meeting.</p> <p>The 6<sup>th</sup> AEITI Report addendum confirms the lack of deviations from the ToR agreed by the EITI Board.</p>	<p>ToR for the IA for the 6<sup>th</sup> AEITI Report (2016-2017), 6<sup>th</sup> AEITI Report addendum appendix 3.1 (<a href="#">here</a>), pp.22-42.</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), p.98.</p> <p>Minutes of the MSG's 12 June 2018 meeting (<a href="#">here</a>).</p>	None of the stakeholders consulted expressed concern over the quality of the IA's ToR.	< satisfactory progress >	
The MSG had oversight of the procurement of the Independent Administrator (#4.9.a-b).	Review of MSG meeting minutes indicates that the MSG has effectively overseen the procurement of the IA for the 6 <sup>th</sup> AEITI Report. After an attempt at procuring an IA for the 6 <sup>th</sup> AEITI Report based on competitive tender (Quality and Cost Based Selection (QCBS)) that yielded only one bid in August 2018, the MSG agreed at its 4 September 2018 meeting to procure the IA based on Quality Based Selection (QBS) with the sole bidder retained as the IA. The MSG approved the signature of the IA's contract at its 25 December 2018 meeting.	Minutes of the MSG's 4 September and 25 December 2018 meetings ( <a href="#">here</a> ).	None of the stakeholders consulted expressed concern over the process followed for procuring the IA for the 6 <sup>th</sup> AEITI Report, although some MSG members raised concern over the repeated challenges in procuring IAs for EITI Reports published to date at an acceptable cost.		

Data quality (#4.9)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The MSG has agreed on reporting templates (IA ToR)	<p>The MSG approved the reporting templates for the 6<sup>th</sup> AEITI Report at its 25 February 2019 meeting.</p> <p>The MOMP Transparency portal publishes real-time data on non-tax revenues from extractives companies, disaggregated by license, company and revenue flow.</p>	<p>Minutes of the MSG's 25 February 2019 meeting (<a href="#">here</a>).</p> <p>MOMP <a href="#">Transparency Portal</a>.</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), p.101.</p>			
The MSG has undertaken a review of the audit and assurance procedures in companies and government entities participating in EITI reporting (IA ToR)	<p>Audit, assurance and accounting practices in Afghanistan are described in section 3.13 (pp.80-85). This includes a review of statutory audit procedures for companies (p.80), government agencies (pp.81-84), and SOEs (p.85).</p> <p>The 6<sup>th</sup> AEITI Report addendum provides a review of audit and assurance procedures, with reference to international standards (p.99). It also describes the process for audit of the two SOEs for 2016-17 (pp.94-95).</p>	<p>2016-2017 EITI Report (<a href="#">here</a>), pp.80-85.</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), pp.94-95,99.</p>	The IA confirmed that it undertook a review of audit and assurance procedures and practices as part of its inception work, as the basis for agreeing quality assurances for EITI reporting with the MSG. Given that most extractives companies were not required to undergo an audit of their financial statements by law, the IA had recommended more robust quality assurance procedures for the 6 <sup>th</sup> AEITI Report.		
The MSG has agreed on the assurances to be provided by the participating companies and government entities to assure the credibility of the data, including the types of	The report describes quality assurances agreed by the MSG for EITI reporting by extractives companies, SOEs and government entities. This includes attestations from high-level representatives of the entity's reporting templates, disaggregation by payment	<p>2016-2017 EITI Report (<a href="#">here</a>), p.86</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), p.99.</p>	The IA explained that it had requested certification of material companies' reporting templates by their external auditors. This was because very few companies were required to undergo an annual audit of their financial statements. However, very few companies provided these assurances in practice. Yet		

Data quality (#4.9)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
assurances to be provided, the options considered and the rationale for the agreed assurances (#4.9.b and IA ToR)	and supporting documentation for any adjustments in reporting. In addition, companies were required to submit certification of their templates from their external auditors. Government entities and SOEs were also required to submit certification of their templates by the SAO and copies of their audited financial statements for 2016-17.  The addendum confirms that the SAO was asked to provide certification of the revenues reported by government entities and SOEs.		the IA had still been able to include a statement on the reliability of the reconciled financial data because it had designed a system that put the onus on robust quality assurances for government reporting. With final unreconciled discrepancies narrowed to a minimal value, the IA was thus able to have some confidence in the reliability of the data. This rationale underpinned the reliance on SAO certification of government reporting.  A government auditor explained that the SAO had reviewed the IA's initial reconciliation of figures and helped the significant initial discrepancies that were due to MOMP reporting budgeted, rather than actual, non-tax revenue figures.		
The MSG has agreed on appropriate provisions for safeguarding confidential information (IA ToR)	The report describes provisions for ensuring the confidentiality of data collected from reporting entities.	2016-2017 EITI Report ( <a href="#">here</a> ), p.98.			
Reporting companies and government entities had their financial statements audited in the financial year(s) covered by EITI reporting, and any gaps have been identified (#4.9.a)	In terms of actual audit practices, the report confirms that material companies were subject to audit in 2016-17 but that these audit reports were not publicly accessible (p.80). It states that government agencies had their annual Qatia statements audited by the SAO for 2016-17 (p.83), but does not provide guidance on whether these are published in practice, although it notes they are	2016-2017 EITI Report ( <a href="#">here</a> ), pp.80,83,85.  North Coal Enterprise and Afghan Gas Enterprise financial statements ( <a href="#">here</a> ).	The IA explained that audit and assurance practices in the private sector were very weak, with few extractives companies required to undergo annual audits of their financial statements.  Several government officials confirmed that the government's Qatia statements were audited, but that this was not a financial audit of revenues. However, officials highlighted that all extractives companies had been		

