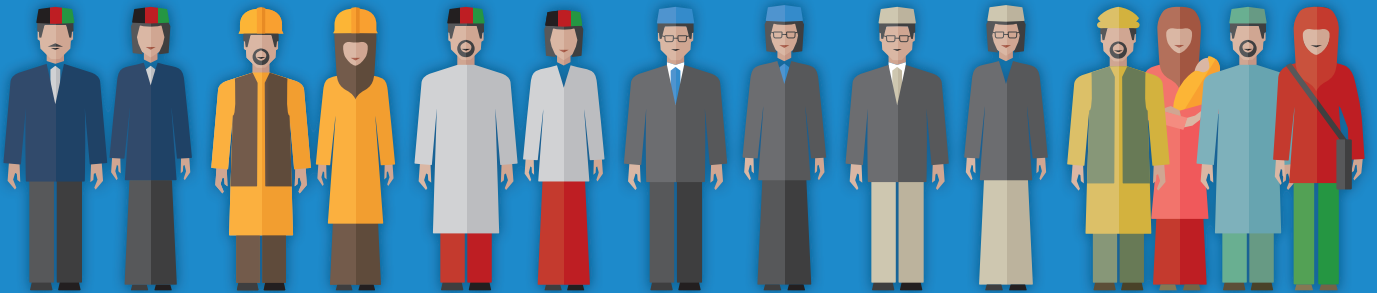


4th Afghanistan Extractive Industries Reconciliation Report



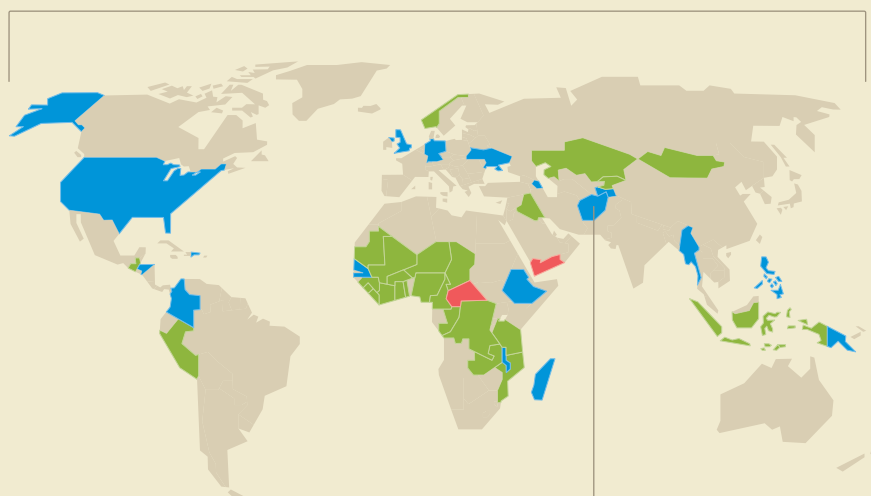
The Extractive Industries Transparency Initiative (EITI)

The mining sector in Afghanistan has the potential to generate major government revenue for the country and is recognised as a valuable source to develop the national economy.

Implementing the EITI Standard will ensure transparency and bring significant benefits to public financial management, improve the investment environment and manage the potential risk of conflict due to dissatisfaction over sharing the wealth between the Government and resource owners. Afghanistan's natural resources should benefit all Afghans through tax revenue, infrastructure development and employment.

In countries implementing the EITI standard, companies are required to publish what they pay to governments and governments are required to publish what they receive from companies. These figures are then reconciled by an independent administrator. The process is overseen by a multi-stakeholder group in each country.

EITI

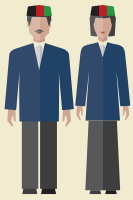


AEITI Afghanistan
Extractive
Industries
Transparency
Initiative
د افغانستان د استخراجي صنایعو د شفافیت نوبت

All facts and figures in this publication were collected and displayed to the best of the publisher's knowledge and are extracted from the 4th Reconciliation Report published February 2016. Further sources were the Afghan Mineral Laws 2014, the Afghan-Tajik Phase I Tender Interim Report (August 26, 2014), the Afghanistan Economic Update (Worldbank, April 2013), Afghanistan's Fiscal Reports 2012/2013 and USGS 2013 Minerals Yearbook (May 2015).

