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**Note to EITI Secretariat in response to *Validation of Afghanistan - Report on initial data collection and stakeholder consultation.***

From: Integrity Watch Afghanistan (AETI Civil Society MSG member) and Global Witness (AEITI MSG observer member), 30th August 2018.

As AEITI Civil Society MSG and Observer members we welcome the EITI Secretariat’s diligent report and concur with its assessment of progress against requirements in most instances. We note that:

* The report suggests that, at the discretion of the International EITI Board, Afghanistan should be deemed to be making ‘meaningful progress’ overall. It highlights inadequate or marginal progress on a number of requirements that are critical to the integrity of the AEITI process, many of which have been identified in successive reconciliation reports and validations since 2009, and are highlighted again in the current Secretariat assessment. Many of these deficits reflect a lack of progress in fixing reporting and disclosure systems, which has resulted in what the report rightly describes as, “inconsistences in government record-keeping” that “raise questions over the comprehensiveness of government revenues disclosed.” These gaps are in turn undermining the quality and reliability of data disclosed via the AETI. In light of all this, an assessment of ‘meaningful progress’ must be subject to serious scrutiny, and arguably significant scepticism.
* However, the report also identifies areas of progress against other requirements. In this context, we concur with the view that Afghanistan should be deemed to be making ‘meaningful progress’ and should avoid suspension at present. But this can only be on the basis that ‘meaningful progress’ is subject to meaningful corrective actions to remedy the troubling inadequacies that have been identified. We believe that the Secretariat and the Board can benefit the AEITI process by ensuring that it sets out an effective and targeted set of remedial actions that reflect this need.
* We agree that the shortcomings in Government engagement that have resulted in a failure to make satisfactory progress towards the safeguarded requirement 1.1 should be redressed through a Government action plan within 3 months of validation, as suggested by the Secretariat report. Stronger Government engagement must also include honouring commitments made to act urgently to fix reporting systems that underlie the assessment of ‘inadequate progress’ across requirements 2.2, 2.3, 3.2, 3.3, 5.1, 6.1, 6.3 and contribute to weak progress on requirement 4.1.
* AEITI should be reassessed for progress against remedial actions to fix these problems as a matter of urgency – through a second validation to be conducted within **12 months**. This timetable is reasonable given that many of the issues raised by the latest assessment have been highlighted in successive reconciliation and validation reports, that solutions to these issues are within the means of the Government in Kabul and its partners, and that commitments have already been made to address these issues within this timescale through the AEITI work plan. We note that much of the substance of the remedial actions needed is in effect for AEITI and MSG stakeholders – especially the government – to implement the AEITI workplan.
* Corrective actions should specify the need for progress against specific commitments to improve reporting systems, and these should form part the basis for judging ‘improvements’ in the second validation. Without this there is a danger of perpetuating inaction on critical areas while deeming AEITI to be making ‘meaningful progress’. Of particular urgency:
  + In relation to progress against requirement 2.3 (deemed ‘inadequate’), the remedial action should iterate that progress should be made specially against the MSG commitment to ‘publish by September 2018 - comprehensive online extractive resource sector license cadastre that includes information on license holder, coordinates of the license area, date of application, award, and duration of the license, any special conditions related to the license, and, in case of production licenses, the commodity being produced on real-time basis and in Dari, Pashto and English, linked prominently from the front page of the MoMP website’.
  + In relation to progress against requirement 3.2 (deemed ‘inadequate’) the MSG should ensure that future IEITI Reports disclose the production volumes and values for all every extractives commodity produced, including crude oil, natural gas and every mineral produced. Specifically, progress should be made against the MSG commitment that by December 2018 ‘comprehensive data on extractive resource sector production and export data is captured and publicly disclosed in an easily understandable format.’
  + In relation to progress against requirement 4.1 and in relation to progress on 4.9, the remedial action should iterate that progress should be made specifically against the MSG commitment on ‘Implementation of a software system that provides a comprehensive and simple data base for all revenues collected from resource sector SOEs and private sector companies by MoF and MoMP’ and on ensuring that income ‘from non tax revenues are disclosed and publicly available in a comprehensive and easy-to-understand format and apart from the EITI Reconciliation Report.’
  + Additionally, in relation to progress against requirement 4.1, a remedial action should be included to address recommendations in the 4th and 5th AEIT reports to assess revenue streams from small scale mining in order to include material payments from that sector, ahead of future EITI reports. This should include sectors such as emerald and lapis lazuli mining which have been previously flagged by MSG members as having potentially material revenues.
  + In relation to requirements 1.3 and 7.3, remedial actions should specify that relevant stakeholders should respond before the next validation report to concerns and questions raised by MSG members in relation to the previous reconciliation reports.
* Separately, we note with some concern that the government appears to be on track to remove language requiring companies to comply with EITI from the Minerals Law. At a minimum the EITI assessment should also note this under Requirement 2.1, given its impact on the legal framework for AEITI.
* The validation report should reference progress on natural resource governance policy through the Government’s 2017 national anti-corruption strategy. This includes highly relevant commitments, notably on the creation of a public register of beneficial ownership, publication of extractives contracts as a condition of validity, and creation of a single, published account for extractive sector revenues. At a minimum, the validation report should strongly encourage the Government to implement these commitments.

With thanks,

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