Data quality (#4.9)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>statutorily required to be disclosed (p.83). It confirms that the two SOEs did not have their 2016-17 financial statements audited (p.85).</p> <p>However, in January 2020, the MOMP website published AGE and NCE's financial statements for 2016-17, which had been audited by the SAO for the first time.</p>		<p>transferred to the Afghanistan Revenue Department's Large Taxpayer Officer (LTO) from 2019, with the first ring-fenced tax filings expected in 2020. Officials considered that the SIGTAS tax management system provides assurances on the reliability of tax information, while the non-tax revenue system (NTRS) integrated into the Transparency Portal provided some assurances in the real-time disclosure of payments.</p>		
<p>A summary of the key findings from the assessment of the reliability of the data disclosed by companies and government entities has been disclosed (IA ToR)</p>	<p>The report confirms that the final reconciliation coverage was 91% of extractives revenues in 2016 and 87% in 2017 (p.18).</p> <p>In terms of adherence to quality assurance procedures for EITI reporting, the report states that three of the six quality assurances were complied with, but that material companies did not submit certification from their external auditors and that SAO certification of reporting templates and of SOE financial statements was "ongoing" (p.17). The detail of companies and government entities' quality assurances is provided in Annex 15.</p> <p>The report includes the IA's clear assessment that the overall comprehensiveness and reliability of</p>	<p>2016-2017 EITI Report (<a href="#">here</a>), pp.17,18,114,138-141,220-221.</p>	<p>The IA emphasised the reconciliation did not represent an audit, but defended its assessment of comprehensiveness and reliability of the reconciled financial data in 6<sup>th</sup> AEITI Report.</p> <p>Other stakeholders consulted did not raise any particular concerns about the reliability of data in the 6<sup>th</sup> AEITI Report or its addendum.</p>		

Data quality (#4.9)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>reconciled financial data was satisfactory (p.17), despite the lack of full adherence by reporting entities to all of the quality assurances agreed by the MSG.</p> <p>Nonetheless, the report notes the IA's concerns over the reliability of royalty data, in the following sentence: <i>"the figures received during the scoping phase and related to the royalties collected by MoMP from companies falling within the reconciliation scope have significantly changed after the reconciliation work. It therefore begs the question of the accuracy and comprehensiveness of the figures declared unilaterally, related to the companies falling outside the scope"</i> (p.114).</p> <p>The report includes four recommendations for improving the quality of extractives revenue data, including the need to improve the MOF and MOMP's record-keeping (p.138) and financial systems (p.139), as well as improving the assurance procedures for reporting by government (p.140) and companies (p.141).</p>				
Any non-financial (contextual) information is clearly sourced (IA ToR)	Non-financial information is clearly sourced throughout the report. Comments from stakeholders other than the IA are clearly attributed.	2016-2017 EITI Report ( <a href="#">here</a> ).	Government officials and development partners highlighted the growing systematic disclosures of information required by the EITI Standard.		

Data quality (#4.9)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
EITI reporting has presented a set of recommendations and there has been a review of follow-up on past EITI recommendations through EITI reporting (IA ToR).	<p>The report presents an extensive review of recommendations from past EITI Reports (pp.134-142) and Validation (pp.99-105).</p> <p>The report presents a set of seven new recommendations, three of which are related to strengthening the comprehensiveness of EITI disclosures (pp.127-133).</p>	2016-2017 EITI Report ( <a href="#">here</a> ), pp.99-105,127-142.	Some civil society stakeholders expressed frustration at slow follow-up on recommendations from past EITI Reports. Several government officials and development partners highlighted tangible reforms linked to recommendations from EITI reporting, including the ring-fencing of tax liabilities per license, audits of SOEs' financial statements and the Transparency Portal.		

## Requirement 5: Revenue management and distribution

Distribution of revenues (#5.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
EITI disclosures indicate which extractive industry revenues are recorded in the national budget (#5.1.a)	<p>The report describes the statutory management of extractives revenues, noting that all government revenues are required to be transferred to the National Treasury Account, with no earmarks (pp.64-65). However, while the report highlights deviations from the formula for allocating SOE net profits (pp.51,128), given the lack of transfers of a share of SOE profits from the Treasury Account to the Provincial Development Fund (PDF) (p.128), there is no evidence that any extractives revenues are managed off-budget. The lack of dividend (75% of net profit) payments by AGE to the MoF in</p>	2016-2017 EITI Report ( <a href="#">here</a> ), pp.64-65,157-162. North Coal Enterprise and Afghan Gas Enterprise financial statements ( <a href="#">here</a> ).	Several stakeholders from government and civil society confirmed that Afghanistan operates a single Treasury account, with all extractives revenues recorded on budget.	< satisfactory progress>	To strengthen implementation, Afghanistan is encouraged to use its EITI reporting as an annual diagnostic of the implementation of revenue classification reforms.

Distribution of revenues (#5.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	2016-17 (p.123) appears to be due to the fact that AGE did not record net profits in these years, based on a review of its financial statements summarized in the report (Annexes 2 and 3) and published independently on the MOMP website. The 6 <sup>th</sup> AEITI Report addendum confirms that all extractives revenues are transferred to the Treasury Single Account. Budget documents are published on the MoF website.	2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.104-105. Afghanistan's National budget documents ( <a href="#">here</a> ).			
Where revenues are not recorded in the budget, the allocation of these revenues has been explained, with links provided to relevant financial reports as applicable (5.1.a)	N/A	N/A			
<i>The MSG has referenced any national revenue classification systems or international data standards (5.1.b)</i>	<i>The report does not reference any national revenue classification systems or international data standards.</i>	N/A			

## Requirement 6: Social and economic spending

Social and environmental expenditures (#6.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The MSG has agreed a definition of materiality with regards to mandatory social expenditures (#6.1.a)	<p>The report describes the general expectation that exploitation (production) license-holders contribute to the economic and social welfare of local communities, although it refers to Article 66 of the 2018 Minerals Law in its requirement that companies consult with MOMP and host communities in defining social expenditures. Nonetheless, the IA's review of two mining and two oil and gas operating contracts indicated provisions related to social expenditures, which can thus be considered mandatory.</p> <p>While there is no evidence that the MSG set a separate materiality threshold for reconciling mandatory social expenditures, the report confirms that material companies were requested to report social expenditures as part of their reporting templates, implying a de facto materiality threshold of zero.</p> <p>The 6<sup>th</sup> AEITI Report addendum provides the MSG's approach to defining mandatory social expenditures, noting that MOMP guidelines and practices are only just being formalised.</p>	<p>2016-2017 EITI Report (<a href="#">here</a>), p.96.</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), pp.111-112.</p> <p>MOMP, Report on Mandatory Social Expenditure (<a href="#">here</a>).</p>	<p>The IA confirmed that it had not undertaken a comprehensive review of all contracts held by material companies to determine which were required to undertake social expenditures, it had only randomly selected contracts to spot check. However, Secretariat staff explained that the MOMP had undertaken a review of material companies' mining contracts to assess the existence of social expenditures provisions and companies' adherence with these contractual obligations.</p>	< meaningful progress >	<p>In accordance with Requirement 6.1, Afghanistan should undertake a comprehensive review of all mandatory social expenditures and environmental payments mandated by law or contract. Afghanistan should ensure that public disclosures of mandatory social expenditures and environmental payments in future EITI Reports be disaggregated between cash and in-kind expenditures, by type of payment and beneficiary, clarifying the name and function of any non-government (third-party) beneficiaries.</p>
Where mandatory social expenditures exist and are material, these have been disclosed, with	<p>The report confirms that material companies were requested to report social expenditures as part of their reporting templates (p.96), meaning that these were unilaterally disclosed, not reconciled.</p> <p>The disclosures for each of the three companies reporting mandatory social expenditures in 2016</p>	<p>2016-2017 EITI Report (<a href="#">here</a>), pp.96-97,126.</p> <p>MOMP, Extractive Mandatory</p>	<p>Most stakeholders consulted could not explain the low number of companies – only 3 of 12-14 companies – reporting in the 6<sup>th</sup> AEITI Report. However, Secretariat staff explained that the MOMP had undertaken a review of material</p>		