All monetary values displayed in this report are Afghan Afghani (AFN): 2012 1 USD = 50,92 AFN; 2013 1 USD = 55,38 AFN

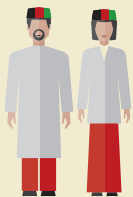
Legend



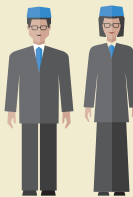
Afghanistan Government



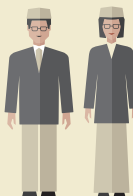
Afghanistan's Mining Industry
(private sector)



Afghanistan Civil Society
Non-governmental organisations and
institutions – represent interests
and will of Afghanistan's citizens



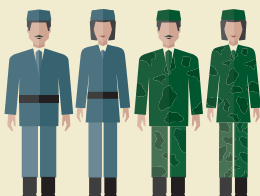
AEITI
Providing technical and administrative support
to apply and implement the MSG's decisions



Independent consultants
Contracted through the MSG
Reconcile the financial flows reported by
the government and mining industry



Afghanistan citizens



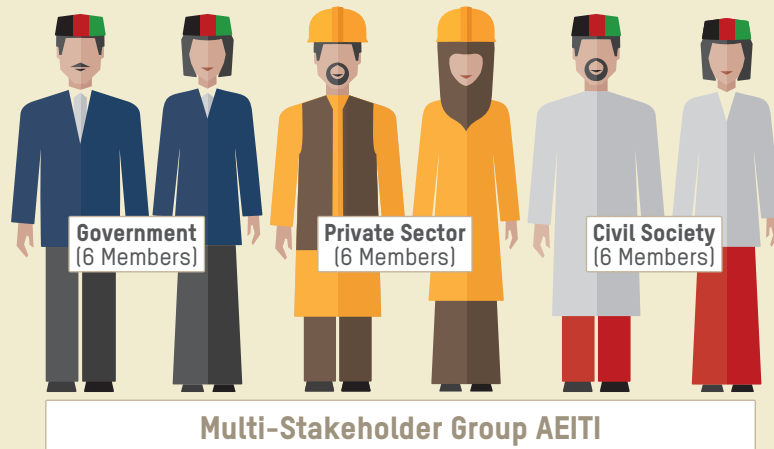
Police & Military



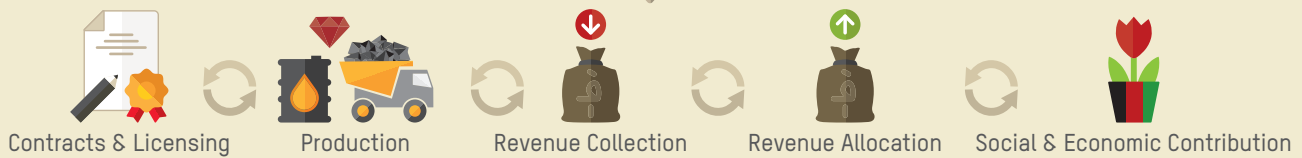
Foreign Investors

Representatives from each group (comprising of 12 government members, 10 representatives from the private sector and 12 members of civil society) establish the Multi Stake Holder Group (MSG). They develop the the Country Workplan, and oversee the EITI implementation.

The Afghanistan Extractive Industries Transparency Initiative (AEITI)



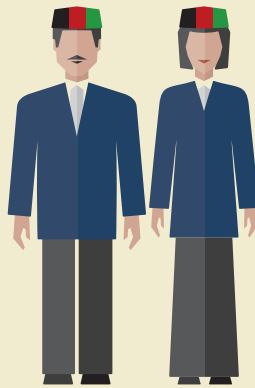
Government discloses what was received from the companies