Social and environmental expenditures (#6.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
appropriate attention to data quality (4.9), including any gaps (#6.1.a)	<p>and 2017 are presented in aggregate, broken down between cash and in-kind payments (p.126). It is unclear from the 6<sup>th</sup> AEITI Report whether the 6 material companies that did not report in 2016 and the 8 companies in 2017 did not make any mandatory social expenditures, or whether these were simply not reported.</p> <p>However, the MOMP's review of mandatory social expenditures published on its website in early 2020 (and referenced in the 6<sup>th</sup> AEITI Report addendum) provides an overview of eight material companies' contractual obligations to undertake mandatory social expenditures, including the value of their social expenditures in 1395 and 1396, by year. In its comments on the draft assessment, the MSG confirmed its view that the disclosures in the MOMP's review of mandatory social expenditures in 1395-1396 were comprehensive. However, the MSG's comments did not disclose the missing identities of some of the beneficiaries of mandatory social expenditures that were missing.</p>	Social Expenditures data ( <a href="#">here</a> ).	<p>companies' mining contracts and extracted information on their social expenditures in the years under review from company reports to provincial MOMP offices.</p> <p>Several CSOs and government officials consulted considered that companies were likely not fully complying with their contractual obligations for social expenditures, given that checks on their adherence to such provisions were weak. However, an industry representative explained that there were frequent site visits by MOMP mining inspectors, which requested proof of the social expenditures being completed.</p> <p>Secretariat staff highlighted the MOMP's review of material companies' mining contracts to determine which companies were required to undertake mandatory social expenditures. They explained that several mining contracts included social expenditures requirements without clear timeframe, which complicated the MOMP's oversight of adherence to these contractual requirements as companies often claimed that they were allowed to postpone all social expenditures until the final year of the contract's term.</p>		

Social and environmental expenditures (#6.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
Disclosures of mandatory social expenditures have been disaggregated by payment type, company, between cash and in-kind and include information on the nature of in-kind expenditures and the identity of any non-government beneficiaries (#6.1.a)	<p>The detail of the three companies' reporting of mandatory social expenditures is presented in Annex 18, which presents disclosures disaggregated by payment type, cash and in-kind expenditures, with the nature of in-kind payments provided. The identity of beneficiaries is provided for some, but not all, of the mandatory social expenditures reported.</p> <p>The MOMP's review of mandatory social expenditures published on its website clearly distinguishes mandatory social expenditures and provides the value of some, but not all, social expenditures by eight material companies in the period under review. However, these expenditures are disaggregated between cash and in-kind expenditures for only some, not all, expenditures and the identity of non-government beneficiaries is highlighted for some, but not all, social expenditures.</p>	Annex 18 ( <a href="#">here</a> ). MOMP, Extractive Mandatory Social Expenditures data ( <a href="#">here</a> ).	A development partner explained that additional functions were planned for the MOMP Transparency Portal, including integration of social expenditure requirements per license/contract.		
The MSG has agreed a definition of materiality with regards to mandatory environmental expenditures (#6.1.b)	<p>The NEPA (National Environmental Protection Agency) is responsible for collecting all environment-related payments to government (p.64).</p> <p><b>Mining:</b> The list of non-tax revenues indicates that NEPA is responsible for collecting Environmental Licence Fees and Environmental Licence Renewal Fees (p.56,61,63), but the report notes that this is based on Article 54 of the 2018 Minerals Law (p.61). It is unclear whether there were any such statutory provisions in the 2014 Minerals Law. While the description of government agencies indicates that MOMP is tasked with holding and</p>	2016-2017 EITI Report ( <a href="#">here</a> ), pp.33,35-36,60,87-88.	On environmental payments, the IA confirmed that provisions for environmental license payments to NEPA were introduced in the 2018 Mining Law. The IA noted that it had not consulted the agency given that it had not been active in the period under review. Mining company representatives confirmed that companies were required to provision funds in mine rehabilitation bonds (see Requirement 6.4).		

Social and environmental expenditures (#6.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>administering Performance Bonds and Environmental Bonds (pp.33,35-36,61), the report notes that this is based on Article 54 of the 2018 Minerals Law (p.61). It is unclear whether there were any such statutory provisions in the 2014 Minerals Law. Regardless, bonds are not considered payments to government since they are expected to be redeemed at maturity.</p> <p>The report also describes penalties for companies that do not adhere to their approved Environmental Management Plan, with different rates for small, medium, large and very large contracts (p.60).</p> <p><b>Oil and gas:</b> The report describes Environmental Licence Fees, Environmental Licence Renewal Fees and Waste management licences for oil and gas companies (p.63).</p> <p>The report notes that penalties for infractions against the Environmental Law by oil and gas companies, under the 2009 Hydrocarbons Law (p.62).</p> <p><b>Mining, oil and gas:</b> The list of government extractives revenues in Table 55 does not indicate any environment-related payments to government in 2016-17, implying that environmental payments to government were not considered material in 2016-17.</p>				
Where mandatory environmental expenditures exist and are material, these	<p>There is no evidence of disclosures of environmental payments to government (NEPA) in the report.</p> <p>The report notes that the IA's review of two mining and two oil and gas contracts indicated that they found "some" environmental commitments (p.96),</p>	<p>2016-2017 EITI Report (<a href="#">here</a>), pp. 96-97.</p> <p>2016-17 EITI Report</p>			

Social and environmental expenditures (#6.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
have been disclosed, with appropriate attention to data quality (4.9), including any gaps (#6.1.b)	although it does not clarify the nature and beneficiary of these payments and does not indicate that companies were requested to disclose environmental payments as per contractual clauses (pp.96-97). However, the 6 <sup>th</sup> AEITI Report addendum reports mandatory social and environmental expenditures by 8 (un-named) companies. In its comments on the draft assessment, the MSG confirmed that revenues collected from extractive companies by NEPA in 1395-1396 were not considered material and thus not included in the scope of reconciliation in the 6th AEITI Report.	addendum ( <a href="#">here</a> ), p.112.			
<i>The MSG has disclosed discretionary social and environmental expenditures, with appropriate attention to data quality (#6.1.c)</i>	<i>The MSG has requested material companies to disclose their voluntary social expenditures, with four material companies' unilateral disclosures of these in Annex 18. The comprehensiveness of the disclosures is unclear however, as for mandatory social expenditures. There is no evidence that the MSG has disclosed discretionary environmental expenditures.</i>	<i>Annex 18 (<a href="#">here</a>).</i>			

SOE quasi fiscal expenditures (#6.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The MSG has agreed a definition of	The MSG's definition of quasi-fiscal expenditures is provided in the report (p.97,219), in line with Requirement 6.2.	2016-2017 EITI Report ( <a href="#">here</a> ), p.97,219.	None of the stakeholders consulted expressed particular views of the MSG's approach to defining quasi-fiscal	< meaningful progress>	In accordance with Requirement 6.2, Afghanistan should

**Commented [IS4]:** Subject to the Board's consideration of new information disclosed subsequent to the start of Validation.

SOE quasi fiscal expenditures (#6.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
materiality with regards to quasi-fiscal expenditures by SOEs, including SOE subsidiaries and joint ventures (#6.2)	The MSG subsequently discussed and agreed the definition in November 2019, as confirmed in the 6 <sup>th</sup> AEITI Report addendum and the SOE addendum.	2016-17 EITI Report addendum ( <a href="#">here</a> ), p.113 MSG agreement on QFEs, December 2018 ( <a href="#">here</a> ). MOMP (January 2020), 'Overview of State-Owned Enterprise and AEITI benchmarks', <a href="#">here</a> .	expenditures in the Afghanistan context, although a development partner noted that the IMF's definition of quasi-fiscal expenditures had been adopted for EITI reporting. MSG members did not refer to any explicit materiality threshold for reporting quasi-fiscal expenditures, implying that the materiality threshold for their disclosure was effectively set at zero.		undertake a comprehensive review of all expenditures funded by extractives revenues that are not transferred to the Treasury that could be considered quasi-fiscal, particularly related to any subsidies on the sale of coal and natural gas as well as subsidised lending by the SOEs. Afghanistan should develop a reporting process with a view to achieving a level of transparency on quasi-fiscal expenditures that is commensurate with other payments and revenue streams.
Where quasi-fiscal expenditures exist and are material, the MSG has developed a reporting process for disclosure of quasi-fiscal expenditures and these expenditures have been disclosed accordingly (6.2)	The report notes MOMP's confirmation that neither AGE nor NCE incurred any quasi-fiscal expenditures in the two years under review. Nonetheless reporting templates requested the two SOEs to report any quasi-fiscal expenditures (p.97). The report notes that neither of the two SOEs reported any quasi-fiscal expenditures in either year. It states that there is insufficient evidence to assess whether there were any quasi-fiscal expenditures given that the companies' financial statements revealed "expenses that can be assimilated to quasi-fiscal expenditures". It recommends a review of the financial statements following completion of their audits (pp.122,135). The AEITI and MOMP published a note clarifying the SOEs' financial management and oversight, including quasi-fiscal	2016-2017 EITI Report ( <a href="#">here</a> ), pp.97,122. MOMP (January 2020), 'Overview of State-Owned Enterprise and AEITI benchmarks', <a href="#">here</a> .  AEITI (September 2020), 'Calculations of Quasi-fiscal Expenditures (Requirement 6.2)', ( <a href="#">here</a> ).	There was consensus among stakeholders consulted that the two extractive SOEs did not receive any budget transfers or compensation from government for any losses related to sales of commodities to the domestic market at below market prices (see <i>Requirement 2.6</i> ). Several stakeholders consulted including the IA, development partners and a government auditor considered that NCE's sales of thermal coal and AGE's sales of natural gas at below market rates could represent forms of off-budget subsidies to the entities they supplied, although they noted that there was little public information on the two SOEs' financial management aside from the audited financial statements for 2016-2017.		

<b>SOE quasi fiscal expenditures (#6.2)</b>					
<b>EITI sub-Requirement</b>	<b>Summary of main findings</b>	<b>Source(s) of information</b>	<b>Summary of stakeholder views</b>	<b>Recommendation on compliance with the EITI provisions</b>	<b>Proposed corrective actions and recommendations</b>
	<p>expenditures. The note describes AGE's tiered structure of subsidised sales prices for Kod E Barq (to which it sells 95% of its gas), residential and government offices. While the SOE addendum states that NCE does not undertake any quasi-fiscal expenditures, it also provides the list of NCE loans to 39 companies in 2016-17, a small share of which were in the extractives.</p> <p>In its comments on the draft assessment, the MSG confirmed that it considered these three types of SOE activities (subsidised sales of natural gas and coal as well as subsidised SOE loans) as quasi-fiscal expenditures. The MSG's comments referred to new disclosures on the AEITI website that sought to quantify the value of quasi-fiscal expenditures in 1395-1396, disaggregated by beneficiary and by year. With regards to SOE subsidised lending to third-parties, the new AEITI note calculates the value of the quasi-fiscal expenditure by comparing the interest-free nature of the SOE loans to the prevailing lending rate in Afghanistan during this period (15% per annum) and estimates the value of quasi-fiscal expenditures as AFN 191,530,752 (USD 2,901,981) in 1395 and AFN 217,913,935 (USD 3,301,726) in 1396. The value of quasi-fiscal expenditures on</p>		<p>With regards to AGE's sales of natural gas to the Kod e Barq integrated fertiliser and power plant, a government auditor stated categorically that these were significantly below market prices and represented a form of subsidy to the Kod e Barq company. The auditor explained that Kod e Barq was a plant developed by the Russians that was now inefficient and depended on subsidies on natural gas supplies, but considered that AGE should not be concerned with the profitability of the Kod e Barq company. These de facto subsidies should be transformed into budgeted subsidies paid directly by government. A development partner noted that AGE was expected to become more profitable with the start of natural gas sales to the two independent power plants (IPPs) in northern Afghanistan, which would purchase natural gas at near market prices. The auditor explained that Kod e Barq owed AGE some AFN 400m in arrears in payment for natural gas deliveries, which explained AGE's significant cash flow problems and AGE's AFN 600m in arrears in payments to government as its sole shareholder. In consultations, stakeholders including the IA, a development partner and a government auditor considered that</p>		