The Report is published to the public



Transparency



Better Governance



Inhibits corruption Ensures transparency



Increasing Revenue for the Afghan State



Education Health Roads
Improved Infrastructure



Better Investment Climate



Afghanistan's Mining Potential

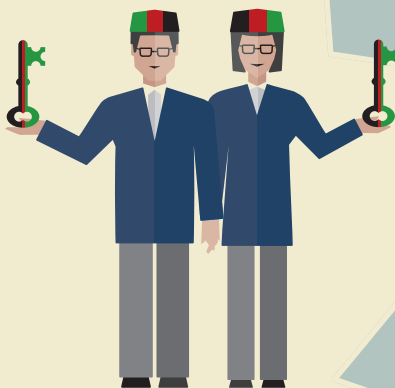
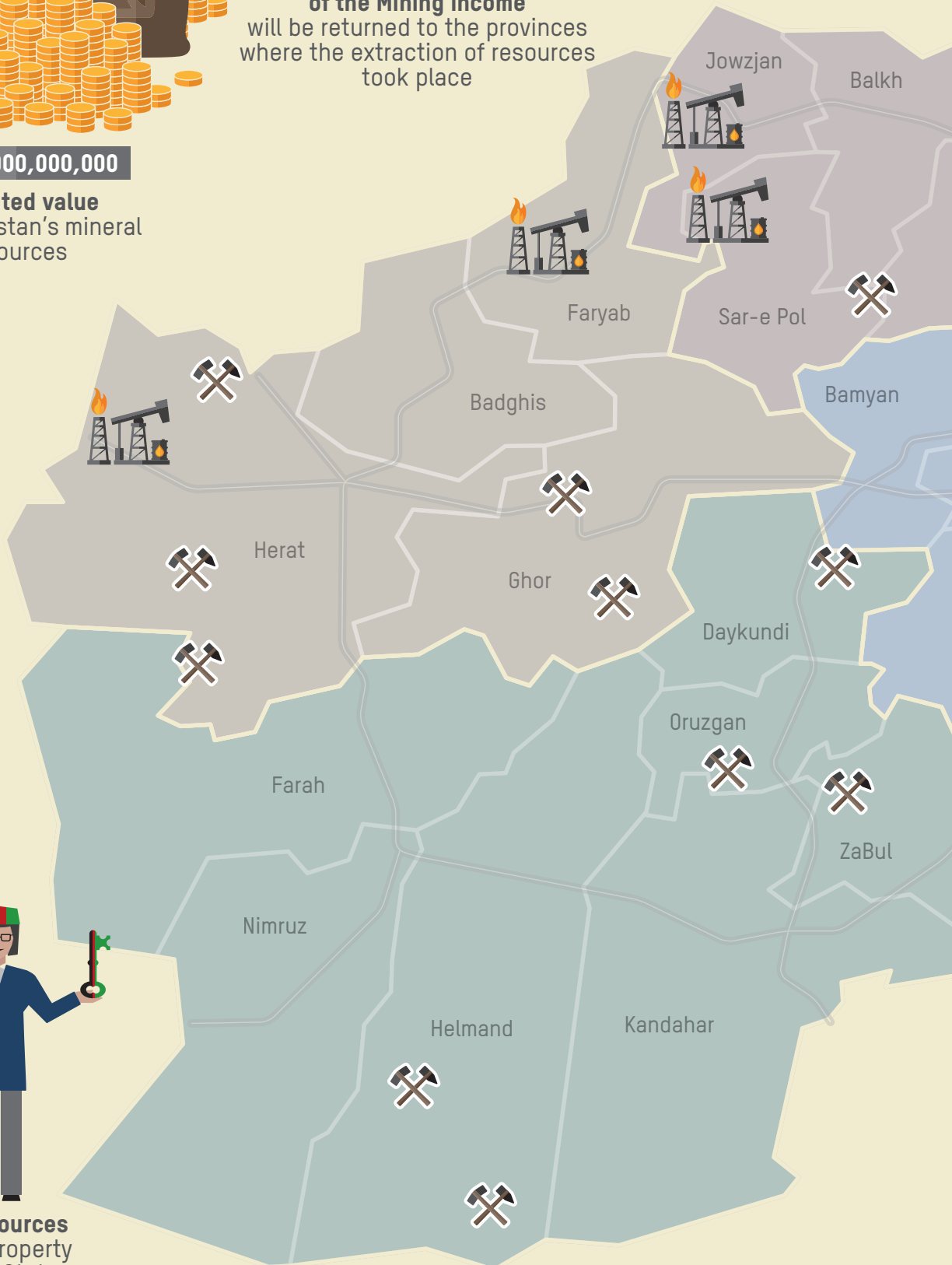