SOE quasi fiscal expenditures (#6.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>each loan is provided, disaggregated by beneficiary and year. With regards to AGE subsidised natural gas sales to Kod-e-Barq and Pradafca Wells, the new AEITI note calculates the value of the quasi-fiscal expenditures by comparing the gas sales price to these customers to the gas sales price to the new Mazar IPP, which is considered a proxy for market prices. The value of quasi-fiscal gas subsidies on sales to Kod-e-Barq and Pradafca Wells is provided as USD 6.17m in 1395 and USD 6.88m in 1396. The value of quasi-fiscal expenditures on natural gas sales is provided disaggregated by beneficiary and year. Finally, with regards to quasi-fiscal subsidies on NCE's coal sales, the new AEITI note explains that it is not possible to compare NCE coal sales prices at mine-gate to a prevailing domestic market price since no other coal mining company sells at mine gate and recommends that a 'cost-plus' approach is adopted in future to calculate the quasi-fiscal subsidy on NCE coal sales.</p>		<p>extensive lending by NCE to third-parties at zero interest rate could represent a form of subsidised lending by NCE to other parties, including extractive companies and government entities. The auditor explained that cross-subsidies between SOEs was a legacy of previous decades and had been widespread since the 1990s.</p>		

Contribution of the extractive sector to the economy (#6.3)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
Information about the contribution of the extractive industries to GDP for the fiscal year covered by EITI disclosures has been disclosed in absolute and relative terms (#6.3.a)	The 2016-17 EITI Report provides, in absolute and relative terms, the extractive industries' contribution to GDP, sourced from NSIA. The MOMP published a report on "illegitimate" mining activities, as referenced in the 6 <sup>th</sup> AEITI Report addendum. The MOMP's ASM formalisation strategy is also published online.	2016-2017 EITI Report ( <a href="#">here</a> ), p.67. 2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.91,114. MOMP, Report on illegitimate mining activities ( <a href="#">here</a> ) MOMP, ASM formalisation strategy ( <a href="#">here</a> )	The IA confirmed that the figure in the 6 <sup>th</sup> AEITI Report regarding the extractive industries' contribution to government revenues included the contribution of NCE transfers of net profits (dividends) to MoF. An industry representative and a development partner noted that it was extremely rare for women to participate in the mining sector in Afghanistan given cultural norms and that there was no gender-disaggregated employment data for the extractive industries. There was particular interest in informal and illegal mining activities from most stakeholders consulted from all constituencies. Several stakeholders highlighted that formalised mining under the government's control was a smaller than total mining activity, including informal mining and illegal mining by insurgent groups such as the Taliban. One government official referred to a recent report to NATO (North Atlantic Treaty Organization) estimating mining revenues collected by the Taliban to exceed USD 400m a year in 2020. A development partner highlighted the MOMP's publication in early 2020 of estimates of the areas of illegal mining, which was considered an important step in seeking to formalise such activities. The partner alluded to plans to reflect informal mining activities through the Transparency Portal in future. A development partner noted ongoing work by the US Geological Survey (USGS) to estimate areas where illegal mining was taking	< satisfactory progress>	To strengthen implementation, Afghanistan may wish to consider additional work in mapping illegal mining activities across the country and estimating mining revenues collected by non-state actors, in response to significant stakeholder interest in unrecorded mining activities that appear widespread in Afghanistan.
Information about the contribution of the extractive industries to government revenues for the fiscal year covered by EITI disclosures has been disclosed in absolute and relative terms (#6.3.b)	The report and addendum provide, in absolute and relative terms, the extractive industries' contribution to government revenues (p.68), based on MOF data.	2016-2017 EITI Report ( <a href="#">here</a> ), p.68. 2016-17 EITI Report addendum ( <a href="#">here</a> ), p.114			
Information about the contribution of the extractive industries to exports for the fiscal year covered by EITI disclosures has been disclosed in absolute and relative terms (#6.3.c)	The report provides, in absolute and relative terms, the extractive industries' contribution to exports (p.68), based on DAB and NSIA (National Statistics and Information Authority) data.	2016-2017 EITI Report ( <a href="#">here</a> ), p.68.			

<b>Contribution of the extractive sector to the economy (#6.3)</b>					
<b>EITI sub-Requirement</b>	<b>Summary of main findings</b>	<b>Source(s) of information</b>	<b>Summary of stakeholder views</b>	<b>Recommendation on compliance with the EITI provisions</b>	<b>Proposed corrective actions and recommendations</b>
Information about the contribution of the extractive industries to employment for the fiscal year covered by EITI disclosures has been disclosed in absolute and relative terms (#6.3.d)	The report provides, in absolute and relative terms, the extractive industries' contribution to employment (pp.68,75), based on NSIA (National Statistics and Information Authority) data. Employment data, including by region, is provided in the 6 <sup>th</sup> AEITI Report addendum.	2016-2017 EITI Report ( <a href="#">here</a> ), pp.68,75. 2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.114-118. MOMP, Extractive Employment data ( <a href="#">here</a> ).	place, although this work did not extend to estimating revenues from illegal mining activity. Aside from mining activities controlled by insurgent groups, a government official explained that politically-exposed persons were engaged in illegal mining, particularly of gemstones such as emeralds and lapis lazuli. He noted that this illegal mining was often highly formalised under the control of either warlords or insurgent groups. The government official called for the government to develop an action plan to combat illegal mining, drawing an explicit link between mining and the financing of terrorism and insurgency. One industry representative considered that delays in mining licensing since 2018 could be linked to rises in informal mining activities.		
Information about the location of extractive activities in the fiscal year covered by EITI disclosures has been disclosed (#6.3.e)	For <b>mining</b> , production data by region, commodity and reported company is detailed in annex 6 of the report (pp.165-166), based on MOMP Transparency Portal data. For <b>gas</b> , production data is sourced from NSIA (p.72).	2016-2017 EITI Report ( <a href="#">here</a> ), pp.72,165-166.			

<b>Environmental impact (#6.4)</b>					
<b>EITI sub-Requirement</b>	<b>Summary of main findings</b>	<b>Source(s) of information</b>	<b>Summary of stakeholder views</b>	<b>Recommendation on compliance with the EITI provisions</b>	<b>Proposed corrective actions and recommendations</b>
<i>EITI implementation addresses the management and monitoring of the environmental impact of the extractive industries (#6.4)</i>	<i>The 6<sup>th</sup> AEITI Report addendum describes the licensing regime and requirement to submit an environmental impact to NEPA assessment as part of the application process.</i>	<i>2016-17 EITI Report addendum (<a href="#">here</a>), pp.65,110.</i>	<i>Stakeholders did not express any particular views on the coverage of environmental management of the extractive industries.</i>	<i>N/A.</i>	<i>To strengthen implementation, Afghanistan may wish to consider using EITI disclosures as a diagnostic of company adherence to statutory environmental</i>

					<i>management and provisioning provisions.</i>
<i>EITI implementation addresses relevant legal provisions, administrative rules as well as actual practice related to environmental management and monitoring of extractive investments in the country (6.4.a)</i>	<i>The 6<sup>th</sup> AEITI Report addendum provides some information on the legal regime for environmental aspects of extractives, in the Environmental Law. The NEPA website provides the full text of environment laws and regulations.  The 6<sup>th</sup> AEITI Report and its addendum do not provide any further information on the practice of environmental management in the period under review.</i>	<i>2016-17 EITI Report addendum (<a href="#">here</a>), p.110. NEPA website, 'Environment, social, heritage and health laws and regulations' (<a href="#">here</a>).</i>			
<i>EITI implementation addresses regular environmental monitoring procedures, administrative and sanctioning processes of governments, as well as environmental liabilities, environmental rehabilitation and remediation programs (6.4.b)</i>	<i>N/A.</i>				

## Requirement 7: Outcomes and impact of implementation

Public debate (#7.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
EITI disclosures, including government and company disclosures, are comprehensible, have been actively promoted, are publicly accessible and have contributed to public debate (#7.1.a)	<p>The MSG approved a new AEITI Communications Strategy covering 2020-2021 in December 2019. The 6<sup>th</sup> AEITI Report addendum notes plans to develop a Community Outreach strategy in 2020.</p> <p>The MSG has held a total of 30 dissemination and outreach activities in the 2016-2020 period, including one in 2016, four in 2017, six in 2018, 14 in 2019 and five in Q1 2020. These activities included MSG workshops, outreach and dissemination events in the regions and Kabul and activities targeting CSOs. These are listed and described in the 6<sup>th</sup> AEITI Report addendum, with press releases and reports for the main activities published on the news section of the AEITI website.</p> <p>In the MSG's December 2019 survey of MSG members, there was consensus that outreach and dissemination activities had increased with the appointment of a new national coordinator in 2018. However, a majority was indifferent about whether these activities had promoted public debate, with only 18% agreeing.</p>	<p>AEITI 2018-2020 Communications Strategy (<a href="#">here</a>).</p> <p>AEITI 2020-2021 Communications Strategy (<a href="#">here</a>).</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), p.123-131.</p> <p>AEITI website, News section (<a href="#">here</a>).</p> <p>AEITI website, Provincial and outreach reports (<a href="#">here</a>)</p> <p>Promotion of AEITI Reports, 6<sup>th</sup> AEITI Report addendum appendices 27.15 and 27.16 (<a href="#">here</a>), pp.180-183.</p> <p>Afghanistan's 2019 EITI annual progress report (<a href="#">here</a>), pp.</p>	<p>Several development partners and Secretariat staff considered that the outreach and dissemination activities had increased in frequency in 2018-2020, compared to the period assessed in the first Validation. They also highlighted the more proactive use of the website and social media (primarily Facebook) for disseminating EITI data and findings from EITI Reports.</p> <p>While several industry and civil society representatives consulted noted the use of EITI data in their work in general terms, they noted that most MSG members did not participate in dissemination and outreach events, aside from specific civil society representatives on some outreach events depending on the provinces. Several CSOs consulted highlighted their technical and financial capacity constraints for undertaking more outreach and dissemination activities aside from participation at events organised by AEITI. While most stakeholders consulted considered that dissemination and outreach was primarily driven by the AEITI Secretariat and development partners, a development partner highlighted the</p>	< meaningful progress >	In accordance with Requirement 7.1, Afghanistan should ensure that outreach events, whether organised by government, civil society or companies, are undertaken to spread awareness of and facilitate dialogue about governance of extractive resources, building on EITI disclosures across the country in a socially inclusive manner.

Public debate (#7.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	<p>The 6<sup>th</sup> AEITI Report addendum highlights the growth in traffic on the AEITI website and Facebook followers and likes in the June 2019-April 2020 period. However, as of July 2020, the AEITI Facebook page had 3962 followers and its Twitter page had 216 followers.</p> <p>The appendix 27.15 of the 6<sup>th</sup> AEITI Report confirms that the AEITI Reports have been actively promoted through the AEITI website, email chains, hard copies and social media. It provides monthly AEITI website traffic statistics for the June 2019-May 2020 period and examples of email dissemination. A list of dissemination and outreach events in the 2019-2020 period is provided in appendix 27.16.</p> <p>In its comments on the draft assessment, the MSG argued that the robust public debate was generated in the various AEITI outreach and dissemination events in the 2019-2020 period, despite weaknesses in some MSG members' participation. The MSG's comments also refer to unspecified dissemination events organised by the civil society and industry constituencies respectively, albeit without listing the specific events nor the</p>	<p>AEITI Open Data Policy (<a href="#">here</a>).</p> <p>AEITI Facebook page (<a href="#">here</a>).</p> <p>AEITI Twitter account (<a href="#">here</a>).</p>	<p>coverage of dissemination and outreach activities in 2019-2020, which had reached some 40,000 people in total through in-person meetings and social media campaigns. Nonetheless, several civil society and industry representatives consulted called for more communications on EITI and findings from EITI Reports, without necessarily considering that it was MSG members' role to drive such outreach and dissemination.</p> <p>While several development partners and Secretariat staff explained that the two remaining outreach and dissemination events planned for 2020 had to be postponed due to the Covid-19 outbreak, they noted that efforts had shifted primarily to online dissemination since March 2020. Nonetheless some trainings on the MOMP Transparency Portal were conducted in Q2 2020.</p>		