67,000,000,000,000

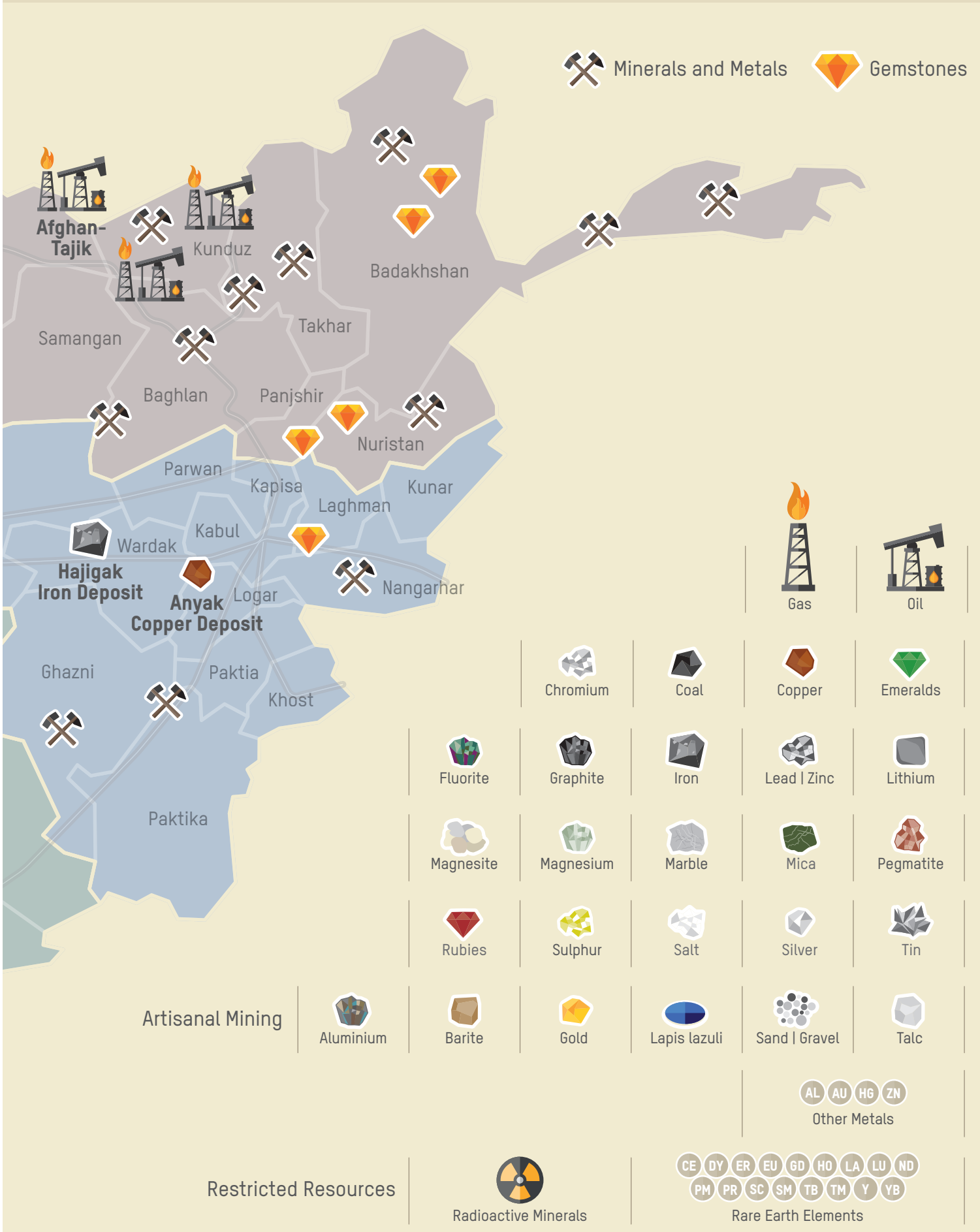
Estimated value
of Afghanistan's mineral
resources

5%

of the Mining income
will be returned to the provinces
where the extraction of resources
took place



All natural Resources
are exclusive property
of the Afghan State



Production and Core Statements



Cement
metric tons

2012	2013
37,000	40,000

+8 %



Chromite
metric tons

2012	2013
6,000	6,000

+0 %



Coal
metric tons

2012	2013
780,000	936,000

+20 %



Gas
million cbm

2012	2013
150	160

+6.7 %



Gypsum
metric tons

2012	2013
57,000	57,000

+/- 0 %



Marble
metric tons

2012	2013
45,000	67,000

+49 %



Nitrogen
metric tons

2012	2013
50,000	76,000

+52 %



Petroleum
42-gallon barrels

2012	2013
80,000	68,000

-18 %



Salt rock
metric tons

2012	2013
147,000	148,000

+0.7 %



24

Major operating mining companies



302

Signed and active mining contracts



267

Different individual contractors



73

Different mines, deposits, occurrences & showings



9 / 42

Coal fields / known deposits

Financial Flows in the Mining Sector

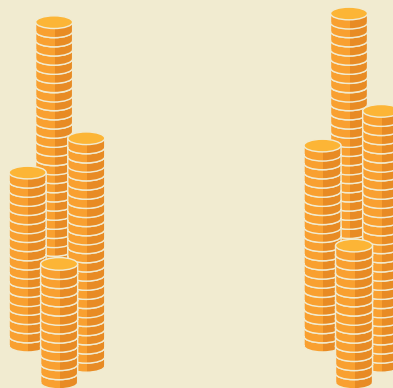


Gross Domestic Product (GDP)
2012 2013

1,045,744,040,000 **1,110,147,480,000**

Mining Sector's Contribution to GDP at Market Price

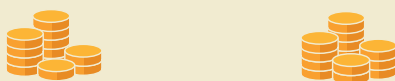
2012 2013



10,082,160,000 **10,134,540,000**

Ministry of Mines and Petroleum Profit from SOEs

2012 2013



1,859,598,400 **1,905,072,000**

Ministry of Mines and Petroleum Revenue from oil Transit

2012 2013

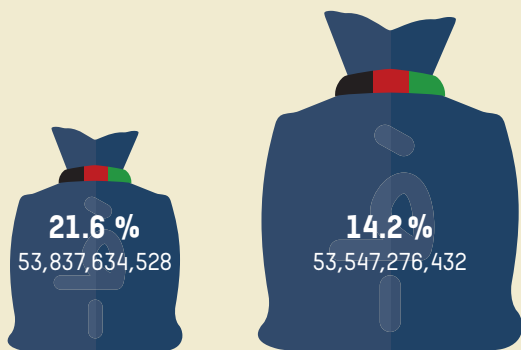