Public debate (#7.1)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	types of discussions or consultations that were held.				
<i>The MSG has produced brief summary reports, summarised and compared the shares of each revenue streams and undertaken capacity-building efforts to improve the understanding of EITI disclosures (#7.1.b)</i>	<p><i>With support from GiZ, the MSG produced infographics for the 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> AEITI Reports. The MSG has also produced summary reports for all six of the AEITI Reports produced to date.</i></p> <p><i>Many of the MSG's outreach and dissemination activities listed above include capacity-building components focused on the use of EITI data and findings.</i></p>	<p>2016-17 EITI Report addendum (<a href="#">here</a>), p.123-131.</p> <p>AEITI infographic reports (<a href="#">here</a>).</p> <p>AEITI summary reports (<a href="#">here</a>).</p> <p>AEITI website, News section (<a href="#">here</a>).</p> <p>Afghanistan's 2019 EITI annual progress report (<a href="#">here</a>).</p> <p>AEITI Summary Data on the AEITI website (<a href="#">here</a>) and the Afghanistan country page on EITI website (<a href="#">here</a>)</p>	<p><i>Several development partners and government officials noted the development of infographics for the past three EITI Reports, which was considered key for outreach to stakeholders and to bridging the literacy divide.</i></p> <p><i>While most stakeholders consulted highlighted the AEITI Secretariat's work in producing summarised reports and articles on EITI findings on the website and social media, most confirmed that there appeared to have been little use of EITI data in published work by other stakeholders.</i></p>		

Data accessibility (#7.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The MSG has agreed a policy on the access, release and reuse of EITI data (#7.2.a)	The MSG agreed an EITI open data policy in March 2016 and published it on the AEITI website in 2019. The policy defines terms for release, use and reuse of AEITI data.	AEITI Open Data Policy ( <a href="#">here</a> ). 2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.15,130. MOMP (March 2020), Mechanism for the Validation and Quality Control of MoMP data ( <a href="#">here</a> )	Stakeholders consulted did not express any particular views on the AEITI Open Data Policy or on the publication of EITI data in open format.	< satisfactory progress>	To strengthen implementation, Afghanistan is encouraged to expand its engagement with extractive companies and relevant government entities to ensure routine systematic disclosures of data required under the EITI Standard in an open data format.
Government agencies and companies have published data under an open license (#7.2.a)	Government agencies and AEITI appear to publish data under an open license. For instance, the MOMP Transparency Portal publishes data in open format. It is unclear if there is a formal government policy on open data beyond the AEITI Open Data Policy and Afghanistan's OGP commitments.	MOMP <a href="#">Transparency Portal</a> . AEITI Open Data Policy ( <a href="#">here</a> ). Afghanistan OGP page ( <a href="#">here</a> ).			
The MSG has made all EITI disclosures available in machine readable, open data format (#7.2.b)	The 6 <sup>th</sup> AEITI Report addendum confirms that all of Afghanistan's EITI Reports have been published in open format in line with the open data policy.	2016-17 EITI Report addendum ( <a href="#">here</a> ), p.130. AEITI Summary Data on the AEITI website ( <a href="#">here</a> ) and the Afghanistan country page on EITI website ( <a href="#">here</a> )		< satisfactory progress> < satisfactory progress>	To strengthen implementation, Afghanistan is encouraged to expand its engagement with extractive companies and relevant government entities to ensure routine systematic disclosures of data required under the EITI Standard in an open data format.
The MSG has completed summary data files for each fiscal year covered by	The MSG prepared summary data using the 2.0 version of the summary data template launched by the EITI International Secretariat in July 2019.	Summary data for the 2016-17 EITI Report were published on the AEITI website ( <a href="#">here</a> ), and for all Afghanistan's EITI Reports			To strengthen implementation, Afghanistan may wish to consider ways of strengthening the public accountability of its follow-up on

Data accessibility (#7.2)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
the EITI in accordance with the template approved by the EITI Board (#7.2.c)		covering 2007-2017 on the EITI's SDT google drive ( <a href="#">here</a> ).			EITI recommendations through more regular public disclosures of its progress in following up on recommendations and implementing reforms.

Recommendations from EITI implementation (#7.3)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The government and MSG's progress in taking steps to act upon lessons learned, identifying, investigating and addressing the causes of any information gaps or discrepancies in EITI implementation, and progress in responding to the recommendations made by the Independent	The 6 <sup>th</sup> AEITI Report addendum highlights the MSG's consistent follow-up on recommendations from EITI Reports and Validation, as well as findings of the December 2019 MSG survey, through their regular meetings. The lessons learned have been incorporated into MSG and secretariat organisational management procedures.  Appendix 22.2 of the 6 <sup>th</sup> AEITI Report addendum describes the MSG's technical working group's follow-up on discrepancies from EITI Reports covering 1391-1394 (2012-2015).	2016-17 EITI Report addendum ( <a href="#">here</a> ), p.131.  MSG follow-up on discrepancies, 6 <sup>th</sup> AEITI Report addendum appendix 22.2 ( <a href="#">here</a> ), p.172.  MSG follow-up on EITI recommendations, 6 <sup>th</sup> AEITI Report addendum appendix 27.20 ( <a href="#">here</a> ), pp.190-196.	Several civil society representatives consulted expressed criticism of the government's follow up on EITI recommendations as they considered that similar recommendations were included in successive EITI Reports without evidence of follow-up or implementation. However, there was consensus among stakeholders consulted that there was a mechanism for following up on EITI recommendations both through the MSG's technical working group and the MSG's regular updates on follow-up on		

Recommendations from EITI implementation (#7.3)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
Administrator (#7.3)	Appendix 27.20 provides an overview of follow-up on past EITI recommendations, particularly from Validation.		recommendations at its quarterly meetings. A development partner explained that the 6 <sup>th</sup> AEITI Report addendum had built on the checklist of actions agreed by the MSG to follow up on recommendations from past EITI reporting and Validation. The partner highlighted that the new results-based framework for the AEITI work plan would facilitate tracking of progress in following up on specific EITI recommendations.		
<i>The MSG has considered recommendations for strengthening government systems and natural resource governance, and followed up on such recommendations where appropriate (#7.3)</i>	<i>In 2019, the staff of the two SOEs, AGE and NCE, participated in 19 trainings for 4000 staff on digitising record keeping, a key recommendation from AEITI reporting.  The MoF LTO was given responsibility for all mining, oil and gas companies' taxes in 2019, a key recommendation of EITI reporting.</i>	<i>Government trainings on record and filing systems, 6<sup>th</sup> AEITI Report addendum appendix 30.11 (<a href="#">here</a>), pp.214-243.  MoF LTO given jurisdiction over all mining, oil and gas companies, 6<sup>th</sup> AEITI Report addendum appendix 30.12 (<a href="#">here</a>), p.244.</i>	<i>Several stakeholders from government, development partners and the AEITI Secretariat highlighted tangible reforms in government systems that had been implemented as a result of follow-up on EITI recommendations, including the launch of the Transparency Portal, the audit of extractive SOEs' financial statements, the ring-fencing of tax liabilities per mining license and transparency provisions of the</i>		

Recommendations from EITI implementation (#7.3)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
			2018 Minerals Law and the 2019 Mining Regulations.		