2,036,800,000 **3,322,800,000**

Total Budget Allocation

to Developing Infrastructure & Natural Resources

2012 2013

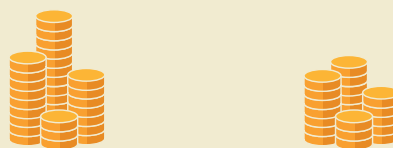


249,248,308,000 **377,093,496,000**

Total national Budget

Total budget for Ministry of Mines

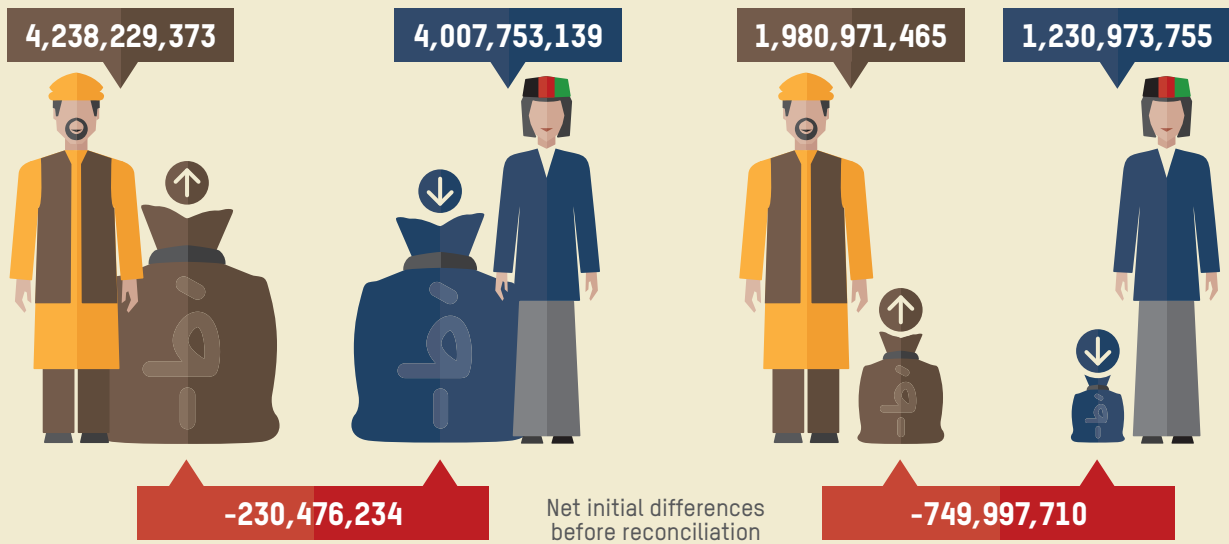
2012 2013



3,813,398,800 **2,486,562,000**

Financial Flows before and after Reconciliation

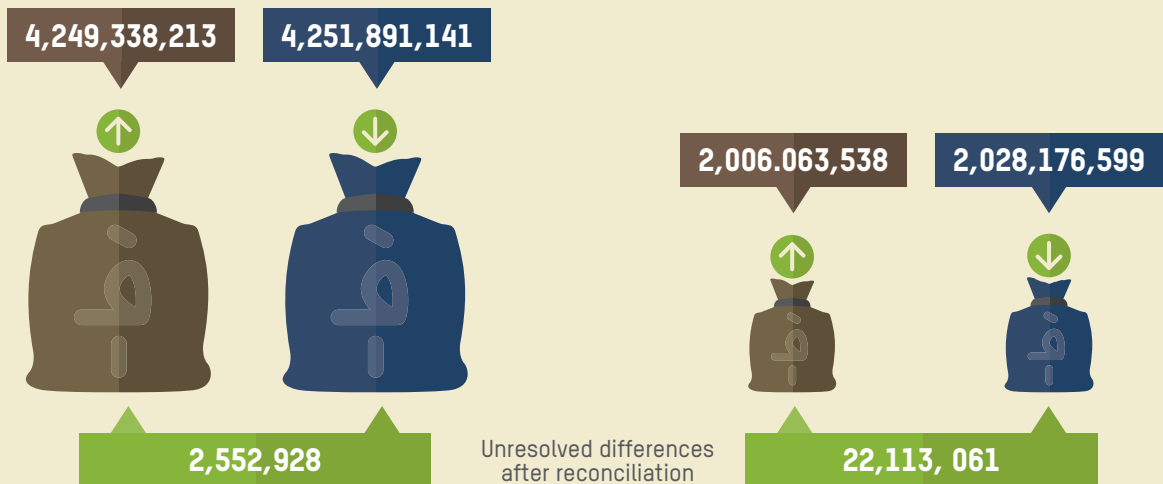
Initially Reported



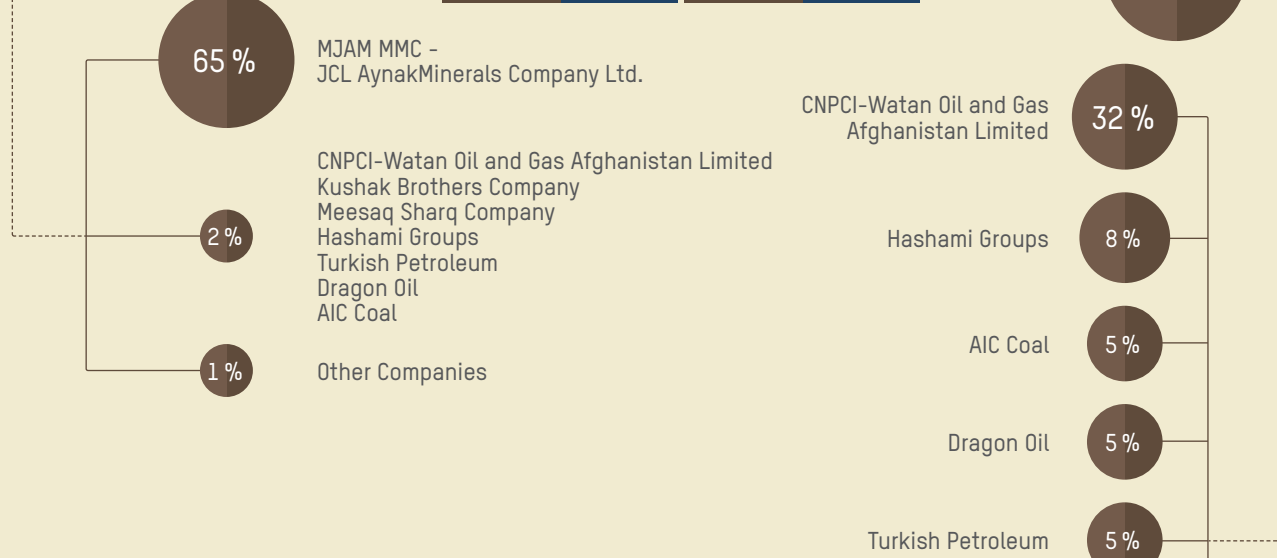
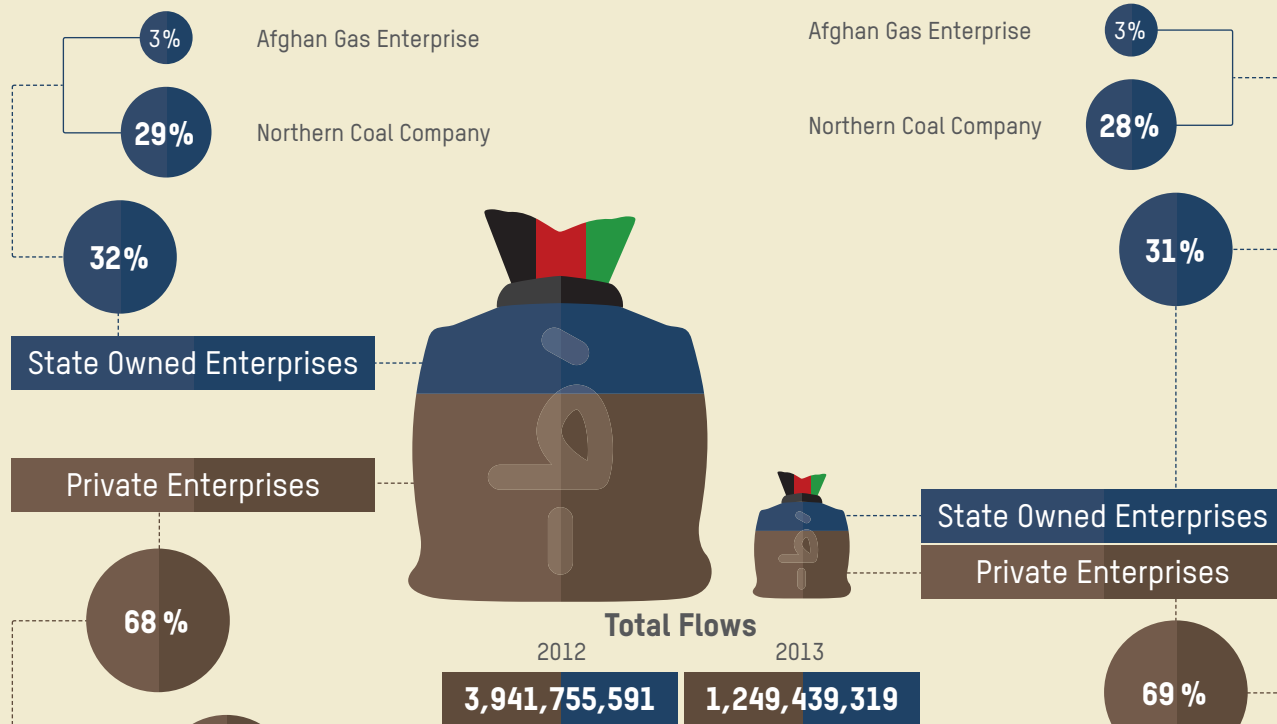
Adjustments



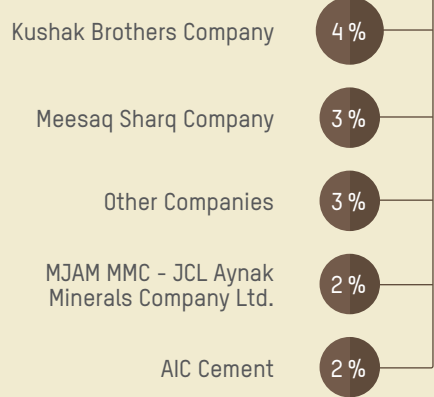
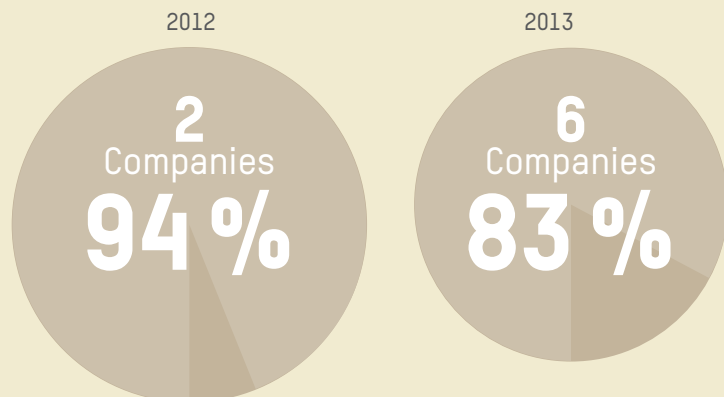
After Reconciliation



Flows to Ministry of Mines and Ministry of Finance



Where Did the Revenue Come From?



The Licencing Process

Bidders and Applicants



State Owned Enterprises (SOE)



Private Enterprises



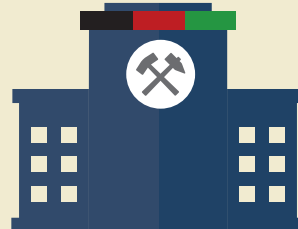
Individuals

Ministry of Mines

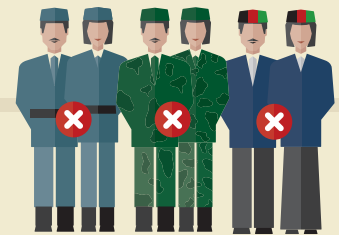
Submit
Expression of interest
Bids
Applications



Awards and cancels contracts and Licences
Reconnaissance Licences
Small-Scale Mining
Artisanal Mining



Beneficial Ownership
is prohibited for members of government,
police & military, elected politicians
& civil servants



The Inter-Ministerial Commission (IMC)



Awards and cancels contracts and Licences
Exploration - Exploitation
Mineral Development



Evaluation
Applications, bidders and licences



Requirements and Duties



All bidders have equal rights



Legal age to form a binding contract



Expertise for implementation of licence terms & conditions



Hold an investment licence



Pay taxes, customs duties, fees & royalties



Present balance sheets in accordance to IAS



Command of capital, machinery and equipment

Requirements and Duties



Announces tenders



Concludes and proposes contracts for endorsement



Monitors and regulates all mineral activities and develops policies



Proposes further regulations



Collects royalties
Determines terms, fees and surface rentals



Provides database of mining contracts and other information to the public



Undertakes geological research

Requirements and Duties



Endorses the rates of the Royalty



Monitors the bidding process



Approves of the Artisanal Mining Licence procedures



Establishes guidelines on environmental protection and community development



Ensures coordination among Government institutions



Minister for Mines and Industries



National Security Advisor



Minister of Finance



Minister of Economy



Minister of Commerce



National Standard Agency



National Agency for Environmental Protection



Minister of Foreign Affairs

Licence Types in the Afghan Mining Industry

Reconnaissance Licence



Record images · Geophysical measurements · Remove samples



Duration



Area

Activities

Licence

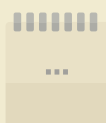
Exploration Licence



Collect remove and export samples · Conduct geochemical and geophysical survey
Install equipment and machinery · Erect temporary buildings · Construct roads



YEARS



125 SQKM



10

Maximum number of licences

Activities

Licence

Exploitation Licence



Install and set up buildings, equipment and machinery for mining, storage, transporting, and processing
Construct infrastructure and plants · Conduct further exploration · Remove rock, soil and minerals



YEARS



50 SQKM



10

Activities

Licence

Small-Scale Mining Licence



Install and set up buildings, equipment and machinery for mining, storage, transporting, and processing
Remove rock, soil and minerals



Activities

Licence

Artisanal Mining



Install equipment and ordinary machinery · Set up buildings and build roads
Process the minerals extracted · Remove rock, soil and minerals from the land



Activities

Licence

Quarry and Construction Materials Authorisation



Install equipment and ordinary machinery · Erect buildings
Process the Minerals extracted



Activities

Licence

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Data Basis

Inception Report and Fourth Reconciliation Report
Hart Group · United Kingdom · www.hart-group.com
www.hart-group-eiti.co.uk

Design, Concept & Infographics

WEBERSUPIRAN, Heike Kreye · Germany · www.webersupiran.berlin



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