Outcomes and impact of EITI implementation on natural resource governance (#7.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
The MSG has made efforts to review outcomes and impact of EITI implementation on natural resource governance, including whether annual activity reports or forms of documentation agreed by the MSG have been produced and contain a summary of EITI activities (7.4.a.i)	The 2019 AEITI APR provides a summary of EITI activities in 2019.  The 6 <sup>th</sup> AEITI Report addendum notes that all 42 of the MOMP's benchmarks under three donors agreements were met in 2019-2020. These benchmarks were related to rule of law and mining sector transparency.	Afghanistan's 2019 EITI annual progress report ( <a href="#">here</a> ), pp.5-6.  2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.131-136.		< satisfactory progress>	To strengthen implementation, Afghanistan may wish to consider undertaking a comprehensive impact evaluation study to better document the extent to which Afghanistan EITI has contributed to driving reforms, changing behaviour and improving the management of the extractive sector for the benefit of all citizens after a decade of implementation.
The MSG has made efforts to review outcomes and impact of EITI implementation on natural resource governance, including whether annual activity reports or forms of documentation agreed by the MSG have been produced and contain an assessment of progress in meeting EITI Requirements (7.4.a.ii)	The 2019 APR provides an assessment of progress in implementing the main requirements of the EITI Standard.	Afghanistan's 2019 EITI annual progress report ( <a href="#">here</a> ), pp.22-29.			
The MSG has made efforts to review outcomes and impact of EITI implementation on natural resource governance, including whether annual activity reports	The 2019 APR provides an overview of the MSG's responses to and follow-up on recommendations from Validation and EITI Reports.	Afghanistan's 2019 EITI annual progress report ( <a href="#">here</a> ), pp.29-50.	Several stakeholders consulted considered that there had been a comprehensive review of progress in addressing corrective actions from	< satisfactory progress>	To strengthen implementation, Afghanistan may wish to consider undertaking a comprehensive impact

Outcomes and impact of EITI implementation on natural resource governance (#7.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
or forms of documentation agreed by the MSG have been produced and contain an overview of the MSG's responses to EITI recommendations (7.4.a.iii)			Validation as part of the preparation of the 6 <sup>th</sup> AEITI Report addendum and the 2019 annual progress report.		evaluation study to better document the extent to which Afghanistan EITI has contributed to driving reforms, changing behaviour and improving the management of the extractive sector for the benefit of all citizens after a decade of implementation.
The MSG has made efforts to review outcomes and impact of EITI implementation on natural resource governance, including whether annual activity reports or forms of documentation agreed by the MSG have been produced and contain an assessment of progress in meeting work plan objectives (7.4.a.iv)	The 2019 APR includes an assessment of progress in meeting work plan objectives.  The AEITI quarterly reports launched in Q1 2019 provide additional information on progress with implementation of work plan activities and progress towards work plan objectives.	Afghanistan's 2019 EITI annual progress report ( <a href="#">here</a> ), pp.7-22.  AEITI quarterly reports ( <a href="#">here</a> ).	A development partner explained that the 2019 APR had reviewed progress in meeting work plan objectives but also highlighted the AEITI's quarterly reports, since the start of 2019, which provided a quarterly tracking of progress with work plan implementation.		
The MSG has made efforts to review outcomes and impact of EITI implementation on natural resource governance, including whether annual activity reports or forms of documentation agreed by the MSG have been produced and contain a narrative account of efforts to strengthen the EITI's impact (7.4.a.v)	The 6 <sup>th</sup> AEITI Report addendum provides a narrative overview of some of the impacts of EITI implementation and the MSG's efforts to enhance impact. The addendum explains that the new structure of the AEITI annual work plan from 2020 onwards includes clear metrics for monitoring and	Afghanistan's 2019 EITI annual progress report ( <a href="#">here</a> ).  2016-17 EITI Report addendum ( <a href="#">here</a> ), pp.134-136.	While several stakeholders from different constituencies considered that the EITI's impact in Afghanistan was still shy of its potential, stakeholders broadly considered that the 6 <sup>th</sup> AEITI Report addendum and the 2019 APR had provided an anecdotal review of the EITI's impact in Afghanistan to date.		

Outcomes and impact of EITI implementation on natural resource governance (#7.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	evaluation, which are now undertaken on a monthly and quarterly basis.				
<i>The MSG has made efforts to take gender considerations and inclusiveness into account (7.4.a.v)</i>	<i>The 2019 APR describes the MSG's efforts to take gender consideration and inclusiveness into account, including plans to disaggregate disclosures of social and environmental expenditures as well as employment by gender, efforts to improve the MSG's gender inclusiveness.</i>	<i>Afghanistan's 2019 EITI annual progress report (<a href="#">here</a>), pp.5,12,16,46,47.</i>	<i>A development partner highlighted the new focus on gender considerations in the 2020 AEITI work plan and 2019 APR.</i>		
The MSG has undertaken consultations to give all stakeholders an opportunity to provide feedback on the EITI process and the impact of the EITI, and have their view reflected in the annual review of outcomes and impact (7.4.b)	<p>The 2019 APR describes the AEITI Secretariat's coordination of the production of the APR, including outreach to the broader constituencies.</p> <p>The 6<sup>th</sup> AEITI Report addendum confirms that constituencies on the MSG actively participated in the preparation of the 2019 EITI annual progress report.</p> <p>The appendix 31.22 of the 6<sup>th</sup> AEITI Report addendum confirms that MSG members</p>	<p>Afghanistan's 2019 EITI annual progress report (<a href="#">here</a>), p.51.</p> <p>2016-17 EITI Report addendum (<a href="#">here</a>), p.139.</p> <p>Constituency consultations on work plan and annual progress report, 6<sup>th</sup> AEITI Report addendum appendix 31.22 (<a href="#">here</a>), p.123</p>	Several stakeholders consulted considered that there had been sufficient consultation in the development of the 6 <sup>th</sup> AEITI Report addendum and the 2019 APR. While stakeholders consulted off the MSG noted that they had not been consulted on the 2019 APR, MSG members confirmed that they had been provided sufficient time to provide input to the draft APR before it was agreed and published.		

Outcomes and impact of EITI implementation on natural resource governance (#7.4)					
EITI sub-Requirement	Summary of main findings	Source(s) of information	Summary of stakeholder views	Recommendation on compliance with the EITI provisions	Proposed corrective actions and recommendations
	consulted with their broader constituencies in developing the 2020 work plan and 2019 annual progress report, with sample emails as examples of these consultations.				